

Kazkommertsbank reports its 9 months 2012 financial results

07.12.2012

1st half 2012 highlights

- Net profit is up 9.4% to KZT19.6 billion (US\$131.8 million) from KZT17.9 billion for the 9 months of 2011
- Gross loans are up 4.8% year-to-date
- Retail deposits are up 8.9% year-to-date
- Adjusted Net Interest Margin increased to 3.8%
- Cost-to-income ratio decreased to 21.2% (25.9% in 2011)
- Core Tier 1 ratio of 18.2%
- Total capital ratio flat at 22.0%
- Provisioning rate at 25.1% of gross loans
- NPLs down to 28.7% of gross loans

Net interest income

Net interest income before provisions for impairment losses increased by 6% from KZT86.4 billion for the 9 months of 2011 to KZT91.5 billion for the 9 months of 2012.

Non-interest income

Net non-interest income increased 4.3 times to KZT25.5 billion for the 9 months of 2012 compared to KZT5.9 billion for the 9 months of 2011. Increase in net non-interest income was mainly attributable to gain on foreign exchange and precious metals operations in amount of KZT6.7 billion for the 9 months of 2012 compared to KZT1.3 billion for the 9 months of 2011, and also to the decrease of the loss on financial assets and liabilities at fair value through profit or loss from KZT11.5 billion for the 9 months 2011 to KZT6.0 billion for the 9 months 2012. At the same time, there was significant increase in dividends received from KZT181 million in the 9 months of 2011 to KZT8.5 billion in the 9 months of 2012 as the Bank received dividends on shares of Kazakhtelecom.

Fee and commission income increased by 15.6% to KZT20.0 billion for the 9 months of 2012 from KZT17.3 billion for the 9 months of 2011. Increase in fee and commission income was mainly attributable to growth in commissions on banking cards operations by 29.8%, settlements by 17.4% and cash operations by 9.7%.

Operating expenses

Operating expenses increased by 2.0% to KZT24.8 billion for the 9 months of 2012 compared to KZT24.3 billion for the 9 months of 2011. There was an increase in staff expenses by 1.7% or KZT221 million, and other expenses by 24.5% or KZT461 million. At the same time there was a decrease in property and equipment maintenance by 6.0% or KZT153 million and in advertisement and telecommunication expenses by 13.9% or KZT229 million.

Impairment losses

The provisions for credit impairment losses represented 25.1% of gross loans and advances as at 30 September 2012 compared with 24.0% as at 31 December 2011. Provisioning charge amounted to KZT65.8 billion for the 9 months of 2012 compared to KZT47.2 billion for the 9 months of 2011.

Non-performing loans (NPLs) were 28.7% of gross loan book as at 30 September 2012 compared to 28.6% at the end of 2011. 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.

The accrued interest income on certain corporate customer loans where there are no expected cash flows to the Bank in the next few years amounted to KZT31.8 billion for the 9 months of 2012, compared to KZT32.3 billion for the 9 months 2011. Management has established an allowance for loan losses against this interest. For more details please refer to the Note 5 of the financial statements.

Taxation

In the 9 months of 2012 the Bank recorded a tax expense of KZT3.7 billion compared to KZT2.9 billion for the 9 months of 2011. The effective tax rate for the 9 months of 2012 was 15.8%.

Profit

Profit before tax for the 9 months of 2012 increased by 12.1% to KZT23.3 billion compared to KZT20.8 billion for the 9 months of 2011.

Net profit after tax for the 9 months of 2012 grew by 9.4% to KZT19.6 billion compared to KZT17.9 billion for the 9 months of 2011.

Capital ratios

Risk-weighted assets and contingent liabilities increased by 2% to KZT 2,427 billion at 30 September 2012 compared to KZT2,380 billion as at 31 December 2011.

On a consolidated basis, the Bank's Core Tier 1 ratio at 30 September 2012 was 18.2% compared with 18.6% at 31 December 2011. Total capital ratio was 22.0% as at 30 September 2012 compared to 22.3% at 31 December 2011.

Business line performance

Corporate and SME banking

Corporate loans were KZT 1,928.1 billion as at 30 September 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 decreased to 89.8% at the end of the 9 months of 2012 compared to 90.0% as at YE2011.

As of 30 September 2012, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT726.95 billion compared to KZT786.7 billion at 31 December 2011. The share of corporate deposits in the Bank's total customer accounts was 50.1% as at the end of the 9 months of 2012 compared to 53.8% as at the end of 2011.

Retail banking



As of 30 September 2012, the Bank had 23 branches and 130 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals increased to 1,372 and 14,244, accordingly.

Retail loans (net) increased by 5.4% to KZT220.1 billion as at 30 September 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 10.2% as at the end of the 9 months of 2012 (10% at YE2011), with the share of mortgage loans decreased to 57.3% from 61.1% as at 31 December 2011.

Retail deposits grew 8.9% or KZT50.5 billion to KZT620.1 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 42.7% (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 2,559.2 billion (US\$17.0 billion equivalent) at 30 September 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>.