

Kazkommertsbank reports its 1st half 2011 financial results

August 31, 2011

1st half 2011 highlights

- Net profit is up 17.2% from KZT 10.2 bln in the 1H2010 to KZT 11.9 bln (USD 81,5 mln)
- Total deposits, net of government stabilization funds, are up by 12.3% year-to-date
- Retail deposits are up 14.4% year-to-date
- Adjusted Net Interest Margin of 3.3%
- Cost-to-income ratio of 26.6% (22.4% in 2010)
- Core Tier 1 ratio of 17.6% (16.2% in 2010)
- Total capital ratio of 22.1% (20.1% in 2010)
- Provisioning rate at 22.5% of gross loans
- NPLs of 28.1% of gross loans

Net interest income

Net interest income before provisions for impairment losses decreased by 23.3% from KZT 73.6 billion in the 1st half of 2010 to KZT 56.5 billion in the 1st half of 2011. The accrued interest income on certain corporate customer loans which the Bank does not expect to receive in full, increased by KZT 21 billion in the 1st half of 2011. This accrued interest has been fully provided for. Consequently the adjusted net interest income in the 1st half of 2011, taking into account provisions on accrued interest income of KZT 21 billion, was KZT 35.5 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 KZT 9.5 billion in the 1st half of 2011 compared to net loss of KZT 0.9 billion for the same period of 2010. Increase in net non-interest income was mainly attributable to decrease in unrealized loss on derivative financial instruments and increase in fee and commission income.

Operating expenses

Operating expenses grew 14.2% in the 1st half of 2011 compared to the 1st half of 2010 and amounted to KZT 17.5 billion. This rise was mainly driven by the increase in staff costs by 20.3% or KZT 1.7 billion as well as increase in advertisement expenses by 39.8% or KZT 0.3 billion.

Impairment losses

The provisions for credit impairment losses represented 22.5% of gross loans and advances in the 1st half of 2011 compared with 20.8% in 2010. Provisioning charge decreased by 34% to KZT 33.4 billion in the 1st half of 2011 from KZT 50.7 billion in the 1st half of 2010.

Non-performing loans (NPLs) were 28.1% of gross loan book at the end of the 1st half 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 the 1st half of 2011 the Bank recorded a tax expense of KZT 3.0 billion compared to tax benefit of KZT 2.6 billion for the 1st half of 2010. The effective tax rate was 20.4%.

Profit

Profit before tax in the 1st half of 2011 increased by 102.1% to KZT 14.9 billion compared to KZT 7.4 billion in the 1st half of 2010. Net profit after tax for the six months ended 30 June 2011 grew by 17.2% to KZT 11.9 billion compared to KZT 10.2 billion for the six months ended 30 June 2010.

Capital ratios

Risk-weighted assets and contingent liabilities decreased to KZT 2,372 billion at 30 June 2011 or by 8% compared to the end of 2010. On a consolidated basis, the Bank's Core Tier 1 ratio at 30 June 2011 was 17.6%, compared with 16.2% at 31 December 2010, and the total capital ratio was 22.1% (20.1% at 31 December 2010).

Business line performance

Corporate and SME banking

Corporate loans were KZT 1,854.9 billion as at 30 June 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 89.7% at the end of the 1st half of 2011.

As of 30 June 2011, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT 1,019.0 billion compared to KZT 917.1 billion at 31 December 2010. The share of corporate deposits in the Bank's total customer accounts increased from 60.9% as at the end of 2010 to 62.9% as at the end of the 1st half of 2011.

Retail banking

As of 30 June 2011, the Bank had 23 branches and 127 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals increased to 1,286 and 12,898 accordingly.

Retail loans were KZT 213.0 billion as at 30 June 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 10.3% in the 1st half of 2011, with mortgage loans of 61.7% of the total retail loan book.

Retail deposits grew 14.4% to KZT 516.2 billion from KZT 451.4 billion at 31 December 2010. The share of retail deposits in the total customer accounts increased to 31.8% from 30% in 2010.

About Kazkommertsbank

Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,779.8 billion (US\$ 19.1 billion equivalent) at 30 June 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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