

# **JSC HALYK BANK**

Interim condensed consolidated  
financial information (unaudited)  
for the six months ended 30 June 2020

# JSC Halyk Bank

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# JSC Halyk Bank

## Statement of Management's Responsibilities for the Preparation and Approval of the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the consolidated financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 30 June 2020, the results of its operations, changes in equity and cash flow for the three and six months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

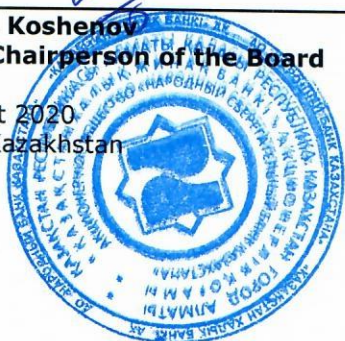
- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- Maintaining accounting records in compliance with Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.


The interim condensed consolidated financial information of the Group for the six months ended 30 June 2020 was authorized for issuance by the Management Board on 14 August 2020.

**On behalf of the Management Board:**

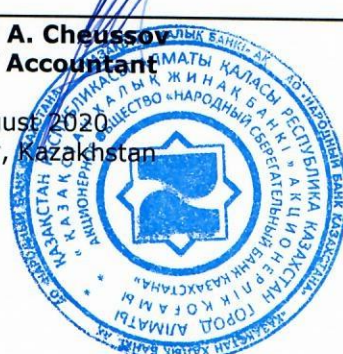
  
\_\_\_\_\_  
**Murat U. Koshenov**  
**Deputy Chairperson of the Board**

14 August 2020  
Almaty, Kazakhstan



  
\_\_\_\_\_  
**Pavel A. Cheussov**  
**Chief Accountant**

14 August 2020  
Almaty, Kazakhstan



## **REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

To the Shareholders and Board of Directors of JSC Halyk Bank

### **Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Halyk Bank and its subsidiaries (“the Group”) as at 30 June 2020 and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three and six months then ended, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

14 August 2020  
Almaty, Republic of Kazakhstan



# JSC Halyk Bank

## Interim Condensed Consolidated Statement of Financial Position as at 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Notes	30 June 2020 (unaudited)	31 December 2019
<b>ASSETS</b>			
Cash and cash equivalents	5	2,154,385	1,664,337
Obligatory reserves		149,921	141,006
Financial assets at fair value through profit or loss	6	195,330	185,031
Amounts due from credit institutions	7	101,351	53,161
Financial assets at fair value through other comprehensive income	8	1,345,237	1,630,921
Debt securities at amortized cost, net of allowance for expected credit losses	9	1,255,965	1,212,981
Precious metals		14,539	9,248
Investments in associate		28,712	26,732
Loans to customers	10, 31	3,944,479	3,752,445
Investment property		45,852	46,558
Commercial property		113,932	113,381
Assets held-for-sale		44,539	45,766
Current income tax assets		9,606	1,704
Deferred income tax assets		126	197
Property and equipment		136,361	134,862
Intangible assets		10,201	9,721
Goodwill		3,085	3,085
Insurance assets	11	72,287	82,009
Other assets	12	105,292	121,613
<b>TOTAL ASSETS</b>		<b>9,731,200</b>	<b>9,234,758</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Amounts due to customers	13, 31	6,756,011	6,406,413
Amounts due to credit institutions	14	270,393	305,965
Financial liabilities at fair value through profit or loss	6	7,884	20,444
Debt securities issued	15	864,453	834,446
Current income tax liability		404	10,029
Deferred tax liability		48,983	45,570
Provisions	16	7,122	3,924
Insurance liabilities	11	221,525	223,702
Other liabilities	18	85,488	77,042
<b>Total liabilities</b>		<b>8,262,263</b>	<b>7,927,535</b>
<b>EQUITY</b>			
Share capital	19	209,027	209,027
Share premium reserve		5,552	3,867
Treasury shares		(109,854)	(114,634)
Retained earnings and other reserves		1,364,206	1,208,957
Total equity attributable to owners of the Group		1,468,931	1,307,217
Non-controlling interest		6	6
<b>Total equity</b>		<b>1,468,937</b>	<b>1,307,223</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,731,200</b>	<b>9,234,758</b>

On behalf of the Management Board:

  
**Murat U. Koshepov**  
Deputy Chairperson of the Board

14 August 2020  
Almaty, Kazakhstan

  
**Pavel A. Cheussov**  
Chief Accountant

14 August 2020  
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.



# JSC Halyk Bank

## Interim Condensed Consolidated Statement of Profit or Loss for the Three and Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Interest income calculated using effective interest method	21, 31	177,250	178,134	353,082	352,540
Other interest income	21	3,250	1,767	6,766	3,544
Interest expense	21, 31	(76,151)	(82,250)	(151,425)	(165,824)
<b>NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE</b>					
EXPENSE	21	104,349	97,651	208,423	190,260
Credit loss expense	16	(13,816)	(3,615)	(33,906)	(12,686)
<b>NET INTEREST INCOME</b>		<b>90,533</b>	<b>94,036</b>	<b>174,517</b>	<b>177,574</b>
Fee and commission income	22	29,435	30,711	60,246	57,684
Fee and commission expense	22	(14,855)	(13,236)	(31,790)	(24,756)
<b>Fees and commissions, net</b>		<b>14,580</b>	<b>17,475</b>	<b>28,456</b>	<b>32,928</b>
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	23	(57,196)	(6,843)	3,835	(22,489)
Net realised gain from financial assets at fair value through other comprehensive income		2,040	248	2,154	2,399
Net gain on foreign exchange operations	24	52,259	15,281	11,162	32,479
Insurance underwriting income	25	19,274	28,463	39,391	44,040
Share in profit of associate		1,390	1,523	3,020	3,197
Other income		4,518	10,031	17,998	17,584
<b>OTHER NON-INTEREST INCOME</b>		<b>22,285</b>	<b>48,703</b>	<b>77,560</b>	<b>77,210</b>
Operating expenses	26	(35,432)	(32,160)	(70,990)	(61,385)
Loss from impairment of non-financial assets		(1,715)	-	(3,647)	-
Other credit loss expense	16	(1,205)	(1,776)	(3,116)	(2,081)
Insurance claims incurred, net of reinsurance	25	(13,516)	(27,133)	(31,892)	(42,778)
<b>NON-INTEREST EXPENSES</b>		<b>(51,868)</b>	<b>(61,069)</b>	<b>(109,645)</b>	<b>(106,244)</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>75,530</b>	<b>99,145</b>	<b>170,888</b>	<b>181,468</b>
Income tax expense	17	(605)	(9,418)	(14,894)	(17,239)
<b>NET PROFIT</b>		<b>74,925</b>	<b>89,727</b>	<b>155,994</b>	<b>164,229</b>
Attributable to:					
Common shareholders		74,925	89,727	155,994	164,229
		<b>74,925</b>	<b>89,727</b>	<b>155,994</b>	<b>164,229</b>
<b>EARNINGS PER SHARE</b>	27				
(in Kazakhstani Tenge)					
Basic and diluted earnings per share		6.41	7.68	13.34	14.06

On behalf of the Management Board:

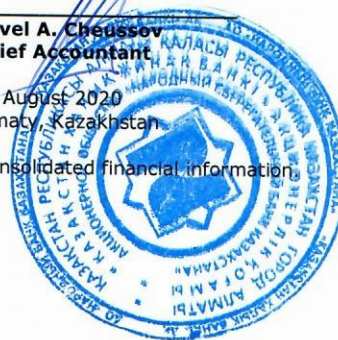
  
**Murat U. Koshenov**  
Deputy Chairperson of the Board

14 August 2020  
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

  
**Pavel A. Cheussov**  
Chief Accountant

14 August 2020  
Almaty, Kazakhstan



# JSC Halyk Bank

## Interim Condensed Consolidated Statement of Other Comprehensive Income for the Three and Six Months ended 30 June 2020 (unaudited) (millions of Kazakhstani Tenge)

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Net profit</b>	<b>74,925</b>	<b>89,727</b>	<b>155,994</b>	<b>164,229</b>
Other comprehensive income:				
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Gain on revaluation of property (net of tax – KZT Nil)	18	52	120	-
Gain on revaluation of equity financial assets at fair value through other comprehensive income (net of tax – KZT Nil)	63	367	38	373
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	(4,096)	(729)	(3,248)	(1,490)
Share of other comprehensive income/(loss) of associate	371	315	(1,040)	619
Gain on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	41,022	14,146	5,539	26,438
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(2,040)	(248)	(2,154)	(2,399)
Other comprehensive income/(loss) for the period	35,338	13,903	(745)	23,541
<b>Total comprehensive income</b>	<b>110,263</b>	<b>103,630</b>	<b>155,249</b>	<b>187,770</b>
Attributable to:				
Common shareholders	110,263	103,630	155,249	187,770
<b>Total comprehensive income</b>	<b>110,263</b>	<b>103,630</b>	<b>155,249</b>	<b>187,770</b>

On behalf of the Management Board:

  
**Murat U. Koshenov**  
Deputy Chairperson of the Board

14 August 2020  
Almaty, Kazakhstan



  
**Pavel A. Cheussov**  
Chief Accountant

14 August 2020  
Almaty, Kazakhstan



The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

# JSC Halyk Bank

## Interim Condensed Consolidated Statement of Changes in Equity for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehen- sive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non- controlling interest	Total equity
<b>31 December 2019</b>	<b>209,027</b>	<b>3,867</b>	<b>(114,634)</b>	<b>9,105</b>	<b>30,023</b>	<b>20,018</b>	<b>1,149,811</b>	<b>1,307,217</b>	<b>6</b>	<b>1,307,223</b>
Net income	-	-	-	-	-	-	155,994	155,994	-	155,994
Other comprehensive (loss)/income	-	-	-	(3,248)	2,383	120	-	(745)	-	(745)
<b>Total comprehensive (loss)/income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,248)</b>	<b>2,383</b>	<b>120</b>	<b>155,994</b>	<b>155,249</b>	<b>-</b>	<b>155,249</b>
Treasury shares purchased	-	-	(3,887)	-	-	-	-	(3,887)	-	(3,887)
Treasury shares sold	-	1,685	8,667	-	-	-	-	10,352	-	10,352
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(274)	274	-	-	-
<b>30 June 2020 (unaudited)</b>	<b>209,027</b>	<b>5,552</b>	<b>(109,854)</b>	<b>5,857</b>	<b>32,406</b>	<b>19,864</b>	<b>1,306,079</b>	<b>1,468,931</b>	<b>6</b>	<b>1,468,937</b>



# JSC Halyk Bank

## Interim Condensed Consolidated Statement of Changes in Equity for the Six Months ended 30 June 2020 (unaudited) (continued) (millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other compre- hensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non- controlling interest	Total equity
<b>31 December 2018</b>	<b>209,027</b>	<b>1,839</b>	<b>(111,441)</b>	<b>9,657</b>	<b>(4,804)</b>	<b>20,970</b>	<b>940,392</b>	<b>1,065,640</b>	<b>6</b>	<b>1,065,646</b>
Net income	-	-	-	-	-	-	164,229	164,229	-	164,229
Other comprehen- sive (loss)/income	-	-	-	(1,490)	25,031	-	-	23,541	-	23,541
<b>Total comprehen- sive (loss)/ income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,490)</b>	<b>25,031</b>	<b>-</b>	<b>164,229</b>	<b>187,770</b>	<b>-</b>	<b>187,770</b>
Treasury shares purchased	-	-	(91)	-	-	-	-	(91)	-	(91)
Treasury shares sold	-	-	212	-	-	-	-	212	-	212
Dividends – common shares	-	-	-	-	-	-	(125,923)	(125,923)	-	(125,923)
Insurance bonuses to the insured	-	-	-	-	-	-	(19)	(19)	-	(19)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(504)	504	-	-	-
<b>30 June 2019 (unaudited)</b>	<b>209,027</b>	<b>1,839</b>	<b>(111,320)</b>	<b>8,167</b>	<b>20,227</b>	<b>20,466</b>	<b>979,183</b>	<b>1,127,589</b>	<b>6</b>	<b>1,127,595</b>

\* These amounts are included within Retained earnings and other reserves in the interim condensed consolidated statement of financial position.

On behalf of the Management Board:

  
**Murat U. Koshenov**  
Deputy Chairperson of the Board

14 August 2020  
Almaty, Kazakhstan

  
**Pavel A. Cheussov**  
Chief Accountant

14 August 2020  
Almaty, Kazakhstan

The notes on pages 10 to 51 form an integral part of this interim condensed consolidated financial information.

# JSC Halyk Bank

## Interim Condensed Consolidated Statement of Cash Flows for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received from financial assets at fair value through profit or loss	5,087	3,088
Interest received from cash equivalents and amounts due from credit institutions	11,080	23,526
Interest received on financial assets at fair value through other comprehensive income	19,640	21,309
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	14,838	12,336
Interest received from loans to customers	197,107	209,007
Interest paid on due to customers	(106,044)	(110,315)
Interest paid on due to credit institutions	(5,830)	(1,823)
Interest paid on debt securities issued	(30,503)	(29,935)
Fee and commission received	58,323	58,498
Fee and commission paid	(32,018)	(24,867)
Insurance underwriting income received	33,649	34,979
Ceded insurance share paid	(10,151)	(5,979)
Payment for derivative operations	(8,347)	(3,500)
Other income received	17,998	17,584
Operating expenses paid	(59,342)	(57,708)
Insurance claims paid	(15,504)	(27,896)
Cash flows from operating activities before changes in net operating assets	89,983	118,304
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(8,915)	2,782
Financial assets at fair value through profit or loss	7,459	(23,431)
Amounts due from credit institutions	(27,974)	4,370
Precious metals	(2,868)	570
Loans to customers	(147,876)	(73,126)
Assets held-for-sale	19,036	5,347
Insurance assets	908	(2,176)
Other assets	4,726	(18,744)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	203,940	(250,177)
Amounts due to credit institutions	(49,227)	308,608
Financial liabilities at fair value through profit or loss	(12,593)	4,767
Insurance liabilities	5,247	17,544
Other liabilities	1,635	12,857
<b>Net cash inflow from operating activities before income tax</b>	<b>83,481</b>	<b>107,495</b>
Income tax paid	(28,937)	(9,448)
<b>Net cash inflow from operating activities</b>	<b>54,544</b>	<b>98,047</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase and prepayment for property and equipment and intangible assets	(7,573)	(7,780)
Proceeds on sale of property and equipment	62	880
Proceeds on sale of commercial property	15,270	20,525
Proceeds on sale of financial assets at fair value through other comprehensive income	541,339	415,703
Purchase of financial assets at fair value through other comprehensive income	(182,598)	(24,761)
Proceeds on sale of investment property	687	2,817
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(14,154)	(33,632)
Proceeds from sale of debt securities at amortized cost, net of allowance for expected credit losses	5,749	35,867
Capital expenditures on commercial property	-	(296)
<b>Net cash inflow from investing activities</b>	<b>358,782</b>	<b>409,323</b>

# JSC Halyk Bank

## Interim Condensed Consolidated Statement of Cash Flows (continued) for the Six Months ended 30 June 2020 (unaudited) (millions of Kazakhstani Tenge)

Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
	10,352	212
	(3,887)	(91)
15	-	(10,535)
	-	(125,923)
	(801)	(647)
	<b>5,664</b>	<b>(136,984)</b>
	71,058	(14,340)
	<b>490,048</b>	<b>356,046</b>
5	<b>1,664,337</b>	<b>1,755,138</b>
5	<b>2,154,385</b>	<b>2,111,184</b>

On behalf of the Management Board:

  
**Murat U. Koshenov**  
 Deputy Chairperson of the Board

14 August 2020  
 Almaty, Kazakhstan



  
**Pavel A. Cheussov**  
 Chief Accountant

14 August 2020  
 Almaty, Kazakhstan



The notes on pages 40 to 51 form an integral part of this interim condensed consolidated financial information.



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

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### 1. Principal activities

JSC Halyk Bank (the "Bank") and its subsidiaries (collectively, the "Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan, Georgia and Uzbekistan, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on 3 February 2020. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations as well as rendering other banking services to its customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE") and Astana International Exchange. The Bank's Global Depository Receipts ("GDRs") are primary listed on the London Stock Exchange, KASE and Astana International Exchange. In addition, the Bank's Eurobonds are primary listed on the London Stock Exchange and Luxembourg Stock Exchange.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 30 June 2020, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 477 cash settlement units (31 December 2019 – 24, 120, 482, respectively) located throughout Kazakhstan. The address of the Bank's registered office is 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 30 June 2020, the number of the Group's full-time equivalent employees was 16,230 (31 December 2019 – 16,387).

The interim condensed consolidated financial information of the Group for the three and six months ended 30 June 2020 was authorized for issuance by the Management Board on 14 August 2020.

#### Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this interim condensed consolidated financial information.

#### Operating environment

Emerging markets such as Kazakhstan are subject to different risks compared to more developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Moreover, the state of the economy is significantly influenced by government spending on major infrastructure projects and various programs of the country's socio-economic development.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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During the six months ended 30 June 2020, the average price of Brent crude oil was approximately 36.65 USD/bbl. (63.53 USD/bbl. during the six months ended 30 June 2019). In the first half of 2020, Kazakhstan's GDP decreased by 1.8% in annual terms. Fixed capital investment is declining, including reflecting suppressed domestic demand due to declining real incomes of the population. The volume of investments in fixed assets according to the results of the first half of this year decreased by 2.9% in annual terms. Annual inflation is based on forecasts. In June 2020, it was 7.0%.

As at 30 June 2020, the base rate set by the National Bank of the Republic of Kazakhstan (the "NBRK") was 9.5% ± 2% (9.0% ± 1% as at 30 June 2019). In July 2020, the NBRK lowered the base rate to 9% ± 1.5%. Short-term notes of the NBRK remain the key instrument to withdraw excess KZT liquidity from the system.

Management believes that the sharp drop in oil prices in the second half of March 2020 to 28 USD/bbl. and the announcement of an emergency regime in Kazakhstan related to the coronavirus (the "COVID-19") pandemic, will negatively affect the results of the socio-economic development of Kazakhstan.

The coronavirus pandemic presents an unprecedented social and economic challenge, which is having a significant impact on people and businesses in Kazakhstan and around the world. The Group's financial strength and business model enables the Group to play a significant role, together with the Government, regulators and other authorities, in helping Kazakhstan manage through this crisis supporting the customers of the Group.

The economic environment changed significantly at the end of the first quarter - beginning of the second quarter of 2020 year. The main changes include:

- Reduction in industrial production and activity in many sectors of the economy as a result of the state restrictions imposed in response to the COVID-19 pandemic;
- Development and implementation of the government support measures for individuals and businesses due to the COVID-19 pandemic;
- Significant decrease and high volatility of oil prices;
- Depreciation of the tenge against major foreign currencies, high volatility of the foreign exchange market.

The changes in the economic environment, described above, have a significant impact on the Group's operations. The following main activities are performed by the Group to support its clients:

- Offering of the loans under the state support programs;
- Change in loan conditions for customers due to quarantine restrictions and consequences of the COVID-19 pandemic;
- Expansion of offering through digital channels of products and services, which were previously provided exclusively at the Bank's branches;
- Extension of payment cards of individuals, which expire during the quarantine period.

Excess liquidity and strong balance sheet position allows the Group to manage the current environment from a position of strength as the leading bank in Kazakhstan. However, the COVID-19 outbreak and its rapid global spreading have had an impact on the Group's business operations during the six months ended 30 June 2020 and affected its financial performance by higher credit loss expenses as compared to prior period.

In July 2020, a resurgence in new coronavirus infections lead to re-imposing of certain lockdown restrictions by the authorities until mid-August 2020. To stimulate the Kazakhstan's economy recovery, the government continued to implement a fiscal stimulus program and increased transfers from the National Fund of the Republic of Kazakhstan. The stimulus package of KZT 5.9 trillion is expected to mitigate the negative impact of low oil prices and coronavirus on the economy.

The management of the Group has considered such scenario when performing the internal stress-tests analysis and concluded that its strong balance sheet position will allow to absorb potential additional losses in case of further deterioration in the economy in 2020.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Management of the Group is monitoring developments in the current environment and taking measures it considers necessary in order to support the sustainability and development of the Group's business in the foreseeable future.

### Ownership

As at 30 June 2020 and 31 December 2019, the Group's shares were represented by common shares only.

As at 30 June 2020 and 31 December 2019, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

### 30 June 2020 (unaudited)

	<b>Total shares (Common shares)</b>	<b>Stake in total shares in circulation</b>
JSC HG Almex	7,583,538,228	64.8%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	3,006,637,520	25.7%
Other	386,412,050	3.4%
<b>Total shares in circulation (on consolidated basis)</b>	<b>11,694,642,538</b>	<b>100%</b>

### 31 December 2019

	<b>Total shares (Common shares)</b>	<b>Stake in total shares in circulation</b>
JSC HG Almex	7,583,538,228	65.1%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.2%
GDR holders	3,001,602,000	25.7%
Other	353,390,222	3.0%
<b>Total shares in circulation (on consolidated basis)</b>	<b>11,656,585,190</b>	<b>100%</b>

## 2. Basis of presentation

### Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". This interim condensed consolidated financial information has been prepared assuming that the Group is a going concern, as the Group have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources.



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. In management’s opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

This interim condensed consolidated financial information is presented in millions of Kazakhstani Tenge (“KZT” or “Tenge”), except for earnings per share amounts and unless otherwise indicated.

### Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiaries	Holding %		Country	Industry
	30 June 2020 (unaudited)	31 December 2019		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	Kazakhstan	Insurance
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	Russia	Banking
CJSC Halyk Bank Tajikistan	100	100	Tajikistan	Banking
JSC Halyk Global Markets*	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ-1	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Halyk Finservice	100	100	Kazakhstan	Payment card processing and other related services
JSCB Tenge Bank	100	100	Uzbekistan	Banking

\* Former name – JSC Kazkommerts Securities (certificate of state re-registration of a legal entity dated 30 June 2020).

No significant changes in the Group structure occurred during the six months ended 30 June 2020 in comparison with the structure as at 31 December 2019.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

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### 3. Significant accounting policies

In preparing this interim condensed consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2019.

The following amended standards and interpretations became effective for the Group from 1 January 2020, but did not have any significant impact on the Group's interim condensed consolidated financial information for the six months ended 30 June 2020:

- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IAS 1 and IAS 8 *Definition of material*;
- Amendments to References to the *Conceptual Framework* in IFRS Standards.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective.

### 4. Significant accounting estimates

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2019, except for those disclosed in this Note below.

#### ***Measurement of allowances for expected credit losses ("ECL").***

The measurement of allowances for expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and macrofactors' forecast;
- Establishing groups of similar financial assets for the purposes of measuring ECL on collectively base; and
- Assessment of forecast flows that are expected to be paid off.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the interim condensed consolidated financial information for the six months ended 30 June 2020:

- The Group refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers as disclosed in the table below. The impact of macroeconomic indicators is assessed, which more accurately reflects the changing economic conditions and an updated forecast of macroeconomic indicators is used based on the most relevant information.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Impact of the changed macroeconomic conditions assessed using the approaches described above was the main factor for the significant increase in cost of credit risk in the second quarter of 2020.

The table below summarizes the principal macroeconomic indicators included in economic scenarios as at 30 June 2020 for Kazakhstan, which is the country where the Group operates and therefore is the country that has a material impact in ECLs.

List of macro variables used	Definition	30 June 2020 (unaudited)	31 December 2019
		Range	Range
<b>NBRK base rate</b>	% change	Between 8.5% and 14.0%	Between 9.75% and 13.0%
<b>Inflation</b>	Inflation %	Between 6.5% and 11.6%	Between 5.8% and 10.4%
<b>Oil price</b>	Price per barrel	Between USD 8 and USD 40	Between USD 45 and USD 55
<b>GDP</b>	% change	Between (1.1)% and (2.3)%	Between 2.4% and 3.6%

## 5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2020 (unaudited)	31 December 2019
Cash on hand	216,375	180,553
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	150,097	155,818
Short-term deposits with OECD based banks	230,385	595,229
Overnight deposits with OECD based banks	81,940	15,731
Correspondent accounts with NBRK	287,905	418,688
Short-term deposits with NBRK	987,790	191,337
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	145,478	58,331
Correspondent accounts with non-OECD based banks	35,183	18,341
Short-term deposits with non-OECD based banks	16,328	26,459
Overnight deposits with non-OECD based banks	2,904	3,850
<b>Total cash and cash equivalents</b>	<b>2,154,385</b>	<b>1,664,337</b>

As at 30 June 2020 and 31 December 2019, cash and cash equivalents allowance for expected credit losses comprised KZT 23 million and KZT 20 million, respectively (Note 16).

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	30 June 2020 (unaudited)		31 December 2019	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.1%-0.8%	-	1.0%-2.5%
Overnight deposits with OECD based banks	-	0.2%-1.0%	-	1.3%
Short-term deposits with NBRK	9.4%	0.5%	-	0.5%
Short-term deposits with Kazakhstan banks	7.5%-9.0%	0.3%-3.9%	8.8%-12.8%	1.5%-3.9%
Short-term deposits with non-OECD based banks	-	3.3%-8.3%	-	4.1%-9.0%
Overnight deposits with non-OECD based banks	-	0.02%-8.3%	7.0%	2.0%-9.2%



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 (unaudited)		31 December 2019	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	63,528	65,710	8,192	8,514
Notes of NBRK	54,982	56,682	15,425	15,901
Eurobonds of the Russian Federation	11,875	12,348	18,625	18,929
Bonds of international financial organizations	6,918	7,685	5,056	5,618
Treasury bills of the Russian Federation	3,966	4,159	-	-
Bonds of Kazakhstan corporations	3,687	4,227	10,008	10,930
Treasury bills of the Kyrgyz Republic	522	528	885	910
Equity securities	-	-	140	186
	<b>145,478</b>	<b>151,339</b>	<b>58,331</b>	<b>60,988</b>

As at 30 June 2020 and 31 December 2019, maturities of loans under reverse repurchase agreements were less than one month.

## 6. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	30 June 2020 (unaudited)	31 December 2019
<b>Financial assets held for trading:</b>		
Corporate bonds	78,473	89,587
Bonds of foreign organizations	24,435	11,403
Equity securities of Kazakhstan corporations	19,364	20,866
Bonds of JSC Development Bank of Kazakhstan	18,982	14,843
Equity securities of foreign organizations	18,115	8,634
Treasury bills of the Ministry of Finance of Kazakhstan	10,478	9,569
Bonds of Kazakhstan banks	9,605	9,523
Derivative financial instruments	7,007	5,088
Treasury bills of the USA	5,501	14,088
Eurobonds of Arab Republic of Egypt	1,796	-
Treasury bills of the Republic of Turkey	1,574	-
Notes of NBRK	-	1,430
<b>Total financial assets at fair value through profit or loss</b>	<b>195,330</b>	<b>185,031</b>

Financial liabilities at fair value through profit or loss comprise:

	30 June 2020 (unaudited)	31 December 2019
<b>Financial liabilities at fair value through profit or loss:</b>		
Derivative financial instruments	7,884	20,444

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Interest rates on financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	30 June 2020 (unaudited)	31 December 2019
Corporate bonds	10.6%	10.7%
Bonds of foreign organizations	6.3%	8.9%
Bonds of JSC Development Bank of Kazakhstan	10.4%	9.1%
Treasury bills of the Ministry of Finance of Kazakhstan	9.2%	9.1%
Bonds of Kazakhstan banks	11.3%	11.5%
Treasury bills of the USA	0.6%	1.9%
Eurobonds of Arab Republic of Egypt	8.0%	-
Treasury bills of the Republic of Turkey	5.8%	-
Notes of NBRK	-	9.4%

Derivative financial instruments comprise:

	30 June 2020 (unaudited)			31 December 2019		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
<b>Foreign currency contracts:</b>						
Swaps	553,962	6,927	7,742	947,346	4,642	19,983
Spots	23,982	80	142	29,903	446	461
Forwards	-	-	-	2,383	-	-
		<b>7,007</b>	<b>7,884</b>		<b>5,088</b>	<b>20,444</b>

As at 30 June 2020 and 31 December 2019, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

## 7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2020 (unaudited)	31 December 2019
Term deposits	64,875	26,186
Deposits pledged as collateral	19,463	13,409
Loans to credit institutions	17,077	13,733
	<b>101,415</b>	<b>53,328</b>
Less – Allowance for expected credit losses (Note 16)	(64)	(167)
<b>Total amounts due from credit institutions</b>	<b>101,351</b>	<b>53,161</b>

Interest rates and maturities of amounts due from credit institutions are as follows:

	30 June 2020 (unaudited)		31 December 2019	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Deposits pledged as collateral	0.2%-3.0%	2046	0.2%-3.0%	2046
Term deposits	0.1%-23.0%	2020-2023	0.1%-14.0%	2020-2023
Loans to credit institutions	1.2%-4.3%	2020-2023	1.5%-6.2%	2020

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

### 8. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	30 June 2020 (unaudited)	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	600,082	431,344
Notes of NBRK	385,698	466,821
Corporate bonds	137,810	199,517
Bonds of foreign organisations	119,717	96,701
Bonds of JSC Development Bank of Kazakhstan	82,214	78,904
Treasury bills of Hungary	9,605	9,061
Bonds of Kazakhstan banks	3,213	3,169
Eurobonds of South African Republic	1,235	-
Treasury bills of the USA	-	342,889
	<b>1,339,574</b>	<b>1,628,406</b>

Equity securities comprise:

	30 June 2020 (unaudited)	31 December 2019
Equity securities of Kazakhstan corporations	5,663	2,515
	<b>5,663</b>	<b>2,515</b>

**Total financial assets at fair value through other comprehensive income**

**1,345,237**      **1,630,921**

As at 30 June 2020 and 31 December 2019, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 1,765 million and KZT 1,658 million, respectively (Note 16).

As at 30 June 2020 and 31 December 2019, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 48,882 million and KZT 108,203 million, respectively, which were pledged under repurchase agreements with other banks (see Note 14). All repurchase agreements as at 30 June 2020 and 31 December 2019 mature before 10 July 2020 and 22 January 2020, respectively.

Interest rates and maturities of financial assets at fair value through other comprehensive income securities are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

	30 June 2020 (unaudited)		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.4%	2020-2045	4.8%	2020-2045
Notes of NBRK	9.8%	2020	9.2%	2020
Corporate bonds	10.7%	2020-2047	8.5%	2020-2047
Bonds of foreign organizations	4.7%	2020-2030	5.9%	2020-2036
Bonds of JSC Development Bank of Kazakhstan	5.6%	2022-2032	5.7%	2022-2032
Treasury bills of Hungary	3.2%	2023	3.2%	2023
Bonds of Kazakhstan banks	11.3%	2020-2023	10.9%	2020-2023
Eurobonds of South African Republic	5.9%	2030	-	-
Treasury bills of the USA	-	-	2.1%	2020

During the quarter ended 30 June 2020, net gain on revaluation of debt financial assets at fair value through other comprehensive income amounted to KZT 41,022 million, primarily driven by the reduction of NBRK's base rate from 12% to 9.5% in the period, that resulted in positive revaluation of Treasury bills of the Ministry of Finance of Kazakhstan and Notes of the NBRK.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

### 9. Debt securities at amortized cost, net of allowances for expected credit losses

Debt securities at amortized cost, net of allowances for expected credit losses comprise:

	30 June 2020 (unaudited)	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	1,079,270	1,044,902
Corporate bonds	165,123	156,685
Treasury bills of the Kyrgyz Republic	4,451	4,667
Notes of National Bank of Tajikistan	2,729	1,971
Bonds of foreign organizations	2,014	1,946
Notes of National Bank of Georgia	2,007	1,906
Notes of National Bank of Kyrgyz Republic	371	904
<b>Total debt securities at amortized cost, net of allowances for expected credit losses</b>	<b>1,255,965</b>	<b>1,212,981</b>

As at 30 June 2020 and 31 December 2019, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 594 million and KZT 562 million, respectively (Note 16).

Interest rates and maturities of debt securities at amortized cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	30 June 2020 (unaudited)		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	2022-2027	9.3%	2022-2027
Corporate bonds	3.3%	2022-2024	7.0%	2022-2024
Treasury bills of the Kyrgyz Republic	5.5%	2020-2023	4.9%	2020-2021
Notes of National Bank of Tajikistan	11.7%	2020	13.5%	2020
Bonds of foreign organizations	8.2%	2020-2026	9.1%	2020-2026
Notes of National Bank of Georgia	9.5%	2020-2025	10.6%	2020-2025
Notes of National Bank of Kyrgyz Republic	5.4%	2020	5.2%	2020

### 10. Loans to customers

Loans to customers comprise:

	30 June 2020 (unaudited)	31 December 2019
Originated loans to customers	4,374,179	4,143,692
Overdrafts	14,885	17,471
	<b>4,389,064</b>	<b>4,161,163</b>
Stage 1	3,548,637	3,338,205
Stage 2	149,676	159,120
Stage 3	604,059	586,025
Purchased or originated credit-impaired assets ("POCI")	86,692	77,813
<b>Total</b>	<b>4,389,064</b>	<b>4,161,163</b>
Less – Allowance for expected credit losses (Note 16)	(444,585)	(408,718)
<b>Total loans to customers</b>	<b>3,944,479</b>	<b>3,752,445</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 30 June 2020, the average interest rate on loans was 12.5% per annum (as at 31 December 2019 – 12.8% per annum).

As at 30 June 2020, the Group's loan concentration to the ten largest borrowers was KZT 776,356 million, which comprised 18% of the Group's total gross loan portfolio (as at 31 December 2019 – KZT 775,224 million, 19%) and 53% of the Group's total equity (as at 31 December 2019 – 66%).

As at 30 June 2020, the allowance for expected credit losses against these loans amounted to KZT 63,934 million (as at 31 December 2019 – KZT 58,782 million).

As at 30 June 2020 and 31 December 2019, loans were extended to customers operating in the following sectors:

	<b>30 June 2020 (unaudited)</b>	<b>%</b>	<b>31 December 2019</b>	<b>%</b>
Retail loans:				
- consumer loans	898,500	20%	810,438	19%
- mortgage loans	274,210	6%	256,053	6%
	<b>1,172,710</b>		<b>1,066,491</b>	
Services	598,953	14%	567,589	14%
Wholesale trade	429,333	10%	427,760	10%
Real estate	290,992	7%	293,923	7%
Retail trade	273,267	6%	271,342	7%
Transportation	201,327	5%	166,824	4%
Oil and gas	188,866	4%	207,410	5%
Construction	184,009	4%	190,814	5%
Metallurgy	177,456	4%	172,245	4%
Mining	165,135	4%	169,167	4%
Agriculture	154,659	4%	139,110	3%
Financial services	110,463	3%	90,871	2%
Communication	109,477	2%	91,678	2%
Energy	75,198	2%	67,655	2%
Food industry	68,297	1%	65,799	2%
Hotel industry	43,217	1%	41,879	1%
Machinery	40,980	1%	44,199	1%
Chemical industry	33,695	1%	30,312	1%
Light industry	16,291	0%	19,204	0%
Other	54,739	1%	36,891	1%
	<b>4,389,064</b>	<b>100%</b>	<b>4,161,163</b>	<b>100%</b>

As at 30 June 2020, accrued interest on loans comprised KZT 191,849 million (as at 31 December 2019 – KZT 165,444 million).

As at 30 June 2020 and 31 December 2019, loans to customers included loans in the amount of KZT 334,655 million and KZT 351,440 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

In March 2020, the program of concessional lending to small and medium-sized enterprises (the "Program") was developed by the NBRK and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market in conjunction with the second-tier banks.

For the implementation of this Program, KZT 600 billion was allocated through the placement of contingent deposits in the second-tier banks. JSC Kazakhstan Sustainability Fund under the NBRK was identified as the operator of the Program and 12 participating banks were selected, which undergo an independent assets quality review (the "AQR") and have SME loans in their portfolio.



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

The business support mechanism is implemented by providing second-tier banks with concessional loans for working capital replenishment to SME and individual entrepreneurs, who suffered as a result of the emergency regime, for up to 12 months at a rate of no more than 8% per annum.

KZT 180 billion (30% of KZT 600 billion) was allocated to the Bank. The Bank signed the agreement on the implementation of the Program on 27 March 2020. In April-June 2020 under the Program, the Bank has financed 356 clients for the amount of KZT 107.9 billion.

It should also be noted that the Bank is one of the leaders in implementing the programs of preferential financing for business entities of such development institutions as JSC Entrepreneurship Development Fund DAMU, JSC Development Bank of Kazakhstan, JSC Agrarian Credit Corporation, JSC KazakhExport. The proportion of the SME portfolio that is covered by the support programs accounts for 61% of the unimpaired SME loan portfolio or KZT 337 billion.

### Allowance for expected credit losses and provisions

Against the backdrop of the COVID-19 pandemic continuing throughout the reporting second quarter and subsequently, the spread of coronavirus infection has also increased in Kazakhstan. In order to prevent the spread of COVID-19 among the population of the Republic of Kazakhstan, restrictive measures, including quarantine, were in force on the territory of the republic.

For the six months ended 30 June 2020, credit loss expense on loans to customers comprised KZT 28,716 million. Allowances for expected credit losses reflect the net impact of economic scenarios and the Government support programs with the increase on prior year primarily driven by updates to the Group's economic outlook following the coronavirus outbreak and coronavirus impacts on existing restructuring cases.

The increased risk and uncertainty has been reflected by means of an expected credit losses overlay to current modelled outcomes by leveraging appropriate internal stress analysis. At the same time, when calculating the impact of macroeconomic changes on the Group's activities, various periods of economic recovery were considered (under different scenarios from 1 to 4 years). Management has concluded that in accordance with the requirements of IFRS 9, it is necessary to take into account the potential impact of the macroeconomic situation on a possible change in the quality of the loan portfolio in the future. This revised overlay will be monitored and refined as more observable data on economic and customer outcomes becomes available. Although market dynamics are challenging a number of sectors and corporate customers, the corporate portfolio's diverse client base and limits are being proactively managed and have exposure to the most vulnerable sectors affected by the coronavirus outbreak was closely monitored. The impact of the COVID-19 scenario and weighting adjustments has resulted in an increase in credit loss expense from the previous scenario, primarily driven by the higher probability of default in retail unsecured loans. These drivers are partially offset by the impact of the NBRK, the Government and other support measures, which are assumed to mitigate a material portion of future losses reflecting both the likely take-up and success of these schemes.

## 11. Insurance assets and liabilities

Insurance assets comprised the following:

	30 June 2020 (unaudited)	31 December 2019
Unearned reinsurance premium	29,969	19,818
Reinsurers' share of provisions	21,944	42,234
	51,913	62,052
Premiums receivable	20,374	19,957
<b>Total insurance assets</b>	<b>72,287</b>	<b>82,009</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Insurance liabilities comprised the following:

	30 June 2020 (unaudited)	31 December 2019
Reserves for insurance claims	148,860	173,052
Gross unearned insurance premium reserve	52,243	36,349
	201,103	209,401
Payables to reinsurers and agents	20,422	14,301
<b>Total insurance liabilities</b>	<b>221,525</b>	<b>223,702</b>

## 12. Other assets

Other assets comprise:

	30 June 2020 (unaudited)	31 December 2019
<b>Other financial assets:</b>		
Debtors on banking activities	72,437	70,541
Financial lease receivables	19,560	21,514
Debtors on non-banking activities	14,967	29,006
Accrued commission income	7,006	5,168
Others	69	71
	<b>114,039</b>	<b>126,300</b>
Less – Allowance for expected credit losses (Note 16)	(29,069)	(23,876)
	<b>84,970</b>	<b>102,424</b>
<b>Other non-financial assets:</b>		
Advances for taxes other than income tax	7,638	6,256
Prepayments for investment property	5,327	5,813
Inventory	2,108	2,268
Prepayments for property and equipment	1,339	1,286
Other investments	712	884
Others	3,198	2,682
	<b>20,322</b>	<b>19,189</b>
<b>Total other assets</b>	<b>105,292</b>	<b>121,613</b>

## 13. Amounts due to customers

Amounts due to customers include the following:

	30 June 2020 (unaudited)	31 December 2019
<b>Recorded at amortized cost:</b>		
<b>Term deposits:</b>		
Individuals	2,865,134	2,743,019
Legal entities	1,588,246	1,441,930
	<b>4,453,380</b>	<b>4,184,949</b>
<b>Current accounts:</b>		
Legal entities	1,697,565	1,713,267
Individuals	605,066	508,197
	<b>2,302,631</b>	<b>2,221,464</b>
<b>Total amounts due to customers</b>	<b>6,756,011</b>	<b>6,406,413</b>

As at 30 June 2020, the Group's ten largest groups of related customers accounted for approximately 24% of the total amounts due to customers (31 December 2019 – 27%), where each group of related customers represents customers related to each other within that group.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As at 30 June 2020, amounts due to customers included amounts held as collateral of KZT 75,168 million (31 December 2019 – KZT 72,779 million).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sectors is as follows:

	30 June 2020 (unaudited)	Share	31 December 2019	Share
Individuals and entrepreneurs	3,470,200	51%	3,251,216	51%
Financial sector	583,165	9%	420,979	7%
Consumer services	402,161	6%	423,489	7%
Oil and gas	401,408	6%	581,486	9%
Wholesale trade	320,912	5%	345,563	5%
Construction	251,069	4%	234,289	4%
Government	241,502	4%	171,331	3%
Healthcare and social services	230,463	3%	211,418	3%
Transportation	225,484	3%	215,466	3%
Metallurgy	102,325	1%	70,805	1%
Communication	88,968	1%	61,178	1%
Insurance and pension funds activity	80,107	1%	76,594	1%
Education	59,116	1%	44,694	0%
Energy	49,691	1%	40,753	1%
Other	249,440	4%	257,152	4%
	<b>6,756,011</b>	<b>100%</b>	<b>6,406,413</b>	<b>100%</b>

As at 30 June 2020, term deposits of legal entities included short-term deposits from JSC Kazakhstan Sustainability Fund of KZT 108,749 million (31 December 2019 – KZT Nil) at 5% interest rate. These deposits were placed under the program of concessional lending to small and medium-sized enterprises ("SME"). According to this program, the Bank is responsible to extend loans for working capital replenishment to SME and individual entrepreneurs, who suffered as a result of the emergency regime, for up to 12 months at a rate of no more than 8% per annum (Note 10).

### 14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2020 (unaudited)	31 December 2019
<b>Recorded at amortized cost:</b>		
Loans from JSC Entrepreneurship Development Fund DAMU	90,819	91,001
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	68,215	127,237
Loans from JSC Development Bank of Kazakhstan	47,251	45,245
Loans from other financial institutions	21,552	2,417
Loans and deposits from OECD based banks	20,002	18,946
Correspondent accounts	14,530	14,917
Loans and deposits from non-OECD based banks	7,827	6,005
Loans from JSC National Managing Holding KazAgro	197	197
<b>Total amounts due to credit institutions</b>	<b>270,393</b>	<b>305,965</b>

As at 30 June 2020, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 90,367 million (31 December 2019 – KZT 90,558 million) at 1.0%-4.5% interest rate maturing in 2021-2035 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As at 30 June 2020, loans from JSC Development Bank of Kazakhstan (“DBK”) included long-term loans of KZT 30,921 million (31 December 2019 – KZT 30,921 million) at 2.0% interest rate maturing in 2029-2037 to finance corporate enterprises operating in manufacturing industries, as well as long-term loans of KZT 16,175 million (31 December 2019 – KZT 14,175 million) at 1.0% interest rate maturing in 2035 to finance the purchase of cars by the Group’s retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, KazAgro and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, KazAgro and DBK were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

Interest rates and maturities of amounts due to credit institutions are as follows:

	30 June 2020 (unaudited)		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2021-2035	1.0%-4.5%	2021-2035
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	7.5%-11.5%	2020	9.0%-10.0%	2020
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2029-2037	1.0%-2.0%	2029-2037
Loans from other financial institutions	2.0%-10.0%	2020-2026	4.0%-10.0%	2023-2026
Loans and deposits from OECD based banks	7.8%-7.9%	2020	3.6%	2020
Loans and deposits from non-OECD based banks	1.0%-8.0%	2020-2025	1.0%-8.0%	2020-2024
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022

Fair value of assets pledged (Note 8) and carrying amounts of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 June 2020 and 31 December 2019 are as follows:

	30 June 2020 (unaudited)		31 December 2019	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	48,882	45,998	108,203	105,524
	<b>48,882</b>	<b>45,998</b>	<b>108,203</b>	<b>105,524</b>

Details of transferred financial assets that are not derecognized in their entirety as at 30 June 2020 and 31 December 2019 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group’s operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	<b>Financial assets at fair value through other comprehensive income (Note 8)</b>
<b>As at 30 June 2020 (unaudited):</b>	
Carrying amount of transferred assets	48,882
Carrying amount of associated liabilities	45,998
<b>As at 31 December 2019:</b>	
Carrying amount of transferred assets	108,203
Carrying amount of associated liabilities	105,524

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Some of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 30 June 2020 (unaudited) and 31 December 2019, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

## 15. Debt securities issued

Debt securities issued consisted of the following:

	<b>30 June 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Recorded at amortized cost:</b>		
<b>Subordinated debt securities issued:</b>		
KZT denominated bonds, fixed rate	87,455	81,463
<b>Total subordinated debt securities outstanding</b>	<b>87,455</b>	<b>81,463</b>
<b>Unsubordinated debt securities issued:</b>		
USD denominated bonds	450,362	422,786
KZT denominated bonds	326,133	330,197
GEL denominated bonds, fixed rate	503	-
<b>Total unsubordinated debt securities outstanding</b>	<b>776,998</b>	<b>752,983</b>
<b>Total debt securities issued</b>	<b>864,453</b>	<b>834,446</b>

The coupon rates and maturities of these debt securities issued are as follows:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Coupon rate, %</b>	<b>Maturity, year</b>	<b>Coupon rate, %</b>	<b>Maturity, year</b>
<b>Subordinated debt securities issued:</b>				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
<b>Unsubordinated debt securities issued:</b>				
USD denominated bonds	3.0%-7.3%	2021-2022	3.0%-7.3%	2021-2022
KZT denominated bonds	7.5%-8.8%	2022-2025	7.5%-8.8%	2022-2025
GEL denominated bonds, fixed rate	10.0%	2028	-	-



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As at 30 June 2020, the amount of accrued interest on debt securities issued was KZT 21,497 million (as at 31 December 2019 – KZT 20,374 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 30 June 2020 (unaudited) and 31 December 2019, the Group was in compliance with the covenants.

### Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's interim condensed consolidated statement of cash flows as cash flows from financing activities.

	1 January 2020	Financing cash flows	Non-cash changes		30 June 2020 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	834,446	-	24,868	5,139	864,453

	1 January 2019	Financing cash flows	Non-cash changes		30 June 2019 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	900,791	(10,535)	(1,909)	15,191	903,536

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

### 16. Allowances for expected credit losses

The movements in accumulated allowances for expected credit losses of financial assets were as follows:

	Loans to customers (Note 10)				Other assets (Note 12)			Debt securities at amortized cost, net of allowances for expected credit losses and Financial assets at fair value through other comprehensive income (Note 8,9)		Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	Stage 1	
<b>31 March 2020</b>	<b>(46,720)</b>	<b>(51,369)</b>	<b>(308,248)</b>	<b>(47,829)</b>	<b>(842)</b>	<b>(2,839)</b>	<b>(22,470)</b>	<b>(1,188)</b>	<b>(1,093)</b>	<b>(26)</b>	<b>(124)</b>	<b>(482,748)</b>
Transfer to Stage 1	(1,789)	819	970	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	250	(1,295)	1,045	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	1,290	3,967	(5,257)	-	-	-	-	-	-	-	-	-
Changes in models/risk parameters*	2,493	1,125	(10,099)	(565)	(62)	(199)	(2,903)	22	(58)	3	36	(10,207)
New originations or purchases of financial assets*	(9,455)	-	-	-	-	-	-	(50)	-	-	-	(9,505)
Derecognition of financial assets*	473	12	5,327	81	-	-	-	3	-	-	-	5,896
Recoveries of allowances on previously written-off assets	-	-	(629)	(555)	-	-	-	-	-	-	-	(1,184)
Write-offs	-	-	3,978	-	-	-	394	-	-	-	-	4,372
Foreign exchange differences and other movements	(3,659)	4,812	7,666	8,576	(11)	(89)	(48)	6	(1)	-	24	17,276
<b>30 June 2020 (unaudited)</b>	<b>(57,117)</b>	<b>(41,929)</b>	<b>(305,247)</b>	<b>(40,292)</b>	<b>(915)</b>	<b>(3,127)</b>	<b>(25,027)</b>	<b>(1,207)</b>	<b>(1,152)</b>	<b>(23)</b>	<b>(64)</b>	<b>(476,100)</b>
<b>Total</b>				<b>(444,585)</b>			<b>(29,069)</b>		<b>(2,359)</b>	<b>(23)</b>	<b>(64)</b>	<b>(476,100)</b>

The credit loss expense during the second quarter of 2020 was lower than in the first quarter of 2020, as the management has updated its estimates to reflect the state measures for support for individuals and businesses due to the COVID-19 pandemic and appreciation of tenge against US dollar that had positive impact on credit risk for US dollar denominated loans.

Taking into account that the potential expected effect of the impact of the pandemic has already been taken into account and reflected in expenses, as well as government measures to support individuals and legal entities, the costs of forming provisions were lower than in the 1st quarter of 2020, but higher than in the same period last year.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Debt securities at amortized cost, net of allowances for expected credit losses and Financial assets at fair value through other comprehensive income (Note 8,9)		Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 3	Stage 1	Stage 1	
	<b>1 January 2020</b>	<b>(36,305)</b>	<b>(45,797)</b>	<b>(302,834)</b>	<b>(23,782)</b>	<b>(809)</b>	<b>(2,502)</b>	<b>(20,565)</b>	<b>(1,185)</b>	<b>(1,035)</b>	<b>(20)</b>	
Transfer to Stage 1	(2,783)	1,158	1,625	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	554	(2,462)	1,908	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	2,894	4,596	(7,490)	-	-	-	-	-	-	-	-	-
Changes in models/risk parameters*	(5,448)	134	(17,931)	(3,103)	(71)	(332)	(4,757)	101	(116)	(1)	96	(31,428)
New originations or purchases of financial assets*	(19,771)	-	-	-	-	-	-	(118)	-	-	-	(19,889)
Derecognition of financial assets*	3,830	381	13,027	165	-	-	-	8	-	-	-	17,411
Recoveries of allowances on previously written-off assets	-	-	(1,722)	(10,835)	-	-	(123)	-	-	-	-	(12,680)
Write-offs	-	-	10,072	781	1	-	395	-	-	-	-	11,249
Foreign exchange differences and other movements	(88)	61	(1,902)	(3,518)	(36)	(293)	23	(13)	(1)	(2)	7	(5,762)
<b>30 June 2020 (unaudited)</b>	<b>(57,117)</b>	<b>(41,929)</b>	<b>(305,247)</b>	<b>(40,292)</b>	<b>(915)</b>	<b>(3,127)</b>	<b>(25,027)</b>	<b>(1,207)</b>	<b>(1,152)</b>	<b>(23)</b>	<b>(64)</b>	<b>(476,100)</b>
<b>Total</b>				<b>(444,585)</b>			<b>(29,069)</b>		<b>(2,359)</b>	<b>(23)</b>	<b>(64)</b>	<b>(476,100)</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Debt securities at amortized cost, net of allowances for expected credit losses and Financial assets at fair value through other comprehensive income (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
<b>31 March 2019</b> <b>(unaudited)</b>	<b>(41,255)</b>	<b>(26,725)</b>	<b>(327,856)</b>	<b>(17,728)</b>	<b>(1,097)</b>	<b>(2,101)</b>	<b>(14,498)</b>	<b>(1,181)</b>	<b>(2)</b>	<b>(2,047)</b>	<b>(11)</b>	<b>(289)</b>	<b>(434,790)</b>
Transfer to Stage 1	(4,089)	2,072	2,017	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	977	(14,359)	13,382	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	21,781	1,244	(23,025)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters*	5,903	(6,585)	(848)	(502)	(72)	1	(914)	95	2	(118)	1	109	(2,928)
New originations or purchases of financial assets*	(20,937)	-	-	-	-	-	-	(92)	-	-	-	-	(21,029)
Derecognition of financial assets*	4,292	134	13,026	2,840	-	-	-	50	-	-	-	-	20,342
Recoveries of allowances on previously written-off assets	-	-	(4,720)	(2,156)	-	-	-	-	-	-	-	-	(6,876)
Write-offs	-	-	9,424	1,117	1	-	8	-	-	-	-	-	10,550
Foreign exchange differences and other movements	(438)	(99)	(3,003)	(565)	15	122	10	1	-	-	(3)	(1)	(3,961)
<b>30 June 2019</b> <b>(unaudited)</b>	<b>(33,766)</b>	<b>(44,318)</b>	<b>(321,603)</b>	<b>(16,994)</b>	<b>(1,153)</b>	<b>(1,978)</b>	<b>(15,394)</b>	<b>(1,127)</b>	<b>-</b>	<b>(2,165)</b>	<b>(13)</b>	<b>(181)</b>	<b>(438,692)</b>
<b>Total</b>			<b>(416,681)</b>				<b>(18,525)</b>			<b>(3,292)</b>	<b>(13)</b>	<b>(181)</b>	<b>(438,692)</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Debt securities at amortized cost, net of allowances for expected credit losses and Financial assets at fair value through other comprehensive income (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
<b>1 January 2019</b>	<b>(43,516)</b>	<b>(28,716)</b>	<b>(322,917)</b>	<b>(14,644)</b>	<b>(1,046)</b>	<b>(1,696)</b>	<b>(13,583)</b>	<b>(1,101)</b>	<b>(21)</b>	<b>(1,881)</b>	<b>(9)</b>	<b>(232)</b>	<b>(429,362)</b>
Transfer to Stage 1	(4,839)	2,200	2,639	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	2,044	(15,734)	13,690	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	30,948	2,518	(33,466)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters*	9,954	(5,369)	(8,407)	(3,399)	(71)	2	(3,511)	39	21	(284)	-	49	(10,976)
New originations or purchases of financial assets*	(35,420)	-	-	-	-	-	-	(168)	-	-	-	-	(35,588)
Derecognition of financial assets*	6,932	717	22,157	3,972	-	-	-	100	-	-	-	-	33,878
Recoveries of allowances on previously written-off assets	-	-	(10,391)	(3,550)	-	-	-	-	-	-	-	-	(13,941)
Write-offs	-	-	15,978	1,117	2	-	2,271	-	-	-	-	-	19,368
Foreign exchange differences and other movements	131	66	(886)	(490)	(38)	(284)	(571)	3	-	-	(4)	2	(2,071)
<b>30 June 2019 (unaudited)</b>	<b>(33,766)</b>	<b>(44,318)</b>	<b>(321,603)</b>	<b>(16,994)</b>	<b>(1,153)</b>	<b>(1,978)</b>	<b>(15,394)</b>	<b>(1,127)</b>	<b>-</b>	<b>(2,165)</b>	<b>(13)</b>	<b>(181)</b>	<b>(438,692)</b>
<b>Total</b>			<b>(416,681)</b>				<b>(18,525)</b>			<b>(3,292)</b>	<b>(13)</b>	<b>(181)</b>	<b>(438,692)</b>

\* FS line "Credit loss expense" in the interim condensed consolidated statement of profit or loss is comprised from "Changes in models/ risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

During the six months ended 30 June 2020 and 2019, the Group has written off loans of KZT 10,853 million and KZT 17,095 million, respectively, which allow the writing off loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

Provision represents other credit loss expenses against letters of credit and guarantees issued.

The movements in provisions were as follows:

	<b>Three months ended 30 June 2020 (unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At the beginning of the period	(350)	(872)	(4,728)	(5,950)
Transfer to Stage 3	-	238	(238)	-
Additional provisions recognized	(67)	(779)	(359)	(1,205)
Foreign exchange differences	11	24	(2)	33
<b>At the end of the period</b>	<b>(406)</b>	<b>(1,389)</b>	<b>(5,327)</b>	<b>(7,122)</b>

	<b>Six months ended 30 June 2020 (unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At the beginning of the period	(365)	(838)	(2,721)	(3,924)
Transfer to Stage 3	-	276	(276)	-
Additional provisions recognized	(44)	(833)	(2,239)	(3,116)
Foreign exchange differences	3	6	(91)	(82)
<b>At the end of the period</b>	<b>(406)</b>	<b>(1,389)</b>	<b>(5,327)</b>	<b>(7,122)</b>

	<b>Three months ended 30 June 2019 (unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At the beginning of the period	(9)	(939)	(1,933)	(2,881)
Additional provisions recognized	(174)	(158)	(1,444)	(1,776)
Foreign exchange differences	2	(7)	(33)	(38)
<b>At the end of the period</b>	<b>(181)</b>	<b>(1,104)</b>	<b>(3,410)</b>	<b>(4,695)</b>

	<b>Six months ended 30 June 2019 (unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At the beginning of the period	(152)	(1,061)	(1,333)	(2,546)
Transfer to Stage 3	-	38	(38)	-
Additional provisions recognized	(30)	(73)	(1,978)	(2,081)
Foreign exchange differences	1	(8)	(61)	(68)
<b>At the end of the period</b>	<b>(181)</b>	<b>(1,104)</b>	<b>(3,410)</b>	<b>(4,695)</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

### 17. Taxation

The income tax expense comprises:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Current tax charge	10,969	8,620	11,410	20,075
Deferred tax (benefit)/expense relating to origination and reversal of temporary differences	(10,364)	798	3,484	(2,836)
<b>Income tax expense</b>	<b>605</b>	<b>9,418</b>	<b>14,894</b>	<b>17,239</b>

The Group's effective income tax rate for the six months ended 30 June 2020 was 8.7% (for the six months ended 30 June 2019: 9.5%). The difference between the effective and theoretical income tax rates (20%) for the six months ended 30 June 2020 is mainly caused by tax-exempt interest income and other related income on state and other qualifying securities. The decrease of effective tax rate in the second quarter ended 30 June 2020, was primarily due to reversal of deferred tax liability of derivative contracts due to their negative revaluation and higher proportion of non-taxable interest income and revaluation gain on listed and government securities.

The Group has offset deferred tax assets and liabilities on the interim condensed consolidated statement of financial position where a right of offset existed.

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

### 18. Other liabilities

Other liabilities comprise:

	30 June 2020 (unaudited)	31 December 2019
Liability arising from continuing involvement	33,928	26,167
Salary, bonuses and vacation accrual	15,148	19,243
Other prepayments received	10,410	8,144
Taxes payable other than income tax	5,746	5,394
Creditors on bank activities	4,972	1,266
Lease liabilities	4,959	4,871
Payable for general and administrative expenses	3,814	2,083
Creditors on non-banking activities	3,398	4,421
Advances received related to commercial property	2,628	5,252
Others	485	201
<b>Total other liabilities</b>	<b>85,488</b>	<b>77,042</b>



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (millions of Kazakhstani Tenge)

### 19. Equity

Authorized, issued and fully paid number of shares as at 30 June 2020 and 31 December 2019 were as follows:

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
<b>30 June 2020 (unaudited)</b>					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,752,902,244)	11,694,642,538
<b>31 December 2019</b>					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,790,959,592)	11,656,585,190

All shares are denominated in KZT. Movements in shares outstanding are as follows:

	Number of shares Common	Nominal (placement) amount Common
<b>31 December 2018</b>	<b>11,679,756,429</b>	<b>97,586</b>
Purchases of treasury shares	(871,442)	(91)
Sale of treasury shares	2,283,425	212
<b>30 June 2019 (unaudited)</b>	<b>11,681,168,412</b>	<b>97,707</b>
<b>31 December 2019</b>	<b>11,656,585,190</b>	<b>94,393</b>
Purchases of treasury shares	(38,657,693)	(3,887)
Sale of treasury shares	76,715,041	8,667
<b>30 June 2020 (unaudited)</b>	<b>11,694,642,538</b>	<b>99,173</b>

#### Common shares

As at 30 June 2020 and 31 December 2019, share capital comprised KZT 209,027 million. As at 30 June 2020, the Group held 1,752,902,244 shares of the Group's common shares as treasury shares at KZT 109,854 million (31 December 2019 – 1,790,959,592 shares at KZT 114,634 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividends.

### 20. Commitments and contingencies

#### Financial commitments and contingencies

The Group's financial commitments and contingencies comprised the following:

	30 June 2020 (unaudited)	31 December 2019
Guarantees issued	401,166	408,027
Commercial letters of credit	53,627	68,312
Commitments to extend credit	52,724	53,151
<b>Financial commitments and contingencies</b>	<b>507,517</b>	<b>529,490</b>
Less: cash collateral against letters of credit	(30,228)	(33,453)
Less: provisions (Note 16)	(7,122)	(3,924)
<b>Financial commitments and contingencies, net</b>	<b>470,167</b>	<b>492,113</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 30 June 2020, the ten largest guarantees accounted for 46% of the Group's total financial guarantees (as at 31 December 2019 – 59%) and represented 17% of the Group's total equity (as at 31 December 2019 – 18%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 30 June 2020, the ten largest unsecured letters of credit accounted for 52% of the Group's total commercial letters of credit (31 December 2019 – 52%) and represented 1% of the Group's total equity (31 December 2019 – 3%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

### Capital commitments

As at 30 June 2020, the Group had commitments for capital expenditures in respect of construction in progress in the amount of KZT 38 million (31 December 2019 – KZT 38 million).

### Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 30 June 2020 and 31 December 2019.

## 21. Net interest income

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Interest income:</b>				
Loans to customers	121,163	109,501	240,000	217,263
Debt securities at amortized cost, net of allowance for expected credit losses	24,760	23,405	49,405	46,828
Financial assets at fair value through other comprehensive income	23,536	28,718	47,979	60,043
Amounts due from credit institutions and cash and cash equivalents	5,736	13,922	11,076	23,897
Other financial assets	2,055	2,588	4,622	4,509
<b>Interest income calculated using effective interest method</b>	<b>177,250</b>	<b>178,134</b>	<b>353,082</b>	<b>352,540</b>
Financial assets at fair value through profit or loss	3,250	1,767	6,766	3,544
<b>Other interest income</b>	<b>3,250</b>	<b>1,767</b>	<b>6,766</b>	<b>3,544</b>
<b>Total interest income</b>	<b>180,500</b>	<b>179,901</b>	<b>359,848</b>	<b>356,084</b>
<b>Interest expense:</b>				
Amounts due to customers	(56,112)	(54,961)	(108,914)	(111,338)
Debt securities issued	(17,855)	(18,827)	(35,642)	(45,125)
Amounts due to credit institutions	(1,820)	(1,212)	(5,846)	(2,042)
Other interest expense	(247)	(7,169)	(787)	(7,169)
Other financial liabilities	(117)	(81)	(236)	(150)
<b>Total interest expense</b>	<b>(76,151)</b>	<b>(82,250)</b>	<b>(151,425)</b>	<b>(165,824)</b>
<b>Net interest income</b>	<b>104,349</b>	<b>97,651</b>	<b>208,423</b>	<b>190,260</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

The total interest income calculated using the EIR method for financial assets at FVTOCI is KZT 23,536 million and KZT 47,979 million for the three and six months ended 30 June 2020, respectively (three and six months ended 30 June 2019: KZT 28,718 and KZT 60,043 million, respectively) and for financial assets measured at amortised cost is KZT 153,713 million and KZT 305,103 million during the three and six months ended 30 June 2020 (three and six months ended 30 June 2019: KZT 149,416 million and KZT 292,497 million). The total interest expense calculated using the EIR method for financial liabilities measured at amortised cost is KZT 76,151 million and KZT 151,425 million during the three and six months ended 30 June 2020 (three and six months ended 30 June 2019: KZT 82,250 million and KZT 165,824 million).

## 22. Fees and commissions

Fee and commission income is derived from the following sources:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Plastic card operations	14,880	15,392	31,447	28,849
Bank transfers - settlements	3,980	3,841	7,689	7,326
Letters of credit and guarantees issued	2,422	2,548	4,896	4,753
Cash operations	2,168	2,976	4,574	5,462
Servicing customers' pension payments	2,063	2,013	4,185	4,010
Bank transfers - salary projects	1,883	1,886	3,367	3,524
Maintenance of customer accounts	764	788	1,608	1,508
Other	1,275	1,267	2,480	2,252
<b>Total fee and commission income</b>	<b>29,435</b>	<b>30,711</b>	<b>60,246</b>	<b>57,684</b>

Fee and commission expense comprises the following:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Payment cards	(10,113)	(8,902)	(22,345)	(16,207)
Deposit insurance	(2,990)	(2,878)	(5,692)	(5,870)
Bank transfers	(490)	(343)	(1,051)	(632)
Cash operations	(371)	(308)	(757)	(498)
Commission paid to collectors	(84)	(101)	(229)	(168)
Other	(807)	(704)	(1,716)	(1,381)
<b>Total fee and commission expense</b>	<b>(14,855)</b>	<b>(13,236)</b>	<b>(31,790)</b>	<b>(24,756)</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

### 23. Net (loss)/gain from financial assets and liabilities at fair value through profit or loss

Net (loss)/gain on financial assets and liabilities at fair value through profit or loss comprises:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:</b>				
Unrealized net (loss)/gain on derivative operations	(68,060)	1,398	12,182	(16,274)
Realized net gain/(loss) on derivative operations	6,072	(2,994)	(4,341)	(1,284)
Net gain on trading operations	4,792	(5,247)	(4,006)	(4,931)
<b>Total net (loss)/gain on operations with financial assets and liabilities classified as held for trading</b>	<b>(57,196)</b>	<b>(6,843)</b>	<b>3,835</b>	<b>(22,489)</b>

### 24. Net gain on foreign exchange operations

Net foreign exchange gain comprises:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Translation differences, net	38,153	5,663	(18,524)	15,050
Dealing, net	14,106	9,618	29,686	17,429
<b>Total net foreign exchange gain</b>	<b>52,259</b>	<b>15,281</b>	<b>11,162</b>	<b>32,479</b>

### 25. Insurance underwriting income/(expense)

Insurance underwriting income/(expense) comprised:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Insurance premiums written, gross	29,162	36,867	81,846	69,165
Ceded reinsurance share	(12,137)	(8,282)	(40,649)	(22,582)
Change in unearned insurance premiums, net	2,249	(122)	(1,806)	(2,543)
<b>Total insurance underwriting income</b>	<b>19,274</b>	<b>28,463</b>	<b>39,391</b>	<b>44,040</b>
Commissions to agents	(8,293)	(10,992)	(17,943)	(17,998)
Insurance reserves expenses	(4,103)	(10,685)	(6,611)	(13,974)
Insurance payments	(1,120)	(5,456)	(7,338)	(10,806)
<b>Total insurance claims incurred, net of reinsurance</b>	<b>(13,516)</b>	<b>(27,133)</b>	<b>(31,892)</b>	<b>(42,778)</b>
<b>Net insurance income</b>	<b>5,758</b>	<b>1,330</b>	<b>7,499</b>	<b>1,262</b>

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

### 26. Operating expenses

Operating expenses comprised:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Salaries and other employee benefits	19,349	19,048	40,317	36,785
Depreciation and amortization expenses	3,119	3,167	6,254	5,836
Advertisement and loyalty program expense	3,022	357	4,957	610
Taxes other than income tax	1,832	1,803	3,634	3,468
Communication	1,676	1,059	2,931	1,921
Information services	1,397	1,028	2,445	2,021
Security	1,266	988	2,418	1,957
Utilities expenses	1,017	1,053	2,160	2,035
Rent	800	911	1,355	1,636
Repairs and maintenance	663	1,147	1,268	1,826
Stationery and office supplies	414	397	880	710
Professional services	318	193	573	316
Transportation	130	224	328	399
Business trip expenses	51	375	278	591
Other	378	410	1,192	1,274
<b>Total operating expenses</b>	<b>35,432</b>	<b>32,160</b>	<b>70,990</b>	<b>61,385</b>

### 27. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the period attributable to equity holders of the Bank by the weighted average number of participating shares outstanding during the period.

The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2020 (unaudited)	Three months ended 30 June 2019 (unaudited)	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
<b>Basic and diluted earnings per share</b>				
Net profit for the period attributable to equity holders of the parent	74,925	89,727	155,994	164,229
Earnings attributable to common shareholders	74,925	89,727	155,994	164,229
Weighted average number of common shares for the purposes of basic earnings per share	11,692,248,553	11,679,739,186	11,693,150,334	11,679,727,379
<b>Basic and diluted earnings per share (in Tenge)</b>	<b>6.41</b>	<b>7.68</b>	<b>13.34</b>	<b>14.06</b>

As required by KASE rules for listed companies, the book value of one share per each class of shares as at 30 June 2020 and 31 December 2019 is disclosed as follows:

Class of shares	Outstanding shares	30 June 2020 (unaudited)	
		Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,694,642,538	1,458,736	124.74
		<b>1,458,736</b>	

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## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

Class of shares	Outstanding shares	31 December 2019	
		Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,656,585,190	1,297,502	111.31
		<b>1,297,502</b>	

Equity attributable to common shares is calculated as the difference between the total equity and total net book value of intangible assets.

## 28. Financial risk management

Risk management is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit risk, liquidity risk and market/currency risk.

The Group's significant policies and procedures related to financial risk management has not changed in the second quarter of 2020 and are disclosed in the annual consolidated financial statements for the year ended 31 December 2019.

### Liquidity Risk

In order to manage liquidity risk, the Group analyzes the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs as at 30 June 2020.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	<b>30 June 2020 (unaudited)</b>					
	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	2,039,001	115,384	-	-	-	2,154,385
Obligatory reserves	86,777	7,450	44,512	10,067	1,115	149,921
Financial assets at fair value through profit or loss	194,102	-	-	1,228	-	195,330
Amounts due from credit institutions	28,443	665	70,168	2,072	3	101,351
Financial assets at fair value through other comprehensive income	334,225	71,134	82,565	462,241	395,072	1,345,237
Debt securities at amortized cost, net of allowance for expected credit losses	80,549	3,800	2,970	668,156	500,490	1,255,965
Loans to customers	212,995	422,996	2,086,511	1,047,230	174,747	3,944,479
Other financial assets	39,947	2,956	3,662	24,933	13,472	84,970
	<b>3,016,039</b>	<b>624,385</b>	<b>2,290,388</b>	<b>2,215,927</b>	<b>1,084,899</b>	<b>9,231,638</b>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to customers	3,111,563	300,716	1,859,514	1,078,917	405,301	6,756,011
Amounts due to credit institutions	90,164	21,314	21,949	20,862	116,104	270,393
Financial liabilities at fair value through profit or loss	7,674	-	1	209	-	7,884
Debt securities issued	5,920	3,785	204,545	568,892	81,311	864,453
Other financial liabilities	47,567	594	2,191	1,203	-	51,555
	<b>3,262,888</b>	<b>326,409</b>	<b>2,088,200</b>	<b>1,670,083</b>	<b>602,716</b>	<b>7,950,296</b>
<b>Net position</b>	<b>(246,849)</b>	<b>297,976</b>	<b>202,188</b>	<b>545,844</b>	<b>482,183</b>	
<b>Accumulated gap</b>	<b>(246,849)</b>	<b>51,127</b>	<b>253,315</b>	<b>799,159</b>	<b>1,281,342</b>	



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	<b>31 December 2019</b>					
	<b>Less than 1 month</b>	<b>1 to 3 months</b>	<b>3 months to 1 year</b>	<b>1 to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>FINANCIAL ASSETS:</b>						
Cash and cash equivalents	1,660,923	3,414	-	-	-	1,664,337
Obligatory reserves	88,664	8,084	39,259	3,990	1,009	141,006
Financial assets at fair value through profit or loss	67,151	124	18,798	43,555	55,403	185,031
Amounts due from credit institutions	26,543	266	21,346	4,729	277	53,161
Financial assets at fair value through other comprehensive income	90,815	218,030	659,083	356,391	306,602	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	13,668	2,375	38,939	657,225	500,774	1,212,981
Loans to customers	261,581	383,551	2,042,671	975,196	89,446	3,752,445
Other financial assets	14,901	3,314	44,528	24,238	15,443	102,424
	<b>2,224,246</b>	<b>619,158</b>	<b>2,864,624</b>	<b>2,065,324</b>	<b>968,954</b>	<b>8,742,306</b>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to customers	3,033,841	382,085	2,030,783	553,693	406,011	6,406,413
Amounts due to credit institutions	167,723	183	1,810	15,817	120,432	305,965
Financial liabilities at fair value through profit or loss	20,218	-	-	226	-	20,444
Debt securities issued	13,481	3,785	3,108	607,153	206,919	834,446
Other financial liabilities	33,710	1,687	487	3,125	-	39,009
	<b>3,268,973</b>	<b>387,740</b>	<b>2,036,188</b>	<b>1,180,014</b>	<b>733,362</b>	<b>7,606,277</b>
<b>Net position</b>	<b>(1,044,727)</b>	<b>231,418</b>	<b>828,436</b>	<b>885,310</b>	<b>235,592</b>	
<b>Accumulated gap</b>	<b>(1,044,727)</b>	<b>(813,309)</b>	<b>15,127</b>	<b>900,437</b>	<b>1,136,029</b>	

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers in ten months period after proper notification would be issued by the Group.

A significant portion of the Group's liabilities is represented by customers' term deposits, current accounts of corporate and retail customers and debt securities issued.

Management believes that although a substantial portion of current accounts and customers' deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

### Currency Risk

The Group's exposure to foreign currency exchange rate risk is as follows:

	<b>30 June 2020 (unaudited)</b>						
	<b>USD</b>	<b>EURO</b>	<b>RUR</b>	<b>Other</b>	<b>Total foreign currencies</b>	<b>KZT</b>	<b>TOTAL</b>
<b>FINANCIAL ASSETS:</b>							
Cash and cash equivalents	1,408,438	80,200	25,755	32,344	1,546,737	607,648	2,154,385
Obligatory reserves	80,824	5,785	1,917	2,890	91,416	58,505	149,921
Financial assets at fair value through profit or loss	53,178	18	897	1,495	55,588	139,742	195,330
Amounts due from credit institutions	75,809	15,410	5,571	1,123	97,913	3,438	101,351
Financial assets at fair value through other comprehensive income	518,697	94,960	4,505	-	618,162	727,075	1,345,237
Debt securities at amortized cost, net of allowance for expected credit losses	163,352	-	4,177	9,165	176,694	1,079,271	1,255,965
Loans to customers	959,567	15,525	27,216	40,993	1,043,301	2,901,178	3,944,479
Other financial assets	2,986	278	411	1,346	5,021	79,949	84,970
	<b>3,262,851</b>	<b>212,176</b>	<b>70,449</b>	<b>89,356</b>	<b>3,634,832</b>	<b>5,596,806</b>	<b>9,231,638</b>
<b>FINANCIAL LIABILITIES:</b>							
Amounts due to customers	3,149,988	118,475	64,011	53,089	3,385,563	3,370,448	6,756,011
Amounts due to credit institutions	32,693	2,767	94	3,606	39,160	231,233	270,393
Financial liabilities at fair value through profit or loss	-	30	211	41	282	7,602	7,884
Debt securities issued	450,355	-	-	503	450,858	413,595	864,453
Other financial liabilities	1,642	86	1,433	2,565	5,726	45,829	51,555
	<b>3,634,678</b>	<b>121,358</b>	<b>65,749</b>	<b>59,804</b>	<b>3,881,589</b>	<b>4,068,707</b>	<b>7,950,296</b>
<b>Net position – on balance</b>	<b>(371,827)</b>	<b>90,818</b>	<b>4,700</b>	<b>29,552</b>	<b>(246,757)</b>	<b>1,528,099</b>	<b>1,281,342</b>
<b>Net position – off-balance</b>	<b>465,235</b>	<b>(89,825)</b>	<b>(5,526)</b>	<b>(3,211)</b>	<b>366,673</b>	<b>(365,345)</b>	
<b>Net position</b>	<b>93,408</b>	<b>993</b>	<b>(826)</b>	<b>26,341</b>	<b>119,916</b>	<b>1,162,754</b>	

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	<b>31 December 2019</b>						
	<b>USD</b>	<b>EURO</b>	<b>RUR</b>	<b>Other</b>	<b>Total foreign currencies</b>	<b>KZT</b>	<b>TOTAL</b>
<b>FINANCIAL ASSETS:</b>							
Cash and cash equivalents	994,768	122,323	35,923	332,216	1,485,230	179,107	1,664,337
Obligatory reserves	81,791	5,128	1,748	2,677	91,344	49,662	141,006
Financial assets at fair value through profit or loss	35,268	1,923	32	2,409	39,632	145,399	185,031
Amounts due from credit institutions	22,256	8,681	5,479	-	36,416	16,745	53,161
Financial assets at fair value through other comprehensive income	760,141	34,905	4,828	-	799,874	831,047	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	154,720	-	4,281	9,078	168,079	1,044,902	1,212,981
Loans to customers	991,248	17,487	27,000	33,551	1,069,286	2,683,159	3,752,445
Other financial assets	3,421	257	46	1,158	4,882	97,542	102,424
	<b>3,043,613</b>	<b>190,704</b>	<b>79,337</b>	<b>381,089</b>	<b>3,694,743</b>	<b>5,047,563</b>	<b>8,742,306</b>
<b>FINANCIAL LIABILITIES:</b>							
Amounts due to customers	3,187,135	136,227	56,665	47,624	3,427,651	2,978,762	6,406,413
Amounts due to credit institutions	30,350	1,500	367	2,363	34,580	271,385	305,965
Financial liabilities at fair value through profit or loss	-	-	662	-	662	19,782	20,444
Debt securities issued	422,786	-	-	-	422,786	411,660	834,446
Other financial liabilities	768	218	1,978	790	3,754	35,255	39,009
	<b>3,641,039</b>	<b>137,945</b>	<b>59,672</b>	<b>50,777</b>	<b>3,889,433</b>	<b>3,716,844</b>	<b>7,606,277</b>
<b>Net position – on balance</b>	<b>(597,426)</b>	<b>52,759</b>	<b>19,665</b>	<b>330,312</b>	<b>(194,690)</b>	<b>1,330,719</b>	<b>1,136,029</b>
<b>Net position – off-balance</b>	<b>627,245</b>	<b>(49,550)</b>	<b>(17,249)</b>	<b>(308,112)</b>	<b>252,334</b>	<b>(224,606)</b>	
<b>Net position</b>	<b>29,819</b>	<b>3,209</b>	<b>2,416</b>	<b>22,200</b>	<b>57,644</b>	<b>1,106,113</b>	

# JSC Halyk Bank

## **Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)**

*(millions of Kazakhstani Tenge)*

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### **29. Segment analysis**

The Group is managed and reported on the basis of four main operating segments – corporate banking, SME banking, retail banking and investment banking. These segments are strategic business units that offer different products and services and are managed separately.

No significant changes in the Group segments occurred during the six months ended 30 June 2020 in comparison with the year ended 31 December 2019.

There were no transactions between business segments during the six months ended 30 June 2020 and 2019.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 30 June 2020 and 2019 and for the six months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
<b>As at 30 June 2020 and for the six months then ended (unaudited)</b>						
External revenues	148,063	129,695	55,796	103,381	60,719	497,654
<b>Total revenues</b>	<b>148,063</b>	<b>129,695</b>	<b>55,796</b>	<b>103,381</b>	<b>60,719</b>	<b>497,654</b>
<b>Total revenues comprise:</b>						
- Interest income	97,318	122,078	36,292	104,151	9	359,848
- Fee and commission income, including:	42,192	6,490	10,121	-	1,443	60,246
<i>Plastic cards operations</i>	30,798	34	544	-	71	31,447
<i>Bank transfers - settlements</i>	2,838	1,393	3,431	-	27	7,689
<i>Letters of credit and guarantees issued</i>	9	3,831	1,042	-	14	4,896
<i>Cash operations</i>	545	594	3,427	-	8	4,574
<i>Servicing customers' pension payments</i>	4,185	-	-	-	-	4,185
<i>Bank transfers - salary projects</i>	3,367	-	-	-	-	3,367
<i>Maintenance of customer accounts</i>	157	72	1,379	-	-	1,608
<i>Other</i>	293	566	298	-	1,323	2,480
- Net gain/(loss) from financial assets at fair value through profit or loss	-	6,969	-	(3,134)	-	3,835
- Net gain/(loss) on foreign exchange operations	8,553	(5,842)	9,383	210	(1,142)	11,162
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	2,154	-	2,154
- Share in profit of associate	-	-	-	-	3,020	3,020
- Insurance underwriting income and other income	-	-	-	-	57,389	57,389
<b>Total revenues</b>	<b>148,063</b>	<b>129,695</b>	<b>55,796</b>	<b>103,381</b>	<b>60,719</b>	<b>497,654</b>
- Interest expense	(64,515)	(43,759)	(7,337)	(35,641)	(173)	(151,425)
- Credit loss expense	(21,302)	(3,289)	(3,942)	(65)	(5,308)	(33,906)
- Fee and commission expense	(28,981)	(2,107)	(333)	(106)	(263)	(31,790)
- Operating expenses	(46,169)	(3,164)	(6,580)	(555)	(14,522)	(70,990)
- Loss from impairment of non-financial assets	-	-	-	-	(3,647)	(3,647)
- (Other credit loss expense)/ recoveries of other credit loss expense	(1)	(3,390)	372	(4)	(93)	(3,116)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(31,892)	(31,892)
<b>Total expenses</b>	<b>(160,968)</b>	<b>(55,709)</b>	<b>(17,820)</b>	<b>(36,371)</b>	<b>(55,898)</b>	<b>(326,766)</b>
<b>Segment result</b>	<b>(12,905)</b>	<b>73,986</b>	<b>37,976</b>	<b>67,010</b>	<b>4,821</b>	<b>170,888</b>
Income before income tax expense						170,888
Income tax expense					(14,894)	(14,894)
<b>Net profit</b>						<b>155,994</b>
<b>30 June 2020 (unaudited)</b>						
Total segment assets	1,059,298	4,480,552	649,304	2,788,660	753,386	9,731,200
Total segment liabilities	3,517,829	2,626,520	945,177	864,452	308,285	8,262,263
Other segment items:						
Capital expenditures					(7,573)	(7,573)
Depreciation and amortization					(6,254)	(6,254)
Investments in associate					28,712	28,712

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
<b>For the six months then ended 30 June 2019 (unaudited)</b>						
External revenues	129,579	148,438	47,392	113,579	74,479	513,467
<b>Total revenues</b>	<b>129,579</b>	<b>148,438</b>	<b>47,392</b>	<b>113,579</b>	<b>74,479</b>	<b>513,467</b>
<b>Total revenues comprise:</b>						
- Interest income	87,235	127,717	29,903	111,138	91	356,084
- Fee and commission income, including:	39,550	6,787	11,067	-	280	57,684
<i>Plastic cards operations</i>	28,412	32	332	-	73	28,849
<i>Bank transfers - settlements</i>	2,568	1,269	3,457	-	32	7,326
<i>Cash operations</i>	731	930	3,789	-	12	5,462
<i>Letters of credit and guarantees issued</i>	9	3,894	829	-	21	4,753
<i>Servicing customers' pension payments</i>	4,010	-	-	-	-	4,010
<i>Bank transfers - salary projects</i>	3,524	-	-	-	-	3,524
<i>Maintenance of customer accounts</i>	119	61	1,328	-	-	1,508
<i>Other</i>	177	601	1,332	-	142	2,252
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	2,399	-	2,399
- Net gain on foreign exchange operations	2,794	13,934	6,422	42	9,287	32,479
- Share in profit of associate	-	-	-	-	3,197	3,197
- Insurance underwriting income and other income	-	-	-	-	61,624	61,624
<b>Total revenues</b>	<b>129,579</b>	<b>148,438</b>	<b>47,392</b>	<b>113,579</b>	<b>74,479</b>	<b>513,467</b>
- Interest expense	(69,425)	(45,479)	(5,652)	(45,125)	(143)	(165,824)
- Credit loss expense	(318)	(6,458)	(3,957)	(251)	(1,702)	(12,686)
- Fee and commission expense	(21,908)	(1,669)	(293)	(82)	(804)	(24,756)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	(19,378)	-	(3,111)	-	(22,489)
- Operating expenses	(36,123)	(4,656)	(6,098)	(391)	(14,117)	(61,385)
- Recoveries of other credit loss expense/(other credit loss expense)	18	(1,679)	(396)	-	(24)	(2,081)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(42,778)	(42,778)
<b>Total expenses</b>	<b>(127,756)</b>	<b>(79,319)</b>	<b>(16,396)</b>	<b>(48,960)</b>	<b>(59,568)</b>	<b>(331,999)</b>
<b>Segment result</b>	<b>1,823</b>	<b>69,119</b>	<b>30,996</b>	<b>64,619</b>	<b>14,911</b>	<b>181,468</b>
Income before income tax expense						181,468
Income tax expense					(17,239)	(17,239)
<b>Net profit</b>						<b>164,229</b>
<b>31 December 2019</b>						
Total segment assets	966,284	3,912,525	595,918	3,021,001	739,030	9,234,758
Total segment liabilities	3,295,854	2,689,734	874,569	834,881	232,497	7,927,535
Other segment items:						
Capital expenditures					(7,780)	(7,780)
Depreciation and amortization					(5,836)	(5,836)
Investments in associate					26,732	26,732

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

### Geographical information

Information for the main geographical areas of the Group is set out below as at 30 June 2020 and 31 December 2019 and for the six months ended 30 June 2020 and 2019.

	Kazakhstan	OECD	Non-OECD	Total
<b>30 June 2020 (unaudited)</b>				
Total assets	8,749,577	642,290	339,333	9,731,200
<b>31 December 2019</b>				
Total assets	7,730,579	1,268,411	235,768	9,234,758
<b>Six months ended</b>				
<b>30 June 2020 (unaudited)</b>				
External revenues	470,195	7,352	20,106	497,654
Capital expenditures	(7,573)	-	-	(7,573)
<b>Six months ended</b>				
<b>30 June 2019 (unaudited)</b>				
External revenues	481,205	23,385	8,877	513,467
Capital expenditures	(7,780)	-	-	(7,780)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

### 30. Fair values of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its interim condensed consolidated statement of financial position as well as its profit/(loss) could be material.

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology as at 30 June 2020 and 31 December 2019, before any allowances for expected credit losses.



# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2020 (unaudited)	31 December 2019				
Non-derivative financial assets at fair value through profit or loss (Note 6)	92,067	98,337	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	96,256	81,462	Level 2	Quoted bid prices in a market that is not active. Discounted cash flows.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	-	144	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	563	11	Level 1	Quoted bid prices in an active market. Discounted cash flows.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	1,318	730	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period). Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to nil at initial recognition.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	5,126	4,347	Level 3		KZT implied rate	The greater KZT implied rate – the smaller fair value
<b>Total financial assets at fair value through profit or loss</b>	<b>195,330</b>	<b>185,031</b>				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	132	25	Level 1	Quoted bid prices in an active market. Discounted cash flows.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	7,752	20,419	Level 2	Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
<b>Total financial liabilities at fair value through profit or loss</b>	<b>7,884</b>	<b>20,444</b>				
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	671,509	804,075	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 8)	673,728	826,846	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
<b>Financial assets at fair value through other comprehensive income</b>	<b>1,345,237</b>	<b>1,630,921</b>				

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (millions of Kazakhstani Tenge)

There were no transfers between levels, during the six months ended 30 June 2020 and 2019.

	Financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehensive income (Level 3)
<b>31 December 2018</b>	<b>95,271</b>	<b>53</b>
Loss to profit or loss	(11,430)	-
<b>30 June 2019 (unaudited)</b>	<b>83,841</b>	<b>53</b>
<b>31 December 2019</b>	<b>4,347</b>	-
Gain to profit or loss	779	-
<b>30 June 2020 (unaudited)</b>	<b>5,126</b>	-

### Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

#### *Amounts due from and to credit institutions*

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate period-end market rates.

#### *Loans to customers*

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates at the respective period-end.

#### *Amounts due to customers*

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

#### *Debt securities issued*

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the period-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	30 June 2020 (unaudited)		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Amounts due from credit institutions	101,351	96,299	53,161	55,495
Loans to customers	3,944,479	3,848,827	3,752,445	3,725,629
Debt securities at amortized cost, net of allowance for expected credit losses	1,255,965	1,208,223	1,212,981	1,218,432
<b>Financial liabilities</b>				
Amounts due to customers	6,756,011	6,795,952	6,406,413	6,177,010
Amounts due to credit institutions	270,393	281,887	305,965	315,415
Debt securities issued	864,453	841,783	834,446	831,153

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

				<b>30 June 2020 (unaudited)</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Amounts due from credit institutions	-	96,299	-	96,299
Loans to customers	-	-	3,848,827	3,848,827
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,208,223	-	1,208,223
<b>Financial liabilities</b>				
Amounts due to customers	-	6,795,952	-	6,795,952
Amounts due to credit institutions	-	281,887	-	281,887
Debt securities issued	-	841,783	-	841,783
<b>31 December 2019</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial assets</b>				
Amounts due from credit institutions	-	55,495	-	55,495
Loans to customers	-	-	3,725,629	3,725,629
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,218,432	-	1,218,432
<b>Financial liabilities</b>				
Amounts due to customers	-	6,177,010	-	6,177,010
Amounts due to credit institutions	-	315,415	-	315,415
Debt securities issued	-	831,153	-	831,153

The carrying amounts of cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

### 31. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions, which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

As at 30 June 2020 and 31 December 2019, the Group had the following outstanding balances with related parties:

	<b>30 June 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Related party balances</b>	<b>Total category as per financial statements caption</b>	<b>Related party balances</b>	<b>Total category as per financial statements caption</b>
Loans to customers before allowance for expected credit losses	211	4,389,064	21	4,161,163
- <i>key management personnel of the entity or its parent</i>	2		6	
- <i>other related parties</i>	209		15	
Allowance for expected credit losses	(2)	(444,585)	(2)	(408,718)
- <i>key management personnel of the entity or its parent</i>	(1)		(1)	
- <i>other related parties</i>	(1)		(1)	
Amounts due to customers	359,367	6,756,011	377,204	6,406,413
- <i>the parent</i>	244,822		230,663	
- <i>entities with joint control or significant influence over the entity</i>	12,357		4,469	
- <i>key management personnel of the entity or its parent</i>	10,417		9,871	
- <i>other related parties</i>	91,771		132,201	

The following amounts resulted from transactions with related parties and have been reflected in the interim condensed consolidated income statement of profit or loss for the six months ended 30 June 2020 and 2019:

	<b>Six months ended 30 June 2020 (unaudited)</b>		<b>Six months ended 30 June 2019 (unaudited)</b>	
	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>
Interest income calculated using effective interest method	1	353,082	41	352,540
- <i>entities with joint control or significant influence over the entity</i>	-		40	
- <i>key management personnel of the entity or its Parent</i>	-		-	
- <i>other related parties</i>	1		1	
Other interest income	-	6,766	-	3,544
Interest expense	(1,659)	(151,425)	(2,266)	(165,824)
- <i>the parent</i>	(748)		(676)	
- <i>entities with joint control or significant influence over the entity</i>	(221)		(70)	
- <i>key management personnel of the entity or its parent</i>	(106)		(60)	
- <i>other related parties</i>	(584)		(1,460)	

# JSC Halyk Bank

## Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)

(millions of Kazakhstani Tenge)

	<u>Six months ended 30 June 2020 (unaudited)</u>		<u>Six months ended 30 June 2019 (unaudited)</u>	
	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>	<b>Related party transactions</b>	<b>Total category as per financial statements caption</b>
Key management personnel compensation:	1,431	40,317	2,041	36,785
- <i>short-term employee benefits</i>	1,431		2,041	

### 32. Subsequent events

On 3 July 2020, the Bank and NBRK closed a one-year cross-currency swap deal for the notional amount of KZT 378,066 million existing as at 30 June 2020.

On 23 July 2020, the Bank's Extraordinary General Shareholders' Meeting decided to pay dividends on common shares of KZT 17.08 per one common share. The approved date for payment of dividends on common shares is 24 July 2020.

In July 2020, a resurgence in new coronavirus infections lead to re-imposing of certain lockdown restrictions by the authorities until mid-August 2020. To stimulate the Kazakhstan's economy recovery, the government continued to implement a fiscal stimulus program and increased transfers from the National Fund of the Republic of Kazakhstan. The stimulus package of KZT 5.9 trillion is expected to mitigate the negative impact of low oil prices and coronavirus on the economy.