17 March 2014

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Consolidated financial results for the year ended 31 December 2014

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ and its subsidiaries (together “the Bank”) (LSE: HSBK) releases its consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards, audited by Deloitte, LLP, and subject to further approval by the Bank’s Annual General Shareholders’ Meeting.

KEY FINANCIAL HIGHLIGHTS

12 months 2014

- Net income is up by 58.0% to KZT 114.4bn, YoY;
- Net interest income before impairment charge is up by 24.9%;
- Impairment charge is down by 71.6%;
- Net interest income is up by 56.0%;
- Fees and commissions from transactional banking are up by 11.7%;
- Net interest margin is up to 5.8% p.a. (4.9% p.a. for 12m 2013);
- Cost-to-income ratio is down to 29.6% p.a. (31.4% p.a. for 12m 2013);
- RoAE is up to 27.1% p.a. (20.8% p.a. for 12m 2013);
- RoAA is up to 4.1% p.a. (2.9% p.a. for 12m 2013);

- Total assets are up by 12.1%, YTD;
- Net loans to customers are up by 11.2%;
- Total equity is up by 21.2%;
- NPLs 90-day+ ratio is down to 12.9% (18.0% as at 31 December 2013);
- Cost of risk is down to 0.4% p.a. (1.5% p.a. for 12m 2013).

4 quarter 2014

- Net income is up by 38.8% to KZT 22.4bn, YoY;
- Net interest income before impairment charge is up by 19.9%;
- Impairment charge is down by 45.7%;
- Net interest income is up by 70.4%;
- Fees and commissions from transactional banking is up by 13.1%;
- Net interest margin is up to 6.2% p.a. (5.4% p.a. for 4Q 2013);
- Cost-to-income ratio is up to 34.2% p.a. (30.3% p.a. for 4Q 2013);
- RoAE is up to 19.6% p.a. (17.5% p.a. for 4Q 2013);
- RoAA is up to 3.2% p.a. (2.6% p.a. for 4Q 2013);

- Total assets are down by 1.2%, QoQ;
- Net loans to customers are up by 8.7%;
- Total equity is up by 2.8%;
- NPLs 90-day+ ratio is down to 12.9% (14.1% as at 31 October 2014);
- Cost of risk is down to 1.5% p.a. (2.9% p.a. for 4Q 2013);

Statement of profit or loss review

Interest income increased by 15.4% for 12m 2014 vs. 12m 2013 mainly due to increase in average balances of net loans to customers by 10.9% and in average interest rate on net loans to customers to 12.1% p.a. for 12m 2014 from 11.7% p.a. for 12m 2013. **Interest expense** increased by 2.0% for 12m 2014 vs. 12m 2013, mainly due to increase in average balances of FX term deposits. The increase in interest expense was partially offset by decrease in average balances of KZT term deposits and debt securities issued as well as decrease of average interest rates on debt securities issued to 7.5% p.a. for 12m 2014 from 8.1% p.a. for 12m 2013. As a result, **net interest income before impairment charge** increased by 24.9% to KZT 133.1bn for 12m 2014 vs. 12m 2013.

Interest income increased by 12.0% for 4Q 2014 vs. 4Q 2013 mainly due to increase in average balances of net loans to customers by 7.0% and in average interest rate on net loans to customers to 12.3% p.a. for 4Q 2014 from 11.7% p.a. for 4Q 2013. Interest expense decreased by 0.4% for 4Q 2014 vs. 4Q 2013 mainly due to decrease in average interest rate on term deposits to 2.7% p.a. from 3.3% p.a. The decrease in interest expense was partially offset by increase in average balances of FX term deposits and debt securities issued. As a result, net interest income before impairment charge increased by 19.9% to KZT 35.4 for 4Q 2014 vs. 4Q 2013.

Impairment charge decreased by 71.6% for 12m 2014 vs. 12m 2013, mainly due to repayment of indebtedness overdue by some corporate clients in the first three quarters of 2014. During 3Q 2014 and 2Q 2014 the Bank wrote-off (transferred off balance sheet) fully provisioned non-performing loans for KZT 14.3bn and KZT 57.8bn, respectively, without legally forgiving claims on the borrowers. As a result, allowances for loan impairment decreased by 11.5% vs. 31 December 2013, whereas provisioning level decreased to 14.8% as at 31 December 2014 vs. 17.9% as at 31 December 2013. The Bank will continue collection of these written-off loans in accordance with its normal business procedures.

Impairment charge for 4Q 2014 increased to KZT 7.0bn compared to KZT 0.9bn provision recovery for 3Q 2014 mostly due to impairment revaluation for one of the corporate borrowers. Allowances for loan impairment increased by 3.4% vs. 30 September 2014, whereas provisioning level decreased to 14.8% as at 31 December 2014 vs. 15.4% as at 30 September 2014.

Provisions against letters of credit and guarantees recovered by KZT 4.2bn as at 31 December 2014 mainly due to expiry of several large-ticket LCs and guarantees during 1Q 2014.

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 11.7% for 12m 2014 vs. 12m 2013 as a result of growing volumes of transactional banking business.

Net pension fund and asset management fees increased by 24.4% for 12m 2014 vs. 12m 2013 mainly due to revaluation gains on FX-denominated pension assets as a result of one-off devaluation of KZT in February 2014. On 26 of March 2014 JSC "APF of Halyk Bank of Kazakhstan" completed transfer of assets under management to the JSC "Single Accumulative Pension Fund". Starting from 26 March the Bank does not earn any income from managing pension assets.

Other non-interest income (excluding insurance) increased by 52.2% for 12m 2014 vs. 12m 2013 mainly as a result of increase in net gain from financial assets and liabilities at fair value through profit or loss and increase in other income. Decrease in net gain on foreign exchange operations was offset by an increase in net gain on derivative operations in 4Q 2014 which was mainly attributable to increased volumes of FX swaps with the National Bank of Kazakhstan and positive revaluation gain on those as a result of change in KZT exchange rate in Q4 2014. Growth in other income from KZT 1.8bn for 12m 2013 to KZT 5.4bn for 12m 2014 was mainly attributable to growing volumes of business at one of the Bank's subsidiaries.

Insurance underwriting income (net of reinsurance) increased by 6.5% for 12m 2014 vs.12m 2013 mainly due to the launch of a new life insurance product in 2Q 2014 and increased volumes of pension annuity in 2H 2014 after release of earlier imposed regulatory restrictions on pension annuity contracts underwriting. The increase in insurance underwriting income was partially offset by several contracts in general insurance made in 2013 and not extended in 2014. **Insurance expense** (the sum of insurance payments, insurance reserves and commissions to agents) increased by 16.2% for 12m 2014 vs. 12m 2013 mainly as a result of increase in agency fees during 3Q 2014 and 2Q 2014 in life insurance due to the launch of a new life insurance product in May 2014. As a result, **insurance underwriting income, less insurance expense,** decreased by 18.2% for 12m 2014 vs. 12m 2013.

Operating expenses increased by 13.8% for 12m 2014 vs. 12m 2013 mainly due to increase in salaries of the Bank’s employees starting from 1 July 2014, as well as incentive bonuses paid to the Bank's employees in 4Q 2014. The increase in operating expenses was partially offset by 12.6% decrease in depreciation and amortisation expenses due to increase of amortisation period for some classes of fixed assets.

The Bank’s cost-to-income ratio decreased to 29.6% for 12m 2014 vs. 31.4% for 12m 2013 and increased to 34.2% for 4Q 2014 from 30.3% for 4Q 2013.

Statement of financial position review

Total assets increased by 12.1% vs. YE 2013 mainly in property and equipment (25.1%), loans to customers (11.2%), cash and cash equivalents (11.2%) and available-for-sale investment securities (10.2%).

Loans to customers increased by 7.1% on a gross basis and by 11.2% on a net basis vs. YE 2013. Gross loan portfolio increase was in corporate loans (3.6%) and retail loans (23.1%), partially off-set by decrease in loans to SME (-1.9%).

Loans to customers increased by 7.9% on a gross basis and by 8.7% on a net basis vs. 30 September 2014. Gross loan portfolio growth was attributable to increase in loans across all types of businesses: corporate loans by 8.4%, SME loans by 2.8% and retail loans by 9.3%.

90-day NPL ratio decreased to 12.9% as at 31 December 2014 vs. 14.1% as at 30 September 2014. The decrease in 90-day NPL ratio was mainly due to repayment of several delinquencies in October and December 2014. The Bank’s IFRS provisions covered 90-day NPLs by 114.6% as at 31 December 2014.

Term deposits of legal entities decreased by 31.6% and **current accounts of legal entities** increased by 32.6% vs. YE 2013, mainly as a result of partial transfer of KZT funds into FX by the Bank’s corporate clients as a result of turbulence on financial markets.

Terms deposits and current accounts of individuals increased by 18.6% and by 4.6%, respectively, vs.YE 2013 mainly as a result of turbulence on financial markets and flight to quality.

Amounts due to credit institutions remained almost flat vs. YE 2013 and decreased by 17.6% vs. 30 September 2014 due to decrease in REPO-transactions with the Kazakhstan Stock Exchange and partial withdrawal of funds by financial institutions in the normal course of their business activities. In 3Q 2014 the Bank drew KZT 51.5bn loan from JSC National management holding "KazAgro" to improve loan quality of the borrowers operating in agricultural sector through refinancing existing loans at lower interest rates. In 2Q 2014 the Bank drew KZT 20bn loan from JSC Entrepreneurship Development Fund “Damu” to support small and medium businesses operating in processing industries.

Debt securities issued increased by 64.1% vs. YE 2013 mainly due to KZT 100bn 7.5% coupon rate senior unsubordinated local bonds issued by the Bank on 18 November 2014 maturing in November 2024, as well as recalculation of USD-denominated Eurobond issues at new KZT exchange rate after KZT devaluation in February 2014.

On 12 February 2015 and on 3 March 2015, the Bank placed with JSC Single Accumulated Pension Fund two other tranches of senior unsubordinated local bonds for KZT 21.1bn and KZT 30.0bn, respectively, both bearing 7.5% coupon rate and maturing in February 2025.

Total equity increased by 21.2% vs.YE 2013 mainly on the back of net profit earned during 12m 2014, partially offset by payment of dividends in amount of KZT 18,547mln to common shareholders (or KZT 1.70 per common share) and dividends in amount of KZT 1,757mln to preferred shareholders (or KZT 9.28 per preferred share).

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 were at 12.4%, 15.0% and 21.2%, respectively, as at 31 December 2014 vs. 11.8%, 15.0% and 20.3%, respectively, as at 30 September 2014 and vs. 9.5%, 11.2% and 18.2%, respectively, as at 31 December 2013. Basel Tier 1 capital adequacy ratio and total capital adequacy ratio were at 20.4% and 21.1%, respectively, as at 31 December 2014 vs. 19.8% and 21.0%, respectively, as at 30 September 2014 and 17.2% and 18.5%, respectively, as at 31 December 2013.

The condensed interim consolidated financial information for the twelve months ended 31 December 2014, including notes attached thereto, are available on Halyk Bank's website http://www.halykbank.kz/en/financial-reports and http://www.halykbank.kz/en/news).

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