

RECOMMENDATION

Buy

**JSC «Halyk Bank»
(HSBK)**

Upside: **22%**

Target Price: **KZT 470**

Last price: **KZT 386**

FLASHNOTE/UPDATE

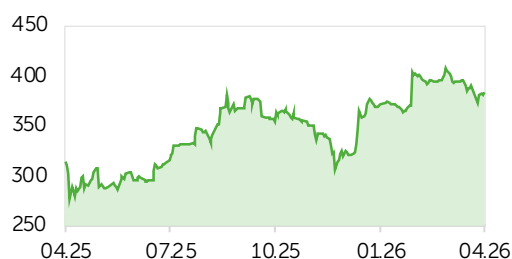
Halyk Bank: Q4 2025 Report

Interest Income, '25 (KZT billion)	2,695
Accrued Provisions, '25 (KZT billion)	161
Net Profit, '25 (KZT billion)	1,058
Assets, '25 (KZT billion)	20,908

P/E, (x)	4.0x
P/BV, (x)	1.2x
ROA (%)	5.7%
ROE (%)	35%
Net Profit Margin (%)	39%

Market Cap (KZT billion)	4,161
Shares Issued (Million)	10,836
Outstanding (%)	37.6%
52-Week Min/Max (KZT)	266-412
Current Price (KZT)	386
Target Price (KZT)	470
Upside Potential (%)	22%
Investment Horizon	6-12 months
Planned Price Update Frequency	quarterly

Stock dynamics/exchange/ticker KASE/HSBK



Performance (%)	3 months	9 months	12 months
Absolute	-3%	6%	22%
vs KASE	-7%	-2%	-13%

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Halyk Bank JSC has published its financial results for the Q4 and the full year 2025. The Q4 Report is assessed as **moderately negative**: quarterly net profit declined by 12% YoY/QoQ to KZT 248.5 billion amid net interest margin compression, growth in credit loss expenses, and an increase in operating expenses. Nevertheless, the bank met all its own forecasts for the full year 2025. As expected, the new management outlook for 2026 implies a slowdown. Specifically, a slight decline in net profit is anticipated. In our valuation model, we have updated the financial indicators and significantly reduced the cost of equity. Additionally, expectations for the loan portfolio and non-interest income have been slightly improved. The updated target price per share is KZT 470 tenge, with a 22% upside potential from current levels. Recommendation: Buy.

Core Valuation Factors. The main risk is the ongoing compression of the net interest margin (NIM). In Q4, interest expenses increased by 38% YoY and 5.3% QoQ, while interest income rose only by 18% YoY and 1.6% QoQ. The average rate on client deposits increased from 9.6% to 9.9% over the quarter, reflecting the rise in the base rate. As a result, the quarterly NIM declined to 6.9%, and the bank forecasts further compression to 6.8% in 2026. Additional pressure comes from the growth of NPL 90+, which increased from 2.6% to 4.3% over the year. The collection rate of interest income in cash from client loans has remained at a reduced level of 92% for the second consecutive quarter. The key valuation catalyst is the bank's strong market position, the scale of its ecosystem, and overall undervaluation relative to its financial metrics. The bank remains the largest in the country, financing 47% of the nation's real economy. The MAU of the Halyk super-app reached 8.5 million users, and payment and transfer volumes via the app grew by 20% YoY. We also note the successful SPO of \$475 million in November 2025, which increased the free-float to 37.6%.

Revenues Are Growing, but Profits Declined in Q4. Interest income in Q4 2025 reached a record KZT 709 billion (+18% YoY, +1.6% QoQ). At the same time, interest expenses rose by 38% YoY and 5.3% QoQ to KZT 389 billion, continuing to show higher growth rates. As a result, net interest income before loan loss provisions amounted to KZT 319 billion, showing only a slight change compared to the previous year. Net fee and commission income demonstrated strong dynamics, reaching KZT 38.3 billion (+17% YoY, +13% QoQ), largely driven by transaction income from corporate clients and growth in

income from letters of credit and guarantees. Net insurance income decreased by 51% YoY and 54% QoQ to KZT 11.6 billion. Quarterly credit loss expenses amounted to KZT 49 billion (+55% YoY, +6% QoQ). Consequently, the cost of risk stood at 1.3%, compared to 1.4% in the previous quarter and 0.9% a year ago. Operating expenses totalled KZT 86.7 billion for the quarter (+4.9% YoY). As a result, quarterly net profit amounted to KZT 248.5 billion, declining by 12% YoY and QoQ. This is the lowest quarterly profit result in the past one and a half years and the only quarter with negative YoY dynamics in 2025. For the full year 2025, net profit per share was KZT 97.17 (+15% YoY).

Our Opinion and Changes to the Valuation Model. Based on the full year 2025 results, the bank has met all its targets, including net profit exceeding KZT 1 trillion. However, Q4 continues to show several negative trends: high growth rates of interest expenses, NIM compression, and an increase in NPLs. The management's forecast for 2026 implies a decline in net profit to the level of KZT 1 trillion, NIM compression to 6.8%, an increase in the cost-to-income ratio to 18–20%, and a rise in the cost of risk to 1.5%. Loan portfolio growth is expected at 9–12% (vs 14% in 2025), and fee income growth will slow down to 5–10% (vs 11.9%). Overall, the forecasts are not significantly below our previous expectations for 2026. Tightening of business regulations in the Kazakhstan banking sector will impact financial performance. Meanwhile, Halyk Bank's valuation multiples appear quite attractive. This is particularly important in the context of dividends, which, in our view, could reach approximately KZT 58 tenge per share over the course of the year. In this case, the dividend yield would reach as much as 15%, which is the best indicator in our market. In our valuation model, we have updated all key financial indicators in line with the report. The main positive change affecting the valuation was the reduction in the cost of equity following the decline in yields on the Republic of Kazakhstan government bonds. We have also slightly increased expectations for the loan portfolio and non-interest income. As a result, the target price for Halyk Bank shares is **KZT 470, with a 22% upside potential from the current price.** Recommendation: **Buy.**

APPENDIX

Illustration 1. Key changes in the latest version of the valuation model

Changes	Date of valuation		Change, %	Comments
	19.11.2025	06.04.2026		
Cost of Equity, %	21,3%	19,5%	-1,8 p.p.	The risk-free rate has decreased following the decline in yields on the Republic of Kazakhstan government bonds.
Loan Portfolio, 2026, KZT trillion	14,3	14,8	+3,5%	Actual loan portfolio volume is higher than our expectations.
Non-Interest Income, 2026, KZT billion	660	675	+2,3%	Maintaining a high level of non-interest income in 2025.

Illustration 2. Previous recommendations and price targets from Freedom Broker. (B - "buy", H - "hold", S - "sell")

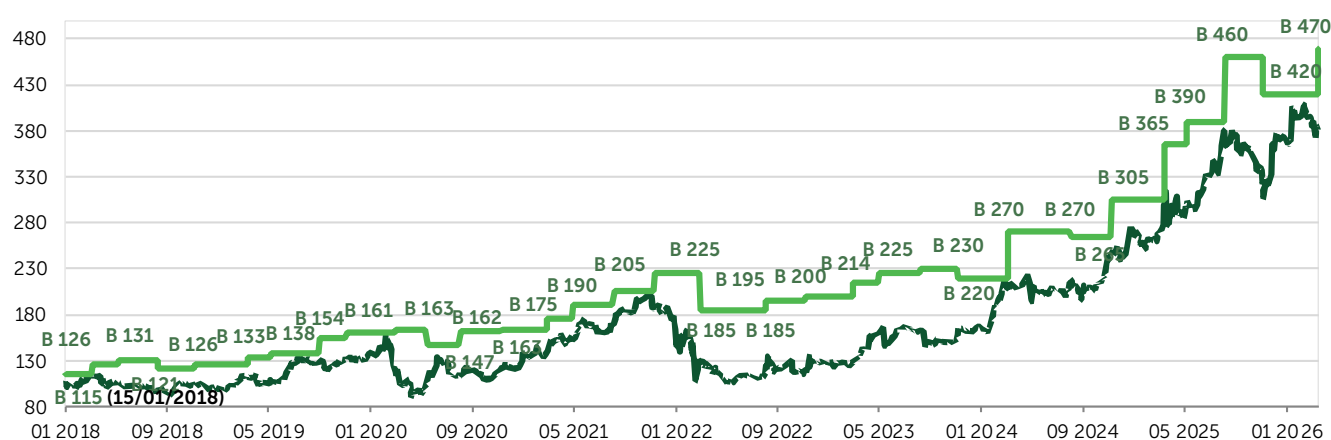


Illustration 3. P/E and P/B multiples according to Freedom Broker estimates

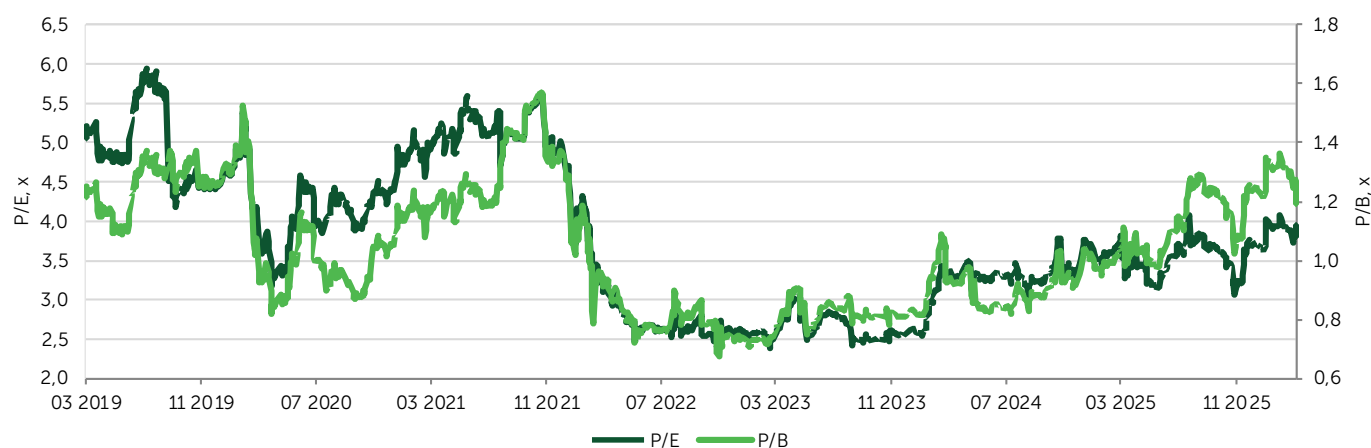


Illustration 4. Current Rating Percentage from Freedom Broker for KASE securities

Recommendation	Quantity	Percentage
Buy	3	30%
Hold	6	60%
Sell	1	10%

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Rating system

- Buy: A stock that, at the time of rating, is expected to increase in price by more than 20 percent over the next 6-12 months.
- Hold: A stock that, at the time of rating, is expected to move in price in the range of minus 10 percent to plus 10 percent over the next 6-12 months.
- Sell: A stock that, at the time of rating, is expected to decline in price by more than 10 percent over the next 6-12 months.