

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Consolidated financial results

for the three months ended 31 March 2021

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 2021.

Consolidated income statements

KZT mln

	1Q 2021	1Q 2020	Change, abs	Y-o-Y, %
<i>Interest income</i>	193,637	179,348	14,289	8.0%
<i>Interest expense</i>	(86,119)	(75,274)	(10,845)	14.4%
Net interest income before credit loss expense	107,518	104,074	3,444	3.3%
<i>Fee and commission income</i>	33,716	30,811	2,905	9.4%
<i>Fee and commission expense</i>	(15,868)	(16,935)	1,067	(6.3%)
Net fee and commission income	17,848	13,876	3,972	28.6%
Net insurance income ⁽¹⁾	6,995	1,741	5,254	4.0x
FX operations ⁽²⁾	1,758	(41,097)	42,855	(104.3%)
Gain/(loss) from derivative operations and securities ⁽³⁾	10,756	61,145	(50,389)	(82.4%)
Other income, share in profit of associate, and income from non-banking activities	9,271	15,110	(5,839)	(38.6%)
Credit loss expense ⁽⁴⁾	(6,247)	(20,090)	13,843	(68.9%)
Other credit loss expense	(1,117)	(1,911)	794	(41.5%)
Operating expenses	(40,242) ⁽⁵⁾	(37,490) ⁽⁶⁾	(2,752)	7.3%
Income tax expense	(9,712)	(14,289)	4,577	(32.0%)
Net profit attributable to common shareholders	96,828	81,069	15,759	19.4%
Net interest margin, p.a.	4.7%	5.3%		
Return on average equity, p.a.	25.1%	24.1%		
Return on average assets, p.a.	3.8%	3.5%		
Cost-to-income ratio	24.4%	23.8%		
Cost of risk on loans to customers, p.a.	0.4%	1.7%		

(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/loss on foreign exchange operations;

(3) Net 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;

(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 0.4 bn.

(6) Including loss from impairment of non-financial assets of KZT 1.9 bn.

Net profit attributable to common shareholders increased by 19.4% to KZT 96.8bn for 1Q 2021 compared to KZT 81.1bn for 1Q 2020 mainly due to increase in net insurance income, net fee and commission income and decrease in credit loss expense.

Interest income for 1Q 2021 increased by 8.0% to KZT 193.6bn compared to KZT 179.3bn for 1Q 2020 mainly due to increase in average balances of loans to customers. **Interest expense** for 1Q 2021 increased by 14.4% to KZT 86.1bn compared to KZT 75.3bn for 1Q 2020 mainly due to the increase of average balance and share of KZT deposits in the amounts due to customers and due to accelerated amortisation of discount on Bank's Eurobonds in the amount of KZT 5bn due to its full prepayment on 1 March 2021. **Net interest margin** decreased to 4.7% p.a. for 1Q 2021 compared to 5.3% p.a. for 1Q 2020 mainly due to transfers in placement from high-yielding NBRK notes into low-yielding FX deposit with NBRK following the repayment of SWAP agreement and due to accelerated amortisation of discount on Bank's Eurobonds in the amount of KZT 5bn due to its full prepayment on 1 March 2021.

Cost of risk on loans to customers for 1Q 2021 was at 0.4% reflecting normalization of post-COVID performance along with repayments of problem loans. 90-day NPL ratio increased to 4.4% from 4.1% as at the end of 2020 mainly due to migration of previously impaired corporate loans to NPL.

Fee and commission income for 1Q 2021 increased by 9.4% vs. 1Q 2020 as a result of growing volumes of transactional banking, mainly in plastic card operations, as well as bank transfers – settlements.

The decrease in **fee and commission expense** Y-o-Y was mainly due to 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, partially offset by the increase in payment cards expenses as a result of increased number of transactions of other banks' cards in the acquiring network of the Bank.

Other non-interest income ⁽⁷⁾ decreased by 38.0% to KZT 21.8bn for 1Q 2021 vs. KZT 35.2bn for 1Q 2020 due to higher net gain from derivative operations and securities in 1Q 2020 affected by the SWAP agreement with NBRK for the amount of USD 912 mln, which was fully repaid in July 2020.

Net insurance income ⁽⁸⁾ for 1Q 2021 significantly increased vs. 1Q 2020 as a result of new unsecured lending program with a borrower's life insurance bundle.

Operating expenses (including loss from impairment of non-financial assets) for 1Q 2021 increased by 7.3% vs. 1Q 2020 mainly due to the indexation of salaries and other employee benefits starting from 1 March, 2021.

The Bank's **cost-to-income ratio** increased to 24.4% compared to 23.8% for 1Q 2020 due to higher operating expenses for 1Q 2021

(7) 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);

(8) 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-21	31-Dec-20	Change, abs	Change YTD, %
Total assets	10,389,630	10,387,832	1,798	0.0%
Cash and reserves	1,559,347	1,927,605	(368,258)	(19.1%)
Amounts due from credit institutions	734,315	709,310	25,005	3.5%
T-bills & NBK notes	2,094,996	1,865,684	229,312	12.3%
Other securities & derivatives	948,289	862,339	85,950	10.0%
Gross loan portfolio	4,864,781	4,824,316	40,465	0.8%
Stock of provisions	(384,330)	(378,041)	(6,289)	1.7%
Net loan portfolio	4,480,451	4,446,275	34,176	0.8%
Assets held for sale	40,956	42,244	(1,288)	(3.0%)
Other assets	531,276	534,375	(3,099)	(0.6%)
Total liabilities	8,806,096	8,894,564	(88,468)	(1.0%)
Total deposits, including:	7,608,492	7,455,977	152,515	2.0%
retail deposits	3,808,839	3,698,368	110,471	3.0%
term deposits	3,201,065	3,073,187	127,878	4.2%
current accounts	607,774	625,181	(17,407)	(2.8%)
corporate deposits	3,799,653	3,757,609	42,044	1.1%
term deposits	1,893,769	1,825,513	68,256	3.7%
current accounts	1,905,884	1,932,096	(26,211)	(1.4%)
Debt securities	473,103	778,192	(305,089)	(39.2%)
Amounts due to credit institutions	303,293	300,727	2,566	0.9%
Other liabilities	421,208	359,668	61,540	17.1%
Equity	1,583,534	1,493,268	90,266	6.0%

Total assets remain unchanged vs. the end of YE 2020, despite the decrease in debt securities, which was partially offset by increase in amounts due to customers.

Compared with YE 2020, total **loans to customers** increased by 0.8% on a gross basis and 0.8% on a net basis, while corporate loans decreased by 1.2% on a gross basis and SME and retail loans increased by 2.7% and 3.8% on a gross basis, respectively.

As at the end of 1Q 2021, **Stage 3 ratio** remained almost flat at 12.2%.

Deposits of legal entities and individuals increased by 1.1% and 3.0%, respectively, compared to the YE 2020, due to fund inflow from the Bank's clients. As at the 1Q 2021, the share of corporate KZT deposits in total corporate deposits was 56.6% compared to 59.9% as at the YE 2020, whereas the share of retail KZT deposits in total retail deposits was 47.5% compared to 45.9% as at the YE 2020.

Debt securities issued decreased by 39.2% compared to YE 2020 as a result of full prepayment of Bank's Eurobonds on 1 March 2021 and due to timely and full redemption of the Bank's Eurobonds on 28 January 2021. 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 183 mln	3.0% p.a.	April 2022

As at the end of 1Q 2021, total equity increased by 6.0% compared with the YE 2020.

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

	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20	31-Mar-20
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	24.0%	23.7%	22.4%	25.9%	22.5%
k1-2	24.0%	23.7%	22.4%	25.9%	22.5%
k2	25.3%	25.1%	24.4%	27.9%	24.4%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	24.9%	24.4%	22.8%	25.2%	20.6%
Tier 1 capital	24.9%	24.4%	22.8%	25.2%	20.6%
Total capital	26.0%	25.5%	24.3%	26.7%	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 information for three months ended 31 March 2021, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>

A 1Q 2021 results webcast will be hosted at 2:00 p.m. London time/9:00 a.m. EST on Monday, 17 May 2021. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 17 May, 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 10,389.6 bn as at 31 March 2021, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 600 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.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