10 March 2017

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the year ended 31 December 2016

Joint Stock Company 'Halyk Savings Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK) releases its consolidated financial statements for the year ended 31 December 2016 prepared in accordance with International Financial Reporting Standards, audited by Deloitte, LLP, and subject to further approval by the Bank's Board of Directors and Annual General Shareholders' Meeting.

12m 2016 financial highlights

- Net income is up by 9.2% YoY to KZT 131.4bn;
- Net interest income before impairment charge is up by 22.4%;
- Impairment charge is up by 2.1 times;
- Net interest income is up by 14.5%;
- Fees and commission income is up by 11.3%;
- Net interest margin is down to 5.5% p.a. vs. 6.2% p.a. for 12M 2015;
- Cost-to-income ratio is down to 28.5% vs. 29.2% for 12M 2015;
- RoAE is down to 22.3% p.a. vs. 24.4% p.a. for 12M 2015;
- RoAA is down to 2.8% p.a. vs. 3.7% p.a. for 12M 2015;

- Total assets are up by 20.1%, YTD;
- Net loans to customers are up by 6.6%;
- Total deposits are up by 25.5%;
- Total equity is up by 25.6%;
- NPLs 90-day+ ratio is down to 10.2% 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 12M 2015;
- Provisioning level is down to 10.9% vs. 12.3% as at 31 December 2015.

4Q 2016 financial highlights

- Net income is up by 32.0% YoY to KZT 37.4bn;
- Net interest income before impairment charge is up by 39.5%;
- Impairment charge is up by 86.5%;
- Net interest income is up by 34.3%;
- Fees and commission income is up by 10.0%;
- Net interest margin is flat at 5.3% p.a. vs. 5.3% p.a. for 4Q 2015;
- Cost-to-income ratio is down to 30.5% vs. 33.2% for 4Q 2015;
- RoAE is up to 23.1% p.a. vs. 21.4% p.a. for 4Q 2015;
- RoAA is up to 3.0% p.a. vs. 2.8% p.a. for 4Q 2015;

- Total assets are up by 13.7%, q-o-q;
- Net loans to customers are up by 5.3%;
- Total deposits are up by 20.5%;
- Total equity is up by 5.3%;
- NPLs 90-day+ ratio is down to 10.2% vs. 11.5% as at 30 September 2016;
- Cost of risk[1] is up to 1.1% p.a. vs. 0.4% p.a. for 4Q 2015;
- Provisioning level is down to 10.9% vs. 12.1% as at 30 September 2016.

Consolidated income statements

Compared with 12m 2015, interest income grew by 39.3%. This was due to 38.3% increase in average balances of interest-earning assets and a rise of average interest rates on those to 10.6% p.a. from 10.5% p.a., mainly on the back of NBK Notes purchased to the Bank's portfolio during 2Q, 3Q and 4Q 2016. Interest expense grew by 63.6% compared with 12m 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 at the start of 2016 and, consequently, higher interest rates offered to the Bank's clients. As a result, net interest income before impairment charge increased by 22.4% to KZT 184.0bn compared to 12m 2015.

Net interest margin decreased to 5.5% p.a. for 12m 2016 compared to 6.2% p.a. for 12m 2015. The decrease in net interest margin was a result of higher growth in average interest rate on interest-bearing liabilities compared to growth in average interest rate on interest-earning assets. Compared

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

to 4Q 2015 net interest margin remained unchanged at 5.3% p.a. due to higher growth in interest income versus growth in interest expense, offset by increase in interest-earning assets.

Impairment charge increased to KZT 25.7bn for 12M 2016 vs. KZT 12.1bn for 12M 2015. Lower impairment charges in 12M 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 12M 2016, the cost of risk was back to a more normalised level of 1.0% p.a. vs. 0.4% p.a. in 12M 2015.

Fee and commission income rose by 11.3% for 12M 2016 vs. 12M 2015, as a result of growing volumes of transactional banking, mainly in payment card maintenance, cash operations and bank transfers – settlements.

Other non-interest income (excluding insurance) decreased to KZT 20.6bn for 12m 2016 vs. KZT 40.1bn 12m 2015. This decline was mainly attributable to KZT 13.7bn net loss from financial assets and liabilities at fair value through profit or loss mainly as a result of loss on derivative operations of the Bank and 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 during 12m 2016.

Operating expenses (excluding impairment loss of assets held for sale) grew by 3.7% compared to 12M 2015 mainly due to increase in salaries and other employee benefits and information services. Starting from 1 January 2016 the Bank raised salaries for some categories of its employees and introduced incentive bonus scheme instead of salary indexation. Expenses on information services grew due to additional software investments by the Bank and its subsidiaries during 2016, as well as price increase for existing FX denominated software contracts on the back of KZT depreciation.

Compared to 4Q 2015, operating expenses decreased by 2.5% in 4Q 2016 mainly due to smaller bonuses paid to the Bank's employees at the end of 2016, the Bank's marketing budget cuts within overall cost control policy, rental expenses cuts by some of the Bank's subsidiaries and one-off expense recognised by the Bank's problem asset management subsidiary in 4Q 2015.

The Bank's cost-to-income ratio decreased to 28.5% compared to 29.2% for 12M 2015 on the back of increase in operating income. Operating income increased by 8.3% on the back of higher interest income and fee and commission income earned during 12m 2016.

Consolidated statement of financial position

In 12M 2016, total assets grew by 20.1% vs. YE 2015, as a result of increase in the Bank's client deposit base.

Compared with YE 2015, loans to customers increased by 5.0% on a gross basis and 6.6% on a net basis. Gross loan portfolio growth was attributable to increase in corporate loans (+ 5.5% on a gross basis), SME loans (+ 6.6% on a gross basis) and consumer loans (+ 6.2% on a gross basis), partially offset by decrease in mortgage loans (–4.8% on a gross basis).

90-day NPL ratio decreased to 10.2% as at 31 December 2016 compared to 11.5% as at 30 September 2016, mainly due to write-off of fully provisioned non-performing loans for KZT 24.4bn, as well as repayment of non-performing indebtedness by the Bank's corporate clients and overall loan portfolio increase.

Allowances for loan impairment decreased by 6.7% vs. YE 2015, mainly as a result of loan write-off and repayments of impaired indebtedness by the Bank's borrowers. **Provisioning level** was at 10.9% compared with 12.1% as at 30 September 2016 and 12.3% as at 31 December 2015.

Deposits of legal entities and individuals increased by 34.1% and 16.4%, respectively, compared to YE 2015 as a result of new KZT and FX deposit inflow from the Bank's corporate clients and retail customers during 12M 2016. As at 31 December 2016, the share of corporate KZT deposits in total corporate deposits was 36.8% compared to 37.6% as at 30 September 2016 and 24.2% as at YE 2015, whereas the share of retail KZT deposits in total retail deposits was 32.1% compared to 28.1% as at 30 September 2016 and 23.3% as at YE 2015.

Amounts due to credit institutions decreased by 3.6% vs. YE 2015 mainly due to decrease in borrowings on the money market (T-bills REPOs) via Kazakhstan Stock Exchange by the Bank and one of its subsidiaries during 2016. As of 31 December 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 2.1% vs. YE 2015. The decrease was mainly due to scheduled repayment of 10-year KZT 4bn subordinated local bond on 25 April 2016, bearing a coupon rate of 15% minus inflation and voluntary prepayment of KZT 5bn subordinated local bond on 9 November 2016, 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 25.6% due to net profit earned during 12M 2016.

The Bank's capital adequacy ratios were as follows:

	01.01.2017	01.10.2016	01.07.2016	01.04.2016	01.01.2016
Capital adequacy ratios, unconsolidated:					
K1-1	19.2%	19.0%	19.9%	18.5%	17.3%
K1-2	19.2%	19.0%	19.9%	18.5%	17.3%
K2	19.2%	19.0%	19.9%	18.5%	17.5%
Capital adequacy ratios, consolidated:					
CET	19.4%	19.1%	19.7%	18.5%	17.3%
Tier 1 capital	19.4%	19.1%	19.7%	18.5%	17.3%
Tier 2 capital	19.4%	19.2%	19.8%	18.6%	17.5%

The consolidated financial information for the year ended 31 December 2016, 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.

FY 2016 results webcast at 1:00 p.m. GMT/8:00 a.m. EST on Monday, 13 March 2017.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31-Dec-16	30-Sep-16	31-Dec-15	Change, abs	Change YTD, %	Change, abs	Change Q-o-Q, %
Total assets	5,348,483	4,705,344	4,454,938	893,545	20.1%	643,139	13.7%
Cash and reserves	1,850,641	1,402,382	1,473,069	377,572	25.6%	448,259	32.0%
Amounts due from credit institutions	35,542	32,217	44,993	-9,451	-21.0%	3,325	10.3%
T-bills & NBK notes	586,982	494,701	165,040	421,942	255.7%	92,281	18.7%
Other securities & derivatives	341,379	360,211	390,550	-49,171	-12.6%	-18,832	-5.2%
Gross loan portfolio	*2,604,335*	*2,505,764*	*2,481,183*	*123,152*	5.0%	*98,571*	*3.9%*
Stock of provisions	*-284,752*	*-302,438*	*-305,114*	*20,362*	-6.7%	*17,686*	*-5.8%*
Net loan portfolio	2,319,583	2,203,326	2,176,069	143,514	6.6%	116,257	5.3%
Other assets	214,356	212,507	205,217	9,139	4.5%	1,849	0.9%
Total liabilities	4,682,890	4,072,964	3,925,010	757,880	19.3%	609,926	15.0%
Total deposits, including:	3,820,662	3,171,519	3,043,731	776,931	25.5%	649,143	20.5%
retail deposits	*1,715,448*	*1,549,865*	*1,473,430*	*242,018*	*16.4%*	*165,583*	*10.7%*
term deposits	*1,470,536*	*1,334,113*	*1,276,609*	*193,927*	*15.2%*	*136,423*	*10.2%*
current accounts	*244,912*	*215,752*	*196,821*	*48,091*	*24.4%*	*29,160*	*13.5%*
corporate deposits	*2,105,214*	*1,621,654*	*1,570,301*	*534,913*	*34.1%*	*483,560*	*29.8%*
term deposits	*1,267,589*	*958,954*	*868,833*	*398,756*	*45.9%*	*308,635*	*32.2%*
current accounts	*837,625*	*662,700*	*701,468*	*136,157*	*19.4%*	*174,925*	*26.4%*
Debt securities	584,933	591,050	597,525	-12,592	-2.1%	-6,117	-1.0%
Amounts due to credit institutions	162,134	178,777	168,258	-6,124	-3.6%	-16,643	-9.3%
Other liabilities	115,161	131,618	115,496	-335	-0.3%	-16,457	-12.5%
Equity	665,593	632,380	529,928	135,665	25.6%	33,213	5.3%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	12m 2016	12m 2015	Change, abs	Y-o-Y, %	4Q 2016	4Q 2015	Change, abs	Y-o-Y, %	3Q 2016	Change, abs	q-o-q, %
Interest income	*354,997*	*254,856*	*100,141*	*39.3%*	*94,520*	*73,268*	*21,252*	*29.0%*	*92,948*	*1,572*	*1.7%*
Interest expense	*-171,041*	*-104,552*	*-66,489*	*63.6%*	*-44,355*	*-37,300*	*-7,055*	*18.9%*	*-43,003*	*-1,352*	*3.1%*
Net interest income before impairment charge	**183,956**	**150,304**	**33,652**	**22.4%**	**50,165**	**35,968**	**14,197**	**39.5%**	**49,945**	**220**	**0.4%**
Fee and commission income	*59,345*	*53,308*	*6,037*	*11.3%*	*15,874*	*14,436*	*1,438*	*10.0%*	*15,130*	*744*	*4.9%*
Fee and commission expense	*-12,091*	*-10,837*	*-1,254*	*11.6%*	*-3,067*	*-3,141*	*74*	*-2.4%*	*-2,540*	*-527*	*20.7%*
Net fee and commission income	**47,254**	**42,471**	**4,783**	**11.3%**	**12,807**	**11,295**	**1,512**	**13.4%**	**12,590**	**217**	**1.7%**
Insurance income(1)	3,272	2,781	491	17.7%	1,373	1,377	-4	-0.3%	759	614	80.9%
FX operations(2)	22,623	-161,022	183,645	-114.0%	7,417	-73,556	80,973	-110.1%	7,333	84	1.1%
Income from derivative operations and securities (3)	-8,556	192,072	-200,628	-104.5%	-1,421	85,545	-86,966	-101.7%	-3,581	2,160	-60.3%
Other non-interest income	6,491	9,037	-2,546	-28.2%	2,521	3,376	-855	-25.3%	1,209	1,312	108.5%
Impairment charge and reserves (4)	-25,702	-12,476	-13,226	106.0%	-6,739	-3,701	-3,038	82.1%	-8,305	1,566	-18.9%
Operating expenses	-74,959(5)	-70,805	-4,154	5.9%	-23,059	-22,041	-1,018	4.6%	-17,719	-5,340	30.1%
Income tax expense	-22,967	-32,050	9,083	-28.3%	-5,653	-9,926	4,273	-43.0%	-5,367	-286	5.3%
Net income	**131,412**	**120,312**	**11,100**	**9.2%**	**37,411**	**28,337**	**9,074**	**32.0%**	**36,864**	**547**	**1.5%**

(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;
(5) Including impairment loss of assets held for sale.