

Official exchange KZT/US\$ rate on 1 November 2012 – 150.77

Summary

Economy

- Annual inflation in October 2012 was 5.5%
- GDP growth forecast for Kazakhstan for 2012 decreased to 5.4%

Banking sector

- UniCredit Group is planning to sell controlling stake in ATF Bank to local investors
- Almaty Municipality signed Memorandum of Cooperation with 8 leading Kazakh Banks

News on Kazkommertsbank

- **12 November.** On 8th November 2012 the Board of Directors of JSC Kazkommertsbank has made a decision to set up two subsidiaries «KUSA KKB-1» Ltd. and «KUSA KKB-2» Ltd. to manage the Bank's distressed assets. It is anticipated that «KUSA KKB-1» will be managing industrial assets, while «KUSA KKB-2» will be focusing on commercial and residential real estate where construction is in progress or completed. According to the Law the purpose of the Distressed Assets Managing Company (SPV) is to manage on a temporary basis (up until 1 January, 2018) and further sell the distressed assets of the parent bank representing claims against doubtful and loss category loans as well as assets foreclosed as a result of work-out. Factual transfer of assets to KUSA will take place as soon as all required in this respect regulatory permissions are obtained and legal work is completed.
- **7 November.** Kazkommertsbank was given an award in *“Most socially responsible bank in Kazakhstan”* nomination based on results of “Expert-100-Kazakhstan” - the rating of the country's largest companies for 2011.
- **5 November.** UNICEF, Ministry of Public Health and Kazkommertsbank started a new project dedicated to decrease infant mortality.
- **2 November.** The number of users of Homebank.kz – online banking portal for individuals reached 400,000, and the number of users of its mobile application – 30,000. The number of users of KKB's Homebank.kz is larger than all users of all other online banking portals in Kazakhstan.

Kazakh Banking Sector Developments

P&L

The net loss after tax of Kazakhstan's commercial banks in October 2012 amounted to US\$ 5,761 million, an increase from US\$ 5,713 million last month, due to faster growth in expenses than in earnings, primarily due to increase in provisions.

Kazakh commercial banks' aggregate earnings amounted to US\$ 22,981 million up from US\$20,693 in September 2012. The aggregate expenses of the banking system (including corporate tax) were US\$ 28,742 million, the majority of which were provision charges and other expenses, which constituted 38.9% and 19.0% of total expenses, respectively.

CAPITAL

The Kazakh banking sector's aggregate capital increased to US\$ 3,175 million as of 1 November 2012 from US\$ 3,134 million as of 1 October 2012, mainly due to increase in reserve capital.

ASSETS

Aggregate bank assets stood at US\$ 90,986 million, compared to US\$ 89,716 million last month.

The share of loans to customers decreased to 53.8%. The share of the securities portfolio decreased to 13.0%. The share of highly liquid assets (cash, precious metals and correspondent accounts) increased from 11.2% to 11.3% due to decrease in correspondent accounts. The share of funds placed with the National Bank within total assets decreased to 0.5% in October and the share of inter-bank loans and deposits increased to 4.8%.

According to the FSA, loans that were at least 90 days overdue decreased from 30.9% in September to 30.5% as at 1 November 2012. The loan loss provisioning rate decreased from 35.8% to 35.6% in October 2012.

LIABILITIES

Aggregate bank liabilities increased to US\$ 87,810 million from US\$ 86,582 million in September 2012.

The structure of liabilities has not changed significantly. The major funding sources are customer accounts with a share of 65.3% of the total liabilities, compared to 64.7% in September 2012.

Customer accounts increased by 2.3% or US\$ 1,287 million to US\$ 57,329 million, due to the increase in both retail and corporate deposits.

An outflow of total deposits among top 10 banks was seen only in Sberbank (-2.2%), Alliance Bank (-1.2%) and BTA (-0.3%), while a major inflow of deposits was seen in Halyk (+9.8%), Eurasian (+4.7%) and Kaspi (+4.0%).

The sector's net loans-to-deposits ratio decreased from 87.0% in September 2012 to 85.4% in October 2012.

Major events in the banking sector

- 19 November. UniCredit Group is planning to sell controlling stake in ATF Bank to local investors, the deal might be concluded in 2013.
- 15 November. Almaty Municipality signed Memorandum of Cooperation with 8 leading Kazakh Banks, as a result of successful experience of such cooperation with Kazkommertsbank, memorandum with which was signed in August 2011.

Major developments in Kazakhstan's economy

INFLATION

In October 2012, inflation in Kazakhstan was 0.7%. The prices of food products and for non-food products increased by 0.6% both, respectively, while the prices for paid services increased by 0.9%. Annual inflation (October 2012 to October 2011) was 5.5%, and the prices for food products increased by 4.9%, for non-food products by 3.7%, and for paid services by 8.1%.

INDUSTRIAL PRODUCTION

The volume of industrial production in October 2012 compared to October 2011 was 0.4%.

UNEMPLOYMENT

The unemployment rate in October 2012 was 5.3%. The number of unemployed people in October 2012 was 474,500. The number of unemployed people registered with authorised employment bodies in October 2012 was 0.6% of the economically active population. The hidden unemployment rate in October 2012 was 0.4% of the economically active population.

INTERNATIONAL RESERVES

In October 2012 the net international reserves (including the net international reserves of the National Bank and National Fund's assets in foreign currency) increased by 0.6%, to US\$85.5 billion. The assets of the National Fund increased by 2.7% in October 2012 to US\$56.9 billion. The net international reserves of the National Bank based on current prices decreased by 3.5% to US\$28.5 billion. The net currency reserves in October 2012 decreased by 5.1% to US\$22.9 billion, while assets held in gold increased by 3.5% to US\$6.2 billion.

MONEY SUPPLY

The money supply in October 2012 increased by 1.6% to KZT 10,686 billion. The amount of currency in circulation decreased by 1% to KZT 1,408 billion. The reserve money in October 2012 decreased by 4.1% to KZT 2,833 billion. The narrow reserve money (money supply less term deposits of the banks with the National Bank) decreased by 3.1% to KZT 2,768 billion.

GDP

Real GDP growth rate was 105.6% for January-June 2012. Production of goods amounted for 40.7% of GDP, while services were 52.2%.

News on Kazakhstan's economy:

- **22 November.** Astana will host international specialized exhibition EXPO-2017.
- **20 November.** Fitch Ratings upgraded long-term issuer default rating in foreign currency of Kazakhstan to BBB+ from BBB, and in national currency to A- from BBB+ with stable outlook. Following the upgrade, Fitch ratings upgraded long-term issuer default rating of KEGOC from BBB to BBB+ with stable outlook, long-term IDR of Kazakhstan Temir Zholy to BBB from BBB- with stable outlook. Long-term IDR of KazMunayGas has been upgraded to BBB with stable outlook.
- **20 November.** KazMunayGas will sell 20 non-core assets and 349 non-core objects for total amount of KZT95 billion with annual costs of KZT7 billion. The programme is envisaged for 5-6 years.
- **14 November.** External trade turnover of Kazakhstan in January-September 2012 was US\$101.66 billion, which was 10.9% higher compared to the same period in 2011. Export amounted to US\$69.55 billion (+5.6%), while import was at US\$32.11 billion (+24.5%).
- **8 November.** KZT/USD exchange rate in October 2012 decreased by 0.6% to KZT150.77 per US\$.
- **8 November.** Price per sq.m. of new residential housing in Kazakhstan in October 2012 increased by 0.4% MoM to KZT169,187.

Annex 1

Kazakhstan's key macroeconomic indicators

	2007	2008	2009	2010	2011	Oct 12
Domestic economy and financial system						
Real GDP growth, %	108.9	103.2	101.2	107.0	107.5	105.6*
GDP, US\$ million	106 816	131 713	107 197	145 854	183 969	83 813*
Production, % YoY	104.5	102.1	101.7	110.0	103.5	100.4
Unemployment rate, %	7.3	6.6	6.5	5.5	5.4	5.3
CPI, %	118.8	109.5	106.2	107.8	107.4	105.5
Monetary supply M3, US\$ million	38 486	51 894	49 754	57 942	65 708	70 878
Monetary base (reserve money), US\$ million	12 171	12 629	16 510	17 443	19 111	18 787
Real exchange rate	120.30	120.77	148.46	147.50	148.40	150.77
Official refinancing rate, %*	11.0	9.5	7.0	7.0	7.5	5.5
State finance						
State budget balance, % of GDP	-1.7	-2.1	-3.1	-2.5	-1.3*	-
Sovereign foreign debt, % of GDP	2.0	1.6	2.5	2.8	2.4	2.3*
Sovereign foreign debt / State budget income, %	8.7	6.5	11.4	13.9	14.9	-
Sovereign foreign debt, US\$ million	2 099	2 167	2 218	4 061	4 456	4 450*
Balance of payments						
Current account balance, US\$ million	-8 226	6 978	-3 408	4 319	14 110	10 234**
Current account balance, % of GDP	-7.7	5.3	-2.6	3.0	7.4	2.6*
Capital and finance account balance, US\$ million	8 366	1 219	5 554	416	13 815	11 282*
Capital and finance account balance, % of GDP	7.8	0.9	5.2	0.3	7.2	0.4*
Imports, US\$ million	33 260	38 452	28 672	31 956	47 263	34 048**
Exports, US\$ million	48 351	71 971	43 886	60 838	88 470	69 587**
Foreign assets and liabilities						
Gross foreign debt, US\$ million	96 914	107 713	113 229	119 242	123 848	132 330*
Gross foreign debt, % of GDP	92.4	81.3	98.6	45.2	34.4	34.7*
National Bank's Net International Reserves, US\$ thousands	17 629	19 872	23 218	27 723	28 762	28 526
National Fund	21 006	27 486	24 368	30 578	43 693	56 925
National Fund and international reserves	38 635	47 358	47 586	58 301	72 455	85 451

*Jan-Jun 2012

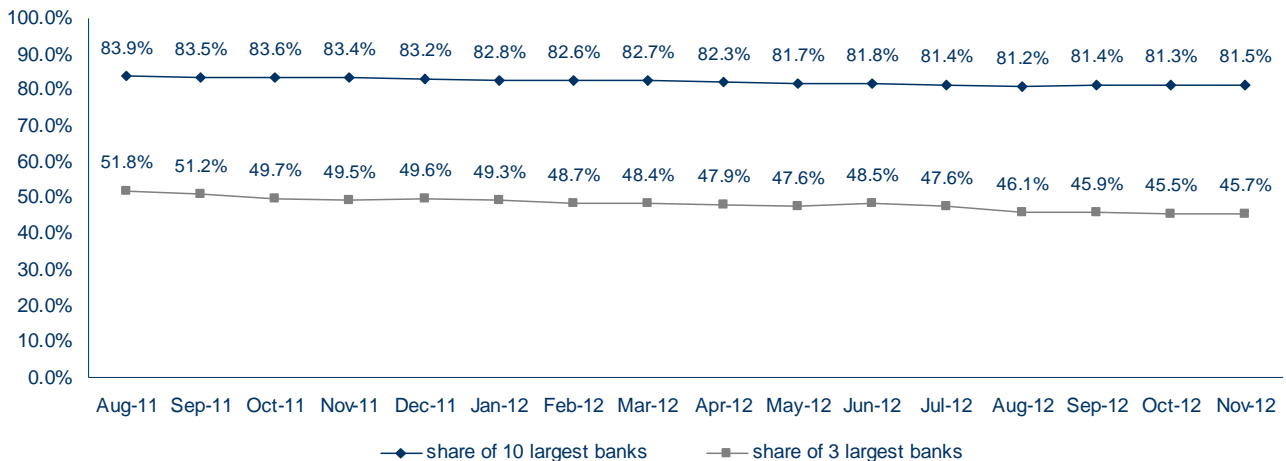
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Annex 2

Banking sector indicators

	2008	2009	2010	2011	Sept. 2012
Commercial banks (number)	37	38	39	38	38
Major indicators of the banking sector, US\$ million					
Assets	98 432	77 837	81 614	86 400	90 986
Capital	12 026	-6 601	8 967	8 797	3 175
Gross loans	76 534	64 926	60 627	70 370	75 313
Provisions for loans	8 491	24 458	18 995	22 480	26 820
- % of total loans	11.1	37.7	30.9	32.0	35.6
Deposits	38 084	40 441	46 850	53 125	57 328
Net profit	89	-19 225	9 904	-241	-5 761
Profitability ratios, %					
NIM	3.4	5.7	4.3	4.5	4.1
RoAA	0.1	11.9	0.12	-	2.0
RoAE	0.7	-	1.02	-	14.6
Banking sector and the economy, %					
Assets / GDP	74.6	68.0	61.9	44.3	42.4
Loans / GDP	58.0	56.7	46.5	36.1	35.2
Deposits / GDP	28.9	37.1	35.2	26.9	26.1

Concentration of banking system assets



Assets, loans (US\$ billion) and 90 days overdue loans dynamics



Major indicators of the largest Kazakh banks as at 1 November 2012

Bank	Assets		Equity		Loans to customers		Total deposits		Retail deposits		Net profit	Reserves	90 days overdue loans
	US\$ mln	Oct/Sept	US\$ mln	Oct/Sept	US\$ mln	Oct/Sept	US\$ mln	Oct/Sept	US\$ mln	Oct/Sept	US\$ mln	% of gross loans	% of gross loans
KKB	16,797	2.3%	3,033	0.7%	15,977	0.5%	9,202	1.1%	4,012	0.6%	8	37.7%	26.1%
Halyk	15,231	4.1%	1,971	2.1%	9,042	0.9%	10,810	9.8%	4,176	-0.5%	337	24.2%	19.9%
BTA	9,481	-0.7%	-8,364	1.7%	13,799	0.3%	4,451	-0.3%	1,838	1.7%	-9,362	86.5%	72.9%
BCC	7,152	0.4%	561	-1.0%	5,594	0.6%	5,137	1.8%	2,541	-0.4%	10	16.2%	10.0%
ATF	6,657	2.2%	479	-0.6%	5,239	-0.9%	3,977	3.9%	1,298	-1.6%	-28	22.5%	44.0%
Sberbank	4,696	-0.3%	580	0.9%	3,377	4.2%	3,247	-2.2%	674	2.3%	73	5.5%	1.5%
Alliance	3,865	3.4%	207	95.7%	3,915	2.3%	2,132	-1.2%	1,015	4.3%	20	43.3%	48.7%
Tsesnabank	3,834	6.6%	337	0.5%	2,939	5.1%	3,052	3.2%	948	3.0%	75	3.6%	3.2%
Kaspi	3,504	5.5%	397	1.9%	3,050	3.2%	2,487	4.0%	1,978	3.4%	91	18.1%	15.3%
Eurasian	2,912	-0.9%	302	2.5%	2,403	0.4%	1,758	4.7%	576	2.3%	50	8.3%	6.5%
Top 10	73,228	2.1%	-496	-7.2%	65,335	1.0%	46,252	3.3%	19,057	0.9%	-8,726	38.2%	33.0%
Other banks	17,692	1.4%	3,669	0.5%	9,922	3.6%	10,561	3.8%	2,138	-0.8%	142	18.4%	14.1%
Total	90,920	2.0%	3,173	1.9%	75,258	1.3%	56,814	3.4%	21,194	0.7%	-8,585	35.6%	30.5%

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