

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Consolidated financial results

for the three months ended 31 March 2022

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 2022.

Consolidated income statements

KZT mln

	1Q 2022	1Q 2021	Change, abs	Y-o-Y, %
<i>Interest income</i>	253,776	193,637	60,139	31.1%
<i>Interest expense</i>	(109,388)	(81,070)	(28,318)	34.9%
Net interest income before credit loss expense	144,388	112,567	31,821	28.3%
<i>Fee and commission income</i>	33,522	31,993	1,529	4.8%
<i>Fee and commission expense</i>	(20,342)	(15,868)	(4,474)	28.2%
Fees and commissions, net	13,180	16,125	(2,945)	(18.3%)
Net insurance income ⁽¹⁾	402	6,088	(5,686)	(93.4%)
Net gain on foreign exchange operations	26,647	1,758	24,889	15.2x
Gain/(loss) from derivative operations and securities ⁽²⁾	19,736	10,756	8,980	83.5%
Other (expense)/income, share in profit of associate and income in non-banking activities	13,555	4,222	9,333	3.2x
Credit loss expense/(Recovery of credit loss expense) ⁽³⁾	(25,355)	(6,247)	(19,108)	4.1x
Other credit loss expense	(1,489)	(1,117)	(372)	33.3%
Operating expenses	(45,666) ⁽⁴⁾	(37,612) ⁽⁵⁾	(8,054)	21.4%
Income tax expense	(21,161)	(9,712)	(11,449)	117.9%
Net profit	124,237	96,828	27,409	28.3%
Non-controlling interest	-	-	-	
Net profit attributable to common shareholders	124,237	96,828	27,409	28.3%
Net interest margin, p.a.	5.2%	4.9%		
Return on average equity, p.a.	31.2%	25.1%		
Return on average assets, p.a.	4.0%	3.8%		
Cost-to-income ratio	19.7%	23.2%		
Cost of risk on loans to customers, p.a.	1.5%	0.4%		

(1) 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);

(2) Net gain from 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 of KZT -0.1 bn.

(5) Including loss from impairment of non-financial assets of KZT -0.4 bn.

Net profit attributable to common shareholders increased by 28.3% to KZT 124.2bn for 1Q 2022 compared to KZT 96.8bn for 1Q 2021 mainly due to significant increase in lending business and in net gain on foreign exchange operations.

Interest income for 1Q 2022 increased by 31.1% vs. 1Q 2021 mainly due to increase in average balances of loans to customers. **Interest expense** for 1Q 2022 increased by 34.9% vs. 1Q 2021 mainly due to the increase of average balance of KZT deposits in the amounts due to customers and due to increase in

interest expense on amounts due to credit institutions as a result of growing volumes of REPO transactions attracted to provide current cash flows in KZT within the Bank's operating activities, which was partially offset by the decrease in interest expense on debt securities as a result of a redemption of Bank's high-yielding Eurobonds. As a result net interest income for 1Q 2022 increased by 28.3% vs. 1Q 2021. **Net interest margin** increased to 5.2% p.a. for 1Q 2022 compared to 4.9% p.a. for 1Q 2021 mainly due to improved structure of placement of interest-bearing liabilities into interest-earning assets and due to savings on coupon payments as a result of an early redemption of Bank's high-yielding Eurobonds.

Cost of risk on loans to customers in 1Q 2022 came at 1.5%, partially reflecting more normalized level and increase in credit loss expense on retail loans, including assessment of the macro parameters effect.

In 1Q 2022, the overall dynamics of fee and commission income was negatively affected by January events in Kazakhstan. Consequently, **fee and commission income** for 1Q 2022 increased only by 4.8% vs. 1Q 2021. The increase in **fee and commission expense** for 1Q 2022 by 28.2% vs. 1Q 2021 was mainly due to the increase in payment cards expenses as a result of growing volumes of transactional banking and non-cash transactions. Moreover, loyalty program bonuses for 1Q 2022 increased by 83.5% vs. 1Q 2021. Thus, the net fee and commission income decreased by 18.3% vs. 1Q 2021. The decrease in fees derived from bank transfers – settlements for 1Q 2022 by 7.9% vs. 1Q 2021 was mainly due to decrease in merchant fees as a result of shrinking volume of online installment loans (BNPL) issued. This was due to the temporary suspension of BNPL and further reopening with tightened underwriting conditions.

Other non-interest income ⁽⁶⁾ increased by 3.6x to KZT 59.9bn for 1Q 2022 vs. KZT 16.7bn for 1Q 2021 mainly due to significant increase in net dealing income from FX operations. Moreover, in 1Q 2021, the Bank made full prepayment of its outstanding Eurobond issue which resulted in accelerated amortization of discount in the amount of KZT 5bn being recognized in other income/(expense).

Net insurance income ⁽⁷⁾ for 1Q 2022 significantly decreased vs. 1Q 2021 due to increase in insurance reserve expenses on unsecured consumer loans with a borrower's life insurance bundle.

Operating expenses for 1Q 2022 increased by 21.4% vs. 1Q 2021 mainly due to the indexation of salaries and other employee benefits starting from 1 March, 2021 and increase in charity expenses.

The Bank's **cost-to-income ratio** decreased to 19.7% compared to 23.2% for 1Q 2021 due to higher operating income for 1Q 2022.

(6) Other non-interest income (net gain on foreign exchange operations, net gain from 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 and other income/(expense));

(7) 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-Mar-22	31-Dec-21	Change, abs	Change YTD, %
Total assets	12,718,752	12,091,370	627,382	5.2%
Cash and reserves	1,884,051	1,633,452	250,599	15.3%
Amounts due from credit institutions	569,724	602,125	(32,401)	(5.4%)
T-bills & NBK notes	2,154,430	2,195,931	(41,501)	(1.9%)
Other securities & derivatives	1,267,701	1,247,257	20,444	1.6%
Gross loan portfolio	6,682,939	6,250,260	432,679	6.9%
Stock of provisions	(400,609)	(378,032)	(22,577)	6.0%
Net loan portfolio	6,282,330	5,872,228	410,102	7.0%
Assets held for sale	30,536	45,412	(14,876)	(32.8%)
Other assets	529,980	494,965	35,015	7.1%
Total liabilities	11,121,235	10,517,766	603,469	5.7%
Total deposits, including:	9,294,423	8,473,407	821,016	9.7%
retail deposits	4,495,719	4,415,103	80,616	1.8%
term deposits	3,747,362	3,674,572	72,790	2.0%
current accounts	748,357	740,531	7,826	1.1%
corporate deposits	4,798,706	4,058,304	740,401	18.2%
term deposits	2,401,701	2,046,999	354,702	17.3%
current accounts	2,397,004	2,011,305	385,698	19.2%
Debt securities	408,318	499,812	(91,494)	(18.3%)
Amounts due to credit institutions	882,107	1,071,642	(189,535)	(17.7%)
Other liabilities	536,387	472,905	63,482	13.4%
Equity	1,597,517	1,573,604	23,913	1.5%

As at the end of 1Q 2022, **total assets** increased by 5.2% vs. the end of YE 2021 due to growth in amounts due to customers, which was partially offset by the decrease in amounts due to credit institutions.

Compared with YE 2021, total **loans to customers** increased by 6.9% on a gross basis and 7.0% on a net basis, while corporate loans increased by 12.4% on a gross basis, SME decreased by 3.4% on a gross basis and retail loans increased by 3.1% on a gross basis.

As at the end of 1Q 2022, **Stage 3 ratio** remained almost flat in absolute terms and reduced to 7.9% in percentage terms.

Deposits of legal entities and individuals increased by 18.2% and 1.8%, respectively, compared to the YE 2021, due to fund inflow from the Bank's clients. As at the 1Q 2022, the share of corporate KZT deposits in total corporate deposits was 54.7% compared to 52.9% as at the YE 2021, whereas the share of retail KZT deposits in total retail deposits was 46.5% compared to 50.6% as at the YE 2021.

Debt securities issued decreased by 18.3% compared to YE 2021 as a result of redemption local unsubordinated bonds denominated in KZT with a coupon rate of 8.75% and maturity in 2022 in amount of KZT 93,632 million on 19 January 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 200 mln	2.5% p.a.	April 2025

In 1Q 2022, total equity of the Bank increased by KZT 23.9 bn or by 1.5% compared to the YE 2021, whereas net income for 1Q 2022 amounted to KZT 124.2 bn. This was due to loss on revaluation of debt financial assets at fair value through other comprehensive income, which totaled for KZT 105.0 bn in 1Q 2022. Loss mainly relates to treasury bills of the Ministry of Finance of Kazakhstan, which have decreased in price due to base rate hike from 10.25% to 13.5% in the first quarter of this year.

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

	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21	31-Mar-21
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	19.0%	19.6%	20.6%	20.2%	24.0%
k1-2	19.0%	19.6%	20.6%	20.2%	24.0%
k2	19.8%	20.4%	21.8%	21.5%	25.3%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	18.7%	19.3%	21.5%	21.1%	24.6%
Tier 1 capital	18.7%	19.3%	21.5%	21.1%	24.6%
Total capital	19.4%	19.9%	22.5%	22.1%	25.8%

* minimum capital regulatory adequacy requirements: k1 – 9.5%, k1-2 – 10.5% u k2 – 12%, including conservation buffer of 3% and systemic buffer of 1% for each of these ratios.

The consolidated financial information for three months ended 31 March 2022, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>

A 1Q 2022 results webcast will be hosted at 2:00 p.m. London time/9:00 a.m. EST on Wednesday, 18 May 2022. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 18 May, 2022 (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 12,718.8bn as at 31 March 2022, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 588 branches and outlets across the country. The Bank operates in Georgia, Kyrgyzstan, Russia, Uzbekistan and

Tajikistan.

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

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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