19 November 2012

Joint Stock Company "Halyk Savings Bank of Kazakhstan"

Consolidated financial results for the nine months ended 30 September 2012

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 9 months ended 30 September 2012.

9 months 2012 financial highlights

- Net income is up by 91.8% to KZT 54.0 bn
- Total assets are almost flat
- Gross loans to customers are down by 2.3% vs. YE 2011
- Amounts due to customers are down by 2.2% vs. YE 2011
- Amounts due to individuals are up by 13.0% vs. YE 2011
- Total equity is up by 4.4% vs. YE 2011
- Net interest income before impairment charge is up by 4.4%
- Impairment charge is down by 64.7%
- Fees and commissions from transactional banking are up by 17.0%
- Pension fund and asset management fees are up by 19.8%
- Operating expenses are up by 9.3%
- Net interest margin is up to 5.0% p.a. (4.3% p.a. for 9m 2011)
- Cost-to-income ratio is down to 33.6% (33.8% for 9m 2011)
- ROAE is up to 20.5% p.a. (11.7% p.a. for 9m 2011)
- ROAA is up to 3.0% p.a. (1.7% p.a. for 9m 2011)

<u>Income statement review</u>

Interest income decreased by 4.4% for 9m 2012 vs. 9m 2011 mainly due to decline in average interest rate on loans to customers to 12.1% p.a. for 9m 2012 vs. 13.3% p.a. for 9m 2011. The decrease in interest income was partially offset by increase in average balances of loans to customers by 6.0% for 9m 2012 vs. 9m 2011 and in average interest rate on debt securities to 4.7% p.a. for 9m 2012 vs. 3.3% p.a. for 9m 2011 on the back of matured low-yield NBK notes and T-bills, as well as purchase of higher-yielding securities to investment portfolios of the Bank and its subsidiaries. **Interest expense** decreased by 14.1% for 9m 2012 vs. 9m 2011 mainly due to decline in average interest rate on amounts due to customers to 2.6% p.a. for 9m 2012 vs. 3.5% p.a. for 9m 2011. As a result, **net interest income before impairment charge** increased by 4.4% to KZT 68.5 bn for 9m 2012 vs. 9m 2011.

Interest income grew by 0.5% for 3Q 2012 vs. 2Q 2012 mainly due to increase in average interest rate on loans to customers to 12.3% p.a. for 3Q 2012 vs. 11.8% p.a. for 2Q 2012. The increase in interest income was partially offset by decrease in average interest rate on debt securities to 4.9% p.a. for 3Q 2012 vs. 5.2% p.a. for 2Q 2012 on the back of higher-yielding securities matured during 3Q 2012 and dividends received on certain securities by some of the Bank's subsidiaries during 2Q 2012. **Interest expense** grew by 1.4% for 3Q 2012 vs. 2Q 2012 mainly due to increase in average interest rate on amounts due to customers to 2.7% p.a. for 3Q

2012 vs. 2.4% p.a. for 2Q 2012. As a result, **net interest income before impairment charge** for 3Q 2012 vs. 2Q 2012 remained almost flat.

Impairment charge decreased by 64.7% for 9m 2012 vs. 9m 2011, reflecting sufficient provisioning level and continued stabilization of the loan portfolio quality. Allowances for loan impairment represented 20.6% of gross loans to customers as at 30 September 2012 vs. 19.7% as at YE 2011.

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 17.0% for 9m 2012 vs. 9m 2011 as a result of growing volumes of transactional banking business.

Net pension fund and asset management fees increased 2.4-fold for 9m 2012 vs. 9m 2011. The loss incurred in 3Q 2011 from management of pension assets and recognized as liabilities due to customers of pension fund was fully offset against the income received by the Pension Fund by 31 July 2012. Performance-linked fees increased to KZT 7.7 bn for 9m 2012 from KZT 0.2 bn for 9m 2011. Asset management fees increased by 17.6% for 9m 2012 vs. 9m 2011 as a result of growing number of pension fund customers and average size of pension contributions.

Other non-interest income (excluding insurance) increased by 19.1% for 9m 2012 vs. 9m 2011 mainly as a result of increase in net dealing by 55.1% for 9m 2012 vs. 9m 2011, increase in other income by 59.4% for 9m 2012 vs. 9m 2011 and was partially offset by decrease in gain on foreign exchange operations by 51.1% for 9m 2012 vs. 9m 2011. Increase in net foreign exchange dealing was attributable to higher volumes of customer transactions, partially offset by decrease in margins on those transactions. Other income increased as a result of higher dividends received on investment securities. Gain on foreign exchange operations decreased by 51.1% for 9m 2012 vs. 9m 2011 due to lower volumes of transactions with derivative instruments and less volatile exchange rate environment during 9m 2012 vs. 9m 2011.

Insurance underwriting income less insurance claims incurred, net of reinsurance, increased by 36.4% for 9m 2012 vs. 9m 2011 mainly due to growing volumes of life and non-life insurance businesses. Increase in insurance underwriting income less insurance claims incurred, net of reinsurance was partially offset by increase in insurance payments by 52.4% for 9m 2012 vs. 9m 2011 mainly in life insurance business due to growing pay-outs under pension annuity products.

Non-interest expenses (excluding insurance) decreased by 6.0% for 9m 2012 vs. 9m 2011 mainly as result of KZT 6.2 bn loss recognized from management of pension assets in 3Q 2011 and fully offset against the income received by the Pension Fund by 31 July 2012. The decrease in non-interest expenses was partially offset by 9.3% increase in operating expenses due to 16.7% increase in salaries and other employee benefits as a result of higher employee bonuses accrued for 9m 2012 vs. 9m 2011, salary adjustment to inflation in July 2011, as well as increase in number of employees at some of the Bank's subsidiaries.

Statement of financial position review

Total assets remained almost flat vs. YE 2011, in line with the Bank's targets for 2012.

Loans to customers decreased by 2.3% on a gross basis and by 3.4% on a net basis vs. YE 2011 due to decline in corporate loans (including loans to SMEs) by 5.7% and mortgage loans by 6.7%. The decrease in loans to customers was partially offset by 24.9% increase in consumer loans.

30-day and 90-day NPLs increased to 20.8% and 19.8%, respectively, as at 30 September 2012 vs. 20.1% and 18.8%, respectively, as at 30 June 2012. The increase in 30-day NPLs was mainly a result of decrease in gross loan portfolio as at 30 September 2012 vs. 30 June 2012 whereas the increase in 90-day NPLs was due to some of 30-day NPLs becoming overdue by more than 90 days. The increase in 30-day and 90-day NPLs was partially offset by repayment of a number of delinquent loans. The Bank created regulatory provisions that covered 30-day NPLs by 117.6% and 90-day NPLs by 122.4% as at 30 September 2012.

Term deposits and current accounts of legal entities decreased by 18.5% and 5.4%, respectively, vs. YE 2011 as a result of partial withdrawal of funds by some corporate clients to finance their on-going business needs.

Term deposits and current accounts of individuals increased by 14.4% and 8.7%, respectively, vs. YE 2011.

Debt securities issued decreased by 2.5% vs. YE 2011 mainly due to repayment of EUR- and USD-indexed unsubordinated local debt securities for the nominal amounts of KZT 19.5 bn and KZT 15.0 bn, respectively, in March 2012.

Total **equity** increased by 4.4% vs. YE 2011 mainly on the back of net profit gained during 9m 2012.

In May 2012, the Bank purchased a call option in respect of its preferred shares for KZT 7.1 bn from Joint Stock Company Holding Group Almex, its major shareholder. The option grants the right to buy back up to 196,232,499 preferred shares of the Bank from Joint Stock Company "Sovereign Wealth Fund "Samruk-Kazyna" (hereinafter – Samruk-Kazyna) before 2014. Under this option, on 29 June 2012, the Bank repurchased 150,000,000 of its preferred shares from Samruk-Kazyna for the total amount of KZT 27 bn. On 5 July 2012, the Bank repurchased 40,000,000 of its preferred shares from Samruk-Kazyna for the total amount of KZT 7.2 bn. As a result, Samruk-Kazyna continues owning 6,232,499 preferred shares of the Bank which may be repurchased by the Bank as per terms and conditions of the option.

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 were 8.9%, 11.6% and 16.8%, respectively, as at 30 September 2012 vs. 8.1%, 12.2% and 16.3%, respectively, as at 30 June 2012 and 9.2%, 11.9% and 16.4%, respectively, as at 31 December 2011. Basel Tier 1 capital adequacy ratio and total capital adequacy ratio increased to 17.4% and 20.3%, respectively, as at 30 September 2012 vs. 16.7% and 19.5%, respectively, as at 30 June 2012.

The condensed interim consolidated financial information for the nine months ended 30 September 2012, including the notes attached thereto, are available on Halyk Bank's website http://www.halykbank.kz/en/financial-reports and http://www.halykbank.kz/en/news).