

## Kazkommertsbank reports its 1<sup>st</sup> half 2012 financial results

31 August 2012

### 1<sup>st</sup> half 2012 highlights

- Net profit is up 9.1% to KZT13.0 billion (US\$87.7 million) from KZT11.9 billion for the 1<sup>st</sup> half of 2011
- Gross loans are up 2.9% year-to-date
- Retail deposits are up 6.4% year-to-date
- Adjusted Net Interest Margin increased to 3.7%
- Cost-to-income ratio decreased to 20.1% (25.9% in 2011)
- Core Tier 1 ratio of 18.5% (18.6% in 2011)
- Total capital ratio flat at 22.3%
- Provisioning rate at 24.9% of gross loans
- NPLs down to 27.6% of gross loans

### Net interest income

Net interest income before provisions for impairment losses increased by 6% from KZT56.5 billion for the 1<sup>st</sup> half of 2011 to KZT59.8 billion for the 1<sup>st</sup> half of 2012.

### Non-interest income

Net non-interest income increased 2.5 times to KZT23.5 billion for the 1<sup>st</sup> half of 2012 compared to KZT9.5 billion for the 1<sup>st</sup> half of 2011. Increase in net non-interest income was mainly attributable to gain on foreign exchange and precious metals operations in amount of KZT5.4 billion for the 1<sup>st</sup> half of 2012 compared to KZT1.8 billion for the 1<sup>st</sup> half of 2011. At the same time, there was significant increase in dividends received from KZT29 million in the 1<sup>st</sup> half of 2011 to KZT8.5 billion in the 1<sup>st</sup> half of 2012 as the Bank received dividends on shares of Kazakhtelecom.

Fee and commission income increased by 12.0% to KZT12.8 billion for the 1<sup>st</sup> half of 2012 from KZT11.4 billion for the 1<sup>st</sup> half of 2011. Increase in fee and commission income was mainly attributable to growth in commissions on banking cards operations by 28.7%, settlements by 16.2% and cash operations by 8.3%.

### Operating expenses

Operating expenses decreased by 4.3% to KZT16.8 billion for the 1<sup>st</sup> half of 2012 compared to KZT17.5 billion for the 1<sup>st</sup> half of 2011. There was a decrease in staff expenses by 7.8% or KZT791 million, taxes other than income tax by 12.6% or KZT96 million as well as advertisement expenses by 19.6% or KZT209 million. At the same time there was an increase in property and equipment maintenance by 22.4% or KZT205 million and in other expenses by 20.3% or KZT255 million.

### Impairment losses

The provisions for credit impairment losses represented 24.9% of gross loans and advances as at 30 June 2012 compared with 24.6% as at 31 March 2012 and 24% as at 31 December 2011. Provisioning charge amounted to KZT49.9 billion for the 1<sup>st</sup> half of 2012 compared to KZT33.5 billion for the 1<sup>st</sup> half of 2011 and KZT18.9 billion for the 4<sup>th</sup> quarter of 2011.

Non-performing loans (NPLs) were 27.6% of gross loan book as at 30 June 2012 compared to 28.3% as at 31 March 2012, 28.6% at the end of 2011, 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.

The accrued interest income on certain corporate customer loans where there are no expected cash flows to the Bank in the next few years increased by KZT21.2 billion for the 1<sup>st</sup> half of 2012. Management has established an allowance for loan losses against this interest. For more details please refer to the Note 5 of the financial statements.

### **Taxation**

In the 1<sup>st</sup> half of 2012 the Bank recorded a tax expense of KZT1.9 billion compared to tax expense of KZT3.0 billion for the 1<sup>st</sup> half of 2011. The effective tax rate for the 1<sup>st</sup> half of 2012 was 12.8%.

### **Profit**

Profit before tax for the 1<sup>st</sup> half of 2012 was flat at KZT14.9 billion compared to KZT15 billion for the 1<sup>st</sup> half of 2011. Net profit after tax for the 1<sup>st</sup> half of 2012 grew by 9.1% to KZT13.0 billion compared to KZT11.8 billion for the 1<sup>st</sup> half of 2011.

### **Capital ratios**

Risk-weighted assets and contingent liabilities increased by 0.5% to KZT 2,391 billion at 30 June 2012 compared to KZT2,380 billion as at 31 December 2011. On a consolidated basis, the Bank's Core Tier 1 ratio at 30 June 2012 was 18.5% compared with 18.6% at 31 December 2011. Total capital ratio was 22.3% as at 30 June 2012 compared to 22.3% at 31 December 2011.

### **Business line performance**

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

Corporate loans were KZT 1,897.5 billion as at 30 June 2012 compared to KZT 1,870.9 billion as at 31 December 2011. The share of corporate loans in the Bank's total net portfolio decreased to 89.7% at the end of the 1<sup>st</sup> half of 2012.

As of 30 June 2012, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT728.7 billion compared to KZT786.7 billion at 31 December 2011. The share of corporate deposits in the Bank's total customer accounts was 50.6% as at the end of the 1<sup>st</sup> half of 2012 compared to 53.8% as at the end of 2011.

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

As of 30 June 2012, the Bank had 23 branches and 134 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals increased to 1,360 and 13,779, accordingly.

Retail loans (net) increased by 4.2% to KZT217.6 billion as at 30 June 2012 compared to KZT208.8 billion as at 31 December 2011 mainly due to increase in net consumer loans. The share of net retail loans in the total net loan portfolio was 10.3% as at the end of the 1<sup>st</sup> half of 2012, with the share of mortgage loans decreased to 58.8% from 61.1% as at 31 December 2011.

Retail deposits grew 6.4% or KZT36.5 billion to KZT606.2 billion from KZT569.6 billion at 31 December 2011. Since the beginning of 2012, the share of retail deposits in the total customer accounts increased to 42.1% (38.9% as at the end of 2011).

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