



NATIONAL BANK OF KAZAKHSTAN

PRESS RELEASE

Situation on Financial Market in May 2022

June 29, 2022

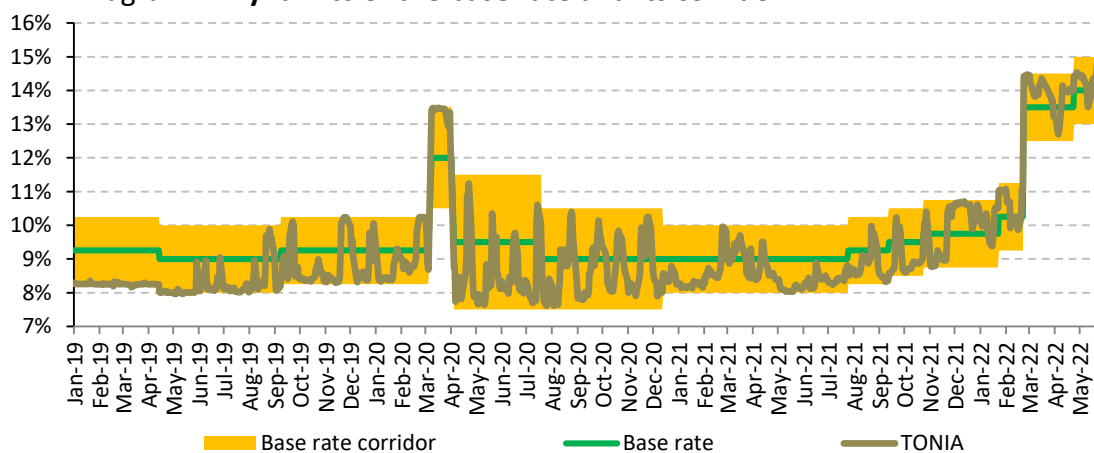
Nur-Sultan City

1. Operations of the National Bank in Monetary Policy

On June 6, 2022, the National Bank decided to keep the base rate at 14% p.a. with an interest rate corridor of ± 1.00 p.p. given a current balance of inflation risks in short-term and mid-term prospects as well as updated forecasts of the National Bank.

TONIA¹ indicator, which is a target rate when conducting monetary policy operations on the money market, was formed within the interest rate corridor in May 2022. In May 2022, the weighted average value of TONIA was 14.4% p.a. (13.8% in April 2022).

Diagram 1. Dynamics of the base rate and its corridor



Monetary policy instruments. At the end of May 2022, negative balance of operations of the National Bank (open position of the National Bank) on the money market amounted to 2.5 trillion KZT.

Volume of operations to provide liquidity via reverse repo operations totaled 270.5 billion KZT, volume of withdrawals via direct repo was 16.3 billion KZT.

Volume of liquidity withdrawn through deposit auctions made 686.0 billion KZT, bank deposits with the National Bank – 403.5 billion KZT.

Volume of short-term notes in circulation at the end of May 2022 was 1,701.4 billion KZT, a 1.9% decrease for the month.

In May 2022, five auctions of NBK notes were held for a total amount of 1,341.9 billion KZT, including four auctions to place 1-month notes for an amount of 1,241.9 billion KZT

¹ A weighted average value of yield of one-day repo operations with securities of public stock basket with a 5% cut of transactions with the lowest and highest yield

(weighted average yield – 13.97%), one auction to place 3-month notes for an amount of 100.0 billion KZT (14.11% yield).

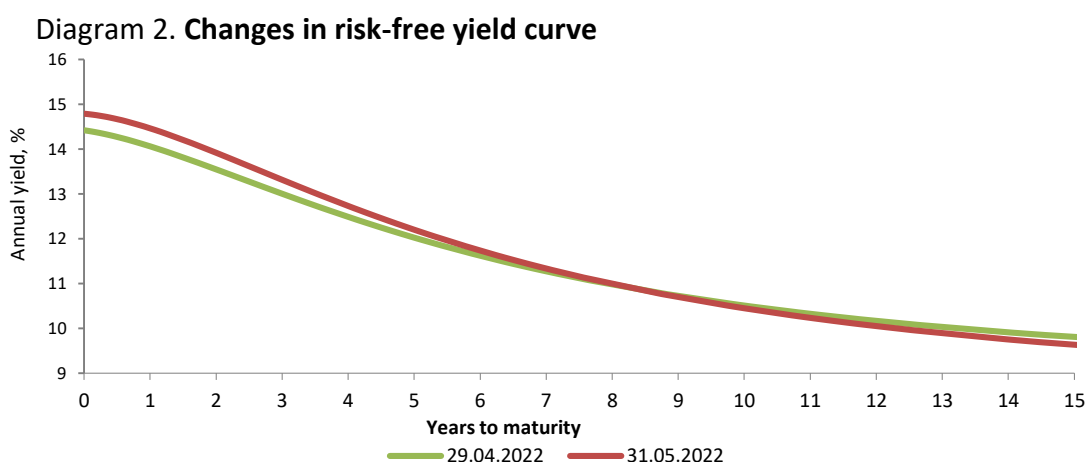
Volume of repayment of short-term notes of the National Bank in May 2022 made 1,350.5 billion KZT.

2. Government Securities of the Ministry of Finance of the Republic of Kazakhstan

In May 2022, the Ministry of Finance of the Republic of Kazakhstan made 11 placements of mid-term (MEOKAM) and long-term (MEUKAM) government securities in the amount of 198.8 billion KZT with maturity from 1 year to 5 years. The weighted average yield on them ranged from 13.62% to 14.50% per annum.

Volume of securities of the Ministry of Finance of the Republic of Kazakhstan in circulation in May 2022 declined by 1.35% to 11,244.7 billion KZT².

At the end of May 2022, risk-free yield curve³ rose up relative to the end of the previous month in the short and medium term.



Source: KASE

3. FX Market

In May 2022, KZT exchange rate fluctuated within the range of 414.79 – 442.44 USD/KZT. At the end of May 2022, USD/KZT stock exchange rate was 415.16 USD/KZT, having gained 6.8% for the month.

Total volume of transactions in the USD/KZT currency pair for the month totaled USD 10.8 billion, including volume of stock exchange trading on the Kazakhstan Stock Exchange – USD 2.2 billion, volume of operations on the OTC foreign exchange market – USD 8.6 billion. In the overall volume of operations on the OTC market, one subsidiary bank accounted for 81.5% or USD 7.0 billion, which was due to hedging their equity capital from currency risks. These transactions are carried out within the bank group and do not affect the ratio of demand or supply of foreign currency on the domestic foreign exchange market.

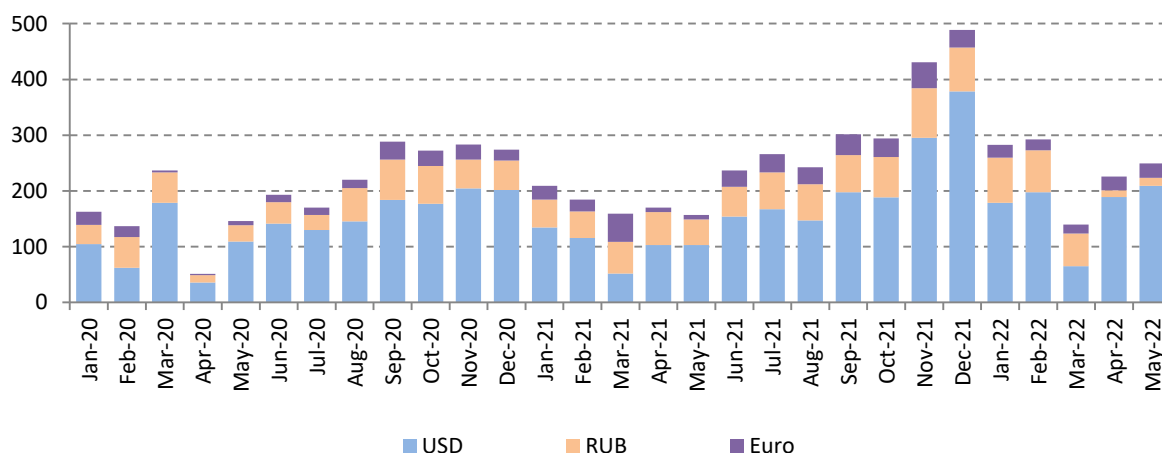
In May 2022, households bought on a net basis foreign currency in cash for an amount equivalent to 249.7 billion KZT. As compared to the previous month, these expenses grew by 10.5% (226.1 billion KZT in April 2022), volume of net purchases rose by 1.6-fold year-on-year (157.3 billion KZT). The bulk of expenses were directed to buy USD – 83.8% or 209.3 billion KZT, Russian rubles – 5.7%, или 14.2 billion KZT, Euro – 10.3% or 25.6 billion KZT. By type of currency, spending on USD purchases for the month increased by 10.6% (a double surge on y/y basis),

² Outstanding KZT public stock (excluding public stock in foreign currency).

³ To plot the yield curve was used the method of the yield function determination of public stock of the Republic of Kazakhstan, posted on an official website of the Kazakhstan Stock Exchange.

purchase of the Russian rubles spiked by 19.0% (down by 3.2 times on y/y basis) and purchase of Euro rose by 4.3% (a treble growth on y/y basis).

Diagram 3. Dynamics of net sales of foreign currency in cash by exchange bureaus, billion KZT



4. International reserves and monetary aggregates

Gross international reserves of the National Bank for May 2022, according to tentative data, declined by 1.9% and totaled USD 32.8 billion.

Decrease in gold and foreign exchange reserves was due to a falling gold price against the background of growing yields of US Treasury bonds. Additional factors that had an impact on gold and foreign exchange reserves are contraction of correspondent accounts of second-tier banks with the National Bank and payment of public debt. Purchases of foreign currency on the local foreign exchange market partially restored a FX part of gold reserves.

International reserves of the country as a whole, including assets of the National Fund in foreign currency (USD 53.8 billion), made USD 86.6 billion in late May 2022.

Monetary base in May 2022 shrank by 0.9% and amounted to 9,875.0 billion KZT (by 9.9% since the beginning of the year). Narrow monetary base, that is, the monetary base excluding fixed-term deposits of second-tier banks with the National Bank, contracted by 2.8% to 7,037.7 billion KZT (1.3% since the beginning of the year).

Money supply in May 2022 declined by 2.3% and totaled 28,319.2 billion KZT (by 5.9% since the beginning of the year), cash in circulation decreased by 1.0% to 3,076.8 billion KZT (increase by 2.6% since the beginning of the year).

5. Deposit market

Volume of residents' deposits in the depository institutions at the end of May 2022 amounted to 25,242.4 billion KZT, a 2.5% decrease for the month (3.1% growth on y/y basis). Corporate deposits for the month declined by 3.6% to 12,755.2 billion KZT, retail deposits decreased by 1.3% to 12,487.2 billion KZT.

Volume of deposits in the national currency for the month increased by 0.3% to 16,828.5 billion KZT, in foreign currency contracted by 7.6% to 8,414.0 billion KZT. Dollarization level at the end of May 2022 was 33.3% (36.0% in December 2021).

Corporate deposits in the national currency in May 2022 slightly decreased by 0.03% to 8,447.2 billion KZT, in foreign currency fell by 9.9% to 4,308.0 billion KZT (33.8% of corporate deposits).

Retail deposits in KZT rose by 0.7% to 8,381.3.9 billion KZT, in foreign currency decreased by 5.1% to 4,106.0 billion KZT (32.9% of retail deposits).

Fixed-term deposits totaled 16,942.6 billion KZT, down by 1.4% for the month. In their structure, deposits in the national currency amounted to 11,527.2 billion KZT, in foreign currency – 5,415.5 billion KZT.

Weighted average interest rate on fixed-term deposits in the national currency of non-bank legal entities in May 2022 was 11.5% (7.3% in May 2021), on retail deposits – 11.0% (8.6%).

6. Credit market

Volume of bank lending to the economy at the end of May 2022 stood at 19,521.4 billion KZT with a 0.6% increase for the month (a 24.8% surge y/y). Volume of corporate loans for the month decreased by 1.5% to 7,893.2 billion KZT due to contracting loans in foreign currency mainly because of revaluation against the background of improving KZT exchange rate, retail loans rose by 2.2% to 11,628.2 billion KZT.

Volume of loans in the national currency for the month increased by 1.5% to 17,906.8 billion KZT. In their structure, corporate loans rose by 0.3% and retail loans by 2.2%. Volume of loans in foreign currency decreased by 8.4% to 1,614.6 billion KZT. In their structure, corporate loans fell by 8.3% and retail loans by 16.0%. Loans in national currency accounted for 91.7% at the end of May 2022 (89.7% in December 2021).

Volume of long-term loans for the month increased by 0.6% to 16,140.4 billion KZT, volume of short-term loans grew by 0.9% to 3,380.9 billion KZT.

Lending to small businesses in May 2022 declined by 1.3% to 3,988.5 billion KZT (50.5% of the total volume of corporate sector's loans).

In May 2022, weighted average interest rate on loans issued in national currency to non-bank legal entities was 15.8% (11.6% in May 2021), to individuals – 17.0% (17.5%).

7. Payment systems

As of June 1, 2022, 19 payment systems are operated in the Republic of Kazakhstan, including payment systems of the National Bank, money transfer systems, and payment card systems.

In May 2022, 5.1 million transactions amounting to 52.8 trillion KZT were carried out through the payment systems of the National Bank (Interbank Money Transfer System and Interbank Clearing System) (as compared to April 2022, down by 7.1% in number, by 5.2% in amount). On average, 268.9 thousand transactions worth 2.8 trillion KZT were made through these payment systems daily.

As of June 1, 2022, 19 banks and Kazpost JSC are issuers of payment cards in the Republic of Kazakhstan. Total number of issued and distributed payment cards amounted to 58.5 million cards. In May 2022, 51.2% of the payment cards (30.0 million payment cards) were used for non-cash transactions and/or cash withdrawals.

In May 2022, 739.2 million transactions were carried out for an amount of 9.7 trillion KZT using payment cards of Kazakhstan's issuers (compared to April 2022, number of transactions rose 10.4%, amount – by 4.4%). Non-cash payment transactions by number of transactions using payment cards of Kazakhstan's issuers accounted for 96.9% (716.7 million transactions). Volume of non-cash transactions for the same period accounted for 81.6% (7.9 trillion KZT).

In May 2022, total volume of money sent via international money transfer systems was 0.33 million transfers in the amount of 110.2 billion KZT. Volume of money transfers decreased by 2.6% as compared to April 2022. In the total volume of sent transfers, 77.1% of the total number (0.26 million transactions) and 89.3% of the total amount (98.4 billion KZT) of transactions were sent outside Kazakhstan. In Kazakhstan, 22.9% of the total amount (0.07 million transactions) and 10.7% of the total amount (11.8 billion KZT) were made via money

transfer systems. 0.15 million transactions in the amount of 69.2 billion KZT were received from abroad, via international money transfer systems.

8. Pension system

Pension savings of contributors (recipients) as of June 1, 2022 totaled 12,770.7 billion KZT, having decreased in May 2022 by 168.8 billion KZT or 1.3%.

In May 2022, net income from investment of pension assets declined by 292.1 billion KZT to 6,741.1 billion KZT as of June 1, 2022.

Number of individual pension accounts of contributors for compulsory pension contributions (given individual pension accounts that do not have pension savings) as of June 1, 2022 totaled 10.9 million accounts.

Amount of pension payments in May 2022 was 26.1 billion KZT.

As of June 1, 2022, government securities of the Republic of Kazakhstan and non-government securities of Kazakhstan's issuers (42.5% and 22.8% of the total volume of pension assets, respectively) account for a bulk of UAPF total investment portfolio.

For more details mass media can contact:

+7 (7172) 775 210

e-mail: press@nationalbank.kz

www.nationalbank.kz