



JSC HALYK BANK

Interim condensed consolidated
financial information (unaudited)
for the six months ended 30 June 2021

JSC Halyk Bank

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**Statement of Management’s Responsibilities
for the Preparation and Approval
of the Interim Condensed Consolidated Financial Information
for the Six Months ended 30 June 2021 (unaudited)**

Management is responsible for the preparation of the interim condensed consolidated financial information that presents fairly the financial position of JSC Halyk Bank (the “Bank”) and its subsidiaries (collectively – the “Group”) as at 30 June 2021, the results of its operations for the three and six months then ended, changes in equity and cash flows for the six months then ended, in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”).

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

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

Management is also responsible for:

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

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 was authorized for issue by the Management Board on 16 August 2021.

On behalf of the Management Board:



Aliya S. Karykova
Deputy Chairperson of the Board

16 August 2021
Almaty, Kazakhstan



Pavel A. Cheussov
Chief Accountant

16 August 2021
Almaty, Kazakhstan



REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

To the Shareholders and Board of Directors of JSC Halyk Bank

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of JSC Halyk Bank and its subsidiaries (the "Group") as at 30 June 2021 and the related interim condensed consolidated statements of profit or loss, other comprehensive income for the three and six months then ended, changes in equity and cash flows for the six months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

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

Conclusion

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

Deloitte LLP

16 August 2021

Almaty, Republic of Kazakhstan

Interim Condensed Consolidated Statement of Financial Position
as at 30 June 2021 (unaudited)
(millions of Kazakhstani Tenge)

	Notes	30 June 2021 (unaudited)	31 December 2020
ASSETS			
Cash and cash equivalents	5	979,808	1,757,477
Obligatory reserves		185,007	170,128
Financial assets at fair value through profit or loss	6	242,784	242,326
Amounts due from credit institutions	7	832,403	709,310
Financial assets at fair value through other comprehensive income	8	1,846,081	1,256,158
Debt securities at amortized cost, net of allowance for expected credit losses	9	1,272,504	1,229,539
Loans to customers	10, 32	5,075,178	4,446,275
Investment property		39,727	39,441
Commercial property		104,800	103,098
Assets classified as held for sale		41,683	42,244
Current income tax assets		839	782
Deferred income tax assets		253	234
Property and equipment and intangible assets		172,070	170,581
Insurance contract assets	11	69,873	39,929
Other assets	12	139,395	180,310
TOTAL ASSETS		11,002,405	10,387,832
LIABILITIES AND EQUITY			
LIABILITIES			
Amounts due to customers	13, 32	8,179,584	7,455,977
Amounts due to credit institutions	14	372,600	300,727
Financial liabilities at fair value through profit or loss	6	2,846	2,484
Debt securities issued	15	481,891	778,192
Current income tax liability		13,506	2,758
Deferred tax liability		51,126	51,281
Provisions	19	13,645	9,287
Insurance contract liabilities	11	242,047	191,246
Other liabilities	17	134,925	102,612
Total liabilities		9,492,170	8,894,564
EQUITY			
Share capital	18	209,027	209,027
Share premium reserve		8,504	5,741
Treasury shares		(105,224)	(111,027)
Retained earnings and other reserves		1,397,921	1,389,520
Total equity attributable to owners of the Group		1,510,228	1,493,261
Non-controlling interest		7	7
Total equity		1,510,235	1,493,268
TOTAL LIABILITIES AND EQUITY		11,002,405	10,387,832

On behalf of the Management Board:


Aliya S. Karpykova
Deputy Chairperson of the Board

16 August 2021
Almaty, Kazakhstan


Pavel A. Chrussov
Chief Accountant

16 August 2021
Almaty, Kazakhstan

The notes on pages 10 to 59 form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Profit or Loss
for the Three and Six Months ended 30 June 2021 (unaudited)**

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

	Notes	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest income calculated using effective interest method	20, 32	208,765	177,250	397,140	353,082
Other interest income	20	5,235	3,250	10,497	6,766
Interest expense	20, 32	(83,650)	(76,151)	(169,769)	(151,425)
NET INTEREST INCOME BEFORE CREDIT LOSS EXPENSE		130,350	104,349	237,868	208,423
Recovery of credit loss expense/ (credit loss expense)	5, 7, 8, 9, 10, 12	9,501	(13,816)	3,254	(33,906)
NET INTEREST INCOME		139,851	90,533	241,122	174,517
Fee and commission income	21	36,770	29,435	70,486	60,246
Fee and commission expense	21	(17,438)	(14,855)	(33,306)	(31,790)
Fees and commissions, net		19,332	14,580	37,180	28,456
Net (loss)/gain from financial assets and liabilities at fair value through profit or loss	22	(1,865)	(57,196)	8,817	3,835
Net realised gain from financial assets at fair value through other comprehensive income		128	2,040	202	2,154
Net gain on foreign exchange operations	23	14,355	52,259	16,113	11,162
Insurance underwriting income	24	34,841	19,274	65,419	39,391
Share in profit of associate	32	1,649	1,390	3,123	3,020
Income in non-banking activities	26	3,493	99	7,076	10,325
Other income		3,856	4,419	8,070	7,673
OTHER NON-INTEREST INCOME		56,457	22,285	108,820	77,560
Operating expenses	25	(43,340)	(35,432)	(83,143)	(70,990)
Loss from impairment of non-financial assets		(48)	(1,715)	(487)	(3,647)
Other credit loss expense	19	(3,261)	(1,205)	(4,378)	(3,116)
Insurance claims incurred, net of reinsurance	24	(21,393)	(13,516)	(44,976)	(31,892)
NON-INTEREST EXPENSES		(68,042)	(51,868)	(132,984)	(109,645)
INCOME BEFORE INCOME TAX EXPENSE		147,598	75,530	254,138	170,888
Income tax expense	16	(18,988)	(605)	(28,700)	(14,894)
NET PROFIT		128,610	74,925	225,438	155,994
Attributable to:					
Common shareholders		128,610	74,925	225,438	155,994
		128,610	74,925	225,438	155,994
EARNINGS PER SHARE	27				
(in Kazakhstani Tenge)					
Basic and diluted earnings per share		10.97	6.41	19.26	13.34

On behalf of the Management Board:


Aliya S. Karpykova
Deputy Chairperson of the Board

16 August 2021
Almaty, Kazakhstan




Pavel A. Chessov
Chief Accountant

16 August 2021
Almaty, Kazakhstan



The notes on pages 10 to 59 form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Other Comprehensive Income
for the Three and Six Months ended 30 June 2021 (unaudited)**
(millions of Kazakhstani Tenge)

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Net profit	128,610	74,925	225,438	155,994
Other comprehensive income:				
<i>Items that will not be subsequently reclassified to profit or loss:</i>				
Gain on revaluation of property (net of tax – KZT Nil)	294	18	165	120
Gain/(loss) on revaluation of equity financial assets at fair value through other comprehensive income (net of tax – KZT Nil)	3	63	(1,747)	38
<i>Items that may be subsequently reclassified to profit or loss:</i>				
Exchange differences on translation of foreign operations (net of tax – KZT Nil)	2,556	(4,096)	1,492	(3,248)
Share of other comprehensive (loss)/income of associate	(141)	371	(256)	(1,040)
(Loss)/gain on revaluation of debt financial assets at fair value through other comprehensive income, including impaired during the period (net of tax – KZT Nil)	(448)	41,022	(5,706)	5,539
Reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period (net of tax – KZT Nil)	(128)	(2,040)	(202)	(2,154)
Other comprehensive income/(loss) for the period	2,136	35,338	(6,254)	(745)
Total comprehensive income	130,746	110,263	219,184	155,249
Attributable to:				
Common shareholders	130,746	110,263	219,184	155,249
Total comprehensive income	130,746	110,263	219,184	155,249

On behalf of the Management Board:


Aliya S. Karpykova
Deputy Chairperson of the Board

16 August 2021
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant

16 August 2021
Almaty, Kazakhstan



The notes on pages 10 to 59 form an integral part of this interim condensed consolidated financial information.

JSC Halyk Bank



Interim Condensed Consolidated Statement of Changes in Equity for the Six Months ended 30 June 2021 (unaudited) (millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2020	209,027	5,741	(111,027)	4,516	53,198	27,802	1,304,004	1,493,261	7	1,493,268
Net income	-	-	-	-	-	-	225,438	225,438	-	225,438
Other comprehensive income/(loss)	-	-	-	1,492	(7,911)	165	-	(6,254)	-	(6,254)
Total comprehensive income/(loss)	-	-	-	1,492	(7,911)	165	225,438	219,184	-	219,184
Treasury shares purchased	-	-	(2,425)	-	-	-	-	(2,425)	-	(2,425)
Treasury shares sold	-	2,763	8,228	-	-	-	-	10,991	-	10,991
Dividends – common shares	-	-	-	-	-	-	(210,783)	(210,783)	-	(210,783)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(388)	388	-	-	-
30 June 2021 (unaudited)	209,027	8,504	(105,224)	6,008	45,287	27,579	1,319,047	1,510,228	7	1,510,235

JSC Halyk Bank



Interim Condensed Consolidated Statement of Changes in Equity for the Six Months ended 30 June 2021 (unaudited) (continued) (millions of Kazakhstani Tenge)

	Share capital Common shares	Share premium reserve	Treasury common shares	Cumulative translation reserve*	Revaluation reserve of financial assets at fair value through other comprehensive income*	Property revaluation reserve*	Retained earnings*	Total equity	Non-controlling interest	Total equity
31 December 2019	209,027	3,867	(114,634)	9,105	30,023	20,018	1,149,811	1,307,217	6	1,307,223
Net income	-	-	-	-	-	-	155,994	155,994	-	155,994
Other comprehensive (loss)/income	-	-	-	(3,248)	2,383	120	-	(745)	-	(745)
Total comprehensive (loss)/income	-	-	-	(3,248)	2,383	120	155,994	155,249	-	155,249
Treasury shares purchased	-	-	(3,887)	-	-	-	-	(3,887)	-	(3,887)
Treasury shares sold	-	1,685	8,667	-	-	-	-	10,352	-	10,352
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	(274)	274	-	-	-
30 June 2020 (unaudited)	209,027	5,552	(109,854)	5,857	32,406	19,864	1,306,079	1,468,931	6	1,468,937

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

On behalf of the Management Board:


Aliya S. Karpykova
Deputy Chairperson of the Board

16 August 2021
Almaty, Kazakhstan




Pavel A. Cheussov
Chief Accountant

16 August 2021
Almaty, Kazakhstan



The notes on pages 10 to 59 form an integral part of this interim condensed consolidated financial information.

**Interim Condensed Consolidated Statement of Cash Flows
for the Six Months ended 30 June 2021 (unaudited)**
(millions of Kazakhstani Tenge)

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	10,000	5,087
Interest received from cash equivalents and amounts due from credit institutions	9,055	11,080
Interest received on financial assets at fair value through other comprehensive income	26,765	19,640
Interest received on debt securities at amortized cost, net of allowance for expected credit losses	15,150	14,838
Interest received from loans to customers	274,575	197,107
Interest paid on due to customers	(132,509)	(106,044)
Interest paid on due to credit institutions	(3,179)	(5,830)
Interest paid on debt securities issued	(26,305)	(30,503)
Fee and commission received	71,172	58,323
Fee and commission paid	(33,284)	(32,018)
Insurance underwriting income received	65,419	33,649
Ceded insurance share paid	(20,345)	(10,151)
Receipts/(payments) from derivative operations	5,497	(8,347)
Other income received	15,146	17,998
Operating expenses paid	(64,361)	(59,342)
Insurance claims paid	(27,133)	(15,504)
Cash flows from operating activities before changes in net operating assets	185,663	89,983
Changes in operating assets and liabilities:		
(Increase)/decrease in operating assets:		
Obligatory reserves	(14,879)	(8,915)
Financial assets at fair value through profit or loss	5,353	7,459
Amounts due from credit institutions	(99,950)	(27,974)
Loans to customers	(611,192)	(147,876)
Assets classified as held for sale	6,904	19,036
Insurance assets	(10,245)	908
Other assets	1,409	1,858
Increase/(decrease) in operating liabilities:		
Amounts due to customers	686,364	203,940
Amounts due to credit institutions	71,278	(49,227)
Financial liabilities at fair value through profit or loss	201	(12,593)
Insurance liabilities	33,367	5,247
Other liabilities	32,449	1,635
Net cash inflow from operating activities before income tax	286,722	83,481
Income tax paid	(18,183)	(28,937)
Net cash inflow from operating activities	268,539	54,544
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase and prepayment for property and equipment and intangible assets	(9,053)	(7,573)
Proceeds on sale of property and equipment	547	62
Proceeds on sale of commercial property	14,034	15,270
Proceeds on sale of financial assets at fair value through other comprehensive income	317,969	541,339
Purchase of financial assets at fair value through other comprehensive income	(886,031)	(182,598)
Proceeds on sale of investment property	290	687
Purchase of debt securities at amortized cost, net of allowance for expected credit losses	(13,963)	(14,154)
Proceeds from sale of debt securities at amortized cost, net of allowance for expected credit losses	5,496	5,749
Capital expenditures on commercial property	(706)	-
Net cash (outflow)/inflow from investing activities	(571,417)	358,782

**Interim Condensed Consolidated Statement of Cash Flows
for the Six Months ended 30 June 2021 (unaudited) (continued)**
(millions of Kazakhstani Tenge)

	Notes	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds on sale of treasury shares		10,991	10,352
Purchase of treasury shares		(2,425)	(3,887)
Redemption and repayment of debt securities issued	15	(305,470)	-
Dividends paid – common shares		(210,783)	-
Repayment of the lease liabilities		(1,246)	(801)
Net cash (outflow)/inflow from financing activities		(508,933)	5,664
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		34,142	71,058
Net change in cash and cash equivalents		(777,669)	490,048
CASH AND CASH EQUIVALENTS, beginning of the period	5	1,757,477	1,664,337
CASH AND CASH EQUIVALENTS, end of the period	5	979,808	2,154,385

On behalf of the Management Board:


Aliya S. Karpykova
Deputy Chairperson of the Board

16 August 2021
Almaty, Kazakhstan




Pavel A. Chussov
Chief Accountant

16 August 2021
Almaty, Kazakhstan



The notes on pages 10 to 39 form an integral part of this interim condensed consolidated financial information.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
(millions of Kazakhstani Tenge)

1. Principal activities

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

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

The Bank has a primary listing with the Kazakhstan Stock Exchange (“KASE”) and Astana International Exchange. The Bank’s Global Depository Receipts (“GDRs”) are primary listed on the London Stock Exchange and Astana International Exchange.

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

As at 30 June 2021, the Bank operated through its head office in Almaty and its 24 regional branches, 120 sub-regional offices and 448 cash settlement units (31 December 2020 – 24, 120 and 467, respectively) located throughout Kazakhstan. The address of the Bank’s registered office is 40 Al-Farabi Avenue, Almaty, A26M3K5, Republic of Kazakhstan.

As at 30 June 2021, the number of the Group’s full-time equivalent employees was 16,575 (31 December 2020 – 16,991).

The interim condensed consolidated financial information of the Group for the six months ended 30 June 2021 was authorized for issue by the Management Board on 16 August 2021.

Legal proceedings

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Operating environment

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

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

During the six months ended 30 June 2021, the average price of Brent crude oil was approximately 60.97 USD/bbl. (36.65 USD/bbl. during the six months ended 30 June 2020 year). Based on the results of the six months of 2021 year, Kazakhstan's GDP increased by 1.6% in annual terms. Among the sectors of the economy, information and communications, construction, water supply, manufacturing, electricity and agriculture showed high growth. Meanwhile, inflation in the country in June 2021 increased to 7.9% per annum from 7.2% per annum in May 2021. The following three components showed an upward trend: food products (from 9.3% to 10.6%), non-food products (from 6.7% to 6.9%) and services (from 5.1% to 5.6%). In the second quarter of 2021 the increased pressure on inflation rates continued to exist, which in turn, may lead the monetary regulator to adopt new measures. .

As at 30 June 2021, the base rate set by the National Bank of the Republic of Kazakhstan (“NBRK”) was 9.0% ± 1% (9.5% ± 2% as at 30 June 2020). 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 Group's financial strength and business model enables the Group to play a significant role, together with the Government, regulators and other authorities, in helping Kazakhstan manage through this crisis supporting the customers of the Group. The growth rate of the number of infected people remains significant, however, there is a stabilization of the detected new cases. As part of the population vaccination program, there is a gradual increase in the number of vaccinated citizens. As at 30 June 2021, 17.5% of the total number of citizens of the Republic of Kazakhstan received the vaccine in full or in part. It is expected that the rate of vaccination will accelerate in the third and fourth quarters of 2021, which should ensure the gradual lifting of quarantine measures in the Republic of Kazakhstan.

During the second quarter of 2021, the economic environment has undergone changes:

- rising prices for energy and other minerals;
- slowdown in GDP growth in the world;
- growth of inflationary expectations in Kazakhstan and in the world.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited) (continued)
(millions of Kazakhstani Tenge)

The changes in the economic environment, described above, may have significant impact on the Group's operations in future, by affecting its borrowers' ability to repay the amounts due to the Group. The following main activities are performed by the Group to support its clients:

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

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

Ownership

As at 30 June 2021 and 31 December 2020, the Group's shares were represented by common shares only.

As at 30 June 2021 and 31 December 2020, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

	30 June 2021 (unaudited)		31 December 2020	
	Total shares (Common shares)	Stake in total shares in circulation	Total shares (Common shares)	Stake in total shares in circulation
JSC HG Almex	7,583,538,228	64.6%	7,583,538,228	64.9%
Unified Accumulative Pension Fund Joint Stock Company	718,054,740	6.1%	718,054,740	6.1%
GDR holders	3,227,235,160	27.5%	2,969,178,640	25.4%
Other	212,464,861	1.8%	413,569,107	3.6%
Total shares in circulation	11,741,292,989	100%	11,684,340,715	100%

2. Basis of presentation

Accounting basis

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

The interim condensed consolidated financial information is unaudited and does not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures, which would substantially duplicate the information contained in its audited annual consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”), such as accounting policies and details of accounts, which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for the year ended 31 December 2020 prepared in accordance with IFRS. Management believes that the disclosures in this interim condensed consolidated financial information are adequate to make the information presented not misleading if this interim condensed consolidated financial information is read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2020 prepared in accordance with IFRS. In management’s opinion, this interim condensed consolidated financial information reflects all adjustments necessary to present fairly the Group’s financial position, results of operations, changes in shareholders’ equity and cash flows for the interim reporting periods.

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

Consolidated subsidiaries

This interim condensed consolidated financial information includes the following subsidiaries:

Subsidiaries	Holding %		Country	Industry
	30 June 2021 (unaudited)	31 December 2020		
JSC Halyk-Leasing	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	Kazakhstan	Telecommunications
OJSC Halyk Bank Kyrgyzstan	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	Kazakhstan	Broker and dealer activities
LLC Halyk Collection	100	100	Kazakhstan	Cash collection services
JSC Halyk-Life	100	100	Kazakhstan	Life insurance
JSC Insurance Company Halyk	99.99	99.99	Kazakhstan	Insurance
JSC Halyk Bank Georgia	100	100	Georgia	Banking
LLC Halyk Project	100	100	Kazakhstan	Management of doubtful and loss assets
JSC Commercial Bank Moskommertsbank	100	100	Russia	Banking
CJSC Halyk Bank Tajikistan	100	100	Tajikistan	Banking
JSC Halyk Global Markets	100	100	Kazakhstan	Broker and dealer activities
LLP KUSA Halyk	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Activ 1	100	100	Kazakhstan	Management of doubtful and loss assets
LLP Halyk Finservice	100	100	Kazakhstan	Payment card processing and other related services
JSCB Tenge Bank	100	100	Uzbekistan	Banking

No significant changes in the Group structure occurred during the six months ended 30 June 2021 in comparison with the structure as at 31 December 2020.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

3. Significant accounting policies

In preparing this interim condensed consolidated financial information, the Group has applied the same accounting policies and methods of computation as those applied in the annual consolidated financial statements of the Group for the year ended 31 December 2020.

The following amended standards and interpretations became effective for the Group from 1 January 2021, but did not have significant impact on the Group's interim condensed consolidated financial information for the six months ended 30 June 2021:

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

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

4. Significant accounting estimates

In preparing this interim condensed consolidated financial information, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2020 prepared in accordance with IFRS. There have been no changes to the basis upon which the significant accounting estimates have been determined compared with 31 December 2020. Changes in macroeconomic situation in the Republic of Kazakhstan and abroad in the first half of 2021 year did not result in a change of assumptions used by the Group before in loans to customers' expected credit loss calculations. To the extent that certain anticipated effects of COVID-19 cannot be fully incorporated into quantitative models, management continues to exercise expert credit judgment in determining the amount of allowances for expected credit losses by considering reasonable and supportable information. There remains considerable uncertainty regarding the impact of the COVID-19 pandemic, and as the situation unfolds, based on periodic reviews and quarterly updates carried out by management of the Group, the allowances for expected credit losses may be revised in future to reflect updates in statistically derived loss estimates based on the Group's recent loss experience and its forward-looking views, including the impact of COVID-19.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2021 (unaudited)	31 December 2020
Cash on hand	243,981	214,693
Correspondent accounts with Organization for Economic Co-operation and Development countries (the "OECD") based banks	114,452	150,183
Short-term deposits with OECD based banks	64,183	4,068
Overnight deposits with OECD based banks	80,505	-
Correspondent accounts with NBRK	-	26,899
Short-term deposits with NBRK	276,730	1,108,212
Short-term deposits with Kazakhstan banks (incl. loans under reverse repurchase agreements)	142,407	194,467
Correspondent accounts with non-OECD based banks	29,030	7,420
Short-term deposits with non-OECD based banks	25,668	48,802
Overnight deposits with non-OECD based banks	2,852	2,733
Total cash and cash equivalents, net	979,808	1,757,477

As at 30 June 2021 and 31 December 2020, cash and cash equivalents allowance for expected credit losses on short-term deposits comprised KZT 19 million and KZT 46 million, respectively.

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

	Three months ended 30 June 2021 (unaudited) Stage 1	Three months ended 30 June 2020 (unaudited) Stage 1	Six months ended 30 June 2021 (unaudited) Stage 1	Six months ended 30 June 2020 (unaudited) Stage 1
At the beginning of the period	(40)	(26)	(46)	(20)
Changes in risk parameters	18	3	19	(1)
Foreign exchange differences and other movements	3	-	8	(2)
At the end of the period	(19)	(23)	(19)	(23)

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

	30 June 2021 (unaudited)		31 December 2020	
	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	-	0.1%	-	1.0%
Overnight deposits with OECD based banks	-	0.1%	-	-
Short-term deposits with NBRK	9.0%	0.3%	8.0%	0.3%
Short-term deposits with Kazakhstan banks	8.0%-8.6%	-	8.0%-12.5%	0.3%-4.8%
Short-term deposits with non-OECD based banks	-	5.5%-19.0%	-	0.1%-6.5%
Overnight deposits with non-OECD based banks	-	3.3-9.5%	-	2.8%-8.0%

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements included into short-term deposits with Kazakhstan banks as at 30 June 2021 and 31 December 2020 are as follows:

	30 June 2021 (unaudited)		31 December 2020	
	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	100,369	100,992	122,697	122,708
Eurobonds of the Russian Federation	15,587	16,278	13,129	13,821
Bonds of Kazakhstan corporations	13,831	15,699	17,423	18,280
Notes of NBRK	12,590	12,789	38,821	38,863
Treasury bills of the Ministry of the Finance of Russian Federation	30	30	98	102
Bonds of international financial organizations	-	-	2,100	2,100
Equity securities	-	-	199	199
	142,407	145,788	194,467	196,073

As at 30 June 2021 and 31 December 2020, maturities of loans under reverse repurchase agreements were less than one month.

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

Financial assets at fair value through profit or loss comprise:

	30 June 2021 (unaudited)	31 December 2020
Financial assets held for trading:		
Corporate bonds	129,215	115,748
Treasury bills of the Ministry of Finance of Kazakhstan	39,146	52,306
Bonds of JSC Development Bank of Kazakhstan	25,839	25,679
Bonds of Kazakhstan banks	11,260	8,682
Equity securities of Kazakhstan corporations	11,236	11,307
Equity securities of foreign organizations	10,704	6,487
Derivative financial instruments	7,454	3,672
Bonds of foreign organizations	7,288	10,687
Treasury bills of the USA	642	7,758
Total financial assets and liabilities at fair value through profit or loss	242,784	242,326

Financial liabilities at fair value through profit or loss comprise:

	30 June 2021 (unaudited)	31 December 2020
Financial liabilities held for trading:		
Derivative financial instruments	2,846	2,484

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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

	30 June 2021 (unaudited)	31 December 2020
Corporate bonds	9.5%	10.5%
Treasury bills of the Ministry of Finance of Kazakhstan	6.4%	9.0%
Bonds of JSC Development Bank of Kazakhstan	9.9%	10.5%
Bonds of Kazakhstan banks	9.7%	11.5%
Bonds of foreign organizations	5.4%	6.1%
Treasury bills of the USA	0.1%	0.3%

Derivative financial instruments comprise:

	30 June 2021 (unaudited)			31 December 2020		
	Notional amount	Fair value		Notional amount	Fair value	
		Asset	Liability		Asset	Liability
Foreign currency contracts						
Swaps	282,352	7,404	2,735	242,701	3,656	2,381
Spots	86,241	41	92	40,172	16	102
Forwards	1,712	9	19	290	-	1
		7,454	2,846		3,672	2,484

As at 30 June 2021 and 31 December 2020, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, except for derivative financial instruments, which are valued using valuation models based on observable market data.

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2021 (unaudited)	31 December 2020
Term deposits and restricted accounts	777,750	660,776
Deposit pledged as collateral	31,085	26,596
Loans to credit institutions	23,744	22,199
	832,579	709,571
Less - Allowance for expected credit losses	(176)	(261)
	832,403	709,310

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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Interest rates and maturities of amounts due from credit institutions are as follows:

	30 June 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Term deposits and restricted accounts	0.1%-18.0%	2021	0.1%-14.0%	2021
Deposit pledged as collateral	0.1%-1.8%	2046	0.2%-1.8%	2046
Loans to credit institutions	0.1%-13.0%	2023	2.0%-8.5%	2021

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

	Three months ended 30 June 2021 (unaudited) Stage 1	Three months ended 30 June 2020 (unaudited) Stage 1	Six months ended 30 June 2021 (unaudited) Stage 1	Six months ended 30 June 2020 (unaudited) Stage 1
At the beginning of the period	(170)	(124)	(261)	(167)
Changes in risk parameters	(2)	36	92	96
Foreign exchange differences and other movements	(4)	24	(7)	7
At the end of the period	(176)	(64)	(176)	(64)

8. Financial assets at fair value through other comprehensive income

Debt securities comprise:

	30 June 2021 (unaudited)	31 December 2020
Treasury bills of the Ministry of Finance of Kazakhstan	972,491	708,749
Bonds of JSC Development Bank of Kazakhstan	214,933	106,839
Notes of NBRK	196,248	59,709
Corporate bonds	169,359	141,732
Bonds of foreign organisations	152,492	147,241
Eurobonds of Saudi Arabia	23,174	23,055
Eurobonds of the Emirate of Abu Dhabi	21,437	21,162
Treasury bills of Hungary	16,641	14,739
Bonds of Kazakhstan banks	13,700	3,442
Eurobonds of State of Qatar	13,199	7,060
Local municipal bonds	11,452	-
Eurobonds of the Republic of Indonesia	9,694	7,193
Eurobonds of the Portuguese Republic	9,331	-
Eurobonds of State of Kuwait	9,308	9,261
Eurobonds of the Republic of the Philippines	1,907	-
	1,835,366	1,250,182

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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Equity securities comprise:

	30 June 2021 (unaudited)	31 December 2020
Equity securities of Kazakhstan corporations	10,715	5,976
	10,715	5,976
Total financial assets at fair value through other comprehensive income	1,846,081	1,256,158

As at 30 June 2021 and 31 December 2020, the allowance for expected credit losses on financial assets at fair value through other comprehensive income comprised KZT 2,234 million and KZT 1,700 million, respectively (Note 9).

As at 30 June 2021 and 31 December 2020, financial assets at fair value through other comprehensive income included Treasury bills of the Ministry of Finance of Kazakhstan at fair value of KZT 107,599 million and KZT 119,654 million, respectively, which were pledged under repurchase agreements with other banks (see Note 14). All repurchase agreements as at 30 June 2021 and 31 December 2020 mature before 12 July 2021 and 22 January 2021, respectively.

Details of fair value measurement, including valuation techniques are presented in Note 31.

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

	30 June 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	4.3%	2021-2045	4.6%	2021-2045
Bonds of JSC Development Bank of Kazakhstan	5.7%	2022-2032	6.1%	2022-2032
Notes of NBRK	9.0%	2021	9.5%	2021
Corporate bonds	9.7%	2021-2047	10.9%	2021-2047
Bonds of foreign organisations	3.4%	2022-2026	4.4%	2021-2025
Eurobonds of Saudi Arabia	1.1%	2021-2025	1.2%	2021-2025
Eurobonds of the Emirate of Abu Dhabi	0.8%	2023-2025	0.9%	2023-2025
Treasury bills of Hungary	2.3%	2023	2.9%	2023
Bonds of Kazakhstan banks	10.6%	2022-2026	11.9%	2022-2023
Eurobonds of State of Qatar	0.6%	2023-2024	0.8%	2023
Local municipal bonds	10.8%	2026	-	-
Eurobonds of the Republic of Indonesia	1.1%	2025	1.3%	2025
Eurobonds of the Portuguese Republic	0.8%	2024	-	-
Eurobonds of State of Kuwait	0.4%	2022	0.4%	2022
Eurobonds of the Republic of the Philippines	0.4%	2024	-	-

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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

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

	30 June 2021 (unaudited)	31 December 2020
Treasury bills of the Ministry of Finance of Kazakhstan	1,079,310	1,044,920
Corporate bonds	174,832	171,946
Bonds of foreign organizations	11,941	1,927
Treasury bills of the Kyrgyz Republic	4,071	4,296
Notes of National Bank of Georgia	2,350	2,229
Notes of National Bank of Tajikistan	-	3,712
Notes of National Bank of Kyrgyz Republic	-	509
Total debt securities at amortized cost, net of allowances for expected credit losses	1,272,504	1,229,539

As at 30 June 2021 and 31 December 2020, the allowance for expected credit losses on debt securities at amortized cost comprised KZT 617 million and KZT 574 million, respectively.

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

	30 June 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Treasury bills of the Ministry of Finance of Kazakhstan	9.2%	2022-2027	9.3%	2022-2027
Corporate bonds	3.2%	2022-2024	3.3%	2022-2024
Bonds of foreign organizations	4.9%	2023-2025	7.8%	2021-2025
Treasury bills of the Kyrgyz Republic	6.0%	2021-2024	6.3%	2021-2024
Notes of National Bank of Georgia	8.3%	2024-2028	8.7%	2024-2028
Notes of National Bank of Tajikistan	-	-	10.1%	2021
Notes of National Bank of Kyrgyz Republic	-	-	4.8%	2021

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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The movements in accumulated allowances for expected credit losses of debt securities at amortised cost, net of allowances for expected credit losses and financial assets at fair value through other comprehensive income were as follows:

	Three months ended 30 June 2021 (unaudited)			Three months ended 30 June 2020 (unaudited)			Six months ended 30 June 2021 (unaudited)			Six months ended 30 June 2020 (unaudited)		
	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total	Stage 1	Stage 3	Total
At the beginning of the period	(1,340)	(1,083)	(2,423)	(1,188)	(1,093)	(2,281)	(1,262)	(1,022)	(2,284)	(1,185)	(1,035)	(2,220)
Changes in risk parameters*	(95)	(61)	(156)	22	(58)	(36)	(10)	(121)	(131)	101	(116)	(15)
New originations or purchases of financial assets*	(289)	-	(289)	(50)	-	(50)	(454)	-	(454)	(118)	-	(118)
Derecognition of financial assets*	7	-	7	3	-	3	7	-	7	8	-	8
Foreign exchange differences and other movements	9	1	10	6	(1)	5	11	-	11	(13)	(1)	(14)
At the end of the period	(1,708)	(1,143)	(2,851)	(1,207)	(1,152)	(2,359)	(1,708)	(1,143)	(2,851)	(1,207)	(1,152)	(2,359)

* FS line “Recovery of credit loss expense/ (credit loss expense)” in the interim condensed consolidated statement of profit or loss is comprised from “Changes in risk parameters”, “New originations or purchases of financial assets” and “Derecognition of financial assets”.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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10. Loans to customers

Loans to customers comprise:

	30 June 2021 (unaudited)	31 December 2020
Originated loans to customers	5,432,599	4,811,892
Overdrafts	12,552	12,424
	5,445,151	4,824,316
Stage 1	4,644,321	4,015,322
Stage 2	231,901	216,589
Stage 3	513,765	533,519
Purchased or originated credit-impaired assets ("POCI")	55,164	58,886
Total	5,445,151	4,824,316
Less – Allowance for expected credit losses	(369,973)	(378,041)
Loans to customers	5,075,178	4,446,275

The weighted average interest rate on loans to customers is calculated as interest income on loans to customers divided by monthly average balances of loans to customers. For the six months ended 30 June 2021, average interest rate on loans was 12.5% (for the six months ended 30 June 2020 – 12.5%).

As at 30 June 2021, the Group's loan concentration to the ten largest borrowers was KZT 993,528 million, which comprised 18% of the Group's total gross loan portfolio (as at 31 December 2020 – KZT 840,995 million, 17%) and 66% of the Group's total equity (as at 31 December 2020 – 56%). As at 30 June 2021, the allowance for expected credit losses created against these loans was KZT 5,091 million (as at 31 December 2020 – KZT 4,732 million).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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As at 30 June 2021 and 31 December 2020, loans were granted to the following sectors:

	30 June 2021 (unaudited)	%	31 December 2020	%
Retail loans:				
- consumer loans	1,307,279	24%	1,055,522	22%
- mortgage loans	247,929	5%	270,513	6%
	1,555,208		1,326,035	
Services	685,062	13%	683,652	14%
Wholesale trade	380,408	7%	374,274	8%
Oil and gas	312,748	6%	213,306	5%
Retail trade	305,061	6%	310,049	6%
Real estate	297,127	5%	293,966	6%
Chemical industry	228,103	4%	34,011	1%
Energy	213,268	4%	201,268	4%
Financial services	200,704	4%	100,339	2%
Construction	197,657	4%	215,618	4%
Transportation	184,143	3%	206,024	4%
Agriculture	175,353	3%	127,205	3%
Mining	166,701	3%	165,090	3%
Communication	120,905	2%	115,473	2%
Food industry	120,096	2%	97,510	2%
Metallurgy	90,925	2%	171,642	4%
Hotel industry	61,514	1%	47,710	1%
Machinery	55,729	1%	60,058	1%
Light industry	36,292	1%	28,277	1%
Other	58,147	1%	52,809	1%
	5,445,151	100%	4,824,316	100%

Restructured and modified loans to customers

The Group 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.

As at 30 June 2021, accrued interest on loans comprised KZT 184,110 million (31 December 2020 – KZT 179,879 million).

During the six months ended 30 June 2021 and 2020, the Group received financial and non-financial assets by taking possession of collateral it held as security. As at 30 June 2021 and 31 December 2020, such assets of KZT 2,038 million and KZT 12,112 million, respectively, are included in assets classified as held for sale.

As at 30 June 2021 and 31 December 2020, loans to customers included loans of KZT 335,745 million and KZT 369,731 million, respectively, which terms were renegotiated. These loans do not include renegotiated loans as part of COVID-19 related restructuring programs. Otherwise, these loans would be past due or impaired.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
(millions of Kazakhstani Tenge)

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

	Three months ended 30 June 2021 (unaudited)					Six months ended 30 June 2021 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the period	(58,057)	(45,347)	(263,189)	(17,737)	(384,330)	(55,840)	(40,646)	(263,481)	(18,074)	(378,041)
Transfer to Stage 1	(3,125)	774	2,351	-	-	(5,048)	1,266	3,782	-	-
Transfer to Stage 2	521	(521)	-	-	-	899	(1,560)	661	-	-
Transfer to Stage 3	182	2,155	(2,337)	-	-	1,727	2,633	(4,360)	-	-
Changes in risk parameters*	12,044	(1,183)	(1,907)	793	9,747	30,840	(6,449)	(13,940)	1,526	11,977
New originations or purchases of financial assets*	(24,558)	-	-	-	(24,558)	(49,023)	-	-	-	(49,023)
Derecognition of financial assets**/**	6,498	646	17,171	372	24,687	10,220	1,401	29,454	764	41,839
Recoveries of allowances on previously written-off assets	-	-	(13,653)	(390)	(14,043)	-	-	(14,851)	(727)	(15,578)
Write-offs	-	-	16,214	152	16,366	-	-	21,289	152	21,441
Foreign exchange differences and other movements	11	(13)	2,344	(184)	2,158	(259)	(134)	(1,560)	(635)	(2,588)
At the end of the period	(66,484)	(43,489)	(243,006)	(16,994)	(369,973)	(66,484)	(43,489)	(243,006)	(16,994)	(369,973)

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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	Three months ended 30 June 2020 (unaudited)					Six months ended 30 June 2020 (unaudited)				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
At the beginning of the period	(46,720)	(51,369)	(308,248)	(47,829)	(454,166)	(36,305)	(45,797)	(302,834)	(23,782)	(408,718)
Transfer to Stage 1	(1,789)	819	970	-	-	(2,783)	1,158	1,625	-	-
Transfer to Stage 2	250	(1,295)	1,045	-	-	554	(2,462)	1,908	-	-
Transfer to Stage 3	1,290	3,967	(5,257)	-	-	2,894	4,596	(7,490)	-	-
Changes in risk parameters*	2,493	1,125	(10,099)	(565)	(7,046)	(5,448)	134	(17,931)	(3,103)	(26,348)
New originations or purchases of financial assets*	(9,455)	-	-	-	(9,455)	(19,771)	-	-	-	(19,771)
Derecognition of financial assets**	473	12	5,327	81	5,893	3,830	381	13,027	165	17,403
Recoveries of allowances on previously written-off assets	-	-	(629)	(555)	(1,184)	-	-	(1,722)	(10,835)	(12,557)
Write-offs	-	-	3,978	-	3,978	-	-	10,072	781	10,853
Foreign exchange differences and other movements	(3,659)	4,812	7,666	8,576	17,395	(88)	61	(1,902)	(3,518)	(5,447)
At the end of the period	(57,117)	(41,929)	(305,247)	(40,292)	(444,585)	(57,117)	(41,929)	(305,247)	(40,292)	(444,585)

* FS line "Recovery of credit loss expense/ (credit loss expense)" in the interim condensed consolidated 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 provisions for fully repaid loans to customers

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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For the six months ended 30 June 2021, the recovery of credit loss expense resulted from partial repayments of amounts due made by certain corporate borrowers and group of companies, operating in retail and wholesale trade, real estate, mining, construction sectors and this recovery is reflected in the table above as “derecognition of financial assets”.

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

	30 June 2021 (unaudited)	31 December 2020
Corporate business	(192,550)	(231,899)
Retail business	(118,204)	(98,158)
SME business	(59,219)	(47,984)
	(369,973)	(378,041)

During the six months ended 30 June 2021 and 2020, the Group has written off loans of KZT 21,441 million and KZT 10,853 million, respectively, which allow the writing off 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 30 June 2021, under the Program the Bank has financed 395 clients for the amount of KZT 251.9 billion (31 December 2020 – 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 30 June 2021, the proportion of the unimpaired SME portfolio that is covered by the state financing programs accounts for 65% of the unimpaired SME loan portfolio or KZT 444.9 billion (31 December 2020 – 68% or KZT 431.2 billion).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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Allowance for expected credit losses and provisions

For the six months ended 30 June 2021, recovery of credit loss expense on loans to customers comprised KZT 4,793 million (30 June 2020 – credit loss expense comprised KZT 28,716 million). As described above, this recovery resulted from partial repayments of amounts due made by certain corporate borrowers and group of companies, operating in retail and wholesale trade, real estate, mining, construction sectors. 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. As at 30 June 2021, credit quality remained stable, as low level of actual credit deterioration took place along with the fact that sufficient allowances for expected credit losses were accrued against key exposures impacted by the coronavirus pandemic for the six month ended 30 June 2020.

Management has concluded that in accordance with the requirements of IFRS 9, it is necessary to take into account the potential impact of the macroeconomic situation on a possible change in the quality of the loan portfolio in the future. This revised overlay will be monitored and refined as more observable data on economic and customer outcomes becomes available. Although market dynamics are challenging a number of sectors and corporate customers, the corporate portfolio's diverse client base and limits are being proactively managed and have exposure to the most vulnerable sectors affected by the coronavirus outbreak was 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, recoveries of expected credit losses of corporate exposures, which are assumed to mitigate a material portion of future losses reflecting both the likely take-up and success of these schemes.

11. Insurance contract assets and liabilities

Insurance contract assets comprised the following:

	30 June 2021 (unaudited)	31 December 2020
Reinsurers' share of unearned premium reserve	32,708	12,364
Reinsurers' share of reserves for claims	16,232	16,898
	48,940	29,262
Premiums receivable	20,933	10,667
Total insurance contract assets	69,873	39,929

Insurance contract liabilities comprised the following:

	30 June 2021 (unaudited)	31 December 2020
Reserves for insurance claims	164,596	148,085
Gross unearned insurance premium reserve	60,825	32,819
	225,422	180,904
Payables to reinsurers and agents	16,626	10,342
Total insurance contract liabilities	242,047	191,246

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12. Other assets

Other assets comprise:

	30 June 2021 (unaudited)	31 December 2020
Other financial assets:		
Debtors on banking activities	69,264	84,296
Finance lease receivables	18,234	19,013
Debtors on non-banking activities	14,810	16,849
Accrued commission income	5,501	6,078
Other	127	48
	107,936	126,284
Less – Allowance for expected credit losses	(29,585)	(30,636)
	78,351	95,648
Other non-financial assets:		
Investments in associate	30,463	32,797
Advances for taxes other than income tax	8,123	6,123
Prepayments for property and equipment	6,573	6,259
Prepayments for investment property	4,038	7,126
Inventory	3,887	4,089
Goodwill	3,085	3,085
Other investments	1,091	838
Precious metals	855	21,551
Other	2,929	2,794
	61,044	84,662
Total other assets	139,395	180,310

For the six months ended 30 June 2021, the Group received dividends in the amount of KZT 5,200 million from its associate - JSC Altyn Bank (31 December 2020 – KZT nil).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited) (continued)
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The movements in accumulated allowances for expected credit losses of other financial assets were as follows:

	Three months ended 30 June 2021 (unaudited)				Six months ended 30 June 2021 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(1,821)	205	(29,343)	(30,959)	(935)	(3,161)	(26,540)	(30,636)
Transfer to Stage 1	-	-	-	-	(855)	855	-	-
Transfer to Stage 3	-	-	-	-	-	2,501	(2,501)	-
Changes in risk parameters*	80	14	(47)	47	72	32	(1,176)	(1,072)
Recoveries of allowances on previously written-off assets	-	-	-	-	-	-	(718)	(718)
Write-offs	-	-	880	880	-	-	2,119	2,119
Foreign exchange differences and other movements	19	7	421	447	(4)	(1)	727	722
At the end of the period	(1,722)	226	(28,089)	(29,585)	(1,722)	226	(28,089)	(29,585)

	Three months ended 30 June 2020 (unaudited)				Six months ended 30 June 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(842)	(2,839)	(22,470)	(26,151)	(809)	(2,502)	(20,565)	(23,876)
Changes in risk parameters*	(62)	(199)	(2,903)	(3,164)	(71)	(332)	(4,757)	(5,160)
Recoveries of allowances on previously written-off assets	-	-	394	394	-	-	(123)	(123)
Write-offs	-	-	-	-	1	-	395	396
Foreign exchange differences and other movements	(11)	(89)	(48)	(148)	(36)	(293)	23	(306)
At the end of the period	(915)	(3,127)	(25,027)	(29,069)	(915)	(3,127)	(25,027)	(29,069)

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
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13. Amounts due to customers

Amounts due to customers include the following:

	30 June 2021 (unaudited)	31 December 2020
Recorded at amortised cost:		
Term deposits:		
Individuals	3,450,640	3,073,187
Legal entities	2,037,110	1,825,513
	5,487,750	4,898,700
Current accounts:		
Legal entities	1,982,605	1,932,096
Individuals	709,229	625,181
	2,691,834	2,557,277
	8,179,584	7,455,977

As at 30 June 2021, the Group's ten largest groups of related customers accounted for approximately 22% of the total amounts due to customers (31 December 2020 – 23%), where each group of related customers represents customers related to each other within that group.

As at 30 June 2021, amounts due to customers included amounts held as collateral of KZT 81,997 million (31 December 2020 – KZT 83,610 million).

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

An analysis of customer accounts by sectors is as follows:

	30 June 2021 (unaudited)	%	31 December 2020	%
Individuals	4,159,869	51%	3,698,368	50%
Financial sector	814,746	10%	660,328	9%
Consumer services	668,048	8%	569,342	8%
Oil and gas	411,946	5%	407,114	5%
Wholesale trade	368,591	5%	398,752	5%
Healthcare and social services	284,802	3%	227,031	3%
Construction	261,524	3%	259,903	3%
Transportation	211,472	2%	294,612	4%
Metallurgy	152,092	2%	71,531	1%
Government	148,504	2%	216,925	3%
Communication	98,793	1%	87,411	1%
Insurance and pension funds activity	87,946	1%	75,631	1%
Education	77,750	1%	66,096	1%
Energy	63,624	1%	55,187	1%
Other	369,877	5%	367,746	5%
	8,179,584	100%	7,455,977	100%

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
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As at 30 June 2021, term deposits of legal entities included short-term deposits from JSC Kazakhstan Sustainability Fund of KZT 135,043 million (31 December 2020 – KZT 119,450 million) 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 10).

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2021 (unaudited)	31 December 2020
Recorded at amortised cost:		
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	109,992	124,927
Loans from JSC Entrepreneurship Development Fund DAMU	85,709	89,005
Loans from JSC Development Bank of Kazakhstan	47,251	47,251
Loans and deposits from OECD based banks	45,000	7,401
Correspondent accounts	44,696	20,405
Loans from other financial institutions	33,894	2,075
Loans and deposits from non-OECD based banks	5,927	9,532
Loans from JSC National Managing Holding Baiterek	131	131
	372,600	300,727

As at 30 June 2021, loans from JSC Entrepreneurship Development Fund DAMU (“DAMU”) included long-term loans of KZT 84,374 million at a 1.0% - 4.5% interest rate maturing in 2021 - 2035 with an early recall option (31 December 2020 – KZT 88,478 million). These loans were received in accordance with the Government program (“the Program”) to finance small and medium enterprises (“SME”) operating in certain industries. According to the loan agreements between DAMU and the Group, the Group is responsible to extend loans to SME borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate.

As at 30 June 2021, loans from JSC Development Bank of Kazakhstan (“DBK”) included long-term loans of KZT 30,921 million (31 December 2020 – 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 2020 – KZT 16,175 million) at a 1.0% interest rate maturing in 2035, to finance the purchase of cars by the Group’s retail customers. According to the loan agreement between DBK and the Group, the Group is responsible to extend loans to corporate borrowers, eligible to participate in the Program, up to 10 years at a 6.0% interest rate, and to retail borrowers – up to 5 years at a 4.0% interest rate.

The management of the Group believes that there are no other similar financial instruments and due to their specific nature, the loans from DAMU, Baiterek and DBK represent separate segments in corporate, SME and retail lending. As a result, the loans from DAMU, Baiterek 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.

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

	30 June 2021 (unaudited)		31 December 2020	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, Year
Loans and deposits from Kazakhstan banks (incl. loans under repurchase agreements)	8.0%-10.0%	2021	8.0%-10.4%	2021
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	7.0%	2021
Loans from other financial institutions	1.5%-10.0%	2023-2026	4.0%-10.0%	2023-2026
Loans and deposits from non-OECD based banks	1.0%-15.0%	2021-2025	1.0%-16.0%	2021-2025
Loans from JSC National Managing Holding Baitirek	3.0%	2022	3.0%	2022

The fair value of assets pledged (Note 8) and the carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 30 June 2021 and 31 December 2020, are as follows:

	30 June 2021 (unaudited)		31 December 2020	
	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans
Treasury bills of the Ministry of Finance of Kazakhstan	107,599	109,088	119,654	121,740
	107,599	109,088	119,654	121,740

Details of transferred financial assets that are not derecognised in their entirety as at 30 June 2021 and 31 December 2020, are disclosed below.

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

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

	Financial assets at fair value through other comprehensive income (Note 8)
As at 30 June 2021 (unaudited):	
Carrying amount of transferred assets	107,599
Carrying amount of associated liabilities	109,088
As at 31 December 2020:	
Carrying amount of transferred assets	119,654
Carrying amount of associated liabilities	121,740

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

The Group's management believes that as at 30 June 2021 (unaudited) and 31 December 2020, the Group was in compliance with the covenants of the agreements the Group has with the trustees and holders of the notes.

15. Debt securities issued

Debt securities issued consisted of the following:

	30 June 2021 (unaudited)	31 December 2020
Recorded at amortised cost:		
Subordinated debt securities issued:		
KZT denominated bonds, fixed rate	90,193	84,014
Total subordinated debt securities outstanding	90,193	84,014
Unsubordinated debt securities issued:		
KZT denominated bonds	327,867	331,760
USD denominated bonds	63,831	362,418
Total unsubordinated debt securities outstanding	391,698	694,178
Total debt securities outstanding	481,891	778,192

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

On 28 January 2021, the Bank redeemed its USD 500 million Eurobond issue bearing 7.25% coupon rate due 2021. The repayment was made from the Bank's own funds.

On 1 March 2021, the Bank fully repaid its outstanding debt of USD 248,012,457 under the USD 750 million Eurobond programme bearing 5.5% coupon rate due 2022.

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

	30 June 2021 (unaudited)		31 December 2020	
	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:				
KZT denominated bonds	7.5%-8.8%	2022-2025	7.5%-8.8%	2022-2025
USD denominated bonds	3.0%	2022	3.0%-7.3%	2021-2022

As at 30 June 2021, accrued interest on debt securities issued was KZT 15,645 million (as at 31 December 2020 – KZT 21,090 million).

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

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants, particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 30 June 2021 (unaudited) and 31 December 2020, the Group was in compliance with the covenants of the agreements the Group has with trustees and holders of the notes.

Reconciliation of liabilities arising from financing activities

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

	1 January 2020	Financing cash flows	Non-cash changes		30 June 2020 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	778,192	(305,470)	6,615	2,554	481,891

	1 January 2020	Financing cash flows	Non-cash changes		30 June 2020 (unaudited)
			Foreign exchange movement	Changes in amortised cost	
Debt securities issued	834,446	-	24,868	5,139	864,453

16. Taxation

The income tax expense comprises:

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Current income tax expense	18,967	10,969	28,874	11,410
Deferred income tax expense/(benefit)	21	(10,364)	(174)	3,484
Total income tax expense	18,988	605	28,700	14,894

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The Group's effective income tax rate for the six months ended 30 June 2021 was 11.3% (for the six months ended 30 June 2020: 8.7%). The change in the effective income tax rates between the six months ended 30 June 2021 and 2020 is mainly caused by tax-exempt interest income and other related income on state and other qualifying securities. The decrease of effective tax rate in the second quarter ended 30 June 2020, was primarily due to reversal of deferred tax liability of derivative contracts due to their negative revaluation and higher proportion of non-taxable interest income and revaluation gain on listed and government securities.

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

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

17. Other liabilities

Other liabilities comprise:

	30 June 2021 (unaudited)	31 December 2020
Liability arising from continuing involvement	63,419	46,933
Salary, bonuses and vacation accrual	21,408	20,270
Creditors on non-banking activities	12,606	8,187
Other prepayments received	10,404	9,415
Taxes payable other than income tax	8,171	5,961
Lease liabilities	6,136	5,930
Creditors on bank activities	6,061	1,142
Payable for general and administrative expenses	3,531	2,424
Advances received related to commercial property	1,596	2,305
Others	1,593	45
Total other liabilities	134,925	102,612

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.

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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 30 June 2021 and 31 December 2020, principal amount of these loans were KZT 63,419 million and KZT 46,933 million, respectively.

18. Equity

The number of shares authorised, issued and fully paid as at 30 June 2021 and 31 December 2020, were as follows:

	Share capital authorised	Share capital authorised and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
30 June 2021 (unaudited):					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,706,251,793)	11,741,292,989
31 December 2020:					
Common	25,000,000,000	(11,552,455,218)	13,447,544,782	(1,763,204,067)	11,684,340,715

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

	Number of shares Common	Nominal (placement) amount Common
31 December 2019	11,656,585,190	94,393
Purchases of treasury shares	(38,657,693)	(3,887)
Sale of treasury shares	76,715,041	8,667
30 June 2020 (unaudited)	11,694,642,538	99,173
31 December 2020	11,684,340,715	98,000
Purchases of treasury shares	(17,805,067)	(2,425)
Sale of treasury shares	74,757,341	8,228
30 June 2021 (unaudited)	11,741,292,989	103,803

Common shares

As at 30 June 2021 and 31 December 2020, share capital comprised KZT 209,027 million. As at 30 June 2021, the Group held 1,706,251,793 shares of the Group's common shares as treasury shares at KZT 105,224 million (31 December 2020 – 1,763,204,067 shares at KZT 111,027 million).

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

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Share premium reserve

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

19. Commitments and contingencies, provisions

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

	30 June 2021 (unaudited)	31 December 2020
Guarantees issued	507,859	422,672
Commitments to extend credit	47,470	45,647
Commercial letters of credit	30,834	38,306
Financial commitments and contingencies	586,163	506,625
Less: provisions	(13,645)	(9,287)
Less: cash collateral against letters of credit	(10,078)	(16,922)
Financial commitments and contingencies, net	562,440	480,416

Guarantees issued represent bank guarantees issued by the Group by order of its clients, and which are in effect as at the reporting date. As at 30 June 2021, uncovered guarantees issued for the ten largest groups of customers/groups of customers accounted for 52% of the Group's total financial guarantees (31 December 2020 – 52%) and represented 18% of the Group's total equity (31 December 2020 – 15%).

Commercial letters of credit represent letters of credit issued by the Group by order of its clients, and under which, as at the reporting date, the payment has not yet been made. As at 30 June 2021, the ten largest unsecured letters of credit accounted for 81% of the Group's total commercial letters of credit (31 December 2020 – 60%) and represented 2% of the Group's total equity (31 December 2020 – 2%).

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

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Provision represents other credit loss expenses against letters of credit and guarantees issued. The movements in provisions were as follows:

	Three months ended 30 June 2021 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(661)	(2,730)	(6,725)	(10,116)
Transfer to Stage 2	30	(30)	-	-
Transfer to Stage 3	8,677	1,404	(10,081)	-
(Additional provisions recognized)/recoveries of provisions	(8,587)	1,366	3,960	(3,261)
Foreign exchange differences	(10)	(18)	(240)	(268)
At the end of the period	(551)	(8)	(13,086)	(13,645)

	Six months ended 30 June 2021 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(640)	(1,343)	(7,304)	(9,287)
Transfer to Stage 2	30	(30)	-	-
Transfer to Stage 3	8,677	1,404	(10,081)	-
(Additional provisions recognized)/recoveries of provisions	(8,607)	(37)	4,266	(4,378)
Foreign exchange differences	(11)	(2)	33	20
At the end of the period	(551)	(8)	(13,086)	(13,645)

	Three months ended 30 June 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(350)	(872)	(4,728)	(5,950)
Transfer to Stage 3	-	238	(238)	-
Additional provisions recognized	(67)	(779)	(359)	(1,205)
Foreign exchange differences	11	24	(2)	33
At the end of the period	(406)	(1,389)	(5,327)	(7,122)

	Six months ended 30 June 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
At the beginning of the period	(365)	(838)	(2,721)	(3,924)
Transfer to Stage 3	-	276	(276)	-
Additional provisions recognized	(44)	(833)	(2,239)	(3,116)
Foreign exchange differences	3	6	(91)	(82)
At the end of the period	(406)	(1,389)	(5,327)	(7,122)

Capital commitments

As at 30 June 2021, the Group had capital expenditures commitments in respect of construction in progress in the amount of KZT 8,785 million (31 December 2020 KZT 12,210 million).

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(millions of Kazakhstani Tenge)

Operating lease commitments

There were no material operating lease commitments under irrevocable operating leases outstanding as at 30 June 2021 and 31 December 2020.

20. Net interest income

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest income:				
Loans to customers	151,319	121,163	287,827	240,000
- <i>Corporate business</i>	69,029	57,249	128,734	111,003
- <i>Retail business</i>	62,361	48,377	119,526	97,318
- <i>SME business</i>	19,929	15,537	39,567	31,679
Debt securities at amortized cost, net of allowance for expected credit losses	24,861	24,760	49,648	49,405
Financial assets at fair value through other comprehensive income	23,701	23,536	44,164	47,979
Amounts due from credit institutions and cash and cash equivalents	5,173	5,736	9,554	11,076
Other financial assets	3,711	2,055	5,947	4,622
Interest income calculated using effective interest method	208,765	177,250	397,140	353,082
Financial assets at fair value through profit or loss	5,235	3,250	10,497	6,766
Other interest income	5,235	3,250	10,497	6,766
Total interest income	214,000	180,500	407,637	359,848
Interest expense:				
Amounts due to customers	(70,827)	(56,112)	(136,363)	(108,914)
- <i>Individuals</i>	(40,509)	(32,967)	(78,395)	(64,515)
- <i>Legal entities</i>	(30,318)	(23,145)	(57,968)	(44,399)
Debt securities issued	(10,783)	(17,855)	(28,860)	(35,642)
Amounts due to credit institutions	(1,365)	(1,820)	(3,313)	(5,846)
Other interest expense	(485)	(247)	(807)	(787)
Other financial liabilities	(190)	(117)	(426)	(236)
Total interest expense	(83,650)	(76,151)	(169,769)	(151,425)
Net interest income	130,350	104,349	237,868	208,423

Other interest and similar expense includes loss on initial recognition of long-term financial accounts receivable.

For the three and six months ended 30 June 2021, the total interest income calculated using the EIR method for financial assets measured at amortised cost comprised KZT 185,064 million and KZT 352,976 million, respectively (for the three and six months ended 30 June 2020: KZT 153,714 million and KZT 305,103 million).

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
(millions of Kazakhstani Tenge)

21. Fees and commissions

Fee and commission income is derived from the following sources:

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Plastic card operations	19,807	14,880	37,993	31,447
Bank transfers - settlements	5,522	3,980	10,484	7,689
Letters of credit and guarantees issued	2,773	2,422	5,251	4,896
Cash operations	2,713	2,168	4,958	4,574
Servicing customers' pension payments	2,063	2,063	4,265	4,185
Bank transfers - salary projects	1,285	1,883	2,430	3,367
Maintenance of customer accounts	906	764	1,811	1,608
Other	1,701	1,275	3,294	2,480
Total fee and commission income	36,770	29,435	70,486	60,246

Fee and commission expense comprises the following:

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Payment cards	(14,409)	(10,113)	(27,552)	(22,345)
Deposit insurance	(1,648)	(2,990)	(3,184)	(5,692)
Bank transfers	(510)	(490)	(981)	(1,051)
Cash operations	(204)	(371)	(342)	(757)
Commission paid to collectors	(58)	(84)	(88)	(229)
Other	(609)	(807)	(1,159)	(1,716)
Total fee and commission expense	(17,438)	(14,855)	(33,306)	(31,790)

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

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

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Net (loss)/gain on operations with financial assets and liabilities classified as held for trading:				
Unrealized net (loss)/gain on derivative operations	(1,926)	(68,060)	3,320	12,182
Realized net (loss)/gain on derivative operations	(79)	6,072	2,645	(4,341)
Net gain/(loss) on trading operations	140	4,792	2,852	(4,006)
Total net (loss)/gain on operations with financial assets and liabilities classified as held for trading	(1,865)	(57,196)	8,817	3,835

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
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23. Net gain on foreign exchange operations

Net foreign exchange gain comprises:

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Dealing, net	10,018	14,106	17,237	29,686
Translation differences, net	4,337	38,153	(1,124)	(18,524)
Total net foreign exchange gain	14,355	52,259	16,113	11,162

24. Insurance underwriting income/ (insurance claims incurred)

Insurance underwriting income/ (insurance claims incurred) comprised:

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Insurance premiums written, gross	63,693	29,162	127,464	81,846
Ceded reinsurance share	(28,499)	(12,137)	(54,777)	(40,649)
Change in unearned insurance premiums, net	(353)	2,249	(7,268)	(1,806)
Total insurance underwriting income	34,841	19,274	65,419	39,391
Insurance payments	(8,203)	(1,120)	(14,777)	(7,338)
Insurance reserves expenses	(7,194)	(4,103)	(17,713)	(6,611)
Commissions to agents	(5,996)	(8,293)	(12,486)	(17,943)
Total insurance claims incurred, net of reinsurance	(21,393)	(13,516)	(44,976)	(31,892)
Net insurance income	13,448	5,758	20,443	7,499

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
(millions of Kazakhstani Tenge)

25. Operating expenses

Operating expenses comprised:

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Salaries and other employee benefits	24,178	19,349	47,736	40,317
Depreciation and amortization expenses	3,633	3,119	7,306	6,254
Advertisement and loyalty program expense	2,692	3,022	4,764	4,957
Charity*	2,221	34	2,235	44
Taxes other than income tax	2,229	1,832	4,191	3,634
Information services	1,480	1,397	3,247	2,445
Communication	1,260	1,676	2,463	2,931
Security	1,218	1,266	2,457	2,418
Utilities expenses	1,036	1,017	2,167	2,160
Repairs and maintenance	820	663	1,665	1,268
Rent	744	800	1,479	1,355
Stationery and office supplies	360	414	753	880
Professional services	226	318	606	573
Other	1,243	523	2,074	1,754
Total operating expenses	43,340	35,432	83,143	70,990

* Providing charity assistance to the private fund "Charity Fund" Halyk "for the execution of charitable projects related to COVID-19.

26. Income on non-banking activities

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Net gain/(loss) on sale of commercial property	3,291	(1,022)	6,067	9,198
Net (loss)/gain on sale of investment property	(10)	1,064	791	1,070
Other income on non-banking activities	212	57	218	57
Income on non-banking activities	3,493	99	7,076	10,325

27. Earnings per share

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
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The following table presents basic and diluted earnings per share:

	Three months ended 30 June 2021 (unaudited)	Three months ended 30 June 2020 (unaudited)	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Basic and diluted earnings per share				
Net profit for the period attributable to equity holders of the parent	128,610	74,925	225,438	155,994
Earnings attributable to common shareholders	128,610	74,925	225,438	155,994
Weighted average number of common shares for the purposes of basic earnings per share	11,721,177,261	11,692,248,553	11,705,745,202	11,693,150,334
Basic and diluted earnings per share (in Tenge)	10.97	6.41	19.26	13.34

As required by KASE rules for listed companies, the book value of one share per each class of shares as at 30 June 2021 and 31 December 2020 is disclosed as follows:

Class of shares	30 June 2021 (unaudited)		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,741,292,989	1,497,939	127.58
		1,497,939	
Class of shares	31 December 2020		
	Outstanding shares	Equity (as calculated per KASE rules)	Book value of one share, in KZT
Common	11,684,340,715	1,481,060	126.76
		1,481,060	

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

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

28. Financial risk management

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

The Group's significant policies and procedures related to financial risk management has not changed in the second quarter of 2021 and are disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
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Liquidity Risk

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

	30 June 2021 (unaudited)					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	973,067	6,741	-	-	-	979,808
Obligatory reserves	117,099	10,430	46,698	10,432	348	185,007
Financial assets at fair value through profit or loss	237,577	20	3,681	8	1,498	242,784
Amounts due from credit institutions	154,036	172,538	491,321	14,505	3	832,403
Financial assets at fair value through other comprehensive income	180,464	42,114	153,997	1,160,542	308,964	1,846,081
Debt securities at amortised cost, net of allowance for expected credit losses	79,877	2,077	3,106	686,727	500,717	1,272,504
Loans to customers*	187,658	336,165	2,510,830	1,835,139	205,386	5,075,178
Other financial assets	36,758	1,492	14,533	25,213	355	78,351
	1,966,536	571,577	3,224,166	3,732,566	1,017,271	10,512,116
FINANCIAL LIABILITIES:						
Amounts due to customers	3,827,945	321,086	2,804,433	793,259	432,861	8,179,584
Amounts due to credit institutions	195,635	10,856	33,478	18,975	113,656	372,600
Financial liabilities at fair value through profit or loss	1,587	-	215	584	460	2,846
Debt securities issued	-	3,785	183,761	293,573	772	481,891
Other financial liabilities	82,132	1,621	3,984	3,974	1,634	93,345
	4,107,299	337,348	3,025,871	1,110,365	549,383	9,130,266
Net position	(2,140,763)	234,229	198,295	2,622,201	467,888	1,381,850
Accumulated gap	(2,140,763)	(1,906,534)	(1,708,239)	913,962	1,381,850	

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2021 (unaudited)
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	31 December 2020					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	1,745,718	11,759	-	-	-	1,757,477
Obligatory reserves	97,353	20,780	41,490	10,120	385	170,128
Financial assets at fair value through profit or loss	238,742	-	3,548	5	31	242,326
Amounts due from credit institutions	152,028	7,514	549,029	737	2	709,310
Financial assets at fair value through other comprehensive income	75,531	2,686	95,143	908,867	173,931	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	16,303	2,292	35,118	675,152	500,674	1,229,539
Loans to customers*	233,521	399,590	2,437,184	1,200,408	175,572	4,446,275
Other financial assets	31,524	8,724	12,608	30,550	12,242	95,648
	2,590,720	453,345	3,174,120	2,825,839	862,837	9,906,861
FINANCIAL LIABILITIES:						
Amounts due to customers	3,616,311	859,205	1,785,064	775,042	420,355	7,455,977
Amounts due to credit institutions	162,608	191	2,586	17,675	117,667	300,727
Financial liabilities at fair value through profit or loss	1,725	-	206	104	449	2,484
Debt securities issued	211,145	3,785	3,265	559,264	733	778,192
Other financial liabilities	56,219	582	7,631	229	-	64,661
	4,048,008	863,763	1,798,752	1,352,314	539,204	8,602,041
Net position	(1,457,288)	(410,418)	1,375,368	1,473,525	323,633	1,304,820
Accumulated gap	(1,457,288)	(1,867,706)	(492,338)	981,187	1,304,820	

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

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

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

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
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Currency Risk

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

	30 June 2021 (unaudited)						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	580,241	31,579	25,263	52,177	689,260	290,548	979,808
Obligatory reserves	49,913	14,445	3,295	13,546	81,199	103,808	185,007
Financial assets at fair value through profit or loss	18,591	-	39,292	146	58,029	184,755	242,784
Amounts due from credit institutions	687,648	13,153	2	30,609	731,412	100,991	832,403
Financial assets at fair value through other comprehensive income	932,265	131,167	15,121	-	1,078,553	767,528	1,846,081
Debt securities at amortised cost, net of allowance for expected credit losses	183,613	-	3,573	6,007	193,193	1,079,311	1,272,504
Loans to customers	967,711	52,114	97,725	64,408	1,181,958	3,893,220	5,075,178
Other financial assets	550	285	479	2,067	3,381	74,970	78,351
	3,420,532	242,743	184,750	168,960	4,016,985	6,495,131	10,512,116
FINANCIAL LIABILITIES							
Amounts due to customers	3,507,617	144,924	75,765	98,783	3,827,089	4,352,495	8,179,584
Amounts due to credit institutions	11,030	3,893	487	3,145	18,555	354,045	372,600
Financial liabilities at fair value through profit or loss	-	-	1,259	-	1,259	1,587	2,846
Debt securities issued	78,825	-	-	807	79,632	402,259	481,891
Other financial liabilities	2,066	340	3,237	2,738	8,381	84,964	93,345
	3,599,538	149,157	80,748	105,473	3,934,916	5,195,350	9,130,266
Net position – on-balance	(179,006)	93,586	104,002	63,487	82,069	1,299,781	1,381,850
Net position – off-balance	195,183	(93,905)	(86,818)	11	14,471	(11,380)	
Net position	16,177	(319)	17,184	63,498	96,540	1,288,401	

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	31 December 2020						
	USD	EURO	RUR	Other	Total foreign currencies	KZT	Total
FINANCIAL ASSETS:							
Cash and cash equivalents	1,175,440	23,729	48,005	30,490	1,277,664	479,813	1,757,477
Obligatory reserves	88,902	7,292	2,017	3,452	101,663	68,465	170,128
Financial assets at fair value through profit or loss	19,804	-	38,728	1,511	60,043	182,283	242,326
Amounts due from credit institutions	564,826	16,218	2	459	581,505	127,805	709,310
Financial assets at fair value through other comprehensive income	646,942	130,942	4,409	-	782,293	473,865	1,256,158
Debt securities at amortised cost, net of allowance for expected credit losses	170,218	-	4,063	10,338	184,619	1,044,920	1,229,539
Loans to customers	831,807	50,489	79,545	55,273	1,017,114	3,429,161	4,446,275
Other financial assets	1,818	304	3,446	1,367	6,935	88,713	95,648
	3,499,757	228,974	180,215	102,890	4,011,836	5,895,025	9,906,861
FINANCIAL LIABILITIES							
Amounts due to customers	3,234,752	136,373	61,075	77,500	3,509,700	3,946,277	7,455,977
Amounts due to credit institutions	14,549	3,825	2,682	5,691	26,747	273,980	300,727
Financial liabilities at fair value through profit or loss	-	-	759	12	771	1,713	2,484
Debt securities issued	362,417	-	-	767	363,184	415,008	778,192
Other financial liabilities	1,593	13	1,671	874	4,151	60,510	64,661
	3,613,311	140,211	66,187	84,844	3,904,553	4,697,488	8,602,041
Net position – on-balance	(113,554)	88,763	114,028	18,046	107,283	1,197,537	1,304,820
Net position – off-balance	163,673	(86,310)	(60,996)	(171)	16,196	(13,425)	
Net position	50,119	2,453	53,032	17,875	123,479	1,184,112	

**Selected Explanatory Notes to the Interim Condensed
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29. Capital risk management

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

- To comply with the capital requirements set by NBRK;
- To safeguard the Group'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 Group is calculated according to prudential norms set for banks by the Kazakhstan regulatory authority, applying Basel Committee principles and methods.

Currently, regulatory capital is represented by:

- Tier 1 capital, which is required to maintain the normal operating activity of the Group 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 Group, 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 Group's liquidation. This part of capital consists of instruments issued by the Group 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.

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The below table summarises the regulatory capital composition and capital adequacy ratios of the Group as at 30 June 2021 and 31 December 2020. Individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	30 June 2021 (unaudited)	31 December 2020
Composition of regulatory capital		
CET 1		
Common shares, net of treasury shares	103,803	98,000
Share premium	8,504	5,741
Retained earnings of prior periods	1,039,590	897,775
Net income for the current period	225,438	352,653
Accumulated disclosed reserves	54,019	53,578
Non-controlling interest	7	7
Property and financial assets at fair value through other comprehensive income revaluation reserves	66,930	75,587
Less: goodwill and intangible assets	(15,381)	(15,293)
Less: cumulative translation reserve	(6,009)	(4,516)
Common Equity Tier 1 (CET 1) Capital	1,476,901	1,463,532
Additional tier 1		
Tier 2		
Subordinated debt	72,155	67,211
Total qualifying for Tier 2 capital	72,155	67,211
Total regulatory capital	1,549,056	1,530,743
Risk weighted assets	7,015,173	5,993,301
CET 1 capital adequacy ratio	21.05%	24.42%
Tier 1 capital adequacy ratio	21.05%	24.42%
Total capital adequacy ratio	22.08%	25.54%

30. Segment analysis

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

No significant changes in the Group segments occurred during the six months ended 30 June 2021 in comparison with the year ended 31 December 2020.

There were no transactions between business segments during the six months ended 30 June 2021 and 2020.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)

Segment information for the main reportable business segments of the Group as at 30 June 2021 and 2020 and for the six months then ended is set out below:

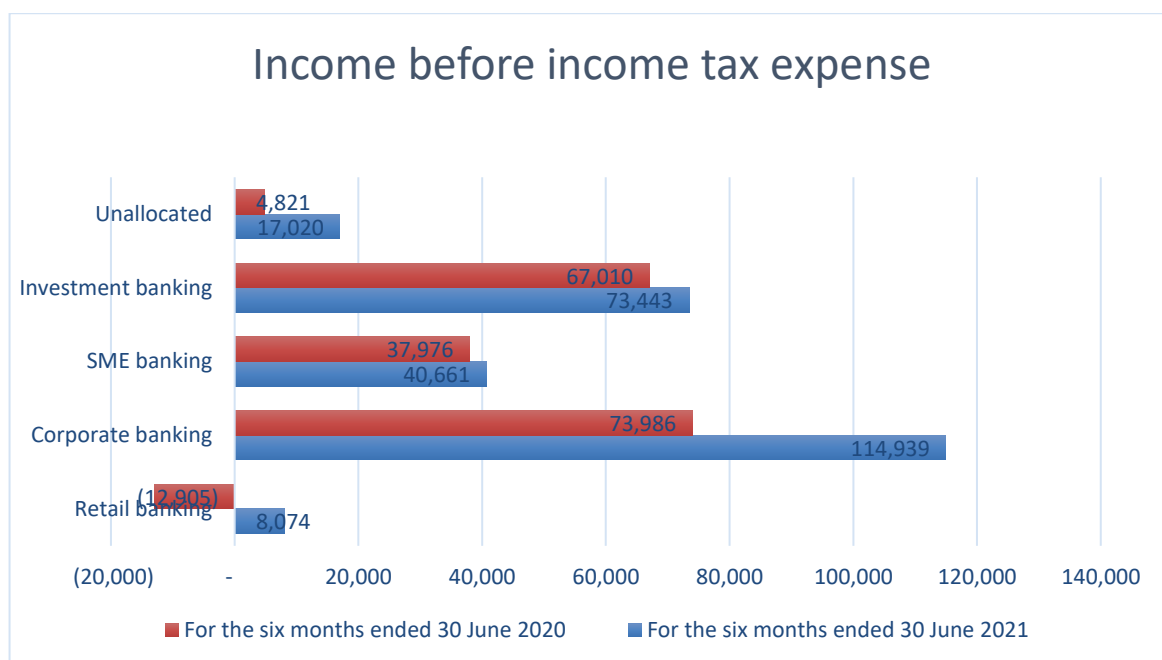
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the six months ended 30 June 2021 (unaudited)						
External revenues	175,481	160,725	62,216	104,558	83,963	586,943
Total revenues	175,481	160,725	62,216	104,558	83,963	586,943
Total revenues comprise:						
- Interest income	119,525	140,122	45,433	102,308	249	407,637
- Fee and commission income, including:	50,328	7,459	11,297	-	1,402	70,486
<i>Plastic cards operations</i>	36,991	34	876	-	92	37,993
<i>Bank transfers - settlements</i>	5,548	1,465	3,433	-	38	10,484
<i>Letters of credit and guarantees issued</i>	16	3,968	1,251	-	16	5,251
<i>Cash operations</i>	438	870	3,633	-	17	4,958
<i>Servicing customers' pension payments</i>	4,265	-	-	-	-	4,265
<i>Bank transfers - salary projects</i>	2,430	-	-	-	-	2,430
<i>Maintenance of customer accounts</i>	219	95	1,497	-	-	1,811
<i>Other</i>	421	1,027	607	-	1,239	3,294
- Net gain from financial assets and liabilities at fair value through profit or loss	-	6,769	-	2,048	-	8,817
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	202	-	202
- Net gain/(loss) on foreign exchange operations	5,628	6,375	5,486	-	(1,376)	16,113
- Share in profit of associate	-	-	-	-	3,123	3,123
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	80,565	80,565
Total revenues	175,481	160,725	62,216	104,558	83,963	586,943
- Interest expense	(78,397)	(51,470)	(10,538)	(28,824)	(540)	(169,769)
- (Credit loss expense)/recovery of credit loss expense	(9,206)	17,212	(2,848)	(555)	(1,349)	3,254
- Fee and commission expense	(30,667)	(1,908)	(336)	(130)	(265)	(33,306)
- Operating expenses	(49,149)	(5,024)	(8,027)	(1,606)	(19,337)	(83,143)
- Loss from impairment of non-financial assets	-	-	-	-	(487)	(487)
- Recoveries of other credit loss expense/(other credit loss expense)	12	(4,596)	194	-	12	(4,378)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(44,976)	(44,976)
Total expenses	(167,407)	(45,786)	(21,555)	(31,115)	(66,942)	(332,805)
Segment result	8,074	114,939	40,661	73,443	17,021	254,138
Income before income tax expense						254,138
Income tax expense					(28,700)	(28,700)
Net profit						225,438
30 June 2021 (unaudited):						
Total segment assets	1,447,856	4,628,455	821,055	3,298,944	806,095	11,002,405
Total segment liabilities	4,196,710	3,201,310	1,230,192	488,514	375,444	9,492,170
Other segment items:						
Capital expenditures					(9,053)	(9,053)
Depreciation and amortization					(7,306)	(7,306)
Investments in associates					30,463	30,463

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)

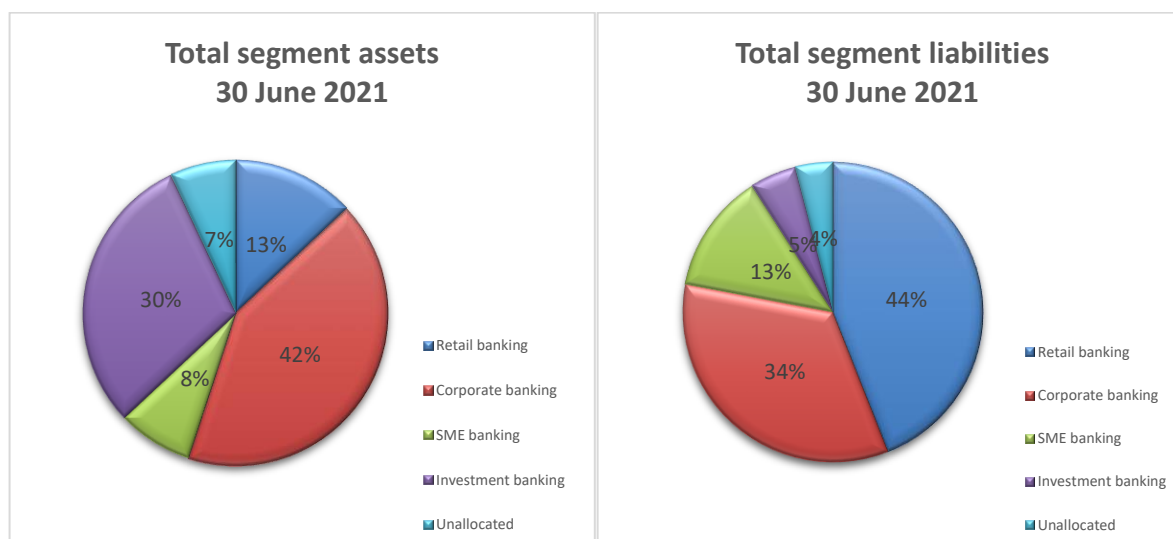
	Retail banking	Corporate banking	SME banking	Investment banking	Unallocated	Total
For the six months ended 30 June 2020 (unaudited)						
External revenues	148,063	129,695	55,796	103,381	60,719	497,654
Total revenues	148,063	129,695	55,796	103,381	60,719	497,654
Total revenues comprise:						
- Interest income	97,318	122,078	36,292	104,151	9	359,848
- Fee and commission income, including:	42,192	6,490	10,121	-	1,443	60,246
<i>Plastic cards operations</i>	30,798	34	544	-	71	31,447
<i>Bank transfers - settlements</i>	2,838	1,393	3,431	-	27	7,689
<i>Letters of credit and guarantees issued</i>	9	3,831	1,042	-	14	4,896
<i>Cash operations</i>	545	594	3,427	-	8	4,574
<i>Servicing customers' pension payments</i>	4,185	-	-	-	-	4,185
<i>Bank transfers – salary projects</i>	3,367	-	-	-	-	3,367
<i>Maintenance of customer accounts</i>	157	72	1,379	-	-	1,608
<i>Other</i>	293	566	298	-	1,323	2,480
- Net gain/(loss) from financial assets and liabilities at fair value through profit or loss	-	6,969	-	(3,134)	-	3,835
- Net realised gain from financial assets at fair value through other comprehensive income	-	-	-	2,154	-	2,154
- Net gain/(loss) on foreign exchange operations	8,553	(5,842)	9,383	210	(1,142)	11,162
- Share in profit of associate	-	-	-	-	3,020	3,020
- Insurance underwriting income, income on non-banking activities and other income	-	-	-	-	57,389	57,389
Total revenues	148,063	129,695	55,796	103,381	60,719	497,654
- Interest expense	(64,515)	(43,759)	(7,337)	(35,641)	(173)	(151,425)
- Credit loss expense	(21,302)	(3,289)	(3,942)	(65)	(5,308)	(33,906)
- Fee and commission expense	(28,981)	(2,107)	(333)	(106)	(263)	(31,790)
- Operating expenses	(46,169)	(3,164)	(6,580)	(555)	(14,522)	(70,990)
- Loss from impairment of non-financial assets	-	-	-	-	(3,647)	(3,647)
- (Other credit loss expense)/ recoveries of other credit loss expense	(1)	(3,390)	372	(4)	(93)	(3,116)
- Insurance claims incurred, net of reinsurance	-	-	-	-	(31,892)	(31,892)
Total expenses	(160,968)	(55,709)	(17,820)	(36,371)	(55,898)	(326,766)
Segment result	(12,905)	73,986	37,976	67,010	4,821	170,888
Income before income tax expense						170,888
Income tax expense					(14,894)	(14,894)
Net profit						155,994
31 December 2020:						
Total segment assets	1,223,143	4,958,055	739,910	2,721,756	744,968	10,387,832
Total segment liabilities	3,733,588	2,773,618	1,271,071	784,346	331,941	8,894,564
Other segment items:						
Capital expenditures					(7,573)	(7,573)
Depreciation and amortization					(6,254)	(13,027)
Investments in associates					32,797	32,797

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
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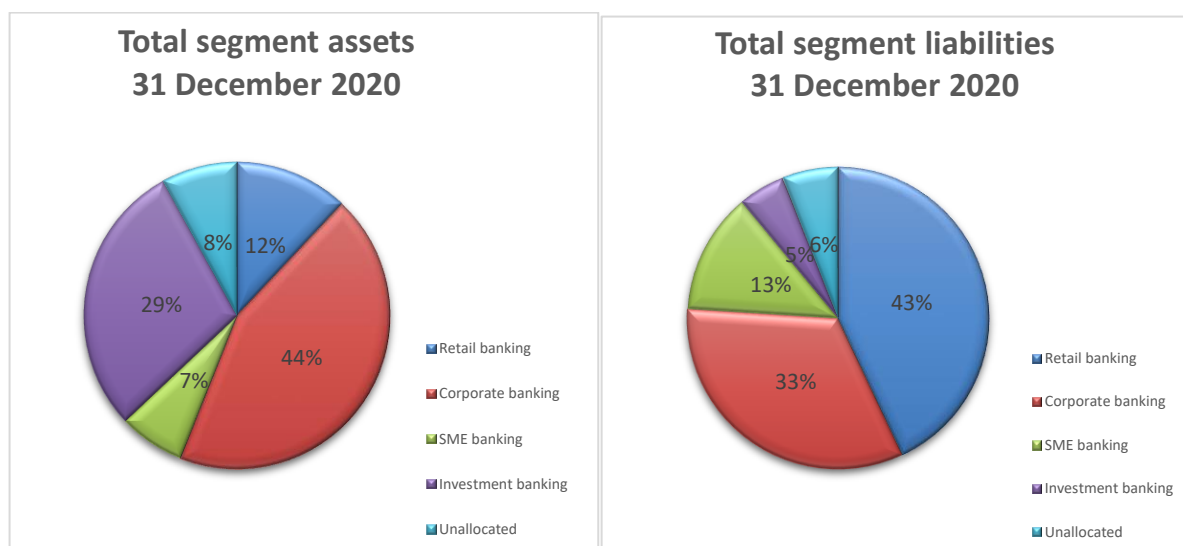
Income before income tax expense by segments were as follows:



Share of segment assets and liabilities as at 30 June 2021 (unaudited) and 31 December 2020 presented as follows:



Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)



Geographical information

Information for the main geographical areas of the Group is set out below as at 30 June 2021 and 31 December 2020 and for the six months ended 30 June 2021 and 2020.

	Kazakhstan	OECD	Non-OECD	Total
30 June 2021 (unaudited)				
Total assets	9,848,283	662,021	492,101	11,002,405
31 December 2020				
Total assets	9,416,469	447,932	523,431	10,387,832
Six months ended				
30 June 2021 (unaudited)				
External revenues	552,840	15,284	18,279	586,943
Capital expenditures	(9,053)	-	-	(9,053)
Six months ended				
30 June 2020 (unaudited)				
External revenues	470,195	7,352	20,106	497,654
Capital expenditures	(7,573)	-	-	(7,573)

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)

31. Fair values of financial instruments

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

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

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

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

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

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

The tables below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 30 June 2021 and 31 December 2020, before any allowances for expected credit losses.

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)

Financial Assets/Liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	30 June 2021 (unaudited)	31 December 2020				
Non-derivative financial assets at fair value through profit or loss (Note 6)	76,629	54,291	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through profit or loss (Note 6)	158,701	184,363	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss, excluding options (Note 6)	1	22	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 6)	7,453	3,650	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (observable as at the reporting period).	Not applicable	Not applicable
Total financial assets at fair value through profit or loss	242,784	242,326				
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	-	12	Level 1	Quoted prices in a market that is not active.	Not applicable	Not applicable
Derivative financial liabilities at fair value through profit or loss, excluding options (Note 6)	2,846	2,472	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (observable as at the reporting period).	Not applicable	Not applicable
Total financial liabilities at fair value through profit or loss	2,846	2,484				
Non-derivative financial assets at fair value through other comprehensive income (Note 8)	1,195,920	822,112	Level 1	Quoted prices in an active market.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income in bonds of foreign organisations (Note 8)	650,098	433,983	Level 2	Quoted prices in a market that is not active.	Not applicable	Not applicable
Non-derivative financial assets at fair value through other comprehensive income – unquoted equity securities (Note 8)	63	63	Level 3	Valuation model based on internal rating model.	Percentage discount	The greater discount - the smaller fair value
Financial assets at fair value through other comprehensive income	1,846,081	1,256,158				

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)

During the six months ended 30 June 2021 and 2020, there were no transfers between levels.

	Derivative financial assets at fair value through profit or loss (Level 3)	Financial assets at fair value through other comprehen- sive income Unquoted equity securities (Level 3)
31 December 2020	-	63
30 June 2021 (unaudited)	-	63
31 December 2019	4,347	-
Gain to profit or loss	779	-
30 June 2020 (unaudited)	5,126	-

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

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

Amounts due from and to credit institutions

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

Loans to customers

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

Amounts due to customers

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

Debt securities issued

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(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:

	30 June 2021 (unaudited)		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	832,403	834,643	709,310	700,406
Debt securities at amortised cost, net of allowance for expected credit losses	1,272,504	1,249,520	1,229,539	1,206,654
Loans to customers	5,075,178	4,955,775	4,446,275	4,488,611
Financial liabilities				
Amounts due to customers	8,179,584	8,416,217	7,455,977	7,392,606
Amounts due to credit institutions	372,600	371,993	300,727	308,574
Debt securities issued	481,891	495,064	778,192	778,825

	30 June 2021 (unaudited)			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	834,643	-	834,643
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,249,520	-	1,249,520
Loans to customers	-	-	4,955,775	4,955,775
Financial liabilities				
Amounts due to customers	-	8,416,217	-	8,416,217
Amounts due to credit institutions	-	371,993	-	371,993
Debt securities issued	-	495,064	-	495,064

	31 December 2020			
	Level 1	Level 2	Level 3	Total fair value
Financial assets				
Amounts due from credit institutions	-	700,406	-	700,406
Debt securities at amortised cost, net of allowance for expected credit losses	-	1,206,654	-	1,206,654
Loans to customers	-	-	4,448,611	4,448,611
Financial liabilities				
Amounts due to customers	-	7,392,606	-	7,392,606
Amounts due to credit institutions	-	308,574	-	308,574
Debt securities issued	-	778,825	-	778,825

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

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)

32. 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. Transactions with related parties are settled on an arm’s-length basis and recognised in the financial statements according to the same accounting policy as for similar transactions with 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. The Group had the following balances outstanding as at 30 June 2021 and 31 December 2020 with related parties:

	30 June 2021 (unaudited)		31 December 2020	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers before allowance for expected credit losses	8,274	5,445,151	1,431	4,824,316
- <i>entities with joint control or significant influence over the Group</i>	8,272		1,418	
- <i>key management personnel of the Group or its parent</i>	1		1	
- <i>other related parties</i>	1		12	
Allowance for expected credit losses	(3)	(369,973)	(1)	(378,041)
- <i>other related parties</i>	(3)		(1)	
Investments in associates	30,463	30,463	32,797	32,797
Amounts due to customers	401,160	8,179,584	263,125	7,455,977
- <i>the parent</i>	338,190		194,582	
- <i>entities with joint control or significant influence over the Group</i>	15,365		15,329	
- <i>key management personnel of the Group or its parent</i>	11,955		11,299	
- <i>other related parties</i>	35,650		41,915	

Selected Explanatory Notes to the Interim Condensed Consolidated Financial Information for the Six Months ended 30 June 2020 (unaudited)
(millions of Kazakhstani Tenge)

The following amounts resulted from transactions with related parties and have been reflected in the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2021 and 2020:

	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income calculated using effective interest method	214	397,140	1	353,082
- <i>entities with joint control or significant influence over the entity</i>	214		-	
- <i>other related parties</i>	-		1	
Share in profit of associate	3,123	3,123	3,020	3,020
Interest expense	(1,636)	(169,769)	(1,659)	(151,425)
- <i>the parent</i>	(1,255)		(748)	
- <i>entities with joint control or significant influence over the entity</i>	(150)		(221)	
- <i>key management personnel of the entity or its parent</i>	(49)		(106)	
- <i>other related parties</i>	(182)		(584)	
Operating expenses	2,235	83,143	-	70,990
- <i>entities with joint control or significant influence over the entity</i>	2,235		-	
	Six months ended 30 June 2021 (unaudited)		Six months ended 30 June 2020 (unaudited)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:	1,640	47,736	1,431	40,317
- <i>short-term employee benefits</i>	1,640		1,431	

33. Subsequent events

On 30 July 2021, the Board of Directors of the Bank made a decision on the voluntary liquidation of the subsidiary bank in the Republic of Tajikistan - CJSC Halyk Bank Tajikistan. The decision was made based on a comprehensive analysis of the activities and development prospects of this subsidiary.