

2 April 2007

## Press Release

**JSC Halyk Bank of Kazakhstan (“Halyk Bank” or “the Bank”)  
Results for the year ended 31 December 2006  
72% RISE IN NET INCOME AFTER TAX WITH ROAE OF 41.8%**

“2006 marked another strong year of profitable growth for Halyk Bank, with our market-leading position across a range of products driving our performance. Net income and total assets both grew by more than 70 percent and we maintain a strong balance sheet with a total capital ratio of 17.1 percent.

The Bank continued to maintain leading positions in the Kazakh retail market with a #1 ranking in mortgages, deposits, payroll and card products, pension fund services, and its distribution platform, including the largest branch and ATM networks.

2006 was also a year of landmark achievements for the Bank, in which we completed a successful IPO on the London Stock Exchange in a heavily over-subscribed offer.

Controlled and sustainable growth remains our top priority as we continue to develop our client-focused offering in 2007. The year has started well and we are optimistic that we are well-placed to benefit from positive trends in the Kazak banking sector.”

Grigoriy Marchenko, Chairman of the Management Board

### **Financial Highlights**

- Net income after tax increased by 72% to KZT 27,159 million
- Operating income increased by 66% to KZT 64,572 million
- Net interest income increased by 98% to KZT 38,132 million
- Net interest margin strong at 7.0%
- Cost to income ratio strong at 36.8%
- High fee and commission income at 33% of total operating income
- ROAE increased by 4.6 percentage points to 41.8%
- Total Assets increased by 77% to KZT 991,359 million
- Capital adequacy strong at 17.1%\* with Tier 1 at 14.0%\*

\* In accordance with Basel

### **2006 Financial Overview**

#### **Net Income**

The Bank's consolidated net income for 2006 increased by 72 percent to KZT 27,159 million from KZT 15,828 million in 2005. This increase was mainly attributable to an increase in net interest income of 98 percent and an increase in net fees and commission income of 39 percent, which were partially offset by increases in non-interest expense of 48 percent and income tax expense of 139 percent.

Net income attributable to common shareholders (i.e. after dividends on preferred shares and minority interest) amounted to KZT 25,080 million in 2006 compared to KZT 14,200 million in 2005, showing a 77 percent increase.

## **Operating Income**

Operating income, which includes net interest income, net fee and commission income and other non-interest income, increased by 66 percent to KZT 64,572 million in 2006 from KZT 38,926 million in 2005.

Net interest income, representing 59 percent of operating income, increased by 98 percent to KZT 38,132 million in 2006 from KZT 19,259 million in 2005, mainly due to increases in the average loan portfolio and share of retail loans which typically earn higher interest. In 2006 the Bank amended its loan provisioning policy in accordance with revised IAS 39 which resulted in a lower provisioning rate and a lower impairment charge in 2006, despite the growing loan portfolio and other assets.

Net fee and commission income, representing 33 percent of operating income, increased by 39 percent to KZT 21,135 million in 2006, from KZT 15,248 million in 2005, primarily as a result of increases in fee and commission income generated from pension fund and asset management services and transactional banking services.

Operating expenses increased by 48 percent in 2006 to KZT 28,971 million from KZT 19,560 million in 2005 mainly due to increases in headcount and salaries and other employee benefits, and in administrative and operating expenses.

## **Total Assets**

In 2006 the Bank's total assets increased by 77 percent to KZT 991,359 million from KZT 559,665 million as at 31 December 2005. This increase was mainly driven by increases in the loan portfolio and investment securities portfolio.

The loan portfolio increased by 45 percent to KZT 596,216 million at the end of 2006 from KZT 411,097 million at the end of 2005 as a result of an overall increase in lending activity of the Bank, mainly lending to retail and SME customers.

The Bank also increased its investment securities portfolio to KZT 123,338 million in 2006 from KZT 12,099 million in 2005 and cash and cash equivalents, including short-term T-bills, to KZT 127,799 million in 2006 from KZT 57,102 million in 2005 as a result of excess liquidity experienced by the Bank during the year due to relatively high growth in the deposit base.

## **Retail Banking**

The retail loan portfolio, representing 31 percent of the total loan portfolio, increased by 51 percent to KZT 197,181 million in 2006 from KZT 130,602 million in 2005. Mortgage loans, representing 56 percent of total retail loans, increased by 40 percent in 2006, while the consumer loan portfolio increased by 67 percent.

Retail banking contributed 41 percent of total interest income in 2006 as compared to 36 percent in 2005.

## **Shareholders' Equity**

At the end of 2006, shareholders' equity amounted to KZT 120,628 million, reflecting an increase of 87 percent over the 2005 year-end figure. The increase resulted from new share capital injections and increases in retained earnings and other reserves.

The Bank's share capital increased by 109 percent to KZT 60,684 million in 2006 from KZT 29,016 million as at year end 2005 following placement of convertible preferred shares early in the year, the issue of 30 million common shares in September 2006 as approved by the General

Shareholders Meeting in April 2006 and of 55 million common shares following the London IPO in December 2006.

### **Operating Overview**

Halyk Bank is one of Kazakhstan's leading financial services groups, with the largest customer base and distribution network of any bank in Kazakhstan. 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 ("SME") and corporate customers.

Halyk Bank maintains the largest retail deposit base in Kazakhstan as well as the largest portfolio in the fast growing mortgage loan market (approximately 20 percent market share for both) and has the highest number of payment cards in issue (more than 50 percent market share). The bank serves approximately 6 million customers from its unrivalled network of branches and ATMs, as well as through rapidly growing internet and mobile banking channels. Customers benefit from a wide range of retail banking products and services, including current accounts, term deposits, consumer loans, mortgages, credit and debit cards, traveller's cheques and currency exchange, with several new card products successfully introduced during 2006. The Bank's corporate banking business provides a range of wholesale banking products and services (including loans, payroll services and cash management) to corporate and SME business customers, financial institutions and Government entities.

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>).

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## APPENDIX

### SUMMARY CONSOLIDATED BALANCE SHEET

KZT millions	As at December 31,	
	2006	2005
Customer loans, net	596,216	411,097
Total assets	991,359	559,665
Customer deposits	597,935	323,515
Total liabilities	870,732	495,221
Total equity	120,628	64,444
<b>Total equity and liabilities</b>	<b>991,359</b>	<b>559,665</b>

### SUMMARY CONSOLIDATED STATEMENTS OF INCOME

KZT millions	For the years ended December 31,	
	2006	2005
Net interest income	38,132	19,259
Fees and commissions, net	21,135	15,248
Non-interest income	5,305	4,419
Non-interest expense	(28,971)	(19,560)
Income before income tax expense	35,601	19,366
Income tax expense	(8,442)	(3,539)
<b>Net income</b>	<b>27,159</b>	<b>15,828</b>

### KEY FINANCIAL AND OPERATING FIGURES

	2006	2005
Customer deposits / total liabilities	68.7%	65.3%
Loans / deposits	99.7%	127.1%
Cost-to-income	36.8%	35.0%
Provisions / gross loans	5.3%	5.9%
Provisions / NPLs <sup>1</sup>	467.8%	420.6%
NPLs / gross loans	1.1%	1.4%
Return on average common shareholders' equity (ROAE)	41.8%	37.2%
Return on average assets (ROAA)	3.5%	3.0%
Net interest margin	7.0%	6.9%
Net interest spread	6.8%	6.7%
Tier 1 capital adequacy ratio (in accordance with FMSA <sup>2</sup> )	9.5%	8.5%
Total capital adequacy ratio (in accordance with FMSA)	16.6%	15.7%
Tier 1 capital adequacy ratio (in accordance with Basel)	14.0%	12.8%
Total capital adequacy ratio (in accordance with Basel)	17.1%	17.1%
Share of collateralized loans in total loan portfolio	99.8%	99.3%
Basic earnings per common share, KZT	26.8	28.8
Number of branches	617	576
Number of ATMs	697	585
Number of POS-terminals	2,851	1,976

<sup>1</sup> Non-performing loans comprise the portion of principal or interest which is past due for more than 30 days.

<sup>2</sup> Agency of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations.