May 16, 2023

# Joint Stock Company 'Halyk Savings Bank of Kazakhstan' Consolidated financial results for the three months ended 31 March 2023

Joint Stock Company 'Halyk Savings Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK) releases consolidated financial information for the three months ended 31 March 2023.

## Consolidated income statements

KZT mln

| | 1Q 2023 | 1Q 2022 | Change, abs | Y-o-Y,% |
|---|---|---|---|---|
| *Interest income* | 380,269 | 253,840 | 126,429 | *49.8%* |
| *Interest expense* | (188,177) | (109,579) | (78,598) | *71.7%* |
| **Net interest income before credit loss expense** | **192,092** | **144,261** | **47,831** | ***33.2%*** |
| *Fee and commission income* | 47,405 | 33,522 | 13,883 | *41.4%* |
| *Fee and commission expense* | (22,486) | (20,309) | (2,177) | *10.7%* |
| **Net fee and commission income** | **24,919** | **13,213** | **11,706** | ***88.6%*** |
| Net insurance income (1) | 19,348 | (1,547) | 20,895 | *(12.5x)* |
| Net foreign exchange gain | 20,137 | 26,647 | (6,510) | *(24.4%)* |
| Net gain/(loss) from derivative operations and securities (2) | 3,473 | 19,736 | (16,263) | *(82.4%)* |
| Share in profit of associate, income on non-banking activities, other (expense)/income | 21,194 | 13,555 | 7,639 | *56.4%* |
| (Credit loss expense)/recovery of credit loss expense (3) | (14,819) | (25,377) | 10,558 | *(41.6%)* |
| Recovery of other credit loss expense/(other credit loss expense) | 1,252 | (1,489) | 2,741 | *(184.1%)* |
| Operating expenses (4) | (46,486) (5) | (43,362) (6) | (3,124) | *7.2%* |
| Income tax expense | (32,909) | (21,161) | (11,748) | *55.5%* |
| **Net profit** | **188,201** | **124,476** | **63,725** | ***51.2%*** |
| **Net profit attributable to common shareholders** | **188,201** | **124,476** | **63,725** | ***51.2%*** |

| | 1Q 2023 | 1Q 2022 |
|---|---|---|
| Net interest margin, p.a. | 6.0% | 5.2% |
| Return on average equity, p.a. | 37.3% | 31.2% |
| Return on average assets, p.a. | 5.3% | 4.1% |
| Cost-to-income ratio | 16.5% | 20.1% |
| Cost of risk on loans to customers, p.a. | 0.8% | 1.5% |

(1) Insurance underwriting income less insurance claims incurred and net expenses from reinsurance contracts held;
(2) Net gain on financial assets and liabilities at fair value through profit or loss and net realised loss from financial assets at fair value through other comprehensive income;
(3) Total credit loss expense, including credit loss expense on loans to customers, amounts due from credit institutions, financial assets at FVTOCI, cash and cash equivalents and other assets;
(4) Including loss from impairment of non-financial assets:
(5) KZT -0.1bn;
(6) KZT -0.1bn;

Please note that starting from 1 January 2023, Halyk Group's financial statements have been transited to IFRS 17 "Insurance Contracts" from IFRS 4, which resulted in recalculation of certain assets, labilities, equity and P&L items for 2021-2022. All of the ratios were also recalculated accordingly. For more detailed information please refer to Halyk Group's financial statements for 1Q 2023, note #4.

**The net profit attributable to common shareholders** amounted to KZT 188.2bn in 1Q 2023, up 51.2% compared with KZT 124.5bn in 1Q 2022 mainly due to significant increase in lending and transactional businesses.

**The interest income** for 1Q 2023 increased by 49.8% vs. 1Q 2022 mainly due to increase in average rate and balances of loans to customers. **The interest expense** for 1Q 2023 increased by 71.7% vs. 1Q 2022 mainly as a result of the growth in average rate and balances of amounts due to customers. Consequently, net interest income for 1Q 2023 grew by 33.2% vs. 1Q 2022.

In 1Q 2023, net interest margin was affected by the increase in average rates on both loans to customers and amounts due to customers following the significant increase in interest rates. Furthermore, the share of loans to customers in total interest-earning assets increased substantially. Moreover, there was an increase in the average rate and average balances of FX amounts due from credit institutions and FX interest-earning cash and cash equivalents following the global increase of USD interest rates. As a result, **net interest margin** increased to 6.0% p.a. for 1Q 2023 compared to 5.2% p.a. for 1Q 2022.

**The cost of risk on loans to customers** for 1Q 2023 was at normalized level within the scope of our full year guidance of 1.2%

In 1Q 2023 compared to 1Q 2022, the overall dynamics of **fee and commission income and expense** was driven by the increased transactional activity as a result of the clients inflow due to changes in the operating landscape**. Net fee and commission income** for 1Q 2023 increased by 88.6% vs. 1Q 2022 due to increase in net transactional income of legal entities and individuals (7).

**Other non-interest income** (8) decreased by 25.2% for 1Q 2023 vs. 1Q 2022 mainly due to lower net gain from financial assets and liabilities at fair value through profit or loss and net gain on foreign exchange operations as a result of higher volatility of exchange rates and interest rates in 1Q 2022.

**The net insurance income** (9) for 1Q 2023 increased by 12.5x year-on-year, due to recognition of insurance reserve expenses on unsecured consumer loans with a borrower's life insurance bundle in 1Q 2022.

**The operating expenses** for 1Q 2023 increased by 7.2% vs. 1Q 2022 mainly due to the indexation of salaries and other employee benefits starting from March 1, 2023, which was partially offset by the higher charity expenses in 1Q 2022.

**The cost-to-income ratio** decreased to 16.5% compared to 20.1% for 1Q 2022 amid higher operating income for 1Q 2023.

(7) Transactional income of individuals, less transactional expenses of individuals and less loyalty program bonuses;
(8) Other non-interest income (Net gain on financial assets and liabilities at fair value through profit or loss, net realised loss from financial assets at fair value through other comprehensive income, share in profit of associate, income on non-banking activities and other income;
(9) Insurance underwriting income less insurance claims incurred and net expenses from reinsurance contracts held;

## Statement of financial position review

KZT mln

| | 31-Mar-23 | 31-Dec-22 | Change, abs | Change YTD, % |
|---|---|---|---|---|
| **Total assets** | **14,142,764** | **14,287,295** | **(144,531)** | **(1.0%)** |
| Cash and reserves | 1,950,750 | 2,288,375 | (337,625) | (14.8%) |
| Amounts due from credit institutions | 133,401 | 135,655 | (2,254) | (1.7%) |
| T-bills & NBK notes | 2,036,033 | 1,920,189 | 115,844 | 6.0% |
| Other securities & derivatives | 1,669,919 | 1,550,337 | 119,582 | 7.7% |
| Gross loan portfolio | 8,239,576 | 8,280,290 | (40,714) | (0.5%) |
| Stock of provisions | (438,588) | (422,388) | (16,200) | 3.8% |
| Net loan portfolio | 7,800,988 | 7,857,902 | (56,914) | (0.7%) |
| Assets held for sale | 27,890 | 23,923 | 3,967 | 16.6% |
| Other assets | 523,783 | 510,914 | 12,869 | 2.5% |
| **Total liabilities** | **12,026,447** | **12,365,149** | **(338,702)** | **(2.7%)** |
| Total deposits, including: | 10,132,432 | 10,512,048 | (379,616) | (3.6%) |
| retail deposits | 5,046,300 | 5,243,764 | (197,464) | (3.8%) |
| term deposits | 4,191,590 | 4,351,846 | (160,256) | (3.7%) |
| current accounts | 854,709 | 891,918 | (37,209) | (4.2%) |
| corporate deposits | 5,086,132 | 5,268,284 | (182,152) | (3.5%) |
| term deposits | 2,994,176 | 2,898,924 | 95,252 | 3.3% |
| current accounts | 2,091,956 | 2,369,360 | (277,404) | (11.7%) |
| Debt securities | 419,638 | 462,817 | (43,179) | (9.3%) |
| Amounts due to credit institutions | 935,593 | 878,665 | 56,928 | 6.5% |
| Other liabilities | 538,784 | 511,619 | 27,165 | 5.3% |
| **Equity** | **2,116,317** | **1,922,146** | **194,171** | **10.1%** |

**As at end of 1Q 2023, total assets** were down 1.0% year-to-date due to decrease in amounts due to customers.

Compared with the end of 2022, **loans to customers** were down 0.5% on a gross and 0.7% on a net basis. The decrease in the gross loan portfolio was attributable to a decline of 0.9% in corporate, 1.2% in SME and growth of 0.6% in retail loans.

**Stage 3 ratio** increased to 8.0% as at the end of 1Q 2023 mainly due to increase in non-performing small business and retail loans.

Compared with the end of 2022, **the deposits of legal entities** were down 3.5% mainly due to partial withdrawal of funds by the Bank's customers to finance their ongoing needs (including tax payments) and strengthening of USD/KZT exchange rate.

Compared with the end of 2022, **the deposits of individuals** were down 3.8% as a result of transfer of a certain FX deposits into higher-yielding securities market through our brokerage and asset management arm Halyk-Finance and strengthening of USD/KZT exchange rate.

As at the-end of 1Q 2023, the share of KZT deposits in total corporate deposits was 61.9% compared to 60.6% as at the YE 2022, while the share in total retail deposits was 55.6% vs. 52.6% as at YE 2022.

As at 1Q 2023, **the debt securities issued** were down 9.3% year-to-date. As at the date of this press-release, the Bank's debt securities portfolio was as follows:

| Description of the security | Nominal amount outstanding | Interest rate | Maturity Date |
|---|---|---|---|
| Local bonds | KZT 100 bn | 7.5% p.a. | November 2024 |
| Local bonds | KZT 131.7 bn | 7.5% p.a. | February 2025 |
| Subordinated coupon bonds | KZT 101.1 bn | 9.5% p.a. | October 2025 |

In 1Q 2023 **the total equity** of the Bank increased by KZT 194.2bn or by 10.1% compared to the YE 2022, as a result of net profit earned by the Bank during 1Q 2023.

The Bank's capital adequacy ratios were as follows*:

| | 31-Mar-23 | 31-Dec-22 | 30-Sep-22 | 30-Jun-22 | 31-Mar-22 |
|---|---|---|---|---|---|
| *Capital adequacy ratios, unconsolidated:* | | | | | |
| Halyk Bank | | | | | |
| k1-1 | 20.2% | 18.5% | 18.5% | 18.1% | 19.0% |
| k1-2 | 20.2% | 18.5% | 18.5% | 18.1% | 19.0% |
| k2 | 20.6% | 18.9% | 19.1% | 18.8% | 19.8% |
| *Capital adequacy ratios, consolidated:* | | | | | |
| CET 1 | 20.2% | 18.3% | 17.8% | 17.5% | 18.7% |
| Tier 1 capital | 20.2% | 18.3% | 17.8% | 17.5% | 18.7% |
| Total capital | 20.5% | 18.7% | 18.3% | 18.1% | 19.4% |

* The *minimum regulatory capital adequacy requirements are 9.5%, for k1, 10.5% for k1-2 and 12% for k2, including a conservation buffer of 3% and systemic buffer of 1% for each.*

The consolidated financial information for the three months ended 31 March 2023, including the notes attached thereto, are available on Halyk Bank's website: http://halykbank.com/financial-results.

A 1Q 2023 results webcast will be hosted at 2:00 p.m. London time/9:00 a.m. EST on Wednesday, 17 May 2023. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 17 May, 2023 (including), for the registration please click here.

*About Halyk Bank*

Halyk Bank is Kazakhstan's leading financial services group, operating across a variety of segments, including retail, SME & corporate banking, insurance, leasing, brokerage and asset management. Halyk Bank has been listed on the Kazakhstan Stock Exchange since 1998, on the London Stock Exchange since 2006 and Astana International Exchange since October 2019.

With total assets of KZT 14,142.8bn as at March 31, 2023, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 572 branches and outlets across the country. The Bank also operates in Georgia, Kyrgyzstan and Uzbekistan.

*For more information on Halyk Bank, please visit https://www.halykbank.com*

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