

Official exchange KZT/US\$ rate on 1 December 2012 – 150.52

## Summary

### Economy

- Inflation in 2012 was 6%, according the Agency of Statistics
- The National Bank will concentrate on keeping the annual inflation in the range of 6-8% during 2013

### Banking sector

- KKB obtained a permission to set up 2 distressed assets managing subsidiaries
- 2nd restructuring of BTA's financial liabilities is completed.

## Kazakh Banking Sector Developments

### P&L

The net loss after tax of Kazakhstan's commercial banks in November 2012 amounted to US\$ 5,661 million, a decrease from US\$ 5,761 million last month, due to faster growth in earnings than in expenses, primarily due to increase in provisions recoveries.

Kazakh commercial banks' aggregate earnings amounted to US\$ 25,330 million up from US\$22,981 in October 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 30,992 million, the majority of which were provision charges and negative revaluations, which constituted 39.0% and 18.5% of total expenses, respectively.

### CAPITAL

The Kazakh banking sector's aggregate capital increased to US\$ 3,278 million as of 1 December 2012 from US\$ 3,175 million as of 1 November 2012, mainly due to increase in charter capital.

### ASSETS

Aggregate bank assets stood at US\$ 91,077 million, compared to US\$ 90,986 million last month.

The share of net loans to customers decreased to 54.7%. The share of the securities portfolio decreased to 12.9%. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased from 11.3% to 10.8% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 0.3% in November and the share of inter-bank loans and deposits decreased to 4.5%.

According to the FSA, loans that were at least 90 days overdue decreased from 30.5% in October to 29.6% as at 1 December 2012. The loan loss provisioning rate decreased from 35.6% to 35.2% in November 2012.

### LIABILITIES

Aggregate bank liabilities increased to US\$ 87,799 million from US\$ 87,810 million in October 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 65.0% of the total liabilities, compared to 65.3% in October 2012.

Customer accounts decreased by 0.5% or US\$ 303 million to US\$ 57,026 million, due to the decrease in corporate deposits.

An outflow of total deposits among top 10 banks was seen only in ATF (-19.2%) and BCC (-3.8%), while a major inflow of deposits was seen in Eurasian (+10.2%), Tsesna (+5.8%), and KKB (+3.7%).

The sector's net loans-to-deposits ratio increased from 85.4% in October 2012 to 87.3% in November 2012.

**Major events in the banking sector**

- **3 January.** The National Bank granted a permission to Kazkommertsbank to set up 2 subsidiaries «KUSA KKB-1» Ltd. and «KUSA KKB-2» Ltd to manage the Bank's distressed assets.
- **28 December.** 2<sup>nd</sup> restructuring of BTA's financial liabilities is completed. The liabilities are decreased from US\$ 11.1 to US\$ 3.3 billion.
- **28 December.** Eurasian Development Bank placed 6.25% notes for the total amount of KZT 9.9 billion on Kazakhstan Stock Exchange (KASE).
- **27 December.** The activity on merger of Alliance Bank and Temir Bank will start in the beginning of 2013, thinks Deputy Chairman of Samruk-Kazyna Fund - Ms. Elena Bakhmutova.
- **5 December.** It may take 2-3 years to complete workouts of Kazakh Banks' problem assets, believes Chairman of the National Bank – Mr. Grigoriy Marchenko.

## Major developments in Kazakhstan's economy

### INFLATION

In November 2012, inflation in Kazakhstan was 0.7%. The prices of food products and for non-food products increased by 0.7% and 0.4%, respectively, while the prices for paid services increased by 1.1%. Annual inflation (November 2012 to November 2011) was 5.3%, and the prices for food products increased by 4.5%, for non-food products by 3.2%, and for paid services by 8.7%.

### INDUSTRIAL PRODUCTION

The growth of volume of industrial production in January-November 2012 compared to same period 2011 was 0.4%.

### UNEMPLOYMENT

The unemployment rate in November 2012 was 5.3%. The number of unemployed people in November 2012 was 471,600. The number of unemployed people registered with authorised employment bodies in November 2012 was 0.6% of the economically active population. The concealed unemployment rate in November 2012 was 0.4% of the economically active population.

### INTERNATIONAL RESERVES

In November 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 1.4%, to US\$86.6 billion. The assets of the National Fund increased by 1.1% in November 2012 to US\$57.5 billion. The net international reserves of the National Bank based on current prices increased by 2.0% to US\$29.1 billion. The net currency reserves in November 2012 increased by 1.9% to US\$23.3 billion, while assets held in gold increased by 2.2% to US\$6.3 billion.

### MONEY SUPPLY

The money supply in November 2012 decreased by 2.1% to KZT 10,465 billion. The amount of currency in circulation decreased by 2% to KZT 1,380 billion. The reserve money in November 2012 decreased by 5.2% to KZT 2,686 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 4.4% to KZT 2,646 billion.

### GDP

Real GDP growth rate was 105.2% for January-September 2012. Production of goods amounted for 42.0% of GDP, while services were 51.3%.

**News on Kazakhstan's economy:**

- **4 January.** The pension payments are increased by 9% as at 1 January 2013 in Kazakhstan.
- **3 January.** Inflation in 2012 was 6%, according the Agency of Statistics.
- **24 December.** In January-November 2012 5.7 million sq.meters of residential property was completed, 5.8% more than in the same period last year.
- **21 December.** 193 projects were approved during 2012 in the framework of “Business Road Map” programme, and the loans for the total amount of KZT83.9 billion were subsidized.
- **12 December.** The Parliament approved the amendments to the “Law on changes and amendments to several legislative acts on taxation issues”. The amendments were proposed by the Senate, including the prolongation of the period when the banks can write-off the reserves on bad debt.
- **5 December.** The National Bank will concentrate on keeping the annual inflation in the range of 6-8% during 2013, says Chairman of The National Bank, Mr. Marchenko.
- **5 December.** The value of Kazakh Tenge increased by 0.2% during November 2012.

## Kazakhstan's key macroeconomic indicators

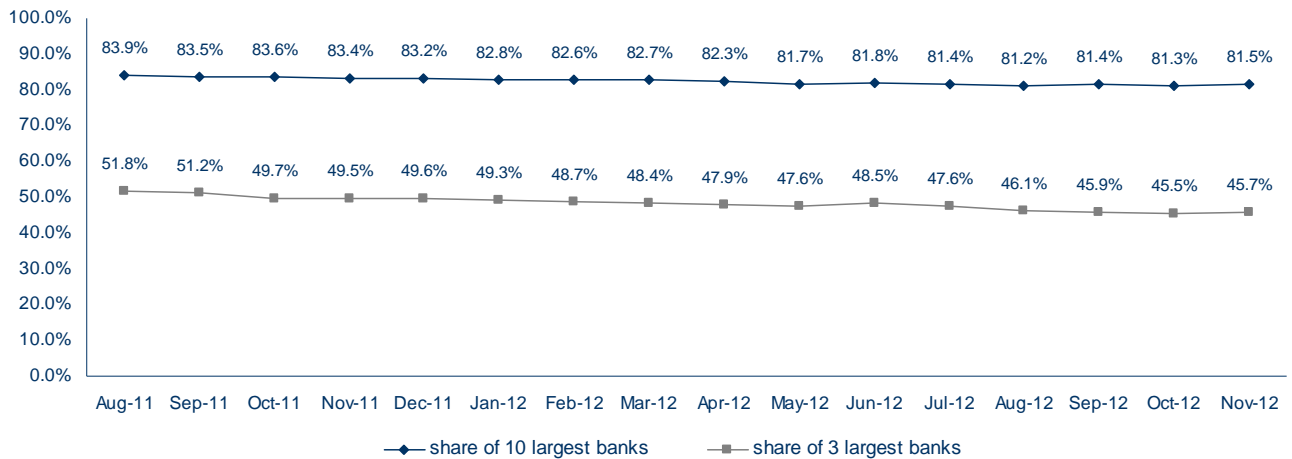
	2007	2008	2009	2010	2011	Nov. 12
<b>Domestic economy and financial system</b>						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.2*
<b>GDP, US\$ million</b>	<b>106 816</b>	<b>131 713</b>	<b>107 197</b>	<b>145 854</b>	<b>183 969</b>	<b>130 849*</b>
Production, % YoY	104.5	102.1	101.7	110.0	103.5	100.4
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.3
CPI, %	118.8	109.5	106.2	107.8	107.4	105.3
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	69 529
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	17 846
Real exchange rate	120.30	120.77	148.46	147.50	148.40	150.52
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	5.5
<b>State finance</b>						
State budget balance, % of GDP	-1.7	-2.1	-3.1	-2.5	-1.3*	-
Sovereign foreign debt, % of GDP	2.0	1.6	2.5	2.8	2.4	4.1*
Sovereign foreign debt / State budget income, %	8.7	6.5	11.4	13.9	14.9	-
Sovereign foreign debt, US\$ million	2 099	2 167	2 218	4 061	4 456	5 574*
<b>Balance of payments</b>						
Current account balance, US\$ million	-8 226	6 978	-3 408	4 319	14 110	7 787*
Current account balance, % of GDP	-7.7	5.3	-2.6	3.0	7.4	6.0*
Capital and finance account balance, US\$ million	8 366	1 219	5 554	416	13 815	-1 175*
Capital and finance account balance, % of GDP	7.8	0.9	5.2	0.3	7.2	0.9*
Imports, US\$ million	33 260	38 452	28 672	31 956	47 263	34 372*
Exports, US\$ million	48 351	71 971	43 886	60 838	88 470	69 642*
<b>Foreign assets and liabilities</b>						
Gross foreign debt, US\$ million	96 914	107 713	113 229	119 242	123 848	134 878*
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	35.3*
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	29 103
National Fund	21 006	27 486	24 368	30 578	43 693	57 525
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	86 628

\*Jan-Sept. 2012

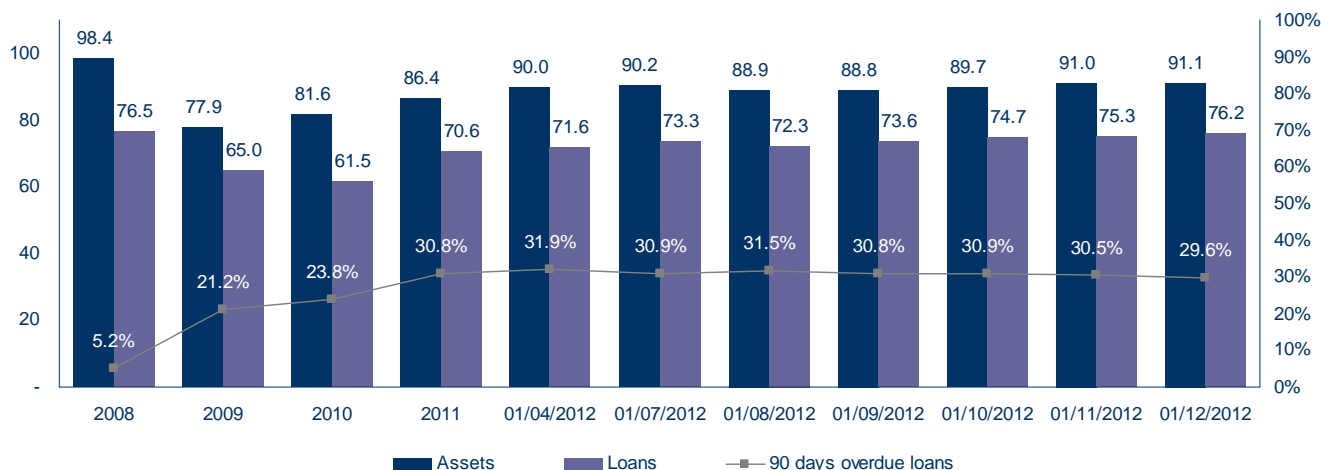
## Banking sector indicators

	2008	2009	2010	2011	Nov. 2012
Commercial banks (number)	37	38	39	38	38
<b>Major indicators of the banking sector, US\$ million</b>					
<b>Assets</b>	<b>98 432</b>	<b>77 837</b>	<b>81 614</b>	<b>86 400</b>	<b>91 077</b>
Capital	12 026	-6 601	8 967	8 797	3 278
<b>Gross loans</b>	<b>76 534</b>	<b>64 926</b>	<b>60 627</b>	<b>70 370</b>	<b>76 243</b>
Provisions for loans	8 491	24 458	18 995	22 480	26 851
- % of total loans	11.1	37.7	30.9	32.0	35.2
<b>Deposits</b>	<b>38 084</b>	<b>40 441</b>	<b>46 850</b>	<b>53 125</b>	<b>57 026</b>
<b>Net profit</b>	<b>89</b>	<b>-19 225</b>	<b>9 904</b>	<b>-241</b>	<b>-5 661</b>
<b>Profitability ratios, %</b>					
NIM	3.4	5.7	4.3	4.5	4.1
RoAA	0.1	11.9	0.12	-	2.0
RoAE	0.7	-	1.02	-	14.6
<b>Banking sector and the economy, %</b>					
Assets / GDP	74.6	68.0	61.9	44.3	42.4
Loans / GDP	58.0	56.7	46.5	36.1	35.2
Deposits / GDP	28.9	37.1	35.2	26.9	26.1

Concentration of banking system assets



Assets, loans (US\$ billion) and 90 days overdue loans dynamics



Major indicators of the largest Kazakh banks as at 1 December 2012

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Nov/Oct	US\$ mln	Nov/Oct	US\$ mln	Nov/Oct	US\$ mln	Nov/Oct	US\$ mln	Nov/Oct	US\$ mln	% of gross loans	% of gross loans
<b>KKB</b>	<b>16,963</b>	<b>0.9%</b>	<b>3,053</b>	<b>0.6%</b>	<b>16,021</b>	<b>0.2%</b>	<b>9,561</b>	<b>3.8%</b>	<b>3,994</b>	<b>-0.5%</b>	<b>10</b>	<b>37.9%</b>	<b>24.4%</b>
Halyk	15,408	1.1%	1,996	1.2%	9,449	4.4%	10,858	0.4%	4,351	4.1%	369	23.4%	19.0%
BTA	9,601	1.2%	-8,388	0.2%	13,823	0.1%	4,478	0.5%	1,862	1.2%	-9,412	86.6%	72.9%
BCC	7,073	-1.2%	560	-0.2%	5,615	0.3%	4,951	-3.7%	2,500	-1.7%	12	16.2%	10.1%
ATF	5,886	-11.6%	473	-1.2%	5,220	-0.4%	3,217	-19.2%	1,330	2.3%	-22	22.4%	43.0%
Sberbank	4,552	-3.1%	583	0.4%	3,319	-1.8%	3,059	-5.8%	706	4.6%	81	5.6%	1.5%
Tsesnabank	4,013	4.6%	342	1.3%	3,036	3.2%	3,234	5.9%	993	4.7%	77	3.8%	3.1%
Alliance	3,919	1.3%	221	6.4%	3,970	1.3%	2,206	3.4%	1,039	2.3%	37	42.3%	48.1%
Kaspi	3,580	2.1%	413	3.8%	3,148	3.1%	2,522	1.4%	2,018	1.9%	104	17.4%	14.7%
Eurasian	3,054	4.8%	313	3.5%	2,419	0.6%	1,941	10.3%	603	4.7%	60	8.3%	6.8%
<b>Top 10</b>	<b>74,049</b>	<b>-0.2%</b>	<b>-436</b>	<b>12.2%</b>	<b>66,019</b>	<b>1.0%</b>	<b>46,028</b>	<b>-0.6%</b>	<b>19,394</b>	<b>1.7%</b>	<b>-8,684</b>	<b>38.0%</b>	<b>32.2%</b>
Other banks	17,028	1.3%	3,714	1.1%	10,223	3.0%	10,468	-1.0%	2,207	3.2%	170	17.6%	12.9%
<b>Total</b>	<b>91,077</b>	<b>2.0%</b>	<b>3,278</b>	<b>1.9%</b>	<b>76,242</b>	<b>1.3%</b>	<b>56,496</b>	<b>3.4%</b>	<b>21,601</b>	<b>0.7%</b>	<b>-8,514</b>	<b>35.2%</b>	<b>29.6%</b>

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