24 June 2009

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the three months ended 31 March 2009

Joint Stock Company 'Halyk Savings Bank of Kazakhstan' and its subsidiaries ("the Bank") (LSE: HSBK) releases its interim financial information for the three-month period ended 31 March 2009 prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" and reviewed by Deloitte LLP, Kazakhstan.

- Total assets increased by 20.1 percent in KZT terms and decreased by 4.0 percent in USD terms during the first three months of 2009[1]
- Total amounts due to customers increased by 32.6 percent in KZT terms and increased by 6.0 percent in USD terms during the first three months of 2009[1]
- The total net loans to customers increased by 6.3 percent to KZT 1,263.4 billion from KZT 1,188.3 billion as at YE2008
- Retail loans increased by 2.1 percent to KZT 353.8 billion from KZT 346.6 billion as at YE2008
- Total equity increased by 15.6 percent to KZT 220.9 billion from KZT 191.0 billion as at YE2008
- Net interest income before impairment charge increased by 27.5 percent to KZT 24.4 billion from KZT 19.1 billion for the first three months of 2008
- Net fee and commission income increased by 76.0 percent to KZT 10.3 billion from KZT 5.8 billion for the first three months of 2008
- Operating expenses decreased by 6.2 percent to KZT 9.5 billion from KZT 10.1 billion for the first three months of 2008
- Net income for the first three months of 2009 was KZT 4.1 billion
- Net interest margin increased to 6.0 percent from 5.3 percent for the first three months of 2008
- The ratio of provisions to gross loans (provisioning rate) increased to 10.9 percent from 8.8 percent as at YE2008
- The ratio of operating expenses to operating income before impairment charge (cost-to-income ratio) decreased to 23.2 percent from 40.1 percent for the first three months of 2008
- The ratio of operating expenses to average assets (cost-to-assets ratio) decreased to 2.1 percent from 2.5 percent for the first three months of 2008

[1] U.S.$ amounts have been translated from KZT amounts at the rates of KZT151.08 = U.S.$1.00 and KZT 120.79 = U.S.$1.00, which are the rates reported by KASE on 31 March 2009 and 31 December 2008, respectively.

- The ratio of net loans to amounts due to customers (loan-to-deposit ratio) decreased to 1.10x from 1.37x as at YE2008

Financial Overview

Interest income

Interest income increased by 18.5 percent to KZT 51,236 million from KZT 43,219 million for the first three months of 2008. This increase was primarily due to an increase in average rates on interest-earning assets to 12.9 percent p.a. from 12.5 percent p.a. for the first three months of 2008. Average rates on loans to customers increased to 16.6 percent p.a. from 15.2 percent p.a. for the first three months of 2008 and average rates on the securities portfolio increased to 9.2 percent p.a. from 7.7 percent p.a. for the first three months of 2008.

Interest expense increased by 11.5 percent to KZT 26,880 million from KZT 24,115 million for the first three months of 2008. This increase was primarily due to a 13.2 percent increase in average balances of interest-bearing liabilities partially offset by decrease in average rates on interest-bearing liabilities to 6.8 percent from p.a. 6.9 percent p.a. for the first three months of 2008. Average rates on amounts due to customers decreased to 6.3 percent p.a. from 6.9 percent p.a. for the first three months of 2008.

Net interest income before impairment charge increased by 27.5 percent to KZT 24,356 million from KZT 19,104 million for the first three months of 2008. As a result, net interest margin increased to 6.0 percent 5.3 percent for the first three months of 2008.

Impairment charge

The impairment charge increased to KZT 28,288 million from KZT 1,401 million for the first three months of 2008. The effective provisioning rate on loans to customers increased to 10.9 percent from 8.8 percent as at YE2008. The effective provisioning rate under Kazakhstan regulatory standards increased to 14.4 percent from 10.9 percent as at YE2008.

Fee and commission income

Net fee and commission income increased by 76.0 percent to KZT 10,289 million from KZT 5,845 million for the first three months of 2008. This increase was primarily due to a 327 percent increase in pension fund and asset management fees to KZT 5,814 million from KZT 1,362 million for the first three months of 2008, as well as an increase in plastic card maintenance fees by 65.6 percent during the first three months of 2009 as a result of higher tariffs introduced in the first quarter of 2009.

Other non-interest income

Other non-interest income increased by 428.4 percent to KZT 7,281 million from KZT 1,378 million for the first three months of 2008 primarily as a result of increased net gain on foreign exchange operations and insurance underwriting income.

Net gain from financial assets and liabilities at fair value through the profit and loss account was KZT 417 million compared with net loss for the first three months of 2008. The net loss of KZT 2,573 million from financial assets and liabilities at fair value through the profit and loss for the first three months of 2008 was mainly due to a realized loss of one-off nature on a foreign currency derivative position which was subsequently closed in March 2008.

Net gain from repurchase of debt securities issued was KZT 439 million as a result of revaluation of USD-denominated Eurobonds bought back previously.

Net gain on foreign exchange operations increased by 175.9 percent to KZT 4,136 million from KZT 1,499 million for the first three months of 2008 primarily as a result of higher volumes of foreign exchange transactions by individuals and corporate clients.

Insurance underwriting income increased by 1.2 percent to KZT 2,044 million from KZT 2,019 million for the first three months of 2008 mainly as a result of the overall increase in insurance volumes of JSC Kazakhinstrakh (a wholly-owned non-life insurance subsidiary of the Bank).

Insurance underwriting income less insurance claims incurred, net of reinsurance, increased by 20.4 percent to KZT 1,159 million from KZT 963 million for the first three months of 2008 mainly as a result of higher premiums received by JSC Kazakhinstrakh in its core insurance business.

Non-interest expenses

Operating expenses decreased by 6.2 percent to KZT 9,501 million from KZT 10,132 million for the first three months of 2008 mainly due to a 24.4 percent decrease in salaries and other employee benefits.

Recoveries of provisions for off-balance sheet assets and liabilities was KZT 1,108 million compared with expense of KZT 1,124 million for the first three months of 2008 primarily due to improved provisioning policy on the Bank's loans and off-balance sheet liabilities.

The ratio of the Bank's operating expenses to operating income before impairment charge (cost-to-income ratio) decreased to 23.2 percent from 40.1 percent for the first three months of 2008.

The ratio of the Bank's operating expenses to average total assets decreased to 2.1 percent from 2.5 percent for the first three months of 2008.

Total assets

The Bank's total assets increased by 20.1 percent to KZT 1,982,661 million from KZT 1,651,349 million as at YE2008 primarily due to increases in the cash and cash equivalents, insurance assets and foreign exchange differences on loans to customers denominated in foreign currencies partially offset by decrease in financial assets at fair value through profit or loss and available-for-sale investment securities.

Liquid assets[2]

The Bank's ratio of liquid assets to total assets increased to 29.8 percent from 17.0 percent as at YE2008 mainly as a result of a 177.9 percent increase in cash and cash equivalents. Increase in liquid assets was mainly funded by a 32.6 percent increase in amounts due to customers. The Bank keeps its liquid assets primarily in short-term deposits with international banks.

Loans to customers

The total net loans to customers increased by 6.3 percent to KZT 1,263,355 million from KZT 1,188,280 million as at YE2008.

Retail loans, including consumer and mortgage loans, increased by 2.1 percent to KZT 353,789 million from KZT 346,620 million as at YE2008. Consumer loans, mostly backed by the salaries of the individual borrowers, decreased by 7.6 percent to KZT 174,180 million from KZT 188,542 million as at YE2008. Mortgage loans increased by 13.6 percent to

[2] Liquid assets consist of "Cash and cash equivalents", "Obligatory reserves", "Financial assets at fair value through profit or loss", "Amounts due from credit institutions", "Available-for-sale investment securities", "Investments held to maturity" less securities pledged under REPO transactions.

KZT 179,609 million from KZT 158,078 million as at YE2008 mainly as a result of foreign exchange differences on loans denominated in foreign currencies.

Loans to corporate borrowers (including SMEs) increased by 11.3 percent to KZT 1,064,694 million from KZT 956,712 million as at YE2008 primarily as a result of foreign exchange differences on loans denominated in foreign currencies.

As at 31 March 2009, the Bank's 10 largest borrowers accounted for 19.1 percent of total gross loans to customers compared to 16.4 percent as at YE2008. As at 31 March 2009, wholesale trade, construction, mortgage loans, consumer loans and services sectors accounted for 19.2 percent, 13.2 percent, 12.7 percent, 12.3 percent and 10.7 percent of the Bank's total gross loans to customers, respectively.

Liabilities
The Bank's total liabilities increased by 20.6 percent to KZT 1,761,727 million from KZT 1,460,294 million as at YE2008 mainly as a result of increase in amounts due to customers, insurance liabilities, issuance of KZT 5 billion local subordinated bond and foreign exchange differences on foreign currency denominated debt securities issued previously.

Amounts due to credit institutions
Amounts due to credit institutions decreased by 11.1 percent to KZT 257,460 million from KZT 289,608 million as at YE2008. This decrease was mainly due to a 64.1 percent decrease in loans and deposits from Kazakhstan banks to KZT 34,584 million from KZT 96,391 million as at YE2008.

The overall decrease in loans and deposits from Kazakhstan banks was partially offset by foreign exchange differences on loans and deposits from OECD-based banks denominated in foreign currencies, a 422.2 percent increase in loans and deposits from non-OECD based banks and long-term loan facility for KZT 11,785 million provided by the Fund for Small Entrepreneurship Development "DAMU".

Debt securities issued
Debt securities issued increased by 20.8 percent to KZT 317,818 million from KZT 262,991 million as at YE2008 primarily as a result of foreign exchange differences on Eurobonds issued previously. In January 2009, the Bank issued fixed-rate KZT-denominated domestic subordinated bond for principal amount of KZT 5 billion.

Foreign debt repayment schedule
The Bank has the following foreign debt repayment schedule:

September 2009	USD 300 million syndicated loan
October 2009	USD 200 million Eurobond
April 2010	USD 400 million syndicated loan
September 2010	USD 300 million syndicated loan
May 2013	USD 300 million Eurobond
October 2013	USD 500 million Eurobond
May 2017	USD 700 million Eurobond

Amounts due to customers
Amounts due to customers increased by 32.6 percent to KZT 1,149,803 million from KZT 867,392 million as at YE2008. This increase was primarily attributable to a 45.7 percent increase in deposits of legal entities to KZT 781,729 million from KZT 536,545 million as at YE2008 as well as a 11.3 percent increase in deposits of individuals to KZT 368,074 million from KZT 330,847 million as at YE2008.

As a result of higher-than-industry average growth in individuals’ and legal entities’ deposits, the Bank`s market share in individuals’ and legal entities’ deposits in Kazakhstan increased to 22.9 percent as at 1 June 2009 from 21.8 percent as at YE2008 and to 20.3 percent as at 1 June 2009 from 17.0 percent as at YE2008, respectively.

During the first three months of 2009, the Bank`s foreign currency denominated deposits of individuals increased by 35.2 percent (in USD terms)[3] while KZT-denominated deposits of individuals decreased by 21.9 percent (in KZT terms). As a result, the share of foreign currency denominated deposits of individuals in total deposits of individuals increased to 55.7 percent from 36.9 percent as at YE2008.

Equity

Total equity increased by 15.6 percent to KZT 220,934 million from KZT 191,055 million as at YE2008 primarily as a result of capital injection from Joint Stock Company “Sovereign Wealth Fund “Samruk-Kazyna” («SWF S-K») for KZT 26,958 million.

In May 2009, the Bank additionally sold approximately 196 million preferred shares to SWF S-K at KZT 168.4 per share for KZT 33 billion. As a result, regulatory Tier 1 and Total Capital Adequacy ratios increased to 10.4 percent and 16.1 percent as at 1 June 2009, respectively.

About the Bank

Halyk Bank is one of Kazakhstan’s leading financial services groups and a leading retail bank with the largest customer base and distribution network among Kazakh banks. The Bank is developing as a universal financial group offering a broad range of services (banking, pensions, insurance, leasing, brokerage and asset management) to its retail, small and medium enterprise and corporate customers. The Bank is also present through its wholly-owned subsidiaries in Russia, Georgia and Kyrgyzstan. The Bank is rated by the three main rating agencies: Moody’s Investor Service (Ba2), Fitch Ratings (B+) and Standard&Poor’s (B+).

As at 31 March 2009, the total number of the Bank’s outlets was 620, with 1,631 ATMs and 3,732 POS terminals.

The Bank’s market share in Kazakhstan as at 31 March 2009 was 13.7 percent in total assets, 13.3 percent in total loans, 21.0 percent in total deposits, 22.5 percent in retail deposits, 37.7 percent in retail current accounts, 48.4 percent in payment cards.

Key events

- In January 2009, the Bank received KZT 60 billion 6-month deposit from SWF S-K as a bridge to common and preferred equity issue to SWF S-K.
- In January 2009, the Bank received KZT 60 billion 3-year deposit from SWF S-K for the purpose of refinancing the loans to existing corporate borrowers.
- On 5 February 2009, Halyk Bank successfully obtained long-term loan for the amount of USD40 million from Citibank partially guaranteed by the Overseas Private Investment Corporation (’OPIC’) to fund mortgages in Kazakhstan.
- In February 2009, the Bank received KZT 24 billion from SWF S-K for the purpose of refinancing mortgage loans and KZT 11.8 billion provided by the Fund for Small Entrepreneurship Development “DAMU” for the purpose of refinancing SME loans.

[3] U.S.$ amounts have been translated from KZT amounts at the rate of KZT151.08 = U.S.$1.00 and KZT 120.79 = U.S.$1.00, which is the rate reported by KASE on 31 March 2009 and 31 December 2008, respectively.

- In March 2009, the Bank placed senior USD- and EUR-exchange rate linked domestic bonds for the total amount of KZT 9.3 billion under the Bank's third domestic bond program. The local bonds have 3-year bullet repayment and bear fixed coupon of 12.683 percent p.a.
- On 17 March 2009, the Board of Directors of the Bank updated strategy statement of Halyk Bank Group for 2009-2010. Updated strategy document is available on the Bank's web-site at http://eng.halykbank.kz/bank/short_term_strategy_of_jsc_halyk_bank_group_for_2009_2010_and_mission.
- On 24 March 2009, the Bank completed domestic and international offering of newly issued common shares and GDRs to existing common shareholders and GDR holders on pre-emptive basis before the sale of newly issued common shares to SWF S-K.
- On 27 March 2009, the Bank sold 259 million common shares (or 20.9 percent of the Bank's common equity on post-transaction basis) to SWF S-K at KZT 104.03 per common share or USD 2.75 per GDR for the total amount of KZT 27 billion.
- On 24 April 2009, the Bank was substituted in place of HSBK (Europe) B.V., the Bank's special purpose vehicle, as the issuer and principal debtor under the 3 outstanding Eurobond issues for the total amount of USD 1,500 million. This transaction didn`t affect consolidated financial statements of the Bank. However, on unconsolidated basis (regulatory reporting) the Bank's SPV deposits decreased by USD 1,500 million while the Bank's debt securities issued increased by the same amount.
- In April and May 2009, the Bank adopted a decision to liquidate "Halyk NBFO" LLC, non-banking subsidiary of the Bank and "Halyk Dornod" LLC, banking subsidiary of the Bank, both established in Ulan Bator, Mongolia in December 2007. Both subsidiaries carried out minimal operations since their opening in 2007.
- In May 2009, the Bank received the Euromoney award in the "Best Deal of the Year" nomination for the issue and placement of Eurobonds in the amount of USD 500 million on 9 April 2008.
- On 29 May 2009, the Bank sold approximately 196 million preferred shares to SWF S-K at KZT 168.4 per share for KZT 33 billion. As a result, regulatory Tier 1 and Total Capital Adequacy ratios increased to 10.4 percent and 16.1 percent as at 1 June 2009, respectively.

The full consolidated financial statements, including the notes attached thereto, are available on Halyk Bank's website (http://eng.halykbank.kz/financials/reports and http://eng.halykbank.kz/info/news).

CONSOLIDATED BALANCE SHEETS

	As at		Variations
	31-Mar-09 (unaudited)	31-Dec-08 (audited)	1Q09/YE08
	(KZT millions)		(percent)
Assets			
Cash and cash equivalents	447,594	161,088	177.9
Obligatory reserves	30,010	30,825	(2.6)
Financial assets at fair value through profit or loss	11,389	14,987	(24.0)
Amounts due from credit institutions	12,465	10,357	20.4
Available-for-sale investment securities	90,581	135,801	(33.3)
Investments held to maturity	21,769	8,689	150.5
Loans to customers, net	1,263,355	1,188,280	6.3
Property and equipment	58,306	58,023	0.5
Goodwill	3,190	3,190	-
Intangible assets	6,637	6,436	3.1
Insurance assets	6,825	4,417	54.5
Other assets	30,540	29,256	4.4
Total assets	**1,982,661**	**1,651,349**	**20.1**
Liabilities			
Amounts due to customers	1,149,803	867,392	32.6
Amounts due to credit institutions	257,460	289,608	(11.1)
Financial liabilities at fair value through profit or loss	6,149	6,048	1.7
Debt securities issued	317,818	262,991	20.8
Provisions	2,081	2,889	(28.0)
Deferred tax liability	8,572	8,854	(3.2)
Insurance liabilities	11,425	8,618	32.6
Other liabilities	8,419	13,894	(39.4)
Total liabilities	**1,761,727**	**1,460,294**	**20.6**
Equity:			
Share capital	92,489	65,531	41.1
Share premium reserve	1,672	1,908	(12.4)
Treasury shares	(103)	(69)	49.3
Retained earnings and other reserves	126,527	123,428	2.5
Minority interest	349	257	35.8
Total equity	**220,934**	**191,055**	**15.6**
Total liabilities and equity	**1,982,661**	**1,651,349**	**20.1**

CONSOLIDATED SUMMARY INCOME STATEMENT

	For the three months ended	
	31-Mar-09 (unaudited)	31-Mar-08 (unaudited)
	(KZT millions)	
Interest income	51,236	43,219
Interest expense	(26,880)	(24,115)
Net interest income before impairment charge	**24,356**	**19,104**
Impairment charge	(28,288)	(1,401)
Net interest income	**(3,932)**	**17,703**
Fees and commissions, net	10,289	5,845
Other non-interest income	7,281	1,378
Non-interest expenses	(9,278)	(12,312)
Income before income tax expense	**4,360**	**12,614**
Income tax expense	(292)	(2,814)
Net income	**4,068**	**9,800**
Minority interest	92	98
Net income attributable to equity holders of the parent	**3,976**	**9,702**

KEY FINANCIAL RATIOS

	As at					
	31-Mar-09 (unaudited)	31-Dec-08 (unaudited)	30-Sep-08 (unaudited)	30-Jun-08 (unaudited)	31-Mar-08 (unaudited)	31-Dec-07 (unaudited)
Amounts due to customers/ total liabilities	65.3%	59.4%	66.5%	64.6%	68.0%	65.2%
Loans / deposits ratio	1.10x	1.37x	1.04x	1.14x	1.08x	1.11x
Liquid assets (less securities subject to repurchase agreements) / total assets*	29.8%	17.0%	32.0%	28.5%	29.4%	28.0%
NPLs[(1)] / gross loans	14.6%	10.1%	7.2%	6.5%	3.3%	2.2%
Allowance for loan impairment / gross loans to customers	10.9%	8.8%	6.9%	5.9%	5.0%	5.2%
Regulatory provisioning rate	14.4%	10.9%	8.6%	7.4%	6.6%	6.3%
Tier 1 capital adequacy ratio[(2)]	10.5%	9.9%	10.1%	10.3%	10.8%	10.6%
Total capital adequacy ratio[(2)]	13.8%	13.4%	13.0%	12.2%	13.0%	12.9%
Tier 1 capital adequacy ratio[(3)]	7.9%	8.0%	7.6%	8.2%	8.8%	7.0%
Tier 2 capital adequacy ratio[(3)]	11.3%	13.0%	12.4%	12.5%	11.9%	12.0%

	31-Mar-09 (unaudited)	31-Dec-08 (unaudited)	30-Sep-08 (unaudited)	30-Jun-08 (unaudited)	31-Mar-08 (unaudited)	31-Dec-07 (unaudited)
Number of branches and outlets	620	670	659	668	647	632
Number of ATMs	1,631	1,648	1,665	1,660	1,556	1,119
Number of POS-terminals	3,732	3,711	3,636	3,550	3,456	3,375
Information and transaction terminals (multi-kiosks)	562	563	478	298	299	299

* - On consolidated IFRS basis, unaudited, liquid assets consist of "Cash and cash equivalents", "Obligatory reserves", "Financial assets at fair value through profit or loss", "Amounts due from credit institutions", "Available-for-sale investment securities", "Investments held to maturity" less securities pledged under REPO transactions.

	For the three-month period ended		For the year ended
	31-Mar-09 (unaudited)	31-Mar-08 (unaudited)	31-Dec-08 (unaudited)
Cost-to-income	23.2%	40.1%	34.4%
Return on average common shareholders' equity (ROAE)	8.1%(4)	26.2%(4)	8.3%
Return on average assets (ROAA)	0.9%(4)	2.4%(4)	0.8%
Net interest margin	6.0%(4)	5.3%(4)	6.0%
Operating expense/average total assets	2.1%(4)	2.5%(4)	2.6%

(1) Total NPLs (total principle amount of loans with principle and/or interest overdue by more than 30 days) / Gross loan portfolio, unconsolidated.
(2) As per Guidelines adopted by the Basel Committee on Banking Regulations and Supervision Practices of the Bank for International Settlements.
(3) As per the FMSA Guidelines.
(4) Annualised.

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