

JSC HALYK BANK

Interim condensed consolidated
financial information (unaudited)
for the three months ended 31 March 2020

JSC Halyk Bank

Table of Contents

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED)	1
REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION	2
INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION FOR THE THREE MONTHS ENDED 31 MARCH 2020 (UNAUDITED):	
Interim condensed consolidated statement of financial position (unaudited)	3
Interim condensed consolidated statement of profit or loss (unaudited)	4
Interim condensed consolidated statement of other comprehensive income (unaudited)	5
Interim condensed consolidated statement of changes in equity (unaudited)	6-7
Interim condensed consolidated statement of cash flows (unaudited)	8-9
Selected explanatory notes to the interim condensed consolidated financial information (unaudited)	10-50

JSC Halyk Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (Unaudited)

Management of JSC Halyk Bank is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Halyk Bank (the "Bank") and its subsidiaries (collectively – the "Group") as at 31 March 2020, the results of its operations, changes in equity and cash flows for the three months then ended, in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34").

In preparing the interim condensed consolidated financial information, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the interim condensed consolidated financial information of the Group comply with IAS 34;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2020 was authorized for issue by the Management Board on 29 May 2020.

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

29 May 2020
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Halyk Bank and its subsidiaries (the "Group") as at 31 March 2020 and the related interim condensed consolidated statements of profit or loss, other comprehensive income, changes in equity and cash flows for the three months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

29 May 2020
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Interim Condensed Consolidated Statement of Financial Position as at 31 March 2020 (unaudited) (millions of Kazakhstani Tenge)

	Notes	31 March 2020 (unaudited)	31 December 2019
ASSETS			
Cash and cash equivalents			
Obligatory reserves	5	2,086,355	1,664,337
Financial assets at fair value through profit or loss		151,168	141,006
Amounts due from credit institutions	6	277,806	185,031
Financial assets at fair value through other comprehensive income	7	72,161	53,161
Debt securities at amortized cost, net of allowance for expected credit losses	8	1,619,015	1,630,921
Precious metals	9	1,246,747	1,212,981
Investments in associate		16,198	9,248
Loans to customers		26,951	26,732
Investment property	10, 31	3,973,261	3,752,445
Commercial property		45,731	46,558
Assets held-for-sale		101,761	113,381
Current income tax assets		62,455	45,766
Deferred income tax assets		13,959	1,704
Property and equipment		214	197
Intangible assets		136,098	134,862
Goodwill		9,767	9,721
Insurance assets		3,085	3,085
Other assets	11	83,119	82,009
	12	108,472	121,613
TOTAL ASSETS		10,034,323	9,234,758
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 31	6,935,284	6,406,413
Amounts due to credit institutions	14	418,047	305,965
Financial liabilities at fair value through profit or loss	6	9,264	20,444
Debt securities issued	15	917,361	834,446
Current income tax liability		10,043	10,029
Deferred tax liability		59,584	45,570
Provisions	16	5,950	3,924
Insurance liabilities	11	231,508	223,702
Other liabilities	18	87,588	77,042
Total liabilities		8,674,629	7,927,535
EQUITY			
Share capital			
Share premium reserve	19	209,027	209,027
Treasury shares		5,340	3,867
Retained earnings and other reserves		(108,622)	(114,634)
		1,253,943	1,208,957
Total equity attributable to owners of the Group		1,359,688	1,307,217
Non-controlling interest		6	6
Total equity		1,359,694	1,307,223
TOTAL LIABILITIES AND EQUITY		10,034,323	9,234,758

On behalf of the Management Board:

Umut B. Shayakimmetova
Chairperson of the Board

29 May 2020
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

29 May 2020
Almaty, Kazakhstan

The notes on pages 10 to 50 form an integral part of this interim condensed consolidated financial information.


JSC Halyk Bank

Interim Condensed Consolidated Statement of Profit or Loss for the Three Months ended 31 March 2020 (unaudited)

(millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Interest income calculated using effective interest method	21, 31	175,832	174,406
Other interest income	21	3,516	1,777
Interest expense	21, 31	(75,274)	(83,574)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		104,074	92,609
Credit loss expense	16	(20,090)	(9,071)
NET INTEREST INCOME		83,984	83,538
Fee and commission income	22	30,811	26,973
Fee and commission expense	22	(16,935)	(11,520)
Fees and commissions, net		13,876	15,453
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	23	61,031	(15,646)
Net realised gain from financial assets at fair value through other comprehensive income		114	2,151
Net (loss)/gain on foreign exchange operations	24	(41,097)	17,198
Insurance underwriting income	25	20,117	15,577
Share in profit of associate		1,630	1,674
Other income		13,480	7,553
OTHER NON-INTEREST INCOME		55,275	28,507
Operating expenses	26	(35,558)	(29,225)
Loss from impairment of non-financial assets		(1,932)	-
Other credit loss expense	16	(1,911)	(305)
Insurance claims incurred, net of reinsurance	25	(18,376)	(15,645)
NON-INTEREST EXPENSES		(57,777)	(45,175)
INCOME BEFORE INCOME TAX EXPENSE		95,358	82,323
Income tax expense	17	(14,289)	(7,821)
NET PROFIT		81,069	74,502
Attributable to:			
Common shareholders		81,069	74,502
		81,069	74,502
EARNINGS PER SHARE	27		
(in Kazakhstani Tenge)			
Basic and diluted earnings per share		6.93	6.38

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

29 May 2020
Almaty, Kazakhstan

The notes on pages 46 to 50 form an integral part of this interim condensed consolidated financial information.




Pavel A. Cheusov
Chief Accountant

29 May 2020
Almaty, Kazakhstan



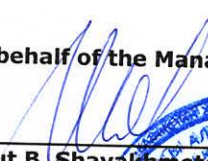
JSC Halyk Bank

Interim Condensed Consolidated Statement of Other Comprehensive Income for the Three Months ended 31 March 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Net profit	81,069	74,502
Other comprehensive income:		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Gain/(loss) on revaluation of property (net of tax – KZT Nil)	102	(52)
(Loss)/gain on revaluation of equity financial assets at fair value through other comprehensive income	(8,890)	6
<i>Items that may be subsequently reclassified to profit or loss:</i>		
Exchange differences on translation of foreign operation (net of tax – KZT Nil)	848	(761)
Share of other comprehensive (loss)/income of associate	(1,411)	304
(Loss)/gain on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	(26,618)	12,292
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(114)	(2,151)
Other comprehensive (loss)/income for the period	(36,083)	9,638
Total comprehensive income for the period	44,986	84,140
Attributable to:		
Common shareholders	44,986	84,140
Total comprehensive income for the period	44,986	84,140

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

29 May 2020
Almaty, Kazakhstan




Pavel A. Chaussov
Chief Accountant

29 May 2020
Almaty, Kazakhstan



The notes on pages 40 to 50 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Changes in Equity for the Three months ended 31 March 2020 (unaudited)

(millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehen- sive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non- controlling interest	Total equity
31 December 2019	209,027	3,867	(114,634)	9,105	30,023	20,018	1,149,811	1,307,217	6	1,307,223
Net income	-	-	-	-	-	-	81,069	81,069	-	81,069
Other comprehensive income/(loss)	-	-	-	848	(37,033)	102	-	(36,083)	-	(36,083)
Total comprehensive income/(loss)	-	-	-	848	(37,033)	102	81,069	44,986	-	44,986
Treasury shares purchased	-	-	(788)	-	-	-	-	(788)	-	(788)
Treasury shares sold	-	1,473	6,800	-	-	-	-	8,273	-	8,273
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(168)	168	-	-	-
31 March 2020 (unaudited)	209,027	5,340	(108,622)	9,953	(7,010)	19,952	1,231,048	1,359,688	6	1,359,694

JSC Halyk Bank

Interim Condensed Consolidated Statement of Changes in Equity for the Three Months ended 31 March 2020 (unaudited) (continued) (millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehen- sive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non- controlling interest	Total equity
31 December 2018	209,027	1,839	(111,441)	9,657	(4,804)	20,970	940,392	1,065,640	6	1,065,646
Net income	-	-	-	-	-	-	74,502	74,502	-	74,502
Other comprehensive (loss)/income	-	-	-	(761)	10,451	(52)	-	9,638	-	9,638
Total comprehensive (loss)/ income	-	-	-	(761)	10,451	(52)	74,502	84,140	-	84,140
Treasury shares purchased	-	-	(45)	-	-	-	-	(45)	-	(45)
Treasury shares sold	-	-	61	-	-	-	-	61	-	61
Insurance bonuses to the insured	-	-	-	-	-	-	(19)	(19)	-	(19)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(150)	150	-	-	-
31 March 2019 (unaudited)	209,027	1,839	(111,425)	8,896	5,647	20,768	1,015,025	1,149,777	6	1,149,783

*These amounts are included within Retained earnings and other reserves in the interim condensed consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

29 May 2020
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

29 May 2020
Almaty, Kazakhstan

The notes on pages 10 to 50 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Interim Condensed Consolidated Statement of Cash Flows for the Three Months ended 31 March 2020 (unaudited)

(millions of Kazakhstani Tenge)


	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	2,129	1,502
Interest received from cash equivalents and amounts due from credit institutions	5,730	10,100
Interest received on financial assets at fair value through other comprehensive income	9,576	11,887
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	14,539	12,045
Interest received from loans to customers	100,447	98,618
Interest paid on due to customers	(52,822)	(58,171)
Interest paid on due to credit institutions	(3,791)	(621)
Interest paid on debt securities issued	(18,738)	(20,338)
Fee and commission received	31,721	26,989
Fee and commission paid	(16,854)	(8,813)
Underwriting income earned, net of reinsurance	12,550	6,332
Ceded insurance share paid	(15,459)	(6,686)
(Payments)/receipts from derivative operations	(10,048)	2,602
Other income received	13,479	7,446
Operating expenses paid	(27,397)	(20,592)
Insurance claims paid	(1,403)	(11,719)
Cash flows from operating activities before changes in net operating assets	43,659	50,581
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(10,162)	5,612
Financial assets at fair value through profit or loss	(16,417)	(11,233)
Amounts due from credit institutions	(373)	4,278
Precious metals	(5,274)	115
Loans to customers	(68,366)	51,130
Assets held-for-sale	1,038	2,682
Insurance assets	(7,537)	(1,658)
Other assets	8,629	(5,476)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	3,839	(90,435)
Amounts due to credit institutions	106,832	126
Financial liabilities at fair value through profit or loss	(11,152)	2,060
Insurance liabilities	19,117	19,052
Other liabilities	13,104	4,180
Net cash inflow from operating activities before income tax	76,937	31,014
Income tax paid	(12,533)	(8,605)
Net cash inflow from operating activities	64,404	22,409
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayment for property and equipment and intangible assets	(5,504)	(3,140)
Proceeds on sale of property and equipment	54	9
Proceeds on sale of investment property	1,011	727
Proceeds on sale of commercial property	9,837	4,942
Proceeds on sale of financial assets at fair value through other comprehensive income	144,841	13,653
Purchase of financial assets at fair value through other comprehensive income	(31,875)	(202,418)
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(25,608)	(2,473)
Proceeds on sale and maturity of debt securities at amortized cost, net of allowance for expected credit losses	2,006	346
Capital expenditures on commercial property	-	(27)
Net cash inflow/(outflow) from investing activities	94,762	(188,381)

JSC Halyk Bank

Interim Condensed Consolidated Statement of Cash Flows for the Three Months ended 31 March 2020 (unaudited) (continued) (millions of Kazakhstani Tenge)

	Notes	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		8,273	61
Purchase of treasury shares		(788)	(45)
Redemption and repayment of debt securities issued	15	-	(75,691)
Repayment of the lease liabilities		(486)	(269)
Net cash inflow/(outflow) from financing activities		6,999	(75,944)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		255,853	(20,116)
Net change in cash and cash equivalents		422,018	(262,032)
CASH AND CASH EQUIVALENTS, beginning of the period	5	1,664,337	1,755,138
CASH AND CASH EQUIVALENTS, end of the period	5	2,086,355	1,493,106

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

29 May 2020
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant

29 May 2020
Almaty, Kazakhstan



The notes on pages 10 to 50 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited)

(millions of Kazakhstani Tenge)

1. Principal activities

JSC Halyk Bank (the "Bank") and its subsidiaries (collectively, the "Group") provide corporate and retail banking services principally in Kazakhstan, Russia, Kyrgyzstan, Tajikistan, Georgia and Uzbekistan, leasing services in Kazakhstan and Russia, as well as asset management, insurance and brokerage services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under license No. 1.2.47/230/38/1 for carrying out banking and other operations and activities on the securities market, renewed by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on 3 February 2020. The Bank is a member of the obligatory deposit insurance system provided by the JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, collecting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations as well as rendering other banking services to its customers. In addition, the Bank acts as a non-exclusive agent of the Government of the Republic of Kazakhstan in channeling various budgetary payments and pensions through its nationwide branch network.

The Bank has a primary listing with the Kazakhstan Stock Exchange ("KASE") and Astana International Exchange. The Bank's Global Depository Receipts ("GDRs") are primary listed on the London Stock Exchange and Astana International Exchange. In addition, the Bank's Eurobonds are primary listed on the London Stock Exchange and Luxembourg Stock Exchange.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 31 March 2020, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 481 cash settlement units (31 December 2019 – 24, 120 and 482, respectively) located throughout Kazakhstan. The address of the Bank's registered office is 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 31 March 2020, the number of the Group's full-time equivalent employees was 16,564 (31 December 2019 – 16,387).

The interim condensed consolidated financial information of the Group for the three months ended 31 March 2020 was authorized for issue by the Management Board on 29 May 2020.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in this interim condensed consolidated financial information.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks compared to more developed markets, including economic, political, social, legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market. Moreover, the state of the economy is significantly influenced by government spending on major infrastructure projects and various programs of the country's socio-economic development.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

During the three months ended 31 March 2020, the average price of Brent crude oil was approximately 51.14 USD/bbl. (62.73 USD/bbl. during the three months ended 31 March 2019). During the three months ended 31 March 2020, GDP growth amounted to 2.7% (during the three months ended 31 March 2019 – 3.8%). As at 31 March 2020, investments in fixed assets grew by 5.1%, annual inflation amounted to 6.4%. The positive growth was observed in the basic sectors of the economy, except for transport, accommodation and food services. Construction increased by 11.7%, communication services - by 10.5%, industry - by 5.8%, and agriculture - by 2.5%.

As at 31 March 2020, the base rate set by the National Bank of the Republic of Kazakhstan (the “NBRK”) was 12% ± 1.5% (9.25% ± 1% as at 31 March 2019). Short-term notes of the NBRK remain the key instrument to withdraw excess KZT liquidity from the system.

Management believes that the sharp drop in oil prices in the second half of March 2020 to 28 USD/bbl. and the announcement of an emergency regime in Kazakhstan related to the coronavirus (the “COVID-19”) pandemic, will negatively affect the results of the socio-economic development of Kazakhstan.

The coronavirus pandemic presents an unprecedented social and economic challenge, which is having a significant impact on people and businesses in the Kazakhstan and around the world. The Group’s financial strength and business model enables the Group to play a significant role, together with the Government, regulators and other authorities, in helping Kazakhstan manage through this crisis supporting the customers of the Group.

The economic environment changed significantly at the end of the first quarter - beginning of the second quarter of 2020 year. The main changes include:

- Reduction in industrial production and activity in many sectors of the economy as a result of the state restrictions imposed in response to the COVID-19 pandemic;
- Development and implementation of the government support measures for individuals and businesses due to the COVID-19 pandemic;
- Significant decrease and high volatility of oil prices;
- Depreciation of the tenge against major foreign currencies, high volatility of the foreign exchange market.

The changes in the economic environment, described above, have a significant impact on the Group’s operations. The following main activities are performed by the Group to support its clients:

- Offering of the loans under the state support programs;
- Change in loan conditions for customers due to quarantine restrictions and consequences of the COVID-19 pandemic;
- Expansion of offering through digital channels of products and services, which were previously provided exclusively at the Bank’s branches;
- Extension of payment cards of individuals, which expire during the quarantine period.

Excess liquidity and strong balance sheet position allows the Group to manage the current environment from a position of strength as the leading bank in Kazakhstan. The Group has managed risk efficiently during the current crisis and balance sheet, capital and liquidity positions remained strong as at 31 March 2020. However, the COVID-19 outbreak and its rapid global spreading have had a negative impact on the Group’s business operations and will affect its financial performance.

Management of the Group is monitoring developments in the current environment and taking measures it considers necessary in order to support the sustainability and development of the Group’s business in the foreseeable future. However, the impact of further economic developments on the future operations and financial position of the Group is at this stage difficult to determine.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Ownership

As at 31 March 2020 and 31 December 2019, the Group's shares were represented by common shares only.

As at 31 March 2020 and 31 December 2019, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 March 2020 (unaudited)

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	64.8%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	3,051,066,800	26.1%
Other	357,132,279	3.0%
Total shares in circulation (on consolidated basis)	11,709,792,047	100%

31 December 2019

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	65.1%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.2%
GDR holders	3,001,602,000	25.7%
Other	353,390,222	3.0%
Total shares in circulation (on consolidated basis)	11,656,585,190	100%

2. Basis of presentation

Accounting basis

The interim condensed consolidated financial information of the Group has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". This interim condensed consolidated financial information has been prepared assuming that the Group is a going concern, as the Group have the resources to continue in operation for the foreseeable future. In making this assessment, the management have considered a wide range of information in relation to present and future economic conditions, including projections of cash flows, profit and capital resources.

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards ("IFRS"), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures, where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. In management's opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group's financial position, results of the operations, changes in shareholders' equity and cash flows for the interim reporting periods.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

This interim condensed consolidated financial information is presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiaries	Holding %		Country	Industry
	31 March 2020 (unaudited)	31 December 2019		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	Kazakhstan	Insurance
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	Russia	Banking
CJSC Halyk Bank Tajikistan	100	100	Tajikistan	Banking
JSC Kazkommertsbank Securities	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ-1	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Halyk Finservice	100	100	Kazakhstan	Payment card processing and other related services
JSCB Tenge Bank	100	100	Uzbekistan	Banking

No significant changes in the Group structure occurred during the three months ended 31 March 2020 in comparison with the structure as at 31 December 2019.

3. Significant accounting policies

In preparing this interim condensed consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2019.

The following amended standards and interpretations became effective for the Group from 1 January 2020, but did not have any significant impact on the Group's interim condensed consolidated financial information for the three months ended 31 March 2020:

- Amendments to IFRS 3 *Definition of a business*;
- Amendments to IAS 1 and IAS 8 *Definition of material*;
- Amendments to References to the *Conceptual Framework* in IFRS Standards.

The Group did not early adopt any other standards, amendments or interpretations that have been issued and are not yet effective.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

4. 4a. Significant accounting estimates

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2019 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2019, except for those disclosed in this Note below.

Measurement of allowances for expected credit losses ("ECL").

The measurement of allowances for expected credit losses for financial assets measured at amortized cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behavior (e.g. the likelihood of customers defaulting and the resulting losses). Several significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product and macrofactors' forecast;
- Establishing groups of similar financial assets for the purposes of measuring ECL on collectively base; and
- Assessment of forecast flows that are expected to be paid off.

The Group makes estimates and judgments, which are constantly analyzed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are reasonable in current circumstances.

In order to reflect objectively the impact of the prevailing macroeconomic conditions and in accordance with the recommendations of the International Accounting Standards Board, the Group adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the interim condensed consolidated financial information for the three months ended 31 March 2020:

- The Group refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers. The impact of macroeconomic indicators is assessed, which more accurately reflects the changing economic conditions and an updated forecast of macroeconomic indicators is used based on the most relevant information.

Impact of the changed macroeconomic conditions assessed using the approaches described above was the main factor for the significant increase in cost of credit risk in the first quarter of 2020.

The table below summarizes the principal macroeconomic indicators included in economic scenarios as at 31 March 2020 for Kazakhstan, which is the country where the Group operates and therefore is the country that has a material impact in ECLs.

List of macro variables used	Definition	31 March 2020
		Range
Real GDP growth	% change	Between (0.6)% and 1.5%
Inflation	Inflation %	Between 6.9% and 10.4%
Oil price	Price per barrel	Between USD 20 and USD 40

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

4b. Reclassifications

Certain reclassifications have been made to the interim condensed consolidated statement of profit or loss for the three months ended 31 March 2019 to conform to the presentation for the three months ended 31 March 2020, as current period presentation provides better view of the financial performance of the Group. Reclassification from operating expenses to insurance claims incurred, net of reinsurance for KZT 911 million relates to commission to freelance agents and which are directly related to the Group's insurance business.

	As previously reported	Reclassification amount	As reclassified
	Three months ended	Three months ended	Three months ended
	31 March 2019	31 March 2019	31 March 2019
	(unaudited)	(unaudited)	(unaudited)
Insurance agents fees	(911)	911	-
Operating expenses	(30,136)	911	(29,225)
Commission to agents	(6,095)	(911)	(7,006)
Insurance claims incurred, net of reinsurance	(14,734)	(911)	(15,645)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 March 2020	31 December 2019
	(unaudited)	
Cash on hand	226,279	180,553
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	129,664	155,818
Short-term deposits with OECD based banks	326,847	595,229
Overnight deposits with OECD based banks	97,761	15,731
Correspondent accounts with NBRK	819,391	418,688
Short-term deposits with NBRK	358,172	191,337
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	19,385	58,331
Correspondent accounts with non-OECD based banks	35,238	18,341
Short-term deposits with non-OECD based banks	72,403	26,459
Overnight deposits with non-OECD based banks	1,215	3,850
Total cash and cash equivalents	2,086,355	1,664,337

As at 31 March 2020 and 31 December 2019, cash and cash equivalents allowance for expected credit losses comprised KZT 26 million and KZT 20 million, respectively (Note 16).

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are as follows:

	31 March 2020 (unaudited)		31 December 2019	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.4%-1.3%	-	1.0%-2.5%
Overnight deposits with OECD based banks	-	0.01%-0.3%	-	1.3%
Short-term deposits with NBRK	-	0.5%	-	0.5%
Short-term deposits with Kazakhstan banks	8.8%-16.0%	0.5%	8.8%-12.8%	1.5%-3.9%
Short-term deposits with non-OECD based banks	-	0.9%-10.0%	-	4.1%-9.0%
Overnight deposits with non-OECD based banks	-	0.5%-8.3%	7.0%	2.0%-9.2%

The fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020 (unaudited)		31 December 2019	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Eurobonds of the Russian Federation	17,773	18,586	18,625	18,929
Treasury bills of the Ministry of Finance of Kazakhstan	837	871	8,192	8,514
Bonds of Kazakhstan corporations	615	680	10,008	10,930
Equity securities	160	177	140	186
Notes of NBRK	-	-	15,425	15,901
Bonds of international financial organizations	-	-	5,056	5,618
Treasury bills of the Kyrgyz Republic	-	-	885	910
	19,385	20,314	58,331	60,988

As at 31 March 2020 and 31 December 2019, maturities of loans under reverse repurchase agreements are less than one month.

6. Financial assets and liabilities at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

	31 March 2020 (unaudited)	31 December 2019
Financial assets held for trading:		
Corporate bonds	88,642	89,587
Derivative financial instruments	75,991	5,088
Equity securities of foreign organizations	26,565	8,634
Bonds of foreign organizations	24,607	11,403
Equity securities of Kazakhstan corporations	20,807	20,866
Bonds of JSC Development Bank of Kazakhstan	19,329	14,843
Bonds of Kazakhstan banks	9,731	9,523
Treasury bills of the Ministry of Finance of Kazakhstan	9,135	9,569
Treasury bills of the Republic of Turkey	1,603	-
Notes of NBRK	1,396	1,430
Treasury bills of the USA	-	14,088
Total financial assets at fair value through profit or loss	277,806	185,031

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Financial liabilities at fair value through profit or loss comprise:

	31 March 2020 (unaudited)	31 December 2019
Financial liabilities held for trading:		
Derivative financial instruments	9,264	20,444

Interest rates on financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 March 2020 (unaudited)	31 December 2019
Corporate bonds	10.4%	10.7%
Bonds of foreign organizations	7.1%	8.9%
Bonds of JSC Development Bank of Kazakhstan	10.4%	9.1%
Bonds of Kazakhstan banks	11.1%	11.5%
Treasury bills of the Ministry of Finance of Kazakhstan	9.0%	9.1%
Treasury bills of the Republic of Turkey	6.1%	-
Notes of NBRK	10.4%	9.4%
Treasury bills of the USA	-	1.9%

Derivative financial instruments comprise:

	31 March 2020 (unaudited)			31 December 2019		
	Fair value			Fair value		
	Notional amount	Asset	Liability	Notional amount	Asset	Liability
Foreign currency contracts:						
Swaps	1,191,761	75,846	6,873	947,346	4,642	19,983
Spots	20,684	99	87	29,903	446	461
Forwards	21,936	46	2,304	2,383	-	-
		75,991	9,264		5,088	20,444

As at 31 March 2020 and 31 December 2019, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 March 2020 (unaudited)	31 December 2019
Deposits pledged as collateral for derivative financial instruments	37,265	13,409
Terms deposits	22,810	26,186
Loans to credit institutions	12,210	13,733
	72,285	53,328
Less – Allowance for expected credit losses (Note 16)	(124)	(167)
Total amounts due from credit institutions	72,161	53,161

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Interest rates and maturities of amounts due from credit institutions are as follows:

	31 March 2020 (unaudited)		31 December 2019	
	Interest rate	Maturity, year	Interest rate	Maturity, year
Deposits pledged as collateral for derivative financial instruments	0.2%-3.0%	2046	0.2%-3.0%	2046
Term deposits	0.2%-17.0%	2020-2021	0.1%-14.0%	2020-2023
Loans to credit institutions	1.7%-6.0%	2020-2021	1.5%-6.2%	2020

8. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	31 March 2020 (unaudited)	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	523,073	431,344
Notes of NBRK	459,547	466,821
Treasury bills of the USA	268,587	342,889
Corporate bonds	144,137	199,517
Bonds of foreign organisations	121,148	96,701
Bonds of JSC Development Bank of Kazakhstan	86,268	78,904
Treasury bills of Hungary	10,398	9,061
Bonds of Kazakhstan banks	3,209	3,169
	1,616,367	1,628,406

Equity securities comprise:

	31 March 2020 (unaudited)	31 December 2019
Equity securities of Kazakhstan corporations	2,648	2,515
	2,648	2,515
Total financial assets at fair value through other comprehensive income	1,619,015	1,630,921

As at 31 March 2020 and 31 December 2019, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 1,700 million and KZT 1,658 million, respectively (Note 16).

As at 31 March 2020 and 31 December 2019, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 222,362 million and KZT 108,203 million, respectively, which were pledged under repurchase agreements with other banks (see Note 14). All repurchase agreements as at 31 March 2020 and 31 December 2019 mature before 17 April 2020 and 22 January 2020, respectively.

Interest rates and maturities of financial assets at fair value through other comprehensive income securities are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	31 March 2020 (unaudited)		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.3%	2020-2045	4.8%	2020-2045
Notes of NBRK	9.8%	2020	9.2%	2020
Treasury bills of the USA	1.6%	2020	2.1%	2020
Corporate bonds	10.4%	2020-2047	8.5%	2020-2047
Bonds of foreign organizations	4.7%	2020-2030	5.9%	2020-2036
Bonds of JSC Development Bank of Kazakhstan	5.6%	2022-2032	5.7%	2022-2032
Treasury bills of Hungary	3.2%	2023	3.2%	2023
Bonds of Kazakhstan banks	11.3%	2020-2023	10.9%	2020-2023

9. Debt securities at amortized cost, net of allowances for expected credit losses

Debt securities at amortized cost, net of allowances for expected credit losses comprise:

	31 March 2020 (unaudited)	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	1,056,151	1,044,902
Corporate bonds	181,377	156,685
Treasury bills of the Kyrgyz Republic	5,556	4,667
Bonds of foreign organizations	1,846	1,946
Notes of National Bank of Georgia	1,817	1,906
Notes of National Bank of Tajikistan	-	1,971
Notes of National Bank of Kyrgyz Republic	-	904
Total debt securities at amortized cost, net of allowances for expected credit losses	1,246,747	1,212,981

As at 31 March 2020 and 31 December 2019, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 581 million and KZT 562 million, respectively (Note 16).

Interest rates and maturities of debt securities at amortized cost, net of allowance for expected credit losses are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

	31 March 2020 (unaudited)		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.3%	2022-2027	9.3%	2022-2027
Corporate bonds	3.3%	2022-2024	7.0%	2022-2024
Treasury bills of the Kyrgyz Republic	5.0%	2020-2023	4.9%	2020-2021
Bonds of foreign organizations	8.7%	2020-2026	9.1%	2020-2026
Notes of National Bank of Georgia	10.4%	2020-2025	10.6%	2020-2025
Notes of National Bank of Tajikistan	-	-	13.5%	2020
Notes of National Bank of Kyrgyz Republic	-	-	5.2%	2020

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

10. Loans to customers

Loans to customers comprise:

	31 March 2020 (unaudited)	31 December 2019
Originated loans to customers	4,410,377	4,143,692
Overdrafts	17,050	17,471
	4,427,427	4,161,163
Stage 1	3,571,798	3,338,205
Stage 2	168,121	159,120
Stage 3	588,830	586,025
Purchased or originated credit-impaired assets ("POCI")	98,678	77,813
Total	4,427,427	4,161,163
Less – Allowance for expected credit losses (Note 16)	(454,166)	(408,718)
Total loans to customers	3,973,261	3,752,445

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. As at 31 March 2020, the average interest rate on loans was 12.6% per annum (as at 31 December 2019 – 12.8% per annum).

As at 31 March 2020, the Group's loan concentration to the ten largest borrowers was KZT 851,323 million, which comprised 19% of the Group's total gross loan portfolio (as at 31 December 2019 – KZT 775,224 million, 19%) and 63% of the Group's total equity (as at 31 December 2019 – 66%).

As at 31 March 2020, the allowance for expected credit losses against these loans amounted to KZT 66,851 million (as at 31 December 2019 – KZT 58,782 million).

As at 31 March 2020 and 31 December 2019, loans were extended to customers operating in the following sectors:

	31 March 2020 (unaudited)	%	31 December 2019	%
Retail loans:				
- consumer loans	871,352	20%	810,438	19%
- mortgage loans	257,860	6%	256,053	6%
	1,129,212		1,066,491	
Services	642,586	15%	567,589	14%
Wholesale trade	480,527	11%	427,760	10%
Real estate	309,070	7%	293,923	7%
Retail trade	284,971	6%	271,342	7%
Oil and gas	220,284	5%	207,410	5%
Transportation	211,998	5%	166,824	4%
Construction	184,636	4%	190,814	5%
Mining	180,087	4%	169,167	4%
Metallurgy	148,248	3%	172,245	4%
Agriculture	142,662	3%	139,110	3%
Financial services	101,658	2%	90,871	2%
Communication	85,575	2%	91,678	2%
Energy	69,391	2%	67,655	2%
Food industry	65,780	1%	65,799	2%
Machinery	38,454	1%	44,199	1%
Hotel industry	37,434	1%	41,879	1%
Chemical industry	35,584	1%	30,312	1%
Light industry	18,041	0%	19,204	0%
Other	41,229	1%	36,891	1%
	4,427,427	100%	4,161,163	100%

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

As at 31 March 2020, accrued interest on loans comprised KZT 175,297 million (as at 31 December 2019 – KZT 165,444 million).

As at 31 March 2020 and 31 December 2019, loans to customers included loans in the amount of KZT 317,710 million and KZT 351,440 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

In March 2020, the program of concessional lending to small and medium-sized enterprises (the “Program”) was developed by the NBRK and the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market in conjunction with the second-tier banks.

For the implementation of this Program, KZT 600 billion was allocated through the placement of contingent deposits in the second-tier banks. JSC Kazakhstan Sustainability Fund under the NBRK was identified as the operator of the Program and 12 participating banks were selected, which passed an independent assets quality review (the “AQR”) and have SME loans in their portfolio.

The business support mechanism is implemented by providing the second-tier banks with concessional loans for working capital replenishment to SME and individual entrepreneurs, who suffered as a result of the emergency regime, for up to 12 months at a rate of no more than 8% per annum.

KZT 180 billion (30% of KZT 600 billion) was allocated to the Bank. The Bank signed the agreement on the implementation of the Program on 27 March 2020. In April-May 2020 under the Program, the Bank has financed 169 clients for the amount of KZT 69.3 billion.

It should also be noted that the Bank is one of the leaders in implementing the programs of preferential financing for business entities of such development institutions as JSC Entrepreneurship Development Fund DAMU, JSC Development Bank of Kazakhstan, JSC Agrarian Credit Corporation, JSC KazakhExport. The proportion of the SME portfolio that is covered by the support programs accounts for 43% of the standard loan portfolio or KZT 222 billion.

Allowance for expected credit losses and provisions

For the three months ended 31 March 2020, credit loss expense increased significantly to KZT 18,108 million, although the Group’s loan portfolio remains robust and well positioned. Allowances for expected credit losses reflect the net impact of economic scenarios and the Government support programs with the increase on prior year primarily driven by updates to the Group’s economic outlook following the coronavirus outbreak and coronavirus impacts on existing restructuring cases.

Underlying credit quality remains robust, however increased underlying credit risk charges will inevitably arise from existing and new lending. The increased risk and uncertainty has been reflected by means of an expected credit losses overlay to current modelled outcomes by leveraging appropriate internal stress analysis. Management has concluded that in accordance with the requirements of IFRS 9, it is necessary to take into account the potential impact of the macroeconomic situation on a possible change in the quality of the loan portfolio in the future. This revised overlay will be monitored and refined as more observable data on economic and customer outcomes becomes available. Although market dynamics are challenging a number of sectors and corporate customers, the corporate portfolio’s diverse client base and limits are being proactively managed and have relatively low exposure to the most vulnerable sectors affected by the coronavirus outbreak. The impact of the COVID-19 scenario and weighting adjustments has resulted in an increase in credit loss expense from the previous scenario, primarily driven by the higher probability of default in retail unsecured loans. These drivers are partially offset by the impact of the NBRK, the Government and other support measures, which are assumed to mitigate a material portion of future losses reflecting both the likely take-up and success of these schemes.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

11. Insurance assets and liabilities

Insurance assets comprised the following:

	31 March 2020 (unaudited)	31 December 2019
Reinsurance amounts	35,276	42,234
Unearned reinsurance premium	18,788	19,818
	54,064	62,052
Premiums receivable	29,055	19,957
Total insurance assets	83,119	82,009

Insurance liabilities comprised the following:

	31 March 2020 (unaudited)	31 December 2019
Reserves for insurance claims	143,133	173,052
Gross unearned insurance premium reserve	59,375	36,349
	202,508	209,401
Payables to reinsurers and agents	29,000	14,301
Total insurance liabilities	231,508	223,702

12. Other assets

Other assets comprise:

	31 March 2020 (unaudited)	31 December 2019
Other financial assets:		
Debtors on banking activities	71,712	70,541
Financial lease receivables	20,501	21,514
Debtors on non-banking activities	14,986	29,006
Accrued commission income	5,993	5,168
Others	71	71
	113,263	126,300
Less – Allowance for expected credit losses (Note 16)	(26,151)	(23,876)
	87,112	102,424
Other non-financial assets:		
Advances for taxes other than income tax	7,631	6,256
Prepayments for investment property	4,973	5,813
Prepayments for property and equipment	2,254	1,286
Inventory	2,104	2,268
Other investments	713	884
Others	3,685	2,682
	21,360	19,189
Total other assets	108,472	121,613

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

13. Amounts due to customers

Amounts due to customers include the following:

	31 March 2020 (unaudited)	31 December 2019
Recorded at amortized cost:		
Term deposits:		
Individuals	3,081,899	2,743,019
Legal entities	1,364,196	1,441,930
	4,446,095	4,184,949
Current accounts:		
Legal entities	1,989,642	1,713,267
Individuals	499,547	508,197
	2,489,189	2,221,464
Total amounts due to customers	6,935,284	6,406,413

As at 31 March 2020, the Group's ten largest groups of related customers accounted for approximately 23% of the total amounts due to customers (31 December 2019 – 27%), where each group of related customers represents customers related to each other within that group.

As at 31 March 2020, amounts due to customers included amounts held as collateral of KZT 85,638 million (31 December 2019 – KZT 72,779 million).

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sectors is as follows:

	31 March 2020 (unaudited)	Share	31 December 2019	Share
Individuals and entrepreneurs	3,581,446	52%	3,251,216	51%
Consumer services	583,983	8%	423,489	7%
Oil and gas	470,955	7%	581,486	9%
Financial sector	420,706	6%	420,979	7%
Wholesale trade	349,894	5%	345,563	5%
Transportation	251,093	4%	215,466	3%
Construction	233,669	3%	234,289	4%
Healthcare and social services	214,142	3%	211,418	3%
Government	149,013	2%	171,331	3%
Metallurgy	118,419	2%	70,805	1%
Insurance and pension funds activity	91,954	1%	76,594	1%
Communication	91,667	1%	61,178	1%
Energy	63,538	1%	40,753	1%
Education	45,612	1%	44,694	0%
Other	269,193	4%	257,152	4%
	6,935,284	100%	6,406,413	100%

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 March 2020 (unaudited)	31 December 2019
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	244,274	127,237
Loans from JSC Entrepreneurship Development Fund DAMU	92,159	91,001
Loans from JSC Development Bank of Kazakhstan	45,256	45,245
Loans from other financial institutions	15,510	2,417
Correspondent accounts	14,115	14,917
Loans and deposits from non-OECD based banks	6,536	6,005
Loans from JSC National Managing Holding KazAgro	197	197
Loans and deposits from OECD based banks	-	18,946
Total amounts due to credit institutions	418,047	305,965

As at 31 March 2020, loans from JSC Entrepreneurship Development Fund DAMU ("DAMU") included long-term loans of KZT 91,436 million (31 December 2019 – KZT 90,558 million) at 1.0%-4.5% interest rate maturing in 2021-2035 with an early recall option. These loans were received in accordance with the Government program ("the Program") to finance small and medium enterprises ("SME") operating in certain industries. According to the loan agreement between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate.

As at 31 March 2020, loans from JSC Development Bank of Kazakhstan ("DBK") included long-term loans of KZT 30,921 million (31 December 2019 – KZT 30,921 million) at 2.0% interest rate maturing in 2029-2037 to finance corporate enterprises operating in manufacturing industries, as well as long-term loans of KZT 14,175 million (31 December 2019 – KZT 14,175 million) at 1.0% interest rate maturing in 2035 to finance the purchase of cars by the Group's retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at 6.0% interest rate, and to retail borrowers – up to 5 years at 4.0% interest rate.

As at 31 March 2020, loans from JSC National Managing Holding KazAgro ("KazAgro") included long-term loans of KZT 197 million (31 December 2019 - KZT 197 million) at 3.0% interest rate maturing in 2022. These loans were received for restructuring/refinancing of loan/leasing debts of the Bank's borrowers operating in agricultural sector, originated before 1 January 2014 in connection with working capital loans, loans for the purchase of property and equipment, loans for construction-and-assembling works and loans for leasing of agriculture and technology equipment. Restructuring/refinancing of loan/leasing obligations is provided at 6.0% - 7.0% interest rate for the period not later than 31 December 2022.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, KazAgro and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, KazAgro and DBK were received in an orderly transaction and as such have been recorded at fair value at the recognition date, which was determined to be the cash consideration transferred to the customers.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Interest rates and maturities of amounts due to credit institutions are as follows:

	31 March 2020 (unaudited)		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	9.7%-13.5%	2020	9.0%-10.0%	2020
Loans from JSC Entrepreneurship Development Fund DAMU	1.0%-4.5%	2021-2035	1.0%-4.5%	2021-2035
Loans from JSC Development Bank of Kazakhstan	1.0%-2.0%	2029-2037	1.0%-2.0%	2029-2037
Loans from other financial institutions	1.5%-10.0%	2020-2026	4.0%-10.0%	2023-2026
Loans and deposits from non-OECD based banks	1.0%-8.0%	2020-2024	1.0%-8.0%	2020-2024
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022
Loans and deposits from OECD based banks	-	-	3.6%	2020

Fair value of assets pledged (Note 8) and carrying amounts of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 March 2020 and 31 December 2019 are as follows:

	31 March 2020 (unaudited)		31 December 2019	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	222,362	213,382	108,203	105,524
	222,362	213,382	108,203	105,524

Details of transferred financial assets that are not derecognized in their entirety as at 31 March 2020 and 31 December 2019 are disclosed below.

Loans under repurchase agreements are used by the Group to provide current cash flows in KZT within the Group's operating activities. The Group regularly uses this type of instrument to attract short-term liquidity and plans to continue raising funds through loans under repurchase agreements when necessary.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

	Financial assets at fair value through other comprehensive income (Note 8)
As at 31 March 2020 (unaudited):	
Carrying amount of transferred assets	222,362
Carrying amount of associated liabilities	213,382
As at 31 December 2019:	
Carrying amount of transferred assets	108,203
Carrying amount of associated liabilities	105,524

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Some of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 March 2020 and 31 December 2019, the Group was in compliance with the covenants of the agreements that the Group has with other banks and credit institutions.

15. Debt securities issued

Debt securities issued consisted of the following:

	31 March 2020 (unaudited)	31 December 2019
Recorded at amortized cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	84,448	81,463
Total subordinated debt securities outstanding	84,448	81,463
Unsubordinated debt securities issued:		
USD denominated bonds	509,724	422,786
KZT denominated bonds	323,189	330,197
Total unsubordinated debt securities outstanding	832,913	752,983
Total debt securities issued	917,361	834,446

The coupon rates and maturities of these debt securities issued are as follows:

	31 March 2020 (unaudited)		31 December 2019	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:				
KZT denominated bonds, fixed rate	9.5%	2025	9.5%	2025
Unsubordinated debt securities issued:				
USD denominated bonds	3.0%-7.3%	2021-2022	3.0%-7.3%	2021-2022
KZT denominated bonds	7.5%-8.8%	2022-2025	7.5%-8.8%	2022-2025

As at 31 March 2020, the amount of accrued interest on debt securities issued was KZT 17,205 million (as at 31 December 2019 – KZT 20,374 million).

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Coupon payments on debt securities issued are payable on a semi-annual and an annual basis.

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants, particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 31 March 2020 and 31 December 2019, the Group was in compliance with the covenants of the agreements the Group has with trustees and holders of the notes.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's interim condensed consolidated statement of cash flows as cash flows from financing activities.

	1 January 2020	Financing cash flows	Non-cash changes		31 March 2020 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	834,446	-	83,866	(951)	917,361

	1 January 2019	Financing cash flows	Non-cash changes		31 December 2019
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	900,791	(82,261)	(1,573)	17,489	834,446

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)
(millions of Kazakhstani Tenge)

16. Allowances for expected credit losses

The movements in accumulated allowances for expected credit losses of financial assets were as follows:

	Loans to customers (Note 10)				Other assets (Note 12)			Debt securities at amortized cost, net of allowances for expected credit losses and Financial assets at fair value through other comprehensive income (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
1 January 2020	(36,305)	(45,797)	(302,834)	(23,782)	(809)	(2,502)	(20,565)	(1,185)	-	(1,035)	(20)	(167)	(435,001)
Transfer to Stage 1	(994)	339	655	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	577	(5,545)	4,968	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	15,742	629	(16,371)	-	-	-	-	-	-	-	-	-	-
Changes in models/risk parameters*	(7,942)	(718)	(30)	(2,538)	(9)	(133)	(1,854)	79	-	(58)	(4)	60	(13,147)
New originations or purchases of financial assets*	(18,390)	-	-	-	-	-	-	(68)	-	-	-	-	(18,458)
Derecognition of financial assets*	3,357	369	7,700	84	-	-	-	5	-	-	-	-	11,515
Recoveries of allowances on previously written-off assets	-	-	(7,660)	(6,848)	-	-	(123)	-	-	-	-	-	(14,631)
Write-offs	-	-	6,094	781	-	-	1	-	-	-	-	-	6,876
Foreign exchange differences and other movements	(2,765)	(646)	(770)	(15,526)	(24)	(204)	71	(19)	-	-	(2)	(17)	(19,902)
31 March 2020 (unaudited)	(46,720)	(51,369)	(308,248)	(47,829)	(842)	(2,839)	(22,470)	(1,188)	-	(1,093)	(26)	(124)	(482,748)
Total			(454,166)			(26,151)				(2,281)	(26)	(124)	(482,748)

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Loans to customers (Note 10)				Other assets (Note 12)			Debt securities at amortized cost, net of allowances for expected credit losses and Financial assets at fair value through other comprehensive income (Note 8,9)			Cash and cash equivalents (Note 5)	Amounts due from credit institutions (Note 7)	TOTAL
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 1	
1 January 2019	(43,516)	(28,716)	(322,917)	(14,644)	(1,046)	(1,696)	(13,583)	(1,101)	(21)	(1,881)	(9)	(232)	(429,362)
Transfer to Stage 1	(750)	128	622	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 2	1,067	(1,375)	308	-	-	-	-	-	-	-	-	-	-
Transfer to Stage 3	9,167	1,274	(10,441)	-	-	-	-	-	-	-	-	-	-
Changes in risk parameters*	4,051	1,216	(7,559)	(2,897)	1	1	(2,597)	(56)	19	(166)	(1)	(60)	(8,048)
New originations or purchases of financial assets*	(14,483)	-	-	-	-	-	-	(76)	-	-	-	-	(14,559)
Derecognition of financial assets*	2,640	583	9,131	1,132	-	-	-	50	-	-	-	-	13,536
Recoveries of allowances on previously written-off assets	-	-	(5,671)	(1,394)	-	-	-	-	-	-	-	-	(7,065)
Write-offs	-	-	6,554	-	1	-	2,263	-	-	-	-	-	8,818
Foreign exchange differences and other movements	569	165	2,117	75	(53)	(406)	(581)	2	-	-	(1)	3	1,890
31 March 2019 (unaudited)	(41,255)	(26,725)	(327,856)	(17,728)	(1,097)	(2,101)	(14,498)	(1,181)	(2)	(2,047)	(11)	(289)	(434,790)
Total				(413,564)			(17,696)			(3,230)	(11)	(289)	(434,790)

* FS line "Credit loss expense" in the interim condensed consolidated statement of profit or loss is comprised from "Changes in models/ risk parameters", "New originations or purchases of financial assets" and "Derecognition of financial assets".

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

During the three months ended 31 March 2020 and 2019, the Group has written off loans of KZT 6,875 million and KZT 6,554 million, respectively, which allow the writing off of loans without being considered forgiveness of the loan for tax purposes and are therefore not subject to corporate income tax.

Provisions represents other credit loss expenses against letters of credit and guarantees issued.

The movements in provisions were as follows:

	Three months ended			Total
	Stage 1	Stage 2	Stage 3	
	31 March 2020			
	(unaudited)			
At the beginning of the period	(365)	(838)	(2,721)	(3,924)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	38	(38)	-
Recoveries/(additional provisions recognized)	23	(54)	(1,880)	(1,911)
Foreign exchange differences	(8)	(18)	(89)	(115)
At the end of the period	(350)	(872)	(4,728)	(5,950)

	Three months ended			Total
	Stage 1	Stage 2	Stage 3	
	31 March 2019			
	(unaudited)			
At the beginning of the period	(152)	(1,061)	(1,333)	(2,546)
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-	-	-	-
Transfer to Stage 3	-	38	(38)	-
Recoveries/(additional provisions recognized)	144	85	(534)	(305)
Foreign exchange differences	(1)	(1)	(28)	(30)
At the end of the period	(9)	(939)	(1,933)	(2,881)

17. Taxation

The income tax expense comprises:

	Three months ended	Three months ended
	31 March	31 March
	2020	2019
	(unaudited)	(unaudited)
Deferred income tax expense/(benefit) relating to origination and reversal of temporary differences	13,848	(3,634)
Current tax charge	441	11,455
Total income tax expense	14,289	7,821

The Group's effective income tax rate for the three months ended 31 March 2020 was 15% (for the three months ended 31 March 2019: 9.5%). The difference between the effective and theoretical income tax rates (20%) for the three months ended 31 March 2019 is mainly caused by tax-exempt interest income and other related income on state and other qualifying securities.

The Group has offset deferred tax assets and liabilities on the interim condensed consolidated statement of financial position where a right of offset existed.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Management believes that the Group is in compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

18. Other liabilities

Other liabilities comprise:

	31 March 2020 (unaudited)	31 December 2019
Liability arising from continuing involvement	30,976	26,167
Salary, bonuses and vacation accrual	22,503	19,243
Other prepayments received	10,637	8,144
Lease liabilities	5,088	4,871
Taxes payable other than income tax	4,740	5,394
Creditors on bank activities	4,280	1,266
Advances received related to commercial property	3,381	5,252
Payable for general and administrative expenses	3,368	2,083
Creditors on non-banking activities	2,524	4,421
Others	91	201
Total other liabilities	87,588	77,042

19. Equity

Authorized, issued and fully paid number of shares as at 31 March 2020 and 31 December 2019, were as follows:

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
31 March 2020 (unaudited)					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,737,752,735)	11,709,792,047
31 December 2019					
Common shares	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,790,959,592)	11,656,585,190

All shares are denominated in KZT. Movements in shares outstanding are as follows:

	Number of shares Common	Nominal (placement) amount Common
31 December 2018	11,679,756,429	97,586
Purchases of treasury shares	(411,843)	(45)
Sale of treasury shares	517,079	61
31 March 2019 (unaudited)	11,679,861,665	97,602
31 December 2019	11,656,585,190	94,393
Purchases of treasury shares	(7,370,080)	(788)
Sale of treasury shares	60,576,937	6,800
31 March 2020 (unaudited)	11,709,792,047	100,405

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Common shares

As at 31 March 2020 and 31 December 2019, share capital comprised KZT 209,027 million. As at 31 March 2020, the Group held 1,737,752,735 shares of the Group's common shares as treasury shares at KZT 108,622 million (31 December 2019 – 1,790,959,592 shares at KZT 114,634 million).

Each common share outstanding is entitled to one vote and dividends. Treasury shares are not entitled to any vote or dividends.

20. Commitments and contingencies

Financial commitments and contingencies

The Group's financial commitments and contingencies comprised the following:

	31 March 2020 (unaudited)	31 December 2019
Guarantees issued	396,530	408,027
Commercial letters of credit	73,462	68,312
Commitments to extend credit	50,139	53,151
Financial commitments and contingencies	520,131	529,490
Less: cash collateral against letters of credit	(36,981)	(33,453)
Less: provisions (Note 16)	(5,950)	(3,924)
Financial commitments and contingencies, net	477,200	492,113

Guarantees issued represent bank guarantees issued by the Bank by order of its clients and which are in effect as at the reporting date. As at 31 March 2020, the ten largest guarantees accounted for 54% of the Group's total financial guarantees (as at 31 December 2019 – 59%) and represented 16% of the Group's total equity (as at 31 December 2019 – 18%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 31 March 2020, the ten largest unsecured letters of credit accounted for 52% of the Group's total commercial letters of credit (31 December 2019 – 52%) and represented 3% of the Group's total equity (31 December 2019 – 3%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Capital commitments

As at 31 March 2020, the Group had capital expenditures commitments in respect of construction in progress for KZT 38 million (31 December 2019 – KZT 38 million).

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 31 March 2020 and 31 December 2019.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

21. Net interest income

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Interest income:		
Loans to customers	118,837	107,762
Debt securities at amortized cost, net of allowance for expected credit losses	24,645	23,423
Financial assets at fair value through other comprehensive income	24,443	31,325
Amounts due from credit institutions and cash and cash equivalents	5,340	9,975
Financial assets at fair value through profit or loss	3,516	1,777
Other financial assets	2,567	1,921
Total interest income	179,348	176,183
Interest expense:		
Amounts due to customers	(52,802)	(56,377)
Debt securities issued	(17,787)	(26,298)
Amounts due to credit institutions	(4,026)	(830)
Other interest expense	(540)	-
Other financial liabilities	(119)	(69)
Total interest expense	(75,274)	(83,574)
Net interest income before credit loss expense	104,074	92,609

The total interest income calculated using the EIR method for financial assets at FVTOCI is KZT 24,443 million for the three months ended 31 March 2020 (three months ended 31 March 2019: KZT 31,325 million) and for financial assets measured at amortised cost is KZT 151,389 million during the three months ended 31 March 2020 (three months ended 31 March 2019: KZT 143,081 million). The total interest expense calculated using the EIR method for financial liabilities measured at amortised cost is KZT 75,274 million during the three months ended 31 March 2020 (three months ended 31 March 2019: KZT 83,574 million).

22. Fees and commissions

Fee and commission income is derived from the following sources:

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Plastic card operations	16,567	13,457
Bank transfers – settlements	3,709	3,485
Letters of credit and guarantees issued	2,474	2,205
Cash operations	2,406	2,486
Servicing customers' pension payments	2,122	1,997
Bank transfers – salary projects	1,484	1,638
Maintenance of customer accounts	844	720
Other	1,205	985
Total fee and commission income	30,811	26,973

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Fee and commission expense comprises the following:

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Payment cards	(12,232)	(7,305)
Deposit insurance	(2,702)	(2,992)
Bank transfers	(561)	(289)
Cash operations	(386)	(190)
Commission paid to collectors	(145)	(67)
Other	(909)	(677)
Total fee and commission expense	(16,935)	(11,520)

23. Net gain/(loss) from financial assets and liabilities at fair value through profit or loss

Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprises:

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Net gain/(loss) on operations with financial assets and liabilities classified as held for trading:		
Unrealised net gain/(loss) on derivative and trading operations*	71,079	(18,248)
Realised net (loss)/gain on derivative operations	(10,413)	1,710
Realised net gain on trading operations	365	892
Total net gain/(loss) on operations with financial assets and liabilities classified as held for trading	61,031	(15,646)

*During the three months ended 31 March 2020, the unrealised net gain on derivative and trading operations relates mainly to swap agreement with NBRK, for which the fair value increased significantly due to the depreciation of the USD to KZT exchange rate.

24. Net (loss)/gain on foreign exchange operations

Net (loss)/gain on foreign exchange operations comprises:

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Translation differences, net	(56,677)	9,387
Dealing, net	15,580	7,811
Total net (loss)/gain on foreign exchange operations	(41,097)	17,198

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

25. Insurance underwriting income

Insurance underwriting income/(expense) comprises:

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Insurance premiums written, gross	52,684	32,298
Ceded reinsurance share	(28,512)	(14,300)
Change in unearned insurance premiums, net	(4,055)	(2,421)
Total insurance underwriting income	20,117	15,577
Commissions to agents	(9,650)	(7,006)
Insurance payments	(6,218)	(5,350)
Insurance reserves expenses	(2,508)	(3,289)
Total insurance claims incurred, net of reinsurance	(18,376)	(15,645)
Net insurance income/(loss)	1,741	(68)

26. Operating expenses

Operating expenses comprises:

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Salaries and other employee benefits	20,968	17,737
Depreciation and amortization expenses	3,135	2,669
Advertisement and loyalty program expense	1,935	253
Taxes other than income tax	1,802	1,665
Communication	1,255	862
Security	1,152	969
Utilities expenses	1,143	982
Information services	1,048	993
Repairs and maintenance	605	679
Rent	555	725
Stationery and office supplies	466	313
Professional services	255	123
Business trip expenses	227	216
Transportation	198	175
Other	814	864
Total operating expenses	35,558	29,225

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

27. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net profit for the period attributable to equity holders of the Bank by the weighted average number of participating shares outstanding during the period.

The following table presents basic and diluted earnings per share:

	Three months ended 31 March 2020 (unaudited)	Three months ended 31 March 2019 (unaudited)
Basic and diluted earnings per share		
Net profit for the period attributable to equity holders of the parent	81,069	74,502
Earnings for the period attributable to common shareholders	81,069	74,502
Weighted average number of common shares for the purposes of basic and diluted earnings per share	11,693,867,207	11,679,713,929
Basic and diluted earnings per share (in Tenge)	6.93	6.38

As required by KASE rules for listed companies, the book value of one share per each class of shares as at 31 March 2020 and 31 December 2019, is disclosed as follows:

Class of shares	Outstanding shares	31 March 2020 (unaudited)	
		Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,709,792,047	1,349,927	115.28
		1,349,927	
31 December 2019			
Class of shares	Outstanding shares	31 December 2019	
		Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,656,585,190	1,297,502	111.31
		1,297,502	

Equity attributable to common shares is calculated as the difference between the total equity and total net book value of intangible assets.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting date.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

28. Financial risk management

Risk management is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit risk, liquidity risk and market/currency risk.

The Group's significant policies and procedures related to financial risk management has not changed in the first quarter of 2020 and are disclosed in the annual consolidated financial statements for the year ended 31 December 2019.

Liquidity Risk

In order to manage liquidity risk, the Group analyses the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss in the form of securities which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)
(millions of Kazakhstani Tenge)

	31 March 2020 (unaudited)					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	2,084,976	1,379	-	-	-	2,086,355
Obligatory reserves	87,469	18,682	39,251	4,749	1,017	151,168
Financial assets at fair value through profit or loss	217,749	-	53,633	6,198	226	277,806
Amounts due from credit institutions	49,248	282	21,699	792	140	72,161
Financial assets at fair value through other comprehensive income	100,146	279,432	451,125	424,277	364,035	1,619,015
Debt securities at amortized cost, net of allowance for expected credit losses	1,786	1,358	58,791	684,826	499,986	1,246,747
Loans to customers	312,202	398,111	2,103,458	1,010,301	149,189	3,973,261
Other financial assets	19,106	28,958	901	25,637	12,510	87,112
	2,872,682	728,202	2,728,858	2,156,780	1,027,103	9,513,625
FINANCIAL LIABILITIES:						
Amounts due to customers	3,162,297	1,140,405	1,612,964	613,662	405,956	6,935,284
Amounts due to credit institutions	264,563	2,863	13,601	19,760	117,260	418,047
Financial liabilities at fair value through profit or loss	8,472	-	-	792	-	9,264
Debt securities issued	1,115	6,123	223,229	586,677	100,217	917,361
Other financial liabilities	41,502	2,085	962	1,649	129	46,327
	3,477,949	1,151,476	1,850,756	1,222,540	623,562	8,326,283
Net position	(605,267)	(423,274)	878,102	934,240	403,541	
Accumulated gap	(605,267)	(1,028,541)	(150,439)	783,801	1,187,342	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	31 December 2019					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,660,923	3,414	-	-	-	1,664,337
Obligatory reserves	88,664	8,084	39,259	3,990	1,009	141,006
Financial assets at fair value through profit or loss	67,151	124	18,798	43,555	55,403	185,031
Amounts due from credit institutions	26,543	266	21,346	4,729	277	53,161
Financial assets at fair value through other comprehensive income	90,815	218,030	659,083	356,391	306,602	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	13,668	2,375	38,939	657,225	500,774	1,212,981
Loans to customers	261,581	383,551	2,042,671	975,196	89,446	3,752,445
Other financial assets	14,901	3,314	44,528	24,238	15,443	102,424
	2,224,246	619,158	2,864,624	2,065,324	968,954	8,742,306
FINANCIAL LIABILITIES:						
Amounts due to customers	3,033,841	382,085	2,030,783	553,693	406,011	6,406,413
Amounts due to credit institutions	167,723	183	1,810	15,817	120,432	305,965
Financial liabilities at fair value through profit or loss	20,218	-	-	226	-	20,444
Debt securities issued	13,481	3,785	3,108	607,153	206,919	834,446
Other financial liabilities	33,710	1,687	487	3,125	-	39,009
	3,268,973	387,740	2,036,188	1,180,014	733,362	7,606,277
Net position	(1,044,727)	231,418	828,436	885,310	235,592	
Accumulated gap	(1,044,727)	(813,309)	15,127	900,437	1,136,029	

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers in ten months period after proper notification would be issued by the Group.

A significant portion of the Group's liabilities is represented by customer term deposits, current accounts of corporate and retail customers and bonds.

Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore, an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Currency Risk

The Group's exposure to foreign currency exchange rate risk is as follows:

	31 March 2020						
	(unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,090,883	129,134	31,456	475,716	1,727,189	359,166	2,086,355
Obligatory reserves	91,776	6,070	1,475	2,905	102,226	48,942	151,168
Financial assets at fair value through profit or loss	56,054	1,103	75	4,122	61,354	216,452	277,806
Amounts due from credit institutions	43,632	16,750	7,421	1,325	69,128	3,033	72,161
Financial assets at fair value through other comprehensive income	789,598	64,059	4,549	-	858,206	760,809	1,619,015
Debt securities at amortized cost, net of allowance for expected credit losses	179,584	-	4,071	6,940	190,595	1,056,152	1,246,747
Loans to customers	1,080,050	14,464	22,378	37,109	1,154,001	2,819,260	3,973,261
Other financial assets	5,031	380	538	1,522	7,471	79,641	87,112
	3,336,608	231,960	71,963	529,639	4,170,170	5,343,455	9,513,625
FINANCIAL LIABILITIES:							
Amounts due to customers	3,647,590	137,852	51,518	50,383	3,887,343	3,047,941	6,935,284
Amounts due to credit institutions	34,343	3,573	44	2,919	40,879	377,168	418,047
Financial liabilities at fair value through profit or loss	45	-	792	-	837	8,427	9,264
Debt securities issued	509,764	-	-	-	509,764	407,597	917,361
Other financial liabilities	967	457	1,384	1,342	4,150	42,177	46,327
	4,192,709	141,882	53,738	54,644	4,442,973	3,883,310	8,326,283
Net position – on balance	(856,101)	90,078	18,225	474,995	(272,803)	1,460,145	1,187,342
Net position – off-balance	904,559	(88,494)	(10,503)	(452,400)	353,162	(307,707)	
Net position	48,458	1,584	7,722	22,595	80,359	1,152,438	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

							31 December 2019
	USD	EURO	RUR	Other	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	994,768	122,323	35,923	332,216	1,485,230	179,107	1,664,337
Obligatory reserves	81,791	5,128	1,748	2,677	91,344	49,662	141,006
Financial assets at fair value through profit or loss	35,268	1,923	32	2,409	39,632	145,399	185,031
Amounts due from credit institutions	22,256	8,681	5,479	-	36,416	16,745	53,161
Financial assets at fair value through other comprehensive income	760,141	34,905	4,828	-	799,874	831,047	1,630,921
Debt securities at amortised cost, net of allowance for expected credit losses	154,720	-	4,281	9,078	168,079	1,044,902	1,212,981
Loans to customers	991,248	17,487	27,000	33,551	1,069,286	2,683,159	3,752,445
Other financial assets	3,421	257	46	1,158	4,882	97,542	102,424
	3,043,613	190,704	79,337	381,089	3,694,743	5,047,563	8,742,306
FINANCIAL LIABILITIES:							
Amounts due to customers	3,187,135	136,227	56,665	47,624	3,427,651	2,978,762	6,406,413
Amounts due to credit institutions	30,350	1,500	367	2,363	34,580	271,385	305,965
Financial liabilities at fair value through profit or loss	-	-	662	-	662	19,782	20,444
Debt securities issued	422,786	-	-	-	422,786	411,660	834,446
Other financial liabilities	768	218	1,978	790	3,754	35,255	39,009
	3,641,039	137,945	59,672	50,777	3,889,433	3,716,844	7,606,277
Net position – on balance	(597,426)	52,759	19,665	330,312	(194,690)	1,330,719	1,136,029
Net position – off-balance	627,245	(49,550)	(17,249)	(308,112)	252,334	(224,606)	
Net position	29,819	3,209	2,416	22,200	57,644	1,106,113	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

29. Segment analysis

The Group is managed and reported on the basis of four main operating segments – corporate banking, SME banking, retail banking and investment banking. These segments are strategic business units that offer different products and services and are managed separately.

No significant changes in the Group segments occurred during the three months ended 31 March 2020 in comparison with the year ended 31 December 2019.

There were no transactions between business segments during the three months ended 31 March 2020 and 2019.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 31 March 2020 and 2019 and for the three months then ended is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 March 2020 and for the three months then ended (unaudited)						
External revenues	70,578	128,516	23,366	47,597	36,474	306,531
Total revenues	70,578	128,516	23,366	47,597	36,474	306,531
Total revenues comprise:						
- Interest income	48,962	59,073	18,250	52,604	459	179,348
- Fee and commission income, including:	21,616	3,291	5,116	-	788	30,811
<i>Plastic cards operations</i>	16,230	19	280	-	38	16,567
<i>Bank transfers - settlements</i>	1,228	718	1,748	-	15	3,709
<i>Letters of credit and guarantees issued</i>	4	1,989	474	-	7	2,474
<i>Cash operations</i>	280	320	1,801	-	5	2,406
<i>Servicing customers' pension payments</i>	2,121	1	-	-	-	2,122
<i>Bank transfers - salary projects</i>	1,484	-	-	-	-	1,484
<i>Maintenance of customer accounts</i>	113	38	693	-	-	844
<i>Other</i>	156	206	120	-	723	1,205
- Net gain/(loss) from financial assets at fair value through profit or loss	-	66,152	-	(5,121)	-	61,031
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	114	-	114
- Share in profit of associate	-	-	-	-	1,630	1,630
- Insurance underwriting income and other income	-	-	-	-	33,597	33,597
Total revenues	70,578	128,516	23,366	47,597	36,474	306,531
- Interest expense	(31,548)	(22,036)	(3,820)	(17,787)	(83)	(75,274)
- Credit loss expense/(recovery of credit loss expense)	(18,183)	420	(226)	52	(2,153)	(20,090)
- Fee and commission expense	(15,383)	(1,209)	(173)	(39)	(131)	(16,935)
- Net gain/(loss) on foreign exchange operations	2,644	(47,804)	4,365	1	(303)	(41,097)
- Operating expenses	(24,051)	(1,616)	(3,298)	(207)	(6,386)	(35,558)
- Loss from impairment of non-financial assets	-	-	-	-	(1,932)	(1,932)
- Recoveries of other credit loss expense/(other credit loss expense)	2	(1,925)	36	-	(24)	(1,911)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(18,376)	(18,376)
Total expenses	(86,519)	(74,170)	(3,116)	(17,980)	(29,388)	(211,173)
Segment result	(15,941)	54,346	20,250	29,617	7,086	95,358
Income before income tax expense						95,358
Income tax expense					(14,289)	(14,289)
Net profit						81,069
Total segment assets	1,022,660	4,553,373	616,916	3,067,051	774,323	10,034,323
Total segment liabilities	3,637,875	2,690,718	996,977	923,575	425,484	8,674,629
Other segment items:						
Capital expenditures					(5,504)	(5,504)
Depreciation and amortization					(3,135)	(3,135)
Investments in associate					26,951	26,951

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued) (millions of Kazakhstani Tenge)

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the three months ended 31 March 2019 (unaudited)						
External revenues	64,665	75,251	22,843	58,628	25,922	247,309
Total revenues	64,665	75,251	22,843	58,628	25,922	247,309
Total revenues comprise:						
- Interest income	43,054	61,888	14,792	56,449	-	176,183
- Fee and commission income, including:	18,270	3,176	5,377	-	150	26,973
<i>Plastic cards operations</i>	12,806	102	514	-	35	13,457
<i>Bank transfers - settlements</i>	1,261	616	1,589	-	19	3,485
<i>Cash operations</i>	404	419	1,657	-	6	2,486
<i>Letters of credit and guarantees issued</i>	3	1,833	358	-	11	2,205
<i>Servicing customers' pension payments</i>	1,997	-	-	-	-	1,997
<i>Bank transfers - salary projects</i>	1,638	-	-	-	-	1,638
<i>Maintenance of customer accounts</i>	50	33	637	-	-	720
<i>Other</i>	111	173	622	-	79	985
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	2,151	-	2,151
- Net gain on foreign exchange operations	3,341	10,187	2,674	28	968	17,198
- Share in profit of associate	-	-	-	-	1,674	1,674
- Insurance underwriting income and other income	-	-	-	-	23,130	23,130
Total revenues	64,665	75,251	22,843	58,628	25,922	247,309
- Interest expense	(35,690)	(18,796)	(2,726)	(26,298)	(64)	(83,574)
- Credit loss expense	(4,590)	(301)	(2,601)	(230)	(1,349)	(9,071)
- Fee and commission expense	(10,173)	(815)	(105)	(38)	(389)	(11,520)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	(15,532)	-	(114)	-	(15,646)
- Operating expenses	(17,087)	(1,214)	(2,829)	(177)	(7,918)	(29,225)
- Recoveries of other credit loss expense/(other credit loss expense)	9	(371)	79	-	(22)	(305)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(15,645)	(15,645)
Total expenses	(67,531)	(37,029)	(8,182)	(26,857)	(25,387)	(164,986)
Segment result	(2,866)	38,222	14,661	31,771	535	82,323
Income before income tax expense						82,323
Income tax expense					(7,821)	(7,821)
Net profit						74,502
As at 31 December 2019:						
Total segment assets	966,284	3,912,525	595,918	3,021,001	739,030	9,234,758
Total segment liabilities	3,295,854	2,689,734	874,569	834,881	232,497	7,927,535
Other segment items:						
Capital expenditures					(3,140)	(3,140)
Depreciation and amortization					(2,669)	(2,669)
Investments in associate					26,732	26,732

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Group is set out below as at 31 March 2020 and 31 December 2019 and for the three months ended 31 March 2020 and 2019.

	Kazakhstan	OECD	Non-OECD	Total
31 March 2020 (unaudited)				
Total assets	8,668,576	1,050,026	315,721	10,034,323
31 December 2019				
Total assets	7,730,579	1,268,411	235,768	9,234,758
Three months ended				
31 March 2020 (unaudited)				
External revenues	289,157	10,412	6,962	306,531
Capital expenditures	(5,504)	-	-	(5,504)
Three months ended				
31 March 2019 (unaudited)				
External revenues	232,228	9,279	5,802	247,309
Capital expenditures	(3,140)	-	-	(3,140)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

30. Fair values of financial instruments

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis.

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its interim condensed consolidated statement of financial position as well as its profit/(loss) could be material.

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 31 March 2020 and 31 December 2019, before any allowances for expected credit losses.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 March 2020 (unaudited)	31 December 2019				
Non-derivative financial assets at fair value through profit or loss (Note 6)	121,849	98,337	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	79,967	81,462	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	-	144	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	54	11	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	69,043	730	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period). Future cash flows in USD discounted using the LIBOR rate obtained from available sources. Future cash flows in KZT discounted using the internal rate of return, which was calculated based on LIBOR and foreign exchange rates obtained from available sources. The difference between net present values of these discounted cash flows should be equal to nil at initial recognition.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	6,894	4,347	Level 3		KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	277,806	185,031				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	43	25	Level 1	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	9,221	20,419	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	9,264	20,444				
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	870,850	804,075	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 8)	748,164	826,846	Level 2	Quoted bid prices in a market that is not active.	Not applicable	Not applicable
Financial assets at fair value through other comprehensive income	1,619,015	1,630,921				

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

There were no transfers between Levels 1 and 2, nor between Levels 2 and 3, during the three months ended 31 March 2020 and 31 December 2019.

	Derivative financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehensive income Unquoted equity securities (Level 3)
31 December 2018	95,271	53
Loss to profit or loss	(14,476)	-
31 March 2019 (unaudited)	80,795	53
31 December 2019	4,347	-
Gain to profit or loss	2,547	-
31 March 2020 (unaudited)	6,894	-

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required).

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due from and to credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates at the respective period-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the period-end market rates.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 March 2020 (unaudited)		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	72,161	64,188	53,161	55,495
Loans to customers	3,973,261	3,799,961	3,752,445	3,725,629
Debt securities at amortized cost, net of allowance for expected credit losses	1,246,747	1,192,001	1,212,981	1,218,432
Financial liabilities				
Amounts due to customers	6,935,284	6,422,526	6,406,413	6,177,010
Amounts due to credit institutions	418,047	429,424	305,965	315,415
Debt securities issued	917,361	899,571	834,446	831,153

	31 March 2020 (unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets				
Amounts due from credit institutions	-	64,188	-	64,188
Loans to customers	-	-	3,799,961	3,799,961
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,192,001	-	1,192,001
Financial liabilities				
Amounts due to customers	-	6,422,526	-	6,422,526
Amounts due to credit institutions	-	429,424	-	429,424
Debt securities issued	899,571	-	-	899,571

	31 December 2019			Total
	Level 1	Level 2	Level 3	
Financial assets				
Amounts due from credit institutions	-	55,495	-	55,495
Loans to customers	-	-	3,725,629	3,725,629
Debt securities at amortized cost, net of allowance for expected credit losses	-	1,218,432	-	1,218,432
Financial liabilities				
Amounts due to customers	-	6,177,010	-	6,177,010
Amounts due to credit institutions	-	315,415	-	315,415
Debt securities issued	831,153	-	-	831,153

The carrying amounts of cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

31. Related party transactions

Related parties or transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures". Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

Considering each possible related party not only their legal status is taken into account but also the substance of the relationship between these parties.

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

The Group had the following balances outstanding as at 31 March 2020 and 31 December 2019 with related parties:

	31 March 2020 (unaudited)		31 December 2019	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for expected credit losses	17	4,427,427	21	4,161,163
- <i>key management personnel of the entity or its parent</i>	4		6	
- <i>other related parties</i>	13		15	
Allowance for expected credit losses	(2)	(454,166)	(2)	(408,718)
- <i>key management personnel of the entity or its parent</i>	(1)		(1)	
- <i>other related parties</i>	(1)		(1)	
Amounts due to customers	412,088	6,935,284	377,204	6,406,413
- <i>the parent</i>	271,096		230,663	
- <i>entities with joint control or significant influence over the entity</i>	12,543		4,469	
- <i>key management personnel of the entity or its parent</i>	10,687		9,871	
- <i>other related parties</i>	117,762		132,201	

The following amounts resulted from transactions with related parties and have been reflected in the interim condensed consolidated statement of profit or loss for the three months ended 31 March 2020 and 2019:

	Three months ended 31 March 2020 (unaudited)		Three months ended 31 March 2019 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income calculated using effective interest method	-	175,832	26	174,406
- <i>entities with joint control or significant influence over the entity</i>	-		22	
- <i>key management personnel of the entity or its parent</i>	-		3	
- <i>other related parties</i>	-		1	
Interest expense	(1,207)	(75,274)	(1,061)	(83,574)
- <i>the Parent</i>	(715)		(243)	
- <i>entities with joint control or significant influence over the entity</i>	(107)		(10)	
- <i>key management personnel of the entity or its Parent</i>	(54)		(35)	
- <i>other related parties</i>	(331)		(773)	

JSC Halyk Bank

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Three Months ended 31 March 2020 (unaudited) (continued)

(millions of Kazakhstani Tenge)

	Three months ended 31 March 2020 (unaudited)		Three months ended 31 March 2019 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:	198	20,968	195	17,737
- short-term employee benefits	198		195	

32. Subsequent events

On 22 May 2020, at the annual shareholder's meeting, it was decided not to declare dividends on common shares, due to the challenging current economic situation due to the coronavirus infection pandemic (COVID-19), its negative impact on the economy of Kazakhstan and the economies of Kazakhstan's key trading partners (Russia, China, Italy, the Netherlands, USA, etc.), the slowdown in almost all sectors of the economy of Kazakhstan, the fall in oil prices to multi-year lows and the increased volatility of the KZT against the USD. This capital retention will provide the Group with additional confidence to withstand any possible stressful scenarios.

The payment of dividends from the Group's retained earnings of previous years may be considered in the second half of 2020. In this case, the financial performance of the Group for 2019 will serve as a guideline for determining the amount of the distribution. This decision will consider the economic recovery in Kazakhstan and the reduction of uncertainty in the global economy.