21 May 2012

Joint Stock Company “Halyk Savings Bank of Kazakhstan”

Consolidated financial results for the three months ended 31 March 2012

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 3 months ended 31 March 2012.

3 months 2012 financial highlights

- Net income is up by 58.0% to KZT 16.8 bn
- Total assets are up by 11.9%
- Gross loans to customers are down by 2.1%
- Customer current accounts are up by 41.7%
- Impairment charge is down by 36.3%
- Net interest income is up by 46.6%
- Fees and commissions, net are up by 8.7%
- Operating expenses are up by 6.9%
- Net interest margin is up to 4.9% (4.3% for 3m 2011)
- Cost-to-income ratio at 29.1%
- ROAE is up to 19.3% p.a. (13.0% p.a. for 3m 2011)
- ROAA is up to 2.8% p.a. (1.9% p.a. for 3m 2011)

Income statement review

Net interest income before impairment charge increased by 3.6% to KZT 22.6 bn primarily due to 13.8% decrease in interest expenses. The decrease in interest expenses was mainly due to decline in average interest rate on amounts due to customers to 2.6% p.a. for 3m 2012 from 3.6% p.a. for 3m 2011. The increase in net interest income before impairment charge was partially offset by 4.7% decrease in interest income. The decrease in interest income was mainly due to decline in average interest rate on loans to customers to 12.1% p.a. for 3m 2012 from 13.4% p.a. for 3m 2011.

Impairment charge decreased by 36.3%, reflecting sufficient provisioning level and continued stabilization of the loan portfolio quality. Allowances for loan impairment represented 20.6% of gross loans to customers as at 31 March 2012 vs. 19.7% as at 31 December 2011.

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 10.8% to KZT 7.3 bn from KZT 6.6 bn for 3m 2011 as a result of increase in number of transactions and increase in tariffs per certain types of transactions.

The Bank’s Pension Fund earned **pension fund and asset management fees** of KZT 5.5 bn for 3m 2012 vs. KZT 5.0 bn for 3m 2011. In August and September 2011, due to downturn in global financial markets investment income on assets under management was negative, which resulted in recognition of losses incurred from management of pension assets for KZT 6.2 bn. These losses can be offset against future income received by the Pension Fund. As at 31 March 2012, these losses decreased to KZT 0.9 bn.

Other non-interest income (excluding insurance) decreased by 5.7% to KZT 2.8 bn from KZT 3.0 bn for 3m 2011 mainly as a result of decrease in FX translation differences to KZT (0.1) bn from KZT 1.9 bn. Smaller FX translation differences were mainly due to relatively stable KZT/USD exchange rate and neutral open foreign currency position held by the Bank during 3m 2012 as opposed to appreciation of KZT against USD and net long KZT (net short USD) position held by the Bank during 3m 2011.

Insurance underwriting income less insurance claims incurred, net of reinsurance, increased to KZT 1.7 bn for 3m 2012 from KZT 0.3 bn for 3m 2011 as a result of 41.9% increase in insurance underwriting income on the back of growing volumes of both life and non-life insurance businesses as well as 9.5% decrease in insurance claims incurred, net of reinsurance on the back of lower non-life insurance reserves. Smaller expenses for non-life insurance reserves were mainly due to smaller insurance reimbursements paid during preceding 12 months.

Operating expenses grew by 6.9% to KZT 11.3 bn for 3m 2012 vs. 3m 2011 primarily due to increase in salaries and other employee benefits by 13.2%. The increase in salaries and other employee benefits was due to increase in salary rates in July 2011, higher employee bonuses accrued for 3m 2012 vs. 3m 2011, as well as increase in number of employees at some of the Bank's subsidiaries. Operating expenses decreased by 10.6% to KZT 11.3 bn for 3m 2012 vs. 4q 2012 primarily due to lower expenses on taxes, advertisement and repairs.

Statement of financial position review

Loans to customers decreased by 2.1% on a gross basis and by 3.2% on a net basis due to decline in corporate loans (including loans to SME) by 2.7% and mortgage loans by 3.1%. The decrease in loans to customers was partially offset by 2.9% increase in consumer loans.

30-day NPLs increased to 20.5% of the gross loans as at 31 March 2012 from 19.8% as at 31 December 2011. 90-day NPLs increased to 19.1% of the gross loans as at 31 March 2012 from 18.7% as at 31 December 2011. The Bank created regulatory provisions that covered these delinquent loans by 121.6% (30-day NPLs) and 130.3% (90-day NPLs) as at 31 March 2012.

Liquid assets increased by 37.1% mainly due to growing volumes of deposits.

Term deposits of legal entities decreased by 12.8% as a result of lower interest rates offered by the Bank compared to its peers. **Current accounts of legal entities** increased by 51.8% mainly due to the inflow of new funds from the Bank's corporate clients.

Term deposits of individuals increased by 8.4% and **current accounts of individuals** remained almost flat during 3m 2012 compared to 31 December 2011.

The share of low-cost current accounts in total amounts due to customers increased to 54.9% as at 31 March 2012 vs. 45.6% as at 31 December 2011.

Debt securities issued decreased by 3.8% mainly due to repayment of EUR- and USD-indexed unsubordinated local debt securities for the nominal amounts of KZT 19.5 bn and KZT 15.0 bn respectively in March 2012.

Total **equity** increased by 6.8% as a result of net income earned and retained in 3m 2012.

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 increased to 9.7%, 14.2% and 17.3%, respectively, as at 31 March 2012 from 9.2%, 11.9% and 16.4%, respectively, as at 31 December 2011. Basel Tier 1 capital adequacy ratio and Total capital adequacy ratio increased to 17.8% and 20.4%, respectively, as at 31 March 2012 from 16.7% and 19.1%, respectively, as at 31 December 2011.

The increase in regulatory capital adequacy ratios was due to decrease in risk-weighted assets for 3m 2012 and allocation of net income received in 2011 to Tier 1 Capital from Tier 2 Capital. The increase in Basel capital adequacy ratios was due to decrease in risk-weighted assets for 3m 2012 and increase in net income received for 3m 2012.

The condensed interim consolidated financial information for the three months ended 31 March 2012, including the notes attached thereto, are available on Halyk Bank's website http://www.halykbank.kz/en/financial-reports and http://www.halykbank.kz/en/news).