



**ОТБАСЫ**  
**БАНК**

**“Otbasy Bank” house construction savings bank JSC**

**Financial Statements in accordance with IFRS Accounting Standards and  
Independent Auditor’s Report**

**31 December 2023**

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## Independent Auditor's Report

To the Shareholder and the Board of Directors of «Otbasy bank» house construction savings bank JSC:

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### Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of «Otbasy bank» house construction savings bank JSC (the "Bank") as at 31 December 2023, and the Bank's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards.

### What we have audited

The Bank's financial statements comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of the financial statements in the Republic of Kazakhstan. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Republic of Kazakhstan that are relevant to our audit of the financial statements.



## Independent Auditor's Report (Continued)

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### Our audit approach

#### Overview

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##### Materiality

- Overall Bank materiality: 15,504,900 thousand of Kazakhstani Tenge, which represents 0.5% of loans and advances to customers balance as at 31 December 2023.

##### Key audit matters

- Assessment of expected credit losses allowance for loans and advances to customers.
  - Fair value assessment of borrowed funds at initial recognition and recognition of related government grants.
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

##### Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.



## Independent Auditor's Report (Continued)

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<b>Overall Bank materiality</b>	15,504,900 thousand of Kazakhstani Tenge
<b>How we determined it</b>	0.5% of loans and advances to customers balance as at 31 December 2023
<b>Rationale for the materiality benchmark applied</b>	The Bank is a state-owned development institution. Its strategic goal is to finance the housing needs of citizens of Kazakhstan and to promote social and economic growth of Kazakhstan through mortgage housing loans. Profitability is not the primary objective of the Bank and its management. Thus, we concluded that the most appropriate benchmark for determination of materiality is the loans and advances to customers' balance. We chose 0.5% which is consistent with quantitative materiality thresholds used for the selected benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above 1,030,000 thousand of Kazakhstani Tenge, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

### Key audit matters

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

Key audit matters	How our audit addressed the key audit matters
<b>Assessment of expected credit losses ("ECL") allowance for loans and advances to customers.</b>  Refer to the Notes 4, 10 and 25 of the accompanying financial statements that provide information on material accounting policies, critical accounting estimates and judgements and risk assessment related to ECL allowance as well as disclosures on loans and advances to customers.	We assessed the design and tested the operating effectiveness of key controls across the processes relevant to the ECL for loans and advances to customers. These included controls related to the allocation of loans into stages, automated/partially automated calculation of key risk parameters (probability of default, loss given default, exposure at default), data completeness and accuracy of calculations.

**Independent Auditor's Report (Continued)**

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We focused on this area due to the size of loans and advances to customers balance and because IFRS 9 is a complex financial reporting standard, which requires significant judgement to determine the ECL allowance. Since the Bank is a mortgage lending financial institution ECL assessment for a major part of loans is performed on a portfolio basis. Key areas of judgement in assessing ECL for loans and advances to customers balance included:

- Allocation to stages in accordance with IFRS 9;
- Accounting interpretations and modelling assumptions used to estimate key risk parameters – probability of default, loss given default and exposure at default.

In assessing ECL allowance for loans and advances to customers we have performed the following substantive audit procedures:

- We assessed the methodology and models for ECL allowance assessment developed by the Bank in order to evaluate their compliance with IFRS 9 requirements. We focused our procedures on: default definition, factors for determining "significant increase in credit risk", allocation to stages, and estimation of key risk parameters;
- We checked that the estimation of ECL allowance was made in accordance with the methodologies and models of the Bank. We have also tested the assumptions and inputs used in those ECL models;
- On a sample basis we tested the accuracy of the segmentation of loans by types – preliminary, interim, housing;
- We tested staging allocation based on qualitative criteria for loans and advances to customers;
- On a sample basis we recalculated the level of ECL allowance;
- We performed reasonableness analysis over the accuracy of ECL allowance level;
- To verify data accuracy and quality, on a sample basis, we tested the data used in the ECL calculation by reconciling to source data, i.e., loan portfolio, loan and collateral agreements;
- On an overall basis we checked the Bank's assessment of the effect of forward-looking information on the ECL allowance for loans and advances to customers. In particular, we assessed whether forecasted macroeconomic variables (such as inflation level, average wages, unemployment rate and GDP) were appropriate, and traced input data to the external sources and checked appropriateness of the models used.



## Independent Auditor's Report (Continued)

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- We checked and evaluated the financial statements disclosures in relation to critical accounting judgements and estimates as well as other disclosures related to the assessment of ECL.

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### Fair value assessment of borrowed funds at initial recognition and recognition of related government grants.

Refer to the Notes 4, 15, 18, 25 of the accompanying financial statements that provide information on material accounting policies, critical accounting estimates and judgements related to fair value assessment of borrowed funds at initial recognition and recognition of related government grants.

We have identified this as a key audit matter due to the material balance of borrowed funds and government grants and substantial difference between contractual interest rates and interest rates used for estimation of fair value at initial recognition, and significant management judgement and assumptions involved thereon.

We performed the following substantive procedures over the valuation and initial recognition of borrowed funds and resulting government grants:

- We assessed the appropriateness of the Bank's methodology over the initial fair value measurement of these financial instruments;
  - We critically assessed the Bank's judgement over initial recognition of the difference between consideration received and the fair value of the borrowings obtained as a government grant or capital contribution;
  - We assessed the reasonableness of management's estimates and models used to determine market interest rates applied to calculate fair values of borrowed funds obtained at rates other than market;
  - On a sample basis we tested input data used for fair value assessment at initial recognition by comparing to source documents and market observable data;
  - We involved our internal valuation experts to assess the appropriateness of management's assumptions and judgement applied in fair value assessment;
  - On a sample basis, we reperformed the fair value calculations;
  - We checked and evaluated the financial statements disclosures in relation to critical accounting judgements and estimates as well as other disclosures related to fair value of borrowed funds at initial recognition and the resulting government grants.
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## **Independent Auditor's Report (Continued)**

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### **Other information**

Management is responsible for the other information. The other information comprises the annual report (but does not include the financial statements and our auditor's report thereon), which is expected to be made available to us after the date of this auditor's report.

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

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### **Responsibilities of management and those charged with governance for the financial statements**

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

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

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

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### **Auditor's responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



## Independent Auditor's Report (Continued)

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- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Suhrab Azimov.

On behalf of PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Approved by:

  


Azamat Konratbayev  
Managing Director  
PricewaterhouseCoopers LLP  
(General State License of the Ministry of  
Finance of the Republic of Kazakhstan  
#00000005 dated 21 October 1999)

Signed by:

  


Karina Shavaleyeva  
Auditor in charge  
(Qualified Auditor's Certificate №МФ-0000894  
dated 9 September 2019)

28 February 2024

Almaty, Kazakhstan

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Statement of Financial position**

<i>(in thousands of Kazakhstani Tenge)</i>	Note	31 December 2023	31 December 2022
<b>ASSETS</b>			
Cash and cash equivalents	7	590,920,244	327,515,241
Cash balances with financial institutions	8	98,777,667	75,434,625
Investments in debt securities	9	165,274,754	138,325,012
Investments in equity securities		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
Premises, Equipment and Right of Use Assets	12	7,171,517	5,286,760
Current income tax prepayment		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>			
Customer accounts	13	2,660,378,337	2,300,445,036
Debt securities in issue	14	195,787,412	193,469,370
Borrowed funds	15	133,006,577	108,542,872
Due from other banks	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 liabilities	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 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 Otbasy Bank JSC and in the notes to it, December 31 of any year means 24.00 Almaty time on December 31 of this year.

28 February 2024

Ibragimova Lyazzat Yerkenovna  
 Chairman of the Board



Kiltbayeva Zhanerke Almasbekovna  
 Chief Accountant

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Statement of Profit or Loss and Other Comprehensive Income**

<i>(in thousands of Kazakhstani Tenge)</i>	Note	2023	2022
Interest income calculated using the effective interest method	20	312,034,608	251,018,805
Interest and similar expense	20	(110,156,987)	(86,323,652)
<b>Net margin on interest and similar income</b>		<b>201,877,621</b>	<b>164,695,153</b>
Credit loss allowance	7,8,9,10	16,469,353	(12,106,771)
<b>Net margin on interest and similar income after credit loss allowance</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 expense	21	(7,140,936)	(7,212,054)
Losses on initial recognition of assets at rates below market	4	(27,314,503)	(23,915,177)
Losses from modification of financial assets measured at amortised cost, that did not lead to derecognition		(1,350,632)	8,763
Gains less losses on debt securities at fair value through other comprehensive income and other financial assets		756	808
Gains less losses from trading in foreign currencies		(3,588)	37,159
Other net operating expenses	22	(2,695,048)	(2,298,436)
Administrative expenses	23	(27,174,946)	(24,281,537)
<b>Profit before tax</b>		<b>170,574,658</b>	<b>109,567,660</b>
Income tax expense	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>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Gains less losses on investments in debt securities at fair value through other comprehensive income		1,238,298	(2,826,636)
Gains/(losses) less losses on investments in debt securities at fair value through other comprehensive income carried into profit and loss statement as a result of disposal		(756)	(808)
Gains less losses on investments in equity securities at fair value through other comprehensive income		430	-
<b>Other comprehensive income</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>Earnings per share for profit attributable to the shareholder of the Bank, basic and diluted</b> (expressed in Kazakhstani Tenge per share)	32	<b>18,841</b>	<b>12,265</b>

The accompanying notes on pages 5-83 are an integral part of these separate financial statements.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Statement of Changes in Equity**

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Share capital	Additional paid-in capital	Revaluation reserve for securities at FVOCI	Other reserves	Retained earnings	Total equity
<b>Balance at 1 January 2022</b>	19	<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 income		-	-	(2,827,444)	-	-	(2,827,444)
<b>Total comprehensive income for the year</b>		-	-	<b>(2,827,444)</b>	-	<b>96,035,130</b>	<b>93,207,686</b>
Recognition of a discount on loans from local executive bodies of the Republic of Kazakhstan and on deposits placed and attracted to/from subsidiaries of the Parent company, less the deferred tax effect in the amount of 7,362,018 thousand tenge	4	-	29,448,072	-	-	-	29,448,072
Recognition of a discount on deposits placed in a subsidiary of the Parent company, less the deferred tax effect in the amount of 2,155,128 thousand tenge	4	-	(8,620,512)	-	-	-	(8,620,512)
Dividends to shareholders of the parent organization		-	-	-	-	(32,877,465)	(32,877,465)
<b>Balance 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 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 for the year</b>		-	-	<b>1,237,972</b>	-	<b>147,527,533</b>	<b>148,765,505</b>
Recognition of a 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 12,866,836 thousand tenge	4	-	51,467,344	-	-	-	51,467,344
Dividends to shareholders of the parent organization		-	-	-	-	(67,224,700)	(67,224,700)
<b>Balance at 31 December 2023</b>	19	<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>

The accompanying notes on pages 5-83 are an integral part of these separate financial statements.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Statement of Cash Flows**

<i>(in thousands of Kazakhstani Tenge)</i>	Note	31 December 2023	31 December 2022
<b>Cash flows from operating activities</b>			
Interest income calculated using the effective interest method		285,091,230	236,361,380
Interest paid calculated using the effective interest method		(96,452,305)	(76,776,355)
Fees and commissions received		4,686,141	3,016,022
Fees and commissions paid		(6,804,295)	(7,329,937)
Staff costs 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 flows 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>			
- due from other banks		(2,000)	(100,011,000)
- loans and advances to customers		(234,032,266)	(884,664,771)
- other financial assets		(10,443)	3,441
- other assets		47,878	(23,406)
<i>Net increase/(decrease) in:</i>			
- customer accounts		352,788,556	404,710,665
- due to other banks		-	80,000,000
- other financial liabilities		2,112,817	419,901
- other liabilities		(205,355)	8,618
<b>Net cash from operating activities</b>		<b>248,080,113</b>	<b>(381,949,847)</b>
<b>Cash flows from investing activities</b>			
Acquisition of premises and equipment		(3,629,838)	(1,218,545)
Acquisition of intangible assets		(1,302,209)	(2,542,681)
Proceeds from disposal of premises and equipment		264	73,481
Acquisition of debt securities at fair value through other comprehensive income		(4,000,000)	-
Acquisition of investments in debt securities carried at amortised cost		(45,331,850)	(34,866,152)
Proceeds from disposal of debt securities at fair value through other comprehensive income		9,389,474	42,636,088
Proceeds from redemption of debt securities carried at amortised cost		15,670,682	36,917,160
<b>Net cash from/(used in) investing activities</b>		<b>(29,203,477)</b>	<b>40,999,351</b>
<b>Cash flows from financing activities</b>			
Loan received from the Government of the Republic of Kazakhstan	15	73,341,876	66,300,000
Repayment of loans from the Government of the Republic of Kazakhstan	15	(12,200,000)	-
Loan received from local executive bodies of the Republic of Kazakhstan	15	35,285,905	26,333,536
Repayment of loan from local executive bodies of the Republic of Kazakhstan	15	(113,784)	(2,000)
Loans received from Asian Development Bank	15	15,600,000	14,000,000
Loans received from other organizations	15	400,000	116,000
Repayment of loans from other organizations	15	(495)	-
Dividends paid	19	(67,224,700)	(32,877,465)
Long-term lease	17	(556,800)	(506,756)
<b>Net cash from financing activities</b>		<b>44,532,002</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 increase/(decrease) in cash and cash equivalents</b>		<b>263,405,003</b>	<b>(267,551,080)</b>
Cash and cash equivalents at the beginning of the period	7	327,515,241	595,066,321
<b>Cash and cash equivalents at the end of the period</b>		<b>590,920,244</b>	<b>327,515,241</b>

The accompanying notes on pages 5-83 are an integral part of these separate financial statements.

## **I Introduction**

These financial statements of the “Otbasy Bank” house construction savings bank JSC (the “Bank”) have been prepared in accordance with the IFRS Accounting Standards for the year ended 31 December 2023.

The Bank was established in accordance with Resolution of the Government of the Republic of Kazakhstan No.364 dated 16 April 2003 with a 100% state participation in the charter capital for the purpose of development of housing construction savings system in the Republic of Kazakhstan.

In accordance with Decree of the President of the Republic of Kazakhstan No.571 dated 22 May 2013 and Resolution of the Government of Republic of Kazakhstan No.516 dated 25 May 2013, the block of shares of the Bank were transferred for payment of outstanding shares of “National Managing Holding “Baiterek” JSC.

National Managing Holding “Baiterek” JSC is the sole shareholder (the “Parent” or the “Shareholder”) of the Bank.

The ultimate controlling party of the Bank is the Government of the Republic of Kazakhstan. Information on transactions with related parties is presented in Note 31.

The Bank is the only bank in the country that implements the housing construction savings system.

The Bank is a member of the European Federation of Building Societies and the International Union for Housing Finance.

**Principal activity.** In accordance with license No. 1.2.109/48 dated March 3, 2023, issued by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market (hereinafter referred to as ARRDF), the Bank has the right to carry out activities in: accepting deposits in housing construction savings, opening and maintaining depositor accounts; providing housing, intermediate housing and preliminary housing loans to investors to carry out measures to improve housing conditions; accepting deposits, opening and maintaining bank accounts of depositors, accumulating funds for major repairs of the common property of the condominium object and providing them with housing loans; for opening and maintaining current bank accounts of individuals for crediting one-time pension payments in order to improve housing conditions; on opening and maintaining current bank accounts of individuals for crediting payments and subsidies for the purpose of paying for rented housing in a private housing stock, cash transactions (acceptance and issuance of cash, including its change, exchange, recalculation, sorting, packaging and storage); transfer operations (executing orders from individuals and legal entities for payments and money transfers); exchange transactions with foreign currency; accepting deposits, opening and maintaining bank accounts for legal entities; for opening and maintaining current bank accounts of individuals for crediting one-time pension payments in order to pay for treatment; issue of own securities (except for shares); trust operations (management of claims rights for bank loans in the interests and on behalf of the principal), trust operations of money management in the interests and on behalf of the principal for crediting payments and subsidies in order to pay for rented housing in a private housing stock and providing social support measures to specialists in the field healthcare, education, social security, culture, sports and agro-industrial complex, civil servants of the akims of villages, towns, rural districts who arrived to work and live in rural settlements. The Bank also carries out dealer activities in the securities market without the right to maintain client accounts.

The Bank's mission is to provide Kazakhstani families with their own housing and strengthen the feeling of homeland.

The Bank's financial statements for the year ended December 31, 2023 and the corresponding audit report are posted on the Bank's official website, in the "About the Bank" section - Reporting.

For further development and sustainable growth, the Bank is constantly working to improve the availability of its products, improve the quality of customer service, expand alternative payment acceptance channels and develop IT infrastructure.

The Bank is working to centralize the identification and registration of citizens in need of housing, including obtaining a current waiting list from local executive bodies, as well as the distribution of housing. An electronic database “Housing Provision Center” will be created at the Bank, which will allow the sale of housing to citizens in need of housing on the “one window” principle. Thus, the procedure for obtaining housing for citizens who need it will be simplified. The Bank's developed infrastructure, information and technological resources will speed up the process of providing housing to citizens, primarily from socially vulnerable segments of the population, and will expand the ability to manage the queue, while the Bank will continue its core activities within the framework of the housing construction savings system among second-tier banks.

## **1 Introduction (continued)**

According to the decree of the President of the Republic of Kazakhstan Tokayev K.K. allowing Kazakhstanis to take advantage of the right to early withdrawal of pension savings, for the period from 2021 to 2023 through the enpf-otbasy.kz platform to improve living conditions and pay for treatment, 1,072,064 Kazakhstanis took advantage of the pension savings for a total amount of over 5.013 billion tenge. As of December 31, 2023, 345 thousand Kazakhstanis became homeowners, over 178 thousand more repaid debt on mortgage loans, over 196 thousand Kazakhstanis replenished the contribution of housing insurance for further savings and obtaining a loan, and about 344 thousand used pension savings for treatment. Of these, 36% are women (388,122 people), and 64% are men (683,942 people).

On behalf of the President of the Republic of Kazakhstan, a reform of the current housing policy has been carried out, within the framework of which, from 2022, funds will be allocated from the budget to pay compensation (subsidies) to pay for the rent of a home in a private housing stock to citizens recognized as needing housing, whose income is less than 1 subsistence level for each family member, including socially vulnerable groups of the population belonging to the categories of large families, disabled people of groups 1 and 2, orphans and children without parental care, families with or raising disabled children. As part of this state support, the Bank is a financial operator and assigns, terminates and resumes payments to recipients.

In accordance with Order of the Ministry of National Economy of the Republic of Kazakhstan dated February 23, 2023 №66 for the implementation of the republican budget program 034 “Budget loans to local executive bodies for the implementation of social support measures for specialists” (hereinafter referred to as the “With a diploma to the village!” program), the Bank is determined attorney agent. As of April 1, 2023, in accordance with the signed Transfer Agreement dated March 31, 2023 between the Bank and Agrarian Credit Corporation JSC, the balances of loan debt, loan portfolio, credit files and existing agency agreements with an authorized agent for program “With a diploma to the village!”

As part of the Tenge Deposit Protection Program carried out by the National Bank of the Republic of Kazakhstan (hereinafter referred to as the NBRK) jointly with the Government of the Republic of Kazakhstan, which provides for the calculation of compensation (premium) on deposits of individuals, in March 2023, the Bank credited compensation to the accounts of 883,072 depositors in an amount exceeding 115 billion tenge.

Since the beginning of its operation, the Bank has issued 501,837 loans in the amount of 5.965 billion tenge, and concluded 4,513 thousand agreements, with a contractual amount of 16.279 billion tenge.

In 2023, the Bank implemented the following projects to improve the quality of service and provide the general public with their own housing:

- Changes and additions to the Product Line were approved regarding: the application of differentiated interest rates on interim housing loans depending on the value of the evaluation indicator; establishing a waiting period (minimum OP) for obtaining interim housing loans; lending conditions in the direction of “Implementation of social credit housing” within the framework of the Concept for the development of housing and communal infrastructure until 2026; lending conditions under the Green Mortgage program; lending conditions under the regional program for lending to citizens within the framework of the social policy of local executive bodies, conditions for accumulation and lending under the Tabysty Tariff Program, in terms of regulating lending conditions under the program for young scientists for 2023-2027.
- the Rules for the provision and servicing of budget loans were approved within the framework of trust management of Otbasy Bank JSC under the program “With a diploma to the village!”, for the purpose of social support for specialists in the field of healthcare, education, social security, culture, sports and the agro-industrial complex, civil servants staff of akims of villages, settlements, rural districts who arrived to work and live in rural settlements;
- the process of prolonging the real estate insurance contract through the Real Estate Portal otbasybank.kz was implemented and put into commercial operation;
- the process of opening a children's deposit through the Real Estate Portal otbasybank.kz has been implemented and put into commercial operation.
- The Tariff program “Educational Savings Deposit “AQYL” has been approved and comes into effect from 01/02/2024.

## **1 Introduction (continued)**

**Registered address and place of business.** The Bank’s registered legal address is: 91, Abylay-Khan avenue, A05A2X0, Almaty, Republic of Kazakhstan.

As of December 31, 2023, the Bank has 19 regional branches and 18 service centers and 3 service points in Kazakhstan (in 2022: 18 regional branches and 19 service centers in Kazakhstan and 3 service points).

As of the date of issue of these reports, the Bank has a developed network of consultants (agent network), as well as video banking, through which clients can receive consulting services on the Bank’s products and services, open deposits online without visiting the Bank, and receive a list of services remotely.

The Bank is a participant in the system of mandatory collective guarantee (insurance) of deposits of individuals in accordance with Certificate No. 25 issued by Kazakhstan Deposit Guarantee Fund JSC. Insurance ensures the Bank’s obligations on deposits of individuals in the amount of up to 10,000 thousand tenge for each individual in the event of termination of activity or revocation of a banking license.

According to the Resolution of the Board of the Agency of the Republic, Kazakhstan for the Regulation and Supervision of the Financial Market and Financial Organizations (hereinafter referred to as the “Agency”) No. 162 dated June 25, 2007, the Bank was assigned the status of a financial agency.

In accordance with the status of the Agency, borrowed funds from the republican budget were attracted by the Bank without providing collateral in accordance with Decree of the Government of the Republic of Kazakhstan No. 1844 dated November 16, 2009.

As of December 31, 2023:

Moody’s rating agency assigned the following ratings to the Bank:

- Long-term rating on deposits in the national currency: Baa2 (Stable);
- Short-term rating on deposits in the national currency: Prime-2 (Stable);
- Baseline Credit Assessment (BCA): ba2 (Stable).

Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB/ Stable;
- Short-term IDR in national currency: F2/ Stable.

As of 31 December 2022:

Moody’s rating affirmed the Bank the following ratings:

- Long-term rating on deposits in the national currency: Baa2 (Stable);
- Short-term rating on deposits in the national currency: Prime-2 (Stable);
- Baseline Credit Assessment (BCA): ba2 (Stable).

Fitch Ratings agency affirmed the Bank the following ratings:

- Long-term Issuer Default Rating (IDR) in national currency: BBB/ Stable;
- Short-term IDR in national currency: F2/ Stable.

**Presentation currency.** These financial statements are presented in Kazakhstani Tenge, unless stated otherwise.

**Functional currency.** The functional and presentation currency of the Bank is the national currency of the Republic of Kazakhstan, Kazakhstani tenge.

## **2 Operating Environment of the Bank**

On November 27, 2023, the Monetary Policy Committee of the National Bank of the Republic of Kazakhstan decided to reduce the base rate at the level of 15.75% per annum with a corridor of +/- 1 percentage point.

Global inflation pressures are easing, but inflation is still persistent in a number of countries. Against this background, central banks of developed countries continue to tighten monetary conditions. In Kazakhstan, inflation is also slowing down both in annual and monthly terms.

Annual inflation is within the forecast range; in December 2023 it slowed down and amounted to 9.8% (in November 2023 – 10.3%). Prices for food products increased over the year by 8.5% (in November 2023 - 9.2%), for non-food products - by 9.1% (in November 2023 - 9.9%), for paid services - by 12.4% (in November 2023 - 12%).



## **2 Operating Environment of the Bank (continued)**

At the end of trading on January 2, 2024, the market rate of the tenge was 454.56 tenge per US dollar. According to the data of the National Bank of the Republic of Kazakhstan, at the end of the fourth quarter of 2023, the average tenge exchange rate was 466.08 tenge per US dollar, and compared to the results of the third quarter of 2023, it strengthened by - 10.97 tenge.

As of January 1, 2024, there are 21 banks operating in the Republic of Kazakhstan, of which 11 are banks with foreign participation, including 8 second-tier subsidiary banks, 2 banks with 100% state participation.

Second-tier banking assets of the Republic of Kazakhstan as of January 1, 2024 amounted to 51.4 trillion tenge, having increased in December 2023 by 4.6% or 2.3 trillion tenge (since the beginning of 2023, an increase of 15.4% or 6.9 trillion tenge), mainly due to the growth of the loan portfolio by 4.2%.

Highly liquid assets amounted to 15.0 trillion tenge or 29.3% of assets, which allows banks to service their obligations to clients in full.

Loans to individuals amounted to 18.2 trillion tenge, increasing by 2.3% in December 2023 (from the beginning of 2023, an increase of 28.9%). Mortgage loans increased by 1.8% to 5.4 trillion tenge. Consumer loans increased by 2.7% to 10.3 trillion tenge.

The quality of the loan portfolio remains stable. As of January 1, 2024, the level of loans with overdue debt over 90 days (NPL90+) in the banking sector amounted to 2.9% of the loan portfolio or 863 billion tenge (as of January 1, 2023 - 3.4% or 815 billion tenge).

Liabilities of the banking sector for December 2023 increased by 4.8% to 44.6 trillion tenge (since the beginning of 2023, an increase of 13.3% or 5.2 trillion tenge).

Residents' deposits in depository organizations in December 2023 increased by 7.6% to 34.7 trillion tenge as a result of an increase in deposits of legal entities by 6.2% to 15.8 trillion tenge. Deposits of individuals for the month increased by 8.9% to 18.8 trillion tenge.

Deposits in national currency in December 2023 increased by 10.0% to 26.6 trillion tenge, in foreign currency increased slightly by 0.5% to 8.0 trillion tenge. As a result, the dollarization level as of January 1, 2024 was 23.2% (at the beginning of 2023 – 31.6%).

The weighted average interest rate on time deposits in the national currency of non-bank legal entities in December 2023 was 14.6% (in November 2023 - 14.6%), on deposits of individuals - 13.7% (in November 2023 - 13.9%).

Over the year (December 2023 to December 2022), sales prices for new housing increased by 3.4%, and the average price in the Republic per 1 square meter was 494,898 tenge, and secondary market apartments decreased by 3.7%, and the average price in the Republic per 1 square meter meter amounted to 494.373 tenge. Rent for comfortable housing in December 2023 compared to the same month last year increased by 1.6% and amounted to 4,871 tenge per 1 square meter.

Regionally, prices on the primary housing market in annual terms increased significantly in the cities of Kyzylorda - by 12.6%, Petropavlovsk - by 10.6%. In the secondary housing market, the leaders in price growth are the cities of Atyrau (8.2%), Kyzylorda (6.9%), in the rental housing market - Zhezkazgan (33.4%), Kokshetau (26.1%), Karaganda (23%).

The number of housing purchase and sale transactions for January-December 2023 amounted to 370,551, and compared to the same period last year decreased by 14%, then 432,235 transactions were registered. The negative highest rate was recorded in the Aktobe region (by 15.3%), and the largest increase was recorded in the Almaty region (by 62.3%).

In order to implement the state's social objectives to provide the population with housing, the Bank works with local executive bodies (hereinafter referred to as LEB). From January to December 2023, the Bank entered into loan agreements with local authorities of the Burlinsky district of the West Kazakhstan region, Ulytau region, Karaganda region (for lending to employees of Shubarkol Komir JSC, ArcelorMittal Temirtau JSC and youth of this region), Temirtau, Astana, Almaty, Shymkent, Zhambyl region, Pavlodar, Aksu, Pavlodar region, Kyzylorda region, Kostanay region, Atyrau region, Zhetisu region, Abay region and West Kazakhstan region within which funds were allocated to the Bank to provide preliminary housing loans on preferential terms to Bank depositors. The total amount of allocated funds from local executive bodies from January to December 2023 amounted to 35.28 billion tenge.

On November 17, 2023, Fitch Ratings confirmed the sovereign credit rating of the Republic of Kazakhstan at the “BBB” level, the forecast is stable. Fitch notes that a key factor in confirming the rating is the maintenance of significant external reserves and fiscal stability, which have proven resilience to external shocks.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**3 Basis of preparation of financial statements**

Basic principles of accounting policies. These financial statements have been prepared in accordance with IFRS Accounting Standards using historical cost accounting conventions except for the initial recognition of financial instruments at fair value and the revaluation of financial instruments at fair value through profit or loss (“FVTPL”), and at fair value through other comprehensive income (“FVOCI”). The significant accounting policies applied in the preparation of these financial statements are set out below. These principles have been applied consistently to all periods presented unless otherwise noted (Note 5).

These financial statements are addressed to the primary users, which are investors who lend or provide equity capital to the reporting entity. These financial statements assume that key users have reasonable knowledge of the business and economic activities and have appropriately verified and reviewed the information. At times, even knowledgeable and careful users may need the assistance of an advisor to understand the complex economic information reflected in these financial statements.

The objective of these financial statements is to disclose only information that management considers to be material to its principal users. Management is careful not to impair the understandability of these financial statements by obscuring material information by immaterial information. Accordingly, only significant accounting policies are disclosed, as appropriate, in the applicable disclosure notes.

**Presentation of statements of financial position items in order of liquidity.** The Bank does not have a clearly identifiable operating cycle and therefore the Bank does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented by expected maturity in Note 25.

The table below provides information on amounts expected to be recovered or settled before or after the expiration of 12 months after the end of the reporting period for items not included in the analysis presented in Note 25.

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023			31 December 2022		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
	Within 12 months after the reporting period	After 12 months after the reporting period	Total	Within 12 months after the reporting period	After 12 months after the reporting period	Total
<b>Assets</b>	-	6,525,256	6,525,256	-	6,711,795	6,711,795
Intangible assets						
Premises and equipment	-	7,068,689	7,068,689	-	4,756,831	4,756,831
Right-of-Use assets tax asset	-	102,828	102,828	-	529,929	529,929
Other assets	345,126	-	345,126	331,252	-	331,252
Current income tax prepayment	9,567,396	-	9,567,396	-	-	-
Non-current assets held for sale	182,076	-	182,076	249,493	-	249,493
<b>Total:</b>	<b>10,094,598</b>	<b>13,696,773</b>	<b>23,791,371</b>	<b>580,745</b>	<b>11,998,555</b>	<b>12,579,300</b>
<b>Liabilities</b>						
Current income tax liability	-	-	-	387,342	-	387,342
Deferred income tax liability	(864,745)	41,795,390	40,930,645	(645,687)	29,668,587	29,022,900
Other liabilities	4,377,858	-	4,377,858	3,127,732	-	3,127,732
Government grant	5,580,849	274,662,562	280,243,411	4,739,377	256,750,111	261,489,488
<b>Total:</b>	<b>9,093,962</b>	<b>316,457,952</b>	<b>325,551,914</b>	<b>7,608,764</b>	<b>286,418,698</b>	<b>294,027,462</b>

#### **4 Critical Accounting Estimates and Judgments in Applying Accounting Policies**

The Bank makes estimates and makes assumptions that affect the amounts recognized in the financial statements and the carrying amounts of assets and liabilities in the next financial year. Estimates and judgments are continually evaluated based on management's experience and other factors, including expectations of future events that management believes are reasonable in light of current circumstances. In the process of applying accounting policies, management also uses judgments and estimates. Judgments that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

**Estimation of expected credit losses.** The estimate of expected credit losses is a quantitative estimate that uses the same estimation methodology, models and inputs as at December 31, 2022. There were no changes in the methodology for forecasting expected credit losses over the past period. The following components have a major impact on the credit impact allowance: the definition of default, the increase in credit risk, the probability of default, the stability of default risk and the size of the loss given default, and macroeconomic patterns. The Bank regularly subsequently provides models and model inputs as a result of reducing the differences between estimated expected credit losses and actual loan losses.

The Bank used verifiable forward-looking information to forecast expected credit losses, primarily drawing on the outputs of its own forward-looking macroeconomic model. The Bank reassesses macroeconomic functions on an annual basis as macroeconomic dynamics may change over time.

The Bank at least once a year calculates the minimum value of LGD (estimate of losses arising from default, used in calculating expected credit losses) in accordance with the “Methodology for calculating reserves (provisions) of Otbasy Bank JSC.” In September 2023, an increase was approved minimum LGD to 31% from the previous value of 30%. The calculation was made in accordance with the "Methodology for calculating reserves (provisions) of Otbasy Bank JSC", the change in the indicator is associated with changes in input data (average discount when selling collateral). This caused a change in the total amount of provisions for expected credit losses in the amount of about 150 million tenge.

When analyzing the impact of the macroeconomic situation on expected credit losses, the Bank assesses the consequences of major social and economic events, takes into account existing expert opinions, and identifies relationships between economic parameters and the behavior of the loan portfolio.

The amount of debt written off and forgiven as of December 31, 2023 is 232,109 thousand tenge (45 loans).

**Significant increase in credit risk.** To determine whether there has been a significant increase in credit risk, the Bank compares the risk of default over the life of the financial instrument at the reporting date with the risk of default at the date of initial recognition. The assessment process considers the relative increase in credit risk rather than the specific level of credit risk at the reporting date. The Bank considers all reasonable and supportable forward-looking information that is available without undue cost or effort, including a number of factors, including the behavioral aspects of specific client portfolios. The Bank identifies behavioral indicators of increasing credit risk prior to default and incorporates relevant forward-looking information into the assessment of credit risk at the individual instrument or portfolio level.

If expected credit losses on all loans and advances to customers were measured as lifetime expected credit losses (that is, including loans and borrowings that are in Basket 1 at the reporting date and measured as 12-month expected credit losses), with all other factors would have remained unchanged, the allowance for expected credit losses as at 31 December 2023 would have been KZT 7,249,420 thousand more, before income tax (as of 31 December 2022, it would have been KZT 8,809,405 thousand more, before income tax).

If the loss given default (LGD) on impaired loans were 100%, all other factors remaining constant, the allowance for expected credit losses would increase by Tenge 4,013,216 thousand (31 December 2022: by Tenge 5,388,651 thousand). All other factors are unchanged.

#### **4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)**

**Initial recognition of financial instruments.** Financial instruments measured at fair value through profit or loss are initially recognized at fair value. All other financial instruments are initially recognized at fair value, including transaction costs. The best evidence of fair value at initial recognition is the transaction price. A gain or loss on initial recognition is recognized only if there is a difference between the fair price and the transaction price as evidenced by other observable current transactions in the same instrument or by a valuation model that uses only observable market data as its basis. Subsequent to initial recognition, an allowance for expected credit losses is recognized for financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income, resulting in the recognition of an accounting loss immediately upon initial recognition of the asset.

Purchases and sales of financial assets, the delivery of which must be made within the time limits established by law or business custom for a given market (purchases and sales “on standard terms”), are reflected on the date of the transaction, that is, on the date on which the Bank undertakes to buy or sell financial asset. All other acquisitions are recognized when the Bank becomes a party to the contract in respect of the financial instrument.

**Classification and subsequent valuation of financial assets: valuation categories.** The Bank classifies financial assets using the following measurement categories: those measured at fair value through profit or loss, those measured at fair value through other comprehensive income and those measured at amortized cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the underlying portfolio of assets and (ii) the cash flow characteristics of the asset.

**Classification and subsequent valuation of financial assets: business model.** The business model reflects the way the Bank manages assets to collect cash flows: whether the Bank's objective is (i) only to collect contractual cash flows from assets (“holding assets to collect contractual cash flows and sell”), or (ii) the receipt of both contractual cash flows and cash flows arising from the sale of assets (“holding assets to collect contractual cash flows and sale”), or, if neither clause (i) nor clause (ii) applies, financial assets are classified as “other” business models and are measured at fair value through profit or loss.

The business model is determined for a group of assets (at the portfolio level) based on all relevant evidence of the activities that the Bank intends to undertake to achieve the objective established for the portfolio available at the valuation date. Factors considered by the Bank in determining its business model include the purpose and composition of the portfolio, past experience of cash flows from relevant assets, approaches to risk assessment and management, methods for assessing asset returns and executive compensation structure.

The Bank may use more than one business model to manage similar financial assets and may hold one portfolio of investments that it manages to earn contractual cash flows and another portfolio of investments that it manages to sell for gains in fair value. Also, the same counterparties can be in both models. In certain cases, the Bank divides its portfolio of financial assets into sub-portfolios to show how the Bank manages these financial assets. The Bank uses stress testing to assess the potential impact of exceptional but possible events on the Bank's financial condition. While some assets in the liquid asset portfolio are held for a stress test scenario (that is, held to collect contractual cash flows), the remaining assets are held to meet the Bank's day-to-day liquidity needs resulting in recurring sales.

**4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)**

**Classification and subsequent valuation of financial assets: characteristics of cash flows.** If the business model involves holding assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the cash flows represent solely payments of principal and interest (the “solely principal payments test”), debt and interest” or “SPPI test”). Financial assets with embedded derivatives are considered in aggregate to determine whether their cash flows are payments solely of principal and interest. In making this assessment, the Bank considers whether the contractual cash flows comply with the terms of the underlying loan agreement, i.e. Interest includes only consideration for credit risk, time value of money, other risks of the underlying loan agreement and profit margin.

If the terms of the contract provide exposure to risk or volatility that is not consistent with the terms of the underlying loan agreement, the related financial asset is classified and measured at fair value through profit or loss. The test for payments solely of principal and interest is performed at initial recognition of the asset and is not subject to subsequent revaluation.

**Modification of financial assets.** When financial assets are modified by contract (for example, as a result of a renegotiation), the Bank assesses whether the modification is material and should result in the derecognition of the original asset and recognition of a new asset at fair value. This estimate is based primarily on qualitative factors described in the relevant accounting policies and requires significant judgment. In particular, the Bank applies judgment in deciding whether to derecognise impaired renegotiated loan agreements and whether newly recognized loans should be treated as impaired at initial recognition. The decision whether to derecognise depends on whether the risks and rewards, that is, the expected cash flows (rather than the contractual cash flows), will change as a result of the modification.

**Derecognition of financial assets.** The Bank derecognises financial assets when (a) the assets are settled or the rights to the cash flows associated with the assets have otherwise expired, or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a transfer agreement, and (i) has also transferred substantially all the risks and rewards of ownership of those assets, or (ii) has not transferred and retained substantially all the risks and rewards of ownership of those assets, but has lost control of the data assets. Control is maintained if the counterparty has no practical ability to sell the asset in full to an unrelated third party without imposing restrictions on the sale.

**Financial instruments - basic approaches to valuation.** Financial instruments are stated at fair value or amortized cost depending on their classification. Below is a description of these assessment methods.

**Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is a quoted price in an active market. An active market is a market in which transactions in an asset or liability occur with sufficient frequency and volume to provide valuation information on an ongoing basis.

The fair value of financial instruments traded in an active market is measured as the quoted price of an individual asset or liability multiplied by the quantity held by the Bank. This is the case even if the normal daily trading volume of the market is insufficient to absorb the amount of assets and liabilities that the Bank holds, and placing orders to sell positions in a separate transaction may affect the quoted price. To measure fair value, the price within the bid-ask spread that is most representative of fair value in the circumstances was used, which management considers to be equal to the last transaction price at the reporting date. The market quote used to value financial assets is the current bid price; and the quoted market price that was used for financial obligations is the current offer price.

#### **4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)**

A portfolio of financial assets and liabilities that are not traded in an active market is measured at the fair value of the group of financial assets and financial liabilities based on the price that would be received by selling the net long position (i.e. the asset) for taking on a particular risk or transferring the net short position (i.e. liability) for accepting a specific risk in a transaction on a voluntary basis between market participants at the measurement date under current market conditions.

This is applicable for assets measured at fair value on a multiple basis if the Bank(s) manages a group of financial assets and financial liabilities based on the Bank's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Bank's formal management strategy risks or its investment strategy; (b) on this basis provides information about the group of financial assets and financial liabilities to the Bank's senior management personnel; and (c) market risks, including the duration of the Bank's exposure to a particular market risk (or risks) arising in connection with financial assets and financial liabilities, are substantially equivalent.

Valuation models, such as the discounted cash flow model, as well as models based on similar arm's length transactions or the present value of the investee, are used to determine the fair value of financial instruments for which market transaction price information is not available. The results of fair value measurements are analyzed and classified into levels of the fair value hierarchy as follows: (i) Level 1 refers to estimates based on quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 - obtained using valuation techniques in which all significant inputs used that are either directly (for example, price) or indirectly (for example, based on price) observable for the asset or liability, and (iii) Level 3 estimates that are estimates are not based solely on observable market data (i.e. the valuation requires a significant amount of unobservable inputs). There were no transfers between levels of the fair value hierarchy at the end of the reporting period.

***Reclassification of financial assets.*** Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. Reclassification is made prospectively from the beginning of the first reporting period following a change in business model. The Bank did not change its business model during the current or comparative period and made no reclassifications.

***Fair value of financial instruments at a rate below market.*** According to the Bank's current tariff programs, preliminary housing loans and intermediate housing loans offered to the population have interest rates from 2% to 12%, for housing loans from 2% to 5%. Housing loans are issued subject to the presence of 50% of the savings of the contract amount in the savings account of the potential borrower, upon reaching the estimated indicator and observing the minimum accumulation period of at least three years. Interim housing loans are issued subject to early accumulation or a lump sum payment of the minimum required amount (at least 50% of the contract amount) with subsequent lending within the contract amount. A preliminary housing loan is issued without the condition of repaying the principal debt before receiving the agreed amount, the balance of which is repaid from the agreed amount. In this case, the interest rate on savings is 2%.

The Bank concluded that loans issued by the Bank and deposits to individuals are unique in the market due to the lack of similar products. Consequently, the transaction price, being the current price for the main or most profitable market, does not need to be subsequently adjusted to take into account the costs of the transaction. The exception is loans issued at preferential rates, including loans issued under government programs. For these loans, upon initial recognition, the Bank adjusts the fair value using the weighted average rate calculated for loans issued at non-concessional rates in accordance with the Fair Value Determination Methodology. This rate is calculated once a month for the current loan portfolio separately for interim and preliminary loans and is applied to newly issued loans in the next month at preferential rates.

**4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)**

Upon initial recognition of loans and debt securities issued to implement government and local government programs at below market rates, the fair value adjustment is recognized in equity as additional paid-in capital because the Bank measures this as a contribution to capital, i.e. financing is provided to finance government programs that represent the core activities of the Bank, generating marginal profits. Also, government agencies do not provide similar loans to other financial institutions, since the Bank's mortgage products are unique on the market. An alternative would be to use government grant accounting so that the profit is recognized as a deferred liability instead of a contribution to equity and subsequently amortized as income over the life of the funding received. This accounting is used for all funding received under State programs, with the exception of the Bakytty Otbasy and Shanyrak programs, for which government subsidies accounting is used. The accounting difference is due to the fact that these programs do not provide sufficient interest margin to cover the Bank's non-interest expenses and, as such, the programs are loss-making for the Bank and cannot be considered a contribution to capital.

Expenses less income arising from the initial recognition of financial instruments at rates below market for 2023 amounted to 27,314,503 thousand (2022: 23,915,177).

The table below presents funds raised/placed under contractual terms that differ significantly from the average market rates for borrowings with similar terms in terms of term and interest rate and were recognized in the financial statements at fair value.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)**

*(in thousands of Kazakhstani tenge)*

Debtor/Creditor	The amount of the contract	Contract terms (year)	Nominal/market rate (%)	Amount of discount/state subsidy	Note
AO "Bereke Bank"	100,000,000	1,5	10 / 20,01	(8,620,512)	*Method of calculation; borrowed funds; additional capital
Ministry of Finance of the Republic of Kazakhstan	186,000,000	11-20	0,15-1 / 4,5656-12,54	125,269,623	*Method of calculation; borrowed funds; additional capital
	253,641,876	25	0,01 / 9,4056-13,38	236,443,166	*Method of calculation; borrowed funds; state subsidies
Akimat of Almaty city	59,824,065	8-25	0,01 / 8,4304-13,38	42,063,641	*Method of calculation; borrowed funds; additional capital
	8,848,000	25	0,01 / 8,7015-12,10	7,159,645	*Method of calculation; borrowed funds; state subsidies
JSC NMH Baiterek (Parent company)	22,000,000	20	0,15 / 7,9694	13,541,732	*Method of calculation; borrowed funds; additional capital
	210,000,000	20	4,05 / 10,99-13,7	123,114,513	*Method of calculation; issued securities; state subsidies
JSC "Development Bank of Kazakhstan"	80,000,000	1,5	10 / 14,27	3,454,780	*Method of calculation; borrowed funds; additional capital
Akimat of Astana city	3,579,000	8	0,01 - 0,15 / 10,4401 - 13,90	1,943,186	*Method of calculation; borrowed funds; additional capital
Akimat of Karaganda region	4,400,000	8-15	0,01 / 12,81-14,44	2,630,880	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of Akim of Uralsk"	50,000	8	0,01 / 13,51	24,644	*Method of calculation; borrowed funds; additional capital
KSU "Apparatus of Akim of Zhambyl region"	1,599,000	8	0,01 / 13,38-14,31	810,928	*Method of calculation; borrowed funds; additional capital
State Institution "Akim's Apparatus of Kostanay"	1400,000	8	0,01 / 13,38-14,17	721,632	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of Akim of Almaty Region"	494,597	8	0,01 / 13,49	303,512	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of the Akim of the city of Taldykorgan"	900,000	8	0,01 / 13,66-14,31	465,611	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of the Akim of the Aktobe Region"	300,000	8	0,01 / 13,66	152,877	*Method of calculation; borrowed funds; additional capital
State Institution "Akim's Apparatus of Atyrau City"	5,000,000	8	0,01 / 13,90-14,31	2,605,241	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of the Akim of the city of Semey, Abay region"	939,619	8	0,01 / 13,90-14,31	488,485	*Method of calculation; borrowed funds; additional capital
State Administration of the Burlinsky District Akim"	440,000	8	0,01 / 14,43	234,327	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of the Akim of the City of Temirtau"	200,000	15	0,01 / 13,67	136,016	*Method of calculation; borrowed funds; additional capital
	150,000	8	0,01 / 13,55	101,875	*Method of calculation; borrowed funds; additional capital



***“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC***  
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Debtor/Creditor	The amount of the contract	Contract terms (year)	Nominal/market rate (%)	Amount of discount/state subsidy	Note
State Institution "Apparatus of Akim of the Ulytau Region"	500,000	15	0,01 / 12,86	333,955	*Method of calculation; borrowed funds; additional capital
JSC "Karazhanbasmunai"	1,316,432	4	2 / 11,54	383,153	*Method of calculation; issued securities; P&L
AOO "NIS"	334,405	8	0,01 / 10,72-13,31	153,195	*Method of calculation; borrowed funds; P&L
JSC "Shubarkulkomir"	400,000	8	0,01 / 14,75	257,535	*Method of calculation; borrowed funds; P&L
Akimat of Shymkent	3,000,000	8	0,01 / 14,75	1,594,024	*Method of calculation; borrowed funds; additional capital
KSU "Apparatus of the Akim of the Kyzylorda region"	1,200,000	8	0,01 / 14,75	639,520	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of the Akim of the City of Pavlodar"	345,500	8	0,01 / 14,17	178,799	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of Akim of Mangistau Region"	500,000	8	0,01 / 14,17	260,544	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of Akim of the city of Aksu"	54,500	8	0,01 / 14,35	27,899	*Method of calculation; borrowed funds; additional capital
State Institution "Apparatus of the Akim of the West Kazakhstan Region"	600,000	8	0,01 / 14,31	314,778	*Method of calculation; borrowed funds; additional capital

<sup>1</sup> The rate of return on government securities with the same maturity period;

<sup>2</sup> The rate of return on government securities denominated in tenge by linearising the specified dependence using a linear function;

<sup>3</sup> A multi-component methodology for fair value measurement including, in a particular, the Nelson-Siegel parametric model and used by NMH "Baiterek" and subsidiaries.

\* According to the Methodology for determining the fair value of financial assets and financial liabilities of Otbasy Bank JSC. The methodology has been developed in accordance with the legislation of the Republic of Kazakhstan, International Financial Reporting Standards, the Bank's Accounting Policy, and the Parent Company's General Methodology for Determining the Fair Value of Financial Assets and Financial Liabilities. In 2021, the Bank changed its judgment to change the valuation method if such a change results in the most accurate estimate under the circumstances. When events (described in the Methodology) occur, the Bank uses an adjusted valuation method for each group/type of assets/liabilities in accordance with this Methodology.

#### **4 Critical Accounting Estimates and Judgments in Applying Accounting Policies (continued)**

**Accounting for lease agreements in which the Bank acts as a lessee.** The bank rents office space. Lease agreements are recognized as right-of-use assets, with a corresponding liability on the date the Bank receives use of the corresponding leased asset. Each lease payment is allocated between liability and finance charges. Finance costs are charged to profit or loss over the lease term to provide a constant interest rate on the remaining liability each period. A right-of-use asset recognized at cost is depreciated on a straight-line basis over the useful life of the asset or the lease term, whichever ends first.

Liabilities arising under the lease agreement are initially measured at present value. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including substantially fixed payments) less incentive payments receivable;
- variable lease payments based on an index or rate;
- amounts payable by the lessee under the terms of the residual value guarantees;
- the exercise price of a purchase option if the lessee has reasonable confidence that the option will be exercised;
- payment of penalties for terminating the lease if the lease term reflects the tenant's exercise of this option.

Lease payments are discounted at the interest rate specified in the lease agreement. If such a rate cannot be determined, then the capital gains rate is used because it is the interest rate that the lessee would have to pay to raise the funds needed to obtain an asset of like value in a like economic environment on like terms.

Right-of-use assets are valued at cost, taking into account:

- the amount of the initial measurement of the lease liability;
- all lease payments made on or before the lease commencement date, less lease incentive payments;
- all initial direct costs;
- cost of restoration work.

As an exception, the Bank maintains accounting for short-term leases and leases of low-value property, reflecting lease payments as expenses using the straight-line method.

When determining the lease term, the Bank's management takes into account all facts and circumstances that form the economic basis for extending the lease or not exercising the option to terminate the lease. Lease renewal options (or periods of time after the lease termination options are exercised) are included in the lease term only if there is reasonable certainty that the lease will be renewed (or not terminated).

The assessment is subject to revision if a significant event or significant change in circumstances occurs that affects the assessment and is within the tenant's control. The Bank did not renegotiate the terms (concessions) of lease contracts related to COVID-19.

As at 31 December 2023, the Bank recognized right-of-use assets in the amount of Tenge 23,958 thousand and a corresponding lease liability in the amount of Tenge 137,963 thousand in Other financial liabilities in the Statement of Financial Position.

**Categories for assessing financial liabilities.** Financial liabilities are classified as subsequently measured at amortized cost, except for: (i) financial liabilities measured at fair value through profit or loss: this classification applies to derivative financial instruments, financial liabilities held for trading (eg short positions in securities), contingent consideration recognized by the acquirer in a business combination and other financial liabilities designated as such at initial recognition; and (ii) financial guarantee agreements and loan commitments.

**Derecognition of financial liabilities.** Financial liabilities are derecognised when they are extinguished (that is, when the obligation specified in the contract is fulfilled or terminated, or the period for its fulfillment expires). Exchanges of debt instruments with significantly different terms between the Bank and its original lenders, as well as significant modifications to the terms of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are considered to be materially different if the discounted present value of the cash flows under the new terms, including all fees paid less fees received discounted at the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors are taken into account, such as the currency in which the instrument is denominated, a change in the type of interest rate, new terms for converting the instrument and a change in loan covenants. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, all costs or consideration paid are recognized in gain or loss on extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or consideration paid are recorded as an adjustment to the carrying amount of the liability and are amortized over the remaining life of the modified liability.

## **5 Application of new or revised standards and interpretations**

The following amendments became effective from 1 January 2023:

IFRS 17 Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which allowed companies to apply existing insurance contract accounting practices that made it difficult for investors to compare and contrast the financial results of otherwise similar insurance companies. IFRS 17 is a single, principles-based standard for accounting for all types of insurance contracts, including reinsurance contracts, held by an insurer.

Amendments to IFRS 17 and Amendments to IFRS 4 (issued on 25 June 2022 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications aimed at facilitating the implementation of IFRS 17 and simplifying certain requirements of the standard and transition. These amendments relate to eight areas of IFRS 17 and do not change the underlying principles of the standard.

Transition option for insurers in applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The Amendment to the Transition Requirements to IFRS 17 provides insurers with an option designed to improve the usefulness of information to investors on the initial adoption of IFRS 17. The amendment only affects insurers' transition to IFRS 17 and does not affect any other requirements IFRS 17.

Amendments to IAS 1 and IFRS Practice Guide 2: Disclosure of Accounting Policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require entities to disclose significant information about their accounting policies instead of significant accounting policies. The amendments contain definitions of material accounting policies. In addition, the amendments clarify that information about accounting policies is expected to be material if, without it, users of the financial statements would be unable to understand other material information in the financial statements. The amendments provide examples of accounting policies that are likely to be considered material to the entity's financial statements. In addition, the amendment to IAS 1 clarifies that immaterial accounting policies do not need to be disclosed. However, if such information is disclosed, it should not obscure the understanding of material accounting policies. In support of this amendment, changes were also made to IFRS Practice Guide 2, Making Materiality Judgments, to provide guidance on applying the concept of materiality to disclosures of accounting policies. The amendments resulted in changes in the presentation of these financial statements, primarily by eliminating significant accounting policies that do not provide significant information about accounting policies.

Amendment to IAS 8 Determining Accounting Estimates (issued on 12 February 2023 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarifies how to distinguish changes in accounting policies from changes in accounting estimates.

Deferred taxes relating to assets and liabilities arising from a single transaction – Amendment to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 12 clarifies how to report deferred taxes on transactions such as leases and decommissioning obligations. In certain circumstances, entities are relieved of the obligation to recognize deferred taxes when they first recognize assets or liabilities. Previously, there was some uncertainty as to whether this exception applied to lease transactions and to decommissioning obligations, whereas both of these types of transactions recognized an asset and a liability. The amendment clarifies that the exception does not apply and entities are required to recognize deferred tax on such transactions. According to this amendment, organizations are required to recognize deferred tax on transactions that, upon initial recognition, give rise to temporary differences of the same amount that increase and decrease the tax base.

International Tax Reform - Pillar Two Model Rules - Amendments to IAS 12 Income Taxes (issued 23 May 2023). In May 2023, the IASB issued limited scope amendments to IAS 12 Income Taxes. This amendment was introduced in response to the upcoming implementation of the Pillar Two Model Rules issued by the Organization for Economic Co-operation and Development (OECD) as a result of international tax reform. The amendments provide a temporary exception to the requirement to recognize and disclose deferred taxes arising from enacted or substantively enacted tax laws that implement the Pillar Two Model Rules. Companies may apply the exception immediately, but the disclosure requirements are required for annual periods beginning on or after January 1, 2023.

The application of the above amendments did not have a material impact on the Bank's financial statements.

**6 New standards and interpretations**

A number of new standards and interpretations have been published that are mandatory for annual periods beginning on or after 1 January 2024 and which the Bank has not yet early adopted.

- Amendments to IFRS 16 Leases: Lease Liabilities in Sale and Leasebacks (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Financing Arrangements (issued 25 May 2023).
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on 1 January 2024 or after this date).

Unless otherwise stated above, these new standards and interpretations are not expected to have a significant impact on the Bank's financial statements.

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**Notes to the Financial Statements for 2023**

**7 Cash and Cash Equivalents**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Cash balances with the NBRK (other than mandatory reserve deposits)	292,543,088	203,269,913
NBRK notes with a maturity of less than three months	273,398,547	79,059,436
Reverse sale and repurchase agreements with original maturities of less than three months	11,312,246	16,286,908
Mandatory cash balances with the NBRK	6,121,296	25,218,430
Current accounts	4,438,644	1,487,013
Cash on hand	3,086,347	2,009,473
Correspondent accounts in other banks	35,917	189,779
Less credit loss allowance	(15,841)	(5,711)
<b>Total cash and cash equivalents</b>	<b>590,920,244</b>	<b>327,515,241</b>

The Bank places temporarily available client funds on deposits with the National Bank of the Republic of Kazakhstan, as well as in securities with a maturity of up to 3 months.

Cash and cash equivalents are items that are readily convertible to a specified amount of cash and are subject to minor changes in value. Cash and cash equivalents include cash on hand, balances in correspondent and current accounts, required reserves on accounts with the National Bank of the Republic of Kazakhstan, notes of the National Bank of the Republic of Kazakhstan, interbank deposits and reverse repurchase agreements with an original maturity of less than three months. Funds that are restricted for use for more than three months at the time of provision are excluded from cash and cash equivalents. Cash and cash equivalents are stated at amortized cost.

Payments or receipts of cash presented in the statement of cash flows represent transfers of cash and cash equivalents by the Bank, including amounts accrued or credited to the current accounts of the Bank's counterparties placed with the Bank, amounts such as interest income on a loan or principal amount of debt, collected by debiting funds from the client's current account, interest payments, or issued loans credited to the client's current account, representing cash or cash equivalents from the client's point of view.

The table below discloses the credit quality of cash and cash equivalents balances at December 31, 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Cash balances with the NBRK, including mandatory reserves</b>	<b>NBRK notes with a maturity of less than three months</b>	<b>Reverse sale and repurchase agreements with original maturities of less than three months</b>	<b>Correspondent accounts in other banks</b>	<b>Current accounts</b>	<b>Total</b>
<i>Neither past due nor impaired</i>						
- National Bank of Republic of Kazakhstan (BBB- rated)	298,659,090	273,388,532	-	-	4,438,486	576,486,108
- BBB- to BBB+ rated	-	-	11,311,792	30,160	-	11,341,952
- BB- to BB+ rated	-	-	-	5,757	80	5,837
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>298,659,090</b>	<b>273,388,532</b>	<b>11,311,792</b>	<b>35,917</b>	<b>4,438,566</b>	<b>587,833,897</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**7 Cash and Cash Equivalents (continued)**

The table below discloses the credit quality of cash and cash equivalents balances at December 31, 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Cash balances with the NBRK, including mandatory reserves</b>	<b>NBRK notes with a maturity of less than three months</b>	<b>Reverse sale and repurchase agreements with original maturities of less than three months</b>	<b>Correspon- dent accounts in other banks</b>	<b>Current accounts</b>	<b>Total</b>
<i>Neither past due nor impaired</i>						
- National Bank of Republic of Kazakhstan (BBB- rated)	228,486,398	79,058,034	-	-	1,486,924	309,031,356
- BBB- to BBB+ rated	-	-	16,286,628	-	-	16,286,628
- BB- to BB+ rated	-	-	-	187,695	89	187,784
<b>Total cash and cash equivalents, excluding cash on hand</b>	<b>228,486,398</b>	<b>79,058,034</b>	<b>16,286,628</b>	<b>187,695</b>	<b>1,487,013</b>	<b>325,505,768</b>

Credit ratings are based on ratings from Standard & Poor's (where available) or Moody's and Fitch, converted to the nearest equivalent on the Standard & Poor's rating scale.

As of December 31, 2023, the Bank had notes of the National Bank of the Republic of Kazakhstan with a maturity of less than three months for a total amount of 273, 398, 547 thousand tenge (2022: 79,059,436 thousand tenge), as well as balances on accounts with the National Bank of the Republic of Kazakhstan, including mandatory reserves in in the amount of 298,659,090 thousand tenge (2022: 228,486,398 thousand tenge).

**Transactions under sale and repurchase agreements with securities.** Transactions under sale and repurchase agreements ("repurchase agreements"), which actually provide the counterparty with the lender's profitability, are considered as transactions of raising funds secured by securities. Recognition of securities sold under sale and repurchase agreements does not cease. Securities are reclassified to "Receivables under repurchase agreements" in the statement of financial position when the transferee has the right by contract or custom to sell or repledge those securities. The corresponding liabilities are reflected in the line "Funds from other financial institutions" or "Borrowed funds".

Securities purchased under agreements to resell ("reverse repos"), which provide the Bank with the lender's return, are recorded as "Cash and cash equivalents" or "Funds from other financial institutions" depending on the term and counterparty. The difference between the sale price and the repurchase price, adjusted for interest and dividend income received by the counterparty, is recognized as interest income and accrued over the life of the repurchase agreement using the effective interest method. Securities lent to counterparties for a fixed fee continue to be recognized in the financial statements in the original statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities. In such cases, they are reclassified into a separate article. Securities borrowed for a fixed fee are not recognized in the financial statements unless they are sold to third parties.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**7 Cash and Cash Equivalents (continued)**

For "reverse repo" transactions, the collateral is the securities of NMH "Baiterek" and JSC "KazAgroFinance" with a fair value of 11,312.246 thousand tenge (2022: the collateral was the securities of NMH "Baiterek", JSC "KazAgroFinance" and JSC National Welfare Fund "Samruk" Kazyna" with a fair value of Tenge 16,286,908 thousand).

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023		31 December 2022	
	Carrying amount of REPO	Fair value of collateral	Carrying amount of REPO	Fair value of collateral
With B- to BBB+ rated collateral	11,311,792	11,312,246	16,286,628	16,286,908
<b>Total</b>	<b>11,311,792</b>	<b>11,312,246</b>	<b>16,286,628</b>	<b>16,286,908</b>

As at December 31, 2023, the Bank had balances on correspondent accounts with 2 counterparty banks, except for the National Bank of the Republic of Kazakhstan (2022: 2 counterparty banks). The aggregate amount of these balances was Tenge 35,917 thousand (2022: Tenge 189,779 thousand).

As at December 31, 2023 and December 31, 2022, cash and cash equivalents balances are included in Basket 1 for purposes of measuring expected credit losses. The approach to measuring expected credit losses is described in Note 25. Information on related party transactions is presented in Note 31.

As at 31 December 2023, the financial instruments subject to netting and subject to an enforceable master netting agreement or similar agreement were:

<i>(in thousands of Kazakhstani Tenge)</i>	Gross amounts before offset reported in the statement of financial position (a)	Gross offset amounts reported in the statement of financial position (b)	Net amount after offset reflected in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting agreements or similar arrangements recognized in the statement of financial position		
				Financial instruments (d)	Cash collateral received (e)	Net risk amount (c) - (d)-(e)
<b>ASSETS</b>						
"Reverse repo"	11,311,792	-	11,311,792	11,311,792	-	-
<b>Total netting assets subject to master netting agreement or similar agreement</b>	<b>11,311,792</b>	<b>-</b>	<b>11,311,792</b>	<b>11,311,792</b>	<b>-</b>	<b>-</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**7 Cash and Cash Equivalents (continued)**

At 31 December 2022, the financial instruments subject to netting and subject to an enforceable master netting agreement or similar agreement were:

<i>(in thousands of Kazakhstani Tenge)</i>	Gross amounts before offset reported in the statement of financial position (a)	Gross offset amounts reported in the statement of financial position (b)	Net amount after offset reflected in the statement of financial position (c) = (a) - (b)	Amounts subject to master netting agreements or similar arrangements recognized in the statement of financial position		Net risk amount (c) - (d)-(e)
				Financial instruments (d)	Cash collateral received (e)	
<b>ASSETS</b>						
"Reverse repo"	16,286,628	-	16,286,628	16,286,628	-	-
<b>Total netting assets subject to master netting agreement or similar agreement</b>	<b>16,286,628</b>	<b>-</b>	<b>16,286,628</b>	<b>16,286,628</b>	<b>-</b>	<b>-</b>

An analysis of interest rates on cash and cash equivalents is presented in Note 25. Information on transactions with related parties is presented in Note 31.



***“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC***  
***Notes to the Financial Statements for 2023***

**8 Due from other banks**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Placements with other banks	98,936,019	91,668,071
Less credit loss allowance	(158,352)	(16,233,446)
<b>Total due from other banks</b>	<b>98,777,667</b>	<b>75,434,625</b>

At initial recognition, the Bank recorded the above funds at fair value (Note 4).

The decrease in reserves for expected credit losses is associated with the assignment of a long-term rating of "BB" (Stable) to Bereke Bank JSC by the Fitch rating agency on June 09, 2023.

The table below provides an analysis of funds from financial institutions by credit quality:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<i>Not past due and not impaired</i>		
- without rating	-	75,406,625
- with rating from BBB- to BBB+	30,000	28,000
- with rating from BB- to BB+	98,747,667	-
<b>Total due from other banks</b>	<b>98,777,667</b>	<b>75,434,625</b>

As of December 31, 2023 and December 31, 2022, balances with financial institutions are included in Basket 1 for the purposes of measuring expected credit losses. The approach to measuring expected credit losses is described in Note 25. Information on transactions with related parties is presented in Note 31.

Due from other banks are taken into account when the Bank provides funds to counterparties in the form of advance payments. Amounts due from credit institutions are carried at amortized cost if (i) they are held to collect contractual cash flows and those cash flows represent solely payments of principal and interest and (ii) they are not designated as measured at fair value through profit or loss.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**9 Investments in Debt Securities**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Debt securities at FVOCI	51,516,668	56,032,000
Debt securities at AC	113,758,086	82,293,012
<b>Total investments in debt securities</b>	<b>165,274,754</b>	<b>138,325,012</b>

**Investments in debt securities.** Based on the business model and cash flow characteristics, the Bank categorizes investments in debt securities as being measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss. Debt securities are carried at amortized cost when they are held to collect contractual cash flows, those cash flows represent solely payments of principal and interest and are not designated as measured at fair value through profit or loss on a voluntary basis to significantly reduce accounting mismatch. Interest income on these assets is calculated using the effective interest method and is recognized in profit or loss. The impairment allowance determined based on the expected credit loss model is recognized in profit or loss for the year.

Debt securities are carried at fair value through other comprehensive income if they are held to collect contractual cash flows and for sale, represent solely payments of principal and interest, and are not designated as at fair value through profit or loss. Interest income on these assets is calculated using the effective interest method and is recognized in profit or loss. The impairment allowance determined based on the expected credit loss model is recognized in profit or loss for the year. All other changes in carrying amount are recognized in other comprehensive income. When a debt security is derecognised, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from other comprehensive income to profit or loss.

If investments in debt securities do not qualify for measurement at amortized cost or fair value through other comprehensive income, they are stated at fair value through profit or loss. The Bank may also categorize investments in debt securities as at fair value through profit or loss on initial recognition if this option significantly reduces the accounting mismatch between financial assets and liabilities recognized or measured using different accounting methods.

**Investments in equity securities.** Financial assets that meet the definition of capital from the issuer's point of view, that is, instruments that do not contain a contractual obligation to pay cash and evidence a residual interest in the issuer's net assets, are considered by the Bank to be investments in equity securities. Investments in equity securities are measured at fair value through profit or loss unless the Bank unequivocally elects to designate the equity investment as at fair value through other comprehensive income on initial recognition. The Bank's policy is to classify equity investments as measured at fair value through other comprehensive income. If the fair value through other comprehensive income measurement is elected, gains and losses on the fair value remeasurement are recognized in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognized in profit or loss when the Bank's right to receive payments is established, unless they represent consideration of an investment rather than a return on that investment.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
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**9 Investments in Debt Securities (continued)**

The table below discloses investments in debt securities as of December 31, 2023 by category and valuation class.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Debt securities at FVOCI</b>	<b>Debt securities at AC</b>	<b>Total</b>
Government securities of the Ministry of Finance of RK	25,594,250	51,406,166	77,000,416
Bonds of Kazakhstani non-bank financial institutions	6,884,658	28,912,520	35,797,178
Corporate bonds	14,923,774	20,821,487	35,745,261
Bonds issued by international financial organizations	1,477,468	12,740,657	14,218,125
Bonds of local executive bodies	2,692,199	-	2,692,199
Total investments in debt securities at 31 December 2023 (fair value/gross carrying amount)	51,572,349	113,880,830	165,453,179
Credit loss allowance	(55,681)	(122,744)	(178,425)
<b>Total investments in debt securities at 31 December 2023 (carrying amount)</b>	<b>51,516,668</b>	<b>113,758,086</b>	<b>165,274,754</b>

The table below discloses investments in debt securities as of December 31, 2022 by category and valuation class.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Debt securities at FVOCI</b>	<b>Debt securities at AC</b>	<b>Total</b>
Government securities of the Ministry of Finance of RK	25,792,066	50,964,208	76,756,274
Bonds of Kazakhstani non-bank financial institutions	11,787,205	9,014,997	20,802,202
Corporate bonds	14,471,981	19,224,982	33,696,963
Bonds issued by international financial organizations	1,390,416	3,150,906	4,541,322
Bonds of local executive bodies	2,645,220	-	2,645,220
Total investments in debt securities at 31 December 2022 (fair value/gross carrying amount)	56,086,888	82,355,093	138,441,981
Credit loss allowance	(54,888)	(62,081)	(116,969)
<b>Total investments in debt securities at 31 December 2022 (carrying amount)</b>	<b>56,032,000</b>	<b>82,293,012</b>	<b>138,325,012</b>

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**Notes to the Financial Statements for 2023**

**9 Investments in Debt Securities (continued)**

**(a) Investments in debt securities measured at fair value through other comprehensive income**

The table below provides an analysis of the credit risk of debt securities measured at fair value through other comprehensive income as of December 31, 2023, for which the valuation allowance for expected Credit losses are recognized based on credit risk levels. A description of the Bank's credit risk grading system and approach to measuring expected credit losses, including the definition of default and significant increase in credit risk for debt securities measured at fair value through other comprehensive income, is provided in Note 25.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<i>- Government securities of the Ministry of Finance of RK</i>		
BBB- rated	25,594,250	25,792,066
<b>Gross carrying amount</b>	<b>25,594,250</b>	<b>25,792,066</b>
Less credit loss allowance	(13,559)	(5,320)
<b>Carrying amount (fair value)</b>	<b>25,580,691</b>	<b>25,786,746</b>
<i>Corporate bonds</i>		
- BBB+ to BBB- rated	14,321,717	13,900,396
- B+ to B- rated	602,057	571,585
<b>Gross carrying amount</b>	<b>14,923,774</b>	<b>14,471,981</b>
Less credit loss allowance	(25,059)	(33,820)
<b>Carrying amount (fair value)</b>	<b>14,898,715</b>	<b>14,438,161</b>
<i>Bonds issued by international financial organisations</i>		
- BBB- rated	1,477,468	1,390,416
<b>Gross carrying amount</b>	<b>1,477,468</b>	<b>1,390,416</b>
Less credit loss allowance	(675)	(320)
<b>Carrying amount (fair value)</b>	<b>1,476,793</b>	<b>1,390,096</b>
<i>Bonds of Kazakhstan non-bank financial institutions</i>		
- BBB+ to BBB- rated	6,884,658	4,197,684
- BB+ to BB- rated	-	7,589,521
<b>Gross carrying amount</b>	<b>6,884,658</b>	<b>11,787,205</b>
Less credit loss allowance	(13,298)	(14,831)
<b>Carrying amount (fair value)</b>	<b>6,871,360</b>	<b>11,772,374</b>
<i>Bonds of local executive bodies</i>		
- BBB- rated	2,692,199	2,645,220
<b>Gross carrying amount</b>	<b>2,692,199</b>	<b>2,645,220</b>
Less credit loss allowance	(3,090)	(597)
<b>Carrying amount (fair value)</b>	<b>2,689,109</b>	<b>2,644,623</b>

The gross carrying amount of investments measured at fair value through other comprehensive income as at 31 December 2023 was Tenge 51,572,349 thousand (31 December 2022: Tenge 56,086,888 thousand), the allowance for credit losses was Tenge 55,681 thousand (2022: Tenge 54,888 thousand) . During the year ended December 31, 2023, there were no transfers from one credit quality basket to another.

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**9 Investments in Debt Securities (continued)**

Debt securities measured at fair value through other comprehensive income as of December 31, 2023 are included in Basket 1. Debt securities measured at fair value through other comprehensive income are unsecured. Debt securities at fair value through other comprehensive income at December 31, 2023 and December 31, 2022 are included in Basket 1. There were no movements between the 2023 and 2022 milestones. Credit ratings are based on ratings from Standard & Poor's (where available) or Moody's and Fitch, converted to the nearest equivalent on the Standard & Poor's rating scale.

**(6) Investments in debt securities measured at amortized cost**

The table below provides an analysis of the credit quality of debt securities measured at amortized cost as of December 31, 2023 based on credit risk levels, as well as their three-step disclosure for the purpose of estimating expected credit losses. A description of the Bank's credit risk grading system and approach to measuring expected credit losses, including the definition of default and significant increases in credit risk for debt securities measured at amortized cost, is set out in Note 25.

The table below shows the carrying amount of debt securities. securities measured at amortized cost as of December 31, 2023 also reflects the Bank's maximum exposure to credit risk for these assets.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<i>Government securities of the Ministry of Finance of RK</i>		
BBB- rated	51,406,166	50,964,208
<b>Gross carrying amount</b>	<b>51,406,166</b>	<b>50,964,208</b>
Credit loss allowance	(54,399)	(9,944)
<b>Carrying amount</b>	<b>51,351,767</b>	<b>50,954,264</b>
<i>Corporate bonds</i>		
BBB- rated	20,821,487	19,224,982
<b>Gross carrying amount</b>	<b>20,821,487</b>	<b>19,224,982</b>
Credit loss allowance	(49,908)	(46,091)
<b>Carrying amount</b>	<b>20,771,579</b>	<b>19,178,891</b>
<i>Bonds of Kazakhstani non-bank financial institutions</i>		
BBB rated	28,912,520	9,014,997
<b>Gross carrying amount</b>	<b>28,912,520</b>	<b>9,014,997</b>
Credit loss allowance	(15,459)	(5,698)
<b>Carrying amount</b>	<b>28,897,061</b>	<b>9,009,299</b>
<i>Bonds issued by international financial organizations</i>		
- AAA rated	11,246,052	1,681,213
- BBB- rated	1,494,605	1,469,693
<b>Gross carrying amount</b>	<b>12,740,657</b>	<b>3,150,906</b>
Credit loss allowance	(2,978)	(348)
<b>Carrying amount</b>	<b>12,737,679</b>	<b>3,150,558</b>

The gross carrying amount of investments measured at amortized cost as at 31 December 2023 was Tenge 113,880,830 thousand (31 December 2022: Tenge 82,355,093 thousand), the allowance for credit losses was Tenge 112,744 thousand (2022: Tenge 62,081 thousand). During the year ended December 31, 2023, there were no transfers from one credit quality basket to another. Debt securities measured at amortized cost at 31 December 2023 are included in Basket 1. At 31 December 2023, debt securities measured at amortized cost are unsecured (2022: unsecured).

## **10 Loans and Advances to Customers**

In accordance with the Law of the Republic of Kazakhstan “On Housing Construction Savings in the Republic of Kazakhstan” dated December 7, 2000 No. 110, the Bank provides the following types of housing loans in national currency: housing, intermediate housing and preliminary housing loans.

A housing loan is provided to investors subject to the accumulation of the minimum required amount of savings under a housing construction savings agreement over a period of 3-15 years. The minimum period of accumulation is 3 years, the minimum amount of savings is 50% of the amount necessary to improve housing conditions. The interest rate on a housing loan ranges from 3.5% to 5% per annum (with the exception of the Baqytty Otbasy program and the Arnau deposit, for which the interest rate on the loan is 2% per annum). The term of use of a housing loan ranges from 6 months to 25 years, depending on the chosen tariff program of the Bank. A housing loan is issued subject to the following conditions: i) accumulation of the minimum required amount of savings; ii) achievement of the minimum value of the evaluation indicator; iii) provision of collateral; iv) confirmation of the borrower’s solvency, but not earlier than three years after the entry into force of the housing construction savings agreement.

An interim housing loan is issued to investors upon accumulation or early payment of 50% of the required amount. The interest rate on the loan ranges from 2% to 12% per annum. The term of use of a housing loan is up to 25 years, in accordance with the Bank's product line.

A preliminary housing loan is issued to a certain category of clients within the framework of state (Nurly Zher, Bakytty Otbasy, Shanyrak) and regional lending programs within the framework of the social policy of local executive bodies, as well as the following programs:

- 1) "Your home";
- 2) "Corporate";
- 3) "Zhana Baspana";
- 4) "Umai";
- 5) “Rental housing with subsequent purchase”;
- 6) "Green mortgage";
- 7) for young scientists.

Interest rates on a preliminary housing loan range from 2% to 14.4% per annum when accumulating/making savings from 10% to 50% of the contract amount, depending on the category of the borrower. During the period of using the preliminary housing loan, further accumulation of savings is carried out simultaneously with the repayment of interest on the preliminary housing loan (without paying the principal debt). If the mandatory conditions of the housing construction savings agreement are fulfilled, the accumulated savings and the housing loan are paid out, which is used to repay the preliminary housing loan. The term of the preliminary housing loan ranges from 6 months to 10 years, in accordance with the Bank's product line.

Under market programs, preliminary housing loans were issued until May 2015 with an interest rate of 9.5% per annum when accumulating/making savings from 25% to 50% of the contract amount. The term of the preliminary housing loan ranged from 3 years to 8.5 years, depending on the selected tariff program (Note 4).

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Interim housing loans	1,509,741,631	1,619,171,862
Preliminary housing loans	876,602,382	814,705,497
Housing loans	720,048,621	449,303,776
Less credit loss allowance	(5,402,474)	(5,867,405)
<b>Total loans and advances to customers</b>	<b>3,100,990,160</b>	<b>2,877,313,730</b>

As of December 31, 2023, the Bank has no concentration of loans. The concentration of the amount for the 10 largest borrowers is less than 10% of the share of loans.

Loans and advances to customers are accounted for when the Bank provides funds to customers in the form of advances for the purpose of acquiring the customer's credit or extending credit to the customer. Based on the business model and cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) at amortized cost: loans held to collect contractual cash flows that represent solely payments of principal and interest, and loans that are not designated as measured at fair value through profit or loss on a voluntary basis, and (ii) at fair value through profit or loss: loans that do not meet the SPPI test or other measurement criteria at amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

**10 Loans and Advances to Customers (continued)**

Impairment allowances are determined based on projected expected credit loss models. Note 25 provides information about the inputs, assumptions and calculation methods used in estimating expected credit losses, including an explanation of how the Bank incorporates forward-looking information into its expected credit loss models.

*Amortized cost* is the cost of a financial instrument at initial recognition less principal payments but including accrued interest and, for financial assets, less any allowance for expected credit losses. Accrued interest includes the amortization of transaction costs deferred at initial recognition and any premium or discount on redemption amount using the effective interest method. Accrued interest income and accrued interest expense, including accrued coupon income and amortized discount or premium (including deferred origination commission, if any), are not shown separately but are included in the carrying amount of the related items in the statement of financial position.

*The effective interest method* is a method of recognizing interest income or interest expense over the relevant period to provide a constant interest rate in each period (the effective interest rate) on the carrying amount of the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial instrument.

The effective interest rate is used to discount the cash flows of floating rate instruments to the next interest repricing date, except for a premium or discount that reflects the credit spread over the floating rate specified for the instrument or other variables that are not determined by market values. Such premiums or discounts are amortized over the entire expected life of the instrument. The present value calculation includes all fees and benefits paid or received by the parties to the contract that form an integral part of the effective interest rate. For assets that are purchased or originated credit impaired (POCI) financial assets at initial recognition, the effective interest rate is adjusted for credit risk, i.e. calculated on the basis of expected cash flows at initial recognition rather than on the basis of contractual cash flows.

*Transaction costs* are incremental costs directly attributable to the acquisition, issue or disposal of a financial instrument. Incremental costs are costs that would not have been incurred if the transaction had not gone through. Transaction costs include fees and commissions paid to agents (including employees acting as sales agents), consultants, brokers and dealers, mandatory payments to regulators and securities exchanges, and taxes and duties imposed on the transfer of property. Transaction costs do not include debt premiums or discounts, financing costs, internal administrative expenses or storage costs.

**Impairment of financial assets: allowance for expected credit losses.** Based on forecasts, the Bank estimates expected credit losses associated with debt instruments measured at amortized cost and fair value through other comprehensive income. The Bank estimates expected credit losses and recognized an allowance for credit losses at each reporting date. The estimate of expected credit losses reflects: (i) an unbiased and probability-weighted amount determined by assessing a range of possible outcomes, (ii) the time value of money, and (iii) all reasonable and supportable information about past events, current conditions and projected future economic conditions. available at the reporting date without undue cost or effort.

Debt instruments measured at amortized cost are presented in the statement of financial position less the allowance for expected credit losses. Changes in the amortized cost of debt instruments measured at fair value through other comprehensive income, excluding the allowance for expected credit losses, are recognized in profit or loss. Other changes in carrying amount are recorded in other comprehensive income as gains less losses on debt instruments measured through other comprehensive income.

The Bank applies a “three-stage” impairment model based on changes in credit quality since initial recognition. A financial instrument that is not impaired at initial recognition is classified as being in Basket 1. For Basket 1 financial assets, expected credit losses are measured at an amount equal to the portion of lifetime expected credit losses that arise from defaults that may occur within the next 12 months or until the contractual maturity date if it occurs before the end of 12 months (“12-month expected credit losses”). If the Bank identifies a significant increase in credit risk since initial recognition, the asset is transferred to Bucket 2 and the expected credit losses for that asset are estimated based on lifetime expected credit losses, that is, until the contractual maturity date, but taking into account the expected prepayment, if provided (“lifetime expected credit losses”). A description of the Bank's determination of a significant increase in credit risk is provided in Note 25. If the Bank determines that a financial asset is impaired, the asset is transferred to Bucket 3 and its expected credit losses are measured as lifetime expected credit losses. Explanations regarding the Bank's determination of impaired assets and default are provided in Note 25.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

**Write-off of financial assets.** Financial assets are written off, in whole or in part, when the Bank has exhausted all practical recovery options and has determined that its expectations of recovery are unreasonable. A write-off represents derecognition. The Bank may write off financial assets that are still subject to enforcement action when the Bank attempts to collect contractual amounts due although it has no reasonable expectation of collection. The grounds for debt write-off are the following conditions in aggregate: 1) the delay in repayment of the principal debt and/or interest on the loan is 365 (three hundred sixty-five) calendar days or more; 2) lack of prospects for debt collection. The absence of prospects for debt collection is understood in the aggregate: 1) the expiration of 180 (one hundred and eighty) calendar days from the date of occurrence of such events as absence, loss or damage for reasons beyond the Bank’s control of the subject of collateral under a bank loan agreement. 2) upon documentary confirmation of the debtor’s lack of current income after 180 (one hundred and eighty) calendar days from the date of occurrence of the lack of income to repay loan obligations to the Bank. 3) documentary evidence of the debtor’s lack of other movable and immovable property.

The table below discloses the gross carrying amount and the amount of the credit loss allowance for loans and advances to customers measured at amortized cost, by class, as of December 31, 2023 and December 31, 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023			31 December 2022		
	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Interim housing loans	1,509,741,631	(2,025,112)	1,507,716,519	1,619,171,862	(2,103,878)	1,617,067,984
Preliminary housing loans	876,602,382	(2,231,317)	874,371,065	814,705,497	(2,784,776)	811,920,721
Housing loans	720,048,621	(1,146,045)	718,902,576	449,303,776	(978,751)	448,325,025
<b>Total loans and advances to customers at AC</b>	<b>3,106,392,634</b>	<b>(5,402,474)</b>	<b>3,100,990,160</b>	<b>2,883,181,135</b>	<b>(5,867,405)</b>	<b>2,877,313,730</b>



**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
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**10 Loans and Advances to Customers (continued)**

The table below discloses changes in the allowance for credit losses and the gross carrying amount of bridge loans and advances to customers measured at amortized cost that occurred between the beginning and end of the reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<i>(in thousands of Kazakhstani Tenge)</i>	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)		(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
<b>Interim loans</b>	<b>(1,077,305)</b>	<b>(109,063)</b>	<b>(917,510)</b>	<b>(2,103,878)</b>	<b>1,575,564,205</b>	<b>40,940,968</b>	<b>2,666,689</b>	<b>1,619,171,862</b>
<b>At 1 January 2023</b>								
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	18,864	(18,864)	-	-	(26,868,342)	26,868,342	-	-
- to lifetime expected credit losses (from Stage 3 to Stage 2)	-	(116,885)	116,885	-	-	364,552	(364,552)	-
- into impaired assets (from Stage 1 and Stage 2 to Stage 3)	1,089	2,439	(3,528)	-	(1,549,611)	(525,900)	2,075,511	-
- in 12-month expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(103,501)	13,643	89,858	-	7,007,928	(6,726,880)	(281,048)	-
Newly created or acquired	(737,243)	-	-	(737,243)	743,317,918	-	-	743,317,918
Newly created or acquired, moved to Stage 2 and Stage 3	203,175	(30,612)	(172,563)	-	(12,356,178)	11,906,209	449,969	-
Partial and full repayment during the period	264,514	152,859	275,741	693,114	(112,906,045)	(4,304,231)	(1,234,626)	(118,444,902)
Changes to expected credit loss model assumptions	(11,571)	(32,738)	(545,397)	(589,706)	-	-	-	-
Write-offs	2,773	-	5,000	7,773	(2,773)	-	(5,000)	(7,773)
Discount amortization	-	-	-	-	667,502	32,797	23,139	723,438
Changes in accrued interest	-	-	-	-	2,028,974	65,675	20,568	2,115,217
Transfer to housing loans	479,703	39,211	185,914	704,828	(718,862,319)	(17,664,381)	(607,429)	(737,134,129)
<b>Total changes affecting contributions to the allowance for credit losses for the period</b>	<b>201,351</b>	<b>128,720</b>	<b>(251,305)</b>	<b>78,766</b>	<b>(98,112,921)</b>	<b>(9,963,931)</b>	<b>(1,353,379)</b>	<b>(109,430,231)</b>
<b>As of December 31, 2023</b>	<b>(959,502)</b>	<b>(100,010)</b>	<b>(965,600)</b>	<b>(2,025,112)</b>	<b>1,456,041,259</b>	<b>50,957,151</b>	<b>2,743,221</b>	<b>1,509,741,631</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The table below discloses changes in the allowance for credit losses and the gross carrying amount of advance housing loans and advances to customers measured at amortized cost that occurred between the beginning and end of the corresponding prior reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
<i>(in thousands of Kazakhstani Tenge)</i>								
<b>Preliminary loans</b>	<b>(932,761)</b>	<b>(591,097)</b>	<b>(1,260,918)</b>	<b>(2,784,776)</b>	<b>735,475,978</b>	<b>75,283,095</b>	<b>3,946,424</b>	<b>814,705,497</b>
<b>At 1 January 2023</b>								
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	47,138	(47,138)	-	-	(37,634,348)	37,634,348	-	-
- to lifetime expected credit losses (from Stage 3 to Stage 2)	-	(211,480)	211,480	-	-	685,706	(685,706)	-
- into impaired assets (from Stage 1 and Stage 2 to Stage 3)	840	23,060	(23,900)	-	(653,493)	(914,397)	1,567,890	-
- in 12-month expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(730,502)	139,533	590,969	-	26,917,747	(25,002,978)	(1,914,769)	-
Newly created or acquired	(305,237)	-	-	(305,237)	142,740,560	-	-	142,740,560
Newly created or acquired, moved to Stage 2 and Stage 3	149,261	(129,349)	(19,912)	-	(17,325,217)	17,263,187	62,030	-
Partial and full repayment during the period	802,268	412,067	123,120	1,337,455	(26,364,673)	(3,774,423)	(552,092)	(30,691,188)
Changes to expected credit loss model assumptions	(69,605)	(216,919)	(437,310)	(723,834)	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Discount amortization	-	-	-	-	11,833,249	1,689,787	37,643	13,560,679
Changes in accrued interest	-	-	-	-	275,807	32,342	4,777	312,926
Transfer to housing loans	67,375	16,007	161,693	245,075	(58,523,751)	(4,976,611)	(525,730)	(64,026,092)
<b>Total changes affecting contributions to the allowance for credit losses for the period</b>	<b>644,062</b>	<b>81,806</b>	<b>(172,409)</b>	<b>553,459</b>	<b>52,635,975</b>	<b>10,234,282</b>	<b>(973,372)</b>	<b>61,896,885</b>
<b>As of December 31, 2023</b>	<b>(971,223)</b>	<b>(605,316)</b>	<b>(654,778)</b>	<b>(2,231,317)</b>	<b>776,741,859</b>	<b>97,920,056</b>	<b>1,940,467</b>	<b>876,602,382</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The table below discloses changes in the allowance for credit losses and the gross carrying amount of housing loans and advances to customers measured at amortized cost that occurred between the beginning and end of the corresponding prior reporting period.

	Credit loss allowance			Total	Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)		Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	
<i>(in thousands of Kazakhstani Tenge)</i>								
<b>Housing loans</b>	<b>(344,534)</b>	<b>(183,212)</b>	<b>(451,005)</b>	<b>(978,751)</b>	<b>384,196,125</b>	<b>63,702,681</b>	<b>1,404,970</b>	<b>449,303,776</b>
<b>At 1 January 2023</b>								
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	64,084	(64,084)	-	-	(66,601,447)	66,601,447	-	-
- to lifetime expected credit losses (from Stage 3 to Stage 2)	-	(340,565)	340,565	-	-	1,095,289	(1,095,289)	-
- into impaired assets (from Stage 1 and Stage 2 to Stage 3)	903	5,219	(6,122)	-	(1,144,028)	(505,515)	1,649,543	-
- in 12-month expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(323,586)	79,134	244,452	-	34,940,250	(34,194,202)	(746,048)	-
Newly created or acquired	(131,796)	-	-	(131,796)	103,498,910	-	-	103,498,910
Newly created or acquired, moved to Stage 2 and Stage 3	31,505	(17,667)	(13,838)	-	(3,838,704)	3,794,066	44,638	-
Partial and full repayment during the period	747,156	437,846	113,500	1,298,502	(578,131,685)	(58,115,378)	(1,004,831)	(637,251,894)
Changes to expected credit loss model assumptions	(12,056)	(45,413)	(326,630)	(384,099)	-	-	-	-
Write-offs	-	-	-	-	-	-	-	-
Discount amortization	-	-	-	-	4,282,677	1,023,228	10,168	5,316,073
Changes in accrued interest	-	-	-	-	(1,776,806)	(201,940)	278	(1,978,468)
Transfer to housing loans	(547,077)	(55,218)	(347,606)	(949,901)	777,386,071	22,640,993	1,133,160	801,160,224
<b>Total changes affecting contributions to the allowance for credit losses for the period</b>	<b>87,732</b>	<b>319,548</b>	<b>(574,574)</b>	<b>(167,294)</b>	<b>301,420,463</b>	<b>(30,859,031)</b>	<b>183,413</b>	<b>270,744,845</b>
<b>As of December 31, 2023</b>	<b>(515,401)</b>	<b>(183,960)</b>	<b>(446,684)</b>	<b>(1,146,045)</b>	<b>652,811,363</b>	<b>65,840,669</b>	<b>1,396,589</b>	<b>720,048,621</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The table below discloses changes in the allowance for credit losses and the gross carrying amount of bridge loans and advances to customers measured at amortized cost that occurred between the beginning and end of the corresponding prior reporting period.

<i>(in thousands of Kazakhstani Tenge)</i>	Credit loss allowance				Gross carrying amount			Total
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	
<b>Interim loans</b>								
<b>At 1 January 2022</b>	<b>(622,682)</b>	<b>(130,969)</b>	<b>(611,888)</b>	<b>(1,365,539)</b>	<b>906,049,841</b>	<b>57,004,748</b>	<b>1,585,436</b>	<b>964,640,025</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	11,315	(11,315)	-	-	(16,070,600)	16,070,600	-	-
- to lifetime expected credit losses (from Stage 3 to Stage 2)	-	(88,943)	88,943	-	-	254,828	(254,828)	-
- into impaired assets (from Stage 1 and Stage 2 to Stage 3)	701	3,358	(4,059)	-	(997,414)	(677,891)	1,675,305	-
- in 12-month expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(106,810)	63,610	43,200	-	27,247,305	(27,118,092)	(129,213)	-
Newly created or acquired	(1,013,300)	-	-	(1,013,300)	1,032,809,151	-	-	1,032,809,151
Newly created or acquired, moved to Stage 2 and Stage 3	278,131	(53,384)	(224,747)	-	(17,359,643)	16,630,887	728,756	-
Partial and full repayment during the period	211,015	107,109	186,706	504,830	(95,497,358)	(6,273,358)	(714,130)	(102,484,846)
Changes to expected credit loss model assumptions	(20,538)	(21,393)	(495,021)	(536,952)	5,126,867	(5,126,867)	-	-
Write-offs	-	-	(15,035)	(15,035)	-	-	15,036	15,036
Discount amortization	-	-	-	-	11,287,042	2,598,367	96,153	13,981,562
Changes in accrued interest	-	-	-	-	2,989,896	(7,797)	4,721	2,986,820
Transfer to housing loans	184,863	22,864	114,391	322,118	(280,020,882)	(12,414,457)	(340,547)	(292,775,886)
<b>Total changes affecting contributions to the allowance for credit losses for the period</b>	<b>(359,829)</b>	<b>55,196</b>	<b>(433,706)</b>	<b>(738,339)</b>	<b>659,335,073</b>	<b>(4593,225)</b>	<b>(210,011)</b>	<b>654,531,837</b>
<b>As of December 31, 2022</b>	<b>(1,077,305)</b>	<b>(109,063)</b>	<b>(917,510)</b>	<b>(2,103,878)</b>	<b>1,575,564,205</b>	<b>40,940,968</b>	<b>2,666,689</b>	<b>1,619,171,862</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The table below discloses changes in the allowance for credit losses and the gross carrying amount of housing loans and advances to customers measured at amortized cost that occurred between the beginning and end of the corresponding prior reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
(in thousands of Kazakhstani Tenge)	(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)		(12-months ECL)	(lifetime ECL for SICR)	(lifetime ECL for credit impaired)	
Preliminary loans								
At 1 January 2022	(289,446)	(3,443,423)	(3,727,048)	(7,459,917)	252,277,261	429,259,032	6,021,847	687,558,140
Effect of APD and PTP	(2,185,072)	2,185,072	-	-	273,492,985	(273,492,985)	-	-
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	13,366	(13,366)	-	-	(11,782,163)	11,782,163	-	-
- to lifetime expected credit losses (from Stage 3 to Stage 2)	-	(1,263,456)	1,263,456	-	-	1,747,906	(1,747,906)	-
- into impaired assets (from Stage 1 and Stage 2 to Stage 3)	518	13,868	(14,386)	-	(411,218)	(867,779)	1,278,997	-
- in 12-month expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(1,077,836)	669,801	408,035	-	83,345,971	(82,484,897)	(861,074)	-
Newly created or acquired	(309,904)	-	-	(309,904)	173,744,324	-	-	173,744,324
Newly created or acquired, moved to Stage 2 and Stage 3	118,668	(101,787)	(16,881)	-	(11,747,939)	11,691,670	56,269	-
Partial and full repayment during the period	9,557	77,580	172,122	259,259	(12,317,349)	(12,662,723)	(496,512)	(25,476,584)
Changes to expected credit loss model assumptions	2,763,562	1,236,774	491,286	4,491,622	-	-	-	-
Write-offs	-	-	(16,269)	(16,269)	-	-	16,269	16,269
Discount amortization	-	-	-	-	8,957,471	1,816,499	47,947	10,821,917
Changes in accrued interest	-	-	-	-	474,153	54,093	(297)	527,949
Transfer to housing loans	23,826	47,840	178,767	250,433	(20,557,518)	(11,559,884)	(369,116)	(32,486,518)
<b>Total changes affecting contributions to the allowance for credit losses for the period</b>	<b>2,605,709</b>	<b>1,260,407</b>	<b>809,025</b>	<b>4,675,141</b>	<b>138,553,142</b>	<b>(10,660,345)</b>	<b>(745,440)</b>	<b>127,147,357</b>
<b>As of December 31, 2022</b>	<b>(932,761)</b>	<b>(591,097)</b>	<b>(1,260,918)</b>	<b>(2,784,776)</b>	<b>735,475,978</b>	<b>75,283,095</b>	<b>3,946,424</b>	<b>814,705,497</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The table below discloses changes in the allowance for credit losses and the gross carrying amount of advance housing loans and advances to customers measured at amortized cost that occurred between the beginning and end of the corresponding prior reporting period.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
<i>(in thousands of Kazakhstani Tenge)</i>								
<b>Housing loans</b>								
<b>At 1 January 2022</b>	<b>(240,079)</b>	<b>(365,050)</b>	<b>(539,830)</b>	<b>(1,144,959)</b>	<b>222,727,105</b>	<b>133,241,865</b>	<b>1,129,791</b>	<b>357,098,761</b>
<i>Movements with impact on credit loss allowance charge for the period:</i>								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	41,003	(41,003)	-	-	(47,712,549)	47,712,549	-	-
- to lifetime expected credit losses (from Stage 3 to Stage 2)	-	(307,097)	307,097	-	-	635,612	(635,612)	-
- into impaired assets (from Stage 1 and Stage 2 to Stage 3)	678	3,871	(4,549)	-	(743,279)	(556,283)	1,299,562	-
- in 12-month expected credit losses (from Stage 2 and Stage 3 to Stage 1)	(342,919)	222,172	120,747	-	84,260,840	(83,899,300)	(361,540)	-
Newly created or acquired	(119,955)	-	-	(119,955)	85,413,509	-	-	85,413,509
Newly created or acquired, moved to Stage 2 and Stage 3	36,450	(11,459)	(24,991)	-	(2,504,060)	2,437,651	66,409	-
Partial and full repayment during the period	503,682	428,516	275,795	1,207,993	(273,791,581)	(60,743,520)	(905,383)	(335,440,484)
Changes to expected credit loss model assumptions	(14,706)	(42,458)	(290,910)	(348,074)	1,690,803	(1,690,803)	-	-
Write-offs	-	-	(1,205)	(1,205)	-	-	1,205	1,205
Discount amortization	-	-	-	-	11,287,041	2,598,367	96,153	13,981,561
Changes in accrued interest	-	-	-	-	2,989,896	(7,798)	4,722	2,986,820
Transfer to housing loans	(208,688)	(70,704)	(293,159)	(572,551)	300,578,400	23,974,341	709,663	325,262,404
<b>Total changes affecting contributions to the allowance for credit losses for the period</b>	<b>196,783</b>	<b>303,895</b>	<b>(334,470)</b>	<b>166,208</b>	<b>125,664,008</b>	<b>(33,431,762)</b>	<b>(27,231)</b>	<b>92,205,015</b>
<b>As of December 31, 2022</b>	<b>(344,534)</b>	<b>(183,212)</b>	<b>(451,005)</b>	<b>(978,751)</b>	<b>384,196,125</b>	<b>63,702,681</b>	<b>1,404,970</b>	<b>449,303,776</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The following is an analysis of the credit quality of loans as of December 31, 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Stage 1 (12-months ECL)</b>	<b>Stage 2 lifetime ECL</b>	<b>Stage 3 lifetime ECL</b>	<b>Total</b>
<b>Interim loans</b>	<b>1,455,081,757</b>	<b>50,857,141</b>	<b>1,777,621</b>	<b>1,507,716,519</b>
- LTV less than 25%	12,062,222	320,376	60,814	12,443,412
- LTV from 25% to 50%	182,367,270	5,020,083	402,453	187,789,806
- LTV from 51% to 75%	1,173,731,933	31,316,572	1,087,950	1,206,136,455
- LTV from 76% to 100%	39,389,070	2,039,236	73,204	41,501,510
- LTV more than 100%	45,721,291	838,365	100,274	46,659,930
- unsecured	-	-	9,385	9,385
- less than 30 days overdue	2,769,473	6,986,122	83,244	9,838,839
- 31 to 60 days overdue	-	2,832,461	11,041	2,843,502
- 61 to 90 days overdue	-	1,603,936	82,713	1,686,649
- 91 to 180 days overdue	-	-	488,922	488,922
- 181 to 360 days overdue	-	-	114,412	114,412
- over 360 days overdue	-	-	228,809	228,809
Credit loss allowance	(959,502)	(100,010)	(965,600)	(2,025,112)
<b>Preliminary loans</b>	<b>775,770,636</b>	<b>97,314,740</b>	<b>1,285,689</b>	<b>874,371,065</b>
- LTV less than 25%	1,309,409	1,203,151	24,556	2,537,116
- LTV from 25% to 50%	143,597,493	29,078,019	246,362	172,921,874
- LTV from 51% to 75%	531,827,707	44,404,067	589,179	576,820,953
- LTV from 76% to 100%	72,857,329	6,424,863	116,574	79,398,766
- LTV more than 100%	25,339,402	591,680	-	25,931,082
- unsecured	-	-	24,678	24,678
- less than 30 days overdue	1,810,519	11,908,399	96,081	13,814,999
- 31 to 60 days overdue	-	3,051,760	23,598	3,075,358
- 61 to 90 days overdue	-	1,258,117	23,348	1,281,465
- 91 to 180 days overdue	-	-	530,484	530,484
- 181 to 360 days overdue	-	-	121,161	121,161
- over 360 days overdue	-	-	144,446	144,446
Credit loss allowance	(971,223)	(605,316)	(654,778)	(2,231,317)
<b>Housing loans</b>	<b>652,295,962</b>	<b>65,656,709</b>	<b>949,905</b>	<b>718,902,576</b>
- LTV less than 25%	185,464,893	15,711,961	208,871	201,385,725
- LTV from 25% to 50%	442,385,672	42,735,747	468,449	485,589,868
- LTV from 51% to 75%	23,406,457	807,030	59,748	24,273,235
- LTV from 76% to 100%	79,213	9,081	-	88,294
- LTV more than 100%	73,595	-	-	73,595
- unsecured	1,101	-	-	1,101
- less than 30 days overdue	1,400,432	4,664,119	107,985	6,172,536
- 31 to 60 days overdue	-	1,347,952	38,039	1,385,991
- 61 to 90 days overdue	-	564,779	19,073	583,852
- 91 to 180 days overdue	-	-	297,292	297,292
- 181 to 360 days overdue	-	-	61,426	61,426
- over 360 days overdue	-	-	135,706	135,706
Credit loss allowance	(515,401)	(183,960)	(446,684)	(1,146,045)
<b>Gross carrying amount</b>	<b>2,885,594,481</b>	<b>214,717,876</b>	<b>6,080,277</b>	<b>3,106,392,634</b>
Credit loss allowance	(2,446,126)	(889,286)	(2,067,062)	(5,402,474)
<b>Carrying amount</b>	<b>2,883,148,355</b>	<b>213,828,590</b>	<b>4,013,215</b>	<b>3,100,990,160</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The following is an analysis of the credit quality of loans as of December 31, 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	Stage 1 (12-months ECL)	Stage 2 lifetime ECL	Stage 3 lifetime ECL	Total
<b>Interim loans</b>	<b>1,574,486,900</b>	<b>40,831,905</b>	<b>1,749,179</b>	<b>1,617,067,984</b>
- LTV less than 25%	14,121,835	280,255	-	14,402,090
- LTV from 25% to 50%	209,601,326	3,893,945	278,042	213,773,313
- LTV from 51% to 75%	1,218,456,303	24,182,522	908,007	1,243,546,832
- LTV from 76% to 100%	46,746,196	1,106,122	194,281	48,046,599
- LTV more than 100%	84,943,187	865,749	43,252	85,852,188
- unsecured	-	-	14,271	14,271
- less than 30 days overdue	1,695,358	6,961,801	102,455	8,759,614
- 31 to 60 days overdue	-	2,849,613	137,489	2,987,102
- 61 to 90 days overdue	-	800,961	-	800,961
- 91 to 180 days overdue	-	-	592,668	592,668
- 181 to 360 days overdue	-	-	151,466	151,466
- over 360 days overdue	-	-	244,758	244,758
Credit loss allowance	(1,077,305)	(109,063)	(917,510)	(2,103,878)
<b>Preliminary loans</b>	<b>734,543,217</b>	<b>74,691,998</b>	<b>2,685,506</b>	<b>811,920,721</b>
- LTV less than 25%	1,059,046	79,322	9,887	1,148,255
- LTV from 25% to 50%	105,511,455	12,645,619	513,126	118,670,200
- LTV from 51% to 75%	488,456,879	38,576,724	2,480,598	529,514,201
- LTV from 76% to 100%	113,303,204	8,400,624	110,397	121,814,225
- LTV more than 100%	25,758,436	695,740	23,700	26,477,876
- unsecured	-	-	20,190	20,190
- less than 30 days overdue	1,386,958	10,970,976	35,785	12,393,719
- 31 to 60 days overdue	-	2,975,030	77,442	3,052,472
- 61 to 90 days overdue	-	939,060	9,430	948,490
- 91 to 180 days overdue	-	-	434,323	434,323
- 181 to 360 days overdue	-	-	91,049	91,049
- over 360 days overdue	-	-	140,497	140,497
Credit loss allowance	(932,761)	(591,097)	(1,260,918)	(2,784,776)
<b>Housing loans</b>	<b>383,851,591</b>	<b>63,519,469</b>	<b>953,965</b>	<b>448,325,025</b>
- LTV less than 25%	108,795,481	14,568,598	273,925	123,638,004
- LTV from 25% to 50%	249,516,358	43,323,651	546,942	293,386,951
- LTV from 51% to 75%	16,567,374	970,173	33,724	17,571,271
- LTV from 76% to 100%	49,482	12,413	-	61,895
- LTV more than 100%	8,395,351	283,243	28,400	8,706,994
- unsecured	11,755	-	-	11,755
- less than 30 days overdue	860,324	3,389,049	56,434	4,305,807
- 31 to 60 days overdue	-	783,123	14,962	798,085
- 61 to 90 days overdue	-	372,431	19,359	391,790
- 91 to 180 days overdue	-	-	222,497	222,497
- 181 to 360 days overdue	-	-	170,972	170,972
- over 360 days overdue	-	-	37,755	37,755
Credit loss allowance	(344,534)	(183,212)	(451,005)	(978,751)
<b>Gross carrying amount</b>	<b>2,695,236,308</b>	<b>179,926,744</b>	<b>8,018,083</b>	<b>2,883,181,135</b>
Credit loss allowance	(2,354,600)	(883,372)	(2,629,433)	(5,867,405)
<b>Carrying amount</b>	<b>2,692,881,708</b>	<b>179,043,372</b>	<b>5,388,650</b>	<b>2,877,313,730</b>



***“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC***  
***Notes to the Financial Statements for 2023***

**10 Loans and Advances to Customers (continued)**

A description of the credit risk grading system used in the tables above is set out in Note 25.

The main factors that the Bank considers when considering whether a loan is impaired are its overdue status and the realizability of collateral, if any. Based on this, the Bank presented above an analysis of the maturity of loans that are individually determined to be impaired.

The LTV (Loan-to-value) ratio is the ratio of the total balance sheet amount of loans as of the reporting date to the value of the collateral, which consists of real estate and cash collateral in the form of deposits.

All loans were issued to individuals.

The following is information regarding collateral as of December 31, 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Interim loans</b>	<b>Preliminary loans</b>	<b>Housing loans</b>	<b>Total</b>
Unsecured loans	-	-	1,098	1,098
Loans guaranteed by other individuals	-	-	2,223,153	2,223,153
Loans collateralised by:				
- residential real estate	1,458,372,744	848,056,706	708,794,778	3,015,224,228
- land	1,401,896	35,760	1,084,915	2,522,571
- other real estate	1,583,468	12,866	489,370	2,085,704
- cash deposits	46,308,037	25,928,668	44,843	72,281,548
- residential real estate, deposits and guarantees (multi-pledged)	50,374	337,065	-	387,439
Loans collateralised by other assets:	-	-	6,264,419	6,264,419
<b>Total loans and advances to customers</b>	<b>1,507,716,519</b>	<b>874,371,065</b>	<b>718,902,576</b>	<b>3,100,990,160</b>

Loans secured by commercial real estate are classified as other real estate. Loans secured in the form of property rights are classified as other. Loans and advances to customers are distributed by type of collateral depending on the highest value of the type of collateral, that is, a loan falls into a certain category if it is secured by collateral, with the exception of loans secured by a property right and a deposit. These loans are classified as secured by cash deposits.

The amount of deposits held as collateral for loans issued as at 31 December 2023 amounted to Tenge 1,101,625,246 thousand (2022: Tenge 1,095,850,116 thousand).

The following is information regarding collateral as of December 31, 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Interim loans</b>	<b>Preliminary loans</b>	<b>Housing loans</b>	<b>Total</b>
Unsecured loans	-	-	11,724	11,724
Loans guaranteed by other individuals	14,626	13,487	2,493,022	2,521,135
Loans collateralised by:				
- residential real estate	1,526,822,379	784,896,320	438,401,202	2,750,119,901
- land	1,884,157	7,927	911,945	2,804,029
- other real estate	1,992,408	-	263,944	2,256,352
- cash deposits	86,294,582	26,640,136	35,001	112,969,719
- residential real estate, deposits and guarantees (multi-pledged)	59,832	351,155	-	410,987
Loans collateralised by other assets:	-	11,696	6,208,187	6,219,883
<b>Total loans and advances to customers</b>	<b>1,617,067,984</b>	<b>811,920,721</b>	<b>448,325,025</b>	<b>2,877,313,730</b>

The financial impact of collateral is presented by separately disclosing its value for (i) assets for which collateral and other credit enhancements are equal to or greater than the asset's carrying amount (“overcollateralized assets”) and (ii) assets for which collateral and other credit enhancements are other credit enhancements are less than the carrying amount of the asset (“under-collateralized assets”). The fair value of collateral includes firm collateral in the form of real estate and cash deposits.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**10 Loans and Advances to Customers (continued)**

The table below shows the impact of collateral on impaired assets in Basket 3 as at 31 December 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying amount of the assets	Fair value of collateral	Carrying amount of the assets	Fair value of collateral
Interim housing loans	1,541,726	4,488,507	235,895	923,515
Preliminary housing loans	1,040,301	2,676,015	245,388	759,959
Housing loans	949,905	5,127,177	-	-

The table below shows the impact of collateral on impaired assets in Basket 3 as at 31 December 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	Over-collateralised assets		Under-collateralised assets	
	Carrying amount of the assets	Fair value of collateral	Carrying amount of the assets	Fair value of collateral
Interim housing loans	1,714,424	4,288,608	34,755	34,755
Preliminary housing loans	2,666,444	6,740,402	19,062	23,084
Housing loans	953,970	5,236,096	(5)	-

The fair value of collateral in the form of real estate as of the end of the reporting period was determined through revaluation, which is carried out at least once a year. The revaluation in 2023 was carried out by employees of the collateral risks division of the Underwriting and Collateral Department. The amount of cash deposits was deducted from the book value of the portfolio. An estimate of the fair value of each category of loans and advances to customers is presented in Appendix 28. An analysis of interest rates on loans and advances to customers is disclosed in Note 25. Information on transactions with related parties is disclosed in Note 31.

**11 Other financial assets and other assets**

The following is information on other financial assets:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023	31 December 2022
Requirement for payment service providers	16,075,640	8,850,502
Other	248,606	22,663
Less allowance for credit losses	(21,230)	(21,230)
<b>Total other financial assets</b>	<b>16,303,016</b>	<b>8,851,935</b>

Below is an analysis of other financial assets by credit quality:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023	31 December 2022
Requirement for payment service providers		
<i>Neither past due or impaired</i>		
- BBB- to BBB+	227,688	-
- BB- to BB+	16,075,328	8,544,401
- B- to B+	-	306,091
- without rating	-	10
Requirement for the state to reimburse the premium on deposits	-	-
Other	-	-
<i>Neither past due or impaired</i>		
- without rating	21,230	22,663
Gross value amount	16,324,246	8,873,165
Credit loss allowance	(21,230)	(21,230)
<b>Balance</b>	<b>16,303,016</b>	<b>8,851,935</b>

Non-overdue and non-impaired other financial assets as at 31 December 2023 amounted to 16,303,016 thousand tenge (31 December 2022: 8,851,935 thousand tenge) and are included in Basket 1. Due to the short-term nature of these assets, the Bank does not create an allowance for credit losses for them.

Impaired other assets for the purpose of measuring expected credit losses are included in Box 3 and the valuation allowance is created in the amount of 100%.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**11 Other financial assets and other assets (continued)**

The following is information on other financial assets:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Prepayment for services	283,591	222,080
Raw materials	34,096	71,795
Prepayment for taxes other than income tax	26,181	32,004
Other	1,258	11,166
Less credit loss allowance	-	(5,793)
<b>Total other financial assets</b>	<b>345,126</b>	<b>331,252</b>

**12 Premises, Equipment, Right-of-Use Assets and Intangible Assets**

Below is the movement by items of fixed assets and intangible assets:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Land and buildings</b>	<b>Office computer and equipment</b>	<b>Vehicles</b>	<b>Total</b>
Cost at 1 January 2022	2,352,649	8,115,032	247,472	10,715,153
Accumulated depreciation	(518,001)	(5,398,933)	(163,303)	(6,080,237)
<b>Carrying amount at 1 January 2022</b>	<b>1,834,648</b>	<b>2,716,099</b>	<b>84,169</b>	<b>4,634,916</b>
Additions for the year	-	1,176,926	41,619	1,218,545
Transfer from non-current assets held for sale	(58,017)	-	-	(58,017)
Disposals	-	(504,763)	(5,764)	(510,527)
Other (intrinsic value)	-	-	-	-
Depreciation charge	(39,078)	(952,944)	(46,290)	(1,038,312)
Impairment losses included in profit or loss through profit or loss	-	(301)	-	(301)
Disposal of accumulated depreciation	-	504,763	5,764	510,527
<b>Carrying amount at 31 December 2022</b>	<b>1,737,553</b>	<b>2,939,780</b>	<b>79,498</b>	<b>4,756,831</b>
Cost at 31 December 2022	2,294,632	8,787,195	283,327	11,365,154
Accumulated depreciation	(557,079)	(5,847,415)	(203,829)	(6,608,323)
<b>Carrying amount at 1 January 2023</b>	<b>1,737,553</b>	<b>2,939,780</b>	<b>79,498</b>	<b>4,756,831</b>
Additions for the year	291,326	3,338,512	-	3,629,838
Disposals	-	(156,496)	-	(156,496)
Depreciation charge	(35,806)	(1,240,237)	(41,937)	(1,317,980)
Disposal of accumulated depreciation	-	156,496	-	156,496
<b>Carrying amount at 31 December 2023</b>	<b>1,993,073</b>	<b>5,038,055</b>	<b>37,561</b>	<b>7,068,689</b>
Cost at 31 December 2023	2,585,958	11,969,211	283,327	14,838,496
Accumulated depreciation	(592,885)	(6,931,156)	(245,766)	(7,769,807)
<b>Carrying amount at 31 December 2023</b>	<b>1,993,073</b>	<b>5,038,055</b>	<b>37,561</b>	<b>7,068,689</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**12 Premises, Equipment, Right-of-Use Assets and Intangible Assets (Continued)**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>PC Software Licenses</b>	<b>Internally developed software</b>	<b>Total</b>
Cost at 1 January 2022	9,063,441	238,072	9,301,513
Accumulated depreciation	(3,686,716)	(48,764)	(3,735,480)
<b>Carrying amount at 1 January 2022</b>	<b>5,376,725</b>	<b>189,308</b>	<b>5,566,033</b>
Additions for the year	2,518,751	23,930	2,542,681
Disposals	(3,491)	-	(3,491)
Depreciation charge	(1,352,964)	(43,955)	(1,396,919)
Disposal of accumulated depreciation	3,491	-	3,491
<b>Carrying amount at 31 December 2022</b>	<b>6,542,512</b>	<b>169,283</b>	<b>6,711,795</b>
Cost at 31 December 2022	11,578,701	262,002	11,840,703
Accumulated depreciation	(5,036,189)	(92,719)	(5,128,908)
<b>Carrying amount at 1 January 2023</b>	<b>6,542,512</b>	<b>169,283</b>	<b>6,711,795</b>
Additions for the year	1,293,502	185,528	1,479,030
Disposals	(350,732)	-	(350,732)
Transfer	(13,255)	13,255	-
Depreciation charge	(1,572,064)	(52,564)	(1,624,628)
Disposal of accumulated depreciation	350,732	-	350,732
Impairment losses retained in profit or loss	(40,941)	-	(40,941)
<b>Carrying amount at 31 December 2023</b>	<b>6,209,752</b>	<b>315,502</b>	<b>6,525,256</b>
Cost at 31 December 2023	12,521,471	447,530	12,969,001
Accumulated depreciation	(6,298,462)	(145,283)	(6,443,745)
<b>Carrying amount at 31 December 2023</b>	<b>6,223,009</b>	<b>302,247</b>	<b>6,525,256</b>

**Fixed assets.** Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (where applicable).

Minor repairs and routine maintenance costs are expensed as incurred. Costs to replace major components of property, plant and equipment are capitalized and the replaced component is subsequently written off. Lease improvements are changes to leased property made by the Bank to suit the specific needs and preferences of its business. For accounting purposes, improvements specifically intended for the intended use of the Bank's property are classified as its own assets.

At the end of each reporting period, management determines whether there is any indication that property, plant and equipment is impaired. If there are indications of impairment, management estimates the recoverable amount, which is determined as the higher of the asset's fair value less costs to sell and value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year. An impairment loss recognized for an asset in prior periods is reversed if there has been a change in the estimates used to determine value in use or its fair value less costs to sell. Gains and losses on disposal, determined by comparing the proceeds to the carrying amount, are recognized (within other operating income and expenses) in profit or loss for the year.

**12 Premises, Equipment, Right-of-Use Assets and Intangible Assets (Continued)**

**Depreciation.** Land and construction in progress are not subject to depreciation. Depreciation for other property, plant and equipment and right-of-use assets is calculated using the straight-line method, that is, a straight-line decline to salvage value over the following estimated useful lives of the assets:

	Useful life, years
Buildings	8 – 100
Vehicles	5 – 7
Office and computer equipment	2 – 10
Right-of-use assets	2-3
Other	3 – 20

The residual value of an asset is the estimated amount that the Bank would currently receive from disposal of the asset after deducting the estimated costs of disposal if the asset had already reached the end of its useful life and condition at the end of its useful life. The residual value of assets and their useful lives are reviewed and, if necessary, adjusted at the end of each reporting period.

**Intangible assets.** The Bank's intangible assets primarily include capitalized software and licenses. Purchased software licenses are capitalized based on the costs incurred to acquire and implement the software. Development costs directly attributable to identifiable and unique software controlled by the Bank are recognized as intangible assets if the amount of additional economic benefits is expected to exceed the costs. Capitalized costs include the cost of maintaining a software development team and an appropriate share of overhead costs. All other costs associated with the software (such as maintenance) are recognized as incurred. Amortization of intangible assets is calculated using the straight-line method over the expected useful life of the assets:

	Useful life, years
Licenses	3 to 10
	10 - 20
	over 1 to 3
Specialized software	3 to 10
	10 - 14
Standard software	over 1 to 5

Intangible assets with indefinite useful life are not amortized but are tested annually for impairment.

**Long-term assets held for sale.** Non-current assets are shown in the statement of financial position as non-current assets held for sale if their carrying amount will be recovered primarily through a sale within twelve months after the end of the reporting period. Reclassification of assets requires that all of the following criteria be met: (a) the assets are available for immediate sale in their current condition; (b) the Bank's management approved the current program to find a buyer and began its implementation; (c) active marketing is carried out to sell assets at an adequate price; (d) the sale is expected to be completed within one year, and (e) there is no significant change or cancellation of the sales plan expected. Non-current assets classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to conform to the classification at the end of the current period.

These assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Fixed assets held for sale are not depreciated.

The bank rents office space. Lease agreements are usually concluded for a fixed period of up to one year.

By the Bank, lease agreements concluded for a period of more than one year are recognized as assets in the form of the right of use, with a corresponding liability on the date the Bank receives for use the corresponding asset that is the subject of the lease.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**12 Premises, Equipment, Right-of-Use Assets and Intangible Assets (Continued)**

An analysis of right-of-use assets by leased asset class is presented below.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Buildings</b>	<b>Total</b>
<b>Carrying amount at 1 January 2022</b>	<b>553,103</b>	<b>553,103</b>
Additions	417,955	417,955
Disposals	(239,032)	(239,032)
Depreciation charge	(441,129)	(441,129)
Disposal of accumulated depreciation	239,032	239,032
<b>Carrying amount at 31 December 2022</b>	<b>529,929</b>	<b>529,929</b>
Cost at 31 December 2022	1,419,438	1,419,438
Accumulated depreciation	(889,509)	(889,509)
<b>Carrying amount at 1 January 2023</b>	<b>529,929</b>	<b>529,929</b>
Additions	23,958	23,958
Disposals	(6,866)	(6,866)
Depreciation charge	(451,059)	(451,059)
Disposal of accumulated depreciation	6,866	6,866
<b>Carrying amount at 31 December 2023</b>	<b>102,828</b>	<b>102,828</b>
Cost at 31 December 2023	1,436,530	1,436,530
Accumulated depreciation	(1,333,702)	(1,333,702)
<b>Carrying amount at 31 December 2023</b>	<b>102,828</b>	<b>102,828</b>

Interest expense on lease liabilities amounted to Tenge 44,152 thousand (2022: Tenge 79,151 thousand).

Short-term rental expenses are included in general and administrative expenses.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
Expense relating to short-term leases	961,063	774,284

The total cash outflow for rent for 2023 amounted to 556,800 thousand tenge (2022: 506,756 thousand tenge) excluding VAT.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**13 Customer accounts**

Customer funds include amounts on current accounts and time deposits of individuals, and are presented as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Legal entities</b>		
Current accounts	229,796,525	112,735,683
Long-term deposits	-	110,989
<b>Individuals</b>		
Long-term deposits	1,261,175,214	1,045,114,446
Current accounts	67,781,352	46,633,802
<b>Customer accounts</b>	<b>1,558,753,091</b>	<b>1,204,594,920</b>
Deposits served as collateral on loans given	1,101,625,246	1,095,850,116
<b>Total customer accounts</b>	<b>2,660,378,337</b>	<b>2,300,445,036</b>

Customer accounts represent non-derivative financial liabilities to individuals and legal entities and are initially recognized at fair value less directly attributable transaction costs and are carried at amortized cost.

Customer funds are classified as long-term deposits over one year. However, individuals have the right to withdraw funds from accounts before maturity.

As of December 31, 2023, customer accounts in the amount of Tenge 226,829,179 thousand (9% of customer funds) represented funds of the ten largest customers, of which Tenge 226,379,198 thousand were due to legal entities and Tenge 449,981 thousand were due to individuals. As at 31 December 2022, customer accounts in the amount of Tenge 113,236,748 thousand (5% of customer funds) represented funds from the ten largest customers, of which Tenge 112,665,152 thousand were due to legal entities and Tenge 571,596 thousand were due to individuals. A significant increase in the balance of current accounts for legal entities is associated with the current operating activities of the legal entity.

Under the terms of the Agreement on Housing Construction Savings, Bank depositors have the right to receive a housing loan in an amount equal to the difference between the contractual amount and their accumulated deposits, accrued remuneration and state bonus by decision of the state, subject to their full compliance with the terms of the agreement concluded with them on housing construction savings. Therefore, the Bank has contingent liabilities to depositors to issue housing loans (Note 29).

Every year, the state allocates premiums for housing construction savings of depositors from the state budget, including accrued remuneration in an amount not exceeding 20% of 200 monthly calculation indicators per depositor to stimulate housing construction savings in Kazakhstan. The monthly calculation indicator for calculating the state premium for 2023 was 3,450 tenge (2022: 3,063 tenge).

Accounting and crediting of state premium amounts to depositors' accounts is carried out only after their actual receipt from the administrator of the budget program. The Bank has no obligations to depositors if the administrator of the budget program does not transfer the state premium to the accounts of the Bank's depositors. In case of insufficient funds in the republican budget, the missing amount of the state premium is credited to the accounts of depositors at the expense of funds to be returned to the budget and (or) of the Bank's own funds after approval by the administrator of the budget programs. For the missing amount, a receivable is created for the administrator of the budget program.

Information on the estimated fair value of each category of customer accounts is presented in Note 28. An analysis of interest rates on customer accounts is presented in Note 25. Information on transactions with related parties is presented in Note 31.

Current accounts represent the current accounts of legal entities, including subsidiaries under the general control of the Parent Company. The Bank accrues remuneration to the balances of current accounts of subsidiaries of the Parent Company.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**14 Debt Securities in Issue**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Bonds issued on domestic market	195,787,412	193,469,370
<b>Total debt securities in issue</b>	<b>195,787,412</b>	<b>193,469,370</b>

Debt securities issued include bonds issued by the Bank. Debt securities are initially recognized at fair value less directly attributable transaction costs and are carried at amortized cost. If the Bank acquires its own issued debt securities, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in debt settlement income.

At initial recognition, the Bank recorded debt securities issued at fair value (Note 4).

The table below sets forth changes in debt securities issued arising from financing activities for each period presented. Debt items are reported on the statement of cash flows as financing activities.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Debt securities</b>
<b>Balance at January 1, 2022</b>	<b>191,456,190</b>
Cash flows from financing activities	-
Other changes not related to cash flows from financing activities	2,013,180
<b>Balance at December 31, 2022</b>	<b>193,469,370</b>
<b>Balance at January 1, 2023</b>	<b>193,469,370</b>
Cash flows from financing activities	-
Other changes not related to cash flows from financing activities	2,318,042
<b>Balance at December 31, 2023</b>	<b>195,787,412</b>

Changes not related to cash flows from financing activities include bond discounts and subsequent amortization and changes in accrued interest.

As at 31 December 2023, the Bank had debt securities in issue held by 20 counterparties (2022: 20 counterparties). The balance of debt securities issued as at 31 December 2023 is Tenge 195,787,412 thousand (2022: Tenge 193,469,370 thousand).

The information on the estimated fair value of each category of debt securities issued is disclosed in Note 28. Information on transactions with related parties in debt securities issued is disclosed in Note 31.



**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**15 Borrowed Funds**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Ministry of Finance of the Republic of Kazakhstan	63,684,697	64,745,577
Asian Development Bank	39,185,474	23,037,665
Loans from local executive bodies	20,941,430	12,348,784
Parent company	8,871,276	8,248,281
Other organizations	323,700	162,565
<b>Total borrowed funds</b>	<b>133,006,577</b>	<b>108,542,872</b>

Borrowed funds include loans received from the Government of the Republic of Kazakhstan, the Parent Company, local executive bodies, international financial and other organizations.

Borrowings are initially recognized at fair value less costs directly attributable to the transaction and are carried at amortized cost.

At initial recognition, the Bank recorded the above loans at fair value (Note 4).

In April 2023, the Bank received funds from the second tranche from the Asian Development Bank in the amount of 15,600,000 thousand tenge under the Loan Agreement for the implementation of women's mortgages.

As of December 31, 2023 and December 31, 2022, all borrowing covenants were in compliance, including financial covenants as required by the Asian Development Bank Loan Agreement.

The table below sets forth changes in the Bank's borrowings arising from financing activities for each period presented. Debt items are reported on the statement of cash flows as financing activities.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Borrowing funds</b>
<b>Balance at 1 January 2022</b>	<b>78,910,328</b>
Interest paid calculated using the effective interest method	106,747,536
Other changes not related to cash flows from financing activities	(77,114,992)
<b>Balance at 31 December 2022</b>	<b>108,542,872</b>
<b>Balance at 1 January 2023</b>	<b>108,542,872</b>
Interest paid calculated using the effective interest method	112,313,502
Other changes not related to cash flows from financing activities	(87,849,797)
<b>Balance at 31 December 2023</b>	<b>133,006,577</b>

Other changes not related to cash flows from financing activities include the amount of discount on borrowed funds and subsequent amortization, as well as changes in accrued interest.

Information on the estimated fair value of each category of other borrowed funds is disclosed in Notes 28. Analysis of interest rates on other borrowed funds is disclosed in Note 25. Information on transactions with related parties is disclosed in Note 31.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**16 Due to other banks**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Funds from financial institutions	79,641,251	76,739,163
<b>Funds from financial institutions</b>	<b>79,641,251</b>	<b>76,739,163</b>

Amounts due to other financial institutions are recorded starting from the moment funds or other assets are provided to the Bank by counterparties. Non-derivative financial liabilities are stated at amortized cost. If the Bank acquires its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in debt settlement income or expense.

At initial recognition, the Bank recorded the above funds at fair value (Note 4).

Information on transactions with related parties is presented in Note 31.

**17 Other Financial Liabilities and Other Liabilities**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
State budget money	2,480,205	384,130
Deferred commission income	1,526,513	1,684,784
Accrued commission expenses	1,102,764	766,123
Other accrued liabilities	1,070,730	1,071,627
Long-term lease	137,963	626,653
Transit accounts	106,333	3,128
<b>Total other financial liabilities</b>	<b>6,424,508</b>	<b>4,536,445</b>
Accrued expenses for employee benefits	2,083,194	1,500,016
Accrued expenses for administrative and business activities	1,136,705	957,099
Taxes payable except for income tax	955,645	552,598
Other	202,314	118,019
<b>Other Total other liabilities</b>	<b>4,377,858</b>	<b>3,127,732</b>

Accounts payable are recognized when the counterparty fulfills its obligations and are stated at amortized cost. Due to the short-term nature of accounts payable, the effect of discounting future cash flows to calculate amortized cost is not significant.

State budget money includes: 1) in the amount of 220,540 thousand tenge for the payment of compensation (subsidies) for rent in private housing to socially vulnerable segments of the population. Payments for housing rented in a private housing stock are made on a parity basis: 50% from budget funds and 50% by the recipient. At the same time, 50% of payments from budgetary funds are made up of expenses 80% from the republican budget and 20% from the local budget; 2) 2,259,665 thousand tenge for issuing and repaying loans under the program “With a diploma to the village!” and payment of agency fees (for 2022 – zero tenge).

Deferred commission income represents the portion of the 50% fee received for entering into a home construction savings agreement and changing the terms of a home construction savings agreement, which is transferred to the loan discount account at the time the loan is received and amortized for fees associated with the origination loan for the entire term of the loan received at the effective interest rate.

The table below presents changes in the Bank's long-term leases arising from financing activities as of December 31, 2023 and December 31, 2022. Debt items are reported on the statement of cash flows as financing activities.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Long-term lease</b>
<b>Balance as of January 1, 2022</b>	<b>636,304</b>
Cash flow	(506,756)
Other changes not associated with cash flow from financing activities	497,105
<b>Balance at 31 December 2022</b>	<b>626,653</b>
<b>Balance at 1 January 2023</b>	<b>626,653</b>
Cash flow	(556,800)
Other changes not associated with cash flow from financing activities	68,110
<b>Balance at 31 December 2023</b>	<b>137,963</b>

Other changes not associated with cash flow from financing activities include the present value of lease payments and changes in accrued interest.

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***Notes to the Financial Statements for 2023***

**18 Government subsidies**

The benefit from funds received in the form of a loan and securities issued from the state for lending to clients under the Bakytty Otbasy and Shanyrak programs at an interest rate below the market is accounted for as a government subsidy. Benefit from the remuneration rate below market is measured as the difference between the original book value of the loan and the proceeds.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Bank recognizes as an expense the amount of the discount on loans issued at initial recognition and their subsequent amortization, as well as the amortization of the discount on borrowings.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
State subsidy received under the Bakytty Otbasy program from the Government of the Republic of Kazakhstan through a loan	180,495,644	160,849,737
State subsidy received under the Shanyrak program from the Parent Company through the issuance of debt securities	94,893,966	95,062,796
State subsidy received under the Bakytty Otbasy program from local executive authorities through obtaining a loan	4,853,801	5,576,955
<b>Total income from government subsidies</b>	<b>280,243,411</b>	<b>261,489,488</b>

For 2023, the amount of government subsidies received is 31,747,317 thousand tenge (for 2022: 51,131,268 thousand tenge).

The table below shows the income from government subsidies transferred to profit or loss after the issuance of loans to the Bank's customers:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
State subsidy received under the Bakytty Otbasy program from the Government of the Republic of Kazakhstan through a loan	12,101,410	4,715,782
State subsidy received under the Shanyrak program from the Parent Company through the issuance of debt securities	168,830	6,284,765
State subsidy received under the Bakytty Otbasy program from local executive authorities through obtaining a loan	723,155	623,173
<b>Total income from government subsidies</b>	<b>12,993,395</b>	<b>11,623,720</b>

After initial recognition, the Bank included in profit or loss the amount corresponding to the amount of net income/expenses on loans issued to customers at the expense of funds raised and the amount of amortized discount on funds raised. The Bank has an obligation to distribute benefits to end borrowers through low interest rates on loans.

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**Notes to the Financial Statements for 2023**

**19 Share capital**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Shares (thousands of units)</b>	<b>Ordinary shares</b>	<b>Total</b>
<b>At 1 January 2022</b>	7,830	78,300,000	78,300,000
New shares issued	-	-	-
<b>At 31 December 2022</b>	<b>7,830</b>	<b>78,300,000</b>	<b>78,300,000</b>
<b>At 1 January 2023</b>	7,830	78,300,000	78,300,000
New shares issued	-	-	-
<b>At 31 December 2023</b>	<b>7,830</b>	<b>78,300,000</b>	<b>78,300,000</b>

**Share capital.** Ordinary shares are recorded as equity. Additional costs directly attributable to the issue of new shares are reflected in equity as a decrease in revenue (excluding tax). The amount by which the fair value of the consideration received exceeds the par value of the shares issued is recognized in equity as share premium.

**Additional paid-in capital.** Additional paid-in capital represents the value of assets or services transferred or provided to the Bank by shareholders without issuing shares, or transferred against future issues of shares. Upon initial recognition of loans received from the Holding, from the Government of the Republic of Kazakhstan, financial/non-financial organizations at rates below market rates, the fair value adjustment is reflected in capital as additional capital, since the Bank evaluates this as a contribution to capital, i.e. financing is provided to finance government programs that represent the Bank's core profit-generating activities, and government agencies do not provide similar loans to other financial institutions because the Bank's mortgage products are unique in the market. An alternative would be to use government grant accounting so that the profit is recognized as a deferred income liability instead of a contribution to equity and subsequently amortized as income over the life of the borrowing/debt issue. Such accounting is used for all funding received under State programs, except for the Bakytty Otbasy and Shanyrak programs, for which accounting of state grants is used. The difference in accounting is due to the fact that these programs do not provide sufficient interest margin to cover the Bank's non-interest expenses, and as such the programs are unprofitable for the Bank and cannot be considered as a contribution to capital.

**Dividends.** Dividends are recognized in equity in the period in which they are declared. Any dividends declared after the end of the reporting period but before the financial statements are authorized for issue are disclosed in the note “Subsequent Events”.

The par value of the shares is 10,000.00 tenge per 1 common share.

On May 22, 2023, at the shareholder meeting, the Bank announced dividends for 2022 in the total amount of 67,224,700 thousand tenge, the amount of dividends per common share was 8,585.53 tenge. Dividends were paid on August 18, 2023 (2022: The total amount of dividends for 2021 was 32,877,465 thousand tenge, the amount of dividends per common share was 4,198.91 tenge. Dividends were paid on June 17, 2022).

Based on the decision of the Parent Company, changes were made to the prospectus for the issue of authorized shares of the Bank to increase the number of authorized shares of the Bank by 4,990 thousand pieces to a total number of 12,820 thousand pieces. Changes to the prospectus for the issue of authorized shares were registered with the ARDFM in January 2023. As of December 31, 2023, there were no authorized shares issued.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
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**20 Interest Income and Expenses**

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
<b>Interest income calculated using the effective interest method</b>		
Loans and advances to customers measured at amortized cost	221,810,586	176,057,414
Securities measured at amortized cost	49,667,636	34,417,153
Due from financial institutions measured at amortized cost	24,596,163	14,242,421
Due from the National Bank of the Republic of Kazakhstan	10,701,475	19,509,532
Securities measured at fair value through other comprehensive income	5,258,748	6,792,285
<b>Total interest income calculated using the effective interest method</b>	<b>312,034,608</b>	<b>251,018,805</b>
<b>Interest expenses calculated using the effective interest method</b>		
Customer accounts	(66,281,307)	(53,421,517)
<i>Individuals</i>	<i>(44,625,058)</i>	<i>(36,757,567)</i>
<i>Legal entities</i>	<i>(21,656,249)</i>	<i>(16,663,950)</i>
Due to other banks	(11,013,198)	(3,829,417)
Bonds in issue	(20,485,030)	(20,180,170)
Borrowed funds	(12,333,300)	(8,813,397)
<b>Total interest expenses calculated using the effective interest method</b>	<b>(110,112,835)</b>	<b>(86,244,501)</b>
<b>Other similar expense</b>		
Lease liabilities	(44,152)	(79,151)
<b>Total interest and similar expense</b>	<b>(110,156,987)</b>	<b>(86,323,652)</b>
<b>Net margin on interest and similar income</b>	<b>201,877,621</b>	<b>164,695,153</b>

**Recognition of income and expenses.** Interest income and expense for all debt instruments are recognized on an accrual basis using the effective interest method. This calculation includes in interest income and expense all commissions and fees paid and received by the parties to the contract that form an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

Fees related to the effective interest rate include fees received or paid in connection with the formation or acquisition of a financial asset or the issue of a financial liability (for example, fees for assessing creditworthiness, assessing or recording collateral, negotiating the terms of an instrument, and processing paperwork deal). The fees received by the Bank for issuing a loan commitment at market rates are an integral part of the effective interest rate if it is probable that the Bank will enter into a particular loan agreement and does not intend to sell the loan within a short period of its origination. The Bank does not classify loan commitments as financial liabilities measured at fair value through profit or loss.

For originated or acquired credit-impaired financial assets, the effective interest rate is the rate that discounts expected cash flows (including initial expected credit losses) to fair value at initial recognition (usually the purchase price). As a result, the effective interest is adjusted for credit risk.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for: (i) financial assets that have become impaired (Bank 3) and for which interest income is calculated by applying the effective interest rate to their amortized cost (less any allowance for expected credit losses); and (ii) originated or acquired credit-impaired financial assets for which the original effective interest rate, adjusted for credit risk, is applied to amortized cost.

Interest income includes interest income in the amount of Tenge 205,411 thousand (2022: Tenge 96,870 thousand) recognized on impaired non-performing loans to customers.

Interest income increased due to increased lending to customers and the application of a differentiated rate on newly issued bridge housing loans (Note 10).

All other commission income, other income and other expenses are generally recognized on an accrual basis based on the degree of completion of a particular transaction, defined as the proportion of services actually performed in the total services to be provided.

Fees and commissions for arranging or participating in transactions for third parties, such as the acquisition of loans, shares and other securities or the purchase or sale of companies, received in connection with the underlying transactions, are recognized upon completion of the transaction. Fees for investment portfolio management and other management and advisory services are recognized in accordance with the terms of service agreements, generally in proportion to the time spent.

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**Notes to the Financial Statements for 2023**

**21 Fee and Commission Income and Expenses**

<i>(in thousands of Kazakhstani Tenge)</i>	2023		2022	
	Mortgage housing loans	Unallocated	Mortgage housing loans	Unallocated
<b>Fee and commission income</b>				
<i>Fee and commission income not relating to financial instruments at FVTPL:</i>				
Transfer operations	1,712,647	-	1,273,581	-
Commission income for services on trust operations	1,523,721	-	-	-
Fee charged for early money withdrawal from savings account	1,038,088	-	1,093,786	-
Other	150,878	-	124,054	-
Agency services	-	147,958	-	152,608
Cash operations	137,512	-	162,955	-
Assignment of deposit	139,498	-	127,181	-
Servicing of legal entities	-	62,884	-	81,867
<b>Total fee and commission income</b>	<b>4,702,344</b>	<b>210,842</b>	<b>2,781,557</b>	<b>234,475</b>
<b>Fee and commission expense</b>				
<i>Fee and commission expense not relating to financial instruments at FVTPL</i>				
Agent commission	(4,691,935)	-	(5,021,513)	-
Settlement transactions	-	(2,382,919)	-	(2,107,250)
Transactions with securities	-	(33,165)	-	(50,838)
Other	-	(32,917)	-	(32,453)
<b>Total fee and commission expense</b>	<b>(4,691,935)</b>	<b>(2,449,001)</b>	<b>(5,021,513)</b>	<b>(2,190,541)</b>
<b>Net fee and commission expense</b>	<b>10,409</b>	<b>(2,238,159)</b>	<b>(2,239,956)</b>	<b>(1,956,066)</b>

Early withdrawal fees from a savings account are not an integral part of the effective interest rate because the commission is withdrawn as a result of early termination of the housing insurance agreement, with a storage period for the deposited amount of less than 30 calendar days (inclusive).

**22 Other Operating Income, Net**

<i>(in thousands of Kazakhstani Tenge)</i>	2023	2022
Expenses in the form of contributions to Kazakhstan Deposit Guarantee Fund JSC	(2,808,767)	(2,462,104)
Net income from penalties (fine, penalty)	137,713	156,285
Net other expense from banking activities	(663)	7,388
Net other income/(expense) from non-core activities	84,522	9,522
Income from the sale of fixed assets and intangible assets	(108,094)	(8,022)
(Reserve)/recovery reserve created for receivables not related to non-core activities	241	(1,505)
<b>Total other operating expenses</b>	<b>(2,695,048)</b>	<b>(2,298,436)</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**23 Administrative expense**

Administrative and other operating expenses include:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
Staff costs	(15,189,539)	(13,107,709)
Repair and maintenance	(2,497,362)	(2,716,564)
Depreciation of premises and equipment	(1,769,040)	(1,479,441)
Amortisation of software and other intangible assets	(1,624,628)	(1,396,919)
Communication services	(1,408,600)	(1,315,382)
Other	(916,161)	(963,433)
Operating lease expenses	(961,063)	(774,284)
Taxes other than on income	(840,824)	(791,583)
Advertising and marketing services	(563,554)	(527,849)
Outsourcing expenses	(528,909)	(375,057)
Staff training	(233,591)	(173,835)
Consulting services	(204,840)	(153,876)
Business trip expenses	(196,094)	(195,026)
Materials	(88,488)	(110,260)
Stationery and printing expenses	(81,630)	(146,277)
Insurance	(27,294)	(15,691)
Transportation expense	(24,928)	(21,015)
Expenses for maintaining the Board of Directors	(18,401)	(17,336)
<b>Total administrative and other operating expenses</b>	<b>(27,174,946)</b>	<b>(24,281,537)</b>

Professional services include audit costs of KZT 56,500 thousand in 2023 (2022: Tenge 40,901 thousand). In addition, the Bank was provided with consulting services to assist in obtaining an ESG rating in the amount of Tenge 30,800 thousand in 2023 (2022: zero).

**24 Income tax**

Income tax expense and savings recognized in profit or loss for the year include the following components:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
Current income tax expense	(24,006,216)	(14,830,966)
Deferred tax savings	959,091	1,298,436
<b>Deferred income tax expenses</b>	<b>(23,047,125)</b>	<b>(13,532,530)</b>

**Income taxes.** The financial statements report tax expenses as required by law, using tax rates and laws that have been enacted or substantively enacted at the end of the reporting period. Income tax expense and benefit include current tax expense/income and deferred tax expense/income and are recognized in profit or loss for the year unless they are recognized in other comprehensive income or directly in equity due to as they relate to transactions that are also recognized in that or another period in other comprehensive income or directly in equity. Current tax is calculated based on the amounts of income tax expected to be paid to or reimbursed by tax authorities in respect of taxable profits or losses for the current and prior periods.

Taxable profit or loss is based on estimates if the financial statements are authorized before the relevant tax returns are filed. Other tax expenses, with the exception of income tax, are recorded as administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method in respect of tax loss carryforwards and temporary differences between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Under the initial recognition exception, deferred taxes are not provided for temporary differences arising on initial recognition of an asset or liability if the transaction at initial recognition affects neither accounting nor taxable profit, except for initial recognition arising in a business combination. Deferred tax balances are determined using tax rates enacted or substantively enacted at the end of the reporting period and that are expected to apply to the extent that temporary differences reverse or tax loss carryforwards are utilized.

Tax deductions for lease payments are allocated to depreciation of the right-of-use asset, and interest expense is allocated to the lease liability. Therefore, no temporary differences arise on initial recognition of a new lease in which the Bank is the lessee. Deferred tax assets for all deductible temporary differences and tax loss carryforwards are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible amounts can be utilised. The tax effect of taxable temporary differences on borrowings and debt securities issued at rates below market arises between the carrying amount of the revalued liability and their tax cost.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
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**24 Income tax (continued)**

Deferred tax assets for all deductible temporary differences and tax loss carryforwards are recognized only to the extent that it is probable that future taxable profits will be available against which the deductible amounts can be utilised.

The tax effect of taxable temporary differences on borrowings and debt securities issued at rates below market arises between the carrying amount of the revalued liability and their tax cost.

**Uncertain tax positions.** The Bank's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities are recorded for income tax positions when management believes that it is likely that additional tax liabilities will arise if the Bank's tax position is challenged by the tax authorities. This assessment is made based on the interpretation of tax laws enacted or substantively enacted at the end of the reporting period, as well as any known court rulings or other decisions on similar matters. Liabilities for fines, penalties and taxes, other than income taxes, are recognized based on management's best estimate of the costs required to settle the obligations at the end of the reporting period.

The income tax rate applicable to the majority of the Bank's profits is 20% (2022: 20%).

The effective income tax rate differs from the statutory income tax rates. Below is a comparison of theoretical tax expenses with actual tax expenses:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
Profit before tax	170,574,658	109,567,660
Official rate	20%	20%
<b>Theoretical tax deductions at the legally established rate</b>	<b>(34,114,932)</b>	<b>(21,913,532)</b>
Tax-free income on government securities and securities in the highest and next highest listing categories	10,985,277	8,241,888
Income tax withheld at source	93,500	-
Other non-taxable/non-deductible income/expenses	(10,970)	139,114
<b>Income tax expenses</b>	<b>(23,047,125)</b>	<b>(13,532,530)</b>

Differences between IFRS and the tax legislation of the Republic of Kazakhstan result in temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and for income tax purposes.

<i>(in thousands of Kazakhstani Tenge)</i>	<b>1 January 2022</b>	<b>Credited/ (charged) to profit or loss</b>	<b>Credited/ (charged) directly to equity</b>	<b>31 December 2022</b>	<b>Credited/ (charged) to profit or loss</b>	<b>Credited/ (charged) directly to equity</b>	<b>31 December 2023</b>
<b>Tax effect of deductible temporary differences</b>							
Due from other banks	-	(449,809)	2,155,128	1,705,319	(1,453,189)	-	252,130
Loans and advances to customers	14,447,102	2,358,605	-	16,805,707	2,419,499	-	19,225,206
Government subsidies	44,396,417	7,901,496	-	52,297,913	3,750,769	-	56,048,682
Other financial liabilities and other liabilities	721,246	48,732	-	769,978	122,147	-	892,125
<b>Deferred tax assets</b>	<b>59,564,765</b>	<b>9,859,024</b>	<b>2,155,128</b>	<b>71,578,917</b>	<b>4,839,226</b>	<b>-</b>	<b>76,418,143</b>
<b>Tax effect of taxable temporary differences</b>							
Premises and equipment and intangible assets	(931,173)	(133,709)	-	(1,064,882)	(94,440)	-	(1,159,322)
Other assets	(119)	20	-	(99)	7	-	(92)
Borrowed funds	(59,407,539)	(9,000,166)	(6,498,323)	(74,906,028)	(4,813,924)	(12,866,836)	(92,586,788)
Issued bonds	(24,340,380)	388,406	-	(23,951,974)	447,804	-	(23,504,170)
Due to other banks	-	184,861	(863,695)	(678,834)	580,418	-	(98,416)
<b>Deferred tax liabilities</b>	<b>(84,679,211)</b>	<b>(8,560,588)</b>	<b>(7,362,018)</b>	<b>(100,601,817)</b>	<b>(3,880,135)</b>	<b>(12,866,836)</b>	<b>(117,348,788)</b>
<b>Deferred tax liabilities (net)</b>	<b>(25,114,446)</b>	<b>1,298,436</b>	<b>(5,206,890)</b>	<b>(29,022,900)</b>	<b>959,091</b>	<b>(12,866,836)</b>	<b>(40,930,645)</b>

The Bank expects to recover and settle deferred tax assets and liabilities in the amount of Tenge 864,745 thousand within no more than twelve months after the end of the reporting period Tenge 41,795,390 thousand after more than twelve months after the end of the reporting period.



## **25 Risk Management**

The Bank's risk management is carried out in relation to financial and operational risks. Financial risks include market risk (consisting of currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The main purpose of financial risk management is to determine risk limits and further ensure compliance with the established limits. Operational risk management must ensure that internal policies and procedures are properly followed to minimize operational risks.

**Credit risk.** The Bank is exposed to credit risk, which is the risk that one party to a transaction in a financial instrument will cause the other party to incur financial losses due to failure to fulfill an obligation under the contract. Credit risk arises as a result of credit and other financial transactions of the Bank with counterparties, as a result of which financial assets arise.

The Bank's maximum level of credit risk is reflected in the carrying amount of financial assets in the statement of financial position. For loan commitments, the maximum level of credit risk is equal to the amount of the commitment (Note 29). Credit risk is reduced through collateral and other mechanisms to improve credit quality.

**Credit risk management.** Assessing credit risk for risk management purposes is complex and requires the use of models as risk varies with changes in market conditions, expected cash flows and the passage of time. The Bank assesses credit risk using probability of default (PD), exposure to exposure (EAD) and loss given default (LGD).

**Limits.** The Bank controls credit risk by setting the following limits, but not limited to: limits on the total obligations of one borrower, on products, on the quality of collateral, on the powers of the Credit Committee of the Bank's branches, on the powers of the credit committee of the Bank's Decision Making Center (hereinafter referred to as the DMC), on the volume issuing loans guaranteed by an individual, the maximum share of non-performing loans in the loan portfolio.

Bank/Board of Directors of the Bank and are reviewed at least once a year.

In order to implement the internal credit policy, the Bank has the following collegial bodies for making any credit decisions on lending to depositors:

- The Bank's Credit Committee is a permanent collegial body under the Bank's Central Office, the main purpose of which is to implement the Bank's internal credit policy and make any credit decisions on lending to the Bank's depositors;
- The Credit Committee of the Bank's branch is a permanent collegial body at the Bank's branch, the main purpose of which is to implement the Bank's internal credit policy, make credit decisions on lending to the Bank's depositors within the established lending limits.
- The Credit Committee of the DMC is a permanent collegial body in the Central Office of the Bank, implementing the internal credit policy of the Bank, the main purpose of which is making decisions on loan applications of Bank clients and providing post-credit servicing of loans, in banking software in which business processes for providing banking services.

**Estimation of expected credit losses (ECL).** Expected credit losses are an estimate of the present value of future cash shortfalls weighted by the probability of default (i.e., a weighted average of credit losses using the relevant risks of default over a specified period of time as weights). The estimate of expected credit losses is objective and is determined by calculating a range of possible outcomes. The estimate of expected credit losses is based on four components used by the Bank: probability of default, exposure at risk of default, loss given default and discount rate.

**Debt at Default -** An assessment of risk at a future default date, taking into account expected changes in the amount at risk after the end of the reporting period, including repayment of principal and interest, and the expected drawdown of loan obligations. *Probability of default (PD)* is an estimate of the likelihood of default occurring over a specified period of time. *Loss Given Default (LGD)* is an estimate of the loss arising from default, which is calculated as the difference between the contractual cash flows payable and those flows that the lender expects to receive, including from the sale of collateral. Typically, LGD is expressed as a percentage of the debt at default (EAD).

Expected losses are discounted to present value at the end of the reporting period. The discount rate is the effective interest rate (EIR) on a financial instrument or an approximate amount thereof.

Expected credit losses are modeled across *the useful life* of the instrument. *The useful life* of the instrument is equal to the remaining contractual term of the debt instruments, taking into account any unexpected prepayment, if any.

*"The Lifetime Expected Credit Loss"* management model estimates the losses that arise from the occurrence of all possible default events over the remaining life of the financial instrument. The 12-month expected credit loss model represents the portion of lifetime expected credit losses that arise from events of default on a financial instrument that are possible within 12 months from the end of the reporting period or over the remaining life of the financial instrument, if it less than one year.

## **25 Risk Management (continued)**

Management's estimates of expected credit losses for the preparation of financial statements are based on point-in-time estimates rather than on cycle estimates typically used for regulatory purposes. The estimates use forward-looking information. Thus, ECLs reflect probability-weighted changes in key macroeconomic indicators that affect credit risk.

Modeling ECL for originated or acquired impaired financial assets (POCI) is done in the same way, except that (a) the gross carrying amount and discount rate are determined based on the cash flows that could have been received at the time the asset was initially recognized rather than on based on contractual cash flows, and (b) ECLs are always equal to lifetime ECLs. Originated or acquired impaired assets are financial assets that were impaired at initial recognition, such as impaired loans acquired in a past business combination.

### ***Estimation of expected credit losses on loans***

To estimate expected credit losses, the Bank uses estimates on an individual basis and on a portfolio basis (homogeneous loans):

- individual loan – a loan that meets one/several of the following criteria: the book value of the loan as of the reporting date exceeds 0.2% of equity, according to the financial statements at the end of the reporting year, but not less than 50 (fifty) million tenge; a loan represents a claim on a related party;
- homogeneous loans – a group of loans with similar credit risk characteristics;

Estimating expected credit losses on an individual basis is done by weighing the estimated credit losses for possible different outcomes against the likelihood of each outcome. The bank determines at least two possible outcomes for each loan included in the assessment perimeter, one of which results in a credit loss despite the low probability of such a scenario.

When the assessment is performed on a portfolio basis, the Bank determines the stages of risk exposure and calculates the loss allowance on a collective basis. The Bank analyzes its loan portfolio into segments determined on the basis of general credit risk characteristics so that loan portfolios within the group have homogeneous or similar risks.

When assessing credit risk, the Bank groups the loan portfolio into 5 pools:

1. bridge loans;
2. preliminary loans;
3. housing loans;
4. housing (bridging) loans: a housing loan in the past classified as bridging.
5. housing (preliminary) loans: a housing loan in the past classified as preliminary.

The level of expected credit losses recognized in these financial statements depends on whether there has been a significant increase in the borrower's credit risk since initial recognition. When assessing financial assets for impairment, the Bank applies a “three-stage” impairment model. Basket 1 – For a financial instrument that was not impaired at initial recognition and has not experienced a significant increase in credit risk since then, a credit loss allowance is established based on 12-month expected credit losses. Basket 2 – If there is a significant increase in credit risk since initial recognition, the financial instrument is transferred to Basket 2 but is not yet considered impaired, but an allowance for credit losses is established based on lifetime expected credit losses. Basket 3 – If a financial instrument is impaired, it is transferred to Basket 3 and a loss allowance is established based on lifetime expected credit losses. As a result of the transfer of an asset to Basket 3, the Bank ceases to recognize interest income based on the gross carrying amount and applies the asset's effective interest rate less expected credit losses to the carrying amount when calculating interest income.

If there is evidence that the criteria for a significant increase in credit risk are no longer met, the instrument is transferred back to Basket 1.

Expected credit losses on acquired or originated impaired financial assets are always measured over their lifetime. Therefore, the Bank recognizes only cumulative changes in lifetime expected credit losses.

## **25 Risk Management (continued)**

To assess the probability of default, the Bank defines default as a situation in which the risk exposure is determined by:

- the presence of overdue payments for a period of more than 90 calendar days, or the Bank's expectations that the borrower is not able to repay the debt to the Bank in full without providing it with preferential conditions.
- suspension of the accrual of interest on the loan due to the deterioration of the financial condition of the borrower, the death of the borrower in the absence of a co-borrower on the loan;
- writing off part and/or the entire amount of the borrower's debt, which was caused by a significant increase in credit risk since the date of the loan;
- refusal of the borrower to fulfill loan obligations due to dishonesty (fraud);
- restructuring due to the deterioration of the financial condition of the borrower (on the recommendation of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market based on the results of an audit of the Bank's activities, changes were made to the Methodology for calculating provisions (reserves) of the Bank in terms of reflecting unfinished/untimely completed construction as one of signs of significant deterioration in the financial condition of the borrower);
- filing a claim to declare the borrower bankrupt in accordance with the legislation of the Republic of Kazakhstan;
- the borrower's application to the court to declare him bankrupt in accordance with the legislation of the Republic of Kazakhstan.

For disclosure purposes, the Bank has aligned its definition of default with the definition of impaired assets. The above definition of default applies to loans.

For borrowers who were granted a deferment due to COVID-19, the quality of the portfolio is acceptable. The NPL level (90+) for them amounted to 0.37% of the entire COVID-19 portfolio, which did not have a significant impact on the level of created provisions.

The loan is no longer considered to be in default if the arrears are cleared and/or if more than 12 months have passed from the date of granting the restructuring measure. A credit-impaired financial asset is transferred to Basket 2 if the borrower repays the debt, which leads to a decrease in the gross carrying amount of the financial asset at the date of provisioning to a level equal to or lower than the amount of the debt at the time the financial asset is classified as a credit-impaired financial asset. assets and in the absence of events at the measurement date that provide objective evidence of impairment based on indicators of impairment of a financial asset.

The Bank periodically monitors and reviews the criteria used to determine whether there has been a significant increase in credit risk to ensure they are appropriate. The presumption that there is a significant increase in credit risk from initial recognition if financial assets are more than 30 days past due is not rebutted.

***Significant increase in credit risk (SICR).*** The bank determines a significant increase in credit risk based on a three-factor analysis: backstop indicator - overdue for more than 30 days, qualitative and quantitative analysis.

***Quantitative analysis.*** When assessing the increase in credit risk since initial recognition, the Bank uses a relative approach, which is based on calculating the average annual probability of default (APD) from the reporting date to the end of the maturity date.

The Bank applies the following quality criteria:

- repeated delays over the last 12 months;
- loans for which restructuring measures were applied. Such loans will be in Basket 2 for 3 months from the date of transfer from Basket 3;
- loans for which there were payment orders and/or collection orders;
- loans for which there is a decrease in the market value of real estate as a result of revaluation by 40% or more.

Payment requests-orders and/or collection orders are types of payment documents issued to clients' bank accounts to withdraw funds to repay the client's debt.

In general, expected credit losses (ECLs) are equal to the product of the following credit risk parameters: debt at default (EAD), probability of default (PD) and loss given default (LGD), which are defined above.

Expected credit losses are determined by forecasting credit risk parameters (debt at default, probability of default and loss given default) for each future month over the life of each individual loan or aggregate segment. These three components are multiplied and adjusted for the probability of "survival" (i.e. whether the loan was repaid during the previous month or defaulted). This effectively provides a calculation of expected credit losses for each future period, which are then discounted to the reporting date and added together. The discount rate used to calculate expected credit losses is the original effective interest rate or an approximation thereof.

## **25 Risk Management (continued)**

**Basic principles for calculating credit risk parameters.** The debt at the time of default is determined based on the expected payment schedule, which varies depending on the type of product. For amortizing products and lump sum loans, the debt at the time of default is determined based on the borrower's contractual amounts due over a 12-month period or over the entire term. This will also be adjusted to take into account the expected overpayment on the part of the borrower. The calculation also includes assumptions regarding early repayment or refinancing.

Two types of default probabilities are used to calculate expected credit losses: 12-month and lifetime probabilities of default. The 12-month probability of default estimate is based on the latest historical default data available and is adjusted to reflect forward-looking information as necessary. The lifetime probability of default represents an estimate of the likelihood of a default occurring over the remaining financial life. To calculate the lifetime probability of default, the Bank uses different statistical methods depending on the segment and type of product, such as compiling lifetime probability of default curves based on historical default data.

The Bank calculates loss in the event of default based on specific characteristics of the collateral, such as the projected value of the collateral, discounts on historical sales prices and other factors relevant to loans secured by real estate and cash. Loss given default is calculated on a collective basis using the latest available collection statistics for the portfolio balance.

When calculating the discounted value of expected cash flows, the Bank applies the following scenarios:

- 1) basic - using information about the period of sale of the collateral and the discount on the collateral, using all available historical verifiable information;
- 2) optimistic - using historical information with the lowest indicator values, constituting at least 50 percent of all available historical verifiable information;
- 3) pessimistic - using historical information with the highest values of indicators, constituting at least 50 percent of all available historical verifiable information.

For each scenario, the probability of its occurrence is determined in order to calculate the weighted average ECL value. At the same time, the probability of the implementation of the base scenario is assumed to be at least 50%. In the current reporting period, the share of scenarios was 50% for the base scenario, 25% for the optimistic and pessimistic scenarios.

According to the Methodology for Calculating Provisions (Reserves), the following indicators were revised and approved by Board Decision No. 151 dated September 25, 2023: the minimum LGD for Basket 1 and Basket 2 at the level of 31% and the minimum ECL for Basket 3 at the level of 31%. The increase in indicators from 30% to 31% had an impact on the increase in expected credit losses in the amount of about 150 million tenge.

For 2023, the amount of income from the dissolution of the valuation reserve amounted to 466,599 thousand tenge (2022: income in the amount of 4,080,801 thousand tenge). In 2023, income was generated for the following reasons: a decrease in the estimated probability of default for the portfolio, caused by a low level of defaults; commissioning of the Bagystan residential complex in 2022 and the subsequent transfer of loans from basket 3 to basket 2 in the 1st quarter of 2023.

There were no other significant changes in calculation methods or significant assumptions during the reporting period.

**Forecasted information included in expected credit loss models.** The assessment of significant increases in credit risk and the calculation of expected credit losses require the inclusion of supportable forward-looking information. The Bank has identified a number of key economic variables that correlate with changes in credit risk and expected credit losses. Risk parameters are predictable, i.e. include the impact of expected economic conditions on the following macroeconomic factors: inflation rate, average monthly wage, unemployment rate, GDP. The Bank does not predict future macroeconomic conditions throughout the expected life of the loan. The degree of judgment required to estimate expected credit losses depends on the availability of the necessary information. As the forecast period increases, the availability of detailed information decreases and the judgment required to estimate expected credit losses increases. Thus, in its calculations, the Bank uses the influence of forecast macroeconomic factors only for a period of no more than three years, after which linear extrapolation of the data to unity is applied. The impact of these economic variables on the probability of default, debt at default and loss given default is determined using statistical regression analysis to understand the impact these variables have had on the historical default rate and on the components of loss given default and debt at default.

In addition to the base economic scenario, the Bank also provides other possible scenarios along with the weight assigned to the scenarios. The Bank weights scenarios equally, at least on an annual basis or when conditions change significantly from previous assumptions.

## **25 Risk Management (continued)**

### ***Estimation of expected credit losses for other financial assets***

The assessment of the credit risk of other financial assets includes further assessments of the probability of default, associated loss ratios and default ratios between counterparties. The Bank assesses credit risk using Probability of Default (PD), Exposure Given Default (EAD) and Loss Given Default (LGD).

When calculating the PD coefficient, a migration matrix is used based on data from external sources. As such information, the Bank uses data from the credit agency Moody's, if not available, from data from Standard and Poor's or Fitch. The migration matrix represents the probability of a credit rating changing over a certain period of time.

For the purpose of calculating reserves, the Bank disaggregates financial assets into government, corporate and financial institutions. For each category, the Bank uses a separate migration matrix from Moody's data, or, if not available, from Standard and Poor's or Fitch data.

The concept of default on interbank deposits, securities, correspondent accounts and repo transactions is an event of failure by a counterparty to fulfill its obligations to the Bank.

The resulting MPD result is used as the probability of default when calculating expected credit losses. The minimum default rate cannot be lower than 0.03% determined by the Basel Committee.

If the official credit rating of a counterparty does not reflect the latest information related to the counterparty, which in turn increases credit risk, the Bank, based on its expert opinion, reduces the credit rating of the counterparty. In such cases, the maximum rating reduction by the Bank will be between 2 ratings, with the possibility of using intermediate values of the probability of default in proportion to the official credit rating of the counterparty and its lower limit. And when reducing, the Bank takes into account the ratings of other counterparties that operate in this industry as an additional factor.

**Definition of LGD.** LGD changes over time depending on payouts and the value of collateral. Key elements of the LGD coefficient:

- Time aspect (dividing the EAD parameter into secured and unsecured parts) and
- Change in the value of the collateral over time (in the case of collateral such as real estate, the value may remain unchanged)

In the absence of collateral for a financial instrument and sufficient historical data on default, the Bank applies an expert assessment. Depending on the circumstances and completeness of data at the reporting date, the Bank applies one of the following approaches to determine the LGD ratio in stages:

- a) Historical data. This approach is determined based on historical default data and based on historical loss recovery rates through the application of expert judgment. In the absence of historical data and unrepresentative statistical data on recovered funds and/or investments, the Bank applies the approach described in paragraph b).
- b) An approach based on historical data from external sources such as Moody's, Standard & Poor's, or Fitch rating agencies, which provide data on the level of recovery of losses (Recovery rate) based on databases of similar portfolios. LGD is based on data that is available at the reporting date. In case of missing data, the Bank applies the approach described in subparagraph c).
- c) IRB-Foundation approach, provided by the Basel Committee on Banking Supervision, the fundamental approach assigns a minimum LGD of 75% for subordinated debt and 45% for other instruments.

**Definition of EAD.** The Bank calculates the EAD for the future reporting date until the end of the contractual maturity at each reporting date using the following:

- Contractual repayment period;
- Contractual debt repayment scheme.

At the end of each month between the reporting date and the maturity date of the financial asset, the expected EAD is calculated based on the schedule specified in the contract. The Bank expects that the current EAD will be paid in proportion to the planned contractual payments as follows:

EAD at reporting date = Principal + Accrued interest + unamortized premium/discount amount

EAD at future reporting date = Principal + Accrued interest + unamortized premium/discount - contractual payments as scheduled.

**25 Risk Management (continued)**

*Significant increase in credit rating.* When assessing securities (including repos) and receivables for impairment, the Bank applies a “three-stage” impairment model.

The financial asset at the date of recognition is included in Basket 1, with the exception of credit-impaired assets, which are classified in Basket 3.

For the reporting period, the Bank estimates a significant increase in credit risk for each financial asset. In the event of an increase in credit risk, the Bank transfers the asset to the next Basket. The Bank determines a significant increase in credit risk based on a three-factor analysis:

- Quantitative analysis. Comparison of the PD ratio at the reporting date with the PD ratio at the time the asset was recognized;
- Qualitative analysis.
- Backstop indicator. A delay of more than 30 days is considered as an indicator for moving to Basket 2, and a delay of more than 90 days is considered for moving to Basket 3.

**Market risk.** The Bank is exposed to market risk associated with open positions in (a) foreign exchange, (b) interest rate and (c) equity instruments, which are subject to the risk of general and specific changes in the market. Management sets limits on the level of risk accepted and monitors compliance with them on a daily basis. However, this approach may not prevent losses in excess of these limits in the event of more significant changes in the market.

**Currency risk.** Management sets limits on the level of risk accepted by currency and in general, both at the end of each day and within one day, and monitors compliance with them on a daily basis.

In 2023, the Bank did not conduct transactions with foreign currency, with the exception of the acquisition of foreign currency as part of the fulfillment of obligations under concluded administrative and business agreements. As of December 31, 2023, the Bank did not have in its portfolio financial instruments denominated in foreign currencies or whose value directly depends on foreign exchange rates. As of December 31, 2023, the Bank has correspondent accounts in other banks in foreign currency.

The table below presents a general analysis of the Bank's currency risk as of the end of the reporting period:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023			31 December 2022		
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Net position
US Dollars	29,078	-	29,078	181,313	-	181,313
Euros	680	-	680	7,205	409	6,796
Russian rubles	401	-	401	945	-	945
<b>Total</b>	<b>30,159</b>	<b>-</b>	<b>30,159</b>	<b>189,463</b>	<b>409</b>	<b>189,054</b>

The above analysis includes only monetary assets and liabilities.

The table below presents the change in financial result and equity as a result of possible changes in the exchange rates used at the end of the reporting period for the Bank's functional currency, with all other variables remaining constant:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023		31 December 2022	
	Impact on profit or loss	Impact on equity	Impact on profit or loss	Impact on equity
US Dollar strengthening by 20%	4,652	4,652	29,010	29,010
US Dollar weakening by 20%	(4,652)	(4,652)	(29,010)	(29,010)
Euro strengthening by 20%	109	109	1,087	1,087
Euro weakening by 20%	(109)	(109)	(1,087)	(1,087)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The risk was calculated only for monetary balances in currencies other than the Bank's functional currency.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**25 Risk Management (continued)**

**Interest rate risk.** The Bank accepts the risk associated with the impact of fluctuations in market interest rates on its financial position and cash flows. Such fluctuations may increase the level of interest margins, but if there is an unexpected change in interest rates, the interest margin may decrease or result in losses. Management sets limits on the acceptable level of interest rate mismatch and monitors compliance with the limits on a regular basis.

The table below shows a general analysis of the Bank's interest rate risk. It also shows the total amounts of the Bank's financial assets and liabilities at their carrying amounts by the earlier of the earlier of their contractual repricing dates or maturity dates. As of December 31, 2023, government securities in the Bank amount to Tenge 353,010,098 thousand (2022: Tenge 158,443,665 thousand).

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>Total</b>
<b>31 December 2023</b>					
Total financial assets	614,424,789	136,172,165	24,129,766	3,197,541,299	3,972,268,019
Total financial liabilities	314,444,062	131,223,802	167,169,697	2,462,400,524	3,075,238,085
<b>Net interest sensitivity gap at 31 December 2023</b>	<b>299,980,727</b>	<b>4,948,363</b>	<b>(143,039,931)</b>	<b>735,140,775</b>	<b>897,029,934</b>
<b>31 December 2022</b>					
Total financial assets	349,106,975	11,580,768	20,517,816	3,046,236,729	3,427,442,288
Total financial liabilities	172,976,049	22,139,224	41,880,326	2,446,737,285	2,683,732,884
<b>Net interest sensitivity gap at 31 December 2022</b>	<b>176,130,926</b>	<b>(10,558,456)</b>	<b>(21,362,510)</b>	<b>599,499,444</b>	<b>743,709,404</b>

As of December 31, 2023, the net gap for periods from 6 months to 12 months arose due to the presence of deposits for this period in the amount of 166 billion tenge.

If at 31 December 2023 interest rates had been 200 basis points lower (2022: (200) basis points lower) with other variables remaining unchanged, profit for the year would have been Tenge 14,616,839 thousand (2022: by Tenge 14,568,438 thousand) less mainly as a result of lower interest income on interest-bearing assets with a variable interest rate. Other components of equity would have been KZT 1,661,472 thousand (2022: KZT 2,264,315 thousand) higher (mainly) due to an increase in the fair value of fixed rate financial instruments classified as measured at fair value through other comprehensive income.

There are no floating rate instruments at 31 December 2023 and 31 December 2022. The Bank monitors interest rates on financial instruments. All financial instruments are denominated in Kazakhstani tenge, with the exception of funds in correspondent accounts with other banks in foreign currency.

The table below sets forth average effective interest rates (EIRs) as of December 31, 2023 and December 31, 2022 (Note 4):

<i>(in % p.a.)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
<b>Assets</b>		
Cash and cash equivalents	11.09%	10.44%
Due from other banks	20.01%	20.01%
Debt securities at FVOCI	9.34%	9.04%
Debt securities at AC	10.90%	9.31%
Loans and advances to customers	7.22%	7.25%
<b>Обязательства</b>		
Due to other banks	15.09%	15.09%
Customer accounts	1.99%	1.98%
Corporate clients funds	14.16%	7.00%
Borrowed funds from the Government of RK	11.20 %	10.68%
Borrowings from NMH Baiterek	7.97%	7.97%
Borrowings from Asian Development Bank	12.41%	11.22%
Borrowings from local executive bodies	12.43%	11.70%
Other borrowings	13.42%	11.83%
Bonds in issue	11.46%	11.46%

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**25 Risk Management (continued)**

**Other price risk.** In 2023, the Bank did not conduct transactions with shares. There were no active transactions or transactions indicating a potential decline in their value.

The Bank is exposed to prepayment risk by providing fixed-rate loans that give the borrower the right to prepay the loans. The Bank's financial performance and capital at the end of the current reporting period were not materially affected by changes in prepayment rates as such loans are carried at amortized cost and the prepayment amount is at or near the amortized cost of loans and advances to customers (2022: significant impact was missing).

**Concentration of geographic risk.** Below is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Kazakhstan</b>	<b>Russia</b>	<b>Other countries</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	590,920,244	-	-	590,920,244
Due from other banks	98,777,667	-	-	98,777,667
Investments in debt securities	151,060,282	-	14,214,472	165,274,754
Investments in equity securities	2,178	-	-	2,178
Loans and advances to customers	3,100,908,686	81,474	-	3,100,990,160
Other financial assets	16,303,016	-	-	16,303,016
<b>Total financial assets</b>	<b>3,957,972,073</b>	<b>81,474</b>	<b>14,214,472</b>	<b>3,972,268,019</b>
<b>Financial liabilities</b>				
Customer accounts	2,660,336,871	38,159	3,307	2,660,378,337
Debt securities in issue	195,787,412	-	-	195,787,412
Borrowed funds	93,821,103	-	39,185,474	133,006,577
Due to other banks	79,641,251	-	-	79,641,251
Other financial liabilities	6,424,508	-	-	6,424,508
<b>Total financial liabilities</b>	<b>3,036,011,145</b>	<b>38,159</b>	<b>39,188,781</b>	<b>3,075,238,085</b>
<b>Net position in on-balance sheet financial instruments</b>	<b>921,960,928</b>	<b>43,315</b>	<b>(24,974,309)</b>	<b>897,029,934</b>
<b>Credit related commitments</b>	<b>36,637,739</b>	<b>-</b>	<b>-</b>	<b>36,637,739</b>

Assets and liabilities are classified according to the country of location of the counterparty. Cash is classified according to the country of its physical location.

Other Countries in 2023 include - Philippines, United Kingdom among others (2022 - Philippines among others).



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**Notes to the Financial Statements for 2023**

**25 Risk Management (continued)**

Below is an analysis of the geographical concentration of the Bank's financial assets and liabilities as at 31 December 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Kazakhstan</b>	<b>Russia</b>	<b>Other countries</b>	<b>Total</b>
<b>Financial assets</b>				
Cash and cash equivalents	327,515,241	-	-	327,515,241
Due from other banks	75,434,625	-	-	75,434,625
Investments in debt securities	133,784,358	-	4,540,654	138,325,012
Investments in equity securities	1,747	-	-	1,747
Loans and advances to customers	2,877,266,100	47,630	-	2,877,313,730
Other financial assets	8,851,935	-	-	8,851,935
<b>Total financial assets</b>	<b>3,422,854,006</b>	<b>47,630</b>	<b>4,540,654</b>	<b>3,427,442,290</b>
<b>Financial liabilities</b>				
Customer accounts	2,300,418,745	24,349	1,942	2,300,445,036
Debt securities in issue	193,469,370	-	-	193,469,370
Borrowed funds	85,505,207	-	23,037,665	108,542,872
Due to other banks	76,739,163	-	-	76,739,163
Other financial liabilities	4,529,060	185	7,200	4,536,445
<b>Total financial liabilities</b>	<b>2,660,661,545</b>	<b>24,534</b>	<b>23,046,807</b>	<b>2,683,732,886</b>
<b>Net position in on-balance sheet financial instruments</b>	<b>762,192,461</b>	<b>23,096</b>	<b>(18,506,153)</b>	<b>743,709,404</b>
<b>Credit related commitments</b>	<b>82,610,900</b>	<b>-</b>	<b>-</b>	<b>82,610,900</b>

## **25 Risk Management (continued)**

**Concentration of other risks.** Management monitors and discloses information on the concentration of credit risk based on received reports containing data on borrowers with the total amount of loans issued exceeding 10% of net assets (Notes 10). The Bank did not have any significant concentration of risk as at 31 December 2023 and 31 December 2022.

**Liquidity risk.** Liquidity risk is the risk that the Bank will encounter difficulties in meeting its financial obligations. The Bank is exposed to risk due to the daily need to use available funds to settle deposits, issue loans, and pay contingent loan obligations that are settled in cash. The Bank does not accumulate funds in case of the need to simultaneously fulfill all of the above obligations, since, based on the accumulated operational experience, it is possible to predict with a sufficient degree of accuracy the level of funds required to fulfill these obligations. Liquidity risk is managed by the Bank's Asset and Liability Management Committee.

The Bank tries to maintain a stable funding base, consisting mainly of funds from the Government of the Republic of Kazakhstan, deposits - housing construction savings of individuals. The Bank invests in diversified portfolios of liquid assets in order to be able to quickly and easily meet unexpected liquidity requirements.

Management of the Bank's liquidity requires an analysis of the level of liquid assets necessary to settle obligations when they fall due; ensuring access to various sources of financing; having plans in case of problems with financing and monitoring compliance of liquidity standards with legal requirements. The Bank calculates liquidity ratios on a monthly basis in accordance with the requirements of the National Bank of the Republic of Kazakhstan. These standards include:

- Current liquidity ratio (k4), which is calculated as the ratio of the bank's average monthly highly liquid assets to the average monthly demand liabilities, taking into account accrued interest. As of December 31, 2023, this ratio was 1.894 (2022: 1.757);
- Quick liquidity ratio (k4-1), which is calculated as the ratio of the average monthly amount of highly liquid assets to the average monthly amount of urgent liabilities with a remaining maturity of up to seven days inclusive. As of December 31, 2023, this ratio was 328.786 (2022: 118.467);
- Quick liquidity ratio (k4-2), which is calculated as the ratio of the average monthly amount of liquid assets with a remaining maturity of up to one month inclusive, including highly liquid assets, to the average monthly amount of term liabilities with a remaining maturity of up to one month inclusive. As of December 31, 2023, this ratio was 65.202 (2022: 41.193);
- Quick liquidity ratio (k4-3), which is calculated as the ratio of the average monthly amount of liquid assets with a remaining maturity of up to three months inclusive, including highly liquid assets, to the average monthly amount of term liabilities with a remaining maturity of up to three months inclusive. As of December 31, 2023, this ratio was 8,513 (2022: 22,044).

The Bank maintains an adequate portfolio of short-term liquid assets, primarily consisting of short-term liquid trading securities, deposits with banks and other interbank instruments, to maintain sufficient levels of liquidity throughout the Bank.

The Bank monitors its daily liquidity position and regularly conducts liquidity stress tests under various scenarios covering standard and more adverse market conditions.

The table on the next page shows the distribution of liabilities as of December 31, 2023, by contractual maturity remaining. The liability amounts in the table represent the contractual cash flows, including gross lease liabilities (before deducting future finance charges), gross loan commitments, and financial guarantees. These undiscounted cash flows for financial liabilities and financial assets differ from the amounts reported in the statement of financial position because the amounts in the statement of financial position are based on discounted cash flows.

Impaired loans and borrowings are included in the table at carrying amount less allowance for impairment and based on the expected timing of cash inflows.

In cases where the amount payable is not fixed, the amount in the table is determined based on the conditions existing at the end of the reporting period. Foreign exchange payments are translated using the current exchange rate at the end of the reporting period.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**25 Risk Management (continued)**

The table below provides an analysis of financial instruments by maturity as at 31 December 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	592,463,208	-	-	-	-	592,463,208
Due from other bank	891,111	100,888,889	-	-	-	101,780,000
Investment securities at FVOCI	4,458,466	16,843,163	3,018,188	33,863,708	5,754,480	63,938,005
Investment securities at AC	2,293,634	17,988,873	13,329,348	23,536,884	105,136,821	162,285,560
Loans and advances to customers	185,573	3,506,458	10,228,538	894,087,081	5,018,931,056	5,926,938,706
Other financial liabilities	16,303,016	-	-	-	-	16,303,016
<b>Total assets</b>	<b>616,595,008</b>	<b>139,227,383</b>	<b>26,576,074</b>	<b>951,487,673</b>	<b>5,129,822,357</b>	<b>6,863,708,495</b>
<b>Liabilities</b>						
Customer accounts	303,661,141	50,333,491	168,572,964	539,578,233	2,118,280,396	3,180,426,225
Bonds in issue	3,876,500	5,206,994	10,399,926	104,346,640	399,828,300	523,658,360
Borrowed funds	1,127	1,428,504	326	2,486,669	630,889,879	634,806,505
Due to other bank	688,889	80,711,111	-	-	-	81,400,000
Other financial liabilities	6,424,508	-	-	-	-	6,424,508
<b>Total potential future payments for financial liabilities</b>	<b>314,652,165</b>	<b>137,680,100</b>	<b>178,973,216</b>	<b>646,411,542</b>	<b>3,148,998,575</b>	<b>4,426,715,598</b>
<b>Contingent liabilities</b>						
Irrevocable loan commitment	3,663,774	18,318,869	14,655,096	-	-	36,637,739

The total amount of contractual loan commitments included in the table above does not necessarily represent the amount of cash that will be required to be repaid in the future, as many of these commitments may become uncollected or terminate before they expire.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**25 Risk Management (continued)**

The table below provides an analysis of financial instruments by maturity as at 31 December 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>On demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>Assets</b>						
Cash and cash equivalents	328,758,275	-	-	-	-	328,758,275
Due from other bank	716,889	3,355,555	4,066,667	101,400,000	-	109,539,111
Investment securities at FVOCI	8,873,371	3,644,599	6,253,324	1,656,171	110,942,622	131,370,087
Investment securities at AC	3,459,686	3,897,815	4,351,432	40,376,972	20,297,998	72,383,903
Loans and advances to customers	263,621	4,349,765	11,837,269	652,089,372	4,887,199,094	5,555,739,121
Other financial liabilities	8,851,933	-	-	-	-	8,851,933
<b>Total assets</b>	<b>350,923,775</b>	<b>15,247,734</b>	<b>26,508,692</b>	<b>795,522,515</b>	<b>5,018,439,714</b>	<b>6,206,642,430</b>
<b>Liabilities</b>						
Customer accounts	164,902,234	20,340,423	30,383,362	621,033,434	1,943,256,595	2,779,916,048
Bonds in issue	3,876,500	5,206,994	9,083,494	109,797,401	413,860,960	541,825,349
Borrowed funds	-	-	12,269,133	2,191,401	493,583,476	508,044,010
Due to other bank	-	4,044,444	4,066,667	81,400,000	-	89,511,111
Other financial liabilities	4,536,445	-	-	-	-	4,536,445
<b>Total potential future payments for financial liabilities</b>	<b>173,315,179</b>	<b>29,591,861</b>	<b>55,802,656</b>	<b>814,422,236</b>	<b>2,850,701,031</b>	<b>3,923,832,963</b>
<b>Contingent liabilities</b>						
Irrevocable loan commitment	53,261,090	16,305,450	13,044,360	-	-	82,610,900

***“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC***  
***Notes to the Financial Statements for 2023***

**25 Risk Management (continued)**

The Bank does not use the above analysis of assets and liabilities by maturity without discounting for liquidity management. Instead, the Bank controls expected maturities and the resulting expected liquidity gap, which are presented in the table below:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Demand and less than 1 month</b>	<b>From 1 to 6 months</b>	<b>From 6 to 12 months</b>	<b>From 12 months to 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
<b>At 31 December 2023</b>						
Financial assets	688,637,024	120,878,951	22,790,855	724,397,618	2,415,563,571	3,972,268,019
Financial liabilities	314,444,062	131,223,802	167,169,697	555,290,382	1,907,110,142	3,075,238,085
<b>Net liquidity gap based on expected maturities</b>	<b>374,192,962</b>	<b>(10,344,851)</b>	<b>(144,378,842)</b>	<b>169,107,236</b>	<b>508,453,429</b>	<b>897,029,934</b>
<b>Accumulated liquidity gap based on expected maturities</b>	<b>374,192,962</b>	<b>363,848,111</b>	<b>219,469,269</b>	<b>388,576,505</b>	<b>897,029,934</b>	<b>-</b>
<b>At 31 December 2022</b>						
Financial assets	422,383,949	7,735,324	16,356,581	585,551,409	2,395,415,024	3,427,442,287
Financial liabilities	172,976,049	22,139,224	41,880,326	711,169,033	1,735,568,252	2,683,732,884
<b>Net liquidity gap based on expected maturities</b>	<b>249,407,900</b>	<b>(14,403,900)</b>	<b>(25,523,745)</b>	<b>(125,617,624)</b>	<b>659,846,772</b>	<b>743,709,403</b>
<b>Accumulated liquidity gap based on expected maturities</b>	<b>249,407,900</b>	<b>235,004,000</b>	<b>209,480,255</b>	<b>83,862,631</b>	<b>743,709,403</b>	<b>-</b>

The net gap in periods from 1 month to 6 months and from 6 months to 12 months arose due to the contractual repayment terms of deposits in these periods for periods in the amount of 129 billion tenge (up to 6 months), 166 billion tenge (up to 12 months). The cumulative liquidity gap is positive.

The entire portfolio of securities is classified as “On demand and less than one month” in accordance with management’s assessment of the liquidity of this portfolio.

In the opinion of the Bank's management, the coincidence and/or controlled mismatch of placement and repayment terms and interest rates on assets and liabilities is a fundamental factor for the successful management of the Bank. In banks, as a rule, there is no complete agreement on these positions, since transactions often have uncertain maturity dates and are of a different nature. The discrepancy between these positions potentially increases the profitability of the activity, while at the same time the risk of incurring losses increases. The maturities of assets and liabilities and the ability to replace interest-bearing liabilities at an acceptable cost as they fall due are important factors in assessing the Bank's liquidity and its risks in the event of changes in interest rates and foreign exchange rates. The Bank's management believes that, despite the significant share of customer funds having the status of "on demand", the diversification of such funds by the number and type of depositors, as well as the experience accumulated by the Bank in previous periods, indicate that these funds form a long-term and stable source of financing for the Bank's activities.

## 26 Share Capital

The Bank's capital management has the following objectives: (i) compliance with capital requirements established by the National Bank of the Republic of Kazakhstan; (ii) ensuring the Bank's ability to remain a going concern; and (iii) maintaining the capital base at the level necessary to maintain the capital adequacy ratio. The primary objective of capital management for the Bank is to ensure that the Bank complies with external capital requirements and maintains the high credit rating and capital adequacy ratios necessary to operate its business and maximize shareholder value.

*Capital adequacy ratio established by the authorized body.* From January 1, 2018, the National Bank of the Republic of Kazakhstan requires the Bank to maintain a capital adequacy ratio k1 in the amount of 5.5%, k1-2 in the amount of 6.5% and k2 in the amount of 8% of assets and contingent and possible claims and liabilities, and operational risk, in accordance with the rules, approved by the National Bank of the Republic of Kazakhstan.

*Calculations of capital adequacy ratios,* according to the rules approved by the National Bank of the Republic of Kazakhstan:

- The fixed capital adequacy ratio k1 is equal to the ratio of the fixed capital to the sum of assets and contingent and possible claims and liabilities, weighted taking into account risk and operational risk;
- Tier 1 capital adequacy ratio k1-2 is equal to the ratio of Tier 1 capital to the sum of assets and contingent and possible claims and liabilities, weighted taking into account risk and operational risk;
- The equity adequacy ratio k2 is equal to the ratio of equity capital to the sum of assets and contingent and possible claims and liabilities, weighted taking into account risk and operational risk.

As of December 31, 2023 and December 31, 2022, the Bank's capital adequacy ratio exceeded the regulatory minimum.

As of December 31, 2023 and December 31, 2022, the Bank's capital adequacy ratio, calculated in accordance with the requirements of the National Bank of the Republic of Kazakhstan, was:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>2023</b>	<b>2022</b>
Tier 1 capital	588,061,393	455,494,559
Tier 2 capital	-	-
<b>Total regulatory capital</b>	<b>588,061,393</b>	<b>455,494,559</b>
Risk-weighted assets and contingent liabilities, potential claims and liabilities	1,610,784,235	1,536,940,257
Operational risk	79,486,774	48,697,285
Capital adequacy ratio k1	34,80%	28,70%
Capital adequacy ratio k1-2	34,80%	28,70%
Capital adequacy ratio k2	34,80%	28,70%

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**27 Segment analysis**

Segment reporting is prepared in accordance with internal reporting submitted to the person or body of the Bank responsible for making operating decisions. A segment is subject to separate disclosure if its revenues, financial results or assets account for ten percent or more of all segments.

Operating segments are those components of an entity that engage in financial and business activities that generate profits or incur expenses, the operating results of which are reviewed on a regular basis by the chief operating decision makers, and for which discrete financial information is available. The Management Board of the Bank is responsible for making operational decisions of the Bank. For the purposes of making operating decisions and allocating resources, the Management Board uses financial information based on IFRS (Note 4).

**(a) Description of the products and services that generate revenue for the reportable segments**

The Bank's operations are organized into two main business segments:

- residential mortgage loans – this segment includes housing loans, preliminary and intermediate housing loans issued on market conditions, as well as their sources of funds (individual deposits, investment debt securities, borrowed funds, issued bonds);
- mortgage housing loans issued at a rate below market rates – this segment consists of preliminary and intermediate housing loans, including those issued under government programs, as well as their sources of funds (borrowed funds, issued bonds, government subsidies).

**(b) Information about profit or loss, assets and liabilities of reportable segments**

The table below sets forth segment information by reportable segment for the year ended December 31, 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage housing loans	Mortgage housing loans given below market rate	Unallocated	Total
Cash and cash equivalents	7	-	132,983,744	457,936,500	590,920,244
Due from other bank	8	-	-	98,777,667	98,777,667
Investments in debt securities	9	165,274,754	-	-	165,274,754
Investments in equity securities	9	-	-	2,178	2,178
Loans and advances to customers	10	2,520,112,585	580,877,575	-	3,100,990,160
Other financial assets	11	16,281,786	-	21,230	16,303,016
Other assets	11	-	-	345,126	345,126
Intangible assets		-	-	6,525,256	6,525,256
Fixed assets and right-of-use assets					
Long-term assets held for sale	12	-	-	7,171,517	7,171,517
Other assets		-	-	182,076	182,076
<b>Total assets of operating segments</b>		<b>2,701,669,125</b>	<b>713,861,319</b>	<b>570,961,550</b>	<b>3,986,491,994</b>
Customer accounts	13	2,362,800,460	-	297,577,877	2,660,378,337
Debt securities in issue	14	41,615,672	154,171,740	-	195,787,412
Borrowed funds	15	39,185,474	93,821,103	-	133,006,577
Due to other banks	16	-	-	79,641,251	79,641,251
Other financial liabilities	17	-	-	6,424,508	6,424,508
Income tax liabilities		-	-	-	-
Deferred tax liabilities	24	-	-	40,930,645	40,930,645
Other liabilities	17	-	-	4,377,858	4,377,858
Government grant	18	-	280,243,411	-	280,243,411
<b>Total liabilities of operating segments</b>		<b>2,443,601,606</b>	<b>528,236,254</b>	<b>428,952,139</b>	<b>3,400,789,999</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**27 Segment analysis (continued)**

The table below sets forth segment information by reportable segment for the year ended December 31, 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage housing loans	Mortgage housing loans given below market rate	Unallocated	Total
<b>2023</b>					
<b>Segment revenues</b>					
Interest income on loans to customer	20	203,438,593	18,371,993	-	221,810,586
Interest income on securities and due from the National Bank of the Republic of Kazakhstan and other credit institutions	20	5,258,748	-	84,965,274	90,224,022
Interest expense on customer accounts	20	(44,625,058)	-	(21,656,249)	(66,281,307)
Interest expense on other financial institutions	20	-	-	(11,013,198)	(11,013,198)
Interest expense on bonds in issue	20	(4,186,635)	(16,298,395)	-	(20,485,030)
Interest expense on borrowed funds	20	(3,999,931)	(8,333,369)	-	(12,333,300)
Interest expense on other financial liabilities	20	-	-	(44,152)	(44,152)
<b>Net interest income</b>		<b>155,885,717</b>	<b>(6,259,771)</b>	<b>52,251,675</b>	<b>201,877,621</b>
Credit loss allowance	7,8,9,10	379,205	87,394	16,002,754	16,469,353
<b>Net interest income after credit loss allowance</b>		<b>156,264,922</b>	<b>(6,172,377)</b>	<b>68,254,429</b>	<b>218,346,974</b>
Fee and commission income	21	3,821,595	880,749	210,842	4,913,186
Fee and commission expense	21	(3,813,136)	(878,799)	(2,449,001)	(7,140,936)
Income from government grant	18	-	12,993,395	-	12,993,395
Losses on initial recognition of assets at rates below market	4	-	(27,314,503)	-	(27,314,503)
Losses from modification of financial assets, valued at amortized cost		(1,350,632)	-	-	(1,350,632)
Gains less expenses on debt securities measured at fair value through other comprehensive income		756	-	-	756
Income less expenses on foreign currency operation		-	-	(3,588)	(3,588)
Other operating expenses less income	22	-	-	(2,695,048)	(2,695,048)
Administrative expenses	23	-	-	(27,174,946)	(27,174,946)
<b>Segment results</b>		<b>154,923,505</b>	<b>(20,491,535)</b>	<b>36,142,688</b>	<b>170,574,658</b>
<b>Expenses on income tax</b>	24	-	-	(23,047,125)	(23,047,125)
<b>Net income</b>		<b>154,923,505</b>	<b>(20,491,535)</b>	<b>13,095,563</b>	<b>147,527,533</b>



**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**27 Segment analysis (continued)**

The table below sets forth segment information by reportable segment for the year ended December 31, 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Note</b>	<b>Mortgage housing loans</b>	<b>Mortgage housing loans given below market rate</b>	<b>Unallocated</b>	<b>Total</b>
Cash and cash equivalents	7	-	87,921,433	239,593,808	327,515,241
Due from other bank	8	-	-	75,434,625	75,434,625
Investments in debt securities	9	138,325,012	-	-	138,325,012
Investments in equity securities	9	-	-	1,747	1,747
Loans and advances to customers	10	2,356,713,020	520,600,710	-	2,877,313,730
Other financial assets	11	8,091,366	-	760,569	8,851,935
Other assets	11	-	-	331,252	331,252
Intangible assets	12	-	-	6,711,795	6,711,795
Fixed assets and right-of-use assets					
Long-term assets held for sale	12	-	-	5,286,760	5,286,760
Other assets		-	-	249,493	249,493
<b>Total assets of operating segments</b>		<b>2,503,129,398</b>	<b>608,522,143</b>	<b>328,370,049</b>	<b>3,440,021,590</b>
Customer accounts	13	2,140,964,562	-	159,480,474	2,300,445,036
Debt securities in issue	14	41,537,036	151,932,334	-	193,469,370
Borrowed funds	15	23,037,665	85,505,207	-	108,542,872
Due to other banks	16	-	-	76,739,163	76,739,163
Other financial liabilities	17	-	-	4,536,445	4,536,445
Income tax liabilities		-	-	387,342	387,342
Deferred tax liabilities	24	-	-	29,022,900	29,022,900
Other liabilities	17	-	-	3,127,732	3,127,732
Government grant	18	-	261,489,488	-	261,489,488
<b>Total liabilities of operating segments</b>		<b>2,205,539,263</b>	<b>498,927,029</b>	<b>273,294,056</b>	<b>2,977,760,348</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**27 Segment analysis (continued)**

The table below sets forth segment information by reportable segment for the year ended December 31, 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	Note	Mortgage housing loans	Mortgage housing loans given below market rate	Unallocated	Total
<b>2022:</b>					
<b>Segment revenues</b>					
Interest income on loans to customer	20	160,352,135	15,705,279	-	176,057,414
Interest income on securities and due from the National Bank of the Republic of Kazakhstan and other credit institutions	20	6,792,285	-	68,169,106	74,961,391
Interest expense on customer accounts	20	(36,757,567)	-	(16,663,950)	(53,421,517)
Interest expense on other financial institutions	20	-	-	(3,829,417)	(3,829,417)
Interest expense on bonds in issue	20	(4,178,781)	(16,001,389)	-	(20,180,170)
Interest expense on borrowed funds	20	(2,252,593)	(6,560,804)	-	(8,813,397)
Interest expense on other financial liabilities	20	-	-	(79,151)	(79,151)
<b>Net interest income</b>		<b>123,955,479</b>	<b>(6,856,914)</b>	<b>47,596,588</b>	<b>164,695,153</b>
Credit loss allowance	7,8,9,10	3,346,257	734,544	(16,187,572)	(12,106,771)
<b>Net interest income after credit loss allowance</b>		<b>127,301,736</b>	<b>(6,122,370)</b>	<b>31,409,016</b>	<b>152,588,382</b>
Fee and commission income	21	2,280,877	500,680	234,475	3,016,032
Fee and commission expense	21	(4,117,641)	(903,872)	(2,190,541)	(7,212,054)
Income from government grant	18	-	11,623,720	-	11,623,720
Losses on initial recognition of assets at rates below market	4	-	(23,915,177)	-	(23,915,177)
Income from modification of financial assets, valued at amortized cost		8,763	-	-	8,763
Expenses net of income on initial recognition of financial instruments at below market rates"		808	-	-	808
Gains less losses from trading securities		-	-	37,159	37,159
Income less expenses on foreign currency operation	22	-	-	(2,298,436)	(2,298,436)
Other (expenses)/income	23	-	-	(24,281,537)	(24,281,537)
Administrative expenses		<b>125,474,543</b>	<b>(18,817,019)</b>	<b>2,910,136</b>	<b>109,567,660</b>
<b>Segment results</b>	24	-	-	(13,532,530)	(13,532,530)
<b>Expenses on income tax</b>		<b>125,474,543</b>	<b>(18,817,019)</b>	<b>(10,622,394)</b>	<b>96,035,130</b>

The bank receives all of its income in Kazakhstan. The Bank does not have significant external clients in foreign countries. The Bank receives more than ten percent of the total income from the NBRK, which in 2023 is 49,250,588 thousand tenge (2022: from the NBRK - 46,047,322 thousand tenge).

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**28 Fair value disclosures**

The results of fair value measurements are analyzed and classified into levels of the fair value hierarchy as follows: (i) Level 1 refers to estimates based on quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) Level 2 refers to those obtained using valuation techniques, in which all significant inputs used are directly or indirectly observable for the asset or liability (i.e., for example, price), and (iii) Level 3 estimates, which are estimates not based on observable market data (i.e. e. based on unobservable inputs). Management uses judgment to classify financial instruments within the fair value hierarchy. If the fair value measurement uses observable inputs that require significant adjustments, the measurement is classified as Level 3. The significance of the inputs used is assessed for the entire fair value measurement universe.

**(a) Multiple fair value measurements**

Multiple fair value measurements are measurements required or permitted by other IFRSs in the statement of financial position at the end of each reporting period. The table below shows the levels in the fair value hierarchy that include multiple fair value measurements:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023			31 December 2022		
	1 level	2 level	Total	1 level	2 level	Total
<b>Assets measured at fair value</b>						
<b>Financial assets</b>						
<i>Investments in debt securities</i>						
- Treasury bonds of the Ministry Finance of the Republic of Kazakhstan	-	25,580,691	25,580,691	-	25,786,746	25,786,746
- Bonds of local executive bodies	-	2,689,109	2,689,109	-	2,644,623	2,644,623
- Corporate bonds	-	14,898,715	14,898,715	-	14,438,161	14,438,161
- Bonds issued by international financial organizations	-	1,476,793	1,476,793	-	1,390,096	1,390,096
- Bonds of Kazakhstani non-banking financial institutions	1,007,471	5,863,889	6,871,360	7,599,148	4,173,226	11,772,374
<i>Investments in equity securities</i>						
- Ordinary shares	-	2,178	2,178	-	1,747	1,747
<b>Total assets recurring fair value measurements</b>	<b>1,007,471</b>	<b>50,511,375</b>	<b>51,518,846</b>	<b>7,599,148</b>	<b>48,434,599</b>	<b>56,033,747</b>

The fair value of investment securities was assessed using the rates of Kazakhstan Stock Exchange JSC. Due to insignificant trading volumes with similar instruments, these investment securities are assigned to Level 2.

**(b) Assets and liabilities not measured at fair value for which fair value disclosure is provided**

The following is an analysis of fair value by level of the fair value hierarchy and the carrying amounts of assets not measured at fair value:

<i>(in thousands of Kazakhstani Tenge)</i>	31 December 2023			31 December 2022		
	Level 2 Fair value	Level 3 Fair value	Carrying value	Level 2 Fair value	Level 3 Fair value	Carrying value
<b>Financial assets</b>						
Cash and cash equivalents	590,920,244	-	590,920,244	327,515,241	-	327,515,241
Due from other bank	30,000	99,418,683	98,777,667	28,000	89,650,247	75,434,625
Securities valued at amortized value	105,118,956	-	113,758,086	75,140,843	-	82,293,012
Loans and advances securities	-	3,077,411,602	3,100,990,160	-	2,860,346,182	2,877,313,730
Other financial assets	-	16,303,016	16,303,016	-	8,851,935	8,851,935
<b>Total</b>	<b>696,069,200</b>	<b>3,193,133,301</b>	<b>3,920,749,173</b>	<b>402,684,084</b>	<b>2,958,848,364</b>	<b>3,371,408,543</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**28 Fair value disclosures (continued)**

The following is an analysis of fair value by level of the fair value hierarchy and the carrying amount of liabilities not measured at fair value:

(in thousands of Kazakhstani Tenge)	31 December 2023			31 December 2022		
	Level 2 Fair value	Level 3 Fair value	Carrying value	Level 2 Fair value	Level 3 Fair value	Carrying value
<b>Financial assets</b>						
Cash and cash equivalents	-	2,660,378,337	2,660,378,337	-	2,300,445,036	2,300,445,036
Due from other bank	173,025,578	-	195,787,412	176,905,475	-	193,469,370
Securities valued at amortized value	-	99,204,027	133,006,577	-	83,154,247	108,542,872
Loans and advances securities	-	79,533,886	79,641,251	-	75,640,056	76,739,163
Other financial assets	-	6,424,508	6,424,508	-	4,536,445	4,536,445
<b>Total</b>	<b>173,025,578</b>	<b>2,845,540,758</b>	<b>3,075,238,085</b>	<b>176,905,475</b>	<b>2,463,775,784</b>	<b>2,683,732,886</b>

**Cash and cash equivalents.** All cash is carried at amortized cost and classified at Level 2. The fair value of these funds is equal to the carrying amount.

**Loans and customer funds.** The estimated fair value of all loans and advances to customers/customer accounts approximates their carrying amounts due to the fact that they are unique in the market due to the lack of similar products. Consequently, the transaction price, being the current price for the main or most profitable market, does not need to be subsequently adjusted to take into account the costs of the transaction. The exception is loans issued at preferential rates, including loans issued under government programs. For these loans, upon initial recognition, the Bank adjusts the fair value using the weighted average rate calculated for loans issued at non-concessional rates in accordance with the Fair Value Determination Methodology. This rate is calculated once a month for the current loan portfolio separately for interim and preliminary loans and is applied to newly issued loans in the next month at preferential rates. The Bank's management classified such loans and customer accounts into Level 3 of the fair value hierarchy (A).

**Investment securities measured at amortized cost.** Due to the inactivity of trading on the KASE secondary market, investment securities valued at amortized cost are determined to be Level 2 (B).

**Amounts due from credit institutions and borrowed funds and debt securities issued.** The estimated fair value of amounts due from other banks is based on expected future cash flows calculated at current interest rates for new instruments with similar credit risk and maturity. For borrowed funds and for debt securities issued, it is determined by discounting contractual future cash flows using the market interest rate. The following assumptions are used in determining the market interest rate at the date of initial recognition:

- yield curve of government bonds of Kazakhstan in tenge with the corresponding maturity date as of the specified date;
- the yield curve of US Treasury bonds with the corresponding maturity date as of the specified date;
- Bank's premium for credit risk (B).

**Other financial assets and other financial liabilities.** All other financial assets and other financial liabilities are carried at amortized cost and classified at Level 3. The fair value of these assets and liabilities approximates their carrying amounts due to their short-term nature.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**28 Fair value disclosures (continued)**

The table below sets out the valuation models and inputs used to estimate the fair value of financial assets and financial liabilities in Level 3 whose fair values differed from their carrying amounts at 31 December 2023 and 31 December 2022.

<i>(in thousands of Kazakhstani Tenge)</i>	Fair value	Evaluation model	Input date	Input data (weighted average)	
				Fair value	Evaluation model
<b>Financial assets</b>					
Due from other banks	99,418,683	Discounting method	B	16,15%	22,52%
Loans and advances to customers measured at amortized cost					
- Interim housing loans	1,507,693,673	Discounting method	A	7,87%	7,60%
- Preliminary housing loans	850,815,353	Discounting method	A	8,67%	8,21%
<b>Financial liabilities</b>					
Borrowed funds					
- Ministry of finance of the Republic of Kazakhstan	38,628,017	Discounting method	B	13,44%- 14,15%	12,60% - 17,32%
- Asian development Bank	37,345,765	Discounting method	B	12,52%- 14,53%	11,86% - 12,05%
- Parent company	4,774,684	Discounting method	B	13,71%	13,24%
- Other organisations	322,168	Discounting method	B	13,55%- 14,08%	14%- 14,28%
- Loans from LEO	18,133,393	Discounting method	B	13,44%- 15,67%	12,53% - 15,48%
Due to other banks	79,533,886	Discounting method	B	16,16%	16,67%
<b>Total estimates fair at stage 3</b>	<b>2,636,665,622</b>				

**29 Contingent and contractual obligations**

**Litigation.** In the ordinary course of business, the Bank is subject to lawsuits and claims. In the opinion of management, the probable liabilities, if any, arising from such claims or claims will not have a material adverse effect on the Bank's future financial position or results of operations.

**Tax law.** Tax conditions in the Republic of Kazakhstan are subject to change and inconsistent application and interpretation. Discrepancies in the interpretation of Kazakh laws and regulations by the Bank and Kazakh authorized bodies may result in the assessment of additional taxes, fines and penalties.

Kazakhstan tax law and practice are in a state of continuous development and are therefore subject to varying interpretations and frequent changes, which may have retroactive effect. In some cases, tax laws rely on IFRS provisions for purposes of determining the tax base, and the interpretation of the relevant IFRS provisions by the Kazakhstani tax authorities may differ from the accounting policies, judgments and estimates used by management in preparing these separate financial statements, which may result in additional tax liabilities of the Bank. Tax authorities may conduct a retrospective audit for up to five years after the end of the tax year.

The Bank's management believes that the interpretation of the relevant legislation is acceptable and the Bank's tax position is reasonable. The Bank assesses the likelihood of significant liabilities arising from individual circumstances and makes provisions in its financial statements only when it is probable that the events giving rise to the liability will occur and the amount of the liability can be estimated reliably.

The Bank's contingent liabilities are the Bank's conditional obligations to issue a housing loan in the amount stipulated by the agreement on housing construction savings, which arise when the estimated indicator for the attracted deposit is reached, the accumulation period is at least 3 years, the depositor provides the necessary security for the housing loan, confirmation of the borrower's solvency to repay the housing loan. The contingent liability is written off from the memorandum accounts when a housing loan is issued or the investor refuses to receive a housing loan. A housing loan is issued only after the application underwriting procedure has been completed and a decision has been made by the Authorized Body. Accordingly, these contingent liabilities do not entail credit risks for the Bank. As of December 31, 2023 and 2022, due to the lack of need, the Bank did not create a reserve for contingent liabilities.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**29 Contingent and contractual obligations (continued)**

Credit related obligations. The agreement on the obligation to place deposits with the National Bank of the Republic of Kazakhstan provides for the condition of concluding a transaction with a settlement date of T+.

The loan commitment agreements represent the Bank's conditional commitment to issue loans to depositors when all conditions stipulated in the home construction savings agreement have been achieved (Note 13).

The Bank's financial and contingent liabilities included:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>31 December 2023</b>	<b>31 December 2022</b>
Deposit commitments	-	50,000,000
Loan commitments	36,637,739	32,610,900
<b>Financial and contingent liabilities</b>	<b>36,637,739</b>	<b>82,610,900</b>

There are no obligations to place deposits with the National Bank of the Republic of Kazakhstan as of December 31, 2023 (as of December 31, 2022, 50,000,000 thousand tenge).

**30 Presentation of financial instruments by valuation category**

In accordance with IFRS 9 Financial Instruments, the Bank classifies/distributes its financial assets into the following categories: (a) financial assets measured at fair value through profit or loss; (b) financial assets measured through other comprehensive income and (c) financial assets measured at amortized cost. The category “financial assets measured at fair value through profit or loss” has two subcategories: (i) assets measured at fair value through profit or loss on a mandatory basis, and (ii) assets designated as such on initial recognition.

The table below provides a reconciliation of financial assets to the above measurement categories as at 31 December 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Debt instruments at FVOCI</b>	<b>Equity instruments at FVOCI</b>	<b>AC</b>	<b>Total</b>
<b>ASSETS</b>				
<b>Cash and cash equivalents</b>	-	-	273,388,532	273,388,532
<b>Loans and advances to customers:</b>				
- Interim housing loans	-	-	1,507,716,519	1,507,716,519
- Preliminary housing loans	-	-	874,371,065	874,371,065
- Housing loans	-	-	718,902,576	718,902,576
<b>Investments in debt securities</b>				
- Government securities of the Ministry of Finance of RK	25,580,691	-	51,351,767	76,932,458
- Bonds of local executive bodies	2,689,109	-	-	2,689,109
- Corporate bonds	14,898,715	-	20,771,579	35,670,294
- Bonds issued by international financial organizations	1,476,793	-	12,737,679	14,214,472
- Bonds of Kazakhstani non-banking financial institutions	6,871,360	-	28,897,061	35,768,421
<b>Investments in equity securities</b>				
- Corporate shares	-	2,178	-	2,178
<b>TOTAL FINANCIAL ASSETS</b>	<b>51,516,668</b>	<b>2,178</b>	<b>3,488,136,778</b>	<b>3,539,655,624</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**30 Presentation of financial instruments by valuation category (continued)**

The table below provides a reconciliation of financial assets to the above measurement categories as at 31 December 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	Debt instruments at FVOCI	Equity instruments at FVOCI	AC	Total
<b>ASSETS</b>				
<b>Cash and cash equivalents</b>	-	-	<b>79,058,034</b>	<b>79,058,034</b>
<b>Loans and advances to customers:</b>				
- Interim housing loans	-	-	1,617,067,984	1,617,067,984
- Preliminary housing loans	-	-	811,920,721	811,920,721
- Housing loans	-	-	448,325,025	448,325,025
<b>Investments in debt securities</b>				
- Government securities of the Ministry of Finance of RK	25,786,745	-	50,954,264	76,741,009
- Bonds of local executive bodies	2,644,622	-	-	2,644,622
- Corporate bonds	14,438,161	-	19,178,892	33,617,053
- Bonds issued by international financial organizations	1,390,096	-	3,150,558	4,540,654
- Bonds of Kazakhstani non-banking financial institutions	11,772,374	-	9,009,299	20,781,673
<b>Investments in equity securities</b>				
- Corporate shares	-	1,747	-	1,747
<b>TOTAL FINANCIAL ASSETS</b>	<b>56,031,998</b>	<b>1,747</b>	<b>3,038,664,777</b>	<b>3,094,698,522</b>

As at 31 December 2023 and 31 December 2022, all financial liabilities of the Bank are stated at amortized cost.

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**31 Related parties transactions**

Parties are considered related if they are under common control, or one of them has the ability to control the other, or can exercise significant influence over the other party in making financial and operating decisions. When considering relationships with all related parties, the economic content of such relationships is taken into account, and not just their legal form.

In these financial statements, the Bank discloses transactions and balances with government entities and parties related to the entity because the Kazakhstan government has control, joint control over, or significant influence over that party.

The Bank purchases goods and services from a large number of enterprises with state participation. Such individual purchases amount to insignificant amounts and are usually carried out on a commercial basis. Transactions with government also include tax settlements, which are disclosed in Note 24.

Other entities under the control and significant influence of the Government of the Republic of Kazakhstan include government-controlled entities and other related individuals.

The balances and contractual rates at December 31, 2023 with related parties are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Companies under the control and significant influence of the Parent Company	State-owned enterprises (Ministry of Finance)	Key management personnel	Other enterprises under the control and significant influence of the Government of the Republic of Kazakhstan
Cash and cash equivalents (effective rate 14.5%)	-	-	-	-	572,052,655
Loans and advances to customers (negotiable interest rate (4.2%-10.5%))	-	-	-	398,920	191,602
Funds in financial institutions (negotiable rate 10%)	-	98,747,667	-	-	-
Investments in debt securities (contractual interest rate: (5% - 19.4%))	7,293,351	32,560,172	76,932,458	-	34,274,298
Other financial assets	-	-	313	-	-
Other assets	-	-	9,541,893	131	-
Borrowed funds (negotiable interest rate (0.01%-0.015%))	8,871,276	-	63,684,696	-	21,122,646
Bonds issued (contractual rate 4.05-10.27%)	152,951,623	-	-	-	17,441,004
Client funds (negotiable interest rate: (2%-14.25%))	-	228,360,690	-	182,891	205,786
Funds from financial institutions (negotiable rate 10%)	-	79,641,251	-	-	-
Government subsidies	94,893,966	-	180,495,644	-	-
Other financial liabilities	-	-	-	-	-
Other obligations	-	14,572	970,706	-	4,853,801
Additional paid-in capital	13,541,732	(5,165,732)	128,219,525	-	63,170,152



**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**31 Related parties transactions (continued)**

The following are items of income and expense from transactions with related parties for 2023:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Companies under the control and significant influence of the Parent Company	State-owned enterprises (Ministry of Finance)	Key management personnel	Other enterprises under the control and significant influence of the Government of the Republic of Kazakhstan
Interest income calculated using the effective interest method	895,000	21,113,202	6,810,130	29,623	52,734,926
Interest and similar expenses	(16,825,678)	(32,669,447)	(5,812,396)	(3,915)	(1,828,407)
Credit loss expense/recovery of credit loss expense	(7,123)	(16,074,785)	(53,068)	(289)	(436,115)
Income from government subsidies	-	-	12,101,410	-	723,155
Expenses less income arising on initial recognition of financial instruments at rates below market rates	-	-	-	-	(3,537,839)
Gains less expenses on debt securities measured at fair value through other comprehensive income	-	-	374	-	162
Administrative expenses	-	(174,871)	-	-	-
Income tax expenses	-	-	(23,047,125)	-	-

The aggregate amounts of funds provided and repaid by related parties are presented below:

<i>(in thousands of Kazakhstani Tenge)</i>	2023	2022
<b>Other related parties</b>		
Amounts lent to related parties during the period	348,807	135,788
Amounts repaid by related parties during the period	179,625	51,339

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**31 Related parties transactions (continued)**

The balances as of December 31, 2022 for related party transactions are as follows:

<i>(in thousands of Kazakhstani Tenge)</i>	<b>Parent company</b>	<b>Companies under the control and significant influence of the Parent Company</b>	<b>State-owned enterprises (Ministry of Finance)</b>	<b>Key management personnel</b>	<b>Other enterprises under the control and significant influence of the Government of the Republic of Kazakhstan</b>
Cash and cash equivalents (effective rate 15.75%-16.75%)	-	-	-	-	308,964,136
Loans and advances to customers (negotiable interest rate (4.2%-10.5%))	-	-	-	458,704	30,083
Funds in financial institutions (negotiable rate 10%)	-	75,406,625	-	-	-
Investments in debt securities (contractual interest rate: (5% - 11.9%))	7,417,192	33,219,615	76,741,009	-	16,406,542
Other financial assets	-	-	331	-	-
Other assets	-	-	32,004	-	-
Borrowed funds (negotiable interest rate (0.01%-1.00%))	8,248,281	-	64,745,577	-	12,511,348
Debt securities issued (contractual rate 4.05%-10.27%)	150,814,600	-	-	-	17,439,642
Client funds (negotiable interest rate: (2% - 15.25%))	-	112,476,206	-	301,483	127,558
Funds from financial institutions (negotiable rate 10%)	-	76,739,163	-	-	-
Government subsidies	95,062,796	-	160,849,739	-	-
Other obligations	-	10,695	1,038,314	-	6,233,150
Other financial liabilities	-	-	-	-	-
Additional paid-in capital	13,541,732	(5,165,732)	99,466,457	-	40,455,876

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

**31 Related parties transactions (continued)**

The following are items of income and expense from transactions with related parties for 2022:

<i>(in thousands of Kazakhstani Tenge)</i>	Parent company	Companies under the control and significant influence of the Parent Company	State-owned enterprises (Ministry of Finance)	Key management personnel	Other enterprises under the control and significant influence of the Government of the Republic of Kazakhstan
Interest income calculated using the effective interest method	1,150,200	9,157,780	7,285,788	33,486	47,626,371
Interest and similar expenses	(16,493,883)	(20,493,367)	(4,924,284)	(1,759)	(22,896)
Credit loss expense/recovery of credit loss expense	(633)	(57,916)	1,759	(331)	1,730
Income from government subsidies	6,284,765	-	4,715,783	-	623,172
Expenses less income arising on initial recognition of financial instruments at rates below market rates	-	-	-	-	73,286
Gains less expenses on debt securities measured at fair value through other comprehensive income	-	-	501	-	132
Other operating expenses less income	-	-	-	-	(2,462,104)
Administrative expenses	-	(46,931)	-	-	-
Income tax expenses	-	-	(13,532,530)	-	-

The following is information regarding compensation payments to key management:

<i>(in thousands of Kazakhstani Tenge)</i>	2023	2022
Short-term compensation payments to key management	410,527	383,315

**32 Earnings per share**

Basic earnings per share is calculated by dividing the net income attributable to Parent's owners by the number of shares of common stock outstanding during the year. The Bank does not have dilutive potential ordinary shares. Therefore, diluted earnings per share equal basic earnings per share. Earnings per share are calculated as follows

<i>(in thousands of Kazakhstani Tenge)</i>	Note	2023	2022
Profit for the year attributable to ordinary shareholders		147,527,533	96,035,130
Number of ordinary shares in issue (thousands)	19	7,830	7,830
<b>Basic and diluted earnings per ordinary share (expressed in Tenge per share)</b>		<b>18,841</b>	<b>12,265</b>

**“Otbasy Bank” House Construction Savings Bank of Kazakhstan JSC**  
**Notes to the Financial Statements for 2023**

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**32 Earnings per share (continued)**

The book value of one share is calculated in accordance with the Rules for the disclosure of information by the initiators of the admission of securities (Appendix 2 to the Rules), approved by the decision of the Board of Directors of Kazakhstan Stock Exchange JSC (Minutes dated March 10, 2021 No. 14).

Below is the calculation of the book value of one common share as of the reporting date:

<i>(in thousands of Kazakhstani Tenge )</i>	<b>2023</b>	<b>2022</b>
Number of common shares (thousands)	7,830	7,830
Total assets	3,996,059,390	3,440,021,590
Minus intangible assets	6,525,256	6,711,795
Minus obligations	3,400,789,999	2,977,760,348
<b>Total net assets</b>	<b>588,744,135</b>	<b>455,549,447</b>
<b>Book value of one common share, tenge</b>	<b>75,191</b>	<b>58,180</b>

**Earnings per share.** Earnings per share are calculated by dividing profit or loss attributable to the Bank's owners by the weighted average number of participating shares outstanding during the year.

**33 Events after the End of the reporting date**

On February 26, 2024, Bereke Bank JSC returned funds to the Bank in the amount of 100,000 million tenge on an interbank deposit. In turn, the Bank repaid the attracted interbank deposit in the amount of 80,000 million tenge in Development Bank of Kazakhstan JSC.

On February 26, 2024, in accordance with the decision of the Parent Company, the Bank placed an interbank deposit in the amount of 20,000 million tenge with Bereke Bank JSC.