

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ Consolidated financial results for the year ended 31 December 2022

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ and its subsidiaries (together “the Bank”) (LSE: HSBK) releases consolidated financial statements and independent auditors’ report for the year ended 31 December 2022.

Consolidated income statements

KZT mln

	12M 2022	12M 2021	Y-o-Y,%	4Q 2022	4Q 2021	Y-o-Y,%
<i>Interest income</i>	1,247,644	879,865	41.8%	360,190	242,490	48.5%
<i>Interest expense</i>	(577,445)	(366,792)	57.4%	(171,203)	(111,126)	54.1%
Net interest income before credit loss expense	670,199	513,073	30.6%	188,987	131,364	43.9%
<i>Fee and commission income</i>	180,066	138,389	30.1%	51,404	36,639	40.3%
<i>Fee and commission expense</i>	(96,274)	(71,789)	34.1%	(25,309)	(20,015)	26.5%
Net fee and commission income	83,792	66,600	25.8%	26,095	16,624	57.0%
Net insurance income ⁽¹⁾	21,812	43,863	(50.3%)	16,417	13,429	22.3%
Net foreign exchange gain	178,900	30,536	5.9x	48,639	7,541	6.4x
Net (loss)/gain from derivative operations and securities ⁽²⁾	(4,908)	16,472	(0.3x)	(13,532)	5,665	(2.4x)
Share in profit of associate, income on non-banking activities, other (expense)/income and loss on disposal of subsidiaries	13,854	31,348	(55.8%)	(25,472)	18,057	(1.4x)
(Credit loss expense)/recovery of credit loss expense ⁽³⁾	(106,778)	4,004	(26.7x)	(12,069)	9,477	(1.3x)
Recovery of other credit loss expense/(other credit loss expense)	78	(4,002)	(101.9%)	528	(369)	(1.4x)
Operating expenses ⁽⁴⁾	(198,100) ⁽⁵⁾	(177,279) ⁽⁶⁾	11.7%	(51,950) ⁽⁷⁾	(55,868) ⁽⁸⁾	(7.0%)
Income tax expense	(105,097)	(62,237)	68.9%	(40,987)	(16,637)	2.5x
Net profit	553,752	462,378	19.8%	136,656	129,283	5.7%
Non-controlling interest	1	1	-	-	1	(100.0%)
Net profit attributable to common shareholders	553,751	462,377	19.8%	136,656	129,282	5.7%
Net interest margin, p.a.	5.6%	5.2%		6.0%	5.0%	
Return on average equity, p.a.	31.7%	29.7%		29.1%	31.7%	
Return on average assets, p.a.	4.1%	4.2%		3.8%	4.4%	
Cost-to-income ratio	19.0%	24.1%		19.1%	27.9%	
Cost of risk on loans to customers, p.a.	1.2%	0.2%		0.4%	0.2%	

(1) Insurance underwriting income (gross insurance premiums written, net change in unearned insurance premiums, ceded reinsurance share) less insurance claims incurred and insurance agency commissions (insurance payments, insurance reserves expenses, commissions to agents);

(2) Net (loss)/gain on financial assets and liabilities at fair value through profit or loss and net realised (loss)/gain 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 and reversal of impairment loss of property, plant and equipment:

(5) KZT 4.1bn;

(6) KZT -5.8bn;

(7) KZT 4.2bn;

(8) KZT -5.6bn.

The net profit attributable to common shareholders amounted to KZT 553.8bn in 12M 2022, up 19.8% compared with KZT 462.4bn in 12M 2021 mainly due to significant increase in lending business, including acquisition of Sber's loan portfolio, as well as increase in net gain on foreign exchange operations and net fee and commission income.

The interest income for 12M 2022 increased by 41.8% vs. 12M 2021 mainly due to increase in average rate and balances of loans to customers. **The interest expense** for 12M 2022 increased by 57.4% vs. 12M 2021 mainly as a result of the growth in average rate and balances of amounts due to customers. Consequently, net interest income for 12M 2022 grew by 30.6% vs. 12M 2021. In 12M 2022, **the net interest margin** was affected by the increase in average rates on both loans to customers and amounts due to customers following the base rate hike from 10.25% to 16.75% in 12M 2022. 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 5.6% p.a. for 12M 2022 compared to 5.2% p.a. for 12M 2021.

The cost of risk on loans to customers for 12M 2022 was at 1.2% reflecting more normalized credit loss expenses on corporate and SME loan portfolio and higher credit loss expenses on retail loan portfolio.

In 12M 2022, the overall dynamics of **the 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. **The net fee and commission income** for 12M 2022 increased by 25.8% vs. 12M 2021 due to increase in net transactional income of both legal entities and individuals ⁽⁹⁾, as well as in fees on letters of credit and guarantees issued, which was mainly propped by the increase in overall volume of letters of credit and guarantees issued.

Net foreign exchange gain increased by 5.9x for 12M 2022 vs. 12M 2021 mainly due to the volatility of exchange rates and interest rates, which resulted in significant growth in net dealing income.

Other non-interest income ⁽¹⁰⁾ decreased by 81.3% for 12M 2022 vs. 12M 2021 mainly due to the loss and other related expenses on disposal of subsidiaries amid the sale of subsidiary banks in Tajikistan and Russia.

The net insurance income ⁽¹¹⁾ for 12M 2022 decreased by 50.3% year-on-year, due to increase in insurance reserve expenses on unsecured consumer loans with a borrower's life insurance bundle.

The operating expenses for 12M 2022 increased by 11.7% vs. 12M 2021 mainly due to the indexation of salaries and other employee benefits starting from March 1, 2022, the employee premiums reserve accrued in 12M 2022, as well as increase in charity expenses and IT investments.

The cost-to-income ratio decreased to 19.0% compared to 24.1% for 12M 2021 amid higher operating income for 12M 2022.

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

(10) Other non-interest income (Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, net realised (loss)/gain from financial assets at fair value through other comprehensive income, share in profit of associate, income on non-banking activities, other (expense)/income and loss on disposal of subsidiaries);

(11) Insurance underwriting income (gross insurance premiums written, net change in unearned insurance premiums, ceded reinsurance share) less insurance claims incurred, net of reinsurance (insurance payments, insurance reserves expenses, commissions to agents).

Statement of financial position review

KZT mln

	31-Dec-22	30-Sep-22	Change Q-o-Q, %	31-Dec-21	Change, abs	Change YTD, %
Total assets	14,311,372	14,207,912	0.7%	12,091,370	2,220,002	18.4%
Cash and reserves	2,288,375	2,884,594	(20.7%)	1,633,452	654,923	40.1%
Amounts due from credit institutions	135,655	115,151	17.8%	602,125	(466,470)	(77.5%)
T-bills & NBRK notes	1,920,189	1,922,323	(0.1%)	2,195,931	(275,742)	(12.6%)
Other securities & derivatives	1,550,337	1,201,019	29.1%	1,247,257	303,080	24.3%
<i>Gross loan portfolio</i>	8,280,290	7,945,531	4.2%	6,250,260	2,030,030	32.5%
<i>Stock of provisions</i>	(422,388)	(446,372)	(5.4%)	(378,032)	(44,356)	11.7%
Net loan portfolio	7,857,902	7,499,159	4.8%	5,872,228	1,985,674	33.8%
Other assets	534,991	540,169	(1.0%)	494,965	40,026	8.1%
Assets held for sale	23,923	45,497	(47.4%)	45,412	(21,489)	(47.3%)
Total liabilities	12,400,138	12,309,651	0.7%	10,517,766	1,882,372	17.9%
Total deposits, including:	10,487,615	10,386,965	1.0%	8,473,407	2,014,208	23.8%
<i>retail deposits</i>	5,219,331	4,889,910	6.7%	4,415,103	804,228	18.2%
<i>term deposits</i>	4,327,413	4,075,160	6.2%	3,674,572	652,841	17.8%
<i>current accounts</i>	891,918	814,750	9.5%	740,531	151,387	20.4%
<i>corporate deposits</i>	5,268,283	5,497,055	(4.2%)	4,058,304	1,209,979	29.8%
<i>term deposits</i>	2,898,923	3,036,054	(4.5%)	2,046,999	851,923	41.6%
<i>current accounts</i>	2,369,360	2,461,001	(3.7%)	2,011,305	358,055	17.8%
Debt securities	462,817	474,322	(2.4%)	499,812	(36,995)	(7.4%)
Amounts due to credit institutions	878,665	801,201	9.7%	1,071,642	(192,977)	(18.0%)
Other liabilities	571,041	647,163	(11.8%)	472,905	98,136	20.8%
Equity	1,911,234	1,898,261	0.7%	1,573,604	337,630	21.5%

As at YE 2022, **total assets** were up 18.4% year-to-date. This was due to the growth in amounts due to customers to support the expansion of lending business.

Compared with the end of 2021, **loans to customers** were up 32.5% on a gross and 33.8% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 35.1% in corporate, 23.8% in SME and 32.7% in retail loans.

Stage 3 ratio decreased to 7.5% as at the end of 4Q 2022 mainly due to recovery and repayment of corporate problem indebtedness.

Compared with the end of 2021, **the deposits of legal entities and individuals** were up 29.8% and 18.2%, respectively, as a result of the clients inflow due to changes in the operating landscape. As at the-end of YE 2022, the share of KZT deposits in total corporate deposits was 60.6% compared to 52.9% as at the YE 2021, while the share in total retail deposits was 52.4% vs. 50.6% as at YE 2021.

As at YE 2022, **the debt securities issued** were down 7.4% year-to-date, following the timely redemption of the local unsubordinated bonds denominated in KZT with a coupon rate of 8.75% in the amount of KZT 93,632 million on 19 January 2022, the timely redemption of the bonds listed on AIX with a coupon

rate of 3% in the amount of USD 100 million on 1 April 2022 and the timely redemption of the bonds listed on AIX with a coupon rate of 3% in the amount of USD 83 million on 19 April 2022. 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
Local bonds listed at Astana International Exchange	USD 196 mln	2.5% p.a.	April 2025

In FY 2022 **the total equity** of the Bank increased by KZT 337.6bn or by 21.5% compared to the YE 2021, as a result of net profit earned by the Bank during 12M 2022.

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

	31-Dec-22	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	18.5%	18.5%	18.1%	19.0%	19.6%
k1-2	18.5%	18.5%	18.1%	19.0%	19.6%
k2	18.9%	19.1%	18.8%	19.8%	20.4%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	18.2%	17.8%	17.5%	18.7%	19.3%
Tier 1 capital	18.2%	17.8%	17.5%	18.7%	19.3%
Total capital	18.6%	18.3%	18.1%	19.4%	19.9%

* 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 statements and independent auditors' report for the year ended 31 December 2022, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>.

A 12M & 4Q 2022 results webcast will be hosted at 1:00 p.m. London time/8:00 a.m. EST on Tuesday, 14 March 2023. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 14 March 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 14,311.4bn as at December 31, 2022, 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 operates in Georgia, Kyrgyzstan and Uzbekistan.

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

- ENDS-

**For further information, please contact:
Halyk Bank**

Mira Kassenova +7 727 259 04 30
MiraK@halykbank.kz

Margulan Tanirtayev +7 727 259 04 53
Margulant@halykbank.kz

Nurgul Mukhadi +7 727 330 16 77
NyrgylMy@halykbank.kz