

ABOUT THE BANK

NET PROFIT FOR THE FIRST TIME IN THE ENTIRE
HISTORY OF THE BANK

148 BILLION
TENGE

STRENGTHENING
A SENSE OF
HOMELAND





About the Bank

Otbasy Bank was established in 2003 to improve and enhance the efficiency of long-term financing of housing construction and to develop a system of housing construction savings aimed at improving the housing conditions of the population.

The principal activities of the Bank are:

- accepting deposits in housing construction savings, opening and maintaining depositors' accounts;
- providing depositors with housing, preliminary housing and bridging housing loans for housing improvement activities;
- opening and maintaining special accounts for crediting lump-sum pension payments;
- opening and maintaining current accounts for crediting payments and subsidies to pay for rented accommodation in private housing stock.

The founder of the Bank is the Government of the Republic of Kazakhstan represented by the State Property and Privatization Committee of the Ministry of Finance of the Republic of Kazakhstan, which has the right to dispose of the state block of shares of the Bank. Since August 2013, the sole shareholder of the Bank is Baiterek NMH JSC (hereinafter referred to as the Holding).

The Bank is established in the legal form of a joint stock company and its:

Full name:

- in the state language: «Отбасы банк» тұрғын үй құрылыс жинақ банкі» акционерлік қоғамы»;
- in the Russian language: акционерное общество «Жилищный строительный сберегательный банк «Отбасы банк»»;
- in the English language: Otbasy Bank Housing Construction Savings Bank of Kazakhstan Joint Stock Company

Abbreviated name:

- in the state language: «Отбасы банк» АҚ»;
- in the Russian language: АО «Отбасы банк»;
- in the English language: Otbasy Bank JSC.

Registered address of the Bank's executive body: 91 Abylai Khan Avenue, Almaly District, Almaty, A05A2X0, Republic of Kazakhstan.

Ms. Lyazzat Ibragimova is the Chairman of the Bank's Management Board.

RATINGS

MOODY'S

Long-term local currency deposit rating:	<i>Baa 2</i>
Short-term local currency deposit rating:	<i>Prime-2</i>
Basic credit rating:	<i>Ba2</i>
Rating outlook:	<i>Positive</i>

FitchRatings

Long-term local currency issuer default rating:	<i>BBB</i>
Short-term local currency issuer default rating:	<i>F2</i>
Rating outlook:	<i>stable</i>

Public Policy of the Housing Construction Savings System

For Kazakhstan, one of the most important areas of social policy is to provide citizens with affordable and high-quality housing. Economic growth and social orientation of the state became the basis for the formation of the system of housing construction savings (HCS), which is regulated by the Housing Construction Savings in the Republic of Kazakhstan Act dated 7 December 2000.

The HCS system is a closed system of financing, where housing improvement activities are based on attracting money from investors in housing construction savings and providing them with housing loans. The Kazakhstan's model of the HCS system is based on the German model, which was also widespread in Eastern Europe at one time.

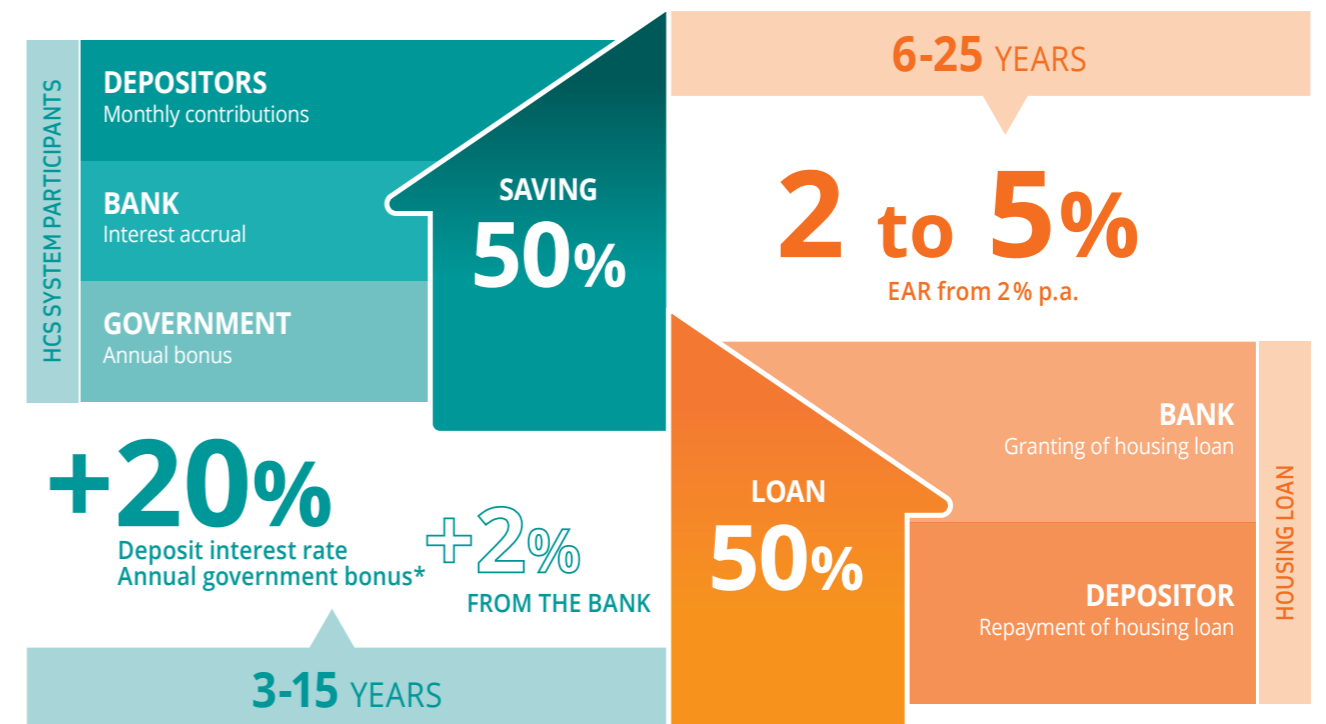
The HCS system has been operating in Kazakhstan for 20 years and is becoming increasingly popular among Kazakhstanis.

The peculiarity of the HCS system is the preliminary accumulation of money in the Bank's savings accounts with the purpose of obtaining housing loans at low interest rates to improve housing conditions.

Public deposits are encouraged by a government bonus (20% of the deposit amount, maximum amount of encouraged deposits is up to 200 MCI) regardless of the form of ownership, in accordance with the Housing Construction Savings in the Republic of Kazakhstan Act.

The depositor also has the opportunity to purchase housing within the framework of government, regional and own housing construction programs. Today, Otbasy Bank is the only bank in the country implementing the housing construction savings system.

HOUSING CONSTRUCTION SAVINGS SYSTEM





LENDING OBJECTIVES

The Bank provides its depositors with housing, bridging housing and preliminary housing loans for housing improvement activities, namely:



Construction

(including acquisition of a land plot), purchase of housing, including through its exchange for the purpose of improvement).



Repair and modernization of housing

(including purchase of construction materials, payment for contractors' works).



Repayment of liabilities

incurred in connection with housing improvement activities.



Making a down payment

for obtaining a housing mortgage loan in banks and organizations performing certain types of banking operations.

Timeline of the Bank's Development

- In **2003**, the Bank was established with 100% state participation. Immediately, large-scale work was carried out to develop the Bank's branch network and attract depositors for housing construction deposits.
- In **2005**, the Bank issued the first loan – it was a bridging loan. The Bank obtained a license to conduct banking and other operations and to engage in dealing activities.
- In **2006**, the Bank broke even and issued the first housing loan.
- In **2007**, the first preliminary loan was issued. The Bank was rated by Moody's, an international rating agency. The Bank was also the first bank in Kazakhstan to receive the ISO 9 001: 2000 Quality Management System Certificate.
- In **2008**, the number of HCS agreements exceeded 100 thousand. The first loan was issued under the 2008–2010 Government Housing Construction Program in the Republic of Kazakhstan.
- In **2009**, the Sole Shareholder was changed.
- In **2010**, the number of HCS participants grew to 200 thousand people. And the Bank's assets reached KZT 100 billion.
- In **2011**, the first trilateral Agreements on housing construction were signed between the Agency on Construction and Municipal Housing Economy of the Republic of Kazakhstan, local executive bodies and the Bank.
- In **2012**, customer service centers were opened in Aktobe, Ust-Kamenogorsk, Astana, Karaganda and Ekibastuz.
- In **2013**, Baiterek NMH JSC became the Sole Shareholder of the Bank. The Bank's own Contact Centre was implemented.
- In **2014**, the loan application processing time was reduced to 3 days due to the implementation of the BPM system. The Bank became a member of the European Federation of Building Societies and the International Union for Housing Finance.
- In **2015**, a Memorandum of Cooperation was signed between the Bank and the Bausparkasse Schwäbisch Hall (Germany). The Bank confirmed the ISO 9 001: 2008 Quality Management System Certificate.
- In **2016**, the Bank obtained a new license for operations in the securities market. Compensation was paid to the Bank's depositors in connection with the transition to the regime of the free float-ing exchange rate of KZT. A mobile application was launched for the Internet banking on IOS and Android platforms.
- In **2017**, the number of the Bank's depositors exceeded 1 million. The Bank became the operator of the Nurly Zher, new Government Housing Construction Program. The bonds were issued on KASE. The fee for entering into an agreement for housing construction savings and for increasing the contractual amount has been zeroed. A new tariff program, Baspana, was implemented.
- In **2018**, Memoranda of Cooperation were signed between the Bank and the International Finance Corporation, State Mortgage Company OJSC (Kyrgyz Republic). An agreement was signed between the Bank and the Asian Development Bank within the framework of cooperation. The bonds were placed on the AIFC platform. A special mortgage program for servicemen of the Republic of Kazakhstan was implemented.
- In **2019**, the Bakytty Otbasy program aimed at lending to low-income families for the purchase of housing at 2% p.a. was implemented.
- In **2020**, a new direction – Lending to Participants of the Shanyrak Pilot Project of the Nurly Zher Program – was implemented. A new branch of the Bank was opened in Turkestan. Housing Construction Savings Bank of Kazakhstan Joint Stock Company was reregistered as Otbasy Bank Housing Construction Savings Bank of Kazakhstan Joint Stock Company.
- In **2021**, the Bank became an authorized operator for the targeted use of lump-sum pension payments from the Unified Accumulative Pension Fund for the purpose of improving housing conditions and (or) paying for medical treatment. The Bank's product line was expanded: new preferential programs were launched – Umai for women and programs for young people.
- In **2022**, the Bank became one of the founders of the National ESG Club. The Bank launched the first green mortgage program Kazakhstan. New regional and youth housing programs were launched.
- A new Zhetysu regional branch of the Bank was opened. New regional and youth housing programs were launched. Net profit reached KZT 148 billion for the first time in the history of the Bank's operations. Otbasy Bank was recognized by CAREC as a gender champion for actively promoting gender equality in the country.



Market Presence

REGIONAL NETWORK

19 BRANCHES

18 SERVICE CENTERS

3 SERVICE POINTS ACROSS KAZAKHSTAN.

AGENCY NETWORK

1 132 CONSULTING AGENTS

125 CONSULTING CENTERS

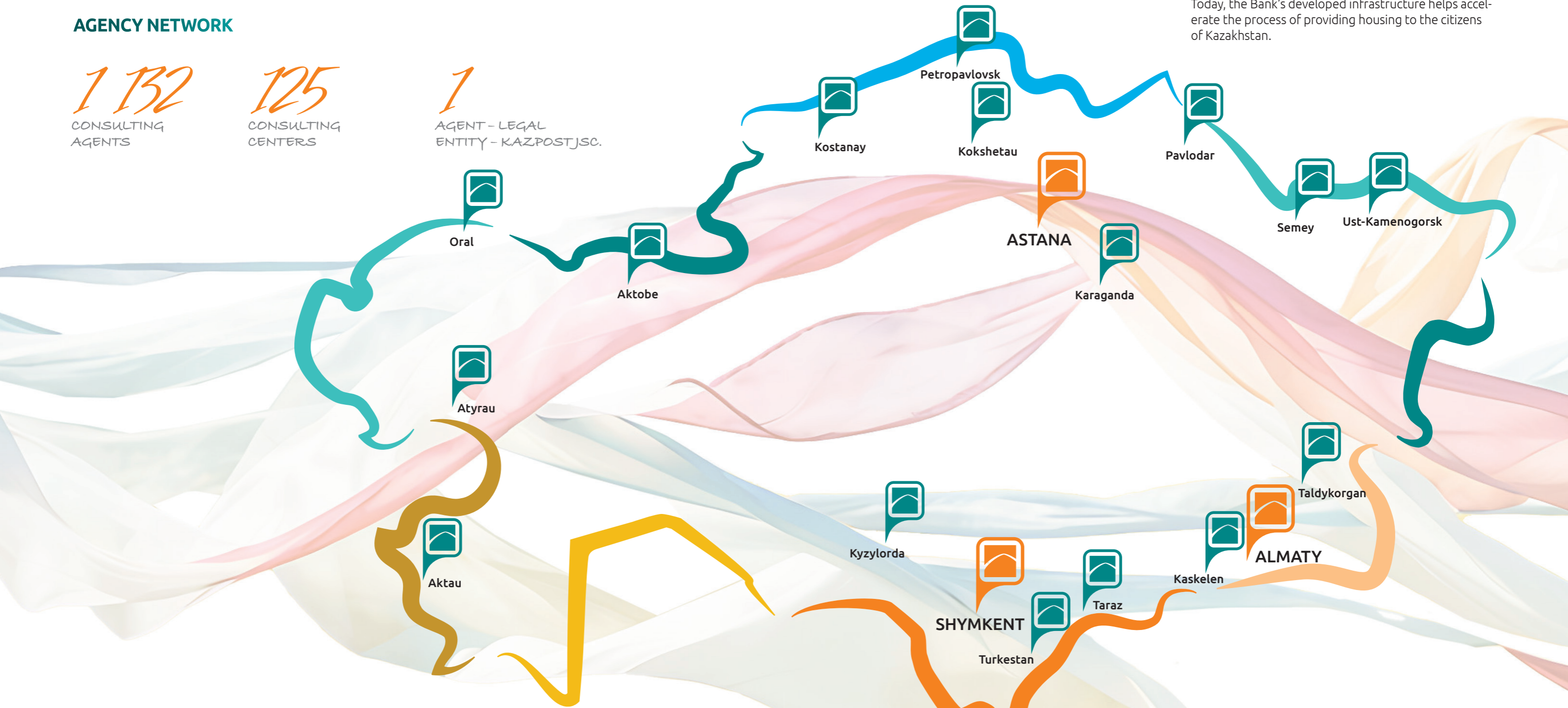
1 AGENT - LEGAL ENTITY - KAZPOST JSC.

The Bank is constantly working to ensure equal access to its services for all Kazakhstanis in all regions of the country. Due to its retail customer focus, the Bank has an expanded branch network and customer service centers/points. The Bank is present in all regions of Kazakhstan.

The Bank endeavors to ensure that its branches are located as conveniently as possible for customers in terms of their residence, study, work, transport and social infrastructure.

Along with developing the physical infrastructure of its branches and agent network, recognizing that, given the current realities of financial services development in Kazakhstan and globally, the Bank is actively working to develop modern methods of customer service, including the development of its own sales and customer service channels and tools. The Bank is actively expanding its presence in the Internet space, working on the development of internet and mobile devices to transfer simple and everyday transactions online.

Today, the Bank's developed infrastructure helps accelerate the process of providing housing to the citizens of Kazakhstan.





Membership in International Organizations

European Federation of Building Societies (EFBS)

The EFBS is an association of credit and other institutions promoting and supporting housing finance. The Federation was founded on 29 August 1962 and is one of the first credit federations at the European level. As Europe moves towards political and economic integration, the Federation promotes the idea of home ownership, represents the interests of its members in the European Union, ensures that its members are kept informed about progress in European unification and about the measures taken to this end by bodies of the European Union. Furthermore, the Federation supports and intensifies mutual information and exchange of experiences among its members in the fields of housing finance and housing policy.

To date, the Federation has 36 members throughout Europe and Asia. Otbasy Bank's full membership in the EFBS represents a unique opportunity to further develop Kazakhstan's housing construction savings system and advance the process of integration into the world community of building societies.

International Union for Housing Finance (IUHF)

In September 2014, the IUHF made a resolution to include Otbasy Bank as its member. This resolution came into force on 1 January 2015. The ICLF was founded in 1914 and is an organization that enables its members to keep abreast of the latest developments in housing finance around the world.

Memorandum of Cooperation

- Bausparkasse Schwäbisch Hall (Germany)
- State Mortgage Company JSC (Kyrgyz Republic)
- International Finance Corporation
- National ESG Club

Sole Shareholder

Baiterek NMH JSC is the Sole shareholder of the Bank with 100% ownership and use rights of the state block of shares. Since 2013, 7,830,000 ordinary shares of the Bank have been owned by Baiterek NMH JSC.

The mission of Baiterek NMH JSC is sustainable development of the Republic of Kazakhstan and achievement of the Strategy 2050 goals.

One of the key tasks of Baiterek NMH JSC is to support the urbanization of the economy, which is addressed within the framework of the strategic direction of Baiterek NMH JSC, i.e. Providing the Population with Housing. The activity of Baiterek NMH JSC on increasing housing affordability is implemented by its subsidiary, i.e. Otbasy Bank.

Central Office Structure

The Bank's organisational structure contributes to the effective achievement of the Bank's strategic goals and objectives. Based on the needs of business development, some changes were made to the Bank's organisational structure in the reporting year. The structure of the Bank's Central Office is divided

into business development, government program implementation, information security, legal issues, finance and reporting, risk management and internal control, IT and digital transformation, operations, banking products and processes.

Economic Environment

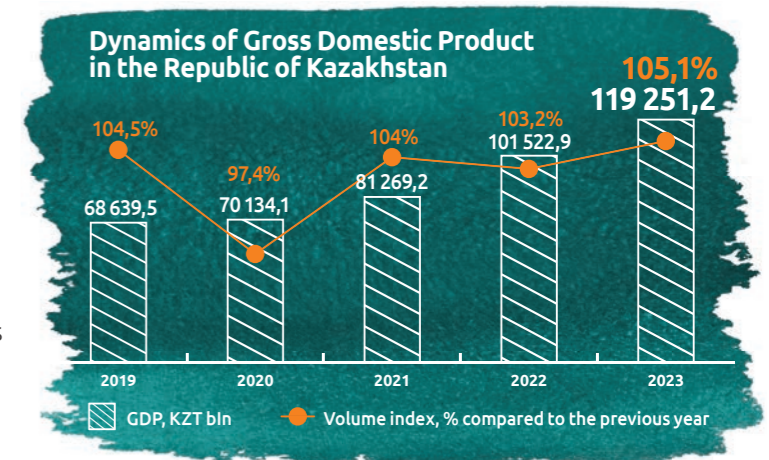
Macroeconomic indicators

The global economy in 2023 unfolded within a framework of slowing inflation at elevated levels, tighter monetary policy and weaker business activity. Inflation in developed economies slowed significantly in 2023. The downward trend in economic activity in the world is not only not over, but also has preconditions for strengthening.

Global economic growth, estimated at 3.1% in 2023, is forecast at 3.3% in 2024.

The recovery of the global economy from the effects of the COVID-19 pandemic, Russia's invasion of Ukraine and the cost of living crisis has proven to be sustainable. Inflation is falling faster than expected from its peak in 2022, with less than expected damage to employment and activity, due to favorable supply dynamics and policy tightening by central banks, which has contributed to the stability of inflation expectations.

Kazakhstan's economy has successfully adapted to the new external environment and has been on a sustainable growth trajectory this year. For the first time in the last 10 years, the economic growth rate exceeded 5% and amounted to 5.1%. The main driver was the expansionary fiscal policy of the government with a significant share of government spending financed by transfers from the National Fund. This allowed for an increase in fixed capital investment, which also became a record since 2013. The investment boom was observed in the utilities sector and transport infrastructure. Thanks to high GDP growth and strengthening of the tenge, its per capita value increased to USD 13.2 thousand, approaching the historically highest value of USD 13.9 thousand in 2013.



Kazakhstan's gross domestic product will increase by 5.0% in 2024, driven by higher growth in 2023. Investment activity, stimulated by government activities aimed at making sectors of Kazakhstan's economy more attractive to investors, will continue to play the role of a key growth driver.

At the same time, inflation in Kazakhstan finally fell to a single-digit level of 9.8% at the end of 2023, which halved compared to the beginning of the year. Tight monetary policy of the National Bank with a slight easing in the second half of the year, the tenge exchange rate, which by the end of the year strengthened stronger than at the end of 2022, as well as relatively favorable global price dynamics were able to significantly slow down price growth, despite numerous pro-inflationary factors in the form of significant injections of money from the National Fund into the budget, rising prices for housing and utilities, fuel and lubricants, as well as the recovery in consumer demand.



The government's targeting of high economic growth rates has yielded results – the economy grew by 5.1% in real terms in 2023 after a modest 3.2% last year.

The country's population as of 1 January 2024 was 20,033,500, including 12,451,000 urban (62.2%) and 7,582,500 rural (37.8%) people. Compared to 1 January 2023, the population increased by 266.7 thousand people or 1.35%.

The average value of nominal wages in the Republic of Kazakhstan the 4th quarter of 2023 was KZT 393,605. Growth to the corresponding quarter of 2022 was 16.2%, in real terms the increase of 5.3%.

The total area of housing stock of the Republic of Kazakhstan at the beginning of 2023 was 405,158.6 thousand sq.m, including 263,921.4 thousand sq.m in urban areas and 141,237.2 thousand sq.m in rural areas. In total, as of 1 January 2023, there were 5,735,901 apartments in Kazakhstan. 30% of apartment buildings in Kazakhstan are over 50 years old, i.e. built before 1970. More than 60% were commissioned more than 25 years ago. There are 1,950 houses in an emergency condition and they are not subject to reconstruction.

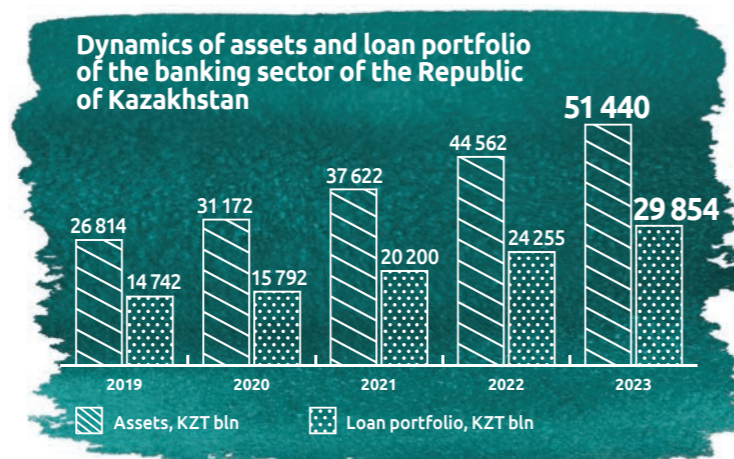
Housing provision per one resident as of 1 January 2023 in the Republic of Kazakhstan is 23.4 sq.m. Kazakhstan lags behind UN standards in this indicator – 30 sq. m per person and indicators of developed countries (France – 40 sq. m, USA – 70 sq. m, Austria – 43 sq. m).

In January-December 2023, KZT 3 089.7 billion was allocated for housing construction. In the total volume of investments in fixed capital, the share of disbursed funds in housing construction was 17.1%. The main source of financing of housing construction in January-December 2023 is the developers' own funds, the share of which was 87.9%.

KEY BANKING SECTOR FIGURES

As of the end of 2023, there are 21 second-tier banks operating in Kazakhstan. The total assets of second-tier banks increased by 15% last year and totaled KZT 51.4 trillion.

The largest share in the structure of total assets is the loan portfolio – 58%. In 2023, the loan portfolio of banks increased by 23% to KZT 29.9 trillion. The volume of loans for construction and purchase of housing increased by 10% to KZT 5.4 trillion.



Loans to the economy granted by second-tier banks increased by 22.4% to KZT 27.9 trillion in 2023 (3.9% growth in December 2023).

The volume of loans in national currency in 2023 increased by 23.0% to KZT 25.8 trillion (for December 2023, an increase of 2.8%), in foreign currency – by 16.3% to KZT 2.2 trillion (for December 2023, an increase of 19.6%). As a result, the share of loans in KZT increased from 91.9% to 92.3% in 2023.

In 2023, second-tier banks granted a total of KZT 30.3 trillion in new loans, an increase of 25.8% compared to 2022. At the same time, in December 2023, KZT3.5 trillion was granted, up 20.5% from the previous month.

Loans to individuals increased by 28.9% to KZT18.2 trillion in 2023 (December 2023 – growth of 2.3%), slowing down from the 31.8% growth in 2022.

Assets of second-tier banks as of 01 January 2024:

No.	Bank Name	Assets, KZT billion
1	Halyk Bank of Kazakhstan JSC	14,943.26
2	KASPI BANK JSC	6,688.92
3	Bank CenterCredit JSC	5,260.80
4	Otbasy Bank JSC	3,996.03
5	ForteBank JSC	3,444.41
6	First Heartland Jusan Bank JSC	2,869.28
7	Eurasian Bank JSC	2,758.77
8	Bank RBK JSC	2,043.61
9	Bereke Bank JSC	2,076.03
10	Citibank Kazakhstan JSC	1,087.02
11	Bank Freedom Finance Kazakhstan JSC	2,210.86
12	Altyn Bank JSC (Subsidiary Bank of China Citic Bank Corporation Ltd)	888.70
13	Home Credit Bank JSC	803.00
14	Bank of China Kazakhstan JSC, Subsidiary Bank	416.65
15	Nurbank JSC	465.71
16	Industrial and Commercial Bank of China (Almaty) JSC	349.50
17	Subsidiary Bank of Bank VTB (Kazakhstan) JSC	227.31
18	Subsidiary Bank of Kazakhstan-Ziraat International Bank JSC	233.01
19	Shinhan Bank Kazakhstan JSC	475.12
20	Al Hilal Islamic Bank JSC	178.00
21	Zaman-Bank Islamic Bank JSC	25.10
Total:		51,441.10

Structure of the loan portfolio of the banking sector of the Republic of Kazakhstan

	01.01.2023		01.01.2024		Growth, in %
	Amount, in KZT billion	in % of the total	Amount, in KZT billion	in % of the total	
Loan portfolio (principal debt)	24,255	100.0	29,854	100.0	123
Loans to banks	109.9	0.5	137.3	0.5	125
Loans to legal entities	4,354.0	18.0	4,821.1	16.1	111
Loans to individuals, including:	13,182.5	54.4	16,698.2	55.9	127
for construction and purchase of housing, including:	4,802.2	19.8	5,431.8	18.2	113
– housing mortgage loans	4,644.3	19.1	5,302.2	17.8	114
Consumer loans	7,686.8	31.7	10,312.7	34.5	134
Other loans	693.4	2.9	953.7	3.2	138
Loans to small and medium-sized businesses (residents of the Republic of Kazakhstan)	6,380.5	26.3	7,651.0	25.6	120
Reverse Repo operations	227.8	0.9	546.1	1.8	240



As a result of the revision of the terms of the 7-20-25 preferential mortgage program and lower withdrawal of pension savings by citizens to improve housing conditions, the growth of mortgage lending in 2023 slowed to 14.9% or KZT 5.4 trillion compared to the 42.4% growth in 2022.

In December 2023, the weighted average interest rate on loans granted in national currency to non-bank legal entities was 18.7% (19.2% in December 2022), to individuals – 17.9% (17.4% in December 2022).

The quality of the loan portfolio of the second-tier banks at the end of 2023 remains at a high level. Thus, as of 1 January 2024, the level of loans with 90+ days past due (NPL90+) was 2.9% of the loan portfolio or KZT 863 billion (as of 1 January 2023 – 3.4% or KZT 815 billion).

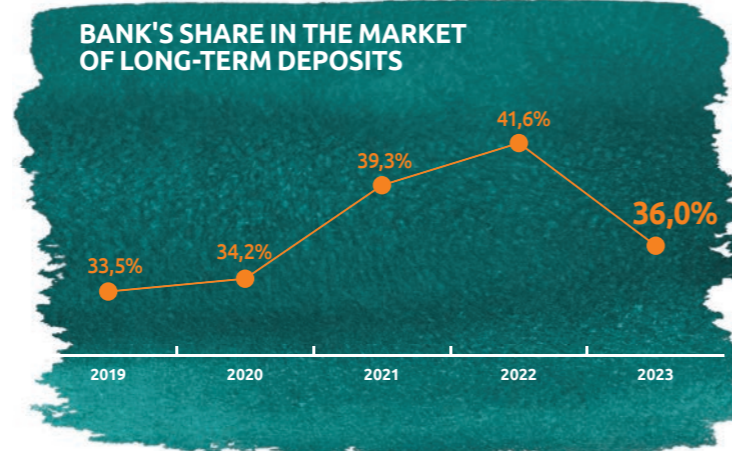
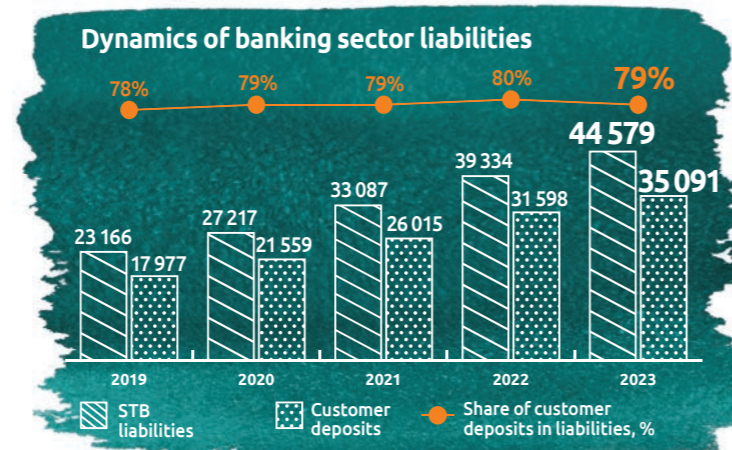
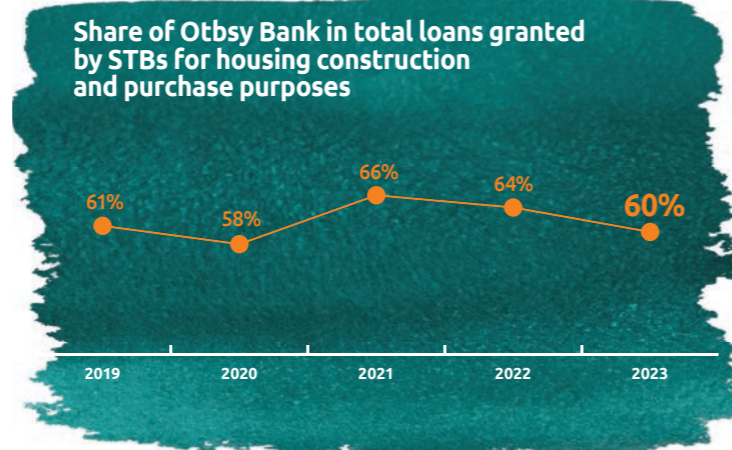
In fact, Otbasy Bank is the only active participant in the mortgage market among second-tier banks in recent years. The volume of the Bank's loan portfolio grew by 8% in 2023, from almost KZT 3 trillion to KZT 3.2 trillion. For the eighth year, about 60% of the volume of loans for construction and purchase of housing is granted annually by Otbasy Bank.

Deposits of the population in all second-tier banks in 2023 increased by 21% to KZT 20,388 billion, while directly in Otbasy Bank the volume of deposits increased by 10% (from KZT 2,141 billion as of 01.01.2024 to KZT 2,363 billion as of 01.01.2023). Otbasy Bank ranks second among all second-tier banks in terms of long-term deposits in KZT. As of 01.01.2024, the number of existing housing construction savings system contracts is about 2,761 thousand with savings in the amount of KZT 2,363 billion.

Net profit of the banking sector at the end of 2023 was KZT 2,183 billion. At the same time, Otbasy Bank's profit for 2023 totaled KZT 148 billion, which is 32% higher than the plan. Otbasy Bank's strong performance in 2023 is ensured by its competitive advantages, which allow the Bank to adhere to its successful development strategy.

The moderate growth of activity of second-tier banks and mortgage companies in the market of lending to the population for construction and purchase of housing, implementation of new government and other programs for construction and provision of affordable housing for Kazakhstanis had a positive impact on the increase in the market

share of Otbasy Bank and the growth of interest in housing construction savings. There was a stable growth in the number of participants in the housing construction savings system, which, accordingly, led to an increase in the deposit base and the volume of lending to the population of the Bank.



Compared to other second-tier banks in the country, the following strengths and weaknesses of the Bank can be identified:

STRENGTHS	WEAKNESSES
1. Low interest rates on loans, government bonus.	1. Limited product line and operations.
2. Ability to implement large-scale government programs, including by combining the interests of various housing market participants.	2. Decrease in the purchasing power of the population.
3. Unique financial products, including those that solve social tasks of the state.	3. Imperfection of legislation in terms of restrictions on possible services to be implemented.
4. Opportunity to influence the improvement of housing conditions of the population.	4. Insufficient maneuverability/flexibility of the quasi-public sector.
5. Ability to save customers' savings efficiently and securely.	
6. Special tax incentives for participants in the housing construction savings system	
7. Brand awareness.	
8. Vast geographic footprint.	
9. The Bank's international ratings are at the country level.	

In the long term, the Bank intends to use its strengths to improve its position in the market and to work on further elimination of existing weaknesses.

