

Official exchange KZT/US\$ rate on 1 August 2011 – 146.14

Summary

- GDP increased by 7.1% in the 1H11
 - International reserves increased by 3.6% in July 2011
 - KKB announced changes to the Board of Directors
 - BTA announced changes to the management

- **18 August.** Almaty City municipality (Akimat) and Kazkommertsbank signed a memorandum of public-private partnership on social and economic development of Almaty City. Kazkommertsbank plans to direct about KZT150 billion to finance housing construction (up to KZT 75 billion), launch and completion of infrastructural projects including hotel business and projects related to tourism and sport (up to KZT 60.3 billion), SME financing and mortgage lending (up to KZT 14.7 billion) as well as sponsorship and charity (up to KZT 0.03 billion). At the same time, Almaty City municipality will coordinate the projects via specially established working groups and will assist in obtaining necessary approvals, consents and other documentation.

- **3 August.** Kazkommertsbank announced changes to its Board of Directors with the retirement of Mr. Daulet Sembayev effective since August 1, 2011. Mr. Sembayev joined the Board of Directors of the Bank in 1999 and served as Chairman and Deputy Chairman of the Board of Directors. Mr. Sembayev has a lengthy and successful track record in top positions in the government. Having played an important role in the country's transition to the market economy as well as in developing its financial system Mr. Sembayev has added enormous value into development and growth of Kazkommertsbank as a systemic financial institution.

- **2 August.** Kazkommertsbank announced completion of voluntary liquidation of its subsidiary, Kazkommerts RFDA LLP. On 6 February 2009 the Board of Directors of Kazkommertsbank approved voluntary liquidation of its subsidiary Kazkommerts RFCA LLP. Following necessary legal formalities, on 26 July 2011 the Committee on Development of the Regional Financial District Almaty under the National Bank of Kazakhstan with its Decree #6 has registered termination of activities of Kazkommerts RFDA LLP due to voluntary liquidation. According to the Decree, Kazkommerts RFDA LLP was excluded from the state register of legal entities and state register of participants of the Regional Financial District Almaty.

- **27 July.** Grantum pension fund increased pension assets by 33% in January-June 2011 to KZT199.5 billion. As of 1 July 2011 number of clients increased by 24.8% YTD to 305,118. The fund's profitability is higher than the average profitability in the pension system of the country.

Kazakh Banking Sector Developments

P&L

The net profit of Kazakhstan's commercial banks in July 2011 was US\$329 million.

Kazakh commercial banks' aggregate earnings amounted to US\$ 20,144 million. The aggregate expenses of the banking system (including corporate tax) were US\$ 19,815 million, the majority of which were provision charges, which constituted a 59.2% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital amounted to US\$ 10,057 million as of 1 August 2011 (US\$ 9,856 million as of 1 July 2011).

ASSETS

Aggregate bank assets stood at US\$ 89,572 million (an increase of 2.5% MoM or US\$ 2,212 million). The increase was due to increase in loans to banks (+75.2%) and correspondent accounts (+21.9%).

The share of loans to customers decreased to 48.8% from 49.5% as at 1 July 2011. The share of the securities portfolio decreased to 15.5% from 16.2% in June 2011. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased to 8.5 from 7.6% due to increase in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 31.4% from 4.2% and the share of inter-bank loans and deposits decreased to 3.7% from 4% in June 2011.

According to the FSA, loans that were at least 90 days overdue increased to 28.6% from 26.3% as at 1 July 2011. The loan loss provisioning rate remained unchanged at 31% in July 2011.

LIABILITIES

Aggregate bank liabilities increased to US\$ 79,515 million from US\$ 77,503 in June 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 59.8% of the total liabilities.

Customer accounts increased by 4.4% or US\$ 2,281 million to US\$ 53,547 million, due to an increase in both corporate and retail deposits. A major outflow of total deposits was seen in BCC (-4.8%) and KKB (-1.8%), while a major inflow was seen in Citibank (+36%), Sberbank (+26%) and Halyk (+8.9%).

The sector's net loans-to-deposits ratio decreased to 81.7% in July 2011 from 84.3% in June 2011.

Major events in the banking sector

- **18 August.** BTA Bank fixed net loss of KZT48.4 billion in the 1H11. Assets decreased by 3% to KZT1,840 billion.
- **16 August.** Halyk Bank posted IFRS net profit of KZT21.1 billion in the 1H11. Assets increased by 6.9% to KZT2.2 trillion.
- **15 August.** BTA Bank announced changes to the management. Mr. Marat Zairov became CEO of the Bank. Mr. Anvar Saidenov, former CEO, was appointed as a Chairman of the Board of Directors.
- **9 August.** Alliance Bank is close to completion of transaction to sell problem retail loans. As a result of the transaction, the bank's capital will increase by KZT14 billion.
- **6 August.** Kaspi Bank fixed IFRS net profit of KZT4.2 billion in the 1H11. Assets were up by 5% to KZT380 billion, capital increased by 0.4% to KZT17.3 billion.
- **2 August.** According to the quarterly poll conducted by the National Bank of Kazakhstan among representatives of the banks, the banks see increased demand for consumer loans in the 2nd quarter of 2011. 47% of banks noted increased demand for mortgages, and another 46% said that it remained flat. 90% of the banks noted increased demand for consumer loans. The NBK expects further increase in competition in lending in the 3Q11 due to improved pricing and other non-price terms of lending.

Major developments in Kazakhstan's economy:

INFLATION

In July 2011, inflation in Kazakhstan was 0.5%. The prices of food products increased by 0.2%, of non-food products by 0.6%, and paid services by 0.7%. Annual inflation (July 2011 to July 2010) was 8.8%, and the prices for food products increased by 12.8%, for non-food products by 5.6%, and for paid services by 6.9%.

INDUSTRIAL PRODUCTION

The volume of industrial production in July 2011 compared to July 2010 was 4.8%. The real volume index was 102.7% in the mining industry and 108.1% in the processing industry.

UNEMPLOYMENT

The unemployment rate in July 2011 was 5.3%. The number of unemployed people in July 2011 was 461,700. The number of unemployed people registered with authorised employment bodies in July 2011 was 0.7% of the economically active population. The hidden unemployment rate in July 2011 was 0.4% of the economically active population.

INTERNATIONAL RESERVES

In July 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 3.6%, to US\$75.1 billion. The assets of the National Fund increased by 0.6% in July 2011 to US\$38.7 billion. The net international reserves of the National Bank based on current prices increased by 6.9% to US\$36.4 billion. The net currency reserves in July 2011 increased by 7.3% to US\$33.5 billion, while assets held in gold increased by 2.3% to US\$3.5 billion.

MONEY SUPPLY

The money supply in July 2011 increased to KZT 9,742 billion. The amount of currency in circulation increased by 3.6% to KZT 1,234 billion. The reserve money in July 2011 increased by 10.6% to KZT 3,196 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 5.9% in July 2011 to KZT 2,496 billion.

GDP

GDP increased by 7.1% in the 1H11 to KZT10,108.6 billion.

News on Kazakhstan's economy:

- **15 August.** Number of real estate transactions in Kazakhstan increased by 12.1% in January-July 2011. The Agency on statistics notes revival on the real estate market. Thus, number of transactions in Astana increased by 5%, in Almaty by 0.2% for the first seven months of the year.
- **8 August.** Prices for new housing in Kazakhstan increased by 0.5% MoM. On average the price for 1 sq.m. of new housing was KZT149,612, for secondary housing – KZT 111,027.
- **3 August.** KazMunayGas signed a LIBOR+2.1% US\$1 billion syndicated loan with 5-year maturity. The loan was arranged by the Bank of Tokyo-Mitsubishi UFJ Ltd., ING Bank N.V., Natixis and The Royal Bank of Scotland plc. The loan proceeds will be used for general corporate purposes, including refinancing of existing debt.
- **26 July.** Turnover of goods between Kazakhstan and the members of the Customs Union increase by 2.1 times to US\$9.4 billion in January-May 2011. Export of goods to Russia increased by 59.6%, to Belarus by 2.3 times, while import from Russian increased by 2.6 times, from Belarus by 6%.

Kazakhstan's key macroeconomic indicators

	2006	2007	2008	2009	2010	Jul 11
Domestic economy and financial system						
Real GDP growth, %	110.7	108.9	103.2	101.2	107.0	107.1
GDP, US\$ million	76 355	106 816	131 713	107 197	145 854	n/a
Production, % YoY	107	104.5	102.1	101.7	110.0	104.8
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	108.8
Monetary supply M3, US\$ million	27 492	38 486	51 894	49 754	57 942	66 659
Monetary base (reserve money), US\$ million	11 223	12 171	12 629	16 510	17 443	21 866
Real exchange rate	133.77	120.30	120.77	148.46	147.50	146.14
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	n/a
Sovereign foreign debt, % of GDP	4.1	2.0	1.6	2.5	2.8	n/a
Sovereign foreign debt / State budget income, %	17.9	8.7	6.5	11.4	13.9	n/a
Sovereign foreign debt, US\$ million	3 125	2 099	2 167	2 218	4 061	4 047
Balance of payments						
Current account balance, US\$ million	-1 999	-8 226	6 978	-3 408	4 319	7 195
Current account balance, % of GDP	-2.6	-7.7	5.3	-2.6	3.0	n/a
Capital and finance account balance, US\$ million	16 201	8 366	1 219	5 554	416	3 739*
Capital and finance account balance, % of GDP	21.2	7.8	0.9	5.2	0.3	n/a
Imports, US\$ million	24 120	33 260	38 452	28 672	31 956	4 592
Exports, US\$ million	38 762	48 351	71 971	43 886	60 838	2 068
Foreign assets and liabilities						
Gross foreign debt, US\$ million	74 014	96 914	107 713	113 229	119 242	124 186*
Gross foreign debt, % of GDP	91.4	92.4	81.3	98.6	45.2	45.2*
National Bank's Net International Reserves, US\$ thousands	19 127	17 629	19 872	23 218	27 723	36 425
National Fund	14 092	21 006	27 486	24 368	30 578	38 722
National Fund and international reserves	33 219	38 635	47 358	47 586	58 301	75 147

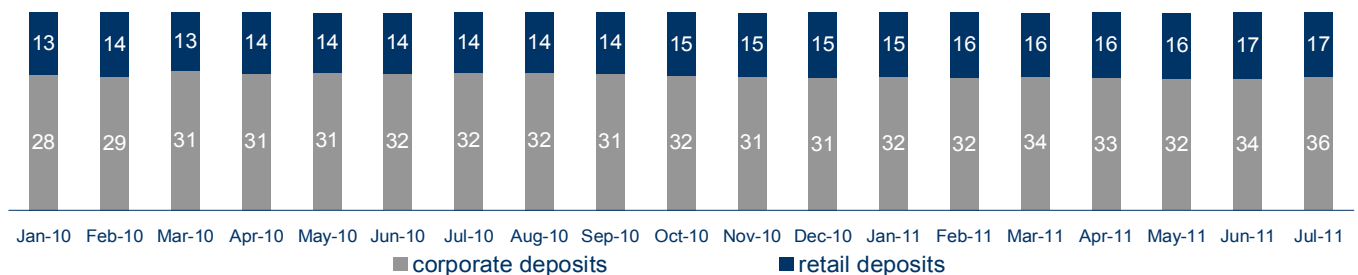
*1Q11.

Annex 2

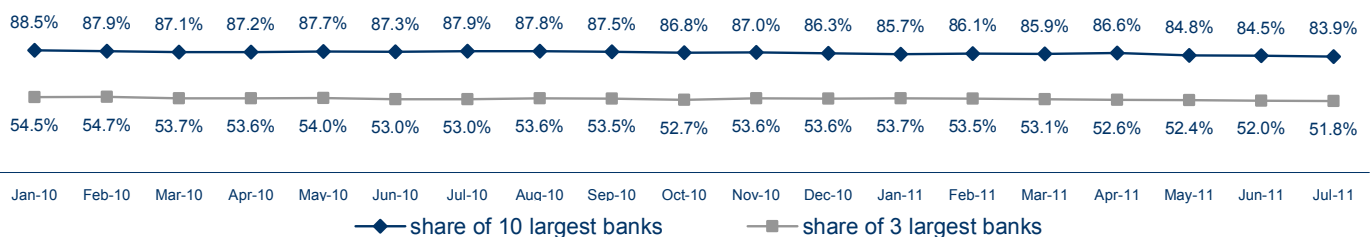
Banking sector indicators

	2006	2007	2008	2009	2010	Jul 2011
Commercial banks (number)	33	35	37	38	39	39
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 267
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	89 572
Capital	6 854	11 846	12 026	-6 601	8 967	10 057
Loans	47 181	73 718	76 534	64 926	60 627	66 207
Provisions for loans	2 342	4 337	8 491	24 458	18 995	21 756
- % 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	53 547
Net profit	801	1 806	89	-19 225	9 904	329
Profitability ratios, %						
NIM	3.3	5.2	5.8	3.1	3.0	2.3
RoAA	1.1	1.9	0.1	11.9	0.12	9.4
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	55.0
Loans / GDP	59.1	69.0	58.0	56.7	46.5	40.7
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	32.6

Trends in the deposit base, US\$ billion



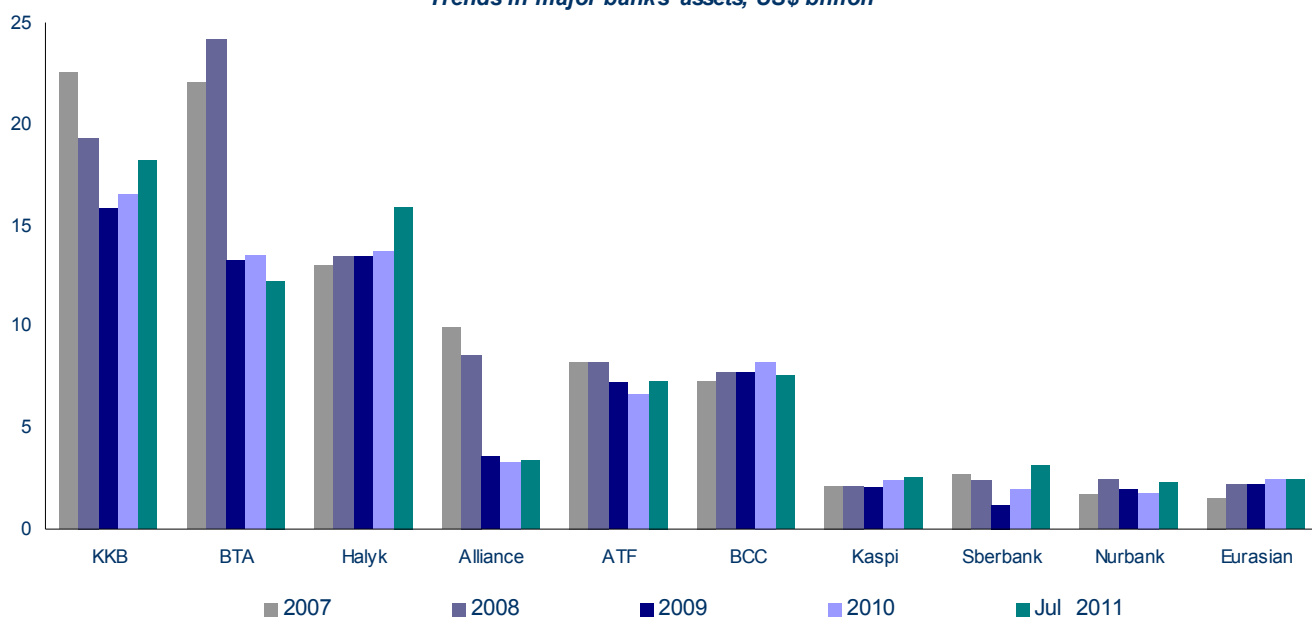
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Jul/ Jun	US\$ mln	Jul/ Jun	US\$ mln	Jul/ Jun	US\$ mln	Jul/ Jun	US\$ mln	Jul/ Jun			
KKB	18,203	7.1%	3,159	61.3%	15,333	0.2%	10,071	-1.8%	3,447	2.4%	5	34.0%	23.6%
Halyk	15,917	8.3%	1,929	15.5%	8,609	0.3%	11,179	8.9%	3,700	2.7%	148	24.5%	17.5%
BTA	12,280	-9.8%	-277	-123.8%	13,056	13.9%	5,246	4.6%	2,051	1.6%	-94	61.3%	56.2%
BCC	7,555	-2.7%	559	4.9%	5,342	1.0%	4,699	-4.8%	2,355	2.7%	7	15.5%	9.1%
ATF	7,344	-3.8%	464	-23.4%	5,768	-0.8%	4,004	2.3%	961	1.3%	-127	18.0%	33.5%
Alliance	3,400	-9.1%	-117	-149.0%	4,023	0.2%	1,777	7.6%	621	1.5%	1	52.7%	59.2%
Eurasian	2,442	5.5%	211	9.3%	1,743	3.3%	1,431	1.9%	455	0.1%	19	9.7%	7.9%
Kaspi	2,570	2.1%	292	13.3%	2,177	2.1%	1,952	2.7%	1,334	4.5%	12	16.9%	13.2%
Sberbank	3,104	21.5%	303	2.6%	1,675	6.3%	2,455	26.4%	365	22.5%	21	6.7%	3.2%
Citibank	2,338	31.1%	153	6.2%	403	52.0%	2,021	36.0%	24	-0.2%	13	2.4%	-
Top 10	75,153	2.1%	6,677	-5.38%	58,129	3.6%	44,836	4.8%	15,312	2.8%	5	34.4%	30.5%
Other banks	14,419	6.5%	3,380	21.63%	8,078	2.5%	8,257	3.9%	2,064	-0.9%	85	22.1%	14.9%
Total	89,572	2.8%	10,057	2.25%	66,207	3.4%	53,093	4.7%	17,377	2.3%	90	32.9%	28.6%

Trends in major banks' assets, US\$ billion



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