

Annex
to minutes of the meeting of the Board of Directors
of JSC Halyk Bank by absent voting
No.125 dated 16 May 2013

*amended and revised by the minutes
of meetings of the Board of Directors
of JSC Halyk Bank by absent voting
dated 24 April 2015 (minutes No.98),
dated 31 December 2015 (minutes No.411)
and dated 25 July 2017 (minutes No.48)*

THE PROCEDURE of distribution of JSC Halyk Bank's net income

Chapter 1. General provisions

Item 1 was amended according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.48 dated 25 July 2017)

1. The Procedure of distribution of JSC Halyk Bank's net income (the Procedure) is developed in accordance with the legislation of the Republic of Kazakhstan, Charter, development strategy and other internal regulatory documents of JSC Halyk Bank.

2. The procedure establishes the general principles and conditions adopted by the Bank with respect to the distribution of net income.

3. The following basic definitions are used in this Procedure:

Sub-clause 1) of the Procedure is amended according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.98 dated 24 April 2015)

1) **shareholder** – a person who is the owner of the Bank's shares (or the owner of global depositary receipts whose basic asset is common shares of the Bank);

2) **Bank** – JSC Halyk Bank;

Sub-clause 3) of the Procedure is amended according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.98 dated 24 April 2015)

3) **dividend** – the income of the shareholder, subject to payment by the Bank on shares, including on shares that are the basic assets of depositary receipts;

4) **retained earnings** – accumulated net income of previous years not distributed among shareholders and remaining at the disposal of the Bank;

5) **general shareholders' meeting** – supreme body of the Bank;

Sub-clause 6) is amended according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.48 dated 25 July 2017)

6) **preferred shares of the Bank** – preferred shares of the Bank issued by the Bank in accordance with the procedure established by the legislation of the Republic of Kazakhstan, and placed in accordance with the legislation of the Republic of Kazakhstan and internal regulatory documents of the Bank;

The Procedure is amended by sub-clause 6-1), according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.98 dated 24 April 2015)

6-1) **authorized body** – National Bank of Kazakhstan;

7) **net income** – difference between income and expenses, including expenses on tax payments for the period.

Chapter 2. Basic conditions for net income distribution

4. Net income is an indicator of the Bank's performance for the reporting period, and also represents part of the Bank's retained earnings that remains at its disposal after paying taxes, levies, charges and other mandatory payments to the budget.

5. The resolution on approval of the procedure of distribution of the Bank's net income for the last financial year and the amount of the dividend for the year per common share of the Bank shall be adopted by the annual general shareholders' meeting of the Bank, on the basis of proposals of the Board of Directors of the Bank included in the materials on the above issue of the agenda of the annual general shareholders' meeting.

6. The proposal of the Board of Directors of the Bank on the procedure of distribution of Bank's net income received by the results of the financial and operating performance of the Bank for the last financial year and the amount of dividend for the year per one common share of the Bank should contain, including but not limited, the following:

1) information on the amount of the part of the Bank's net income for the last financial year, which is allocated for payment of dividends on the Bank's preferred shares, in accordance with the amount provided by the Prospectus of share issue of the Bank, and the procedure determined by the authorized body of the Bank. At the same time, the amount of the part of net income allocated for payment of dividends on preferred shares of the Bank should include the amount of taxes payable in accordance with the procedure established by the legislation of the Republic of Kazakhstan;

2) if it is required by the legislation of the Republic of Kazakhstan to form reserve capital - information on the amount of the part of the Bank's net income for the last financial year, allocated to increase the reserve capital of the Bank, taking into account the minimum amount of reserve capital established by regulatory legal acts of the Republic of Kazakhstan¹;

3) proposal not to accrue or pay dividends on common shares of the Bank or, in the case of expediency of paying dividends on common shares of the Bank – information on the amount of the part of the Bank's net income for the last financial year, allocated for payment of dividends on common shares of the Bank, including the amount of taxes payable in accordance with the procedure established by the legislation of the Republic of Kazakhstan, in the manner and on terms set forth in the Prospectus of share issue of the Bank. When dividends are paid on common shares of the Bank, the amount of dividend per common share of the Bank proposed by the Board of Directors shall be indicated, including the tax payable in accordance with the procedure established by the legislation of the Republic of Kazakhstan;

4) the proposal not to distribute the remaining net income and capitalize it by allocating to retained earnings of previous years and (or) other purposes, according to the development strategy of the Bank.

7. The proposal of the Board of Directors of the Bank on the procedure of distribution of the Bank's net income received by the results of the financial and operating performance of the Bank for the last financial year and the amount of dividend for the year per common share of the Bank, may contain other than as stated in clause 6 of the Procedure of distribution of the Bank's net income, in accordance with the legislation of the Republic of Kazakhstan and Charter of the Bank.

8. The proposals on the procedure of distribution of the Bank's net income for the last financial year and the amount of dividend for the year per common share of the Bank are accepted by the Board of Directors of the Bank through in-person meeting or absent voting, taking into account the following main factors affecting the distribution of net income:

- 1) actual amount of net income received by the Bank;
- 2) indicators of the Bank's solvency and financial stability;
- 3) ensuring the Bank's strategic development objectives;
- 4) other factors at the discretion of the Board of Directors of the Bank.

¹ with respect to distribution of net income received by the Bank before 1 January 2013

9. In accordance with proposals of the Board of Directors of the Bank, the Bank forms the materials of the agenda of the annual general shareholders' meeting on the item of approval of the procedure of distribution of the Bank's net income for the last financial year and the amount of dividend per common share of the Bank.

10. When forming proposals on the procedure of distribution of the Bank's net income for the past financial year and the amount of dividend per common share of the Bank, the Board of Directors is obliged to take into account the restrictions established by the legislation of the Republic of Kazakhstan on payment of dividends.

Chapters 3 and 4 of the Procedure are amended, according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.98 dated 24 April 2015)

Chapter 3. Restrictions on payment of dividends

Item 11 is amended according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.48 dated 25 July 2017)

11. Dividends on common and preferred shares of the Bank shall not be accrued:

1) if the amount of equity is negative or if the amount of the Bank's equity becomes negative as a result of accrual of dividends on its shares;

2) if the Bank meets the criteria of insolvency or bankruptcy, in accordance with the legislation of the Republic of Kazakhstan on rehabilitation and bankruptcy, or the indicated features will appear in the Bank as a result of accrual of dividends on its shares;

3) in cases stipulated by the Law of the Republic of Kazakhstan "On Banks and Banking Activity in the Republic of Kazakhstan.

Item 12 of the Procedure is amended according to resolution of the Board of Directors of JSC Halyk Bank (minutes No.411 dated 31 December 2015)

12. The Board of Directors has the right to propose to the annual general shareholders' meeting of the Bank to adopt resolution on payment of dividends on the Bank's shares for the last financial year, taking into account that payment of dividends will not affect the Bank's Cooke Ratio and fall below the industry ratio of second-tier banks of the Republic of Kazakhstan.

13. Dividends are not accrued and paid on shares that were not placed or repurchased by the Bank, and also if the court or general shareholders' meeting of the Bank resolved to liquidate it.

Chapter 4. Final provisions

14. Issues not regulated by this Procedure shall be resolved in accordance with the procedure provided for by the legislation of the Republic of Kazakhstan, internal regulatory documents and Charter of the Bank.

15. This Procedure is an integral part of the Bank's Prospectus of Share Issue.
