Halyk

SUSTAINABILITY REPORT



Halyk

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1 ABOUT THIS REPORT

ABOUT THIS REPORT

This report discloses information about the activities of Halyk Bank Kazakhstan ("the Bank" and its subsidiaries (together, "Halyk Group" or "the Group"). It has been prepared with reference to GRI standards and in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, and it also reflects our efforts to reduce the Bank's carbon footprint. Also taken into consideration during its preparation were the ESG recommendations of the London Stock Exchange (LSE) and the Agency for Regulation and Development of the Financial Market of Kazakhstan for banks and other financial institutions, as well as the listing rules of the Kazakhstan Stock Exchange (KASE) regarding sustainability reporting. To prepare some indicators, internal reporting methodologies in the field of sustainable development were used, as described in the sections "Transitional Climate Risks in Kazakhstan" and "Sustainable Development". In addition, the report presents the results of the Bank's activities that directly or indirectly contribute to the achievement of the UN Sustainable Development Goals (SDGs) defined in the Group's Strategy for 2022-24.

This publication, which comprehensively reviews Halyk Bank's ESG performance for the period from 1 January 2023 to 31 December 2023, is the Bank's fifth sustainability report.

Halyk Bank's Management Board has approved this sustainability report, which has been made available for stakeholders to review on the corporate website in Kazakh, Russian and English. (https://halykbank.com/esg).

SCOPE OF THE REPORT

This report provides information about the activities of Halyk Bank JSC (hereinafter "Bank") and its subsidiary organizations (jointly named "Halyk Group" or the "Group") for the period from 1 January 2023 to 31 December 2023. Financial data is based on audited financial statements prepared in accordance with the International Financial Reporting Standards, unless otherwise expressly indicated.

Based on the roadmap that the Bank prepared jointly with international consultants, its subsidiaries adopted action plans to embed ESG into their operations, approved policies for responsible financing and adopted other regulatory documents that reflect the companies' approach to incorporating ESG principles in their activities. As of 2023, subsidiaries are preparing an ESG report for their management bodies to reflect their commitment to sustainability principles and progress towards achieving the goals set for them.

Information about the operations of subsidiaries is disclosed in the Bank's annual reports. For 2023, see https://halykbank.com/financial-results.

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IMPACT INDICATORS FOR HALYK GROUP

	Electricity, GJ	Water, megaliters	Heat, GJ	Paper, tonnes	Scope 1, tonnes of CO2 equivalent	Scope 2, tonnes of CO2 equivalent	Scope 3*, tonnes of CO2 equivalent
Halyk Bank Kazakhstan	175,605.57(A)	260.94(A)	206,403.03(A)	342.50(A)	3,298.7(A)	63,026.64(A)	21,872.93(A)**
Halyk Bank Georgia	-	2.44(A)	-	3.675(A)	105.0(A)	-	n/a
Tenge Bank	3,400.82(A)	4.20(A)	-	22.7(A)	235.0(A)	495.7(A)	n/a
Halyk Insurance Company	3,023.07	9.23	3,617.3	10.84	132.5	240.1	n/a
Halyk Life	1,937.47	0.92	1,394.54	7.00	44.5	692	n/a
Halyk Finance and Halyk Global Markets	1,273	0.74	2,618.66	1.20	14,500.0	14.5	n/a
Halyk Leasing	4,608.30	0.87	1,171.91	0.54	441.8	23.2	n/a
Halyk Collection	855.8	1.9	518.8	4.84	6,613.0	6,613	n/a
Kazteleport	20,770.73	2.62	396.5	1.480	31.1	5,033	n/a
Distressed asset management companies——KUSA Halyk and Halyk Aktiv	628.04	0.59	921.1	3.48	79.9	238.6	n/a
Halyk Finservice	450.73	0.73	396.16	0.69	-	11.3	n/a

* Scope 3: Category 1 =1,802.04
Scope 3: Category 3 = 7,949.62
Scope 3: Category 5 = 2,755.31
Scope 3: Category 7 = 9,365.96

**(A) = data verified by Ernst & Young Advisory LLP

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OTHER INDICATORS FOR HALYK GROUP

Indicator			Bank and branches	Halyk Bank Georgia	Tenge Bank	Kazteleport	Halyk Leasing	Halyk Finance	Halyk Global Market	Halyk Collection	Halyk Life	Halyk Insurance Company	KUSA Halyk	Halyk Aktiv	Halyk Finservice
Turnover rate, % *			14.02%(A)	19.61%(A)	7.63%(A)	13.85%(A)	23.49%(A)	3.98%(A)	19.61%(A)	14.74%(A)	16.95%(A)	32.39%(A)	4.92%(A)	14.48%(A)	1.03%(A)
Gender diversity, %*	Male		28.95%(A)	39.49%(A)	56.86%(A)	70.33%(A)	46.15%(A)	47.18%(A)		95.88%(A)	32.78%(A)	28.94%(A)	61.54%(A)	40.24%(A)	54.62%(A)
	Female		71.05%(A)	60.51%(A)	43.14%(A)	29.67%(A)	53.85%(A)	52.82%(A)		4.12%(A)	67.22%(A)	71.06%(A)	38.46%(A)	59.76%(A)	45.38%(A)
Age diversity, %*	Below 30		32.74%(A)	18.15%(A)	43.64%(A)	34.07%(A)	3.85%(A)	22.54%(A)		13.42%(A)	19.34%(A)	18.09%(A)	7.69%(A)	10.98%(A)	62.18%(A)
	30-50 years		57.45%(A)	60.51%(A)	50.87%(A)	54.95%(A)	59.62%(A)	68.31%(A)		54.50%(A)	67.45%(A)	60.44%(A)	76.92%(A)	74.39%(A)	35.29%(A)
	Over 50		9.82%(A)	21.34%(A)	5.49%(A)	10.99%(A)	36.54%(A)	9.15%(A)		32.08%(A)	13.21%(A)	21.47%(A)	15.38%(A)	14.63%(A)	2.52%(A)
Gender diversity by employee category*	Male	Top Management	8(A)	0(A)	3(A)	0(A)	0(A)	3(A)		2(A)	0(A)	0(A)	0(A)	0(A)	0(A)
		Middle Management	590(A)	26(A)	93(A)	33(A)	3(A)	17(A)		43(A)	44(A)	67(A)	11(A)	9(A)	13(A)
		Specialist	3339(A)	92(A)	343(A)	94(A)	13(A)	42(A)		1234(A)	91(A)	174(A)	13(A)	23(A)	117(A)
		Staff	236(A)	6(A)	17(A)	1(A)	8(A)	5(A)		0(A)	4(A)	7(A)	0(A)	1(A)	0(A)
	Female	Top Management	2(A)	0(A)	1(A)	0(A)	0(A)	1(A)		2(A)	0(A)	0(A)	0(A)	0(A)	0(A)
		Middle Management	990(A)	35(A)	38(A)	13(A)	4(A)	20(A)		2(A)	43(A)	89(A)	5(A)	12(A)	10(A)
		Specialist	9246(A)	147(A)	300(A)	41(A)	20(A)	54(A)		51(A)	242(A)	520(A)	10(A)	37(A)	98(A)
		Staff	4(A)	8(A)	7(A)	0(A)	4(A)	0(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)

* - from the staff headcount

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Gender diversity by age group by employee category *	Male	Top Management	Below 30	0(A)	0(A)	0(A)	0(A)	0(A)	0(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)
			30-50 years	4(A)	0(A)	2(A)	0(A)	0(A)	3(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)
			Over 50	4(A)	0(A)	1(A)	0(A)	0(A)	0(A)		2(A)	0(A)	0(A)	0(A)	0(A)	0(A)
		Middle Management	Below 30	44(A)	2(A)	14(A)	3(A)	0(A)	0(A)		0(A)	1(A)	3(A)	0(A)	0(A)	1(A)
			30-50 years	474(A)	19(A)	68(A)	24(A)	3(A)	16(A)		18(A)	39(A)	52(A)	10(A)	8(A)	11(A)
			Over 50	72(A)	5(A)	11(A)	6(A)	0(A)	1(A)		25(A)	4(A)	12(A)	1(A)	1(A)	1(A)
		Specialist	Below 30	1511(A)	21(A)	209(A)	42(A)	1(A)	19(A)		175(A)	34(A)	61(A)	0(A)	3(A)	78(A)
			30-50 years	1636(A)	52(A)	122(A)	45(A)	9(A)	22(A)		675(A)	52(A)	88(A)	12(A)	17(A)	37(A)
			Over 50	192(A)	19(A)	12(A)	7(A)	3(A)	1(A)		384(A)	5(A)	25(A)	1(A)	3(A)	2(A)
		Staff	Below 30	13(A)	0(A)	1(A)	0(A)	0(A)	1(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)
			30-50 years	116(A)	2(A)	11(A)	0(A)	2(A)	3(A)		0(A)	2(A)	6(A)	0(A)	1(A)	0(A)
			Over 50	107(A)	4(A)	5(A)	1(A)	6(A)	1(A)		0(A)	2(A)	1(A)	0(A)	0(A)	0(A)
	Female	Top Management	Below 30	0(A)	0(A)	0(A)	0(A)	0(A)	0(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)
			30-50 years	1(A)	0(A)	0(A)	0(A)	0(A)	1(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)
			Over 50	1(A)	0(A)	1(A)	0(A)	0(A)	0(A)		2(A)	0(A)	0(A)	0(A)	0(A)	0(A)
		Middle Management	Below 30	37(A)	1(A)	4(A)	1(A)	0(A)	0(A)		0(A)	0(A)	2(A)	1(A)	0(A)	1(A)
			30-50 years	742(A)	24(A)	32(A)	9(A)	3(A)	16(A)		1(A)	30(A)	60(A)	3(A)	7(A)	8(A)
			Over 50	211(A)	10(A)	2(A)	3(A)	1(A)	4(A)		1(A)	13(A)	27(A)	1(A)	5(A)	1(A)
		Specialist	Below 30	3114(A)	33(A)	122(A)	16(A)	1(A)	12(A)		4(A)	47(A)	89(A)	2(A)	6(A)	68(A)
			30-50 years	5305(A)	91(A)	167(A)	22(A)	13(A)	36(A)		33(A)	163(A)	312(A)	5(A)	28(A)	28(A)
			Over 50	827(A)	23(A)	11(A)	3(A)	6(A)	6(A)		14(A)	32(A)	119(A)	3(A)	3(A)	2(A)
		Staff	Below 30	0(A)	0(A)	0(A)	0(A)	0(A)	0(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)
			30-50 years	3(A)	2(A)	6(A)	0(A)	1(A)	0(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)
			Over 50	1(A)	6(A)	1(A)	0(A)	3(A)	0(A)		0(A)	0(A)	0(A)	0(A)	0(A)	0(A)

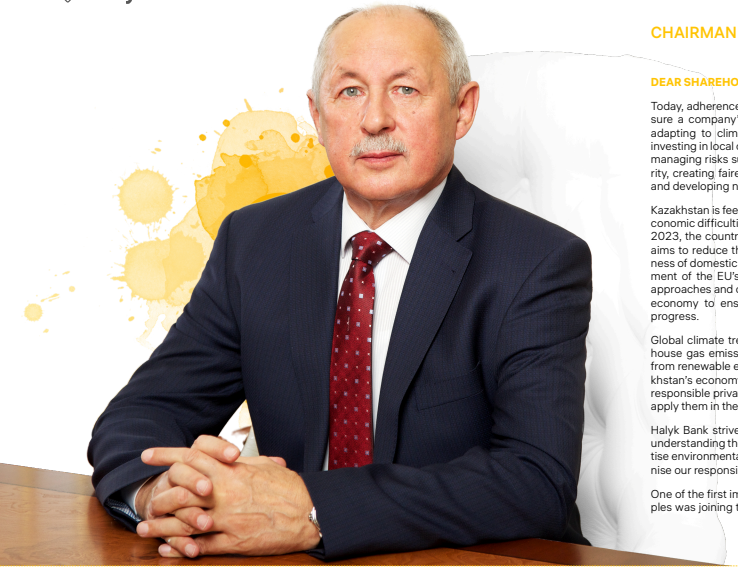
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2 EXECUTIVE REVIEW



CHAIRMAN OF THE BOARD'S STATEMENT

DEAR SHAREHOLDERS, CLIENTS AND PARTNERS,

Today, adherence to ESG principles is a key driver of business value. It is how we measure a company's commitment to crucial goals like reducing environmental impact, adapting to climate change, improving labour conditions, protecting human rights, investing in local communities, conducting business transparently and accountably, and managing risks sustainably. This important work contributes to improving global security, creating fairer and more stable societies, achieving long-term economic stability, and developing new technologies and innovations.

Kazakhstan is feeling the effects of various crises, from geopolitical tensions to macroeconomic difficulties and more frequent climate disasters. For these reasons, in February 2023, the country adopted the "Strategy on Achieving Carbon Neutrality by 2060". It aims to reduce the carbon intensity of the national economy, ensure the competitiveness of domestic products, and prevent possible economic losses associated with payment of the EU's carbon border tax. This programme document defines nationwide approaches and outlines the course of state policy for continuous transformation of the economy to ensure prosperity, sustainable economic growth and equitable social progress.

Global climate trends include shifting to energy-efficient production, reducing greenhouse gas emissions, attracting 'green' investment and expanding power generation from renewable energy sources. We believe that the most effective way to adapt Kazakhstan's economy to these is through close cooperation between the government and responsible private businesses that not only share ESG principles, but are also ready to apply them in their daily activities.

Halyk Bank strives to demonstrate a responsible approach to business development, understanding the planet's limited natural resources and delicate biodiversity. We prioritise environmental, technological and social risks over economic factors, and we recognise our responsibility for the world that will be left to our descendants.

One of the first important steps that Halyk Bank took in 2023 to implement ESG principles was joining the UN Global Compact. This signifies our intention to adhere to rele-

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vant principles and support the UN Sustainable Development Goals (SDGs) and initiatives. Notably, we were the first bank in Kazakhstan to join this global initiative, and our membership of the Global Compact was approved in record time. In our view, this further underscores our focus on leadership in promoting institutional progress across various important initiatives, including gender equality, environmental responsibility, human rights protection and responsible labour practices.

Crucially, the decision to join the UN Global Compact was made within the framework of Halyk Group's Strategy for 2022-24, which aims to strengthen the Group's leadership position and proactively adapt to the rapidly changing external environment. Of the 17 UN SDGs, we have selected 11 that align with our strategic priorities for sustainable development. These include measures to ensure zero hunger, good health and well-being, quality education, gender equality, affordable and clean energy, and decent work and economic growth.

Other key goals that we have set for ourselves in our transition to higher ESG standards include promoting industry, innovation and infrastructure; reducing international and intra-country inequalities; ensuring sustainable cities and communities; supporting responsible consumption and production patterns; and taking action to combat climate change.

In addition to Halyk Group's Strategy for 2022-24, integrating sustainability principles into the Group's day-to-day operations has required developing new corporate governance standards and adapting existing ones. To deliver on ESG goals effectively, in 2023, we adopted the Responsible Finance Policy; the Methodology for ESG Segmentation of the Loan Portfolio by Industry; and the Methodology for Calculating the Carbon Footprint of the Corporate Segment of the Loan Portfolio. We also started developing the Green Finance Policy. Previously, in 2020-22, we adopted the Code of Corporate Governance; Code of Ethics; Sustainability Policy; Anti-Corruption Policy; Environmental Policy; Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy; and Personal Data Collection and Processing Policy. Together, these crucial documents enable us to outline key objectives and formulate fundamental principles, rules and constraints to ensure that the Group's operations are aligned with responsible business standards.

Encouragingly, this important work regularly receives acclaim from authoritative international experts. In March 2024, after the reporting period, MSCI ESG Research – one of the leading rating agencies specialising in assessing companies' resilience to long-term ESG risks – upgraded its sustainability rating for Halyk Bank from 'BB' to 'BBB'.

The agency's analysts noted the Bank's success in improving corporate governance practices, privacy and data security. They also highlighted a significant improvement in the quality of information disclosure and the effectiveness of measures to implement sustainability principles. Notably, MSCI ESG Research regularly monitors Halyk Bank's progress in ESG disclosure. It previously upgraded its ESG rating for the Bank from 'B' to 'BB' in 2021, citing the positive developments in our ESG reports for 2019 and 2020.

In 2020, Halyk Bank became the first Kazakh financial institution to issue an annual ESG report in accordance with international GRI standards. In 2023, it became the first to align its reporting with TCFD recommendations, which are a prerequisite for companies listed on the London Stock Exchange.

In our view, a balanced and comprehensive approach to sustainability, demonstrated through a comprehensive transition to ESG standards, distinguishes a mature organisation that values its business reputation, seeks to manage all risks more effectively, actively supports innovation, has a long-term vision and focuses on maximising its market presence. This is the approach of Halyk Bank, which celebrated its 100th anniversary in 2023.

Aspects of effective corporate governance, environmental awareness and social responsibility have always been an integral part of our internal culture and have been institutionalised as part of our ESG transition work. Their conceptual basis is an awareness of the organisation's responsibility for developing the state, business and society in a harmonious, balanced and mutually beneficially way, minimising the impact on nature, and creating a comfortable, safe and favourable environment.

We would like to thank our shareholders, employees, partners and customers for their support and assistance in implementing Halyk Bank's sustainability initiatives.

ALEXANDER PAVLOV

Chairman of the Board of Directors

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CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

DEAR SHAREHOLDERS, CLIENTS AND COLLEAGUES,

Today, the global ESG agenda is quite similar to the worldview of our distant ancestors, when one central philosophical concept was the harmonious coexistence of humans and nature. As such, unsurprisingly, the key principles of global sustainability have been met with great enthusiasm internationally and widely supported by the domestic business community.

Throughout its history, Halyk has recognised its deep responsibility to society. For many years, we have initiated and supported projects to protect the environment, promote gender equality and preserve the historical heritage of the Kazakh people, as well as support and foster national cultural traditions, customs and values. For these reasons, we were the first commercial bank in the country to join the UN Global Compact. In doing so, we publicly announced our commitment to global standards of responsible business conduct.

Over the past year, we have achieved notable progress in embedding modern ESG approaches into the Bank's day-to-day operations. This includes enhancing human capital management practices, promoting gender equality and inclusion, protecting nature and contributing to environment improvement by reducing harmful emissions, consistently rejecting polluting technologies and expanding 'green' finance.

We are confident that Halyk Bank's active participation in this important work is consistent with Kazakhstan's national priorities. We believe that in the foreseeable future, these efforts will contribute to our country's progress in achieving the global Sustainable Development Goals.

Our internal regulations guide the Bank in managing its direct and indirect environmental impact. They set targets for the reduction of carbon dioxide emissions, wastepaper, plastic, old car tyres, batteries and other harmful waste. They also define measures and



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targets for the economical consumption of water, electricity and other valuable resources.

Through the effective measures taken last year and in previous reporting periods, including the initiative to shift to greener energy sources, in 2023, we reduced coal consumption by 49% compared with 2022, bringing its share in the Bank's total energy consumption down to less than 1%. Concurrently, we achieved further reductions of 19.5% in direct greenhouse gas emissions (Scope 1) and 1.86% in indirect emissions associated with the energy consumption of the Bank's facilities (Scope 2).

Notably, through the ongoing digitalisation of business processes and minimisation of paper workflow, we reduced our paper consumption by 10.8%, which was also reflected in lower paper waste. In 2023, through actively developing the product line by focusing on digital bank cards, we reduced the share of physical cards issued from 44% to 40%.

The Bank manages its indirect environmental impact with the help of international consultants, who have worked to establish key performance indicators for the implementation of ESG principles. We have integrated these into the Bank's risk management system. In addition, in 2023, we developed various new internal documents regulating the Bank's activities in this area. These include a Responsible Finance Policy; Methodology for ESG Segmentation of the Loan Portfolio by Industry; Methodology for Calculating the Carbon Footprint of the Corporate Segment of the Loan Portfolio; and Green Finance Policy.

Our approach to embedding responsible finance principles into our service model includes maintaining a list of unacceptable activities and practices; assessing a borrower's ESG risk through a self-declaration questionnaire; conducting client ESG scoring; assessing projects related to capital expenditure financing; and following various rules for lending to corporate customers and SMEs. In addition, the Bank calculates the greenhouse gas emissions attributed to its loan portfolio in alignment with the recommendations of the Partnership for Carbon Accounting Financials (PCAF), an international standard on greenhouse gas accounting and reporting for financial organisations.

In this important work, we will seek to increase the share of low-carbon businesses in the Bank's loan portfolio; help resource-intensive clients make progress in their own decarbonisation journeys; and finance low-carbon projects consistent with Kazakhstan's taxonomy of 'green' banking products.

In recent years, Halyk has issued numerous 'green' loans to build and operate renewable energy power plants. In addition, our subsidiary Halyk Finance has acted as manager and bookrunner for the issuance and placement of Samruk-Energy's 'green' bonds, as well as financial adviser and underwriter for the issuance and placement of the Damu Fund's social bonds.

One important environmental initiative that Halyk supported in 2023 was the presentation of "Reuse. Recycle. Reduce", a sustainable fashion and art campaign organised in Almaty with the UN Resident Coordinator Office in Kazakhstan to coincide with World Environment Day. The event featured collections of clothes made of recycled or used materials. An exhibition of sculptures made of recycled tyres was presented as an example of how to reuse items to preserve the environment and reduce pollution. The aim of the event was to raise awareness of the environment and support initiatives to protect it.

To help socially vulnerable citizens, Halyk financed the connection to the natural gas network of more than 200 private homes in Almaty and Astana. This was part of a campaign to switch households to cleaner energy sources. It was held under the auspices of 100 Good Deeds, a major charity project dedicated to Halyk's 100th anniversary.

The initiative included numerous socially significant projects and charitable programmes to support ecology, education, culture and public health. Among them was a major World Environment Day campaign that involved hundreds of our employees across the regions where the Bank is present. Last year, through the efforts of our volunteers, rows of deciduous and coniferous tree saplings were planted. Employees of the Bank's regional branches have been volunteering for more than ten years to help to make Kazakhstan's cities greener, planting thousands of young trees every year.

Another valuable contribution to environmental protection is the Bank's new loan product for electric vehicle purchases. It allows people in Kazakhstan to buy a new or used electric vehicle using a 'green' loan with a lower interest rate than standard car loans.

At the Astana Finance Days 2023 conference, the Astana International Financial Centre (AIFC) recognised Halyk Bank with its "Best Green Investment Bank" award for our significant achievements in environmental protection and progress in promoting ESG principles. The AIFC noted the Bank's commitment to environmental values, effective implementation of sustainable development principles, leading position in innovation among financial institutions, and ability to drive positive change in society.

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Halyk Bank also pays special attention to the 'S' in ESG: the ever-important social dimension. We internalise this by investing in human capital development, providing extensive career and professional development opportunities for women, and creating an inclusive working environment for hiring and supporting people with disabilities. We do not discriminate in team-building, and we strive to provide equal career opportunities for women and men.

Notably, women account for 71% of Halyk Bank's 16,800 employees, including 63% of middle managers and 20% of senior executives. Our team relations are based on the principles of mutual respect, recognition of competencies and merits, openness to dialogue and new ideas, and learning new knowledge and skills. Our approach to diversity, commitment to fairness and work to foster healthy competition and encourage different points of view help to improve labour productivity and personnel management efficiency. Ultimately, this contributes to the achievement of our strategic goals.

In our commitment to gender diversity, we actively invest in supporting female entrepreneurship through Women in Business, our dedicated low-interest loan programme. Since its launch in 2018, this initiative has provided more than KZT7 billion in loans with a subsidised annual interest rate of 5% to over 600 Kazakh women entrepreneurs. In addition to financial support, the Bank offers participants consultancy services, financial literacy training and business fundamentals education.

As part of the 100 Good Deeds charity project, Halyk Bank has launched and supported a wide range of social development initiatives. We regularly sponsor the Women in Business forum organised by the Atameken Council of Business Women in Almaty. In 2023, the Bank allocated KZT6.5 million towards these goals through this sponsorship. By actively engaging in projects related to supporting dynamic women in business, we encourage women to fully develop their talents and abilities. Our contributions to gender equality ultimately help to build a fairer society in our country.

Among other important achievements in the social aspect of ESG, Halyk Bank has implemented numerous charitable initiatives in support of education, child protection, national culture and sport. These include free public ice-skating; the People's League project, which provides basketball lessons for children from boarding schools and orphanages; the Astana Half Marathon; the Asia Dauysy (Voice of Asia) and "Summer Music in Your Favourite City" music festivals; the Road to School campaign for children starting school from low-income families; and other socially significant initiatives. In particular, the Bank provides financial and expert support for the Karyzsyz Kogam (Debt-free Society) project, which teaches the basics of financial literacy to citizens. This initiative has proved timely, and we are pleased to have been the first to recognise its potential and support it in full. At the time of writing, almost 60,000 residents of rural areas have gone through the financial literacy course.

We have long felt that an integral part of the Halyk brand philosophy is active participation in the life of the country; sincere attention to the interests, issues and hopes of our fellow citizens; and a willingness to support, lend a helping hand and fulfil someone's dreams. We aim to be catalysts and drivers of positive change in Kazakhstan's society, striving for the harmonious co-existence of humans and nature, and the rational consumption of natural resources. If our distant ancestors were able to do this for many centuries, modern people will definitely be able to embrace it as well.

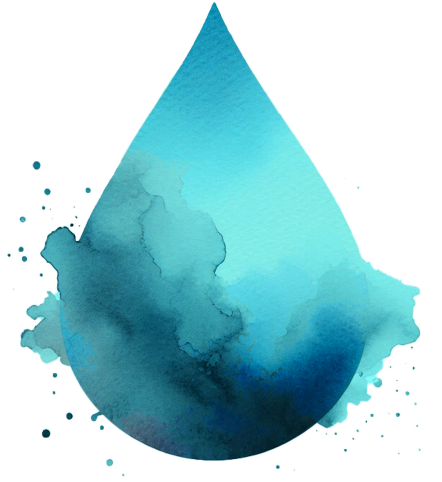
UMUT SHAYAKHMETOVA

Chairperson of the Management Board

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Halyk

3 AT A GLANCE



SUSTAINABILITY AT A GLANCE IN 2023

Halyk Bank is the leading financial institution on the Kazakh market

№1
in terms of net income:
28.4% market share

№1
in terms of total assets:
29% market share

№1
in terms of deposits:
30.5% market share
incl.:

№1
in deposits of legal entities:
36.5% market share

№1
in retail deposits:
27.4% market share

№1
in terms of branches and outlets:
570 throughout Kazakhstan

- **10.2** million active retail customers (9.9 million in 2022)
- **42%** share of active payment cards among Kazakhstan's economically active population
- **84%** of the largest companies in Kazakhstan are customers of the Bank

Bank of first choice

- **570** branches and outlets throughout Kazakhstan
- **20.1** million cards in circulation
- Customer satisfaction index (CSI):
  - **89%** of retail customers (89% in 2022) – for managers who serve individuals, cashiers and the Contact Centre
  - **94%** of SME customers (93% in 2022) – for managers who serve legal entities (small, medium and corporate businesses)

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

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Focus on digitalisation

- **Onlinebank**

№1 **1 in a rating of mobile banks for business in Kazakhstan**

- Onlinebank for corporate and SME customers – **514,700** online banking clients and 274,200 MAU in the web and mobile versions of the application (up **8.1%** year-on-year)

- **Halyk Super-App**

№2 **among free mobile apps in the "Finance" category on Google Play and the App Store**

- **7.9** million monthly active users (MAU), up **31.6%** year-on-year, and **2.31** million daily active users (DAU), up **26.9%**

Our employees

- **16,833** people – total headcount
- **71%**[(A)]* – female employees
- In 2023, as part of caring for and supporting the wellbeing of employees, the Bank revised its incentive system and increased salaries

Environmental impact**

- **19.5%** – year-on-year reduction in Scope 1 emissions
- **1.9%** – year-on-year decrease in Scope 2 emissions
- **4pp** – year-on-year decrease in share of plastic cards in total cards issued (from 44% to 40%)
- **14.3%** – year-on-year increase in water consumption***
- **10.8%** – year-on-year reduction in paper consumption
- **48.8%** – year-on-year decrease in coal consumption from initiatives to switch to more environmentally friendly energy sources, while the share of coal in overall energy use was 1%

Focus on creating and developing ecosystem products

- **Halyk Club** — an exclusive offering for all Bank cardholders.
- **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 Market** — a reliable and convenient technological solution for making online purchases using loans, instalments and card payments.
- **Marketplace** — a strategic product in Halyk Group's ecosystem that helps to purchase goods from partners using convenient financial products from the Bank.
- **Gov Tech** — 52 government services are available in the Bank's app.
- **Halyk Info** — a personal assistant that enables customers to find answers using keyword searches and FAQs.
- **Halyk Maps** — geolocation of the Bank's branches, ATMs, terminals and partners.





* from the Bank's staff headcount

** Compared with 2022

*** Water consumption increased from 2022 due to the commissioning of newly constructed administrative buildings in Turkestan and Aktau, and the Bank's employees returning from remote work to offices.

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4 SUSTAINABLE DEVELOPMENT



SUSTAINABLE DEVELOPMENT

ABOUT THE BANK

Halyk Bank is the largest universal commercial bank in Kazakhstan and has been helping its customers to prosper for 100 years now.

We are the leader on the financial services market, where we are the bank of first choice for 10.2 million active retail customers, as well as 313,000 corporate and SME customers. Our services are available through digital channels as well as 570 outlets nationwide. Today, 84 of Kazakhstan's 100 largest companies are our customers.

Halyk Bank is a team of around 16,000 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 29%), equity (34.9%) and net income (30.0%). Among the second-tier banks, Halyk Bank has market shares of 27.4% of retail deposits, 36.5% of corporate deposits, 32.0% of gross loans, 32.8% of net loans, 47.8% of corporate and SME loans, and 22.7% 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.

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.

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.

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.







KEY FINANCIAL RESULTS

Net profit attributable to common shareholders grew by 22.8% year-on-year to KZT693.4 billion in 2023, compared with KZT569.5 billion in 2022, primarily due to significant growth in its loan and transactions business.

As of 1 January 2023, Halyk Group switched its financial statements classification from IFRS 4 to IFRS 17 Insurance Contracts.

Moreover, when preparing its consolidated financial statements for the year ended 31 December 2023, the Group conducted an inventory of its financial instruments. The inventory identified financial instruments assessed at fair value through profit or loss whose use had been previously restricted and, consequently, valued based on their historical cost. As a result, the Group revalued these financial instruments and recognised adjustments made in the previous period.

This all resulted in the restatement of certain items in the consolidated statement of financial position as of 31 December 2022 and 1 January 2022, the profit and loss statement for 2022, as well as retained earnings for previous years. All the ratios were restated accordingly.

In 2022, the Bank's income tax expense was KZT121.3 billion and its other tax payments totalled KZT9.8 billion.

In April 2024, Halyk Bank announced the early full repayment of KZT250 billion in state support that Kazkommertsbank received as a deposit from the Kazakhstan Sustainability Fund in 2015.

Halyk previously repaid part of the deposit from the Kazakhstan Sustainability Fund for a total of KZT68.4 billion in June and December 2023. The Bank fully repaid the remaining KZT181.6 billion of state support in April 2024.

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Created and distributed economic value*

Indicator	Measurement unit	2023	2022	2021
Direct economic value created	*KZT bln*	***1,220.3***[A]	***1,010.1***	***802.1***
Net interest income	*KZT bln*	*719.8*	*563.4*	*517.1*
Net fee and commission income	*KZT bln*	*100.4*	*83.8*	*66.6*
Other non-interest income	*KZT bln*	*400.1*	*362.8*	*218.4*
Profit for the year from discontinued operations	*KZT bln*			
Profit attributable to non-controlling interest	*KZT bln*	*-0.001*	*-0.001*	*-0.001*
Distributed economic value	*KZT bln*	***804.2***[A]	***732.9***	***478.0***
Non-interest expenses, including:	*KZT bln*	*405.5*	*351.2*	*277.5*
operating expenses	*KZT bln*	*216.9*	*202.2*	*171.5*
salaries and other employee benefits	*KZT bln*	*126.9*	*115.8*	*100.3*
investments in social sectors (charity and social activities)	*KZT bln*	*5.1*	*6.8*	*3.1*
taxes other than income tax	*KZT bln*	*9.8*	*11.4*	*9.6*
Income tax expense	*KZT bln*	*121.3*	*105.1*	*62.2*
Dividends paid for the reporting period	*KZT bln*	*277.4*	*276.6*	*138.3*
Undistributed economic value = Direct economic value created – Distributed economic value	*KZT bln*	***416.1***	***277.2***	***324.0***

Diversified loan portfolio

Halyk Bank's gross loan portfolio expanded by 18% in 2023, 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 2023, retail loans made up share of Halyk Group's total loan portfolio at 31.8% (of which consumer loans were 27.8% and mortgage loans were 4%). The synergy of the Bank's retail and corporate businesses resulted in significant growth in digital auto lending: in 2023, the amount of auto loans issued rose 150% year-on-year. The auto loan market accounted for 24.4% of all loans in December 2023. Among corporate loans, the following sectors accounted for the largest shares of the total loan portfolio: services (9.6%), wholesale trade (8.5%), retail trade (6.5%), energy (5.2%) and the financial sector (3.8%).

Halyk Group's loan portfolio structure by sectors, %



As of 31 December 2023, KZT1.746 trillion of loans were concentrated among Halyk Bank's ten largest borrowers, which represented 18% of the total loan portfolio (compared with KZT1.549 trillion, or 19%, as of 31 December 2022). In 2023, the volume of consumer and mortgage loans rose by 28% and 4% year-on-year, respectively. There was also an increase in lending volumes for wholesale trade (28%), retail trade (20%), services (18%) and the financial sector (3%).

Detailed information about Halyk Bank's financial results is available in its annual report for 2023 and its audited consolidated financial statements for the years ended 31 December 2023 and 2022 at the following link: https://halykbank.com/financial-results/

* Data taken from Halyk Bank's audited consolidated financial statements for the years ended 31 December 2023, 2022 and 2021.

** Dividends paid as of 29 July 2024.

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

- *Moody's Investor Services – Baa2 ('positive', 1 November 2023)*
  As Moody's stated, the affirmation of ratings at the sovereign level reflects the ongoing balance between the Bank's strong capital and profitability, as well as its solid liquidity. The positive outlook reflects Moody's expectations that the improving operating environment will enable Halyk to expand its business, reduce the volatility of the funding base and maintain or improve the key credit metrics at better than historic levels.
- *Fitch Ratings – BBB– ('stable', 20 March 2024)*
  The Bank's rating from Fitch Ratings has been affirmed at 'BBB-', the outlook 'stable'. Fitch noted that the Bank's ratings are underpinned by its dominant market shares in Kazakhstan and robust profitability, as well as solid capitalisation and liquidity. The 'stable' outlook reflects Fitch's view that the Bank's credit metrics will remain strong in the medium term. Fitch noted the Bank's exceptionally strong domestic franchise, particularly in corporate lending, and high pricing power. This has historically translated into greater stability of asset quality and earnings through the cycle than domestic peers', which Fitch expects to continue. For these reasons, Fitch rates Halyk Bank one notch above its operating environment score of 'bb+'.
- *Standard & Poor's – BB+ BB+ ('positive', 19 March 2024)*
  S&P Global Ratings revised its outlook on Halyk Bank from 'stable' to 'positive' on the back of an improved assessment of the economic risk in the Banking Industry Country Risk Assessment (BICRA) for Kazakhstan, the significantly better asset quality of the banking system and financial performance than expected, as well as the gradual enhancement of regulatory oversight. The Bank's ratings are affirmed at the 'BB+/B' level.
  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:

- 30.4% – market share of retail deposits among second-tier banks
- 35.5% – market share of corporate deposits among second-tier banks
- 18.4% – market share of retail loans
- 33.3% – market share of gross loans

FOCUS ON DIGITALISATION

Digital lending

In 2023, the Bank continued to actively develop digital lending services for individual entrepreneurs. In terms of further development, the Bank mainly focused on expanding the range of digital loan products and creating new digital loan services during the reporting period.

The further development of digital services remains a top priority in terms of simplifying the processes of issuing and servicing loans, as well as eliminating paper workflow and reducing time and operating costs.

Digital lending for LLPs

Halyk Bank previously announced that it had begun working on a new digital loan product for businesses incorporated as limited liability partnerships (LLPs) with a maximum amount of up to KZT300 million for up to 24 months in order to replenish working capital.

The product is fully digital and 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.

Since its launch, the product has been offered to the Bank's active transactional customers. In the future, the Bank plans to expand the offering to include LLPs that are not existing clients.

Following the launch of the product, improvements were made to the lending terms and online process throughout the year, including based on the recommendations and suggestions of Halyk Bank customers.

In 2023, 5,352 digital loans totalling around KZT106.6 billion were issued to legal entities.

This made it possible to maintain high lending rates. In 2023, the Bank's digital loan portfolio for LLPs surged five-fold year-on-year.

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The further development of digital services remains a top priority in terms of simplifying the processes of issuing and servicing loans, as well as eliminating paper workflow and reducing time and operating costs. In addition, in 2023, the SME digital team launched a service for the digital approval of collateral applications. As a result, customers can receive a response to a collateral application within five minutes, which saves and optimises their time and resources, and also eliminates the need to visit a Bank office.

By introducing a digital loan product for LLPs, the Bank plans to increase the share of loan customers in its transaction base, stimulate an influx of transaction customers to the Bank, as well as encourage businesses to be transparent in their flows and, consequently, increase payments from businesses to the budget.

The Bank continues to actively develop digital lending products and services for individual entrepreneurs. In 2023, the Bank developed and launched various services that enable customers to manage their own loans and modified the terms of certain products in an effort to improve them for customers. As a result, the portfolio of digital loans issued to individual entrepreneurs expanded by 14.5% in 2023, while the share of individual entrepreneurs with a digital loan amounted to 87% of the total.

In 2023, the Bank worked to expand the list of services offered in the Onlinebank mobile application for legal entities, which boosted the popularity of the application among entrepreneurs and led to an increase in the number of MAUs. The Bank also worked actively to improve Onlinebank's system for working with legal entities and altered the design of the mobile application for business clients, which resulted in a substantial increase in the DAU to MAU ratio from 27.0% to 30.9%.

The development of the digital application for legal entities helped to increase the volume of payments made through Onlinebank, which grew by 20.3% to KZT109.5 trillion in 2023. This figure has doubled over the past two years.

Along with work to improve services for entrepreneurs, we are actively investing in expanding the functionality of the Halyk Super-App for private clients. With its wide range of diverse financial and non-financial services, it is one of the leading internet banking platforms for retail customers in Kazakhstan.

Digital services in the retail segment

In 2023, the Bank continued to develop its remote services.

The retail team is actively working on digitalisation, developing new products and building financial and consumer ecosystem services. The Bank's digital strategy has generated positive feedback from the consumer market. Despite intense competition from second-tier banks, retail products were in high demand throughout the year and the Bank received feedback from its customers, while tirelessly continuing to improve the quality of its service. The Bank's rating also continues to grow and remains among the leaders. One of our main criteria for success has always been and remains the trust of our customers. The Bank highly values this trust and makes strong efforts to not only maintain it, but to also increase it. Halyk is also focused on processes related to system security, which is important in our times when customers choose and subsequently work with our Bank.

As part of the National Payment System Development Programme in Kazakhstan, in November 2023, the Bank and the National Payment Corporation of the National Bank of Kazakhstan were among the first to take part in the Digital Tenge pilot project. Such transactions as cash withdrawals via ATMs, payments via POS terminals of the Bank and other second-tier banks, and online payments at retail and service outlets were available during the pilot project. The goal of the project is to further develop and modernise the National Payment System, in which the Bank plans to continue actively participating.

To stimulate and improve learning ability, as well as develop social support for the children of the Bank's customers, a new service called Kundelik was launched in September 2023 with the motto 'Earn bonuses from Halyk for excellent marks at school'. The service is an electronic diary for schoolchildren in grades 5-11, who can earn bonuses in the Halyk application for excellent marks (10 points = 100 bonus points). The bonus points are received on the following business day after the marks are recorded in the logbook at http://kundelik.kz/. As part of the project, more than 580,000 Halyk Easy cards, digital children's cards that are issued through the parent's mobile application, have been issued since the start of the school year. At the year-end, the share of digital cards in the Bank's portfolio stood at 93%. This project encompasses 5,650 schools, or 73% of the schools in the country.

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In an effort to expand the range of trending and popular services outside of stationary branches, and also for the convenience of customers, the Bank was the first on the market to launch the innovative Face Pay service, which can be used to pay for travel on public transport (metro) using facial biometrics.

Face Pay is a convenient, safe and fast way to pay for travel that does not require a card or smartphone. Face Pay terminals are driven by artificial intelligence and the process takes a few seconds, which is particularly important in the metro during rush hour. In December, a pilot project was launched for the Bank's customers at two metro stations: Abay and Bauyrjan Momyshuly. This service also aims to reduce plastic and the use of Onai travel cards, as well as paper currency.

A major breakthrough last year was a new project launched in September 2023 to provide digital car loans through partner car dealerships. The project was implemented in partnership with the Bank's corporate clients that are among the country's leading car dealers. It perfectly demonstrates the strong synergy between the Bank's corporate and retail businesses, and also led to a 150% increase in the number of car loans issued compared with 2022. Our customers like the project because they can submit the loan application through the car dealership, sign the bank loan and collateral agreements in the mobile app, and the loan is issued online without any Bank managers or credit administrators. In December, the Bank saw excellent results in terms of the volume of loans issued and a 24.4% market share of car loans.

All these achievements can be attributed to our multifunctional application, which combines a wide range of services and opportunities for users in one place. The Halyk Super-App is a unique application that is not only a banking tool, but an entire ecosystem service as well. The app provides a wide range of financial services, including banking operations, payments, transfers, account and card management, as well as the ability to purchase various types of insurance and trade securities through the in-app brokerage platform. It also integrates additional services, such as the ability to buy air, train and intercity bus tickets, order and purchase goods, buy event tickets and obtain government services. Our application strives to not just be a banking app, but a reliable partner in its users' finances and everyday needs by offering convenience and accessibility in a one-stop shop. 7.9 million MAU (monthly active users) / 2.3 million DAU (daily active users) – 46.2% growth year-on-year / 34.9% growth year-on-year.

GovTech: digitalisation of government services

GovTech continues to be a strategic focus for the Bank. Making services available electronically increases their availability, speed and convenience for citizens.

The main goal of GovTech is to make public services part of the Bank's applications, integrate public services to automate its internal business processes and liaise with government agencies regarding digitalisation issues.

Since the creation of the GovTech division, the Bank has launched 52 public services, making it the leader in this regard among second-tier banks that have introduced government services. The services are highly popular among the Bank's customers and had been used more than 13 million times as of the end of 2023. In 2023, the Bank launched 20 government services, which primarily aim to enhance convenience for customers and provide even larger segments of the population with access to these services. One such service is the legalisation of foreign vehicles imported to the country prior to 1 September 2022: 36% of all submitted applications (736,000) were processed through the Halyk application. It also provides access to driver's licence reissuance, appointments at the Public Service Centre, allowances for large families and social payments in the event of job loss. Halyk was the first second-tier bank to offer a fully digital service to file applications to register marriage and obtain a notarised power of attorney. Numerous actions have become entirely paperless, such as obtaining information about compulsory medical insurance with the ability to pay off arrears in instalments, information about local clinics, and documents on pensions and benefits that a customer has received.

The number of services provided proactively, when the state informs customers about their ability to obtain a service and all the customer has to do is grant consent and wait for the result, has tripled compared with 2022.

In 2024, the Bank plans to focus on improving the quality and accessibility of government support measures. It will introduce new services to simplify people's lives, digitise numerous processes, save users time and contribute to the development of an inclusive society.

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Marketplace

Over the past two years, Halyk has launched products and services across its ecosystem that make life easier for and meet the needs of our customers. The main focus remains on improving the Halyk Super-App, which is the core of our retail offering and includes Halyk Market. Our marketplace enables customers to make purchases from our partners using Halyk Bank's most advantageous financial products. Considering the speed of digitalisation, changes in behaviour and preferences, and growth in customers' demands, the Bank has combined processes so that each customer can receive services conveniently, quickly, simply and securely. Each solution is based on big data analysis and aims to improve technology platforms.

The Bank's customers actively use the marketplace and buy goods in instalments or on credit from trading partners, both at points of sale and online.

In 2023, the Bank provided customers with the ability to order goods directly from China and Turkey thanks to cooperation with product manufacturers in these countries. This is a unique offering on the market and has had a positive effect on the indicators listed below.

In particular, in 2023, Halyk Market increased GMV by 170% year-on-year. In the fourth quarter of 2023, GMV was a record KZT34.1 billion, up 330% year-on-year. This substantial increase is due to active marketing, an increase in stocks to more than 874,000 SKUs, as well as the involvement of major retailers and an expansion in the range of goods sold by existing partners. New unique banking products were also launched, such as individual rate loans, which provide more competitive rates for the platform's partners.

In 2023, the SME digital team actively increased lending to legal entities operating as LLPs. Whereas 608 SMEs received financing from the time the digital loan offering was launched in April 2022 until the end of 2022, the number of such companies increased to 2,315 in 2023, with total lending of around KZT130 billion. The launch of this product increased the number of LLP borrowers by 53.4%. In 2023, LLPs that received a digital loan accounted for more than 40% of the total number of LLP borrowers in the SME segment.

The Bank managed to achieve these results in part by improving its loan terms for customers (e.g., increasing lending limits) and adjusting its internal approaches to lending.

In addition, in 2023, the SME digital team launched a digital approval service for collateral applications. Customers now receive a response to a collateral application within five minutes, which saves them time and money, and also eliminates the need to visit the Bank's office.

Halyk continues to actively develop its range of digital credit products and services for individual entrepreneurs. In 2023, the Bank developed and launched various services that let customers manage their own loans, and made changes to the terms of certain products in an effort to make them better for customers. In 2023, the portfolio of digital loans to individual entrepreneurs expanded by 14.5%, while individual entrepreneurs accounted for 87% of the total number of digital loans.

SERVICE ACCESSIBILITY AND QUALITY

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 2023, our branch network had 570 service outlets throughout Kazakhstan, including:

- 25 regional branches
- 119 sub-regional offices
- 329 personal service centres
- 3 VIP centres
- 48 banking service centres
- 13 cash settlement units
- 33 business centres for corporate customers

The Bank offers a wide range of remote self-service channels for retail and corporate customers. In 2023, Halyk Bank had 4,579 ATMs, making it the largest ATM network in Kazakhstan, with a market share of 36%.

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Halyk Bank is also the one of the leading acquiring banks on the market, with a network of around 331,000 POS terminals and 941 payment terminals.

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) about credit products and services for retail and corporate clients.

In addition, the contact centre has teams that offer technical support (administrators), develop projects, introduce new services and provide service quality reporting and analysis.

In 2023, the contact centre processed more than 23.6 million customer enquiries. Over 15.8 million of them were made via incoming communication channels, while more than 7.8 million outgoing calls were made. More than 22% of sales of unsecured loans to individuals were made by a robotic agent.

Financial service accessibility

One of Halyk Bank's priorities is to increase 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. One fifth of the Bank's branches are located in small and single-industry towns. In Kazakhstan, 68 populated areas are classified as small and medium-sized cities, including 20 single-industry towns. Our service outlets provide banking services in 96% of them. The Bank has at least one branch in all the country's single-industry 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 cashier station designs. For visually impaired and sightless customers, we have installed tactile walkways, wall diagrams 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 2023, 92% of branches had some form of access for people with disabilities, while 45% were in full compliance with the regulations governing this area (39% in 2022). 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 Super-App in English, Kazakh and Russian.

To keep pace with rapid technological advances and growing customer expectations, we are actively developing our Halyk Super-App, Onlinebank and Halyk Zalog online platforms. We regularly update them with convenient new services.

Number of Halyk Bank customers in 2021-23

	2021	2022	2023
Active retail customers, thousands	*9,025*	*9,852*	*10,188*
Active SME customers, thousands	*246.2*	*310.7*	*369*
Corporate customers	*1.9*	*2.3*	*2.3*

- 4,500 ATMs – largest ATM network in Kazakhstan
- 10.2 million active retail customers
- 369,000 active SME customers
- Over 2,000 corporate customers
- More than 7 million payment cards

7.9 million MAU (monthly active users) / 2.31 million DAU (daily active users) – year-on-year growth of 31.6%/26.9%, respectively

The number of users of the Halyk Super-App banking application increased to 10.2 million customers in 2023, while more than 279.0 million payments and transfers were made. Onlinebank increased its online corporate banking and SME customers to 514,700, while there were 274,200 MAU in the web and mobile versions of the application (up 8.1% year-on-year).

* 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 decisive role in economic and social processes in the city.

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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, collecting feedback and researching specific banking products or services for retail and corporate customers.

The research primarily aimed to improve the customer experience in online channels, self-service devices, as well as the use of card products. The research identified pain points and problems that customers encountered most often, which made it possible to improve services, enhance customer paths and set goals for further development.

The Bank regularly engages an external agency to monitor and independently assess the level of loyalty (NPS), which amounted to 49% in 2023. For the first time, Halyk conducted an independent measurement of the loyalty level among second-tier banks in the B2B segment in 2023 and obtained a result of 69%. It also used the 'Mystery Shopper' measurement method for the first time to assess whether B2B standards are being properly met.

Halyk continues to collect customer feedback to rate their satisfaction with the quality of front-line service. In 2023, the CSI for the B2C segment remained unchanged and amounted to 89%, while for the B2B segment, it was 94% (93% in 2022).

New regular measurements in the format of online scores were conducted throughout the year to expand the range of the Bank's rated services and processes, and also to obtain a deeper understanding of the customer's experience when using the Bank's services and products.

In particular, a Customer Effort Score (CES) was made for Onlinebank (73%), as well as such ecosystem products and services as Public Services (78%), Halyk Insurance Company (82%) and Halyk Travel (69%). A pilot customer opinion rating on payment and transfer services was launched in Halyk's Super-App.

Overall, during the reporting period, the number of complaints reported through the contact centre, social media and other communication channels decreased.

There was a significant decrease in disputes concerning ATM transactions (down 43%).

While customer enquiries concerning fraudulent transactions (enquiries with confirmed damage) increased by 23% year-on-year, there was a major worldwide increase in social engineering fraud in 2023 that affected market players everywhere. Specifically, transactions with confirmed damage concluded by customers who were under the psychological influence of social engineering attackers accounted for 4,694 of the total 6,546 customer enquiries made in 2023.

Types of registered complaints from customers in 2023:

- Written complaints increased by 55%
- Verbal complaints dropped by 42%

Number of complaints in 2023:

- Written – 829 (534 in 2022)
- Verbal – 2,948[A] (5,072 in 2022)

Prior to January of 2022, the established procedure was to collect data about complaints, analyse it and then prepare reports. In 2023, in addition to these activities, the process was expanded to include the responsible work of resolving issues and other related tasks. Complaints are categorised into verbal and written complaints. Verbal complaints are recorded by managers from social media and contact centres using the operational customer relationship management (OCRM) system and Tezis software. Marketing staff have received specialised training to record data in the OCRM system, after which the information is passed to the quality department. Written complaints received at the Bank's offices and through post or specialised forms are also processed through the OCRM system and forwarded to the team for further consideration. Verbal complaints are manually recorded in the OCRM system and then forwarded to the quality department for further analysis and resolution.

In accordance with the established procedure, until January last year, complaint-handling involved collecting information about a given matter, analysing it and preparing a report. This year, the approach was expanded: now, in addition to the process mentioned, work is undertaken to resolve the underlying issues and other related matters. Complaints are classified as verbal or written. Verbal ones are registered by managers

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on the intranet and in contact centres using the OSRM system and Tezis programme. Employees in the marketing department have had special training in registering information in the OSRM system, after which it goes to through quality control. Written complaints, which come through the administration, by email or on a special form, are also processed through the OSRM system and forwarded to the team for further review. Verbal complaints are entered into the OSRM system manually and then transferred to quality control for further review and action.

To get employees more involved in improving Halyk's existing processes, regular satisfaction surveys about the Bank's internal processes were conducted, and employees were constantly immersed in the Gemba project. The main goal of the project is to analyse the root causes of problems, take measures to improve and simplify processes in the work of employees, the customer journey and services/products, as well as pivoting the culture of employees and the company as a whole to ensure a focus on the customer.

In 2023, the Bank began working on systematising and optimising the processes associated with customer enquiries and complaints and launched the Unified Feedback Database project, which will significantly improve the quality of service for customer enquiries.

Digitalisation of card products

Online digital cards are one of Halyk Homebank's most popular digital products. In 2023, digital cards accounted for 22% of all cards issued, which had a positive impact on the reduction in plastic consumption.

Changes to existing products that have become even more accessible

In 2023, as part of the development of new products and services, the retail business not only observed the requirements of the law, competitive conditions on the market and customers' wishes, but also took into account one of the main goals of supporting the Bank's environmental impact and its conservation in the era of digitalisation.

We are proud to announce that, as part of the National Payment System Development Programme in Kazakhstan, in November 2023, the Bank and the National Payment Corporation of the National Bank of Kazakhstan were among the first to take part in the Digital Tenge pilot project. Such transactions as cash withdrawals via ATMs, payments via POS terminals of the Bank and other second-tier banks, and online payments at retail and service outlets were available during the pilot project. The goal of the project is to further develop and modernise the National Payment System, in which the Bank plans to continue actively participating. The Digital Tenge project is another step the Bank has taken to reduce paper consumption.

The Bank is also thinking about the country's future generations in terms of protecting the environment. To stimulate and improve learning ability, as well as develop social support for the children of the Bank's customers, a new service called Kundelik was launched in September 2023 with the motto 'Earn bonuses from Halyk for excellent marks at school'. The service is an electronic diary for schoolchildren in grades 5-11, who can earn bonuses in the Halyk application for excellent marks (10 points = 100 bonus points). As part of the project, around 500,000 Halyk Easy cards, digital children's cards that are issued through the parent's mobile application, were issued in the fourth quarter of 2023. At the year-end, the share of digital cards in the Bank's portfolio stood at 93%. Using digital cards makes it possible to eschew the use of plastic, reduce emissions of excess raw materials and, consequently, develop the Bank's online products.

Deposits and loans continue to be the Bank's most popular products, as customers can register them online without leaving the comfort of their own home. At the end of 2023, the online sales channel accounted for 78% of deposits and 84% of loans in 2023. The Bank remains a market leader in these areas. As of 1 January 2024, its retail loan portfolio amounted to KZT3.0 trillion with a market share of 18.3%. In 2023, the portfolio grew by 19%. In terms of deposits, the Bank closed the year with a portfolio of KZT5.5 trillion and a market share of 29.5%.

Tree felling remains a global problem in the paper industry. The Bank has made its own small contribution to reducing paper use. A major breakthrough last year was a new project launched in August 2023 to provide digital car loans through partner car dealerships. Our customers like the project because they can submit the loan application through the car dealership, sign the bank loan and collateral agreements in the mobile app and the loan is issued online without any Bank managers or credit administrators. The main partner car dealerships are Astana Motors/MayCar, Allur Finance, Orbis, Doscar and Aster. In December, the Bank saw excellent results in terms of the volume of loans issued and a 24.4% market share of car loans.

Ecosystem services

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The Bank continues to work on digitalising ticket sales for various events through the Kino.kz service. Transitioning to e-tickets alleviates the need for paper tickets, which helps to reduce the carbon footprint from the production and supply of paper. E-tickets reduce the need for the physical delivery of tickets, which in turn reduces transport emissions. E-tickets enable users to buy tickets at any time and from anywhere, which is particularly useful for people with special needs or who live in remote areas. This helps to enhance the inclusiveness of ecosystem services.

In 2023, Halyk launched the Kino.kz digital card, which helps to develop the digital payment ecosystem and enhance the level of financial literacy among Kino.kz users.

MANAGING CORPORATE ETHICS, ANTI-CORRUPTION AND CONFLICTS OF INTEREST

Compliance with business ethics and responsible behaviour are core elements of the corporate culture in any company. Each of the Bank's employees takes decisions on a daily basis that may have financial and reputational implications for the Bank, and may also impact people and society.

As part of a plan to embed sustainability principles and goals throughout the business, the Bank developed and approved the Code of Ethics and Business Conduct (Code of Ethics), which superseded the Bank's previous Corporate Ethics Rules. The Code of Ethics was developed in alignment with generally recognised principles and norms of international law; Kazakh legislation; standards of corporate governance; the Bank's Charter, Code of Corporate Governance and other internal documents; and customary business practices.

The objectives of the Code of Ethics are to:

1. Set out the mission, values, principles and standards of business ethics and behaviour that guide the Bank's officers and employees in their work
2. Develop a uniform corporate culture based on high ethical standards, and support an atmosphere of trust, mutual respect and integrity
3. 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
4. Ensure effective stakeholder engagement
5. Prevent violations of the laws of Kazakhstan by the Bank's employees.

The Code of Ethics provides an updated understanding of Halyk Bank's values and business principles, as well as the general rules of ethics that everyone who represents the Bank must understand and observe. The Code of Ethics contains mandatory standards of ethics and business conduct, serving as a guide and benchmark in making the right decisions for every officer and employee, regardless of their position, whether they are employed by the Bank as a full-time or part-time employee, as well as for third parties engaged under a fee-for-service agreement.

All of the Bank's documents, including those formalising relationships with customers, business partners, government agencies, competitors and employees, are drafted and approved with due regard to the provisions of the Code of Ethics. Taken together, these documents provide a clearly articulated common framework for business ethics compliance and are important components of the Bank's business ethics guidelines.

The Code of Ethics serves as a guide for good decision making and a benchmark for open and honest business, as well as for responsible and professional ethical behaviour.

The Bank's managers strive to demonstrate their commitment to the Bank through personal example, devoting time to building the Bank's talent pool, advising and mentoring, and uniting the staff into a team with a shared mission, values and principles.

Each employee maintains the Bank's image and business reputation at a high level.

In cases where the ethical standards set out in the Code of Ethics are higher than those defined by business practice and applicable law, the Bank will adhere to the standards of the Code of Ethics.

As part of the current education system, 11,073 employees have undergone Code of Ethics training (including 8,284 branch employees and 2,789 Head Office employees).

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The Code of Ethics affirms the following principles:

Honesty	Openness	Prevention and management of conflicts of interest
Fairness	Protection	Anti-corruption
Responsibility	Prevention of fraud and abuse of office	Diligence and accuracy in maintaining and storing records and reports

Prevention and management of conflicts of interest

The Bank's employees avoid situations in which a conflict of interest may arise. To prevent a conflict of interest, as well as minimise the risks associated with a conflict of interest, the Bank regularly takes the following measures:

1. Annual revision of the Matrix of Conflicts of Interest of the Bank's structural units based on monitoring of employee functions and embedded business processes
2. Business process automation and optimisation to eliminate the contact of interested parties and ensure independent decision-making

Should a conflict of interest arise, the Bank's employees, regardless of their position, must take appropriate measures to resolve the conflict of interest in a manner determined by Halyk Bank's policy governing the resolution of conflicts of interest.

INFORMATION SECURITY AND CUSTOMER DATA PROTECTION

Information security and customer data protection

1. Scope of the Bank's public Information Security Policy

The Bank devotes special attention to information security issues. It makes continuous improvements to the information security management system, as well as the means and methods used to protect customers against information security threats, and provides regular training for the Bank's employees so that they maintain a high level of information security expertise.

The Bank's Information Security Policy (the IS Policy) was prepared in accordance with the requirements of ISO 27001:2013 "Information Technologies – Security Methods – Information Security Management Systems – Requirements" and is available on the Bank's corporate website.

The IS Policy describes the system of views on the process of ensuring information security, as well as the main principles, focuses and requirements for information protection, and contains the main sections of the IS Policy approved by the Bank's Management Board.

The legal framework of the IS Policy is based on the legislation of Kazakhstan concerning the use of information systems and information security, as well as the requirements of international standards for information security management.

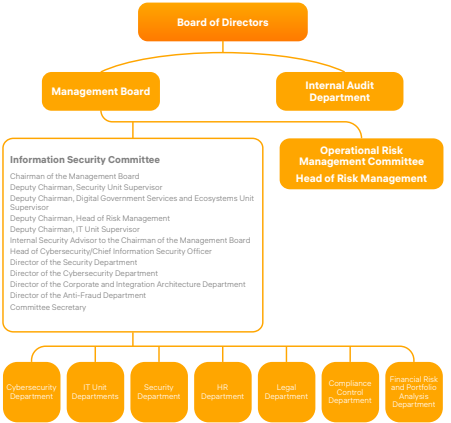
The provisions of the IS Policy are binding for all the Bank's employees, interns and trainees, and are conveyed to customers and other third parties who have access to the Bank's information systems and documents insofar as they directly concern the Bank and their activities.

The IS Policy encompasses all information assets and documents that the Bank owns and uses.

Information is one of the most important banking assets. Ensuring information security is crucial to the successful implementation of the Bank's commercial activities.

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2. Participants in the Bank's information security management system



3. Principles of the information security management system.

The main principles of the Bank's information security system and how it functions are:

- ***Legality*** – Any actions taken to ensure information security are performed based on current legislation, using all methods permitted by law to detect, prevent, contain and suppress any negative impact on the Bank's assets that are subject to information protection.
- ***Focus on business*** – Information security is viewed as a process to support the Bank's core business based on an analysis and assessment of information security risks inherent in such activities. Any measures to ensure information security must not create serious obstacles to the Bank's activities.
- ***Continuity*** – Management tools for information security systems should be used and any measures to ensure the Bank's information security should be implemented without disrupting or stopping the Bank's current business processes.
- ***Complexity*** – The security of information resources must be ensured throughout their entire life cycle, at all technological stages of their use and in all modes of operation.
- ***Justification and economic viability*** – The Bank's capabilities and means of protection must be used based on the extent to which science and technology has developed, must be justified in terms of the given level of security and comply with all requirements and standards. In all cases, the cost of implementing information security measures and means must be less than the amount of possible damages from the types of risk that are identified.
- ***Priority ranking*** – All the Bank's information resources must be categorised (ranked) based on their degree of importance in assessing real and potential threats to information security.
- ***Essential knowledge and the least level of privileges*** – Users of the Bank's information resources shall receive the minimum level of privileges and access only to data that they need to perform their activities within their purview.
- ***Specialisation*** – Technical means and information security measures must be taken by the Bank's professionally trained specialists.
- ***Awareness and personal responsibility*** – Managers at all levels and the executors must be aware of all information security requirements and are personally responsible for meeting these requirements and observing established information security measures.

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- ***Interaction and coordination*** – Information security measures are implemented based on the relationship between the Bank's relevant structural units, the coordination of their efforts to achieve the goals set and the necessary links with external organisations, professional associations and communities, government agencies, legal entities and individuals.
- ***Verifiability*** – Important documentation and all records confirming the fulfilment of information security requirements and the effective organisation of the system must be created and stored with the ability for online access and recovery.

4. Main assets that require information security:

- Information resources containing information that current legislation and the Bank's internal regulatory documents classify as a banking secret, personal data or a commercial secret, as well as any other information that is essential to ensuring the Bank's normal operations (protected information)
- Computer hardware (computer equipment, information and computing complexes, networks and systems) that process, transmit or store protected information
- Software tools (operating systems, database management systems and other general system and application software) of the Bank's automated system, which are used to process and store protected information
- The Bank's processes related to managing and using information resources
- Premises where equipment used to process and store protected information is located
- Working premises and offices of the Bank's employees and the Bank's premises intended for closed negotiations and meetings
- Bank personnel who have access to protected information
- Technical equipment and systems that process open information, but are located in premises where protected information is processed

Information security awareness courses are held each year to improve the information confidentiality skills of the Bank's employees.

In 2023, 39 employees from the cybersecurity department and anti-fraud department underwent training as part of external information security courses.

The Bank is actively and regularly involved in the professional working groups of second-tier banks on information security and anti-fraud.

As part of its ESG Strategy, the KPIs of the unit managers of the chief information security officer include an indicator on training and 100% coverage of all Bank employees with a course to test their knowledge of the principles used to prevent leaks of customers' confidential information and personal data.

The Bank adheres to a zero-trust policy for both customers and employees, as well as partners.

It focuses on the principles of secure application development (DevSecOps).

An R&D laboratory has been launched for the use of AI, including for cybersecurity and anti-fraud, based on trending information security risks, and special attention is paid to the biometric identification of customers.

The Bank has introduced a transactional anti-fraud function and a model for assessing the credulity of customers.

Halyk has introduced and is actively developing an in-house cybersecurity expertise centre with ethical hackers (white hat).

Individuals' rights concerning the management of their personal data

Personal data protection measures

In 2023, in accordance with the law of Kazakhstan on personal data and its protection, in addition to the Bank's Personal Data Collection, Processing and Protection Policy approved by the Board of Directors, which applies to all processes that are carried out with or without automation tools and involve the processing, recording, systematisation, accumulation, storage, clarification, extraction, use, transfer (provision, access), depersonalisation, blocking, deletion and destruction of the personal data of the Bank's employees, customers and other individuals, in order to disclose practical approaches to data protection, the Bank drafted and approved the Methodology to Ensure the Protection of Personal Data at Halyk Bank.

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All standard forms of contracts and agreements concluded by the Bank include conditions about the obligation of counterparties to ensure the confidentiality of confidential personal data obtained as part of the execution of the contract and about liability for violation of their confidentiality, unlawful disclosure or leakage.

The Information Security Unit checks draft agreements, contracts and additional agreements thereto for compliance with information security requirements.

When processing personal data, the Bank takes the necessary legal, organisational and technical measures to protect personal data against unauthorised or accidental access, destruction, modification, blocking, copying, submission or distribution, as well as against other illegal actions with respect to personal data.

Ensuring the security of personal data entails:

- Identifying threats to the security of personal data during its processing in the Bank's information systems
- Determining the levels of personal data protection during its processing in the Bank's information systems
- Taking the organisational and technical measures to ensure the security of personal data during its processing in the Bank's information systems needed to meet the requirements for the protection of personal data in order to comply with the level of personal data protection prescribed by the laws of Kazakhstan
- Recording the places where personal data is stored and processed
- Detecting cases when personal data is accessed without authorisation and taking measures to eliminate such violations
- Recovering personal data that has been modified or destroyed due to unauthorised access
- Establishing and monitoring rules for access to personal data processed in the Bank's information systems, as well as ensuring the registration and recording of actions performed with personal data in such information systems
- Monitoring measures taken to ensure the security and level of protection of personal data during its processing in the information system
- Appointing a person responsible for organising the processing of personal data
- Internally monitoring the compliance of personal data processing with the requirements of the legislation of Kazakhstan, the Policy and the Bank's internal documents
- Introducing the Bank's employees directly involved in the processing of personal data to the requirements of the law and the regulatory legal acts adopted in accordance therewith, the Policy and internal documents on the processing of personal data

In accordance with the law of Kazakhstan on personal data and its protection, the Bank has appointed a person responsible for organising the processing of personal data.

The scope of personal data collected is strictly limited to the list of essential information approved by the Bank.

A risk assessment procedure for the Bank's projects has been introduced to identify possible risks of data confidentiality and control measures to maintain its security, including compliance risks (which includes consent to the collection, processing and transfer of personal data).

Data breach/incident response plans

The Bank ensures the partition and control of access to customer data to protect the rights of individuals and prevent its leakage in accordance with the Bank's Information Security Policy and the Personal Data Collection, Processing and Protection Policy, banking legislation and legislation on the protection of personal data.

All employees who require official access to confidential data must sign a confidentiality obligation to prevent them from disclosing banking secrets, personal data and other types of secrets.

Access control and management is provided by the solutions of IDM (Identity Management) and PAM (Privileged Access Management).

The Bank takes measures to ensure technical protection against information leaks.

Data is encrypted and depersonalised. The Bank has developed its own approach to and introduced a comprehensive software solution for data anonymisation.

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Access to confidential information is physically protected.

The Bank has introduced and uses procedures to monitor compliance with information security requirements by employees. It also conducts scheduled checks of critical information systems to ensure that they have and use the prescribed security controls with subsequent corrective actions.

All information security incidents, including breaches of personal data confidentiality, are reported to the Bank's management, and notices are also sent to the financial market regulator (Kazakh Agency for the Regulation and Development of the Financial Market) and the executive state body authorised in matters concerning personal data protection (Ministry of Digital Development and Aerospace Industry).

To respond to incidents, the Bank has created playbooks (technological maps) that describe the sequence of actions that employees must take when an incident is suspected. Cyber exercises are also conducted.

The Bank immediately notifies customers about any breaches in the confidentiality of their data.

Following an investigation into an incident by the Bank and law enforcement agencies, the Bank compensates for any damages caused to the customer if there are grounds for doing so.

Cases involving the leakage, theft or loss of customer data due to information security breaches during the reporting period are presented in the table below:

Indicator	2019	2020	2021	2022	2023
Total number of recorded and substantiated cases involving the leakage, theft and loss of customer data, including:	0	0	7	0	2
Cases of data leakage	0	0	0	0	0
Cases of data theft	0	0	4	0	2
Cases of data loss	0	0	0	0	0
Cases involving the disclosure of customer data by employees of the Bank's branches	0	0	3	0	0

The Data Loss Prevention (DLP) system records and blocks attempts by employees to send confidential information outside the Bank's perimeter.

The Web Applications Firewall (WAF) system ensures protection against external cyberattacks on the Bank's remote channels.

The Security Information and Event Management (SIEM) system processes information security events and monitors the correlation of cybersecurity threats.

In an effort to prevent breaches of the confidentiality of customer data from recurring, the Bank has made technical improvements to its public applications and optimised WAF settings, bolstered the IS testing of new software product improvements, developed and launched a course for IT managers on IS compliance requirements and requires newly hired developers to take the "OWASP Top-10" course on secure development. Materials that aim to raise awareness among the Bank's employees about information security include information about compliance with the requirements of the PCI DSS standard and measures to ensure the protection of personal data.

Regular reviews of information security policies and systems. Certification according to generally accepted IS standards.

The Bank has introduced the appropriate processes to ensure compliance with the requirements of regulatory legal acts, observe intellectual property rights, protect legally protected personal information and ensure compliance with restrictions on the use of cryptographic tools.

All requirements and provisions of the international standards ISO/IEC 27001, PCI DSS, PCI 3DS and SWIFT are mandatory in terms of the scope of their application, as determined by the Bank's relevant documents.

The requirements of contractual obligations and contracts that the Bank has concluded with third parties are taken into account when developing and using information security tools and methods. A third party may only access the Bank's information resources following an analysis of the risks that may arise if such access is granted and after the appropriate protective measures are taken.

When necessary (in particular, if required by regulatory legal acts, in-house regulatory documents or international standards), the Bank checks counterparties (suppliers of

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goods and services) for compliance with certain requirements (e.g., it checks documents that confirm compliance of the services with the requirements of the PCI DSS standard).

The Bank has an independent subdivision, the internal audit department, which reports directly to the Board of Directors. The department conducts inspections of the current state of the Bank's information security management system (ISMS), as well as the information technology and information security risk management system on a scheduled basis. Audit reports are sent to the Bank's Management Board.

Since 2015, the Bank has been undergoing external audits to check whether the level of its information security complies with the requirements of the international standards ISO 27001, PCI DSS, PCI 3DS and SWIFT.

Since 2018, the internal audit department and cybersecurity department have maintained the methodology for assessing external audit companies for compliance with ISO/IEC 27001:2013 as part of internal audits of the ISMS. The aim is to optimise costs and certify in-house employees for auditing the compliance of the ISMS with ISO 27001.

At least once every three years, the authorised central executive body, the Kazakh Agency for the Regulation and Development of the Financial Market, conducts comprehensive control audits of the Bank's ISMS (this function was previously performed by a first-tier bank, the National Bank of Kazakhstan).

When conducting mandatory annual financial audits based on the requirements of the banking legislation of Kazakhstan, the Bank checks related areas, including the level of information security in audits. International companies of the Big Four accounting firms have been conducting such audits of the Bank for several years in a row.

In 2023, the annual QSA audit once again confirmed the Bank's compliance with the requirements of the PCI DSS 3.2.1 international data security standard of the payment card industry and the international security standard of the payment card industry: 3-D Secure payments.

The external auditors once again provided a positive assessment of the compliance of the Bank's in-house SWIFT infrastructure with the requirements of the SWIFT CSP and the Customer Security Controls Framework (CSCF).

GROWTH STRATEGY

For Kazakhstan, 2023 was a year of the "new normal". The situation has stabilised, inflation has dipped to 9.8% and the country saw economic growth for the year. Banks have adapted to life amid the requirements of sanctions compliance, although they have missed out on certain transactions due to sanctions restrictions. However, Halyk, which celebrated its centenary in 2023, once again demonstrated its stability, reliability, solidity and, ultimately, trust from its customers. The Bank made numerous efforts last year to further develop its digital sales channels and ecosystem products. Last year was also the year of 100 Good Deeds. Halyk is implementing ambitious projects in education, culture, healthcare, ecology and social protection throughout the country, including connecting the homes of vulnerable social groups to natural gas infrastructure, building mini-football fields, providing financial literacy training for the rural population and holding the Asia Dauysy (Voice of Asia) festival. Our leadership remains unshakable: as of 1 January 2024, we had market shares of 29% for assets, 32.8% for net loans to customers, 30.5% for liabilities to customers and 30.0% for net income.

It was also the middle year of the new strategic development cycle for Halyk Group approved for 2022-24. Even though the Group approached the new strategy with different assumptions and market expectations, we continue to follow this trajectory and develop our priority focuses. Each year, we reaffirm the mission we have chosen: "We create a territory of reliability, comfort and trust for our customers and partners." The Group's reliability and resilience remain its key advantage and are the reason why 10.2 million retail active customers and over 370,000 large business and SME active customers chose the Halyk brand in 2023.

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For the first time, we have identified strategic sustainability priorities as part of the Group's approved strategy for 2022-24, having selected 11 of the 17 UN Sustainable Development Goals (SDGs) that are pertinent to the Bank. For more about the implementation of the SDGs, please see the following sections of this report:

SDG	Section	Page
#2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	Sustainable finance and risk management People and Society	
#3. Ensure healthy lives and promote well-being for all at all ages	Sustainable finance and risk management People and Society	
#4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	Sustainable development People and Society	
#5. Achieve gender equality and empower all women and girls	Sustainable finance and risk management People and Society	
#7. Ensure access to affordable, reliable, sustainable and modern energy for all	Sustainable finance and risk management	
#8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	Sustainable development At a glance Sustainable finance and Risk management People and Society	
#9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	Sustainable development	
#10. Reduce inequality within and among countries	Corporate governance At a glance Sustainable finance and Risk management People and Society	
#11. Make cities and human settlements inclusive, safe, resilient and sustainable	Service accessibility and quality Sustainable development Sustainable finance and Risk management People and Society	
#12. Ensure sustainable consumption and production patterns	Sustainable finance and risk management Sustainable development People and Society	
#13. Take urgent action to combat climate change and its impacts	Kazakhstan's carbon neutrality strategy and the Bank's decarbonisation goals Sustainable development People and Society	

During this strategic cycle, the Bank identified its main goals and achieved the following results for each of them:

Customer focus

All the solutions, products and services being introduced aim to meet the needs of the Bank's customers and provide them with the best possible service. The Bank is focusing on providing integrated services based on the one-stop shop principle and increasing the loyalty and satisfaction of its customers.

In 2023, the Bank introduced new tools for accepting enquiries and assessing customer satisfaction with its services. It initiated research on the level of loyalty in the market and attached greater attention to the customer's voice in setting priorities for the further development of products and services, which had a positive effect on the main quality indicators: the CSI increased from 89% in 2022 to 92% in 2023, while the average monthly complaint rate per 10,000 active clients declined from 6.9 to 5.5.

Constant growth in the client base, MAU and DAU

The Bank has prioritised the development of mobile applications, which are used to deliver services better, more efficiently and faster. This should increase the number of both total customers and active ones who use the applications daily. The Bank is also focusing on expanding non-cash payments.

Results for 2023:

Retail banking: The Bank scaled up regular campaigns to retain and activate Halyk Super-App customers. In 2023, MAU increased to 7.9 million people (growth of 2 million people) and the share of the Bank's active customers amounted to 77%.

Corporate banking: Steps were taken to increase customer activity on Onlinebank. The app functionality was enriched with new digital products and services, and the customer journey was improved. MAU continued to grow: up 8% year-on-year (from 254,000 users to 274,000).

Ability to scale business solutions

Given its substantial network of subsidiaries, the Bank plans to develop IT solutions that will allow services at subsidiaries to be scaled quickly and with minimal reconfiguration.

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Tenge Business, an online business app, continued to operate in Uzbekistan in 2023 and reached almost 1,500 active business users by the year-end. The Tenge 24 mobile app for retail customers was supplemented with new services: instant transfers from Uzbekistan to Kazakhstan and online currency conversion. The application's MAU increased by 170% to 188,000 users in 2023.

A flexible, adaptive and innovative approach

All the solutions developed by the Bank must be flexible, universal and modern. The Bank aims to select the best IT and business solutions to provide the highest-quality service to its customers, including by developing ecosystem services that consider their investment and entertainment interests.

In 2023, real-time campaigns were launched as part of the Data Factory, focusing intensively on developing IT solutions while enhancing system availability and service continuity.

In addition, the Bank implemented several major projects in 2023:

- A strategic partnership was launched with the leading educational platform Kundelik in which Halyk offers children bonus points for good marks at school
- Digital auto loans were launched in partnership with seven of the country's largest car dealers in an effort to synergise large and retail businesses
- The Bank continued to develop its ecosystem services: the Kino.kz movie ticket purchase service achieved a 37% market share, ticket purchases through the Halyk Travel service increased by 20% and purchases on Halyk Market grew by 170% year-on-year
- The Bank is the leader on the financial market in terms of the number of government services it provides; in 2023, our customers used government services through the Halyk Super-App more than 13 million times
- As part of its efforts to embed ESG principles, the Bank identified KPIs in target areas (including water consumption, energy and CO2 emissions), organised the "Reuse. Recycle. Reduce" public campaign jointly with the UN, and developed and introduced ESG reporting formats in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)

For 2024, the Bank has set equally ambitious goals to digitise its banking business and further promote its ecosystem products:

- Halyk Bank is a major partner for most corporates and virtually the only full-service bank in Kazakhstan; to provide optimal service, the Bank continually enhances the customer experience and adds new functionalities to the Onlinebank mobile app for corporate customers
- The Halyk Super-App digital private banking solution is also being continuously developed and updated with new services
- Developing the acquiring business continues to be a key focus for the Bank

Given the potential of the Uzbek market, the Bank is actively investing resources and developing this focus:

- The Bank will also continue to enhance and actively promote the lifestyle ecosystem products Kino.kz (entertainment ticketing) and Halyk Travel (air, rail and bus ticketing)
- Halyk Invest, which is designed for remote brokerage account opening and remote trading, is expanding the functionality of its application and improving the customer journey
- Halyk Market is meeting customer needs by constantly expanding the range of products it offers
- Several other equally important tasks are also being implemented to provide our customers and partners with high-quality service

We are confident that these key initiatives, as well as support from our customers, partners and shareholders, will enable Halyk Group to successfully achieve the goals set for the next strategic period and reaffirm its broad capabilities and strong reputation as the undisputed leader of Kazakhstan's financial system.

Our values

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.

Our business is founded on six core values:

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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.

The Bank's Code of Ethics and Business Conduct (Code of Ethics) regulates the professional behaviour of our executives and employees when performing their official duties and defines 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 Code of Ethics is to:

- Enshrine 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 Code of Ethics is 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 available via telephone, WhatsApp, Telegram and email, or by contacting any member of the Head Office's internal security department directly. The contact information can be found on the Bank's corporate intranet Halyk Info and the Halyk Zalog website, as well as in all tender documents. Any employee of the Bank or third party can submit an appeal and report violations of the Code of Ethics or other requirements of legislation regulating labour relations. In addition, people who submit appeals have the right to anonymity. The Bank does not tolerate any form of harassment or discrimination against employees who raise concerns in good faith or report violations of business ethics or the law. The Bank will also protect employees who report problems and violations against intimidation and harassment. Any information related to the identity of the applicant will be kept confidential. The Bank's internal security department maintains a registry of all incoming complaints and appeals. In 2023, there were six calls received. All were reviewed in accordance with the established procedure and appropriate measures were taken for each.

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KAZAKHSTAN'S CARBON NEUTRALITY STRATEGY AND THE BANK'S DECARBONISATION GOALS

In February 2023, Kazakhstan adopted a strategy to achieve carbon neutrality in the national economy by 2060*. The document envisages the large-scale decarbonisation of almost all sectors of the economy and the renovation of production chains.

The document states that investment of US$10 billion is needed by 2030. The remaining US$600 billion will be invested before the end of 2060. Investments in low-carbon technologies to achieve carbon neutrality are estimated at around US$610 billion. The strategy contains numerous plans to achieve carbon neutrality (net zero) in the main sectors of the economy: energy, industry, transport, agribusiness and buildings.

Sector	Main focuses of Kazakhstan's net zero strategy
Energy	• Decarbonisation of primary energy supplies • Decarbonisation of electricity and heat generation • Decarbonisation and high energy efficiency
Industry	• Reduced consumption of base materials through improved product design and the use of alternative materials • Increased waste recycling to reduce the need to recycle raw materials as a major source of emissions • Introduction of new production technologies with zero emissions
Transport	• Reduced need for car trips • Shift towards alternative fuels • Improved city planning and mobility
Agribusiness	• Sustainable agriculture and livestock management • Improved irrigation systems • Sustainable forest management and reforestation
Buildings	• Energy efficiency • Transition to renewable heating and energy supply sources

As a leader in responsible finance in the Central Asian banking sector, the Bank will play its part in achieving the goals of net zero at the national level. The Bank has set the relevant targets for its own operating activities (Scope 1 and 2) and plans to set targets for financing (Scope 3 related to the Bank's portfolio) in accordance with its medium-term goals for 2025.

To this end, in 2023, Halyk Bank developed a methodology to calculate its carbon footprint from the sale of financial products, as well as a Responsible Finance Policy.

In accordance with its Environmental Code*, Kazakhstan has introduced the Kazakhstan Emissions Trading System (KAZ ETS) based on the cap-and-trade principle. Its main goal is to systematically reduce GHG emissions using market methods to stimulate market participants. The main sectors covered by the KAZ ETS are the electricity, oil and gas, mining, manufacturing, chemical and metallurgy industries.

The current regulatory period (2022–25) is the fifth in a row. Free quotas are allocated within the period according to the benchmarking method with a 1.5% annual reduction, which analysts believe should lead to the formation of a stable price for auction quotas.

Key facts about Kazakhstan's GHG emission trading system

Average price of carbon units (as of 2024: US$1.18/tonne of CO2

Quota distribution type: free (benchmark), auction

Total GHG emissions (excluding Land Use, Land-use Change and Forestry): 338.1 million TCO2e

Emissions covered by the ETS within the Kazakh country inventory: 51%

Verified ETS emissions: 162 million TCO2e

Coverage threshold: facilities emitting ≥20,000 tonnes of CO2 per year

Quota units: 212 (as of 2024)

The Bank is monitoring the development of the KAZ ETS and creating its own carbon pricing scenarios that take into account the priorities and action plans announced by the Kazakh government. Our assessment will be based on the same set of related scenarios in which keeping GHG emissions low in line with the reduction targets of the Paris

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Agreement is driven by more ambitious regulation, rapidly changing market positions and heightened stakeholder attention, and the scenario for retaining the existing policies is associated with sustained or rising emissions and the resulting growth in physical risks.

As such, to determine the relationship between the impact of climate risks on the Bank's loan portfolio by category, it would be advisable to apply the same baseline scenarios that identify the climate risks of the transition:

- Scenario RCP-8.511 of the IPCC Fifth Assessment Report – a conservative scenario for the implementation of carbon regulation policies that is consistent with the level of scenarios of current policies per the NGFS classification
- Scenario RCP-2.6 of the IPCC Fifth Assessment Report – an ambitious scenario for the implementation of carbon policies that is consistent with a level below 2°C per the NGFS classification

When conducting a quantitative assessment, various short-term, medium-term and long-term scenarios may be analysed regarding the timing of the introduction of regulation, which could correspond to an organised or chaotic transition (using TCFD terminology).

These scenarios will be used as input data for the climate stress testing of the Bank's loan portfolio. In addition, we support companies that operate using KAZ ETS quota units on their path to sustainably growing and decarbonising their business.

Metrics and targets

Climate targets

The Bank's decarbonisation journey will take into account the following ESG principles for financial institutions regulated by the Concept for the Development of the Financial Sector of Kazakhstan until 2030 :

1. Disclosure of exposure to ESG risks
2. Incorporation of ESG principles into the risk management system and corporate governance
3. Monitoring of ESG risks and their integration into the oversight system
4. Development of expertise on the financial market, in particular for key employees who make strategic and operational decisions

The Bank's decarbonisation targets will be selected based on these principles and also in line with Kazakhstan's country targets for achieving carbon neutrality. We will contribute to the decarbonisation of the national economy through the impact on our own operations and financing portfolio, including but not limited to the following areas:

- Increasing the share of low-carbon businesses in the portfolio
- Supporting resource-intensive customers on their decarbonisation journey
- Financing low-carbon projects in accordance with the taxonomy of green banking products in Kazakhstan

Starting from 1 October 2023, the Bank has incorporated responsible financing principles into the loan process for corporate clients and SMEs. The responsible financing tools include the verification of a client's activities and business practices against an exclusion list of inappropriate activities for financing by the Bank.

When processing a loan application, the Bank may apply three levels of carbon footprint accounting, depending on the requested financing limit. The Bank applies a differentiated ESG scoring approach based on the level selected. Depending on the results of the client's ESG scoring and transaction scoring (if applicable), the Bank determines the aggregate ESG rating and the possibility of lending to the client. This applies to both new funding requests and requests for increased funding.

* Environmental Code of Kazakhstan https://adilet.zan.kz/rus/docs/K2100000400

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- In the fourth quarter of 2023, a portfolio analysis was conducted for the three most carbon-intensive industries as part of the review of monitoring reports and project financing: energy, oil and gas, and metals and mining. The result of the analysis showed that these industries are predominantly in the high-risk zone. The following approaches were used to determine the level of risk: if a project does not meet the criteria of the green taxonomy of Kazakhstan, but has other environmental and social benefits, or has a negative impact but also has planned mitigation measures, the project is classified as having a moderate risk. The assessment for each tier depends on the significance of the positive effects and their materiality for decision making. Consequently, projects that meet the criteria for the green taxonomy have the highest significance as they entail the lowest environmental risk.

Targets of Kazakhstan and the Bank's targets and capabilities in climate matters:

Climate targets of Kazakhstan	Climate targets of the Bank	The Bank's capabilities to achieve its climate targets
Target of NDC: Reduce GHG emissions by 15% versus the 1990 level by 2030	Consider setting transitional targets: Reduce GHG emissions from the Bank's operations and financing portfolio from the 2022 to the 2030 level	• Increase the share of project financing whose objectives are consistent with the green taxonomy of Kazakhstan • Support our corporate customers who have publicly approved the decarbonisation goals • Increase the share of the portfolio associated with high-tech and low-carbon activities, including industries with a low carbon footprint
Net zero target: Achieve carbon neutrality at the country level by 2060	Consider setting a net zero target: Achieve carbon neutrality in operations and the financing portfolio by 2060	• Finance innovative technologies that contribute to technological development and the decarbonisation of carbon-intensive industries in accordance with Kazakhstan's net zero strategy • Special financing conditions for customers who have approved carbon neutrality goals • Financing activities that contribute to a reduction and absorption of carbon

In accordance with our carbon neutrality strategy, we plan to formulate and confirm targets that are consistent with the carbon neutrality strategy of Kazakhstan by 2025.

Supporting our customers on their path to decarbonisation

The Bank is working to assess GHG emissions associated with the corporate business financing portfolio in accordance with PCAF methodology. This assessment covers the carbon footprint of business loans and the Bank's involvement in project financing.

To support the decarbonisation of the economy, the Bank has introduced incentives in the form of preferential interest rates on green loans. In 2023, the Bank financed the following projects:

1. Investment in the renovation of street lighting in Atyrau to significantly improve energy efficiency. The project complies with the taxonomy of green projects based on an opinion from AIFC Green Finance Centre Ltd.
2. Financing for the acquisition of vehicles that run solely on electricity. The Bank also has a preferential programme for retail customers to purchase electric vehicles.
3. Financing for a project to provide passenger bus transportation services in Almaty by introducing more eco-friendly busses powered by natural gas on routes.

In addition, the Bank is actively exploring opportunities to provide the proper support for our customers in a climate-related and decarbonised manner. It is working to attract liquidity in order to support clients implementing green projects and taking measures to embed ESG principles in their operations, including reducing their carbon footprint.

ANTI-CORRUPTION

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 accordance with the Bank's Anti-Corruption Policy, the primary objectives of the anti-corruption system are to create effective mechanisms, procedures, monitoring and other measures to combat and prevent corrupt actions and offences, as well as minimise the risk of the Bank or its employees becoming involved in corrupt activities.

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As part of its anti-corruption education system and in an effort to inform the workforce about anti-corruption policies and methods, the Bank provided training in 2023 for 11,160 of its employees (including 8,399 employees from branches and 2,761 employees from the Head Office), followed by testing of their knowledge of the Anti-Corruption Policy.

The Bank continues to enshrine and abide by the principles of not tolerating corruption in any form or manifestation in its daily activities and strategic projects, including interaction with shareholders, investors, contractors, government officials, supervisory and control bodies, local government bodies and political parties.

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

COMPLIANCE

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 risk 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 of 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 and 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 the 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 the Bank complies with international economic and country-specific sanctions*
- Ensuring that employees comply with the requirements of internal documents governing the prevention of conflicts of interest

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

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- 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

The Bank always has and continues to comply with the requirements of international economic sanctions. The Bank introduced sanctions compliance procedures long ago and strengthened them in February 2022 following the imposition of new sanctions.

The Bank has the following internal sanctions compliance procedures in place, which include such control measures as:

- Daily verification of its customer and counterparty database to see if any of them have been included in the sanctions lists of the EU, US, UK and other countries.
- Verification of potential customers/counterparties when establishing business relations prior to connecting them/concluding a contract with them.
- Online verification of all banking transactions against sanctions lists. The Bank has used Siron Embargo software from FICO Solutions for verification since 2009 and also verifies other banking systems based on the type of transaction.
- Analysis of other sanctions restrictions with respect to the subjects of transactions, whether third parties are involved, the geography of supply routes, the goods/services, manufacturers and modes of transport, among other things. Verification of documents confirming the information provided to the Bank (contracts, invoices, transport documents, customs declarations and documents confirming the source of funds). This procedure was ramped up after February 2022 due to existing sanctions risks associated with Russia and Belarus.
- The Bank has introduced strict customer onboarding procedures for non-residents, both individuals and legal entities, and/or those who have non-residents in their ownership structure, as well as authorised persons. Business relations with such customers are only established at a branch when the potential customer is present. The Bank does not establish business relations remotely for such categories of individuals or by proxy. If business relations are established with individuals, the potential customer must prove to the Bank that it has vital interests in Kazakhstan. If business relations are established with legal entities, the legal entity must prove that it has business in Kazakhstan and no ties to any military-industrial complexes, among other things.
- Measures to monitor sanctions restrictions for other types of transactions, such as foreign exchange trading, trade finance and treasury operations.
- Permanent know-your-client procedures for correspondent banks and the thorough verification of their transactions.
- Procedures to freeze transactions and terminate business relations with customers involved in activities that risk violating/circumventing international sanctions.
- In an effort to minimise risks, the Bank also requests letters of compliance with international sanctions from customers/counterparties that confirm they do not have any ties to sanctioned individuals/organisations or any military-industrial complexes.

The Bank conducts ongoing training on international sanctions both for its own employees and the employees of its subsidiaries. The compliance control department constantly updates its methodology on international sanctions, monitors requirements on a daily basis and sends out reviews, including to the Bank's management and its subsidiaries, when sanctions information is updated.

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 affect 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 organises regular compliance training for the Bank's employees, including in AML/CFT, internal control and compliance with the requirements of 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 2023, 21,741 employees completed such training*. The Bank uses various training formats, including classroom, interactive (offline) and remote (online) sessions, in accordance with the approved training plans.

* International economic sanctions are compulsory measures of a political, diplomatic or economic nature imposed by an international organisation, foreign state or authorised governmental body of a foreign state that provide for a partial or total ban on trade, financial and other transactions/payments/transfers with individuals or entities, a state/territory and/or its residents against whom sanctions are imposed.

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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 ensures:

- The efficient operation of the Bank, including its effective management of banking risks, assets and liabilities, and safeguarding its assets
- The completeness, reliability and timeliness of financial, regulatory and other reporting for internal and external users, as well as information security
- The Bank's compliance with the requirements of Kazakh legislation and internal documents, including in matters related to AML/CFT
- The Bank's compliance 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, Financial Action Task Force, the Wolfsberg Principles on AML/CFT and internal documents
- That the Bank or its employees do not become 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 provide 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 PwC. In 2022, PwC conducted an independent assessment to ensure that the activities of the Bank's internal audit department comply with the Standards and the Code of Ethics. The 'fully compliant' status was reaffirmed.

The internal audit department's auditors have internationally recognised certificates and professional qualifications such as CIA, CISA, CISM and others.

The independence of the internal audit department and the objectiveness of internal auditors are confirmed by the following:

- The internal audit department is functionally subordinate and accountable to the Bank's Board of Directors. This subordination is enshrined in the Regulation on the Internal Audit Department.
- The department interacts with members of the Board of Directors directly and through the Audit Committee and has direct access to the Bank's Board of Directors, Audit Committee and Management Board.
- Audit engagements may be carried out at any structural unit of the Bank, any subsidiary and in any business on a risk-oriented basis.
- 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 and the Audit Committee.
- Internal auditors are objective in performing their functional duties and work in accordance with the Conflict of Interest Matrix.
- Department employees have full access to any documents, information, assets and information systems of the Bank and its subsidiaries as part of the audits they are conducting.

In 2023, the department performed audit engagements and consultations to assess the effectiveness of the Bank's systems for risk management, internal control and corporate

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governance of business processes, as well as the financial and economic activities of the Bank and its subsidiaries. Banking operations, including those related to the adequacy and effectiveness of ESG policies and procedures, IT systems, information security, anti-corruption and business ethics, are audited annually as part of each audit engagement. As regards assessments of ESG issues, the department plans to continue training employees on the principles and approaches used to assess ESG, and expand the list of issues disclosed during audits (e.g., assessing the effectiveness of measures taken by the Bank to conserve natural resources, limit environmental pollution, assess the ethical culture and address occupational safety issues). The department's Long-Term Work Plan for 2025 contains plans to audit the Bank's Social and Environmental Risk Management System.

Based on its audit engagements in 2023, the department gave recommendations to improve the efficiency of the risk management, internal control, corporate governance and ethics systems. The Board of Directors and the Audit Committee ensure that actions are taken to correct the shortcomings that the internal audit identified in the internal control, risk management and corporate governance systems. The department conducts quarterly monitoring of the efficiency of the measures taken by audited entities in response to the audit engagements. If the department finds that the measures are insufficiently effective or fail (or partly fail) to eliminate the shortcomings, it communicates this information to the Board of Directors.

The department provides regular methodological assistance to improve the degree of compliance with the operational standards of the internal audit services of the Bank's subsidiaries.

STAKEHOLDER ENGAGEMENT

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, Code of 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

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with all contractual terms, as well as generally accepted moral and ethical standards. Showing respect and integrity in relationships is a priority.

Public authorities

The Bank and its employees engage with public authorities and civil servants 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.

Engagement with key stakeholders in 2023

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 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, KASE, Astana International Financial Centre and 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 shows (virtual) and participation in conferences and other IR events • Annual reports and sustainability reports • Publications on the websites of the Depository of Financial Statements, KASE, Astana International Financial Centre and 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 • Personnel review and management feedback • Team building • Volunteer activity • Corporate events

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Another stakeholder engagement tool that the Bank uses is the preparation and publication of its sustainability report. This report discloses information based on GRI Standards and in accordance with TCFD recommendations 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 2023

Materiality assessment

Based on the results of the materiality assessment, 24 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

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

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KPIS USED BY THE BANK TO ASSESS CLIMATE-RELATED RISKS AND OPPORTUNITIES

As the Bank introduces a system of ESG KPIs to create a system of metrics to support the sustainable financing strategy, it has drafted and approved in-house regulatory documents to manage ESG components: the Methodology for Classifying Financed Activities Based on ESG Criteria, the Methodology for ESG Segmentation of the Loan Portfolio by Industry , and the Responsible Financing Policy.

The following industry segmentation components were included as part of risk management: carbon footprint calculation, an exclusion list of inapplicable activities, borrower scoring, borrower self-declaration and an assessment of major projects.

Current climate-related KPIs of the Bank

Category	Indicator	KPI for 2023 and subsequent years	Status
Impact of environmental risks	Magnitude of risks associated with adverse climatic events	1. Assessment of the share of the portfolio exposed to physical/transitional risks – 2025	1. Phased assessment is under way. The portfolio is expected to receive maximum coverage starting from 2025.
		2. Preparation of an action plan to reduce the impact of physical/transitional risks on the portfolio – 2025	2-3. After the portfolio is assessed, a methodology and action plan will be drafted to reduce the impact of physical/ transition risks on it.
		3. Development of a methodology to determine and reduce the magnitude of physical/transitional risks – 2025	
		4. Share of digital loans in the loan portfolio for individual entrepreneurs in 2023 – 60%	4. As of 1 January 2024, digital loans made up 78.6% of the total number of loans in the portfolio for individual entrepreneurs.
		5. Preparation and approval of policies and procedures to manage ESG components – 2023	5. Completed.
		6. Annual disclosure of information about the ESG score and portfolio classification based on the final ESG rating in industries – from 2024	6. The results are to be disclosed based on the 2024 figures.

Category	Indicator	KPI for 2023 and subsequent years	Status
Climate change	GHG emissions from bank activities (Scope 1, 2 and 3)	1. Annual disclosure of non-portfolio Scope 3 – from 2023 2. Reduction in CO2 emissions by 2% in 2022-24	1. Completed. 2. In 2023, direct GHG emissions (Scope 1) amounted to 3,298.67[A] TCO2e, down 19.45% from the 2022 level of 4,095.2 TCO2e. Total indirect energy emissions (Scope 2) generated as a result of electricity and heat consumption by the Bank's facilities in 2023 amounted to 63,027[A] TCO2e, down 1.86% from 64,224 TCO2e in 2022.

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Climate change	Waste management	1. Establishment of a specific target for waste management (per one bank employee) – from 2023 2. Reduction in solid municipal waste generation by 1% vs. the 2021 level over a period of three years – 2022-24	1. The target was set without exceeding the solid waste generation volume, except for hazardous and recycled types (mercury-containing lamps, batteries, and tyres). 2. In 2023, the Bank's operations generated 7,374[A] tonnes of waste (7,280.5 tonnes in 2022). Reasons: employees returning to the office after working remotely.
Climate change	Portfolio GHG emissions (Scope 3)	1. Annual phased disclosure of Scope 3 associated with the loan portfolio – from 2024 or 2025 2. Establishment of goals to manage the carbon footprint of the portfolio – by 2024-25	The Bank assesses the carbon intensity of its loan portfolio based on the methodology it has adopted.

SUPPLY CHAIN MANAGEMENT

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. Its 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 worth around KZT84.8[A] billion from Kazakh suppliers (KZT96 billion in 2022), which equalled 94.4%[A] of the overall value of procurements (95% in 2022).

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Halyk



5 CORPORATE GOVERNANCE

CORPORATE GOVERNANCE

The Bank's corporate governance system is built in accordance with best international and national standards, and is based on respecting the rights and interests of all stakeholders. This contributes to the growth of the Bank's value, supporting its financial stability and profitability, and reassuring investors and shareholders that their money is being used effectively.

The Bank's corporate governance system has the following key objectives:

- Enhance the Bank's shareholder value and investment appeal
- Ensure the profitability of the Bank and Halyk Group companies
- Promote long-term, sustainable and harmonious development in alignment with its diverse stakeholders through the implementation of Halyk Group's Development Strategy
- Improve the corporate governance system continuously and consistently, considering stakeholder interests, including through a reasonable and differentiated approach to implementing corporate governance standards and practices across Halyk Group companies

The Bank's current Code of Corporate Governance defines the main management standards and principles. These include relations between the Board of Directors and Management Board, and between shareholders and employees, as well as functioning mechanisms and decision-making procedures of the Bank's internal bodies.

Principles of the Code of Corporate Governance

- Create a real opportunity for shareholders to exercise their rights to take part in managing the Bank 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)
- Provide shareholders with accurate, timely and complete information regarding the Bank's financial position, economic indicators, results and management structures
- Ensure that the Board of Directors strategically manages the Bank's activities and effectively monitors the activities of its executive body
- Give the Management Board the opportunity to effectively manage the Bank's day-to-day operations in good faith, and make it accountable to the Board of Directors and shareholders
- Define ethical standards for shareholders and the Bank's officials, ensuring maximum operational transparency
- Create long-term economic value for all stakeholders
- Adhere to the principles of human rights, inclusion and diversity, as well as fairness and equality for everyone
- Respect the environment
- Cultivate the practice of responsible finance and effective ESG risk management
- Adhere to ethical business approaches and introduce best corporate governance practices
- Enhance information disclosure and transparency

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.



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Achievements in corporate governance and sustainable development

- 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, 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 any excess liquidity, a dividend policy has been adopted.
- In March 2024, MSCI ESG Research upgraded its ESG rating for Halyk Bank from 'BB' to 'BBB'. ESG ratings have become an important factor in making investment decisions. The agency noted that the rating upgrade in recognition of enhanced corporate governance practices, as well as continuous improvement in privacy and data security practices.
- In 2023, there were significant changes in the composition of the Bank's Board of Directors. The number of members was increased from seven to eight and three new directors were elected: Zhaksybek Kulekeyev, Zhomart Nurabayev and Hermann Tischendorf. They have extensive experience and expertise in information technology, telecommunications, digital products, ecosystems, finance, economics and management.
- In June 2023, the Board of Directors approved the Responsible Finance Policy to promote informed decision making in line with the principles of responsible finance and to introduce a procedure for assessing the ESG risks of lending to its customers.
- In May 2023, the General Shareholders Meeting approved a new version of the Charter, Code of Corporate Governance and Regulations for the Board of Directors. The Bank made a voluntary commitment to assess its compliance with the provisions of Kazakhstan's Model Code** annually in accordance with the "comply or explain" principle. In this regard, the Bank wrote to the Kazakhstan Stock Exchange (KASE) in June 2023 to confirm that it had assessed its compliance with the principles of the Model Code.
- In May 2023, the Bank updated its Board Book containing introductory information for new members of the Board of Directors and prepared an ESG training course for corporate secretaries and managers of Halyk Group organisations.
- In 2023, the Bank switched to a new electronic document management system (Tezis EDMS), which enabled the digitalisation of many internal document approval processes and reduced the use of paper documents. It also launched a project to develop and implement the Tezis EDMS Meetings module to enable meetings of collegial bodies such as the Board of Directors, Management Board and their constituent committees. This project is scheduled to be completed in 2024.
- To improve the qualifications of corporate secretaries of Halyk Group companies, training events on corporate governance and sustainability issues were held in 2023 to certify the employees of the Bank and subsidiaries responsible for the functioning and development of corporate governance.
- In January 2023, Halyk Bank became the first bank in Kazakhstan to sign up to the UN Global Compact, the largest CSR and sustainability initiative in the world.



* The UK Corporate Governance Code (September 2014).

** Kazakhstan's Model Code is a standard Code of Corporate Governance approved on 27 April 2021 by Decision No. 4 of the Presidium of the Atameken National Chamber of Entrepreneurs.

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- To define the powers and responsibilities of the Board of Directors and the Management Board as regards measures to embed sustainable development and ESG principles in the Bank's Operations, as well as contribute to the achievement of the sustainable development goals, the Bank has the following governing documents in place: Sustainability Policy; Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy; Personal Data Collection, Processing and Protection Policy; Environmental Code; and Code of Ethics.
- In Asiamoney magazine's annual competition for the best bank in Kazakhstan, Halyk Bank came first in the following categories in 2022: "Best Bank for ESG" and "Best Bank for Diversity and Inclusion".
- Annually, the members of the Bank's Board of Directors conduct an assessment (self-assessment) of their activities in line with best international practices. The results of the assessment (self-assessment) are submitted for consideration to the Bank's shareholders.
- To audit the financial statements of Halyk Group companies, the Bank engages 'Big Four' professional services firms. In 2023, this was carried out by Deloitte LLP.
- In 2021, Halyk Group devised and approved a new Development Strategy for 2022-24. Its main priority is to create a reliable, technology-driven, innovative ecosystem that provides high quality products and services to the Group's customers. The strategy focuses on the active development of ESG; the creation of an efficient economy that prioritises social development and environmental protection; enhancing engagement, cooperation and constructive relations among employees, customers, shareholders, investors, partners and the state; and developing financial products to drive the 'green' agenda.
- At in-person meetings, the Board of Directors regularly review progress reports on the Action Plan for Introducing Sustainability Principles and Goals for 2022-24.
- The companies of Halyk Group employ uniform standards and approaches related to the coordination of corporate governance processes.
- Halyk Group has introduced effective internal audit, risk management and compliance control functions, as well as institutions of independent directors and a corporate secretary.
- The Bank maintains and regularly updates a register of corporate secretaries and a register of candidates for the position of independent director at Halyk Group companies.
- 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.



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Oversight of climate-related risks and opportunities by the Board of Directors

The Bank places particular emphasis on matters related to sustainability. As part of this, the Board of Directors has approved various policies, while the Sustainability Committee discusses proposals for developing and streamlining the corporate governance system.

To define the priorities that will contribute to protecting the environment and ensuring the business' long-term sustainability, the Bank has adopted an Environmental Code.

The concept for developing Kazakhstan's financial sector to 2030, approved by presidential decree no. 1021 of 26 September 2022, defined the main resolutions for developing a system for managing non-financial risks and integrating corresponding practices into the risk management systems of national financial institutions. The following resolutions are notable key drivers for sustainability:

1. disclosure of information about ESG risks
2. introduction of ESG principles in risk management and corporate governance
3. oversight of ESG risks and their integration into the management system

The Bank actively contributes to the creation of ESG policies on the national level and has dialogues with the regulator, the KASE and the Association of Financiers of Kazakhstan (AFK).

In particular, the Bank:

- has defined the most pertinent and key ESG challenges and priorities.
- has developed a road map for introducing responsible finance principles.
- is devising a matrix/rating scale for classifying ESG factors.
- is conducting ESG segmentation of sectors for evaluating the impact of ESG risks on them.
- is developing policies and procedures for managing ESG components. The Risk Committee's responsibilities are being increased in line with the greater requirements to identify priority climate-related areas.
- is analysing approaches to stress testing by using climate risk parameters and various scenarios to determine capital adequacy and liquidity parameters.

The Bank recognises its special role and position as the largest and most significant financial institution in Kazakhstan's economy. To contribute to global efforts to address the effects of climate change and use natural resources responsibly, the Bank embeds responsible finance principles into its operations.

In accordance with responsible finance principles, the Bank integrates sustainability objectives into its business strategy and actively manages the social and environmental risks associated with its activities. In addition, by mitigating its own risks, the Bank contributes to external positive changes by supporting clients working to continuously improve their environmental and social risk management.

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Role of the Management Board in assessing and managing climate-related risks and opportunities

The Bank intends to integrate climate-related factors into its strategy and has defined the corresponding objectives, focus areas and methods. These will be implemented through all areas of management.

Body	Key functions	Planned cascading of climate-related risks and opportunities
Board of Directors	• Defines the approaches to integrating sustainability factors into the Bank's strategy; oversees the implementation of corresponding procedures and practices in the work of the Board of Directors; defines the responsibilities of committees regarding sustainability in corresponding functional areas and mechanisms for identifying and monitoring related KPIs • Approves top-level documents, including the Sustainability Policy • Oversees the implementation of the development strategy, including the ESG agenda	• Oversee the integration of climate-related matters into the development strategy • Determine the Bank's KPIs and monitor progress in fulfilling them
Management Board	• Implements the Bank's strategy • Prepares and approves the ESG and sustainability action plan, and oversees its implementation by subdivisions	Ensure the functioning of the ESG strategy, and manage climate-related risks and opportunities
Corporate banking process owners	Identifies and supports the main focus areas based on portfolio category	• Integrate ESG and climate survey forms into the client information collection and evaluation system • Assess clients and financing projects in accordance with climate-related risk evaluation processes • Develop products and financing solutions aimed at encouraging clients to follow sustainability practices
Credit risk department – Credit analysis department and corporate client departments nos. 1 and 2	Introduces ESG components in the process for assessing and monitoring projects financed	Integrate climate-related risk management into the Bank's risk management system through indirect application

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Corporate governance structure*

The Board of Directors has the following consultancy and advisory bodies: Strategic Planning Committee, Audit Committee, Nomination and Remuneration Committee, Sustainability Committee and Risk Committee.

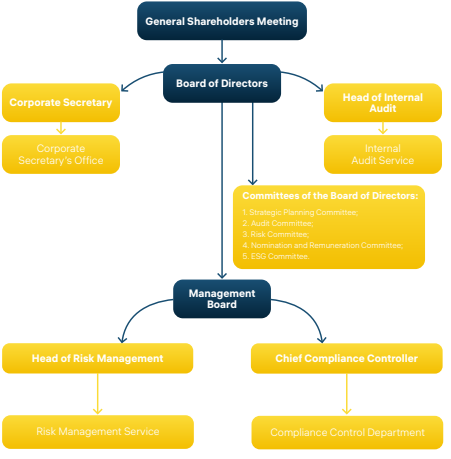
The Management Board has created numerous working bodies, including directorates, committees and working groups. This allows it to consider major issues concerning each separate segment in detail. Where necessary and if required by law, decisions made by such working bodies are brought to the Management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

To audit the financial statements of Halyk Group companies, the Bank engages 'Big Four' professional services firms. In 2023, this was carried out by Deloitte LLP.

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



* As of 1 January 2024

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Board of Directors structure

As of 1 January 2024, the composition of the Board of Directors was as follows:

Board of Directors	
Alexander Pavlov	Chairman of the Board of Directors, Risk Committee Chairman and independent non-executive director
Arman Dunaev	Audit Committee Chairman and independent non-executive director
Frank Kuijlaars	Nomination and Remuneration Committee Chairman and independent non-executive director
Zhaksybek Kulekeyev	Independent non-executive director
Zhomart Nurabayev	Member of the Board of Directors and representative of Holding Group ALMEX
Hermann Tischendorf	Sustainability Committee Chairman and independent non-executive director
Piotr Romanowski	Strategic Planning Committee Chairman and independent non-executive director
Umut Shayakhmetova	Member of the Board of Directors and Chairperson of the Management Board
Total	**8 directors**

The independence of the directors was determined using the criteria set out under Kazakh law.

INDEPENDENCE OF DIRECTORS

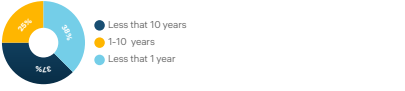


AGE DIVISION OF DIRECTORS

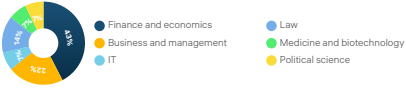


GENDER DIVERSITY OF DIRECTORS

TENURE OF DIRECTORS



EDUCATIONAL SPECIALISATION OF DIRECTORS



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Directors' skills and experience

The Bank seeks the best balance of experience, skills and vision in its directors. Having various views when discussing issues allows the Board of Directors to exercise its duties and represent the interests of shareholders most effectively.

Independent directors contribute international experience, strategic vision, insight into the largest industries where the Bank operates, corporate governance and risk management.

At the same time, all directors have knowledge of banking activities, finance in general and human resources management, including remuneration issues.

Skills and experience of directors	
Banking	7 directors
Oil and gas and mining	4 directors
Other industries in the real economy	6 directors
Finance	8 directors
Leadership	8 directors
Risk management	4 directors
Medicine and biotechnology	1 director
International experience	5 directors
Strategic vision	8 directors
Corporate governance	8 directors
Human resource management	8 directors
Sustainability	8 directors
IT and telecoms	1 director

Management Board structure

In 2023, there were no changes to the Management Board's composition.

As of 1 January 2024, the composition of the Management Board was as follows:

Management Board	
Umut Shayakhmetova	Chairperson of the Management Board *HR, Legal, Customer Service Quality and Internal Security*
Aivar Bodanov	Deputy Chairman *Security and Problem Loans, and CISO*
Olga Vuros	Deputy Chairperson *Corporate Banking*
Murat Koshenov	Deputy Chairman *Compliance, Financial Block, Financial Institutions and International Relations, and Subsidiaries*
Zhumabek Mamutov	Deputy Chairman *Retail Banking*
Roman Mashchyk	Deputy Chairman *Risks and DS*
Nariman Mukushev	Deputy Chairman *Digital Public Services and Ecosystems*
Yertai Salimov	Deputy Chairman *Digital Public Services and Ecosystems*
Dauren Sartayev	Deputy Chairman *SME Banking, Transactional Banking, Service and Sales Development, Marketing and PR*
Total	**9 members**

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Activities of the Board of Directors

In general, the Board of Directors works in accordance with the plans for respective periods.

In 2023, the Board of Directors held seven meetings in person at which they considered 52 items, as well as 61 meetings in absentia at which they considered 558 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	6/51	38/373
Arman Dunaev	7/52	61/558
Mazhit Yessenbayev**	4/40	45/367
Frank Kuijlaars	7/52	59/549
Zhaksybek Kulekeyev****	1/5	3/40
Zhomart Nurabayev****	1/5	5/51
Christof Ruehl*	2/30	21/186
Piotr Romanowski	7/52	61/558
Hermann Tischendorf***	5/22	39/367
Umut Shayakhmetova	7/52	50/489
Total	**7/52**	**61/558**

The most important items that the Board of Directors considered in 2023 included the following:

1. Reports from the Management Board of Halyk Bank and its subsidiaries about the implementation of Halyk Group's strategy for 2022-24 (including the Bank's technological transformation, as well as the development of digital products and services)
2. The results of the operations and budget execution of the Bank and Halyk Group for 2022 and H1 2023
3. The approval of the consolidated budget of Halyk Group (IFRS) and Halyk Bank for 2024
4. The results of a scenario analysis on the impact of potential risks on the Bank's financial stability in 2024
5. Management Board proposals regarding the advisability of adjusting Halyk Group's Development Strategy in 2024, after consideration of which the Board of Directors decided that it was not advisable to adjust Halyk Group's Development Strategy for 2022-24
6. New versions of the Bank's Charter, Code of Corporate Governance and Regulations on the Board of Directors, which the Board of Directors preliminarily approved and were later adopted at the General Shareholders Meeting
7. The Bank prepared and published its sustainability report for 2022. This document detailed the main aspects of the Bank's ESG activities; the Bank made a voluntary commitment to provide transparent disclosure of key information about its sustainability performance by publishing this report
8. In accordance with the requirements of the Bank's Code of Corporate Governance, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities in 2022, the results of which were submitted for consideration at the General Shareholders Meeting
9. In preparation for the General Shareholders Meeting, amendments to the methodology used to determine the value of shares when the Bank repurchases

* Christof Ruehl ceased to be a member of the Board of Directors effective 25 May 2023 (General Shareholders Meeting dated 25 May 2023 No. 48)

** Mazhit Yessenbayev prematurely ceased to be a member of the Board of Directors effective 1 December 2023 (Extraordinary Shareholders Meeting dated 1 December 2023 No. 49)

*** Hermann Tischendorf was elected as a member of the Board of Directors effective 25 May 2023 (Extraordinary Shareholders Meeting dated 1 December 2023 No. 49)

**** Zhaksybek Kulekeyev and Zhomart Nurabayev were elected as members of the Board of Directors effective 1 December 2023 (Extraordinary Shareholder Meeting dated 1 December 2023 No. 49)

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them on the unorganised securities market were developed and preliminarily approved, and were later adopted at the General Shareholders Meeting

10. Progress reports on the Action Plan for Introducing Sustainability Principles and Goals for 2022-24

11. The Board of Directors took the decision to sell 100% of Halyk Bank Kyrgyzstan.

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.

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.

The Board of Directors is confident that even under the worst-case scenario, the Bank's positions will remain sufficiently strong.

The Board also heard reports from the head of risk management and chief compliance controller about the risk management and compliance processes in place at Halyk Bank and individual subsidiaries, as well as about AML/CFT efforts.

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.

Ownership

As of 31 December 2023, the Group's stock was represented solely by common shares. As of this date, the following shareholders individually owned more than 5% of the Group's issued shares:

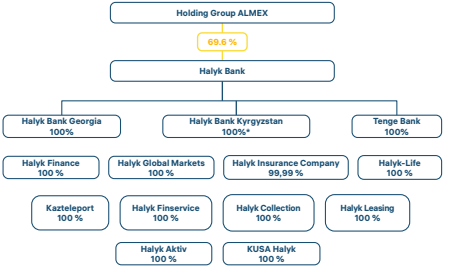
31 December 2023	Total shares (common shares)	Percent of total shares in circulation
Holding Group ALMEX	7 583 538 228	69.6%
GDR holders	3 109 586 880	28.5%
Other	209 046 483	1.9%
Total shares in circulation (on a consolidated basis)	**10 902 171 591**	**100%**

Halyk Bank is a constituent entity of Halyk Group, a universal regional financial group that provides a wide range of services (banking, insurance, leasing, brokerage and asset management) in the retail, corporate and SME business sectors.

The National Bank of Kazakhstan has assigned Halyk Bank the status of an insurance holding that owns more than 25% of the shares of the insurance companies Halyk Insurance Company and Halyk-Life on the basis of Resolution No. 226 dated 27 July 2012 and a bank holding that owns more than 25% of the shares of Altyn Bank (a subsidiary of China Citic Bank Corporation Limited) on the basis of Resolution No. 174 dated 12 September 2014.

Halyk Bank is part of a banking conglomerate in which the National Bank of Kazakhstan assigned the status of a banking holding to Holding Group ALMEX on 2 September 2002 (Resolution No. 337).

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As of the date of publication of this report:

- Halyk Bank's stake in Altyn Bank (a subsidiary of China CITIC Bank Corporation Limited) is 40%
- Halyk Bank's stake in First Credit Bureau is 38.8%
- Halyk Bank's stake in Open Networks Ltd is 50%

Below is information that is also contained in the annual report for 2023 (Information about Halyk Group's shareholders and Dividend Policy).

* As of the date of publication of this report, the Bank had completed the sale of 100% of Halyk Bank Kyrgyzstan.

Information about shareholders of Halyk Group owning at least 5% of Halyk Bank's common shares issued as of 1 January 2024:**

№	Name	Common shares	Proportion of total shares in circulation
1	Total shares authorised	25 000 000 000	-
2	Holding Group ALMEX	7 583 538 228	69.6%
3	GDRs (ISIN: US46627J3023/ US46627J2033)	3 109 586 880	28.5%
4	Other	209 046 483	1.9%
5	Total shares in circulation	10 902 171 591	100.0%
6	Shares bought back by the Bank	(2 539 270 930)	-
7	Shares retained by companies in the Group	(6 102 261)	-
8	Total shares issued	13 447 544 782	-
9	Total shares in circulation (as per KASE listing rules)	3 324 735 624	-
10	Market price of local shares, KZT***	160,5	-
11	Market price of GDRs, KZT/US$****	15,16	-

Holding Group ALMEX is a holding company that has a controlling interest in Halyk Bank.

There were no changes in the Bank's major shareholders (owning ten or more percent of outstanding voting shares) in 2023.

** The Bank's common shares have been listed on the KASE since 1998, its common shares in the form of global depositary receipts have been listed on the LSE since 2006, and its common shares have been listed on the Astana International Exchange since 2019.

*** Market price of local shares as of 31 December 2023, as determined and published by the KASE (www.kase.kz).

**** Market price of GDRs as of 31 December 2023, based on information from the LSE.

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Dividend policy

Shareholders' rights to dividends and the procedure for the payment thereof are stipulated by the Bank's Charter and Code of Corporate Governance approved by General Shareholders Meetings.

In September 2012, the Board of Directors approved the Bank's Dividend Policy. According to the policy (including supplements and amendments as of 20 March 2024), its main purpose is to establish a clear and transparent decision-making mechanism regarding dividend payments, including their size and the procedure and timelines thereof, given the following limitations.

- Ensuring that the Bank has an adequate distribution of net profit
- Ensuring that there are no restrictions on dividend payments in Kazakh legislation or contracts that the Bank has with third parties, particularly with foreign financial organisations (covenants)
- Maintaining (retaining) the Bank's international credit ratings
- Conducting an audit of the Bank's financial statements for the reporting period
- Paying dividends on common shares no more than twice a year, subject to the requirements of Kazakh legislation
- Avoiding a default or situation when paying dividends could lead to a default on the Bank's obligations
- Ensuring that the Bank complies with the projected CET 1 capital adequacy ratio taking into account planned dividend payments of no less than 17%
- Assessing the efficiency of the Bank's dividend policy using the dividend payout ratio and the amount of dividend per share, as well as the historical trends of the main dividend payment metrics

Existing limitations on payments of dividends on common shares (covenants) are as follows.

- When determining the dividend amount (per common share) to recommend to the General Shareholders Meeting, the Board of Directors considers the Bank's total equity and assumes that the overall dividends on common shares allocated for the year will be 50-100% of net profit as determined by the Bank's audited consolidated financial statements for the for the previous calendar year. To ensure that the dividend payment is made, the Bank will use, among other resources, cash received as dividend payments from subsidiaries.
- In accordance with the Bank's strategic goals, the Board of Directors retains the right to suggest to the General Shareholders Meeting:
  - not to allocate part of net profit for the previous calendar year as determined by the Bank's audited consolidated financial statements for dividend payments on common shares;
  - to reduce the total amount of funds allocated for dividend payments on common shares to less than 50% of total net profit as determined by the Bank's audited consolidated financial statements for the previous calendar year.

Total dividend payments for previous financial years are as follows*:

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Preferred shares	None trading							0,338	2,61	1,8
Common shares	276.85	138.64	211.57	200.76	126.71	69.38	-	-	34.26	18.55
Total	276.85	138.64	211.57	200.76	126.71	69.38	-	0.338	36.87	20.35

* The information is presented on an unconsolidated basis

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Halyk

6 RESPONSIBLE FINANCING AND RISK MANAGEMENT



Responsible financing

In our operations, we are committed to supporting business projects that contribute to improvements in the environment, as well as the socioeconomic development of our country. We are also actively involved in numerous government programmes to develop entrepreneurship and support employment in the regions of Kazakhstan.

Drinking water project

In 2023, the Bank took part in a project to expand the capacity of the Astrakhan-Mangyshlak main water pipeline. The project involved upgrading equipment and replacing around 177 kilometres of the main water pipeline, which ultimately increased its capacity from 110,000 to 170,000 cubic metres a day. The Astrakhan-Mangyshlak pipeline was commissioned in 1988 and is the only centralised source of water supply for consumers in the Kurmangazinsky, Isataysky and Zhylyoysky Districts of the Atyrau region, as well as the city of Zhanaozen and the Beyneusky, Mangistausky, Karakiyansky and Tupkaragansky districts of the Mangistau region.

Projects to reduce environmental footprint

With the Bank's assistance, PGU Turkestan is implementing a project to build a power plant based on a combined cycle gas turbine in the Turkestan region with installed capacity of up to 1,000 MW of electricity. The project is a priority in terms of energy supply and being implemented based on a Kazakh presidential directive. The plant will provide electricity to the country's southern regions and minimise the country's energy dependence. It will also reduce losses during power transmission, the specific volume of harmful air emissions per unit of power and the cost of energy generated. The construction phase will last from 2022 to 2025, and the plant is scheduled to be commissioned in August 2025.

Ecobus Service was established to implement a project to improve passenger bus transportation services in Almaty by introducing more eco-friendly Foton brand gas buses on the city's high-tech bus routes, and also to improve traffic safety in Almaty. Gas buses are more eco-friendly because they consume compressed natural gas (CNG) that meets Euro-5/Euro-6 standards. CNG buses cause no harm to the environment, as they emit half of the amount of nitrogen oxide into the atmosphere, one tenth of the carbon monoxide and one third of other carbon oxides. In 2023, Halyk Bank financed the purchase of 150 buses, which are now operating on urban routes in Almaty. The project has a major social dimension.

Evolux Auto, a company that has been operating since the third quarter of 2023, is a party to a distribution contract with Zeekr Intelligent Technology (China) for the supply and sale of Zeekr electric cars in Kazakhstan, specifically the Zeekr 001 and Model X models. In late 2023, the Bank provided a renewable financing limit for Evolux Auto to purchase electric vehicles, spare parts and accessories and also cover costs associated with their supply. The company plans to sell around 1,507 vehicles in 2024 and further increase annual sales in the future.

High Industrial Lubricants & Liquids Corporation used credit support from the Bank to implement a project involving processing (recycling) used oil to ultimately manufacture lubricants. Recycling used oil can reduce energy consumption by 50-80% compared with producing base oils from crude oil. The project is fully consistent with EU policies and the principles of a renewable economy. The first plant in Shymkent was built in 2017, and construction on a second plant in Lithuania began in 2023.

Energy efficiency projects

Batys Transit is implementing projects as part of a public-private partnership agreement to modernise street lighting in the city of Atyrau. The projects, which are being financed with loans from the Bank, involve installing 600 kilometres of street lighting networks and 20,000 LED lamps. These measures are due to bring electricity savings of up to 80%, which reduces budget expenses on electricity and also significantly minimises the cost of operating street lighting systems.

Pharmaceutical production

Azia Gold, located in the city of Sarkand, in the Jetisu region, is a unique enterprise in Kazakhstan that produces pharmaceuticals and grows spices, herbs, grains, oilseeds and medicinal herbs. The company cultivates and exports such medicinal herbs as valerian, prostrate knotweed (knotgrass), oregano, St. John's wort, lemon balm, peppermint, wormwood, chamomile and yarrow. In 2023, Halyk Bank subsidised part of the interest rates on loans provided as part of the National Entrepreneurship Development Project for 2021-25.

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Education and healthcare projects

Ziyatker School, which provides secondary education services, is implementing a major social project in the Kyzylorda region. It used financing from the Bank to build a new four-storey school building in the village of Shieli, in the Kyzylorda region, for 480 middle-school students. The project aims to resolve social issues that the region has had with providing school education and creating new jobs.

Educating young people, specifically correctional work with children, is of great social importance for both the region and the country as a whole. The individual entrepreneur Z.T. Kurmanova is implementing the Adal project in the city of Kokshetau, in the Akmola region, with funding support from Halyk Bank. The client runs a centre that provides speech and behaviour correction services for children under six years of age with a neuropsychologist and a speech therapist on the basis of a franchise run by I.N. Dronova. The loan funds were used to purchase a facility for the centre. The project is also being supported through subsidies and guarantees as part of the National Entrepreneurship Development Project for 2021-25.

Binazarov is implementing another project in Aktau for correctional work with children, and it is also being financed by Halyk Bank with support through the National Entrepreneurship Development Project for 2021-25. The company mainly provides daycare and primary education services for children with mental disabilities. The financing was provided to purchase real estate, since having own facilities will help to increase the number of primary classes at the school.

Halyk Bank provided subsidies and guarantees to Alish School-Gymnasium for a project to fund the construction of a school for 200 students in the city of Taraz, in the Jambyl region, as part of the National Entrepreneurship Development Project for 2021-25. The project has led to additional jobs and now the school is fully staffed.

The Bank allocated funds to complete construction on a building and purchase equipment to open a medical clinic in a new micro-district in the city of Kyzylorda (left bank). The project, which is being implemented by NazDarMed, involves providing gynaecology, cardiology, pulmonology and general medicine services. The borrower also received subsidies to compensate part of the interest rate on loans received as part of the National Entrepreneurship Development Project for 2021-25. The new clinic has enabled residents to receive medical care faster and in a comfortable environment.

Development of women's entrepreneurship

Given the enormous potential for the development of female-led businesses, Halyk Bank continued to provide funding in 2023 for an in-house programme it launched in 2018 to develop women's entrepreneurship. The programme aims to create an effective microcredit system for women's businesses to further stimulate manufacturing and provide the market with goods and services, as well as help aspiring entrepreneurs to gain experience of running their own businesses.

Since the programme was launched in 2018, there has been high demand for soft loans from the female members of the business community. In 2023, 45 women entrepreneurs received a total of KZT795.7 million in funding.

One project financed as part of the women's entrepreneurship programme was implemented by individual entrepreneur Ultuar Yesimova. The Bank provided funding to finish building a daycare facility in the village of Bakhtybai Zholbarysuly, in the Jetisu region. The project addresses social issues for the village's residents, as there are no other daycares in the area.

In addition, since 2023, Visa has been partnering with Halyk Bank to implement the women's entrepreneurship development programme. As part of this, women entrepreneurs can not only receive preferential loans, but grant funding as well.

Support for business as part of government programmes

Halyk Bank continues to actively implement government programmes to support business, and 2023 was no exception. State support for entrepreneurship is playing an increasingly significant role amid the regulator's high interest rates and costly credit resources.

The Damu Entrepreneurship Development Fund (Damu Fund) has been and remains one of the key partners of Halyk Bank and other operators in implementing programmes to support and develop small and medium-sized businesses.

With its financing support tools, the government focuses on priority projects in the manufacturing industry and its service sectors, as well as projects to phase out imports and stimulate the export of non-resource commodities.

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One such programme that has already become a traditional instrument of state support is the Programme for the Support of Small and Medium-Sized Enterprises in the Manufacturing and Service Sectors. It has been implemented with the Damu Fund's support since 2014. During its involvement, Halyk Bank has issued more than 8,900 loans totalling KZT395.2 billion, making it the leader in this programme in terms of the amount of funds granted and disbursed.

Subsidising projects for energy efficiency and introducing renewable energy sources

In 2023, in an effort to support the principles of green financing and the UN Programme initiative being implemented in cooperation with the Damu Fund, the Bank continued to promote projects in the energy efficiency sectors and the introduction of renewable energy sources. This financial support is unique in that it subsidises the principal amount, which provides for the repayment of up to 40% of a loan after a project is launched and technically verified. In 2023, the Bank successfully financed five projects as part of green financing.

Ken Dala: annual lending to farmers for spring planting and harvesting work

Each year, in an effort to support agribusiness, Halyk Bank participates in the Ken Dala state programme and provides preferential financing to farmers for spring planting and harvesting work. The programme is being implemented with the support of the Agrarian Credit Corporation. In 2023, Halyk Bank financed 159 projects worth KZT56 billion as part of the programme. The number of projects financed and the amount of funds allocated under the Ken Dala programme is increasing with each year (the Bank financed 144 projects totalling KZT38.7 billion in 2022).

Development of domestic manufacturing

Subsidies and guarantees provided under the National Entrepreneurship Development Project for 2021-25 are other popular tools of state support. As part of this programme, Halyk Bank supports micro and small businesses, as well as entrepreneurs involved in industrial and innovative activities. In 2023, the Bank provided the following support for such purposes: KZT5.8 billion in subsidies and guarantees for 538 projects to support micro and small businesses; KZT219.9 billion in reduced interest rates and subsidies for 1,697 projects as part of support for entrepreneurs involved in industrial and innovative activities; and KZT74.98 billion in guarantees for 1,238 projects (based on information from the Damu Fund for 2023).

An example of funding provided by Halyk Bank was a project to build a reinforced concrete production plant that was implemented by Construction and Transport Company, which received subsidies and guarantees as part of the National Entrepreneurship Development Project for 2021-25. The plant has been fully operational since August 2023. Its construction led to the creation of 150 new jobs and increased tax payments by KZT12 million, which has helped develop the manufacturing industry in the Kyzylorda region.

In 2023, the Bank continued to implement the Priority Project Lending Mechanism (Economy of Simple Things), a programme that provides subsidies and guarantees for projects in priority sectors of the manufacturing industry, as well as production and processing in the agricultural sector. The subsidies provided under this programme amount to up to 13.25% of the loan interest rate, and financing is provided for up to five years, or up to seven for priority sectors of the economy. Over the period since the programme was launched (December 2018) to 31 December 2023, the Bank accepted applications from entrepreneurs totalling KZT721.1 billion and approved funding of KZT635.7 billion.

Support for regional priorities

Halyk Bank provides support for priority projects in the regions as part of the Regional Financing Programme for Small and Medium Enterprises, with joint financing from the Damu Fund and local executive bodies, regional akimats. In 2023, the Bank provided funding to borrowers under 45 existing loan agreements with the Damu Fund, of which funds were received for nine loan agreements in 2023. The programme is being implemented as part of regional goals and provides for preferential lending, subsidies and a guarantee from the Damu Fund in the event of a lack of collateral.

In 2023, Halyk Bank and the Damu Fund continued to be actively involved in other programmes to support entrepreneurship in Kazakhstan. In particular, the Bank is providing financing as part of the Enbek State Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-21 as well as the Nurly Zher State Housing Construction Programme. In addition, Halyk Bank partners with programmes to support entrepreneurship and other development institutions, such as the KazakhExport Export Insurance Company, Agrarian Credit Corporation, Development Bank of Kazakhstan and Kazakhstan Housing Company.

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Risk management system

Halyk Group's risk management policy focuses on creating an integrated risk management system in line with the scope and scale of the Group's activity and accepted risk profile, as well as supporting its business development requirements. The Group seeks to continuously develop its risk management system and improve the way in which it identifies, manages, assesses and controls risks.

Risk appetite management

Halyk Bank's Risk Appetite Strategy defines clear boundaries for the acceptable volume of significant risks associated with the activities that the Bank undertakes while implementing Halyk Group's Development Strategy. It also defines the risk profile of the Bank's operations to prevent risks or minimise their negative impact on the Bank's financial position.

The approaches to risk appetite management are regulated by the Risk Appetite Strategy, which has been approved by the Board of Directors.

Risk appetite covers the aggregate level of material risks that the Bank is willing to accept or intends to exclude when implementing its strategy.

The Risk Appetite Strategy comprises general approaches to risk appetite management. This includes the policies, processes, controls and systems through which risk appetite is defined, monitored and distributed at all levels of the Bank's organisational structure.

As part of the Risk Appetite Strategy, the Board of Directors has approved a set of quantitative risk appetite metrics for each significant risk level. These take into account the Bank's established business model, as well as the scale, types and complexity of its operations. Compliance with the risk appetite levels is monitored periodically as part of management reporting on risks.

Credit risk management

To ensure effective credit risk management, the Bank has implemented a risk management system and business processes to segregate the sales and risk management functions. It has also created an organisational structure that facilitates credit risk management, including collegiate bodies and subdivisions that take part in the credit risk assessment and management process.

The Bank manages credit risk by:

- adhering to the 'three lines of defence' principle: namely, initial analysis of credit risk by the initiating subdivision, analysis by the risk management function, and control by the internal audit function
- setting counterparty limits depending on the type of (credit) transactions or products
- diversifying the loan portfolio to mitigate a concentration of risk related to any one borrower, sector or geographical region
- monitoring the loan portfolio to identify any deterioration in quality at an early stage
- maintaining adequate provisioning to cover potential losses

Halyk Bank's Risk Appetite Strategy defines clear boundaries for the volume of accepted significant risks. The Bank operates within these boundaries while implementing Halyk Group's Development Strategy. The Risk Appetite Strategy also defines the risk profile of banking operations to prevent or minimise negative impacts on the Bank's financial position. As part of the development and implementation of the Risk Appetite Strategy, the Board of Directors approved risk appetite levels for each material risk category (credit risk, market risk, liquidity risk and operational risk) taking into account the adopted business model, scale of operations, types and complexity of the Bank's operations.

The Bank's lending decision system is based on the delegation of certain powers by the Board of Directors to appropriate collegiate bodies and the establishment of credit limits for each body. For corporate borrowers, loan applications are reviewed by the Commercial Directorate. Loan applications that exceed the limits set for the Commercial Direc-

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torate, as well as transactions with related parties, require further approval by the Board of Directors. For SME borrowers, lending powers are delegated to the SME Decision-Making Centre (DMC) and Credit Committee of the branch network. Retail banking decisions are delegated to the DMC and the Retail Credit Committee (RCC) of the Head Office.

Lending decisions on standard unsecured retail applications are made through a specialised software module including automated underwriting, internal and external database checks, applicant scoring, and so on. Non-standard unsecured applications are subject to credit approval procedures through the DMC and RCC. Standard unsecured or collateralised loan applications of individual entrepreneurs and SMEs for working capital and business development purposes follow a digital lending decision-making process, using risk models that assess the creditworthiness and solvency of the applicant, interest rate and credit limit based on internal and external data. Digital credit products are reviewed and issued online for SME customers.

Credit committees of subsidiary banks are also authorised to make lending decisions within specific limits. The Bank regularly monitors and, if necessary or if covenant thresholds are exceeded, revises independent decision-making limits and the authority matrices of the credit committees in subsidiary banks.

In addition to the DMC and RCC, an automated lending decision approach is in place for retail borrowers. The automated decisions follow a risk-based approach that includes risk-based pricing and the use of additional parameters when assessing the solvency of customers. Following the application review, loan offers are formed according to the requested terms, as well as by offering alternative solutions for all retail segments (including customers who do and do not participate in salary projects, pensioners, and so on). This approach takes into account the borrower's risk profile and helps to minimise risks when taking decisions.

New SME business loan self-financing limits have been established for the SME DMC and Credit Committee of the branch network, for digital loans to SMEs and corporate customers, and for retail lending for the DMC and RCC. In addition, the SME and retail lending processes have been optimised.

To assess the Bank's exposure to the risk of negative macroeconomic changes on foreign and domestic markets, as well as to determine the impact of stress scenarios (provision levels, credit rating migration and the share of non-performing loans), the Bank periodically conducts stress testing of the loan portfolio. In 2023, the Bank conducted regular stress-testing using relatively conservative forecasts amid threats of a decline in global economies, rising inflation, lower oil prices and GDP levels, as well as geopolitical risks. The tests confirmed the resilience of the Bank's capital to a decrease in asset quality.

The existing Risk Rate model that the Bank uses to assess the likelihood of a default and the associated rating on corporate and SME clients is widely used to determine loan collateral criteria, as well as to conduct stress-testing on significant individual loans, and to optimise analysis and decision-making for the Bank's highly creditworthy clients. To keep the rating model up to date, as well as improve the performance of the Bank's model, it is regularly validated. This was conducted most recently in 2023, which confirmed the validity of the model.

Throughout 2023, work with problem loans continued. The Bank secured repayment through the sale of collateral, claims and lawsuits, transferred assets to doubtful asset management organisations and wrote off bad debt. These measures have helped to reduce the share of overdue debt.

Assessment of climate risks

As part of ongoing work to incorporate ESG components into the risk management system, in 2023, the Bank identified significant physical and transitional climate risks associated with an increase in the frequency and consequences of adverse climate events, as well as the tightening of national and cross-border regulatory policies related to carbon regulation. The approaches identified by the Bank, including through the prism of climate risks, will be applied to introduce responsible finance principles.

Assessment of climate risks

As part of ongoing work to incorporate ESG components into the risk management system, in 2022, the Bank identified significant physical and transitional climate risks associated with an increase in the frequency and consequences of adverse climate events, as well as the tightening of national and cross-border regulatory policies related to carbon regulation.

In 2023, Halyk drafted and approved the Responsible Financing Policy, which states that the Bank will integrate the Sustainable Development Goals into its business strategy

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and actively manage social and environmental risks associated with its operations. As part of the policy, the Bank analyses all emerging risk factors at the country or sector level, as well as specific issues that may affect society and the environment. The Bank strives to avoid entering into business relationships that are inconsistent with its principles of responsible financing.

Physical climate risks in Kazakhstan

Kazakhstan covers an area of approximately 2.7 million square kilometres and is mostly landlocked, except for its southwestern border with the Caspian Sea. Most of the country is semi-arid or arid steppe, except for the southeast, which extends into the terrain of the Tien Shan Mountains. Kazakhstan has a continental climate throughout most of its territory, with major temperature fluctuations, and is relatively dry. As a result of mountain and valley temperature inversions, the mid-altitude mountainous regions in the south experience relatively mild winters and high levels of precipitation, as exemplified by the climate of Almaty. The northern and eastern regions are dominated by the West Siberian temperate climate, which is more humid and features long, cold winters (up to six months) and short, hot summers (up to +42°C). The country has a subtropical intra-continental climate in the south, where warm dry air masses of tropical origin prevail. Winter weather in this region is unstable due to the periodic intrusion of cold northern air masses and sees average positive temperatures in all of the different months.

Climate change poses an increased risk of natural disasters in the form of high waters, mudflows, landslides, fires, droughts, avalanches, flooding, rising groundwater levels, heavy rains, strong winds, hail, snowfall, blizzards, frosts, extreme temperatures (extreme frosts and extremely high temperatures), dust storms and fog.

Natural disasters caused by climate change

Rising air temperatures affect various natural processes, such as the speed and extent of glacier melting and rising groundwater levels. This can lead to intense mudflows, landslides and floods.

Other natural calamities caused by climate change include heavy rains, droughts, frosts and hurricanes.

Flooding in Kazakhstan

There is a significant risk of floods in the spring months, when river levels and their flow rates rise due to melting snow. A spike in temperature can trigger rapid snow melting and flooding. Heavy rains combined with a rapid increase in temperature can aggravate the scale of floods.

In spring 2024, Kazakhstan once again had to cope with massive flooding, which affected 10 regions and resulted in damage to 11,998 residential buildings and 5,359 summer homes, as well as the evacuation of 100,000 people from the disaster area.

Most severe floods in Kazakhstan, 2000-24

Year	Region	Total damage (US$ million in 2019 comparable prices)	Deaths	Injuries
2000	Denisovsky, Zhitikarinsky, Taransky and Kostanaysky districts (Kostanay region)	2.2	1	2,500
2005	Kyzylorda region	10.0	-	25,000
2008	Saryagash, Ordabasy, Arys, Shymkent Municipal district, Shardara district (Turkestan region), Kyzylorda region	154.4	1	13,000
2010	Karasaysky, Karatalsky, Zhambylsky, Iliysky, Panfilovsky, Koksusky, Uyghursky, Aksuysky, Kerbulaksky and Taldykorgan districts (Almaty region)	40.5	44	16,200
2011	City of Uralsk (Zelenovsky district, West Kazakhstan region), Akzhayik, Burlin, Kaztalov, Chingirlau, Taskala and Terekty district (West Kazakhstan region)	76.1	2	16,000
2015	City of Temirtau (Bukhar-Zhyrau district, Karaganda region), Karkaralinsky, Shetsky and Abay districts (Karaganda region) and Akmola and Pavlodar regions	5.7	2	12,670
2024	Aktobe, Akmola, Atyrau, Kostanay, West Kazakhstan, East Kazakhstan, Ulytau, Karaganda, Pavlodar and Abay regions	400*	7	43,654

* * In 2024 prices. Source: 2024 Floods Cause Largest Economic Damage in 30 Years | Professional News Agency AIPN. KZ | Professional News Agency (APN) (apn.kz).

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Flood modelling is used to estimate flood losses and impacts using fluvial and pluvial flood maps. These maps use observed river and precipitation data to estimate extreme precipitation and river flows. The 200-year flood map depicts the major rivers of Kazakhstan.

The flood map in the graphic shows numerous rivers flowing into the Caspian Sea in western Kazakhstan. The Ural River flows south from the border with Russia through several cities, including Atyrau, and into the northern Caspian Sea. There is a large area of mostly flat agricultural land to the west of the Ural River valley that is at risk of flooding but is sparsely populated. A wide, shallow river valley runs north through central Kazakhstan and joins the Tobol River at the border with Russia. Despite the sparse population, there are small settlements in this flood-prone area.

In the south, the Syr Darya River flows from the mountains of Tajikistan and Uzbekistan in an arc through southern Kazakhstan to the Aral Sea. The city of Kyzylorda and several smaller towns are located in the river valley. In eastern Kazakhstan, numerous small rivers flow into Lake Balkhash from the surrounding hills. In the northeast, the main river is the Irtysh, which flows from the highlands of China through Lake Zaysan and the cities of Oskemen, Semey and Pavlodar to the border with Russia.

Map of fluvial floods (blue areas) at the 200-year return period level



Источник: JBA Risk Management

Impact on the Bank's portfolio

The Bank's loan portfolio extends to the most important infrastructure sectors of Kazakhstan, including oil and natural gas production, electricity, agriculture and various manufacturing sectors. When financing investment projects, the Bank is aware of how vulnerable the implementation of projects is to natural disasters that are becoming more frequent and intense as a result of climate change, with potentially significant impacts on key sectors and the economy/portfolio as a whole. Climate change can have all kinds of negative consequences, both directly and indirectly. Direct impacts include floods, landslides, mudflows, forest and steppe fires, drought and other natural phenomena. Intense and frequent precipitation can damage agricultural crops and cause erosion and waterlogging in soil, which makes it impossible to cultivate the land.

Prolonged rains affected all the country's grain-growing regions, which include the East Kazakhstan, Pavlodar, North Kazakhstan, Akmola and Kostanay regions. It rained for three straight weeks in these regions, which impacted both the pace of harvesting and the quality of harvested crops. Some experts estimate that fodder supplies from the 2023 off-grade wheat harvest amounted to 5-6 million tonnes. Wheat of this type can only be used as animal feed or for non-food purposes*.

Indirect impacts include changes in infrastructure and services: power outages, increased demand for electricity and changes in transport and logistics routes, which negatively affect global value chains and the structure of international trade. Specifically, a decrease in the Caspian Sea level affects maritime transport operations, the functioning of inland coastal ports and the extent of intermodal connectivity. Floods can result in washed-out or flooded roads, which leads to late deliveries of various goods by road transport.

In the Bank's corporate business, the negative climatic events of 2023 affected the agricultural sector and resulted in a major decrease in crop yield and, consequently, profit margins (up to -40%). Despite the difficulties, agricultural companies were mostly able to avoid losses, while maintaining profit margins at the break-even point.

For SME borrowers that perform entrepreneurial crop production activities related to the cultivation of grain, oilseeds and legumes and generated negative financial results in 2023 (due to adverse weather), the Bank developed additional criteria to extend the availability of existing financial instruments/further financing in an effort to support borrowers and mitigate adverse consequences.

* Source: https://informburo.kz/interview/neutesitelnye-itogi-2023-goda-kak-zivut-kazaxstanskie-fermery

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In addition to the measures taken to provide financing to borrowers, the Bank, with the support of the Kazakh Agency for the Regulation and Development of the Financial Market, provided support to borrowers affected by the floods. The Bank restructured loans for all borrowers without exception who applied for a deferment on the repayment of their obligations due to damages to their property/business as a result of the floods.

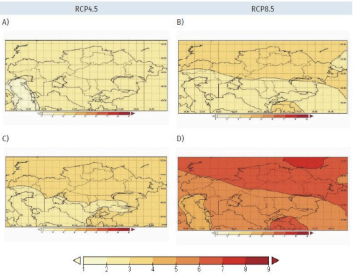
It is important to note that:

1. The repayment of the principal debt and interest was deferred for three months, from 1 April to 30 June 2024
2. As part of restructuring, fines and penalties were not charged for late payments during the period, and the credit history of such borrowers was adjusted if necessary
3. The amount of the monthly payment did not increase due to the deferment
4. The restructuring was not assessed as compulsory and the quality of the loan did not worsen (no loan impairment was applied)

The Bank restructured the loans of 363 borrowers with total outstanding debt of KZT36.4 billion, which amounts to 0.6% of the Bank's portfolio of corporate and SME borrowers.

Increase in the average annual temperature

Temperatures in Kazakhstan are expected to increase faster than the global average and are projected to rise by another 1.6°C to 5.3°C by the 2090s



Changes in mean annual temperature in 2040-59 (A and B) and 2080-99 (C and D) in the RCP4.5 and RCP8.5 scenarios

In the event of the moderate/intermediate stabilisation of the radiative forcing (RCP4.5), the increase in the average annual temperature forecast will range from 1.5°C to 1.7°C by 2030. Warming will continue gradually, and the average annual temperature may rise by 2.7-4.7°C by 2085. The largest increase will be seen on the high emission path (RCP8.5). At the same time, the average annual temperature increase will be around 2°C in the range of 1.8°C to 2.3°C by the middle of the century, but will double with a rise in temperature of 4.4°C by the end of the century.

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Climate extremes

Kazakhstan's climate continues to heat up due to global warming. Since the 1960s, each subsequent decade in the country has been warmer than the previous one. Of the 10 warmest years, nine of them have occurred in the 21st century. Kazakhstan saw its highest average temperature in 2020, when the anomaly was 1.92°C, surpassing the 2013 record of 1.89°C. Warming and temperature changes lead to serious weather anomalies, such as heavy rain, strong wind and heavy snow. Such abnormal weather events can result in power outages, road closures, roof damage, broken trees, damage to cars, washed out bridges, death of livestock and crop lodging in fields.

Forest fires

According to the Ministry of Emergency Situations of Kazakhstan, around 1,000 forest fires, as well as approximately 4,000 steppe fires and blazes that pose a threat to the lives of the population, their property and the environment, are registered each year during the fire season. More than half of forest fires (61%) occur due to lightning, as well as the spread of steppe fires to forest lands. In 2023, the regions most susceptible to forest and steppe fires were the Abay, Atyrau, Aktobe, Jambyl, West Kazakhstan, Pavlodar, Kostanay and Turkestan regions.

A major natural emergency occurred on 8 June 2023 in the Batpaevskoye forest district of the Semey Ormany forest reserve in the Abay region. The fire engulfed an area of more than 60,000 hectares and at the time was recognised as the largest fire on the planet in 2023. Official reports indicate that 14 forest employees died as a result of the fire. The fire was ignited by dry lightning, although some reports cite the cause as deliberate arson and the careless handling of fire.

Transitional climate risks in Kazakhstan

As part of its efforts to achieve carbon neutrality by 2060, Kazakhstan has set a NDC target of a 15% reduction in GHG emissions from the 1990 levels by 2030. Given the current growth of the national economy and associated GHG emissions, this target creates significant risks for businesses related to carbon regulation and pricing.

As it works to reduce GHG emissions, the Bank is financing the development and modernisation of energy companies that use and generate renewable energy sources. These projects fall under the Green Taxonomy category. 'Green' energy is an environmentally and climate-friendly renewable energy source, as opposed to hydrocarbon fuel. Wind and solar energy projects are much more profitable than new coal and gas power plants, considering the price of carbon within the framework of carbon regulation and fuel costs, where gas and coal prices increase each year.

Starting from the fourth quarter of 2023, the Bank has been introducing ESG risk assessment processes, which include a procedure to determine a borrower's ESG rating for the most carbon-intensive industries: mining, metallurgy, energy and oil industries. In addition, in an effort to assess the level of exposure of the borrowers' industries to ESG risks, the Bank prepared a methodology to conduct an ESG segmentation procedure for the borrowers' industries. In 2024, ESG risks will also be assessed for other industries. The Bank plans to introduce climate stress testing based on the best global practices. This testing will encompass two main areas: physical climate risks and transition risks. As part of this process, Halyk plans to develop various scenarios to analyse their possible impact on its financial condition, as well as the appropriate strategies to manage any climate risks it identifies. Our goal is to ensure the resilience of the Bank's loan portfolio to potential climate threats and to prepare for changes in regulatory standards, policies and market conditions related to the transition to a low-carbon economy.

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Table: Loan portfolio structure by carbon-intensive industry based on the Bank's segmentation

Industry	Remaining loan amount		Including during the repayment periods		
	31 December 2022	31 December 2023	Less than 3 years	3-7 years	More than 7 years
Agriculture, forestry and fishing	264.86	299.69[A]	147.16	96.12	56.41
Coal mining and lignite	9.59	11.25[A]	11.25	-	-
Extraction of crude petroleum and natural gas	133.16	121.37[A]	68.25	53.13	-
Manufacture of refined petroleum products	178.12	139.68[A]	129.56	-	10.11
Manufacture of chemicals and chemical products	424.29	257.05[A]	74.68	182.10	0.27
Metallurgical industry	53.36	156.13[A]	40.62	115.46	0.06
Manufacture of building materials	86.78	49.30[A]	25.69	19.70	3.90
Electricity, gas, steam and air conditioning supply	311.12	317.97[A]	102.36	215.14	0.47
Total carbon-intensive industries	**1,461.28**	**1 352.43[A]**	**599.56**	**681.64**	**71.23**
Share of total carbon-intensive industries by period	100%	100%	44%	47%	5%
TOTAL LOAN PORTFOLIO OF THE BANK (excluding contingent liabilities), including:	7,991.57	9,624.95,	4,244.76,	4,488.12,	892.07,
Corporate and SME loan portfolio	5,709.43	6,622.99,	3,939.56	2,213.42	469.98
Share of total carbon-intensive industries in the corporate and SME loan portfolio	26%	20%			

- The portfolio structure indicators were calculated by carbon-intensive industry based on the Bank's industry methodology, where the core industry is taken into account based on the borrower's actual operations and revenue generated, which is used to repay obligations to the Bank. Taking into account the generalised industry guide, a more in-depth analysis was conducted using a more detailed definition of the Borrower's activities as part of mapping common classifiers of economic activity into sub-industries, in particular, the separation of such sub-industries as 'oil production', 'petroleum product production', etc., with the exception of 'green' projects. In general, due to the repayment of major loans in the corporate business, total loans for corporate and SME clients in the carbon-intensive industries decreased by KZT108.85 billion in 2023, or up to 20% compared with the loan portfolio of corporate clients and SMEs for the same period of 2022.
- Today, energy plays a key role in the Kazakh economy and the country's development directly depends on the stability of the energy sector. The effective development of Kazakhstan, the competitiveness of its economy and the reliable functioning of the housing and utilities sector depend on the sustainable operation of the energy sector. The fuel and energy industry is comprised of a set of economic sectors related to the production and distribution of energy in its various types and forms. Acutely aware of the importance of the modernisation and opening of new generating capacities, the Bank plays a key role in financing this sector. In the corporate and SME loan portfolio, the energy sector ranks first in terms of volume, although it poses high risks based on ESG criteria. Today, as part of the transition to low-carbon technologies, large companies are systematically developing and increasing the volume of renewable energy sources, such as wind energy technologies, without compromising the country's energy security and while still ensuring reliable supplies of electricity. In addition, major companies that are borrowers of the Bank are already introducing sustainable development strategies, as part of which they approve regulatory documents in accordance with the Guidelines for the Disclosure of Environmental, Social and Corporate Governance Information of the Kazakh Agency for the Regulation and Development of the Financial Market for banks and other financial organisations, as well as other policies.

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- The biggest increase occurred in the metallurgical industry (by KZT108.89 billion). Copper is one of the key metals used to manufacture wires, cables, equipment and mechanical engineering products needed to build solar and wind power plants. It could be called the main metal of 'green' energy due to its high level of electrical conductivity. The growth in the portfolio in 2023 is due, among other things, to the financing of a major project in the corporate unit: the construction of a cathode copper plant with capacity of 30,000 tonnes a year over seven years. A key feature of the new plant is its use of secondary ore. The existing and new plants use heap leaching technology, which is more attractive and requires fewer technological operations compared with copper production analogues.

Integration of climate risks into risk management practices

On the basis of its planned climate stress testing, the Bank will continue to set goals to integrate climate risks into its risk management system in order to comply with the Principles for the Effective Management and Supervision of Climate-Related Financial Risks of the Basel Committee on Banking Supervision. Based on the results of the climate risk management strategies it develops, new methodologies will be prepared for use in the risk management process and comprehensive credit risk management.

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Halyk

7 ENVIRONMENT



Environment

Caring for the environment is a core aspect 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 clients' environmental projects. In addition, we maintain an active and open dialogue with all stakeholders and inform them of our environmental protection efforts.

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

To fulfil the requirements of the environmental policy, in 2022, various departments at the Bank developed a set of Green Office principles in alignment with its ESG agenda.

The Green Office is a comprehensive set of technical, operational and motivational activities aimed at supporting Halyk Bank's environmental policy and conserving office resources. The initiative operates in compliance with the principles of environmental protection, thereby contributing to the preservation of nature and human health while significantly reducing the financial burden of office maintenance, including energy, water and paper costs.

The following action plan has been developed based on the Green Office principles.

1. Collecting the following types of waste for transfer to contracted processing parties:
   - Shredded and archived paper
   - Damaged office equipment and household appliances, which are given to a specialised organisation that extracts precious and ferrous metals and parts suitable for reuse
   - Rechargeable batteries that have become unserviceable
   - Tyres from service vehicles that cannot be repaired or further used
   - Fluorescent lamps that are no longer serviceable
   - Plastic waste (bottles and food containers), which is handed over to a specialised organisation for further recycling or disposal
2. Supporting the "My Cup, Please" initiative to motivate employees by providing a discount at the Bank's cafeteria when buying a drink using a reusable personal cup or thermos
3. Working with a scooter, electric scooter and bicycle rental company to install mobility stations
4. Launching the "Car-free Day" campaign to encourage employees not to use their personal vehicles for a day
5. Developing environmental safety training material for employees, as well as plans to install information stands and leaflets on conserving resources such as water and electricity
6. Organising and holding office clean-ups by employees of the Bank's Head Office for World Cleanup Day





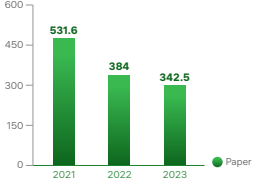
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Responsible consumption of resources

To ensure that all types of resources are consumed rationally, Halyk Bank strives to follow sustainable practices and improve environmental awareness among its employees.

Paper consumption 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.

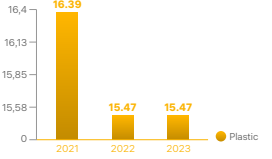
In 2023, the Bank consumed 342.5[A] tonnes of paper, down 10.8% year-on-year, which was partly due to the transition to an electronic document management system.



Paper consumption by the Bank and its branches in 2021-23, tonnes

In 2023, Halyk Bank, Halyk Bank Georgia and Tenge Bank consumed 369[A] tonnes of paper, of which the Bank accounted for 342.5[A] tonnes, Halyk Bank Georgia for 3.7[A] tonnes and Tenge Bank for 22.7[A].

In 2023, the Bank issued 2,812,751 payment cards (359 fewer than in 2022), which equalled 15.47 tonnes of plastic (unchanged from 15.47[A] tonnes in 2022). Plastic cards accounted for 40% of all cards during the year (down from 44% in 2022).



Consumption of plastic from payment cards in 2021-2023 by the Bank and its branches, tonnes

During the reporting period, the Bank and its regional branch network in Kazakhstan consumed 260.94 megalitres[A] of water*, up 14.3% year-on-year. The increase in water consumption compared with 2022 was caused by:

- commissioning newly constructed administrative buildings in the cities of Turkestan and Aktau
- the Bank's employees returning to offices from remote work

The volume of water consumed by the Bank, Halyk Bank Georgia and Tenge Bank in 2023 totalled 267.59 megaliters [A].

* Water consumption data also includes data on companies whose offices are located in Bank buildings

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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 a serviceable condition. It has also automated its existing irrigation systems.

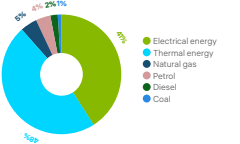
The Bank's facilities do not discharge wastewater into water bodies: wastewater generated in urban areas goes into the common sewerage network, while wastewater from facilities in rural areas is removed by specialist contractors. As Kazakhstan's environmental regulations governing wastewater do not mandate 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*, the Bank is systematically working to reduce its energy consumption and improve its energy efficiency. In 2022, it consumed 431,239 gigajoules (GJ) of energy (compared with 400,636 GJ in 2022), including:

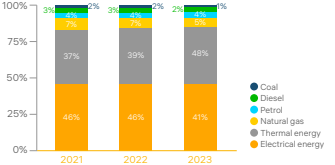
- Electrical energy – 175,606 GJ[(A)]** (184,151 GJ in 2022)
- Thermal energy – 206,403 GJ[(A)] (155,702 GJ in 2022)
- Natural gas – 20,347 GJ[(A)] (27,372 GJ in 2022)
- Petrol – 15,400 GJ[(A)] (14,857 GJ in 2022)
- Diesel – 10,119 GJ[(A)] (11,987 GJ in 2022)
- Coal – 3,364 GJ[(A)] (6,565 GJ in 2022)

In 2023, the energy consumption of the Tenge Bank JSCB amounted to 3400.82 GJ[(A)]



Energy consumption by type in 2023, %

In 2023, fuel and energy consumption increased by 7.64% year-on-year, due to changes in weather conditions.



Energy consumption by type in 2021-23, %

* 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.

** Energy consumption data also includes data on companies whose offices are located in Bank buildings.

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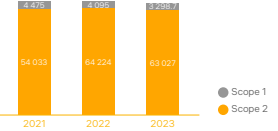
In addition, the Bank implements the following energy savings and energy efficiency measures.

- 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. It converts its buildings to energy-efficient LED lighting during the overhaul and reconstruction of 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.

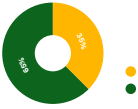
The consumption of fossil fuels as an energy source is a direct cause of GHG emissions, which are contributing to global climate change. Halyk Bank recognises the importance of this for the global community and is committed to achieving national climate goals. As part of preparing this report, the Bank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

In 2023, direct (Scope 1) GHG emissions totalled 3,298.7[(A)] tonnes of CO2 equivalent (TCO2e), down 19.45% from the 4,095.2 TCO2e reported for 2022. 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 63,027 TCO2e[(A)] in 2022, down 1.86% year-on-year (64,224 TCO2e in 2022).



Halyk Bank's total GHG emissions in 2021-23, TCO2e



Scope 2 emissions by type of energy consumption in 2023, TCO2e and %

Halyk Bank's GHG emissions in 2021-23, TCO2e*

	2021	2022	2023
Direct GHG emissions (Scope 1), including:	**4 474.9**	**4,095.2**	**3,298.7[(A)]**
CO2 emissions	4 463.2	4,084.4	3,281.8
CH4 emissions	0.125	0.114	0.391
N2O emissions	0.031	0.029	0.022
Indirect GHG emissions (Scope 2), including:	**65,252**	**64,225**	**63,026.6[(A)]**
Electricity	47 310	46,290	40,781
Heating	17 942	17,935	22,245
Total GHG emissions	**69 726.9**	**68,320.2**	**66,325.3**

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

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Scope 1, 2 and 3 emissions

In alignment with its climate goals, the Bank calculates the GHG emissions from its operations, including direct (Scope 1), indirect (Scope 2) and value chain (Scope 3) emissions.

Consolidated GHG emissions related to the Bank's operations

As of 01.01.2024

	GHG emissions, thousand TCO2e
TOTAL Scope 1, 2 and 3 emissions	**88.3[A]**
Scope 1, direct emissions	3.3[A]
Scope 2, indirect emissions	63.0[A]
Scope 3, value chain emissions	22.0[A]
Category 1: Purchased goods and services	1.8[A]
Category 3: Fuel- and energy-related activities (emissions not included in Scopes 1 or 2)	8.0[A]
Category 5: Waste generated in operations	2.8[A]
Category 7: Employee commuting	9.4[A]

As part of quantifying Scope 3 emissions related to the Bank's operations, the Scope 3 GHG Protocol categories below have not been calculated as they are not applicable:

- Category 4: Upstream transportation and distribution
- Category 8: Upstream leased assets
- Category 10: Processing of sold products
- Category 11: Use of sold products
- Category 13: Downstream leased assets
- Category 14: Franchises

Waste management

In 2023, the Bank's operations generated 7,595.44 tonnes (7,280.5 tonnes in 2022) of waste, including 6.43 tonnes (12.5 tonnes in 2022) of hazardous and 7,589.01 tonnes (7,268.0 tonnes in 2022) of non-hazardous waste.

The hazardous waste included 1.51 tonnes of vehicle tyres, 4.09 tonnes of batteries and 0.83 tonnes of mercury-containing lamps. The non-hazardous waste included 214.71 tonnes of wastepaper and 7,374.30[A] tonnes of solid domestic waste (SDW).

The Bank transfers all waste generated to specialised contractors for subsequent recycling or disposal: 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 in landfills; and wastepaper is transferred to specialised parties for recycling.

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





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Halyk



8 PEOPLE AND SOCIETY

PEOPLE AND SOCIETY

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 vast opportunities for professional and career development.

Our close-knit team is the key to our success and our greatest asset.

HUMAN CAPITAL DEVELOPMENT

Human resource management

As the largest employer in the financial sector, the Bank works constantly to improve its approaches to HR management by introducing optimal tools and applying the best international HR practices and high standards, while maintaining the best techniques that have proven effective.

The Bank continues to adhere to the following principles of the HR Policy in its operations.

- *Alignment of the interests and goals of the Bank and its employees* – The Bank respects and values its staff and creates conditions to ensure 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, create talent pools for specific positions, and identify and develop employee strengths.
- *Long-term relationships* – The Bank seeks to create 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 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 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 implements its HR policy by:

1. Guiding its business using the principles of legality, fairness and equal opportunities
2. Improving the organisational structure, employee recruitment and placement, and data analytics
3. Adapting new employees and interaction with existing staff through transparent communication and the development of mentoring
4. Ensuring employees' professional and skill training and personal development, building a talent pool and career growth
5. Managing employee performance and motivation, paying salaries and using recognition programmes
6. Providing social support, benefits and a loyalty system for employees
7. Fostering a corporate culture, ambassadorship and corporate volunteering

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

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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.

Employment

With a view to maintaining a stable team of highly skilled professionals, the Bank strictly adheres to the principles and norms of international law, as well as the legislation of Kazakhstan. In addition, it maintains high standards of legal and ethical responsibility at each stage of employer-employee relations.

The Bank pays special attention to trends associated with inclusion. It works consistently to build a team of professionals based solely on candidates' professional expertise, personal qualities, experience and motivation. It forbids any discrimination based on origin, social, official or property status, gender, race, nationality, language, religion, beliefs, place of residence or any other factor. In 2023, as in previous years, not a single case of discrimination on any of these grounds was recorded.

At the end of 2023, the Bank's headcount totalled 14,415 [A] people, down 0.5% year-on-year. Women make up 71% [A]* of employees, while men account for 29% [A]*. At the Bank's subsidiaries, the gender ratio of employees depends on the organisation's focus. For example, at Kazteleport and Halyk Collection, men make up the majority of staff; while at other subsidiaries, the ratio is either close to that of the Bank's overall level or more equal.

In terms of age diversity, in 2023, 57% [A]* of employees were aged from 30 to 50 years, 33% [A]* were under 30 years and 10% [A]* were over 50 years. At subsidiaries, those aged from 30 to 50 years make up 57% [A]* of the workforce on average, those under 30 years account for 24% [A]* and those over 50 years represent 19% [A]*.

In the reporting period, the average age of Bank employees was 35 years.

Gender diversity in 2023 by Bank, %*



Age diversity in 2023 by Bank, %*



The Bank does not employ children or use any form of forced labour. We strictly adhere to age restrictions when hiring, and our youngest employee is 18 years old. In 2023, the share of employees with senior or middle management positions was 11% [A]*, of which 62% [A]* were women and 38% [A]* were men.

At the end of the year, 12,889 employees worked under permanent contracts** (89% of the overall headcount), of which 70% were women and 30% were men. Meanwhile, 1,516 employees worked under temporary contracts*** (11% of the headcount), of which 79% were women and 21% were men.

During the reporting period, 99% of employees worked full-time and 1% worked part-time. Of both the full-time and part-time employees, 71% were women and 29% were men. Gender diversity is similar for part-time work. The number of outsourced employees decreased to 172 in 2023 (around 1% of the headcount).

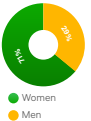
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* from the Bank's staff headcount

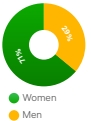
** Open-ended employment contracts as defined in Article 30 of the Kazakh Labour Code.

*** 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.

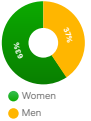
Gender diversity of full-time employees in 2023 by Bank, %*



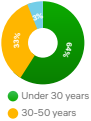
Gender diversity of part-time employees in 2023 by Bank, %*



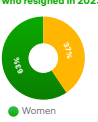
Gender diversity of new hires in 2023 by Bank, %*



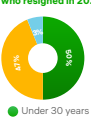
Age diversity of new hires in 2023 by Bank, %*



Gender diversity of employees who resigned in 2023 by Bank, %*



Age diversity of employees who resigned in 2023 by Bank, %*

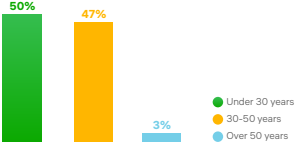


In 2023, 2,609 new employees were hired, or 18% of the average headcount.

During the year, 2,020[A] employees resigned voluntarily and by agreements of the parties. Staff turnover decreased by 5.7 percentage points to 14%[A]. The average turnover was 14.36%[A] for Halyk Group as a whole.

In terms of age diversity, there was staff turnover of 50% among employees under 30 years, 47% among those from 30 to 50 years and 3% among those over 50 years. While the highest turnover was in the youngest age group, the number of young professionals also increased due to the active introduction and development of programmes for young people. These aim to attract students and graduates and allow them to combine work and education. As a result, the Bank is creating an external talent pool of professionals who can easily adapt to its processes and are ready for efficient integration into the team.

Staff turnover by age in 2023, %



Staff recruitment and hiring

Human capital is one of our organisation's key competitive advantages. We recruit and retain highly skilled professionals through effective recruiting and hiring strategies based on fairness and equality. The Bank adheres to the principles of non-discrimination when building its team, which emphasises its commitment to social responsibility and justice. To attract talent, we use various recruitment methods that comply with the basic principles of effective HR management. As part of these efforts, we also recruit and support people with disabilities by creating an inclusive work environment where each employee has equal opportunities for professional growth and development.

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We are committed to creating a culture that supports innovation and improvements in HR processes. In 2023, we set the ambitious goal of minimising external hiring and emphasising the development of internal human resources. As part of this strategy, the Bank continues to develop the Halyk Start internship programme for IT professions, which is clear evidence of our commitment to social responsibility and investing in human capital. As a result of these efforts, we were able to attract 40% of middle and senior level professionals from the external market, while simultaneously filling 60% of vacancies with internal personnel. This result underscores our commitment to effective HR management and developing an internal talent pool.

To encourage proactiveness and strengthen the Bank's position in terms of innovation, we organised and conducted two Halyk OIY hackathons, both internally and externally. These events not only reflect our commitment to innovation, but also provide a platform that is crucial to developing new ideas and technologies. Holding hackathons of this kind underscores our active role in supporting innovative initiatives and best practices to strengthen our market position and comply with ESG principles. We are constantly investing in the creation of an environment that encourages creativity and technological excellence, thereby ensuring our long-term growth and competitiveness.

In addition, we have streamlined our hiring process by introducing digital tools and remote interviews. This has not only increased our efficiency, but also reduced our environmental footprint by reducing the need to travel and use of paper documents. RPA (robot) technologies make it possible to automate the search for candidates and place vacancies on the HH.kz platform based on the application criteria of the hiring unit and without recruiters, which also helps to reduce time and financial costs. To clarify whether candidates are prepared to consider a job offer, we have developed a special WhatsApp bot service that helps us to improve communications and reduce decision-making time.

We place particular importance on the integration of new employees and are implementing a wide range of measures to create a strong foundation for long-term relationships. In 2023, we made improvements to the adaptation process by including motivational interviews via a Telegram bot, which helped to obtain feedback promptly and make interacting with new employees more efficient. Investing in the comprehensive integration of employees produces significant benefits: increased productivity, reduced employee turnover and a stronger company culture. In doing so, we create favourable conditions for the growth and development of our employees, which, in turn, helps the Bank to achieve its strategic goals.

Clearly, the automation and optimisation of HR processes not only improve operational efficiency, but also free the resources needed to implement a wide range of initiatives that contribute to our Bank's overall well-being and development. For example, in 2023, a team of recruiters launched a major social project called Halyk Bolashagy to provide career guidance for children. This project targets employees' children aged 10 to 16 years and includes a series of meetings at which various Bank specialists share their experience and knowledge about their professions. The initiative helps children to choose a professional path consciously by providing them with opportunities in finance and banking, while contributing to their personal development and future success.

Halyk Academy

As a socially responsible Bank that is committed to developing its human capital, we are actively developing our partnerships with leading universities through the Halyk Academy programme in an effort to support the younger generation. Satbayev University has been added to the list of our partners – Kazakh-British Technical University, International IT University and SDU University – where we opened a modern Halyk laboratory in 2023 and made proposals to update educational curricula. These steps underscore our commitment to improving education and investing in the future. In 2023, we continued to further encourage the Bank's employees to be proactive in giving lectures at partner universities and contribute to the training of their future colleagues.

Through the work to continue and make improvements to the project, each student at these universities can directly experience what it is like to implement projects and fulfil tasks in real business conditions in practice. In addition, our colleagues gain extensive experience in realising their potential as teachers and we continue to attract the best prospective students to the Bank.

All of this work with young people has increased the conversion of interns to employees. In 2023, 78% of the students hired as interns were given other positions at the Bank.

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Motivation and remuneration

The Bank's remuneration policy and staff motivation methods are based on the principles of equality of rights, as well as an assessment of employees' activities and capabilities. Fair remuneration and equal working conditions are ensured using a grading system based on the Korn Ferry job evaluation methodology.

In an effort to ensure decent and competitive salaries, the Bank regularly participates in salary reviews, conducts analytical work to monitor market trends and adapt its internal remuneration policy to best practices in the industry.

The Bank systematically assesses inflation forecasts and also conducts regular analyses of the labour market. Based on the data obtained, we decide on the need for indexation and salary increases, while focusing on current market conditions and standards.

When setting employee wages, we always focus solely on their expertise, qualifications and work results, 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. An engagement survey conducted based on the results of 2023 showed that most of our employees consider their remuneration to be fair. In 2023, the Bank revised the remuneration scheme for staff positions and increased salaries by an average of 12%.

Halyk has adapted its remuneration system to various categories of employees based on the specifics of their work, and it aims to motivate them and help them to achieve the desired results. This approach factors in the unique features of each position and motivates staff as effectively as possible. A fixed salary has been set for certain categories of employees and is supplemented by variable payments based on the achievement of KPIs. These bonuses can be paid monthly or quarterly depending on the specifics of the work and the goals set. Other groups of employees may receive an annual bonus, which is calculated based on their annual performance and directly correlates with the Bank's business results and profits. All Bank employees are paid a bonus for the country's Independence Day. This remuneration system helps us to encourage long-term achievements and contributions to our overall success. We strive to ensure the fair distribution of remuneration by creating conditions for professional growth and self-realisation.

Well-being programme

The Bank remains a leader in terms of sustainability and stability. As a reliable financial institution, we pay wages regularly and on time, and we make extra efforts to take care of our staff and create a sense of security for each employee. Our initiatives aim to support physical and mental health, as well as provide comfortable and safe working conditions. We believe that caring for the well-being of our employees is a key factor in their professional success and the Bank's overall sustainability.

In 2023, the Bank not only continued to provide its guaranteed social package, which includes various types of benefits and compensation, but also improved its existing well-being programme. As part of our commitment to improving working conditions and well-being programmes, we have established a new and modern corporate co-working space. This project seeks to create a more comfortable, functional and productive environment for our staff.

Given the importance of providing a place for open communication and the exchange of ideas, we have equipped the co-working space with special areas for informal meetings and brainstorming. This helps to strengthen teamwork, improves opportunities for collective problem solving and encourages innovative thinking.

Fully aware that online meetings have become our new reality in the modern world, we have included isolated telephone stations in this project. This enables our employees to have confidential conversations and meetings without losing concentration and with minimal distractions.

Installing a big-screen TV and providing free Wi-Fi not only provides access to information, but also contributes to employee learning and development. The co-working space is divided into functional areas, including an amphitheatre for general meetings and a meeting room. This all ensures that the workspace is flexible and adaptable to our staff's different needs.

As part of the well-being programme to strengthen loyalty, in 2023, the Bank conducted a survey for the third year in a row to study employee engagement (the engagement and satisfaction index was 85% for 2023). One key trend that the latest survey showed was a decrease in staff turnover.

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The employee motivation and recognition programme was affected by the following positive changes.

1. The format for awarding the Bank's best employees was revised to include the presentation of certificates and steles, the payment of monetary rewards in three categories and an official award ceremony
2. The results of the pilot project "Quarterly Recognition of the Bank's Best Employees" were successfully recapped to increase the engagement of effective and key employees
3. The achievement programme for Halyk Group managers was expanded, and awards were presented to the best directors of branches based on their business in six categories, the best director of the head office and the top two directors of subsidiaries
4. In 2023, two new categories were added: "Best Branch Director for Human Resources" and "Best Branch Director for Quality Indicators"

For the second year in a row, we continued to offer our employees free access to psychological counselling to support their emotional and mental well-being. In addition, we have expanded the range of available services to include consultations on healthy lifestyle issues, as well as mindfulness and meditation practices.

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. At the end of 2023, the Bank had 2,278 employees on unpaid parental and maternity leave, including 2,273 women (99.8%) and five men (0.2%). Over 2023, 1,062 female employees returned from maternity leave, including 1,052 women (99%) and 10 men (1%). After taking leave, 51% were still working at the Bank 12 months after returning to work.

Performance appraisal

Personnel appraisal is an important tool that the Bank uses to assess the leadership potential and competences of managers and their teams. It helps to guide the further development and career advancement of employees. All categories of employees and managers at the Bank undergo appraisal, including members of the Management Board.

Various tools are used in the appraisal, such as the balanced scorecard. This makes it possible to link the performance of each Bank division and bonuses for managers, assess employees' work and skills in an automated format using a special internal portal, and evaluate the effectiveness of IT personnel based on tasks assigned in the Jira system.

A new methodology used to assess the effectiveness of IT staff, which started as a pilot project in several departments in 2022, was successfully extended to all the Bank's IT units in 2023. This approach helps to evaluate the performance of each employee, analyse the feasibility of using existing resources allocated for development (demands, projects and tribes), see what percentage of this resource is used for support and operational work and, as a result, effectively manage existing IT resources, which helps to increase IT staff productivity.

The Bank ensures that the appraisal process is transparent and employees receive timely feedback in the form of incentive payments for successful performance. The Assessment of Job Performance and Competencies method uses three forms of assessments, depending on the employee's position and function. No appraisal is carried out for staff who have been employed for less than six months, as well as those who have been on maternity leave or have been temporarily incapacitated for more than six months during the appraisal period. Support and technical staff (drivers and workers) also do not undergo appraisal.

In 2023, 10,301 employees underwent performance appraisals, or 72% of the overall headcount. The remaining 28% were not subject to them. The appraisals included 79% of male and 68% of female employees. During the reporting period, the process covered all members of the Management Board, 97% of senior executives, 90% of middle managers and 69% of specialists. The performance appraisal is also an important tool for taking management decisions, such as building a talent pool, designing personnel development programmes, making incentive payments, recognising the Bank's best employees and calculating annual bonuses.

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Training and development

The Bank continuously and systematically develops its staff to form a balanced and competent team. Through 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 (DLS).
- Internship and reference visits – 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 workforce that meets its qualification requirements, which aim to achieve strategic goals and resolve the issues facing the Bank. The development priorities for employees were envisaged in 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. To achieve these goals, Halyk Group provides employees with access to educational platforms, training and master classes. The Bank actively supports the innovative ideas of its employees and encourages creativity. It is crucial for all employees to realise their importance in achieving the common goal and feel like part of a friendly and professional team.

We strive to constantly improve existing training and development programmes by introducing new methods that take into account the needs of business and staff, using modern technologies to make training as convenient as possible and successfully combining offline and online formats. In keeping with the trend of microlearning, we focus on delivering knowledge and skills through small, easily digestible chunks of information. This helps to integrate learning into daily life without the need to commit large blocks of time to development.

We continue to pay particular attention to developing executives' skills and unlocking their leadership potential, since they are the main drivers and conductors of all change and innovation at the Bank. In 2023, the Leadership Potential Development Programme, which was prepared in collaboration with the Nazarbayev University Graduate School of Business, brought together two groups of students. They acquired new knowledge, improved their management skills and broadened their horizons, combining the acquisition of academic knowledge with the use of practical tools.

The Bank provides opportunities for professional communities to exchange knowledge and skills through conferences, reference visits and hackathons. In 2023, more than 40 people took part in professional conferences and forums, while 17 executives paid reference visits to market leaders in the UAE and Singapore.

For head office employees, the use of the Agile project management methodology was emphasised in training. It helps organisations and employees to be more flexible, pro-







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ductive and customer-focused, and ultimately contributes to achieving business goals and improving the quality of the Bank's products and services.

Service remains a top priority for the development of our front-office employees. Cashiers, heads of retail business sales channels and employees of the branch network's SME unit underwent training on standards, service, sales and personal efficiency.

As part of the Halyk Extra well-being programme's focus on mental health, training was conducted to help employees cope with psychological and emotional challenges and improve their quality of life and productivity.

Halyk employees are constantly improving their professional skills and broadening their expertise through their work. They take part in new projects and focus on self-education, including using the public corporate library and self-directed distance learning courses.

The Bank devotes extensive attention to supporting, developing and improving the status of the Kazakh language throughout the business environment. In 2023, more than 30% of distance courses were translated into Kazakh. All Bank employees underwent tests for their knowledge of the Kazakh language, which more than 10,000 people passed. Based on the testing results, 2,500 employees were offered language training paid for by the Bank.

To develop their language skills, the head office has a Kazakh-language conversation club. It has become a platform for communication and a community of like-minded people and ambassadors of the Kazakh language.

Talent development

The Bank has an internal talent pool programme to turn its people into true leaders through a system of rotation, training and mentoring. The talent pool aims to guarantee the stability of key and managerial positions in the workforce and stimulate improvements in employees' professionalism and business activities. More than 60% of leadership appointments go to experienced and talented employees, who often need to develop management competencies and gain a broader perspective on the business.

The Bank works systematically to develop members of the talent pool. In 2023, their training programme was implemented in a game format through business games.

- **The Leader** — a simulator for developing leadership skills
- **The Boss** — a simulator for developing management skills

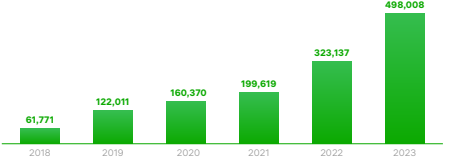
The Bank's Academy of Leaders aims to create a talent pool for the heads of the branch network's sales channels. In 2023, it included two levels of training: basic and advanced. The programme seeks to develop personal effectiveness and teamwork among the best managers and leaders of the retail business unit.

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Distance learning

Work continues to expand the coverage of employees with the DLS and testing. In 2023, 498,008 appointments for training courses and screening tests were made through the system, up 54% year-on-year. We use the DLS to conduct mass training that encompasses more than 10,000 people on such topics as "Code of Ethics and Business Conduct", "Anti-Corruption Policy", "Ensuring the Personal Safety of Sales Channel Employees", "Fundamentals of Information Security", "Internal Control" and "Combating Financial Fraud".

Distance learning and testing in 2018-2023 un.



The coverage of users of the DLS mobile application is increasing, which enables all Bank employees to take courses and read books on self-development, personal effectiveness, psychology and business at their convenience. The electronic library has been expanded with publications in the Kazakh language.

Main manager training topics in 2023

When organising training events for managers, the Bank paid special attention to the following topics.

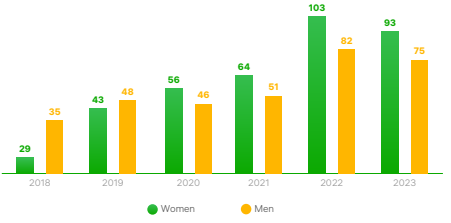
Senior executives	Middle managers
Leadership development programme, comprising the following modules:	**Fundamentals of project management and leadership tools**
• Leadership and key skills of effective leaders Strategy and digital transformation	**Agile flexible project management methodology**
• Strategic and digital marketing	**Software architect**
• Fintech and banking	**Service and emotional intellect**
Agile flexible project management methodology	

In 2023, each employee attended an average of 87 hours of training, including 75 hours for male employees and 93 hours for female employees. Broken down by position, the average was 99 hours for senior executives*, 130 hours for middle managers and 81 hours for specialists.

The number of training hours declined due to the trend of microlearning, where training materials have been shortened and focus on key points.

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Average number of training hours per employee in 2018-23



The corporate training programme currently covers managers and employees of the following subsidiaries: Halyk Bank Kyrgyzstan, Halyk Leasing and Halyk Insurance Company.

Corporate culture and internal communications

We strive to create an open and transparent corporate culture that promotes mutual respect, fairness and employee engagement. The Bank's internal communications focus on ensuring the effective exchange of information and ideas. We attach great importance to open dialogue and feedback so that every employee can contribute to and feel like an important member of the team.

In our work, we pay special attention to preventing violations of personal rights and freedoms, as well as discrimination based on race, skin colour, religion, gender, sexual orientation, age, disability or seniority.

In addition, we are committed to creating conditions that ensure our employees recognise and respect ESG values, including by conducting training seminars, promotions and workshops.

All of these actions help to create a positive work environment, increase employee satisfaction and ultimately strengthen our corporate image and reputation in the market.

Corporate events

Halyk not only focuses on employees' professional and personal growth, but also pays special attention to their emotional and physical health by regularly organising sporting and corporate events.

Various entertainment, competitions, environmental campaigns, cleanup days, workshops, summer trips and team building activities help to create an atmosphere of unity and joy. This not only strengthens team spirit, but also facilitates the adaptation process for new employees and reinforces their commitment to the Bank's interests.

These events are unique in that they provide employees with an opportunity for creative self-expression and for releasing their talents, as well as promote self-learning.

In 2023, the Bank continued the tradition of congratulating employees on International Women's Day on 8 March, Nauryz Meiramy, Bayan-Sulu and Kozy-Korpesh, Defender of the Fatherland Day on 7 May, Victory Day on 9 May, Financiers' Day, Independence Day, as well as at New Year.

* Directors of independent structural units at the head office, curators of subordinate units and directors of branches.

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Thanks to the corporate culture that employees have established, these holidays are always distinguished by an atmosphere of friendliness and joy. Employees not only share them with colleagues, but also celebrate outside the workplace.

The year 2023 was a special one for us as we celebrated the Bank's 100th anniversary, and much of our work focused on this significant event. Major social, charitable, educational and cultural initiatives were implemented nationwide. These served as a tribute to our society and joint history with the Kazakh people over our development and existence.

The Bank paid particular attention to its employees and organised numerous corporate events for them to improve the cohesiveness and unification of the team. These events reminded everyone of the significance of the anniversary and emphasised the importance of our common path and Halyk's rich history. We continue to move forward, while relying on the strong traditions and values over the Bank's century of existence.

In 2023, Halyk organised a major sporting event: the Spartakiad games among Halyk Group teams, which were dedicated to the Bank's 100th anniversary and featured three sports: football, volleyball and table tennis. The events were attended by 281 participants from all regions of the country.

Nauryz Meiramy, a holiday of spring awakening and renewal, was celebrated at the head office and brought together around 2,000 people. During the event, workers representing different nationalities presented various cultural traditions and customs through folk costumes, decoration and traditional dishes.

The Bank's corporate nature outing is a highlight each year and was attended by more than 900 employees of the head office in 2023. Various outdoor competitions and team-building events were organised to strengthen core values, build mutual trust and cooperation, and generate business ideas.

On the day of the Bank's anniversary, 10 October 2023, the head office and branches nationwide organised an unprecedented campaign. In addition to planting trees across the country and other corporate events to mark the anniversary, the central event of the celebrations was the screening of a summary film reflecting the Bank's entire development path over the last century that was specially prepared and filmed for the anniversary.

The screening at the head office was attended by former chairpeople of the Management Board who headed the Bank in different years, which gave the event special significance and historical depth. In Almaty, in addition to the screening, a concert featuring a young major Kazakh pop star was held for Bank employees at the Palace of the Republic, which added vivid emotions and cultural value to the holiday.

More than 1,200 employees of the head office and branches attended the event in Almaty, which underscores both the strong interest and engagement among employees, as well as the deep respect and recognition of the anniversary celebration from the Bank's partners and guests. These initiatives not only bolstered corporate spirit, but also clearly demonstrated the importance of historical connections, the continuity of corporate spirit and professionalism in Halyk's century-long development path.

All our branches celebrated corporate holidays with the same enthusiasm and scope as the head office. As a result, each Halyk employee feels part of a large and united team and is directly involved in celebrating the Bank's common achievements and significant dates regardless of location.

The Bank and its employees continue to actively take part in socially significant events and projects, charity events and donor programmes, while emphasising our sustainable commitment to social responsibility each year.

Halyk actively encourages employee initiatives that aim to help others and, in particular, reimburses them for days spent participating in charity events.

As part of our efforts to create a comfortable working atmosphere, we are guided by numerous key principles. These include respect and equality, transparent rules for staff assessment and career appointments, support for initiatives and the recognition of achievements, the training and development of talent, flexible working hours and a mixed work format (remote and office-based). We also publish regular internal newsletters and notifications about the latest changes, news, internal competitions and promotions.

One key focus of our Bank's ESG strategy is active participation in environmental campaigns and volunteer projects. We firmly believe that a culture of respect for nature and society begins with each of us, and we strive to embed this principle into our corporate culture.





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We regularly organise environmental cleanup days, during which Halyk employees help clear areas of rubbish, plant trees and take part in other events that aim to improve the environment. All these initiatives and events help to establish a strong and cohesive team of professionals, where each employee feels important and involved in achieving common goals.

As part of the well-being programme, Bank employees were involved in volunteer activities that helped as part of the following environmental initiatives and campaigns.

- March and September 2023 – two events "Cleanup Day at Halyk Bank" and major cleaning campaigns at offices
- April 2023 – tree planting in the Park of the First President of Kazakhstan in Almaty, along with a similar event in the regions
- September 2023 – cleanups following summer picnics and getting nature ready for winter in Butakovsky Gorge

Green Office

As part of its Green Office concept, the Bank is implementing several measures to develop environmental awareness among employees, including educational initiatives, as well as changes in office infrastructure and everyday habits.

Newsletters on various environmental issues are sent out regularly to raise awareness among employees about the importance of environmental protection. Training seminars are conducted online and offline on such topics as waste sorting, environmental awareness, waste collection points and other key environmental issues.

In addition, special waste sorting containers have been installed at the main facilities of the head office, which help employees to create a habit of properly handling and subsequently recycling waste. We also try to instil eco-friendly habits in our employees, for example, through the widespread use of shredders for office paper, which is then sent for recycling. We also emphasise the importance of energy conservation by encouraging employees to use water sparingly, turn off power outlets when they are not needed and be conscious about the use of resources. There are also special parking areas for electric scooters and bicycles inside the Bank to encourage employees to use more eco-friendly modes of transport.

In 2023, we issued a new challenge to create an employee eco-ambassador programme. At the current stage, we are just starting to build this pool of eco-ambassadors to assess how this initiative will work and contribute to improving our ESG indicators. However, we are proud to note that to date, two training lectures have been successfully organised for colleagues with an eco-ambassador from among our employees. These lectures helped to reveal valuable new knowledge and skills in environmentally sustainable practices that our employees can apply both professionally and in their own lives.

We hope that our eco-ambassadors will actively promote environmental initiatives in the Bank's daily operations, and we plan to further develop this concept over the next year. In parallel, we will continue to take progressive steps towards sustainable development and demonstrating our commitment to environmental protection.

Internal communications

The Bank devotes special attention to corporate communication and is committed to maintaining an open and transparent dialogue with its employees. To achieve this goal, the Bank actively uses the MyHalyk intranet and the Halykface corporate network. These serve as not only information platforms, but also effective tools for employees to exchange information and ideas.

We publish daily news and updates on the intranet about current events at the Bank and in the regions. This helps employees to stay up to date with the latest developments and understand the direction that our organisation is taking through its development strategy, mission and values.

The Halykface corporate network is home to communities with similar interests and a meeting place for employees. Through it, they can not only exchange ideas and discuss topics of interest, but also create working groups on joint projects. We intend to continue working on this to ensure that the initiative helps to stimulate innovation, enhance employee engagement and strengthen employee loyalty.

It is crucial for us that our employees are not only aware of current information about the main events at the Bank, but also have the opportunity to submit complaints and suggestions, while receiving timely feedback on all issues of interest.

In addition to the abovementioned methods of corporate communications, in line with tradition, we also actively use the internal Radio Halyk FM channel to congratulate employees on corporate and state holidays, as well as to inform them about upcoming internal events and important notifications. This not only boosts team spirit and creates a festive atmosphere, but also helps to strengthen the corporate culture.

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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 of the head office's Internal Security Department, 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
- Gross violations that have caused or may cause damage to the Bank
- Criminal or administrative offences
- Gross violations of the Bank's regulatory requirements
- Blackmail, bribery or other manifestations of corruption
- Gross violations of ethical standards

In 2023, 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 addition, with a view 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. This is done both periodically and on request, through the internal portal of the MyHalyk intranet.

Equal rights and opportunities

Ensuring equal rights and opportunities, and providing employees with a comfortable and respectful working environment in which their origin and lifestyle do not affect the perception of them as professionals, are priorities of Halyk Bank's corporate culture. 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 to take part in work processes. It also offers 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.

In 2021, Halyk Bank approved its Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy, a top-level document that supports international sustainable development standards and the Bank's open recognition of the rights and freedoms of its staff. The Policy is available on the Bank's corporate website and is mandatory for all Bank employees and officials, regardless of their position.

In 2022, the Bank's subsidiaries aligned their internal regulatory documents with Halyk Bank's Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy.

Employees who believe they are not protected against discrimination can file a report through the appropriate communication channels (including the helpline number available on the MyHalyk intranet). No such calls were made in 2023.

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 2023, the Labour Code made it possible to elect employee representatives in some regions through remote voting, given that quarantine restrictions remained in place. Improving the legal regulation of labour relations, the Bank conducts annual training for all representatives of employees and the Bank to give them the expertise needed to apply the standards of labour legislation and develop skills on negotiation and reaching consensus in labour disputes.

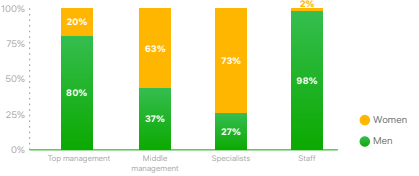
The right of employees to have their representatives take part in collective negotiations and the drafting of a collective agreement, as well as review the signed collective agreement, is guaranteed by Halyk Bank's Policy Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy. As of the end of 2023, none of the parties had expressed a desire to start collective bargaining or conclude a collective agreement.

To ensure the 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.

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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, holding 20%[(A)]* of senior executive and 63%[(A)]* of middle management positions. Women represent 57%[(A)]* of senior executives and middle managers at Halyk Group as a whole.

Gender diversity by employee category[(A)]*



Gender diversity of staff by employee category in 2023*

	2021		2022		2023	
	Men	Women	Men	Women	Men	Women
Senior executives	8	2	8	2	8[(A)]*	2[(A)]*
Middle managers	571	972	589	975	590[(A)]*	990[(A)]*
Specialists	3 186	9 835	3 334	9 400	3 339[(A)]*	9 246[(A)]*
Administrative staff	232	9	132		236[(A)]*	4[(A)]*

* from the Bank's staff headcount

The age diversity among management roles is as follows:*

- Employees under 30 make up 5%[(A)] of middle managers, 37%[(A)] of specialists and 5%[(A)] of administrative staff
- Employees aged 30 to 50 account for 50%[(A)] of senior executives, 77%[(A)] of middle managers, 55%[(A)] of specialists and 50%[(A)] of administrative staff
- Employees over 50 represent 50%[(A)] of senior executives, 18%[(A)] of middle managers, 8%[(A)] of specialists and 45%[(A)] of administrative staff

Gender diversity by age group by employee category by 2023*

Employee category		2021			2022			2023		
		Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Senior executives	Women			2		1	1		1[(A)]	1[(A)]
	Men		6	2		5	3		4[(A)]	4[(A)]
	Total	0	6	4	0	6	4	0[(A)]	5[(A)]	5[(A)]
Middle managers	Women	54	731	187	44	755	173	37[(A)]	742[(A)]	211[(A)]
	Men	47	457	67	50	474	65	44[(A)]	474[(A)]	72[(A)]
	Total	101	1188	254	94	1229	238	81[(A)]	1216[(A)]	283[(A)]
Specialists	Women	3732	5343	760	3299	5413	691	3114[(A)]	5305[(A)]	827[(A)]
	Men	1635	1387	164	1560	1605	169	1511[(A)]	1636[(A)]	192[(A)]
	Total	5367	6730	924	4859	7018	860	4625[(A)]	6941[(A)]	1019[(A)]
Administrative staff	Women	1	6	2					3[(A)]	1[(A)]
	Men	22	138	72	5	80	47	13[(A)]	116[(A)]	107[(A)]
	Total	23	144	74	5	80	47	13[(A)]	119[(A)]	108[(A)]

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The Bank oversees 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 selected and hired based solely on their skills and professionalism. With a view to maintaining 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 well-being 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.

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. This 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 and 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 can 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. To achieve the goals and objectives of occupational safety, it assumes the following obligations:

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

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4. Assess all possible risks in the workplace, taking into account the specifics of the Bank's activities and the nature of the risk, with a view 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, and provide 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 its Health and Safety Service, as well as the individuals responsible.

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 2023, 134 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 1,239 employees through its distance learning and testing system.

Electrical safety	61
Industrial safety	39
Occupational health and safety	34
Occupational health and safety through the DLS	1,239

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, with electronic and other equipment and/or at height). 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
- An evaluation of the patient's ability to return to work
- Any necessary recommendations for the prevention and treatment of illness

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

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

In 2023, there were no work-related accidents at the Bank, excluding subsidiaries.

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

Injury rates at the Bank in 2021-23

Indicator	Unit	Reporting period 2021	2022	2023
Total number of work-related lost-time injuries	Number of injuries	8	3	11
Halyk Bank		1	0	0
Halyk Collection subsidiary		7	3	10
Halyk Leasing subsidiary		-	-	1
Number of working days lost as a result of accidents	Number of days	498	123	320
Halyk Bank		267	0	0
Halyk Collection subsidiary		231	123	309
Halyk Leasing subsidiary		-	-	11
Lost-time injury rate (LTIR)	Per 1 million human hours worked	0,33	0,12	0,42[A]

LTIFR = 11 * 1 000 000 / (23 751 792* + 2 361 280 + 82 772) = 0.42[A]

* The number of man-hours for the Bank is calculated by assuming that employees (actual number as of December 31, 2023) worked the standard working hours for a five-day workweek in 2023 (1,968 hours according to the Production Calendar, excluding vacations and sick leave).

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SOCIAL PROJECTS

In 2023, the Bank provided over KZT4.5 billion in sponsorship and charitable assistance. Of this, KZT2 billion was allocated to the Halyk Charity Fund, over KZT905 million was spent on projects as part of the 100 Good Deeds campaign and more than KZT1.5 billion was provided for other sponsorship and charitable projects.

In addition, Halyk Bank allocated KZT385 million for sport in Kazakhstan and KZT431 million for cultural projects. The Bank also actively supports the social sector and is always among the first to provide assistance when emergencies occur in the country.

Support for Kazakh sport

Free public ice skating

In January, Halyk Bank gave residents and guests of Kazakhstan the opportunity to go ice skating for free. The initiative took place in 25 cities and regions of the country and more than 53,000 people took part.

Astana Half Marathon

In 2023, Halyk Bank became the general sponsor of one of the country's largest competitions: the Astana Half Marathon. The event was organised by the "Courage To Be First" corporate foundation.

More than 6,000 sports and healthy lifestyle enthusiasts from several dozen countries took part in the Astana Half Marathon 2023. They ran distances of 21.1 and 10 kilometres, a 10-kilometre Nordic walking race and a 21-kilometre group relay marathon.

The event marked a memorable and successful step in the development of sports in Kazakhstan. In keeping with tradition, around 100 Halyk employees from different cities and regions of the country took part in the race through the capital.

Halyk provided total sponsorship of KZT30 million for the event.

People's League

From 2005 to 2019, Halyk Bank and the National Basketball Federation of Kazakhstan had great success in implementing the People's League social project among foster children at orphanages and boarding schools that the Bank sponsors throughout Kazakhstan.

Over the 14 years, Halyk Bank funded basketball lessons for children from orphanages and boarding schools and provided them with the best regional coaches, training and kits, as well as sports equipment as part of the People's League project.

In 2020, the project had to be suspended temporarily because of the pandemic. In 2023, Halyk Bank decided to resume the People's League.

The project has involved foster children from 16 orphanages from 16 regions of the country. Since 2005, Halyk Bank has allocated almost KZT500 million for the project, including KZT53 million in 2023. More than 3,000 children from orphanages and boarding schools have taken part in the People's League.

Table Tennis Federation

On 24 September 2023, the Halyk Bank Open table tennis tournament took place in Astana. More than 100 athletes took part in the tournament, including masters of sports, as well as winners and runners-up from other tournaments. The Bank provided sponsorship of KZT20 million for the event.

Halyk Arena

In 2023, Halyk Bank and Halyk Arena continued to cooperate under a five-year naming rights sponsorship contract. In the year, the Halyk Arena Race 2023, free public skating and other events were held with the Bank's sponsorship.

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Kazakhstan Gymnastics Federation

The Bank allocated KZT100 million to support the Kazakhstan Gymnastics Federation in 2023. These funds enabled athletes to participate in the World Artistic Gymnastics Championships (bronze medal), Asian Games (three silver and three bronze) and Asian Championships (five bronze, five silver and one gold).

Cup of Hope

Each year, the People's League project culminates with the Cup of Hope championship. In Almaty, the league participants took part in the final tournament for the title of the best team in basketball. In 2023, 252 children from orphanages from 16 regions of the country took part in the Cup of Hope.

The total sponsorship amount was KZT68 million.

Support for culture and the arts

Abay State Academic Opera and Ballet Theatre

Halyk Bank continues to sponsor Kazakhstan's Abay State Academic Opera and Ballet Theatre. In 2023, the Bank's sponsorship amounted to KZT50 million.

"Summer Music in Your Favourite City" Festival

As part of the 100 Good Deeds campaign, the two-day open-air festival "Summer Music in Your Favourite City" was held in Aktobe, Semey, Almaty and Aktau in August and September 2023. The event was sponsored by Halyk, which provided KZT131 million in support for the event.

Voice of Asia: Reviving the Legend

As part of its efforts to further develop culture, Halyk signed a one-off sponsorship agreement with Tan Media Group to organise and hold the Voice of Asia (Asia Dauysy) international musical festival. This collaboration enabled people to once again hear the Voice of Asia at the Medeu high-mountain skating rink 19 years later.

On 28-30 July, such prominent performers as Bibigul Tulegenova, Roza Rymbaeva, Moldanazar, V$XV PRiNCE and Miras Zhugunusov, the groups Irina Kairatovna and Black Eyed Peas, and many others performed on stage.

The event was attended by more than 9,000 people. The sponsorship budget was KZT300 million.

Social projects

Free gas connections in Almaty and Astana

As part of the 100 Good Deeds campaign dedicated to Halyk Bank's 100th anniversary, the Bank used its own funds to connect 200 homes in Almaty and Astana to the gas network. Gas was supplied to the homes of socially vulnerable segments of the population based on lists provided by local administrations.

This project was implemented over 2023. The total sponsorship amount was KZT200 million.

Karyzsyz Kogam

In April 2023, the Kazakh political party Amanat and Halyk Bank announced the launch of the Karyzsyz Kogam (Debt-Free Society) project.

During the first stage, lessons on the basics of financial literacy were provided to residents from eight regions of Kazakhstan: Aktobe, Almaty, Turkestan, North Kazakhstan, West Kazakhstan, Zhambyl, Atyrau and Mangistau. Around 100 financial specialists taught people how to effectively manage their finances, optimise their expenses and income, and protect themselves against fraudsters.

More than 60,000 residents of Kazakhstan attended the lessons. The total sponsorship amount was KZT500 million.

* The Bank calculated human hours based on employees (actual number as of 31 December 2023) working standard hours for a five-day period for 2023 (1,968 hours overall).

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Support for the Ayala Charity Fund

Halyk Bank has been supporting the Ayala Charity Fund since 2009. The fund works to help children born with various health issues.

In 2023, the Bank provided support totalling KZT26 million to purchase medical equipment to alleviate visual impairment in newborns with retinopathy, specifically the 3nethra neo retinal camera, and to train ophthalmologists how to work with the device.

Reuse. Recycle. Reduce

In the run-up to World Environment Day (5 June), Kazakh artists and designers presented the sustainable fashion and art campaign 'Reuse. Recycle. Reduce' at Halyk Alafiy Park. The event aims to raise awareness about environmental issues and support initiatives to protect it.

Incidentally, the People's Square park, where the event was organised, was built by Halyk Bank. Halyk employees are directly involved in looking after and monitoring the condition of the park. The Bank is implementing similar projects in all countries where it operates: Kyrgyzstan, Uzbekistan and Georgia.

Victory Marathon

Each year, the Bank supports World War II veterans. In 2023, it provided financial assistance to 84 veterans totalling KZT8.4 million, or KZT100,000 each.

Education

Yerkin Soz Kazakh media competition

In 2023, Halyk Bank continued to support the Yerkin Soz (Free Speech) media competition, which aims to improve the professional skills of financial journalists. The budget for 2023 amounted to KZT5 million.

Opening of the Halyk Academy laboratory and co-working space

In December 2023, the multifunctional Halyk Academy laboratory and co-working space, a joint project of Halyk and the country's leading IT universities, opened at Satbayev University. The new academy will enable the university's students to not only use the latest technologies and opportunities to study IT, but also to attend lectures given by specialists from Halyk's IT departments and have the possibility of subsequent internship at the Bank..

Halyk previously donated such laboratories to Kazakh-British Technical University, International IT University and SDU University.

Road to School

Each year, Halyk supports the national Road to School campaign, which it initiated with the support of the Kazakh Ministry of Education and Science, education departments and local executive authorities. In the run-up to the new school year in 2023, more than 2,500 schoolchildren from low-income and large families across the country received school bags with school supplies as a gift from Halyk. The total sponsorship amount was KZT57 million.







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Image projects

Women in Business Forum

The Bank has been actively supporting entrepreneurial women for several years. As part of this, it sponsors the Women in Business Forum organised by the Atameken Council of Businesswomen in Almaty. The total sponsorship amount was KZT6.5 million in 2023.

ULTTYQ ÓNIM 2023 Exhibition of Kazakh Manufacturers

As part of its cooperation with the Damu Fund, Halyk Bank sponsored the ULTTYQ ÓNIM 2023 Exhibition of Kazakh Manufacturers, which the fund organised. This enabled the Bank's management to hold its own session with entrepreneurs in Almaty. The total sponsorship amount was KZT15 million.

Digital Bridge 2023 Forum

In October, the prominent Digital Bridge 2023 Forum was held, and the president, major companies and international speakers took part. In an effort to develop the domestic IT industry and promote digital transformation, the Bank provided KZT30 million in sponsorship for the forum.

Projects implemented through the Halyk Charity Fund

Since it was established in 2016, the Halyk Charity Fund has focused primarily on developing and supporting social initiatives, encouraging projects in sport, education and culture, and providing assistance to the public during emergencies.

The tragic events in Kazakhstan of January 2022 and the unstable geopolitical situation in neighbouring states continued to place a tremendous burden on the country's social protection system.

In 2023, the fund continued to focus on providing social assistance to the country and population by supporting the address to the nation and initiatives of Kazakh President Kassym-Jomart Tokayev.

An analysis of existing social challenges and public needs shows that social infrastructure projects, social assistance systems and access to quality sports and education for children need to be further developed, especially in rural regions.

In 2023, the fund used more than KZT2 billion from the Bank to implement the following projects:

1. Pledging KZT1.494 billion for financing the construction of social housing in Astana
2. Annual assistance of KZT124.2 million to the SOS Children's Villages of Kazakhstan Fund, as well as KZT22.6 million to support the Arystan lyceum
3. Since the beginning of 2023, the Halyk Foundation has distributed 3,000 food baskets totalling KZT93.3 million to needy families in the city of Zhanaozen and the Almaty region
4. Installation of a low-power desalination plant in Zhanaozen at a cost of KZT23 million
5. Construction of a children's recreation area in Zhanaozen for KZT402.9 million

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INITIATIVES AND MEMBERSHIPS

UN Global Compact

The United Nations Global Compact (UNGC) is an international corporate social responsibility and sustainability initiative for business. Created in 2000 based on an initiative from the former UN Secretary-General, the UNGC has become a key mechanism for involving business in establishing and promoting the concept of sustainable development. UNGC participants include over 9,500 companies and 3,000 non-profit organisations from more than 160 countries, most of which are located in developing nations, within the framework of 70 local networks. As of the publication date of this report, Kazakhstan had 73 companies participating in the UNGC.

The UNGC's mission is to mobilise a global movement of responsible companies that share and implement common ethical principles (10 principles of the UNGC) in the fields of human rights, labour relations, the environment and anti-corruption in various political, economic, environmental, cultural, geographical and other conditions, as well as support and contribute to the achievement of the UN Sustainable Development Goals (SDGs).

The UNGC's advantage is that a company joining must declare its commitment to the global SDGs. As such, it becomes part of a cohort of companies that are working to improve financial performance and also broadly use the principles of sustainable development. This will increase the company's value and improve its financial results in the long term.

Association of Financiers of Kazakhstan

The Association of Financiers of Kazakhstan (AFK) unites 137 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 AFK's main strategic objectives 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 financial community's image (rating)
- Collecting, analysing and consolidating proposals from AFK members to address 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

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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 business community's interests with state and local government bodies, expand and strengthen ties with the business communities of foreign countries, and support Kazakh businesses in integration processes.

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

National ESG Club

At the Astana Finance Days international forum in 2023, 19 major Kazakh companies signed a memorandum establishing the National ESG Club. Halyk Bank is one of the founders of the National ESG Club. Others include representatives of major mining and manufacturing companies, as well as peer banks. As of this report's publication date, the club had around 60 members.

Through establishing the National ESG Club, the Kazakh government intends to contribute to achieving sustainable development goals by improving energy efficiency and introducing appropriate incentives for responsible companies.

The club's mission is to become a leader in sustainable development, create an environment that fosters sustainability in business and society, and raise public awareness of important social and environmental issues.

The National ESG Club's primary goals include:

- Promoting sustainable practices – The National ESG Club can help to promote and develop sustainable practices in business and society by creating a forum where club members can share their experiences and knowledge.
- Community building – The National ESG Club can serve as a space where people interested in sustainable development can come together, discuss their ideas and find new partners and friends who share their values and interests.
- Developing new business opportunities – The National ESG Club can help its members to explore and develop new sustainability-related business opportunities. Members can exchange information on best practices, speak together at conferences and events, and seek new investment opportunities.
- Increasing social engagement – The National ESG Club can be a place where people interested in sustainability can discuss important social and environmental issues, create petitions, support charitable and social initiatives and raise public awareness of these issues.
- Developing environmental and social leadership – The National ESG Club can help its members to become sustainability leaders and attract public attention. This can enhance the image of companies and firms, make them more attractive to investors and consumers, and improve their social responsibility.

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PERSONNEL METRICS BY HALYK BRANCH

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

Affiliate	Permanent contract	Temporary contract
Head Office	3,236	191
Akmola regional branch	398	52
Aktobe regional branch	538	68
Almaty municipal branch	1,365	179
Almaty regional branch	264	20
Astana municipal branch	742	95
Atyrau regional branch	370	108
Baikonur regional branch	78	8
Balkhash regional branch	105	6
East Kazakhstan regional branch	431	41
Jambyl regional branch	425	75
Zhanaozen regional branch	108	43
West Kazakhstan regional branch	381	67
Karaganda regional branch	519	87
Kostanay regional branch	424	61
Kyzylorda regional branch	360	55
Mangistau regional branch	389	76
Jetisu regional branch	271	38
Abay regional branch	386	44
Ulytau regional branch	170	43
Pavlodar regional branch	397	26
North Kazakhstan regional branch	332	37
Temirtau regional branch	170	23
Turkestan regional branch	405	38
Shymkent municipal branch	467	25
Ekibastuz regional branch	168	10
Total	**12 ,899**	**1,516**

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

Affiliate	Total number of new hires	Share of new hires	Total number of personnel departures	Staff turnover
Head Office	823	24.02%	576	16.81%
Akmola regional branch	99	22.00%	64	14.22%
Aktobe regional branch	99	16.34%	69	11.39%
Almaty municipal branch	282	18.26%	269	17.42%
Almaty regional branch	64	22.54%	25	8.80%
Astana municipal branch	116	13.86%	114	13.62%
Atyrau regional branch	79	16.53%	83	17.36%
Baikonur regional branch	9	10.47%	10	11.63%
Balkhash regional branch	14	12.61%	15	13.51%
East Kazakhstan regional branch	68	14.41%	55	11.65%
Jambyl regional branch	83	16.60%	48	9.60%
Zhanaozen regional branch	16	10.60%	11	7.28%
West Kazakhstan regional branch	44	9.82%	45	10.04%
Karaganda regional branch	88	14.52%	84	13.86%
Kostanay regional branch	93	19.18%	60	12.37%
Kyzylorda regional branch	47	11.33%	41	9.88%
Mangistau regional branch	53	11.40%	45	9.68%
Jetisu regional branch	65	21.04%	62	20.06%
Abay regional branch	58	13.49%	50	11.63%
Ulytau regional branch	45	21.13%	41	19.25%
Pavlodar regional branch	62	14.66%	49	11.58%
North Kazakhstan regional branch	82	22.22%	31	8.40%
Temirtau regional branch	46	23.83%	28	14.51%
Turkestan regional branch	61	13.77%	58	13.09%
Shymkent municipal branch	81	16.46%	69	14.02%
Ekibastuz regional branch	32	17.98%	18	10.11%
Total	**2,609**	**18.10%**	**2,020(A)**	**14.02%(A)**

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Table 3. Anti-corruption training (instruction) for new hires in 2023, broken down by region and employee category

Region	Senior executives	Middle managers	Specialists	Drivers	Manual workers	Total
Head Office	54	249	2,724			3,027
Akmola regional branch	1	46	312			359
Aktobe regional branch	1	57	404			462
Almaty municipal branch		128	1,076			1,204
Almaty regional branch	1	29	190			220
Astana municipal branch	1	73	632			706
Atyrau regional branch	1	42	306			349
Baikonur regional branch	1	10	63			74
Balkhash regional branch	1	12	79			92
East Kazakhstan regional branch	1	43	322			366
Jambyl regional branch	1	46	348			395
Zhanaozen regional branch	1	19	93			113
West Kazakhstan regional branch	2	51	318			371
Karaganda regional branch	1	51	411			463
Kostanay regional branch	1	57	354			412
Kyzylorda regional branch	1	40	278			319
Mangistau regional branch	1	40	291			332
Jetisu regional branch	2	38	208			248
Abay regional branch	1	52	314			367
Ulytau regional branch	1	26	140			167
Pavlodar regional branch	1	47	308			356
North Kazakhstan regional branch	1	46	257			304
Temirtau regional branch	1	23	141			165
Turkestan regional branch	1	59	345			405
Shymkent municipal branch	2	46	355			403
Ekibastuz regional branch	2	24	105			131
Total	**82**	**1,354**	**10,374**			**11,810**

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 figures in the report are presented in comparison with 2021 and 2022 (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 list of 24 material topics is presented in the "Our Approach to Sustainability Management" section.

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“OUR APPROACH TO SUSTAINABILITY MANAGEMENT” SECTION

Anti-corruption

In 2023, as part of the anti-corruption education system that has been introduced at the Bank, and in an effort to raise awareness about anti-corruption policies and methods, 11,160 employees were trained (including 8,399 branch employees and 2,761 head office employees). This was followed by tests of their knowledge of anti-corruption policy requirements. 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 sub-paragraph (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. The Bank has introduced anti-corruption provisions in all standard contracts and other banking documents.

“HUMAN CAPITAL DEVELOPMENT” SECTION

Human resource management

The staff turnover rate at the head office and branches is calculated using the formula: Turnover rate = A1/B x 100%. The staff turnover rate at subsidiaries is calculated using the formula: Turnover rate = A2/B x 100%.

Where:

A1 is the number of employees who terminated their employment contract voluntarily and by agreement of the parties during the reporting period,

A2 is the number of employees who terminated their employment contract voluntarily, excluding the following metrics from the calculation.

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

B is the average number of Bank and Subsidiary employees for the reporting period.

Occupational health and safety

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

To reflect information about activities that are potentially associated with dangerous factors, when disclosing data on injuries, the Bank has expanded the reporting boundaries to include data from the subsidiaries Halyk Collection and Halyk Leasing.

Recording and accounting for work-related accidents is conducted in accordance with Order No. 21 of the Minister of Labour and Social Protection of Kazakhstan dated 31 January 2024, which was registered as No. 33955 with the Ministry of Justice of Kazakhstan on 1 February 2024, as well as Chapter 20 of the Labour Code of Kazakhstan.

The Bank has no recorded incidents of occupational illness. The Bank does not currently keep records and calculate data on absentee and lost-day rates 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 in GRI 403: Occupational Health and Safety 2018. The Bank has adopted a factor of 1 million human hours worked to correctly reflect the LTIFR rate in relation to the number of employees of the Bank and its subsidiaries. The calculation formula is: LTIFR = Number of work-related injuries / Number of human hours worked *1,000,000.

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In 2023, the LTIFR for the Bank, Halyk Collection and Halyk Leasing was 0.42. Work-related lost-time injuries totalled 10 at Halyk Collection and one at Halyk Leasing. The total human hours worked were 23,751,792* hours for the Bank and 2,444,052 hours for the two subsidiaries: Halyk Collection and Halyk Leasing. There were no work-related accidents at Halyk Bank, excluding subsidiaries.

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

ENVIRONMENT AND SOCIETY

Responsible of resources

Data collection on water consumption was carried out in accordance with the legally established forms of environmental reporting, as well as according to the GRI Standards guide "GRI 303: Water and Effluents". The information presented on water consumption is based on direct measurements of water usage volumes by measuring devices (meters) or on data provided by contractors/property owners. The Bank's water consumption data was calculated based on consumption rates and utility costs. The water use values for the Bank also include data from the subsidiaries, whose offices are located in the Bank's buildings

Given the specifics of its 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 it. As indicated in the relevant section, the Bank also does not set standards for pollutant discharges and does not release wastewater into natural water bodies in accordance with Kazakhstan's environmental legislation (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 based on meter readings. The calculation is based on the amount of funds paid for utilities and consumption rates. Energy consumption data also includes data of subsidiaries whose offices are located in Bank buildings. Reporting on consumption of other fuel** and energy resources is based on actual consumption for the following types of fuel: diesel, gasoline, coal and natural gas. To translate fuel consumption figures, the corresponding coefficients were used from the Methodology for Determining the Fuel and Energy Balance and Calculating Individual Statistical Indicators Characterising the Energy Sector, which was approved by Order No. 16041 of the Chairman of the Statistics Committee of the Ministry of National Economy of Kazakhstan dated 11 August 2016***.

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

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* The number of man-hours for the Bank is calculated by assuming that employees (actual number as of December 31, 2023) worked the standard working hours for a five-day workweek in 2023 (1,968 hours according to the Production Calendar, excluding vacations and sick leave).

** The calculation is based on the amount of funds paid for utilities and consumption rates. Energy consumption data also includes data on companies whose offices are located in Bank buildings. The report on the consumption of other fuel and energy resources is presented according to the actual consumption data of the following types of fuel: diesel fuel , gasoline, coal, natural gas.

*** http://adilet.zan.kz/rus/docs/V1600014230

**** https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf

***** http://adilet.zan.kz/rus/docs/V1700015396/links

Statement of use GRI 1 used GRI Indicators Table		Halyk Group has reported the infprmation cited in this GRI content index for the period from January 1,2023 to December 31,2023 with reference to the GRI Standards. GRI 1: Foundtion 2021 GRI Content Index		
GRI	**Disclosure**	**Page in SR 2023 (pdf)**	**External assurance**	**Name of the Section**
GRI 2-1	Organizational details	18, 24, 63-64, 121		SUSTAINABLE DEVELOPMENT, CORPORATE GOVERNANCE, CONTACT INFORMATION
GRI 2-2	Entities included in the organization's sustainability reporting	4		ABOUT THIS REPORT
GRI 2-3	Reporting period, frequency and contact point	4		ABOUT THIS REPORT
GRI 2-5	External assurance	113-115		INDEPENDENT PRACTITIONER'S ASSURANCE REPORT
GRI 2-6	Activities, value chain and other business relationships	15-16		AT A GLANCE
GRI 2-7	Employees	81		PEOPLE AND SOCIETY
GRI 2-8	Workers who are not employees	82		PEOPLE AND SOCIETY
GRI 2-9	Governance structure and composition	59-62		CORPORATE GOVERNANCE
GRI 2-9	Chair of the highest governance body	59-60		CORPORATE GOVERNANCE
GRI 2-12	Role of the highest governance body in overseeing the management of impacts	57-58		CORPORATE GOVERNANCE
GRI 2-13	Delegation of responsibility for managing impacts	58-59		CORPORATE GOVERNANCE
GRI 2-14	Role of the highest governance body in sustainability reporting	4		ABOUT THIS REPORT
GRI 2-15	Conflicts of interest	27		SUSTAINABLE DEVELOPMENT
GRI 2-16	Communication of critical concerns	39,106		SUSTAINABLE DEVELOPMENT, APPENDICES
GRI 2-17	Collective knowledge of the highest governance body	61		CORPORATE GOVERNANCE
GRI 2-18	Evaluation of the performance of the highest governance body	55, 62		CORPORATE GOVERNANCE
GRI 2-19	Remuneration policies	90		PEOPLE AND SOCIETY
GRI 2-20	Process to determine remuneration	90		PEOPLE AND SOCIETY
GRI 2-22	Statement on sustainable development strategy	35		SUSTAINABLE DEVELOPMENT

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GRI	Disclosure	Page in SR 2023 (pdf)	External assurance	Name of the Section
GRI 2-23	Policy commitments	30, 43, 52, 63		SUSTAINABLE DEVELOPMENT, CORPORATE GOVERNANCE
GRI 2-24	Embedding policy commitments	30, 43, 52, 63, 84		SUSTAINABLE DEVELOPMENT, CORPORATE GOVERNANCE, PEOPLE AND SOCIETY
GRI 2-25	Processes to remediate negative impacts	78		ENVIRONMENT
GRI 2-26	Mechanisms for seeking advice and raising concerns	26, 27, 86		SUSTAINABLE DEVELOPMENT, PEOPLE AND SOCIETY
GRI 2-27	Compliance with laws and regulations	39-42		SUSTAINABLE DEVELOPMENT
GRI 2-28	Membership associations	111-113		APPENDICES
GRI 2-29	Approach to stakeholder engagement	47-48		SUSTAINABLE DEVELOPMENT
GRI 2-30	Collective bargaining agreements	119		CONTACT INFORMATION
GRI 3-1	Process to determine material topics	46, 116-117		APPENDICES, SUSTAINABLE DEVELOPMENT
GRI 3-2	List of material topics	45		SUSTAINABLE DEVELOPMENT
GRI 3-3	Management of material topics	105		APPENDICES
GRI-201-1	Direct economic value generated and distributed	19	(A)	SUSTAINABLE DEVELOPMENT
GRI-201-2	Financial implications and other risks and opportunities due to climate change	65-72		RESPONSIBLE FINANCING AND RISK MANAGEMENT
GRI-203-1	Infrastructure investments and services supported	68		RESPONSIBLE FINANCING AND RISK MANAGEMENT
GRI-203-2	Significant indirect economic impacts	19		SUSTAINABLE DEVELOPMENT
GRI-204-1	Proportion of spending on local suppliers	47	(A)	SUSTAINABLE DEVELOPMENT
GRI-205-1	Operations assessed for risks related to corruption	42		SUSTAINABLE DEVELOPMENT
GRI-205-2	Communication and training about anti-corruption policies and procedures	43, 113, 114		SUSTAINABLE DEVELOPMENT, APPENDICES
GRI-205-3	Confirmed incidents of corruption and actions taken	no such cases		
GRI-206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	no such cases		
GRI 301-1	Materials used by weight or volume	5, 75	(A)	ABOUT THIS REPORT, ENVIRONMENT
GRI-302-1	Energy consumption within the organization	5, 76	(A)	ABOUT THIS REPORT, ENVIRONMENT

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GRI	Disclosure	Page in SR 2023 (pdf)	External assurance	Name of the Section
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GRI-302-3	Energy intensity	78		ENVIRONMENT
GRI-302-4	Reduction of energy consumption	78		ENVIRONMENT
GRI-302-5	Reductions in energy requirements of products and services	77		ENVIRONMENT
GRI-303-5	Water consumption	5, 75	(A)	ABOUT THIS REPORT, ENVIRONMENT
GRI-305-1	Direct (Scope 1) GHG emissions	5, 46, 77	(A)	ABOUT THIS REPORT, SUSTAINABLE DEVELOPMENT, ENVIRONMENT
GRI-305-2	Energy indirect (Scope 2) GHG emissions	5, 46, 77	(A)	ABOUT THIS REPORT, SUSTAINABLE DEVELOPMENT, ENVIRONMENT
GRI-305-3	Other indirect (Scope 3) GHG emissions	5, 78	(A)	ABOUT THIS REPORT, ENVIRONMENT
GRI-305-4	GHG emissions intensity	39, 50, 81		SUSTAINABLE DEVELOPMENT, ENVIRONMENT
GRI-305-5	Reduction of GHG emissions	39, 50, 81		SUSTAINABLE DEVELOPMENT, ENVIRONMENT
GRI-306-2	Management of significant waste-related impacts	82		ENVIRONMENT
GRI-306-3	Waste generated	82		ENVIRONMENT
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GRI-401-1	New employee hires and employee turnover	6, 82, 104	(A)	ABOUT THIS REPORT, PEOPLE AND SOCIETY, APPENDICES
GRI-401-2	Benefits provided to full-time employees	84		PEOPLE AND SOCIETY
GRI-401-2	Parental leave	84		PEOPLE AND SOCIETY
GRI-401-3	Minimum notice periods regarding operational changes	91		PEOPLE AND SOCIETY
GRI-403-2	Hazard identification, risk assessment, and incident investigation	102-104, 107		PEOPLE AND SOCIETY, APPENDICES
GRI-403-3	Occupational health services	103		PEOPLE AND SOCIETY
GRI-403-4	Worker participation, consultation, and communication on occupational health and safety	85-86, 105		PEOPLE AND SOCIETY, APPENDICES

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GRI	Disclosure	Page in SR 2023 (pdf)	External assurance	Name of the Section
GRI-403-5	Worker training on occupational health and safety	85-86, 106		PEOPLE AND SOCIETY, APPENDICES
GRI-403-6	Promotion of worker health	95-96		PEOPLE AND SOCIETY
GRI-403-8	Workers covered by an occupational health and safety management system	95-96		PEOPLE AND SOCIETY
GRI-403-9	Work-related injuries	96	(A)	ENVIRONMENT
GRI-403-10	Work-related ill health	107		APPENDICES
GRI-404-1	Average hours of training per year per employee	90		PEOPLE AND SOCIETY
GRI-404-2	Programs for upgrading employee skills and transition assistance programs	92-94		PEOPLE AND SOCIETY
GRI-404-3	Percentage of employees receiving regular performance and career development reviews	88		PEOPLE AND SOCIETY
GRI-405-1	Diversity of governance bodies and employees	6-7, 16, 81, 93	(A)	ABOUT THIS REPORT, AT A GLANCE, PEOPLE AND SOCIETY
GRI-405-2	Ratio of basic salary and remuneration of women to men	86-87		PEOPLE AND SOCIETY
GRI-406-1	Incidents of discrimination and corrective actions taken	no such cases		
GRI-410-1	Security personnel trained in human rights policies or procedures	95		PEOPLE AND SOCIETY
GRI-413-1	Operations with local community engagement, impact assessments, and development programs	103-106		PEOPLE AND SOCIETY
GRI-418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	30-32		SUSTAINABLE DEVELOPMENT

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Halyk

10 INDEPENDENT PRACTITIONER'S ASSURANCE REPORT



INDEPENDENT PRACTITIONER'S ASSURANCE REPORT

To the Shareholders and Management of Halyk Bank JSC

Scope

We have been engaged by Halyk Bank JSC (the "Bank") to perform a 'limited assurance engagement,' as defined by International Standards on Assurance Engagements, (hereinafter "Engagement"), to report on the selected indicators (hereinafter "Subject Matter" or "Indicators") of sustainability report (hereinafter referred to as the "Report") in which sustainability information for Bank and its subsidiary organizations (jointly named "Halyk Group" or the "Group") is disclosed for the period from January 1 to December 31, 2023 (hereinafter "the Reporting Period").

Subject Matter with relevant GRI-indexes (if applicable) and boundaries for each Indicator includes following disclosures:

- 201-1 Direct economic value generated and distributed, Halyk Group, page 19;
- 204-1 Proportion of spending on local suppliers, Halyk Bank of Kazakhstan JSC, page 47;
- 301-1 Materials used by weight or volume (paper), Halyk Bank of Kazakhstan JSC, Halyk Bank Georgia JSC, Tenge Bank JSCB, pages 5, 75;
- 301-1 Materials used by weight or volume (plastic), Halyk Bank of Kazakhstan JSC, page 75;
- 302-1 Energy consumption within the organization, Halyk Bank of Kazakhstan JSC, Tenge Bank JSCB, page 5, 76;
- 303-5 Water consumption, Halyk Bank of Kazakhstan JSC, Halyk Bank Georgia JSC, Tenge Bank JSCB, pages 5, 75;
- 305-1 Direct (Scope 1) GHG emissions, Halyk Bank of Kazakhstan JSC, Halyk Bank Georgia JSC, Tenge Bank JSCB, pages 5, 46, 77;
- 305-2 Energy indirect (Scope 2) GHG emissions, Halyk Bank of Kazakhstan JSC, Tenge Bank JSCB, pages 5, 46, 77;
- 305-3 Other indirect (Scope 3) GHG emissions, Halyk Bank of Kazakhstan JSC pages 5, 78;
- 401-1 New employee hires and employee turnover, Halyk Bank of Kazakhstan JSC, Halyk Bank Georgia JSC, Tenge Bank JSCB, Halyk Insurance Company JSC, Halyk Life JSC, Halyk Finance JSC, Halyk Global Markets JSC, Halyk Leasing JSC, Halyk Collection LLP, Kazteleport JSC, KUSA Halyk LLP, Halyk Aktiv LLP, Halyk Finservice LLP, pages 6, 82, 104;
- 403-9 Work-related injuries, Halyk Bank of Kazakhstan JSC, Halyk Leasing JSC, , Halyk Collection LLP, page 96;
- 405-1 Diversity of governance bodies and employees, Halyk Bank of Kazakhstan JSC, Halyk Bank Georgia JSC, Tenge Bank JSCB, Halyk Insurance Company JSC, Halyk Life JSC, Halyk Finance JSC, Halyk Global Markets JSC, Halyk Leasing JSC,

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Halyk Collection LLP, Kazteleport JSC, KUSA Halyk LLP, Halyk Aktiv LLP, Halyk Finservice LLP, pages 6-7, 16, 81, 93;

- The structure of the loan portfolio of CB, MB, SB by carbon-intensive intensive sectors in accordance with the Bank's segmentation, Halyk Bank of Kazakhstan JSC, page 71;
- Number of requests received by the contact center, including complaints, Halyk Bank of Kazakhstan JSC, page 25.

The Subject Matter also is disclosed in the following sections of the Report:

- "Impact indicators for Halyk Group" page 5
- "Other indicators for Halyk Group", page 6-7
- GRI Content Index and relevant sections of the Report which the GRI Index refers to, pages 108-111.

The Subject Matter is marked in the Report with the symbol "(A)".

Other than as described in the preceding paragraph, which sets out the scope of our Engagement, we did not perform assurance procedures on the remaining information included in the Report, and accordingly, we do not express a conclusion on this information.

Criteria applied by the Group

In preparing the Subject Matter the Group applied:

- Global Reporting Initiative Sustainability Reporting Standards 2021 (hereinafter "the GRI Standards"),
- Reporting methodologies in the field of sustainable development, described in the sections "Transitional climate risks in Kazakhstan" on the page 71 and "The Bank and sustainable development" on the page 25 as set forth in section "About this Report" on the page 5 of the Report (hereinafter "the Criteria").

Group's responsibilities

The Group's management is responsible for selecting the Criteria, and for presenting the Subject Matter in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

EY's responsibilities

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our limited assurance engagement in accordance with the International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information ('ISAE 3000 (Revised)'), and the terms of reference for this engagement as agreed with the Group. ISAE 3000 requires that we plan and perform our engagement to obtain limited assurance about whether we are aware of any material modifications that need to be made to the Subject Matter in order for it to be in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

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Our independence and quality management

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, and have the required competencies and experience to conduct this assurance engagement.

EY also applies International Standard on Quality Management 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Description of procedures performed

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the Subject Matter and related information, and applying analytical and other appropriate procedures.

Our procedures included the following:

- We interviewed representatives of the Group's divisions involved in the preparation of the Subject Matter;
- We conducted analytical procedures of the quantitative information related to Subject Matter;
- We examined sustainability-related internal corporate documents of the Group;
- On a sample basis, we compared the Subject Matter with source information;
- We evaluated the presentation of the Subject Matter in the layout of the Report.

We also performed other procedures that we considered necessary in the circumstances.

Conclusion

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Subject Matter for the period from January 1 to December 31, 2023, in order for it to be in accordance with the Criteria.

Ernst & Young Advisory LLP.

July 31, 2024

Almaty, Kazakhstan

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Halyk



11 CONTACT INFORMATION



CONTACT INFORMATION

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