

Kazkommertsbank reports its 3rd quarter 2011 financial results

November 29, 2011

3rd quarter 2011 highlights

- Net profit is up 14% from KZT 15.7 bln for 9M2010 to KZT 17.9 bln (US\$ 122.6 mln)
- Adjusted Net Interest Margin of 3.3%
- Cost-to-income ratio of 26.4% (22.4% in 2010)
- Retail deposits are up 19% year-to-date
- Gross loans are up by 1.1% quarter-on-quarter (down by 1.8% year-to-date)
- Core Tier 1 ratio of 17.5% (16.2% in 2010)
- Total capital ratio of 22% (20.1% in 2010)
- Provisioning rate at 22.7% of gross loans
- NPLs of 27.3% of gross loans

Net interest income

Net interest income before provisions for impairment losses decreased by 17.5% from KZT 104.8 billion for the first nine months of 2010 to KZT 86.4 billion for the same period in 2011. The accrued interest income on certain corporate customer loans which the Bank does not expect to receive in full, increased by KZT32.3 billion for the first nine months of 2011. This accrued interest has been fully provided for. Consequently the adjusted net interest income for 9M2011, taking into account provisions on accrued interest income of KZT32.3 billion, was KZT54.1 billion. Adjusted Net Interest Margin amounted to 3.3%. For more details please refer to the Note 6 of the financial statements.

Non-interest income

Net non-interest income amounted to KZT5.9 billion for the first nine months of 2011 compared to KZT7.0 billion for the same period of 2010. Decrease in net non-interest income was mainly attributable to decrease in unrealized gain on foreign exchange and precious metals operations.

Operating expenses

Operating expenses grew 1.9% for the first nine months of 2011 compared to the same period in 2010 and amounted to KZT24.3 billion. This rise was mainly driven by the increase in advertisement and telecommunications expenses by 43.6% or KZT 0.5 billion and rent expenses by 4.9% (KZT89 million). Operating expenses decreased by 25.2% to KZT6.8 billion in 3Q11 from KZT9.1 billion in 2Q11 mainly as a result of decrease in staff costs.

Impairment losses

The provisions for credit impairment losses represented 22.7% of gross loans and advances as at 30 September 2011 compared with 22.5% as at 30 June 2011, 21.5% as at 31 March 2011 and 20.8% in 2010. Provisioning charge decreased by 31.7% from KZT69 billion for the first nine months of 2010 to KZT47.2 billion for the first nine months of 2011 (a decrease of 25% from KZT18.3 billion in 2Q11 to KZT13.7 billion in 3Q11).

Non-performing loans (NPLs) were 27.3% of gross loan book at the end of 3Q2011 compared to 28.1% at the end of 2Q11, 27.7% at the end of 1Q11, and 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 the first nine months of 2011 the Bank recorded a tax expense of KZT2.9 billion compared to tax expense of KZT4.2 billion for the first nine months of 2010. The effective tax rate was 13.8%. The Bank recorded a tax benefit of KZT0.2 billion for 3Q2011 compared to tax expense of KZT1.5 billion for 2Q11.

Profit

Profit before tax for the first nine months of 2011 increased by 10.3% to KZT20.8 billion compared to KZT18.9 billion for the same period in 2010. Net profit after tax for the nine months ended 30 September 2011 grew by 14% to KZT17.9 billion compared to KZT15.7 billion for the nine months ended 30 September 2010.

Capital ratios

Risk-weighted assets and contingent liabilities decreased to KZT2,390 billion at 30 September 2011 or by 7.3% compared to the end of 2010 (2Q11: KZT2,372 billion; 1Q11: 2,403 billion; 2010: KZT2,579 billion). On a consolidated basis, the Bank's Core Tier 1 ratio at 30 September 2011 was 17.5%, compared with 17.6% at 30 June 2011, 17.4% at 31 March 2011, and 16.2% at 31 December 2010. Total capital ratio was 22% as at 30 September 2011 compared to 22.1% as at 30 June 2011, 21.7% as at 31 March 2010, and 20.1% at 31 December 2010.

Business line performance

Corporate and SME banking

Corporate loans were KZT 1,875.4 billion as at 30 September 2011 compared to KZT 1,942.1 billion as at 31 December 2010 (KZT1,855 as at 30 June 2011, KZT1,912.2 as at 31 March 2011). The share of corporate loans in the Bank's total net portfolio increased from 89.3% at the end of 2010 to 89.9% at the end of the 3Q2011 (2Q11: 89.7%, 1Q11: 89.8%).

As of 30 September 2011, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT885.9 billion compared to KZT1,017.6 billion as at 30 June 2011, KZT880.3 billion as at 31 March 2011, and KZT914.8 billion at 31 December 2010. The share of corporate deposits in the Bank's total customer accounts was 57.7% as at the end of the 3Q11 (60.7% as at the end of 2010).

Retail banking

As of 30 September 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 1,319 and 13,374, accordingly.

Retail loans were KZT209.8 billion as at 30 September 2011 compared to KZT 232.7 billion as at 31 December 2010 (KZT213 billion as at 30 June 2011, KZT217.9 billion as at 31 March 2011). The share of retail loans in the total net loan portfolio decreased from 10.7% in 2010 to 10.1% as at the end of 3Q2011, with mortgage loans of 61.5% of the total retail loan book.

Retail deposits grew 19% to KZT537.4 billion from KZT451.4 billion at 31 December 2010 (KZT516.2 billion at 30 June 2011, KZT481.2 billion at 31 March 2011). The share of retail deposits in the total customer accounts increased to 35.1% 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 2,673.8 billion (US\$ 18.1 billion equivalent) at 30 September 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>.

For contacts:

Aliya Nursipatova, Investor Relations

Alma Buirakulova, Investor Relations

Tel.: +7 (727) 258-51-25, E-mail: investor_relations@kkb.kz

Larissa Kokovinets, Director, Public Relations

Tel.: +7 (727) 258-54-56, E-mail: pr@kkb.kz