

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Consolidated financial results

for the nine months ended September 30, 2022

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ and its subsidiaries (together “the Bank”) (LSE: HSBK) releases consolidated financial information for the nine months ended September 30, 2022.

Consolidated income statements

KZT mln

	9M 2022	9M 2021	Y-o-Y,%	3Q 2022	3Q 2021	Y-o-Y,%
<i>Interest income</i>	887,454	637,375	39.2%	335,943	229,738	46.2%
<i>Interest expense</i>	(406,242)	(255,666)	58.9%	(153,389)	(90,946)	68.7%
Net interest income before credit loss expense	481,212	381,709	26.1%	182,554	138,792	31.5%
<i>Fee and commission income</i>	128,662	101,750	26.4%	49,362	34,838	41.7%
<i>Fee and commission expense</i>	(70,965)	(51,774)	37.1%	(27,135)	(18,468)	46.9%
Net fee and commission income	57,697	49,976	15.4%	22,227	16,370	35.8%
Net insurance income ⁽¹⁾	5,395	30,434	(82.3%)	2,060	12,457	(83.5%)
FX operations ⁽²⁾	130,261	22,995	5.7x	20,860	6,882	3.0x
Net gain/(loss) from derivative operations and securities ⁽³⁾	8,624	10,807	(20.2%)	10,013	1,788	5.6x
Other income/(expense), share in profit of associate and income from non-banking activities	39,326	13,291	3.0x	11,199	71	157.7x
Credit loss expense ⁽⁴⁾	(94,709)	(5,473)	17.3x	(37,832)	(8,727)	4.3x
Recovery of other credit loss expense/(other credit loss expense)	(450)	(3,633)	(87.6%)	452	745	(39.3%)
Operating expenses	(146,150) ⁽⁵⁾	(121,411) ⁽⁶⁾	20.4%	(50,492) ⁽⁷⁾	(43,821) ⁽⁸⁾	15.2%
Income tax expense	(64,110)	(45,600)	40.6%	(25,346)	(16,900)	50.0%
Net profit	417,096	333,095	25.2%	135,695	107,657	26.0%
Non-controlling interest	1	-	-	1	-	-
Net profit attributable to common shareholders	417,095	333,095	25.2%	135,694	107,657	26.0%
Net interest margin, p.a.	5.4%	5.3%		5.8%	5.5%	
Return on average equity, p.a.	32.6%	29.0%		29.5%	27.5%	
Return on average assets, p.a.	4.2%	4.1%		3.9%	3.9%	
Cost-to-income ratio	18.9%	22.6%		18.9%	23.5%	
Cost of risk on loans to customers, p.a.	1.5%	0.2%		1.4%	0.9%	

(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 on foreign exchange operations;

(3) 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;

(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 -0.1bn.

(6) Including loss from impairment of non-financial assets of KZT -0.3 bn.

(7) Including loss from impairment of non-financial assets of KZT -0.1 bn.

(8) Including loss from impairment of non-financial assets of KZT 0.2 bn.

The net profit attributable to common shareholders amounted to KZT 135.7bn in 3Q 2022, up 26.0% compared with KZT 107.7bn in 3Q 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 3Q 2022 increased by 46.2% vs. 3Q 2021 mainly due to increase in average rate and balances of loans to customers. **The interest expense** for 3Q 2022 increased by 68.7% vs. 3Q 2021, this stemmed mainly from the increase in average rate and balances of amounts due to customers. **The net interest margin** increased to 5.8% p.a. for 3Q 2022 compared to 5.5% p.a. for 3Q 2021 mainly due to improved structure of placement of interest-bearing liabilities into interest-earning assets with increased share of high-yielding retail and SME loans and due to 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.

The cost of risk on loans to customers for 9M 2022 and 3Q 2022 was at normalized level within the scope of our full year guidance of 1.5%.

In 9M 2022, the overall dynamics of **the fee and commission income and expense** was affected by the increased transactional activity as a result of the clients inflow due to changes in the operating landscape. Consequently, **the net fee and commission income** increased by 35.8% in 3Q 2022 vs. 3Q 2021. **Fee and commission income** for 3Q 2022 increased by 41.7% vs. 3Q 2021 as a result of growing volumes of transactional banking, mainly in plastic card operations, bank transfers – settlements and cash operations.

Other non-interest income ⁽⁹⁾ increased by 4.8x for 3Q 2022 vs. 3Q 2021 mainly due to the volatility of exchange rates and interest rates, which resulted in significant growth of net gain from financial assets and liabilities at fair value through profit or loss and of net gain on foreign exchange operations.

The net insurance income ⁽¹⁰⁾ for 3Q 2022 decreased by 83.5% year-on-year, due to increase in insurance reserve expenses on unsecured consumer loans with a borrower's life insurance bundle.

The operating expenses rose by 15.2% year-on year in 3Q 2022, mainly due to the indexation of salaries and other employee benefits starting from March 1, 2022, increase in charity expenses and IT investments.

The **cost-to-income ratio** equalled 18.9% in 3Q 2022, compared with 23.5% in 3Q 2021, as operating income increased in the reporting period.

(9) 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));

(10) 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

	30-Sep-22	30-Jun-22	Change Q-o-Q, %	31-Dec-21	Change, abs	Change YTD, %
Total assets	14,207,912	13,735,579	3.4%	12,091,370	2,116,542	17.5%
Cash and reserves	2,884,594	2,345,504	23.0%	1,633,452	1,251,142	76.6%
Amounts due from credit institutions	115,151	199,278	(42.2%)	602,125	(486,974)	(80.9%)
T-bills & NBRK notes	1,922,323	2,174,956	(11.6%)	2,195,931	(273,608)	(12.5%)
Other securities & derivatives	1,201,019	1,177,310	2.0%	1,247,257	(46,238)	(3.7%)
<i>Gross loan portfolio</i>	7,945,531	7,694,465	3.3%	6,250,260	1,695,271	27.1%
<i>Stock of provisions</i>	(446,372)	(436,027)	2.4%	(378,032)	(68,340)	18.1%
Net loan portfolio	7,499,159	7,258,438	3.3%	5,872,228	1,626,931	27.7%
Assets held for sale	540,169	547,763	(1.4%)	494,965	45,204	9.1%
Other assets	45,497	32,330	40.7%	45,412	85	0.2%
Total liabilities	12,309,651	11,970,901	2.8%	10,517,766	1,791,885	17.0%
Total deposits, including:	10,386,965	9,985,097	4.0%	8,473,407	1,913,558	22.6%
<i>retail deposits</i>	4,889,910	4,778,143	2.3%	4,415,103	474,807	10.8%
<i>term deposits</i>	4,075,160	3,895,488	4.6%	3,674,572	400,589	10.9%
<i>current accounts</i>	814,750	882,655	(7.7%)	740,531	74,219	10.0%
<i>corporate deposits</i>	5,497,055	5,206,955	5.6%	4,058,304	1,438,751	35.5%
<i>term deposits</i>	3,036,054	2,849,777	6.5%	2,046,999	989,054	48.3%
<i>current accounts</i>	2,461,001	2,357,178	4.4%	2,011,305	449,696	22.4%
Debt securities	474,322	468,861	1.2%	499,812	(25,490)	(5.1%)
Amounts due to credit institutions	801,201	943,699	(15.1%)	1,071,642	(270,441)	(25.2%)
Other liabilities	647,163	573,244	12.9%	472,905	174,258	36.8%
Equity	1,898,261	1,764,678	7.6%	1,573,604	324,657	20.6%

As at the end of 3Q 2022, **total assets** were up 17.5% 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 27.1% on a gross and 27.7% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 25.4% in corporate, 19.4% in SME and 34.2% in retail loans.

Stage 3 ratio increased to 8.0% as at the end of 3Q 2022 mainly due to migration of individual corporate loans and retail loans from Stage 1 and 2 to Stage 3.

Compared with the end of 2021, **the deposits of legal entities and individuals** were up 35.5% and 10.8%, respectively, as a result of the clients inflow due to changes in the operating landscape. As at the-end of 3Q 2022, the share of KZT deposits in total corporate deposits was 53.6% compared to 52.9% as at the YE 2021, while the share in total retail deposits was almost flat vs. the YE 2021 and stayed at 50.5%.

As at the end of 3Q 2022, **the debt securities issued** were down 5.1% year-to-date, following the redemption of the local unsubordinated bonds denominated in KZT with a coupon rate of 8.75% 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 195 mln	2.5% p.a.	April 2025
Local bonds listed at Astana International Exchange	USD 100 mln	2.5% p.a.	June 2025

In 9M 2022 **the total equity** of the Bank increased by KZT 324.7bn or by 20.6% compared to the YE 2021 whereas the net income for 9M 2022 amounted to KZT 417.1bn. This was due to the loss on revaluation of debt financial assets at fair value through other comprehensive income, which totaled for KZT 111.8bn in 9M 2022. The loss mainly relates to the treasury bills of the Ministry of Finance of Kazakhstan, which have decreased in price due to the base rate hike from 10.25% to 14.5% in the nine months of this year.

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

	30-Sep-22	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	18.5%	18.1%	19.0%	19.6%	20.6%
k1-2	18.5%	18.1%	19.0%	19.6%	20.6%
k2	19.1%	18.8%	19.8%	20.4%	21.8%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	17.8%	17.5%	18.7%	19.3%	21.5%
Tier 1 capital	17.8%	17.5%	18.7%	19.3%	21.5%
Total capital	18.3%	18.1%	19.4%	19.9%	22.5%

* 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 information for nine months ended September 30, 2022, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>.

The 9M & 3Q 2022 results webcast will be hosted at 1:00 p.m. London time/8:00 a.m. EST on Monday, November 21, 2022. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until November 21, 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 14,207.9bn as at September 30, 2022, Halyk Bank is Kazakhstan's leading lender.

The Bank has the largest customer base and broadest branch network in Kazakhstan, with 575 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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