19 May 2014

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the three months ended 31 March 2014

Joint Stock Company 'Halyk Savings Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK) releases its condensed interim consolidated financial information for the three months ended 31 March 2014.

1Q 2014 financial highlights

- Net income is up by 96.8% to KZT 37.9bn, YoY;
- Net interest income before impairment charge is up by 36.5%;
- Impairment charge is down by 77.6%;
- Net interest income is up by 48.6%;
- Fees and commissions from transactional banking are up by 13.7%;
- Fees and commissions from pension assets under management are up by 3.4 times;
- RoAE is up to 38.7% p.a. (23.0% p.a. for 1Q 2013);
- RoAA is up to 5.6% p.a. (3.2% p.a. for 1Q 2013);

- Total assets are up by 16.5% YTD;
- Net loans to customers are up by 2.8%;
- Amounts due to customers are up by 22.9%;
- Amounts due to credit institutions are down by 64.7%;
- Total equity is up by 9.4%.

Income statement review

Interest income increased by 18.7% for 1Q 2014 vs. 1Q 2013 mainly due to increase in average balances of loans to customers by 15.5% and in average interest rate on loans to customers to 11.8% p.a. for 1Q 2014 from 11.5% p.a. for 1Q 2013. **Interest expense** decreased by 2.6% for 1Q 2014 vs. 1Q 2013 mainly due to 32.2% decrease in average balances of debt securities issued and in average interest rates on amounts due to customers to 3.0% p.a. for 1Q 2014 from 3.2% p.a. for 1Q 2013, partially offset by 15.9% increase in average balances of term deposits. As a result, **net interest income before impairment charge** increased by 36.5% to KZT 32.1bn for 1Q 2014 vs. 1Q 2013.

Decline in 90-day NPLs in 1Q 2014 led to release of provisions and corresponding decrease of **impairment charge** by 77.6% for 1Q 2014 vs. 1Q 2013. 90-day NPLs decreased mainly due to one-off repayment of overdue indebtedness of some corporate clients. Recalculation of KZT value of FX denominated loans at new exchange rate after devaluation led to increase in stock of provisions on balance sheet by KZT 27.1bn or 8.4% which resulted in increase of provisioning level to 18.7% of the gross loan portfolio as at 31 March 2014 compared to 17.9% of the gross loan portfolio as at 31 December 2013.

Provisions against letters of credit and guarantees recovered by KZT 4.1bn as at 31 March 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 13.7% for 1Q 2014 vs. 1Q 2013 as a result of growing volumes of transactional banking business.

Net pension fund and asset management fees increased 3.4-times for 1Q 2014 vs. 1Q 2013 due to 5-time increase in performance fees from investment income from revaluation gains on FX-denominated pension assets due to one-off devaluation of KZT in February 2014. Asset management fees increased by 10.5% for 1Q 2014 vs. 1Q 2013 as a result of growing size of assets under management.

Other non-interest income (excluding insurance) increased by 52.7% for 1Q 2014 vs. 1Q 2013 mainly due to increase in income from translational differences to KZT 4.1bn for 1Q 2014 vs. KZT 30mln for 1Q 2013 thanks to the Bank's net long FX position at the time of devaluation of KZT in February 2014 .

Insurance underwriting income (net of reinsurance) decreased by 53.6% for 1Q 2014 vs. 1Q 2013 due to lower volumes of pension annuities business in connection with the ongoing pension system reform. The decrease of insurance underwriting income was partially offset by 42.0% increase in insurance underwriting income in non-life insurance business. **Insurance expense** decreased by 54.5% for 1Q 2014 vs. 1Q 2013 mainly as a result of 98.8% decrease in insurance reserves due to decline of pension annuity payments in life insurance business. As a result, **insurance underwriting income, less insurance expense,** decreased by 49.3% for 1Q 2014 vs. 1Q 2013.

Operating expenses increased by 4.8% for 1Q 2014 vs. 1Q 2013 mainly due to expenses related to project-specific professional services. The increase in operating expenses was partially offset by 2.4% decrease in salaries and other employee benefits mainly as a result of decrease of the staff in the Bank's Pension Fund in connection with the ongoing pension system reform.

The Bank's cost-to-income ratio decreased to 24.2% for 1Q 2014 vs. 31.0% for 1Q 2013 and 30.3% for 4Q 2013.

Statement of financial position review

Total assets increased by 16.5% vs. YE 2013 mainly in cash and cash equivalents (70.6%), available-for-sale investment securities (6.5%) and loans to customers (2.8%).

Loans to customers grew by 3.8% on a gross basis and by 2.8% on a net basis vs. YE 2013. Gross loan portfolio growth was attributable to increase in corporate loans and loans to SME by 4.5% and retail loans by 1.4%.

30-day NPL ratio increased to 19.9% as at 31 March 2014 vs. 18.2% as at 31 December 2013, whereas **90-day NPL ratio** decreased to 17.5% as at 31 March 2014 vs. 18.0% as at 31 December 2013. The increase in 30-day NPLs was mainly due to technical defaults by some corporate borrowers, though such delinquencies were mostly repaid in April and May 2014. The Bank created IFRS provisions that covered 30-day NPLs by 92.4% and 90-day NPLs by 104.9% as at 31 March 2014.

Term deposits of legal entities decreased by 11.9% vs.YE 2013 mainly due to partial withdrawal of funds by some corporate clients to finance their on-going business needs, including tax payments to the state budget in March 2014. **Current accounts of legal entities** increased by 97.2% vs. YE 2013 as a result of new fund inflow during 1Q 2014.

Term deposits of individuals increased by 14.7% vs. YE 2013 due to growing volumes of retail banking business. **Current accounts of individuals** decreased by 7.1% vs.YE 2013 mainly as a result of seasonal fluctuations.

Debt securities issued increased by 16.4% vs. YE 2013 mainly due to recalculation of USD-denominated Eurobond issues at new KZT exchange rate after KZT devaluation in February 2014. As of the date of this press-release, the Bank's debt securities issued mainly consist of two outstanding Eurobond issues for USD 700mln and USD 500mln with bullet maturity in May 2017 and January 2021, respectively, each bearing a coupon rate of 7.25%.

Total **equity** increased by 9.4% vs. YE 2013 mainly on the back of net profit earned during 1Q 2014.

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 were at 12.3%, 15.6% and 17.9%, respectively, as at 31 March 2014 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 18.0% and 19.2%, respectively, as at 31 March 2014 vs. 17.2% and 18.5%, respectively, as at 31 December 2013.

The condensed interim consolidated financial information for the three months ended 31 March 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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