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Kazkommertsbank reports 1st half 2017 financial results

23 August 2017, Almaty, Kazakhstan – JSC Kazkommertsbank (“KKB” or the “Bank”) today announces its consolidated IFRS financial results for the six months ended 30 June 2017.

1st half 2017 highlights:

- Total assets amounted to KZT 4,101 billion as at 30 June 2017 compared to KZT 4,866 billion at the year-end of 2016.
- Customer deposits amounted to KZT 2,665 billion as at 30 June 2017 compared to KZT 2,915 billion at the year-end of 2016.
- Capital adequacy ratio (NBK methodology) was 12.5% compared to 13.1% at the year-end of 2016.
- Share of non-performing loans in accordance with NBK methodology was 14% as at 1 July 2017. As at the 1 August 2017 the share of NPLs was 35.45%.
- On 2 June 2017 the Framework Agreement on sale of KKB has been signed between the Government of Kazakhstan (represented by the Ministry of Finance), the National Bank of Kazakhstan, the JSC NWF Samruk-Kazyna, JSC Distressed Loans Fund, JSC Halyk Bank of Kazakhstan, JSC BTA Bank, JSC Kazkommertsbank and its major shareholder Mr. Rakishev.
- On 3 July 2017 the BTA Bank has repaid its loan to the Bank in the amount of KZT2.4tn, which was extended by the Bank in 2015. The remainder of the loan to BTA Bank in the amount of KZT 64.8 billion has been written-off by the Bank.
- According to the terms of the Framework Agreement and taking into account the results of the due diligence undertaken by Halyk Bank and NBRK, on 4 July 2017 the Bank has adjusted its net asset value by approximately KZT542 billion. Such adjustment reflected the write-off of the remainder of the loan to BTA Bank and capital benefit from the revaluation of KZT250 billion deposit of JSC “Problem Loans Fund” as a result of reduction of the nominal interest rate from 5.5% to 0.1% and extension of the deposit term to 2037. **As a result of the above actions, the net asset value of the Bank reduced to approximately zero.**
- On 5 July 2017 the transactions whereby JSC Halyk Bank acquired common shares of Kazkommertsbank held by Mr. Kenges Rakishev and JSC Sovereign Wealth Fund Samruk-Kazyna subject to the terms of the sale and purchase agreements signed on 15 June 2017 have been completed. As a result of these transactions Halyk Bank became major shareholder of Kazkommertsbank with a stake of 96.81%.
- On 12 July 2017 Halyk Bank has executed its pre-emptive rights and acquired 1,296,698,676 ordinary shares of Kazkommertsbank pro-rata to current ownership share of Halyk Bank of 96.81% in Kazkommertsbank. Halyk Bank has paid KZT 185 billion for the shares acquired, and recapitalized Kazkommertsbank for KZT 185 billion. Completion of transaction with Halyk Bank and further recapitalization of Kazkommertsbank compensated the above-mentioned negative factors. At the moment, KKB is in compliance with the regulatory requirements for capital adequacy.



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Net interest income

Net interest income before provisions increased was KZT 44.8 billion compared to KZT 98.7 billion for the 1st half of 2016.

Non-interest income

Net non-interest loss for the 1st half of 2017 was KZT 36.5 billion compared to net non-interest income of KZT 11 billion for the first 6 months of 2016 as a result of revaluation of foreclosed collateral of the Bank and its subsidiaries.

Net fee and commission income increased by 21% for the 1st half of 2017 to KZT 14.9 billion compared to KZT 12.3 billion for the same period in 2016

Impairment losses

Provisions on loans to customers represented 24.8% of gross loans as at 30 June 2017.

Allowance for provisions amounted to KZT 483.7 billion for the 1st half of 2017 compared to KZT 15.5 billion for the 1st half of 2016.

The share of non-performing loans according to NBK methodology was 14% as at 1 July 2017.

Taxation

For the first 6 months of 2017 the Bank recorded income tax expense of KZT 16.8 billion compared to KZT 15.9 billion for the same period in 2016.

Capital ratios

The Bank's total capital ratio in accordance with NBK methodology represented 12.5% as at 30 June 2017 compared to 13.1% at the year-end of 2016.

Business line performance

Corporate and SME banking

Corporate loans (net) decreased by 17% and amounted to KZT 2,867 billion compared to KZT 3,454 billion as of 31 December 2016 due to assignment of provisions.

Corporate deposits amounted to KZT 1,314 billion as at 30 June 2017 compared to KZT 1,475 billion as at 31 December 2016. The share of corporate deposits in the Bank's total customer accounts was 49.3% compared to 50.6% as at the end of 2016.

Retail banking

Retail loans (net) increased by 4.3% to KZT 315.2 billion compared to KZT 302.3 billion as at 31 December 2016.



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Retail deposits decreased by 6.2% to KZT 1,351 billion compared to KZT 1,440 billion as at 31 December 2016. The share of retail deposits in total customer accounts was 50.7% compared to 49.4% as at 31 December 2016.

Financial statements of the Bank are available at the Bank's corporate web-site: <http://qazkom.kz/investor-relations/result-activity>.

About Kazkommertsbank

Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan with total assets of KZT 4,101 billion at 30 June 2017. In July 2017 JSC Halyk Bank of Kazakhstan became the shareholder of the Bank with a stake of 96.81%, and as a result the Bank became a part of Halyk Group.

About Halyk Group

Halyk Group is the 3rd largest financial group in CIS and the largest financial group in Kazakhstan in terms of assets. Halyk Group include Halyk Bank, Qazkom and Altyn Bank as well as insurance, leasing, asset management and brokerage subsidiaries. Halyk Group has presence in Russia, Georgia, Kyrgyzstan and Tajikistan.

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