

Official exchange KZT/US\$ rate on 1 January 2012 – 148.40

Summary

Economy

- GDP growth in 2011 was 7.5%

Banking sector

- Fitch Ratings has downgraded BTA Bank's Long-term to 'RD' from 'C'
- S&P lowered its long-term credit rating on Nurbank to 'B-' from 'B'

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in December 2011 decreased to US\$241 million compared to US\$523 million in November 2011, due to faster growth in earnings than in expenses, due to growth both in interest income and fees and commissions.

Kazakh commercial banks' aggregate earnings amounted to US\$ 30,457 million up from US\$28,340 in November 2011. The aggregate expenses of the banking system (including corporate tax) were US\$ 30,698 million (US\$ 28,842 million in November 2011), the majority of which were provision charges, which constituted a 57.1% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital increased to US\$ 8,797 million as of 1 January 2012 from US\$ 8,733 million as of 1 December 2011.

ASSETS

Aggregate bank assets stood at US\$ 86,400 million, compared to US\$ 86,194 million last month.

The share of loans to customers increased slightly to 53.4%. The share of the securities portfolio decreased to 14.1% from 14.4% in November 2011. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased to 10.9% from 12.3% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets further decreased to 0.7% in December from 1.0% in November while the share of inter-bank loans and deposits increased to 4.3% from 3.2%.

According to the FSA, loans that were at least 90 days overdue decreased to 30.6% in December from 31.0% as at 1 December 2011. The loan loss provisioning rate decreased as well, to 32.0% from 32.6% in November 2011.

LIABILITIES

Aggregate bank liabilities increased to US\$ 77,603 million from US\$ 77,461 million in November 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 68.5% of the total liabilities, a slight increase from 68.1% in November.

Customer accounts increased by 0.7% or US\$ 506 million to US\$ 53,125 million, despite the decrease in corporate deposits, thanks to strong growth in retail. A major inflow among top 10 banks was seen in Halyk(+4.5%), Centercredit (+2.3%) and Sberbank (+2.6%), while a major outflow of deposits was seen in KKB (-2.2%), BTA (-3.7%) and ATF (-2.5%).

The sector's net loans-to-deposits ratio increased to 86.8% in December 2011 from 85.4% in November 2011.

Major events in the banking sector

- **30 January.** Standard & Poor's Ratings Services assigned its 'B-/C' long- and short-term counterparty credit ratings and 'kzBB-' Kazakhstan national scale rating to Bank RBK JSC (Bank RBK). The outlook is stable.
- **27 January.** Standard & Poor's Ratings Services lowered its long-term counterparty credit rating on Kazakhstan-based JSC Nurbank to 'B-' from 'B' and the Kazakhstan national scale rating to 'kzBB-' from 'kzBB+' under its revised bank criteria published on Nov. 9, 2011.
- **26 January.** BTA bank informed that no decisions were made during its General Shareholders Meeting regarding the restructuring of its liabilities. Previously, the major shareholder of the bank – Fund Samruk-Kazyna said it will vote for restructuring if 2/3 of GDR holders of the bank will vote for proposed restructuring.
- **23 January.** Standard & Poor's Ratings Services assigned its 'kzBBB' Kazakhstan national scale rating to JSC SB Alfa-Bank.
- **19 January.** Fitch Ratings has downgraded Kazakhstan-based BTA Bank's (BTA) Long-term Issuer Default Rating (IDR) to 'RD' from 'C'. The downgrade reflects the fact that the bank has committed an uncured expiry on 18 January 2012 of a grace period allowed to pay a USD165m coupon. The bank has confirmed its intention to seek restructuring of its obligations under senior unsecured and subordinated bonds with the aggregate value of about USD3.5 billion.
- **18 January.** There are no plans to merge BTA with another bank – said Deputy Head of the National Bank, Mr. Bissengali Tajiyakov.
- **12 January.** BTA Bank is planning to sell its 34% stake in Turkish Sekerbank to its major shareholder – National Wealth Fund Samruk-Kazyna for KZT 24 billion (c. US\$ 166 million)

Major developments in Kazakhstan's economy:

INFLATION

In December 2011, inflation in Kazakhstan was 0.3%. The prices of food products increased by 0.3%, while prices of non-food products increased by 0.4% and paid services both increased by 0.2%. Annual inflation (December 2011 to December 2010) was 7.4%, and the prices for food products increased by 9.1%, for non-food products by 5.3%, and for paid services by 7.3%.

INDUSTRIAL PRODUCTION

The volume of industrial production in December 2011 compared to December 2010 was 3.5%. The real volume index was 101.3% in the mining industry and 106.2% in the processing industry.

UNEMPLOYMENT

The unemployment rate in December 2011 was 5.4%. The number of unemployed people in December 2011 was 479,200. The number of unemployed people registered with authorised employment bodies in December 2011 was 0.4% of the economically active population. The hidden unemployment rate in December 2011 was 0.4% of the economically active population.

INTERNATIONAL RESERVES

In December 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) decreased by 3.3%, to US\$72.5 billion (YTD: +23.5%). The assets of the National Fund increased by 1% in December 2011 to US\$43.7 billion (YTD: +41%). The net international reserves of the National Bank based on current prices decreased by 9% to US\$28.8 billion (YTD: +3.8%). The net currency reserves in December 2011 decreased by 10.6% to US\$25.2 billion (YTD: -0.2%), while assets held in gold increased by 2.9% to US\$4.2 billion (YTD: +36%).

MONEY SUPPLY

The money supply in December 2011 increased by 1.5% to KZT 9,751 billion (YTD: +15%). The amount of currency in circulation increased by 10.6% to KZT 1,366 billion (YTD: +18.9%). The reserve money in December 2011 decreased by 4.3% to KZT 2,836 billion (YTD: +10.3%). The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 3.4% to KZT 2,739 billion (YTD: +27.8%).

GDP

According to the Agency of Statistics, GDP growth for in 2011 will be around 7.5%. At the same time, the Chairman of the National Bank projects that GDP growth in 2012 will be around 6%.

News on Kazakhstan's economy:

- **30 January.** The republican budget incomes were 2.4% higher than planned incomes (KZT4,451.7 billion vs planned KZT4,346.2 billion). Tax incomes exceeded plans by 2.3%, non-tax incomes by 12.61%, income from sale of capital by 113.4% and transfers by 101.1%.
- **30 January.** In 2012 the Government of Kazakhstan plans to attract US\$2.2 billion of foreign borrowings due to realization of large investment projects. The plans are also based on optimal debt level, debt servicing expenses and risk estimates.
- **17 January.** Elections to the Mazhilis, lower chamber of the Parliament, were conducted in Kazakhstan on 15 January 2012. As a result, Nur Otan (80.99%), Ak zhol (7.47%) and Communist (7.19%) parties were elected to the Mazhilis. Астана.

Kazakhstan's key macroeconomic indicators

	2006	2007	2008	2009	2010	Dec 11
Domestic economy and financial system						
Real GDP growth, %	110.7	108.9	103.2	101.2	107.0	107.5
GDP, US\$ million	76 355	106 816	131 713	107 197	145 854	123 298*
Production, % YoY	107	104.5	102.1	101.7	110.0	103.5
Unemployment rate, %	7.8	7.3	6.6	6.5	5.5	5.4
CPI, %	108.4	118.8	109.5	106.2	107.8	107.4
Monetary supply M3, US\$ million	27 492	38 486	51 894	49 754	57 942	65 708
Monetary base (reserve money), US\$ million	11 223	12 171	12 629	16 510	17 443	19 111
Real exchange rate	133.77	120.30	120.77	148.46	147.50	148.40
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	-1.3**
Sovereign foreign debt, % of GDP	4.1	2.0	1.6	2.5	2.8	3.3**
Sovereign foreign debt / State budget income, %	17.9	8.7	6.5	11.4	13.9	14.9
Sovereign foreign debt, US\$ million	3 125	2 099	2 167	2 218	4 061	4 456
Balance of payments						
Current account balance, US\$ million	-1 999	-8 226	6 978	-3 408	4 319	13 609
Current account balance, % of GDP	-2.6	-7.7	5.3	-2.6	3.0	6.6*
Capital and finance account balance, US\$ million	16 201	8 366	1 219	5 554	416	13 330
Capital and finance account balance, % of GDP	21.2	7.8	0.9	5.2	0.3	4.4**
Imports, US\$ million	24 120	33 260	38 452	28 672	31 956	42 126
Exports, US\$ million	38 762	48 351	71 971	43 886	60 838	88 895
Foreign assets and liabilities						
Gross foreign debt, US\$ million	74 014	96 914	107 713	113 229	119 242	122 865**
Gross foreign debt, % of GDP	91.4	92.4	81.3	98.6	45.2	37.4**
National Bank's Net International Reserves, US\$ thousands	19 127	17 629	19 872	23 218	27 723	28 762
National Fund	14 092	21 006	27 486	24 368	30 578	43 693
National Fund and international reserves	33 219	38 635	47 358	47 586	58 301	72 455

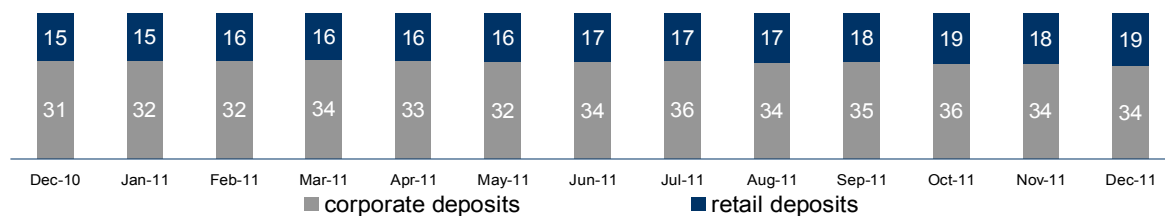
* 9M11

** end of 3Q11

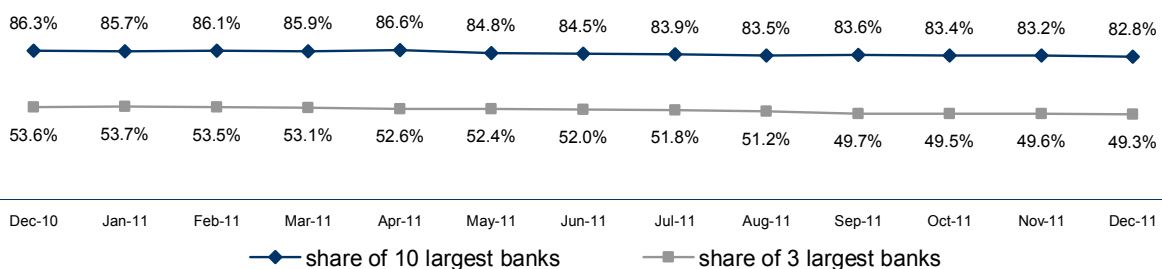
Banking sector indicators

	2006	2007	2008	2009	2010	2012
Commercial banks (number)	33	35	37	38	39	38
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 271
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	86 400
Capital	6 854	11 846	12 026	-6 601	8 967	8 797
Loans	47 181	73 718	76 534	64 926	60 627	70 370
Provisions for loans	2 342	4 337	8 491	24 458	18 995	22 480
- % of total loans	5.0	5.9	11.1	37.7	30.9	32.0
Deposits	24 979	32 451	38 084	40 441	46 850	53 125
Net profit	801	1 806	89	-19 225	9 904	-241
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	44.3
Loans / GDP	59.1	69.0	58.0	56.7	46.5	36.1
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	26.9

Trends in the deposit base, US\$ billion



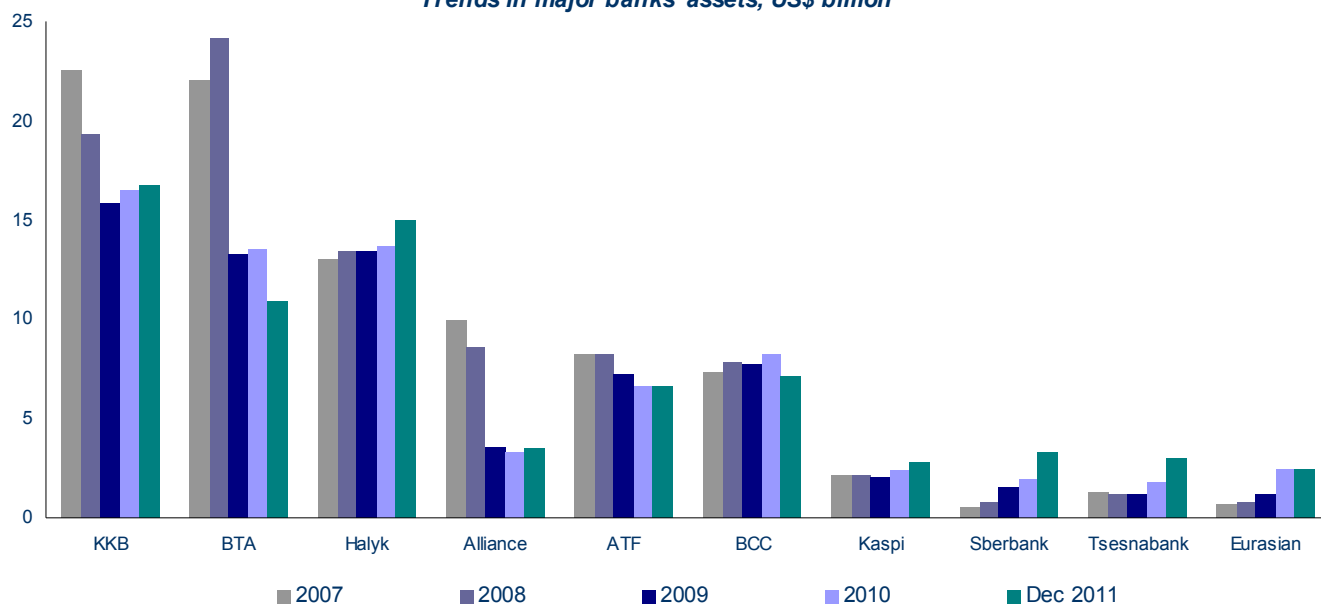
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Dec/Nov	US\$ mln	Dec/Nov	US\$ mln	Dec/Nov	US\$ mln	Dec/Nov	US\$ mln	Dec/Nov			
KKB	16,744	-1.6%	2,930	0.4%	15,280	1.5%	9,293	-2.2%	3,711	4.3%	8	34.8%	23.2%
Halyk	14,973	2.9%	1,953	1.5%	9,242	5.5%	10,238	4.5%	3,768	2.6%	246	23.7%	18.6%
BTA	10,893	-0.9%	-1,623	3.5%	14,086	0.1%	4,960	-3.7%	2,036	-0.9%	-158	62.3%	71.4%
BCC	7,165	-1.3%	564	0.3%	5,429	1.3%	4,660	2.3%	2,535	5.6%	21	16.0%	8.6%
ATF	6,629	-1.6%	424	-2.5%	5,818	-1.1%	3,522	-2.4%	1,046	5.1%	-250	20.0%	33.6%
Alliance	3,491	-2.0%	-24	-46.9%	3,606	-3.8%	1,971	-5.9%	760	5.8%	166	45.2%	51.0%
Sberbank	3,306	4.3%	336	-0.4%	2,421	9.4%	2,621	2.6%	476	9.7%	51	5.3%	1.9%
Tsesnabank	2,952	-0.9%	233	2.2%	2,242	-0.8%	2,299	-5.4%	669	6.5%	27	3.6%	3.5%
Kaspi	2,844	4.2%	316	3.7%	2,435	4.2%	2,143	4.4%	1,501	3.5%	81	16.4%	15.7%
Eurasian	2,491	3.5%	218	-2.7%	1,819	3.0%	1,549	5.7%	429	6.4%	45	10.0%	7.7%
Top 10	70,105	0.2%	5,328	0.1%	62,378	1.5%	43,256	0.1%	16,931	3.8%	237	33.2%	32.5%
Other banks	16,212	2.5%	3,386	0.5%	7,992	6.4%	9,298	5.3%	1,695	7.8%	108	21.8%	16.1%
Total	86,317	0.6%	8,714	0.3%	70,370	2.0%	52,554	1.0%	18,626	4.1%	345	31.9%	30.6%

Trends in major banks' assets, US\$ billion



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