

Official exchange KZT/US\$ rate on 1 March 2011 – 146.02

Summary

- The NBK increased the refinancing rate to 7.5%
- The NBK might increase its inflation forecast for 2011
- Halyk Bank plans to buy-back the shares of Samruk-Kazyna

News on Kazkommertsbank

- **23 March.** Kazkommertsbank has announced the repayment of its Eurobond issued in March 2006 for the original amount of EUR 300 million. The Eurobond was repaid in full on the date of its maturity from the Bank's own funds.

Kazakh Banking Sector Developments

P&L

The net loss of Kazakhstan's commercial banks in February 2011 was US\$108 million.

Kazakh commercial banks' aggregate earnings amounted to US\$ 4,225 million. The aggregate expenses of the banking system (including corporate tax) were US\$ 4,333 million, the majority of which were provision charges, which constituted a 35.8% share of total expenses.

CAPITAL

The Kazakh banking sector's aggregate capital amounted to US\$ 8,931 million as of 1 March 2011 (US\$ 8,959 million as of 1 February 2010).

ASSETS

Aggregate bank assets stood at US\$ 83,162 million (an increase of 0.8% MoM or US\$ 699 million). The increase was due to growth in reverse repurchase operations and precious metals.

The share of loans to customers remained flat at 50.4% in February. The share of the securities portfolio was 17.5%. The share of highly liquid assets (cash, precious metals and correspondent accounts) decreased from 7.3% to 7.2% due to a slight decrease in cash and correspondent accounts by 0.8%. The share of funds placed with the National Bank within total assets increased from 3.7% to 4.0% and the share of inter-bank loans and deposits decreased from 4.5% to 3.4%.

According to the FSA, loans that were at least 90 days overdue remained flat at 24.7% as at 1 March 2011. Also, the loan loss provisioning rate stayed at 31.2% in February 2011.

LIABILITIES

Aggregate bank liabilities remained flat at US\$ 74,231 million in February 2011.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 58.0% of the total liabilities. There were no major changes in other liabilities.

Customer accounts increased by 1.1% or US\$ 530 million to US\$ 48,252 million, due to an increase in retail deposits by 1.7%. A major inflow of total deposits was seen in Alliance, ATF and BCC (6.2%, 5.5% and 2.7%, respectively), while a major outflow was seen in Kaspi, Halyk and BTA (0.7%, 0.7% and 0.5%, respectively).

The sector's net loans-to-deposits ratio decreased from 87.0% in January 2010 to 86.9% in February 2011.

Major events in the banking sector

- **24 March.** Italy-based UniCredit SpA announced that it may sell its Kazakh subsidiary, ATF Bank, should an attractive proposal be tabled. UniCredit purchased ATF Bank in 2007 for US\$2.1 billion, and it had to write-off EUR500 million on this purchase during the crisis.
- **10 March.** Halyk Bank has reached preliminary agreement with its major shareholder, Almex, on the partial transfer of Almex's option to buy-back Samruk-Kazyna's shares, amounting to 213 million common shares. Almex will buy back another 46 million common shares. The option will be executed on 28 March 2011. As a result, Almex stake in the Bank will be 69.28% (currently 54.43%), and the free float will increase from 20% to 24%.
- **9 March.** The National Bank increased the refinancing rate from 7% to 7.5% based on trends in financial markets and growth in the annual inflation rate.
- **2 March.** On 21 February 2011 the Eurasian Bank completed its merger with ProstoCredit MCO. The transaction with ProstoCredit, which is a market leader in consumer lending, takes the retail business of the Eurasian Bank to higher level as the bank received both diversified network and 300,000 new clients.
- **10 March.** Moody's Investors Service withdrew the ratings of Astana-Finance as the company has been in default since May 2009.

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

In February 2011, inflation in Kazakhstan was 1.5%. The prices of food products increased by 2.0%, while non-food products and paid services saw a rise of 0.2% and 2.2%, respectively. Annual inflation (February 2011 to February 2010) was 8.8%, and the prices for food products increased by 13.0%, for non-food products by 5.5%, and for paid services by 6.7%.

INDUSTRIAL PRODUCTION

The volume of industrial production in February 2011 compared to February 2010 increased by 5.6%. The real volume index was 104.6% in the mining industry and 107.6% in the processing industry.

UNEMPLOYMENT

The unemployment rate in February 2011 was 5.8%. The number of unemployed people in February 2011 was 493,800. The number of unemployed people registered with authorised employment bodies in February 2011 was 0.6% of the economically active population. The hidden unemployment rate in February 2011 was 0.6% of the economically active population.

INTERNATIONAL RESERVES

In February 2011 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 6.1%, to US\$65.8 billion. The assets of the National Fund increased by 4.7% in February 2011 to US\$32.9 billion. The net international reserves of the National Bank based on current prices increased by 7.5% to US\$32.9 billion. The net currency reserves in February 2011 increased by 7.5% to US\$30.3 billion, while assets held in gold increased by 5.7% to US\$3.1 billion.

MONEY SUPPLY

The money supply in February 2011 was flat at KZT 8,606 billion. The amount of currency in circulation decreased by 0.3% to KZT 1,092 billion. The reserve money in February 2011 decreased by 0.4% to KZT 2,630 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 2.4% in February 2011 to KZT 2,143 billion.

News on Kazakhstan's economy:

- **25 March.** KazMunayGas JSC is in negotiations to buy the largest Kazakh gasoline stations network, Helios. The latter owns 228 gasoline stations in Kazakhstan.
- **16 March.** BTA Kazakhstan, UlarUmit pension funds and Zhetysu Asset Management Company will conduct a joint shareholder meeting on 14 April to discuss a possible merger.
- **9 March.** The National Bank might increase its inflation forecast after 1Q11 depending on the situation as regards the prices for food products. Currently, the inflation is projected at 6-8%.
- **3 March.** The FMSA expects that the insurance market in Kazakhstan will increase by 10-15% in 2011. The FMSA expects that life insurance will see significant growth due to general market growth as well as the creation of a new insurance class of industrial accidents. Also, the FMSA will continue to work on the development of Islamic insurance in 2011.
- **1 March.** The Ministry of Industry and Trade expects to attract c.KZT1.5 trillion in 2011 for projects under the Government's industrial and innovative development programme. It is expected that 71 projects totaling KZT715 billion will be implemented in 2011.

Kazakhstan's key macroeconomic indicators

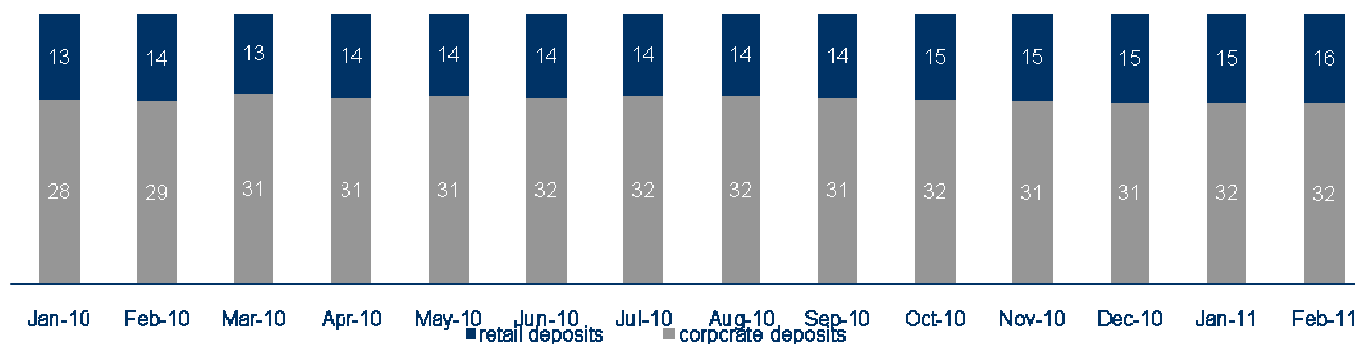
	2005	2006	2007	2008	2009	Feb 10
Domestic economy and financial system						
Real GDP growth, %	109.7	110.7	108.9	103.2	101.2	106.7
GDP, US\$ million	58 392	76 355	106 816	131 713	107 197	146 480*
Production, % YoY	104.6	107	104.5	102.1	101.7	105.6
Unemployment rate, %	8.1	7.8	7.3	6.6	6.5	5.8
CPI, %	107.7	108.4	118.8	109.5	106.2	108.8
Monetary supply M3, US\$ million	15 887	27 492	38 486	51 894	49 754	58 935
Monetary base (reserve money), US\$ million	5 100	11 223	12 171	12 629	16 510	18 012
Real exchange rate	130.00	133.77	120.30	120.77	148.46	146.02
Official refinancing rate, %*	8.0	9.0	11.0	9.5	7.0	7.5
State finance						
State budget balance, % of GDP	0.6	0.5	-1.7	-2.1	-3.1	-2.5
Sovereign foreign debt, % of GDP	3.7	4.1	2.0	1.6	2.5	2.8
Sovereign foreign debt / State budget income, %	13.5	17.9	8.7	6.5	11.4	13.9
Sovereign foreign debt, US\$ million	2 175	3 125	2 099	2 167	2 218	4 061
Balance of payments						
Current account balance, US\$ million	-1 056	-1 999	-8 226	6 978	-3 408	4 936*
Current account balance, % of GDP	-1.8	-2.6	-7.7	5.3	-2.6	3.4*
Capital and finance account balance, US\$ million	912	16 201	8 366	1 219	5 554	-200.8*
Capital and finance account balance, % of GDP	1.6	21.2	7.8	0.9	5.2	-0.1*
Imports, US\$ million	17 979	24 120	33 260	38 452	28 672	30 710*
Exports, US\$ million	28 301	38 762	48 351	71 971	43 886	59 725*
Foreign assets and liabilities						
Gross foreign debt, US\$ million	43 429	74 014	96 914	107 713	113 229	112 767*
Gross foreign debt, % of GDP	76.0	91.4	92.4	81.3	98.6	81.7*
National Bank's Net International Reserves, US\$ thousands	7 069	19 127	17 629	19 872	23 218	32 905
National Fund	8 074	14 092	21 006	27 486	24 368	32 906
National Fund and international reserves	15 143	33 219	38 635	47 358	47 586	65 811

*as at 31 December 2010

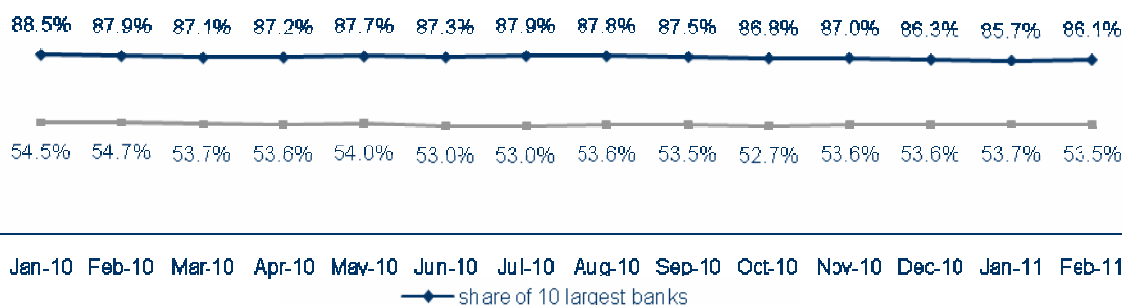
Banking sector indicators

	2005	2006	2007	2008	2009	Feb 2010
Commercial banks (number)	34	33	35	37	38	39
Bank branches (number)	1 730	1 813	2 381	2 546	2 299	2 259
Major indicators of the banking sector, US\$ million						
Assets	33 701	69 859	97 129	98 432	77 837	83 162
Capital	3 297	6 854	11 846	12 026	-6 601	8 931
Loans	22 869	47 181	73 718	76 534	64 926	62 202
Provisions for loans	1 276	2 342	4 337	8 491	24 458	19 428
- % of total loans	5.6	5.0	5.9	11.1	37.7	31.2
Deposits	12 471	24 979	32 451	38 084	40 441	48 252
Net profit	538	801	1 806	89	-19 225	- 108
Profitability ratios, %						
NIM	3.7	3.3	5.2	5.8	3.1	2.5
RoAA	1.6	1.1	1.9	0.1	Loss	-
RoAE	16.3	11.7	15.3	0.7	Loss	-
Banking sector and the economy, %						
Assets / GDP	60.6	87.5	90.9	74.6	68.0	62.7
Loans / GDP	41.1	59.1	69.0	58.0	56.7	46.8
Deposits / GDP	22.4	31.3	30.4	28.9	37.1	35.9

Trends in the deposit base. US\$ billion



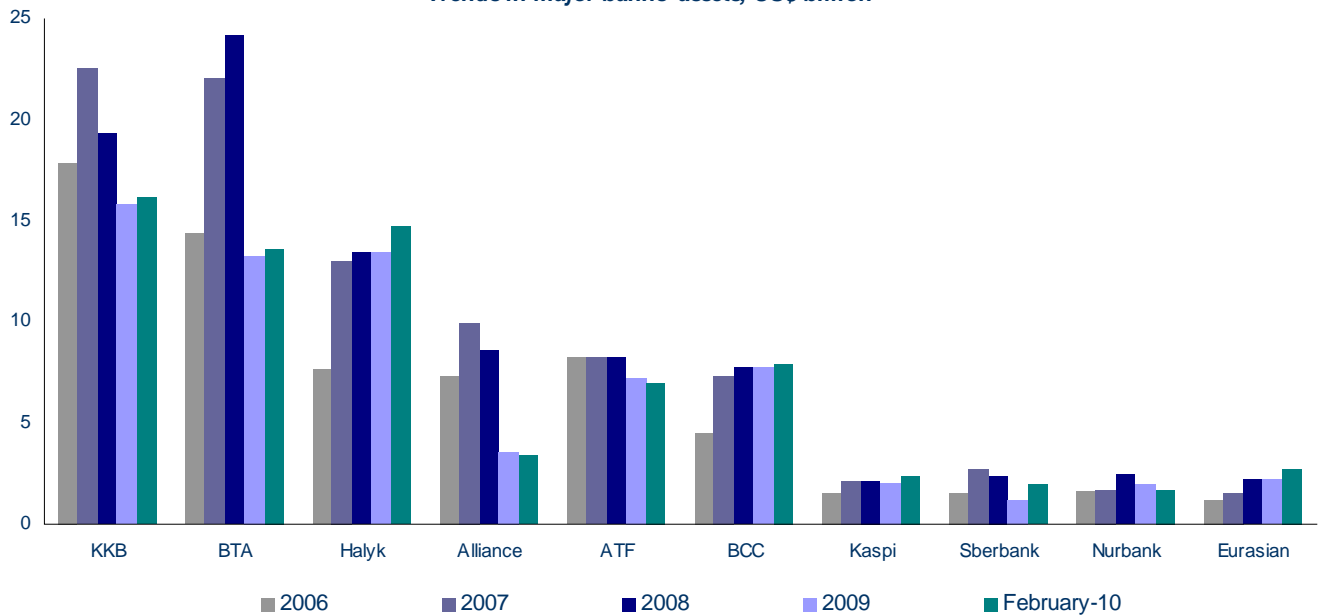
Concentration of banking system assets



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

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan	US\$ mln	Feb/Jan			
KKB	16 184	0.1%	1 923	0.5%	15 780	-0.8%	9 486	0.6%	3 167	2.4%	1	31.9%	23.5%
Halyk	14 735	-0.5%	1 867	0.7%	8 312	-0.1%	10 072	-0.7%	3 431	2.9%	31	24.1%	16.5%
BTA	13 577	0.2%	1 212	0.7%	11 250	0.0%	4 720	-0.5%	1 832	3.2%	-30	55.8%	35.3%
BCC	7 889	1.6%	526	-0.4%	5 089	3.1%	5 254	2.7%	2 296	0.2%	1	14.9%	9.2%
ATF	6 990	2.1%	320	-26.3%	5 827	0.8%	3 499	5.5%	923	-4.9%	-118	16.7%	32.7%
Alliance	3 439	3.9%	208	-1.7%	3 788	1.5%	1 459	6.2%	539	2.0%	-15	57.5%	64.0%
Eurasian	2 744	8.5%	180	2.4%	1 632	0.6%	1 642	2.4%	548	-5.1%	3	9.9%	7.5%
Kaspi	2 384	-0.2%	248	0.4%	1 998	0.5%	1 684	-0.7%	1 096	2.0%	2	14.9%	10.6%
Sberbank	1 988	2.3%	280	-0.2%	1 290	3.6%	1 471	2.1%	248	3.8%	7	6.8%	4.3%
Citibank	1 736	-11.9%	153	0.3%	262	4.8%	1 516	-7.6%	24	3.4%	3	1.8%	-
Top 10	71 665	0.8%	6 918	-3.29%	55 228	-1.6%	40 803	2.4%	14 104	-0.3%	-115	32.2%	25.8%
Other banks	11 498	-3.0%	2 014	8.37%	6 973	20.8%	6 905	-9.6%	1 672	21.9%	7	23.7%	16.2%
Total	83 162	0.3%	8 931	-0.89%	62 202	0.5%	47 709	0.4%	15 776	1.7%	-108	31.2%	24.7%

Trends in major banks' assets, US\$ billion



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