

Kazakh Lender Seeks Borrowers For Recovery

By [The Moscow Times](#)

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ALMATY, Kazakhstan ✘ Kazakhstan's banking sector needs strong domestic borrowers and a diversified economy to complete its recovery from the global financial crisis, the head of the country's largest bank said.

Kazkommertsbank expects to be profitable this year and forecasts growth of about 5 percent in its assets and loans in 2010, Nina Zhussupova, chairwoman of the management board, told Reuters in an interview.

The bank said it has sufficient liquidity to repay about \$700 million due in 2011, though Zhussupova did not rule out future borrowing abroad.

The structure of the economy in Kazakhstan, Central Asia's largest economy, is unlikely to change in the next two or three years, she said.

"The crisis has brought to light the necessity of a diversified economy," Zhussupova said.

"The number of clients has fallen, because not everybody survived the crisis," she said. "On the other hand, the period since 2007 has been invaluable in improving the entire sector's understanding of how to run a banking business."

Kazakhstan's banking sector was among the first and hardest hit by the global financial crisis. It is only now beginning to recover as economic growth picks up and several banks emerge from lengthy debt-restructuring programs.

"The sector has survived the crisis; the recovery is under way, although perhaps it is not happening as quickly as we would all like," Zhussupova said.

She said the banking sector "emerged from the crisis bruised."

"The main mistake was the insufficient capitalization of clients. Companies should amass capital, and it's impossible to do this without being able to lean on banks," she said.

In a separate interview, the head of the country's financial regulator said a shortage of solvent borrowers is a major problem facing Kazakhstan's banking sector.

Last week Yelena Bakhmutova, chairwoman of the management board of Kazakhstan's Financial Supervision Agency, forecast that the sector's loan portfolio would remain steady this year at best and, at worst, decline by 3 percent.

"Our loan portfolio and the banking sector is a complete reflection of the state of the economy," Zhussupova said. "The structure of the economy and the structure of our loan portfolios are unlikely to change significantly within the next two to three years."

Zhussupova said Kazkommertsbank, which posted a first-half net profit of \$69.2 million, would remain in the black this year: "I don't see any reason why we should not be profitable."

The bank expects to maintain a net interest margin of 4 percent in the second half of the year, she said.

"What sets apart those banks that remain after the crisis? We have a model based on the long term," she said. "What is important are good, stable results and a good market share that you cannot only grow but defend."

Kazkommertsbank, which operates foreign subsidiaries in Russia, Kyrgyzstan and Tajikistan, has no immediate plans to expand its business in other parts of the former Soviet Union.

Civil unrest in Kyrgyzstan, where the overthrow of President Kurmanbek Bakiyev in April was followed two months later by savage clashes that killed about 400 people, prompted the bank to scale back its activities in the Central Asian republic.

"It's no secret what has happened in Kyrgyzstan. Events in Central Asia do not inspire much optimism, and we will need to keep a close eye on our development plans," Zhussupova said.

This, however, will have little overall effect on the bank's bottom line. Kazkommertsbank's

loan portfolio in Kyrgyzstan and Tajikistan combined is less than 1 percent of its total loan portfolio.

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