

Official exchange KZT/US\$ rate as at 1 May 2009 – 150.72

## Summary

- National Bank reduced refinancing rate by 0.5% to 9%
- GDP in 1Q09 reduced by 2.2%
- Kazakhstan's banks outperform targets in putting to work the Government funds allocated to SME support and mortgage refinancing

## News on Kazkommertsbank:

- **25 May.** Kazkommertsbank announced that on 22 May 2009 Mr. John Filmeridis, a Non-executive Director on the Board representing Alnair, one of the Bank's major shareholders, tendered his resignation with immediate effect due to personal reasons.
- **25 May.** The Line Brew beer and drinking water plant started its operations in Karassay district of the Almaty oblast. The plant's project development and construction were conducted by Line Brew Bottlers company (Line Group holding) with financing from Kazkommertsbank.
- **22 May.** During a conference call with investors and shareholders, Kazkommertsbank management confirmed the Bank's projects for 2009. KKB is expecting to maintain net profit at the level of 2008, and has no plans to restructure its foreign debt or buy back shares.
- **19 May.** EBRD invested US\$ 40 million to purchase newly issued common shares of Kazkommertsbank, taking up its pre-emptive rights. The transaction comes under the EBRD's crisis response package to stabilise and support the financial sector in its countries of operation the aim being to maintain vital flows of funding to enterprises and households.
- **15 May.** Kazkommertsbank announced that it had sold 204,338,177 new common shares through a capital increase. As a result of the capital increase, the Bank's share capital increased by KZT 44.47 billion. The new shares were priced at US\$ 1.45 per common share and US\$ 2.9 per GDR (representing two common shares).
- **9 May.** To celebrate Victory Day, employees of Kazkommertsbank branches congratulated veterans of World War II.

## Background on Kazkommertsbank:

Kazkommertsbank is the second leading bank in Kazakhstan and a leading bank in Central Asia as judged by its total assets of US\$ 17.5 billion and equity of US\$ 1.3 billion. The Bank's market share by total assets was 19.3% in 2008. KKB is the leader by market share in terms of total deposits (23%) and its equity represents 15% of the total Kazakh banking sector.

The Bank's assets decreased by 4.4% in 2008 as management focused on servicing existing customers. Asset quality also declined in 2008 with NPLs increasing from 6.4% to 7.6% of gross loans. However the Bank has put great emphasis on provisioning, and has the highest provisioning rate among its Kazakh peers (at 21% of total loans).

Net profit in the period January-April 2009 was US\$ 1.1 million (ranking the Bank 11<sup>th</sup> among Kazakh banks). Net interest income before provisions for impairment losses in Q1 09 was US\$ 396.6 million, and the NIM was 8.8% in Q109, which was higher than the industry average of 5%, due to the higher yield on securities portfolio.

## News on the Kazakh banking sector:

Commercial bank assets decreased by 2% in April. The aggregated figure for bank capital did not change significantly during April, and amounted to US\$9,177 million. The capital-to-total assets ratio was 10%, while the fixed assets-to-capital ratio was 18%. The share of charter capital within total capital was 92%.

Aggregated bank liabilities decreased by 2.2% during April. The major factors for this decrease were: a decrease in deposits (-2.5%), interbank deposits (-5.8%), and SPV accounts (-8.0%). As of 1 May 2009 banks' total assets amounted to US\$ 82,138 million. The share of customer deposits in total liabilities was 42.3%, a decrease of 2.5% from March. The share of retail deposits (US\$ 9,982 million) within total liabilities was 12%. Issued debt securities and subordinated debt increased by 10.5%, to US\$ 12,640 million. Loans from the Government and international financial organisations (US\$ 1,094 million) constituted 1.3% of liabilities.

Aggregated bank assets decreased by 2% to US\$91,314 million during April. The major factors for this decrease were: a decrease in interbank funding (-15.6%) and the securities portfolio (-6.4%) and an increase in reserves for possible losses (+5%). The gross loan portfolio did not change significantly during April, and the net loan portfolio decreased by 0.6% due to an increase in provisions. The share of loans within bank assets was 61%.

Interbank funds decreased by 15.6% to US\$ 6,052 million as of the reporting date. The major reason for the decrease in interbank funding was a decrease in short-term loans (-69%). The securities portfolio decreased by 6.4%, mainly due to a decrease in securities held for trade but partly due to the negative revaluation of securities. The share of highly liquid assets within banks' total assets did not change significantly during April, and was 8% as of the reporting date.

According to FMSA data, 90 days+ overdue amounts on the banks' loan portfolio amounted to 9.64% of total loans and reserves for possible losses were equal to 15.92% of the total loan portfolio. Overdue amounts and provisions increased in absolute terms by 25.58% and 4.1%, respectively. However, the coverage ratio of overdue loans by provisions was 165%.

The coverage ratio of overdue loans by collateral as of 30 April 2009 was 177%. The loans-to-capital ratio increased from 613% as of YE2008 to 721% as at 1 May 2009. The main reason for this was an increase in provisioning expenses.

Kazakh commercial banks recorded a net loss totalling US\$ 2,109 million in the period January-April 2009, a decrease of 7.6% MoM. Earnings before provisions amounted to US\$ 14,800 million, an increase of 21.5% from end-March and expenses before the recovery of provisions amounted to US\$ 16,909 million an increase of 19.6% MoM. The net provisioning expense increased by US\$ 465 million, to US\$ 3,404 million. The cost-to-income ratio equalled 30%. The interest income to interest expense ratio decreased from 185% as of YE2008 to 177% as at 1 May 2009. The Net Interest Margin remains stable at 5%.

## Major events in the banking sector:

- **19 May.** Astana Finance JSC (Kazakhstan) and Astana Finance B.V. (The Netherlands) announced their decision to suspend payments of interest and principal on their liabilities as of 15 May 09. This suspension of payments will provide for equal treatment for all creditors and will give the company the time necessary to evaluate the situation and prepare a restructuring proposal.
- **13 May.** Standard & Poor's changed its outlook on the Development Bank of Kazakhstan (DBK, part of Samruk-Kazyna) to Stable from Negative. At the same time S&P confirmed the issuer credit ratings of the bank – long term "BBB-" and short term "A-3", and also the national scale rating of "kzAAA".
- **13 May.** ATF Bank fully repaid a \$500 million syndicated loan. The major part of these funds was refinanced by its parent company UniCredit Group. The refinancing loan was provided for three months. The repaid syndicated loan was raised on 28 April 2008 for 370 days. The funds raised through this facility were used for trade finance projects for the bank's clients.

- **8 May.** European Bank for Reconstruction and Development will provide two loans for a total of US\$100 million to ATF Bank for lending to SMEs in Kazakhstan and to invest in improving the energy efficiency of the country's manufacturing companies.
- **7 May.** Standard & Poor's lowered the ratings of Kazkommertsbank and Halyk Bank. KKB's long-term counterparty rating was lowered from "BB-" to "B+", while Halyk Bank's long-term counterparty rating was cut from "BB" to "BB-". The outlook assigned to both banks remain Negative. At the same time, the rating agency confirmed its short-term credit ratings of KKB and Halyk Bank at "B".
- **6 May.** Fitch Ratings lowered the ratings of three Kazakh banks: Halyk Bank, Kazkommertsbank (KKB) and Bank CenterCredit (BCC), and also non-bank lending organisation Astana Finance (AF), due to concerns about government support and asset quality. The long-term issuer default rating (IDR) of Halyk Bank was lowered from "BB-" to "B+", the long-term IDR of KKB was cut from "BB-" to "B-", BCC's from "B+" to "B" and AF's from "B+" to "CCC". The agency also downgraded the long-term IDR of Moskommertsbank, KKB's Russian subsidiary, from "B-" to "CCC" and that of leasing company Astana Finance, AF's subsidiary, from "B+" to "CCC".
- **28 April.** Fitch Ratings assigned a long-term BBB rating to KZT 15 billion of five-year index-linked interest notes issued by Eurasian Development Bank. This rating is equivalent to EDB's long-term IDR ("BBB"). These notes were issued as part of an MTN programme that totals US\$3.5 billion.
- **14 April.** Fitch Ratings lowered the long-term IDR of Alliance Bank to "RD" from "CCC", thus excluding the rating from the Rating Watch Negative list. The downgrade followed the recent non-payment by the bank on one of its liabilities and the commencement of negotiations with the bank's creditors about the suspension of payments of liabilities for three months in order to develop a restructuring and recapitalisation plan.

## Major developments in Kazakhstan's economy

- **12 May.** January-March 2009 saw a decrease in external trade prices. The decrease compared to December 2008 was noted among the following exported goods: oil down by 33.8%, oil products by 24%, metals by 26.5%, heavy metals by 23.8% and coal by 18.7%. There were increases for precious metals up by 28% and natural gas by 5.8%. Rice prices decreased by 18%, grain by 13.2% and cotton by 11.3%. Among imported goods a decrease was noted on wood, down by 28%, shoes by 17.4%, paper by 17.2%, seed oil by 16.5%, coffee by 8%, tea by 3.2%, and sugar by 1.3%.
- **12 May.** According to preliminary data from the National Bank, the current account balance in January-March 2009 saw a deficit of US\$ 1 billion. That compared with a current account surplus during the same period in 2008 of US\$ 2.8 billion.
- **12 May.** In April 2009 the monetary base in Kazakhstan decreased by 1.9% (YTD growth of 43.8%) to KZT 2,193.3 billion. The narrow monetary base (monetary base minus term deposits of commercial banks with the National Bank) decreased by 2.2% to US\$ 2,017.9 billion (YTD expansion of 35.2%).
- **12 May.** From 12 May 2009, the National Bank cut its refinancing rate to 9% to reflect trends in the financial markets and the decrease in the annual inflation rate.
- **12 May.** Standard & Poor's affirmed Kazakhstan's ratings, and changed the outlook from "negative" to "stable" due to reduced risks in terms of contingent liabilities related to the banking sector.
- **12 May.** Moody's downgraded the local currency rating of Kazakhstan from Baa1 to Baa2, the same level as the sovereign's foreign currency rating. The outlook was changed to "stable" from "negative".
- **20 April.** The Ministry of Economy and Budget Planning said that it forecast a decrease in GDP of 2% in 1Q09.
- **14 April.** The National Bank of Kazakhstan forecasts strengthening of the tenge and the slowdown of inflation in the second half of 2009. At the same time it projected a positive reaction from creditors to proposals to restructure banks' debt.
- **14 April.** According to preliminary data from the Agency on Statistics, the number of unemployed people increased in 1Q09 by 23,600 (or 4.2%) compared to 582,800 people in 4Q08. The unemployment rate was 6.9% (4Q08 – 6.6%). The number of officially registered unemployed people at the end of March 2009 was 71,200 (or 0.8% of the economically active population).

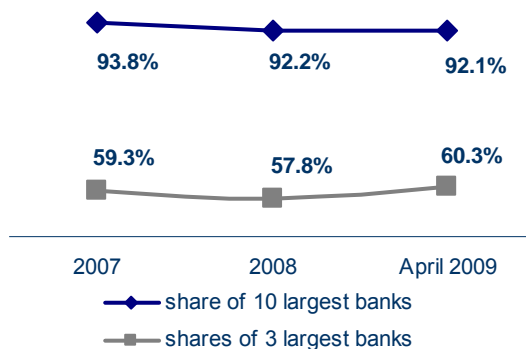
## Kazakhstan's key macroeconomic indicators

	2005	2006	2007	2008	1Q 2009
<b>Domestic economy and financial system</b>					
Real GDP growth, %	110	111	109	103	97.8
<b>GDP, US\$ million</b>	<b>58 392</b>	<b>76 355</b>	<b>106 816</b>	<b>131 713</b>	<b>20 118.2</b>
Production, % YoY	104.6	107	104.5	102.1	98.2
Unemployment, %	1.2	0.9	0.7	0.6	0.8
CPI, %	107.6	108.4	118.8	109.5	100.8
Monetary base M3, US\$ million	122	206	320	430	292
Monetary base (reserve funds), US\$ million	39	84	101	105	98
Real exchange rate	130.0	133.77	120.3	120.77	151.4
Official refinancing rate, %	8.0	9.0	11.0	9.5	9.0
<b>State finance</b>					
State budget balance, % of GDP	0.60	0.50	0.70	-2.10	3%
Total sovereign debt, % of GDP	3.72%	4.09%	1.97%	1.65%	-
Sovereign debt / State budget income, %	13%	18%	9%	6%	-
Sovereign debt, US\$ million	2 175	3 124.70	2 099	2 167	-
<b>Trade balance</b>					
Current transactions balance, US\$ million	-1 056	-1 999	-8 226	6 978	-1 079
Current transactions balance, % of GDP	-1.8%	-2.6%	-7.7%	5.3%	-5.4%
Capital and finance transactions account balance, US\$ million	912	16 201	8 366	1 219	-4 807
Capital and finance transactions account balance, % of GDP	2%	21%	8%	1%	-24%
Imports, US\$ million	-17 979	-24 120	-33 260	-38 452	-6 149
Exports, US\$ million	28 301	38 762	48 351	71 971	8 168
<b>Foreign assets and liabilities</b>					
Gross foreign debt, US\$ million	43 429	74 014	96 914	107 813	-
Gross foreign debt, % of GDP	74%	97%	91%	82%	-
National Bank's Gross International Reserves, US\$ thousands	7 069	19 127	17 629	19 872	19 479
FX assets	6 084	17 751	15 777	17 871	17 404
Gold	986	1 376	1 853	2 001	2 075
National Fund	8 074	14 092	21 006	27 486	22 462
National Fund and international reserves	15 143	33 219	38 635	47 358	41 941

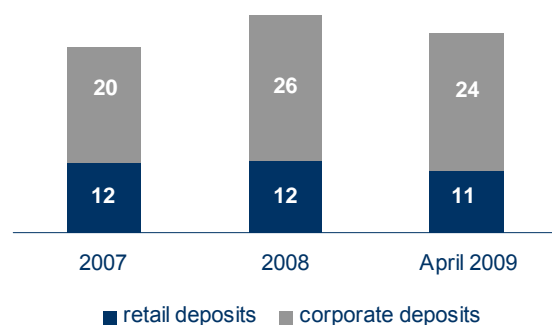
**Banking sector indicators\***

	2005	2006	2007	2008	April 2009
Commercial banks (number)	34	33	35	37	37
Bank branches (number)	1 730	1 813	2 381	2 546	2 519
<b>Major indicators of the banking sector, US\$ million</b>					
<b>Assets</b>	<b>33 700</b>	<b>69 879</b>	<b>97 129</b>	<b>98 432</b>	<b>91 314</b>
Capital	3 297	6 925	11 846	12 026	9 177
Pre-tax profit	617	1 030	2 182	224	-2 084
Net profit	547	824	1 803	89	-2 109
<b>Loan portfolio</b>	<b>22 882</b>	<b>47 120</b>	<b>73 569</b>	<b>76 485</b>	<b>67 826</b>
Overdue loans	272	596	835	2 124	4 716
- % of total loans	1.2	1.3	1.1	2.8	7.0
Provisions for loans	1 294	2 378	4 367	8 543	10 862
- % of total loans	5.7	5.0	5.9	11.2	16.0
<b>Customer deposits</b>	<b>12 471</b>	<b>24 978</b>	<b>32 451</b>	<b>38 084</b>	<b>34 773</b>
Including retail deposits	4 455	8 143	12 036	12 421	10 656
<b>Profitability ratios, %</b>					
RoAA	1.8	1.4	2.6	0.3	0.0
RoAE	14.1	14.7	22.9	2.6	0.0
<b>Banking sector and the economy, %</b>					
Assets / GDP	60.6	87.5	90.9	74.6	82.3
Loans / GDP	41.1	59.0	68.9	58.0	61.1
Deposits / GDP	11.6	31.3	30.4	28.9	31.3

Concentration of banking system assets



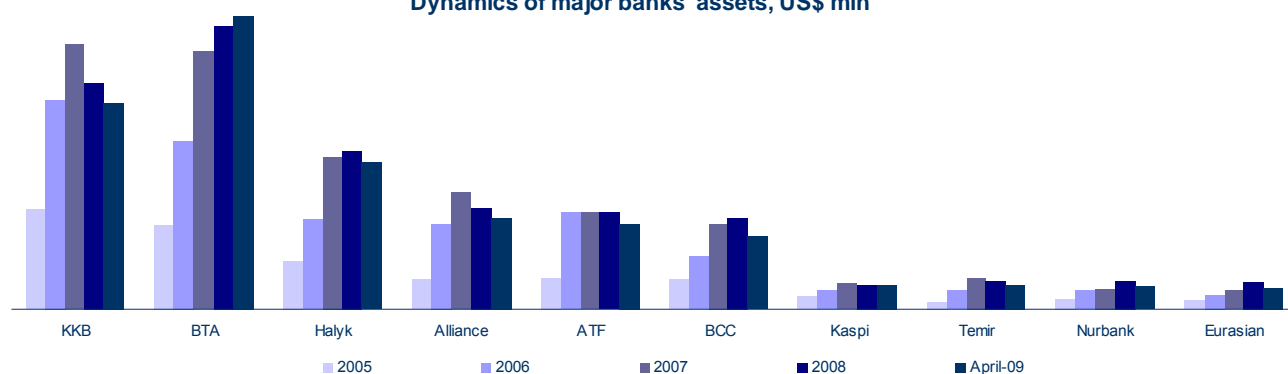
Dynamics in deposit base, USD m ln



### Major indicators of the largest Kazakh banks as at 1 May 2009

Bank	Assets		Equity		Loans to customers		Deposits		Deposits (without SPV)		Retail deposits		Net income	Reserves
	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	Apr/ Mar	US\$ mln	% of loans
BTA	24 941	-1.01%	2 466	1.2%	17 450	0.09%	9 948	-4.79%	4 661	-9.45%	1 278	-	-1 705	19.5%
KKB	17 578	-4.39%	1 380	-0.3%	16 481	-0.50%	13 312	-1.17%	8 083	-2.07%	1 982	11.00%	1	20.8%
Halyk	12 524	-2.10%	1 158	1.1%	8 714	-1.32%	8 301	-	7 301	-2.73%	2 385	-1.10%	-91	15.3%
Alliance	7 756	-4.08%	747	-18.4%	4 607	-0.89%	3 610	-2.15%	1 355	-6.53%	459	-7.17%	-296	15.1%
ATF	7 230	-1.17%	617	29.8%	6 079	0.48%	2 708	-0.73%	2 255	-0.82%	963	4.86%	4	12.1%
BCC	6 200	-0.23%	592	-0.1%	4 736	-0.64%	4 050	-0.25%	2 902	-0.25%	1 528	2.10%	14	10.8%
Kaspi	2 106	-6.53%	223	5.2%	1 409	1.74%	988	0.77%	988	0.77%	452	4.66%	24	9.6%
Temirbank	2 047	-2.48%	212	-9.2%	1 871	-1.13%	1 138	-3.03%	371	-8.25%	159	-3.45%	-117	8.2%
Nurbank	1 927	-5.27%	297	-0.3%	1 671	0.03%	1 277	-0.15%	1 128	-0.14%	159	4.86%	15	6.1%
Eurasian	1 784	-	181	-2.4%	998	4.80%	1 076	-2.06%	1 076	-2.06%	435	11.55%	-2	5.2%
<b>Subtotal</b>	<b>84 094</b>	<b>-2.62%</b>	<b>7 873</b>	<b>-0.07%</b>	<b>64 016</b>	<b>-0.28%</b>	<b>46 408</b>	<b>-5.17%</b>	<b>30 120</b>	<b>-3.31%</b>	<b>9 801</b>	<b>-0.33%</b>	<b>-2 153</b>	<b>16.5%</b>
Other banks	7 221	0.33%	1 304	-1.50%	3 689	-4.02%	4 727	-0.15%	4 622	-0.15%	855	-2.93%	44	6.3%
<b>Total</b>	<b>91 314</b>	<b>-2.40%</b>	<b>9 177</b>	<b>-0.28%</b>	<b>67 705</b>	<b>-0.49%</b>	<b>51 135</b>	<b>-4.73%</b>	<b>34 743</b>	<b>-2.90%</b>	<b>10 656</b>	<b>-0.54%</b>	<b>-2 109</b>	<b>15.9%</b>

Dynamics of major banks' assets, US\$ mln





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