12 March 2020

Joint Stock Company 'Halyk Savings Bank of Kazakhstan'

Consolidated financial results for the year ended 31 December 2019

Joint Stock Company 'Halyk Savings Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK) releases consolidated financial information for the year ended 31 December 2019

Consolidated income statements

KZT mln

	12M 2019	12M 2018	Y-o-Y, %	4Q 2019	4Q 2018	Y-o-Y,%
Interest income	710,304	682,041	4.1%	178,915	179,435	(0.3%)
Interest expense	(312,326)	(333,772)	(6.4%)	(73,304)	(80,398)	(8.8%)
Net interest income before credit loss expense	**397,978**	**348,269**	**14.3%**	**105,611**	**99,037**	**6.6%**
Fee and commission income	123,256	113,241	8.8%	33,460	29,505	13.4%
Fee and commission expense	(54,646)	(39,006)	40.1%	(15,311)	(10,834)	41.3%
Net fee and commission income	**68,610**	**74,235**	**(7.6%)**	**18,149**	**18,671**	**(2.8%)**
Insurance income(1)	8,346	7,329	13.9%	4,576	4,342	5.4%
FX operations(2)	45,379	(64,577)	170.3%	14,976	(27,523)	(154.4%)
(Loss)/gain from derivative operations and securities (3)	(10,596)	116,586	(109.1%)	(3,718)	28,707	(113.0%)
Other income and share in profit of associate	41,785	24,664	69.4%	15,441	(664)	(24.3x)
Credit loss expense (4)	(30,054)	(31,995)	(6.1%)	(8,914)	(853)	(9.5x)
(Other credit loss expense)/recoveries of other credit loss expense	(1,308)	15,951	(108.2%)	(621)	12,906	(104.8%)
Operating expenses	(149,655)(5)	(164,531)(6)	(9.0%)	(52,155) (5)	(30,016) (7)	73.8%
Income tax expense	(35,974)	(82,474)	(56.4%)	(10,222)	(14,330)	(28.7%)
Profit from discontinued operations	-	9,974	-	-	-	-
Non-controlling interest in net income	-	(807)	-	-	-	-
Net income	**334,511**	**254,238**	**31.6%**	**83,123**	**90,277**	**(7.9%)**

	12M 2019	12M 2018	4Q 2019	4Q 2018
Net interest margin, p.a.	**5.3%**	**5.1%**	**5.4%**	**5.6%**
Return on average equity, p.a.	**28.8%**	**27.9%**	**26.3%**	**35.5%**
Return on average assets, p.a.	**3.7%**	**3.0%**	**3.6%**	**4.1%**
Cost-to-income ratio	**26.0%**	**31.7%**	**33.5%**	**24.7%**
Cost of risk on loans to customers, p.a.	**0.7%**	**0.5%**	**1.1%**	**(0.6%)**

(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 foreign exchange gain/(loss);
(3) Net (loss)/gain from financial assets and liabilities at fair value through profit or loss and net realised gain from financial assets at fair value through other comprehensive income (FVOCI);
(4) 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.
(5) including loss from impairment of non-financial assets of KZT 7.4 bn.
(6) including loss from impairment of non-financial assets of KZT 27.3 bn.
(7) including loss from impairment of non-financial assets of KZT (4.2) bn.

Net income increased by 31.6% to KZT 334.5bn for 12M 2019 compared to KZT 254.2bn for 12M 2018 mainly due to net interest income growth in 12M 2019. For 12M 2018 the Bank had higher loss from impairment of non-financial assets of KZT 27.3 bn compared to 7.4bn for 12M 2019, and in 2Q 2018 there was a de-recognition of tax loss carry forward of KZT 43.3bn by Kazkommertsbank's (KKB) due to the merger into Halyk Bank.

Interest income increased by 4.1% to KZT 710.3bn for 12M 2019 compared to KZT 682.0bn for 12M 2018 mainly as a result of increase in average balances of interest-earning assets by 9.8%. **Interest expense** for 12M 2019 decreased by 6.4% compared to 12M 2018 mainly due to continuous repricing of retail term deposits following the decrease of deposit interest rate cap by Kazakhstan Deposit Insurance Fund. As a result of increase in net interest income and due to increase in the share of placement of interest-bearing liabilities into interest-earning assets, **net interest margin** increased to 5.3% p.a. for 12M 2019 compared to 5.1% p.a. in 12M 2018.

Cost of risk on loans to customers for 12M 2019 was at 0.7%, more normalized level compared to 0.5% for 12M 2018 which was mainly due to repayment of a large ticket impaired corporate loan and transfer of few problem corporate loans to subsidiary SPVs in 4Q 2018.

Fee and commission income* for 12M 2019 increased by 8.8% p.a. vs. 12M 2018 as a result of growing volumes of transactional banking, mainly in payment cards operations, as well as letters of credit and guarantees issued.
Prior to the merger, the transfers within legal entities' current accounts in Halyk and KKB were treated as external transfers and relevant fees were applied. After the integration, the transfers between those current accounts are being treated as internal and therefore are free of charge. As a result, fees derived from Bank transfers – settlements decreased in 12M 2019 vs. 12M 2018. The decrease in fees derived from cash operations in 12M 2019 vs. 12M 2018 was mainly due to increased volumes of non-cash transactions.

Fee and commission expense increased by 40.1% compared to 12M 2018 mainly due to increased number of transactions of other banks' cards in the acquiring network of the Bank.

Operating income increased by 10.8% vs. 12M 2018 mainly due to increase in net interest income.

On the back of lower operating expenses and higher operating income for 12M 2019 vs. 12M 2018, the Bank's **cost-to-income** ratio decreased to 26.0% compared to 31.7% for 12M 2018.

* Starting from 1Q 2019 the portion of fees relating to payment card operations, which was previously accounted within cash operations and bank transfers, are represented as fees derived from payment card operations. Figures for 4Q 2018 were recalculated accordingly.

Statement of financial position review

KZT mln

	31-Dec-19	30-Sep-19	Change Q-o-Q, %	31-Dec-18	Change, abs	Change YTD, %
Total assets	**9,234,758**	**8,992,491**	**2.7%**	**8,959,024**	**275,734**	**3.1%**
Cash and reserves	1,805,343	1,869,364	(3.4%)	1,870,879	(65,536)	(3.5%)
Amounts due from credit institutions	53,161	48,185	10.3%	55,035	(1,874)	(3.4%)
T-bills & NBK notes	1,954,066	1,964,806	(0.5%)	2,226,320	(272,254)	(12.2%)
Other securities & derivatives	1,074,867	998,379	7.7%	782,356	292,511	37.4%
Gross loan portfolio	4,161,163	3,990,965	4.3%	3,890,872	270,291	6.9%
Stock of provisions	(408,718)	(424,255)	(3.7%)	(409,793)	1,075	(0.3%)
Net loan portfolio	3,752,445	3,566,710	5.2%	3,481,079	271,366	7.8%
Assets held for sale	45,766	58,193	(21.4%)	56,129	(10,363)	(18.5%)
Other assets	549,110	486,854	12.8%	487,226	61,884	12.7%
Total liabilities	**7,927,535**	**7,765,703**	**2.1%**	**7,893,378**	**34,157**	**0.4%**
Total deposits, including:	6,406,413	6,190,717	3.5%	6,526,930	(120,517)	(1.8%)
retail deposits	3,251,216	3,167,448	2.6%	3,395,590	(144,374)	(4.3%)
term deposits	2,743,019	2,716,866	1.0%	2,918,070	(175,051)	(6.0%)
current accounts	508,197	450,582	12.8%	477,520	30,677	6.4%
corporate deposits	3,155,198	3,023,269	4.4%	3,131,340	23,858	0.8%
term deposits	1,441,931	1,273,017	13.3%	1,374,592	67,339	4.9%
current accounts	1,713,266	1,750,252	(2.1%)	1,756,748	(43,482)	(2.5%)
Debt securities	834,446	919,154	(9.2%)	900,791	(66,345)	(7.4%)
Amounts due to credit institutions	305,965	337,211	(9.3%)	168,379	137,586	81.7%
Other liabilities	380,711	318,621	19.5%	297,278	83,433	28.1%
Equity	**1,307,223**	**1,226,788**	**6.6%**	**1,065,646**	**241,577**	**22.7%**

As at YE 2019 **total assets** increased by 3.1% vs. YE 2018, and their structure was improved thanks to increased share of higher-yielding loans to customers.

Compared with the YE 2018, **loans to customers** increased by 6.9% on a gross basis and 7.8% on a net basis. Increase of gross loan portfolio in 2019 was attributable to increase in corporate loans (5.9% on a gross basis), increase in SME loans (9.4% on a gross basis), and increase in retail loans (7.9% on a gross basis).

As at the end of 4Q 2019, **Stage 3 ratio** decreased to 16.0% from 17.9% as at the end of 3Q 2019 mainly as a result of write-off and repayment of previously impaired indebtedness of corporate and retail borrowers.

Deposits of legal entities increased by 0.8% **and deposits of individuals** decreased by 4.3%, compared to YE 2018 mainly due to partial withdrawal of funds by the Bank's customers to finance their ongoing needs and transfer of a part of FX retail deposits into USD-denominated bonds placed at Astana International Exchange. As at 31 December 2019, the share of corporate KZT deposits in total corporate deposits was 49.4% compared to 49.6% as at 30 September 2019, whereas the share of retail KZT deposits in total retail deposits was 43.7% compared to 42.2% as at the end of 3Q 2019.

Amounts due to credit institutions increased by 81.7% vs. YE 2018 mainly due to increase in loans and deposits from Kazakhstan banks (including loans under REPO agreements) attracted for placement at higher rates. As at 31 December 2019, 86.2% of the Bank's obligations to financial institutions were represented by loans from Kazakhstan banks (incl. loans under REPO agreements), KazAgro national managing holding, DAMU development fund, Development Bank of Kazakhstan drawn in 2014–2017 within the framework of government programs supporting certain sectors of economy.

Debt securities issued decreased by 7.4% vs. YE 2018, mainly due to the early partial prepayment of Bank's USD 750,000,000 Eurobond issue on 1 March 2019, redemption of Bank's KZT 3.5bn subordinated bonds on 26 April 2019 and redemption of Bank's KZT 59.9bn coupon bonds on 14 November 2019. 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
Eurobond	USD 500 mln	7.25% p.a.	January 2021
Eurobond	USD 548 mln	5.5% p.a.	December 2022
Local bonds	KZT 100.0 bn	7.5% p.a.	November 2024
Local bonds	KZT 131.7 bn	7.5% p.a.	February 2025
Local bonds	KZT 93.6 bn	8.75% p.a.	January 2022
Subordinated coupon bonds	KZT 101.1 bn	9.5% p.a.	October 2025
Local bonds listed at Astana International Exchange	USD 172.5 mln	3.0% p.a.	April 2022

Compared with the YE 2018 total equity increased by 22.7% as a result of net profit earned by the Bank during 12M 2019.

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

	31-Dec-19	30-Sep-19	30-June-19	31-Mar-19	31-Dec-18
Capital adequacy ratios, unconsolidated:					
Halyk Bank					
k1-1	21.3%	21.4%	19.7%	20.4%	19.7%
k1-2	21.3%	21.4%	19.7%	20.4%	19.7%
k2	23.1%	23.4%	21.5%	22.3%	21.6%
Capital adequacy ratios, consolidated:					
CET 1	19.7%	20.0%	18.3%	19.5%	18.5%
Tier 1 capital	19.7%	20.0%	18.3%	19.5%	18.5%
Total capital	20.9%	21.2%	19.6%	20.9%	19.9%

* *minimum capital regulatory adequacy requirements: k1 – 9.72%, k1-2 – 10.72% and k2 – 12.22%, including conservation buffer of 3% and systemic buffer of 1% for each of these ratios.*

The consolidated financial information for year end 31 December 2019, including the notes attached thereto, are available on Halyk Bank's website: https://halykbank.kz/en/investors/ifrs-reports.

A 12M & 4Q 2019 results webcast will be hosted at 1:00 p.m. London time/9:00 a.m. EST on Friday, 13 March 2020:
https://webcasts.eqs.com/register/halykbank20200313

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.

In July 2017, the Bank purchased majority stake in Kazkommertsbank JSC – the second largest Bank in Kazakhstan by total assets – and merged it fully in July 2018.

With total assets of KZT 9,234.8 billion as at 31 December 2019, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 626 branches and outlets across the country. The Bank operates in Georgia, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

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

- ENDS-

For further information, please contact:

Halyk Bank

Viktor Skryl	+7 727 259 04 27 ViktorSk@halykbank.kz
Mira Kassenova	+7 727 259 04 30 MiraK@halykbank.kz
Margulan Tanirtayev	+7 727 259 04 53 Margulant@halykbank.kz