21 May 2015

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the three months ended 31 March 2015

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 2015.

1Q 2015 financial highlights

- Net income is down by 28.9% YoY and up by 20.5% QoQ to KZT 27.0bn;
- Net interest income before impairment charge is up by 14.4%;
- Recoveries of provisions at KZT 1.7bn;
- Net interest income is up by 21.5%;
- Fees and commissions from transactional banking are up by 19.0%;
- Net interest margin is up to 6.6% p.a. (5.6% p.a. for 1Q 2014);
- Cost-to-income ratio is at 32.9% (24.2% for 1Q 2014);
- RoAE is at 22.8% p.a. (38.7% p.a. for 1Q 2014);
- RoAA is at 3.9% p.a. (5.6% p.a. for 1Q 2014);

- Total assets are down by 0.8%, YTD;
- Net loans to customers are up by 1.4%;
- Total equity is up by 5.4%;
- NPLs 90-day+ ratio is up to 13.6% (12.9% as at 31 December 2014);
- Cost of risk is at negative 0.3% p.a. (0.1% p.a. for 1Q 2014).

Statement of profit or loss review

Interest income increased by 12.8% for 1Q 2015 vs. 1Q 2014 mainly due to increase in average balances of net loans to customers by 16.0% and in average interest rate on net loans to customers to 12.4% p.a. for 1Q 2015 from 11.8% p.a. for 1Q 2014. **Interest expense** increased by 10.2% for 1Q 2015 vs. 1Q 2014 mainly due to local bond issues in January and March 2015 and loans drawn from JSC Entrepreneurship Development Fund "Damu" ("DAMU") and JSC "Development Bank of Kazakhstan" ("DBK"). The increase in interest expense was partially offset by decrease in average balances of term deposits. As a result, **net interest income before impairment charge** increased by 14.4% to KZT 36.7bn for 1Q 2015 vs. 1Q 2014.

The transfer of several problem loans to the SPV Halyk-Project LLP and the repayment of one large-ticket impaired corporate loan led to recoveries of provisions for KZT 1.7bn during 1Q 2015. During 1Q 2015 the Bank wrote-off fully provisioned non-performing loans for KZT 6.1bn. Loan write-offs and transfers to Halyk-Project brought down allowances for loan impairment by 1.9% vs. YE 2014 and provisioning level to 14.4% as at 31 March 2015 vs. 14.8% as at 31 December 2014.

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 19.0% for 1Q 2015 vs. 1Q 2014 as a result of growing volumes of transactional banking business, mainly in bank transfers, payment cards maintenance and servicing customers' pension payments.

Other non-interest income (excluding insurance) decreased by 85.7% for 1Q 2015 vs. 1Q 2014 mainly as a result of (1) 75.7% decrease in gains on FX trading operations in spot and forward markets, including translation losses on FX balance sheet items (reported in the Statement of Profit and Loss as gain/loss from financial assets and liabilities at fair value through profit and loss and gain/loss on foreign exchange operations) due to lower volumes of trading and limited KZT liquidity in the market and (2) loss on sale of securities (mainly international bonds) from available-for-sale portfolio.

Insurance underwriting income, less insurance expense, increased by 15.8% for 1Q 2015 vs.1Q 2014 mainly due to growing volumes of life insurance business, whereas general insurance business remained almost flat.

Operating expenses increased by 16.6% for 1Q 2015 vs.1Q 2014 mainly due to increase in salaries of the Bank's employees starting from 1 July 2014.

The Bank's cost-to-income ratio increased to 32.9% for 1Q 2015 from 24.2% for 1Q 2014 mainly as a result of deconsolidation of pension fund business and, to a lesser extent, due to consolidation of JSC Altyn Bank.

Statement of financial position review

Total assets decreased by 0.8% vs. YE 2014 mainly in available-for-sale investment securities (13.2%) and cash and cash equivalents (4.3%), partially offset by increase in amounts due from credit institutions (63.4%) and loans to customers (1.4%).

Loans to customers increased by 0.9% on a gross basis and by 1.4% on a net basis vs. YE2014. Gross loan portfolio increase was in consumer loans (5.9%) and mortgage (4.8%), partially offset by decrease in corporate loans (-0.2%) and loans to SME (-2.6%).

90-day NPL ratio increased to 13.6% as at 31 March 2015 vs. 12.9% as at 31 December 2014. The increase in 90-day NPL ratio was mainly due to delinquencies in loans to borrowers in agricultural sector resulted from poor harvest last year. As at 31 March 2015, the Bank's IFRS provisions covered 90-day NPLs by 104.5%.

Term deposits of legal entities decreased by 19.6% and **current accounts of legal entities** increased by 3.4% vs. YE 2014. The decrease in term deposits was due to partial withdrawal of funds by some corporate clients to finance their on-going business needs.

Term deposits and current accounts of individuals decreased by 6.9% and 5.7%, respectively, vs.YE 2014 mainly as a result of partial withdrawal of funds by some clients.

Amounts due to credit institutions increased by 8.2% vs. YE 2014 mainly due to loans drawn by the Bank from government entities within the framework of economy state support programmes. In January and March 2015, the Bank drew two KZT 6bn loans from Damu to support small and medium businesses operating in processing industries. In March 2015, the Bank drew a KZT 8bn loan from DBK to support corporate entities operating in processing industry.

Debt securities issued increased by 17.6% vs. YE 2014 mainly due to KZT 21.1bn and KZT 30.0bn senior unsubordinated local bonds placed by the Bank with JSC Single Accumulated Pension Fund on 12 February 2015 and 3 March 2015, respectively. Both placements bear a 7.5% coupon rate and mature in February 2025.

On 20 April and 20 May 2015, the Bank placed with JSC Single Accumulated Pension Fund two other tranches of senior unsubordinated local bonds for KZT 30.0bn each, also bearing 7.5% coupon rate and maturing in February 2025.

On 13 April 2015, at maturity, the Bank repaid in full KZT 4.0 bn 10-year subordinated local bond bearing a coupon of inflation rate plus 1%.

Total equity increased by 5.4% vs.YE 2014 mainly on the back of net profit earned during 1Q 2015.

Starting from 1 January 2015, Kazakhstan regulator changed the minimum required capital adequacy ratios to k1 – 7.5%, k1_2 – 8.5% and k2 – 10.0% from k1-1 – 5.0%, k1-2 – 5.0% and k2 – 10.0% previously. As at 31 March 2015, the Bank's CARs were as follows: k1 – 20.0%, k1_2 – 21.0% and k2 – 21.3%.

On 23 April 2015, the Bank's General Shareholder Meeting passed a resolution to pay dividends to common shareholders of KZT 34.3 billion (KZT 3.14 per common share) which equals to 30.0% of FY2014 consolidated net income and KZT 2.6 billion to preferred shareholders (KZT 13.44 per preferred share) which equals to 2.3% of FY 2014 consolidated net income.

The condensed interim consolidated financial information for the three months ended 31 March 2015, 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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