Halyk

SUSTAINABILITY REPORT 2022

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SUSTAINABILITY AT A GLANCE IN 2022

Halyk Bank is the leading financial institution on the Kazakh market:

KZT553,8 billion net income (up 19.8% from KZT462.4 billion in 2021)

31,1% market share by assets (31% in 2021)

9,9 million active retail customers (9.0 million in 2021)

80% of the largest companies in Kazakhstan are customers of the Bank

High social significance and systemically important role in the national economy

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

Bank of first choice:

572 service outlets throughout Kazakhstan

7,5 million cards in circulation

Customer satisfaction index (CSI)[1]:

- **89%** – retail customers (95% in 2021)
- **93%** – SME customers (99% in 2021)

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

Focus on creating and developing ecosystem products

Halyk Club – an exclusive offering for all Bank cardholders.

Halyk Tour – an integrated travel service.

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

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

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

Auto Insurance – car insurance products for retail customers

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

Halyk Market – a reliable and convenient technological solution for making online purchases using loans, instalments and card payments.

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

Marketplace – a strategic product in Halyk Group's ecosystem that helps to purchase goods from partners using Halyk Bank's most advantageous financial products.

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

Focus on digitalisation:

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

5.4 million MAU*, up **26.2%** year-on-year / **1.712** million DAU**, up **27.4%**

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

Onlinebank for corporate and SME customers – 417,500 online banking clients and 253,700 MAU in the web and mobile versions of the application (up 62.2% year-on-year)

Our employees:

- **16 325** people – total headcount
- **71%** – female employees

To care for and support the wellbeing of employees, the Bank revised its incentive system and increased salaries in 2022

Environmental impact***:

- **8,5%** – year-on-year reduction in Scope 1 emissions
- **0,3%** – year-on-year increase in Scope 2 emissions
- **10,5%** – year-on-year increase in water consumption (due to the commissioning of newly built administrative buildings in the cities of Turkestan and Aktau)
- **5,6%** – year-on-year decrease in the use of plastic (from payment cards)
- **29%** – year-on-year reduction in paper consumption, the equivalent of around 4,000 trees saved
- **7%** – year-on-year decrease in coal consumption from switching to more environmentally friendly energy sources, while the share of coal in overall energy use was 1%

* Monthly active users
** Daily active users
*** Compared with 2021

[1] In 2022, the level of customer satisfaction decreased amid greater geopolitical tension worldwide as well as the sanctions and restrictions imposed on Russia (which also caused the termination of Sberbank's operations in Kazakhstan). For legal entities, contributing factors included the tightening of lending conditions and an increase in the lending rate

Halyk

ABOUT THE REPORT

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This report has been prepared in accordance with the Task Force on Climate-related Financial Disclosures (TCFD) guidelines and also reflects our efforts to reduce the Bank's carbon footprint. Also taken into consideration during its preparation were the listing rules of the Kazakhstan Stock Exchange (KASE) and recommendations on sustainability reporting of the London Stock Exchange (LSE).

Climate data, information disclosure and technologies continue to evolve, and we will adapt our emission calculations and risk assessment methodology to the changing landscape as we meet our decarbonisation commitments.

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

Scope of the report

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 2022 to 31 December 2022. Financial data are based on audited financial statements prepared in accordance with International Financial Reporting Standards, unless otherwise expressly indicated in the text.

Based on the roadmap that the Bank prepared jointly with international consultants, its subsidiaries adopted action plans to embed ESG into their operations, approved policies for responsible financing and adopted other regulatory documents that reflect the companies' approach to incorporating ESG principles in their activities. As of 2022, subsidiaries are encouraged to prepare an ESG report for the companies' management bodies to reflect their commitment to sustainability principles and progress towards achieving the goals set for the companies. In the future, consideration will be given to publishing an ESG report for Halyk Group on a consolidated basis (for applicable metrics).

Information about the operations of subsidiaries is regularly disclosed in the Annual Report. For 2022, see https://halykbank.kz/about/shareholders_investors/investoram.

Integration of the agenda at Halyk Group

	Action plan	Regulatory documents	ESG report	ESG goals	Responsible consumption and business				
					Electricit	Water	Heat	Paper	CO2 emissions
Halyk Bank Kyrgyzstan	+	+	External[3]	+	+	+	+	+	+
Halyk Bank Georgia	+	+	External[4]	+	+	+	+	+	+
Tenge Bank	+	+	Internal	+	+	+	+	+	+
Halyk Insurance Company	+	+	Internal	+	+	+	+	+	+
Halyk Life	+	+	External[5]	+	+	+	+	+	+
Halyk Finance and Halyk Global Markets[6]	+	+	External[7]	+	+	+	+	+	+
Halyk Leasing	+	+	Internal	+	+	+	+	+	+
Halyk Collection	+	+	Internal	+	+	+	+	+	+
Kazteleport	+	+	Internal	+	+	+	+	+	+
Distressed asset management companies – KUSA Halyk and Halyk Aktiv	+	+	Internal	+	+	+	+	+	+
Halyk Finservice	+	+	Internal	+	+	+	+	+	+

[3] halykbank.kg
[4] halykbank.ge
[5] https://www.halyklife.kz/about-company/ustojchivoe-razvitie
[6] The customer service teams of Halyk Finance and Halyk Global Markets have teamed up to improve the effective development of both companies (https://halykfinance.kz/novosti/komandy-po-obsluzhivaniyu-klientov-ao-halyk-finance-i-ao-halyk-global-.html).
[7] https://halykfinance.kz/otchety-ob-ustoychivom-razvitii/?lang=ru

CHAIRMAN OF THE BOARD'S STATEMENT

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DEAR SHAREHOLDERS, CLIENTS AND PARTNERS

For any organisation, the foundation for sustainability is a sense of responsibility to all stakeholders for results. And any organisation should undertake this willingly, based on an understanding of its role in the life of a country and society. The aim is not only to avoid impacting but also to improve the environment, use and replace resources prudently, and instil best practices in business. This will ensure stable development over the long term and serve as an example to other market participants.

As such, Halyk Bank, which has been mindful of its significant responsibility to future generations throughout its 100-year history, has sought to play an active role in the life of Kazakhstan, both the nation and society. We have worked to enhance the corporate culture in the financial sector, protect the country's biodiversity and improve living standards for people. We have embedded principles of sustainability into our business practices with enthusiasm and ease, and we were one of the first banks in Kazakhstan to do so and report regularly on progress in the area.

In 2022, Halyk Bank achieved notable successes in implementing ESG principles in all key areas of its work. After we adopted our Sustainability Policy, the next step was approving the Action Plan for Introducing Sustainability Principles and Goals for 2022-24, which we did in March 2022. This document identified concrete measures and the divisions responsible for overseeing the Bank's own and indirect impacts on the environment. It includes an extensive range of objectives and tasks aimed at reducing emissions and using natural resources carefully; incorporating sustainability principles into key corporate documents and policies; and educating employees about ethical standards and involving them in various events dedicated to gender equality and environmental protection. The plan is based on a road map prepared with an international consultancy, and the Board of Directors reviews progress on it twice a year

At the Annual General Meeting in April 2022, understanding the importance of ensuring that the Bank's corporate governance practices meet generally accepted ESG standards, shareholders approved numerous amendments and additions to the Code of Corporate Governance aimed at embedding sustainability principles into our management processes. Shortly thereafter, the Board of Directors decided to restructure the Social Committee as the Sustainability Committee, while responsibility for the substantial ESG agenda was divided among several Board committees.

Our drive to achieve numerous sustainability objectives was reflected in many of the Bank's key standards that were prepared or updated in 2019-22. In addition to those mentioned above, we adopted a new Code of Ethics, Anti-corruption Policy, Environmental Policy, Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy and Personal Data Collection, Processing and Protection Policy. To ensure effective oversight of the Bank's impact on the environment, we are integrating ESG principles into our risk management system in 2023, beginning to adopt responsible financing principles and planning to evaluate the carbon footprint of our portfolio's indirect emissions (Scope 3).

In these policies, we openly declare our commitment to the principles of the United Nations (UN) Global Compact, the largest voluntary initiative of its kind, which brings together more than 20,000 companies from more than 160 countries. Halyk Bank signed up to this in January 2023, becoming the first bank in Kazakhstan to do so. As such, we are working to align our business in accordance with a single set of principles covering human rights, employment relations, environmental protection and anti-corruption measures. Thanks to our efforts to voluntarily implement, take part in and support projects with environmental, gender-related, institutional and other sustainability objectives, our application to join the UN Global Compact was approved in record time.

For us, involvement in this initiative means a transition to a whole new level of responsibility to Kazakhstan and the international community. In addition, it opens new prospects for streamlining corporate governance, strengthening human resource management practices, making tangible progress in achieving gender equality and financial inclusion, and helping to preserve biodiversity and protect the environment through 'green financing' for client projects. In some way or another, all of these measures will also affect the country's financial markets. And as Kazakhstan's leading commercial bank, we are simply obliged to set an example for other players to improve the business climate and environment in our country.

Another key indicator of an organisation's commitment to sustainability principles is the transparency of its activities for all stakeholders. Since 2020, Halyk Bank has been reporting on its ESG efforts in accordance with the international disclosure standards of the Global Reporting Initiative (GRI). And we have made notable progress in this crucial area: in August 2021, MSCI ESG Research upgraded Halyk Bank's ESG rating from 'B' ('laggard') to 'BB' ('average'), noting the positive developments in terms of information disclosure and ESG based on its reports for 2019 and 2020. In December 2022, as part of Asiamoney's annual awards for the best bank in Kazakhstan in 2022, Halyk Bank won three nominations: Best Investment Bank, Best Bank for ESG and Best Bank for Diversity and Inclusion. In addition, our sustainability report for 2021 received critical acclaim from two independent organisations: in January 2023, the KASE named it the best ESG report in the financial sector in 2021, while in an ESG disclosure rating by PwC, both it and our annual report for 2021 featured in the top 10.

These important achievements in embedding ESG principles into our daily activities are humbling. At the same time, we also acknowledge that we are at the very start of the journey and significant work lies ahead. Substantial support in fulfilling this comes from our confidence that we have chosen the right objectives, dedication to achieving the best results in all aspects of our work, care for all resources and deep, ingrained sense of responsibility for the world for future generations.

ALEXANDER PAVLOV
Chairman of the Board of Directors

CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

CHAIRPERSON OF THE MANAGEMENT BOARD'S REVIEW

DEAR SHAREHOLDERS, CLIENTS AND COLLEAGUES,

The latest round of geopolitical turbulence has been accompanied by growing distrust between East and West, disruptions in supply chains, record inflation and global climate change. Against this backdrop, issues concerning the sustainability of organisations and industries, as well as entire countries and continents, have once again taken centre stage. Developed nations long ago reached the consensus that further socioeconomic progress can no longer be based solely on the extraction of natural resources, and that a geopolitical and climatic balance can be achieved on a global scale only if the world transitions to a new resource paradigm. In this, renewable resources and human capital become the main sources of development. In other words, people, along with energy from the sun, wind and water, will become the 'new oil' and provide a qualitative breakthrough for mankind's transition to a new technological order, while increasing people's longevity and quality of life, as well as preserving the environment and biodiversity on earth.

In recent years, while working to maintain its competitiveness and sharing confidence in the importance of the goals of the global climate agenda, our country has taken numerous key steps to decarbonise the national economy. The main action was Kazakhstan's announcement of its intention to achieve carbon neutrality by 2060. Some 80% of greenhouse gas (GHG) emissions in Kazakhstan come from energy generated from the combustion of fossil fuels. As such, Kazakh President Kassym-Jomart Tokayev has set the ambitious goal for the government to increase the share of renewable energy sources in the country's total energy balance to 15% by 2030 and to reduce GHG emissions by 15% by December 2030, compared with 1990.

Kazakhstan will seek new ways to achieve low-carbon development, support domestic research and development to reduce harmful emissions, and invest in the construction of power plants that run on renewable energy sources and energy conservation technologies.

We believe that fintech will play a key role in this important work, since it needs to look for ways to transition to more sustainable development models by using modern technologies, improving corporate governance practices, engaging in ESG risk management and responsible financing, and paying attention to environmental and social aspects of operations. This is why Halyk, as a major creditor, socially responsible financial institution and reliable partner in the most crucial government initiatives, was one of the first banks in the country to integrate the sustainable development goals into its regulatory framework and began organising its activities in accordance with ESG principles. Our vision of the Bank's prospects and commitments in this key area is set out in Halyk Group's Strategy for 2022-24 and Halyk Bank's Sustainability Policy. In these documents, we openly express our commitment to international and national goals, as well as ESG and sustainable development standards and principles. We also recognise the need to work to create long-term significant value for a wide range of stakeholders, including shareholders, employees, customers, counterparties, local communities and the government.

A list of the Bank's practical steps to manage its own and indirect environmental impact is enshrined in the Action Plan for Introducing Sustainability Principles and Goals for 2022-24. In this document, we have organised the target areas in which the Bank intends to take measures to reduce emissions and prudently utilise resources, as well as identified the Bank's structural units that will be responsible for implementing these measures. I am pleased that during even the first stage, we have already reduced paper and plastic consumption, established accounting for carbon dioxide emissions and hazardous waste, and set targets for their quantitative reduction.

Over the next two years, we plan to keep our annual water consumption below the 2021 level of 14,135 m3 per person. A similar analysis was conducted for energy consumption. By replacing fluorescent lamps with LED ones, the Bank reduced electricity consumption by around 1% year-on-year in 2022. By switching to cleaner energy sources, we reduced coal consumption by 74%, which accounts for 1% of total energy consumption. To this end, we have set the goal of reducing energy consumption per square metre of area by 3% in three years, compared with the 2021 level.

The active digitalisation of the Bank's business processes, which took a major leap forward during the pandemic, has enabled us to significantly reduce the consumption of paper and plastic used to issue bank cards. For example, in 2022, Halyk issued 2,813,100 cards (equivalent to 15.47 tonnes of plastic), down 5.6% from 2020. We plan to continue reducing the share of physical plastic in the overall volume of the Bank's active cards by three percentage points a year. We have achieved even greater savings in paper consumption: based on an analysis of the most paper-intensive processes, an action plan was adopted to reduce paper workflow. This resulted in a 29% reduction in paper consumption in 2022, the equivalent of saving around 4,000 trees. Our KPI in this regard is to reduce paper consumption by another 30% in 2022-24 compared with the 2021 baseline.

Work to slash harmful emissions has helped to reduce (GHG) emissions and identify the Bank's key goals for waste management. Based on an analysis of GHG emissions over the past three years, direct emissions (Scope 1) from the Bank's vehicles and stationary power plants amounted to 4,095 tonnes of CO_2 equivalent, down 8.5% from 2021. Indirect energy emissions (Scope 2) due to the consumption of electricity and heat by the Bank's facilities amounted to 64,224 tonnes of CO_2 equivalent in 2022, or 0.3% more than in 2021. Over a three-year period, we plan to reduce carbon dioxide emissions by 2% compared with 2021, or by 41,370.2 tonnes of CO_2 equivalent. As for waste, the Bank generated 7,296.5 tonnes in total in 2022, including 16.01 tonnes of hazardous waste (mercury-containing lamps, car tyres and batteries) and 280.5 tonnes of non-hazardous waste (waste paper and municipal solid waste). The Bank sends all types of waste to specialist organisations for subsequent disposal and recycling. In 2022-24, Halyk intends to reduce the amount of municipal solid waste by 1%, or 959.7 tonnes, as well as finish replacing fluorescent lamps with less hazardous LED ones.

We have also made substantial progress in managing the Bank's indirect environmental impact. Along with international consultants, we have developed tools and mechanisms to assess the level of indirect impact (Scope 3), as well as identified numerous areas in which the Bank has the most significant and potential impact. To incorporate responsible finance principles into business practices, in June 2023, the Bank adopted a Responsible Finance Policy, Methodology for Classifying Funded Activities by ESG Criteria, Self-Declaration Questionnaire and Tool for Evaluating Funded Activities. Work to integrate ESG principles into the Bank's risk management system helped to carry out the ESG segmentation of the corporate loan portfolio at the industry level and develop a template for evaluating the ESG score based on target profiles. As part of work to determine the carbon footprint for indirect emissions from the portfolio financed by the Bank (Scope 3), carbon intensity factors were calculated for industries and major borrowers, a methodology was developed to assess the portfolio's carbon footprint, its carbon footprint was consolidated, emission standards were determined for project areas and questionnaires were prepared for project financing.

An essential condition for incorporating ESG principles into the Bank's daily business practices is the Halyk team's active involvement in implementing various environmental initiatives relating to the sustainable use of natural resources, waste reduction and participation in the conservation of biodiversity throughout the country. Using the Bank's new Code of Ethics, we have developed a programme to educate staff on ethical standards and environmentally responsible behaviour in the workplace and beyond. Around 80% of employees who were assigned a remote course on ethical behaviour and training materials on environmental sustainability successfully completed their studies of these manuals. As part of work to introduce the 'Green Office' concept, employees from the Bank's head office held numerous environmental campaigns, including World Cleanliness Day and "My cup, please", which aim to create a responsible attitude towards environmental protection among the Bank's staff. In addition, the Bank's team planted trees at the Ayusai visitor centre in Ile-Alatau national park and took part in an environmental clean-up at the Alma-Arasan gorge in the Almaty region. Similar environmental campaigns involving employees from the Bank's branches are held regularly in all regions where the Bank has a presence.

In addition to environmental initiatives, the Bank pays extensive attention in its daily activities to another aspect of the ESG social dimension: gender. In an effort to ensure equal career opportunities for all employees, regardless of their gender or age, we have made notable progress in providing broad career and professional opportunities for women. Today, women make up around three-quarters of the Halyk Bank team, as well as the majority of senior and middle managers at 64%. Women also have a prominent position within Halyk Group, both among the total number of employees (65%) and in senior and middle management (59%). We believe that such broad inclusion allows us to attract and retain talent more effectively, adapt to any changes in the social and market environment and, as a result, successfully achieve our goals.

Halyk Bank's heightened focus on gender can also be seen in its lending to domestic small and medium-sized businesses. We are one of a few financial institutions in Kazakhstan that implements its own lending programme to support women's entrepreneurship. Such loans may be issued to any Kazakh woman, whether an individual entrepreneur or the head of a limited liability partnership, who owns half or more of her company's charter capital and has been its founder for more than three years. From 2018 to 2022, our Bank provided financing to more than 500 projects of entrepreneurs totalling around KZT5 billion. With this programme, we aim to help women realise their personal potential and encourage them to be proactive, so that every Kazakh woman has the opportunity to determine her own destiny, make informed decisions and be able to ensure that both she and her children are prosperous.

Charitable activities are another important aspect of the ESG social dimension. As one of the largest corporate philanthropists in Kazakhstan, we are committed to being actively involved in this important work. Over the years, the Bank, along with the Halyk Charity Fund, has been initiating and backing numerous social projects that aim to support education, protect children, and fund national sports and culture. In 2022, we allocated more than KZT6 billion for charitable purposes.

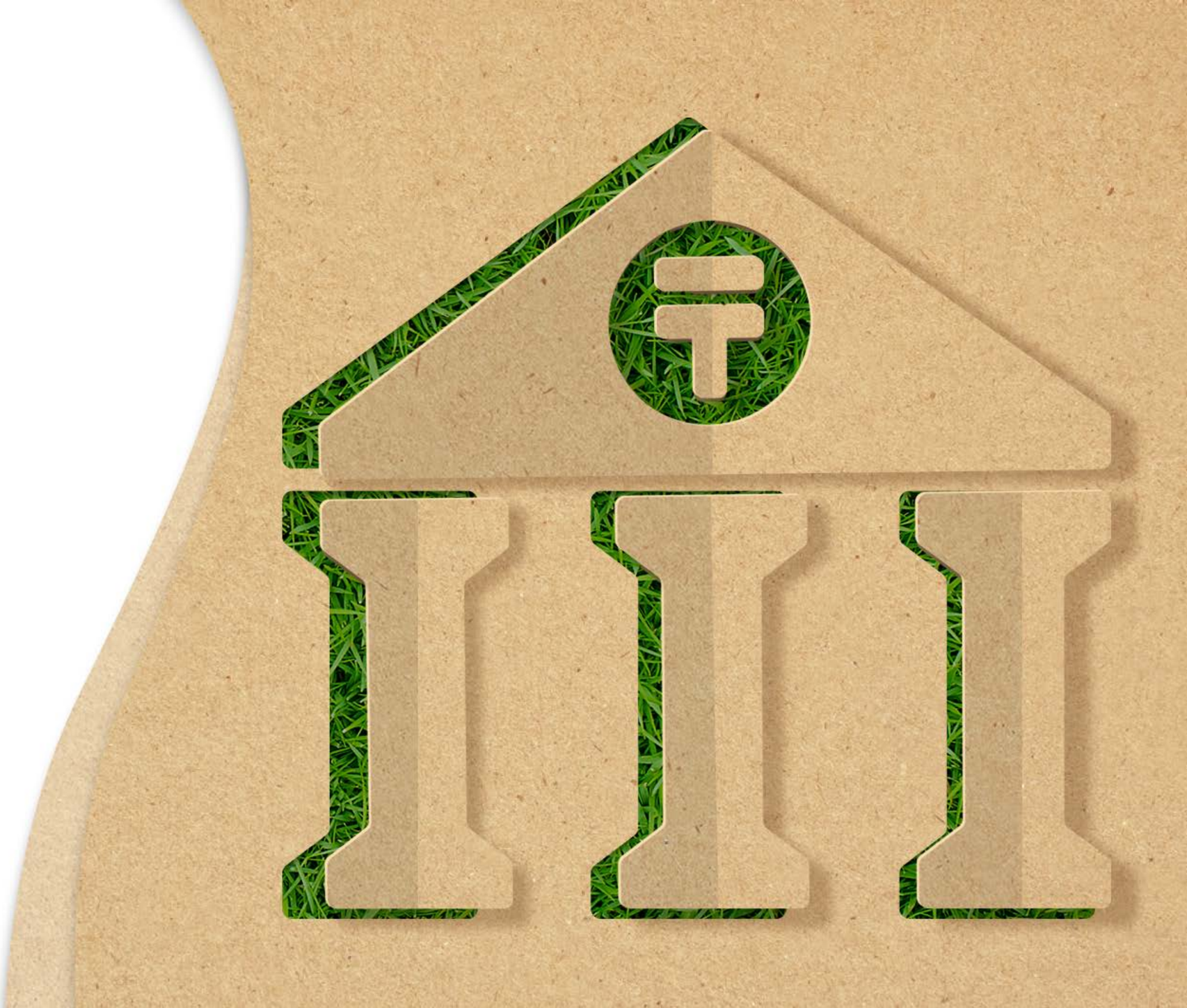
One of the Bank's key steps in achieving the sustainable development goals was its accession in January 2023 to the UN Global Compact, a major voluntary initiative involving tens of thousands of organisations worldwide. This step signifies the Bank's willingness to adhere to the ten key UN principles concerning human rights protection, healthy labour relations, environmental protection and combating corruption. Before joining the Global Compact, the Bank underwent due diligence and compliance control, as part of which its activities, policies and practices regarding the ten main principles were thoroughly analysed, and approval was quickly secured. This was largely due to the Bank's success in incorporating ESG principles into its regulatory framework and daily practices, making sound changes in human capital management, and ensuring gender equality and inclusion in the work environment, as well as contributing to environmental improvements through 'green' financing and personal data protection.

We are constantly motivated to reach new heights by our awareness of the systemic importance of Halyk Bank for the country's national economy and financial system, as well as its key role in servicing more than 300,000 domestic enterprises and almost 10 million Kazakh citizens. The most important goal of the global economic agenda today is the transition to a new, more sustainable development model based on ESG transformation. This requires solutions to numerous major social, environmental and economic problems. As such, our role as the leader of the banking system, the vast experience and expertise that Halyk Bank has accumulated and, most importantly, our team of thousands of caring people, along with the Bank's unique advantages, drive us to be the first in implementing systemic ESG reforms in Kazakhstan. In this work, we are committed to helping our country enter the trajectory of sustainable growth, preserve and enhance our unique nature and rich cultural heritage, and build a society of prosperous, healthy and happy people together. I firmly believe that if the majority of Kazakh companies follow our example, these important goals in matters concerning the country's sustainable development will definitely be achieved.

Umut Shayakhmetova
Chairperson of the Management Board

Halyk

ABOUT THE BANK



THE BANK TODAY

About the Bank

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

We are the leader on the financial services market, where we are the bank of first choice for 9.9 million active retail customers, as well as 313,000 corporate and SME customers. Our services are available through digital channels as well as 572 outlets nationwide. Today, 80 of Kazakhstan's 100 largest companies are our customers.

Halyk Bank is a team of around 16,000 professionals who strive for continuous growth and quality development, as reflected in our performance. The Bank is the leader in Kazakhstan in terms of assets (total market share of 31.1%), equity (36.1%) and net income (34.7%). Among the second-tier banks, Halyk Bank has market shares of 30.4% of retail deposits, 35.5% of corporate deposits, 33.3% of gross loans, 33.9% of net loans, 51.9% of corporate and SME loans, and 18.4% of retail loans. We continue to improve our return on assets and introduce innovative digital services, focusing on enhancing our customer service quality and overall business efficiency.

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

Halyk

GROWTH STRATEGY

GROWTH STRATEGY

For Kazakhstan, 2022 was a year full of challenges. First came the January events and the imposition of a state of emergency in the country. Then came the emergence of geopolitical risks in the form of the military conflict in Ukraine and subsequent sanctions by the West on Russian banks. This led to the exit of the Sberbank and Alfa Bank subsidiaries in Kazakhstan, financial market volatility, high consumer inflation and other negative effects. Each of these events had a significant impact on Kazakhstan's economy and financial sector. Halyk Bank responded by implementing numerous critical measures, including providing an unprecedented assistance package to support those affected by the January events and strengthening its compliance team to meet the requirements of foreign correspondent banks and international regulations. The Bank responded to each challenge in a timely, well-coordinated manner and, in the face of these events, once again proved its stability, reliability and fundamental strength. In 2022, Halyk Bank remained the leader in Kazakhstan's banking system, retaining a market share of more than 30% for all key indicators (as of 1 January 2023): 31.1% for assets, 34.2% for net loans to customers, 32.7% for deposits and current accounts, and 32.9% for net income.

It was also the first year of the new strategic development cycle for Halyk Group and Halyk Bank, covering 2022-24. Naturally, the Group approached the new strategy with different assumptions and market expectations. Nevertheless, the Bank has proven that it is clearly following its mission: "We create a territory of reliability, comfort and trust for our customers and partners." The Group's reliability and resilience remain its key advantage and are the reason why 9.9 million retail active customers and over 300,000 large business and SME active customers choose the Halyk brand.

As part of the current strategy, the ESG strategy was also approved.

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

SDG	Section	Page
#2. End hunger, achieve food security and improved nutrition and promote sustainable agriculture	• Investments in the socioeconomic development of the country	78
#3. Ensure healthy lives and promote well-being for all at all ages	• Investments in the socioeconomic development of the country • Occupational health and safety	78 109
#4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	• Compliance • Chairman of the board's statement • Information security and customer data protection • Human resource management	60 7 90 95
#5. Achieve gender equality and empower all women and girls	• Investments in the socioeconomic development of the country	78
#7. Ensure access to affordable, reliable, sustainable and modern energy for all	• Investments in the socioeconomic development of the country	78
#8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	• Service accessibility and quality	84
#9. Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation	• Customers: The Focus of our Attention	84
#10. Reduce inequality within and among countries	• Corporate governance	56
#11. Make cities and human settlements inclusive, safe, resilient and sustainable	• Service accessibility and quality	84
#12. Ensure sustainable consumption and production patterns	• Investments in the socioeconomic development of the country	78
#13. Take urgent action to combat climate change and its impacts	• Kazakhstan's carbon neutrality strategy and the Bank's decarbonisation goals	21

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

Customer focus

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

In 2022, independent market opinion surveys were conducted on customer loyalty in the banking sector. The number of complaints received through physical and online channels decreased by 17% year-on-year.

Constant growth of the client base, as well as of MAU and DAU

The Bank has prioritised the development of mobile applications, which are used to deliver services better, more efficiently and faster. This should increase the number of both total customers and active ones (nearly 10 million at the end of 2022) who use the applications daily. The Bank is also focusing on expanding non-cash payments.

Results for 2022:

- Retail banking: Implemented the 'Phygital' model (one focus of which is to move clients online and educate them about Halyk Homebank's products and services). The Bank launched regular campaigns to retain and activate Halyk Homebank customers. In 2022, the MAU share of active customers increased by 8 percentage points year-on-year (from 46% to 54%).
- Corporate banking: Steps were taken to increase customer activity on Onlinebank. The app functionality was enriched with new digital products and services, and the customer journey was improved. Extensive marketing activity and use of Data Factory to drive customer outreach boosted MAU growth: up 62% year-on-year (from 156,000 users to 254,000).

Ability to scale business solutions

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

Tenge Business, an online business app, was launched in Uzbekistan in 2022, and reached 986 business users by the year-end. The Tenge 24 mobile app for retail customers was launched and reached an MAU of 70,000 by the year-end. In addition, a subsidiary of Kazteleport was registered in Uzbekistan in the third quarter of 2022 to provide processing and cloud services.

A flexible, adaptive and innovative approach

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

In 2022, real-time campaigns were launched as part of Data Factory, focusing intensively on developing IT solutions while enhancing system availability and service continuity.

In addition, the Bank implemented several major projects during the year:

- In January 2021, amendments were adopted to the Kazakh Law on Banks and Banking Activities that allow second-tier banks to provide brokerage services to not only corporates but also retail customers. Halyk was the first second-tier bank to take advantage of this opportunity to provide retail brokerage services. Halyk Invest conducted KazMunayGas' first digital IPO, opening almost 90,000 investment accounts for clients as part of the Halyk Invest ecosystem. The app now has more than 300,000 open accounts.
- A project was launched to provide digital unsecured lending to SME customers registered as limited liability companies. By the end of 2022, almost 1,000 loans had been issued through this initiative.
- The Bank offers a broad range of government services. In 2022, customers accessed e-government services through the Halyk Homebank app more than 10 million times and more than 600,000 e-government certificates were issued..

For 2023, the Bank's key objectives are to digitise its banking business and further promote its ecosystem products:

- Halyk Bank is major partner for most corporates and one of the only full-service banks in Kazakhstan. To provide optimal service, the Bank continually enhances the customer experience and adds new functionality to the Onlinebank mobile app for corporate customers.
- The Halyk Homebank digital private banking solution is also being continuously developed and updated with new services.
- Developing the acquiring business continues to be a key focus for the Bank.
- Given the potential of the Uzbek market, the Bank is actively investing resources and developing in this area and plans to launch a Tenge Marketplace in 2023. Halyk Finservice will open a subsidiary in Tashkent to develop an online acquiring business.
- The Bank will also continue to enhance and actively promote lifestyle ecosystem products Kino.kz (entertainment ticketing) and Halyk Travel (air, rail and bus ticketing).
- Halyk Invest, which is designed for remote brokerage account opening and remote trading, is expanding its functionality and improving the customer journey.
- The Halyk Marketplace is working to expand the range of products on offer to continue meeting customer needs.
- The Bank is also implementing several other equally important tasks to provide high-quality service to customers and partners.

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

OUR VALUES

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

Our business is founded on six core values:

1. Customer focus:

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

2. Reliability:

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

3. Leadership:

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

4. Social responsibility:

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

5. Integrity:

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

6. Professionalism:

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

The Bank's Code of Ethics and Business Conduct(Code Of Ethics) regulates the professional behaviour of our executives and employees when performing their official duties and defines the most important principles and norms of business ethics in the Bank's interactions with employees, shareholders, customers, partners, public authorities and other stakeholders.

The purpose of the Code of Ethics is to:

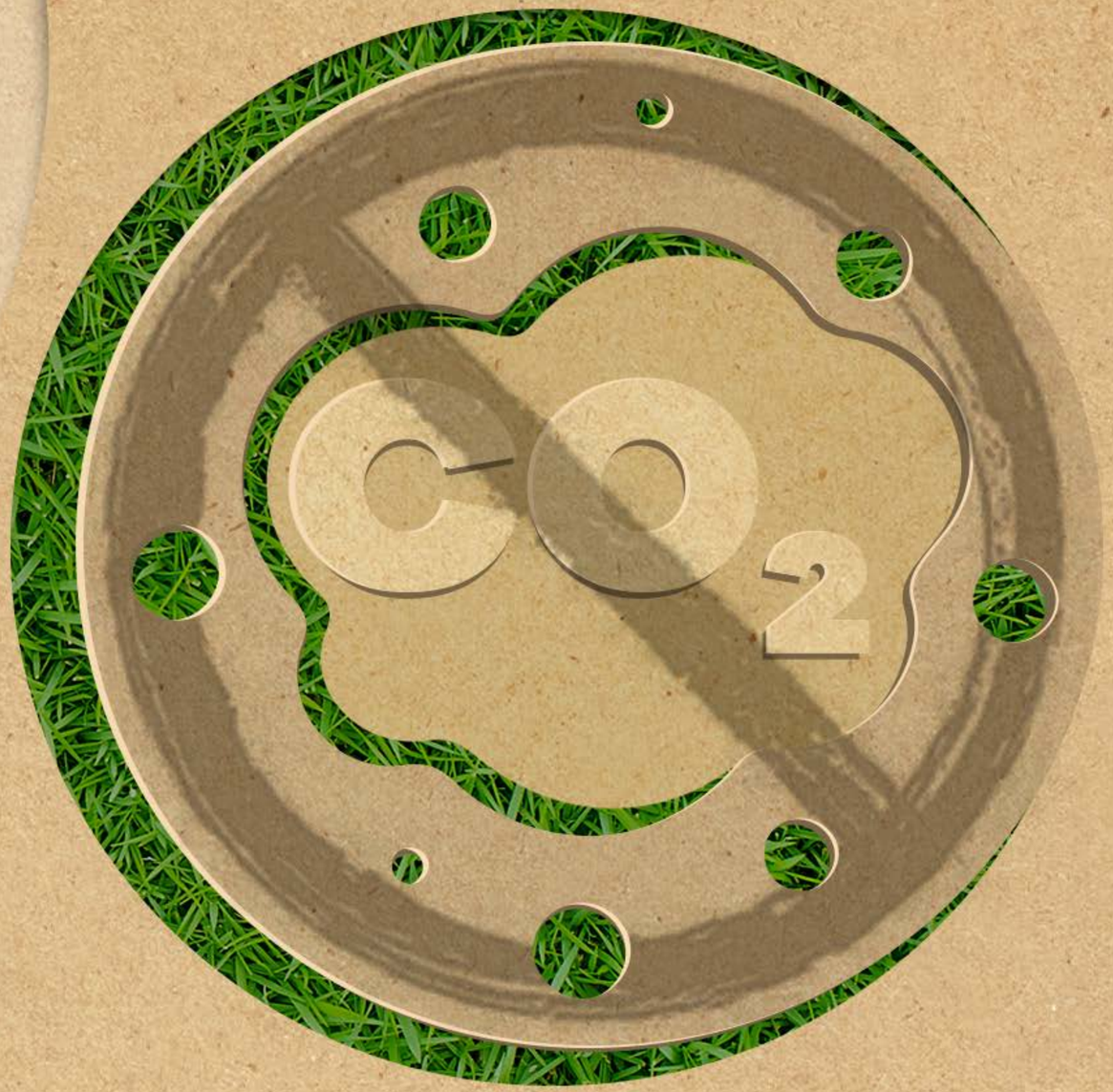
- Secure the mission, values, principles and standards of business ethics and behaviour
- Develop a uniform corporate culture based on high ethical standards, and support an atmosphere of trust, mutual respect and integrity
- Increase and maintain trust in the Bank from shareholders, customers, business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

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

To effectively manage ethical behaviour issues, the Bank has a helpline. The landline number (+7 727 259 6878) and mobile number (+7 778 978 5418), to which video and/or audio material can be sent by WhatsApp/Telegram, can be found on the Bank's corporate intranet Halyk Info and the Halyk Zalog websites, as well as in all tender documents. Any employee of the Bank or third party can submit an appeal and report violations of the Corporate Ethics Rules or other requirements of legislation regulating labour relations. In addition, people who submit appeals have the right to anonymity. The Bank does not tolerate any form of harassment or discrimination against employees who raise concerns in good faith or report violations of business ethics or the law. The Bank will also protect employees who report problems and violations against intimidation and harassment. Any information related to the identity of the applicant will be kept confidential. The Bank's Internal Security Department maintains a registry of all incoming complaints and appeals. In 2022, there were seven calls received. All were reviewed in accordance with the established procedure and appropriate measures were taken for each.

Halyk

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



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

In February 2023, Kazakhstan adopted a strategy to achieve carbon neutrality in the national economy by 2060[8]. The document envisages the large-scale decarbonisation of almost all sectors of the economy and the renovation of production chains.

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

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

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

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

In accordance with its Environmental Code[9], Kazakhstan has introduced the Kazakhstan Emissions Trading System (KAZ ETS) based on the cap-and-trade principle. Its main goal is to systematically reduce GHG emissions using market methods to stimulate market participants. The main sectors covered by the KAZ ETS are the electricity, oil and gas, mining, manufacturing, chemical and metallurgy industries.

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

[8] https://adilet.zan.kz/rus/docs/U2300000121
[9] https://adilet.zan.kz/rus/docs/K2100000400

Key facts about Kazakhstan's GHG emission trading system

Average price of carbon units (as of 2022)	US$1.18/tonne of CO_2
Quota distribution type	free (benchmark), auction
Total GHG emissions (excluding LULUCF[10])	354.9 million tonnes of CO_2 equivalent
Emissions covered by the ETS within the Kazakh country inventory:	46%.
Verified ETS emissions	162 million tonnes of CO_2 equivalent
Coverage threshold	facilities emitting ≥20,000 tonnes of CO_2 per year
Quota units	199 (as of 2022)

The Bank is monitoring the development of the KAZ ETS and creating its own carbon pricing scenarios that take into account the priorities and action plans announced by the Kazakh government. Our assessment will be based on the same set of related scenarios in which keeping GHG emissions low in line with the reduction targets of the Paris Agreement is driven by more ambitious regulation, rapidly changing market positions and heightened stakeholder attention, and the scenario for retaining the existing policies is associated with sustained or rising emissions and the resulting growth in physical risks.

As such, for a portfolio category, industry or segments located within the region being analysed (Kazakhstan), it would be advisable to apply the same baseline scenarios that identify the climate risks of the transition:

- Scenario RCP-8.5[11] of the IPCC Fifth Assessment Report – a conservative scenario for the implementation of carbon regulation policies that is consistent with the level of scenarios of current policies per the NGFS[12] classification
- Scenario RCP-2.6 of the IPCC Fifth Assessment Report – an ambitious scenario for the implementation of carbon policies that is consistent with a level below 2°C per the NGFS classification

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

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

[10] Land use, land-use change and forestry
[11] Representative concentration pathways
[12] Network for Greening the Financial System

Halyk

METRICS AND TARGETS – CLIMATE TARGETS

CLIMATE TARGETS

The Bank's decarbonisation journey will take into account the following ESG principles for financial institutions regulated by the Concept for the Development of the Financial Sector of the Republic of Kazakhstan until 2030[13]:

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

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

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

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

Climate targets of Kazakhstan	Climate targets of the Bank	Bank's capabilities to achieve its climate targets
Target of NDC[14] : Reduce GHG emissions by 15% versus the 1990 level by 2030	Consider setting transitional targets: Reduce GHG emissions from the Bank's operations and financing portfolio from the 2022 to the 2030 level	• Increase the share of project financing whose objectives are consistent with the green taxonomy of Kazakhstan • Support our corporate customers who have publicly approved the decarbonisation goals • Increase the share of the portfolio associated with high-tech and low-carbon activities, including industries with a low carbon footprint
Net zero target: Achieve carbon neutrality at the country level by 2060	Consider setting a net zero target: Achieve carbon neutrality in operations and the financing portfolio by 2060	• Finance innovative technologies that contribute to technological development and the decarbonisation of carbon-intensive industries in accordance with Kazakhstan's net zero strategy • Special financing conditions for customers who have approved carbon neutrality goals • Financing activities that contribute to a reduction and absorption of carbon

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

[13]Decree No. 1021 of the President of the Republic of Kazakhstan dated 26 September 2022

[14]Nationally determined contributions (NDCs) are a key component of the Paris Agreement and help to achieve its long-term goals. NDCs reflect country-specific efforts to reduce emissions at the national level and to adapt to the impacts of climate change. In accordance with paragraph 2 of Article 4 of the Paris Agreement, each Party shall prepare and submit to the UN Climate Secretariat its NDCs that it intends to achieve, and also adhere to them. To achieve the targets of such contributions, the Parties shall adopt national climate change mitigation measures https://adilet.zan.kz/rus/docs/P2300000313.

[16]Carbon capture, utilisation and storage

Halyk

SUPPORTING OUR CUSTOMERS ON THEIR PATH TO DECARBONISATION

SUPPORTING OUR CUSTOMERS ON THEIR PATH TO DECARBONISATION

The Bank is working to assess GHG emissions associated with the corporate business financing portfolio in accordance with PCAF[17] methodology. This assessment covers the carbon footprint of business loans and the Bank's involvement in project financing.

To support business decarbonisation, the Bank is considering introducing the following incentives:

- Financial support for customers who have approved their own goals to reduce GHG emissions
- Support for projects aligned with Kazakhstan's national green taxonomy[18] initiative; in particular, a number of projects involving the targeted financing of renewable energy facilities are already consistent with this classification

In addition, the Bank is actively exploring opportunities to provide the proper support for our customers in a climate-related and decarbonised manner.

[17] Partnership for Carbon Accounting Financials

[18] In accordance with Kazakh government resolution No. 996 dated 31 December 2021 «On Approval of Classification (Taxonomy) of Green Projects to be Financed through Green Bonds and Green Credits»

Halyk

OUR APPROACH TO MANAGING SUSTAINABILITY

CORPORATE GOVERNANCE

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 used effectively.

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

The Code of Corporate Governance enshrines the following principles:

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

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

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

The Bank's achievements in corporate governance include the following:

- Because Halyk Bank's GDRs are listed on the LSE, the Bank has incorporated several provisions of the UK Corporate Governance Code[19] into its internal corporate governance regulations.
- In accordance with the key principles of the UK Corporate Governance Code, the Bank has established an effective Board of Directors on which more than 50% of the members are independent directors, including the chairman.
- To enhance the investment appeal of the Bank's shares and reduce any excess liquidity, a dividend policy has been adopted.
- In January 2023, Halyk Bank became the first bank in Kazakhstan to sign up to the UN Global Compact, the largest CSR and sustainability initiative in the world. It was established in 1999, and more than 20,000 companies from around 160 countries are now signatories.
- In 2022, the General Shareholders Meeting approved amendments to the Code of Corporate Governance to introduce sustainable development and ESG principles into the Bank's corporate governance system, as well as to define the powers and responsibilities of the Board of Directors and the Management Board as regards measures to embed sustainable development and ESG principles in the Bank's operations. In addition, the Bank drafted the following documents to effectively achieve the sustainable development goals: Sustainability Policy; Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy; Personal Data Collection, Processing and Protection Policy; Environmental Code; and Code of Ethics.
- In 2022, as part of its systematic approach to sustainable development, the Bank prepared and published its sustainability report for 2021, which ranked in the top 10 of PwC's ESG Disclosure Rating.
- In Asiamoney magazine's annual competition for the best bank in Kazakhstan, Halyk Bank came first in the following categories in 2022: "Best ESG Bank" and "Best Bank for Diversity and Inclusion".
- The Bank's sustainability report for 2021 was named the "Best ESG Report for 2021" by the KASE.
- In 2022, in-person meetings of the Board of Directors considered reports on the implementation of the Action Plan for Introducing Sustainability Principles and Goals for 2022-24.
- In 2022, the Social Responsibilities Committee of the Board of Directors was transformed into the Sustainability Committee[20], and ESG functions were distributed among the committees of the Board of Directors.
- In 2022, following an independent external assessment, 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 of the Institute of Internal Auditors and the Code of Ethics for Internal Auditors.
- In 2022, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities in line with best international practices. The results of the assessment (self-assessment) were submitted for consideration to the Bank's shareholders at the General Shareholders Meeting.
- To audit the financial statements of Halyk Group companies, the Bank engages 'Big Four' professional services firms. In 2022, this was carried out by Deloitte LLP.
- In 2021, Halyk Group devised and approved a new development strategy for 2022-24. Its main priority is to create a reliable, technology-driven, innovative ecosystem that provides a full range of products and services and places an emphasis on high-quality customer service. One central focus is the active development of ESG and sustainability. The strategy defined the Bank's main objectives as delivering systemic ESG changes on the national level to drive an efficient economy, social development and environmental protection, based on more engagement, cooperation and constructive relations among employees, customers, shareholders, investors, partners and the state, as well as to develop financial products to drive the 'green' agenda.

[19] The UK Corporate Governance Code (September 2014)

[20] In accordance with a resolution adopted by the Board of Directors on the fifth item in Minutes No. 3 of an in-person meeting dated 22 April 2022

- In 2021, the Bank devised and approved a new version of the rules for preparing documents related to convening and holding meetings of the Board of Directors. This helped to improve quality and reduce the amount of paper materials for members of the Board of Directors (the volume of materials printed for the Board of Directors decreased by 68% year-on-year).
- In 2020, the Board of Director approved an Anti-corruption Policy, which defines the key principles and requirements for combating corruption and measures to minimise and/or deal with its consequences.
- In 2020, the Bank drafted and approved rules for assessing the activities of the Board of Directors, which define a methodology and tools (surveys) for conducting annual assessments.
- 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 companies of Halyk Group employ uniform standards and approaches related to the coordination of corporate governance processes
- Halyk Group utilises effective internal audit, risk management and compliance control functions, as well as institutions of independent directors and a corporate secretary.
- The Bank has updated the Board Book, which is for newly appointed members of the Board of Directors and is reviewed regularly.
- In 2022, to improve the qualifications of the corporate secretaries at Halyk Group companies, training sessions on corporate governance and sustainability were held.
- The Bank maintains and regularly updates a register of corporate secretaries and a register of candidates for the position of independent director at Halyk Group companies.
- In 2021, the Bank drafted updated corporate governance diagnostic maps for itself and its subsidiaries, taking into account its drive to implement sustainable development principles (ESG) in the corporate governance system of the Bank and its subsidiaries; conducted diagnostics on the level of corporate governance at the Bank's Kazakh and foreign subsidiaries; and prepared a report and recommendations to improve corporate governance.
- The Board of Directors and Management Board understand the risks arising from incorrect or erroneous management decisions or actions. To safeguard shareholders from potential damage from such events, the Bank regularly insures the liability of its directors and officers.
- To ensure transparency in its corporate governance, the Bank maintains a corporate governance section on its website.
- The Bank regularly publishes a corporate governance report on its website as part of its annual report.

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. These include relations between the Board of Directors and Management Board, and between shareholders and employees, as well as functioning mechanisms and decision-making procedures of the Bank's internal bodies.

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

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

- Create a real opportunity for shareholders to exercise their rights to take part in managing the Bank and ensure equal treatment of all categories of shareholders
- Create a real opportunity for shareholders to take part in the distribution of the Bank's net profit (receive dividends)
- Provide shareholders with accurate, timely and complete information regarding the Bank's financial position, economic indicators, results and management structures to ensure substantiated and informed decisions by shareholders and investors
- Ensure that the Board of Directors strategically manages the Bank's activities and effectively monitors the activities of its executive body, and make it accountable to shareholders
- Give the Management Board the opportunity to effectively manage the Bank's day-to-day operations in good faith, and make it accountable to the Board of Directors and shareholders
- Define ethical standards for shareholders and the Bank's officials, ensuring maximum operational transparency
- Ensure that the Bank employs an effective system of internal control and conducts objective assessments of this system

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

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

Compliance with the UK Corporate Governance Code

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

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

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

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

The Bank's Code of Corporate Governance and the UK Corporate Governance Code

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

	UK Corporate Governance Code	The Bank's Code of Corporate Governance
1	The UK Corporate Governance Code stipulates a maximum three-year term for the re-election of directors.	The Bank's Code of Corporate Governance does not require the regular re-election of the Board. Instead, the scope of the General Shareholders Meeting includes determining the Board's term of authority. The General Shareholders Meeting dated 22 May 2020 set a three-year term for the current Board.
2	The UK Corporate Governance Code provides for separate meetings of non-executive directors at least annually, particularly to appraise the chairman's performance.	In 2022, the non-executive directors held informal meetings, which were also attended by the corporate secretary, to discuss strategic issues, ways to improve corporate governance processes and the Board's activities, and to improve the work of the corporate secretary.
3	The UK Corporate Governance Code stipulates that at least half of the Board, excluding the chairman, should consist of independent non-executive directors.	The Bank's Code of Corporate Governance does not directly require this due to Kazakh legal requirements, which state that at least one third of the Board's members must be independent directors. However, the composition of the Board, as appointed by the General Shareholders Meeting on 22 May 2020, includes five independent non-executive directors out of seven.
4	The UK Corporate Governance Code stipulates that the non-executive directors should carefully analyse to what extent the Management Board's work fulfils the aims and objectives that have been set, monitor its activities, as well as ensure that financial information provided is complete and that financial controls and the risk management system are effective and reliable.	Under the Bank's Code of Corporate Governance, all members of the Board of Directors are responsible for this.
5	The UK Corporate Governance Code stipulates that the Board of Directors should ensure that an appropriate succession plan is in place when appointing members of the Board of Directors and the senior management, in order to create an appropriate balance of skills and experience in the company and the Board of Directors, as well as to ensure the gradual renewal of the composition of the Board of Directors.	The Bank's Code of Corporate Governance defines a procedure for creating the Board of Directors and requirements for candidates to it, the aim being to ensure an optimal balance of experience and knowledge needed for the Board of Directors to function effectively.

Halyk

OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES BY THE BOARD OF DIRECTORS

OVERSIGHT OF CLIMATE-RELATED RISKS AND OPPORTUNITIES BY THE BOARD OF DIRECTORS

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

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

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

1. Disclosure of information about ESG risks;
2. Introduction of ESG principles in risk management and corporate governance;
3. Oversight of ESG risks and their integration into the management system.

The Bank actively contributes to the creation of ESG policies on the national level and has dialogues with the regulator, the KASE and the Association of Financiers of Kazakhstan (AFK). Regarding climate change, the Bank is devising a strategy and a methodology for evaluating climate-related risks and opportunities.

In particular, the Bank:

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

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

Halyk

ROLE OF THE MANAGEMENT BOARD IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

ROLE OF THE MANAGEMENT BOARD IN ASSESSING AND MANAGING CLIMATE-RELATED RISKS AND OPPORTUNITIES

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

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

Halyk

CORPORATE GOVERNANCE STRUCTURE

CORPORATE GOVERNANCE STRUCTURE[21]

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

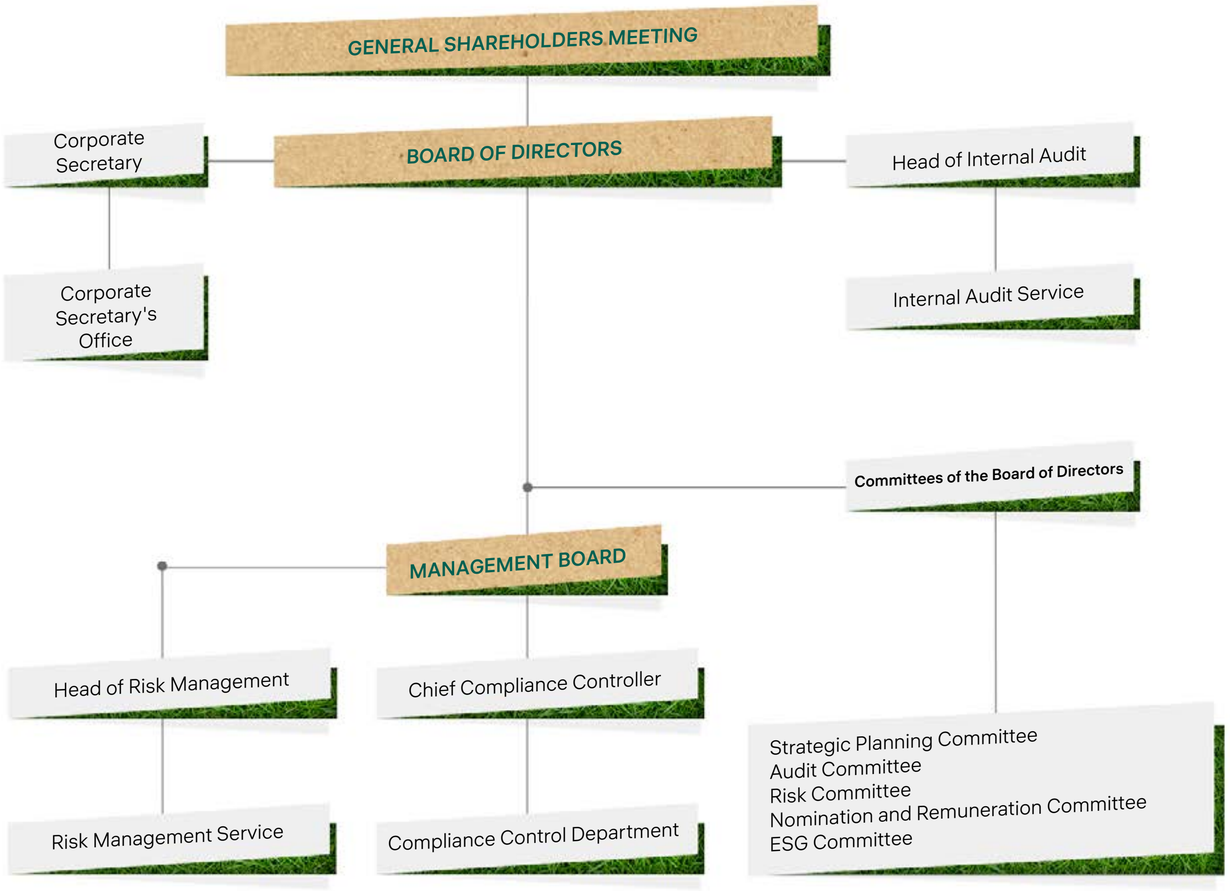
The Management Board has created numerous working bodies, including directorates, committees and working groups. This allows it to consider major issues concerning each separate segment in detail. Where necessary and if required by law, decisions made by such working bodies are brought to the Management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

To audit the financial statements of Halyk Group companies, the Bank engages 'Big Four' professional services firms. In 2022, this was carried out by Deloitte LLP.

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



[21] As of 1 January 2023.

BOARD OF DIRECTORS STRUCTURE

As of 1 January 2023, the composition of the Board of Directors was as follows:

Members of the Board of Directors

Alexander Pavlov	Chairman of the Board of Directors, Risk Committee Chairman and independent non-executive director
Arman Dunaev	Strategic Planning Committee Chairman, Sustainability Committee Chairman and independent non-executive director
Frank Kuijlaars	Nomination and Remuneration Committee Chairman and independent non-executive director
Mazhit Yessenbayev	Member of the Board of Directors and representative of Holding Group ALMEX
Christof Ruehl	Audit Committee Chairman and independent non-executive director
Piotr Romanowski	Independent non-executive director
Umut Shayakhmetova	Member of the Board of Directors and Chairperson of the Management Board
Total	**7 directors**

Directors' skills and experience

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

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

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

The skills and experience of the Board of Directors are summarised below:

Banking	7 directors
Oil and gas and mining	3 directors
Other industries in the real economy	5 directors
Finance	7 directors
Leadership	7 directors
Risk management	4 directors
Medicine and biotechnology	1 directors
International experience	5 directors
Strategic vision	7 directors
Corporate governance	7 directors
Human resource management	7 directors
Sustainable development	7 directors

MANAGEMENT BOARD STRUCTURE

In 2022, there were changes in the composition of the Management Board. On 10 February 2022, Anton Musin stepped down as a member of the Management Board and was transferred to the position of chief managing director for IT and innovation. On 1 April 2022, the following individuals were appointed as deputy chairpersons of the Management Board:

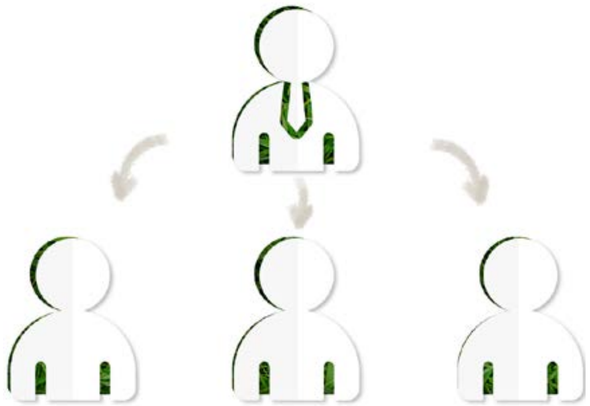
Olga Vuros (previously served as director of Corporate Clients Department No. 1)

Roman Mashchyk (previously served as department director and project manager of the Digital Lending Risk Department and director of the Office of Chief Data Scientist)

Nariman Mukushev (previously served as the Bank's managing director)

Also on 1 April 2022, Aliya Karpykova and Askar Smagulov stepped down as members of the Bank's Management Board.

As of 1 January 2023, the composition of the Management Board was as follows:



Management Board

Umut Shayakhmetova	Chairperson of the Management Board HR, Legal, Customer Service Quality and Internal Security
Aivar Bodanov	Deputy Chairman Security and Problem Loans
Olga Vuros	Deputy Chairperson Corporate Banking
Murat Koshenov	Deputy Chairman Financial Block, Financial Institutions and International Relations, and Subsidiaries
Zhumabek Mamutov	Deputy Chairman Retail Banking
Roman Mashchyk	Deputy Chairman Compliance, Risks and DS
Nariman Mukushev	Deputy Chairman Digital Public Services and Ecosystems
Yertai Salimov	Deputy Chairman Operations, Treasury, Resources, Chancellery and Contact Centre
Dauren Sartayev	Deputy Chairman SME Banking, Transactional Banking, Service and Sales Development, Marketing and PR
Total	**9 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 2022, the Board of Directors held six meetings in person at which they considered 55 items, as well as 57 meetings in absentia at which they considered 636 items.

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

Member of the Board of Directors	Meetings in person (number of meetings/ number of items)	Meetings in absentia (number of meetings/ number of items)
Alexander Pavlov	6/55	54/600*
Arman Dunaev	6/55	57/633**
Frank Kuijlaars	6/55	53/588*
Mazhit Yessenbayev	6/55	55/623***
Christof Ruehl	6/55	55/605***
Piotr Romanowski	6/55	57/636
Umut Shayakhmetova	6/55	53/600**
Total	6/55	57/636

* Taking into account annual leave
** Arman Dunaev did not participate in the discussion and voting of the Board of Directors on matters related to JSC Halyk Finance and JSC Halyk Bank Georgia because he is a member of the Board of Directors and an independent director of JSC Halyk Finance and JSC Halyk Bank Georgia
*** Umut Shayakhmetova did not participate in the discussion and voting on matters in which JSC Altyn Bank was a party to transactions or matters concerning charitable aid to the Kazakhstan Gymnastics Federation and the National Olympic Committee of Kazakhstan
**** Taking into account business trips

The most important items that the Board of Directors considered in 2022 included the following:

1. The Board of Directors considered the results of a scenario analysis on the impact on the Bank's financial stability in 2022 of potential geopolitical, inflationary and epidemiological risks, as well as risks of terrorist attacks/threats.
2. The Board of Directors considered and approved amendments to Halyk Bank's Development Strategy for 2022-24 to adjust certain key performance indicators (KPIs) based on Halyk Group's adjusted budget for 2022 and the Bank's second-tier budget for 2023.
3. The Bank prepared and published its sustainability report for 2021. This document detailed the main aspects of the Bank's ESG activities. The Bank made a voluntary commitment to provide transparent disclosure of key information about its sustainability performance by publishing this report.
4. The Board of Directors drafted and tentatively approved amendments to the Code of Corporate Governance to introduce sustainable development and ESG principles into the Bank's corporate governance system, as well as to define the powers and responsibilities of the Board of Directors and the Management Board as regards measures to embed sustainable development and ESG principles in the Bank's operations. These amendments to the Bank's Code of Corporate Governance were later approved at the General Shareholders Meeting.
5. In accordance with the requirements of the Bank's Code of Corporate Governance, the members of the Bank's Board of Directors conducted an assessment (self-assessment) of their activities in 2021. The results were submitted for consideration to the Bank's shareholders at the General Shareholders Meeting held on 22 April 2022.
6. The Social Responsibilities Committee of the Board of Directors was transformed into the Sustainability Committee, and ESG functions were distributed among the committees of the Board of Directors.
7. A new version of the Rules for Presenting Management Information about the Activities of Halyk Bank of Kazakhstan to the Board of Directors of Halyk Bank of Kazakhstan was drafted and approved.
8. The Board of Directors took the decision to sell 100% of Halyk Bank Tajikistan JSC (Tajikistan) and 100% of Moskommertsbank Commercial Bank JSC (Russia).

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

At the 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 2022-24 (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 2021 and H1 2022
- The approval of the consolidated budget of Halyk Group (IFRS) and Halyk Bank for 2023
- The internal audit department's working plan for 2023 and long-term working plan for 2024-26
- The election and resignation of several members of the Management Board and changes to the composition of several committees of the Board of Directors
- Approval of the Bank's major projects
- Preliminary approval of the Bank's 2021 financial statements and quarterly performance reports of the Management Board
- The reports of the chief compliance controller regarding the management and control of compliance risks, as well as matters related to internal control at Halyk Bank
- Analysis of the Bank's loan portfolio quality
- Analysis of the Bank's related-party and other transactions

In January 2022, the Bank's Risk Management Service conducted an unscheduled scenario analysis on the impact on the Bank's financial stability in 2022 of potential geopolitical, inflationary and epidemiological risks, as well as risks of terrorist attacks/threats, and submitted it to the Board of Directors for consideration.

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

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

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

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

OWNERSHIP

As of 31 December 2022, the Group's stock was represented solely by common shares. As of this date, the Group was owned by the following shareholders, which own individually more than 5% of the Group's issued shares:

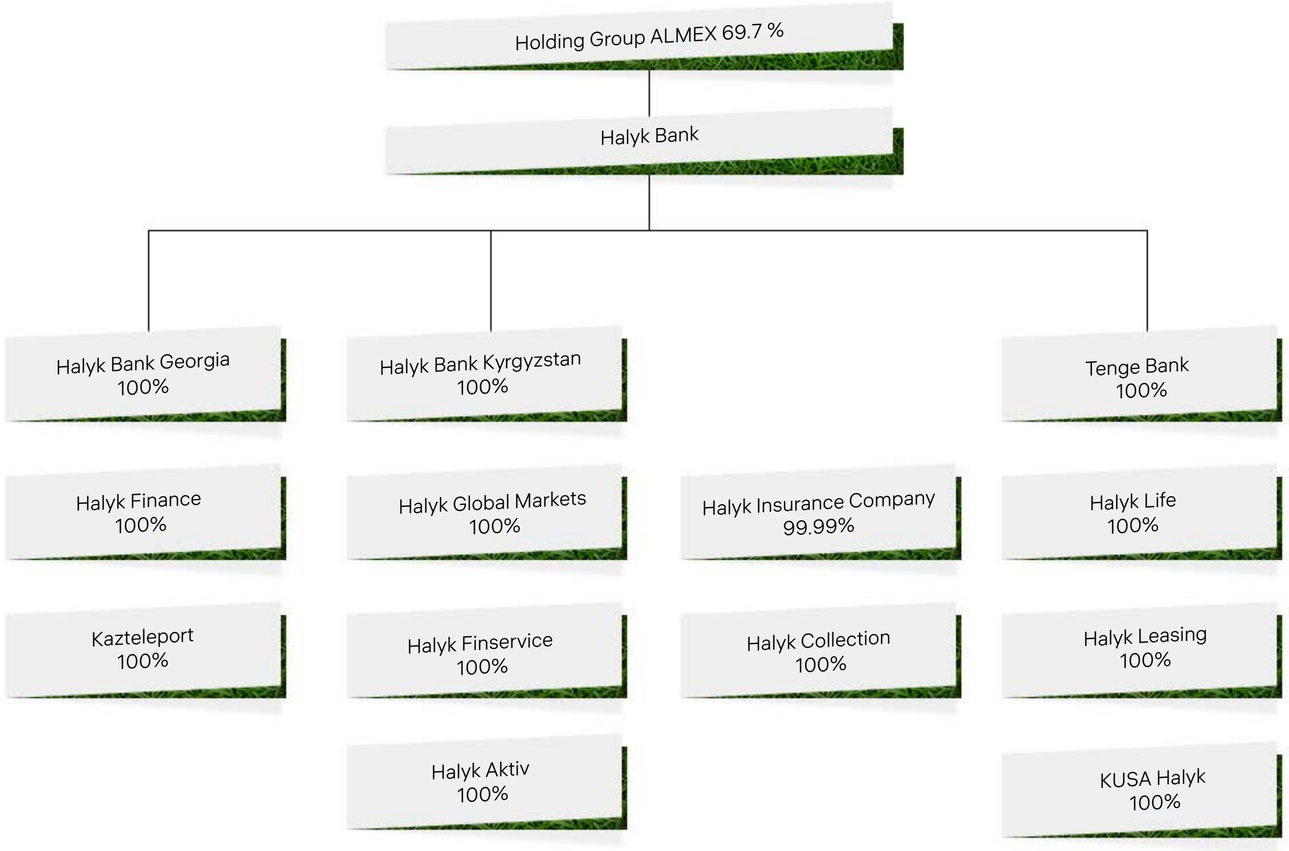
31 December 2022.

	Total shares (common shares)	Share in total shares in circulation
Holding Group ALMEX	7 583 538 228	69,7%
GDR holders	3 090 660 400	28,4%
Other	209 669 751	1,9%
Total shares in circulation (on a consolidated basis)	**10 883 868 379**	**100%**

Halyk Bank:

1. Is a constitutent entity of Halyk Group, a universal regional financial group that provides a wide range of services (banking, insurance, leasing, brokerage and asset management) in the retail, corporate and SME business sectors;
2. The National Bank of Kazakhstan has assigned Halyk Bank the status of an insurance holding that owns more than 25% of the shares of the insurance companies Halyk Insurance Company and Halyk-Life on the basis of Resolution No. 226 dated 27 July 2012 and a bank holding that owns more than 25% of the shares of Altyn Bank (a subsidiary of China Citic Bank Corporation Limited) on the basis of Resolution No. 174 dated 12 September 2014;
3. Is part of a banking conglomerate in which the National Bank of Kazakhstan assigned the status of a banking holding to Holding Group ALMEX on 2 September 2002 (Resolution No. 337).

Holding Group ALMEX



As of the date of publication of this report:

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

Below is information that is also contained in the annual report for 2022 (Information about Halyk Group's Shareholders and Dividend Policy).

Information about shareholders of Halyk Group with at least 5% of Halyk Bank's common shares issued as of 1 January 2023[22]:

№	Name	Common shares	Proportion of total shares in circulation
1	Total shares authorised	25 000 000 000	-
2	Holding Group ALMEX	7 583 538 228	69,7 %
3	GDRs (ISIN: US46627J3023/US46627J2033)	3 090 660 400	28,4 %
4	Other	209 669 751	1,9 %
5	Total shares in circulation	10 883 868 379	100,0 %
6	Shares bought back by the Bank	(2 539 270 930)	-
7	Shares retained by companies in the Group	(24 405 473)	-
8	Total shares issued	13 447 544 782	-
9	Total shares in circulation (as per KASE listing rules)	3 324 710 994	-
10	Market price of local shares, KZT*	131,00	-
11	Market price of GDRs, KZT/US$**	4 840,06 / 10,40	-

* Market price of local shares as of 31 December 2022, as determined and published by the KASE (www.kase.kz).
** Market price of GDRs as of 31 December 2022, based on information from the LSE.

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

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

There were no changes in the Bank's major shareholders (owning ten or more percent of outstanding voting shares) in 2022.

Dividend policy

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

In September 2012, the Board of Directors approved the Bank's Dividend Policy. Its main purpose is to establish a clear and transparent decision-making mechanism regarding dividend payments, including their size and the procedure and timelines thereof, given the following limitations:

- Ensuring that the Bank has an adequate distribution of net profit
- Ensuring that there are no restrictions on dividend payments in Kazakh legislation or contracts that the Bank has with third parties, particularly with foreign financial organisations (covenants)
- Maintaining (retaining) the Bank's international credit ratings
- Conducting an audit of the Bank's financial statements for the reporting period
- Complying with decisions of the General Shareholders Meeting
- Paying dividends no more than once per calendar year
- Avoiding a default or situation when paying dividends could lead to a default on the Bank's obligations
- Complying with the projected CET 1 capital adequacy ratio on a consolidated basis, taking into account planned dividend payments of no less than 17%.

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

- When determining the dividend amount (per common share) to recommend to the General Shareholders Meeting, the Board of Directors considers the Bank's total equity and assumes that the overall dividends on common shares will be 50-100% of net profit for the reporting period as determined by the Bank's audited consolidated financial statements. To ensure that the dividend payment is made, the Bank will use, among other resources, cash received as dividend payments from subsidiaries

- In accordance with the Bank's strategic goals, the Board of Directors retains the right to suggest to the General Shareholders Meeting not to allocate part of net profit for the reporting period as determined by the Bank's audited consolidated financial statements for dividend payments on common shares, or to reduce the total for dividend payments on common shares to less than 50% of total net profit for the reporting period as determined by the Bank's audited consolidated financial statements.

Payment of dividends on common shares is subject to the Bank or the registry system having the correct shareholder information no later than 90 calendar days from the day after which the General Shareholder Meeting takes a decision regarding payment of a dividend on the Bank's common shares.

If the Bank or the registry system do not have the shareholder's current information, dividends on the Bank's common shares are paid to an account for unclaimed money opened in the Central Securities Depository accounting system within five business days after the expiration of 90 calendar days from the day after which the General Shareholders Meeting takes a decision regarding payment of a dividend on the Bank's common shares.

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

KZT billion

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Preferred shares				None trading				0,338	2,61	1,8	2,24
Common shares	276,85	138,64	211,57	200,76	126,71	69,38	-	-	34,26	18,55	12,22
Total	276,85	138,64	211,57	200,76	126,71	69,38	-	0,338	36,87	20,35	14,46

* The information is presented on an unconsolidated basis

Halyk

RISK MANAGEMENT SYSTEM

RISK MANAGEMENT SYSTEM

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

1. Risk appetite management

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

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

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

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

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

2. Credit risk management

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

The Bank manages credit risk by:

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

The Bank's lending decision system is based on the delegation of certain powers by the Board of Directors to appropriate collegiate bodies and the establishment of credit limits for each body. For corporate borrowers, loan applications are reviewed by the Commercial Directorate. Loan applications that exceed the limits set for the Commercial Directorate, as well as transactions with related parties, require further approval by the Board of Directors. For SME borrowers, lending powers are delegated to the SME Centre for Decision-Making and Credit Committee of the branch network. Retail banking decisions are delegated to the Centre for Decision-Making and the Retail Credit Committee (RCC) of the Head Office.

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

In 2021, the Bank introduced an automated approach to taking loan decisions on mortgage lending programmes for individuals. In addition, scoring and anti-fraud models were introduced and improved.

Regarding standard unsecured/secured loan applications from SME individual entrepreneurs for the replenishment of working capital and investments, decisions are taken as part of an automated decision-making process. This uses risk models that evaluate the applicant's creditworthiness and solvency, interest rate and lending limit based on internal and external data.

- In 2021, the Bank launched a project to digitalise lending to legal entities in the medium-sized and corporate business segment. The main goal of this project, which was implemented jointly with the international consulting company Oliver Wyman, is to take decisions on lending online, without customers visiting bank branches. The platform covers lending to Kazakh companies for the replenishment of working capital and investments. The first part of the project was launched in March 2022.
- Credit committees of subsidiary banks are also authorised to make lending decisions within specific limits. The Bank regularly monitors and, if necessary or if covenant thresholds are exceeded, revises independent decision-making limits and the authority matrices of the credit committees in subsidiary banks.
- New SME business loan self-financing limits have been established for the SME Centre for Decision-Making and Credit Committee of the branch network, as have retail limits for theCentre for Decision-Making and RCC of the Head Office. In addition, the SME and retail lending processes have been optimised.
- To assess the Bank's exposure to the risk of negative macroeconomic changes on foreign and domestic markets, as well as to determine the impact of stress scenarios (provision levels, credit rating migration and the share of non-performing loans), the Bank periodically conducts stress testing of the loan portfolio. In 2022, the Bank conducted regular stress-testing using relatively conservative forecasts amid threats of a decline in global economies, rising inflation, lower oil prices and GDP levels, as well as geopolitical risks. The tests confirmed the resilience of the Bank's capital to a decrease in asset quality.
- The existing Risk Analyst rating model that the Bank uses to assess the likelihood of a default and the associated rating on corporate and SME clients is widely used to determine loan collateral criteria, as well as to conduct stress-testing on significant individual loans, and to optimise analysis and decision-making for the Bank's highly creditworthy clients. To keep the rating model up to date, as well as to improve the performance of the Bank's model, it is regularly validated. After validating the model with the assistance of Moody's international rating agency, it was introduced in the Bank's lending process in late 2020 using the Risk Rate platform, which is based on proprietary platforms.
- Throughout 2022, work with problem loans continued. The Bank secured repayment through the sale of collateral, claims and lawsuits, transferred assets to doubtful asset management organisations and wrote off bad debt. These measures have helped to reduce the share of overdue debt

Halyk

ASSESSMENT OF CLIMATE RISKS

ASSESSMENT OF CLIMATE RISKS

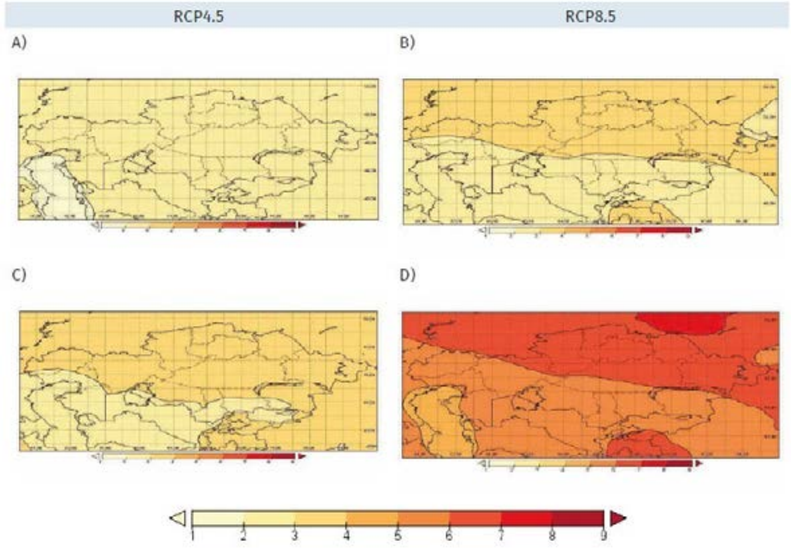
As part of ongoing work to incorporate ESG components into the risk management system, in 2022, the Bank identified significant physical and transitional climate risks associated with an increase in the frequency and consequences of adverse climate events, as well as the tightening of national and cross-border regulatory policies related to carbon regulation. The approaches identified by the Bank, including through the prism of climate risks, will be applied from the second half of 2023 to introduce responsible finance principles.

Physical climate risks in Kazakhstan

Kazakhstan is experiencing tangible effects from physical climate change. Official data sources[11] indicate that the main effects include (1) an increase in the average annual temperature, (2) an increase in fire hazards in forests and the steppe, (3) a decrease in the availability of water resources, and (4) an increase in the frequency and intensity of the consequences of negative climatic events.

Increase in the average annual temperature

Temperatures in Kazakhstan are expected to increase faster than the global average and are projected to rise by another 1.6°C to 5.3°C by the 2090s[12].



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

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

Growing fire hazards in forests and the steppe

Each year, Kazakhstan sees around 1,000 forest and steppe fires that pose a threat to the population, nature and property. In 2022, 801 forest fires took place on the territory of the State Forest Fund on an area of 104,500 hectares, including forests spanning 49,900 hectares. Of the 801 fires, 444 (55%) forest fires were caused by lightning strikes, 127 fires (15%) by steppe fires moving into the lands of the State Forest Fund and 208 fires (26%) by unknown reasons.

Forest fires occurred over large areas at forest and environmental institutions of the Abay, Kostanay, Almaty, Karaganda and East Kazakhstan regions. The largest fire was in Semey Ormany State Forest Nature Reserve, where more than 60,000 hectares were engulfed. The main reasons for the spread of major forest fires are:

- The failure by forest owners to extinguish fires at the initial stage
- The remoteness and inaccessibility of areas where fires need to be extinguished
- The movement of steppe fires to the lands of the State Forest Fund
- The forest service's low availability of machinery and equipment

[23] Seventh National Communication and Third Biennial Report of the Republic of Kazakhstan to the UN Framework Convention on Climate Change. Astana – 2017. https://unfccc.int/sites/default/files/resource/20963851_Kazakhstan-NC7-BR3-1-ENG_Saulet_Report_12-2017_ENG.pdf

[24] World Bank Group. Kazakhstan: Country Report on Climate and Development. November 2022. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099840011092230742/p1773690f04f7e0b60bb9804ee193d2c13e

Decreased availability of water resources

As a result of climate change, the amount of available water resources will continue to decrease. By the end of the century, water availability is projected to decrease significantly throughout the country, particularly in the west, northeast and south. Growing water abstraction in countries upstream of international rivers will also reduce the water inflow into Kazakhstan and further increase water stress levels in the eastern basins, in addition to exacerbating conflicts among water users. These changes will have an impact on sectors that are critically dependent on water, in particular agriculture, electricity generation from thermal power plants, water supply and industrial sectors.

If climate change materialises according to the RCP4.5 scenario in 2050, water resources in the mountain basins of Kazakhstan may increase by an average of 1.94-12.54% in Keles and the Kuragata, Assa, Ili, Oba, Ulba, Ertys, Arys and Sharyn river basins. The southern basins will also increase by around the same amount as melting glaciers also contribute to the runoff. Studies by glaciologists show that glacial contributions to the replenishment of several rivers have declined over the past decade and that glaciers could disappear by the end of the century. In the lowland river basins of western, northern and central Kazakhstan, water resources have been decreasing by 3.7-15%, and could be 9.2-23.7% lower than the previous flow rate by the end of the century. The decrease in runoff in lowland rivers is directly related to the impact of rising air temperatures.

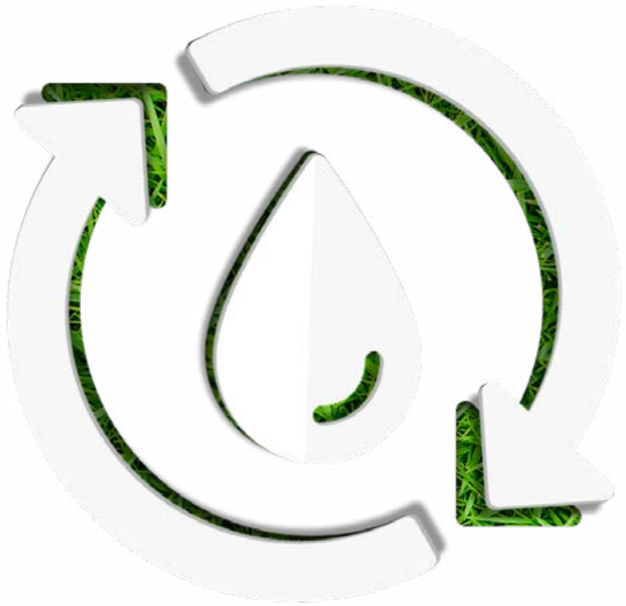
The amount of precipitation on most watersheds of Kazakhstan is expected to decrease by 2050, which is also a factor for significant water stress.

Projected water resources in Kazakhstan in 2050 and 2100

Increasing frequency and impact of adverse climate events

As temperatures rise, severe droughts are expected to become more frequent and may exacerbate existing environmental problems such as land degradation and desertification, as well as related problems such as dust storms. In addition, rising temperatures are expected to increase the intensity of extreme rainfall, which will make floods and mudflows more intense and frequent. The number of weather-related emergencies increased from 39 in 2012 to 130 in 2021, while the frequency of mudflows is predicted to increase tenfold. The Almaty region has seen the largest number of extreme meteorological events in Kazakhstan in recent years.

Considering the recurrence of extreme meteorological events as a result of climate change and the continued flow rate in the near future, the following phenomena can be expected to continue and intensify in Kazakhstan: heavy precipitation (rain, snowfall and sleet), strong winds, heavy snowstorms and large hail.



[26] Seventh National Communication and Third Biennial Report of the Republic of Kazakhstan to the UN Framework Convention on Climate Change. Astana – 2017. https://unfccc.int/sites/default/files/resource/20963851_Kazakhstan-NC7-BR3-1-ENG_Saulet_Report_12-2017_ENG.pdf

Impact on the corporate banking portfolio

The Bank is aware that Kazakhstan's critical infrastructure sectors are vulnerable to natural disasters that are becoming more frequent and intense as a result of climate change, with potentially significant impacts on key sectors and the economy/portfolio as a whole.

Road and rail logistics routes are often affected by high winds and snowfall, as well as floods and wildfires, which are exacerbated by the poor sizing and maintenance of drainage facilities[27]. Expert assessments show that around 10% of Kazakhstan's transport infrastructure is exposed to natural hazards, particularly floods. Meanwhile, water levels in the Caspian Sea appear to be declining, which affects maritime transport activities, the operation of inland coastal ports and the extent of intermodal connectivity. Interruptions in transport links disrupt the connectivity of cities and regions, impede personal mobility and adversely affect global value chains and the structure of international trade. These disruptions, as well as the impact on other connectivity infrastructure such as electricity, gas and telecommunications, result in significant economic losses. Severe weather events could damage or destroy vulnerable infrastructure, resulting in economic and human losses. National weather reports help to protect infrastructure and industry from natural disasters, while climate change scenarios provide guidance on the siting and climate protection of infrastructure in coastal and other climate-vulnerable areas.

A shortage of water resources will be a particularly acute problem for Kazakhstan's thermal power generation and agricultural sectors, as risks increase for vulnerable communities in the country's rural areas.

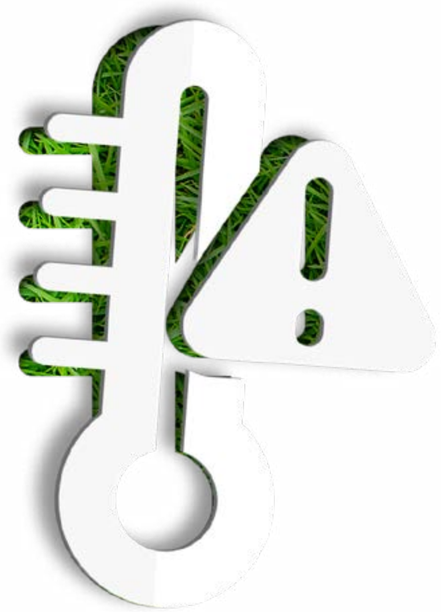
Forest fires can disrupt transport, communications and the supply of electricity, gas and water. They also lead to the deterioration of air quality and the loss of property, crops, resources, animals and people. In 2021, there were 751 forest fires, but this number increased to 801 in 2022. Damages to the state also increased from KZT9.3 billion to KZT20.6 billion[28].

Agriculture is dominated by wheat and livestock that depend on rain, and these sectors will be vulnerable to changes in terms of the amount and distribution of rainfall. The most significant negative impacts of climate change on agriculture include a 5-15% increase in droughts during growing seasons and the resulting increase in the frequency of droughts. The yield of spring wheat crops may decrease by 13-37% by 2030 and by 20-50% by 2050. Rising temperatures and inaccurate forecasts could result in the loss of 50-70% of crops in the Central Asian region as a whole[29].

Livestock will also be significantly impacted by climate change. Pastures are expected to become much less productive, and their capacity to support the current livestock population will decrease as a result. Pasture grass yields are expected to decline by 10-25% on lowland pastures and 30-40% on mountain pastures. In addition to the negative impact from the depletion of pastures, the number of livestock will further decrease due to the longer periods of hot weather.

Transitional climate risks in Kazakhstan

- As part of its efforts to achieve carbon neutrality by 2060, Kazakhstan has set a NDC target of a 15% reduction in GHG emissions from the 1990 levels by 2030. Given the current growth of the national economy and associated GHG emissions, this target creates significant risks for businesses related to carbon regulation and pricing.
- The current National Plan for Carbon Quotas of Kazakhstan for 2022-25 contains a trajectory to reduce free distributed quotas for the main energy-intensive industries: electricity, oil and gas, mining, metallurgical, chemical and manufacturing. Consequently, we expect there to be a stable auction price for carbon credits on the local market starting from 2023, which may further increase in line with the ambitions of Kazakhstan's low-carbon policy.
- As noted, the Bank is currently developing approaches to determining climate risk based on portfolio categories and performing climate stress testing. After such instruments are finalised, the aggregate level of climate risk will be used in the calculation of the ESG rating.



[27] World Bank Group. Kazakhstan: Country Report on Climate and Development. November 2022. https://documents.worldbank.org/en/publication/documents-reports/documentdetail/099840011092230742/p1773690f04f7e0b60bb9804ee193d2c13e
[28] Source: Primeminister.kz, informburo.kz, liter.kz
[29] Source: World Bank Group Country Report on Climate and Development. Kazakhstan. November 2022. www.worldbank.org

To date, the portfolio of corporate and SME borrowers has been ranked based on the categories of significance of the size of the industries' carbon footprint with the identification of energy- and carbon-intensive industries, as well as industries with a tangible and low carbon footprint.

Industry	Remaining loan amount	Including during the repayment periods		
		Less than 3 years	3-7 years	More than 7 years
Agriculture, forestry and fishing	264,86	116,49	102,87	45,49
Coal mining and lignite	9,59	6,4	3,19	-
Extraction of crude petroleum and natural gas	133,16	73,2	47,51	12,44
Manufacture of coke and refined petroleum products	178,12	178,12	0,00	0,00
Manufacture of chemicals and chemical products	424,29	16,50	367,83	39,97
Manufacture of basic metals	53,36	8,41	44,94	0,00
Manufacture of other non-metallic mineral products	86,78	24,87	50,74	11,18
Electricity, gas, steam and air conditioning supply[30]	311,12	88,6	195,43	27,09
Total carbon-intensive industries	**1 461,28**	**512,59**	**812,51**	**136,17**
share in total carbon-intensive industries by period	100%	35%	56%	9%
TOTAL LOAN PORTFOLIO OF THE BANK (excluding contingent liabilities), incl.:	**7 991,57**	**3 729,16**	**3 546,91**	**715,5**
corporate loan portfolio:	5 571,79	2 990,45	2 217,37	363,97
share of Total loan portfolio	18%	-	-	-
share of corporate loan portfolio	26%	-	-	-

- The Bank's corporate portfolio was weighted in terms of the significance of the borrowers' carbon footprint as of 01.01.2023. Total share of the corporate portfolio in carbon-intensive industries is 26% or 1,461 billion tenge, or 18% share of Total loan portfolio, while 91% of this amount has a maturity of up to 7 years.
- As it incorporates ESG principles into lending processes, the Bank is considering ways to stimulate the number of customers who have approved their own goals to reduce GHG emissions, which will help to optimise the carbon footprint of the portfolio.

[30] Excluding renewable energy financing in the amount of 22.2 billion tenge.

Halyk

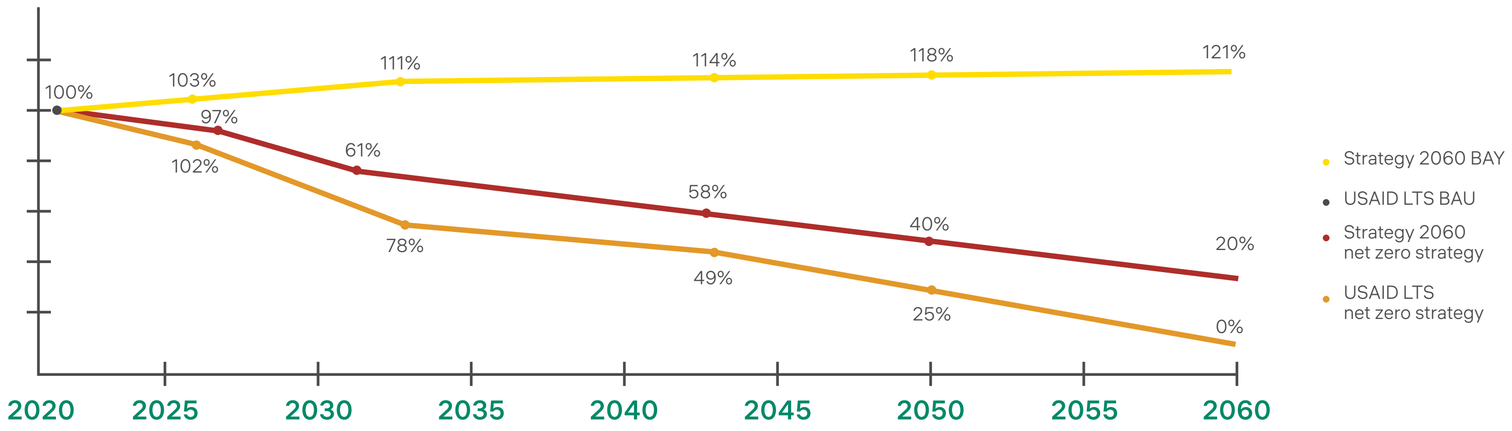
APPROACH TO STRESS TESTING

APPROACH TO STRESS TESTING

The Bank expects the regulator to develop scenarios for climate stress tests and also conduct an assessment of their possible impact on the Bank's portfolio.

As it develops GHG emission reduction trajectories for the relevant parameters of their impact on operating and capital indicators, as well as the liquidity of borrowers, the Bank will consider the feasibility of applying the scenarios given in the following nationally adopted strategic documents:

- Strategy for Achieving Carbon Neutrality of Kazakhstan through to 2060 (Strategy 2060, BAU (business as usual) and carbon neutrality scenarios)
- Low-Carbon Development Trajectory of the Energy Industry in Kazakhstan (USAID LTS Programme) through to 2060
- Concept for the Development of the Electric Power Industry of Kazakhstan through to 2035 (Ministry of Energy of Kazakhstan)



Trajectories for reducing GHG emissions in Kazakhstan

Approaches for reducing industry emissions are selected in accordance with the range of relevant capital projects, while the carbon load is selected based on the trajectories of available scenarios for Kazakhstan as part of the NGFS.

Carbon price projections in Kazakhstan based on the model REMIND-MAgPIE 2.1-4.2 NGFS[31] – NDC and net zero scenarios.

Carbon quota scenario	Measurement unit	2023	2024	2025	2026	2027	2028	2029	2030	2040	2050
NGFS NDC	US$2010 / tCO_2	0,78	0,94	1,11	1,11	1,11	1,11	1,11	1,11	15,4	29,6

The main impact of this risk is an increase in operating costs for customers due to the inclusion of the price of carbon quotas in the cost and a decrease in margins for companies. In the short term (until 2025), we view the likelihood of a significant increase in carbon prices at the national level as low. Further alignment with national-level decarbonisation targets will drive up the price of carbon units, with a corresponding increase in the importance of transitional climate risks.

[31] NGFS Scenario Explorer https://data.ece.iiasa.ac.at/ngfs/#/login?redirect=%2Fworkspaces

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INTEGRATING CLIMATE RISKS INTO RISK MANAGEMENT PRACTICES

INTEGRATING CLIMATE RISKS INTO RISK MANAGEMENT PRACTICES

The Bank intends to set goals to integrate climate risks into its risk management system in accordance with the Principles for the Effective Management and Supervision of Climate-Related Financial Risks[32] of the Basel Committee on Banking Supervision. Taking into account the principles described above, the following provisions will be introduced as necessary:

Corporate governance

Changes to provisions regarding the responsibility of management and the Board of Directors, the adaptation of the management structure and amendments to the provisions on the Sustainability Committee.

Internal control structure

Inclusion of climate-related financial risks into the internal control system and the provision of the necessary levels of protection. Distribution of powers for the relevant risk groups among the current personnel, as well as ensuring control with the involvement of additional personnel if a need is identified.

Risk management process

Creation of a system to assess and measure climate risks in order to conduct further work to reduce them and the definition of a clear framework for climate impact by customer groups (low, moderate, high and very high). Determination of climate risk management requirements for major customers, such as the existence of an internal management system, decarbonisation goals and plans to introduce the relevant practices and technologies.

Management monitoring and reporting

Ability to collect data on risks and reporting in the credit process. When applying, the ESG impacts and their significance can immediately be determined, and measures can be identified to minimise such impacts. Such a system will enable us to accumulate data for analysis and reporting.

Comprehensive credit risk management

Introduction of a policy and the adaptation of processes used to identify and control significant climate-related risks, including customers' credit risks, the identification of possible actions to manage the carbon footprint and the development of an action plan for the credit committee (instructions for decision-making based on a weighted assessment of the magnitude of credit climate risk).

Scenario analysis

Introduction of a scenario analysis to determine the sustainability of the business model, strategy for a range of likely climate-related scenarios and the determination of the impact of risk factors. Management decisions will be made based on the results of the scenario analysis.

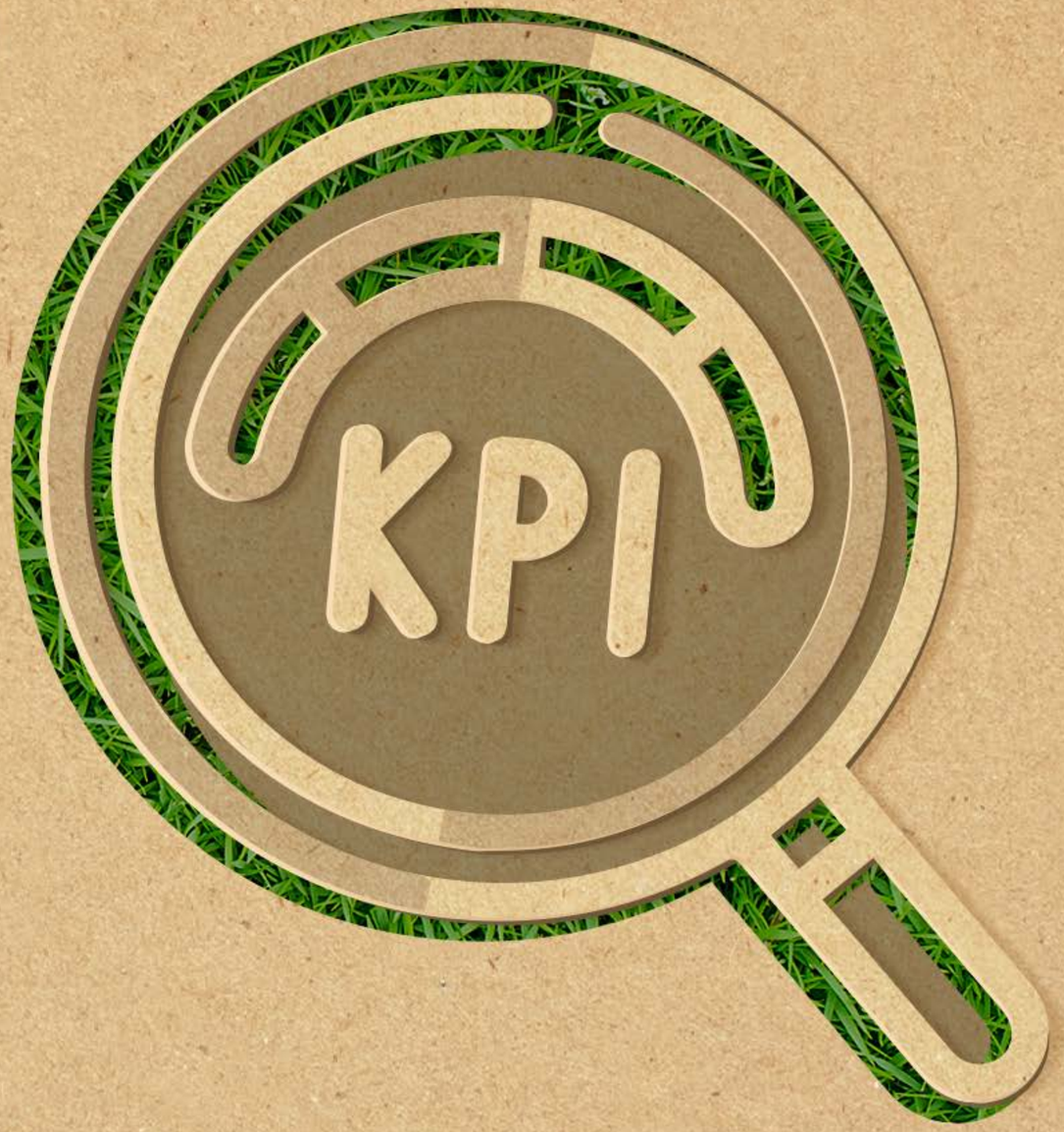
Functional development

Identification of a set of methods and tools to assess the client's carbon footprint and climate risk for decision-making by functional managers and the establishment of standards for client managers.

[32] Basel Committee on Banking Supervision. Principles for the effective management and supervision of climate-related financial risks. June 2022.

Halyk

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



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

The Bank is introducing a system of ESG KPIs to support the sustainable financing strategy. Climate-related indicators make up a significant part of the environmental ('E') part of ESG.

Current climate-related KPIs of the Bank

Category	Indicator	KPI for 2023 and subsequent years
Impact of environmental risks	Magnitude of risks associated with adverse climatic events	1. Assessment of the share of the portfolio exposed to physical/transitional risks – 2025 2. Preparation of an action plan to reduce the impact of physical/transitional risks on the portfolio – 2025 3. Development of a methodology to determine and reduce the magnitude of physical/transitional risks – 2025 4. Share of digital loans in the loan portfolio for individual entrepreneurs in 2023 – 60% 5. Preparation and approval of policies and procedures to manage ESG components – 2023 6. Annual disclosure of information about the ESG score and portfolio classification based on the final ESG rating in industries – from 2024
Climate change	GHG emissions from bank activities (Scope 1, 2 and 3)	1. Annual disclosure of non-portfolio Scope 3 – from 2023. 2. Reduction in CO_2 emissions by 2% in 2022-24
Climate change	Waste management	1. Establishment of a specific target for waste management (per one bank employee) – from 2023 2. Reduction in solid municipal waste generation by 1% vs. the 2021 level over a period of three years – 2022-24
Climate change	Portfolio GHG emissions (Scope 3)	1. Annual phased disclosure of Scope 3 associated with the loan portfolio – from 2024 or 2025 2. Establishment of goals to manage the carbon footprint of the portfolio – by 2024-25

Halyk

INTERNAL CONTROL AND AUDIT

Internal control and audit

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

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

- that the Bank operates efficiently, including its effective management of banking risks, assets and liabilities, and safeguarding its assets
- the completeness, reliability and timeliness of financial, regulatory and other reporting for internal and external users, as well as information security
- the Bank's compliance with the requirements of Kazakh legislation and internal documents, including in matters related to AML/CFT
- that the Bank complies with the requirements of Kazakh legislation, applicable laws of foreign countries, as well as international compliance standards, including the documents of the Basel Committee on Banking Supervision, Financial Action Task Force, the Wolfsberg Principles on AML/CFT and internal documents
- that the Bank or its employees do not become involved in illegal activities, including fraud, errors, inaccuracies, deception, the laundering of proceeds from crime or financing terrorism

Internal audit

The internal audit department acts as the Bank's third line of defence.

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

The internal audit function is guided in its work by legislative norms, regulatory requirements, the Standards and the Bank's internal regulatory documents.

Since 2017, the department has remained in full compliance with the Standards and Code of Ethics of the Institute of Internal Auditors, as confirmed by independent external consultant PwC. In 2022, PwC conducted an independent assessment to ensure that the activities of the Bank's internal audit department comply with the Standards and the Code of Ethics. The 'fully compliant' status was reaffirmed.

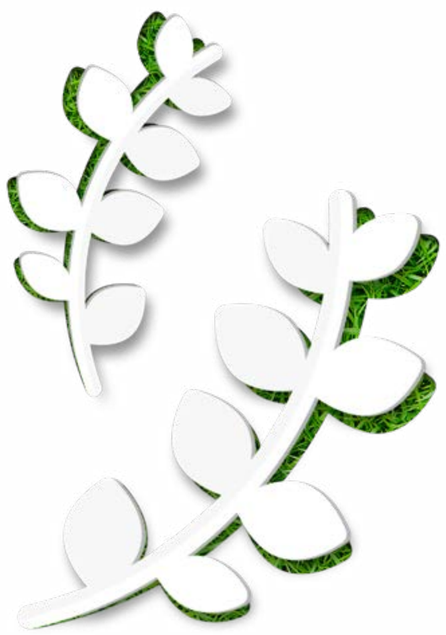
The internal audit department's auditors have internationally recognised certificates and professional qualifications such as CIA, CISA, CISM and others.

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

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

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

In 2022, the department performed audit engagements and consultations to assess the effectiveness of the Bank's risk management, internal control and corporate governance systems, business processes, financial and economic activities of the Bank and its subsidiaries, including ESG issues, such as corporate ethics, resource conservation, personal data protection, HR management and customer interaction. Based on the results of the audit engagements, the department provided recommendations for improving the effectiveness of the risk management, internal control and corporate governance systems in these areas.



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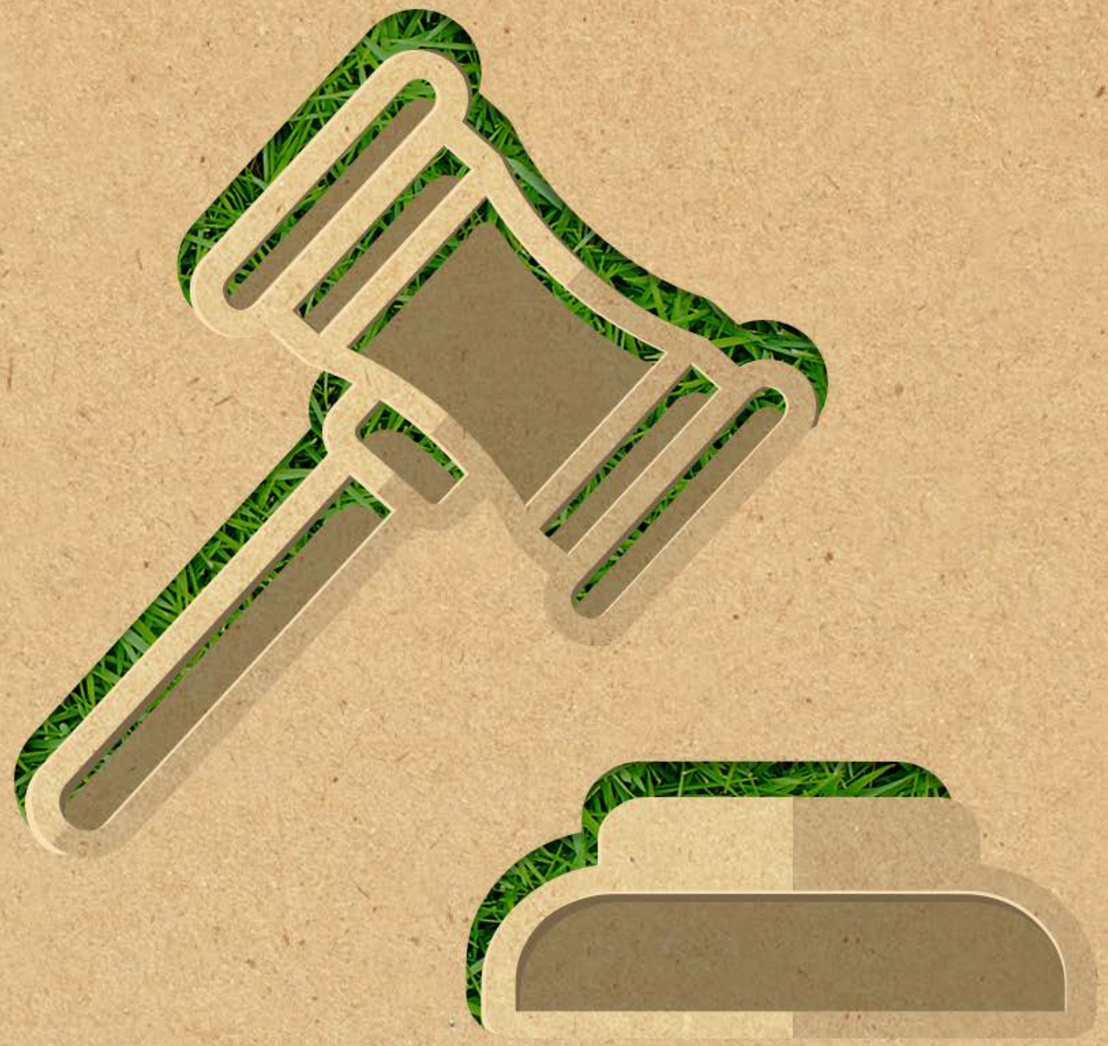
COMPLIANCE



COMPLIANCE

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

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

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

- Continuously monitoring the existing legislation of Kazakhstan and other countries governing the Bank's activities
- Ensuring that the Bank's officials and employees comply with the requirements of the legislation of Kazakhstan and other countries governing the Bank's activities
- Ensuring the correct interpretation and application of the legislation of Kazakhstan, the Bank's internal documents, and the laws of other countries governing the activities of the Bank, its structural units and employees
- Identifying, assessing, monitoring and controlling compliance risks, including when developing and structuring new banking products and services, as well as introducing new business processes and technologies
- Ensuring that mandatory requirements of regulators and other official bodies are met on time and to the required standard
- Organising compliance monitoring (checks) by the compliance control department of the activities of the Bank's structural units
- Using various tools to identify and evaluate the Bank's compliance risks, including appraisal and self-appraisal methods for structural units
- Controlling access to insider information, maintaining confidentiality and preventing potentially illegal use of such information by insiders, including by maintaining an up-to-date list of people with access to the Bank's insider information
- Ensuring that the Bank complies with AML/CFT measures
- Ensuring that the Bank complies with international economic and country-specific sanctions[33]
- Ensuring that employees comply with the requirements of internal documents governing the prevention of conflicts of interest and so on

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

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

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

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

In addition, the Bank continuously checks retail and corporate customers, contracts and transactions for international economic sanctions to prevent the Bank from violating international economic sanctions requirements.

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

The duties of the legal department include:

1. Ensuring that the Bank's draft internal regulatory documents comply with Kazakh legislation prior to approval
2. Providing legal consultations to the Bank's management and structural units regarding operational compliance with Kazakh legislation

The compliance control department organises regular compliance training for the Bank's employees, including in AML/CFT, matters of managing compliance risks and internal control, the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS). New recruits and existing employees at structural units that are responsible for such issues undergo annual training. In 2022, 21,648 employees completed such training[34]. The Bank uses various training formats, including both interactive and online sessions, in accordance with the approved training plans.

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

CORPORATE ETHICS, ANTI-CORRUPTION AND CONFLICTS OF INTEREST

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

In 2022, as part of a plan to embed sustainability principles and goals throughout the business, the Bank developed and approved the Code of Ethics and Business Conduct (Code of Ethics; https://halykbank.kz/aboutbank/korporativnoeupravlenie?utm_medium=cpc&utm_source=google, which superseded the Bank's previous Corporate Ethics Rules. The Code of Ethics was developed in alignment with generally recognised principles and norms of international law; Kazakh legislation; standards of corporate governance; the Bank's Charter, Code of Corporate Governance and other internal documents; and customary business practices.

The objectives of the Code of Ethics are to:

- Set out the mission, values, principles and standards of business ethics and behaviour that guide the Bank's officers and employees in their work;
- Develop a uniform corporate culture based on high ethical standards, and support an atmosphere of trust, mutual respect and integrity;
- Increase and maintain trust in the Bank from shareholders, customers, business partners, public authorities, the public and other stakeholders, and strengthen its reputation as an open and honest player on the financial market;
- Ensure effective stakeholder engagement;
- Prevent violations of the laws of Kazakhstan by the Bank's employees.

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

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

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

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

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

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

The Code of Ethics affirms the following principles:

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

To ensure that employees have a deep understanding of corporate ethics standards, in 2022, the Bank conducted training based on the Code of Ethics that covered 79.4% of staff. The Bank plans to conduct annual training on ethics standards.

The Code of Ethics not only regulates interpersonal relations of employees and officers at the Bank, consistent with our values, mission and culture, but also reflects the Bank's moral positioning regarding interactions with all stakeholders. These include shareholders, business partners, customers, public authorities, competitors and, ultimately, society as a whole.

Employees of the Bank with questions about how to apply the provisions of the Code of Ethics, or doubts about the ethicality of their actions or those of a colleague, client or other third party, can always ask their supervisor for clarification of the rules or contact the hotline, the number of which is posted on the Bank's Halyk Info internal portal. If they have questions about the ethicality of a direct or superior manager's behaviour, employees should contact the hotline directly, or use any of the other communication channels for the hotline listed on page 19.

Prevention and management of conflicts of interest

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

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

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

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ANTI-CORRUPTION

ANTI-CORRUPTION

- Preventing corruption is one of Halyk Bank's core principles of corporate social responsibility. The Bank operates in strict compliance with Kazakh anti-corruption legislation, as well as applicable international law and internal regulations. In 2020, the Bank adopted an anti-corruption policy (https://halykbank.com/esg).
- In accordance with the anti-corruption policy, the primary objectives of the anti-corruption system are to introduce anti-corruption principles at all levels of the Bank's operations. Corruption risks at the Bank are primarily associated with the Bank's employees potentially using their official position and/or powers to obtain financial or other benefits/advantages not envisaged by the legislation of Kazakhstan and/or the Bank's internal regulatory documents for themselves or for the benefit of third parties. The Bank has taken action to make the appropriate changes to its documents.
- In an effort to inform the workforce about anti-corruption policies and methods, the Bank provided training in 2022 for 11,023 of its employees (including 8,378 employees from branches and 2,645 employees from the head office), followed by testing of their knowledge of the anti-corruption policy. The Bank plans to train and test its employees on an annual basis.
- Based on a report for 2020 on the implementation of the anti-corruption policy approved by the Bank's authorised body, the risk management units drafted a questionnaire to assess the risk of bribery and corruption. In the first quarter of 2022, the Bank conducted a residual corruption risk assessment procedure.
- During the reporting period, no corruption offences were identified given the measures implemented among newly hired employees and current employees.

Halyk

STAKEHOLDER ENGAGEMENT

STAKEHOLDER ENGAGEMENT

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

Minimising risks: reducing negative impacts on key stakeholders from doing business.

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

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

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

Social aspect: helping individuals and society as a whole.

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

Accountability: taking responsibility for obligations to stakeholders and society.

Shareholders and investors

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

Employees

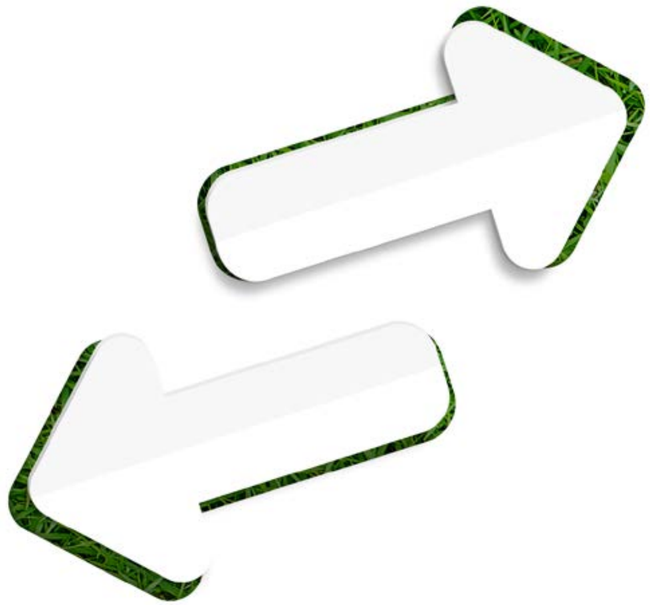
The Bank's employee engagement is based on an open and transparent HR policy that aims to create a highly professional, motivated and skilled workforce. The Bank strives to provide equal opportunities for all employees to achieve their full potential in the course of their work, as well as to assess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

Partners and clients

When engaging with partners and clients, the Bank is guided by the principles of openness and honesty, while respecting the interests of mutual benefit and understanding the full responsibility of the obligations it has assumed. The Bank also strives to comply 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 the public authorities should be aimed at developing the country's economy. The Bank is a responsible and conscientious taxpayer.



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

Table of engagement with key stakeholders in 2022

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

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

Material topics for Halyk Bank in 2022

Materiality assessment

Another tool for interaction between the Bank and its stakeholders is the preparation and publication of this sustainability report. This report has been prepared in accordance with the best practices of non-financial information disclosure with the aim providing an objective and transparent presentation of the Bank's activities in managing environmental, social and corporate aspects management. The Bank has conducted a procedure for identifying material topics to reflect all the information necessary for key stakeholders. The assessment considered the opinions of internal and external stakeholders including requests from investors and rating agencies received during the reporting year, practices of peer banks, media reviews and international trends in the banking industry.

Based on the results of the materiality assessment, 24 material topics were identified in the fields of corporate governance, economic, environmental and social impacts, as well as banking-specific aspects of Halyk Bank's activities.

Material topics for disclosure in the Bank'ssustainability report

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

Halyk

HIGH STABILITY AND SYSTEMIC IMPORTANCE

HIGH STABILITY AND SYSTEMIC IMPORTANCE

Today, Halyk Bank is the undisputed leader of Kazakhstan's banking industry. It has strong market shares in terms of assets (31.1%), equity capital (36.1%) and net income (34.7%). In addition, the Bank has the largest customer base and network of sales channels, as well as a significant presence in all key market segments.

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

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

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

Key financial results

Net profit attributable to common shareholders grew by 19.8% year-on-year to KZT553.8 billion in 2022, compared with KZT462.4 billion in 2021, as a result of broad-based growth in all business segments.

Reclassifications have been made to the consolidated income statements for the year ended 31 December 2021 to bring them in line with the presentation of the statements for the year ended 31 December 2022, which provides a clearer picture of the Group's financial results. The reclassification is related to agency fee expenses made by insurance subsidiaries to attract customers. Since these expenses are directly related to insurance activities, the Group's management decided to reclassify them from operating expenses to insurance expenses.

In 2022, the Bank's income tax expense was KZT105.1 billion and its other tax payments totalled KZT11.4 billion.

Halyk Bank does not receive financial assistance from the state.

Created and distributed economic value [1]

Indicator	Measurement unit	2022	2021	2020
Direct economic value created	KZT bln	1010,1	802,1	608,9
Net interest income	KZT bln	563,4	517,1	372,6
Net fee and commission income	KZT bln	83,8	66,6	60,9
Other non-interest income	KZT bln	362,8	218,4	175,4
Profit for the year from discontinued operations	KZT bln			
Profit attributable to non-controlling interest	KZT bln	-0,001	-0,001	-0,001
Distributed economic value:	**KZT bln**	**732,1**	**478,0**	**467,0**
Non-interest expenses, including:	KZT bln	351,2	277,5	219,3
operating expenses	KZT bln	202,2	171,5	145,8
incl. salaries and other employee benefits	KZT bln	115,8	100,3	85,3
incl. investments in social sectors (charity and social activities)	KZT bln	6,8	3,1	2,8
incl. taxes other than income tax	KZT bln	11,4	9,6	8,3
Income tax expense	**KZT bln**	**105,1**	**62,2**	**36,9**
Dividends paid for the reporting period	**KZT bln**	**275,8****	**138,3**	**210,8**
Undistributed economic value = Direct economic value created – Distributed economic value	**KZT bln**	**553,8**	**324,0**	**141,9**

[1] Data taken from Halyk Bank's audited consolidated financial statements for the years ended 31 December 2022, 2021 and 2020.

**Dividends paid as of 1 July 2023

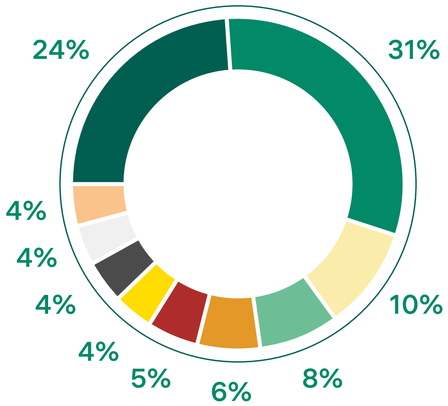
DIVERSIFIED LOAN PORTFOLIO

Halyk Bank's gross loan portfolio expanded by 30% in 2022, underpinned by significant growth momentum in the retail and SME segments. The Bank also continued to consolidate its dominant position in the corporate segment.

As of 31 December 2022, retail loans made up the most significant share of Halyk Group's total loan portfolio at 30.6% (of which consumer loans were 25.9% and mortgage loans were 4.7%). Among corporate loans, the following sectors accounted for the largest shares of the total loan portfolio: services (9.6%), wholesale trade (7.8%), retail trade (6.4%), oil and gas (4.9%) and real estate (4.1%).

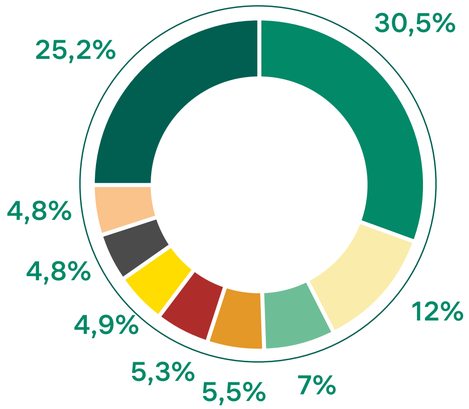
Halyk Group's loan portfolio structure by sectors, %

31 December 2022



- Retail loans
- Wholesale trade
- Oil and gas
- Energy
- Financial sector
- Services
- Retail trade
- Real estate
- Chemical industry
- Other

31 December 2021



- Retail loans
- Wholesale trade
- Oil and gas
- Energy
- Other
- Services
- Retail trade
- Real estate
- Chemical industry

As of 31 December 2022, KZT1.549 trillion of loans were concentrated among Halyk Bank's ten largest borrowers, which represented 19% of the total loan portfolio (compared with KZT1.193 trillion, or 19%, as of 31 December 2021). In 2021, the volume of consumer and mortgage loans rose by 54% and 5% year-on-year, respectively. There was also an increase in lending volumes to the financial (148%), wholesale trade (17%), retail trade (11%) and services (9%) sectors

Detailed information about Halyk Bank's financial results is available in its annual report for 2022 and its audited consolidated financial statements for the years ended 31 December 2022, 2021 and 2020 at the following link: https://halykbank.kz/about-bank/investoram

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

- **Moody's Investor Services – Baa2** ('stable', 13 April 2022)

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

- **Fitch Ratings – BBB–** (stable', 3 April 2023)

The Bank's rating from Fitch Ratings has been affirmed at 'BBB-', the outlook 'stable'.

Among the key rating factors, Fitch highlighted the Bank's time-proven business model, exceptionally strong domestic franchise, particularly in corporate lending, significant impact on pricing and gradual improvement in asset quality due to strong lending growth and continued work on legacy non-performing loans.

In addition, Fitch notes that the Kazakh banking sector has built up robust capital and liquidity buffers in recent years, and the banks' strong profit margins should support their resilience to external shocks

- **Standard & Poor's – BB+** ('stable', 20 March 2023)

S&P continues to view Halyk Bank as systemically important in Kazakhstan and the largest bank in terms of assets and deposits. The 'stable' outlook reflects S&P's expectation that Halyk Bank will retain its market position and continue to demonstrate strong earnings-generating capacity over the next 12 to 18 months. S&P believes the Kazakh banking sector has shown resilience during the challenging previous year, as macroeconomic and geopolitical risks worsened in the region. In addition, S&P noted improvements in the stability of the banking system with the more prudent management of asset quality throughout economic cycles.

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

Halyk Bank has significant market shares in key business segments:

30,4% – market share of retail deposits among second-tier banks;

35,5% – market share of corporate deposits among second-tier banks;

18,4% – market share of retail loans;

33,3% – market share of gross loans.

FOCUS ON DIGITALISATION

Given customers' active need for digitalisation and the further development of the Bank's eco-system, the remote services unit continued to gain momentum in 2022, which had a positive impact on the Bank's performance in this regard. In 2022, Halyk Homebank developed and introduced new services that received positive feedback from customers. One of these services was the confirmation of bank transfers using biometrics (FaceID/TouchID). This option has been a success because of its convenience and speed, which is very important for customers, as well as reduced dependence on telecommunications operators. Halyk Bank became the first in the market to implement such a project.

Throughout 2022, the bank continuously expanded the functionality of the Onlinebank mobile app for the iOS and Android platforms, which offer customers mobile account access to payment services, foreign exchange transactions, tariff package subscriptions, business card issuance and much more. In 2022, the number of active users of the mobile app alone increased from 103,600 to 205,800 (98.6%). Meanwhile, the total number of active unique Onlinebank users (including the desktop version) increased from 150,400 to 253,600 (68.6%). The main goal for 2022 was to increase the active base of customers and users of the Onlinebank system in terms of MAU to 250,000 customers.

In 2022, the Bank launched such additional services as the issuance of digital blank tender guarantees for Onlinebank customers, remote LLP onboarding and a new web version of the Onlinebank system, where a key goal was to improve the user experience when working with the Bank's system.

In January 2022, the Bank launched a new digital product: issuance of electronic blank tender guarantees in five minutes on government procurement portals and Samruk-Kazyna's website without visiting a branch. The digital guarantee is issued without collateral or additional documentation. In addition to reducing the time for issuing a guarantee, the application process has been simplified by requiring only one field to be filled in – the purchase number – which also prevents customers from filling in the application incorrectly. After the product launch, more than 22,000 guarantees were issued in 2022.

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

Halyk

COUNTRY'S SOCIOECONOMIC DEVELOPMENT INVESTMENT

COUNTRY'S SOCIOECONOMIC DEVELOPMENT INVESTMENT

In our activities, we strive to support business projects that make a positive contribution to our country's socioeconomic development. We are also actively involved in implementing several government programmes that aim to develop entrepreneurship and support employment in the regions of Kazakhstan.

Support for green energy projects

In 2022, Halyk Bank continued to actively implement government programmes to support businesses. State support for entrepreneurship plays a much greater role given the regulator's increase in the base interest rate and the growing cost of credit resources.

The Damu Entrepreneurship Development Fund (the Damu Fund) has been and remains one of Halyk Bank's key partners in programmes to support and develop entrepreneurship, as well as the operator of most support programmes for SMEs.

State support instruments are primarily used to finance projects in such priority sectors as the manufacturing industries, industries that serve the manufacturing industry and projects that aim to replace imports and stimulate non-commodity exports.

One such tool is the programme to support SMEs in the manufacturing industry and the service sector, which has already become a traditional instrument of state support. The programme has been implemented with the Damu Fund's support since 2014. During Halyk Bank's involvement in the programme, the Bank has issued more than 7,800 loans totalling KZT334.3 billion. Halyk Bank is the leader in this programme in terms of the volume of funds approved and disbursed.

In 2022, Halyk Bank continued to provide support for entrepreneurs and industrial innovation entities as part of the National Entrepreneurship Development Project for 2021-25. The Bank supported socially significant projects that are being implemented by Novoteks LLP, Shengeldy Wind Farm LLP and Shengeldy Wind Farm 2 LLP to build and operate a wind power plant with total capacity of 13.5 MW (4.5 MW each) near the village of Koktal in the Zhambyl region's Talas district. A wind power plant has currently been built and launched to generate energy in the Zhambyl region.

Turkestan Combined Cycle Gas Plant LLP was founded to build a combined cycle gas and steam plant with total capacity of up to 1,000 MW in the Turkestan region and is a subsidiary of Samruk-Kazyna. The plant runs on natural gas from the Beineu-Bozoy-Shymkent main gas pipeline. The company won auctions to support renewable energy sources for the construction of a combined cycle plant in the Turkestan region based on a Kazakh presidential order following a government meeting.

Development of domestic production

One example of the successful development of domestic production is a project being implemented by AXIMA LLP and financed by the programme to support SMEs in the manufacturing industry and service sector. The programme provided funding to purchase and instal equipment for the production of electrical distribution cabinets. The project aims to create a full production cycle for electrical distribution cabinets and develop an electrical distribution centre and export-oriented sales in neighbouring countries.

Avers Plant LLP is implementing another project funded by the programme to support SMEs in the manufacturing industry and service sector. It seeks to expand the production of high-tech concrete products in the Astana Special Economic Zone. As part of the project, Halyk Bank provided funding to purchase equipment for the production of small concrete products. Expanding production will ensure that fixed costs are distributed more efficiently, generate profits through its scale and increase the number of jobs.

Other popular state support tools include subsidies and guarantees provided from the National Entrepreneurship Development Project for 2021-25. As part of this programme, Halyk Bank is supporting micro and small businesses, as well as entrepreneurs and companies that engage in industrial and innovative activities. In 2022, 7,503 projects received KZT53.54 billion in subsidies and guarantees in support for micro and small businesses. Subsidies worth KZT16.17 billion were provided for 175 projects for which the interest rate was reduced as part of support for entrepreneurs and companies that engage in industrial and innovative activities. Guarantees totalling KZT60.42 billion were provided for 862 projects (based on figures from the Damu Fund for 2022).

Retooling of a baked goods plant in the North Kazakhstan region

In the second half of 2022, Halyk Bank provided support for a project involving the technical retooling of Petropavlovsk Baked Goods Plant LLP, which was part of the National Entrepreneurship Development Project for 2021-25. Funding was provided to purchase equipment and components for the plant due to the need to partially replace obsolete and worn-out equipment, improve the quality of products and ensure the plant's further uninterrupted operation. In addition, funding was provided to PBGP Mill Subsidiary Enterprise, a subsidiary of the plant, to purchase grain at the highly favourable autumn prices. Such comprehensive financing, combined with preferential conditions, will boost the plant's production capacity and increase the number of jobs.

Petropavlovsk Baked Goods Plant Group is one of the largest and most promising clients of the North Kazakhstan branch of Halyk Bank. The plant produces flour using its own mill equipment, as well as baked goods, confectionery and cakes. It has around a 70% market share of the sale of bread and baked goods in the North Kazakhstan region. The customer has its own channels to sell its products, in particular through its own branded stores.

In 2022, Halyk Bank continued to participate in the "Lending Mechanism for Priority Projects – Economy of Simple Things" (EST) Programme, which provides subsidies and guarantees for projects in priority sectors of the manufacturing industry, as well as production and processing by agribusinesses. The size of the subsidy under the programme is up to 13.5% of the commission rate, and funding is issued for a period of up to five years or seven years as part of priority sectors of the economy. From the start of the programme in December 2018 to 31 December 2022, the Bank received applications from entrepreneurs totalling KZT620.7 billion, while the Bank approved overall funding of KZT576.2 billion.

Modernisation of a carpet and polypropylene yarn plant

The Shymkent-based Bal Textile LLP is a unique enterprise in Kazakhstan that produces carpets and polypropylene yarn. In 2022, Halyk Bank provided a new round of financing to purchase equipment and expand production. The Bank eased the plant's loan burden by subsidising part of the interest rate as part of the EST Programme and the National Entrepreneurship Development Project for 2021-25. Implementing the project helped to create new jobs, increase payments to the budget and phase out imports, since the production of polypropylene yarn is a unique business for the country (raw materials to produce carpets had previously been purchased from foreign manufacturers).

The plant now has a high level of production capacity: more than 4-5 million square metres of carpets and rugs, as well as 4,000 tonnes of polypropylene yarn per year. The model range includes more than 1,500 unique designs with both national ornaments and patterns in postmodern, high-tech, avant-garde, neoclassic and other styles. More than 400 outlets distribute the products in Kazakhstan today.

Projects in education and healthcare

Educating children, and in particular work with children with special needs, is of great social importance both for the region and the country as a whole. In the city of Semey, in the Abay region, Balgyn Mini Centre LLP received funding from Halyk Bank to purchase equipment to open a rehabilitation centre for children with cerebral palsy and related diagnoses (such as intellectual disabilities, speech impairments, mild and moderate developmental disabilities, emotional, volitional and behavioural disorders (autism)). The project is also being supported through subsidies as part of the National Entrepreneurship Development Project for 2021-25.

In Aktobe, funds were allocated to purchase a site to open the Nursultan 7 Nursery and Kindergarten LLP for 250 children. The company also had part of its interest rate subsidised as part of support for entrepreneurs and entities engaged in industrial and innovative activities from the National Entrepreneurship Development Project for 2021-25.

New Polyclinic LLP, which has extensive experience in providing medical services, implemented a project to build and equip a clinic in Temirtau with the support of Halyk Bank and subsidies from the National Entrepreneurship Development Project for 2021-25. The new clinic is within walking distance of the local community, has reduced the load on other medical facilities, and provides residents of the region with medical care more quickly and in more comfortable conditions.

In Astana, Zhanuya Kazakh Social and Medical Company LLP implemented a project to acquire and repair a commercial facility to open a clinic in a the densely built-up part of Astana's left bank. The aim is to provide high-quality primary healthcare to the public in compliance with the principle of territoriality.

Support for regional priorities

Halyk Bank provides support for priority projects in Kazakhstan's regions as part of the Regional SME Financing Programme, with joint funding from the Damu Fund and local administrations. The programme is being implemented as part of regional goals and provides concessional lending and subsidies, as well as guarantees from the Damu Fund in the event of a shortage in collateral. In Shymkent, regional financing programmes prioritise support for women's and youth entrepreneurship and are implemented under the name "Isker Kala" (the former name was "Men Kusipker Bolamyn!" or "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. As part of the programme, the loan rate was reduced to 1% a year for up to KZT10 million in funding as a result of subsidies provided by Shymkent Socio-Entrepreneurial Corporation.

Healthy Heart, a medical clinic founded by Kamil Akhmadiyeva in 2013 that provides a wide range of medical, consulting and diagnostic services, is one example of a successful female-led business. The clinic has a cardiologist, offers ultrasound services, has an electrocardiogram room and also conducts laboratory research. The municipal cardiological hospital is located next to the clinic, which creates additional opportunities for interaction and cooperation. In 2022, Halyk Bank provided concessional financing to Healthy Heart as part of the "Isker Kala" programme. The clinic purchased modern diagnostic equipment, which helped to improve the services provided.

In 2021, given the vast potential, Halyk Bank launched its own programme to further develop female entrepreneurship, and continued to provide funding for it in the first half of 2022. The programme aims to create an effective microcredit system for female entrepreneurs to further stimulate production, provide the market with goods and services, as well as to assist aspiring entrepreneurs in gaining experience in running their own businesses.

Over the entire period of the programme's implementation (since 2018), women in the business community have demonstrated high demand for concessional loans. In 2022, 160 female entrepreneurs received KZT1.9 billion in financing.

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

Each year, in an effort to support agribusinesses, Halyk Bank participates in the Ken Dala state programme, which provides concessional financing to farmers for spring planting and harvesting work. The programme is being implemented with the support of Agrarian Credit Corporation. As part of it, Halyk Bank financed 144 projects totalling KZT38.7 billion in 2022. The number of projects financed and the amount of funds allocated as part of the Ken Dala programme has increased each year (the Bank financed 116 projects totalling KZT31.8 billion in 2021).

Subsidies for energy efficiency and renewable energy projects

In 2022, the Bank expressed an interest in promoting projects in the energy efficiency and renewable energy sectors to support the principles of green financing and an initiative of a UN programme being implemented in cooperation with the Damu Fund. A key feature of this financial support involves subsidising principal debt, which provides for the repayment of up to 40% of the loan after the launch and technical verification of the project.

The terms of the programme became available in October 2022. By the end of the year, three of the Bank's potential borrowers had already expressed a desire to receive green financing.

Optima Trade LLP is working on a project to rebuild the air conditioning system at a shopping centre. This needs completing urgently to ensure the facility's normal operation, since maintaining a proper temperature is essential to ensure that both the shopping centre's visitors and employees are comfortable.

Digital MIR Company LLP is working on a project to replace conventional supply and exhaust units in ventilation systems with energy-efficient units that have exhaust air energy recovery. This will reduce the consumption of thermal energy for a building's ventilation by up to 75%, slash energy costs and improve the quality of the microclimate.

NPF ERGONOMIKA LLP is working on a project involving the total energy modernisation of a production facility. The aim is to reduce heat loss through walls, decrease the consumption of electrical energy for heating, improve the thermal insulation qualities of the building's walls, improve the microclimate in the building and reduce CO_2 emissions.

Funding was successfully provided for all three projects in the first quarter of 2023.

Throughout 2022, Halyk Bank and the Damu Fund continued to actively participate in other programmes that aim to support entrepreneurship in Kazakhstan. In particular, the Bank provided financing as part of the Enbek State Programme for the Development of Productive Employment and Mass Entrepreneurship for 2017-21 and the Nurly Zher State Housing Construction Programme. In addition, Halyk Bank is a partner in programmes to support entrepreneurship and other development institutions, such as KazakhExport Export Insurance Company, Agrarian Credit Corporation, Development Bank of Kazakhstan and Kazakhstan Housing Company, among others.

Integration with the 1C system

In an effort to improve its services, the Bank has optimised the credit process in terms of integration with the 1C system, which enables customers to send financial statements to the Bank using 1C. The new service simplifies the process of preparing and signing financial statements for the Bank's customers with subsequent remote sending directly from their 1C accounting system.

This integration significantly streamlines the current procedures and obligations to the Bank to provide and update financial data and reporting for borrowers who maintain their business accounting in the 1C system. The new service has been integrated into the interface of the 1C programme and can effortlessly create, sign and send the necessary reports to the Bank through encrypted communication channels.

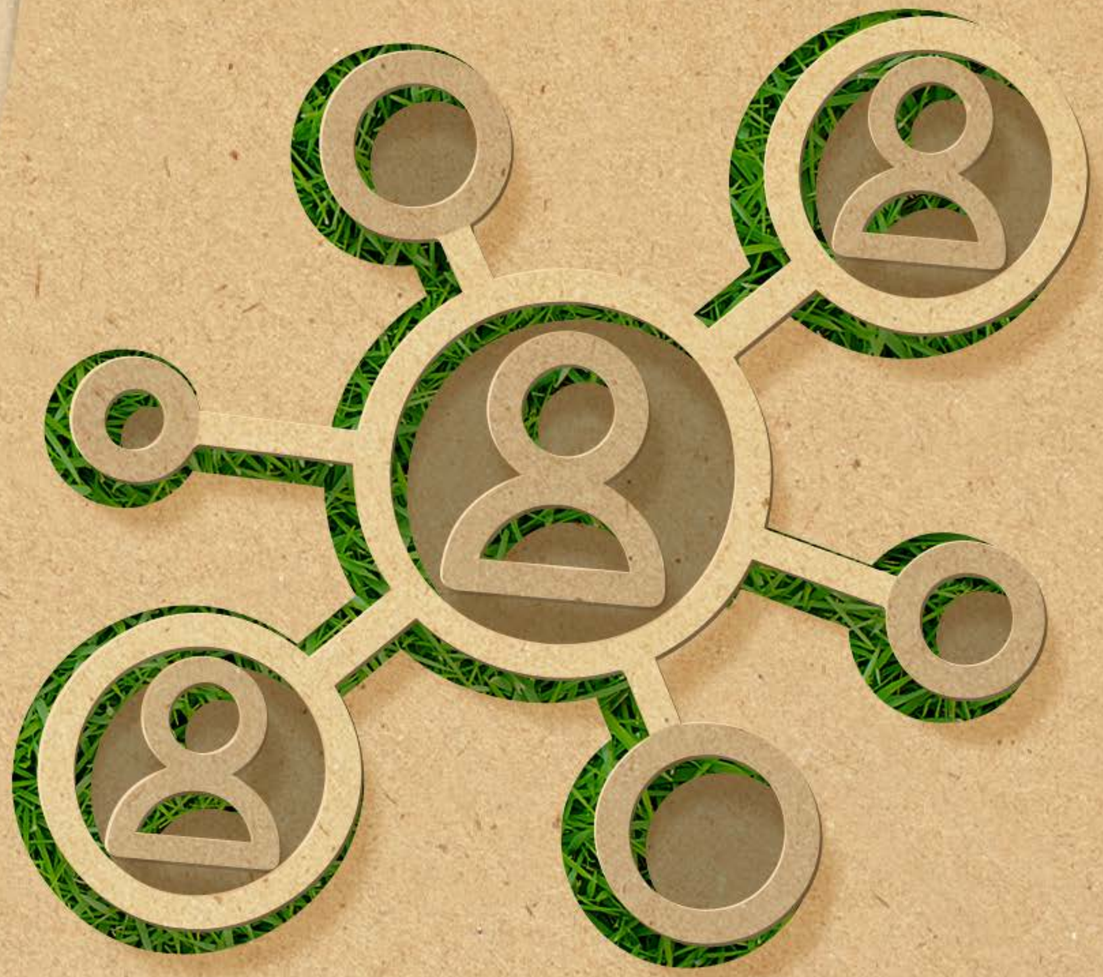
The service has high security standards and automatically processes clients' financial data. To ensure the information security of the data provided, reports transmitted through the service are encrypted in accordance with information security standards.

The service also helps to digitalise the credit report for customers, since the financial statements that are generated after the data is automatically processed are automatically placed in the customer's electronic credit report without the need to attach them to any paper report.

This integration is a key step in the Bank's digital transformation strategy, improving the quality of customer service and ensuring a high level of security.

Halyk

SUPPLY CHAIN MANAGEMENT



SUPPLY CHAIN MANAGEMENT

We are committed to supporting Kazakh suppliers of goods and services. The Bank's supplier relations are governed by a set of rules outlining the procedure and terms for procuring goods, works and services, as well as current Kazakh legislation and the Bank's internal documents. The Bank treats its business partners with respect and selects suppliers of goods, works and services objectively and impartially to create a fair competitive environment. Its main procurement principles include minimising total costs, ensuring fair competition and transparency in the procurement process, and providing equal opportunities for suppliers. During the reporting period, the Bank purchased goods and services worth around KZT96 billion from Kazakh suppliers (KZT98 billion in 2021), which equalled 95% of the overall value of procurements (95% in 2021).

Halyk

CUSTOMERS:
THE FOCUS
OF OUR ATTENTION

SERVICE ACCESSIBILITY AND QUALITY

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

Distribution network

In 2022, our branch network had 572 service outlets throughout Kazakhstan, including:

- 24 regional branches
- 120 sub-regional offices
- 328 personal service centres
- 3 VIP centres
- 49 banking service centres
- 15 cash settlement units
- 33 business centres for corporate customers

The Bank offers a wide range of remote self-service channels for retail and corporate customers. In 2022, Halyk Bank had 4,580 ATMs, making it the largest ATM network in Kazakhstan, with a market share of 37%.

Halyk Bank is also the one of the leading acquiring banks on the market, with a network of around 276,000 POS terminals and 944 payment terminals.

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

On 18 April 2022, the Bank launched the video call service to provide customer service and consulting support remotely without the need to visit the Bank branch.

In 2022, the Bank served around 315,000 customers through video calls.

During the reporting period, 20 million incoming requests were received, of which 47% were processed automatically and 53% by human operators. Our robotic agents Aiman and I-Dos processed 9.4 million requests. On average, 80% of customers receive a response within 40 seconds.

Accessible bank

One of Halyk Bank's priorities is to increase the accessibility of financial services for all customers, regardless of the region where they live and their abilities. We pay special attention to developing service outlets in our country's small and remote settlements. In Kazakhstan, this category includes small towns and single-industry towns[35]. The State Programme for Regional Development in 2020-25 enumerates 41 small towns and 27 single-industry towns in Kazakhstan.

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

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

We strive to ensure equal access to our services for all customers. New service outlets and ones being overhauled are outfitted to ensure unimpeded access for people with disabilities or limited mobility, as well as the elderly. For their convenience, we provide access ramps, outdoor bells and convenient cashier station designs. For visually impaired and sightless customers, we have installed tactile walkways and signage, as well as exterior intercoms to call a staff member for assistance. All the Bank's employees have received training on how to work with and assist people with disabilities. In 2022, 92% of branches had some form of access for people with disabilities (compared with 89.7% in 2020), while 39% were in full compliance with the regulations governing this area. While we are working to increase the accessibility of branches for those with disabilities, some have architectural and technical limitations. In addition, we are focusing on expanding the range of services available online and through the Halyk Homebank mobile app in English, Kazakh and Russian (for more details, see "Innovation and digitalisation").

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

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

Number of Halyk Bank customers in 2020-22

	2020	2021	2022
Active retail customers, thousands	8 367	9 025	9 852
Active SME customers, thousands	199	246,2	310,7
Corporate customers	2,8	1,9	2,3

- 4,500 ATMs – largest ATM network in Kazakhstan
- 9.9 million active retail customers
- 310,700 active SME customers
- Over 3,000 corporate customers
- More than 6.4 million payment cards
- 5.4 million MAU (monthly active users) / 1,712,000 DAU (daily active users) – year-on-year growth of 28.6% / 27.4%, respectively
- The number of users of the Halyk Homebank banking application increased to 9.4 million customers in 2022, while more than 224.1 million payments and transfers were made
- Onlinebank increased its online corporate banking and SME customers to 417,500, while there were 253,700 MAU in the web and mobile versions of the application (up 62.2% year-on-year)

Improving service quality

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

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

In 2022, 207 additional surveys were conducted at the request of business units (73 in the B2B and 134 in the B2C segments) to assess customer satisfaction with the Bank's products and services. The research primarily aimed to improve the customer experience in online channels, self-service devices, as well as the use of card products. The research identified pain points and problems that customers encountered most often, which made it possible to improve services and enhance customer paths.

In the reporting period, the Bank continued to work actively with customer feedback and comments. To enhance the customer-centric approach, the Bank uses tools to measure and improve customer satisfaction when using its products and services. It also engages an external agency to monitor and independently assess the level of loyalty on a regular basis.

In 2022, new tools, such as Push and QR, were introduced to measure satisfaction with the service of cashiers and managers in the B2C segment. As of the end of the year, the CSI indicator was 89% for B2C and 93% for B2B, with a target value of 90%.

At present, the Bank is actively working to measure the quality of services and products of its subsidiaries and ecosystem products, and is also conducting in-depth measurements of the convenience of online services. The Bank plans to use the CES indicator as the main source for tracking improvements in the use of banking applications.

Overall, during the reporting period, the number of complaints reported through the contact centre, social media and other communication channels decreased. However, there was an increase in disputed transactions for payment cards and ATM transactions. In particular:

- Written feedback received through the enterprise content management (ECM) system increased by 21%
- Verbal complaints registered in the operational customer relationship management (OCRM) system dropped by 12%
- Feedback submitted through Homebank decreased by 48%.

Quantity of feedback in 2022:

- Written (ECM) – 41,566 messages (29,980 in 2021), including 534 messages with complaints (442 in 2021)
- Verbal (OCRM) – 5,072 messages (5,778 in 2021)
- Homebank – 260 messages (503 in 2021)

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

Halyk

INNOVATION AND DIGITALISATION

INNOVATION AND DIGITALISATION

In 2022, the Bank continued work to digitalise its public services. The Bank actively re-engineered established business processes and introduced new approaches in public services. It introduced several new services and processes that primarily aim to improve convenience for customers and provide an even larger segment of the population with access to these services. Such services include: registration, de-registration and obtaining an insurance report and information about legal entities. Several popular processes were made entirely paperless, such as inquiries for medical information, information about mandatory social contributions and pension contributions, and information for recipients of targeted social assistance. The Bank can automatically register encumbrances on real estate and lift them after loans are repaid in electronic format without the need for customers to visit public service centres.

In addition, customers may now obtain services proactively. This format involves the government automatically preparing and initiating services in advance, so that customers need only to give their consent and wait for the results.

Another important milestone was the government taking initiatives to support the population. An example of this is the Janarmai card initiative, which enables customers to purchase diesel fuel at a reduced price and receive digital applications for deposit compensation.

In 2023, the Bank plans to focus on improving existing public services, as well as introducing services that make life easier for citizens, transfer processes from physical offices to the digital space, save clients time and build on the principles of an inclusive society.

Innovation in the retail segment

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

The following IVR services were optimised and automated to improve the customer's journey:

- A predictive service model was introduced for pensioners and vulnerable social groups (a video plays automatically explaining the date on which pensions and benefits will be received)
- A predictive service model was introduced for customers experiencing problems with Homebank Onboarding
- A new branch line was created for questions regarding the Unified Pension Savings Fund
- Separate menus were created for customers on questions regarding preferential car loans and the transfer of deposits from Sberbank
- A new simplified English menu was introduced
- A shortcut was created for customers who received SMSs about overdue debts
- The Antifraud Homebank service was introduced to direct customers with suspicious activity in their applications to a separate line
- A service was introduced to notify customers about the maximum number of incorrect PIN code entries using their card (an automatic notification indicating that all attempts to enter the PIN code have been exhausted and that it must be reset through the Homebank application)
- The "Forgotten card in ATM" service was introduced (plays automatically at the branch at which the customer's card is collected)
- Routing was configured to a separate line for customers who make repeat calls.

The following services were automated:

- A dynamic service to open and close a deposit
- A dynamic service to repay a loan
- A dynamic service to provide information about accounts being blocked and arrears
- A static service for cards left in ATMs
- A service to lift limits on cards
- A dynamic account opening service for corporate customers.

A pilot project was implemented for the speech synthesis of incoming and outgoing lines.

The Bank launched the Unified Contact Centre for Subsidiaries and other units to support Clients with:

- Kino.kz;
- Brokerage;
- Halyk travel;
- All incoming calls about arrears;
- Anti-fraud;

The contact centre works continuously to improve the quality of customer service and automate services. Its goal is to use artificial intelligence in the future to provide customers with the most simple and convenient communication option, which will enable them to receive instant service and answers to their questions.

Enhanced accessibility of existing products

Maximising the transition to online products is one of the main goals of the retail business, as this will mitigate the Bank's environmental impact by reducing its consumption of paper and plastic in retail processes. Over the past few years, we have seen a positive trend in terms of the transition of new and existing products to a completely paperless process, not only at the Bank's branches, but also as part of cooperation and customer service during the provision of public services.

In 2022, excellent results were once again seen in the lending business, with portfolio growth of 36%, while online loans made up 84.1% of sales in 2022. The process of obtaining an unsecured loan has become paperless without any paper loan file being prepared. When receiving a loan, customers sign the loan documents using electronic digital signatures (EDSs).

The Bank has some new options in terms of servicing secured loans online. When applying for a mortgage or a consumer loan secured by real estate, the contracts are not printed and the customer signs the documents with an EDS. This not only reduces paper consumption, but also saves the Bank's customers time. When submitting application to purchase housing via the Homebank mobile application, customers sign the consent form and applications for the bank loan using an EDS, as the documents are generated online in the application.

As regards deposits, the "open an online deposit" service remained very popular among the Bank's customers, with such deposits accounting for 50% of all open deposits, or every second deposit. Customers can not only open a deposit without leaving the comfort of their own homes, but also replenish or withdraw funds from their savings deposits. Transfers can be made both to current and card accounts.

In terms of payment cards, the Bank developed a new product called the Halyk Easy Children's Card in 2022. This service made it possible to register children online at Homebank and issue a digital children's card on behalf of a parent. Taking into account the child's age, this process enables children to use the Homebank application and make payments for goods and services with their parent's consent.

Transfers are a very popular service among customers. In an effort to save time and improve customer service, the Bank now offers customers the opportunity to make transfers to cards at other banks and abroad by entering the customer's phone number.

Digitalisation of card products

Online digital cards are one of Halyk Homebank's most popular digital products. In the fourth quarter of 2022, the issuance of digital cards accounted for 23% of all cards issued, which had a positive impact on the reduction in plastic consumption.

GovTech: digitalisation of public services

In mid-2021, the Bank set up the GovTech division. Its main objectives are to make public services part of the Bank's applications, integrate public services to automate its internal business processes and liaise with government agencies regarding digitalisation issues.

Since the creation of the GovTech division, the Bank has launched 33 public services, making it the leader in this regard among not only second-tier banks, but also all external platforms through which public services are provided. The services are highly popular among the Bank's customers and had been used more than 10 million times as of the end of 2022. The most popular ones are digital documents, car history checks (similar to Carfax), residential registration for citizens and various others. As a result of this work, numerous public bodies now view the Bank as a reliable, high-tech partner and include its representatives in key working groups when planning new initiatives to make public services available on external platforms.

In 2023, the Bank plans to further develop this division and launch services that are in high demand among customers. When providing public services, the Bank studies existing business processes and re-engineers them to optimise and simplify the customer journey.

Ecosystem services

Given the active demand among customers for digitalisation and the development of the Bank's eco-system, the remote services unit continued to expand in 2022, which had a positive effect on the Bank's performance in this area.

In 2022, Halyk Homebank developed and introduced new services, which received positive feedback from customers. One was confirming transfers using biometrics (FaceID/TouchID). This has been a success because of its convenience and speed, which is crucial for customers, as well as the reduced dependence on telecom operators that it creates. Halyk Bank was the first on the market to integrate such technology.

Instalment payments with the strap line "Let's paint everything green" were a popular product for customers in 2022. This was clear from not only the sales figures, but also the number of merchants, which increased from 2,000 to 14,000 partners since the start of the year.

Digital lending

In 2022, the Bank continued to develop digital lending services for individual entrepreneurs. In terms of further development, the Bank mainly focused on expanding the range of digital loan products and creating new digital loan services in 2022.

As part of its efforts to develop digital credit services, Onlinebank made improvements to its mobile application in 2022. In particular, it added a Loans section, in which customers can obtain all the information they need about existing loans and credit lines. This section provides customers with access to repayment schedules, payment statuses, a full breakdown of debt on loans and subsidised loans, the amount of subsidies and more. In addition, a fully automated process for the early repayment of all types of loans (including subsidised loans) was developed and launched in 2022.

In June 2022, the Bank fully automated the digital lending process to support micro and small businesses under the Damu Fund's "Business Road Map – 2025" programme to provide loans for investment purposes. This initiative subsidises part of the interest rate on loans to reduce it to 6% a year for the borrower. The Damu Fund also provides a guarantee as security to cover 85% of the loan amount. As of the year-end, the Bank was the leader in this area, having provided loans to 37% of all borrowers financed by second-tier banks.

Given the improvements mentioned, Halyk Bank managed to maintain a high rate of lending to the small and micro business segment in 2022. The Bank's loan portfolio for digital loans to small and micro businesses increased by 53% in the reporting period, while the total number of Bank customers from this segment with a digital loan grew by 51% compared with 2021.

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

Digital lending for LLPs

Halyk Bank previously announced that it had begun working on a new digital loan product for businesses incorporated as a limited liability partnership (LLP).

In April 2022, the Bank began providing digital loans for legal entities to replenish working capital with a maximum amount of up to KZT300 million for up to 24 months.

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

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

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

In 2022, 995 digital loans totalling around KZT16 billion were issued to legal entities.

In 2023, the Bank plans to introduce digital loans for LLPs in the Onlinebank mobile application, enabling customers to receive loans for investment purposes.

Halyk Bank is also continuing initiatives to integrate with government services, including integration with government databases on the income of legal entities (after they are ready for integration with second-tier banks).

The availability of such services is already helping businesses become more transparent and move away from the shadow economy, thereby increasing the accessibility of bank lending for business entities. This will only improve as the services are further developed.

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

Halyk

INFORMATION SECURITY AND CUSTOMER DATA PROTECTION

DEVELOPMENT OF INFORMATION SECURITY AND CUSTOMER DATA PROTECTION

Scope of the Bank's public Information Security Policy

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

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

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

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

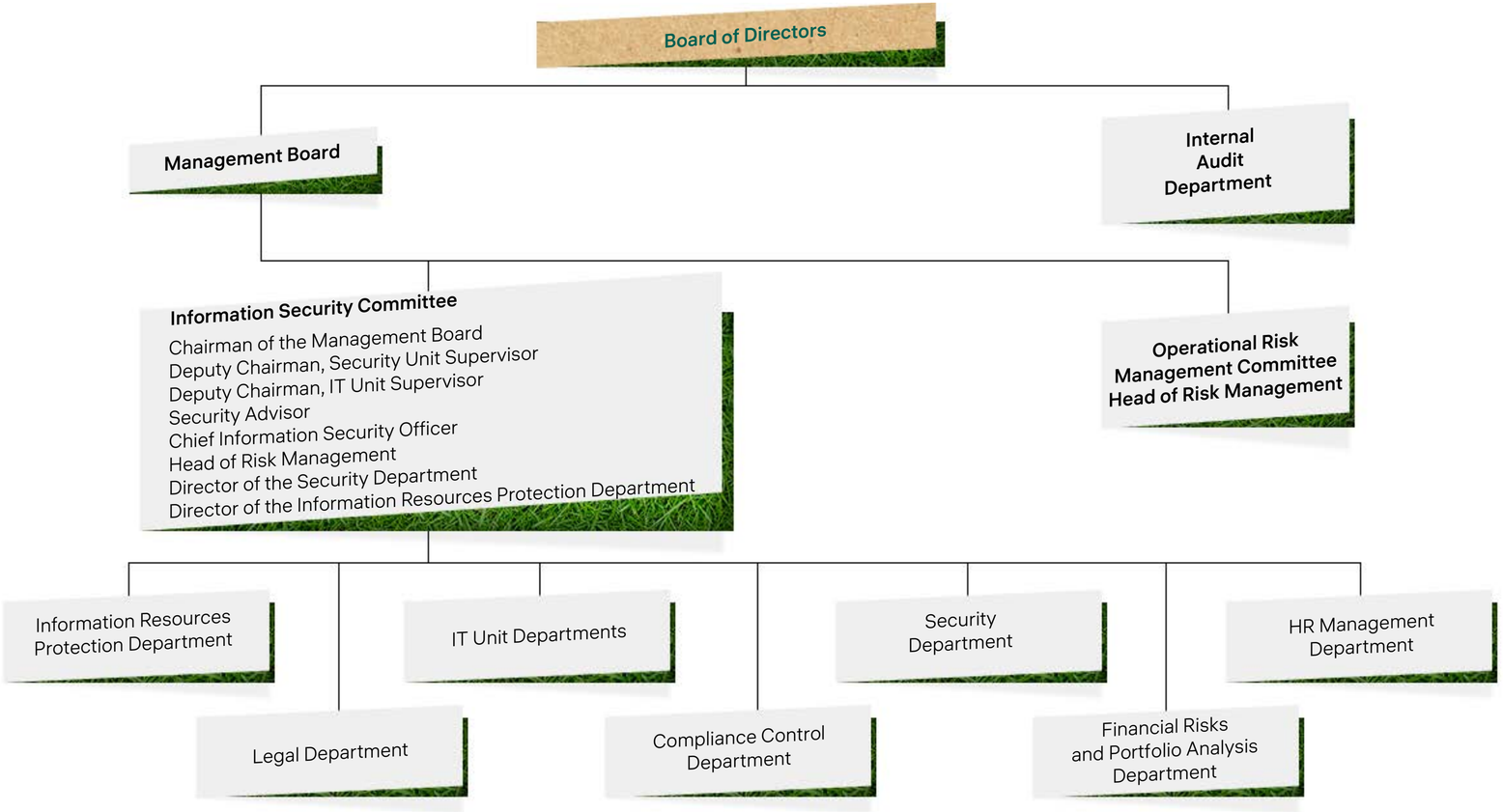
The provisions of the IS Policy are binding for all the Bank's employees, interns and trainees, and are conveyed to customers and other third parties who have access to the Bank's information systems and documents insofar as they directly concern the Bank and their activities.

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

Information is one of the most important banking assets.

Ensuring information security is crucial to the successful implementation of the Bank's commercial activities.

Participants in the Bank's information security management system



Principles of the information security management system.

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

- Legality – Any actions taken to ensure information security are performed based on current legislation, using all methods permitted by law to detect, prevent, contain and suppress any negative impact on the Bank's assets that are subject to information protection.
- Focus on business – Information security is viewed as a process to support the Bank's core business based on an analysis and assessment of information security risks inherent in such activities. Any measures to ensure information security must not create serious obstacles to the Bank's activities.
- Continuity – Management tools for information security systems should be used and any measures to ensure the Bank's information security should be implemented without disrupting or stopping the Bank's current business processes.

- Complexity – The security of information resources must be ensured throughout their entire life cycle, at all technological stages of their use and in all modes of operation.
- Justification and economic viability – The Bank's capabilities and means of protection must be used based on the extent to which science and technology has developed, must be justified in terms of the given level of security and comply with all requirements and standards. In all cases, the cost of implementing information security measures and means must be less than the amount of possible damages from the types of risk that are identified.
- Priority ranking – All the Bank's information resources must be categorised (ranked) based on their degree of importance in assessing real and potential threats to information security.
- Essential knowledge and the least level of privileges – Users of the Bank's information resources shall receive the minimum level of privileges and access only to data that they need to perform their activities within their purview.
- Specialisation – Technical means and information security measures must be taken by the Bank's professionally trained specialists.
- Awareness and personal responsibility – Managers at all levels and the executors must be aware of all information security requirements and are personally responsible for meeting these requirements and observing established information security measures.
- Interaction and coordination – Information security measures are implemented based on the relationship between the Bank's relevant structural units, the coordination of their efforts to achieve the goals set and the necessary links with external organisations, professional associations and communities, government agencies, legal entities and individuals.
- Verifiability – Important documentation and all records confirming the fulfilment of information security requirements and the effective organisation of the system must be created and stored with the ability for online access and recovery.

Main assets that require information security:

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

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

In 2022, 32 employees from the Information Resources Protection Department underwent training as part of external information security courses.

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

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

Individuals' rights concerning the management of their personal data.

Personal data protection measures

The Bank's Personal Data Collection, Processing and Protection Policy was drafted and approved by the Board of Directors in 2022 in accordance with the Kazakh law on personal data and its protection.

The Policy defines the general principles, goals, procedure and conditions for the collection, processing and protection of personal data at the Bank.

The Policy applies to all processes that are carried out with or without automation tools and involve the processing, recording, systematisation, accumulation, storage, clarification, extraction, use, transfer (provision, access), depersonalisation, blocking, deletion and destruction of the personal data of the Bank's employees, customers and other individuals.

The Policy stipulates that individuals have the following rights with respect to their personal data:

- Be aware of whether the Bank possesses their personal data, as well as receive information containing: confirmation of the processing of personal data as well as the purpose, sources and methods of such processing; a list of personal data and the period during which the personal data is processed, including the period of its storage
- Demand that the Bank change and supplement their personal data if there are grounds for doing so confirmed by the relevant documents
- Demand that the Bank block their personal data if information emerges about a violation of the conditions for processing personal data
- Demand that the Bank destroy their personal data processed in violation of the legislation of Kazakhstan, as well as in other cases prescribed by the legislation of Kazakhstan
- Withdraw consent to the collection of personal data, as well as its processing, distribution in public sources, transfer to third parties and cross-border transfer, except as otherwise prescribed by the legislation of Kazakhstan
- Give the Bank consent to distribute their personal data in publicly available sources of personal data
- Protect their rights and legitimate interests, including compensation for moral and material damage
- Exercise other rights envisaged by the legislation of Kazakhstan

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

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

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

Ensuring the security of personal data entails:

- Recording the places where personal data is stored and processed
- Detecting cases when personal data is accessed without authorisation and taking measures to eliminate such violations
- Recovering personal data that has been modified or destroyed due to unauthorised access

- Establishing and monitoring rules for access to personal data processed in the Bank's information systems, as well as ensuring the registration and recording of actions performed with personal data in such information systems
- Monitoring measures taken to ensure the security and level of protection of personal data during its processing in the information system
- Appointing a person responsible for organising the processing of personal data
- Internally monitoring the compliance of personal data processing with the requirements of the legislation of Kazakhstan, the Policy and the Bank's internal documents
- Introducing the Bank's employees directly involved in the processing of personal data to the requirements of the law and the regulatory legal acts adopted in accordance with it, the Policy and internal documents on the processing of personal data

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

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

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

Data breach/incident response plans

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

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

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

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

Data is encrypted and depersonalised.

Access to confidential information is physically protected.

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

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

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

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

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

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

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

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

In an effort to prevent breaches of the confidentiality of customer data from recurring, the Bank has made technical improvements to and optimised settings in its public applications, introduced the Static Application Security Testing (SAST) scanning procedure, bolstered the IS testing of new software product improvements, developed and launched a course for IT managers on IS compliance requirements and requires newly hired developers to take the "OWASP Top-10" course on secure development. Materials that aim to raise awareness among the Bank's employees about information security include information on how to ensure the protection of personal data.

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

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

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

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

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

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

When necessary (in particular, if required by regulatory legal acts or international standards), the Bank checks counterparties (suppliers of goods and services) for compliance with certain requirements (e.g., it checks documents that confirm compliance of the services with the requirements of the PCI DSS standard).

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

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

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

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

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

In 2022, the annual QSA audit once again confirmed the Bank's compliance with the requirements of the international data security standard of the payment card industry and the international security standard of the payment card industry: 3-D Secure payments.

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

Financial fraud prevention

In recent years, Kazakhstan has seen a considerable increase in the number of financial fraud cases.

To bolster the protection of its customers' assets and increase their financial literacy in matters concerning fraud prevention, the Bank launched a client awareness programme (with financial literacy push notifications, fraud warning screens in mobile banking, the publication of thematic social media posts on the Bank's official accounts, public posts by popular bloggers, articles in national media online publications, etc.). Thematic videos were launched on TV screens at the Bank's branches. Instructions have been developed and successfully used for managers of bank branches to identify customers that are being affected by scammers.

To solve problems related to financial internet fraud, the Bank took the initiative to work with state and law enforcement agencies, members of the Association of Financiers of Kazakhstan and telecom operators. Certain issues are being jointly coordinated to amend legislation to ensure that dubious transactions can be legally blocked, information can be rapidly shared with regulatory and law enforcement agencies, and fraud-related Internet traffic can be blocked.

The Bank had introduced and is actively developing an anti-fraud system for remote banking channels.

Based on statistics and an analysis of country trends, rules for detecting and blocking suspicious transactions have been developed and introduced, and they are constantly being updated taking into account the risks that have been identified. The measures taken by the Information Resources Protection Department together with the retail business and IT units have proven effective in reducing damages to customers from financial fraud with the use of social engineering.

In 2022, 34,262 fraud attempts were made against the Bank's customers.

Meanwhile, damages to customers prevented by the Bank amounted to KZT 1.6 billion as a result of the Bank's comprehensive anti-fraud measures.

Halyk

HUMAN RESOURCE MANAGEMENT

HUMAN CAPITAL DEVELOPMENT

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

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

Human resource management

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

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

Alignment of the interests and goals of the Bank and its employees – The Bank respects and values its staff and creates conditions to ensure there is corporate responsibility for their overall performance. Employees make every effort to achieve the Bank's goals.

Competitiveness, rotation and regular assessment of individual qualities and capabilities – The Bank strives to select candidates on a competitive basis, systematically rotate positions vertically and horizontally, prepare talent pools for specific positions, and identify and develop employee strengths.

Long-term relationship – The Bank seeks to ensure that it has long-term relationships with its employees. The continuity of knowledge and experience, along with a focus on and investment in the development and training of employees, should be consistent with the Bank's needs to achieve its strategic goals.

Commitment to ensuring the professional growth and development of its employees – The Bank offers and is developing a mentoring programme, and employees are trained and share their knowledge and skills.

Evaluation of performance results – The Bank highly values the contribution of each employee. It has introduced a performance management system with requirements for job descriptions, key performance indicators (balanced scorecards and an assessment of job expertise), a corporate competency model, an assessment of the quality of performance standards, and employee motivation and encouragement.

Remuneration is consistent with the scope and complexity of work – The Bank seeks to build an effective remuneration system based on the principles of internal fairness and external competitiveness, as well as identify and develop factors that can help to increase job efficiency.

Creation and preservation of a favourable moral and psychological climate – The Bank strives to create positive working conditions and build team-based relationships that contribute to efficient operation

The Bank implements its HR policy in the following ways:

1. guiding its business by the principles of legality, fairness and equal opportunities
2. improving the organisational structure, and employee recruitment and placement
3. adapting new employees and co-operating with existing staff
4. ensuring employees' professional and skill training and personal development, and building a talent pool
5. managing employee performance and motivation, and compensating them for their labour
6. providing social support for employees
7. fostering a corporate culture

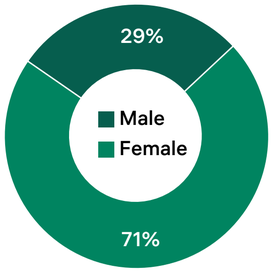
The Bank's workplace management system is underpinned by internal regulations in each area of HR management. These are based on the provisions of the Labour Code of Kazakhstan, the Code of Kazakhstan "On Taxes and Other Mandatory Payments to the Budget", the Law of Kazakhstan "On Joint-Stock Companies",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

Diversity

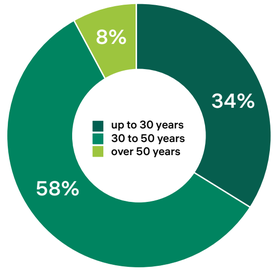
In an effort to maintain a stable team of highly skilled professionals, the Bank provides equal employment opportunities for workers and candidates to join its workforce, and also supports and observes the principles and norms of international law and Kazakh legislation.

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

At the end of 2022, the Bank's headcount totalled 14,546 people, down 2% year-on-year. Women make up 71% of employees, while men account for 29%. In terms of age diversity, 57% were aged from 30 to 50 years, 34% were under 30 years and 8% were over 50 years. The average age of the Bank's employees in 2022 was 34 years, unchanged year-on-year.



Gender diversity in 2022, %



Age diversity in 2022, %

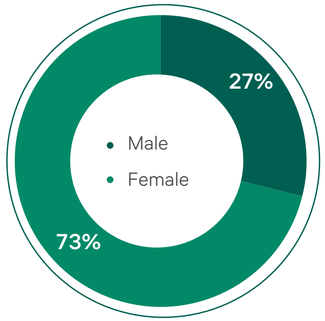
The Bank does not employ children or use forced labour. The youngest employee is 18 years old.

In 2022, the share of employees who hold senior or middle management positions was 11%, of which 62% were women and 38% were men.

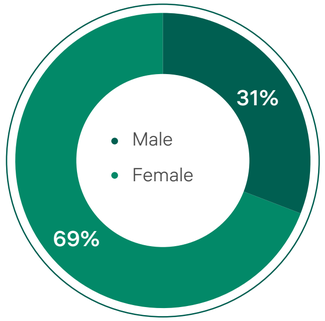
As of the end of last year, 12,804 employees worked under permanent contracts[36] (88% of the overall headcount), of which 70% were women and 30% were men. A total of 1,742 employees worked under temporary contracts[37] (12% of the headcount), of which 80% were women and 20% were men.

[36] Open-ended employment contracts as defined in Article 30 of the Kazakh Labour Code.
[37] 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

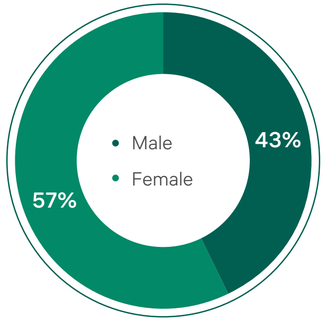
During the reporting period, 99% of employees worked full-time and 1% worked part-time. Of both the full-time and part-time employees, 71% were women and 29% were men. The number of outsourced employees increased to 238 in 2022 (around 1% of the headcount).



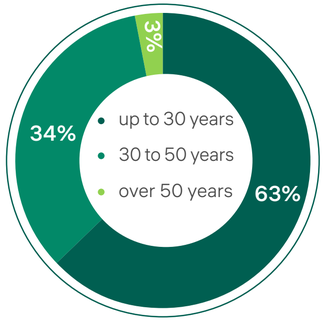
Gender diversity of full-time employees In 2022, %



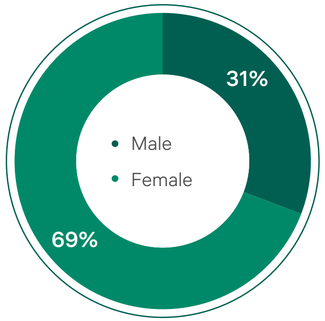
Gender diversity of part-time employees in 2022, %



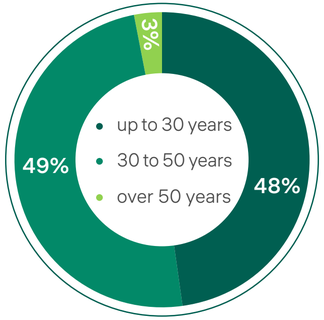
Gender diversity of new hires in 2022, %



Age diversity of new hires in 2022, %



Gender diversity of employees who resigned in 2022, %

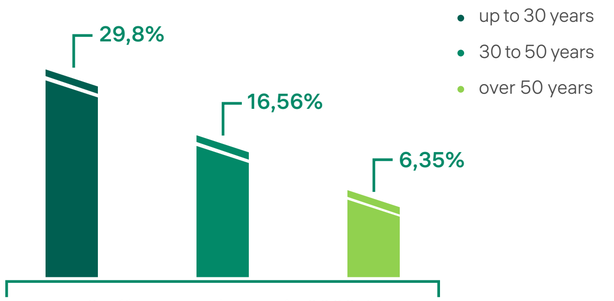


Age diversity of employees who resigned in 2022, %

In 2022, 3,261 new employees were hired, which equals 22% of the average headcount.

During the year, 2,840 employees resigned voluntarily. Staff turnover amounted to 19.7%, up 2.8% compared with 2021.

In terms of age diversity, there was staff turnover of 29.8% among employees under 30 years, 16.56% among those from 30 to 50 years and 6.35% among those over 50 years. Although the highest turnover was seen in the youngest age group, there has also been an increase in the number of young professionals because of the introduction and development of programmes for young people. These aim to attract students and graduates and allow them to combine work and education, while providing an external talent pool of professionals who can easily adapt to the Bank's processes.



Staff turnover by age in 2022, %

Staff recruitment and hiring

When hiring new people, the Bank bases its selection solely on the professional expertise, personal qualities, experience and motivation of candidates.

The Bank uses a variety of search and recruitment resources to select and hire personnel:

- a database of internal candidates working in the Bank's system or in the talent pool
- employment centres
- social networks (Instagram and LinkedIn) and the career page on the Bank's public-facing website
- various online recruiting resources
- specialised recruiting agencies
- a database of trainees and graduates of training courses for branch cashiers and retail business employees
- secondary and higher educational institutions

To realise the potential and ambitious professional and career plans of both experienced job seekers and young professionals with no previous experience, Halyk Bank continues to offer opportunities that make it easier to access its vacancies. In 2022, the Bank launched the Halyk Jumys Telegram channel, where it publishes both job vacancies and posts about corporate life on a daily basis. Today, Halyk Jumys has more than 8,000 subscribers.

Attracting young talent

While endeavouring to maintain long-term relationships with experienced employees who have been with the Bank for many years, it is mindful of developing career opportunities for young professionals.

In 2022, the Bank took part in 17 job fairs, including Digital Bridge 2022, at which it actively presented the opportunities and advantages of starting a career at the Bank to young specialists. To promote interaction with the country's leading universities, two open events were held in 2022 for students of the International University of Information Technologies (IUIT), Kazakh-British Technical University (KBTU) and Suleyman Demirel University (SDU), during which employees shared information about projects, life and work at the Bank.

In 2022, the Bank was recognised at the HR Brand Central Asia Awards (Best Employer Projects 2021) in the 'Region' category for Halyk Academy, a socially significant national educational project that it launched in 2020.

The main idea of the project is to train IT interns at three of Kazakhstan's leading universities: IUIT, KBTU and SDU. To ensure successful implementation, the Bank helped to set up labs where its IT staff hold guest lectures and workshops featuring actual business cases, and also provided the necessary material and technical facilities.

Halyk Academy 2.0

In 2022, the Bank transformed the Halyk Academy project into Halyk Academy 2.0, providing the possibility for employees to receive additional remuneration for teaching lectures at IUIT, KBTU and SDU and contributing to the training of future colleagues.

During the year, several courses were launched under the initiative:

KBTU:

- Developing java applications for stream and batch processing – 8 weeks
- Statistical learning – 12 weeks
- Advanced Python – 12 weeks

IUIT:

- Data analysis, data engineering and business intelligence – 12 weeks
- Practical Go – 12 weeks
- Database programming with PL/SQL – 12 weeks

Through the continuation and improvement of the project, each student of these universities get first-hand contact with projects and tasks in real practical business conditions, colleagues gain great experience in self-realisation as teachers and the Bank continues to attract the best students.

The Bank's work with young people has resulted in a 33% year-on-year increase in subsequent hires of interns to full-time positions.

Staff adaptation

In 2022, the adaptation programme for new hires was transformed to care for the mental health of employees.
In addition to its standard function of helping new employees to quickly integrate into the work process and corporate culture, the adaptation programme includes the Halyk Dos Telegram bot, which helps newcomers to quickly find answers to any questions that arise during their probationary period.
Along with mentoring, a practice that has existed and been evolving at the Bank for many years, the programme has a set of case studies for the direct supervisors of newcomers to help them adapt to the team and experience the least amount of stress in their new workplace.
Another important aspect of helping newcomers to feel like they are part of the Bank's huge team is monitoring their psychological and emotional wellbeing during the probationary period. To this end, the Bank has the following measures in place:

- Meetings with the manager and hiring recruiter to discuss and resolve any problem areas that might arise
- Welcome training for the emotional inclusion of newcomers in the Bank's work
- Probationary period debriefing and feedback programme.

MOTIVATION AND REMUNERATION

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

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

The Bank systematically assesses inflation forecasts to decide on the need for indexation and salary increases. In 2022, it revised the remuneration scheme for staff positions to take into account increased inflation, resulting in an average salary increase of 10%.

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

Wellbeing programme

Despite rapidly changing global events, the Bank remains a leader in terms of stability and takes even greater efforts to care for its staff, creating a sense of security for each employee. In 2022, the Bank not only maintained its guaranteed social package, which includes various types of benefits and remuneration, but also improved the existing social package programme by dividing it into four types of employee wellbeing – mental, physical, social and financial – so that employees can achieve work-life balance:

Mental | Social | Physical | Financial

Each aspect considers employees' needs at every stage of their life cycle at the Bank: a culture of onboarding, recognition, communication, unity, financial literacy and, of course, caring for family and loved ones.

As part of the wellbeing programme's transformation, it was expanded to include the following benefits:

1. A mortgage loan subsidy programme for employees with one year or more of service with the Bank
2. Quarterly recognition of employees' achievements (in addition to the existing year-end recognition)
3. Annual recognition of the best department heads at the Head Office and branch directors in each business area
4. Access to psychological training and meditation programmes

In 2022, to ensure team unity, the Bank conducted:

1. Weekly team-building events for the Bank's divisions;
2. A large-scale team-building programme that gave employees the opportunity to freely choose a comfortable location: various events, master classes, flash mobs or outdoor recreation
3. A football championship among Halyk Group employees: regional qualifiers were held for 24 branches, Head Office employees and subsidiaries, and the finals were held in Astana, at which 16 teams from three countries competed for victory

During the championship, the participants felt the support of fellow colleagues, including those from other cities and countries. The atmosphere of unity was promoted through excursions to the capital and a closing festive corporate event.

A significant event within the wellbeing programme in 2022 was the launch of a psychological support service. Every employee of the Bank was offered online access to psychological training and relaxing meditation with certified psychologists to address complex personal and work-related issues (stress and burnout, teamwork, relaxation, leadership programmes, and so on).

Mental and emotional wellbeing and wellness programmes

Psychological counselling
- How to cope with stress
- Self-realisation
- Performance enhancement

Online meditation and relaxation
- Health – for ideal wellbeing and peace of mind
- Confidence – for business and busy people
- Everyday – for reducing fatigue and feeling invigorated and energised

The training sessions are conducted online in a format that makes them convenient and accessible even in remote areas. Over the first several months of operation, demand for the programme among the Bank's employees was quite decent for this type of service.

All employees are entitled to parental leave. The Kazakh Labour Code allows employees to exercise their right to parental leave not only as a woman, but also as a man, as well as a grandmother, grandfather or other relative who is actually raising a child left without parental care, or who are guardians or have adopted a new-born child. As of the end of 2022, the Bank had 2,577 employees on unpaid parental and maternity leave, including 2,566 women (99.6%) and 11 men (0.4%). Over 2022, 1,049 female employees returned from maternity leave. After taking leave, 63% were still working at the Bank 12 months after returning to work.

Halyk

PERFORMANCE APPRAISAL

PERFORMANCE APPRAISAL

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

Various tools are used in the appraisal, such as the balanced scorecard (BSC), which makes it possible to link the targets for each KPI of business units at the Bank and executive remuneration. The Assessment of Job Performance and Competencies (AJPC) method is also conducted through an automated form on the corporate portal.

In 2022, a new methodology for assessing the efficiency of IT departments was successfully piloted at several departments, making it possible to evaluate the performance of each employee and monitor the use of all available resources. The project is of great importance both to increase the responsibility of IT specialists for the results of their work and to improve labour productivity, IT resource allocation efficiency and performance discipline control.

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

In 2022, 10,083 employees underwent performance appraisals, or 70% of the overall headcount. The remaining 30% were not subject to appraisal. The appraisals included 78% of male and 66% of female employees. During the reporting period, the appraisal process covered all members of the Management Board, 99% of senior executives, 90% of middle managers and 67% of specialists. The performance appraisal is also an important tool for taking management decisions, such as building a talent pool, designing personnel development programmes, making incentive payments, recognising the Bank's best employees and calculating the annual bonus.

Many studies have confirmed that executive assessment methodology should include several tools. Therefore, the KPI-based appraisal has been supplemented by a competency-based assessment using a specialised occupational personality questionnaire (OPQ) from SHL, which make it possible to assess managers' abilities and strengths, as well as to identify competencies for development.

The OPQ was completed by managers at the level of Head Office director and their deputies, Head Office head, as well as branch director and their deputies. Overall, 92% of managers selected completed the OPQ. Each participant received personalised feedback and development recommendations.

Halyk

TRAINING AND DEVELOPMENT

TRAINING AND DEVELOPMENT

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

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

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

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

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

Priority areas of development

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

Halyk Bank is committed to constantly improving its existing training and development programmes, while also introducing new ones that take into account the needs of business and the workforce. Modern technologies are used to make learning more convenient, supplementing in-person training with online sessions.

The Bank declared 2022 the year of service, prioritising corporate training for front-office employees to improve the level of customer focus and service.

Considerable attention was paid to developing the skills of managers and unlocking their leadership potential, as managers are the main drivers and agents of all change and innovation at the Bank. Together with Nazarbayev University's Graduate School of Business, a leadership development programme was developed and implemented for the first time, combining academic knowledge with the application of practical tools. The training was conducted by international faculty members, mostly in an online format, which allowed the training to cover all branch heads at the Bank and ensure a high level of expertise of the instructors.

One aspect of the Halyk Extra wellbeing programme – financial wellbeing – provides financial literacy distance learning for employees to better manage their money, make informed decisions and avoid financial pitfalls.

Halyk employees are constantly improving their professional standards, acquiring skills and developing competencies while at work, participating in new projects and focusing on self-education, including using the public corporate library and self-directed distance learning courses.

Talent development

The Bank has an internal talent pool programme to turn people into true within the company through a system of rotation, training and mentoring. The talent pool aims to guarantee the stability of key and managerial positions in the workforce and stimulate improvements in the professionalism and business activities of the Bank's employees. At least 75% of leadership appointments go to experienced and talented employees, who often need to develop management competencies and gain a broader perspective on the business.

The Bank works systematically to develop members of the talent pool. In 2022, their development programme was implemented in an innovative format with elements of gamification. Business coaches immersed the participants in a fairy-tale environment with competitive mechanics, which allowed the pool members to maximise their opportunities and see their potential.

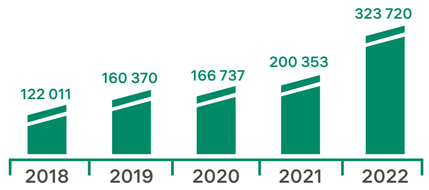
The Bank's Academy of Leaders continues to develop the managerial potential of its regional network. The project aims to form a talent pool from among the Academy's most productive and successful graduates for subsequent appointment as leaders of sales channels. The programme consists of four modules that enable employees to upgrade their leadership competencies and team skills while promoting participants' personal transformation and ability to adapt to changes rapidly.

In addition to the internal talent pool, an external talent pool was formed for the first time to fill the positions of heads of subsidiaries, as well as technical and expert positions at the Head Office.

Distance learning

Work continued to expand the coverage of employees with training and testing through the DLS. During the reporting period, more than 300,000 appointments for training courses and screening tests were made through the system, an increase of 61% year-on-year.

Distance learning and testing appointments through the DLS in 2018-22



In 2022, the Bank launched a mobile application for the DLS that enables all employees to take courses and read books on self-development, personal effectiveness, psychology and business 24/7.

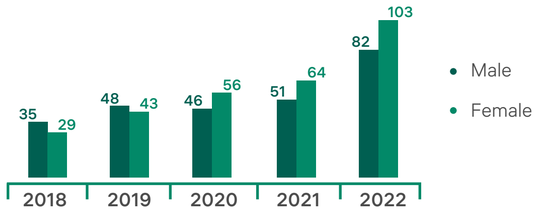
Main manager training topics

In 2022, particular attention was paid to the following training topics for managers:

Senior executives	Middle managers
Leadership development programme, comprising the following modules: Leadership and key skills of effective leaders Strategy and digital transformation Strategic and digital marketing FinTech and banking Change management **Personal brand strategy** **Client service**	**Fundamentals of project management and leadership tools** **Distance learning courses for managers:** Leadership Delegation Feedback Negotiation skills Preventing staff burnout Conflict management **Sales** **Client service**

In 2022, each employee attended an average of 90 hours of training, including 82 hours for male employees and 103 hours for female employees. Broken down by position, the average was 64 hours for senior executives[38], 110 hours for middle managers and 90 hours for specialists.

Average number of training hours per employee in 2018-22:



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

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

CORPORATE CULTURE AND INTERNAL COMMUNICATION

A properly and competently built corporate culture is the key to the successful operation and implementation of the Bank's strategy. For this purpose, a number of ongoing projects are being implemented to strengthen the internal culture, personnel involvement and retention. Responsibility and self-development, openness and trust, a united team and aspiration to achieve excellent results remain the Bank's priority goals for developing corporate culture. The Bank continues to focus on such values as maintaining an atmosphere among the team of trust and, respect for employees, customers, business partners and other individuals who do business with it. Particular attention is paid to preventing violations of individual rights and freedoms, as well as discrimination on the grounds of race, colour, religion, sex, sexual orientation, age, disability or seniority.

Corporate events

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

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

In 2022, corporate events were held to promote the Bank's mission and values, as well as unite and involve employees in understanding and implementing its strategic objectives.

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

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

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

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

As part of the Bank's wellbeing programme, employees engaged in voluntary community activities, including the following environmental initiatives and events:

- April 2022 – tree planting on the territory of the Ayusai Visitor Centre in Ile-Alatau National Park
- September 2022 – office clean-ups at the Head Office and branches for World Cleanliness Day
- October 2022 – environmental clean-ups at the Alma-Arasan Gorge and simultaneous events at the eco-posts at the gorge's entrance

Green Office

The Bank has developed the Green Office concept which included environmental initiatives such as "My cup, please", as part of which people receive a discount at the Bank's cafeterias when buying a drink using a reusable personal cup or thermos, and "Car-free Day", which called on employees of the Head Office to give up their own vehicles for one day in 2022. To foster awareness of the environmental impact and a culture of environmental conservation among employees, videos about the Green Office concept are regularly broadcast.

Internal communication

The Bank continues to work on digitalising internal communication channels, which are among the main tools for developing the corporate culture.

It is essential that employees receive the most up-to-date information about events occurring at the Bank and affecting it, as well as have access to a mechanism for filing complaints and appeals. The HR Suggestions section on the intranet site performs well for this purpose, while an extensive internal corporate communications system has been created to broadcast and cover the following areas:

- The Bank's values, goals and objectives
- Strategic projects and experience sharing
- Business results
- Achievements and awards
- Key events involving the Bank
- Internal corporate events

To improve the quality of communicating internal corporate information to all employees, as well as to introduce unified tools for collaboration and internal services, in 2022, work continued to create a single information space within the Bank and support platforms for collective interaction, as well as to highlight organisational values and corporate culture principles

To solve these tasks, the Bank continues to systematically develop its current communication channels, including the MyHalyk intranet and the Halykface corporate network, where employees can exchange experiences and ideas, as well as create communities of interest and expertise.

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

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

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

In 2022, the number of inquiries about work activities amounted to no more than 0.5% of the Bank's headcount. If an inquiry contains a complaint about an employee, it is sent to the HR Department and reviewed on a confidential basis. All employee complaints during the reporting period were settled using the standard procedure.

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

Halyk

EQUAL RIGHTS AND OPPORTUNITIES

EQUAL RIGHTS AND OPPORTUNITIES

Ensuring equal rights and opportunities, and providing employees with a comfortable and respectful working environment in which their origin and lifestyle do not affect the perception of them as professionals, are priority features of Halyk Bank's corporate culture. The Bank welcomes friendliness, mutual respect and recognition, advocates for open dialogue and fairness in the workplace, and considers diversity and inclusion through strategic perception an important aspect of its business.

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

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

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

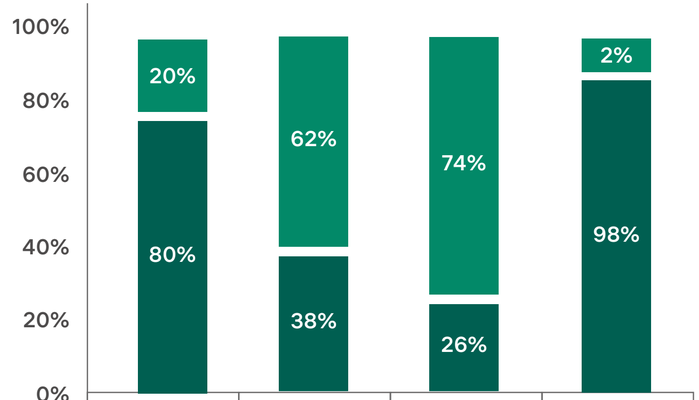
Employees who believe they are not protected against discrimination may report through the appropriate communication channels (including the helpline number available on the MyHalyk intranet). No such calls were made in 2022.

The Bank has created all the conditions needed to support the institution of employees' representatives, which helps to coordinate their interests regarding the regulation of employment relations and other directly related issues on the basis of equal cooperation. Employee representatives are elected through open voting by the Bank's staff. In 2022, the Labour Code made it possible to elect employee representatives in some regions through remote voting, given that quarantine restrictions remained in place. Improving the legal regulation of labour relations, the Bank conducts annual training for all representatives of employees and the Bank to give them the expertise needed to apply the standards of labour legislation and develop skills on negotiation and reaching consensus in labour disputes.

The right of employees to have their representatives take part in collective negotiations and the drafting of a collective agreement, as well as review the signed collective agreement, is guaranteed by Halyk Bank's Policy Freedom of Association, Collective Bargaining, and Diversity and Inclusion Policy. As of the end of 2022, none of the parties had expressed a desire to start collective bargaining or conclude a collective agreement.

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

The Bank supports gender diversity in its activities and creates equal career opportunities and conditions for all candidates. One example of this is that women play a significant role in the management of the Bank's operations, holding 20% of senior executive and 62% of middle management positions.



	Senior executives	Middle managers	Specialists	Administrative staff
Female	20%	62%	74%	2%
Male	80%	38%	26%	98%

Breakdown of gender diversity by employee category in 2020-22

	2020		2021		2022	
	Male	Female	Male	Female	Male	Female
Senior executives	9	2	8	2	8	2
Middle managers	572	991	571	972	589	975
Specialists	3 215	10 119	3 186	9 835	3 334	9 400
Administrative staff	243	7	232	9	132	

The age diversity among management roles is as follows:

- Workers under 30 make up 6% of middle managers
- Employees aged 30 to 50 account for 60% of senior executives and 79% of middle managers
- Employees over 50 represent 40% of senior executives and 15% of middle managers

Breakdown of age diversity by employee category in 2020-22 (people)

Employee category	2020			2021			2022		
	Under 30	30-50	Over 50	Under 30	30-50	Over 50	Under 30	30-50	Over 50
Senior executives		7	4		6	4		6	4
Middle managers	124	1196	243	101	1188	254	94	1231	239
Specialists	5 895	6 486	953	5 367	6 730	924	4 859	7 016	859
Administrative staff	40	177	109	23	144	83	5	80	47

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

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

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

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

Halyk

OCCUPATIONAL HEALTH AND SAFETY

OCCUPATIONAL HEALTH AND SAFETY

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

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

1. The life and health of clients and employees is the Bank's main priority
2. Ensuring safe working conditions is a key component in protecting the life and health of employees
3. No considerations of an economic, technical or other nature may be acknowledged if they run counter to the interests of the occupational health and safety of employees
4. All employees are responsible for compliance with the requirements related to occupational health and safety

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

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

1. Comply with legislative and regulatory requirements concerning occupational health and safety
2. Continuously improve the management of occupational safety at the Bank
3. Ensure that reliable information about working conditions and occupational safety is available to both employees and other stakeholders
4. Assess all possible risks in the workplace, taking into account the specifics of the Bank's activities and the nature of the risk, in an effort to identify possible and real hazards, as well as ensure risk management in accordance with the procedures approved by the Bank
5. Draft and implement action plans and targeted programmes to minimise and potentially eliminate risks, the threats of accidents, emergencies, injuries and morbidity, and improve employees' health
6. Increase the level of responsibility and ensure the involvement of each employee, regardless of his/her profession or position, in terms of complying with occupational health and safety obligations
7. Maintain employee safety training at a high level and continuously improve it by organising quality training
8. Record and conduct investigations of accidents and cases of occupational diseases at the Bank in the prescribed manner
9. Draft and approve instructions on occupational safety for the Bank's employees in accordance with Kazakh legislation
10. Ensure that the Bank has a set of internal regulatory documents containing occupational safety requirements based on the specifics of its activities
11. Conduct training on safe work methods and techniques, the provision of first aid to victims at the Bank, as well as occupational safety briefings, on-the-job training and knowledge tests of occupational safety requirement

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

To improve skills and minimise organisational risks in matters concerning occupational health and safety, fire safety, electrical safety and industrial safety, employees who interact with harmful and hazardous production factors are trained at specialist training centres each year.

In 2022, 38 employees completed external training on occupational health and safety, electrical safety and industrial safety. The Bank also conducted an occupational health and safety knowledge test for 1,480 employees through the Bank's distance learning and testing system.

Electrical safety	24
Industrial safety	14
Occupational health and safety	47
Occupational health and safety through the DLS	1 480

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

Protecting the health of employees

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

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

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

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

In 2022, there were no work-related accidents at the Bank, excluding subsidiaries.

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

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

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

- Orders and directives on occupational health and safety

- State regulations on occupational health and safety

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

Injury rates at the Bank in 2020-22

Indicator	Unit	Reporting period		
		2020	2021	2022
Total number of work-related lost-time injuries:	Number of injuries	6	8	3
Halyk Bank		2	1	0
Halyk Collection subsidiary		4	7	3
Number of working days lost as a result of accidents:	Number of days	41	498	123
Halyk Bank		16	267	0
Halyk Collection subsidiary		25	231	123
Lost-time injury rate (LTIR)	Per 1 million man hours worked	0,19	0,33	0,12

$$LTIR = \frac{3 \times 1000000}{2280064 + 23192680} = \frac{3000000}{25472744} = 0{,}12$$

ENVIRONMENT AND SOCIETY

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

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

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

The Green Office is a comprehensive set of technical, operational and motivational activities aimed at upholding Halyk Bank's environmental policy and conserving office resources. Such an eco-friendly office operates in compliance with the principles of environmental protection, making it possible to contribute to the preservation of nature and human health while significantly reducing the financial burden of office maintenance, including energy, water and paper costs.

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

1. Collecting the following types of waste for transfer to contracted disposal organisations:
   - Shredded and archived paper
   - Damaged office equipment and household appliances are handed over to a specialised organisation that extracts precious and ferrous metals and parts suitable for reuse from the equipment
   - Rechargeable batteries that have become unserviceable
   - Tyres from service vehicles that cannot be repaired or further used
   - Fluorescent lamps that are no longer serviceable
   - Plastic waste (bottles and food containers) are handed over to a specialised organisation for further disposal and recycling

2. Supporting the «My cup, please» initiative to motivate employees by providing a discount at the Bank's cafeteria when buying a drink using a reusable personal cup or thermos

3.Co-operating with a scooter, electric scooter and bicycle rental company to install mobility stations

4. Launching the «Car-free Day» campaign to encourage employees not to use their personal vehicles for a day

5. Developing environmental safety training material for employees, as well as plans to install information stands and leaflets on conserving resources such as water and electricity

6. Organising and holding office clean-ups by employees of the Bank's Head Office for World Cleanliness Day

7. Organising the «Summer Retreat» corporate outing for employees of the Bank's Head Office

Halyk

RESPONSIBLE CONSUMPTION OF RESOURCES

RESPONSIBLE CONSUMPTION OF RESOURCES

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

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

In 2022, the Bank and its branch network consumed 384.1 tonnes of paper, down 29.2% year-on-year.

Consumption of paper and plastic in 2020-22, tonnes

In 2022, the Bank issued 2.81 million payment cards, which equals 15.47 tonnes of plastic (compared with 16.39 tonnes in 2021).

During the reporting period, the Bank and its regional branch network in Kazakhstan consumed 228,286 cubic metres of water, up 10.5% year-on-year. The increase in water consumption compared with 2021 was caused by:

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

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

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

Halyk

SCOPE 1, 2 AND 3 EMISSIONS

SCOPE 1, 2 AND 3 EMISSIONS

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

Consolidated GHG emissions related to the Bank's operations

As of 01.01.2023

	Notes	GHG emissions, thousand TCO_2e
TOTAL Scope 1, 2 and 3 emissions		91,2
Scope 1, direct emissions		4,1
Scope 2, indirect emissions		64,2
Scope 3, value chain emissions		22,9
Category 1: Purchased goods and services		1,7
Category 2: Capital goods	<5%	
Category 3: Fuel- and energy-related activities (emissions not included in Scopes 1 or 2)		8,5
Category 5: Waste generated in operations		2.2
Category 6: Business travel	<5%	
Category 7: Employee commuting		10.5
Category 9: Downstream transportation and distribution	<5%	
Category 12: End-of-life treatment of sold products	<5%	

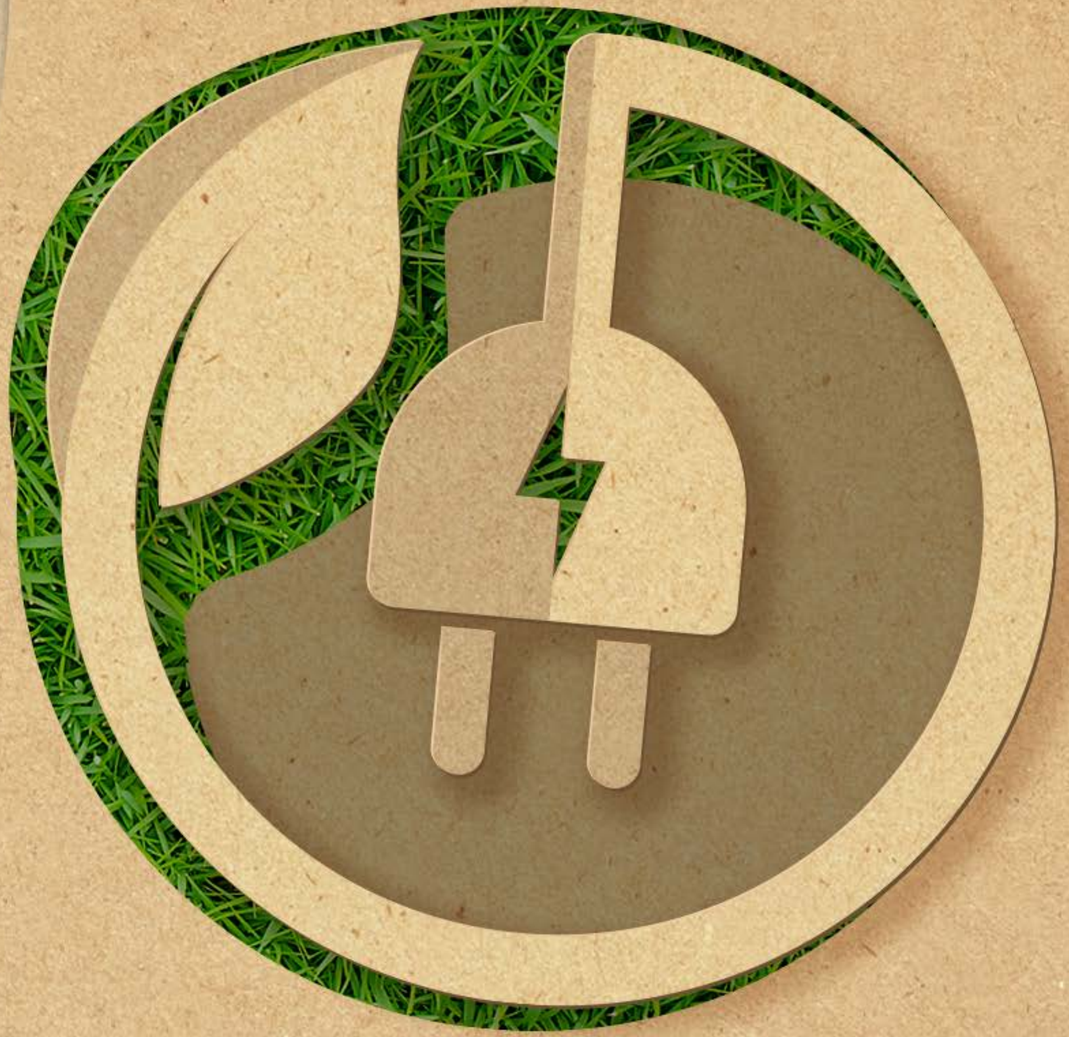
Note: Categories contributing <5% to the Bank's total carbon footprint have been assessed on a one-off basis with an appropriate finding of immateriality (below the materiality threshold).

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

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

Halyk

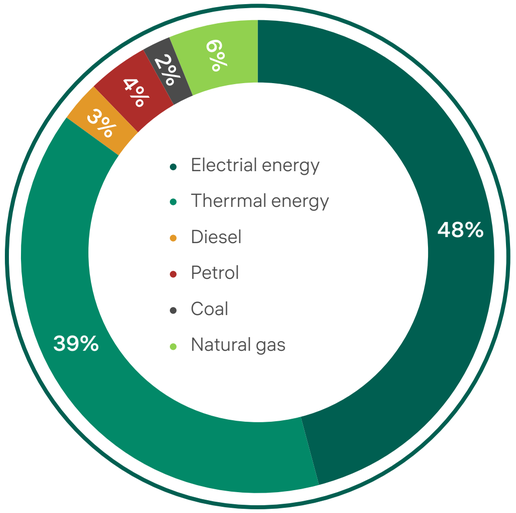
ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS



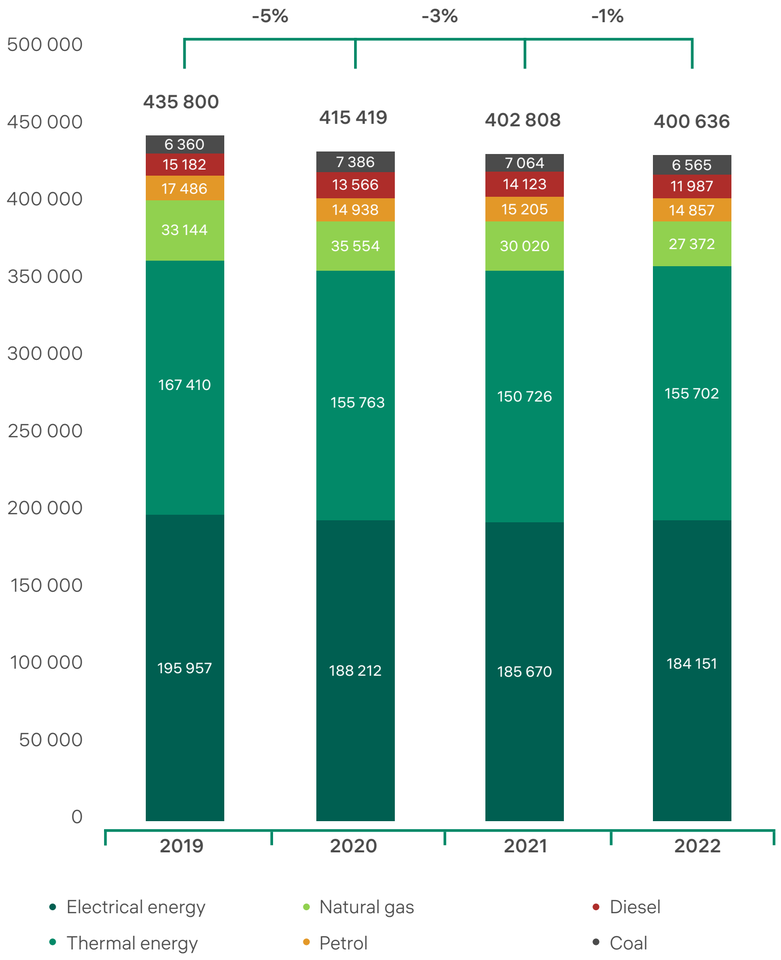
ENERGY EFFICIENCY AND GREENHOUSE GAS EMISSIONS

As a constituent of the State Energy Register[39], the Bank is systematically working to reduce its energy consumption and improve its energy efficiency. In 2022, it consumed 400,636 gigajoules (GJ) of energy, including:

- Electrical energy – 184,151 GJ
- Thermal energy – 155,702 GJ
- Natural gas – 27,372 GJ
- Petrol – 14,857 GJ
- Diesel – 11,987 GJ
- Coal – 6,565 GJ



Energy consumption by type in 2019-22, GJ



In 2022, the Bank's consumption of fuel and energy resources fell by 1.0% year-on-year.

The Bank implements the following energy savings and energy efficiency measures:

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

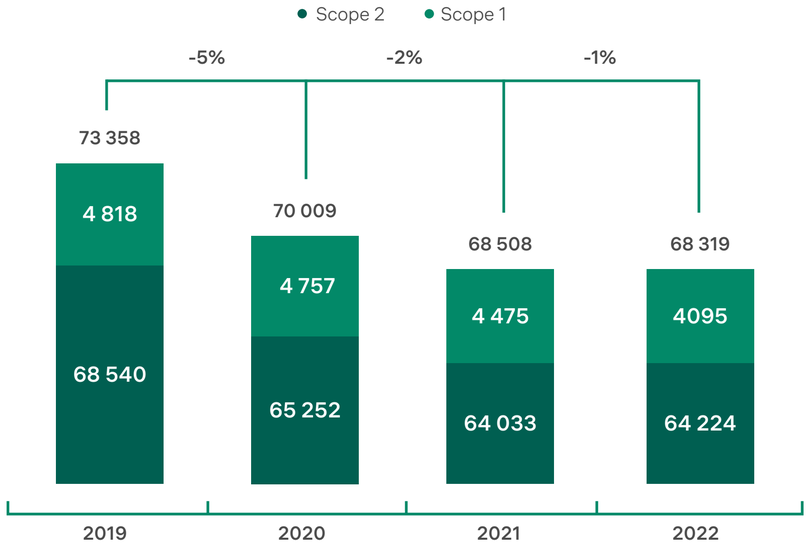
The consumption of fossil fuels as an energy source is a direct cause of GHG emissions, which are contributing to global climate change. Halyk Bank recognises the importance of this topic for the global community and is committed to achieving national climate goals. As part of preparing this report,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

In 2022, direct (Scope 1) GHG emissions totalled 4,095.2 tonnes of CO_2 equivalent (TCO_2e), down 8.5% from the 4,474.9 TCO_2e reported in 2021. The primary sources of the Bank's Scope 1 GHG emissions are vehicles and stationary power plants (heating boilers and generators).

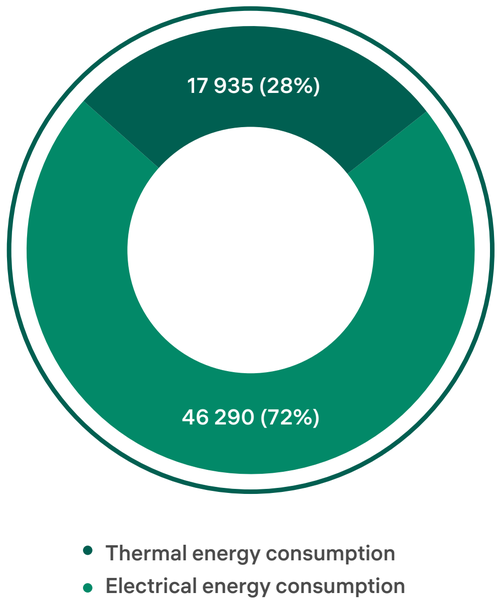
Indirect (Scope 2) GHG emissions, which are generated through the Bank's consumption of electrical and thermal energy, totalled 64,224 TCO_2e in 2022, up 0.3% year-on-year (64,033 TCO_2e in 2021).

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

HALYK BANK'S GHG EMISSIONS IN 2019-22, TCO_2E



SCOPE 2 EMISSIONS BY TYPE OF ENERGY CONSUMPTION IN 2022, TCO_2E AND %



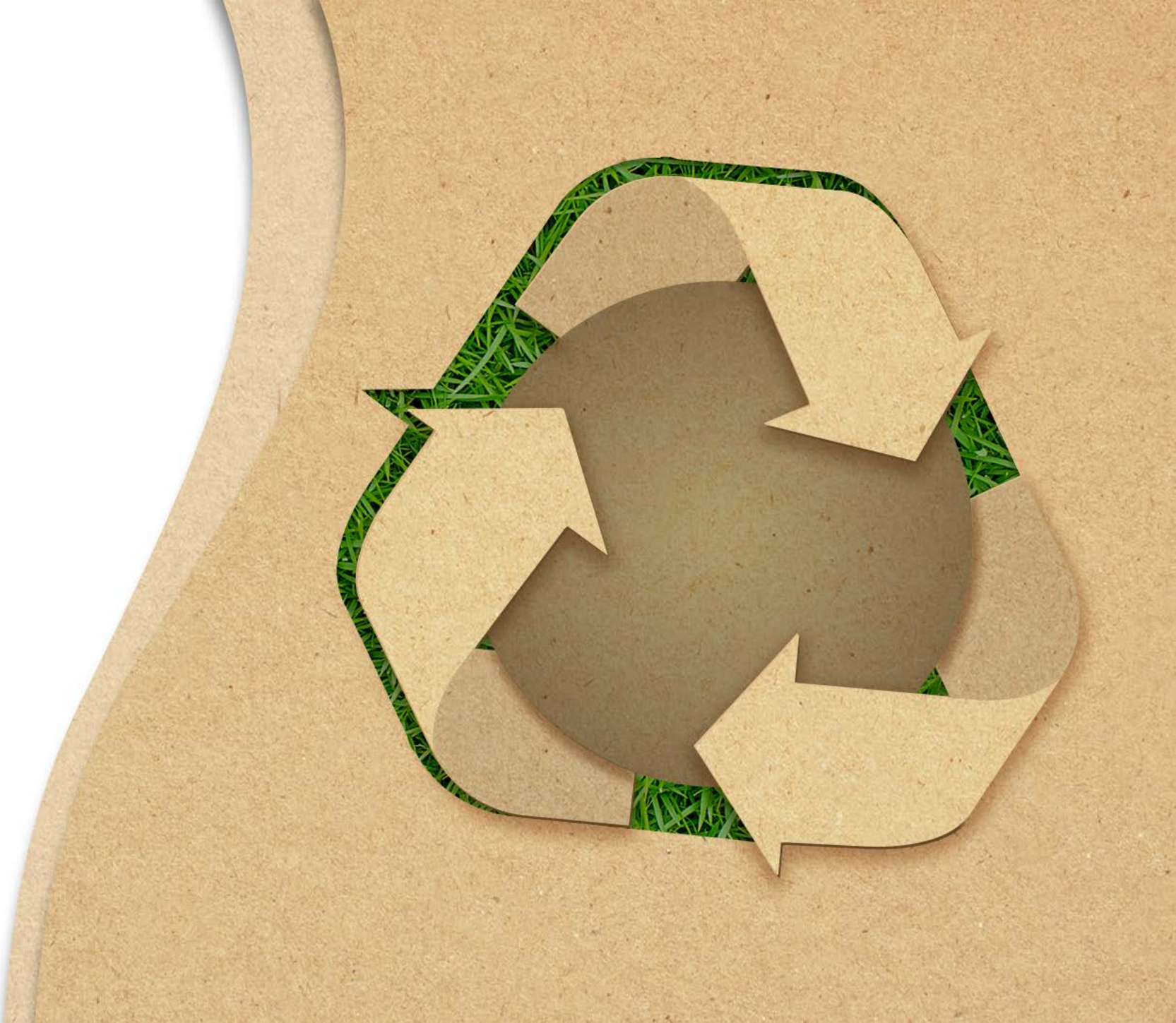
HALYK BANK'S GHG EMISSIONS IN 2020-22

	2020	2021	2022
Direct GHG emissions (Scope 1), TCO_2e, including:	4 756,9	4 474,9	4 095,2
CO_2 emissions	4 744,4	4 463,2	4 084,4
CH_4 emissions	0,128	0,125	0,114
N_2O emissions	0,0317	0,0312	0,0287
Indirect GHG emissions (Scope 2), TCO_2e, including	65 252	64 033	64 224
Electricity	49 257	47 310	46 290
Heating	19 283,3	17 942	17 935

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

Halyk

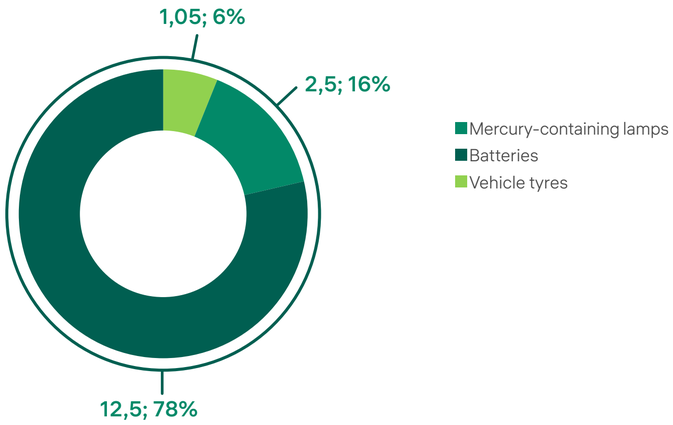
WASTE MANAGEMENT



WASTE MANAGEMENT

In 2022, the Bank's operations generated 7,280.5 tonnes of waste, including 12.5 tonnes of hazardous and 7,268.0 tonnes of non-hazardous waste. The Bank's hazardous waste includes mercury-containing lamps, vehicle tyres and batteries. The non-hazardous waste includes solid domestic waste (SDW) and wastepaper[40].

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



[40] 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 2 January 2021 No. 400-VI ZRK, 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 explosiveness; oxidation; flammability; irritation; specific systemic toxicity (aspiration toxicity to the target organ); acute toxicity; carcinogenicity; corrosivity; infectious properties; toxicity to procreation; mutagenicity; formation of toxic gases on contact with water, air or acid; sensitisation; ecotoxicity; and the ability to exhibit the hazardous properties listed above as indirect emissions from the original waste).

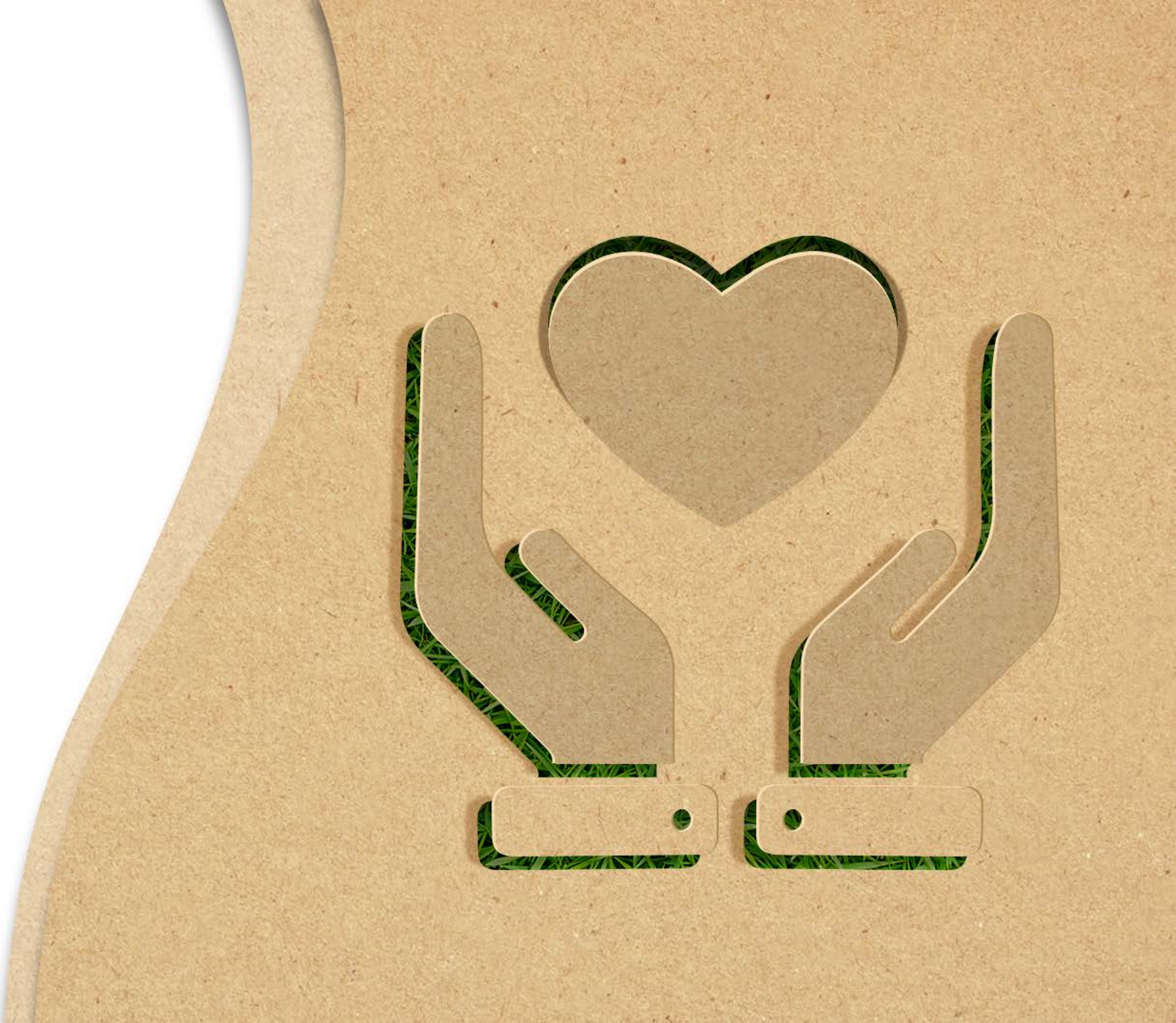
Types of hazardous waste generated by the Bank in 2022, %

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

Green spaces are one of the most important ways to fight CO_2 emissions, as plants absorb carbon dioxide and release oxygen through photosynthesis. In 2022, 100 trees were planted as part of urban greening efforts.

Halyk

SOCIAL PROJECTS



SOCIAL PROJECTS

Emergency situations

In 2022, Halyk Bank provided assistance to Kazakh citizens who were victims of the following tragedies and emergency situations:

- KZT3 billion for citizens following the events of January 2022, through the Kazakhstan Halkyna fund
- KZT115.6 million for families of servicepeople who died during the January events
- KZT82 million for residents of the Kostanay region affected by the fire there

Tree planting

The Bank supports National Forest Planting Day, an environmental initiative held annually in Kazakhstan. In 2022, it sponsored the planting of 77 young frost-resistant sakuras in Presidential Park in Astana. The overall amount pledged was KZT950,000.

Other social projects

Construction of a children's play area in Aktau

The Bank seeks to play an active role in the social life of Kazakhstan's regions. One priority focus is caring for children. To mark the opening of a new building in the Mangistau branch, as the initiator of the charitable event, the Head Office donated KZT5 million to the city of Aktau, the capital of the Mangistau region, for building a children's play area.

Victory marathon

Each year, the Bank supports World War II veterans. In 2022, it provided financial assistance to 101 veterans totalling KZT7.6 million, or KZT75,000 each.

AYALA charity fund

Since 2009, Halyk Bank has been supporting the Ayala Charity Fund, which works to save the lives of children born with various health issues. In 2022, the Bank provided support totalling KZT24.3 million to purchase medical equipment to alleviate visual impairment in newborns with retinopathy, specifically the 3nethra neo retinal camera, and to train ophthalmologists how to work with the device.

Council of Generals

In 2022, the Bank decided to provide KZT5 million to support the Council of Generals, a national public association. The council used the funds to reprint the book "A Dive Into Immortality" by Talgat Begeldinov, a two-time Hero of the Soviet Union, and hold several events dedicated to the 100th anniversary of the legendary pilot's birth.

Image projects

Kazakhstan Growth Forum

Halyk Bank sponsored the organisation of an annual summit of financiers called the CFO Idea Exchange and Networking Event. Also known as the CFO Summit, this professional platform brings together the country's leading financiers and economists to share experience and find solutions on key issues concerning economics, finance, investment and IT technologies in Kazakhstan. The total sponsorship amount was KZT1 million.

Women in Business Forum

The Bank has been actively supporting entrepreneurial women for several years. As part of this, it sponsors the Women in Business Forum organised by the Atameken Council of Businesswomen in Almaty. The total sponsorship amount was KZT3 million.

ULTTYQ ÓNIM 2022 Exhibition of Kazakh Manufacturers

As part of its cooperation with the Damu Fund, Halyk Bank sponsored the ULTTYQ ÓNIM 2022 Exhibition of Kazakh Manufacturers, which the fund organised. This enabled the Bank's management to hold its own session with entrepreneurs in Astana. The total sponsorship amount was KZT15 million.

Ministry of Internal Affairs forum to mark the 30th anniversary of Kazakh internal affairs bodies

On 23 June 2022, the Ministry of Internal Affairs held a forum to coincide with the 30th anniversary of the founding of the internal affairs bodies of Kazakhstan. Kazakh companies showcased some of their latest technical solutions at the forum, while Halyk Bank presented its GovTech products to the minister of internal affairs. The total sponsorship amount was KZT5 million.

Digital Bridge 2022 Forum

In September, the Digital Bridge 2022 Forum was held, and Kazakhstan's president, major companies and international speakers took part. As part of efforts to develop the domestic IT industry and promote digital transformation, the Bank provided KZT15 million in sponsorship for the forum.

ESG international conference

The Bank adheres to global ESG principles and was the first financial institution in Kazakhstan to start publishing sustainability reports. As part of this, the Bank decided to sponsor the international conference 'ESG: A New Paradigm for the Development of the Financial Market'. Representatives of the Bank spoke at the conference and shared their experience in embedding sustainable development principles into the Bank's corporate governance system. The total sponsorship amount was KZT2 million.

Projects implemented through the Halyk Charity Fund

Since it was established in 2016, the Halyk Charity Fund has focused primarily on the development and support of social initiatives (85% of the total amount of assistance provided), as well as projects in sport (9%), education (4%) and culture (2.4%).

Last year was a real test for the country, as the tragic events of January 2022, which engulfed numerous regions of Kazakhstan, the unstable geopolitical situation in neighbouring states and the ongoing effects of the COVID-19 crisis all put a tremendous burden on the country's social support system.

Due to this, in 2022, the fund focused on providing social assistance to the country and the population, as well as full support for the social initiatives of President Kassym-Jomart Tokayev. The fund implemented 13 projects, including the following nine projects for which the Bank pledged a total of around KZT2.5 billion:

- KZT500 million in charitable assistance to micro and small businesses affected by the tragic events of January 2022 in Almaty
- KZT1.3 million to fund the construction of a kindergarten in the Kostanay region's Auliekol district
- KZT150 million to build a children's recreational area in the city of Zhanaozen
- KZT54.4 million in charitable assistance to the SOS Children's Villages of Kazakhstan Foundation
- KZT10.8 million in charitable assistance for the purchase of two specialised school buses for the National Physics and Mathematics School in Almaty
- KZT23.9 million in grants for students at Miras International Schools
- KZT120 million in charitable assistance to Astana IT University
- KZT3 million in support for the NISKYRAN school robotics team
- KZT402.8 million to fund the construction of social housing in Astana

Education

Yerkin Soz Kazakh media competition

In 2022, Halyk Bank continued to support the Yerkin Soz Kazakh media competition, which aims to improve the professional skills of financial journalists. The budget for 2022 amounted to KZT5 million. Overall, 316 people participated in the competition and 10 journalists received awards.

Culture and the arts

Astana Opera

Since 2013, Halyk Bank has been a general partner of Astana Opera. In 2022, the fifth theatrical season featured the premieres of such opera and ballet performances as Alpamys, The Nutcracker and Cinderella. In 2022, the Bank's sponsorship amounted to KZT100 million.

Abay State Academic Opera and Ballet Theatre

Halyk Bank continues to sponsor Kazakhstan's Abay State Academic Opera and Ballet Theatre. In 2022, the Bank's support made it possible to purchase and install technical and climate control equipment, and also fund premiere productions. In the year, the Bank's sponsorship amounted to KZT50 million.

'Summer Music in Your Favourite City' Festival

To bolster its position as the general sponsor of Abay State Academic Opera and Ballet Theatre, the Bank decided to sponsor the three-day open-air festival 'Summer Music in Your Favourite City', which takes places in front of the theatre building. The Bank's sponsorship amounted to KZT30 million.

Sport in Kazakhstan

Halyk Arena

In 2022, Halyk Bank and Halyk Arena continued to cooperate under a five-year naming rights sponsorship contract. In the year, an outdoor skating rink was built with the Bank's sponsorship funds. The rink officially opened on 3 December 2022 and is now a favourite winter leisure spot for Almaty residents and guests.

Kazakhstan Gymnastics Federation

In 2022, the Bank allocated KZT100 million to support the Kazakhstan Gymnastics Federation. During the year, Kazakh athletes won 20 gold, 15 silver and 21 bronze medals at various international competitions in Thailand, France, Bulgaria, Turkey, Azerbaijan and Central Asian countries.

National Olympic Committee, Beijing 2022 Paralympic Winter Games

On 4-13 March 2022, Beijing hosted the Paralympic Winter Games, where 78 sets of medals were awarded overall. The Kazakh national team had five athletes who competed in such sports as alpine skiing and the biathlon. The Bank provided KZT2.3 million in assistance for the athletes.

9th 'Courage To Be the First' Charity Marathon

In 2022, Halyk Bank supported one of the largest annual international races in Central Asia. The funds received from participant entry fees were allocated to the Kenes Public Association of the Disabled, the Social Adaptation and Labour Rehabilitation Centre, and other social projects. The Bank provided KZT25 million for sponsorship.

Table Tennis Federation

On 13-18 March 2022, the WTT Contender Almaty international table tennis tournament was held in Almaty, and some of the world's top 100 ranked table tennis players took part. Halyk Bank provided KZT20 million in assistance for the event.

For more details about our social projects, see our 2022 annual report: (https://backend.halykbank.com/sk/document/881/en/2022%20Annual%20Report.pdf)

Halyk

APPENDIXES

APPENDIXES
INITIATIVES AND MEMBERSHIPS

Association of Financiers of Kazakhstan

ҚАЗАҚСТАН ҚАРЖЫГЕРЛЕР ҚАУЫМДАСТЫҒЫ
АССОЦИАЦИЯ ФИНАНСИСТОВ КАЗАХСТАНА

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

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

The main strategic objectives of the AFK are:

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

Association of Financiers of Kazakhstan website: https://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/

National ESG Club

NATIONAL CLUB ESG QAZAQSTAN

At the **Astana Finance Days 2022** international forum, 19 major Kazakh companies signed a memorandum establishing the National ESG Club. Halyk Bank is one of the founders of the National ESG Club. Others include representatives of major mining and manufacturing companies, as well as fellow banks. As of this report's publication date, the club had around 100 members.

Through the establishment of the National ESG Club, the Government of Kazakhstan intends to contribute to the achievement of sustainable development goals by improving energy efficiency and introducing appropriate incentives for responsible companies.

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

The National ESG Club's primary goals include:

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

National ESG Club website: https://esgclub.kz/

PERSONNEL METRICS BROKEN DOWN BY BRANCH OF HALYK BANK

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

Affiliate	Permanent contract	Temporary contract
Head Office	3129	208
Akmola regional branch	403	36
Aktobe regional branch	531	81
Almaty regional branch	1411	227
Astana regional branch	782	83
Atyrau regional branch	377	126
Baikonyr regional branch	80	10
Balkhash regional branch	108	11
Eastern Kazakhstan regional branch	427	53
Zhambyl regional branch	421	65
Zhanaozen regional branch	112	42
Zheskazgan regional branch	174	44
Western Kazakhstan regional branch	379	86
Karaganda regional branch	493	133
Kostanay regional branch	421	69
Kyzylorda regional branch	353	71
Mangistau regional branch	395	77
Pavlodar regional branch	408	24
Semey regional branch	394	47
Northern Kazakhstan regional branch	320	38
Taldykorgan regional branch	482	100
Temirtau regional branch	164	22
Turkestan regional branch	412	43
Shymkent regional branch	476	25
Ekibastuz regional branch	163	10
Total	12815	1731

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

Regional branch	Total number of new hires	Percent of new hires	Total number of personnel departures	Staff turnover
Head Office	872	26,8%	687	21,2%
Akmola regional branch	107	24,4%	95	21,7%
Aktobe regional branch	91	14,8%	98	16,0%
Almaty regional branch	388	23,5%	385	23,3%
Astana regional branch	143	16,7%	162	18,9%
Atyrau regional branch	112	22,7%	91	18,5%
Baikonyr regional branch	16	17,9%	13	14,6%
Balkhash regional branch	32	27,3%	22	18,8%
Eastern Kazakhstan regional branch	106	22,6%	98	20,9%
Zhambyl regional branch	93	19,0%	99	20,2%
Zhanaozen regional branch	31	20,4%	23	15,1%
Zheskazgan regional branch	51	23,8%	47	22,0%
Western Kazakhstan regional branch	92	19,9%	78	16,8%
Karaganda regional branch	141	22,6%	135	21,7%
Kostanay regional branch	115	23,8%	90	18,6%
Kyzylorda regional branch	59	14,0%	49	11,6%
Mangistau regional branch	68	14,5%	72	15,3%
Pavlodar regional branch	84	19,2%	75	17,2%
Semey regional branch	86	19,4%	69	15,6%
Northern Kazakhstan regional branch	94	26,6%	67	19,0%
Taldykorgan regional branch	166	28,9%	132	23,0%
Temirtau regional branch	50	26,1%	43	22,4%
Turkestan regional branch	130	30,3%	27	15,6%
Shymkent regional branch	98	19,2%	103	20,2%
Ekibastuz regional branch	36	20,8%	80	18,7%
Total	3261	22,6%	2 840	19,7%

Table 3. Anti-corruption training (instruction) for new hires in 2022, broken down by region and employee category

Regional branch	Senior executives	Middle managers	Specialists	Drivers	Labourers	Total
Head Office	29	200	2416			2645
Akmola regional branch	1	33	298			332
Aktobe regional branch	1	36	423			460
Almaty regional branch	1	79	1102			1182
Astana regional branch		43	631			674
Atyrau regional branch	2	32	326			360
Baikonyr regional branch	1	7	67			75
Balkhash regional branch	1	6	74			81
Eastern Kazakhstan regional branch		34	324			358
Zhambyl regional branch	1	32	329			362
Zhanaozen regional branch	1	9	95			105
Zheskazgan regional branch	1	16	147			164
Western Kazakhstan regional branch		40	328			368
Karaganda regional branch	1	41	406			448
Kostanay regional branch	1	33	338			372
Kyzylorda regional branch	1	26	291			318
Mangistau regional branch	1	29	278			308
Pavlodar regional branch	1	37	308			346
Semey regional branch	1	38	304			343
Northern Kazakhstan regional branch	1	30	247			278
Taldykorgan regional branch	1	40	384			425
Temirtau regional branch	1	14	125			140
Turkestan regional branch	2	38	351			391
Shymkent regional branch		31	322			353
Ekibastuz regional branch	1	14	120			135
Total	51	938	10 034			11 023

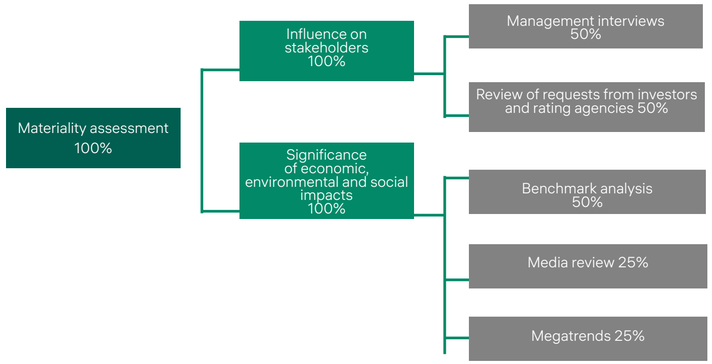
METHODOLOGY FOR DATA COLLECTION, CONSOLIDATION, AND CALCULATION

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 2020 and 2021 (where applicable).

MATERIALITY ASSESSMENT

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

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



The list of 24 material topics is presented in the "Our Approach to Sustainability Management" section.

"OUR APPROACH TO SUSTAINABILITY MANAGEMENT" SECTION

ANTI-CORRUPTION

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

"HUMAN CAPITAL DEVELOPMENT" SECTION

Human resource management

The staff turnover rate is calculated using the following formula:
Turnover rate = A / B x 100%
where A is the number of employees who terminated their employment contract voluntarily or by agreement of the parties during the reporting period, excluding the following metrics from the calculation:

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

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

OCCUPATIONAL HEALTH AND SAFETY

This section is prepared in accordance with the requirements of the Kazakhstan Stock Exchange for the disclosure of non-financial information in the field of occupational health and safety.

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

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

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

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

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

The total number of work-related lost-time injuries in 2022 = 3

The total number of man-hours worked in 2022 = 25,472,744 hours

In 2022, Halyk Collection recorded 3 lost-time injuries, including: 1 instance of multiple open wounds to the forearm; 1 bruise of the shoulder girdle and shoulder; and 1 bruise of the knee joint. All of the injured employees were men.

In 2022, there were no work-related accidents at Halyk Bank, excluding subsidiaries.

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

"ENVIRONMENT AND SOCIETY" 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[41].

The calculation of direct (Scope 1) GHG emissions used emission factor values from the 2006 IPCC Guidelines for National Greenhouse Gas Inventories[42]. The calculation of indirect (Scope 2) GHG emissions from energy generation is based on national CO_2 emission factors for electricity and heat generation[43]. To convert GHG emissions to TCO_2e, the values of global warming potentials from the IPCC Fifth Assessment Report were applied.

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

TCFD CONTENT INDEX

Topic	Recommended disclosures	Section	Page
Governance Disclose the organisation's governance around climate-related risks and opportunities	Describe the board's oversight of climate-related risks and opportunities	Corporate governance	37-40
	Describe management's role in assessing and managing climate-related risks and opportunities	Corporate governance	32-34
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Strategy	15-19
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Strategy Supporting our clients on the decarbonisation journey	13-17
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Strategy Approach to stress testing	25-26
Risk management Disclose how the organisation identifies, assesses, and manages climate-related risks	Describe the organisation's processes for identifying and assessing climate-related risks	Integrating climate risks into risk management practices	13-17
	Describe the organisation's processes for managing climate-related risks	Integrating climate risks into risk management practices	55-56
	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Integrating climate risks into risk management practices	57-58
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Integrating climate risks into risk management practices	20-21
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	Consolidated GHG emissions related to the Bank's operations	57-58
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Metrics and targets	23-24

ABBREVIATIONS

3DS	Three-domain secure
AFK	Association of Financiers of Kazakhstan
AML/CFT	Anti-money laundering/combating the financing of terrorism
ATM	Automated teller machine
B2B	Business to business
B2C	Business to consumer
BSC	Balanced scorecard
CCEA	Common Classifier of Economic Activity
CCUS	Carbon capture, utilisation and storage
CH_4	Methane
CO_2	Carbon dioxide
CRS	Common Reporting Standard
CSI	Customer satisfaction index
CSR	Corporate social responsibility
Damu Fund	JSC Damu Entrepreneurship Development Fund
DAU	Daily active users
DLS	Distance learning system
ECM	Enterprise content management
EDS	Electronic digital signature
ESG	Environmental, social and governance
FATCA	Foreign Account Tax Compliance Act
GDR	Global depositary receipt
GHG	Greenhouse gas
GJ	Gigajoule
GRI	Global Reporting Initiative
HR	Human resources
HSE	Health, safety and the environment
IFRS	International Financial Reporting Standards
IPCC	Intergovernmental Panel on Climate Change
IPO	Initial public offering
IT	Information technology
IUIT	International University of Information Technologies
JSC	Joint-stock company
KASE	Kazakhstan Stock Exchange
KAZ ETS	Kazakhstan Emissions Trading System
KBTU	Kazakh-British Technical University

KPI	Key performance indicator
KZT	Kazakh tenge
LED	Light-emitting diode
LLC	Limited liability company
LLP	Limited liability partnership
LSE	London Stock Exchange
LTIR	Lost-time incident rate
LULUCF	Land use, land-use change and forestry
MAU	Monthly active users
MBA	Master of business administration
N_2O	Nitrous oxide
NDCs	Nationally determined contributions
NGFS	Network for Greening the Financial System
NPS	Net promoter score
OCRM	Operational customer relationship management
OECD	Organisation for Economic Co-operation and Development
OHS	Occupational health and safety
OWASP	Open Web Application Security Project
PCAF	Partnership for Carbon Accounting Financials
PCI DSS	Payment Card Industry Data Security Standard
POS terminal	Point of sale terminal
QR	Quick response
QSA	Qualified security assessor
RCC	Retail Credit Committee
RCP	Representative concentration pathways
SBTi	Science Based Targets initative
SDU	Suleyman Demirel University
SDW	Solid domestic waste
SME	Small and medium-sized enterprise
TCFD	Task Force on Climate-related Financial Disclosures
TCO_2e	Tonnes of CO2 equivalent
UK	United Kingdom
UN	United Nations
US	United States
VIP	Very important person

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