

Official exchange KZT/US\$ rate on 1 August 2012 – 150.01

Summary

Economy

- GDP increased by 5.6% in January-June 2012 based on preliminary date
- Inflation at 4.7%

Banking sector

- Moody's Investors Service affirmed Eurasian Bank's ratings with negative outlook.
- Standard & Poor's affirmed Eurasian Bank's ratings at B+ with stable outlook.

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in July 2012 amounted to US\$ 5,879 million, a decrease from US\$ 5,919 million last month, due to faster growth in earnings than in expenses, primarily due to increase in provisions recoveries and revaluations.

Kazakh commercial banks' aggregate earnings amounted to US\$ 15,059 million up from US\$12,955 in June 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 20,938 million, the majority of which were provision charges and other expenses, which constituted 35.9% and 25.7% of total expenses, respectively.

CAPITAL

The Kazakh banking sector's aggregate capital increased to US\$ 2,801 million as of 1 August 2012 from US\$ 2,758 million as of 1 July 2012, mainly due to changes in revaluations through capital.

ASSETS

Aggregate bank assets stood at US\$ 88,900 million, compared to US\$ 90,179 million last month.

The share of loans to customers increased to 53.2%. The share of the securities portfolio decreased to 12.8%. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased from 15.1% to 12.1% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets was flat at 1.1% in July while the share of inter-bank loans and deposits increased to 4.8%.

According to the FSA, loans that were at least 90 days overdue increased from 30.9% in June to 31.5% as at 1 August 2012. The loan loss provisioning rate slightly increased from 36.0% to 36.4% in July 2012.

LIABILITIES

Aggregate bank liabilities decreased to US\$ 86,099 million from US\$ 87,421 million in June 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 65.8% of the total liabilities, compared to 65.3% in June 2012.

Customer accounts decreased by 0.8% or US\$ 459 million to US\$ 56,663 million, due to the decline of corporate deposits.

A major inflow of total deposits among top 10 banks was seen in Sberbank (+15.2%), ATF (+8.2%) and KKB (+4.7%), while an outflow of deposits was seen in Halyk (-14.6%).

The sector's net loans-to-deposits ratio decreased from 83.7% in May 2012 to 83.4% in June 2012.

Major events in the banking sector

- **4 September.** Kazkommertsbank is planning to open a distressed assets managing subsidiary.
- **22 August.** Halyk Bank is planning to pay dividends starting from 2012 at a rate of 15%-50% of net income.
- **7 August.** Moody's Investors Service affirmed Eurasian Bank's ratings with negative outlook.
- **3 August.** Standard & Poor's affirmed Eurasian Bank's ratings at B+ with stable outlook.
- **2 August.** Eurasian Development Bank is going to finance the construction of a new carriage repair complex for a total amount of US\$ 56 million.

Major developments in Kazakhstan's economy

INFLATION

In July 2012, inflation in Kazakhstan was 0.3%. The prices of food products and paid services increased by 0.1% and 0.9%, respectively, while the prices for non-food products decreased by 0.1%. Annual inflation (July 2012 to July 2011) was 4.7%, and the prices for food products increased by 2.6%, for non-food products by 1.7%, and for paid services by 4.8%.

INDUSTRIAL PRODUCTION

The volume of industrial production in July 2012 compared to July 2011 was 1.3%. The real volume index was 102.1% in the processing industry; the mining industry growth was 95.8%.

UNEMPLOYMENT

The unemployment rate in July 2012 was 5.2%. The number of unemployed people in July 2012 was 469,200. The number of unemployed people registered with authorised employment bodies in July 2012 was 0.7% of the economically active population. The hidden unemployment rate in July 2012 was 0.3% of the economically active population.

INTERNATIONAL RESERVES

In July 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) decreased by 1.7%, to US\$81.7 billion. The assets of the National Fund increased by 3.7% in July 2012 to US\$53.3 billion. The net international reserves of the National Bank based on current prices decreased by 10.5% to US\$28.5 billion. The net currency reserves in July 2012 decreased by 13.2% to US\$23.6 billion, while assets held in gold increased by 4.8% to US\$5.4 billion.

MONEY SUPPLY

The money supply in July 2012 increased by 1.7% to KZT 10,583 billion. The amount of currency in circulation increased by 0.7% to KZT 1,399 billion. The reserve money in July 2012 decreased by 14.6% to KZT 2,952 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 15.5% to KZT 2,798 billion.

News on Kazakhstan's economy:

- **28 August.** According to the Ministry of economic development and trade, the National Fund will exceed US\$100 billion in 2015.
- **28 August.** According to the Ministry of economic development and trade, real GDP growth under the basic development scenario in 2013 will be 6%, 6.1% in 2014, 7.6% in 2015, 6.6% in 2016 and 6.9% in 2017. The basic development scenario envisages growth of global economy at 4% and oil prices of US\$90 per barrel.
- **28 August.** The Government of Kazakhstan increased budget deficit for 2013 to 2.1% of GDP.

Annex 1

Kazakhstan's key macroeconomic indicators

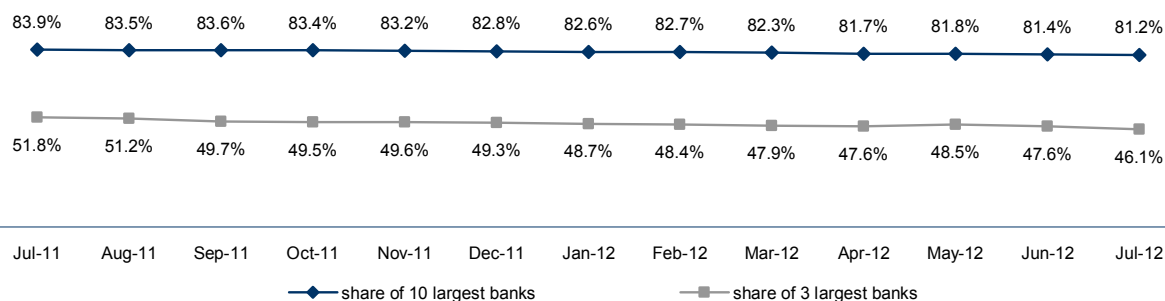
	2007	2008	2009	2010	2011	Jul 12
Domestic economy and financial system						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.6*
GDP, US\$ million	106 816	131 713	107 197	145 854	183 969	-
Production, % YoY	104.5	102.1	101.7	110.0	103.5	101.3
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.2
CPI, %	118.8	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	70 545
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	19 678
Real exchange rate	120.30	120.77	148.46	147.50	148.40	150.01
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	5.5
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	4 429
Balance of payments						
Current account balance, US\$ million	-8 226	6 978	-3 408	4 319	14 110	3 794*
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	129 294*
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	34.4*
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	31 801
National Fund	21 006	27 486	24 368	30 578	43 693	53 265
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	81 722

* Jan-Mar 2012 preliminary data

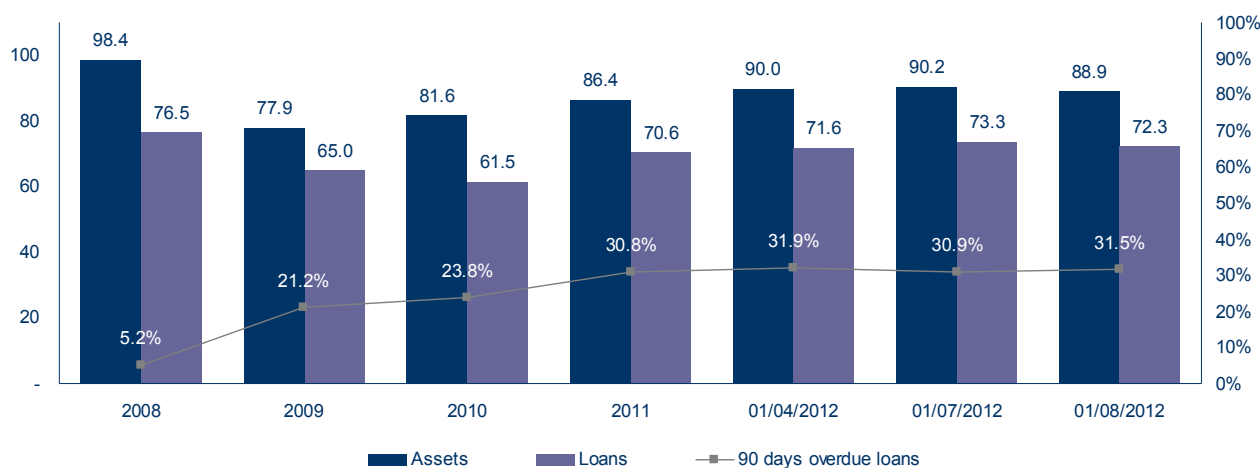
Banking sector indicators

	2008	2009	2010	2011	July 2012
Commercial banks (number)	37	38	39	38	38
Major indicators of the banking sector, US\$ million					
Assets	98 432	77 837	81 614	86 400	88 901
Capital	12 026	-6 601	8 967	8 797	2 801
Loans	76 534	64 926	60 627	70 370	72 831
Provisions for loans	8 491	24 458	18 995	22 480	26 486
- % of total loans	11.1	37.7	30.9	32.0	36.4
Deposits	38 084	40 441	46 850	53 125	56 663
Net profit	89	-19 225	9 904	-241	-5 879
Profitability ratios, %					
NIM	3.4	5.7	4.3	4.5	4.5
RoAA	0.1	11.9	0.12	-	-
RoAE	0.7	-	1.02	-	-
Banking sector and the economy, %					
Assets / GDP	74.6	68.0	61.9	44.3	43.1
Loans / GDP	58.0	56.7	46.5	36.1	35.0
Deposits / GDP	28.9	37.1	35.2	26.9	27.0

Concentration of banking system assets



Assets, loans (US\$ billion) and 90 days overdue loans dynamics



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans	
	US\$ mln	May/Apr	US\$ mln	May/Apr	US\$ mln	May/Apr	US\$ mln	May/Apr	US\$ mln	May/Apr			US\$ mln	% of gross loans
KKB	16,502	0.7%	2,990	0.5%	15,668	-0.8%	9,529	4.7%	3,942	0.9%	5	37.6%	25.4%	
Halyk	14,796	-11.7%	1,847	-0.9%	8,796	-5.2%	10,287	-14.6%	4,166	-0.1%	214	25.0%	20.1%	
BTA	9,663	0.4%	-8,128	0.5%	13,820	0.2%	4,495	0.5%	1,746	1.5%	-9,194	85.9%	74.8%	
BCC	6,851	-2.8%	566	0.3%	5,525	-0.4%	4,765	2.7%	2,562	0.7%	6	16.3%	8.9%	
ATF	6,618	6.8%	395	-2.0%	5,413	-0.4%	3,866	8.2%	1,249	1.8%	-16	21.4%	40.7%	
Sberbank	3,630	-0.4%	89	8.6%	3,735	1.0%	2,185	2.6%	972	3.6%	2	44.6%	1.6%	
Alliance	4,649	12.6%	544	2.5%	3,058	2.5%	3,437	15.2%	629	3.5%	41	5.7%	50.5%	
Tsesnabank	3,474	2.5%	322	13.8%	2,629	2.8%	2,845	4.0%	874	3.1%	55	3.6%	3.4%	
Kaspi	3,107	1.3%	354	-0.2%	2,765	3.8%	2,339	2.4%	1,841	3.2%	50	18.0%	16.7%	
Eurasian	2,886	-1.0%	282	1.8%	2,226	4.0%	1,800	2.2%	567	8.0%	28	8.8%	6.7%	
Top 10	71,169	-0.9%	-738	-1.8%	63,635	-0.4%	45,548	-0.4%	18,546	1.5%	-8,808	38.7%	33.7%	
Other banks	17,731	-1.4%	3,539	1.1%	9,196	0.4%	10,536	-1.3%	2,093	1.0%	88	19.9%	16.3%	
Total	88,900	-1.0%	2,801	1.9%	72,831	-0.3%	56,084	-0.6%	20,639	1.5%	-8,720	36.4%	31.5%	

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