

## Kazkommertsbank reports its 1<sup>st</sup> quarter 2013 financial results

16.05.2013

### Highlights of the 1<sup>st</sup> quarter 2013 results:

- Net income up by 15% to KZT 7,308 billion compared to KZT 6,360 billion in the 1<sup>st</sup> quarter 2012
- Total assets increased by 4.7% to KZT2,560 billion from KZT2,445 billion as at year end 2012
- Gross loans decreased by 1.4% since the year end 2012
- Total deposits increased by 9.4% to KZT 1,700 billion
- Tier 1 Capital Adequacy ratio at 13%
- Total Capital Adequacy ratio at 16.3%
- Adjusted Net Interest Margin at 3.9%
- Net Fees and commissions income increased by 18.5%
- Operating expenses reduced by 6.8%
- Cost-to-income ratio improved to 20.5% from 21.3% in 2012
- Provisioning rate on loan portfolio at 32.9%

### Net interest income

Net interest income before provisions for impairment losses amounted to KZT30.4 billion for the 1<sup>st</sup> quarter 2013 compared to KZT30.5 billion for the 1<sup>st</sup> quarter 2012.

### Non-interest income

Net non-interest income decreased to KZT7.5 billion in the 1<sup>st</sup> quarter 2013 compared to KZT11.5 billion in the 1<sup>st</sup> quarter 2012. The decrease in net non-interest income was mainly attributable to the unrealised loss on the derivative financial instruments.

Fee and commission income increased by 16.7% to KZT7.1 billion in the 1<sup>st</sup> quarter 2013 from KZT6.1 billion in the 1<sup>st</sup> quarter 2012. Increase in fee and commission income was mainly attributable to growth in commissions on banking cards operations by 20.8% and settlements by 10.0%.

### Operating expenses

Operating expenses decreased by 6.8% to KZT7.8 billion in the 1<sup>st</sup> quarter 2013 compared to KZT8.3 billion in the 1<sup>st</sup> quarter 2012. This was mainly due to decrease in staff expenses by 11.8% or KZT568 million.

### Impairment losses

The provisions for credit impairment losses represented 32.9% of gross loans as at 31 March 2013 compared with 32.5% as at 31 December 2012. Provisioning charge amounted to KZT17.9 billion in the 1<sup>st</sup> quarter 2013 compared to KZT25.7 billion in the 1<sup>st</sup> quarter 2012.



Non-performing loans (NPLs) were 29.8% of gross loan book as at 31 March 2013. 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 KZT10.5 billion in the 1<sup>st</sup> quarter 2013, compared to KZT10.8 billion in the 1<sup>st</sup> quarter 2012. Management has established an allowance for loan losses against this interest. For more details please refer to the Note 6 of the financial statements.

#### **Taxation**

in the 1<sup>st</sup> quarter 2013 the Bank recorded a tax expense of KZT1.8 billion compared to KZT1.7 billion in the 1<sup>st</sup> quarter 2012. The effective tax rate was at 19.8%.

#### **Capital ratios**

On a consolidated basis, the Bank's Core Tier 1 ratio was 13% and Total capital ratio was 16.3% at 31 March 2013.

#### **Business line performance**

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

Corporate loans were KZT 1,655 billion as at 31 March 2013 compared to KZT 1,704 billion as at 31 December 2012. The share of corporate loans in the Bank's total net portfolio decreased from 88.9% at the end of 2012 to 88.1% as at 31 March 2013.

As of 31 March 2013, corporate deposits (excluding deposits under the Kazakh Government's stabilisation programmes) were KZT938.2 billion compared to KZT789.2 billion at 31 December 2012. The share of corporate deposits in the Bank's total customer accounts was 55.2% compared to 50.8% as at the end of 2012.

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

Retail deposits insignificantly decreased (by 0.2% or KZT1.4 billion) to KZT658 billion from KZT659.4 billion at 31 December 2012, mainly due to the decline in demand deposits. The term retail deposits increased by KZT 2.1 billion during the 1<sup>st</sup> quarter 2013.

As of 31 March 2013, the Bank had 23 branches and 128 outlets in Kazakhstan. In addition, it has an extensive alternative distribution network. The number of ATMs and POS terminals was at 1,358 and 15,618, accordingly.

Retail loans (net) increased by 5.1% to KZT224.1 billion as at 31 March 2013 compared to KZT213.2 billion as at 31 December 2012 mainly due to increase in net consumer loans. The share of net retail loans in the total net loan portfolio was 11.9% as at the end of 1<sup>st</sup> quarter 2013 (11.1% at YE2012), with the share of mortgage loans decreased to 55.0% from 57.7% as at 31 December 2012.

#### ***About Kazkommertsbank***

*Kazkommertsbank (KKB) is one of the largest banks in Kazakhstan and Central Asia with total assets of KZT 2,560.4 billion (US\$17.0 billion equivalent) at 31 March 2013.*



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*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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