HALYK BANK

THE SOCIETY'S VALUES ARE THE BANK'S VALUES 2020

SUSTAINABILITY REPORT

HALYK BANK

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SUSTAINABILITY REPORT

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2020 IN THE CONTEXT OF SUSTAINABILITY

HALYK BANK IS THE LEADING FINANCIAL INSTITUTION IN KAZAKHSTAN

net income
KZT352.7 billion
(KZT334.5 billion in 2019)

market share in terms of assets
32%
(33% in 2019)

active retail customers
8.4 million
(7.7 million in 2019)

our regular customers
78 of the 100
largest companies in the country

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

more than 1.9 million social payments
totalling KZT75.5 billion transferred as public assistance (in the amount of the minimum wage) during the state of emergency

charitable contributions
KZT2.7 billion

The Bank is the leader in terms of funds allocated under most state programmes, as well as in terms of the number and volume of subsidy and guarantee agreements signed

BANK OF FIRST CHOICE

611 service outlets
throughout Kazakhstan

12.5 million
cards in circulation

Customer satisfaction index (CSI)
95%
retail customers (85% in 2019)

98%
SME customers (97% in 2019)

89.7% accessibility of the Bank's branches
for people with disabilities
(93% in 2019)

1/5 of the Bank's branches
are in small and single-industry towns

FOCUS ON DIGITALISATION

Halyk Homebank #2
among free mobile apps in the "Finance" category in Google Play and the App Store

2.6 million MAU*
up 2.2 times year-on-year

793,000 DAU**
up 167% year-on-year

Onlinebank for corporate and SME customers:

88,000 MAU
in web version - up 33% year-on-year

66,000 MAU
in mobile app - up 175% year-on-year

214 thousand
online banking clients
out of a total customer base of 340,000

FOCUS ON CREATING AND DEVELOPING ECOSYSTEM PRODUCTS

Halyk Club
an exclusive offering for Halyk Bank cardholders

Halyk Tour
an integrated travel service

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

Halyk Invest
easy access to investment tools, including public IPOs

Halyk Travel
a service that makes it possible to search for and purchase air and railway tickets and book hotels online

Auto Insurance
car insurance products for retail customers

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

Halyk Market
reliable and convenient technological solutions for making online purchases using loans, instalments and card payments

Halyk Info
a personal assistant for clients to find answers using keyword searches and FAQs

OUR EMPLOYEES

15,158 people
total headcount

73%
women employees

To care for and support the well-being of employees during the pandemic, the Bank provided assistance to employees in 2020 in an amount equal to **8.3%** of the annual payroll budget or **93.4%** of the monthly payroll budget

ENVIRONMENTAL IMPACT

1.3%
year-on-year reduction in Scope 1 emissions

4.8%
year-on-year reduction in Scope 2 emissions

around **2,000**
trees saved by reducing paper consumption

19%
reduction in coal consumption from switching to more environmentally friendly energy sources

* MAU: monthly active users. ** DAU: daily active users

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

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

This report provides information about the activities of JSC Halyk Bank of Kazakhstan and its branches in Kazakhstan (referred to throughout the report as Halyk Bank or the Bank) for the period from 1 January 2020 to 31 December 2020. Financial data are based on audited financial statements prepared in accordance with International Financial Reporting Standards, unless otherwise expressly indicated in the text.

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

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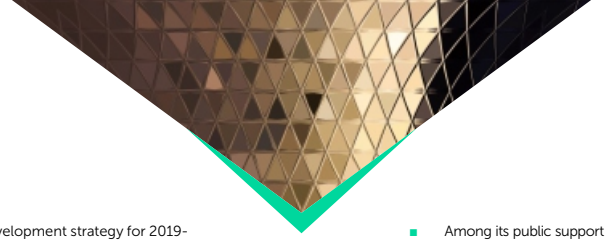
I am proud to present Halyk Bank's second sustainability report, which covers the year 2020. This important document reflects our approach: to meet the challenges of the global agenda in a manner that is consistent with the UN Sustainable Development Goals and the interests of all stakeholders, including our shareholders, customers, partners and employees, as well as society and the country as a whole.

Despite the unfavourable economic conditions that accompanied the COVID-19 pandemic and its consequences, in 2020, the Bank and the companies of Halyk Group continued to work with a sense of purpose to implement and enhance their sustainability efforts.

While the Bank achieved a significant improvement in its strong financial results last year, it also made significant progress in terms of sustainability, consistent with best corporate governance practices.

Working during the COVID-19 pandemic demonstrated the ability of the Group's companies to withstand new challenges that are unprecedented in Kazakhstan's modern history. At the same time, it forced us to adjust our operations and change our corporate procedures to adapt them to the new reality.

Guided by the basic principles of social responsibility and sustainability, we developed and implemented completely new operating procedures aimed at protecting the lives and health of our customers and employees. We transferred a significant part of our staff to remote work and started holding meetings and workshops via videoconference. We also designed and integrated new modes of interaction within our corporate governance and decision-making systems, which helped the Group to work during the peak of the pandemic successfully and effectively.



The Board of Directors focused on implementing Halyk Group's development strategy for 2019-21 in strict accordance with corporate governance standards.

We undertook significant efforts to integrate sustainability factors into corporate and functional KPIs. In 2020, the Bank prepared and published the first document disclosing the main aspects of its environmental, social and governance (ESG) efforts. The Bank's sustainability report for 2019 was the first step towards disclosing key information about our sustainability performance. As the next step in integrating the ESG agenda into our business, the Bank worked with international consultants to develop a roadmap to improve our ESG practices and enhance our sustainability disclosure. One of the first recommended waypoints on the roadmap was to consider increasing the gender diversity of the Board of Directors of the Bank and its subsidiaries.

To improve the awareness among the staff of the Bank's key business units about sustainability matters and ESG reporting, we engaged international experts to conduct a two-day webinar on the topic of "Preparing and publishing an ESG report". This helped to familiarise them with the basic principles of sustainability reporting.

The Bank took important steps to engage with government, business and the public amid the pandemic in 2020, demonstrating its commitment to the UN Sustainable Development Goals:

- The Bank provided 379 customers with KZT143.9 billion in financing under a preferential SME lending programme that the National Bank of Kazakhstan and Agency for Financial Market Regulation and Development of Kazakhstan developed jointly with second-tier banks in March 2020. The Bank was allocated KZT180 billion under the programme (or 30% of its total volume). In October 2020, after the programme's terms were reviewed, its total volume was increased to KZT800 billion and the Bank was allocated an additional KZT49.3 billion.
- The Bank also provided KZT47 billion in financing to retail customers under the '7-20-25' mortgage lending programme.
- Among its public support efforts, the Bank offered deferred payments on existing loans and was appointed to process the KZT42,500 state social payments. For people affected by the pandemic restrictions, it played an active role in providing various preferential lending options. The companies of Halyk Group also demonstrated their social responsibility, cohesion and solidarity with Kazakh society. In 2020, the Halyk Charity Fund and Halyk Bank allocated a combined total of KZT5.5 billion as part of their pandemic response efforts. During that time, KZT4.5 billion was transferred through the Birgemiz fund in the form of KZT50,000 grant assistance for people experiencing hardship in Kazakhstan. To meet the needs of vulnerable families throughout the country, 20,000 food packages were collected and delivered. Significant efforts were undertaken to support healthcare professionals and hospitals. In the cities of Nur-Sultan, Almaty and Shymkent, more than 1,500 healthcare professionals and other staff of various medical organisations received financial assistance from the Bank. At the same time, in response to requests for help, we provided funding to regional hospitals. Overall, during these challenging times, the Bank provided charitable assistance to more than 300,000 people experiencing hardship in Kazakhstan.
- **The Bank also focused on green initiatives aimed at helping society to transition to more environmentally friendly fuels. It also contributed to urban landscaping and park projects.**

The Bank supported and partly funded initiatives of the Almaty municipal administration to use natural gas as a fuel for residential heating and urban transport. For residents that the Almaty municipal government identified as belonging vulnerable social groups, the Bank financed the connection of their homes to the natural gas network, as well as all necessary utility work, equipment and installation. Overall, the Bank financed natural gas connections for 100 socially vulnerable households in Almaty free of charge. For other Almaty residents who do not belong to vulnerable social groups, the Bank offered zero-percent financing. In 2020, the Bank also announced the purchase of 200 large-capacity buses that comply with modern environmental standards to meet Almaty's urban transport needs.

As part of its contribution to urban landscaping and park development, Halyk Bank sought to preserve Almaty's status as a green city through a project in the part of Almaty north of Al-Farabi Avenue between the Halyk Bank building and the ballet theatre that is under construction. In the autumn of 2020, Halyk Bank opened a new urban green recreation area called Halyk Alany (People's Square), which has been transformed into a beautiful and comfortable place for residents and visitors of Almaty to pass the time.

These efforts represent just a part of the ESG initiatives that the Bank implemented during the pandemic in 2020.

As part of Halyk Group's new development strategy for the current period, we plan to continue focusing on improving the Bank's ESG systems and creating financial products that support the green agenda.

Overall, Halyk Group has achieved the objectives that the Board of Directors set for the reporting period, including maintaining Halyk Bank's positions as the leading bank in Kazakhstan, improving customer service and developing its banking products.

Halyk Group has always adhered to the principles of open dialogue with society and productive cooperation with the state. In this regard, we are focused on future opportunities to develop constructive ties and long-term partnerships. This will serve as a foundation for achieving the strategic business objectives that have been set for Halyk Group. Relying on our experience and applying best international practices, we will continue to focus on performing at a high level that will allow the group to contribute to the incremental improvement of Kazakh society and the country as a whole.

In conclusion, on behalf of the Board of Directors, I would like to express my appreciation and gratitude to our shareholders, partners and all of our colleagues for their productive collaboration, understanding and support of Halyk Group's strategic development course.

ALEXANDER PAVLOV

CHAIRMAN OF THE BOARD OF DIRECTORS
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The momentous global events of 2020 served as a powerful object lesson for business and government leaders in various countries. In a high-tech era of advanced science and medicine, this was an unprecedented worldwide threat. It provided an impetus to reassess life's values and the relationships between people, society, business and entire states. This global challenge – the COVID-19 pandemic and the ensuing global economic crisis – forced us to look at our daily lives from a different perspective.

This difficult period became a unique opportunity to test the strength of Kazakhstan's economy. It clearly demonstrated the ability of key, strategically important companies to mobilise in the face of a new challenge. In particular, the pandemic emphasised the reserves and potential of Kazakhstan's largest financial group, Halyk Group, and underscored the influence that the Group's companies have on our country's economy and social life.

Throughout this time, the Bank and the companies of the Group were on the front lines of the efforts of the government, business community and society to overcome this crisis. The important social, environmental and other efforts that were undertaken have become an integral part of our country's public life.

I want to note that the Bank, as the key company in the Group, has worked each day for many years to finance and implement socially significant projects in various areas of our society, supporting the public and different parts of the business community. The focus on environmental, social and governance (ESG) issues in the country continues to increase and most global companies are introducing the practice of publishing annual ESG reports. In support of this established global trend, last year, Halyk Bank became the first company in Kazakhstan's banking sector to prepare and publish its debut sustainability report. By tracking global trends and integrating best business practices, the Bank strives to improve the quality of its information disclosure. The preparation and publication of ESG reports is an important step towards improving transparency and increasing the awareness of our customers, shareholders, other stakeholders and society as a whole.

At the core of the Bank's ESG efforts are projects that help to improve the environmental situation in the country. Organisation-wide, we are cultivating an attitude of care among our employees about environmental protection and our society's ecological problems. The Bank's team supports various environmental initiatives, regularly participating in campaigns to clean up the territory of the Ile-Alatau National Park; to collect, sort and recycle solid household and food waste; to collect paper in the buildings of the Bank's Head Office for recycling; as well as in numerous tree-planting and other regional initiatives.

Throughout the Group, the Bank and its subsidiaries promote and support the green economy projects of customers and partners. When financing projects, the Bank helps to promote eco-initiatives among entrepreneurs, placing a special emphasis on areas that contribute to overall regional economic development and environmental protection.

For example, the Bank is helping society to transition to more environmentally friendly fuels by financing projects that use natural gas to heat residential homes and fuel urban transport in Kazakhstan's largest metropolises, Almaty and Nur-Sultan. We are also focused on efforts to plant trees and shrubs in urban spaces and develop park zones, such as our initiative to open the new Halyk Alany recreation area in Almaty.

In the social sphere, the Bank continues to take steps to promote gender equality and empower women. Consistent with global trends and best practices in sustainability, the Bank is working to further improve the gender diversity throughout the organisation and its subsidiaries. Gender parity is already well defined at the Bank and its subsidiaries. The Bank's Management Board is chaired by a woman and around 20% of the members of the Management Board are also women. They are well represented in the management of the regional offices of the Bank and the Group's subsidiaries, and the overwhelming majority of employees at Halyk Bank are women, as well. In this way, the Bank is contributing to the country's achievement of the UN's fifth Sustainable Development Goal: "Achieve gender equality and empower all women and girls".

Halyk Bank strives to develop and support women as entrepreneurs and increase the representation of women in business. The Bank offers special lending programmes with comfortable terms for women, which help to develop entrepreneurship among women. This includes stimulating business initiatives that allow women to adapt more easily and successfully promote their businesses in an ever-changing competitive environment.

As the key market player, the Bank is also interested in promoting entrepreneurial initiatives and quality education for Kazakhstan's youth. Halyk Bank offers special unsecured lending programmes with favourable terms that help young entrepreneurs to implement various business ideas as a start-up or an existing business. The Bank cooperates with leading national universities to support Kazakhstan's talented young IT students in their education and further employment.

The Bank is also addressing social issues within the corporate environment, where a team of people from various nationalities and with differing religious beliefs shares common goals and objectives. The Bank ensures that disabled employees have a working environment that meets their needs, as well as that its outlets are equipped to serve disabled customers. It has also developed convenient online banking services for customers with limited mobility.

As a systemically important and socially responsible financial institution, Halyk Bank works closely with the public authorities in various areas, including as part of government support programmes for business and the public. Halyk Bank is the key operator of banking services in the country. We have a presence in even the most remote regions where the services of other Kazakh banks are unavailable. For this reason, the Bank's basic priority is to ensure constant round-the-clock access to banking products, services and operations, as well as the uninterrupted operation of branches and ATMs. The efficiency of Halyk Bank's business processes was clearly demonstrated during the pandemic, when it served as the main operator for the payment of the KZT42,500 (the amount of the minimum wage) state social benefit to the people of Kazakhstan, as well as for funds allocated under the Birgemiz programme. The Bank also actively assisted the state, business and society in the fight against this dangerous disease. It provided support for Kazakh people in need, as well as front-line staff and medical workers in the cities of Nur-Sultan, Almaty and Shymkent and at regional hospitals that requested help.

Under the presidential SME support programme, during the lockdown, the Bank offered loans on preferential terms to SMEs whose business had been impacted by the introduction of the state of emergency. It also continued to provide financing under existing state programmes to support entrepreneurship.

While taking direct part in the implementation of these projects and contributing to the development of the nation and society, as a private company, the Bank continues to consider the interests of all stakeholders, including its shareholders, investors, customers, employees and other groups.

The reporting year clearly demonstrated the efficiency of the Bank's corporate governance structure, which helped it to respond to even the most unexpected external challenges promptly and adequately. While the pandemic has irrevocably changed our world, it has also provided an additional opportunity to expand our interaction and build effective communications with society.

I am confident that the practice of publishing annual ESG report, introduced last year, will become an integral part of our corporate strategy. By relying on Halyk Group's business resources, we can help to solve even the most complex problems of our society.

UMUT SHAYAKHMETOVA

CHAIRPERSON OF THE MANAGEMENT BOARD
HALYK BANK

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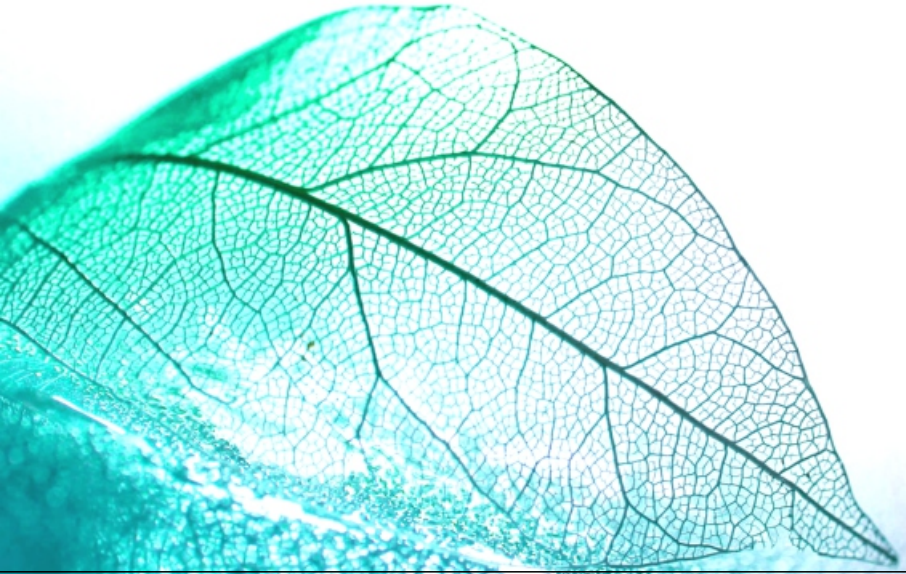

ABOUT THE BANK

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

We are the leader on the financial services market, where we are the bank of choice for more than 8.4 million retail customers, as well as 336,900 corporate and SME customers. Our services are available at digital channels and more than 611 outlets nationwide. Today, 78 of Kazakhstan's 100 largest companies are our regular customers.

Halyk Bank is a team of more than 15,000 professionals who strive for continuous growth and quality development, which is reflected in our performance. The Bank is the leader in Kazakhstan in terms of assets (total market share of 32.0%), equity (35.4%) and net income (35.1%). Among second-tier banks, Halyk Bank has market shares of 33% of retail deposits, 35.1% of corporate deposits, 30.9% of gross loans, 31.9% of net loans, 42% of corporate and SME loans, and 18% of retail loans. We continue to improve our return on assets and introduce innovative digital services, focusing on enhancing our customer service quality and overall business efficiency.

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

GROWTH STRATEGY

OUR **MISSION**

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

THE BASIC STRATEGY OF HALYK BANK FOR 2019-2021 IS DEFINED AS A GROWTH STRATEGY, THE PRIORITIES OF WHICH INCLUDE ARE TO

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

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

> We believe that by following our plans, and with the support of our customers, partners and shareholders, Halyk Bank will achieve the goals that it has set for the strategic period, as well as confirm its broad capabilities and positive reputation as the undisputed leader of Kazakhstan's financial system.

■ LEADERSHIP IN KEY CUSTOMER SEGMENTS

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

■ FOCUS ON CUSTOMERS AND SERVICE QUALITY

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

■ FURTHER DEVELOPMENT OF DIGITAL SERVICES

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

■ MAIN NATIONAL TRANSACTIONAL BANK

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

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

OUR BUSINESS IS FOUNDED ON SIX CORE VALUES:

01 CUSTOMER FOCUS

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

02 RELIABILITY

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

03 LEADERSHIP

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

04 SOCIAL RESPONSIBILITY

We are focused on the needs and interests of all segments of the population, make an active contribution to social development and help to solve social issues.

05 INTEGRITY

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

06 PROFESSIONALISM

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

OUR **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.

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

THE PURPOSE OF THE CORPORATE ETHICS RULES IS TO:

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

All employees at all levels are required to comply with the Bank's standards of business conduct. Halyk Bank's Corporate Ethics Rules are available for public review in the Corporate Governance section of the Bank's website. 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 regularly sent by email. In addition, corporate events are held to increase the awareness and commitment of employees to the Bank's mission and values.

To effectively manage ethical behaviour issues, the Bank has a helpline. **The phone number is +7 727 259 6878** and can be found on the Bank's corporate intranet, the Halyk Info and Halyk Zalog websites, as well as in all tender documents. Any employee of the Bank or third party can submit an appeal and report violations of the Corporate Ethics Rules or other requirements of legislation regulating labour relations. In addition, people who submit appeals have the right to anonymity. The Bank's Internal Security Department maintains a registry of all incoming complaints and appeals. In 2020, there were 29 complaints about non-compliance with ethical standards (compared with 34 in 2019). All requests received were reviewed in accordance with the established procedure, appropriate response measures were taken for each of them, and the implementation of these measures was monitored and controlled to ensure their effectiveness and reduce the number of such cases in the future.

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05 OUR APPROACH TO SUSTAINABILITY MANAGEMENT

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CORPORATE GOVERNANCE

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

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

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

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

CORPORATE GOVERNANCE **PRINCIPLES**

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

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

THE BANK'S CODE OF CORPORATE GOVERNANCE ENSHRINES THE FOLLOWING PRINCIPLES:

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

COMPLIANCE WITH THE BANK'S CODE OF CORPORATE GOVERNANCE

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

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

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

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

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

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

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

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

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

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

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

* Halyk Bank's Code of Corporate Governance can be found on the corporate website: https://halykbank.kz/about-bank/korporativnoe-upravlenie.

THE BANK'S ACHIEVEMENTS IN THE FIELD OF CORPORATE GOVERNANCE INCLUDE:

- Because Halyk Bank's GDRs are listed on the LSE, the Bank has implemented several provisions of the UK Corporate Governance Code in 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 the level of excess liquidity, a dividend policy was adopted in 2012.
- The Bank has the following committees of the Board of Directors: Strategic Planning Committee, Risk Committee, Audit Committee, Nomination and Remuneration Committee and Social Responsibilities Committee. The composition of each committee includes at least two independent directors, one of which serves as committee chairman.
- To ensure that the Bank takes a systematic approach to corporate social responsibility and sustainability, a corporate social responsibility policy was adopted in 2019.
- The Bank engages 'Big Four' professional services firms to audit the financial statements of the Bank and other entities of Halyk Group. In 2020, this was carried out by Deloitte LLP.
- In 2017, the Bank developed and adopted a regulation governing the work of the corporate secretary to introduce best corporate governance practices.
- Following an external assessment conducted in September 2017, the consultants of PricewaterhouseCoopers LLP confirmed that the Bank's Internal Audit Department was in full compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors.
- During the implementation of Halyk Group's development strategy for 2019-21, uniform standards and approaches related to the coordination of corporate governance processes were introduced.
- The Bank has developed a Board Book containing introductory information, which is regularly updated and presented to new members of the Board of Directors.

THE BANK'S ACHIEVEMENTS IN THE FIELD OF CORPORATE GOVERNANCE INCLUDE:

- To improve the qualifications of the corporate secretaries at Halyk Group companies, a training course on corporate governance was prepared, and training seminars and methodological support were organised for corporate secretaries and secretaries of the Board of Directors. All corporate secretaries of the Bank's subsidiaries (around 11 people) underwent training.
- The Bank maintains and regularly updates a register of corporate secretaires and a register of candidates for the position of independent director at Halyk Group companies.
- In 2020, the level of corporate governance at the Bank's Kazakh and foreign subsidiaries was analysed and a report was prepared with recommendations for improvement.
- In 2020, the Bank prepared and published its Sustainability Report for 2019 in accordance with the Global Reporting Initiative (GRI) Standards. This was the first document that disclosed the main aspects of the Bank's environmental, social and governance (ESG) efforts. The Bank made a voluntary commitment to provide transparent disclosure of key sustainability information through the publication of this report.
- In 2020, the Bank's Board of Directors approved an anti-corruption policy, which defined the key principles and requirements aimed at preventing acts of corruption, as well as measures to minimise or eliminate the consequences of acts of corruption.
- In 2020, the Bank developed and approved rules governing the performance assessment for members of its Board of Directors, which defined the methodology and tools (questionnaires) for conducting the annual performance assessment of the Bank's Board of Directors.
- The Bank's 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 has maintained a corporate governance section on its website since 2016. It contains information about the Bank's corporate governance structure, as well as key regulatory documents governing corporate governance matters.
- The Bank regularly publishes a corporate governance report on its website as part of its annual report.

CORPORATE GOVERNANCE STRUCTURE

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

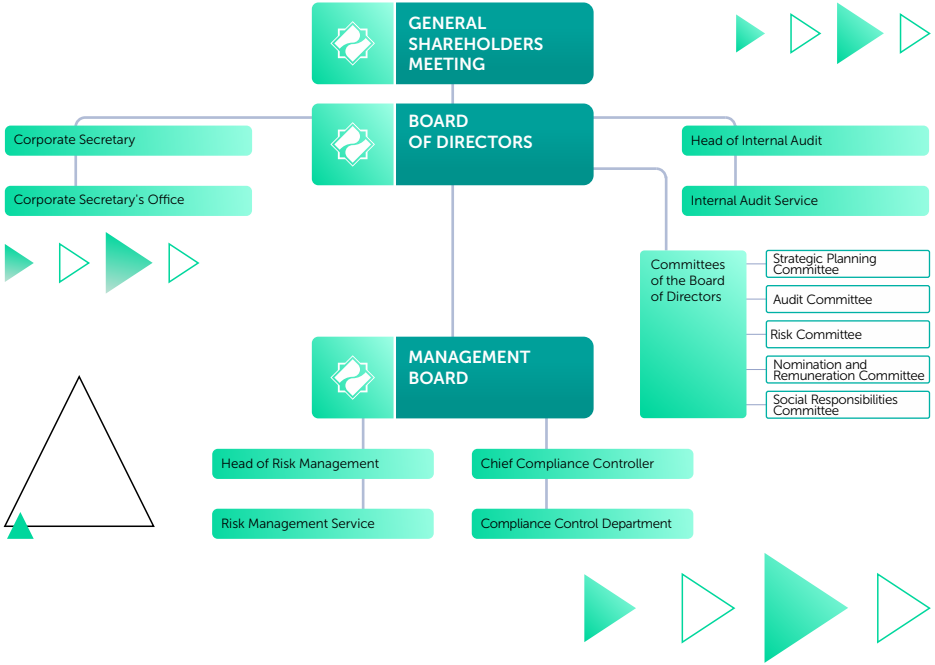
The Management Board has created numerous working bodies, including directorates, committees and working groups. This allows it to consider major issues concerning each separate segment in detail. Where necessary and if required by law, decisions made by such working bodies are brought to the Management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

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

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

The Bank engages 'Big Four' professional services firms to audit the financial statements of Halyk Group. In 2020, this was carried out by Deloitte LLP.

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



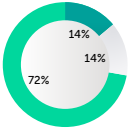
BOARD OF DIRECTORS STRUCTURE

As at 1 January 2021, the composition of the Board of Directors was as follows:

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

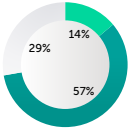
When determining the independence of the directors, the Board of Directors uses the criteria stipulated by Kazakh law.

Board independence*



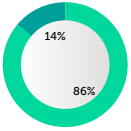
- Independent directors
- Representative of Holding Group ALMEX
- Executive director (Chairperson of the Management Board)

Board age diversity*:



- Under 51 years
- 52-62 years
- 62-72 years

Board gender diversity*:



- Male
- Female

* The Board of Directors has a total of 7 members.

ACTIVITIES OF THE BOARD OF DIRECTORS

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

In 2020, the Board of Directors held 3 meetings in person* at which 29 matters were considered, as well as 83 in absentia at which 809 matters were considered.

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

	Meetings in person (number of meetings/ number of matters considered)	**Meetings in absentia** (number of meetings/ number of matters considered)
ALEXANDER PAVLOV	3/29	82/808
ARMAN DUNAEV	3/29	83/808
MAZHIT YESSENBAYEV	3/29	77/776
FRANK KUIJLAARS	3/29	16/55
CHRISTOF RUEHL	3/29	15/54
PIOTR ROMANOWSKI	3/29	48/482
UMUT SHAYAKHMETOVA	3/29	79/778
TOTAL	3/29	83/809

The most important matters that the Board of Directors considered in 2020 included:

- In 2020, the Bank prepared and published its Sustainability Report for 2019. This was the first document to detail the main aspects of the Bank's ESG activities. The Bank made a voluntary commitment to provide transparent disclosure of key sustainability information through the publication of this report.
- In accordance with the requirements of the Resolution of the National Bank of Kazakhstan of 12 November 2019 No. 188 "Approval of the rules for forming the risk management and internal control system of second-tier banks", the Bank analysed its existing internal regulatory documents and made the necessary changes.
- The Board of Directors decided to create a Risk Committee, whose main responsibilities are helping to establish an effective risk management and internal control system at the Bank, ensuring that it functions properly, and informing the Board of the Bank's acceptable risk levels.
- Rules for assessing the performance of members of Board of Directors were developed and approved, including the methodology and tools (questionnaires) that will be used for the annual performance assessment.

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 number of meetings that the Board of Directors held in person was reduced due to the COVID-19 pandemic and the imposition of a state of emergency throughout Kazakhstan from 15 March 2020, as well as the closure of borders and disruption of airline service to the countries where the foreign members of the Bank's Board of Directors live.

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

- Reports from the Management Board of Halyk Bank and its subsidiaries about the implementation of Halyk Group's strategy for 2019-21 and Halyk Bank's action plan to implement strategic initiatives in 2020 (including the Bank's technological transformation, as well as the development of digital products and services)
- The results of the operations and budget execution of the Bank and Halyk Group for 2019 and H1 2020
- The approval of the consolidated budget of Halyk Group (IFRS) and Halyk Bank for 2021
- The internal audit department's working plan for 2021 and long-term working plan for 2022-24
- The election and resignation of several members of the Management Board, changes to the composition of several committees of the Board of Directors, and the creation of the Risk Committee
- Approval of the Bank's major projects
- Preliminary approval of the Bank's 2019 financial statements and quarterly performance reports of the Management Board
- The quarterly reports of the chief compliance controller regarding the management and control of compliance risks, as well as matters related to internal control at Halyk Bank
- Analysis of the Bank's loan portfolio quality
- Analysis of the Bank's related-party and other transactions

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

Given the imposition of a state of emergency in Kazakhstan due to the COVID-19 pandemic, as well as the slump in oil prices, the Bank's risk management service conducted unplanned stress-testing under the general economic scenario in late 2020. The purpose of this was to analyse and assess the impact of COVID-19 on the Bank's key financial indicators, as well as to ensure the Bank's stability amid such restrictions and the deteriorating national macroeconomic environment.

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 the work done regarding anti-money laundering/combating the financing of terrorism (AML/CFT).

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

RISK MANAGEMENT SYSTEM

The Bank's risk management process is inextricably linked with all business processes and operations. This integrated approach is aimed at identifying specific actions and solutions to respond promptly and minimise potential risks.

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

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

- activity related to money laundering and the financing of terrorism
- terrorist activity
- the manufacture and sale of arms, military equipment and ammunition, with the exception of government procurement
- the manufacture and sale of narcotic substances, with the exception of pharmaceuticals
- the destruction of or trade in endangered species of flora and fauna
- activity that violates environmental protection legislation or carries high environmental risks
- gambling businesses and entrepreneurial activity related to the organisation and conduct of gambling and/or betting for the purpose of generating income (including casinos, sweepstakes and bookmaking)
- activity that entails negative social impacts (for example, child labour, widespread job cuts, strikes, and so on)

The risk management service and independent structural units that conduct the Bank's operations are responsible for identifying sources of risk. The realisation of singular or complex risks can entail significant losses that can negatively influence the Bank's solvency and reputation. This can lead to increased social discontent and tension, as well as the distrust of the overall banking system. This makes it extremely important to identify risks at an early stage and manage them adequately.

The Bank follows a 'three lines of defence' approach to risk management:

I line of defence

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

II line of defence

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

III line of defence

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

The Bank's risk management process consists of the following interrelated steps:

Risk identification

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

Risk assessment

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

Risk control and monitoring

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

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

Because of the growth of digital products, in February 2020, the Bank established a digital lending risk department. This new structural unit is primarily tasked with creating a system for managing lending risks, including those related to digital products. It is responsible for identifying, assessing, monitoring and controlling lending risks and the risks associated with the Bank's digital products, taking into account intragroup transactions, to ensure that there is adequate capital to cover them.

The department performs the following main functions:

- developing and implementing decision-making models and other online lending models
- performing quality control and periodic validation of the applied models
- monitoring the acceptable level of credit risk

For more details about how the Bank manages key risks (including credit, market, liquidity, operational, IT, information security and other risks), see Halyk Bank's Annual Report for 2020: https://backend.halykbank.com/storage/documents/files/608c03cc94fc7.pdf

INTERNAL CONTROL AND AUDIT

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

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

- ensure that the Bank operates efficiently, including in its management of banking risks, assets and liabilities, and safeguarding its assets
- ensure the completeness, reliability and timeliness of financial, regulatory and other reporting for internal and external users, as well as information security
- ensure the Bank's compliance with the requirements of Kazakh legislation and internal documents, including in matters related to AML/CFT.

INTERNAL AUDIT

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

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

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

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

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

In 2020, the department performed 58 audit engagements, including three consultations. It conducted inspections and consultations to assess the effectiveness of the Bank's risk management, internal control and corporate governance systems in the areas of lending, operational, administrative and business activities. It also reviewed the business continuity management and risk management systems in the areas of AML/CFT, IT audits and automation of individual business processes. In addition, it conducted checks at four subsidiaries that manage doubtful and bad assets. Based on the results of the audit engagements, the department provided recommendations for improving risk management, internal control and corporate governance systems.

COMPLIANCE

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

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

The compliance risk management system is based on the 'three lines of defence' principle. The first line of defence includes the subdivisions under its control. The second line of defence is the compliance control department and other functional units that perform control functions. The third line of defence 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, as well as the laws of other countries governing the activities of the Bank, its structural units and employees
- identifying, assessing, monitoring and controlling compliance risks, including when developing and structuring new banking products and services, introducing new business processes and technologies, and so on
- 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 subdivisions
- using various tools to identify and evaluate the Bank's compliance risks, including appraisal and self-appraisal methods for subdivisions
- controlling access to insider information, maintaining confidentiality and preventing potentially illegal use of such information by insiders, including by maintaining an up-to-date list of people with access to the Bank's insider information
- ensuring that the Bank complies with AML/CFT measures
- ensuring that employees comply with the requirements of internal documents governing the prevention of conflicts of interest and so on

The above specified programmes were developed, implemented and put into effect by the Bank since 2012 after introduction of respective amendments to AML/CFT law

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
- an AML/CFT risk management programme that considers client risks, as well as the risks of services and technological advances being used for criminal purposes
- a know-your-client programme
- a programme that monitors and studies customer transactions, including complex, abnormally large and other unusual transactions
- an AML/CFT training and education programme for the Bank's employees
- a programme for storing and protecting information and documents obtained while implementing AML/CFT measures

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

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

The duties of the legal department include:

- reviews the Bank's draft internal regulatory documents for compliance with Kazakh legislation prior to approval
- provides legal consultations to the Bank's management and structural units regarding operational compliance with Kazakh legislation

The compliance control department (CCD) organises regular compliance training for the Bank's employees, including in AML/CFT, matters of managing compliance risks and internal control, the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS). New recruits and existing employees in the subdivisions responsible undergo annual training. After the state of emergency was introduced in March 2020, training was conducted online via e-learning courses, in accordance with the approved training plan. In 2020, CCD has conducted 20 training courses and a total of 22,427 employees attended these training courses*. The Bank uses various training formats, including both interactive and online sessions, in accordance with the approved training plans.

ANTI-CORRUPTION SYSTEM

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

The primary objectives of the anti-corruption system are to:

- foster an anti-corruption culture at the Bank
- integrate anti-corruption principles at all levels of the Bank's operations
- inform the Bank's management about acts of corruption and anti-corruption measures
- prevent acts of corruption in any form and manifestation
- adhere to the norms of law and corporate ethics

The Bank operates according to the principle of zero tolerance of any manifestation of corruption.

The Bank works to prevent corruption through seminars and lectures for the structural units responsible for its anti-corruption efforts. It also helps to increase awareness by informing and engaging in a dialogue with employees about anti-corruption measures.

During the reporting period, no acts of corruption were identified at the bank. This is partly the result of the work undertaken with new hires, including throughout the COVID-19 lockdowns.

* Many employees attended several training courses during the reporting period.

STAKEHOLDER ENGAGEMENT

GRI | 102-40 | 102-42 | 102-43

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 socio-economic development of the country

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

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

Social aspect: helping individuals and society as a whole

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

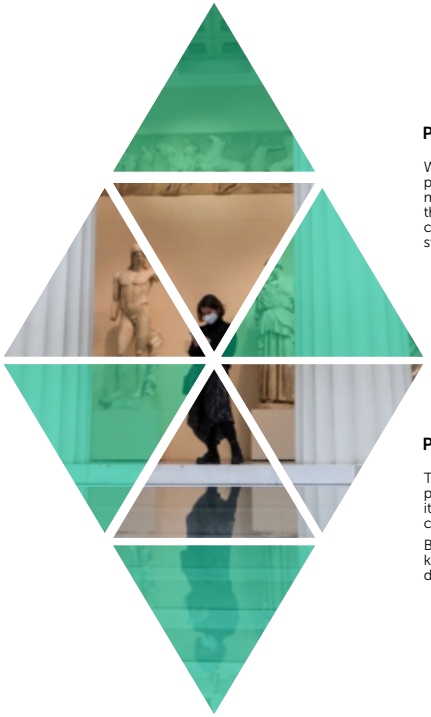
Accountability: taking responsibility for obligations to stakeholders and society

SHAREHOLDERS AND INVESTORS

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

EMPLOYEES

The Bank's employee engagement is based on an open and transparent personnel policy aimed at creating highly professional, motivated and qualified personnel. 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 that have been assumed. The Bank also strives to comply with all contractual terms, as well as generally accepted moral and ethical standards. Showing respect and integrity in relationships is a priority.

PUBLIC AUTHORITIES

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

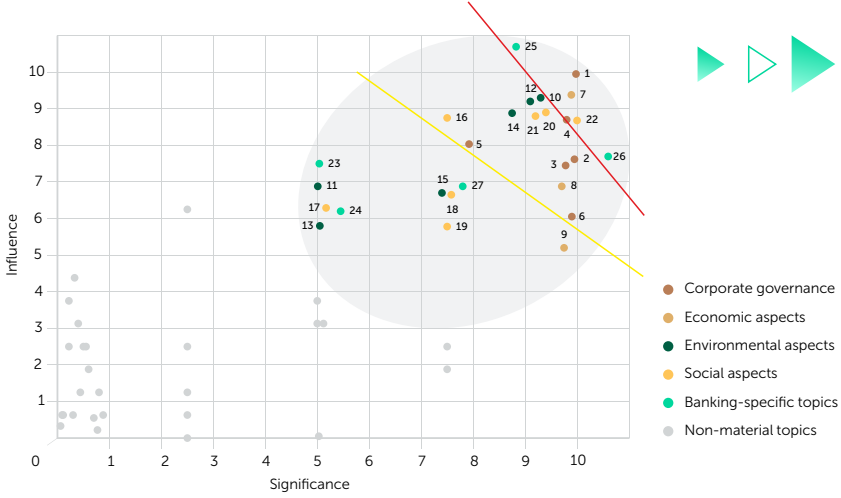
Below are the main results and methods of engagement with the Bank's key stakeholders, including shareholders, investors, clients and employees, during the reporting period.

STAKEHOLDER ENGAGEMENT IN 2020

Stakeholder group	Methods/channels of engagement and main results
SHAREHOLDERS	■ General Shareholders Meeting ■ Personal engagement with the Bank's shareholders for participation in the Bank's annual and extraordinary General Shareholder 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 and JSC Kazakhstan Stock Exchange ■ Press releases ■ Corporate website
INVESTORS	■ Holding bondholder meetings as part of the procedures for payment of coupons and the nominal value of bonds during redemption ■ Capital Markets Day ■ Annual and interim financial statements ■ Quarterly conference calls with investors to present the Bank's financial results ■ Non-deal road show (virtual) and conferences ■ Annual reports and sustainability reports ■ Publications on the websites of the Depository of Financial Statements and JSC Kazakhstan Stock Exchange ■ Press releases ■ Emails, meetings (including virtual) and phone calls
CLIENTS	■ Call centre ■ Internet-banking, including the Bank's mobile application ■ Corporate website ■ Advertising campaigns ■ Social networks ■ Press releases ■ Annual reports and sustainability reports ■ Customer satisfaction surveys ■ Branches ■ SMS messaging
EMPLOYEES	■ Employee satisfaction and workplace climate surveys ■ Corporate emails ■ Hotline (helpline) ■ Annual reports and sustainability reports ■ Internal communication and announcements ■ Training ■ Volunteer activity ■ Corporate events

MATERIALITY ASSESSMENT

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



MATRIX OF MATERIAL TOPICS FOR HALYK BANK IN 2020

Based on the results of the materiality assessment, 27 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.

List of material topics

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 Materials
11 Energy consumption/ energy efficiency
12 Water consumption
13 Emissions
14 Waste management
15 Environmental protection

SOCIAL ASPECTS

16 Employment
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BANKING-SPECIFIC TOPICS

23 Availability and quality of financial services
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* A detailed description of the methodology for determining material topics is provided in the Annex

HALYK BANK

06 HIGH STABILITY AND SYSTEMIC IMPORTANCE

SUSTAINABILITY REPORT

06 HIGH STABILITY AND SYSTEMIC IMPORTANCE

SUSTAINABILITY REPORT

The year 2020 was an extraordinary one, as an unprecedented pandemic posed major challenges and impacted the daily lives of our clients and employees. For Halyk Bank, from the onset of COVID-19, the main priority has been to stay close to and support our clients.

Despite the headwinds, we once again proved the resilience of our business model, as demonstrated in our strong results for the year.

As always in times of crisis, we observed a flight to quality among clients, towards Halyk Bank. In 2020, our client base reached 8.7 million customers, up 9% year-on-year. At the same time, there was a massive shift towards digital channels: our online retail clients increased to 6.2 million users, up 41%. We believe that customer preferences for digital are permanent and will remain so, and we are transforming our business accordingly.

Correspondingly, both revenues and net income in 2020 were well ahead of the 2019 numbers. Such a strong performance came during a year in which Kazakhstan's GDP contracted by 2.6% year-on-year.

As the largest payment agent for social transfers, we ensure the timely payment of pensions and benefits to 2.5 million people in Kazakhstan. We view this as Halyk Bank's special social mission.

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

KEY FINANCIAL RESULTS

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

Net profit attributable to common shareholders rose by 5.4% year-on-year to KZT352.7 billion for 12M 2020, compared with KZT334.5 billion for 12M 2019, primarily because of an increase in net insurance income and gain from derivative operations and securities. In 2020, the Bank's income tax expense was KZT36.9 billion and its other tax payments totalled KZT8.39 billion.

Halyk Bank does not receive financial assistance from the state.

Created and distributed economic value*, KZT billion

	2020	2019	2018
Direct economic value created:	**616.3**	**606.1**	**545.3**
Net interest income	372.6	367.9	316.3
Net fee and commission income	68.2	68.6	74.2
Other non-interest income	175.4	169.6	144
Profit for the year from discontinued operations	0	0	10
Profit attributable to non-controlling interest	0.1	0	0.8
Distributed economic value	**476**	**462.5**	**431.2**
Non-interest expenses	226.6	235.6	208.6
including operating expenses	153.1	137.9	135.6
Including salaries and other employee benefits	85.3	79.2	77.6
Including investments in social sectors (charity)	2.7	2	1
including taxes other than income tax	8.3	7.8	8.4
Income tax expense	**36.9**	**36**	**82.5**
Dividends paid for the reporting period	**211****	**199.8**	**125.9**
Undistributed economic value = Directly created economic value – Distributed economic value	**140.3**	**143.6**	**114.1**

* Data taken from Halyk Bank's audited consolidated financial statements for the years ended 31 December 2020, 2019 and 2018

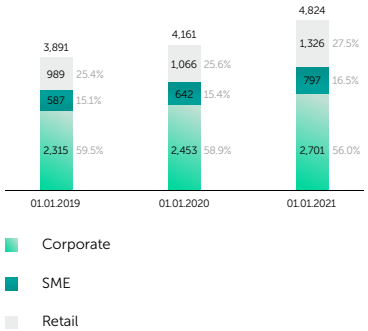
** Dividends actually paid as of the date of this report.

DIVERSIFIED LOAN PORTFOLIO

Our gross loan portfolio increased by 16%, underpinned by significant growth momentum in the retail and SME segments. We also continued to consolidate our dominant position in the corporate segment, where the loan portfolio expanded by 10%, despite the market stagnating.

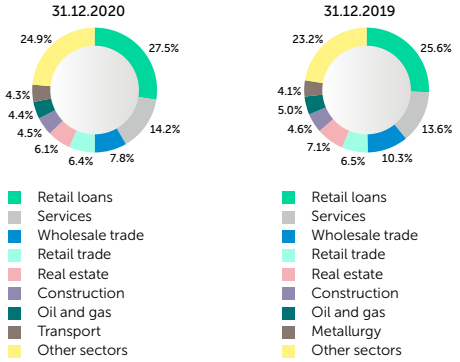
As of 31 December 2020, retail loans made up the most significant share of Halyk Group's total loan portfolio at 27.5% (of which consumer loans were 21.9% and mortgage loans were 5.6%).

Total gross loans by segment



Among corporate loans, the following sectors accounted for the largest shares of the total loan portfolio: services (14.2%), wholesale trade (7.8%), retail trade (6.4%), real estate (6.1%) and construction (4.5%).

Halyk Group's loan portfolio structure by sectors, %



As of 31 December 2020, KZT841 billion of loans were concentrated among Halyk Bank's ten largest borrowers, which represented 17% of the total loan portfolio (compared with KZT775 billion, or 19%, as of 31 December 2019). In 2020, the volume of loans issued to the energy sector nearly doubled year-on-year. There was also a significant increase in lending volumes to the food and light industries.

Detailed information about Halyk Bank's financial results is available in its annual report for 2020 and its audited consolidated financial statements for the years ended 31 December 2020, 2019 and 2018 at the following link: https://halykbank.com/financial-results

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

- **Moody's Investor Services – Baa3 ('positive' outlook, as of 3 June 2021)**

  Moody's Investor Services upgraded its rating for the Bank to investment level, which now corresponds with the sovereign rating. This indicates a high level of confidence in the financial institution among international experts, businesses and investors, as well as Halyk Bank's solid market positions and stable lending potential.
- **Fitch Ratings – BBB– ('stable' outlook, as of 14 April 2021)**

  Fitch Ratings' viability rating for Halyk Bank (BBB–) is the highest level that it has awarded to a private bank without foreign participation in the history of independent Kazakhstan, as well as the best rating in the Bank's history.
- **Standard & Poor's – BB ('stable' outlook, as of 27 May 2021)**

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:

34%
market share of retail deposits among second-tier banks

30.9%
market share of corporate deposits among second-tier banks

18%
market share of retail loans

35.1%
market share of gross loans

FOCUS ON DIGITALISATION

The COVID-19 pandemic has tested the resilience of the state as well as the overall business community in Kazakhstan.

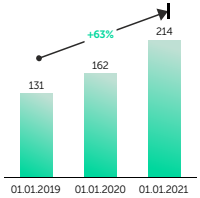
Based on our results for 2020, we can confidently state that Halyk Bank has met the challenges caused by the pandemic. When Kazakhstan implemented lockdown restrictions in March 2020, we mobilised all our efforts to ensure the continuity of our business so that we could provide our customers with round-the-clock access to banking services and products, as well as the uninterrupted ability to conduct all necessary banking operations.

The pandemic has served as an additional catalyst to transition to contactless and online services wherever possible. Now, Halyk Bank's customers can open a card account, receive a loan, arrange an instalment loan for the purchase of goods or pay for any services in a few clicks.

The Halyk Homebank mobile app allows our customers to access any service without visiting a branch. This includes opening a digital card account or deposit, taking out a loan and accessing any service from the comfort of home. Halyk Homebank now offers several thousand payment services, including taxes, regulatory fees, utilities and so on. In 2020, the volume of transactions in Halyk Homebank increased by 2.3x, and the number of transactions increased by 2x.

In 2020, the Bank released updated SME banking apps on the iOS and Android platforms that offer customers mobile account access and payment services from their smartphones. In 2020, the total number of users of the Onlinebank internet banking platform for corporate customers rose from 162,000 to 214,000. In addition, work started on several key services that the bank announced in the first quarter of 2021.

Number of corporate internet banking clients th.



The Bank is actively working with state bodies to integrate government services into banking products. Payments through QR codes have been introduced at Public Service Centres nationwide. In addition, a service has been launched to register and open accounts for individual entrepreneurs (IE) through the Bank's mobile app. This makes it possible for entrepreneurs to register a business and open an account for it in seven minutes.

DURING THE REPORTING PERIOD, THE BANK ACHIEVED THE FOLLOWING

- launched an online onboarding process for IE – 54% of IE accounts opened remotely
- launched an online onboarding process for retail customers
- launched a mobile app offering an alternative way for customers to confirm their identity through a remote identification procedure
- increased the number of consumer lending partners in Halyk Homebank and launched a process for providing digital cash loans
- launched an Onlinebank mobile app offering small and micro business customers access to banking services and products
- created a convenient QR code payment service that allows merchants to accept payments without physical terminals and launched the Halyk POS service for receiving contactless payments on smartphones
- launched a digital loan project for small business customers that is the first of its kind in CIS countries
- launched an online loan issuance process for corporate borrowers
- launched online issuance of guarantees for corporate customers
- created a Data Factory project team to enrich customer data, segment the customer base and integrate smart sales
- automated the 14 most labour-intensive back-office processes
- launched a website where customers can buy auto insurance policies online
- launched the Halyk Invest mobile app, which offers a fully online experience for opening brokerage accounts and accessing trading accounts
- launched Halyk Finservice's online marketplace Halyk Market, as well as an updated version of the Kino.kz website offering online theatre ticket sales

INVESTMENTS IN THE SOCIOECONOMIC DEVELOPMENT OF THE COUNTRY

GRI	102-9	103-1	103-2	103-3	203-1	204

Through our investments, we strive to support business projects that make positive contributions to the socioeconomic development of our country. We also actively participate in the implementation of various government programmes aimed at developing entrepreneurship and supporting employment in the regions of Kazakhstan.

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. Our main procurement principles include minimising total costs, ensuring fair competition and transparency in the procurement process, and providing equal opportunities for suppliers. During the reporting period, the Bank purchased goods and services totalling more than KZT73.8 billion from Kazakh suppliers, which comprise 95% of the overall purchases.

Supporting the implementation of government programmes

Throughout the challenges that our country faced in 2020 – including the introduction of the state of emergency and the lockdown restrictions related to the COVID-19 pandemic – the Bank actively participated in government programmes intended to support entrepreneurs whose businesses suffered under the measure that were introduced.

In March 2020, the National Bank of Kazakhstan and the Agency for Financial Market Regulation and Development developed the Preferential Lending Programme for businesses jointly with second-tier banks. On 27 March 2020, the Bank signed an agreement to implement the programme under which the Bank was allocated KZT180 billion (30% of the total amount of the programme). In October 2020, the terms of the Preferential Lending Programme were reviewed, including increasing its total volume to KZT800 billion and allocating the Bank an additional KZT49.3 billion. As of 31 December 2020, the Bank had provided 379 customers with KZT143.9 billion in financing under the programme.

Financing under the Preferential Lending Programme is intended to support small, medium and large businesses whose financial situation worsened after the introduction of the state of emergency. The programme offers preferential loans to replenish working capital, as well as to refinance a borrower's existing obligations to reduce the loan rate and overall debt burden.

One of the first initiatives that the Bank supported at the beginning of the pandemic was a project of a group of companies in the Western Kazakhstan region that includes Beles-Agro LLP and Poima Mai Kombinaty LLP. Beles-Agro is a flour mill with a grain storage capacity of 44,000 tonnes. It produces flour, mixed feed and pasta products. Poima Mai Kombinaty is a factory that produces vegetable oils. The plant's specialty is the ability to process various oilseeds, including sunflower, canola, flax and others.

The introduction of the state of emergency negatively affected the companies' businesses because of the restrictions on the export of their products, which in turn reduced their sales volumes. Despite this, the companies continued to operate during the state of emergency and lockdown measures, providing socially significant goods to the region. With support from the Preferential Lending Programme, part of the group's debt was refinanced at a preferential rate with the possibility for further financing from released funds. The companies also were able to maintain their existing headcounts (Beles-Agro employs 220 people and Poima Mai Kombinaty employs 125 people).

Another socially significant project that received support under the Preferential Lending Programme was a project in the Eastern Kazakhstan region of и Okean Ryby LLP. The company's main business activities include processing, salting and canning fish, as well as the retail sale of fish and seafood. The company purchases, processes and supplies fresh and processed fish and seafood. Refinancing the borrower's debt through the Preferential Lending Programme made it possible to reduce the cost of financing for its existing loan obligations. The borrower is currently making full use of the credit line opened under the programme, receiving financing at a preferential rate. The borrower's participation in the Preferential Lending Programme made it possible for it to reduce its loan costs, gain access to funds to replenish working capital and keep its workforce employed.

In 2020, Halyk Bank continued to participate in the implementation of government programmes aimed at developing entrepreneurship that are operated by the Damu Entrepreneurship Development Fund. Halyk Bank actively supports SMEs operating in or serving the processing, food and beverage production industries. Under a programme launched in 2014, the Bank continues to actively issue loans for the acquisition, creation and modernisation of fixed assets. It also refinances loans that are not part of government programmes of financial support for entrepreneurs, as well as to replenish working capital. Depending on the purpose, loans are issued for a period of 5-10 years that do not exceed a limit of KZT1.85 billion, except for loans on food industry projects, where there are restrictions on the amount of financing. Since it began participating in the programme, Halyk bank has financed more than 950 borrowers for a total amount of KZT240 billion. Halyk Bank is the leader in terms of the amount of funds allocated and disbursed under this programme.

TOO «Global retail» was one project financed under the programme supporting SMEs in the processing industry and service sector in September 2020. The funding was used to acquire modern equipment for the production of dairy goods, including cheese, butter, spreads and margarine (made in Ukraine and Poland).

Global Retail was established in 2012 and its primary business activity is wholesale trade in dairy products. The company has a quality conformance certificate from the Eurasian Economic Union.

The company has a positive business history and reputation. Its products are well known and popular in the Almaty region as well as other regions of the country. Many foreign companies from CIS countries supply its raw materials.

It sells more than 50% of its products in major cities in Kazakhstan, including Almaty, Aktau, Atyrau, Uralsk, Aktobe, Kyzylorda, Taraz, Semey and Ust-Kamenogorsk.

In Almaty, the client works with major supermarket chains and supplies raw materials to large dairy plants.

The financing made it possible for the company to retain its position as the largest regional supplier of quality natural dairy products, as well as to provide new jobs.

Modernisation of a construction material factory in Taraz

In 1957, the Council of Ministers of the USSR ordered the construction of a factory in Dzhambul (Taraz) to provide gypsum stone to cement companies and gypsum plaster to construction sites throughout the vast country. The strategically important company began operating in 1960. In late 1993, the gypsum factory was privatised and restructured as Dzhambulgyps JSC. The main products that Dzhambulgyps makes include selective and construction materials: gypsum stone, gypsum powder, gypsum anhydrite stone, various types of gypsum plasterboard, gypsum polymer, tile adhesive, gypsum panel adhesive, putty, as well as marble powder and chips.

In 2020, in cooperation with Halyk Bank and investors from France's Saint-Gobain group – a major producer of dry construction mixes and materials – the company gained a second wind, which had a positive impact on the overall economy and development of the construction sector in the region. Following rather difficult negotiations – through flexibility, exceptional professionalism, and a willingness to compromise and seek mutually beneficial solutions – a deal was struck for Saint-Gobain to acquire Dzhambulgyps, a company that undoubtedly has great potential.

As a result of the transaction, a company with a favourable geographical and logistical position received the opportunity to become a specialised production centre in the region. The factory's production capacity will also be increased, which will make it possible to supply its products not only on Kazakhstan's domestic market, but also to enter the markets of Central Asia and Azerbaijan.

In 2020, Halyk Bank continued to participate in the Regional SME Financing Programme, a joint project with the Damu Fund and regional governments. The project is part of a targeted programme for regions and separate industries aimed at providing preferential lending, subsidies and, in case of a shortage of collateral, guarantees from the Damu Fund. Under the programme, a borrower has the right to receive a loan for up to seven years to purchase fixed assets and replenish working capital. As of the end of the reporting period, the Bank had concluded 71 agreements totalling KZT25.7 billion under the programme.

In February 2020, Halyk Bank participated in an entrepreneurship development programme of the city of Shymkent called "Men kusipker bolamyn!" ("I will become an entrepreneur!"). The programme is a joint effort of the Shymkent municipal government, the Damu Fund, the Atameken National Chamber of Entrepreneurs and the Shymkent Socio-Entrepreneurial Corporation aimed at supporting female and young entrepreneurs. Halyk Bank has become the main participant in this programme. Projects are selected with the input of the local authorities and the list of potential projects are given to the Bank, where experts review and process the applications for financing. The lending rate under the programme has been reduced to 1% per annum through subsidies provided by the Shymkent Socio-Entrepreneurial Corporation. The amount of financing can be up to KZT10 million and there are no industry restrictions. In July 2020, Halyk Bank attracted a second tranche of funds under the programme and the Bank has allocated a total of KZT200 million for further financing of end borrowers.

One of the first projects that received financing was that of Marina Shinkarenko, an individual entrepreneur (IE) seeking to substitute imports by localising the production of bushings for receipt tape spindles. Receipt tape is used in all types of POS terminals and cash registers. "For about a year, I had been arranging supplies of these bushings from Russia for domestic equipment manufacturers. After analysing the economic aspects of the project, I decided to start producing these receipt tape bushings on my own. However, I did not have my own funds to implement the project, so I decided to go to Halyk Bank to purchase the equipment," says entrepreneur Marina Shinkarenko. "Amid the currency depreciation and the introduction of the state of emergency in Kazakhstan, lending at 1% is very good support from the municipal government and Halyk Bank," the entrepreneur says with gratitude.

Small and medium businesses play an important role in the economy of any country. Understanding this, the Bank offers reduced lending rates for businesses as part of the "Business Road Map – 2025" State Programme for the Support and Development of Business. The aim of the programme is to support new business initiatives of entrepreneurs in single-industry towns, small towns and rural settlements, as well as to industry-specific support for entrepreneurs in priority sectors of the economy and the processing industry. Halyk Bank ranks confidently in first place among the banks that participate in the programme in terms of both subsidies (the number of subsidy agreements signed totals 12,161) and in terms of guarantees (the total volume of guarantees is KZT63.65 billion, or 26% of the overall volume of guarantees issued under the programme).

In addition, in 2020, two new parts of the "Business Road Map – 2025" Programme were launched: support for micro and small businesses; as well as support for entrepreneurs in the hardest-hit sectors of the economy. The Bank has played an active role and is the leader in these areas. As of the end of 2020, 1,630 projects had received KZT7.5 billion in subsidies and guarantees to support micro and small businesses. In addition, 3,249 projects had received KZT162.5 billion at reduced rates to support entrepreneurs in the hardest-hit sectors of the economy.

In 2020, Halyk Bank continued to participate in the "Lending Mechanism for Priority Projects – Economy of Simple Things" (EST) Programme. The size of the subsidy under the programme is less than 10% of the commission rate and funding is issued for a period of up to 10 years. The manufacture of food products, clothing, home and office goods, as well as building materials were selected as the highest priority sectors for financing under the programme. As of 31 December 2020, the Bank had received applications from entrepreneurs for a total amount of KZT279.8 billion, of which it had approved KZT262.1 billion.

Assisting in the production of natural dairy products in the Kostanay region is a good example of a project that was funded under the EST Programme. In 2020, in the Fedorov district of the Kostanay region, Turar LLP implemented a project to increase its breeding stock of dairy cattle. Halyk Bank provided KZT413 million in financing to increase the breeding stock through the purchase of 396 black-and-white Holstein cattle (Germany). The Bank also financed the purchase of KZT616 million in new equipment, including the combine harvesters, balers and reapers that the company uses to grow feed crops. Through this project, the company has been able to load its existing milking equipment at 100% capacity and increase its dairy cattle herd by 40%, which in turn will make it possible for the company to produce even more high-quality, environmentally friendly milk for the region's residents.

As part of the EST Programme, Halyk Bank also supported the project of Centre for Proper Sleep LLP to purchase its own premises for the production and storage of products. The company's main business is the manufacture and sale of mattresses. It has a branch network for the sale of its products throughout Kazakhstan.

Together with the Damu Fund, in June 2020, Halyk Bank supported Centre for Proper Sleep LLP and provided financing in the amount of KZT400 million for the purchase of a 6,939.9 square metre production facility and 1.2 hectares of land. Through this project, the company was able to create a convenient environment for the production and storage of its products, as well as to hire additional staff.

In November 2020, together with KazAgroFinance JSC, KazakhExport Export Insurance Company JSC and Tobol Socio-Entrepreneurial Corporation JSC, Halyk Bank financed Poultry-Agro LLP under the EST Programme aimed at financing agro-industrial businesses.

Through active participation, the process of rehabilitating the poultry farm took six months. Today, the Poultry-Agro LLP poultry farm, located in the Karabalyk district of the Kostanay region, is equipped with modern technology, including a feed mill, cages, slaughterhouse and refrigeration facility that can be controlled by satellite. The total amount invested in the project was KZT5.5 billion, of which the Bank financed KZT2.3 billion. The company used the borrowed funds to acquire new equipment, reconstruct several facilities and replenish working capital.

Following the project's implementation, the annual design production capacity is 7,500 tonnes of broiler meat. This provides 270 new permanent jobs at the factory. The financing made it possible for the company to rehabilitate a problematic asset. The poultry farm has become the region's largest supplier of high-quality natural broiler products.

As part of a public-private partnership, Halyk Bank regularly collaborates with regional and municipal governments. An excellent example of such partnerships is the project of Talap JSC in the Western Kazakhstan region.

Talap JSC is a diversified company that has worked on the market of the Western Kazakhstan region for more than 26 years. To help people remain healthy, it opened the Talap network of private medical clinics in 1993, the first Talap pharmacy in 1995 and the Favourite health centre in 1997. Talap JSC later expanded the range of services that it offers its customers to include Lotos, a high-quality dry-cleaning chain, as well as funeral services and other services. In 2020, the company urgently needed to upgrade and replace its existing medical equipment.

Through a public-private partnership with the government of the Western Kazakhstan region, together with the Damu Fund as part of the EST Programme, the company received KZT745 million in funding from Halyk Bank. This made it possible for the company to purchase medical diagnostic equipment (Siemens Somatom Go Up computerised tomography scanner, Magnetom Sempra magnetic resonance imaging scanner, gastrovideoscope, ultrasound scanner and so on).

The acquisition of medical equipment makes it possible to provide high-quality outpatient and polyclinic medical services for the diagnosis and prevention of various forms of diseases, as well as to provide highly qualified modern inpatient care.

Outfitting the clinics with modern equipment helped to create new jobs and provide highly qualified medical services, which is especially important during the spread of a viral disease.

We understand that social infrastructure must be developed to improve the standard of living. This is why we actively finance projects for the construction and modernisation of medical institutions and pay special attention to supporting healthcare projects. In 2020, the Bank financed a project to modernise the Mayirim Multidisciplinary Medical Centre, which provides a wide range of medical services and can treat most health concerns with the help of world-class medicine without leaving Nur-Sultan.

Assistance with meat production in Kazakhstan

In 2020, MPZ Bizhan LLP launched a new meat processing plant that Halyk Bank financed jointly with the Damu Fund. The Bank provided financing for the construction of the meat processing plant and the acquisition of equipment for the plant in the industrial zone of Almaty. The financing structure included preferential loan terms under the programme to support SMEs in the processing industry and service sector, as well as subsidies under the EST Programme.

MPZ Bizhan LLP is a producer of sausage products, semi-finished meat and delicatessen products that was established in October 1998. The company makes more than 80 types of sausages (cooked, half-smoked, cold-smoked, wieners, frankfurters, semi-finished and delicatessen products). The existing meat processing plant is located in Almaty, while the meat was purchased in the Northern Kazakhstan region because of the lack of a slaughterhouse in Almaty.

Financing the construction of the plant (total land area of 3.5 hectares and total building area of 10,480 square metres) made it possible for the company to maintain its position as a major manufacturer of high-quality meat products, as well as to provide up to 100 new jobs.

We contribute to improving the living conditions of the population through the implementation of the Nurly Zher State Programme for Housing Construction, which subsidises the construction of housing by private developers. This programme is aimed at improving the affordability and comfort of housing, as well as developing housing infrastructure, implementing a uniform housing policy, ensuring the rational provision of quality drinking water and sanitation services, modernising and overhauling the housing and utilities sector, and improving urban planning.

One of the criteria for lending under most government programmes is the implementation of effective investment projects, namely, maintaining or increasing the average annual number of jobs, increasing the payroll volume, increasing income, or increasing the amount of taxes paid to the state budget.

To ensure the adequate oversight of each government programme, the Bank develops rules governing the process of issuing and subsequently monitoring loans. It also maintains records to monitor spending and idle funds.

SUPPORT FOR EDUCATION PROJECTS

Education is one of the most important components of sustainability, which is why we pay special attention to projects in this area. Among the initiatives that the Bank supported financially in 2020 is the Zhas Maman Programme.

The goal of the Zhas Maman project is to modernise 180 colleges and 20 universities that teach the 100 most in-demand professions and to introduce international experience in training qualified specialists. The programme is operated by Kasipkor Holding NJSC. Following the implementation of the Zhas Maman project, the educational institutions will be outfitted with the modern equipment necessary to train specialists in demand on the national and international level, helping them to become centres of excellence for their region in their chosen profession. In addition, the programme will train participants for WorldSkills championships.

SUPPORT FOR RECYCLING PROJECTS

A trend that has been increasing in importance in recent years is monitoring and reducing emissions that harm the environment, reducing the extraction of mineral resources, and recycling used materials. With the Bank's financial support, Raduga LLP has implemented a project to recycle plastic and polyethylene products to make plastic granules. This secondary product can then be used to make new products. The project makes it possible to set up centralised collection and processing of waste plastic and polyethylene products.

SUPPORT FOR GREEN ENERGY PROJECTS

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

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

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

In 2020, at the beginning of the COVID-19 pandemic, Halyk Bank continued to participate in the implementation of the "Business Road Map – 2025" Programme. One of the socially significant projects that the Bank supported was for WindEnergyTechnology LLP. The company is implementing an investment project to build and operate wind power facilities with a total capacity of 52.8 MW. WindEnergyTechnology is located near Manash, in the Isatay district of the Atyrau region.

To date, a wind power station has been constructed and is generating electricity in the Atyrau region.

Halyk Bank's results for 2020 include:

1st place
among banks participating in the subsidy and guarantee projects under the "Business Road Map – 2025" Programme

KZT333.5 billion
in overall funding allocated under government programmes

379 customers
received financial support totalling KZT143.9 billion under the Preferential Lending Programme for businesses whose financial situation worsened after the introduction of the state of emergency

HALYK BANK

07 CUSTOMERS ARE THE FOCUS OF OUR ATTENTION

SUSTAINABILITY REPORT

07 CUSTOMERS ARE THE FOCUS OF OUR ATTENTION

SUSTAINABILITY REPORT

SERVICE ACCESSIBILITY AND QUALITY

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

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

DISTRIBUTION NETWORK

In 2020, our branch network had 611 service outlets throughout Kazakhstan, including:

- 24 regional branches
- 269 branches
- 120 sub-regional offices
- 3 VIP centres
- 53 banking service centres
- 33 business centres for corporate customers
- 109 personal service centres

The Bank continues to make capital investments to develop and modernise its branch network, as well as to ensure that it has the necessary resources and facilities. In 2020, it completed the reconstruction and modernisation of 51 regional facilities to expand the accessibility of its services for customers.

In addition, the Bank offers a wide range of remote self-service channels for retail and corporate customers. In 2020, Halyk Bank had 4,596 ATMs, making it the largest ATM network in Kazakhstan with a market share of 36%. The Bank acquired 455 new ATMs to install in high-visibility locations and replace outdated models.

Halyk Bank is also the leading acquiring bank on the market with a network of 101,509 POS terminals, 978 payment terminals and seven multi-service kiosks. Our POS terminals offer numerous advantages to our customers, including the ability to accept all types of payment cards, access our customer loyalty systems and receive detailed transaction statements.

During the lockdown period, the Bank promptly developed tools for customers to receive social assistance and return erroneous social assistance payments online through the Bank's mobile app.

For the convenience of our customers, in 2020, the Bank purchased 145 additional mobile card embossers and 20 self-embossers to equip Halyk Bank offices throughout the country. They allow customers to instantly receive personalised bank cards at a branch.

HALYK HOMEBANK

Halyk Homebank is the leading online banking platform in Kazakhstan with 6.2 million users (compared with 4.2 million in 2019 and 3.6 million in 2018).

The Halyk Homebank app provides access to a wide range of online banking services. Among the most popular are payments for utilities, mobile phone service, taxes, fines, loans, air tickets, transport, kindergartens and more than 5,700 other services. There are no commissions and customers can receive 1% bonus points. In 2020, more than 2,200 new services were added.

WE OFFER A WIDE RANGE OF BANKING SERVICES THROUGH OUR RETAIL SERVICE CHANNELS, INCLUDING:

- transfers to third parties
- international card transfers
- payment for orders from many stores on credit or in instalments
- consumer goods lending with ecosystem partners, so that customers can purchase goods in instalments online or offline at partner locations without visiting a branch of the Bank
- online loan processing
- online deposit opening
- access to operations from the homepage, including the main account, popular services, payment and transfer history
- applications to receive the KZT42,500 social payment introduced during the state of emergency (in the amount of the minimum wage)

IN ADDITION, TO MAKE ONLINE BANKING EASIER TO USE, WE DID THE FOLLOWING:

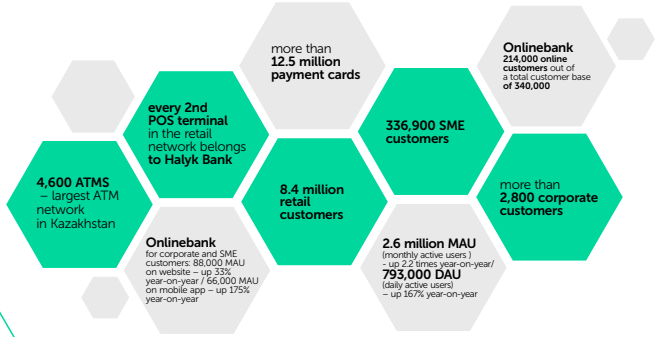
- simplified the card issuance process
- added the ability to choose a discount or additional gift when purchasing a mandatory auto insurance policy
- added the ability to refinance loans online
- added a section where self-employed people and individual entrepreneurs can track incoming transfer operations, pay taxes and manage performance through the Halyk Boost solution
- added the ability to receive pension payments and make mortgage payments

https://homebank.kz/#/

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

Number of Halyk Bank customers in 2018-2020

	2018	2019	2020
Active retail customers, thousands	7,239	7,695	8,367
Active SME cash settlement customers, thousands	177.8	165.7	165.6
Corporate customers	2,670	2,884	2,858



ACCESSIBLE BANK

GRI | FS13 | FS14

One of Halyk Bank's priorities is increasing the accessibility of financial services for all our 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*. The State Programme for Regional Development in 2020-25 includes 41 small towns and 27 single-industry towns in Kazakhstan.

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

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

We strive to ensure equal access to our services for all customers. New service outlets and ones being overhauled are outfitted to ensure unimpeded access for people with disabilities, limited mobility, as well as the elderly. For their convenience, we provide access ramps, outdoor calls and convenient teller station designs. For visually impaired and sightless customers, we have installed tactile walkways and signage, as well as exterior intercoms to call a staff member for assistance. All the Bank's employees have received training on how to work with and assist people with disabilities.

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

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, which is based on an individual approach to each customer and the development of digital solutions.

The Bank maintains a systematic record of requests from customers in accordance with its internal rules for reviewing requests. We strive to ensure the objective, comprehensive and timely review of all requests and complaints, as well as to inform the applicants about the results and measures taken. Customer requests are accepted in written, oral and electronic form.

Requests received orally (through the contact centre or in person during a customer's visit) are reviewed immediately and, if possible, a response is provided on the spot. Written and electronic requests are reviewed within 15-30 calendar days. The responsible structural units of the bank monitor the response preparation deadlines, analyse and summarise requests to identify and eliminate root causes, as well as determine preventative measures to avoid repeat incidents in the Bank's future operations.

At the end of 2020, the Bank's net promoter score (NPS) stood at 88%. This was 3 percentage points higher than the target of 85% for this metric, as well as an increase of 6 percentage points from the 82% reported in 2019:

- in the B2C segment, the NPS improved by 11 percentage points and the customer satisfaction index (CSI) increased by 20 percentage points from 66% to 86%
- in the B2B segment, the CSI increased by 13 percentage points from 78% to 91%

Improvements have also been seen in relation to customer feedback. The total quantity of customer feedback received through the enterprise content management (ECM) system decreased by 53%, including a 62% drop in complaints and a 21% reduction in positive feedback.

Oral complaints registered in the operational customer relationship management (OCRM) system fell by 41%.

Below are the data from 2020 and 2019 for comparison.

Quantity of feedback in 2019:

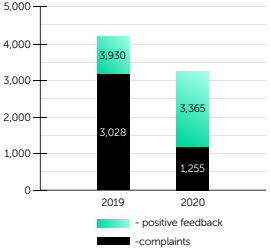
- ECM (written) feedback – 53,704 messages, including 3,028 messages with complaints and 3,930 messages with positive feedback.

Quantity of feedback in 2020:

- ECM (written) feedback – 25,146 messages, including 1,255 messages with complaints and 3,365 messages with positive feedback.

In 2020, surveys were conducted at the request of business units (67 surveys in the B2B and B2C segments) to measure customer satisfaction with the Bank's products and services.

To reduce the volume of calls to the contact centre, work is currently under way to improve the customer experience.



INNOVATION AND DIGITALISATION

One of our strategic objectives is to strengthen our position in digital banking and innovation. In 2020, the Bank introduced new digital banking services and innovative financial products in all key customer segments.

INNOVATION IN THE RETAIL SEGMENT

Despite the lockdown measures introduced in the country in 2020, the Bank's retail business took numerous steps to improve service quality. This helped to save time and expand the product offering, both for socially vulnerable groups and for legal entities, which was reflected in strong sales results.

The Bank also strives to conserve natural resources when developing new services and products. Given the Bank's extensive branch network across the country, contributions in this area are always a priority on the national level.

- To digitalise new processes and reduce paper consumption for deposits and loans, a new digital (paperless) process was developed offering a choice of three non-credit products (deposit, debit card and instalment card). For loan products, the need to create paper records and file them in the archive was eliminated and electronic records are generated automatically. Obtaining a loan was also made more convenient, as customers can sign all documents with electronic digital signatures using one-time PIN codes sent to a trusted phone number.

For the convenience of our customers, we introduced the following processes and services for deposits, current accounts, payments and transfers:

- a new process for transfer operations that reduced service time by 50%
- a calculator to determine deposit rates on the Bank's website
- SMS notifications about incoming and outgoing transactions for current and savings accounts, regardless of the channel used to conduct the transaction.

We made online lending even more practical and convenient, which increased its popularity with customers. We also improved online lending through the Halyk Homebank mobile app:

- we added the ability to refinance loans from the Bank and other second-tier banks online
- we enhanced our services to reduce the loan issuance time to several minutes

We launched an online service for early repayment of consumer goods and unsecured loans, which made it possible to move 90% of requests for early repayment online through Halyk Homebank. We also introduced an online service that allows customer to make monthly payments in advance.

To improve social support for the population in 2020, especially during the lockdown period, the Bank's card business introduced the following new products:

- From March to July 2020, several measures were taken to provide material assistance during the pandemic: products were created that made it possible to withdraw cash without a card, and cards for retirees were mass-produced and delivered for free. These measures helped to reduce the risk of spreading the disease during the lockdown period.
- Card processes were optimised, including reducing the share of applications that require a manager's approval by 40%, which in turn allows customers to spend less time in branches.
- A new Halyk Homebank service was launched for setting and changing PIN codes.

REMOTE SERVICES FOR RETAIL CUSTOMERS

The process of digitalising as many of the Bank's services as possible, which started in 2019, continued in 2020. This included introducing an online registration service that allows customers to open accounts and receive access to all the Bank's products and services.

By issuing the Halyk Bonus Digital card in their smartphone app, customers can pay for purchases without a card using such popular services as Apple Pay, Samsung Pay and Halyk Homebank Pay.

In keeping with the trend of developing transfer services, the service for transferring funds using a telephone number was improved to simplify the customer experience significantly.

Given the rising number of users of Huawei's new HarmonyOS, the Bank introduced an additional mobile app for devices using the operating system. Now, the Bank's customers have access to mobile apps for iOS (iPhone), Android (Samsung, Sony, Xiaomi, LG and so on) and HarmonyOS (Huawei). More than 140,000 customers are already using the Halyk Homebank app on Huawei smartphones.

ECOSYSTEM SERVICES FOR BUSINESS

In 2020, the development of ecosystem products to offer customers online through the Halyk Homebank app was emphasised. Various services were launched to care for customers and ensure they can access the information they need without leaving home, which improved the Bank's attractiveness and perception significantly. Customers can use a range of services that meet their business and personal needs:

HALYK INFO

The Halyk Info platform provides information about the Bank's services. We have tried to collect answers to all the questions that interest our customers, from the types of lending we offer to the location of each ATM.

The platform's advantages include its convenient interface, accessible language, as well as logical links and tabs..

The platform also shows:

- the top 10 questions about each of the Bank's product lines
- an interactive map of all Halyk Bank branches, ATMs and terminals
- information about all types of banking products and services available, as well as their terms of service.

Halyk Tour is an integrated travel service. It offers hotel bookings, package tours, tourist recommendations, enhanced payment methods and personalised offerings.

The Kino.kz portal is a convenient service that allows users to find and buy tickets for all sorts of entertainment.

Halyk Invest offers easy access to investment tools, including IPOs.

Halyk Travel makes it possible to search for, compare and purchase air and railway tickets and book hotels online.

Halyk Bank's convenient **Auto Insurance** portal offers retail customers online car insurance products and awards bonus points when making purchases.

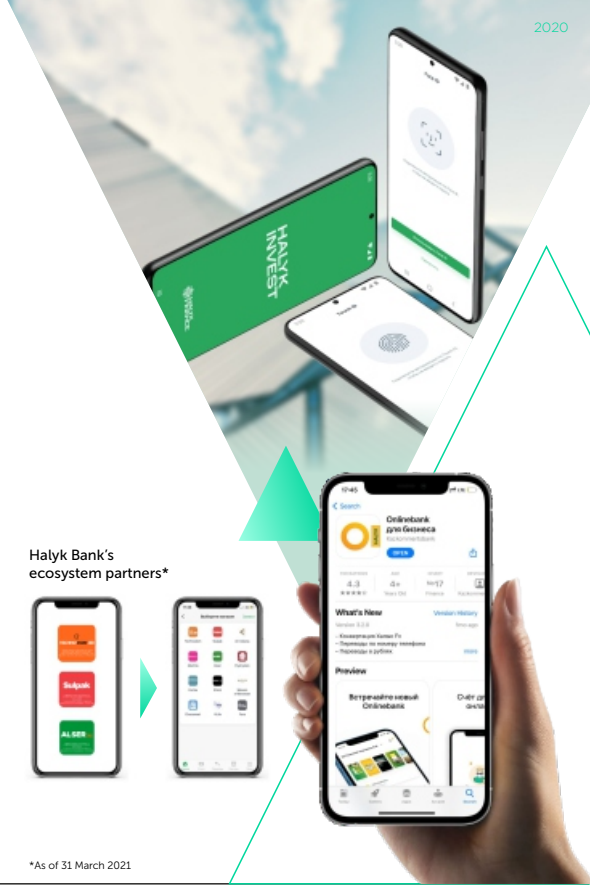
Halyk Market is a B2C platform where partners can meet their customers. It is a reliable and convenient technological solution for making purchases online. All payment methods are available, including loans, instalments and card payments.

Halyk Club is an exclusive offering for Halyk Bank cardholders. Customers can earn bonus points, pay using bonus points and purchase goods in instalments. Business partners of the GO!Bonus club offer bonus points, discounts and coupons to the Bank's customers. As valued club members, all our retail payment card customers receive access to bargains in the network of more than 20,000 Halyk Club partner outlets.

When paying for goods and services, customers can receive bonus points amounting to 1-25% of the purchase price. They can use the bonus points to pay for purchases and services within the Halyk Club partner network, as well as for online payments of utility bills, mobile phone and internet service, fines and other services in the Halyk Homebank app. The club's partners regularly hold promotions and special programmes.

Halyk Light credit card holders can also pay for goods and services in four interest-free monthly instalments at a network of more than 15,000 programme partner outlets.

In addition, the number of consumer goods lending partners has been expanded for Halyk Homebank customers and a digital cash lending process has been launched.



Halyk Bank's ecosystem partners*

*As of 31 March 2021

DIGITAL LENDING

In 2020, Halyk Bank launched a new digital lending product for individual entrepreneurs. The product has a completely digital process, allowing customers to apply for and receive loans without visiting a bank branch or providing any documents, unlike for ordinary loans. The entire process happens remotely and, most importantly, quickly.

To submit an application, customers need to visit the product website or download the Bank's Onlinebank mobile app. The new digital process takes no more than 30 minutes from the moment the application is filed until the loan funds are credited to the account. If an applicant is not already a customer of the Bank, a current account is automatically opened for them and access to the Onlinebank system is provided. The Bank receives all information needed to assess the applicant and make a loan decision from external sources, which makes it possible to fully automate the process and eliminates the need for applicants to provide any documents.

As part of the development of this product, the Bank integrated a large number of data sources, including various government services. The full automation of the process is also made possible through the development of a decision-making system for loan applications, which uses information received from external and internal sources to independently evaluate an applicant and decide whether to issue a loan. The product was launched in August 2020.

In November 2020, the Bank launched digital lending under a state programme for SMEs and micro businesses (jointly with the Damu Fund). The introduction of a digital lending process significantly increased the Bank's lending to SMEs and micro businesses. In 2020, the total number of SME and micro business customers with loans from the Bank rose by 47% year-on-year. The digital lending process helped to make the Bank the leader in implementing the state programme for SMEs and micro businesses.

INFORMATION SECURITY AND CUSTOMER DATA PROTECTION

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

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

To strengthen the protection of the Bank's information assets containing customer information and confidential data from the threat of unauthorised access, leaks, disclosure and loss, in 2020, the Bank acquired and put into operation additional modern automated systems for data protection, malicious activity detection, event analysis and correlation using the latest advancements in these areas.

As part of the Bank's cybersecurity strategy for identifying and mitigating data security risks, in 2020, it launched the Antifraud project. A remote video verification system for users of the Bank's payment systems is currently being tested.

The Bank also implemented several measures to mitigate the harm to customers from common fraudulent schemes when using remote channels. In 2020, this helped to achieve a 41.6% year-on-year reduction (KZT94.01 million) in damages from schemes in which fraudsters use social engineering methods to gain access to a customer's account in Halyk Homebank.

The Bank works constantly to improve the cyber literacy of its customers. The website has reminders about how to use banking services safely, and Halyk Bank's social media pages post information about existing data security threats and ways to prevent them. All sales departments also have cybersecurity banners and posters and show videos about the topic on the screens of payment devices and televisions.

In compliance with Kazakh legislation and industry standards, employees of information security departments have completed the following training programmes: "Information security risk management", "Hacker penetration testing and security analysis. Ethical hacking penetration testing v.10", and "Information security code".

The employee information security awareness programme has been updated and 98.6% of the Bank's staff have passed testing on it. In addition, certain groups of employees have been trained on the following topics: "IT requirements of information security legislation for second-tier banks", "Training material for the Bank's developers on OWASP safe coding practices for developing software using the PCI DSS standard", "Information security basics", and "Ensuring the safe organisation of work processes".

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

	2018	2019	2020
Total number of registered cases of customer data leak, theft and loss, including:	3	0	0
Data leak	3	0	0
Data theft	0	0	0
Data loss	0	0	0

The Bank regularly monitors legislation governing information security issues and updates its internal regulatory documents. Additional organisational controls have been developed to ensure the security of confidential customer data when working with third parties.

Business continuity procedures have been formalised and implemented for the Bank's critical information systems that process confidential customer information – including capacity reservation, backup, recovery and fault tolerance testing – to be able to restore operability within the minimum target period in the event of a crisis.

Despite the emergence in 2020 of new information security threats and increased workloads on IT services caused by the widespread transition of employees to remote work amid the pandemic, the Bank has maintained high availability and protection of its IT services.

During the reporting period, the Bank once again certified the compliance of its computer systems and networks with the requirements of the PCI DSS/3DS international data security standards.

The Bank's systematic approaches to information security management and information technology/information security risk management made it possible to maintain a zero level of customer data confidentiality breaches through the fault of the Bank. During the reporting period, there were no reported cases of customer data leak, theft or loss caused by the Bank breaching information security protocols.

To ensure the safety of its customers, the Bank has developed a trusted device solution for the Halyk Homebank apps. This solution provides an additional customer identification feature by allowing customers to register a trusted device during the identification process. If a retail customer's online banking account is accessed from an unknown device, the trusted device feature will be activated and limit the available transaction amount.

HALYK BANK

08 HUMAN CAPITAL DEVELOPMENT

SUSTAINABILITY REPORT

08 HUMAN CAPITAL DEVELOPMENT

SUSTAINABILITY REPORT

«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, as well as great opportunities for professional and career development!
Our close-knit team is the key to our success and our greatest asset!»

Quote from Halyk Group's development strategy for 2019-21

HUMAN RESOURCE MANAGEMENT

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

Halyk Bank understands that its staff is a key stakeholder group. The competence, engagement and unity of its close-knit team underpin its long-term business success. The Bank strives to provide employees with comfortable working conditions that foster professional and personal growth, and to design business processes in a way that empowers each employee to apply their talents and strengths. The Bank prioritises building long-term labour relations based on partnership, mutual trust and respect.

As the largest financial institution in the country, Halyk Bank is aware of its social responsibility. In building its relationships with employees, the Bank keeps in mind how they impact the standard of living of their family members and the welfare of society.

In 2020, the Bank updated its human resources (HR) policy to better align it with its development strategy. The policy is based on the Bank's successful experience in the field of workforce management..

The HR policy's principles and approaches to personnel management and development are designed to:

01

create an effective corporate culture focused on achieving superlative results, objectively assessing each person's contributions and achievements, and fostering innovation

02

engage employees in the Bank's operations

03

ensure that staff have the necessary experience, qualifications and impeccable business reputations, and are able to manage processes and mitigate the risks inherent to the Bank's business

04

provide employees with adequate resources to effectively perform their functions and duties

05

prevent employees from experiencing conflicts of interest while performing their duties

06

mitigate the key-person dependency risk

The main objectives of the Bank's HR policy are to:

- observe the principles of legality, justice and equal opportunities in the Bank's activities
- improve the organisational structure and HR planning
- adapt new employees and engage existing personnel
- train and develop employees and create a talent pool;
- oversee productivity, employee incentivisation and salaries
- provide social support for employees
- foster a positive corporate culture

The HR department ensures that the personnel management system functions efficiently, as does each business unit in relation to its employees. The Bank's HR system is governed by the Kazakh Labour Code, Tax Code, Law on Joint-Stock Companies, Law on Banks and Banking Activities, as well as other regulatory acts.

DIVERSITY

Recruitment and hiring decisions are based solely on the professional expertise, personal qualities, experience and motivation of candidates. The Bank does not discriminate on the basis of national origin, social standing, official position, financial situation, gender, race, nationality, language, religion, creed, place of residence, or for any other reason.

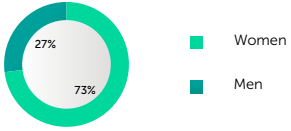
To build an effective recruitment system, the Bank uses qualification requirements and skill maps for each category of employees.

At the end of 2020, the Bank's headcount totalled 15,158 people, an increase of 2% year-on-year. Gender diversity remained unchanged from 2019 at 73% women and 27% men. In terms of age diversity, 52% were aged from 30 to 50 years, 40% were under 30 years and 8% were over 50 years.

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

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

Employee gender diversity in 2020, %



Employee age diversity in 2020, %

The Bank strictly observes the principles and norms of international law and Kazakh legislation and offers equal employment opportunities.

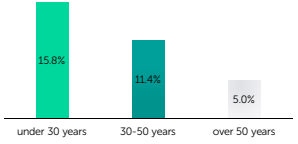
In 2020, 13,372 employees worked under permanent contracts* (88% of the total headcount), of which 73% were women and 27% were men. A total of 1,786 employees worked under temporary contracts** (12% of the total headcount), of which 78% were women and 22% were men.

During the reporting period, 99% of employees worked full-time and 1% worked part-time. Of the full-time employees, 73% were women and 27% were men. Among the part-time employees, 72% were women and 28% were men. There were a total of 76 outsourced employees (0.5% of the Bank's total headcount), which was fewer than in 2019 because of the end of a short-term project in the retail business.

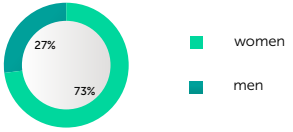
The IT team was strengthened to enhance service quality and to improve the digital offering. During the reporting period, 7% of all new hires were for IT units. This was partly because the Bank began to prepare for the launch of a big data project in 2020.

In 2020, 2,832 new employees were hired, which amount to 18.7% of the average headcount. A total of 1,876 employees resigned during the period. Staff turnover fell by 4.3 percentage points year-on-year to 12.6%. Broken down by gender, staff turnover was 33% among male employees and 5.4% among female employees. Broken down by age, staff turnover was 15.8% among employees under 30 years, 11.4% among employees from 30 to 50 years, and 5% among employees over 50 years.

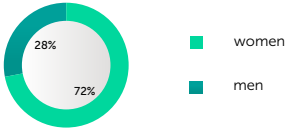
Breakdown of staff turnover by age in 2020, %



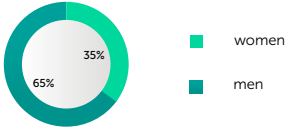
Gender diversity of full-time employees in 2020, %



Gender diversity of part-time employees in 2020, %

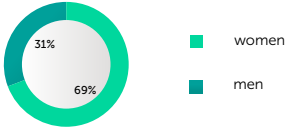


Gender diversity of new hires in 2020, %

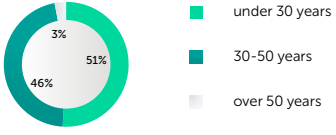


Age diversity of new hires in 2020, %

Gender diversity of employees who resigned in 2020, %



Age diversity of employees who resigned in 2020, %



* 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.

YOUNG PROFESSIONALS

The Bank pays particular attention to the training of young professionals to ensure business continuity and build a promising talent pool.

In 2019, the Bank launched the Halyk Start programme to recruit talented students who excelled in information technology and information security. In 2020, it was transformed into the "From Internship to Qualified Specialist" programme. The updated programme helps young professionals to understand their career growth trajectory, which in turn motivates them to develop and transition to the next level, depending on their performance assessment. In 2020, 90% of available internships were filled.

During the reporting period, the Bank launched a referral programme for recruiting IT specialists and signed cooperation agreements with the leading universities in Kazakhstan for IT professionals, the International University of Information Technology and the Kazakh-British Technical University. These initiatives are aimed at arranging internships for students, as well as providing a constant stream of resumes from promising candidates for the Bank's junior IT positions.

In keeping with the Bank's strategy of working with young professionals who have IT training, in 2021 it plans to open Halyk Laboratory centres at the International University of Information Technology and the Kazakh-British Technical University. These facilities will be equipped at the Bank's expense to provide access to the real development tools, programming languages and frameworks, and technology stacks that it uses. They will also hold hackathon events where IT students can develop software or solve challenges.

MOTIVATION AND REMUNERATION

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

The Bank's remuneration policy and approach to staff motivation are guided by the principles of providing a decent wage, as well as considering the opinions and suggestions of stakeholders. To set competitive salaries for employees, the Bank engages international companies to conduct annual labour market surveys.

The Bank uses a grading system to ensure fair remuneration and equal working conditions. The system is based on the Korn Ferry job evaluation methodology, which helps to prevent discrimination in remuneration, including on the basis of gender.

In 2020, the Bank used the Korn Ferry methodology to evaluate all positions throughout the organisation to ensure internal fairness and competitiveness in remuneration and equalise the value of each position, taking into account the contribution to the Bank's development and financial result. In 2021, this information will be used to conduct a systematic review of staff salaries. It will also be used to improve the remuneration system to motivate employees to increase their individual contributions towards the Bank's goals. This will help to align the Bank's remuneration with that for similar positions on Kazakhstan's labour market.

Each year, the Bank participates in salary surveys and conducts market benchmarks of its remuneration practices to help inform salary review decisions. In 2021, the Bank plans to review employee salaries based on data from the labour market.

The benefit and compensation system applies uniform standards for various job categories to provide employees with a sense of security and stability, and to show that the Bank cares for its employees.

In addition to the legally required social benefits and compensation, the Bank offers employees the following:

SALARY	BENEFITS
■ Grade-based salary ■ Personal allowances ■ Social payments ■ Independence Day bonuses ■ Regular KPI-based bonuses ■ Annual performance bonuses for employees who do not receive KPI-based bonuses	■ Partial payment of health insurance for employees and family members, including vaccinations ■ Refunds for COVID-19 tests ■ Employee life insurance ■ Relocation and housing allowance for transfers within Halyk Group ■ Mobile telephone service (for business use) ■ Corporate holidays ■ Subsidised mortgages depending on length of service and grade ■ Paid vacation and financial assistance for employee life events ■ Incentive for seniority of 15 or more years at the Bank ■ New Year's gifts for employees' children ■ Sport and recreation events, gym rental fees ■ Parking spaces for managers and employees of the Head Office ■ Pregnancy and childbirth benefits ■ Support for non-working retirees of the Bank ■ Corporate fitness club discounts
PROFESSIONAL DEVELOPMENT	**WORKING ENVIRONMENT**
■ The Bank pays part of the tuition for employees to attend a master's degree programme ■ Payment of 50% of certification fees ■ Participation in external training and conferences (based on grade and function) ■ Career development management for talent pool ■ Corporate training, seminars and technical education ■ Regular developmental feedback from the management ■ Access to the electronic library ■ Access to the distance learning portal	■ Formal labour relations ■ Flexible work schedule and remote work ■ Clear job duties ■ Medals and certificates in recognition of achievements ■ Transparent rules for personnel assessment and career appointments ■ Consistent and transparent remuneration ■ Participation in project work ■ Participation in charity initiated by the Bank ■ Liability insurance for directors and officers

To support parents and children, when employees go on parental leave, the Bank pays a one-time benefit in the amount of KZT300,000. In 2020, the total compensation paid to employees on parental leave was KZT43 million,

At the end of 2020, a total of 2,734 employees were on unpaid parental leave, including 2,728 women (99.8%) and six men (0.2%). During the reporting period, 878 employees returned from parental leave (of which two were men and the rest were women), 60% of whom remained employed at the Bank 12 months after returning (one man and the rest women). Most of the employees who resigned after returning from parental leave did so during the COVID-19 pandemic lockdowns. Exit interviews revealed that this was because of the need for someone in the family to care for young children amid the restrictions imposed on childcare facilities and schools.

In 2020, the COVID-19 pandemic made it necessary to quickly take decisions to support and encourage employees so that they all felt the Bank's care during this difficult time, despite the new realities of life.

To continue providing uninterrupted customer support, some employees were transferred to remote work and provided with the necessary equipment to ensure proper working conditions. Other employees were furloughed at 50-100% of their salary, depending on salary level, which is more than the amount required during periods of emergency under Kazakh legislation. During the lockdown, 40% of Head Office employees worked remotely. After the lockdown ended, they returned to work in accordance with the limits established by public authorities.

Front-line customer service departments received additional personal salary allowances, as well as reimbursement of the cost of COVID-19 tests. As a gesture of care and support during the lockdown, each employee also received a one-time bonus.

In 2020, preparations were made for employees of business units at the Head Office to transfer to a new work format:

- remote work
- hybrid work (distance and office work)
- office work

The main requirements for the Head Office's transition to the remote and hybrid work formats were identified, including:

- **IT infrastructure** (transitioning to working with a single set of equipment, telephone connections and redistribution of corporate notebooks)
- **Office space organisation and moving employees** (developing a seating scheme for Head Office employees and arranging the office space for Head Office employees to move into)
- **Mitigation of information security risks related to remote work, as well as introducing additional information security tools**
- **Personnel matters** (signing additional agreements to employees' employment contracts, monitoring labour discipline and performance, and so on)

These measures were implemented in 2021

PERFORMANCE APPRAISAL

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

The performance appraisal is a core aspect of managing the efficiency of work activity and the potential to achieve strategic and operational goals.

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

Other managers and employees are appraised using the AJPC method.

This system has three types of performance appraisal for different categories of employees:

01 **a full KPI-based** appraisal is used for managers and employees whose work allows individual goals to be set

03 **an alternative task**-based appraisal is used for employees of IT departments whose work is fully reflected in the Jira system, which tracks the status of all tasks assigned to the employees

02 **a simplified appraisal** based on the standards and norms of job performance is used for employees whose work involves standard, repetitive functions that do not allow individual goals to be set

The Bank has developed a corporate competency model that takes into account the level of independence in decision-making.

The following set of competencies is used for positions with a high degree of decision-making autonomy:

- analytical thinking
- teamwork and collaboration
- focus on results and quality
- loyalty
- customer focus
- flexibility
- interpersonal interaction and communication
- innovation and drive

Additional competencies are used for managers, such as leadership, persuasion, influence and strategic vision.

A simplified competency model is used for specialists whose work is largely regulated by norms and standards:

- accuracy, speed and timely completion of work
- independence and initiative
- customer focus (on internal and external clients)
- communication and teamwork
- compliance with standards

The AJPC process has been automated via the AJPC portal. The Bank ensures that employees receive transparent and timely feedback.

Several categories of employees do not undergo performance appraisals, including employees who have worked for less than six months; employees who are temporarily incapacitated or were on parental leave for more than six months during the appraisal period; as well as support and technical staff (drivers and labourers).

In 2020, 10,726 employees underwent performance appraisals, which amounted to 71% of the total headcount. The remaining 29% were not subject to appraisal. The appraisals included 78% of male and 68% of female employees. During the reporting period, the appraisal process covered all members of the Management Board and senior executives, 92% of middle managers and 68% of specialists.

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

TRAINING AND DEVELOPMENT

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

The Bank strives to ensure that all employees receive equal opportunities for training, professional development and personal growth throughout their tenure at Halyk Bank.

Types of training include:

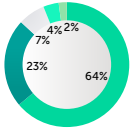
Individual training: professional development, certification and MBA programmes, as well as distance learning conducted by an external provider.

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

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

During the reporting period, the Bank's employees attended training courses and seminars covering various topics, including management skills, customer service and sales, health and safety, information technology and specialised functional skills training.

Main employee training topics in 2020



- Customer service and sales
- Specialised functional skills training
- IT training
- Health and safety
- Leadership and management skills, including MBA programmes

In 2020, given the epidemiological situation in Kazakhstan and worldwide, the Bank moved all staff training and development events online, which helped to ensure that all categories of employees could attend training, as well as to optimise training costs. Significant savings were achieved in training-related travel, as the budget for this line item was reduced to zero throughout the pandemic (from March 2020 through the end of the year).

The main types of corporate training included:

- developing sales skills and improving service quality for specialists in the retail business and specialists serving corporate customers
- training the basics of financial analysis and business accounting for SME banking employees
- customer focus training for all front-office staff of the Bank and its subsidiaries.

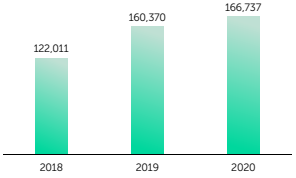
To introduce flexible project management methodologies, the Bank provided Agile and Scrum training for project team members.

Particular attention was paid to the following training topics for managers:

Senior executives	Middle managers
Strategic thinking	Customer focus
Customer focus	Leadership and management skills
Leadership and management skills	Customer service
	Personal performance and sales skills

In 2020, new forms of online conferences, seminars and training courses were introduced through various internet technologies. Work also continued to expand the coverage of employee training and testing through the distance learning system. During the reporting period, employees took more than 166,000 courses and tests that were assigned* through the distance learning system.

Courses and tests assigned through the distance learning system in 2018-20

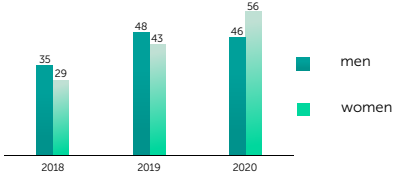


* This is the total number of courses and tests assigned through the distance learning system. A single employee can attend several courses and can be assigned to repeat courses based on test results.

The Bank's distance learning system currently covers the following Halyk Group subsidiaries: Halyk Bank Kyrgyzstan, Halyk Bank Tajikistan, Tenge Bank, Halyk Aktiv, Halyk Aktiv 1, KUSA Halyk, Halyk Project, Halyk Insurance Company, Halyk Life, Kazteleport, Halyk Finance and Halyk Leasing.

In 2020, each employee attended an average of 53 hours of training, including 46 hours for male employees and 56 hours for female employees. Broken down by position, the average was 21 hours for senior executives*, 81 hours for middle managers and 49 hours for specialists.

Average number of training hours per employee in 2018-20



The transition to online training helped to cut the average course length almost in half while increasing the training intensity and employee coverage compared with previous periods. This was because of the ability to train a larger number of employees at once.

The Bank intends to apply the lessons learned in conducting online employee training to further develop this format in 2021.

The corporate training priorities for 2021 include enhancing customer focus and service quality, particularly for employees of the call centre, as well as the SME and retail businesses.

The Bank also plans to launch the Leaders Academy, a new online programme aimed at developing the management potential of high-performing employees of the retail business. The programme will be used to create a talent pool to fill management positions in the retail business of the branch network.

In addition to specialised training, employees constantly improve their professionalism and acquire new skills and abilities daily as part of the working process. This happens while participating in project teams and the management of the Bank's projects, as well as through a focus on self-study, including via the corporate library that is available to all staff.

One of the most effective ways to transfer knowledge and skills from experienced staff to new employees is mentoring. Mentors are selected from among the more experienced employees, which motivates their personal development. Mentorship adapts new employees to the team quickly and easily, helps them to acquire knowledge, and fosters the corporate values and team spirit.

* Directors of independent structural units at the Head Office, curators of subordinate units and directors of branches.

CORPORATE CULTURE AND INTERNAL COMMUNICATION

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

The Bank's corporate culture is focused on leadership and encourages the free exchange of ideas, knowledge and experience. It supports teamwork, professional development, motivation and the social protection of employees. Remuneration, recognition and career growth are based on the principle of fairness and depend on individual performance and contribution to the Bank's success.

The Bank fosters a corporate culture aimed at respecting employees and customers while preventing violations of personal rights or discrimination based on race, colour, religion, gender, sexual orientation, age, disability, seniority or for any other reason.

One tool used to engage staff in the continuous improvement of the Bank's processes and products is the initiative portal, where each employee can openly suggest ideas.

During the reporting period, the corporate communication channels were expanded to add an HR chat bot that allows employees to submit requests or file grievances, as well as a career page on the Bank's public-facing corporate website. Additional attention was paid to developing the MyHalyk internal portal.

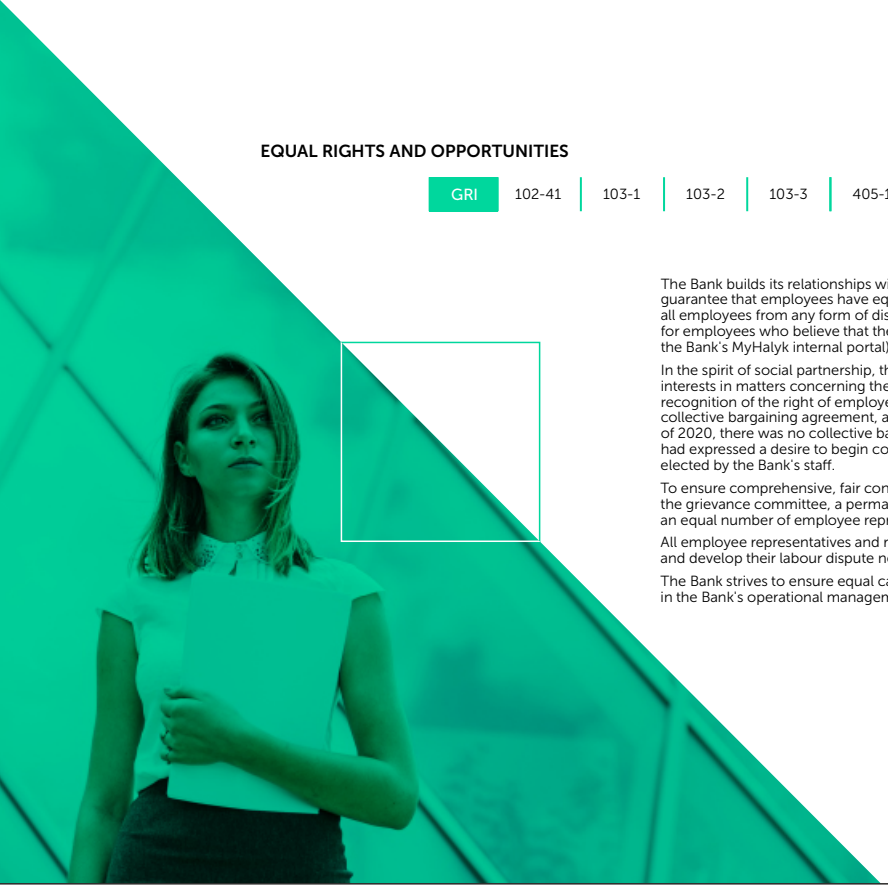
The Bank offers various channels for employees, candidates and other categories of respondents to submit requests or file grievances in whatever way is most convenient. The HR department can be contacted directly or through the branch HR representative, by email, or by calling a special helpline at +7 727 259 6878. In 2020, the number of employees who submitted requests regarding labour issues amounted to 0.5% of the Bank's total headcount. Any grievances received are sent to the HR department to review on a confidential basis. All employee grievances during the reporting period were resolved in the regular course of business.

To create and maintain positive staff morale, the Bank conducts opinion polls and surveys of employee attitudes and relationships in business units, both periodically and upon request.

To foster a positive employer perception and improve the team spirit, the Bank holds regular team events, including group celebrations of significant events and official holidays. In addition to moving internal communications from in-person to online formats, the COVID-19 pandemic transformed the way corporate events are held, including online contests and the Halyk Quest Fest adventure festival. The Bank has also used video messages to celebrate special occasions and provided lunch boxes with holiday treats to maintain social distancing during team-building and motivational events.

EQUAL RIGHTS AND OPPORTUNITIES

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



The Bank builds its relationships with employees on the principles of legality, mutual respect and trust. These principles guarantee that employees have equal opportunities to exercise their labour and employment rights and freedoms. They protect all employees from any form of discrimination in their career growth and training. Various communication channels are available for employees who believe that they have not been protected from discrimination (including a helpline number that is posted on the Bank's MyHalyk internal portal). In 2020, no such grievances were filed.

In the spirit of social partnership, the institution of employee representatives is being actively developed to coordinate their interests in matters concerning the regulation of labour relations based on equal cooperation. This includes through the recognition of the right of employees to participate through their representatives in collective bargaining, developing a draft collective bargaining agreement, as well as familiarisation with a signed collective bargaining agreement. However, as of the end of 2020, there was no collective bargaining agreement in place between the Bank and its employees, as neither of the parties had expressed a desire to begin collective bargaining*. Employee representatives are elected through an open vote and are elected by the Bank's staff.

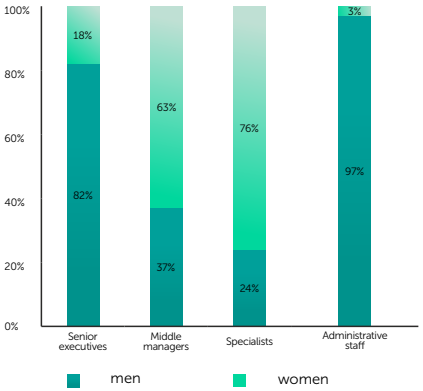
To ensure comprehensive, fair consideration and arbitration of labour disputes, employees have the right to file a complaint with the grievance committee, a permanent body that is regulated by internal documents. The grievance committee is composed of an equal number of employee representatives and representatives of the Bank.

All employee representatives and representatives of the Bank attend annual training to improve their knowledge of labour law and develop their labour dispute negotiation and consensus-building skills.

The Bank strives to ensure equal career opportunities for every employee, regardless of gender and age. Women play a key role in the Bank's operational management, holding 18% of senior executive and 63% of middle management positions.

* In accordance with Clause 2 of Article 156 of the Kazakh Labour Code, collective bargaining agreements are concluded voluntarily at the suggestion of one of the parties..

Breakdown of gender diversity by employee category in 2020



The age diversity among management roles is as follows:

- employees under 30 years — hold 8% of middle management positions (this percentage has decreased since 2019, as some people have moved to the next age category while remaining in their positions)
- employees from 30 to 50 years — hold 64% of senior executive and 77% of middle management positions
- employees over 50 years — hold 36% of senior executive and 16% of middle management positions

Breakdown of age diversity by employee category

	2019			2020		
	Under 30 years	30-50 years	Over 50 years	Under 30 years	30-50 years	Over 50 years
Senior executives*	-	7	4	-	7	4
Middle managers	150	1,163	232	124	1,196	243
Specialists	5,994	6,069	931	5,895	6,486	953
Administrative staff	40	177	109	23	144	83

The Bank adheres to the principle of recruiting and hiring personnel based solely on their competencies and professionalism. It seeks to build long-term relationships with employees and to prevent any form of discrimination. In addition to creating an environment that fosters young professionals and encourages the career growth of young leaders, the Bank supports employees who have reached retirement age. The Bank offers them the opportunity to extend their employment by mutual agreement, despite its right as an employer under Kazakh legislation to terminate their employment contract when they reach retirement age.

To increase employee motivation and loyalty, the Bank strives to provide a transparent and fair salary and remuneration system. Since 2020, the Bank has followed the Korn Ferry job evaluation methodology, which helps to ensure internal fairness by determining the value of each position based on its contribution to the Bank's development and financial results.

To prevent discrimination in labour and employment, the Bank creates equal opportunities in hiring, career growth, training, remuneration and other aspects of labour relations. These processes are governed by the Bank's internal documents, which are publicly available.

* Chairman of the Board of Directors, Chief Executive Officer (CEO), Deputy CEOs, First Deputy CEO.

OCCUPATIONAL HEALTH AND SAFETY

Halyk Bank strives to create a safe and favourable working environment for all employees. As a result, occupational health and safety (OHS) is an important aspect for the Bank. The fundamental aspects of occupational health and safety for the Bank are:

- the priority of preserving the life and health of Bank employees in the course of their work
- the compliance of workplace conditions with OHS requirements
- the identification and prevention of workplace accidents and other threats to health
- the planning of occupational safety measures and constant improvement of the occupational safety system
- the observance of the requirements of legislation and other regulations of the Republic of Kazakhstan in the area of safety and occupational health and the Bank's internal documents governing safety and occupational health
- the development of a culture of safety and occupational health among the Bank's employees

The Bank carries out mandatory analysis of OHS in the structural divisions of the Head Office and regional branches through its internal control system and audit by the OHS function and other responsible persons.

Training is conducted annually at specialised training centres with the goal of increasing qualifications and minimising organisational risks involving OHS issues, fire safety, electrical safety, and the industrial safety of employees working with harmful and dangerous production factors.

In 2020, 188 employees underwent training in OHS, electrical safety and industrial safety. Moreover, 513 employees underwent remote instruction on technical safety and workplace safety. The Bank also undertook mandatory testing of the knowledge of OHS issues of 498 employees through the Bank's system for distance testing and learning.

Taking into account the identification of dangers and evaluation of risks in the everyday work of employees, the Bank has developed and obtained approval for instructions on occupational health and safety for certain professions and types of work most exposed to risks of accidents. Therefore, requirements are provided to electricians, plumbers, drivers, warehouse workers and other employees working in conditions of heightened danger (for example, working with electronics and other equipment, working at heights). These instructions are key documents in the area of occupational safety. They have been compiled in accordance with the requirements of the legislation of the Republic of Kazakhstan and strictly regulate the approach of various employees to carrying out their responsibilities.

PROTECTING THE HEALTH OF EMPLOYEES

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

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

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

Due to the COVID-19 pandemic, the bank carried out a series of preventative measures to minimise the risk of the spread of the coronavirus infection:

- Extra briefings with all employees to explain the coronavirus situation and methods for combatting the virus
- Temperature checks for employees and issuance of medical masks before the beginning of the working day.
- Limitation of business trips
- Organisation of remote work for employees where their work function makes this possible
- Posting of informational materials indicating correct behaviour amid the risk of coronavirus infection and provision of disinfectants for handwashing in common areas
- Daily disinfection of the air in Bank premises according to the work schedule
- Disinfection of the ventilation systems once every two months
- Daily disinfection of places where people gather, doorknobs, railings, toilet rooms, etc
- A ban on in-person meetings and various other gatherings
- Utilisation of personal protective equipment (masks, gloves)

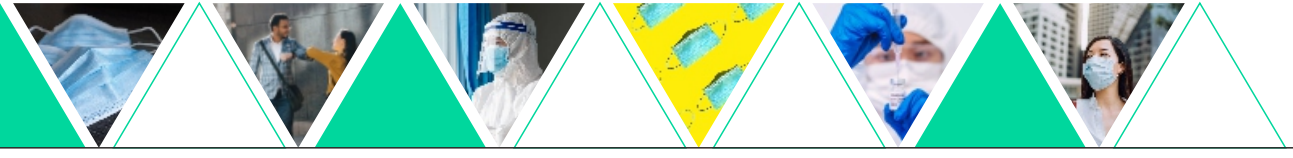
Notably, all newly hired employees and contractors are required to undergo safety inductions. In this way, the formation of safe behaviour skills among employees and contractors is a priority for us.

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

In 2020, two employees sustained loss time injuries related to their work at the Bank's Kostanay regional branch.

Injury rates at the Bank for 2018-2020

Indicator	Unit	2018	2019	2020
Total number of lost time injuries (work-related):	Number of injuries	7	6	6
Halyk Bank		2	1	2
"Halyk Collection" subsidiary		5	5	4
Number of working days lost as a result of accidents:	Number of days	115	238	41
Halyk Bank		41	27	16
"Halyk Collection" subsidiary		74	211	25
Lost time injury rate (LTIR):	per 1 million man hours worked	0.23	0.19	0.19



09 ENVIRONMENT AND SOCIETY

SUSTAINABILITY REPORT

HALYK BANK

09 ENVIRONMENT AND SOCIETY

SUSTAINABILITY REPORT

ENVIRONMENT AND SOCIETY

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

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

The Bank has begun to develop an environmental policy aimed at identifying long-term environmental protection and sustainability priorities. As part of this work, it is also reviewing the possibility of considering environmental factors in its investment and other financial decisions. Halyk Bank plans to adopt the new environmental policy in 2021.

RESPONSIBLE CONSUMPTION OF RESOURCES

GRI 301 | GRI 103

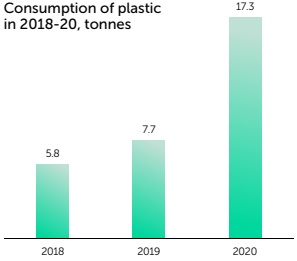
To ensure the rational consumption of all types of resources, Halyk Bank strives to follow sustainable practices and improve the environmental awareness of its employees.

The consumption of paper is one of the Bank's most significant environmental impacts. To optimise paper workflow, efforts are under way to automate and digitalise numerous office work processes. Paper consumption standards have been reviewed and updated, and wastepaper collection has been monitored to conclude agreements for the transfer of paper for recycling throughout the Bank's branch network in Kazakhstan.

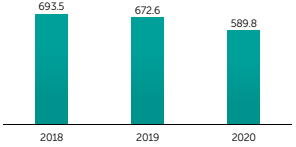
In 2020, the Bank issued 3.5 million payment cards, which equals 17.3 tonnes of plastic (compared with 7.7 tonnes in 2019). This significant increase in plastic consumption from 2019 was primarily because of the growth in the Bank's retail customer base.

In 2020, the Bank consumed a total of 589.8 tonnes of paper, a reduction of 12% year-on-year.

Consumption of plastic in 2018-20, tonnes



Consumption of paper in 2018-20, tonnes



During the reporting period, the Bank and its regional branch network in Kazakhstan consumed 208.4 million cubic metres of water, an increase of 16.2% year-on-year. This significant increase in water consumption was caused by the Halyk Alany landscaping project near the Head Office building in Almaty, which requires regular automated irrigation, as well as the construction of new buildings for the Mangistau and Turkestan regional branches.

To ensure rational water consumption at all its facilities, the Bank has installed water meters and routinely checks that all plumbing fixtures and water supply networks are in serviceable condition. It has also automated its existing irrigation systems. In addition, the Bank has recommended that its regional branches install flow limiting devices on all water faucets.

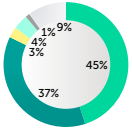
The Bank's facilities do not discharge wastewater into water bodies: wastewater generated in urban areas is discharged into the common sewerage network, while wastewater from facilities in rural areas is removed by specialised contractors. As Kazakhstan's environmental regulations governing wastewater do not contain requirements to obtain an environmental permit for the discharge of wastewater into sewerage networks, the Bank has not established standards for the discharge of pollutants.

ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS

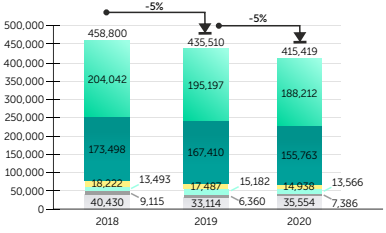
As a subject of the State Energy Register*, the Bank is systematically working to reduce its energy consumption and improve its energy efficiency. In 2020, it consumed a total of 415,419 gigajoules (GJ) of energy, including:

- electrical energy – 188,212 GJ
- thermal energy – 155,763 GJ
- natural gas – 35,554 GJ
- petrol – 14,938 GJ
- diesel – 13,566 GJ
- coal – 7,386 GJ

Energy consumption in 2020 by type, %



Energy consumption by type in 2018-20, GJ



Electrical energy
Thermal energy
Diesel
Petrol
Coal
Natural gas

In 2020, the Bank's consumption of fuel and energy resources fell by 4.6% year-on-year. A significant part of this reduction was achieved through the transfer of some employees of the Head Office and regional branches to remote work, as well as to a transition to more environmentally friendly energy sources. In 2020, five of the Bank's buildings that were previously heated with solid and liquid fuels were converted to natural gas and central heating.

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

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

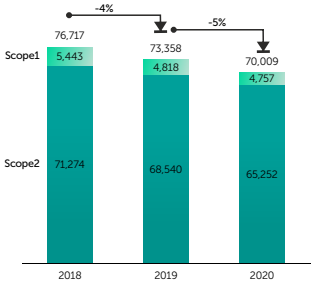
- The Bank replaces mercury-containing fluorescent lamps with LED lamps to conserve energy, reduce electricity costs and minimise the negative environmental impact from the disposal of mercury-containing lamps. The Bank converts its buildings to energy-efficient LED lighting during the overhaul and reconstruction of the premises. Since this initiative launched in 2016, the Bank has reduced the share of fluorescent lighting in its buildings from 85% to 44%.
- The Bank has installed automated air conditioning and ventilation systems in the buildings of the Head Office to reduce energy consumption.
- The Bank plans to install balancing valves on heat registers to reduce the consumption of thermal energy in the buildings of the Head Office.
- The Bank encourages its employees to use environmentally friendly transport means. The Bank's Head Office has a total of 63 parking spaces for bicycles and electric scooters, as well as areas to recharge their batteries. This has helped to reduce the number of employees who use personal vehicles to commute to work.

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

In 2020, direct (Scope 1) GHG emissions totalled 4,756.9 tonnes of CO_2 equivalent (TCO_2e), down by 1.3% from the level of 4,818.2 TCO_2e reported in 2019. 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 as a result of the Bank's consumption of electrical and thermal energy, totalled 65,252 TCO_2e in 2020, a reduction of 4.8% year-on-year. The transfer of some employees of the Head Office and regional branches to remote work because of the pandemic restrictions led to reductions in energy consumption and indirect emissions. .

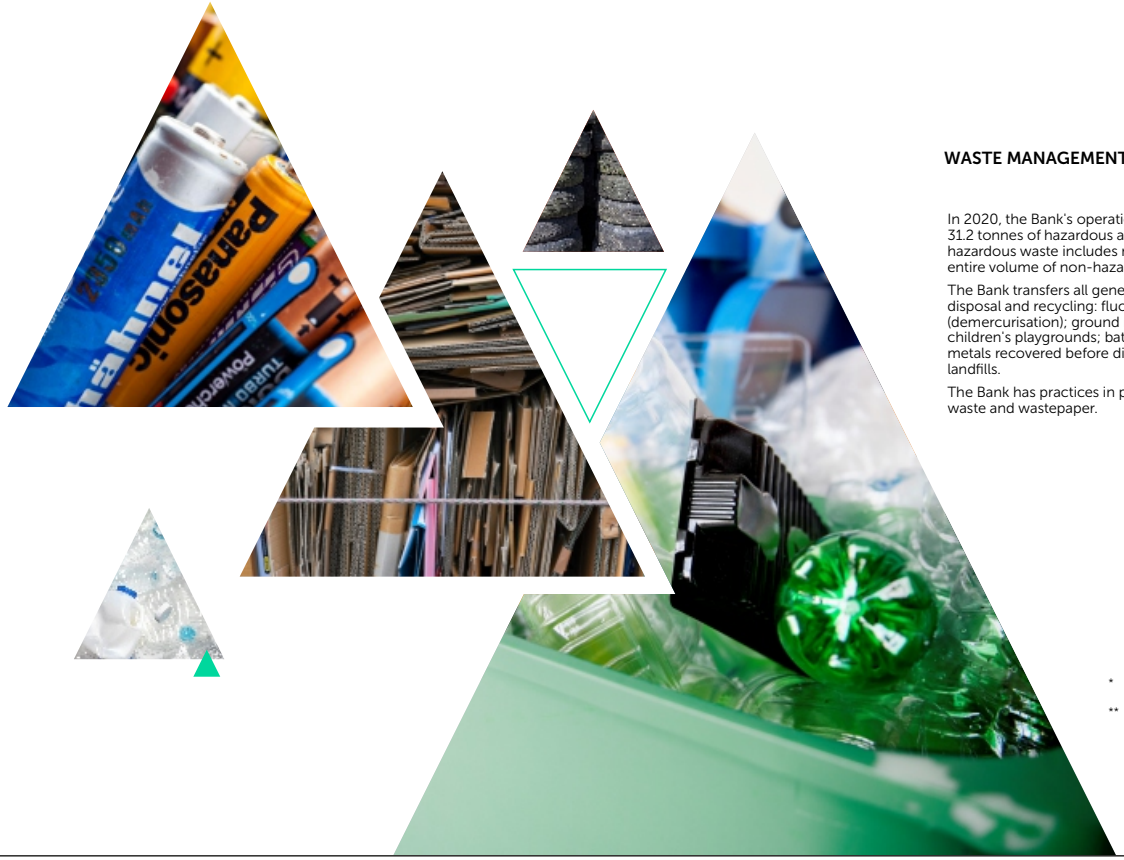
Total GHG emissions of Halyk Bank in 2018-20, TCO_2e



Halyk Bank's GHG emissions in 2018-20

	2018	2019	2020
Direct GHG emissions (Scope 1), TCO_2e including:	5,443.2	4,818.2	4,756.9
CO_2 emissions	5,429.4	4,805	4,744.4
CH_4 emissions	4.0	3.9	3.9
N_2O emissions	9.8	8.6	8.6
Indirect GHG emissions (Scope 2), TCO_2e	71,273.7	68,540.3	65,252
Electricity	51,289.3	49,257	47,310
Heating	19,984.4	19,283.3	17,942

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



WASTE MANAGEMENT

In 2020, the Bank's operations generated a total of 6,693.7 tonnes of waste, including 31.2 tonnes of hazardous and 6,662.5* tonnes of non-hazardous waste. The Bank's hazardous waste includes mercury-containing lamps, vehicle tyres and batteries. The entire volume of non-hazardous waste is solid domestic waste (SDW)*.

The Bank transfers all generated waste to specialised contractors for subsequent disposal and recycling: fluorescent lamps have mercury vapor 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; and non-hazardous waste is disposed of in SDW landfills.

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

* The reported increase in 2020 was the result of applying a more detailed accounting methodology.

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

OUR CONTRIBUTION TO SOCIAL DEVELOPMENT

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

HALYK BANK'S APPROACH TO CHARITY

The Bank has a Sponsorship and Charity Assistance Policy in place to guide its social support and charity efforts. We follow the principles of openness, dialogue, interaction, partnership, transparency and financial sustainability. We also encourage employees to volunteer to take part in charitable activities.

Our social development priorities include financing healthcare and education projects; supporting culture, art, amateur and professional sport; and protecting the environment.

Since its establishment, the Halyk Charity Fund has focused on developing and supporting social projects (85% of the total amount of assistance provided), sport (9%), education (4%) and culture (2.4%).

In 2020, the Bank provided KZT2.5 billion in charitable assistance to the Fund. The allocated funds were used to help the public, medical professionals and clinics to prevent the spread of COVID-19, as well as for social protection, education and the Birgemiz online charity crowdfunding platform.

BIRGEMIZ ONLINE CHARITY CROWDFUNDING PLATFORM

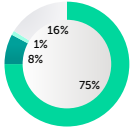
Birgemiz is a unique online platform that the Halyk Charity Fund launched in November 2018. It is an open and transparent space connecting the foundations that have been helping the country for many years in the areas of healthcare, education and social protection with Kazakh benefactors who want to be socially responsible, engaged and make a personal commitment to support the life or health of a compatriot.

The Birgemiz.kz platform's mission is to create and develop the most convenient, accessible and effective tool for benefactors and various specialised foundations that will further improve the charity culture in our country.

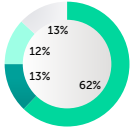
BIRGEMIZ
БЛАГОТВОРИТЕЛЬНАЯ ПЛАТФОРМА

Birgemiz at a glance	2020	2019	Total as of 1 January 2021
Number of beneficiary foundations on the platform	10 foundations	10 foundations	10 foundations
Number of benefactors who have made donations through the platform	4,951 people	1,513 people	7,142 people
Number of ongoing projects seeking donations	14 projects opened in 2020	12 projects opened in 2019	19 projects opened in 2020
Donations made through the platform from November 2018 to January 2021	KZT35,573,783	KZT11,699,280	KZT50,200,209
Halyk Charity Fund contributions from November 2018 to January 2021	KZT7,114,757	KZT3,401,201	KZT11,686,816
Number of projects fully funded through the platform	7 projects	1 project	8 projects

The Bank's sponsorship and charity projects in 2019



The Bank's sponsorship and charity projects in 2020



Social projects
Education
Culture
Sport

KEY CHARITY AND SPONSORSHIP PROJECTS IN 2020

The year 2020 forced everyone to adjust their lives and plans. During the reporting period, as part of combating COVID-19, the Bank decided to not cut costs and also to support its signature sponsorship and charitable projects, which significantly affected the situation in the country amid the pandemic-related lockdown. During this time, together with the Halyk Charity Fund, the Bank provided KZT5.5 billion worth of assistance, most of which was of a charitable nature.

In 2020, it was a matter of principle to maintain and even increase aid for healthcare, including to buy essential medicines, specialised ambulances, ventilators and individual biosecurity suits. During this time, the Bank and the Halyk Charity Fund provided financial assistance to more than 1,500 medical workers and staff members from organisations in the cities of Nur-Sultan, Almaty and Shymkent. More than 20,000 food packages were prepared for low-income families nationwide. Financial support was also provided to hospitals in the regions. According to our calculations, we managed to help more than 300,000 people in need throughout Kazakhstan.

We also provided assistance to our regular partners and beneficiaries, who have been contributing substantially to the sociocultural development of the nation for many years. They include Astana Opera Theatre, the Abay State Academic Opera and Ballet Theatre, the Kazakhstan Gymnastics Federation and Halyk Arena. In addition, the Bank helped to implement numerous significant environmental and social initiatives.

HELPING SOCIETY'S TRANSITION TO ENVIRONMENTALLY FRIENDLY FUELS

In early 2020, out of concern for the ecological state of Almaty's urban airshed, the akim of the city, Bakhytzhan Sagintayev, proposed offering interest-free loans for city residents to cover the cost of connecting to the natural gas network. Halyk Bank supported the initiative and, throughout the year, worked with the municipal administration to implement the project. The project had a broad scope, targeting vulnerable social groups, as well as other Almaty residents who wanted to connect their homes to the natural gas network. Halyk Bank fully covered the cost of gas connections for the homes of people identified by the Almaty municipal government as belonging to vulnerable social groups. The Bank financed the connection of their homes to the natural gas network, as well as all necessary utility work, equipment and installation. For other Almaty residents who do not belong to vulnerable social groups, the Bank offered zero-percent financing. Overall, the Bank financed natural gas connections for 100 socially vulnerable households free of charge. In 2020, it allocated around KZT50 million for this charity project.

As part of the Bank's holistic approach to reducing urban air pollution, the Bank also financed the development of sustainable public transport. During the reporting period, Halyk Bank announced the purchase of 200 large-capacity buses that comply with modern environmental standards to meet Almaty's urban transport needs. They comply with the EURO-5 environmental standards and operate on urban transport routes. These projects have made a significant contribution to improving Almaty's urban air quality.

LANDSCAPING AND PARK DEVELOPMENT

To preserve and enhance Almaty's status as a green city, Halyk Bank participates in various green initiatives to improve the environment and air quality in the metropolis. Consistent with this interest, the Bank has decided to implement a landscaping and urban improvement project in the part of Almaty north of Al-Farabi Avenue between the Halyk Bank building and the ballet theatre that is under construction. As part of this environmental initiative, in the autumn of 2020, Halyk Bank opened a new urban green recreation area in Almaty for residents of and visitors to the southern capital. Called Halyk Alany (People's Square), it has been transformed into a beautiful and comfortable place to pass the time. Halyk Bank proposed the idea of creating the city square. The project used innovative technology and modern global landscape design trends to improve the environment and aesthetics of the square.

OTHER SOCIAL PROJECTS

VICTORY MARATHON

Each year, the Bank allocates funds to support World War II veterans. For Victory in Europe Day, its employees visit and congratulate them personally, to ensure they receive the special attention that they need and deserve. In 2020, the Bank's management pledged around KZT8 million in financial support for veterans. Over the past 11 years, Halyk Bank has allocated more than KZT120 million to help veteran organisations and those who fought in World War II.

SUPPORTING EDUCATION

In 2020, the Bank continued to support the International University of Information Technology. It implemented a project that offered the university's students the opportunity to transform their ideas into start-ups. Such collaboration helps to train competitive, certified IT specialists who are in strong demand. In the reporting year, the amount of sponsorship totalled KZT5 million. Over the past five years, Halyk Bank has allocated KZT15 million for assistance in this area.

ROAD TO SCHOOL CAMPAIGN

The Road to School Campaign has taken place each year since 2016. In 2020, as part of the traditional campaign, 600 first-year school students from low-income and large families nationwide attended their first day of school with backpacks and school supplies donated by the Halyk Charity Fund. In the past five years, the Halyk Charity Fund has helped to prepare more than 4,000 children for their first year of school with total targeted donations of more than KZT54 million.

MEDICAL SUPPORT DURING THE LOCKDOWNS

KZT105 MILLION FOR MEDICAL WORKERS

In 2020, Halyk Bank donated KZT105 million to medical workers (based on lists provided by the Kazakh Ministry of Health) involved in the fight against COVID-19 in Nur-Sultan, Almaty and Shymkent. The funds went to medical staff in direct contact with patients.

8 AMBULANCES AND 17 VENTILATORS

To support efforts to combat COVID-19 in Kazakhstan, the Halyk Charity Fund purchased eight mobile centres mounted in special Ford Transit ambulances that are fully equipped with modern medical devices. These include an electrocardiograph (ECG), 17 portable invasive and non-invasive artificial ventilation devices, an oxygen inhaler, a laryngoscope, an aspirator, a gurney with removable lifters, as well as other medical equipment. The vehicles are ready to work as mobile centres to collect biomaterial samples for express testing and PCR diagnostics. They also have special protective equipment kits for the driver and medical staff, as well as medicines and 2,000 litres of solutions to disinfect and treat the interior of the ambulance and work surfaces.

1,000 PULSE OXIMETERS, 100 PORTABLE OXYGEN CONCENTRATORS AND 100 AVIFAVIR PHARMACEUTICAL PACKAGES

When the Atyrau region recorded the largest number of COVID-19 cases in Kazakhstan last year, there was an urgent need for medical equipment. In response, the Halyk Charity Fund sent 1,000 pulse oximeters, 100 portable oxygen concentrators used to monitor saturation and treat the coronavirus infection, and 100 Avifavir pharmaceutical packages that are used worldwide to treat severe in-patient COVID-19 cases. Over 1,000 food packages and medical kits were also purchased and provided to residents of the region.

20,000 FOOD PACKAGES

As part of the Birge Myktymyz (We Are Strong Together) campaign, in April 2020, the Halyk Charity Fund provided more than 20,000 food packages to low-income and large families that needed help coping with the COVID-19 pandemic. The packages included such essential items as buckwheat, sugar, pasta, flour, butter, tea, stew, condensed milk and caramel. They were distributed to families in Almaty and the Almaty region, as well as the cities of Karaganda, Kyzylorda, Taraz, Shymkent, Turkestan, Aktau, Aktobe, Atyrau, Kostanay, Arkalyk and Pavlodar. Overall, almost 1,200 tonnes of food were distributed in the regions.

SUPPORTING CULTURE AND THE ARTS

ASTANA OPERA (NUR-SULTAN)

Since 2013, Halyk Bank has been a general partner of Astana Opera, one of the country's most important opera and ballet theatres, which attracts attention and interest from spectators in not only Kazakhstan, but other countries as well.

One major event of 2020 was the opening ceremony of celebrations dedicated to the 175th anniversary of Abay Qunanbaiuly's birth, which took place on 21 January. Abay's works were performed by People's Artists of the USSR Aiman Musakhodzhayeva and Berik Aitzhanov, as well as laureates of international and national competitions and talented young people. In addition, at the beginning of last year, Astana Opera hosted concerts by members of the Vakhtangov State Academic Theatre as part of the theatre's world tour, which began in Paris in autumn and was timed to coincide with the theatre's 100th anniversary. In 2020, 117 online and 114 offline events were held, and the Bank's sponsorship amounted to KZT100 million.

ABAY STATE ACADEMIC OPERA AND BALLET THEATRE (ALMATY)

In 2020, with the support of Halyk Bank, the theatre's orchestra received three expensive Laubach double basses and two Yamaha grand pianos. One of them replaced an old piano in the choir classroom, while the other went into the theatre's chamber hall and will be used for future concerts. In addition, in late 2020, a new US-produced modern light control panel was purchased after the previous one broke. It ensures the uninterrupted operation of lighting equipment and creates additional special lighting effects.

SUPORTING NATIONAL SPORT

KAZAKHSTAN GYMNASTICS FEDERATION

Each year, the Bank provides targeted and effective support for amateur and professional sport. In 2020, it continued to support the Kazakhstan Gymnastics Federation. During the year, Kazakh gymnasts Milad Karimi, Ilyas Azizov and Nariman Kurbanov won prizes at the Artistic Gymnastics World Cup; while Permammad Aliyev and Danil Musabayev finished third in synchronised jumping in the Trampoline Gymnastics World Championships. The federation also decided to update its facilities and equipment during the year. Sporting equipment was purchased for artistic, sport and trampoline gymnastics. In 2020, the Bank allocated KZT100 million to support the Kazakhstan Gymnastics Federation.

HALYK ARENA

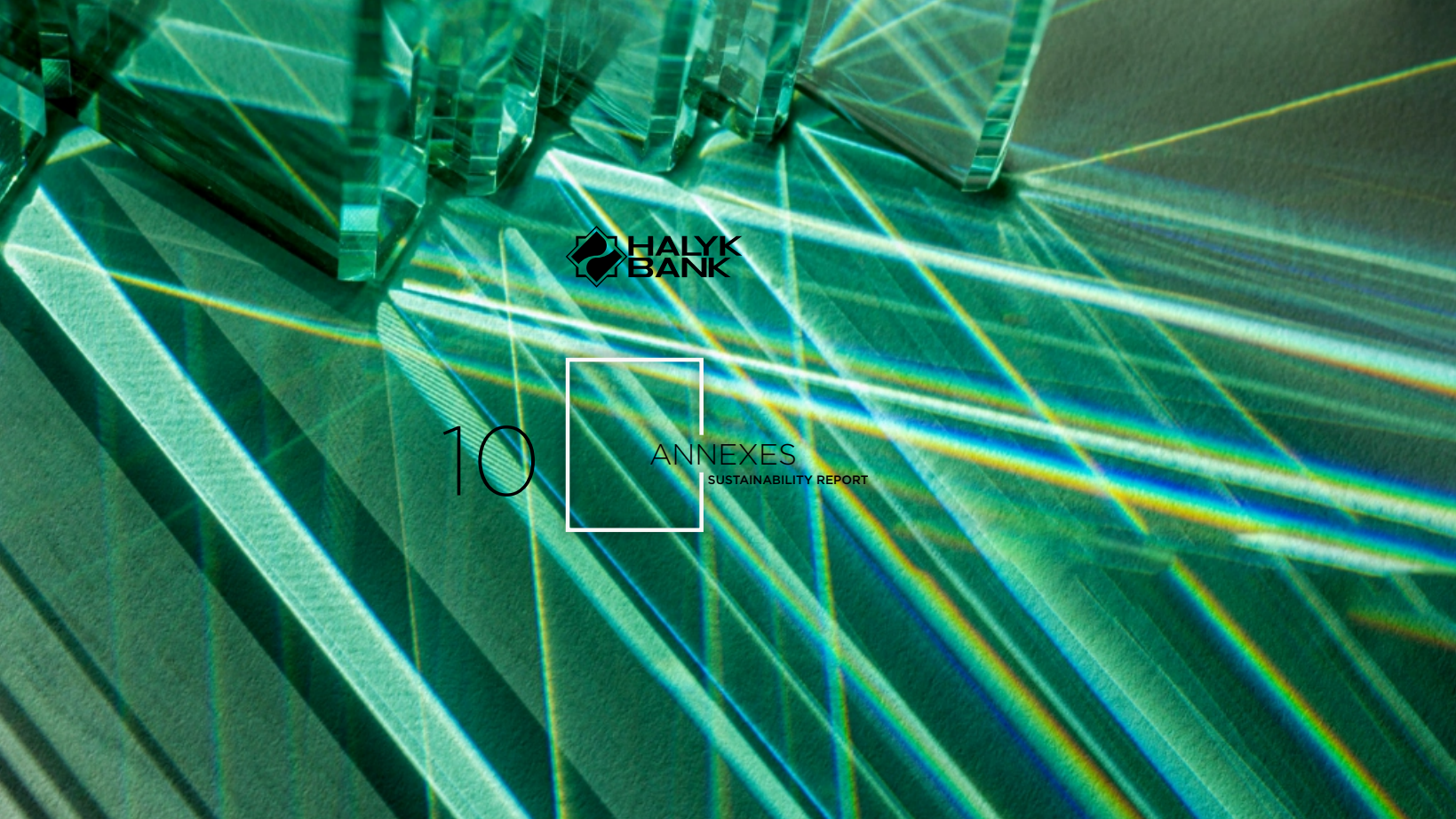
In 2020, Halyk Bank and Halyk Arena continued to cooperate under a five-year naming rights sponsorship contract. Unfortunately, due to the pandemic restrictions, Halyk Arena was fully operational only until 16 March. After 1 July, it housed a backup hospital for COVID-19 patients, which has now been mothballed.

Despite this, over three and a half months of operation, Halyk Arena hosted 175 public ice-skating sessions, which were attended by more than 30,000 people (including 1,344 on subsidised terms), and 32 Almaty Amateur Hockey League matches. Overall, the arena hosted 13,700 people during public events in 2020. It also hosted a disco party on ice for the Bank's employees.

Work continued to renovate and expand the functions of Halyk Arena last year, partly due to the Bank's annual sponsorship contribution of KZT185 million. In particular, the skate rental area has been refurbished and enlarged. In addition, the arena improved its offering by equipping the professional Running Zone treadmill with a high-quality surface.

The Halyk Arena brand is gaining a greater profile in both social and traditional media. The reach of posts referencing Halyk Arena was almost 18.5 million users, user engagement surpassed 43,000 reactions and the loyalty index was 56.2 points (based on data from July to December 2020). A November 2020 article in Forbes magazine on the Bank's charitable and sponsorship projects, which cited Halyk Arena's naming rights, generated an impressive response.

To read more about our social projects in 2020, see Halyk Bank's Annual Report for 2020:
https://backend.halykbank.com/storage/documents/files/608c03cc94fc7.pdf



HALYK BANK

10 ANNEXES

SUSTAINABILITY REPORT

10 ANNEXES

SUSTAINABILITY REPORT

INITIATIVES AND MEMBERSHIPS

ASSOCIATION OF FINANCIERS OF KAZAKHSTAN

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

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

The main strategic objectives of the AFK are:

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

Association of Financiers of Kazakhstan website: http://www.afk.kz/

ATAMEKEN NATIONAL CHAMBER OF ENTREPRENEURS

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

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

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

PERSONNEL METRICS BROKEN DOWN BY BRANCH OF HALYK BANK

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

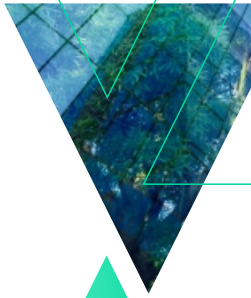
	Permanent contract	Temporary contract
Head Office	2,998	144
Akmola regional branch	415	47
Aktobe regional branch	575	115
Almaty regional branch	1,560	314
Astana regional branch	866	94
Atyrau regional branch	379	122
Baikonyr regional branch	83	14
Balkhash regional branch	102	8
Eastern Kazakhstan regional branch	463	58
Zhambyl regional branch	460	72
Zhanaozen regional branch	118	29
Zheskazgan regional branch	199	28
Western Kazakhstan regional branch	393	87
Karaganda regional branch	564	147
Kostanay regional branch	465	51
Kyzylorda regional branch	367	67
Mangistau regional branch	387	94
Pavlodar regional branch	438	36
Semey regional branch	444	24
Northern Kazakhstan regional branch	327	43
Taldykorgan regional branch	499	84
Temirtau regional branch	184	28
Turkestan regional branch	391	25
Shymkent regional branch	528	35
Ekibastuz regional branch	167	20
TOTAL	13,372	1,786

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

	Total number of new hires	Percent of new hires	Total number of employee departures	Staff turnover
Head Office	682	22.7	365	12.2
Akmola regional branch	83	18.1	56	12.2
Aktobe regional branch	99	14.4	73	10.6
Almaty regional branch	341	18.3	282	15.1
Astana regional branch	155	16.5	128	13.6
Atyrau regional branch	68	13.8	49	10.0
Baikonyr regional branch	16	17.4	7	7.6
Balkhash regional branch	33	31.0	16	15.0
Eastern Kazakhstan regional branch	119	23.3	88	17.3
Zhambyl regional branch	93	18.2	60	11.7
Zhanaozen regional branch	20	14.0	10	7.0
Zheskazgan regional branch	31	13.7	27	12.0
Western Kazakhstan regional branch	70	14.7	44	9.2
Karaganda regional branch	142	20.2	94	13.4
Kostanay regional branch	114	23.0	54	10.9
Kyzylorda regional branch	58	13.7	33	7.8
Mangistau regional branch	51	10.6	47	9.8
Pavlodar regional branch	87	18.4	66	14.0
Semey regional branch	60	13.0	36	7.8
Northern Kazakhstan regional branch	80	21.5	55	14.8
Taldykorgan regional branch	144	25.3	93	16.3
Temirtau regional branch	46	22.3	28	13.6
Turkestan regional branch	112	28.1	49	12.3
Shymkent regional branch	99	17.7	94	16.8
Ekibastuz regional branch	29	15.8	22	12.0
TOTAL	2,832	19.1	1,876	12.6

TABLE 3.
Anti-corruption training (instruction) for new hires in 2020, broken down by region and employee category

	Senior executives	Middle managers	Specialists	Drivers	Labourers	Total
Head Office		49	790			839
Akmola regional branch			19			22
Aktobe regional branch			33			37
Almaty regional branch		3	93			102
Astana regional branch		4	367			413
Atyrau regional branch		9	192			222
Baikonyr regional branch		46	9			10
Balkhash regional branch		30	6			6
Eastern Kazakhstan regional branch		1	219			248
Zhambyl regional branch			25			26
Zhanaozen regional branch		29	14			15
Zheskazgan regional branch		1	15			15
Western Kazakhstan regional branch		1	30			37
Karaganda regional branch		7	29			33
Kostanay regional branch		4	18			18
Kyzylorda regional branch			26			29
Mangistau regional branch		3	27			33
Pavlodar regional branch		6	37			39
Semey regional branch		2	225			261
Northern Kazakhstan regional branch		36	17			19
Taldykorgan regional branch		2	18			19
Temirtau regional branch		1	5			5
Turkestan regional branch			30			35
Shymkent regional branch		5	55			62
Ekibastuz regional branch		7	3			3
TOTAL		**246**	**2,302**			**2,548**



METHODOLOGY FOR DATA COLLECTION, CONSOLIDATION, AND CALCULATION

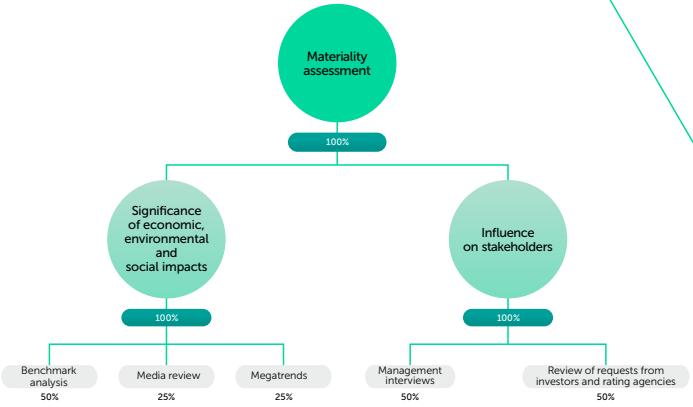
The information presented in this section describes the Bank's approach to collecting, consolidating and calculating data and metrics in this Sustainability Report. Where applicable, the limits, assumptions, and exceptions are explained for individual disclosures. To ensure comparability over time, the data in the Report are presented in comparison with 2018 and 2019 (where applicable, as the accounting methods for some metrics were revised in 2019).

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' disclosure practices for sustainability information
- a media review, including an analysis of media mentions of the Bank's activities during the reporting period
- an analysis of megatrends in the banking industry

For each filter, correction factors (weights) of 1-10 were applied. The weighted values were then used to construct a materiality matrix using "Significance of impacts" as the X axis and "Influence on stakeholders" as the Y axis. The figure below shows the weights applied to each of the criteria.



The matrix and a list of 27 material topics are presented in the "Our Approach to Sustainability Management" section.

«OUR APPROACH TO SUSTAINABILITY MANAGEMENT» SECTION

Anti-corruption

The Bank provides anti-corruption training and informs employees about the adopted anti-corruption policies as part of the training for new hires. The Bank does not follow the practice of informing business partners about the adopted anti-corruption policies and procedures, so an exception is made to subparagraph (C) "Total number and percentage of business partners that the organisation's anti-corruption policies and procedures have been communicated to, broken down by type of business partner and region" in GRI Disclosure 205-2.

«HUMAN CAPITAL DEVELOPMENT» SECTION

Human resource management

The staff turnover rate is calculated using the following formula:

Turnover rate = A / B x 100%

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

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

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

OCCUPATIONAL HEALTH AND SAFETY

GRI	403-2	403-3	403-4

This section is prepared in accordance with the GRI Standards (GRI 403: Occupational Health and Safety 2016), as well as with the requirements of the Kazakhstan Stock Exchange for the disclosure of non-financial information in the field of occupational health and safety.

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

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

The Bank has no recorded incidents of occupational disease. The Bank does not currently keep records and calculate data on the absentee rate and lost day rate in accordance with the requirements of GRI 403: Occupational Health and Safety 2016.

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

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

The total number of work-related lost-time injuries in 2020 = 6

The total number of man-hours worked in 2020 = 31,601,664 hours

In 2020, Halyk Collection recorded 3 lost-time injuries, of which there was 1 injury to the shoulder girdle and shoulder, 1 concussion and 1 lumbar spine disc injury. All of the injured employees were men.

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

«ENVIRONMENT AND SOCIETY» SECTION

Responsible consumption of resources

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

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

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

Energy efficiency and greenhouse gas emissions

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

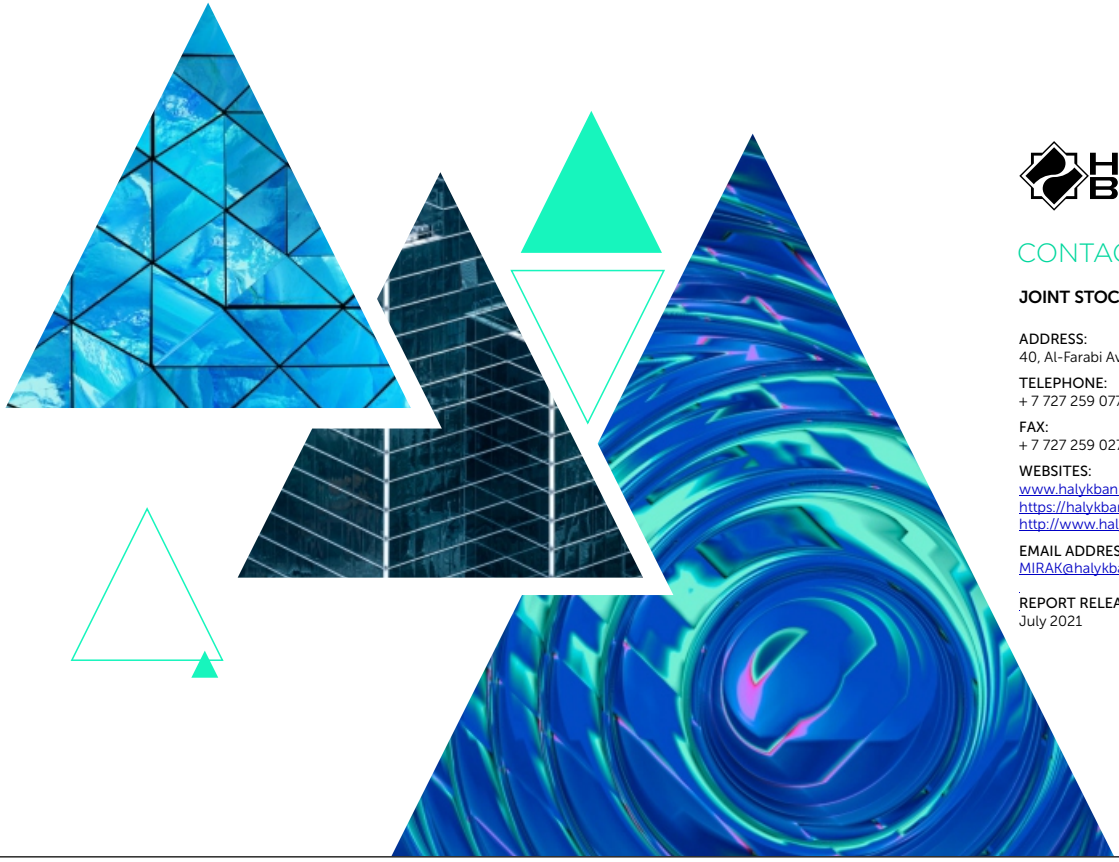
The calculation of direct (Scope 1) GHG emissions used emission factor values from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The calculation of indirect (Scope 2) GHG emissions from energy generation is based on national CO2 emission factors for electricity and heat generation.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

* - 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

GRI CONTENT INDEX

ABBREVIATIONS

3DS	Three-domain secure	JSC	Joint-stock company
AFK	Association of Financiers of Kazakhstan	KASE	Kazakhstan Stock Exchange
AJPC	Assessment of job performance and competencies	KPI	Key performance indicator
AML	Anti-money laundering	KZT	Kazakh tenge
ATM	Automated teller machine	LED	Light-emitting diode
B2B	Business to business	LLC	Limited liability company
B2C	Business to consumer	LLP	Limited liability partnership
BSC	Balanced scorecard	LSE	London Stock Exchange
CFT	Combating the financing of terrorism	LTIR	Lost-time incident rate
CH_4	Methane	MAU	Monthly active users
CO_2	Carbon dioxide	MBA	Master of business administration
CRS	Common Reporting Standard	N_2O	Nitrous oxide
CSI	Customer satisfaction index	NPS	Net promoter score
CSR	Corporate social responsibility	OCRM	Operational customer relationship management
DAU	Daily active users	OECD	Organisation for Economic Co-operation and Development
ECM	Enterprise content management	OHS	Occupational health and safety
EDS	Electronic digital signature	OWASP	Open Web Application Security Project
ESG	Environmental, social and governance	PCI DSS	Payment Card Industry Data Security Standard
FATCA	Foreign Account Tax Compliance Act	POS terminal	Point of sale terminal
GDR	Global depositary receipt	QR	Quick response
GHG	Greenhouse gas	QSA	Qualified security assessor
GJ	Gigajoule	SDW	Solid domestic waste
GRI	Global Reporting Initiative	SME	Small and medium-sized enterprise
HR	Human resources	TCO_2e	Tonnes of CO_2 equivalent
HSE	Health, safety and the environment	UK	United Kingdom
IFRS	International Financial Reporting Standards	UN	United Nations
IPCC	Intergovernmental Panel on Climate Change	US	United States
IPO	Initial public offering	VIP	Very important person
IT	Information technology		



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