18 November 2013

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the nine months ended 30 September 2013

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 2013.

9 months 2013 financial highlights

Net income is up by 4.1% to KZT 56.2bn, YoY and by 47.6% to KZT 22.0bn for 3Q 2013 vs. 2Q 2013.

- Net interest income before impairment charge is up by 12.5%;
- Net interest income is up by 9.4%;
- Fees and commissions from transactional banking are up by 21.3%;
- RoAE is up to 22.0% p.a. (20.5% p.a. for 9m 2012);
- RoAA is flat at 3.0% p.a. (3.0% p.a. for 9m 2012);

- Total assets are up by 3.9%, YTD;
- Net loans to customers are up by 9.3%;
- Amounts due to customers are up by 3.2%;
- Debt securities issued are down by 11.1%;
- Total equity is up by 11.1%.

Income statement review

Interest income increased by 12.2% for 9m 2013 vs. 9m 2012 mainly due to increase in average balances of loans to customers by 16.7%, partially offset by decrease in average interest rates on loans to customers to 11.6% p.a. for 9m 2013 vs. 12.1% p.a. for 9m 2012. **Interest expense** increased by 11.9% for 9m 2013 vs. 9m 2012 mainly due to higher interest rates offered by the Bank to its corporate clients on KZT deposits, as well as increase in average balances of term deposits of individuals. As a result, **net interest income before impairment charge** increased by 12.5% to KZT 77.1bn for 9m 2013 vs. 9m 2012.

Impairment charge increased by 29.9% for 9m 2013 vs. 9m 2012, mainly as a result of new loans issued during 9m 2013 as well as to improve provision coverage of non-performing loans. Allowances for loan impairment decreased to 17.9% of the gross loan portfolio as at 30 September 2013 compared to 18.7% of the gross loan portfolio as at 30 June 2013 and YE 2012**.**

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 21.3% for 9m 2013 vs. 9m 2012 as a result of growing volumes of transactional banking business.

Net pension fund and asset management fees decreased by 45.2% for 9m 2013 vs. 9m 2012 due to 75.3% decrease in performance fees mainly as a result of unrealized losses in the pension assets portfolio resulting from the 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 by 14.0% for 9m 2013 vs. 9m 2012 as a result of growing size of assets under management.

Other non-interest income (excluding insurance) decreased by 11.7% for 9m 2013 vs. 9m 2012 mainly as a result of 57.0% decrease in other income, 12.1% decrease on net gain in foreign exchange operations and 59.0% decrease in net realized gain from available-for-sale investment securities, and was partially off-set by increase in net gain from financial assets and liabilities at fair value through profit or loss to KZT 0.9bn for 9m 2013 from negative KZT 0.7bn for 9m 2012. Decrease in other income was mainly due to lower dividends received from investment securities available for sale in 9m 2013 vs. 9m 2012. Decrease in gain from foreign exchange operations was mainly due to lower margins in customer transactions in 9m 2013 vs. 9m 2012 and certain one-off customer transactions in 9m 2012, partially offset by higher income from dealing operations in 3Q 2013 vs. 2Q 2013 as a result of one-off customer transactions.

Insurance underwriting income less insurance claims incurred, net of reinsurance, decreased by 5.1% for 9m 2013 vs. 9m 2012 mainly due to more conservative policy of recognising expenses related to medical insurance payments starting from 2013. The decrease in insurance underwriting income less insurance claims incurred, net of reinsurance was partially offset by 22.3% increase in insurance underwriting income due to growing volumes of life and non-life insurance business, as well as newly introduced regulatory requirement limiting the amount of upfront payment by life insurance companies under pension annuity contracts and hence increasing the portion of the pension annuity contracts to be retained for future payments.

Insurance underwriting income less insurance claims incurred, net of reinsurance, decreased by 4.0% for 3Q 2013 vs. 3Q 2012 mainly as a result of 24.6% decrease in insurance underwriting income due to temporary regulator's restrictions on underwriting new pension annuity contracts in connection with the ongoing pension system reform. The decrease in insurance underwriting income less insurance claims incurred, net of reinsurance was partially offset by 28.1% increase in insurance underwriting income of non-life insurance company due to growing volumes of its business.

Operating expenses increased by 8.7% for 9m 2013 vs. 9m 2012 mainly due to 11.2% increase in salaries and other employee benefits as 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 6.6% for 3Q 2013 vs. 2Q 2013 mainly due to 14.8% 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, as well as 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 30.1% for 9m 2013 vs. 33.6% for 9m 2012 and to 27.2% for 3Q 2013 vs. 36.7% for 2Q 2013.

Statement of financial position review

Total assets increased by 3.9% vs. YE 2012 mainly as a result of growing volumes of business and comprised of increase in insurance assets by 26.5%, net loans to customers by 9.3% and available-for-sale investment securities by 3.5%.

Loans to customers grew by 8.3% on a gross basis and by 9.3% on a net basis vs. YE 2012. Gross loan portfolio growth was attributable to increase in corporate loans by 6.3%, SME loans by 1.9% and consumer loans by 31.2%, partially off-set by 4.6% decrease in mortgage loans as result of loan repayments exceeding new loan issues.

30-day and 90-day NPL ratios decreased to 19.7% and 18.1%, respectively, as at 30 September 2013 vs. 20.4% and 19.7%, respectively, as at 30 June 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 89.3% and 90-day NPLs by 97.5% as at 30 September 2013.

Term deposits of legal entities increased by 14.9% vs.YE 2012 mainly as a result of inflow of new FX deposits during 3Q 2013 and 2Q 2013.

Current accounts of legal entities decreased by 18.0% 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 17.8% and 3.8%, respectively, vs.YE 2012 due to growing volumes of retail banking business.

Debt securities issued decreased by 11.1% 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 11.1% vs. YE 2012 mainly on the back of net profit earned during 9m 2013, partially offset by payment of dividends in amount of KZT 12,221mln to common shareholders (or KZT 1.12 per common share) and dividends in amount of KZT 2,241mln to preferred shareholders (or KZT 11.2 per preferred share).

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 were at 9.6%, 11.5% and 17.2%, as at 30 September 2013, vs.10.0%, 11.9% and 15.3%, respectively, as at 30 June 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 17.5% and 19.0%, respectively, as at 30 September 2013 vs. 16.5% and 18.1%, respectively, as at 30 June 2013 and 16.2% and 18.3%, respectively, as at 31 December 2012.

The condensed interim consolidated financial information for the nine months ended 30 September 2013, 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).

For further information please contact:

Halyk Bank

Dauren Karabayev	+7 727 259 68 10
Viktor Skryl	+7 727 259 04 27
Yelena Perekhoda	+7 727 330 17 19
Rassul Issayev	+7 727 330 14 62