19 August 2016

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the six months ended 30 June 2016

"Halyk Bank produced positive results in 1H 2016 despite volatile and challenging macro-environment. We delivered net profit of KZT 57.1bn thus increasing our capital, sustained asset quality and loan book in defiance of KZT liquidity squeeze and increased funding costs at the start of 2016. Our Bank has been working intensively on its new business initiatives, improving and expanding the range of products and services offered to its clients. Among most recent achievements we improved significantly the internet-banking for legal entities and individuals, introduced new solutions and facilities to payment terminals and automated cash management transactions with Cash & Logistics solutions from Fiserv Inc. Halyk Bank continues to be an active participant in the government programmes aimed to support the real sector of economy and retail borrowers. Despite that competition in the banking sector is on the rise, we will strive to secure our leading position on the local market and continue to perform for the benefit of our clients and shareholders."

Umut Shayakhmetova, Chairperson and CEO

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 six months ended 30 June 2016.

1H 2016 financial highlights

- Net income is up by 3.4% YoY to KZT 57.1bn;
- Net interest income before impairment charge is up by 11.1%;
- Impairment charge is up by 6.6 times;
- Net interest income is down by 1.0%;
- Fees and commission income is up by 11.1%;
- Net interest margin is down to 5.6% p.a. vs. 6.7% p.a. for 1H 2015;
- Cost-to-income ratio is down to 29.2% vs. 30.3% for 1H 2015;
- RoAE is down to 20.8% p.a. vs. 23.3% p.a. for 1H 2015;
- RoAA is down to 2.6% p.a. vs. 3.9% p.a. for 1H 2015;

- Total assets are up by 10.0%, YTD;
- Net loans to customers are down by 0.7%;
- Total equity is up by 10.9%;
- NPLs 90-day+ ratio is up to 12.0% vs. 10.3% as at 31 December 2015;
- Cost of risk[2] is up to 0.9% p.a. vs. (0.0)% p.a. for 1H 2015;
- Provisioning level is down to 12.2% vs. 12.3% as at 31 December 2015.

2Q 2016 financial highlights[1]

- Net income is up by 20.9% YoY to KZT 34.2bn;
- Net interest income before impairment charge is up by 20.3%;
- Impairment charge is up by 88.4%;
- Net interest income is up by 14.0%;
- Fees and commission income is up by 10.7%;
- Net interest margin is down to 6.0% p.a. vs. 6.7% p.a. for 2Q 2015;
- Cost-to-income ratio is down to 25.7% vs. 28.1% for 2Q 2015;
- RoAE is up to 24.2% p.a. vs. 23.7% p.a. for 2Q 2015;
- RoAA is down to 3.1% p.a. vs. 4.0% p.a. for 2Q 2015;

- Total assets are up by 11.5%, q-o-q;
- Net loans to customers are up by 1.8%;
- Total equity is up by 7.6%;
- NPLs 90-day+ ratio is down to 12.0% vs. 12.9% as at 31 March 2016;
- Cost of risk[2] is up to 1.0% p.a. vs. 0.2% p.a. for 2Q 2015;
- Provisioning level is down to 12.2% vs. 12.7% as at 31 March 2016.

Statement of profit or loss review

Compared with 1H 2015, **interest income** grew by 41.6%. This was due to 33.3% increase in average

[1] During 2Q 2016, the Bank identified a timing difference in its interest income recognition when receiving early partial loan repayments. As a result, KZT 5,867mln of interest income on loans to customers was not recognised in 1Q 2016 profit and loss statement as previously reported. The interest income and results for 2Q and 1H 2016 have been presented as if KZT 5,867mln had been recognised in interest income for 1Q 2016. The figures for 1Q 2016 in this press-release are demonstrated taking this into an account.

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

balances of interest-earning assets and a rise of average interest rates on those to 11.1% p.a. from 10.5% p.a. In 1H 2016, **interest expense** grew by 95.5% compared with 1H 2015. This was due to increase in average balances of interest-bearing liabilities because of tenge devaluation in August 2015 and a rise in interest rates on KZT-denominated amounts due to customers and amounts due to credit institutions because 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 11.1% to KZT 83.8bn compared to 1H 2015.

Impairment charge increased to KZT 10.7bn for 1H 2016 vs. KZT 1.6bn for 1H 2015. Lower impairment charges in 1H 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 1H 2016, the **cost of risk** was back to a more normalised level of 0.9% p.a. vs. negative 0.0% p.a. in 1H 2015.

Fee and commission income rose by 11.1% for 1H 2016 vs. 1H 2015, as a result of growing volumes of transactional banking, mainly in bank transfers – settlements, payment card maintenance and servicing customers' pension payments.

Other non-interest income (excluding insurance) increased to KZT 7.1bn for 1H 2016 vs. KZT 4.7bn 1H 2015. This growth was mainly attributable to KZT 7.9bn net gain on foreign exchange operations as a result of positive revaluation of short USD position on balance sheet due to KZT appreciation in 2Q 2016 and, to a lesser extent, on the back of KZT 1.0bn gain on sale of securities from available-for-sale portfolio. The gain was partially offset by KZT 4.6bn loss from financial assets and liabilities at fair value through profit or loss mainly due to realised loss on derivative operations of the Bank and one of the Bank's subsidiaries.

Operating expenses grew by 8.2% compared to 1H 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 decreased to 29.2% for 1H 2016 from 30.3% for 1H 2015 as a result of higher operating income in 1H 2016 on the back of interest income growth.

Statement of financial position review

In 1H 2016, **total assets** grew by 10.0% vs. YE 2015 as a result of increase in the Bank's client deposit base.

Compared with YE 2015, **loans to customers** decreased by 0.8% on a gross and 0.7% on a net basis. The decrease was attributable to limited KZT funding on the market and higher interest rates in 1Q 2016. During 2Q 2016 local financial market stabilised improving KZT supply and supporting lending activity. Compared with 31 March 2016, the Bank's loans to customers increased by 1.2% on a gross and 1.8% on a net basis. Gross loan portfolio grew across all types of businesses: corporate loans by 0.2%, SME loans by 4.2% and retail loans by 2.2%.

90-day NPL ratio decreased to 12.0% as at 30 June 2016 compared with 12.9% as at 31 March 2016, mainly due to write-off of fully provisioned non-performing loans for KZT 12.5bn, as well as overall loan portfolio increase.

As a result of loan write-offs and partial repayment of a large-ticket impaired loan by a corporate borrower, **allowances for loan impairment** decreased by 2.5% vs. 31 March 2016 and by 1.5% vs. YE 2015, whereas **provisioning level** decreased to 12.2% compared with 12.7% as at 31 March 2016 and 12.3% as at 31 December 2015.

Deposits of legal entities increased by 21.3% compared to YE 2015 as a result of new KZT and FX deposits placed with the Bank by its corporate clients during 1H 2016. As at 30 June 2016, the share of corporate KZT deposits in total corporate deposits was 37.9% compared to 43.3% as at 31 March 2016 and 24.2% as at YE 2015.

Deposits of individuals increased by 4.1% vs. YE 2015 as a result of new KZT deposit inflow during 1H 2016. As at 30 June 2016, the share of retail KZT deposits in total retail deposits was at 29.0% compared to 23.3% as at 31 March 2016 and 23.3% as at YE 2015.

Amounts due to credit institutions as at 30 June 2016 decreased by 10.9% vs. YE 2015 mainly due to decrease in borrowings in the money market (T-bills REPOs) via Kazakhstan Stock Exchange. As of 30 June 2016, the Bank's obligations to financial institutions consisted mainly of 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 0.6% vs. YE 2015 mainly due to scheduled repayment of 10-year KZT 4bn local subordinated bond on 25 April, bearing a coupon rate of 15% minus inflation. As of 30 June 2016, 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%;
- local bonds of KZT 131.7bn placed with the Single Accumulated Pension Fund in 2015 at a coupon rate of 7.5% 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% and maturing in November 2024;
- local subordinated bonds of KZT 5bn at a coupon rate of 13% maturing in November 2018.

Compared with YE 2015 **total equity** increased by 10.9% due to net profit earned during 1H 2016.

During 2Q 2016 the Bank exchanged its 21,138,448 preferred shares for common shares at 1:4. As a result, as at 30 June 2016 the Bank's share capital was represented by 12,688,857,059 common shares, including

- 9,153,501,949 common shares in circulation on local market
- 1,839,978,240 common shares belonging to GDR holders
- (1,695,376,870) treasury shares

  10,993,480,189 TOTAL SHARES IN CIRCULATION

The Bank's capital adequacy ratios were as follows:

	01.07.2016	**01.04.2016**	**01.01.2016**
Regulatory capital adequacy ratios:			
K1-1	19.9%	18.5%	17.3%
K1-2	19.9%	18.5%	17.3%
K2	19.9%	18.5%	17.5%
Basel capital adequacy ratios:			
CET	19.7%	18.8%	17.3%
Tier 1 capital	19.7%	18.8%	17.3%
Tier 2 capital	19.8%	18.9%	17.5%

The increase in capital adequacy ratios was mainly due to net profit earned by the Bank in 2Q 2016 and 1Q 2016.

The condensed interim consolidated financial information for the six months ended 30 June 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.

Six-months results webcast at 2:00 p.m. GMT/9:00 a.m. EST on Monday, 22 August 2016.

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	30-Jun-16	31-Dec-15	Change YTD, %
Total assets	**4,898,259**	**4,454,938**	**10.0%**
Cash and reserves	1,597,226	1,473,069	8.4%
Amounts due from credit institutions	41,443	44,993	-7.9%
T-bills & NBK notes	519,479	165,040	3.1x
Other securities & derivatives	364,754	390,550	-6.6%
Gross loan portfolio	2,461,155	2,481,183	-0.8%
Stock of provisions	-300,517	-305,114	-1.5%
Net loan portfolio	2,160,638	2,176,069	-0.7%
Other assets	214,719	205,217	4.6%
Total liabilities	**4,310,343**	**3,925,010**	**9.8%**
Total deposits, including:	3,437,485	3,043,731	12.9%
retail deposits	1,533,433	1,473,430	4.1%
term deposits	1,300,770	1,276,609	1.9%
current accounts	232,663	196,821	18.2%
corporate deposits	1,904,052	1,570,301	21.3%
term deposits	1,052,678	868,833	21.2%
current accounts	851,374	701,468	21.4%
Debt securities	593,894	597,525	-0.6%
Amounts due to credit institutions	149,981	168,258	-10.9%
Other liabilities	128,983	115,496	11.7%
Equity	**587,916**	**529,928**	**10.9%**

INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	1H 2016	1H 2015	Y-o-Y, %	2Q 2016	2Q 2015	Y-o-Y, %
Interest income	167,529	118,286	41.6%	88,401	60,621	45.8%
Interest expense	-83,683	-42,797	95.5%	-41,722	-21,807	91.3%
Net interest income before impairment charge	83,846	75,489	11.1%	46,679	38,814	20.3%
Fee and commission income	28,341	25,516	11.1%	14,885	13,446	10.7%

Fee and commission expense	-6,484	-4,765	36.1%	-3,281	-2,594	26.5%
Net fee and commission income	21,857	20,751	5.3%	11,604	10,852	6.9%
Insurance income (1)	1,140	829	37.5%	1,064	124	8.6x
FX operations (2)	7,873	3,776	108.5%	8,316	4,012	107.3%
Income from derivative operations and securities (3)	-3,554	-1,034	3.4x	-6,775	-928	7.3x
Other non-interest income	2,761	1,970	40.2%	1,831	1,052	74.0%
Impairment charge and reserves (4)	-10,658	-1,623	6.6x	-6,044	-3,236	86.8%
Operating expenses	-34,181	-31,585	8.2%	-16,623	-15,577	6.7%
Income tax expense	-11,947	-13,296	-10.1%	-5,839	-6,808	-14.2%
Net income	**57,137**	**55,277**	**3.4%**	**34,213**	**28,305**	**20.9%**

(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.