



2 December 2008

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Interim consolidated financial results for the nine months ended 30 September 2008

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ (Halyk Bank) (LSE: HSBK) (the Bank) releases its unaudited interim financial information for the nine months ended 30 September 2008. The interim financial information has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting.

- Total assets increased by 16.5 percent from KZT 1,595.1 billion as at YE2007 to KZT 1,858.7 billion
- The net total loan portfolio increased by 11.2 percent from KZT 1,040.3 billion as at YE2007 to KZT 1,156.9 billion
- Total deposits increased by 18.5 percent from KZT 935.4 billion as at YE2007 to KZT 1,108.0 billion
- The portfolio of large-ticket foreign borrowings increased as a result of the benchmark USD 500 million Eurobond issue in April 2008 and the successful USD 300 million syndicated loan in September 2008
- Retail loans increased by 9.0 percent from KZT 322.3 billion as at YE2007 to KZT 351.4 billion
- Total equity increased by 19.7 percent from KZT 161.0 billion as at YE2007 to KZT 192.7 billion
- Net interest income before impairment charges increased by 34.9 percent to KZT 66.9 billion from KZT 49.6 billion for the first nine months of 2007
- Net fee and commission income increased by 18.3 percent to KZT 19.3 billion from KZT 16.3 billion for the first nine months of 2007
- Net income for the first nine months of 2008 was KZT 17.7 billion
- The ratio of provisions to gross loans (provisioning rate) increased from 5.2 percent as at 31 December 2007 to 6.9 percent as at 30 September 2008
- The ratio of operating expenses to operating income before impairment charge (cost-to-income ratio) was 34.1 percent for the first nine months of 2008
- The ratio of operating expenses to average assets (cost-to-assets ratio) decreased from 3.0 percent for the first nine months of 2007 to 2.4 percent
- The ratio of net loans to customers to amounts due to customers (loan-to-deposit ratio) improved from 1.11x as at YE2007 to 1.04x
- Return on average common shareholders’ equity and return on average assets were 14.9 percent and 1.4 percent respectively for the first nine months of 2008

Financial Overview

Interest income for the first nine months of 2008 compared with the first nine months of 2007

Interest income increased by 59.4 percent to KZT 142,399 million from KZT 89,331 million. This increase was primarily due to a 54 percent increase in average balances of interest-earning assets and also an increase in average rates on interest-earning assets from 12.4 percent p.a. to 12.8 percent p.a. Average rates on loans to customers increased from 14.8 percent p.a. to 15.7 percent p.a. and average rates on the securities portfolio increased from 5.4 percent p.a. to 9.0 percent p.a.

Interest expense increased by 90.1 percent from KZT 39,706 million to KZT 75,475 million. This increase was primarily due to a 56 percent increase in average balances of interest-bearing liabilities and also an increase in average rates on interest-bearing liabilities from 5.6 percent p.a. to 6.8 percent p.a. Average rates on amounts due to customers increased from 4.8 percent p.a. to 6.8 percent p.a.

Net interest income before impairment charges increased by 34.9 percent to KZT 66,924 million from KZT 49,625 million. Interest expense grew at a faster rate than interest income resulting in a net interest margin of 6.0 percent for the first nine months of 2008.

Interest income for the third quarter of 2008 compared with the second quarter of 2008

Interest income increased by 13.8 percent from KZT 46,384 million to KZT 52,796 million. This increase was primarily due to a 5 percent increase in average balances of interest-earning assets and also an increase in average rates on interest-earning assets from 12.9 percent p.a. to 14.1 percent p.a. Average rates on loans to customers increased from 16.0 percent p.a. to 17.5 percent p.a.

Interest expense decreased by 1.3 percent to KZT 25,517 million from KZT 25,843 million. This decrease was primarily due to a decrease in average rates on interest-bearing liabilities from 7.1 percent p.a. to 6.7 percent p.a. Average rates on amounts due to customers decreased from 7.2 percent p.a. to 6.6 percent p.a.

Net interest income before impairment charge increased by 32.8 percent to KZT 27,279 million from KZT 20,541 million. Interest income grew at a faster rate than interest expense resulting in an increase in net interest margin from 5.6 percent for the second quarter of 2008 to 7.1 percent for the third quarter of 2008.

Impairment charge

The impairment charge was KZT 30,168 million for the first nine months of 2008 compared with KZT 13,481 million for the first nine months of 2007. The effective provisioning rate on the customer loan portfolio was 6.9 percent as at 30 September 2008 compared with 5.2 percent as at 31 December 2007. The effective provisioning rate under Kazakhstan regulatory standards was 8.7 percent as at 30 September 2008 compared with 6.4 as at 31 December 2007.

Net interest income

Net interest income increased by 1.7 percent to KZT 36,756 million for the first nine months of 2008 from KZT 36,144 million for the first nine months of 2007, and by 72.8 percent to KZT 12,070 million for the third quarter of 2008 from KZT 6,983 million for the second quarter of 2008.

Fee and commission income

Net fee and commission income increased by 18.3 percent to KZT 19,288 million for the first nine months of 2008 from KZT 16,304 million for the first nine months of 2007, resulting primarily from growing volumes of various types of transactional banking services.

Other non-interest income

Other non-interest income decreased by 35.4 percent to KZT 9,566 million for the first nine months of 2008 from KZT 14,798 million for the first nine months of 2007, primarily as a result of net losses from financial assets at fair value through the profit and loss account and smaller net gains from available-for-sale investment securities, partially offset by an increase in insurance underwriting income, net gains on foreign exchange operations and other income.

The net loss from financial assets at fair value through the profit and loss account was KZT 6,819 million for the first nine months of 2008 compared with a net gain of KZT 3,220 million for the first nine months of 2007, mainly due to one-off losses on foreign exchange option positions and losses on the securities portfolio in the first quarter of 2008 as a result of an upward shift in the KZT yield curve as well as unrealized net losses from the revaluation of swap transactions in the third quarter of 2008.

Gains on foreign exchange operations, net of currency translation differences, increased by 40.0 percent to KZT 7,778 million for the first nine months of 2008 from KZT 5,555 million for the first nine months of 2007 primarily as a result of higher volumes of foreign exchange transactions.

Insurance underwriting income increased by 59.1 percent to KZT 6,718 million for the first nine months of 2008 from KZT 4,222 million for the first nine months of 2007 mainly as a result of the overall increase in insurance activity of JSC Kazakhinstrakh (wholly-owned non-life insurance subsidiary of the Bank).

Insurance underwriting income, net of insurance claims incurred (net of reinsurance), decreased by 13.6 percent to KZT 2,304 million for the first nine months of 2008 from KZT 2,667 million for the first nine months of 2007 mainly as a result of higher claims incurred by JSC Kazakhinstrakh in its main insurance business.

Non-interest expenses

Operating expenses increased by 26.2 percent to KZT 31,112 million for the first nine months of 2008 from KZT 24,657 million for the first nine months of 2007 mainly due to inflation, increased personnel expenses and depreciation and amortization expenses relating to maintenance of the branch network and expansion of the Bank's and its subsidiaries' operations. Operating expenses increased insignificantly by 1.6 percent to KZT 10,713 million for the third quarter of 2008 from KZT 10,548 million for the second quarter of 2008, growth being restrained by cost-cutting measures introduced by the Bank in the second quarter of 2008.

Provisions were KZT 6,072 million for the first nine months of 2008 compared with the recoveries of provisions of KZT 1,723 million for the first nine months of 2007 mainly due to provisions created in the third quarter of 2008 for accrued losses in the pension assets management business accrued as a result of general decline in the stock market, and increased provisioning for off-balance sheet portfolio (letters of credit and guarantees).

The ratio of the Bank's operating expenses to operating income before provisions for impairment losses (cost-to-income ratio) was 34.1 percent for the first nine months of 2008 compared with 31.1 percent for the first nine months of 2007.

Total assets

The Bank's total assets increased by 16.5 percent to KZT 1,858,724 million as at 30 September 2008 from KZT 1,595,075 million as at 31 December 2007 primarily due to increases in the net loan portfolio, cash and cash equivalents, loans and deposits with banks, securities portfolio and revaluation of fixed assets.

Loan portfolio

The total net loan portfolio increased by 11.2 percent to KZT 1,156,865 million or 62.2 percent of the Bank's total assets as at 30 September 2008 from KZT 1,040,273 million or 65.2 percent of the Bank's total assets at 31 December 2007.

Retail loans, including consumer and mortgage loans, increased by 9.0 percent to KZT 351,415 million as at 30 September 2008 from KZT 322,274 million as at 31 December 2007. Consumer loans, mostly backed by the salaries of the individual borrowers, increased by 18.3 percent to KZT 191,201 million as at 30 September 2008 from KZT 161,611 million as at 31 December 2007. Mortgage loans decreased insignificantly by 0.3 percent to KZT 160,214 million as at 30 September 2008 from KZT 160,663 million as at 31 December 2007 as higher volumes of redemptions more than offset new issuance in the third quarter of 2008. Loans to corporate borrowers (including SMEs) increased by 15.0 percent to KZT 891,055 million as at 30 September 2008 from KZT 774,696 million as at 31 December 2007.

As at 30 September 2008 the Bank's 10 largest borrowers accounted for 15 percent of total gross loans to customers, the same level as at 31 December 2007. As at 30 September 2008 wholesale trade and consumer loans made up the largest shares of the loan portfolio with 18.6 percent and 15.4 percent of the total gross loan portfolio respectively. As at 30 September 2008 construction, mortgages and retail trade sectors accounted for 13.7 percent, 12.9 percent, and 8.3 percent of the Bank's total gross loans respectively.

Funding and liabilities

The Bank's total liabilities increased by 16.2 percent to KZT 1,665,996 million as at 30 September 2008 from KZT 1,434,050 million as at 31 December 2007 mainly due to increases in amounts due to customers and debt securities issued.

Amounts due to credit institutions

Loans and deposits from credit institutions decreased by 9.0 percent to KZT 225,248 million or 13.5 percent of the Bank's liabilities as at 30 September 2008 from KZT 247,452 million or 17.3 percent of the Bank's liabilities as at 31 December 2007 mainly due to a 61.6 percent decrease in loans and deposits from Kazakhstan banks in the domestic market from KZT 66,889 million as at 31 December 2007 to KZT 25,683 million as at 30 September 2008. The decrease in loans and deposits from credit institutions was partially offset by a 12 percent increase in loans and deposits from OECD-based banks as a result of the USD 300 million syndicated loan raised through HSBK (Europe) B.V. in September 2008 and bearing the margin of 1.00 percent p.a. (see 'Recent key events' below).

Amounts due to customers

Amounts due to customers increased by 18.5 percent to KZT 1,108,033 million as at 30 September 2008 from KZT 935,429 million as at 31 December 2007. This growth was primarily attributable to a 30.7 percent increase in corporate deposits to KZT 755,253 million as at 30 September 2008 from KZT 577,757 million as at 31 December 2007 partially offset by a 1% decrease in retail deposits from KZT 357,672 million as at 31 December 2007 to KZT 352,780 million as at 30 September 2008. The decrease in retail deposits was primarily due to the withdrawal of several large deposits in the VIP client segment in the first half of 2008 as a result of changed pricing policy, whereas the core retail deposit business continued to grow at a strong rate.

Debt securities issued

Debt securities issued increased by 27.7 percent from KZT 224,886 million as at 31 December 2007 to KZT 287,106 million as at 30 September 2008 primarily as a result of the issue in the second quarter of 2008 of a USD 500 million Eurobond with tenor of 5.5 years bullet and coupon of 9.25 percent p.a. The Eurobond issue was lead-managed by JPMorgan and UBS.

Shareholders' Equity

Total equity increased by 19.7 percent to KZT 192,728 million as at 30 September 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 under IFRS in the third quarter of 2008) during the first nine months 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 (Ba1), Fitch Ratings (BB) and Standard&Poor's (BB+).

As at 30 September 2008, the total number of the Bank's outlets was 706, with 1,665 ATMs and 4,114 POS terminals (incl. information and transaction terminals)

Halyk Bank's market share as at 30 September 2008 was 14.6 percent in total assets, 13.5 percent in total loans, 21.7 percent in total deposits, 22.4 percent in retail deposits, 38.0 percent in current accounts, 48.0 percent in payment cards and 23.5 percent in net income.

Recent key events

- In July 2008 the Bank was named as "The Best Bank in Kazakhstan" in the Awards for Excellence 2008 by Euromoney.
- In July 2008 the Bank's Russian banking subsidiary, NBK Bank JSC, opened a branch in Moscow, Russia.
- On 3 September 2008 the Bank's special purpose vehicle subsidiary, HSBK (Europe) B.V., received a USD 300 million syndicated loan with a 370-day tenor with an extension option for a subsequent 370-day period. The syndicated loan was arranged by BNP Paribas, ING Wholesale Banking, Landesbank Berlin AG, Standard Bank Plc, UniCredit Markets & Investment Banking and WestLB AG, London Branch. The facility was widely syndicated and is comprised of 21 entities of eight different nationalities. The facility will be used for general financing purposes, including trade-related activities of the Bank's customers.
- On 31 October 2008 JSC "Halyk Bank Georgia" opened its first branch in the city of Tbilisi, Georgia.
- In November 2008 the Bank was named as "The Bank of the Year 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 November 2008 the Bank registered and placed its subordinated bonds for the total amount of KZT 5 billion 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.
- In November 2008 the Bank registered its subordinated bonds for the total amount of KZT 5 billion under the Bank's third domestic bond program. The local subordinated bonds will mature in 10 years and will bear the floating coupon of inflation rate plus 1 percent p.a.

- In November 2008 the Bank's Board of Directors announced that an Extraordinary General Shareholders' Meeting is to be held on 19 December 2008. The Meeting's agenda can be found on the Bank's website at <http://eng.halykbank.kz/content/view/full/1932/offset>

CONSOLIDATED SUMMARY BALANCE SHEET

	As at		Variations
	30-Sep-08 (unaudited)	31-Dec-07 (audited)	9M08/YE07
	(KZT millions)		(percent)
Assets			
Cash and cash equivalents	291,956	255,245	14.4
Obligatory reserves	86,847	87,268	(0.5)
Financial assets at fair value through profit or loss	30,068	48,073	(37.5)
Amounts due from credit institutions	35,704	3,398	950.7
Available-for-sale investment securities	154,086	107,839	42.9
Loans to customers, net	1,156,865	1,040,273	11.2
Property and equipment	56,366	22,766	147.6
Goodwill	3,256	3,265	(0.3)
Intangible assets	5,464	3,841	42.3
Insurance assets	8,510	3,886	119.0
Other assets	29,602	19,221	54.0
Total assets	1,858,724	1,595,075	16.5
Liabilities			
Amounts due to customers	1,10833	935,429	18.5
Amounts due to credit institutions	225,248	247,452	(9.0)
Financial liabilities at fair value through profit or loss	447	2,851	42.0
Debt securities issued	287,106	224,886	27.7
Provisions	7,946	1,885	321.5
Deferred tax liability	14,243	3,897	265.5
Insurance liabilities	12,924	7,389	74.9
Other liabilities	6,449	10,261	(37.2)
Total liabilities	1,665,996	1,434,050	16.2
Equity:			
Share capital	65,529	65,531	0.0
Share premium reserve	1,947	1,952	(0.3)
Treasury shares	(66)	(66)	-
Retained earnings and other reserves	124,437	92,253	34.9
Minority interest	881	1,355	(35.0)
Total equity	192,728	161,025	19.7
Total liabilities and equity	1,858,724	1,595,075	16.5

CONSOLIDATED SUMMARY INCOME STATEMENT

	For the nine-month period ended		For the three-month period ended	
	30-Sep-08 (unaudited)	30-Sep-07 (unaudited)	30-Sep-08 (unaudited)	30-Jun -08 (unaudited)
	(KZT millions)		(KZT millions)	
Interest income	142,399	89,331	52,796	46,384
Interest expense	(75,475)	(39,706)	(25,517)	(25,843)
Net interest income before impairment charge	66,924	49,625	27,279	20,541
Impairment charge	(30,168)	(13,481)	(15,209)	(13,558)
Net interest income	36,756	36,144	12,070	6,983
Fees and commissions, net	19,288	16,304	5,640	7,803
Other non-interest income	9,566	14,798	2,265	6,207
Non-interest expenses	(41,598)	(24,489)	(17,017)	(12,550)

Income before income tax expense	24,012	42,757	2,958	8,443
Income tax expense	(6,272)	(10,313)	(830)	(2,628)
Net income after income tax expense	17,740	32,444	2,128	5,815
Minority interest in net income	(357)	239	(796)	341
Net income attributable to equity holders of the parent	18,097	32,205	2,924	5,474

KEY FINANCIAL RATIOS

	As at			
	30-Sep-08 (unaudited)	30-Jun-08 (unaudited)	31-Mar-08 (unaudited)	31-Dec-07 (unaudited)
Customer deposits / total liabilities	66.5%	64.6%	68.0%	65.2%
Loans / deposits ratio	1.04x	1.14x	1.08x	1.11x
Liquid assets / total assets	32.2%	29.5%	30.2%	31.5%
NPLs ⁽¹⁾ / gross loans	2.1%	1.4%	1.4%	0.9%
Provisions / gross loans	6.9%	5.9%	5.0%	5.2%
Tier 1 capital adequacy ratio ⁽²⁾	10.1%	10.3%	10.8%	10.6%
Total capital adequacy ratio ⁽²⁾	13.0%	12.2%	13.0%	12.9%
Tier 1 capital adequacy ratio ⁽³⁾	7.6%	8.2%	8.8%	7.0%
Tier 2 capital adequacy ratio ⁽³⁾	12.4%	12.5%	11.9%	12.0%
Number of branches and outlets	706	723	707	670
Number of ATMs	1,665	1,660	1,556	1,119
Number of POS-terminals	4,114	3,848	3,755	3,375

	For the nine-month period ended	For the three-month period ended	
	30-Sep-08 (unaudited)	30-Sep-08 (unaudited)	30-Jun-08 (unaudited)
Cost-to-income	34.1%	32.2%	31.9%
Return on average common shareholders' equity (ROAE)	14.9% ⁽⁴⁾	6.8% ⁽⁴⁾	14.2% ⁽⁴⁾
Return on average assets (ROAA)	1.4% ⁽⁴⁾	0.5% ⁽⁴⁾	1.4% ⁽⁴⁾
Net interest margin	6.0% ⁽⁴⁾	7.1% ⁽⁴⁾	5.6% ⁽⁴⁾
Operating expense/average total assets	2.4% ⁽⁴⁾	2.4% ⁽⁴⁾	2.5% ⁽⁴⁾

(1) Consolidated, in accordance with IFRS. Non-performing loans comprise those portions of the principal or interest which are past due by more than 30 days.

(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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