20 March 2013

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the year ended 31 December 2012

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 2012 prepared in accordance with International Financial Reporting Standards, audited by Deloitte, LLP, and are subject to further approval by the Bank's Board of Directors and Annual General Shareholders' Meeting.

2012 financial highlights

- Net income is up by 77.1% to KZT 70.0 bn
- Total assets are up by 5.9%
- Net loans to customers are up by 11.4%
- Liquid assets are down to 28.7% of total assets
- Amounts due to customers are up by 9.1%
- Amounts due to individuals are up by 22.6%
- Amounts due to legal entities are up by 1.4%
- Total equity is up by 9.4%
- Net interest income before impairment charge is up by 4.3%
- Impairment charge is down by 60.8%
- Fees and commissions from transactional banking are up by 17.0%
- Pension fund and asset management fees are up by 48.0%
- Operating expenses are up by 11.8%
- Net interest margin is up to 4.9% p.a. (4.4% p.a. for 12m 2011)
- Cost-to-income ratio is almost flat at 34.4% (34.1% for 12m 2011)
- ROAE is up to 24.0% p.a. (12.3% p.a. for 12m 2011)
- ROAA is up to 2.9% p.a. (1.8% p.a. for 12m 2011)

Consolidated Income Statements

Interest income decreased by 3.1% for 12m 2012 vs. 12m 2011 mainly due to decline in average interest rate on loans to customers to 12.1% p.a. for 12m 2012 vs. 13.2% p.a. for 12m 2011. The decrease in interest rate on loan portfolio was partially off-set by increase in average balances of loans to customers by 6.0% for 12m 2012 vs. 12m 2011 and in average interest rate on debt securities to 4.8% p.a. for 12m 2012 vs. 3.4% p.a. for 12m 2011 as a result of purchases of higher-yielding corporate securities to replace maturing lower-yielding NBK notes and T-bills in the securities portfolio of the Bank and its subsidiaries. **Interest expense** decreased by 11.4% for 12m 2012 vs. 12m 2011 mainly due to decline in average interest rate on amounts due to customers to 2.7% p.a. for 12m 2012 vs. 3.4% p.a. for 12m 2011. As a result, **net interest income before impairment charge** increased by 4.3% to KZT 91.1 bn for 12m 2012 vs. 12m 2011.

Interest income grew by 0.8% for 4Q 2012 vs. 4Q 2011 mainly due to increase in average interest rate on debt securities to 5.2% p.a. for 4Q 2012 vs. 4.1% p.a. for 4Q 2011 as a result of higher-yielding securities purchased to investment portfolios of the Bank and its subsidiaries, as well as increase in average balances of loans to customers by 5.6% and amounts due from credit institutions by 22.9% for 4Q 2012 vs. 4Q 2011. **Interest expense** decreased by 2.8% for 4Q 2012 vs. 4Q 2011 mainly due to decrease in average interest rate on interest-bearing liabilities to 3.8% p.a. for 4Q 2012 from 4.1% p.a. for 4Q 2011. As a result, **net interest income before impairment charge** increased by 4.1% for 4Q 2012 vs. 4Q 2011.

Impairment charge decreased by 60.8% for 12m 2012 vs. 12m 2011, reflecting sufficient provisioning level achieved by the Bank and continued stabilization of the loan portfolio quality. Allowances for loan impairment decreased to 18.7% of gross loans to customers as at YE 2012 vs. 19.7% of gross loans to customers as at YE 2011 mainly due to growth in the loan portfolio.

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 17.0% for 12m 2012 vs. 12m 2011 as a result of growing volumes of transactional banking business.

Net pension fund and asset management fees increased by 48.0% for 12m 2012 vs. 12m 2011. The loss incurred in 3Q 2011 from management of pension assets and recognized as liabilities due to customers of pension fund was fully off-set against the income received by the Pension Fund by 31 July 2012. Performance-linked fees increased to KZT 10.6 bn for 12m 2012 from KZT 1.3 bn for 12m 2011 mainly due to favorable global market situation during 12m 2012 vs. 12m 2011. Asset management fees increased by 24.5% for 12m 2012 vs. 12m 2011 as a result of growing number of pension fund customers and average size of pension contributions.

Other non-interest income (excluding insurance) increased by 24.3% for 12m 2012 vs. 12m 2011 mainly as a result of increase in net dealing by 50.3% for 12m 2012 vs. 12m 2011, increase in net realized gain from available-for-sale investment securities to KZT 1.6 bn for 12m 2012 from KZT 0.1 bn for 12m 2011, and was partially off-set by decrease in gain on foreign exchange translation differences by 54.6% for 12m 2012 vs. 12m 2011. Increase in net foreign exchange dealing was attributable to higher volumes of customer transactions, partially off-set by decrease in margins on those transactions. 2.1-fold increase in other income was mainly due to higher dividends received on investment securities. Gain on foreign exchange translation differences decreased by 54.6% for 12m 2012 vs. 12m 2011 due to lower volumes of transactions with foreign exchange swap instruments during 12m 2012 vs. 12m 2011.

Insurance underwriting income increased by 18.7% for 12m 2012 vs. 12m 2011 mainly due to growing volumes of life and non-life insurance businesses. **Insurance claims incurred, net of reinsurance** increased by 22.5% for 12m 2012 vs. 12m 2011 mainly as a result of 38.7% increase in insurance payments. The increase in insurance payments was mostly due to growing pay-outs under pension annuity products in life insurance business. As a result, **insurance underwriting income less insurance claims incurred, net of reinsurance**, increased by 9.9% for 12m 2012 vs. 12m 2011.

Non-interest expenses (excluding insurance) increased by 7.6% for 12m 2012 vs. 12m 2011 mainly as result of 11.8% increase in operating expenses to KZT 51.8 bn vs. 12m 2011 and KZT 2.1 bn one-off impairment loss recognized by the Bank as a result of revaluation of its assets held-for-sale. The increase in operating expenses was mainly due to 20.3% increase in salaries and other employee benefits as a result of higher employee bonuses accrued for 12m 2012 vs. 12m 2011, salary adjustment to inflation in July 2011, as well as increase in number of employees at some of the Bank's subsidiaries. In 2011 non-interest expenses were affected by KZT 6.2 bn loss recognized from management of pension assets in 3Q 2011. This loss was fully recovered by 31 July 2012 on the back of investment income received by the Pension Fund from management of pension assets.

Consolidated Statements of Financial Position

Total assets increased by 5.9% vs. YE 2011 mainly as a result of increase in net loans to customers by 11.4%, as well as amounts due from credit institutions by 55.5%, available-for-sale investment securities by 9.3% and cash and cash equivalents by 2.7%, partially off-set by decrease in investments held to maturity by 67.3%.

Loans to customers grew by 9.9% on a gross basis and by 11.4% on a net basis vs.YE 2011. Gross loan portfolio growth was attributable to increase in corporate loans by 9.0%, loans to SMEs by 8.1% and consumer loans by 30.2%, partially off-set by 7.6% decrease in mortgage loans.

30-day and 90-day NPLs decreased to 17.5% and 17.0%, respectively, as at 31 December 2012 vs. 20.8% and 19.8%, respectively, as at 30 September 2012 due to repayment and partial restructuring of a number of delinquent loans as well as 9.9% growth in gross loan portfolio. The Bank created regulatory provisions that covered 30-day NPLs by 125.3% and 90-day NPLs by 128.5% as at 31 December 2012.

Term deposits of legal entities decreased by 4.5% vs. YE 2011 mainly as a result of lower interest rates offered by the Bank compared to its peers, as well as partial withdrawal of funds by some corporate clients to finance their ongoing business needs in 1H 2012. During 4Q 2012 term deposits of legal entities increased by 17.1% vs. 3Q 2012 as a result of new funds inflow from the Bank's corporate clients. **Current accounts of legal entities** increased by 5.7% vs. YE 2011 and by 11.7% vs. 3Q 2012 as a result of growing volumes of transactional banking business and FX business.

Term deposits and current accounts of individuals increased by 27.5% and 7.6%, respectively, vs.YE 2011 due to growing volumes of retail banking business.

Debt securities issued decreased by 2.9% vs. YE 2011 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.

As at YE 2012, the Bank had four outstanding Eurobond issues for USD 300 million, USD 500 million, USD 700 million and USD 500 million with bullet maturity in May 2013, October 2013, May 2017 and January 2021, respectively.

Total **equity** increased by 9.4% vs. YE 2011 mainly on the back of net profit earned during 2012, partially off-set by the buy-back of preferred shares from Joint Stock Company "Sovereign Wealth Fund "Samruk-Kazyna" (hereinafter – Samruk-Kazyna).

On 29 June 2012, the Bank repurchased 150,000,000 of its preferred shares from Samruk-Kazyna for the total amount of KZT 27 bn. On 5 July 2012, the Bank repurchased 40,000,000 of its preferred shares from Samruk-Kazyna for the total amount of KZT 7.2 bn. As a result, Samruk-Kazyna continues owning 6,232,499 preferred shares of the Bank which may be repurchased by the Bank as per terms and conditions of the option.

On 14 December 2012 the Bank increased the total number of its authorized shares by splitting its common shares in proportion of one common share to ten common shares (the **"Split"**) according to the decision adopted by the Bank's Extraordinary General Shareholders' Meeting held on 6 December 2012. As a result of the Split the total number of authorised common and preferred shares is 24,000,000,000, out of which 10,907,961,655 are outstanding common shares and 175,437,153 are outstanding preferred shares. The number of the Bank's common shares represented by each Global Depositary Receipt changed as a result of the split accordingly. Starting from 17 December 2012 each Global Depositary Receipt represents 40 (forty) common shares of the Bank.

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 were 8.4%, 10.2% and 15.4%, respectively, as at 31 December 2012 vs. 8.9%, 11.6% and 16.8%, respectively, as at 30 September 2012 and 9.2%, 11.9% and 16.4%, respectively, as at 31 December 2011. Basel Tier 1 capital adequacy ratio and total capital adequacy ratio decreased to 16.2% and 18.3%, respectively, as at 31 December 2012 vs. 17.4% and 20.3%, respectively, as at 30 September 2012 and 16.7% and 19.1%, respectively, as at 31 December 2011.

The consolidated financial information for the year ended 31 December 2012, including the notes attached thereto (hereinafter – the document), are available on Halyk Bank's website http://www.halykbank.kz/en/financial-reports and http://www.halykbank.kz/en/news.
This document is subject to further approval by the Bank's Board of Directors and Annual General Shareholders' Meeting.

Awards 2012

- In January 2012 Global Finance international financial magazine awarded the Bank in "Best Trade Finance Bank in Kazakhstan 2012" nomination and also named the Bank "Best Foreign Exchange Provider in Kazakhstan 2012".

- In March 2012 Global Finance announced the Bank "Best Bank in Kazakhstan 2012".

- In April 2012 "EMEA Finance" announced that the Bank had won, fourth year in a row, "Best Bank in Kazakhstan" award in "Europe Banking Awards 2011" nomination.

- In November 2012 "BusinessNewEurope" international magazine awarded the Bank in "Best Local Bank: Kazakhstan" nomination based on results of "Eurasian Bank Survey 2012" special research.

- In November 2012 the Bank was awarded in "Most effective bank in Kazakhstan" nomination based on results of "Expert-100-Kazakhstan" – the rating of the country's largest companies for 2011.

- In December 2012 the Bank got the Winner's Diploma in "Best annual report in financial sector" nomination based on results of "Best Annual Reports 2011" II contest of annual reports organized by "Expert RA Kazakhstan" Rating Agency.

Key events 2012

- In February 2012 года the Bank was one of the first in Kazakhstan to launch 3D Secure password processing service for its Visa card holders.

- Since 15 April 2012 the Bank started processing payments in Chinese Yuan (RMB) for legal entities.

- In April 2012 the Bank became an operator of Mastercard MoneySend money transfer system which allows the Bank's clients, Mastercard and Maestro card holders, making real time 24-hour card-to-card money transfers.

- On 29 June 2012 the Bank bought back 150,000,000 of its preferred shares from Samruk-Kazyna at KZT 179.94 per share for the total amount of KZT 27 bn. Following this, on 5 July 2012 the Bank bought back 40,000,000 of its preferred shares from Samruk-Kazyna at KZT 180.21 per share for the total amount of KZT 7.2 bn.

- In June 2012 the Bank and JSC National Company "Socio-Entrepreneurial Corporation "Caspiy" signed the Memorandum on mutually beneficial cooperation.

- In July 2012 the Bank received the status of insurance holding.

- In July 2012 the Bank together with MoneyGram company announced that they started providing services in Euro on the territory of Kazakhstan.

- In August 2012 the Bank was the first in Kazakhstan to launch tax payments via "HalykBank" and "Halyk+Beeline" mobile applications.

- On 25 September 2012 the Bank's Board of Directors approved the Dividend policy of JSC "Halyk Bank".

- In September 2012 the Bank and Intervale Kazakhstan announced on the new service of traffic tickets payments through MyPaykz mobile application from banking cards of Kazakhstan banks.

- Since 8 October 2012 the Bank has a new state-owned security holders registrar – JSC "The Integrated Securities Registrar".

- In October 2012 the Bank was the first among commercial banks of Kazakhstan to receive the regulator's permission for establishment of the subsidiary on management of doubtful and bad assets – "Halyk Project" LLP.

- In November 2012 the Bank's Board of Directors approved "The main priorities of strategic development of "Halyk" Group for 2013-2015".

- On 6 December 2012 at the Extraordinary General Shareholders' Meeting Mr. Zhomart Nurabayev was elected the new member of the Bank's Board of Directors representing JSC Holding Group Almex, majority shareholder of the Bank.

- In December 2012 the Bank joined the founding members of UnionPay International (UPI) new payment system, the international division of China UnionPay payment system and was also included into the Council Board of UPI members.

- During 2012 the Bank opened new head offices of JSC "Halyk Bank Georgia" and OJSC "NBK Bank" – the Bank's subsidiaries in Tbilisi, Georgia and in Moscow, Russian Federation, new building of the Bank's regional branch in the town of Kostanay, as well as country's largest personal service centre of the Bank in Astana after renovation works.

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