19 November 2007

Press Release

JSC Halyk Bank of Kazakhstan ("Halyk Bank" or "the Bank")
Consolidated financial results for the first nine months of 2007

Almaty, Kazakhstan – Halyk Bank has today released its consolidated financial statements for the first nine months of 2007. The financial statements have been prepared in accordance with International Financial Reporting Standards.

Financial Highlights

- Net income increased by 83% from KZT 18.3 billion for the first nine months of 2006 to KZT 33.4 billion for the first nine months of 2007
- Operating income increased by 71% from KZT 40.1 billion for the first nine months of 2006 to KZT 68.4 billion for the first nine months of 2007
- Net interest income increased by 58% from KZT 22.8 billion for the first nine months of 2006 to KZT 36.1 billion for the first nine months of 2007
- Net interest margin remained strong at 6.7% for the first nine months of 2007
- The ratio of operating expenses to operating income before impairment charges (cost-to-income ratio) improved from 36.3% for the first nine months of 2006 to 30.1% for the first nine months of 2007
- Net fee and commission income increased by 15% from KZT 14.4 billion for the first nine months of 2006 to KZT 16.5 billion for the first nine months of 2007
- Net loan portfolio increased by 52% from KZT 596.2 billion as at 31 December 2006 to KZT 905.1 billion as at 30 September 2007
- Total assets increased by 42% from KZT 991.3 billion as at 31 December 2006 to KZT 1,408 billion as at 30 September 2007
- Retail deposits increased by 71% from KZT 209.9 billion as at 31 December 2006 to KZT 357.9 billion as at 30 September 2007
- Total equity increased by 27% from KZT 120.6 billion as at 31 December 2006 to KZT 152.9 billion as at 30 September 2007
- Capital adequacy remained strong with the total capital adequacy ratio at 13% and the Tier 1 ratio at 11% in accordance with Basel as at 30 September 2007

Financial Overview

Net Income

The Bank's consolidated net income (before dividends on preferred shares) increased by 83% to KZT 33.4 billion for the first nine months of 2007 from KZT 18.3 billion for the first nine months of 2006. This increase was mainly attributable to an increase in net interest income of 58%, an increase in net fee and commission income of 15%, and a 458% increase in other non-interest income, which were partially offset by increases in non-interest expense of 34% and income tax expense of 202%.

Operating Income

Operating income after impairment charges, consisting of net interest income, net fee and commission income and other non-interest income, increased by 71% to KZT 68.4 billion for the first nine months of 2007 from KZT 40.1 billion for the first nine months of 2006.

Interest income

Gross interest income increased by 48% from KZT 33.5 billion for the first nine months of 2006 to KZT 49.6 billion for the first nine months of 2007. This increase was primarily due to 57% growth in interest income from loans to customers from KZT 50.1 billion for the first nine months of 2006 to KZT 78.6 billion for the first nine months of 2007 attributable to overall growth of the Bank's loan portfolio, and 97% growth in interest income from debt securities from KZT 3.5 billion for the first nine months of 2006 to KZT 6.8 billion for the first nine months of 2007 attributable to growth of the Bank's securities portfolio.

Interest expense increased by 71% from KZT 23.2 billion for the first nine months of 2006 to KZT 39.7 billion for the first nine months of 2007. This increase was primarily due to 81% growth in interest expense on customer deposits from KZT 11.9 billion for the first nine months of 2006 to KZT 21.5 billion for the first nine months of 2007 attributable to overall growth of the Bank's deposit base, and 77% growth in interest expense on debt securities from KZT 6.5 billion for the first nine months of 2006 to KZT 11.4 billion for the first nine months of 2007 attributable to an increase in debt securities issued by the Bank.

Net interest income before impairment charges increased by 48% to KZT 49.6 billion for the first nine months of 2007 from KZT 33.5 billion for the first nine months of 2006. Interest expense grew at a faster rate than interest income resulting in net interest margin reducing to 6.7% for the first nine months of 2007 from 7.2% for the first nine months of 2006.

Provisions for impairment losses
Provisions for impairment losses increased by 26% to KZT 13,481 billion for the first nine months of 2007, compared with KZT 10,675 billion for the first nine months of 2006. The effective provisioning rate on the customer loan portfolio was 5.0% as at 30 September 2007 compared with 5.3% as at 31 December 2006.

Fee and commission income
Net fee and commission income increased by 15% to KZT 16.5 billion for the first nine months of 2007 from KZT 14.4 billion for the first nine months of 2006, resulting primarily from growing volumes of bank transfers, customer accounts, pension payments and cash operations services provided to the customers.

Other non-interest income
Other non-interest income increased by 458% to KZT 15.8 billion for the first nine months of 2007 from KZT 2.8 billion for the first nine months of 2006, primarily as a result of net gains on securities trading operations, increase in net gains from dealing in foreign currencies and full consolidation of JSC Kazakhinstrakh.

Gains from financial assets at fair value through profit or loss increased to KZT 3.2 billion for the first nine months of 2007 from a net loss of KZT 0.6 billion for the first nine months of 2006 mainly due to gains on securities in the trading portfolio and off-balance sheet items, including foreign currency revaluation gains.

Gains on foreign exchange operations net of currency translation losses increased to KZT 5.6 billion for the first nine months of 2007 from KZT 2.5 billion for the first nine months of 2006. This significant increase in gains on foreign exchange operations was due to an increase by KZT 1.5 billion in unrealized gains/ accrued income on foreign currency forward and swap operations included on the balance sheet. These transactions were concluded with the aim of hedging foreign exchange risks.

Excluding this effect, gains on foreign exchange operations net of currency translation gains increased to KZT 4.1 billion for the first nine months of 2007 from KZT 2.5 billion for the first nine months of 2006 resulting from overall growth in foreign exchange operations of the Bank.

In November 2006, the Bank acquired 57% stake in JSC Kazakhinstrakh and thus increased its holding in the company to 98%. Full consolidation of JSC Kazakhinstrakh (non-life insurance subsidiary of the Bank) resulted in inclusion of KZT 4.2 billion of insurance underwriting income into other non-interest income of the Bank for the first nine months of 2007.

Operating expenses
Operating expenses comprising non-interest expense increased by 34% to KZT 24.7 billion for the first nine months of 2007 from KZT 18.4 billion for the first nine months of 2006, primarily due to higher personnel expenses and administrative and other operating expenses relating to maintenance of branch network and expansion of the Bank's and its subsidiaries' operations. However, notwithstanding this growth in operating expenses, the ratio of the Bank's operating expenses to operating income before provisions for impairment losses (cost-to-income ratio) decreased to 30.1% for the first nine months of 2007 from 36.3% for the first nine months of 2006.

Total assets
The Bank's total assets increased by 42% to KZT 1,408.0 billion as at 30 September 2007 from KZT 991.4 billion as at 31 December 2006 primarily due to increases in the net loan portfolio, cash and cash equivalents, obligatory reserves and the investment securities portfolio.

Loan portfolio
The net total loan portfolio increased by 52% to KZT 905.1 billion or 64% of the Bank's total assets as at 30 September 2007 from KZT 596.2 billion or 60% of the Bank's total assets at 31 December 2006.

Retail loans, including consumer and mortgage loans, increased by 41% to KZT 278.6 billion as at 30 September 2007 from KZT 197.2 billion as at 31 December 2006. Consumer loans, mostly backed by the salaries of the individual borrowers, increased by 65% to KZT 143.1 billion as at 30 September 2007 from KZT 86.9 billion as at 31 December 2006. Mortgage loans increased by 23% to KZT 135.5 billion as at 30 September 2007 from KZT 110.3 billion as at 31 December 2006. Loans to corporate borrowers (including SMEs) increased by 56% to KZT 674.1 billion as at 30 September 2007 from KZT 432.7 billion as at 31 December 2006. As at 30 September 2007 the Bank's 20 largest borrowers accounted for 24% of total gross loans to customers. As at 30 September 2007 wholesale trade and consumer loans made up the largest shares of the loan portfolio with 18% and 15% of total gross loan portfolio, respectively. Mortgages, construction and real estate sectors accounted for 14%, 14% and 3% of the Bank's total gross loans, respectively.

Funding and liabilities
The Bank's total liabilities increased by 44% to KZT 1,255.1 billion as at 30 September 2007 from KZT 870.7 billion as at 31 December 2006 mainly due to increases in customer accounts and deposits, debt securities issued and amounts due to credit institutions.

Debt securities issued
The Bank's debt securities issued increased by 78% to KZT 239.9 billion or 19% of the Bank's total liabilities as at 30 September 2007 compared with KZT 134.4 billion or 15% of the Bank's total liabilities as at 31 December 2006. This increase includes a USD 700 million Eurobond due in May 2017 issued through HSBK (Europe) B.V. in May 2007 and two KZT-denominated

domestic bonds for a total amount of KZT 25 billion due in March and April 2009 issued under the Bank's second bond issuance program in March and April 2007.

Amounts due to credit institutions
Loans and deposits due to credit institutions increased by 87% to KZT 222.2 billion or 18% of the Bank's liabilities as at 30 September 2007 compared with KZT 118.7 billion or 14% of the Bank's liabilities as at 31 December 2006. This was mainly due to a 912% increase in loans and deposits from non-OECD banks from KZT 5.1 billion as at 31 December 2006 to KZT 51.4 billion as at 30 September 2007, and a 45% increase in loans and deposits from OECD banks from KZT 73.1 billion as at 31 December 2006 to KZT 105.7 billion as at 30 September 2007. This increase includes a USD 400 million 3-year term loan facility borrowed from a syndicate of international banks, as well as an increase in obligations under bilateral loans, trade finance facilities and securities repurchase agreements entered into by the Bank with domestic and international financial institutions.

Customer deposits
Amounts due to customers increased to KZT 767.2 billion or 61% of the Bank's liabilities as at 30 September 2007 compared with KZT 597.9 billion or 69% of the Bank's liabilities as at 31 December 2006. Deposits and current accounts of individuals increased by 71% to KZT 357.9 billion as at 30 September 2007 from KZT 209.9 billion as at 31 December 2006.

Shareholders' Equity
Total equity increased by 27% to KZT 152.9 billion as at 30 September 2007 from KZT 120.6 billion as at 31 December 2006 primarily as a result of completion of post-IPO offering of common shares for total amount of KZT 4.8 billion and an increase in retained earnings during the fist nine months of 2007. In May 2007, the Bank effected payment of dividends on preferred shares in the amount of KZT 1.6 billion and dividends on common shares in the amount of KZT 2.5 billion approved by the Annual General Shareholders Meeting for the year ended 31 December 2006.

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 ("SME") and corporate customers. It is seeking further expansion of its international operations and credit exposure in the region. The Bank is rated by the three main rating agencies: Moody's Investor Service (Ba1/Negative/NP), Fitch Ratings (BB+/Stable/B) and Standard&Poor's (BB+/Stable/B).

As at 30 September 2007 the total number of the Bank's outlets were 665, ATMs were 982 and POS terminals were 3,254.

Key events in the third quarter of 2007

- On 28 September 2007 the Bank registered its third bond programme for an aggregate principal amount of KZT 200 billion with the FMSA, under which in October 2007 the Bank issued 10-year subordinated bonds denominated in Tenge in the aggregate principal amount of KZT 10 billion bearing a coupon of 11%. The major holders of the bonds are domestic pension funds and asset management companies.

- On 1 October 2007 the Bank raised a syndicated loan facility for a principal amount of USD 300 million with a 3-year tenor from a syndicate of international banks. The benchmark loan bears a margin of 40 bps over LIBOR.
- On 1 November 2007 Moody`s downgraded six Kazakh banks, including Halyk Bank. Notwithstanding the fact that the foreign currency senior unsecured debt of the Bank was changed to Baa3, it is now the only investment grade rating for commercial banks in Kazakhstan after respective rating actions.

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

CONSOLIDATED SUMMARY BALANCE SHEET

KZT millions	As at	
	30 September 2007	**31 December 2006**
Assets		
Cash and cash equivalents	172,744	127,799
Obligatory reserves	80,814	55,106
Financial assets at fair value through profit or loss	48,033	53,016
Amounts due from credit institutions	4,974	2,049
Available-for-sale investment securities	144,518	123,339
Loans to customers, net	905,102	596,216
Property and equipment	24,918	21,215
Insurance assets	5,666	5,626
Other assets	21,229	6,993
Total assets	**1,407,998**	**991,359**
Liabilities		
Amounts due to credit institutions	222,167	118,719
Amounts due to customers:	767,169	597,935
- *Retail*	*357,852*	*209,877*
- *Corporate*	*409,317*	*388,058*
Debt securities issued	239,853	134,413
Provisions	1,284	3,021
Deferred tax liability	2,645	2,530
Insurance liabilities	8,827	7,535
Other liabilities	13,112	6,579
Total liabilities	**1,255,057**	**870,732**
Shareholders' equity:		
Share capital	65,483	60,684
Share premium reserve	2,001	2,183
Treasury shares	(42)	(38)
Retained earnings and other reserves	84,498	56,736
	151,940	**119,565**
Minority interest	1,001	1,062
Total shareholders' equity	**152,941**	**120,627**
Total liabilities and shareholders' equity	**1,407,998**	**991,359**

CONSOLIDATED SUMMARY STATEMENT OF INCOME

KZT millions	For the nine-month period ended	
	30 September 2007	**30 September 2006**
Interest income	89,331	56,679
Interest expense	(39,706)	(23,164)
Net interest income before impairment	**49,625**	**33,515**
Impairment charge	(13,481)	(10,675)
Net interest income	**36,144**	**22,840**
Fees and commissions, net	16,504	14,403
Non interest income	15,798	2,830
Non interest expense	(24,689)	(18,398)
Income before income tax expense	**43,757**	**21,675**
Income tax expense	(10,313)	(3,411)
Net income after income tax expense	**33,444**	**18,264**
Minority interest in net income	239	448
Net income after minority interest	**33,205**	**17,816**

KEY FINANCIAL AND OPERATING FIGURES

	As at	
	30 September 2007	**31 December 2006**
Customer deposits / total liabilities	61.1%	68.7%
Loans / deposits	118.0%	99.7%
Provisions / gross loans	5.0%	5.3%
Provisions / NPLs(1)	579.6%	467.8%
NPLs / gross loans	0.9%	1.1%
Tier 1 capital adequacy ratio (in accordance with FMSA(2))	7.9%	9.5%
Total capital adequacy ratio (in accordance with FMSA)	12.9%	16.6%
Tier 1 capital adequacy ratio (in accordance with Basel)	11.5%	14.0%
Total capital adequacy ratio (in accordance with Basel)	13.3%	17.1%
Share of collateralized loans in total loan portfolio	99.7%	99.8%
Number of branches	665	617
Number of ATMs	982	697
Number of POS-terminals	3,254	2,851
	For the nine-month period ended	
	30 September 2007	**30 September 2006**
Cost-to-income	30.1%	36.3%
Return on average common shareholders' equity (ROAE) (3)	38.6%	43.9%
Return on average assets (ROAA) (3)	3.9%	3.3%
Net interest margin (3)	6.7%	7.2%
Net interest spread (3)	6.5%	7.1%
Basic earnings per share, KZT	33.92	18.24

(1) Non-performing loans comprise the portion of principal or interest which is overdue by more than 30 days.
(2) Agency of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Organisations.
(3) Annualised.