



## **JSC HALYK BANK**

Interim condensed consolidated  
financial information (unaudited)  
for the nine months ended 30 September 2020

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## Statement of Management's Responsibilities for the Preparation and Approval of the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 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 September 2020, the results of its operations, changes in equity and cash flow for the three and nine 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 nine months ended 30 September 2020 was authorized for issuance by the Management Board on 16 November 2020.

On behalf of the Management Board:

  
\_\_\_\_\_  
**Umut B. Shayakhmetova**  
Chairperson of the Board

16 November 2020  
Almaty, Kazakhstan



  
\_\_\_\_\_  
**Dana S. Talzhanova**  
Deputy Chief Accountant

16 November 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 September 2020 and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three and nine months then ended, changes in equity and cash flows for the nine 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*.

16 November 2020  
Almaty, Republic of Kazakhstan



**Interim Condensed Consolidated Statement of Financial Position  
as at 30 September 2020 (unaudited)**  
*(millions of Kazakhstani Tenge)*

	Notes	30 September 2020 (unaudited)	31 December 2019
<b>ASSETS</b>			
Cash and cash equivalents	5	2,205,959	1,664,337
Obligatory reserves		166,949	141,006
Financial assets at fair value through profit or loss	6	233,627	185,031
Amounts due from credit institutions	7	211,883	53,161
Financial assets at fair value through other comprehensive income	8	1,190,707	1,630,921
Debt securities at amortized cost, net of allowance for expected credit losses	9	1,205,937	1,212,981
Loans to customers	10, 32	4,206,021	3,752,445
Investment property		44,580	46,558
Commercial property		101,938	113,381
Assets held-for-sale		44,102	45,766
Current income tax assets		3,941	1,704
Deferred income tax assets		223	197
Property and equipment and intangible assets		149,160	144,583
Insurance assets	11	58,499	82,009
Other assets	12	175,615	160,678
<b>TOTAL ASSETS</b>		<b>9,999,141</b>	<b>9,234,758</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
Amounts due to customers	13, 32	7,094,061	6,406,413
Amounts due to credit institutions	14	266,993	305,965
Financial liabilities at fair value through profit or loss	6	1,125	20,444
Debt securities issued	15	904,229	834,446
Current income tax liability		991	10,029
Deferred tax liability		50,113	45,570
Provisions	19	7,199	3,924
Insurance liabilities	11	212,056	223,702
Other liabilities	17	94,560	77,042
<b>Total liabilities</b>		<b>8,631,327</b>	<b>7,927,535</b>
<b>EQUITY</b>			
Share capital	18	209,027	209,027
Share premium reserve		5,717	3,867
Treasury shares		(109,306)	(114,634)
Retained earnings and other reserves		1,262,369	1,208,957
Total equity attributable to owners of the Group		1,367,807	1,307,217
Non-controlling interest		7	6
<b>Total equity</b>		<b>1,367,814</b>	<b>1,307,223</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,999,141</b>	<b>9,234,758</b>

On behalf of the Management Board:

**Umut B. Shayakhmetova**  
Chairperson of the Board

16 November 2020  
Almaty, Kazakhstan

**Dana S. Talzhanova**  
Deputy Chief Accountant

16 November 2020  
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.



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

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

Notes	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Interest income calculated using effective interest method	20, 32	176,613	172,891	529,695
Other interest income	20	3,926	2,414	10,692
Interest expense	20, 32	(87,943)	(73,198)	(239,368)
<b>NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE</b>	20	92,596	102,107	301,019
Credit loss expense	5, 7, 8, 9, 10, 12	(1,996)	(8,454)	(35,902)
<b>NET INTEREST INCOME</b>		<b>90,600</b>	<b>93,653</b>	<b>265,117</b>
Fee and commission income	21	34,333	32,112	94,579
Fee and commission expense	21	(16,445)	(14,579)	(48,235)
<b>Fees and commissions, net</b>		<b>17,888</b>	<b>17,533</b>	<b>46,344</b>
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	22	878	11,564	4,713
Net realised gain from financial assets at fair value through other comprehensive income		1,332	1,648	3,486
Net gain/(loss) on foreign exchange operations	23	9,804	(2,076)	20,966
Insurance underwriting income	24	24,424	23,423	63,815
Share in profit of associate		1,636	1,620	4,656
Income on non-banking activities	26	5,398	3,725	18,922
Other income		1,929	218	6,403
<b>OTHER NON-INTEREST INCOME</b>		<b>45,401</b>	<b>40,122</b>	<b>122,961</b>
Operating expenses	25	(37,383)	(33,090)	(108,373)
Loss from impairment of non-financial assets		(572)	-	(4,219)
Recoveries of other credit loss expense/ (other credit loss expense)	19	11	1,394	(3,105)
Insurance claims incurred, net of reinsurance	24	(17,663)	(23,940)	(49,555)
<b>NON-INTEREST EXPENSES</b>		<b>(55,607)</b>	<b>(55,636)</b>	<b>(165,252)</b>
<b>INCOME BEFORE INCOME TAX EXPENSE</b>		<b>98,282</b>	<b>95,672</b>	<b>269,170</b>
Income tax expense	16	(9,629)	(8,513)	(24,523)
<b>NET PROFIT</b>		<b>88,653</b>	<b>87,159</b>	<b>244,647</b>
Attributable to:				
Non-controlling interest		1	-	1
Common shareholders		88,652	87,159	244,646
		<b>88,653</b>	<b>87,159</b>	<b>244,647</b>

### EARNINGS PER SHARE

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(in Kazakhstani Tenge)

Basic and diluted earnings per share	7.58	7.44	20.92	21.50
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On behalf of the Management Board:

Umud B. Shayakhmetova  
Chairperson of the Board

16 November 2020  
Almaty, Kazakhstan

Dana S. Talzhanova  
Deputy Chief Accountant

16 November 2020  
Almaty, Kazakhstan

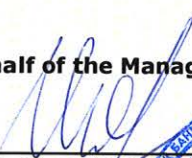
The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.



**Interim Condensed Consolidated Statement of Other Comprehensive Income for the Three and Nine Months ended 30 September 2020 (unaudited)**  
*(millions of Kazakhstani Tenge)*

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
<b>Net profit</b>	<b>88,653</b>	<b>87,159</b>	<b>244,647</b>	<b>251,388</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)	17	3	137	3
(Loss)/gain on revaluation of equity financial assets at fair value through other comprehensive income (net of tax – KZT Nil)	-	(474)	38	(101)
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	3,288	(1,623)	40	(3,113)
Share of other comprehensive income/(loss) of associate	443	(75)	(597)	544
Gain on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	6,814	9,409	12,353	35,847
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(1,332)	(1,648)	(3,486)	(4,047)
Other comprehensive income for the period	9,230	5,592	8,485	29,133
<b>Total comprehensive income</b>	<b>97,883</b>	<b>92,751</b>	<b>253,132</b>	<b>280,521</b>
Attributable to:				
Non-controlling interest	1	-	1	-
Common shareholders	97,882	92,751	253,131	280,521
<b>Total comprehensive income</b>	<b>97,883</b>	<b>92,751</b>	<b>253,132</b>	<b>280,521</b>

On behalf of the Management Board:

  
**Umut B. Shayakhmetova**  
Chairperson of the Board

16 November 2020  
Almaty, Kazakhstan

  
**Dana S. Talzhanova**  
Deputy Chief Accountant

16 November 2020  
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.

# JSC Halyk Bank



## Interim Condensed Consolidated Statement of Changes in Equity for the Nine Months ended 30 September 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	-	-	-	-	-	-	244,646	244,646	1	244,647
Other comprehensive income	-	-	-	40	8,308	137	-	8,485	-	8,485
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>8,308</b>	<b>137</b>	<b>244,646</b>	<b>253,131</b>	<b>1</b>	<b>253,132</b>
Treasury shares purchased	-	-	(4,540)	-	-	-	-	(4,540)	-	(4,540)
Treasury shares sold	-	1,850	9,868	-	-	-	-	11,718	-	11,718
Dividends – common shares	-	-	-	-	-	-	(199,778)	(199,778)	-	(199,778)
Recovery of reserves for bonuses to the insured	-	-	-	-	-	-	59	59	-	59
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(363)	363	-	-	-
<b>30 September 2020 (unaudited)</b>	<b>209,027</b>	<b>5,717</b>	<b>(109,306)</b>	<b>9,145</b>	<b>38,331</b>	<b>19,792</b>	<b>1,195,101</b>	<b>1,367,807</b>	<b>7</b>	<b>1,367,814</b>



**Interim Condensed Consolidated Statement of Changes in Equity  
for the Nine Months ended 30 September 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 comprehensive 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	-	-	-	-	-	-	251,388	251,388	-	251,388
Other comprehensive (loss)/income	-	-	-	(3,113)	32,243	3	-	29,133	-	29,133
<b>Total comprehensive (loss)/ income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,113)</b>	<b>32,243</b>	<b>3</b>	<b>251,388</b>	<b>280,521</b>	<b>-</b>	<b>280,521</b>
Treasury shares purchased	-	-	(215)	-	-	-	-	(215)	-	(215)
Treasury shares sold	-	1,657	5,121	-	-	-	-	6,778	-	6,778
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	-	-	-	-	-	(668)	668	-	-	-
<b>30 September 2019 (unaudited)</b>	<b>209,027</b>	<b>3,496</b>	<b>(106,535)</b>	<b>6,544</b>	<b>27,439</b>	<b>20,305</b>	<b>1,066,506</b>	<b>1,226,782</b>	<b>6</b>	<b>1,226,788</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:

  
**Umur B. Shayakhmetova**  
Chairperson of the Board

16 November 2020  
Almaty, Kazakhstan

  
**Dana S. Talzhanova**  
Deputy Chief Accountant

16 November 2020  
Almaty, Kazakhstan

The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Cash Flows  
for the Nine Months ended 30 September 2020 (unaudited)**  
*(millions of Kazakhstani Tenge)*

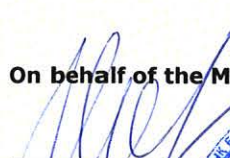
	<b>Nine months ended 30 September 2020 (unaudited)</b>	<b>Nine months ended 30 September 2019 (unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Interest received from financial assets at fair value through profit or loss	7,476	4,361
Interest received from cash equivalents and amounts due from credit institutions	16,117	31,761
Interest received on financial assets at fair value through other comprehensive income	33,512	34,700
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	98,299	93,170
Interest received from loans to customers	311,852	327,412
Interest paid on due to customers	(164,936)	(164,942)
Interest paid on due to credit institutions	(7,443)	(2,974)
Interest paid on debt securities issued	(42,235)	(41,429)
Fee and commission received	92,945	89,796
Fee and commission paid	(48,511)	(39,305)
Insurance underwriting income received	57,620	57,325
Ceded insurance share paid	(551)	(2,592)
Payment for derivative operations	(3,912)	(10,256)
Other income received	25,325	21,527
Operating expenses paid	(93,456)	(85,079)
Insurance claims paid	(32,491)	(44,561)
Cash flows from operating activities before changes in net operating assets	249,611	268,914
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(25,943)	(20,243)
Financial assets at fair value through profit or loss	(29,471)	47,831
Amounts due from credit institutions	(138,898)	6,717
Loans to customers	(334,822)	(151,686)
Assets held-for-sale	24,563	10,967
Insurance assets	8,892	(1,598)
Other assets	(20,528)	(10,429)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	315,062	(321,761)
Amounts due to credit institutions	(43,010)	168,623
Financial liabilities at fair value through profit or loss	(19,402)	(5,034)
Insurance liabilities	(9,849)	17,961
Other liabilities	12,910	18,649
<b>Net cash (outflow)/inflow from operating activities before income tax</b>	<b>(10,885)</b>	<b>28,911</b>
Income tax paid	(31,281)	(7,704)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(42,166)</b>	<b>21,207</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase and prepayment for property and equipment and intangible assets	(18,303)	(12,771)
Proceeds on sale of property and equipment	112	1,980
Proceeds on sale of commercial property	23,996	21,169
Proceeds on sale of financial assets at fair value through other comprehensive income	762,315	320,018
Purchase of financial assets at fair value through other comprehensive income	(188,913)	(94,635)
Proceeds on sale of investment property	1,116	4,052
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(32,041)	(206,927)
Proceeds from sale and maturity of debt securities at amortized cost, net of allowance for expected credit losses	14,986	52,591
Capital expenditures on commercial property	(554)	(342)
<b>Net cash inflow from investing activities</b>	<b>562,714</b>	<b>85,135</b>



**Interim Condensed Consolidated Statement of Cash Flows  
(continued)  
for the Nine Months ended 30 September 2020 (unaudited)  
(millions of Kazakhstani Tenge)**

	Notes	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds on sale of treasury shares		11,718	6,778
Purchase of treasury shares		(4,540)	(215)
Redemption and repayment of debt securities issued	15	-	(9,836)
Dividends paid – common shares		(199,778)	(125,923)
Repayment of the lease liabilities		(1,272)	(1,149)
<b>Net cash outflow from financing activities</b>		<b>(193,872)</b>	<b>(130,345)</b>
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		214,946	2,269
<b>Net change in cash and cash equivalents</b>		<b>541,622</b>	<b>(21,734)</b>
<b>CASH AND CASH EQUIVALENTS, beginning of the period</b>	<b>5</b>	<b>1,664,337</b>	<b>1,755,138</b>
<b>CASH AND CASH EQUIVALENTS, end of the period</b>	<b>5</b>	<b>2,205,959</b>	<b>1,733,404</b>

On behalf of the Management Board:

  
**Umut B. Shayakhmetova**  
Chairperson of the Board

16 November 2020  
Almaty, Kazakhstan



  
**Dana S. Talzhanova**  
Deputy Chief Accountant

16 November 2020  
Almaty, Kazakhstan



The notes on pages 10 to 57 form an integral part of this interim condensed consolidated financial information.



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 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 September 2020, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 469 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 September 2020, the number of the Group's full-time equivalent employees was 16,054 (31 December 2019 – 16,387).

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2020 was authorized for issuance by the Management Board on 16 November 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.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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During the nine months ended 30 September 2020, the average price of Brent crude oil was approximately 44.54 USD/bbl. (61.21 USD/bbl. during the nine months ended 30 September 2019). Based on the results of the third quarter of 2020, Kazakhstan's GDP decreased by 2.8% in annual terms. The negative impact of the COVID-19 pandemic on the economy of Kazakhstan persists, however, there is an improvement in certain sectors due to the relaxation of quarantine measures and government support. In September 2020, a positive contribution was made by the manufacturing industry (2.9%), agriculture (5.1%), construction (24.2%), information and communications (7.3%). In trade sector, for the first time since March 2020, an increase of 2.7% was recorded. The main negative contribution to the GDP dynamics was made by the mining industry (-7.7%) and transport (-23.1%). At the end of September 2020, annual inflation is below the expectations of the National Bank of the Republic of Kazakhstan (the "NBRK") at 7.0% (in August 2020 - 7.0%).

As at 30 September 2020, the base rate set by the NBRK was 9.0% ± 2% (9.25% ± 1% as at 30 September 2019). In October 2020, the NBRK left the base rate unchanged at 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.

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 nine months ended 30 September 2020 and affected its financial performance by higher credit loss expenses as compared to prior period.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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.

The 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 September 2020 and 31 December 2019, the Group's shares were represented by common shares only.

As at 30 September 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 September 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	2,987,409,480	25.5%
Other	411,413,888	3.6%
<b>Total shares in circulation (on consolidated basis)</b>	<b>11,700,416,336</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.



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 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 September 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

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

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 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 nine months ended 30 September 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.

#### **Change in presentation of consolidated statement of financial position**

The Management of the Group decided to change the presentation of certain line items in the consolidated statement of financial position. The line items "Goodwill", "Precious metals", and "Investments in associates" were reclassified to "Other assets" line item in the consolidated statement of financial position as at 31 December 2019 to conform to the current period presentation.

#### **Change in presentation of consolidated statement of profit or loss**

The management made decision to revise the presentation of certain line items on its consolidated statement of profit or loss to enhance its format and provide reliable and more relevant information. The historical comparative information for the nine months ended 30 September 2019 has been revised to conform to the current presentation. Current presentation of consolidated statement of profit or loss includes line item "Income on non-banking activities" which were previously presented as part of the "Other income" line item in the consolidated statement of profit or loss.

### 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.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
(millions of Kazakhstani Tenge)

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 nine months ended 30 September 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.

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 during the nine months ended 30 September 2020.

The table below summarizes the principal macroeconomic indicators included in economic scenarios as at 30 September 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	30 September 2020 (unaudited)		31 December 2019
	Definition	Range	Range
<b>NBRK base rate</b>	% change	Between 9.0% and 12.0%	Between 9.75% and 13.0%
<b>Inflation</b>	Inflation %	Between 8.1% and 9.7%	Between 5.8% and 10.4%
<b>Oil price</b>	Price per barrel	Between USD 20 and USD 40	Between USD 45 and USD 55
<b>GDP</b>	% change	Between (1.1)% and (3.1)%	Between 2.4% and 3.6%

## 5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2020 (unaudited)	31 December 2019
Cash on hand	232,969	180,553
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	183,529	155,818
Short-term deposits with OECD based banks	198,583	595,229
Overnight deposits with OECD based banks	121,697	15,731
Correspondent accounts with NBRK	19,580	418,688
Short-term deposits with NBRK	1,360,464	191,337
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	65,903	58,331
Correspondent accounts with non-OECD based banks	16,152	18,341
Short-term deposits with non-OECD based banks	5,943	26,459
Overnight deposits with non-OECD based banks	1,139	3,850
<b>Total cash and cash equivalents</b>	<b>2,205,959</b>	<b>1,664,337</b>

As at 30 September 2020 and 31 December 2019, allowance for expected credit losses on short-term deposits included in cash and cash equivalents comprised KZT 63 million and KZT 20 million, respectively.



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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

	<b>30 September 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>KZT</b>	<b>Foreign currencies</b>	<b>KZT</b>	<b>Foreign currencies</b>
Short-term deposits with OECD based banks	-	0.1%	-	1.0%-2.5%
Overnight deposits with OECD based banks	-	0.1%-1.0%	-	1.3%
Short-term deposits with NBRK	-	0.3%	-	0.5%
Short-term deposits with Kazakhstan banks	7.5%-10.1%	0.3%-2.8%	8.8%-12.8%	1.5%-3.9%
Short-term deposits with non-OECD based banks	-	5.0%-15.0%	-	4.1%-9.0%
Overnight deposits with non-OECD based banks	-	7.3%	7.0%	2.0%-9.2%

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 September 2020 and 31 December 2019 are as follows:

	<b>30 September 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Carrying amount of loans</b>	<b>Fair value of collateral</b>	<b>Carrying amount of loans</b>	<b>Fair value of collateral</b>
Treasury bills of the Ministry of Finance of Kazakhstan	26,626	26,630	8,192	8,514
Notes of NBRK	20,200	20,293	15,425	15,901
Treasury bills of the Russian Federation	16,427	17,968	-	-
Bonds of Kazakhstan corporations	1,440	1,521	10,008	10,930
Eurobonds of the Russian Federation	992	1,059	18,625	18,929
Equity securities	173	172	140	186
Bonds of international financial organizations	45	46	5,056	5,618
Treasury bills of the Kyrgyz Republic	-	-	885	910
	<b>65,903</b>	<b>67,689</b>	<b>58,331</b>	<b>60,988</b>

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

The movements in accumulated allowances for expected credit losses of cash and cash equivalents were as follows:

	<b>Three months ended 30 September 2020 (unaudited)</b>	<b>Three months ended 30 September 2019 (unaudited)</b>	<b>Nine months ended 30 September 2020 (unaudited)</b>	<b>Nine months ended 30 September 2019 (unaudited)</b>
	<b>Stage 1</b>	<b>Stage 1</b>	<b>Stage 1</b>	<b>Stage 1</b>
At the beginning of the period	(23)	(13)	(20)	(9)
Changes in risk parameters	(33)	(6)	(34)	(7)
Foreign exchange differences and other movements	(7)	2	(9)	(1)
<b>At the end of the period</b>	<b>(63)</b>	<b>(17)</b>	<b>(63)</b>	<b>(17)</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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

Financial assets at fair value through profit or loss comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Financial assets held for trading:</b>		
Corporate bonds	99,093	89,587
Bonds of foreign organizations	27,177	11,403
Bonds of JSC Development Bank of Kazakhstan	25,679	14,843
Treasury bills of the Ministry of Finance of Kazakhstan	24,218	9,569
Equity securities of Kazakhstan corporations	14,320	20,866
Equity securities of foreign organizations	12,160	8,634
Treasury bills of the Russian Federation	10,468	-
Bonds of Kazakhstan banks	9,796	9,523
Derivative financial instruments	6,445	5,088
Treasury bills of the Republic of Turkey	1,979	-
Eurobonds of Arab Republic of Egypt	1,313	-
Treasury bills of the USA	979	14,088
Notes of NBRK	-	1,430
<b>Total financial assets at fair value through profit or loss</b>	<b>233,627</b>	<b>185,031</b>

Financial liabilities at fair value through profit or loss comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Financial liabilities at fair value through profit or loss:</b>		
Derivative financial instruments	1,125	20,444

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:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Corporate bonds	10.5%	10.7%
Bonds of foreign organizations	5.6%	8.9%
Bonds of JSC Development Bank of Kazakhstan	10.5%	9.1%
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	9.1%
Treasury bills of the Russian Federation	3.4%	-
Bonds of Kazakhstan banks	11.4%	11.5%
Treasury bills of the Republic of Turkey	5.8%	-
Eurobonds of Arab Republic of Egypt	8.1%	-
Treasury bills of the USA	0.4%	1.9%
Notes of NBRK	-	9.4%

Derivative financial instruments comprise:

	<b>30 September 2020 (unaudited)</b>			<b>31 December 2019</b>		
	<b>Notional amount</b>	<b>Fair value</b>		<b>Notional amount</b>	<b>Fair value</b>	
		<b>Asset</b>	<b>Liability</b>		<b>Asset</b>	<b>Liability</b>
<b>Foreign currency contracts:</b>						
Swaps	210,561	6,205	(960)	947,346	4,642	(19,983)
Spots	68,102	240	(165)	29,903	446	(461)
Forwards	-	-	-	2,383	-	-
		<b>6,445</b>	<b>(1,125)</b>		<b>5,088</b>	<b>(20,444)</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

As at 30 September 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:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Term deposits and restricted accounts	160,895	26,186
Loans to credit institutions	30,632	13,733
Deposits pledged as collateral	20,478	13,409
	<b>212,005</b>	<b>53,328</b>
Less – Allowance for expected credit losses	(122)	(167)
<b>Total amounts due from credit institutions</b>	<b>211,883</b>	<b>53,161</b>

As at 30 September 2020, term deposits and restricted accounts include the restricted current accounts with the NBRK received by the Bank within the framework of participation in the program of concessional lending to small and medium-sized enterprises (the "Program") in the amount of KZT 73,093 million (Note 10).

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

	<b>30 September 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Interest rate</b>	<b>Maturity, year</b>	<b>Interest rate</b>	<b>Maturity, year</b>
Term deposits and restricted accounts	0.1%-14.0%	2020-2021	0.1%-14.0%	2020-2023
Loans to credit institutions	0.2%-5.2%	2020-2023	1.5%-6.2%	2020
Deposits pledged as collateral	0.2%-3.0%	2020-2046	0.2%-3.0%	2046

The movements in accumulated allowances for expected credit losses of amounts due from credit institutions were as follows:

	<b>Three months ended 30 September 2020 (unaudited) Stage 1</b>	<b>Three months ended 30 September 2019 (unaudited) Stage 1</b>	<b>Nine months ended 30 September 2020 (unaudited) Stage 1</b>	<b>Nine months ended 30 September 2019 (unaudited) Stage 1</b>
At the beginning of the period	(64)	(181)	(167)	(232)
Changes in risk parameters	(45)	21	51	70
Foreign exchange differences and other movements	(13)	(5)	(6)	(3)
<b>At the end of the period</b>	<b>(122)</b>	<b>(165)</b>	<b>(122)</b>	<b>(165)</b>



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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

Debt securities comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Treasury bills of the Ministry of Finance of Kazakhstan	687,266	431,344
Corporate bonds	141,759	199,517
Bonds of foreign organisations	126,611	96,701
Bonds of JSC Development Bank of Kazakhstan	107,565	78,904
Notes of NBRK	82,514	466,821
Treasury bills of Hungary	12,779	9,061
Eurobonds of Saudi Arabia	10,229	-
Eurobonds of the Republic of Indonesia	4,864	-
Eurobonds of Russian Federation	4,362	-
Bonds of Kazakhstan banks	3,322	3,169
Eurobonds of the Emirate of Abu Dhabi	2,316	-
Eurobonds of South African Republic	1,349	-
Treasury bills of the USA	-	342,889
	<b>1,184,936</b>	<b>1,628,406</b>

Equity securities comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Equity securities of Kazakhstan corporations	5,771	2,515
	<b>5,771</b>	<b>2,515</b>
<b>Total financial assets at fair value through other comprehensive income</b>	<b>1,190,707</b>	<b>1,630,921</b>

As at 30 September 2020 and 31 December 2019, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 1,875 million and KZT 1,658 million, respectively (Note 9).

As at 30 September 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 20,203 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 September 2020 and 31 December 2019 matured before 14 October 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.

	<b>30 September 2020 (unaudited)</b>		<b>31 December 2019</b>	
Treasury bills of the Ministry of Finance of Kazakhstan	4.5%	2020-2045	4.8%	2020-2045
Corporate bonds	10.9%	2021-2047	8.5%	2020-2047
Bonds of foreign organizations	4.6%	2020-2030	5.9%	2020-2036
Bonds of JSC Development Bank of Kazakhstan	5.9%	2022-2032	5.7%	2022-2032
Notes of NBRK	9.7%	2020	9.2%	2020
Treasury bills of Hungary	3.1%	2023	3.2%	2023
Eurobonds of Saudi Arabia	1.4%	2025	-	-
Eurobonds of the Republic of Indonesia	1.3%	2025	-	-
Eurobonds of Russian Federation	3.9%	2021	-	-
Bonds of Kazakhstan banks	11.7%	2022-2023	10.9%	2020-2023
Eurobonds of the Emirate of Abu Dhabi	1.0%	2025	-	-
Eurobonds of South African Republic	5.9%	2030	-	-
Treasury bills of the USA	-	-	2.1%	2020

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

During the nine months ended 30 September 2020, net gain on revaluation of debt financial assets at fair value through other comprehensive income amounted to KZT 12,353 million, primarily driven by the reduction of the NBRK's base rate from 12.0% to 9.0% in the period, that resulted in positive revaluation of Treasury bills of the Ministry of Finance of Kazakhstan and Notes of the NBRK.

**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:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Treasury bills of the Ministry of Finance of Kazakhstan	1,021,801	1,044,902
Corporate bonds	174,951	156,685
Treasury bills of the Kyrgyz Republic	4,921	4,667
Notes of National Bank of Georgia	2,285	1,906
Bonds of foreign organizations	1,940	1,946
Notes of National Bank of Kyrgyz Republic	39	904
Notes of National Bank of Tajikistan	-	1,971
<b>Total debt securities at amortized cost, net of allowances for expected credit losses</b>	<b>1,205,937</b>	<b>1,212,981</b>

As at 30 September 2020 and 31 December 2019, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 570 million and KZT 562 million, respectively.

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.

	<b>30 September 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Interest rate, %</b>	<b>Maturity, year</b>	<b>Interest rate, %</b>	<b>Maturity, year</b>
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	6.0%	2020-2024	4.9%	2020-2021
Notes of National Bank of Georgia	9.1%	2024-2028	10.6%	2020-2025
Bonds of foreign organizations	8.0%	2021-2025	9.1%	2020-2026
Notes of National Bank of Kyrgyz Republic	5.1%	2020	5.2%	2020
Notes of National Bank of Tajikistan	-	-	13.5%	2020

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

(millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of debt securities at amortized cost, net of allowances for expected credit losses and financial assets at fair value through other comprehensive income were as follows:

	Three months ended 30 September 2020 (unaudited)			Three months ended 30 September 2019 (unaudited)			Nine months ended 30 September 2020 (unaudited)			Nine months ended 30 September 2019 (unaudited)			
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>At the beginning of the period</b>	<b>(1,207)</b>	<b>(1,152)</b>	<b>(2,359)</b>	<b>(1,127)</b>	<b>(2,165)</b>	<b>(3,292)</b>	<b>(1,185)</b>	<b>(1,035)</b>	<b>(2,220)</b>	<b>(1,101)</b>	<b>(21)</b>	<b>(1,881)</b>	<b>(3,003)</b>
Changes in risk parameters*	57	(54)	3	(80)	(523)	(603)	158	(170)	(12)	(41)	21	(807)	(827)
New originations or purchases of financial assets*	(69)	-	(69)	(131)	-	(131)	(187)	-	(187)	(299)	-	-	(299)
Derecognition of financial assets*	8	-	8	29	-	29	16	-	16	129	-	-	129
Write-offs	-	-	-	-	766	766	-	-	-	-	-	766	766
Foreign exchange differences and other movements	(29)	1	(28)	(8)	-	(8)	(42)	-	(42)	(5)	-	-	(5)
<b>At the end of the period</b>	<b>(1,240)</b>	<b>(1,205)</b>	<b>(2,445)</b>	<b>(1,317)</b>	<b>(1,922)</b>	<b>(3,239)</b>	<b>(1,240)</b>	<b>(1,205)</b>	<b>(2,445)</b>	<b>(1,317)</b>	<b>-</b>	<b>(1,922)</b>	<b>(3,239)</b>

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



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

## 10. Loans to customers

Loans to customers comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Originated loans to customers	4,643,208	4,143,692
Overdrafts	13,525	17,471
	<b>4,656,733</b>	<b>4,161,163</b>
Stage 1	3,777,561	3,338,205
Stage 2	189,968	159,120
Stage 3	604,053	586,025
Purchased or originated credit-impaired assets ("POCI")	85,151	77,813
<b>Total</b>	<b>4,656,733</b>	<b>4,161,163</b>
Less – Allowance for expected credit losses	(450,712)	(408,718)
<b>Total loans to customers</b>	<b>4,206,021</b>	<b>3,752,445</b>

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. For the nine months ended 30 September 2020, the average interest rate on loans was 12.5% per annum (for the nine months ended 30 September 2019 – 12.7% per annum).

As at 30 September 2020, the Group's loan concentration to the ten largest borrowers was KZT 904,157 million, which comprised 19% of the Group's total gross loan portfolio (as at 31 December 2019 – KZT 775,224 million, 19%) and 66% of the Group's total equity (as at 31 December 2019 – 66%).

As at 30 September 2020, the allowance for expected credit losses against these loans amounted to KZT 63,244 million (as at 31 December 2019 – KZT 58,782 million).

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

	<b>30 September 2020 (unaudited)</b>	<b>%</b>	<b>31 December 2019</b>	<b>%</b>
Retail loans:				
- consumer loans	1,010,462	22%	810,438	19%
- mortgage loans	267,458	6%	256,053	6%
	<b>1,277,920</b>		<b>1,066,491</b>	
Services	628,196	13%	567,589	14%
Wholesale trade	418,250	9%	427,760	10%
Real estate	312,625	7%	293,923	7%
Retail trade	252,164	5%	271,342	7%
Oil and gas	215,215	5%	207,410	5%
Construction	201,584	4%	190,814	5%
Transportation	193,820	4%	166,824	4%
Energy	192,445	4%	67,655	2%
Mining	170,206	4%	169,167	4%
Agriculture	169,191	4%	139,110	3%
Metallurgy	162,643	3%	172,245	4%
Communication	105,899	2%	91,678	2%
Financial services	82,594	2%	90,871	2%
Food industry	73,060	2%	65,799	2%
Hotel industry	46,906	1%	41,879	1%
Machinery	43,150	1%	44,199	1%
Chemical industry	33,500	1%	30,312	1%
Light industry	22,849	0%	19,204	0%
Other	54,516	1%	36,891	1%
	<b>4,656,733</b>	<b>100%</b>	<b>4,161,163</b>	<b>100%</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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The Bank derecognises a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated in such a way that it effectively becomes a new loan and the difference is recognized as a gain or loss on derecognition before an impairment loss is recognized. On initial recognition, loans to customers are classified in Stage 1 for the purpose of estimating expected credit losses, unless the loan originated is considered POCI. If the modification does not result in a significant change in cash flows, then derecognition does not occur.

For the nine months then ended 30 September 2020, the Bank modified the terms of certain loans to customers, including granting credit holidays, as part of measures introduced by governments in response to the impact of the COVID-19 pandemic. The Bank has provided a deferral of payments for up to three months on loans to customers of small, medium and retail businesses in connection with the introduction of quarantine due to the COVID-19 pandemic. As at 30 September 2020, the gross carrying amount of these loans to customers before allowance for expected credit losses was KZT 321,551 million.

Generally, these measures have not automatically been treated as a trigger for credit impairment as those were based on legislative moratoria on loan repayments applied in light of the Covid-19 crisis. However, any further extensions requested by borrowers following the credit holidays were considered by the Group as credit impairment trigger for retail customers and a trigger for stage reassessment for corporate clients.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
(millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of loans to customers were as follows

	Three months ended 30 September 2020 (unaudited)					Nine months ended 30 September 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>At the beginning of the period</b>	<b>(57,117)</b>	<b>(41,929)</b>	<b>(305,247)</b>	<b>(40,292)</b>	<b>(444,585)</b>	<b>(36,305)</b>	<b>(45,797)</b>	<b>(302,834)</b>	<b>(23,782)</b>	<b>(408,718)</b>
Transfer to Stage 1	(1,393)	220	1,173	-	-	(4,176)	1,378	2,798	-	-
Transfer to Stage 2	525	(747)	222	-	-	1,079	(3,209)	2,130	-	-
Transfer to Stage 3	1,229	14	(1,243)	-	-	4,123	4,610	(8,733)	-	-
Changes in risk parameters*	16,003	(1,567)	(19,052)	5,601	985	10,555	(1,433)	(36,983)	2,498	(25,363)
New originations or purchases of financial assets*	(13,984)	-	-	-	(13,984)	(33,755)	-	-	-	(33,755)
Derecognition of financial assets**	4,026	521	6,020	218	10,785	7,856	902	19,047	383	28,188
Recoveries of allowances on previously written-off assets	-	-	(1,426)	(5,846)	(7,272)	-	-	(3,148)	(16,681)	(19,829)
Write-offs	-	-	5,215	48	5,263	-	-	15,287	829	16,116
Foreign exchange differences and other movements	(471)	4	(74)	(1,363)	(1,904)	(559)	65	(1,976)	(4,881)	(7,351)
<b>At the end of the period</b>	<b>(51,182)</b>	<b>(43,484)</b>	<b>(314,412)</b>	<b>(41,634)</b>	<b>(450,712)</b>	<b>(51,182)</b>	<b>(43,484)</b>	<b>(314,412)</b>	<b>(41,634)</b>	<b>(450,712)</b>

	Three months ended 30 September 2019 (unaudited)					Nine months ended 30 September 2019 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
<b>At the beginning of the period</b>	<b>(33,766)</b>	<b>(44,318)</b>	<b>(321,603)</b>	<b>(16,994)</b>	<b>(416,681)</b>	<b>(43,516)</b>	<b>(28,716)</b>	<b>(322,917)</b>	<b>(14,644)</b>	<b>(409,793)</b>
Transfer to Stage 1	(6,164)	4,511	1,653	-	-	(11,003)	6,711	4,292	-	-
Transfer to Stage 2	468	(10,387)	9,919	-	-	2,512	(26,121)	23,609	-	-
Transfer to Stage 3	15,523	772	(16,295)	-	-	46,471	3,290	(49,761)	-	-
Changes in risk parameters*	4,063	7,634	(419)	(6,560)	4,718	14,017	2,265	(8,826)	(9,959)	(2,503)
New originations or purchases of financial assets*	(19,996)	-	-	-	(19,996)	(55,416)	-	-	-	(55,416)
Derecognition of financial assets**	3,596	647	1,474	1,296	7,013	10,528	1,364	23,632	5,268	40,792
Recoveries of allowances on previously written-off assets	-	-	(230)	(1,100)	(1,330)	-	-	(10,621)	(4,650)	(15,271)
Write-offs	-	-	2,138	195	2,333	-	-	18,116	1,312	19,428
Foreign exchange differences and other movements	(231)	(216)	228	(93)	(312)	(100)	(150)	(659)	(583)	(1,492)
<b>At the end of the period</b>	<b>(36,507)</b>	<b>(41,357)</b>	<b>(323,135)</b>	<b>(23,256)</b>	<b>(424,255)</b>	<b>(36,507)</b>	<b>(41,357)</b>	<b>(323,135)</b>	<b>(23,256)</b>	<b>(424,255)</b>

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

\*\*/\*\* Derecognition of financial assets includes changes in the amount of provisions for fully repaid loans to customers

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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During the nine months ended 30 September 2020 and 2019, the Group has written off loans of KZT 16,116 million and KZT 19,428 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.

As at 30 September 2020, accrued interest on loans comprised KZT 198,357 million (as at 31 December 2019 – KZT 165,444 million).

As at 30 September 2020 and 31 December 2019, loans to customers included loans in the amount of KZT 355,464 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 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 small and medium - sized enterprises ("SME") loans in their portfolio.

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. As at 30 September 2020, under the Program the Bank has financed 362 clients for the amount of KZT 111.7 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. As at 30 September 2020 the proportion of the SME portfolio that is covered by the support programs accounts for 61% of the unimpaired SME loan portfolio or KZT 346.7 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 nine months ended 30 September 2020, credit loss expense on loans to customers comprised KZT 30,930 million. Allowances for expected credit losses reflect the net impact of economic scenarios and the Government support programs with the increase on prior period primarily driven by updates to the Group's economic outlook following the coronavirus outbreak and coronavirus impacts on existing restructuring cases.



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Reinsurers' share of provisions	26,012	42,234
Unearned reinsurance premium	20,369	19,818
	<b>46,381</b>	<b>62,052</b>
Premiums receivable	12,118	19,957
<b>Total insurance assets</b>	<b>58,499</b>	<b>82,009</b>

Insurance liabilities comprised the following:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Reserves for insurance claims	157,672	173,052
Gross unearned insurance premium reserve	43,096	36,349
	<b>200,768</b>	<b>209,401</b>
Payables to reinsurers and agents	11,288	14,301
<b>Total insurance liabilities</b>	<b>212,056</b>	<b>223,702</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

## 12. Other assets

Other assets comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Other financial assets:</b>		
Debtors on banking activities	74,772	70,541
Financial lease receivables	19,081	21,514
Debtors on non-banking activities	17,001	29,006
Accrued commission income	6,713	5,168
Others	82	71
	<b>117,649</b>	<b>126,300</b>
Less – Allowance for expected credit losses	(28,069)	(23,876)
	<b>89,580</b>	<b>102,424</b>
<b>Other non-financial assets:</b>		
Investments in associates	30,791	26,732
Precious metals	18,020	9,248
Prepayments for investment property	12,743	5,813
Advances for taxes other than income tax	8,020	6,256
Prepayments for property and equipment	6,836	1,286
Goodwill	3,085	3,085
Inventory	2,349	2,268
Other investments	838	884
Others	3,353	2,682
	<b>86,035</b>	<b>58,254</b>
<b>Total other assets</b>	<b>175,615</b>	<b>160,678</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information  
for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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

	Three months ended 30 September 2020 (unaudited)				Nine months ended 30 September 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>At the beginning of the period</b>	<b>(915)</b>	<b>(3,127)</b>	<b>(25,027)</b>	<b>(29,069)</b>	<b>(809)</b>	<b>(2,502)</b>	<b>(20,565)</b>	<b>(23,876)</b>
Changes in risk parameters	(398)	(45)	797	354	(469)	(377)	(3,960)	(4,806)
Recoveries of allowances on previously written-off assets	-	-	(47)	(47)	-	-	(170)	(170)
Write-offs	2	-	787	789	3	-	1,182	1,185
Foreign exchange differences and other movements	14	101	(211)	(96)	(22)	(192)	(188)	(402)
<b>At the end of the period</b>	<b>(1,297)</b>	<b>(3,071)</b>	<b>(23,701)</b>	<b>(28,069)</b>	<b>(1,297)</b>	<b>(3,071)</b>	<b>(23,701)</b>	<b>(28,069)</b>

	Three months ended 30 September 2019 (unaudited)				Nine months ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>At the beginning of the period</b>	<b>(1,153)</b>	<b>(1,978)</b>	<b>(15,394)</b>	<b>(18,525)</b>	<b>(1,046)</b>	<b>(1,696)</b>	<b>(13,583)</b>	<b>(16,325)</b>
Changes in risk parameters	310	(775)	966	501	239	(773)	(2,545)	(3,079)
Write-offs	-	-	44	44	2	-	2,315	2,317
Foreign exchange differences and other movements	(18)	3	55	40	(56)	(281)	(516)	(853)
<b>At the end of the period</b>	<b>(861)</b>	<b>(2,750)</b>	<b>(14,329)</b>	<b>(17,940)</b>	<b>(861)</b>	<b>(2,750)</b>	<b>(14,329)</b>	<b>(17,940)</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**13. Amounts due to customers**

Amounts due to customers include the following:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Recorded at amortized cost:</b>		
<b>Term deposits:</b>		
Individuals	2,973,310	2,743,019
Legal entities	1,728,607	1,441,930
	<b>4,701,917</b>	<b>4,184,949</b>
<b>Current accounts:</b>		
Legal entities	1,815,712	1,713,267
Individuals	576,432	508,197
	<b>2,392,144</b>	<b>2,221,464</b>
<b>Total amounts due to customers</b>	<b>7,094,061</b>	<b>6,406,413</b>

As at 30 September 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. As at 30 September 2020, amounts due to customers included amounts held as collateral of KZT 71,744 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:

	<b>30 September 2020 (unaudited)</b>	<b>Share</b>	<b>31 December 2019</b>	<b>Share</b>
Individuals	3,549,742	50%	3,251,216	51%
Financial sector	685,746	10%	420,979	7%
Oil and gas	463,740	7%	581,486	9%
Consumer services	442,495	6%	423,489	7%
Wholesale trade	305,930	5%	345,563	5%
Construction	254,023	4%	234,289	4%
Healthcare and social services	236,280	3%	211,418	3%
Transportation	232,689	3%	215,466	3%
Government	229,966	3%	171,331	3%
Metallurgy	99,500	1%	70,805	1%
Communication	98,809	1%	61,178	1%
Insurance and pension funds activity	78,228	1%	76,594	1%
Education	73,210	1%	44,694	0%
Energy	50,893	1%	40,753	1%
Other	292,810	4%	257,152	4%
	<b>7,094,061</b>	<b>100%</b>	<b>6,406,413</b>	<b>100%</b>

As at 30 September 2020, term deposits of legal entities included short-term deposits from JSC Kazakhstan Sustainability Fund of KZT 106,907 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. 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).



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*(millions of Kazakhstani Tenge)*

**14. Amounts due to credit institutions**

Amounts due to credit institutions comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Recorded at amortized cost:</b>		
Loans from JSC Entrepreneurship Development Fund DAMU	89,774	91,001
Correspondent accounts	57,743	14,917
Loans from JSC Development Bank of Kazakhstan	47,267	45,245
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	43,001	127,237
Loans from other financial institutions	21,080	2,417
Loans and deposits from non-OECD based banks	7,931	6,005
Loans from JSC National Managing Holding KazAgro	197	197
Loans and deposits from OECD based banks	-	18,946
<b>Total amounts due to credit institutions</b>	<b>266,993</b>	<b>305,965</b>

As at 30 September 2020, loans from JSC Entrepreneurship Development Fund DAMU (“DAMU”) included long-term loans of KZT 89,074 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.

As at 30 September 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:

	<b>30 September 2020 (unaudited)</b>		<b>31 December 2019</b>	
	<b>Interest rate, %</b>	<b>Maturity, year</b>	<b>Interest rate, %</b>	<b>Maturity, year</b>
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2021-2035	1.0%-4.5%	2021-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2029-2037	1.0%-2.0%	2029-2037
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8.5%-11.1%	2020	9.0%-10.0%	2020
Loans from other financial institutions	2.0%-10.0%	2020-2026	4.0%-10.0%	2023-2026
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
Loans and deposits from OECD based banks	-	-	3.6%	2020

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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 September 2020 and 31 December 2019 are as follows:

	30 September 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	20,203	19,895	108,203	105,524
	<b>20,203</b>	<b>19,895</b>	<b>108,203</b>	<b>105,524</b>

Details of transferred financial assets that are not derecognized in their entirety as at 30 September 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.

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.

	Financial assets at fair value through other comprehensive income (Note 8)
<b>As at 30 September 2020 (unaudited):</b>	
Carrying amount of transferred assets	20,203
Carrying amount of associated liabilities	19,895
<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 September 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.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**15. Debt securities issued**

Debt securities issued consisted of the following:

	<b>30 September 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	90,585	81,463
<b>Total subordinated debt securities outstanding</b>	<b>90,585</b>	<b>81,463</b>
<b>Unsubordinated debt securities issued:</b>		
USD denominated bonds	484,916	422,786
KZT denominated bonds	327,942	330,197
GEL denominated bonds, fixed rate	786	-
<b>Total unsubordinated debt securities outstanding</b>	<b>813,644</b>	<b>752,983</b>
<b>Total debt securities issued</b>	<b>904,229</b>	<b>834,446</b>

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

	<b>30 September 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	-	-

As at 30 September 2020, the amount of accrued interest on debt securities issued was KZT 25,737 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 September 2020 (unaudited) and 31 December 2019, the Group was in compliance with the covenants.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**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 September 2020 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	834,446	-	57,474	12,309	904,229

	1 January 2019	Financing cash flows	Non-cash changes		30 September 2019 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	900,791	(9,836)	5,369	22,830	919,154

**16. Taxation**

The income tax expense comprises:

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Current tax charge	8,596	21,905	20,006	41,980
Deferred tax expense/(benefit) relating to origination and reversal of temporary differences	1,033	(13,392)	4,517	(16,228)
<b>Income tax expense</b>	<b>9,629</b>	<b>8,513</b>	<b>24,523</b>	<b>25,752</b>

The Group's effective income tax rate for the nine months ended 30 September 2020 was 9.1% (for the nine months ended 30 September 2019: 9.3%). The difference between the effective and theoretical income tax rates (20%) for the nine months ended 30 September 2020 is mainly caused by tax-exempt interest income and other related income on state and other qualifying 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.



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**17. Other liabilities**

Other liabilities comprise:

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
Liability arising from continuing involvement	38,234	26,167
Salary, bonuses and vacation accrual	17,584	19,243
Other prepayments received	12,873	8,144
Taxes payable other than income tax	5,871	5,394
Lease liabilities	5,116	4,871
Creditors on bank activities	4,393	1,266
Payable for general and administrative expenses	4,022	2,083
Creditors on non-banking activities	2,864	4,421
Advances received related to commercial property	2,477	5,252
Others	1,126	201
<b>Total other liabilities</b>	<b>94,560</b>	<b>77,042</b>

Liability arising from continuing involvement represents obligations to JSC Mortgage Organization “Baspana” (“Operator”) related to the state mortgage program “7-20-25” and other programs. In accordance with the conditions of this program, the Bank provides mortgage loans to borrowers and transfers rights of claim on loans to the Program Operator. In accordance with the program and trust management agreement, the Bank carries out trust management of transferred mortgage loans. The Bank is obliged to repurchase the rights of claims on transferred mortgage loans, when the loan principal amount and interest has an overdue of 90 days. Reverse repurchase is performed at the loan nominal value.

The Bank has determined that it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset transferred; however, the Bank has determined that it retains control over the assets transferred and continues recognizing thereof to the extent of continuing involvement in the assets transferred. The extent of the Bank’s continuing involvement is limited to maximum amount of the consideration received, that the Bank has to return as the Bank’s continuing involvement takes a form of the guarantee on the asset transferred. As the Bank continues to recognize the asset to the extent of its continuing involvement in loans to customers, the Bank also recognizes the associated liability. As at 30 September 2020 and 31 December 2019, principal amount of these loans were KZT 38,234 million and KZT 26,167 million, respectively.

**18. Equity**

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

	<b>Share capital authorized</b>	<b>Share capital authorized and not issued</b>	<b>Fully paid and issued share capital</b>	<b>Share capital repurchased</b>	<b>Outstanding shares</b>
<b>30 September 2020 (unaudited)</b>					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,747,128,446)	11,700,416,336
<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

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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	(1,839,255)	(215)
Sale of treasury shares	48,724,032	5,121
<b>30 September 2019 (unaudited)</b>	<b>11,726,641,206</b>	<b>102,492</b>
<b>31 December 2019</b>	<b>11,656,585,190</b>	<b>94,393</b>
Purchases of treasury shares	(44,009,317)	(4,540)
Sale of treasury shares	87,840,463	9,868
<b>30 September 2020 (unaudited)</b>	<b>11,700,416,336</b>	<b>99,721</b>

## Common shares

As at 30 September 2020 and 31 December 2019, share capital comprised KZT 209,027 million. As at 30 September 2020, the Group held 1,747,128,446 shares of the Group's common shares as treasury shares at KZT 109,306 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.

## 19. Commitments and contingencies

### Financial commitments and contingencies

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

	30 September 2020 (unaudited)	31 December 2019
Guarantees issued	426,456	408,027
Commitments to extend credit	51,059	53,151
Commercial letters of credit	42,956	68,312
<b>Financial commitments and contingencies</b>	<b>520,471</b>	<b>529,490</b>
Less: cash collateral against letters of credit	(22,875)	(33,453)
Less: provisions	(7,199)	(3,924)
<b>Financial commitments and contingencies, net</b>	<b>490,397</b>	<b>492,113</b>

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 September 2020, the ten largest guarantees accounted for 49% of the Group's total financial guarantees (as at 31 December 2019 – 59%) and represented 16% 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 September 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.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
(millions of Kazakhstani Tenge)

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 September 2020 (unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At the beginning of the period	(406)	(1,389)	(5,327)	(7,122)
Transfer to Stage 1 (Other credit loss expense)/recoveries of other credit loss expense	33	-	(33)	-
Foreign exchange differences	(91)	86	16	11
	(5)	(11)	(72)	(89)
<b>At the end of the period</b>	<b>(469)</b>	<b>(1,315)</b>	<b>(5,416)</b>	<b>(7,199)</b>

	<b>Nine months ended 30 September 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 1	33	-	(33)	-
Transfer to Stage 3	-	276	(276)	-
Other credit loss expense	(135)	(747)	(2,223)	(3,105)
Foreign exchange differences	(2)	(5)	(163)	(171)
<b>At the end of the period</b>	<b>(469)</b>	<b>(1,315)</b>	<b>(5,416)</b>	<b>(7,199)</b>

	<b>Three months ended 30 September 2019 (unaudited)</b>			
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
At the beginning of the period	(181)	(1,104)	(3,410)	(4,695)
Recoveries of other credit loss expense	4	307	1,083	1,394
Foreign exchange differences	(2)	9	38	45
<b>At the end of the period</b>	<b>(179)</b>	<b>(788)</b>	<b>(2,289)</b>	<b>(3,256)</b>

	<b>Nine months ended 30 September 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 (Other credit loss expense)/recoveries of other credit loss expense	-	38	(38)	-
Foreign exchange differences	(26)	234	(895)	(687)
	(1)	1	(23)	(23)
<b>At the end of the period</b>	<b>(179)</b>	<b>(788)</b>	<b>(2,289)</b>	<b>(3,256)</b>

## Capital commitments

As at 30 September 2020, the Group had commitments for capital expenditures in respect of construction in progress in the amount of KZT 8,575 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 September 2020 and 31 December 2019.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**20. Net interest income**

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
<b>Interest income:</b>				
Loans to customers	128,693	114,214	368,693	331,477
- <i>Corporate business</i>	56,093	50,770	162,475	150,902
- <i>Retail business</i>	53,512	47,362	150,829	134,597
- <i>SME business</i>	19,088	16,082	55,389	45,978
Debt securities at amortized cost, net of allowance for expected credit losses	24,776	23,517	74,181	70,345
Financial assets at fair value through other comprehensive income	16,868	24,860	64,847	84,903
Amounts due from credit institutions and cash and cash equivalents	4,813	7,753	15,889	31,650
Other financial assets	1,463	2,547	6,085	7,056
<b>Interest income calculated using effective interest method</b>	<b>176,613</b>	<b>172,891</b>	<b>529,695</b>	<b>525,431</b>
Financial assets at fair value through profit or loss	3,926	2,414	10,692	5,958
<b>Other interest income</b>	<b>3,926</b>	<b>2,414</b>	<b>10,692</b>	<b>5,958</b>
<b>Total interest income</b>	<b>180,539</b>	<b>175,305</b>	<b>540,387</b>	<b>531,389</b>
<b>Interest expense:</b>				
Amounts due to customers	(60,076)	(52,397)	(168,990)	(163,735)
- <i>Individuals</i>	(34,276)	(31,221)	(98,791)	(100,646)
- <i>Legal entities</i>	(25,800)	(21,176)	(70,199)	(63,089)
Debt securities issued	(18,902)	(19,134)	(54,544)	(64,259)
Other interest and similar expense	(7,017)	(357)	(7,804)	(7,526)
Amounts due to credit institutions	(1,827)	(1,309)	(7,673)	(3,351)
Other financial liabilities	(121)	(1)	(357)	(151)
<b>Total interest expense</b>	<b>(87,943)</b>	<b>(73,198)</b>	<b>(239,368)</b>	<b>(239,022)</b>
<b>Net interest income</b>	<b>92,596</b>	<b>102,107</b>	<b>301,019</b>	<b>292,367</b>

Other interest and similar expense includes loss on initial recognition of long-term financial accounts receivable.

The total interest income calculated using the EIR method for financial assets measured at amortised cost is KZT 159,745 million and KZT 464,848 million during the three and nine months ended 30 September 2020 (three and nine months ended 30 September 2019: KZT 148,031 million and KZT 440,528 million).



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**21. Fees and commissions**

Fee and commission income is derived from the following sources:

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Plastic card operations	18,047	16,760	49,494	45,609
Bank transfers - settlements	5,505	4,228	13,194	11,554
Cash operations	2,682	2,821	7,256	8,283
Letters of credit and guarantees issued	2,562	2,552	7,458	7,305
Servicing customers' pension payments	2,238	2,031	6,423	6,041
Bank transfers - salary projects	1,257	1,564	4,624	5,088
Maintenance of customer accounts	725	922	2,333	2,430
Other	1,317	1,234	3,797	3,486
<b>Total fee and commission income</b>	<b>34,333</b>	<b>32,112</b>	<b>94,579</b>	<b>89,796</b>

Fee and commission expense comprises the following:

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Payment cards	(12,764)	(10,032)	(35,109)	(26,239)
Deposit insurance	(2,801)	(2,967)	(8,493)	(8,837)
Bank transfers	(130)	(324)	(1,181)	(956)
Cash operations	(130)	(267)	(887)	(765)
Commission paid to collectors	(74)	(76)	(303)	(244)
Other	(546)	(913)	(2,262)	(2,294)
<b>Total fee and commission expense</b>	<b>(16,445)</b>	<b>(14,579)</b>	<b>(48,235)</b>	<b>(39,335)</b>

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

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

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
<b>Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:</b>				
Realized net gain/(loss) on derivative operations	4,456	(8,315)	115	(9,599)
Unrealized net (loss)/gain on derivative operations	(3,558)	16,137	8,624	(137)
Net (loss)/gain on trading operations	(20)	3,742	(4,026)	(1,189)
<b>Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading</b>	<b>878</b>	<b>11,564</b>	<b>4,713</b>	<b>(10,925)</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**23. Net gain/(loss) on foreign exchange operations**

Net gain/(loss) on foreign exchange operations comprises:

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Dealing, net	10,752	9,279	40,438	26,708
Translation differences, net	(948)	(11,355)	(19,472)	3,695
<b>Total net foreign exchange gain/(loss)</b>	<b>9,804</b>	<b>(2,076)</b>	<b>20,966</b>	<b>30,403</b>

**24. Insurance underwriting income/(expense)**

Insurance underwriting income/(expense) comprises:

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Insurance premiums written, gross	31,393	34,304	113,239	103,469
Ceded reinsurance share	(6,810)	(6,802)	(47,459)	(29,384)
Change in unearned insurance premiums, net	(159)	(4,079)	(1,965)	(6,622)
<b>Total insurance underwriting income</b>	<b>24,424</b>	<b>23,423</b>	<b>63,815</b>	<b>67,463</b>
Insurance payments	(9,036)	(1,322)	(16,374)	(12,128)
Insurance reserves expenses	(5,985)	(9,701)	(12,596)	(23,675)
Commissions to agents	(2,642)	(12,917)	(20,585)	(30,915)
<b>Total insurance claims incurred, net of reinsurance</b>	<b>(17,663)</b>	<b>(23,940)</b>	<b>(49,555)</b>	<b>(66,718)</b>
<b>Net insurance income/(expense)</b>	<b>6,761</b>	<b>(517)</b>	<b>14,260</b>	<b>745</b>

**25. Operating expenses**

Operating expenses comprised:

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Salaries and other employee benefits	21,612	20,385	61,929	57,170
Depreciation and amortization expenses	3,176	2,633	9,430	8,469
Taxes other than income tax	2,068	1,934	5,702	5,402
Advertisement and loyalty program expense	1,649	291	6,606	901
Communication	1,423	1,090	4,354	3,011
Information services	1,367	1,123	3,812	3,144
Security	1,223	1,317	3,641	3,274
Repairs and maintenance	1,220	586	2,488	2,412
Utilities expenses	648	1,017	2,808	3,052
Rent	598	824	1,953	2,460
Stationery and office supplies	418	398	1,298	1,108
Transportation	179	192	507	591
Professional services	134	213	707	529
Business trip expenses	90	377	368	968
Other	1,578	710	2,770	1,984
<b>Total operating expenses</b>	<b>37,383</b>	<b>33,090</b>	<b>108,373</b>	<b>94,475</b>

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

**26. Income on non-banking activities**

	Three months ended 30 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
Net gain on sale of commercial property	3,045	3,479	14,419	13,100
Net gain on sale of assets-held-for-sale	1,337	260	1,864	1,396
Other income on non-banking activities	947	1,019	2,513	2,795
Net gain/(loss) on sale of investment property	69	(1,033)	126	1,078
<b>Income on non-banking activities</b>	<b>5,398</b>	<b>3,725</b>	<b>18,922</b>	<b>18,369</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 September 2020 (unaudited)	Three months ended 30 September 2019 (unaudited)	Nine months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2019 (unaudited)
<b>Basic and diluted earnings per share</b>				
Net profit for the period attributable to equity holders of the parent	88,652	87,159	244,646	251,388
Earnings attributable to common shareholders	88,652	87,159	244,646	251,388
Weighted average number of common shares for the purposes of basic earnings per share	11,698,023,909	11,710,014,328	11,694,780,325	11,690,198,797
<b>Basic and diluted earnings per share (in Tenge)</b>	<b>7.58</b>	<b>7.44</b>	<b>20.92</b>	<b>21.50</b>

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

Class of shares	30 September 2020 (unaudited)		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,700,416,336	1,355,785	115.87
		<b>1,355,785</b>	
Class of shares	31 December 2019		
	Outstanding shares	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>	

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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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 third 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 September 2020.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information  
for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

	<b>30 September 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	2,202,903	3,056	-	-	-	2,205,959
Obligatory reserves	91,983	15,182	52,346	6,950	488	166,949
Financial assets at fair value through profit or loss	228,408	-	-	4,641	578	233,627
Amounts due from credit institutions	121,609	5,146	83,793	1,333	2	211,883
Financial assets at fair value through other comprehensive income	79,966	27,116	100,960	818,110	164,555	1,190,707
Debt securities at amortized cost, net of allowance for expected credit losses	59	423	25,033	679,712	500,710	1,205,937
Loans to customers	221,913	408,350	2,222,529	1,175,469	177,760	4,206,021
Other financial assets	19,152	6,595	3,069	48,028	12,736	89,580
	<b>2,965,993</b>	<b>465,868</b>	<b>2,487,730</b>	<b>2,734,243</b>	<b>856,829</b>	<b>9,510,663</b>
<b>FINANCIAL LIABILITIES:</b>						
Amounts due to customers	3,285,271	533,169	2,100,788	772,018	402,815	7,094,061
Amounts due to credit institutions	102,787	20,413	7,948	19,694	116,151	266,993
Financial liabilities at fair value through profit or loss	262	-	-	767	96	1,125
Debt securities issued	10,167	6,004	215,868	571,136	101,054	904,229
Other financial liabilities	51,163	1,582	2,808	100	103	55,756
	<b>3,449,650</b>	<b>561,168</b>	<b>2,327,412</b>	<b>1,363,715</b>	<b>620,219</b>	<b>8,322,164</b>
<b>Net position</b>	<b>(483,657)</b>	<b>(95,300)</b>	<b>160,318</b>	<b>1,370,528</b>	<b>236,610</b>	
<b>Accumulated gap</b>	<b>(483,657)</b>	<b>(578,957)</b>	<b>(418,639)</b>	<b>951,889</b>	<b>1,188,499</b>	



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information  
for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(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.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information  
for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

## Currency Risk

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

	<b>30 September 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	1,950,745	14,359	20,683	26,920	2,012,707	193,252	2,205,959
Obligatory reserves	92,741	7,571	1,552	3,143	105,007	61,942	166,949
Financial assets at fair value through profit or loss	41,589	541	22,259	2,667	67,056	166,571	233,627
Amounts due from credit institutions	95,452	23,379	-	313	119,144	92,739	211,883
Financial assets at fair value through other comprehensive income	575,930	124,656	4,453	-	705,039	485,668	1,190,707
Debt securities at amortized cost, net of allowance for expected credit losses	173,225	-	4,082	6,829	184,136	1,021,801	1,205,937
Loans to customers	907,832	26,040	66,398	48,570	1,048,840	3,157,181	4,206,021
Other financial assets	1,825	318	609	1,653	4,405	85,175	89,580
	<b>3,839,339</b>	<b>196,864</b>	<b>120,036</b>	<b>90,095</b>	<b>4,246,334</b>	<b>5,264,329</b>	<b>9,510,663</b>
<b>FINANCIAL LIABILITIES:</b>							
Amounts due to customers	3,335,109	133,286	49,614	63,083	3,581,092	3,512,969	7,094,061
Amounts due to credit institutions	33,864	2,518	59	5,444	41,885	225,108	266,993
Financial liabilities at fair value through profit or loss	3	-	864	86	953	172	1,125
Debt securities issued	484,915	-	-	787	485,702	418,527	904,229
Other financial liabilities	1,534	118	1,488	1,421	4,561	51,195	55,756
	<b>3,855,425</b>	<b>135,922</b>	<b>52,025</b>	<b>70,821</b>	<b>4,114,193</b>	<b>4,207,971</b>	<b>8,322,164</b>
<b>Net position – on balance</b>	<b>(16,086)</b>	<b>60,942</b>	<b>68,011</b>	<b>19,274</b>	<b>132,141</b>	<b>1,056,358</b>	<b>1,188,499</b>
<b>Net position – off-balance</b>	<b>94,590</b>	<b>(58,217)</b>	<b>(49,721)</b>	<b>(2,418)</b>	<b>(15,766)</b>	<b>23,553</b>	
<b>Net position</b>	<b>78,504</b>	<b>2,725</b>	<b>18,290</b>	<b>16,856</b>	<b>116,375</b>	<b>1,079,911</b>	

# JSC Halyk Bank



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information  
for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(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>	

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

## 29. Capital risk management

The Group's capital management objectives, which are a broader concept than the "equity" on the face of the consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by the NBRK;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined during the annual budgeting process, taking into account the above objectives, and is approved by the Management Board and the Board of Directors. As of the current date the capital adequacy of the Group is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Group and absorb losses as they arise. It consists of Common Equity Tier 1 capital ("CET 1 capital") and Additional Tier 1 capital, which includes common shares issued by the Group, share premium, retained earnings, other accrued comprehensive income and disclosed reserves and regulatory adjustments (deductions);
- Tier 2 capital, which is required to absorb losses in case of the Group's liquidation. This part of capital consists of instruments issued by the Group and deductions.

Risk-weighted assets are split into five different groups, based on the risk level of the investment and its possible impairment, and weighted according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments made to reflect the more contingent nature of the potential losses.

The below table summarises the regulatory capital composition and capital adequacy ratios of the Group for the periods ended 30 September 2020 and 31 December 2019. Individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	<b>30 September 2020 (unaudited)</b>	<b>31 December 2019</b>
<b>Composition of regulatory capital</b>		
<b>CET 1</b>		
Common shares, net of treasury shares	99,721	94,393
Share premium	5,717	3,867
Retained earnings of prior years	896,508	762,131
Net income for the current year	244,646	334,511
Accumulated disclosed reserves	53,948	53,170
Non-controlling interest	7	6
Property and financial assets at fair value through other comprehensive income revaluation reserves	52,546	44,679
Less: goodwill and intangible assets	(15,113)	(12,806)
Less: cumulative translation reserve	(9,145)	(9,105)
<b>Common Equity Tier 1 (CET 1) Capital</b>	<b>1,328,835</b>	<b>1,270,846</b>
<b>Additional tier 1</b>		
<b>Tier 2</b>		
Subordinated debt	90,585	81,463
<b>Total qualifying for Tier 2 capital</b>	<b>90,585</b>	<b>81,463</b>
<b>Total regulatory capital</b>	<b>1,419,420</b>	<b>1,352,309</b>
Risk weighted assets	5,841,098	6,163,775
<b>CET 1 capital adequacy ratio</b>	<b>22.8%</b>	<b>20.6%</b>
<b>Tier 1 capital adequacy ratio</b>	<b>22.8%</b>	<b>20.6%</b>
<b>Total capital adequacy ratio</b>	<b>24.3%</b>	<b>21.9%</b>

## **30. 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 nine months ended 30 September 2020 in comparison with the year ended 31 December 2019.

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



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
(millions of Kazakhstani Tenge)

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

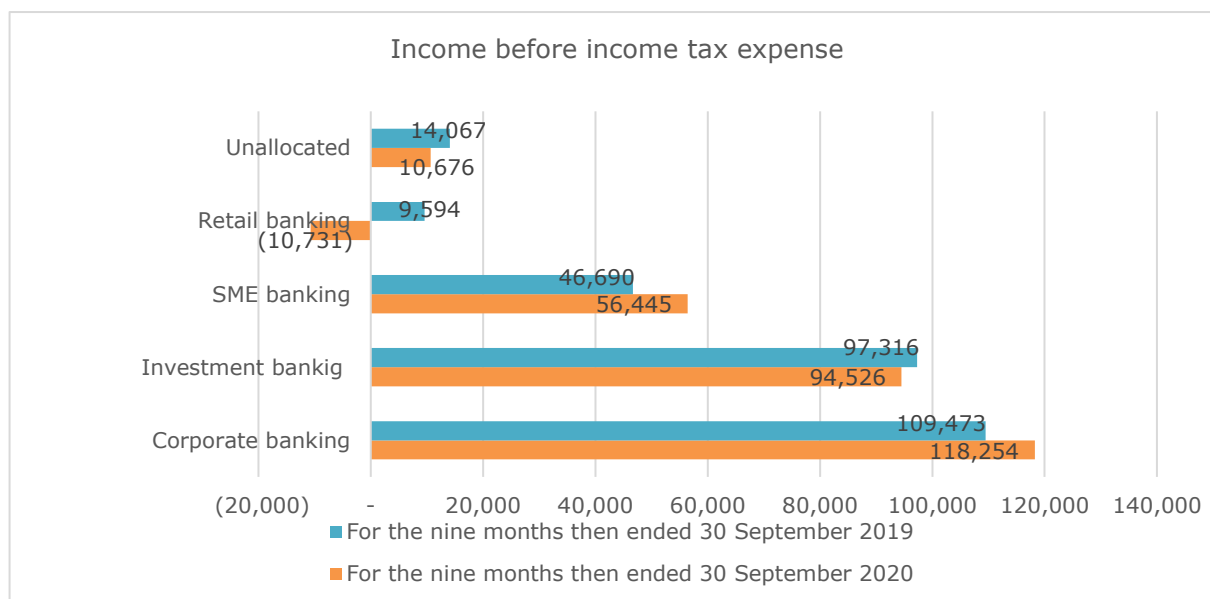
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
<b>As at 30 September 2020 and for the nine months then ended (unaudited)</b>						
External revenues	226,643	205,603	84,100	150,065	91,516	757,927
<b>Total revenues</b>	<b>226,643</b>	<b>205,603</b>	<b>84,100</b>	<b>150,065</b>	<b>91,516</b>	<b>757,927</b>
<b>Total revenues comprise:</b>						
- Interest income	150,828	184,450	55,389	149,720	-	540,387
- Fee and commission income, including:	66,608	10,041	15,852	-	2,078	94,579
<i>Plastic cards operations</i>	48,432	51	901	-	110	49,494
<i>Bank transfers - settlements</i>	5,602	2,060	5,488	-	44	13,194
<i>Cash operations</i>	828	1,103	5,311	-	14	7,256
<i>Letters of credit and guarantees issued</i>	12	5,821	1,603	-	22	7,458
<i>Servicing customers' pension payments</i>	6,423	-	-	-	-	6,423
<i>Bank transfers - salary projects</i>	4,624	-	-	-	-	4,624
<i>Maintenance of customer accounts</i>	229	105	1,999	-	-	2,333
<i>Other</i>	458	901	550	-	1,888	3,797
- Net gain/(loss) from financial assets at fair value through profit or loss	-	8,412	-	(3,701)	2	4,713
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	3,486	-	3,486
- Net gain/(loss) on foreign exchange operations	9,207	2,700	12,859	560	(4,360)	20,966
- Share in profit of associate	-	-	-	-	-	4,656
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	89,140	89,140
<b>Total revenues</b>	<b>226,643</b>	<b>205,603</b>	<b>84,100</b>	<b>150,065</b>	<b>91,516</b>	<b>757,927</b>
- Interest expense	(98,791)	(74,375)	(11,395)	(54,544)	(263)	(239,368)
- Credit loss expense	(24,344)	(2,010)	(6,172)	(133)	(3,243)	(35,902)
- Fee and commission expense	(44,351)	(2,941)	(434)	(151)	(358)	(48,235)
- Operating expenses	(69,895)	(4,818)	(9,826)	(711)	(23,123)	(108,373)
- Loss from impairment of non-financial assets	-	-	-	-	(4,219)	(4,219)
- Recoveries of other credit loss expense/(other credit loss expense)	7	(3,205)	172	-	(79)	(3,105)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(49,555)	(49,555)
<b>Total expenses</b>	<b>(237,374)</b>	<b>(87,349)</b>	<b>(27,655)</b>	<b>(55,539)</b>	<b>(80,840)</b>	<b>(488,757)</b>
<b>Segment result</b>	<b>(10,731)</b>	<b>118,254</b>	<b>56,445</b>	<b>94,526</b>	<b>10,676</b>	<b>269,170</b>
Income before income tax expense						269,170
Income tax expense					(24,523)	(24,523)
<b>Net profit</b>						<b>244,647</b>
<b>30 September 2020 (unaudited)</b>						
Total segment assets	1,166,093	4,759,495	683,698	2,622,140	767,715	9,999,141
Total segment liabilities	3,590,791	2,787,321	1,035,563	904,231	313,421	8,631,327
Other segment items:						
Capital expenditures					(18,303)	(18,303)
Depreciation and amortization					(9,430)	(9,430)
Investments in associate					30,791	30,791

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
(millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
<b>For the nine months then ended 30 September 2019 (unaudited)</b>						
External revenues	202,683	202,643	72,884	165,324	105,908	749,442
<b>Total revenues</b>	<b>202,683</b>	<b>202,643</b>	<b>72,884</b>	<b>165,324</b>	<b>105,908</b>	<b>749,442</b>
<b>Total revenues comprise:</b>						
- Interest income	134,597	190,078	45,492	161,206	16	531,389
- Fee and commission income, including:	61,571	10,603	17,222	-	400	89,796
<i>Payment cards operations</i>	44,875	50	568	-	116	45,609
<i>Bank transfers - settlements</i>	3,899	2,338	5,270	-	47	11,554
<i>Cash operations</i>	1,128	1,313	5,821	-	21	8,283
<i>Letters of credit and guarantees issued</i>	1	5,937	1,336	-	31	7,305
<i>Servicing customers' pension payments</i>	6,041	-	-	-	-	6,041
<i>Bank transfers - salary projects</i>	5,088	-	-	-	-	5,088
<i>Maintenance of customer accounts</i>	236	97	2,097	-	-	2,430
<i>Other</i>	303	868	2,130	-	185	3,486
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	4,047	-	4,047
- Net gain on foreign exchange operations	6,515	1,962	10,170	71	11,685	30,403
- Share in profit of associate	-	-	-	-	4,817	4,817
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	88,990	88,990
<b>Total revenues</b>	<b>202,683</b>	<b>202,643</b>	<b>72,884</b>	<b>165,324</b>	<b>105,908</b>	<b>749,442</b>
- Interest expense	(100,646)	(65,677)	(8,227)	(64,259)	(213)	(239,022)
- Credit loss expense	(5,702)	(9,049)	(4,743)	(1,329)	(317)	(21,140)
- Fee and commission expense	(34,782)	(2,732)	(401)	(124)	(1,296)	(39,335)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	(9,201)	-	(1,724)	-	(10,925)
- Operating expenses	(51,980)	(5,214)	(13,009)	(572)	(23,700)	(94,475)
- Recoveries of other credit loss expense/ (other credit loss expense)	21	(1,297)	186	-	403	(687)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(66,718)	(66,718)
<b>Total expenses</b>	<b>(193,089)</b>	<b>(93,170)</b>	<b>(26,194)</b>	<b>(68,008)</b>	<b>(91,841)</b>	<b>(472,302)</b>
<b>Segment result</b>	<b>9,594</b>	<b>109,473</b>	<b>46,690</b>	<b>97,316</b>	<b>14,067</b>	<b>277,140</b>
Income before income tax expense						277,140
Income tax expense					(25,752)	(25,752)
<b>Net profit</b>						<b>251,388</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					(12,771)	(12,771)
Depreciation and amortization					(8,469)	(8,469)
Investments in associate					26,732	26,732

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

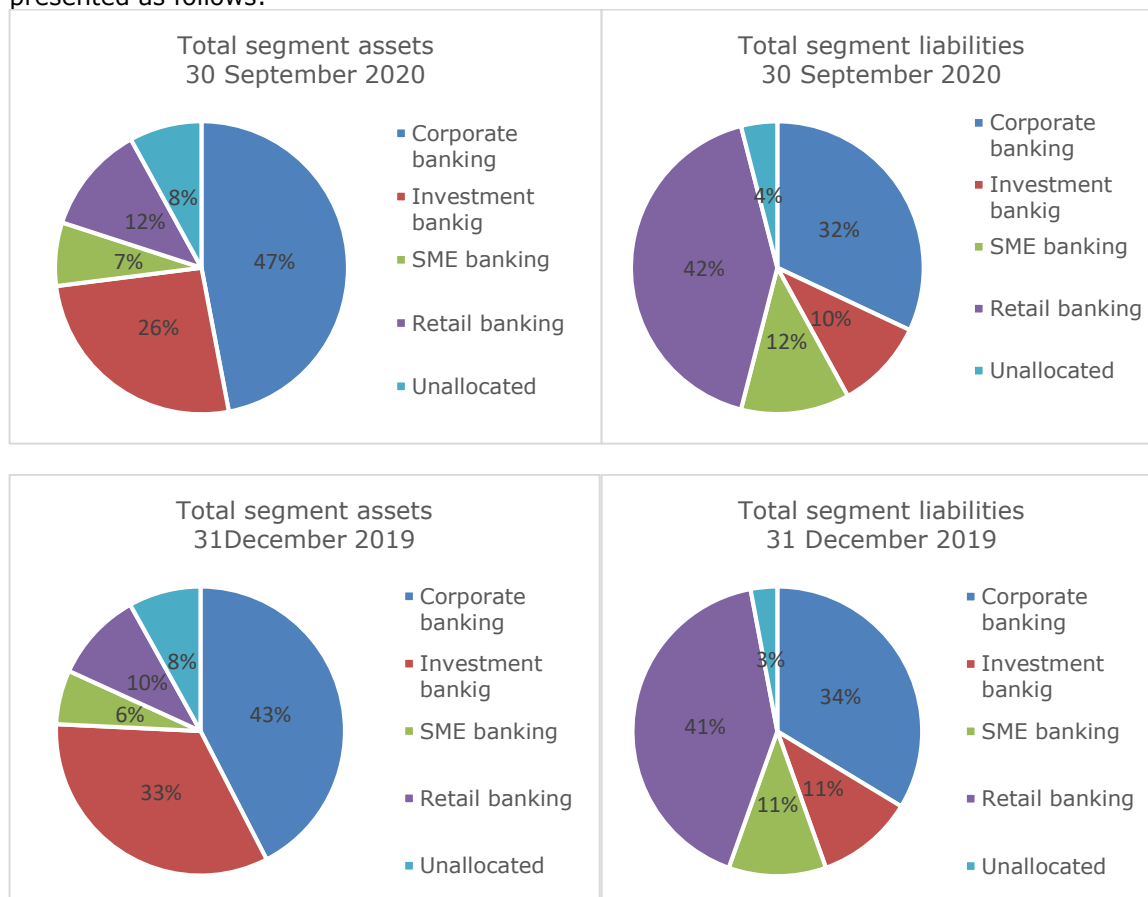
Income before income tax expense by segments were as follows:



For the nine months ended 30 September 2020, the main share of the income before income tax expense is represented by corporate banking (44%) and investment banking (35%). The Group showed an increase in the share of corporate banking by 4% during the nine month ended 30 September 2020, as compared to the prior period.

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*(millions of Kazakhstani Tenge)*

Share of segment assets and liabilities as at 30 September 2020 and 31 December 2019 presented as follows:



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

## Geographical information

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

	Kazakhstan	OECD	Non-OECD	Total
<b>30 September 2020 (unaudited)</b>				
Total assets	8,883,842	664,866	450,433	9,999,141
<b>31 December 2019</b>				
Total assets	7,730,579	1,268,411	235,768	9,234,758
<b>Nine months ended 30 September 2020 (unaudited)</b>				
External revenues	714,029	9,833	34,065	757,927
Capital expenditures	(18,303)	-	-	(18,303)
<b>Nine months ended 30 September 2019 (unaudited)</b>				
External revenues	702,107	30,290	17,045	749,442
Capital expenditures	(12,771)	-	-	(12,771)

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.

## 31. 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 September 2020 and 31 December 2019, before any allowances for expected credit losses.



**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

Financial Assets/Liabilities	Fair value		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 September 2020 (unaudited)	31 December 2019			
Non-derivative financial assets at fair value through profit or loss (Note 6)	137,151	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)	90,031	81,606	Level 2 Quoted bid prices in a market that is not active; Discounted cash flows.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	6,403	741	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)	42	4,347	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.	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>233,627</b>	<b>185,031</b>			
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	1,039	25	Level 1 Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	86	20,419	Level 2 Discounted cash flows.	Not applicable	Not applicable
<b>Total financial liabilities at fair value through profit or loss</b>	<b>1,125</b>	<b>20,444</b>			
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	29,943	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)	1,160,764	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>1,190,707</b>	<b>1,630,921</b>			

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

During the nine months ended 30 September 2020 and 2019, there were no transfers between levels.

	<b>Financial assets at fair value through profit or loss (Level 3)</b>	<b>Financial assets at fair value through other comprehensive income (Level 3)</b>
<b>31 December 2018</b>	<b>95,271</b>	<b>53</b>
Loss to profit or loss	(8,543)	-
Redemption	(82,521)	-
<b>30 September 2019 (unaudited)</b>	<b>4,207</b>	<b>53</b>
<b>31 December 2019</b>	<b>4,347</b>	-
Gain to profit or loss	1,306	-
Purchases	42	-
Redemption	(5,653)	-
<b>30 September 2020 (unaudited)</b>	<b>42</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.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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

	30 September 2020 (unaudited)		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets</b>				
Amounts due from credit institutions	211,883	212,871	53,161	55,495
Debt securities at amortized cost, net of allowance for expected credit losses	1,205,937	1,180,677	1,212,981	1,218,432
Loans to customers	4,206,021	3,958,742	3,752,445	3,725,629
<b>Financial liabilities</b>				
Amounts due to customers	7,094,061	7,176,934	6,406,413	6,177,010
Amounts due to credit institutions	266,993	272,225	305,965	315,415
Debt securities issued	904,229	865,438	834,446	831,153

	30 September 2020 (unaudited)			
	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Amounts due from credit institutions	-	212,871	-	212,871
Loans to customers	-	-	3,958,742	3,958,742
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,180,677	-	1,180,677
<b>Financial liabilities</b>				
Amounts due to customers	-	7,176,934	-	7,176,934
Amounts due to credit institutions	-	272,225	-	272,225
Debt securities issued	-	865,438	-	865,438
	31 December 2019			
	Level 1	Level 2	Level 3	Total
<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.

### 32. 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.

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

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

	<b>30 September 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				
- <i>key management personnel of the Group or its parent</i>	14	4,656,733	21	4,161,163
- <i>other related parties</i>	1		6	
	13		15	
Allowance for expected credit losses	(1)	(450,712)	(2)	(408,718)
- <i>key management personnel of the Group or its parent</i>	-		(1)	
- <i>other related parties</i>	(1)		(1)	
Amounts due to customers	307,087	7,094,061	377,204	6,406,413
- <i>the parent</i>	221,240		230,663	
- <i>entities with joint control or significant influence over the Group</i>	11,270		4,469	
- <i>key management personnel of the Group or its parent</i>	11,726		9,871	
- <i>other related parties</i>	62,851		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 nine months ended 30 September 2020 and 2019:

	<b>Nine months ended 30 September 2020 (unaudited)</b>		<b>Nine months ended 30 September 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	7	529,695	52	525,431
- <i>entities with joint control or significant influence over the Group</i>	-		51	
- <i>other related parties</i>	7		1	
Interest expense	(1,962)	(239,368)	(3,249)	(239,022)
- <i>the parent</i>	(802)		(1,182)	
- <i>entities with joint control or significant influence over the Group</i>	(332)		(114)	
- <i>key management personnel of the Group or its parent</i>	(159)		(107)	
- <i>other related parties</i>	(669)		(1,846)	

**Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2020 (unaudited) (continued)**  
*(millions of Kazakhstani Tenge)*

	Nine months ended 30 September 2020 (unaudited)		Nine months ended 30 September 2019 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
- short-term employee benefits	2,758	61,929	2,268	57,170
	2,758		2,268	