



JSC HALYK BANK

**Separate Financial Statements
and Independent Auditors' Report
For the Year Ended 31 December 2020**

Table of contents

	Page
STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020	1
INDEPENDENT AUDITORS' REPORT	2-7
SEPARATE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020:	
Separate statement of financial position	8
Separate statement of profit or loss	9
Separate statement of other comprehensive income	10
Separate statement of changes in equity	11-12
Separate statement of cash flows	13-14
Notes to the separate financial statements	15-115

JSC Halyk Bank

Statement of Management's Responsibilities For the Preparation and Approval of the Separate Financial Statements For the year ended 31 December 2020

Management is responsible for the preparation of the separate financial statements that present fairly the financial position of JSC Halyk Bank (the "Bank") as at 31 December 2020, the related statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the separate financial statements (the "financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the separate financial statements, management is responsible for:


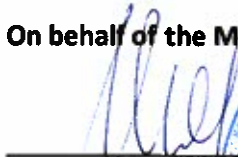
- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Bank's separate financial position and financial performance; and
- Making an assessment of the Bank'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 Bank;
- Maintaining adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the separate financial position of the Bank, and which enable them to ensure that the separate financial statements of the Bank comply with IFRS;
- 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 Bank; and
- Preventing and detecting fraud and other irregularities.

These separate financial statements of the Bank for the year ended 31 December 2020 were approved by the Management Board on 5 March 2021.

On behalf of the Management Board:



Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan



Dana S. Talzhenova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders of JSC Halyk Bank

Opinion

We have audited the separate financial statements of JSC Halyk Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate Financial Statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the separate financial statements in the Republic of Kazakhstan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter?**How the matter was addressed in the audit?**

Collective assessment of the expected credit losses on loans to customers

As at 31 December 2020, the Bank reported total gross loans of KZT 4,691,049 million, including KZT 1,480,290 million subject to collective impairment assessment, which comprise 32% of total gross loans. The expected credit losses ("ECL") resulting from this assessment amounted to KZT 120,075 million.

For loans assessed on a collective basis there is a risk of errors in the underlying data used in assessment of ECL, including errors in loan data (maturity date or outstanding balances), inaccurate or incomplete inputs and assumptions used in assessing probability of default ("PD"), loss given default data ("LGD") and inconsistency of historical and forward-looking information with available market based data, including the impact of COVID-19 pandemic.

Due to the significance and subjectivity of judgements used by management, the volume of loans assessed on a collective basis, and a high degree of estimation uncertainty due to the economic impacts of COVID-19 which led to a high degree of auditor judgement, we identified the collective assessment of expected credit losses as a key audit matter.

Refer to Notes 3, 4, 12 and 29 to the separate financial statements for the description of the Bank's policy and disclosures of gross carrying amounts and related allowances balances.

We obtained an understanding of processes and control procedures related to the loan origination, credit risk management and ECL assessment for loans to customers, assessed on a collective basis.

We challenged the reasonableness of the methodology on collective loan loss provisioning and its compliance with IFRS 9 *Financial Instruments* requirements.

We checked that the data inputs and key assumptions used in the models for assessing PDs and LGDs reflect historical information about incurred credit losses adjusted for relevant forward-looking macroeconomic factors, including the impact of COVID-19, amongst other factors.

With the involvement of our credit risk advisory specialists, we tested the mathematical accuracy and computation of the ECL on loans to customers assessed on a collective basis by re-performing and calculating elements of the expected credit losses based on relevant source data. This included assessing the appropriateness of model design and formulas used, considering modelling techniques and recalculating PDs, LGDs and Exposure at default.

On a sample basis, we tested the accuracy and completeness of the data used in the ECL models, such as collateral values and statistics for recoveries of loans, we traced back information used in the ECL models to source data and also assessed the appropriateness of forward-looking information used in the models, including its adjustment for the impact of COVID-19 pandemic.

We evaluated the adequacy and completeness of disclosures in the separate financial statements relating to the loans to customers in accordance with IFRS requirements, including the impact of COVID-19 on ECL.

We found no material exceptions in these tests.

Individual assessment of the expected credit losses on loans to customers

As at 31 December 2020, the Bank's gross loans assessed for impairment on an individual basis amounted to KZT 3,210,759 million, which accounts for 68% of total gross loans. The related ECL comprised KZT 223,090 million.

The amount of allowances for the ECL on individually significant loans is dependent on the accuracy of allocation of loans to appropriate stage of impairment in the provisioning system of the Bank.

In particular, there is a risk that exposures with significant increase in credit risk and credit-impaired exposures (movements between stage 1, stage 2 and stage 3 and vice versa) are not completely or accurately identified/classified as at the reporting date, as not all relevant qualitative and quantitative and forward-looking information was captured and the impacts to particularly vulnerable sectors affected by COVID-19 were not considered.

Additionally, the ECL on individually significant credit-impaired loans in stage 3 may be misstated due to errors related to the estimation of future cash receipts or use of inappropriate or unsupported information.

Due to the significance of the allowance for expected credit losses on individually assessed loans and the complexity and subjectivity of management's judgements, we identified the individual assessment of ECL as a key audit matter.

Refer to Notes 3, 4, 12 and 29 to the separate financial statements for the description of impairment indicators on individually significant loans and disclosure of gross carrying amounts and related allowances for such loans.

We obtained an understanding of the loan origination and credit risk management processes. We assessed the Bank's definitions of significant increase in credit risk and credit-impairment for assessment of individual loans' ECL. We also evaluated the design and implementation of controls related to individual assessment of the ECL on loans to customers.

For a sample of loans identified as stage 1, we performed a detailed credit review and challenged the Bank's analysis of whether there was a significant increase in credit risk (stage 2) or default (stage 3), including consideration of the economic disruption caused by COVID-19 to particularly vulnerable sectors. In order to evaluate whether the loans have been appropriately classified to the respective stage, we analysed internal credit ratings (scoring), credit risk factors and checked if relevant impairment events, such as delinquency of interest or principal, restructuring events and certain financial performance indicators, had been identified on a timely manner and had reflected the impact of COVID-19, amongst other factors.

On a sample basis, we re-performed calculations of allowances for ECL for individually significant loans in stage 2 and 3, including reviewing the Bank's documented credit assessment of the borrowers, challenging assumptions underlying the ECL calculation, such as future cash flow projections and the valuation of collateral held, adjusted for COVID-19 impact, as well as agreeing key assumptions to supporting documents.

We evaluated the adequacy and completeness of disclosures in the separate financial statements relating to the loans to customers in accordance with IFRS requirements, including the impact of COVID-19 on ECL.

We found no material exceptions in these tests.

Emphasis of Matter

As described in Note 2 to the separate financial statements, the Bank also prepares consolidated financial statements. These separate financial statements should be read in conjunction with the consolidated financial statements, which were authorized for issue by the Management Board on 5 March 2021.

Other Information – Annual Report

Management is responsible for the other information. The other information comprises the information included in the Annual report, but does not include the separate financial statements and our auditors' report thereon. The Annual report is expected to be made available to us after the date of this auditors' report.

Our opinion on the separate financial statements does not cover the other information and we will not express any form of an assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

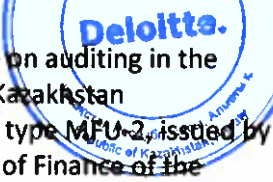
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



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dated 13 September 2006



Zhangir Zhilyshbayev
Engagement partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate
No.MF-0000116
dated 22 November 2012
General Director,
Deloitte LLP

12 March 2021
Almaty, Republic of Kazakhstan

JSC Halyk Bank

Statement of Financial Position As at 31 December 2020 (Millions of Kazakhstani Tenge)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	5, 33	1,655,562	1,599,692
Obligatory reserves	6	159,903	133,033
Financial assets at fair value through profit or loss	7	3,670	4,653
Amounts due from credit institutions	8, 33	833,668	110,409
Financial assets at fair value through other comprehensive income	9	1,213,090	1,545,893
Debt securities at amortised cost, net of allowances for expected credit losses	10	1,214,731	1,199,253
Investments in subsidiaries	11, 33	242,643	218,460
Loans to customers	12, 33	4,347,884	3,741,287
Property and equipment and intangible assets	13	142,033	120,759
Assets classified as held for sale	14	36,569	38,026
Other assets	15, 33	115,207	107,720
Total assets		9,964,960	8,819,185
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	16, 33	7,338,639	6,306,773
Amounts due to credit institutions	17, 33	272,193	279,687
Financial liabilities at fair value through profit or loss	7	2,472	20,009
Debt securities issued	18, 33	807,816	846,861
Provisions	22	8,633	3,859
Deferred tax liability	19	49,320	44,272
Current tax liability	19	2,151	9,742
Other liabilities	20	83,716	59,646
Total liabilities		8,564,940	7,570,849
EQUITY			
Share capital	21	212,690	212,690
Share premium reserve		1,880	1,880
Treasury shares		(106,626)	(106,626)
Retained earnings and other reserves		1,292,076	1,140,392
Total equity		1,400,020	1,248,336
TOTAL LIABILITIES AND EQUITY		9,964,960	8,819,185

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan

Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 15 to 115 form an integral part of these separate financial statements.

JSC Halyk Bank


Statement of Profit or Loss

For the year ended 31 December 2020

(Millions of Kazakhstani Tenge, Except for Earnings per Share which is in Tenge)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
Interest income calculated using the effective interest method	23, 33	706,881	685,247
Interest expense	23, 33	(342,766)	(317,741)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		364,115	367,506
Credit loss expense	5, 8, 9, 10, 12,15	(17,573)	(23,432)
NET INTEREST INCOME		346,542	344,074
Fee and commission income	24, 33	140,794	117,805
Fee and commission expense	24, 33	(61,462)	(52,029)
Fees and commissions, net		79,332	65,776
Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	25	2,575	(21,555)
Net realised (loss)/gain from financial assets at fair value through other comprehensive income		(105)	6,766
Net foreign exchange gain	26	30,830	43,750
Share in profit of associate		6,321	5,742
Dividends received from subsidiaries	34	6,341	12,375
Other income		8,006	5,507
OTHER NON-INTEREST INCOME		53,968	52,585
Operating expenses	27, 33	(125,030)	(112,532)
Reversal of previous impairment loss of non-financial assets		1,310	-
Other credit loss expense	22	(4,674)	(1,727)
NON-INTEREST EXPENSES		(128,394)	(114,259)
INCOME BEFORE INCOME TAX EXPENSE		351,448	348,176
Income tax expense	19	(33,168)	(33,532)
NET INCOME		318,280	314,644
Basic and diluted earnings per share (in Kazakhstani Tenge)	28	27.08	26.77

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan


Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 15 to 115 form an integral part of these separate financial statements.

JSC Halyk Bank

Statement of Other Comprehensive Income For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

Notes	Year ended 31 December 2020	Year ended 31 December 2019
Net income	318,280	314,644
Other comprehensive income:		
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Gain resulting on revaluation of property and equipment (2020, 2019 – net of tax – KZT 1,386 million, KZT 18 million)	8,392	127
<i>Items to be subsequently reclassified to profit or loss:</i>		
Gain on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the year (2020, 2019 – net of tax –KZT nil)	25,922	42,143
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of during the year (2020, 2019 – net of tax – KZT nil)	105	(6,766)
Share in other comprehensive (loss)/income of associate	(256)	553
Other comprehensive income for the year	34,163	36,057
Total comprehensive income for the year	352,443	350,701

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan


Dana S. Talmanova
Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 15 to 115 form an integral part of these separate financial statements.

JSC Halyk Bank



Statement of Changes in Equity For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity
31 December 2019	212,690	1,880	(106,626)	26,193	13,973	1,100,226	1,248,336
Net income	-	-	-	-	-	318,280	318,280
Other comprehensive income	-	-	-	25,771	8,392	-	34,163
Total comprehensive income	-	-	-	25,771	8,392	318,280	352,443
Dividends - common shares	-	-	-	-	-	(200,759)	(200,759)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	(576)	576	-
31 December 2020	212,690	1,880	(106,626)	51,964	21,789	1,218,323	1,400,020

* These amounts are included within retained earnings and other reserves in the separate statement of financial position.

JSC Halyk Bank



Statement of Changes in Equity For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury shares	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity
31 December 2018	212,690	1,880	(106,626)	(9,737)	14,723	911,414	1,024,344
Net income	-	-	-	-	-	314,644	314,644
Other comprehensive income	-	-	-	35,930	127	-	36,057
Total comprehensive income	-	-	-	35,930	127	314,644	350,701
Dividends - common shares	-	-	-	-	-	(126,709)	(126,709)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	(877)	877	-
31 December 2019	212,690	1,880	(106,626)	26,193	13,973	1,100,226	1,248,336

* These amounts are included within retained earnings and other reserves in the separate statement of financial position.

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan


Dana S. Talzhanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 15 to 115 form an integral part of these separate financial statements.

JSC Halyk Bank

Statement of Cash Flows For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from cash equivalents and amounts due from credit institutions	20,743	35,058
Interest received on financial assets at fair value through other comprehensive income	43,609	40,893
Interest received on debt securities at amortised cost, net of allowances for expected credit losses	97,733	92,516
Interest received from loans to customers	435,821	433,838
Interest paid on amounts due to customers	(222,509)	(210,728)
Interest paid on amounts due to credit institutions	(6,895)	(4,033)
Interest paid on debt securities issued	(63,458)	(67,009)
Fee and commission received	137,894	118,395
Fee and commission paid	(61,989)	(51,554)
Receipts from/(payments for) derivative financial instruments	2,575	(1,499)
Other income received	8,008	5,506
Operating expenses paid	(111,568)	(97,602)
Cash flows from operating activities before changes in net operating assets	279,964	293,781
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(26,871)	(27,177)
Financial assets at fair value through profit or loss	983	73,218
Amounts due from credit institutions	(714,278)	(15,651)
Precious metals	(6,143)	(4,907)
Loans to customers	(472,023)	(345,799)
Assets held for sale	22,898	30,888
Other assets	(9,416)	(7,988)
Increase/(decrease) in operating liabilities:		
Amounts due to customers	743,157	(71,440)
Amounts due to credit institutions	(9,151)	110,954
Financial liabilities at fair value through profit or loss	(17,537)	12,993
Other liabilities	7,728	24,612
Cash (outflow)/inflow from operating activities before income tax	(200,689)	73,484
Income tax paid	(35,711)	(11,302)
Net cash (outflow)/inflow from operating activities	(236,400)	62,182
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayments for property and equipment	(20,596)	(12,146)
Proceeds on sale of property and equipment and intangible assets	7,410	3,769
Proceeds from sale of financial assets at fair value through other comprehensive income	917,655	438,795
Purchase of financial assets at fair value through other comprehensive income	(452,456)	(182,375)
Purchase of debt securities at amortised cost, net of allowances for expected credit losses	(15,321)	(153,036)
Investments to share capital of subsidiaries	(9,491)	(29,614)
Dividends received from subsidiaries	6,341	12,375
Net cash inflow from investing activities	433,542	77,768

JSC Halyk Bank

Statement of Cash Flows For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2020	Year ended 31 December 2019
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(200,759)	(126,709)
Redemption and repayment of debt securities issued	18	(126,213)	(82,261)
Repayment of lease liabilities		(1,782)	(1,304)
Net cash outflow from financing activities		(328,754)	(210,274)
Effect of changes in foreign exchange rate on cash and cash equivalents		187,482	(15,858)
Net change in cash and cash equivalents		55,870	(86,182)
CASH AND CASH EQUIVALENTS, beginning of the year	5	1,599,692	1,685,874
CASH AND CASH EQUIVALENTS, end of the year	5	1,655,562	1,599,692

During the years ended 31 December 2020 and 2019, there were non-cash transfers, which were excluded from the statement of cash flows and disclosed in Notes 14 and 21.

On behalf of the Management Board:


Umut B. Shayakhmetova
Chairperson of the Board

5 March 2021
Almaty, Kazakhstan


Dana S. Tarshanova
Deputy Chief Accountant

5 March 2021
Almaty, Kazakhstan

The notes on pages 15 to 115 form an integral part of these separate financial statements.

JSC Halyk Bank

Notes to the Separate Financial Statements

For the year ended 31 December 2020

(Millions of Kazakhstani Tenge)

1. Principal activities

JSC Halyk Bank (the "Bank") provides retail and corporate banking services in the Republic of Kazakhstan. The primary state registration of the Bank with the authorities of justice of the Republic 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, attracting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations and rendering other banking services to its customers. In addition, the Bank acts as the 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 Bank is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 31 December 2020, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 467 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, Kazakhstan.

As at 31 December 2020, the number of the Bank's full-time equivalent employees was 15,158 (31 December 2019 – 14,876).

The separate financial statements of the Bank for the year ended 31 December 2020 were authorised for issue by the Management Board on 5 March 2021.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank 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 these separate financial statements.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Kazakhstan continue to change rapidly and 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.

During 2020, the average price of Brent crude oil was approximately 45.59 USD/bbl. (60.01 USD/bbl. during 2019 year). Based on the results of 2020 year, Kazakhstan's GDP decreased by 2.6% in annual terms. For the service sector, the year ended with a 5.6% loss, although in recent months the dynamics began to recover. The processing growth rate accelerated to 3.9%. At the same time, output indicators in the mining industry in 2020 decreased by 3.7%. This, in turn, was associated with a 5.4% reduction in oil and gas production in 2020 under the OPEC + agreement, while oil prices fell 34%. At the same time, the share of oil and gas production in the structure of the mineral resources extraction industry is dominant and amounted to 70% at the end of 2020. At the end of 2020 year, annual inflation was in line with the expectations of the National Bank of the Republic of Kazakhstan at the level of 7.5% (in 2019 year - inflation was 5.4%).

As at 31 December 2020, the base rate set by NBRK was 9.0% ± 1% (9.25% ± 1% as at 31 December 2019). Short-term notes of NBRK remain the key instrument to withdraw excess KZT liquidity from the system.

The coronavirus pandemic presents an unprecedented social and economic challenge, which is having a significant impact on people and businesses in Kazakhstan and around the world. The Bank's financial strength and business model enables the Bank 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 Bank.

The economic environment changed significantly during 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.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

The changes in the economic environment, described above, have a significant impact on the Bank's operations. The following main activities are performed by the Bank 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.

Strong balance sheet position allows the Bank to manage the current environment from a position of strength as the leading bank in Kazakhstan. A sustainable business model, risk policies and customer support measures, including those provided by the Kazakhstan government, have enabled the Bank to mitigate future losses and the negative impact of the COVID-19 pandemic on its financial results in 2020.

In July 2020, a resurgence in new coronavirus infections lead to re-imposing of certain lockdown restrictions by the authorities until mid - August 2020. To stimulate the Kazakhstan's economy recovery, the government continued to implement a fiscal stimulus program and increased transfers from the National Fund of the Republic of Kazakhstan. The stimulus package of KZT 5.9 trillion (more than 8% of GDP) mitigated the negative impact of low oil prices and coronavirus on the economy.

The management of the Bank is monitoring developments in the current environment and taking measures it considers necessary in order to support the sustainability and development of the Bank's business in the foreseeable future.

Ownership

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

31 December 2020

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	64.5%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	3,028,786,680	25.8%
Other	423,669,749	3.6%
Total shares in circulation	11,754,049,397	100.0%

31 December 2019

	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	64.5%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%
GDR holders	3,051,194,440	26.0%
Other	401,261,989	3.4%
Total shares in circulation	11,754,049,397	100.0%

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

2. Basis of presentation

Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These separate financial statements are the separate financial statements of the parent JSC Halyk Bank. The subsidiaries are not consolidated in these separate financial statements. Investments in subsidiaries were accounted for at cost, less impairment loss, if any. These separate financial statements should be read in conjunction with the consolidated financial statements of JSC Halyk Bank and its subsidiaries, which were authorized for the issue by Management Board of the Bank on 5 March 2021.

The consolidated financial statements are available at the head office of JSC Halyk Bank, registered at the following address: 40 Al-Farabi Avenue, Almaty, A26M3K5, Kazakhstan.

These separate financial statements have been prepared assuming that the Bank is a going concern, as the Bank 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. In addition, the management of the Bank observed that the emergence of COVID-19 pandemic during the first half of 2020 and the associated lock-down measures have determined negative effects that are expected to be offset, only in part, by the economic relief measures put in place by the government of the Republic of Kazakhstan. In order to ensure that the Bank have adequate resources to continue to operate for the foreseeable future and also acknowledging the current uncertainty surrounding the economic recovery and the long-term impact of the lock-down measures adopted, the management of the Bank have considered the implications of the COVID-19 pandemic upon the Bank’s performance, projected funding and capital positions and also have taken into account the impact of further stress scenarios, as well as a number of other key dependencies which are set out in the financial risk management section (Note 29) to ensure that the Bank will continue to operate profitably in the foreseeable future.

These separate financial statements are presented in millions of Kazakhstani Tenge (“KZT” or “Tenge”), except for earnings per share amounts and unless otherwise indicated.

The separate financial statements have been prepared under the historical cost basis, except for certain financial instruments that are accounted for at fair value and certain property and equipment which are carried at revalued cost less depreciation and impairment as described in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Bank takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these separate financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Bank can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29.

Functional currency

Items included in the separate financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the “functional currency”). The functional currency of the Bank is KZT. The presentation currency of the separate financial statements is KZT.

3. Significant accounting policies

Business combination under common control

A business combination involving business entities under common control is a business combination whereby all of the combining business entities are ultimately controlled by the same party or parties, both before and after the business combination, and that control is not transitory.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

The effects of combinations of businesses under common control are accounted for by the Bank by the pooling of interests method, assuming that: assets and liabilities of the combining business entities are measured at their carrying values as disclosed in the Bank's financial statements, merger-related transaction costs are expensed in the statement of profit or loss, mutual balances are eliminated, any difference between the purchase price paid/transferred and the value of net assets acquired (at their carrying values disclosed in the separate financial statements) shall be recognized in equity of the acquirer.

Investments in subsidiaries

A subsidiary is an entity, including an unincorporated entity such as a partnership that is controlled by the Bank. Investments in subsidiaries are recorded in these separate financial statements at cost less impairment loss, if any.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the NBRK and cash which are not available to finance the Bank's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the cash flow statement.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net foreign exchange gain/(loss).

Amounts due from credit institutions

In the normal course of business, the Bank maintains current restricted accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowances for expected credit losses.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Bank accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

All financial assets are recognized and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"). Transaction costs directly attributable to the acquisition of financial assets classified as at FVTPL are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 *Financial Instruments* ("IFRS 9") are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

Specifically:

- *Retention of an asset to obtain the cash flows stipulated by the contract.* This business model suggests financial asset management aims to realize cash flows by receiving principal and interest payments over the life of the financial instrument. Within the framework of this business model, holding a financial asset to maturity is a priority, but early disposal is not prohibited.
- *Retention of an asset with a view for obtaining contractual cash flows and sale of financial assets.* This business model assumes that the management of financial assets is aimed at both obtaining contractual cash flows and sale of financial assets. Within the framework of this business model, the receipt of cash from the sale of a financial asset is a priority, which is characterized by a greater frequency and volume of sales compared to "retention of an asset to obtain the cash flows stipulated by the contract" business model.
- *Retention of an asset for other purposes.* Within the framework of this business model, financial assets can be managed with the following purposes:
 - management with a view to selling cash flows through the sale of financial assets;
 - liquidity management to meet daily funding needs;
 - a portfolio, which management and performance is measured on a fair value basis;
 - a portfolio, which matches the definition of held for trading. Financial assets are deemed to be held for trading if they were acquired mainly with a view to subsequent disposal in the near future (up to 180 days), gaining short-term profit, or represent derivative financial instruments (except for a financial guarantee or derivative financial instrument that was designated as a hedging instrument).

In accordance with IFRS 9, financial assets are classified as follows:

- bank loans classified as assets at amortised cost are contained within the framework of a business model which aims to receive cash flows exclusively for repayment of unpaid interest and principal stipulated by loan agreement and that have contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding;
- balances on correspondent accounts, interbank loans/deposits, repo transactions are classified, as a rule, as assets, estimated at amortised cost, since they are managed within the framework of a business model, which aims to receive cash flows stipulated by the contract, and that have contractual cash flows that are SPPI;
- debt securities may be classified into any of the three classification categories, taking into account the selected business model and compliance with the SPPI criterion;
- equity securities are generally classified as instruments at fair value through profit or loss;
- trading securities and derivatives are classified as financial assets at fair value through profit or loss.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets at FVTPL are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at FVTPL using the fair value option.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Financial liabilities are classified as at fair value through profit or loss where the financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in net (loss)/gain on financial assets and liabilities at fair value through profit or loss. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in "Other income" when the right to receive the payment has been established.

Debt instruments at amortised cost or at fair value through other comprehensive income ("FVTOCI")

The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding.

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

An assessment of business models for managing financial assets is performed at the date of initial application of IFRS 9 to determine the classification of a financial asset. The business model is applied retrospectively to all financial assets existing at the date of initial application of IFRS 9. The Bank determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Bank's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

The Bank has more than one business model for managing its financial instruments that reflect how the Bank manages its financial assets in order to generate cash flows. The Bank's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Bank considers all relevant information available when making the business model assessment. However, this assessment is not performed based on scenarios that the Bank does not reasonably expect to occur, such as so-called 'worst case' or 'stress case' scenarios. The Bank takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Bank determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Bank has not identified a change in its business models.

When a debt instrument measured at FVTOCI is derecognized, the cumulative gain/loss previously recognized in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognized in OCI is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortized cost or at FVTOCI are subject to impairment.

Collateral

The Bank obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Bank a claim on these assets for both existing and future customer liabilities.

Reclassification of financial assets

If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Bank's financial assets. Changes in contractual cash flows are considered under the accounting policy on *Modification and derecognition of financial assets* described below.

**Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)**

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate ("EIR"). Renegotiated terms are evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

The Bank renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Bank has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants.

When a financial asset is modified due to commercial reasons, the Bank considers various qualitative factors (change in currency, interest rate, maturity) and on that basis concludes whether old loan should be derecognised and new loan should be recognised at fair value.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification. Please also refer to Note 12 for more details.

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Impairment

Calculation of financial assets impairment is carried out taking into account the following factors:

- In order to calculate the ECL, the Bank performs a loan assessment on an individual basis and on a group basis depending on general credit risk features.
- ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.
- Calculations are based on justified and verified information, which may be received without any significant costs or efforts. Calculation of the present value of the expected future cash flows of the secured financial asset reflects the cash flow that may result from foreclosure, less the cost of obtaining and selling collateral, regardless of whether the recovery is probable or not. The allowance is based on the Bank's own experience in assessing losses and management assumptions about the level of losses likely to be recognised on assets in each category of a credit risk, based on debt servicing capabilities and borrower's credit track record.
- Impairment for treasury operations (investments in debt securities, reverse repurchase transactions, interbank loans and deposits, correspondent account transactions, accounts receivable under treasury transactions) is calculated taking into account the counterparty's rating, probability of default, duration of a transaction and the extent of loss in case of a default.
- The estimated credit losses for treasury operations are estimated on an individual basis (except for individual claims in the form of receivables).

Financial assets are segmented by stages in accordance with the following approach:

- Stage 1: There is no significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the next 12 months;
- Stage 2: Significant increase in credit risk since recognition of an asset, impairment is recognised as expected losses over the life of a financial asset;
- Stage 3: Financial asset is in default or has signs of impairment.

Allowances for expected credit losses

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

For more details about staging refer to Notes 5, 8, 9, 10, 12 and 15.

JSC Halyk Bank

Notes to the Separate Financial Statements

For the year ended 31 December 2020 (Continued)

(Millions of Kazakhstani Tenge)

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Bank if the holder of the commitment draws down the loan and the cash flows that the Bank expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original effective interest rate ("EIR"), regardless of whether it is measured on an individual basis or a collective basis.

Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk. Please also refer to Note 4.

For the details of supportable forward-looking information, please refer to Note 29 for more details.

Repurchase and reverse repurchase agreements and securities lending

The Bank enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its treasury management.

Repos are treated as secured financing transactions. Securities sold under repos are retained in the separate statement of financial position and, in case the transferee has the right, by contract or custom, to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions.

Securities purchased under reverse repos are recorded as amounts due from credit institutions, amounts due customers or cash and cash equivalents as appropriate. The difference between the sale and repurchase prices is treated as interest and accrued over the life of the repo agreements using the effective interest method.

Securities lent to counterparties are retained in the statement of financial position. Securities borrowed are not recorded in the statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within net gain/(loss) on financial assets and liabilities at fair value through profit or loss in the statement of profit or loss. The obligation to return securities borrowed is recorded at fair value as a trading liability.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

The Bank enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other Commonwealth of Independent States ("CIS"), the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability. Income and expense is not offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

Derivative financial instruments

The Bank enters into a variety of derivative financial instruments some of which are held for trading while others are held to manage its exposure to interest rate risk; credit risk; and foreign exchange rate risk. Derivative held include foreign exchange forward contracts, interest rate swaps, cross currency interest rate swaps and credit default swaps.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain/loss is recognized in profit or loss immediately.

A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

An embedded derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realized or settled within 12 months. Other embedded derivatives are presented as current assets or current liabilities.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Forwards

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Bank has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honored. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts that are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Bank with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Bank pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross-settled.

Credit default swaps are contractual agreements between two parties to make payments with respect to defined credit events, based on specified notional amounts. The Bank purchases credit default swaps from monoline insurers and banks in order to mitigate the risk of default by the counterparty on the underlying security referenced by the swap.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Bank purchases and sells options through regulated exchanges and in the over-the-counter markets.

Options purchased by the Bank provide the Bank with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed-upon value either on or before the expiration of the option. The Bank is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Options written by the Bank provide the purchaser the opportunity to purchase from or sell to the bank the underlying asset at an agreed-upon value either on or before the expiration of the option.

The Bank enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps. Further details of derivative financial instruments are disclosed in Note 7.

The Bank's exposure under derivative contracts is closely monitored as part of the overall management of the Bank's market, credit, and liquidity risks (Note 30).

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Bank considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more. The decision to use cross-default is based on case-by-case assessment of borrower and facility conditions such as collateral and materiality of exposure.

Purchased or originated credit-impaired ("POCI") financial assets.

POCI financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Bank recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favorable change for such assets creates an impairment gain (recovery of credit loss expense).

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Write off

Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains. Where loans are secured, they are generally written off after receipt of any proceeds from the sale of collateral. When such net realizable value of collateral has been determined and no reasonable expectation of further recovery, write off may be earlier.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial asset is derecognised when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Modification and derecognition of financial liabilities

The Bank derecognizes financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Notes to the Separate Financial Statements

For the year ended 31 December 2020 (Continued)

(Millions of Kazakhstani Tenge)

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Deferred tax assets and deferred tax liabilities are offset and reported net in the statement of financial position if:

- The Bank has a legally enforceable right to offset current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan has various operating taxes that are assessed on the Bank's activities. These taxes are recorded as taxes other than income tax.

The Bank records a provision for uncertain tax positions if it is probable that the Bank will have to make a payment to tax authorities upon their examination of a tax position. This provision is measured at the Bank's best estimate of the amount expected to be paid. Provisions are reversed to income in provision for (recovery of) income taxes in the period in which management determines they are no longer required or as determined by statute.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment except for the buildings and construction which are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings and construction	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

Buildings and construction held for use in supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

Any revaluation increase arising on the revaluation of such buildings and construction is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the statement of profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings and construction is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and construction is charged to the statement of profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Construction in progress is carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Bank's accounting policy. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. Intangible assets with indefinite useful lives are not subject to amortization.

Amortisation is recognised on a straight-line basis over their estimated useful lives:

	Years
Software	10
Licensing agreements for the right to use the software	10
Other	10

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Assets held for sale

A non-current asset and the liability directly associated with non-current assets are classified as held for sale (“disposal group”) if it is highly probable that the net asset’s carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the statement of profit or loss as loss of assets held for sale. Any subsequent increase in an asset’s fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the statement of profit or loss.

Debt securities issued

Debt securities issued represent bonds issued by the Bank, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognized in the statement of profit or loss over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

Retirement and other benefit obligations

The Bank does not have any pension arrangements other than the state pension system of Kazakhstan, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the period the related salaries are earned and included in operating expenses in the statement of profit or loss. The Bank contributes social tax to the budget of Kazakhstan and other countries where the Bank operates for its employees. In addition, the Bank has no post-retirement benefits.

Equity

The Bank classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Bank after the deduction of liabilities.

The components of a compound financial instrument issued by the Bank are classified and accounted for separately as financial assets, financial liabilities or equity as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than in a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognized as share premium reserve. Effective 13 May 2003, upon a change in the law concerning "Joint Stock Companies", the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Bank acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Bank are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity.

Dividends

Dividends are recognized as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the separate financial statements are authorized for issue.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Bank's statement of financial position include:

- Revaluation reserve of financial assets at fair value through other comprehensive income, which comprises changes in fair value of financial assets at fair value through other comprehensive income and allowances for expected credit losses on debt financial assets at fair value through other comprehensive income;
- Cumulative translation reserve which is used to record foreign exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve, which comprises revaluation reserve of land and buildings.

Contingencies

Contingent liabilities are not recognized in the statement of financial position but are disclosed, unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the statement of financial position but disclosed in separate financial statements, when an inflow of economic benefits is probable.

Recognition of income and expense

Interest income and expense for all financial instruments, except for financial assets measured or designated at fair value through profit or loss are recognized in 'Net interest income' as 'Interest income calculated using the effective interest method' and 'Interest expense' in the profit or loss account using the effective interest method.

The EIR is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets at FVTPL transaction costs are recognized in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-credit impaired financial assets (i.e. at the amortised cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For credit-impaired financial assets, the interest income is calculated by applying the EIR to the amortised cost of the credit-impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses). For financial assets POCI the EIR reflects the expected credit losses in determining the future cash flows expected to be received from the financial asset.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Loan origination fees for loans issued to customers are (together with related direct costs) recognised as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the EIR of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognised in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry.

Fee and commission income

Fee and commission income is recognised to reflect the transfer of services to customers at an amount that reflects the consideration that is expected to be received in exchange for such services. The Bank identifies the performance obligation, i.e. the services agreed with the customer, and the consideration, and recognises income in line with the transfer of services, the performance obligation, agreed with the customer.

For each performance obligation identified, the Bank determines at contract inception whether it satisfies the performance obligation over time or at a point in time, and whether the consideration is fixed or variable, including whether consideration is constrained by, for instance, external factors outside the Bank's influence. The consideration is subsequently allocated to the identified performance obligation.

Fee and commission income from maintenance of customer accounts and cash operations include fees earned from deposit products in lieu of compensating balances, service charges for transactions performed upon depositors' request, as well as fees earned from performing cash management activities. Service charges on deposit products are recognized over the period in which the related service is provided, typically monthly. Service fees are recognized at a point in time upon completion of the requested service transaction. Fees on cash management products are recognized over time as services are provided.

Plastic cards operations fee and commission income include interchange income from credit and debit card transactions and are recognized at a point in time upon settlement by the associated network. Interchange rates are generally set by the associated network based on purchase volume and other factors. Other card-related fees are recognized at a point in time upon completion of the transaction.

Other banking fees include fees for various transactional banking activities such as bank transfers, letters of credit fees and other transactional services. These fees are recognized in a manner that reflects the timing of when transactions occur and as services are provided. Letter of credit fees primarily includes fees received related to letter of credit agreements and are generally recognized upon execution of the contract.

The adoption of IFRS 15 has not had any material impact on the disclosures or on the amounts reported in the separate financial statements.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Foreign currency translation

The separate financial statements are presented in KZT, which is the functional currency of the Bank. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognized in the statement of profit or loss as net foreign exchange gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net foreign exchange gain or loss. The market exchange rate at 31 December 2020 was 420.91 KZT to USD 1, KZT 5.6 to RUB 1, KZT 516.79 to EUR 1 (31 December 2019 – KZT 382.59 to USD, KZT 6.16 to RUB, KZT 429.00 to EUR).

Segment reporting

A segment is a distinguishable component of the Bank that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts and letters of credit issued

Financial guarantee contracts and letters of credit issued by the Bank are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make a payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Bank as a lessor

In cases where the Bank is the lessor under a lease, each lease is classified as an operating lease or finance lease. Contracts that transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily the legal title to them, are classified as finance leases. At the start date of the lease, the Bank recognizes assets held under finance leases in its consolidated statement of financial position and presents them as receivables in an amount equal to the net investment in the lease. Initial direct costs are included in the initial measurement of the net investment in the lease and are deducted from the income recognized over the lease term. Finance income receivable is recognized in interest income over the lease term so as to provide a constant rate of return on the net investment in the lease.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

Agreements that do not transfer substantially all of the risks and rewards of ownership of the leased asset, but not necessarily legal title to them, are classified as operating leases. Assets subject to operating leases continue to be included in the Bank's balance sheet in accordance with the category (balance sheet item) to which they were assigned. Operating lease receivables are recognized over the lease term on an accrual basis.

Bank as a lessee

When the Bank acts as a lessee, leases are accounted for using the right-of-use model. This model assumes that at the start date of the lease, the lessee has a financial obligation to make the lease payments to the lessor for the right to use the underlying asset over the lease term. The cost of a right-of-use asset includes the initial measurement of the lease liability, lease payments at or before start date of the lease, less incentive payments received for the lease, and incremental lease costs that would not have been incurred if the lease had not been concluded.

Subsequent accounting for the right-of-use asset is carried out at its historical cost:

- less accumulated depreciation and accumulated impairment losses; and
- adjusted for the revaluation of the lease liability.

Depreciation is carried out on a straight-line basis until the expiry date of the lease.

The lease liability is measured on initial recognition at the present value of the lease payments that have not yet been settled at that date. The present value is calculated by discounting the lease payments using the interest rate implicit in the lease or the incremental borrowing rate.

After the commencement date of the lease, the Bank measures the lease liability as follows:

- increasing the carrying amount to reflect interest on the lease liability;
- reducing the carrying amount to reflect the lease payments made; and
- revaluing the carrying amount to reflect revaluation or modification of leases.

The right-of-use model does not apply to short-term leases (no longer than 12 months) that do not contain an option to purchase the underlying asset, or contracts with a low value of the underlying asset (up to USD 5,000). Lease payments for such leases are recognized as an expense over the lease term on an accrual basis.

New and amended IFRS Standards that are effective for the current year

On 1 January 2020, the Bank implemented amendments to IAS 1 and IAS 8 *Definition of Materiality*, IFRS 3 *Definition of a Business* and amendments to References to the Conceptual Framework in IFRS Standards.

The amendments to IAS 1 and IAS 8 clarify the definition of material and aligns the definition of material used in the Conceptual Framework with that in the IFRS standards. The amendments are effective for annual periods beginning on or after 1 January 2020.

**Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)**

The amendments to IFRS 3 clarifies the definition of a business, with the objective of assisting a preparer to determine whether a transaction should be accounted for as a business combination or as the acquisition of assets. The clarifications are applicable for business combinations after 1 January 2020.

The implementation of the amendments had no impact on the Bank's financial statements.

New and revised IFRS Standards in issue but not yet effective

The International Accounting Standards Board (IASB) has issued amendments to existing international accounting standards (IFRS 1, IFRS 3, IFRS 4, IFRS 7, IFRS 9, IFRS 16, IAS 1, IAS 16, IAS 37, IAS 39 and IAS41) that have not yet come into force. The Bank has not early adopted any of the changes. The sections below explain the IFRS changes that are likely to affect the Bank's future financial reporting. For the changes not described below, no significant impact is expected.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the impact of the interest rate benchmark reform on the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

Modification of financial assets, financial liabilities and lease liabilities

The IASB introduces a practical expedient for changes in contractual cash flows as a direct consequence of the interest rate benchmark reform provided that the new cash flow basis is economically equivalent to the original basis. According to the practical exception these modifications are accounted prospectively for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

Disclosures

The amendments require that an entity discloses additional information in order to allow users to understand the nature and extent of risks arising from the interbank offered rate ("IBOR") and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition. The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The management of the Bank does not expect that the application of these amendments could have an impact on the Bank's separate financial statements in future periods.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date has yet to be set; however, earlier application of the amendments is permitted.

The management of the Bank does not expect that the application of these amendments could have an impact on the Bank's separate financial statements in future periods should such transactions occur.

Annual Improvements to IFRS 2018-2020 Cycles

The list of amendments includes amendments to the three standards, as well as annual improvements to the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- **The amendments to IFRS 3 "Business Combinations"** update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.
- **Amendments to IAS 16 "Property, Plant and Equipment"** prohibit deducting from the value of property, plant and equipment the amounts received from the sale of manufactured goods while preparing the asset for its intended use. Instead, these sales revenue and related costs are recognized in profit or loss.
- **Amendments to IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"** determine the costs to be included in assessing whether the contract is unprofitable.
- **Annual improvements** introduce minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples accompanying IFRS 16 "Leases".

All amendments are effective on 1 January 2022, early application is permitted.

The management of the Bank does not expect that the application of these amendments could have an impact on the Bank's separate financial statements in future periods should such transactions occur.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

4. 4a. Significant accounting estimates

The preparation of the Bank's separate financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated.

The Bank monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Bank's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk

As explained in Note 3, ECL are measured as an allowance equal to 12-month ECL for Stage 1 assets, or lifetime ECL assets for Stage 2 or Stage 3 assets. An asset moves to Stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Bank takes into account qualitative and quantitative reasonable and supportable forward-looking information (refer to Note 29 for more details).

Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario

For treasury operations, the Bank calculates ECL on a financial asset based not only on the current estimates of the credit quality of the counterparty/issuer at the reporting date, but also taking into account possible deterioration of the financial condition due to the adverse macroeconomic factors of the counterparty's/issuer's environment in the future. In particular, the level of ECL for treasury operations is affected by the rating outlook (positive, stable, negative) assigned by international rating agencies, which affects the probability of default.

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

For bank loans, the calculation of ECL takes into account the possible estimated effects of changes in macroeconomic parameters on forecasted cash flows, migration of collective loans and collateral coverage.

When measuring ECL the Bank uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 29 for more details.

The key inputs used for measuring ECL are:

- Probability of default ("PD");
- Loss given default ("LGD"); and
- Exposure at default ("EAD").

Probability of default

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

PD for treasury operations is determined according to the Default Study from international rating agencies (S&P, Fitch, Moody's), which publish tabular data with the values of the probabilities of default. The probabilities of default are maintained up to date and are updated on a periodic basis as the default statistics are updated.

PD for individually assessed loans of corporate, small and medium businesses is estimated using an internal rating model based on the quantitative and qualitative characteristics of the borrower. The calculation of PD on loans assessed on a collective basis is carried out on the basis of historical data using the migration matrices and roll-rates.

Loss Given Default

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

LGD for treasury operations is determined according to the Default Study data from international rating agencies (S&P, Fitch, and Moody's) and depends on the type of debt on the financial asset: senior secured/unsecured, subordinated, sovereign. In addition, LGD may be adjusted if collateral is provided for the asset, as well as if there are indications of impairment for the financial asset (Stage 2 or Stage 3).

LGD for collectively assessed loans is calculated based on an estimate of the recoverability of debt in case of the pledged collateral sale with a discount period that corresponds to the pledged collateral implementation terms.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Exposure at Default

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Bank's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortization profiles, early repayment or overpayment, changes in utilization of undrawn commitments and credit mitigation actions taken before default. The Bank uses EAD models that reflect the characteristics of the portfolios.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 29 for details of the characteristics considered in this judgement. The Bank monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets.

This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See Notes 5, 8, 9, 10, 12, 15 and 29 for more details on allowances for ECL and Note 32 for more details on fair value measurement.

The Bank 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 Bank adjusted the main approaches to assessing the level of expected credit losses that have the most significant effect on the amounts recorded in the separate financial statements for the year ended 31 December 2020:

- The Bank refined the approach of calculating macroeconomic parameters in the probability of default rates of borrowers, as disclosed in Note 30. 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.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

The allowances for ECL of financial assets in the separate financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in Kazakhstan and in other countries it operates in and what effect such changes might have on the adequacy of the allowances for ECL of financial assets in future years.

The carrying amount of the allowance for ECL of loans to customers as at 31 December 2020 is KZT 343,165 million (31 December 2019 - KZT 366,577 million).

Fair value measurement and valuation process

In estimating the fair value of a financial asset or a liability, the Bank uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Bank uses valuation models to determine the fair value of its financial instruments. Refer to Note 32 for more details on fair value measurement.

Property and equipment carried at revalued amounts

Buildings and construction are measured at revalued amounts. The latest appraisal was in November 2020. Details of the valuation techniques used are set out in Note 13.

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review.

Management has concluded that all deferred tax assets are properly recognized, as it is probable that sufficient future taxable income will exist to fully utilize the assets.

As at 31 December 2020 and 2019, management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Banks's reported net income.

4b. Reclassifications

As at 31 December 2020, the Management of the Bank decided to change the presentation of certain line items in the separate statement of financial position. The line items "Precious metals" and "Investments in associates" were reclassified to "Other assets" line item in the separate statement of financial position as at 31 December 2019 to conform to the current period presentation.

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	31 December 2020	31 December 2019
Cash on hand	199,326	170,542
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	107,014	154,153
Short-term deposits with OECD based banks	-	595,231
Correspondent accounts with NBRK	26,899	418,688
Short-term deposits with NBRK	1,108,212	191,337
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	164,288	37,516
Correspondent accounts with non-OECD based banks	27,649	20,745
Short-term deposits with non-OECD based banks	22,174	11,480
	1,655,562	1,599,692

As at 31 December 2020 and 2019, cash and cash equivalents allowances for expected credit losses comprised KZT 35 million and KZT 14 million, respectively.

The movements in accumulated allowances for expected credit losses of cash and cash equivalents were as follows:

	31 December 2020	31 December 2019
	Stage 1	Stage 1
At the beginning of the year	(14)	(7)
Changes in risk parameters	(32)	(12)
Foreign exchange differences and other movements	11	5
At the end of the year	(35)	(14)

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

	31 December 2020		31 December 2019	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	-	-	1.0%-2.5%
Short-term deposit with NBRK	8.0%	0.3%	-	0.5%
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	8.0%-8.5%	-	8.8%-10.2%	-
Short-term deposits with non-OECD based bank	-	0.5%-2.0%	-	2.8%-5.8%

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements as at 31 December 2020 and 2019 are as follows:

	31 December 2020		31 December 2019	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	120,397	120,408	8,108	8,427
Notes of NBRK	28,402	28,402	15,404	15,881
Debt securities of Kazakhstan corporations	13,389	14,246	9,004	9,777
Debt securities of foreign corporations	2,100	2,100	5,000	5,556
	164,288	165,156	37,516	39,641

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

6. Obligatory reserves

Obligatory reserves comprise:

	31 December 2020	31 December 2019
Cash and due from banks allocated to obligatory reserves	159,903	133,033
	159,903	133,033

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by NBRK and used for calculation of the minimum reserve requirement.

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

Financial assets at fair value through profit or loss comprise:

	31 December 2020	31 December 2019
Financial assets held for trading:		
Derivative financial instruments	3,649	4,653
Equity securities of foreign organizations	21	-
	3,670	4,653

Financial liabilities at fair value through profit or loss comprise:

	31 December 2020	31 December 2019
Financial liabilities held for trading:		
Derivative financial instruments	2,472	20,009

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Derivative financial instruments comprise:

	31 December 2020			31 December 2019		
	Notional Amount	Asset	Fair value Liability	Notional Amount	Asset	Fair value Liability
Foreign currency contracts						
Swaps	242,677	3,634	2,381	947,346	4,642	19,984
Spots	38,459	15	90	29,903	11	25
Forwards	290	-	1	-	-	-
	281,426	3,649	2,472	977,249	4,653	20,009

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

8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2020	31 December 2019
Term deposits and restricted accounts	757,803	70,567
Loans to credit institutions	50,082	27,179
Deposit pledged as collateral	26,210	12,864
	834,095	110,610
Less - Allowances for expected credit losses	(427)	(201)
	833,668	110,409

As at 31 December 2020, term deposits and restricted accounts include the restricted current accounts with NBRK received by the Bank within the framework of participation in the program of concessional lending to small and medium-sized enterprises (the "Program") in the amount of KZT 119,450 million (Note 12).

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

	31 December 2020		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Term deposits and restricted accounts	0.1%-14.0%	2021	1.0%-8.0%	2020-2027
Loans to credit institutions	2.0%-9.0%	2028	1.7%-4.0%	2020-2023
Deposit pledged as collateral	0.1%-1.8%	2046	1.8%-3.0%	2046

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of amounts due from credit institutions were as follows:

	31 December 2020	31 December 2019
	Stage 1	Stage 1
At the beginning of the year	(201)	(337)
Changes in risk parameters	(208)	145
Foreign exchange differences and other movements	(18)	(9)
At the end of the year	(427)	(201)

9. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	31 December 2020	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	694,487	419,190
Bonds of foreign organizations	143,741	92,623
Corporate bonds	125,898	180,489
Bonds of JSC Development Bank of Kazakhstan	106,785	78,850
Notes of NBRK	59,709	422,791
Eurobonds of Saudi Arabia	23,055	-
Eurobonds of the Emirate of Abu Dhabi	21,162	-
Treasury bills of Hungary	14,739	9,061
Eurobonds of State of Kuwait	9,261	-
Eurobonds of the Republic of Indonesia	7,193	-
Eurobonds of State of Qatar	7,060	-
Treasury bills of the USA	-	342,889
	1,213,090	1,545,893

As at 31 December 2020 and 2019, the allowances for expected credit losses on financial assets at fair value through other comprehensive income was KZT 598 million and KZT 520 million, respectively (Note 10).

As at 31 December 2020 and 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 92,605 million and KZT 76,809, respectively, were pledged under repurchase agreements with the other banks (see Note 17). All repurchase agreements as at 31 December 2020 and 2019 mature before 22 January 2021 and 22 January 2020, respectively.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Interest rates and maturities of financial assets at fair value through other comprehensive income 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 securities.

	31 December 2020		31 December 2019	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.5%	2021-2045	4.7%	2020-2045
Bonds of foreign organizations	4.4%	2021-2025	5.7%	2020-2024
Corporate bonds	10.7%	2021-2027	8.3%	2020-2027
Bonds of JSC Development Bank of Kazakhstan	6.1%	2022-2030	5.7%	2022-2032
Notes of NBRK	9.5%	2021	9.2%	2020
Eurobonds of Saudi Arabia	1.2%	2021-2025	-	-
Eurobonds of the Emirate of Abu Dhabi	0.9%	2023-2025	-	-
Treasury bills of Hungary	2.9%	2023	3.2%	2023
Eurobonds of State of Kuwait	0.4%	2022	-	-
Eurobonds of the Republic of Indonesia	1.3%	2025	-	-
Eurobonds of State of Qatar	0.8%	2023	-	-
Treasury bills of the USA	-	-	2.1%	2020

10. Debt securities at amortised cost, net of allowances for expected credit losses

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

	31 December 2020	31 December 2019
Treasury bills of the Ministry of Finance of Kazakhstan	1,044,920	1,044,902
Corporate bonds	169,811	154,351
	1,214,731	1,199,253

As at 31 December 2020 and 2019, the allowances for expected credit losses on debt securities at amortised cost was KZT 545 million and KZT 538 million, respectively.

Interest rates and maturities of debt securities at amortised cost, net of allowances for expected credit losses 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 securities.

	31 December 2020		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%	2024	3.3%	2024

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of debt securities at amortised cost and financial assets at fair value through other comprehensive income were as follows:

	31 December 2020		31 December 2019		
	Stage 1	Total	Stage 1	Stage 2	Total
At the beginning of the year	(1,058)	(1,058)	(929)	(20)	(949)
Changes in risk parameters*	154	154	9	19	28
New originations or purchases of financial assets*	(237)	(237)	(326)	-	(326)
Derecognition of financial assets*	28	28	178	-	178
Foreign exchange differences and other movements	(30)	(30)	10	1	11
At the end of the year	(1,143)	(1,143)	(1,058)	-	(1,058)

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

11. Investments in subsidiaries

Subsidiaries	Holding %		Country	Industry
	31 December 2020	31 December 2019		
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Insurance Company Halyk	99.86	99.86	Kazakhstan	General insurance
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	Russia	Banking Broker
JSC Halyk Global Markets	100	100	Kazakhstan	and dealer activities
JSCB Tenge Bank	100	-	Uzbekistan	Banking Broker
JSC Halyk Finance	100	100	Kazakhstan	and dealer activities
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLP Halyk Activ-1	100	100	Kazakhstan	Management of doubtful and loss assets
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
CJSC Halyk Bank Tajikistan	100	100	Tajikistan	Banking
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk Finservice	100	100	Kazakhstan	payment card processing and other related services

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

The following table presents carrying value of investments in subsidiaries:

Subsidiaries	31 December 2020	31 December 2019
LLC Halyk Project	39,086	35,495
JSC Insurance Company Halyk	32,700	32,700
LLP Halyk Activ	29,183	21,222
LLP KUSA Halyk	28,103	24,964
JSC Commercial Bank Moskommertsbank	25,167	25,167
JSC Halyk Global Markets	15,081	15,081
JSCB Tenge Bank	14,813	5,321
JSC Halyk Finance	11,240	11,240
JSC Halyk-Life	11,118	11,118
JSC Halyk-Leasing	9,548	9,548
JSC Halyk Bank Georgia	7,874	7,874
LLP Halyk Activ-1	7,688	7,688
OJSC Halyk Bank Kyrgyzstan	4,951	4,951
CJSC Halyk Bank Tajikistan	3,385	3,385
JSC Kazteleport	1,505	1,505
LLC Halyk Collection	859	859
JSC Halyk Finservice	342	342
	242,643	218,460

12. Loans to customers

Loans to customers comprise:

	31 December 2020	31 December 2019
Originated loans to customers	4,678,625	4,090,393
Overdrafts	12,424	17,471
	4,691,049	4,107,864
Stage 1	3,859,663	3,235,981
Stage 2	183,941	152,056
Stage 3	586,789	636,815
POCI	60,656	83,012
Total	4,691,049	4,107,864
Less – Allowances for expected credit losses	(343,165)	(366,577)
Loans to customers	4,347,884	3,741,287

The weighted average interest rate on loans to customers is calculated as interest income from loans to customers divided by monthly average balances of loans to customers. For the year ended 31 December 2020, average interest rate on loans was 12.8% (31 December 2019 - 12.8%).

As at 31 December 2020, the Bank had a concentration of loans of KZT 840,995 million to the ten largest borrowers that comprised 18% of the Bank's total gross loan portfolio (31 December 2019 – KZT 775,224 million, 19%) and 60% of the Bank's total equity (31 December 2019 – 62%).

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

As at 31 December 2020, the allowances for expected credit losses created against these loans was KZT 4,732 million (31 December 2019 – KZT 58,782 million). The significant reduction in allowance for ECL created against top ten loans was mostly due to write-off of significant impaired exposure from the Bank's balance sheet in 2020.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2020	31 December 2019
Loans collateralized by pledge of real estate or rights thereon	1,591,607	1,615,150
Loans collateralized by guarantees	1,149,635	862,886
Consumer loans issued within the framework of payroll projects*	790,712	637,382
Loans collateralized by cash	220,382	232,077
Loans collateralized by pledge of corporate shares	144,763	166,644
Loans collateralized by pledge of vehicles	59,243	70,285
Loans collateralized by mixed types of collateral	48,367	6,884
Loans collateralized by pledge of inventories	15,048	34,213
Loans collateralized by pledge of agricultural products	14,851	7,463
Loans collateralized by pledge of equipment	8,867	7,784
Unsecured loans	647,574	467,096
	4,691,049	4,107,864
Less – Allowances for expected credit losses	(343,165)	(366,577)
Total loans to customers	4,347,884	3,741,287

*These loans are collateralized by cash to be received in the future from the employees of companies within the framework of salary projects.

JSC Halyk Bank

Notes to the Separate Financial Statements For the year ended 31 December 2020 (Continued) (Millions of Kazakhstani Tenge)

Loans are granted to the following sectors:

	31 December 2020	%	31 December 2019	%
Retail loans:				
- consumer loans	1,033,142	22%	794,984	19%
- mortgage loans	213,060	5%	211,656	5%
	1,246,202		1,006,640	
Services	685,460	15%	613,655	15%
Real estate	384,261	8%	330,296	8%
Wholesale trade	344,873	7%	410,846	10%
Retail trade	298,742	6%	263,334	6%
Oil and gas	205,221	4%	202,841	5%
Transportation	203,768	4%	165,135	4%
Energy	200,581	4%	67,007	2%
Construction	195,040	4%	178,878	4%
Metallurgy	171,105	4%	172,245	4%
Mining	164,984	4%	169,044	4%
Agriculture	118,669	3%	132,923	3%
Communication	113,244	2%	91,357	2%
Financial services	98,431	2%	97,786	2%
Food industry	82,298	2%	59,657	1%
Machinery	56,128	1%	38,014	1%
Hotel industry	43,242	1%	38,820	1%
Chemical industry	34,010	1%	30,312	1%
Light industry	11,243	0%	11,630	0%
Other	33,547	1%	27,444	1%
	4,691,049	100%	4,107,864	100%

Restructured and modified loans to customers

The Bank derecognises a financial asset, such as a loan to a customer, if the terms of the contract are renegotiated in such a way that it effectively becomes a new loan and the difference is recognized as a gain or loss on derecognition before an impairment loss is recognized. On initial recognition, loans to customers are classified in Stage 1 for the purpose of estimating expected credit losses, unless the loan originated is considered POCI. If the modification does not result in a significant change in cash flows, then derecognition does not occur.

For the year ended 31 December 2020, the Bank modified the terms of certain loans to customers, including granting credit holidays, as part of measures introduced by governments in response to the impact of the COVID-19 pandemic. The Bank has provided a deferral of payments for up to three months on loans to customers of small, medium and retail businesses in connection with the introduction of quarantine due to the COVID-19 pandemic. As at 31 December 2020, the gross carrying amount of these loans to customers before allowance for expected credit losses was KZT 135,659 million.

Generally, these measures have not automatically been treated as a trigger for credit impairment as those were based on legislative moratoria on loan repayments applied in light of the COVID-19 crisis. However, any further extensions requested by borrowers following the credit holidays were considered by the Bank as credit impairment trigger for retail customers and a trigger for stage reassessment for corporate clients.

JSC Halyk Bank

Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

As at 31 December 2020, accrued interest on loans comprised KZT 167,298 million (31 December 2019 – KZT 152,659 million).

During the years ended 31 December 2020 and 2019, the Bank received financial and non-financial assets by taking possession of collateral it held as security. As at 31 December 2020 and 2019, such assets of KZT 12,212 million and KZT 36,304 million, respectively, are included in assets classified as held for sale.

As at 31 December 2020 and 2019, loans to customers included loans of KZT 369,731 million and KZT 351,440 million, respectively, which terms were renegotiated. Otherwise, these loans would be past due or impaired.

JSC Halyk Bank



Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

The movements in accumulated allowances for expected credit losses of loans to customers were as follows:

	31 December 2020				
	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(36,077)	(45,194)	(270,799)	(14,507)	(366,577)
Transfer to Stage 1	(6,598)	2,167	4,431	-	-
Transfer to Stage 2	1,294	(3,324)	2,030	-	-
Transfer to Stage 3	12,355	5,335	(17,690)	-	-
Changes in risk parameters*	8,525	5,718	(33,915)	12,948	(6,724)
New originations or purchases of financial assets*	(41,233)	-	-	-	(41,233)
Derecognition of financial assets**/**	9,768	1,011	25,648	384	36,811
Recoveries of allowances on previously written-off assets	-	-	(12,717)	(14,765)	(27,482)
Write-offs	-	-	65,560	8,280	73,840
Foreign exchange differences and other movements	(385)	(176)	(4,297)	(6,942)	(11,800)
At the end of the year	(52,351)	(34,463)	(241,749)	(14,602)	(343,165)

JSC Halyk Bank



Notes to the Separate Financial Statements
For the year ended 31 December 2020 (Continued)
(Millions of Kazakhstani Tenge)

31 December 2019

	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the year	(39,273)	(25,521)	(286,928)	(15,006)	(366,728)
Transfer to Stage 1	(12,423)	6,622	5,801	-	-
Transfer to Stage 2	8,869	(22,945)	14,076	-	-
Transfer to Stage 3	51,145	1,756	(52,901)	-	-
Changes in risk parameters**	14,498	(6,626)	(11,217)	(2,239)	(5,584)
New originations or purchases of financial assets**	(71,611)	-	-	-	(71,611)
Derecognition of financial assets*/**	12,557	1,224	30,937	11,410	56,128
Recoveries of allowances on previously written-off assets	-	-	(14,255)	(10,962)	(25,217)
Write-offs	-	-	41,867	1,687	43,554
Foreign exchange differences and other movements	161	296	1,821	603	2,881
At the end of the year	(36,077)	(45,194)	(270,799)	(14,507)	(366,577)

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

*/** Derecognition of financial assets includes changes in the amount of allowances for expected credit losses on fully repaid loans to customers.

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

In 2020 year, the credit loss expense accrual resulted from worsening of financial position of the borrowers, was compensated by the recoveries from corporate impaired loans due to sale of repossessed collaterals and restructuring strategies applied and recoveries from retail impaired loans due to sale to collection companies, in addition to the recoveries due to positive impact of government support programs to business and population of the Kazakhstan.

The table below summarizes the amount of allowances for expected credit losses of loans to customers by type of businesses:

	31 December 2020	31 December 2019
Corporate business	(202,284)	(232,023)
Retail business	(96,968)	(91,676)
SME business	(43,913)	(42,878)
	(343,165)	(366,577)

During the years ended 31 December 2020 and 2019, the Bank has written off loans of KZT 73,840 million and KZT 43,554 million, respectively. The Tax Code of Kazakhstan allows the write-off of loans without being considered forgiveness of the loan for tax purpose and are therefore not subject to corporate income tax.

COVID-19 Government - support measures

In March 2020, the Program was developed by 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 NBRK was identified as the operator of the Program and 12 participating banks were selected, which undergo an independent assets quality review (the "AQR") and have small and medium - sized enterprises ("SME") loans in their portfolio.

The business support mechanism is implemented by providing 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 December 2020, the terms of the Program were revised, including the amount of the Program which was increased to KZT 770 billion. As at 31 December 2020, under the Program the Bank has financed 379 clients for the amount of KZT 143.9 billion.

It should also be noted that the Bank is one of the market participants 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. As at 31 December 2020, the proportion of the SME portfolio that is covered by the state financing programs accounts for 68% of the unimpaired SME loan portfolio or KZT 431.2 billion.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Allowance for expected credit losses and provisions

Against the backdrop of the COVID-19 pandemic continuing throughout the reporting second quarter and subsequently, the spread of coronavirus infection has also increased in Kazakhstan. In order to prevent the spread of COVID-19 among the population of the Republic of Kazakhstan, restrictive measures, including quarantine, were in force on the territory of the republic.

For the year ended 31 December 2020, credit loss expense on loans to customers comprised KZT 11,146 million (31 December 2019 – KZT 21,067 million). Allowances for expected credit losses reflect the net impact of economic scenarios, actions taken on problem assets of corporate and retail business to ensure the repayment of overdue debts, sale of unsecured loans to collection companies, as well as the effect of government programs to support the SME sector.

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. At the same time, when calculating the impact of macroeconomic changes on the Bank's activities, various periods of economic recovery were considered (under different scenarios from 1 to 4 years). 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 the most vulnerable sectors affected by the coronavirus outbreak were closely monitored. 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 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.

Internal rating model for loans to customers

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Bank, and this classification is verified by the risk management function.

The Bank is using an internal rating model to classify loans in different risk categories. The model assists to assess the risk category based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. At the same time, the rating is an auxiliary criterion in assessing the level of increase in credit risk and staging. In addition to the rating, the bank takes into account such factors borrowers' credit history and financial performance, changes in the value of collateral and the quality of financial guarantees. Periodically, the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the risk management department.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The following classifications are used by the rating model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, in the absence of other factors mentioned above, paying capacity of the borrower depends on favorable economic circumstances;
- Rating score 8 - 10 - very high risk of default/default;
- Not rated – loans to customers to subsidiaries.

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that have been assessed collectively.

An analysis of the Bank’s credit risk exposure per class of financial asset, internal rating and “stage” without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts.

Rating Score	31 December 2020				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
1-3	-	-	-	-	-
4	386,396	-	-	-	386,396
5	1,083,497	21,020	-	-	1,104,517
6	578,717	115,042	34,525	13,246	741,530
7	131,352	30,840	147,695	1,606	311,493
8-10	-	-	54,010	34,387	88,397
Not rated	7,783	-	111,533	2,128	121,444
Loans to corporate customers that are individually assessed for impairment	2,187,745	166,902	347,763	51,367	2,753,777
Loans to SME customers and retail business that are individually assessed for impairment	391,835	10,279	46,402	8,467	456,983
Loans to customers that are collectively assessed for impairment	1,280,083	6,760	192,624	822	1,480,289
	3,859,663	183,941	586,789	60,656	4,691,049
Less – Allowances for expected credit losses	(52,351)	(34,463)	(241,749)	(14,602)	(343,165)
Loans to customers	3,807,312	149,478	345,040	46,054	4,347,884

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Rating Score	31 December 2019				
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	POCI	Total
1-3	-	-	-	-	-
4	298,985	-	-	-	298,985
5	986,590	12,513	-	-	999,103
6	577,347	65,042	27,340	14,572	684,301
7	39,419	61,792	131,566	1,626	234,403
8-10	-	-	126,547	49,548	176,095
Not rated	13,311	-	105,665	5,197	124,173
Loans to corporate customers that are individually assessed for impairment	1,915,652	139,347	391,118	70,943	2,517,060
Loans to SME customers and retail business that are individually assessed for impairment	323,420	8,518	47,697	11,345	390,980
Loans to customers that are collectively assessed for impairment	996,909	4,191	198,000	724	1,199,824
	3,235,981	152,056	636,815	83,012	4,107,864
Less – Allowances for expected credit losses	(36,077)	(45,194)	(270,799)	(14,507)	(366,577)
Loans to customers	3,199,904	106,862	366,016	68,505	3,741,287

Analysis by credit quality of loans to retail business and SME customers that are collectively and individually assessed for impairment as at 31 December 2020 and 2019 is as follows:

As at 31 December 2020	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	1,117,982	(42,030)	1,075,952
Overdue:			
up to 30 days	23,411	(4,049)	19,362
31 to 60 days	5,764	(1,584)	4,180
61 to 90 days	3,372	(1,106)	2,266
91 to 180 days	12,015	(7,776)	4,239
over 180 days	67,999	(38,240)	29,759
Loans to retail business that are collectively and individually assessed for impairment	1,230,543	(94,785)	1,135,758
Loans to SME customers			
Not past due	611,243	(15,508)	595,735
Overdue:			
up to 30 days	20,110	(1,104)	19,006
31 to 60 days	2,700	(458)	2,242
61 to 90 days	2,912	(411)	2,501
91 to 180 days	3,203	(799)	2,404
over 180 days	50,901	(26,645)	24,256
Loans to SME customers that are collectively and individually assessed for impairment	691,069	(44,925)	646,144
Loans to SME customers and retail business that are collectively and individually assessed for impairment	1,921,612	(139,710)	1,781,902
Loans to corporate customers that are collectively and individually assessed for impairment	2,753,777	(201,273)	2,552,504
Loans related to card transactions	15,660	(2,182)	13,478
Loans to customers	4,691,049	(343,165)	4,347,884

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

As at 31 December 2019	Gross loans	Allowances for expected credit losses	Net loans
Loans to retail business			
Not past due	865,616	(29,474)	836,142
Overdue:			
up to 30 days	21,756	(3,624)	18,132
31 to 60 days	3,908	(1,085)	2,823
61 to 90 days	2,964	(1,005)	1,959
91 to 180 days	7,476	(4,178)	3,298
over 180 days	81,251	(46,624)	34,627
Loans to retail business that are collectively and individually assessed for impairment	982,971	(85,990)	896,981
Loans to SME customers			
Not past due	511,665	(12,867)	498,798
Overdue:			
up to 30 days	6,304	15	6,319
31 to 60 days	3,090	(304)	2,786
61 to 90 days	1,622	(127)	1,495
91 to 180 days	3,738	(1,661)	2,077
over 180 days	57,744	(28,611)	29,133
Loans to SME customers that are collectively and individually assessed for impairment	584,163	(43,555)	540,608
Loans to SME customers and retail business that are collectively and individually assessed for impairment	1,567,134	(129,545)	1,437,589
Loans to corporate customers that are collectively and individually assessed for impairment	2,517,061	(231,346)	2,285,715
Loans related to card transactions	23,669	(5,686)	17,983
Loans to customers	4,107,864	(366,577)	3,741,287

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2019
(Millions of Kazakhstani Tenge)

13. Property and equipment and intangible assets

The movements in property and equipment are as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2019	89,522	1,551	34,927	35	19,147	3,977	17,749	166,908
Additions	28	415	9,927	1,704	2,141	1,714	5,721	21,650
Disposals	(577)	(265)	(1,237)	(4)	(352)	(256)	(3,207)	(5,898)
Revaluation	9,762	-	-	(13)	-	-	-	9,749
Transfers to assets classified as held for sale	(394)	-	(1)	-	-	-	-	(395)
Transfers	930	-	88	(947)	(71)	-	-	-
31 December 2020	99,271	1,701	43,704	775	20,865	5,435	20,263	192,014
Accumulated depreciation:								
31 December 2019	2,061	558	19,571	-	11,330	809	11,820	46,149
Charge for the year	1,630	246	4,007	-	1,620	1,009	1,490	10,002
Disposals	(346)	(255)	(1,204)	-	(343)	(200)	(507)	(2,855)
Write-off at revaluation	(3,315)	-	-	-	-	-	-	(3,315)
31 December 2020	30	549	22,374	-	12,607	1,618	12,803	49,981
Net book value:								
31 December 2020	99,241	1,152	21,330	775	8,258	3,817	7,460	142,033

JSC Halyk Bank



Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2019
(Millions of Kazakhstani Tenge)

	Buildings and construction	Vehicles	Computers and banking equipment	Construction in progress	Other	Right-of-use assets	Intangible assets	Total
Revalued/initial cost:								
31 December 2018	92,631	1,329	30,593	46	18,058	-	16,138	158,795
Additions	58	574	5,879	410	1,736	1,636	2,456	12,749
Recognition of right-of-use asset on adoption on IFRS 16	-	-	-	-	-	3,077	-	3,077
Disposals	(3,167)	(352)	(1,545)	(421)	(647)	(736)	(845)	(7,713)
31 December 2019	89,522	1,551	34,927	35	19,147	3,977	17,749	166,908
Accumulated depreciation:								
31 December 2018	851	713	17,516	-	10,041	-	10,911	40,032
Charge for the year	1,369	185	3,540	-	1,670	919	1,752	9,435
Disposals	(159)	(340)	(1,485)	-	(381)	(110)	(843)	(3,318)
31 December 2019	2,061	558	19,571	-	11,330	809	11,820	46,149
Net book value:								
31 December 2019	87,461	993	15,356	35	7,817	3,168	5,929	120,759

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

The Bank's revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of specific market or property indicators, the Bank may opt to perform revaluations more regularly.

The Bank had its buildings and properties revalued during 2020 by independent appraisers. The independent appraisers used three approaches to identify the fair value of the property and equipment - the income approach with the income capitalisation method, the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation.

As at 31 December 2020, the fair value measurements of the Bank's buildings and construction, are categorised into Level 2 and Level 3, in the amount of KZT 99,233 million and KZT 8 million, respectively (31 December 2019: KZT 87,438 million and KZT 23 million, respectively). A description of the measurement hierarchy is disclosed in Note 32.

As at 31 December 2020, the total fair value of buildings and construction was KZT 99,241 million (31 December 2019 – KZT 87,461 million). As at 31 December 2020, the carrying amount of property and equipment that would have been recognised had the assets been carried under the cost model is KZT 96,789 million (31 December 2019 – KZT 85,300 million).

14. Assets classified as held for sale

After the default of certain counterparties on loans to customers, the Bank recognized the property pledged as collateral for the loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less cost to dispose or the carrying value, as the appropriate level of management committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated.

Assets held for sale comprised the following:

	31 December 2020	31 December 2019
Real estate	20,038	14,997
Land plots	16,466	23,018
Movable property	65	11
	36,569	38,026

In November 2020, the Bank performed an independent valuation of its assets held for sale and based on the results recognised an impairment loss of KZT 1,297 million.

Despite the Bank actively marketing these assets for sale, the majority have not been sold within a short timeframe. However, the management remains committed to the sale of these assets. As the assets are carried at a price not exceeding the current fair value less costs to sell, they continued to be classified as held for sale at the end of 2020 and 2019.

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The fair value of the Banks's non-current assets held for sale was determined by independent appraisers. Income approach, comparative approach and cost based approach were used to estimate the fair value of those non-current assets. To estimate the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Bank's assets held for sale and information about the fair value hierarchy as at 31 December 2020 and 2019 are as follows:

	Level 2	Level 3	Total
31 December 2019			
Real estate	12,978	2,019	14,997
Land plots	-	23,018	23,018
Movable property	-	11	11
31 December 2020			0
Real estate	12,718	7,320	20,038
Land plots	-	16,466	16,466
Movable property	-	65	65

15. Other assets

Other assets comprise:

	31 December 2020	31 December 2019
Other financial assets:		
Debtors on banking activities	58,144	52,143
Accrued commission income	7,678	5,053
Debtors on non-banking activities	1,809	18,585
Other	14	14
	67,645	75,795
Less – Allowances for expected credit losses	(21,631)	(16,040)
	46,014	59,755
Other non-financial assets:		
Investments in associates	32,797	26,732
Precious metals	21,551	9,248
Prepayments for investment property	7,126	5,813
Advances for taxes other than income tax	2,168	1,800
Prepayments for property and equipment	2,016	1,357
Inventory	1,606	1,418
Other investments	827	873
Other	1,102	724
	69,193	47,965
	115,207	107,720

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

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

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(451)	(1,765)	(13,824)	(16,040)
Changes in risk parameters*	(15)	(698)	(5,418)	(6,131)
Write-offs	-	-	1,073	1,073
Recoveries of allowances on previously written-off assets	-	-	(192)	(192)
Foreign exchange differences and other movements	(10)	(86)	(245)	(341)
At the end of the year	(476)	(2,549)	(18,606)	(21,631)

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(429)	(1,315)	(6,577)	(8,321)
Changes in risk parameters*	(22)	(450)	(1,906)	(2,378)
Write-offs	-	-	2,518	2,518
Recoveries of allowances on previously written-off assets	-	-	(7,857)	(7,857)
Foreign exchange differences and other movements	-	-	(2)	(2)
At the end of the year	(451)	(1,765)	(13,824)	(16,040)

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

16. Amounts due to customers

Amounts due to customers include the following:

	31 December 2020	31 December 2019
Recorded at amortized cost:		
Term deposits:		
Individuals	3,010,250	2,679,899
Legal entities	1,825,472	1,437,188
	4,835,722	4,117,087
Current accounts:		
Legal entities	1,888,582	1,690,164
Individuals	614,335	499,522
	2,502,917	2,189,686
	7,338,639	6,306,773

As at 31 December 2020, the Bank's ten largest groups of related customers accounted for approximately 24% 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 December 2020, customer accounts include collateral in the amount of KZT 80,838 million (31 December 2019 – KZT 85,695 million).

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

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

An analysis of customer accounts by sector is as follows:

	31 December 2020	%	31 December 2019	%
Individuals and entrepreneurs	3,624,585	50%	3,179,421	50%
Financial services	657,824	9%	418,647	7%
Other consumer services	576,194	8%	422,964	7%
Oil and gas	407,057	5%	581,486	9%
Wholesale trade	386,767	5%	334,708	5%
Transportation	291,936	4%	215,144	3%
Construction	248,278	3%	229,440	4%
Healthcare and social services	225,800	3%	211,418	3%
Government	206,321	3%	171,330	3%
Communication	87,314	1%	61,040	1%
Insurance and pension funds activity	74,876	1%	76,593	1%
Metallurgy	71,395	1%	70,373	1%
Education	65,759	1%	44,694	1%
Energy	51,806	1%	39,397	1%
Other	362,727	5%	250,118	4%
	7,338,639	100%	6,306,773	100%

As at 31 December 2020, term deposits of legal entities included short-term deposits from JSC Kazakhstan Sustainability Fund of KZT 119,450 million (31 December 2019 – KZT Nil) at 5% interest rate. These deposits were placed under the program of concessional lending to small and medium-sized enterprises. According to this program, the Bank is responsible to extend 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 (Note 12).

17. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2020	31 December 2019
Recorded at amortized cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	95,685	97,674
Loans from JSC Entrepreneurship Development Fund DAMU	88,919	91,001
Loans from JSC Development Bank of Kazakhstan	47,251	45,245
Correspondent accounts	29,023	22,564
Loans and deposits from OECD based banks	7,401	18,946
Loans from other financial institutions	1,912	2,417
Loans and deposits from non-OECD based banks	1,871	1,643
Loans from JSC National Managing Holding KazAgro	131	197
	272,193	279,687

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

As at 31 December 2020, loans from JSC Entrepreneurship Development Fund DAMU (“DAMU”) included a long-term loan of KZT 88,478 million (31 December 2019 – KZT 90,558 million) at a 1.0%-4.5% interest rate maturing in 2021-2035 with an early recall option. The loan was received in accordance with the Government program (the “Program”) to finance small and medium enterprises (“SMEs”) operating in certain industries. According to the loan agreement between DAMU and the Bank, the Bank is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate.

As at 31 December 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 a 2.0% interest rate maturing in 2029-2037, to finance corporate enterprises operating in manufacturing industries, as well as a long-term loan of KZT 16,175 million (31 December 2019 – KZT 14,175 million) at a 1.0% interest rate maturing in 2037, to finance the purchase of cars by the Bank’s retail customers. According to the loan agreement between DBK and the Bank, the Bank is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate, and to retail borrowers – up to 5 years at a 4.0% interest rate.

The management of the Bank 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.

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

	31 December 2020		31 December 2019	
	Interest rate, %	Maturity, Year	Interest rate, %	Maturity, Year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8%-10.4%	2021	9.5%-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 and deposits from OECD based banks	7.0%	2021	3.6%	2020
Loans from other financial institutions	4.0%-10.0%	2026	4.0%-10.0%	2023-2026
Loans and deposits from non-OECD based banks	3.0%	2021	8.0%	2020
Loans from JSC National Managing Holding KazAgro	3.0%	2022	3.0%	2022

Fair value of assets pledged (Note 9) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2020 and 2019 are as follows:

	31 December 2020		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 the Republic of Kazakhstan	92,605	92,498	76,809	75,966

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

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Loans under repurchase agreements are used by the Bank to provide current cash flows in KZT within the Bank's operating activities. The Bank 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 Bank 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 9)
As at 31 December 2020:	
Carrying amount of transferred assets	92,605
Carrying amount of associated liabilities	92,498
As at 31 December 2019:	
Carrying amount of transferred assets	76,809
Carrying amount of associated liabilities	75,966

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

The Bank's management believes that as at 31 December 2020 and 2019, the Bank was in compliance with the covenants of the agreements the Bank has with the trustees and holders of the notes.

18. Debt securities issued

Debt securities issued comprise:

	31 December 2020	31 December 2019
Recorded at amortised cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	102,158	102,027
Total subordinated debt securities outstanding	102,158	102,027
Unsubordinated debt securities issued:		
USD denominated bonds	374,672	414,652
KZT denominated bonds	330,986	330,182
Total unsubordinated debt securities outstanding	705,658	744,834
Total debt securities issued	807,816	846,861

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

On 1 March 2019, the Bank made a partial early repayment of bonds issued in the amount of USD 750,000,000 at a rate of 5.5% and with a repayment date in 2022. Partial repayment was made in the amount of USD 200,000,000 along with accrued but not paid interest.

In April 2019, the Bank placed senior unsecured coupon bonds in the territory of the International Financial Center “Astana” with a nominal value of USD 180,500,000 for a period of 36 months at a rate of 3% per annum.

On 26 April 2019, the Bank redeemed subordinated bonds issued in April 2009, with an initial amount of placement of KZT 3,530 million. The repayment was made from the Bank’s own funds.

On 14 November 2019, the Bank redeemed coupon bonds issued in November 2014 with an initial placement amount of KZT 59,889 million. The repayment was made from the Bank’s own funds.

On 31 December 2020, the Bank made a partial prepayment on its USD 750,000,000 Eurobond issue bearing 5.5% coupon rate due 2022. The partial prepayment was made for USD 300,000,000 together with the interest accrued, but unpaid.

The coupon rates and maturities of the debt securities issued follow:

	31 December 2020		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 December 2020, accrued interest on debt securities issued was KZT 19,219 million (as at 31 December 2019 – KZT 18,534 million).

Subordinated securities are unsecured obligations of the Bank and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Bank. 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 Bank 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 Bank’s ability to create security interests over its assets. Should the Bank default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Bank’s other financing arrangements. The Bank’s management believes that as at 31 December 2020 and 2019, the Bank was in compliance with the covenants of the agreements the Bank has with the trustees and holders of the notes.

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank'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 Bank's separate statement of cash flows as cash flows from financing activities.

	1 January 2020	Financing cash flows	Non-cash changes		31 December 2020
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	846,861	(126,213)	53,650	33,518	807,816

	1 January 2019	Financing cash flows	Non-cash changes		31 December 2019
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	901,221	(82,261)	(2,209)	30,110	846,861

19. Taxation

The Bank is subject to income tax in the Republic of Kazakhstan.

The income tax expense comprises:

	Year ended 31 December 2020	Year ended 31 December 2019
Current tax charge	29,506	53,990
Deferred income tax expense/(benefit)	3,662	(20,458)
Income tax expense	33,168	33,532

Deferred income tax expense/(benefit) relating to the following temporary difference:

	Year ended 31 December 2020	Year ended 31 December 2019
Fair value of derivatives and financial assets at fair value through other comprehensive income	2,727	(19,606)
Property and equipment, accrued depreciation	3,295	543
Other	(974)	(1,377)
Deferred income tax expense/(benefit) recognized in profit or loss and other comprehensive income	5,048	(20,440)

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2020 and 2019. Income on state and other qualifying securities is tax exempt.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Income before income tax expense	351,448	348,176
Statutory tax rate	20%	20%
Income tax expense at the statutory rate	70,290	69,635
Tax-exempt interest income and other related income on state and other qualifying securities and derivatives	(32,472)	(37,491)
Tax-exempt income on dividends	(1,268)	(2,475)
Non-deductible expenditures:		
- other provisions	268	(666)
Other	(3,650)	4,529
Income tax expense	33,168	33,532

Deferred tax assets and liabilities comprise:

	31 December 2020	31 December 2019
Tax effect of deductible temporary differences:		
Bonuses accrued	2,907	2,676
Fair value of derivatives	1,085	3,470
Vacation pay accrual	479	497
Other	-	87
Deferred tax asset	4,471	6,730
Tax effect of taxable temporary differences:		
Fair value adjustment on customer accounts	(41,342)	(42,191)
Property and equipment, accrued depreciation	(12,066)	(8,770)
Fair value of derivatives and financial assets at fair value through other comprehensive income	(383)	(41)
Deferred tax liability	(53,791)	(51,002)
Net deferred tax liability	(49,320)	(44,272)

Current tax liabilities comprise:

	31 December 2020	31 December 2019
Current income tax payable	(2,151)	(9,742)
Current liability	(2,151)	(9,742)

The Bank has offset deferred tax assets and liabilities on the statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2020	31 December 2019
Deferred tax asset	4,471	6,730
Deferred tax liability	(53,791)	(51,002)
Net deferred tax liability	(49,320)	(44,272)

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Kazakhstan has a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Commercial legislation of the Republic of Kazakhstan, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management’s judgment of the Bank’s business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally, such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Bank believes that it has accrued all tax amounts due and therefore no allowance has been made in the separate financial statements.

In Kazakhstan tax years remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

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

Movements in net deferred tax liability:

	2020	2019
Net deferred tax liability at the beginning of the year	44,272	64,712
Deferred tax expense/(benefit) recognized in profit or loss	3,662	(20,458)
Deferred tax expense recognized in other comprehensive income	1,386	18
Net deferred tax liability at the end of the year	49,320	44,272

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

20. Other liabilities

Other liabilities comprise:

	31 December 2020	31 December 2019
Liability arising from continuing involvement	46,933	26,167
Salary, bonuses and vacation accrual	15,664	14,698
Other prepayments received	8,692	7,573
Taxes payable other than income tax	4,779	4,139
Lease liabilities	4,013	3,307
Payable for general and administrative expenses	2,756	2,020
Creditors on non-banking activities	774	1,615
Creditors on bank activities	105	91
Other	-	36
Total other liabilities	83,716	59,646

Liability arising from continuing involvement represents obligations to JSC Kazakhstan Sustainability Fund ("Operator") related to the state mortgage program "7-20-25" and other programs. In accordance with the conditions of this program, the Bank provides mortgage loans to borrowers and transfers rights of claim on loans to the Program Operator. In accordance with the program and trust management agreement, the Bank carries out trust management of transferred mortgage loans. The Bank is obliged to repurchase the rights of claims on transferred mortgage loans, when the loan principal amount and interest has an overdue of 90 days. Reverse repurchase is performed at the loan nominal value.

The Bank has determined that it neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset transferred; however, the Bank has determined that it retains control over the assets transferred and continues recognizing thereof to the extent of continuing involvement in the assets transferred. The extent of the Bank's continuing involvement is limited to maximum amount of the consideration received, that the Bank has to return as the Bank's continuing involvement takes a form of the guarantee on the asset transferred. As the Bank continues to recognize the asset to the extent of its continuing involvement in loans to customers, the Bank also recognizes the associated liability. As at 31 December 2020 and 2019, principal amount of these loans issue were KZT 46,933 million and KZT 26,167 million, respectively.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

21. Equity

The number of shares authorized, issued and fully paid as at 31 December 2020 and 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 December 2020					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,693,495,385)	11,754,049,397
31 December 2019					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,693,495,385)	11,754,049,397

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

	Number of shares Common	Nominal (placement) amount Common
31 December 2018	11,754,054,397	106,064
Purchase of treasury shares	(5,000)	-
31 December 2019	11,754,049,397	106,064

As at 31 December 2020, no any issues of common shares and purchase of treasury shares by the Bank took place.

As at 31 December 2020, number of common shares comprised 11,754,049,397 and nominal (placement) amount comprised KZT 106,064 thousand.

Common shares

As at 31 December 2020 and 2019, share capital comprised KZT 212,690 million and KZT 212,690 million. As at 31 December 2020, the Bank held 1,693,495,385 of the Bank's common shares as treasury shares at KZT 106,626 million (31 December 2019 – 1,693,490,385 common shares at KZT 106,626 million).

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

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Dividends paid for the previous financial years were as follows:

	Paid in 2020 for the year ended 31 December 2019	Paid in 2019 for the year ended 31 December 2018
Dividends declared during the period	200,759	126,709
Dividend paid per one common share	17.08	10.78

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

22. Financial commitments and contingencies

The Bank's financial commitments and contingencies comprise the following:

	31 December 2020	31 December 2019
Guarantees issued	401,819	397,567
Commercial letters of credit	37,812	67,532
Commitments to extend credit	35,265	36,971
Financial commitments and contingencies	474,896	502,070
Less: cash collateral against letters of credit	(14,922)	(31,637)
Less: provisions	(8,633)	(3,859)
Financial commitments and contingencies, net	451,341	466,574

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 December 2020, the ten largest guarantees accounted for 55% of the Bank's total financial guarantees (31 December 2019 – 60%) and represented 16% of the Bank's total equity (31 December 2019 – 19%).

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 December 2020, the ten largest unsecured letters of credit accounted for 60% of the Bank's total commercial letters of credit (31 December 2019 – 53%) and represented 2% of the Bank's total equity (31 December 2019 – 3%).

The Bank requires collateral to support credit-related financial instruments when it is deemed necessary. The Bank 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 Bank. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

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

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The movements in provisions were as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(299)	(850)	(2,710)	(3,859)
Transfer to Stage 1	(33)	-	33	-
Transfer to Stage 3	3,550	276	(3,826)	-
Additional provisions recognised	(3,556)	(759)	(360)	(4,674)
Foreign exchange differences	(4)	(22)	(74)	(100)
At the end of the year	(342)	(1,355)	(6,936)	(8,633)

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the year	(108)	(1,038)	(948)	(2,094)
Transfer to Stage 3	1	-	(1)	-
(Additional provisions recognised)/recoveries	(188)	193	(1,732)	(1,727)
Foreign exchange differences	(4)	(5)	(29)	(38)
At the end of the year	(299)	(850)	(2,710)	(3,859)

Capital commitments

As at 31 December 2020 and 2019, the Bank had commitments for capital expenditures in respect of construction in progress for KZT 4,461 million and KZT nil, respectively.

Operating lease commitments

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

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

23. Net interest income

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income:		
Loans to customers	507,906	448,159
- <i>Corporate business</i>	197,987	174,823
- <i>Retail business</i>	242,819	215,161
- <i>SME business</i>	67,100	58,176
Debt securities at amortised cost, net of allowances for expected credit losses	97,889	93,914
Financial assets at fair value through other comprehensive income	74,469	102,533
Amounts due from credit institutions and cash and cash equivalents	21,211	34,532
Other financial assets	5,406	6,109
Total interest income calculated using the effective interest method	706,881	685,247
Interest expense:		
Amounts due to customers	(229,793)	(213,112)
- <i>Individuals</i>	(132,531)	(129,106)
- <i>Legal entities</i>	(97,262)	(84,006)
Debt securities issued	(96,976)	(97,120)
Other interest expense	(8,747)	(3,174)
Amounts due to credit institutions	(6,875)	(4,048)
Other financial liabilities	(375)	(287)
Total interest expense	(342,766)	(317,741)
Net interest income before credit loss expense	364,115	367,506

The total interest income calculated using the EIR method for financial assets measured at amortised cost is KZT 632,412 million for the year ended 31 December 2020 (2019: KZT 582,714 million).

24. Fees and commissions

Fee and commission income was derived from the following sources:

	Year ended 31 December 2020	Year ended 31 December 2019
Plastic cards operations	68,998	62,937
Bank transfers – settlements	17,165	14,947
Letters of credit and guarantees issued	9,750	9,588
Cash operations	9,736	10,834
Servicing customers' pension payments	8,599	8,122
Bank transfers – salary projects	6,045	6,925
Maintenance of customer accounts	2,982	3,226
Other	17,519	1,226
	140,794	117,805

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

Fee and commission expense comprised the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Payment cards	(48,060)	(37,067)
Deposit insurance	(8,322)	(10,080)
Bank transfers	(1,387)	(1,258)
Foreign currency operations	(1,110)	(1,094)
Commission paid to collectors	(326)	(314)
Other	(2,257)	(2,216)
	(61,462)	(52,029)

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

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

	Year ended 31 December 2020	Year ended 31 December 2019
Net gain/(loss) from operations with financial assets and liabilities classified as held for trading:		
Unrealized net gain/(loss) on derivative operations	4,518	(20,056)
Realized net loss on derivative operations	(1,943)	(1,499)
Total net gain/(loss) from operations with financial assets and liabilities classified as held for trading	2,575	(21,555)

26. Net foreign exchange gain

Net foreign exchange gain comprises:

	Year ended 31 December 2020	Year ended 31 December 2019
Dealing, net	49,000	35,797
Translation differences, net	(18,170)	7,953
Total net foreign exchange gain	30,830	43,750

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

27. Operating expenses

Operating expenses comprised:

	Year ended 31 December 2020	Year ended 31 December 2019
Salaries and other employee benefits	60,128	55,816
Depreciation and amortization expenses	10,003	9,435
Advertisement and loyalty program	8,369	3,713
Repair and maintenance	6,556	6,487
Taxes other than income tax	6,305	5,925
Collection expenses	5,697	5,947
Communication	5,147	4,026
Information services	4,531	4,159
Security	4,271	3,953
Utilities	2,828	2,599
Charity	2,701	1,998
Rent	2,460	2,639
Stationery and office supplies	1,610	1,461
Impairment on investments in subsidiaries	874	160
Professional services	528	1,081
Business trip expenses	212	724
Transportation	163	183
Other	2,647	2,226
	125,030	112,532

28. Earnings per share

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

According to Kazakhstan legislation on Joint Stock Companies, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net income for the period is allocated to the ordinary shares and the preferred shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2020	Year ended 31 December 2019
Basic and diluted earnings per share		
Net income for the year attributable to equity holders of the parent	318,280	314,644
Earnings attributable to common shareholders	318,280	314,644
Weighted average number of common shares for the purposes of basic and diluted earnings per share	11,753,749,919	11,753,749,919
Basic and diluted earnings per share (in Kazakhstani Tenge)	27.08	26.77

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

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

Class of shares	Outstanding shares	31 December 2020	
		Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,754,049,397	1,392,621	118.48
		1,392,621	

Class of shares	Outstanding shares	31 December 2019	
		Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,754,049,397	1,242,407	105.70
		1,242,407	

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

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

29. Financial risk management

Risk management is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the following risks:

Risk appetite management

Risk appetite is the aggregate level and types of risks that the Bank is ready to accept when achieving strategic objectives and business plan.

In order to build an effective system for managing the Bank's risk appetite, the risk appetite strategy of JSC Halyk Bank was developed and approved.

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued)

For the year ended 31 December 2020

(Millions of Kazakhstani Tenge)

The risk appetite strategy defines clear boundaries of the volume of accepted significant risks in which the Bank operates as part of the implementation of the overall development strategy of Halyk Group, and also determines the risk profile of the Bank's activities in order to prevent the implementation of risks or minimize their negative impact on the financial position of the Bank.

As part of the development and implementation of the risk appetite strategy for each significant level of risk, the Board of Directors approved the levels of risk appetite (for credit risk, market risk, liquidity risk, operational risk), taking into account the adopted business model, scale of activities, types and complexity of the Bank's operations.

Internal process for assessing capital adequacy

In accordance with the requirements of the rules for the formation of a risk management and internal control system for second-tier banks, the Bank developed and implemented an internal process for assessing capital adequacy, which was approved by the Board of Directors. The internal capital adequacy assessment process (the "ICAAP") is a set of processes for managing significant risks, taking into account the volume of assets, the nature and level of complexity of the activity, the organizational structure, strategic plans, risk profile, regulatory framework, assessment and aggregation of such risks in order to determine target level of the Bank's capital adequacy to maintain a stable financial position and solvency.

The purpose of the ICAAP development is to identify, assess, aggregate and control significant types of risks inherent in the Bank's activities in order to determine the required level of capital sufficient to cover them, including: credit risk, market risk, liquidity risk and operational risk. The Bank assesses the adequacy of its equity capital, taking into account the current level of risk appetite and development strategy, based on the approved budget. Equity capital adequacy is assessed taking into account the results of stress testing of the Bank's risks. The internal process for assessing capital adequacy is subject to continuous review of both quantitative and qualitative indicators, including the application of its results, approaches to stress testing, risk identification and information collection process, validation of risk assessment models.

Credit risk

Credit risk is the risk of loss arising for the Bank when a counterparty is unable to meet its contractual obligations on time or in full.

The risk management department plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification, evaluation and implementation of control and monitoring measures. As part of the credit risk management system, the Bank maintains a sufficient level of allowances for expected credit losses, controls the credit risk assessment process, takes the necessary measures to ensure the completeness and reliability of information in order to make decisions, adhere to internal policies and procedures, and maintain a credit assessment procedures independent of the business units risks.

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The risk management department directly participates in credit decision - making processes and the development process of internal rules, regulations and loan programs. In addition, the department provides independent recommendations concerning credit exposure minimisation measures, controls limits and monitors credit risks, the level of risk appetite for credit risk, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (the "ALMC"). The Bank sets the levels of risk appetite for the concentration of the loan portfolio by types of lending: corporate business, small and medium business, retail business to the Bank's loan portfolio, portfolio concentration by 10 large borrowers of the Bank, the concentration of the portfolio on foreign currency loans, the concentration of the loan portfolio by the acceptable rating level, PD level and NPL level in small and retail business in the loan portfolio by lending segment. Limits on credit risk exposure with respect to credit programmes (SME and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures, which are reviewed by the Credit Committees and the ALMC. Actual exposures against limits are monitored daily.

The risk, that the counterparty will not meet its obligations, is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the statement of financial position (i.e. the policy based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring). The Bank monitors the term to maturity of off-balance sheet contingencies, as longer term commitments generally have a greater degree of credit risk than shorter term commitments.

Structure and authorities of credit committees

Credit committees, the ALMC, the Management Board and the Board of Directors are credit authorities responsible for the implementation of the Bank's Credit Policy and credit decision-making process.

Head Office Credit Committee ("CC")

The primary goal of the CC is the implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Branch Credit Committee and Branch Network Credit Committee (“BCC”, “BNCC”)

The primary goal of the BCC and the BNCC is the implementation of the Bank’s Credit Policy in terms of granting financial instruments via branches to SME customers.

Delegated credit authority limits for the BCC and the BNCC are established by the Management Board. The BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank’s experts.

Retail Branch Credit Committee of the Head Office (“RCCHO”) and Decision Making Center (“DMC”)

The primary goal of the RCCHO and the DMC, which are credit authorities, is the implementation of the Bank’s Credit Policy in terms of granting retail financial instruments via branches.

The DMC is comprised of credit underwriters with delegated credit authorities based on a four eyes principle. The DMC makes credit decisions within their authorities and limits established by the Management Board and the RCCHO. The RCCHO is authorized to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the functioning of the DMC and RCCHO, there is an automated approach for making decisions when lending to individuals. Automation of decision making is based on a risk-based approach, including Risk Based Pricing and the use of additional parameters when assessing customer solvency. Based on the results of consideration of applications, loan proposals are formed both according to the requested conditions and by offering alternative solutions for all segments of applicants for individuals (participants / non-participants of the salary project, pensioners, etc.). This approach takes into account the risk profile of the potential borrower and allows minimising the credit risk exposure in the decision making process.

Decision Making Center for Small Business (“DMC for SB”)

The DMC for SB was established in 2018, the main task of which is to consider loan applications in the small business sector in an amount not exceeding KZT 150 million.

The DMC for SB consists of credit underwriters with delegated decision-making powers based on the four-eye principle. The Decision Making Center takes decisions within the framework of the authority approved by the Board of the Bank and the limits approved by the BNCC.

Problem loans committee of the Head Office, branches

The primary goal of the problem loans committee of the Head Office, branches is the implementation of the Bank’s Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Authorized credit authorities of the Bank's subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the authorized credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant credit committee according to the Bank's internal rules and regulations.

ALMC

The primary goal of the ALMC is profit maximization and to limit the risks of banking activities related to raising and allocating funds and the establishment of a medium-term policy for the management of assets and liabilities. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risk management.

The ALMC is also responsible for establishing country and counterparty-bank limits. The ALMC reports to the Board of Directors.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, the BNCC and the RCCHO, or exceeding the relevant limits of the BNCC and the RCCHO, have to be considered by the Management Board.

Risk Committee

The Risk Committee was established in May 2020. The Committee is a collegial body under the Board of Directors and assists in the implementation of functions related to the formation of an effective risk management and internal control system in the Bank, ensuring its functioning and informing the Board of Directors about the level of risks assumed by the Bank.

The Board of Directors

If the loan application exceeds 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

The Bank's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on (Note 22). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2020	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,456,236	164,288
Financial assets at fair value through profit or loss	3,670	-
Amounts due from credit institutions	833,668	-
Financial assets at fair value through other comprehensive income	1,213,090	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,214,731	-
Loans to customers	4,347,884	3,700,310
Other financial assets	46,014	-
Commitments and contingencies	466,263	14,922
	31 December 2019	
	Maximum exposure and net exposure after offset	Collateral pledged
Cash equivalents*	1,429,150	37,516
Financial assets at fair value through profit or loss	4,653	-
Amounts due from credit institutions	110,409	-
Financial assets at fair value through other comprehensive income	1,545,893	-
Debt securities at amortised cost, net of allowance for expected credit losses	1,199,253	-
Loans to customers	3,741,287	3,274,191
Other financial assets	59,755	-
Commitments and contingencies	498,211	31,637

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

As at 31 December 2020 and 2019, there is no any difference between maximum exposure and net exposure after offset.

Significant increase in credit risk

As explained in Note 4, the Bank monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued)

For the year ended 31 December 2020

(Millions of Kazakhstani Tenge)

The Bank uses credit risk grades as a primary input into the determination of the term structure of the PD for exposures. The Bank collects performance and default information about its credit risk exposures analyzed by jurisdiction or region and by type of product and borrower as well as by credit risk grading. The information used is both internal and external depending on the portfolio assessed. The Bank uses different criteria to determine whether credit risk has increased significantly per portfolio of assets. The criteria used are both quantitative changes in PDs as well as qualitative.

For treasury operations (interbank transactions, securities, reverse repurchase agreements), a significant increase in credit risk is determined individually for each financial asset on the basis of quantitative indicators (rating downgrades by 3 or more steps since initial recognition, overdue by 1 day or more since initial recognition) and qualitative indicators (negative information relating to the issuer/counterparty, including deterioration of financial condition, change of shareholders, the realization of the risk of loss of reputation, the systematic violation of prudential standards) since initial recognition.

For bank loans assessed on a collective basis, a significant increase in credit risk is determined for loans with an overdue of over 30 days since initial recognition, for loans assessed on an individual basis - additionally in case of the decrease of internal credit rating and increase in lifetime PD on 10 percentage points in accordance with the internal rating model (the presence of restructuring during deterioration of the financial position for classification to Stage 3), expert opinions of the Bank's specialists based on the changes in the qualitative and quantitative indicators of the borrower, a significant deterioration of collateral and other objective evidence of significant financial difficulties since initial recognition.

Stage 3 is determined for loans that are assessed on a collective basis with an overdue of over 60 - 90 days, for loans assessed on an individual basis - over 60 days past due, restructuring related to the deterioration of financial condition, deterioration of the internal credit rating and expert opinion of the Bank's specialists.

The Bank considers that certain financial instruments with low credit risk at the reporting date, have not experienced a significant increase in credit risk. The Bank applies this policy to financial instruments issued to sovereign and financial institutions only. The Bank considers a financial instrument to have low credit risk when their external credit risk rating is equivalent to definition of 'investment grade' by international rating agencies.

The Bank has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Incorporation of forward-looking information

The Bank uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL.

The incorporation of forward-looking elements reflects the expectations of the Bank and involves the creation of two scenarios ("base case" and "downside" scenarios), including an assessment of the probability for each scenario. The purpose of using multiple scenarios is to model the non-linear impact of assumptions about macroeconomic factors on the expected credit losses. The "base case" scenario enters with a probability of 75% and the "downside" scenario with a probability of 25%

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued)

For the year ended 31 December 2020

(Millions of Kazakhstani Tenge)

Development of forecasting was carried out by JSC Halyk Finance using internal and external information for creating “base case” and “downside” scenarios of future forecasting of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Bank applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Bank for strategic planning and budgeting. The Bank has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

In relation to the sensitivity, within the implementation of specified stress factors, the results of the stress testing performed in December 2020 demonstrate the deterioration of the Bank's financial indicators (growth of allowances for expected credit losses, decrease of net profit and outflow of amounts due to customers).

At the same time, given that, the Bank has a sufficient amount of equity and liquid assets, significant deterioration in the financial position of the Bank and violation of regulatory requirements and norms are not predicted.

In general, a worsening of forecasted macroeconomic variables for each scenario or an increase in the probability of the “downside” scenario occurring will both increase the number of loans migrating from Stage 1 to Stage 2 and increase the estimated allowances for expected credit losses. In contrast, an improvement in the outlook on forecasted macroeconomic variables or an increase in the probability of the “base case” scenario occurring will have a positive impact. It is not possible to meaningfully isolate the impact of changes in the various macroeconomic variables for a particular scenario due to the interrelationship between the variables as well as the interrelationship between the level of pessimism inherent in a particular scenario and its probability of occurring.

The table below summarizes the forecasts for the following year for the principal macroeconomic indicators included in economic scenarios as at 31 December 2020 and 2019 for Kazakhstan, which is the country where the Bank operates and therefore is the country that has a material impact in ECLs.

List of macro variables used	31 December 2020		31 December 2019	
	Definition	Range	Definition	Range
Real GDP growth	% change	Between 2.0% and 3.0%	% change	Between 2.4% and 3.6%
Inflation	Inflation %	Between 6.5% and 8.0%	Inflation %	Between 5.8% and 10.4%
Oil price (USD/bbl.)	Price per barrel	Between USD 35 and USD 45	Price per barrel	Between USD 45 and USD 55

The main risk factor for the Kazakh economy is the deterioration in the terms of trade associated with the high volatility of oil prices. The baseline scenario is based on forecasted Brent crude oil futures prices.

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

According to the forecasts of the baseline scenario, the economy of Kazakhstan in 2021 will demonstrate a recovery growth of 3%, taking into account the forecast for the cost of Brent crude of 45 USD/bbl. The economy will be supported by the recovery of investment activity in the oil and gas industry, which accounts for about 40% of all investments in the country. Given that the service sector suffers the most from isolation measures, and almost 70% of the entire employed population is concentrated in it, the expected easing of quarantine measures should lead to a gradual improvement in the situation in this area.

The stress scenario (25% probability of occurrence) considers the shock from a drop in oil prices to 35 USD/bbl., which corresponds to the standard deviation in accordance with the historical volatility of real oil prices.

According to the Bank's management, global oil demand will continue to recover in 2021. At the same time, the oil market is still subject to the influence of geopolitical factors. Thus, taking into account the risks of repeated lockdowns and taking into account the fragility of the equilibrium in the oil market, the further waves of the pandemic may again lead oil prices to drop below 40 USD/bbl, while the epidemiological situation will be unstable until the end of next year. A decrease in hydrocarbon prices may lead to a deterioration in the macroeconomic indicators of Kazakhstan, including a slowdown in GDP dynamics, an increase in inflation, and an increase in unemployment.

Based on the results of 2020 year, Kazakhstan's GDP decreased by 2.6%, inflation was 7.5%, and the average price of Brent crude was 45.59 USD / bbl.

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Bank's internal rating system. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

The following table details the credit ratings of financial assets held by the Bank (except for loans to customers, which are disclosed in details below), before any allowances for expected credit losses:

	AA	AA-	A	BBB	<BBB	Not rated	31 December 2020 Total
Cash and cash equivalents*	81,746	17,381	16,629	1,143,357	166,578	30,580	1,456,271
Obligatory reserves	-	-	-	159,903	-	-	159,903
Financial assets at fair value through profit or loss	21	18	3,569	14	13	35	3,670
Amounts due from credit institutions	6,949	5,019	207,854	461,101	101,098	52,074	834,095
Financial assets at fair value through other comprehensive income	55,370	10,553	110,284	883,570	148,905	5,006	1,213,688
Debt securities at amortised cost	-	-	-	1,046,912	-	168,364	1,215,276
Other financial assets	-	-	-	-	-	67,645	67,645
Commitments and contingencies	-	-	-	-	-	474,895	474,895

JSC Halyk Bank

Notes to the Separate Financial Statements (Continued) For the year ended 31 December 2020 (Millions of Kazakhstani Tenge)

	AA	AA-	A	BBB	<BBB	Not rated	31 December 2019 Total
Cash and cash equivalents*	247,538	218,585	191,990	705,958	37,663	27,430	1,429,164
Obligatory reserves	-	-	-	133,033	-	-	133,033
Financial assets at fair value through profit or loss	-	-	78	4,401	12	162	4,653
Amounts due from credit institutions	-	6,445	6,363	38,572	-	59,230	110,610
Financial assets at fair value through other comprehensive income	342,889	15,287	47,820	1,045,106	89,963	5,348	1,546,413
Debt securities at amortised cost	-	-	-	1,046,755	-	153,036	1,199,791
Other financial assets	-	-	-	-	-	75,795	75,795
Commitments and contingencies	-	-	-	-	-	502,070	502,070

*Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents in the statement of financial position.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Bank is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

Notes to the Separate Financial Statements (Continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The following table details the carrying value of financial assets that are impaired and for those that are past due but not impaired:

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2020 Total
	Unimpaired financial assets		Impaired financial assets		Gross carrying amount of assets	Amount of allowances for expected credit losses	
	Gross carrying amount of assets	Amount of allowances for expected credit losses	Gross carrying amount of assets	Amount of allowances for expected credit losses			
Amounts due from credit institutions	834,095	(427)	-	-	-	-	833,668
Financial assets at fair value through other comprehensive income	1,213,688	(598)	-	-	-	-	1,213,090
Debt securities at amortized cost	1,215,276	(545)	-	-	-	-	1,214,731
Loans to customers	2,756,761	(45,016)	453,998	(178,074)	1,480,290	(120,075)	4,347,884
Other financial assets	-	-	58,348	(17,875)	9,297	(3,756)	46,014

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2019 Total
	Unimpaired financial assets		Impaired financial assets		Gross carrying amount of assets	Amount of allowances for expected credit losses	
	Gross carrying amount of assets	Amount of allowances for expected credit losses	Gross carrying amount of assets	Amount of allowances for expected credit losses			
Amounts due from credit institutions	110,610	(201)	-	-	-	-	110,409
Financial assets at fair value through other comprehensive income	1,546,413	(520)	-	-	-	-	1,545,893
Debt securities at amortized cost	1,199,791	(538)	-	-	-	-	1,199,253
Loans to customers	2,386,939	(52,063)	521,101	(206,825)	1,199,824	(107,689)	3,741,287
Other financial assets	-	-	69,581	(13,093)	6,214	(2,947)	59,755

As at 31 December 2020, the carrying amount of unimpaired overdue loans was KZT 36,466 million (31 December 2019 – KZT 23,463 million). Maturities of these overdue loans are not greater than 90 days.

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Bank to provide funds for repayment of its obligations in due time. The Bank's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

In accordance with the requirements of the Rules for the formation of a risk management and internal control system for second-tier banks, the Bank has developed and implemented an internal process for assessing liquidity adequacy ("IPALA"), which was approved by the Board of Directors. IPALA is a set of liquidity risk management processes in order to maintain an adequate level of liquidity and implement an appropriate liquidity risk management system at different time intervals depending on the type of activity, currency. IPALA was developed in accordance with the risk appetite strategy, taking into account the current market and economic situation, the risk profile and the requirements of the legislation of the Republic of Kazakhstan in terms of the formation of a risk management and internal control system for second-tier banks, as well as the internal needs of the Bank in determining the main approaches and principles of the process assessing the adequacy of liquidity. In order to determine the risk appetite, the Board of Directors approves the levels of risk appetite for liquidity risk, and also uses a quantitative internal indicator of liquidity adequacy within the IPALA, which limits the risks of current, short-term, medium-term and long-term liquidity. In order to identify weaknesses, the IPALA is subject to continuous review at least once a year, which is submitted for approval by the Board of Directors.

Short-term liquidity needs are managed by the Bank's Treasury function collecting daily cash inflow/outflow forecasts. Long-term liquidity management is performed by the ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Bank analyzes 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 Bank's short-term liquidity needs.

JSC Halyk Bank



Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	31 December 2020 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,643,197	12,365	-	-	-	1,655,562
Obligatory reserves	87,602	20,780	41,490	9,646	385	159,903
Financial assets at fair value through profit or loss	86	-	3,548	5	31	3,670
Amounts due from credit institutions	152,072	7,454	584,727	63,627	25,788	833,668
Financial assets at fair value through other comprehensive income	73,506	2,660	90,072	895,563	151,289	1,213,090
Debt securities at amortised cost, net of allowances for expected credit losses	11,559	1,447	33,448	668,335	499,942	1,214,731
Loans to customers*	175,036	382,007	2,417,074	1,240,761	133,006	4,347,884
Other financial assets	27,703	5,958	11,029	660	664	46,014
	2,170,761	432,671	3,181,388	2,878,597	811,105	9,474,522
FINANCIAL LIABILITIES:						
Amounts due to customers	3,552,275	828,682	1,765,934	771,393	420,355	7,338,639
Amounts due to credit institutions	134,694	191	2,214	17,427	117,667	272,193
Financial liabilities at fair value through profit or loss	1,713	-	206	104	449	2,472
Debt securities issued	215,446	3,785	3,232	585,353	-	807,816
Other financial liabilities	54,427	149	5	-	-	54,581
	3,958,555	832,807	1,771,591	1,374,277	538,471	8,475,701
Net position	(1,787,794)	(400,136)	1,409,797	1,504,320	272,634	998,821
Accumulated gap	(1,787,794)	(2,187,930)	(778,133)	726,187	998,821	

JSC Halyk Bank



Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,598,199	1,493	-	-	-	1,599,692
Obligatory reserves	81,412	8,084	39,259	3,990	288	133,033
Financial assets at fair value through profit or loss	4,653	-	-	-	-	4,653
Amounts due from credit institutions	17,873	159	32,076	32,709	27,592	110,409
Financial assets at fair value through other comprehensive income	88,955	217,932	611,845	340,536	286,625	1,545,893
Debt securities at amortised cost, net of allowances for expected credit losses	11,559	1,315	33,448	652,996	499,935	1,199,253
Loans to customers*	254,744	382,403	2,039,119	956,047	108,974	3,741,287
Other financial assets	33,187	723	20,260	5,353	232	59,755
	2,090,582	612,109	2,776,007	1,991,631	923,646	8,393,975
FINANCIAL LIABILITIES:						
Amounts due to customers	2,993,517	356,283	2,002,235	548,728	406,010	6,306,773
Amounts due to credit institutions	141,444	183	1,810	15,818	120,432	279,687
Financial liabilities at fair value through profit or loss	19,782	-	-	227	-	20,009
Debt securities issued	13,482	3,785	3,109	599,002	227,483	846,861
Other financial liabilities	32,882	322	29	3	-	33,236
	3,201,107	360,573	2,007,183	1,163,778	753,925	7,486,566
Net position	(1,110,525)	251,536	768,824	827,853	169,721	
Accumulated gap	(1,110,525)	(858,989)	(90,165)	737,688	907,409	

* Loans to customers "3 months to 1 year" include loans with non-standard repayment schedule.

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

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

A significant portion of the Bank'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 Bank indicate that these deposits provide a long-term and stable source of funding for the Bank. Therefore, an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management. Additionally, the accumulated gap can be sufficiently covered by refinancing with the repurchase agreements and sale of liquid government and other high-quality rated securities or attracting long-term debt funding on capital markets when necessary.

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2020 Total
FINANCIAL AND CONTINGENT LIABILITIES:						
Amounts due to customers	3,549,709	836,355	1,819,139	872,247	492,500	7,569,950
Amounts due to credit institutions	134,814	191	2,232	19,231	146,913	303,381
Debt securities issued	216,953	4,937	24,279	700,943	-	947,112
Other financial liabilities	54,427	149	5	-	-	54,581
Guarantees issued	401,819	-	-	-	-	401,819
Commercial letters of credit	37,812	-	-	-	-	37,812
Commitments to extend credit	35,265	-	-	-	-	35,265
	4,430,799	841,632	1,845,655	1,592,421	639,413	9,349,920
Derivative financial assets	181,084	15,497	32,583	13,890	38,372	281,426
Derivative financial liabilities	183,436	15,504	28,306	14,827	38,946	281,019

JSC Halyk Bank

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2019 Total
FINANCIAL AND CONTINGENT LIABILITIES:						
Amounts due to customers	2,994,559	359,092	2,053,192	617,263	470,518	6,494,624
Amounts due to credit institutions	141,605	183	1,812	17,964	152,115	313,679
Debt securities issued	14,881	4,937	37,642	756,359	246,966	1,060,785
Other financial liabilities	32,882	322	29	3	-	33,236
Guarantees issued	397,567	-	-	-	-	397,567
Commercial letters of credit	67,532	-	-	-	-	67,532
Commitments to extend credit	36,971	-	-	-	-	36,971
	3,685,997	364,534	2,092,675	1,391,589	869,599	8,404,394
Derivative financial assets	583,536	-	364,096	29,617	-	977,249
Derivative financial liabilities	604,952	-	388,938	31,202	-	1,025,092

Market risk

Market risk is the risk that Bank's earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Bank is exposed to market risks which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimize risk/return, minimize losses in case of adverse events and decrease deviation of factual financial results from expected financial results.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes, the ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate risk

The Bank is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decrease, interest expense increase or a negative impact on equity resulting from adverse changes in market interest rates.

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The Bank determines two types of interest rate risk:

- Interest rate risk related to changes in fair values of securities portfolios, which are reflected through equity;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rate repricing) mismatch that are sensitive to interest rate changes (risk of interest rate changes).

The ALMC manages interest rate risks and market risks through the management of the Bank's position on interest rates to reach positive interest margins.

The Bank manages interest rates by determining the Bank's exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Bank's exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The Bank assesses the reasonably possible changes in interest rates in tenge and foreign currencies separately, in which financial assets and liabilities are denominated due to the different volatility of interest rates. Particularly, a scenario of interest rate changes in tenge takes into account the dynamics of market interest rates (loans/deposits, NBRK base rate etc.).

The impact on profit before tax is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2020 and 2019, and the effect of revaluing instruments with fixed rates accounted for at fair value. The management of the Bank believes income tax not to have a substantial effect for the purpose of interest rate risk management.

The impact on income before tax based on asset and liability values as at 31 December 2020 and 2019 is as follows:

	31 December 2020		31 December 2019	
	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%	Interest rate KZT +2% CCY +2%	Interest rate KZT -2% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss				
KZT	6,345	(6,957)	1,384	(1,360)
CCY	-	-	3,554	(3,554)
Amounts due from credit institutions	6,345	(6,957)	(2,170)	2,194
CCY	811	(811)	44	(44)
Loans to customers	811	(811)	44	(44)
CCY	1,263	(1,263)	1,159	(1,159)
CCY	1,263	(1,263)	1,159	(1,159)
FINANCIAL LIABILITIES:				
Amounts due to credit institutions	-	-	3	(3)
CCY	-	-	3	(3)
Net impact on income before tax	8,419	(9,031)	2,584	(2,560)

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

The impact on equity is the effect of the assumed changes in interest rates due to changes in retained earnings and the effect of revaluation of financial assets at fair value through other comprehensive income with fixed rates.

The impact on equity based on asset and liability values as at 31 December 2020 and 2019 is as follows:

	31 December 2020		31 December 2019	
	Interest rate	Interest rate	Interest rate	Interest rate
	KZT +2% CCY +2%	KZT -2% CCY -2%	KZT +2% CCY +2%	KZT -2% CCY -2%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	6,345	(6,957)	1,384	(1,360)
<i>KZT</i>	-	-	3,554	(3,554)
<i>CCY</i>	6,345	(6,957)	(2,170)	2,194
Amounts due from credit institutions	811	(811)	44	(44)
<i>CCY</i>	811	(811)	44	(44)
Loans to customers	1,263	(1,263)	1,159	(1,159)
<i>CCY</i>	1,263	(1,263)	1,159	(1,159)
Financial assets at fair value through other comprehensive income	(71,619)	71,619	(57,545)	57,545
<i>KZT</i>	(16,745)	16,745	(15,907)	15,907
<i>CCY</i>	(54,874)	54,874	(41,638)	41,638
FINANCIAL LIABILITIES:				
Amounts due to credit institutions	-	-	3	(3)
<i>CCY</i>	-	-	3	(3)
Net impact on equity	(63,200)	62,588	(54,961)	54,985

Currency Risk

The Bank is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Bank.

The ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rate fluctuations of national and foreign currencies.

The treasury department performs daily monitoring of the Bank's open currency position with the aim to comply with the requirements of the regulatory authority.

The Bank is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority.

The Bank's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Bank's USD denominated monetary assets and liabilities. Currency risk is assessed in relation to the statement of financial position and off-balance sheet positions. The current Bank's sensitivity to fluctuations in exchange rates is acceptable due to the fact that the off balance sheet items significantly neutralize the statement of financial position.

JSC Halyk Bank



Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

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

31 December 2020

	USD	EUR	RUB	Other foreign currencies	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	1,124,416	18,960	35,424	14,327	1,193,127	462,435	1,655,562
Obligatory reserves	85,798	3,478	1,199	964	91,439	68,464	159,903
Financial assets at fair value through profit or loss	42	-	-	-	42	3,628	3,670
Amounts due from credit institutions	633,497	42,830	33,093	-	709,420	124,248	833,668
Financial assets at fair value through other comprehensive income	641,020	130,942	4,409	-	776,371	436,719	1,213,090
Debt securities at amortised cost, net of allowances for expected credit losses	169,811	-	-	-	169,811	1,044,920	1,214,731
Loans to customers	745,643	28,319	31,759	334	806,055	3,541,829	4,347,884
Other financial assets	1,407	279	9	5	1,700	44,314	46,014
	3,401,634	224,808	105,893	15,630	3,747,965	5,726,557	9,474,522
FINANCIAL LIABILITIES:							
Amounts due to customers	3,175,526	131,703	39,049	31,102	3,377,380	3,961,259	7,338,639
Amounts due to credit institutions	16,904	6,266	2,721	1,631	27,522	244,671	272,193
Financial liabilities at fair value through profit or loss	-	-	759	-	759	1,713	2,472
Debt securities issued	374,672	-	-	-	374,672	433,144	807,816
Other financial liabilities	5	2	-	-	7	54,574	54,581
	3,567,107	137,971	42,529	32,733	3,780,340	4,695,361	8,475,701
Net balance sheet position	(165,473)	86,837	63,364	(17,103)	(32,375)	1,031,196	998,821
Net off balance sheet position	162,317	(84,650)	(61,162)	(,195)	16,310	(13,425)	2,885
Net position	(3,156)	2,187	2,202	(17,298)	(16,065)	1,017,771	1,001,706

JSC Halyk Bank



Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

31 December 2019

	USD	EUR	RUB	Other foreign currencies	Total foreign currencies	KZT	TOTAL
FINANCIAL ASSETS:							
Cash and cash equivalents	956,622	120,540	25,515	320,124	1,422,801	176,891	1,599,692
Obligatory reserves	78,553	3,145	1,027	647	83,372	49,661	133,033
Financial assets at fair value through profit or loss	52	-	-	-	52	4,601	4,653
Amounts due from credit institutions	73,392	16,524	17,163	-	107,079	3,330	110,409
Financial assets at fair value through other comprehensive income	757,247	34,905	4,828	-	796,980	748,913	1,545,893
Debt securities at amortised cost, net of allowances for expected credit losses	154,351	-	-	-	154,351	1,044,902	1,199,253
Loans to customers	926,392	10,612	4,455	722	942,181	2,799,106	3,741,287
Other financial assets	1,417	139	3	6	1,565	58,190	59,755
	2,948,026	185,865	52,991	321,499	3,508,381	4,885,594	8,393,975
FINANCIAL LIABILITIES:							
Amounts due to customers	3,139,115	132,876	33,471	17,584	3,323,046	2,983,727	6,306,773
Amounts due to credit institutions	30,333	2,395	337	4,613	37,678	242,009	279,687
Financial liabilities at fair value through profit or loss	-	-	227	-	227	19,782	20,009
Debt securities issued	414,653	-	-	-	414,653	432,208	846,861
Other financial liabilities	10	56	-	100	166	33,070	33,236
	3,584,111	135,327	34,035	22,297	3,775,770	3,710,796	7,486,566
Net balance sheet position	(636,085)	50,538	18,956	299,202	(267,389)	1,174,798	907,409
Net off balance sheet position	629,559	(49,550)	(17,249)	(310,495)	252,265	(279,924)	
Net position	(6,526)	988	1,707	(11,293)	(15,124)	894,874	

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Bank had significant exposure at 31 December 2020 and 2019, and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the statement of profit or loss. A negative amount in the table reflects a potential net reduction in the statement of profit or loss, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed based on balance sheet and off-balance sheet open currency positions. The management of the Bank believes income tax not to have substantial effect for the purpose of currency risk management.

The impact on income before tax and equity, based on asset values as at 31 December 2020 and 2019, was calculated using the annual analysis of the exchange rates volatility based on historical data of the exchange rates dynamics over the last two years; see the details in the following table:

	31 December 2020		31 December 2019	
	+15% KZT/USD	-15% KZT/USD	+15% KZT/USD	-15% KZT/USD
Impact on financial result/equity	(473)	473	(979)	979

	31 December 2020		31 December 2019	
	+15% KZT/EUR	-15% KZT/EUR	+15% KZT/EUR	-15% KZT/EUR
Impact on financial result/equity	328	(328)	148	(148)

	31 December 2020		31 December 2019	
	+15% KZT/RUB	-15% KZT/RUB	+15% KZT/RUB	-15% KZT/RUB
Impact on financial result/equity	330	(330)	256	(256)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

JSC Halyk Bank

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

To limit price risk the Bank determines limits for maximum losses (stop-loss) on each security from trade portfolio to minimize potential losses of trade portfolio.

Price risk assessment is also performed on the basis of the Value At Risk ("VaR") method, through the establishment of Expected Shortfall ("ES") limits on the level of expected losses, which the Bank is able to undertake within one day in a situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 99%;
- The method of measurement – historical simulation.

The Bank estimates the price risk at 31 December 2020 and 2019 to be not material and therefore quantitative information is not disclosed.

30. Capital risk management

The Bank's objectives when managing capital, which are a broader concept than the "equity" on the face of the statement of financial position, are as follows:

- To comply with the capital requirements set by the NBRK;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined during the annual budgeting process, taking into account the above objectives, and is approved by the Management Board and the Board of Directors. As of the current date, the capital adequacy of the Bank is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

JSC Halyk Bank

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Bank and absorb losses, as they arise. It consists of Common Equity Tier 1 capital (“CET 1 capital”) and Additional Tier 1 capital, which includes common shares issued by the Bank, share premium, retained earnings, other accrued comprehensive income and disclosed reserves and regulatory adjustments (deductions);
- Tier 2 capital, which is required to absorb losses in case of the Bank’s liquidation. This part of capital consists of instruments issued by the Bank and deductions.

Risk-weighted assets are split into five different groups, based on the risk level of the investment and its possible impairment, and weighted according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments made to reflect the more contingent nature of the potential losses.

The below table summarizes the regulatory capital composition and capital adequacy ratios of the Bank for the years ended 31 December 2020 and 2019. During these two years, the Bank complied with all of the externally imposed capital requirements to which it is subject to.

	31 December 2020	31 December 2019
Composition of regulatory capital		
CET		
Common shares, net of treasury shares	106,064	106,064
Share premium	1,880	1,880
Retained earnings of prior years	846,281	732,411
Net income for the current year	318,280	314,644
Accumulated disclosed reserves*	53,761	53,170
Property and financial assets at fair value through other comprehensive income revaluation reserves	73,753	40,167
Less: goodwill and intangible assets	(10,531)	(9,061)
Common Equity Tier 1 (CET 1) Capital	1,389,488	1,239,275
Additional tier 1		
Subordinated debt	81,726	102,027
Tier 2	81,726	102,027
Total regulatory capital	1,471,215	1,341,302
Risk weighted assets	5,868,272	5,815,715
CET 1 capital adequacy ratio	23.68%	21.3%
Tier 1 capital adequacy ratio	23.68%	21.3%
Total capital adequacy ratio	25.07%	23.1%

*As at 31 December 2020, accumulated disclosed reserves comprised from KZT 53,761 million capital reserve (31 December 2019: KZT 53,170 million capital reserve).

JSC Halyk Bank

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Starting from 1 January 2017, prudential norms on the NBRK, which apply certain principles and methods prescribed by Basel III committee, set minimum CET 1 capital, Additional Tier 1 capital and total capital adequacy ratios at 9.5%,10.5% and 12.0%, respectively.

As at 31 December 2020 and 2019, the Bank had complied with NBRK's capital requirements.

31. Segment analysis

The Bank 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.

Retail banking represents private banking services to individuals, including private customer current accounts, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages, cash and foreign currency related services to individuals.

Corporate banking represents banking services to corporate clients and financial organizations, including current accounts and correspondent accounts, deposits, custody, overdrafts, loans and other credit facilities, documentary operations, including guarantees and letters of credit, interbank operations, as well as cash services and foreign exchange transactions.

SME banking represents banking services to SME clients and individual entrepreneurs, including current accounts, deposits, overdrafts, loans and other credit facilities, documentary operations and guarantees, foreign exchange transactions and trade finance products.

Investment banking represents services on sale and purchase of securities on the market.

Unallocated amounts are account balances and classes of transactions, which are not allocated to particular segment, not initiated by any business function and relate to the current activity of the Bank. Unallocated assets include fixed assets, intangible assets, non-current assets held for sale, cash on hand and other unallocated assets. Unallocated liabilities include deferred tax liabilities and other unallocated liabilities. Unallocated income includes other income from main and non-operating activities. Unallocated expenses include allowance for expected credit losses on accounts receivable, operating overhead expenses, insurance expenses and income tax.

The segment information below is based on financial information used for performance evaluation by the Bank's Chairperson of the Management Board, the Bank's chief operating decision maker, in accordance with IFRS 8. The Bank's Management reviews discrete financial information for each segment, including evaluation of operating segment results, assets and liabilities. Segment result is the measure reported to the Bank's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

JSC Halyk Bank

Notes to the financial statements (continued)

For the year ended 31 December 2020

(Millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Bank for the years ended 31 December 2020 and 2019, is set out below:

	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2020 and for the year then ended						
External revenues	307,003	300,473	104,737	172,379	18,466	903,058
Total revenues	307,003	300,473	104,737	172,379	18,466	903,058
Total revenues comprise:						
- Interest income	197,987	269,436	67,100	172,358	-	706,881
- Fee and commission income, including:	91,935	28,768	20,091	-	-	140,794
<i>Plastic cards operations</i>	67,569	80	1,349	-	-	68,998
<i>Bank transfers - settlements</i>	7,956	2,518	6,691	-	-	17,165
<i>Letters of credit and guarantees issued</i>	2	7,894	1,854	-	-	9,750
<i>Cash operations</i>	1,000	1,283	7,453	-	-	9,736
<i>Servicing customers' pension payments</i>	8,599	-	-	-	-	8,599
<i>Bank transfers - salary projects</i>	6,045	-	-	-	-	6,045
<i>Maintenance of customer accounts</i>	269	124	2,589	-	-	2,982
<i>Other</i>	495	16,869	155	-	-	17,519
- Net gain from financial assets and liabilities at fair value through profit or loss	-	2,554	-	21	-	2,575
- Net foreign exchange gain/(loss)	17,081	(6,626)	17,546	-	2,829	30,830
- Share in profit of associate	-	-	-	-	6,321	6,321
- Dividends received from subsidiaries	-	6,341	-	-	-	6,341
- Reversal of previous impairment loss of non-financial assets	-	-	-	-	1,310	1,310
- Other income	-	-	-	-	8,006	8,006
Total revenues	307,003	300,473	104,737	172,379	18,466	903,058
- Interest expense	(132,531)	(98,957)	(13,926)	(96,976)	(376)	(342,766)
- (Credit loss expense)/recovery of credit loss expense	(30,006)	22,939	(6,340)	(55)	(4,111)	(17,573)
- Fee and commission expense	(57,631)	(3,138)	(490)	(203)	-	(61,462)
- Net realised loss from financial assets at fair value through other comprehensive income	-	-	-	(105)	-	(105)
- Operating expenses	(96,035)	(6,758)	(13,429)	(918)	(7,890)	(125,030)
- Recovery of other credit loss expense/(other credit loss expense)	17	(4,910)	219	-	-	(4,674)
Total expenses	(316,186)	(90,824)	(33,966)	(98,257)	(12,377)	(551,610)
Segment result	(9,183)	209,649	70,771	74,122	6,089	351,448
Income before income tax expense						351,448
Income tax expense						(33,168)
Net income						318,280
Total segment assets	1,149,235	5,111,510	646,145	2,427,821	630,249	9,964,960
Total segment liabilities	3,558,702	2,726,917	1,201,426	807,816	270,079	8,564,940
Other segment items:						
Capital expenditures						(20,596)
Depreciation and amortization						(10,003)
Investment in associate						32,797

JSC Halyk Bank

Notes to the financial statements (continued)

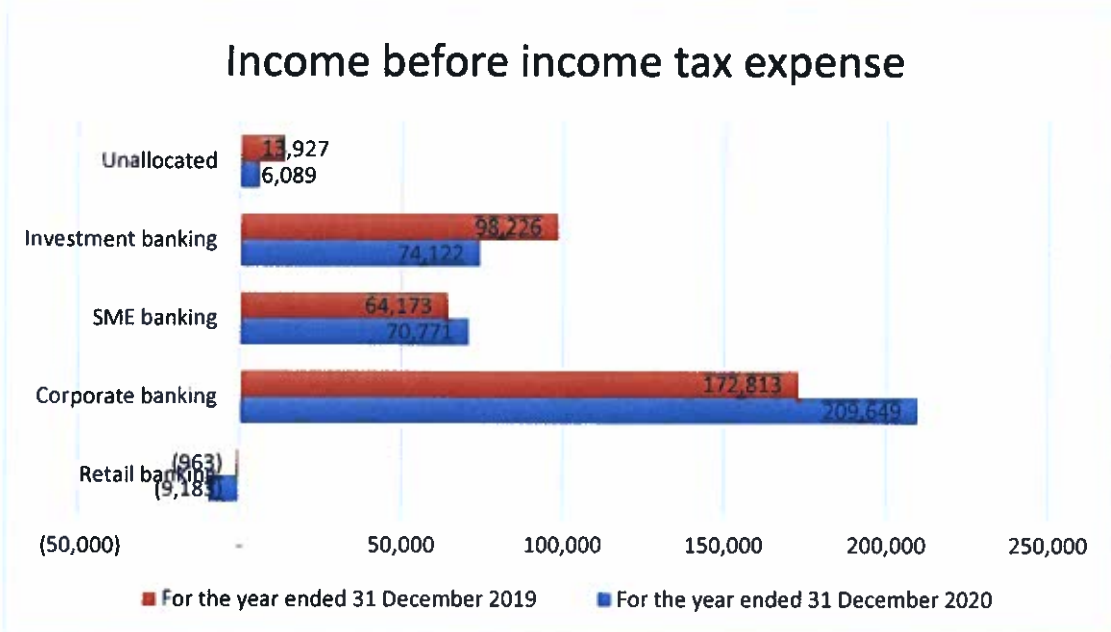
For the year ended 31 December 2020

(Millions of Kazakhstani Tenge)

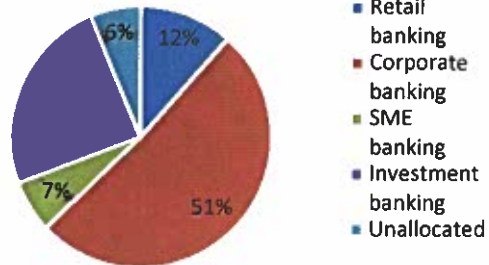
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
As at 31 December 2019 and for the year then ended						
External revenues	268,266	292,498	98,243	196,447	21,738	877,192
Total revenues	268,266	292,498	98,243	196,447	21,738	877,192
Total revenues comprise:						
- Interest income	174,823	252,603	61,374	196,447	-	685,247
- Fee and commission income, including:	84,851	12,296	20,648	-	-	117,805
<i>Payment cards operations</i>	61,848	116	973	-	-	62,937
<i>Bank transfers - settlements</i>	5,216	2,680	7,051	-	-	14,947
<i>Cash operations</i>	1,466	1,476	7,892	-	-	10,834
<i>Letters of credit and guarantees issued</i>	-	7,804	1,784	-	-	9,588
<i>Servicing customers' pension payments</i>	8,122	-	-	-	-	8,122
<i>Bank transfers – salary projects</i>	6,925	-	-	-	-	6,925
<i>Maintenance of customer accounts</i>	313	98	2,815	-	-	3,226
<i>Other</i>	971	122	133	-	-	1,226
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	-	6,766	6,766
- Net foreign exchange gain	8,582	17,240	14,205	-	3,723	43,750
- Share in profit of associate	-	-	-	-	5,742	5,742
- Dividends received from subsidiaries	-	10,359	2,016	-	-	12,375
- Other income	-	-	-	-	5,507	5,507
Total revenues	268,266	292,498	98,243	196,447	21,738	877,192
- Interest expense	(129,106)	(77,064)	(14,163)	(97,121)	(287)	(317,741)
- Credit loss expense	(5,784)	(11,244)	(4,551)	(121)	(732)	(23,432)
- Fee and commission expense	(48,704)	(2,659)	(501)	(165)	-	(52,029)
- Net loss from financial assets and liabilities at fair value through profit or loss	-	(21,555)	-	-	-	(21,555)
- Operating expenses	(84,589)	(5,639)	(14,698)	(814)	(6,792)	(112,532)
- Other credit loss expense	(46)	(1,524)	(157)	-	-	(1,727)
Total expenses	(269,229)	(119,685)	(34,070)	(98,221)	(7,811)	(529,016)
Segment result	(963)	172,813	64,173	98,226	13,927	348,176
Income before income tax expense						348,176
Income tax expense					(33,532)	(33,532)
Net income						314,644
Total segment assets	914,964	3,972,184	540,632	2,745,146	646,259	8,819,185
Total segment liabilities	3,126,935	2,634,303	823,257	846,862	139,492	7,570,849
Other segment items:						
Capital expenditures						(12,146)
Depreciation and amortization						(9,435)
Investment in associate						26,732

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

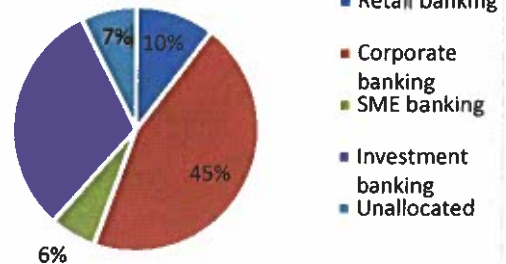
Income before income tax expense by segments were as follows:



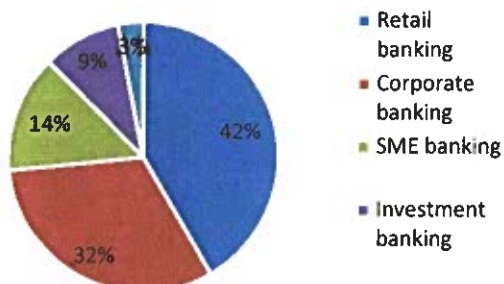
Total segment assets 31 December 2020



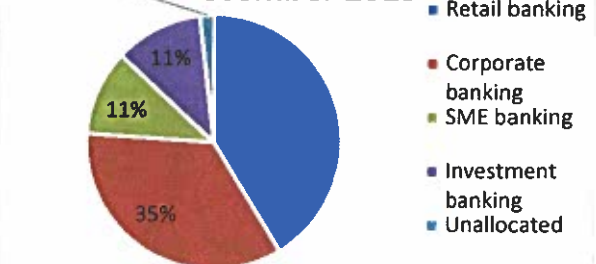
Total segment assets 31 December 2019



Total segment liabilities 31 December 2020



Total segment liabilities 31 December 2019



Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

Geographical information

Information for the main geographical areas of the Bank is set out below as at 31 December 2020 and 2019, and for the years then ended.

	Kazakhstan	OECD	Non-OECD	Total
2020				
Total assets	9,214,843	388,031	362,085	9,964,960
External revenues	877,661	12,451	12,947	903,058
Capital expenditure	(20,596)	-	-	(20,596)
2019				
Total assets	7,491,358	1,211,053	116,774	8,819,185
External revenues	813,587	37,161	26,444	877,192
Capital expenditure	(12,146)	-	-	(12,146)

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 in the Republic of Kazakhstan.

32. 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 Bank's financial assets and financial liabilities measured at fair value on a recurring basis.

Some of the Bank'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).

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 Bank 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 recognising a change in the valuations would have on the assets reported on its statement of financial position as well as its profit/(loss) could be material.

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.

JSC Halyk Bank

Notes to the financial statements (continued)

For the year ended 31 December 2020

(Millions of Kazakhstani Tenge)

The table below summarises the Bank's financial assets and liabilities held at fair value by valuation methodology at 31 December 2020 and 2019:

Financial Assets/Liabilities	Fair value at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2020	31 December 2019				
Non-derivative financial assets at fair value through profit or loss, excluding options (Note 7)	21	-	Level 1	Quoted prices in an active market	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	-	11	Level 1	Quoted prices in an active market	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 7)	3,649	295	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 7)	-	4,347	Level 3	Future cash flows in USD discounted using LIBOR rate obtained from available sources. Future cash flows in KZT discounted using 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 zero at initial recognition.	KZT implied rate	The greater KZT implied rate – the smaller fair value
Total financial assets at fair value through profit or loss	3,670	4,653				
Derivative financial liabilities at fair value through profit or loss excluding options (Note 7)	-	25	Level 1	Quoted prices in an active market	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss excluding options (Note 7)	2,472	19,984	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
Financial liabilities at fair value through profit or loss	2,472	20,009				
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	818,679	796,980	Level 1	Quoted prices in an active market	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income (Note 9)	394,411	748,913	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Financial assets at fair value through other comprehensive income	1,213,090	1,545,893				

JSC Halyk Bank

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

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

	Financial assets at fair value through profit or loss (Level 3)
31 December 2018	95,271
Loss to profit or loss	(8,403)
Settlements*	(82,521)
31 December 2019	4,347
Gain to profit or loss	1,306
Settlements*	(5,653)
31 December 2020	-

* As at 31 December 2020 and 2019, the settlements include interest and repayment of NBRK swaps.

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 Bank 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 as at the respective year-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 year-end market rates.

Notes to the financial statements (continued)
For the year ended 31 December 2020
(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 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	833,668	829,423	110,409	112,195
Loans to customers	4,347,884	4,331,204	3,741,287	3,656,562
Debt securities at amortised cost, net of allowances for expected credit losses	1,214,731	1,191,588	1,199,253	1,204,424
Financial liabilities				
Amounts due to customers	7,338,639	7,084,028	6,306,773	6,076,871
Amounts due to credit institutions	272,193	286,476	279,687	304,046
Debt securities issued	807,816	793,044	846,861	832,122
31 December 2020				
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	829,423	-	829,423
Loans to customers	-	-	4,331,204	4,331,204
Debt securities at amortised cost, net of allowances for expected credit losses	-	1,191,588	-	1,191,588
Financial liabilities				
Amounts due to customers	-	7,084,028	-	7,084,028
Amounts due to credit institutions	-	286,476	-	286,476
Debt securities issued	-	793,044	-	793,044
31 December 2019				
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	112,195	-	112,195
Loans to customers	-	-	3,656,562	3,656,562
Debt securities at amortised cost, net of allowances for expected credit losses	-	1,204,424	-	1,204,424
Financial liabilities				
Amounts due to customers	-	6,076,871	-	6,076,871
Amounts due to credit institutions	-	304,046	-	304,046
Debt securities issued	-	832,122	-	832,122

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

33. 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. Terms, conditions and amounts of related party transactions are usually same as those 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.

Notes to the financial statements (continued)
For the year ended 31 December 2020
(Millions of Kazakhstani Tenge)

As at 31 December 2020 and 2019, the Bank had the following transactions outstanding with related parties:

	31 December 2020		31 December 2019	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Cash and cash equivalents	20,332	1,655,562	20,835	1,599,692
-subsidiaries	20,332		20,835	
Amounts due from credit institutions	133,501	833,668	81,873	110,409
-subsidiaries	133,501		81,873	
Investments in subsidiaries	242,643	242,643	218,460	218,460
-subsidiaries	242,643		218,460	
Loans to customers before allowances for expected credit losses	192,784	4,691,049	133,652	4,107,864
-entities with joint control or significant influence over the Bank	1,418		-	
-key management personnel of the Bank or its parent	1		6	
-subsidiaries	191,353		133,632	
-other related parties	12		15	
Allowances for expected credit losses	(3,656)	(343,165)	(9,552)	(366,577)
-key management personnel of the Bank or its parent company	-		(1)	
-subsidiaries	(3,654)		(9,550)	
-other related parties	(2)		(1)	
Other assets	3,468	82,410	335	80,988
-subsidiaries	3,468		335	
Investments in associate	32,797	32,797	26,732	26,732
Amounts due to customers	280,633	7,338,639	383,843	6,306,773
-the parent	194,582		230,663	
-entities with joint control or significant influence over the Bank	15,329		4,469	
-key management personnel of the Bank or its parent	11,299		9,871	
-subsidiaries	17,127		6,639	
-other related parties	41,915		132,201	
Amounts due to credit institutions	9,285	272,193	8,644	279,687
-subsidiaries	9,285		8,644	
Debt securities issued	2,767	807,816	1,088	846,861
-subsidiaries	2,767		1,088	

