

2 April 2012

Joint Stock Company “Halyk Savings Bank of Kazakhstan”

Consolidated financial results for the year ended 31 December 2011

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 2011 prepared in accordance with International Financial Reporting Standards and audited by Deloitte LLP.

2011 financial highlights

- Net income is up by 9.1% to KZT 39.5 billion
- Total assets are up by 8.4%
- Loans to customers net are up by 8.7%
- Amounts due to customers are up by 10.0%
- Current accounts are up by 43.0%
- Total equity is down by 2.4%
- Impairment charge is down by 19.1%
- Net interest income is up by 10.3%
- Fee and commission income (excluding pension fund and asset management) is up by 19.7%
- Operating expenses are up by 2.4%
- Net interest margin at 4.4%
- Cost-to-income ratio at 34.2%
- Basel Tier 1 capital adequacy ratio at 16.7%
- Basel Total capital adequacy ratio at 19.1%
- Loan-to-deposit ratio flat at 0.76x
- Provisioning rate at 19.7%
- Return on average common shareholders’ equity is up to 12.3% p.a. vs. 11.8% p.a. for 2010
- Return on average assets is up to 1.8% p.a. vs. 1.7% p.a. for 2010

Consolidated Income Statements

Net income

The Bank’s net income increased by 9.1% to KZT 39.5 billion from KZT 36.2 billion for 2010 primarily due to decrease in interest expense by 8.7%, decrease in impairment charge by 19.1% and increase in net fee and commission income by 17.6%. The increase in net income was partially offset by decrease in interest income by 6.9%, (unrealised) losses incurred from management of pension assets of KZT 5.2 billion and increase in operating expenses by 2.4%.

Interest income

Interest income decreased by 6.9% to KZT 166.2 billion from KZT 178.4 billion for 2010. The decrease was mainly attributable to decline in average interest rate on loans to customers to 13.2% p.a. for 2011 from 14.5% p.a. for 2010. The decrease in interest income was partially offset by increase in average balances of loans to customers by 0.4% and their share in total assets to 52.1% as at YE 2011 from 51.9% as at YE 2010.

Interest expense

Interest expense decreased by 8.7% to KZT 78.9 billion from KZT 86.4 billion for 2010 as a result of decrease in average rate on interest-bearing liabilities to 4.2% p.a. for 2011 from 4.9% p.a. for 2010. The decrease in interest expense was partially offset by 9.3% increase in average balances of amounts due to customers and by 21.9% increase in average balances of debt securities issued for 2011 compared to 2010. The decrease in average rate on interest-bearing liabilities was due to decrease in average interest rate on amounts due to customers to 3.4% p.a. for 2011 from 4.4% p.a. for 2010, in average interest rate on amounts due to credit institutions to 1.8% p.a. for 2011 from 3.1% p.a. for 2010 and in average interest rate on debt securities issued to 8.2% p.a. for 2011 from 8.5% p.a. for 2010.

Impairment charge

Impairment charge decreased by 19.1% to KZT 39.2 billion from KZT 48.4 billion for 2010, reflecting continued stabilization of loan portfolio quality since mid-2009.

Fees and commissions

Fee and commission income from transactional banking (i.e. excluding pension fund and asset management) increased by 19.7% to KZT 30.1 billion from KZT 25.1 billion for 2010 as a result of growing volumes of transactional banking business (including 21.1% increase in the number of active payment cards to 2.3 million from 1.9 million cards) and increase in tariffs per certain types of customer transactions.

The Bank's Pension Fund earned pension fund and asset management fees of KZT 10.8 billion for 2011 vs. KZT 10.1 billion for 2010. 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 billion. These losses can be offset against future income received by the Pension Fund. As at 31 December 2011, these losses decreased to KZT 5.2 billion. Pension fund and asset management fees for 2011 net of mentioned unrealized losses were KZT 5.6 billion.

Other non-interest income

Other non-interest income (excluding insurance) decreased by 2.6% to KZT 11.1 billion from KZT 11.4 billion for 2010 mainly as a result of decrease in net gains from available-for-sale investment securities by 85.8% to KZT 84 million from KZT 591 million for 2010 and decrease in other income by 27.1% to KZT 1.4 billion from KZT 1.9 billion for 2010.

Decrease in other non-interest income (excluding insurance) was partially offset by net gain on foreign exchange operations and decrease in net losses from repurchase of debt securities issued.

Net gain on foreign exchange operations increased by 24.4% to KZT 9.2 billion from KZT 7.4 billion in 2010 primarily due to increase in volumes of foreign exchange transactions. Increase in net gain on foreign exchange operations was partially offset by decrease in net gain from financial assets and liabilities through profit or loss. Financial assets and liabilities through profit or loss consist mainly of foreign exchange derivatives for hedging purposes. Net gain from financial assets and liabilities through profit or loss decreased by 75.4% to KZT 428 million from KZT 1.7 billion for 2010. As a result, net gain on foreign exchange operations including net gain from financial assets and liabilities through profit or loss increased by 5.3% to KZT 9.6 billion from KZT 9.1 billion for 2010.

Insurance underwriting income less insurance claims incurred, net of reinsurance, increased by 0.5% to KZT 4,624 million from KZT 4,601 million for 2010 primarily as a result of 24.8% increase in insurance underwriting income due to growing volumes of non-life insurance business. The increase in insurance underwriting income was partially offset by 40.0% increase in life insurance claims incurred, net of reinsurance, primarily due to increase in life insurance reserves and higher insurance reimbursements paid to life insurance customers.

Operating expenses

Operating expenses increased by 2.4% to KZT 46.4 billion from KZT 45.3 billion for 2010 primarily due to increase in salaries and other employee benefits by 7.3% as a result of higher employee bonuses accrued for 2011 vs. 2010, as well as increase in number of employees at some of the Bank's subsidiaries.

Consolidated Statements of Financial Position

Total assets

Total assets increased by 8.4% during 2011 mainly on account of increase in cash and cash equivalents by 32.3%, loans to customers, net, by 8.7%, obligatory reserves by 92.5% and available-for-sale investment securities by 8.7% partially offset by decrease in investments held to maturity by 54.8%. The Bank's market share in total assets increased to 17.3% as at YE 2011 from 16.8% as at YE 2010.

Liquid assets

Liquid assets decreased by 1.6% to KZT 757.1 billion from KZT 769.6 billion as at YE 2010 mainly due to decrease in portfolio of National Bank notes and Treasury bills of Kazakhstan during 2011. As a result, the share of KZT-denominated liquid assets decreased to 36.5% as at YE 2011 vs. 60.2% as at YE 2010. The share of FX-denominated liquid assets increased to 63.5% as at YE 2011 vs. 39.8% as at YE 2010, mostly on account of increase in FX cash and cash equivalents by 54.9%.

Obligatory reserves

Obligatory reserves increased by 92.5% to KZT 52.5 billion from KZT 27.3 billion as at YE 2010 mainly due to higher minimum reserve requirements set by the National Bank of Kazakhstan at the end of May 2011.

Loans to customers

Net loans to customers increased by 8.7% during 2011, whereas gross loans to customers increased by 9.9% during 2011. During 2011 corporate loans increased by 12.8%, loans to SMEs – by 1.7% and consumer loans – by 23.8%.

During 2011, increase in gross loans to customers was the highest primarily in the following sectors: oil and gas – 265.8%, transportation – 49.0%, energy – 155.9%, real estate – 24.7%, consumer loans – 23.8% and services – 17.0%.

Loans with 30-day overdue payments (NPLs) decreased to 19.8% as at YE 2011 from 21.1% as at 30 September 2011. Loans with 90-day overdue payments (NPLs) increased to 18.7% as at YE 2011 from 17.8% as at 30 September 2011 mainly due to some of 30-day NPLs becoming

overdue by 90 days. The Bank created regulatory provisions that covered these delinquent loans by 120.2% (30-day NPLs) and 127.4% (90-day NPLs) as at YE 2011 respectively.

Amounts due to customers

Amounts due to legal entities increased by 7.2% to KZT 991.2 billion from KZT 924.9 billion as at YE 2010.

Term deposits of legal entities decreased by 20.8% compared to YE 2010 mainly due to lower interest rates offered by the Bank compared to its peers. Term deposits of legal entities increased by 11.7% compared to 30 September 2011 mainly due to new deposits placed with the Bank by its corporate clients during 4Q 2011.

Current accounts of legal entities increased by 44.9% compared to YE 2010 due to new funds placed with the Bank by its corporate clients and due to growing volumes of transactional banking business during 2011.

Term deposits and current accounts of individuals increased by 10.0% and 35.5%, respectively, compared to YE 2010.

Amounts due to customers comprise the largest source of funding for the Bank with 79.3% of liabilities as at YE 2011. The Bank held the highest market share in total deposits (19.5%), total retail deposits (20.2%), retail current accounts (36.7%), total corporate deposits (19.1%) and corporate current accounts (24.8%) among Kazakhstan banks as at YE 2011.

Amounts due to credit institutions

Amounts due to credit institutions decreased by 41.7% compared to YE 2010 mainly due to decrease in loans and deposits from Kazakhstan and OECD based banks.

Loans and deposits from OECD based banks decreased due to repayment by the Bank of trade finance and commercial loans in accordance with repayment schedules.

Debt securities issued

Debt securities issued increased by 23.4% compared to YE 2010 primarily as a result of USD 500 million Eurobond issue on 28 January 2011 with a tenor of 10 years bullet and a coupon of 7.25% p.a. The offering was priced at 98.263% with a yield to investors of 7.5% p.a.

As at YE 2011, 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.

The increase in debt securities issued was partially offset by voluntary prepayment of subordinated inflation indexed KZT denominated local bonds for a principal amount of KZT 10 billion in October 2011.

Equity

Total equity decreased by 2.4% compared to YE 2010 mainly due to repurchase of common shares from Joint Stock Company “National Wealth Fund “Samruk-Kazyna” (further – JSC “Samruk-Kazyna”), payment of dividends on preferred shares for 2010 and comprehensive loss of

KZT 1.8 billion for 2011. The decrease in total equity was partially offset by 18.9% increase in retained earnings.

On 28 March 2011 the Bank purchased part of a call option in respect of its common shares for KZT 12,867 million from JSC Holding Group Almex (further – Almex), its largest shareholder. Under this option, on 30 March 2011 the Bank repurchased 213,000,000 shares of its common shares from JSC “Samruk-Kazyna” for the total amount of KZT 27,008 million.

In June 2011, the Bank paid dividends on preferred shares for 2010 in total amount of KZT 5.2 billion.

Regulatory Tier 1 capital adequacy ratios k1-1 and k1-2 and total capital adequacy ratio k2 were 9.2%, 11.9% and 16.4%, respectively, as at YE 2011. Basel Tier 1 capital adequacy ratio and Total capital adequacy ratio were 16.7% and 19.1%, respectively, as at YE 2011. Capital adequacy ratios decreased during 2011 on the back of growing risk-weighted assets and decrease in shareholder equity. The decrease in regulatory capital was also due to voluntary prepayment of subordinated inflation indexed KZT denominated local bonds for a principal amount of KZT 10 billion in October 2011.

The consolidated financial information for the year ended 31 December 2011, including the notes attached thereto, are available on Halyk Bank’s website (<http://www.halykbank.kz/en/investor-relations/reports>).

Key events 2011

- In January 2011, the Bank, first among CIS banks since the start of the crisis, issued USD 500 million Eurobond with a 10-year maturity.
- In January 2011, the Bank launched new “Midlet with encryption” software application, which allows paying for goods and services, making money transfers and accessing bank account via mobile phone using “Verified Visa” technology.
- In January 2011, the Bank jointly with JSC “Passazhirskiye Perevozki”, subsidiary of JSC “National Company “Kazakhstan Temir Zholy”, launched the network of self-service transaction terminals for sale of railway tickets.
- In February 2011, the Bank was the first among major Kazakhstan banks to receive PCI DSS (Payment Card Industry Data Security Standard) certification.
- On 30 March 2011 the Bank purchased part of a call option in respect of its common shares for KZT 12,867 million from Almex, its largest shareholder. Under this option the Bank repurchased 213,000,000 shares of its common shares from JSC “Samruk-Kazyna” for the total amount of KZT 27,008 million. Also Almex repurchased 46 064 909 of the Bank’s ordinary shares from JSC “Samruk-Kazyna”.
- In March 2011, “Global Finance” journal awarded the Bank “Best Bank in Kazakhstan 2011”.
- On 21 April 2011, at the Annual General Shareholders Meeting, Mr. Ulf Wokurka was elected the new Independent Non-executive Director of the Board of Directors.

- On 25 April 2011, international rating agency Fitch Ratings upgraded long-term issuer default rating of the Bank from B+ to BB-.
- In April 2011, “Emeafinance” journal awarded the Bank “Best Bank in Kazakhstan 2011”.
- In May 2011, the Bank launched bonus loyalty programme “Halyk Bonus Club” for the holders of the Bank’s payment cards. Under the programme the holders of the Bank’s payment cards qualify for special loyalty discounts when using the Bank’s cards for payment of goods and services.
- In June 2011, the Bank jointly with LLP “Kar-Tel”, major mobile operator in Kazakhstan under Beeline trademark, introduced new software application for mobile phones branded “Halyk + Beeline”. The new application supports payments from mobile phones to more than 50 service providers including mobile operators, cable TV and utility companies.
- In June 2011, the new office of the Bank’s branch in the city of Kyzylorda was opened after its reconstruction.
- In June 2011, the Bank opened new office in the town of Priozersk, Karaganda region.
- In June 2011, the Bank paid in full dividends on its preferred shares (NIN KZ1P33870117) and convertible preferred shares (NIN KZ1P33870216) at KZT14.08 per share. The overall amount of dividends, including income tax was KZT 5.2 billion.
- In July 2011, “Euromoney” journal awarded the Bank “Best Bank in Kazakhstan 2011”.
- In July 2011, JSC Halyk Finance launched the new “Halyk TradePro” trading platform for on-line trading on JSC Kazakhstan Stock Exchange (KASE).
- The Bank was the first among Kazakhstan’s banks to launch “Halyk Bank” software application for Android OS smartphones in May 2011 and for iPhones – in September 2011.
- In October 2011, Mrs. Aliya Karpykova was appointed the Deputy Chairman of the Management Board, having replaced Mrs. Nailya Abdulina in this position. Previously Mrs. Karpykova had been the Bank’s CFO.
- In October 2011, “Global Finance” journal awarded the Bank “Best Foreign Exchange Provider Kazakhstan 2011”.
- In October 2011, JSC “Halyk Bank Georgia” opened new branch in the city of Batumi, Georgia.
- On 12 December 2011, the international rating agency Standard & Poor’s upgraded the Bank’s long-term counterparty rating to BB from B+.
- In December 2011, “The Banker” journal awarded the Bank “Bank of the Year in Kazakhstan”.
- In December 2011, the Bank was named the “Best service provider” and received the President’s Quality of Service Award “Altyn Sapa”.

- The Bank was named “The leader in the state securities market”, “The leader in the REPO market” and “The leader in issuer’s transparency” by KASE. The Bank’s subsidiary JSC Halyk Finance was nominated “The leading financial advisor” by KASE.
- The Bank was nominated “The best employer in two capital cities” by the 4th international conference “HR management: innovation in HR” organized by JSC “Samruk-Kazyna” and JSC “National Company “KazMunayGas”.
- The Bank was the first Bank in Kazakhstan to issue the joint card of Visa International and ISIC Association – Visa Electron ISIC.
- The Bank and LLP “Intervale Kazakhstan” launched the first “MyPaykz” mobile payment system.
- The Bank became the leader among Kazakhstan banks by the number of projects financed under the governmental program Business Road Map 2020. The Bank already approved 195 projects for the total amount of KZT 112.6 billion and disbursed loans under 87 of them.

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