25 March 2014

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the year ended 31 December 2013

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 2013 prepared in accordance with International Financial Reporting Standards, audited by Deloitte LLP, and are subject to further approval by the Bank's Annual General Shareholders' Meeting.

2013 financial highlights

- Net income is up by 3.5% to KZT 72.4bn, YoY;
- Net interest income before impairment charge is up by 17.1%;
- Net interest income is up by 6.5%;
- Fees and commissions from transactional banking are up by 19.1%;
- RoAE is at 20.8% p.a.;
- RoAA is flat at 2.9% p.a.;

- Total assets are up by 4.1% YTD;
- Net loans to customers are up by 12.4%;
- Amounts due to customers are up by 4.0%;
- Debt securities issued are down by 37.2%;
- Total equity is up by 15.5%.

Consolidated Income Statements

Interest income increased by 13.4% for 12m 2013 vs. 12m 2012 mainly due to increase in average balances of loans to customers by 17.8%, partially offset by decrease in average interest rates on loans to customers to 11.7% p.a. for 12m 2013 vs. 12.1% p.a. for 12m 2012. **Interest expense** increased by 8.6% for 12m 2013 vs. 12m 2012 mainly due to higher interest rates offered by the Bank to its customers on KZT deposits, as well as increase in average balances of term deposits. As a result, **net interest income before impairment charge** increased by 17.1% to KZT 106.6bn for 12m 2013 vs. 12m 2012.

Impairment charge increased by 69.4% for 12m 2013 vs. 12m 2012, mainly due to growing loan portfolio during 12m 2013 as well as aging of non-performing loans. Allowances for loan impairment remained flat at 17.9% of the gross loan portfolio as at 31 December 2013 compared to 30 September 2013 and decreased compared to 18.7% of the gross loan portfolio as at YE 2012**.**

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 19.1% for 12m 2013 vs. 12m 2012 as a result of growing volumes of transactional banking business.

Net pension fund and asset management fees decreased by 40.1% for 12m 2013 vs. 12m 2012 due to 67.7% decrease in performance fees, partially offset by 14.7% increase in asset management fees. Performance fees decreased mainly due to decrease in market value of gold and certain Kazakhstan securities, as well as ongoing changes in the pension system, investment restrictions imposed by the National Bank of Kazakhstan and higher share of cash in the investment portfolio of Halyk Pension Fund as a result of such restrictions. Asset management fees increased as a result of growing size of assets under management.

Other non-interest income (excluding insurance) decreased by 4.3% for 12m 2013 vs. 12m 2012 mainly as a result of 39.4% decrease in other income due to one-time dividends received on investment securities in 2012 and was partially off-set by 15.9% increase in net realized gain from available-for-sale investment securities. Income from trading and asset and liability management operations which comprise net gain from financial assets and liabilities through profit or loss and net gain on foreign exchange operations increased to KZT 9.5bn for 12m 2013 vs. KZT 9.2bn for 12m 2012.

Insurance underwriting income less insurance claims incurred, net of reinsurance, increased by 8.9% for 12m 2013 vs. 12m 2012 mainly as a result of 9.3% increase in insurance underwriting income due to growing volume of general and life-insurance business, partially offset by 2.6 times increase in insurance reserves due to larger portion of contract amount retained by life insurance company for future pension payments under pension annuity contracts in 1Q 2013 and 2Q 2013.

Insurance underwriting income less insurance claims incurred, net of reinsurance, increased by 66.7% for 4Q 2013 vs. 4Q 2012 mainly as a result of 42.5% decrease in insurance claims incurred, net of reinsurance, in life insurance business due to decline of pension annuity payments. The decline of pension annuity payments is a result of temporary regulator's restrictions on underwriting new pension annuity contracts in connection with the ongoing pension system reform.

Operating expenses increased by 5.8% for 12m 2013 vs. 12m 2012 mainly due to 5.7% increase in salaries and other employee benefits. The increase in salaries and other employee benefits was a result of adjustment in salaries of employees of the Bank and its subsidiaries starting from 1 January 2013, as well as bonus payments and extra staff hiring in some of the Bank's subsidiaries.

Operating expenses decreased by 4.4% for 4Q 2013 vs. 4Q 2012 mainly due to 8.3% decrease in salaries and other employee benefits. The decrease in salaries and other employee benefits was a result of increase in the fixed salary share of certain Bank's employees followed by one-off decrease in bonus reserves in 2H 2013, as well as decrease in the number of employees in the Bank's Pension Fund in connection with the ongoing pension system reform.

The Bank's cost-to-income ratio decreased to 31.4% for 12m 2013 vs. 34.4% for 12m 2012 and to 30.3% for 4Q 2013 vs. 36.5% for 4Q 2012 mainly as a result of income growing faster than operating expenses.

Consolidated Statements of Financial Position

Total assets increased by 4.1% vs. YE 2012 mainly as a result of 12.4% growth in the loan portfolio

Loans to customers grew by 11.3% on a gross basis and by 12.4% on a net basis vs. YE 2012. Gross loan portfolio growth was attributable to increase in corporate loans by 7.9%, SME loans by 13.5% and consumer loans by 32.6%, partially off-set by 2.8% decrease in mortgage loans as result of loan repayments exceeding new loan issues.

Loans to customers grew by 2.8% on a gross and net basis vs. 30 September 2013. Gross loan portfolio growth was attributable to increase in loans across all types of businesses: corporate loans by 1.6%, SME loans by 11.4%, consumer loans by 1.1% and mortgage loans by 1.9%.

30-day and 90-day NPL ratios decreased to 18.2% and 18.0%, respectively, as at 31 December 2013 vs. 19.7% and 18.1%, respectively, as at 30 September 2013. The decrease in 30-day and 90-day NPL ratios was mainly a result of increase in the Bank's loan portfolio as well as restructuring and repayment of a number of problem loans. The Bank created IFRS provisions that covered 30-day NPLs by 96.6% and 90-day NPLs by 97.8% as at 31 December 2013.

Term deposits of legal entities increased by 38.7% vs.YE 2012 mainly as a result of inflow of new FX deposits in the last three quarters of 2013.

Current accounts of legal entities decreased by 33.8% vs. YE 2012 as a result of partial withdrawal of funds by some of the Bank's corporate clients to finance their on-going business needs, as well as partial transfer of funds to interest-bearing deposits held with the Bank.

Term deposits of individuals and current accounts of individuals increased by 18.6% and 10.0%, respectively, vs.YE 2012 due to growing volumes of retail banking business.

Debt securities issued decreased by 37.2% vs. YE 2012. On 13 May 2013, the Bank repaid in full one of its Eurobond issues for the outstanding amount of USD 270mln bearing a coupon rate of 7.75% p.a. On 16 October 2013, the Bank made scheduled repayment of another Eurobond issue for the outstanding amount of USD 490.5mln bearing a coupon rate of 9.25%. Repayments of both Eurobond issues were made out of the Bank's own funds utilising the existing liquidity on its balance sheet.

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 15.5% vs. YE 2012 mainly on the back of net profit earned during 12m 2013, partially offset by payment of dividends in amount of KZT 12.2bn to common shareholders and dividends in amount of KZT 2.2bn to preferred shareholders.

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 were at 9.5%, 11.2% and 18.2%, respectively, as at 31 December 2013 vs. 9.6%, 11.5% and 17.2%, as at 30 September 2013 and 8.4%, 10.2% and 15.4%, respectively, as at 31 December 2012. Basel Tier 1 capital adequacy ratio and total capital adequacy ratio were at 17.2% and 18.5%, respectively, as at 31 December 2013 vs. 17.5% and 19.0%, respectively, as at 30 September 2013 and 16.2% and 18.3%, respectively, as at 31 December 2012.

On 26 February 2014 the Bank announced reaching agreement with HSBC Bank plc to acquire 100% of the share capital in SB HSBC Bank Kazakhstan JSC, a wholly owned subsidiary of HSBC Bank plc ("the Transaction"). The Transaction is subject to regulatory approvals and other conditions and is expected to be completed during 2014. In the near term the Bank contemplates to operate SB HSBC Bank Kazakhstan JSC as a separate legal entity.

The consolidated financial information for the year ended 31 December 2013, including the notes attached thereto ("the Report"), are available on Halyk Bank's website http://www.halykbank.kz/en/financial-reports and http://www.halykbank.kz/en/news.
The Report is subject to further approval by the Bank's Annual General Shareholders' Meeting.

Key events 2013 – 1Q 2014

- On 13 May 2013, the Bank repaid in full one of its Eurobond issues for the outstanding amount of USD 270mln bearing a coupon rate of 7.75% p.a.
- On 4 June 2013, the Bank declared annual dividend for 2012 of KZT 1.12 per common share.
- On 30 July 2013, the Bank announced early resignation of Mr. Kadyrzhan Damitov, the Independent Director of the Bank, at his own initiative.

- On 10 September 2013, Mr. Arman Dunayev was elected the new Independent Director of the Bank by the General Shareholders Meeting.
- In September 2013, the Bank and Visa company announced the launch of new contactless payment service and issuance of Visa Classic PayWave contactless payment cards.
- On 16 October 2013, the Bank made scheduled repayment of another Eurobond issue for the outstanding amount of USD 490.5mln bearing a coupon rate of 9.25%.
- On 18 November 2013, the Bank announced completion of the due diligence of JSC "BTA Bank" and discontinuing negotiations on potential acquisition of interest in it.
- In December 2013, the Bank reappointed Deutsche Bank Trust Company Americas in its capacity as a depositary for the Bank's Regulation S and Rule 144A GDR programmes.
- On 23 January 2014, the international rating agency Fitch Ratings announced the upgrade of Long-Term Issuer Default Ratings of the Bank to 'BB' from 'BB-' and removed the ratings from Rating Watch Evolving. The Outlook on the Bank's ratings is Stable.
- On 26 February 2014, the Bank announced an agreement with HSBC Bank plc to acquire 100% of the share capital in SB HSBC Bank Kazakhstan JSC, a wholly owned subsidiary of HSBC Bank plc.

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