

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

Consolidated financial results

for the six month ended 30 June 2021

Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’ and its subsidiaries (together “the Bank”) (LSE: HSBK) releases consolidated financial information for the six months ended 30 June 2021.

Consolidated income statements

KZT mln

	1H 2021	1H 2020	Y-o-Y,%	2Q 2021	2Q 2020	Y-o-Y,%
<i>Interest income</i>	407,637	359,848	13.3%	214,000	180,500	18.6%
<i>Interest expense</i>	(169,769)	(151,425)	12.1%	(83,650)	(76,151)	9.8%
Net interest income before credit loss expense	237,868	208,423	14.1%	130,350	104,349	24.9%
<i>Fee and commission income</i>	70,486	60,246	17.0%	36,770	29,435	24.9%
<i>Fee and commission expense</i>	(33,306)	(31,790)	4.8%	(17,438)	(14,855)	17.4%
Net fee and commission income	37,180	28,456	30.7%	19,332	14,580	32.6%
Net insurance income ⁽¹⁾	20,443	7,499	2.7x	13,448	5,758	2.3x
FX operations ⁽²⁾	16,113	11,162	44.4%	14,355	52,259	(72.5%)
Gain/(loss) from derivative operations and securities ⁽³⁾	9,019	5,989	50.6%	(1,737)	(55,156)	(96.9%)
Other income, share in profit of associate and income from non-banking activities	18,269	21,018	-13.1%	8,998	5,908	52.3%
Recovery of credit loss expense/(credit loss expense) ⁽⁴⁾	3,254	(33,906)	-109.6%	9,501	(13,816)	(168.8%)
Other credit loss expense	(4,378)	(3,116)	40.5%	(3,261)	(1,205)	2.7x
Operating expenses ⁽⁵⁾	(83,630)	(74,637) ⁽⁶⁾	12.0%	(43,388) ⁽⁷⁾	(37,147) ⁽⁸⁾	16.8%
Income tax expense	(28,700)	(14,894)	92.7%	(18,988)	(605)	31.4x
Net profit attributable to common shareholders	225,438	155,994	44.5%	128,610	74,925	71.7%
Net interest margin, p.a.	5.0%	5.2%		5.4%	5.0%	
Return on average equity, p.a.	29.9%	22.6%		34.4%	21.2%	
Return on average assets, p.a.	4.3%	3.3%		4.8%	3.1%	
Cost-to-income ratio	23.5%	25.8%		22.6%	28.2%	
Cost of risk on loans to customers, p.a.	(0.2%)	1.3%		(0.8%)	1.0%	

(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 (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 0.5 bn;

(6) Including loss from impairment of non-financial assets of KZT 3.6 bn;

(7) Including loss from impairment of non-financial assets of KZT 0.05 bn;

(8) Including loss from impairment of non-financial assets of KZT 1.7 bn;

Net profit attributable to common shareholders increased by 71.7% to KZT 128.6bn for 2Q 2021 compared to KZT 74.9bn for 2Q 2020 as a result of the overall business growth across all segments and recovery of credit loss expense, which reflect the rapid economy rebound and Bank's leading position on the financial markets.

Interest income for 2Q 2021 increased by 18.6% to KZT 214bn compared to KZT 180.5bn for 2Q 2020 mainly due to increase in average balances of loans to customers. **Interest expense** for 2Q 2021 increased by 9.8% to KZT 83.7bn compared to KZT 76.2bn for 2Q 2020 mainly due to the increase of average balance and share of KZT deposits in the amounts due to customers. **Net interest margin** increased to 5.4% p.a. for 2Q 2021 compared to 5.0% p.a. for 2Q 2020 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 decreased to -0.8% compared to 1% in 2Q 2020 due to repayments of large ticket problem and previously impaired corporate loans.

Fee and commission income increased by 24.9% in comparison to 2Q 2020 mainly due to growing volumes of transactional banking, mainly in plastic card operations, as well as bank transfers – settlements, and non-cash operations.

Fee and commission expense increased by 17.4% compared to 2Q 2020 due to the increase in payment cards expenses as a result of growing volumes of transactional banking and non-cash transactions, 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 ⁽⁹⁾ increased by 7.2 times to KZT 21.6bn for 2Q 2021 vs. KZT 3bn for 2Q 2020 due to loss from derivative operations and securities in 2Q 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 ⁽¹⁰⁾ for 2Q 2021 significantly increased vs. 2Q 2020 as a result of growth of unsecured lending program with a borrower's life insurance bundle.

Operating expenses (including loss from impairment of non-financial assets) for 2Q 2021 increased by 16.8% vs. 2Q 2020 mainly due to the indexation of salaries and other employee benefits starting from 1 March, 2021 and increase in charity expenses as a result of one-time contribution to charity fund Halyk.

The Bank's **cost-to-income** ratio decreased to 22.6% compared to 28.2% for 2Q 2020 due to higher operating income in 2Q 2021.

(9) 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);

(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-Jun-21	31-Mar-21	Change Q-o-Q, %	31-Dec-20	Change, abs	Change YTD, %
Total assets	11,002,405	10,389,630	5.9%	10,387,832	614,573	5.9%
Cash and reserves	1,164,815	1,559,347	(25.3%)	1,927,605	(762,790)	(39.6%)
Amounts due from credit institutions	832,403	734,315	13.4%	709,310	123,093	17.4%
T-bills & NBRK notes	2,287,195	2,094,996	9.2%	1,865,684	421,511	22.6%
Other securities & derivatives	1,074,174	948,289	13.3%	862,339	211,835	24.6%
Gross loan portfolio	5,445,151	4,864,781	11.9%	4,824,316	620,835	12.9%
Stock of provisions	(369,973)	(384,330)	(3.7%)	(378,041)	8,068	(2.1%)
Net loan portfolio	5,075,178	4,480,451	13.3%	4,446,275	628,903	14.1%
Assets held for sale	41,683	40,956	1.8%	42,244	(561)	(1.3%)
Other assets	526,957	531,276	(0.8%)	534,375	(7,418)	(1.4%)
Total liabilities	9,492,170	8,806,096	7.8%	8,894,564	597,606	6.7%
Total deposits, including:	8,179,584	7,608,492	7.5%	7,455,977	723,607	9.7%
<i>retail deposits</i>	4,159,869	3,808,839	9.2%	3,698,368	461,501	12.5%
<i>term deposits</i>	3,450,640	3,201,065	7.8%	3,073,187	377,453	12.3%
<i>current accounts</i>	709,229	607,774	16.7%	625,181	84,048	13.4%
<i>corporate deposits</i>	4,019,715	3,799,653	5.8%	3,757,609	262,106	7.0%
<i>term deposits</i>	2,037,110	1,893,769	7.6%	1,825,513	211,597	11.6%
<i>current accounts</i>	1,982,605	1,905,884	4.0%	1,932,096	50,509	2.6%
Debt securities	481,891	473,103	1.9%	778,192	(296,301)	(38.1%)
Amounts due to credit institutions	372,600	303,293	22.9%	300,727	71,873	23.9%
Other liabilities	458,095	421,208	8.8%	359,668	98,427	27.4%
Equity	1,510,235	1,583,534	(4.6%)	1,493,268	16,967	1.1%

As at the end of 2Q 2021, **total assets** increased by 5.9% vs. YE 2020 due to growth in amounts due to customers, which was partially offset by the decrease in debt securities issued.

Compared with the end of YE 2020, **loans to customers** increased by 12.9% on a gross basis and 14.1% on a net basis. Increase of gross loan portfolio in 1H 2021 was attributable to increase in corporate loans by 11.5% on a gross basis, SME and retail loans increased by 10.2% and 17.3% on a gross basis, respectively.

As at the end of 2Q 2021, **Stage 3 ratio** ⁽¹¹⁾ decreased to 10.4% from 12.2% as at the end of 1Q 2021 mainly due to repayments of large ticket problem and previously impaired corporate loans.

Deposits of legal entities and **individuals** increased by 7.0% and 12.5%, respectively, compared to YE 2020 due to fund inflow from the Bank's clients. As at the end of 2Q 2021, the share of corporate KZT deposits in total corporate deposits was 57.3% compared to 56.6% as at the end of 1Q 2021, whereas the share of retail KZT deposits in total retail deposits was 49.2% compared to 47.5% as at the end of 1Q 2021.

(11) Including POCI (Purchased or originated credit-impaired assets)

Amounts due to credit institutions increased by 23.9% vs. the end of YE 2020 mainly due to increase in loans and deposits from OECD based banks, correspondent accounts and loans from other financial institutions. As at 30 June 2021, 65.2% of the Bank's obligations to financial institutions were represented by loans and deposits from Kazakhstan banks (incl. loans under REPO agreements), National Managing Holding Baiterek, DAMU development fund, Development Bank of Kazakhstan drawn in 2014–2021 within the framework of government programs supporting certain sectors of economy.

Debt securities issued decreased by 38.1% compared to the end of YE 2020 as a result of a redemption of Bank's high-yielding Eurobonds.

As at the end of 2Q 2021, total equity increased by 1.1% compared with the YE 2020 as a result of net profit earned by the Bank during 1H 2021, partially offset by the payment of dividends for 2020.

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

	30-Jun-21	31-Mar-21	31-Dec-20	30-Sep-20	30-Jun-20
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	20.2%	24.0%	23.7%	22.4%	25.9%
k1-2	20.2%	24.0%	23.7%	22.4%	25.9%
k2	21.5%	25.3%	25.1%	24.4%	27.9%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	21.1%	24.6%	24.4%	22.8%	25.2%
Tier 1 capital	21.1%	24.6%	24.4%	22.8%	25.2%
Total capital	22.1%	25.8%	25.5%	24.3%	26.7%

* *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 six months ended 30 June 2021, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>

A 1H & 2Q 2021 results webcast will be hosted at 2:00 p.m. London time/9:00 a.m. EST on Monday, 23 August 2021. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 23 August 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 11,002.4 bn as at 30 June 2021, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 592 branches and outlets across the country. The Bank operates in Georgia, Kyrgyzstan, Russia and Uzbekistan.

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

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