

# APPENDIX

The image is a full-page artistic illustration. It features a bright, sunny landscape with a clear blue sky and soft, white clouds. In the foreground, there is a lush field of yellow and green grass. Scattered throughout the field are several stylized flowers in shades of pink, purple, and blue. A large, flowing ribbon in white, pink, and blue dominates the upper half of the image, appearing to dance in the wind. The overall mood is cheerful and optimistic.

STRENGTHENING  
A SENSE OF  
HOMELAND





# Appendix 1. About the Report

This Annual Report of Otbas Bank JSC includes financial and non-financial information on the Bank's activities for the period from 1 January to 31 December 2023, as well as data for previous periods and a number of forward-looking statements. The Bank has been preparing its reports annually since 2004. The 2022 Annual Report was published on 26 July 2023. This 2023 Annual Report was not externally assured.

This is the Bank's fifth Annual Report including sustainability information disclosed in accordance with the GRI Standards, international standards used in non-financial reporting. This Report also includes disclosures taking into account the recommendations of the Sustainability Accounting Standards Board (SASB) – Mortgage Finance, as well as the Environmental, Social and Corporate Governance (ESG) Disclosure Guidelines for Banks and Other Financial Organizations of the RoK Agency for Financial Market Regulation and Development.

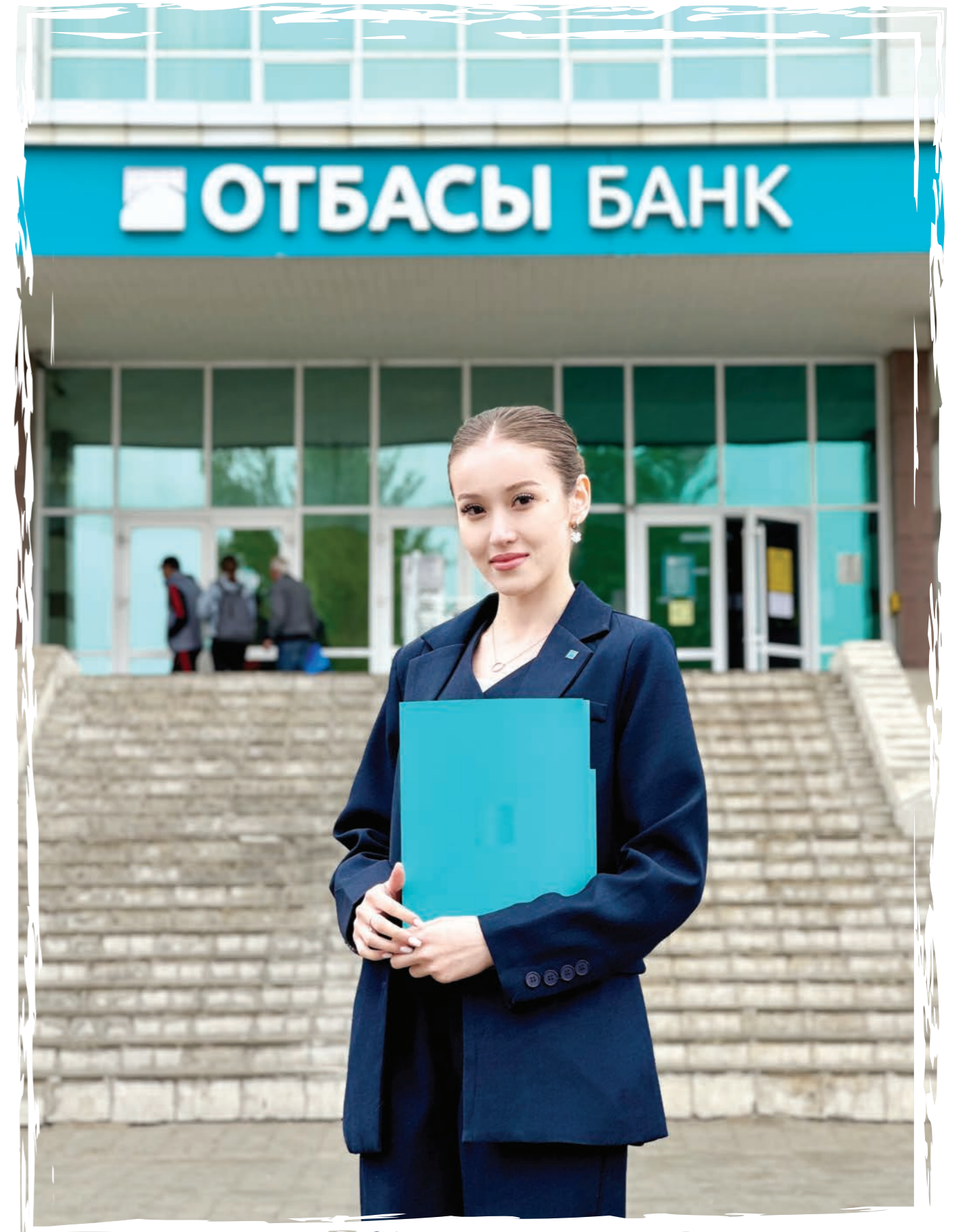
**In preparing the Annual Report, the Bank followed the GRI principles for defining the report content:**

- **Accuracy** – the Bank reports information that is correct and sufficiently detailed.
- **Balance** – the Bank provides a fair representation of its negative and positive impacts.
- **Clarity** – the information is provided in a way that is accessible and understandable.
- **Comparability** – the information is reported consistently to enable an analysis of changes in the Bank's impacts over the time and an analysis of these impacts relative to those of other organizations.
- **Completeness** – sufficient information is provided to enable an assessment of the Bank's impacts during the reporting period.
- **Sustainability context** – the information of the Bank's activities is reported in the wider socio-economic context.
- **Timeliness** – timely approval and publication of the Report is provided.
- **Verifiability** – the report includes reliable information, but is not verified by external companies. In this regard, the Bank plans to verify the reports issued in the future.

## Defining the Report Content

To determine the list of information to be included in this report, the Bank analyzed all topics proposed by the GRI Standards and determined the list of material topics most relevant to be disclosed in the annual report. The topics were assessed according to the degree of importance for the Bank, taking into account its development strategy, and according to the degree of importance for stakeholders, which was determined in the course of stakeholder engagement. Based on the results of the analysis, a questionnaire was prepared, which was used to conduct a survey among the Bank's

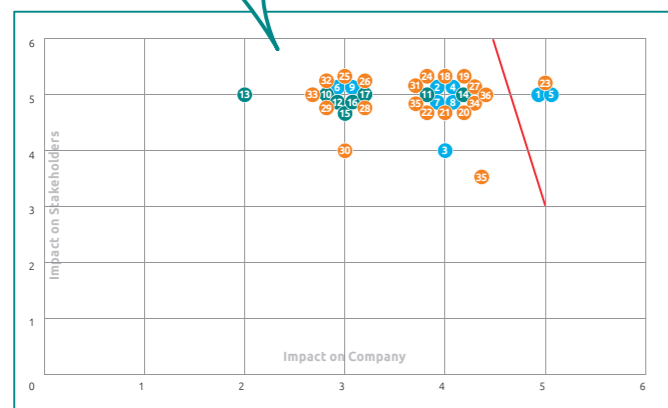
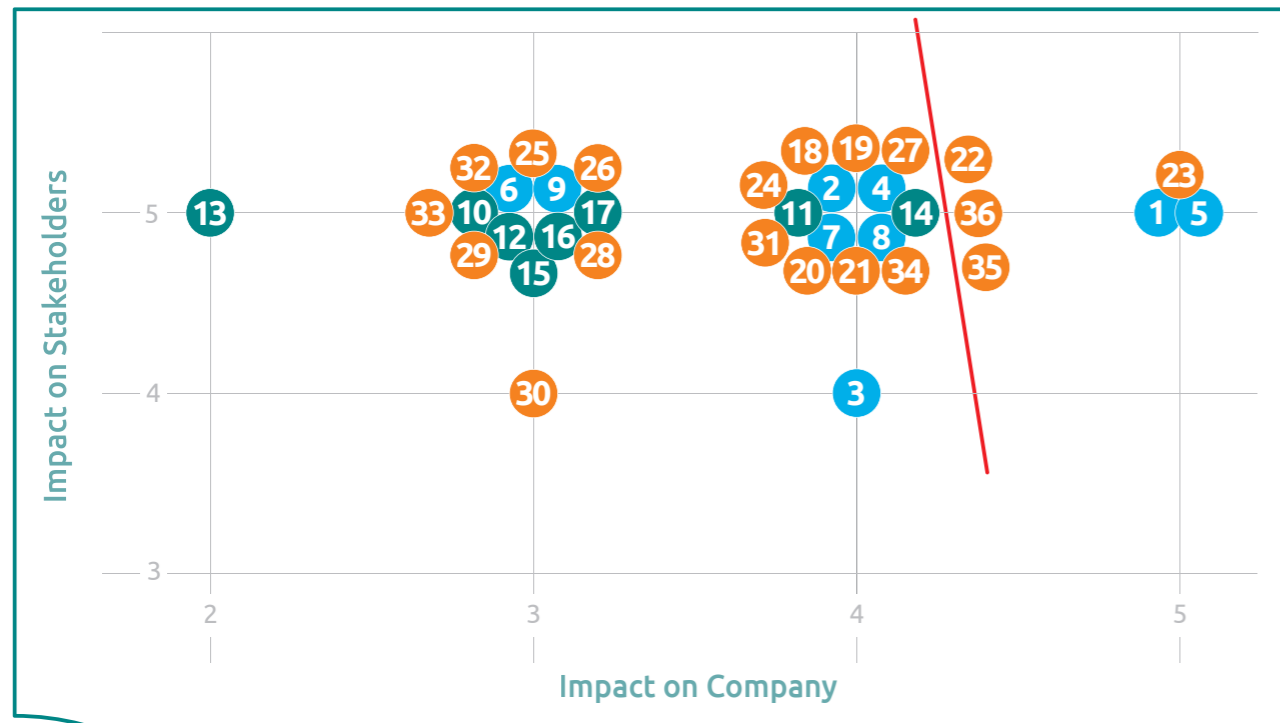
stakeholders (members of the Board of Directors, Management Board, employees of the Bank, representatives of the Sole Shareholder, media representatives, external auditors, etc.). Based on the results of the survey, the Materiality Matrix was constructed as follows. The topics in the upper right corner of this matrix were considered the most material and were disclosed in this report.





# The concept of materiality for sustainability

## MATERIALITY MATRIX



## TOPICS

Topics	Банк	Legend
<i>(topics identified as most material in the analysis are greyed out)</i>		
1 Economic Performance	5	5
2 Market Presence	4	5
3 Indirect Economic Impacts	3	4
4 Procurement Practices	4	5
5 Anti-Corruption	5	5
6 Anti-Competitive Behavior	3	5
7 Cybersecurity	4	5
8 Risk Management	4	5
9 Taxes	3	5
10 Materials	3	5
11 Energy	4	5
12 Water and Effluents	3	5
13 Biodiversity	2	5
14 Waste Management	4	5
15 Supplier Environmental Assessment	3	5
16 GHG Emissions	3	5
17 Climate Change	3	5
18 Employment	4	5
19 Labor/Management Relations	4	5
20 Occupational Health and Safety	4	5
21 Training and Education	4	5
22 Diversity and Equal Opportunity	4	5
23 Non-discrimination	5	5
24 Freedom of Association and Collective Bargaining	4	5
25 Child Labor	3	5
26 Forced or Compulsory Labor	3	5
27 Security Practices	4	5
28 Rights of Indigenous Peoples	3	5
29 Local Communities	3	5
30 Supplier Social Assessment	3	4
31 Public Policy	4	5
32 Consumer Health and Safety	4	5
33 Product and Service Labelling	3	5
34 Consumer Privacy	4	5
35 Respect for Human Rights	4	5
36 Diversity and Inclusion	4	5



# Appendix 2. Financial Statements

## Statement of Financial Position

(in KZT thousands)	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
Cash and cash equivalents	7	590,920,244	327,515,241
Due from financial institutions	8	98,777,667	75,434,625
Debt securities investments	9	165,274,754	138,325,012
Equity securities investments		2,178	1,747
Loans and advances to customers	10	3,100,990,160	2,877,313,730
Other financial assets	11	16,303,016	8,851,935
Other assets	11	345,126	331,252
Intangible assets	12	6,525,256	6,711,795
Property, plant and equipment and right-of-use assets	12	7,171,517	5,286,760
Current income tax liabilities prepaid		9,567,396	—
Non-current assets held for sale	12	182,076	249,493
<b>TOTAL ASSETS</b>		<b>3,996,059,390</b>	<b>3,440,021,590</b>
<b>LIABILITIES</b>			
Payables to customers	13	2,660,378,337	2,300,445,036
Debt securities issued	14	195,787,412	193,469,370
Borrowed funds	15	133,006,577	108,542,872
Payables to financial institutions	16	79,641,251	76,739,163
Other financial liabilities	17	6,424,508	4,536,445
Current income tax liabilities		—	387,342
Deferred tax liability	24	40,930,645	29,022,900
Other liabilities	17	4,377,858	3,127,732
Government grants	18	280,243,411	261,489,488
<b>TOTAL LIABILITIES</b>		<b>3,400,789,999</b>	<b>2,977,760,348</b>
<b>EQUITY</b>			
Share capital	19	78,300,000	78,300,000
Additional paid-in capital		199,765,678	148,298,334
Revaluation reserve for investment securities measured at fair value through other comprehensive income		(3,292,934)	(4,530,906)
Other reserves		2,283,335	2,283,335
Retained earnings		318,213,312	237,910,479
<b>TOTAL EQUITY</b>		<b>595,269,391</b>	<b>462,261,242</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,996,059,390</b>	<b>3,440,021,590</b>

\* Hereinafter in the financial statements of Otbas Bank JSC and in the notes thereto, 31 December of any year means 12:00 a.m. Almaty time on 31 December of the respective year.

## Statement of Profit or Loss and Other Comprehensive Income

(in KZT thousands)	Note	31 December 2023	31 December 2022
Interest income calculated using the effective interest rate method	20	312,034,608	251,018,805
Interest and similar expenses	20	(110,156,987)	(86,323,652)
<b>Net interest margin and similar income</b>		<b>201,877,621</b>	<b>164,695,153</b>
Recovery income/credit loss expenses	7,8,9,10	16,469,353	(12,106,771)
<b>Net interest margin and similar income after provision for credit losses</b>		<b>218,346,974</b>	<b>152,588,382</b>
Income from government grants	18	12,993,395	11,623,720
Fee and commission income	21	4,913,186	3,016,032
Fee and commission expenses	21	(7,140,936)	(7,212,054)
Losses less gains arising from initial recognition of financial instruments at below-market rates	4	(27,314,503)	(23,915,177)
Losses/gains from modification of financial assets measured at amortized cost that does not result in derecognition		(1,350,632)	8,763
Gains less losses arising from debt securities measured at fair value through other comprehensive income		756	808
Losses/gains less gains/losses on foreign exchange transactions		(3,588)	37,159
Other operating expenses less income	22	(2,695,048)	(2,298,436)
Administrative expenses	23	(27,174,946)	(24,281,537)
<b>Net profit before tax</b>		<b>170,574,658</b>	<b>109,567,660</b>
Income tax expenses	24	(23,047,125)	(13,532,530)
<b>Net profit</b>		<b>147,527,533</b>	<b>96,035,130</b>
<b>Other comprehensive income/(loss):</b>			
Items that may be reclassified subsequently to profit or loss:			
Gains/losses less losses/gains on debt securities measured at fair value through other comprehensive income		1,238,298	(2,826,636)
Losses less gains on debt securities measured at fair value through other comprehensive income reclassified to profit or loss on disposal		(756)	(808)
Items that will not be subsequently reclassified to profit or loss:			
Gains less losses arising from investments in equity securities measured at fair value through other comprehensive income		430	—
<b>Other comprehensive income/(loss)</b>		<b>1,237,972</b>	<b>(2,827,444)</b>
<b>Total comprehensive income for the period</b>		<b>148,765,505</b>	<b>93,207,686</b>
<b>Basic and diluted earnings per share for earnings attributable to a shareholder of the Bank</b> (in KZT per share)	32	18,841	12,265





## Statement of Changes in Equity

(in KZT thousands)	Note	Share capital	Additional paid-in capital/Business combination reserve	Revaluation reserve for securities measured at fair value through other comprehensive income	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2022</b>	<b>19</b>	<b>78,300,000</b>	<b>127,470,774</b>	<b>(1,703,462)</b>	<b>2,283,335</b>	<b>174,752,814</b>	<b>381,103,461</b>
Profit for the year		–	–	–	–	96,035,130	96,035,130
Other comprehensive loss		–	–	(2,827,444)	–	–	(2,827,444)
<b>Total comprehensive income recognized for the period</b>		<b>–</b>	<b>–</b>	<b>(2,827,444)</b>	<b>–</b>	<b>96,035,130</b>	<b>93,207,686</b>
Recognition of discount on loans from local executive bodies of the Republic of Kazakhstan and on deposits placed and attracted to/from a subsidiary of the Parent Company, less the deferred tax effect in the amount of KZT 7,362,018 thousand	4	–	29,448,072	–	–	–	29,448,072
Recognition of discount on deposits placed in a subsidiary of the Parent Company, less the deferred tax effect in the amount of KZT 2,155,128 thousand	4	–	(8,620,512)	–	–	–	(8,620,512)
Dividends to shareholders of the Parent Company		–	–	–	–	(32,877,465)	(32,877,465)
<b>Balance as at 31 December 2022</b>		<b>78,300,000</b>	<b>148,298,334</b>	<b>(4,530,906)</b>	<b>2,283,335</b>	<b>237,910,479</b>	<b>462,261,242</b>
<b>Balance as at 1 January 2023</b>		<b>78,300,000</b>	<b>148,298,334</b>	<b>(4,530,906)</b>	<b>2,283,335</b>	<b>237,910,479</b>	<b>462,261,242</b>
Profit for the year		–	–	–	–	147,527,533	147,527,533
Other comprehensive income		–	–	1,237,972	–	–	1,237,972
<b>Total comprehensive income recognized for the period</b>		<b>–</b>	<b>–</b>	<b>1,237,972</b>	<b>–</b>	<b>147,527,533</b>	<b>148,765,505</b>
Recognition of discount on loans from the Government of the Republic of Kazakhstan and local executive bodies of the Republic of Kazakhstan, less the deferred tax effect in the amount of KZT 12,866,836 thousand	4	–	51,467,344	–	–	–	51,467,344
Dividends to shareholders of the Parent Company		–	–	–	–	(67,224,700)	(67,224,700)
<b>Balance as at 31 December 2023</b>	<b>19</b>	<b>78,300,000</b>	<b>199,765,678</b>	<b>(3,292,934)</b>	<b>2,283,335</b>	<b>318,213,312</b>	<b>595,269,391</b>



## Cash Flow Statement

(in KZT thousands)	Note	31 December 2023	31 December 2022
<b>Cash flows from operating activities</b>			
Interest income earned, calculated using the effective interest rate method		285,091,230	236,361,380
Interest paid, calculated using the effective interest rate method		(96,452,305)	(76,776,355)
Fee and commission earned		4,686,141	3,016,022
Fee and commission paid		(6,804,295)	(7,329,937)
Personnel expenses paid		(14,677,640)	(12,878,360)
Administrative and other operating expenses paid		(10,501,251)	(10,249,521)
<b>Net cash flows from operating activities before income tax</b>		<b>161,341,880</b>	<b>132,143,229</b>
Income tax paid		(33,960,954)	(14,536,524)
<b>Cash from operating activities before changes in operating assets and liabilities</b>		<b>127,380,926</b>	<b>117,606,705</b>
<i>Net (decrease/increase) in:</i>		(2,000)	
– due from financial institutions		(234,032,266)	(100,011,000)
– loans and advances to customers		(10,443)	(884,664,771)
– other financial assets		47,878	3,441
– other assets		352,788,556	(23,406)
<i>Net increase/(decrease) in:</i>		–	
– payables to customers		2,112,817	404,710,665
– payables to financial institutions		(205,355)	80,000,000
– other financial liabilities		248,080,113	419,901
– other liabilities		(3,629,838)	8,618
<b>Net cash from operating activities</b>		<b>(1,302,209)</b>	<b>(381,949,847)</b>
<b>Cash from investing activities</b>			
		<b>264</b>	
Acquisition of fixed assets		(4,000,000)	(1,218,545)
Acquisition of intangible assets		(45,331,850)	(2,542,681)
Sale of fixed assets		9,389,474	73,481
Acquisition of debt securities measured at fair value through other comprehensive income		15,670,682	-
Acquisition of investments in debt securities carried at amortized cost		(29,203,477)	(34,866,152)
Proceeds from disposal of debt securities measured at fair value through other comprehensive income		73,341,876	42,636,088
Proceeds from repayment of debt securities carried at amortized cost		(12,200,000)	36,917,160
<b>Net cash (used in) / from investing activities</b>		<b>35,285,905</b>	<b>40,999,351</b>
<b>Cash from financing activities</b>			
		<b>(113,784)</b>	
Receipt of loans from the Government of the Republic of Kazakhstan	15	15,600,000	66,300,000
Repayment of loans from the Government of the Republic of Kazakhstan	15	400,000	-
Receipt of loans from local executive bodies of the Republic of Kazakhstan	15	(495)	26,333,536
Repayment of loans from local executive bodies of the Republic of Kazakhstan	15	(67,224,700)	(2,000)
Receipt of loans from the Asian Development Bank	15	(556,800)	14,000,000
Receipt of loans from other organizations	15	44,532,002	116,000
Repayment of loans from other organizations	15	(3,635)	-
Dividends paid to the Shareholder	19	263,405,003	(32,877,465)
Long-term lease	17	327,515,241	(506,756)

(in KZT thousands)	Note	31 December 2023	31 December 2022
<b>Net cash from financing activities</b>			
		<b>590,920,244</b>	<b>73,363,315</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>(3,635)</b>	<b>36,101</b>
<b>Net inflow (outflow) of cash and cash equivalents</b>		<b>263,405,003</b>	<b>(267,551,080)</b>
Opening balance of cash and cash equivalents	7	327,515,241	595,066,321
<b>Closing balance of cash and cash equivalents</b>		<b>590,920,244</b>	<b>327,515,241</b>

A complete set of the Bank's financial statements, including the auditor's report, is available on our corporate website [hcsbk.kz](http://hcsbk.kz) in the About the Bank/Reporting section.



# Appendix 3. GRI Index

## Statement of financial position

Standard Number	Indicator	Report Section/Comment	Page
GRI 1: Foundation			
GRI 2: General Disclosures (2021)			
<b>2-1 Organizational details</b>			
2-1 a	Legal name	About the Bank	page
2-1 b	Nature of ownership and legal form	About the Bank	page
2-1 c	Location of headquarters	About the Bank, Contact Details	page
2-1 d	Countries of operation	Market Presence	page
<b>2-3 Reporting period, frequency and contact point</b>			
2-3 a	Reporting period and frequency	About the Report	page
2-3 b	Reporting period and frequency of financial reporting	About the Report	page
2-3 c	Publication date of the report	About the Report	page
2-3 d	Contact point for questions about the report	Contacts	page
<b>2-4 Restatement of information</b>			
2-4 a	Restatement of information made for previous reporting periods (recalculations)	No restatement of information made for previous periods has been made in the report.	–
<b>2-5 External assurance</b>			
2-5 a	The organization's policies and practices for seeking external assurance of the reporting	About the Report	page
<b>2-6 Activities, value chain and other business relationships</b>			
2-6 a	Sectors (public, private / financial or other) in which the organization is active	Public Policy of the Housing Construction Savings System, Activity Results, Economic Environment	page
2-6 b	Value chain	Responsible Lending and Financial Products	page
2-6 c	Other business relationships	Activity Results, Funds Raised	page
2-6 d	Significant changes in 2-6 a, 2-6 b and 2-6 c compared to the previous reporting period	Activity Results, Operational Performance, Bank Commissions, Financial Performance	page
<b>2-7 Employees</b>			
2-7 a	Total number of employees with a breakdown by gender and by region	Employment, Staff Composition and Structure	page
2-7 b	Total number of permanent, temporary, full-time employees with a breakdown by gender and by region, and total number of part-time employees, non-guaranteed hours employees	Employment, Staff Composition and Structure	page
2-7 c	Methodologies and assumptions used to compile the data	Employment, Staff Composition and Structure	page
2-7 d	Contextual information necessary to understand the data reported under 2-7 a and 2-7 b	Employment, Staff Composition and Structure	page
2-7 e	Significant fluctuations in the number of employees during the reporting period and between reporting periods	Employment, Staff Composition and Structure	page

Standard Number	Indicator	Report Section/Comment	Page
<b>2-8 Workers who are not employees</b>			
2-8 a	Total number of workers who are not employees and whose work is controlled by the organization	Employment, Staff Composition and Structure	page
2-8 b	Methodologies and assumptions used to compile the data	Employment, Staff Composition and Structure	page
2-8 c	Significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods	Employment, Staff Composition and Structure	page
<b>2-9 Governance structure and composition</b>			
2-9 a	Governance structure, including committees of the highest governance body	Board of Directors, Committees under the Board of Directors, Management Board, Committees Reporting to the Management Board	page
2-9 b	Committees of the highest governance body that are responsible for decision-making on and overseeing the management of the organization's impacts on the economy, environment and people	Committees under the Board of Directors	page
2-9 c	Composition of the highest governance body and its committees	Board of Directors, Committees under the Board of Directors	page
<b>2-10 Nomination and selection of the highest governance body</b>			
2-10 a	Nomination and selection processes for the highest governance body and its committees	Board of Directors, Committees under the Board of Directors	page
2-10 b	Criteria used for nominating and selecting the highest governance body	Board of Directors, Committees under the Board of Directors	page
<b>2-11 Chair of the highest governance body</b>			
2-11 a	Chair of the highest governance body	Board of Directors	page
2-11 b	Functions of the chairman of the highest governance body within the organization management	Board of Directors	page
<b>2-12 Role of the highest governance body in overseeing the management of impacts</b>			
2-12 a	Role of the highest governance body and senior executives in developing, approving, and updating the organization's purpose, values or mission Statements, strategies, policies, and goals related to sustainable development	Sustainable Development Management	page
2-12 b	Role of the highest governance body in overseeing the organization's due diligence and other processes to identify and manage the organization's impacts on the economy, environment and people	Sustainable Development Management	page
2-12 c	Role of the highest governance body in reviewing the effectiveness of the organization's processes (as described in 2-12 a, 2-12 b), and the frequency of review	Sustainable Development Management	page
<b>2-13 Delegation of responsibility for managing impacts</b>			
2-13 a	Delegation by the highest governance body of responsibility for managing impacts on the economy, the environment, and people	Sustainable Development Management	page
2-13 b	Monitoring process and frequency	Sustainable Development Management	page
<b>2-14 Role of the highest governance body in sustainability reporting</b>			
2-14 a	Responsibility of the highest governance body for reviewing and approving the reported information	Sustainable Development Management	page
<b>2-15 Conflicts of interest</b>			
2-15 a	Processes for the organization's highest governance body to prevent conflicts of interest	Conflict of Interest	page
2-15 b	Disclosure of conflicts of interest to stakeholders	Conflict of Interest	page



Standard Number	Indicator	Report Section/Comment	Page
<b>2-16 Communication of critical concerns</b>			
2-16 a	Process of communicating critical concerns to the highest governance body	Board of Directors	page
2-16 b	Total number and nature of critical concerns communicated to the highest governance body during the reporting period	Board of Directors	page
<b>2-17 Collective knowledge of the highest governance body</b>			
2-17 a	Measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development	Professional Development	page
<b>2-18 Evaluation of the performance of the highest governance body</b>			
2-18 a	Processes of evaluating the performance of the highest governance body	Evaluation of the Performance of the Board of Directors	page
2-18 b	Independence and frequency of the evaluations	Evaluation of the Performance of the Board of Directors	page
2-18 c	Actions taken in response to the evaluations	Evaluation of the Performance of the Board of Directors	page
<b>2-19 Remuneration policies</b>			
2-19 a	Remuneration policies for members of the highest governance body and senior executives	Basic Principles of Remuneration of the Management Board and the Board of Directors members	page
2-19 b	Impact of the performance of members of the highest governance body and senior executives on the remuneration policies	Basic Principles of Remuneration of the Management Board and the Board of Directors members	page
<b>2-20 Process to determine remuneration</b>			
2-20 a	Process of for designing the remuneration policies and for determining remuneration	Basic Principles of Remuneration of the Management Board and the Board of Directors members	page
2-20 b	Report on the results of votes of stakeholders (including shareholders) on remuneration policies and proposals	Basic Principles of Remuneration of the Management Board and the Board of Directors members	page
<b>2-22 Statement on sustainable development strategy</b>			
2-22 a	A statement from the highest governance body or the most senior executive of the organization about the relevance of sustainable development to the organization and its strategy for contributing to sustainable development	Compliance with the Corporate Governance Code, Report on the Bank's Compliance/Non-compliance with the Principles and Provisions of the Corporate Governance Code	page
<b>2-27 Compliance with laws and regulations</b>			
2-27 a	Total number of significant instances of non-compliance with laws and regulations during the reporting period (and a breakdown by instances for which fines were incurred and instances for which non-monetary sanctions were incurred)	Compliance with Laws	page
2-27 b	Total number and monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period (and a breakdown by fines for instances of non-compliance with laws and regulations that occurred in the current reporting period and instances of non-compliance with laws and regulations that occurred in previous reporting periods)		
2-27 c	Significant instances of non-compliance with laws and regulations		
2-27 d	Determination of significant instances of non-compliance with laws and regulations		
<b>2-28 Member associations</b>			

Standard Number	Indicator	Report Section/Comment	Page
2-28 a	Industry associations, other membership associations, and national or international advocacy organizations in which the organization participates in a significant role	Membership in International Organizations	page
<b>2-29 Approach to stakeholder engagement</b>			
2-29 a	Approach to engaging stakeholders, including the categories of stakeholders it engages with, and how they are identified; the purpose of stakeholder engagement; meaningful stakeholder engagement	Stakeholder Engagement	page
<b>2-30 Collective bargaining agreements</b>			
2-30 a	Percentage of the total employees covered by collective bargaining agreements	Employment, Staff Composition and Structure	page
2-30 b	Working conditions and terms of employment for employees not covered by collective bargaining agreements		
<b>GRI 3: Material topics 2021</b>			
<b>3-1 Process to determine material topics</b>			
3-1 a	Process of determining material topics, including identifying actual and potential, negative and positive impacts on the economy, environment, and people across its activities and business relationships; prioritizing the impacts for reporting based on their significance.	About the Report	page
3-1 b	Stakeholders and experts whose views have informed the process of determining material topics		
<b>3-2 List of material topics</b>			
3-2 a	List of material topics	About the Report	page
3-2 b	Changes to the list of material topics compared to the previous reporting period		
<b>GRI 201: Economic Performance 2016</b>			
<b>201-1 Direct economic value generated and distributed</b>			
201-1 a	Direct economic value generated and distributed (EVG&D) on an accrual basis, including basic components for the organization's global operations	Economic Performance	page
201-1 b	EVG&D separately at the country, regional, or market level, as well as the criteria used for defining significance		
<b>201-2 Financial implications and other risks and opportunities due to climate change</b>			
201-2	Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure	Climate Change	page
<b>201-3 Defined benefit plan obligations and other retirement plans</b>			
201-3 a	Estimated value of liabilities to be covered by the organization's general resources	Remuneration of Bank Employees. All employees of the Bank are covered by the state funded pension system.	page
201-3 b	Fund to pay pension liabilities		
201-3 c	The Fund's coverage of pension liabilities		
201-3 d	Percentage of salary contributed by employee or employer		
201-3 e	Level of participation in mandatory or voluntary, regional, or country-based schemes, or those with financial impact		
<b>201-4 Financial assistance received from government</b>			
201-4 c	Presence of any government in the shareholding structure, the extent of presence	About the Bank	page





Standard Number	Indicator	Report Section/Comment	Page
GRI 202: Market Presence 2016			
<b>202-1 Ratios of standard entry level wage by gender compared to local minimum wage</b>			
202-1 a	The time when a significant proportion of employees are compensated based on wages subject to minimum wage rules; the ratio of the entry level wage by gender at significant locations of operation to the minimum wage	Remuneration of Bank Employees	page
202-1 b	The time when a significant proportion of other workers (excluding employees) performing the organization's activities are compensated based on wages subject to minimum wage rules; the actions taken to determine whether these workers are paid above the minimum wage		
GRI 204: Procurement Practices 2016			
204-1	Proportion on spending on local suppliers	Procurement	page
GRI 205: Anti-corruption 2016			
205-1	Operations assessed for risks related to corruption	Anti-Corruption	page
205-2	Communication and training on anti-corruption policies and procedures		
205-3	Confirmed incidents of corruption and actions taken		
GRI 206: Anti-competitive behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust and monopoly practices	Anti-Corruption	page
GRI 207: Tax 2019			
207-1	Approach to tax	Taxes are disclosed in the full version of the Bank's financial statements, which are available on the Bank's website www.hcsbk.kz, in the Reporting section.	-
207-2	Tax governance, control, and risk management		
207-3	Stakeholder engagement and management of concerns related to tax		
207-4	Country-by-country reporting		
GRI 302: Energy 2016			
302-1	Energy consumption within the organization	Energy Consumption and Energy Efficiency	page
302-2	Energy consumption outside the organization		
302-3	Energy intensity		
302-4	Reduction of energy consumption		
302-5	Reductions in energy requirements of products and services		
GRI 303: Water and Effluents 2018			
303-5	Water consumption	Water Consumption	page
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions	GHG and Other Air Emissions	page
305-2	Energy indirect (Scope 2) GHG emissions		
305-3	Other indirect (Scope 3) GHG emissions		
305-4	GHG emissions intensity		
305-5	Reduction of GHG emissions		
305-6	Emissions of ozone-depleting substances (ODS)		
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		

Standard Number	Indicator	Report Section/Comment	Page
GRI 306: Waste 2020			
306-3	Waste generated	Waste Management	page
GRI 401: Employment 2016			
401-1	New employee hires and employee turnover	Employment, Staff Composition and Structure	page
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
401-3	Parental leave		
GRI 402: Labor/Management Relations 2016			
402-1	Minimum notice periods regarding operational changes	Labor Practices	page
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system	Ensuring Occupational Health and Safety, Civil Defense and Fire Safety	page
403-2	Hazard identification, risk assessment, and incident investigation		
403-4	Worker participation, consultation, and communication on occupational health and safety		
403-5	Worker training on occupational health and safety		
403-6	Promotion of worker health		
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
403-8	Workers covered by an occupational health and safety management system		
403-9	Work-related injuries		
403-10	Work-related ill health		
GRI 404: Training and Education 2016			
404-1	Average hours of training per year per employee	Training and Education	page
404-2	Programs for upgrading employee skills and transition assistance programs		
404-3	Percentage of employees receiving regular performance and career development reviews		
GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Diversity and Equal Opportunity. Staff Composition and Structure, Remuneration of Bank Employees	page
405-2	Ratio of basic salary and remuneration of women to men		
GRI 406: Non-discrimination 2016			
406-1	Incidents of discrimination and corrective actions taken	Non-discrimination. Gender Policy. Remuneration of Bank Employees	page
GRI 408: Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	Labor Practices	page



Standard Number	Indicator	Report Section/Comment	Page
GRI 410: Security Practices 2016			
410-1	Security personnel trained in human rights policies or procedures	Security Practices. Ensuring Occupational Health and Safety, Civil Defense and Fire Safety	page
GRI 415: Public Policy 2016			
415-1	Political contributions	Public Policy of the Housing Construction Savings System, Work to Achieve the Strategic Objectives	page
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer Privacy	page

## Appendix 4. SASB Table

Table 1. Sustainable Development Disclosure Topics and Indicators

Metrics	Category	UOM	Code	Figures for 2023
<b>LENDING PRACTICES</b>				
1. Number and value of loans granted for the purchase of housing, including a breakdown by combined fixed and floating rate; 2. Total value of prepayment penalty.	Quantitative	number, KZT mln	FN-MF-270a.1	1. Number: 62,640 Value: 1,050,453 The Bank does not grant floating rate loans. 2. Value: 105.8
1. Number and aggregate value of residential properties pledged under restructured mortgage loans; 2. Number and aggregate value of residential properties pledged as collateral for loans repaid through sale of collateral by the customer; 3. Number and aggregate value of residential properties pledged as collateral for loans repaid through the sale of other property.	Quantitative	number, KZT mln	FN-MF-270a.2	1. Number: 208 Value: 4,919 2. Number: 7 Value: 116. 3. No
Total cash losses due to litigation related to customer interactions or creditor fees *	Quantitative	KZT mln	FN-MF-270a.3	0.002 (The Bank's client filed a lawsuit against the Bank and the State Institution 'Astana Department of Housing and Housing Inspection' due to the fact that the State Institution 'Astana Department of Housing and Housing Inspection' untimely issued a housing certificate to Otbasy Bank JSC, namely, issued it after the conclusion of a housing loan agreement, and the Bank, in violation of the rules for issuing housing certificates, unreasonably returned the housing certificate to the State Institution 'Astana Department of Housing and Housing Inspection' during the court proceedings and consideration of the plaintiff's complaint. The Interdistrict Court for Civil Cases of Astana made a ruling to oblige the Bank to recalculate the customer's loan, taking into account the housing certificate issued by the State Institution 'Astana Department of Housing and Housing Inspection' and to recover from the Bank in favor of the customer the amount of state duty incurred when filing a lawsuit in the amount KZT 1,725 (one thousand seven hundred twenty-five). At present, the Bank has fully enforced the above court ruling).
Description of the mortgage loan interest structure	Discussion and Review	tbc	FN-MF-270a.4	Interest rates on the housing loan range from 2% to 5% p.a. (EAR is from 2.1% p.a.). Interest rates on the bridging loan range from 2% to 12% p.a. (EAR is from 2.1% p.a.). Interest rates on the preliminary loan range from 2% to 14.4% p.a. (EAR is from 2.1% p.a.).





Metrics	Category	UOM	Code	Figures for 2023
<b>DISCRIMINATORY LENDING</b>				
Number of loans, value of loans and LTV with a breakdown by nationality of borrowers (Kazakhs, Russians, others).	Quantitative	number, KZT mln, %	FN-MF-270b.1	There is no breakdown by nationality of borrowers at this stage.
Total cash losses due to litigation related to discriminatory mortgage lending (litigation with national minority borrowers)	Quantitative	KZT mln	FN-MF-270b.2	No
Description of policies and procedures to ensure non-discriminatory mortgages	Discussion and Review	tbc	FN-MF-270b.3	No
<b>ENVIRONMENTAL RISK ASSUMED FEATURES</b>				
Number and value of mortgages in 100-year flood zones	Quantitative	number, KZT mln	FN-MF-450a.1	Number: 40,668 Value: 325,443
Aggregate expected loss due to natural disasters and LGD on loans granted in regions where natural disasters occurred.	Quantitative	number, KZT mln, %	FN-MF-450a.2	No
Description of the inclusion of climate change and other environmental risks in mortgage lending and underwriting	Discussion and Review	tbc	FN-MF-450a.3	No

\* Note to FN-MF-270a.3. The organization should briefly describe the nature, context, and any corrective actions taken in relation to the monetary loss.

\*\* Note to FN-MF-270b.2. The organization should briefly describe the nature, context, and any corrective actions taken in relation to the monetary loss.

**Table 2. Activity Indicators**

Activity indicator	Category	UOM	Code	Sections of Annual Report
Number and value of mortgage loans granted by category: residential and commercial	Quantitative	number, KZT mln	FN-MF-000.A	Number: 62,640 Value: 1,050,453 <i>(The Bank does not grant loans for the purchase of commercial property).</i>
Number and value of mortgage loans repurchased by category: residential and commercial	Quantitative	number, KZT mln	FN-MF-000.B	No

# Appendix 5. Report on Compliance/ Non-compliance with the Principles and Provisions of the 2023 Corporate Governance Code

Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
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**1. GENERAL**

1.1.	The Corporate Governance Code (hereinafter, the Code) of Housing Construction Savings Bank of Kazakhstan JSC (hereinafter, the Bank) is a set of rules and recommendations to be followed by the Bank in the course of its activities to ensure efficiency, transparency, accountability, and high level of business ethics in relations within the Bank and with other stakeholders.  Control over the Bank's implementation of this Code is entrusted to the Bank's Board of Directors. The Corporate Secretary monitors and advises the Board of Directors and the Bank's executive body on proper compliance with this Code and prepares a report on compliance/non-compliance with its principles and provisions on an annual basis. This report is then submitted to the relevant Committee of the Board of Directors, approved by the Board of Directors, and included in the Bank's Annual Report.	Compliant	The Bank's Code was approved by the Resolution of the Management Board of Baiterek National Management Holding JSC dated 12 January 2018 (Minutes No. 01/18).  The Bank operates in accordance with the requirements of the Joint Stock Companies Act of the Republic of Kazakhstan, Banks and Banking Activities Act of the Republic of Kazakhstan, the Bank's Articles, the Corporate Governance Code, and other internal documents approved by the Sole Shareholder, i.e., Baiterek National Management Holding JSC, the Board of Directors, and the Management Board of the Bank.  On an annual basis, the Bank's Corporate Secretary prepares a Report on Compliance/Non-compliance with the Principles and Provisions of the Code (hereinafter, the Report) and submits it to the Strategic Planning and Corporate Development Committee for preliminary review, and then to the Board of Directors for approval.  In 2023, the Strategic Planning and Corporate Development Committee of the Board of Directors preliminarily reviewed the 2022 Report and recommended its approval (Minutes No. 4 dated 29 May 2023). The 2022 Report was approved by the Resolution of the Board of Directors dated 31 May 2023 (Minutes No. 8).  In 2023, the Bank sent letter No. 09/1-12-32/6 642 dated 15 June 2023 to the Sole Shareholder with the attached Report on Compliance/ Non-compliance with the Principles and Provisions of the 2022 Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company.
1.2.	1. The objectives of this Code are to improve corporate governance in the Bank, to ensure transparency and efficiency of management, and to confirm the Bank's commitment to follow the standards of good corporate governance.  In particular: 1. The Bank is managed with due diligence and an appropriate level of responsibility, clear separation of powers, accountability, and efficiency to maximize the value of the Bank and other benefits to the sole shareholder;	Compliant	The Bank is managed with due diligence and an appropriate level of responsibility, clear separation of powers, accountability, and efficiency.  The Bank has a clear distribution of powers between the governance body, i.e., the Board of Directors, and the executive body, i.e., the Management Board.  No amendments were made to the Regulations on the Board of Directors of the Bank in 2023.



Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
2.	Information disclosure and transparency are ensured, including careful assessment, disclosure, and periodic review of objectives that justify public participation in the Bank; 3. risk management and internal control systems are functioning properly; 4. the risk of conflicts of interest that may lead to decisions different from those based on the highest interests of the Bank and the general public is minimized. This Code has been developed in accordance with the legislative provision, taking into account the evolving practice of corporate governance in the Republic of Kazakhstan and worldwide.		In 2023, the Regulation on the Management Board of the Bank was amended by Resolution of the Board of Directors of the Bank (Minutes No. 12 dated 29 September 2023). Disclosure of information and transparency of the Bank's activities are ensured through open publications in mass media, on the Kazakhstan Stock Exchange, the AIFC, in the Depository of Financial Statements, and on the Bank's website. The Bank has established and effectively operates risk management and internal control systems. The Bank has minimized the risk of conflicts of interest that may lead to decisions different from those based on the highest interests of the Bank and the general public.

**2. THE PRINCIPLE OF POWER SEPARATION**

2.1.	The rights, duties and competences of the Sole Shareholder, the Board of Directors and the Management Board are determined in accordance with the applicable laws of the Republic of Kazakhstan in the internal regulations and are set forth therein.	Compliant	The rights, duties and competences of the Sole Shareholder represented by Baiterek National Management Holding JSC (hereinafter, the Sole Shareholder), the Board of Directors, and the Management Board of the Bank are determined by the laws of the Republic of Kazakhstan and the Bank's Articles. According to Clause 7.1. of Article 7 of the Articles, the Bank's bodies are: 1. the highest body – the Sole Shareholder; 2. the governance body – the Board of Directors; 3. the executive body – the Management Board; 4. the body exercising control over the financial and economic activities of the Bank – the Internal Audit Division; 5. other permanent collegial bodies of the Bank established in accordance with the laws of the Republic of Kazakhstan and internal documents of the Bank to implement various activities of the Bank. It is not allowed to transfer issues, decision-making on which is referred to the exclusive competence of the Sole Shareholder of the Bank, to the competence of other bodies – the Board of Directors, the Management Board, officers, and employees of the Bank, unless otherwise provided for by the Joint Stock Companies Act of the Republic of Kazakhstan and other legislative acts of the Republic of Kazakhstan. Issues referred to the exclusive competence of the Board of Directors of the Bank may not be transferred for resolution to the Management Board of the Bank. The Board of Directors of the Bank is not entitled to make decisions on issues, which in accordance with the Articles are referred to the exclusive competence of the Management Board of the Bank, as well as to make decisions contradicting the decisions of the Sole Shareholder of the Bank.
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**3. THE PRINCIPLE OF PROTECTING THE RIGHTS AND INTERESTS OF THE SOLE SHAREHOLDER**

3.1	Corporate governance in the Bank is based on ensuring the protection, respect for the rights and legitimate interests of the Sole Shareholder and is aimed at contributing to the Bank's efficient operation and achieving break-even performance.	Compliant	The exclusive competence of the Sole Shareholder provided for in Article 14 of the Joint Stock Companies Act of the Republic of Kazakhstan and Clause 10.2 of the Bank's Articles is observed. • The following documents were approved by Resolutions of the Management Board of Baiterek NMH JSC: • Articles of Association of the Bank (dated 24.12.2014 (Minutes No. 41/14); • Corporate Governance Code of the Bank (dated 12.01.2018 (Minutes No. 01/18); • Regulations on the Board of Directors of the Bank (dated 28.11.2018 (Minutes No. 53/18); • Regulations on interaction between the Holding Company and its Subsidiaries (dated 20.12.2017 (Minutes No. 52/17)
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Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
			As of 01.01.2023, the members of the Board of Directors – representatives of the Sole Shareholder were: Kanat Sharlapayev, Ersain Khamitov, and Adil Mukhamedzhanov. As of 31.12.2023, the member of the Board of Directors – representative of the Sole Shareholder was Ersain Khamitov. Materials on issues submitted for consideration of the Sole Shareholder of the Bank are prepared and sent within the terms established by the internal documents of the Bank and contain information to the extent necessary for making informed decisions on the issues. To comply with this principle, in accordance with the decision 'On Approval of the List, Forms and Frequency of Subsidiary Reporting to the Holding' of the Sole Shareholder dated 28 August 2019 (Minutes No. 42/19), the Bank regularly provides the Sole Shareholder with information on its financial and economic performance, as well as management and financial reporting in accordance with the approved forms of the reporting package, as well as in accordance with the Approval of the Rules for Formation of Risk Management and Internal Control System for Second-tier Banks approved by Resolution No. 188 dated 12 November 2019 of the Board of the National Bank of the Republic of Kazakhstan.

3.2	The Sole Shareholder should have access to information regarding the terms and procedure of dividend payment, as well as be provided with reliable information on the financial position of the Bank when paying dividends. To this end, the Sole Shareholder should approve the Dividend Policy. The Dividend Policy defines the principles, which the Board of Directors (Supervisory Board and/ or Executive Body) is guided by when preparing proposals to the Sole Shareholder on distribution of net income of the Bank and/or its subsidiary for the expired financial year. The Dividend Policy is based on the following principles: 1. observance of the interests of the Sole Shareholder; 2. ensuring profitability of the Bank's and subsidiaries' operations; 3. ensuring the financial stability of the Bank and its subsidiaries; 4. ensuring financing of the Bank's and subsidiaries' operations, including financing of investment projects implemented at the expense of the Bank; 5. transparency of the mechanism for determining the amount of dividends; 6. balancing short-term (income generation) and long-term (development of the Bank) interests of the Sole Shareholder.	Compliant	Payment of dividends by the Holding's subsidiaries is regulated by the Procedure for Determining the Amount of Dividends to be Paid by the Holding's Subsidiaries, approved by the Minutes dated 11 May 2014 of the Management Board of the Holding Company (Minutes No. 14/14). The amount of dividends accrued by the Bank in favor of the Holding is determined depending on the financial and economic condition determined on the basis of the Bank's financial stability and liquidity indicators. In accordance with the laws of the Republic of Kazakhstan, the above-mentioned Procedure for Determining the Amount of Dividends to be Paid by the Holding's Subsidiaries and the Bank's Articles, the authorized bodies of the Bank prepare proposals on the procedure for distributing the Bank's net income for the past financial year and the amount of dividends for the year per common share of the Bank. The final amount of dividends is determined by the resolution of the Sole Shareholder of the Bank. In 2023, the Board of Directors of the Bank (Minutes No. 5 dated 26 April 2023) resolved: 1. To pre-approve the audited annual financial statements of Otbasy Bank JSC for 2022, with its further presentation to the Sole Shareholder of Otbasy Bank JSC, i.e., Baiterek NMH JSC, for review, according to Appendix No. 5 to the Minutes. 2. To recommend the Sole Shareholder of Otbasy Bank JSC, i.e., Baiterek NMH JSC, to adopt the following resolutions: to approve the following procedure for distribution of net income of Otbasy Bank JSC received at the end of 2022 reporting financial year in the amount of KZT 96,035,129,578.28 (ninety-six billion thirty-five million one hundred twenty-nine thousand five hundred seventy-eight tenge 28 tiyn: – to allocate KZT 67,224,699,900.00 (sixty-seven billion two hundred and twenty-four million six hundred and ninety-nine thousand nine hundred tenge 00 tiyn) from net income for payment of dividends to the Sole Shareholder, at the rate of 70% of the amount of net income attributable per share (total 7,830,000 shares), which is KZT 8,585.53 (eight thousand five hundred and eighty-five tenge 53 tiyn) of net income per share; – to leave 28,810,429,678.28 (twenty-eight billion eight hundred and ten million four hundred and twenty-nine thousand six hundred and seventy-eight tenge 28 tiyn) from net income to at the disposal of Otbasy Bank JSC;
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Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
	The Dividend Policy also regulates the procedure for distribution of net income and determination of its part to be allocated for dividend payment, the procedure for calculation of the amount of dividends, and the procedure for payment of dividends, including the terms, place, and form of their payment. The Dividend Policy establishes the procedure for determining the minimum share of the Bank's net income to be allocated for dividend payments.		to approve the amount of dividends per common share of Otbasy Bank JSC, i.e., 8,585.53 (eight thousand five hundred and eighty-five tenge 53 tiyn); to determine the date of dividend payment start date – from the date of the Sole Shareholder's resolution; to pay dividends to the bank account of the Sole Shareholder of Otbasy Bank JSC in cash by wire transfer from the date of the resolution to pay dividends on common shares, within 90 (ninety) days from the date of the Sole Shareholder's resolution; to take the information on the amount and composition of remuneration of members of the Board of Directors and the Management Board of Otbasy Bank JSC paid in 2022 into consideration; to take the information on absence of appeals of the Sole Shareholder on actions of Otbasy Bank JSC and its officials in 2022 into consideration.
<b>4. THE PRINCIPLE OF EFFICIENT MANAGEMENT OF THE BANK BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD</b>			
4.1	The Board of Directors is the governance body providing strategic management of the Bank and control over the activities of the Management Board. At the same time, the Board of Directors pays special attention to the issues of: 1. defining the Development Strategy (directions and results); 2. setting and monitoring of KPIs set out in the Development Strategy and/or Development Plan; 3. organization and supervision of the effective functioning of the risk management, internal control and internal audit systems; 4. approval and monitoring of effective implementation of major investment projects and other key strategic projects within the competence of the Board of Directors; 5. election (re-election), remuneration, succession planning and supervision over the activities of the Head and members of the executive body; 6. corporate governance; 7. the Bank's compliance with the provisions of this Code and the Bank's corporate standards in the field of business ethics (Code of Business Ethics).	Compliant	According to Clause 7.1. of Article 7 of the Bank's Articles, the Board of Directors is the Bank's governance body. The exclusive competence of the Board of Directors provided for in the Joint Stock Companies Act of the Republic of Kazakhstan and the Bank's Articles is observed. Resolutions of the Bank's Board of Directors adopted in 2023: 1. By the Resolution dated 26 April 2023 of the Board of Directors (Minutes No. 5), the 2022 Report on the Implementation of the 2023 Information Technology Development Strategy of Otbasy Bank JSC was approved; 2. By the Resolution dated 27 December 2023 of the Board of Directors (Minutes No. 16), the 2024 KPI Maps and their Target Values for Members of the Management Board of Otbasy Bank JSC were approved; 3. By the Resolution dated 27 February 2024 of the Board of Directors (Minutes No. 3), the 2023 Report on Business Continuity Management of Otbasy Bank JSC was approved; 4. By the Resolution dated 27 February 2024 of the Board of Directors (Minutes No. 3), the 2023 Internal Audit Department Performance Report was approved; 5. By the Resolution dated 26 April 2023 of the Board of Directors (Minutes No. 5), early termination of powers of Mr. Miras Beisembayev, Member of the Management Board, Deputy Chairman of the Management Board of Otbasy Bank JSC, from 15 May 2023 was approved from 15 May 2023 with compensation payments to be made; and election of Mr. Vladimir Savchenko to the position of Member of the Management Board of Otbasy Bank JSC, Deputy Chairman of the Management Board was approved from 15 May 2023 with the term of office until the expiry of the term of office of the Management Board of Otbasy Bank JSC as a whole and with establishment of his official salary; 6. By the Resolution dated 30 May 2023 of the Board of Directors (Minutes No. 7), payment of remuneration to the Chairman of the Management Board and members of the Management Board on the basis of performance for 2022 was approved; 7. By the Resolution dated 31 May 2023 of the Board of Directors (Minutes No. 8), the Report on Compliance/Non-compliance with the Principles and Provisions of the Bank's 2023 Corporate Governance Code was approved.
4.2	The quantitative composition of the Board of Directors should be determined by the Sole Shareholder. The composition of the Board of Directors should be determined individually taking into account the scale of operations, current tasks, development strategy and/or development plan and financial capabilities.	Compliant	The term of office of the Board of Directors is established by the Sole Shareholder. The term of office of the members of the Board of Directors coincides with the term of office of the entire Board of Directors, unless otherwise determined by the decision of the Sole Shareholder, and expires at the time of the Sole Shareholder's decision to elect a new Board of Directors. The Resolution dated 16 February 2022 of the Management Board of Baiterek NMH JSC (Minutes No. 09/22) approved the three-year term of office of the Board of Directors of Otbasy Bank JSC.

Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
	The composition of the Board of Directors should be balanced, which means a combination of members of the Board of Directors (representatives of the Sole Shareholder, Independent Directors, and the Head of the Executive Body), ensuring decision-making in the interests of the Holding Company and its economic development objectives. The presence and attendance of independent directors in the composition of the Board of Directors is mandatory. The number of members of the Board of Directors should not be less than three. At least one third of the members of the Board of Directors of the Bank should be independent directors. At the same time, the number of independent directors should be sufficient to ensure the independence of decisions taken. The recommended number of independent directors in the Board of Directors of the Bank is up to fifty percent of the total number of members of the Board of Directors.		Composition of the Board of Directors as of 1 January 2023: Kanat Sharlapayev, Chairman of the Board of Directors, Representative of the Sole Shareholder. Members of the Board of Directors: • Ersain Khamitov, Representative of the Sole Shareholder; • Adil Mukhamedzhanov, Representative of the Sole Shareholder; • Lyazzat Ibragimova, Chairman of the Management Board of the Bank. • Sanzhar Zhamalov, Independent Director; • Elmira Ermekova, Independent Director; • Nurlan Tokobayev, Independent Director; • Composition of the Board of Directors as of 31 December 2023: • Ersain Khamitov, Chairman of the Board of Directors, Representative of the Sole Shareholder. • Members of the Board of Directors: • Lyazzat Ibragimova, Chairman of the Management Board of the Bank. • Sanzhar Zhamalov, Independent Director; • Elmira Ermekova, Independent Director; • Nurlan Tokobayev, Independent Director.
4.3	Relations between Independent Directors and the Bank should be formalized by agreements taking into account the legislative requirements of the Republic of Kazakhstan, provisions of this Code, and internal documents of the Bank. The agreements should specify the rights, duties, responsibilities of the parties and other material terms, as well as the obligations of Independent Directors of the Board of Directors to comply with the provisions of this Code, including devoting sufficient time to fulfil the functions assigned to them, not to disclose internal information about the Bank after termination of its activities for the period established by the Board of Directors, and additional obligations conditioned by the requirements to the status and functions of Independent Directors (in terms of timely declaration of loss of independence and others). The agreements may set out the terms of fulfilment of certain duties by members of the Board of Directors.	Compliant	The Bank and Independent Directors have entered into agreements under which the Director undertakes to fulfil the duties of a member of the Board of Directors of the Bank/Independent Director – a member of the Board of Directors of the Bank as defined by regulations of the Republic of Kazakhstan, the Articles, and other internal documents of the Bank, and the Bank undertakes to timely and fully pay remuneration to the Director and reimburse expenses related to the performance of duties of a member of the Board of Directors in accordance with the procedure established by the Agreement. Prior to signing the Agreement, the Bank provides the Director with a copy of the Bank's Articles and internal documents of the Bank regulating the activities of the members of the Board of Directors of the Bank according to the Appendix to the Agreement. During the term of the Agreement, the Bank notifies the Director of amendments to the relevant internal documents of the Bank in accordance with the Appendix to the Agreement and of adoption of new internal documents of the Bank within 15 (fifteen) calendar days from the date of such amendments.
4.4	The Bank should ensure that succession plans are in place to maintain continuity of operations and refreshment of the Board of Directors. The Board of Directors should approve an induction program for newly elected members of the Board of Directors and a professional development program, if necessary. The Corporate Secretary should ensure the implementation of this program.	Compliant	There is no succession plan for members of the Board of Directors. The professional development program for members of the Board of Directors has not been developed. The induction program as not been developed as a separate document. Clause 35 of the Regulations on the Board of Directors of the Bank describes the induction process for members of the Board of Directors.



Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
	Members of the Board of Directors elected for the first time after their appointment should undergo an induction program. During the induction process, members of the Board of Directors are familiarized with their rights and duties, key aspects of the Bank's and its subsidiaries' operations, and documents, including those related to the greatest risks.		
4.5	<p>It is recommended that the level of remuneration of the members of the Board of Directors be set at an amount sufficient to attract and motivate each member of the Board of Directors at the level required for the successful management of the Bank. The Human Resources, Remuneration and Social Affairs Committee of the Bank's Board of Directors makes proposals on the amount of remuneration for candidates for the position of independent directors.</p> <p>No person should participate in making decisions related to his/her own remuneration.</p> <p>Remuneration should fairly reflect the expected contribution of a member of the Board of Directors to improving the performance of the entire Board of Directors and the Bank's operations.</p> <p>When setting the amount of remuneration of a member of the Board of Directors, the responsibilities of the members of the Board of Directors, the scale of the Bank's operations, long-term goals and objectives determined by the development strategy, the complexity of issues considered by the Board of Directors and, if necessary, the level of remuneration in similar companies in the private sector (benchmarking, remuneration review) should be taken into account.</p> <p>Members of the Board of Directors are paid a fixed annual remuneration, as well as additional remuneration for attendance at and chairmanship of the Committees of the Board of Directors. Remuneration of a member of the Board of Directors should not include any options or other elements related to the Bank's performance.</p> <p>At the same time, members of the Bank's Board of Directors who are government officials and/or shareholder representatives, as well as the Chairman of the Management Board (if he/she is a member of the Board of Directors) are not paid remuneration for membership in the Board of Directors.</p> <p>The Sole Shareholder of the Bank should determine the amount and terms of payment of remuneration and reimbursement of expenses to the members of the Board of Directors of the Bank. The terms of remuneration of directors are specified in the agreements concluded with them and/or, if necessary, in the Bank's internal document.</p>	Compliant	<p>The following types of remuneration to independent directors of the Bank are determined according to Clause 24 of Chapter 5 of the Regulations on the Board of Directors of the Bank:</p> <ul style="list-style-type: none"> <li>fixed annual remuneration for membership in the Board of Directors of the Bank;</li> <li>fixed annual remuneration for attendance at the meetings of the Committee of the Board of Directors of the Bank as the Chairman of the Committee;</li> <li>fixed annual remuneration for attendance at meetings of the Committee of the Board of Directors of the Bank as the member of the Committee.</li> </ul> <p>In accordance with the internal documents of the Holding Company, members of the Board of Directors of the Bank – representatives of the Sole Shareholder in the Board of Directors of the Bank, as well as the Chairman of the Management Board of the Bank are not paid remuneration for membership in the Board of Directors.</p> <p>In accordance with the Regulations on the Board of Directors of the Bank, agreements with Independent Directors of the Board of Directors of the Bank have been concluded.</p> <p>In accordance with Clause 6.2. the Agreement with Independent Directors of the Board of Directors of the Bank, and in accordance with the Resolution of the Sole Shareholder of the Bank, the following is determined for the Director:</p> <ul style="list-style-type: none"> <li>fixed annual remuneration in the amount of KZT 4,000,000 for membership in the Board of Directors of the Bank;</li> <li>fixed annual remuneration in the amount of KZT 375,000 for attendance at meetings of the Committee of the Board of Directors of the Bank as Chairman of the Committee of the Board of Directors;</li> <li>fixed annual remuneration in the amount of KZT 200,000 for attendance at meetings of the Board of Directors Committee as Member of the Committee of the Board of Directors.</li> </ul>

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4.6	<p>The Chairman of the Board of Directors is responsible for the general management of the Board of Directors, ensures full and effective implementation by the Board of Directors of its main functions and building a constructive dialogue between the members of the Board of Directors, the Sole Shareholder and the Management Board of the Bank.</p> <p>The Chairman of the Board of Directors should endeavor to create a united team of professionals who are committed to achieving profitability and sustainable development of the Bank and who are able to respond to internal and external challenges in a timely and professional manner.</p> <p>The roles and functions of the Chairman of the Board of Directors and the Chairman of the Management Board of the Bank should be clearly separated and set out in the Bank's internal documents. The Chairman of the Management Board may not be elected as the Chairman of the Board of Directors of the Bank.</p> <p>Key functions of the Chairman of the Board of Directors:</p> <ol style="list-style-type: none"> <li>scheduling meetings of the Board of Directors and setting the agenda;</li> <li>ensuring that members of the Board of Directors timely receive complete and up-to-date information for decision-making;</li> <li>ensuring that the Board of Directors focuses on strategic issues and minimizes current (operational) issues to be considered by the Board of Directors;</li> <li>ensuring that meetings of the Board of Directors held as efficiently as possible by allocating sufficient time for discussions, considering agenda items comprehensively and in-depth, encouraging open discussions, and reaching agreed decisions;</li> <li>ensuring monitoring and oversight of the proper execution of decisions made by the Board of Directors and the Sole Shareholder;</li> <li>in the event of corporate conflicts, taking measures to resolve them and minimize their negative impact on the Bank's operations, and timely informing the Sole Shareholder if such situations cannot be resolved internally.</li> <li>building proper communication and interaction with the Sole Shareholder, including organizing consultations when making key strategic decisions.</li> </ol>	Compliant	<p>In accordance with Clause 31 of the Regulation on the Board of Directors of the Bank, the Chairman of the Board of Directors is responsible for the general management of the Board of Directors, ensures full and effective implementation by the Board of Directors of its main functions and building a constructive dialogue between the members of the Board of Directors, the Sole Shareholder and the Management Board of the Bank.</p> <p>The Chairman of the Board of Directors organizes the work of the Board of Directors, conducts its meetings and performs other functions as determined by the Bank's Articles.</p> <p>Key functions of the Chairman of the Board of Directors:</p> <ol style="list-style-type: none"> <li>scheduling meetings of the Board of Directors and setting the agenda;</li> <li>ensuring that members of the Board of Directors timely receive complete and up-to-date information for decision-making;</li> <li>ensuring that the Board of Directors focuses on strategic issues and minimizes current (operational) issues to be considered by the Board of Directors;</li> <li>ensuring that meetings of the Board of Directors held as efficiently as possible by allocating sufficient time for discussions, considering agenda items comprehensively and in-depth, encouraging open discussions, and reaching agreed decisions;</li> <li>ensuring monitoring and oversight of the proper execution of decisions made by the Board of Directors and the Sole Shareholder;</li> <li>in the event of corporate conflicts, taking measures to resolve them and minimize their negative impact on the Bank's operations, and timely informing the Sole Shareholder if such situations cannot be resolved internally.</li> <li>building proper communication and interaction with the Sole Shareholder, including organizing consultations when making key strategic decisions.</li> </ol> <p>The Chairman of the Board of Directors adheres to the principle of freedom of expression of the point of view of the members of the Board of Directors on the issues under discussion, facilitates the search for an agreed solution, consensus building by the members of the Board of Directors, decision-making in the interests of the Sole Shareholder and the Bank. The Chairman of the Board of Directors promotes effective leadership to enable Board members to work as a team.</p> <p>The Chairman of the Board of Directors is recommended to maintain regular contacts with other bodies and officials of the Bank. Such contacts should be aimed not only at obtaining in a timely manner the most complete and reliable information necessary for the Board of Directors to make decisions, but also at ensuring, where possible, effective cooperation of these bodies and officials among themselves and with third parties.</p> <p>According to Clause 10.8 of the Bank's Article, the Chairman of the Board of Directors approves the Agenda, and according to Clause 46 of the Code, and Clause 31 of the Regulations on the Board of Directors, the Chairman of the Board of Directors forms the Agenda.</p> <p>According to Clause 67 of the Regulations on the Board of Directors of the Bank, each member of the Board of Directors has one vote when making a decision on an item on the meeting agenda.</p> <p>According to Clause 36 of the Regulations on the Board of Directors of the Bank, the Board of Directors of the Bank prepares its Activity Plan with the schedule of meetings for the previous year. The Board of Directors' Work Plan is approved by resolution of the Board of Directors. In practice, the Corporate Secretary forms the Board of Directors' Work Plan based on proposals from the Bank's structural units and submits it to the Board of Directors for approval.</p> <p>According to sub-clause 3) of Clause 10.8 of the Bank's Articles, the Chairman of the Board of Directors of the Bank organizes taking minutes at meetings of the Board of Directors as required by the laws of the Republic of Kazakhstan. According to sub-clause 11) of Clause 17 of the Regulations on the Corporate Secretary, the Corporate Secretary ensures that the minutes of meetings of the Board of Directors and Committees are kept, which specify the time and place of the meeting, the names of attendees, the agenda, quorum and decisions taken, and also ensures that the members of the Board of Directors and Committees sign the minutes of meetings in a timely manner.</p>





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4.7	<p>The Board of Directors has established Committees responsible for strategic planning, audit, human resources, remuneration and social issues, risk, and internal control. To improve the efficiency of investment decision-making, the Strategic Planning Committee preliminarily considers issues related to investment activities, the consideration of which falls within the competence of the Board of Directors.</p> <p>Committees are established to carry out detailed analyses and develop recommendations on a range of the most important issues before they are considered at meetings of the Board of Directors. The final decision on the issues considered by the Committees is made by the Board of Directors.</p> <p>To organize the work of the Committee, the Committee or the Board of Directors appoints a Corporate Secretary or an employee of the Corporate Secretary Service (if any). The Board of Directors decides on the establishment of Committees, determines their composition, terms, and powers.</p> <p>The Committee are composed of Members of the Board of Directors who have the necessary professional knowledge, competences and skills to serve on the Committee. Potential conflicts of interest are taken into account when composing the Committees. In addition to professional competencies, the Chairmen of the Committees should have organizational and leadership qualities, as well as good communication skills to effectively organize the activities of the Committee.</p>	Compliant	<p>The following documents were approved by the Resolution dated 25 August 2021 of the Bank's Board of Directors (Minutes No. 8):</p> <ul style="list-style-type: none"> <li>Regulations on the Audit Committee of the Bank's Board of Directors;</li> <li>Regulations on the Human Resources, Remuneration and Social Affairs Committee of the Bank's Board of Directors;</li> <li>Regulations on the Strategic Planning and Corporate Development Committee of the Bank's Board of Directors;</li> <li>Regulations on the Risk Management and Internal Control Committee of the Bank's Board of Directors (hereinafter jointly referred to as the Committees).</li> </ul> <p>The Regulations on the Committees were amended by the Resolutions dated 30 May 2023 (Minutes No. 7) and 27 June 2023 (Minutes No. 9) of the Bank's Board of Directors.</p> <p>In 2023, 43 meetings of the Committees of the Board of Directors were organized and held, during which 181 issues were considered.</p> <p>The Bank has not established the Corporate Secretary Service. The functions of the secretary of four Committees are performed by the Bank's Corporate Secretary.</p> <p><b>Composition of the Committees of the Bank's Board of Directors as of 31 December 2023:</b></p> <ol style="list-style-type: none"> <li><b>Audit Committee:</b> <ol style="list-style-type: none"> <li>Sanzhar Zhamalov – Chairman of the Committee – Member of the Board of Directors, Independent Director</li> <li>Nurlan Tokobayev – Member of the Committee – Member of the Board of Directors, Independent Director</li> <li>Ersain Khamitov – Member of the Committee – Member of the Board of Directors (Deputy Chairman of the Management Board of the Holding)</li> </ol> </li> <li><b>Risk Management and Internal Control Committee:</b> <ol style="list-style-type: none"> <li>Nurlan Tokobayev – Chairman of the Committee – Member of the Board of Directors, Independent Director</li> <li>Sanzhar Zhamalov – Member of the Committee – Member of the Board of Directors, Independent Director</li> </ol> </li> <li><b>Strategic Planning and Corporate Development Committee:</b> <ol style="list-style-type: none"> <li>Sanzhar Zhamalov – Chairman of the Committee – Member of the Board of Directors, Independent Director</li> <li>Nurlan Tokobayev – Member of the Committee – Member of the Board of Directors, Independent Director</li> <li>Elmira Ermekova – Member of the Committee – Member of the Board of Directors, Independent Director</li> </ol> </li> <li><b>Human Resources, Remuneration and Social Affairs Committee:</b> <ol style="list-style-type: none"> <li>Elmira Ermekova – Chairman of the Committee – Member of the Board of Directors, Independent Director</li> <li>Nurlan Tokobayev – Member of the Committee – Member of the Board of Directors, Independent Director</li> <li>Ersain Khamitov – Member of the Committee – Member of the Board of Directors (Deputy Chairman of the Management Board of the Holding)</li> </ol> </li> </ol>

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4.8	<p>The Chairman of the Strategic Planning Committee is elected from among independent members of the Board of Directors for the term of office of the Board of Directors at one of the first meetings of the Board of Directors. The election is decided by a simple majority of votes of the total number of members of the Board of Directors.</p> <p>If necessary, the Strategic Planning Committee may include experts with relevant experience and competence. Members of the Committee who are not members of the Board of Directors are appointed by the Board of Directors upon recommendation of the Chairman of the Committee.</p> <p>The main functions of the Strategic Planning Committee are to develop and submit recommendations to the Bank's Board of Directors on issues related to the development of the Bank's priorities and development strategy, including issues related to the development of measures to improve the Bank's performance, profitability and sustainability. The detailed goals and objectives of the Committee are stipulated by the Regulations on the Committee.</p>	Compliant	<p>From 21 February 2022 to date, the Composition of the Strategic Planning and Corporate Development Committee is as follows: Chairman: Sanzhar Zhamalov, Independent Director; Members: Elmira Ermekova, Independent Director, and Nurlan Tokobayev, Independent Director.</p> <p>Experts were not involved in the work of the Committee.</p> <p>The Committee is a permanent advisory body that provides assistance to the Board of Directors through preliminary consideration, analysis, succession planning and making recommendations on issues within its competence.</p> <p>The Committee was established to enhance the preparation of recommendations to the Board of Directors on the development of priority areas of activity (development), strategic goals (development strategy), corporate development issues, including issues on the development of measures to improve the Bank's performance in the medium and long term, its profitability and sustainable development (Clause 4 of the Regulations on the Strategic Planning and Corporate Development Committee of the Bank's Board of Directors).</p>
4.9	<p>The Audit Committee is composed of independent directors who has necessary knowledge and practical experience in accounting and auditing, risk management, and internal control. The Audit Committee is chaired by independent director. The main functions of the Audit Committee include internal and external audit, financial reporting, internal control and risk management, compliance with laws of the Republic of Kazakhstan, internal documents, as well as other issues as instructed by the Board of Directors.</p> <p>In addition, the Audit Committee evaluates candidates for the Bank's external auditors and pre-analyses the auditor's report before submitting it to the Board of Directors and the Holding Company.</p> <p>A member of the Board of Directors who is not independent may be elected to the Committee if the Board of Directors exceptionally decides that this person's membership in the Audit Committee is necessary in the interests of the Holding Company and the Bank. If this appointment arises, the Board of Directors should disclose the nature of the person's dependence and justify such a decision.</p>	Compliant	<p>Since 21 February 2022, Sanzhar Zhamalov, Independent Director, has been elected as Chairman of the Audit Committee, and Ersain Khamitov, Representative of the Holding, and Nurlan Tokobayev, Independent Director, have been elected as Members of the Committee.</p> <p>No experts were involved in the Committee's work in 2023.</p> <p>The Committee is a permanent advisory body that provides assistance to the Board of Directors through preliminary consideration, analysis, succession planning and making recommendations on issues within its competence.</p> <p>The Committee was established to improve the efficiency and quality of work of the Board of Directors of the Bank by making recommendations to the Board of Directors on establishing an effective system of control over the financial and economic activities of the Bank (including the completeness and accuracy of financial statements), compliance with the laws of the Republic of Kazakhstan, internal documents, as well as to prepare recommendations to the Board of Directors of the Bank on the development of priority areas of activity (development), and the functioning of an adequate system of control over the Bank's financial and economic activities (Clause 4 of the Regulations on the Audit Committee of the Bank's Board of Directors).</p>



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4.10	<p>The Human Resources, Remuneration and Social Affairs Committee is composed of a majority of independent directors in order to develop objective and independent decisions and to prevent interested parties (representatives of the Sole Shareholder, Head of the Management Board, employees and other persons) from influencing the judgements of the Committee members.</p> <p>Committee members should have the necessary knowledge and practical experience in HR management and performance evaluation, as well as in corporate governance. The Committee is chaired by independent director.</p> <p>The Human Resources, Remuneration and Social Affairs Committee determines the criteria for selecting candidates to the Board of Directors, candidates for top managers, develops the Bank's policy in the field of remuneration of these persons, regularly evaluates the performance of members of the Board of Directors and top managers.</p> <p>The main functions of the Committee include issues of appointment (election), setting motivational KPIs, performance evaluation, remuneration and succession planning for the Chairman and members of the Management Board, issues of appointment and remuneration of the Corporate Secretary, as well as participation in the consideration of these issues in relation to the composition of the Board of Directors itself, in cases where such powers are granted by the Sole Shareholder. In this case, members of the Human Resources, Remuneration and Social Affairs Committee are advised not to allow a conflict of interest situation to arise and not to participate in the consideration of their own appointment and/or remuneration.</p>	Compliant	<p>Since 21 February 2022, Elmira Ermekova, Independent Director, has been elected as Chairman of the Human Resources, Remuneration and Social Affairs Committee, and Ersain Khamitov, Representative of the Holding, and Nurlan Tokobayev, Independent Director, have been elected as Members of the Committee.</p> <p>No experts were involved in the Committee's work in 2023.</p> <p>The Committee is a permanent advisory body that provides assistance to the Board of Directors through preliminary consideration, analysis, succession planning and making recommendations on issues within its competence.</p> <p>The Committee was established to improve the efficiency and quality of work of the Board of Directors by means of in-depth development and monitoring of issues within the competence of the Board of Directors in the area of HR policy, appointment and remuneration system, as well as evaluation of the performance of the members of the Board of Directors of the Bank, members of the Management Board of the Bank, succession planning for the Chairman and members of the Management Board and evaluation of the Corporate Secretary's performance (Clause 4 of the Regulations on the Human Resources, Remuneration and Social Affairs Committee of the Bank's Board of Directors).</p>
4.11	<p>The Risk Management and Internal Control Committee is composed of independent directors who have necessary knowledge and practical experience in risk management and internal control. The Risk Management and Internal Control Committee is chaired by independent director.</p> <p>If necessary, the Risk Management and Internal Control Committee may include experts with relevant experience and competence. Members of the Committee who are not members of the Board of Directors are appointed by the Board of Directors upon recommendation of the Chairman of the Committee.</p>	Compliant	<p>Since 21 February 2022, Nurlan Tokobayev, Independent Director, has been elected as Chairman of the Risk Management and Internal Control Committee, and Sanzhar Zhamalov, Independent Director, has been elected as Member of the Committee.</p> <p>No experts were involved in the Committee's work in 2023.</p> <p>The Committee is a permanent advisory body that provides assistance to the Board of Directors through preliminary consideration, analysis, succession planning and making recommendations on issues within its competence.</p>

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	<p>The main functions of the Risk Management and Internal Control Committee include issues related to risk management and internal control, compliance with laws of the Republic of Kazakhstan and internal documents, as well as other issues as instructed by the Board of Directors.</p>		<p>The Committee was established to improve the efficiency and quality of the work of the Bank's Board of Directors by making recommendations to the Board of Directors on monitoring the reliability and effectiveness of the internal control and risk management system, on monitoring the independence of the Compliance Service, compliance with the laws of the Republic of Kazakhstan and internal documents, as well as to prepare recommendations to the Bank's Board of Directors on the issues of prioritizing areas of activity (development) and functioning of an adequate risk management system in the Bank, improvement and strengthening of the risk management system (Clause 4 of the Regulations on the Risk Management and Internal Control Committee of the Bank's Board of Directors).</p>
4.12	<p>Preparation and holding of meetings of the Board of Directors should contribute to maximizing the efficiency of its activities.</p> <p>The recommended frequency of meetings of the Board of Directors is at least six meetings per year. It is recommended to evenly distribute the number of issues scheduled for consideration during the year to ensure thorough and full discussion and timely and high-quality decisions.</p> <p>The Board of Directors should follow the procedures for preparation and holding of meetings of the Board of Directors established by the Bank's documents.</p> <p>Meetings of the Board of Directors should be held in accordance with the activity plan approved by the Board of Directors before the beginning of the calendar year, including a list of issues to be considered and a schedule of meetings with indication of dates.</p> <p>Meetings of the Board of Directors and its committees should be held through in-person or absentee voting, with the number of meetings with absentee voting to be minimized. Consideration and decision-making on important and strategic issues should be carried out only at meetings of the Board of Directors with in-person voting.</p> <p>A member of the Board of Directors who has an interest in an issue submitted for consideration by the Board of Directors should not participate in the discussion and voting on this issue, and a corresponding entry should be made in the minutes.</p>	Compliant	<p>In 2023, 17 meetings of the Bank's Board of Directors were organized and held, including</p> <ul style="list-style-type: none"> <li>5 absentee meetings,</li> <li>11 in-person meetings, and</li> <li>1 closed meeting.</li> </ul> <p>142 issues were considered, including 96 at in-person meetings, 45 at absentee meetings, and 1 at closed meeting.</p> <p>The procedure for organizing the preparation and holding meetings/ absentee voting of the Bank's Board of Directors are determined by the Regulations on the Bank's Board of Directors, the Regulations on Interaction between the Holding Company and its Subsidiaries.</p> <p>The activity plan of the Bank's Board of Directors and the schedule of meetings for 2023 was approved by Resolution No. 16 dated 22 December 2022 of the Board of Directors.</p> <p>In 2023, 43 in-person meetings of the Committees of the Board of Directors were organized and held:</p> <ul style="list-style-type: none"> <li>• 11 meetings of the Audit Committee (56 issues);</li> <li>• 11 meetings of the Human Resources, Remuneration and Social Affairs Committee</li> <li>• (24 issues);</li> <li>• 11 meetings of the Risk Management and Internal Control Committee (61 issues);</li> <li>• 10 meetings of the Strategic Planning and Corporate Development Committee (40 issues).</li> </ul> <p>During 43 meetings, 181 issues were considered.</p> <p>Consideration and decision-making on important and strategic issues should be carried out only at meetings of the Board of Directors with in-person voting.</p> <p>In 2023, 7 issues on entering into transactions with persons who have special relations with the Bank were submitted to the Board of Directors for consideration. Interested persons did not participate in voting in relation to themselves, their close relatives and spouse.</p>



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4.13	<p>The Board of Directors, Committees and members of the Board of Directors are evaluated on an annual basis, if initiated by the Chairman of the Bank's Board of Directors. At the same time, at least once every three years, the evaluation is carried out with the involvement of an independent professional company.</p> <p>The evaluation makes it possible to determine the contribution of the Board of Directors and each of its members in achieving the strategic objectives of the Bank's development, as well as to identify areas and recommend measures for improvement. The results of the evaluation are taken into account during re-election or early termination of powers of members of the Board of Directors.</p> <p>Evaluation is one of the main tools to improve the professionalism of the Board of Directors and its individual members. Evaluation is mandatory for both independent directors and representatives of the Sole Shareholder.</p> <p>The evaluation is carried out according to the principles such as regularity, comprehensiveness, continuity, realism, and confidentiality.</p> <p>The evaluation includes, but is not limited to, consideration of the following issues:</p> <ol style="list-style-type: none"> <li>1. optimal composition of the Board of Directors (balance of skills, experience, diversity of composition, objectivity) in the context of the tasks facing the Bank;</li> <li>2. clarity of understanding of the Bank's vision, strategy, key objectives, challenges, and values;</li> <li>3. succession and development plans;</li> <li>4. functioning of the Board of Directors as a single body, the role of the Board of Directors and the Head of the Management Board in the Bank's operations;</li> <li>5. effectiveness of interaction of the Board of Directors with the Sole Shareholder, the Management Board, and the Bank's officers;</li> <li>6. performance of each of the members of the Board of Directors;</li> <li>7. performance of the Committees of the Board of Directors and their interaction with the Board of Directors and members of the Management Board;</li> <li>8. quality of information and documentation provided to the Board of Directors;</li> <li>9. quality of discussions at the Board of Directors, Committees;</li> <li>10. performance of the Corporate Secretary;</li> <li>11. clarity of understanding of processes and competences;</li> <li>12. risk identification and assessment process;</li> </ol>	Compliant	<p>In 2023, the evaluation of the performance of the Board of Directors and its Committees, the Chairman and Members of the Board of Directors, the Corporate Secretary based on the results of 2022 (hereinafter, the Evaluation) was carried out in-house in accordance with the requirements of the laws of the Republic of Kazakhstan and internal documents.</p> <p>In 2023, the Report on the 2022 Results of the Performance Evaluation of the Board of Directors, Committees and Members of the Board of Directors of Otbasy Bank JSC was considered during the closed meeting dated 26 April 2023 (Minutes No. 6). According to the results of the Evaluation, the overall evaluation of the Board of Directors' performance for 2022 was 3.75%.</p>

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	<p>13. interaction with the Sole Shareholder and other stakeholders.</p> <p>The methods of evaluation are self-evaluation or engagement of an independent consultant to improve the quality of evaluation. An independent external consultant is engaged at least once every three years.</p> <p>The results of the evaluation may serve as a basis for re-election of the entire Board of Directors or an individual member thereof, revision of the composition of the Board of Directors and the amount of remuneration to the members of the Board of Directors. If there are serious shortcomings in the performance of individual members of the Board of Directors, the Chairman of the Board of Directors should consult with the Sole Shareholder.</p> <p>The Sole Shareholder may evaluate the Board of Directors independently or with the involvement of an independent consultant. The results of the evaluation conducted independently by the Board of Directors, the Bank's performance, KPI fulfilment and other factors are taken into account.</p>		
4.14	<p>To effectively organize the activities of the Board of Directors and the interaction between the Management Board and the Sole Shareholder, the Board of Directors should appoint a Corporate Secretary. The Board of Directors should decide on the appointment of the Corporate Secretary, determine the term of his/her powers, functions and procedures of his/her activities, the amount of his/her salary and terms of remuneration, decide on the establishment of the Corporate Secretary Service (Secretariat) (if necessary), and determine the budget of this Service. The Corporate Secretary should report to the Board of Directors and should be independent from the Management Board of the Bank. The main duties of the Corporate Secretary should include assisting in timely and quality corporate decision-making by the Board of Directors, the Sole Shareholder, acting as an advisor to the members of the Board of Directors on all matters of their activities and application of the provisions of this Code, as well as monitoring the implementation of this Code and participating in the improvement of corporate governance in the Bank and its subsidiaries. The Corporate Secretary should also prepare a report on compliance with the principles and provisions of this Code, which should be included in the Bank's Annual Report. This report should include a list of the principles and provisions of the Code that are not complied with, with appropriate explanations.</p>	Compliant	<p>In accordance with the Bank's Articles, the Corporate Secretary is appointed by Resolution of the Board by the Director of the Bank.</p> <p>In accordance with the Regulation on the Board of Directors of the Bank, the Corporate Secretary reports to the Board of Directors and is independent from the Management Board of the Bank.</p> <p>Madina Tolkimbekova has been the Corporate Secretary of the Bank since 03 May 2022.</p>





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	<p>The Corporate Secretary should also prepare a report on compliance with the principles and provisions of this Code, which should be included in the Bank's Annual Report. This report should include a list of the principles and provisions of the Code that are not complied with, with appropriate explanations.</p> <p>A person with higher legal or economic education, with at least 5 years of work experience, and practical knowledge in the field of corporate governance and corporate law should be appointed to the position of the Corporate Secretary.</p> <p>The Corporate Secretary should operate on the basis of a regulation approved by the Board of Directors, which specifies the functions, rights and duties, the procedure for interaction with the Bank's bodies, qualification requirements, and other information.</p> <p>To fulfil his/her functions, the Corporate Secretary should be vested with the following powers:</p> <ol style="list-style-type: none"> <li>to request and receive from the bodies, officials and employees of the Bank documents and information required for decision-making at the meetings of the Board of Directors and decisions of the Sole Shareholder;</li> <li>to take measures to organize meetings of the Board of Directors and to inform the Bank's officials about the decisions made by the Board of Directors and the Sole Shareholder, as well as subsequent control over their execution;</li> <li>to interact directly with the Chairman, members of the Board of Directors, the CEO, members of the Management Board, employees of the Bank, and the Sole Shareholder.</li> </ol> <p>The Management Board of the Bank should provide the Corporate Secretary with comprehensive assistance in the performance of his/her powers.</p>		<p>The Resolution of the Board of Directors dated 30 March 2018 (Minutes No. 3) approved the Regulation on the Corporate Secretary, according to which the qualification requirements for the position of the Bank's Corporate Secretary were approved:</p> <ol style="list-style-type: none"> <li>to have a higher legal or economic education;</li> <li>to have at least 5 (five) years of work experience and practical knowledge in the field of corporate governance and corporate law;</li> <li>to have knowledge of the laws of the Republic of Kazakhstan;</li> <li>to be able to negotiate and regulate conflicts between participants of corporate relations;</li> <li>to have organizational and analytical skills;</li> <li>to speak the state language, as well as English in case there are persons in the Board of Directors who do not speak the state language and/or Russian.</li> </ol> <p>The Regulation on the Corporate Secretary of the Bank approved by the Resolution of the Board of Directors of the Bank dated 30 March 2018 (Minutes No. 3) determines the status of the Corporate Secretary in the organizational structure and corporate governance system of the Bank, the procedure for appointment and early dismissal of the Corporate Secretary, his/her tasks, functions, rights and duties, powers and responsibilities, organizational and technical support of activities.</p> <p>By the Resolution dated 30 November 2023 of the Board of Directors of Otbas Bank JSC (Minutes No. 15), amendments were made to the Regulation on the Corporate Secretary of the Bank.</p>
4.15	<p>The Bank develops an induction and succession planning program for the Corporate Secretary. The appointment of the Corporate Secretary is based on open and transparent procedures set out in the Bank's internal documents.</p> <p>Depending on the size of the Bank and the scale of its operations, a Corporate Secretary Service may be established.</p>	Partially complaint	<p>By the Resolution dated 30 November 2023 of the Board of Directors (Minutes No. 15), the Induction and Succession Planning Program for the Bank's Corporate Secretary was included in the Regulations on the Bank's Corporate Secretary.</p> <p>The Bank has not established the Corporate Secretary Service.</p>
4.16	<p>To comply with the principles of business ethics, optimal regulation of social and labor disputes arising in the Bank, an Ombudsman should be appointed from among the Bank's employees.</p> <p>A candidate for the position of the Ombudsman should have an impeccable business reputation, high authority and the ability to make impartial decisions.</p>	Compliant	<p>By the Resolution dated 29 June 2022 of the Board of Directors (Minutes No. 7), Dina Akrachkova, Head of the Holding's Office, was appointed as the Ombudsman of the Bank, with a term of office of two years.</p>

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	<p>The Ombudsman should be appointed by resolution of the Board of Directors of the Bank and should be re-elected every two years. The role of the Ombudsman is to advise employees, parties to labor disputes, conflict who have applied to him and assist them in developing a mutually acceptable, constructive and implementable solution, taking into account compliance with the laws of the Republic of Kazakhstan (including confidentiality, if necessary), to assist in resolving problematic social and labor issues of both employees and the Bank.</p> <p>The Ombudsman should submit for consideration of the relevant bodies and officials of the Bank the problematic issues identified by the Ombudsman, which are systemic in nature and require appropriate decisions (complex measures), and put forward constructive proposals for their solution.</p>		
4.17	<p>At least once a year, the Ombudsman submits a report on the results of his work to the Human Resources, Remuneration and Social Affairs Committee and the Audit Committee of the Board of Directors of the Bank, which evaluate the results of his work.</p> <p>The Board of Directors of the Bank evaluates the results of the Ombudsman's performance and makes a decision to extend or terminate the powers of the person holding the position of the Ombudsman.</p>	Compliant	<p>In 2023, the report on the work of the Ombudsman of Otbas Bank JSC for 2022 was considered during the meeting of the Human Resources, Remuneration and Social Benefits Committee of the Board of Directors of the Bank (No. 2, dated 23 February 2023) and during the absentee meeting of the Board of Directors of the Bank (No. 3, dated 24 February 2023).</p>
4.18	<p>The Internal Audit Service has been established and functions to perform internal audit as an activity aimed at providing independent and objective assurance and advice to improve the Bank's performance.</p> <p>The Board of Directors of the Bank determines the quantitative composition and term of office of the Internal Audit Service, appoints its head and employees, as well as early termination of their powers, determines the procedure of its work, the amount and terms of remuneration and bonus payment to the employees of the Internal Audit Service, as well as the budget of the Internal Audit Service.</p> <p>Employees of the Internal Audit Service may not be elected to the Board of Directors and the Management Board of the Bank.</p> <p>The Internal Audit Service reports directly to the Board of Directors of the Bank and is independent from the Management Board of the Bank. The tasks and functions of the Internal Audit Service, its rights and responsibilities are determined by the Regulation on the Internal Audit Service approved by the Board of Directors of the Bank.</p>	Compliant	<p>According to sub-clause 4) of clause 7.1 of the Bank's Articles of Association, the body exercising control over the Bank's financial and economic activities is the internal audit department (hereinafter, the IAD).</p> <p>In accordance with sub-clause 12) of clause 10.2 of the Bank's Articles of Association, the exclusive competence of the Board of Directors of the Bank includes determining the number of members and term of office of the IAD, appointment of its head and employees, as well as early termination of their powers, determining the procedure of the IAD work, the amount of salaries and terms of remuneration, bonuses for the IAD employees, social support, as well as deciding on bonuses for the head and employees of the IAD. The Board of Directors also approves the budget of the IAD on an annual basis (separately or as part of the Bank's overall budget).</p> <p>In 2023:</p> <ul style="list-style-type: none"> <li>the headcount of the IAD is 13 persons,</li> <li>the term of office of the IAD is 3 years from 10 February 2023 to 09 February 2026,</li> <li>activities were carried out by appointed employees of the IAD, including the Director of the IAD,</li> <li>employees of the IAD were paid according to certain salary levels and grades.</li> </ul>



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	<p>The key responsibilities of the Internal Audit Service include assessing the quality of the Bank's internal control, risk management and corporate governance systems and reporting to the Board of Directors on the adequacy and effectiveness of these systems. The main objective of the Internal Audit Service is to contribute to the improvement of the Bank's performance.</p> <p>The Regulation on the Internal Audit Service defines and enshrines the following:</p> <ol style="list-style-type: none"> <li>adherence to the principles and provisions adopted by the Institute of Internal Auditors;</li> <li>status, goals and objectives of the Bank's internal audit;</li> <li>conditions for ensuring independence, objectivity and professionalism of the Internal Audit Service to achieve the goals and objectives of the internal audit and effective performance by the Internal Audit Service of its functions and duties;</li> <li>qualification requirements for the head and employees of the Internal Audit Service;</li> <li>scope and content of the Internal Audit Service's activities;</li> <li>right of access to documentation, employees and tangible assets when performing relevant tasks;</li> <li>procedure for interaction of the Internal Audit Service with the Board of Directors and the Management Board of the Bank and reporting to the Audit Committee and the Board of Directors of the Bank.</li> </ol> <p>The Regulation on the Internal Audit Service also provides for the following tasks and functions:</p> <ol style="list-style-type: none"> <li>assisting the Management Board and the Bank's employees in developing and monitoring the implementation of procedures and measures to improve the risk management, internal control and corporate governance systems;</li> <li>coordination of activities with the Bank's external auditor and persons providing consulting services in the field of risk management, internal control and corporate governance;</li> <li>conducting internal audits of subsidiaries that do not have their own internal audit services/ functions within the established procedure, as well as the terms and procedure for interaction with the internal audit services of subsidiaries on the collection and presentation of necessary information to the Board of Directors of the Bank and on the development/improvement of the internal audit services of subsidiaries in general;</li> </ol>		<p>By Resolution No. 13 dated 31 October 2023 of the Board of Directors, the Board of Directors approved the salary scheme for the Chief Compliance Officer, Corporate Secretary, and employees of the IAD and determined the salaries of the employees of the IAD from 26 December 2023.</p> <p>The IAD's Annual Audit Plan for 2023 (AAP), the IAD's Budget for 2023, as well as the IAD's Professional Training Plan for 2023 were approved by the Board of Directors' Resolution No. 17 dated 26 December 2022.</p> <p>In 2023, all IAD employees supported professional development and received training in accordance with the IAD Employee Professional Training Plan for 2023:</p> <ol style="list-style-type: none"> <li>the Head of the IAD's Business Process Audit Department passed the CIA (Certified Internal Auditor) Part 2 exam;</li> <li>an auditor of the IAD's Business Process Audit Department received an international professional certificate DipCPIA.</li> </ol> <p>According to Clause 12.6 of the Bank's Articles of Association, employees of the IAD cannot be elected to the Board of Directors and the Management Board of the Bank. In 2023, employees of IAD were not elected to the Bank's Board of Directors and Management Board.</p> <p>In accordance with Clauses 8, 10 of the Regulations on the IAD approved by the Board of Directors' Resolution No. 3 dated 30 March 2018, the IAD is directly organizationally subordinate and functionally accountable to the Board of Directors and administratively subordinate to the Management Board of the Bank. At the same time, the Bank's Management Board should not use administrative supervision to influence the independence and objectivity of the IAD. In accordance with Clauses 16,17 of the Regulations on the IAD, the IAD should be independent from the influence of members of the Management Board and other persons in order to properly perform its tasks and functions and ensure objective and impartial judgement. Members of the Management Board and other persons may not interfere with the processes of determining participants (subjects), subjects (objects), audit scope and periods, planning and execution of audit assignments, formation and submission of reports by the IAA on the results of its activities.</p> <p>In 2023, prior to the commencement of audits, all IAD employees, including the Director, confirmed their independence by signing a declaration of independence. In 2023, there was no evidence of any influence on the independence and objectivity of the IAD, as well as the activities of the IAD and the submission of reports by the IAD on the results of its activities. The IAD did not make any management decisions in 2023.</p> <p>The tasks and functions, rights and responsibilities of the IAD are defined by the Regulations on the IAD approved by the Board of Directors on 30 March 2018 (Minutes No. 3).</p> <p>In accordance with the Regulations on the IAD, the key responsibilities of the IAD include evaluating the performance of the Bank's internal control (ICS), risk management (RMS) and corporate governance (CGS) systems, as well as IT and IS audits. The IAA periodically evaluates the performance of ICS, RMS and CGS as required by the laws of the Republic of Kazakhstan, but at least once every three years. IT and IS audits are performed by the IAD on an annual basis. Reports on the results of the ICS, RMS and CGS performance evaluation, as well as reports on the results of IT audit and IS audit are submitted to the Board of Directors for approval after preliminary approval by the Audit Committee. The mission of the IAD is to provide the services necessary to assist the Board of Directors and the Management Board in fulfilling their responsibilities in achieving the Bank's strategic goals. The main purpose of the IAD is to provide the Board of Directors with independent reasonable assurance and advice aimed at improving the Bank's operations and enhancing the efficiency of the Bank's management.</p>

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4.	<p>preparation and submission to the Board of Directors and the Audit Committee of periodic reports on the performance of the internal audit service and implementation of the (annual) audit plan (including information on significant risks, deficiencies, results and effectiveness of measures to eliminate identified deficiencies, results of assessment of the actual state, reliability and effectiveness of the risk management, internal audit and internal control systems).</p> <p>verification of compliance by members of the Management Board of the Bank and its employees with the provisions of the laws of the Republic of Kazakhstan and internal documents relating to insider information and anti-corruption, compliance with ethical requirements;</p> <p>monitoring the implementation of the external auditor's recommendations;</p> <p>providing consultations within the framework of the work plan approved by the Board of Directors on the organization and improvement of internal control, risk management, corporate governance and organization of internal audit, as well as on other issues within the competence of the Internal Audit Service.</p> <p>The Board of Directors evaluates the performance of the Internal Audit Service, its head and employees based on the review of the Internal Audit Service's reports, compliance with the deadlines for fulfilment of the (annual) audit plan and submission of reports, and assessment of the reports' compliance with the requirements of the standards and internal regulatory documents of the Internal Audit Service.</p> <p>The Internal Audit Service has been established and functions to perform internal audit as an activity aimed at providing independent and objective assurance and advice to improve the Bank's performance.</p> <p>The Board of Directors of the Bank determines the quantitative composition and term of office of the Internal Audit Service, appoints its head and employees, as well as early termination of their powers, determines the procedure of its work, the amount and terms of remuneration and bonus payment to the employees of the Internal Audit Service, as well as the budget of the Internal Audit Service.</p> <p>Employees of the Internal Audit Service may not be elected to the Board of Directors and the Management Board of the Bank.</p> <p>The Internal Audit Service reports directly to the Board of Directors of the Bank and is independent from the Management Board of the Bank. The tasks and functions of the Internal Audit Service, its rights and responsibilities are determined by the Regulation on the Internal Audit Service approved by the Board of Directors of the Bank.</p>		<p>The Regulations on the IAD define and enshrine the following:</p> <ol style="list-style-type: none"> <li>In accordance with Clause 4 of the Regulations, in carrying out its activities, the IAD should be guided by the International Framework for the Professional Practice of Internal Auditing, the constituent elements of which are the definition, mission, basic principles of the professional practice of internal auditing, the Code of Ethics for Internal Auditors (hereinafter, the Code of Ethics), international professional standards for internal auditing, as well as practical guidelines and manuals thereto;</li> <li>the organizational status, goals and objectives of the IAD are regulated by Chapters 2-4 of the Regulations;</li> <li>conditions for ensuring the independence, objectivity and professionalism of the IAD, for achieving the goals and objectives of internal audit and the effective performance by the IAD of its functions and duties, including by limiting the participation of auditors in the audit of processes carried out by them during the period being audited, inadmissibility of interference in the activities of the IAD, establishment of qualification requirements for the employees of the IAD, continuous professional development, etc.;</li> <li>qualification requirements for the head and employees of the IAD are set out in the standard forms of job descriptions, which are Appendices 1-5 to the Regulations on the IAD;</li> <li>the scope and content of the IAD activities, which include the performance of audit assignments/consulting services in accordance with the approved Annual Audit Plan, monitoring the implementation of internal/external audit recommendations of other competent authorities, development of the Bank's internal regulatory documents governing the IAD activities, etc.;</li> <li>in accordance with Clause 25 of the Regulations, in order to ensure fulfilment of its main tasks and functions, the IAD is entitled to have unhindered and full access to any assets, all documents, accounting records and any other information on the Bank's activities, including confidential information, as well as to have unhindered and full access to information databases and software in passive viewing mode, without the right to enter or adjust data;</li> <li>the procedure of interaction of the IAD with the Board of Directors and the Management Board of the Bank and reporting to the Audit Committee and the Board of Directors of the Bank is stipulated in Chapters 8 and 9 of the Regulations.</li> </ol> <p>The Regulations on the IAD also provide for the following tasks and functions:</p> <ol style="list-style-type: none"> <li>in accordance with sub-clause 12 of clause 20 of the Regulations, the IAD provides advice to the Management Board on improving internal control, risk management and corporate governance processes. Advisory services are provided by the IAA based on the results of control procedures, while maintaining the independence and objectivity of the IAA, excluding management decisions made by the IAA;</li> <li>in accordance with sub-clause 6) of clause 20 of the Regulations, the IAD interacts with the Sole Shareholder, external auditors and state bodies within the competence of the IAD, and, if necessary, participates in the audit, evaluation, analysis processes conducted by external auditors, independent appraisers and/or consultants;</li> <li>the Bank's structure does not include subsidiaries, so there is no need to create a separate internal audit service and conduct internal audits of subsidiaries;</li> </ol>





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	<p>The Regulation on the Internal Audit Service defines and enshrines the following:</p> <ol style="list-style-type: none"> <li>1. adherence to the principles and provisions adopted by the Institute of Internal Auditors;</li> <li>2. status, goals and objectives of the Bank's internal audit;</li> <li>3. conditions for ensuring independence, objectivity and professionalism of the Internal Audit Service to achieve the goals and objectives of the internal audit and effective performance by the Internal Audit Service of its functions and duties;</li> <li>4. qualification requirements for the head and employees of the Internal Audit Service;</li> <li>5. scope and content of the Internal Audit Service's activities;</li> <li>6. right of access to documentation, employees and tangible assets when performing relevant tasks;</li> <li>7. procedure for interaction of the Internal Audit Service with the Board of Directors and the Management Board of the Bank and reporting to the Audit Committee and the Board of Directors of the Bank.</li> </ol> <p>The Regulation on the Internal Audit Service also provides for the following tasks and functions:</p> <ol style="list-style-type: none"> <li>1. assisting the Management Board and the Bank's employees in developing and monitoring the implementation of procedures and measures to improve the risk management, internal control and corporate governance systems;</li> <li>2. coordination of activities with the Bank's external auditor and persons providing consulting services in the field of risk management, internal control and corporate governance;</li> <li>3. conducting internal audits of subsidiaries that do not have their own internal audit services/ functions within the established procedure, as well as the terms and procedure for interaction with the internal audit services of subsidiaries on the collection and presentation of necessary information to the Board of Directors of the Bank and on the development/improvement of the internal audit services of subsidiaries in general;</li> <li>4. preparation and submission to the Board of Directors and the Audit Committee of periodic reports on the performance of the internal audit service and implementation of the (annual) audit plan (including information on significant risks, deficiencies, results and effectiveness of measures to eliminate identified deficiencies, results of assessment of the actual state, reliability and effectiveness of the risk management, internal audit and internal control systems).</li> </ol>		<ol style="list-style-type: none"> <li>4. in accordance with sub-clause 3) of clause 20 of the Regulations, the IAD regularly submits a report on the IAD's activities, previously reviewed by the Audit Committee, to the Board of Directors for consideration and approval following the results of the reporting period (quarter, year). The reports contain information on material risks, deficiencies, results and effectiveness of measures to eliminate identified deficiencies, results of assessment of the actual state, reliability and effectiveness of the risk management, internal control and corporate governance systems;</li> <li>5. in accordance with sub-clauses 7, 8, 10 of clause 19 of the Regulations, one of the main tasks of the IAD is compliance with the requirements of the laws of the Republic of Kazakhstan, internal policies and other documents of the Bank, as well as the effectiveness of systems and procedures established and applied to ensure compliance with these requirements (compliance control), implementation of decisions of the Bank's bodies and orders (proposals) of competent (supervisory) government authorities, the effectiveness of the corporate governance system and process of its improvement, compliance with the accepted principles of corporate governance, relevant ethical standards and values. Also, in accordance with sub-clause 8 of clause 20 of the Regulations, it assesses the risks of fraud and how the Bank manages the risk of fraud;</li> <li>6. in accordance with sub-clause 4 of clause 20 of the Regulations, the IAD monitors the Bank's compliance with the recommendations/ sentences of the external auditor and other state auditing bodies adopted in accordance with the established procedure, and provides the Board of Directors with information on the progress and quality of corrective actions within the framework of periodic reports;</li> <li>7. in accordance with sub-clauses 12, 13, 16 of clause 20 of the Regulations, the IAD provides advice to the Management Board on improving internal control, risk management and corporate governance processes and performs other functions within the competence of the IAD.</li> </ol> <p>In 2023, all audit reports based on the results of audits scheduled in the approved AAP for 2023 (Resolution of the Board of Directors dated 26 December 2022 (Minutes No. 17) were completed in a timely manner, reviewed by the Bank's Management Board and pre-approved by the Audit Committee.</p> <p>In 2023, the Board of Directors of the Bank approved periodic reports on the IAD's performance containing information on material risks, deficiencies, results and effectiveness of measures to eliminate identified deficiencies, results of the assessment of the actual state, reliability and effectiveness of the risk management, internal control and corporate governance systems:</p> <ol style="list-style-type: none"> <li>1) for Q4 2 022 (11.03.2023 No. 3)</li> <li>2) the 2022 Annual Report (11.03.2023 No. 3),</li> <li>3) for Q1, Q2, Q3 and Q4 2 023 (26.04.2023 No. 05, 01.09.2023 No. 11, 31.10.2023 No. 13, 30.01.2024 No. 1).</li> <li>4) the 2023 IAD Performance Report was approved by the Resolution dated 27 February 2024 of the Board of Directors (Minutes No. 3).</li> </ol> <p>Periodic reports on the IAD's performance in 2023 also contain information on the implementation of the AAP for 2023, the budget for 2023 and the Professional Training Plan for 2023, as well as the results of monitoring the implementation of recommendations issued as a result of internal and external audits.</p>

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	<ol style="list-style-type: none"> <li>8. verification of compliance by members of the Management Board of the Bank and its employees with the provisions of the laws of the Republic of Kazakhstan and internal documents relating to insider information and anti-corruption, compliance with ethical requirements;</li> <li>9. monitoring the implementation of the external auditor's recommendations;</li> <li>10. providing consultations within the framework of the work plan approved by the Board of Directors on the organization and improvement of internal control, risk management, corporate governance and organization of internal audit, as well as on other issues within the competence of the Internal Audit Service.</li> </ol> <p>The Board of Directors evaluates the performance of the Internal Audit Service, its head and employees based on the review of the Internal Audit Service's reports, compliance with the deadlines for fulfilment of the (annual) audit plan and submission of reports, and assessment of the reports' compliance with the requirements of the standards and internal regulatory documents of the Internal Audit Service.</p>		<p>In 2023, the IAD provided advisory services to the Bank as part of its day-to-day operations, and also performed a separate consulting assignment – Analysis of the current organizational structure, management levels, taking into account the standard of manageability, consistency of functions, processes, strategies, responsibilities and roles, with recommendations, if any, to improve the efficiency of functioning.</p> <p>In 2023, an internal assessment of the Bank's corporate governance was carried out in accordance with the Bank's Corporate Governance Diagnostic Methodology. The final efficiency score was 95.6%, the report was approved by the Board of Directors' Resolution dated 27 December 2023 (Minutes No. 16).</p> <p>In 2023, the IAD performed two audits: information systems audit (IT audit) (approved by the Board of Directors' Resolution dated 01 September 2023 (Minutes No. 11) and information security audit (approved by the Board of Directors' Resolution dated 30 January 2024 (Minutes No. 01).</p> <p>The IAD ensures regular (internal and external) evaluation of the efficiency and quality of its activities, which is submitted to the Board of Directors for approval, whereby:</p> <p>internal evaluation (self-evaluation) is carried out on an ongoing basis (based on the results of the reporting year) by the IAD independently, which is approved by the Board of Directors simultaneously with the annual report on the IAD's performance. During the period of external evaluation, internal evaluation based on the results of the relevant period is not carried out;</p> <p>2) external evaluation is carried out at least once every five years by an external auditor duly selected by a resolution of the Board of Directors of the Bank, the results of which are submitted to the Board of Directors for consideration.</p> <p>In 2023, an internal evaluation of the IAD's performance was carried out:</p> <ol style="list-style-type: none"> <li>1) the self-evaluation of the current state of the IAD function was 3.97 (99.25%)</li> <li>2) the Audit Committee's evaluation of the quality of IAD's performance was 3.86 (96.50%).</li> </ol> <p>As part of the comprehensive evaluation of the IAD employees' performance based on the results of 2023, the personal and business competencies (hereinafter, the PBC) of IAD employees were evaluated, as well as the calculation of the average actual KPI performance based on the results of the reporting quarters of 2023, with subsequent analysis of the level of the final actual performance of IAD employees for 2023 and the level of development of personal and business competencies. According to the results of the comprehensive evaluation of the IAD employees' performance in 2023, seven IAD employees corresponded to Level IX – the best employee, two IAD employees corresponded to Level VIII – gradual growth. The results of the IAD and IAD employee evaluations are presented in the IAD Annual Report for 2023.</p> <p>The results of the 2023 performance evaluation were approved by the Resolution dated 27 February 2024 of the Board of Directors (Minutes No. 3).</p>





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4.19	The management of the Bank's day-to-day operations is carried out by the Management Board. The Chairman and Members of the Management Board have high professional and personal characteristics, good business reputation and adhere to ethical standards. The Chairman of the Management Board has high organizational skills, works in active cooperation with the Sole Shareholder and constructively builds a dialogue with the Board of Directors, employees, and other stakeholders.	Compliant	<p>Composition of the Management Board as of 1 January 2023: Lyazzat Ibragimova – Chairman of the Management Board of the Bank; Members of the Management Board, Deputy Chairmen of the Management Board: Aliya Aidarbekova; Nurlan Akshanov; Miras Beisembayev; Elmira Raspekova; Islambek Kairbekov; Mukhtar Azimbekov.</p> <p>Composition of the Management Board as of 31 December 2023: Lyazzat Ibragimova – Chairman of the Management Board of the Bank; Members of the Management Board, Deputy Chairmen of the Management Board: Aliya Aidarbekova; Nurlan Akshanov; Vladimir Savchenko; Elmira Raspekova; Islambek Kairbekov; Mukhtar Azimbekov.</p> <p>Lyazzat Ibragimova has been the Chairman of the Management Board of the Bank since January 2017. In April 2022, she was elected for a new term as the Chairman of the Management Board of the Bank with a term of office until the expiry of the term of office of the Management Board of the Bank as a whole.</p> <p>Aliya Aidarbekova supervises treasury, accounting, consolidated reporting, planning and strategic analysis.</p> <p>Nurlan Akshanov supervises sales and regional development, marketing, functioning of branches, and remote servicing.</p> <p>Vladimir Savchenko supervises information security, legal support, security, and first housing provision programs.</p> <p>Elmira Raspekova supervises development and support of information systems, information technologies, and digital transformation.</p> <p>Islambek Kairbekov supervises internal control, situational monitoring, underwriting and collateral, financial and credit risks.</p> <p>Mukhtar Azimbekov supervises legal entities servicing, operational support, work with problem loans, banking products and technologies.</p> <p>Qualification requirements for the Members of the Management Board are approved by the Regulation on the Management Board of the Bank approved by the Resolution of the Board of Directors on 22 December 2017 (Minutes No. 17). The Chairman and Members of the Management Board of the Bank meet the following qualification requirements:</p> <ul style="list-style-type: none"> <li>higher education;</li> <li>work experience in international financial institutions, the list of which is established by the Banks and Banking Activities in the Republic of Kazakhstan Act of the Republic of Kazakhstan and (or) work experience in the provision and (or) regulation of financial services and (or) audit of financial institutions;</li> <li>at least 3 (three) years of work experience in managerial positions;</li> <li>impeccable business reputation;</li> <li>other requirements imposed on the Bank's executives in accordance with the banking legislation of the Republic of Kazakhstan.</li> </ul>

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4.20	The Management Board reports to the Board of Directors and manages the day-to-day operations of the Bank, is responsible for the implementation of the development strategy and/or development plan and decisions made by the Board of Directors and the Sole Shareholder.	Compliant	According to Clauses 11.1. and 11.2 of Article 11 of the Bank's Articles of Association, the Bank's Management Board manages the Bank's day-to-day operations. The Management Board of the Bank is obliged to execute resolutions of the Sole Shareholder and the Board of Directors of the Bank.
4.21	The Board of Directors elects the members of the Management Board (except for the Chairman of the Management Board), determines the terms of their office, the amount of their official salary, terms of their remuneration and bonus payment. The Human Resources, Remuneration and Social Affairs Committee of the Bank's Board of Directors plays a key role in the process of searching and selecting candidates for the Management Board and determining their remuneration.	Compliant	<p>Pursuant to sub-clause 17) of clause 9.2 of Article 9 of the Bank's Articles of Association, election of the Chairman of the Management Board of the Bank, as well as early termination of his powers is the exclusive competence of the Sole Shareholder.</p> <p>In accordance with clause 11.3 of Bank's Articles of Association, the Management Board should be composed of at least three members, including: Chairman of the Management Board, his deputy(s) and (or) other members of the Management Board of the Bank elected by the Board of Directors of the Bank for a term of five years.</p> <p>By Resolution of the Board of Directors of the Bank (Minutes No. 3) dated 11 March 2022, the quantitative composition of the Management Board is determined as 7 (seven) members.</p>
4.22	The Board of Directors may terminate the powers of members of the Management Board (except for the Chairman of the Management Board) at any time.	Compliant	<p>By Resolution of the Board of Directors of the Bank dated 26 April 2023 (Minutes No. 5):</p> <ul style="list-style-type: none"> <li>the powers of Miras Beisembayev, member of the Management Board, Deputy Chairman of the Management Board of the Bank, were early terminated from 15 May 2023 in accordance with sub-clause 23) of clause 1 of Article 52 of the Labor Code of the Republic of Kazakhstan.</li> <li>Vladimir Savchenko was elected as a member of the Management Board of the Bank, Deputy Chairman of the Management Board from 15 May 2023 with the term of office until the expiry of the term of office of the Management Board of the Bank as a whole.</li> </ul>
4.23	To increase transparency of the processes of appointment and remuneration of the members of the Management Board of the Bank, it is recommended that the Board of Directors approve the rules on appointment, remuneration, evaluation and succession of the members of the Management Board of the Bank.	Compliant	<p>Resolution No. 11 dated 7 October 2019 of the Board of Directors of the Bank approved the Rules on internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for the Bank's executives</p> <p>(as amended under the Resolution dated 01 December 2022 (Minutes No. 15) of the Board of Directors, and as amended under the Resolution dated 30 January 2024 (Minutes No. 15) of the Board of Directors).</p>
4.24	The Chairman and members of the Management Board may hold positions in other entities only with the approval of the Board of Directors. The Chairman of the Management Board should not hold the position of the head of the Management Board of another entity.	Compliant	<p>According to sub-clause 11.4 of the Bank's Articles, a member of the Management Board may hold a position in other entities or in the bodies of other entities only with the consent of the Board of Directors of the Bank.</p> <p>In 2023, the members of the Bank's Management Board did not hold positions in other entities.</p>
4.25	The Management Board ensures the establishment of an optimal organizational structure of the Bank. The organizational structure should be aimed at:	Compliant	<p>In accordance with the requirements of set forth in sub-clause 20 of clause 10.2 of article 10 of the Bank's Articles, the organizational structure of the Bank should be approved by resolution of the Board of Directors.</p> <p>In 2023 the organizational structure of the Bank was amended by the Resolution dated 28.03.2023 (Minutes No. 4) of the Board of Directors.</p>



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4.26	<p>Candidates for the Bank's vacant positions are selected on the basis of open and transparent competitive procedures. Career advancement and financial incentives for the Bank's employees are carried out in accordance with the principles of meritocracy, taking into account the level of knowledge, competences, work experience and achievement of set tasks. The Bank Forms a talent pool, from which appointments to middle and senior management positions can be made in the future. Employees undergo a comprehensive performance evaluation on an annual basis. Personnel selection procedures are implemented according to the following requirements:</p> <ul style="list-style-type: none"> <li>• preference for the development of internal resources of the Bank and its subsidiaries, and in the absence of such an opportunity – openness and absence of restrictions for holding positions for a wide range of persons, ensuring the principle of equality of opportunity, which contribute to increased competition and selection of worthy applicants who meet the requirements of professionalism and competence;</li> <li>• impartial selection of personnel and complete absence of protectionism, patronage system of admission (based on the principle of loyalty, ethnicity, family ties and personal friendship);</li> <li>• legal regulation, including the establishment of principles and criteria for evaluating candidates, excluding conditions for subjectivity when making a judgement.</li> </ul>	Compliant	<p>In 2023, 82 employees of the Bank were transferred from a lower to a higher position.</p> <p>The procedure of formation of the talent pool of executive and managerial staff has been carried out in the Bank since 2008 in accordance with the Regulation on Formation and Organization of Work with the Bank's Talent Pool by identifying high-potential employees and organizing their professional and career development. The Regulation on the Talent Pool was approved by Resolution No. 10 dated 18 September 2020 of the Bank's Management Board.</p> <p>As of the end of 2023, the Bank's Talent Pool consists of 43 people, of whom 12 are employees of the Central Office and 31 are employees of the Bank's Branches.</p> <p>Since 2009, the Bank has been conducting employee performance reviews to determine the extent to which employees meet the requirements for their positions and to make necessary managerial decisions regarding further labor relations with the Bank's employees based on the results of the reviews. Performance review periodicity is not more often than once in three years, in case of unsatisfactory performance results (KPI below 75%) performance review is carried out not more often than once a year. Performance review stages: analysis of qualification requirements, testing, meeting of the Personnel Review Board.</p> <p>At the end of 2023, 42 employees, including 15 men and 27 women, passed unscheduled performance reviews. In total, 1 head of a structural unit and 41 general managers, leading managers, developers, specialists, cashiers participated in unscheduled performance reviews.</p>
4.27	<p>The Chairman and members of the Management Board are evaluated by the Board of Directors. The main evaluation criterion is the achievement of the set KPIs. Motivational KPIs of the Chairman and members of the Management Board are approved by the Board of Directors of the Bank. Proposals regarding motivational KPIs of members of the Management Board are submitted by the Chairman of the Management Board for consideration by the Board of Directors.</p>	Compliant	<p>By the Resolution dated 30 May 2023 (Minutes No. 7) of the Board of Directors, the report on the performance of key performance indicators of the members of the Management Board of Otbasy Bank JSC for 2022 was approved.</p> <p>The KPI maps of the Chairman and members of the Management Board of the Bank for 2022 were approved by the Board of Directors of the Bank on 24 December 2021 (Minutes No. 14).</p>

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	<p>The results of the evaluation influence the amount of remuneration, incentives, re-election (appointment) or early termination of powers. Remuneration of the Chairman and members of the Management Board consists of a fixed and variable part. When setting the official salary, the complexity of the tasks performed, personal competences of the employee and his/her competitiveness in the market, the contribution made by this person to the Bank's development, the level of official salaries in similar companies, and the economic situation in the Bank are taken into account.</p> <p>In case of early termination of the employment contract, remuneration is paid in accordance with internal documents approved by the Board of Directors of the Bank.</p>		<p>The performance of the Bank's Management Board is evaluated based on the approved KPI Maps for 2022. The performance of the Bank's Management Board in the reporting period is generally characterized as positive. The target corporate KPIs and individual KPIs of Members of the Management Board for 2022 were achieved. Achievement of KPIs for 2022:</p> <ol style="list-style-type: none"> <li>1. Lyazzat Ibragimova, Chairman of the Management Board – 118%,</li> <li>2. Aliya Aidarbekova, Deputy Chairman of the Management Board – 123%,</li> <li>3. Nurlan Akshanov, Deputy Chairman of the Management Board – 114%,</li> <li>4. Mukhtar Azimbekov, Deputy Chairman of the Management Board – 112%,</li> <li>5. Miras Beisembayev, Deputy Chairman of the Management Board – 113%,</li> <li>6. Islambek Kairbekov, Deputy Chairman of the Management Board – 124%,</li> <li>7. Elmira Raspekova, Deputy Chairman of the Management Board – 124%.</li> </ol> <p>The KPI maps of the Chairman and members of the Management Board of the Bank for 2023 were approved by the Board of Directors of the Bank on 26 December 2022 (Minutes No. 17).</p>

**5. THE PRINCIPLE OF SUSTAINABLE DEVELOPMENT**

5.1	<p>The Bank and its subsidiaries recognize the importance of their impact on the economy, environment and people to ensure sustainable development in the long term, while balancing the interests of stakeholders. The approach of responsible, thoughtful and rational stakeholder engagement will contribute to the sustainable development of the Bank and its subsidiaries.</p>	Compliant	<p>The Bank recognizes the importance of its impact on the economy, environment and people to ensure sustainable development in the long term. As part of the implementation of this principle, the Sustainable Development Policy (hereinafter, the Policy) was approved by the Resolution dated 28 December 2023 (Minutes No. 17) of the Board of Directors of Otbasy Bank JSC. The Policy is available on the Bank's website, in the Sustainable Development/ESG Policies section).</p> <p>In accordance with the provisions of the Policy, the sustainable development management system clearly defines and enshrines the roles, competences, responsibilities of each body and all employees for the implementation of sustainable development principles, standards, and plan.</p> <p>The Board of Directors of the Bank provides strategic guidance and control over the implementation of sustainable development activities, the Management Board of the Bank forms the relevant action plan. The Bank's Strategy and Corporate Development Committee is responsible for coordinating sustainable development actions, reviewing and organizing ESG issues, preparing recommendations for the Bank's Management Board on approving strategic ESG Policy documents, defining KPIs and strategic ESG targets, the approval of which falls within the competence of the Management Body. All employees and officials at all levels contribute to sustainable development.</p> <p>In 2023, all the activities stipulated in the Bank's 2023 Sustainability Action Plan were implemented.</p>
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5.2	<p>The Bank strives for profitability of operations, ensures sustainable development, and balances the interests of stakeholders.</p> <p>In the course of its activities, the Bank influences or is influenced by stakeholders. Sustainable development activities comply with the best international standards.</p> <p>Stakeholders may have both positive and negative impact on the activities of the Bank and its subsidiaries, namely on achieving profitability, sustainable development, reputation and image, creating or mitigating risks. The Bank and its subsidiaries place importance on proper stakeholder engagement.</p>	Compliant	<p>The Bank has reviewed all sustainability topics proposed by the GRI Standards. The topics were assessed according to the degree of importance for the Bank, taking into account its development strategy, and according to the degree of importance for stakeholders, which was determined in the course of stakeholder engagement during the year.</p> <p>The Resolution dated 05 September 2023 (Minutes No. 145) of the Management Board of Otbasy Bank JSC approved the Stakeholder Map, which defines the list of key stakeholders and the degree of their influence. The map allows the Bank to systematize and visualize information about the Bank's environment in order to build an adequate strategy for working with each stakeholder. Identifying and working with stakeholders is one of the tools that allows improving the business reputation, the capitalization of the company, as well as establishing effective and balanced relations with all stakeholders. The Bank's stakeholders are customers, population, employees of the Bank, the Sole Shareholder, the Board of Directors, the Management Board, state authorities, competitors, investors, strategic partners, financial institutions, auditors, consulting organizations, suppliers, international organizations, mass media and public and non-governmental bodies.</p>
5.3	<p>The Bank ensures that its economic, environmental and social objectives are aligned for sustainable development in the long term. Sustainable development in the Bank and its subsidiaries consists of three components: economic, environmental and social.</p> <p>The economic component directs the Bank's activities towards profitability of their operations, securing the interests of shareholders and investors, improving the efficiency of processes, increasing investment in the creation and development of more advanced technologies, and improving labor productivity.</p> <p>The environmental component contributes to minimizing the impact on biological and physical natural systems, the optimal use of limited resources, and the application of environmentally friendly, energy- and material-saving technologies.</p> <p>The social component is focused on the principles of social responsibility, which, among other things, include ensuring occupational safety and preserving the health of employees, fair remuneration and observance of employee rights, individual development of personnel, implementation of social programs for personnel, creation of new jobs, sponsorship and charity, environmental and educational activities.</p> <p>The Bank selects employees on the basis of transparent competitive procedures in accordance with the Bank's internal documents.</p> <p>The Bank analyses its activities and risks across these three aspects and seeks to avoid or mitigate negative impacts of its performance on stakeholders.</p>	Compliant	<p>The Bank supports the government's housing construction policy.</p> <p>As part of its activities, the Bank has a significant impact on the development of regions, therefore the Bank periodically assesses the multiplier effect on related industries and the economy as a whole.</p> <p>Due to the nature of its operations, the Bank does not have a direct significant impact on the environment. The main resources consumed by the Bank are electricity, heat and water. The Bank applies principles and methods of sustainable use of resources that best ensure prevention of adverse environmental impact.</p> <p>During the year, there were no violations of environmental legislation, and no penalties were imposed.</p> <p>One of the Bank's priorities is to create and maintain a workforce that meets the Bank's qualification requirements aimed at achieving the Bank's strategic goals and objectives. Labor relations are regulated by the Rules of Labor Relations and Internal Work Order in the Bank in accordance with the laws of the Republic of Kazakhstan.</p> <p>Taking into account that personnel development is one of the components of success of any organization, the Bank annually plans funds for personnel training and development.</p>

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<b>6. THE PRINCIPLE OF RISK MANAGEMENT, INTERNAL CONTROL AND INTERNAL AUDIT</b>			
6.1	<p>The Bank has an effectively functioning risk management and internal control system aimed at providing reasonable assurance that the Bank will achieve its strategic and operational objectives, which is a set of organizational policies, procedures, norms of behavior and actions, management methods and mechanisms established by the Board of Directors and the Management Board to ensure:</p> <ol style="list-style-type: none"> <li>1. optimal balance between the Bank's profitability, strategic objectives and the risks accompanying them;</li> <li>2. efficiency of the Bank's financial and economic activities and to achieve the Bank's financial stability;</li> <li>3. preservation of assets and efficient use of the Bank's resources;</li> <li>4. completeness, reliability and validity of financial and management reporting;</li> <li>5. compliance with the requirements of the laws of the Republic of Kazakhstan and internal documents of the Bank;</li> <li>6. adequate internal controls to prevent fraud and to provide effective support for the operation of core and supporting business processes and performance analyses.</li> </ol>	Compliant	<p>According to the Bank's Risk Management Policy (approved by Resolution No. 9 dated 24.09.2020 of the Board of Directors, as amended by Resolution No. 12 dated 29.09.2023 of the Board of Directors);</p> <p>The Board of Directors of the Bank ensures that a risk management framework is in place that is appropriate to the chosen business model, scale of operations, type and complexity of operations and provides an appropriate process for identifying, measuring and evaluating, monitoring, controlling and mitigating the Bank's significant risks in order for the Bank to determine the amount of equity and liquidity required to cover the significant risks inherent in the Bank's operations.</p> <p>The Bank's risk management system is a set of components that provides a mechanism of interaction between the Bank's internal procedures, processes, policies and structural units developed and regulated by the Bank for the purpose of timely identification, measurement, control and monitoring of the Bank's risks, as well as their minimization to ensure its financial stability and stable functioning.</p> <p>The risk management system ensures:</p> <ol style="list-style-type: none"> <li>1. optimal balance between the profitability of the Bank's core business lines and the level of accepted risks, based on the choice of a viable and sustainable business model, an efficient strategy and budget planning process taking into account the risk appetite strategy;</li> <li>2. objective assessment of the Bank's risks, completeness and documentation of risk management processes, their preventive identification, measurement and assessment, monitoring and control, minimization of significant types of risks at each level of the organizational structure with optimal use of financial resources, personnel and information systems in order to maintain a sufficient amount of the Bank's equity and liquidity;</li> <li>3. coverage of all types of the Bank's activities exposed to significant risks at all levels of the organizational structure, completeness of assessment of individual significant types of risks and their mutual influence in order to determine the Bank's risk profile and build a risk appetite strategy;</li> <li>4. existence of risk appetite levels for all types of material risks and an algorithm of actions in cases of violation of the established levels, including responsibility for taking risks, the level of which is defined as high, procedures for informing the Bank's BOD, the Risk Management and Internal Control Committee and the Management Board within the framework of the risk appetite strategy;</li> <li>5. awareness of the Bank's authorized collegial bodies making decisions that entail risks by building an effective corporate governance system, availability of complete, reliable and timely management information on significant risks inherent in the Bank's activities;</li> <li>6. rational decision-making and acting in the Bank's interests based on a comprehensive assessment of the information provided in good faith, with due diligence and care (duty of care). The duty of care and diligence does not apply to errors in the process of making business decisions, unless the Bank's employees and officials have been grossly negligent in doing so;</li> <li>7. making decisions by employees and officials of the Bank and acting in good faith in the interests of the Bank, without taking into account personal benefits, interests of persons who have special relations with the Bank, to the detriment of the interests of the Bank (duty of loyalty);</li> </ol>





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			<p>8. clear distribution of risk management functions, duties and authorities among all structural units and employees of the Bank and their responsibilities, taking into account minimization of conflicts of interest;</p> <p>9. separation of the risk management and internal control functions from the Bank's operational activities by building a system of three lines of defense;</p> <p>10. existence of documents developed to regulate the Bank's activities, to create and operate effective risk management and internal control systems in the Bank and to comply with the Bank's strategy, organizational structure, risk profile and the requirements of civil, tax, banking laws of the Republic of Kazakhstan, laws of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, laws of the Republic of Kazakhstan on currency regulation and currency control, on payments and payment systems, on pension provision, on the securities market, on accounting and financial reporting, on credit bureaus and formation of credit histories, on collection activities, on mandatory deposit guarantees, on anti-money laundering and counter-terrorist financing, on joint stock companies, as well as their periodic review and updating;</p> <p>11. compliance with the requirements of civil, tax, banking laws of the Republic of Kazakhstan, laws of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, laws of the Republic of Kazakhstan on currency regulation and currency control, on payments and payment systems, on pension provision, on the securities market, on accounting and financial reporting, on credit bureaus and formation of credit histories, on collection activities, on mandatory deposit guarantees, on anti-money laundering and counter-terrorist financing, on joint stock companies;</p> <p>12. compliance with the Bank's risk management procedures, processes, policies and other internal documents by establishing an effective system of internal controls.</p> <p>The Bank's financial and credit risk management system is regulated by the following documents:</p> <ul style="list-style-type: none"> <li>• Risk Management Policy of Otbas Bank JSC (BOD Resolution No. 9 dated 24 September 2020, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> <li>• Risk Appetite Strategy of Otbas Bank JSC (BOD Resolution No. 9 dated 24 September 2020, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> <li>• – Financing, Investment and Hedging Strategy of Otbas Bank JSC (BOD Resolution No. 10 dated 30 September 2020, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> <li>• Regulations on the Internal Capital Adequacy Assessment Process of Otbas Bank JSC (BOD Resolution No. 6 dated 19 June 2020, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> <li>• Regulations on the Internal Liquidity Adequacy Assessment Process of Otbas Bank JSC (BOD Resolution No. 9 dated 24 September 2020, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> <li>• Market Risk Management Policy of Otbas Bank JSC (BOD Resolution No. 17 dated 22 December 2017, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> <li>• Capital Management Policy of Otbas Bank JSC (BOD Resolution No. 19 dated 25 December 2014, as amended by BOD Resolution No. 10 dated 28 August 2023);</li> <li>• Contingency Financing Plan of Otbas Bank JSC (BOD Resolution No. 19 dated 25 December 2014, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> </ul>

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			<ul style="list-style-type: none"> <li>• Internal Capital Determining Methodology of Otbas Bank JSC (MB Resolution No. 19 dated 02 June 2023);</li> <li>• Stress Testing Methodology of Otbas Bank JSC (MB Resolution No. 39 dated 26 July 2018, as amended by MB Resolution No. 168 dated 02 November 2023);</li> <li>• Methodology for Creation of Provisions (Reserves) in Otbas Bank JSC on Securities (including Repo operations) and Receivables in accordance with IFRS 9 (MB Resolution No. 46 dated 23 November 2017, as amended by MB Resolution No. 133 dated 07 August 2023);</li> <li>• Methodology for Calculation and Determination of Aggregated Risk Appetite Levels of Otbas Bank JSC (MB Resolution No. 91 dated 26 August 2020, as amended by MB Resolution No. 133 dated 07 August 2023);</li> <li>• Rules of Liquidity Risk Management in Otbas Bank JSC (MB Resolution No. 351 dated 31 December 2014, as amended by MB Resolution No. 133 dated 07 August 2023);</li> <li>• Rules of Market Risk Management of Otbas Bank JSC (MB Resolution No. 363 dated 31 December 2014, as amended by MB Resolution No. 133 dated 07 August 2023);</li> <li>• Collateral Policy of Otbas Bank JSC (BOD Resolution No. 3 dated 15 May 2020, as amended by BOD Resolution No. 7 dated 09 June 2021);</li> <li>• Credit Risk Management Policy of Otbas Bank JSC (BOD Resolution No. 8 dated 21 September 2020, as amended by BOD Resolution No. 12 dated 29 September 2023);</li> <li>• Rules on the Bank's Internal Credit Policy (Credit Policy) (BOD Resolution No. 10 dated 30 September 2020, as amended by BOD Resolution No. 1 dated 30 January 2024);</li> <li>• General Requirements for Collateral Accepted by the Bank (MB Resolution No. 26 dated 29 June 2017, as amended by MB Resolution No. 2 dated 04 January 2024);</li> <li>• Methodology for Calculating the Bank's Provisions (Reserves) (MB Resolution No. 40 dated 01 August 2018, as amended by MB Resolution No. 131 dated 31 July 2023);</li> <li>• Methodology of Credit Risk Management in the Bank (MB Resolution No. 77 dated 27 July 2020, as amended by MB Resolution No. 38 dated 29 March 2023);</li> <li>• Instructions for Monitoring of Collateral Securing Loans Granted in the Bank (MB Resolution No. 69 dated 13 July 2020, as amended by MB Resolution No. 38 dated 29 March 2024);</li> <li>• Regulations of the Decision-Making Center Credit Committee of the Bank (MB Resolution No. 43 dated 09 November 2017, as amended by MB Resolution No. 100 dated 06 June 2023);</li> <li>• Methodology for Analyzing the Creditworthiness (Solvency) of Individuals in the Bank (MB Resolution No. 127 dated 29 October 2020, as amended by MB Resolution No. 188 dated 14 December 2023).</li> </ul> <p>Internal documents in terms of financial and credit risk management comply with legal requirements, including Resolution No. 188 dated 12 November 2019 of the National Bank of the Republic of Kazakhstan 'On Approval of the Rules for Formation of Risk Management and Internal Control System for Second-tier Banks, and Branches of Non-Resident Banks of the Republic of Kazakhstan'.</p> <p>The Bank's operational, information security and IT risk management system is regulated by the following documents:</p> <ul style="list-style-type: none"> <li>• The Bank's Operational Risk Management Policy (BOD Resolution No. 5 dated 17 June 2020, as amended by BOD Resolution No. 2 dated 05 March 2022);</li> <li>• The Bank's Operational Risk Management Rules (BOD Resolution No. 85 dated 12 August 2020, as amended by BOD Resolution No. 145 dated 05 September 2023);</li> <li>• The Bank's Methodology for Reserving Capital for Operational Risks (MB Resolution No. 145 dated 30 July 2015, as amended by MB Resolution No. 50 dated 05 April 2021);</li> <li>• The Bank's Instructions for Using Key Operational Risk Indicators (MB Resolution No. 167 dated 19 August 2015, as amended by MB Resolution No. 218 dated 21 December 2022);</li> <li>• The Bank's Instructions for Collecting and Maintaining Database of Losses and Operational Risk Events (MB Resolution No. 261 dated 25 November 2015, as amended by MB Resolution No. 117 dated 27 July 2022);</li> <li>• The Bank's Instructions for Conducting a Self-assessment of Operational Risks (MB Resolution No. 1 dated 06 January 2017, as amended by MB Resolution No. 163 dated 14 August 2023);</li> </ul>



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			<ul style="list-style-type: none"> <li>- The Bank's Information Security Risk Management Policy (BOD Resolution No. 6 dated 19 June 2020, as amended by BOD Resolution No. 3 dated 31 March 2023);</li> <li>- The Bank's Information Technology Risk Management Policy (BOD Resolution No. 6 dated 19 June 2020, as amended by BOD Resolution No. 3 dated 31 March 2023);</li> <li>- The Bank's Business Continuity Management Policy (BOD Resolution No. 176 dated 22 December 2017, as amended by BOD Resolution No. 3 dated 31 March 2023);</li> <li>- The Bank's Business Continuity Management Rules (MB Resolution No. 66 dated 19 October 2018, as amended by MB Resolution No. 148 dated 11 September 2023);</li> <li>- The Bank's Information Technology Risk Management Rules (MB Resolution No. 110 dated 21 June 2023);</li> <li>- Methodology for Determining Potential Loss from Information Security Risks of Otbas Bank JSC (MB Resolution No. 69 dated 30 April 2021, as amended by MB Resolution No. 185 dated 06 December 2023);</li> <li>- Methodology for Assessing Information Security Risks of Otbas Bank JSC (MB Resolution No. 103 dated 26 June 2021, as amended by MB Resolution No. 184 dated 15 November 2021);</li> </ul> <p>Internal documents in terms of operational, information security and IT risk management comply with legal requirements, including Resolution No. 188 dated 12 November 2019 of the National Bank of the Republic of Kazakhstan 'On Approval of the Rules for Formation of Risk Management and Internal Control System for Second-tier Banks, and Branches of Non-Resident Banks of the Republic of Kazakhstan'.</p> <p>Internal documents in terms of internal control, including the Internal Control Policy of Housing Construction Savings Bank of Kazakhstan JSC (BOD Resolution No. 17 dated 28 November 2014, as amended by BOD Resolution No. 10 dated 28 August 2023), comply with legal requirements, including Resolution No. 188 dated 12 November 2019 of the National Bank of the Republic of Kazakhstan 'On Approval of the Rules for Formation of Risk Management and Internal Control System for Second-tier Banks, and Branches of Non-Resident Banks of the Republic of Kazakhstan'.</p>
6.2	<p>The Board of Directors of the Bank approves internal documents defining principles and approaches to the organization of the risk management and internal control system based on the objectives of this system.</p> <p>The organization of an effective risk management and internal control system in the Bank is aimed at building a management system capable of ensuring that employees, management, and the Bank's bodies understand the reasonableness and acceptability of the level of risks when making decisions, responding quickly to risks, controlling core and auxiliary business processes and daily operations, and immediately informing the appropriate level of management of any material weaknesses.</p> <p>The principles and approaches to organizing an effective risk management and internal control system include:</p> <ol style="list-style-type: none"> <li>1. defining the goals and objectives of the risk management and internal control system;</li> </ol>	Compliant	<p>The Bank has an effectively functioning system of risk management, internal control and internal audit aimed at providing reasonable assurance that the Bank will achieve its strategic and operational objectives, which is a set of organizational policies, procedures, norms of behavior and actions, management methods and mechanisms established by the Board of Directors and the Management Board of the Bank.</p> <p>The Bank's internal regulations stipulate the responsibility of the Board of Directors and the Management Board of the Bank to organize and ensure effective functioning of the risk management and internal control system on a consolidated basis.</p> <p>The Bank's organizational structure within the risk management system corresponds to the chosen business model, scale of operations, types and complexity of operations, minimizes conflicts of interest and distributes risk management authority between collegial bodies and structural units, and includes:</p> <ol style="list-style-type: none"> <li>1. The Bank's Board of Directors;</li> <li>2. The Risk and Internal Control Committee of the Bank's Board of Directors;</li> <li>3. The Strategic Planning Committee of the Bank's Board of Directors;</li> <li>4. The Audit Committee of the Bank's Board of Directors;</li> <li>5. The Human Resources, Remuneration and Social Affairs Committee of the Bank's Board of Directors;</li> <li>6. The Bank's Management Board;</li> <li>7. The Compliance Control Department;</li> <li>8. The Internal Audit Department;</li> <li>9. The Bank's structural units providing the second line of defense.</li> <li>10. The Bank's structural units providing the first line of defense.</li> </ol>

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	<ol style="list-style-type: none"> <li>2. the organizational structure of the risk management and internal control system, covering all levels of decision-making and taking into account the role of the appropriate level in the process of developing, approving, applying and evaluating the risk management and internal control system;</li> <li>3. basic requirements for the organization of the risk management process (approaches to risk definition, risk identification and assessment procedures, determination of response methods, monitoring and others);</li> <li>4. requirements for the organization of the internal control system and control procedures (characterization of key areas and main components of the internal control system, procedures for assessing the effectiveness and reporting of internal control, etc.).</li> </ol> <p>The Bank's internal regulations stipulate the responsibility of the Board of Directors and the Management Board of the Bank to organize and ensure effective functioning of the risk management and internal control system on a consolidated basis.</p>		<p>Risk management procedures ensure rapid response to new risks, their clear identification and identification of risk owners.</p> <p>For a holistic and clear understanding of inherent risks, the Bank performs annual identification and assessment of risks, which are reflected in the risk register, risk map, risk response plan (process improvement, minimization strategies), list of significant risks, Risk Appetite Statement for the previous year approved by the Board of Directors.</p> <p>Approaches to risk definition, risk identification and assessment procedures, determination of response methods, and monitoring are stipulated by internal documents within the risk management system.</p> <p>Risk reports are submitted to the Board of Directors on a quarterly basis and to the Management Board on a monthly basis, and corrective actions are taken if necessary (as part of the review of these reports).</p> <p>The Bank's employees are trained/inducted annually and upon employment to familiarize themselves with the adopted risk management and internal control system.</p> <p>The Bank ensures that it has an internal control system that is appropriate to the current market situation, strategy, volume of assets, and level of complexity of the Bank's operations.</p> <p>The internal control policy functioning in the Bank stipulates that the internal control system (hereinafter, the ICS) is a process embedded in the day-to-day activities carried out by the Board of Directors, authorized collegial bodies of the Bank, structural units and all employees of the Bank in the performance of their duties, and is aimed at fulfilling the following objectives:</p> <ul style="list-style-type: none"> <li>- ensuring the efficiency of the Bank's activities, including the efficiency of the Bank's risk management, assets and liabilities management, ensuring the safety of assets;</li> <li>- ensuring completeness, reliability and timeliness of financial, regulatory and other reports for internal and external users, as well as information security;</li> <li>- ensuring compliance by the Bank with the requirements of civil, tax, banking laws of the Republic of Kazakhstan, laws of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, laws of the Republic of Kazakhstan on currency regulation and currency control, on payments and payment systems, on pension provision, on the securities market, on accounting and financial reporting, on credit bureaus and formation of credit histories, on collection activities, on mandatory deposit guarantees, on anti-money laundering and counter-terrorist financing, on joint stock companies, and with the requirements of internal documents of the Bank;</li> <li>- preventing the Bank and its employees, the Bank's customers from being involved in unlawful activities, including fraud, deception, AML/CFT, in transactions in the territory of the Republic of Kazakhstan related to transactions with a high AML/CFT risk, in transactions in the territory of the Republic of Kazakhstan related to further acquisition of unsecured digital assets on digital asset exchanges that are not members of Astana International Financial Centre providing digital asset platform management services.</li> </ul>



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6.3	<p>Each officer of the Bank ensures that risks are properly considered when making decisions.</p> <p>The Bank's Management Board ensures implementation of risk management procedures by employees with relevant qualifications and experience.</p> <p>The Bank's Management Board :</p> <ol style="list-style-type: none"> <li>ensures development and implementation of internal documents in the field of risk management and internal control approved by the Board of Directors;</li> <li>ensures establishment and effective functioning of the risk management and internal control system through practical realization and continuous implementation of the risk management and internal control principles and procedures assigned to it;</li> <li>is responsible for implementing decisions of the Board of Directors and recommendations of the Audit Committee in organizing the risk management and internal control system;</li> <li>monitors the risk management and internal control system in accordance with the requirements of internal documents;</li> <li>ensures improvement of risk management and internal control processes and procedures taking into account changes in the external and internal business environment.</li> </ol> <p>To implement the principles of internal control and ensure the effectiveness of the risk management and internal control system, the Management Board of the Bank allocates powers, duties and responsibility for specific risk management and internal control procedures to the following level managers and/or heads of structural units/business process owners.</p> <p>In accordance with their functional responsibilities, heads of structural units are responsible for the design, documentation, implementation, monitoring and development of the risk management and internal control system in the functional areas of the Bank's activities entrusted to them.</p>	Compliant	<p>The Bank's internal regulations stipulate the responsibility of the Board of Directors and the Management Board of the Bank to organize and ensure effective functioning of the risk management and internal control system on a consolidated basis.</p> <p>The Bank ensures implementation of risk management procedures by employees with relevant qualifications and experience. The Bank has an approved list of qualification requirements for its employees. Also, in order to determine the degree of compliance of the Bank's employees with the requirements for their positions and to make necessary managerial decisions, the Bank conducts annual performance reviews.</p> <p>The Management Board of the Bank manages the Bank's day-to-day operations in accordance with the chosen business model, scale of operations, types and complexity of transactions, risk profile, and internal documents approved by the Board of Directors of the Bank.</p> <p>The Management Board of the Bank is responsible for:</p> <ol style="list-style-type: none"> <li>the development of the Risk Management Policy for further submission to the Board of Directors for approval and monitors the Bank's compliance with the approved document;</li> <li>the proper performance of duties delegated to collegial bodies or employees of the Bank within the approved organizational structure of the Bank.</li> </ol> <p>The Management Board of the Bank is responsible for providing the Board of Directors of the Bank with information on the state of internal control in terms of timely identification of incorrect, incomplete or unauthorized operations, deficiencies in the activities to ensure the safety of assets, errors in the formation of financial and regulatory reporting, violations of internal documents of the Bank, the requirements of civil, tax, banking laws of the Republic of Kazakhstan, laws of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, laws of the Republic of Kazakhstan on currency regulation and currency control, on payments and payment systems, on pension provision, on the securities market, on accounting and financial reporting, on credit bureaus and formation of credit histories, on collection activities, on mandatory deposit guarantees, on anti-money laundering and counter-terrorist financing, on joint stock companies, as well as the exclusion of conflicts of interest and internal abuse and fraud, including in relation to persons who have special relations with the Bank.</p> <p>Risk management reporting is prepared in accordance with internal documents, including:</p> <p>The Rules for Organizing the Reporting System in the Bank (MB Resolution No. 291 dated 23 December 2015, as amended by MB Resolution No. 141 dated 28 August 2023);</p> <p>The List of Reports to be Submitted by the Management Board to the Board of Directors of the Bank (BOD Resolution No. 1 dated 29 January 2021, as amended by BOD Resolution No. 3 dated 24 February 2023).</p>

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6.4	<p>The organizational structure of the risk management and internal control system in the Bank provides for a structural unit responsible for risk management and control issues, the tasks of which include:</p> <ol style="list-style-type: none"> <li>general coordination of risk management and control processes;</li> <li>development of methodological documents in the field of risk management and control, and provision of methodological support to business process owners and employees in the process of identifying, documenting risks, implementing, monitoring and improving control procedures, forming action plans to respond to risks and action plans to improve the risk management and internal control system, and reports on their implementation;</li> <li>organization of employee training in the field of risk management and control;</li> <li>analysis of the risk portfolio and development of proposals for a response strategy and reallocation of resources to manage the relevant risks;</li> <li>generation of consolidated reporting on risks;</li> <li>operational control over the risk management process by structural units;</li> <li>information of the Board of Directors and/or the Management Board of the Bank about the status of the risk management system, existing threats and proposals for their prevention/leveling.</li> </ol> <p>The manager overseeing the risk management and control function is not the owner of the risk, which ensures its independence and objectivity. It is impossible to combine risk management and control functions with functions related to economic planning, corporate finance, treasury, and investment decision-making. Combination with other functions is allowed if there is no significant conflict of interest.</p>	Compliant	<p>To implement the principles of internal control and ensure efficiency of the risk management and internal control system, the Management Board of the Bank has allocated powers, duties and responsibility for specific risk management and internal control procedures to managers and/or heads of structural units.</p> <p>The organizational structure of the risk management and internal control system provides for the presence of structural risk management units (credit and financial risk management unit, operational risk management unit), as well as units that manage risks in areas of activity (compliance control unit, legal unit, internal control unit, planning and strategic planning unit analysis, advertising and public relations unit, accounting and reporting unit, security unit, HR unit).</p> <p>Risk management units perform, but are not limited to, the following functions:</p> <ol style="list-style-type: none"> <li>development of a risk management system, including risk management policies and procedures, risk appetite strategy, and determination of risk appetite levels;</li> <li>identification of significant current and potential risks inherent in the Bank's activities, including through supervisory stress testing for banks included in the supervisory stress testing perimeter and internal stress testing;</li> <li>risk assessment and determination of aggregated level(s) of risk appetite;</li> <li>development of risk appetite levels for subsequent submission to the Risk Management and Internal Control Committee and approval by the Board of Directors of the Bank, monitoring of compliance with risk appetite levels;</li> <li>development of early warning systems and triggers to detect violations of risk appetite levels;</li> <li>provision of management reports to the Management Board, the Risk Management and Internal Control Committee of the Board of Directors of the Bank, the Authorized Collegial Body under the Management Board.</li> </ol> <p>Where necessary, the Bank's units responsible for line of business risk management develop internal documents describing line of business risk management procedures, including risk appetite statement, to be reported as part of line of business management reporting.</p> <p>Risk management procedures ensure rapid response to new risks, their clear identification and identification of risk owners.</p> <p>For a holistic and clear understanding of inherent risks, the Bank performs annual identification and assessment of risks, which are reflected in the risk register, risk map, risk response plan (process improvement, minimization strategies), list of significant risks, Risk Appetite Statement for the previous year approved by the Board of Directors.</p> <p>The Bank's employees are trained/inducted annually and upon employment to familiarize themselves with the adopted risk management and internal control system.</p>





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6.5	<p>The risk management and internal control system provides for the procedure of identification, assessment and monitoring of all significant risks, as well as taking timely and adequate risk mitigation measures.</p> <p>Risk management procedures ensure rapid response to new risks, their clear identification and identification of risk owners. In the event of any unforeseen changes in the Bank's competitive or economic environment, the risk map is reassessed and aligned with the risk appetite.</p> <p>The Board of Directors approves the overall risk appetite and tolerance level for key risks, which are set out in the Bank's internal documents.</p> <p>Tolerance levels for key risks are reviewed when significant events occur. Limits are set to limit the risks in day-to-day operations.</p> <p>For a holistic and clear understanding of inherent risks, the Bank identifies and assesses risks at least on an annual basis, which are reflected in the risk register, risk map, risk response action plan (process improvement, minimization strategies) approved by the Board of Directors.</p> <p>The Board of Directors, when reviewing the risk register and risk map, ensures that risks that may actually affect the realization of strategic objectives are included, and when reviewing the risk response action plan, ensure that the actions are useful. The Board of Directors and the Management Board of the Bank regularly receive information on key risks and their analysis in terms of their impact on the Bank's strategy and development plan.</p> <p>Risk reports are presented to the Board of Directors' meetings at least quarterly and are duly discussed in full.</p>	Compliant	<p>By the Resolution dated 29 November 2023 (Minutes No. 14) of the Board of Directors, the 2024 List of Inherent and Significant Risks of Otbasy Bank JSC, the 2024 Risk Appetite Statement of JSC Otbasy Bank, and the 2024 Risk Register and Map of Otbasy Bank JSC were approved.</p> <p>The Bank's Risk Map discloses information on risks requiring attention and offers recommendations for further risk minimization and management measures.</p> <p>The Risk Register consists of 16 risk types provided by the Bank's structural units, which include 49 risk subtypes.</p> <p>Based on the results of the analysis, 42 risk subtypes have a low probability of occurrence and (or) do not have a significant impact on the financial viability of the Bank, respectively, are located in the 'green zone' of the Risk Map. There are also 7 risk subtypes located in the 'yellow zone' of the Risk Map. There are no risks located in the 'red zone' of the Risk Map.</p> <p>The List of Inherent and Significant Risks contains 16 risks, of which 8 risks have been identified as significant by the business risk owners. In addition, in connection with the implementation of the Roadmap for further obtaining the ESG rating by Otbasy Bank JSC, approved by Resolution of the Management Board of Otbasy Bank JSC (Minutes No. 130 dated 28 July 2023), the meaning and name of the risk 'Corporate Governance (CG) Risk' was supplemented and renamed as 'ESG Risks'. The Risk Appetite Statement includes risk appetite levels for all types of significant risks in the form of quantitative and qualitative indicators.</p> <p>Risk reports are submitted to the meetings of the Board of Directors, Risk Management and Internal Control Committee on a quarterly basis, and to the Management Board on a monthly basis; and corrective actions are taken if necessary (as part of the review of these reports).</p>

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6.6	<p>The Bank has implemented transparent principles and approaches to risk management and control, the practice of training employees and officials about the risk management system, as well as the process of documentation and timely communication of necessary information to officials.</p> <p>The Bank's employees are trained/inducted annually and upon employment to familiarize themselves with the adopted risk management and internal control system. Based on the results of the training, knowledge testing is conducted.</p> <p>As part of the risk management and control system, the Bank has organized a secure, confidential and accessible way (hotline) to inform the Board of Directors (Audit Committee) and the internal audit departments about facts of violations of the laws of the Republic of Kazakhstan, internal procedures, or Code of Business Ethics by any employee and official of the Bank.</p>	Compliant	<p>The Bank's employees are trained/inducted annually and upon employment to familiarize themselves with the adopted risk management and internal control system.</p> <p>In 2023, the Bank's employees were trained on 'Operational Risk and Business Continuity Management System'. Based on the results of the training, as well as repeated training for those who did not pass, 100% of employees were tested. Also in 2023, the Bank's employees were trained on the Internal Control Policy, and 99% of employees passed the test based on the results of the training.</p> <p>As part of the risk management and control system, the Bank has organized a safe, confidential and accessible way for any employee and officer of the Bank to inform the Board of Directors and the internal audit department of any violations of the laws of the Republic of Kazakhstan, internal procedures and the Code of Business Ethics by placing boxes for relevant correspondence in the Bank's office. In addition:</p> <ol style="list-style-type: none"> <li>In accordance with the measures to organize anti-fraud and corruption measures, the Bank has introduced a Fraud and Corruption Hotline (hereinafter, the Hotline). The Hotline is a means of confidentially receiving messages about suspicions, irregularities and facts of fraud and corruption.</li> <li>The Bank's Hotline consists of the following communication channels available for use by all employees of the Bank, as well as for third parties wishing to draw the attention of the Bank's management to known intentions, suspicions or cases of fraud and corruption:             <ol style="list-style-type: none"> <li>Internal Hotline communication channels for the Bank's employees, staff and consultants:                 <ul style="list-style-type: none"> <li>telephone line +7 (727) 3309 482, through which information on such suspicions/doubts, known intentions of committing and/or facts of committing an offence/fraud and corruption is reported;</li> <li>email antifraud@otbasybank.kz, where electronic messages and information on such suspicions/doubts, known intentions of committing and/or facts of committing an offence/fraud and corruption are received.</li> </ul> </li> <li>External Hotline communication channels for the Bank's customers:                 <ul style="list-style-type: none"> <li>telephone line +7 (727) 3309 482, through which information on such suspicions/doubts, known intentions of committing and/or facts of committing an offence/fraud and corruption is reported;</li> <li>email antifraud@otbasybank.kz, where electronic messages and information on such suspicions/doubts, known intentions to commit and/or facts of committing an offence/fraud and corruption are received;</li> <li>postal address: 91 Abylai Khan Avenue, Almaly District, Almaty, A05A2X0, Republic of Kazakhstan, Attn.: Head of Security Department (marked 'personal and confidential').</li> </ul> </li> </ol> </li> </ol>



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6.7	<p>The Bank has established the Internal Audit Service for systematic independent assessment of the reliability and efficiency of the risk management and internal control system and corporate governance practices.</p> <p>The subsidiaries of the Bank's group also establish separate bodies – Internal Audit Services. In subsidiaries in the form of a limited liability partnership, internal audit functions are assigned to the Audit Commission/Auditor, who functionally report to the Supervisory Board. The goals, functions and tasks of the Audit Commission/Auditor and the procedure for their interaction with the entity's bodies are established taking into account the principles applicable to the Internal Audit Service set out in the Code.</p>	Compliant	<p>The Bank has established the Internal Audit Department, the main tasks of which are to analyze and evaluate, as part of audit assignments and consultations, the following:</p> <ol style="list-style-type: none"> <li>1. the reliability and efficiency of the internal control system;</li> <li>2. the reliability and efficiency of the risk management system (including compliance risks);</li> <li>3. the efficiency of information technology and information security systems, including control over the integrity of databases and their protection against unauthorized access and/or use, taking into account measures taken in case of non-standard and emergency situations in accordance with the action plan aimed at ensuring business continuity and (or) restoring the Bank's operations in case of non-standard and emergency situations.</li> <li>4. the reliability, completeness, objectivity of the accounting system and reliability of financial statements, regulatory and management reporting, capital adequacy and liquidity, etc. of the Bank's information, as well as the rules (principles, methods) used for identification, measurement, classification and presentation of such information (plans and reports) to internal and external users, and stress-testing processes of capital and liquidity levels;</li> <li>5. the efficiency of the corporate governance system and the process of its improvement, compliance with the adopted corporate governance principles, relevant ethical standards and values;</li> <li>6. the reliability and efficiency of the accounting and information system and the financial and regulatory reporting prepared on their basis, including the processes of interaction between the Bank's structural units.</li> </ol> <p>The Bank's structure does not include subsidiaries, and therefore there is no need to create a separate internal audit service.</p>
6.8	<p>The Internal Audit Service carries out its activities on the basis of a risk-oriented (annual) audit work plan approved by the Board of Directors of the Bank. The results of audit reports, key findings and relevant recommendations are submitted to the Board of Directors on a quarterly basis.</p> <p>The Head of the Internal Audit Service takes into account the risk management concept adopted by the Bank and applies his own judgement on risks formed after consultations with the Management Board and the Audit Committee.</p>	Compliant	<p>The IAD carries out its activities on the basis of a risk-oriented annual audit plan (hereinafter, the AAP) developed annually by the Head of the IAD and approved by a resolution of the Board of Directors. The results of audits reflecting key findings and recommendations are presented to the Board of Directors on a quarterly basis as part of management reports.</p> <p>Preliminary procedures preceding the development of the risk-oriented AAP are:</p> <ol style="list-style-type: none"> <li>1. preparation/updating of the Audit Area Map based on the approved Matrix of Business Processes, Risks and Controls;</li> <li>2. analysis of the Bank's approved Risk Map and Risk Register.</li> </ol>
6.9	<p>In carrying out its activities, the Internal Audit Service assesses the effectiveness of internal control, risk management and corporate governance systems using generally accepted standards of internal audit and corporate standards, in accordance with the methods approved by the Board of Directors.</p>	Compliant	<p>Assessment of the efficiency of internal control, risk management and corporate governance systems is carried out by the IAD using generally accepted standards of internal audit activities and corporate standards, in accordance with the methodologies that are annexes to the Rules for Organization of Internal Audit in the Bank, approved by the Resolution dated 22 May 2018 (Minutes No. 5) of the Board of Directors.</p>

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	<p>The assessment of the efficiency of the internal control system includes:</p> <ol style="list-style-type: none"> <li>1. analyzing the compliance of the goals of business processes, projects and structural units with the Bank's goals, checking the reliability and integrity of business processes (activities) and information systems, including the reliability of procedures for countering illegal actions, abuse and corruption;</li> <li>2. verification of the reliability of accounting (financial), statistical, management and other reporting, identification of the results of business processes and structural units for compliance with the set objectives;</li> <li>3. determining the adequacy of the criteria established by the Bank's Management Board to analyze the degree of fulfilment (achievement) of the set objectives;</li> <li>4. identification of deficiencies in the internal control system that did not allow (do not allow) to achieve the set objectives;</li> <li>5. assessment of the results of implementation of measures to eliminate violations, deficiencies and improve the internal control system implemented at all management levels;</li> <li>6. reviewing the efficiency and appropriateness of the use of resources;</li> <li>7. reviewing the safeguarding of the Bank's assets;</li> <li>8. verification of compliance with the requirements of the laws of the Republic of Kazakhstan, the Articles and internal documents of the Bank.</li> </ol> <p>The assessment of the effectiveness of the risk management system includes:</p> <ol style="list-style-type: none"> <li>1. verification of sufficiency and maturity of the risk management system elements for effective risk management (goals and objectives, infrastructure, organization of processes, regulatory and methodological support, interaction of structural units within the risk management system, reporting);</li> <li>2. verification of the completeness of identification and correctness of risk assessment by the executive body at all levels of its management;</li> <li>3. verification of the effectiveness of control procedures and other risk management activities, including the effective use of resources allocated for these purposes;</li> </ol>		<p>The assessment of the efficiency of the internal control system includes:</p> <ol style="list-style-type: none"> <li>1. analyzing and assessing, as part of audit engagements and consultations: <ul style="list-style-type: none"> <li>• the reliability and efficiency of the internal control system;</li> <li>• the reliability of the functioning of the internal control system over the use of automated information systems, including control over the integrity of databases and their protection against unauthorized access and (or) use, taking into account measures taken in case of non-standard and emergency situations in accordance with the action plan aimed at ensuring business continuity and (or) restoring the Bank's operations in case of non-standard situations;</li> <li>• the adequacy and/or efficiency of business processes carried out by the Bank's structural units and measures to achieve their tasks within the framework of the Bank's strategic goals;</li> <li>• the effectiveness of the system of anti-fraud and anti-corruption measures;</li> </ul> </li> <li>2. analyzing the accuracy, completeness, objectivity of the accounting system and the reliability of financial statements, regulatory and management reporting, capital adequacy and liquidity, etc. of the Bank's information, as well as assessing the rules (principles, methods) used to identify, measure, classify and present such information (plans and reports) to internal and external users, assessing the stress-testing processes of capital and liquidity levels, reliability and efficiency of the accounting and information system and financial and regulatory reporting prepared on their basis, including the processes of interaction between the Bank's structural units;</li> <li>3. assessment of whether the goals formalized in regulations, policies, etc. or set by the process owner are in line with the Bank's development strategy and general goal-setting rules; criteria used by management to determine the efficiency and cost-effectiveness of business processes; compliance of the current incentive system of the business process owner and participants with the goals of the business process/subprocess. If the goals of the business process are not formalized, and the process owner also finds it difficult to formulate them clearly, internal auditors should, based on their own theoretical and practical knowledge and skills (including benchmarking), propose goals for this process and indicators for measuring them and coordinate them with the process owner;</li> <li>4. testing the reliability of ICS to determine the likelihood of achieving the objective of the control procedure by which the owner of the analyzed risk can effectively manage this risk;</li> <li>5. assessment of the results of implementation of measures to eliminate violations, deficiencies and improve the internal control system implemented at all management levels by monitoring the Bank's compliance with the recommendations of the IAD issued and accepted in accordance with the established procedure, as well as within the framework of periodic reports;</li> <li>6. reviewing the rationality and efficiency of the use of resources;</li> <li>7. analysis of the methods (ways) used to ensure the safety of property (assets);</li> <li>8. reviewing the compliance with the requirements of the laws of the Republic of Kazakhstan, internal policies and other documents of the Bank, as well as the effectiveness of systems and procedures established and applied to ensure compliance with these requirements (compliance control).</li> </ol>



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	<p>4. analysis of information on the risks realized (violations identified by internal audits, failure to achieve objectives, litigation). The assessment of corporate governance includes verification of:</p> <ol style="list-style-type: none"> <li>1. compliance with the Bank's ethical principles and corporate values;</li> <li>2. how objectives are set, monitored and controlled;</li> <li>3. the level of regulatory support and procedures for information interaction (including internal control and risk management) at all management levels, including stakeholder engagement;</li> <li>4. the Sole Shareholder's rights, including those of subsidiaries, and the effectiveness of stakeholder engagement;</li> <li>5. the procedures for disclosure of information on the activities of the Bank and its subsidiaries.</li> </ol>		<p>The assessment of the effectiveness of the risk management system includes:</p> <ol style="list-style-type: none"> <li>1. verification of sufficiency and maturity of the risk management system elements for effective risk management (goals and objectives, infrastructure, organization of processes, regulatory and methodological support, interaction of structural units within the risk management system, reporting) in accordance with the approved Methodology for RMS Assessing;</li> <li>2. verification of the completeness of identification and correctness of risk assessment by the executive body at all levels of its management by analyzing business processes and control procedures, management reporting, information from the Database on realized risks, availability of approved risk appetite levels/limits and timely monitoring of compliance with the established limits, Action Plans for risk minimization, etc.;</li> <li>3. verification of the effectiveness of control procedures and other risk management measures, including the efficiency of the use of resources allocated for these purposes by analyzing business processes, approved regulations, risk minimization action plans, management reporting, etc.;</li> <li>4. analysis of information on the realized risks (violations identified by the results of internal audits, facts of failure to achieve the set objectives, facts of litigation) by analyzing information from the Database on Realized Risks, results of internal investigations, audits conducted by ICD, QCD, internal and external audits.</li> </ol> <p>The assessment of corporate governance includes verification of:</p> <ol style="list-style-type: none"> <li>1. the efficiency of the corporate governance system and the process of its improvement, compliance with the adopted corporate governance principles, relevant ethical standards and values;</li> <li>2. the adequacy and/or efficiency of business processes carried out by the Bank's structural units, measures to achieve their tasks within the framework of the Bank's strategic goals, monitoring and control over achievement of strategic goals;</li> <li>3. the availability and compliance with the approved regulations, information interaction between the Bank's structural units and bodies (including internal control and risk management) at all management levels, including interaction with external stakeholders, including reporting;</li> <li>4. the Sole Shareholder's rights, including payment of dividends, provision of management reporting, and efficiency of relations with stakeholders (ministries, agencies and other competent authorities);</li> <li>5. the procedures for disclosure of financial and non-financial information on the Bank's activities, including through posting on the Bank's website and other public sources.</li> </ol>
6.10	<p>The Bank conducts an annual audit of its financial statements by engaging an independent and qualified auditor who, as a third party, provides an objective opinion to stakeholders on the reliability of the financial statements and their compliance with IFRS. The standards regarding annual audit are applied if the audit of annual financial statements is required by the laws of the Republic of Kazakhstan and/or internal documents of the Bank.</p> <p>The selection of the external auditor is based on a tender. An important role in the selection process is played by the Audit Committee of the Bank's Board of Directors, which agrees on the qualification requirements and/or technical specification developed for the purposes of the tender.</p>	Compliant	<p>In accordance with Clause 3 of Article 76 of the Joint Stock Companies Act of the Republic of Kazakhstan (hereinafter, the JSC Act), the annual financial statements are subject to preliminary approval by the Board of Directors not later than thirty days prior to the date of the annual general meeting of shareholders; final approval of the Bank's annual financial statements is made at the annual general meeting of shareholders. In accordance with sub-clause 5) of Clause 2 of Article 53 of the JSC Act, as well as sub-clauses 5) and 33) of Clause 10.2 of Article 10 of the Bank's Articles of Association, the exclusive competence of the Board of Directors of the Bank includes preliminary approval of the annual financial statements of the Bank, preparation of recommendations to the sole shareholder on the procedure for distribution of the Bank's net income for the past financial year.</p> <p>In accordance with Clause 1-1 of Article 57 of the Banks and Banking Activities in the Republic of Kazakhstan Act of the Republic of Kazakhstan (hereinafter, the Banks Act), there is a requirement for mandatory audit of financial statements by second-tier banks based on the results of the financial year.</p> <p>In accordance with sub-clauses 7) and 8) of Clause 1 of Article 36 of the JSC Act, as well as sub-clauses 11) and 18) of Clause 9.2 of Article 9 of the Bank's Articles of Association, approval of the Bank's annual financial statements falls within the exclusive competence of the sole shareholder of the Bank.</p>

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6.11	<p>The Bank should approve documents governing the audit and relations with the external auditor, including the process of selecting an external auditor, the powers and functions of the tender board, issues related to the provision by the audit organization of consulting services unrelated to the audit of financial statements and other information, issues related to the rotation of audit organizations and senior staff of the audit organization, and issues related to the employment of former employees of the audit organization.</p> <p>Rotation of partners and senior staff of the audit organization responsible for the audit of financial statements should be performed at least once every five years, if the audit organization provides audit services to the Bank for more than 5 consecutive years.</p>	Compliant	<p>The Bank has developed a Policy (Procedure) for Engaging External Audit of Housing Construction Savings Bank of Kazakhstan JSC approved by the Resolution of the Board of Directors of Housing Construction Savings Bank of Kazakhstan JSC on 20 October 2017 (Minutes No. 14).</p> <p>To organize external audit of financial statements, the Bank performs the following procedures in accordance with the laws of the Republic of Kazakhstan and in accordance with the procedure established by the Procurement Rules:</p> <ol style="list-style-type: none"> <li>1. conducting procurement procedures for services of an audit organization to audit financial statements;</li> <li>2. pre-approval by the Bank's Management Board of the issue of determining the audit organization to audit financial statements and the amount of payment for its services;</li> <li>3. pre-approval by the Audit Committee of the Board of Directors of the Bank of the issue of determining the audit organization to audit financial statements and the amount of payment for its services;</li> <li>4. pre-approval by the Board of Directors of the Bank of the issue of determining the audit organization to audit financial statements, determination by the Board of Directors of the amount of payment for services of the audit organization to audit financial statements;</li> <li>5. the Shareholder's resolution on determining the audit organization to audit financial statements;</li> <li>6. conclusion of a contract for audit of the Bank's financial statements.</li> </ol> <p>This clause should not apply to cases of external audit at the initiative of the Board of Directors or at the request of the Shareholder.</p> <p>To organize another external audit, the Bank performs the following procedures in accordance with the laws of the Republic of Kazakhstan and in accordance with the procedure established by the Procurement Rules:</p> <p>conducting procurement procedures for external auditor's services; resolution by the Management Board of the Bank on determination of an audit organization to perform another audit, as well as determination of the amount of payment for the services of an audit organization to perform another audit.</p> <p>conclusion of a contract for another audit of the Bank.</p> <p>This clause should not apply to cases of external audit at the initiative of the Board of Directors or at the request of the Shareholder.</p> <p>7. The resolution to approve of the composition of the Tender Board should be in the form of an order of the Chairman of the Management Board of the Bank or other person authorized by him/her.</p> <p>In 2023, the Audit Company PricewaterhouseCoopers LLP audited the financial statements of JSC Otbasy Bank for 2023 in accordance with the terms and conditions of Contract on Long-Term Procurement of Services for Audit of Financial Statements for 2022–2023 No. 15-2022/07 dated 21 December 2021 on the basis of the Resolution of Baiterek National Management Holding Joint Stock Company (Minutes of the Management Board No. 67/21 dated 15 December 2021).</p> <p>Having completed the audit of the Bank's 2023 financial statements, PricewaterhouseCoopers LLP has issued a report with an opinion that the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2023 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.</p> <p>The Bank's 2023 annual financial statements comprise – statement of financial position, statement of profit and loss and other comprehensive income, statement of changes in equity, statement of cash flows and financial statement disclosures.</p>





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<b>7. THE PRINCIPLE OF REGULATING CORPORATE CONFLICTS AND CONFLICTS OF INTEREST</b>			
7.1	Members of the Board of Directors and the Management Board of the Bank, as well as employees of the Bank, should perform their professional functions in good faith and reasonably in the interests of the Sole Shareholder and the Bank, avoiding conflicts. In case of existence (occurrence) of corporate conflicts, the parties should find ways to settle them through negotiations in order to ensure effective protection of interests of the Bank and stakeholders. At the same time, the Bank's officials should timely notify the Corporate Secretary and/ or the Ombudsman of the existence (occurrence) of a conflict. Efficiency of work on prevention and settlement of corporate conflicts implies full and prompt identification of such conflicts and coordination of actions of all bodies of the Bank.	Compliant	To prevent and settle possible corporate conflicts and conflicts of interest, the Bank's Corporate Conflicts and Conflicts of Interest Policy (hereinafter, the Policy) was approved by the Resolution dated 27 March 2015 of the Board of Directors of the Bank (Minutes No. 4). The Policy regulates the procedure for pre-trial settlement of conflicts, as well as actions of the Bank's bodies, officials and employees within these processes. The purpose of the Policy is to: – define the procedure for prevention and settlement of corporate conflicts, disputable conflict situations, timely identification and prevention of conflicts of interest in the Bank; – define clear coordination of actions of all the Bank's bodies in case of occurrence or possibility of occurrence of a corporate conflict and/ or conflict of interest; – increase the efficiency of decisions made by the Bank's bodies by ensuring a fair, objective and independent decision-making process in the interests of the Bank and its Sole Shareholder. At the same time, taking into account the norms of the Bank's current internal regulatory documents, in order to ensure the objectivity of corporate conflict and conflict of interest assessment and to create conditions for its effective settlement, persons whose interests are or may be affected by the conflict may apply to the Bank's Ombudsman.
7.2	A conflict of interest is a situation when personal interest of an employee of the Bank affects or may affect the impartial performance of official duties. Serious violations related to a conflict of interest may damage the Bank's reputation and undermine the credibility of the Sole Shareholder and other stakeholders. Personal interests of an official or employee should not influence the impartial fulfilment of his/her official or functional duties.	Compliant	The Bank's Corporate Conflicts and Conflicts of Interest Policy addresses the following situations that may lead to a conflict of interest: 1. a situation when an officer or an employee of the Bank, their close relatives or an entity in which he or any of his close relatives, his spouse is an officer or a major stakeholder is a party to an agreement, project or transaction related to the Bank, except, due to the specific nature of the Bank's business, housing construction savings agreements, loan agreements and agreements arising in connection with their conclusion and agreements concluded to secure the fulfilment of obligations of both the above-mentioned persons and third parties, as well as auctions in accordance with the Bank's internal documents regulating the procedure for disposal and write-off of fixed assets, intangible assets, stale inventories, overdue receivables formed as a result of the Bank's administrative and economic activities from off-balance sheet accounting of non-expendable property; 2. any commercial or other interest of the Bank's officers and employees (direct or indirect) in transactions, agreements, or projects related to the Bank; 3. a situation when an officer or an employee of the Bank competes with the Bank to provide services, conclude a contract, implement a project or deal with a third party;

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			<p>4. a situation when an officer or an employee of the Bank, without obtaining the relevant permissions of the Bank's bodies, if the permission arises from the employment contract concluded with the officer or employees of the Bank, if necessary, is a member of the Boards of Directors/Supervisory Boards of other entities or combines work in another entities in addition to work in the Bank, except for pedagogical, scientific and other creative activities;</p> <p>5. a situation when an officer or an employee of the Bank, their close relatives or an entity in which he or any of his close relatives, his spouse is an officer or a major stakeholder, receive remuneration in the form of money, services and in other forms for the performance by an officer or an employee of the Bank of their professional duties or other services related to the performance by an officer or an employee of the Bank of their professional duties from entities and individuals in which they do not perform their professional duties;</p> <p>6. a situation when an officer or an employee of the Bank, their close relatives or an entity in which he or any of his close relatives, his spouse is an officer or a major stakeholder, accept gifts or services in connection with the performance of their professional duties or from persons dependent on them for work, except for symbolic tokens of attention and symbolic souvenirs in accordance with generally accepted norms of courtesy and hospitality or during protocol and other official events;</p> <p>7. a situation when an officer or an employee of the Bank, their close relatives or an entity in which he or any of his close relatives, his spouse is an officer or a major stakeholder, receive personal discounts or other exclusive benefits from the Bank's suppliers or customers that are not generally available to other officers, employees of the Bank or their close relatives;</p> <p>8. a situation when an officer or an employee of the Bank uses the Bank's resources, intellectual property and equipment (including corporate mail and computer programs) for personal purposes;</p> <p>9. a situation when an officer or an employee of the Bank discloses confidential information that has become known to him due to the performance of his professional duties, or information disclosure of which may have a negative impact on the interests of the Bank, as well as any use of confidential information related to the Bank for personal benefit by an officer, an employee of the Bank, or their close relatives or an entity in which he or one of his close relatives, his spouse is an officer or a major stakeholder.</p> <p>10. a situation when an official or an employee of the Bank takes part in discussion or decision-making on issues of evaluation of his work, reappointment (re-election), remuneration or other issues in relation to himself.</p> <p>The conflict of interest situations listed in the Policy are not exhaustive. Officers and employees of the Bank should in all cases be guided by the definition of conflict of interest given in Clause 6 of this Policy.</p>
7.3	The Bank's employees should not allow a situation in which a conflict of interest may arise, neither in relation to themselves (or persons related to themselves), nor in relation to others. The Bank should implement mechanisms to prevent and manage conflicts of interest that impede the objective fulfilment of the Board of Directors' duties and to limit political interference in the processes of the Bank's Board of Directors.	Compliant	The Bank's officers are liable, as established by the laws of the Republic of Kazakhstan, to the Bank and the Sole Shareholders for damage caused by their actions and (or) inaction, and for losses incurred by the Bank, including but not limited to losses incurred as a result of providing misleading information or knowingly false information, violation of the procedure for providing information established by the laws, proposing to conclude and (or) making decisions on concluding major transactions, interested party transactions and transactions with persons who have special relations with the Bank, resulting in losses of the Bank as a result of their unfair actions and (or) inaction, including for the purpose of obtaining profit (income) by them or their affiliates as a result of conclusion of such transactions with the Bank.



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<b>8. THE PRINCIPLE OF TRANSPARENCY AND OBJECTIVITY OF DISCLOSURE OF INFORMATION ON THE BANK'S ACTIVITIES</b>			
8.1	To comply with the interests of stakeholders, the Bank discloses information required by the laws of the Republic of Kazakhstan and internal documents of the Bank, as well as information on all important aspects of its operations, including its financial position, results of operations, ownership and management structure, in a timely and reliable manner.	Compliant	In accordance with the requirements of the Rules of Information Disclosure by the Issuer and requirements to the content of information to be disclosed by the issuer, as well as the terms of information disclosure by the issuer on the Internet resource of the depository of financial statements, approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan on 27 August 2018 № 189, Kazakhstan Stock Exchange and Astana International Financial Centre, the Bank discloses information in terms of corporate events of the Bank, as well as the list of affiliates of the Bank. The Bank sent a letter of assurance No. 09/1-16-12/1 165 dated 9 January 2024 to Kazakhstan Stock Exchange JSC (on provision of complete information on corporate events for the year by the Bank to the Exchange, according to the laws of the Republic of Kazakhstan and Rules of Information Disclosure by the Issuer).
8.2	To ensure systematic disclosure of information, the Bank approves internal documents defining the principles and approaches to information disclosure and protection, the list of information disclosed to stakeholders, the terms, procedure, method, form of information disclosure, responsible officials and employees, specifying their functions and duties, as well as other provisions regulating information disclosure processes.	Compliant	The following internal regulatory documents regulate the issues of confidentiality of information security, safeguarding commercial, official and other secrets protected by law, as well as disclosure of information about Housing Construction Savings Bank of Kazakhstan JSC and sources of its placement: <ul style="list-style-type: none"> <li>Order No. 137 dated 04 September 2023 'Provision of information on corporate events, financial statements and audit reports, list of affiliated persons of Otbasny Bank JSC and information on total remuneration of members of the Management Board of Otbasny Bank JSC based on the results of the year'.</li> </ul> In addition, the Resolution dated 15 October 2018 (Minutes No. 12) of the Board of Directors of the Bank approved the List of Protected Information, Including Information Constituting Official, Commercial, or Other Legally Protected Secret of Housing Construction Savings Bank of Kazakhstan JSC.
8.3	To protect information constituting commercial and official secrets, the Bank, in accordance with the laws of the Republic of Kazakhstan, determines the procedure for categorizing information as access, conditions for storage and use of information. The Bank determines persons entitled to free access to information constituting commercial and official secrets and takes measures to protect its confidentiality.	Compliant	The following documents have been approved and are used in the Bank: <ul style="list-style-type: none"> <li>Rules for Categorization of Information and Information Assets, and Development of the List of Protected Information in the Bank (approved by MB Resolution No. 44 dated 12 May 2020);</li> <li>List of Protected Information, Including Information Constituting Official, Commercial, or Other Legally Protected Secret of Housing Construction Savings Bank of Kazakhstan JSC (approved by MB Resolution dated 15 October 2018, Minutes No. 12);</li> <li>Rules for Accounting, Use, and Storage of Protected Information in Housing Construction Savings Bank of Kazakhstan JSC (approved by MB Resolution No. 28 dated 19 February 2015).</li> </ul>
8.4	The corporate Internet resource is structured, easy to navigate and contains information sufficient for interested parties to understand the Bank's activities. It is recommended that the information be placed in separate thematic sections of the corporate Internet resource. The corporate Internet resource is updated as necessary, but at least once a week.  The Bank regularly monitors the completeness and relevance of the information posted on the corporate Internet resource, and determines the compliance of this information with the information posted on the Kazakh, Russian and English versions of the corporate Internet resource. For this purpose, persons (structural unit) responsible for the completeness and relevance of information on the corporate Internet resource are assigned.	Compliant	According to the Information Disclosure Rules of Otbasny Bank JSC, approved by the Resolution of the Bank's Management Board on 28 December 2017 (Minutes No. 51), the responsibility for placement and updating of information on the Bank's Internet resource lies with the responsible department and IT department.  According to the List of Responsible Departments, information on the Bank's Internet resource is placed and updated as necessary and on time in accordance with internal documents for the placement and updating of information and Order No. 451 dated 04 October 2019 'Information Formation, Placement and Updating in the Sections of the External Internet Resource of Otbasny Bank JSC'.

Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
8.5	The Bank's corporate Internet resource contains the following information: <ol style="list-style-type: none"> <li>general information about the Bank, including information about its mission, main objectives, goals and activities, equity, assets, net income, and headcount;</li> <li>the Bank's development strategy and/or development plan (at least strategic goals); priority areas of activity;</li> <li>the Bank's Articles of Association and internal documents regulating the activities of the bodies, committees, and corporate secretary;</li> <li>ethical principles;</li> <li>risk management;</li> <li>dividend policy;</li> <li>members of the Board of Directors, including: photograph (upon agreement with a member of the Board of Directors), surname, first name, patronymic, date of birth, citizenship, status of a member of the Board of Directors (independent director, representative of the Sole Shareholder), indication of functions of a member of the Board of Directors, including membership in committees of the Board of Directors or fulfilment of functions of the Chairman of the Board of Directors, education, including basic and additional education (name of educational institution, year of graduation, qualification, degree obtained), work experience for the last five years, main place of work and other positions currently held, professional qualification, date of first election to the Board of Directors and date of election to the current Board of Directors, number and proportion of shares owned by affiliates;</li> <li>members of the Management Board, including: photograph, surname, first name, patronymic, date of birth, citizenship, position and functions performed, education, including basic and additional education (name of educational institution, year of graduation, qualification, degree obtained), work experience for the last five years, professional qualification, positions held on a part-time basis, number and proportion of shares owned by affiliates;</li> <li>financial statements;</li> <li>annual reports;</li> <li>external auditor;</li> <li>procurement activities, including procurement rules, announcements and results;</li> </ol>	Compliant	The Information Disclosure Rules of Otbasny Bank JSC, approved by the Resolution of the Bank's Management Board on 28 December 2017 (Minutes No. 51), provide for the following information to be placed on the Bank's external website: <ol style="list-style-type: none"> <li>main activities of the Bank;</li> <li>annual report of the Bank;</li> <li>information on material events in the life of the Bank;</li> <li>information on the structure of the Board of Directors and the Management Board of the Bank;</li> <li>information on existing vacancies and the Bank's HR Policy;</li> <li>list and addresses of the Bank's Branches;</li> <li>information on affiliates;</li> <li>information on the Bank's shareholders and partners;</li> <li>information on the Bank's strategic development;</li> <li>accounting policy of the Bank;</li> <li>press releases and advertising and information articles of the Bank;</li> <li>presentation plots and commercials of the Bank.</li> </ol>



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	<p>13. structure of the authorized capital, including the following information: number and nominal value of issued shares (participation interests), description of rights granted by shares, number and nominal value of authorized but unissued shares, information on the Sole Shareholder, number and proportion of common shares (participation interests) owned by them, procedure for disposal of ownership rights;</p> <p>14. structure of assets, including information on affiliates of all levels with a brief indication of the scope of their activities;</p> <p>15. annual calendar of corporate events;</p> <p>16. interested-party transactions, including information on the parties to the transaction, material terms of the transaction (subject of the transaction, transaction price), the body that passed the resolution on approval of the transaction;</p> <p>17. major transactions, including information on the parties to the transaction, material terms of the transaction (subject of the transaction, transaction price), the body that passed the resolution on approval of the transaction;</p> <p>18. sustainable development activities;</p> <p>19. the amount of approved dividends;</p> <p>20. news and press releases.</p>		
8.6	<p>The Bank should prepare its annual report in accordance with the provisions of this Code and best practices of information disclosure. The annual report should be approved by the Board of Directors.</p> <p>The annual report should be a structured document and is published in the Kazakh, Russian and English languages (if necessary).</p> <p>The annual report should be prepared and, after approval by the Board of Directors of the Bank, posted on the Internet resource.</p>	Compliant	<p>According to sub-clause 19) of clause 9.2 of Article 9 of the Bank's Articles of Association, the exclusive competence of the Sole Shareholder includes approval of the Bank's Annual Report.</p> <p>In 2023, by Resolution dated 30 May 2023 of the Board of Directors of the Bank (Minutes No. 7) and by Resolution dated 29 June 2023 of the Management Board of Baiterek JSC (Minutes No. 25/23), the 22 Annual Report was pre-approved.</p> <p>In 2023, the Bank's 2022 Annual Report was placed on the Bank's Internet resource.</p>

Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
8.7	<p>The requirements for the content of the annual report minimally imply the following information:</p> <ol style="list-style-type: none"> <li>Address of the Chairman of the Board of Directors;</li> <li>Address of the Chairman of the Management Board of the Bank;</li> <li>About the Bank: general information; on the structure of the authorized capital, including the following information: number and nominal value of issued shares (participatory interests), description of rights granted by shares, number and nominal value of authorized but unissued shares, information on the sole shareholder, number of ordinary shares held by him, procedure for disposal of ownership rights; mission; development strategy, results of its implementation; market overview and market position;</li> <li>financial and operational performance for the reporting year: review and analysis of performance against objectives; operational and financial performance; key significant events and achievements; information on significant transactions; any financial support, including guarantees received from the government and any obligations to the government and society assumed by the Bank (if not disclosed in accordance with IFRS);</li> <li>asset structure, including subsidiaries of all levels, overview, summary of their financial and operational performance;</li> <li>6) targets and plans for future periods;</li> <li>main risk factors and risk management system;</li> </ol>	Compliant	<p>In 2023, the 2022 Annual Report was submitted to the Sole Shareholder of the Bank for consideration, which provides information on the Bank's performance, including:</p> <ul style="list-style-type: none"> <li>Address of the Chairman of the Board of Directors of the Bank, and Address of the Chairman of the Management Board of the Bank;</li> <li>information on the main activities and services provided;</li> <li>information on significant corporate events;</li> <li>information on the development strategy (mission, goals and objectives);</li> <li>information on risk management;</li> <li>information on corporate social responsibility and environmental protection;</li> <li>information on management bodies and organizational structure of the Bank;</li> <li>information on the Corporate Governance Principles of the Bank, including the Conflicts of Interest Policy;</li> <li>information on the results of self-assessment of compliance with the Bank's approved Corporate Governance Code;</li> <li>information on the Bank's transparency and efficiency of information disclosure processes;</li> <li>annual financial statements and auditor's reports;</li> <li>additional information as required by Kazakhstan Stock Exchange JSC.</li> </ul>





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8.	corporate governance: corporate governance structure; shareholder composition and ownership structure; composition of the Board of Directors, including qualifications, selection process, including independent directors with indication of criteria for determining their independence; report on the activities of the Board of Directors and its Committees, which reflects the results of the activities of the Board of Directors and its Committees for the reporting period, significant events, issues considered, number of meetings, form of meetings, attendance; information on compliance of corporate governance practices with the principles of this Code, and in case of non-compliance, explanations on the reasons for non-compliance with each of the principles; composition of the Bank's Management Board; report on the activities of the Management Board; remuneration policy for officials;		
9.	sustainable development;		
10.	auditor's report and financial statements with notes;		
11.	analytical indicators and data included in the annual report should reflect comparative analysis and progress (regress) achieved in relation to the previous period (comparison with the values of similar indicators stated in the previous annual report). To compare performance with international companies operating in a similar industry, it is recommended to publish performance indicators that will allow for industry benchmarking analysis.		
8.8	The Management Board holds in-person meetings and discusses the implementation of the development strategy and/ or development plan, decisions of the Sole Shareholder, the Board of Directors and operational activities. Meetings of the Management Board are held on a regular basis. The cases of holding absentee meetings are limited and are defined in the Bank's Articles and internal documents.	Compliant	In 2023, the Bank's Management Board held: <ul style="list-style-type: none"> <li>• 46 in-person meetings (decisions were made on 256 issues);</li> <li>• 149 absentee meetings (decisions were made on 593 issues).</li> </ul>

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8.9	The Management Board forms a work plan for the coming year with a list of issues before the beginning of the calendar year. The members of the Management Board are provided in advance with materials for review, of appropriate quality. When considering such issues as development strategies and/or development plans, investment projects, risk management, it is allowed to hold several meetings.	Compliant	The work plan of the Management Board of the Bank for 2023 was approved by the Resolution dated 30 December 2022 of the Management Board (Minutes No. 226). If necessary, several meetings of the Management Board may be held to discuss such issues as development strategies and/or development plans, investment projects, and risk management.
8.10	When considering each issue, a separate discussion is devoted to the risks associated with decision/ non-decision making and their impact on the Bank's profitability. All issues submitted on the initiative of the Management Board for consideration of the Board of Directors and the Sole Shareholder are preliminarily considered and approved by the Management Board.	Compliant	Within the competence of the Bank's Management Board, when considering each issue, a separate discussion is held on the risks associated with the adoption/non-adoption of the decision and their impact on the Bank's profitability. All issues submitted on the initiative of the Management Board for consideration of the Board of Directors and the Sole Shareholder are pre-approved by the Management Board of the Bank in accordance with sub-clause 13) of clause 11.5 of Article 11.5 of the Bank's Article, subject to the exceptions specified in this sub-clause.
8.11	The Chairman and members of the Management Board should not allow a conflict of interest situation to arise. If a conflict of interest arises, they should notify the Board of Directors or the Chairman of the Management Board in advance of the occurrence of such a conflict of interest, to record it in writing and not to participate in decision-making on the issue.	Compliant	In 2023, there are no cases involving direct or indirect potential conflicts of interest. In case the Management Board considers issues related directly to one of the Management Board members, the said member of the Management Board does not participate in consideration and voting on the issue.

# List of Abbreviations

ABBREVIATION	MEANING
HCS	Housing Construction Savings
EXPO	Exposition, an international exhibition that is a symbol of industrialization and an open platform to showcase technical and technological advances
MM	Mass Media
KASE	Kazakhstan Stock Exchange, a stock exchange headquartered in Almaty, Kazakhstan
SMS	Short Message Service, a type of service in cellular (and some other) communication networks, a short text message
MCI	Monthly Calculation Index
CSD	Cash and Settlement Department
ISO	International Organization for Standardization, an international organization that issues standards
SC	The Bank's Service Center
IIN	Individual Identification Number of an individual
EU	The European Union, an economic and political union of 27 European states
GDP	Gross Domestic Product
USA	United States of America
STB	Second-tier Banks
EAR	Effective Annual Rate
TP	Tariff Program
GP	Government Program
RDP	The 2020 Regional Development Government Program
IHC	Individual Housing Construction
IT	Information Technology
IS	Information Systems
BPM	Business Process Management, the Bank's information system designed to manage business processes
ELS	Electronic Learning System
IE	Individual Entrepreneur
RB	Regional Branch of the Bank
SP	The Bank's Service Point
PR	Public Relations
GAP	A method of strategic analysis that determine what steps can be taken to achieve a particular goal
IFRS	International Financial Reporting Standards
IS	Information Security
VI	Volume Index