Official exchange KZT/US$ rate on 1 April 2011 – 145.70

Summary

- The Chairman of the National Bank projects that the KZT/USD exchange rate will not fall below 140 KZT per 1USD in 2011
- The Government might exit the capital of commercial banks within 2-3 years

News on Kazkommertsbank

- **20 April**. Kazkommertsbank and IBM announced the launch of a new data-center, which is based on IBM Power Systems. The new computing system is the first of three remote for more than 1200 km data-centers, which will be combined into a disaster recovery solution. Creation of such information infrastructure will allow the bank to provide services to its customers around the clock in all time zones without delay in time. "The development of our own data-centers' network is a part of a coherent strategy aimed at achieving technological leadership in the banking sector of Kazakhstan - said Ms. Nina Zhussupova, CEO of Kazkommertsbank. Operating efficiency remains one of our strategic priorities, hence we chose IBM Power Systems platform that can support a substantial increase in workloads on the core banking system ensuring low costs of IT infrastructure". Implementation of this project worth US$ 10 million will provide Kazkommertsbank with a disaster-proof energy-efficient IT infrastructure that can support further business growth, as well as use of analytical tools that require processing huge amounts of data.
- **5 April.** Kazkommertsbank was awarded a diploma of KASE "For striving for transparency" among the listed companies of the financial sector. Each year KASE awards the best listed companies, which demonstrated the best examples of business attitude on stock exchange, including disclosure of information on the company and its business activities.

Kazakh Banking Sector Developments

P&L

The net loss of Kazakhstan's commercial banks in March 2011 was US$2.5 million.

Kazakh commercial banks' aggregate earnings amounted to US$ 6,294 million. The aggregate expenses of the banking system (including corporate tax) were US$ 6,297 million, the majority of which were provision charges, which constituted a 34% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital amounted to US$ 8,862 million as of 1 April 2011 (US$ 8,931 million as of 1 March 2011).

ASSETS

Aggregate bank assets stood at US$ 84,834 million (an increase of 2.0% MoM or US$ 1,671 million). The increase was due to growth in precious metals (+94%), securities held to maturity (+44%), correspondent accounts (+17%) and reverse repurchase operations (+5%).

The share of loans to customers remained decrease slightly to 50% from 50.4% as at 1 March 2011. The share of the securities portfolio remained at 17.5%. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased to 7.9% from 7.2% due to slight increase in precious metals and correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 3.7% from 4.0% and the share of inter-bank loans and deposits decreased from 3.4% to 2.6%.

According to the FSA, loans that were at least 90 days overdue remained increased to 25.3% from 24.7% as at 1 March 2011. Also, the loan loss provisioning rate stayed at 31.1% in March 2011.

LIABILITIES

Aggregate bank liabilities increased to US$ 75,971 million from US$74,231 in February 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 59.2% of the total liabilities. There were no major changes in other liabilities.

Customer accounts increased by 4.1% or US$ 1,982 million to US$ 50,233 million, due to a increase in retail deposits by 1.2%. A major inflow of total deposits was seen in Halyk, Kaspi and KKB (4.6%, 3.3% and 3.2%, respectively), while a major outflow was seen in Eurasian and Alliance (4.9% and 0.3%, respectively).

The sector's net loans-to-deposits ratio decreased from 86.9% in February 2011 to 84.2% in March 2011.

Major events in the banking sector

- **22 April**. BTA Bank became the only shareholder of the UlarUmit pension fund and Zhetysu asset management company. The Bank acquired 11,011 common shares of UlarUmit and 24,908 common shares of Zhetysu from CATEC-Invest JSC. As it was announced earlier, the Bank plans to merge its pension assets. UlarUmit will takeover the assets of BTA Kazakhstan pension fund and Zhetysu AM. As a result of reorganization the market share of UlarUmit pension fund is projected to increase up to 20%, and the fund will become the second largest by pension assets with a customer base of more than 1.9 million clients.
- **21 April**. The European Bank for Reconstruction and Development (EBRD) signed a US$20 million trade finance facility with VTB Bank Kazakhstan.
- **13 April**. Nurlan Kussainov was appointed as a CEO of the Development Bank of Kazakhstan. Mr. Kussainov had previously worked as a first deputy CEO of the DBK and supervised investment activities of the Bank, analytical expertise, loan recovery assessment and credit administration.
- **13 April**. The President of Kazakhstan abolished the Agency on Financial Supervision and Regulation of Financial Market and Financial Institutions (the FMSA) and the Agency on Regulation of Almaty City Regional Financial Center, and passed their functions to the National Bank. Following the President's Decree, Ms. Bakhmutova (former head of the FMSA) has moved to the NWF Samruk-Kazyna to head newly created asset management company to manage portfolio stakes of Samruk-Kazyna in the three restructured banks.
- **12 April**. The Eurasian Bank plans to increase its loan book by 25-30% in 2011. The Bank expects to increase its market share in total assets from 3% to 5% within the next two years.
- **7 April**. On 30 March 2011, Halyk Bank exercised its part of a call option in respect of the Bank's common shares which was transferred to the Bank by Holding Group Almex, its largest shareholder. As a result, the Bank repurchased 213,000,000 shares of its common shares from JNational Wealth Fund "Samruk-Kazyna" at a price of KZT 126.8 per common share. In addition, 46,064,909 common shares of Halyk Bank were purchased by Almex.
- **6 April**. The Government might exit the capital of commercial banks within 2-3 years. The NWF Samruk-Kazyna has prepared proposal on the possible exit, namely from BTA, Alliance and Temirbank, commented Mr. Kelimbetov.
- **30 March**. The National Bank of Kazakhstan might increase its reserve requirements following the increase in refinancing rate by 0.5% (to 7.5%).

Major developments in Kazakhstan's economy:

INFLATION

In March 2011, inflation in Kazakhstan was 0.5%. The prices of food products increased by 0.9%, while both non-food products and paid services saw a rise of 0.2%. Annual inflation (March 2011 to March 2010) was 8.6%, and the prices for food products increased by 12.6%, for non-food products by 5.3%, and for paid services by 6.7%.

INDUSTRIAL PRODUCTION

The volume of industrial production in March 2011 compared to February 2010 increased by 6.0%. The real volume index was 105.0% in the mining industry and 108.0% in the processing industry.

UNEMPLOYMENT

The unemployment rate in March 2011 was 5.5%. The number of unemployed people in March 2011 was 472,600. The number of unemployed people registered with authorised employment bodies in March 2011 was 0.6% of the economically active population. The hidden unemployment rate in March 2011 was 0.5% of the economically active population.

INTERNATIONAL RESERVES

In March 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 4.0%, to US$68.4 billion. The assets of the National Fund increased by 2.6% in March 2011 to US$33.8 billion. The net international reserves of the National Bank based on current prices increased by 5.3% to US$34.6 billion. The net currency reserves in March 2011 increased by 5.8% to US$32.1 billion, while assets held in gold decreased by 0.8% to US$3.1 billion.

MONEY SUPPLY

The money supply in March 2011 increased to KZT 8,923 billion. The amount of currency in circulation decreased by 0.5% to KZT 1,097 billion. The reserve money in March 2011 increased by 6.8% to KZT 2,810 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 9.7% in March 2011 to KZT 2,351 billion.

News on Kazakhstan's economy:

- **17 April**. The President of Kazakhstan set a task to increase GDP per capita to not less than US$15,000 till 2016, which envisages economic growth of 7% per annum. The President mentioned that this task can be solved through three priorities: attraction of investments, introduction of innovations and increased efficiency of state and public institutions.
- **11 April**. The number of registered real estate transactions increased by 6.6% in the 1Q11 to 29,663 compared to 1Q10.
- **8 April**. The share of SME in GDP of Kazakhstan will increase to not less than 40% till 2020, said the President Nazarbayev.
- **8 April**. The deputies of Mazhilis approved Mr. Karim Massimov as a Prime-Minister of Kazakhstan.
- **5 April**. The Central Election Committee named Mr. Nursultan Nazarbayev as a President of Kazakhstan following the President elections on 3 April.
- **31 March**. The Chairman of the National Bank projects that the KZT/USD exchange rate will not fall below 140 KZT per 1USD in 2011. The local currency strengthened by 1.1% in 2011. The NBK has purchased US$1.8 billion in January, US$2.7 billion in February, and around US$1 billion in March to slowdown the strengthening of tenge. The NBK plans to introduce new strategy for formation of gold and currency reserves, where the USD will have lower share.
- **25 March**. The Vice-Minister of Economic Development and Trade has reported that since the launch of the Roadmap-2020 programme 344 SME loans were approved for subsidizing totaling KZT150 billion. Of them, 223 projects totaling KZT24.6 billion were approved under the first direction of the programme – creation of new productions, enlargement and modernization of existing enterprises. 85 projects totaling KZT71.4 billion were approved under the second direction, recovery of entrepreneurship. 36 projects totaling KZT53.3 billion were approved under the third direction of the programme, support to export-oriented enterprises.

Annex 1

Kazakhstan's key macroeconomic indicators

	2005	2006	2007	2008	2009	Mar 10
Domestic economy and financial system						
Real GDP growth, %	109.7	110.7	108.9	103.2	101.2	107.1**
GDP, US$ million	**58 392**	**76 355**	**106 816**	**131 713**	**107 197**	**145 854***
Production, % YoY	104.6	107	104.5	102.1	101.7	106.0
Unemployment rate, %	8.1	7.8	7.3	6.6	6.5	5.5
CPI, %	107.7	108.4	118.8	109.5	106.2	108.6
Monetary supply M3, US$ million	15 887	27 492	38 486	51 894	49 754	61 248
Monetary base (reserve money), US$ million	5 100	11 223	12 171	12 629	16 510	19 288
Real exchange rate	130.00	133.77	120.30	120.77	148.46	145.70
Official refinancing rate, %*	8.0	9.0	11.0	9.5	7.0	7.5
State finance						
State budget balance, % of GDP	0.6	0.5	-1.7	-2.1	-3.1	-2.5
Sovereign foreign debt, % of GDP	3.7	4.1	2.0	1.6	2.5	2.8
Sovereign foreign debt / State budget income, %	13.5	17.9	8.7	6.5	11.4	13.9
Sovereign foreign debt, US$ million	2 175	3 125	2 099	2 167	2 218	4 061
Balance of payments						
Current account balance, US$ million	-1 056	-1 999	-8 226	6 978	-3 408	4 936*
Current account balance, % of GDP	-1.8	-2.6	-7.7	5.3	- 2.6	3.4*
Capital and finance account balance, US$ million	912	16 201	8 366	1 219	5 554	-200.8*
Capital and finance account balance, % of GDP	1.6	21.2	7.8	0.9	5.2	-0.1*
Imports, US$ million	17 979	24 120	33 260	38 452	28 672	30 710*
Exports, US$ million	28 301	38 762	48 351	71 971	43 886	59 725*
Foreign assets and liabilities						
Gross foreign debt, US$ million	43 429	74 014	96 914	107 713	113 229	112 767*
Gross foreign debt, % of GDP	76.0	91.4	92.4	81.3	98.6	81.7*
National Bank's Net International Reserves, US$ thousands	7 069	19 127	17 629	19 872	23 218	34 643
National Fund	8 074	14 092	21 006	27 486	24 368	33 773
National Fund and international reserves	15 143	33 219	38 635	47 358	47 586	68 416

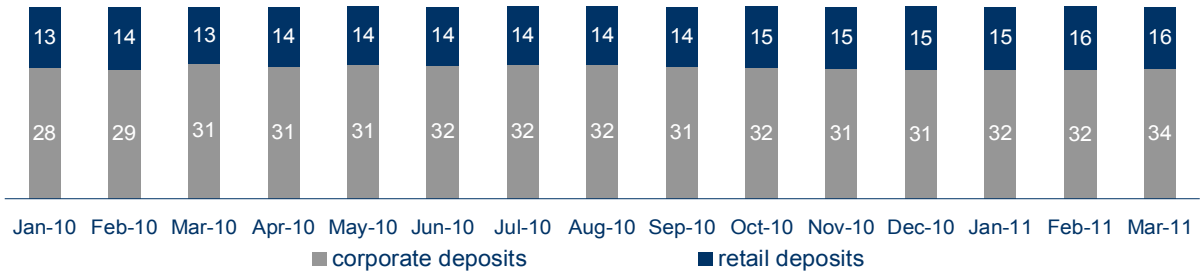
*as at 31 December 2010
** short-term economic indicator, which is based on changes in production indices of basic sectors: agriculture, industry, construction, trade, transport and communication, representing 67-68% of GDP.

Annex 2

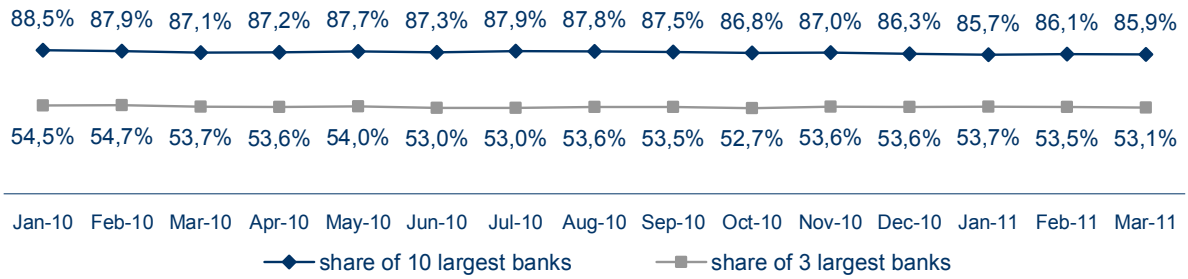
Banking sector indicators

	2005	2006	2007	2008	2009	Mar 2010
Commercial banks (number)	34	33	35	37	38	39
Bank branches (number)	1 730	1 813	2 381	2 546	2 299	2 256
Major indicators of the banking sector, US$ million						
Assets	**33 701**	**69 859**	**97 129**	**98 432**	**77 837**	**84 834**
Capital	3 297	6 854	11 846	12 026	-6 601	8 862
Loans	**22 869**	**47 181**	**73 718**	**76 534**	**64 926**	**62 643**
Provisions for loans	1 276	2 342	4 337	8 491	24 458	19 472
- % of total loans	*5.6*	*5.0*	*5.9*	*11.1*	*37.7*	*31.1*
Deposits	**12 471**	**24 979**	**32 451**	**38 084**	**40 441**	**50 233**
Net profit	**538**	**801**	**1 806**	**89**	**-19 225**	**- 3**
Profitability ratios, %						
NIM	3.7	3.3	5.2	5.8	3.1	2.5
RoAA	1.6	1.1	1.9	0.1	11.9	12.3
RoAE	16.3	11.7	15.3	0.7	-	-
Banking sector and the economy, %						
Assets / GDP	60.6	87.5	90.9	74.6	68.0	62.3
Loans / GDP	41.1	59.1	69.0	58.0	56.7	47.1
Deposits / GDP	22.4	31.3	30.4	28.9	37.1	36.1

Trends in the deposit base, US$ billion



Concentration of banking system assets

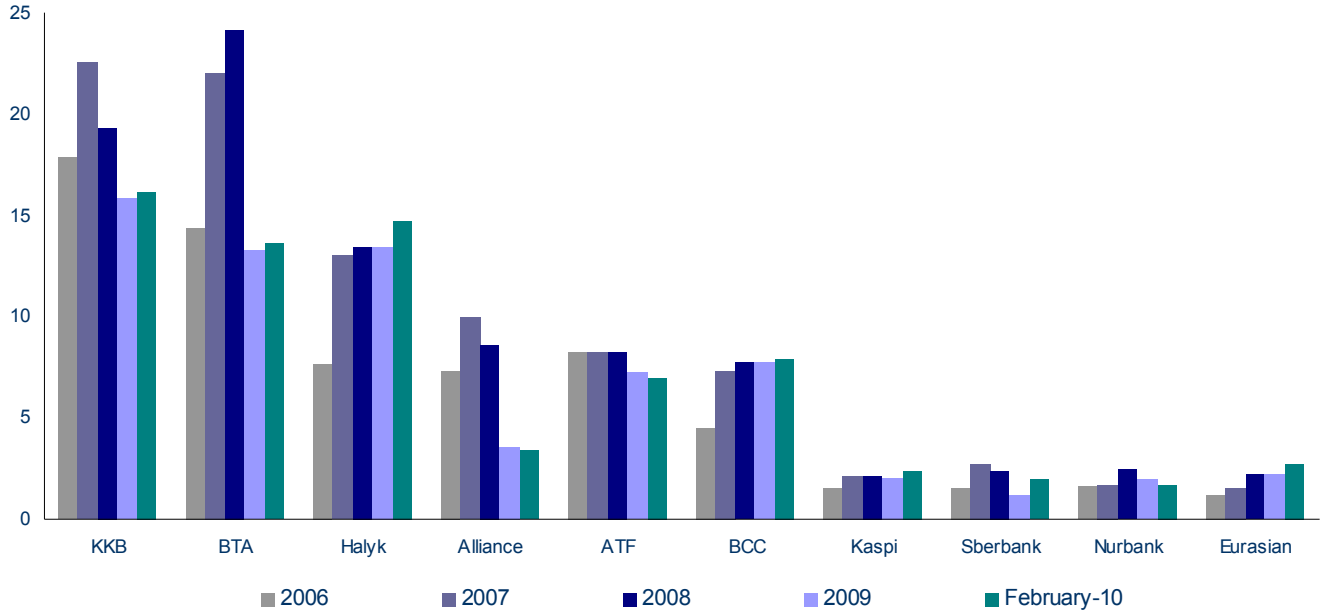


Annex 3

Major indicators of the largest Kazakh banks as at 1 April 2011

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US$ mln	Mar/ Feb	US$ mln	Mar/ Feb	US$ mln	Mar/ Feb	US$ mln	Mar/ Feb	US$ mln	Mar/ Feb	US$ mln	% of total loans	% of total loans
KKB	**16 560**	**2,1%**	**1 940**	**0,7%**	**15 740**	**-0,5%**	**9 810**	**3,2%**	**3 207**	**1,0%**	**2**	**32,2%**	**23.5%**
Halyk	14 848	0,5%	1 638	-12,5%	8 354	0,3%	10 556	4,6%	3 516	2,2%	51	24,2%	16.5%
BTA	13 656	0,4%	1 251	3,0%	11 264	-0,1%	4 866	2,9%	1 885	2,7%	6	55,3%	39.2%
BCC	8 043	1,7%	537	1,8%	5 132	0,6%	5 324	1,1%	2 275	-1,2%	3	14,9%	9.0%
ATF	6 910	-1,3%	337	4,9%	5 882	0,7%	3 505	-0,1%	901	-2,5%	-103	16,8%	32.2%
Alliance	3 487	1,2%	218	4,7%	3 826	0,8%	1 458	-0,3%	559	3,4%	-11	56,6%	63.9%
Eurasian	2 466	-10,3%	185	2,7%	1 661	1,6%	1 566	-4,9%	546	-0,5%	8	9,7%	8.1%
Kaspi	2 394	0,2%	251	0,9%	2 016	0,7%	1 742	3,3%	1 114	1,4%	5	15,6%	11.1%
Sberbank	2 334	17,1%	291	3,5%	1 351	4,5%	1 802	22,2%	252	1,6%	7	7,0%	4.0%
Citibank	2 168	24,6%	158	3,1%	233	-11,1%	1 880	23,8%	23	-6,0%	7	1,4%	-
Top 10	**72 867**	**1,5%**	**6 806**	**-1,84%**	**55 461**	**0,2%**	**42 507**	**3,9%**	**14 278**	**1,0%**	**-25**	**32,1%**	**26.5%**
Other banks	11 967	3,9%	2 057	1,91%	7 183	2,8%	7 176	3,7%	1 719	2,6%	23	23,2%	15.6%
Total	**84 834**	**1,8%**	**8 862**	**-0,99%**	**62 643**	**0,5%**	**49 684**	**3,9%**	**15 997**	**1,2%**	**-2**	**31,1%**	**25.3%**

Trends in major banks' assets, US$ billion



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