

Official exchange KZT/US\$ rate on 1 September 2011 – 146.46

Summary

- Inflation forecast remains at 6-8% for 2011
- KKB EGM made a number of decisions
- Alliance cut dividends on preference shares

News on Kazkommertsbank

- **22 September.** Kazkommertsbank announced that on 9 September 2011 the Board of Directors of the Bank decided to voluntary liquidate the 100% subsidiary of Kazkommertsbank, Kazkommerts Capital 2 B.V. Kazkommerts Capital 2 B.V. (the “Company”) is a special-purpose vehicle registered in the Netherlands with the Bank being a sole shareholder. The Company was established for international fund-raising purposes. Since the Company is not currently active, the Board of Directors of the Bank has made a decision to liquidate the Company.
- **20 September.** The Board of Directors of the Bank has elected Mr. S. A. Akhanov as Deputy Chairman of the Board of Directors of the Bank. On 12 September 2011 the shareholders of the Bank elected Mr. Akhanov as an independent director of the Bank. Mr. Akhanov, born in 1951, is doctor of economics and professor. He has an extensive experience working in various positions in public and private sector. He worked at the Council of Ministers of Kazakh SSR (1990-1991) and President’s Office (1991-1993). He held positions of the Minister of Economy (1993-1994 and 1999-2001), the First Deputy Chairman of Eximbank Kazakhstan (1994-1997 and 2001), Deputy Governor of the National Bank of Kazakhstan (1997-1999), and the Vice Minister of Finance (1999). In 2002-2003 Mr. Akhanov acted as a member of the Board of Directors of Kazkommertsbank. In 2001-2002 and 2003-2004 he was an advisor to the CEO of Kazkommertsbank. Mr. Akhanov is Chairman of the Council of the Financiers’ Association of Kazakhstan.
- **12 September.** Kazkommertsbank announced that the following decisions have been made at the Extraordinary General Meeting. To fill the vacant position of a member of the Board of Directors representing interests of the JSC Central Asian Investment Company, one of the shareholders of the Bank, the shareholders approved the change of the status of Mr. Mukhtar S. Yerzhanov, who has joined the Board of Directors of the Bank as an independent director in 2008. The shareholders decided to terminate the authorities of Mr. Yerzhanov as an independent director and to elect him as a representative of the JSC Central Asian Investment Company, one of the shareholders of the Bank. The shareholders elected Mr. Serik A. Akhanov, as an independent member of the Board of Directors. Mr. Akhanov is not a shareholder of the Bank and has not been affiliated with the Bank during the last 5 years. The Bank will obtain approval from the regulator of the new Board member in accordance with the established procedures and current legislation. As a result of these changes the Board of Directors of Kazkommertsbank has the following structure:

Shareholders and the representatives of shareholders:

1. Mr. N.S. Subkhanberdin – Chairman of the Board
2. Ms. N.A. Zhussupova, CEO
3. Mr. A.P. Vosgimorukian
4. Mr. M.S. Yerzhanov

Independent Directors:

1. Mrs. G. Buyske

2. Mr. S.V. Shibaev
3. Mr. S.A. Akhanov

The reserve capital of the Bank was increased by **KZT 6,239,677 thousand** from retained earnings to **KZT 56,257,125 thousand**. Increase in the reserve capital of the Bank has not affected the Bank's equity, as retained earnings of previous years and reserve capital are included in the equity of the Bank. The shareholders also approved the amendments and additions #1 to the "Methodology of shares' valuation for the purposes of buy-back by JSC Kazkommertsbank" and remuneration of some members of the Board of Directors of the Bank.

Kazakh Banking Sector Developments

P&L

The net profit of Kazakhstan's commercial banks in August 2011 was US\$384 million compared to US\$328 million in July 2011.

Kazakh commercial banks' aggregate earnings amounted to US\$ 22,181 million up from US\$20,144 in July 2011. The aggregate expenses of the banking system (including corporate tax) were US\$ 21,797 million (US\$19,815 in July 2011), the majority of which were provision charges, which constituted a 59.2% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital amounted to US\$ 9,968 million as of 1 September 2011 (US\$ 10,057 million as of 1 August 2011).

ASSETS

Aggregate bank assets stood at US\$ 87,560 million (a decrease of 2.2% MoM or US\$ 2,012 million). The decrease was due to increase in funds placed with the National Bank (-62.3%), loans and financial leasing (-15.9%) and precious metals (-9.7%).

The share of loans to customers increased to 50.7% from 48.8% as at 1 August 2011. The share of the securities portfolio increased slightly to 15.7% from 15.5% in July 2011. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased to 9.7% from 8.5% due to increase in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 2.1% from 5.3% and the share of inter-bank loans and deposits was flat MoM at 3.6%.

According to the FSA, loans that were at least 90 days overdue remained largely flat at 28.7% as at 1 September 2011. The loan loss provisioning rate remained unchanged at 32% in August 2011.

LIABILITIES

Aggregate bank liabilities decreased to US\$ 77,592 million from US\$ 79,515 in July 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 59.2% of the total liabilities.

Customer accounts decreased by 3.2% or US\$ 1,710 million to US\$ 51,838 million, due to a decrease in corporate deposits. A major outflow of total deposits among top 10 banks was seen in Halyk (-9.5%), ATF (-6.5%) and Sberbank (-5.0%), while a major inflow was seen in Tsesnabank (+25.7%), Citibank (+5.7%), and Alliance (+2.1%).

The sector's net loans-to-deposits ratio increased to 85.7% in August 2011 from 81.7% in July 2011.

Major events in the banking sector

- **26 August.** Alliance Bank reduced dividends on preference shares from KZT2,680 to KZT100 per share. Reduction of the dividends will enable the bank to restore the IFRS capital of the Bank as it will increase the capital by KZT60 billion.

Major developments in Kazakhstan's economy:

INFLATION

In August 2011, inflation in Kazakhstan was 0.3%. The prices of food products decreased by 0.1%, while prices of non-food products and paid services increased by 0.5%. Annual inflation (August 2011 to August 2010) was 9.0%, and the prices for food products increased by 12.8%, for non-food products by 5.8%, and for paid services by 7.5%.

INDUSTRIAL PRODUCTION

The volume of industrial production in August 2011 compared to August 2010 was 4.6%. The real volume index was 102.7% in the mining industry and 107.4% in the processing industry.

UNEMPLOYMENT

The unemployment rate in August 2011 was 5.3%. The number of unemployed people in August 2011 was 461,200. The number of unemployed people registered with authorised employment bodies in August 2011 was 0.8% of the economically active population. The hidden unemployment rate in August 2011 was 0.4% of the economically active population.

INTERNATIONAL RESERVES

In August 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 0.9%, to US\$75.8 billion. The assets of the National Fund increased by 4.2% in August 2011 to US\$40.3 billion. The net international reserves of the National Bank based on current prices decreased by 2.7% to US\$35.4 billion. The net currency reserves in August 2011 decreased by 4.3% to US\$32.1 billion, while assets held in gold increased by 13.2% to US\$3.6 billion.

MONEY SUPPLY

The money supply in August 2011 decreased to KZT 9,514 billion. The amount of currency in circulation increased by 1.6% to KZT 1,254 billion. The reserve money in August 2011 decreased by 9.7% to KZT 2,886 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 5.0% in August 2011 to KZT 2,621 billion.

GDP

GDP increased by 7.1% in the 1H11 to KZT10,108.6 billion.

News on Kazakhstan's economy:

- **21 September.** TeliaSonera and Kazakhtelecom signed memorandum of understanding on increase of their shares in the capital of KCell due to planned IPO of the latter. Additionally, the memorandum envisages purchase by TeliaSonera of 24% plus one share and sell of remaining stake of Kazakhtelecom via IPO at KASE. Transactions will be made at market price.
- **16 September.** The Board of Directors of KazMunayGas EP approved a US\$300 million share buyback programme. The company plans to buy back common shares at KASE as well as GDRs listed at LSE. The company believes that current market price of common shares and GDRs does not reflect real value and significant potential, business development prospects and sustainable financial situation. The programme will last till 2012, and common shares and GDRs will be purchased at prevailing market price at the time of purchase.
- **13 September.** The Government of Kazakhstan did not change inflation forecast, which envisages inflation rate of 6-8% in 2011.
- **13 September.** The Government of Kazakhstan corrected its forecast of republican budget income in 2011 by increasing it by KZT183.1 billion based on adjusted macroeconomic indicators for 2011. These indicators included increased projected GDP for 2010, indicators of sectoral development as well as higher prices for energy, agricultural production and metals.
- **27 August.** Number of registered real estate transactions in Kazakhstan increased by 13.7% in January-August 2011 y-o-y to 98,881.
- **26 August.** Ministry of economic development and trade (MEDT) works on the basic scenario for economic development in 2012 based on oil price of US\$80 per barrel. Additionally, the projections consider pessimistic scenarios, which envisage drop of oil price to US\$40-60 per barrel.

Kazakhstan's key macroeconomic indicators

	2006	2007	2008	2009	2010	Aug 11
Domestic economy and financial system						
Real GDP growth, %	110.7	108.9	103.2	101.2	107.0	107.1*
GDP, US\$ million	76 355	106 816	131 713	107 197	145 854	160 110*
Production, % YoY	107	104.5	102.1	101.7	110.0	104.6
Unemployment rate, %	7.8	7.3	6.6	6.5	5.5	5.3
CPI, %	108.4	118.8	109.5	106.2	107.8	109.0
Monetary supply M3, US\$ million	27 492	38 486	51 894	49 754	57 942	64 962
Monetary base (reserve money), US\$ million	11 223	12 171	12 629	16 510	17 443	19 703
Real exchange rate	133.77	120.30	120.77	148.46	147.50	146.46
Official refinancing rate, %*	9.0	11.0	9.5	7.0	7.0	7.5
State finance						
State budget balance, % of GDP	0.5	-1.7	-2.1	-3.1	-2.5	-0.8*
Sovereign foreign debt, % of GDP	4.1	2.0	1.6	2.5	2.8	2.4*
Sovereign foreign debt / State budget income, %	17.9	8.7	6.5	11.4	13.9	25.4*
Sovereign foreign debt, US\$ million	3 125	2 099	2 167	2 218	4 061	3 799*
Balance of payments						
Current account balance, US\$ million	-1 999	-8 226	6 978	-3 408	4 319	7 195*
Current account balance, % of GDP	-2.6	-7.7	5.3	-2.6	3.0	4.5*
Capital and finance account balance, US\$ million	16 201	8 366	1 219	5 554	416	2 023*
Capital and finance account balance, % of GDP	21.2	7.8	0.9	5.2	0.3	1.3*
Imports, US\$ million	24 120	33 260	38 452	28 672	31 956	41 039*
Exports, US\$ million	38 762	48 351	71 971	43 886	60 838	18 284*
Foreign assets and liabilities						
Gross foreign debt, US\$ million	74 014	96 914	107 713	113 229	119 242	124 107*
Gross foreign debt, % of GDP	91.4	92.4	81.3	98.6	45.2	42.4*
National Bank's Net International Reserves, US\$ thousands	19 127	17 629	19 872	23 218	27 723	35 451
National Fund	14 092	21 006	27 486	24 368	30 578	40 350
National Fund and international reserves	33 219	38 635	47 358	47 586	58 301	75 801

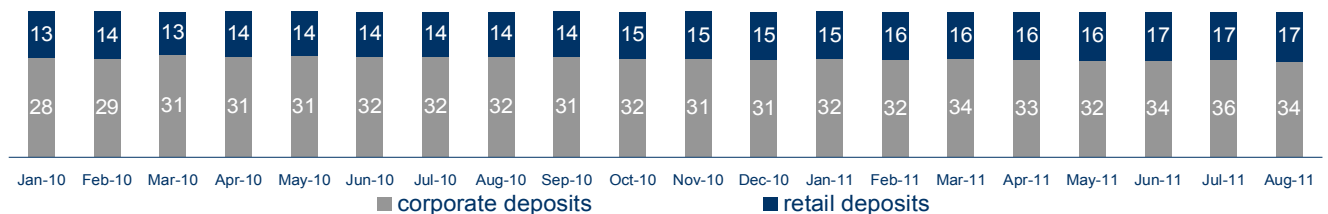
*1H11

Annex 2

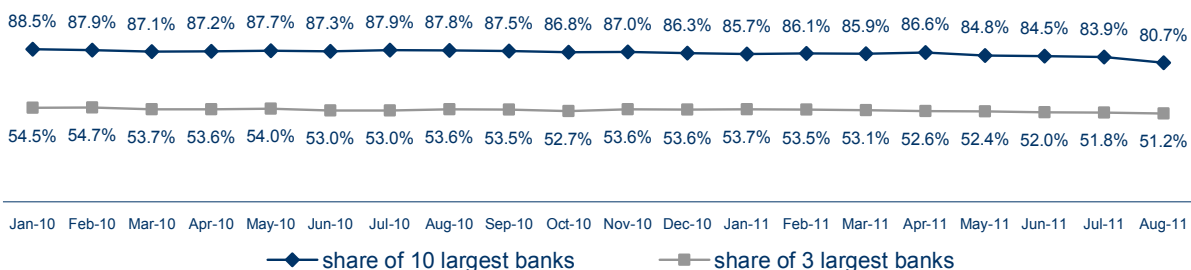
Banking sector indicators

	2006	2007	2008	2009	2010	Aug 2011
Commercial banks (number)	33	35	37	38	39	39
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 267
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	87 560
Capital	6 854	11 846	12 026	-6 601	8 967	9 968
Loans	47 181	73 718	76 534	64 926	60 627	66 932
Provisions for loans	2 342	4 337	8 491	24 458	18 995	21 454
- % of total loans	5.0	5.9	11.1	37.7	30.9	32.1
Deposits	24 979	32 451	38 084	40 441	46 850	51 838
Net profit	801	1 806	89	-19 225	9 904	205
Profitability ratios, %						
NIM	3.3	5.2	5.8	3.1	3.0	2.3
RoAA	1.1	1.9	0.1	11.9	0.12	9.4
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	55.0
Loans / GDP	59.1	69.0	58.0	56.7	46.5	40.7
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	32.6

Trends in the deposit base, US\$ billion



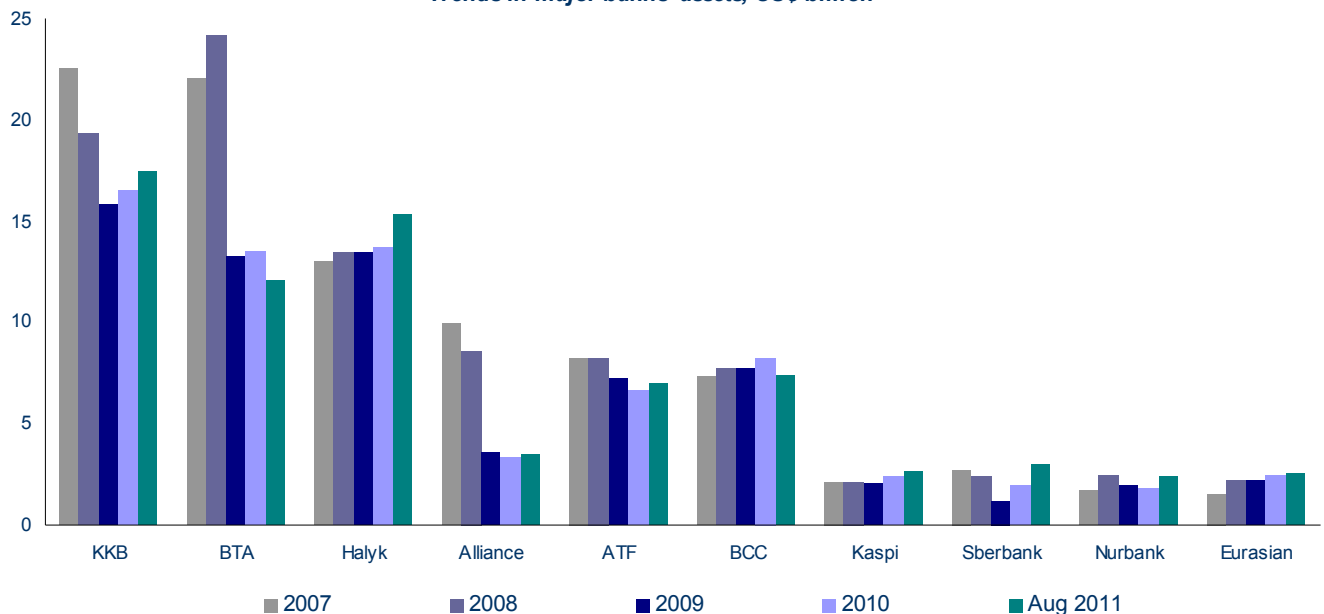
Concentration of banking system assets



Major indicators of the largest Kazakh banks as at 1 September 2011

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul			
KKB	17,461	-3.9%	3,146	-0.2%	15,367	0.4%	9,730	-3.2%	3,459	0.6%	1	33.9%	25.2%
Halyk	15,287	-3.7%	1,955	1.6%	8,664	0.9%	10,099	-9.5%	3,681	-0.3%	165	24.6%	17.7%
BTA	12,055	-1.6%	-499	80.6%	13,047	0.1%	4,950	-5.4%	2,050	0.1%	-89	60.7%	56.7%
BCC	7,396	-1.9%	554	-0.7%	5,388	1.1%	4,688	0.0%	2,401	2.2%	7	15.6%	9.0%
ATF	6,990	-4.6%	455	-1.6%	5,787	0.5%	3,737	-6.5%	969	1.0%	-151	18.5%	36.4%
Alliance	3,525	3.9%	-20	-82.8%	3,771	-6.1%	1,810	2.1%	633	2.1%	79	48.2%	55.5%
Sberbank	2,934	-5.3%	309	2.2%	1,796	7.5%	2,328	-5.0%	376	3.2%	27	6.6%	2.8%
Kaspi	2,617	2.1%	293	0.5%	2,231	2.7%	1,985	1.9%	1,362	2.3%	25	16.5%	13.2%
Tsesnabank	2,527	18.4%	187	1.9%	1,882	21.3%	2,048	25.6%	564	3.8%	17	4.0%	4.6%
Citibank	2,355	0.9%	156	2.1%	442	9.9%	2,132	5.7%	23	-4.6%	17	1.8%	-
Top 10	70,622	-5.8%	6,536	-1.89%	58,375	0.6%	43,508	-2.8%	15,516	1.6%	98	33.5%	30.7%
Other banks	16,939	17.7%	3,432	1.74%	8,557	6.2%	7,806	-5.3%	1,935	-6.1%	107	22.2%	15.2%
Total	87,560	-2.0%	9,968	-0.67%	66,932	1.3%	51,314	-3.1%	17,451	0.6%	205	32.1%	28.7%

Trends in major banks' assets, US\$ billion



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