**Extracts from the**

**Distressed Asset Management Policy**

**in Otbasy bank JSC**

Almaty, 2023

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The main purpose of the Distressed Asset Management Policy (hereinafter referred to as the Policy) is specification of significant actions and activities of the Bank for prevention and minimization of losses in work with distressed assets.

The objectives of the Policy are as follows:

* identification of distressed assets and implementation of a number of activities aimed at debt recovery;
* analysis of the causes of distressed assets;
* arrangement of the work with distressed assets in the Bank;
* determination of main areas in solving issues related to distressed assets.
* The Policy is based on the following principles:
* ensuring the efficient operation of the Bank;
* preventing the occurrence of distressed assets;
* timely repayment of debt.

Methods of managing distressed assets include: recovery, restructuring, rehabilitation, sale, write-off, remission, withdrawal of collateral, bankruptcy, settlement of defaults on distressed interbank deposits and distressed securities, limitation on distressed assets, analysis of the effectiveness of measures applied by the Bank in relation to the recovery and minimization of distressed assets, and others. The management method depends on the type of a distressed asset, and the Bank may choose either one of the methods or several methods in combination.

The Bank applies the following main management methods for efficient distressed asset management:

* constant monitoring of the level of distressed assets;
* knowledge and correct application of the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Bank by officials and employees of the Bank;
* analysis of operations and transactions, including intended ones, that raise doubts about their legality and (or) their compliance with the interests of the Bank;
* implementation of unified approaches to distressed asset management;
* adoption of other appropriate measures and activities for the effective implementation of the Policy.

Working with distressed assets includes the following steps:

* pre-trial recovery measures;
* enforced collection actions.

Basic procedures for conducting pre-trial debt recovery measures;

monitoring of the portfolio of distressed assets;

- sending notifications;

 asset restructuring;

joint activities of the Bank with a debtor on the independent/direct sale of the existing assets, collateral of the debtor;

- conclusion of an agreement on dispute (conflict) settlement by mediation, an agreement on dispute settlement within a participative procedure, a settlement agreement;

- participation in the general meeting of holders of distressed securities in accordance with the prospectus of securities issue;

**-**  addressing claims on repurchase of distressed securities in accordance with the prospectus of securities issue;

 other legal measures.

Enforced debt recovery measures include:

- presentation of claims under guarantees, under contracts;

- out-of-court sale of collateral;

- collection of debts on distressed assets in court;

- debt collection using the services of a collection company (if there are concluded agreements);

- assignment of rights (claims) on distressed assets in favor of a collection company (if there are concluded agreements);

- addressing claims on repurchase of distressed securities in accordance with the prospectus of securities issue.

The restructuring of distressed assets, with the exception of overdue receivables, is allowed in the manner and on the terms stipulated by the legislation of the Republic of Kazakhstan, the prospectus of distressed securities issue and internal documents of the Bank.

If the pre-trial measures of the Bank do not lead to a positive result, the Bank shall apply enforced debt recovery measures. Legal recourse is a forced measure that is applied if the debtor (borrower/mortgagor/the co-borrower/guarantor/issuer of securities) refuses voluntarily / otherwise fails to fulfill its contractual obligations for other reasons.

If there is a court proceeding and/or a judicial act, the Bank and the borrower may conclude a settlement agreement or an agreement on dispute (conflict) settlement by mediation, an agreement on dispute settlement within a participative procedure, with further work with overdue debts, in accordance with the internal documents of the Bank.

Enforced debt recovery is carried out in accordance with the legislation of the Republic of Kazakhstan, the prospectus of distressed securities issue and internal documents of the Bank.

It is allowed to carry out out-of-court sale of collateral in accordance with the procedure provided for by the legislation of the Republic of Kazakhstan and internal documents of the Bank.

Independent sale of collateral is carried out in accordance with the procedure provided for by the legislation of the Republic of Kazakhstan and internal documents of the Bank.

Loan restructuring and the main conditions for its application

To apply the Loan Restructuring measures, the Application for Loan Restructuring is submitted by the applicant within the timeframes stipulated by the internal document of the Bank regulating the procedure for restructuring loans in JSC «Otbasy Bank», and the legislation of the Republic of Kazakhstan.

Loan restructuring is applied to all types of Bank loans. Restructuring measures are established by an internal document of the Bank and may be applied:

- independently of each other;

- a few types at the same time.

# Loan rehabilitation and the main conditions for its application

Loan rehabilitation is intended for applicants (debtors) who have overdue principal debt and interest for more than 90 calendar days. Loan rehabilitation includes a rehabilitation plan provided by the Bank with a new payment schedule, as well as one or more loan restructuring measures stipulated by the legislation.

The applicant (debtor) has the right to apply for a loan rehabilitation procedure once in five years.

The applicant (debtor) shall consider the rehabilitation plan proposed by the Bank and the new payment schedule and shall provide a response to the Bank within 15 (fifteen) calendar days. The consent of the applicant (debtor) with the rehabilitation plan is recorded in the manner provided for by the bank loan agreement with the borrower, or the rehabilitation plan proposed by the Bank.

# Sale of the debtor's existing assets

Decisions on the sale of the debtor's assets are made by the authorized body of the Bank.

The sale of assets (including collateral real estate) is carried out independently by the debtor and/or the Bank in accordance with the procedure and conditions provided for by the legislation of the Republic of Kazakhstan and internal documents of the Bank.

In case of overdue debt, if the value of the collateral real estate covers the entire amount of the debt, the Bank offers the debtor and the pledgor to repay the debt by direct sale of the collateral real estate.

If the pledger fails to sell the collateral real estate, the Bank has the right to sell such asset on the basis of a decision of the authorized body, by way of out-of-court/judicial sale.

The basis for cancellation /termination of the procedure for the out-of-court sale of collateral real estate, as well as cases of preventing the out-of-court collection of overdue debts in accordance with the internal documents of the Bank and the legislation of the Republic of Kazakhstan.

# Withdrawal of collateral

If the collateral is not sold during enforcement proceedings or in bankruptcy proceedings, the Bank has the right to take this property to the Bank's balance sheet to repay the debt for the purpose of its subsequent sale.

#  Debt remission

# Bank loan debt remission is provided in accordance with the procedure and subject to compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Bank regulating the procedure for debt remission under bank loans. Remission of all or part of the loan debt is provided on the basis of a decision of the Management Board of the Bank

# Debt relief

The basis for debt relief for off-system accounting includes the following conditions in aggregate:

1) delay in repayment of the principal debt and/or interest on the loan, delay in repayment of overdue receivables, while the permissible number of calendar days of delay is specified in the internal documents of the Bank;

2) no prospect of debt collection.