

# Joint Stock Company ‘Halyk Savings Bank of Kazakhstan’

## Consolidated financial results

### the six month ended 30 June 2022

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 2022.

#### Consolidated income statements

KZT mln

	1H 2022	1H 2021	Y-o-Y,%	2Q 2022	2Q 2021	Y-o-Y,%
<i>Interest income</i>	551,511	407,637	35.3%	297,735	214,000	39.1%
<i>Interest expense</i>	(252,853)	(164,720)	53.5%	(143,465)	(83,650)	71.5%
<b>Net interest income before credit loss expense</b>	<b>298,658</b>	<b>242,917</b>	<b>22.9%</b>	<b>154,270</b>	<b>130,350</b>	<b>18.4%</b>
<i>Fee and commission income</i>	79,300	66,912	18.5%	45,778	34,919	31.1%
<i>Fee and commission expense</i>	(43,830)	(33,306)	31.6%	(23,488)	(17,438)	34.7%
<b>Net fee and commission income</b>	<b>35,470</b>	<b>33,606</b>	<b>5.5%</b>	<b>22,290</b>	<b>17,481</b>	<b>27.5%</b>
Net insurance income <sup>(1)</sup>	3,335	17,977	(81.4%)	2,933	11,889	(75.3%)
FX operations <sup>(2)</sup>	109,401	16,113	6.8x	82,754	14,355	5.8x
Net loss/(gain) from derivative operations and securities <sup>(3)</sup>	(1,389)	9,019	(115.4%)	(21,125)	(1,737)	12.2x
Other income/(loss), share in profit of associate and income from non-banking activities	28,127	13,220	112.8%	14,572	8,998	61.9%
(Credit loss expense)/recovery of credit loss expense	(56,877)	3,254	(17.5x)	(31,522)	9,501	(3.3x)
Recovery of other credit loss expense/(other credit loss expense)	(902)	(4,378)	(79.4%)	587	(3,261)	(118.0%)
Operating expenses	(95,658) <sup>(4)</sup>	(77,590) <sup>(5)</sup>	23.3%	(49,992)	(39,978) <sup>(6)</sup>	25.0%
Income tax expense	(38,764)	(28,700)	35.1%	(17,603)	(18,988)	(7.3%)
<b>Net profit</b>	<b>281,401</b>	<b>225,438</b>	<b>24.8%</b>	<b>157,164</b>	<b>128,610</b>	<b>22.2%</b>
Non-controlling interest	-	-	-	-	-	-
<b>Net profit attributable to common shareholders</b>	<b>281,401</b>	<b>225,438</b>	<b>24.8%</b>	<b>157,164</b>	<b>128,610</b>	<b>22.2%</b>
<b>Net interest margin, p.a.</b>	<b>5.2%</b>	<b>5.2%</b>		<b>5.2%</b>	<b>5.4%</b>	
<b>Return on average equity, p.a.</b>	<b>34.3%</b>	<b>29.9%</b>		<b>37.5%</b>	<b>34.4%</b>	
<b>Return on average assets, p.a.</b>	<b>4.4%</b>	<b>4.3%</b>		<b>4.8%</b>	<b>4.8%</b>	
<b>Cost-to-income ratio</b>	<b>18.9%</b>	<b>22.1%</b>		<b>18.2%</b>	<b>21.2%</b>	
<b>Cost of risk on loans to customers, p.a.</b>	<b>1.5%</b>	<b>(0.2%)</b>		<b>1.5%</b>	<b>(0.8%)</b>	

(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 (loss)/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;

(3) 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.

(4) Including loss from impairment of non-financial assets of KZT -0.06bn.

(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 -0.05 bn.

**Net profit attributable to common shareholders** amounted to KZT 157.2bn in 2Q 2022, up 22.2% compared with KZT 128.6bn in 2Q 2021 mainly due to significant increase in lending business, including acquisition of Sber's loan portfolio, and in net gain on foreign exchange operations.

**Interest income** for 2Q 2022 increased by 39.1% vs. 2Q 2021 mainly due to increase in average rate and balances of loans to customers. **Interest expense** for 2Q 2022 increased by 71.5% vs. 2Q 2021, this stemmed mainly due to the increase in average rate and balances of amounts due to customers and due to increase in interest expense on amounts due to credit institutions as a result of growing volumes of REPO transactions attracted to provide current cash flows in KZT within the Bank's operating activities. As a result, net interest income for 2Q 2022 increased by 18.4% vs. 2Q 2021. The **net interest margin** decreased to 5.2% p.a. for 2Q 2022 compared to 5.4% p.a. for 2Q 2021 due to increase in average rate on amounts due to credit institutions as a result of growing volumes of REPO transactions.

**The cost of risk on loans to customers** for 2Q 2022 was at 1.5% reflecting more normalized credit loss expenses on corporate and SME loan portfolio and higher credit loss expenses on retail loan portfolio.

In 1H 2022, the overall dynamics of the **fee and commission income and expense** was driven by the increased transactional activity as a result of the clients inflow due to changes in the operating landscape. Consequently, the previous trend of the **net fee and commission income** dynamics turned positive, increasing by 27.5% in 2Q 2022 vs. 2Q 2021. Contribution of BNPL loans (merchant fees) to the fee and commission income has decreased in 2Q 2022 vs. 2Q 2021 due to tightened underwriting conditions.

**Other non-interest income** <sup>(7)</sup> increased by 3.5x to KZT 76.2bn for 2Q 2022 vs. KZT 21.6bn for 2Q 2021 mainly due to significant increase in net dealing income from FX operations.

**Net insurance income** <sup>(8)</sup> for 2Q 2022 decreased by 75.3% year-on-year, due to increase in insurance reserve expenses on unsecured consumer loans with a borrower's life insurance bundle.

**Operating expenses** rose by 25.0% year-on year in 2Q 2022, mainly due to the indexation of salaries and other employee benefits starting from 1 March, 2022 and due to employee premiums reserve accrued in 2Q 2022.

The **cost-to-income ratio** equalled 18.2% in 2Q 2022, compared with 21.2% in 2Q 2021, as operating income increased in the reporting period.

(7) Other non-interest income (net gain on foreign exchange operations, net (loss)/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/(loss));

(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

	30-Jun-22	31-Mar-22	Change Q-o-Q, %	31-Dec-21	Change, abs	Change YTD, %
<b>Total assets</b>	<b>13,735,579</b>	<b>12,718,752</b>	<b>8.0%</b>	<b>12,091,370</b>	<b>1,644,209</b>	<b>13.6%</b>
Cash and reserves	2,345,504	1,884,051	24.5%	1,633,452	712,052	43.6%
Amounts due from credit institutions	199,278	569,724	(65.0%)	602,125	(402,847)	(66.9%)
T-bills & NBRK notes	2,174,956	2,154,430	1.0%	2,195,931	(20,975)	(1.0%)
Other securities & derivatives	1,177,310	1,267,701	(7.1%)	1,247,257	(69,947)	(5.6%)
<i>Gross loan portfolio</i>	7,694,465	6,682,939	15.1%	6,250,260	1,444,205	23.1%
<i>Stock of provisions</i>	(436,027)	(400,609)	8.8%	(378,032)	(57,995)	15.3%
Net loan portfolio	7,258,438	6,282,330	15.5%	5,872,228	1,386,210	23.6%
Assets held for sale	32,330	30,536	5.9%	45,412	(13,082)	(28.8%)
Other assets	547,763	529,980	3.4%	494,965	52,798	10.7%
<b>Total liabilities</b>	<b>11,970,901</b>	<b>11,121,235</b>	<b>7.6%</b>	<b>10,517,766</b>	<b>1,453,135</b>	<b>13.8%</b>
Total deposits, including:	9,985,097	9,294,423	7.4%	8,473,407	1,511,690	17.8%
<i>retail deposits</i>	4,778,143	4,495,719	6.3%	4,415,103	363,041	8.2%
<i>term deposits</i>	3,895,488	3,747,362	4.0%	3,674,572	220,916	6.0%
<i>current accounts</i>	882,655	748,357	17.9%	740,531	142,124	19.2%
<i>corporate deposits</i>	5,206,954	4,798,706	8.5%	4,058,304	1,148,650	28.3%
<i>term deposits</i>	2,849,777	2,401,701	18.7%	2,046,999	802,778	39.2%
<i>current accounts</i>	2,357,177	2,397,003	(1.7%)	2,011,305	345,873	17.2%
Debt securities	468,861	408,318	14.8%	499,812	(30,951)	(6.2%)
Amounts due to credit institutions	943,699	882,107	7.0%	1,071,642	(127,943)	(11.9%)
Other liabilities	573,244	536,387	6.9%	472,905	100,339	21.2%
<b>Equity</b>	<b>1,764,678</b>	<b>1,597,517</b>	<b>10.5%</b>	<b>1,573,604</b>	<b>191,074</b>	<b>12.1%</b>

As at the end of 2Q 2022, **total assets** were up 13.6% 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 23.1% on a gross and 23.6% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 24.3% in corporate, 11.6% in SME and 27.4% in retail loans. During the second quarter of 2022, the Bank acquired from JSC SB Sberbank part of a high-quality commercial portfolio of Stage 1 loans for a total amount of KZT 567,904mln and RUB 2,675mln, where KZT 135,769mln and RUB 2,631mln are corporate business, KZT 101,588mln and RUB 44mln are SME business, and KZT 330,547mln are retail business. As at 30 June 2022, allowances for expected credit losses on these loans amounted to KZT 9,445mln, of which KZT 1,037mln, KZT 1,014mln and KZT 7,394mln are related to corporate business, SME business and retail business, respectively.

Despite some increase in absolute terms, **Stage 3 ratio** reduced to 7.6% as at the end of 2Q 2022 mainly due to increase of Stage 1 loans and acquisition of high-quality Sber’s loan portfolio.

Compared with the end of 2021, **deposits of legal entities and individuals** were up 28.3% and 8.2%, respectively, as a result of the clients inflow due to changes in the operating landscape. As at the-end

of 2Q 2022, the share of KZT deposits in total corporate deposits was 55.0% compared to 52.9% as at the YE 2021, while the share in total retail deposits was 50.1% compared to 50.6% as at the YE 2021.

As at the end of 2Q 2022, **debt securities issued** were down 6.2% year-to-date, following the redemption of the local unsubordinated bonds denominated in KZT with a coupon rate of 8.75% and maturity in 2022 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 200 mln	2.5% p.a.	April 2025
Local bonds listed at Astana International Exchange	USD 100 mln	2.5% p.a.	June 2025

In 1H 2022, **total equity** of the Bank increased by KZT 191.1bn or by 12.1% compared to the YE 2021, whereas net income for 1H 2022 amounted to KZT 281.4bn. This was due to loss on revaluation of debt financial assets at fair value through other comprehensive income, which totaled for KZT 114.7bn in 1H 2022. The loss mainly relates to treasury bills of the Ministry of Finance of Kazakhstan, which have decreased in price due to base rate hike from 10.25% to 14.0% in the first six months of this year.

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

	30-Jun-22	31-Mar-22	31-Dec-21	30-Sep-21	30-Jun-21
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	18.1%	19.0%	19.6%	20.6%	20.2%
k1-2	18.1%	19.0%	19.6%	20.6%	20.2%
k2	18.8%	19.8%	20.4%	21.8%	21.5%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	17.5%	18.7%	19.3%	21.5%	21.1%
Tier 1 capital	17.5%	18.7%	19.3%	21.5%	21.1%
Total capital	18.1%	19.4%	19.9%	22.5%	22.1%

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

A 1H & 2Q 2022 results webcast will be hosted at 2:00 p.m. London time/9:00 a.m. EST on Monday, 17 August 2022. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 17 August 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 13,735.6bn as at 30 June 2022, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 577 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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