Halyk Bank

Q126 results

Slower start to the year in Q126

Banks

27 May 2026

Halyk Bank's Q126 results reflect a combination of seasonal factors, a strengthening of the tenge against the US dollar (which reduced the reported KZT value of foreign-currency loans and deposits), customer caution amid continued high inflation and the new tax code, coupled with the impact of the new minimum reserve requirement (MRR). Against this backdrop, Halyk delivered an annualised return on average equity (ROE) of 25.9% (vs 34.6% in Q125). This was supported by continued strength in its net interest margin (NIM), which reached 7.0% in Q126 (vs 6.9% in Q425 and 7.5% in Q125), and good cost control (with a cost-to-income ratio of 18.2%). Net F&C income declined by 26.1% y-o-y, mainly due to weak 'buy now, pay later' transactional income and only gradual pass-through of the VAT recently introduced for certain banking operations. However, Halyk expects an improvement in the net F&C income dynamics in the coming quarters. Annualised cost of risk remains somewhat elevated at 1.5% (mostly driven by the ongoing moratorium on the sale of retail exposures to collection agencies) but is considered manageable by the company. Halyk retains a solid capital buffer with a k1 capital ratio of 21.0% at end-March 2026 versus the minimum regulatory requirement of 9.5%.

Year end	NII ($m)	EPS ($)	DPS ($)	ROE (%)	BVPS ($)	P/BVPS (x)	P/E (x)
12/24	2,362	7.21	3.80	34.0	21.5	1.45	4.3
12/25e	2,470	7.46	3.95	32.6	25.5	1.23	4.2
12/26e	2,740	7.31	3.87	26.3	30.7	1.02	4.3
12/27e	3,025	8.23	4.35	25.6	35.1	0.89	3.8

Note: Figures recalculated by Edison from tenge (KZT) to US dollars using annual averages (actual for 2024 and 2025, ytd average for 2026 and current spot rate for 2027). EPS, DPS and book value per share (BVPS) are presented per GDR. All P/E and P/BVPS ratios calculated based on the closing GDR price as of 19 May 2026 and EPS and BVPS for the respective periods. NII, net interest income. ROE stands for return on average equity.

NBRK awaiting further signs of disinflation

The National Bank of Kazakhstan (NBRK) has kept the base rate unchanged at 18% since October 2025 to curb inflation. However, it has recently signalled that it could initiate a monetary easing cycle if the recently observed disinflation process persists through April and May. This would initially benefit Halyk's earnings, as its liabilities would likely reprice more quickly than assets in response to base rate changes, and it would see a positive P&L impact from the fixed-rate part of its security portfolio. Moreover, rate cuts could support growth and credit quality across its loan book. However, the NBRK still sees several potential pro-inflationary triggers that could derail further disinflation in Kazakhstan. These include the resumption of regulated price reforms, a pick-up in both fiscal and quasi-fiscal spending, recent tax reform, high inflation in Russia and the war in the Middle East.

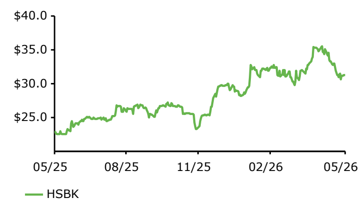
Valuation: Recent correction widens upside

We have made minor downward revisions to our forecasts but retain our sustainable return on tangible equity (RoTE) assumption of 22%, which, together with a positive impact from updated peer multiples, translates into a fair value per global depository receipt (GDR) estimate of $37.0 (compared to $38.0 previously). As a result of the recent share price weakness (a partial correction of the previous rally), this implies 18% upside potential.

Price	**$31.25**
Market cap	**$8,694m**
	KZT480.00/US$
Shares in issue	278.2m
Code	HSBK
Primary exchange	KASE
Secondary exchange	LSE

[1]*Common shares listed on KASE and AIX. GDRs listed on KASE, AIX and LSE.*

Share price performance



%	1m	3m	12m
Abs	(4.9)	2.6	50.8
52-week high/low		$35.6	$19.4

Business description

Halyk Bank is the leading financial group in Kazakhstan with a diversified presence across retail, SME and corporate banking, as well as insurance, leasing, brokerage, asset management and lifestyle services. It serves its clients through well-developed digital channels and a physical network.

Next events

Q226 results	August 2026

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Halyk reported a Q126 annualised ROE of 25.9%

Halyk reported net income of KZT234.8bn in Q126, a 14.6% y-o-y decline, driven primarily by higher expenses for loss allowances, lower net fee and commission (F&C) income and a higher effective tax rate (16.6% in Q126 vs 15.6% in Q125) following the introduction of the new tax code, although partly offset by a KZT6.8bn deferred tax benefit. This translated into an annualised ROE of 25.9% in Q126, compared to 34.6% in Q125 and management's FY26 guidance of around 29% (published at the time of Halyk's FY25 results). Halyk's cost-to-income ratio increased from 16.5% in Q125 to 18.2% in Q126 (mostly driven by IT development costs and an increase in VAT), but remained at an overall low level (and at the lower end of the 18–20% guided by management for FY26), as operating expenses grew by a moderate 7.8% y-o-y to KZT74.6bn.

Exhibit 1: Halyk Bank's Q126 results highlights

KZTbn, unless otherwise stated	Q126	Q125	y-o-y change
Net interest income before credit loss expense	333.4	325.9	2.3%
Net interest margin (annualised)	7.0%	7.5%	-50 bp
Expenses for loss allowances*	(52.8)	(22.9)	130.2%
Cost of risk (annualised, pp)	1.5	1.2	0.3 pp
Net fee and commission income	25.0	33.8	-26.1%
Operating expenses	(74.6)	(69.2)	7.8%
Pre-tax profit	281.5	326.0	-13.7%
Net income	**234.8**	**275.0**	**-14.6%**
ROE	25.9%	34.6%	-8.7 pp
CIR	18.2%	16.5%	1.7 pp
k1 capital adequacy ratio	21.0%	19.8%	1.2 pp
Net loans to deposits ratio	91.9%	88.2%	3.7 pp
Gross loan portfolio growth (sequential)	-2.2%	0.1%	-2.3 pp
Customer deposits growth (sequential)	-3.1%	-0.2%	-3 pp

Source: Halyk Bank data. Note: *Expected credit loss expense and recovery of other credit loss expense.

Loan book and deposits affected by seasonal factors and FX

Halyk's gross loan book declined by 2.2% in Q126 due to a combination of seasonal factors, a c 6.0% appreciation of the Kazakhstani tenge against the US dollar (24.5% of its end-March 2026 loan book was denominated in foreign currencies, primarily US dollars) and slower momentum in the retail segment as a result of tighter regulation (discussed in our recent outlook note).

Halyk's gross loan book in the retail segment remained broadly flat in Q126, implying an 8.3% y-o-y growth rate, which represents a deceleration compared to the double-digit growth in recent years. The net retail loan book grew by 7.9% y-o-y, which is a run-rate slightly below the lower end of management's FY26 guidance of 8–10% growth. Real wages across the economy fell in Q126 by 2.3% y-o-y, but Halyk's management believes that real wage growth could turn positive later in the year if the disinflation process continues, which could support consumer lending. For now, we cautiously assume growth in Halyk's gross and net retail loans of 6.0% and 3.1% in FY26, respectively (followed by 10.0% and 10.6% in FY27, respectively).

Halyk's gross corporate loan book, where the share of foreign currency-denominated loans is likely the highest and which is more prone to seasonal effects, fell by 4.4% in Q126, while its SME loan book remained broadly stable, resulting in strong 27.7% y-o-y growth. Halyk's SME loan business remains one of its priorities and benefited from strong growth in the digital loan portfolio, which across all legal entities (corporates and SMEs) increased by 10% q-o-q in Q126 and 40.3% y-o-y to KZT377bn. We now assume net loan growth in the corporate and SME segments of 7.8% and 15.5%, respectively, in FY26, which translates into 10.0% growth across legal entities (at the lower end of management's current guidance of 10–13%).

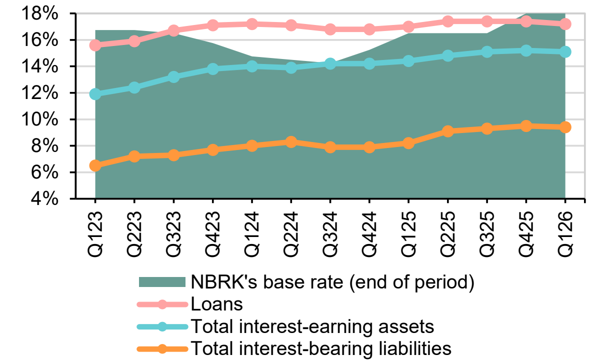
The Kazakhstani tenge appreciation and seasonal patterns also contributed to declines in deposits from legal entities and retail clients of 5.8% and 1.0%, respectively, in Q126, and a share of Kazakhstani tenge deposits in total deposits of 72.4% at end-March 2026 (up from 71.7% at end-2025). However, year-on-year growth in retail deposits was robust at 10.4% in Q126 (deposits from legal entities were up 3.0% y-o-y). Consequently, Halyk's loan-to-deposit ratio reached 91.9% at end-March 2026, slightly above the 91.4% reported at end-2025.

NIM resilient in Q126 but is yet to reflect the full MRR impact

Halyk's NIM remained at a strong level of 7.0% in Q126 (vs 7.5% in Q125), a run rate that is slightly ahead of management's FY26 guidance of c 6.8%. An important driver of the year-on-year NIM compression is the new MRR, discussed in detail in our previous research, excluding which the NIM was 7.3% in Q126, according to management. Halyk's NIM is yet to fully reflect the new MRR, which for most of Halyk's foreign-currency-denominated liabilities increased to 15% from 12% from 14 April 2026. We estimate that the increase will reduce Halyk's annualised NIM by c 30–35bp, resulting in our FY26 NIM forecast of 6.8%, broadly consistent with management guidance.

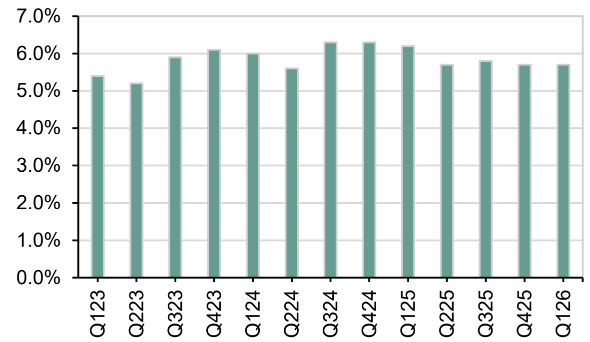
We believe that the asset and liabilities repricing cycles in response to the earlier base rate hikes have been largely completed, with both interest income and interest expense as a percentage of interest-earning assets and liabilities, respectively, standing in Q126 at levels comparable to Q325 and Q425, (see Exhibit 2 and Exhibit 3, even if the spread on customer loans vs deposits narrowed slightly in Q126).

Exhibit 2: Halyk's average interest rate on assets and liabilities versus the NBRK's base rate



Source: Halyk Bank data, NBRK

Exhibit 3: Spread between average interest on total interest-bearing assets and total interest-bearing liabilities



Source: Halyk Bank data, Edison Investment Research

As of early March 2026, Kazakhstan's monetary policy committee assumed a gradual lowering of the base rate in H226 to 16.1% at end-2026, and then to 13.0% at end-2027 and 10.8% by end-2028, according to the median assessment of its members. This was assisted by inflation slowing to 11% in March 2026 on the back of the Kazakhstani tenge strengthening, a stabilisation in consumer demand (partly due to a slowdown in consumer lending), as well as a moratorium on utility and fuel price increases and other anti-inflationary measures from the government.

However, in the summary of deliberations for the April base-rate decision, most monetary policy committee members expressed concern that the current pace of disinflation may stall due to several pro-inflationary factors, most notably the resumption of regulated price reforms from April (which according to the NBRK contribute to the population's high and volatile inflation expectations), as well as a pick-up in both fiscal and quasi-fiscal spending. Inflationary risks also arise from the recent tax reform. Furthermore, inflation in Russia (which accounted for 29.7% of Kazakh imports in 2025) remains high, and the war in the Middle East could result in negative second-order effects in terms of additional upward pressure on prices.

Still, the NBRK highlighted that it could initiate a monetary easing cycle if the disinflation process persists through April and May (inflation slowed further to 10.8% y-o-y in April). Monetary easing (once it materialises) should be a short-term tailwind to Halyk's interest rate spread between customer loans (many of which are fixed rate and therefore reprice more slowly) and customer deposits, as well as the P&L result on its investments in fixed-rate securities. We understand that base rate reductions in H226 have already been reflected in management's FY26 guidance.

Net F&C income down due to curbed BNPL activity and new VAT

Halyk's F&C income fell substantially by 26.1% y-o-y to KZT25.0bn, primarily because of weak 'buy now, pay later' (BNPL) transactional income due to the impact of recent regulatory changes on underwriting, as well as the gradual VAT pass-through and greater use of loyalty programmes for SME transactional products. Halyk's management acknowledged that some of its BNPL products need greater underwriting scrutiny. Management highlighted that its

F&C income was also affected by the introduction of the new tax code, resulting in a slower start to the year across the broader economy and clients front-loading operations in late 2025. Management expects F&C income dynamics to improve from Q226, but may revisit its FY26 guidance of 5–10% growth in net F&C income (if deemed necessary) when it releases its Q226 results. We currently forecast an 8.3% decline in net F&C income in FY26, as we assume only gradual (and possibly partial for some products) pass-through of VAT to customers, followed by a 15.7% increase in FY27.

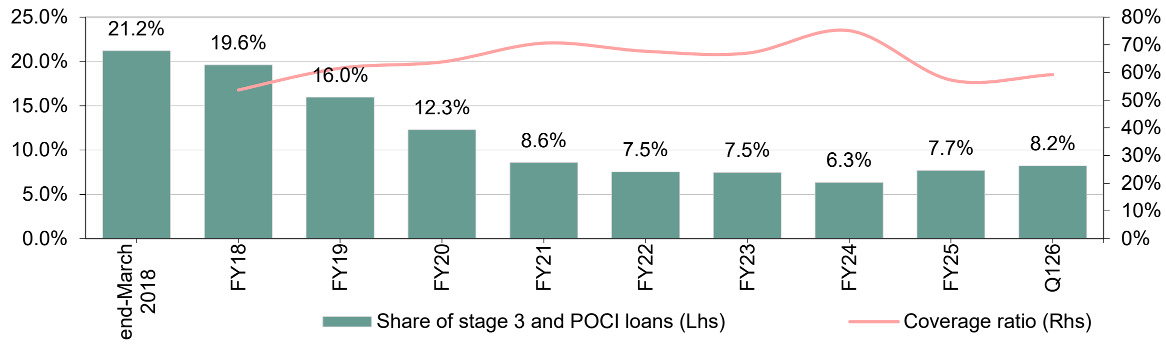
Cost of risk in line with management's FY26 expectations

Halyk's share of stage 3 loans continued to rise to 8.2% in Q126, versus 7.7% at end-2025 and 6.3% at end-2024, driven by an ongoing moratorium on the sale of non-performing retail loans to collection agencies, originally introduced as a two-year moratorium on 1 April 2024 and recently extended to 1 May 2027. This resulted in an increase in the share of stage 3 loans in total retail loans to 11.3% in Q126, compared to 9.9% at end-2025 and 6.5% at end-2024. Halyk raised its provisioning rate for stage 3 retail loans to 51.6% at end-March 2026 from 47.0% at end-2025 (though broadly in line with our previous end-2026 forecast).

The share of stage 3 loans in its corporate and SME loan book remains more moderate at 5.8% (down from 6.1% at end-2025) and 8.0% (up from 7.3% at end-2025 but broadly in line with Q1–Q325), respectively. Annualised cost of risk across Halyk's entire portfolio was 1.5% in Q126, in line with management guidance for FY26, resulting in expenses for loss allowances of KZT52.8bn in Q126 compared to KZT22.9bn in Q125.

Management highlighted that credit quality remains in line with expectations across unsecured consumer lending (which made up 76.5% of Halyk's end-March 2026 retail loan book), but nevertheless seeks further improvements in its activities with respect to work-out of non-performing loans, given the ongoing moratorium.

Exhibit 4: Halyk's share of stage 3 and POCI loans and coverage ratio



Source: Halyk Bank data. Note: POCI, purchased or originated credit-impaired.

Maintaining wide capital buffers

Halyk maintains a robust capital buffer, with its unconsolidated capital ratios at 21.0% compared to regulatory requirements of 9.5% at the k1 level, 10.5% at the k1–2 level and 12% at the k2 level. The current capital ratios are also above management's prudent internal target ratio to maintain its capital ratios at or above 17%. Halyk's recent AGM approved changes to its corporate charter that allow dividend payments up to four times a year, which opens the possibility of corresponding changes to Halyk's dividend policy in terms of payment frequency (while at the same time retaining an aggregate payout ratio of 50% or more).

Forecast and valuation changes

We have made minor downward changes to our forecasts but retain our sustainable RoTE assumption of 22%, which, together with a positive impact from updated peer multiples, translates into a fair value per GDR estimate of $37.0 (compared to $38.0 previously). As a result of the recent softening in the GDR price (a partial correction of the previous rally), this now implies 18% upside potential.

Exhibit 5: Forecast revision summary

KZTbn, unless otherwise stated	FY25	FY26e				FY27e			
	Actual	Old	New	Change	growth y-o-y	Old	New	Change	growth y-o-y
Net interest income before credit loss expense	1,288	1,347	1,338	-0.7%	3.9%	1,452	1,451	-0.1%	8.5%
Net interest margin (annualised)	7.1%	6.8%	6.8%	0 pp	-0.3 pp	6.7%	6.7%	0 pp	-0.1 pp
Expenses for loss allowances	(161)	(226)	(229)	1.3%	42.0%	(211)	(214)	1.4%	-6.5%
Cost of risk (annualised in pp)	1.4	1.5	1.5	0 bp	0.2 pp	1.3	1.3	0 bp	-0.2 pp
Net fee and commission income	140	152	128	-15.5%	-8.3%	166	149	-10.3%	15.7%
Operating expenses	(308)	(356)	(346)	-2.7%	12.5%	(398)	(390)	-2.1%	12.5%
Pre-tax profit	1,298	1,270	1,208	-4.8%	-6.9%	1,384	1,345	-2.8%	11.3%
Net income	1,058	1,011	972	-3.8%	-8.1%	1,093	1,069	-2.2%	10.0%
ROE	32.6%	27.2%	26.3%	-0.9 pp	-6.3 pp	26.0%	25.6%	-0.5 pp	-0.7 pp
CIR	17.5%	19.0%	19.4%	0.4 pp	1.9 pp	19.7%	20.0%	0.3 pp	0.6 pp
Net loan portfolio	13,715	14,451	14,111	-2.4%	2.9%	15,968	15,650	-2.0%	10.9%
Customer deposits	14,339	15,845	15,511	-2.1%	8.2%	17,516	17,107	-2.3%	10.3%

Source: Halyk Bank data, Edison Investment Research

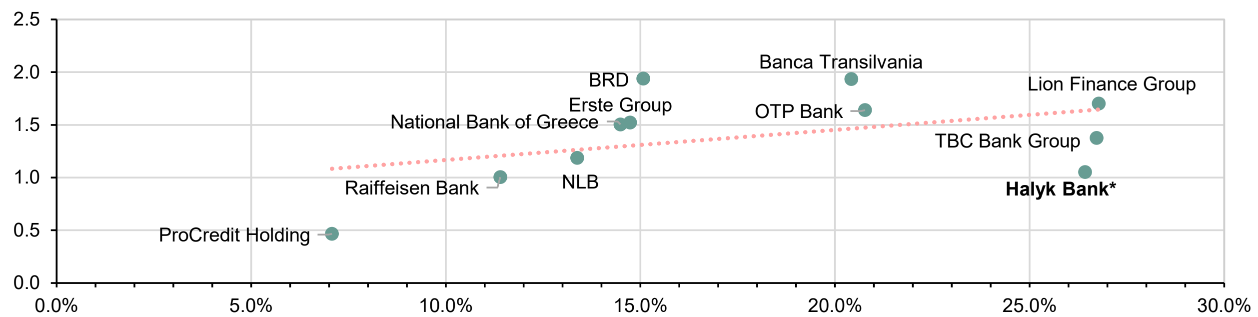
Exhibit 6: Halyk's P/BV-ROE valuation

	2024	2025	2026e	2027e	2028e	2029e
Tangible equity (KZTm)	**3,050,760**	**3,471,221**	**3,888,001**	**4,419,157**	**4,952,214**	**5,525,867**
Net attributable profit (KZTm)	920,988	1,058,417	972,226	1,069,122	1,121,697	1,190,557
RoTE (%)	*33.4%*	*32.5%*	*26.4%*	*25.7%*	*23.9%*	*22.7%*
TNAV per share (KZT)	279.9	318.7	356.5	407.7	459.6	515.9

TNAV per share (FY26e, KZT)	356.5
RoTE (FY26e)	26.4%
Sustainable RoTE	22.0%
Growth rate	5.0%
Cost of equity	20.1%
Applied P/BV multiple (x) (CAPM)*	1.01
Applied P/BV multiple (x) (peer comparison)	1.48
Blended multiple (x)	**1.25**
Implied value per share (current, KZT)	444.1
US$/KZT rate	480.0
Implied value per GDR ($)	**37.0**
Current GDR price ($)	31.3
Upside/downside	18%

Source: Halyk Bank data, Edison Investment Research. Note: *CAPM-derived P/BV multiple is discounted to the present value.

Exhibit 7: P/BV and ROE, Halyk compared to SEE and EE banks (FY26e)



Source: LSEG Data & Analytics consensus as of 27 May 2026, except for Halyk Bank and ProCredit Holding, which are based on Edison Investment Research forecasts.
Note: *Halyk's ROE in this exhibit is not adjusted for the inflation differential between Kazakhstan and SEE/EE, which we apply when deriving our implied P/BV multiple for valuation purposes.

Exhibit 8: Financial summary

Year-end 31 December, IFRS, KZTm	FY22	FY23	FY24	FY25	FY26e	FY27e	FY28e	FY29e
Income statement								
Net interest income before credit loss expense	669,466	810,497	1,107,910	1,287,738	1,337,520	1,450,781	1,536,769	1,656,905
Expected credit loss expense	(106,929)	(90,665)	(129,348)	(161,155)	(228,871)	(214,017)	(208,064)	(226,819)
Net fee and commission income	83,967	100,356	125,284	140,149	128,468	148,682	166,381	184,398
Operating income	1,050,565	1,220,321	1,574,441	1,838,060	1,804,408	2,008,713	2,157,655	2,324,307
Operating expenses	(193,018)	(216,888)	(264,510)	(307,993)	(346,375)	(389,769)	(433,522)	(481,005)
PBT	675,196	814,774	1,101,893	1,298,237	1,208,196	1,344,887	1,426,361	1,515,266
Net profit after tax	569,477	693,435	920,988	1,058,417	972,226	1,069,122	1,121,697	1,190,557
Reported basic EPS (KZT)	52.29	63.65	84.50	97.17	89.16	98.63	104.10	111.16
DPS (KZT)	25.38	35.00	50.64	51.43	47.18	52.20	55.09	58.83
Balance sheet								
Loans and advances to customers	7,857,902	9,284,872	11,465,649	13,110,917	14,110,743	15,649,581	17,479,915	19,530,312
Total assets	14,395,102	15,494,368	18,548,414	20,908,456	23,148,074	25,951,489	28,564,128	31,440,154
Liabilities to customers	10,512,048	10,929,504	12,990,043	14,338,804	15,510,590	17,107,187	18,874,202	20,830,390
Total liabilities	12,382,860	13,017,414	15,480,365	17,408,105	19,230,944	21,503,202	23,582,784	25,885,157
Total shareholders' equity	2,012,242	2,476,954	3,068,049	3,500,351	3,917,131	4,448,287	4,981,344	5,554,997
BVPS (KZT)	184.9	227.2	282.0	323.0	361.1	412.5	464.7	521.4
TNAV per share (KZT)	183.4	226.1	279.9	318.7	356.5	407.7	459.6	515.9
Ratios								
NIM	5.6%	6.2%	7.2%	7.1%	6.8%	6.7%	6.4%	6.3%
Cost-income ratio	19.0%	19.2%	17.6%	17.5%	19.4%	20.0%	21.0%	21.6%
ROAE	32.4%	32.5%	34.0%	32.6%	26.3%	25.6%	23.8%	22.6%
k1 ratio	18.5%	19.6%	19.6%	18.9%	19.4%	19.8%	19.8%	19.8%
k1-2 ratio	18.5%	19.6%	19.6%	18.9%	19.4%	19.8%	19.8%	19.8%
k2 ratio	18.9%	19.9%	19.7%	18.9%	19.4%	19.8%	19.8%	19.8%
Payout ratio (%)	48.5%	55.0%	59.9%	52.9%	52.9%	52.9%	52.9%	52.9%
Customer loans/total assets	54.6%	59.9%	61.8%	62.7%	61.0%	60.3%	61.2%	62.1%
Loans/deposits	74.8%	85.0%	88.3%	91.4%	91.0%	91.5%	92.6%	93.8%

Source: Halyk Bank data, Edison Investment Research

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