

# STRATEGY

LOAN PORTFOLIO

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KZT BIN

STRENGTHENING  
A SENSE OF  
HOMELAND





# Mission and Vision

## MISSION

**Providing homes for Kazakhstani families and enhancing their sense of homeland.**

## Values

- Development and Innovation.** The Bank is constantly working to improve its customer service and the quality of its internal processes. It does not tolerate any inefficiency, is always open to innovation and development, and actively implements the latest banking and management technologies. The Bank supports employees' commitment to self-development.
- Effectiveness and Meritocracy.** The Bank is committed to the highest standards in achieving its goals, maintains a results-oriented culture, sets clear goals for this purpose, achieves them on time, with reasonable resources, and regularly evaluates results. Meritocracy is a fair and objective assessment of individual efforts, abilities, and achievements of each employee.
- Team and Respect.** An atmosphere of mutual respect is a priority of the Bank. The Bank's management is aware of everyone's contribution to achieving team goals, which creates a basis for mutual trust.
- Initiative and Team Spirit.** Independent and active striving of employees to optimize the production process. Cooperation to achieve high results of joint activities and common intentions.

## VISION

We are a sustainable, high-tech, customer-oriented socially significant Bank implementing the principles of the housing construction savings system, actively participating in the implementation of government programs, supporting the development of housing construction to provide housing for the general public.

## STRATEGIC DEVELOPMENT GOALS BY THE END OF 2023:

- the share of HCS system participants to economically active population up to 25%;
- transfer of 100%<sup>1</sup> of customer service operations online through the introduction of advanced technologies and automation of the Bank's operations;
- maintaining customer satisfaction index (CSI) at 4.7.



1. Of operations planned to be transferred online by 2023

# The Bank's Work to Achieve the Strategic Objectives of the Bank's 2023 Development Strategy

The Bank's activities over the last 10 years have been carried out in accordance with the Bank's 2023 Development Strategy. The year 2023 was the year of summarizing and evaluating the Bank's Development Strategy. The past decade was a time of transformation and active development of the Bank as a whole. This period was marked by a number of significant events, such as digital transformation of the Bank, successful implementation of social housing programs and government projects, launch of many new products, improvement of the quality of services provided, optimization and automation

of business processes, improvement of corporate governance, etc.

### The Bank has achieved its strategic objectives by the end of 2023:

- the share of HCS system participants to economically active population was 29%;
- 100%<sup>2</sup> of customer service operations were transferred online;
- customer satisfaction index (CSI) was 4.8.

### The following comparative table summarizes the main results of the implementation of the Bank's Development Strategy over the past period:

Indicators in 2014	Indicators in 2023
<ul style="list-style-type: none"> <li>0.3 million HCS system participants;</li> <li>5.3% of the share of the HCS system participants to economically active population of the Republic of Kazakhstan;</li> <li>19% of the Bank's share in long-term deposits;</li> <li>21% of the Bank's share in mortgages among second-tier banks;</li> <li>0.64% – the lowest NPL level among second-tier banks;</li> <li>7th place by equity capital among 38 second-tier banks;</li> <li>10th place by assets among 38 second-tier banks;</li> <li>KZT 248 billion deposit base;</li> <li>KZT 204 billion loan portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>2.8 million HCS system participants;</li> <li>29% of the share of the HCS system participants to economically active population of the Republic of Kazakhstan;</li> <li>36% of the Bank's share in long-term deposits;</li> <li>55% of the Bank's share in mortgages among second-tier banks and mortgage companies;</li> <li>0.08% – the lowest NPL level among second-tier banks;</li> <li>4th place by equity capital among 21 second-tier banks;</li> <li>4th place by assets among 21 second-tier banks;</li> <li>KZT 2,363 billion deposit base;</li> <li>KZT 3,202 billion loan portfolio.</li> </ul>

2. Of operations planned to be transferred online by 2023



In order to achieve the set objectives, the following strategic key performance indicators were planned to be achieved by 2023:

Indicator name	UOM	Actual, 2022	Target, 2023	Actual, 2023	Target, 2024
Otbasy Bank's contribution to the construction of affordable housing in the Republic of Kazakhstan (for the year)	%	7.7	4.5	7.0	-
Share of loan portfolio to the Bank's assets	%	86	85	86	<b>84</b>
Share of non-state sources of borrowing in the total borrowing structure for the reporting year	%	92.4	88.8	89.5	-
Return on assets (ROA)	%	3.08	3.09	3.97	<b>2.75</b>
Volume of loans for primary housing through Otbasy Bank's instruments	sq.m	680,460	555,720	762,600	-
Share of HCS system participants to economically active population	%	26.7	29.0	29.0	<b>26.5</b>
Deposit base activity	%	28.4	33	37	<b>30.0</b>
Transfer to online service	%	69	100	100	-
Employee engagement rate	rate	above average	above average	above average	-

All strategic key performance indicators have been successfully achieved, with some exceeding the approved plan.

In order to achieve the planned indicators by 2033, activities were actively carried out aimed at:

1. implementation of government programs;
2. development of products/ services;
3. development/automation of business processes;
4. development of sales/service channels;
5. development of IT infrastructure;
6. raising funds;
7. balanced risk management;
8. maintaining an effective HR management system;
9. maintaining financial stability.

During 2023, work was carried out to approve the Bank's new Development Strategy for 2024–2033. According to the new Strategy, the Bank's further work will be aimed at implementing such key activities as solving social tasks of the state, development of commercial direction, entrepreneurial approach in general, ensuring sustainable development, implementation of ESG principles, including:

1. implementation of government programs;
2. providing the best customer service;
3. development of products/ services;
4. development of IT infrastructure and automation of business processes.
5. balanced risk management;
6. effective HR management system;
7. maintaining financial stability.

More detailed objectives with target values and activities are set out in the Bank's Development Plan. The Bank's Development Plan is detailed into a specific list of actions with deadlines and cascaded into KPI maps for members of the Management Board, Bank employees, KSP, KSP Implementation Action Plan for balanced management for each of the strategic perspectives.

# Activity Results

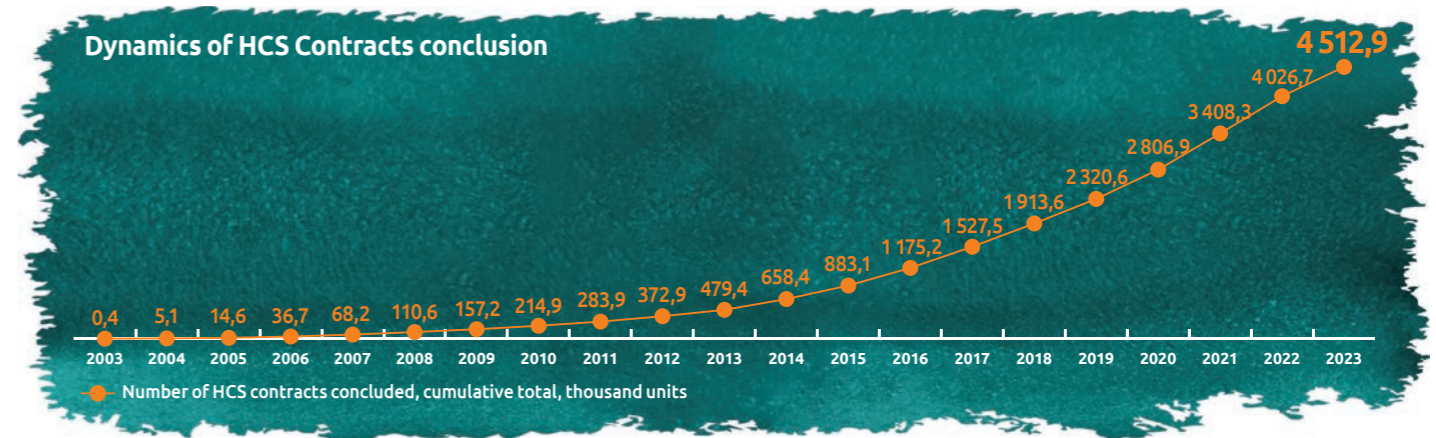
## DEPOSIT TAKING

The Bank has Baspana and Tabysty tariff programs, which allow the depositor to decide for himself/herself how many years he/she will save and at what interest rate he/she wants to get a housing loan. At the same time it is required to save 50% of the agreement value. The interest rate on savings is 2–5% p.a. (EAR is up to 14–17.1% p.a. (including government bonus)).

The monthly amount of contributions is calculated so that if they are paid evenly over the savings

period, the client will reach the required value of the estimated indicator at the end of the savings period. The value of the estimated indicator increases when the depositor makes early payments at the initial stage of savings.

The Bank's rate of contracting shows a rapid and consistent increase in the public participation in the development of Kazakhstan's housing savings system.



## LOAN GRANTING

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

**A housing loan** is granted subject to the following conditions: accumulation of the minimum required amount, observance of the accumulation period (at least 3 years), achievement of the minimum value of the estimated indicator set individually for the tariff program, confirmation of solvency and provision of collateral sufficient to cover the amount of the loan granted. Loan term – from 6 months to 25 years, loan interest rates – from 2% to 5% p.a. (EAR is from 2.1% p.a.).

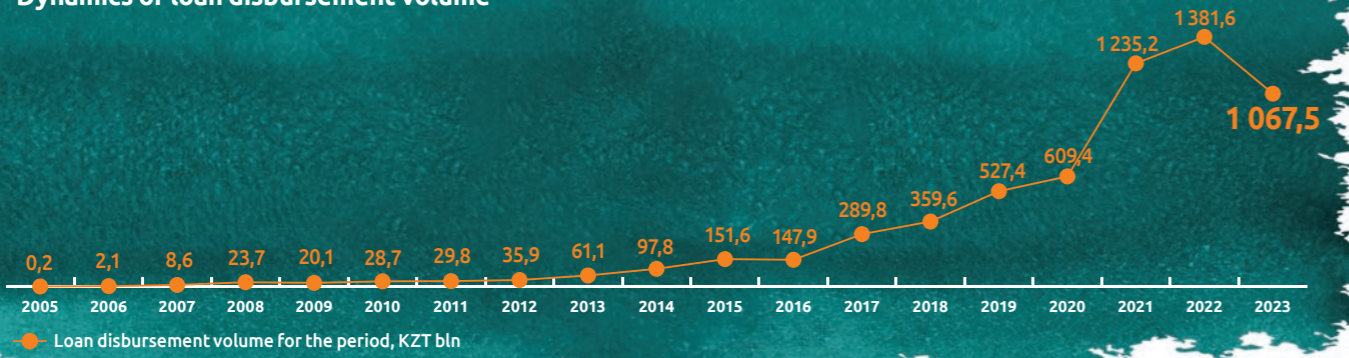
**A bridging housing loan** is granted subject to early accumulation or lump-sum deposit of the minimum required amount (at least 50% of the agreement value) with subsequent lending within the agreement value, as well as upon confirmation of solvency and sufficiency of collateral. Loan term – up to 25

years, loan interest rates – from 2% to 12% p.a. (EAR is from 2.1% p.a.).

**A preliminary housing loan** is granted under government programs and the Svoy Dom (Own House) Program. During the period of the preliminary housing loan, the borrower repays only the loan interest and at the same time makes contributions to his/her deposit up to reaching 50% of the agreement value. Upon expiry of the savings period, the accumulated savings and the housing loan are paid out and used to repay the preliminary housing loan. The maturity and simultaneous savings period for the preliminary housing loan is up to 8 years, loan interest rates are from 2% to 14.4% p.a. (EAR is from 2.1% p.a.).



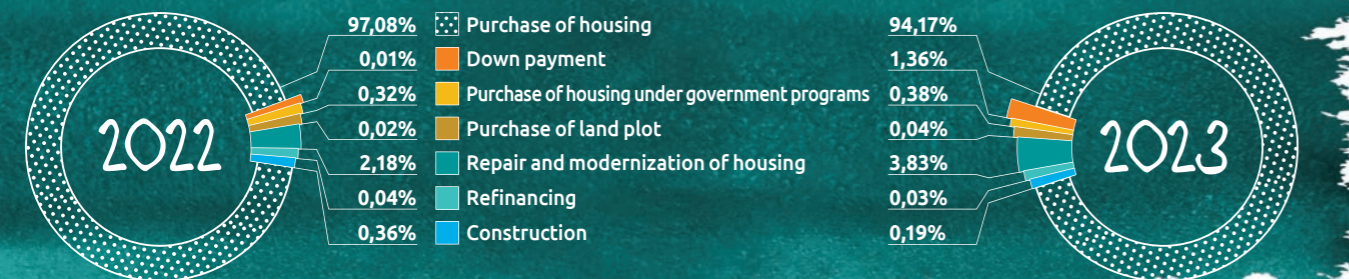
### Dynamics of loan disbursement volume



The Bank has shown strong growth in loan disbursements throughout the period of its operations. The dynamic growth of the loan portfolio since 2012 is due, in particular, to lending

to the population under government, regional housing construction programs and the Bank's own programs for each market segment.

### Loan structure by purpose



The Bank receives most of its income from interest on loans issued (as of 01.01.2024, interest income on loans makes 56% of total income). The Bank's product generating the highest income is the bridging loan. In 2023, the volume of bridging loans granted amounted to 75% of the total amount of loans granted. In the reporting year, the Bank started a step-

by-step work on differentiation of rates on bridging loans in order to strengthen the fundamentals of savings culture. New waiting periods (minimum estimated indicator) for bridging housing loans were set at a minimum of 3 months. A bridging loan can be obtained with a minimum estimated indicator value of 2.5.

### Assessment of planned indicators

Indicator Name	Actual, 2020	Actual, 2021	Actual, 2022	Target, 2023	Actual, 2023	Achievement, %
Housing construction savings agreements, units	486,314	601,370	618,422	-	<b>486,265</b>	-
Deposit portfolio, KZT million	1,034,002	1,509,092	2,140,681	2,394,441	<b>2,362,586</b>	<b>99</b>
Loans granted, KZT million	609,414	1,235,168	1,381,599	971,940	<b>1,067,534</b>	<b>110</b>
Loan portfolio, KZT million	1,368,478	2,083,795	2,968,315	3,362,608	<b>3,202,303</b>	<b>95</b>

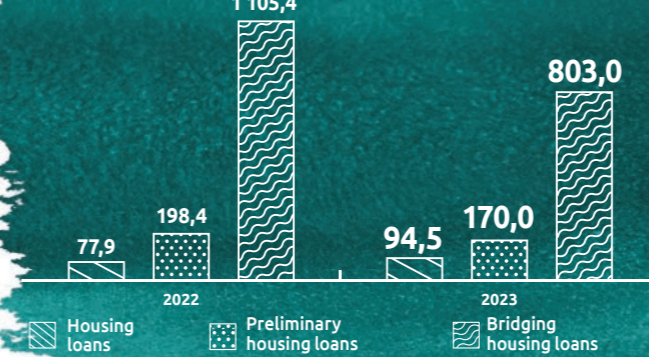
In total, the Bank concluded 4.5 million agreements totaling KZT 16.3 trillion over the entire period of its operations. More than 2.8 million depositors with a deposit amount of KZT 2.4 trillion were attracted to the system. One third of long-term deposits of the population (36%) are with Otbas Bank. Thanks to Otbas Bank, over 501 thousand Kazakhstans improved their housing conditions. Half of the country's mortgage portfolio (55%) is the portfolio of Otbas Bank. Thus, almost 2/3 of mortgages (60%) in the country are issued by Otbas Bank.

The analysis of the Bank's key indicators for the period of implementation of the Development Strategy shows steady growth, which reflects the demand, competitiveness and flexibility of the Bank's products in the Kazakhstan financial market.

### Implementation of government housing programs.

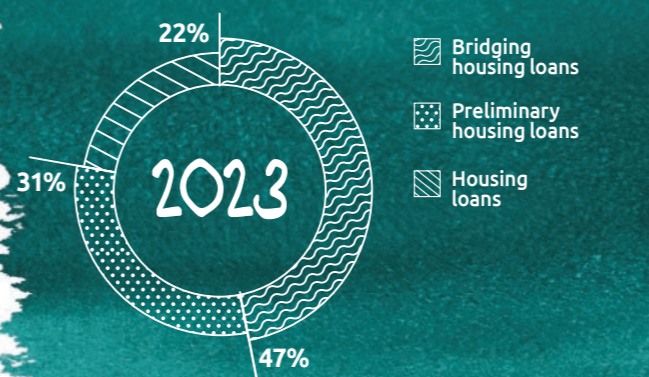
The main priority of our State's activity is recognized as the social well-being of citizens, primarily related to housing. For this purpose, various preferential housing programs are being introduced in the country, with special attention paid to socially vulnerable segments of the population. Otbas Bank is the operator of such government housing programs. Over the past twenty years, Otbas Bank has become a reliable ally for many Kazakhstans in solving their housing problems.

### Dynamics of loans granted, KZT bln



Over the entire period of its activity, the Bank has successfully implemented the government housing construction programs of 2005–2007, 2008–2010, 2011–2014, the 2020 Affordable Housing – 2020 program, the 2020 Regional Development Program, the Nurdy Zhol 2015–2019 State Infrastructure Development Program, the Nurdy Zher State Housing Construction Program (currently, the Nurdy Zher program has been transferred to the 2026 Housing and Utility Infrastructure Development Concept). To date, these programs have ended.

### Loan structure at the end of 2023



In the reporting year, the Bank implemented the 2026 Housing and Utility Infrastructure Development Concept (from March 2023, the 2029 Housing and Utility Infrastructure Development Concept) (hereinafter, the Concept). The Bank acts as an operator of the Concept and its directions (2-10-20 and 5-10-20) and provides loans to socially vulnerable groups of the population who are on the waiting list of local executive bodies. Socially vulnerable groups of the population include, inter alia, persons with disabilities of groups 1 and 2, families having or raising children with disabilities, as well as large families and mothers, orphans or children left without parental care, etc.

The Bank issues loans only to individuals. Bridging housing loans totaled KZT 1,511.5 billion by the end of 2023. Bridging housing loans grew by 8% and reached KZT 972.1 billion by the end of the year. The amount of housing loans totaled KZT 718.8 billion.



Under the Concept, the Bank issues preliminary housing loans at interest rates of 2% and 5% p.a. depending on the category of citizen:

- of these, applicants eligible for loans at 2% p.a. are:
  - orphans and children left without parental care;
  - mothers with many children who have been awarded the Altyn alqa or Kumis alqa pendants, or who have previously received the Mother Heroine title, and who have been awarded the Motherhood Orders of class I and II, and large families;
  - persons with disabilities of groups 1 and 2;
  - families with or raising children with disabilities;
- other groups of the population who are on the waiting list, which are eligible for loans at 5% under the Concept.

All participants of the Concept purchase housing built by local executive bodies at the expense of loan funds.

In 2023, 118 properties (6,605 apartments) with a total area of 648 thousand sq.m. and for the amount of KZT 74.2 billion were received for sale under the state programs, including:

- under Nurly Zher: 25 properties (1,508 apartments) with a total area of 91 thousand sq.m. and for the amount of KZT 16.3 billion;
- under Shanyrak: 6 properties (625 apartments) with a total area of 63 thousand sq.m. and for the amount of KZT 6.3 billion;
- under the Concept, 87 properties (4,472 apartments) with a total area of 494 thousand sq.m. and for the amount of KZT 51.6 billion.

Under the Concept, 2,715 loans totaling KZT 31.8 billion were granted to Kazakhstanis in 2023 at a reduced rate of 5% p.a. Loans were granted using the balance of funds allocated in 2022 from the republican budget in the amount of KZT 5.1 billion, budget funds in the amount of KZT 39.7 billion allocated in 2023, as well as the repayable funds. For the 2-10-20 direction, KZT 33.6 billion was allocated to the Bank from the republican budget. In 2023, using these and the balance of funds allocated in 2021 in the amount of KZT 70 billion and KZT 51 billion allocated in 2022, 4,579 loans in the amount of KZT 55.3 billion were granted to persons with disabilities, orphans, as well as large families and families raising children with disabilities.

In total, the Bank granted 136,881 loans worth KZT 1,080.1 billion under all government programs over the entire period of its operations.

### Implementation of a mechanism for assigning and making payments to certain categories of citizens for housing rented in private housing stock.

In 2022, Kazakhstan launched a rental housing subsidy program to support citizens. Otbasy Bank acted as the operator of this program. In the reporting year, the Bank continued to implement the mechanism for assigning and making payments to certain categories of citizens for housing rented in private housing stock. In 2023, KZT 9 billion was actually allocated, of which KZT 5.6 billion – funds of the republican budget, KZT 3.4 billion – funds of local budgets. The amount of disbursed funds is KZT 5.3 billion (KZT 4.3 billion and KZT 1 billion, respectively). The balance of unused funds was returned to the republican budget. At the end of the reporting year, payments were made to large families, families raising children with disabilities, orphans, as well as disabled people of groups 1 and 2 against 10,444 applications totaling KZT 5.6 billion.

### Implementation of the With a Diploma to the Village program.

Since 2023, the Bank has been implementing the With a Diploma to the Village government program. As part of the program, the Bank is developing remote application submission by specialists in health care, education, social security, culture, sports and agricultural sector, as well as public officers of Akims' offices of villages, settlements and rural districts who came to work and live in rural settlements and an administration area for local bodies to administer submitted applications. To improve customer service and increase the digitalization of public services, the process was fully transferred to an online format, which saved time for specialists in health care, education and agricultural sector, as well as program administrators in local executive bodies to submit and process applications for budget loans for rural development. Under the program, a portfolio of 37,749 units totaling KZT 90 billion was received from Agrarian Credit Corporation JSC. The Bank signed 180 engagement agreements with local executive bodies for a total budget amount of KZT 18.6 billion. Under the program, a total of 3,416 loans worth KZT 17.38 billion and 4,504 resettlement allowances worth KZT 1.5 billion were issued.

### Implementation of regional youth programs.

Since 2017, the Bank has been actively implementing special projects to support Kazakhstani youth



in regions and monotowns. The program was first launched in Almaty, then the capital and other regions joined the project. Today, youth programs are already being implemented in Astana, Almaty, Abay, Zhetysu, Ulytau, Zhambyl, Karaganda, Kostanay, Aktobe, Almaty, Atyrau, West Kazakhstan, Kyzylorda, Mangistau, Pavlodar and other regions.

The program helps to retain working youth in the regions and support specialists in professions needed in the region – doctors, teachers, journalists, athletes, cultural specialists, etc.

Regional/youth programs are implemented through the provision of a repayable budget loan to the Bank by the local executive bodies of the regions.

At the same time, in December 2023, the Young Scientists program was launched as part of cooperation between the Bank and the Ministry of Science and Higher Education of the Republic of Kazakhstan. The program is funded by the Bank. Under the program, young scientists working

in organizations whose list is determined by the Ministry of Science and Higher Education of the Republic of Kazakhstan are provided with loans for the purchase of housing on preferential terms. Since its launch, this program has attracted interest from other ministries and government agencies, which are also keen to launch similar programs for employees in other areas.

In general, over the entire period of the regional youth program, 8.5 thousand young Kazakhstanis across the country were able to celebrate housewarmings. Otbasy Bank allocated KZT 22.5 billion for the project implementation, local akimats – KZT 75.4 billion. As a result, the budget of the youth loan program totaled KZT 98 billion. This is a successful example of the Bank's joint and fruitful work with local executive bodies of regions and monotowns. In total, 8.5 thousand loans totaling KZT 111 billion were issued under the youth programs.



### Implementation of the Corporate Program.

An analogue of the government and regional programs is the Corporate product developed by Otbas Bank. Today, not only local authorities, but also private companies – factories, enterprises, medical centers or other businesses interested in motivating their employees – can help citizens buy housing. To reduce the social burden from the budget and retain working youth in the regions, the Bank offers large businesses on an annual basis to envisage the possibility of cooperation with the Bank under the Corporate product.

The Bank's Corporate product gives Kazakhstani enterprises an opportunity to support their employees in solving housing problems. Currently, the Corporate product is implemented with such large commercial structures as ERG Group, Karazhanbasmunay, Kazphosphate, NIS and Qazinterservice. To provide housing for its employees, the company lends its own funds to the Bank in the form of loans for subsequent mortgage lending to the company's employees.

According to this principle, 412 employees of the enterprises have already solved their housing problem. The total amount of lending totaled over KZT 6 billion.

### Implementation of the Umai women's mortgage program

Today, the Bank's product line includes many in-demand products for each segment. The Bank pays special attention to ensuring that the interests

of all social groups are taken into account when developing the product line and is constantly working on developing and adapting its offer. ESG factors are included in the Bank's lending processes under special social programs.

In 2021, the Bank launched Kazakhstan's first female-only mortgage program. The Umai mortgage is a joint project of Otbas Bank and the Asian Development Bank. In 2023, the program entered its third year of implementation with tranches provided by the Asian Development Bank. In 2021, KZT 8.4 billion was allocated, in 2022 – KZT 14 billion, and in the reporting year the third tranche of loan funds from the Asian Development Bank in the amount of KZT 15.6 billion was allocated. The Bank also allocated an additional KZT 3.3 billion of its own funds for the program. In total, 3.7 thousand loans totaling KZT 41.2 billion were disbursed at the end of 2023 using all funds.

### Implementation of the Zhana Baspana program for servicemen.

The servicemen program is also one of the Bank's most popular products. As a source of funding, the Bank raises funds on the market at market conditions and also uses its own funds. Today, the Bank is the only bank where special deposits have a special status and a guarantee of inviolability. A total of 16.9 thousand loans worth KZT 364.4 billion were issued under the Zhana Baspana program.

### Implementation of the Green Mortgage environmental program.

Since the beginning of 2023, the Bank has been implementing Kazakhstan's first 'green mortgage' program for the purchase of apartments in energy efficient residential complexes built to 'green standards', thus supporting the strategic initiative to promote environmentally friendly housing. The program is focused on protecting the health of citizens and the environment.

The main condition for the implementation of the program is that the purchased housing complies with a 'green standard' certified under one of the existing systems in Kazakhstan (OMIR, GOST R, BREEAM, LEED), regardless of its level of certification.

This means that the developer uses eco-friendly and environmentally friendly materials in the construction of houses, landscaping and gardening of the territory, all the houses are thoughtfully located, the flats can regulate the air temperature, there is transport accessibility, etc.

In 2023, the Bank expanded the list of cooperation with developers who comply with environmental construction standards.

During 2023, the Bank successfully disbursed KZT 12.8 billion (91%) of the planned KZT 14 billion. In an effort to expand its interaction with key players in the construction sector, the Bank entered into 17 memoranda of cooperation with the country's leading construction companies. As a result, the Bank granted mortgage loans worth KZT 12.82 billion to 492 customers under the program.

*The percentage of social mortgages in the total portfolio is 33%.  
At the end of 2023, the Bank's social loan portfolio totals 93,086 loans worth KZT 1,067 billion.*

*The percentage of green mortgages in the total portfolio is 0.4%.  
At the end of 2023, the Bank's green loan portfolio totals 490 loans worth KZT 12.73 billion.*



## FUNDS RAISED

The Bank uses its own funds, funds allocated from the state budget and the budget of local executive bodies, customer deposits and funds raised in the financial market (issue of debt securities, loans from various organizations) for the Bank's full-fledged operations and to ensure the fulfilment of its obligations to depositors for housing loans.

Over the entire period of operations, the Bank attracted KZT 835 billion of budgetary funds under government and regional programs. As of 01.01.2024, KZT 741 billion or 89% of the total amount of raised funds was disbursed (including repayable funds).

The Bank also attracts borrowings from various organizations for the implementation of individual projects. For example, the Bank borrowed KZT 38 billion from the Asian Development Bank for lending to women, of which KZT 15.6 billion (the third tranche) was borrowed in the reporting period. The funds borrowed from the Asian Development Bank were fully disbursed by the end of 2023.

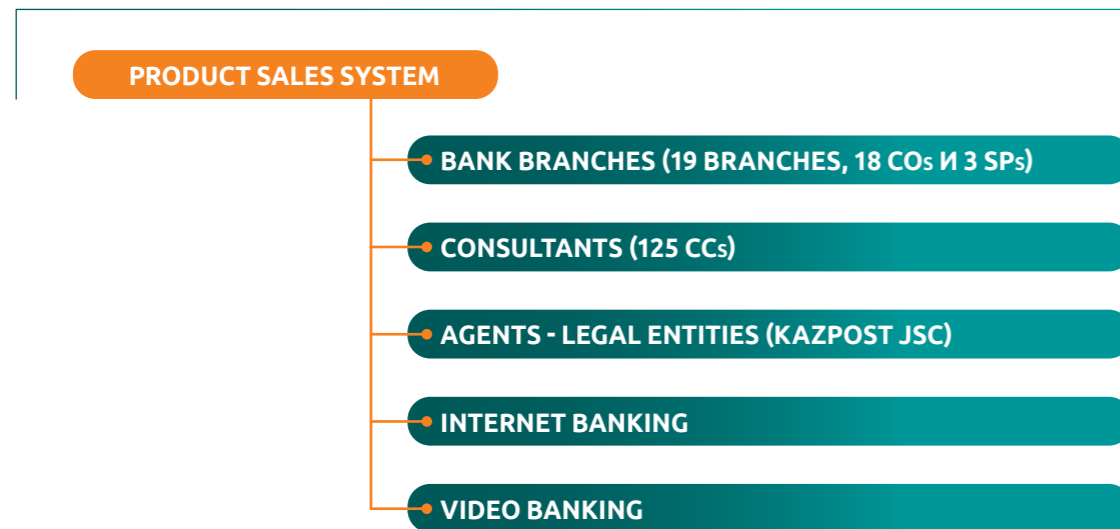
As part of the promotion of the Bank's corporate product, loans were raised from Nazarbayev Intellectual Schools AEO for KZT 335 million and from Shubarkol Komir JSC for KZT 400 million, and a bond purchase agreement was concluded with Karazhanbasmunay JSC for KZT 1.3 billion for lending to employees of this company. All funds received are being disbursed according to the plan.

At the end of 2023, the share of non-state sources of borrowing in the total structure of borrowing was 89.5%.

## SALES SYSTEM

The Bank's activity is characterized by rather high rates of development, as evidenced by the growth of key indicators. Such dynamics is largely ensured by the successful operation of the Bank's sales system, which includes branches, service centers and points, consultants and agents (organizations providing agency services to the Bank under concluded agency agreements), Internet banking, video banking, etc.

### Key participants of the Bank's sales system



The Bank endeavors to create an infrastructure where the customer can use products and services in a convenient way that is for him, i.e. at a convenient time, in a convenient place and in a convenient way.

To this end, the Bank has implemented the following service channels for its customers:

- the Bank's outlets (branches, service centers, service points, call centers);
- the Bank's consultants (consulting centers, field service);
- the Bank's consulting operators (digital guides) in the Bank's branches to receive services through remote service channels;
- the Bank's consulting operators (postmen) for supporting in receiving services through remote service channels;
- the agent – Kazpost JSC;
- video banking;
- Internet banking;
- the Bank's mobile application;
- the Bank's partners (Kaspi.kz, E-Government of the Republic of Kazakhstan, Halyk Bank of Kazakhstan JSC, Bank CenterCredit JSC);
- as well as communication channels:
- the Bank's corporate website;
- Quanysh chatbot (WhatsApp, Telegram, Instagram, Facebook, VKontakte messengers);
- the Bank's official pages in social networks (Instagram, Facebook, VKontakte), etc.

In 2023, the Bank invested time and financial resources to actively develop its digital technologies and customer service methods.

At the end of the reporting year, the Bank conducted 4.3 million customer transactions, of which 77% (3.3 million transactions) were conducted through remote service channels. The share of transactions conducted through remote channels as of 01.01.2024 is as follows:

- Internet banking – 70.9% = 3,046,310 transactions;
- video banking – 6.8% = 292,882 transactions.

The Bank's branches conducted 625,434 transactions (14.5% of all transactions). The agency network conducted 349,735 transactions (8.1% of all transactions). The index of customer satisfaction (CSI) with the service in the Bank's branches was 4.83.

*For reference: The index of customer satisfaction (CSI) with the service in the Bank's branches is measured in accordance with the Bank's Methodology for working with CSI and NPS service indicators.*

## SPECIAL SERVICE FOR CERTAIN CATEGORIES OF CITIZENS

The Bank has created the following service conditions in order to take care of its customers, including for groups of citizens with reduced mobility and groups of citizens with disabilities:

- the Bank has organized field service by the Bank's non-staff consultants. The Bank's consultants using mobile tablets can serve customers in any place convenient for the customer.
- the Bank has organized service for deaf and hard-of-hearing customers with the help of a sign language interpreter through a video service.
- the Bank has organized service for persons with disabilities out of turn at its branches.
- ramps, lifts, tactile tiles with a call button for a Bank employee, etc. have been installed in the Bank's branches.
- both online and face-to-face training sessions have been organized with the participation of representatives of Union of Paralyzed Citizens NGO, ZHAN NGO, Imanaliyev Commission on the Rights of People with Disabilities NGO. The training events were aimed at improving the competence of the Bank's employees in effective and respectful interaction with customers with disabilities. The main topics included 'Rules of polite communication with people with disabilities', 'Specifics of servicing customers with disabilities' and 'Adaptation of banking services for persons with disabilities'.

In 2023, the Bank granted 385 loans worth KZT 4.6 billion to customers with disabilities.



## CONTACT CENTRE

The Bank pays great attention to receiving feedback from customers, endeavoring to develop effectively in the interests of customers. The Bank receives feedback through written messages (received by hand, by post, by e-mail and the Bank's Internet resource) and oral messages (received by telephone and by direct visit of the customer to the Bank). Messages, if any, are accepted on a daily basis.

### Digital Communication Department

Since 2020, the Bank has introduced the Quanysh chatbot, which is active on WhatsApp and Telegram messengers. In July 2021, the Bank moved further by integrating social media with the Bank's CRM system. This step allowed the Bank to place the Quanysh chatbot on the Bank's official pages in Instagram, Facebook, and VKontakte. In addition, Quanysh is also available on the Bank's mobile application, which has become the second most popular communication channel after WhatsApp.

The average monthly number of requests to the chatbot grew to 382,909, an increase of 1,646% compared to the original 2020 data. The advantages of the chatbot are evident in its ability to efficiently process any load, ensuring that no chat is lost, unlike voice communication channels. The Bank's customers can rest assured that they will receive prompt service and never go unanswered.

In 2023, the Bank processed more than 4.6 million chats, which is 240% more than in the previous year. Customer preferences are diverse: 15.6% prefer WhatsApp, 82.8% use the mobile app, 1.4% prefer Telegram and the remaining 0.2% prefer social networks.

The customized chatbot successfully handled 96.2% of messages without connecting to an operator. Only 3.8% of customers connected to an operator after consulting with the bot, indicating proper robotization and relevance of the content provided. To date, more than 50 consultation scenarios on the Bank's products and services, as well as more than 29 different banking services, have been set up in the chatbot in two languages.

With the start of accepting applications for the use of lump-sum pension payments, the Bank introduced the feature to check the status of applications for the Unified Pension Payments in the chatbot online to reduce the share of connecting to an operator.

In 2023, the average first response time did not exceed 20 seconds and operators successfully processed up to 18 chats simultaneously. The CSI is estimated at a high 88.8%. The Bank is constantly researching customer experience to identify areas for improving its digital services.

At the same time, in 2023, the Bank processed more than 9 thousand official written Feedback messages and more than 60 thousand comments on social networks without receiving a single complaint from users.

To improve the services provided by the chatbot, in the fourth quarter, the Bank successfully conducted a pilot project with the GPT chatbot from Open AI. The results of the pilot project were favorably evaluated by the Bank's Information Resources Committee, and a decision was made to further implement artificial intelligence in the work of the Quanysh chatbot. This successful pilot project opened new horizons in the use of artificial intelligence, becoming an important step in the development and improvement of the Bank's services for 2024.

### Remote Sales Department

In accordance with the implementation of strategic objectives in terms of a comprehensive transition of the Bank's activities, business processes, competences, corporate culture and business models to a digital Bank, with maximum use of the opportunities of digital technologies, the Bank is working on the development and introduction of innovative products using new technologies for the formation of new experience. Thus, since 2020, the Bank has been operating a video banking service. In 2021, work was carried out to improve this service – a new remote customer service feature was launched – online deposit opening via video call. In addition, as part of further accessibility of the Bank's products, an online mortgage scheme was implemented through the concierge service via video banking. This product combines the best practices of live communication service and using digital channels – Phygital. The implementation of this functionality helped the Bank's customers to apply for mortgages remotely and reduce visits to the Bank's branches to a minimum, which was especially important in the epidemiological situation. In 2023, 2,881 loan applications for KZT 58.7 billion were processed. Video calls helped the Bank's customers save time and receive services remotely for post-deposit transactions. This feature was used 136 thousand times. As part of the Unified Pension

Payments customer support, more than 17,000 special accounts were opened via video banking and more than 69,000 special accounts were opened via Internet banking for receiving pension funds. The total number of video calls served for the year was more than 329 thousand. Also, more than 1.45 million customers received audio services in 2023.

### Customer Analysis and Remote Sales Development Department

In 2023, more than 33 major upgrades were made to the CRM IS, aimed at optimizing existing business processes and creating new ones.

Work was done to enrich the customer card in the CRM IS and to upload data from various sources, and lead generation processes were upgraded and optimized in terms of expanding the channels for receiving leads, which allowed increasing the number of operational and marketing campaigns aimed at deposit

replenishment and opening, loan processing, consultation on the Bank's products and services, etc.

In 2023, the customer communication channels were also expanded, it became possible to communicate with the customer in WhatsApp and Telegram messengers, as well as in Facebook, Instagram, VK social networks. The business process of launching a call-in campaign with an intelligent voice robot and IVR (Interactive Voice Response) directly in the CRM IS was implemented.

In addition, to optimize and ensure uninterrupted customer calls, Genesys telephony and CRM IS were upgraded and new call pools were created and connected to the telephony database.







As part of improving the service provided to customers, a method was developed to send PUSH notifications to customers who left a request for a callback, with whom, for various reasons, communication with the Bank's operator did not take place.

Upgrades were also made on the side of the VIDEO. KZ IS in terms of optimizing call records and storing media files, as well as correcting errors in the IS related to customer communication, monitoring in dashboards, statuses and reports.

To meet the planned indicators for inflows, deposit portfolio balances, as well as the growth of deposit base activity, the Bank prepared and conducted:

- 700 marketing campaigns, inflows of which amounted to KZT 77.9 billion;
- 179 operational campaigns, during which more than 1.8 million calls were made to sell deposit/credit, remind about the need to replenish the deposit;
- in the 4th quarter of 2023, a large-scale campaign 'Government Bonus 2023' was conducted: inflows on deposits of campaign participants amounted to more than KZT 174.2 billion, more than 247 thousand customers participating in the marketing campaign reached the maximum government bonus.

In 2023, the Digital Guide project was scaled up in all the Bank's branches to improve customer service, relieve queues at the Bank's branches, educate and transfer customers to banking transactions via remote service channels. The share of transactions transferred to remote service channels was increased from 36% to 52%, and the number of digital guides was also increased from 29 to 100 consulting operators.

In November 2023, a memorandum of cooperation was signed between the Bank and Kazpost JSC to engage postmen to advise and promote the Bank's products/services in remote settlements.

In December 2023, the first engagement agreements were concluded and the first consulting operators (postmen) were engaged to accompany the customer in receiving the Bank's services by conducting transactions through remote communication channels of the West Kazakhstan Regional Branch and Kyzylorda Regional Branch of Kazpost JSC.

## RESPONSIBLE LENDING AND FINANCIAL PRODUCTS

The Bank conducts its lending activities by providing loan products in all regions of the Republic of Kazakhstan. The main focus of the Bank's lending activities is the provision of loan products to the Bank's customers. The Bank provides the following types of loan products to HCS depositors:

1. Housing loans;
2. Bridging housing loans;
3. Preliminary housing loans.

Loan products are provided on standard terms to all customers of the Bank in the national currency of the Republic of Kazakhstan. Loans are issued to HCS depositors on the basis of housing construction savings agreements and bank loan agreements (Housing Loan, Bridging Housing Loan, Preliminary Housing Loan) concluded with them in accordance with the Bank's internal documents on granting loans and the Bank's tariff programs.

The loan terms for the Bank's customers are determined by the terms of the tariff program selected by the customer.

The terms of use, interest rates, methods of securing loan repayment obligations and other basic terms and conditions of the Bank's loan products and services are established by tariff programs and other internal documents of the Bank.

The Bank's interest rate for granting a loan product is determined by the terms and conditions of the HCS agreement. Bank loan agreements obligatorily specify the method of loan repayment at the borrower's choice from those offered by the Bank as of the date of conclusion of the bank loan agreement. The loan interest rate is set at the time of execution of the housing construction savings agreement and remains fixed throughout the term of the agreement. The fixed interest rate is not subject to unilateral change. When a HCS depositor switches from one tariff program to another on his/her own initiative, the fixed loan interest rate may be changed downward/upward as agreed by the parties during the term of the HCS agreement, subject to its terms and conditions and in accordance with the laws of the Republic of Kazakhstan and the Bank's internal documents.



In bank loan agreements, the Bank specifies the full list of commissions and other fees and their amounts to be charged in connection with loan disbursement and servicing under the executed agreement.

The Bank is entitled to charge commissions and other fees, but adheres to a policy of minimum tariffs for its services. This approach is aimed at maximizing the attraction of new customers to the housing construction savings system and contributes to the expansion of the customer base.

In 2023, there were the following changes in the tariff system in terms of:

- not charging loan arrangement fee, loan application fee and external wire transfer fee for applications

issued under the 2029 Housing and Utility Infrastructure Development Concept in the direction of 'implementation of social loan-based housing by providing bridging and preliminary housing loans at the interest rate not exceeding 2% p.a.';

- not charging a fee for transferring funds from the customer's current account when applying for a loan under the With a Diploma to the Village program.

The Bank publishes information on rates and tariffs for banking and other services rendered to individuals and legal entities on the Bank's website.



## ADVERTISING AND PR ACTIVITIES OF THE BANK

The Bank is continuously working to popularize the housing savings system among the population and to inform Kazakhstanis about the opportunities offered by the Bank. Large PR and marketing campaigns are conducted for this purpose.

In total, the Bank prepared and published 120 press releases in the state and Russian languages on the receipt of government bonuses, the accrual of compensation on deposits of the Bank's depositors, the implementation of government programs, the improvement of financial performance, the benefits of implementing the housing construction savings system, the launch of youth programs and much more. As a result of these press releases, 810 media stories were published.

Ms. Lyazzat Ibragimova, the Bank's Chairman of the Management Board, appeared in popular Kazakhstani media during the year. She gave an interview to journalists of the ARULIFE program broadcast on tengrnews.kz. Also, following the results of the participation of the Chairman of the Bank's Management Board in the Human Capital Forum 2023, an analytical article 'How to Retain Employees of the Digital Generation' with Ms. Lyazzat Ibragimova's comments was published on kapital.kz.

Ms. Lyazzat Ibragimova was a speaker at the forum of the international exhibition Top 100 Best Property Developers, which resulted in publications on kapital.kz, forbes.kz, informburo.kz and tengrnews.kz.

The ATAMEKEN BUSINESS TV channel broadcast an interview with the Ms. Lyazzat Ibragimova, the Bank's Chairman of the Management Board, about Otbasu Bank's activities in 2023 and its plans for 2024.

Explanatory articles about the housing construction savings system, as well as stories of the Bank's depositors were published in such national newspapers, as Vremya, Kazakhstanskaya Pravda, and Egemen Kazakhstan.

During the year, the Bank's representatives participated in filming economic, socio-political, housing and news programs on Khabar, Khabar 24, Kazakhstan, Almaty, Channel 31, First Channel Eurasia, etc.

Responses to enquiries were prepared and explanatory articles on the Bank's products and the results of the HCS system implementation were published on major information portals (Kursiv.kz, Kapital.kz, inbusiness.kz, Tengrnews.kz, krisha.kz, informburo.kz, etc.).

As a result, more than 9,345 explanatory articles with references to the Bank were published in the media in 2023.

The Bank's external website was also upgraded during the year. The Feedback section was upgraded. Landing pages were created for seven regional youth programs – Almaty Zhastary, Alatau Zhastary, Atyrau Zhastary, Karagandy Zhastary, Auleata Zhastary, Aktobe Zhastary, Zhetysu Zhastary). Landing pages with information on online mortgages and green mortgages also appeared on the Bank's website. The Bank's Vacancies functionality was developed with a regional breakdown.

The results of the conducted marketing research showed that 86% of the total number of respondents trust the Bank. The Bank's brand awareness index was 86.5%. The customer satisfaction index was 95%.

## EXPANDING ACCESS TO FINANCIAL SERVICES

The Bank has an interest and social responsibility to provide access to financial services and raise awareness of the services provided to customers, including low-income customers, youth, women and others.

The Bank is continuously working to popularize the housing savings system among the population and to inform Kazakhstanis about the opportunities offered by the Bank. Large PR and marketing campaigns are conducted for this purpose.

In total, in 2023, the Bank prepared and published 120 press releases in the state and Russian languages on the receipt of government bonuses, the accrual of compensation on deposits of the Bank's depositors, the implementation of government programs, the benefits of implementing the housing construction savings system, the launch of youth programs and much more. As a result of these press releases, 810 media stories were published.





# Operational Performance

## INFORMATION DEVELOPMENT

In its development, the Bank pays great attention to information technology support for the activities of its divisions. The Bank is constantly developing its IT infrastructure and automated information system in order to improve its functional and technical capabilities and bring them in line with the requirements of tariff programs, as well as to expand its analytical capabilities.

In information development, the Bank aims to create a dynamic digital bank with an optimal structure of automated business processes, to ensure the implementation of advanced technologies for the development of banking services and innovative banking service systems.

During its development, the Bank solved the following IT tasks successfully and efficiently:

- upgrading the IT infrastructure and ensuring fault tolerance of the Bank's information systems;
- a digital Bank with an optimal structure of automated business processes;
- development of the Bank's information platform;
- development of information security;
- integration with IT systems of Baiterek NMH JSC and state systems;
- implementation and development of software aimed at remote customer service;
- development of software aimed at optimizing and reducing the Bank's licensing costs;
- development of software aimed at attracting the Bank's customers and others.

The Bank is constantly working on maintaining the infrastructure at the modern technological level and ensuring its information security taking into account new challenges and threats.

### Development of remote and alternative service channels

Over the past few years, in addition to developing the physical infrastructure of its branches and agent network, the Bank has worked to develop modern methods of customer service, including the development of its own sales and customer service channels and tools via the internet and mobile devices to transfer simple and routine transactions online. The Bank worked on the development of the Baspana

real estate portal for customer demand for housing improvement needs and partner offers on housing and related services, including home renovation, and also developed sales channels and tools for customer service via the internet and mobile devices, which reduced the number of queues at branches and customer service time.

As a result, during the reporting period, the share of transactions conducted through remote channels (Internet banking, including Otbasy Bank mobile application, video banking) amounted to 77%, in absolute figures – 3.0 million transactions were conducted through Internet banking, including Otbasy Bank mobile application, and 0.3 million transactions were conducted through video banking. 115,822 agreements worth KZT 17.3 billion were attracted through video banking, 28,162 agreements worth KZT 8.5 billion were attracted through the agent network, and 139,717 post-deposit transactions were conducted. The total inflow on deposits attracted through video banking amounted to KZT 23.7 billion.

### Automation of the Bank's operations and development of business processes (reorganization of IT infrastructure and ensuring smooth operation of the Bank's information systems)

As part of improving the quality of its services, labor productivity and speed of decision-making, as well as reducing operational risks, the Bank is working to automate its operations.

The Bank automates processes of credit and post-credit operations, deposit and post-deposit operations, citizens' appeals, monitoring of client flow, incoming calls, video service, HR, accounting, IT and IT-security processes, collection and preparation of reports, bank document flow, which are constantly evaluated and analyzed in order to adapt to changes in market conditions.

In the reporting year, customer operations in the Bank's digital channels, risk management, collateral, HR, accounting, compliance control, reporting and other processes were automated in accordance with the Bank's 2023 Business Process Automation Action Plan. At year-end, the Bank's 2023 Business Process Automation Action Plan was 100% fulfilled.

As part of upgrading the IT infrastructure and ensuring fault tolerance of the Bank's information systems, the following server equipment was commissioned and the following activities were carried out in the reporting year:

server chassis with Sinergy 480 Gen10 blade servers were purchased as part of the composable chassis, which made it possible to ensure scalability of the composable server architecture with the possibility of software management of physical resources, as well as to ensure fault tolerance by duplicating the main components. The increase in computing resources was 26%.

disc array shelves were purchased, which made it possible to ensure flexibility, reliability and cross-platform compatibility, and availability of an enterprise-class system with high performance. NetApp disc arrays were also purchased. The increase in disc space was 30%.

A planned upgrade was completed, in terms of the computer fleet by 26%, peripheral equipment by 22%, and uninterruptible power supplies by 31%.

At the same time, in 2023, the Bank continued to develop the BPM 2.0 Business Process Management System (hereinafter, BPM 2.0) as part of the phased transition of the electronic document management system to BPM 2.0.

Work was carried out on integration with the Open API Platform for exchange of data on customer accounts, on integration of BPM 2.0 with the EDMS of Baiterek NMH JSC in terms of receiving and transmitting correspondence, with the credit history database of the State Credit Bureau JSC for obtaining credit reports. ODS system development was continued, ODS system was integrated with CRM system, Baspana.

### Implementation and development of information systems

As of 01 January 2024, the Bank initiated and implemented the following projects as part of IT development:

- development of Colvir ABIS, the Bank's main automated system (implementation of upgrades, purchase of new modules, integration with external systems);
- development of BPM 2.0;
- development of the Bank's external website;

- development of the Genesys information system (introduction of a predictive service model, provision of financial information on accounts and loans of the Bank's customers through two-factor customer identification, integration of the telephony system with the CRM-system for the formation and execution of automatic calls, with the help of operators or IVR);
- development of the Appraiser's Account portal;
- development of the Developer's Account;
- launch of government and regional financing programs (With a Diploma to the Village, Qamqor);
- initiation of the National Fund for Children government program;
- development of a social network of consultants;
- launch of the Creatio CRM system into commercial operation;
- implementation of a chatbot;
- introduction of biometric identification into the Bank's online channels;
- development of the Bank's digital platform (Otbasy Bank Mobile Application, otbasybank.kz Real Estate Portal);
- transition to a new version 2.0 of the Otbasy Bank Mobile application;
- implementation of Blockchain technology for registration and unencumbering of pledged property and registration of lease agreements;
- robotic process automation;
- introduction of agile teams to implement functionality and transfer operations to online channels;
- application performance monitoring project (one of the main advantages of App Dynamics is the ability of users to see what is happening inside the application). On the project for lump-sum payment of pension savings (enpf-otbasy.kz platform), the App Dynamics monitoring system had a significant impact on the creation of a fault-tolerant platform. Problems arising at the application level were solved promptly and quickly, which significantly reduced the Bank's reputational risks;
- implementation of recommendations of the Republican State Institution 'Information Security Committee of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan' on personal data encryption. Reduction of personal data security risks.



In general, the Bank has a relatively high level of support for the development of digital technologies and innovations, which is a good basis for further productive development.

## CYBERSECURITY

0 INCIDENTS  
OF CUSTOMER DATA  
SECURITY BREACH

Ensuring the security of information assets and protecting their confidentiality remain important tasks within the Bank's operations. The relevance of these tasks is underlined by the need to comply with Resolution No. 832 dated 20 December 2016 of the Government of the Republic of Kazakhstan 'Approval of Uniform Requirements in the Field of Information and Communication Technologies and Information Security', Resolution No. 48 dated 27 March 2018 of the Board of the National Bank of the Republic of Kazakhstan 'Approval of Requirements for Information Security of Banks, Branches of Non-Resident Banks of the Republic of Kazakhstan and Organizations Performing Certain Types of Banking Operations, Rules and Terms for Providing Information on Information Security Incidents, Including Information on Violations, Failures in Information Systems', as well as the need to comply with the requirements of other laws and regulations of the Republic of Kazakhstan and internal regulatory documents of the Holding Company.

The main conceptual directions for strengthening information security are:

1. keeping the base of internal regulatory documents on information security up to date;
2. raising the information security awareness of the Bank's IT infrastructure users;
3. ensuring compliance with the compliance of the external Regulator;

4. technical support and development of software and hardware measures to ensure information security of the Bank, including the following directions:
  - monitoring of information security events;
  - registration and resolution of information security incidents, as well as development of a knowledge base on them;
  - control of circulation of critical information subject to protection (personal data and banking secrecy);
  - control of access management in the Bank's applied information systems;
  - vulnerability management in the Bank's information technology infrastructure;
  - protection of information in databases;
  - privileged access control;
  - protection of e-mail and users when working with the Internet;
  - protection of the Bank's web and mobile applications;
  - layered antivirus protection of the Bank's information technology infrastructure;
  - control of changes on the Bank's critical hosts and control of applications.
5. conducting penetration tests, social engineering and analyzing the source code of the Bank's critical applications to obtain an outsider's view of the actual security of the Bank's assets.
6. continuous search for potential malicious threats through automatic anomaly detection tools, examination of detected suspicious activities for a possible incident;
7. continuous analysis of the Bank's digital assets to identify vulnerabilities in accordance with international standards CVE2 and CVE3 by the relevant specialized systems operated by the Bank;
8. proactive search and analysis of data to identify possible threats that will not be covered by current security facilities;
9. implementation of measures to prevent/localize information security threats;
10. formation and assignment of tasks on localization and prevention of threats to the respective responsible divisions of the Bank;
11. analyzing alerts for new threats to determine the initial area of influence and severity.

To ensure information security, protection systems are used against data breaches, cyber attacks, virus activity, unauthorized access to the Bank's resources, copying, unauthorized changes and others.

In the reporting year, the Bank prevented more than 17 thousand cybersecurity incidents. Number of data

breach incidents – 0. Total amount of fines paid in connection with information security incidents – 0.

In the future, to ensure information security, the Bank will take actions to update and customize systems, implement antivirus, and keep information security rules, policies and systems up to date.





# Financial Performance

## BALANCE SHEET ANALYSIS

### Key Balance Sheet Indicators

Main Balance Sheet Items, KZT million	2021	2022	2023	2023/2022 ratio, %
<b>Assets</b>	<b>2,804,120</b>	<b>3,440,022</b>	<b>3,996,059</b>	<b>116</b>
Loans and advances to customers	1,999,327	2,877,314	3,100,990	108
Investment securities available for sale	–	–	–	–
Investment securities measured at fair value through other comprehensive income	102,855	56,032	51,517	92
Cash and cash equivalents	595,066	327,515	590,920	180
Investment securities held to maturity	–	–	–	–
Investment securities measured at amortized cost	84,024	82,293	113,758	138
Other assets	22,848	96,868	138,874	143
<b>Liabilities</b>	<b>2,423,017</b>	<b>2,977,760</b>	<b>3,400,790</b>	<b>114</b>
Payables to customers	1,898,429	2,300,445	2,660,378	116
Borrowed funds	78,910	108,543	133,007	123
Debt securities issued	191,456	193,469	195,787	101
Other liabilities	254,222	375,303	411,618	110
<b>Equity</b>	<b>381,103</b>	<b>462,261</b>	<b>595,269</b>	<b>129</b>

In 2023, the Bank's assets grew by 16% or KZT 556 billion to almost KZT 4 billion. As of 01 January 2024, the Bank has no concentration of loans. Concentration of the amount on 10 largest borrowers is less than 10% of the share of loans. At the same time, the share of loans with 90+ days past due is 0.08% at the end of 2023 – the lowest indicator in the Kazakhstan banking system.

The Bank derives all its income in Kazakhstan. The Bank receives more than 10% of its revenues from the National Bank of the Republic of Kazakhstan, which totals KZT 49 billion in 2023 (2022: KZT 46 billion from the National Bank of the Republic of Kazakhstan).

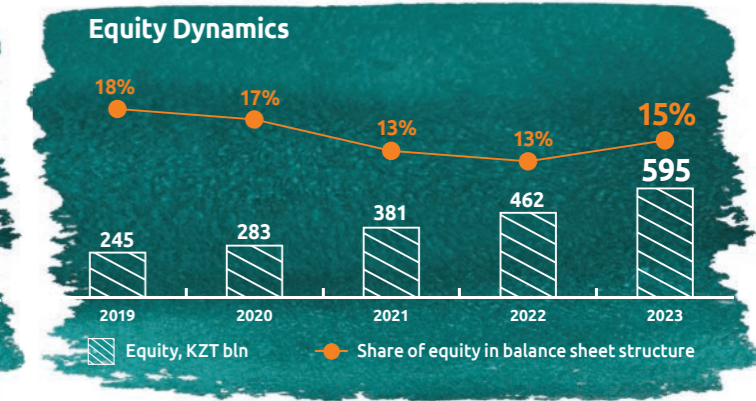
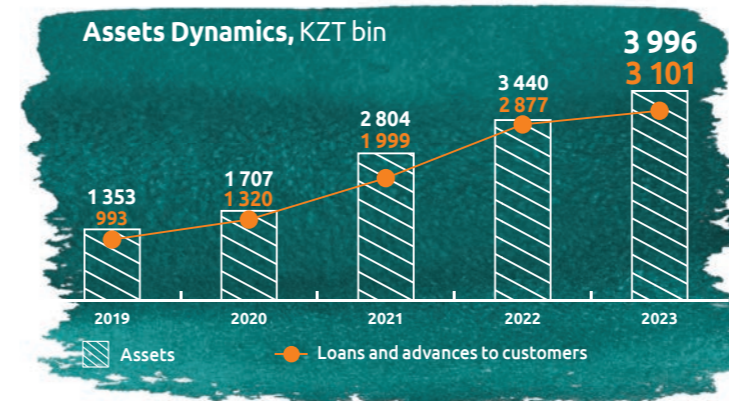
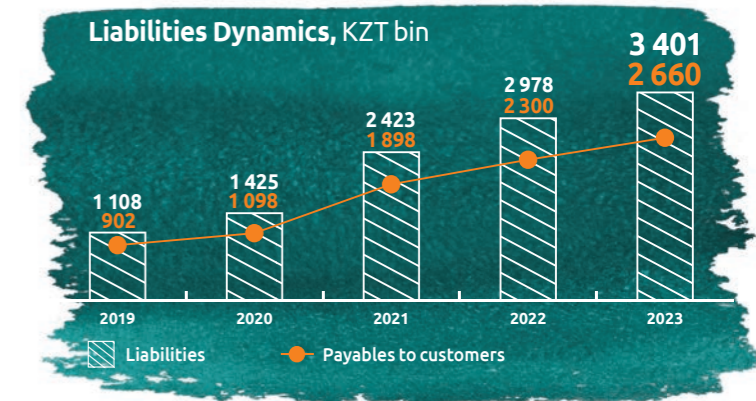
As at the end of 2023, the Bank's investments in securities account for 4% of its assets. The share of cash and cash equivalents is 15%. Investing activities are aimed at the efficient management of available free cash flow with the objective of safeguarding the Bank's assets. As at the end

of 2023, the Bank's financial assets totaled KZT 746 billion.

As at the end of 2023, the Bank's liabilities increased by 14% or KZT 423 million and totaled KZT 3.4 trillion. 78% in the structure of liabilities are payables to customers. The amount of funds held for customers increased by 16% or KZT 360 billion last year and totaled KZT 2,660 billion at the end of the year. As at 31 December 2023, payables to customers in the amount of KZT 227 billion (9% of payables to customers) were the funds of the ten largest customers, of which KZT 226.5 billion for amounts due to legal entities and KZT 0.5 billion for amounts due to individuals.

The Bank's operations are characterized by a low debt burden. By the end of 2023, borrowed funds amounted to 4% of liabilities, and the volume of issued securities amounted to 6%.

The volume of borrowed funds in 2023 increased by KZT 24.5 billion or 23%, primarily due to the provision of financing under state development programs by the Ministry of Finance of the Republic of Kazakhstan, which accounts for 81% of borrowed funds. In addition, in 2023, the Bank received the third tranche of funds from the Asian Development Bank in the amount of KZT 15.6 billion under the Loan Agreement for the implementation of women's mortgages.



In 2023, the Bank's equity increased by 29% and reached KZT 595 billion. The share of capital in the Bank's balance sheet structure is 13%, which indicates a high financial stability and independence of the Bank's financial position.

The Bank continues to maintain a high level of liquidity and capital adequacy, significantly exceeding the requirements of the regulator, which was the result of high-quality work on asset management. Prudential capital adequacy ratios k1, k1-2, k2 in 2021 were 35%, more than four times exceeding the regulatory requirements.

Highlights	2021	2022	2023	Regulatory
Ratio k1	34.6%	28.7%	34.8%	at least 5.5%
Ratio k1-2	34.6%	28.7%	34.8%	at least 6.5%
Ratio k2	34.6%	28.7%	34.8%	at least 8%

The Bank's profit for the year grew by 54% to KZT 148 billion, reaching a record high in the Bank's history. The Bank maintains sufficient profitability indicators.

In 2023, ROE was 27.9%, and ROA was 3.97%.



## TARGET-ACTUAL ANALYSIS

### Comparison of target and actual values of key indicators

Indicator Name	UOM.	Actual, 2020	Actual, 2021	Actual, 2022	Target, 2023	Actual, 2023	Achievement, %
Assets	KZT mln	1,707,388	2,804,119	3,440,105	<b>3,784,723</b>	<b>3,996,059</b>	106
Equity	KZT mln	282,783	381,103	462,261	<b>554,464</b>	<b>595,243</b>	107
Liabilities	KZT mln	1,424,605	2,423,017	2,997,843	<b>3,230,259</b>	<b>3,400,790</b>	105
Revenues	KZT mln	136,754	216,048	281,470	<b>359,139</b>	<b>359,182</b>	100
Expenses	KZT mln	104,970	150,293	185,435	<b>247,674</b>	<b>212,281</b>	86
Net profit	KZT mln	31,784	65,755	96,035	<b>111,465</b>	<b>147,528</b>	132
ROE	%	12.12	19.81	22.77	<b>21.93</b>	<b>27.90</b>	127
ROA	%	2.09	2.91	3.08	<b>3.09</b>	<b>3.97</b>	129
Deposit base	KZT mln	1,034,578	1,509,092	2,140,681	<b>2,394,441</b>	<b>2,362,586</b>	99
Loan portfolio	KZT mln	1,364,619	2,083,795	2,968,315	<b>3,362,608</b>	<b>3,202,303</b>	95

According to the results of 2023, the Bank demonstrates growth in key performance indicators and exceeds the target values. This reflects the growing scale of the Bank's operations and the growing interest in the housing savings system on the part of the population. As a result, the Bank also continues to maintain high profitability ratios, which remain above target values. Assets and liabilities also remained above target.

The Bank has developed the Funding, Investment and Hedging Strategy, which is an integral part of the Bank's asset and liability management system in order to increase income, reduce risks and minimise potential losses.

Visualization of the scenario of the Bank's future development, which is built taking into account planned inflows in the form of budgetary loans, borrowings in the market, borrowings through financial instruments, deposit base inflows, the Bank's profitability, as well as outflows for the implementation of programs, for the implementation of current activities, the Bank's development in the implemented areas are reflected in the financial model approved within the Bank's Business Model.

The Bank's investments in financial instruments are conservative in nature and are mainly aimed at placing temporarily available cash in financial instruments.

The Bank's temporarily surplus cash funds for the purposes of investing in the Bank's portfolio of financial instruments are formed on the basis of stable and alternative sources of funding, as well as balances on current accounts of the Bank's customers.

## ENSURING THE BANK'S SUSTAINABLE DEVELOPMENT

The Bank seeks to balance the interests of business and society, and ensures that its economic, environmental and social goals are aligned for sustainable development in the long term. The Bank integrates sustainable development principles enshrined in international sustainability standards into its management system, development strategy and key processes.

The risk and capital management system is a part of the Bank's strategy and is aimed at ensuring sustainable development through management decision-making under conditions of uncertainty to improve the efficiency and effectiveness of decisions, reduce losses and maximize income.

In the course of risk management, the Bank uses various approaches, taking into account the requirements of the National Bank of the Republic of Kazakhstan as a participant in the state's financial system, such as:

- a system of three lines of defense;
- formation of the Bank's risk appetite strategy;
- capital adequacy assessment;
- liquidity adequacy assessment;
- stress testing of the Bank's key financial indicators;
- ensuring availability of the management reporting system in order to provide timely information on risk indicators to the authorized bodies of the Bank.

To successfully implement the strategy, the Bank regularly analyses key risks that may affect the achievement of strategic goals and the Bank's financial stability, and develops appropriate measures to minimize them. In the reporting year, as in previous periods, the Bank continues to maintain sufficient levels of liquidity and capital, which significantly exceed the regulator's requirements.

The financial stability of the Bank is realized through financial management in order to achieve the strategic goals of the Bank. Due to successful implementation of government programs, as well as programs at the expense of the Bank's own funds, there has been an annual growth of income and net profit of the Bank over the last 5 years.

The Bank also focuses its efforts on building a highly efficient model of human resource management, creating a team of like-minded people capable of achieving the Bank's strategic goals and objectives. The Bank, in its turn, provides its employees with ample opportunities for training and development, enhancing their skills and competences. In its activities, the Bank applies a modern system of selection, recruitment, training, career planning and effective motivation of personnel using key performance indicators (KPIs) assessment. The KPI assessment system is implemented through a process of cascading KPIs from top management to administrative staff.