

Official exchange KZT/US\$ rate on 1 March 2012 – 147.74

Summary

Economy

- Amount of annual guaranteed transfer from the National Fund will depend on the state of global economy

Banking sector

- S&P increased Kazakhstan's industrial risk assessment
- National Bank believes that the positive scenario of the economy development in 2012-2014 is the most probable to realize

News on Kazkommertsbank:

- **27 March.** Damu Entrepreneurship Development Fund and Kus Zholy corporate charitable foundation established by Kazkommertsbank signed an agreement to implement a project for disabled start-up entrepreneurs. The project will be implemented in 16 regions of Kazakhstan during 2012 for a total amount of KZT8 million.
- **12 March.** Kazkommertsbank introduced a new product line for SME clients to increase its SME loan portfolio till the end of 2012 as well as to expand its loyal client base of entrepreneurs. The new product line for SMEs is a response to the changing environment in the lending market. New features of the lending programmes include decreased interest rates, more efficient loan approval process and increased loan tenors. Entrepreneurs in need of funding to cover short-term liquidity gaps will be able to finance their working capital at the interest rate of 16% with "Short-Term Loan" programme provided they have sufficient turnover in their current accounts with KKB. The Bank offers the lowest interest rate starting from 9.5% p.a. under collateralized loan programme for working capital financing. This program requires that an eligible borrower has a developed business, collateral and is prepared to go through the standard loan approval procedure. KKB increased maximum tenors of financial leasing agreements for commercial real estate from 5 to 7 years with interest rates starting from 12.5%. For "Fast decision" and "Alternative Loan" programmes, which require that loans are collateralised by real estate, the loan approval process is 5-7 days. If a client has active accounts with Kazkommertsbank and other banks, it may be issued a tender guarantee within 1-2 days.

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in February 2012 amounted to US\$663 million, due to faster growth in expenses than in earnings, primarily due to increase in provisioning.

Kazakh commercial banks' aggregate earnings amounted to US\$ 4,306 million up from US\$2,190 in January 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 4,969 million (US\$2,451 million in January 2011), the majority of which were provision charges, which constituted a 52.5% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital decreased to US\$ 8,199 million as of 1 March 2012 from US\$ 8,523 million as of 1 January 2012, mainly due to negative revaluations of provisions through capital.

ASSETS

Aggregate bank assets stood at US\$ 88,853 million, compared to US\$ 87,423 million last month.

The share of loans to customers decreased to 51.6%. The share of the securities portfolio was flat at 14.1%. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased to 14.3% from 13.8% due to increase in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 1.4% in February from 1.6% in January while the share of inter-bank loans and deposits increased to 2.5% from 1.9%.

According to the FSA, loans that were at least 90 days overdue increased to 31.8% in February from 31.0% as at 1 February 2012. The loan loss provisioning rate decreased to 31.5% from 31.8% in January 2012.

LIABILITIES

Aggregate bank liabilities increased to US\$ 80,654 million from US\$ 78,900 million in January 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 67.7% of the total liabilities, compared to 70.0% in January.

Customer accounts increased by 3.3% or US\$ 1,763 million to US\$ 54,605 million, due to the increase both in corporate and retail deposits. A major inflow among top 10 banks was seen in Halyk (+11.6%), ATF (+6.8%) and Alliance (+5.6%), while a major outflow of deposits was seen in Sberbank (-4.2%), KKB (-1.5%) and Kaspi (-0.6%).

The sector's net loans-to-deposits ratio decreased to 84.0% in February 2012 from 86.6% in January 2012.

Major events in the banking sector

- **30 March.** Standard & Poor's increased Kazakhstan's industrial risk assessment from "8" to "7", due to the improvement in the banking system's funding quality.
- **30 March.** ATF's net loss in 2011 decreased 3.48 times to T8.9 billion, compared to T31 billion in 2010.
- **30 March.** 10.3 billion banking cards are issued by the banks in Kazakhstan, says National Bank.
- **29 March.** National Bank lowered the refinancing rate 6.5%.
- **28 March.** Sberbank's net income increased 4.22 times in 2011 and amounted to T11 billion compared to T2.6 billion in 2010.
- **16 March.** EBRD analysts believe that transition to market economy is going faster than in other Central-Asian countries.
- **15 March.** National Bank adopted new rules on early reaction to commercial banks' financial condition deterioration.
- **13 March.** EBRD will finance projects in Kazakhstan for the total amount of 450 million euro in 2012.
- **6 March.** National Bank believes that the positive scenario of the economy development in 2012-2014 is the most probable to realize. The positive scenario is based on the oil price at \$100 per barrel.

Major developments in Kazakhstan's economy:**INFLATION**

In February 2012, inflation in Kazakhstan was 0.6%. The prices of food products increased by 0.6%, while prices of non-food products increased by 0.3% and paid services both increased by 0.2%. Annual inflation (February 2012 to February 2011) was 4.7%, and the prices for food products increased by 5%, for non-food products by 5.1%, and for paid services by 4%.

INDUSTRIAL PRODUCTION

The volume of industrial production in February 2012 compared to February 2011 was 2.8%. The real volume index was 107.6% in the processing industry; the mining industry growth was 100.2%.

UNEMPLOYMENT

The unemployment rate in February 2012 was 5.5%. The number of unemployed people in February 2012 was 500,200. The number of unemployed people registered with authorised employment bodies in February 2012 was 0.6% of the economically active population. The hidden unemployment rate in February 2012 was 0.5% of the economically active population.

INTERNATIONAL RESERVES

In February 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 4.5%, to US\$82.2 billion. The assets of the National Fund increased by 4.1% in February 2012 to US\$47.4 billion. The net international reserves of the National Bank based on current prices increased by 5.1% to US\$34.8 billion. The net currency reserves in February 2012 increased by 4.8% to US\$30.1 billion, while assets held in gold increased by 5.5% to US\$5.3 billion.

MONEY SUPPLY

The money supply in February 2012 increased by 3% to KZT 9,912 billion. The amount of currency in circulation decreased by 0.8% to KZT 1,291 billion. The reserve money in February 2012 increased by 2.5% to KZT 3,469 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 3.8% to KZT 3,287 billion.

News on Kazakhstan's economy:

- **16 March.** The President of Kazakhstan has signed amendments to the Law on guaranteed transfer from the National Fund for 2012-2014. The amendments envisage increase in annual guaranteed transfer from the National Fund by 15% in case of deterioration in global economy and decrease by 15% in case of its improvement. Thus, the guaranteed transfer may vary from US\$6.8 billion to US\$9.2 billion. Based on these amendments and projected exchange rate of KZT150 per 1\$ the annual guaranteed transfer for 2012-2013 will be at KZT1,380 billion.
- **13 March.** The number of real estate transactions in Kazakhstan in January-February 2012 increased by 15% compared to the same period in 2011 to 22,883. The number of real estate transactions in February 2012 increased by 31.2% MoM to 12,984.
- **13 March.** Nominal monetary income per capita in Kazakhstan have increased by 18.1% compared to the same period in 2011 to KZT46,780, while the real monetary incomes increased by 11.5%.
- **13 March.** It is expected that construction of the Balkhash thermal power station will start in the 4th quarter of 2012 to be completed in 2017. The project costs US\$4.5 billion, 75% of which will be financed by consortium of South Korean companies with participation of Kazakhmys, and 25% will be financed by Samruk-Energo (currently holds 100% shares of the Balkhash TPS).
- **11 March.** Average monthly nominal salary in Kazakhstan in January 2012 increased by 19% compared to December 2011 to KZT92,191 (+12.4% in real terms).
- **2 March.** US\$18 billion in foreign direct investments have been attracted to Kazakhstan economy in 2011.

Annex 1

Kazakhstan's key macroeconomic indicators

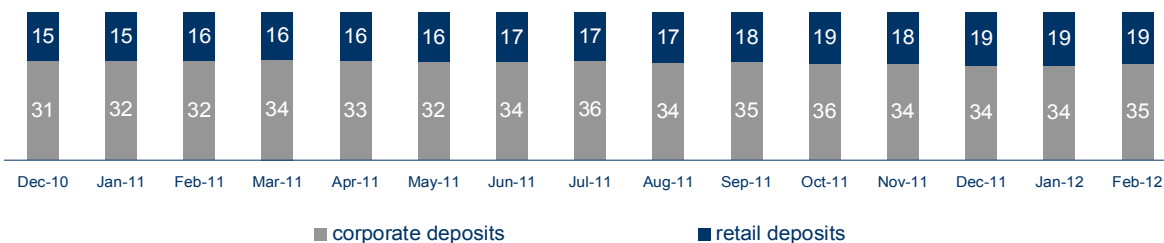
	2007	2008	2009	2010	2011	Feb 12
Domestic economy and financial system						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	-
GDP, US\$ million	106 816	131 713	107 197	145 854	183 969	-
Production, % YoY	104.5	102.1	101.7	110.0	103.5	102.8
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.5
CPI, %	118.8	109.5	106.2	107.8	107.4	104.7
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	67 088
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	23 484
Real exchange rate	120.30	120.77	148.46	147.50	148.40	147.74
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	13 609	-
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	13 330	-
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	42 126	-
Exports, US\$ million	48 351	71 971	43 886	60 838	88 895	-
Foreign assets and liabilities						
Gross foreign debt, US\$ million	96 914	107 713	113 229	119 242	123 849	-
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	37.4*	-
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	34 812
National Fund	21 006	27 486	24 368	30 578	43 693	47 353
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	82 165

* from 2 April 2012

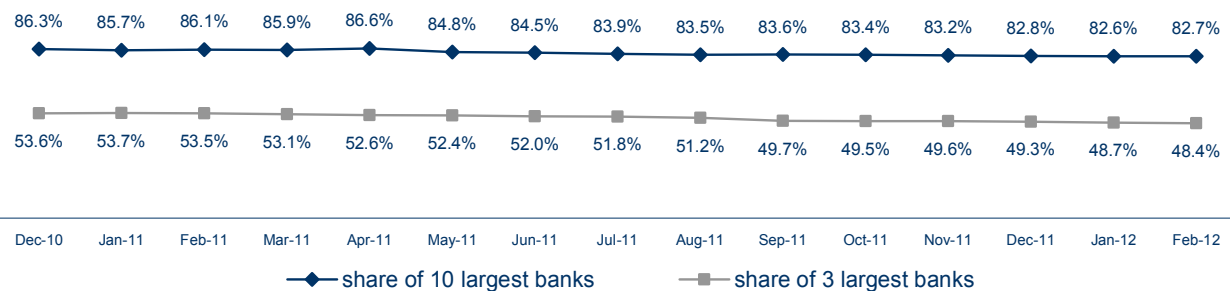
Banking sector indicators

	2006	2007	2008	2009	2010	Feb 2012
Commercial banks (number)	33	35	37	38	39	38
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	88 853
Capital	6 854	11 846	12 026	-6 601	8 967	8 199
Loans	47 181	73 718	76 534	64 926	60 627	71 174
Provisions for loans	2 342	4 337	8 491	24 458	18 995	22 416
- % of total loans	5.0	5.9	11.1	37.7	30.9	31.0
Deposits	24 979	32 451	38 084	40 441	46 850	54 605
Net profit	801	1 806	89	-19 225	9 904	-663
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	45.3
Loans / GDP	59.1	69.0	58.0	56.7	46.5	36.3
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	27.7

Trends in the deposit base, US\$ billion



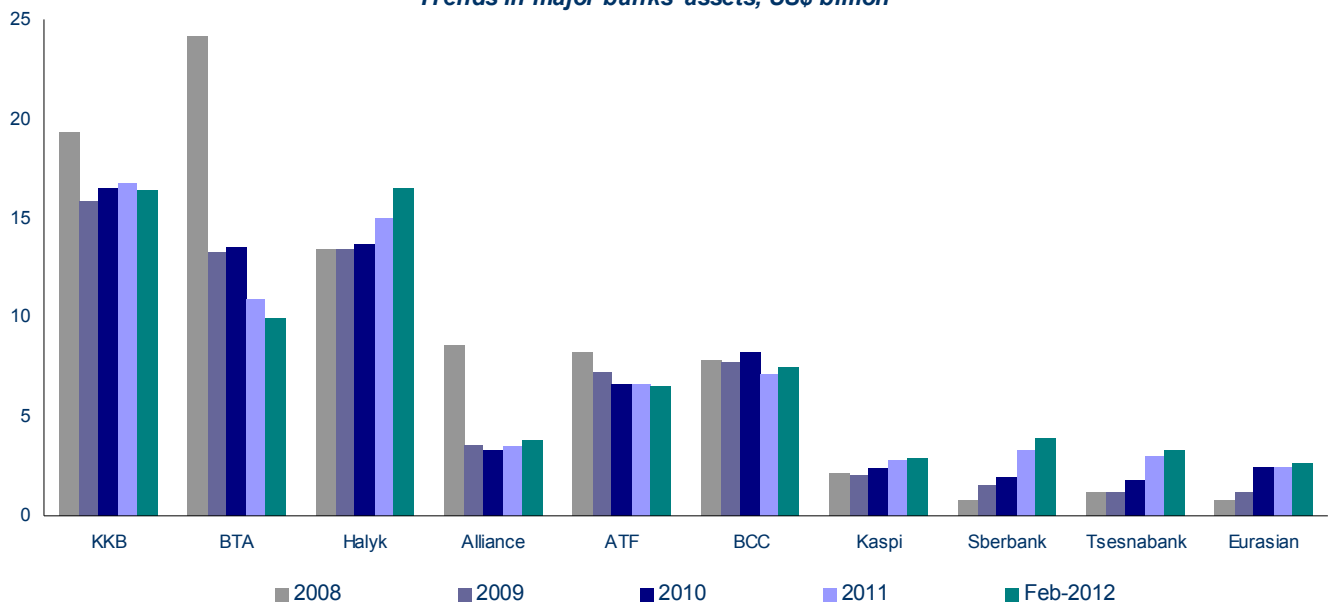
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan			
KKB	16,444	-2.7%	2,978	0.6%	15,455	0.0%	9,191	-1.5%	3,831	1.0%	2	36.5%	25.1%
Halyk	16,539	8.0%	2,022	1.6%	9,052	-1.7%	11,479	11.6%	3,952	2.0%	44	24.7%	19.2%
BTA	9,987	-5.5%	-2,607	28.4%	13,931	-0.5%	4,287	0.6%	1,608	-2.2%	188	58.9%	75.9%
BCC	7,450	-0.3%	566	0.0%	5,442	0.9%	4,755	1.8%	2,597	1.2%	1	16.4%	9.1%
ATF	6,508	1.5%	417	-2.3%	5,674	-2.0%	3,396	6.8%	1,093	1.4%	-13	20.7%	35.6%
Sberbank	3,805	5.2%	167	127.3%	3,687	2.1%	2,206	5.6%	824	3.0%	-21	45.0%	2.1%
Alliance	3,920	3.1%	380	8.5%	2,691	7.4%	2,833	-4.2%	538	6.4%	14	5.3%	50.9%
Tsesnabank	3,311	9.5%	258	2.6%	2,476	8.9%	2,638	9.2%	741	4.8%	21	3.5%	3.2%
Kaspi	2,849	-1.5%	329	0.6%	2,474	0.1%	2,198	-0.6%	1,633	3.4%	9	17.2%	16.6%
Eurasian	2,669	1.7%	224	1.2%	1,924	2.7%	1,783	4.5%	503	7.2%	6	9.7%	7.5%
Top 10	71,975	1.0%	4,733	-7.8%	62,807	0.3%	44,767	3.8%	17,320	1.8%	252	32.9%	33.9%
Other banks	16,878	1.3%	3,463	0.8%	8,367	3.2%	9,457	-1.4%	1,800	3.9%	39	20.9%	16.4%
Total	88,853	1.1%	8,196	-4.4%	71,174	0.7%	54,225	2.9%	19,119	2.0%	291	31.5%	31.8%

Trends in major banks' assets, US\$ billion



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