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JSC Halyk Bank
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Joint Stock Company 'Halyk Bank of Kazakhstan'
Consolidated financial results
the nine month ended 30 September 2023

Joint Stock Company 'Halyk Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK) releases consolidated financial information for the nine months ended 30 September 2023.

Consolidated income statements

KZT mln

	9M 2023	9M 2022	Y-o-Y,%	3Q 2023	3Q 2022	Y-o-Y,%
Interest income	1,206,284	887,519	35.9%	425,822	335,944	26.8%
Interest expense	(600,950)	(406,585)	47.8%	(207,395)	(153,512)	35.1%
Net interest income before credit loss expense	**605,334**	**480,934**	**25.9%**	**218,427**	**182,432**	**19.7%**
Fee and commission income	150,527	128,662	17.0%	51,838	49,362	5.0%
Fee and commission expense	(71,087)	(70,945)	0.2%	(24,117)	(27,127)	(11.1%)
Net fee and commission income	**79,440**	**57,717**	**37.6%**	**27,721**	**22,235**	**24.7%**
Net insurance income[1]	26,347	(7,990)	(3.3x)	(2,250)	(11,106)	(79.7%)
Net gain on foreign exchange operations	61,195	131,667	(53.5%)	29,785	22,266	33.8%
Net gain from derivative operations and securities[2]	38,208	8,624	4.4x	17,034	10,013	70.1%
Other income, share in profit of associate and income from non-banking activities	45,637	39,326	16.0%	8,775	11,199	(21.6%)
Credit loss expense[3]	(72,398)	(94,643)	(23.5%)	(39,739)	(37,730)	5.3%
Recovery of other credit loss expense/(other credit loss expense)	1,605	(450)	(3.6x)	48	452	(89.4%)
Operating expenses	(154,148)[4]	(140,224)[5]	9.9%	(54,570)[6]	(49,400)[7]	10.5%
Income tax expense	(93,927)	(64,110)	46.5%	(33,097)	(25,346)	30.6%
Net profit	**537,293**	**410,851**	**30.8%**	**172,134**	**125,015**	**37.7%**
Non-controlling interest	1	-	-	-	-	-
Net profit attributable to owners of the Bank	**537,292**	**410,851**	**30.8%**	**172,134**	**125,015**	**37.7%**
Net interest margin, p.a.	**6.3%**	**5.4%**		**6.8%**	**5.8%**	
Return on average equity, p.a.	**34.7%**	**32.1%**		**32.6%**	**27.2%**	
Return on average assets, p.a.	**5.1%**	**4.2%**		**4.9%**	**3.6%**	
Cost-to-income ratio	**17.9%**	**19.7%**		**18.0%**	**20.8%**	
Cost of risk on loans to customers, p.a.	**1.1%**	**1.5%**		**1.6%**	**1.4%**	

(1) Insurance underwriting income less insurance claims incurred and net income/(expenses) from reinsurance contracts held;
(2) Net gain from financial assets and liabilities at fair value through profit or loss and net realised loss 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 -0.1bn;
(5) Including loss from impairment of non-financial assets of KZT -0.1bn;
(6) Including loss from impairment of non-financial assets of KZT -0.1bn;
(7) Including loss from impairment of non-financial assets of KZT -0.1bn;

Starting from 1 January 2023, Halyk Group's financial statements have been transited to IFRS 17 "Insurance Contracts" from IFRS 4, which resulted in recalculation of certain P&L items for 9M 2022 and 3Q 2022. All of the ratios were also recalculated accordingly. For more detailed information please refer to Halyk Group's financial statements for 3Q 2023, note #4.

Net profit attributable to common shareholders to KZT 172.1bn in 3Q 2023, up 37.7%

Net profit attributable to common shareholders to KZT 172.1bn in 3Q 2023, up 37.7% compared with KZT 125.0bn in 3Q 2022 mainly due to significant increase in lending and transactional businesses.

Interest income for 3Q 2023 increased by 26.8% vs. 3Q 2022 mainly due to increase in average rate and balances of loans to customers. **Interest expense** for 3Q 2023 increased by 35.1% vs. 3Q 2022 mainly as a result of the growth in average rate and share of KZT amounts due to customers. Consequently, net interest income for 3Q 2023 grew by 19.7% vs. 3Q 2022.

In 3Q 2023, **net interest margin** was affected by the increase in average rates on both loans to customers and amounts due to customers following the significant increase in interest rates. Furthermore, the share of loans to customers in total interest-earning assets increased substantially. Moreover, there was an increase in the average rate of FX amounts due from credit institutions and FX interest-earning cash and cash equivalents following the global increase of USD interest rates. As a result, net interest margin increased to 6.8% p.a. for 3Q 2023 compared to 5.8% p.a. for 3Q 2022.

The cost of risk on loans to customers for 3Q 2023 increased to 1.6% compared to 1.4% in 3Q 2022 due to recognition of additional provisions on some corporate loans.

In 3Q 2023 compared to 3Q 2022, **the overall dynamics of fee and commission income and expense** was driven by the increased clients' transactional activity. **Net fee and commission income** for 3Q 2023 increased by 24.7% vs. 3Q 2022 due to increase in net transactional income of legal entities and individuals [(8)].

Other non-interest income [(9)] increased by 27.9% for 3Q 2023 vs. 3Q 2022 mainly due to higher net gain from financial assets and liabilities at fair value through profit or loss and net gain on foreign exchange operations amid higher volatility of interest rates in 3Q 2022, which resulted in negative revaluation on derivative financial instruments.

Net insurance income [(10)] for 3Q 2023 improved by 79.7% year-on-year, due to overall business growth and as a result of recognition of insurance reserve expenses on unsecured consumer loans with a borrower's life insurance bundle in 3Q 2022.

Operating expenses for 3Q 2023 increased by 10.5% vs. 3Q 2022 mainly due to the indexation of salaries and other employee benefits starting from March 1, 2023

The **cost-to-income ratio** equalled 18.0% in 3Q 2023, compared with 20.8% in 3Q 2022 due to higher operating income for 3Q 2023.

(8) Transactional income of individuals, less transactional expenses of individuals and less loyalty program bonuses;

(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 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 less insurance claims incurred and net income/(expenses) from reinsurance contracts held.

Statement of financial position review

KZT mln

	30-Sep-23	30-Jun-23	Change Q-o-Q, %	31-Dec-22	Change, abs	Change YTD, %
Total assets	**14,249,649**	**14,241,463**	**0.1%**	**14,287,295**	**(37,646)**	**(0.3%)**
Cash and reserves	1,010,078	1,518,976	(33.5%)	2,288,375	(1,278,297)	(55.9%)
Amounts due from credit institutions	146,010	116,666	25.2%	135,655	10,355	7.6%
T-bills & NBRK notes	2,216,148	2,159,093	2.6%	1,920,189	295,959	15.4%
Other securities & derivatives	1,678,962	1,725,686	(2.7%)	1,550,337	128,625	8.3%
Gross loan portfolio	9,062,263	8,629,902	5.0%	8,280,290	781,973	9.4%
Stock of provisions	(471,389)	(456,216)	3.3%	(422,388)	(49,001)	11.6%
Net loan portfolio	8,590,874	8,173,686	5.1%	7,857,902	732,972	9.3%
Other assets	575,246	508,746	13.1%	510,914	64,332	12.6%
Assets held for sale	32,331	38,610	(16.3%)	23,923	8,408	35.1%
Total liabilities	**12,068,377**	**12,224,183**	**(1.3%)**	**12,365,149**	**(296,772)**	**(2.4%)**
Total deposits, including:	9,915,794	10,174,797	(2.5%)	10,512,048	(596,254)	(5.7%)

retail deposits	5,330,410	5,302,501	0.5%	5,243,764	86,646	1.7%
term deposits	4,421,606	4,320,692	2.3%	4,351,846	69,760	1.6%
current accounts	908,804	981,809	(7.4%)	891,918	16,886	1.9%
corporate deposits	4,585,384	4,872,296	(5.9%)	5,268,284	(682,900)	(13.0%)
term deposits	2,968,099	2,936,368	1.1%	2,898,924	69,175	2.4%
current accounts	1,617,285	1,935,928	(16.5%)	2,369,360	(752,075)	(31.7%)
Debt securities	677,452	561,214	20.7%	462,817	214,635	46.4%
Amounts due to credit institutions	885,797	958,413	(7.6%)	878,665	7,132	0.8%
Other liabilities	589,334	529,759	11.2%	511,619	77,715	15.2%
Equity	**2,181,272**	**2,017,280**	**8.1%**	**1,922,146**	**259,126**	**13.5%**

As at end of 3Q 2023, total assets were down 0.3% year-to-date due to decrease in amounts due to customers.

Compared with the end of 2022, **loans to customers** were up 9.4% on a gross and 9.3% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 5.9% in corporate, 7.3% in SME and 16.7% in retail loans.

Despite some increase in absolute terms, **Stage 3 loans** decreased to 7.8% as at the end of 3Q 2023 mainly due to increase of Stage 1 loans.

Compared with the end of 2022, **the deposits of legal entities** were down 13.0% mainly due to overall transfers of funds across the banking sector into higher-yielding securities market in light of elevated interest rates.

Compared with the end of 2022, **the deposits of individuals** were up 1.7% due to fund inflow from the Bank's clients.

As at the-end of 3Q 2023, the share of KZT deposits in total corporate deposits was 68.8% compared to
60.6% as at the YE 2022, while the share in total retail deposits was 60.0% vs. 52.6% as at YE 2022.

As at the end of 3Q 2023, **debt securities issued** were up 46.4% year-to-date, mainly due to the issuance of bonds listed on AIX in the amount USD 500 million with a coupon rate of 3.5%.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 186.5 mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 299.7 mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 221.3 mln	3.5% p.a.	July 2025

In 9M 2023, **total equity** of the Bank increased by KZT 259.1bn or by 13.5% compared to the YE 2022, mainly due to net profit earned by the Bank during 9M 2023, which was partially offset by the payment of dividends.

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

	30-Sep-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sep-22
Capital adequacy ratios, unconsolidated:					
Halyk Bank					
k1-1	18.6%	18.1%	20.2%	18.5%	18.5%
k1-2	18.6%	18.1%	20.2%	18.5%	18.5%
k2	19.0%	18.4%	20.6%	18.9%	19.1%
Capital adequacy ratios, consolidated:					
CET 1	18.2%	17.9%	20.2%	18.3%	17.8%
Tier 1 capital	18.2%	17.9%	20.2%	18.3%	17.8%
Total capital	18.5%	18.3%	20.5%	18.7%	18.3%

* 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 the nine months ended 30 September 2023, including the notes attached thereto, are available on Halyk Bank's website: http://halykbank.com/financial-results.

A 9M & 3Q 2023 results webcast will be hosted at 1:00 p.m. London time/8:00 a.m. EST on Monday, 20 November 2023. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 20 November, 2023 (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 14,249.6bn as at September 30,2023, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 571 branches and outlets across the country. The Bank also operates in Georgia, Kyrgyzstan 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 Tiyanak	+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

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