18 November 2016

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the nine months ended 30 September 2016

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 nine months ended 30 September 2016.

9m 2016 financial highlights

- Net income is up by 2.2% YoY to KZT 94.0bn;
- Net interest income before impairment charge is up by 17.0%;
- Impairment charge is up by 2.2 times;
- Net interest income is up by 8.5%;
- Fees and commission income is up by 11.8%;
- Net interest margin is down to 5.6% p.a. vs. 6.5% p.a. for 9M 2015;
- Cost-to-income ratio is flat 27.7% vs. 27.7% for 9M 2015;
- RoAE is down to 22.0% p.a. vs. 25.5% p.a. for 9M 2015;
- RoAA is down to 2.8% p.a. vs. 4.1% p.a. for 9M 2015;

- Total assets are up by 5.6%, YTD;
- Net loans to customers are up by 1.3%;
- Total equity is up by 19.3%;
- NPLs 90-day+ ratio is up to 11.5% vs. 10.3% as at 31 December 2015;
- Cost of risk[1] is up to 1.0% p.a. vs. 0.4% p.a. for 9M 2015;
- Provisioning level is down to 12.1% vs. 12.3% as at 31 December 2015.

3Q 2016 financial highlights

- Net income is up by 0.5% YoY to KZT 36.9bn;
- Net interest income before impairment charge is up by 28.6%;
- Impairment charge is up by 20.2%;
- Net interest income is up by 30.4%;
- Fees and commission income is up by 13.3%;
- Net interest margin is down to 5.6% p.a. vs. 6.3% p.a. for 3Q 2015;
- Cost-to-income ratio is up to 25.3% vs. 23.8% for 3Q 2015;
- RoAE is down to 24.1% p.a. vs. 29.8% p.a. for 3Q 2015;
- RoAA is down to 3.1% p.a. vs. 4.5% p.a. for 3Q 2015;

- Total assets are down by 3.9%, q-o-q;
- Net loans to customers are up by 2.0%;
- Total equity is up by 7.6%;
- NPLs 90-day+ ratio is down to 11.5% vs. 12.0% as at 30 June 2016;
- Cost of risk[1] is up to 1.4% p.a. vs. 1.2% p.a. for 3Q 2015;
- Provisioning level is almost flat at 12.1% vs. 12.2% as at 30 June 2016.

Statement of profit or loss review

Compared with 9m 2015, **interest income** grew by 43.4%. This was due to 37.8% increase in average balances of interest-earning assets and a rise of average interest rates on those to 10.8% p.a. from 10.4% p.a., mainly on the back of NBK Notes purchased to the Bank's portfolio during 2Q and 3Q 2016. **Interest expense** grew by 88.4% compared with 9m 2015. This was due to increase in average balances of interest-bearing liabilities and a rise in interest rates on KZT-denominated amounts due to customers and amounts due to credit institutions. The increase in average balances of interest-bearing liabilities was a result of KZT depreciation in autumn 2015 (after free-float KZT exchange rate policy adopted by the NBK in August 2015); the rise in interest rates was a result of limited KZT funding on the market and, consequently, higher interest rates offered to the Bank's clients in 1Q 2016. As a result, **net interest income before impairment charge** increased by 17.0% to KZT 133.8bn compared to 9m 2015.

Impairment charge increased to KZT 19.0bn for 9M 2016 vs. KZT 8.5bn for 9M 2015. Lower impairment charges in 9M 2015 were due to the transfer of several problem loans to the Bank's SPV Halyk-Project LLP and repayment of a large-ticket impaired corporate loan, which resulted in provision recoveries. In 9M 2016, the **cost of risk** was back to a more normalised level of 1.0% p.a. vs. 0.4% p.a. in 9M 2015.

[1] impairment charge on loans to customers as a percentage of monthly average balances of gross loans to customers, annualised.

Fee and commission income rose by 11.8% for 9m 2016 vs. 9m 2015, as a result of growing volumes of transactional banking, mainly in payment card maintenance, bank transfers – settlements and cash operations.

Other non-interest income (excluding insurance) decreased to KZT 12.0bn for 9m 2016 vs. KZT 24.7bn 9m 2015. This decline was mainly attributable to KZT 10.0bn net loss from financial assets and liabilities at fair value through profit or loss mainly as a result of loss on derivative operations of one of the Bank's subsidiaries and, to a lesser extent, due to revaluation loss on trading and derivative operations (USD/KZT swaps, off-balance sheet) on the back of KZT appreciation. The decrease was partially offset by net foreign exchange gain, mainly as a result of positive revaluation of short USD position on balance sheet due to KZT appreciation in 3Q 2016.

Operating expenses grew by 6.4% compared to 9M 2015 mainly due to increase in salaries of some categories of the Bank's employees and incentive bonus scheme introduced starting from 1 January 2016 instead of salary indexation.

The Bank's cost-to-income ratio remained flat at 27.7% compared to 9M 2015. At the same time the Bank's operating income increased by 6.2% for 9M 16 vs. 9M 15 on the back of higher interest income and fee and commission income. The Bank's cost-to-income ratio increased to 25.3% for 3Q 2016 compared with 23.8% for 3Q 2015, as a result of higher operating income in 3Q 2015 due to one-off unrealised gain on derivative operations.

Statement of financial position review

In 9M 2016, **total assets** grew by 5.6% vs. YE 2015, as a result of increase in the Bank's client deposit base.

Compared with YE 2015, **loans to customers** increased by 1.0% on a gross basis and 1.3% on a net basis, mainly on the back of consumer loans (+ 7.2% on a gross basis). Compared with 30 June 2016, loans to customers increased by 1.8% on a gross basis and 2.0% on a net basis, on the back of corporate loans (+2.2% on a gross basis) and consumer loans (+4.7% on a gross basis).

90-day NPL ratio decreased to 11.5% as at 30 September 2016 compared to 12.0% as at 30 June 2016, mainly due to write-off of fully provisioned non-performing loans for KZT 5.7bn, as well as restructuring and repayment of non-performing indebtedness by the Bank's corporate clients and overall loan portfolio increase.

Allowances for loan impairment decreased by 0.9% vs. YE 2015, mainly as a result of loan write-off and repayments of impaired indebtedness by the Bank's borrowers. Allowances for loan impairment increased by 0.6% vs. 30 June 2016 as a result of additional provisions on impaired loans recognised during 3Q 2016. **Provisioning level** was at 12.1% compared with 12.2% as at 30 June 2016 and 12.3% as at 31 December 2015.

Deposits of legal entities and individuals increased by 3.3% and 5.2%, respectively, compared to YE 2015 as a result of new KZT and FX deposits placed with the Bank by its corporate clients and retail customers during 9M 2016. As at 30 September 2016, the share of corporate KZT deposits in total corporate deposits was 37.6% compared to 37.9% as at 30 June 2016 and 24.2% as at YE 2015, whereas the share of retail KZT deposits in total retail deposits was 28.1% compared to 29.0% as at 30 June 2016 and 23.3% as at YE 2015.

Amounts due to credit institutions increased by 6.3% vs. YE 2015 mainly due to increase in balances on correspondent accounts as at the reporting date. As of 30 September 2016, over one half of the Bank's obligations to financial institutions was represented by loans from KazAgro national management holding, DAMU development fund and Development Bank of Kazakhstan drawn in FY2014 and FY2015 within the framework of government programmes supporting certain sectors of economy.

Debt securities issued decreased by 1.1% vs. YE 2015 mainly due to scheduled repayment of 10-year KZT 4bn local subordinated bond on 25 April 2016, bearing a coupon rate of 15% minus inflation. On 9 November 2016, the Bank made another voluntary prepayment of KZT 5bn subordinated bonds bearing a coupon rate of 13% p.a. with original maturity in November 2018. Therefore, as at the date of this press-release, the Bank's debt securities consisted of:

- two outstanding Eurobond issues for USD 638mln and USD 500mln, maturing in May 2017 and January 2021, respectively, each bearing a coupon rate of 7.25% p.a.;
- local bonds of KZT 131.7bn placed with the Single Accumulated Pension Fund in 2015 at a coupon rate of 7.5% p.a. and maturing in February 2025;
- local bonds of KZT 100bn placed with the Single Accumulated Pension Fund in 2014 at a coupon rate of 7.5% p.a. and maturing in November 2024.

Compared with YE 2015 **total equity** increased by 19.3% due to net profit earned during 9M 2016.

The Bank's capital adequacy ratios were as follows:

	01.10.2016	**01.07.2016**	**01.04.2016**	**01.01.2016**
Capital adequacy ratios, unconsolidated:				
K1-1	19.0%	19.9%	18.5%	17.3%
K1-2	19.0%	19.9%	18.5%	17.3%
K2	19.0%	19.9%	18.5%	17.5%
Capital adequacy ratios, consolidated:				
CET	19.1%	19.7%	18.8%	17.3%
Tier 1 capital	19.1%	19.7%	18.8%	17.3%
Tier 2 capital	19.2%	19.8%	18.9%	17.5%

The increase in capital adequacy ratios compared to YE 2015 was mainly due to net profit earned by the Bank during 9m 2016. The decrease in capital adequacy ratios compared to 2Q 2016 was mainly due to increase in risk-weighted assets during 3Q 2016 on the back of increase in interbank deposits and consumer loans.

The condensed interim consolidated financial information for the nine months ended 30 September 2016, 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.

Nine-month results webcast at 1:00 p.m. GMT/8:00 a.m. EST on Monday, 21 November 2016.

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30-Sep-16	30-Jun-16	31-Dec-15	Change, abs	Change YTD, %	Change, abs	Change Q-o-Q, %
Total assets	**4,705,344**	**4,898,259**	**4,454,938**	**250,406**	5.6%	**-192,915**	-3.9%
Cash and reserves	1,402,382	1,597,226	1,473,069	-70,687	-4.8%	-194,844	-12.2%
Amounts due from credit institutions	32,217	41,443	44,993	-12,776	-28.4%	-9,226	-22.3%
T-bills & NBK notes	494,701	519,479	165,040	329,661	199.7%	-24,778	-4.8%
Other securities & derivatives	360,211	364,754	390,550	-30,339	-7.8%	-4,543	-1.2%
Gross loan portfolio	*2,505,764*	*2,461,155*	*2,481,183*	*24,581*	*1.0%*	*44,609*	*1.8%*
Stock of provisions	*-302,438*	*-300,517*	*-305,114*	*2,676*	*-0.9%*	*-1,921*	*0.6%*
Net loan portfolio	2,203,326	2,160,638	2,176,069	27,257	1.3%	42,688	2.0%
Other assets	212,507	214,719	205,217	7,290	3.6%	-2,212	-1.0%
Total liabilities	**4,072,964**	**4,310,343**	**3,925,010**	**147,954**	3.8%	**-237,379**	-5.5%
Total deposits, including:	3,171,519	3,437,485	3,043,731	127,788	4.2%	-265,966	-7.7%
retail deposits	*1,549,865*	*1,533,433*	*1,473,430*	*76,435*	*5.2%*	*16,432*	*1.1%*
term deposits	*1,334,113*	*1,300,770*	*1,276,609*	*57,504*	*4.5%*	*33,343*	*2.6%*
current accounts	*215,752*	*232,663*	*196,821*	*18,931*	*9.6%*	*-16,911*	*-7.3%*
corporate deposits	*1,621,654*	*1,904,052*	*1,570,301*	*51,353*	*3.3%*	*-282,398*	*-14.8%*
term deposits	*958,954*	*1,052,678*	*868,833*	*90,121*	*10.4%*	*-93,724*	*-8.9%*
current accounts	*662,700*	*851,374*	*701,468*	*-38,768*	*-5.5%*	*-188,674*	*-22.2%*
Debt securities	591,050	593,894	597,525	-6,475	-1.1%	-2,844	-0.5%
Amounts due to credit institutions	178,777	149,981	168,258	10,519	6.3%	28,796	19.2%
Other liabilities	131,618	128,983	115,496	16,122	14.0%	2,635	2.0%
Equity	**632,380**	**587,916**	**529,928**	**102,452**	19.3%	**44,464**	7.6%

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	9m 2016	9m 2015	Change, abs	Y-o-Y, %	3Q 2016	2Q 2016	3Q 2015	Change, abs	Y-o-Y, %	Change, abs	q-o-q, %
Interest income	*260,477*	*181,588*	*78,889*	*43.4%*	*92,948*	*88,401*	*63,302*	*29,646*	*46.8%*	*4,547*	*5.1%*
Interest expense	*-126,686*	*-67,252*	*-59,434*	*88.4%*	*-43,003*	*-41,722*	*-24,455*	*-18,548*	*75.8%*	*-1,281*	*3.1%*
Net interest income before impairment charge	**133,791**	**114,336**	**19,455**	**17.0%**	**49,945**	**46,679**	**38,847**	**11,098**	**28.6%**	**3,266**	**7.0%**
Fee and commission income	*43,471*	*38,872*	*4,599*	*11.8%*	*15,130*	*14,885*	*13,356*	*1,774*	*13.3%*	*245*	*1.6%*
Fee and commission expense	*-9,024*	*-7,696*	*-1,328*	*17.3%*	*-2,540*	*-3,281*	*-2,931*	*391*	*-13.3%*	*741*	*-22.6%*
Net fee and commission income	**34,447**	**31,176**	**3,271**	**10.5%**	**12,590**	**11,604**	**10,425**	**2,165**	**20.8%**	**986**	**8.5%**
Insurance income(1)	1,899	1,404	495	35.3%	759	1,064	575	184	32.0%	-305	-28.7%
FX operations(2)	15,206	-87,466	102,672	117.4%	7,333	8,316	-91,242	98,575	108.0%	-983	-11.8%
Income from derivative operations and securities (3)	-7,135	106,527	-113,662	-106.7%	-3,581	-6,775	107,561	-111,142	-103.3%	3,194	-47.1%
Other non-interest income	3,970	5,661	-1,691	-29.9%	1,209	1,831	3,691	-2,482	-67.2%	-622	-34.0%
Impairment charge and reserves (4)	-18,963	-8,775	-10,188	116.1%	-8,305	-6,044	-7,152	-1,153	16.1%	-2,261	37.4%
Operating expenses	-51,900	-48,764	-3,136	6.4%	-17,719	-16,623	-17,179	-540	3.1%	-1,096	6.6%
Income tax expense	-17,314	-22,124	4,810	-21.7%	-5,367	-5,839	-8,828	3,461	-39.2%	472	-8.1%
Net income	**94,001**	**91,975**	**2,026**	**2.2%**	**36,864**	**34,213**	**36,698**	**166**	**0.5%**	**2,651**	**7.7%**

(1) insurance underwriting income (gross insurance premiums written, net change in unearned insurance premiums, ceded reinsurance share) less insurance claims incurred, net of reinsurance (insurance payments, insurance reserves expenses, commissions to agents);
(2) net gain on foreign exchange operations;
(3) net gain from financial assets and liabilities at fair value through profit or loss and net realised gain/(loss) from available-for-sale investment securities;
(4) total impairment charge, including impairment charge on loans to customers, amounts due from credit institutions, available-for-sale investment securities and other assets, as well as provisions against letters of credit and guarantees issued.