

Official exchange KZT/US\$ rate on 1 February 2012 – 148.56

Summary

Economy

- GDP is expected to grow by 6% in 2012
- National Bank decreased refinancing rate to 7%

Banking sector

- BTA announced its intention to begin 2nd restructuring
- S&P revised its ratings on 11 Kazakhstan-based banks after applying new bank ratings criteria.

News on Kazkommertsbank:

- **2 March.** Kazkommertsbank announced on changes to the Management Board of the Bank with voluntary resignation of Mr. Yerik Zh. Balapanov, Managing Director, effective from 24 February 2012. At the same time, Mr. Balapanov voluntarily resigned from his positions as the Chairman of the Board of Directors of the following subsidiaries of the Bank: Grantum pension fund, Grantum Asset Management, Kazkommerts Life and Kazkommert Policy.
- **13 February.** Kazkommertsbank announced the repayment of its Eurobond issued in February 2007 for original amount of GBP 350 million. The Eurobond was repaid in full on the date of its maturity from the Bank's own funds.

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in January 2012 amounted to US\$261 million, due to faster growth in expenses than in earnings, primarily due to negative revaluations at BTA bank.

Kazakh commercial banks' aggregate earnings amounted to US\$ 2,190 million up from US\$2,137 in December 2011. The aggregate expenses of the banking system (including corporate tax) were US\$ 2,451 million (US\$ 1,856 million in December 2011), the majority of which were provision charges, which constituted a 45.6% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital decreased to US\$ 8,523 million as of 1 February 2012 from US\$ 8,797 million as of 1 December 2011, mainly due to decrease in BTA bank's capital by US\$ 400 million, due to negative revaluations of provisions through capital.

ASSETS

Aggregate bank assets stood at US\$ 87,423 million, compared to US\$ 86,400 million last month.

The share of loans to customers decreased to 52.3%. 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 13.8% from 10.9% due to increase in correspondent accounts. The share of funds placed with the National Bank within total assets further increased to 1.6% in January from 0.7% in December while the share of inter-bank loans and deposits decreased to 1.9% from 4.3%.

According to the FSA, loans that were at least 90 days overdue increased to 31.0% in January from 30.6% as at 1 January 2012. The loan loss provisioning rate decreased to 31.8% from 32.0% in December 2011.

LIABILITIES

Aggregate bank liabilities increased to US\$ 78,900 million from US\$ 77,603 million in December 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 70.0% of the total liabilities, compared to 68.5% in December.

Customer accounts decreased by 0.5% or US\$ 283 million to US\$ 52,842 million, due to the decrease in corporate deposits, despite to growth in retail. A major inflow among top 10 banks was seen in Sberbank (+12.3%), Eurasian (+9.7%) and Alliance (+5.7%), while a major outflow of deposits was seen in BTA (-14.5%), ATF (-10.0%) and BCC (-0.2%).

The sector's net loans-to-deposits ratio decreased to 86.6% in January 2012 from 86.8% in December 2011.

Major events in the banking sector

- **1 March.** In the framework of optimization programme, BTA bank is planning to reduce its personnel by 25%.
- **29 February.** BTA bank is announcing bondholders meeting on 21 March 2012 to elect debtholders representatives in the Board of Directors of the bank.
- **27 February.** Zhilstroysberbank's assets doubled according to IFRS in 2011 and amounted to KZT 213 billion (KZT147.62/US\$1).
- **23 February.** Eurasian Bank's net profit increased 11.75 times in 2011 according to local standards and amounted to KZT6.5 billion.
- **28 February.** Sberbank Russia opened a credit line for the total amount of US\$ 2 billion for ENRC group's investment projects.
- **28 February.** Moody's Investors Service has today withdrawn the following ratings of Alfa-Bank Kazakhstan: Long-term local currency deposit ratings of B2; Long-term foreign currency deposit ratings of B2; Short-term local and foreign currency deposit ratings of Not Prime; and Bank financial strength rating (BFSR) of E+. Moody's has withdrawn the rating for its own business reasons.
- **15 February.** The Board of Directors of Nurbank has appointed Mr. Idrissov Mukhtar Uzakbaevich as a new Chairman of the Management Board effective from February 13, 2012.
- **14 February.** Kaspi bank is forecasting 30% growth in net profit during 2012, says CEO of the bank Mr. Mihail Lomtadze.
- **13 February.** Fitch Ratings has affirmed the Long-term foreign-currency Issuer Default Ratings (IDRs) of Kazakstan-based Subsidiary Bank Sberbank of Russia OJSC (SBK) and VTB Bank (Kazakhstan) (VTBK) at 'BBB-'. The Outlooks on both IDRs are Stable.
- **14 February.** National Bank of Kazakhstan has not received any proposals regarding merger of BTA Bank, Alliance Bank and Temir Bank says the head of National Bank Mr. Grigoriy Marchenko.
- **12 February.** Bank Centercredit is forecasting 1.5 times growth in net profit in 2012.
- **3 February.** The Board of Directors of Kazinvestbank has appointed Mr. Igor Pakan as a new Chairman of the Management Board starting from January 30, 2012.

Major developments in Kazakhstan's economy:

INFLATION

In January 2012, inflation in Kazakhstan was 0.3%. The prices of food products increased by 0.5%, while prices of non-food products increased by 0.3% and paid services both increased by 0.1%. Annual inflation (January 2012 to January 2011) was 5.9%, and the prices for food products increased by 6.5%, for non-food products by 5.1%, and for paid services by 6.1%.

INDUSTRIAL PRODUCTION

The volume of industrial production in January 2012 compared to January 2011 was 1.9%. The real volume index was 105% in the processing industry; the mining industry growth was flat.

UNEMPLOYMENT

The unemployment rate in January 2012 was 5.5%. The number of unemployed people in January 2012 was 490,400. The number of unemployed people registered with authorised employment bodies in January 2012 was 0.5% of the economically active population. The hidden unemployment rate in January 2012 was 0.5% of the economically active population.

INTERNATIONAL RESERVES

In January 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 8.5%, to US\$78.6 billion. The assets of the National Fund increased by 4.2% in January 2012 to US\$45.5 billion. The net international reserves of the National Bank based on current prices increased by 15.2% to US\$33.1 billion. The net currency reserves in January 2012 increased by 14% to US\$28.7 billion, while assets held in gold increased by 20.7% to US\$5 billion.

MONEY SUPPLY

The money supply in January 2012 decreased by 1.3% to KZT 9,622 billion. The amount of currency in circulation decreased by 4.7% to KZT 1,301 billion. The reserve money in January 2012 increased by 19.3% to KZT 3,394 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 15.6% to KZT 3,168 billion.

News on Kazakhstan's economy:

- **28 February.** In January 2012 total pension assets increased by 1.7% to KZT2,696.2 billion. Net investment income less fees and commissions was KZT574.6 billion, which was 21.3% of total pension assets. As at 1 February 2012 average weighted 5-year nominal income coefficient on moderate investment portfolio was 25.98% (cumulative inflation of 58.49%), 3-year coefficient was 22% (cumulative inflation of 22.83%).
- **27 February.** The Chairman of the National Bank said around US\$3.5 billion of the National Fund might be used to finance large industrial projects in the next four years.
- **27 February.** The amount of annual guaranteed transfer from the National Fund might be US\$9.2 billion in crisis years. The government of Kazakhstan proposed to introduce more flexibility in usage of the National Fund. It is proposed to increase the guaranteed transfer by 15% during the global crisis, and to decrease it by 15% upon recovery. Thus, the amount of guaranteed transfer may vary from US\$6.8 billion to US\$9.2 billion. Currently, the amount of guaranteed transfer from the National Fund equals US\$8 billion.
- **21 February.** The National Bank forecasts that inflation in the 1Q12 will be around 2-2.2% (versus 3.7% in the 1Q11). The inflation rate is in line with the historical trends. The annual inflation rate at the end of March 2012 is expected at 5.6-5.8%. According to the National Bank, the situation in the consumer market will be stable, and inflation processes will be directed by aggregate demand factors, such as increased production levels, stable growth in population cash incomes, decreased unemployment, and gradual recovery of lending in the banking sector. At the same time low competition at the markets for some goods and services will negatively affect inflation processes.
- **21 February.** The government of Kazakhstan decreased its GDP growth forecasts to 6% in 2012 from 6.9% earlier due to decreased economic growth rates and based on expected harvest and reduced oil extraction.
- **20 February.** The GDP per capita in Kazakhstan in 2012 will be US\$12,500, and according to the estimates the GDP will be around US\$210.8 billion. In 2011 the GDP per capita exceeded US\$11,000.
- **15 February.** The number of registered real estate transactions in Kazakhstan in January 2012 was 29.6% lower compared to December 2011, but there was 7.5% increase in the number of transactions compared to January 2011.
- **14 February.** The National Bank of Kazakhstan decreased the refinancing rate to 7% due to the trends on the financial market and decreased inflation growth rates. The National Bank does not rule out possible further decrease in the refinancing rate in April 2012.

Annex 1

Kazakhstan's key macroeconomic indicators

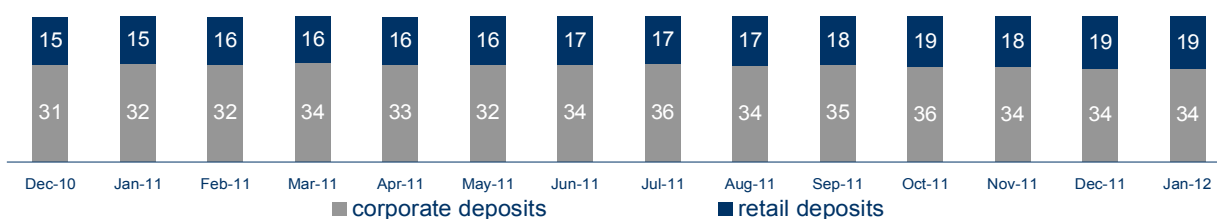
	2007	2008	2009	2010	2011	Jan 12
Domestic economy and financial system						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	-
GDP, US\$ million	106 816	131 713	107 197	145 854	123 298*	-
Production, % YoY	104.5	102.1	101.7	110.0	103.5	101.9
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.5
CPI, %	118.8	109.5	106.2	107.8	107.4	105.9
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	64 769
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	22 780
Real exchange rate	120.30	120.77	148.46	147.50	148.40	148.56
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	7.0
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	3.3*	-
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	6.6*	-
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	4.4*	-
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	122 865*	-
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	33 136
National Fund	21 006	27 486	24 368	30 578	43 693	45 511
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	78 637

* end of 3Q11

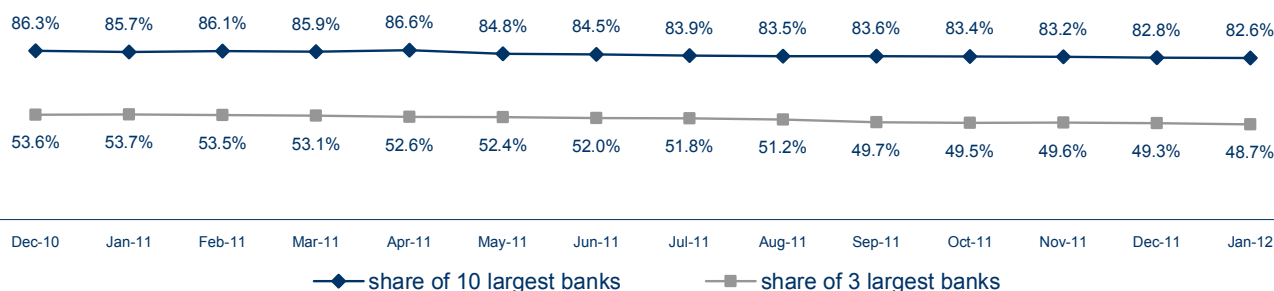
Banking sector indicators

	2006	2007	2008	2009	2010	Jan 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	87 423
Capital	6 854	11 846	12 026	-6 601	8 967	8 523
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	22 373
- % of total loans	5.0	5.9	11.1	37.7	30.9	31.8
Deposits	24 979	32 451	38 084	40 441	46 850	52 842
Net profit	801	1 806	89	-19 225	9 904	-261
Profitability ratios, %						
NIM	3.3	5.2	5.8	3.1	3.0	-
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	-
Loans / GDP	59.1	69.0	58.0	56.7	46.5	-
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	-

Trends in the deposit base, US\$ billion



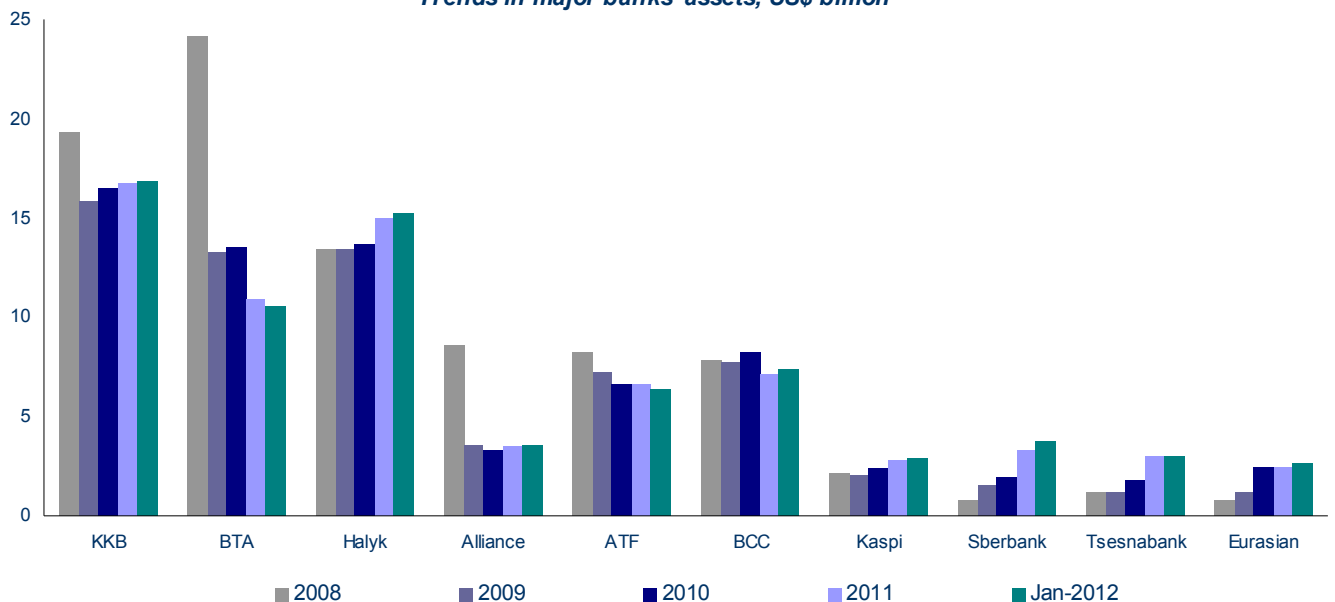
Concentration of banking system assets



Major indicators of the largest Kazakh banks as at 1 February 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	16,814	0.5%	2,943	0.6%	15,368	0.7%	9,283	0.0%	3,772	1.8%	1	36.2%	24.1%
Halyk	15,236	1.9%	1,979	1.5%	9,160	-0.8%	10,232	0.1%	3,854	2.4%	24	24.1%	19.2%
BTA	10,505	-3.5%	-2,020	24.6%	13,925	-1.0%	4,238	-14.5%	1,635	-19.6%	83	59.9%	71.6%
BCC	7,429	3.8%	563	0.0%	5,366	-1.1%	4,648	-0.2%	2,553	0.8%	-1	16.5%	9.0%
ATF	6,378	-3.7%	424	0.1%	5,761	-0.9%	3,162	-10.1%	1,072	2.6%	-6	20.3%	34.4%
Sberbank	3,781	14.5%	348	3.7%	2,492	3.0%	2,939	12.3%	503	5.8%	6	5.5%	1.9%
Alliance	3,596	3.1%	73	-401.6%	3,593	-0.2%	2,079	5.6%	795	4.7%	-6	45.5%	52.0%
Tsesnabank	3,008	2.0%	250	7.2%	2,262	1.0%	2,403	4.6%	703	5.2%	14	3.6%	3.3%
Kaspi	2,878	1.3%	325	3.0%	2,459	1.1%	2,199	2.7%	1,572	4.8%	-3	17.0%	16.2%
Eurasian	2,609	4.9%	221	1.2%	1,863	2.5%	1,697	9.7%	467	9.0%	4	9.9%	7.7%
Top 10	70,845	1.2%	5,107	-4.0%	62,249	-0.1%	42,879	-0.8%	16,926	0.1%	117	33.1%	32.8%
Other banks	16,577	2.4%	3,416	1.0%	8,066	1.0%	9,539	2.7%	1,722	1.7%	31	21.6%	16.7%
Total	87,423	1.4%	8,523	-2.1%	70,316	0.0%	52,417	-0.2%	18,648	0.2%	148	31.8%	31.0%

Trends in major banks' assets, US\$ billion



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