



Sustainability Report ■



Taking care and
being responsible

2019

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2019 in the Context of Sustainable Development

Halyk Bank – leading financial institution in the Kazakhstani market

KZT **334.5** billion
net income

33%
market share by total assets


Almost **8** million
retail customers


75 of the **100**
largest companies in the country
are our regular customers

High social significance and system-forming role in the economy of the country:

 **2.5** million customers
the largest payment agent in terms
of pensions and social payments

KZT **1** billion
allocated by the Bank to support young entrepreneurs
at a concessional rate and without collateral under the
Zhas Halyk program

 **1** place
among participating banks in terms of
subsidies and guarantees under
“The business roadmap 2025” program

 KZT **2.3** billion
allocated for charity and social events


KZT **3** billion
allocated at a concessional rate to support
women’s entrepreneurship

The Bank of first choice:

626 branches and outlets
across Kazakhstan

 **9** million
cards in circulation

 **93%**
accessibility of the Bank’s branches
for people with disabilities

 **1/5** of the Bank’s branches
are located in small and single-industry
towns of the country

Customer satisfaction index (CSI):

85%
retail customers

97%
SME customers





The focus on digitalisation:

Homebank

is in the top 3 free mobile apps in the Finance category on Google Play and App Store



81 million

online transactions

24 / 7

availability of banking services for businesses in Onlinebank

Our employee:

14,876 people

number of employees of the Bank



73%

share of women employees



15%

the average increase in the salaries of employees compared to 2018

Environmental impact:



11.5%*

reduction of Scope 1** emissions



4%*

reduction of Scope 2*** emissions



30%*

reduction in coal consumption through the implementation of the initiative to switch to more environmentally friendly sources of energy



More than 1,000*

saved trees by reducing paper consumption

* Changes in the indicators are presented in comparison with the level of 2018.

** Direct (Scope 1) greenhouse gas emissions (GHG) – emissions from sources owned or controlled by the Bank.

*** Indirect (Scope 2) greenhouse gas emissions (GHG) – emissions from the production of electricity and heat purchased by the Bank for its own consumption.



TAKING CARE AND BEING RESPONSIBLE

WE

ARE TOGETHER FROM THE FIRST DAYS AND FIRST STEPS

01

About the Report

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

This Sustainability Report of JSC Halyk Bank of Kazakhstan for 2019 (the “Report”) is the first document that reveals the main aspects of the Bank’s activities in the field of environment, social responsibility and corporate governance. The Bank makes a voluntary commitment to provide transparent coverage of key information about the results of its work in sustainable development through the publication of this Report.

The Report has been prepared in accordance with the GRI Standards: Core option. In addition, the requirements of the listing rules of the Kazakhstan stock exchange (KASE) dated 27 April 2017¹ were met in the development of the Report, and the recommendations of the London Stock Exchange (LSE)² on sustainable development reporting were taken into account.

The Report provides information on the activities of JSC Halyk Bank of Kazakhstan and its branches in Kazakhstan (referred to in the Report as “Halyk Bank” or the “Bank”) for the period from 1 January 2019 to 31 December 2019. Financial data are presented in accordance with the audited consolidated financial statements of JSC Halyk Bank of Kazakhstan and its subsidiaries prepared in accordance with International Financial Reporting Standards, unless otherwise specified in the text.



The Sustainability Report of Halyk Bank is brought to the attention of stakeholders by publishing it on the corporate websites in Kazakh, Russian and English:
https://halykbank.kz/kz/about/shareholders_investors/investoram
https://halykbank.kz/about/shareholders_investors/investoram
<https://halykbank.com/>

¹ Annex 5.8 to the Listing rules as amended on 26 February 2020.

² Guidance for issuers on the integration of ESG into investor reporting and communication.

02



With respect,

Alexander Pavlov

Chairman of the Board of Directors

Statement of the Chairman of the Board of Directors

GRI 102-14

Dear clients and shareholders,

We are pleased to bring to your attention the first Sustainability Report of Halyk Bank for 2019.

For Halyk Bank, striving for sustainable business development in general is the basis of our activities and one of the main components of the development Strategy of the Halyk Group for the period of 2019–2021. This strategy defines our priorities, which guide us in implementing key goals and objectives. We believe that maintaining a balance between achieving strategic priorities and meeting shorter-term commercial and operational goals is a prerequisite for the future success of our business.

With the constantly changing conditions, technological progress, and growing customer expectations and requirements, financial institutions cannot afford to maintain the status quo and ignore the growing demand for digital services and products. In this regard, the reporting period was marked as the first year of implementation of the next strategic cycle of Halyk Bank, in which a course was taken for the systematic digitalisation of banking services and the introduction of innovative financial products. Development in this direction is the key for us to strengthen the Bank's competitive advantages, allowing us to provide a new quality of customer experience at the level of best market practices.

As part of the full-scale digitalisation program, the Bank has launched a number of key services for both the public and business. So, our clients now have the opportunity to receive banking services online without visiting branches. Corporate and SME customers are now also able to conduct bank transactions at any convenient time. Following the concept of ecosystem approach, the Bank provides comprehensive solutions that provide a full range of needs to entrepreneurs at all stages of business development. For example, the first step towards implementing this initiative was the launch of the B2B MarketPlace - Halyk Market and online accounting services for our SME customers.

According to the results of a survey of international and local industry analysts, company executives and technology experts, in 2019 we were again recognised as the best Bank in Kazakhstan in the field of trade Finance by Global Finance magazine. The high international rating of the quality and volume of services provided by our Bank is primarily a result of the professionalism and experience of our employees, as well as high ratings and reputation of the Bank in the financial market. Since 2006, Halyk Bank's shares have been listed on the London Stock Exchange (LSE), and since 2019, the Bank is represented on the Astana International Exchange (AIX), which became an important corporate event during the reporting period.





An effective corporate governance system is the basis for improving financial performance, improving the quality of management decisions and fruitful interactions with investors, shareholders and clients. To improve our corporate governance system, we monitor global trends and integrate best industry practices into our operations. Corporate governance is aimed at creating an effective and transparent organisation that contributes to the achievement of the strategic goals of the Bank, compliance with corporate values and high standards of professional behaviour. Good corporate governance practices and compliance with the legal requirements of the Republic of Kazakhstan, the Corporate Governance Code, the Rules of corporate ethics and other key documents regulating our activities in the field of corporate governance are an absolute priority for the Bank's management. In 2019, we conducted a diagnostic of the level of corporate governance in our subsidiaries, which resulted in recommendations for improving corporate governance practices for them.

Halyk Bank operates not only based on high financial indicators, but also strives to be a socially and environmentally responsible bank. In order to systematise the Bank's approaches to corporate social responsibility and sustainable development, the corporate social responsibility (CSR) Policy was adopted in 2019. We are confident that effective integration and implementation of this Policy in the future will lead to increased efficiency and unification of management in the Bank in the field of CSR and sustainable development in accordance with the principles of the UN Global Compact. Consistently implementing new changes in business processes, we strive to ensure that our activities comply with the principles of sustainable development, and that our economic, environmental and social goals are consistent.

By implementing the Bank's strategy, we create values for all stakeholders: we provide jobs, develop employee skills, pay taxes, improve the quality of life of local communities and reduce the impact on the environment, while continuing to pay dividends steadily in an unstable economy and geopolitical changes.

The Bank has an extensive service network: in many regions Halyk Bank is a key financial institution that provides a wide range of services. We strengthen our role as a socially significant bank by supporting the implementation of state programs that aimed at the social development of regions and entrepreneurship.

Responsibility, honesty, reliability and leadership are the main principles that form the value system of the Bank. In 2019, Halyk Bank topped the list of Kazakhstan's non-state-owned banks in terms of transparency of information provided and the level of corporate governance development. We tried to give an objective assessment of the environmental and social aspects of the Bank's activities, present our achievements in the development of corporate governance, as well as identify existing risks in sustainable development. Hence, I am sure that our first Sustainability Report will allow us to strengthen our leadership position as a transparent, innovative and open financial institution.

In conclusion, on behalf of the Board of Directors, I would like to express my gratitude to the shareholders, investors, partners, clients and all colleagues for their fruitful cooperation, understanding and support of Halyk Bank's strategic development course. Sustainable development requires a long-term vision and a willingness to make constant efforts to achieve positive results and keep pace with a rapidly changing world.

Therefore, we do not stop there and strive for continuous transformation of the Bank in the world of social, corporate and environmental challenges to ensure financial stability and improve the quality of customer service.

03



Umut Shayakhmetova
Chairperson of the Management Board

Statement of the Chairperson of the Management Board

GRI 102-14

Dear
shareholders, clients and colleagues,

Halyk Bank is a dynamically developing financial organisation that follows high international standards and principles aimed at the safety, effective placement, and multiplication of funds of clients and shareholders. In our work with clients and partners, we pay special attention to the development of Kazakhstan's society, support of socially and environmentally significant projects, as well as the creation of healthy and favourable conditions for the Bank's employees. For us, this is what the concept of Halyk Bank of Kazakhstan includes.

In 2019, for the first time, we decided to prepare a Sustainability Report, which reflects the Bank's key achievements in corporate governance, as well as information on the contribution of the Bank to the social and economic prosperity of Kazakhstan. Therefore, it is important for us that the stakeholders of Halyk Bank receive timely information about our activities, plans, and goals in sustainable development.

I hope that this Report will be a useful tool for you to monitor our progress towards achieving high levels of economic, social and environmental responsibility.

We are proud that Halyk Bank is the first-choice Bank for a diverse group of clients. The Bank is most widely represented in all regions of Kazakhstan. So, today we have more than 620 branches and outlets, including 120 sub-regional branches and 24 regional branches. It is important to note that Halyk Bank is also the largest payment agent in Kazakhstan in terms of pensions and social payments.

We are happy to inform you that in 2019 a special credit program "Zhas Halyk" was introduced to support youth entrepreneurship. Under this program, young entrepreneurs received loans of up to KZT 15 million for implementation of their business ideas. This program has become one of socially significant projects to support small and medium-sized businesses. It is worth noting the results of the program of active support for women's entrepreneurship. We are proud that since the launch of the program, more than 370 women have been able to get loans at a favourable rate from 5% to 7% per annum and start their own business.





Halyk Bank is an organisation that invests resources in the continuous development of its staff. Creating healthy working conditions and increasing loyalty among our employees is a key objective of the Bank in social responsibility. In 2019, we conducted a survey of satisfaction with pay conditions among our employees, the results of which were taken into account when improving the remuneration system at the Bank. During the reporting year, we reviewed the salaries of our employees and increased them by an average of 15%.

We believe that improving the efficiency of our business and the quality of customer service is impossible without attracting and implementing innovative technological solutions. This is why Halyk Bank continues to work on a large-scale program of digitalisation of both its internal processes and its services. As part of our digital initiatives, we strive to provide fast, secure and, most importantly, convenient access to the Bank's financial services for the public and businesses. With the expansion of technological capabilities, we are also aware of our responsibility to our customers in terms of their personal security. Therefore, Halyk Bank implements and constantly improves technologies that ensure cybersecurity.

Realising the importance of the Bank and its strategic role in the development of the country's economy, as well as considering the struggle of the global community with the consequences of climate change and large-scale degradation of natural resources, we plan to develop responsible financing practices. Even today, when financing our clients, we strive to take into account the factors and risks of causing harm to society and significant damage to the environment, and we hope that with the development of sustainability programs and practices in the Bank, we will also contribute to the dissemination of sustainable and socially oriented principles in the financial sector.

High financial and operational results, implementation of best technological practices and recognition of the Bank among local and international stakeholders are the result of well-coordinated work of the management and employees of the Bank. I thank all my colleagues for their daily hard work and significant contribution to the development of the financial institution and improving the quality of services for our clients.

I am proud of our eco-heroes who are involved in the development of corporate and urban environmental activism. Due to our green initiatives, we do not only reduce the ecological footprint of the Bank, but also contribute to the protection of the nature of our southern capital. Together, in 2019, we conducted a large-scale clean-up in the foothills of Almaty, clearing the territory of 190kg of plastic and glass. Our managers and employees are also initiators and active participants of charity events: from events for the development of children's health and education to initiatives to support sports, art and culture. Thus, the total amount of funding for sponsorship and charity projects amounted to KZT 2.3 billion. Such projects as "Giving Tuesday", "Cup of Hope" and "Halyk SMART" remain outstanding examples of our charitable activity over the past years, and you can read about their social contribution in given Report.

In conclusion, I would like to express my appreciation and gratitude to our clients and partners for choosing Halyk Bank. Your feedback on our work, as well as continuous support, help us improve processes and make decisions that have a positive impact not only for the prosperity of the Bank but also for the society as a whole.

Enjoy reading!

TAKING CARE AND
BEING RESPONSIBLE



04

The Bank Today

WE

HELP TO FULFILL MAJOR GOALS AND
AMBITIONS



About the Bank

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

JSC Halyk Bank of Kazakhstan is the largest universal commercial bank in Kazakhstan that has been successfully working for the benefit of its clients for more than 95 years.

We hold a leading position in the financial services market, being the first-choice bank for 7.7 million retail customers, 3 thousand corporate customers and 166 thousand active SME customers. Our services are available at more than 620 branches and outlets across the country. Today, 75 of the 100 largest companies in Kazakhstan are our regular customers.

Halyk Bank is a team of professionals, numbering almost 15 thousand people, aimed at constant growth and quality development, which is reflected in the results of our work. The Bank represents more than a third of the market in terms of assets, equity and net income. At the end of 2019, we managed to achieve high financial indicators, increasing net income by 31.6% compared to 2018. At that, we continue to constantly increase our return on assets and introduce innovative digital services, focusing on improving the business efficiency as well as the quality of services for our customers.

A strong financial position, a significant and stable customer base, a wide range of financial products, an extensive infrastructure and high business reputation allow us to position ourselves as the No. 1 Bank in Kazakhstan.



Strategy of growth

GRI 102-14

Our Mission

is to provide services in Kazakhstan and several other countries in all segments of the financial market, at the level in international standards, thereby ensuring the safety, effective placement and increase of funds of clients and shareholders.

The basic strategy of Halyk Bank for 2019–2021 is defined as the strategy of growth, the priorities of which are:

- ◆ the need to use and enhance competitive advantages, especially in terms of technological development, customer experience and quality of service;
- ◆ positioning the Bank as a key partner and first-choice bank for a variety of client groups;
- ◆ consideration of needs of a wide range of clients and creating value for the society and the economy of the Republic of Kazakhstan as a whole, and as a result it is the diversification of sources of profitability and liquidity.

For the 2019–2021 strategic cycle, we set ambitious goals based on the following principles:

Leadership in key customer segments

The development of cross-selling opportunities and diversification by expanding the client base of the corporate and retail sectors will allow us to strengthen our leading position in the financial services market.

Client-orientation and focus on service quality

Continued efforts on developing a flexible business model will improve the quality of service in the long term. We encourage a culture of innovation, develop a system of motivation, improve decision-making approaches and take into account customer feedback to constantly elevate the quality of our services.

Further development of digital services

Providing high-end customer experience based on digitalisation and development of innovative financial products in accordance with the best market practices is the key to further strengthening our competitive advantages.

Main transactional Bank of the country

Positioning as the main transactional Bank of the country, we use a unique infrastructure for retail and corporate customers (tcard processing, acquiring, ATM and terminal infrastructure, etc.), as well as a number of specialised digital services and payment solutions. Another point of the open positioning of the Bank is ensuring the availability of banking services for all segments of the country's population.

Selective international expansion

Taking the advantage of the first move to take a leading position in the banking sector of the Republic of Uzbekistan due to geographical proximity and the superiority of equity and competencies. At the same time, we maintain our focus on clients in Kazakhstan and governmental projects in other international markets.

The result of implementing these strategic principles will be positioning of Halyk Bank as the first-choice bank and the main transaction Bank for all customer segments, as a financial institution providing high-tech and high-quality service.

We are confident that due to implementation of the planned activities, as well as support from our clients, partners and shareholders, Halyk Bank will successfully achieve the goals set for the new strategic period, confirm its broad capabilities and high reputation as the undisputed leader of the financial system of Kazakhstan.

Our values

We build relationships with employees and clients based on the principles of legality, mutual respect and trust. Ensuring high standards of business ethics is an integral part of the Bank's corporate culture.

GRI 102-16

Our business is based on six values listed below:

01

Client oriented approach

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

Reliability

02

We strictly comply with the generally recognised principles and norms of international law, the legislation of the Republic of Kazakhstan, as well as the internal regulations and rules of the Bank.

03

Leadership

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

Social responsibility

04

We are focused on the needs and interests of all segments of the population. Also, we make an active contribution to the development of a society and solving social issues.

05

Integrity

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

Professionalism

06

We are committed to achieving the highest standards of professional activity and are open to innovation and new ideas. Our main task is to carry out all customer service operations in good faith, on time and on the best terms, which will ensure a strong and long-term relationship with customers.





In 2013, the Bank adopted the Corporate Ethics Rules that regulate the professional behaviour of officials and employees in the performance of their official duties and define the most important principles and norms of business ethics in the Bank's relations with employees, shareholders, clients, partners, government agencies and other interested parties.

The list of purposes of the Corporate Ethics Rules are as follows:

- strengthening the mission, values, principles and norms of business ethics and behaviour;
- developing a unified corporate culture based on high ethical standards, maintaining an atmosphere of trust, mutual respect and decency within a team;
- increasing and maintaining confidence in the Bank from its shareholders, customers, business partners, government authorities, the public and other stakeholders, and strengthen the reputation of an open and honest participant in the financial market;
- contributing to effective interaction with stakeholders;
- preventing violations of the current legislation of the Republic of Kazakhstan by employees of the Bank.

Adopted standards of business conduct and ethics in the Bank are mandatory for employees at all levels. The rules of corporate ethics of JSC Halyk Bank of Kazakhstan are available for public review on the official website of the Bank in the "Corporate governance" section. In addition, the standards of business conduct and ethics are brought to the attention of the staff by receiving their signature when hiring, whereas information on ethics issues is sent via email on a regular basis, as well as corporate events are held to increase awareness and commitment of employees to the mission and values of the bank.

To effectively manage ethical behaviour issues, the Bank has a helpline. The phone number can be found on the intranet "My Halyk". Any employee of the Bank or a third party can submit an appeal and report violations of the corporate ethics norms or other requirements of the legislation in the field of labour relations. To submit a complaint about violations related to the Bank's activities, any person can call the short code of the Bank Contact centre, i.e. 7111. Contact centre employees will redirect this call to the helpline. At the same time, the applicant has the right to remain anonymous.

All incoming complaints and appeals are registered by the Bank's Internal Security Department. In 2019, there were 34 complaints about non-compliance with ethical standards. All received requests were reviewed in accordance with the established procedure, and appropriate response measures were taken for each of them, as well as monitoring and control of the effectiveness of their implementation to reduce the number of such cases in the future.



TAKING CARE AND
BEING RESPONSIBLE



05

Our Approach to Sustainability Management

WE

ARE THERE FOR THE FIRST
IMPORTANT DECISIONS



Corporate governance

GRI 102-10

The evaluation of the transparency of Kazakhstan companies, conducted by rating agency “Expert RA Kazakhstan” in 2019, the Bank topped the list of Kazakhstan’s private banks according to the degree of information disclosure on its activities and the level of development of corporate governance.

The Bank has an effective corporate governance system that establishes relations between the Board of Directors, Management Board and shareholders. Corporate governance of the Bank is based primarily on respect for the rights and legitimate interests of all its shareholders and the status of the Bank itself and is aimed at achieving growth in the Bank’s performance. The latter includes increasing the Bank’s assets, creating jobs, maintaining financial stability and profitability.

The corporate governance activities of the Bank are carried out in strict accordance with the requirements of national legislation, the Charter, the corporate governance code and other internal regulatory documents.

Since the shares placement of the Bank in the form of global depository receipts (GDRs) on the international market in 2006, we pay significant attention to the development of corporate governance based on

adherence to the best international practices and standards that a modern world-class financial institution should meet. For this purpose, the Bank constantly monitors documents on the theory and practice of corporate governance issued by such authoritative international organisations as the Organisation for Economic Co-operation and Development (OECD³), the Basel committee on banking supervision (BCBS)⁴, etc.

An important corporate event for the Bank was the fact that on 30 September 2019, the Bank’s common shares and GDRs were included in the official list of Astana International Exchange (AIX). The Bank’s common shares are listed under the Ticker: HSBK, and GDRs are listed under the Ticker: HSBK.Y with the exchange rate and calculations in US dollars. They are convertible into GDRs on the LSE (London Stock Exchange).

On 4 October 2019, Holding group JSC ALMEX, the major shareholder of the Bank, announced the successful completion of a fully marketed offering under the SPO (Secondary Public Offering) of 29.32 million GDRs (the “GDR Offer”), each of which corresponded to 40 common shares of the Bank. The number of GDRs sold under the GDRs Offer corresponded to 10% of the Bank’s outstanding (excluding repurchased) shares. The GDRs placement was successful: The Bank achieved its goal of increasing the liquidity of GDRs by increasing their share in free float from 17% to 27% of the total volume. The Bank’s investor base has almost doubled due to the high-quality investors: large global investors and emerging market funds.

³ G20/OECD Principles of Corporate Governance (September 2015).

⁴ BCBS Guidelines on Corporate governance principles for banks (July 2015).

Our achievements in corporate governance:

<ul style="list-style-type: none"> ◆ A number of regulations of the UK corporate governance code⁵ have been implemented in the internal corporate governance regulations of the Bank; 	<ul style="list-style-type: none"> ◆ In 2019, the corporate social responsibility policy was adopted, which represents the systematic approach to corporate social responsibility and sustainable development; 	<ul style="list-style-type: none"> ◆ A training course on corporate governance, training seminars and methodological support was organised to improve the skills of the corporate secretaries of the Bank/ Secretaries of the Board of Directors;
<ul style="list-style-type: none"> ◆ In accordance with the key principles of the UK corporate governance code, the Bank has formed an effective Board of Directors, where more than 50% of the total number of Directors are independent directors. The Chairman of the Board of Directors is an independent director; 	<ul style="list-style-type: none"> ◆ The Bank has organised the effective functioning of internal audit, risk management, compliance control services, as well as institutions of independent Directors and corporate Secretary; 	<ul style="list-style-type: none"> ◆ The Bank's Board of Directors and Management Board understand the risks arising from incorrect management decisions or actions. To protect shareholders from possible damage from such events, the Bank regularly insures the liability of Directors and officers;
<ul style="list-style-type: none"> ◆ The dividend policy was adopted to increase the attractiveness of the shares of the Bank for investors as well as to reduce the level of excess liquidity; 	<ul style="list-style-type: none"> ◆ The Bank has developed an introductory course for new members of the Board of Directors (Board Book); 	<ul style="list-style-type: none"> ◆ To ensure transparency of corporate governance, a section on corporate governance has been created on the official website of the Bank.

⁵ The UK Corporate Governance Code (September 2014).

Governance structure

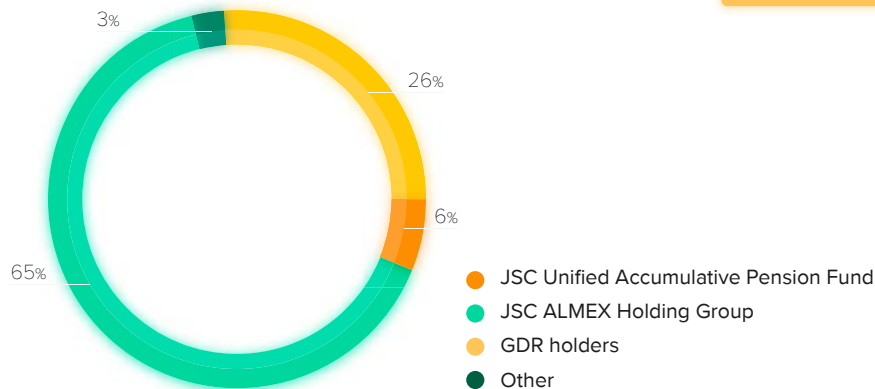
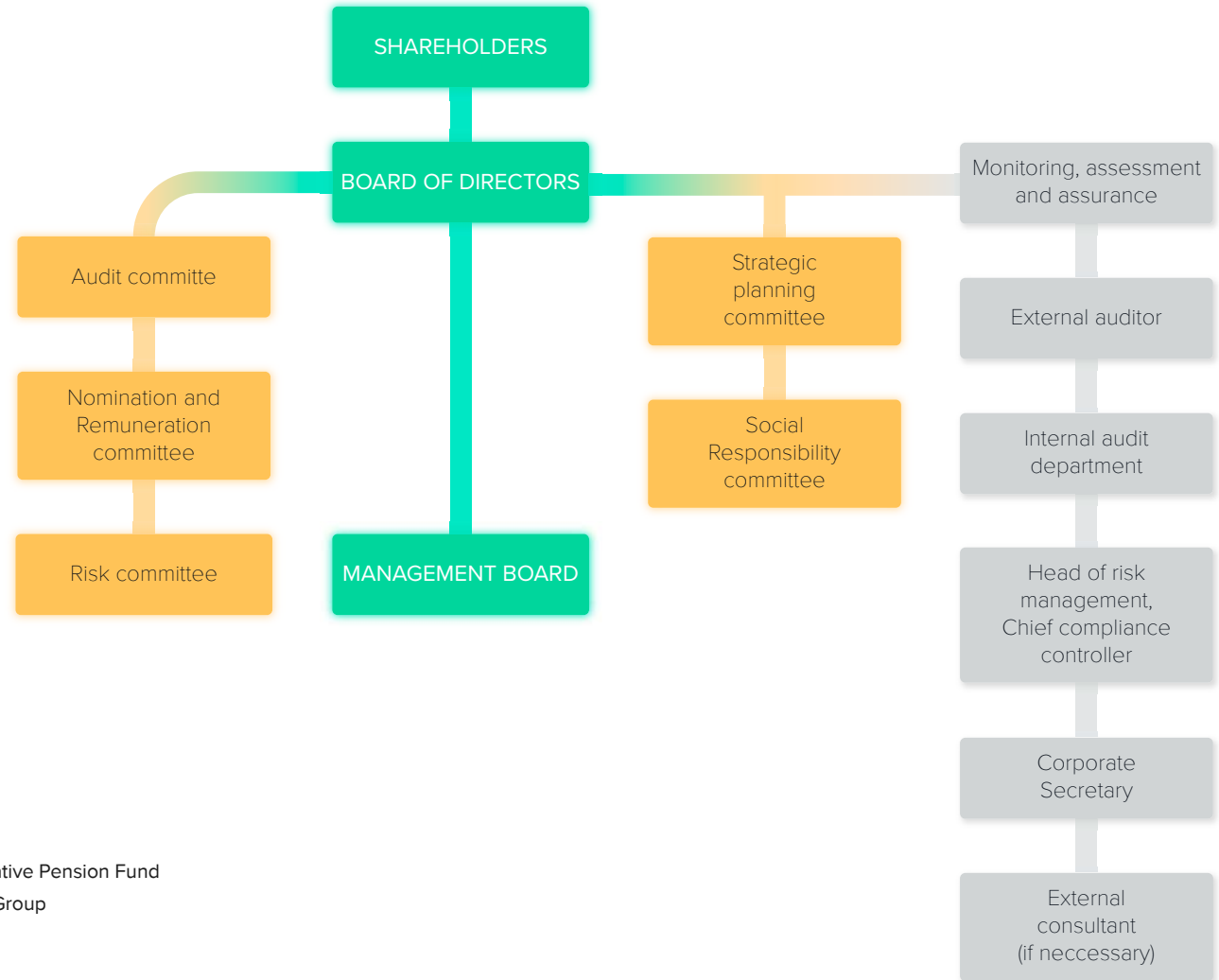
GRI 102-18

In accordance with the Charter, the corporate governance bodies of Halyk Bank are:

- | The supreme body is the General meeting of shareholders;
- | The management body is the Board of Directors;
- | The executive body is the Management Board.

The Board of Directors is the management body of the Bank, which provides overall management of its activities, determines long-term priorities for development. Also, the Board of Directors is responsible to the General meeting of shareholders for the implementation of its management functions. Day-to-day operations are managed by the Management Board, which in turn reports to the Board of Directors.

The Board of Directors is assisted by internal and external auditors, the head of risk management, the chief compliance controller, the Corporate Secretary and other services of the Bank that monitor and control the effectiveness of corporate governance.



Structure of shareholders of JSC Halyk Bank of Kazakhstan

Corporate governance structure of Halyk Bank



Committees of the Board of Directors

The following committees were established in the Bank to review the most important issues and make recommendations to the Board of Directors:

The Audit Committee

The audit committee assists the Board of Directors on issues of the completeness and reliability of financial statements, compliance with legal requirements and internal regulations of the Bank (compliance-control), selection and independence of the external auditor, the adequacy and effectiveness of the internal control system and risk management system. Also, the committee coordinates the work of internal audit.

The Nomination and Remuneration Committee

The Committee submits to the Board recommendations on candidates to the Board of Directors, management Board and boards of subsidiaries, on the system of remuneration of the Board of Directors and Management Board, remuneration of boards of Directors and Executive bodies of the subsidiaries.

The Strategic Planning Committee

The committee of strategic planning assists the Board of Directors in reviewing the Bank's strategy, analysing reports on strategy execution, monitoring the external environment and its impact on the Bank's strategic plans, conducting preliminary review of the Bank's draft budget for the relevant year including preliminary review of the Bank's draft profitability management policy, and monitoring and controlling compliance by the Bank and its employees with this policy.

The Risk Committee⁶

The Risk Committee is a collegial body attached to the Bank's Board of Directors, the main goals of which include assisting the Bank's Board of Directors in performing functions to form an effective risk management and internal control system, ensuring its functioning, and informing the Bank's Board of Directors about the level of risks accepted by the Bank.

The Social Responsibility Committee

The Social Responsibility Committee was established in April 2012 to assist the Board of Directors on the corporate social responsibility and sustainable development policy of the Bank. The Committee consists of three members of the Board of Directors, who were elected by a majority vote of all Board members, and two experts, the one is a Board member, who oversees sponsorship and charity issues, and the second is the head of the marketing and PR Department. All members of the Committee, with the exception of experts, are independent directors. The Committee meets at least once a year as necessary.

⁶ The committee was established in 2020.



The tasks of the Social Responsibility Committee are:

<ul style="list-style-type: none"> ◆ reviewing the Bank's corporate social responsibility and sustainable development policy for subsequent approval by the Board of Directors; 	<ul style="list-style-type: none"> ◆ monitoring compliance of the Bank's activities with the requirements of legislation in the field of corporate social responsibility; 	<ul style="list-style-type: none"> ◆ preparing recommendations to the Board of Directors for making decisions on issues within the competence of the Committee;
<ul style="list-style-type: none"> ◆ considering possible risks in the field of corporate social responsibility and plans to minimise the negative consequences of these risks; 	<ul style="list-style-type: none"> ◆ performing control over the preparation and publication of the Bank's corporate social responsibility report; 	<ul style="list-style-type: none"> ◆ performing preliminary review of the social corporate responsibility expenditure budget for the relevant period

In 2019, the Committee held two meetings in person. It reviewed the following matters:

<ul style="list-style-type: none"> ◆ consideration of the report on sponsorship and charity of JSC Halyk Bank of Kazakhstan and PF Charity Fund Halyk for 2018; 	<ul style="list-style-type: none"> ◆ consideration of the plan of the main events on sponsorship and charity of JSC Halyk Bank of Kazakhstan and PF Charity Fund Halyk for 2019; 	<ul style="list-style-type: none"> ◆ on taking measures to develop the Institute of corporate social responsibility in JSC Halyk Bank of Kazakhstan;
<ul style="list-style-type: none"> ◆ consideration of the report on sponsorship and charity of JSC Halyk Bank of Kazakhstan and PF charity Fund Halyk for 2019; 	<ul style="list-style-type: none"> ◆ review of the plan of major events for sponsorship and charity of JSC Halyk Bank of Kazakhstan and PF Charity Fund Halyk for 2020. 	<p>For more detailed information about the composition of corporate governance bodies and the detailed Report on their work for 2019, see Annual Report of Halyk Bank for 2019: https://backend.halykbank.com/storage/documents/files/5eca6db40c225.pdf and on the website of Halyk Bank in the "Corporate governance" section: https://halykbank.kz/about-bank/korporativnoe-upravlenie https://halykbank.com/about</p>

Managing aspects of corporate social responsibility and sustainable development

Being aware of the social responsibility of our business to the people of Kazakhstan, we make voluntary commitments to participate in the lives of our employees, the population in the regions where we operate, and society as a whole. To develop a coherent approach to managing the social and environmental impacts of our activities, a corporate social responsibility (CSR) Policy was adopted in 2019. The CSR policy sets out General principles and priorities in the field of social responsibility and sustainable development of the Bank.

To ensure sustainable development, we pay special attention to certain aspects of our activities, such as:

- effective settlement of social and labour relations based on the principle of social partnership;
- formulation of a system of training and development of personnel;
- ensuring environmental sustainability and occupational safety;
- defining unified policy in the field of implementation of social projects;
- defining unified policy for providing sponsorship and charitable assistance.

Performance in CSR and sustainable development is assessed by the Board of Directors on an annual basis.

In its work in the above-mentioned areas, the Bank is guided by the principles of respect for human rights, development of labour relations based on equality and mutual respect between employees and the Bank, prevention of any negative impact on the environment, anti-corruption, social support of the population and consideration of the interests of all stakeholders.

Indicators for assessing the effectiveness of the sustainable development activities of the Bank are:

- the degree of involvement and satisfaction of a staff, which are determined based on a staff survey;
- number of Bank employees trained;
- the amount of funds provided for sponsorship/ charitable assistance in the Development Plan of the Bank;
- gross amount spent by the Bank on providing sponsorship and charitable assistance to external stakeholders;
- number of calls of the employees to the internal helpline regarding non-compliance with the Bank's corporate ethics rules;
- the share of Kazakhstani (local) content in the Bank's purchases.



Risk management system

The Bank's risk management process is inextricably linked to all business processes and operations. This integrated approach is aimed at identifying specific actions and solutions for timely response and minimising possible risks.

To ensure the effective functioning of the risk management system, we have adopted the risk management Policy in JSC Halyk Bank of Kazakhstan. The goals

of this Policy are to implement the unified approach to risk management, achieve maximum profitability when taking a manageable risk level, and build an integrated risk management system in the Bank. The policy sets out the main concepts and types of risks arising in the activities of the Bank, the main principles, methods and methods of risk management, as well as defines the bodies and divisions of the Bank which are responsible for the implementation of all these provisions. The policy is mandatory for all structural divisions of the Bank.

Risk sources are identified at the level of the risk management service and independent structural divisions that carry out the business operations of the Bank. The implementation of one or a combination of risks and significant losses eventually may negatively affect solvency and reputation of the Bank. As a result, such situation may result in an increase in social discontent and tension as well as distrust of the banking system. Therefore, it is extremely important for us to identify risks at the initial stages and manage them efficiently.

Risk management assumes that the Bank has a three-level security system:

The First line of protection

is provided by efforts of the Bank's structural divisions, which are responsible for identifying weaknesses in business processes and possible unforeseen events, communicating information about them to the second line of protection, as well as managing risks. To ensure the effectiveness of operational activities on the first line of protection, control procedures have been developed that allow the structural divisions of the Bank to respond in a timely manner and minimise the identified risks.

The second line of protection

is represented by divisions, committees and authorised collegial bodies of the Bank. The main component of the second line of protection is the risk management service. The risk management service performs a regular independent monitoring of risks, develops control tools for effective risk management at the first line of protection, and together with the compliance service assists business units in accordance with regulatory requirements in the relevant areas.

The third line of protection

is provided by the internal audit division through an independent assessment of the effectiveness of the internal control system, risk management system, and corporate governance of the Bank.



The Bank has established a risk management process that consists of the following interrelated stages:

01

Risk identification

The risk management service and independent structural divisions that initiate the business processes of the Bank identify possible risks based on the approach established in the risk management policy.

03

Risk control and monitoring

Creating an effective organisational structure for risk management that eliminates conflicts of interest. This stage involves monitoring various types of limits and prudential standards, as well as regulating operations and business processes that ensure regular control and monitoring of risks.

02

Risk measurement or assessment

Determining whether a capital is sufficient to cover potential losses from various types of risks inherent in the Bank's operations, correlating risks with possible returns, and communicating information about the size of potential losses to the Bank's management in order to make the most informed business decisions.

04

Making corrective business decisions based on risk analysis

Based on risk analysis and periodic reporting, authorised persons and bodies of the Bank determine ways to reduce risks.

Recognising that it is impossible to completely eliminate the risks inherent in banking activities, the Bank continues to develop the risk management system, systematically and consistently implementing measures aimed at improving the methods of identifying, managing, evaluating and controlling the risks.



Detailed information about the key risk management of the Bank (credit risk, market risk, liquidity risk, operational risk, information technology risk, information security risk, etc.) is reflected in Annual Report of the Bank for 2019:
<https://backend.halykbank.com/storage/documents/files/5eca6db40c225.pdf>



Internal control and audit

Internal control and audit are the significant elements in the risk management system.

Internal control system provides control over the timely identification and continuous assessment of risks inherent in the Bank, and the adoption of timely measures to minimise significant risks in accordance with the Bank's internal documents. Internal control allows to achieve:

- ensuring the effectiveness of the Bank's activities, including the effectiveness of managing the banking risks, assets and liabilities, and ensuring the safety of assets;
- ensuring the completeness, reliability and timeliness of financial, regulatory and other statements for internal and external users, as well as information security;
- ensuring that the Bank complies with the requirements of the legislation of the Republic of Kazakhstan, internal documents, including on countering the legalisation (money-laundering) of proceeds from crime and the financing of terrorism.

The Bank has established an *Internal Audit Department* to serve as the third line of defence. In order to ensure the independence and objectivity of internal audit, the Internal Audit Department is functionally subordinate and accountable to the Board of Directors. Interaction with members of the Board of Directors is carried out both through the audit committee as well as directly.

Internal audit activities are consistent with the Bank's Strategy and goals. The Internal Audit Department maintains compliance of the internal audit activity with the legislation of the Republic of Kazakhstan, the standards of the Institute of internal audit, the regulations on the Internal Audit Department, the code of ethics for internal auditors and other internal regulatory documents of the Bank.

The Internal Audit Department assists the Board of Directors and management of the Bank in evaluating and improving the effectiveness of risk management, internal control and corporate governance systems by conducting audits, providing recommendations for improvement, and monitoring their implementations. In 2019, the internal audit function conducted 71 audits, which resulted in several recommendations for improving the risk management processes of the Bank.

Compliance with legal requirements

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

One of the main risks of our business is compliance risk. The Bank determines compliance risk as the risk of losses due to non-compliance by the Bank and its employees to the requirements of the legislation of Kazakhstan, regulatory legal acts of the authorised body, internal documents of the Bank governing the provision of the Bank services and operations on the financial market, and foreign legislations affecting the activities of the Bank. Since this risk may negatively affect the Bank's operations and reputation in general, measures to minimise compliance risks are carried out on an ongoing basis.

The compliance risk management system is based on three lines of protection. The first line of protection includes controlled divisions, the second line of protection determines the compliance control department and other divisions performing the control functions, the third line of protection includes the independent assessment of the quality and effectiveness of compliance risk management by the department of internal audit.





The main methods of managing the compliance risk in the Bank are:

<ul style="list-style-type: none"> • consistent monitoring of the legislation of the republic of Kazakhstan and foreign countries that have the impact on operations of the Bank; 	<ul style="list-style-type: none"> • conducting compliance monitoring (inspections) by the compliance control department of the Bank's divisions;
<ul style="list-style-type: none"> • monitoring the compliance by the officials and employees of the Bank with the requirements of the legislation of the Republic of Kazakhstan and foreign countries that impact on operations of the Bank; 	<ul style="list-style-type: none"> • applying various tools in the Bank for identification/assessment of compliance risks, including tools for assessment/self-assessment by controlled divisions of their activities;
<ul style="list-style-type: none"> • ensuring the correct understanding and application of the legislation of the Republic of Kazakhstan and internal documents of the Bank, as well as the legislation of foreign countries that impact the activities of the Bank, by structural divisions and employees of the Bank; 	<ul style="list-style-type: none"> • performing control over the differentiation of access rights to insider information, confidentiality and prevention of possible misuse of such information by insiders, including control of keeping and maintaining up to date the list of persons who have access to the insider information of the Bank;
<ul style="list-style-type: none"> • identifying, measuring, monitoring and controlling compliance risks, including when developing and structuring new banking products and services, implementing new business processes, technologies, etc.; 	<ul style="list-style-type: none"> • ensuring the Bank's compliance with anti-money laundering/combating the financing of terrorism (AML/CFT) measures;
<ul style="list-style-type: none"> • controlling timely and high-quality execution of mandatory requirements of the regulator/ authorised body; 	<ul style="list-style-type: none"> • monitoring compliance of the employees with the requirements of the Bank's internal documents to prevent conflicts of interest, etc.

The compliance control department regularly organises training for employees on compliance control, AML/CFT, as well as on compliance with the requirements of the US Foreign Account Tax Compliance Act (FATCA). Every year, both newly accepted employees and current employees of the responsible departments of the Bank are trained in this direction. In 2019, more than 23,500⁷ employees received such training. In addition, the Bank uses various training formats, both interactive and remote (online) in accordance with the approved training plans.

All actions taken by the Bank, including a three-level security system and well-coordinated work of responsible departments, reduce the likelihood of implementation of compliance risks and their possible consequences. By the end of 2019, the Bank managed to avoid significant fines, sanctions and supervisory response measures for violating legal requirements.

⁷ A number of employees received several trainings during the reporting period.



Anti-corruption measures

GRI 103-1 | 103-2 | 103-3 | 205-2

Anti-corruption is one of the key principles of the corporate social responsibility of Halyk Bank. We operate in strict accordance with the legislation of the Republic of Kazakhstan in the field of anti-corruption⁸, applicable international law and internal regulations. In 2019, we have done a significant work to systematise the key principles and norms aimed at countering corruption offenses and minimising corruption risks that are applied in the Bank's activities. These principles are reflected in the new anti-corruption policy of JSC Halyk Bank of Kazakhstan⁹.

The approach of the Bank to countering corruption is based on:

- countering all forms of corruption and other illegal activities, including extortion and bribery;
- prevention of corruption by the management and employees of the Bank;
- conducting anti-corruption measures in accordance with internal regulations;
- compliance with the principles of fair competition;
- anti-money laundering and combating the financing of terrorism.



Anti-corruption activities of the Bank are aimed at creating intolerance to all manifestations of corruption, taking measures to prevent and suppress situations that in any way may lead to violation of the requirements of the legislation of the Republic of Kazakhstan or applicable international law.

One of the measures to prevent corruption risks applied in the Bank is mandatory anti-corruption education of employees through seminars and lectures with the participation of responsible structural divisions on anti-corruption issues. In 2019, 3,269 newly hired employees (22.5% of the average number of employees), namely, 2 senior managers, 42 middle managers, 3,072 specialists, and 153 administrative workers were given introductory training on anti-corruption in the Bank. To increase the level of anti-corruption culture, responsible employees constantly inform others about the importance of preventing corruption and conduct explanatory conversations.

⁸ Law of the Republic of Kazakhstan dated 18 November 2015 No. 410-V "On combating corruption".

⁹ Anti-corruption policy of JSC Halyk Bank of Kazakhstan was adopted on 27 May 2020.



Stakeholder engagement

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

We strive to build relationships with all stakeholders on a regular, open and interactive basis. The process of organising the interaction of the Bank with interested parties is based on the following principles:



Minimising risks

our work is aimed at reducing the negative consequences of doing business for our key stakeholders;



Consistency and integration

we provide an effective and unified approach to managing corporate social responsibility and sustainable development issues;



Transparency and responsiveness

we strive to ensure transparency in our work by providing relevant, reliable and meaningful information to our stakeholders. We also respond promptly and timely to critical assessments and comments from interested parties;



Maximising benefits

we strive to invest in projects that bring profit to our shareholders, as well as contribute to the social and economic development of the country;



Complexity

we interact with stakeholders in three areas of sustainable development, i.e. economy, environment, and social policy;



Accountability

we are responsible for our obligations to our stakeholders and society.



Social aspect

our activities are aimed at both individual social groups and society as a whole;





Shareholders and investors

Relationship of the Bank with shareholders is regulated by the Charter, the Corporate governance code, the Rules of corporate ethics, the CSR Policy and other internal documents of the Bank. Being aware of our responsibility to our shareholders, we strive to ensure the implementation of their rights within the framework of corporate governance principles aimed at effective key decision making. In addition, we strive to provide all our shareholders and investors with reliable information about the results of financial activities, additional information about plans, achievements, business problems, as well as information about analytical materials and research conducted by the Bank.

Employees

Relationship of the Bank with its employees is based on an open, transparent personnel policy aimed at creating highly professional, motivated and qualified personnel. We strive to provide all employees with equal opportunities to realise their potential in the course of their work, an impartial and fair assessment of their performance. Selection and career development are solely based on of professional abilities, knowledge and skills of the employees.

Partners and clients


When building relationships with partners and clients, we are guided by the principles of openness, honesty, respect for the interests of mutual benefit, understanding full responsibility for the obligations assumed, and strive to comply with all the terms of contractual relations and generally accepted moral and ethical standards. Showing respect and integrity in relationships is also a priority for us.

Government agencies

The Bank and its employees build relations with state bodies and civil servants on the principles of partnership and respect, understanding that all initiatives of state bodies and the Bank should be aimed at the development of the country's economy. The Bank is a responsible and conscientious taxpayer.

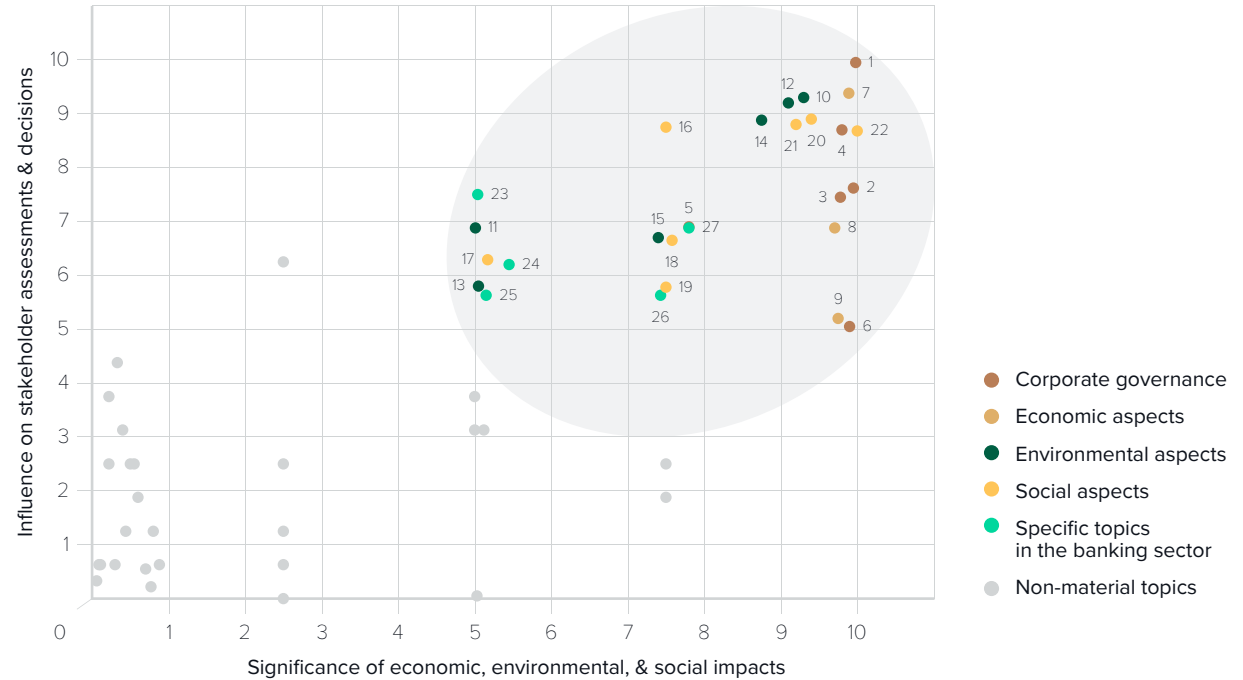
Below are the key results and ways to interact with the key stakeholders of the Bank, i.e. shareholders, investors, clients and employees during the reporting period.

Interaction with key stakeholders in 2019

Stakeholder group	Methods/channels of interaction and main results
Shareholders	<ul style="list-style-type: none"> • General meeting of shareholders • Personal interaction when registering the shareholders of the Bank to participate in the Bank's Annual General Shareholders' Meeting • Provision of materials and ballot forms for voting • Informational messages and written requests by email and / or phone • Emails • Annual reports and interim financial reports • Publications on the Internet resources of the Depository of financial statements and JSC Kazakhstan Stock Exchange • Press-releases • Corporate website
Investors	<ul style="list-style-type: none"> • Quarterly presentations and press releases for investors on the basis of financial results • Quarterly teleconferences with investors on the results on the basis of financial results • Investor Day followed by Non-deal roadshow • Non-deal roadshow • Deal Roadshow as part of the secondary public offering (SPO) of the Bank's GDRs • Holding a General meeting of bondholders in the framework of obtaining Consent (Consent Solicitation) to change the covenants in two issues of Eurobonds • Payment of coupon remuneration and the nominal value of the bonds when they are repaid • Annual reports and interim financial reports • Perception reports • Shareholder Identification report • Publications on the Internet resources of the London Stock Exchange, AIX, the Financial Reporting Depository, and JSC Kazakhstan Stock Exchange • Press-releases • Emails and meetings • Website for international investors and analysts:  https://halykbank.com/
Clients	<ul style="list-style-type: none"> • Call centre • Internet-banking including mobile application of the Bank • Corporate website • Advertising campaign • Concessional credit conditions for certain categories of clients (for example, young entrepreneurs, women entrepreneurs) • Social network • Press-releases • Assessment of customer satisfaction with the quality of service
Employees	<ul style="list-style-type: none"> • Research of employee satisfaction level and socio-psychological climate in divisions • Corporate emails • Hotline (helpline) • Internal communication and ads • Training • Voluntary activity • Corporate events

Materiality assessment

Another tool for the interaction between the Bank and its stakeholders is the preparation and publication of the Sustainability Report. This Report has been prepared in accordance with the best practices of non-financial information disclosure in order to provide an objective and transparent presentation of the Bank's performance in the field of 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 the results of interviews with Senior management of the Bank, as well as requests from investors and rating agencies received during the reporting year), practices of peer banks, media reviews and international trends in the banking industry¹⁰. The results of the assessment are presented in a matrix of material topics that reflects the most significant aspects of the Bank's activities in sustainable development.



Matrix of material topics of Halyk Bank

Based on the results of the materiality assessment, 27 material topics were identified in the field of corporate governance, economic, environmental and social impacts, as well as banking-specific aspects of Halyk Bank's activities.

List of material topics

Corporate governance		Economic aspects		Environmental aspects		Social aspects		Specific topics in the banking sector	
1	Strategy of the Bank	7	Economic performance	10	Materials	16	Employment	23	Availability and quality of financial services
2	Ethics and Integrity	8	Indirect economic impacts	11	Energy consumption/ energy efficiency	17	Health and safety at workplace	24	The response of the Bank to the COVID-19 pandemic in the first half of 2020
3	Corporate governance	9	Anti-corruption	12	Water consumption	18	Training and education	25	Digitalisation and innovation
4	Stakeholder engagement			13	13 Emissions	19	Diversity and equal opportunity	26	IT systems and cyber-risks resilience
5	Internal control and audit			14	Waste management	20	Client privacy	27	Responsible financing
6	Risk management			15	Environmental protection	21	Socio-economic responsibility		
						22	Charity and sponsorship		

¹⁰ A detailed description of the methodology for determining material topics is provided in the Annex.

TAKING CARE AND
BEING RESPONSIBLE

06

Barometer of Economic Development of the Country

WE

ARE THERE IN THE MOST IMPORTANT
MOMENTS

Today, Halyk Bank is the undisputed leader of the banking industry in Kazakhstan, forming an impressive market share in terms of assets (total market share of 33%), equity (34.2%) and net income (39.9%). In addition, the Bank has the largest customer base and a network of sales channels and represents a significant part of the market in all key business segments.

As the largest agent of social payments with a market share of 68.5%, we ensure timely payment of pensions and benefits to 2.5 million people in Kazakhstan. This is a special social mission of Halyk Bank.

The Bank's strong financial position, which allows it to withstand negative macroeconomic events, strong market position and high social significance confirm the system-forming role of the Bank. Today, Halyk Bank is a kind of barometer of the development of the economy of Kazakhstan, the situation in which reflects the economic situation in the country.



An overview of the main economic results

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

As noted earlier, Halyk Bank¹¹ has a significant impact on the economy of Kazakhstan, which is formed by lending to individuals and legal entities, preserving and increasing depositors' funds, paying taxes and other mandatory payments to the country's budget, creating and maintaining jobs, ensuring the payment function and other factors. In this section, we review the main financial results of operations at the end and for the reporting period.

In 2019, Halyk Bank's net income increased by 31.6% compared to 2018 and amounted to KZT 334.5 billion. The increase in income is primarily due to growth of net interest income. The high profitability of our business allows us to ensure the security of deposits of the clients and competitive salary for our employees, as well as make significant payments to the state budget. Thus, in 2019, income tax expenses amounted to KZT 36 billion, and other taxes amounted to KZT 7.8 billion. At the end of the reporting year, Halyk Bank's liquid assets accounted for 44.3% of total assets, which indicates its ability to meet its obligations on time.

Halyk Bank ensures the safety of customer deposits and high liquidity of assets, which allows us to continue financing public and private projects even in times of global economic crises.

Halyk Bank does not receive financial assistance from the government.

¹¹ The data in the section "Overview of key economic results" is presented for the group JSC Halyk Bank of Kazakhstan.

Created and Distributed economic value¹²

Indicator	Unit of measurement	2019	2018
Direct economic value created:	KZT, billion	606.1	545.3
Net interest income	KZT, billion	367.9	316.3
Net fee and commission income	KZT, billion	68.6	74.2
Other non-interest income	KZT, billion	169.6	144.0
Profit for the year from discontinued operations	KZT, billion	0.0	10.0
Profit attributable to non-controlling interest	KZT, billion	0.0	0.8
Distributed economic value:	KZT, billion	471.8	417.0
Non-interest expense	KZT, billion	235.6	208.6
<i>Including operating expenses</i>	KZT, billion	142.2	137.2
<i>Including salaries and other employee benefits</i>	KZT, billion	79.2	77.6
<i>Including investments in social sectors (charity and social events)</i>	KZT, billion	2.3	1.2
<i>Including taxes other than income tax</i>	KZT, billion	7.8	8.4
Income tax expense	KZT, billion	36.0	82.5
Dividends paid for the reporting period	KZT, billion	200.2	125.9
Undistributed economic value = Created direct economic value – Distributed economic value	KZT, billion	134.3	128.3

¹² Data are taken from the audited Consolidated financial statements of JSC Halyk Bank of Kazakhstan for the years ended 31 December 2019, 2018 and 2017.



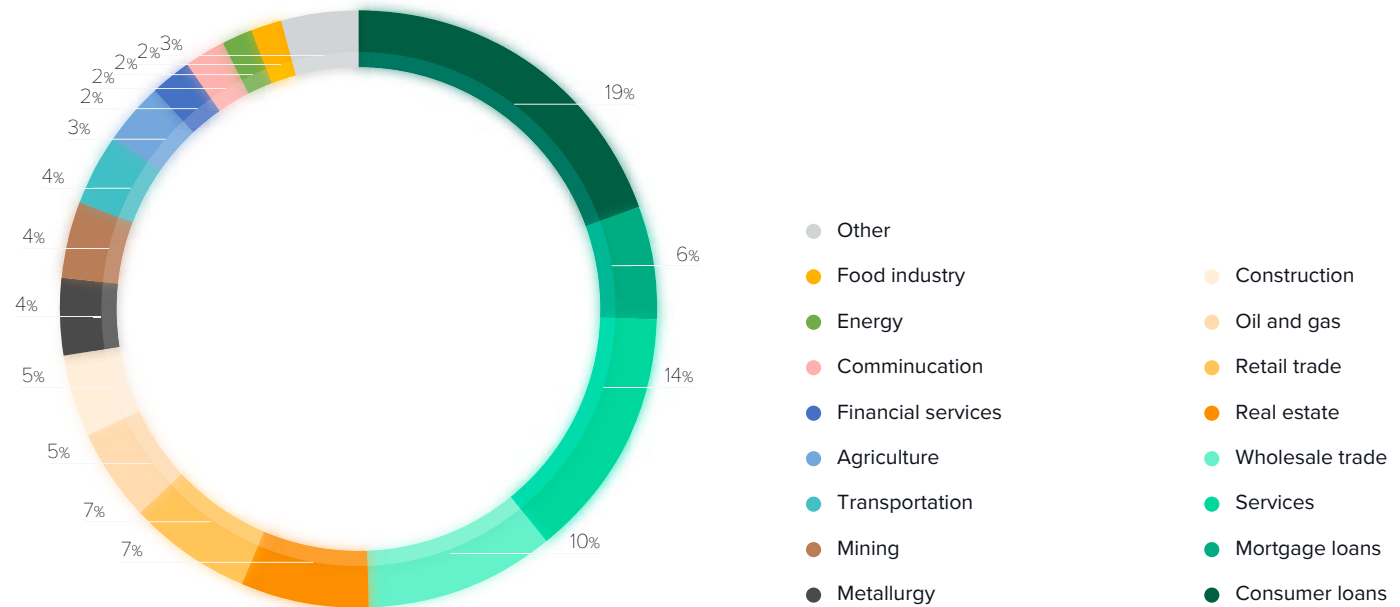
Supply chain management

GRI 102-9

We strive to support local producers of goods and services. The Bank's relations with suppliers are carried out in accordance with the Rules on the procedure and conditions for purchasing goods, works and services, as well as the current legislation of the Republic of Kazakhstan and internal documents of the Bank. The Bank respects its business partners and selects suppliers of goods, works and services objectively and impartially to create conditions for fair competition. The main principles of our procurement activities are to minimise total costs, ensure fair competition and transparency of the procurement process, and ensure equal opportunities for suppliers. At the end of the reporting period, the total amount of the Bank's purchases from resident companies of the Republic of Kazakhstan amounted to more than KZT 66 billion.

Diversified loan portfolio

In 2019, Halyk Bank's lending portfolio increased by 6.9% compared to 2018. Support for the growth of the loan portfolio continued to be provided by the sector of individuals. The increase in lending occurred due to the continued growth in mortgage and consumer loans. In 2019, Halyk Bank loans were represented in the following sectors of the economy:



The main part of the loan portfolio was occupied by consumer loans (19%), as well as legal entities that operate in the service sector (14%), wholesale trade (10%) and real estate (7%). As at 31 December 2019, the concentration of Halyk Bank loans for the ten largest borrowers was KZT 775.2 billion, representing 19% of the total loan portfolio of Halyk Bank (31 December 2018 – KZT 703.6 billion, 19%). In 2019, the loans issued in the mining industry and telecommunications more than doubled compared to 2018. Significant growth in lending was also

observed in the financial sector, in the food and light industry. At the end of reporting period nonperforming loans 90+ were 6.9% of the total amount of loans issued (in 2018 – 8.5%).



Detailed information on Halyk Bank's financial results is available in the Annual Report for 2019 and in the audited consolidated Financial Statements for the years ended 31 December 2019, 2018 and 2017 at the link:
<https://backend.halykbank.com/storage/documents/files/5eca6db40c225.pdf>
<https://halykbank.com/financial-results>.

The highest long-term credit ratings among Kazakh second-tier banks without foreign participation in 2019:

MOODY'S
INVESTORS SERVICE

Ba1 (positive)

Fitch Ratings

BB+ (negative)

STANDARD & POOR'S

The McGraw-Hill Companies

BB (stable)



Significant market share in key business segments

34%

Halyk Bank's share in the retail deposit market of second-tier banks

37.6%

market share of deposits of legal entities of second-tier banks

17.3%

market share for retail lending

28.8%

market share for gross loans



Investments in socio-economic development of the country

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

In our activities, we strive to support business projects that make a positive contribution to the socio-economic development of our country. We also take an active part in the implementation of a number of state programs aimed at developing entrepreneurship and supporting employment in the regions of Kazakhstan.

Support for the implementation of state programs

In 2019, Halyk Bank continued its participation in the implementation of state programs for the development of entrepreneurship, the operator of which is the Damu Entrepreneurship Development Fund (the “Fund”). Thus, within the framework of the state program for the development of productive employment and mass entrepreneurship “Enbek”, we issue micro-loans to entrepreneurs of existing and start-up businesses without industry restrictions. Priority loans are provided for projects implemented in accordance with regional business development maps. For example, in 2019, the Bank allocated KZT 10.4 billion for the implementation of projects in 14 regions and cities of Almaty, Nur-Sultan and Shymkent, of which KZT 9.5 billion has already been disbursed. At the same time, we are the second in terms of the amount of funds placed under the program among banks in Kazakhstan. We are proud that our active cooperation with the Fund allows entrepreneurs from Kazakhstan to implement their business ideas: start their own business or develop existing projects.

One of the key projects implemented within the framework of the state program for the development of productive employment and mass entrepreneurship “Enbek” was the purchase of necessary medical devices and equipment for a multidisciplinary medical centre in Karaganda. As a result of the project’s funding by the Bank, the centre conducts high-tech endoscopic and diagnostic procedures and medical operations. Thus, the centre can examine up to 600 patients a year using modern equipment of expert class.

At that, we provide loan guarantees to private businesses within the framework of a unified business support and development program. Since the launch of this program, 1,591 guarantee agreements have been signed with customers, which is 24% of the total amount of guarantees (6,663 PCs.) issued under the program. Thus, Halyk Bank ranks first among the banks participating in the program both in terms of the number of signed guarantee agreements and the total volume of the Fund’s guarantees. In addition, we actively support small and medium-sized enterprises that work or serve the manufacturing industry, as well as food and beverage production. This program was launched in 2014. The Bank issues loans for the purchase and creation of new fixed assets, as well as for modernisation of existing ones; for refinancing loans that do not participate in state programs of financial support for entrepreneurs and for replenishment of working capital. Depending on the goal of the enterprises, loans are issued for a period of 5 to 10 years and do not exceed the limit of KZT 1.85 billion. In total, during the period of participation in the program, the Bank financed more than 5 thousand projects worth KZT 210 billion. Halyk Bank is in the top three in terms of allocated and disbursed funds.





>5 thousand SMEs
in the manufacturing industry received financial support from the Bank

KZT 23.5 billion
allocated by the Bank to finance SMEs in the regions of Kazakhstan

In August 2019, Halyk Bank allocated a loan to the largest domestic enterprise engaged in the production and processing of agricultural products for more than 50 years. The company produces a range of dairy products exclusively from natural raw materials: from butter and cottage cheese to cream and fruit ice cream. The company is a recognisable brand throughout Kazakhstan, and the products are delivered to many regions of the country. On account of loan funds in the amount of KZT 1.1 million, the company purchased modern equipment for the production of ice cream, as well as reconstructed a number of production facilities. The financing allowed the company to maintain its position as the largest regional supplier of high-quality natural dairy products, as well as provide jobs for up to 200 employees at the plant.

In 2019, we continued to participate in the project of the Fund implemented jointly with the regional authorities – the Program of regional financing of SMEs. The project is implemented within the framework of targeted programs for regions and individual industries, which is aimed at lending, subsidising, guaranteeing and grant financing of entrepreneurs. Under the program, the borrower is entitled to receive a loan for the purchase of fixed assets and replenishment of working capital in the amount of up to KZT 100 million. By the end of the reporting period, the Bank concluded 66 agreements totalling KZT 23.5 billion.

Out of 66 agreements, 59 agreements have already completed initial disbursement of funds. In addition, as part of the project, we provide non-financial support to entrepreneurs in the form of free training programs, seminars, master classes and consulting support.

Within the framework of public-private partnership, the Bank regularly develops cooperation with regional and city authorities.

An excellent example of this partnership is the project designed to modernise street lighting in Ekibastuz, which has been financed by the Bank since 2017 to the present day. The implementation of this project with the support of the Bank allowed not only to modernise the engineering communications of street lighting in the city, but also to significantly reduce energy consumption. According to the assessment of the local authorities of Ekibastuz, results of the project are suggested to save up to 50% of electricity consumption for street lighting due to the introduction of new equipment and led lamps. It is also worth noting the high indicators of Kazakhstani content in contracts, both in terms of equipment supplies and in relation to the personnel involved. We are glad that such projects allow us not only to improve the urban environment and ecological conditions, but also to develop local businesses and human resources.





1st place

among participating banks in the areas of subsidies and guarantees under the program “Business Roadmap 2025”

14 regions and 4 cities of national significance,

where within the framework of the state program “Enbek” the Bank promotes the development of productive employment and entrepreneurship in all regions of Kazakhstan

KZT 152 billion

the total amount of allocated funds for state programs

We contribute to improving the housing conditions of the population through the implementation of The State Program of housing and communal development “Nurly Zher”, subsidising the construction of housing by private developers. This program is aimed at increasing the availability and comfort of housing and the development of housing infrastructure, implementing a unified housing policy, rationally providing the population with high-quality drinking water and sanitation services, modernising and overhauling the housing and communal sector, as well as improving urban development.

In 2019, the Bank continued to participate in the state program “mechanism for crediting priority projects – economy of simple things” (EST). The amount of the subsidy under the program is less than 10% of the remuneration rate, the amount is issued for a period of up to 10 years. The production of food products, clothing, home and office products, as well as the production of construction materials are identified as the most priority sectors of financing. At the end of the reporting period, the Bank has accepted applications from entrepreneurs in the amount of KZT 47.8 billion, the amount approved by the Bank is KZT 26.8 billion.

Promoting food security in the Sairam district of Turkestan region is a clear example of a project that was financed under the EST program. In 2018, the Bank allocated KZT 1.07 billion for the construction of a feedlot for 4,000 head of cattle, and in 2019, additional funds were allocated to increase the production capacity to 9,000 head of one-time maintenance. The company has built a modern feedlot using the world's best technologies due to the loan. Now the population of the region is provided with high-quality meat, and 50 villagers are employed at the enterprise.

As part of the EST program, we also supported a project to expand the network of preschool institutions in East Kazakhstan. Already in 2020, a new kindergarten for 250 children will open in Ust-Kamenogorsk, the construction of which was financed by the Bank under the scheme of public-private partnership with the Fund.

SMEs play an important role in the economy of any country. Realising this, the Bank provides a reduced lending rate to businesses that operate under the unified business support and development program “Business Roadmap 2025” (previously “Business Roadmap 2020”). The purpose of the program is to support new business initiatives of entrepreneurs in single-industry towns, small towns and rural settlements, as well as industry support for entrepreneurs in priority sectors of the economy and manufacturing industry. Halyk Bank confidently ranks first among the banks participating in the program both in the direction of subsidies (in terms of the number of signed subsidy agreements – 3,858) and in the direction of guarantees (in terms of the total volume of guarantees – KZT 23.5 billion or 23% of the total amount of guarantees issued under this program).

One of the criteria for lending is the implementation of effective investment projects, namely, maintaining or increasing the average annual number of jobs, growth of the wage Fund, income, or the amount of taxes paid to the state budget. The loans under the program amount to KZT 7 billion for a period of up to 5 years.

For quality control of participation in each state program, the Bank develops rules for the process of issuing and subsequent control of loans, maintain reports on the control on the development and implementation of the program as well as on temporarily free balances.

Along with supporting businesses through government programs, we also implement our own initiatives to develop individual entrepreneurship and SMEs.



Women entrepreneurship development

Women's entrepreneurship in Kazakhstan has a rich historical basis. For example, in certain industries, such as the food industry, retail trade, education, and medicine, the number of women entrepreneurs is comparable to or even exceeds the number of male entrepreneurs. Taking into account the high potential of women in business development, in 2018, together with the Council of Business Women of NCE RK Atameken, we launched a concessional program for the development of women's entrepreneurship. The purpose of the program was to create an effective system of micro-credit for women's businesses to further stimulate production and fill the market with goods and services, as well as to assist novice entrepreneurs in gaining experience in running their own business. We offered loans at the lowest interest rates on the market – 5% per annum for up to two years and 7% for up to seven years. The maximum loan amount was KZT 10 million. Note that funding was provided for all types of businesses, including startups. The condition for obtaining a loan was the presence of an active business for 6 months and collateral. In case of lack of own funds for collateral, up to 85% of the required funds could be issued to the borrower under the guarantee of the Fund Damu.

Under the program, every woman who applied to the Bank for a loan could get the necessary support by writing a business plan, conducting marketing research to determine the potential profitability of the project. Consultations and loan processing under the program were available in 24 branches of the Bank located in regional centres throughout Kazakhstan. In addition, customers could submit documents for a loan remotely without visiting the branch thanks to our service "Halyk Courier".

It is important to note that during the entire period of implementation of the program, we have seen a high demand for concessional loans from the female half of the business community. At the same time, the quality of business plans was quite high, and the projects themselves were interesting and socially important.

For example, one of our clients was able to open a correctional centre for the treatment and social rehabilitation of children with special needs due to the support of Halyk Bank in 2019. The specialised centre offers the services of a speech therapist, psychologist and tutor. Young visitors of the centre can receive therapeutic massage, physiotherapy and physical therapy. Another project that received funding under the women's entrepreneurship program was an ice cream business. The owner of the business was able to expand the production and the range of products at the expense of the received funds.

To date, the largest number of business projects for loans issued is implemented in such industries as retail trade, services, real estate operations, education and medicine. Since the beginning of the program, 372 women have received support for their business, and the total amount of funding amounted to KZT 3 billion. We are glad to be able to meet a large social order to support and develop entrepreneurial activity among women in Kazakhstan.



Zhas Halyk

We believe that the key to building a successful and sustainable future of our country is to create favourable conditions for business development among the younger generation of people of Kazakhstan. That is why in 2019 we launched the program of concessional lending to youth entrepreneurship “Zhas Halyk”. The implementation of this initiative was our response to the main problems faced by almost every young person who decided to start a business, i.e. the lack of start-up capital and collateral. Halyk Bank was the first bank in Kazakhstan to take a step towards youth business and offer unique lending conditions, where the most important criterion for selecting projects was an interesting business idea and the desire to implement it. Under the program, beginning and existing entrepreneurs of Kazakhstan, aged 21-30 years, have the opportunity to get loans up to KZT 15 million for

up to 7 years for the implementation of their project. Entrepreneurs can take out a loan for a new business, or within the framework of an existing one. It is important to note that credit funds are issued without collateral, insurance, charges and at a favourable interest rate of 5% per annum. In total, the Bank allocated KZT 1 billion for the implementation of this program.

Applications for participation in the program were accepted through a specially created website – zhashalyk.kz. For the convenience of our borrowers, we posted a sample business plan on the website, which had to be completed in as much detail as possible to justify the idea and get financing. At the same time, when considering applications from young entrepreneurs, we were not guided by any industry restrictions. A wide variety of projects – from small bakeries to IT start-ups – had equal opportunities to receive financial support from the Bank.

The contest selection took place in three stages:

- 01 Assessment of the attractiveness of the business idea and compliance of the claimed project indicators with existing similar projects;
- 02 The selection by a Commission of applications from the General pool of projects that have passed the first stage;
- 03 Verification of applicants’ credit history and examination of selected projects by the Bank’s security service.

During the period from 17 June to 31 December 2019, we received more than 600 applications from entrepreneurs across the country, 97 best business ideas were selected, of which 54 projects were allocated and the funds were disbursed in the amount of KZT 467.9 million (47% of the total program limit).

Thus, under the “Zhas Halyk” program, a young entrepreneur from the Kyzylorda region was able to open a pharmacy focused on providing medicines at affordable prices to socially vulnerable segments of the region’s population – large families, pensioners, disabled people and veterans of the Great Patriotic War. Also, in 2019, another of our young clients was able to open a hostel in Petropavlovsk with 30 rooms because of “Zhas Halyk” program. Convenient location and affordable prices allow to get a stable profit. The implementation of this project has solved several issues at once, such as creating jobs, meeting the needs of the population and tourists in low-cost hotel services.

We are confident in the success of our clients’ business ventures and intend to continue supporting youth entrepreneurship in Kazakhstan in the future.



We want to make a real step towards youth business from the banking sector. This is an important social and, at the same time, investment contribution to the Future of Kazakhstan!

U. B. Shayakhmetova
Chairperson of the Management Board

case

Improving the availability and quality of medical services in Aktau

In 2019, Halyk Bank financed the project of multi-specialty clinic Sofie Medgroup LLP to organise a primary health care centre in Aktau. The project is subsidised under the mechanism to credit priority projects approved by the Government of the Republic of Kazakhstan. The new clinic opened its doors to residents of Aktau in January 2020 and currently serves more than 26 thousand people. The centre provides a wide range of medical services, including outpatient care, day patient facility, and preventive screenings.



We pay special attention to financing socially significant projects that increase the availability and quality of medical services both in the Mangystau region and throughout Kazakhstan as a whole. Earlier, the Bank supported another project of Sofie Medgroup, an innovative multi-specialty clinic, which was built according to European quality standards and launched in Aktau in August 2015. This project was also subsidised under the state business support and development program “Business Roadmap 2020”.

As a result of the implementation of these projects, residents of Aktau got access to high-quality medical services, and healthcare professionals acquired new jobs.

case

Reviving the apple orchards of Almaty

In our activities, we pay great attention to supporting the development of agribusiness in the country. One of the examples of our work in this direction is the financing of the project of Alma Green Fields to create high-intensity apple orchards near Almaty. We have been financing this project since 2016 under the public-private partnership scheme together with KazAgro Corporation. During the first stage of the Alma Green Fields project, 35 hectares of Apple orchards were planted on the territory of Enbekshikazakh district of Almaty region. At the expense of the loan funds in the amount of KZT 2,251 million, the company built trellis systems and protective nets, and carried out a modern drip irrigation line to ensure high quality of products. For several years of successful work, the area of Apple orchards has reached 258 hectares. In 2018, Halyk Bank additionally



allocated KZT 1,016 million to the company for the construction of a fruit storage facility with an automated heating and cooling system. These funds were used to build sorting areas, purchase specialised equipment and vehicles. The company's new gas-controlled fruit storage facility allows to save crop for up to 8–12 months and ensure that fresh apples are delivered to the shelves all year round.

Today, Alma Green Fields is one of the largest suppliers of different Apple varieties in Kazakhstan and the Siberian region of Russia and supports up to 280 jobs per season.

Support for this project is very important for us also because our hometown Almaty has been famous for its Apple orchards since ancient times. And we are happy to contribute to the development of its main symbol, an apple!

TAKING CARE AND
BEING RESPONSIBLE



07

Customers are the Focus of Our Attention

WE

CARE ABOUT YOU AND
YOUR FAMILY



Availability and quality of services

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

Halyk Bank is the largest bank in Kazakhstan by the size of its customer base and network of sales channels. We are working to develop branches and outlets in all regions of the country and increase the availability of our services for all people of Kazakhstan.

Development of the distribution network

In 2019, our branch network consisted of 626 outlets throughout Kazakhstan, including:

24

regional branches

3

VIP centres

282

cash settlement units

120

sub-regional offices

52

banking service centres (BSC)

34

business centres (corporate customers)

111

personal service centres (PSCs)

In addition, we offer a wide range of remote self-service channels for our retail and business customers. In 2019, the total number of ATMs in the Halyk Bank network amounted to 4,459 units, which makes the number of our ATM the largest in Kazakhstan with a market share of 39%. In order to replace outdated and outmoded banking machines, 504 units of new ATMs were installed in high-visibility locations during the reporting period.

Halyk Bank is also the leading acquiring Bank in the market – our network includes 88,463 POS-terminals, 1,000 payment terminals and 32 multi-service kiosks. Our POS terminals offer a number of advantages for customers, namely: the ability to accept all types of payment cards for payment, building a customer loyalty system and receiving detailed reports on transactions.

In 2019, we optimised our network of payment terminals – 290 of our own terminals were purchased to replace the leased machines. New services such as accepting voluntary pension contributions, submitting applications for a preliminary decision on a loan for individuals, and accepting mandatory social medical contributions have become available to users of payment terminals. In addition, we have optimised the navigation system and search for services, as well as simplified the procedure for adding funds to the card account in order to make the use of the Bank's terminals as convenient as possible for our customers.

We offer a wide range of banking services through a number of service channels for individuals and businesses, including:

Service line	Client category	Available banking services
Internet-banking	Individuals	<p>Web-version and mobile app Homebank¹³:</p> <ul style="list-style-type: none"> • Simple registration • Access to the Bank's online services (Halyk Info, 24/7 Online chat, Halyk Club, the entire map of ATMs and branches, and much more) • Managing settings (setting a limit on the card, setting up Push notifications, changing the password in the app, changing the PIN code) • Online opening of a multi-currency card with free delivery
	Businesses	<p>Onlinebank web version and mobile app – manage your business accounts 24/7:</p> <ul style="list-style-type: none"> • Payments and transfers seven days a week • References, statements on accounts and terminals • Online accounting and trading platform for free • Conversion and currency payments
Service offices	Individuals	<ul style="list-style-type: none"> • Banking service centres • Personal service centres
	Businesses	<ul style="list-style-type: none"> • Banking service centres • VIP centres
Self-service channels	Individuals	<ul style="list-style-type: none"> • ATMs • The multi-kiosks
	Businesses	<ul style="list-style-type: none"> • POS-terminals • Internet acquiring ePay



¹³ The full list of banking services available in Homebank is available on the Halyk Bank website: <https://halykbank.kz/en/homebank>.





In 2019, the Bank continued to invest in the development and modernisation of its branch network and the provision of material and technical base. In order to expand the availability of its services to customers, a new regional branch of the Bank was opened in the Turkestan region, where the administrative centre of the South Kazakhstan region was moved. In 2019, six sales channels were opened, including two personal service Centres in Turkestan and Zhanaozen branches, two banking service Centres in Akmola and Turkestan branches, and three branches in Almaty, Mangistau and West Kazakhstan branches. Reconstruction and modernisation of 33 regional facilities have been completed, including a sales channel with a digital concept in the MEGA Alma-Ata shopping centre.

Also, in 2019, 2 mortgage centres of Halyk Bank were opened in Almaty, the main specialisation of which is to provide the maximum list of specialised banking services and products related to mortgage lending. In the centres, our clients can use the services of a notary, get an assessment of real estate and professional consultation on current state and Bank programs for housing lending in the primary and secondary markets.

Also, in February of the reporting year, our third branch was opened in the Business format, designed to serve legal entities in Almaty. The centre provides a full range of banking services for organisations, including profitable solutions for financing SMEs under government programs; operational services for entrepreneurs and support of payroll projects. The new branch is designed to serve more than 5 thousand customers.

In the context of rapidly developing technologies and growing customer expectations, we are actively developing our online platforms – Homebank, Onlinebank, Halykzalog and regularly fill them with new and convenient services.

In addition to banking services, we offer our clients a range of financial services for insurance, leasing, brokerage services and asset management.



Read more about our activities in other segments of the financial market in Halyk Bank's Annual Report for 2019: <https://backend.halykbank.com/storage/documents/files/5eca6db40c225.pdf>.

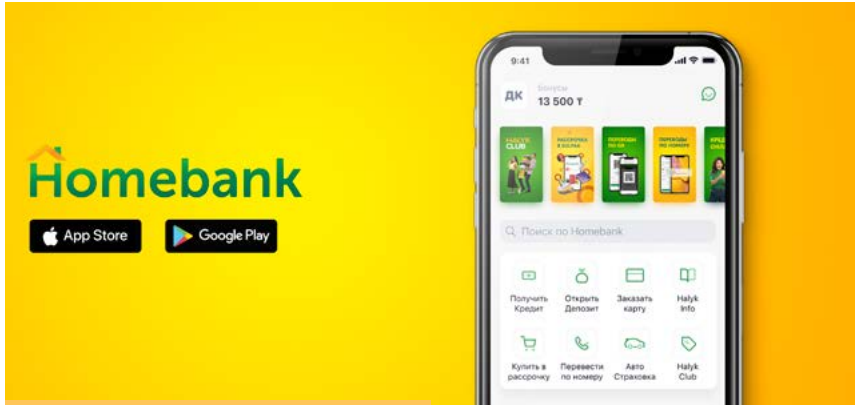
case

Homebank



<https://homebank.kz>

Homebank is the leading online banking platform in Kazakhstan with an audience of 4.2 million users. Homebank app allows everyone to get the full range of banking services online without visiting any Bank branch. Homebank users can remotely open a card or deposit, apply for a loan or take instalments, make instant transfers, and easily manage all their accounts. In addition, Homebank app can be used to pay for utilities, mobile communications, taxes, fines, loans, air tickets, transportation, kindergartens, and more than 5,000 other services without charges and receive up to 1% bonuses.



81 million transactions in 2019

up to 17.9 million online customer visits monthly

Homebank

top 3 free mobile apps in the "Finance" category in Google Play and App Store in Kazakhstan

case

Onlinebank



<https://www.onlinebank.kz>

Onlinebank is a key service for servicing SMEs. Companies that use the system can easily, quickly and safely make all settlements at any time of the day. Through Onlinebank, our business clients can make transfers in national and foreign currencies, transfer salaries to employees, make tax payments and social contributions, receive account statements, and much more.

ONLINEBANK



162.3 thousand
number of Onlinebank users in 2019

24/7
availability of banking services for businesses

case

HalykZalog



<https://halykzalog.kz>

Halykzalog – the largest database of current offers for the sale of collateral accepted on the Bank's balance. The portal provides an opportunity to purchase a house, apartment, vehicle and other commercial objects at affordable prices. Information about tenders and auctions is updated promptly and regularly.



Advantages of Halykzalog:

- Bank property posted on the website halykzalog.kz, released from arrests and other encumbrances.
- Each page of the object contains contacts of responsible managers who will provide the client with a prompt and detailed answer to any questions.
- The website provides an opportunity to calculate the monthly payment when choosing to purchase a property by lending using a credit calculator.
- For the convenience of customers, they can register in their personal account, where they can see interesting ads, information about participants in the auction, and much more.

case

Halyk Info



https://halykbank.kz/en/knowledge_base

Halyk Info is an information platform about the services of the Bank. We have tried to collect answers to all the questions that interest our customers, from the types of lending to the location of each ATM.

The advantages of the platform are a user-friendly interface, accessible narrative language, and logical links and tabs.

Halyk Info



The platform also reflects:

- top 10 questions for each product line of the Bank;
- interactive map of all branches, ATMs and terminals of JSC Halyk Bank of Kazakhstan;
- information on all types of available banking products, services and their terms of provision.

case

Halyk Club



<https://halykbank.kz/en/halykclub>

Halyk Club is a club of privileges for Halyk Bank cardholders, where customers can earn bonuses, pay with bonuses and make instalment purchases. Partners of the bonus club GO!Bonus are entrepreneurs that provide bonuses, discounts and coupons to the Bank's customers. All our retail customers-users of payment cards are honorary members of the club and get access to profitable purchases in the network of more than 13 thousand points of Halyk Club partners.



When paying for goods and services, customers can receive bonuses ranging from 1% to 25% of the purchase amount. One can use the accumulated bonuses to pay for purchases and services in the Halyk Club partner network, as well as use them to pay for utilities, mobile communications, Internet, fines, and other services in the Homebank app. The club's partners conduct various promotions and special programs on a regular basis.

In addition, Halyk Light credit card holders can purchase goods and services in instalments for 4 months without interest rate in the network of more than 10 thousand points of the program partners.

The number of customers of the Halyk Bank for 2018–2019

	2018	2019	Annual increase
Retail customers (active), thousand	7,239	7,695	6%
Performing SME loan borrowers	4,885	5,563	14%
Corporate customers	2,670	2,884	8%

>4.5 thousand ATMs
the largest ATM Park in Kazakhstan

every 2nd POS
terminal in the retail network belongs to Halyk Bank

7.7 million
active retail customers

5.5 thousand
performing SME loan borrowers

almost 3 thousand
corporate customers

more than 9 million
payment cards in circulation



The main challenge for us is the high-quality transformation of the banking service. Our efforts are focused on how to simplify and facilitate customer service, especially in the branch network.

U. B. Shayakhmetova
Chairperson of the Management Board



The accessible Bank

GRI FS13 | FS14

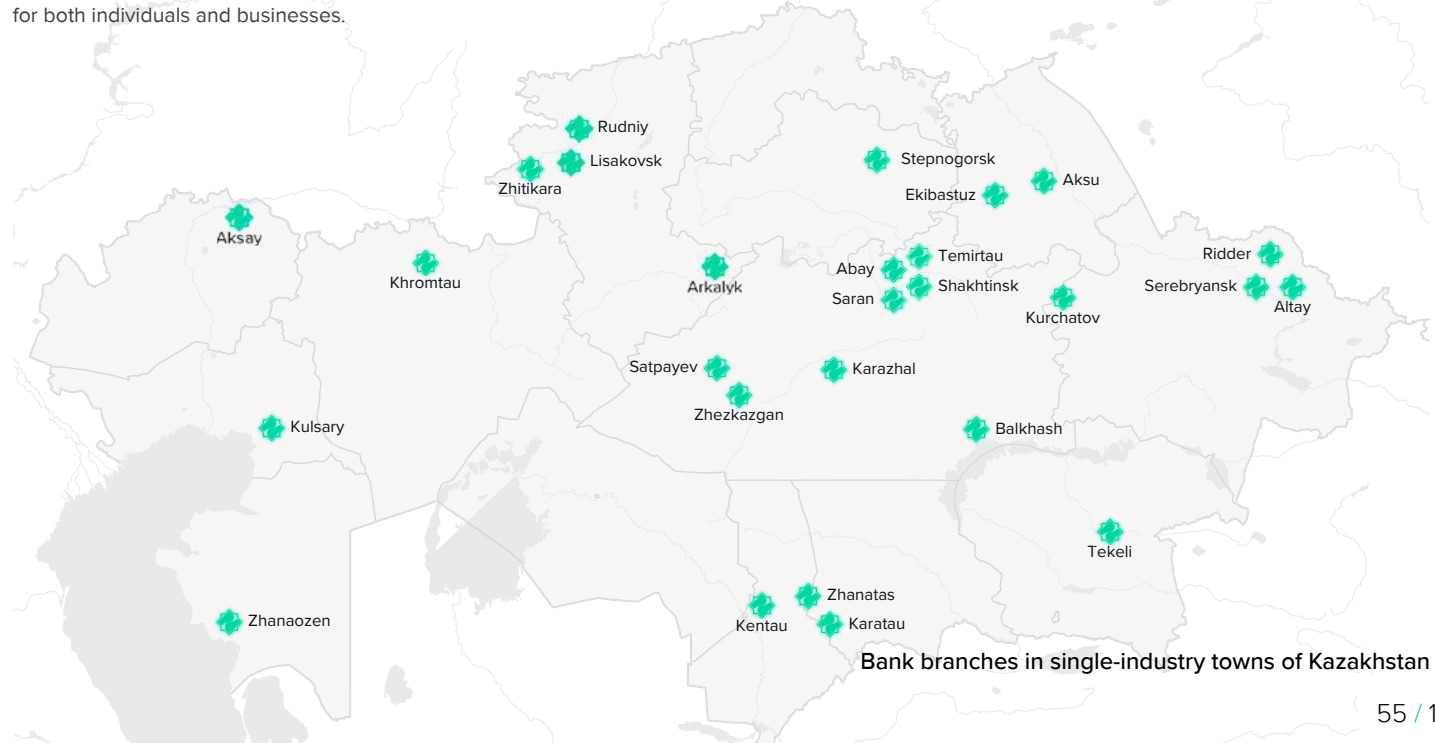
One of the priority tasks of Halyk Bank is to increase the availability of financial services for all our clients, regardless of their region of residence and opportunities. We pay special attention to the development of branches and outlets in small and remote settlements of our country. In Kazakhstan, this category of settlements can include small and single-industry towns¹⁴. According to the State program of regional development for 2020–2025, 41 remote settlements in Kazakhstan are small towns and 27 are single-industry towns.

1/5 of all Bank branches are located in small and single-industry towns of the country. Of these, 95% of branches provide services for individuals, and 60% are full-service branches, i.e. they provide services for both individuals and businesses.

At least one branch of the Bank is represented in all single-industry towns of Kazakhstan. And in such cities as Balkhash, Temirtau, Zhanaozen, and Ekibastuz there are more than 5 Bank branches. In addition, our outlets provide banking services in 39 out of 41 small cities in the country.

We strive to ensure equal access to our services for all customers. New outlets and outlets where major retrofit is being carried out are equipped with infrastructure for unhindered access for people with disabilities, low-mobility groups as well as elderly group of the population.

In 2019, 93 % of all Bank branches were fully adapted to the needs of people with disabilities. Ramps, outdoor calls, convenient arrangement of ticket offices are provided for people with limited mobility. For people with visual impairment or lack of vision, there are tactile paths, signs, and external calls for calling an employee. All employees of the Bank are trained to work and provide assistance to people with disabilities.



Bank branches in single-industry towns of Kazakhstan

¹⁴ Small town – a city with a population of up to 50 thousand people; The single-industry towns (the mono-city), where the main part (20% or more) of industrial production and of the working-age population is concentrated in one or several (few) city-forming enterprises, as a rule, one profile and raw orientation (mono-specialty), which determine all economic and social processes taking place in the city.

Improving the quality of service

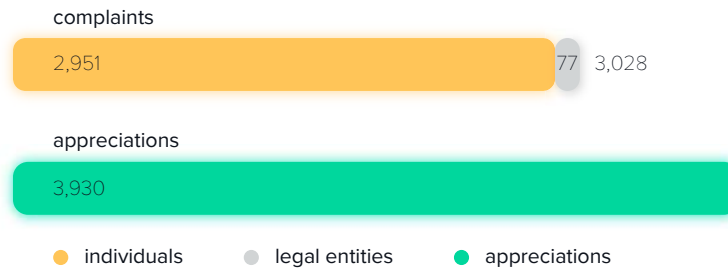
Client oriented approach and focus on quality of services are identified as key priorities of Halyk Bank's strategic development. We work consistently to improve the quality of the customer experience, which is based on an individual approach to each client and the development of digital solutions.

The Bank keeps a systematic record of requests from clients in accordance with the internal rules for reviewing requests. We try to ensure an objective, comprehensive and timely review of all applications and complaints, inform applicants about the results and measures taken. Requests from clients are accepted in written, oral and electronic formats. Requests received orally (to the operator or during a personal visit of the client) are considered immediately, and if possible, the response is provided immediately. Written and electronic requests are processed within 15–30 calendar days. Responsible structural divisions of the Bank monitor the implementation of deadlines for preparing responses, analyse and summarise requests in order to identify and eliminate the causes, as well as determine preventive measures to eliminate such violations in the future activities of the Bank.

During the reporting period, the Bank received 48,392 requests from customers, including 3 thousand complaints and almost 4 thousand appreciations. The main topics of the requests were complaints about payments and transfers, SMS banking, card products, and service times.

Improving the quality of services is impossible without feedback from customers. Since 2019, the Bank has been tracking the Customer Satisfaction Index (CSI) in order to identify key directions for improving the quality of service and operational management of the service.

Retail segment satisfaction is assessed by determining the average value of the ratings set by customers at the end of the call centre operator conversation. The quality of services in the SME segment is assessed by means of a telephone survey of clients who have received funding from the Bank. According to the results of research in the reporting year, the satisfaction rating of retail customers was 85%, and of SME customers was 97%. Additionally, Net Promoter Score (NPS) loyalty assessment is performed for all loans issued to SME customers. The NPS indicator in 2019 was 91%.



Complaints and appreciations for 2019



Innovation and digitalisation development

One of our strategic goals is to strengthen our position in digital banking and develop innovative solutions. In 2019, as part of its work in this direction, the Bank introduced new digital banking services and innovative financial products in all key customer segments.

Innovations in the retail segment

The main direction of Homebank Internet banking development in 2019 was to expand the available services and provide the maximum range of online services to reduce the number of customer visits to the Bank's branches. For example, an online customer support service was introduced via a Chat Bot that allows to give answers to the most frequently asked questions, and, if necessary, redirect the user to the manager of contact centre for detailed consultation.

During 2019, we also implemented a virtual assistant solution – a voice robot operating on an intelligent Interactive Voice Response system (IVR), which allows the clients to receive dynamic, static self-services using voice requests.

Given IVR system provides 13 dynamic services:

- 01 getting information about the balance, debt and available bonuses on the card;
- 02 removing card limits;
- 03 blocking cards;
- 04 resetting attempts to enter an incorrect PIN code;
- 05 getting a temporary PIN code on the card;
- 06 getting the account number via SMS;
- 07 getting information about the outstanding balance on the current account;
- 08 getting credit card information;
- 09 getting information about outstanding debts on credit card;
- 10 getting information on the loan;
- 11 getting information about overdue loan debt;
- 12 getting information on arrests and blockages;
- 13 learning addresses of branches and ATMs (SMS).





These services allow the Bank's clients to get the necessary information independently 24/7 without the participation of Contact centre consultants. In 2019, the share of requests served by the IVR system was 36% of the total flow of customer requests to the Contact centre.

To ensure the security of our clients, namely, to prevent fraud when contacting the Contact centre, we have implemented an advanced technology, i.e. the voice biometrics system "voice your password". We collect voice casts of clients for further use of voice biometrics for client authentication.

Due to the integration of technological solutions, we have significantly optimised the customer service processes, improved the operational efficiency of our Contact centre by reducing the volume of incoming calls and requests directly to our consultants, as well as ensured a rational load on operators in accordance with their specialisation. In the future, we plan to explore the possibilities of using artificial intelligence for virtual support of our clients; implement the "single operator window" program to improve the effectiveness of communication with clients; preparing and implementing a database for operators with a convenient search engine for answers and necessary information.

The Bank has also introduced a service for ordering certificates for embassies with delivery, where users send a request online and the certificate is delivered to the customer's location within three business

days. In addition, customers have access to popular services such as opening cards, opening deposits, and registering loans online. It should be noted that the online loan processing service allows users not to visit Bank branches: scoring is set up online, and the client can sign the consent using an electronic digital signature (EDS), which is also issued through Homebank. The loan processing time until the money is credited to the client's card is no more than 3 minutes. As for card processing, now our customers can order a card not only through Homebank, but also through the Bank's website and get a card with address delivery to any point on the territory of the Republic of Kazakhstan. In the near future, it is planned to install automatic embossing machines that will issue cards to customers without visiting the branch if they only have an identity card.

By equipping the Bank's offices with mobile embossers (cartomats), our clients in Almaty, Nursultan and Shymkent can instantly issue a personalized card. We are continuing to install self-embossers in our offices across the country.

With the help of video identity verification technologies, one can now become a customer of our Bank without visiting branches. After completing video registration and checking the information provided in the state databases, a new Bank client will be able to open a card, pay for purchases with a smartphone, withdraw cash without a card, and receive other services available through Internet banking.





The Bank also launched a service for quick transfers by mobile number to any cardholder of second-tier banks (STB) in Kazakhstan: the system recognises the client and, if he is not a customer of Halyk Bank, generates a link that the cardholder of another STB passes through, enters the card number and receives the transfer.

The Bank also offers a service for transferring money and withdrawing cash at Halyk Bank ATM without a card. This service is integrated into the Homebank app and the client only needs to enter the recipient's phone number and use a special SMS code to receive money at the ATM.

Work continues to expand the list of service providers to the "Payments" section: as at the end of December 2019, 3,703 services are available in the Homebank system, the total increase was more than 2,500 services for 2019. To increase customer loyalty, one of the ways to pay for services in favour of suppliers, the ability "Pay with bonuses" was added, which the clients of the Bank receive for transactional activity.

As part of the development of ecosystem services for retail customers, the Bank is actively expanding the Halyk club loyalty program. In October 2019, we launched a 1% bonus on all non-cash transactions on all customer cards in Kazakhstan and abroad, on all our and other POS terminals, on Internet payments and payments to Homebank.

At the moment, the number of retail outlets in the network of loyalty program partners has reached 13 thousand units, where our customers can receive up to 25% additional bonuses in addition to 1% permanent bonus. Transaction activity has increased significantly, as well as the number of places where customers can spend their earned bonuses, including payments to Homebank.

90% of Homebank services have been added to the Halyk Club, and now it is possible to pay for most of the services on the web service with bonuses, such as mobile communications, utilities, internet, TV, kindergartens, transport, parking, and so on.

Development of ecosystem services for business

In 2019, Halyk Bank became the first second-tier bank to process payments 24/7. Now all Onlinebank customers have the opportunity to pay suppliers, calculate wages and receive payments at any convenient time for them.

We started implementing the “Ecosystem” project, in which we launched a service to verify the reliability of the counterparty together with Kompra. In 2019, the Bank’s customers used this service more than 125 thousand times.

Another important step in building an ecosystem for business was the successful implementation of the following large-scale services in Onlinebank:

- ◆ An online accounting system Online Accountant (OBuhgalter) has been introduced for submitting tax reports with integration of the taxpayer’s office and filling out primary documentation. The service also allows to automatically calculate the amount of taxes and deductions.
- ◆ “Traffic Light” service was launched to check the reliability of companies from the Russian Federation, implemented by us together with special design bureau.
- ◆ A trading platform for the B2B segment Halyk Market has been launched, through which companies can find reliable partners, suppliers and buyers across the entire market of Kazakhstan. On Halyk Market, our business clients post information about the company, their products and services for free;
- ◆ The HR assistant service has been introduced, which allows to check applicants before hiring by checking information on all open government data sources.

Other achievements of Halyk Bank in the development of innovative financial products during the reporting year were:

<ul style="list-style-type: none"> Implementation of the process of issuing online-tranches within credit lines through Onlinebank Business. This process provides for remote receipt of online tranches by the borrower within the credit line without visiting the Bank, by applying, as well as signing a loan agreement for EDS. 	<ul style="list-style-type: none"> Implementation of the DOC24 service for remote signing of subsidy and guarantee agreements within the framework of state programs with borrowers and the Damu Fund using EDS. 	<ul style="list-style-type: none"> Development of a new product for financing SME customers under the assignment of the right of monetary claim to conduct factoring operations. The product involves financing the assignment of accounts receivable of SME customers arising under contracts for the supply/provision of services to corporate and medium-sized business customers.
<ul style="list-style-type: none"> Development of a new unsecured credit product for active transactional clients of the Bank, which allows obtaining financing for working capital replenishment. When considering an application for funds, the decision is made on the basis of scoring, which assesses the activity and turnover of the client in the Bank, which allows to speed up the decision-making time on the loan, as well as improve credit conditions for customers. 	<ul style="list-style-type: none"> Development of a new product for credit limit establishment for SME clients' corporate card in order to remotely interact with client. 	<ul style="list-style-type: none"> Preparing our Halyk-Courier service, designed to quickly receive and sign documents from SME customers online, for full transfer to Onlinebank.





In 2020–2021, the Bank plans to continue developing services for SME customers. As part of this work, it is planned to introduce digital online lending to individual entrepreneurs. Applicants (including non-Bank customers) will be able to apply for a loan, get a decision on the loan, sign the necessary documents and get a loan to the account without visiting the branches or submitting any documents. During the process, if the client does not have a current account with the Bank, there will be a new account opened for a client as well as an account with Onlinebank Halyk. The entire process will take place remotely, via the Bank's web portal or the Onlinebank mobile app.

Online Accountant



In addition, our plans for the near future include:

- ◆ developing new systems Online Accountant (OBuhgalter) and Halyk Market, which will allow customers of the SME segment to get the best products and all the necessary for the development of their business in one window;
- ◆ scaling the process of issuing online tranches via Onlinebank;
- ◆ implementing a service for remote signing of contracts with SME customers;
- ◆ optimising the process of early repayment of loans.



Cashless payments

Halyk Bank actively develops non-cash payments using innovative contactless payment technologies for various types of smartphones. In 2019, we launched such popular payment services as Apple pay and Samsung pay, and created our own service – Homebank Pay for Android-based mobile devices. This new technology allows to use Android devices with NFC (short-range contactless communication) for payment, which have the Homebank mobile app installed with a linked Visa card. The user can make contactless payments anywhere in the world at retail outlets and service companies equipped with POS-terminals with contactless payment function. It is important to note that the device connected to the app does not store the Bank card number, which makes NFC payment technology completely secure.

Apple pay and Samsung pay services also provide reliable protection to ensure the security of payment transactions. For example, the Samsung Pay service uses reliable three-level protection, including fingerprint authorisation, tokenisation, and Samsung KNOX. Samsung KNOX is a built-in security system that protects smartphones from malicious attacks and continuously monitors possible vulnerabilities in a smartphone.

Another contactless payment solution from Visa, implemented by the Bank, is to pay for payments using a QR code. Convenient and secure QR payment technology Visa Scan&Pay allows to instantly conduct non-cash transactions using a mobile app on a smartphone, without the need to manually enter payment card data. This technology is developed on the basis of Onlinebank for legal entities.

At the end of 2019, together with JSC National Information Technologies, we introduced the possibility of paying for public services using a QR code for all users on the “E-government” web-portal.

We continue actively developing innovative services for individuals and businesses. Offering new services to the market, we are actively working on the main task of digitalisation – providing fast, convenient and secure access to financial services for all Bank clients.

In order to proceed payment using a QR code, customers need to:



order the service on the “E-government” web-portal and on the payment, page select “QR-code” – Homebank;



scan the generated code in the mobile app Homebank;



choose a card with which payment is made and pay for the service.

case

Opening of a sales channel with a Digital concept in the shopping centre “MEGA Alma-Ata”

Halyk Bank understands the importance of innovation in the modern world, and therefore is always open to changes and a more modern approach to customer service. In 2019, we opened a new sales channel with a digital concept in shopping centre “MEGA Alma-Ata”.

A non-standard solution for implementing the concept of an innovative sales channel was the use of such elements as:

- Large Led Screen (video wall) was set outside the branch for broadcasting Bank videos and attracting the attention of the customers.
- Rejection of hard copies in favour of an electronic catalogue of all I-Panel brochures and booklets: To get the necessary information, the customer can point their smartphone at an image and download a product information to their phone via a QR code. At the same time, the hall's consultants are always ready to help in this matter.



- Touch panel for presentation is a space that allows the Bank consultants to make presentations, demonstrate new products, as well as present videos and interactive training materials for clients.
- Built-in desktop tablets for managers to conduct high-quality consultations, transfer clients to remote banking services and connect to the Homebank service. In the future, this technology can be used for the collection of biometrics, signatures and consents of clients. At the same time, the client will see everything that happens on the screen in front of them.
- Digital innovation zone is a space with gadgets to demonstrate Apple Pay and Android Pay. The Department's staff is always ready to offer assistance in training in the use of the self-service area.

Interactive elements are integrated into the interior of the digital-department and an atmosphere of a progressive technological future is created. Customers can participate in product testing themselves. This approach may seem most interesting for the younger generation, who live at a fast pace, prefer to manage their own decisions and quickly adopt and implement new gadgets, products and services in their daily lives.



Information security and customer data protection

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

Security of the Bank's information systems and personal data of our clients is a priority for us. In order to ensure a systematic approach to information security issues, the Bank adopted an information security Policy in 2012. In addition, the Bank has built an effective information technology and information security risk management system that ensures prevention and timely response to possible cyber threats.

The Bank constantly improves the information security management system, the means and methods used to protect against information

security threats and provides continuous training to the Bank's employees to maintain their competence in the field of information security at a high level. Thus, all newly hired employees have to be familiarised with the information security policies and guidelines. Information messages about the need to comply with the requirements for the protection of the Bank's information resources are periodically sent via corporate email. Training and testing in the field of information security is conducted twice a year for all employees of the Bank.

Among the information security threats that the Bank may face in its activities are:

- loss of information constituting a Bank secret, commercial secret of the Bank and other protected information;
- distortion (unauthorised modification, falsification) of protected information
- leak – unauthorised access to protected information by unauthorised persons (unauthorised access, copying, theft, etc.);
- unauthorised use of information resources (abuse of privileged access, etc.);
- unavailability of information as a result of its blocking, hardware or software failure, disruption of the operation of operating systems of workstations, servers, active network equipment, database management systems, distributed computer networks, exposure to viruses, natural disasters and other force majeure circumstances, and malicious actions.





The Bank keeps records of the number of cases of leakage, loss and theft of customer data. During the reporting period, there were no cases of data leakage due to violations of the information security regime, the Bank has a layered information security system, and access to customer data is strictly differentiated. In 2019, the Bank launched a DLP-class information protection system that automatically prevents leaks. In 2019, the number of cases related to information leaks decreased to 0, which indicates the effectiveness of the system. During the reporting

period, there were no cases of data theft that occurred as a result of security violations of the Bank's information systems. During the reporting period, there were no cases of loss of customer data as a result of violation of the Bank's information security regime. The Bank's critical information systems are imposed to backup and fault tolerance procedures, so if data is lost, it can be restored in the shortest possible time.

Cases of violation of the client's privacy, identified leaks, theft or loss of client data

Indicator	2018	2019
Total number of registered cases of leaks, fraud and loss of customer data, including:	3	0
Cases of data leaks	3	0
Cases of data theft	0	0
Cases of data loss	0	0

To maintain the reliability of the Bank's information systems, various risks and vulnerabilities affecting data security are constantly identified and eliminated. Security assessments of the Bank's computer systems and networks are conducted annually by simulating malicious attacks (penetration test) and external QSA (Qualified Security Assessor) audits for compliance with the requirements of the PCI DSS/3DS payment card industry data security standards.

In order to prevent unauthorised access by third parties to the personal data of customers, website of the Bank contains information security notices (memos) for using various banking services¹⁵.



¹⁵ <https://halykbank.kz/en/about-bank/bezopasnost>



TAKING CARE AND
BEING RESPONSIBLE

08

Human Capital Development

WE

GROW AND EVOLVE
TOGETHER WITH YOU



Human resource management

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

Bank employees are our most valuable asset and the key to long-term business success. Therefore, we strive to provide them with working conditions that promote professional growth, maintain a high level of motivation and responsibility, and pay great attention to building long-term employment relationships based on mutual trust and respect.

The principles and approaches to Human resource management and development of Halyk Bank are defined in the HR policy, which ensures:

- 01 creating an effective corporate culture focused on achieving high results, objectivity in assessing the contribution and achievements of everyone as well as introducing innovations;
- 02 involvement of competent employees;
- 03 availability of personnel with the necessary experience, qualifications and impeccable business reputation, able to manage processes and prevent risks associated with the Bank activities;
- 04 maintaining enough resources and budget for the effective performance of functions and responsibilities;
- 05 avoiding conflicts of interest in the course of performing their duties;
- 06 minimising the risk of “a key employee”.



The Main directions of the human resource policy of the Bank are:

- improvement of the organisational structure, personnel planning;
- selection and placement of employees;
- training and development of personnel, formation of the personnel reserve of employees;
- performance management and employee motivation, remuneration;
- formation of corporate culture and social support for employees.

Human resource management is performed by the Department of Human Resource (HR) and each division in relation to its employees. The system of work organisation of the Bank is built in accordance with the Labour code of Kazakhstan, the Code on taxes and other obligatory payments to the budget of Kazakhstan, the Law on banks and banking activities in the Republic of Kazakhstan, and other normative acts.

In order to assess the effectiveness of HR, the Bank regularly conducts internal audits, surveys of employee satisfaction, and the socio-psychological climate in its divisions. Thus, according to the results of these studies in 2019, the opinions and suggestions of employees were taken into account when improving the remuneration system in the Bank.

In addition, opinions of the employees are considered through the current grievance mechanism. Each employee of the Bank can contact the HR Department directly, send a complaint by email or call a special helpline. All the received complaints are sent to the HR department and are handled on a confidential basis. In general, the annual number of complaints and appeals received by the Bank does not exceed 0.5% of the number of employees. All employee complaints during the reporting period were resolved in a working manner. We are currently developing an internal Chat Bot that will allow us to quickly analyse incoming complaints and increase the speed of response to them.

The Bank's headcount at the end of 2019 was 14,876, which is 3% more than in 2018. The share of women is 73%, and men is 27%. In the age distribution of the staff, half of the employees are between 30 and 50 years old, the share of young people under 30 is 41%, and employees over 50 years old – 9%.

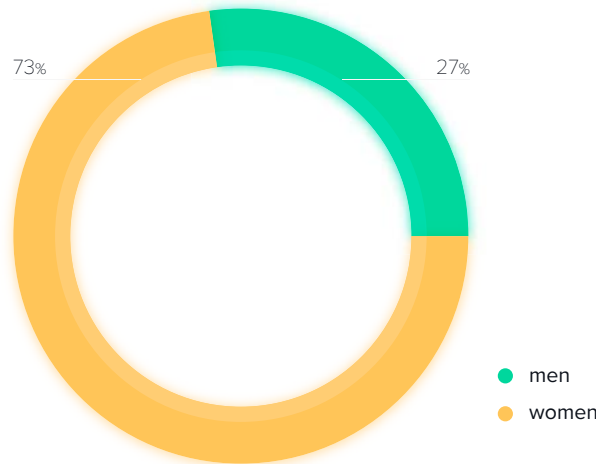
In 2019, out of 13,224 employees who worked under a permanent employment¹⁶ contract (89% of the total number of employees), 73% were women and 27% were men. During the reporting period, 1,652 employees (11% of the total number of employees) carried out work detail under a temporary employment contract¹⁷, of which 21% were men and 79% were women.

At the same time, in the reporting year, 99% of employees were employed full-time and 1% of employees were employed part-time. The structure of employment by gender was presented as follows: in

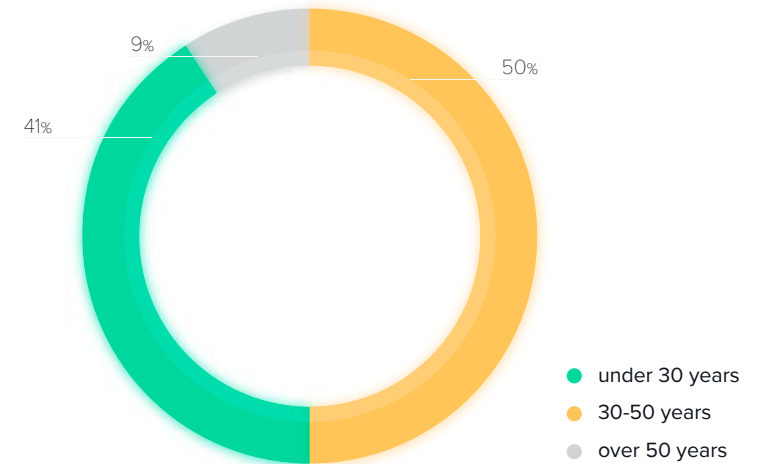
full-time employment 73.3% of employees were women and 26.7% were men; in part-time employment, 75.8% were women and 24.2% were men. The number of part-time employees was 185 (about 1% of the Bank's total staff).

One of the priority areas of the Bank's HR policy is the selection and recruitment of highly qualified specialists. To build an effective recruitment system, the Bank has developed qualification requirements and competency maps for employee categories. The Bank participates in job fairs, as well as cooperates with leading Kazakh universities in order to attract young professionals.

Since one of the Bank's strategic goals is to strengthen its position in the field of digital banking, in 2019 the Bank decided to strengthen its IT unit: IT departments were transformed, the "Go Digital" project team was created, and high qualified IT specialists were selected and hired.



Employees by gender in 2019, %



Employees by age group in 2019, %

¹⁶ An employment contract concluded for an indefinite period in accordance with the article 30 of the labor Code of the Republic of Kazakhstan.

¹⁷ Employment contracts concluded for a definite period (not less than 1 year), at the specific time and/or seasonal work, at the time of replacement of a temporarily absent employee according to article 30 of the labor Code of the Republic of Kazakhstan.

case

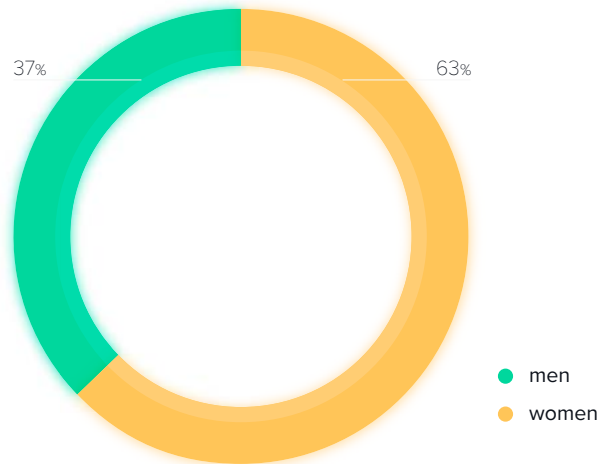
HalykStart project – opening opportunities for young talents

In 2019, in order to attract talented personnel, we launched a pilot project “HalykStart”. As part of this initiative, senior students and graduates of IT specialties had a unique opportunity to pass a paid internship and, in the future, become the part of Halyk Bank team.

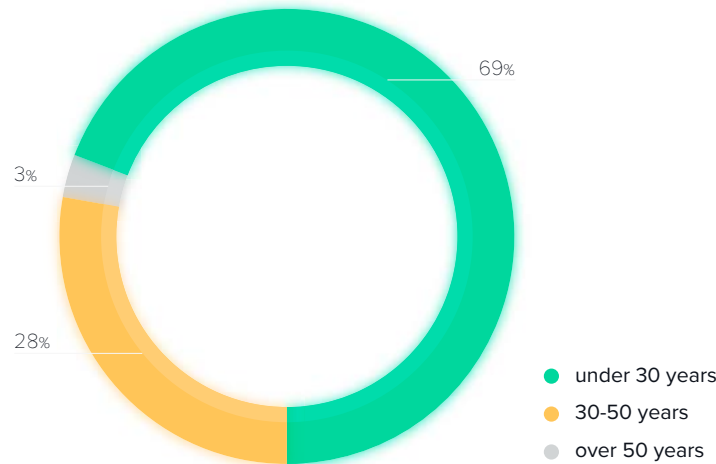
Young professionals with a high academic performance and excellent knowledge in the field of IT and programming were selected to participate in the internship program. During their work at the Bank, they learned key professional skills using the “learning by doing” method. As a result of the program in 2019, the most successful interns received job offers. Thus, 18 young specialists were accepted to permanent positions to the IT Department of the Bank.



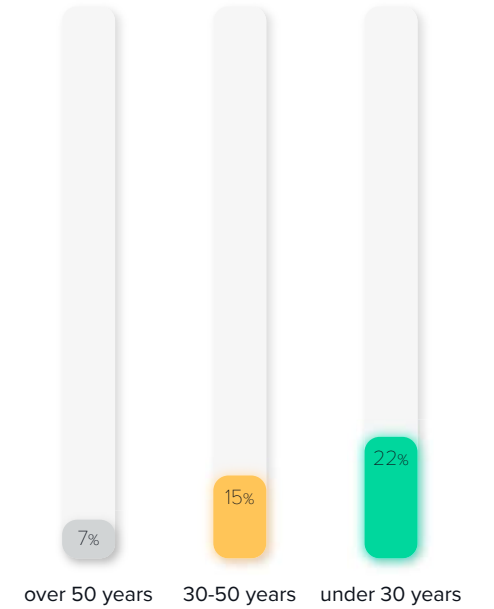
In 2019, 3,269 new employees were hired, which was 22.5% of the average number of employees. Employment relations were terminated with 2,449 employees.



New employee hires by gender in 2019, %



New employee hires by age group in 2019, %



Employee turnover by age group in 2019, %

The turnover rate for 2019 was 16.9%, of which 23.1% was for men and 14.6% for women. Employee turnover by age categories was 21.6% among employees under 30 years old, 14.5% among employees between 30 and 50 age groups, and 7.2% among employees over the age of 50.

The number of employees on parental leave at the end of 2019 was 2,384, including 2,380 women (99.8%) and 4 men (0.2%). At the same time, in the reporting period, 301 employees (100% women) returned from parental leave, of which 93% continued working at the Bank within

12 months after returning to work. In addition, when employees go on parental leave, the Bank pays a one-time benefit in the amount of up to KZT 300 thousand. In total, in 2019, the amount of compensation to employees on parental leave amounted to KZT 39.4 million.

All employees of the Bank are provided with a social package within the framework of the current system of benefits and compensation, aimed at maintaining a sense of security, stability and care for each member of the team.

Types of social payments and compensation available to Bank employees include:



Life insurance

Is aimed at protecting the life and health of employees, and the Bank insures the life of all employees entirely at its own expense.



Health insurance

Is aimed at taking care of employees' health and receiving timely medical services, and the Bank grants employees the right to voluntary health insurance based on equity participation in programs provided for in the contract with the insurance company. In 2019, 540 employees were insured for KZT 27.9 million.



Sports support

Through corporate discounts to various fitness centres are available for employees, and information about them is distributed via intranet "MyHalyk" and email. In addition, the Bank annually organises various sports and recreation activities (tournaments, rented gyms). These were significant sports and entertainment events organised by the Bank for employees in 2019:

- "Spartakiad" (sports event), which was attended by 551 employees;
- KPMG chess tournament among employees of financial institutions in Almaty;
- VIII charity marathon "Courage to be the first!", which was attended by 378 employees of the Parent Bank;
- Battle of the titan's tournaments (Billiards, karting, bowling, karaoke);
- Big tennis tournament among employees of the Parent Bank.



Longevity pay

Employees working for the Bank for 15 years or more are entitled to a longevity pay. In 2019, 347 employees received such incentives.





Material support

Is paid in connection with the death of loved ones of an employee, for burial processes for the death of an employee (not related to insurance cases) and when retiring due to age. The employees of the Bank who find themselves in a difficult life situation are provided with financial assistance based on the decision of the financial assistance committee. In 2019, 57 employees who found themselves in a difficult life situation received payments for a total amount of KZT 7.2 million.



Social leave

Of the employees is granted additional paid days of leave: 3 working days upon marriage, 3 working days due to the death of the employee's relatives, and 1 day due to the birth of a child.



Compensation for relocation / transfer

Of an employee to another region: The Bank can compensate employees for expenses related to relocation when transferring between branches of the Bank. In 2019, the amount of payments for internal staff rotation amounted to KZT 101.8 million.



Mobile communications

The Bank compensates employees' expenses for using corporate mobile communications.



Employee recognition program

The Bank organises and conducts a competition to recognise the achievements and award the best employees of the Bank in the following categories in order to encourage the professionalism of employees: "Best Bank employee", "Professionalism and loyalty to the values of the Bank", "Diligence and striving for success", "Best employee of the year", "Best cash register employee", "Best retail business employee". In 2019, the Bank noted the success of 234 employees.



Best business unit competition

The Bank organises the "Best business unit competition" in order to motivate and encourage branches and divisions of branches. The winning divisions receive certificates of honour and a bonus of KZT 100 thousand at the end of the year. In 2019, 11 divisions were recognised as the best.





Corporate events

The Bank organises various corporate events for the purpose of team building, communication development, and formation of team spirit among employees. In 2019, the following events and competitions were held for employees:

- International women's day, 8 March;
- Nauryz, 22–23 March;
- Victory day, 9 May and defender of the Fatherland Day, 7 May;
- Day of Halyk Bank, 10 October;
- The day of national currency, tenge;
- New Year's events;
- Corporate field trip to Centre of Active Recreation, "Nurly Tau" trout farm;
- Photo contest for "the most original marriage proposal";
- Competition for the "Best national look";
- Competition for "National traditions";
- Contest for the best poem about a Bank;
- Interactive mini quiz dedicated to the Halyk Bank Day;
- Competition for the best Christmas decoration.



Subsidising employees' mortgage loans

The Bank amends up to 40% of the interest rate, depending on the interest rate.



Charity and social events

The Bank and its employees actively participate in socially significant projects. On a regular basis, charity events are held, charity trips of employees to orphanages and assistance to non-working pensioners of the Bank on 9 May, 1 October, and on anniversaries. In 2019, KZT 1.7 million was collected as charity aid for orphanages.

We also support our employees at the end of their career due to the retirement. Employees are paid one-time financial assistance, and the amount of which is ranked and depends on the retirement age.

In addition, the Bank supports non-working pensioners by paying financial assistance on memorable dates.



Employee training and development

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

The Bank provides its employees with a wide range of opportunities for training and continuous development of professional competencies throughout their career. Educational courses and trainings are held on a regular basis for the Bank's employees, both in person and remotely.

Training of employees is carried out in the following types:

Individual training:

advanced training, professional certification programs, MBA programs, and remote education conducted by an external provider.

Corporate training:

conducting specialised courses, seminars and trainings with the involvement of internal and external resources, as well as organising remote education through the distance learning system (DLS).

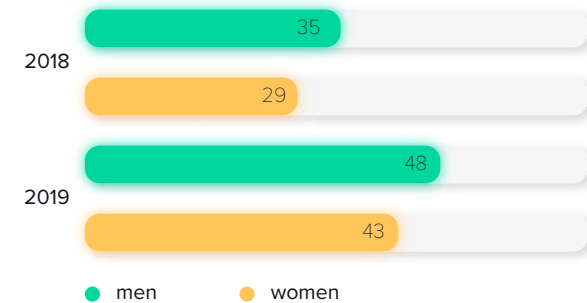
Internship:

training to gain practical experience, learn new technologies and apply theoretical skills in practice.

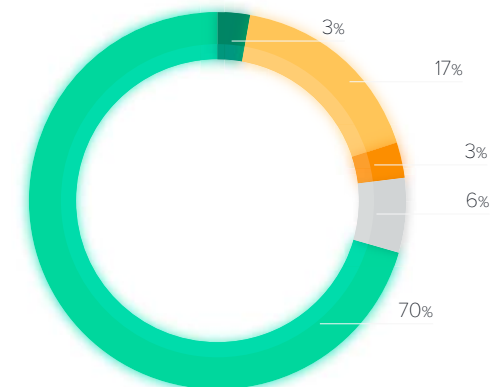
During the reporting period, the employees of the Bank completed training courses and seminars in various areas of training, including management, customer service and sales, occupational safety and health, and information technology.

In 2019, there were 44 hours of average hours of training per employee, including:

- for one man – 48 hours, for one woman – 43 hours;
- for one senior manager¹⁸ – 29 hours, for one middle manager – 55 hours, for one specialist – 43 hours.



Average number of training hours per employee for 2018–2019



- Other trainings
- Working with clients, sales
- IT trainings
- Governance and management, including MBA
- Occupational health and safety

Main directions of employee training in 2019, %

¹⁸ Directors of independent structural divisions of the Head Bank, as well as curators of sub-blocks and branch Directors.



In 2019, business coaches of the HR Department conducted internal corporate training for more than 3,000 employees and managers of the Bank's branches working in retail, small and medium-sized businesses (SME). The priorities of internal corporate training for employees of retail business of the branch network were the development of sales skills and improve the level of service, for employees of SMEs, it was accounting enterprises, and for employees of the Head Bank, it was training on Agile and Scrum, held in the framework of the strategic initiative "A paradigm shift in project management – Agile implementation".

The Bank fully finances of individual and corporate trainings of the employees provided by external providers. In 2019, 335 employees of the Head Bank participated in seminars, trainings, conferences and forums held both in Kazakhstan and abroad.

Our employees are given the opportunity to take advanced training courses and learn new professional skills. For example, the Bank encourages employees to complete MBA and master's programs, covering up to 50% of expenses and providing additional days of study leave.

In 2019, we continued to develop the system of distance learning (SDL) and testing. All employees of the Bank have access to the web-tutor SDL system and can independently choose courses to study from the catalogue of publicly available courses and take training on them at any convenient time. In 2019, we recorded a rapid growth in the popularity of this training format. So, during the reporting period, more than 160 thousand employees were trained as part of the SDL¹⁹.

¹⁹ The total number of employees trained for all the courses of the SDL (considering the fact that workers can be trained again).



Employee assessment

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

The employees of the Bank undergo an annual assessment of their work and competencies to determine the effectiveness of their work and their potential to achieve strategic and operational goals.

The employee evaluation system includes three forms of evaluation for different categories of employees. The full assessment form with mandatory use of key performance indicators (KPIs) is used for managers and employees whose activities involve setting individual goals. The simplified form is based on the assessment of performance standards and norms, does not involve setting goals, and is intended for employees whose activity consists of performing standard, repetitive functions. In 2019, a third form of task assessment was introduced for employees of the Homebank Department and the Online Bank Department of the Transactional business block, whose activities are fully reflected in the Jira system. This system records all tasks assigned to employees as well as the status of their completion.

Key competencies established for evaluating the performance of Bank employees by goals include:

- analytical thinking;
- results and quality orientation;
- client orientation;
- interpersonal interaction and communication;
- teamwork and collaboration;
- loyalty;
- flexibility of behaviour;
- innovativeness and striving for development.

The requirements of competencies for managers have been supplemented by such skills as leadership, ability to persuade and influence, and strategic vision.

The simplified form of assessment involves an assessment based on 4 performance of work and norms:

- 01 accuracy, speed and timely completion of work;
- 02 independence and initiative;
- 03 customer focus (on internal and external clients);
- 04 communication and teamwork;
- 05 compliance with the norms.





The assessment of labour activity and competencies is carried out in an automated format on the portal. Based on the results of the annual assessment, employees are assigned a rating on a scale from 1 – “unacceptable” to 5 – “excellent”.

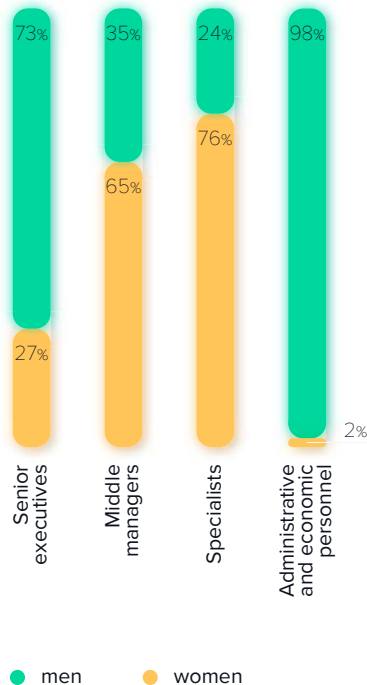
Employees who have been working for less than 6 months, employees who have been temporarily disabled or on parental leave for more than 6 months during the evaluation period, as well as support and technical personnel (drivers, workers) are not evaluated.

Board members and senior managers are evaluated according to the balanced scorecard system (BSS). The BSS is a tool used to represent the current development strategy of the Bank in the form of a multi-level tree of measurable and interrelated indicators at all levels of the organisational structure of divisions, the successful implementation of which should ensure the achievement of strategic goals. This system provides a clear formalisation of strategic and operational goals and objectives of the Bank in the form approved card BSS. Also, given system establishes a transparent mechanism for the relationship between the degree of achievement of target values of each indicator unit of the Head Bank, regional branch of the Bank for the year and the level of bonuses for Bank managers based on the results of their work for the year.

In 2019, 10,594 employees were assessed for performance, which was 71% of the total number of employees. The assessment covered 76% of men and 70% of women. During the reporting period, all members of the Management Board and senior managers, 90% of mid-level managers and 69% of specialists were evaluated.

In addition to the standard employee assessment procedure, in 2019, for the first time in the last 5 years, a 360-degree assessment was organised. The 360-degree assessment method is based on a comprehensive analysis of the subjective assessments of surrounding people of the Manager. This is the main advantage of the method, since it allows to understand how other people inside the organisation perceive their personal and professional competence, behaviour and interaction with other people. The target group for the assessment was the Directors of the branch network of the Bank. The approved corporate competency model was used for the assessment. These competencies were evaluated (8 key competencies and 3 additional ones for managers). Each competence was evaluated on a 4-point scale: 1-quality is not shown, 2-quality is not always shown. 3-quality is developed at a good level, 4-quality is developed at the level of skill. The 360-degree assessment made it possible to determine which competencies of branch Directors are their strengths, and which competencies require improvement.

It should be noted that the assessment of employees' performance does not directly affect career development but contributes to the formation of employees' responsibility for performance, improving labour productivity and efficiency of structural divisions and the Bank as a whole. Also, it affects several managerial and motivational decisions, such as the possibility of including employees in the human resource reserve, nominating employees as the best, and participation of employees in the subsidy program.



Gender composition of staff by employee category for 2019

The Bank strives to provide equal career opportunities for all its employees, regardless of their gender and age. We are proud that women play a key role in managing the Bank's operations, representing 27% of senior managers and 65% of middle managers.

²⁰ According to paragraph 2 of article 156 of the labor Code of the Republic of Kazakhstan a collective agreement is concluded on a voluntary basis at the suggestion of one of the parties.

²¹ Chairman of the Board of Directors, Chairman of the Management Board, Vice-Chairmen of the Management Board.



Ensuring equal rights and opportunities

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

The Bank builds relationships with employees based on the principles of legality, mutual respect and trust, guaranteeing each employee protection from any form of discrimination in accordance with the current legislation of the Republic of Kazakhstan. Any form of discrimination based on nationality, gender, age, political, religious or other visions is prohibited in the implementation of employment and remuneration policies.

The Bank provides conditions for employees who believe that they are not protected from discrimination to have the opportunity to contact the helpline, the number of which is posted on the intranet of the Bank under section "Halyk-info". In the reporting period, there were no confirmed cases of discrimination in the Bank.

Composition of employees by age, people

Category of personnel	Under 30 years of age	30–50 years of age	Over 50 years of age
Senior managers ²¹	–	7	4
Middle managers	150	1,163	232
Specialists	5,994	6,069	931
Administrative staff	40	177	109

To increase employee motivation and loyalty, the Bank strives to ensure a transparent and fair salary system and remuneration. When determining the salary and promotion of employees, the Bank is guided solely by their professional qualities and work results, excluding any differences in the base salary based on gender.

Every employee of the Bank has equal opportunities to exercise their rights and freedoms in their workplace. To improve the competence of employees in the field of application of labour legislation, the Bank regularly conducts training courses and seminars.

The Bank recognises the rights of employees to participate through their representatives in collective bargaining and the drafting of a collective bargaining agreement, as well as to familiarise themselves with the signed collective bargaining agreement. As at the end of 2019, there was no collective bargaining agreement between the Bank and employees due to the fact that neither of the parties had received an offer to start collective negotiations²⁰.

The age distribution of managers is presented as follows:

- employees under the age of 30 make up 10% of middle managers;
- employees aged between 30 to 50 years make up 64% of senior management, 75% of middle managers;
- employees over the age of 50 make up 36% of senior managers and 15% of middle managers.

In 2019, in order to improve the remuneration system, the official salaries of the employees of the Bank were increased by an average of 15%.



Occupational health and safety

GRI | 103-1 | 103-2 | 103-3 | 403-2* | 403-3*

Halyk Bank strives to create a safe and favourable working environment for all employees. Therefore, occupational health and safety (OHS) is an important aspect for the Bank. The Bank is required to analyse the state of OHS in the structural divisions of the Head Bank and regional branches, conduct employee training and annual medical examination.

In 2017, the Bank's Management Board approved several safety and health instructions for certain professions and types of work with high risk of accidents. For example, the requirements apply to electricians, plumbers, drivers, warehouse workers and other employees working in high-risk conditions (for example, working with electrical and other equipment, and working at height). These instructions are key OHS management documents. They are drawn up in accordance with the requirements of the legislation of the Republic of Kazakhstan and regulate the approach of various employees to the performance of their duties.

To increase awareness among employees regarding OHS in the workplace, the Bank conducts special personnel training whose activities are related to the performance of work and maintenance of high-risk equipment.

In 2019, 191 employees received external training in the fields of OHS, electrical safety and industrial safety. At the same time, 481 employees were instructed on safety and labour protection in a remote format. The Bank also conducted mandatory testing of knowledge on OHS issues for 508 employees through the distance learning and testing system of the Bank.

It should be noted that all newly accepted employees and contractors are required to undergo safety inductions. Thus, the formation of safe behaviour skills among employees and contractors is a priority for us.

We believe that employees of a subsidiary that provides services for the storage, transportation and collection of banknotes, coins and valuables are most exposed to the risk of physical danger. When applying for a job, collectors undergo a mandatory training, which allows them to obtain the necessary knowledge and skills to ensure smooth and safe operation. At the same time, employees constantly improve their level of professional training and undergo an annual medical examination.



* «согласно GRI Standards 403: OCCUPATIONAL HEALTH AND SAFETY 2016».



The subsidiary organisation provides collectors with personal protective equipment, special clothing and shoes. Employees are required to follow the traffic rules and observe the speed limit when performing their duties. At the same time, all special vehicles are equipped with first-aid kits and fire extinguishers for rapid response to emergencies, as well as to ensure transport security. It should be noted that all activities are strictly regulated by the internal rules and standards of the Bank, developed in accordance with regulatory legal acts and requirements of the National Bank of the Republic of Kazakhstan.

If an accident occurs, the Bank conducts an internal investigation, draw up a report and submit the investigation materials to the Supervisory authorities. All procedures meet the requirements of legislation and state authorities. In 2019, one employee was injured as a result of a work-related accident in the West Kazakhstan regional branch of the Bank. Also, one employee was provided with medical assistance. During the reporting year, there were also 3 accidents related to work, as a result of which 5 employees of our subsidiary received injuries of various degrees. Two accidents occurred as a result of road accidents and were classified as group accidents²². Special measures were taken for all accidents to avoid the recurrence of such cases.

Injury rates in the Bank and in its subsidiary LLC Halyk Collection for 2018–2019

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

²² As a result of each accident, two employees from the Almaty and East Kazakhstan branches of Halyk Collection were injured. Another accident occurred with an employee from the branch in North Kazakhstan.

TAKING CARE AND
BEING RESPONSIBLE



09

Environment and Society

WE ARE PROUD TO BE
A PART OF OUR COMMUNITY

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

The concern for the environment is one of the key aspects of the Bank's activities in the field of corporate social responsibility. Our approach to managing environmental issues is based on the principle of precautionary measures and prevention of negative impact on the environment. We strive to promote the development and dissemination of environmentally friendly technologies, as well as to reduce energy consumption and improve energy efficiency, both directly and by financing environmental projects of our clients. Among other things, we actively maintain an open dialogue with all interested parties and inform them about our activities in the field of environmental safety.

In 2019, we started working on the development of an Environmental policy aimed at identifying priority areas for ensuring environmental safety and sustainable development of the Bank in the long term. This paper also considers the possibility of taking environmental factors into account in the Bank's investment and other financial activities. The adoption of the Environmental policy of JSC Halyk Bank of Kazakhstan is planned in the near future.



Responsible consumption of resources

In our work, we strive for rational consumption of all the resources used by implementing resource-saving practices and increasing environmental awareness of our employees.

Paper consumption is one of the most significant environmental impacts of the Bank. In 2019, in order to optimise the paper document



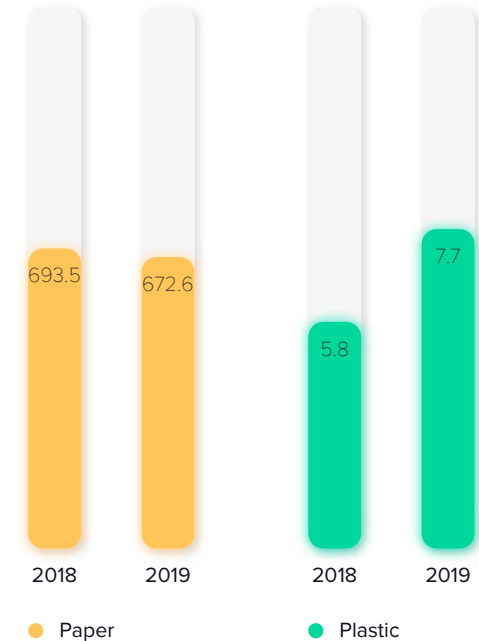
flow, we considered the possibility of automating and converting a number of office processes to electronic format, revised and updated the standards for paper consumption, and monitored waste paper collection enterprises for concluding agreements on the transfer of paper for processing at all branches of the Bank in Kazakhstan.

As a result of these measures, the volume of paper consumption in 2019 decreased by 3% compared to 2018 and amounted to 672.6 tons. The volume of wastepaper collected and transferred to a specialised organisation for processing was 33.4 tons.

In 2019, the Bank has issued 1,538,479 payment cards, which amounted to 7.7 tons of plastic. The 32% increase in plastic consumption compared to 2018 is mainly due to an increase in the number of retail customers of the Bank.

During the reporting period, the Bank and all its branches in the regions of Kazakhstan consumed 179,245 thousand m³ of water, which is 2.6% more than in 2018. It should be noted that 52,137 thousand m² of water was consumed in Mangistau, Aktobe, Zhambyl, and Karaganda regions²³, where the issue of shortage of natural water resources is particularly relevant for the local population.

For the purpose of rational water consumption, all the Bank's facilities have installed water meters, monitor the serviceable condition of plumbing devices and water supply networks, as well as automation of existing watering systems. The Bank's facilities do not discharge wastewater into water bodies: wastewater generated in urban areas is drained into the general sewer network, whereas wastewater from rural facilities is exported by specialised organisations under a contract. Due to the peculiarities of the environmental regulation system for wastewater discharges in Kazakhstan, namely, the absence of legal requirements for obtaining an environmental permit for wastewater discharges into sewer networks, the Bank does not set standards for discharge of pollutants.



Consumption of plastic and paper in 2018–2019, tons

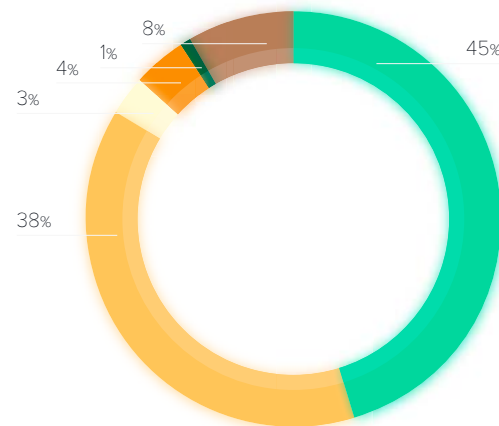
²³ The choice of regions of Kazakhstan with a shortage of natural water resources is based on the estimates of Institute of the world natural resources, namely, the "baseline water stress" indicators, presented as the ratio of total water intake in each region to available water resources from renewable sources. The indicator of 52,137 thousand m³ reflects data on water consumption only in those regions where the indicator of the basic water deficit is characterised as "high" (more than 3).



Energy efficiency and greenhouse gas emissions

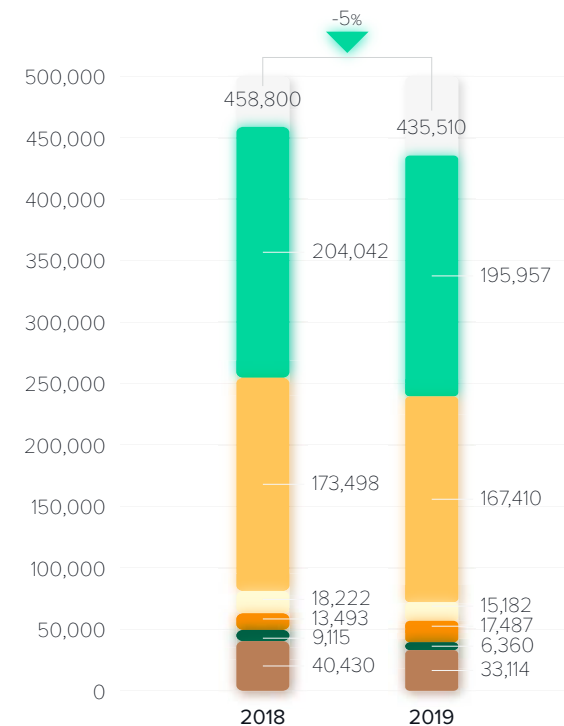
As a subject of the State energy register²⁴, the Bank conducts systematic work to reduce energy consumption and improve energy efficiency. In 2019, the total energy consumption was 435,510 GJ, including:

- electrical energy – 195,957 GJ
- heating energy – 167,410 GJ
- natural gas – 33,144 GJ
- gasoline – 17,486 GJ
- diesel – 15,182 GJ
- coal – 6,360 GJ



Energy consumption in 2019 by type, %

In comparison with 2018, the volume of consumption of fuel and energy resources decreased by 5%. At the same time, we managed to reduce the volume of diesel fuel consumption by 17%, and the volume of coal consumption by 30%. A significant amount of reduction of the energy consumption was achieved through the implementation of the initiative to switch to greener energy sources. So, since 2017, 14 buildings of the Bank, previously heated with solid and liquid fuels, have been switched to natural gas and central heating.



- natural gas
- gasoline
- heat
- coal
- diesel
- electricity

Energy consumption by type in 2018–2019, GJ

²⁴ According to the law of the Republic of Kazakhstan on "Energy saving and energy efficiency" dated 13 January 2012 No. 541-IV, the subjects of the State energy register (SER) are individual entrepreneurs and legal entities that consume energy resources in the amount equivalent to one thousand five hundred or more tons of conventional fuel per year. It is mandatory for the subjects of the SER to implement energy saving and energy efficiency measures.

Additional measures in energy saving and energy efficiency:



Replacement of mercury-containing fluorescent lamps with led lamps was administered in order to save electrical energy, reduce the cost of electricity consumption as well as minimise the negative impact of mercury on the environment when utilising the lamps. Conversion of buildings to energy-efficient LED lighting is performed during major repairs and reconstruction of premises. Since the beginning of this initiative in 2016, we have managed to reduce the share of the Bank buildings with fluorescent lighting from 85% to 48%;



automation of air conditioning systems in the Bank's Head Office buildings to reduce energy consumption;

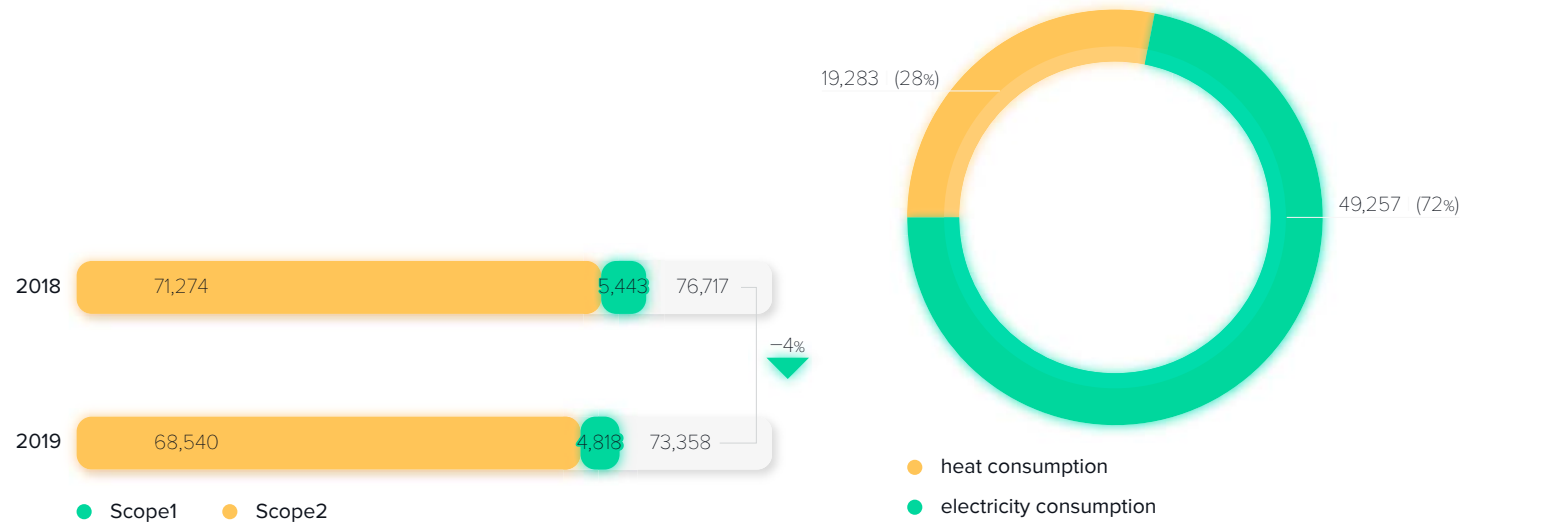


The use of environmentally friendly transport among employees is encouraged. In total, 63 Parking spaces were equipped in the Bank's Head Office buildings in 2019 for bicycles and electric scooters with places for recharging batteries. This event helped to reduce the number of employees who use personal vehicles to travel to work.

The consumption of fossil fuels for energy purposes is directly linked to greenhouse gas (GHG) emissions that affect global climate change. Recognising the importance of this topic for the global community and expressing its commitment to national climate goals, Halyk Bank has assessed its direct and indirect GHG emissions for the first time in the process of preparing this Report.

In 2019, direct (Scope 1) GHG emissions were 4,818.2 tons of CO₂ eq., which is 11.5% lower than the 2018 level of 5,443.2 tons of CO₂ eq. The main sources of GHG emissions from the Bank are motor vehicles and stationary power plants (heating boilers, generators).

The volume of indirect (Scope 2) energy emissions generated as a result of electricity and heat consumption by the Bank's facilities in 2019 amounted to 68,540.3 tons of CO₂ eq. Compared to 2018, Scope 2 emissions decreased by 4%, due to a corresponding reduction in electricity and heat consumption.



Total GHG emissions of Halyk Bank for 2018–2019, tons of CO₂ eq.

Scope 2 emissions in 2019, by type of energy consumed, % and tons of CO₂ eq.

GHG emissions of Halyk Bank for 2018–2019

	2018	2019
Direct (Scope 1) GHG emissions, tons of CO ₂ eq., including:	5,443.2	4,818.2
Emissions of CO ₂	5,429.4	4,805.7
Emissions of CH ₄	4.0	3.9
Emissions of N ₂ O	9.8	8.6
Indirect (Scope 2) energy GHG emissions, tons of CO ₂ eq., including:	71,273.7	68,540.3
Electricity	51,289.3	49,257
Heating	19,984.4	19,283.3
Total GHG emissions:	76,716.9	73,358.5

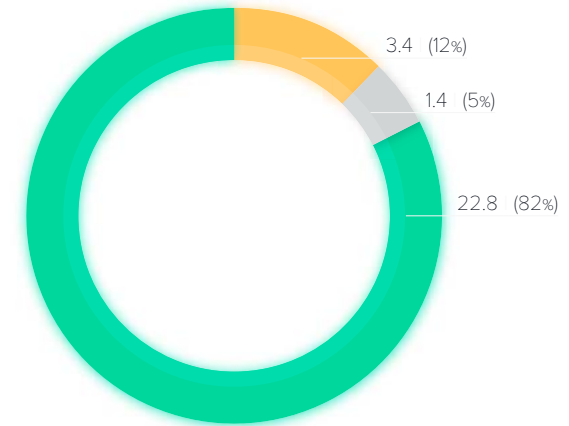
The methodology for calculating GHG emissions is presented in the Annex.



Waste management

In 2019, the Bank generated 2,641.5 tons of waste (30% less than in 2018), including 27.7 tons of hazardous waste and 2,613.8 tons of non-hazardous waste, respectively. The Bank's hazardous waste includes used mercury-containing lamps, car tires, and batteries, while non-hazardous waste is completely represented by municipal solid waste²⁵.

All generated waste is transferred to specialised organisations under a contract for subsequent disposal and processing: fluorescent lamps undergo the procedure of mercury vapor extraction (demercuration) before disposal; a coating for children's playgrounds is made from crushed rubber from car tires; before disposal of batteries, acidic electrolyte is neutralised and non-ferrous metals are extracted; non-hazardous waste is placed in landfills.



- Mercury-containing lamps
- Storage battery
- Car-tiers

Structure of the generated hazardous waste of the Bank in 2019, % and tons

The Bank constantly practices separate collection and safe storage of hazardous waste and waste-paper. In 2020, it is planned to launch a pilot project for separate collection of plastic waste at the Head Office of the Bank.

²⁵ The Bank's approach to classifying waste into "hazardous" and "non-hazardous" is based on the requirements of the Environmental code of the Republic of Kazakhstan dated 9 January 2007 No. 212-III, according to which:

Non-hazardous waste-waste that does not have dangerous properties;

Hazardous waste – waste that contains harmful substances that have one or more dangerous properties (toxicity, explosion hazard, radioactivity, fire hazard, high reactivity) and can present an immediate or potential danger to the environment and human health independently or when meeting other substances.

case

Halyk Bank – for a clean environment!

Conducting environmental actions and “subbotniks – eco-clean-up trips” is an integral part of the Bank’s corporate life. In June 2019, employees of the Head Office held a field trip in the foothills of Almaty. In one day, more than 250 bags of garbage were collected together. It is important to note that during the trip, employees also learned how to properly sort garbage for its further processing.



As a result, more than 130 bags of collected waste were accepted for recycling, including:

- 111 kg of glass containers;
- 64 kg of plastic bottles;
- 15 kg of tin cans.

In the future, we plan to systematically introduce and develop separate waste collection and sorting practices in the office spaces of the Bank in order to contribute to a clean and safe environment for the population of Kazakhstan.



Our contribution to society development

Implementation of charity and sponsorship projects is an integral part of Halyk Bank's business. In our activities, we are committed to creating value for the entire society by supporting various socially oriented projects at both the national and regional levels.

Approach of Halyk Bank to providing charity

The Bank operates its social support and charity in accordance with the sponsorship and charity assistance policy of JSC Halyk Bank of Kazakhstan. At the same time, we are guided by the principles of openness, dialogue, interaction, partnership, transparency and financial stability, encouraging employees to participate in charity activities on a voluntary basis.

Priority areas of our social activities are financing projects in children's health, education, support for culture, art, mass and professional sports, environmental protection and care for children left without parental care.



In April 2016, by the decision of the shareholders of the Halyk Group, Halyk Charity Foundation (Halyk Foundation) was established to conduct charity and sponsorship activities at the system level, implement social projects and socially significant events in the field of culture, sports and education in the Republic of Kazakhstan. The main goal of the Foundation is to achieve maximum efficiency of social and charity investments and encourage positive changes in solving significant social issues. In 2018, the Foundation developed and launched an online crowdfunding platform "Birgemiz.kz".



“Birgemiz”: doing good together is easy and affordable!

The Halyk Foundation has created a unique online platform to support charity projects that have been helping, facilitating and saving the lives of our compatriots of different ages for many years. Using Birgemiz.kz, people in need can find funds and patrons, sponsors can discover interesting projects to support, whereas volunteers can choose who to help with their time and effort.

The online crowdfunding platform and its mobile app allow to make donations in two clicks, without registration, from any Bank card, to social projects from various areas: health, animal welfare, and assistance to the elderly. The minimum donation amount is set at KZT 500. The collection of donations in real time can be tracked by the installed counter for each project.

“Birgemiz” provides direct and accessible communication between philanthropists and foundations. It also helps to solve the problem of transparency of charity transfers strengthening trust in participating foundations by opening the mechanism for distributing donations to applicants and those in need. To note, 22 social projects of 10 charity foundations have been registered on the platform, 6 of these projects have already been successfully completed.

The Halyk Foundation does not only administer the platform, but also participates in co-financing projects. The Foundation adds 20% on top of the total collected fund, and on “Giving Tuesday”, this share increases up to 40%. Only for 2 years of existence of the “Birgemiz” platform over KZT 17 million in total was collected in the form of donations for all the charity projects, of which KZT 5.5 million was allocated by the Halyk Foundation.



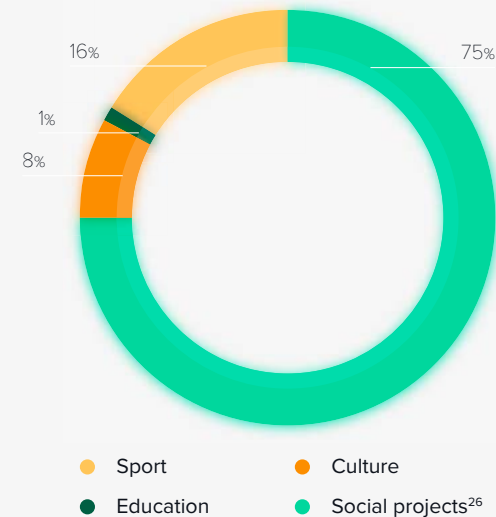
<https://birgemiz.kz/>

10
foundations

>20
projects

6,536
charity supporters

KZT 7 million
collected donations for 2019



The Bank's sponsorship and charity expenditure in 2019, %



We want to encourage people to be more active to create a multiplier effect of generosity. Together, we can always do more — this is the mission of Birgemiz”.

Alexander Pavlov
Chairman of the Board of Directors

²⁶ This includes providing support to veterans, purchasing medical equipment for the perinatal center, and conducting socially significant events.



Key charity and sponsorship projects in 2019

In 2019, we continued to actively support socially significant projects in the field of ensuring a healthy lifestyle of the population, social adaptation of people with disabilities, and the development of culture and education.



#ЩЕДРЫЙВТОРНИК

собрано: **1 324 000** тенге

“Giving Tuesday”

Every year, Halyk Foundation together with the “Birgemiz” platform conducts the “Giving Tuesday” campaign. The “GivingTuesday” is an international charity movement whose main goal is to give an impetus to the development of charity in the world and attract as many supporters as possible. On the last Tuesday in November, millions of people around the world joined to become part of a large charity flashmob. Thus, on 26 November 2019, KZT 1,324 thousand was collected on the “Birgemiz” platform, which was mainly aimed at helping sick children. The Halyk Foundation added +40% to each charity contribution on that day.



Inva-taxi

In 2019, within the framework of the social project “Invataxi”, 15 specialised cars were purchased for the transportation of disabled citizens. The cars were donated to the regional societies of disabled people in the cities of Kulsary, Aksay, Mugalzhar, Aksu, Zyryanovsk, Balkhash, Zhetysay, Shu, Shchuchinsk, Tayynsha, Satpayev, Rudny, Kapshagay, and Baikonor. Since the beginning of the project, the regions of Kazakhstan have received 36 special vehicles with a total cost of more than KZT 336 million. The special transport is adapted to the needs of people with disabilities. Therefore, the cars are equipped with lifting devices for wheelchairs, and has a salon with circular glazing, with right sliding and rear doors that swing 180°, and soft seats installed in the course of movement.



Halyk Art Prize

The Halyk Art Prize is an award from Halyk Bank based on a creative competition for artists, whose goal is to develop modern Kazakh art and society.

The prize money of the Halyk Art Prize was divided into two categories: “Grand Prix”, awarded by the decision of the competition jury, in the amount of KZT 700 thousand and “people’s choice”, determined by open voting in social networks – in the amount of KZT 500 thousand.

The theme of the competition in 2019 was “Art and Society”. Artists with works made in any technique and any genre, except for monumental ones, were invited to participate. During a month, 345 applications from artists were accepted to the special address of the contest.

Of all the submitted applications, the best in the “Grand Prix” category was recognised the work “Batyr” by an artist from Almaty. The “people’s choice” nomination was awarded to the work of an artist from Almaty, which received the majority of votes from social network users.

The result of the Halyk Art Prize was an exhibition held from 7 to 20 December 2019, and the award ceremony for the nominees.





The Cup of Hope

The annual basketball championship of the Republic of Kazakhstan among orphanages and boarding schools “Cup of Hope”, which is held with the support of the National basketball Federation. This is part of a large-scale social project of the Halyk Bank and the Halyk Foundation – “People’s League”, which includes the annual equipping of sponsored children’s institutions with sports inventory, outfits, and selection and payment for the coaching services. Young athletes have the opportunity to train under the guidance of professional basketball coaches.

Halyk Bank has been the main sponsor and organiser of the Championship since 2005, covering expenses related to travel of children and accompanying staff, accommodation (including meals) of the participants, provide the prize fund for the winners, as well as the payment of the judges.

During the year, pupils of 17 orphanages from 15 cities and towns of the Republic are engaged in basketball sections under the guidance of professional coaches. The championship is held on an annual basis. In 2019, more than 170 teenagers took part in the Championship, many of them ending their stay in an orphanage and starting their own life.

During the week, on the basis of the sports complex of the Kazakhstan International School “Miras”, seventeen teams defended their right to be called the best team of the Championship. Between sports competitions, children were offered a rich cultural and entertainment program – trips to the mountains, health treatments in the pool, meetings with sports veterans, a trip to the Museum “Altyn Adam”, whose staff conducted free excursions for children.

According to the results of the competition, the judges of the National basketball Federation named the national team of Pavlodar as the champion-team. All ten children in the team received the title of candidates for master of sports.

More than KZT 33 million was allocated for the Championship in 2019. The Halyk Foundation intends to continue supporting the project “People’s League” as well as “the Cup of Hope” next year. For the past 14 years, about 3 thousand children have passed through the basketball sections, and more than 300 have become candidates for master of sports.

Halyk SMART

Halyk Smart is an educational YouTube channel that publishes popular-science videos in Kazakh and Russian languages. Subscribers can gain knowledge in various fields of science, such as astrophysics, neurobiology, theory of evolution, and world economy in an exciting way. The content of the channel is constantly updated and today has about 100 informative video lessons in total.

In 2019, the number of subscribers of the YouTube channel reached more than 137 thousand people, and the number of views exceeded 13 million. Nearly KZT 8 million was allocated for these purposes, and around KZT 21.4 million in total was the amount of support provided for the project implementation for the past 3 years.



<https://www.youtube.com/channel/UCd2xCvSorluPtrpdhIXkTnw/featured>
For more information about all our social projects implemented in 2019, see Annual Report of Halyk Bank for 2019:
<https://backend.halykbank.com/storage/documents/files/5eca6db40c225.pdf>

TAKING CARE AND
BEING RESPONSIBLE



10

**Subsequent
event:
The Bank's
Response to
the COVID-19
Pandemic**

WE ARE THERE TO SUPPORT
IN DIFFICULT SITUATIONS

We are releasing our first Sustainability Report during the global crisis: COVID-19. The coronavirus pandemic has become a test of resilience, both for the state as a whole and for the entire business community in Kazakhstan.

Based on our results for Q1 and Q2 2020, we can confidently say that Halyk Bank has adequately responded to the challenges posed by the COVID-19 pandemic. With the announcement of the quarantine regime in Kazakhstan in March this year, we were able to mobilise all our efforts to ensure business continuity, to provide all our clients with round-the-clock access to banking services and products, as well as the constant ability to carry out all necessary banking operations in a large-scale lockdown mode due to the biohazard nature of the COVID-19 pandemic declared by WHO.

As part of the Presidential package of state support measures, we opened remotely around 600 thousand payment²⁷ cards and bank accounts for people in Kazakhstan to receive social payments. As the N° 1 payment agent in terms of pensions and social payments, we transferred over 38.5 million payments totalling almost KZT 1.8 trillion²⁸.

Our retail customers who lost their sources of income due to the decline in economic activity were granted 3 months debt payment holidays, which was used by nearly 131 thousand people. To support our clients-entrepreneurs whose business has been affected by restrictive measures, we have granted them a deferral on existing SME loans until 1 October 2020. To date, more than 4 thousand SME customers have received debt payment holidays from the Bank.

In March 2020, the National Bank of Kazakhstan and the Agency of the Republic of Kazakhstan for regulation and development of the financial market together with second-tier banks have developed a program of concessional lending. For the implementation of this Program, KZT 600 billion was allocated for a period of one year at the rate of 8% for the borrower. 12 participating banks were identified, of which the largest amount (KZT 180 billion) was allocated to our Bank for utilization.

The program of concessional lending to SMEs

Market

KZT **600** billion

- Rate 8%
- Number of participants – 12 banks

The Bank

KZT **180** billion

- N°1 for the allocated amount in the Bank
- 356 clients financed²⁹
- KZT 107.9 billion disposed²⁹

²⁷ As at 30 April 2020.

²⁸ Preliminary data for January–August 2020.

²⁹ As at 1 July 2020.





Financing existing and new SME customers under the Program will enable entrepreneurs to develop their business during a volatile market.

The Bank actively cooperates with the Damu Foundation and entrepreneurs during the crisis to support business in Kazakhstan. The proposed support tools allow domestic producers of goods and services to overcome the crisis painlessly, and in the case of some enterprises, as practice shows, even increase the production of commercial products, contributing not only to the growth of food security, but also to the strengthening of the social component in the form of creating and preserving jobs. In addition, together with JSC Agrarian Credit Corporation, we have allocated KZT 24 billion to support agriculture.

During the quarantine period, we provided financial support in the amount of KZT 105 million of our own funds to more than 1 thousand medical workers³⁰ who are on the front line in the fight against COVID-19. The Halyk Foundation purchased 20 thousand food packages for low-income and large families who found themselves in a difficult financial situation due to the state of emergency and quarantine measures. Each family received 60 kg of essential food.

Our top priority is to ensure the safety of our employees. We transferred 64%³¹ of the Head Office staff to remote work. The Bank's employees, who continued to work place, were provided with sanitary protection and antiseptics. The offices have a pass-through mode with temperature measurement, and anti-bacterial lamps are installed. We monitor compliance with social distance and all security measures in all our offices and customer outlets.

Our main task is always to solve the client's problem in the shortest possible time and in the most accessible form. We constantly improve the mechanisms and forms of communication with our clients, striving to be close to them where they are comfortable. So, we see that an increasing number of users choose a digital format for interaction with the Bank, actively use chat in the applications of Homebank (Retail) and Onlinebank for (SME and corporate business) operational communication, therefore we are developing the functionality in this direction.

The work we did in 2019 in strengthening digital services allowed us to quickly switch to remote mode and adapt our online service channels to the increased load. A month before the start of the quarantine, we started optimising our mobile app to make it more comfortable for our customers. During the six months of 2020, we recorded a rapid increase in the popularity of remote and online Banking services. Thus, the number of active Homebank customers increased 2.1 times, and the volume of online payments and transfers increased by 30% and 190%, respectively.

In the conditions of self-isolation associated with the spread of coronavirus infection, remote registration of contracts and the ability to get additional services online are particularly relevant for our clients.

During the pandemic, we launched a number of strategic projects aimed at improving digital services and creating a comprehensive online platform for our customers. Since April, Western Union deposits, loans and money transfers have been available through our mobile app. Since the end of July, our customers can use self-service machines to receive cards in five minutes. We actively encourage our customers to use digital channels by offering various bonus programs and promotions. For example, until the end of May 2020, our customers could receive up to 5% bonus for each transaction³² in the Homebank app, and until the end of 2020, there is a special offer in which customers receive a 2% bonus when paying with a QR code³³.

We maintain partnership relations with leading retailers of Kazakhstan such as Technodom, Sulpak, and Alser, and have also launched an online instalment platform that allows to make purchases without visiting stores and Bank branches. Our payment platform now includes more than 5.2 thousand online payment services.

³⁰ As at 13 April 2020.

³¹ As at 30 July 2020.

³² The promotion is valid until 31 May 2020.

³³ The promotion is valid until 31 December 2020.





Our Onlinebank service for SMEs and corporate businesses provides a full range of transactional banking services, online financial products and various online business support services. From June 2020, small businesses can become clients of the Bank remotely, and from August 2020, they are able to apply for online loans.

Halyk Bank's financial performance also remains stable. Thus, net interest income was KZT 104.1 billion and KZT 104.3 billion for the first and second quarters of 2020, respectively. Moreover, the share of nonperforming loans 90+ also remains stable and as at 1 July 2020 is equal to 6.9% of the total volume of loans. Our high level of 44.8%³⁴ liquidity of assets allows us to withstand the consequences of the economic crisis caused by the pandemic, fulfil all our obligations and continue to move towards strategic goals.

It is important to note that following the results of the special general meeting of shareholders of the Bank, held on 23 July 2020, it was decided to pay dividends on the Bank's common shares (ISIN KZ000A0LE0S4) for 2019 from the retained net income of previous years in the amount of KZT 17,08 per common share. The dividends actually paid to the Bank's shareholders amounted to KZT 200.2 billion.

Today, the Bank is confident about the future and is ready to work effectively in a crisis. Our plans for the near future include further development of digital services and ecosystem services, continuous improvement of the quality of our customer service and strengthening of our market leadership position.

Bank during a state of emergency:

1.9 million

social payments in the amount of minimum monthly salary were transferred for a total of KZT 75.5 billion³⁵

>413 thousand

payments in total amount of KZT 20.7 billion³⁶ were transferred to socially vulnerable segments of the population from the Birgemiz Fund

>1 million customers

opened accounts for payment cards remotely

>700 thousand cards

were home-delivered to customers

77 %

of our branches were open, which allowed our clients to get all the services they need

90 % of ATMs

were in service

7.6X growth

in online lending for the first 6 months of 2020



³⁴ As at 1 July 2020.

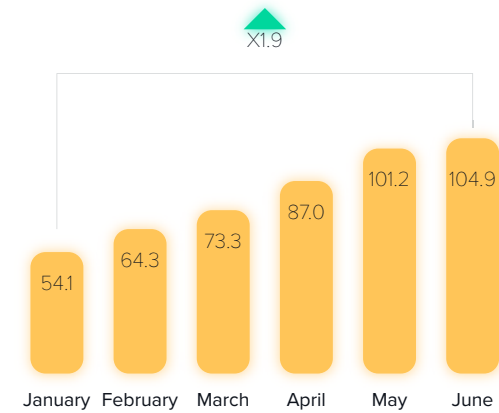
³⁵ As at 16 August 2020.

³⁶ As at 16 August 2020.

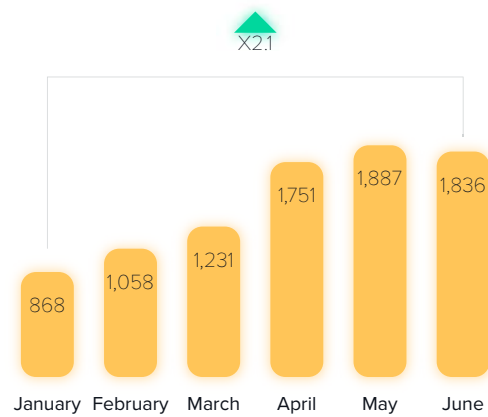




Payment via Homebank in 1H 2020, KZT billion



Transfers via Homebank in 1H 2020, KZT billion



Number of Homebank active clients, thousands



Number of online deposits opened, quantity

TAKING CARE AND
BEING RESPONSIBLE



11

Appendices



WE ARE ALWAYS
WITH YOU



INITIATIVES AND MEMBERSHIPS

GRI 102-12 | 102-13

The Association of financiers of Kazakhstan (AFK)



<http://www.afk.kz/>

The Association of financiers of Kazakhstan (AFK) unites 128 participants in the financial market, including banks, insurance organisations, mortgage and leasing companies, micro-credit organisations and pawnshops, professional participants in the stock market, audit and consulting companies, research and educational institutions and the media. Financial organisations that are part of the AFK form a representative organising link of the entire financial community of Kazakhstan.

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

The main strategic objectives of the AFK are:

- | | |
|--|--|
| <ul style="list-style-type: none"> • representation of AFK members in state and other bodies, expression and protection of common interests of financial market entities; | <ul style="list-style-type: none"> • promoting the image (rating) of the financial community; |
| <ul style="list-style-type: none"> • monitoring and participation in the work on improving the legislation of the Republic of Kazakhstan related to the activities and interests of AFK members; | <ul style="list-style-type: none"> • collection, analysis and consolidation of proposals from AFK members to address problematic issues in the financial sector and improve legislations affecting the interests of financial market entities; |
| <ul style="list-style-type: none"> • constructive interaction with state bodies in order to create conditions for effective activity of AFK members and development of the financial system of the Republic as a whole; | <ul style="list-style-type: none"> • creation of working groups with the participation of representatives of AFK members on priority and problem areas, development of consolidated proposals and their elaboration with the authorised bodies. |

National chamber of entrepreneurs of the Republic of Kazakhstan "Atameken"



<https://atameken.kz/>

The national chamber of entrepreneurs (NCE) of Kazakhstan "Atameken" is a non-profit organisation created to enhance the negotiation power of business with the Government and public authorities. The main task of Atameken is to protect the rights and interests of business and ensure broad coverage and involvement of all entrepreneurs in the process of forming legislative and other regulatory rules for business.

In addition, "Atameken" stands for the active involvement of Kazakhstan business in the implementation of state programs. Protects the interests of the business community in state and local government bodies, expands and strengthens ties with the business community of foreign countries, and supports Kazakhstan's business in the framework of integration processes.

Indicators by branches of JSC Halyk Bank of Kazakhstan

Table 1. Total number of employees under an employment contract (permanent and temporary), by Bank branches

GRI 102-8

	Permanent employment	Temporary employment	Total number of employees
Head Office	2,797	169	2,966
Branches of the Halyk Bank	10,427	1,483	11,910
Total	13,224	1,652	14,876

Table 2. New employees and staff turnover for the reporting period

GRI 401-1

	Total number of employees accepted	Percentage of new employees from the total number of employees, %	Total number of retired employees	Staff turnover, %
Head Office	556	19.3%	450	15.6%
Branches of the Halyk Bank	2,713	23.3%	1,999	17.2%
Total	3,269	22.5%	2,449	16.9%

Table 3. Training (instruction) of accepted employees on anti-corruption issues for 2019, by personnel categories

GRI 205-2

	Senior executive	Middle manager	Specialists/experts	Administrative staff	Total
Head Office	2	13	531	10	556
Branches of the Halyk Bank	0	29	2,541	143	2,713
Total	2	42	3,072	153	3,269



METHODOLOGY FOR DATA COLLECTION, CONSOLIDATION, AND CALCULATION

The information presented in this section describes the Bank's approach for collecting, consolidating and calculating data and indicators in the Sustainability Report. If applicable, the limits, assumptions, and exceptions are explained for individual disclosures. To ensure comparability over time, the data in the Report is presented in comparison with 2018³⁷, which is accepted as the "baseline" for all indicators of the Bank's sustainable development.

Materiality assessment

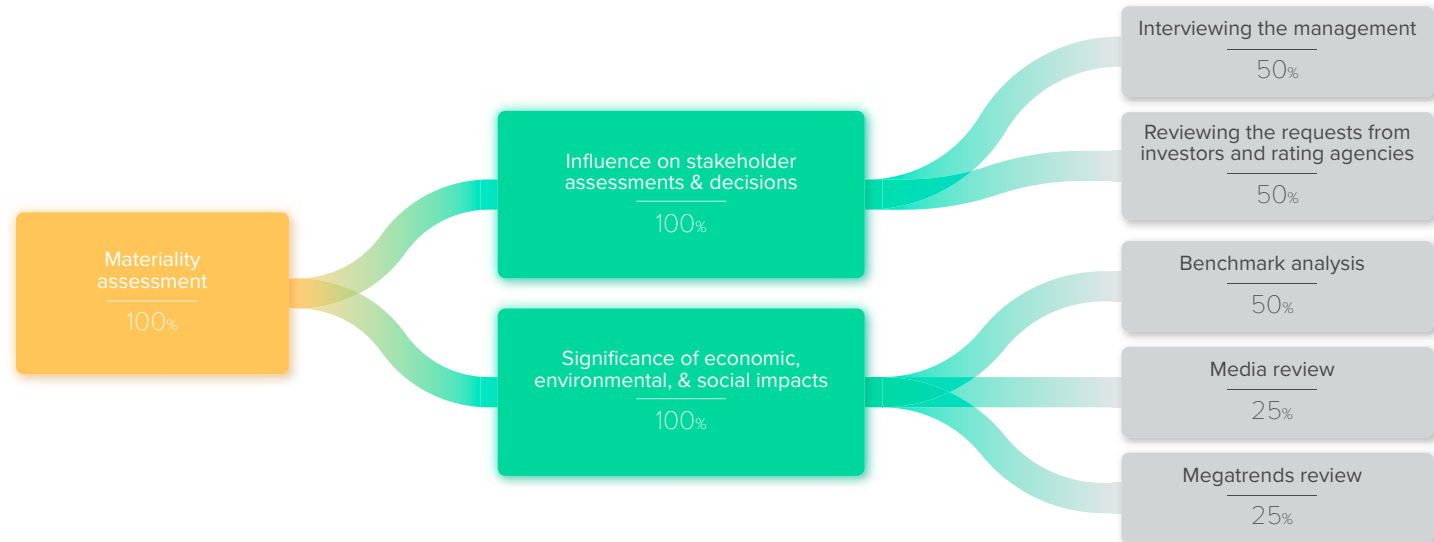
GRI 102-46

To disclose the information that is material to our key stakeholders, the Bank conducted a comprehensive materiality assessment. The activity consisted of the identification and assessment of potentially significant topics for the Bank to be presented in the Report. "Significance" or "materiality" has been assessed based on the importance of economic, environmental and social impacts and their role in stakeholders' decision-making processes. Each topic was evaluated according to the following criteria, so-called filters:

- interview with the Bank's management;
- review of investors' and rating agencies' ESG requests for the reporting year;
- benchmark analysis of peer banks on sustainable development disclosure practices;
- mass media review, including the Bank's activities in the media for the reporting period;
- megatrend analysis in the banking industry.

Correction factors ("weights") were applied for each filter from 1 to 10. Further, the "weighted" values were used to construct the matrix: The X-axis is "Significance of economic, environmental, and social decisions", and the Y-axis – "Influence on stakeholder assessments and decisions".

The figure below shows the distribution of weights for each of the criteria.



³⁷ Data for 2017 are not included, because they do not take into account the assets merge of JSC Halyk Bank of Kazakhstan with JSC Kazkommertsbank completed in 2018.

The matrix and a list of 27 material topics are presented in the Chapter "Our approach to sustainability management".

05 Chapter “Our approach to sustainability management”

GRI 205-2



Combating corruption

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

07 Chapter “Customers are the focus of our attention”

GRI 103-1 418-1



Development of information security and protection of customer data

On the subject of “Client confidentiality”, disclosure 418-1 is presented partly. Under sub-item a) “Total number of substantiated complaints received concerning beaches of customer privacy from outside parties and regulatory bodies” is an exception, since the Bank does not systematically record and monitor the number of complaints related to violations of customer data confidentiality. The collection of this data during the reporting period was considered impractical, given the time constraints and complexity of the process.

08 Chapter “Human capital development”

Human resource management

GRI 102-8 | 401-1

The employee turnover rate is calculated according to the formula $CT = A / B \times 100\%$, where A is the number of employees who left on their own initiative, by agreement of the parties and through the fault of the employee at the end of the reporting period; B is the average number of employees for the period.

The Report shows the list number of employees of the Bank. Data from the SAP system was used for collecting, consolidating, and calculating indicators.

Registration of labour-related accidents, as well as their accounting and reporting is conducted in accordance with Chapter 20 of the Labour Code of the Republic of Kazakhstan, as well as in accordance with the order of the Minister of Health and Social Development of the Republic of Kazakhstan dated 28 December 2015 No. 1055 “On approval of forms for registration of materials for investigation of labour-related accidents”.

The Bank has not registered any cases of occupational diseases. The Bank does not currently keep records and calculate data on absentee rate and lost day rate in accordance with the GRI 403: Occupational Health and Safety 2016”.

To calculate the Lost Time Incident Rate (LTIR) of working time, the Bank used the methodology presented by “GRI 403: Occupational Health and Safety” version 2018. The Bank adopted a factor of 1 million man-hours worked to correctly reflect the coefficient in relation to the number of employees of the Bank and its subsidiary.

The data calculation formula is shown below:

$$LTIR = \frac{\text{Number of work-related injuries}}{\text{Number of hours worked} * 1,000,000}$$

At the same time, the number of injuries with loss of working time associated with production activities in 2019 = 6

Number of hours worked in 2019 = 31,085,024 hours

In terms of types of injuries, the Bank and its subsidiary Halyk Collection registered 6 injuries with loss of working time, including 4 broken bones, 1 soft tissue injury and 1 case of concussion. All the victims were male employees.

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

Safety and health at workplace

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

This section is prepared in accordance with GRI Standards “GRI 403: Occupational Health and Safety” version 2016, as well as in accordance with the requirements of the Kazakhstan stock exchange “KASE” in terms of disclosure of non-financial information in the field of health and safety at workplace.

In order to reflect information about activities that are potentially associated with dangerous factors when disclosing data on injuries, the Bank expanded the reporting boundaries and included data from the subsidiary organisation Halyk Collection.



09 Chapter “Environment and Society”



Responsible consumption of resources

GRI 103-1 | 303-2 | 303-3 | 303-5

Data collection on water consumption was carried out 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 presented information on water consumption is based on direct measurements of the volume of water consumption by measuring devices (meters).

Due to 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 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 waste water into natural water bodies in accordance with the requirements of the environmental legislation of the Republic of Kazakhstan (“GRI 303-24 Management of water discharge-related impacts”).

The Bank operates in regions of the Republic of Kazakhstan where there is a problem of water scarcity, the Report highlights an indicator that reflects the total volume of water consumption in such regions as Mangistau, Aktobe, Zhambyl, and Karaganda regions. These regions were identified as “water-deficient” on the Atlas of risks of water resources management Aqueduct^{38,39} basis, which was prepared by the World Resources Institute (WRI). The Bank selected only those regions where the “basic water deficit” indicator was assessed as “high”.

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



³⁸ World Resources Institute, Aqueduct Water Risk Atlas, www.wri.org/our-work/project/aqueduct/.
³⁹ <https://www.wri.org/applications/aqueduct/country-rankings/?country=KAZ>.

Energy efficiency and Greenhouse Gas emissions

GRI 302-1 | 302-4 | 305-1 | 305-2

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 data on the consumption of the following types of fuel: diesel, gasoline, coal, and natural gas. To translate data on fuel consumption, the corresponding coefficients were used from the Methodology for forming the fuel and energy balance and calculating individual statistical indicators that characterise the energy sector, approved by order No. 160⁴⁰. of the Chairman of the statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan dated 11 August 2016.

The calculation of direct (Scope 1) GHG emissions used emission factor values from the 2006 IPCC⁴¹. national inventory Guidelines. The calculation of indirect (Scope 2) energy emissions is based on national CO₂ emission factors for electricity and heat generation⁴². To convert GHG emissions to tons of CO₂ EQ. the values of global warming potentials from the IPCC 5th Assessment report were accepted.



⁴⁰ <http://adilet.zan.kz/rus/docs/V1600014230>.
⁴¹ https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf.
⁴² <http://adilet.zan.kz/rus/docs/V1700015396/links>.

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Abbreviations and acronyms

3DS	Three-Domain Secure	G20	The Group of Twenty
AFK	The Association of financiers of Kazakhstan	GDR	Global depository receipts
AIX	Astana International Exchange	GHG	Greenhouse gas
AML	Anti-money laundering	GRI	Global Reporting Initiative
ATM	Automated teller machine	HR	Human Resource
B2B	Business to business	HSBK	Common stock of JSC Halyk Savings Bank of Kazakhstan
BCBS	Basel Committee on Banking Supervision	IPCC	Intergovernmental panel on climate change
BSC	Banking service centres	IT	Information technology
BSS	Balanced scorecard system	IVR	Interactive Voice Response
CFT	Combating financing of terrorism	JSC	Joint stock company
CSI	Customer Satisfaction Index	KASE	Kazakhstan Stock Exchange
CSR	Corporate social responsibility	KPI	Key performance indicator
DLP	Data Loss/Leak Prevention	KPMG	International audit company
DLS	Distance learning system	LED	Light-emitting diode
DSS	Data Security Standard	LLC	Limited liability company
EDS	Electronic Digital Signature	LLP	Limited liability partnership
ESG	Environmental, social and corporate governance	LSE	London Stock Exchange
FATCA	Foreign Account Tax Compliance Act	LTIR	Lost Time Incident Rate





MBA	Master of Business	RB	Retail business
NCE	National chamber of entrepreneurs	RK	Republic of Kazakhstan
NFC	Near Field Communication	SAP	Automated information system for enterprise resource and workflow planning
NPS	Net Promoter Score	SDL	System of distance learning
OECD	Organisation for Economic Cooperation and Development	SER	State energy register
OHS	Occupational health and safety	SME	Small and medium-sized enterprises
PCI	Payment Card Industry	SPO	Secondary Public Offering
PF	Private fund	STB	Second-tier bank
PIN-code	Personal Identification Number	UAPF	Unified accumulative pension Fund
POS-terminals	Point of sale	UK	United Kingdom
PSC	Personal service centre	UN	United Nations
PR	Public relations	US	United States
QR	Quick Response	VIP	Very important person
QSA	Qualified Security Assessor	WHO	World Health Organization
RA	Rating agency	WRI	World Resources Institute



Contact information

GRI 102-3 | 102-53

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