

# Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

## Consolidated financial results for the year ended 31 December 2015

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 2015 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.

### **12 months 2015 financial highlights**

- Net income is up by 5.2% YoY, to KZT 120.3bn;
- Net interest income before impairment charge is up by 12.9%;
- Impairment charge is up by 64.0%;
- Net interest income is up by 9.9%;
- Fees and commissions from transactional banking are up by 14.0%;
- Net interest margin is at 6.2% p.a. (5.8% p.a. for 12m 2014);
- Cost-to-income ratio is at 29.2% (29.6% for 12m 2014);
- RoAE is at 24.4% p.a. (27.1% p.a. for 12m 2014);
- RoAA is at 3.7% p.a. (4.1% p.a. for 12m 2014);
  
- Total assets are up by 58.6%, YTD;
- Net loans to customers are up by 32.0%;
- Total equity is up by 11.5%;
- NPLs 90-day+ ratio is down to 10.3% (12.9% as at 31 December 2014);
- Cost of risk<sup>1</sup> is at 0.4% p.a. (0.4% p.a. for 12m 2014).

### **4Q 2015 financial highlights**

- Net income is up 26.6% YoY to KZT 28.3bn;
- Net interest income before impairment charge is up by 1.5%;
- Impairment charge is down by 48.7%;
- Net interest income is up by 13.8%;
- Fees and commissions from transactional banking are up by 13.4%;
- Net interest margin is at 5.3% p.a. (6.2% p.a. for 4Q 2014);
- Cost-to-income ratio is at 33.2% (34.2% for 4Q 2014);
- RoAE is at 21.4% p.a. (19.6% p.a. for 4Q 2014);
- RoAA is at 2.8% p.a. (3.2% p.a. for 4Q 2014);
  
- Total assets are up by 17.5%, q-o-q;
- Net loans to customers are up by 10.6%;
- Total equity is up by 4.7%;
- NPLs 90-day+ ratio is down to 10.3% (12.8% as at 30 September 2015);
- Cost of risk<sup>1</sup> is at 0.4% p.a. (1.6% p.a. for 4Q 2014).

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<sup>1</sup>impairment charge on loans to customers as a percentage of monthly average balances of gross loans to customers, annualised.

## **Consolidated Income Statements**

**Interest income** increased by 21.0% for 12m 2015 vs. 12m 2014 mainly due to increase in average balances of net loans to customers by 19.6%, partially driven by KZT devaluation in August 2015, and overall increase of interest rates on interest-earning assets for 12m 2015. **Interest expense** increased by 35.0% for 12m 2015 vs. 12m 2014 due increase in average balances of interest-bearing liabilities, partially driven by KZT devaluation in August 2015, and overall increase of interest rates on interest-bearing liabilities for 12m 2015. As a result, **net interest income before impairment charge** increased by 12.9% to KZT 150.3bn for 12m 2015 vs. 12m 2014.

**Impairment charge** increased by 64.0% for 12m 2015 vs. 12m 2014 mainly due to the growth of loan portfolio and one-off repayment of a large-ticket impaired corporate loan occurred in 2014. Impairment charge for 4Q 2015 decreased by 48.3% vs. 3Q 2015 mainly on the back of some impaired loan repayments during 4Q 2015 and improvement in financial standing of several corporate borrowers. **Cost of risk** was flat at 0.4% p.a. vs. 12m 2014 and decreased to 0.4% p.a. for 4Q 2015 vs. 1.2% p.a. for 3Q 2015. **Provisioning level** decreased to 12.3% as at 31 December 2015 vs. 13.1% as at 30 September 2015 and 14.8% as at 31 December 2014 mainly due to write-offs of fully provisioned non-performing loans for KZT 18.3bn and, to lesser extent, due to loan portfolio growth.

**Fee and commission income from transactional banking** (i.e. excluding pension fund and asset management) increased by 14.0% for 12M 2015 vs. 12M 2014 as a result of higher volumes of payments and increase in certain tariffs.

**Other non-interest income** (excluding insurance) increased 2.0-fold for 12M 2015 vs. 12M 2014 mainly due to positive revaluation gain for KZT 153.2bn on derivative and trading operations (USD/KZT swaps, off-balance sheet), as a result of continuing KZT devaluation. This gain was partially offset by loss on translation differences for KZT 169.5bn as a result of short USD position on balance sheet.

**Operating expenses** grew by 13.5% for 12m 2015 vs. 12m 2014 mainly due to increase in salaries of the Bank's employees starting from 1 July 2014 and consolidation of JSC Altyn Bank in 4Q 2014.

The Bank's cost-to-income ratio decreased to 29.2% for 12m 2015 from 29.6% for 12m 2014 as a result of higher operating income in 12m 2015, driven by interest income growth and gain on USD/KZT swaps.

## **Consolidated statements of financial position**

**Total assets** increased by 58.6% vs. YE 2014 mainly in cash and cash equivalents (2.6 times), loans to customers (32.0%) and financial assets through profit or loss (11.3 times).

**Loans to customers** increased by 28.3% on a gross basis and by 32.0% on a net basis vs. YE2014. Gross loan portfolio growth was attributable to increase in loans across all types of businesses: corporate loans by 29.8%, SME loans by 30.7% and retail loans by 23.3%.

**90-day NPL ratio** decreased to 10.3% as at 31 December 2016 vs. 12.8% as at 30 September 2015. The decrease in 90-day NPL ratio was a combination of repayments and restructuring of several corporate loans overdue by more than 90 days, bad loan write-offs and the Bank's loan portfolio growth during 4Q 2015. As at 31 December 2015, the Bank's IFRS provisions covered 90-day NPLs by 118.5%.

**Deposits of legal entities and individuals** increased by 72.6% and 57.0%, respectively, vs. YE 2014, as a result of new funds placed with the Bank during 12m 2015, as well as positive revaluation of FX deposits after KZT devaluation in August 2015.

**Amounts due to credit institutions** increased by 57.0% vs. YE 2014 mainly due to loans drawn by the Bank in 1Q 2015 from government entities DAMU and DBK within the framework of state programmes, supporting certain sectors of economy, as well as higher volumes of REPO-transactions made through the Kazakhstan Stock Exchange in 3Q and 4Q 2015.

**Debt securities issued** increased by 92.1% vs. YE 2014 mainly due to senior unsubordinated local bonds placed by the Bank with JSC Single Accumulated Pension Fund during 1H 2015 and, to lesser extent, due to recalculation of USD-denominated Eurobond issues at new KZT exchange rate after KZT devaluation in August 2015. The local bonds were placed in several tranches for the total amount of KZT 131.7bn at a 7.5% coupon rate and mature in February 2025. The increase in debt securities issued was partially offset by timely repayment of three subordinated local bond issues: for KZT 4.0bn bearing a coupon of inflation rate plus 1% on 13 April 2015, KZT 3.0bn bearing a coupon of 7.5% on 10 July 2015 and KZT 5.0bn bearing a coupon of 15% minus inflation rate on 3 November 2015.

**Total equity** increased by 11.5% vs. 31 December 2014 due to net profit earned during 12m 2015, partially offset by the Bank's preferred shares buy-back for KZT 24.2bn during the reporting period.

The Bank's regulatory capital adequacy ratios were at k1 – 17.3%, k1-2 –17.3% and k2 – 17.5% as at 31 December 2015 vs. k1 – 17.6%, k1-2 –17.6% and k2 – 17.8% as at 30 September 2015, whereas Basel Tier 1 capital adequacy ratio and total capital adequacy ratio were at 18.0% and 18.2%, respectively, as at 31 December 2015 vs. 17.9% and 18.3%, respectively, as at 30 September 2015. Decimal decrease in capital adequacy ratios as at YE 2015 was mainly due to growth in FX denominated risk-weighted assets as a result of continued KZT devaluation in 4Q 2015.

The consolidated financial information for the year ended 31 December 2015, 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>.

**For further information please contact:**

**Halyk Bank**

Dauren Karabayev	+7 727 259 68 10
Viktor Skryl	+7 727 259 04 27
Mira Kasenova	+7 727 259 04 30