3 June 2011

Joint Stock Company “Halyk Savings Bank of Kazakhstan”

Consolidated financial results for the three months ended 31 March 2011

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 three months ended 31 March 2011.

The first quarter of 2011 has been another quarter of robust organic development for Halyk Group. Our business lines delivered strong and sustainable operating results. Our market shares in net loans, net fees and commission income, total assets as well as pension fund business continued to increase. In January, we placed a benchmark USD 500 million Eurobond, the first public transaction for a private sector CIS bank since May 2008. On 30 March 2011, the Bank successfully repaid the common equity provided by National Wealth Fund ‘Samruk-Kazyna’. In April 2011, Fitch Ratings upgraded the Bank’s rating to “BB-” from “B+”. I believe that the Bank has all the necessary means for further development along with its strategic goals and expectations of its clients, investors, and business partners.

Umut Shayakhmetova, Chairperson of the Management Board

1Q 2011 financial highlights

- Net income was KZT 10.6 billion for 1Q 2011, up by 4.2 percent from KZT 10.2 billion for 4Q 2010 and down by 6.4 percent from KZT 11.4 billion for 1Q 2010
- Total assets increased by 7.2 percent
- Amounts due to customers increased by 10.3 percent, including amounts due to legal entities by 12.8 percent and amounts due to individuals by 5.5 percent
- Current accounts increased by 41.0 percent, including current accounts of legal entities by 50.2 percent and current accounts of individuals by 6.3 percent
- Gross loans to customers remained almost flat as compared to YE 2010
- Debt securities issued increased by 29.4 percent
- Total equity decreased by 7.8 percent
- Net interest income decreased by 2.6 percent to KZT 10.5 billion from KZT 10.8 billion for 1Q 2010
- Impairment charge decreased by 15.3 percent to KZT 11.3 billion from KZT 13.3 billion for 1Q 2010
- Fee and commission income (excluding pension fund and asset management) increased by 24.0 percent to KZT 6.6 billion from KZT 5.3 billion for 1Q 2010
- Pension fund and asset management fees increased by 46.4 percent to KZT 5.0 billion from KZT 3.4 billion for 1Q 2010 and by 18.4 percent from KZT 4.3 billion for 4Q 2010
- Operating expenses increased by 1.1 percent to KZT 10.5 billion for 1Q 2011 from KZT 10.4 billion for 1Q 2010 and decreased by 22.4 percent from KZT 13.6 billion for 4Q 2010
- Net interest margin before allowance for impairment losses decreased to 4.4 percent from 5.2 percent for 1Q 2010

- Cost-to-income ratio was 28.7 percent for 1Q 2011 compared to 28.6 percent for 1Q 2010 and 34.8 percent for 4Q 2010
- Basel Tier 1 capital adequacy ratio at 16.8 percent
- Basel Total capital adequacy ratio at 20.6 percent
- Loan-to-deposit ratio decreased to 0.69x from 0.77x as at YE 2010
- Provisioning rate at 19.5 percent
- Return on average common shareholders' equity was 13.6 percent for 1Q 2011 (annualized) compared to 11.8 percent for 2010
- Return on average total assets was 1.9 percent for 1Q 2011 (annualized) compared to 1.7 percent for 2010

Financial Overview

Condensed Interim Consolidated Income Statement

Net income

The Bank's net income decreased by 6.4 percent to KZT 10.6 billion for 1Q 2011 from KZT 11.4 billion for 1Q 2010 primarily due to 12.2 percent decrease in interest income and 64.5 percent increase in insurance claims incurred, net of reinsurance, for 1Q 2011 compared to 1Q 2010. In 1Q 2010, the Bank received one-off income for KZT 3.6 billion (KZT 3.0 billion after the income tax) from restructuring of one of the major loans which resulted in higher interest income for 1Q 2010 compared to 1Q 2011. The decrease in net income was partially offset by 14.8 percent decrease in interest expense, 15.3 percent decrease in impairment charge, 42.4 percent increase in net fee and commission income and 53.7 percent increase in net gain on foreign exchange operations.

The Bank's net income increased by 4.2 percent to KZT 10.6 billion for 1Q 2011 from KZT 10.2 billion for 4Q 2010 primarily due to 9.4 percent increase in net fee and commission income and 58.2 percent increase in net gain on foreign exchange operations.

Interest income

Interest income decreased by 12.2 percent to KZT 41.6 billion from KZT 47.4 billion for 1Q 2010. The decrease was mainly attributable to decline in average interest rate on loans to customers to 14.0 percent p.a. from 16.3 percent p.a. and decrease in their share in total assets to 48.0 percent from 51.9 percent, as well as decrease in average interest rate on the Bank's securities portfolio to 3.4 percent p.a. from 4.4 percent p.a. In addition, the Bank's interest income for 1Q 2010 was higher compared to 1Q 2011 due to a one-off income for KZT 3.6 billion.

Interest expense

Interest expense decreased by 14.8 percent to KZT 19.9 billion from KZT 23.3 billion for 1Q 2010 as a result of decrease in average interest rate on interest-bearing liabilities to 4.4 percent p.a. from 5.5 percent p.a. for 1Q 2010. The decrease in interest expense was partially offset by 12.5 percent increase in average balances of amounts due to customers and by 16.0 percent increase in average balances of debt securities issued compared to 1Q 2010. The decrease in average interest rate on interest-bearing liabilities was due to decrease in average interest rate on amounts due to customers to 3.6 percent p.a. from 5.1 percent p.a. for 1Q 2010, in average interest rate on amounts due to credit institutions to 1.8 percent p.a. from 3.4 percent p.a. for 1Q 2010 and in average interest rate on debt securities issued to 8.4 percent p.a. from 8.7 percent p.a. for 1Q 2010.

Impairment charge

Impairment charge decreased by 15.3 percent to KZT 11.3 billion from KZT 13.3 billion for 1Q 2010, reflecting sufficient provisioning level and continued stabilization of the 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 24.0 percent to KZT 6.6 billion from KZT 5.3 billion for 1Q 2010 primarily as a result of growing volumes of transactional banking business.

Fees and commissions from pension fund and asset management increased by 46.4 percent to KZT 5.0 billion from KZT 3.4 billion for 1Q 2010. Performance-linked asset management fees (disclosed in the local regulatory reports) increased by 51.6 percent to KZT 4.1 billion from KZT 2.7 billion for 1Q 2010 as a result of overall recovery in domestic and global financial markets. Pension assets administration fees increased by 28.4 percent to KZT 981 million from KZT 764 million for 1Q 2010 as a result of growing number of pension fund customers and average size of pension contributions.

Fee and commission expense decreased by 20.1 percent to KZT 1.1 billion from KZT 1.4 billion for 1Q 2010 mainly as a result of 32.7 percent decrease in deposit insurance fees.

Other non-interest income

Other non-interest income (excluding insurance underwriting income) decreased by 10.8 percent to KZT 3.0 billion from KZT 3.3 billion for 1Q 2010 primarily as a result of negative net fair value adjustment on financial assets and liabilities at fair value through profit or loss and net realized loss from available-for-sale investment securities in 1Q 2011 compared to 1Q 2010. This decrease was partially offset by 53.7 percent increase in net gain on foreign exchange operations to KZT 3.1 billion from KZT 2.0 billion for 1Q 2010 due to growing volumes of FX conversion transactions with clients and net long KZT position held by the Bank during 1Q 2011.

Insurance premiums written, gross, increased by 28.9 percent to KZT 8.5 billion from KZT 6.6 billion for 1Q 2010 due to growing volumes of insurance business. The increase in insurance premiums written was offset by increase in special reserves for unearned insurance premiums, net, in accordance with the recent changes in the local prudential regulation. Insurance claims incurred, net of reinsurance, increased by 64.5 percent to KZT 2.6 billion from KZT 1.6 billion for 1Q 2010 primarily due to increase in reserves for incurred, but not filed, claims in accordance with recent changes in the local prudential regulation. As a result, net insurance revenues (insurance underwriting income less insurance claims incurred, net of reinsurance) decreased by 77.3 percent to KZT 305 million from KZT 1.3 billion for 1Q 2010.

Non-interest expenses

Operating expenses increased by 1.1 percent to KZT 10.5 billion for 1Q 2011 from KZT 10.4 billion for 1Q 2010 primarily due to increase in salaries and other employee benefits by 29.8 percent as a result of partial accrual of employee bonuses for 2010 and increase in depreciation and amortization expenses by 6.9 percent.

Operating expenses decreased by 22.4 percent to KZT 10.5 billion for 1Q 2011 from KZT 13.6 billion for 4Q 2010 mainly on the back of higher expenses on salaries and other employee benefits in 4Q 2010 compared to 1Q 2011.

Cost-to-income ratio remained almost flat for 1Q 2011 compared to 1Q 2010 and decreased to 28.7 percent for 1Q 2011 from 34.8 percent for 4Q 2010.

Condensed Interim Consolidated Statement of Financial Position

Total assets

Total assets increased by 7.2 percent during 1Q 2011 mainly due to 80.3 percent increase in investments held to maturity and 45.7 percent increase in available-for-sale investment securities, partially offset by 29.1 percent decrease in cash and cash equivalents and 0.9 percent decrease in net loans to customers.

Liquid assets

Liquid assets increased by 19.4 percent to KZT 918.6 billion from KZT 769.6 billion as at YE 2010 due to purchase of NBK notes, Treasury bills of the Ministry of Finance of Kazakhstan and bonds of the Development Bank of Kazakhstan. The increase was partially offset by 29.1 percent decrease in cash and cash equivalents during 1Q 2011 mainly as a result of decrease in balances of short-term deposits with the National Bank of Kazakhstan, as well as overnight and short-term deposits with OECD based banks.

Loans to customers

Net loans to customers decreased by 0.9 percent during 1Q 2011, whereas loans to customers before allowance for loan impairment remained almost flat during the same period. Loans to corporate clients (excluding loans to SMEs) increased by 0.6 percent, whereas loans to SMEs and retail customers decreased by 0.3 percent and 2.1 percent, respectively, as a result of loan repayments being faster than issuance of new loans in these segments during 1Q 2011. During April 2011, loans to customers before allowance for loan impairment increased by 2.2 percent as compared to 31 March 2011, including loans to corporate clients - by 2.5 percent, loans to SME customers - by 0.7 percent and retail loans - by 2.4 percent.

During 1Q 2011, loans to customers before allowance for loan impairment increased the highest primarily in the following sectors: energy – by 66.5 percent, retail trade – by 3.2 percent, machinery – by 19.9 percent and transportation - by 4.6 percent.

Loans with 30-day overdue payments (30-day NPLs) increased to 20.3 percent of the gross loan portfolio as at 31 March 2011 from 18.0 percent as at 31 December 2010. Loans with 90-day overdue payments (90-day NPLs) increased to 16.5 percent of the gross loan portfolio as at 31 March 2011 from 16.3 percent as at 31 December 2010. The increase in NPLs in 1Q 2011 was mainly due to seasonality effect and migration of some restructured loans to non-performing loans as a result of tight restructuring standards followed by the Bank. As at 30 April 2011, loans with 30-day and 90-day overdue payments (NPLs) were at 19.3 percent and 16.6 percent, respectively.

The Bank created regulatory provisions that covered 30-day NPLs by 119.8 percent as at 31 March 2011 and by 124.5 percent as at 30 April 2011. At the same time, regulatory provisions covered 90-day NPLs by 146.6 percent as at 31 March 2011 and by 144.4 percent as at 30 April 2011.

Amounts due to customers

Term deposits of legal entities decreased by 14.8 percent and current accounts of legal entities increased by 50.2 percent compared to YE 2010. These changes were mainly due to transfer by the clients of their funds from term deposits into current accounts.

Term deposits and current accounts of individuals increased by 5.3 percent and 6.3 percent, respectively, compared to YE 2010.

Amounts due to customers comprise the largest source of funding for the Bank with 79.8 percent of liabilities as at 31 March 2011. As at the same date, the Bank held the highest market share in total deposits (21.3 percent), total retail deposits (22.0 percent), retail current accounts (37.6 percent), total corporate deposits (20.9 percent) and corporate current accounts (29.0 percent).

Amounts due to credit institutions

Amounts due to credit institutions decreased by 69.2 percent compared to YE 2010 mainly due to decrease in loans and deposits from Kazakhstan and OECD based banks.

The decrease in loans and deposits from Kazakhstan banks was mainly due to partial withdrawal of deposits by some Kazakhstan 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 29.4 percent compared to YE 2010 primarily as a result of the Bank's issuance and placement of USD 500 million Eurobonds on 28 January 2011, with a tenor of 10 years bullet and a coupon of 7.25 percent p.a. The offering was priced at 98.263 percent with a yield to investors of 7.5 percent p.a.

As at 31 March 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.

Equity

Total equity decreased by 7.8 percent to KZT 293.0 billion from KZT 317.9 billion as at YE 2010. On 28 March 2011, the Bank purchased part of a call option in respect of its common shares for KZT 12,867 million from Holding Group Almex JSC, its largest shareholder. Under this option, on 30 March 2011, the Bank repurchased 213,000,000 shares of its common shares from Joint Stock Company "National Wealth Fund "Samruk-Kazyna" for the total amount of KZT 27,008 million.

Following the transaction, as at 31 March 2011, regulatory Tier 1 capital adequacy ratios k1-1 and k1-2 and total capital adequacy ratio k2 were 9.6 percent, 13.5 percent and 17.5 percent, respectively. Basel Tier 1 capital adequacy ratio and Total capital adequacy ratio were 16.8 percent and 20.6 percent, respectively, as at 31 March 2011.

The condensed interim consolidated financial information for the three months ended 31 March 2011, including the notes attached thereto, are available on Halyk Bank's website (http://www.halykbank.kz/contents/index/type:invReport/lang:eng and http://www.halykbank.kz/eng/news/index).

KEY FINANCIAL RATIOS

	31-Mar-11	31-Dec-10	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09
	unaudited					
Amounts due to customers / total liabilities	79.8%	79.5%	78.1%	78.2%	76.0%	73.1%
Loans / deposits ratio (1)	0.69x	0.77x	0.80x	0.74x	0.80x	0.89x
Liquid assets(2) / total assets	40.8%	36.7%	34.5%	38.0%	36.3%	33.1%
NPLs / gross loans(3)	20.3%	18.0%	18.5%	19.6%	20.6%	19.0%
Provisioning rate (4)	19.5%	18.9%	18.2%	17.5%	16.4%	15.5%
Regulatory provisioning rate	24.2%	23.3%	22.2%	21.5%	20.2%	18.8%
Tier 1 capital adequacy ratio(5)	16.8%	17.3%	18.4%	17.4%	17.9%	16.9%
Total capital adequacy ratio(5)	20.6%	20.5%	22.5%	21.0%	21.9%	20.6%
Tier 1 capital adequacy ratio (k1-1)(6)	9.6%	10.9%	11.0%	10.4%	10.9%	11.1%
Tier 1 capital adequacy ratio (k1-2)(6)	13.5%	13.5%	14.5%	14.2%	14.9%	14.3%
Tier 2 capital adequacy ratio (k2)(6)	17.5%	18.3%	19.8%	18.7%	19.0%	18.0%

RETAIL BUSINESS DATA

	31-Mar-11	31-Dec-10	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09
	unaudited					
Number of branches and outlets	631	632	629	628	622	622
Number of ATMs	1,691	1,686	1,686	1,682	1,682	1,690
Number of POS-terminals	4,646	4,160	3,825	3,672	3,502	3,422
Information and transaction terminals (multiservice kiosks)	581	594	594	569	572	572

	For the three months ended	
	31-Mar-11	31-Mar-10
	unaudited	
Cost-to-income(7)	28.7%	28.6%
Return on average common shareholders' equity (ROAE)	13.6%	16.7%
Return on average assets (ROAA)	1.9%	2.2%
Net interest margin	4.4%	5.2%
Operating expenses/average total assets	1.9%	2.0%

(1) Loans to customers, net / amounts due to customers.
(2) On consolidated IFRS basis, liquid assets consist of "Cash and cash equivalents", NBK notes, Treasury bills of the Ministry of Finance of Kazakhstan, Treasury bills of the governments of other countries, notes of national banks of other countries, bonds of quasi-sovereign banks.
(3) Total NPLs 30+ (total principle amount of loans with principle and/or interest overdue by more than 30 days) / Gross loan portfolio, unconsolidated.
(4) Allowance for loan impairment / loans to customers before allowance for loan impairment.
(5) As per Guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements.
(6) As per the FMSA Guidelines, Bank only.
(7) Operating expenses/operating income before impairment charge. Operating income before impairment charge is net interest income before impairment charge, plus fees and commissions, net, and other non-interest income, less insurance claims incurred, net of reinsurance and expenses for insurance reserves.

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