

Official exchange KZT/US\$ rate on 1 October 2011 – 147.99

Summary

Economy

- GDP increased by 7% in the 9M11

Banking sector

- Moody's downgraded deposit and debt ratings of ATF Bank

News on Kazkommertsbank

- **2 November.** Kazkommertsbank announced that it has increased the chartered capital of JSC “Life insurance company “Kazkommerts Life”, as part of its commitment of providing capital to its subsidiaries. On 1 November 2011 Kazkommertsbank purchased 100,000 newly issued shares in Kazkommerts Life for the price of KZT1,000 per share. As a result, the chartered capital of Kazkommerts Life increased by KZT100 million to KZT1,690 million. Kazkommertsbank continues to own 100% of the company. The capital injection was made in order to strengthen capital position of the subsidiary for further asset growth.
- **19 October.** Standard & Poor assigned long-term issuer rating of B+ with Stable outlook to Kazkommerts Policy insurance company. The rating reflects the agency’s opinion on adequate operation results and capitalization of the company proved by very high capital adequacy ratios. At the same time the ratings reflect weak competitive position (based on international standards) and limited financial flexibility. The stable outlook reflects expectations that Kazkommerts Policy will be able to sustain competitive positions at local insurance market, show high operational results and sustain its capital adequacy.
- **13 October.** Kazkommertsbank announced that DAMU Small Entrepreneurship Development Fund has extended a loan to the Bank in the amount of KZT 7.4 billion as part of the investment program of Asian Development Bank (ADB) for financing small and medium businesses. ADB’s loan provided to DAMU and on-lent to Kazakh banks is currently the only funding provided by multilateral financial institution in the local currency, tenge. It will enable banks and SME clients to eliminate currency and interest rate risks. The proceeds received by Kazkommertsbank will be used to provide SME clients with funding at a rate of 12.5% per annum for up to five years to finance working capital and investments into new and modernization of existing fixed assets.
- **6 October 2011.** Kazkommertsbank has received a third KZT19.3 billion tranche of government funding to finance completion of Kuat’s unfinished construction projects by the Global Building Contract project company (“the Company”). The project company has completed the following Kuat’s projects: “Grand Alatau” in Astana, “Ush-Tobe”, “46th block” and “29th block” in Almaty. The proceeds of this tranche will be used to complete construction of the remaining unfinished Kuat’s projects: “2nd block”, “20th block” and “42nd block” in Almaty. It is expected that this final part of the development will be completed by the end of 2012. The funds have been provided to the bank as a deposit by the Distressed Assets Fund. The first KZT20 billion and the second KZT14.7 billion tranches were received in December 2009 and November 2010, respectively.

Kazakh Banking Sector Developments

P&L

The net profit of Kazakhstan's commercial banks in September 2011 was US\$24 million compared to US\$384 million in August 2011.

Kazakh commercial banks' aggregate earnings amounted to US\$ 23,613 million up from US\$22,181 in August 2011. The aggregate expenses of the banking system (including corporate tax) were US\$ 23,589 million (US\$ 21,797 million in August 2011), the majority of which were provision charges, which constituted a 58.7% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital amounted to US\$ 9,257 million as of 1 October 2011 (US\$ 9,968 million as of 1 September 2011).

ASSETS

Aggregate bank assets stood at US\$ 88,080 million (an increase of 0.6% MoM or US\$ 520 million). The increase was due to increase in correspondent accounts (+20.2%) and interbank deposits (+13%).

The share of loans to customers remained unchanged at 50.7%. The share of the securities portfolio decreased to 14.2% from 15.7% in August 2011. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased to 11.1% from 9.7% due to increase in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 2% from 2.1% and the share of inter-bank loans and deposits increased to 4% from 3.6%.

LIABILITIES

Aggregate bank liabilities decreased to US\$ 78,553 million from US\$ 77,592 million in August 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 60.7% of the total liabilities.

Customer accounts increased by 3.2% or US\$ 1,650 million to US\$ 53,488 million, due to increase in both retail and corporate deposits. An outflow of total deposits among top 10 banks was seen in Halyk (-1%), while a major inflow was seen in Citibank (+20.2%), ATF (+10.8%) and Tsesnabank (+10.7%).

The sector's net loans-to-deposits ratio decreased to 83.5% in September 2011 from 85.7% in August 2011.

Major events in the banking sector

- **28 October.** According to the NBK the number of issued banking cards in Kazakhstan increased by 10.4% y-o-y to 9.3 million as at 1 October 2011.
- **1 November.** Net loss of BTA Bank in January-September 2011 was KZT47 billion. Assets have decreased by 14.4% from KZT 1,994 billion to KZT1,707 billion y-o-y.
- **25 October.** Deposits of Astana-Finance bank will be transferred to AsiaCredit Bank. On 1 July 2011 the FMSC cancelled Astana Finance's license to conduct operations with retail clients.
- **24 October.** Net profit of Alliance bank in January-September 2011 was KZT25.4 billion. Assets have increased by 7.7% to KZT527.2 billion. Capital was negative at kZT2.5 billion. In 2011 the bank plans net profit of KZT8-10 billion and asset growth on 15%.
- **11 October.** Moody Investors Service downgraded deposit and debt ratings of ATF Bank with negative outlook. Long-term deposit rating in local and foreign currency and long-term senior debt rating were downgraded from Ba2 to Ba3, while long-term subordinate debt rating was down from Ba1 to Ba2. Ratings downgrade followed downgrade of the ratings of the parent company and, consequently, its ability to provide support to ATF.

Major developments in Kazakhstan's economy:

INFLATION

In September 2011, inflation in Kazakhstan was 0.3%. The prices of food products decreased by 0.2%, while prices of non-food products and paid services increased by 0.4% and 1%, respectively. Annual inflation (September 2011 to September 2010) was 8.7%, and the prices for food products increased by 12.0%, for non-food products by 5.6%, and for paid services by 7.7%.

INDUSTRIAL PRODUCTION

The volume of industrial production in September 2011 compared to September 2010 was 4.3%. The real volume index was 102.4% in the mining industry and 107.0% in the processing industry.

UNEMPLOYMENT

The unemployment rate in September 2011 was 5.3%. The number of unemployed people in September 2011 was 472,500. The number of unemployed people registered with authorised employment bodies in September 2011 was 0.9% of the economically active population. The hidden unemployment rate in September 2011 was 0.3% of the economically active population.

INTERNATIONAL RESERVES

In September 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) decreased by 1.8%, to US\$74.4 billion. The assets of the National Fund decreased by 0.8% in September 2011 to US\$40.0 billion. The net international reserves of the National Bank based on current prices decreased by 10% to US\$31.9 billion. The net currency reserves in September 2011 decreased by 10.2% to US\$28.8 billion, while assets held in gold increased by 10.2% to US\$4.1 billion.

MONEY SUPPLY

The money supply in September 2011 increased to KZT 9,821 billion. The amount of currency in circulation increased by 0.5% to KZT 1,261 billion. The reserve money in September 2011 decreased by 0.1% to KZT 2,883 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) remained unchanged at KZT 2,621 billion.

GDP

GDP increased by 7 % in the 9M11.

News on Kazakhstan's economy:

- **25 October.** The National Bank of Kazakhstan bought back EBRD stake in the State Pension Fund (SPF) and, as a result, the NBK currently owns 100% of the SPF shares. As it was announced earlier the NBK plans to include the SPF to the “People’s IPO” programme after the buyback.
- **11 October.** Number of real estate transactions in Kazakhstan in January-September 2011 increased by 12.7% y-o-y to 114,029.
- **10 October.** The price per 1 sq.m. of new residential real estate in Kazakhstan increased by 0.3% MoM to KZT150,595. The prices per 1 sq.m. of the secondary residential real estate increased by 0.2% MoM to KZT111,957.

Kazakhstan's key macroeconomic indicators

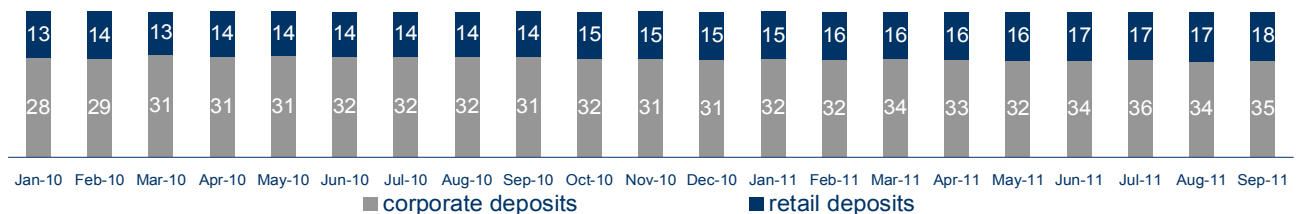
	2006	2007	2008	2009	2010	Sept 11
Domestic economy and financial system						
Real GDP growth, %	110.7	108.9	103.2	101.2	107.0	107.0
GDP, US\$ million	76 355	106 816	131 713	107 197	145 854	160 110*
Production, % YoY	107	104.5	102.1	101.7	110.0	104.3
Unemployment rate, %	7.8	7.3	6.6	6.5	5.5	5.3
CPI, %	108.4	118.8	109.5	106.2	107.8	108.7
Monetary supply M3, US\$ million	27 492	38 486	51 894	49 754	57 942	66 362
Monetary base (reserve money), US\$ million	11 223	12 171	12 629	16 510	17 443	19 482
Real exchange rate	133.77	120.30	120.77	148.46	147.50	147.99
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	-0.8*
Sovereign foreign debt, % of GDP	4.1	2.0	1.6	2.5	2.8	2.4*
Sovereign foreign debt / State budget income, %	17.9	8.7	6.5	11.4	13.9	25.4*
Sovereign foreign debt, US\$ million	3 125	2 099	2 167	2 218	4 061	3 799*
Balance of payments						
Current account balance, US\$ million	-1 999	-8 226	6 978	-3 408	4 319	9 286
Current account balance, % of GDP	-2.6	-7.7	5.3	-2.6	3.0	4.5*
Capital and finance account balance, US\$ million	16 201	8 366	1 219	5 554	416	5 670
Capital and finance account balance, % of GDP	21.2	7.8	0.9	5.2	0.3	1.3*
Imports, US\$ million	24 120	33 260	38 452	28 672	31 956	29 442
Exports, US\$ million	38 762	48 351	71 971	43 886	60 838	61 841
Foreign assets and liabilities						
Gross foreign debt, US\$ million	74 014	96 914	107 713	113 229	119 242	124 107*
Gross foreign debt, % of GDP	91.4	92.4	81.3	98.6	45.2	42.4*
National Bank's Net International Reserves, US\$ thousands	19 127	17 629	19 872	23 218	27 723	31 921
National Fund	14 092	21 006	27 486	24 368	30 578	40 018
National Fund and international reserves	33 219	38 635	47 358	47 586	58 301	74 443

*1H11

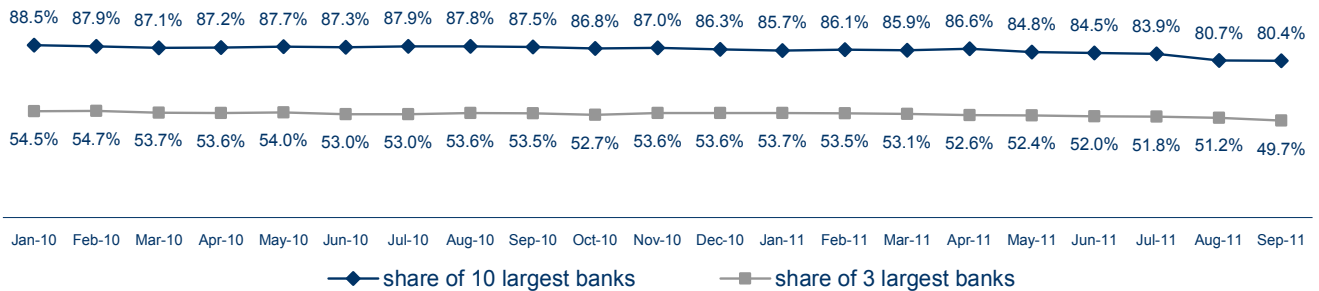
Banking sector indicators

	2006	2007	2008	2009	2010	Sept 2011
Commercial banks (number)	33	35	37	38	39	39
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 280
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	88 080
Capital	6 854	11 846	12 026	-6 601	8 967	9 527
Loans	47 181	73 718	76 534	64 926	60 627	68 216
Provisions for loans	2 342	4 337	8 491	24 458	18 995	22 415s
- % of total loans	5.0	5.9	11.1	37.7	30.9	32.9
Deposits	24 979	32 451	38 084	40 441	46 850	53 027
Net profit	801	1 806	89	-19 225	9 904	151
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	48.7
Loans / GDP	59.1	69.0	58.0	56.7	46.5	37.3
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	28.6

Trends in the deposit base, US\$ billion



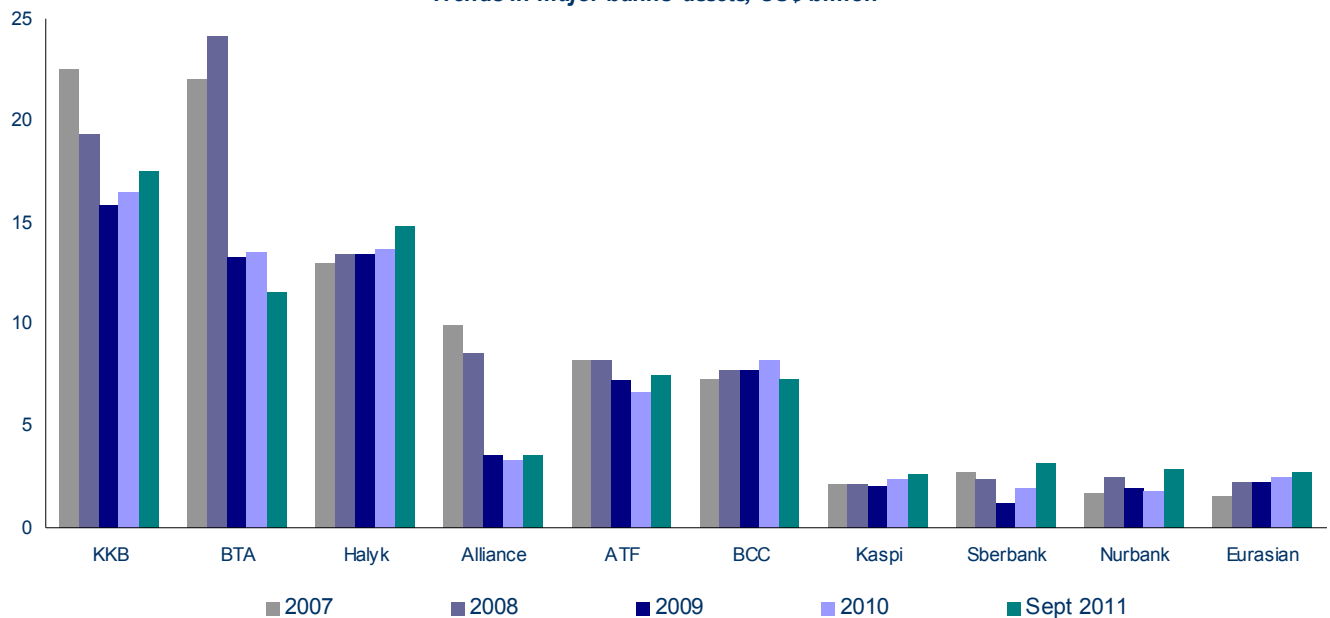
Concentration of banking system assets



Major indicators of the largest Kazakh banks as at 1 October 2011

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit US\$ mln	Reserves % of total loans	90 days overdue loans % of total loans
	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul	US\$ mln	Aug/ Jul			
KKB	17,495	1.2%	3,121	0.3%	15,350	0.9%	9,766	1.4%	3,496	2.1%	6	33.8%	-
Halyk	14,781	-2.3%	1,935	0.0%	8,616	0.5%	9,893	-1.0%	3,646	0.1%	184	24.8%	-
BTA	11,532	-3.3%	-933	89.1%	13,925	7.8%	5,248	7.1%	2,051	1.1%	-172	63.7%	-
BCC	7,339	0.3%	550	0.3%	5,399	1.2%	4,737	2.1%	2,452	3.2%	8	15.6%	-
ATF	7,476	8.1%	443	-1.8%	5,783	1.0%	4,097	10.8%	974	1.6%	-172	18.7%	-
Alliance	3,562	2.1%	-17	-15.6%	3,763	0.8%	1,916	6.9%	669	6.7%	84	47.5%	-
Sberbank	3,140	8.1%	323	5.6%	1,995	12.3%	2,449	6.3%	409	9.9%	31	6.2%	-
Kaspi	2,640	1.9%	301	4.0%	2,253	2.1%	1,984	1.0%	1,388	2.9%	31	17.2%	-
Tsesnabank	2,760	10.3%	222	20.1%	2,044	9.8%	2,243	10.7%	581	4.1%	22	3.6%	-
Citibank	2,868	23.1%	157	1.6%	450	2.7%	2,536	20.2%	23	1.7%	24	0.7%	-
Top 10	70,833	1.3%	6,102	-5.68%	59,579	3.1%	44,868	4.2%	15,687	2.2%	46	34.4%	-
Other banks	17,248	2.9%	3,426	0.87%	8,637	2.0%	8,159	5.6%	1,945	1.6%	104	22.2%	-
Total	88,080	1.6%	9,527	-3.42%	68,216	3.0%	53,027	4.4%	17,633	2.1%	151	32.9%	-

Trends in major banks' assets, US\$ billion



Please note that the information provided in this document is based on data from different sources including, without limitation, published announcements made by various state authorities and other organisations.

The majority of the information contained herein has been selected from different publications released by the National Bank of Kazakhstan, the Statistics Agency of the Republic of Kazakhstan, the Agency of the Republic of Kazakhstan for the Regulation and Supervision of the Financial Market and Financial Organisations, and the official websites of Kazakh banks. None of the managers or directors involved in the preparation of this document has independently verified the information contained herein. Accordingly, no responsibility or liability is accepted by Kazkommertsbank, its employees or directors as to the accuracy of the information provided herein.

The document is directed exclusively to business counterparties. No persons should rely on any information in this document. Neither this document nor any other statement (oral or otherwise) made at any time in connection herewith is an offer, invitation or recommendation to acquire or dispose of any securities or to enter into any transaction. Any readers/users/subscribers are advised to independently review and/or obtain independent professional advice and draw their own regulatory, credit, tax and accounting conclusions in relation to their particular circumstances.

This document may contain forward-looking statements made by official authorities in Kazakhstan, but all readers shall make their own judgement when making a decision on prospects, business developments or investments.

Investor Relations:

Ms. Aliya Nursipatova

Ms. Alma Buirakulova

Tel. +7 727 258 5125

Investor_Relations@kkb.kz