



**Joint Stock Company “Halyk Bank of Kazakhstan”
12M and 4Q 2024 English Transcript**

Viktor Skryl, Strategy Director:

Good day, ladies and gentlemen, thank you for joining us on this conference call to discuss Halyk Bank's audited full year financial results for 2024.

I am Victor Skryl, Strategy director for Halyk Bank.

Joining me on the call today are:

- Ms. Umut Shayakhmetova – Chief Executive Officer;
- Mr. Murat Koshenov – CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities;
- Mr. Dauren Sartayev – First Deputy CEO, B2B Banking, Marketing and PR, Acquiring;
- Roman Maszczyk – Deputy CEO, Risk - Management, Data Science and Collateral
- Ms. Olga Vuros – Deputy CEO, Corporate Banking;
- Mr. Nariman Mukushev – Deputy CEO, B2C Banking, Digital Government Services and Customer Experience;
- Andrey Zavarzin – Deputy CEO, IT and Ecosystem;
- Almas Makhanov – Financial Director;
- Mira Tiyanak – Head of FI and IR;
- Nurgul Mukhadi and Rustam Telish from IR team.

We are happy to report that 2024 was a banner year for Halyk.

We recorded a record high profit of KZT 921 bn, an increase of 32.8% year-on-year

Our net interest margin was very strong at 7.2%, on the back of a record net interest income of 1.1 trillion tenge

Return on average equity, return on average assets set new records as well, while our cost-to-income ratio was the lowest it's ever been

And we hit record highs for total assets, net loans, total deposits and total equity, all while keeping our cost of risk in line with the previous year..

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Here are some key events over the course of last year, which we would like to highlight.

In December, S&P upgraded the bank to investment grade, following on Moody's earlier in the year

And with regards to ESG performance, we saw our MSCI rating upgraded to BBB in April and Halyk became the first Kazakhstani commercial bank to issue green bonds last December.

Major developments in capital management include dividend policy amendment from single to two times dividend payment per year, and in April we disposed of our Kyrgyz subsidiary. In September, the Bank announced a buyback program of GDRs. In terms of funding base, Halyk fully repaid the outstanding balance of state support received by KKB prior to its acquisition.

The funding base was further diversified by successfully signed Syndicated Term Loan in September and Issue of local bonds. The approval of LTIP by Extraordinary General Shareholders' Meeting was an important strategic decision of the last year.

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We remain focused on maximizing shareholder returns. Over the past 5 years, including 2024, we have achieved a compound annual growth rate of 22.9% in earnings per share and 20.1% in total shareholder return. We have a strong track record of high profitability, backed by solid capital. We have also seen consistent growth in our core banking operations, and increased engagement in our digital banking ecosystem is helping to power that growth.

Next Slide please.

As the largest financial institution in Kazakhstan, Halyk plays a central role in powering the economy. We process transactions equal to 106% of the nation's GDP. We account for 53% of lending to the real economy. And we serve 86% of the country's largest taxpayers.

And our reach is not limited to Kazakhstan – we also play an important role in Central Asia's 2nd largest economy. Halyk processed more than a two trillion tenge worth of payments between Kazakhstan and Uzbekistan last year. Our total loan exposure to Uzbekistan, where we operate a fully owned subsidiary, Tenge Bank, was just shy of 700 billion tenge at year-end 2024, an increase of 45% year on year.

I mentioned earlier that we achieved record profitability last year, and here you can see consistent growth over the past decade despite highly volatile operating environment. The successful execution of our digital strategy allowed us to achieve a compound annual growth rate of 21.2% in net income and 30.7% average RoAE over the past 5 years, while our cost to income ratio continues to improve.

Next Slide please.

We strive to maintain a strong capital position and you can see on this slide how we have accelerated growth in total equity over the past decade. In the past five years, total equity CAGR was 15.5%. At the same time, we have kept our common equity tier-1 capital ratio steady.

This slide shows the acceleration of growth in total gross loans and total deposits over the past decade. As I mentioned earlier, we had a net interest margin of 7.2% in 2024. The average over the past 5 years was 5.7% so we're seeing very good progress in improving our margins.

Next we will take a look at our digital ecosystem and the progress we continue to see with both the SuperApp and Online Bank.

Since 2020, our B2C and B2B digital platforms have experienced strong and consistent growth in user engagement.

The volume of payments made through our B2C platform has grown at a 5-year CAGR of 58%, while the number of transactions has increased at a CAGR of 46%.

On the B2B platform, both the volume and number of payments have expanded at a 5-year CAGR of 22%.

In terms of active users, our B2C platform has achieved a 5-year CAGR of 25% in Monthly Active Users (MAU), while the B2B platform MAU has grown at a CAGR of 28% over the same period.

This slide illustrates our track record in delivering consistent increasing earnings per share despite some turbulence through the cycle including Covid, January events and geopolitical instability.

A 22.9% CAGR in earnings per share over the past 5 years gave at the same period an average annual total shareholder return of 26.9%.

Here you can see how our dividend per share has grown consistently over the past 5 years, with the exception of the post-pandemic year in 2021. A compound annual growth rate was at 15.4%, while the average dividend yield was 14.1%.

Next Slide please.

Now a few words about the macroeconomic environment and specifically about our key market, Kazakhstan. The country accounts for 56% of Central Asia's GDP.

With a median age of 29.5, Kazakhstan's 20 million population is relatively young and rapidly urbanizing. Both of these factors support our focus on digital services.

Kazakhstan achieved real GDP growth of 4.8% last year and the forecast for 2025 is 5.3%.

The production of oil is expected to increase in 2025 up to 96 mln ton.

The IMF's mid-term forecasts predict that GDP and GDP per capita will continue to increase over the next few years, together with rising population.

I will now pass it over to Mira Tiyanak.

Mira Tiyanak, Head of IR:

Thank you, Viktor. Good afternoon, everyone.

Now, let's move on to the B2C and B2B update.

We have the most extensive open ecosystem for both B2C and B2B.

This slide highlights our B2C ecosystem and lifestyle solutions, offering a full in-app experience that includes daily banking, insurance, brokerage and lifestyle services.

As part of our strategic expansion, we are also developing a B2C application in Uzbekistan.

Next slide, please.

Here, you can see the strong digital engagement of the Halyk Super-App.

In 2024, our Monthly active users reached 7.9 million, Monthly transactional users stood at 5.5 million, and Daily active users number was 2.2 million.

Over the year, we recorded a 29% increase in the number of transactions, along with 39% YoY growth in the volume of payments and transfers.

Our B2C lending operations are now almost entirely digital, with 91% of loans processed through our Halyk Super-App.

Loan issuance by volume increased by 46% year-on-year, showing strong demand and lending activity.

Our B2C gross loan book grew by 33% year-to-date, reinforcing our market position.

In terms of portfolio quality, we continue to maintain prudent risk management:

Our NPL 90+ days ratio stands at 4.5%, reflecting stable asset quality. The NPL 90+ days coverage is 136%.

On the next slide we present the B2C deposit dynamics over the year.

The share of new deposits opened digitally increased by 13 percentage points, reaching 91%.

B2C deposits grew by 24% year-to-date, further strengthening our leading market position.

Next slide, please.

Here, we present an update on our ecosystem performance:

Car Insurance GMV and the number of its clients more than doubled over the year.

The GMV of our entertainment tickets platform Kino.kz grew by 16%, while the number of tickets sold increased by 32%, showcasing strong user engagement.

Halyk Travel experienced a slight decline in GMV over the year.

On the next slide we present Halyk Marketplace dynamics.

The GMV increased by 52% YoY, while the number of sales grew by 10.6%.

The number of partners expanded by 63.5%

The GMV of our in-app segment of the Marketplace Halyk Market grew by 57.4% YoY.

The number of partners more than doubled, while the SKU count nearly tripled.

Next slide, please.

Here, we would like to highlight a strong synergy between our B2C and B2B segments which led to the ramp up of digital car lending.

Launched in September 2023, this product has rapidly gained traction.

And now, Halyk is the #1 player in the car lending market.

Our market share in issuance nearly doubled over the year, reaching 33.8%.

The volume of car loans issued grew by more than 5 times.

Now, let's move on to our digital brokerage platforms, where we offer two key solutions:

Halyk Invest – an in-app solution within our Super App.

And Halyk Finance – provided by our investment banking subsidiary.

We continue to see a strong growth in this segment, reinforcing our market leadership.

The number of clients grew by 54.6% YoY, while number of active clients increased by 48%.

Transactional volume expanded by 1.8 times over the year, highlighting an increased client engagement.

Pension Assets under management grew by 3.4 times YoY, reaching 47 billion tenge, and we now hold a 72% market share.

The total Assets under management increased by 1.6 times, while the brokerage assets grew by almost 40% YTD reaching 2.5 trillion tenge.

The next slide focuses on our B2B ecosystem, where we provide a comprehensive suite of digital banking and ecosystem solutions available in app, including:

Daily banking and financial services, Halyk Marketplace for businesses and Non-financial services to support business operations.

Beyond the core banking, our subsidiaries offer a wide range of B2B solutions, including:

Investment Banking & Insurance, Cash collection services, Leasing and cloud business solutions, Internet acquiring and info telecom services.

As part of our strategic expansion, we are also developing a B2B application in Uzbekistan, further strengthening our regional presence.

Now, let's move on to the B2B platform update.

As of the end of 2024, our Monthly Active Users reached 305 thousands, while Monthly Transactional Users number was 237 thousands and Daily Active Users stood at 105 thousands.

Year-on-year, we achieved 16% rise in the total volume of payments and transfers, alongside a 20% increase in the number of transactions, demonstrating a strong transactional business growth

Now, let's turn to the corporate business update.

Our gross loan portfolio grew by 18.4% year to date, reflecting strong demand and business activity and further strengthening the Bank's role as a powerhouse lender fueling economy.

Additionally, KZT-denominated loans accounted for 64% of the total corporate loan portfolio.

When it comes to the portfolio quality, we continue to maintain prudent risk management:

Our NPL 90+ days ratio stands at just 1%, demonstrating stable asset quality.

We maintain a robust NPL 90+ days coverage ratio of 381%, providing a solid buffer against potential risks.

Halyk currently holds a 53% share of total B2B lending and 31% of B2B deposits, reinforcing our leading position in the market.

SMEs are a key focus of our commercial business, and we continue to see strong growth in this segment. Year-to-date, our SME loan portfolio has expanded by 18%, demonstrating our commitment to supporting small and medium-sized enterprises.

Loan issuance has also seen a solid increase of 19%, with a digital channel playing a crucial role. In addition to loan growth, we are also seeing a notable growth in issuance of digital performance and bid bonds via our platform.

Next slide please

Over 94% of new loans were issued via OnlineBank, reflecting our strong digital capabilities.

As a result, our digital loan portfolio has grown significantly—up 55.7% year-to-date—while we continue to maintain strong portfolio quality.

Now, Let us take a look at our business in Uzbekistan.

First, a bit of background. Uzbekistan is the second largest market in Central Asia and one where we see a lot of potential.

The country has a population of over 37 million with a median age of just 27, so, like Kazakhstan, a very young nation.

Recent economic reforms have driven a spike in foreign direct investment, which soared by 50% last year to almost 12 billion US dollars. The economy is estimated to have grown at a pace of 6% in 2025.

Economic, cultural and interpersonal ties between Kazakhstan and Uzbekistan are getting stronger and here you see a few key indicators for the last years. All this makes Uzbekistan a natural fit for Halyk's strategic development.

Against the backdrop of Uzbekistan's rapid economic growth, we are seeing a similar dynamic in our loan portfolio there. Our total loan exposure increased by 45% last year. Almost a three quarters of that is cross-border lending from Halyk, which rose by 61%. Tenge Bank's loan portfolio grew by 14% during the year.

Another key figures here are volume of transfers between Kazakhstan and Uzbekistan through Halyk and number of P2P payments through our proprietary systems, which soared by 85 and 63% in 2024, accordingly.

Digital banking is flourishing in Uzbekistan and Tenge Bank is at the forefront of that, having been the first bank there to launch digital onboarding for legal entities and first to launch digital loans to support individual entrepreneurs.

A few words about Tenge Bank's consumer-facing business.

We saw an 85% increase in monthly active users of B2C app year on year. The volume of payments and transfers via the app declined, however the number of payments and transfers has climbed by 48%. We continue to improve the app's functionality by adding new services and ways to make payments.

Monthly transactional users for Tenge Business, our B2B digital app, more than doubled last year, albeit from a low base. We see substantial room for growth for this offering.

And we close this section with a look at where we stand as compared to our peers in Uzbekistan. Halyk Group is the fourth largest privately owned lender in the country with a combined loan portfolio of almost 700 billion tenge, including both Tenge Bank and cross-border lending from Halyk Bank.

Now, I would like to hand over the call to my colleague from IR team Nurgul Mukhadi.

Nurgul Mukhadi, IR team:

Thank you, Mira and good day everyone.

I will now take you through the financial results for the year ended 31 December 2024.

During our semi-annual results call in August last year we provided our updated financial guidance for 2024. Despite a quite upbeat outlook, we met – and on most metrics exceeded our targets. Growth of our net loan portfolio amounted to 23.5%, with 34% growth in retail segment and 18.7% in corporate & SME. Net fee and commission income grew by 10.2%. Cost of risk was at 1.2%.

Our net income amounted to KZT 921bn. Return on equity reached 34%. NIM is 7.2% and Cost to income equaled to 17.6%.

As we mentioned earlier Halyk had a strong year with new record highs.

Here you can also see the decomposition of the net income growth in 2024.

It was primarily driven by the increase of Net interest income by 39% year on year and Net gain on foreign exchange operations, financial assets and liabilities by 36.7% year on year.

Here's a quick look at the balance sheet. Total assets of the Group increased by 19.7% year to date due to increase in amounts due to customers.

Total interest earning assets at the same period grew by 23.1%, which led to increase in its share in total assets from 90.7% to 93.3%.

The share of loans to customers in total interest earning assets increased from 63.4% to 64.2%.

Total deposits to total liabilities ratio was at the level of 83.9%.

As at the end of 12M 2024, total equity of the Bank increased by 23.9% compared to the YE 2023, mainly due to net profit earned by the Bank during 12M 2024.

That led to respective growth of book value per common share by 24.1% at the end of 12M 2024.

Loans to deposits ratio was up to 88.3% at the YE 2024 vs. 85% at the YE 2023.

Cost of risk in 12M 2024 was at a normalized level as per our guidance at the level of 1.2%.

As at the end of 4Q 2024, Stage 3 loans decreased from the level of 7.5% to 7.0% 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 13.5% and 23.5%, respectively, due to fund inflow from the Bank's clients.

As at the end of 4Q 2024, the share of KZT deposits in total deposits was 69% compared to 67.8% as at the YE 2023, in corporate deposits the share was 70.9% vs. 72.9% as at the YE 2023, while the share in total retail deposits was 67.5% vs. 63.4% as at YE 2023.

On consolidated basis, capital adequacy ratios of the Bank slightly decreased in 4Q 2024 due to dividends payment. RWA were up by 23.4% following the increase of loan portfolio.

As at the end of 12M 2024, RWA density grew to 86% vs. 82% as at YE 2023, due to increase in share of retail loans in total loan portfolio.

I am pleased to present our outlook for the financial year of 2025.

The outlook is based on the approved budget for 2025 and does not take into account potential regulatory changes that may impact financial performance.

Retail net loan portfolio growth is expected to be in the area between 20 to 25%, Corporate and SME net loan portfolio growth is expected to be in the area between 15 to 20%, Total net loan portfolio growth is expected to be in the area between 17 to 22%. Growth of net fee and commission income is expected to be in the area between 10 to 15%. Cost of risk is expected to be circa 1.3%. Consolidated net income is to be around 1.1 trln tenge. Return on average equity is expected to be in the area between 30 to 33%. Net interest margin is expected to be somewhat around 7.5%. Cost-to-income ratio is expected to be in the area between 17 to 19%.

Dear ladies and gentlemen, that's a quick look through the financials. We will now open the floor for your questions. Just a quick instruction, to state a question, you can raise your hand in the zoom or if you joined via cell phone please press *9 (star nine) to raise your hand. You can also enter your question in the written form via chat. While stating your question please also mention your name and company. The 1st question comes from Mikhail. Please go ahead.

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Good day. Thank you very much for the presentation. I have number of questions.

So in the last quarter there was quite solid improvement on the number of metrics, and I wanted to clarify which of them do you think are more sustainable? And which of them are more one offs. So, starting from NII, we can see that for the 2 quarters you had quite strong income from interbank interest income. So I wonder, where does this interest income come from? Where the demand comes from on the interbanking lending side? Do you see this contribution sustainable. So that's the 1st question.

Then, on your trading income and other non core income line, we could see some improvement on the effects and gains on securities. What was driving that? And were there any one offs also on net insurance side? Or do we see this performance as sustainable. So that's the first block of questions. And then I also have a question, what are your latest views and outlook on the dividend for this 2024 and what will be the split between the first and second? If you pay twice a year. Thank you.

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Mikhail. Thank you very much for your very detailed questions.

First of all, regarding the normalization, or one of items, I think, overall net interest income, when we talk for the net interest income from loans we do not see as it's as a one off. In fact, it's a reflection of continuation, of growth of our gross portfolio.

As you can see from our outlook the trend overall should continue.

When it comes to the interest income from non loan type of assets, you indeed notice that we have some pickup in that primarily, because of more active approach to ALM. We've had some strengthening of our ALM team during the year. So that was the result of more active approach.

When it comes to other lines like net gains from foreign exchange operations, financial assets and liabilities, probably there was one line which is related to net gains on trading operations which might be considered as a one off. We had certain positions in equities which we realized in the 4th quarter and probably with the exception of that particular item, overall, we see that overall results is a reflection of continuing of our work in activity of our clients, better management of our balance sheet.

And I think your question was also related to dividends. Could you please repeat, if possible?

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Yeah. So what's your latest outlook on the proposed dividend for 2024, and previously you approved the new guidance for dividends to be paid twice a year. So what split do you expect this year?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Yeah, understood. Last year we changed our dividend policy. So we moved from one time payments to up to 2 time payments. And last year we already realized that open. So last year we paid on combined basis 55% of the net profit for 2023 in 2 installments, the 1st was 40%, and the second one was 15%.

This year so far the board of directors is proposing to the general shareholders meeting the dividends per share of KZT 29.64, which roughly represents 35% of the net profit for last year.

There is a possibility that board might be recommending the second payments in the second half of this year, but decision would be taken in the second half. So at this point of time I cannot provide, probably more clarity. But I probably can refer to our general dividend policy, which says that within certain conditions the dividend payout ratio is within the range of 50 to 100% of the net profit.

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Okay, thank you. And if I may clarify on interest from non loans and more active ALM approach. So maybe, you could give a bit more details? What particular changes have been taken into consideration? So do you, for example, allocate cash now more into some high yielding assets. And by the way, this interbank interest income which you receive, is it interbank with the central bank of Kazakhstan, or with the other banks?

If I may ask?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

I'll give the floor to my colleague.

Ilyas Izotov, Managing Director:

Mikhail, thank you for your question.

First of all, the main base of our operations was the switch of our focus from overnight activities with National Bank to one week deposits which allowed us to gain extra 1% in profit. So that was the main shift.

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Okay, but it is mainly with the central bank of Kazakhstan, right?

Ilyas Izotov, Managing Director:

Yes.

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Okay. And also on one last follow up on FX, on the trading income from FX and the gains on securities. To what extent it was supported by volatility of tenge in the fourth quarter, or it was more supported by other factors?

Ilyas Izotov, Managing Director:

Mikhail. Thank you for your question.

So it was a mix of all activities, as you may know. The last year was quite volatile for the local currency, so we somehow managed to gain our fortune there as well.

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Okay.

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Didn't introduce himself. So that was a response from our managing director, who is over covering treasury operations

Ilyas Izotov

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Okay, okay, thank you. Thank you very much for all of the valuable comments.

Much appreciated.

Nurgul Mukhadi, IR team:

And the next questions come from Milosz. Please go ahead.

Milosz, please.

Milosz Papst, Edison Group, Director of Content:

Okay. Apologies for that. Yes, hi, Milosz, Edison group here. Thanks for taking my questions. Firstly, I've noticed that the share of local currency deposits in total retail deposits stabilized in the 4th quarter compared to the previous quarter. After growing for a couple of years, and also in recent quarters so can shed some light on this in terms of what you expect in the coming quarters, and what would be the associated impact of your interest expense?

And then, secondly, I've noticed that the average number of monthly users in your retail segment super app was probably stable in 2024 compared to last year. The daily active users went down slightly. So just wonder if you see further potential to grow from here, or you expect these indicators to stabilize, and maybe we should focus more on

the number of monthly transactional users which you've disclose as well. And if so, can you give us some idea of what you expect here. Thank you.

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Milosz, thank you very much. The dynamics in terms of currency split on deposits is primarily linked to two factors. First one is anticipation of movement in currency, and second is the interest rate differential. Because we already for a number of years live in the situation when the National Bank is not managing the currency rate, but managing the rates, so we see that exactly in this situation when in the end of last year, tenge start weakening and also, there was an increase in the inflation expectation, so the central bank stepped in and increased rates. So we think, that is a good stabilization factor in terms of the currency split of the deposits, and on top of that we'll see that during last couple of months tenge starts strengthening. We expect that should lead not to big fluctuations in terms of the current split on deposits.

Regarding your second question, we in some previous years experienced a very strong increase both in monthly active users and daily active users. We used a different combination to drive that, but we understand that the most focus should be not on the increasing the audience per se, but increasing their transaction activity. So during 2024, we are particularly, let's say, focusing on increasing the transactional activity, so-called monthly transactional users. And that probably was the main factor saying that we overall expect that we will continue to increase both the active users on and daily basis, as well as the transactional portion of that client base.

Milosz Papst, Edison Group, Director of Content:

Perfect. Thank you. That's helpful.

Nurgul Mukhadi, IR team:

And the next question comes from Simon Ellis. Simon, please.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Hi, thanks. Thanks for the opportunity.

My first question would be really around your macro assumptions behind your guidance for this year. So it'd be useful if you could run through what you're expecting in terms of GDP growth, inflation rate, trajectory and exchange rates.

I have a question on fees. I see that fee income grew by 19% in the 4th quarter, sorry if I missed some of the color, but if you could just elaborate on what was driving that, and why? Why do you expect it to slow down to 10 to 15% growth for the year.

The last is just on the tax outlook. I think there were talks in the past to increase taxation rates on banks. I'm not sure if that's still the case. If you could give us an update on any new regulatory actions, particularly around tax, thank you.

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Simon. Probably I didn't record all your questions, so let me start one by one, and we might probably come back to some questions which I didn't cover yet. So, first of all, on the macro assumptions obviously the recent movements in inflation and subsequent reaction from the National Bank in terms of increasing the base rates to level of 16.5% also triggering the revision of the macro parameters. At this point of time the National Bank is anticipating GDP growth in the range of 4.2 to 5.2%.

Our Halyk finance economists currently projecting the GDP growth at the level of 4.8, primarily driven by increased production at the Tengizchevroil which potentially might be limited by the OPEC+ commitments from the Kazakhstan, also the continuation of fiscal impulses to the economy by the government to finance some larger infrastructure projects.

Inflation, we see that it's probably would be increasing this year. Again, central bank is projecting inflation rates in the range of 10 to 12% primarily driven, again, by this fiscal impulse which I mentioned, but also the readjustment of

pricing of utilities and on the petrol market. Well, based on the inflation, we also expect that the base rate probably would continue to stay higher. It might reduce somewhat from the current levels, but we don't expect the big movements from the current level. Overall we do not expect some shocks to economy, I think economy continues to grow, but obviously fueled by the aspects which I mentioned.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

That's clear. Thank you.

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

On the fees and commission income. One of the aspects was actually that we were revising certain fees in 2023, and that probably was impacting the fees and commission growth for second half of 2023, and beginning of 2024. That effect is fading out in the second half of 2024, which triggered increase in fees and commission interim.

Secondly, we saw a very strong traction in our documentary business, and that's why you see that there is a strong increase in fees and commission income from letters of credits and guarantees. The other element was that in fees and commission expenses previously, we were incorporating expenses related to deposit insurance funds contribution. We believe that is more directly linked to deposits. That's why it should be accounted in the interest expenses line and that also reduced the base, and also contribute somewhat to the better net fees and commission income. So that was a combination of, let's say, joint activity of the clients, but also, some changes that we think better reflects overall the fees and commission business of the bank.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Yeah, the last one was just whether the tax rate is likely to increase. I think there were discussions to increase tax on banks at one point. Where are we on that debate in the government.

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Well, we probably in the middle of discussions yet. So there are different views in terms of what the overall tax system of Kazakhstan should look like. It's not only about the banks, but also about the corporate side and SME side. It relates to VAT, it relates to corporate income tax. So probably at this point of time there is not too much clarity from our previous discussions.

That's why, in our outlook we have not incorporated any changes yet because of the unclarity. So our outlook is based on the current state of tax regime.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Okay. And maybe just one last one on margin. So you're looking for margin to increase by another 30 basis points. Is that largely driven by rates? Or is there something else behind that?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

It is primarily driven by the growth of our interest earning assets and change of composition, because, you see that our retail portfolio was growing quicker than the corporates. That's why it has more contribution to the interest income line driving the net interest margin expansion.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

And sorry, maybe just on your confidence with the cost of risk guidance. I guess these are higher margin loans, but probably riskier as well. So what's the downside to the cost of risk actually ends up being higher, given high rates on your shift to retail.

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Yeah. Obviously, inflation situation is somewhat increasing. That's why we carefully reviewing our models, especially models for our retail products. That's why we purposely somewhat adjusted our cost of risk expectations. So this is our base case and based on the macro assumptions which we just discussed.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Okay. Thank you very much.

Nurgul Mukhadi, IR team:

And the next question comes from Ronak Gadhia. Please go ahead.

Ronak Gadhia, Analyst:

Good afternoon team and thank you for the presentation and congratulations on the results. And just one quick follow up on the dividends, Murat. You mentioned that the bank's policy is to pay out 50 to 100%, depending on certain conditions. If I remember correctly, one of those conditions is capital equity ratio remaining above 18%.

Is there a risk that the capital adequacy ratio could drop below that level? It was the earlier this year, you know, the central bank increased the risk weighting for retail loans, and that is the fast growing portfolio for you. So what's the risk weighted? What's the capital adequacy ratio under the new regulations? And could your capital adequacy ratio drop below 18% as a result of that?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Ronak, hello! Thank you for the question. Currently the Central bank or I should say the agency for financial supervision are not looking into revising the risk related assets. In fact, the regulators introducing the contracyclical buffer, but which exactly aiming to, let's say can be considered as an instrument to destimalize the credit to retail.

It will be 2% of risk weighted assets, but because we have substantial capital buffet above the regulatory requirements, we do not expect that it might impact our dividend policy at this point of time.

Ronak Gadhia, Analyst:

Understood. Thank you.

Nurgul Mukhadi, IR team:

And next questions come from Dan Mikhailov. Please go ahead.

Dan Mikhaylov, Vergent Asset Management LLP, Analyst:

Hi! This is Dan from Vergent. First of all congratulations on the sublime set of results. I just had one question on asset quality, on the NPL breakdown. Do you have an NPL breakdown between Corporate, SME and Retail? And where are you? Where are you seeing the most NPL formation year to date, and what the outlook for 2025 across the different segments?

Roman Maszczyk, Deputy CEO, Risk - Management, Data Science and Collateral:

Thank you for the question, Roman speaking. I'd like to address this question. First of all, obviously we have the breakdown of our NPL by business lines and Nurgul, I suppose, provided some details. But if you want a clearer picture, I can give you an overview and send you to more detailed information in our financial statements. So let's start with the corporate sector. NPL there is at around 1% and is the lowest NPL for the whole portfolios in our bank. Then we have slightly higher NPL in SME segment, and when we go down to smaller and medium enterprises NPL is rising

slightly and is the highest for small businesses / individual entrepreneurs in the portfolio, but they do not contribute much to the overall SME portfolio. For a retail segment we have NPL ratio around 4.5% for 90+, but we would like to note that in 2024 that we had the moratorium on cleaning the credit portfolio by selling NPL to external parties. So this moratorium will last until April 2026. So we already have addressed this issue, and we take that into account forming our credit strategies for 2025 and 2026.

Nurgul Mukhadi, IR team:

Dan please go ahead.

Dan Mikhaylov, Vergent Asset Management LLP, Analyst:

I'm sorry I don't have any more questions. Thank you.

Nurgul Mukhadi, IR team:

Next question comes from Tom Jakobi. Please go ahead.

Tom Jakobi:

Tom Jakobi, Wikifolio Doppel Analyse. Can you hear me?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Yes, Tom. Please, go ahead.

Tom Jakobi:

Great. Thank you for having my questions, and first of all, congratulations for the very good business numbers. I've got 3 questions. The first is related to the buybacks of GDRs. You know we can read every week how many transactions there have been, and I wonder what happens to the collected GDRs. And when is it going to happen? Can you give us any outlook there?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Yes, we have a dividend buyback, which was launched in September last year for the duration of one year, and which is limited to 1% of the share count. As of now we are reporting our progress on buy back regularly on our website. So at this point of time the buyback amounted to roughly USD16.5 million. They are transferred to the Treasury stock.

And the only way they can be used at this point of time on long term employee incentive program, which was approved last year. Otherwise they would not be able to come to the floating again.

Tom Jakobi:

Okay. So it's not the plan to withdraw or delete them right?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Legally they cannot be canceled according to Kazakh legislation. That's why they are kept on our Treasury stock.

But in order to let's say, bring them back to circulation, there are decisions to be done by the general shareholders meeting. That's why to launch that program we had to go to the general shareholders meeting.

Tom Jakobi:

Oh, that's very clear. Thank you very much. Second question is about Halyk travel and E -Com. There was a decrease quarter on quarter, while mainly all the rest of business numbers really rose very well, but there was a decrease. So I wonder is there any special explanation for that? Is this going to be a onetime effect, or are there other stronger platforms in this part of business?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Yes, overall on ecosystem. I think we have a good traction if we take some verticals like car insurance or Kino.kz and overall ecosystem.

Because ecosystem we can look from, let's say, our general approach, if we include the M-Com and E-Com.

On the Halyk markets there was some decrease quarter on quarter basis. But if you look from year over year basis, I think we had some strong increase in terms of the Halyk market, so the increase was 57% and we continue to increase the number of partners, increase in SKUs. We continue to strengthen our team, so we expect that Halyk Market will continue its traction.

When it comes to Halyk travel we were let's say, trying to rebuild that business. We were present on one platform, and last year we devoted to moving to another platform. That was affected probably last year's results. But we still think that we Halyk Travel is integral part of ecosystem products use, and we expect that situation would turn around for Halyk travel as well.

Tom Jakobi:

All right. Thank you. And last question block regarding the dividends again. I had a problem acoustically to understand the plan of dividend proposal. Can you repeat that, please?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

The dividend proposal is to pay KZT29.64.

And this is, let's say, decision, which we presenting to the general shareholders meeting to be held on the 30th of April and according to the dividend policy we might consider the second dividend payments in the second half of this year.

Nurgul Mukhadi, IR team:

And the next questions come from Mikhail Butkov, please go ahead.

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Yeah, thank you. I just had some follow up questions. One you mentioned changing structure of interest on an assets and its growing contribution. So I wonder what level of loan to deposit ratio you see, as comfortable or sustainable. It has increased quite significantly over the last 3 to 4 years from, I think, around 70% to 90%. Can you see that at the level of 100%? Or, yeah, how do you think about that from ALM perspective?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

From ALM perspective we are not focusing on loan to deposits ratios. We are targeting different ratios which better reflects the overall asset liability and core perspective. But also I want to highlight that currently our liabilities to large extent represented by deposits. So I think, we have substantial capacity to go and to borrow. Do not consider that as a guidance, but simply consider that as a potential capacity to expand and to diversify our liability basis.

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Okay, okay, thank you. And just one other follow up on the interest income from interbank operations. You mentioned that you changed the structure from overnight placements to one week deposit placements. But I wonder why it brings

that much difference compared to the previous year, as the interest rate did not fluctuate maybe that much, so the difference in cumulative return on overnight placements versus one week. Are they really that different to drive?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

To look on this what is influencing you also have to look for the currency composition. So in previous years there might be different currency composition, and like in dollar terms, it's much lower rates compared to 10 year. And last year we placed more in these instruments, which probably might be additional explanation for the difference

Mikhail Butkov, Goldman Sachs Group, Research Division - Executive Director:

Okay, that is clear. Now, thank you. Thank you very much.

Nurgul Mukhadi, IR team:

And the next questions come from Simon Nellis. Simon, please go ahead.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Yeah, just a quick follow up for me on asset quality. So you mentioned that there's a moratorium on, I think, selling retail loans to third parties and that only expires in April of next year. Is that right? And what impact is this having on on NPL. Would you expect, you know, accelerated NPL workout when you are able to, when this moratorium ends?

Roman Maszczyk, Deputy CEO, Risk - Management, Data Science and Collateral:

Yes, the moratorium is for 2 years. It was implemented on the 1st of April of 2024, so, according to the plan it will last until April 2026.

As regards its impact, it affects our cleaning opportunities of our portfolio or possibilities. But we think that we can manage this challenge, and we do not expect an exceptional increase in NPL ratios this year and next year.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Do you think you've actually saved money by doing this internally rather than...

Roman Maszczyk, Deputy CEO, Risk - Management, Data Science and Collateral:

Well, by selling NPLs we could realize the cash flow almost immediately. Right now we have to wait longer for realizing the collections. So it's a balanced picture we are taking that cash flow perspective into account when we assess the quality of the portfolio and the targets, our internal targets for the quality of the portfolio over the next year.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Thanks. And actually one more from me on the workout of problem loans that are collateralized by SPVs. I think you have a slide 54. I was surprised at this that this is actually stable. I think it's been going down in the past. So why are you seeing inflows of these type of assets? I thought this was a legacy.

Roman Maszczyk, Deputy CEO, Risk - Management, Data Science and Collateral:

These are legacy assets.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

But why aren't they going down faster?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Yeah, yeah. Let me probably step in, Simon. So it really depends on a particular problem assets which are on our balance sheet. So we have the ability to make workout procedures out of our balance sheet or through our SPVs. It's real depending on the type. Sometimes it's more appropriate and quick to do it from the bank balance sheet. Sometimes it's better, from practical point of view, to do it through SPVs, so that not necessarily be considered as a link to what the size of the problems, but the compositional loans which are inside the portfolio.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Okay, but over time you still expect this number to go down. And would you be realizing these assets at a profit?

Is that fair to say?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Yeah, actually, we see good progress on the SPV side. So we quite happy with their performance. And they're really contributing to overall workout process of our problem loans.

Simon Nellis, Citigroup, Citi Equity Research - Managing Director:

Okay. Thank you.

Nurgul Mukhadi, IR team:

And the last questions come from the Q&A chat from Kuanish Tuyakov. Could you tell, please, how, in your opinion, the expected tightening on regulatory capital requirements for second tier banks will impact Halyk Bank's consumer lending segment?

Koshenov, CFO, Deputy CEO, Finance, Subsidiaries, Compliance and International Activities:

Thank you for the question. I think I already answered that earlier. But let me repeat. So basically, we talking about the potential introduction of countercyclical buffer, which would be 2% of risk credit assets related to retail loans.

And because we have substantial buffer in our capital far above the minimum regulatory requirements, we do not expect it might be impacting the bank in terms of our business plans, or in terms of our dividend policy.

Nurgul Mukhadi, IR team:

Dear ladies and gentlemen, it seems that there is no questions remaining, so this completes our presentation. Thank you very much for participation. As usual, our IR team remains open for any of your further questions. Take care and goodbye.