

## Kazkommertsbank reports its 1<sup>st</sup> quarter 2011 financial results

May 31, 2011

### 1<sup>st</sup> quarter 2011 highlights

- Net profit is up 6% from KZT 5.6 bln in the 1Q2010 to KZT 5.9 bln (USD 40.6 mln)
- Retail deposits are up 6.6% year-to-date
- Adjusted Net Interest Margin is 3.5%
- Cost-to-income ratio of 25.2% (22.4% in 2010)
- Core Tier 1 ratio of 17.4% (16.2% in 2010)
- Total capital ratio of 21.7% (20.1% in 2010)
- Provisioning rate at 21.5% of gross loans
- NPLs are 27.7% of gross loans

### Net interest income

Net interest income before provisions for impairment losses decreased by 20.8% from KZT 37.0 billion in the 1<sup>st</sup> quarter 2010 to KZT 29.3 billion in the 1<sup>st</sup> quarter 2011. The accrued interest income on certain corporate customer loans which the Bank does not expect to receive accrued interest in full, increased by KZT 10.6 billion in the 1<sup>st</sup> quarter 2011. This accrued interest has been fully provided for. Consequently the adjusted net interest income in the 1<sup>st</sup> quarter 2011, taking into account provisions on accrued interest income of KZT 10.6 billion, was KZT 18.7 billion. Adjusted Net Interest Margin amounted to 3.5%. For more details please refer to the Note 6 of the financial statements.

### Non-interest income

Net non-interest income amounted to KZT 4.1 billion in the 1<sup>st</sup> quarter 2011 compared to KZT 4.0 billion for the same period of 2010.

### Operating expenses

Operating expenses grew 19.3% in the 1<sup>st</sup> quarter 2011 compared to the 1<sup>st</sup> quarter 2010 and amounted to KZT 8.4 billion. This rise was mainly driven by the increase in staff costs by 30.8% or KZT 1.2 billion.

### Impairment losses

The provisions for credit impairment losses represented 21.5% of gross loans and advances in the 1<sup>st</sup> quarter 2011 compared with 20.8% in 2010. Provisioning charge decreased by 52.5% to KZT 14.6 billion in the 1<sup>st</sup> quarter 2011 from KZT 30.7 billion in the 1<sup>st</sup> quarter 2010. Non-performing loans (NPLs) were 27.7% of gross loan book at the end of the 1<sup>st</sup> quarter 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 the 1<sup>st</sup> quarter 2011 the Bank recorded a tax expense of KZT 1.5 billion compared to tax benefit of KZT 1.8 billion for the 1<sup>st</sup> quarter 2010. The effective tax rate was 20.4%.

### Profit

Profit before tax in the 1<sup>st</sup> quarter 2011 increased by 2.2 times to KZT 7.5 billion compared to KZT 3.4 billion in the 1<sup>st</sup> quarter 2010. Net profit after tax for the three months ended 31

March 2011 grew by 6% to KZT 5.9 billion compared to KZT 5.6 billion for the three months ended 31 March 2010.

## Capital ratios

Risk-weighted assets and contingent liabilities decreased to KZT 2,403 billion at 31 March 2011 or by 6.8% compared to the end of 2010. On a consolidated basis, the Bank's Core Tier 1 ratio at 31 March 2011 was 17.4%, compared with 16.2% at 31 December 2010, and the total capital ratio was 21.7% (20.1% at 31 December 2010).

## Business line performance

### *Corporate and SME banking*

Corporate loans were KZT 1,912.2 billion as at 31 March 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 from 89.3% at the end of 2010 to 89.8% at the end of the 1<sup>st</sup> quarter 2011.

As of 31 March 2011, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) was KZT 882.9 billion compared to KZT 917.1 billion at 31 December 2010. The share of corporate deposits in the Bank's total customer accounts decreased from 60.9% as at the end of 2010 to 58.8% as at the end of the 1<sup>st</sup> quarter 2011.

### *Retail banking*

As of 31 March 2011, the Bank had 23 branches and 129 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals increased to 1,273 ATMs and 12,603 accordingly.

Retail loans were KZT 217.9 billion as at 31 March 2011 compared to KZT 232.7 billion as at 31 December 2010. The share of retail loans in the total net portfolio decreased from 10.7% in 2010 to 10.2% in the 1<sup>st</sup> quarter 2011, with mortgage loans of 64.4% of the total retail loan book.

Retail deposits grew 6.6% to KZT 481.1 billion from KZT 451.4 billion at 31 December 2010. The share of retail deposits in the total customer accounts increased to 32% from 30% in 2010.

### **About Kazkommertsbank**

*Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,674.4 billion (US\$ 18.4 billion equivalent) at 31 March 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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