

19 August 2024

## Joint Stock Company 'Halyk Bank of Kazakhstan' Interim condensed consolidated financial results for the six months ended 30 June 2024

Joint Stock Company 'Halyk Bank of Kazakhstan' and its subsidiaries (together "the Bank") (LSE: HSBK; KASE: HSBK, HSBKd; AIX: HSBK, HSBK.Y) releases interim condensed consolidated financial information for the six months ended 30 June 2024.

### Interim Condensed Consolidated Statement of Profit or Loss

KZT mln

	1H 2024	1H 2023	Y-o-Y, %	2Q 2024	2Q 2023	Y-o-Y, %
<i>Interest income</i> <sup>(1)</sup>	1,012,008	780,462	29.7%	515,754	400,193	28.9%
<i>Interest expense</i>	(500,745)	(393,555)	27.2%	(258,727)	(205,378)	26.0%
<b>Net interest income before credit loss expense</b>	<b>511,263</b>	<b>386,907</b>	<b>32.1%</b>	<b>257,027</b>	<b>194,815</b>	<b>31.9%</b>
<i>Fee and commission income</i>	99,730	98,689	1.1%	49,656	51,284	(3.2%)
<i>Fee and commission expense</i>	(48,277)	(46,970)	2.8%	(23,695)	(24,484)	(3.2%)
<b>Fees and commissions, net</b>	<b>51,453</b>	<b>51,719</b>	<b>(0.5%)</b>	<b>25,961</b>	<b>26,800</b>	<b>(3.1%)</b>
Net insurance income <sup>(2)</sup>	14,802	28,597	(48.2%)	5,126	9,249	(44.6%)
Net gain on foreign exchange operations, financial assets and liabilities <sup>(3)</sup>	90,049	59,653	51.0%	44,360	30,727	44.4%
Other expense/non-interest income <sup>(4)</sup>	(41,921)	36,862	(213.7%)	8,944	15,668	(42.9%)
Expected credit loss expense and recovery of other credit loss expense	(65,747)	(31,102)	x2.1	(46,753)	(17,535)	x2.7
Operating expenses <sup>(5)</sup>	(115,858)	(99,578)	16.3%	(59,217)	(53,092)	11.5%
Income tax expense	(64,948)	(62,243)	4.3%	(34,319)	(28,271)	21.4%
<b>Net income</b>	<b>379,093</b>	<b>370,815</b>	<b>2.2%</b>	<b>201,129</b>	<b>178,361</b>	<b>12.8%</b>
Non-controlling interest	-	1	-	-	1	-
<b>Net income attributable to common shareholders</b>	<b>379,093</b>	<b>370,814</b>	<b>2.2%</b>	<b>201,129</b>	<b>178,360</b>	<b>12.8%</b>
<b>Net interest margin, p.a.</b>	<b>7.0%</b>	<b>6.0%</b>		<b>6.9%</b>	<b>6.0%</b>	
<b>Return on average equity, p.a.</b>	<b>29.9%</b>	<b>35.8%</b>		<b>31.7%</b>	<b>33.8%</b>	
<b>Return on average assets, p.a.</b>	<b>4.8%</b>	<b>5.2%</b>		<b>5.0%</b>	<b>5.0%</b>	
<b>Cost-to-income ratio</b>	<b>18.5%</b>	<b>17.7%</b>		<b>17.3%</b>	<b>19.1%</b>	
<b>Cost of risk on loans to customers, p.a.</b>	<b>1.3%</b>	<b>0.9%</b>		<b>1.7%</b>	<b>1.0%</b>	

(1) Interest income calculated using the effective interest method and other interest income;

(2) Insurance revenue less insurance service expense and net reinsurance expense;

(3) Net gain on financial assets and liabilities at fair value through profit or loss, net realised gain/(loss) from financial assets at fair value through other comprehensive income, net foreign exchange gain;

(4) Share in profit of associate, income on non-banking activities, other (expense)/income;

(5) Including reversal of impairment of non-financial assets;

In preparing the consolidated financial information for the year ended 31 December 2023, the Group carried out an inventory of its financial instruments. The inventory process identified financial instruments measured at fair value through profit or loss that were previously restricted in use and were incorrectly measured at cost. The Group revaluated these financial instruments and recognized prior period adjustments.

The consolidated statement of profit or loss for the six months ended 30 June 2023 has been reclassified to conform to the presentation for the year ended 31 December 2023 because the presentation of the current year report provides a clearer picture of the Group's financial performance. All of the ratios were also recalculated accordingly. For more detailed information please refer to Halyk Group's interim condensed consolidated financial information for the six months ended 30 June 2024, note #4b.

**Net income attributable to common shareholders** for 1H 2024 is up 2.2% year-on-year. It was negatively impacted by one off effect for KZT 79.3bn (pre-tax) vs. 1H 2023 for KZT 14.5bn (pre-tax) related to accelerated repayment of Kazakhstan Sustainability Fund (KSF) deposit. It was also affected by the increase in credit loss expense.

**Interest income<sup>(1)</sup>** for 1H 2024 was up 29.7% vs. 1H 2023 mainly due to increase in average rate and balances of loans to customers.

**Interest expense** for 1H 2024 increased by 27.2% vs. 1H 2023 mainly as a result of the growth in average rate on amounts due to customers and growth in the share of KZT amounts due to customers. Consequently, **net interest income before credit loss expense** for 1H 2024 grew by 32.1% vs. 1H 2023.

In 1H 2024 **net interest margin** was affected by the increase in average rates on both loans to customers and amounts due to customers. Furthermore, **net interest margin** was positively impacted by the increase in the share of higher yielding retail loans in total loan portfolio and share of loans to customers in total interest earning assets. 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 increase of USD interest rates, as well as increase in the share of KZT interest-earning cash and cash equivalents. As a result, net interest margin has grown to 7.0% p.a. for 1H 2024 compared to 6.0% p.a. for 1H 2023.

**Fee and commission income** in 1H 2024 vs. 1H 2023 increased by 1.1%. It was negatively impacted by base effect related to transition to amortization of tariff packages for legal entities starting from November 2023. Moreover, there was a revision of some retail tariffs in 2H of 2023. On top of that, the amount of bonuses for the loyalty program almost doubled due to increased transactional activity of retail clients and growing share of QR payments.

**Fee and commission expense** in 1H 2024 vs. 1H 2023 grew by 2.8% mainly due to increase in service fees on payment cards and in deposit insurance fees payable to the Kazakhstan Deposit Insurance Fund following the retail deposits amount growth. As a result, despite the increased number of clients and the growth of clients' transactional activity, the **net fee and commission income** for 1H 2024 decreased by 0.5% vs. 1H 2023.

**Other expense/non-interest income<sup>(4)</sup>** in 1H 2024 was negatively impacted by one off recognized loss for KZT 66.1bn in view of expected early repayment of the deposit of KSF in accordance with the IFRS.

**Operating expenses<sup>(5)</sup>** for 1H 2024 increased by 16.3% vs. 1H 2023 mainly due to the indexation of salaries and other employee benefits starting from 1 May 2024, and payment of bonuses for high grades in schools in the frame of strategic partnership with leading educational platform 'Kundelik'.

The **cost-to-income ratio** equalled 18.5% in 1H 2024, compared with 17.7% in 1H 2023 due to higher operating expense for 1H 2024.

**Cost of risk** in 1H 2024 increased to 1.3% vs. 0.9% in 1H 2023, as a result of a greater recovery and repayment of corporate problem indebtedness in 1H 2023 and recognition of higher provisions related to some loans to legal entities in 1H 2024.

## Interim Condensed Consolidated Statement of Financial Position

KZT mln

	30-Jun-24	31-Mar-24	Change Q-o-Q, %	31-Dec-23	Change, abs	Change YTD, %
<b>Total assets</b>	<b>16,749,875</b>	<b>15,910,944</b>	<b>5.3%</b>	<b>15,494,368</b>	<b>1,255,507</b>	<b>8.1%</b>
Cash and reserves <sup>(6)</sup>	1,683,725	1,873,511	(10.1%)	1,622,181	61,544	3.8%
Amounts due from credit institutions	146,054	154,033	(5.2%)	171,754	(25,700)	(15.0%)
T-bills of MinFin & NBRK notes <sup>(7)</sup>	2,626,122	2,264,214	16.0%	2,125,941	500,181	23.5%
Other securities & derivatives <sup>(8)</sup>	1,802,581	1,595,270	13.0%	1,614,666	187,915	11.6%
Gross loan portfolio	10,433,521	9,811,644	6.3%	9,774,798	658,723	6.7%
Stock of provisions <sup>(9)</sup>	(535,784)	(512,352)	4.6%	(489,926)	(45,858)	9.4%
Net loan portfolio	9,897,737	9,299,292	6.4%	9,284,872	612,865	6.6%
Assets classified as held for sale	21,396	125,807	(83.0%)	111,542	(90,146)	(80.8%)

Other assets	572,260	598,817	(4.4%)	563,412	8,848	1.6%
<b>Total liabilities</b>	<b>14,173,325</b>	<b>13,246,474</b>	<b>7.0%</b>	<b>13,017,414</b>	<b>1,155,911</b>	<b>8.9%</b>
Amounts due to customers, including:	11,615,902	11,211,283	3.6%	10,929,504	686,398	6.3%
<i>retail deposits</i>	6,376,470	5,850,404	9.0%	5,828,645	547,825	9.4%
<i>term deposits</i>	5,304,080	4,962,819	6.9%	4,808,592	495,488	10.3%
<i>current accounts</i>	1,072,390	887,585	20.8%	1,020,053	52,337	5.1%
<i>legal entities deposits</i>	5,239,432	5,360,879	(2.3%)	5,100,859	138,572	2.7%
<i>term deposits</i>	3,634,420	3,809,577	(4.6%)	3,338,099	296,321	8.9%
<i>current accounts</i>	1,605,012	1,551,302	3.5%	1,762,760	(157,749)	(8.9%)
Debt securities issued	657,236	655,735	0.2%	653,393	3,843	0.6%
Amounts due to credit institutions	1,012,134	669,815	51.1%	778,311	233,823	30.0%
Other liabilities	888,053	709,641	25.1%	656,206	231,847	35.3%
<b>Total equity</b>	<b>2,576,550</b>	<b>2,664,470</b>	<b>(3.3%)</b>	<b>2,476,954</b>	<b>99,596</b>	<b>4.0%</b>

(6) Cash and cash equivalents and obligatory reserves;

(7) Treasury bills of the Ministry of Finance of the Republic of Kazakhstan and NBRK notes;

(8) Financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and debt securities at amortized cost, net of allowance for expected credit losses less Treasury bills of the Ministry of Finance of the Republic of Kazakhstan and NBRK notes;

(9) Allowance for expected credit losses;

As at end of 2Q 2024, total assets were up 8.1% year-to-date due to increase in amounts due to customers.

Compared with the YE of 2023, loans to customers were up 6.7% on a gross and 6.6% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 15.3% in retail loans, while legal entities loan portfolio were up 2.7%.

As at the end of 2Q 2024, Stage 3 loans decreased from the level of 7.5% to 7.2% year-to-date as a result of workout of problem loans and loan portfolio growth.

Compared with the end of 1Q 2024, the deposits of legal entities were down 2.3% mainly due to one off negative effect of full prepayment of the KSF deposit and partial withdrawal of funds by the Bank's customers to finance their ongoing needs (including tax payments). The deposits of individuals were up 9.0% due to fund inflow from the Bank's clients.

As at the-end of 2Q 2024, the share of KZT deposits in total corporate deposits was 71.8% compared to 72.9% as at the YE 2023, while the share in total retail deposits was 66.9% vs. 63.4% as at YE 2023.

As at the end of 2Q 2024, debt securities issued were slightly up 0.6% year-to-date and the Bank's debt securities portfolio was as follows:

Description of the security	Nominal amount outstanding	Interest rate	Maturity Date
Local bonds	KZT 100bn	7.5% p.a.	November 2024
Local bonds	KZT 131.7bn	7.5% p.a.	February 2025
Subordinated coupon bonds	KZT 101.1bn	9.5% p.a.	October 2025
Local bonds listed at Astana International Exchange	USD 191mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 298mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 184.8mln	3.5% p.a.	July 2025

As at the end of 2Q 2024, total equity of the Bank increased by 4.0% compared to the YE 2023, mainly due to net profit earned by the Bank during 1H 2024, which was partially offset by the payment of dividends.

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

	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23	30-Jun-23
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	17.6%	19.0%	19.6%	18.6%	18.1%
k1-2	17.6%	19.0%	19.6%	18.6%	18.1%
k2	17.7%	19.2%	19.9%	19.0%	18.4%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	17.4%	19.5%	19.3%	18.2%	17.9%

Tier 1 capital	17.4%	19.5%	19.3%	18.2%	17.9%
Total capital	17.5%	19.7%	19.6%	18.5%	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 interim condensed consolidated financial information for the six months ended 30 June 2024, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>.

A 1H and 2Q 2024 results webcast will be hosted at 3:00pm London time/7:00pm Almaty time (UTC +05:00) on Tuesday, 20 August 2024. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 20 August 2024 (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, asset management and lifestyle services. 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 16,749.9bn as at 30 June 2024, Halyk Bank is Kazakhstan's leading lender. The Bank has the largest customer base and broadest branch network in Kazakhstan, with 568 branches and outlets across the country. The Bank also operates in Georgia and Uzbekistan.

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

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