

Kazkommertsbank reports its 2011 financial results

April 18, 2012

2011 highlights

- Net profit is up 7% from KZT 22.0 billion for 2010 to KZT 23.5 billion (US\$ 160 million)
- Adjusted Net Interest Margin of 3.3%
- Cost-to-income ratio of 25.9% (20.9% in 2010)
- Retail deposits are up 25.5% year-to-date
- Gross loans are down by 0.3% year-to-date
- Core Tier 1 ratio of 18.6% (16.2% in 2010)
- Total capital ratio of 22.3% (20.1% in 2010)
- Provisioning rate at 24.0% of gross loans
- NPLs of 28.6% of gross loans

Net interest income

Net interest income before provisions for impairment losses decreased by 18.7% from KZT 139.4 billion for 2010 to KZT 113.3 billion for 2011.

The accrued interest income on certain corporate customer loans where there are no cash flow to the Bank in the next few years increased by KZT 42.2 billion for 2011. Management has established an allowance for loan losses against this interest. For more details please refer to the Note 6 of the financial statements.

Non-interest income

Net non-interest income amounted to KZT 18.6 billion for 2011 compared to KZT 17.5 billion for 2010. Increase in net non-interest income was mainly attributable to increase fee and commission income of the Bank.

Operating expenses

Operating expenses grew 4.3% for 2011 compared to 2010 and amounted to KZT 34.1 billion. This rise was mainly driven by the increase in advertisement expenses by 40.4% or KZT 0.5 billion, rent expenses by 5.2% (KZT 123 million) and staff expenses by 1.8% or KZT 0.3 billion.

Impairment losses

The provisions for credit impairment losses represented 24.0% of gross loans and advances as at 31 December 2011 compared with 20.8% in 2010. Provisioning charge decreased by 30.8% to KZT 66.1 billion for 2011 from KZT 95.6 billion for 2010.

Non-performing loans (NPLs) were 28.6% of gross loan book at the end of 2011 compared to 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

During 2011 the Bank recorded a tax expense of KZT 7.7 billion compared to tax expense of KZT 7.4 billion for 2010. The effective tax rate was 24.6%.

Profit

Profit before tax for 2011 increased by 10.5% to KZT 31.2 billion compared to KZT 28.2 billion for 2010. Net profit after tax for 2011 grew by 7% to KZT 23.5 billion compared to KZT 22.0 billion for 2010.

Capital ratios

Risk-weighted assets and contingent liabilities decreased to KZT 2,380 billion at 31 December 2011 or by 7.7% from KZT 2,579 billion as at 31 December 2010. On a consolidated basis, the Bank's Core Tier 1 ratio at 31 December 2011 was 18.6%, compared with 16.2% at 31 December 2010. Total capital ratio was 22.3% as at 31 December 2011 compared to 20.1% at 31 December 2010.

Business line performance

Corporate and SME banking

Corporate loans were KZT 1,870.9 billion as at 31 December 2011 compared to KZT 1,942.1 billion as at 31 December 2010. The share of corporate loans in the Bank's total net portfolio increased to 90% at the end of 2011 from 89.3% at the end of 2010.

As of 31 December 2011, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT 791.4 billion compared to KZT 917.1 billion at 31 December 2010. The share of corporate deposits in the Bank's total customer accounts was 54.1% as at the end of 2011 compared to 60.9% as at the end of 2010.

Retail banking

As of 31 December 2011, the Bank had 23 branches and 133 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals increased to 1,301 and 13,458, accordingly.

Retail loans were KZT 208.8 billion as at 31 December 2011 compared to KZT 232.7 billion as at 31 December 2010. The share of retail loans in the total net loan portfolio decreased from 10.7% in 2010 to 10% as at the end of 2011, with mortgage loans of 61.1% of the total retail loan book.

Retail deposits grew 25.5% or KZT 115.2 billion to KZT 566.6 billion from KZT 451.4 billion at 31 December 2010. The share of retail deposits in the total customer accounts increased to 38.7% from 30% as at the end of 2010.

About Kazkommertsbank

Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,565.7 billion (US\$ 17.3 billion equivalent) at 31 December 2011.

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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