

Official exchange KZT/US\$ rate on 1 June 2012 – 148.06

## Summary

### Economy

- Inflation at 5%
- International reserves (including National Fund) decreased by 0.2% MoM

### Banking sector

- Halyk Bank is planning to buy back its 160 million preferred shares from Samruk Kazyna for the total amount KZT 28,790.4 million.

## News on Kazkommertsbank:

- **7 June.** KKB announced its 1st quarter 2012 results.
  - Net profit is up 7% to KZT6.4 billion (US\$42.9 million) from KZT5.9 billion for the 1st quarter of 2011
  - Adjusted Net Interest Margin increased to 3.8%
  - Cost-to-income ratio decreased to 19.9% (25.9% in 2011)
  - Retail deposits are up 4% year-to-date
  - Gross loans are up 1.3% year-to-date
  - Core Tier 1 ratio of 18.7% (18.6% in 2011)
  - Total capital ratio up to 22.7% (22.3% in 2011)
  - Provisioning rate at 24.6% of gross loans
  - NPLs of 28.3% of gross loans
- **7 June.** Kazkommertsbank received a diploma “Aspiration for transparency” from Kazakhstan Stock Exchange based on results of 2011.

## Kazakh Banking Sector Developments

### P&L

The net loss after tax of Kazakhstan's commercial banks in April 2012 amounted to US\$ 5,897 million, a decrease from US\$ 6,002 million last month, due to faster growth in earnings than in expenses, primarily due to increase in interest income on loans to customers.

Kazakh commercial banks' aggregate earnings amounted to US\$ 10,523 million up from US\$8,403 in April 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 16,420 million, the majority of which were provision charges and other expenses, which constituted 34.2% and 32.6% of total expenses, respectively.

### CAPITAL

The Kazakh banking sector's aggregate capital increased to US\$ 2,929 million as of 1 June 2012 from US\$ 2,843 million as of 1 May 2012, mainly due to changes in revaluations through capital.

### ASSETS

Aggregate bank assets stood at US\$ 89,693 million, compared to US\$ 90,413 million last month.

The share of loans to customers increased to 53.1%. The share of the securities portfolio was flat at 13.7%. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased from 14.3% to 13.7% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 1.6% in May from 2.4% in April while the share of inter-bank loans and deposits was flat at 2.3%.

According to the FSA, loans that were at least 90 days overdue decreased from 32.3% in April to 31.7% as at 1 June 2012. The loan loss provisioning rate increased from 30.9% to 35.9% in May 2012, due to increase in BTA's provisioning rate.

### LIABILITIES

Aggregate bank liabilities decreased to US\$ 86,764 million from US\$ 87,569 million in April 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 65.5% of the total liabilities, same as in April 2012.

Customer accounts decreased by 0.9% or US\$ 520 million to US\$ 56,861 million, due to the decrease in corporate deposits, mainly due to large outflow in Sberbank (-16.0%) and ATF Bank (-13.7%).

A major inflow of total deposits among top 10 banks was seen in Halyk (+3.2%), BTA (+2.6%) and KKB (+2.5%), while a major outflow of deposits was seen in Sberbank (-12.6%), ATF (-9.0%) and Centercredit (-3.0%).

The sector's net loans-to-deposits ratio increased from 82.0% in April 2012 to 83.7% in May 2012.

**Major events in the banking sector**

- **28 June.** Halyk Bank is planning to buy back its 160 million preferred shares from Samruk Kazyna for the total amount KZT 28,790.4 million.
- **14 June.** Moody's Investors Service has today changed to stable from negative the outlook on the B1 long-term foreign and local currency deposit ratings of Kaspi Bank. The standalone bank financial strength rating (BFSR) of E+ and Not-Prime short-term local and foreign currency deposit ratings were affirmed. Moody's assessment is based on Kaspi Bank's audited financial statements for 2011 (prepared under IFRS) and unaudited interim statements for Q1 2012 (under IFRS).
- **5 June.** Eurasian Bank is planning to increase its net profit by 32.3%-48.8% in 2012 to KZT 8-9 billion. Earlier this week shareholders injected KZT 6 billion in the Bank's capital.

## Major developments in Kazakhstan's economy

### INFLATION

In May 2012, inflation in Kazakhstan was 0.7%. The prices of food and non-food products both increased by 0.2%, while paid services increased by 1.7%. Annual inflation (May 2012 to May 2011) was 5%, and the prices for food products increased by 3.5%, for non-food products by 5%, and for paid services by 6.9%.

### INDUSTRIAL PRODUCTION

The volume of industrial production in May 2012 compared to May 2011 was 2.3%. The real volume index was 106.8% in the processing industry; the mining industry growth was 99.8%.

### UNEMPLOYMENT

The unemployment rate in May 2012 was 5.3%. The number of unemployed people in May 2012 was 473,600. The number of unemployed people registered with authorised employment bodies in May 2012 was 0.8% of the economically active population. The hidden unemployment rate in May 2012 was 0.3% of the economically active population.

### INTERNATIONAL RESERVES

In May 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) decreased by 0.2%, to US\$85.3 billion. The assets of the National Fund increased by 1.1% in May 2012 to US\$51.6 billion. The net international reserves of the National Bank based on current prices decreased by 2.2% to US\$33.8 billion. The net currency reserves in May 2012 decreased by 1.9% to US\$29.2 billion, while assets held in gold decreased by 3.5% to US\$5.0 billion.

### MONEY SUPPLY

The money supply in May 2012 decreased by 0.6% to KZT 10,335 billion. The amount of currency in circulation increased by 0.6% to KZT 1,350 billion. The reserve money in May 2012 decreased by 5.3% to KZT 3,305 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 2.3% to KZT 3,098 billion.

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**News on Kazakhstan's economy:**

- **26 June.** Kazakhstan and the Asian Development Bank (ADB) signed a US\$95 million 20-year loan agreement to finance reconstruction of part of Western Europe – Western China automobile road. The project envisages reconstruction of existing road of 7.7 km length in Zhambyl Oblast. Total project costs amount to US\$112 million, of which US\$95 million will be financed by the loan, and the other US\$17 million will be financed from the republican budget.
- **12 June.** Nominal average monetary income of population in Kazakhstan increased by 13.8% in April 2012 compared to April 2011 to KZT49,450. Increase in real terms was 8.6%.
- **12 June.** Prices per 1 sq.m. of new residential housing in Kazakhstan increased by 1.4% in May 2012 MoM to KZT162,381. The prices at the secondary market also increased by 1.4% to KZT118,814.
- **7 June.** The National Bank might decrease the refinancing rate to 5.25-5.5% if the annual inflation will stay at 5% during several months.
- **6 June.** Currency reserves of the National Bank in euro were reduced from 30% to 25%. The reduction in euro reserves was compensated by increase in reserves in other currencies (not US\$).
- **4 June.** Fitch Ratings announced confirmation and withdrawal of the issuer default ratings of JSC KazMunayGas Exploration and Production. The long-term ratings were confirmed at BBB- with Stable outlook.

Annex 1

## Kazakhstan's key macroeconomic indicators

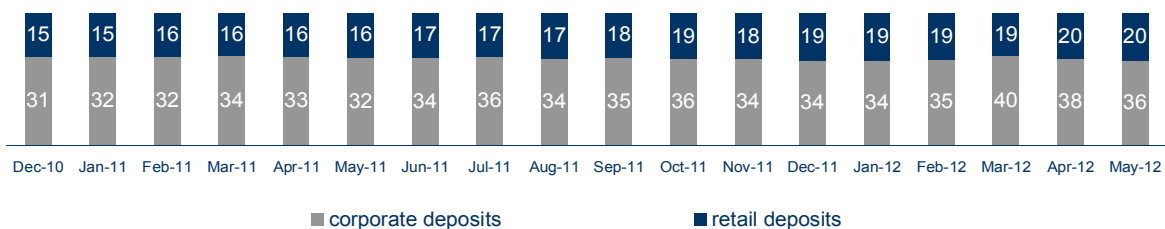
	2007	2008	2009	2010	2011	May 12
<b>Domestic economy and financial system</b>						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.6*
GDP, US\$ million	106 816	131 713	107 197	145 854	183 969	-
Production, % YoY	104.5	102.1	101.7	110.0	103.5	102.3
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.3
CPI, %	118.8	109.5	106.2	107.8	107.4	105.0
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	69 802
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	22 319
Real exchange rate	120.30	120.77	148.46	147.50	148.40	148.06
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	6.0
<b>State finance</b>						
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	-
<b>Balance of payments</b>						
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
<b>Foreign assets and liabilities</b>						
Gross foreign debt, US\$ million	96 914	107 713	113 229	119 242	123 848	-
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	-
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	33 753
National Fund	21 006	27 486	24 368	30 578	43 693	51 586
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	85 339

\* Jan-Mar 2012 preliminary data

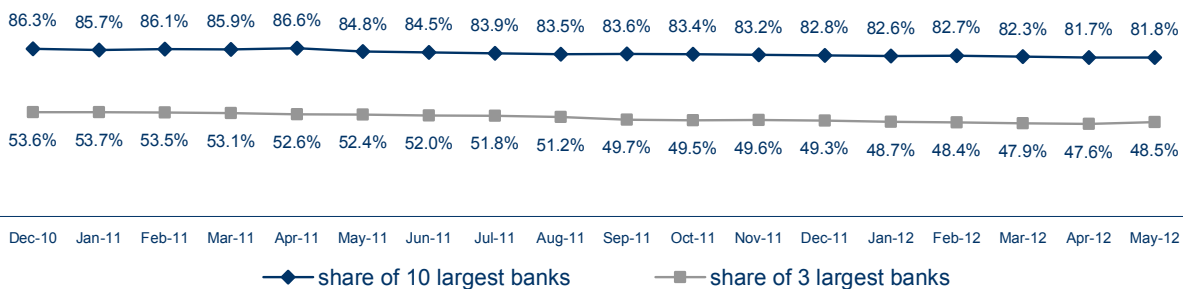
## Banking sector indicators

	2006	2007	2008	2009	2010	May 2012
Commercial banks (number)	33	35	37	38	39	38
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 262
<b>Major indicators of the banking sector, US\$ million</b>						
<b>Assets</b>	<b>69 859</b>	<b>97 129</b>	<b>98 432</b>	<b>77 837</b>	<b>81 614</b>	<b>89 693</b>
Capital	6 854	11 846	12 026	-6 601	8 967	2 929
<b>Loans</b>	<b>47 181</b>	<b>73 718</b>	<b>76 534</b>	<b>64 926</b>	<b>60 627</b>	<b>72 999</b>
Provisions for loans	2 342	4 337	8 491	24 458	18 995	26 214
- % of total loans	5.0	5.9	11.1	37.7	30.9	35.9
<b>Deposits</b>	<b>24 979</b>	<b>32 451</b>	<b>38 084</b>	<b>40 441</b>	<b>46 850</b>	<b>56 861</b>
<b>Net profit</b>	<b>801</b>	<b>1 806</b>	<b>89</b>	<b>-19 225</b>	<b>9 904</b>	<b>-5 897</b>
<b>Profitability ratios, %</b>						
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	-
<b>Banking sector and the economy, %</b>						
Assets / GDP	87.5	90.9	74.6	68.0	61.9	42.7
Loans / GDP	59.1	69.0	58.0	56.7	46.5	34.2
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	26.9

Trends in the deposit base, US\$ billion



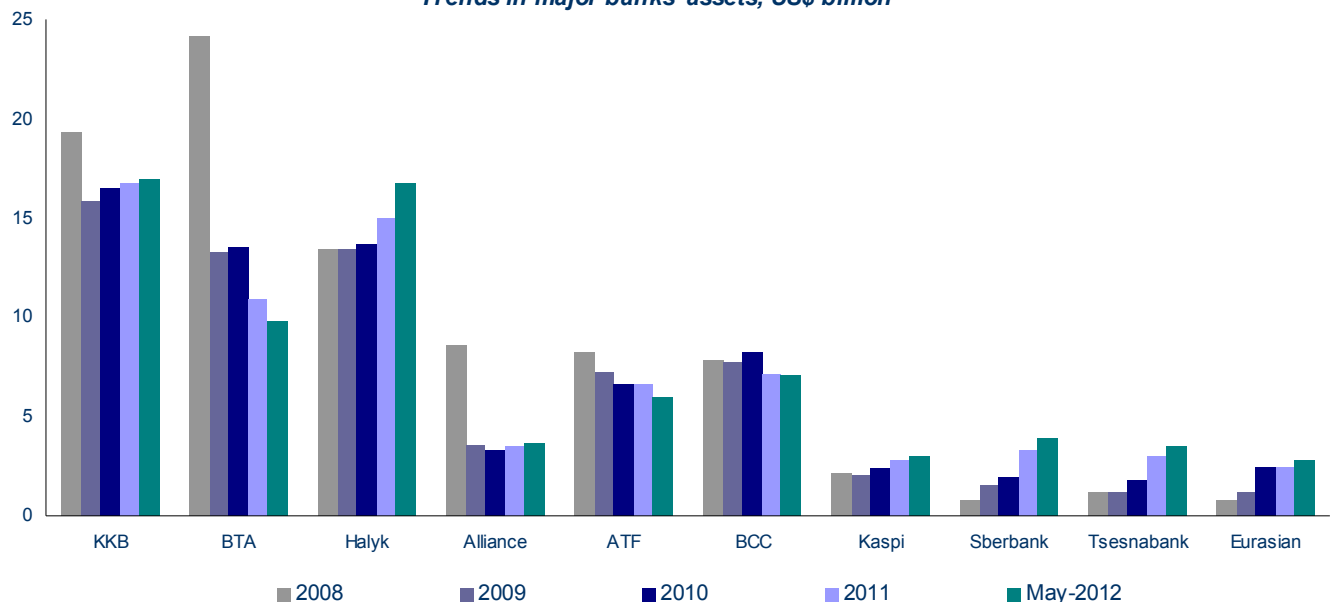
Concentration of banking system assets



Major indicators of the largest Kazakh banks as at 1 June 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			
<b>KKB</b>	<b>16,932</b>	<b>1.6%</b>	<b>3,002</b>	<b>0.2%</b>	<b>15,784</b>	<b>0.5%</b>	<b>9,679</b>	<b>2.5%</b>	<b>3,908</b>	<b>-0.3%</b>	<b>4</b>	<b>37.0%</b>	<b>24.0%</b>
Halyk	16,768	2.0%	2,062	1.2%	9,362	1.0%	12,066	3.2%	4,244	-1.0%	132	24.1%	19.8%
BTA	9,739	-1.0%	-8,043	0.3%	13,876	-0.6%	4,495	2.6%	1,654	0.9%	-8,833	83.7%	76.5%
BCC	7,044	-3.1%	571	0.3%	5,528	1.1%	4,633	-2.9%	2,553	-0.7%	6	16.2%	8.5%
ATF	5,951	-6.4%	411	-0.4%	5,501	-1.3%	3,228	-9.0%	1,133	1.3%	-27	21.6%	40.6%
Sberbank	3,931	-10.6%	420	2.6%	2,966	2.7%	2,898	-12.7%	593	3.0%	30	5.4%	1.7%
Alliance	3,635	1.8%	76	11.9%	3,725	1.6%	2,146	1.2%	928	3.9%	9	44.4%	51.1%
Tsesnabank	3,477	1.5%	278	3.3%	2,672	1.5%	2,791	0.0%	823	-2.2%	42	3.6%	3.3%
Kaspi	3,014	1.9%	354	3.3%	2,613	2.4%	2,304	1.7%	1,796	3.9%	43	17.7%	17.3%
Eurasian	2,798	1.6%	235	1.3%	2,036	4.2%	1,803	-1.3%	527	0.7%	18	9.5%	7.5%
<b>Top 10</b>	<b>71,792</b>	<b>-0.5%</b>	<b>-635</b>	<b>-7.0%</b>	<b>64,062</b>	<b>0.6%</b>	<b>46,043</b>	<b>-0.2%</b>	<b>18,158</b>	<b>0.3%</b>	<b>-8,577</b>	<b>38.0%</b>	<b>33.7%</b>
Other banks	17,810	-1.7%	3,560	1.1%	8,862	1.9%	10,268	-4.5%	2,054	1.4%	63	20.6%	17.3%
<b>Total</b>	<b>89,602</b>	<b>-0.8%</b>	<b>2,926</b>	<b>3.0%</b>	<b>72,925</b>	<b>0.8%</b>	<b>56,310</b>	<b>-1.0%</b>	<b>20,212</b>	<b>0.4%</b>	<b>-8,514</b>	<b>35.9%</b>	<b>31.7%</b>

Trends in major banks' assets, US\$ billion





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***Investor Relations:***

*Ms. Aliya Nursipatova*

*Ms. Alma Buirakulova*

*Tel. +7 727 258 5125*

*[Investor\\_Relations@kkb.kz](mailto:Investor_Relations@kkb.kz)*