

Kazkommertsbank reports its 2012 financial results

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Highlights of 2012 results:

The profit before provisions and taxes increased by 28% to KZT 125 bn as a result of improvements in key operating indicators.

- Adjusted Net Interest Margin increased to 3.9% from 3.3%
- Gross loans increased by 3.8%
- Net interest income before provisions increased by 9.7% to KZT 124.3 bn
- Fee and commissions income grew by 14.7%
- Operating expenses reduced by 0.7%
- Cost-to-income ratio improved to 21.3% from 25.9% in 2011
- Retail deposits are up by 11.0% or KZT 65.3 bn to KZT 659.4 bn

Based on the analysis of the possible impact of planned changes in the regulations, the Bank identified negative consequences for its regulatory capital, open currency position and liquidity. The impact of these negative consequences was avoided as a result of additional one-off specific provisions under IFRS out of excess capital and earnings of 2012. Consequently:

- IFRS reserves equalled reserves under Kazakh regulations
- Capital adequacy remained well above the minimum requirements
 - Core Tier 1 ratio of 13.7% which is 2.7 times higher than the minimum 5% ratio
 - Total capital ratio of 16.9% which is 1.7 times higher than the minimum requirement of 10%
- Provisioning rate at 32.5% of gross loans up from 24%
- NPLs did not change significantly and stood at 29.0% of gross loans compared to 28.6% in 2011

As a result of one-off additional IFRS provisioning charges net loss amounted to KZT130.9 bn compared to net income of KZT23.5 bn in the previous year.

Non-interest income

Net non-interest income increased by 87.4% to KZT34.8 billion in 2012 compared to KZT18.6 billion in 2011. Increase in net non-interest income was mainly attributable to gain on foreign exchange and precious metals operations in amount of KZT3.6 in 2012 compared to KZT1.0 billion in 2011, and also to the decrease of the loss on financial assets and liabilities at fair value through profit or loss from KZT5.2 billion in 2011 to KZT0.3 billion in 2012. At the same time, there was significant increase in dividends received from KZT210 million in 2011 to KZT8.5 billion in 2012 as the Bank received dividends on shares of Kazakhtelecom.

Fee and commission income increased by 14.7% to KZT27.5 billion in 2012 from KZT23.9 billion in 2011. Increase in fee and commission income was mainly attributable to growth in commissions on banking cards operations by 27.9%, settlements by 19.2% and cash operations by 9.0%.

Operating expenses

Operating expenses decreased by 0.7% to KZT33.9 billion in 2012 compared to KZT34.1 billion in 2011. Staff expenses decreased by 1.3% or KZT237 million, and other expenses by 3.9% or KZT100 million.

Impairment losses

The provisions for credit impairment losses represented 32.5% of gross loans and advances as at 31 December 2012 compared with 24.0% as at 31 December 2011. Provisioning charge amounted to KZT286.3 billion in 2012 compared to KZT66.1 billion in 2011.

Non-performing loans (NPLs) were 29.0% of gross loan book as at 31 December 2012 compared to 28.6% at the end of 2011. 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 amounted to KZT42.3 billion in 2012, compared to KZT42.2 billion in 2011. 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 2012 the Bank recorded a tax economy of KZT32.9 billion compared to a tax expense of KZT7.7 billion in 2011.

Capital ratios

Risk-weighted assets and contingent liabilities decreased by 5.5% to KZT 2,249 billion at 31 December 2012 compared to KZT2,380 billion as at 31 December 2011.

On a consolidated basis, the Bank's Core Tier 1 ratio at 31 December 2012 was 13.7% compared with 18.6% at 31 December 2011. Total capital ratio was 16.9% as at 31 December 2012 compared to 22.3% at 31 December 2011.

Business line performance

Corporate and SME banking

Corporate loans were KZT 1,704.5 billion as at 31 December 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 88.9% at the end of 2012 compared to 90.0% as at YE2011.

As of 31 December 2012, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT789.2 billion compared to KZT762.3 billion at 31 December 2011. The share of corporate deposits in the Bank's total customer accounts was 50.8% as at the end of 2012 compared to 52.1% as at the end of 2011.

Retail banking

Retail deposits grew 11.0% or KZT65.3 billion to KZT659.4 billion from KZT594.1 billion at 31 December 2011. Since the beginning of 2012, the share of retail deposits in the total customer accounts increased to 42.4% (40.6% as at the end of 2011).



As of 31 December 2012, the Bank had 23 branches and 130 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals increased to 1,382 and 13,850, accordingly.

Retail loans (net) increased by 2.1% to KZT213.2 billion as at 31 December 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 11.1% as at the end of 2012 (10% at YE2011), with the share of mortgage loans decreased to 57.7% from 61.1% as at 31 December 2011.

About Kazkommertsbank

Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,444.8 billion (US\$16.2 billion equivalent) at 31 December 2012.

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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