



25 March 2008

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Audited consolidated financial results for the year ended 31 December 2007

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ (Halyk Bank) (LSE: HSBK) today announces its audited consolidated financial results for the year ended 31 December 2007. These results have been prepared in accordance with International Financial Reporting Standards.

Financial Highlights

- Net income increased by 49% from KZT 27.2 billion in 2006 to KZT 40.5 billion in 2007
- Income before income tax expense increased by 44% from KZT 35.6 billion to KZT 51.2 billion
- Net interest income before impairment charges increased by 53% from KZT 46.5 billion to KZT 71.0 billion
- Net interest margin decreased but remained strong at 6.7% in 2007
- Net fee and commission income increased by 14% from KZT 21.1 billion to KZT 24.2 billion
- Other non-interest income increased 3.2 times from KZT 5.3 billion to KZT 17.1 billion
- Operating income increased by 37% from KZT 64.5 billion to KZT 88.0 billion (operating income comprises net interest income, plus net fees and commissions, plus other non-interest income, net of insurance claims incurred).
- Cost-to-income ratio improved from 39.7% to 34.7%
- Total assets increased by 61% from KZT 991.4 billion as YE2006 to KZT 1,595.1 billion as at YE2007
- Loans to customers net of allowance for loan impairment increased by 74% from KZT 596.2 billion to KZT 1,040.3 billion
- Total amounts due to customers increased by 56% from KZT 597.9 billion to KZT 935.4 billion
- Customer accounts from individuals increased by 70% from KZT 209.9 billion to KZT 357.7 billion
- Ratio of loans to customers to amounts due to customers was 1.11 times as at YE2007
- Debt securities issued increased by 67% from KZT 134.4 billion to KZT 224.9 billion
- Total equity increased by 33% from KZT 120.6 billion to KZT 161.0 billion
- Capital adequacy remained strong with the total capital adequacy ratio at 12.9% and the Tier 1 ratio at 10.6% as at YE2007 based on BIS Guidelines
- Return on average common shareholders equity as well as return on average assets remained strong in 2007 at 31.0% and 3.4%, respectively

Grigoriy Marchenko, Chairman of the Management Board of Halyk Bank, commenting on the results:

“On behalf of the Management Board, it gives me great pleasure to present to you the audited accounts for Halyk Bank for the year ended 31 December 2007.

2007 was another record year for Halyk Bank. We continued to deliver value to our shareholders and to strengthen our market-leading position across a range of products which promises to drive sustained, superior performance over the long term.

We are particularly gratified that we could record such strong growth in income and assets while still maintaining a robust balance sheet with a total capital ratio of 12.9 percent.

The Bank continues to pursue sustained growth both at home in Kazakhstan as well as overseas, as seen with our recent expansion into the territories of Georgia and Mongolia.

The new financial year has started well and we are optimistic that we are well-placed to deliver our ambitious group strategy for 2008-10.”

Financial Overview

Net income before income tax expense

Growth of KZT 15.6 billion (44%) in net income before income tax expense in 2007 was primarily attributable to an increase in interest income of KZT 51.9 billion (64%), increases in net fee and commission income of KZT 3.0 billion (14%), increases in other non-interest income of KZT 11.8 billion (223%), which were partially offset by increases in interest expense of KZT 27.3 billion (80%), increases in impairment charges of KZT 13.9 billion (166%), and increases in non-interest expense of KZT 10.0 billion (35%).

Interest income

Total interest income increased by KZT 51.9 billion (64%) to KZT 132.6 billion in 2007 from KZT 80.6 billion in 2006, mainly due to an increase in interest income on loans to customers. The increases in interest income on loans to customers in 2007 were primarily due to increases in average balances of loans to customers by about 74%.

Total interest expense increased by KZT 27.3 billion (80%) to KZT 61.5 billion in 2007 from KZT 34.2 billion in 2006 mainly due to an increase in average balances of interest-bearing liabilities by about 63% as well as an increase in share of debt securities issued and amounts due to credit institutions typically bearing higher interest rates than customer deposits in total liabilities.

In 2007, interest expense grew at a faster rate than interest income resulting in net interest margin reducing to 6.7% in 2007 from 7.0% in 2006.

Provisions for impairment losses

Provisions for impairment losses increased by KZT 13.9 billion (166%) to KZT 22.2 billion in 2007 from KZT 8.3 billion in 2006. Impairment charges increased in 2007 compared with 2006 mainly due to an increase in total loans to customers before allowance for loan impairment. The effective provisioning rate on the customer loan portfolio was 5.2% as at YE2007 compared with 5.3% as at YE2006.

Fee and commission income

Fee and commission income increased by KZT 3.4 billion (15%) to KZT 25.4 billion in 2007 from KZT 22.1 billion in 2006 primarily as a result of increases in fee and commission income from bank transfers, cash operations and plastic card maintenance. Pension fund and asset management fees decreased by 0.5 billion (8%) from KZT 7.0 billion in 2006 to KZT 6.5 billion in 2007 as a result of general slowdown trend in the financial markets in the second half of 2007. Excluding pension fund and asset management fees, total fee and commission income grew by 26% in 2007.

Net fee and commission income increased by KZT 3.0 billion (14%) from KZT 21.1 billion in 2006 to KZT 24.2 billion in 2007.

Other non-interest income

Other non-interest income increased by KZT 11.8 billion (223%) to KZT 17.1 billion in 2007 from KZT 5.3 billion in 2006, primarily as a result of net gains from financial asset and liabilities at fair value through profit or loss, an increase in net gains from dealing in foreign currencies and consolidation of JSC Kazakhinstrakh for full year.

Net gains from financial assets and liabilities at fair value through the profit and loss account increased by KZT 3.6 billion (1,844%) to KZT 3.4 billion in 2007 from a net loss of KZT 0.2 billion in 2006 and mostly represented gains on trading portfolio securities.

Net gain from available-for-sale securities increased by KZT 0.4 billion (208%) to KZT 0.6 billion in 2007 from KZT 0.2 billion in 2006. The net realized gain from available-for-sale securities in 2007 resulted primarily from the disposal of the notes issued by the National Bank of Kazakhstan.

Net gains on foreign exchange operations increased by KZT 2.0 billion (58%) to KZT 5.4 billion in 2007 from KZT 3.4 billion in 2006. The increase was mainly due to an increase in volumes of foreign currency conversion operations with customers, and the introduction of higher spreads on certain types of currency conversion operations.

During 2006, Halyk Bank purchased a controlling interest in JSC Kazakhinstrakh. Insurance and underwriting income of JSC Kazakhinstrakh was consolidated with other non-interest income in 2007 and 2006 as a result of the consolidation of JSC Kazakhinstrakh. Insurance underwriting income increased by KZT 5.3 billion (792%) to KZT 5.9 billion in 2007 from KZT 0.7 billion in 2006 due to consolidation of JCS Kazakhinstrakh for full year in 2007. Excluding insurance underwriting premium, other non-interest income grew by 242% in 2007.

Operating expenses

Operating expenses increased by KZT 9.7 billion (35%) to KZT 37.8 billion in 2007 compared with KZT 28.1 billion in 2006, mainly due to increase in salaries and other employee benefits, depreciation and amortisation expenses, and deposit insurance expenses, driven by increases in number of personnel, further expansion of the branch network and growth in the retail deposit base. However, notwithstanding this growth in operating expenses, the ratio of Halyk Bank's operating expenses to operating income before provisions for impairment losses (cost-to-income ratio) decreased to 34.7% in 2007 from 39.7% in 2006.

Taxation

Halyk Bank's effective tax rate was 20.8% and 23.7% for the years ended 31 December 2007 and 2006, respectively. The effective tax rate in 2007 decreased compared with 2006 primarily due to increases in tax-exempt interest income from long term mortgage loans and state and other qualifying securities. In addition, income from the insurance activities of JSC Kazakhinstrakh is subject to income tax at a rate of 4%.

Total assets

As at YE2007, Halyk Bank had total assets of KZT 1,595.1 billion, reflecting an increase of KZT 603.7 billion (61%) from YE2006. The increase was mainly attributable to increases of KZT 444.1 billion (74%) in loans to customers, KZT 127.4 billion (100%) in cash and cash equivalents, and, to a lesser extent, KZT 32.2 billion (58%) in obligatory reserves, partially offset by a decrease of KZT 15.5 billion (13%) in available-for-sale investment securities.

Loan portfolio

The net total loan portfolio increased by 74% to KZT 1,040.3 billion or 65% of total assets as at YE2007 from KZT 596.2 billion or 60% of total assets at YE2006.

Retail loans, comprising consumer loans and mortgage loans, increased by 63% during 2007 and represent the largest share of the loan portfolio as at YE2007. Consumer loans (mostly backed by the salaries of the individual borrowers) increased by KZT 74.7 billion (86%) from KZT 86.9 billion as at YE2006 to KZT 161.6 billion as at YE2007. The portfolio of mortgage loans increased by KZT 50.4 billion (46%) from KZT 110.3 billion as at YE2006 to KZT 160.7 billion as at YE2007.

Loans to the wholesale and retail trade sector increased by KZT 155.6 billion (100%) from KZT 155.6 billion as at YE2006 to 311.2 billion as at YE2007. Share of such loans in the total loan portfolio increased from 25% to 28% during 2007.

As at YE2007 Halyk Bank's ten largest borrowers accounted for 15% of the total gross loan portfolio, unchanged from YE2006.

Cash and cash equivalents and obligatory reserves

Cash and cash equivalents and obligatory reserves increased by KZT 159.6 billion (87%) from KZT 182.9 billion as at YE2006 to KZT 342.5 billion as at YE2007 and represent 21% of total assets as at YE2007. The increase in cash and cash equivalents was primarily in placements of short-term deposits with OECD-based banks. The increase in obligatory reserves was primarily due to an increase in total liabilities leading to higher amounts allocated to minimum reserve requirements of the National Bank of Kazakhstan.

Securities portfolio

The portfolio of financial assets at fair value through profit and loss and available-for-sale investment securities decreased by KZT 20.6 billion (12%) from KZT 176.5 billion as at YE2006 to KZT 155.9 billion as at YE2007 and represented 9.8% of total assets as at YE2007. The decrease in financial assets at fair value through the profit and loss and available-for-sale securities was primarily due to disposal of the notes of the National Bank of Kazakhstan.

Funding and liabilities

As at YE2007, Halyk Bank had total liabilities of KZT 1,434.1 billion, reflecting an increase of KZT 563.3 billion (65%) as compared with YE2006. The increase in total liabilities was primarily attributable to an increase in amounts due to customers, an increase in debt securities issued, and an increase in bank borrowings from credit institutions.

Debt securities issued

Debt securities issued by Halyk Bank increased by KZT 90.5 billion (67%) from KZT 134.4 billion as at YE2006 to KZT 224.9 billion as at YE2007. This increase includes USD 700 million in senior notes placed with international institutional investors 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 second bond issuance programme in March and April 2007.

Amounts due to credit institutions

Halyk Bank's borrowings from credit institutions increased by 128.8 billion (109%) from KZT 118.7 billion as at YE2006 to KZT 247.5 billion as at YE2007. The increase was mainly driven by growth in loans and deposits from OECD banks. This increase includes a USD 400 million 3-year syndicated loan facility raised in May 2007, a USD 300 million 3-year syndicated loan facility raised in October 2007, as well as an increase in obligations under bilateral loans, trade finance facilities and securities repurchase agreements entered into by Halyk Bank with domestic and international financial institutions.

Customer deposits

Amounts due to customers increased to KZT 935.4 billion or 65% of Halyk Bank's liabilities as at YE2007 compared with KZT 597.9 billion or 69% of total liabilities as at YE2006. Deposits and current accounts of individuals increased by 70% to KZT 357.7 billion as at YE2007 from KZT 209.9 billion as at YE2006.

Shareholders' Equity

Halyk Bank's total equity amounted to KZT 161.0 billion or 10% of Halyk Bank's total assets, reflecting an increase of KZT 40.4 billion (34%) over the total equity as at 31 December 2006. Total equity increased as a result of the completion between January and March 2007 of a post-IPO offering of common shares for total consideration of KZT 4.8 billion as well as an increase in the retained earnings and other reserves from KZT 56.7 billion as at YE2006 to KZT 92.3 billion as at YE2007.

In 2007 Halyk 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 at the Annual General Shareholders' Meeting for the year ended 31 December 2006.

Distribution of Halyk Bank's net income for the year 2007 and dividend payment on Halyk Bank's shares is included in the agenda of the Annual General Shareholders' meeting to be held on 25 April 2008.

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

About Halyk 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. Halyk Bank is developing as a universal financial services 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. It is seeking further expansion of its international operations and credit exposure in the region. Halyk Bank is rated by the three main rating agencies: Moody's Investor Service (Ba1), Fitch Ratings (BB+) and Standard&Poor's (BB+).

As at 31 December 2007 Halyk Bank's branch network consisted of 670 outlets (53 new outlets opened in 2007), comprising 22 regional branches, 125 district branches, 473 limited service branches, 46 personal service centres, 4 VIP centres). Furthermore, Halyk Bank had 13 service centres dedicated solely to SME. As at YE2007 the number of ATMs was 1,119 (422 new ATMs installed in 2007) and point-of-sale terminals was 3,375 (524 new POS-terminals installed in 2007).

As at YE2007 Halyk Bank has more than 5.9mln individual (including more than 1.7mln clients of payroll-banking, more than 9,800 clients of mobile banking, more than 215,000 clients of internet

banking services, and 2.0mln clients of Halyk Pension Fund), 70,700 SME, and 333 large corporate clients as at YE2007.

Events occurring after YE2007

On 29 January 2008 Joint Stock Company “Halyk Bank Georgia”, a subsidiary organisation of Halyk Bank in Georgia, received a licence to carry out banking operations in the territory of Georgia.

On 28 February 2008, ‘Halyk Astana Dornod LLC’, a subsidiary organisation of Halyk Bank in Mongolia, obtained a certificate from the Financial Regulatory Commission of Mongolia authorising ‘Halyk Astana Dornod LLC’ to carry out non-banking financial operations in the territory of Mongolia.

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