15 March 2011

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the year ended 31 December 2010

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 2010 prepared in accordance with International Financial Reporting Standards and audited by Deloitte, LLP.

"The year 2010 has been a turning point for Kazakhstan as its economy and financial system revealed positive growth. As the situation in the financial sector has been clearing out, the international rating agencies upgraded their sovereign ratings on Kazakhstan and their outlook on ratings of certain Kazakhstan banks. Halyk Bank's results for the year 2010 were in line with the positive shifts in Kazakhstan economy. Among our main achievements I would point out the significant increase of net income, improvements in the loan portfolio quality, partial repayment of the government funds and change of outlook on the Bank's ratings by the international rating agencies to "stable". We believe that the results of the year 2010 have created a good platform for the Bank's further development and operations in the future. "

Umut Shayakhmetova, Chairperson of the Management Board

2010 financial highlights

- Net income increased by 128.1 percent to KZT 36.2 billion from KZT 15.9 billion for 2009
- Total assets increased by 3.7 percent
- Amounts due to customers increased by 11.1 percent
- Current accounts increased by 24.2 percent, including current accounts of legal entities by 23.9 percent and current accounts of individuals by 25.2 percent
- Gross loans to customers increased by 0.2 percent
- Total equity increased by 13.1 percent
- Net interest income increased by 504.4 percent to KZT 43.6 billion from KZT 7.2 billion for 2009
- Impairment charge decreased by 42.0 percent to KZT 48.4 billion from KZT 83.5 billion for 2009
- Fee and commission income (excluding pension fund and asset management) increased by 6.4 percent to KZT 25.1 billion from KZT 23.6 billion for 2009
- Pension fund and asset management fees decreased by 37.5 percent to KZT 10.1 billion for 2010 from KZT 16.1 billion for 2009 and increased by 80.7 percent to KZT 4.3 billion for 4Q 2010 from KZT 2.4 billion for 3Q 2010
- Operating expenses increased by 8.5 percent to KZT 45.3 billion from KZT 41.7 billion for 2009

- Net interest margin before allowance for impairment losses decreased to 4.8 percent for 2010 from 5.3 percent for 2009 and increased to 5.4 percent for 4Q 2010 from 4.7 percent for 3Q 2010
- Cost-to-income ratio at 32.4 percent
- Basel Tier 1 capital adequacy ratio at 17.3 percent
- Basel Total capital adequacy ratio at 20.5 percent
- Loan-to-deposit ratio decreased to 0.77x from 0.89x as at YE 2009
- Provisioning rate increased to 18.9 percent of gross loans to customers from 15.5 percent as at YE 2009
- Return on average common shareholders' equity increased to 11.8 percent p.a. from 6.3 percent p.a. for 2009
- Return on average total assets increased to 1.7 percent p.a. from 0.8 percent p.a. for 2009

Financial Overview

Consolidated Income Statement

Net income

The Bank's net income increased by 128.1 percent to KZT 36.2 billion from KZT 15.9 billion for 2009 primarily due to decrease in interest expense by 16.4 percent and in impairment charge on interest earning and other assets by 42.0 percent as well as increase in fee and commission income from transactional banking (i.e. excluding pension fund and asset management) by 6.4 percent. The increase in net income was partially offset by decrease in interest income by 8.0 percent, in pension fund and asset management fees by 37.5 percent and in net gain on foreign exchange operations by 35.4 percent as well as increase in operating expenses by 8.5 percent.

Interest income

Interest income decreased by 8.0 percent to KZT 178.4 billion for 2010 from KZT 194.0 billion for 2009. The decrease was mainly attributable to decline in average interest rate on loans to customers by 0.5 percentage points and their share in total assets by 4.1 percentage points, as well as increase in liquid assets by 14.6 percent for 2010 compared to 2009.

Interest income increased by 1.8 percent to KZT 44.2 billion for 4Q 2010 from KZT 43.4 billion for 3Q 2010. The increase was mainly due to the growth of average interest rate on loans to customers by 0.4 percentage points and their average balances by 0.2 percent, as well as increase in average balances of investments held-to-maturity for the same period.

Interest expense

Interest expense decreased by 16.4 percent to KZT 86.4 billion for 2010 from KZT 103.3 billion for 2009 as a result of decrease in average rate on interest-bearing liabilities to 4.9 percent p.a. for 2010 from 6.1 percent p.a. for 2009, partially offset by a 17.7 percent increase in average balances of amounts due to customers for 2010 compared to 2009. The decrease in average rate on interest-bearing liabilities was due to decrease in average rate on amounts due to customers to 4.4 percent p.a. for 2010 from 5.7 percent p.a. for 2009, in average interest rate on amounts due to credit institutions to 3.1 percent p.a. for 2010 from 4.2 percent p.a. for 2009 and on debt securities issued to 8.5 percent p.a. for 2010 from 9.3 percent p.a. for 2009.

Interest expense decreased by 5.9 percent to KZT 19.6 billion for 4Q 2010 from KZT 20.8 billion for 3Q 2010 as a result of decreased average balances of interest-bearing liabilities. Average rates on interest-bearing liabilities remained flat during 4Q 2010 compared to 3Q 2010.

Impairment charge

Impairment charge decreased by 42.0 percent to KZT 48.4 billion from KZT 83.5 billion for 2009, 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 6.4 percent to KZT 25.1 billion from KZT 23.6 billion for 2009 primarily as a result of growing volumes of transactional banking business. The increase was partially offset by a 43.4 percent decrease in fee and commission income from maintenance of customer accounts to KZT 1.9 billion from KZT 3.3 billion for 2009.

As per FMSA statistics, performance-linked asset management fees in pension fund business decreased by 51.0 percent to KZT 6.6 billion for 2010 from KZT 13.6 billion for 2009 as a result of overall decline on domestic and global securities markets in May, June and August 2010. This decline was partially offset by increase in pension administration fees by 34.1 percent to KZT 3.4 billion for 2010 from KZT 2.6 billion for 2009 as a result of growing number of pension fund customers and average size of pension contributions.

As per FMSA statistics, performance-linked asset management fees in pension fund business increased by 125.2 percent to KZT 3.3 billion for 4Q 2010 from KZT 1.5 billion for 3Q 2010 due to better conditions on the global securities markets.

Fee and commission expense increased by 5.8 percent to KZT 5.2 billion from KZT 4.9 billion for 2009 mainly as a result of increase in commission paid to collectors by 39.3 percent in 2010 compared to 2009 and in expenses on deposit insurance by 7.0 percent in 2010 compared to 2009.

Other non-interest income

Other non-interest income decreased by 3.3 percent to KZT 23.4 billion from KZT 24.2 billion for 2009, primarily as a result of a 35.4 percent decrease in net gain on foreign exchange operations mainly due to a "one-off" increase in volumes of foreign exchange operations by customers in 1Q 2009 due to KZT devaluation. The decrease in other non-interest income was partially offset by a 5.4-fold increase in net realized gain from available-for-sale investment securities to KZT 591.0 million from KZT 109.0 million for 2009 and a 43.7 percent increase in other non-interest income to KZT 1.9 billion from KZT 1.3 billion for 2009.

Insurance underwriting income less insurance claims incurred, net of reinsurance, decreased by 2.5 percent to KZT 4.6 billion from KZT 4.7 billion for 2009 as a result of an 81.1 percent increase in insurance claims incurred, net of reinsurance in 2010 compared to 2009. At the same time, insurance underwriting income increased by 36.2 percent in 2010 compared to 2009 on the back of increase in insurance premiums written by 25.3 percent due to growing volumes of insurance business.

Other non-interest income increased by 14.4 percent to KZT 6.5 billion for 4Q 2010 from KZT 5.7 billion for 3Q 2010 primarily as a result of a 34.4 percent increase in net gain on foreign exchange operations due to positive translation differences.

Non-interest expenses

Operating expenses increased by 8.5 percent to KZT 45.3 billion from KZT 41.7 billion for 2009 primarily due to increase in salaries and other employee benefits by 21.2

percent as a result of accrual of employee bonuses for 2010, due to increase in other operating expenses by 127.7 percent and due to "one-off" write-off of intangible assets for KZT 1.1 billion in 1Q 2010. This was partially off-set by decreased expenses on impairment of property and equipment by 97.1 percent, rent by 32.3 percent, repair and maintenance by 24.9 percent and insurance agents fees by 35.5 percent.

Consolidated Statement of Financial Position

Total assets

Total assets increased by 3.7 percent during 2010 mainly due to a 10.1-fold increase in investments held to maturity, a 40.5 percent increase in available-for-sale investment securities and an 87.5 percent increase in insurance assets, partially offset by decrease in cash and cash equivalents by 18.3 percent, in loans to customers by 3.9 percent and in amounts due from credit institutions by 64.1 percent.

Liquid assets

Liquid assets increased by 14.6 percent to KZT 767.9 billion from KZT 669.8 billion as at YE 2009 mainly due to purchase of NBK notes and Treasury bills of the Ministry of Finance of Kazakhstan, as well as bonds of the Development Bank of Kazakhstan. The increase was partially offset by a 18.3 percent decrease in cash and cash equivalents during 2010 mainly as a result of decrease in balances of short-term deposits with the National Bank of Kazakhstan, cash on hand and correspondent accounts with OECD based banks.

Loans to customers

Net loans to customers decreased by 3.9 percent during 2010, whereas loans to customers before allowance for loan impairment increased by 0.2 percent during 2010. The increase in gross loan portfolio was attributable to increase in corporate loans (excluding loans to SMEs) by 4.2 percent during 2010. During 3Q 2010 and 4Q 2010, loans to medium businesses and retail consumer loans also started growing.

During 2010, increase in loans to customers before allowance for impairment losses was the highest primarily in the following sectors: wholesale trade – by 14.9 percent, energy – by 98.1 percent, services – by 10.2 percent and transportation – by 32.5 percent.

Loans with 30-day and 90-day overdue payments (NPLs) decreased to 18.0 percent and 16.3 percent, respectively as at YE 2010 from 19.0 percent and 16.7 percent, respectively, as at YE 2009 and from 18.5 percent and 17.5 percent, respectively as at 30 September 2010. The Bank created regulatory provisions that covered these delinquent loans by 129.8 percent (30-day NPLs) and 143.0 percent (90-day NPLs) as at YE 2010.

Letters of credit and guarantees

Portfolio of guarantees issued increased by 67.1 percent compared to YE 2009 and portfolio of commercial letters of credit increased by 36.9 percent compared to YE 2009 as a result of growing volumes of documentary credit business. As at YE 2010, the Bank held the highest market share in commercial letters of credit of 26.8 percent.

Amounts due to customers

Amounts due to legal entities increased by 5.8 percent to KZT 924.9 billion from KZT 874.0 billion as at YE 2009.

Term deposits of legal entities decreased by 4.5 percent compared to YE 2009 mainly due to early repayment of a 3-year KZT 60 billion special government deposit to JSC “Sovereign Wealth Fund “Samruk-Kazyna” (hereinafter – “Samruk-Kazyna”) on 18 June 2010. This decrease was partially offset by new large-ticket deposits from a number of corporate clients.

Current accounts of legal entities increased by 23.9 percent compared to YE 2009 mainly due to growing volumes of transactional banking business and transfer of part of term deposits to current accounts.

Term deposits and current accounts of individuals increased by 22.0 percent and 25.2 percent, respectively, compared to YE 2009.

Amounts due to customers comprise the largest source of funding for the Bank with 79.5 percent of liabilities as at YE 2010. The Bank held the highest market share in total retail deposits (21.6 percent) and in retail current accounts (34.7 percent) and second largest market share in total corporate deposits (19.9 percent) and in corporate current accounts (22.5 percent) among Kazakhstan banks as at YE 2010.

Amounts due to credit institutions

Amounts due to credit institutions decreased by 58.7 percent compared to YE 2009 mainly due to decrease in correspondent accounts balances, decrease in loans and deposits from Kazakhstan and OECD based banks and early repayment of a KZT 11.7 billion loan to JSC “Damu Entrepreneurship Development Fund” (hereinafter - “Damu Fund”) in October 2010.

The decrease in loans and deposits from Kazakhstan banks was mainly due to lower volumes of REPO transactions through KASE.

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 decreased by 4.4 percent compared to YE 2009 primarily as a result of repayment of local subordinated bonds for a nominal amount of KZT 5 billion in June 2010 and prepayment of local subordinated bonds for a nominal amount of KZT 5 billion in November 2010.

As at YE 2010, the Bank had three outstanding Eurobond issues for USD 300 million, USD 500 million and USD 700 million with bullet maturity in May 2013, October 2013 and May 2017, respectively.

On 28 January 2011, the Bank issued and placed USD 500 million Eurobonds 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.

Equity

Total equity increased by 13.1 percent compared to YE 2009 primarily as a result of net income generated during 2010. Regulatory Tier 1 capital adequacy ratios k1-1 and k1-2 and total capital adequacy ratio k2 were 10.9 percent, 13.5 percent and 18.3 percent, respectively, as at YE 2010. Basel Tier 1 capital adequacy ratio and Total capital adequacy ratio were 17.3 percent and 20.5 percent, respectively, as at YE 2010.

Capital adequacy ratios decreased in 4Q 2010 on the back of increased total assets and risk-weighted assets, as well as prepayment of local subordinated bonds for a nominal amount of KZT 5 billion and decrease in revaluation reserves.

Capital expenditures(*)

The Bank's capital expenditures decreased by 61.2 percent to KZT 8.7 billion from KZT 22.5 billion in 2009. The capital expenditures were higher in 2009 mainly due to higher investments in buildings and constructions which resulted from the construction of the Bank's new headquarters building in Almaty and new office buildings in Astana and Ust-Kamenogorsk.

(*) Additions to the Bank's property and equipment and intangible assets.

The consolidated financial information for the year ended 31 December 2010, 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 events 2010

Corporate events

- On 23 April 2010, the Bank held the Annual General Shareholders' Meeting where Mr. Kadyrzhan Damitov was elected the Independent Director of the Bank's Board of Directors.

- In July 2010, the Bank paid a KZT 11.52 dividend per preferred share totaling KZT 4,494 million for the year 2009.

- S&P, Moody's and Fitch international rating agencies changed outlooks on the Bank's ratings from "negative" to "stable".

- The Bank's Headquarters and several regional branches, including Astana, Temirtau, Taldykorgan and Ust-Kamenogorsk, moved to new office buildings owned by the Bank. The Bank completed the refurbishment of its 35 outlets and opened 27 new outlets.

- The Bank devoted the year 2010 to the quality of customer service: significant improvements achieved were confirmed by positive customer feedback.

- "Розница.kz" company awarded the Bank the first place in customer service quality among banks in Almaty.

- During 2010, the Bank received the awards from several international reputable magazines: "Best Retail Bank in Kazakhstan" from the Asian Banker, "Best Bank in CIS" from businessneweurope and "Best Bank in Kazakhstan" from Euromoney, Global Finance and Emeafinance.

- The Government of the Republic of Kazakhstan granted the Bank “Best Company in Services Industry” special award for its contribution to development of local economy and support to SME and corporate businesses.

- Samruk-Kazyna named the Bank “Best Employer in Two Capital Cities”.

- MoneyGram, the global money transfer company, granted the Bank “Most Effective Customer Motivation Program” award.

- Interfax - Kazakhstan awarded the Bank for information activeness in the “Newsmaker Interfax - Kazakhstan 2010” nomination.

- The Bank received several letters of appreciation from Damu Fund and from local charity and social funds.

- In January 2011, the Bank acted as the relay-race partner and the flame keeper during the Seventh Winter Asian Games.

Business events

- The Bank earned the largest net income for 2010 among commercial banks in Kazakhstan (excluding gains from debt write-offs by BTA, Alliance and Temir Bank) as per the FMSA statistics.

- The Bank took the first place in documentary business: 3,995 guarantees issued for KZT 185.0 billion and 245 commercial letters of credit for KZT 61.9 billion.

- The Bank retained the first place in total deposits and current accounts of individuals with the market shares of 21.6 percent and 34.7 percent, respectively, as well as the second place in total deposits and current accounts of legal entities with the market shares of 19.9 percent and 22.5 percent, respectively.

- The Bank was active in payroll projects: the number of payroll project clients increased by 3.3 percent to 2.1 million.

- The Bank retained the first place in the number of active payment cards and became the first institution among Kazakhstan banks that received PCI DSS (Payment Card Industry Data Security Standard) certificate of compliance with international standards of payment card data security.

- The Bank was active in developing its remote distribution channels: the range of products and services offered through mobile banking and internet banking platforms was improved and extended.

- The Bank kept participating in the Government programs, including the new “Road Map - 2020” program.

- In June 2010, the Bank made an early repayment of the KZT 60 billion deposit to Samruk-Kazyna and in October 2010, the Bank prepaid the KZT 11.7 billion loan to Damu Fund.

- On 28 January 2011, the Bank placed USD 500 million 7.25 percent Eurobonds due January 2021 at a price of 98.263 percent for general corporate purposes, including the financing of the Bank's growth and expansion plans and the refinancing of existing indebtedness.

KEY FINANCIAL RATIOS

	31-Dec-10	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09
	unaudited				
Amounts due to customers / total liabilities	79.5%	78.1%	78.2%	76.0%	73.1%
Loans / deposits ratio (1)	0.77x	0.80x	0.74x	0.80x	0.89x
Liquid assets(2) / total assets	36.6%	34.5%	38.0%	36.3%	33.1%
NPLs / gross loans(3)	18.0%	18.5%	19.6%	20.6%	19.0%
Provisioning rate (4)	18.9%	18.2%	17.5%	16.4%	15.5%
Regulatory provisioning rate	23.3%	22.2%	21.5%	20.2%	18.8%
Tier 1 capital adequacy ratio(5)	17.3%	18.4%	17.4%	17.9%	16.9%
Total capital adequacy ratio(5)	20.5%	22.5%	21.0%	21.9%	20.6%
Tier 1 capital adequacy ratio (k1-1)(6)	10.9%	11.0%	10.4%	10.9%	11.1%
Tier 1 capital adequacy ratio (k1-2)(6)	13.5%	14.5%	14.2%	14.9%	14.3%
Tier 2 capital adequacy ratio (k2)(6)	18.3%	19.8%	18.7%	19.0%	18.0%

RETAIL BUSINESS DATA

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

	For the year ended	
	31-Dec-10	31-Dec-09
	unaudited	
Cost-to-income(7)	32.4%	28.5%
Return on average common shareholders' equity (ROAE)	11.8%	6.3%
Return on average assets (ROAA)	1.7%	0.8%
Net interest margin	4.8%	5.3%
Operating expenses/average total assets	2.1%	2.1%

(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 impairment losses.
(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, net of insurance claims incurred, net of reinsurance and net of expenses for insurance reserves, net of deposit insurance fees.

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