HALYK BANK



SUSTAINABILITY REPORT
2021

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2021 IN THE CONTEXT OF SUSTAINABILITY

Halyk Bank is the leading financial institution in Kazakhstan

462.4 billion
– net income (KZT352,7 billion in 2020, growth of 31%)

31%
– market share in terms of total assets (32% in 2020)

9.0 million
– active retail clientsustomers (8.4 million in 2020)

77%
of the 100 largest companies in Kazakhstan – our customers

High social significance and systemically important role in the national economy

Largest payment agent in terms of pensions and social payments

2.5 million customers
In most state programmes, the Bank is the leader in terms of funds allocated, as well as the number and volume of subsidy and guarantee agreements signed



Bank of first choice

589
service outlets throughout Kazakhstan

15.5 million
cards in circulation

Customer satisfaction index (CSI)

98% retail customers
(95% in 2020)

99% SME customers
(98% in 2020)

1 in 5
Bank branches are in small and single-industry towns

Focus on creating and developing ecosystem products

Halyk Club – an exclusive offering for all Bank cardholders

Halyk Tour – an integrated travel service

Kino.kz – a service that helps users to buy cinema tickets

Halyk Invest – easy access to investment tools, including IPOs

Halyk Travel – a service for searching for and booking air and railway tickets and hotels online

Auto Insurance – car insurance products for retail customers

Halyk Maps – geolocation of the Bank's branches, ATMs, terminals and partners on a city map

Halyk Market – a strategic product in Halyk Group's ecosystem, which is a a reliable and convenient technological solution for making online purchases using loans, instalments and card payments

Halyk Info – a personal assistant that enables customers to find answers using keyword searches and FAQs

Gov Tech – a mobile app that aims to streamline and integrate government services into the Bank's business processes

Focus on digitalisation

Halyk Homebank – #1 among free mobile apps in the "Finance" category on Google Play and the App Store

4,2 млн MAU*, up 61.5% year-on-year / 1.3 million DAU, up

69.4% **Onlinebank** – #1 in a rating of mobile banks for business in Kazakhstan

Onlinebank for corporate and SME customers – 156,000 MAU* in the web and mobile versions, up 83.5% year-on-year

273,000 online banking customers from a total customer base of 388,000

Our employees

14 815 people – total headcount

78% – women employees

To care for and support the wellbeing of employees, the Bank revised its incentive system and increased salaries in 2021

Environmental impact

6% – year-on-year reduction in Scope 1 emissions

2% – year-on-year decrease in Scope 2 emissions

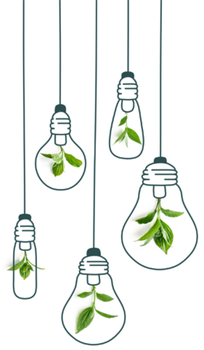
2% – year-on-year reduction in water consumption

5% – year-on-year decrease in the use of plastic (from payment cards)

10% – year-on-year reduction in paper consumption – the equivalent of around 3,000 trees saved

4% – year-on-year decrease in coal consumption from switching to more environmentally friendly energy sources, while the share of coal in overall energy use was **1.7%**

* monthly active users
** daily active users





01
ABOUT THE REPORT

ABOUT THE REPORT

GRI 102-46 | 102-50 | 102-52 | 102-54

HThis report has been prepared in accordance with the GRI Standards: Core option. Also taken into consideration during its preparation were the listing rules of the Kazakhstan Stock Exchange (KASE) and recommendations on sustainability reporting of the London Stock Exchange (LSE).

This report provides information about the activities of JSC Halyk Bank of Kazakhstan and its branches in Kazakhstan (referred to throughout the report as Halyk Bank or the Bank) for the period from 1 January 2021 to 31 December 2021. Financial data are based on audited financial statements prepared in accordance with International Financial Reporting Standards, unless otherwise expressly indicated in the text.



Halyk Bank's Management Board has approved this sustainability report, which has been made available for stakeholders to review on the corporate website in the Kazakh, Russian and English languages.

https://halykbank.kz/kz/about/shareholders_investors/investoram

https://halykbank.kz/about/shareholders_investors/investoram

https://halykbank.com/

02

CHAIRMAN OF THE BOARD'S STATEMENT



CHAIRMAN OF THE BOARD'S STATEMENT

GRI 102-14



Dear clients and shareholders,

In 2021, as the core financial institution of Halyk Group, Halyk Bank strengthened its leadership in all main segments of Kazakhstan's financial sector, substantially reinforcing its position as a high-tech bank and the service provider of choice for most clients. Strong profitability, cutting-edge technology and a focus on the interests of shareholders and clients remain key in the Group's activities, and they create a solid foundation for developing new business lines.

Furthermore, both the Bank and Group have significant reserves to strengthen their market positions even further. In the reporting period, the Group developed and approved a new development strategy for 2022-24, which determines the priorities and development objectives for the Bank and its subsidiaries for the next strategic period. The main priority is to create a reliable, technology-driven and innovative ecosystem, one that ensures a first-class customer experience and a comprehensive approach to providing quality goods and services. Another important strategic aim is to actively develop the ESG agenda.

In the modern reality, we firmly believe that a clear and considered approach to managing ESG issues is critical. As such, we are working to make our corporate governance structure more flexible, effective and optimal. In this regard, all of the Bank's strategic sustainability objectives are devised with a view to balancing the needs of the economy, society and the environment.

In 2021, as part of making the approach to sustainability matters more systematic, the Bank published a sustainability report for 2020, which discloses the main aspects of its environmental, social and governance activities. Notably, while we have been producing such reports for only a short time (since 2020), our sustainability efforts have already received acclaim from authoritative international experts. Based on our reports for 2019 and 2020, MSCI ESG Research (MSCI[1]) upgraded Halyk Bank's sustainability rating from 'B' to 'BB'. This marks the first small, yet significant, success on the road to developing ESG at Halyk Group.

Wherever possible, the Board of Directors supports initiatives to develop ESG, ecosystems and new tools to make our work more effective. In 2021, it approved numerous policies aimed at embedding sustainability in the corporate governance system, and considered proposals from independent directors about streamlining and developing the system further.

[1]MSCI ESG Research LLC is a Registered Investment Adviser under the US Investment Advisers Act of 1940 and a subsidiary of MSCI Inc. MSCI ESG Research LLC's products and services are used to prepare comprehensive research, ratings and analysis of environmental, social and governance approaches adopted by companies worldwide, as well as to create the MSCI ESG indexes.

Also in the reporting period, the Bank devised and approved a new version of the rules for preparing documents related to calling and conducting Board meetings, which increased their quality and reduced the volume of materials used for members (that of printed materials decreased by 68%). Overall, through the measures introduced, the Bank reduced its use of paper noteworthily (by 10%), saving around 3,000 trees. The Bank also planted more than 1,500 trees, some 3,000 shrubs and almost 2,300 ground-cover plants in Kazakhstan.

Elsewhere, the Bank decreased its electricity consumption by 1.4% year-on-year by replacing fluorescent bulbs for LED ones, as well as its water use by 2% by installing aerators. This helped to meet the Bank's plans to save resources as part of its sustainability strategy, while such measures are also significantly influencing behavioural change among employees by raising awareness of using natural resources more responsibly.

To further embed sustainability principles in activities and processes, the Bank drafted and approved a whole range of key internal documents: policies on sustainability, on the environment and on supporting the freedom of associations, introducing collective bargaining agreements and diversifying the workforce. It also prepared recommendations for increasing the number of women on the Bank's Board of Directors and in subsidiaries.

In addition, the Board of Directors' functional responsibilities were expanded. Notable additions included defining approaches to integrating sustainability elements into the Bank's strategy; implementing corresponding ESG procedures and practices in the Board's work; allocating sustainability responsibilities to Board committees; approving top-level internal documents (policies) covering ESG matters; and monitoring the fulfilment of the ESG agenda.

Through such measures, we are introducing new standards of corporate governance and transparency, in terms of both disclosing financial information and publishing non-financial reports on our environmental and social initiatives. In particular, in 2021, despite unprecedented challenges, we launched a whole range of projects. For example, the Bank is helping to promote sustainability and social principles through measures to ensure responsible financing. In the reporting period, we became the first second-tier bank in Kazakhstan to begin providing financing as part of a loan independently assessed by a third party, AIFC Green Finance Centre, The 'green loan', which has been made to Kaz Green Energy, will be used to build a 5 MW bioelectric power plant in the Karaganda region. In addition, the Bank supported initiatives to improve the environment and clean the air basins in Nur-Sultan and Almaty. Moreover, to support the presidential directive to expand the gas network in the capital, Halyk Bank, the governor of Nur-Sultan and the ECOJER association signed a memorandum of cooperation on providing interest and collateral-free loans to city residents to connect their houses to the gas supply network. In Almaty, as part of a social initiative to promote sustainable tourism, the Bank bought 11 emergency shelters, 18 solar batteries and one unmanned aircraft for the Ministry for Emergency Situations.

Alongside this, through a long-term strategic project at Halyk Academy, the Bank is supporting talented IT students in Kazakhstan's leading higher educational institutions: the Kazakh-British Technical University, International Information Technology University and Suleyman Demirel University.

Elsewhere, the Bank is providing assistance to families in need to prepare children for primary school, as well as to veterans of World War Two ahead of Victory Day. Moreover, we sponsor sports, cultural and art organisations, including the Astana Opera (in Nur-Sultan), Abay Kazakh State Academic Theatre (Almaty) and Halyk Arena ice-skating rink (Almaty), among others.

In addition, employees regularly take part in projects to plant trees and shrubs in regions where the Bank is present, including in Presidential Park (in Nur-Sultan) and the Halyk Alany recreation area (Almaty).

For the Bank, 2021 will go down in history for the extensive work to streamline and regulate our ESG activities. We began to promote and elaborate our core sustainability principles to clients and employees, thereby involving them in ESG initiatives. We fulfilled all obligations undertaken and took the next step towards comprehensively implementing our new strategy, which focuses on technological and sustainable development.

In this report, we aim to highlight our successes and achievements along this road, as well as underscore our intentions to further develop our ESG work and integrate the UN Sustainable Development Goals in the operations of all Halyk Group companies.

Alexander Pavlov
Chairman of the Board of Directors

03

CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW



CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

GRI 102-14



Dear shareholders, clients and colleagues,

In 2021, we began to see positive changes for Kazakhstan's economy and financial sector. As restrictions relating to COVID-19 were lifted, sentiment among the population improved, while local businesses proved that they had adapted to working in pandemic conditions. In addition, higher prices for energy and raw materials drove activity and further recovery in the country's economy.

In this environment, Halyk Bank, the largest and most significant financial institution in the Kazakh economy, delivered positive results across all key financial indicators. Compared with 2020, net income rose by almost 30% to KZT 462.4 billion and loans by more than 30%, including to corporate clients (up 22%), small and medium-sized enterprises (up 31%) and retail customers (up 44%). As these figures clearly indicate, the Bank is the main driver of lending to the real economy in Kazakhstan today.

Halyk Bank, which is the most widely represented financial institution in the domestic regions, remains the service provider of choice in the country, with a vast client base and the largest branch network, consisting of 589 outlets nationwide. It is also the leading agent of social payments and pensions, which is one of its social objectives.

The Bank is now focusing on delivering its medium-term strategy, which aims to create an effective digital ecosystem, further digitalise banking products and services, and provide a convenient experience for all types of customers. In addition, it plays an active role in Kazakh society, supporting social and environmental initiatives and ensuring a pleasant work environment for employees.

Just a few years have passed since Halyk Bank, in line with the trend worldwide and the first among Kazakh financial institutions, published its first non-financial sustainability (ESG) report, and the results have already been positive. One key event in the reporting period was MSCI ESG Research's decision to upgrade the Bank's sustainability rating to 'BB', based on the sustainability reports for 2019 and 2020. The rating evaluates environmental, social and governance risks in companies' management approaches and their ability to manage the risks compared with peers, as well as the level of engagement in resolving ESG issues. For us, as Kazakhstan's largest bank and a business that began to report on such issues relatively recently, to have received a rating and then an upgrade is particularly positive.

Throughout 2021, Halyk Bank continued to contribute to achieving the UN Sustainable Development Goals through established international practices, including by developing its own strong, comprehensive ecosystem aimed at embedding sustainable development principles in the business.

In the reporting period, the Bank established an ESG Committee[1], introduced key principles and rules for work in the area, and devised and implemented related measures. Among other achievements, it undertook major work to reduce the use of paper and document turnover, as well as save electricity and water. In addition, to guide sustainability efforts, it drafted and approved three key policies: on sustainability, on the environment and on supporting the freedom of associations, introducing collective bargaining agreements and diversifying the workforce.

The Bank's special role and position as a financial institution in the development of the Kazakh economy, as well as the global drive to tackle the effects of climate change and the large-scale misuse of natural resources, is prompting it to take a proactive role by introducing responsible financing in various projects. When allocating loans to client, we already seek to consider all factors and risks regarding social and environmental impact, thereby helping to promote sustainability and social principles in the financial sector.

For example, in 2021, Halyk Bank became the first second-tier financial institution in Kazakhstan to begin allocating a 'green loan' that has been independently assessed by a third party, AIFC Green Finance Centre. The funds will be used by Kaz Green Energy to build a 5 MW bioelectric power plant in the Karaganda region.

By actively supporting various social areas and taking part in sporting, cultural, educational, environment and other projects, the Bank contributes to improving life, including the environment and ecotourism. In the reporting period, as part of a social initiative to promote sustainable tourism in Almaty, the Bank purchased 11 emergency shelters, 18 solar batteries and one unmanned aircraft.

Another crucial environmental issue is air pollution, particularly for Kazakhstan's largest cities. To contribute in addressing this, in 2021, the Bank supported projects to improve the environment and clean the air basins in Nur-Sultan and Almaty. In addition, to support the presidential directive to expand the gas network in the capital, Halyk Bank, the governor of Nur-Sultan and the ECOJER association signed a memorandum of cooperation on providing interest and collateral-free loans to city residents to connect their houses to the gas supply network.

As the largest player and leader of the Kazakh banking sector, Halyk Bank is implementing cutting-edge fintech solutions and expanding its own ecosystem, which is also driving a need to create a talent pool for the sector. Given the existing issues for government and business, it is supporting talented young IT students in Kazakhstan's leading higher educational institutions, as part of a strategic long-term initiative at Halyk Academy. Through this, Bank employees take part in practical lessons at the Kazakh-British Technical University and International Information Technology University, as well as Suleyman Demirel University, which joined in the reporting period.

Elsewhere, every year in the regions, the Bank helps families in need by providing kits for children for their first day at school and supports organisations that provide assistance to World War Two veterans ahead of Victory Day. It also sponsors sports, cultural and art organisations, including the Astana Opera (in Nur-Sultan), Abay Kazakh State Academic Theatre (Almaty), Halyk Arena ice-skating rink (Almaty), the Kazakhstan Gymnastics Federation and Kairat Football Club, as well as participants in the Almaty marathon, among many others.

Halyk Bank continues to invest in the continuous development of its people. In addition, it is committed to ensuring a positive work environment, progressing towards greater gender diversity and strengthening staff loyalty by collaborating openly with its greatest asset, its team, whose cultural, ethnic and age diversity is the foundation of its success. In 2021, the Bank moved to codify employee rights by approving a policy on supporting the freedom of associations, introducing collective bargaining agreements and diversifying the workforce. In addition, as part of rigorously adhering to principles of social responsibility and striving to progressively improve the wellbeing of employees and their families, it revised its incentive system and raised salaries.

On its part, Halyk Bank seeks to actively involve its team in various charitable corporate events focused on both social improvement and environmental preservation. This is an integral part of our corporate culture.

As part of its drive forward and further development, the Bank also intends to launch innovative digital solutions on the market, ones that offer customers the greatest use and convenience. Making optimal products and services available for everyone is another way of contributing to the social and economic development of Kazakhstan.

We will continue to progressively implement sustainability projects and initiatives, with a view to making our business more effective and delivering strong financial and non-financial results for our shareholders, investors, employees, local communities and other stakeholders.

On that note, I would like to express my gratitude and sincere appreciation to all of our stakeholders. Their interest in the Bank's development, productive collaboration and continuous feedback help to drive further modernisation for the benefit of customers, partners and shareholders alike.

Umut Shayakhmetova
Chairperson of the Management Board

[1] In April 2022, the Social Responsibilities Committee under the Board of Directors was reformed as the ESG Committee, and the ESG functions were distributed among the committees under the Board of Directors.



04

THE BANK TODAY



THE BANK TODAY

GRI 102-1 | 102-2 | 102-5 | 102-6 | 102-7

ABOUT THE BANK

Halyk Bank is the largest universal commercial bank in Kazakhstan and has been helping its customers to prosper for more than 95 years.

We are the leader on the financial services market, where we are the bank of choice for more than 9 million retail customers, as well as 248,000 corporate and SME customers. Our services are available at digital channels and more than 589 outlets nationwide. Today, 77 of Kazakhstan's 100 largest companies are our customers.

Halyk Bank is a team of around 15,000 professionals who strive for continuous growth and quality development, as reflected in our performance. The Bank is the leader in Kazakhstan in terms of assets (total market share of 30.9%), equity (34.1%) and net income (39.7%). Among the second-tier banks, Halyk Bank has market shares of 32.2% of retail deposits, 32.4% of corporate deposits, 30.8% of gross loans, 31.1% of net loans, 45.0% of corporate and SME loans, and 18.0% of retail loans. We continue to improve our return on assets and introduce innovative digital services, focusing on enhancing our customer service quality and overall business efficiency.

Our solid financial position, sizeable and stable customer base, wide range of financial products, extensive infrastructure and strong business reputation position us as the leading bank in Kazakhstan.

GROWTH STRATEGY

GRI 102-14

Our mission –

is to provide services in all segments of the financial market in Kazakhstan and various other countries in accordance with best international banking practices, while working in the best interests of our customers and shareholders.



The basic strategy of Halyk Bank for 2019-21 is defined as a growth strategy, and its priorities are to:

- use and enhance competitive advantages, especially in digital offerings, customer experience and service quality
- position the Bank as a key partner and bank of first choice for various customer groups
- consider the needs of a wide range of customers and create value for Kazakhstan's society and economy as a whole, which helps to diversify income and liquidity sources
- pursue selective international expansion and partnerships with investors from China on projects in Kazakhstan

FOR THE 2019-2021 STRATEGIC CYCLE, WE SET AMBITIOUS GOALS BASED ON THE FOLLOWING PRINCIPLES:

Leadership in key customer segments

We are developing opportunities for cross-selling and diversification by expanding the corporate and retail customer base to strengthen our leading positions on the financial services market.

Focus on customers and service quality

We are constantly working to develop a flexible business model that will improve service quality in the long term. We are fostering a culture of innovation, developing our motivation system, improving our approaches to decision making and considering customer feedback to continuously enhance our service quality.

Further development of digital services

We provide a best-in-class customer experience based on digitalisation and the development of innovative financial products in accordance with best market practices to further strengthen our competitive advantages.

Main transaction bank in Kazakhstan

We strive to be the leading supplier of transaction services for all payment channels throughout the economy. We offer unique infrastructure for retail and corporate customers (card processing, acquiring, ATMs, payment terminals and so on), as well as a range of specialised digital services and payment solutions. Another aspect of the Bank's more open positioning is providing access to banking services for all segments of the country's population.

These strategic principles help to enhance the performance of Halyk Bank and the Group, significantly improve the market shares of our main products, increase our profit and support consistently high financial ratios. We achieve this through our focused and efficient sales process, as well as the introduction of unique digital solutions that surpass the offerings of our competitors. By following our strategic principles, we position Halyk Bank as the bank of first choice and main transaction bank for all customer segments, and as a bank that offers technologically advanced, high-quality services.

In the reporting period, Halyk Group's new development strategy for 2022-24, was developed and approved. It defines the priorities and objectives for the Bank and its subsidiaries for the next strategic period. The main priority is to create a reliable, tech-driven and innovative ecosystem that ensures a high standard of customer service and a comprehensive approach to delivering quality products and services. Another important strategic objective is to actively develop the ESG agenda.



As part of the new approved strategy for 2022-24, for the first time, we have set strategic priorities for sustainability by adopting the 11 of the 17 United Nations Sustainable Development Goals that are applicable to the Bank

OUR VALUES

Our business is founded on six core values:

1. CUSTOMER FOCUS:

We understand our customers' needs and strive to channel all our resources into offering them the most effective solutions to achieve their goals.

2. RELIABILITY:

We strictly comply with the generally accepted principles and norms of international law, Kazakh legislation and the Bank's internal rules and regulations.

3. LEADERSHIP:

Our employees demonstrate a dedicated attitude, enthusiasm and energy, which allows us to take leading positions in customer service in all market segments.

4. SOCIAL RESPONSIBILITY:

We are focused on the needs and interests of all segments of the population, contribute actively to social development and help to solve social issues.

5. INTEGRITY:

We strive to conduct our business with integrity in all areas, always and everywhere. We adhere to the principles of ensuring that internal processes are transparent, building relationships with customers based on mutual respect and trust, supporting a conscientious attitude among employees, and complying with corporate ethics.

6. PROFESSIONALISM:

We are committed to achieving the highest standards of professionalism and are open to innovation and new ideas. Our primary objective is to carry out all customer service operations in good faith, on time and on the best terms, which will build strong, long-term customer relationships.



Our relationships with employees and customers are based on the principles of legality, mutual respect and trust. Ensuring high ethical standards is an integral part of the Bank's corporate culture



The Bank's Corporate Ethics Rules regulate the professional behaviour of our executives and employees when performing their official duties and define the most important principles and norms of business ethics in the Bank's interactions with employees, shareholders, customers, partners, public authorities and other stakeholders.

The purpose of the Corporate Ethics Rules are to:

- secure the mission, values, principles and standards of business ethics and behaviour
- develop a uniform corporate culture based on high ethical standards, and support an atmosphere of trust, mutual respect and integrity
- increase and maintain trust in the Bank from shareholders, customers, business partners, public authorities, the public and other stakeholders, and strengthen its reputation as an open and honest player on the financial market
- ensure effective interaction with stakeholders
- prevent violations of the laws of Kazakhstan by the Bank's employees

All employees at all levels are required to comply with the Bank's standards of business conduct. Halyk Bank's Corporate Ethics Rules are available for public review in the Corporate Governance section of the Bank's website. In addition, as part of the hiring process, employees are required to confirm in writing that they are familiar with the standards of business ethics. Information about ethics issues is also circulated regularly by email, while corporate events are held to increase the awareness and commitment of employees to the Bank's mission and values.

To effectively manage ethical behaviour issues, the Bank has a helpline. The landline number (+7 727 259 6878) and mobile number (+7 778 978 5418), to which video and/or audio material can be sent by WhatsApp/Telegram, can be found on the Bank's corporate intranet Halyk Info and the Halyk Zalog websites, as well as in all tender documents. Any employee of the Bank or third party can submit an appeal and report violations of the Corporate Ethics Rules or other requirements of legislation regulating labour relations. In addition, people who submit appeals have the right to anonymity. The Bank's Internal Security Department maintains a registry of all incoming complaints and appeals. In 2021, there were 9 calls received. All were reviewed in accordance with the established procedure and appropriate measures were taken for each. Compared with 2020, the number of violations was down considerably.



05

OUR APPROACH TO SUSTAINABILITY MANAGEMENT



OUR APPROACH TO SUSTAINABILITY MANAGEMENT

CORPORATE GOVERNANCE

GRI 102-18

High standards of corporate governance are vital for the success of Halyk Bank and its subsidiaries on a free and competitive market. The Bank and the companies that comprise Halyk Group need an effective corporate governance system that outlines the relationships linking the Board of Directors, Management Board and shareholders.

The Bank's corporate governance structure is based on respecting the rights and interests of all stakeholders. This contributes to the Bank's success by increasing its value, supporting its financial stability and profitability, and reassuring investors and shareholders that their money is being efficiently utilised.

Effective corporate governance plays a key role in Halyk Bank's operations, as well as in its successful, sustainable development and risk management, and balances the rights and interests of the owners and management. It also ensures that management decisions are reasonable, the consequences of potential risks are promptly identified and assessed, and adequate measures are taken to prevent or minimise risks. This ultimately underpins the organisation's stable market positions, makes the business more efficient in the long term, and establishes the organisation's reputation as a reliable counterparty and financial intermediary. High-quality corporate governance also influences the organisation's financial performance and internal efficiency, as well as the valuation of its securities by investors and the organisation's ability to raise capital for development.

The Bank continuously monitors publications on theoretical and practical corporate governance matters from international organisations that establish financial standards, including the Organisation for Economic Co-operation and Development (OECD) , the Basel Committee on Banking Supervision and others. This helps it to build an effective, transparent, stable and innovative banking conglomerate that applies the best practices and standards in corporate governance adopted by Kazakhstan and OECD countries. Since the Bank's 2006 initial public offering (IPO) on the London Stock Exchange (LSE), Halyk Bank has worked to continuously improve and enhance its corporate governance system.

Corporate governance principles

The principles of corporate governance are the reference points that guide the Bank in the process of establishing, using and improving its corporate governance system. These principles are enshrined in the Bank's Code of Corporate Governance.

The Bank's corporate governance is based primarily on respecting the rights and legal interests of all shareholders, as well as the status of the Bank itself. It aims to improve the Bank's operational efficiency, including increasing its assets, creating jobs, and supporting its financial stability and profitability. The principles of corporate governance outlined in this section aim to create trust in the relationships that arise in connection with the Bank's management.



[1]G20/OECD Principles of Corporate Governance (September 2015)
[2] BCBS Guidelines on Corporate Governance Principles for Banks (July 2015)

The Bank's Code of Corporate Governance enshrines the following principles:

- Ensure that shareholders have a real ability to exercise their rights to take part in the Bank's management
- Create a real ability for shareholders to take part in the distribution of the Bank's net profit (receive dividends)
- Provide shareholders with accurate, timely and complete information regarding the Bank's financial position, economic indicators, results and management structures to ensure substantiated and informed decisions by shareholders and investors
- Ensure the equal treatment of all categories of the Bank's shareholders
- Ensure maximum transparency in the activities of the Bank's officials
- Ensure that the Board of Directors carries out strategic management of the Bank and effectively oversees the executive body's activities, as well as that the directors are accountable to the Bank's shareholders
- Ensure that the Management Board can manage the Bank effectively and in good faith, as well as that the Management Board is accountable to the Board of Directors and shareholders
- Define ethical standards for the Bank's shareholders
- Maintain an effective system of internal control that is evaluated objectively

Based on the Bank's strategy and sustainability policy as well as sustainability standards and international principles concerning responsible financing, the Bank is guided in its ESG and sustainability activities by the following seven principles[3]:

- The Bank is guided by the priority of creating long-term economic value for all stakeholders
- The Bank ensures respect for human rights, inclusiveness, diversity, and fair and equal treatment of all in its activities
- The Bank treats the environment with proper care
- The Bank develops responsible financing practices and effectively manages ESG risks
- The Bank is responsible for its impact, complies with all applicable laws and fulfils its obligations
- The Bank observes ethical business approaches and introduces the best corporate governance practices
- The Bank improves its information openness and transparency

Compliance with the Bank's Code of Corporate Governance

The Bank's current Code of Corporate Governance, which was approved by the General Shareholders Meeting in December 2006, defines the main standards and principles used to manage the Bank. These include relations between the Board of Directors and Management Board, relations between shareholders and the Bank's officials, and functioning mechanisms and decision-making procedures of the Bank's internal bodies.

The Bank's Code of Corporate Governance has been developed in accordance with existing Kazakh legislation, as well as local and international best practices in corporate governance.

The Code of Corporate Governance enshrines the following principles of corporate governance:

- Provide shareholders with a real opportunity to exercise their rights to participate in the Bank's management and ensure equal treatment of all categories of shareholders
- Create a real opportunity for shareholders to take part in the distribution of the Bank's net profit (receive dividends)
- Ensure the timely and complete presentation to the Bank's shareholders of reliable information concerning the Bank's financial position, economic indicators, performance results and management structure in order to ensure that shareholders and investors are able to make informed decisions
- Ensure the Board of Directors strategically manages the Bank's activities and effectively monitors the activities of its executive body, as well as the accountability of the directors to shareholders
- Provide the Management Board with an opportunity to effectively manage the Bank's day-to-day operations in good faith, as well as establish accountability of the Management Board to the Board of Directors and shareholders



[3]The Bank's Code of Corporate Governance was supplemented with ESG and sustainability principles in accordance with a resolution of the Annual General Shareholders Meeting on the sixth item contained in Minutes No. 46 dated 22 April 2022.

- Identify ethical standards for shareholders, as well as ensure the maximum transparency of activities by the Bank's officials
- Ensure the Bank employs an effective system of internal control and conducts objective assessments of this system

The Board of Directors and Management Board confirm that the Bank conducts its activities in accordance with the principles, provisions and procedures defined by the Code of Corporate Governance.

By accepting, streamlining and adhering strictly to the Code of Corporate Governance, the Charter and other internal regulations, the Bank confirms its intention to encourage the development and improvement of best practices in corporate governance.

Compliance with the UK Corporate Governance Code

This section has been prepared in accordance with section DTR 7.2. of the UK Financial Conduct Authority's Disclosure and Transparency Rules (corporate governance statements).

As a foreign company with global depository receipts (GDRs) admitted to the Official List of the London Stock Exchange, the Bank is not required to comply with the UK Corporate Governance Code published by the Financial Reporting Council, the independent regulator of the United Kingdom. However, in accordance with DTR 7.2, the Bank is obliged to disclose information in its annual reporting about its compliance with both the Kazakh Code of Corporate Governance and the existing corporate governance principles to which it adheres in addition to those stipulated in Kazakh legislation.

The Bank considers the UK Corporate Governance Code a guideline for further development of corporate governance.

Halyk Bank's Code of Corporate Governance is available on the corporate website:
https://halykbank.kz/about-bank/korporativnoe-upravlenie.

THE BANK'S CODE OF CORPORATE GOVERNANCE AND THE UK CORPORATE GOVERNANCE CODE

The Bank's Code of Corporate Governance contains several differences from the UK Corporate Governance Code. Below are the main ones:

	UK CORPORATE GOVERNANCE CODE	THE BANK'S CODE OF CORPORATE GOVERNANCE
1	The UK Corporate Governance Code stipulates a maximum three-year term for the re-election of directors.	The Bank's Code of Corporate Governance does not require the regular re-election of the Board. Instead, the scope of the General Shareholders Meeting includes determining the Board's term of authority. The General Shareholders Meeting dated 22 May 2020 set a three-year term for the current Board.
2	The UK Corporate Governance Code provides for separate meetings of non-executive directors at least annually, particularly to appraise the chairman's performance.	In 2021, the non-executive directors held informal meetings, which were also attended by the corporate secretary, to discuss strategic issues, ways to improve corporate governance processes and the Board's activities, and to improve the work of the corporate secretary.
3	The UK Corporate Governance Code stipulates that at least half of the Board, excluding the chairman, should consist of independent non-executive directors.	The Bank's Code of Corporate Governance does not directly require this due to Kazakh legal requirements, which state that at least one third of the Board's members must be independent directors. However, the composition of the Board, as appointed by the General Shareholders Meeting on 22 May 2020, includes five independent non-executive directors out of seven.
4	The UK Corporate Governance Code stipulates that the non-executive directors should carefully analyse to what extent the Management Board's work fulfils the aims and objectives that have been set, monitor its activities, as well as ensure that financial information provided is complete and that financial controls and the risk management system are effective and reliable.	Under the Bank's Code of Corporate Governance, all members of the Board of Directors are responsible for this.
5	The UK Corporate Governance Code stipulates that the Board of Directors should ensure that an appropriate succession plan is in place when appointing members of the Board of Directors and the senior management, in order to create an appropriate balance of skills and experience in the company and the Board of Directors, as well as to ensure the gradual renewal of the composition of the Board of Directors.	The Bank's Code of Corporate Governance defines a procedure for creating the Board of Directors and requirements for candidates to it, the aim being to ensure an optimal balance of experience and knowledge needed for the Board of Directors to function effectively.

THE BANK'S ACHIEVEMENTS IN CORPORATE GOVERNANCE INCLUDE THE FOLLOWING:

- Because Halyk Bank's GDRs are listed on the LSE, the Bank has incorporated several provisions of the UK Corporate Governance Code into its internal corporate governance regulations.
- In accordance with the key principles of the UK Corporate Governance Code[4], the Bank has established an effective Board of Directors on which more than 50% of the members are independent directors, including the chairman.
- To enhance the investment appeal of the Bank's shares and reduce the level of excess liquidity, a dividend policy has been adopted.
- The Bank has the following committees of the Board of Directors: Strategic Planning Committee, Risk Committee, Audit Committee, Nomination and Remuneration Committee and Social Responsibilities Committee[5]. Each committee includes at least two independent directors, one of whom serves as committee chairman.
- To ensure that the Bank takes a systematic approach to corporate social responsibility and sustainability, a corporate social responsibility policy was adopted in 2019.
- Halyk Group utilises effective internal audit, risk management and compliance control functions, as well as institutions of independent directors and a corporate secretary.
- In 2017, the Bank drafted and approved a regulation governing the work of the corporate secretary to introduce best corporate governance practices.
- Following an external assessment conducted in September 2017, the consultants of PricewaterhouseCoopers LLP confirmed that the Bank's Internal Audit Department was in full compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.
- During the implementation of Halyk Group's development strategy for 2019-21, uniform standards and approaches related to the coordination of corporate governance processes were introduced.
- The Bank has developed a Board Book containing introductory information, which is regularly updated and presented to new members of the Board of Directors.
- To improve the qualifications of the corporate secretaries at Halyk Group companies, a training course on corporate governance was prepared, and training seminars and methodological support were organised for corporate secretaries and secretaries of the Board of Directors.
- The Bank maintains and regularly updates a register of corporate secretaires and a register of candidates for the position of independent director at Halyk Group companies.
- In 2020, the Board of Directors approved an anti-corruption policy, which defined the key principles and requirements aimed at preventing acts of corruption, as well as measures to minimise or eliminate the consequences of acts of corruption.
- In 2020, the Bank developed and approved rules governing the performance assessment for members of its Board of Directors, which defined the methodology and tools (questionnaires) for conducting the annual performance assessment of the Board of Directors.
- In 2021, Halyk Group drafted and approved a new development strategy for 2022-24, the key priority of which is to create a reliable, technological and innovative ecosystem with a high level of customer service and an integrated approach to providing high-quality products and services. An integral part of the new strategy is the active development of ESG issues. Halyk Bank identified the following key goals of its ESG and sustainability activities: to achieve systemic changes in ESG at the national and international level in order to create an effective and prosperous economy for society; preserve the environment based on growing interest in the area; expand cooperation and develop constructive relationships between employees of Halyk Group companies, clients, shareholders, investors, partners and the state; and create financial products to implement the green agenda.
- In 2021, Halyk Bank drafted and approved the action plan for the introduction of sustainability principles and goals for 2021-22. The following policies were drafted and approved in 2021 as part of this action plan: the Sustainable Development Policy, Environmental Policy, and Policy on Support for Freedom of Association, Collective Bargaining and Diversification of the Workforce.
- In 2021, members of the Board of Directors conducted an assessment (self-assessment) of their activities in accordance with best international practices. The results of the assessment (self-assessment) were submitted to the Bank's shareholders for consideration at the AGM.
- In 2021, the Bank drafted updated corporate governance diagnostic maps for itself and its subsidiaries, taking into account its desire to implement sustainable development principles (ESG) in the corporate governance system of the Bank and its subsidiaries; conducted diagnostics on the level of corporate governance at the Bank's Kazakh and foreign subsidiaries; and prepared a report and recommendations to improve corporate governance.
- In 2021, the Bank prepared and published its sustainability report for 2020, which is the second document that specifies the main aspects of the Bank's ESG activities. The Bank has undertaken the voluntary commitment to communicate key information about its sustainability performance in a transparent manner through the publication of this report.
- The Board of Directors and Management Board understand the risks arising from incorrect or erroneous management decisions or actions. To safeguard shareholders from potential damage from such events, the Bank regularly insures the liability of its directors and officers.
- To ensure transparency in its corporate governance, the Bank maintains a corporate governance section on its website.
- The Bank regularly publishes a corporate governance report on its website as part of its annual report.

[4]The UK Corporate Governance Code (September 2014)
[5]The Social Responsibilities Committee of the Board of Directors was transformed into the Sustainability Committee of the Board of Directors in accordance with a resolution adopted by the Board of Directors on the fifth item contained in Minutes No. 3 of an in-person meeting dated 22 April 2022.

CORPORATE GOVERNANCE STRUCTURE

GRI 102-18

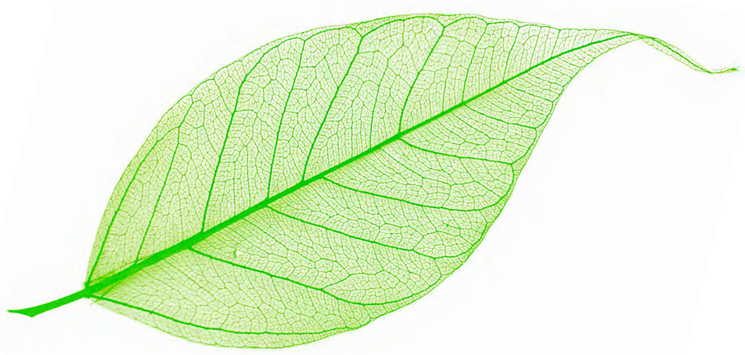
The Board of Directors has the following consultancy and advisory bodies: Strategic Planning Committee, Audit Committee, Nomination and Remuneration Committee, Social Responsibilities Committee[1] and Risk Committee. For more details about their work, please see the respective subsection below.

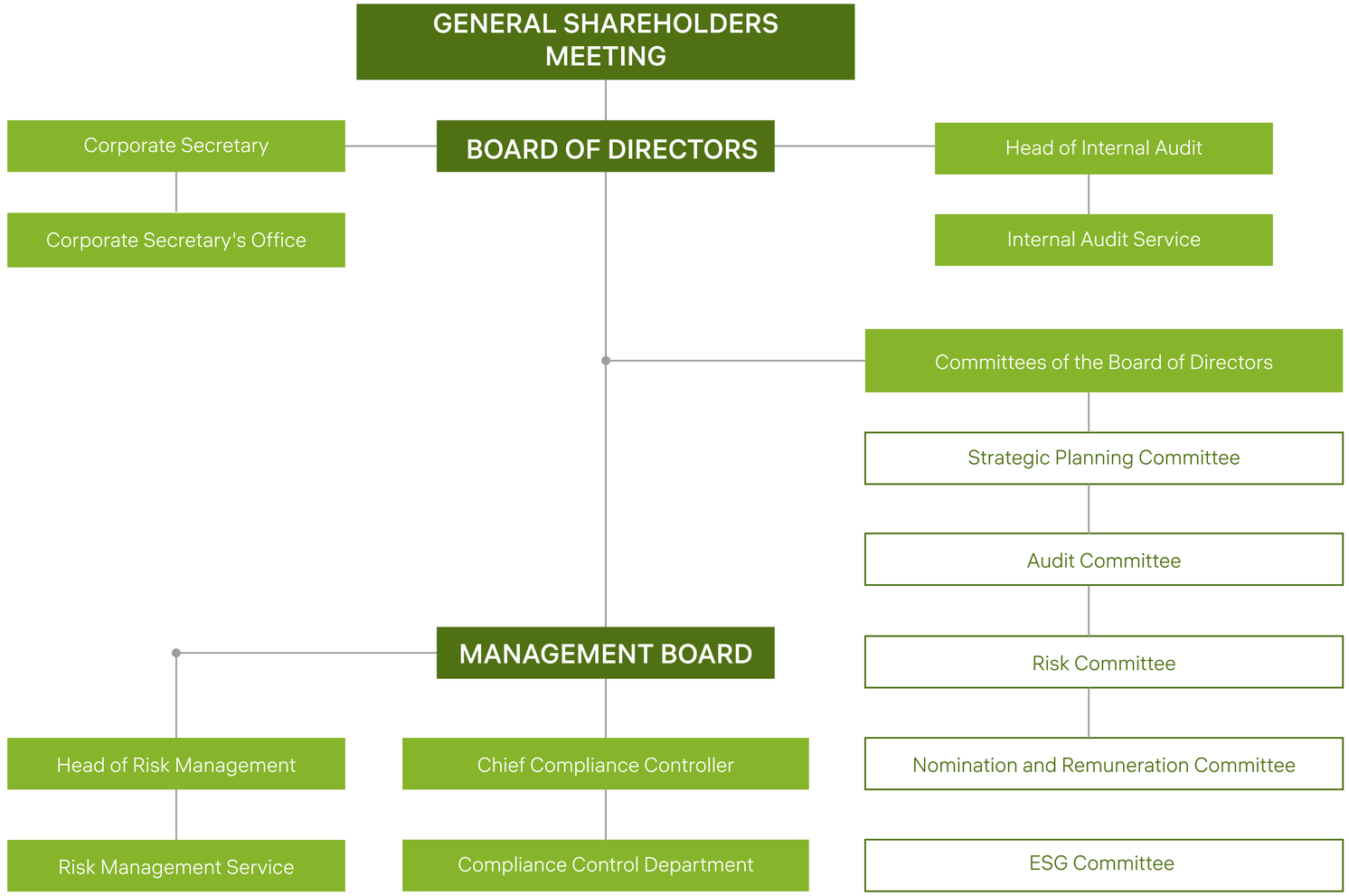
The Management Board has created numerous working bodies, including directorates, committees and working groups. This allows it to consider major issues concerning each separate segment in detail. Where necessary and if required by law, decisions made by such working bodies are brought to the Management Board or the Board of Directors for approval.

To ensure best practice in corporate governance, the Board of Directors is assisted by internal and external auditors, as well as a head of internal audit, chief risk officer, chief compliance controller, chief legal adviser, corporate secretary and others.

The Bank has risk management and compliance control services, an internal audit department and a corporate secretary responsible for corporate governance issues.

Functions are allocated between the Board of Directors and the Management Board in accordance with Kazakh law.





[1]In accordance with the Board of Directors decision on the fifth issue in the minutes of the in-person meeting of the Board of Directors dated 22 April 2022 (No. 3), the Social Responsibilities Committee under the Board of Directors was reformed as the ESG Committee.

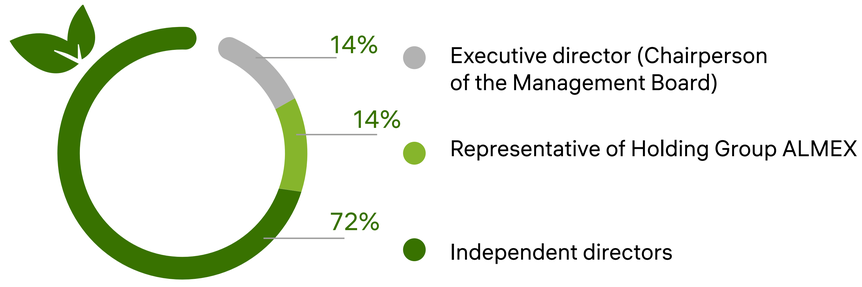
BOARD OF DIRECTORS STRUCTURE

As at 1 January 2022, the composition of the Board of Directors was as follows:

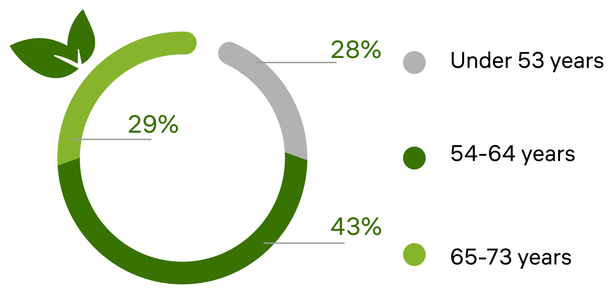
Members of the Board of Directors	
ALEXANDER PAVLOV	Chairman of the Board of Directors, Risk Committee Chairman and independent director
ARMAN DUNAEV	Strategic Planning Committee Chairman, Social Responsibilities Committee Chairman and independent director
FRANK KUIJLAARS	Nomination and Remuneration Committee Chairman and independent director
MAZHIT YESSENBAYEV	Member of the Board of Directors and representative of Holding Group ALMEX
CHRISTOF RUEHL	Audit Committee Chairman and independent director
PIOTR ROMANOWSKI	Independent director
UMUT SHAYAKHMETOVA	Member of the Board of Directors and Chairperson of the Management Board
Total	**7 directors**

When determining the independence of the directors, the Board of Directors uses the criteria stipulated by Kazakh law.

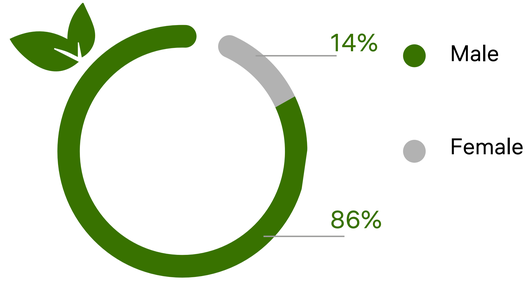
Structure of the Board of Directors*:



Board age diversity*:



Board gender diversity*:



*Number of members of the Board of Directors – 7



ACTIVITIES OF THE BOARD OF DIRECTORS

In general, the Board of Directors and its committees work in accordance with the plans for respective periods.

In 2021, the Board of Directors held five meetings in person at which they considered 46 items, as well as 64 meetings in absentia at which they considered 613 items.

Attendance statistics for the meetings of the Board of Directors were as follows:

Member of the Board of Directors	Meetings in person (number of meetings/ number of items)	Meetings in absentia (number of meetings/ number of items)
ALEXANDER PAVLOV	5/46	60/560
ARMAN DUNAEV	5/46	64/612*
MAZHIT YESSENBAYEV	5/46	55/527
FRANK KUIJLAARS	5/46	48/492
CHRISTOF RUEHL	4/40	45/458
PIOTR ROMANOWSKI	5/46	64/610**
UMUT SHAYAKHMETOVA	5/46	60/576***
Total:	5/46	64/613

* Arman Dunaev did not take part in considering and voting on certain items in accordance with restrictions imposed by Kazakh legislation
** Piotr Romanowski did not take part in considering and voting on certain items in accordance with restrictions imposed by Kazakh legislation
***Umut Shayakhmetova did not take part in considering and voting on certain items in accordance with restrictions im posed by Kazakh legislation

The most important items that the Board of Directors considered in 2021 included the following:

1) In 2021, Halyk Group drafted and approved its development strategy for 2022-24, which identifies the priorities and objectives for the development of the Bank and its subsidiaries during the next strategic period.

2) As part of the strategy approved for 2022-24, the Group identified strategic sustainability priorities for the first time, selecting 11 of the 17 UN Sustainable Development Goals that are relevant to the Bank.

3) The Bank prepared and published its sustainability report for 2020, a document that details the main aspects of the Bank's ESG activities.

4) In accordance with the requirements of its Code of Corporate Governance, members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities for 2020 and submitted the results of the assessment to the General Shareholders Meeting for consideration on 23 April 2021.

5) In 2021, the Board of Directors drafted and approved a new version of the rules for preparing documents related to convening and holding meetings of the Board of Directors, which improved the quality and reduced the volume of materials provided to members of the Board of Directors (total printed materials of the Board of Directors decreased by at least 30%). This had a positive impact on the Bank's plans to save resources as part of the SDGs (ESG).

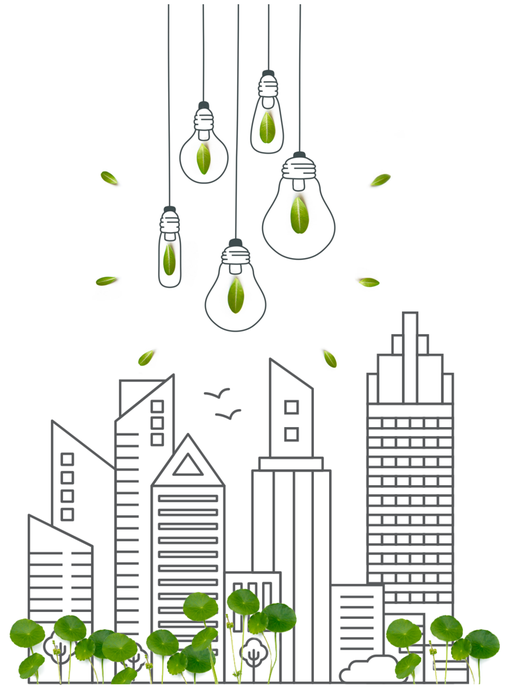
6) In an effort to ensure the implementation of the principles of sustainable development (ESG) in the Bank's activities and processes, the following internal regulatory documents were drafted and approved in 2021: the Sustainable Development Policy, Environmental Policy, and Policy on Support for Freedom of Association, Collective Bargaining and Diversification of the Workforce.

7) In 2021, members of the Nomination and Remuneration Committee and the Social Responsibilities Committee were rotated. At present, the Nomination and Remuneration Committee consists exclusively of independent members of the Board of Directors.

Overall, the goals that the Board of Directors has set for Halyk Group were achieved, including maintaining Halyk Bank's position as the leading bank in Kazakhstan, improving customer service and developing banking products.

At the in-person meetings, the Board of Directors discussed such key strategic issues as:

- Reports from the Management Board of Halyk Bank and its subsidiaries about the implementation of Halyk Group's strategy for 2019-21 and Halyk Bank's action plan to implement strategic initiatives in 2021 (including the Bank's technological transformation, as well as the development of digital products and services)



- The results of the operations and budget execution of the Bank and Halyk Group for 2020 and H1 2021
- The approval of the consolidated budget of Halyk Group (IFRS) and Halyk Bank for 2022
- Proposals for the further development of the business models of Halyk Group's subsidiary banks and their positioning in the countries where they operate
- The internal audit department's working plan for 2022 and long-term working plan for 2023-25
- The election and resignation of several members of the Management Board and changes to the composition of several committees of the Board of Directors
- Approval of the Bank's major projects
- Preliminary approval of the Bank's 2020 financial statements and quarterly performance reports of the Management Board
- The reports of the chief compliance controller regarding the management and control of compliance risks, as well as matters related to internal control at Halyk Bank
- Analysis of the Bank's loan portfolio quality
- Analysis of the Bank's related-party and other transactions

The Board of Directors also considered the results of stress-testing on Halyk Bank's loan portfolio based on global economic development scenarios to determine the impact on the loan portfolio and capitalisation of Halyk Bank.

Absentee voting was conducted for routine issues that are included in the Board of Directors' duties by law or by the Bank's internal documents, as well as urgent issues that could not wait until the next ordinary meeting in person.

RISK MANAGEMENT SYSTEM

GRI 102-15

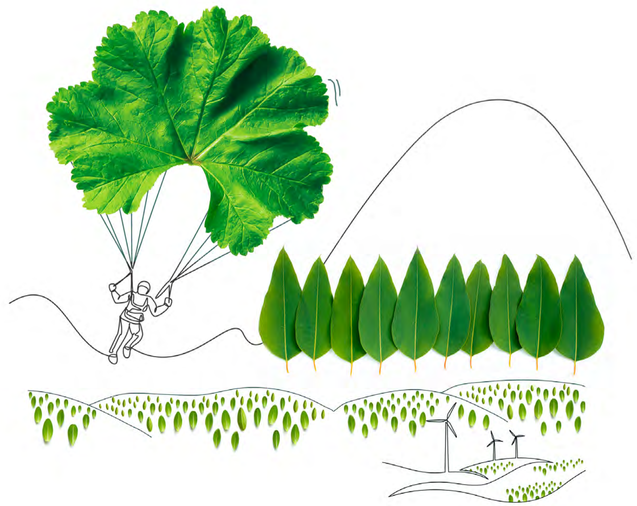
As part of its approved ESG agenda for 2022-24, the Bank also plans to develop a concept and final goals for the implementation of responsible financing principles, the introduction of ESG components for the evaluation and monitoring of projects that are being financed and the development of products and financing tools that aim to encourage borrowers to comply with sustainability principles.

The Bank's risk management process is embedded in all business processes and operations. This integrated approach aims to identify specific actions and solutions to promptly respond to and minimise potential risks.

Halyk Bank has a risk management policy in place to ensure that its risk management system functions efficiently. The policy introduces a uniform approach to risk management throughout the Bank to achieve maximum profitability while accepting a manageable level of risk. It aims to build an integrated risk management system that corresponds to the current market situation, the Bank's risk profile, risk appetite, strategy and operational profile, as well as the size, nature, complexity, degree and types of risks inherent in the Bank's operations, to ensure that it has adequate capital to cover them. The policy outlines the basic concepts and types of risks that arise in the Bank's operations, as well as the basic risk management principles, methods and approaches. It also delineates the responsibilities of the Bank's internal bodies and structural units that implement its provisions. All the Bank's structural units are required to comply with the policy.

As part of the Bank's risk management system, the risk management service has developed a credit policy that defines the types of activities for which the bank will not lend funds, which include:

1. Activities related to money laundering and the financing of terrorism
2. Terrorist activity
3. The production and sale of arms, military equipment and ammunition, with the exception of government procurements
4. The production and sale of narcotic substances, with the exception of pharmaceuticals



5. The destruction of or trade in endangered species of flora and fauna

6. Activities that violate environmental protection legislation or pose high environmental risks

7. Gambling businesses and entrepreneurial activity related to organising and engaging in gambling and/or betting for the purpose of generating income (including casinos, sweepstakes and bookmaking)

8. Activities that cause a negative social impact (for example, child labour, widespread job cuts, strikes and so on)

The risk management service and independent structural units that conduct the Bank's operations are responsible for identifying sources of risk. The materialisation of individual or complex risks could result in significant losses that could negatively influence the Bank's solvency and reputation. This could lead to increased social discontent and tension, as well as the distrust of the overall banking system. This makes it crucial to identify risks at an early stage and properly manage them.

THE BANK FOLLOWS A 'THREE LINES OF DEFENCE' APPROACH TO RISK MANAGEMENT:

I line of defence

Structural units of the Bank are responsible for promptly identifying, assessing, monitoring and controlling risks, as well as informing the structural units on the second line of defence about them, including the risk management service.

II line of defence

Independent structural units are responsible for risk management, compliance control and other monitoring functions.

III line of defence

An independent internal audit function is responsible for evaluating the quality and effectiveness of the risk management and internal control systems, as well as the first and second lines of defence.

THE BANK'S RISK MANAGEMENT PROCESS CONSISTS OF THE FOLLOWING INTERRELATED STEPS:



Risk identification

The first step involves the risk management service and independent structural units that initiate the Bank's business processes identifying potential risks using the approach enshrined in the risk management policy.



Risk assessment

The next step includes determining the amount of capital needed to adequately cover potential losses from various types of risks inherent in the Bank's operations, correlating risks with potential profit, and informing the Bank's management about the size of potential losses to ensure that they can take properly informed business decisions.



Risk control and monitoring

The final step entails creating an effective organisational structure to manage risks and eliminate conflicts of interest. This includes monitoring risk appetite levels, various types of limits and prudential standards, as well as regulating operations and business processes, and ensuring regular risk monitoring and control.

Recognising that it is impossible to exclude the risks inherent to banking operations completely, the Bank continues to develop its risk management system, gradually and consistently implementing measures that aim to enhance its methods for identifying, managing, assessing and controlling risks.

Due to growth in digital products, in February 2020, the Bank established a digital lending risk department.

As part of its strategic goals set for 2021, this new structural unit performed the following actions:

- Implementation of the automated online credit decision-making process using the Decision Manager (DM) platform:
  - For unsecured lending products for self-employed customers
  - For mortgage products as part of the Unified Credit Process
  - For car loans as part of the Unified Credit Process
- Implementation of a digital online credit decision-making process for individual entrepreneurs for investment purposes
- Implementation of a service for the issuance of a digital blank tender guarantee
- Development and introduction of decision-making and other models related to online lending
- Quality control and periodic validation of the models used
- Monitoring of the acceptable level of credit risk

For more details about how the Bank manages key risks (including credit, market, liquidity, operational, IT, information security and other risks), see Halyk Bank's Annual Report for 2021: https://backend.halykbank.com/sk/document/819/en/HALYK_AR2021_english%20version_ok.pdf

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INTERNAL CONTROL AND AUDIT

Internal control and audit are important elements of the risk management system

The internal control system corresponds to the current market situation and the Bank's strategy, total assets and activities. It is responsible for the continuous identification and assessment of the risks inherent in the Bank's operations. It takes prompt action to minimise significant risks in compliance with the Bank's internal documents. Internal control makes it possible to:

- Ensure that the Bank operates efficiently, including its effective management of banking risks, assets and liabilities, and safeguarding its assets
- Ensure the completeness, reliability and timeliness of financial, regulatory and other reporting for internal and external users, as well as information security
- Ensure the Bank's compliance with the requirements of Kazakh legislation and internal documents, including in matters related to AML/CFT
- Ensure that the Bank complies with the requirements of Kazakh legislation, applicable laws of foreign countries, as well as international compliance standards, including the documents of the Basel Committee on Banking Supervision, FATF, the Wolfsberg Principles on AML/CFT and internal documents
- Prevent the Bank or its employees from becoming involved in illegal activities, including fraud, errors, inaccuracies, deception, the laundering of proceeds from crime or financing terrorism



INTERNAL AUDIT

The internal audit department acts as the Bank's third line of defence. In accordance with the International Standards for the Professional Practice of Internal Auditing (the Standards), the internal audit function's mission is to maintain and increase the value of Halyk Group through independent audits and consultations, as well as providing recommendations to improve the Group's operations.

The internal audit function is guided in its work by legislative norms, regulatory requirements, the Standards and the Bank's internal regulatory documents. Since 2017, the department has remained in full compliance with the Standards and Code of Ethics of the Institute of Internal Auditors, as confirmed by independent external consultant PricewaterhouseCoopers LLP.

To ensure that the internal audit is independent and objective, the internal audit department is functionally subordinate and accountable to the Bank's Board of Directors. The department interacts with members of the Board of Directors directly and through the Audit Committee. The head of internal audit oversees the day-to-day operations of the internal audit department.

The Board of Directors approves the annual work plan, budget and internal documents governing the activities of the internal audit department. The department provides regular annual and quarterly reports about its activities to the Board of Directors.

In addition, the internal audit department provides ongoing methodological assistance to bring the internal audit services of the Bank's subsidiaries into compliance with the Standards.

In 2021, the department performed audit engagements and consultations to assess the effectiveness of the Bank's risk management, internal control and corporate governance systems in matters concerning lending, operational and other activities, including capital management and acceptable risk systems, IT audits, as well as ESG issues, such as corporate ethics, resource conservation, personal data protection, HR management and customer interaction. Audits were also conducted at subsidiaries that provide banking, brokerage, dealer and collection services. Based on the results of the audit engagements, the department provided recommendations for improving the effectiveness of the risk management, internal control and corporate governance systems in these areas.

COMPLIANCE

GRI 103-1 | 103-2 | 103-3 | 419-1

Compliance represents one of the Bank's primary risk factors. The Bank defines compliance risk as the potential for losses that could arise from the failure of the Bank or its employees to comply with Kazakh legislation, regulatory requirements, internal documents regulating services provided by the Bank and its operations on financial markets, as well as the legislation of other countries governing the Bank's activities. As this risk could have a negative impact on the Bank's overall operations and reputation, minimising compliance risks is a continuous process.

The compliance risk management system is based on the 'three lines of defence' principle. The first line of defence includes the structural units under its control. The second is the compliance control department and other functional units that perform control functions. The third is the internal audit department, which independently assesses the quality and efficiency of compliance risk management.

The Bank's primary methods for managing compliance risk are:

- Continuously monitoring the existing legislation of Kazakhstan and other countries governing the Bank's activities
- Ensuring that the Bank's officials and employees comply with the requirements o the legislation of Kazakhstan and other countries governing the Bank's activities
- Ensuring the correct interpretation and application of the legislation of Kazakhstan, the Bank's internal documents, as well as the laws of other countries governing the activities of the Bank, its structural units and employees
- Identifying, assessing, monitoring and controlling compliance risks, including when developing and structuring new banking products and services as well as introducing new business processes and technologies
- Ensuring that mandatory requirements of regulators and other official bodies are met on time and to the required standard
- Organising compliance monitoring (checks) by the compliance control department of the activities of the Bank's structural units



- Using various tools to identify and evaluate the Bank's compliance risks, including appraisal and self-appraisal methods for structural units
- Controlling access to insider information, maintaining confidentiality and preventing potentially illegal use of such information by insiders, including by maintaining an up-to-date list of people with access to the Bank's insider information
- Ensuring that the Bank complies with AML/CFT measures
- Ensuring that employees comply with the requirements of internal documents governing the prevention of conflicts of interest

The Bank has been developing and implementing the programmes above since 2012 after the respective amendments were made to the AML/CFT law.

In addition, in 2021, the Bank drafted and approved the Unified Compliance Culture of Halyk Group, which describes the approaches, position and principles used to manage compliance risk at the Group, including matters concerning AML/CFT, and create a compliance culture.

The text of the Unified Compliance Culture of Halyk Group is available on the Bank's website at: https://halykbank.kz/about-bank/compliance.

One priority in terms of compliance risk minimisation is AML/CFT.

The Bank has the following AML/CFT programmes in place:

- An AML/CFT internal control programme
- A programme to manage the risk of money laundering and the financing of terrorism, taking into account client risks as well as the risks of services and technological advances being used for criminal purposes
- A know-your-client programme
- A programme that monitors and studies customer transactions, including complex, abnormally large and other unusual transactions
- An AML/CFT training and educational programme for the Bank's employees
- A programme for storing and protecting information and documents obtained while implementing AML/CFT measures

In addition, the Bank continuously checks retail and corporate customers for sanctions from international organisations such as the UN or EU, as well as countries such as the US (OFAC SDN List/Non-SDN List/ SSI List) to avoid entering into business relationships or conducting one-off transactions with them.

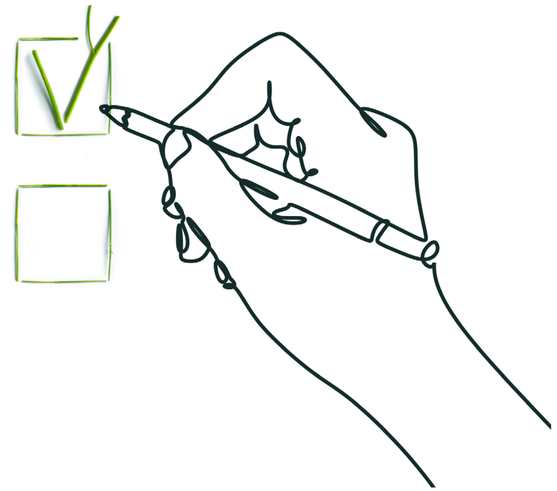
To ensure that the Bank's employees and structural units are promptly and properly informed about changes to Kazakh legislation, the legal department sends out regular reviews of amendments to Kazakh legislation. It also sends out reviews of draft laws that could impact the Bank's operations.

The duties of the legal department include:

1) Ensuring that the Bank's draft internal regulatory documents comply with Kazakh legislation prior to approval

2) Providing legal consultations to the Bank's management and structural units regarding operational compliance with Kazakh legislation

The compliance control department (CCD) organises regular compliance training for the Bank's employees, including in AML/CFT, matters of managing compliance risks and internal control, the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS). New recruits and existing employees at structural units that are responsible for such issues undergo annual training. In 2021, the CCD conducted training for a total of 27,601 employees[6]. The Bank uses various training formats, including both interactive and online sessions, in accordance with the approved training plans.



[6]Numerous employees attended several training courses during the reporting period.

ANTI-CORRUPTION

GRI 103-1 | 103-2 | 103-3 | 105-2

Preventing corruption is one of Halyk Bank's core principles of corporate social responsibility. The Bank operates in strict compliance with Kazakh anti-corruption legislation, as well as applicable international law and internal regulations. In 2020, the Bank adopted an anti-corruption policy (https://halykbank.com/esg).

In accordance with the anti-corruption policy, the primary objectives of the anti-corruption system are to introduce anti-corruption principles at all levels of the Bank's operations. Corruption risks at the Bank are primarily associated with the Bank's employees potentially using their official position and/or powers to obtain financial or other benefits/advantages not envisaged by the legislation of Kazakhstan and/or the Bank's internal regulatory documents for themselves or for the benefit of third parties. The Bank has taken action to make the appropriate changes to its documents.

In an effort to inform the workforce about anti-corruption policies and methods, the Bank provided training in 2021 for 11,765 of its employees (including 8,913 employees from branches and 2,852 employees from the head office), followed by testing of their knowledge of the anti-corruption policy. The Bank plans to train and test its employees on an annual basis.

Based on a report for 2020 on the implementation of the anti-corruption policy approved by the Bank's authorised body, the risk management units drafted a questionnaire to assess the risk of bribery and corruption. In the first quarter of 2022, the Bank conducted a residual corruption risk assessment procedure.

During the reporting period, no corruption offences were identified given the measures implemented among newly hired employees and current employees.



STAKEHOLDER ENGAGEMENT

GRI 102-40 | 102-42 | 102-43 | 102-44 | 102-47 | 103-1 | 103-2 | 103-3

Halyk Bank strives to build relationships with all stakeholders on a regular, open and interactive basis. The Bank applies the following principles in its approach to stakeholder engagement:

Minimising risks:

reducing negative impacts on key stakeholders from doing business

Maximising benefits:

investing in projects that generate profit for shareholders while also contributing to the socioeconomic development of the country

Consistency and integration:

applying an effective and uniform approach to managing corporate social responsibility and sustainability issues

Complexity:

engaging with stakeholders in three areas of sustainability: the economy, environment and social policy

Social aspect:

helping individuals and society as a whole

Transparency and responsiveness:

ensuring transparency by providing relevant, reliable and meaningful information to stakeholders, as well as responding promptly and swiftly to critical assessments and comments from stakeholders

Accountability:

taking responsibility for obligations to stakeholders and society

SHAREHOLDERS AND INVESTORS

The Bank's shareholder engagement is regulated by its Charter, Code of Corporate Governance, Rules of Corporate Ethics, CSR Policy and other internal documents. Being aware of its responsibility to shareholders, the Bank strives to ensure that their rights are upheld by following corporate governance principles aimed at effective decision-making. The Bank also seeks to provide accurate information to all shareholders and investors about its financial performance, additional information about its plans, achievements and business challenges, as well as information about its analytical materials and research.

EMPLOYEES

The Bank's employee engagement is based on an open and transparent HR policy that aims to create a highly professional, motivated and skilled workforce. The Bank strives to provide equal opportunities for all employees to achieve their full potential in the course of their work, as well as to assess their performance impartially and fairly. Selection and career development are based solely on employees' professional abilities, knowledge and skills.

PARTNERS AND CLIENTS

When engaging with partners and clients, the Bank is guided by the principles of openness and honesty, while respecting the interests of mutual benefit and understanding the full responsibility of the obligations it has assumed. The Bank also strives to comply with all contractual terms, as well as generally accepted moral and ethical standards. Showing respect and integrity in relationships is a priority.

PUBLIC AUTHORITIE

The Bank and its employees engage with public authorities based on the principles of partnership and respect, understanding that all initiatives that it implements with the public authorities should be aimed at developing the country's economy. The Bank is a responsible and conscientious taxpayer.



Below are the main results and methods of engagement with the Bank's key stakeholders, including shareholders, investors, clients and employees, during the reporting period.

Table of engagement with key stakeholders in 2021

Stakeholder group	Methods/channels of engagement and main results	
SHAREHOLDERS	• General Shareholders Meeting • Personal engagement with the Bank's shareholders for participation in the Bank's annual and extraordinary General Shareholders Meeting • Provision of materials and ballot forms for voting • Informational messages and written requests by email and/or phone • Letters	• Annual and interim financial statements • Annual reports and sustainability reports • Publications on the websites of the Depository of Financial Statements, Kazakhstan Stock Exchange, Astana International Financial Centre and the LSE • Press releases • Corporate website and the website for investors and shareholders
INVESTORS	• Annual and interim financial statements • Quarterly conference calls with investors to present the Bank's financial results • Non-deal road show (virtual) and conferences • Annual reports and sustainability reports	• Publications on the websites of the Depository of Financial Statements, Kazakhstan Stock Exchange, Astana International Financial Centre and the LSE • Press releases • Emails, meetings (including virtual) and phone calls • Website for investors and shareholders
CLIENTS	• Call centre • Internet-banking, including the Bank's mobile application • Corporate website • Advertising campaigns • Social media	• Press releases • Annual reports and sustainability reports • Customer satisfaction surveys • Branches • SMS messaging
EMPLOYEES	• Employee satisfaction and workplace climate surveys • Corporate emails • Hotline (helpline) • Annual reports and sustainability reports	• Internal communication and announcements • Training • Volunteer activity • Corporate events

Another stakeholder engagement tool that the Bank uses is the preparation and publication of its sustainability report. This report has been prepared in accordance with the best practices of non-financial information disclosure and GRI Standards to provide an objective and transparent presentation of the Bank's ESG performance. To ensure that this report presents information about all material topics for key stakeholders, the Bank has conducted a materiality assessment. The assessment considered the practices of peer banks, media reviews and international trends in the banking industry. The results of the assessment are presented as a matrix of material topics that reflects the most significant aspects of the Bank's sustainability performance

MATERIAL TOPICS FOR HALYK BANK IN 2021

Based on the results of the materiality assessment, 26 material topics were identified in the fields of corporate governance, economic, environmental and social impacts, as well as banking-specific aspects of Halyk Bank's activities.

Material topics for disclosure in the Bank's sustainability report

Matrix of material topics for Halyk Bank in 2021

	Corporate governance		Economic aspects		Environmental aspects		Social aspects		Banking-specific topics
1	Strategy of the Bank	7	Economic performance	10	Materials	16	Employment	23	Availability and quality of financial services
2	Ethics and integrity	8	Indirect economic impacts	11	Energy consumption/ energy efficiency	17	Workplace health and safety	24	Digitalisation and innovation
3	Corporate governance	9	Anti-corruption	12	Water consumption	18	Training and education	25	IT systems and resilience to cyber-risks
4	Stakeholder engagement			13	Emissions	19	Diversity and equal opportunity	26	Responsible financing
5	Internal control and audit			14	Waste management	20	Client privacy		
6	Risk management			15	Environmental protection	21	Socioeconomic responsibility		
						22	Charity and sponsorship		

06

HIGH STABILITY AND SYSTEMIC IMPORTANCE



HIGH STABILITY AND SYSTEMIC IMPORTANCE

Today, Halyk Bank is the undisputed leader of Kazakhstan's banking industry. It has impressive market shares in terms of assets (31%), equity capital (34%) and net income (39.7%). In addition, the Bank has the largest customer base and network of sales channels, as well as a significant presence in all key market segments.

As the largest payment agent for social transfers, the Bank ensures the timely payment of pensions and benefits to 2.5 million people in Kazakhstan, which it views as its special social mission.

Halyk Bank has a significant impact on Kazakhstan's economy through lending to retail and corporate customers, helping depositors to save and increase their funds, paying taxes and other obligatory payments to the national budget, creating and maintaining jobs, conducting payments and so on.

Halyk Bank serves as a barometer of sorts for Kazakhstan's economic development, reflecting the overall economic situation in the country. The Bank's systemically important role is confirmed by its reliable financial position, which makes it possible to withstand negative macroeconomic events and operational challenges, as well as its strong market position and high social significance.

KEY FINANCIAL RESULTS

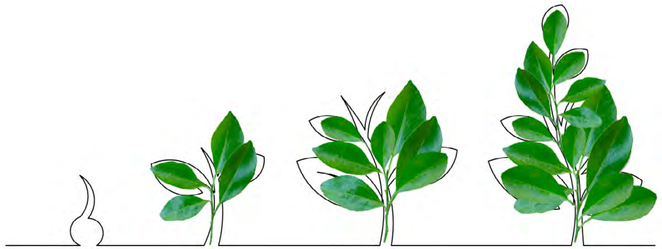
GRI 102-7 | 103-1 | 103-2 | 103-3 | 201-1 | 201-4

Net profit attributable to common shareholders climbed by 32.1% year-on-year to KZT462.4 billion in 2021, compared with KZT352.7 billion in 2020, as a result of broad-based growth in all business segments.

Reclassifications have been made to the consolidated income statements for the years ended 31 December 2020 and 2019 to bring them in line with the presentation of the statement for the year ended 31 December 2021, which provides a clearer picture of the Group's financial results. The reclassification is related to the loyalty programme, under which the Bank accrues bonus points to customers for card transactions. Under IFRS 15, it would be more appropriate to recognise this as a "decrease in revenues", or in this case, a decrease in commission income. Starting from the end of 2021, loyalty programme bonus points payable to customers will be included in service and commission income. All prior periods have been reclassified accordingly.

In 2021, the Bank's income tax expense was KZT62.2 billion and its other tax payments totalled KZT9.6 billion.

Halyk Bank does not receive financial assistance from the state.



Created and distributed economic value, KZT billion[1]

	2021	2020	2019
Direct economic value created	802.1	608.9	603.5
Net interest income	517.1	372.6	367.9
Net fee and commission income	66.6	60.9	66.0
Other non-interest income	218.4	175.4	169.6
Profit for the year from discontinued operations			
Profit attributable to non-controlling interest	-0.001	-0.001	-0.001
Distributed economic value	339.7	467.0	468.7
Non-interest expenses including:	277.5	219.3	233.0
operating expenses	176.6	145.8	135.3
salaries and other employee benefits	105.4	85.3	79.2
investments in social sectors (charity and social activities)	3.1	2.8	2.3
taxes other than income tax	9.6	8.3	7.8
Income tax expense	62.2	36.9	36.0
Dividends paid for the reporting period	0[2]	211	199.8
Undistributed economic value = Direct economic value created – Distributed economic value	462.4	141.9	134.7

Diversified loan portfolio

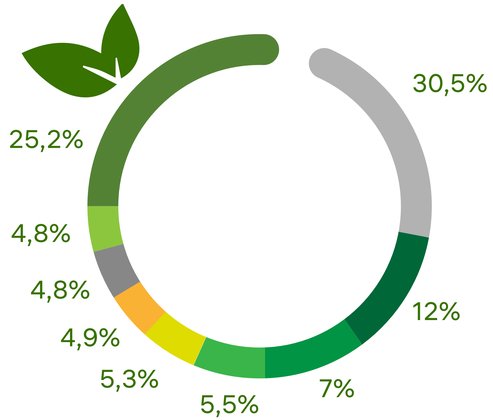
Halyk Bank's gross loan portfolio expanded by 30%, underpinned by significant growth momentum in the retail and SME segments. The Bank also continued to consolidate its dominant position in the corporate segment.

As of 31 December 2021, retail loans made up the most significant share of Halyk Group's total loan portfolio at 30.5% (of which consumer loans were 26.0% and mortgage loans were 4.5%). Among corporate loans, the following sectors accounted for the largest shares of the total loan portfolio: services (12.0%), wholesale trade (7.0%), retail trade (5.5%), oil and gas (5.3%) and real estate (4.9%).

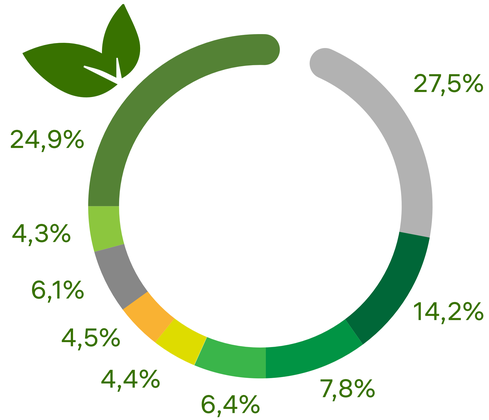
[1] Data taken from Halyk Bank's audited consolidated financial statements for the years ended 31 December 2021, 2020 and 2019
[2] Dividends payd as of the date of this report

Halyk Group's loan portfolio structure by sectors, %

31 December 2021



31 December 2020





As of 31 December 2021, KZT1,193 billion of loans were concentrated among Halyk Bank's ten largest borrowers, which represented 19% of the total loan portfolio (compared with KZT841 billion, or 17%, as of 31 December 2020). In 2021, the volume of consumer and mortgage loans rose by 54% and 5% year-on-year, respectively. There was also an increase in lending volumes to the financial (148%), wholesale trade (17%), retail trade (11%) and services (9%) sectors.

Detailed information about Halyk Bank's financial results is available in its annual report for 2021 and its audited consolidated financial statements for the years ended 31 December 2021, 2020 and 2019 at the following link:

https://halykbank.com/financial-results

Halyk Bank has the highest long-term credit ratings among second-tier Kazakh banks without majority foreign ownership :

- Moody's Investor Services – Baa2 ('stable', 12 April 2022) The Bank's rating from Moody's Investor Services has been affirmed at the level of the sovereign rating and the outlook on the rating has been changed to 'stable'. The assessment of Moody's Investor Services reflects Halyk Bank's safety margins, including capitalisation, profitability and liquidity. The 'stable' outlook on the long-term rating reflects the expectation of Moody's Investor Services that the Bank's combination of capitalisation, profitability and liquidity will mitigate asset quality risks amid higher inflation and tighter funding conditions.

- Fitch Ratings – BBB– ('stable', 11 April 2022) The Bank's rating from Fitch Ratings has been affirmed at 'BBB–', the outlook 'stable'. According to Fitch Ratings, the viability rating for Halyk Bank is supported by the financial institution's significant competitive advantages in the Kazakh banking sector, as well as its sufficient profitability and capitalisation. The 'stable' outlook reflects the view of Fitch Ratings that the Bank has a sufficient financial cushion to maintain its current rating.

- Standard & Poor's – BB+ ('stable', 26 May 2022) The Bank's rating from Standard & Poor's reflects its leading market position and high significance for the Kazakh banking sector. It is underpinned by the presence of an experienced management team that possesses significant experience and a positive track record of navigating various crises. The 'stable' outlook reflects the expectation of Standard & Poor's that the Bank will maintain its market position over the next year and a half.

High ratings from authoritative international agencies are a testament to the sustainability of the Bank's business model and recognition of its effective market performance, which has been repeatedly confirmed in various times of crisis.

Halyk Bank has significant market shares in key business segments:

32.1% – market share of retail deposits among second-tier banks

32.4% – market share of corporate deposits among second-tier banks

18% – market share of retail loans

30.8% – market share of gross loans

Focus on digitalisation

Throughout 2021, the bank continuously expanded the functionality of the Onlinebank mobile app for the iOS and Android platforms, which offer customers mobile account access to payment services, foreign exchange transactions, tariff package subscriptions, business card issuance and much more. In 2021, the number of active users of the mobile app alone increased from 47,000 to 109,000 (130%). Meanwhile, the total number of Onlinebank users (including the desktop version) increased from 214,000 to 273,000 (28%).

Several additional services have been launched in 2022, after the reporting period, including the issuance of digital blank tender guarantees for Onlinebank customers and remote LLP onboarding. In the first few months of the service's operation, more than 1,400 accounts were opened.

The Bank is actively developing its cashless payment infrastructure. It has expanded the possibilities for customers to make cashless payments for goods and services without presenting a card. Using QR codes, the Bank's customers can pay for purchases in all regions of the country on more than 60,000 devices. As such, customers no longer need to carry their card with them.

In January 2022, the Bank launched a new digital product: issuance of electronic blank tender guarantees in five minutes on government procurement portals and Samruk-Kazyna's website without visiting a branch. The digital guarantee is issued without collateral or additional documentation. In addition to reducing the time for issuing a guarantee, the application process has been simplified by requiring only one field to be filled in – the purchase number – which also prevents customers from filling in the application incorrectly. Since the product launch, 4,957 guarantees have been issued (as of 2 June 2022).



During the reporting period, the Bank implemented the following projects.

- Halyk Bank became an operator for the targeted use of lump-sum pension payments from the Unified Accumulative Pension Fund in order to improve housing conditions.
- Halyk Bank launched an updated version of the Halyk Homebank mobile app that fully retained the key concept of Homebank: Bank at Home.
- Halyk Bank introduced a new type of payment: Kazakhtelecom subscribers (legal entities and individual entrepreneurs) can pay outstanding bills for telecommunication services in the Halyk Onlinebank system, which allows them to make payments for communication services and fiscal data operator cash registers on registered Kazakhtelecom accounts.
- Halyk Bank developed and launched an automated short-term deposit service for corporate customers.
- Halyk Bank expanded the list of payment system partners to enable its POS terminals and ATMs to accept cards from Russia's Mir payment system.
- Halyk Bank's contact centre began to use voice biometrics technology to verify customers' identity without requesting their personal data.
- Halyk Bank launched the Halyk Filling Stations remote payment service in the Homebank app, which enabled customers to pay for fuel at full-service filling stations using their mobile phone, without leaving their vehicles.
- The Halyk POS mobile app began accepting American Express cards for contactless payments, developed specifically for small and micro businesses.
- Halyk Bank implemented an online project for customers to receive benefits for the birth of a child and childcare payments for up to a year.
- Halyk Bank made it possible to pay state fees for the issuance of passports and identification cards for Kazakh citizens using QR codes through the Homebank mobile app.
- Halyk Bank simplified the process for its customers to change account information for the receipt of pension payments or benefits on a bank card and reduced the need for unnecessary in-person contact during the pandemic.
- Halyk Bank implemented a service to transfer vehicle ownership.
- Halyk Bank integrated blockchain technology into the process of purchasing property, enabling people in Kazakhstan to conduct real estate transactions online.
- Halyk Bank and Google Pay launched a cashless payment system.



INVESTMENTS IN THE SOCIOECONOMIC DEVELOPMENT OF THE COUNTRY

GRI 103-1 | 103-2 | 103-3 | 203-1

Support for green energy projects

Renewable energy comes from sources that are continuously generated through natural processes, including solar energy, wind energy, hydrodynamic water energy and geothermal energy, as well as anthropogenic primary energy resources.

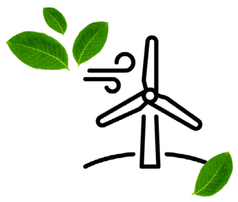
In 2012, the Government of Kazakhstan adopted the Kazakhstan 2050 Strategy, which established the long-term economic development priorities for the country.

In May 2013, the Concept for the Transition of Kazakhstan to a Green Economy was adopted. Its ambitious goals included generating 50% of energy from alternatives to coal and oil, including natural gas, nuclear and renewable sources. The Government of Kazakhstan plans to achieve this through gradually decommissioning aging infrastructure, expanding the use of alternative fuels, installing energy efficient equipment and adhering to strict environmental standards.



In November 2021, Halyk Bank became the first second-tier bank in Kazakhstan to conclude a green lending agreement that has been independently verified by the Green Finance Centre of the Astana International Financial Centre. The agreement was signed with **Kaz Green Energy LLP**, which is building a 5 MW bioelectric power plant in the Karaganda region.

Eneverse Kunkuat LLP produces and sells electricity generated from renewable energy sources, including solar power plants. In 2018-19, the company built and put into operation a 100 MW solar power plant on a 400-hectare site near the city of Qonayev in the Almaty region. This is a unique alternative energy project. According to the solar power plant's design calculations, it will generate about 160 million kWh of electricity annually. It is expected to reduce atmospheric CO2 emissions by 150,000 tonnes a year.



In 2021, Halyk Bank continued to participate in the implementation of the "Business Road Map – 2025" programme. Among the socially significant projects that the Bank supported were **Wind Power City LLP** and **Wind Electricity LLP**. The companies are implementing investment projects to build and operate wind power facilities with a total capacity of 4.5 MW in the Kyzylaut rural district and Talas district of the Zhambyl region. At present, a wind power plant has been built and launched to generate energy in the Zhambyl region.



Halyk Bank and **Eneverse Kunkuat LLP** have signed an agreement to refinance a green lending facility provided for the construction of the 100 MW solar power plant in the city of Qonayev in the Almaty region. This was a milestone in the development and advancement of green lending schemes in the country. To support this green project, Halyk Bank improved the lending terms by offering a lower interest rate than that on the existing loan.

The total project cost was KZT27.7 billion, of which the investors funded KZT10.4 billion independently. Additional financing included a loan from the Development Bank of Kazakhstan (KZT10.8 billion) and a financial lease from DBK-Leasing, a subsidiary of the Development Bank of Kazakhstan (KZT6.5 billion).

Eneverse Kunkuat LLP is a subsidiary of the Singapore-registered Eneverse Kunkuat Pte. Ltd. The ultimate controlling shareholder is Universal Energy (UE), which has offices in Shanghai, Hong Kong, Singapore and Almaty. UE focuses on solar and wind power.
In Kazakhstan, the overall capacity of the six renewable energy projects being implemented is 380 MW.
Green Point Central Asia (GPCA) LLP specialises in low-carbon development, green financing investment projects, environmental protection, climate change and renewable energy. It offers consultancy services regarding green investments, bonds and loans, based on the international principles governing green investments and bonds developed by the International Capital Market Association, Loan Market Association, Asia Pacific Loan Market Association, and Loan Syndications and Trading Association. GPCA has a team of international and local experts with extensive experience in preparing low-carbon strategies at the municipal level, conducting research, measuring greenhouse gas emissions, supporting green financing projects, developing initiatives to adapt to, mitigate and increase sustainability regarding climate change, and devising renewable energy projects.

Support for a soil clean-up project

Much of Kazakhstan's oil is produced in the Mangistau region, which also has more oil pipelines as measured by length than other regions of the country. The oil production, refinery and natural gas industries are the largest environmental polluters. Each year, oil pollution impacts an increasing amount of land for various reasons, ranging from oil well leaks to pipeline ruptures. This contaminated land becomes unusable.

One solution to this problem is the reclamation of polluted land. In late 2021, Halyk Bank provided financing to CleanFieldKazakhstan LLP so that it could purchase equipment for soil reclamation and oil recovery from oil-contaminated soil, drill cuttings and other solids. The Damu Fund participated in the financing by providing a guarantee and the borrower's loan burden was reduced through a partial interest rate subsidy under the "Business Road Map – 2025" programme. The project's implementation began in April 2022. Going forward, it will have a positive environmental impact for both the region and the whole country.

SME support through the realization for government programmes

Throughout 2021, Halyk Bank remained actively engaged in the government's entrepreneurial support programmes.

Small and medium businesses play an important role in the economy of any country. Understanding this, the Bank offers reduced lending rates for businesses as part of the "Business Road Map – 2025" State Programme for the Support and Development of Business. The aim of the programme is to support new business initiatives of entrepreneurs in single-industry towns, small towns and rural settlements, as well as industry-specific support for entrepreneurs in priority sectors of the economy and the processing industry. Halyk Bank ranks confidently in first place among the banks that participate in the programme in terms of both subsidies (the number of subsidy agreements signed totals 21,795) and in terms of guarantees (the total volume of guarantees is KZT85.1 billion, or 32% of the overall volume of guarantees issued under the programme).

A key partner of Halyk Bank in its efforts to help the government support and promote entrepreneurship is the Damu Fund, which operates most SME support programmes in the country.

In cooperation with the Damu Fund, Halyk Bank supports entrepreneurs working in the manufacturing and related industries, which are high-priority areas for development, including import substitution and export promotion. Under a programme launched in 2014 to support SMEs in the manufacturing and services sector, Halyk Bank provides funding for entrepreneurs for up to 10 years. In early 2021, the funding limit under the programme was increased to KZT3.6 billion (the previous limit was KZT1.85 billion), which expanded access to concessional financing. Since it began to participate in the programme, Halyk Bank has issued more than 6,700 loans with a total value of KZT274.1 billion. Halyk Bank is the leader in the implementation of this programme in terms of the volume of allocated and disbursed funds.

Under the programme to support SMEs in the manufacturing and services sector, the bank financed the project of Kulyash Tulegenovna Tatayeva, an individual entrepreneur (IE) in the Northern Kazakhstan region who registered as an individual entrepreneur under the name IE Tatayeva K.T. in 2018. Her main activity as an individual entrepreneur is the production of leather and related products, and she used the funding to purchase supplies for shoe production. The IE Tatayeva K.T. project produces the region's traditional footwear, which is especially popular in rural areas. With the support of Halyk Bank, she has begun to make fur and felt products. The financing has allowed her to expand production, reduce loan costs, access funds to replenish working capital and provide employment for other people.

In 2021, Halyk Bank continued to participate in the Regional SME Financing Programme, a joint project with the Damu Fund and regional governments. The project is part of a targeted programme for regions and separate industries aimed at providing preferential lending, subsidies and, in case of a shortage of collateral, guarantees from the Damu Fund. Under the programme, a borrower has the right to receive a loan for up to seven years to purchase fixed assets and replenish working capital. As of the end of the reporting period, the Bank had concluded 74 agreements totalling KZT26.8 billion under the programme.

Supporting female and young entrepreneurs

A regional SME entrepreneurship development programme is being implemented in the city of Shymkent under the name "Men kusipker bolamyn!" ("I will become an entrepreneur!"). The programme is a joint effort of the Shymkent municipal government, the Damu Fund, the Atameken National Chamber of Entrepreneurs and the Shymkent Socio-Entrepreneurial Corporation aimed at supporting female and young entrepreneurs. Halyk Bank remains the main participant in this programme. Projects are selected with the input of the local authorities and the list of potential projects are given to the Bank, where experts review and process the applications for financing. The lending rate under the programme has been reduced to 1% per annum through subsidies provided by the Shymkent Socio-Entrepreneurial Corporation. The amount of financing can be up to KZT10 million and there are no industry restrictions. In July 2021, Halyk Bank attracted a third tranche of funds and the Bank has allocated a total of KZT400 million under the programme.

One of the programme participants from Shymkent in 2021 was Alem SU LLP, which is headed by Liliya Alekseyevna Pastukhova, a bright woman entrepreneur. Alem SU LLP produces water from its own artesian well in the Tassay-Aksu aquifer. Water from the aquifer is collected in 10-tonne storage tanks and then filtered, purified and bottled in 19-litre bottles. The drinking water is sold under the Sevens Water brand. The project that Halyk Bank supported was to purchase water bottling equipment, which made it possible to triple the water bottling capacity and automate the process.

Women's entrepreneurship in Kazakhstan has a rich historical background. In many sectors, such as the food industry, retail trade, education and medicine, the number of female entrepreneurs is comparable with or even exceeds the number of male entrepreneurs. Understanding the great potential to develop women-owned business, in 2021, Halyk Bank resumed its programme in support of women's entrepreneurship. The goal of the programme was to create an effective microlending system for women entrepreneurs to further stimulate production and bring new goods and services to market, as well as to help aspiring entrepreneurs to gain experience running their own business. The Bank offers loans at the lowest interest rates on the market: 5% per annum for up to two years and 7% per annum for up to seven years. The maximum loan amount is KZT15 million. Financing is provided for any type of business, except for start-ups and crop producers, the latter of which fall under the Bank's specialised agricultural programmes. To obtain a loan, the business must be operating and have collateral. If there are insufficient funds to pledge as collateral, up to 85% of the required funds can be provided to the borrower under a Damu Fund guarantee.

Since the programme's launch in 2018, there has been significant demand for preferential lending from women in the business community. Since the resumption of the programme, 32 borrowers have already received more than KZT300 million in funding.

Supporting initiatives in education

To overcome a lack of room in student dormitories, the government has developed a scheme that uses public procurement to place undergraduate, graduate and doctoral students in dormitories. Under the programme, the state gradually reimburses the developer's investment costs. The initiative aims to engage a wide range of businesses in the construction and renovation of student dormitories.

This new approach, based on the principles of public-private partnership, has significantly strengthened the social infrastructure of the education sector in the city of Shymkent. One of the first projects implemented jointly with Halyk Bank was **IE Chartal**.

In late 2020, **IE Chartal**, represented by Sharipa Aituyevna Utyubayeva, applied to Halyk Bank for funding and additional subsidies under the City Roadmap-2025 Programme for the construction of a 3,900 square metre hostel in Shymkent. The customer entered into an agreement with Kazakhstan's Ministry of Education and Science on 13 December 2019 to accommodate 400 undergraduate, graduate and doctoral students in dormitories. The future hostel turned out to have a very convenient location next to Mukhtar Auezov South Kazakhstan University (300 metres), the South Kazakhstan University College (500 metres) and the Pedagogical University (250 metres).

Insufficient dormitory space is an issue shared by all regions in Kazakhstan. The dormitory that opened in 2021 has 400 beds, which helped to reduce the shortage of dormitory space at Mukhtar Auezov South Kazakhstan University.



Another education initiative is the **Altyn Saqa-2019 LLP** project. Altyn Saqa is a nursery school that applies innovative teaching methods and modern technologies while also increasing the attention that each pupil receives. Financing the purchase of a building for the nursery school allowed the company to maintain its position as the largest organisation offering pre-primary education services in the city of Balkhash, as well as provide up to 10 new jobs. In 2021, a building for was purchased for the nursery school. Following major renovations, Altyn Saqa opened its third nursery school in Balkhash.
Halyk Bank financed the project together with the Damu Fund. The financing was structured to include funding from the Bank, portfolio guarantees from the Damu Fund and subsidies under the "Business Road Map – 2025" programme. The project is also based on the principles of public-private partnership.

Lending Mechanism for Priority Projects – Economy of Simple Things

In 2021, Halyk Bank continued to participate in the "Lending Mechanism for Priority Projects – Economy of Simple Things" (EST) Programme. The size of the subsidy under the programme is less than 10% of the commission rate and funding is issued for a period of up to 10 years. The manufacturing industry and agro-industrial production and processing have been selected as the highest priority sectors for financing under the programme. As of 31 December 2021, the Bank had received applications from entrepreneurs for a total amount of KZT511.6 billion, of which it had approved KZT479.6 billion.

Another priority of the EST Programme is supporting projects in the food production sector. Through a public-private partnership with the administration of the Aktobe region and with the assistance of the Damu Fund, Halyk Bank financed the project of Agrofirma Tau LLP, based in the Aktobe region.



Agrofirma Tau LLP operates under the Milky Land trademark and was founded in 2015. It is primarily engaged in the production of fermented dairy products. The company has its own production facilities. Agrofirma Tau LLP's plant currently has a workshop that produces milk and fermented dairy products. The company offers a wide range of milk, fermented dairy and bioproducts. In total, it sells around 41 different items. The workshop has production facilities supplied by a partner with an annual capacity of 3,500 tonnes. The project serves consumers in the Aktobe, Atyrau, Turkestan and Kyzylorda regions and the city of Nur-Sultan.



Another project is **Sayazhan Medical Centre LLP**, based in the Aktobe region. In September 2010, Sayazhan Medical Centre LLP opened the Senim Clinic diagnostic and treatment centre. In 2021, with support from the Damu Fund and through a public-private partnership with the administration of the Aktobe region, the Bank provided financing to the company at a reduced interest rate under the EST Programme. The funds are being used to acquire new equipment, which will make it possible to create additional jobs for highly qualified professionals to provide much needed medical services to the growing population of the city and region.



EOne more project financed under the EST Programme was **Abadan-Successful LLP** in Shymkent. The project entailed building and opening a private school. The initiative was aimed at helping to improve the quality of educational services in the country. This private general education school provides primary general education services and offers additional school preparatory and English language courses. The support of such a project made it possible to reduce the shortage of schools in Shymkent, create new jobs and ensure the provision of quality education.

The ideological inspiration and driving force behind this project was Dinara Bolatbekovna Kalmuratova, who has vast experience in the field of education. She has founded a private school that takes an individual approach to each student based on the belief that modern schools should create conditions for children to express themselves and develop as individuals. Two factors helped to determine the focus of this project: parental demand and domestic labour market trends. To address the former, emphasis was placed on in-depth English-language studies. As for the latter, the in-depth study of mathematics was prioritised to compensate for a significant lack of qualified technical specialists in the country.

As part of a public-private partnership, Halyk Bank regularly collaborates with regional and municipal governments. An excellent example of such partnerships is the project of Serpin-2030 LLP, based in the city of Atyrau.



Serpin-2030 LLP is part of JM Capital, a diversified investment holding that is rapidly expanding its business throughout Kazakhstan. The company focuses on the construction of industrial and residential buildings, bridges, technological facilities and homes of various sizes, from social housing to cottage projects. Today, it is a key player in the Western Kazakhstan region's construction industry. JM Capital's production facilities and fleet of specialty vehicles allow it to meet construction deadlines and quality standards independent of third-party suppliers.

Through a public-private partnership with the municipal administration of Atyrau, and with the cooperation of the Damu Fund under the EST Programme and KZT10.5 billion in financing from Halyk Bank, the company is building nine pre-primary educational facilities in Atyrau that will have space for 2,610 children.

The project will make it possible to achieve the following goals:

1. reduce the shortage of space at pre-primary education facilities in Atyrau
2. improve the quality of educational preparation that children receive prior to entering primary school in Atyrau
3. provide high-quality, full-time pre-primary education and care for preschool-aged children in Atyrau

To improve the standard of living of the population, social infrastructure must be developed. To facilitate this, the Bank finances projects to build and modernise pre-primary educational facilities.

Halyk Bank is also a partner in initiatives that support entrepreneurship and other development institutions, such as JSC Export Insurance Company KazakhExport, JSC Agrarian Credit Corporation, JSC Development Bank of Kazakhstan, JSC Kazakhstan Housing Company and so on. To support the agro-industrial complex, the Bank participates in the annual Ken Dala programme, which is implemented by JSC Agrarian Credit Corporation and finances entrepreneurs for spring planting and autumn harvesting work. Under this program, in 2021, the Bank provided KZT31.8 billion in financing for 116 projects.

Halyk Bank's results for 2021 include:

- 1 place among banks participating in the subsidy and guarantee projects under the "Business Road Map – 2025" programme
- 1 place among banks participating in the EST Programme
- 1 place among banks participating in the Ken Dala programme

SUPPLY CHAIN MANAGEMENT

GRI 102-9

We are committed to supporting Kazakh suppliers of goods and services. The Bank's supplier relations are governed by a set of rules outlining the procedure and terms for procuring goods, works and services, as well as current Kazakh legislation and the Bank's internal documents. The Bank treats its business partners with respect and selects suppliers of goods, works and services objectively and impartially to create a fair competitive environment. Our main procurement principles include minimising total costs, ensuring fair competition and transparency in the procurement process, and providing equal opportunities for suppliers. During the reporting period, the Bank purchased goods and services totalling roughly KZT98 billion from Kazakh suppliers (KZT73.8 billion in 2020), which comprised 96% of the overall value of purchases (95% in 2020).





07

CUSTOMERS: THE FOCUS OF OUR ATTENTION



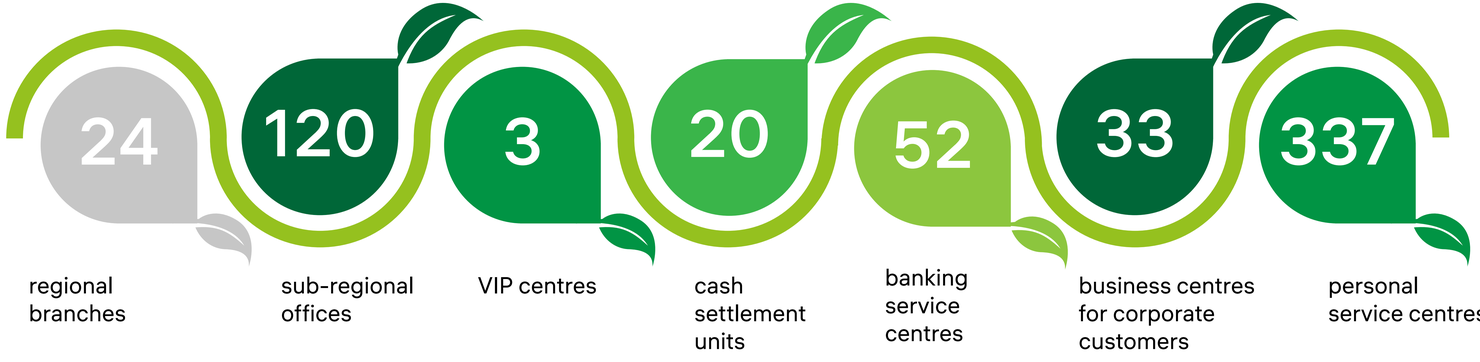
SERVICE ACCESSIBILITY AND QUALITY

GRI 102-7 | 102-10 | 103-1 | 103-2 | 103-3 | 102-4

Halyk Bank has the largest customer base and sales network among banks in Kazakhstan. We are working to develop service outlets in all regions of the country and increase the accessibility of our services for everyone in Kazakhstan.

Distribution network

In 2021, our branch network had 589 service outlets throughout Kazakhstan, including:



The Bank offers a wide range of remote self-service channels for retail and corporate customers. In 2021, Halyk Bank had 4,526 ATMs, making it the largest ATM network in Kazakhstan, with a market share of 36%.

Halyk Bank is also the one of the leading acquiring banks on the market, with a network of 148,351 POS terminals and 970 payment terminals.

The expansion of debit card issuance channels allows customers to choose how they prefer to receive cards. They can do so at one of the Bank's branches in minutes using a mobile embosser. As of December 2021, the share of instant card issuance stood at 90%.

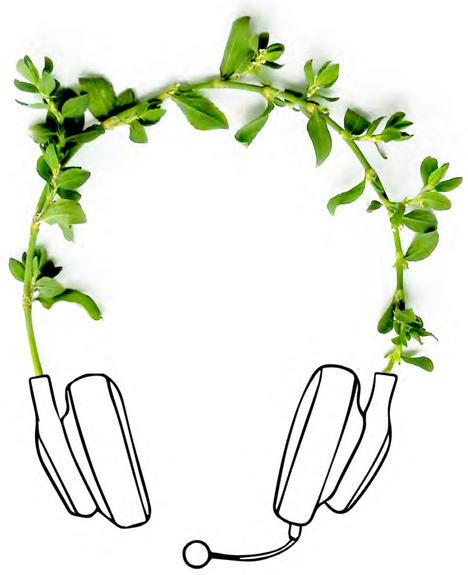
For the convenience of customers, the Bank has installed self-embossers that can issue or re-issue a card. In total, 120 self-embossers have been installed throughout the Bank's branch network. In 2022, the Bank will continue to add more.

The contact centre offers a variety of services to both retail and corporate customers: answering and processing incoming calls and online chat requests (incoming contact centre), providing various types of banking services by video chat (video banking), and making outgoing calls (telemarketing). In addition, the contact centre has teams that offer technical support, develop projects and introduce new services, and provide service quality reporting and analysis.

In 2021, additional outbound corporate banking product sales staff were hired and the video banking offering was expanded for both retail and corporate customers.

During the reporting period, 25.5 million incoming requests were received, of which 46% were processed through the automated interactive voice response (IVR) system, automated agent or chatbot and 54% by human operators. Our robotic agents Aiman and I-Dos processed 12 million requests. On average, 88% of customers receive a response within 40 seconds.

In 2021, contact centre staff placed 3.5 million outgoing calls (the conversion rate was 4.3%). They generated sales of 153,000 unsecured loans – including through online sales channels such as Homebank – with a total value of more than KZT216 billion (18% of all sales) and more than 15,700 retail credit cards. In addition, remote sales of corporate banking products increased: 8,587 accounts were opened (37% of all accounts opened) and 2,331 loans were issued online to individual entrepreneurs.



ACCESSIBLE BANK

GRI FS13 | FS14

One of Halyk Bank's priorities is increasing the accessibility of financial services for all customers, regardless of the region where they live and their abilities. We pay special attention to developing service outlets in our country's small and remote settlements. In Kazakhstan, this category includes small towns and single-industry towns[1]. The State Programme for Regional Development in 2020-25 enumerates 41 small towns and 27 single-industry towns in Kazakhstan.

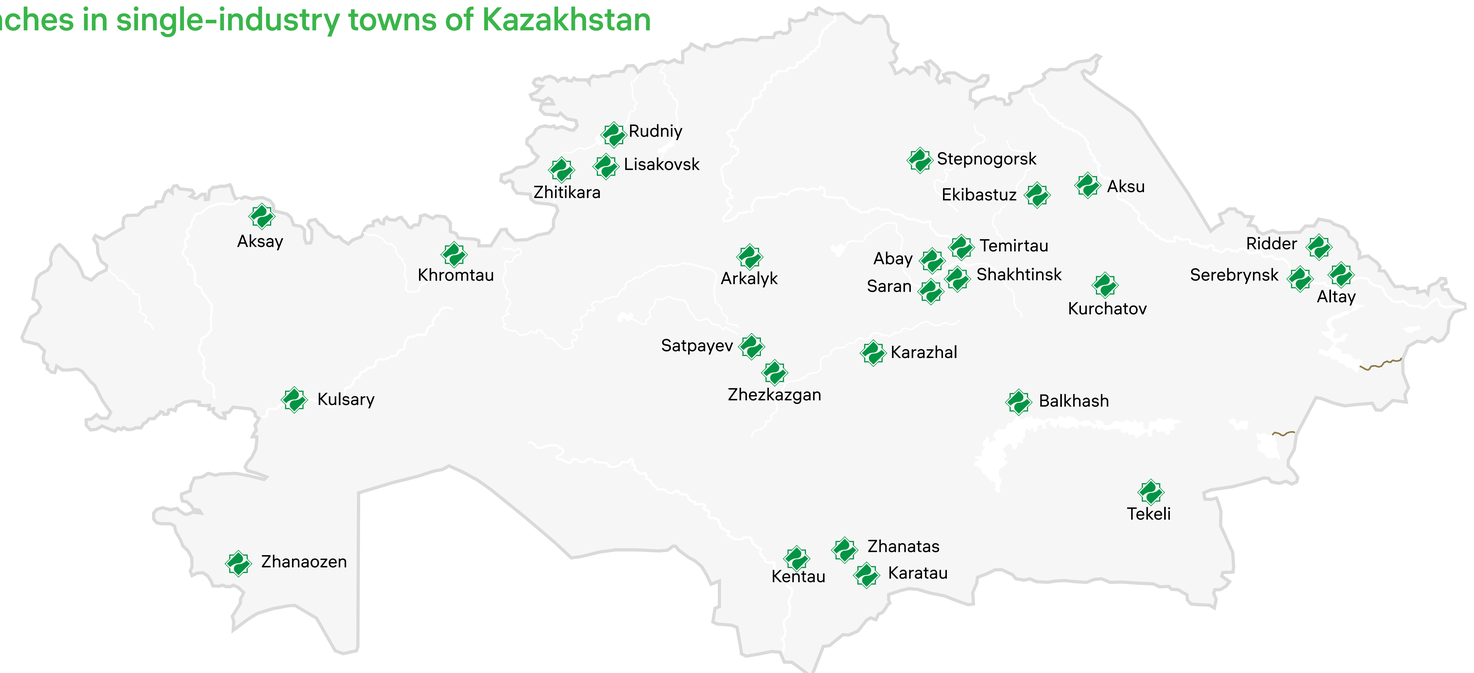
One fifth of the Bank's branches are located in small and single-industry towns. Of them, 95% offer retail services and 31% are full-service branches that provide both retail and corporate services.

The Bank has at least one branch in every single-industry town in Kazakhstan and more than five in the towns of Balkhash, Temirtau, Zhanaozen and Ekibastuz. In addition, our outlets offer banking services in 39 of the country's 41 small towns.

We strive to ensure equal access to our services for all customers. New service outlets and ones being overhauled are outfitted to ensure unimpeded access for people with disabilities or limited mobility, as well as the elderly. For their convenience, we provide access ramps, outdoor bells and convenient teller station designs. For visually impaired and sightless customers, we have installed tactile walkways and signage, as well as exterior intercoms to call a staff member for assistance. All the Bank's employees have received training on how to work with and assist people with disabilities. In 2021, 92% of branches had some form of access for people with disabilities (compared with 90 % in 2020), while 39% were in full compliance with the regulations governing this area. While we are working to increase the accessibility of branches for those with disabilities, some have architectural and technical limitations. In addition, we are focusing on expanding the range of services available online and through the Halyk Homebank mobile app in English, Kazakh and Russian (for more details, see "Innovation and digitalisation").



Bank branches in single-industry towns of Kazakhstan



[1]Small towns are defined as having a population of up to 50,000 people. Single-industry towns are defined as having 20% or more of their industrial production and able-bodied population concentrated at one or a few major local employers that generally have similar profiles, work with the same raw materials (mono-specialisation) and play a deciding role in all economic and social processes in the city.

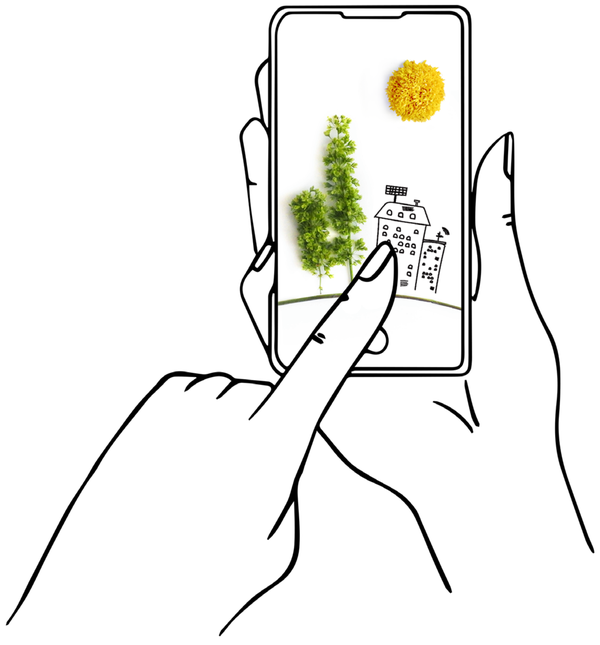
HALYK HOMEBANK

In 2021, the Bank focused heavily on remote services . It improved everyday services, digitalised traditional banking products and made them available through a mobile app. It launched lifestyle services to ensure that everything can be accessed through Halyk Homebank. More than 4.2 million customers choose our services and are monthly active users. The number of mobile app users of the Halyk Homebank app has increased to 8 million customers and Halyk Homebank has surpassed 100 million monthly visits.

Today, Halyk Homebank offers more than 6,700 payment types, as well as various convenient domestic and international fund transfers. Transfers can be made to retail or corporate customers using their phone number, card number or account number. Understanding our customers' preferences, we have launched contactless payment through QR codes, GPay, Samsung Pay and Apple Pay, which are available both in Kazakhstan and around the world. In the fourth quarter of 2021, the volume of payments and transfers exceeded KZT1.4 trillion.

https://homebank.kz/#/

To keep pace with rapid technological advances and increasing customer expectations, we are actively developing our Halyk Homebank, Onlinebank and HalykZalog online platforms. We regularly update them with convenient new services.



Number of Halyk Bank customers in 2019-21

	2019	2020	2021
Active retail customers, thousands	7,695	8,367	9,025
Active SME customers, thousands	165.7	199,0	246,2
Corporate customers	2,884	2,858	3,034



4.2 million MAU (monthly active users) – up 61.5% year-on-year
1.3 million DAU (daily active users) – up 69.4% year-on-year

Onlinebank for corporate and SME customers:
156,000 MAU on website and mobile app – up 83.5% year-on-year
273,000 online banking customers out of a total customer base of 388,000

IMPROVING SERVICE QUALITY

Customer orientation and a focus on service quality are among Halyk Bank's strategic development priorities. We consistently work to improve the customer experience through a personal approach and digital solutions.

Major areas of focus have included enhancing customer paths and researching specific banking products or services for retail and corporate customers.

In 2021, 291 additional surveys were conducted at the request of business units (149 in the B2B and 142 in the B2C segments) to assess customer satisfaction with the Bank's products and services. Given the shift in transactions that has been seen from sales channels to remote channels, the research covered primarily online channels and card products . The research identified pain points and problems that customers encountered most often, which made it possible to improve services and enhance customer paths.

At the end of 2021, the Bank's net promoter score (NPS) stood at 91%. This was 6 percentage points higher than the target of 85% for this metric and an increase of 3 percentage points from the 88% reported in 2020.

In 2021, the Bank introduced a target for the customer satisfaction index (CSI) metric to assist in measuring the level of customer satisfaction with its services and products. The Bank's CSI was 94%, which exceeded the target of 85% by 9 percentage points.

The Bank has also been working to measure customer satisfaction with the services and products of its subsidiaries.

Overall, during the reporting period, the number of complaints reported through the contact centre, social networks and other communication channels decreased, despite an increase in reports of fraudulent transactions.

In 2021:

- written feedback received through the enterprise content management (ECM) system fell by 65%
- oral complaints registered in the operational customer relationship management (OCRM) system dropped by 13%
- feedback submitted through Homebank decreased by 48%

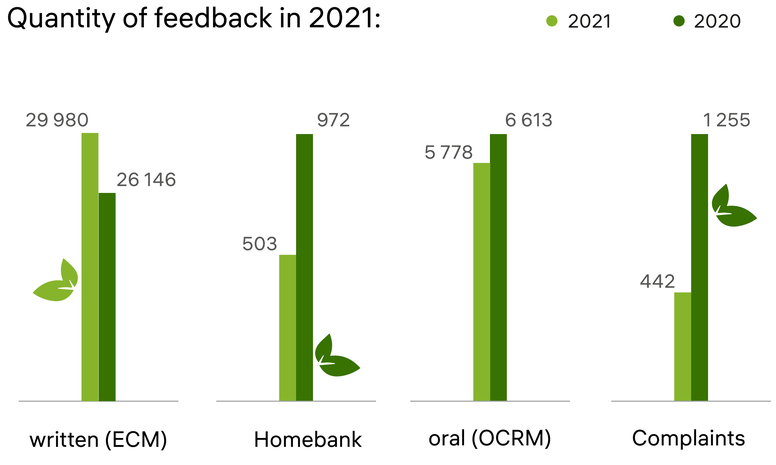
Quantity of feedback in 2021:

- written (ECM) – 29,980 messages (26,146 in 2020), including 442 messages with complaints (1,255 in 2020)
- oral (OCRM) – 5,778 messages (6,613 in 2020)
- Homebank – 503 messages (972 in 2020)

In 2021, 15 complaints about the disclosure of confidential information were received :

- ECC – two complaints, both of which were determined to be invalid
- OCRM – 13 complaints, of which 3 were determined to be valid and 10 were determined to be invalid

To prevent future breaches of confidential information, additional technical work has been conducted, settings of public-facing apps have been optimised, monitoring of sent emails has been enhanced, and further details about how to better protect confidential information have been added to information security awareness materials for employees.





When the Bank identifies areas where customer service can be improved, it informs the relevant business unit responsible for the product or service in question.

INNOVATION AND DIGITALISATION

In 2021, to strengthen the Bank's positions in digital banking and develop innovative solutions, it launched new digital banking offerings, service models and promotions as part of the Data Factory programmes in all key customer segments.

Innovation in the retail segment

The following services have been added to the Halyk Homebank app.

- Online insurance customers can insure their vehicles and property or obtain other interesting and helpful insurance products .
- The Halyk Club loyalty programme is an exclusive offering for all the Bank's cardholders that has 17,000 partners. In 2021, customers received more than 17 billion bonus points from the Bank and merchants. Customers spent more than 14 billion bonus points through the Halyk terminal network and Halyk Homebank app.

The contact centre's primary focus has been on improving service quality and expanding and automating service offerings to enable the Bank's customers to receive the information they need independently, 24/7, without requiring the services of a contact centre consultant.

Optimised IVR menus:

- built dynamic IVR menus based on the products that a customer uses
- introduced a predictive service model for customers with blocked cards (a video explaining card status and the ability to unblock through Homebank plays automatically)
- introduced customer segmentation for referral to the Aiman automated voice agent
- introduced a simplified menu for the retiree segment
- created a new submenu for questions regarding the Unified Pension Savings Fund
- set up a shortcut for customers who receive an SMS about overdue debts
- set up an anti-fraud hotline for calls from overseas to prevent fraudulent transactions
- made it possible to automatically send an SMS to trusted numbers that do not have Homebank with a link to download the app from the AppStore or Play Market
- made it possible to send an SMS with branch and ATM addresses
- set up a process to automatically place an outgoing onboarding call for customers who have been unable to register for Homebank

Automated processes and services:

- improved the service to unblock cards left in an ATM through Homebank
- added the ability to send push or SMS notifications to customers during a call
- made it possible for customers to order large amounts of cash in advance over the phone without visiting a branch

Centralised corporate customer requests to reduce branch workloads (transferred all calls from branches)



Developed unsecured loan sales channels:

- automated requests from the site with leads and optimised scripts
- currently conducting test campaigns using Data Factory information
- regularly analysing calling campaign effectiveness
- regularly monitoring the time taken to load campaigns into the system to ensure the success of calling campaigns and increase conversions

Offering customer video consultations (pilot): offering customer consultations and services remotely without visiting a branch for certain transactions

Conducted a pilot project to serve corporate customers through video banking sales channels

Conducted a pilot project to introduce new chatbot platforms and WhatsApp channels

Conducted a pilot project for initial processing of requests through the contact centre without involving IT departments

Launched a consolidated database of knowledge about the Bank (retail and corporate customers)

The contact centre works continuously to improve customer service quality, optimise and automate services. It is also studying the potential of artificial intelligence to offer customers the most simple and convenient communication option .

Enhanced accessibility of existing products

Consistent with the aim of enhancing the accessibility of the Bank's products, customers can now open deposits conveniently without leaving home and manage their deposits using a smartphone. As of the time of publication, the share of digital deposits had nearly doubled and every third deposit had been opened online.

The Bank's customers can now receive online loans, purchase goods in instalments or on credit from lending partner merchants both offline and online. They can also refinance their loans from other second-tier banks in a few minutes. Digital loans have become highly popular in the Halyk Homebank app; in the fourth quarter of 2021, two out of three loans were issued online. Since the beginning of 2020, the share of digital loan sales has grown from 12% to 82% of all loans. In 2021, 59% of loan portfolio growth was achieved through online loans.

In October 2021, the Halyk Homebank platform launched the Mass Instalment Plan product . It allows retail customers to apply for an instalment plan or loan from partner merchants in a wide variety of categories, including household appliances, jewellery, household goods, clothing and so on.

To apply for an instalment plan, a customer can select a product they like from a partner merchant and place an order for the required amount online in the Halyk Homebank app. The Bank makes the lending decision in a few minutes.

Digitalisation of card products

Digital products are one of the advantages of Halyk Homebank and are popular among customers. The Bank's customers can open digital cards online. Door-to-door delivery of cards is gaining popularity and customers appreciate that this service is offered free of charge. In 2021, around 60,000 cards were delivered to customers.

Implementing government services in a mobile app

One priority area is the provision of government services to the Bank's customers through the Halyk Homebank mobile app. In 2021, the following services were added: check Ashyq[1] status; re-register vehicles; and receive pregnancy, childbirth and childcare benefits for up to a year. Services were selected based on their usefulness and popularity. When implementing government services, it was very important for the Bank to use a paperless format and offer completely remote service where possible.

This work has continued in 2022. Several more government services have been implemented after the reporting period:

- fully digital birth certificate issuance process
- remote account change for receiving pensions and benefits
- digital documents
- residency registration
- account confirmation for social services applications on the egov.kz portal

By the end of 2022, the Bank plans to add even more popular government services to its mobile app. Digital interaction between citizens and the state improves inclusion and provides an opportunity for even more citizens to receive government services, including people with special needs.

[1]The Ashyq application displays a colour-coded risk status for people based on information in the Ministry of Health's COVID-19 infection, PCR test and vaccination databases.

ECOSYSTEM SERVICES FOR BUSINESS

- For the convenience of customers, various information services have been created, including Halyk Info, Maps and a Chat Bot, which help customers every day.

- Another important area is GovTech. Today, the Bank's customers can apply for benefits and immediately open a special card account, register as an individual entrepreneur, transfer vehicle ownership, open a pension fund account and receive payments. They can also check the results of COVID-19 tests; customers have already used this service more than 15 million times.

- The Halyk Travel service for tourists is also gaining in popularity. The service allows customers to purchase tickets, make hotel reservations or book comprehensive travel packages. All purchases can be made using instalments or credit. Partners also offer increased bonus points.

- An important area of growth is the Marketplace. The Bank has launched an online platform and digitalised the customer path for purchasing goods at physical points of sale. Now, customers can make purchases using instalments or credit from partners, both offline and online. In the fourth quarter of 2021, the volume of purchases on the Marketplace exceeded KZT70 billion.

- The Bank is also performing well in e-commerce through the Halyk Market online platform. The volume of purchases since launch has increased by more than 40x and exceeded KZT17.3 billion in the fourth quarter of 2021. The most popular categories among customers are electronics, accessories and jewellery.



Digital lending

In 2021, Halyk Bank continued to work on digital loan products for individual entrepreneurs. The main focus during the year was to expand the range of new digital loan products and improve the customer experience when obtaining a digital loan. To enhance the customer experience, the Bank has made it possible to apply for a digital loan through the Onlinebank mobile app for business. It has also worked to optimise the digital lending process. These efforts have made it possible to now obtain a loan in less than 10 minutes from the moment the application is submitted until the money is credited to the account.

Another focus has been broadening the digital loan product offerings. In 2021, the Bank developed and launched digital lending through POS terminals and digital loans for investment purposes.

These initiatives helped the Bank to significantly increase the pace of lending to the small and micro business segment in 2021. During the year, the Bank's small and micro business digital loan portfolio surged by 360% year-on-year and the number of customers in this segment climbed by 134.5% year-on-year.

In March 2021, the Bank fully automated the digital lending process to support micro and small businesses under the Damu Fund's "Business Road Map – 2025" programme. This initiative subsidises part of the interest rate on loans to reduce it to 6% per annum for the borrower. The Damu Fund also provides a guarantee as security to cover 85% of the loan amount . As of the year-end, the Bank was the leader in this area, having provided loans to 38.8% of all borrowers financed by second-tier banks.

In a rapidly changing world, the relevance of digital services is increasing because of their positive economic and environmental impact . In terms of the environment, the positive impact of digitalisation lies in the complete elimination of paper workflow. Thanks to complete process digitalisation, customers no longer need to submit a package of documents to the Bank to obtain a loan. All documents required for obtaining a loan, such as a loan agreement, loan repayment schedule and so on, are filled in electronically and signed using an electronic digital signature. On the Bank's side, loan files are also generated completely in electronic form.

In terms of the economy, there are also several positive factors. Process digitalisation has significantly reduced the time needed to consider a loan application. There is also no need to visit a branch to receive a loan, which in turn reduces time and transaction costs for the Bank's customers and generally accelerates their economic activity. Another positive factor is that digital lending encourages individual entrepreneurs to disclose the real turnover of their business. In other words, transacting business turnover through current accounts in Banks reduces the share of cash and grey turnover. This increases business transparency and tax contributions from entrepreneurs to the national budget.

In the second half of 2021, Halyk Bank began working on a new digital loan product for businesses incorporated as a limited liability partnership (LLP).

It is considered a digital product because it can be used remotely without visiting a branch or providing any documents. A business will be able to receive a loan quickly; the planned time between submitting a loan application and receiving funds on an account is expected to be no more than 10 minutes. To apply, a customer will need to log into the Bank's Onlinebank platform and initiate the loan process.

Initially, the product will be offered to active transactional clients of the Bank. In the future, the Bank plans to expand the offering to include LLPs that are not existing clients.

The LLP digital loan product is expected to increase the share of lending customers in the Bank's transaction base and stimulate the influx of transactional customers to the Bank. More broadly, it also aims to encourage businesses to be transparent about their turnover, which will help to increase payments from business to the budget.



INFORMATION SECURITY AND CUSTOMER DATA PROTECTION

GRI 103-1 | 103-2 | 103-3 | 418-1

The Bank's management is focused on supporting and continuously improving its information security management system.

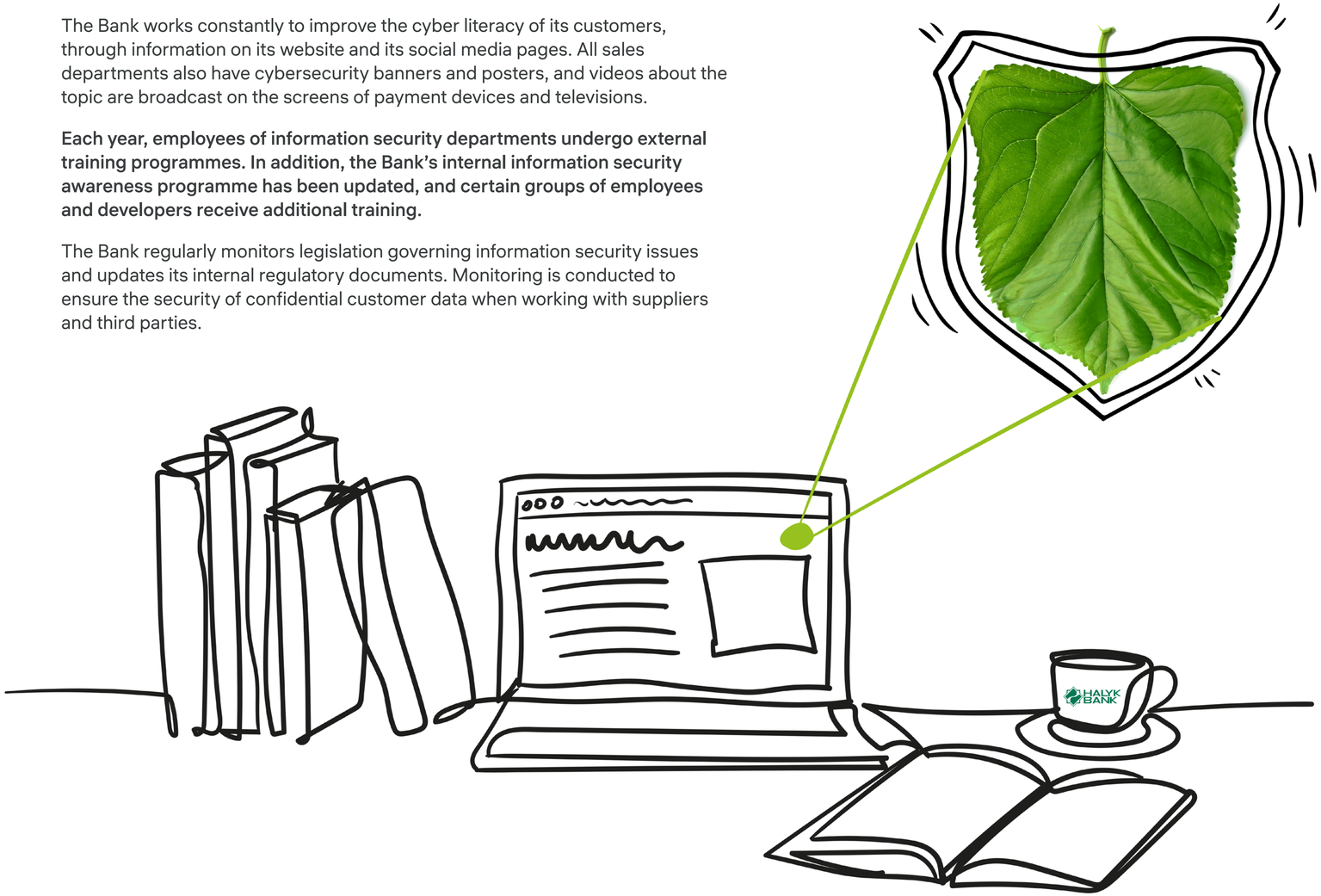
To better protect the Bank's information assets containing customer details and confidential data from the threat of unauthorised access, leaks, disclosure and loss, in 2021, the Bank introduced numerous tools and processes. These include multi-factor authentication when working remotely, advanced anti-virus protection, proactive analysis of potential information security threats, enhanced monitoring of critical systems and an industrial anti-fraud system.

In addition, consistent with its cybersecurity strategy, to identify and eliminate data security risks, the Bank strengthened the anti-virus protection of its ATM network. It also implemented a logical access control identity management system, as well as several measures to mitigate the harm to customers from common fraudulent schemes when using remote channels.

The Bank works constantly to improve the cyber literacy of its customers, through information on its website and its social media pages. All sales departments also have cybersecurity banners and posters, and videos about the topic are broadcast on the screens of payment devices and televisions.

Each year, employees of information security departments undergo external training programmes. In addition, the Bank's internal information security awareness programme has been updated, and certain groups of employees and developers receive additional training.

The Bank regularly monitors legislation governing information security issues and updates its internal regulatory documents. Monitoring is conducted to ensure the security of confidential customer data when working with suppliers and third parties.



To ensure protection against crisis situations, the Bank has implemented permanent business continuity procedures. In addition, for employees working remotely, it ensures that all IT services are accessible and secure.

During the reporting period, the Bank once again certified the compliance of its computer systems and networks with the requirements of the PCI DSS/3DS international data security standards. It also passed a local infrastructure assessment for compliance with the SWIFT Customer Security Controls Framework .

The Bank's systematic approaches to information security management and information technology/information security risk management made it possible to maintain a minimal level of customer data confidentiality breaches through the fault of the Bank. The reported cases of customer data leak, theft or loss caused by the Bank breaching information security protocols during the reporting period are presented in the table below.

Cases of customer data confidentiality breach, leak, theft or loss

	2019	2020	2021
Total number of registered validated cases of customer data leak, theft and loss, including:	0	0	7
Data leak	0	0	0
Data theft	0	0	4
Data loss	0	0	0
Disclosure of customer data by employees of the Bank's branches	0	0	3

The Bank has implemented a data loss prevention system that identifies and blocks attempts by employees to send unencrypted confidential information to external email addresses.

To prevent future breaches of customer data confidentiality, technical improvements have been implemented and the settings of public-facing applications have been optimised. The Bank has also strengthened internal controls for sending e-mail messages and updated its information security awareness materials for employees to cover personal data protection.

08

HUMAN CAPITAL DEVELOPMENT



HUMAN CAPITAL DEVELOPMENT

Halyk Bank is a team of people who are passionate about their work and look confidently to the future, knowing that they have stable jobs, competitive salaries, attractive social packages, numerous motivational and incentive programmes, and great opportunities for professional and career development.

OUR CLOSE-KNIT TEAM IS THE KEY TO OUR SUCCESS AND OUR GREATEST ASSET.

HUMAN RESOURCE MANAGEMENT

GRI 102-8 | 103-1 | 103-2 | 103-3 | 401-1 | 402-2 | 401-3

As the largest employer in the financial sector, the Bank works constantly to improve its approaches to HR management by introducing optimal tools, while also preserving the best practices that have proven their effectiveness.

The main principles of the Bank's HR Policy are as follows:

- **Alignment of the interests and goals of the Bank and its employees** – The Bank respects and values its staff and creates conditions to ensure there is corporate responsibility for their overall performance. Employees make every effort to achieve the Bank's goals.
- **Competitiveness, rotation and regular assessment of individual qualities and capabilities** – The Bank strives to select candidates on a competitive basis, systematically rotate positions vertically and horizontally, prepare talent pools for specific positions, and identify and develop employee strengths.
- **Long-term relationship** – The Bank seeks to ensure that it has long-term relationships with its employees. The continuity of knowledge and experience, along with a focus on and investment in the development and training of employees, should be consistent with the Bank's needs to achieve its strategic goals.
- **Commitment to ensuring the professional growth and development of its employees** – The Bank offers and is developing a mentoring programme, and employees are trained and share their knowledge and skills.
- **Evaluation of performance results** – The Bank highly values the contribution of each employee. It has introduced a performance management system with requirements for job descriptions, key performance indicators (balanced scorecards and an assessment of job expertise), a corporate competency model, an assessment of the quality of performance standards, and employee motivation and encouragement.
- **Remuneration is consistent with the scope and complexity of work** – The Bank seeks to build an effective remuneration system based on the principles of internal fairness and external competitiveness, as well as identify and develop factors that can help to increase job efficiency.
- **Creation and preservation of a favourable moral and psychological climate** – The Bank strives to create positive working conditions and build team-based relationships that contribute to efficient operation.

The Bank's workplace management system is underpinned by internal regulations in each area of HR management. These are based on the provisions of the Labour Code of Kazakhstan, the Code of Kazakhstan "On Taxes and Other Mandatory Payments to the Budget", the Law of Kazakhstan "On Joint-Stock Companies", the Law of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan" and other regulatory acts.



DIVERSITY

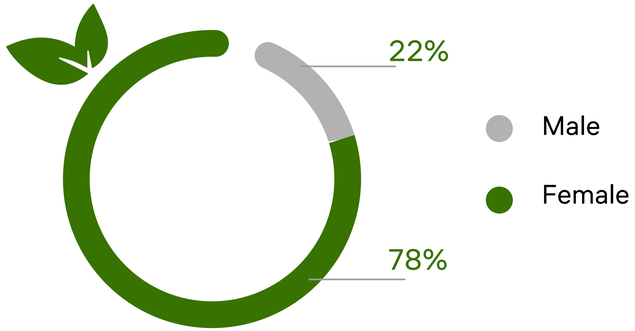
In an effort to maintain a stable team of highly-skilled professionals, the Bank provides equal employment opportunities for workers and candidates to join its workforce, and also supports and observes the principles and norms of international law and Kazakh legislation.

The Bank consistently builds a team of professionals based solely on the professional expertise, personal qualities, experience and motivation of candidates, without allowing any discrimination based on origin, social, official or property status, gender, race, nationality, language, religion, beliefs, place of residence or any other factor.

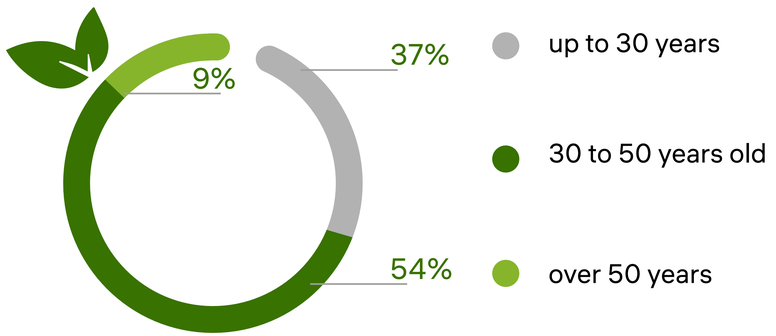
At the end of 2021, the Bank's headcount totalled 14,815 people, down 1% year-on-year. Women make up 78% of employees, while men account for 22%.
In terms of age diversity, 54% were aged from 30 to 50 years, 37% were under 30 years and 9% were over 50 years. The average age of the Bank's employees in 2021 was 34 years, which is one year older than in 2020.



Gender diversity in 2021, %



Age diversity in 2021, %



The Bank does not employ children or use forced labour. The youngest employee is 18 years old.

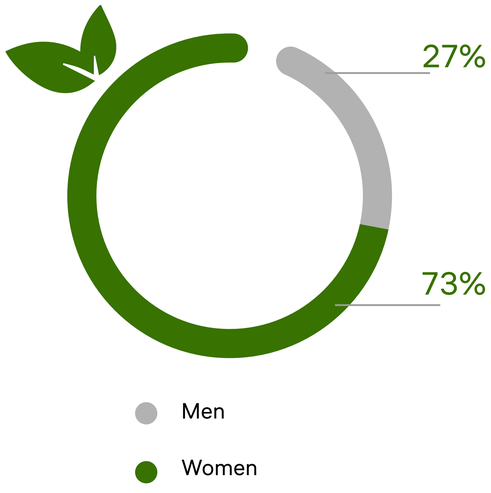
In 2021, the share of employees who hold senior or middle management positions was 10%, of which 63% were women and 37% were men.

As of the end of last year, 12,974 employees worked under permanent contracts[1] (87% of the overall headcount), of which 72% were women and 28% were men.

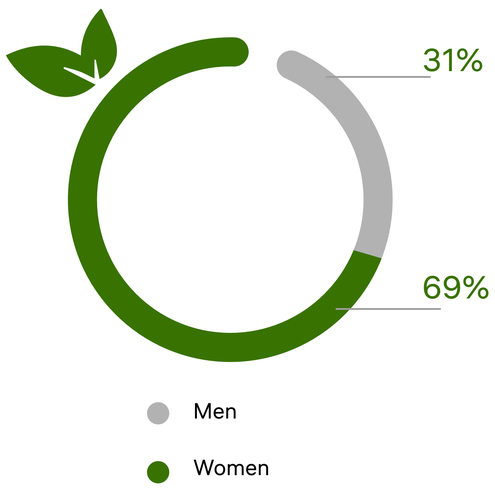
A total of 1,841 employees worked under temporary contracts[2] (12% of the headcount), of which 78% were women and 22% were men.

During the reporting period, 99% of employees worked full-time and 1% worked part-time. Of the full-time employees, 73% were women and 27% were men. Among the part-time employees, 69% were women and 31% were men. There were 155 outsourced employees (around 1% of the headcount), which was higher than in 2020 because of greater involvement in Bank projects.

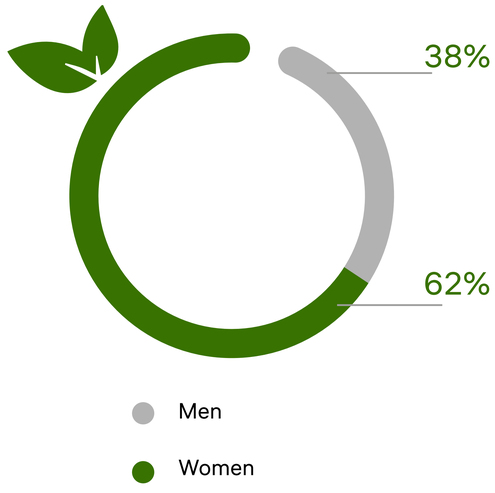
Gender diversity of full-time employees in 2021, %



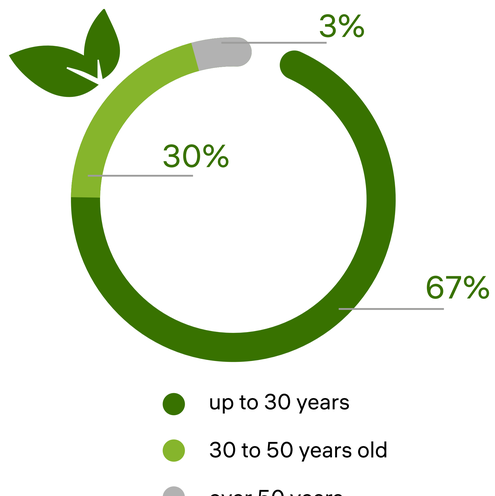
Gender diversity of part-time employees in 2021, %



Gender diversity of new hires in 2021, %

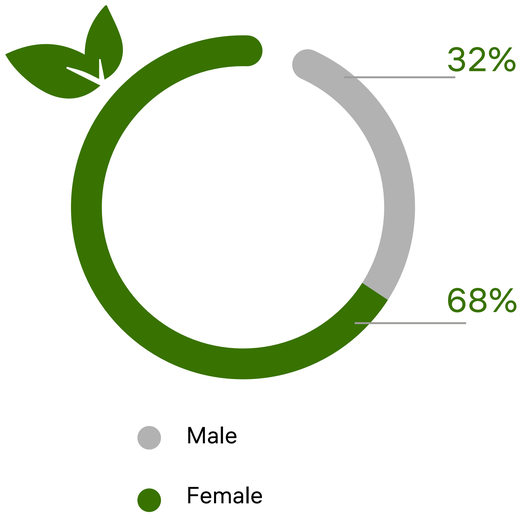


Age diversity of new hires in 2021, %

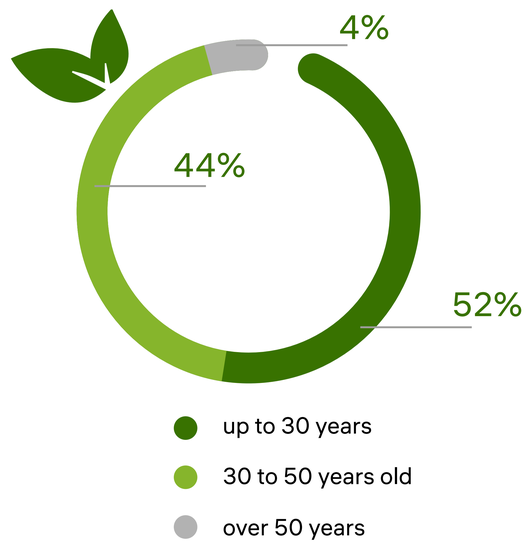


[1] Open-ended employment contracts as defined in Article 30 of the Kazakh Labour Code
[2] Fixed-term employment contracts (for at least one year) to perform specific and/or seasonal work, or to replace an employee who is temporarily absent, as defined in Article 30 of the Kazakh Labour Code

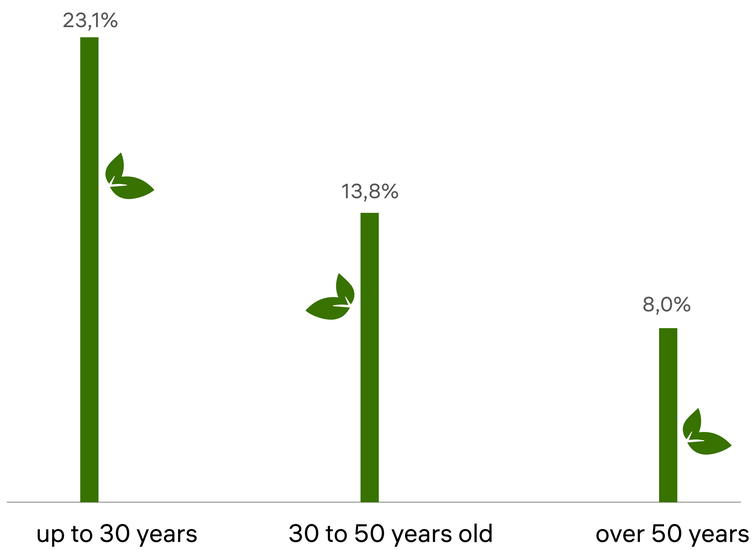
Gender diversity of employees who resigned in 2021, %



Age diversity of employees who resigned in 2021, %



Staff turnover by age in 2021, %



In 2021, 2,858 new employees were hired, which equals 19.4% of the average headcount. As part of the work to enhance service quality, improve digital banking and implement new IT projects, the Bank increased new hires for its IT team by 1%, which accounted for 8% of the overall new appointments during the reporting period.

In 2021, 2,484 employees voluntarily terminated employment relations. Staff turnover amounted to 16.9%, up 4.3% compared with 2020, including:

- 20.1% among men
- 15.7% among women

The Bank was also affected by the growing global trend of higher staff turnover seen during the pandemic in 2020-21, although employees mostly resigned because of changes in their line of work. With this in mind, in an effort to make conditions more convenient and comfortable for employees, including during quarantine restrictions, the Bank has introduced a hybrid work format (remote work and office work) based on the principle of rotational shifts, where staff can alternately work from home and at the office for 15 or 30 days. This method enables employees to remain engaged in the Bank's corporate life and projects.

In terms of age diversity, there was staff turnover of 23.1% among employees under 30 years in 2021, 13.8% among those from 30 to 50 years and 8% among those over 50 years. The higher turnover percentage for young professionals can be attributed to the introduction and development of programmes for young people. These aim to attract students and graduates and allow them to combine work and education, while providing an external talent pool of professionals who can easily adapt to the Bank's processes.

YOUNG PROFESSIONALS. COLLABORATION WITH UNIVERSITIES

When hiring new people, the Bank bases its selection solely on the professional expertise, personal qualities, experience and motivation of candidates. Halyk devotes great attention to the training of young professionals. Mentoring also plays a special role in sharing knowledge and experience. It ensures the transfer of not only professional experience, but also the Bank's principles and values above all. Halyk Group utilises its global experience, centuries of brand reliability and professionalism to help to ensure the prosperity of Kazakhstan.

Today, the Bank employs representatives of all generations: from novice professionals (Generation Z) to employees with vast experience (the Boomer Generation). The most rapidly growing part of the Bank's workforce is the IT team, given the active development of the Homebank and Onlinebank mobile applications, as well as the launch of the Data Factory project.

To address its growing need for professionals with digital skills and experience working with data, the Bank actively collaborates with technical universities. In 2021, it launched the Halyk Academy project, which aims to create and develop an external talent pool at leading technical universities, such as the International University of Information Technologies (IUIT), Kazakh-British Technical University (KBTU) and Suleyman Demirel University (SDU).

Together with universities, the Bank is involved in fine-tuning curricula and introducing real business cases and the experience of experts into the training process. It also assists in providing the necessary material and technical resources, while improving the IT specialist training system based on the needs of the labour market.

This approach helps to flexibly influence the curriculum, both by updating the basic programme and by launching elective courses, while ensuring that the training programme meets the needs of the business.

Below are some of the results from the Halyk Academy project:

- The number of vacancies on the Bank's staff for young interns almost doubled
- More than 60% of interns became programmers at the Bank
- The curriculum of two universities was revised and approved by the Kazakh Ministry of Education and Science
- Elective courses were launched based on the Go programming language
- Three laboratories with 20 jobs were opened at KBTU, IUIT and SDU, along with a co-working space at KBTU
- Bank employees held guest lectures and master classes for students

Halyk Academy represents an investment in the development of Kazakhstan's human capital and a response to the challenges of the times. Above all, though, it is a strategic social project that reaffirms the modern requirements of education, which Kazakh President Kassym-Jomart Tokayev recently announced in his address to the Kazakh people.

In 2021, in an effort to bolster the IT team with professionals of the highest quality, and in addition to working actively with universities, the Bank updated the terms of the HalykStart paid internship for students in IT majors by simplifying GPA score requirements and revising the length of internships and official salaries. The most promising and talented students now receive job offers in the Bank's IT departments.

The Bank's employees are also involved in attracting the best professionals through their participation in a referral programme that was introduced in the reporting period. As part of it, they can propose candidates for potential employees from outside the Bank and receive material incentives for this.

To reduce the use of paper, as well as accelerate and simplify the approval of candidates to join the staff, the Bank launched a service in 2021 to hire future employees from an external website that helps candidates to apply for jobs, pass testing, provide personal data, sign consent forms for the collection and processing of their personal data and upload photos of the required documents. The information provided and uploaded by the candidate automatically goes to the corresponding division of the Bank, which then handles the hiring process.



MOTIVATION AND REMUNERATION

GRI 103-1 | 103-2 | 103-3 | 202-1 | 202-2 | 405-1 | 405-2

The Bank's remuneration policy and approaches to staff motivation are based on the principles of equality of rights and opportunities for employees and the absence of discrimination in employment. Fair remuneration and equal working conditions are ensured using a grading system based on the Korn Ferry job evaluation methodology, which prevents wage discrimination based on origin, social, official or property status, gender, race, nationality, language, religion, beliefs, place of residence, age, physical disability, membership in public associations or any other factors.

In an effort to ensure decent and competitive salaries, the Bank regularly participates in salary reviews, conducts analytical work and also considers the opinions and proposals of stakeholders.

In 2021, based on an assessment of positions throughout the Bank using the Korn Ferry methodology – which is based on equalising the value of each position, while taking into account its contribution to the Bank's development and financial performance – the remuneration plan for positions was revised and a systematic review of staff salaries was conducted.

In addition to fixed remuneration, the Bank pays an annual bonus that is calculated in aggregate based on individual and collective results, if there is an increase in overall annual income.

Salary:

- Grade-based salary
- Personal allowances
- Social payments
- Independence Day bonuses
- Regular KPI-based bonuses
- Annual performance bonuses for employees who do not receive KPI-based bonuses

Despite the current global challenges, the Bank has maintained a guaranteed social package that includes various types of benefits and compensations in an effort to take care of and create a sense of security among its employees.

Social benefits:

- Additional paid leave for marriage, the birth of a child or the death of a close relative
- Material support for employees, former employees and their family members during certain personal circumstances
- New Year's gifts for children of Bank employees
- Care for retired workers, veterans of Great Patriotic War and labour front

Corporate benefits:

- Voluntary medical insurance for employees and their family members (equity participation)
- Life insurance – a one-time payment if an employee dies or is placed in Disability Group 1 or 2
- Relocation and housing allowance for transfers within Halyk Group
- Preferential connection to the corporate network and payment for mobile communications
- Subsidies for a mortgage depending on work experience and grade
- Incentives for working at the Bank for 15 years or more
- Underground parking spaces for managers and employees of the Head Office
- Corporate discounts on street parking for employees of the Head Office
- Benefits for pregnancy and childbirth
- Corporate discounts for fitness clubs

Professional development

- The Bank pays part of the tuition for employees to attend MBA and master's degree programmes
- Payment of 50% of professional certification fees
- Payment of 100% of fees for external training and conferences for employees



- Career development management for the talent pool
- Corporate training, seminars and technical education
- Regular developmental feedback from management
- Access to the electronic library
- Access to the distance learning portal
- Mentoring for new hires by more experienced employees

The Bank has an employee recognition programme that has been enhanced to improve conditions and expand employee outreach. To recognise the merits and achievements of employees in 2021, the Bank presented awards to the best employees in the following categories:

- Best Employee of the Bank 'Professionalism and Loyalty to the Bank's Values' (1st degree nomination)
- Best Employee of the Bank 'Diligence and Striving for Success' (2nd degree nomination)
- Best Employee of the Year (3rd degree nomination)

In addition to a diploma and a award, employees were paid monetary remuneration as part of this award.

For holidays, letters of gratitude are presented to team members who stand out for special achievements in their work based on a longstanding tradition. The presentation of state awards and distinctions by the Association of Financiers of Kazakhstan is also a key event for employees.

As part of its goal to protect the right to motherhood and childhood, the Bank pays a one-time benefit of up to KZT300,000 to an employee who takes maternity leave. Over the past year, total compensation to employees who took maternity leave amounted to KZT57 million, up KZT14 million from 2020.

All employees are entitled to parental leave. The Kazakh Labour Code allows employees to exercise their right to parental leave not only as a woman, but also as a man, as well as a grandmother, grandfather or other relative who is actually raising a child left without parental care, or who are guardians or have adopted a new-born child. As of the end of 2021, the Bank had 1,852 employees on unpaid parental leave, including 1,848 women (99.8%) and four men (0.2%). Over 2021, 1,006 employees (including three men) returned from maternity leave. After taking leave, 18% (two men and the rest women) were still working at the Bank 12 months after returning to work.

The past year reaffirmed the Bank's priorities and demonstrated that the Halyk team is its most valuable resource. The Bank cares about its employees and strives to protect their health and wellbeing. With this in mind and given the ongoing epidemiological situation with COVID-19, the Bank provided the following regular measures for its staff:

- Reimbursed the costs of PCR tests for business trip flights and contact with sick people at the Bank's office
- Organised vaccination and revaccination against COVID-19, as well as flu vaccinations at the Bank's offices
- Regularly conducted awareness-raising activities about measures to prevent the spread of COVID-19, and promptly provided notification and explanations about quarantine restrictions introduced by the government
- Ensured that employees can quickly choose a work format: remote work, work at the office or a form of hybrid work (alternating remote work and work at the office)
- Provided the necessary equipment for remote work
- Offered the opportunity to work remotely to employees who work at the office if they feel sick or show symptoms of acute respiratory viral infections

Measures that helped to promptly minimise and eliminate the risk of COVID-19 infections at the Bank's offices included:

- Verification of employees' status when entering the Bank's offices using the Ashyq application[1], which was introduced by the government to ensure that businesses could operate safely
- Automated recording of information about employees who are vaccinated, unvaccinated, have received PCR tests or have recovered from COVID-19.

Throughout the COVID-19 pandemic, the Bank ensured that its internal business processes functioned normally, which made it possible to save jobs.

[1] The Ashyq mobile application is integrated with the general database of the Kazakh Ministry of Health and uses a QR code to determine whether or not visitors are currently infected with COVID-19. This provides businesses with an opportunity to continue operating during quarantine restrictions, minimise the risk of the spread of COVID-19 and reduce the number of contacts that lead to infections.

PERFORMANCE APPRAISAL

GRI 103-1 | 103-2 | 103-3 | 404-3

Performance appraisal remains a key tool for the Bank. Assessments of the leadership potential and expertise of managers and their teams help to determine the further development and career advancement of the Bank's workforce.

The appraisal extends to all categories and positions of the Bank

Members of the Management Board and the heads of individual business units undergo performance appraisal using the balanced scorecard (BSC) system. The BSC system helps the Bank to clearly map its strategic and operational goals and objectives in the form of an approved scorecard. It also creates a transparent and cascading mechanism linking the targets for each KPI of business units at the Head Office and regional branches to the annual performance and bonus levels for Bank executives.

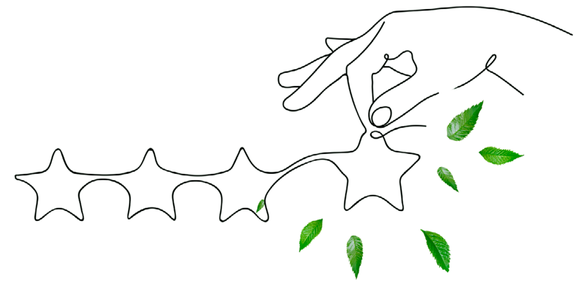
Other managers and employees are appraised using the Assessment of Job Performance and Competencies (AJPC) method, which has been automated through the AJPC portal. The Bank ensures that employees receive transparent and timely feedback. The AJPC includes three forms of assessments for different categories of employees, depending on their functions. Several categories of employees do not undergo performance appraisals, including employees who have worked for less than six months; employees who are temporarily incapacitated or were on parental leave for more than six months during the appraisal period; as well as support and technical staff (drivers and workers).

In 2021, 10,664 employees underwent performance appraisals, or 72% of the overall headcount. The remaining 28% were not subject to appraisal. The appraisals included 80% of male and 69% of female employees. During the reporting period, the appraisal process covered all members of the Management Board and senior executives, 90% of middle managers and 70% of specialists.

The Bank's performance appraisal process helps to foster a sense of accountability among employees for the results of their work, as well as improve productivity and efficiency at structural units and throughout the Bank in general. The performance appraisal is used to make management decisions, including about the talent pool, staff development programmes, motivational payments, recognition of the Bank's best employees and the calculation of annual bonuses.

The performance appraisal helps to both boost employee motivation and increase their value to the Bank.

In addition, a comprehensive assessment of 100% of IT staff was conducted in 2021, using a potential matrix (nine boxes), which included a performance and skill assessment..



TRAINING AND DEVELOPMENT

GRI 103-1 | 103-2 | 103-3 | 404-1 | 404-2

The Bank develops its employees by identifying their professional capabilities and potential to form a balanced and competent team that can subsequently implement its strategy, contribute to its prosperity and increase the number of customers and profits. Through development and training, employees can plan and build a career and quickly adapt to changing business conditions and the introduction of new technologies and tools.

To develop professional and personal skills, the Bank offers employees the following types of training:

Individual training –

professional development, certification and MBA programmes, as well as distance learning conducted by an external provider, including through access to educational platforms

Corporate training –

specialised courses, seminars and training programmes using internal and external resources, as well as courses offered through the distance learning system

Internship –

training aimed at gaining practical experience, mastering new technologies and applying theoretical skills in practice

Priority areas of development

One of the Bank's main objectives is to form and retain a staff that meets its qualification requirements, which aim to achieve strategic goals and solve problems facing the Bank. The development priorities for employees in 2021 were envisaged in the Halyk Group's strategy and corporate values, as were the challenges of the new reality, which require flexibility, a willingness to change, greater digitalisation and enhanced focus on customers.

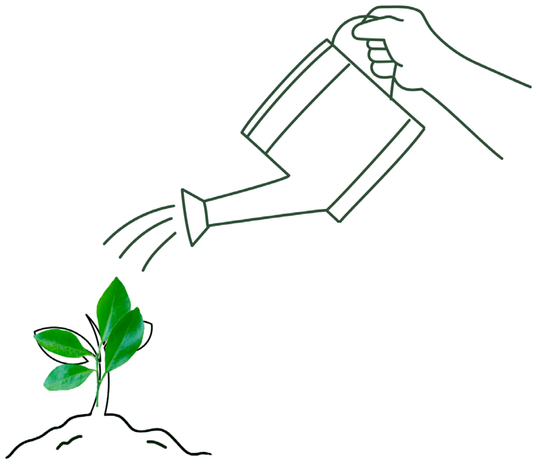
Halyk Bank is committed to constantly improving its existing training and development programmes, while also introducing new ones that take into account the needs of business and the workforce. Modern technologies are used to make learning more convenient. The easing of quarantine measures in 2021 helped to successfully combine the online format, which became part of the world's reality in 2020, with offline learning, which made it more adaptive.

In 2021, the Bank's priorities in terms of internal corporate training for front-office employees were to improve the level of customer focus and service, as well as develop sales skills.

During the year, the Bank devoted much attention to the development of specialists with digital skills and held a series of corporate training sessions for them to develop their soft skills and project management skills, in addition to external training aimed at developing hard skills. Halyk employees are constantly improving their professional standards, acquiring skills and developing competencies while at work, participating in new projects and focusing on self-education, including using the public corporate library.

Adaptation of new hires

The Bank has bolstered the adaptation programme for new recruits by assigning a mentor to each from among a unit's experienced employees to provide support during the probationary period. Given the experience of the mentors, they are motivated to make sure that the new employees engage in self-development, quickly and easily adapt to the team, acquire knowledge, and share the Bank's corporate values and team spirit.



Talent development

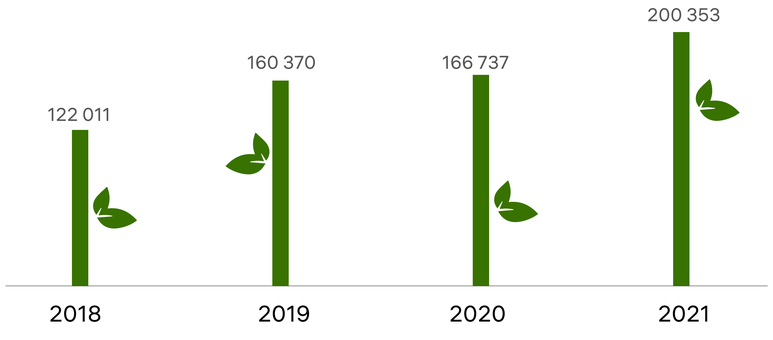
Halyk devotes extensive attention to identifying and developing talent. Such individuals are included in the Bank's talent pool, which serves to guarantee the stability of key and managerial positions in the workforce and stimulate improvements in the professionalism and business activities of the Bank's employees. The goal of the talent pool programme is to identify talent within the bank and provide them with opportunities for career growth, as well as develop employees' skills and expertise so that they can successfully transition to higher positions. For several years, the Bank has been working to systematically increase the number of training events by internal business coaches for members of the talent pool.

In 2021, the Bank launched a new programme called Academy of Leaders to develop the managerial potential of its regional network. The project aims to form a talent pool from among the Academy's most productive and successful graduates for subsequent appointment as leaders of sales channels. The programme consists of four modules that enable employees to upgrade their skills and gain practical knowledge in the following areas: performance management, teamwork, the development of customer relationships and effective interaction

Distance learning:

In 2021, upgrades were made to the Webtutor distance learning system (DLS), which the Bank's business units use actively. The Bank continued working to expand the coverage of employees with training and testing through the DLS. During the reporting period, more than 200,000 appointments for training courses and screening tests were made through the DLS.

Distance learning and testing through the DLS in 2018-21



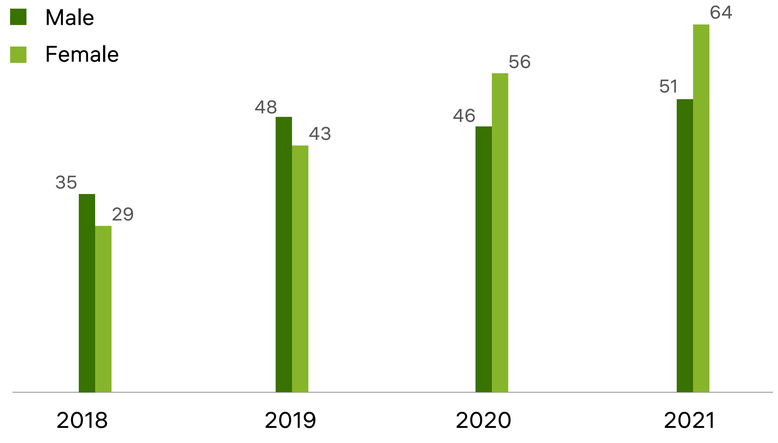
Main manager training topics

In 2021, particular attention was paid to the following training topics for managers.

Senior executives	Middle managers
Systems thinking Change management Management skills	Fundamentals of project management and leadership tools Seven habits of highly effective people Principles of Agile and Scrum Effective feedback

In 2021, each employee attended an average of 60 hours of training, including 51 hours for male employees and 64 hours for female employees. Broken down by position, the average was 30 hours for senior executives[1], 62 hours for middle managers and 58 hours for specialists.

Average number of training hours per employee in 2018-21



The Bank's distance learning system currently covers the following Halyk Group subsidiaries: Halyk Life, Halyk Project, Halyk Aktiv, Tenge Bank and Halyk Bank Kyrgyzstan.



[1] Directors of independent structural units at the Head Office, curators of subordinate units and directors of branches

CORPORATE CULTURE AND INTERNAL COMMUNICATION

GRI 102-41 | 103-1 | 103-2 | 103-3 | 401-2 | 401-3 | 402-1 | 407-1 | 408-1 | 409-1

The Bank promotes a unified corporate culture based on high ethical standards, maintaining an atmosphere among the team of trust, decency and respect for employees, customers, business partners and other individuals who work with it. The Bank also works to prevent violations of personal rights and freedoms, as well as discrimination based on race, colour, religion, gender, sexual orientation, age, disability, seniority or any other indicator.

The Bank is committed to a corporate culture of leadership where any employee can submit an idea to improve the efficiency of any of its business processes. One tool used to involve employees in the continuous improvement of the Bank's activities is the Initiatives Portal, where each employee can freely and openly propose a concept for developing or modifying current processes at all levels.

Corporate events

As it considers each corporate event, the Bank seeks to create a system involving the following positive incentives (material, social and psychological) that affect internal motivation and evoke positive feedback from employees:

- A sense of unity and belonging to the Bank's sizeable team without losing their individuality
- A sense of demand for professional expertise and the opportunity to develop their creative potential
- A desire to bring best practices that have a beneficial effect on the Bank and its staff into its activities
- Awareness of an individual's personal contribution, which is invaluable in achieving the Bank's strategic goals
- A sense of information transparency and availability, confidence and security
- An understanding of their importance in social and charitable projects

In 2021, corporate events were held to promote the Bank's mission and values, as well as unite and involve employees in understanding and implementing its strategic objectives.

In particular, to mark the Bank's 98th anniversary, an impromptu suggestion book was placed in the lobby of the Head Office, where employees could write ideas and comments.

Another highlight of the year was Financier's Day, when a time capsule was placed in the main hall of the Bank. Employees of branches and subsidiaries, including managers, left messages to the Bank for the future in the time capsule, which will be opened in 2023 to celebrate the Bank's 100th anniversary.

The Bank continued the tradition of congratulating workers on International Women's Day on 8 March, Defender of the Fatherland Day on 7 May, Victory Day on 9 May and Independence Day on 16 December. Thanks to the corporate culture that employees have established, these holidays are always distinguished by openness, friendliness and the ability to rejoice and share this joy with others.

Another major event is New Year. In 2021, the Bank chose the theme "Halyk Bank: Energy of the New Year!" for celebrations to mark the holiday. This message symbolises the synergy of the main energy flows that drive the Bank:

- Workers
- Clients
- Products
- Services

Technological 3D photo corners and festive decorations were installed in the halls of the Bank's offices, and congratulatory videos from the Bank's management and employees were broadcast continuously. On the last day of 2021, an interactive musical parade of artists and musicians passed through the entire Head Office, and a competition of costumes and masks was held, with prizes for the winners. In addition, employees were partly reimbursed for expenses they incurred on holding corporate New Year's parties in small groups in order to comply with quarantine measures and prevent the spread of COVID-19 during the holidays.

One distinctive feature of the Bank's corporate events is internal competitions among employees, where they can express themselves creatively by writing poems, making movies and taking photos, among other things.



In 2021, the following competitions were held:

- For the best declaration of love in verse to the Bank, clients, Homebank or Halyk Group
- The quiz "I Know, I'm Proud, I'm Applying It!", during which employees were able to demonstrate their knowledge of the Bank's history and financial performance
- The best departmental video telling a light-hearted story about the functions of employees, using such topics as the Bank's products and services, values, strategic objectives, wow-service, love for their region and much more.

The Bank is also mindful of spring competitions and releases information about the internal corporate culture to potential employees. For example, in June 2021, the Bank took part in the "Well Done, HR" competition with the Halyk Quest Fest adventure quest project in the Festive HR nomination. The event aimed to immerse employees in the Bank's strategy and values through gamification, by creating a festive mood while complying with quarantine measures and by introducing colleagues from different departments and blurring the lines between job levels.

Given the importance of unity and teamwork during the COVID-19 restrictions, the Bank took honourable first place in this nomination.

We are committed to creating a comfortable working environment based on the following simple, yet key factors for employees:

- Official employment relations
- A flexible work schedule and hybrid work format (remote work and office work)
- Clear job responsibilities
- Recognition of achievements: medals and honorary certificates
- Transparent rules for staff appraisal and career appointments
- Consistency and transparency in determining remuneration
- Participation in project work
- Participation in charity initiated by the Bank
- Liability insurance for directors and officers
- Regular internal mailings of messages and notifications about the latest changes, news, internal contests and promotions

Halyk Bank continues to organise football and tennis training sessions as part of its support for employees' aspirations for a healthy lifestyle.

The Bank's employees are engaged in charity work and actively help orphanages. In 2021, they made four trips to orphanages to buy children essential items.

Internal communication

The Bank is gradually working to digitalise internal communication channels, which are among the main tools for developing the corporate culture.

Naturally, HR leads the way in developing internal communications by introducing democratic approaches to management and demonstrating its openness through example. We strive to ensure that the internal corporate culture is based on the principles of openness to new ideas, social and environmental responsibility, quick responses to changes, multitasking and a broad range of thinking.

In 2021, as part of its efforts to improve internal communications, the Bank continued work in the following areas:

1) Creation of a single information space within the Bank

2) Creation of formal and informal communication platforms

3) Promotion of the organisational values and principles of its corporate culture

To meet these objectives, as well as to systematise the current communication channels of the MyHalyk intranet and the Halykface corporate network, the Bank created a new Halyk Talk information platform. On it, employees can exchange experiences and ideas, as well as hold information sessions and open dialogues. This enable each member of the team to directly address management with questions and receive timely feedback about the most pressing issues.

In line with tradition, the Bank uses Radio Halyk FM to congratulate employees on corporate and state holidays, as well as notify them about intra-bank events.

The Bank is committed to developing the principles of transparency and openness, whereby each employee, candidate and other categories of respondents can easily submit an inquiry or complaint. To this end, employees can contact the Human Resources Department directly or an HR representative at a branch, send an inquiry by email or call the special helpline on 8 (727) 259-68-78, which accepts verbal complaints from employees regarding:

- Situations when the Bank's employees or customers are misled in order to obtain illegal financial benefits for themselves or other interested parties
- A gross violation that caused or may cause damage to the Bank
- A criminal or administrative offence
- A gross violation of the Bank's regulatory requirements
- Blackmail, bribery or other manifestations of corruption
- A gross violation of ethical standards

In 2021, the number of inquiries about work activities amounted to no more than 0.5% of the Bank's headcount. If an inquiry contains a complaint about an employee, it is sent to the HR Department and reviewed on a confidential basis. All employee complaints during the reporting period were settled using the standard procedure.

In an effort to create and maintain a positive moral and psychological working environment, the Bank conducts research on employees' views and moods, as well as relations within departments, both periodically basis and on request, through the internal portal of the MyHalyk Intranet.

EQUAL RIGHTS AND OPPORTUNITIES

GRI 102-41 | 103-1 | 103-2 | 103-3 | 405-1 | 405-2

One key focus of the Bank's corporate culture is to provide employees with a comfortable and respectful working environment, in which their origin and lifestyle do not affect the perception of them as professionals. The Bank welcomes friendliness, mutual respect and recognition, advocates for open dialogue and fairness in the workplace, and considers diversity and inclusion through strategic perception an important aspect of its business.

The diversity of perspectives, skills and experiences of employees of different ages, genders, cultural or ethnic backgrounds, religious or political beliefs and other characteristics is a valuable resource for the Bank. As such, it provides employees with the opportunity to realise their potential by creating equal opportunities for participation in work processes, as well as training and development that help to improve the competitiveness, productivity and efficiency of operations and management, and also make a valuable contribution to achieving the Bank's strategic goals.

One highlight of 2021 was the approval of Halyk Bank's Policy on Support for Freedom of Association, Collective Bargaining and Diversification of the Workforce, a top-level document that supports international sustainable development standards as well as the Bank's open recognition of the rights and freedoms of its staff. The Policy is available on the Bank's external website and is mandatory for all Bank employees and officials, regardless of their position.

Using this Policy, the Bank has identified the following most important principles in its interaction with employees:

1) The principle of compliance with Kazakh legislation and the Bank's internal regulatory documents. The parties to collective bargaining and agreements must comply with the norms and rules for conducting collective bargaining and consultations that are enshrined in Kazakh legislation and the Bank's internal regulatory documents. Any conditions and agreements that worsen employees' positions compared with labour legislation are deemed invalid.

2) The principle of the legitimacy of the powers of parties' representatives. All representatives of parties must have documents confirming that they are authorised by the respective party to conduct collective negotiations and sign agreements.

3) The principle of equality of parties. Any party may equally take the initiative to conduct collective bargaining and conclude agreements. In this case, the representatives of the parties have an equal position. Such decisions are made based on an agreement between representatives of the parties, and each party has an equal number of votes in this case.

4) The principle of respect and consideration of parties' interests. Parties in a social partnership must have respect and consideration for their respective interests to be successful in reaching agreement on issues in question and ensuring the full implementation of all agreements made.

5) The principle of parties' interest in participating in contractual relations. Mutual interest allows the parties to reach consensus and come to a mutually beneficial agreement.

6) The principle of voluntary acceptance of obligations by the parties. Each party must voluntarily assume obligations under an agreement without any pressure from outside: that is, the parties agree by consensus to accept mutual obligations.

7) The principle of the inadmissibility of restricting human and civil rights as they pertain to employment. No one may be restricted in their labour rights, except in cases and in the manner stipulated by the Labour Code and other laws of Kazakhstan. The Bank and its employees strive to ensure respect for personal rights, equality, transparent organisational procedures, gender and other fairness in the workplace and in the management structure.

8) The principle of prohibiting discrimination as it pertains to employment, forced labour and the worst forms of child labour. All people have equal opportunities to exercise their rights and freedoms in employment. When exercising labour rights, no employee of the Bank should be subjected to any form of discrimination based on origin, social, official or property status, gender, race, nationality, language, religion, beliefs, place of residence, age or physical disabilities, belonging to public associations or for any other reasons during the recruitment and hiring of staff, distribution of responsibilities, training, performance appraisals or remuneration. Employees must be assessed solely based on their expertise, professionalism, knowledge, personal qualities and experience.

Any work or service required from an employee under the threat of any type of punishment for which the employee has not offered his/her services voluntarily is prohibited, except for work required under the existing legislation of Kazakhstan.

Considering that childhood is a period of life that aims to ensure the full-fledged (physical, mental and moral) development and education of a child, the Bank does not tolerate the use of child labour and strictly complies with legislative norms concerning the signing of employment contracts, payment and other working conditions for minors.





9) The principle of employees' equal rights and opportunities. Each employee has equal opportunities to exercise his/her rights and freedoms as they pertain to employment, and is entitled to participate directly (at a general meeting) or through representatives in the governance of employment relations and the application of regulations.

The Bank provides opportunities for the development, motivation and application of a wide variety of ideas, skills, abilities and talents of its employees, which include representatives of different age, gender and other groups, in order to enhance the competitiveness, productivity and efficiency of labour and management.

10) The principle of ensuring the right of employees and employers to associate to protect their rights and interests. The Bank and its employees are vested with equal rights to voluntarily join associations to protect their rights and interests. This principle is based on citizens' constitutional right to the freedom of association and is the foundation of the social partnership and contractual regulation of employment relations.

11) The principle of transparency. The Bank's decisions and actions regarding its staff are clear and transparent for stakeholders. The Bank promptly discloses information required by Kazakh legislation and internal regulatory documents, taking into account the standards for the protection of confidential information and personal data.

12) The principle of ethical behaviour. The Bank's decisions and actions are based on such values as respect, honesty, openness, team spirit, trust, integrity and fairness.

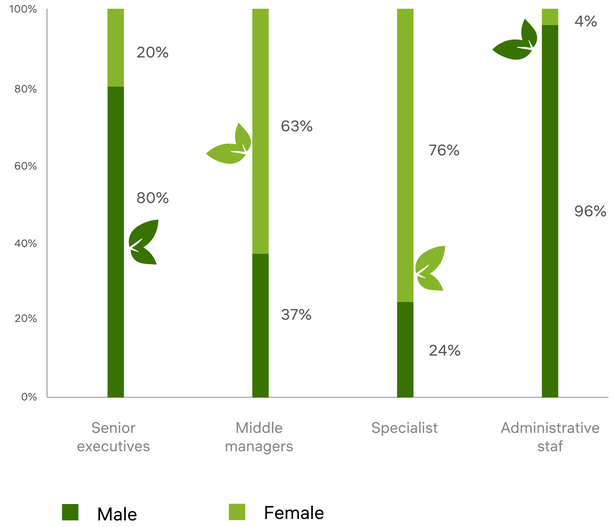
Employees who believe they are not protected against discrimination may report through the appropriate communication channels (including a helpline whose number is available on the Bank's internal portal MyHalyk). No such calls were made in 2021.

The Bank has created all the conditions needed to support the institution of employees' representatives, which helps to coordinate their interests regarding the regulation of employment relations and other directly related issues on the basis of equal cooperation. Employee representatives are elected through open voting by the Bank's staff. In 2021, some regions used remote voting to elect employee representatives, which is permitted by the Labour Code because of COVID-19 restrictions. All representatives of employees and the Bank are trained each year to give them the expertise needed to apply the standards of labour legislation and develop skills on negotiation and reaching consensus in labour disputes.

The right of employees to have their representatives take part in collective negotiations and the drafting of a collective agreement, as well as review the signed collective agreement, is guaranteed by Halyk Bank's Policy on Support for Freedom of Association, Collective Bargaining and Diversification of the Workforce. As of the end of 2021, none of the parties had expressed a desire to start collective bargaining or conclude a collective agreement.

To ensure comprehensive, fair consideration and arbitration of labour disputes, employees have the right to file a complaint with the grievance committee of the Head Office or each branch of the Bank where a labour dispute arises. The grievance committee's activities are regulated by internal documents, and it has an equal number of representatives of employees and representatives of the Bank.

The Bank supports gender diversity in its activities and creates equal career opportunities and conditions for all candidates. One example of this is that women play a significant role in the management of the Bank's operations, representing 20% of executives managers and 63% of middle managers.



Breakdown of gender diversity by employee category in 2021

	2020		2021	
	Men	Women	Men	Women
Senior executives	9	2	8	2
Middle managers	572	991	571	972
Specialists	3215	10119	3186	9835
Administrative staff	243	7	232	9

The age diversity among management roles is as follows:

- Workers under 30 make up 7% of middle managers
- Employees aged 30 to 50 account for 60% of senior executives and 78% of middle managers
- Employees over 50 represent 40% of senior executives and 16% of middle managers

The Bank observes the principle of employees' equal rights and opportunities throughout their time at the Bank, from recruitment and hiring to the termination of employment.

New employees are solely selected and hired based on their skills and professionalism. In an effort to maintain long-term relationships with each current employee, the Bank prohibits any form of discrimination in terms of employees exercising their rights to relocation, taking leave, training and development, setting wages, forming a system of benefits and incentives and other activities guaranteed by the Labour Code and the Bank's internal documents. This ensures that fairness is observed internally.

To prevent discrimination in matters concerning labour and employment, the Bank has created conditions for equal opportunities in hiring, career advancement, training, remuneration and other processes that support labour relations. These are regulated by the Bank in its internal documents and publicly available on the relevant resources.

To support the wellbeing of employees and their families, in addition to creating conditions for incoming professionals and career growth for young managers, the Bank supports employees of retirement age and enables them to extend their employment relationship based on mutual agreement. This is despite an employer being able to terminate an employment contract once a member of staff reaches the retirement age stipulated in Kazakh legislation.



Breakdown of age diversity by employee category in 2021 (people)

Employee category	2020			2021		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Senior executives		7	4		6	4
Middle managers	124	1196	243	101	1188	254
Specialists	5895	6486	953	5367	6730	924
Administrative staff	40	177	109	23	144	83

OCCUPATIONAL HEALTH AND SAFETY

Halyk Bank strives to create a safe and favourable working environment for all employees. To this end, in 2021, it approved an Occupational Health and Safety Policy, which constitutes a publicly documented declaration of the Bank's intention and guaranteed fulfilment of its obligations to comply with state regulatory requirements concerning occupational safety as well as voluntary obligations.

The policy describes the following fundamental principles of occupational health and safety for the Bank:

1) The life and health of clients and employees is the Bank's main priority

2) Ensuring safe working conditions is a key component in protecting the life and health of employees

3) No considerations of an economic, technical or other nature may be acknowledged if they run counter to the interests of the occupational health and safety of employees

4) All employees are responsible for compliance with the requirements related to occupational health and safety

The Bank's primary goal in occupational health and safety is to provide healthy and safe conditions for its employees, clients and contractors in order to prevent accidents, occupational diseases and emergencies.

The Bank acknowledges its obligation to protect its employees, clients and contractors against the risk of harm to life and health during daily activities, and it assumes the following obligations to achieve the goals and objectives of occupational safety:

1) Comply with legislative and regulatory requirements concerning occupational health and safety

2) Continuously improve the management of occupational safety at the Bank

3) Ensure that reliable information about working conditions and occupational safety is available to both employees and other stakeholders

4) Assess all possible risks in the workplace, taking into account the specifics of the Bank's activities and the nature of the risk, in an effort to identify possible and real hazards, as well as ensure risk management in accordance with the procedures approved by the Bank

5) Draft and implement action plans and targeted programmes to minimise and potentially eliminate risks, the threats of accidents, emergencies, injuries and morbidity, and improve employees' health

6) Increase the level of responsibility and ensure the involvement of each employee, regardless of his/her profession or position, in terms of complying with occupational health and safety obligations

7) Maintain employee safety training at a high level and continuously improve it by organising quality training

8) Record and conduct investigations of accidents and cases of occupational diseases at the Bank in the prescribed manner

9) Draft and approve instructions on occupational safety for the Bank's employees in accordance with Kazakh legislation

10) Ensure that the Bank has a set of internal regulatory documents containing occupational safety requirements based on the specifics of its activities

11) Conduct training on safe work methods and techniques, the provision of first aid to victims at the Bank, as well as occupational safety briefings, on-the-job training and knowledge tests of occupational safety requirements.

The Bank analyses health and safety at the structural units of the Head Office and regional branches through internal control and audits by the Bank's Health and Safety Service, as well as its responsible individuals

To improve skills and minimise organisational risks in matters concerning occupational health and safety, fire safety, electrical safety and industrial safety,



employees who interact with harmful and hazardous production factors are trained at specialist training centres each year.

In 2021, 105 employees completed external training on occupational health and safety, electrical safety and industrial safety. The Bank also conducted an occupational health and safety knowledge test for 549 employees through the Bank's distance learning and testing system.

Electrical safety	36
Industrial safety	38
Occupational health and safety	31
Occupational health and safety through the learning management system	549

Given the need to identify hazards and assess risks associated with the daily work of employees, the Bank has drafted and approved instructions on occupational health and safety for certain professions and types of work that are most exposed to the risk of accidents. The requirements specifically apply to electricians, plumbers, drivers, warehouse workers and other employees working in hazardous conditions (for example, work with electronic and other equipment and work at heights). These instructions are key documents on occupational safety that were prepared in accordance with Kazakh legislation and strictly regulate how various employees approach their job duties.

Protecting the health of employees

As part of its approach to occupational health, working with accredited medical institutions, the Bank conducts annual check-ups of employees to monitor their health and identify potential illnesses at an early stage. After a check-up is completed, a medical certificate is issued indicating:

- A diagnosis of any pathologies indicated
- An evaluation of the patient's ability to return to work
- Any necessary recommendations for prevention and treatment of illness

In addition, to identify any conditions or illnesses that could prevent them from carrying out their work, mandatory medical checks are undertaken of drivers before every shift.

During COVID-related restrictions, in accordance with Kazakh legislation, the Bank implemented various preventative measures to minimise the risk of the spread of the coronavirus infection. These included:

- Briefings with all employees to explain the coronavirus situation and methods for combatting the virus
- Temperature checks for employees and issuance of medical masks before the beginning of the working day
- Vaccination of employees
- Restrictions of business trips
- Organisation of remote work for employees whose work function permits this
- Posting of material about how to properly behave given the risk of COVID-19 and the provision of disinfectants for handwashing in common areas
- Daily disinfection of the air at the Bank's facilities based on their work schedule
- Disinfection of the ventilation systems once every two months
- Daily disinfection of places where people gather, door handles, railings and toilet rooms
- A ban on in-person meetings and various other gatherings
- Utilisation of personal protective equipment (masks and gloves)

Despite the lifting of COVID-19 restrictions, numerous measures are implemented regularly.



Injury rates at the Bank and Halyk Collection subsidiary for 2019-21

Indicator	Unit	Reporting period		
		2019	2020	2021
Total number of lost-time injuries (work-related):	Number of injuries	6	6	8
Halyk Банк		1	2	1
Halyk Collection subsidiary		5	4	7
Number of working days lost as a result of accidents:	Number of days	238	41	498
Halyk Банк		27	16	267
Halyk Collection subsidiary		211	25	231
Lost-time injury rate (LTIR):	Per 1 million man hours worked	0,19	0,19	0,33

$$\text{LTIR} = \frac{8*1{,}000{,}000}{2{,}300{,}560 + 22{,}023{,}926} = \frac{8{,}000{,}000}{24{,}324{,}486} = 0{,}329$$

If an accident occurs, the Bank conducts a mandatory internal investigation, prepares a report and submits the results of the investigation to the relevant supervisory authorities. All procedures are conducted in accordance with the requirements of legislation and the state authorities.

In 2021, the Bank had one accident related to labour activities in the East Kazakhstan regional branch.

To prevent accidents, the Bank annually drafts and approves an action plan on occupational health and safety, which indicates specific measures to prevent injuries, namely:

- Introductory briefings for new employees
- Introduction of employees to:

  - Instructions on occupational safety approved by the Bank's management for professions and types of work

  - orders and directives on occupational health and safety

  - state regulations on occupational health and safety

- Primary briefings on occupational health with a probationary training period (with registration in the occupational safety briefing log-book)
- Targeted refresher briefings on occupational health and safety at workplaces (with registration in the occupational safety briefing log-book)
- Training on occupational health and safety issues (by vocation and type of work)
- Testing of employees' knowledge on fire safety and occupational health and safety issues
- Provision of workers with overalls and personal protective equipment
- Organisation of sanitation and housekeeping support for employees
- Mandatory medical examinations of employees
- Work to ensure electrical safety
- Organisation of safety measures at facilities

The Halyk Collection subsidiary experienced seven accidents, all of which were related to road incidents. The following measures are envisaged to prevent accidents.

- The Halyk Collection has instructions, algorithms and other internal safety regulations and continuously maintains a briefing log on occupational health and safety
- Employees receive occupational health and safety training
- Based on an analysis of incidents (related to road accidents), Order No. 380 dated 10 December 2021 established permanent commissions on road safety at Halyk Collection branches and Head Office
- Amendments were made to the Collection Rules (Minutes No. 13 of the Supervisory Board dated 17 March 2022) concerning mandatory daily briefings of collectors

09

ENVIRONMENT AND SOCIETY



ENVIRONMENT AND SOCIETY

GRI 102-11 | 103-1 | 103-2 | 103-3 | 301-1 | 302-1 | 302-4 | 303-2 | 303-5 | 305-1 | 305-2 | 306-2

Caring for the environment is one of the core aspects of the Bank's corporate social responsibility efforts. Our approach to environmental management is based on the principles of precaution and prevention of negative impacts. We strive to promote the development and use of environmentally friendly technologies. We also seek to reduce energy consumption and improve energy efficiency, both directly and through financing our customers' environmental projects. In addition, we maintain an active and open dialogue with all stakeholders and inform them of our environmental protection efforts.

In the second half of 2021, the Bank adopted an environmental policy aimed at identifying long-term environmental protection and sustainability priorities.

RESPONSIBLE CONSUMPTION OF RESOURCES

GRI 301 | 103

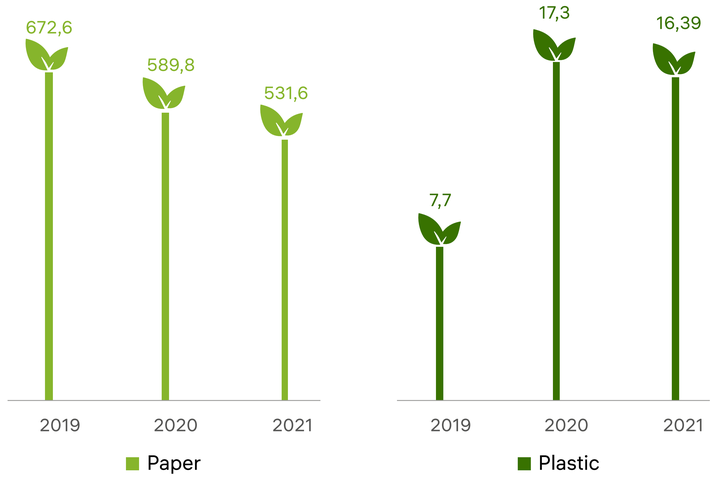
To ensure the rational consumption of all types of resources, Halyk Bank strives to follow sustainable practices and improve environmental awareness among its employees.

The consumption of paper is one of the Bank's most significant environmental impacts. To optimise paper workflow, in 2021, numerous office work processes were automated and digitalised, and agreements were concluded for transferring paper for recycling throughout the Bank's branch network in Kazakhstan.

In 2021, the Bank issued 2.98 million payment cards, which equals 16.39 tonnes of plastic (compared with 17.3 tonnes in 2020).

In 2021, the Bank and its branch network consumed 531.6 tonnes of paper, down 10% year-on-year.

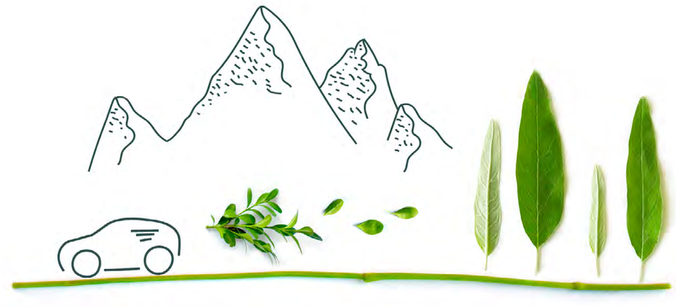
Consumption of paper and plastic in 2019-21, tonnes



During the reporting period, the Bank and its regional branch network in Kazakhstan consumed 204.2 million cubic metres of water, down 2% year-on-year. This reduction was achieved by installing flow-limiting devices on taps.

To ensure rational water consumption throughout its facilities, the Bank has installed water meters and routinely checks that all plumbing fixtures and water supply networks are in serviceable condition. It has also automated its existing irrigation systems.

The Bank's facilities do not discharge wastewater into water bodies: wastewater generated in urban areas goes into the common sewerage network, while wastewater from facilities in rural areas is removed by specialist contractors. As Kazakhstan's environmental regulations governing wastewater do not mandate having an environmental permit for discharging wastewater into sewerage networks, the Bank has not established standards for discharging pollutants.

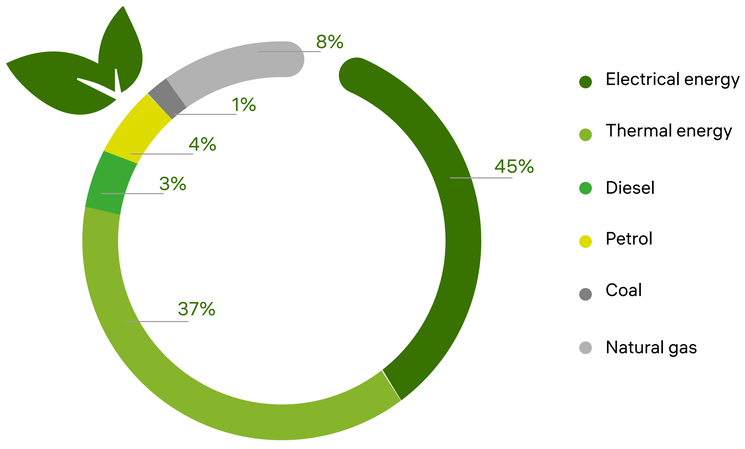


ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS

As a constituent of the State Energy Register[1], the Bank is systematically working to reduce its energy consumption and improve its energy efficiency. In 2021, it consumed 402,808 gigajoules (GJ) of energy, including:

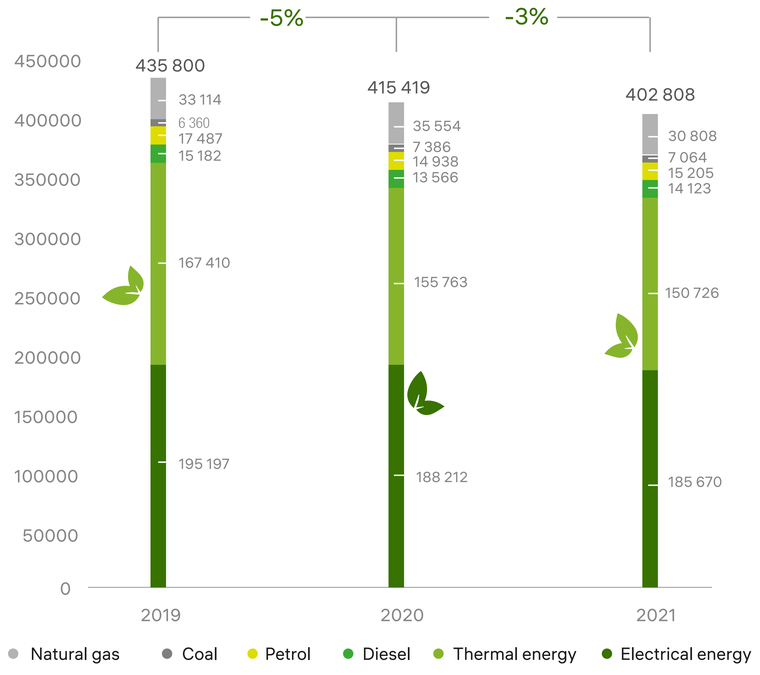
- electrical energy – 185,670 GJ
- thermal energy – 150,726 GJ
- natural gas – 30,020 GJ
- petrol – 15,205 GJ
- diesel – 14,123 GJ
- coal – 7,064 GJ .

Energy consumption by type in 2021, %



In 2021, the Bank's consumption of fuel and energy resources fell by 3.0% year-on-year. This reduction was achieved through a transition to more environmentally friendly energy sources. For example, in 2021, the heating system of the Kyzylorda regional branch was converted from liquid fuel to natural gas.

Energy consumption by type in 2019-21, GJ



In addition, the Bank has implemented the following energy savings and energy efficiency measures:

- The Bank replaces mercury-containing fluorescent lamps with LED lamps to conserve energy, reduce electricity costs and minimise the environmental impact from the disposal of mercury-containing lamps. The Bank converts its buildings to energy-efficient LED lighting during the overhaul and reconstruction of the premises.
- The Bank encourages its employees to use environmentally friendly transport means. The Head Office has 63 parking spaces for bicycles and electric scooters, as well as areas to recharge their batteries.



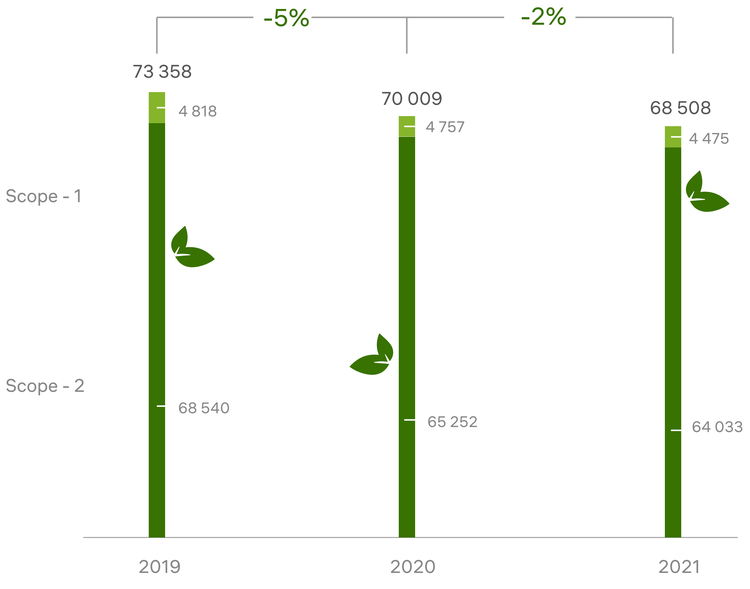
[1] According to Kazakhstan's Law "On energy savings and energy efficiency" of 13 January 2012 No. 541-IV, constituents of the State Energy Register include individual entrepreneurs and legal entities that consume 1,500 tonnes of fuel equivalent or more a year. Subjects of the State Energy Register must implement mandatory energy savings and energy efficiency measures.

The consumption of fossil fuels as an energy source is a direct cause of greenhouse gas (GHG) emissions, which are contributing to global climate change. Halyk Bank recognises the importance of this topic for the global community and is committed to achieving national climate goals. As part of preparing this report, the Bank has assessed its direct and indirect GHG emissions.

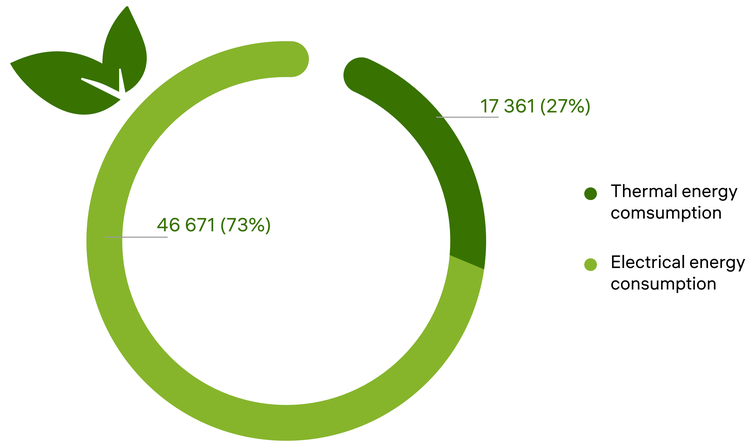
In 2021, direct (Scope 1) GHG emissions totalled 4,745 tonnes of CO_2 equivalent (TCO_2e), down 5.9% from the 4,757 TCO_2e reported in 2020. The primary sources of the Bank's Scope 1 GHG emissions are vehicles and stationary power plants (heating boilers and generators).

Indirect (Scope 2) GHG emissions, which are generated through the Bank's consumption of electrical and thermal energy, totalled 64,033 TCO_2e in 2021, down 1.9% year-on-year.

Halyk Bank's GHG emissions in 2019-21, TCO_2e



Scope 2 emissions by type of energy consumption in 2021, TCO_2e and %





Halyk Bank's GHG emissions in 2019-21

	2019	2020	2021
Direct GHG emissions (Scope 1), TCO_2e including:	4 818,2	4 757	4 474,9
CO_2 emissions	4 805,7	4 744,4	4 463,2
CH^4 emissions	3,9	3,9	3,5
N_2O emissions	8,6	8,6	8,2
Indirect GHG emissions (Scope 2), TCO_2e.	68 540,3	65 252	64 033
Electricity	49 257	47 310	46 671
Heating	19 283,3	17 942	17 361

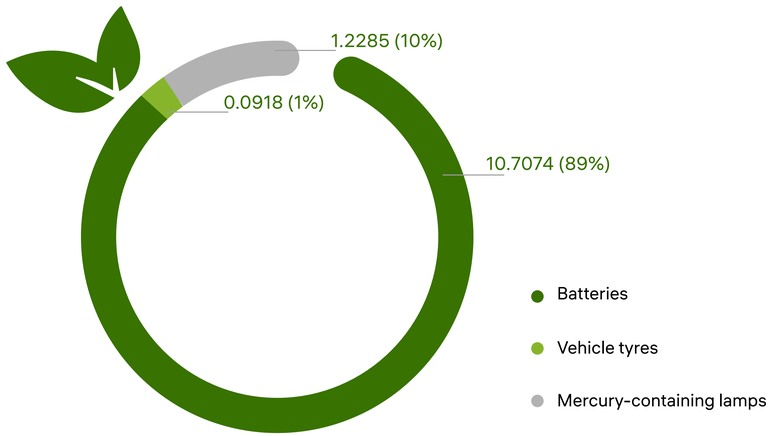
* The methodology for calculating GHG emissions is presented in the Annexes

WASTE MANAGEMENT

In 2021, the Bank's operations generated 6,115.2 tonnes of waste, including 12.0 tonnes of hazardous and 6,103.2 tonnes of non-hazardous waste. The Bank's hazardous waste includes mercury-containing lamps, vehicle tyres and batteries. The non-hazardous waste includes solid domestic waste (SDW) and wastepaper[2].

The Bank transfers all generated waste to specialised contractors for subsequent disposal and recycling: fluorescent lamps have mercury vapour extracted prior to disposal (demercurisation); ground rubber from vehicle tyres is used to make safety surfacing for children's playgrounds; batteries have the acidic electrolyte neutralised and non-ferrous metals recovered before disposal; non-hazardous SDW is disposed of in landfills; and wastepaper is transferred to specialised organisations for recycling.

Types of hazardous waste generated by the Bank in 2021, %





[2] The Bank's approach to the classification of waste as hazardous and non-hazardous is based on the requirements of Kazakhstan's Environmental Code of 9 January 2007 No. 212-III, which uses the following definitions: non-hazardous waste is defined as waste that does not have hazardous properties; hazardous waste is defined as waste that contains harmful substances with one or more hazardous properties (such as toxicity, explosion hazard, radioactivity, fire hazard and high reactivity) and can pose an immediate or potential danger to the environment and human health on their own or when coming into contact with other substances.

HALYK BANK – FOR GREEN CITIES!

Green spaces are one of the most important ways to fight CO_2 emissions, as plants absorb carbon dioxide and release oxygen through photosynthesis. In 2021, more than 1,500 trees, around 3,000 shrubs and almost 2,300 ground cover plants were planted as part of nationwide urban greening efforts.

The Bank has practices in place for the separate collection and safe storage of hazardous waste and wastepaper

OUR CONTRIBUTION TO SOCIAL DEVELOPMENT

An integral part of Halyk Bank's business is supporting various socially oriented charity and sponsorship projects at the national and regional levels. Our primary focus in this area is to create value for all of society.

Halyk Bank's approach to charity

Consistent with the principles of corporate social responsibility, Halyk Bank continues to provide systematic support for projects of national social significance and seeks solutions for critical social problems. As a direct result of these efforts, the Bank has become widely known in Kazakhstan for its charitable activity and sponsorships.

The Bank's corporate social responsibility efforts are governed by its Sponsorship and Charity Assistance Policy and are guided by the principles of openness, dialogue, interaction, partnership and transparency. It also encourages employees to volunteer to take part in charitable activities.

Each year, Halyk Bank implements numerous projects in support of culture, education, sport and social protection, both directly and through the Halyk Charity Fund. It also regularly sends aid to charitable foundations that help children with serious illnesses.

In 2021, the Bank provided KZT2.5 billion in assistance. A total of KZT2,94 billion was allocated through the Halyk Charity Fund, of which 85% was for social projects, 9% for sport, 4% for education and 2% for culture. From its own funds, Halyk Bank allocated KZT285 million for sport in Kazakhstan, KZT158 million for culture and KZT251,5 million for social projects.

KEY CHARITY AND SPONSORSHIP PROJECTS IN 2021

The year 2021 was marked by a gradual easing of COVID-19 lockdown measures, a nascent economic recovery and a return to life as usual for society and business. In this environment, the Bank once again focused on contributing to important social initiatives. The Bank was the first financial institution in Kazakhstan to start providing green lending. The Bank also actively supports environmental improvement and protection projects. For example, it signed a memorandum to provide interest-free, unsecured loans for residents of the capital to connect their homes to central gas supply networks. In Almaty, the Bank supported sustainable tourism through the purchase and donation of 11 mountain huts, 18 solar panels and one unmanned aerial vehicle to the Department of Emergency Situations and the city rescue service.

As part of the implementation of the Halyk Academy project, the Bank supports talented young IT students from leading technical universities in Kazakhstan, including the Kazakh-British Technical University, International Information Technology University and Suleyman Demirel University.

The Bank regularly provides targeted assistance to low-income families, socially vulnerable segments of society and World War II veterans. It also sponsors sport organisations and cultural institutions, including the Astana Opera (Nur-Sultan), Kazakhstan's Abay State Academic Opera and Ballet Theatre, and the Halyk Arena ice stadium.

The Bank initiates and encourages its employees to become involved in efforts to landscape urban areas and plant trees in the regions where it operates.



GREEN CITY PROJECTS

Helping society's transition to environmentally friendly fuels

In 2021, to help improve air quality in Almaty, the Bank continued to implement a project to connect the homes of low-income and large families in Almaty to the natural gas network. It allocated KZT100 million for the initiative, and 92 homes were connected to the gas network. The project received widespread public attention. In addition, Halyk Bank signed a memorandum of cooperation with the city of Nur-Sultan and the ECOJER Association to provide interest-free, unsecured loans for residents of the capital to connect their homes to the central gas supply networks.

Urban greening and park development

In 2021, Halyk Bank's employees planted more than 1,500 trees, around 3,000 shrubs and almost 2,300 ground cover plants nationwide. In addition, the Bank's internal policy aimed at optimising business processes made it possible to reduce paper consumption by 10% year-on-year in 2021, which prevented around 3,000 trees from being cut down.

OTHER SOCIAL PROJECTS

Mountain safety

In 2021, the Bank supported sustainable tourism through the purchase and donation of 11 mountain huts, 18 solar panels and one unmanned aerial vehicle to the city of Almaty's rescue service. The Bank allocated KZT101.5 million for the project. To date, the rescue huts have been installed and are fully fitted with all necessary equipment and food supplies.

Victory marathon

Each year, the Bank allocates funding to support World War II veterans. For Victory in Europe Day, its employees visit and congratulate them personally, to ensure they receive the special attention that they need and deserve. Over the past 11 years, Halyk Bank has allocated more than KZT130 million to help veteran organisations and those who fought in World War II.

AYALA charity fund

Halyk Bank has been supporting the Ayala Charity Fund since 2009. The fund works to save the lives of children born with various health issues. In 2021, the Bank provided support totalling KZT22.2 million to purchase medical equipment for perinatal centres. This included the Blanketrol III (made in the US) hyper-hypothermia system, which is designed to care for babies born prematurely, and the Life Scope (made in Japan) bedside monitor.

Biz zhasaimyz women's entrepreneurship initiative

In 2021, the Bank sponsored the Atameken Business Channel's Biz Zhasaimyz television project. The project consisted of 15 short films dedicated to women entrepreneurs who are customers of the Bank. Each of the women featured talked about their businesses, the challenges they have faced and how they have overcome them. Other topics covered included how COVID-19 is changing the nature of work, pandemic lifehacks, and the role that women entrepreneurs play in the national economy. The project premiered in September 2021. The total sponsorship amount was KZT48 million

XVII eurasian media forum

In 2021, Halyk Bank sponsored the XVII Eurasian Media Forum. This international event included discussions and master classes on topics of concern to the global community. Other themes covered were related to strengthening the role of technology in human life. The total sponsorship amount was KZT8 million.



SUPPORTING EDUCATION

Yerkin Soz Kazakh media competition

In 2021, Halyk Bank continued to support the Yerkin Soz Kazakh media competition, which aims to improve the professional skills of financial journalists. The budget for 2021 amounted to KZT5 million. A total of 285 people participated in the competition. The awards ceremony was held in the Hotel Kazakhstan. Overall, 11 journalists received awards in the competition: the top three prizes were KZT500,000 each and the eight other finalists received KZT50,000 each.

International Information Technology University's IT Fest 2021

In 2021, the Bank continued to support the International Information Technology University, Kazakhstan's leading technical university. Its students received the opportunity to transform their ideas into start-ups. The total sponsorship amount was KZT5 million. Overall, more than 1,000 people from 450 teams participated. A total of 200 projects made it to the finals, of which three winners were chosen in each of five categories.

SUPPORTING CULTURE AND THE ARTS

Astana Opera (Nur-Sultan)

Since 2013, Halyk Bank has been a general partner of Astana Opera. This opera and ballet theatre is one of the main national stages and attracts the attention and interest of audiences both in Kazakhstan and other countries. In 2021, as part of the eighth and ninth seasons, five opera and ballet premieres were performed and an event was held in honour of the 95th anniversary of Yermek Serkebayev, a People's Artist of the USSR. In 2021, the Bank's sponsorship amounted to KZT100 million.

Abay State Academic Opera and Ballet Theatre (Almaty)

Halyk Bank continues to sponsor Kazakhstan's Abay State Academic Opera and Ballet Theatre. In 2021, through the Bank's support, a scanner was purchased to digitise the theatre's museum pieces for the preservation of its cultural heritage. The Bank's sponsorship amounted to KZT50 million.

Natalya Sats Theatre for Children and Youth

In 2021, the Bank acted as the presenting partner for the Natalya Sats Theatre for Children and Youth's production of a play based on US writer Ken Kesey's cult classic One Flew Over the Cuckoo's Nest. This was the first time the play has been staged in Kazakhstan. The total sponsorship amount was KZT3 million.

SUPPORTING SPORT IN KAZAKHSTAN

National Olympic Committee

At the Tokyo Olympic Games in 2021, 339 sets of medals were awarded in 33 sports. Halyk Bank supported the 95 athletes on Kazakhstan's Olympic team. The total sponsorship amount was KZT30 million.

Kazakhstan Gymnastics Federation

Each year, Halyk Bank provides targeted and effective support for amateur and professional sport. In 2021, the Bank allocated KZT100 million to support the Kazakhstan Gymnastics Federation. At the national championships, Kazakh athletes won one gold, 10 silver and six bronze medals. Two athletes from the Kazakhstan Gymnastics Federation competed at the Tokyo Olympics 2021.

HALYK ARENA

In 2021, Halyk Bank and Halyk Arena continued to cooperate under a five-year naming rights sponsorship contract. The amount for the year was again KZT185 million. Given the continued spread of COVID-19, a provisional medical centre was set up in the facility until November 2021. Late in the year, removal of the medical equipment began. The arena is once again being used for its intended purpose as a sport facility.

Football Club Kairat

In 2021, the Bank continued to support Football Club (FC) Kairat. During the season, the Kazakhstan Premiere League hosted 26 matches and FC Kairat took third place in the championship. This was the first time that FC Kairat advanced to the group stage of the UEFA Europa Conference League. The total sponsorship amount was KZT25 million.

To read more about our social projects in 2021, see Halyk Bank's Annual Report for 2021:

https://backend.halykbank.com/sk/document/819/en/HALYK_AR2021_english%20version_ok.pdf

10

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD



SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

In early January 2022, Kazakhstan experienced mass protests that turned into unrest. A state of emergency was announced on 5 January and lasted until 19 January. During the protests, internet access was restricted nationwide, bank operations were suspended, stock and commodity exchanges were closed and flights were cancelled, which prevented businesses from working normally.

By 15 January, the authorities had gained control of the situation, and the government continues to focus on addressing the political and socioeconomic situation.

To help microbusiness borrowers affected by the riots in Almaty, Halyk Bank gave them non-repayable grants of KZT1 million irrespective of proof of damages incurred. In addition, it provided support to microbusinesses in the city that are not customers, also allocating KZT1 million to restore operations, including by purchasing necessary equipment. To identify those most in need, the Bank conducted a detailed analysis of the damage caused by the rioters. Customers affected in the small and medium-sized enterprise and corporate banking segments were granted loan deferrals of up to six months, which covered loans of KZT80 billion. Corporate loans for which deferrals of more than six months were granted totalled KZT11.5 billion.

During the state of emergency, Halyk Bank's internet banking and ATM services continued to work with minor disruptions.

To evaluate the risks that arose during the events in January, the Bank conducted dedicated scenario analysis of the effect of potential geopolitical, inflation and epidemiological risks on its financial stability. As part of this, it looked at the effect of possible situations like local social unrest/protests and terrorist threats/attacks, which took place in Kazakhstan and caused the state of emergency to be imposed on 5 January.

The results of the analysis were submitted to the Board of Directors, which concluded that even in the worst-case scenario, the Bank's key financial indicators and position (capital adequacy and liquidity ratios) would remain strong.







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APPENDIXES

APPENDIXES

INITIATIVES AND MEMBERSHIPS

Association of Financiers of Kazakhstan

The Association of Financiers of Kazakhstan (AFK) unites 128 financial market participants, including banks, insurance organisations, mortgage and leasing companies, micro-lenders and pawnbrokers, professional securities market participants, audit and consulting companies, research and educational institutions and the media. The financial institutions in the AFK form an organisational link representing Kazakhstan's entire financial community.

The AFK's mission is to protect and promote the growth of shareholder value of the association's members.

The main strategic objectives of the AFK are:

- representing AFK members before state and other bodies, as well as expressing and protecting the common interests of financial market entities
- monitoring and participating in work to improve Kazakh legislation related to the activities and interests of AFK members
- interacting constructively with public authorities to create conditions for AFK members to operate efficiently and to develop Kazakhstan's financial system as a whole
- promoting the image (rating) of the financial community
- collecting, analysing and consolidating proposals from AFK members to address problematic issues in the financial sector and improve legislation affecting the interests of financial market entities
- creating working groups with representatives of AFK members on priority and problem areas, as well as developing consolidated proposals and elaborating them with public authorities

Atameken National Chamber of Entrepreneurs

The Atameken National Chamber of Entrepreneurs is a non-profit organisation created to enhance the negotiating power of business with the Government of Kazakhstan and public authorities. Atameken's main task is to protect the rights and interests of business while ensuring broad coverage and engagement of all entrepreneurs in the process of forming business legislation and other regulations.

In addition, Atameken promotes the active involvement of the Kazakh business community in the implementation of state programmes. It seeks to protect the interests of the business community before state and local government bodies, expand and strengthen ties with the business communities of foreign countries, as well as support Kazakh businesses in integration processes.

Association of Financiers of Kazakhstan website:
https://afk.kz/

Atameken National Chamber of Entrepreneurs website:
https://atameken.kz/

PERSONNEL METRICS BROKEN DOWN BY BRANCH OF HALYK BANK

Table 1. Total number of personnel by type of employment contract (permanent and temporary), broken down by branch of the Bank

	Permanent contract	Temporary contract
Head Office	3,032	195
Akmola regional branch	416	32
Aktobe regional branch	548	96
Almaty regional branch	1,474	281
Astana regional branch	799	90
Atyrau regional branch	374	137
Baikonyr regional branch	85	14
Balkhash regional branch	117	4
Eastern Kazakhstan regional branch	420	74
Zhambyl regional branch	435	73
Zhanaozen regional branch	121	32
Zheskazgan regional branch	180	38
Western Kazakhstan regional branch	382	89
Karaganda regional branch	515	138
Kostanay regional branch	422	68
Kyzylorda regional branch	359	81
Mangistau regional b	395	87
Pavlodar regional branch	429	30
Semey regional branch	416	38
Northern Kazakhstan regional branch	326	38
Taldykorgan regional branch	492	101
Temirtau regional branch	173	26
Turkestan regional branch	390	35
Shymkent regional branch	508	32
Ekibastuz regional branch	166	12
Total	12,974	1,841

Table 2. New hires and staff turnover during the reporting period, broken down by branch of the Bank

	Total number of new hires	Percent of new hires	Total number of personnel departures	Staff turnover
Head Office	764	24.2%	523	16.5%
Akmola regional branch	68	15.3%	67	15.0%
Aktobe regional branch	77	11.8%	90	13.8%
Almaty regional branch	350	19.8%	375	21.2%
Astana regional branch	135	15.0%	188	20.9%
Atyrau regional branch	90	18.1%	60	12.0%
Baikonyr regional branch	18	19.0%	11	11.6%
Balkhash regional branch	43	37.9%	24	21.2%
Eastern Kazakhstan regional branch	118	23.8%	125	25.2%
Zhambyl regional branch	80	15.6%	78	15.2%
Zhanaozen regional branch	16	10.8%	9	6.1%
Zheskazgan regional branch	48	22.1%	44	20.3%
Western Kazakhstan regional branch	68	14.5%	59	12.6%
Karaganda regional branch	98	14.8%	117	17.6%
Kostanay regional branch	88	17.9%	86	17.5%
Kyzylorda regional branch	61	14.2%	40	9.3%
Mangistau regional b	70	14.6%	62	13.0%
Pavlodar regional branch	103	22.6%	78	17.1%
Semey regional branch	74	16.1%	70	15.2%
Northern Kazakhstan regional branch	105	29.0%	67	18.5%
Taldykorgan regional branch	148	25.9%	99	17.3%
Temirtau regional branch	42	20.6%	39	19.1%
Turkestan regional branch	97	23.5%	72	17.4%
Shymkent regional branch	76	13.9%	80	14.6%
Ekibastuz regional branch	21	11.7%	21	11.7%
Total	2,858	19.4%	2,484	16.9%

Table 3. Anti-corruption training (instruction) for new hires in 2021, broken down by region and employee category

	Senior executives	Middle managers	Specialists	Drivers	Labourers	Total
Head Office	9	75	869			953
Akmola regional branch		40	230			270
Aktobe regional branch		40	318			358
Almaty regional branch		109	889			998
Astana regional branch		73	607			680
Atyrau regional branch		39	258			297
Baikonyr regional branch		8	51			59
Balkhash regional branch		11	66			77
Eastern Kazakhstan regional branch		45	283			328
Zhambyl regional branch		44	319			363
Zhanaozen regional branch		12	63			75
Zheskazgan regional branch		18	104			122
Western Kazakhstan regional branch		42	254			296
Karaganda regional branch		48	369			417
Kostanay regional branch		47	266			313
Kyzylorda regional branch		32	217			249
Mangistau regional b		41	248			289
Pavlodar regional branch		35	263			298
Semey regional branch		45	272			317
Northern Kazakhstan regional branch		34	206			240
Taldykorgan regional branch		57	338			395
Temirtau regional branch		17	98			115
Turkestan regional branch		48	277			325
Shymkent regional branch		39	273			312
Ekibastuz regional branch		20	85			105
Total	9	1,014	7,176			8,199

METHODOLOGY FOR DATA COLLECTION, CONSOLIDATION, AND CALCULATION

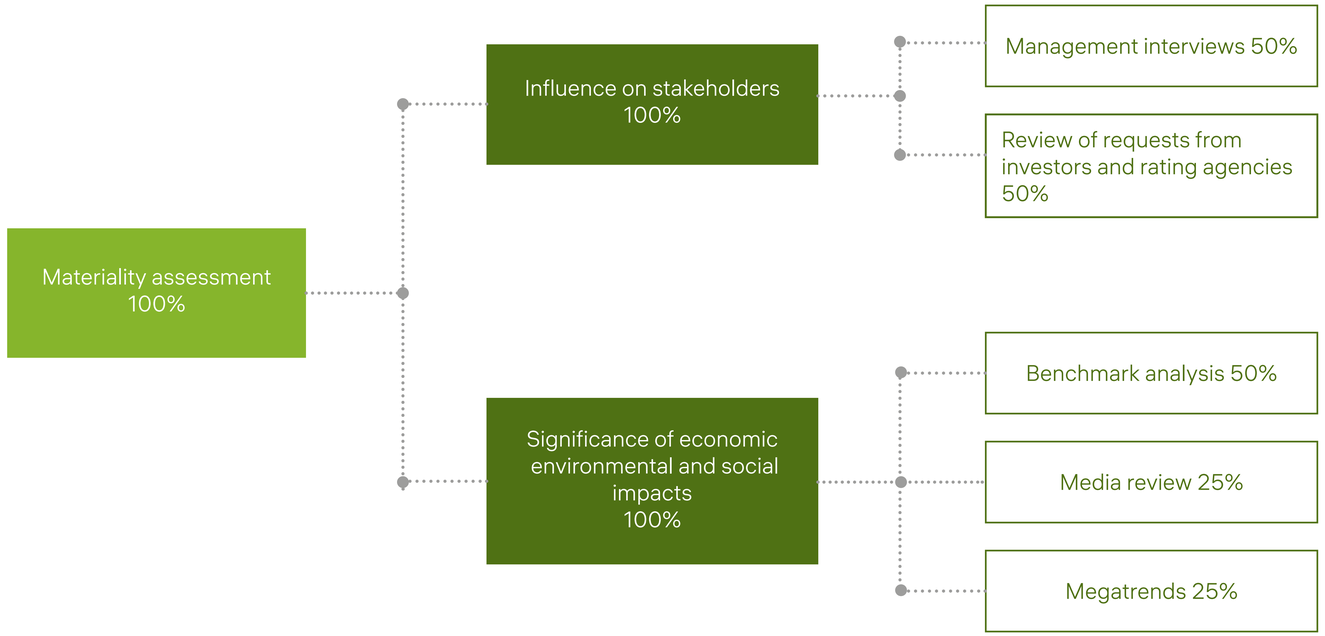
The information presented in this section describes the Bank's approach to collecting, consolidating and calculating data and metrics in this Sustainability Report. Where applicable, the limits, assumptions and exceptions are explained for individual disclosures. To ensure comparability over time, the data in the Report are presented in comparison with 2019 and 2020 (where applicable).

Materiality Assessment

To ensure that the Report discloses all the information that our key stakeholders need, the Bank conducted a materiality assessment. This included assessing potentially important topics for the Bank based on the significance of their economic, environmental and social impacts, as well as their influence on stakeholder decisions. Each topic was filtered using the following criteria:

- a review of ESG requests from investors and rating agencies during the reporting period
- a benchmark analysis of peer banks' sustainability disclosure practices
- a media review, including an analysis of coverage of the Bank's activities during the reporting period
- an analysis of megatrends in the banking industry

The diagram below shows the weighting for each criterion.



The list of 26 material topics are presented in the "Our Approach to Sustainability Management" section.

«OUR APPROACH TO SUSTAINABILITY MANAGEMENT» SECTION



Anti-corruption

The Bank provides anti-corruption training and informs employees about the anti-corruption policies that it has in place as part of the training for new hires. The Bank has not followed the practice of informing business partners about the anti-corruption policies and procedures in place, so an exception has been made to subparagraph (C) "Total number and percentage of business partners that the organisation's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region" in GRI Disclosure 205-2. In 2022, the Bank plans to begin including anti-corruption provisions in all standard contracts and other banking documents.



«HUMAN CAPITAL DEVELOPMENT» SECTION



Human resource management

The staff turnover rate is calculated using the following formula:

Turnover rate = A / B x 100%

where A is the number of employees who terminated their employment contract voluntarily or by agreement of the parties during the reporting period, excluding the following metrics from the calculation:

- voluntary termination of employment contract because of a switch to outsourcing
- transfer to a subsidiary of the Bank
- retirement
- voluntary termination of employment contract by staff who held the position of stoker
- voluntary termination of employment contract by staff who held the position of a specialist (intern)
- voluntary termination of employment contract by staff during the probationary period (within three months from the hiring date);

and where B is the average number of the Bank's employees for the reporting period.

OCCUPATIONAL HEALTH AND SAFETY

GRI 403-2 | 403-3 | 403-4

This section is prepared in accordance with the GRI Standards (GRI 403: Occupational Health and Safety 2018), as well as with the requirements of the Kazakhstan Stock Exchange for the disclosure of non-financial information in the field of occupational health and safety.

To reflect information about activities that are potentially associated with dangerous factors, when disclosing data on injuries, the reporting boundaries include the data from the Bank's Halyk Collection subsidiary.

Recording, accounting and reporting on labour-related incidents is conducted in accordance with Chapter 20 of the Kazakh Labour Code, as well as with the order of the Minister of Health and Social Development of Kazakhstan of 28 December 2015 No. 1055 "On approval of forms for recording materials of incident investigations related to labour activity".

The Bank has no recorded incidents of occupational disease. The Bank does not currently keep records and calculate data on the absentee rate and lost day rate in accordance with the requirements of GRI 403: Occupational Health and Safety 2018.

To calculate the lost-time injury frequency rate (LTIFR), the Bank uses the methodology presented in GRI 403: Occupational Health and Safety 2018. The Bank has adopted a factor of 1 million man-hours worked to correctly reflect the LTIFR rate in relation to the number of employees of the Bank and its subsidiaries. The data calculation formula is shown below:

LTIFR = Number of work-related injuries / Number of man-hours worked * 1,000,000

The total number of work-related lost-time injuries in 2021 = 8

The total number of man-hours worked in 2021 = 24,324,486 hours

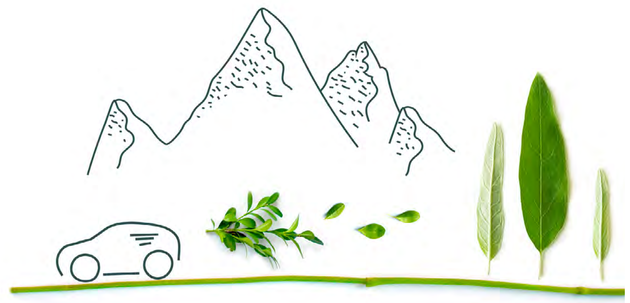
In 2021, Halyk Collection recorded 7 lost-time injuries, including: 2 fractures involving several areas of the body; 1 bruise of the chest; 1 bruise of the toes without damage to the nail plate; 1 composite fracture of the lower leg; 1 injury to the abdomen, lower back and pelvis; and 1 hip bruise. All of the injured employees were men.

In 2021, Halyk Bank recorded 1 lost-time injury, which was diagnosed as a fracture of the elbow bone. The injured employee was a woman.

The Bank does not have any agreements with trade unions covering safety and labour protection issues.

«ENVIRONMENT AND SOCIETY» SECTION





Responsible consumption of resources

Data on water consumption were collected in accordance with the forms of environmental reporting established at the legislative level, as well as in accordance with the GRI Standards (GRI 303: Water and Effluents). The information presented on water consumption is based on direct measurements using water meters.

Because of the specifics of the organisation's activities, the Bank does not directly draw water from natural sources. Accordingly, the submission and disclosure of data on the GRI Disclosure 303-3 Water withdrawal form is not applicable to the reporting organisation. As indicated in the relevant section, the Bank also does not set standards for discharges of pollutants and does not discharge wastewater into natural water bodies in accordance with the requirements of the environmental legislation of Kazakhstan (GRI Disclosure 303-4 Water discharge).

GRI Disclosure 303-5 (c) is not applicable because the Bank does not store drinking water in tanks.

Energy efficiency and greenhouse gas emissions

Electric and thermal energy consumption is recorded based on the readings of metering devices. Reporting on the consumption of other fuel and energy resources is based on actual consumption data for the following types of fuel: diesel, gasoline, coal and natural gas. To translate fuel consumption data, the corresponding coefficients were used from the Methodology for determining the fuel and energy balance and calculating individual statistical indicators that characterise the energy sector, approved by order of the Chairman of the Statistics Committee of the Ministry of National Economy of Kazakhstan of 11 August 2016 No. 160[1].

The calculation of direct (Scope 1) GHG emissions used emission factor values from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories[2]. The calculation of indirect (Scope 2) GHG emissions from energy generation is based on national CO2 emission factors for electricity and heat generation[3]. To convert GHG emissions to TCO2e, the values of global warming potentials from the IPCC Fifth Assessment Report were applied.

[1]http://adilet.zan.kz/rus/docs/V1600014230
[2]https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf
[3]http://adilet.zan.kz/rus/docs/V1700015396/links

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ABBREVIATIONS

3DS	Three-domain secure
AFK	Association of Financiers of Kazakhstan
AML/CFT	Anti-money laundering/combating the financing of terrorism
ATM	Automated teller machine
B2B	Business to business
B2C	Business to consumer
BSC	Balanced scorecard
CH4	Methane
CO2	Carbon dioxide
CRS	Common Reporting Standard
CSI	Customer satisfaction index
CSR	Corporate social responsibility
Damu Fund	JSC Damu Entrepreneurship Development Fund
DAU	Daily active users
ECM	Enterprise content management
EDS	Electronic digital signature
ESG	Environmental, social and governance
FATCA	Foreign Account Tax Compliance Act
GDR	Global depositary receipt
GHG	Greenhouse gas
GJ	Gigajoule
GRI	Global Reporting Initiative
HR	Human resources
HSE	Health, safety and the environment
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
IPO	Initial public offering
IS	Information security
IT	Information technology
JSC	Joint-stock company
KASE	Kazakhstan Stock Exchange
KPI	Key performance indicator
KZT	Kazakh tenge
LED	Light-emitting diode
LLC	Limited liability company
LLP	Limited liability partnership
LSE	London Stock Exchange
LTIFR	Lost-time injury frequency rate
MAU	Monthly active users
MBA	Master of business administration
N2O	Nitrous oxide
NPS	Net promoter score

OCRM	Operational customer relationship management
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational health and safety
OWASP	Open Web Application Security Project
PCI DSS	Payment Card Industry Data Security Standard
POS terminal	Point of sale terminal
QR	Quick response
QSA	Qualified security assessor
SDW	Solid domestic waste
SME	Small and medium-sized enterprise
TCO2e	Tonnes of CO2 equivalent
UK	United Kingdom
UN	United Nations
US	United States
VIP	Very important person

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