NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN

FINANCIAL STABILITY REPORT OF KAZAKHSTAN

December 2012

Foreword

Since 2006, the National Bank of the Republic of Kazakhstan (NBRK) has been preparing the Financial Stability Report of Kazakhstan on an annual basis.

In line with the Concept for the Financial Sector Development in the Republic of Kazakhstan approved in 2009, the government policy in the post-crisis period will aim to implement the system of macro-prudential regulation and, hence, to enhance the role of the NBRK as a central authority responsible for ensuring financial stability and implementing macroprudential regulation.

According to the Memorandum of Financial Stability made on November 10, 2007 between the Government of the Republic of Kazakhstan, the NBRK and the Agency of the Republic of Kazakhstan on Control and Supervision of the Financial Market and Financial Organizations:

"financial stability shall be defined as the absence of disproportions in the economy that may result in the subsequent negative correction of financial markets, systemic crisis and inability of financial institutions to ensure an ongoing functioning of the financial system as well as to maintain business activity in the real sector of the economy"

As part of the Financial Stability Report of Kazakhstan representing one of the tools of the comprehensive systemic risk analysis, the following aspects determining financial stability are assessed:

(1) how efficiently and timely financial resources are reallocated among those who save and invest money;

(2) whether risks are adequately assessed and effectively managed;

(3) whether financial shocks can be absorbed by the financial system without significant upsets.

The Financial Stability Report of Kazakhstan is aimed at the financial market participants as well as the audience interested in the financial stability topics. The NBRK sets the objective of disseminating the outcomes of the research and risk analysis as well as specialized studies in the area of financial stability.

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List of Abbreviations:

APF	accumulation pension fund
APS	accumulation pension system
ASRK	the Agency of Statistics of the Republic of Kazakhstan
Bank	Second-tier bank
the Basel Committee	the Basel Committee on Banking Supervision
CIAA	compulsory insurance against accidents
FDs	financial derivatives
FIAK	the Union of Legal Entities "Financial Institutions' Association of Kazakhstan "
FSC	the Council for Financial Stability and the Financial Market Development of the Republic of Kazakhstan
GDP	gross domestic product
GSs	government securities
IFRS	the International Financial Reporting Standards
IMF	the International Monetary Fund
JSC	Joint-stock company
KASE	the JSC "Kazakhstan Stock Exchange"
KDIF	the JSC "Kazakhstan Deposit Insurance Fund"
KISC	Kazakhstan Interbank Settlements Center
KZT	Kazakh Tenge
LLP	limited liability partnership
LTD	loan-to-deposit ratio
LTV	loan-to-value ratio
M3	money supply
MEDT	the Ministry of Economic Development and Trade of the Republic of Kazakhstan
MFRK	the Ministry of Finance of the Republic of Kazakhstan
MLSPP	Ministry of Labor and Social Protection of the Population of the Republic of Kazakhstan
NBRK	the National Bank of the Republic of Kazakhstan
NFRK	the National Fund of the Republic of Kazakhstan
NGSs	non-government issue-grade securities
Non-performing Loans (NPL)	loans classified as doubtful loans of category 5 and loss loans
PAMC	pension asset management companies
PLF	"Problem Loans Fund" JSC
RF	the Russian Federation
ROA	Return on Assets
ROE	Return on Equity
SAMC	a bank subsidiary purchasing doubtful and loss assets of its parent bank (Stress Assets Management Company)
SM	securities market
USA	the United States of America
USD	dollar
VAT	valued-added tax
un.	unit
thous.	thousand
mln.	million
bln.	billion