

Official exchange KZT/US\$ rate on 1 April 2012 – 147.89

Summary

Economy

- GDP growth of 5.6% in January-March 2012
- International reserves (including National Fund) increased by 6.8% MoM

Banking sector

- Samruk-Kazyna in the near time will bring up the merger of Alliance Bank and Temir Bank to the discussion on the Economic Policy Council

News on Kazkommertsbank:

- **5 June.** Kazkommertsbank announces on changes to its Board of Directors. On 1 June 2012 the Bank received a voluntary resignation letter effective from 2 June 2012 from Mr. Sergei Shibaev, a Member of the Board of Directors, who was appointed as an Independent Director by Extraordinary General Shareholders Meeting on 21 July 2009. The Management of the Bank and its shareholders extend appreciation to Mr. Shibaev for his contribution into the work of the Board of Directors and wish him further success.
- **3 May.** Kazkommerts Policy, insurance subsidiary of Kazkommertsbank, increased insurance premiums collected by 1.9% to KZT2.4 billion in January-March 2012. The assets of the company decreased by 2.7% year-to-date to KZT15.5 billion, while equity increased by 4.6% to KZT9.1 billion.

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in April 2012 amounted to US\$ 6,002 million, due to faster growth in expenses than in earnings, primarily due to increase in BTA's other expenses, most probably related to restructuring.

Kazakh commercial banks' aggregate earnings amounted to US\$ 8,403 million up from US\$6,478 in March 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 14,404 million, the majority of which were provision charges and other expenses, which constituted 33.5% and 37.1% of total expenses, respectively.

CAPITAL

The Kazakh banking sector's aggregate capital decreased to US\$ 2,843 million as of 1 May 2012 from US\$ 7,870 million as of 1 April 2012, mainly due to negative revaluations through capital.

ASSETS

Aggregate bank assets stood at US\$ 90,413 million, compared to US\$ 89,998 million last month.

The share of loans to customers increased to 52.1%. The share of the securities portfolio increased to 13.7%. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased from 11.9% to 14.3% due to increase in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 2.4% in April from 2.7% in March while the share of inter-bank loans and deposits decreased to 2.3% from 5.2%.

According to the FSA, loans that were at least 90 days overdue increased from 31.9% in March to 32.3% as at 1 May 2012. The loan loss provisioning rate decreased from 31.1% to 30.9% in April 2012.

LIABILITIES

Aggregate bank liabilities increased to US\$ 87,569 million from US\$ 82,128 million in March 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 65.5% of the total liabilities, compared to 69.2% in March 2012.

Customer accounts increased by 0.9% or US\$ 517 million to US\$ 57,381 million, due to the increase in retail deposits. A major inflow among top 10 banks was seen in Alliance (+3.6%), Tsesna (+2.3%) and BTA (+2.2%), while a major outflow of deposits was seen in Halyk (-4.1%) and ATF (-3.9%).

The sector's net loans-to-deposits ratio increased from 81.1% in March 2012 to 82.0% in April 2012.

Major events in the banking sector

- **4 June.** Samruk-Kazyna in the near time will bring up the merger of Alliance Bank and Temir Bank to the discussion on the Economic Policy Council.
- **1 June.** The National Bank suspended the deposit taking license of TAIB Bank Kazakhstan and Senim Bank.
- **1 June.** The official refinancing rate is set at 6% effective 4 June 2012.
- **28 May.** Fitch Ratings says in a newly-published report that the turnaround in Kazakh banks' performance and credit profiles is proving challenging, although some limited signs of recovery in the sector are now evident. The rating Outlook for most banks in the country is currently Stable, reflecting Fitch's expectation that any further improvement, or deterioration, in credit profiles is likely to materialize only gradually.
- **28 May.** According to the results of The National Bank's quarterly survey 64% of the commercial banks expect increase in demand for consumer loans and 43% - for mortgages, 78% of the banks believes that the asset quality of the highly leveraged banks will remain unchanged in the near future.
- **24 May.** The Development Bank of Kazakhstan signed a memorandum with Taraz Metallurgical Works regarding the financing of ferroalloy production for the total amount of KZT 2.5 billion.
- **23 May.** The CEO of Sberbank Mr. German Gref said that the Bank is not planning any M&A activities in the banking sector of Kazakhstan
- **23 May.** Metrokombank has changed its name to ForteBank, due to the changes in the development strategy, as a result of changes in the shareholding structure and top management.
- **3 May.** Sberbank's Kazakh subsidiary will issue the rights for the total amount of KZT 15 billion.
- **2 May.** Halyk Bank is planning to complete the buy back of its preferred shares from Samruk Kazyna during the 1 half of 2012. Halyk Bank is planning to create an SPV managing distressed assets within 2 months.

Major developments in Kazakhstan's economy:

INFLATION

In April 2012, inflation in Kazakhstan was 0.7%. The prices of food products increased by 0.3%, while prices of non-food products by 0.5% and paid services both increased by 1.2%. Annual inflation (April 2012 to April 2011) was 4.8%, and the prices for food products increased by 3.9%, for non-food products by 5.4%, and for paid services by 5.3%.

INDUSTRIAL PRODUCTION

The volume of industrial production in April 2012 compared to April 2011 was 2.7%. The real volume index was 107.8% in the processing industry; the mining industry growth was 99.8%.

UNEMPLOYMENT

The unemployment rate in April 2012 was 5.3%. The number of unemployed people in April 2012 was 475,000. The number of unemployed people registered with authorised employment bodies in April 2012 was 0.8% of the economically active population. The hidden unemployment rate in April 2012 was 0.4% of the economically active population.

INTERNATIONAL RESERVES

In April 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 6.8%, to US\$85.5 billion. The assets of the National Fund increased by 5.7% in April 2012 to US\$51.0 billion. The net international reserves of the National Bank based on current prices increased by 8.6% to US\$34.5 billion. The net currency reserves in April 2012 increased by 9.8% to US\$29.8 billion, while assets held in gold increased by 1.7% to US\$5.2 billion.

MONEY SUPPLY

The money supply in April 2012 increased by 1% to KZT 10,393 billion. The amount of currency in circulation increased by 2.6% to KZT 1,341 billion. The reserve money in April 2012 increased by 6.3% to KZT 3,490 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 8.3% to KZT 3,171 billion.

News on Kazakhstan's economy:

- **24 May.** Pension assets increased by 6.1% year-to-date to KZT2,812.3 billion. Total pension contributions amounted to KZT154.5 billion in January-April 2012. Net investment income less commissions distributed to individual pension accounts amounted to KZT598.4 billion or 21.3% of total pension assets.
- **14 May.** The Minister of Finance suggested limiting foreign borrowings of national companies, which are not a part of Samruk-Kazyna NWF, Kazagro National Management Holding, Development Bank of Kazakhstan. The limit will be set at 60% of GDP.
- **14 May.** Number of real estate transactions in January-April 2012 increased by 13.9% compared to the same period in 2011.
- **11 May.** Glencore International Plc plans to close transaction to increase its share in Kazzink from 50.7% to 93% in the 3Q12 for the full amount of US\$3.2 billion (US\$1 billion in Glencore shares at IPO price and US\$2.2 billion in cash). 48.73% of Kazzink shares belongs to Verniy Capital JSC, and 0.58% to minority shareholders.
- **11 May.** Investment income of the National Fund since its inception in 2011 amounted to US\$5.3 billion as at the end of 2011.
- **8 May.** Prices for new residential housing increased by 1.6% in April 2012 compared to March 2012. Prices at the secondary market for residential housing increased by 1.5% in April 2012.
- **3 May.** The World Bank approved a loan to Kazakhstan in amount of US\$1.068 billion for the project on development of "East-West" automobile roads on Almaty-Khorgos part. The objective of the project is to increase transport efficiency at this part of Western Europe – Western China transport corridor as well as modernization of road management.

Kazakhstan's key macroeconomic indicators

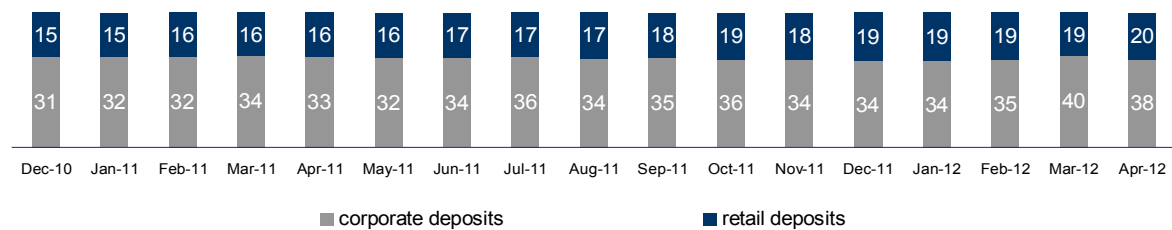
	2007	2008	2009	2010	2011	Apr 12
Domestic economy and financial system						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.6*
GDP, US\$ million	106 816	131 713	107 197	145 854	183 969	-
Production, % YoY	104.5	102.1	101.7	110.0	103.5	102.7
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.3
CPI, %	118.8	109.5	106.2	107.8	107.4	104.8
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	70 277
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	23 600
Real exchange rate	120.30	120.77	148.46	147.50	148.40	147.89
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	6.5
State finance						
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	-
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	-
Balance of payments						
Current account balance, US\$ million	-8 226	6 978	-3 408	4 319	14 110	3 795
Current account balance, % of GDP	-7.7	5.3	-2.6	3.0	7.4	-
Capital and finance account balance, US\$ million	8 366	1 219	5 554	416	13 815	2 079
Capital and finance account balance, % of GDP	7.8	0.9	5.2	0.3	7.2	-
Imports, US\$ million	33 260	38 452	28 672	31 956	47 263	22 034
Exports, US\$ million	48 351	71 971	43 886	60 838	88 470	9 739
Foreign assets and liabilities						
Gross foreign debt, US\$ million	96 914	107 713	113 229	119 242	123 848	-
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	-
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	34 497
National Fund	21 006	27 486	24 368	30 578	43 693	51 011
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	85 508

* Jan-Mar 2012 preliminary data

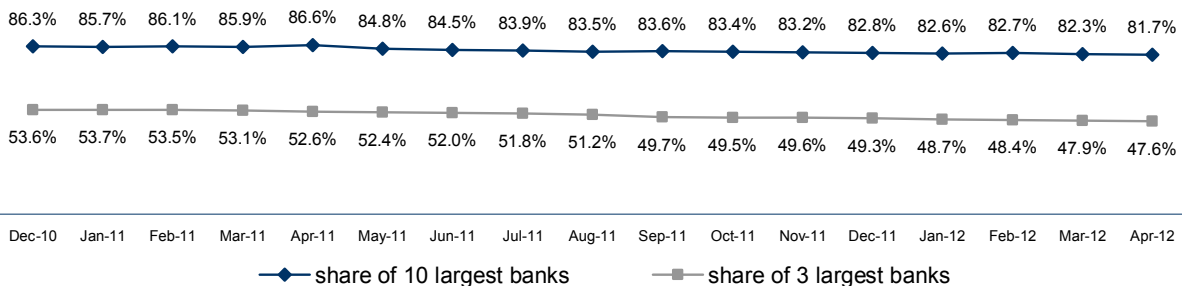
Banking sector indicators

	2006	2007	2008	2009	2010	April 2012
Commercial banks (number)	33	35	37	38	39	38
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 262
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	90 413
Capital	6 854	11 846	12 026	-6 601	8 967	2 843
Loans	47 181	73 718	76 534	64 926	60 627	72 437
Provisions for loans	2 342	4 337	8 491	24 458	18 995	22 388
- % of total loans	5.0	5.9	11.1	37.7	30.9	30.9
Deposits	24 979	32 451	38 084	40 441	46 850	57 381
Net profit	801	1 806	89	-19 225	9 904	-6 001
Profitability ratios, %						
NIM	3.3	5.2	5.8	3.1	3.0	3.8
RoAA	1.1	1.9	0.1	11.9	0.12	-
RoAE	11.7	15.3	0.7	-	1.02	-
Banking sector and the economy, %						
Assets / GDP	87.5	90.9	74.6	68.0	61.9	42.7
Loans / GDP	59.1	69.0	58.0	56.7	46.5	34.2
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	26.9

Trends in the deposit base, US\$ billion



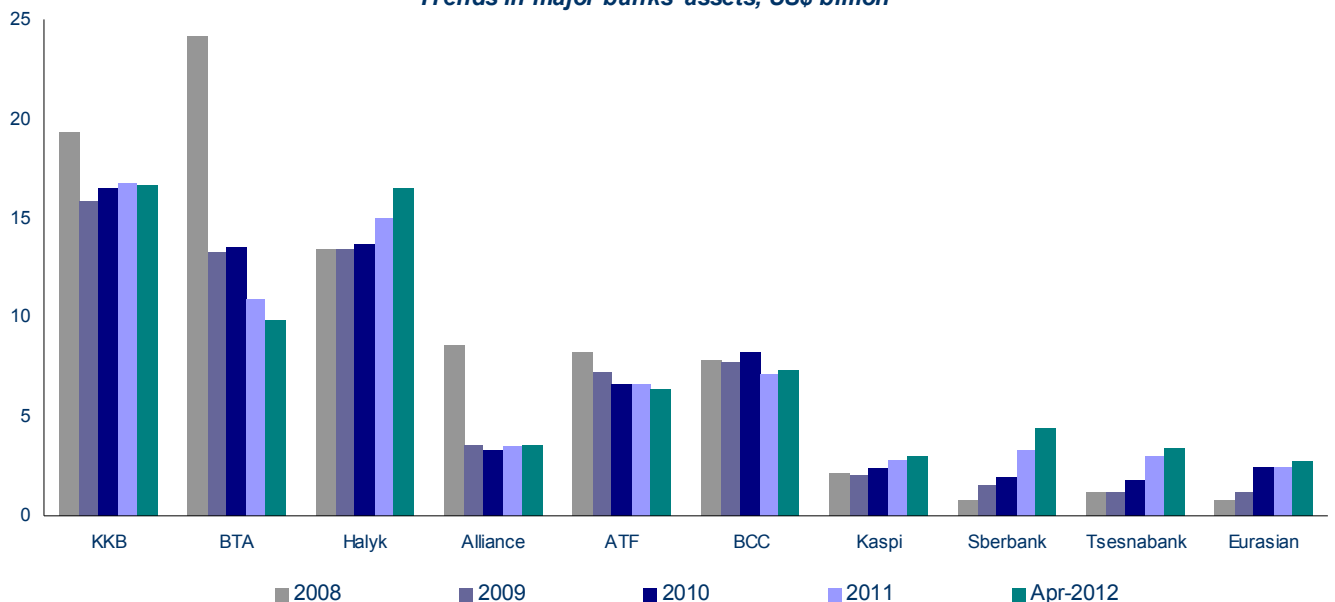
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar			
KKB	16,691	1.0%	2,999	0.4%	15,717	0.2%	9,453	1.6%	3,925	1.7%	3	36.7%	25.8%
Halyk	16,464	-2.0%	2,041	-0.6%	9,278	2.3%	11,701	-4.1%	4,293	6.5%	95	24.4%	19.1%
BTA	9,848	1.3%	-8,028		13,969	0.2%	4,386	2.2%	1,641	1.4%	-4,810	56.6%	76.8%
BCC	7,277	0.4%	570	0.4%	5,476	0.7%	4,778	0.6%	2,574	0.4%	4	16.6%	8.4%
ATF	6,368	-5.4%	413	-0.7%	5,582	-0.5%	3,550	-4.0%	1,120	-0.4%	-33	21.5%	40.3%
Alliance	4,404	1.2%	409	2.1%	2,891	4.6%	3,325	1.0%	576	4.7%	27	5.1%	56.6%
Sberbank	3,576	-0.8%	68	28.6%	3,670	1.1%	2,124	3.6%	894	4.0%	0	45.2%	1.7%
Tsesnabank	3,428	2.9%	270	3.2%	2,635	6.8%	2,793	2.1%	842	9.4%	33	3.7%	3.1%
Kaspi	2,960	1.9%	343	3.1%	2,555	1.7%	2,269	1.9%	1,731	3.6%	30	17.8%	17.2%
Eurasian	2,758	0.7%	232	1.8%	1,955	0.9%	1,829	0.9%	524	0.6%	14	9.8%	7.7%
Top 10	72,270	-0.3%	-683	-115.7%	63,729	1.1%	46,207	-0.3%	18,121	3.2%	-4,639	32.3%	34.4%
Other banks	18,142	4.0%	3,527	0.5%	8,709	2.1%	10,760	7.3%	2,027	7.6%	59	20.6%	17.1%
Total	90,413	0.5%	2,843	-63.8%	72,437	1.2%	56,967	1.0%	20,148	3.6%	-4,580	30.9%	32.3%

Trends in major banks' assets, US\$ billion



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