

## Kazkommertsbank reports its 2010 financial results

March 31, 2011

### 2010 highlights

- Net profit is up 15.6% from KZT 19 bln in 2009 to KZT 22 bln (USD 149.2 mln)
- Total Bank assets increased by 3.9% in KZT terms compared to Q4 2009
- Gross loans to customers increased by 3% year-to-date to KZT 2,747 bln
- Net loans to customers increased by 0.6% to KZT 2,175 bln as at 31 December 2010 from KZT 2,161 bln as at 31 December 2009
- Deposits (excluding deposits under the Kazakh Government's stabilisation programmes) increased 23.2% compared to Q4 2009
- Retail deposits are up 37.8% year-to-date
- Adjusted Net Interest Margin is 3.8%
- Cost-to-income ratio of 22.4% (11.9%\* in 2009)
- Core Tier 1 ratio of 16.2% (15.9% in 2009)
- Total capital ratio of 20.1% (20.1% in 2009)
- Provisioning rate at 20.8% of gross loans
- NPLs are 25.4% of gross loans

### Net interest income

Net interest income before provisions for impairment losses decreased by 28% from KZT 193.6 billion for 2009 to KZT 139.4 billion for 2010. The accrued interest income on certain corporate customer loans which the Bank does not expect to receive accrued interest in full, increased by KZT 54.4 billion during 2010. This accrued interest has been fully provided for. Consequently the adjusted net interest income in 2010, taking into account provisions on accrued interest income of KZT 54.4 billion, was KZT 85.0 billion. Adjusted Net Interest Margin amounted to 3.8%. For more details please refer to the Note 6 of the financial statements.

### Non-interest income

Net non-interest income amounted to KZT 20.6 billion for the year ended 31 December 2010, compared to KZT 60.3 billion for the same period of 2009. Increased net interest income in 2009 was due to the "one-off" income received from the buy-back of the Bank's own debt securities (KZT 30.7 billion) as well as unrealized income from the revaluation of cross-currency swaps while in 2010 there was an unrealized loss from the revaluation of the same swaps.

### Operating expenses

Operating expenses grew 18.9% in 2010 compared to 2009 and amounted to KZT 35.8 billion. This rise was mainly driven by the increase in staff costs (by 24.9% or KZT 3.5 billion) as well as the increase in installments to the Deposit Insurance Fund (by 43.7%, or KZT 0.9 billion).

### Impairment losses

The provisions for credit impairment losses represented 20.8% of gross loans and advances in 2010 compared with 19% in 2009. Provisioning charge decreased by 50.2% to KZT95.6 billion in 2010 from KZT 192.4 billion in 2009.

Non-performing loans (NPLs) were 25.4% of gross loan book in 2010 compared to 22.8% as of the end of 2009. 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**

During 2010 the Bank recorded a tax expense of KZT 7.4 billion compared to KZT 13.1 billion for the year ended 31 December 2009. The effective tax rate was 26.3%.

### **Profit**

Profit before tax in 2010 decreased by 16.7% to KZT 28.2 billion compared to KZT 33.9 billion in 2009. Net profit after tax for the year ended 31 December 2010 grew by 15.6% to KZT 22 billion compared to KZT 19 billion for the year ended 31 December 2009.

### **Capital ratios**

Risk-weighted assets and contingent liabilities increased to KZT 2,579 billion at 31 December 2010 or by 3.9% compared to the end of 2009. On a consolidated basis, the Bank's Core Tier 1 ratio at 31 December 2010 was 16.2%, compared with 15.9% at 31 December 2009, and the total capital ratio was 20.1% (20.1% at 31 December 2009).

### **Business line performance**

#### ***Corporate and SME banking***

Corporate loans were KZT 1,942.1 billion as at 31 December 2010 compared to KZT 1,886.6 billion as at 31 December 2009. The share of corporate loans in the Bank's total net portfolio increased from 87.3% at the end of 2009 to 89.3% at the end of 2010.

As of 31 December 2010, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) had increased by 17.1% to KZT 917.1 billion from KZT 783 billion at 31 December 2009. The share of corporate deposits in the Bank's total customer accounts decreased from 61.3% as at the end of 2009 to 60.9% as at the end of 2010.

#### ***Retail banking***

As of 31 December 2010, 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 1,251 ATMs and 12,415 accordingly.

Retail loans were KZT 232.7 billion as at 31 December 2010 compared to KZT 274.1 billion as at 31 December 2009. The share of retail loans in the total net portfolio decreased from 12.7% in 2009 to 10.7% in 2010, with mortgage loans of 62% of the total retail loan book. Retail deposits grew 37.8% to KZT 451.4 billion at 31 December 2010 from KZT 327.6 billion as at 31 December 2009. The share of retail deposits in the total customer accounts increased to 30% from 25.7% in 2009.

**About Kazkommertsbank**

*Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,688.1 billion (US\$ 18.2 billion equivalent) at 31 December 2010.*

*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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