



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE N11

About Situation on Financial Market in May 2021

June 29, 2021

Nur-Sultan

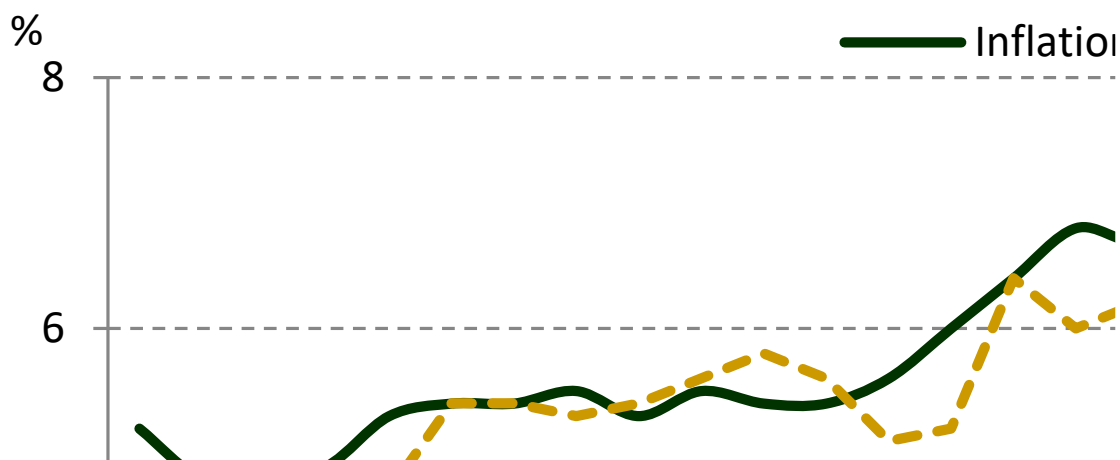
1. Inflation and inflation expectations

National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic in Kazakhstan reports that in May 2021 inflation made 0.7% (0.5% a year ago).

Annual inflation reached 7.2% (versus 7.5% in December 2020). In inflation structure, prices for food products rose by 9.3% year-on-year, non-food products by 6.7%, fee-based services by 5.1%.

In May 2021, quantitative evaluation of inflation expected in a year based on an opinion poll made 6.6%.

Diagram 1. Inflation and expected inflation



Source: National Statistics Bureau of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan, FusionLab

2. International reserves and monetary aggregates

According to preliminary data, gross international reserves of the National Bank expanded by 6.5% in May 2021 and reached USD 36.4 billion (up by 2.3% year to date).

Growth in reserves resulted from expansion of a gold portfolio against the background of an increase in its price and assets in freely convertible currency due to an improvement in funds on deposits and accounts with the National Bank.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 58.6 billion), according to tentative data, amounted to USD 95.0 billion at the end of May 2021.

Monetary base in May 2021 broadened by 4.4% to make 10,317.2 billion KZT (up by 5.5% since the beginning of the year). Narrow monetary base, i.e. monetary base, excluding

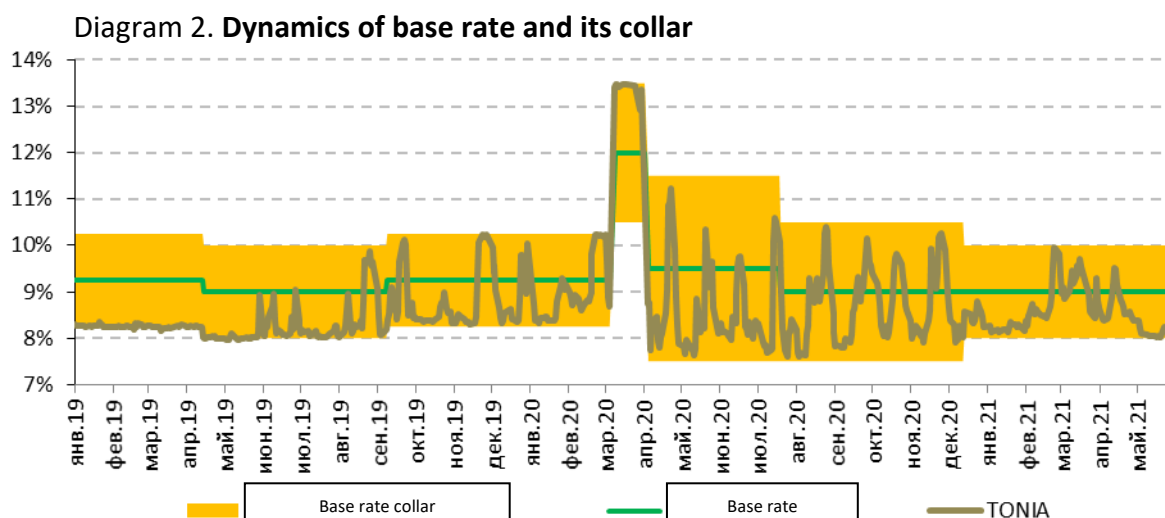
term deposits of second-tier banks with the National Bank, expanded by 5.1% to 6,034.9 billion KZT (up by 18.6% since the beginning of the year).

Money supply in May 2021 increased by 2.2% and amounted to 27,446.6 billion KZT (an increase of 10.1% from the beginning of the year), cash in circulation expanded by 2.8% to 2,964.6 billion KZT (up by 4.8% from the beginning of the year).

3. Transactions of the National Bank in monetary policy

On June 7, 2021, the National Bank decided to keep the base rate at 9.0% p.a. with an interest rate corridor of ± 1.0 p.p.

TONIA¹, indicator, which is a target rate when conducting monetary policy operations in the money market, was formed within the interest rate corridor in May 2021. In May 2021, weighted average value of TONIA was 8.1% p.a. (8.8% in April 2021).



Instruments of monetary policy. At the end of May 2021, negative balance of NBK operations (open position of the National Bank) in the money market amounted to 5.4 trillion KZT.

Volume of NBK open position on direct repo transactions totaled 149.0 billion KZT.

Volume of bank deposits with the National Bank stood at 459.8 billion KZT. Volume of liquidity withdrawn through deposit auctions made KZT 1,672.8 billion.

Volume of short-term notes in circulation at the end of May 2021 amounted to 3,173.6 billion KZT, down by 6.6% over the month.

In May 2021, six auctions were held for a total amount of 2,185.2 billion KZT, including four auctions to place 1-month notes for an amount of 1,632.0 billion KZT (weighted average yield is 8.99%), one auction for 3-month notes for an amount of 453.2 billion KZT (9.13% yield), one auction for semi-annual notes for an amount of 100 billion KZT (9.14% yield).

Volume of repayment of short-term notes of the National Bank in May 2021 stood at 2,182.0 billion KZT.

3. Government securities of the Finance Ministry of the Republic of Kazakhstan

In May 2021, the Ministry of Finance of the Republic of Kazakhstan placed long-term (MEUKAM) government securities for an amount of 204.7 billion KZT. Overall, 12 bond issues were placed in May 2021, within which government securities with maturities from 2 to 14 years were issued. Weighted average yield on them ranged from 9.65% to 10.62% p.a.

¹ Average weighted value of yield of one-day repo operations with securities from basket of government securities with a 5% cut of transactions with lowest and highest yield

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in May 2021 shrank by 1.7% and amounted to 9,885.7 billion KZT ².

In late May, yield curve demonstrated an increase in the yield³ in the segment up to 4 years, while the segment of above 4 years demonstrated a decrease in yield compared to the level of late April 2021.

Diagram 3. **Changes in risk-free yield curve**



4. Foreign exchange market

In May 2021, KZT exchange rate fluctuated within 426.12 - 429.20 KZT/USD. At the end of May 2021, KZT/USD exchange rate made 428.71, a 0.1% enhancement over the month.

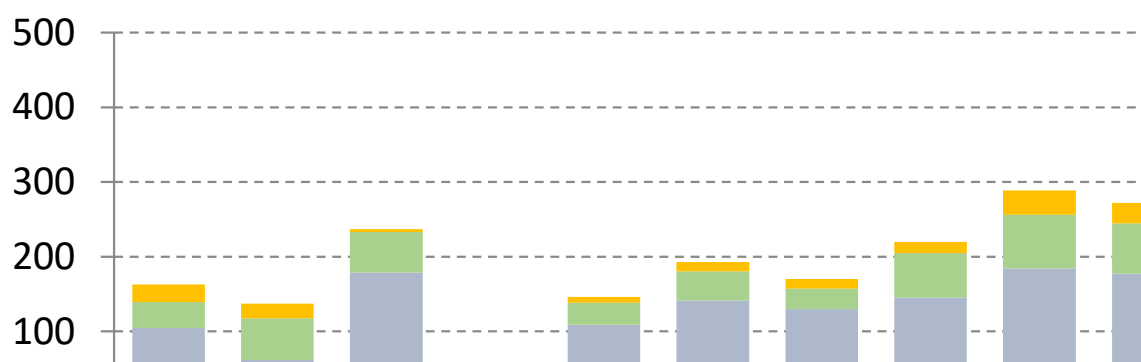
Total volume of transactions in KZT – USD currency pair for the month amounted to USD 11.1 billion, including volume of exchange trading on the Kazakhstan Stock Exchange - USD 2.4 billion, volume of transactions in OTC foreign exchange market - 8.7 USD billion. In the total volume of transactions in the OTC market, one subsidiary bank accounted for 66.3% with USD 5.7 billion (73.0% with USD 7.2 billion in April 2021), which was associated with its hedging of the equity capital against foreign exchange risks. These transactions are carried out within the banking group and do not affect a ratio of demand or supply of foreign currency in the domestic foreign exchange market.

In May 2021, the population bought on a net basis cash foreign currency in an amount equivalent to 157.3 billion KZT. Compared to a previous month, these expenses fell down by 7.8% (170.7 billion KZT in April 2021), compared to the same period in 2020 (146.2 billion KZT), volume of net purchases rose by 7.6%. The bulk of expenses was directed to purchase of USD - 65.6% or 103.2 billion KZT, RUR - 28.9% or 45.4 billion KZT, Euro - 5.4%, or 8.5 billion KZT. In terms of currency, spending on USD purchase edged up by 0.1% over the month (a decrease of 5.4% YoY), Euro purchase - by 2.5% (an increase of 14.0% YoY). On the contrary, expenses for RUR purchase as compared to the previous month plummeted by 23.0% (an increase of 1.5 times YoY).

² KZT government securities in circulation (ignoring government securities in foreign currency)

³ Method of determination of yield function of government securities of the Republic of Kazakhstan posted on an official website of the Kazakhstan Stock exchange was used to plot a yield curve.

Diagram 4. **Dynamics of net sales of cash foreign currency by bureaus of exchange, billion KZT**



5. Deposit market

Retail deposits with depository institutions at the end of May 2021 amounted to 24,482.0 billion KZT, up by 2.1% over the month. Corporate deposits expanded by 3.4% for the month to 12,679.5 billion KZT, retail deposits increased by 0.8% to 11,802.5 billion KZT.

Volume of deposits in the national currency for the month rose by 2.4% to 15,462.0 billion KZT, in foreign currency increased by 1.7% to 9,020.0 billion KZT. Dollarization level at the end of May 2021 was 36.8% (37.3% in December 2020).

Corporate deposits in the national currency in May 2021 grew by 2.9% to 7,768.5 billion KZT, in foreign currency rose by 4.2% to 4,911.0 billion KZT (accounting for 38.7% of corporate deposits).

Retail deposits in KZT increased by 2.0% to 7,693.5 billion KZT, in foreign currency shrank by 1.2% to 4,109.0 billion KZT (accounting for 34.8% of retail deposits).

Term deposits amounted to 16,846.9 KZT billion, up by 2.1% over the month. In their structure, deposits in the national currency totaled 10,677.5 billion KZT, deposits in foreign currency made 6,169.4 billion KZT.

Weighted average interest rate on term deposits in the national currency of non-bank legal entities in May 2021 was 7.3% (7.6% in May 2020), on retail deposits it made 8.6% (10.3%).

6. Credit market

Volume of lending by banks to the economy at the end of May 2021 stood at 15,640.6 billion KZT, a 3.6% increase over the month. Volume of corporate loans increased by 3.9% to 7,431.1 billion KZT, to individuals by 3.3% to 8,209.5 billion KZT.

Volume of loans in the national currency for the month rose by 2.4% to 13,627.5 billion KZT. In their structure, corporate loans inched up by 1.0%, retail loans grew by 3.3%. Volume of loans in foreign currency increased by 12.6% to 2,013.1 billion KZT. In their structure, corporate loans expanded by 12.9%, retail loans dwindled by 4.4%. Loans in the national currency at the end of May 2021 accounted for 87.1% (87.0% in December 2020).

Volume of long-term loans for the month rose by 3.9% to 13,412.8 billion KZT, volume of short-term loans inched up by 1.6% to 2,227.8 billion KZT.

Lending to small businesses in May 2021 grew by 12.2% to 2,827.0 billion KZT (accounting for 18.1% of the total volume of lending to the economy).

In breakdown of the corporate sector by branches, industry (29.3% share of the total corporate sector), trade (21.4%), construction (8.0%) and transport (5.9%) account for the bulk of bank loans to the economy.

In May 2021, weighted average interest rate on loans issued in the national currency to non-bank legal entities made 11.6% (in May 2020 - 11.4%), to individuals 17.5% (17.6%).

7. Payment systems

As of June 1, 2021, nineteen payment systems operate in the Republic of Kazakhstan, including payment systems of the National Bank, money transfer systems, and payment card systems.

In May 2021, 4.5 million transactions totaling 68.0 trillion KZT were carried out through payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (a 5.3% decrease in number, a 6.2% increase in terms of amount as compared to April 2021). On average, 250.2 thousand transactions amounting to 3.8 trillion KZT were effected through these payment systems daily.

As of June 1, 2021, 21 banks and Kazpost JSC issue payment cards in Kazakhstan. Total number of issued and distributed payment cards was 53.7 million. In May 2021, 47.8% of payment cards (25.6 million) were used for non-cash transactions and/or cash withdrawals.

In May 2021, 532.1 million transactions amounting to 7.4 trillion KZT were made using payment cards of Kazakhstan's issuers (compared to April 2021, number of transactions surged by 15.3%, amount rose by 7%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 95.5% (508.3 million KZT). Volume of non-cash transactions for the same period accounted to 77.1% (5.7 trillion KZT).

In May 2021, total volume of money transmitted via international money transfer systems was 0.2 million transfers worth 78.1 billion KZT. Volume of remittances decreased by 14.3% compared to April 2021. In the total volume of transfers remitted outside Kazakhstan, 76.8% of the total number (0.2 million transactions) and 93.5% of the total amount (73.1 billion KZT) of transactions were sent. In Kazakhstan, 23.2% of the total amount (0.1 million transactions) and 6.5% of the total amount (5.0 billion KZT) were carried out through money transfer systems. 0.1 million transactions for an amount of 21.0 billion KZT were received from abroad, through international money transfer systems.

8. Pension system

Pension savings of contributors (recipients) as of June 1, 2021 totaled 12,702.5 billion KZT, thus shrinking by KZT 211.0 billion in January-May 2021 or 1.6% down.

In January-May 2021, net income from investment of pension assets soared by 654.1 billion KZT to 6,208.7 billion KZT as of June 1, 2021.

Number of individual pension accounts of contributors for compulsory pension contributions (taking into account individual pension accounts that do not have pension savings) as of June 1, 2021 made 10.9 million accounts.

Pension payments in January-May 2021 totaled 1.5 trillion KZT.

As of June 1, 2021 government securities of the Republic of Kazakhstan and non-government securities of issuers of the Republic of Kazakhstan (40.5% and 25.5% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

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