

# Joint Stock Company ‘Halyk Bank of Kazakhstan’

## Consolidated financial results

### for the three months ended 31 March 2024

Joint Stock Company ‘Halyk Bank of Kazakhstan’ and its subsidiaries (together “the Bank”) (LSE: HSBK) releases consolidated financial information for the three months ended 31 March 2024.

#### Consolidated income statements

KZT mln

	1Q 2024	1Q 2023	Change, abs	Y-o-Y,%
<i>Interest income</i>	496,254	380,269	115,985	30.5%
<i>Interest expense</i>	(242,018)	(188,177)	(53,841)	28.6%
<b>Net interest income before credit loss expense</b>	254,236	192,092	62,144	32.4%
<i>Fee and commission income</i>	50,074	47,405	2,669	5.6%
<i>Fee and commission expense</i>	(24,582)	(22,486)	(2,096)	9.3%
<b>Net fee and commission income</b>	25,492	24,919	573	2.3%
Net insurance income <sup>(1)</sup>	9,676	19,348	(9,672)	(50.0%)
Net gain on foreign exchange operations, financial assets and liabilities <sup>(2)</sup>	45,689	28,926	16,763	58.0%
Other expense/non-interest income <sup>(3)</sup>	(50,865)	21,194	(72,059)	(x2.4)
Expected credit loss expense and recovery of other credit loss expense	(18,994)	(13,567)	(5,427)	40.0%
Operating expenses <sup>(4)</sup>	(56,641)	(46,486)	(10,155)	21.8%
Income tax expense	(30,629)	(33,972)	3,343	(9.8%)
<b>Net profit</b>	177,964	192,454	(14,490)	(7.5%)
<b>Net profit attributable to common shareholders</b>	177,964	192,454	(14,490)	(7.5%)
<b>Net interest margin, p.a.</b>	<b>7.1%</b>	<b>6.0%</b>		
<b>Return on average equity, p.a.</b>	<b>27.7%</b>	<b>37.3%</b>		
<b>Return on average assets, p.a.</b>	<b>4.6%</b>	<b>5.4%</b>		
<b>Cost-to-income ratio</b>	<b>19.9%</b>	<b>16.2%</b>		
<b>Cost of risk on loans to customers, p.a.</b>	<b>0.9%</b>	<b>0.8%</b>		

(1) Insurance revenue less insurance service expense and net reinsurance expense;

(2) Net gain on financial assets and liabilities at fair value through profit or loss, net realised gain/(loss) from financial assets at fair value through other comprehensive income, net foreign exchange gain;

(3) Share in profit of associate, income on non-banking activities, other expense;

(4) Including reversal of/(loss from) impairment of non-financial assets;

In preparing the interim condensed consolidated financial information for the three months ended 31 March 2024, the Group carried out an inventory of its financial instruments. The inventory process identified financial instruments measured at fair value through profit or loss that were previously restricted in use and were incorrectly measured at cost. The Group revaluated these financial instruments and recognized prior period adjustments.

The consolidated statement of profit or loss for the three months ended 31 March 2023 has been reclassified to conform to the presentation for the year ended 31 December 2023 because the presentation of the current year report provides a clearer picture of the Group's financial performance. All of the ratios were also recalculated accordingly. For more detailed information please refer to Halyk Group's financial statements for 1Q 2024, note #4b.

**Net profit attributable to common shareholders** decreased to KZT 178.0bn in 1Q 2024, down 7.5% compared with KZT 192.5bn in 1Q 2023, despite increase in lending and transactional businesses, due to one off recognized loss for KZT 66.1bn (pre-tax) in view of expected early repayment of the deposit of JSC Kazakhstan Sustainability Fund (KSF) in accordance with the IFRS.

**Interest income** for 1Q 2024 increased by 30.5% vs. 1Q 2023 mainly due to increase in average rate and balances of loans to customers.

**Interest expense** for 1Q 2024 increased by 28.6% vs. 1Q 2023 mainly as a result of the growth in average rate on amounts due to customers and increase in the share of KZT amounts due to customer. Consequently, net interest income for 1Q 2024 grew by 32.4% vs. 1Q 2023.

In 1Q 2024, **net interest margin** was affected by the increase in average rates on both loans to customers and amounts due to customers. Furthermore, the share of loans to customers in total interest earning assets has increased. Moreover, there was an increase in the average rate of FX amounts due from credit institutions and FX interest-earning cash and cash equivalents following the increase of USD interest rates, as well as increase in the share of KZT interest-earning cash and cash equivalents. As a result, net interest margin increased to 7.1% p.a. for 1Q 2024 compared to 6.0% p.a. for 1Q 2023.

In 1Q 2024 compared to 1Q 2023, the overall dynamics of **fee and commission income and expense** was driven by the increased number of clients and the growth of clients' transactional activity. Net fee and commission income for 1Q 2024 increased by 2.3% vs. 1Q 2023 due to increase in net transactional income of individuals<sup>(5)</sup> as well as in fees on letters of credit and guarantees issued.

**Other expense/non-interest income** <sup>(6)</sup> decreased by x2.4 for 1Q 2024 vs. 1Q 2023 mainly due to one off recognized loss for KZT 66.1bn (pre-tax) in view of expected early repayment of the deposit of KSF in accordance with the IFRS.

**Operating expenses** for 1Q 2024 increased by 21.8% vs. 1Q 2023 mainly due to the indexation of salaries and other employee benefits starting from 1 March 2023.

**Cost of risk** on loans to customers for 1Q 2024 was at normalized level within the scope of our full year guidance and was at the level of 0.9%.

The **cost-to-income ratio** equalled 19.9% in 1Q 2024, compared with 16.2% in 1Q 2023 due to higher operating expenses for 1Q 2024.

(5) Transactional income of individuals, less transactional expenses of individuals and less loyalty program bonuses;

(6) Share in profit of associate, income on non-banking activities, other expense;

## Statement of financial position review

KZT mln

	31-Mar-24	31-Dec-23	Change, abs	Change YTD, %
<b>Total assets</b>	<b>15,910,944</b>	<b>15,494,368</b>	<b>416,576</b>	<b>2.7%</b>
Cash and reserves	1,873,511	1,622,181	251,330	15.5%
Amounts due from credit institutions	154,033	171,754	(17,721)	(10.3%)
T-bills & NBK notes	2,264,214	2,125,941	138,273	6.5%
Other securities & derivatives	1,595,270	1,614,666	(19,396)	(1.2%)
Gross loan portfolio	9,811,644	9,774,798	36,846	0.4%

Stock of provisions	(512,352)	(489,926)	(22,426)	4.6%
Net loan portfolio	9,299,292	9,284,872	14,420	0.2%
Assets held for sale	125,807	111,542	14,265	12.8%
Other assets	598,817	563,412	35,405	6.3%
<b>Total liabilities</b>	<b>13,246,474</b>	<b>13,017,414</b>	<b>229,060</b>	<b>1.8%</b>
Total deposits, including:	11,211,283	10,929,504	281,779	2.6%
retail deposits	5,850,404	5,828,645	21,759	0.4%
term deposits	4,962,819	4,808,592	154,227	3.2%
current accounts	887,585	1,020,053	(132,468)	(13.0%)
corporate deposits	5,360,879	5,100,859	260,020	5.1%
term deposits	3,809,577	3,338,099	471,478	14.1%
current accounts	1,551,302	1,762,760	(211,458)	(12.0%)
Debt securities	655,735	653,393	2,342	0.4%
Amounts due to credit institutions	669,815	778,311	(108,496)	(13.9%)
Other liabilities	709,641	656,206	53,435	8.1%
<b>Equity</b>	<b>2,664,470</b>	<b>2,476,954</b>	<b>187,516</b>	<b>7.6%</b>

As at end of 1Q 2024, **total assets** were up 2.7% year-to-date due to increase in amounts due to customers.

Compared with the end of 2023, **loans to customers** were up 0.4% on a gross and 0.2% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 7.9% in retail loans, while corporate loan portfolio and SME loan portfolio were down by 2.6% and 4.7%, respectively, due to seasonal effect.

As at the end of 1Q 2024, **Stage 3** loans remain at the level of 7.5% despite some increase in absolute terms.

Compared with the end of 4Q 2023, **the deposits of legal entities** and **the deposits of individuals** were up 5.1% and 0.4%, respectively, due to fund inflow from the Bank's clients.

As at the end of 1Q 2024, the share of KZT deposits in total corporate deposits was 69.9% compared to 72.9% as at the YE 2023, while the share in total retail deposits was 65.2% vs. 63.4% as at YE 2023.

As at the end of 1Q 2024, **debt securities issued** were slightly up by 0.4% year-to-date. As at the end of 1Q 2024, the Bank's debt securities portfolio was as follows:

Description of the security	Nominal amount outstanding	Interest rate	Maturity Date
Local bonds	KZT 100bn	7.5% p.a.	November 2024
Local bonds	KZT 131.7bn	7.5% p.a.	February 2025
Subordinated coupon bonds	KZT 101.1bn	9.5% p.a.	October 2025
Local bonds listed at Astana International Exchange	USD 185.5mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 299.9mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 229.8mln	3.5% p.a.	July 2025

In 1Q 2024, **total equity** of the Bank increased by 7.6% compared to the YE 2023, mainly due to net profit

earned by the Bank during 1Q 2024.

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

	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	19.0%	19.6%	18.6%	18.1%	20.2%
k1-2	19.0%	19.6%	18.6%	18.1%	20.2%
k2	19.2%	19.9%	19.0%	18.4%	20.6%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	19.5%	19.3%	18.2%	17.9%	19.3%
Tier 1 capital	19.5%	19.3%	18.2%	17.9%	19.3%
Total capital	19.7%	19.6%	18.5%	18.3%	19.6%

\* 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 2024, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>.

A 1Q 2024 results webcast will be hosted at 3:00pm London time/7:00pm Almaty time (UTC +05:00) on Monday, 20 May 2024. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 20 May 2024 (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 15,910.9bn as at 31 March, 2024, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 571 branches and outlets across the country. The Bank also operates in Georgia and Uzbekistan.

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

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