

Kazkommertsbank reports its 1st quarter 2012 financial results

7 June 2012

1st quarter 2012 highlights

- Net profit is up 7% to KZT6.4 billion (US\$42.9 million) from KZT5.9 billion for the 1st quarter of 2011
- Adjusted Net Interest Margin increased to 3.8%
- Cost-to-income ratio decreased to 19.9% (25.9% in 2011)
- Retail deposits are up 4% year-to-date
- Gross loans are up 1.3% year-to-date
- Core Tier 1 ratio of 18.7% (18.6% in 2011)
- Total capital ratio up to 22.7% (22.3% in 2011)
- Provisioning rate at 24.6% of gross loans
- NPLs of 28.3% of gross loans

Net interest income

Net interest income before provisions for impairment losses increased by 4% from KZT29.3 billion for the 1st quarter of 2011 to KZT 30.5 billion for the 1st quarter of 2012.

The accrued interest income on certain corporate customer loans where there are no expected cash flows to the Bank in the next few years increased by KZT10.8 billion for the 1st quarter of 2012. Management has established an allowance for loan losses against this interest. For more details please refer to the Note 5 of the financial statements.

Non-interest income

Net non-interest income increased 2.8 times to KZT11.5 billion for the 1st quarter of 2012 compared to KZT4.1 billion for the 1st quarter of 2011. Increase in net non-interest income was mainly attributable to gain on financial assets and liabilities at fair value through profit or loss in amount of KZT4.4 billion for the 1st quarter of 2012 compared to net loss of KZT1.5 billion for the 1st quarter of 2011. At the same time, there was increase in net gain on foreign exchange and precious metals operations as well as net realized gain on investments available for sale.

Fee and commission income increased by 13.4% to KZT6.1 billion for the 1st quarter of 2012 from KZT5.4 billion for the 1st quarter of 2011. Increase in fee and commission income was mainly attributable to growth in commissions on banking cards operations by 31.2%, settlements by 18.6% and cash operations by 10.3%.

Operating expenses

Operating expenses decreased by 0.8% to KZT8.3 billion for the 1st quarter of 2012 compared to KZT8.4 billion for the 1st quarter of 2011. There was a decrease in staff expenses by 3.4% or KZT169 million, taxes other than income tax by 26.4% or KZT114 million as well as advertisement expenses by 7.7% or KZT21 million. At the same time there was an increase in property and equipment maintenance by 29.6% or KZT110 million and in banking cards services by 15.3% or KZT28 million.

Impairment losses

The provisions for credit impairment losses represented 24.6% of gross loans and advances as at 31 March 2012 compared with 24% as at 31 December 2011. Provisioning charge amounted to KZT25.7 billion for the 1st quarter of 2012 compared to KZT14.6 billion for the 1st quarter of 2011 and KZT18.9 billion for the 4th quarter of 2011.

Non-performing loans (NPLs) were 28.3% of gross loan book at the end of the 1st quarter of 2012 compared to 28.6% at the end of 2011, and 25.4% as of the end of 2010. KKB defines NPLs as total exposure to clients with overdue payments: 30 days and more for corporate clients, and 60 days and more for retail customers.

Taxation

In the 1st quarter of 2012 the Bank recorded a tax expense of KZT 1.8 billion compared to tax expense of KZT 1.5 billion for the 1st quarter of 2011. The effective tax rate for the 1st quarter of 2012 was 21.6%.

Profit

Profit before tax for the 1st quarter of 2012 increased by 8.7% to KZT8.1 billion compared to KZT7.5 billion for the 1st quarter of 2011. Net profit after tax for the 1st quarter of 2012 grew by 7% to KZT6.4 billion compared to KZT5.9 billion for the 1st quarter of 2011.

Capital ratios

Risk-weighted assets and contingent liabilities decreased by 0.6% to KZT 2,366 billion at 31 March 2012 compared to KZT2,380 billion as at 31 December 2011. On a consolidated basis, the Bank's Core Tier 1 ratio at 31 March 2012 was 18.7% compared with 18.6% at 31 December 2011. Total capital ratio was 22.7% as at 31 March 2012 compared to 22.3% at 31 December 2011.

Business line performance

Corporate and SME banking

Corporate loans were KZT 1,882.8 billion as at 31 March 2012 compared to KZT 1,870.9 billion as at 31 December 2011. The share of corporate loans in the Bank's total net portfolio was 90% at the end of the 1st quarter of 2012.

As of 31 March 2012, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT752.8 billion compared to KZT786.7 billion at 31 December 2011. The share of corporate deposits in the Bank's total customer accounts was 51.9% as at the end of the 1st quarter of 2012 compared to 53.8% as at the end of 2011.

Retail banking

As of 31 March 2012, the Bank had 23 branches and 134 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals increased to 1,343 and 14,109, accordingly.

Retail loans (net) increased by 0.5% to KZT209.8 billion as at 31 March 2012 compared to KZT208.8 billion as at 31 December 2011 mainly due to increase in net consumer loans. The share of net retail loans in the total net loan portfolio was 10% as at the end of the 1st quarter of 2012, with mortgage loans at 59.2% of the total net retail loan book.

Retail deposits grew 4% or KZT22.6 billion to KZT592.3 billion from KZT569.6 billion at 31 December 2011. Since the beginning of 2012, the share of retail deposits in the total customer accounts increased to 40.8% (38.9% as at the end of 2011).

About Kazkommertsbank

Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,524.9 billion (US\$17.1 billion equivalent) at 31 March 2012.

In addition to its core banking business (retail and corporate) KKB has subsidiaries active in pension fund management, asset management, insurance and brokerage. KKB also has foreign subsidiaries in the Russian Federation, Kyrgyzstan and Tajikistan.

Major shareholders of Kazkommertsbank include Central Asian Investment Company and Chairman of the Board Mr. Nurzhan Subkhanberdin, Alnair Capital Holding, the Kazakh Government through the Samruk-Kazyna National Welfare Fund and the European Bank for Reconstruction and Development. KKB's predecessor, Medeu Bank, was founded in July 1990, and re-registered as Kazkommertsbank in October 1991. KKB completed an IPO in GDR form on the London Stock Exchange in November 2006, the first CIS bank to do so, in a deal totaling \$845 million. The Bank's shares are listed on the Kazakhstan Stock Exchange.

Further information can be found at <http://en.kkb.kz>.

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