

Official exchange KZT/US\$ rate on 1 July 2011 – 145.83

Summary

- GDP growth in the 1Q11 was 106.8%
 - NBK plans to sell its stake in the State Pension Fund
 - Net loss of BTA Bank decreased 9.9 times
 - NBK set the official refinancing rate at 7.5%
- **21 July.** The national company Kazakhstan Temir Zholy and Kazkommertsbank have undertaken an innovative new project to implement a computerized system for cargo transportation orders. Soon it will be possible to specify logistics and make and pay for cargo transportation orders online. The project has been executed using the Kazakhstan Temir Zholy website and Kazkommertsbank's "Onlinebank" program, which has been integrated into the website. This jointly developed product will give shippers a number of significant advantages and conveniences. The system will be available 24 hours a day and enable them to do the following for themselves: produce a delivery schedule on the basis of deadlines, cargo type and destination, as well as order and pay for any kind of cargo transportation. The speed of completing the process will also save clients time and resources. All reference materials will be available in the standard access mode. As part of the cargo transportation order system, Kazkommertsbank will provide business owners with a bank account overdraft facility in case the shipper does not have funds available in its current account. Joint work on the project began in early 2011 following signature of the Memorandum on cooperation and coordination as part of a long-term strategy regarding electronic payments between Kazakhstan Temir Zholy and Kazkommertsbank. In the future, the national company plans to transfer all cargo transportation orders to the website.

Kazakh Banking Sector Developments

P&L

The net profit of Kazakhstan's commercial banks in June 2011 was US\$70.1 million.

Kazakh commercial banks' aggregate earnings amounted to US\$ 11,200 million. The aggregate expenses of the banking system (including corporate tax) were US\$ 11,130 million, the majority of which were provision charges, which constituted a 36.6% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital amounted to US\$ 9,856 million as of 1 July 2011 (US\$ 9,610 million as of 1 June 2011).

ASSETS

Aggregate bank assets stood at US\$ 87,360 million (an increase of 2.5% MoM or US\$ 2,146 million). The increase was due to increase in long-term assets for sale (+94.1%), correspondent accounts (+23.6%) and precious metals (+18.8%).

The share of loans to customers decreased to 49.5% from 50.3% as at 1 June 2011. The share of the securities portfolio remained largely unchanged at 16.2% compared to 16.3% in May 2011. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased to 7.6% from 6.8% due to increase in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 4.2% from 4.3% and the share of inter-bank loans and deposits increased to 4% from 3.9% in May 2011.

According to the FSA, loans that were at least 90 days overdue increased to 26.3% from 26.2% as at 1 June 2011. The loan loss provisioning rate remained unchanged at 31% in June 2011.

LIABILITIES

Aggregate bank liabilities increased to US\$ 77,503 million from US\$75,604 in May 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 58.7% of the total liabilities.

Customer accounts increased by 4% or US\$ 1,960 million to US\$ 51,266 million, due to an increase in both corporate and retail deposits. A major outflow of total deposits was seen in Citibank (-9.5%), BTA (-3.2%) and BCC (-1.0%), while a major inflow was seen in Sberbank (+16.2%), ATF (+13.2%) and Alliance (+9.1%).

The sector's net loans-to-deposits ratio decreased to 84.3% in June 2011 from 87% in May 2011.

Major events in the banking sector

- **20 July.** Net loss of BTA Bank in the 1st half of 2011 was KZT11.79 billion, which was 9.9 times lower compared to the same period in 2010. Total assets in the 1H11 increased by 0.2% to KZT1.99 trillion, liabilities increased by 0.4% to KZT1.82 trillion. The bank's capital was KZT169.4 billion, which was 6.5% lower compared to the same period in 2010.
- **19 July.** Eximbank Kazakhstan will place 219,388 common shares totaling KZT263 million. The shares will be placed among existing shareholders under pre-emptive rights. If the shareholders will not realize their pre-emptive rights, the common shares will be realized among unlimited number of investors. The largest shareholder of Eximbank Kazakhstan is Central-Asian Fuel and Energy Company (65.74%).
- **11 July.** Danabank was renamed as PNB Kazakhstan. In December 2010 the major shareholder of the bank Punjab National Bank has purchased controlling stake in the bank.
- **8 July.** Halyk Bank plans to early repay the 1st issue of the subordinated notes totaling KZT10 billion issued under the 3rd note programme of the bank. The notes will be redeemed on 9 October 2011.
- **8 July.** Zhilstroysberbank Kazakhstan eased lending requirements for participants of the housing construction savings system starting from 1 July 2011. The bank reduced interest rates on a number of housing loans till 25 December 2011. The bank also increased the benchmark for LTV coefficient.
- **5 July.** The National Bank proposes to keep the current maximum guaranteed amount of retail deposit unchanged after 1 January 2012 at KZT5 million.
- **5 July.** The National Bank has set the official refinancing rate at 7.5% p.a. starting from 1 July 2011 due to the trends on financial markets and dynamics of annual inflation.
- **4 July.** Metrocombank increased its regulatory capital to KZT11.3 billion to comply with the National Bank requirements on the minimum share and regulatory capital.

Major developments in Kazakhstan's economy:

INFLATION

In June 2011, inflation in Kazakhstan was 0.3%. The prices of food products increased by 0.2%, of non-food products by 0.7%, and paid services by 0.2%. Annual inflation (June 2011 to June 2010) was 8.4%, and the prices for food products increased by 12.6%, for non-food products by 5.3%, and for paid services by 6.3%.

INDUSTRIAL PRODUCTION

The volume of industrial production in June 2011 compared to June 2010 was 5.8%. The real volume index was 104.1% in the mining industry and 108.7% in the processing industry.

UNEMPLOYMENT

The unemployment rate in June 2011 was 5.3%. The number of unemployed people in June 2011 was 461,200. The number of unemployed people registered with authorised employment bodies in June 2011 was 0.7% of the economically active population. The hidden unemployment rate in June 2011 was 0.4% of the economically active population.

INTERNATIONAL RESERVES

In June 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) decreased by 1.4%, to US\$72.6 billion. The assets of the National Fund increased by 1.0% in June 2011 to US\$38.5 billion. The net international reserves of the National Bank based on current prices decreased by 3.9% to US\$34.1 billion. The net currency reserves in June 2011 decreased by 4.5% to US\$31.2 billion, while assets held in gold increased by 2.6% to US\$3.4 billion.

MONEY SUPPLY

The money supply in June 2011 increased to KZT 9,360 billion. The amount of currency in circulation increased by 4.3% to KZT 1,192 billion. The reserve money in June 2011 increased by 1.6% to KZT 2,888 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) increased by 2.2% in June 2011 to KZT 2,358 billion.

GDP

Short-term economic indicator in January-May 2011 compared to January-May 2010 was 106.7%. Calculation of the short-term economic indicator is made for efficiency purposes, and it is based on changes in production indices of base sectors, such as agriculture, industry, construction, trade, transport and communications, which represent 67-68% of GDP.

News on Kazakhstan's economy:

- **18 July.** Air Astana transported 1.35 million passengers in the 1H11, which was 18.7% higher compared to the same period in 2010.
- **13 July.** Number of housing purchase transactions in Kazakhstan in January-June 2011 increased by 12% y-o-y of 2010 to 69,415. The number of registered transactions in June increased by 15.9% MoM to 14,440.
- **11 July.** Almaty International Airport signed a deal with ATF Bank to refinance its US\$73 million loan facility with Kazkommertsbank. Almaty Catering Services was a co-borrower under the deal.
- **8 July.** The price of 1 sq.m. of new housing in Kazakhstan increased by 0.3% MoM to KZT148,923. The price of 1 sq.m. at the secondary market increased by 0.4% MoM to KZT109,937.
- **5 July.** The National Bank plans to sell up to 25% shares of the State Pension Fund (SPF) under the people's IPO. Prior to that the NBK has to buy-back the shares from EBRD to have 100% ownership. The Chairman of the NBK explained that search for strategic investor was unsuccessful. The NBK does not feel comfortable with having ownership in the pension fund as there is a conflict of interest after the transfer of supervisory function to the NBK.
- **4 July.** The President of Kazakhstan believes that the share of industrial projects in GDP will be 2.6% in 2011.

Kazakhstan's key macroeconomic indicators

	2006	2007	2008	2009	2010	Jun 11
Domestic economy and financial system						
Real GDP growth, %	110.7	108.9	103.2	101.2	107.0	106.8
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	105.8
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	108.4
Monetary supply M3, US\$ million	27 492	38 486	51 894	49 754	57 942	64 188
Monetary base (reserve money), US\$ million	11 223	12 171	12 629	16 510	17 443	19 804
Real exchange rate	133.77	120.30	120.77	148.46	147.50	145.83
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	4 388*
Current account balance, % of GDP	-2.6	-7.7	5.3	-2.6	3.0	3.4*
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	7 383*
Exports, US\$ million	38 762	48 351	71 971	43 886	60 838	18 718*
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	34 060
National Fund	14 092	21 006	27 486	24 368	30 578	38 506
National Fund and international reserves	33 219	38 635	47 358	47 586	58 301	72 566

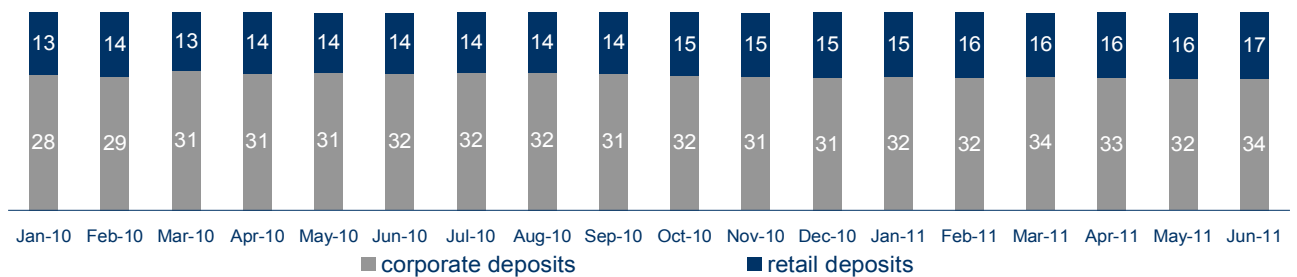
*1Q11.

Annex 2

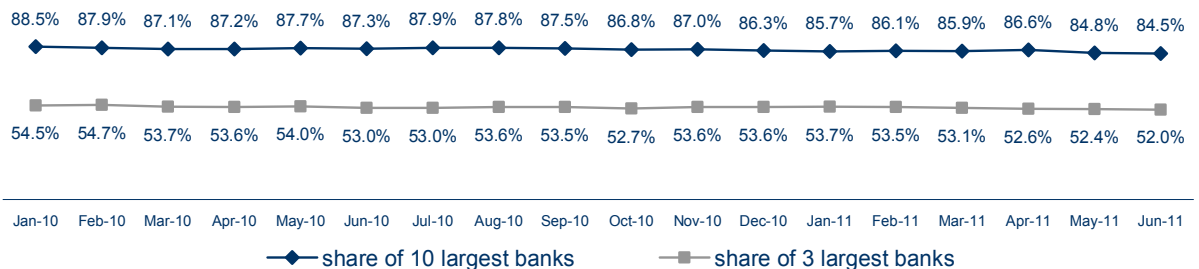
Banking sector indicators

	2006	2007	2008	2009	2010	May 2011
Commercial banks (number)	33	35	37	38	39	39
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 260
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	87 360
Capital	6 854	11 846	12 026	-6 601	8 967	9 856
Loans	47 181	73 718	76 534	64 926	60 627	64 146
Provisions for loans	2 342	4 337	8 491	24 458	18 995	19 981
- % of total loans	5.0	5.9	11.1	37.7	30.9	31.1
Deposits	24 979	32 451	38 084	40 441	46 850	50 825
Net profit	801	1 806	89	-19 225	9 904	70
Profitability ratios, %						
NIM	3.3	5.2	5.8	3.1	3.0	2.8
RoAA	1.1	1.9	0.1	11.9	0.12	9.8
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	52.1
Loans / GDP	59.1	69.0	58.0	56.7	46.5	38.8
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	29.8

Trends in the deposit base, US\$ billion



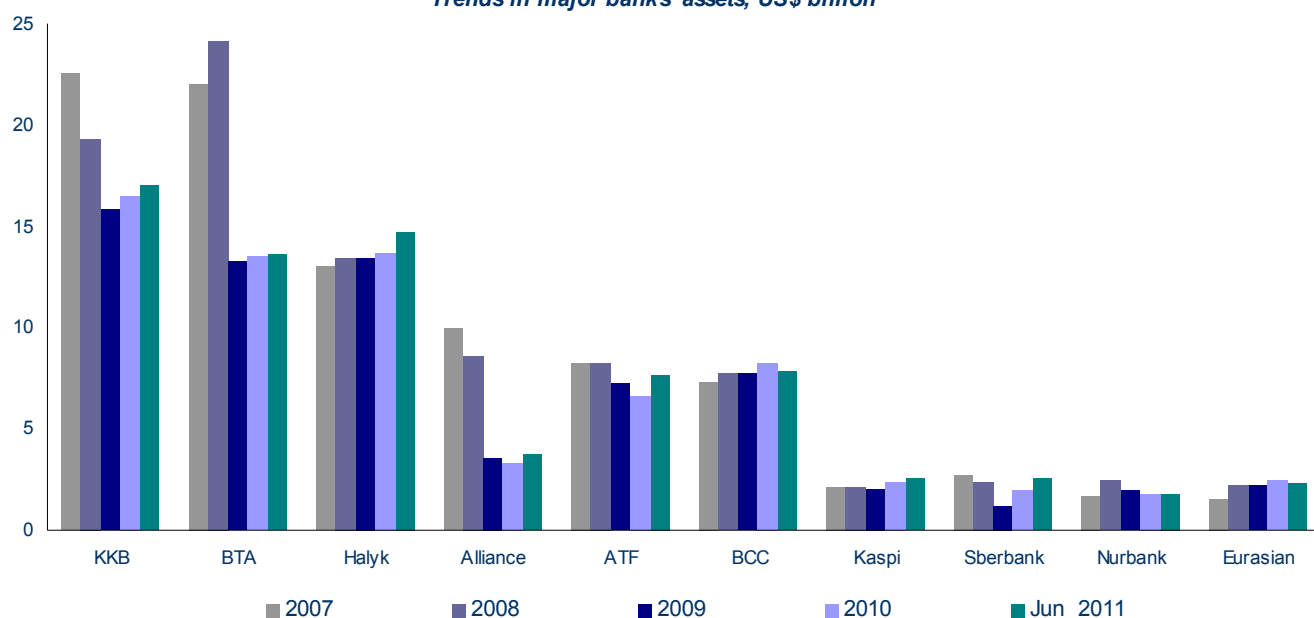
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Jun/ May	US\$ mln	Jun/ May	US\$ mln	Jun/ May	US\$ mln	Jun/ May	US\$ mln	Jun/ May			
KKB	17,031	3.5%	1,963	0.4%	15,335	-1.2%	10,273	5.3%	3,373	1.9%	4	33.6%	22.9%
Halyk	14,735	1.9%	1,673	1.5%	8,603	0.3%	10,287	3.0%	3,611	2.1%	124	24.4%	17.5%
BTA	13,646	0.3%	1,163	0.4%	11,483	2.3%	5,024	-3.2%	2,024	4.8%	-81	56.3%	47.3%
BCC	7,785	-1.8%	534	-0.7%	5,302	1.2%	4,949	-1.0%	2,297	0.0%	5	15.4%	9.2%
ATF	7,652	6.7%	607	-3.8%	5,828	1.9%	3,923	13.2%	950	7.1%	-108	17.4%	32.7%
Alliance	3,749	2.9%	239	7.6%	4,025	2.2%	1,655	9.1%	613	4.2%	7	52.9%	59.1%
Eurasian	2,319	3.5%	194	0.8%	1,692	4.1%	1,406	3.5%	456	-1.2%	16	9.9%	8.3%
Kaspi	2,522	3.2%	258	1.6%	2,137	2.1%	1,904	4.2%	1,279	4.9%	11	16.8%	13.0%
Sberbank	2,560	13.0%	296	-0.5%	1,579	6.7%	1,947	16.2%	298	10.8%	16	7.3%	2.5%
Citibank	1,787	-5.2%	145	-10.3%	266	-11.6%	1,490	-9.5%	24	4.3%	14	2.1%	-
Top 10	73,787	2.3%	7,071	0.20%	56,251	0.9%	42,858	3.5%	14,926	2.8%	7	32.6%	27.9%
Other banks	13,573	5.4%	2,785	10.24%	7,895	4.0%	7,967	10.0%	2,088	18.4%	63	21.0%	14.8%
Total	87,360	2.8%	9,856	2.84%	64,146	1.3%	50,825	4.4%	17,014	4.5%	70	31.1%	26.3%

Trends in major banks' assets, US\$ billion



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