Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the year ended 31 December 2008

Joint Stock Company 'Halyk Savings Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK) releases its audited consolidated financial statements for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards.

- Total assets increased by 3.5 percent from KZT 1,595.1 billion as at YE2007 to KZT 1,651.3 billion
- The net total loan portfolio increased by 14.2 percent from KZT 1,040.3 billion as at YE2007 to KZT 1,188.3 billion
- Total deposits decreased by 7.3 percent from KZT 935.4 billion as at YE2007 to KZT 867.4 billion
- Foreign borrowings increased as a result of USD 500 million Eurobond issue in April 2008 and USD 300 million syndicated loan borrowed in September 2008
- Retail loans increased by 7.6 percent from KZT 322.3 billion as at YE2007 to KZT 346.6 billion
- Total equity increased by 18.6 percent from KZT 161.0 billion as at YE2007 to KZT 191.0 billion
- Net interest income before impairment charges increased by 29.4 percent to KZT 91.9 billion from KZT 71.0 billion for the year ended 31 December 2007
- Net fee and commission income increased by 5.6 percent to KZT 25.5 billion from KZT 24.2 billion for the year ended 31 December 2007
- Net income for the year ended 31 December 2008 was KZT 14.5 billion
- The ratio of provisions to gross loans (provisioning rate) increased from 5.2 percent as at 31 December 2007 to 8.8 percent as at 31 December 2008
- The ratio of operating expenses to operating income before impairment charge (cost-to-income ratio) was 34.4 percent for the year ended 31 December 2008
- The ratio of operating expenses to average assets (cost-to-assets ratio) decreased from 3.1 percent for the year ended 31 December 2007 to 2.6 percent for the year ended 31 December 2008
- The ratio of net loans to customers to amounts due to customers (loan-to-deposit ratio) was 1.37x as at YE2008

<u>Financial Overview</u>

Interest income for the year ended 31 December 2008 compared to the year ended 31 December 2007

Interest income increased by 45.3 percent to KZT 192,660 million from KZT 132,566 million. This increase was primarily due to a 44 percent increase in average balances of interest-earning assets and also an increase in average rates on interest-earning assets from 12.3 percent p.a. to 12.5 percent p.a. Average rates on loans to customers increased from 14.7 percent p.a. to 15.5 percent p.a. and average rates on the securities portfolio increased from 5.8 percent p.a. to 7.6 percent p.a.

Interest expense increased by 64.2 percent from KZT 61,352 million to KZT 100,753 million. This increase was primarily due to a 45 percent increase in average balances of interest-bearing liabilities and also an increase in average rates on interest-bearing liabilities from 5.9 percent p.a. to 6.7 percent p.a. Average rates on amounts due to customers increased from 5.4 percent p.a. to 6.6 percent p.a.

Net interest income before impairment charges increased by 29.4 percent to KZT 91,907 million from KZT 71,034 million. Interest expense grew at a faster rate than interest income resulting in a net interest margin of 6.0 percent for the year ended 31 December 2008.

Impairment charge

The impairment charge was KZT 60,015 million for the year ended 31 December 2008 compared with KZT 22,184 million for the year ended 31 December 2007. The effective provisioning rate on the customer loan portfolio was 8.8 percent as at 31 December 2008 compared with 5.2 percent as at 31 December 2007. The effective provisioning rate under Kazakhstan regulatory standards was 10.9 percent as at 31 December 2008 compared with 6.3 percent as at 31 December 2007. The ratio of allowances for loan impairment (under Kazakh regulatory standards) to non-performing loans (on 30-day overdue basis) was 108 percent as at 31 December 2008.

Net interest income

Net interest income decreased by 34.7 percent to KZT 31,892 million for the year ended 31 December 2008 from KZT 48,850 million for the year ended 31 December 2007 primarily as a result of higher impairment charge.

Fee and commission income

Net fee and commission income increased by 5.6 percent to KZT 25,527 million for the year ended 31 December 2008 from KZT 24,173 million for the year ended 31 December 2007, resulting primarily from growing volumes of various types of transactional banking services, including bank transfers and payment cards, partially offset by 28.6 percent decrease in pension fund and asset management fees.

Other non-interest income

Other non-interest income decreased by 5.3 percent to KZT 16,231 million for the year ended 31 December 2008 from KZT 17,141 million for the year ended 31 December 2007, primarily as a result of net losses from financial assets at fair value through the profit or loss (securities portfolio) partially offset by net gains on debt securities issued that were repurchased and net gain on foreign exchange operations.

The net loss from financial assets at fair value through the profit and loss account was KZT 9,650 million for the year ended 31 December 2008 compared with a net gain of KZT 3,365 million for the year ended 31 December 2007, mainly due to one-off losses on foreign exchange derivative positions in the first quarter of 2008 and losses on the securities portfolio as a result of an upward shift in the KZT yield curve as well as losses from the revaluation of foreign exchange swap transactions.

Net gain from repurchase of debt securities issued was KZT 2,439 million as a result of series of repurchases equivalent to KZT 23,122 million (mainly in the fourth quarter of 2008) of domestic and international debt securities issued by the Bank and HSBK (Europe) B.V., a wholly-owned subsidiary of the Bank.

Gains on foreign exchange operations, net of currency translation differences, increased by 115.8 percent to KZT 11,753 million for the year ended 31 December 2008 from KZT 5,447 million for the year ended 31 December 2007 primarily as a result of higher volumes and translation differences of foreign exchange transactions.

Insurance underwriting income increased by 55.4 percent to KZT 9,198 million for the year ended 31 December 2008 from KZT 5,920 million for the year ended 31 December 2007 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, net of insurance claims incurred (net of reinsurance), increased by 12.7 percent to KZT 4,247 million for the year ended 31 December 2008 from KZT 3,768 million for the year ended 31 December 2007 mainly as a result of higher premiums received by JSC Kazakhinstrakh in its core insurance business.

Non-interest expenses

Operating expenses increased by 17.1 percent to KZT 44,325 million for the year ended 31 December 2008 from KZT 37,842 million for the year ended 31 December 2007 mainly due to inflation, increased personnel expenses and depreciation and amortization expenses relating to maintenance of the branch network.

The ratio of the Bank's operating expenses to operating income before provisions for impairment losses (cost-to-income ratio) was 34.4 percent for the year ended 31 December 2008 compared with 34.3 percent for the year ended 31 December 2007.

The ratio of the Bank's operating expenses to average total assets decreased to 2.6 percent for the year ended 31 December 2008 from 3.1 percent for the year ended 31 December 2007.

Losses incurred from management of pension assets were KZT 7,209 million for the year ended 31 December 2008 as a result of significant decline in the domestic and international capital markets. Pension Fund of Halyk Bank, majority-owned subsidiary of the Bank, would have to repay these amounts in case if the customers leave the fund or otherwise they could be offset against future positive management fees.

Total assets

The Bank’s total assets increased by 3.5 percent to KZT 1,651,349 million as at 31 December 2008 from KZT 1,595,075 million as at 31 December 2007 primarily due to increases in the net loan portfolio, loans and deposits with banks, securities portfolio and revaluation of property partially offset by decrease in cash and cash equivalents and obligatory reserves.

Liquid assets

The Bank’s ratio of liquid assets to total assets decreased to 17 percent as at 31 December 2008 from 28 percent as at 31 December 2007 mainly as a result of a 37 percent decrease in cash and cash equivalents (mainly attributable to a decrease in short-term deposits with foreign banks) and a 65 percent decrease in obligatory reserves (mainly attributable to the decreased minimum reserves requirements introduced by the National Bank of Kazakhstan in 2008). The ratio improved subsequently to 30 percent as at 1 March 2009 mainly due to increase in cash and cash equivalents as a result of a 33.4 percent increase in customer deposits during the first two months of 2009.

Loans to customers

The total net loans to customers increased by 14.2 percent to KZT 1,188,280 million as at 31 December 2008 from KZT 1,040,273 million as at 31 December 2007.

Retail loans, including consumer and mortgage loans, increased by 7.6 percent to KZT 346,620 million as at 31 December 2008 from KZT 322,274 million as at 31 December 2007. Consumer loans, mostly backed by the salaries of the individual borrowers, increased by 16.7 percent to KZT 188,542 million as at 31 December 2008 from KZT 161,611 million as at 31 December 2007. Mortgage loans decreased by 1.6 percent to KZT 158,078 million as at 31 December 2008 from KZT 160,663 million as at 31 December 2007 as a result of adoption of tighter underwriting criteria.

Loans to corporate borrowers (including SMEs) increased by 23.5 percent to KZT 956,712 million as at 31 December 2008 from KZT 774,696 million as at 31 December 2007 as a result of overall increase in lending activity of the Bank.

As at 31 December 2008, the Bank's 10 largest borrowers accounted for 16 percent of total gross loans to customers compared to 15 percent as at 31 December 2007. As at 31 December 2008, wholesale trade, consumer loans, construction, mortgage loans and services sectors accounted for 19 percent, 15 percent, 13 percent, 12 percent and 10 percent of the Bank's total gross loans, respectively.

Funding and liabilities

The Bank's total liabilities increased by 1.8 percent to KZT 1,460,294 million as at 31 December 2008 from KZT 1,434,050 million as at 31 December 2007 mainly as a result of increase in borrowings from international financial institutions and debt securities issued.

Amounts due to credit institutions

Loans and deposits from credit institutions increased by 17.0 percent to KZT 289,608 million, or 19.8 percent of the Bank's liabilities, as at 31 December 2008 from KZT 247,452 million, or 17.3 percent of the Bank's liabilities, as at 31 December 2007. This increase was mainly due to a 44.1 percent increase in loans and deposits from Kazakhstan banks in the domestic market from KZT 66,889 million as at 31 December 2007 to KZT 96,391 million as at 31 December 2008, as well as a 8.4 percent increase in loans and deposits from OECD-based banks as a result of USD 300 million syndicated loan raised in September 2008.

Debt securities issued

Debt securities issued increased by 16.9 percent from KZT 224,886 million as at 31 December 2007 to KZT 262,991 million as at 31 December 2008 primarily as a result of the issue of USD 500 million Eurobond and were partially offset by the Bank's partial repurchase of its domestic and international bonds.

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 decreased by 7.3 percent to KZT 867,392 million as at 31 December 2008 from KZT 935,429 million as at 31 December 2007. This reduction was primarily attributable to a 7.1 percent decrease in corporate deposits to KZT 536,545 million as at 31 December 2008 from KZT 577,757 million as at 31 December 2007 as well as a 7.5 percent decrease in retail deposits from KZT 357,672 million as at 31 December 2007 to KZT 330,847 million as at 31 December 2008. This decrease in deposits was due to one-off withdrawals by few corporate and large retail clients in the fourth quarter of 2008. Deposit base of the Bank subsequently increased by 33.4 percent between 1 January 2009 and 28 February of 2009 (on consolidated IFRS basis, unaudited). During February 2009 deposit base increased by 4.5 percent (USD 285 million), net of devaluation effect (on consolidated Kazakhstan accounting standards basis, unaudited).

Equity
Total equity increased by 18.6 percent to KZT 191,055 million as at 31 December 2008 from KZT 161,025 million as at 31 December 2007 primarily as a result of an increase in retained earnings and other reserves (including the property revaluation in the third quarter of 2008).

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, seeking further expansion of its international operations in Russia, Georgia, Mongolia and Kyrgyzstan. The Bank is rated by the three main rating agencies: Moody's Investor Service (Ba2), Fitch Ratings (BB-) and Standard&Poor's (BB).

As at 31 December 2008, the total number of the Bank's outlets was 670, with 1,648 ATMs and 3,711 POS terminals.

The Bank's market share in Kazakhstan as at 31 December 2008 was 13.6 percent in total assets, 13.3 percent in total loans, 18.6 percent in total deposits, 21.8 percent in retail deposits, 36.2 percent in retail current accounts, 48.2 percent in payment cards and 20.5 percent in net income.

Key events

- In January 2008, the Bank was recognised as "A Leading Bank in Corporate Governance in Emerging Europe" in a corporate governance survey conducted by Euromoney of 146 companies.
- In April 2008, the Bank issued USD 500 million Eurobond with a tenor of 5.5 years bullet and coupon of 9.25 percent p.a. through HSBK (Europe) B.V., a wholly-owned subsidiary of the Bank. The Eurobond issue was lead-managed by JPMorgan and UBS.
- In May 2008, the Bank won two awards at The Seventh Asian Banker Excellence Awards in Retail Financial Services: Best Retail Bank in Kazakhstan 2007 and Best Retail Bank in Central Asia 2007.
- In July 2008, the Bank was named as "The Best Bank in Kazakhstan" in the Awards for Excellence 2008 by Euromoney.
- In September 2008, the Bank raised USD 300 million syndicated loan with a tenor of 1 year (extendable for another 1-year period at lenders' discretion) and bearing the interest margin of 1 percent p.a. over LIBOR.
- In November 2008, the Bank was named as "The Best Bank in Kazakhstan" by The Banker.
- In November 2008, the Bank, jointly with Visa international payment system, launched the world's first international money transfer service via mobile phone. The new service allows

card-to-card money transfers in four currencies - the Kazakhstani tenge, Euro, USD and the Russian rouble.

- In December 2008 and January 2009, the Bank placed its two subordinated bonds issues for the total amount of KZT 5 billion each under the Bank's third domestic bond program. The local subordinated bonds mature in 10 years and bear the fixed coupon of 13 percent p.a.
- On 1 December 2008, the Bank concluded the Memorandum of Understanding on joint economic stabilization measures with the Ministry of Finance, the Agency on Regulation and Supervision of Financial Market and Financial Organizations, the National Bank of Kazakhstan, JSC Sovereign Wealth Fund Samruk-Kazyna («SWF S-K») acting on behalf of the Government of the Republic of Kazakhstan and the Bank's controlling shareholder.
- 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') for financing of mortgages in Kazakhstan.
- In January 2009, the Bank received KZT 60 billion 6-month deposit from SWF S-K as a bridge financing for common and preferred equity issue.
- In January 2009, the Bank received KZT 60 billion 3-year deposit from SWF S-K to refinance loans to existing corporate borrowers.
- In February 2009, the Bank received KZT 24 billion from SWF S-K for refinancing of mortgage loans and KZT 11.7 billion for lending to SME entities.
- 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.

CONSOLIDATED BALANCE SHEETS

	As at		Variations
	31-Dec-08 (audited)	31-Dec-07 (audited)	YE08/YE07
	(KZT millions)		(percent)
Assets			
Cash and cash equivalents	161,088	255,245	(36.9)
Obligatory reserves	30,825	87,268	(64.7)
Financial assets at fair value through profit or loss	14,987	48,073	(68.8)
Amounts due from credit institutions	10,357	3,398	204.8
Available-for-sale investment securities	135,801	107,839	25.9
Investments held to maturity	8,689	-	-
Loans to customers, net	1,188,280	1, 040,273	14.2
Property and equipment	58,023	22,766	154.9
Goodwill	3,190	3,265	(2.3)
Intangible assets	6,436	3,841	67.6
Insurance assets	4,417	3,886	13.7
Other assets	29,256	19,221	52.2
Total assets	**1,651,349**	**1,595,075**	**3.5**
Liabilities			
Amounts due to customers	867,392	935,429	(7.3)
Amounts due to credit institutions	289,608	247,452	17.0
Financial liabilities at fair value through profit or loss	6,048	2,851	112.1
Debt securities issued	262,991	224,886	16.9
Provisions	2,889	1,885	53.3
Deferred tax liability	8,854	3,897	127.2
Insurance liabilities	8,618	7,389	16.6
Other liabilities	13,894	10,261	35.4
Total liabilities	**1,460,294**	**1,434,050**	**1.8**
Equity:			
Share capital	65,531	65,531	0.0
Share premium reserve	1,908	1,952	(2.3)
Treasury shares	(69)	(66)	4.5
Retained earnings and other reserves	123,428	92,253	33.8
Minority interest	257	1,355	(81.0)
Total equity	**191,055**	**161,025**	**18.6**
Total liabilities and equity	**1,651,349**	**1,595,075**	**3.5**

CONSOLIDATED SUMMARY INCOME STATEMENT

	For the year ended	
	31-Dec-08 (audited)	31-Dec-07 (audited)
	(KZT millions)	
Interest income	192,660	132,566
Interest expense	(100,753)	(61,532)
Net interest income before impairment charge	**91,907**	**71,034**
Impairment charge	(60,015)	(22,184)
Net interest income	**31,892**	**48,850**
Fees and commissions, net	25,527	24,173
Other non-interest income	16,231	17,141
Non-interest expenses	(57,472)	(38,997)
Income before income tax expense	**16,178**	**51,167**
Income tax expense	(1,624)	(10,642)
Net income	**14,554**	**40,525**
Minority interest	(46)	428
Net income attributable to equity holders of the parent	**14,600**	**40,097**

KEY FINANCIAL RATIOS

	As at					
	28-Feb-08 (unaudited)	31-Dec-08 (unaudited)	30-Sep-08 (unaudited)	30-Jun-08 (unaudited)	31-Mar-08 (unaudited)	31-Dec-07 (unaudited)
Customer deposits / total liabilities	-	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	30.0%*	17.0%	32.0%	28.5%	29.4%	28.0%
NPLs[(1)] / gross loans	-	10.1%	7.2%	6.5%	3.3%	2.2%
Provisions / gross loans	-	8.8%	6.9%	5.9%	5.0%	5.2%
Regulatory provisioning rate	-	10.9%	8.6%	7.4%	6.6%	6.3%
Tier 1 capital adequacy ratio[(2)]	-	9.9%	10.1%	10.3%	10.8%	10.6%
Total capital adequacy ratio[(2)]	-	13.4%	13.0%	12.2%	13.0%	12.9%
Tier 1 capital adequacy ratio[(3)]	-	8.0%	7.6%	8.2%	8.8%	7.0%
Tier 2 capital adequacy ratio[(3)]	-	13.0%	12.4%	12.5%	11.9%	12.0%

	28-Feb-08 (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	-	670	659	668	647	632
Number of ATMs	-	1,648	1,665	1,660	1,556	1,119
Number of POS-terminals	-	3,711	3,636	3,550	3,456	3,375
Information and transaction terminals (multi-kiosks)	-	563	478	298	299	299

* - on consolidated IFRS basis, unaudited, liquid assets are net of securities pledged under REPO transactions

	For the year ended	For the three-month period ended	
	31-Dec -08 (unaudited)	31-Dec-08 (unaudited)	30-Sep-08 (unaudited)
Cost-to-income	34.4%	35.4%	32.2%
Return on average common shareholders' equity (ROAE)	8.3%	-7.1%(4)	6.8%(4)
Return on average assets (ROAA)	0.8%	-0.7%(4)	0.5%(4)
Net interest margin	6.0%	6.3%(4)	7.0%(4)
Operating expense/average total assets	2.6%	3.0%(4)	2.4%(4)

(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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