

PRESS RELEASE
Halyk Group Consolidated Financial Results for 2013

26 March 2014

During 2013, net income of Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ and its subsidiaries (together the “Bank”) increased by 3.5% to KZT 72.4 billion year-on-year. A number of other financial indicators have significantly increased as well. During 12 months 2013 net loans to customers grew by 12.4%, total equity – by 15.5%, assets – by 4.1%.

In 2013, the first year of implementation of previously adopted medium-term development strategy of Halyk Group for 2013-2015, the Bank and the Group were significantly affected by the external factors, such as transfer of pension assets to the United Pension Fund, proposal for a possible acquisition of BTA and other initiatives that required significant human, financial and time resources.

Nevertheless, Halyk Bank’s 90th anniversary has become another year of recovery across most of businesses for the Group, the year period of growth and strengthening its position on financial market.

During the reporting period, net interest income before impairment charge increased by 17.1%, net interest income – by 6.5%.

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 19.1%.

RoAE was at 20.8% p.a., RoAA was at 2.9% p.a.

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%.

Amounts due to customers increased by 4.0%.

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.

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 270 million 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 490.5 million bearing a coupon rate of 9.25% p.a. Repayments of both Eurobond issues were made out of the Bank’s own funds utilising the existing liquidity on its balance sheet.

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 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 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://halykbank.kz/ru/about/reports>.

JSC Halyk Bank of Kazakhstan is the leading financial services group and the leading retail bank in Kazakhstan with the largest customer base and the broadest branch network. The Bank holds the largest market share in terms of net profit and deposit base in the banking sector of Kazakhstan. The Bank is developing as a universal financial services group rendering a wide range of services (banking services, brokerage, insurance, leasing, and asset management) to its retail, SME and corporate clients. The Bank also operates in Russia, Georgia and Kyrgyzstan.

Key events 2013 – 1 Q 2014

- *On 13 May 2013, the Bank repaid in full one of its Eurobond issues for the outstanding amount of USD 270 million 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 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 490.5 million bearing a coupon rate of 9.25% p.a.*
- *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.*