15 March 2024

Joint Stock Company 'Halyk Bank of Kazakhstan'
Consolidated financial results
for the year ended 31 December 2023

Joint Stock Company 'Halyk Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK) releases consolidated financial information and independent auditors' report for the year ended 31 December 2023.

Consolidated income statements

KZT mln

	12M 2023	12M 2022	Y-o-Y.%	4Q 2023	4Q 2022	Y-o-Y,%
Interest income	1,669,782	1,247,648	*33.8%*	463,498	360,129	28.7%
Interest expense	(859,285)	(578,182)	*48.6%*	(258,335)	(171,597)	50.5%
Net interest income before credit loss expense	**810,497**	**669,466**	***21.1%***	**205,163**	**188,532**	8.8%
Fee and commission income	200,060	180,066	*11.1%*	49,533	51,404	(3.6%)
Fee and commission expense	(99,704)	(96,099)	*3.8%*	(28,617)	(25,154)	13.8%
Net fee and commission income	**100,356**	**83,967**	***19.5%***	**20,916**	**26,250**	(20.3%)
Net insurance income(1)	52,265	27,630	89.2%	25,918	35,620	(27.2%)
Net foreign exchange gain	90,114	177,893	(49.3%)	28,919	46,226	(37.4%)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	72,594	(525)	(X138.3)	32,012	(10,264)	(X3.1)
Net realised loss from financial assets at fair value through other comprehensive income	(4,055)	(1,275)	(X3.2)	(1,681)	(160)	X10.5
Other income/expense, share in profit of associate and income from non-banking activities	(1,490)	13,850	(110.8%)	(47,127)	(25,476)	85.0%
Expected credit loss expense	(90,665)	(106,929)	*(15.2%)*	(18,267)	(12,286)	48.7%
Recovery of other credit loss expense	1,563	78	X20.0	(42)	528	(108%)
Operating expenses(2)	(216,405)	(188,959)	*14.5%*	(62,257)	(48,735)	27.7%
Income tax expense	(121,338)	(105,718)	*14.8%*	(27,411)	(41,608)	(34.1%)
Net profit	**693,436**	**569,478**	***21.8%***	**156,143**	**158,627**	(1.6%)
Non-controlling interest	1	1	*0.0%*	-	1	100.0%
Net profit attributable to common shareholders	**693,435**	**569,477**	***21.8%***	**156,143**	**158,626**	(1.6%)

	12M 2023	12M 2022		4Q 2023	4Q 2022	
Net interest margin, p.a.	**6.2%**	**5.6%**		**6.1%**	**5.9%**	
Return on average equity, p.a.	**32.5%**	**32.4%**		**27.1%**	**33.4%**	
Return on average assets, p.a.	**4.8%**	**4.3%**		**4.2%**	**4.5%**	
Cost-to-income ratio	**19.2%**	**19.0%**		**23.2%**	**17.2%**	
Cost of risk on loans to customers, p.a.	**1.0%**	**1.2%**		**0.7%**	**0.4%**	

(1) Insurance revenue less insurance service expense and net reinsurance expense;
(2) Including reversal of/(loss from) impairment of non-financial assets and reversal of impairment loss of property, plant and equipment

Starting from 1 January 2023, Halyk Group's financial statements have been transited to IFRS 17 "Insurance Contracts" from IFRS 4.

Moreover, in preparing the consolidated financial statements for the year ended 31 December 2023, 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, accordingly, were measured at historical cost. As a result, the Group revalued these financial instruments and recognized prior period adjustments.

All above mentioned resulted in recalculation of certain balance sheet items as at 31 December 2022 and 1 January 2022 and P&L items for 12M 2022 and retained earnings of prior years. All of the ratios were also recalculated accordingly.
For more detailed information please refer to Halyk Group's Consolidated Financial Statements and Independent Auditors' Report for the Year Ended 31 December 2023, note #4b.

Net profit attributable to common shareholders increased to KZT 693.4bn in 12M 2023, up 21.8% compared with KZT 569.5bn in 12M 2022 mainly due to significant increase in lending and transactional businesses despite one-off negative effect from the accelerated amortization of discount (net of tax effect) in the amount of KZT 24.8bn on the deposit of Kazakhstan Sustainability Fund (KSF), which was partially prepaid by the Bank in December 2023 (partial prepayment of state support funds received by KKB in the form of a deposit from KSF in 2015).

Interest income for 12M 2023 increased by 33.8% vs. 12M 2022 mainly due to increase in average rate and balances of loans to customers.

Interest expense for 12M 2023 increased by 48.6% vs. 12M 2022 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, as well as one-off negative effect from above mentioned accelerated amortization of discount in the amount of KZT 24.8 bn on the deposit of KSF. Consequently, net interest income for 12M 2023 grew by 21.1% vs. 12M 2022.

In 12M 2023, **net interest margin** was affected by the increase in average rates on both loans to customers and amounts due to customers following increase in the market 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 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 6.2% p.a. for 12M 2023 compared to 5.6% p.a. for 12M 2022.

Moreover, net interest margin in 12M 2023 and 4Q 2023 was negatively affected by the above mentioned accelerated amortization of discount in the amount of KZT 24.8bn on the deposit of KSF. Excluding this effect, net interest margin would have amounted to 6.5% p.a. for 12M 2023 and 7.0% p.a. for 4Q 2023.

In 12M 2023 compared to 12M 2022, 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 12M 2023 increased by 19.5% vs. 12M 2022 due to increase in net transactional income of both legal entities and individuals[(3)] as well as in fees on letters of credit and guarantees issued.

Net fee and commission income for 4Q 2023 decreased by 20.3% vs. 4Q 2022 due to increased expenses on loyalty program bonuses and deposit insurance fees payable to the Kazakhstan Deposit Insurance Fund.

Other non-interest income [4] decreased by 17.3% for 12M 2023 vs. 12M 2022 mainly due to lower net foreign exchange gain amid higher volatility of exchange rates and interest rates in 12M 2022.

Net insurance income [5] for 12M 2023 improved by 89.2% vs. 12M 2022, due to overall life and general insurance business growth.

Operating expenses for 12M 2023 increased by 14.5% vs. 12M 2022 mainly due to the indexation of salaries and other employee benefits starting from 1 March 2023, as well as increase in IT investments and expenses for card business development.

Cost of risk on loans to customers for 12M 2023 was at normalized level within the scope of our full year guidance and was at the level of 1.0%.

The **cost-to-income ratio** equalled 19.2% in 12M 2023, compared with 19% in 12M 2022 due to higher operating expenses for 12M 2023.

(3) Transactional income of individuals, less transactional expenses of individuals and less loyalty program bonuses;
(4) Other non-interest income (net gain/(loss) 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, net foreign exchange gain, share in profit of associate, income on non-banking activities, other expense, loss from impairment of assets held for sales, loss on disposal of subsidiaries)
(5) Insurance revenue less insurance service expense and net reinsurance expense;

Statement of financial position review

KZT mln

	31-Dec-23	30-Sep-23	Change Q-o-Q, %	31-Dec-22	Change, abs	Change YTD, %
Total assets	**15,494,368**	**14,249,649**	**8.7%**	**14,395,102**	**1,099,266**	**7.6%**
Cash and reserves	1,622,181	1,010,078	60.6%	2,288,375	(666,194)	(29.1%)
Amounts due from credit institutions	171,754	146,010	17.6%	135,655	36,099	26.6%
T-bills & NBRK notes	2,125,941	2,216,148	(4.1%)	1,920,189	205,752	10.7%
Other securities & derivatives	1,614,666	1,678,962	(3.8%)	1,658,100	(43,434)	(2.6%)
Gross loan portfolio	9,774,798	9,062,263	7.9%	8,280,290	1,494,508	18.0%
Stock of provisions	(489,926)	(471,389)	3.9%	(422,388)	(67,538)	16.0%
Net loan portfolio	9,284,872	8,590,874	8.1%	7,857,902	1,426,970	18.2%
Other assets	563,412	575,246	(2.1%)	510,958	52,454	10.3%
Assets held for sale	111,542	32,331	X3.5	23,923	87,619	X4.7
Total liabilities	**13,017,414**	**12,068,377**	**7.9%**	**12,382,860**	**634,554**	**5.1%**
Total deposits, including:	10,929,504	9,915,794	10.2%	10,512,048	417,456	4.0%
retail deposits	5,828,645	5,330,410	9.3%	5,243,764	584,881	11.2%
term deposits	4,808,592	4,421,606	8.8%	4,351,846	456,746	10.5%
current accounts	1,020,053	908,804	12.2%	891,918	128,135	14.4%
corporate deposits	5,100,859	4,585,384	11.2%	5,268,284	(167,425)	(3.2%)
term deposits	3,338,099	2,968,099	12.5%	2,898,924	439,175	15.1%
current accounts	1,762,760	1,617,285	9.0%	2,369,360	(606,600)	(25.6%)
Debt securities issued	653,393	677,452	(3.6%)	462,817	190,576	41.2%
Amounts due to credit institutions	778,311	885,797	(12.1%)	878,665	(100,354)	(11.4%)
Other liabilities	656,206	589,334	11.3%	529,330	126,876	24.0%
Equity	**2,476,954**	**2,181,272**	**13.6%**	**2,012,242**	**464,712**	**23.1%**

As at YE 2023, **total assets** were up 7.6% year-to-date due to increase in amounts due to customers and debt securities issued.

Compared with the end of 2022, **loans to customers** were up 18% on a gross and 18.2% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 13.4% in corporate, 25.1% in SME and 22.7% in retail loans.

Despite some increase in absolute terms, **Stage 3** loans decreased to 7.5% as at the end of 4Q 2023 due to loan portfolio growth.

Compared with the end of 3Q 2023, **the deposits of legal entities** and **the deposits of individuals** were up 11.2% and 9.3%, respectively, due to fund inflow from the Bank's clients.

As at the-end of 12M 2023, the share of KZT deposits in total corporate deposits was 72.9% compared to 60.6% as at the YE 2022, while the share in total retail deposits was 63.4% vs. 52.6% as at YE 2022.

As at the end of 12M 2023, **debt securities issued** were up 41.2% year-to-date, mainly due to the issuance of bonds listed on AIX with a coupon rate of 3.5% in May and July 2023. 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 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 229.5mln	3.5% p.a.	July 2025

In 12M 2023, **total equity** of the Bank increased by KZT 464.7bn or by 23.1% compared to the YE 2022, mainly due to net profit earned by the Bank during 12M 2023.

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

	31-Dec-23	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22
Capital adequacy ratios, unconsolidated:					
Halyk Bank					
k1-1	19.6%	18.6%	18.1%	20.2%	19.3%
k1-2	19.6%	18.6%	18.1%	20.2%	19.3%
k2	19.9%	19.0%	18.4%	20.6%	19.7%
Capital adequacy ratios, consolidated:					
CET 1	19.3%	18.2%	17.9%	20.2%	19.2%
Tier 1 capital	19.3%	18.2%	17.9%	20.2%	19.2%
Total capital	19.6%	18.5%	18.3%	20.5%	19.5%

* 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 nine months ended 31 December 2023, including the notes attached thereto, are available on Halyk Bank's website: http://halykbank.com/financial-results.

A 12M & 4Q 2023 results webcast will be hosted at 2:30pm London time/7:30pm Almaty time (UTC +05:00) on Monday, 18 March 2024. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 18 March 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 15,494.4bn as at 31 December, 2023, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 570 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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