

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Consolidated financial results

for the year ended 31 December 2020

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 2020.

Consolidated income statements

KZT mln

	12M 2020	12M 2019	Y-o-Y,%	4Q 2020	4Q 2019	Y-o-Y,%
<i>Interest income</i>	733,234	710,304	3.2%	192,847	178,915	7.8%
<i>Interest expense</i>	(333,741)	(312,326)	6.9%	(94,373)	(73,304)	28.7%
Net interest income before credit loss expense	399,493	397,978	0.4%	98,474	105,611	(6.8%)
<i>Fee and commission income</i>	131,399	123,256	6.6%	36,820	33,460	10.0%
<i>Fee and commission expense</i>	(63,184)	(54,646)	15.6%	(14,949)	(15,311)	(2.4%)
Net fee and commission income	68,215	68,610	(0.6%)	21,871	18,149	20.5%
Net insurance income ⁽¹⁾	22,482	4,058	5.5x	8,222	3,313	148.2%
FX operations ⁽²⁾	40,940	45,379	(9.8%)	19,974	14,976	33.4%
Gain/(loss) from derivative operations and securities ⁽³⁾	6,625	(10,596)	(162.5%)	(1,574)	(3,718)	(57.7%)
Other income, share in profit of associate, and income from non-banking activities	41,957	41,785	0.4%	11,976	15,441	(22.4%)
Credit loss expense ⁽⁴⁾	(26,918)	(30,054)	(10.4%)	8,984	(8,914)	(1.0x)
Other credit loss expense	(5,025)	(1,308)	3.8x	(1,920)	(621)	3.1x
Operating expenses ⁽⁵⁾	(158,237)	(145,367)	8.9%	(45,645)	(50,892)	(10.3%)
Income tax expense	(36,878)	(35,974)	2.5%	(12,355)	(10,222)	20.9%
Non-controlling interest	1	-	-	-	-	-
Net profit attributable to common shareholders	352,653	334,511	5.4%	108,007	83,123	29.9%
Net interest margin, p.a.	4.7%	5.3%		4.4%	5.4%	
Return on average equity, p.a.	25.5%	28.8%		30.4%	26.3%	
Return on average assets, p.a.	3.6%	3.7%		4.3%	3.6%	
Cost-to-income ratio	26.8%	25.4%		28.9%	33.0%	
Cost of risk on loans to customers, p.a.	0.4%	0.7%		(1.0%)	1.1%	

(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 gain/(loss) 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 FVOCI, debt securities at amortised cost, net of allowance, cash and cash equivalents and other assets;

(5) Including loss from impairment of non-financial assets of KZT 5.1 bn;

(6) Including loss from impairment of non-financial assets of KZT 7.4 bn;

(7) Including loss from impairment of non-financial assets of KZT 0.9 bn;

Net profit attributable to common shareholders increased by 5.4% to KZT 352.7bn for 12M 2020 compared to KZT 334.5bn for 12M 2019 mainly due to increase in net insurance income and gain from derivative operations and securities.

Increase in interest income on loans to customers was partially offset by the decrease in interest income on securities due to transfers in placement from high-yielding NBRK notes into low-yielding FX deposit with NBRK following the repayment of SWAP agreement with NBRK for the amount of USD 912 mln. As a result, **interest income** increased by 3.2% to KZT 733.2bn for 12M 2020 compared to KZT 710.3bn for 12M 2019. **Interest expense** for 12M 2020 increased by 6.9% to KZT 333.7bn vs. KZT 312.3bn for 12M 2019 mainly due to the increase of average balance and share of KZT deposits in the amounts due to customers. **Net interest margin** decreased to 4.7% p.a. for 12M 2020 compared to 5.3% p.a. for 12M 2019 mainly due to transfers in placement from high-yielding NBRK notes into low-yielding FX deposit with NBRK following the repayment of SWAP agreement.

Cost of risk for 12M 2020 decreased to 0.4% compared to 0.7% for 12M 2019 and decreased to (1.0%) in 4Q 2020 compared to 0.2% in 3Q 2020 mainly due to repayments of large ticket corporate loans.

Fee and commission income for 12M 2020 increased by 6.6% vs. 12M 2019 as a result of growing volumes of transactional banking, mainly in plastic card operations, as well as bank transfers – settlements.

The increase in **fee and commission expense** by 15.6% Y-o-Y was mainly due to increased number of transactions of other banks' cards in the acquiring network of the Bank, partially offset by the decrease in deposit insurance fees payable to the Kazakhstan Deposit Insurance Fund due to lower rates for the Bank on the back of increase of capital adequacy ratios.

Other non-interest income ⁽⁸⁾ increased by 16.9% to KZT 89.5bn for 12M 2020 vs. KZT 76.6bn for 12M 2019 mainly due to net gain from derivative operations and securities following the repayment of SWAP agreement with NBRK for the amount of USD 912.

Net insurance income ⁽⁹⁾ for 12M 2020 significantly increased vs. 12M 2019 as a result of new unsecured lending program with a borrower's life insurance bundle.

Operating expenses for 12M 2020 increased by 8.9% vs. 12M 2019 mainly due to the increase in salaries and other employee benefits as a result of the increase in sales based payments in retail business in 2020 and due to the loyalty program bonuses payable to the customers, which are included in operating expenses related to the advertisement and loyalty program starting from 4Q 2019.

The Bank's **cost-to-income** ratio increased to 26.8% compared to 25.4% for 12M 2019 due to higher operating expenses for 12M 2020.

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

(9) 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-20	30-Sep-20	Change Q-o-Q, %	31-Dec-19	Change, abs	Change YTD, %
Total assets	10,387,832	9,999,141	3.9%	9,234,758	1,153,074	12.5%
Cash and reserves	1,927,605	2,372,908	(18.8%)	1,805,343	122,262	6.8%
Amounts due from credit institutions	709,310	211,883	3.3x	53,161	656,149	13.3x
T-bills & NBRK notes	1,865,684	1,815,799	2.7%	1,954,066	(88,382)	(4.5%)
Other securities & derivatives	862,339	814,472	5.9%	1,074,867	(212,528)	(19.8%)
Gross loan portfolio	4,824,316	4,656,733	3.6%	4,161,163	663,153	15.9%
Stock of provisions	(378,041)	(450,712)	(16.1%)	(408,718)	30,677	(7.5%)
Net loan portfolio	4,446,275	4,206,021	5.7%	3,752,445	693,830	18.5%
Assets held for sale	42,244	44,102	(4.2%)	45,766	(3,522)	(7.7%)
Other assets	534,375	533,956	0.1%	549,110	(14,735)	(2.7%)
Total liabilities	8,894,564	8,631,327	3.0%	7,927,535	967,029	12.2%
Total deposits, including:	7,455,977	7,094,061	5.1%	6,406,413	1,049,564	16.4%
retail deposits	3,698,368	3,549,742	4.2%	3,251,216	447,152	13.8%
term deposits	3,073,187	2,973,310	3.4%	2,743,019	330,168	12.0%
current accounts	625,181	576,432	8.5%	508,197	116,984	23.0%
corporate deposits	3,757,609	3,544,319	6.0%	3,155,197	602,412	19.1%
term deposits	1,825,513	1,728,607	5.6%	1,441,930	383,583	26.6%
current accounts	1,932,096	1,815,712	6.4%	1,713,267	218,829	12.8%
Debt securities	778,192	904,229	(13.9%)	834,446	(56,254)	(6.7%)
Amounts due to credit institutions	300,727	266,993	12.6%	305,965	(5,238)	(1.7%)
Other liabilities	359,668	366,044	(1.7%)	380,711	(21,043)	(5.5%)
Equity	1,493,268	1,367,814	9.2%	1,307,223	186,045	14.2%

As at YE 2020, **total assets** increased by 12.5% vs. YE 2019 due to growth in deposits and total equity.

As at YE 2020, **amounts due from credit institutions** increased by 13.3 times vs. YE 2019 due to placement of funds following the repayment of SWAP agreement with NBRK for the amount of USD 912 mln.

Compared with YE 2019, **loans to customers** increased by 15.9% on a gross basis and 18.5% on a net basis. Increase of gross loan portfolio was attributable to increase in corporate loans (10.1% on a gross basis), increase in SME and retail loans by 24.1% and 24.4% on a gross basis, respectively.

As at YE 2020, **Stage 3 ratio** decreased to 12.3% from 14.8% as at the end of 3Q 2020 mainly due to write-off, repayment and restructuring of problem indebtedness.

Deposits of legal entities and **individuals** increased by 19.1% and 13.8%, respectively, compared to YE 2019 mainly due to fund inflow from the Bank's clients, and positive revaluation of FX-denominated deposits due to KZT depreciation in 12M 2020. As at the YE 2020, the share of corporate KZT deposits in total corporate deposits was 59.9% compared to 55.5% as at the end of 3Q 2020, whereas the share of retail KZT deposits in total retail deposits was 45.9% compared to 43.5% as at the end of 3Q 2020.

Debt securities issued decreased by 6.7% compared to YE 2019 as a result of a partial prepayment of

Eurobond issue on 31 December 2020, partially offset by KZT depreciation in 12M 2020.

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
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 180 mln	3.0% p.a.	April 2022

As at the YE 2020, total equity increased by 14.2% compared with YE 2019 as a result of net profit earned by the Bank during 12M 2020.

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

	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20	31-Dec-19
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1	23.7%	22.4%	25.9%	22.5%	21.3%
k1-2	23.7%	22.4%	25.9%	22.5%	21.3%
k2	25.1%	24.4%	27.9%	24.4%	23.1%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	24.4%	22.8%	25.2%	20.6%	20.6%
Tier 1 capital	24.4%	22.8%	25.2%	20.6%	20.6%
Total capital	25.5%	24.3%	26.7%	21.9%	21.9%

* minimum capital regulatory adequacy requirements: k1 – 8.5%, k1-2 – 9.5% and k2 – 11%, including conservation buffer of 2% and systemic buffer of 1% for each of these ratios.

The consolidated financial statements and independent auditors' report for the year ended 31 December 2020, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>

A 12M & 4Q 2020 results webcast will be hosted at 1:00 p.m. London time/8:00 a.m. EST on Monday, 15 March 2021. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 15 March, 2021 (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 10,387.8 as at 31 December 2020, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 611 branches and outlets across the country. The Bank also operates in Georgia, Kyrgyzstan, Russia, Tajikistan and Uzbekistan.

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

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