



JSC HALYK BANK

Interim condensed consolidated
financial information (unaudited)
for the nine months ended 30 September 2021

JSC Halyk Bank

Table of contents

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021 (UNAUDITED)	1
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021 (UNAUDITED):	
Interim condensed consolidated statement of financial position (unaudited)	3
Interim condensed consolidated statement of profit or loss (unaudited)	4
Interim condensed consolidated statement of other comprehensive income (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6-7
Interim condensed consolidated statement of cash flows (unaudited)	8-9
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	10-59

**Statement of Management’s Responsibilities
for the Preparation and Approval
of the Interim Condensed Consolidated Financial Information
for the Nine Months ended 30 September 2021 (unaudited)**

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Halyk Bank (the “Bank”) and its subsidiaries (collectively – the “Group”) as at 30 September 2021, the results of its operations for the three and nine months then ended, changes in equity and cash flows for the 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 the 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 2021 was authorized for issue by the Management Board on 15 November 2021.

On behalf of the Management Board:


Aliya S. Karypkova
Deputy Chairperson of the Board
15 November 2021
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant
15 November 2021
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 2021 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*.

Deloitte LLP

15 November 2021
Almaty, Republic of Kazakhstan

**Interim Condensed Consolidated Statement of Financial Position
as at 30 September 2021 (unaudited)
(millions of Kazakhstani Tenge)**

	Notes	30 September 2021 (unaudited)	31 December 2020
ASSETS			
Cash and cash equivalents	5	1,035,212	1,757,477
Obligatory reserves		189,887	170,128
Financial assets at fair value through profit or loss	6	257,308	242,326
Amounts due from credit institutions	7	663,484	709,310
Financial assets at fair value through other comprehensive income	8	1,880,739	1,256,158
Debt securities at amortized cost, net of allowance for expected credit losses	9	1,218,144	1,229,539
Loans to customers	10, 32	5,474,115	4,446,275
Investment property		36,065	39,441
Commercial property		98,174	103,098
Assets classified as held for sale		44,107	42,244
Current income tax assets		1,564	782
Deferred income tax assets		338	234
Property and equipment and intangible assets		174,757	170,581
Insurance contract assets	11	56,774	39,929
Other assets	12	153,789	180,310
TOTAL ASSETS		11,284,457	10,387,832
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 32	8,392,647	7,455,977
Amounts due to credit institutions	14	310,158	300,727
Financial liabilities at fair value through profit or loss	6	4,611	2,484
Debt securities issued	15	502,009	778,192
Current income tax liability		16,685	2,758
Deferred tax liability		50,801	51,281
Provisions	19	12,897	9,287
Insurance contract liabilities	11	237,879	191,246
Other liabilities	17	144,747	102,612
Total liabilities		9,672,434	8,894,564
EQUITY			
Share capital	18	209,027	209,027
Share premium reserve		8,631	5,741
Treasury shares		(105,206)	(111,027)
Retained earnings and other reserves		1,499,564	1,389,520
Total equity attributable to owners of the Group		1,612,016	1,493,261
Non-controlling interest		7	7
Total equity		1,612,023	1,493,268
TOTAL LIABILITIES AND EQUITY		11,284,457	10,387,832

On behalf of the Management Board:


Aliya S. Karykova
Deputy Chairperson of the Board

15 November 2021
Almaty, Kazakhstan


Pavel A. Cheussov
Chief Accountant

15 November 2021
Almaty, Kazakhstan

The notes on pages 10 to 59 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 2021 (unaudited)**
(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Interest income calculated using effective interest method	20, 32	224,571	176,613	621,711	529,695
Other interest income	20	5,167	3,926	15,664	10,692
Interest expense	20, 32	(90,946)	(87,943)	(255,666)	(239,368)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE	20	138,792	92,596	381,709	301,019
Credit loss expense	5, 7, 8, 9, 10, 12	(8,727)	(1,996)	(5,473)	(35,902)
NET INTEREST INCOME		130,065	90,600	376,236	265,117
Fee and commission income	21	38,198	34,333	108,684	94,579
Fee and commission expense	21	(18,468)	(16,445)	(51,774)	(48,235)
Fees and commissions, net		19,730	17,888	56,910	46,344
Net gain from financial assets and liabilities at fair value through profit or loss	22	621	878	9,438	4,713
Net realised gain from financial assets at fair value through other comprehensive income		1,167	1,332	1,369	3,486
Net gain on foreign exchange operations	23	6,882	9,804	22,995	20,966
Insurance underwriting income	24	35,740	24,424	101,159	63,815
Share in profit of associate	32	1,719	1,636	4,842	4,656
Income in non-banking activities	26	9,545	5,398	18,020	18,922
Other (expense)/income		(11,193)	1,929	(9,571)	6,403
OTHER NON-INTEREST INCOME		44,481	45,401	148,252	122,961
Operating expenses	25	(48,714)	(37,383)	(131,857)	(108,373)
Recovery/(loss) from impairment of non-financial assets		212	(572)	(275)	(4,219)
Recoveries of other credit loss expense/(other credit loss expense)	19	745	11	(3,633)	(3,105)
Insurance claims incurred, net of reinsurance	24	(21,962)	(17,663)	(66,938)	(49,555)
NON-INTEREST EXPENSES		(69,719)	(55,607)	(202,703)	(165,252)
INCOME BEFORE INCOME TAX EXPENSE		124,557	98,282	378,695	269,170
Income tax expense	16	(16,900)	(9,629)	(45,600)	(24,523)
NET PROFIT		107,657	88,653	333,095	244,647
Attributable to:					
Common shareholders		107,657	88,652	333,095	244,646
Non-controlling interest		-	1	-	1
		107,657	88,653	333,095	244,647
EARNINGS PER SHARE	27				
(in Kazakhstani Tenge)					
Basic and diluted earnings per share		9.17	7.58	28.43	20.92

On behalf of the Management Board:


Aliya S. Karpykova
Deputy Chairperson of the Board

15 November 2021
Almaty, Kazakhstan


Pavel A. Cheussov
Chief Accountant

15 November 2021
Almaty, Kazakhstan

The notes on pages 10 to 59 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 2021 (unaudited)**
(millions of Kazakhstani Tenge)

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Net profit	107,657	88,653	333,095	244,647
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)	44	17	209	137
(Loss)/gain on revaluation of equity financial assets at fair value through other comprehensive income (net of tax – KZT Nil)	(134)	-	(1,881)	38
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	37	3,288	1,529	40
Share of other comprehensive (loss)/income of associate	(76)	443	(332)	(597)
(Loss)/gain on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	(4,718)	6,814	(10,424)	12,353
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(1,167)	(1,332)	(1,369)	(3,486)
Other comprehensive (loss)/income for the period	(6,014)	9,230	(12,268)	8,485
Total comprehensive income	101,643	97,883	320,827	253,132
Attributable to:				
Common shareholders	101,643	97,882	320,827	253,131
Non-controlling interest	-	1	-	1
Total comprehensive income	101,643	97,883	320,827	253,132

On behalf of the Management Board:


Aliya S. Karpykova
Deputy Chairperson of the Board

15 November 2021
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant

15 November 2021
Almaty, Kazakhstan



The notes on pages 10 to 59 form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Changes in Equity
for the Nine Months ended 30 September 2021 (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 comprehensive income*	Property revaluation reserve*	Retained earnings*	Non-controlling interest	Total equity	Total equity
31 December 2020	209,027	5,741	(111,027)	4,516	53,198	27,802	1,304,004	7	1,493,261	1,493,268
Net income	-	-	-	-	-	-	333,095	-	333,095	333,095
Other comprehensive income/(loss)	-	-	-	1,529	(14,006)	209	-	-	(12,268)	(12,268)
Total comprehensive income/(loss)	-	-	-	1,529	(14,006)	209	333,095	-	320,827	320,827
Treasury shares purchased (Note 18)	-	-	(2,591)	-	-	-	-	-	(2,591)	(2,591)
Treasury shares sold (Note 18)	-	2,890	8,412	-	-	-	-	-	11,302	11,302
Dividends – common shares	-	-	-	-	-	-	(210,783)	-	(210,783)	(210,783)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(638)	638	-	-	-
30 September 2021 (unaudited)	209,027	8,631	(105,206)	6,045	39,192	27,373	1,426,954	7	1,612,016	1,612,023

Interim Condensed Consolidated Statement of Changes in Equity
for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstanian 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
31 December 2019	209,027	3,867	(114,634)	9,105	30,023	20,018	1,149,811	1,307,217	6	1,307,223
Net income	-	-	-	-	-	-	244,646	244,646	1	244,647
Other comprehensive income	-	-	-	40	8,308	137	-	8,485	-	8,485
Total comprehensive income	-	-	-	40	8,308	137	244,646	253,131	1	253,132
Treasury shares purchased (Note 18)	-	-	(4,540)	-	-	-	-	(4,540)	-	(4,540)
Treasury shares sold (Note 18)	-	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	-	-	-
30 September 2020 (unaudited)	209,027	5,717	(109,306)	9,145	38,331	19,792	1,195,101	1,367,807	7	1,367,814

* 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:

Aliya S. Karypkova
Deputy Chairperson of the Board

Pavel A. Chrussov
Chief Accountant

15 November 2021
Almaty, Kazakhstan

15 November 2021
Almaty, Kazakhstan



The notes on pages 10 to 59 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 2021 (unaudited)
 (millions of Kazakhstani Tenge)**

	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	13,980	7,476
Interest received from cash equivalents and amounts due from credit institutions	12,619	16,117
Interest received on financial assets at fair value through other comprehensive income	48,088	33,512
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	98,892	98,299
Interest received from loans to customers	438,666	311,852
Interest paid on due to customers	(208,876)	(164,936)
Interest paid on due to credit institutions	(4,672)	(7,443)
Interest paid on debt securities issued	(31,301)	(42,235)
Fee and commission received	108,008	92,945
Fee and commission paid	(51,597)	(48,511)
Insurance underwriting income received	101,159	57,620
Ceded insurance share paid	(9,721)	(551)
Receipts/(payments) from derivative operations	6,072	(3,912)
Other income received	30,334	25,325
Operating expenses paid	(113,824)	(93,456)
Insurance claims paid	(43,324)	(32,491)
Cash flows from operating activities before changes in net operating assets	394,503	249,611
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(19,759)	(25,943)
Financial assets at fair value through profit or loss	(7,673)	(29,471)
Amounts due from credit institutions	65,780	(138,898)
Loans to customers	(1,025,361)	(334,822)
Assets classified as held for sale	7,418	24,563
Insurance assets	(6,881)	8,892
Other assets	2,307	(20,528)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	934,528	315,062
Amounts due to credit institutions	6,635	(43,010)
Financial liabilities at fair value through profit or loss	1,564	(19,402)
Insurance liabilities	22,590	(9,849)
Other liabilities	38,502	12,910
Net cash inflow/(outflow) from operating activities before income tax	414,153	(10,885)
Income tax paid	(33,039)	(31,281)
Net cash inflow/(outflow) from operating activities	381,114	(42,166)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayment for property and equipment and intangible assets	(16,507)	(18,303)
Proceeds on sale of property and equipment	797	112
Proceeds on sale of commercial property	25,596	23,996
Proceeds on sale of financial assets at fair value through other comprehensive income	380,802	762,315
Purchase of financial assets at fair value through other comprehensive income	(993,109)	(188,913)
Proceeds on sale of investment property	4,306	1,116
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(18,882)	(32,041)
Proceeds from sale of debt securities at amortized cost, net of allowance for expected credit losses	5,904	14,986
Capital expenditures on commercial property	(2,115)	(554)
Net cash (outflow)/inflow from investing activities	(613,208)	562,714

**Interim Condensed Consolidated Statement of Cash Flows
for the Nine Months ended 30 September 2021 (unaudited) (continued)**
(millions of Kazakhstani Tenge)

	Notes	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		11,302	11,718
Purchase of treasury shares		(2,591)	(4,540)
Redemption and repayment of debt securities issued	15	(305,470)	-
Dividends paid – common shares		(210,783)	(199,778)
Repayment of the lease liabilities		(1,785)	(1,272)
Net cash outflow from financing activities		(509,327)	(193,872)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		19,156	214,946
Net change in cash and cash equivalents		(722,265)	541,622
CASH AND CASH EQUIVALENTS, beginning of the period	5	1,757,477	1,664,337
CASH AND CASH EQUIVALENTS, end of the period	5	1,035,212	2,205,959

On behalf of the Management Board:


Aliya S. Karpykova
 Deputy Chairperson of the Board

15 November 2021
 Almaty, Kazakhstan


Pavel A. Cheussov
 Chief Accountant

15 November 2021
 Almaty, Kazakhstan

The notes on pages 10 to 59 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 2021 (unaudited)
(millions of Kazakhstani Tenge)

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.

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

As at 30 September 2021, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 447 cash settlement units (31 December 2020 – 24, 120 and 467, 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 2021, the number of the Group’s full-time equivalent employees was 16,745 (31 December 2020 – 16,991).

The interim condensed consolidated financial information of the Group for the nine months ended 30 September 2021 was authorized for issue by the Management Board on 15 November 2021.

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.

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

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.

During the nine months ended 30 September 2021, the average price of Brent crude oil was approximately 72.68 USD/bbl. (42.92 USD/bbl. during the nine months ended 30 September 2020 year). Based on the results of the nine months of 2021 year, Kazakhstan's GDP increased by 3.4% in annual terms. Economic recovery continued amid rising world prices in commodity markets and easing quarantine restrictions. High growth rates are demonstrated by the manufacturing industry, trade, construction, information and communications, and the government sector. Meanwhile, inflation in September 2021 was 8.9% on an annualized basis. The main contribution to the acceleration of inflation continues to be made by the growth in food prices.

As at 30 September 2021, the base rate set by the National Bank of the Republic of Kazakhstan ("NBRK") was 9.5% ± 1% (9.0% ± 2% as at 30 September 2020). Short-term notes of NBRK remain the key instrument to withdraw excess KZT liquidity from the system.

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 growth rate of the number of the infected population has stabilized. 76.7% of the total number of citizens of the Republic of Kazakhstan subject to vaccination received the vaccine in full or in part.

During the third quarter of 2021, the economic environment has undergone changes:

- rising prices for energy and other minerals;
- slowdown in GDP growth in the world;
- growth of inflationary expectations in Kazakhstan and in the world.

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 changes in the economic environment, described above, may have significant impact on the Group’s operations in future, by affecting its borrowers’ ability to repay the amounts due to the Group. 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.

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 2021 and 31 December 2020, the Group’s shares were represented by common shares only.

As at 30 September 2021 and 31 December 2020, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

	30 September 2021 (unaudited)		31 December 2020	
	Total shares (Common shares)	Stake in total shares in circulation	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	64.6%	7,583,538,228	64.9%
Unified Accumulative Pension Fund Joint Stock Company	718,104,101	6.1%	718,054,740	6.1%
GDR holders	3,270,233,040	27.9%	2,969,178,640	25.4%
Other	169,609,796	1.4%	413,569,107	3.6%
Total shares in circulation	11,741,485,165	100%	11,684,340,715	100%

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 2021 (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 2020 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 2020 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 2020 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, 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	31 December		
	2021 (unaudited)	2020		
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
LLP 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 2021 in comparison with the structure as at 31 December 2020.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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 2020.

The following amended standards and interpretations became effective for the Group from 1 January 2021, but did not have significant impact on the Group's interim condensed consolidated financial information for the nine months ended 30 September 2021:

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – *Interest Rate Benchmark Reform – Phase 2*

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

4. Significant accounting estimates

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2020 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 2020. Changes in macroeconomic situation in the Republic of Kazakhstan and abroad during nine months of 2021 year did not result in a change of assumptions used by the Group before in loans to customers' expected credit loss calculations. To the extent that certain anticipated effects of COVID-19 cannot be fully incorporated into quantitative models, management continues to exercise expert credit judgment in determining the amount of allowances for expected credit losses by considering reasonable and supportable information. There remains considerable uncertainty regarding the impact of the COVID-19 pandemic, and as the situation unfolds, based on periodic reviews and quarterly updates carried out by management of the Group, the allowances for expected credit losses may be revised in future to reflect updates in statistically derived loss estimates based on the Group's recent loss experience and its forward-looking views, including the impact of COVID-19.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 September 2021 (unaudited)	31 December 2020
Cash on hand	207,566	214,693
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	97,558	150,183
Short-term deposits with OECD based banks	144,776	4,068
Overnight deposits with OECD based banks	104,324	-
Correspondent accounts with NBRK	-	26,899
Short-term deposits with NBRK	383,188	1,108,212
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	34,131	194,467
Correspondent accounts with non-OECD based banks	32,933	7,420
Short-term deposits with non-OECD based banks	28,120	48,802
Overnight deposits with non-OECD based banks	2,616	2,733
Total cash and cash equivalents, net	1,035,212	1,757,477

As at 30 September 2021 and 31 December 2020, cash and cash equivalents allowance for expected credit losses on short-term deposits comprised KZT 15 million and KZT 46 million, respectively.

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

	Three months ended 30 September 2021 (unaudited) Stage 1	Three months ended 30 September 2020 (unaudited) Stage 1	Nine months ended 30 September 2021 (unaudited) Stage 1	Nine months ended 30 September 2020 (unaudited) Stage 1
At the beginning of the period	(19)	(23)	(46)	(20)
Changes in risk parameters	8	(33)	27	(34)
Foreign exchange differences and other movements	(4)	(7)	4	(9)
At the end of the period	(15)	(63)	(15)	(63)

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

	30 September 2021 (unaudited)		31 December 2020	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.1%	-	1.0%
Overnight deposits with OECD based banks	-	0.1%	-	-
Short-term deposits with NBRK	-	0.3%	8.0%	0.3%
Short-term deposits with Kazakhstan banks	8.0%-8.6%	-	8.0%-12.5%	0.3%-4.8%
Short-term deposits with non-OECD based banks	-	0.2%-18.0%	-	0.1%-6.5%
Overnight deposits with non-OECD based banks	-	10.0%	-	2.8%-8.0%

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 September 2021 and 31 December 2020 are as follows:

	30 September 2021 (unaudited)		31 December 2020	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Eurobonds of the Russian Federation	15,810	15,996	13,129	13,821
Treasury bills of the Ministry of Finance of Kazakhstan	15,488	15,746	122,697	122,708
Notes of NBRK	1,500	1,500	38,821	38,863
Equity securities	707	707	199	199
Bonds of Kazakhstan corporations	626	648	17,423	18,280
Treasury bills of the Ministry of the Finance of Russian Federation	-	-	98	102
Bonds of international financial organizations	-	-	2,100	2,100
	34,131	34,597	194,467	196,073

As at 30 September 2021 and 31 December 2020, maturities of loans under reverse repurchase agreements were less than one month.

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

Financial assets at fair value through profit or loss comprise:

	30 September 2021 (unaudited)	31 December 2020
Financial assets held for trading:		
Corporate bonds	126,740	115,748
Treasury bills of the Ministry of Finance of Kazakhstan	34,944	52,306
Bonds of JSC Development Bank of Kazakhstan	25,513	25,679
Bonds of Kazakhstan banks	17,325	8,682
Bonds of foreign organizations	16,451	10,687
Equity securities of foreign organizations	12,811	6,487
Equity securities of Kazakhstan corporations	12,015	11,307
Derivative financial instruments	8,274	3,672
Eurobonds of foreign states	3,235	7,758
Total financial assets and liabilities at fair value through profit or loss	257,308	242,326

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Financial liabilities at fair value through profit or loss comprise:

	30 September 2021 (unaudited)	31 December 2020
Financial liabilities held for trading:		
Derivative financial instruments	4,611	2,484

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

	30 September 2021 (unaudited)	31 December 2020
Corporate bonds	9.9%	10.5%
Treasury bills of the Ministry of Finance of Kazakhstan	6.2%	9.0%
Bonds of JSC Development Bank of Kazakhstan	10.0%	10.5%
Bonds of foreign organizations	5.5%	6.1%
Bonds of Kazakhstan banks	10.2%	11.5%
Eurobonds of foreign states	3.6%	2.8%

Derivative financial instruments comprise:

	30 September 2021 (unaudited)			31 December 2020		
	Notional amount	Fair value		Notional amount	Fair value	
Asset		Liability	Asset		Liability	
Foreign currency contracts						
Swaps	252,593	7,385	3,592	242,701	3,656	2,381
Spots	39,286	878	996	40,172	16	102
Forwards	10,538	11	23	290	-	1
		8,274	4,611		3,672	2,484

As at 30 September 2021 and 31 December 2020, 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.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2021 (unaudited)	31 December 2020
Term deposits and restricted accounts	620,046	660,776
Deposit pledged as collateral	29,824	26,596
Loans to credit institutions	13,720	22,199
	663,590	709,571
Less - Allowance for expected credit losses	(106)	(261)
Total amounts due from credit institutions	663,484	709,310

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

	30 September 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Term deposits and restricted accounts	0.3%-18.0%	2021-2023	0.1%-14.0%	2021
Deposit pledged as collateral	0.1%-2.5%	2046	0.2%-1.8%	2046
Loans to credit institutions	2.0%-13.0%	2021-2022	2.0%-8.5%	2021

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

	Three months ended 30 September 2021 (unaudited) Stage 1	Three months ended 30 September 2020 (unaudited) Stage 1	Nine months ended 30 September 2021 (unaudited) Stage 1	Nine months ended 30 September 2020 (unaudited) Stage 1
At the beginning of the period	(176)	(124)	(261)	(167)
Changes in risk parameters	86	36	178	96
Foreign exchange differences and other movements	(16)	24	(23)	7
At the end of the period	(106)	(64)	(106)	(64)

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

8. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	30 September 2021 (unaudited)	31 December 2020
Treasury bills of the Ministry of Finance of Kazakhstan	1,011,535	708,749
Bonds of JSC Development Bank of Kazakhstan	218,392	106,839
Notes of NBRK	199,698	59,709
Corporate bonds	157,976	141,732
Bonds of foreign organisations	154,728	147,241
Eurobonds of foreign states	103,420	82,470
Bonds of Kazakhstan banks	13,540	3,442
Local municipal bonds	11,352	-
	1,870,641	1,250,182

Equity securities comprise:

	30 September 2021 (unaudited)	31 December 2020
Equity securities of Kazakhstan corporations	10,098	5,976
	10,098	5,976
Total financial assets at fair value through other comprehensive income	1,880,739	1,256,158

As at 30 September 2021 and 31 December 2020, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 2,686 million and KZT 1,700 million, respectively (Note 9).

As at 30 September 2021 and 31 December 2020, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 78,629 million and KZT 119,654 million, respectively, which were pledged under repurchase agreements with other banks (see Note 14). All repurchase agreements as at 30 September 2021 and 31 December 2020 mature before 12 October 2021 and 22 January 2021, respectively.

Details of fair value measurement, including valuation techniques are presented in Note 31.

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.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

	30 September 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.5%	2021-2045	4.6%	2021-2045
Bonds of JSC Development Bank of Kazakhstan	5.3%	2022-2032	6.1%	2022-2032
Notes of NBRK	9.1%	2021-2022	9.5%	2021
Corporate bonds	10.0%	2021-2047	10.9%	2021-2047
Bonds of foreign organisations	3.3%	2022-2026	4.4%	2021-2025
Eurobonds of foreign states	1.1%	2021-2025	2.1%	2021-2025
Bonds of Kazakhstan banks	10.8%	2022-2026	11.9%	2022-2023
Local municipal bonds	10.8%	2026	-	-

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

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

	30 September 2021 (unaudited)	31 December 2020
Treasury bills of the Ministry of Finance of Kazakhstan	1,021,884	1,044,920
Corporate bonds	174,598	171,946
Bonds of foreign organizations	14,199	1,927
Treasury bills of the Kyrgyz Republic	3,661	4,296
Treasury bills of Georgia	2,323	2,229
Bonds of Kazakhstan banks	1,479	-
Notes of National Bank of Tajikistan	-	3,712
Notes of National Bank of Kyrgyz Republic	-	509
Total debt securities at amortized cost, net of allowances for expected credit losses	1,218,144	1,229,539

As at 30 September 2021 and 31 December 2020, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 568 million and KZT 574 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 the weighted average of the effective interest rates for the respective securities.

	30 September 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.2%	2022-2027	9.3%	2022-2027
Corporate bonds	3.3%	2024	3.3%	2022-2024
Bonds of foreign organizations	4.6%	2023-2025	7.8%	2021-2025
Treasury bills of the Kyrgyz Republic	7.6%	2021-2024	6.3%	2021-2024
Treasury bills of Georgia	8.8%	2024-2028	8.7%	2024-2028
Bonds of Kazakhstan banks	4.1%	2023	-	-
Notes of National Bank of Tajikistan	-	-	10.1%	2021
Notes of National Bank of Kyrgyz Republic	-	-	4.8%	2021

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of debt securities at amortised 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 2021 (unaudited)			Three months ended 30 September 2020 (unaudited)			Nine months ended 30 September 2021 (unaudited)			Nine months ended 30 September 2020 (unaudited)		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
At the beginning of the period	(1,708)	(1,143)	(2,851)	(1,207)	(1,152)	(2,359)	(1,262)	(1,022)	(2,284)	(1,185)	(1,035)	(2,220)
Changes in risk parameters*	158	(18)	140	57	(54)	3	148	(139)	9	158	(170)	(12)
New originations or purchases of financial assets*	(85)	-	(85)	(69)	-	(69)	(539)	-	(539)	(187)	-	(187)
Derecognition of financial assets*	12	-	12	8	-	8	19	-	19	16	-	16
Recoveries of allowances on previously written-off assets	-	(491)	(491)	-	-	-	-	(491)	(491)	-	-	-
Foreign exchange differences and other movements	14	7	21	(29)	1	(28)	25	7	32	(42)	-	(42)
At the end of the period	(1,609)	(1,645)	(3,254)	(1,240)	(1,205)	(2,445)	(1,609)	(1,645)	(3,254)	(1,240)	(1,205)	(2,445)

* 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 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

10. Loans to customers

Loans to customers comprise:

	30 September 2021 (unaudited)	31 December 2020
Originated loans to customers	5,836,894	4,811,892
Overdrafts	13,073	12,424
	5,849,967	4,824,316
Stage 1	5,036,803	4,015,322
Stage 2	239,791	216,589
Stage 3	515,837	533,519
Purchased or originated credit-impaired assets ("POCI")	57,536	58,886
Total	5,849,967	4,824,316
Less – Allowance for expected credit losses	(375,852)	(378,041)
Total loans to customers	5,474,115	4,446,275

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 2021, average interest rate on loans was 12.6% (for the nine months ended 30 September 2020 –12.5%).

As at 30 September 2021, the Group's loan concentration to the ten largest borrowers was KZT 1,080,981 million, which comprised 18% of the Group's total gross loan portfolio (as at 31 December 2020 – KZT 840,995 million, 17%) and 66% of the Group's total equity (as at 31 December 2020 – 56%). As at 30 September 2021, the allowance for expected credit losses created against these loans was KZT 5,096 million (as at 31 December 2020 – KZT 4,732 million).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

As at 30 September 2021 and 31 December 2020, loans were granted to the following sectors:

	30 September 2021 (unaudited)	%	31 December 2020	%
Retail loans:				
- consumer loans	1,480,630	25%	1,055,522	22%
- mortgage loans	271,801	5%	270,513	6%
	1,752,431		1,326,035	
Services	728,793	12%	683,652	14%
Wholesale trade	389,770	7%	374,274	8%
Real estate	321,971	6%	293,966	6%
Retail trade	313,274	5%	310,049	6%
Oil and gas	298,284	5%	213,306	5%
Chemical industry	293,337	5%	34,011	1%
Energy	269,538	4%	201,268	4%
Financial services	217,504	4%	100,339	2%
Construction	213,196	4%	215,618	4%
Agriculture	187,584	3%	127,205	3%
Transportation	162,088	3%	206,024	4%
Food industry	127,479	2%	97,510	2%
Mining	118,525	2%	165,090	3%
Machinery	118,359	2%	60,058	1%
Communication	104,489	2%	115,473	2%
Metallurgy	83,996	1%	171,642	4%
Hotel industry	55,943	1%	47,710	1%
Light industry	30,853	1%	28,277	1%
Other	62,553	1%	52,809	1%
	5,849,967	100%	4,824,316	100%

Restructured and modified loans to customers

The Group 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.

As at 30 September 2021, accrued interest on loans comprised KZT 181,428 million (31 December 2020 – KZT 179,879 million).

During the nine months ended 30 September 2021 and 2020, the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 30 September 2021 and 31 December 2020, such assets of KZT 5,934 million and KZT 12,112 million, respectively, are included in assets classified as held for sale.

As at 30 September 2021 and 31 December 2020, loans to customers included loans of KZT 333,325 million and KZT 369,731 million, respectively, which terms were renegotiated. These loans do not include renegotiated loans as part of COVID-19 related restructuring programs. Otherwise, these loans would be past due or impaired.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (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 2021 (unaudited)					Nine months ended 30 September 2021 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the period	(66,484)	(43,489)	(243,006)	(16,994)	(369,973)	(55,840)	(40,646)	(263,481)	(18,074)	(378,041)
Transfer to Stage 1	(979)	-	979	-	-	(6,027)	1,266	4,761	-	-
Transfer to Stage 2	1,297	(1,297)	-	-	-	2,196	(2,857)	661	-	-
Transfer to Stage 3	5,779	1,074	(6,853)	-	-	7,506	3,707	(11,213)	-	-
Changes in risk parameters*	6,725	(1,201)	(4,733)	(6,606)	(5,815)	37,565	(7,650)	(18,673)	(5,080)	6,162
New originations or purchases of financial assets*	(23,575)	-	-	-	(23,575)	(72,598)	-	-	-	(72,598)
Derecognition of financial assets**	4,817	718	10,577	6	16,118	15,037	2,119	40,031	770	57,957
Recoveries of allowances on previously written-off assets	-	-	(795)	(2,747)	(3,542)	-	-	(15,646)	(3,474)	(19,120)
Write-offs	-	-	10,203	283	10,486	-	-	31,492	435	31,927
Foreign exchange differences and other movements	(178)	607	7	13	449	(437)	473	(1,553)	(622)	(2,139)
At the end of the period	(72,598)	(43,588)	(233,621)	(26,045)	(375,852)	(72,598)	(43,588)	(233,621)	(26,045)	(375,852)

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstanian Tenge)

	Three months ended 30 September 2021 (unaudited)					Nine months ended 30 September 2021 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the period	(57,117)	(41,929)	(305,247)	(40,292)	(444,585)	(36,305)	(45,797)	(302,834)	(23,782)	(408,718)
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)
At the end of the period	(51,182)	(43,484)	(314,412)	(41,634)	(450,712)	(51,182)	(43,484)	(314,412)	(41,634)	(450,712)

* 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 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

For the nine months ended 30 September 2021, decrease in the credit loss expense resulted from partial repayments of amounts due made by certain corporate borrowers and group of companies, operating in retail and wholesale trade, real estate, mining, construction sectors and this recovery is reflected in the table above as “derecognition of financial assets”.

The table below summarizes the amount of allowances for expected credit losses of loans to customers by type of businesses:

	30 September 2021 (unaudited)	31 December 2020
Corporate business	(189,742)	(231,899)
Retail business	(126,002)	(98,158)
SME business	(60,108)	(47,984)
	(375,852)	(378,041)

During the nine months ended 30 September 2021 and 2020, the Group has written off loans of KZT 31,927 million and KZT 16,116 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.

COVID-19 Government - support measures

In March 2020, the Program was developed by 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 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. In December 2020, the terms of the Program were revised, including the amount of the Program which was increased to KZT 770 billion. As at 30 September 2021, under the Program the Bank has financed 400 clients for the amount of KZT 269.9 billion (31 December 2020 – 379 clients for the amount of KZT 143.9 billion).

It should also be noted that the Bank is one of the market participants 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 2021, the proportion of the unimpaired SME portfolio that is covered by the state financing programs accounts for 65% of the unimpaired SME loan portfolio or KZT 465.8 billion (31 December 2020 – 68% or KZT 431.2 billion).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Allowance for expected credit losses and provisions

For the nine months ended 30 September 2021, credit loss expense on loans to customers comprised KZT 8,479 million (30 September 2020 – credit loss expense comprised KZT 30,930 million). As described above, this recovery resulted from partial repayments of amounts due made by certain corporate borrowers and group of companies, operating in retail and wholesale trade, real estate, mining, construction sectors. Allowances for expected credit losses reflect the net impact of economic scenarios, actions taken on problem assets of corporate and retail business to ensure the repayment of overdue debts, sale of unsecured loans to collection companies, as well as the effect of government programs to support the SME sector. As at 30 September 2021, credit quality remained stable, as low level of actual credit deterioration took place along with the fact that sufficient allowances for expected credit losses were accrued against key exposures impacted by the coronavirus pandemic for the nine month ended 30 September 2020.

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 NBRK, the Government and other support measures, recoveries of expected credit losses of corporate exposures, which are assumed to mitigate a material portion of future losses reflecting both the likely take-up and success of these schemes.

11. Insurance contract assets and liabilities

Insurance contract assets comprised the following:

	30 September 2021 (unaudited)	31 December 2020
Reinsurers' share of unearned premium reserve	22,085	12,364
Reinsurers' share of reserves for claims	17,140	16,898
	39,225	29,262
Premiums receivable	17,549	10,667
Total insurance contract assets	56,774	39,929

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Insurance contract liabilities comprised the following:

	30 September 2021 (unaudited)	31 December 2020
Reserves for insurance claims	172,182	148,085
Gross unearned insurance premium reserve	51,931	32,819
	224,113	180,904
Payables to reinsurers and agents	13,766	10,342
Total insurance contract liabilities	237,879	191,246

12. Other assets

Other assets comprise:

	30 September 2021 (unaudited)	31 December 2020
Other financial assets:		
Debtors on banking activities	71,542	84,296
Finance lease receivables	17,866	19,013
Debtors on non-banking activities	15,925	16,849
Accrued commission income	6,758	6,078
Other	214	48
	112,305	126,284
Less – Allowance for expected credit losses	(25,433)	(30,636)
	86,872	95,648
Other non-financial assets:		
Investments in associate	32,107	32,797
Advances for taxes other than income tax	7,947	6,123
Prepayments for property and equipment	8,478	6,259
Prepayments for investment property	6,846	7,126
Inventory	3,880	4,089
Goodwill	3,085	3,085
Other investments	1,091	838
Precious metals	635	21,551
Other	2,848	2,794
	66,917	84,662
Total other assets	153,789	180,310

For the nine months ended 30 September 2021, the Group received dividends in the amount of KZT 5,200 million from its associate - JSC Altyn Bank (31 December 2020 – KZT nil).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstan Tenge)

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

	Three months ended 30 September 2021 (unaudited)			Nine months ended 30 September 2021 (unaudited)					
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	
At the beginning of the period	(1,722)	226	(28,089)	(29,585)	(935)	(3,161)	(26,540)	(30,636)	
Transfer to Stage 1	-	-	-	-	(855)	855	-	-	
Transfer to Stage 2	-	(576)	576	-	-	(576)	576	-	
Transfer to Stage 3	-	-	-	-	-	2,501	(2,501)	-	
Changes in risk parameters*	(138)	323	4,199	4,384	(66)	355	3,023	3,312	
Recoveries of allowances on previously written-off assets	-	-	(43)	(43)	-	-	(761)	(761)	
Write-offs	-	-	696	696	-	-	2,815	2,815	
Foreign exchange differences and other movements	5	1	(891)	(885)	1	-	(164)	(163)	
At the end of the period	(1,855)	(26)	(23,552)	(25,433)	(1,855)	(26)	(23,552)	(25,433)	
	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	
At the beginning of the period	(915)	(3,127)	(25,027)	(29,069)	(809)	(2,502)	(20,565)	(23,876)	
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)	
At the end of the period	(1,297)	(3,071)	(23,701)	(28,069)	(1,297)	(3,071)	(23,701)	(28,069)	

* 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 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

13. Amounts due to customers

Amounts due to customers include the following:

	30 September 2021 (unaudited)	31 December 2020
Recorded at amortised cost:		
Term deposits:		
Individuals	3,513,705	3,073,187
Legal entities	2,235,688	1,825,513
	5,749,393	4,898,700
Current accounts:		
Legal entities	1,979,558	1,932,096
Individuals	663,696	625,181
	2,643,254	2,557,277
Total amounts due to customers	8,392,647	7,455,977

As at 30 September 2021, the Group's ten largest groups of related customers accounted for approximately 24% of the total amounts due to customers (31 December 2020 – 23%), where each group of related customers represents customers related to each other within that group.

As at 30 September 2021, amounts due to customers included amounts held as collateral of KZT 95,511 million (31 December 2020 – KZT 83,610 million).

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

An analysis of customer accounts by sectors is as follows:

	30 September 2021 (unaudited)	%	31 December 2020	%
Individuals	4,177,401	50%	3,698,368	50%
Financial sector	754,408	9%	660,328	9%
Consumer services	749,638	9%	569,342	8%
Oil and gas	525,960	6%	407,114	5%
Wholesale trade	388,181	5%	398,752	5%
Healthcare and social services	284,669	3%	227,031	3%
Transportation	254,424	3%	294,612	4%
Construction	218,547	2%	259,903	3%
Government	184,483	2%	216,925	3%
Metallurgy	158,257	2%	71,531	1%
Education	94,631	1%	66,096	1%
Insurance and pension funds activity	88,083	1%	75,631	1%
Communication	66,176	1%	87,411	1%
Energy	56,832	1%	55,187	1%
Other	390,957	5%	367,746	5%
	8,392,647	100%	7,455,977	100%

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

As at 30 September 2021, term deposits of legal entities included short-term deposits from JSC Kazakhstan Sustainability Fund of KZT 128,725 million (31 December 2020 – KZT 119,450 million) 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).

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2021 (unaudited)	31 December 2020
Recorded at amortised cost:		
Loans from JSC Entrepreneurship Development Fund DAMU	85,495	89,005
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	77,196	124,927
Loans from JSC Development Bank of Kazakhstan	47,467	47,251
Loans and deposits from OECD based banks	40,000	7,401
Loans from other financial institutions	33,733	2,075
Correspondent accounts	21,689	20,405
Loans and deposits from non-OECD based banks	4,447	9,532
Loans from JSC National Managing Holding Baiterek	131	131
	310,158	300,727

As at 30 September 2021, loans from JSC Entrepreneurship Development Fund DAMU (“DAMU”) included long-term loans of KZT 84,818 million at a 1.0% - 4.5% interest rate maturing in 2021 - 2035 with an early recall option (31 December 2020 – KZT 88,478 million). These loans were received in accordance with the Government program (“the Program”) to finance small and medium enterprises (“SME”) operating in certain industries. According to the loan agreements 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 a 6.0% interest rate.

As at 30 September 2021, loans from JSC Development Bank of Kazakhstan (“DBK”) included long-term loans of KZT 30,921 million (31 December 2020 – KZT 30,921 million) at a 2.0% interest rate maturing in 2029 - 2037, to finance corporate enterprises operating in manufacturing industries, as well as a long-term loan of KZT 16,375 million (31 December 2020 – KZT 16,175 million) at a 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 a 6.0% interest rate, and to retail borrowers – up to 5 years at a 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, Baiterek and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, Baiterek 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.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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

	30 September 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, Year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8.5%-9.8%	2021	8.0%-10.4%	2021
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 OECD based banks	7.0%	2021	7.0%	2021
Loans from other financial institutions	1.5%-10.0%	2023-2026	4.0%-10.0%	2023-2026
Loans and deposits from non-OECD based banks	1.0%-8.0%	2021-2026	1.0%-16.0%	2021-2025
Loans from JSC National Managing Holding Baitirek	3.0%	2022	3.0%	2022

The fair value of assets pledged (Note 8) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 September 2021 and 31 December 2020, are as follows:

	30 September 2021 (unaudited)		31 December 2020	
	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	78,629	76,712	119,654	121,740
	78,629	76,712	119,654	121,740

Details of transferred financial assets that are not derecognised in their entirety as at 30 September 2021 and 31 December 2020, 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)
As at 30 September 2021 (unaudited):	
Carrying amount of transferred assets	78,629
Carrying amount of associated liabilities	76,712
As at 31 December 2020:	
Carrying amount of transferred assets	119,654
Carrying amount of associated liabilities	121,740

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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. Certain 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 2021 and 31 December 2020, the Group was in compliance with the covenants of the agreements the Group has with the trustees and holders of the notes.

15. Debt securities issued

Debt securities issued consisted of the following:

	30 September 2021 (unaudited)	31 December 2020
Recorded at amortised cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	93,451	84,014
Total subordinated debt securities outstanding	93,451	84,014
Unsubordinated debt securities issued:		
KZT denominated bonds	329,766	331,760
USD denominated bonds	78,792	362,418
Total unsubordinated debt securities outstanding	408,558	694,178
Total debt securities outstanding	502,009	778,192

On 31 December 2020, the Group made a partial prepayment on its USD 750 million Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 300 million together with the interest accrued, but unpaid.

On 28 January 2021, the Bank redeemed its USD 500 million Eurobond issue bearing 7.25% coupon rate due 2021. The repayment was made from the Bank's own funds.

On 1 March 2021, the Bank fully repaid its outstanding debt of USD 248,012,457 under the USD 750 million Eurobond programme bearing 5.5% coupon rate due 2022. The Group recognized a loss of KZT 19,767 million from early redemption of Eurobonds in the interim condensed consolidated income statement included as "other (expense)/income".

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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

	30 September 2021 (unaudited)		31 December 2020	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
Unsubordinated debt securities issued:				
KZT denominated bonds	7.5%-8.8%	2022-2025	7.5%-8.8%	2022-2025
USD denominated bonds	3.0%	2022	3.0%-7.3%	2021-2022

As at 30 September 2021, accrued interest on debt securities issued was KZT 20,061 million (as at 31 December 2020 – KZT 21,090 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.

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 2021	Financing cash flows	Non-cash changes		30 September 2021 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	778,192	(305,470)	6,012	23,275	502,009

	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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

16. Taxation

The income tax expense comprises:

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Current income tax expense	17,310	8,596	46,184	20,006
Deferred income tax (benefit)/expense	(410)	1,033	(584)	4,517
Total income tax expense	16,900	9,629	45,600	24,523

The Group's effective income tax rate for the nine months ended 30 September 2021 was 12.4% (for the nine months ended 30 September 2020: 9.1%). The change in the effective income tax rates between the nine months ended 30 September 2021 and 2020 is mainly caused by tax-exempt interest income and other related income on state and other qualifying securities. The decrease of effective tax rate in the third quarter ended 30 September 2020, was primarily due to reversal of deferred tax liability of derivative contracts due to their negative revaluation and higher proportion of non-taxable interest income and revaluation gain on listed and government securities.

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

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

17. Other liabilities

Other liabilities comprise:

	30 September 2021 (unaudited)	31 December 2020
Liability arising from continuing involvement	67,000	46,933
Salary, bonuses and vacation accrual	23,091	20,270
Creditors on non-banking activities	14,184	8,187
Other prepayments received	10,690	9,415
Taxes payable other than income tax	9,139	5,961
Creditors on bank activities	8,592	1,142
Lease liabilities	5,822	5,930
Payable for general and administrative expenses	4,007	2,424
Advances received related to commercial property	1,131	2,305
Others	1,091	45
Total other liabilities	144,747	102,612

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Liability arising from continuing involvement represents obligations to JSC “Baspana” Mortgage organization (“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 2021 and 31 December 2020, principal amount of these loans were KZT 67,000 million and KZT 46,933 million, respectively.

18. Equity

The number of shares authorised, issued and fully paid as at 30 September 2021 and 31 December 2020, were as follows:

	Share capital authorised	Share capital authorised and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
30 September 2021 (unaudited):					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,706,059,617)	11,741,485,165
31 December 2020:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,763,204,067)	11,684,340,715

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

	Number of shares Common	Nominal (placement) amount Common
31 December 2019	11,656,585,190	94,393
Purchases of treasury shares	(44,009,317)	(4,540)
Sale of treasury shares	87,840,463	9,868
30 September 2020 (unaudited)	11,700,416,336	99,721
31 December 2020	11,684,340,715	98,000
Purchases of treasury shares	(18,783,447)	(2,591)
Sale of treasury shares	75,927,897	8,412
30 September 2021 (unaudited)	11,741,485,165	103,821

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Common shares

As at 30 September 2021 and 31 December 2020, share capital comprised KZT 209,027 million. As at 30 September 2021, the Group held 1,706,059,617 shares of the Group's common shares as treasury shares at KZT 105,206 million (31 December 2020 – 1,763,204,067 shares at KZT 111,027 million).

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

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued, as well as the amount of excess of the cost of selling previously redeemed shares issued on the secondary market over the cost of their redemption.

19. Commitments and contingencies, provisions

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

	30 September 2021 (unaudited)	31 December 2020
Guarantees issued	545,141	422,672
Commitments to extend credit	51,994	45,647
Commercial letters of credit	31,653	38,306
Financial commitments and contingencies	628,788	506,625
Less: provisions	(12,897)	(9,287)
Less: cash collateral against letters of credit	(5,986)	(16,922)
Financial commitments and contingencies, net	609,905	480,416

Guarantees issued represent bank guarantees issued by the Group by order of its clients, and which are in effect as at the reporting date. As at 30 September 2021, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 55% of the Group's total financial guarantees (31 December 2020 – 52%) and represented 18% of the Group's total equity (31 December 2020 – 15%).

Commercial letters of credit represent letters of credit issued by the Group by order of its clients, and under which, as at the reporting date, the payment has not yet been made. As at 30 September 2021, the ten largest unsecured letters of credit accounted for 83% of the Group's total commercial letters of credit (31 December 2020 – 60%) and represented 2% of the Group's total equity (31 December 2020 – 2%).

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 a review of the credit risk of the borrower or an analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held with banks, government securities and other assets.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (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:

				Three months ended 30 September 2021 (unaudited)
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(551)	(8)	(13,086)	(13,645)
Transfer to Stage 2	217	(217)	-	-
Transfer to Stage 3	258	15	(273)	-
(Additional provisions recognized)/recoveries of provisions	(408)	(159)	1,312	745
Foreign exchange differences	92	2	(91)	3
At the end of the period	(392)	(367)	(12,138)	(12,897)

				Nine months ended 30 September 2021 (unaudited)
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(640)	(1,343)	(7,304)	(9,287)
Transfer to Stage 2	247	(247)	-	-
Transfer to Stage 3	8,935	1,419	(10,354)	-
(Additional provisions recognized)/recoveries of provisions	(9,015)	(196)	5,578	(3,633)
Foreign exchange differences	81	-	(58)	23
At the end of the period	(392)	(367)	(12,138)	(12,897)

				Three months ended 30 September 2020 (unaudited)
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(406)	(1,389)	(5,327)	(7,122)
Transfer to Stage 3	33	-	(33)	-
(Additional provisions recognized)/recoveries of provisions	(91)	86	16	11
Foreign exchange differences	(5)	(11)	(72)	(88)
At the end of the period	(469)	(1,314)	(5,416)	(7,199)

				Nine months ended 30 September 2020 (unaudited)
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(365)	(838)	(2,721)	(3,924)
Transfer to Stage 1	33	-	(33)	-
Transfer to Stage 3	-	276	(276)	-
Additional provisions recognized	(135)	(747)	(2,223)	(3,105)
Foreign exchange differences	(2)	(5)	(163)	(170)
At the end of the period	(469)	(1,314)	(5,416)	(7,199)

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Capital commitments

As at 30 September 2021, the Group had capital expenditures commitments in respect of construction in progress in the amount of KZT 12,239 million (31 December 2020 KZT 12,210 million).

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 30 September 2021 and 31 December 2020.

20. Net interest income

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Interest income:				
Loans to customers	166,989	128,693	454,816	368,693
- <i>Corporate business</i>	66,730	56,093	195,464	162,475
- <i>Retail business</i>	68,796	53,512	188,322	150,829
- <i>SME business</i>	31,463	19,088	71,030	55,389
Financial assets at fair value through other comprehensive income	25,857	16,868	70,021	64,847
Debt securities at amortized cost, net of allowance for expected credit losses	24,871	24,776	74,519	74,181
Amounts due from credit institutions and cash and cash equivalents	3,665	4,813	13,219	15,889
Other financial assets	3,189	1,463	9,136	6,085
Interest income calculated using effective interest method	224,571	176,613	621,711	529,695
Financial assets at fair value through profit or loss	5,167	3,926	15,664	10,692
Other interest income	5,167	3,926	15,664	10,692
Total interest income	229,738	180,539	637,375	540,387
Interest expense:				
Amounts due to customers	(77,204)	(60,076)	(213,567)	(168,990)
- <i>Individuals</i>	(43,103)	(34,276)	(121,498)	(98,791)
- <i>Legal entities</i>	(34,101)	(25,800)	(92,069)	(70,199)
Debt securities issued	(10,998)	(18,902)	(34,809)	(54,544)
Amounts due to credit institutions	(2,529)	(1,827)	(5,842)	(7,673)
Other interest expense	(48)	(7,017)	(855)	(7,804)
Other financial liabilities	(167)	(121)	(593)	(357)
Total interest expense	(90,946)	(87,943)	(255,666)	(239,368)
Net interest income	138,792	92,596	381,709	301,019

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

For the three and nine months ended 30 September 2021, the total interest income calculated using the EIR method for financial assets measured at amortised cost comprised KZT 198,714 million and KZT 551,690 million, respectively (for the three and nine months ended 30 September 2020: KZT 159,745 million and KZT 464,848 million).

21. Fees and commissions

Fee and commission income is derived from the following sources:

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Plastic card operations	21,393	18,047	59,386	49,494
Bank transfers - settlements	5,555	5,505	16,039	13,194
Letters of credit and guarantees issued	3,010	2,682	8,261	7,256
Cash operations	2,588	2,562	7,546	7,458
Servicing customers' pension payments	1,602	2,238	5,867	6,423
Bank transfers - salary projects	956	1,257	3,386	4,624
Maintenance of customer accounts	911	725	2,722	2,333
Other	2,183	1,317	5,477	3,797
Total fee and commission income	38,198	34,333	108,684	94,579

Fee and commission expense comprises the following:

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Payment cards	(16,116)	(12,764)	(43,667)	(35,109)
Deposit insurance	(1,400)	(2,801)	(4,584)	(8,493)
Bank transfers	(567)	(130)	(1,547)	(1,181)
Cash operations	(179)	(130)	(522)	(887)
Commission paid to collectors	(88)	(74)	(177)	(303)
Other	(118)	(546)	(1,277)	(2,262)
Total fee and commission expense	(18,468)	(16,445)	(51,774)	(48,235)

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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

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

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:				
Realized net gain on derivative operations	1,855	4,456	4,500	115
Unrealized net gain/(loss) on derivative operations	46	(3,558)	3,366	8,624
Net (loss)/gain on trading operations	(1,280)	(20)	1,572	(4,026)
Total net gain on operations with financial assets and liabilities classified as held for trading	621	878	9,438	4,713

23. Net gain on foreign exchange operations

Net foreign exchange gain comprises:

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Dealing, net	8,071	10,752	25,308	40,438
Translation differences, net	(1,189)	(948)	(2,313)	(19,472)
Total net foreign exchange gain	6,882	9,804	22,995	20,966

24. Insurance underwriting income/ (insurance claims incurred)

Insurance underwriting income/ (insurance claims incurred) comprised:

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Insurance premiums written, gross	47,992	31,393	175,456	113,239
Ceded reinsurance share	(10,739)	(6,810)	(65,516)	(47,459)
Change in unearned insurance premiums, net	(1,513)	(159)	(8,781)	(1,965)
Total insurance underwriting income	35,740	24,424	101,159	63,815
Insurance reserves expenses	(7,657)	(5,985)	(25,370)	(12,596)
Insurance payments	(7,359)	(9,036)	(22,136)	(16,374)
Commissions to agents	(6,946)	(2,642)	(19,432)	(20,585)
Total insurance claims incurred, net of reinsurance	(21,962)	(17,663)	(66,938)	(49,555)
Net insurance income	13,778	6,761	34,221	14,260

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Insurance payments represent expenses on claims for insurance and reinsurance, expenses on claims settlement, reimbursement expenses to reinsurers on a recourse claim and other expenses related to insurance and reinsurance activities.

25. Operating expenses

Operating expenses comprised:

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Salaries and other employee benefits	26,914	21,612	74,650	61,929
Advertisement and loyalty program expense	4,363	1,649	9,127	6,606
Depreciation and amortization expenses	3,718	3,176	11,024	9,430
Taxes other than income tax	2,437	2,068	6,628	5,702
Information services	1,624	1,367	4,871	3,812
Security	1,418	1,223	3,875	3,641
Communication	1,399	1,423	3,862	4,354
Utilities expenses	956	648	3,123	2,808
Repairs and maintenance	809	1,220	2,474	2,488
Rent	727	598	2,206	1,953
Professional services	661	134	1,267	707
Stationery and office supplies	400	418	1,153	1,298
Charity*	194	537	2,429	581
Other	3,094	1,310	5,168	3,064
Total operating expenses	48,714	37,383	131,857	108,373

* Providing charity assistance to the private fund "Charity Fund" Halyk "for the execution of charitable projects related to COVID-19.

26. Income on non-banking activities

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Net gain on sale of commercial property	7,270	3,045	13,338	14,419
Net gain on sale of assets-held-for-sale	1,355	1,337	2,754	1,864
Net gain on sale of investment property	9	69	226	126
Other income on non-banking activities	911	947	1,702	2,513
Income on non-banking activities	9,545	5,398	18,020	18,922

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.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

The following table presents basic and diluted earnings per share:

	Three months ended 30 September 2021 (unaudited)	Three months ended 30 September 2020 (unaudited)	Nine months ended 30 September 2021 (unaudited)	Nine months ended 30 September 2020 (unaudited)
Basic and diluted earnings per share				
Net profit for the period attributable to equity holders of the parent	107,657	88,652	333,095	244,646
Earnings attributable to common shareholders	107,657	88,652	333,095	244,646
Weighted average number of common shares for the purposes of basic earnings per share	11,741,246,009	11,698,023,909	11,717,753,000	11,694,780,325
Basic and diluted earnings per share (in Tenge)	9.17	7.58	28.43	20.92

As required by KASE rules for listed companies, the book value of one share per each class of shares as at 30 September 2021 and 31 December 2020 is disclosed as follows:

Class of shares	30 September 2021 (unaudited)		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,741,485,165	1,599,766	136.25
		1,599,766	
Class of shares	31 December 2020		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,684,340,715	1,481,060	126.76
		1,481,060	

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

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting date.

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 2021 and are disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Liquidity Risk

In order to manage liquidity risk, the Group analyses 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 in the form of securities which are included in the column “Less than 1 month” as they are available to meet the Group’s short-term liquidity needs.

	30 September 2021 (unaudited)					Total
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	
FINANCIAL ASSETS:						
Cash and cash equivalents	1,033,221	1,991	-	-	-	1,035,212
Obligatory reserves	114,666	16,879	50,285	7,738	319	189,887
Financial assets at fair value through profit or loss	251,813	3,750	-	-	1,745	257,308
Amounts due from credit institutions	258,103	320,206	83,695	1,480	-	663,484
Financial assets at fair value through other comprehensive income	203,255	32,380	148,063	1,251,558	245,483	1,880,739
Debt securities at amortised cost, net of allowance for expected credit losses	-	329	275,223	688,758	253,834	1,218,144
Loans to customers*	189,608	449,274	2,787,321	1,812,051	235,861	5,474,115
Other financial assets	37,444	4,181	9,025	36,041	181	86,872
	2,088,110	828,990	3,353,612	3,797,626	737,423	10,805,761
FINANCIAL LIABILITIES:						
Amounts due to customers	3,911,519	662,356	2,650,175	758,145	410,452	8,392,647
Amounts due to credit institutions	131,149	45,795	825	18,733	113,656	310,158
Financial liabilities at fair value through profit or loss	2,464	815	-	913	419	4,611
Debt securities issued	10,153	2,750	177,937	310,371	798	502,009
Other financial liabilities	76,583	3,077	14,851	2,928	3,257	100,696
	4,131,868	714,793	2,843,788	1,091,090	528,582	9,310,121
Net position	(2,043,758)	114,197	509,824	2,706,536	208,841	1,495,640
Accumulated gap	(2,043,758)	(1,929,561)	(1,419,737)	1,286,799	1,495,640	

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

	31 December 2020					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,745,718	11,759	-	-	-	1,757,477
Obligatory reserves	97,353	20,780	41,490	10,120	385	170,128
Financial assets at fair value through profit or loss	238,742	-	3,548	5	31	242,326
Amounts due from credit institutions	152,028	7,514	549,029	737	2	709,310
Financial assets at fair value through other comprehensive income	75,531	2,686	95,143	908,867	173,931	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	16,303	2,292	35,118	675,152	500,674	1,229,539
Loans to customers*	233,521	399,590	2,437,184	1,200,408	175,572	4,446,275
Other financial assets	31,524	8,724	12,608	30,550	12,242	95,648
	2,590,720	453,345	3,174,120	2,825,839	862,837	9,906,861
FINANCIAL LIABILITIES:						
Amounts due to customers	3,616,311	859,205	1,785,064	775,042	420,355	7,455,977
Amounts due to credit institutions	162,608	191	2,586	17,675	117,667	300,727
Financial liabilities at fair value through profit or loss	1,725	-	206	104	449	2,484
Debt securities issued	211,145	3,785	3,265	559,264	733	778,192
Other financial liabilities	56,219	582	7,631	229	-	64,661
	4,048,008	863,763	1,798,752	1,352,314	539,204	8,602,041
Net position	(1,457,288)	(410,418)	1,375,368	1,473,525	323,633	1,304,820
Accumulated gap	(1,457,288)	(1,867,706)	(492,338)	981,187	1,304,820	

*Loans to customers in the column "3 months to 1 year" include loans with non-standard repayment schedule.

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 customer term deposits, current accounts of corporate and retail customers and bonds.

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

JSC Halyk Bank



Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the 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:

	30 September 2021 (unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	797,865	17,156	20,637	58,413	894,071	141,141	1,035,212
Obligatory reserves	79,305	12,165	1,737	17,681	110,888	78,999	189,887
Financial assets at fair value through profit or loss	21,780	-	39,298	1,798	62,876	194,432	257,308
Amounts due from credit institutions	548,940	7,066	2	24,179	580,187	83,297	663,484
Financial assets at fair value through other comprehensive income	949,931	126,817	14,887	-	1,091,635	789,104	1,880,739
Debt securities at amortised cost, net of allowance for expected credit losses	186,625	-	3,651	5,984	196,260	1,021,884	1,218,144
Loans to customers	993,118	58,074	102,160	72,243	1,225,595	4,248,520	5,474,115
Other financial assets	867	423	4,555	2,169	8,014	78,858	86,872
	3,578,431	221,701	186,927	182,467	4,169,526	6,636,235	10,805,761
FINANCIAL LIABILITIES							
Amounts due to customers	3,676,372	132,684	67,367	101,211	3,977,634	4,415,013	8,392,647
Amounts due to credit institutions	12,051	5,676	74	2,229	20,030	290,128	310,158
Financial liabilities at fair value through profit or loss	-	-	2,147	968	3,115	1,496	4,611
Debt securities issued	78,792	-	-	798	79,590	422,419	502,009
Other financial liabilities	2,160	521	2,692	2,561	7,934	92,762	100,696
	3,769,375	138,881	72,280	107,767	4,088,303	5,221,818	9,310,121
Net position – on-balance	(190,944)	82,820	114,647	74,700	81,223	1,414,417	1,495,640
Net position – off-balance	210,520	(83,425)	(91,550)	(793)	34,752	(32,565)	
Net position	19,576	(605)	23,097	73,907	115,975	1,381,852	

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)

	31 December 2020					
	USD	EURO	RUR	Other	Total foreign currencies	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,175,440	23,729	48,005	30,490	1,277,664	1,757,477
Obligatory reserves	88,902	7,292	2,017	3,452	101,663	170,128
Financial assets at fair value through profit or loss	19,804	-	38,728	1,511	60,043	242,326
Amounts due from credit institutions	564,826	16,218	2	459	581,505	709,310
Financial assets at fair value through other comprehensive income	646,942	130,942	4,409	-	782,293	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	170,218	-	4,063	10,338	184,619	1,229,539
Loans to customers	831,807	50,489	79,545	55,273	1,017,114	4,446,275
Other financial assets	1,818	304	3,446	1,367	6,935	95,648
	3,499,757	228,974	180,215	102,890	4,011,836	9,906,861
FINANCIAL LIABILITIES						
Amounts due to customers	3,234,752	136,373	61,075	77,500	3,509,700	7,455,977
Amounts due to credit institutions	14,549	3,825	2,682	5,691	26,747	300,727
Financial liabilities at fair value through profit or loss	-	-	759	12	771	2,484
Debt securities issued	362,417	-	-	767	363,184	778,192
Other financial liabilities	1,593	13	1,671	874	4,151	64,661
	3,613,311	140,211	66,187	84,844	3,904,553	8,602,041
Net position – on-balance	(113,554)	88,763	114,028	18,046	107,283	1,304,820
Net position – off-balance	163,673	(86,310)	(60,996)	(171)	16,196	(13,425)
Net position	50,119	2,453	53,032	17,875	123,479	1,184,112

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (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 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.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Nine Months ended 30 September 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

The below table summarises the regulatory capital composition and capital adequacy ratios of the Group as at 30 September 2021 and 31 December 2020. Individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	30 September 2021 (unaudited)	31 December 2020
Composition of regulatory capital		
CET 1		
Common shares, net of treasury shares	103,821	98,000
Share premium	8,631	5,741
Retained earnings of prior periods	1,039,852	897,775
Net income for the current period	333,095	352,653
Accumulated disclosed reserves	54,007	53,578
Non-controlling interest	7	7
Property and financial assets at fair value through other comprehensive income revaluation reserves	60,657	75,587
Less: goodwill and intangible assets	(15,342)	(15,293)
Less: cumulative translation reserve	(6,045)	(4,516)
Common Equity Tier 1 (CET 1) Capital	1,578,683	1,463,532
Additional tier 1		
Tier 2		
Subordinated debt	74,761	67,211
Total qualifying for Tier 2 capital	74,761	67,211
Total regulatory capital	1,653,444	1,530,743
Risk weighted assets	7,353,308	5,993,301
CET 1 capital adequacy ratio	21.47%	24.42%
Tier 1 capital adequacy ratio	21.47%	24.42%
Total capital adequacy ratio	22.49%	25.54%

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 2021 in comparison with the year ended 31 December 2020.

There were no transactions between business segments during the nine months ended 30 September 2021 and 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)

Segment information for the main reportable business segments of the Group as at 30 September 2021 and 2020 and for the nine months then ended is set out below:

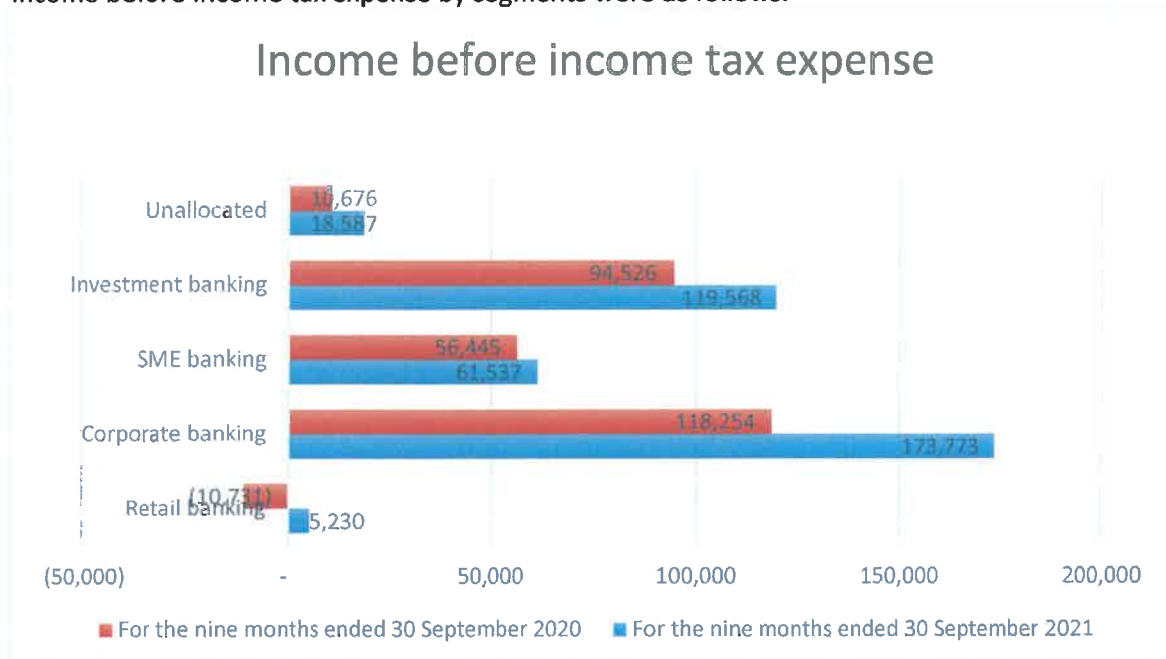
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the nine months ended 30 September 2021 (unaudited)						
External revenues	273,999	249,031	96,854	157,887	126,111	903,882
Total revenues	273,999	249,031	96,854	157,887	126,111	903,882
Total revenues comprise:						
- Interest income	188,322	220,492	70,933	156,586	1,042	637,375
- Fee and commission income, including:	77,879	11,222	17,406	-	2,177	108,684
<i>Plastic cards operations</i>	57,895	63	1,274	-	154	59,386
<i>Bank transfers – settlements</i>	8,764	2,047	5,165	-	63	16,039
<i>Letters of credit and guarantees issued</i>	32	6,172	2,031	-	26	8,261
<i>Cash operations</i>	5,867	1,171	5,675	-	38	7,546
<i>Servicing customers' pension payments</i>	3,386	-	-	-	-	5,867
<i>Bank transfers – salary projects</i>	477	206	-	-	-	3,386
<i>Maintenance of customer accounts</i>	796	1,563	2,039	-	-	3,386
<i>Other</i>	-	8,235	1,222	-	1,896	2,722
- Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	-	-	-	(68)	1,271	5,477
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	1,369	-	9,438
- Net gain/(loss) on foreign exchange operations	7,798	9,082	8,515	-	(2,400)	1,369
- Share in profit of associate	-	-	-	-	4,842	22,995
- Insurance underwriting income and income on non-banking activities	-	-	-	-	119,179	4,842
Total revenues	273,999	249,031	96,854	157,887	126,111	903,882
- Interest expense	(121,499)	(81,664)	(16,564)	(34,913)	(1,026)	(255,666)
- (Credit loss expense)/recovery of credit loss expense	(21,337)	21,782	(5,142)	(519)	(257)	(5,473)
- Fee and commission expense	(47,686)	(2,922)	(535)	(187)	(444)	(51,774)
- Operating expenses	(78,227)	(9,356)	(12,585)	(2,700)	(28,989)	(131,857)
- Loss from impairment of non-financial assets	-	-	-	-	(275)	(275)
- Other credit loss expense	(20)	(3,098)	(491)	-	(24)	(3,633)
- Insurance claims incurred, net of reinsurance and other expense	-	(2,117)	-	-	(74,392)	(76,509)
Total expenses	(268,769)	(77,375)	(35,317)	(38,319)	(105,407)	(525,187)
Segment result	5,230	171,656	61,537	119,568	20,704	378,695
Income before income tax expense						378,695
Income tax expense					(45,600)	(45,600)
Net profit						333,095
30 September 2021 (unaudited):						
Total segment assets	1,652,482	4,720,584	841,091	3,283,876	786,424	11,284,457
Total segment liabilities	4,218,563	3,242,199	1,333,701	510,370	367,601	9,672,434
Other segment items:						
Capital expenditures					(16,507)	(16,507)
Depreciation and amortization					(11,024)	(11,024)
Investments in associates					32,107	32,107

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

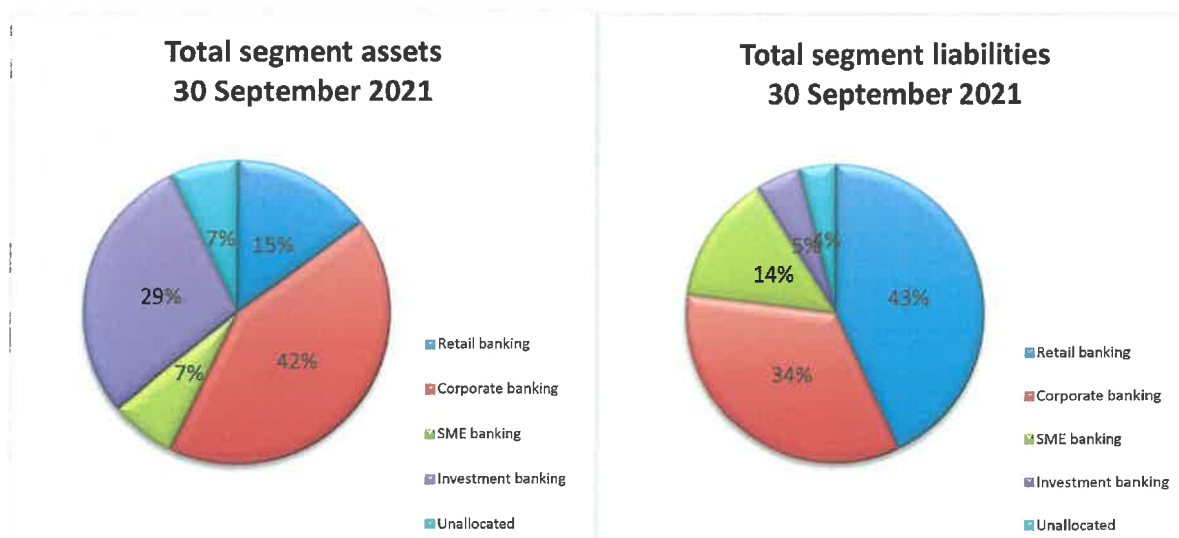
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the nine months ended 30 September 2020 (unaudited)						
External revenues	226,643	205,603	84,100	150,065	91,516	757,927
Total revenues	226,643	205,603	84,100	150,065	91,516	757,927
Total revenues comprise:						
- 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	5,811	-	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 gain/(loss) 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	4,656
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	89,140	89,140
Total revenues	226,643	205,603	84,100	150,065	91,516	757,927
- 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)
Total expenses	(237,374)	(87,349)	(27,655)	(55,599)	(80,840)	(488,757)
Segment result	(10,731)	118,254	56,445	94,526	10,676	269,170
Income before income tax expense						269,170
Income tax expense					(24,523)	(24,523)
Net profit						244,647
31 December 2020:						
Total segment assets	1,223,143	4,958,055	739,910	2,721,756	744,968	10,387,832
Total segment liabilities	3,733,588	2,773,618	1,271,071	784,346	331,941	8,894,564
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)

Income before income tax expense by segments were as follows:



Share of segment assets and liabilities as at 30 September 2021 (unaudited) and 31 December 2020 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 2021 and 31 December 2020 and for the nine months ended 30 September 2021 and 2020.

	Kazakhstan	OECD	Non-OECD	Total
30 September 2021 (unaudited)				
Total assets	10,230,946	555,476	498,036	11,284,457
31 December 2020				
Total assets	9,416,469	447,932	523,431	10,387,832
Nine months ended				
30 September 2021 (unaudited)				
External revenues	854,532	19,368	29,982	903,882
Capital expenditures	(16,507)	-	-	(16,507)
Nine months ended				
30 September 2020 (unaudited)				
External revenues	714,029	9,833	34,065	757,927
Capital expenditures	(18,303)	-	-	(18,303)

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.

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

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 at 30 September 2021 and 31 December 2020, 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	30 September	Fair value		Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2021 (unaudited)	31 December 2020	Fair value hierarchy			
Non-derivative financial assets at fair value through profit or loss (Note 6)	86,704	54,291	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	162,330	184,363	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	-	22	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	8,274	3,650	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (observable as at the reporting period).	Not applicable	Not applicable
Total financial assets at fair value through profit or loss	257,308	242,326				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	-	12	Level 1	Quoted prices in a market that is not active.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	4,611	2,472	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (observable as at the reporting period).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	4,611	2,484				
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	1,153,413	822,112	Level 1	Quoted 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)	727,316	433,983	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 8)	10	63	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	1,880,739	1,256,158				

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 2021 and 2020, there were no transfers between levels.

	Derivative financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehen- sive income (Level 3)
31 December 2020	-	63
Loss to profit or loss	-	(53)
30 September 2021 (unaudited)	-	10
31 December 2019	4,347	-
Gain to profit or loss	1,306	-
Purchases	42	-
Redemption	(5,653)	-
30 September 2020 (unaudited)	42	-

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 2021 (unaudited)		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	663,484	644,089	709,310	700,406
Debt securities at amortised cost, net of allowance for expected credit losses	1,218,144	1,192,673	1,229,539	1,206,654
Loans to customers	5,474,115	5,296,321	4,446,275	4,488,611
Financial liabilities				
Amounts due to customers	8,392,647	8,557,525	7,455,977	7,392,606
Amounts due to credit institutions	310,158	311,565	300,727	308,574
Debt securities issued	502,009	508,759	778,192	778,825

	30 September 2021 (unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	644,089	-	644,089
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,192,673	-	1,192,673
Loans to customers	-	-	5,296,321	5,296,321
Financial liabilities				
Amounts due to customers	-	8,557,525	-	8,557,525
Amounts due to credit institutions	-	311,565	-	311,565
Debt securities issued	-	508,759	-	508,759

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Amounts due from credit institutions	-	700,406	-	700,406
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,206,654	-	1,206,654
Loans to customers	-	-	4,448,611	4,448,611
Financial liabilities				
Amounts due to customers	-	7,392,606	-	7,392,606
Amounts due to credit institutions	-	308,574	-	308,574
Debt securities issued	-	778,825	-	778,825

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.

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

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. Terms, conditions and amounts of related party transactions are usually same as those between unrelated parties. Transactions with related parties are settled on an arm’s-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with 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. The Group had the following balances outstanding as at 30 September 2021 and 31 December 2020 with related parties:

	30 September 2021 (unaudited)		31 December 2020	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for expected credit losses	7,951	5,849,967	1,431	4,824,316
- <i>entities with joint control or significant influence over the Group</i>	7,950		1,418	
- <i>key management personnel of the Group or its parent</i>	1		1	
- <i>other related parties</i>	-		12	
Allowance for expected credit losses	(2)	(375,852)	(1)	(378,041)
- <i>other related parties</i>	(2)		(1)	
Investments in associates	32,107	32,107	32,797	32,797
Amounts due to customers	401,904	8,392,647	263,125	7,455,977
- <i>the parent and ultimate controlling parties</i>	336,782		194,582	
- <i>entities with joint control or significant influence over the Group</i>	20,218		15,329	
- <i>key management personnel of the Group or its parent</i>	12,528		11,299	
- <i>other related parties</i>	32,376		41,915	

