

Summary

- Inflation in April 2010 was 0.7%
- GDP growth in January-April 2010 was 7.6% compared to January-April 2009
- Agreements on cooperation in the framework of the “Business Road Map 2020” Programme were signed
- Sberbank will continue its negotiations on the purchase of BTA Bank after the Restructuring agreements are signed by the creditors of the latter

News on Kazkommertsbank:

- **24 May.** Kazkommertsbank announced the extension of the Government mortgage refinancing programme from the National Wealth Fund “Samruk-Kazyna” from 1 June 2010. Under the agreement, the Bank will accept applications from its clients to reduce interest rates on their mortgage loans from funds received from repayment of earlier refinanced mortgage loans. New applications will begin to be accepted in all of Kazkommertsbank’s branches on 1 June 2010. Kazkommertsbank will refinance mortgages depending on the availability of funds coming from scheduled or early repayments on earlier refinanced mortgages. As of today, 6,000 clients are already paying considerably less on their mortgages each month thanks to Kazkommertsbank’s participation in the government refinancing programme. In addition, 306 mortgages have become cheaper through Kazkommertsbank’s own mortgage refinancing programme.
- **14 May.** Kazkommertsbank announced that it had acquired common shares in OJSC “Kazkommertsbank Kyrgyzstan”, increasing its stake to 95.75%. As previously announced, a decision was taken at the General Shareholders Meeting of OJSC “Kazkommertsbank Kyrgyzstan” to increase the charter capital of the bank by issuing 66,036 new shares at KGS 500 per share. The issue was registered with the Financial Regulation Service of the Kyrgyz Republic on 5 February 2010. The shareholders, including Kazkommertsbank, purchased 62,657 shares (94.88% of the new shares). After the termination of the preemptive rights execution period, the remaining 3,379 shares were purchased by Kazkommertsbank for KGS 1,689,500 on 12 May 2010. As a result, Kazkommertsbank increased its stake in OJSC “Kazkommertsbank Kyrgyzstan” to 95.75%.
- **5 May.** Kazkommertsbank announced that it had acquired common shares in JSC Savings’ “Grantum” Pension Fund, which were not purchased in accordance with the preemptive rights. On 11 February 2009, at the Extraordinary General Shareholders Meeting of JSC Savings Pension Fund “Grantum”, the decision to increase the charter capital of the Fund by issuing 2,200,000 new shares was approved. In line with their pre-emptive rights, the shareholders of the Grantum Pension Fund (including Kazkommertsbank) purchased 2,119,630 common shares (or 96% of the new issue). On 21 April 2010, the Board of Directors of the Grantum Pension Fund decided to place the remaining 80,370 common shares at KZT 1,000 per share among unrestricted investors. On 4 May 2010, Kazkommertsbank purchased in full the above-mentioned 80,370 common shares for KZT 80,370,000. As a result, Kazkommertsbank increased its stake in the Grantum Pension Fund from 80.01% to 82.52%.

Kazakh Banking Sector Developments

P&L

The net income of Kazakhstan's commercial banks slightly increased to US\$ 1,785 million from US\$ 1783 million in March 2010.

Kazakh commercial banks' aggregate earnings amounted to US\$ 9,416 million. The aggregate expenses of the banking system (including corporate tax) was US\$ 7,631 million, the majority of which were provision charges, which constituted a 57.9% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital remained negative and as of 1 May 2010, amounting to US\$ -3,462 million (US\$ -3,397 million as of 1 April 2010). Excluding the negative capital of the two banks under restructuring, the aggregate bank capital amounted to US\$ 7,605 million (US\$ 7,552 million as of 1 March 2010).

ASSETS

Aggregate bank assets stood at US\$ 81,533 million (an increase of 0.3% MoM or US\$ 258 million).

The share of loans to customers declined from 49.1% to 48.8% during April, continuing the trend seen during the first quarter of 2010. The share of securities portfolio increased from 17.4% to 18.7%. The share of highly liquid assets (cash, precious metals and correspondent accounts) marginally increased from 8.0% to 8.2% due to an increase in correspondent accounts by 0.2%. The share of funds placed with the National Bank within total assets decreased from 5.9% to 5.0% and the share of inter-bank loans and deposits decreased from 4.3% to 3.8%.

The continuing monthly deterioration in asset quality is still the major concern of the banks. According to the FSA, loans that were at least 90 days overdue represented 26.1% of the total loan portfolio as at 1 May 2010 compared to 25.1% as at 1 April 2010. Loans that were 90 days overdue, excluding BTA, Temir and Alliance Bank, amounted to 17.2% of the total loans as at 1 May 2010, compared to 16.3% as 1 April 2010.

The loan loss provisioning rate slightly decreased from 37.0% at March-end to 36.8% in April, according to the FSA.

LIABILITIES

Aggregate bank liabilities decreased slightly by 0.4% during April, to US\$ 84,995 million.

The structure of liabilities has not changed significantly. The major funding sources remain customer accounts (52.8% of total liabilities compared to 52% in March).

Customer accounts increased by 1.4% to US\$ 44,654 million, due to the increase in both corporate (by 1.0%) and retail (by 2.4%) accounts. A major inflow of total deposits was seen in Nur, Halyk and Alliance Bank (3.4%, 3.8% and 5.0%, respectively).

The sector's net loans-to-deposits ratio decreased from 90.6% in March 2010 to 88.6% in April 2010, due to the increase in deposits.

Major events in the banking sector

- **24 May** – Temirbank’s assets decreased by 23% during 2009 and amounted to KZT 226.5 billion compared to KZT 294.9 billion in 2008, according to the bank’s IFRS financial statements. The bank’s capital was negative and amounted to KZT 50.5 billion. The bank recorded a net loss of KZT 3.6 billion.
- **20 May** – Nurbank announced changes in its shareholding structure. A 75% stake is now owned by Ms. Sofya Sarsenova. The bank says the alterations in the shareholding structure will not result in any significant changes in the bank’s strategy. Previously, 50.71% of the shares were owned by Ms. Dariga Nazarbayeva, 10.29% by Ms. Sofya Sarsenova and 5.98% by Mr. Nurali Nazarbayev (as at 1 April 2010).
- **19 May** – Halyk Bank announced that it plans a full prepayment of its 10-year domestic notes for the total amount of KZT 5 billion during the period 6 -15 November 2010.
- **14 May** – The Ministry of Economic Development and Trade, regional akimats, Damu Fund, the Financial Institutions Association and commercial banks of Kazakhstan signed agreements on cooperation in the framework of the “Business Road Map 2020” Programme. The realisation of this programme includes guarantees and subsidies on the banks’ loans to private entrepreneurs. The planned amount of funds which will be allocated to this programme in 2010 is KZT 30 billion.
- **13 May** – Temirbank announced that the Special Financial Court of Almaty on 29 April 2010 approved the Restructuring Plan of the bank’s liabilities. Previously, the Restructuring Plan was approved by the majority of creditors on 31 March 2010 and also approved by the Agency of the Republic of Kazakhstan on the regulation and supervision of financial markets and financial institutions.
- **12 May** – Eurasian Bank’s assets grew by 12.5% during 2009 to KZT 321.3 billion. Liabilities increased by 26% to KZT 297 billion and capital increased by 2 times KZT 24.2 billion.
- **12 May** – Nurbank announced KZT 1 billion net income in 2010. The bank recorded KZT 762 million net income in 2009.
- **12 May** – Alliance Bank’s assets decreased during 2009 from KZT 748 billion to KZT 419 billion. According to the bank’s 2009 consolidated financial statements, its liabilities decreased to KZT 945 billion and capital declined to KZT –526 billion. The bank recorded a KZT –299 billion net loss in 2009.
- **7 May** – According to the National Bank’s survey, the commercial banks in Kazakhstan are seeing a insignificant increase in demand for loans. The banks say that there is a lack of new “good” borrowers. Because of this, the banks are focusing on work with existing client bases to prevent them from defaulting and further deterioration.
- **5 May** – Sberbank’s subsidiary in Kazakhstan does not plan any growth in income in 2010. According to the CEO of Sberbank’s subsidiary Mr. Oleg Smirnov, the bank expects an increase in investment expenses, due to its branch network expansion. The bank recorded KZT 2.3 billion net income in 2009. Sberbank expects a 25-30% growth in loan portfolio in 2010. Mr. Smirnov said that Sberbank will continue its negotiations on the purchase of BTA Bank after the Restructuring agreements are signed by the creditors of the latter.
- **4 May** – The National Wealth Fund Samruk-Kazyna will become a major shareholder of Temirbank after the completion of its restructuring process. A 70% stake in the bank will be transferred to Samruk-Kazuna within a few days. In July 2010 another 20% will be transferred to the bank’s foreign creditors. According to the restructuring plan, all procedures will be completed as at 1 July.

Major developments in Kazakhstan's economy:

INFLATION

In April 2010, inflation in Kazakhstan was 0.7%. The prices of food products in April 2010 increased by 1.0%, non-food products saw a rise of 0.4%, while paid services increased by 0.4%. Annual inflation (April 2010 to April 2009) was 7.1%, and the prices for food products increased by 5.3%, for non-food products by 6.3%, and for paid services by 10.2%.

INDUSTRIAL PRODUCTION

The volume of industrial production in January-April 2010 compared to January-April 2009 increased by 11.8%. The real volume index was 107.5% in the mining industry, 120.4% in the processing industry.

UNEMPLOYMENT

The unemployment rate in April 2010 was 6.1%. The number of unemployed people in April 2010 was 535,300. The number of unemployed people registered with authorised employment bodies in April 2010 was 1.0% of the economically active population. The hidden unemployment rate in April 2010 was 0.5% of the economically active population.

INTERNATIONAL RESERVES

In April 2010 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased slightly by 5.2%, to US\$54.6 billion. The assets of the National Fund increased by 1.9% in April 2010 to US\$25.8 billion. The net international reserves of the National Bank based on current prices increased by 8.3% to US\$28.8 billion. The net currency reserves in April 2010 increased by 8.4% to US\$26.6 billion, while assets held in gold increased by 5.9% to US\$2.8 billion.

GDP

GDP growth in January-April 2010 was 7.6% compared to January-April 2009.

MONEY SUPPLY

April 2010 saw an increase in the money supply of 3.2% to KZT 8,009 billion. The amount of currency in circulation increased by 6.6% to KZT 957.6 billion. The reserve money in April 2010 decreased by 3.1% to KZT 2,651 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 1.0% in April 2010 to KZT 2,047 billion.

News on Kazakhstan's economy:

- **26 May.** The Executive Board of the World Bank approved a US\$1 billion budgetary support loan to Kazakhstan. The loan will be provided for 25 years with a three-year grace period at 6M LIBOR plus variable spread. The Regional Director of World Bank in Central Asia Mr. Moto Konishi said that the approval of the loan proves the high level of confidence of the World Bank in current economic policy and reforms of the Government of Kazakhstan.
- **25 May.** The Turkish Turgut Reis company and the Development Bank of Kazakhstan plan to construct a plant for the production of ceramic tiles at a total cost of EUR69.9 million. The Development Bank of Kazakhstan will invest around 60% of the amount.
- **15 May.** The Deputy General Secretary of EvrAzEs Mr. Murat Mussataev believes that Kazakhstan, Russia and Belarus might have an additional 15% of economic growth as a result of the establishment of the unified economic area (UEA). The calculations of the Institute of Economic Projections of the Russian Academy of Sciences showed that the aggregate integration effect measured by additional production of GDP of the countries, which entered the Customs Union, will be US\$400 million in 2015.
- **11 May.** The Minister of Economic Development and Trade Ms. Zhanar Aytzhanova said that food prices should not increase by more than 9.7% to fit the planned inflation rate for 2010. In April 2010 compared to December 2009 the prices for fruit and vegetables increased by 16.5%, for sugar by 9.3%, for meat products by 5.5% and for eggs by 5.3%. Food prices increased mainly due to the seasonal factor, increased import prices for fruit and vegetables and a lack of infrastructure for the storage and delivery of fruit and vegetables.
- **7 May.** New house prices increased by 0.1% in April 2010. At the same time, the prices for secondary housing also increased by 0.1%. The price of 1 sq. m. of re-sold housing was KZT 101,230, of new housing KZT 139,660.
- **5 May.** The national currency, tenge, appreciated by 4% in April 2010. According to the Chairman of the National Bank Mr. Grigoriy Marchenko the National Bank had purchased around US\$1 billion in April 2010 to prevent fast tenge appreciation.
- **5 May.** Based on preliminary estimations, the surplus of the current account in January-March 2010 was US\$3 billion compared to a deficit of US\$1.2 billion in January-March 2009. The trade balance was positive at US\$8.1 billion. Exports in 1Q10 increased by 66.7% to US\$13.6 billion. Imports decreased by 10.9% to US\$5.4 billion due to a reduction in imported of investment goods of 35%.

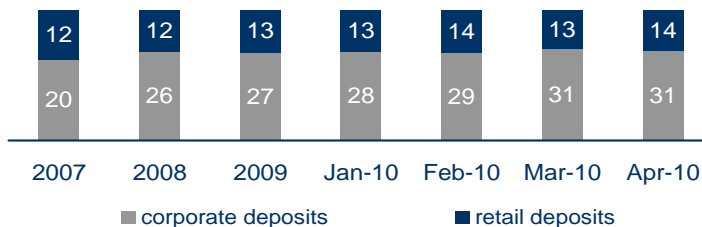
Kazakhstan's key macroeconomic indicators

	2005	2006	2007	2008	2009	Apr 10
Domestic economy and financial system						
Real GDP growth, %	109.7	110.7	108.9	103.2	101.2	107.6
GDP, US\$ million	58 392	76 355	106 816	131 713	107 197	n/a
Production, % YoY	104.6	107	104.5	102.1	101.7	111.8
Unemployment rate, %	8.1	7.8	7.3	6.6	6.5	6.1
CPI, %	107.7	108.4	118.8	109.5	106.2	107.1
Monetary supply M3, US\$ million	15 887	27 492	38 486	51 894	49 754	54 695
Monetary base (reserve money), US\$ million	5 100	11 223	12 171	12 629	16 510	18 103
Real exchange rate	130.00	133.77	120.30	120.77	148.46	146.43
Official refinancing rate, %*	8.0	9.0	11.0	9.5	7.0	7.0
State finance						
State budget balance, % of GDP	0.6	0.5	-1.7	-2.1	-3.1	n/a
Total sovereign debt, % of GDP	3.7	4.1	2.0	1.6	2.5	n/a
Sovereign foreign debt / State budget income, %	13.5	17.9	8.7	6.5	11.4	n/a
Sovereign foreign debt, US\$ million	2 175	3 125	2 099	2 167	2 218	n/a
Balance of payments						
Current account balance, US\$ million	-1 056	-1 999	-8 226	6 978	-2 833	n/a
Current account balance, % of GDP	-1.8	-2.6	-7.7	5.3	-2.6	n/a
Capital and finance account balance, US\$ million	912	16 201	8 366	1 219	5 554	n/a
Capital and finance account balance, % of GDP	1.6	21.2	7.8	0.9	5.2	n/a
Imports, US\$ million	17 979	24 120	33 260	38 452	28 672	n/a
Exports, US\$ million	28 301	38 762	48 351	71 971	43 886	n/a
Foreign assets and liabilities						
Gross foreign debt, US\$ million	43 429	74 014	96 914	107 713	111 730	n/a
Gross foreign debt, % of GDP	76.0	91.4	92.4	81.3	104.1	n/a
National Bank's Gross International Reserves, US\$ thousands	7 069	19 127	17 629	19 872	23 218	28 816
National Fund	8 074	14 092	21 006	27 486	24 368	25 838
National Fund and international reserves	15 143	33 219	38 635	47 358	47 586	54 654

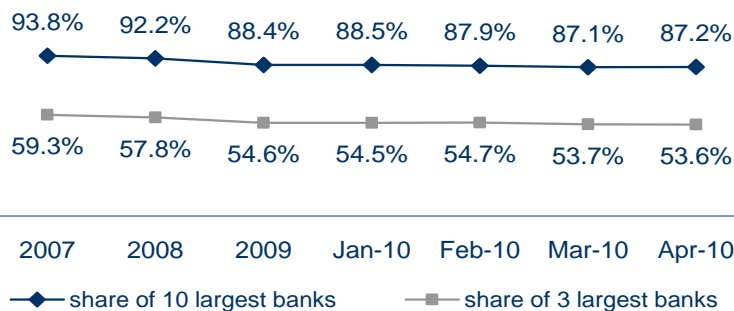
Banking sector indicators*

	2005	2006	2007	2008	2009	April 2010
Commercial banks (number)	34	33	35	37	38	39
Bank branches (number)	1 730	1 813	2 381	2 546	2 299	2 213
Major indicators of the banking sector, US\$ million						
Assets	33 701	69 859	97 129	98 432	77 837	84 995
Capital	3 297	6 854	11 846	12 026	-6 601	-3 462
Loans	22 869	47 181	73 718	76 534	64 926	64 138
Provisions for loans	1 276	2 342	4 337	8 491	24 458	23 614
- % of total loans	5.6	5.0	5.9	11.1	37.7	36.8
Deposits	12 471	24 979	32 451	38 084	40 441	44 654
Net profit	538	801	1 806	89	-19 225	1 785
Profitability ratios, %						
NIM	3.7	3.3	5.2	5.8	3.1	2.4
RoAA	1.6	1.1	1.9	0.1	Loss	Loss
RoAE	16.3	11.7	15.3	0.7	Loss	Loss
Banking sector and the economy, %						
Assets / GDP	60.6	87.5	90.9	74.6	71.4	68.1
Loans / GDP	41.1	59.1	69.0	58.0	59.5	53.6
Deposits / GDP	22.4	31.3	30.4	28.9	37.1	37.3

Trends in the deposit base, US\$ billion



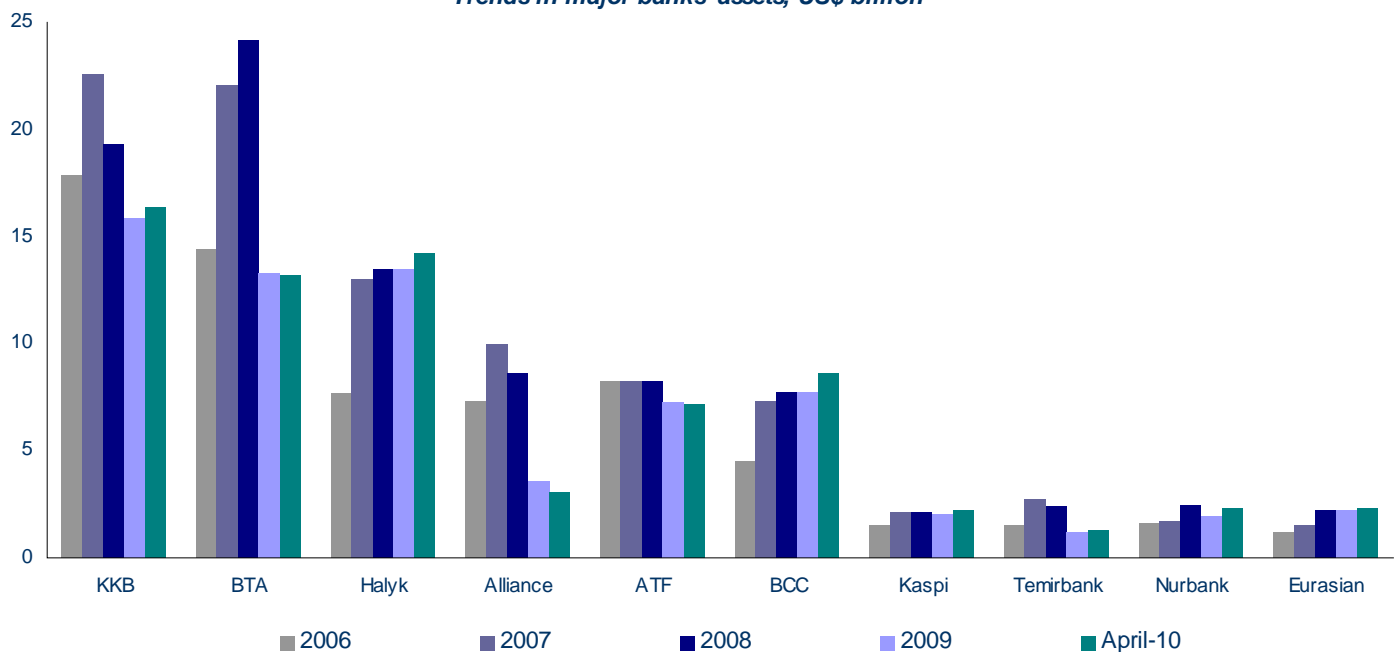
Concentration of banking system assets



Major indicators of the largest Kazakh banks as at 1 May 2010

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			
KKB	16 307	-1.0%	1 873	0.1%	15 962	0.3%	9 042	-1.4%	2 487	3.1%	2	27.7%	21.5%
Halyk	14 213	1.3%	1 688	-0.1%	8 204	-1.5%	9 586	3.8%	2 829	1.7%	54	20.8%	17.9%
BTA	13 170	-0.8%	-10 466	0.6%	15 017	-3.4%	4 057	0.2%	1 180	3.9%	-310	77.8%	39.1%
BCC	8 599	0.7%	725	-0.6%	4 676	2.0%	4 980	-0.7%	2 088	0.5%	2	10.2%	3.8%
ATF	7 154	-0.8%	694	-0.4%	5 657	-0.4%	3 067	-1.0%	1 475	-2.5%	1	13.4%	28.9%
Alliance	3 028	-3.0%	201	-3.7%	3 921	-0.5%	1 037	5.0%	382	3.2%	2 063	72.9%	59.5%
Eurasian	2 288	1.8%	167	6.4%	1 367	1.7%	1 512	-0.2%	704	11.5%	-10	11.9%	9.8%
Nurbank	2 272	1.9%	319	3.1%	1 626	0.2%	1 460	3.4%	233	3.5%	0	8.7%	9.8%
Kaspi	2 185	-1.1%	211	-1.5%	1 706	-0.8%	1 304	-5.2%	818	2.4%	-3	12.7%	9.6%
Temirbank	1 255	-0.5%	-600	2.3%	1 735	-0.8%	1 119	1.2%	172	3.3%	-24	49.6%	61.5%
Top 10	70 472	-0.2%	-5 188	1.45%	59 874	-0.9%	37 165	0.6%	12 368	2.1%	1 777	38.9%	27.4%
Other banks	11 061	0.8%	1 727	1.32%	4 264	0.1%	7 492	3.6%	1 416	1.7%	20	7.6%	7.1%
Total	81 533	-0.1%	-3 462	1.52%	64 138	-0.8%	44 657	1.1%	13 784	2.1%	1 798	36.8%	26.1%

Trends in major banks' assets, US\$ billion



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