

Executive summary

Official KZT/USD exchange rate as at 01.02.09 – 121.47

Economy

International reserves of National Bank decreased by 5.8% in January 2009

Inflation in January 2009 was 0.3%, inflation for 2009 is forecasted to be 11%

Banking sector

SamrukKazyna National Welfare Fund deposited KZT 716 billion (current KZT/USD exchange rate as at January 30, 2009 was 150.26) in banks to finance Kazakhstan economy

Banks started refinancing of mortgage loans

Kazakhstan Economy

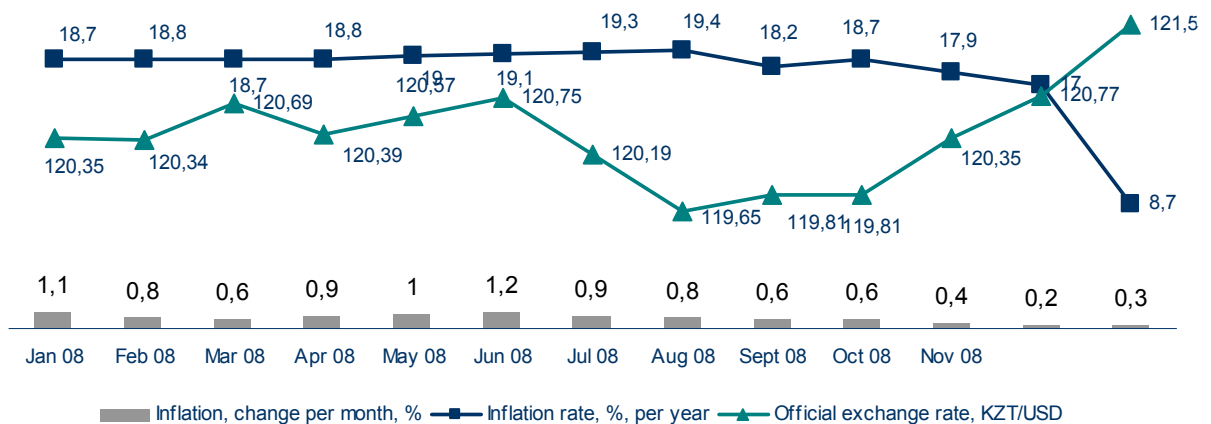
Net international reserves have decreased by 5.8%

In January 2009, inflation in Kazakhstan was 0.3%. In January 2009, the price of dairy products increased by 1.2%, fruit and vegetables by 1.9%, alcohol by 3%, and tobacco products by 4.2%. The price for seed oil decreased by 12.7%, flour by 1.7%, and rice by 0.5%. Prices for postal services increased by 46.9%, phone user fees by 14%. Prices rose for hotel and restaurant services by 2.1%, for health care services by 1.5%, for personal services by 1.2%, and for transport by 0.8%.

Minimum subsistence levels in January 2009 was KZT 12,262, an increase of 0.7% compared to the previous month, and by 8.6% compared to January 2008.

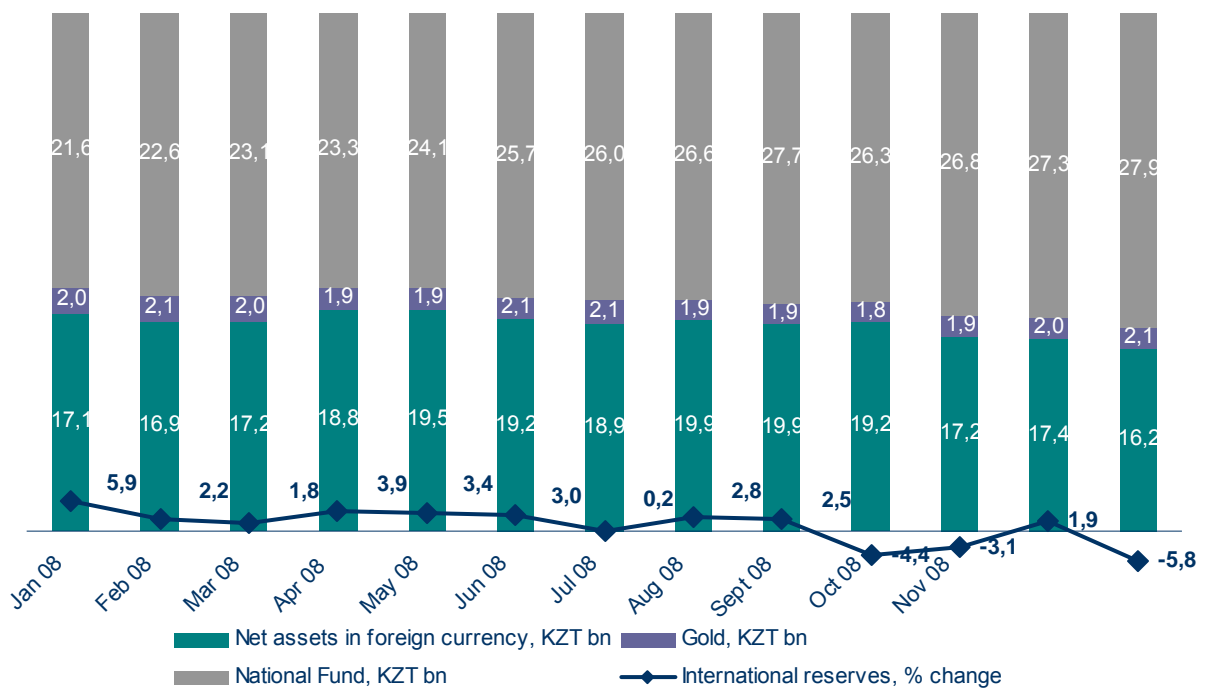
The volume of industrial production in January 2009 was 98.2%, the volume of production decreased by KZT 489 billion; across 13 regions of Kazakhstan. The growth rates in volumes of industrial production were seen in the processing industry (by 12.4%) as well as in production and distribution of electric energy, gas and water (by 7.8%). Growth in the mining industry was 104.3% compared to January 2008. Real GDP growth in 2008 compared to 2007 was 103.2%. Goods accounted for 45% of GDP, whilst services were 52.5% of GDP. Industry was 31.6% of GDP.

Inflation and exchange rate



Source: Agency of Statistics

International reserves



Source: National Bank

In January 2009 net international reserves of the National Bank based on current prices (excluding the National Fund) decreased by 5.8% (or USD 1,130 million). Net currency reserves in January 2009 decreased by 6.7% to USD 16,234 million, while assets in gold increased by 1.58% to USD 2,032 million due to a rise in global prices. Net international reserves, including the National Fund (which stood at USD 27.9 billion) decreased by 1.1% this month to USD 46.2 billion.

Key Developments in Kazakhstan's Economy

- *February 20.* The Almaty city budget for 2009 was increased by KZT 96.5 billion (current KZT/USD exchange rate 149). According to Almaty city Department of economy and budget planning, the budget was increased following transfers from the republican budget (KZT 95 billion), and from balances remaining from 2008 budget programmes (KZT 1.5 billion).
- *February 20.* International rating agency Fitch Ratings placed long-term foreign currency rating "BBB-" and short-term rating "F3" of Astana city under Rating Watch with Negative outlook.
- *February 20.* Rating agency Fitch Ratings placed ratings of four national companies, two subsidiaries and Mangistau electric network company (MENC) under Rating Watch with Negative outlook. The list of companies with ratings under review include Kazakhstan Temir Zholy, KEGOC, KazMunayGas and its subsidiaries, KazMunayGas Exploration and Development, KazTransOil, Kazatomprom, and MENC.
- *February 20.* Kazakhtelecom JSC completed dividend payments of preferred shares totalling KZT 120.96 million. Kazakhtelecom has 403.2 thousand placed and 1.2 million authorized but not placed preferred shares. The dividend per share was KZT 300.
- *February 19.* International rating agency Moody's downgraded long-term corporate rating and issuer default rating of Tristan Oil Ltd by one notch from "B2".
- *February 19.* Astana city small and medium enterprises need KZT 80 billion (exchange rate 149,42KZT/1\$). On January 19, City Akimat, SamrukKazyna Fund and Atameken Union signed a

Memorandum on allocation of KZT 30 billion for loans to entrepreneurs.

- *February 17.* SamrukKazyna National Welfare Fund made available KZT 15 billion for students of technical and medical universities paying for their study. The credit line will be opened with an agent bank under special agreement.
- *March 2.* Ministry of Economy and Budget Planning proposed a reduction of local budget expenses by KZT 40 billion (150,43/\$1).
- *February 27.* The President of Kazakhstan has called for agricultural producers to significantly increase volumes of agricultural production to minimize the need for imported goods.
- *February 25.* As at February 24, KazMunayGas Exploration and Development JSC bought back common shares and global depository receipts (GDR) totaling US\$ 34.6 million.
- *February 24.* According to the Minister of Industry, Kazakhstan has cancelled tax duties on primary aluminum.
- *February 20.* Halyk Bank is placing an additional issue of 326,673,000 of its common shares. The placement price is KZT102.02 per share. The share issue was registered by AFN on 13 January 2009.
- *February 19.* a former major shareholder of Alliance Bank – Seimar Alliance Financial Corporation (SAFC) and Samruk-Kazyna are planning to conclude a deal on sale/purchase of a 76% stake in the Bank.
- *February 19.* Standard&Poor's (S&P) confirmed ratings of bonds issued by Kazkommerts DPR Co. and BTA DPR Finance Co., SPV's of Kazkommertsbank and BTA respectively, collateralized by future payments and diversified payments rights.
- *February 19.* Alliance Bank will not be forced into early repayment of debts with foreign creditors according to the CEO of the Bank. The Bank has to repay \$500 million foreign debt this year.
- *February 18.* According to company information, Kazakhstan Aluminum (Pavlodar oblast, North Kazakhstan) plans to invest US\$ 240 million to increase production of alumina by 300,000 tons per annum.
- *February 16.* Eurasian Natural Resources Corporation (ENRC) acquired a 25% stake in Shubarkol Komir JSC, a large producer of energetic coal in Kazakhstan, for US\$200 million in cash.
- *February 16.* In January 2009 investments in capital in Kazakhstan decreased by 13.9% compared to January 2008 to KZT 162.9 billion (at current exchange rate of 148,90/\$1).
- *February 16.* The external trade balance of Kazakhstan in 2008 increased to US\$33 billion compared to US\$ 14 billion in 2007. According to the release from the Agency on statistics, the external trade volumes in 2008 increased by 35.5%, compared to 2007, to US\$109 billion, including exports of US\$71 billion (an increase of 49.1%), and imports of US\$37 billion (an increase of 15.7%).
- *February 16.* According to the Agency on statistics, in 2008 Kazakhstan exported 60,709 thousand tons on oil and gas condensate, marginally lower (0.1%) compared to 2007. In absolute terms, export of oil and gas condensate in the period was US\$ 43,507.9 million which was 54.7% higher compared to 2007.
- *February 16.* In 2008 Kazakhstan exported 32,959,500 tons of coal a 26.6% increase compared to 2007. In absolute terms the indicator made up US\$ 842.2 million which was 61.4% higher compared to 2007.
- *February 16.* In January 2009 568 kg of refined gold and 50,429 kg of refined silver was produced in Kazakhstan, up 9% and 1.3%, respectively
- *February 16.* According to the release of Agency on statistics, in January 2009 197.4 thousand tons of petrol (including aviation petrol) was produced in Kazakhstan, which was 4.9% less than in January 2008. At the same time, according to statistical data, the consumption of fuel oil reduced by 33.7% in the reported period to 216.6 thousand tons compared to January 2008.
- *February 16.* According to the release of Agency on statistics, in 2008 Kazakhstan imported 155,221 automobiles and 13,631 tracks, which was 60.3% and 60.8% lower compared to 2007.
- *January 25.* Construction of the Caspian oil processing plant in oil-rich Mangistau oblast of Kazakhstan is expected to be completed in 2012. The project is designed for 2009-2012, and the planned industrial capacity of the plant will be up to 1 million tons of oil per year. Following its launch the plant will capable of oil processing depth of not less than 80% for the first turn, and not less than 90% for the second turn.

- *January 24.* Construction has begun on the first integrated gas and chemical complex of Kazakhstan Petrochemical Industry JSC. The capital outlay amounts to US\$6 billion and will see the creation of 30,000 new jobs over the next 4 years. It will produce 1.2 million tons of polyethylene and polypropylene per annum. The area will cover 962.2 ha around Karabatan station in Atyrau oblast.
- *January 24.* The shareholder structure of Mangistaumunaygas JSC may include Chinese CNPC (48%) along with national oil and gas company KazMunayGas. KazMunayGas and Central Asia Petroleum Ltd signed an agreement in January to acquire 50% +2 voting shares in Mangistaumunaygas by the national company.

Kazakh Banking Sector

The aggregated capital of the banks amounted to US\$11,886 million, decreasing by 1% MoM due to a decrease in reserve capital of 3.7%. Net profit of the banks amounted to \$37.6 million as of February 1. The largest portion of banks' expenses are reserves, US \$4,377 million as of February 1, or 76.7% of the banks' expenses. Aggregated capital adequacy ratio equaled 12.1%. Fixed assets amounted to 16.6% of capital.

Aggregated liabilities of the banks did not change significantly and amounted to US \$86,266 million. Deposits increased in the reporting month by 2%, term deposits increased by 1.5%, whilst demand deposits decreased by 3.4%. Retail deposits comprised 32% of deposits, or US \$12,401 million. Debt securities decreased by 3% to US \$21,191 million comprising 24.6% of total liabilities.

The breakdown of the funding base by sources did not change significantly: deposits – 45.3%, debt securities – 24.6%, inter-bank loans and deposits – 16.5%, subordinated debt – 5.3%, Repo transactions – 2.6%, other liabilities – 4.3%.

Aggregated banking assets amounted to US \$98,152 million. The banks' loan portfolio decreased by 2% during the reporting month, its share in banking assets amounted to 65.4% as of February 1. Cash and precious metals, correspondent accounts balances and funds with National Bank of Kazakhstan increased by 33.4% and comprised 9.5 % of total banking assets. Securities portfolio decreased by 7% amounting to US \$6,262 million out of which US \$2,241 million are Repo transactions. Repo transactions decreased by 31% and their share in assets decreased to 0.8%. Inter-bank funds decreased by 10% and comprised 5.5% of banking assets, or US \$5,153 million.

Quality of banking assets remains manageable. The share of loans with overdue payments amounted to 14.63%, of which share of loans with overdue payments for more than 90 days comprised 5.79% of the total loan portfolio. In absolute terms loans overdue more than 90 days increased by 10.8%, according to AFN data. However, the provisioning level remains adequate at 11.91% and is fully covering 90 days+ overdue loans.

Net profit earned by the banks in January 2009 amounted to US \$37.6 million. Aggregated income amounted to US \$5,744 million, 17.4% of which is interest income and 82.6% non-interest income. 82% of non-interest income comprised recovered reserves. Aggregated expenses of the banks amounted to US \$5,706 million, 10% of which are interest expenses and 90% non-interest expenses. Provisions comprised 76.7% of the banks' total expenses. In total, the income from recovered provisions exceeded created provisions by US \$366 million. Loans to deposits ratio is 164%. Cost to Income ratio is 30.9%.

Major events in the banking sector of Kazakhstan:

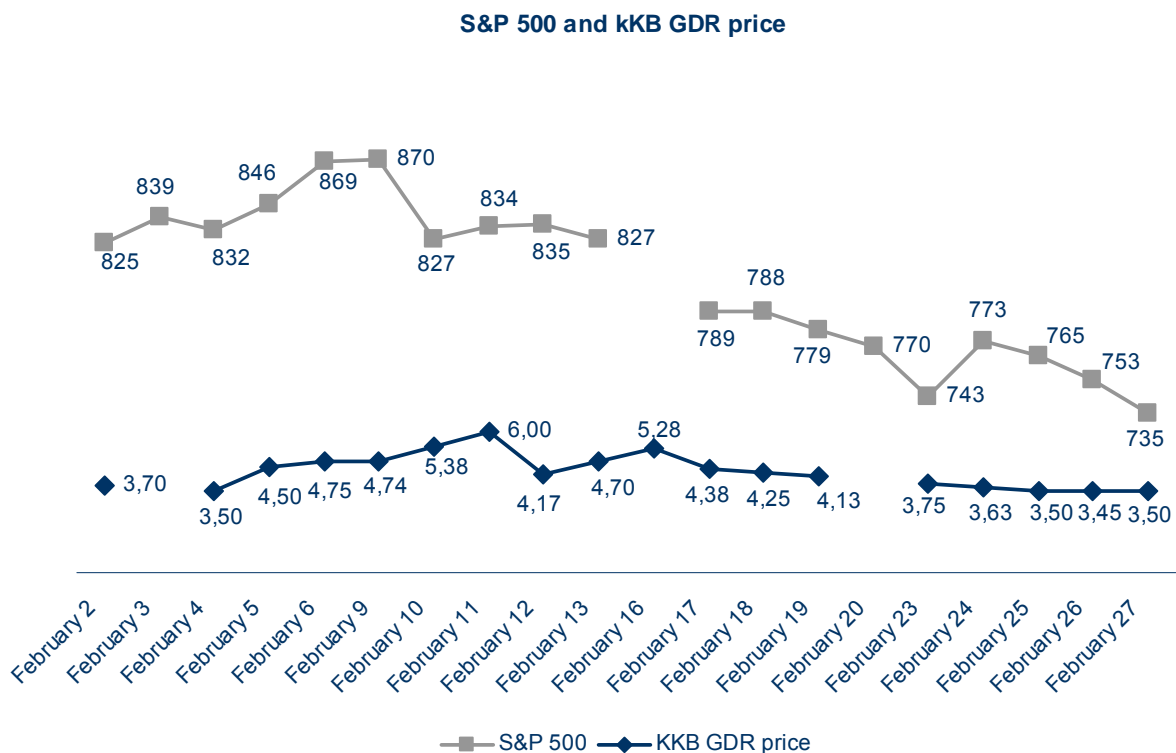
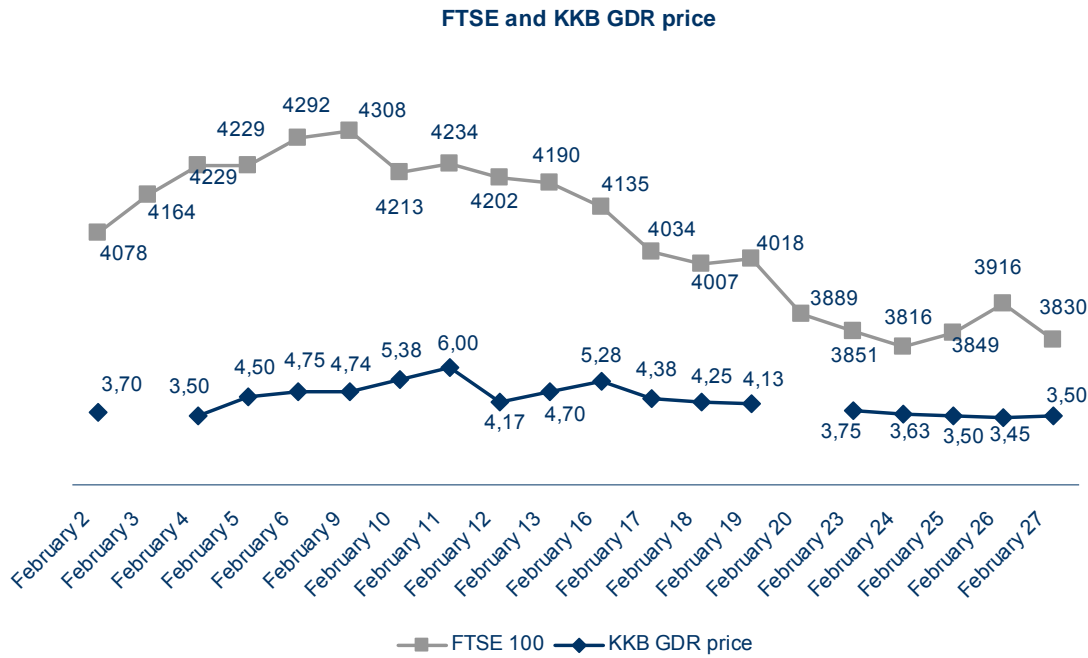
- *March 3.* The sole shareholder of Eurasian Bank – Eurasian Financial Industrial company - purchased 2,838,828 common shares in the bank on 26 February as part of its pre-emptive rights.
- *March 2.* Shareholders of Kazkommertsbank approved an increase in the number of shares of the

bank. The number of common shares was increased from 775 million shares by 325 million shares; number of preferred shares from 125 million by 50 million shares.

- *March 2.* The amount of foreign liabilities to be repaid by Kazkommertsbank in 2009 is around \$1.3 billion.
- *February 27.* National Welfare Fund Samruk-Kazyna (the Fund) completed the placement of KZT716 billion (current exchange rate KZT150.26/\$1) with 2nd tier banks for lending to economy of Kazakhstan. In the framework of financial system stabilization 4 banks received state funds totaling KZT476 billion: BTA - KZT212 billion, KKB - KZT120 billion, Halyk - KZT120 billion, and Alliance - KZT24 billion. Funds placed with BTA were used to purchase a 75.1% stake in the bank, making the government a majority shareholder. Funds placed with KKB were placed on deposit. KZT36 billion will be used to purchase a 25% stake in the bank, KZT84 billion in accordance with signed agreement between the Fund and the Bank will be used for lending to the real estate sector. Out of KZT120 billion placed with Halyk Bank KZT60 billion will be used to purchase a 25% stake in the bank, and KZT60 billion for lending to the real estate sector.
- *March 2.* Royal Bank of Scotland Group Plc (RBS) is looking for new owners for its subsidiary in Kazakhstan.
- *March 2.* Kazkommertsbank started the mortgage refinancing programme as part of the government's anti-crisis plan.
- *February 27.* Moody's Investors Service lowered its ratings for bonds issued by subsidiary of BTA Bank - BTA DPR Company from "Baa3" to "B1"
- *February 27.* Moody's Investors Service lowered its ratings for bonds issued by subsidiary of Kazkommertsbank - Kazkommerts DPR Co from "Baa3" to "Ba3"
- *February 25.* Kazkommertsbank repaid in full its Eurobond loan totalling SGD100 million with a 4.25% coupon rate. The loan was repaid on the day of maturity from bank funds.
- *February 24.* Fitch Ratings lowered its rating (IDR) to subsidiaries of BTA in Russia and CIS. Ratings of BTA Bank Russia, BTA Kazan, BTA Bank Georgia were lowered by 2 notches to "CCC". Fitch also recalled its ratings to BTA Bank Russia.
- *February 24.* Rating of Moskommertsbank, a 100% owned subsidiary of KKB, was lowered by 1 notch to "B minus".
- *February 24.* Pension Assets accumulated in Pension Savings funds of Kazakhstan amounted to KZT 1,439.1 billion as of February 1, increasing by 1.31% during January.
- *February 24.* Kazakh insurance companies accumulated KZT9.2 billion insurance premiums in January 2009, which is by 45.9% lower than January 2008, according to AFN. The volume of insurance premiums on mandatory insurance increased by 4.2% to KZT2.5 billion, on voluntary personal insurance decreased by 44.1% to KZT1.9 billion, on voluntary property insurance decreased by 56.3% to KZT4.9 billion.
- *February 23.* Vnesheconombank (VEB, Russia) is planning to develop its cooperation with Kazakh Development Institutions. VEB will provide up to \$3 billion to Samruk-Kazyna to fund several large investment projects in the country
- *February 23.* Halyk bank offered 25,528,925 shares from a new issue of its GDRs. Price per GDR is \$3.075. One GDR represents 4 common shares of the bank.
- *February 23.* Tsesna Bank repaid KZT5 billion domestic bonds of 3rd issue.
- *February 20.* Centercredit Bank (BCC) opened a representative office in Kyrgyzstan. The Bank also plans to open subsidiaries in Azerbaijan and Ukraine
- *February 18.* Assets of Development Bank of Kazakhstan (DBK, subsidiary of Samruk-Kazyna) as of YE08 amounted to KZT374,582 billion compared to KZT228,358 billion at YE07, according to unaudited non-consolidated financial statements of the bank.
- *February 17.* Astana-Finance repaid its 3 year 7.625% \$125 million Eurobonds. Arrangers of the deal were JP Morgan LTD and TuranAlemSecurities
- *February 16.* European Bank for Reconstruction and Development (EBRD) is considering becoming a shareholder of Central Asian Electric Corporation (CAEC) in March 2009.
- *January 26.* GNPf Pension fund increased its charter capital by 5 times from KZT1,013 million to KZT5,013 million by increasing the number of authorized common shares by 3,125,000. This increase is in line with the new Law on Pension Security in the Republic of Kazakhstan, which will come into force in 2012, which will require a minimum charter capital of KZT2 billion.

- *January 26.* Loan portfolio of Kazakhstani mortgage companies amounted to KZT170.4 billion as of January 1, 2009 decreasing by 5.5% since January 1, 2008. The share of standard loans in the structure of mortgage companies loan portfolio amounted to 86.7% (95.5% as of January 1, 2008), doubtful – 12.4% (3.9% respectively), loss – 0.9% (0.6%).
- *January 23.* BTA Bank repaid a 2-year \$250 million Eurobonds. These securities were placed in January 2007 under the framework of Global Medium Term Note Program. Arrangers of the placement were JP Morgan and Credit Suisse.

Kazkommertsbank



Price for Kazkommertsbank GDR in February 2009 mainly decreased due to negative news front on nationalization of BTA and Alliance, increased investor anxiety on deteriorating asset quality of Kazakh banks resulted from 22% devaluation of Kazakhstan tenge as well as downgrade of ratings of Kazakh banks by three international rating agencies. The price for KKB GDR decreased by 32.69% in February 2009.

- *March 10.* JSC Kazkommertsbank announced that it has sold its stake in the Ular Umit Pension Fund and Zhetysu Pension Asset Management. During 2008 Kazkommertsbank made significant investments into Ular Umit, taking measures to capitalize it and to optimize the fund's performance. However, as a non-controlling shareholder of the Fund and the company managing the Fund's assets – Zhetysu Pension Asset Management Company (the Company), the Bank was unable to influence decisions made by the Fund and the Company. Given that Kazkommertsbank could not take the responsibility for investment policies of the Fund and the Company, following negotiations with other shareholders, a decision was reached to sell Kazkommertsbank's 49.35% stake in the Fund and 50% stake in the Company to the controlling shareholders with the aim of ensuring the stability of Ular Umit. Going forward, Kazkommertsbank intends to focus on developing and strengthening the Grantum Pension Fund and Grantum Asset Management, both of which are fully controlled by the Bank.
- *March 3.* Kazkommertsbank announced that it has started to accept applications from existing borrowers who wish to refinance their mortgage loans. As agreed between Kazkommertsbank and the National Welfare Fund SamrukKazyna the mortgage loans will be refinanced at a reduced interest rate of between 9-11% as well as offering the opportunity to convert USD denominated loans to KZT loans. The 9% interest rate will be fixed for public servants and employees of government-owned enterprises. Other borrowers will be refinanced at the 11% interest rate. Applications must meet the following criteria: the borrower must be a resident of Kazakhstan; the size of the residence financed by the mortgage (or financed under the pre-sell agreements) and secured as collateral under the loan should not exceed 120 square meters, and it should be the only dwelling for the borrower, his (her) spouse and their minor children. In addition, the mortgage loan should not be overdue as of the day of the application for refinancing. The Bank will reserve the right to reject an application.
- *March 2.* The Extraordinary General Meeting of Shareholders of JSC Kazkommertsbank approved the increase in the number of authorized shares of the Bank as follows:
 - (1) increase in the number of authorized common shares of the Bank (775 million common shares) by 325 million common shares;
 - (2) increase in the number of authorized preferred shares of the Bank (125 million preferred shares) by 50 million preferred shares;
 - (3) approval of the new number of authorized shares of the Bank at 1,275 million shares, including 1,100 million common shares and 175 million preferred shares.

Additionally, amendments and additions #1 to the Share Offering Prospectus of Kazkommertsbank were approved.

- *February 24.* On 24 February 2009, Kazkommertsbank repaid in full its Eurobond loan totalling SGD100 million with a 4.25% coupon rate. The loan was repaid on the day of maturity from the banks' funds. The Eurobond was issued in February 2006 through Kazkommertsbank's subsidiary, Kazkommerts International B.V.
- *February 6.* The Board of Directors of Kazkommertsbank approved on January 28, 2009 to voluntarily liquidate its subsidiary Kazkommerts RFCA LLP and return a license for brokerage and dealership activities issued in favor of Kazkommerts RFCA by authorised governmental bodies. All Kazkommerts RFCA customer accounts have been transferred to Kazkommerts Securities and as of the date when the decision on voluntary liquidation was made Kazkommerts RFCA had no outstanding liabilities. The procedure on voluntary liquidation will take place in accordance with the requirements of current legislation.

Annex 1

USD million

	Assets		Equity		Loans to customers		Deposits		Deposits (without SPV)		Retail deposits		Net income	Reserves
	30 Jan	Jan/Dec	30 Jan	Jan/Dec	30 Jan	Jan/Dec	30 Jan	Jan/Dec	30 Jan	Jan/Dec	30 Jan	Jan/Dec	30 Jan	% of loans
BTA	23,284	-3,54%	3,450	-0,1%	18,557	-3,55%	11,711	-6,71%	6,105	-9,01%	2,245	-2,26%	19,1	9,88%
KKB	19,647	1,59%	1,536	-5,6%	17,819	-0,39%	13,589	3,32%	8,339	7,41%	2,172	-1,33%	5,7	20,07%
Halyk	14,559	8,53%	1,404	-0,4%	10,012	-1,87%	10,671	11,76%	8,171	15,93%	2,686	-0,68%	7,4	11,51%
Alliance	8,179	-4,72%	1,295	-1,8%	5,528	-1,85%	3,724	-6,41%	1,524	-8,50%	708	-5,91%	-3,7	9,97%
ATF	8,017	-2,34%	633	1,1%	6,561	-1,99%	3,175	1,51%	2,722	1,76%	925	3,44%	12,4	10,61%
BCC	7,343	-6,26%	758	-4,5%	5,263	-4,06%	4,234	-9,44%	3,046	-12,13%	1,599	-2,65%	2,7	8,95%
Temirbank	2,489	4,30%	417	-3,8%	2,143	0,80%	1,471	3,56%	555	10,07%	209	-1,90%	-13,8	7,10%
Nurbank	2,391	-3,20%	370	0,5%	1,995	-1,30%	1,567	-1,43%	1,417	-1,48%	163	7,50%	5,8	5,22%
KASPI	2,270	8,20%	246	-2,1%	1,615	3,00%	1,023	-1,47%	1,023	-1,47%	467	23,20%	-1,6	8,51%
Eurasian	1,897	-15,60%	207	0,2%	1,079	1,80%	1,059	-2,67%	1,059	-2,67%	298	13,00%	0,3	4,19%
Subtotal	90,077	-1,88%	10,316	-1,16%	70,572	-1,20%	52,224	-2,10%	33,962	-1,83%	11,472	1,80%	34,3	12,36%
Other banks	8,075	7,49%	1,569	1,80%	4,483	1,61%	4,869	9,81%	4,728	10,13%	929	6,49%	3,3	4,84%
Total	98,152	-1,17%	11,886	-0,78%	75,055	-1,04%	57,094	-1,18%	38,690	-0,51%	12,401	2,13%	37,6	11,91%

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