

Joint Stock Company ‘Halyk Bank of Kazakhstan’ Interim condensed consolidated financial results for the nine months ended 30 September 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 nine months ended 30 September 2024.

Interim Condensed Consolidated Statement of Profit or Loss

KZT mln

	9M 2024	9M 2023	Y-o-Y, abs	Y-o-Y,%	3Q 2024	3Q 2023	Y-o-Y, abs	Y-o-Y,%
<i>Interest income</i> ⁽¹⁾	1,571,860	1,206,284	365,576	30.3%	559,852	425,822	134,030	31.5%
<i>Interest expense</i>	(768,345)	(600,950)	(167,395)	27.9%	(267,600)	(207,395)	(60,205)	29.0%
Net interest income before credit loss expense	803,515	605,334	198,181	32.7%	292,252	218,427	73,825	33.8%
<i>Fee and commission income</i>	153,568	150,527	3,041	2.0%	53,838	51,838	2,000	3.9%
<i>Fee and commission expense</i>	(76,273)	(71,087)	(5,186)	7.3%	(27,996)	(24,117)	(3,879)	16.1%
Fees and commissions, net	77,295	79,440	(2,145)	(2.7%)	25,842	27,721	(1,879)	(6.8%)
Net insurance income ⁽²⁾	26,276	26,347	(71)	(0.3%)	11,474	(2,250)	13,724	(x5.1)
Net gain on foreign exchange operations, financial assets and liabilities ⁽³⁾	149,035	102,511	46,524	45.4%	58,986	42,858	16,128	37.6%
Other expense/non-interest income ⁽⁴⁾	(27,735)	45,637	(73,372)	(x0.6)	14,186	8,775	5,411	61.7%
Expected credit loss expense and recovery of other credit loss expense	(96,928)	(70,793)	(26,135)	36.9%	(31,181)	(39,691)	8,510	(21.4%)
Operating expenses ⁽⁵⁾	(180,699)	(154,148)	(26,551)	17.2%	(64,841)	(54,570)	(10,271)	18.8%
Income tax expense	(111,944)	(94,549)	(17,395)	18.4%	(46,996)	(32,306)	(14,690)	45.5%
Net income	638,815	539,779	99,036	18.3%	259,724	168,964	90,760	53.7%
Non-controlling interest	2	1	1	-	2	-	2	-
Net income attributable to common shareholders	638,813	539,778	99,035	18.3%	259,722	168,964	90,758	53.7%
Net interest margin, p.a.	7.1%	6.3%			7.3%	6.8%		
Return on average equity, p.a.	32.7%	34.3%			38.2%	31.3%		
Return on average assets, p.a.	5.2%	5.1%			6.0%	4.8%		
Cost-to-income ratio	17.6%	17.9%			16.1%	18.3%		
Cost of risk on loans to customers, p.a.	1.3%	1.1%			1.2%	1.6%		

(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 (loss from)/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 nine months ended 30 September 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 nine months ended 30 September 2024, note #4b.

Net income attributable to common shareholders for 9M 2024 is up 18.3% year-on-year thanks to notable increase in lending and transactional businesses.

Interest income⁽¹⁾ for 9M 2024 was up 30.3% vs. 9M 2023 mainly due to increase in average rate and balances of loans to customers.

Interest expense for 9M 2024 increased by 27.9% vs. 9M 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 9M 2024 grew by 32.7% vs. 9M 2023.

In 9M 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, as well as increase in the share of KZT interest-earning cash and cash equivalents. As a result, net interest margin has grown to 7.1% p.a. for 9M 2024 compared to 6.3% p.a. for 9M 2023.

Fee and commission income in 9M 2024 vs. 9M 2023 increased by 2.0%. 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 significantly grew due to increased transactional activity of retail clients and growing share of QR payments.

Fee and commission expense in 9M 2024 vs. 9M 2023 grew by 7.3% 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 growth of clients' transactional activity, the **net fee and commission income** for 9M 2024 decreased by 2.7% vs. 9M 2023.

Other expense/non-interest income ⁽⁴⁾ in 9M 2024 was negatively impacted by a one-off recognized loss from the full prepayment of a deposit of the Kazakhstan Sustainability Fund (KSF), which were made on April 8, 2024.

Operating expenses⁽⁵⁾ for 9M 2024 increased by 17.2% vs. 9M 2023 mainly due to the indexation of salaries and other employee benefits.

The **cost-to-income ratio** equalled 17.6% in 9M 2024, compared with 17.9% in 9M 2023 due to higher operating income for 9M 2024.

Cost of risk in 9M 2024 was at normalized level within the scope of our full year guidance and was at the level of 1.3%.

Interim Condensed Consolidated Statement of Financial Position

KZT mln

	30-Sep-24	30-Jun-24	Change Q-o-Q, abs	Change Q-o-Q, %	31-Dec-23	Change YTD, abs	Change YTD, %
Total assets	17,650,108	16,749,875	900,233	5.4%	15,494,368	2,155,740	13.9%
Cash and reserves ⁽⁶⁾	2,248,355	1,683,725	564,630	33.5%	1,622,181	626,174	38.6%

Amounts due from credit institutions	144,704	146,054	(1,350)	(0.9%)	171,754	(27,050)	(15.7%)
T-bills of MinFin & NBRK notes ⁽⁷⁾	2,784,832	2,626,122	158,710	6.0%	2,125,941	658,891	31.0%
Other securities & derivatives ⁽⁸⁾	1,539,503	1,802,581	(263,078)	(14.6%)	1,614,666	(75,163)	(4.7%)
<i>Gross loan portfolio</i>	10,884,432	10,433,521	450,911	4.3%	9,774,798	1,109,634	11.4%
<i>Stock of provisions⁽⁹⁾</i>	(556,743)	(535,784)	(20,959)	3.9%	(489,926)	(66,817)	13.6%
Net loan portfolio	10,327,689	9,897,737	429,952	4.3%	9,284,872	1,042,817	11.2%
Assets classified as held for sale	11,480	21,396	(9,916)	(46.3%)	111,542	(100,062)	(89.7%)
Other assets	593,545	572,260	21,285	3.7%	563,412	30,133	5.3%
Total liabilities	14,770,832	14,173,325	597,507	4.2%	13,017,414	1,753,418	13.5%
Amounts due to customers, including:	11,974,486	11,615,902	358,584	3.1%	10,929,504	1,044,982	9.6%
<i>retail deposits</i>	6,543,795	6,376,470	167,325	2.6%	5,828,645	715,150	12.3%
<i>term deposits</i>	5,581,796	5,304,080	277,716	5.2%	4,808,592	773,204	16.1%
<i>current accounts</i>	961,999	1,072,390	(110,391)	(10.3%)	1,020,053	(58,054)	(5.7%)
<i>legal entities deposits</i>	5,430,691	5,239,432	191,259	3.7%	5,100,859	329,832	6.5%
<i>term deposits</i>	3,500,441	3,634,420	(133,979)	(3.7%)	3,338,099	162,342	4.9%
<i>current accounts</i>	1,930,250	1,605,012	325,238	20.3%	1,762,760	167,490	9.5%
Debt securities issued	818,756	657,236	161,520	24.6%	653,393	165,363	25.3%
Amounts due to credit institutions	1,203,263	1,012,134	191,129	18.9%	778,311	424,952	54.6%
Other liabilities	774,327	888,053	(113,726)	(12.8%)	656,206	118,121	18.0%
Total equity	2,879,276	2,576,550	302,726	11.7%	2,476,954	402,322	16.2%

(6) Cash and cash equivalents and obligatory reserves;

(7) Treasury bonds 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 3Q 2024, total assets were up 13.9% year-to-date mainly due to increase in amounts due to customers and amount due to credit institutions.

Compared with the YE of 2023, loans to customers were up 11.4% on a gross and 11.2% on a net basis. The increase in the gross loan portfolio was attributable to a rise of 25.0% in retail loans, while legal entities loan portfolio were up 5.0%.

As at the end of 3Q 2024, Stage 3 loans decreased from the level of 7.5% to 6.9% year-to-date as a result of workout of problem loans and loan portfolio growth.

Compared with the YE 2023, the deposits of legal entities and the deposits of individuals were up 6.5% and 12.3%, respectively, due to fund inflow from the Bank's clients.

As at the-end of 3Q 2024, the share of KZT deposits in total corporate deposits was 73.2% compared to 72.9% as at the YE 2023, while the share in total retail deposits was 67.9% vs. 63.4% as at YE 2023.

Amounts due to credit institutions increased by 54.6% vs. the YE 2023, due to increase in loans under REPO agreements and syndicated term loan for USD 300mln attracted by the Bank in September 2024.

As at the end of 3Q 2024, debt securities issued were up 25.3% 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	KZT 39.1bn	12.8% p.a.	July 2031
Local bonds listed at Astana International Exchange	USD 191mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 300 mln	3.5% p.a.	May 2025
Local bonds listed at Astana International Exchange	USD 409.7 mln	3.5% p.a.	July 2025

As at the end of 3Q 2024, **total equity** of the Bank increased by 16.2% compared to the YE 2023, mainly due to net profit earned by the Bank during 9M 2024, which was partially offset by the payment of dividends.

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

	30-Sep-24	30-Jun-24	31-Mar-24	31-Dec-23	30-Sep-23
<i>Capital adequacy ratios, unconsolidated:</i>					
Halyk Bank					
k1-1	19.2%	17.6%	19.0%	19.6%	18.6%
k1-2	19.2%	17.6%	19.0%	19.6%	18.6%
k2	19.4%	17.7%	19.2%	19.9%	19.0%
<i>Capital adequacy ratios, consolidated:</i>					
CET 1	19.0%	17.4%	19.5%	19.3%	18.2%
Tier 1 capital	19.0%	17.4%	19.5%	19.3%	18.2%
Total capital	19.1%	17.5%	19.7%	19.6%	18.5%

* 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 interim condensed consolidated financial information for the nine months ended 30 September 2024, including the notes attached thereto, are available on Halyk Bank's website: <http://halykbank.com/financial-results>.

A 9M and 3Q 2024 results webcast will be hosted at 2:00pm London time/7:00pm Almaty time (UTC +05:00) on Tuesday, 19 November 2024. A live webcast of the presentation can be accessed via Zoom link after the registration. The registration is open until 19 November 2024 (including), for the registration please [click here](#).

About Halyk Bank

Halyk Bank is the leading financial services group in Kazakhstan, with a diversified presence across retail, SME, and corporate banking, as well as insurance, leasing, brokerage, asset management and lifestyle services. Halyk Bank has been listed on the Kazakhstan Stock Exchange since 1998, the London Stock Exchange since 2006, and the Astana International Exchange since 2019.

As of 30 September 2024, Halyk Bank had total assets amounting to KZT 17,650.1bn, making it the largest lender in Kazakhstan. The Bank boasts the country's largest customer base and the most extensive branch network, with 563 branches and service outlets across nationwide. Additionally, the Bank operates in Georgia and Uzbekistan.

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

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