

Kazkommertsbank reports its 9 months 2013 financial results

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Highlights of the 9 months 2013 results:

- Net income up by 18.7% to KZT 23.3 billion compared to KZT 19.6 billion in the 9 months 2012
- Total assets increased by 7.8% to KZT2,635 billion from KZT2,445 billion as at year end 2012
- Total deposits increased by 14.3% to KZT 1,775 billion
- Tier 1 Capital Adequacy ratio at 12.6%
- Total Capital Adequacy ratio at 15.8%
- Adjusted Net Interest Margin at 4.0%
- Net fees and commissions income increased by 21.4% compared to the 9 months 2012
- Operating expenses reduced by 3.6% compared to the 9 months 2012
- Cost-to-income ratio improved to 19.9% from 21.3% in 2012
- Provisioning rate on loan portfolio at 33.3%

Net interest income

Net interest income before provisions for impairment losses increased 1.1% to KZT92.6 billion for the 9 months 2013 compared to KZT91.5 billion for the 9 months 2012.

Non-interest income

Net non-interest income increased to KZT27.8 billion in the 9 months 2013 compared to KZT25.5 billion in the 9 months 2012.

Fee and commission income increased by 14.8% to KZT22.9 billion in the 9 months 2013 from KZT20.0 billion in the 9 months 2012. Increase in fee and commission income was mainly attributable to growth in commissions on banking cards operations by 21.7% and cash and settlement operations by 10.4%.

Operating expenses

Operating expenses decreased by 3.6% to KZT23.9 billion in the 9 months 2013 compared to KZT24.8 billion in the 9 months 2012. This was mainly due to decrease in staff expenses by 7.2% or KZT966 million.

Impairment losses

The provisions for credit impairment losses represented 33.3% of gross loans as at 30 September 2013 compared with 32.5% as at 31 December 2012. Provisioning charge amounted to KZT57.8 billion in the 9 months 2013 compared to KZT65.8 billion in the 9 months 2012.

Non-performing loans (NPLs) were 30.7% of gross loan book as at 30 September 2013. 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 KZT32.8 billion in the 9 months 2013, compared to KZT31.8 billion in the 9 months 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.

Taxation

In the 9 months 2013 the Bank recorded a tax expense of KZT6.7 billion compared to KZT3.7 billion in the 9 months 2012. The effective tax rate was at 22.3%.

Capital ratios

On a consolidated basis, the Bank's Core Tier 1 ratio was 12.6% and Total capital ratio was 15.8% at 30 September 2013.

Business line performance

Corporate and SME banking

Corporate loans were KZT 1,666 billion as at 30 September 2013 compared to KZT 1,704 billion as at 31 December 2012. The share of corporate loans in the Bank's total net portfolio decreased to 86.3% as at 30 June 2013 from 88.9% at the end of 2012.

As of 30 September 2013, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT1,013 billion compared to KZT789 billion at 31 December 2012. The share of corporate deposits in the Bank's total customer accounts was 57.1% compared to 50.8% as at the end of 2012.

Retail banking

Retail deposits increased slightly to KZT660 billion from KZT659 billion at 31 December 2012.

As of 30 September 2013, the Bank had 23 branches and 127 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals was at 1,362 and 16,598, accordingly.

Retail loans (net) increased by 24.5% to KZT265 billion as at 30 September 2013 compared to KZT213 billion as at 31 December 2012 mainly due to increase in net consumer loans. The share of net retail loans in the total net loan portfolio was 13.7% as at the end of 9 months 2013 (11.1% at YE2012).

About Kazkommertsbank

Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,635.1 billion (US\$17.1 billion equivalent) at 30 September 2013.

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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