

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Consolidated financial results for the three months ended 31 March 2013

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 2013.

1Q 2013 financial highlights

- Net income is up by 14.6% to KZT 19.3 bn, YoY;
- Net interest income before impairment charge is up by 4.2%;
- Impairment charge is down by 68.6%;
- Fees and commissions from transactional banking are up by 22.1%;
- ROAE is up to 23.0% p.a. (19.3% p.a. for 1Q 2012);
- ROAA is up to 3.2% p.a. (2.8% p.a. for 1Q 2012);
- Total assets are up by 4.6%, YTD;
- Net loans to customers are up by 2.7%;
- Amounts due to customers are up by 3.7%;
- Amounts due to individuals are up by 7.7% ;
- Amounts due to legal entities are up by 0.9%;
- Total equity is up by 4.8%.

Income statement review

Interest income increased by 8.6% for 1Q 2013 vs. 1Q 2012 mainly due to increase in average balances of loans to customers by 12.4% and in average interest rate on debt securities to 5.3% p.a. for 1Q 2013 vs. 4.1% p.a. for 1Q 2012 as a result of growing corporate bond portfolio. The increase in interest income was partially offset by decrease in average interest rates on loans to customers to 11.5% p.a. for 1Q 2013 vs. 12.1% p.a. for 1Q 2012. **Interest expense** increased by 14.3% for 1Q 2013 vs. 1Q 2012 mainly due to increase in average balances of term deposits of individuals, as well as higher interest rates offered by the Bank to its corporate clients on KZT deposits. As a result, **net interest income before impairment charge** increased by 4.2% to KZT 23.5 bn for 1Q 2013 vs. 1Q 2012.

Impairment charge decreased by 68.6% for 1Q 2013 vs. 1Q 2012, reflecting sufficient provisioning level achieved by the Bank and continued stabilization of the loan portfolio quality. Allowances for loan impairment decreased to 18.4% of gross loans to customers as at 31 March 2013 vs. 18.7% of gross loans to customers as at YE 2012 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 22.1% for 1Q 2013 vs. 1Q 2012 as a result of growing volumes of transactional banking business.

Net pension fund and asset management fees decreased by 35.6% for 1Q 2013 vs. 1Q 2012 due to decrease in performance fees to KZT 2.1 bn for 1Q 2013 from KZT 4.2 bn for 1Q 2012

mainly as a result of more volatile global financial markets during 1Q 2013, ongoing changes in the pension system, investment restrictions imposed by the National Bank of Kazakhstan and higher share of cash in the investment portfolio of Halyk Pension Fund as a result of such restrictions. Asset management fees increased by 18.0% for 1Q 2013 vs. 1Q 2012 as a result of growing size of assets under management.

Other non-interest income (excluding insurance) decreased by 5.9% for 1Q 2013 vs. 1Q 2012 mainly as a result of decrease in gain on foreign exchange operations by 29.6% for 1Q 2013 vs. 1Q 2012, 3.3-fold decrease in net realized gain from available-for-sale investment securities, and was partially off-set by 4.4-fold increase in net gain from financial assets and liabilities at fair value through profit or loss and increase in other income by 12.6% for 1Q 2013 vs. 1Q 2012. The decrease in foreign exchange dealing was mainly due to lower margins in customer transactions in 1Q 2013 vs. 1Q 2012 and one-off customer transactions in 1Q 2012. Increase in net gain from financial assets and liabilities at fair value through profit or loss was mainly due better performance of trading securities portfolio during 1Q 2013 vs. 1Q 2012.

Insurance underwriting income less insurance claims incurred, net of reinsurance, decreased by 31.3% for 1Q 2013 vs. 1Q 2012 mainly due to more conservative policy of recognising expenses related to medical insurance payments. The decrease in insurance underwriting income less insurance claims incurred, net of reinsurance was partially offset by 74.2% increase in insurance underwriting income due to growing volumes of life and non-life insurance business, as well as larger insurance premiums retained by life-insurance company under pension annuity contracts.

Non-interest expenses (excluding insurance) increased by 16.0% for 1Q 2013 vs. 1Q 2012 mainly as result of 16.3% increase in operating expenses. The increase in operating expenses was mainly due to 31.0% increase in salaries and other employee benefits as a result of adjustment in salaries of employees of the Bank and its subsidiaries starting from 1 January 2013.

Statement of financial position review

Total assets increased by 4.6% vs. YE 2012 mainly as a result of growing volumes of business and mainly comprised of increase in insurance assets by 42.7%, cash and cash equivalents by 12.8% and net loans to customers by 2.7%.

Loans to customers grew by 2.3% on a gross basis and by 2.7% on a net basis vs. YE 2012. Gross loan portfolio growth was attributable to increase in corporate loans by 3.4% and consumer loans by 3.7%, partially off-set by 2.0% decrease in loans to SMEs and by 2.5% decrease in mortgage loans.

30-day and 90-day NPLs were at 18.4% and 16.8%, respectively, as at 31 March 2013 vs. 17.5% and 17.0%, respectively, as at 31 December 2012. The increase in 30-day NPLs was a result of few corporate clients, previously provisioned, becoming overdue. The decrease in 90-day NPLs was mainly due to 2.3% growth in gross loan portfolio. The Bank created regulatory provisions that covered 30-day NPLs by 117.1% and 90-day NPLs by 128.1% as at 31 March 2013.

Term deposits of legal entities decreased by 10.4% vs. YE 2012 mainly as a result of low interest rates offered by the bank on FX deposits.

Current accounts of legal entities increased by 8.4% vs. YE 2012 as a result of growing volumes of transactional banking business.

Term deposits and current accounts of individuals increased by 9.2% and 2.5%, respectively, vs. YE 2012 due to growing volumes of retail banking business.

As at 31 March 2013, the Bank's **debt securities issued** mainly consisted of 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.

On 13 May 2013 the Bank repaid in full one of its Eurobond issues for the outstanding amount of USD 270 million bearing a coupon rate of 7.75% p.a. The repayment was made out of the Bank's own funds, utilising the existing liquidity on its balance sheet.

Total **equity** increased by 4.8% vs. YE 2012 mainly on the back of net profit earned during 1Q 2013.

On 15 May 2013 the Annual General Meeting of Shareholders adopted the decision to pay dividends in amount of KZT 12,221 mln to common shareholders (or KZT 1.12 per common share) and dividends in amount of KZT 2,241 mln to preferred shareholders (or KZT 11.2 per preferred share).

Regulatory Tier 1 **capital adequacy ratios** k1-1 and k1-2 and total capital adequacy ratio k2 increased to 10.6%, 12.9% and 15.4%, respectively, as at 31 March 2013 vs. 8.4%, 10.2% and 15.4%, respectively, as at 31 December 2012. Basel Tier 1 capital adequacy ratio and total capital adequacy ratio increased to 16.6% and 18.5%, respectively, as at 31 March 2013 vs. 16.2% and 18.3%, respectively, as at 31 December 2012.

The condensed interim consolidated financial information for the three months ended 31 March 2013, 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>).

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