

Official exchange KZT/US\$ rate on 1 May 2011 – 145.54

Summary

- 7% GDP growth is expected in 2011
- Number of real estate transactions increased by 8.5% in January-April 2011
- Fitch Ratings confirmed ratings of four Kazakh banks, upgraded rating of Halyk Bank
- The Chairman of NBK believes that half of excess liquidity of banks might be directed for lending

News on Kazkommertsbank

- **17 May.** Kazkommertsbank and Kus Zholy charity foundation have officially transferred up-to-date medical equipment for a total of US\$25 million to the maternity unit of Balkhash City Central Hospital in the framework of its Guardian Angel programme. The medical equipment allows to provide full range of up-to-date medical assistance during childbirth, early post-natal period both for a mother and a newborn, especially in critical situations from diagnostics to raising sick and premature newborns. The medical equipment includes ultra-sound diagnostics system, portable X-ray machine, open reanimation systems (to warm-up newborns), obstetric transformer beds, operating table, phototherapy system for newborns, portable defibrillators, bedside monitors, syringe pumps, laryngoscope sets and other. The programme is the first socially important project with the best combination of interests of all participants: business serves for the wealth of society, and the charity can be done in any convenient manner.
- **12 May.** Kazkommertsbank completed debut transaction on a post-crisis market of debt capital for placement of Eurobonds for USD 300 million, followed after road-show in USA and London. Eurobonds were issued for 7 years with 8.5 per cent. coupon rate and yield equal to 8.625 per cent. Premium for secondary market is equal to 12.5 basis points being one of the lowest premiums on emerging markets for the last time. The amount of Kazakhstan demand satisfied in full, being equal to USD 16.5 million. JP Morgan and UBS Investment Bank are Arrangers of transaction and Kazkommerts Securities as Permanent Dealer in Kazakhstan
- **4 May.** Kazkommertsbank announced that its shareholders have approved the audited consolidated annual financial statements of the Bank for the year of 2010 and the Management report on the bank's activities in 2010. The net income of the Bank for 2010 was capitalized as retained earnings. It was decided that dividends would not be paid on common shares in 2010. 12 December 2011 was set as the start date for the payment of dividends on preference shares. The completion date for the list of shareholders eligible for the payment of dividends on preference shares is 12 November 2011. The dividends on preference shares of the Bank are fixed at 0.04 USD per one preference share as described in the Share Emission Prospectus of the Bank. The reserve capital of the Bank was increased by KZT 10,448,000 from retained earnings. Increase in the reserve capital of the Bank did not affect the Bank's equity, as retained earnings from previous years and reserve capital from net profit are included in the equity of the Bank. Shareholders have approved the Deloitte as the external auditor of the Bank, and have set remuneration levels for the members of the Board of Directors for 2011. The shareholders have also considered shareholders' appeals to the Bank and its authorities' actions and the results of this consideration. The Bank's shareholders were also informed about the composition and size of remuneration of the members of the Board of Directors and the Management Board in 2010.

Kazakh Banking Sector Developments

P&L

The net loss of Kazakhstan's commercial banks in April 2011 was US\$4.4 million.

Kazakh commercial banks' aggregate earnings amounted to US\$ 7,714 million. The aggregate expenses of the banking system (including corporate tax) were US\$ 7,718 million, the majority of which were provision charges, which constituted a 35% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital amounted to US\$ 9,223 million as of 1 May 2011 (US\$ 8,862 million as of 1 April 2011).

ASSETS

Aggregate bank assets stood at US\$ 85,536 million (an increase of 0.8% MoM or US\$ 702 million). The increase was due to growth in precious metals (+24%) and loans to other banks (+17.1%).

The share of loans to customers remained unchanged at 50% as at 1 May 2011. The share of the securities portfolio decreased to 16.7% from 17.5% in March 2011. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased to 7.7% from 7.9% due to slight decrease in correspondent accounts. The share of funds placed with the National Bank within total assets increased to 4.5% from 3.7% and the share of inter-bank loans and deposits remained unchanged at 2.6%.

According to the FSA, loans that were at least 90 days overdue increased to 26.5% from 25.3% as at 1 April 2011. Also, the loan loss provisioning rate stayed at 31.1% in April 2011.

LIABILITIES

Aggregate bank liabilities increased to US\$ 76,313 million from US\$75,971 in March 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 58.9% of the total liabilities. There were no major changes in other liabilities.

Customer accounts increased by 0.3% or US\$ 140 million to US\$ 50,373 million, due to a increase in retail deposits by 2.1%. A major inflow of total deposits was seen in ATF, BTA and Sberbank (7.%, 6.5% and 4.1%, respectively), while a major outflow was seen in Citibank, Halyk and KKB (12.5%, 3.6% and 0.4%, respectively).

The sector's net loans-to-deposits ratio increased from 84.2% in March 2011 to 84.7% in April 2011.

Major events in the banking sector

- **23 May.** ATF Bank recorded net loss of KZT31 billion in 2010 compared to KZT54.8 billion loss in 2009. The assets of the bank decreased by 7.9% to KZT968.6 billion as at 31 December 2010. The capital decreased by 1.7 times to KZT35.3 billion.
- **19 May.** Alliance Bank recorded net loss of KZT1.5 billion in the 1Q11 compared to KZT332.4 billion net income in 1Q10. The assets increased to KZT446.4 billion. The capital deficit increased by 1.8% in the 1Q11 to KZT106.9 billion.
- **12 May.** BTA Bank expects assets' growth of 5%, loan growth of 1-2% in 2011 due to significant increase in retail and SME loans. Also, the bank expects moderate operating income in 2011. According to its IFRS financials, in 2010 the net income of the bank was KZT986.27 billion (compared to loss of KZT1.11 trillion in 2009), which was mainly a result of income from restructuring of KZT853.91 billion. The capital of BTA group in 2010 decreased 16 times to KZT104.51 billion due to changed amount of share capital (common shares) as a result of conversion of all bond issues under the 1st and the 2nd notes programmes of BTA totaling KZT671.47 billion. The deposits of the bank was KZT674 billion.
- **6 May.** The NWF Samruk-Kazyna postponed sell of BTA bank till completion of reorganization of the state holding. A new subsidiary, Samruk-Kazyna Finance, will be dealing with sell of BTA Bank assets.
- **28 April.** The Chairman of the National Bank said that the banks might direct half of their excess liquidity (appr. US\$5 bln) for lending to real sector of economy.
- **26 April.** Italian UniCredit group does not have plans to sell its Kazakh subsidiary ATF Bank. The bank plans to increase its capital by KZT40 billion in mid-May 2011, which proves that UniCredit has long-term plans in Kazakhstan, said the CEO of ATF Bank.
- **26 April.** Fitch Ratings upgraded long-term issuer default rating (IDR) of Halyk Bank from B+ to BB- and confirmed IDRs of four other Kazakh banks: Kazkommertsbank, ATF, Bank CenterCredit and Kaspi Bank.

Major developments in Kazakhstan's economy:**INFLATION**

In April 2011, inflation in Kazakhstan was 0.5%. The prices of food products increased by 1.0%, while non-food products increased by 0.2% with flat prices for paid services. Annual inflation (April 2011 to April 2010) was 8.4%, and the prices for food products increased by 12.5%, for non-food products by 5.1%, and for paid services by 6.4%.

INDUSTRIAL PRODUCTION

The volume of industrial production in April 2011 compared to March 2010 increased by 6.1%. The real volume index was 104.8% in the mining industry and 108.1% in the processing industry.

UNEMPLOYMENT

The unemployment rate in April 2011 was 5.5%. The number of unemployed people in April 2011 was 473,000. The number of unemployed people registered with authorised employment bodies in April 2011 was 0.7% of the economically active population. The hidden unemployment rate in April 2011 was 0.5% of the economically active population.

INTERNATIONAL RESERVES

In April 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 5.9%, to US\$72.4 billion. The assets of the National Fund increased by 6.7% in April 2011 to US\$36.0 billion. The net international reserves of the National Bank based on current prices increased by 5.1% to US\$36.4 billion. The net currency reserves in April 2011 increased by 4.9% to US\$33.7 billion, while assets held in gold decreased by 7.0% to US\$3.3 billion.

MONEY SUPPLY

The money supply in April 2011 increased to KZT 9,016 billion. The amount of currency in circulation decreased by 2.5% to KZT 1,125 billion. The reserve money in April 2011 increased by 3.4% to KZT 2,906 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 0.1% in April 2011 to KZT 2,350 billion.

GDP

In January-March 2011 the GDP increased by 6.6% compared to January-March 2010. The production of goods amounts to 40.9% of GDP, while production of services was 53.6% of GDP. According to the Minister of economic development and trade GDP might increase by 7% in 2011 due to favourable environment at the global commodity markets in the 1Q11. The potential for GDP growth is envisaged to come from industrial sectors, namely, processing and construction industries.

News on Kazakhstan's economy:

- **13 May.** The President of Kazakhstan believes that large foreign companies should invest at least 1% of the earnings to development and introduction of innovations. At the same time, the President noted that the national companies should develop and approve their innovative development plans with the government.
- **12 May.** The number of real estate transactions in January-April 2011 increased by 8.5% compared to the same period in 2010. In April 2011 the number of transactions increased by 32% compared to March 2011.
- **11 May.** According to quarterly survey of commercial banks by the National Bank, the banks expect increase in real estate prices in the 2nd quarter of 2011. Around 30% of the banks noted increase in demand for mortgages, while 61% of the banks said that the demand remained unchanged. At the same time, there was a significant increase in demand for consumer loans, and 63% of the banks noted that. The demand mostly comes for loans in local currency. There was a demand for short-term loans in foreign currency. 28% of the banks expect gradual improvement in the asset quality, while 61% of the banks believe that the asset quality won't change, and 11% of the banks said the asset quality might slightly deteriorate.
- **10 May.** Price of 1 sq.m. of new housing in Kazakhstan in April 2011 increased to KZT148,432 or 0.6% higher compared to March 2011.
- **10 May.** The Government of Kazakhstan has approved plan to achieve 7% GDP growth in 2011. The indicators were developed based on global environment, which envisages growth of global economy of 4.4% in 2011, 4.5% in 2012, and 4% on average in 2013-2015; oil prices at US\$80 per barrel in 2011, US\$70 per barrel in 2012-2015. Growth in gross volumes of agricultural production in 2011-2015 should be on average 4.5%. Industrial production growth indicators were set from 6% in 2011 to 9.1% in 2015. Growth rates in processing industry were defined as 10% per annum. Growth in construction sector envisaged at 2.5% in 2011 and 3.1% in 2012. Based on the above developments in the real sector and services, real GDP growth in 2011 and 2012 is expected at 7%, 6.9% in 2013, 6.5% in 2014, and 7.1% in 2015. The inflation forecast remained unchanged at between 6% and 8%.
- **5 May.** The Government of Kazakhstan will receive plan of "people's IPO" from the national wealth fund Samruk-Kazyna till 1 June 2011. The fund has selected candidates to provide consultancy as following: Citi and UBS international investment banks, Visor Capital and KKB Securities as local underwriters, PricewaterhouseCoopers, Cleary Gottlieb Steen & Hamilton legal company, Merlin as PR company.

Kazakhstan's key macroeconomic indicators

	2006	2007	2008	2009	2010	Apr 11
Domestic economy and financial system						
Real GDP growth, %	110.7	108.9	103.2	101.2	107.0	106.6**
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	106.1
Unemployment rate, %	7.8	7.3	6.6	6.5	5.5	5.5
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	61 949
Monetary base (reserve money), US\$ million	11 223	12 171	12 629	16 510	17 443	19 970
Real exchange rate	133.77	120.30	120.77	148.46	147.50	145.54
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	4 843*
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	1 477*
Capital and finance account balance, % of GDP	21.2	7.8	0.9	5.2	0.3	-0.1*
Imports, US\$ million	24 120	33 260	38 452	28 672	31 956	7 350*
Exports, US\$ million	38 762	48 351	71 971	43 886	60 838	18 499*
Foreign assets and liabilities						
Gross foreign debt, US\$ million	74 014	96 914	107 713	113 229	119 242	n/a
Gross foreign debt, % of GDP	91.4	92.4	81.3	98.6	45.2	n/a
National Bank's Net International Reserves, US\$ thousands	19 127	17 629	19 872	23 218	27 723	36 424
National Fund	14 092	21 006	27 486	24 368	30 578	36 034
National Fund and international reserves	33 219	38 635	47 358	47 586	58 301	72 458

*1Q11.

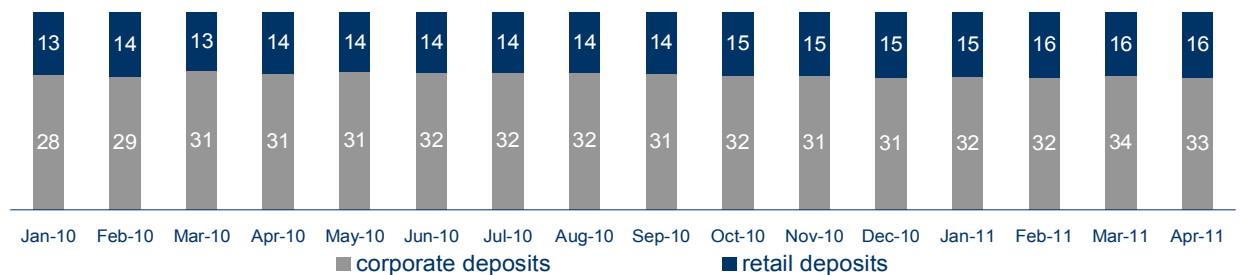
** January-March 2011 to January-March 2010.

Annex 2

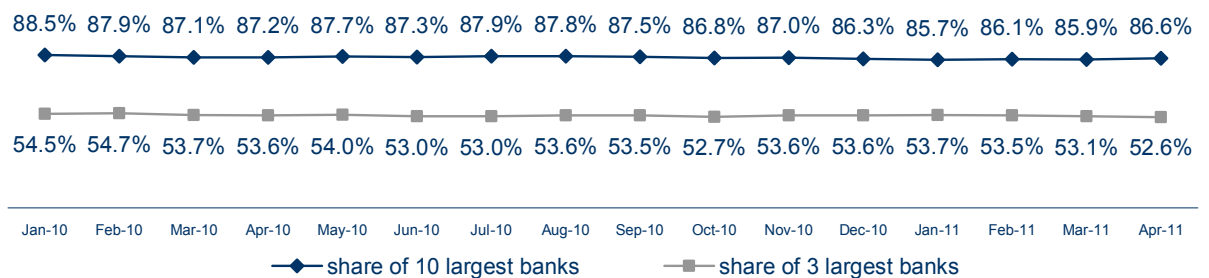
Banking sector indicators

	2006	2007	2008	2009	2010	Apr 2011
Commercial banks (number)	33	35	37	38	39	39
Bank branches (number)	1 813	2 381	2 546	2 299	2 246	2 264
Major indicators of the banking sector, US\$ million						
Assets	69 859	97 129	98 432	77 837	81 614	85 536
Capital	6 854	11 846	12 026	-6 601	8 967	9 223
Loans	47 181	73 718	76 534	64 926	60 627	63 137
Provisions for loans	2 342	4 337	8 491	24 458	18 995	19 621
- % 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	49 841
Net profit	801	1 806	89	-19 225	9 904	- 4
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	9.7
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	64.0
Loans / GDP	59.1	69.0	58.0	56.7	46.5	47.3
Deposits / GDP	31.3	30.4	28.9	37.1	35.2	37.5

Trends in the deposit base, US\$ billion



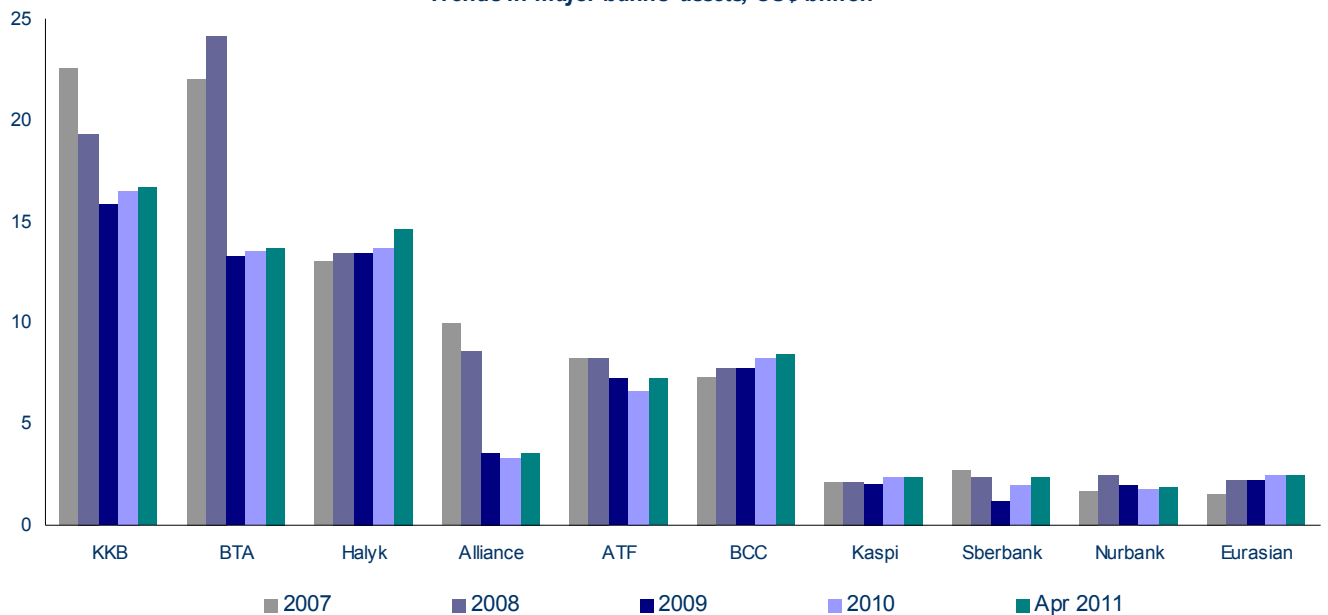
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Mar/ Feb	US\$ mln	Mar/ Feb	US\$ mln	Mar/ Feb	US\$ mln	Mar/ Feb	US\$ mln	Mar/ Feb			
KKB	16,692	0.7%	1,953	0.6%	15,635	-0.8%	9,911	0.9%	3,320	3.4%	2	32.6%	24.9%
Halyk	14,585	-1.9%	1,612	-1.7%	8,590	2.7%	10,183	-3.6%	3,569	1.4%	77	24.0%	16.6%
BTA	13,680	0.1%	1,194	-4.7%	11,273	0.0%	5,189	6.5%	1,921	1.8%	-52	55.4%	44.3%
BCC	8,378	4.1%	538	0.0%	5,201	1.2%	5,391	1.2%	2,278	0.1%	3	15.2%	10.2%
ATF	7,197	4.0%	354	5.0%	5,778	-1.9%	3,784	7.9%	896	-0.7%	-86	17.1%	32.7%
Alliance	3,562	2.0%	227	4.1%	3,886	1.5%	1,459	-0.1%	570	1.9%	-7	55.7%	63.1%
Eurasian	2,454	-0.6%	190	2.5%	1,713	3.0%	1,562	-0.4%	569	4.0%	12	9.5%	8.4%
Kaspi	2,405	0.3%	254	1.2%	2,041	1.2%	1,793	2.8%	1,179	5.8%	6	15.9%	11.5%
Sberbank	2,413	3.3%	294	1.1%	1,409	4.2%	1,878	4.1%	264	4.7%	12	7.1%	3.6%
Citibank	1,884	-13.2%	152	-3.8%	253	8.4%	1,647	-12.5%	25	10.2%	2	4.4%	-
Top 10	73,250	0.4%	6,768	-0.66%	55,780	0.5%	42,797	0.6%	14,592	2.1%	-33	32.2%	27.9%
Other banks	12,287	2.6%	2,454	19.20%	7,357	2.3%	7,044	-1.9%	1,760	2.3%	28	22.8%	15.3%
Total	85,536	0.7%	9,223	3.95%	63,137	0.7%	49,841	0.2%	16,352	2.1%	-4	31.1%	26.5%

Trends in major banks' assets, US\$ billion



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