



STRENGTHENING
A SENSE OF
HOMELAND

ANNUAL
REPORT
2023

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The annual report of Otbasy Bank JSC is available in electronic and interactive format in the state, Russian and English languages on the website.

HIGHLIGHTS

DEPOSIT AND LOAN PORTFOLIO

2363
DEPOSIT BASE,
KZTBLN

3202
LOAN PORTFOLIO,
KZTBLN

2761
NUMBER OF VALID HCS CONTRACTS
(CUMULATIVE TOTAL),
THOUSAND UNITS

AMOUNT OF LOANS ISSUED FOR CONSTRUCTION AND HOUSING PURCHASE

1068
LOANS GRANTED BY
THE BANK, KZTBLN

60
THE BANK'S SHARE IN THE TOTAL AMOUNT OF LOANS
GRANTED BY STBs FOR HOUSING CONSTRUCTION AND
PURCHASE, %

INCOME, EXPENSES AND NET PROFIT

359
INCOME, KZTBLN

212
EXPENSES, KZTBLN

148
NET PROFIT, KZTBLN

PROFITABILITY RATIOS

27,9
ROE, %

4,0
ROA, %

ASSETS, LIABILITIES AND EQUITY

3996
ASSETS, KZTBLN

3401
LIABILITIES, KZTBLN

595
EQUITY, KZTBLN

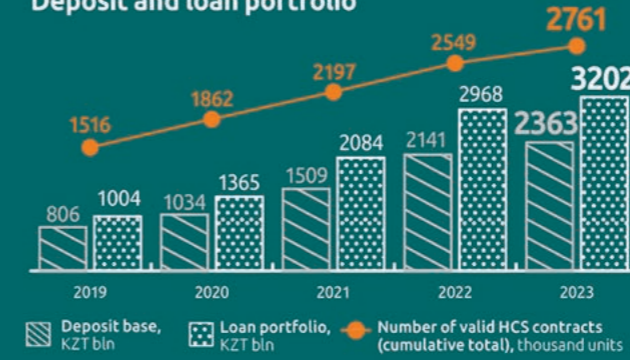
SHARE OF HCS SYSTEM PARTICIPANTS TO ECONOMICALLY ACTIVE POPULATION

29

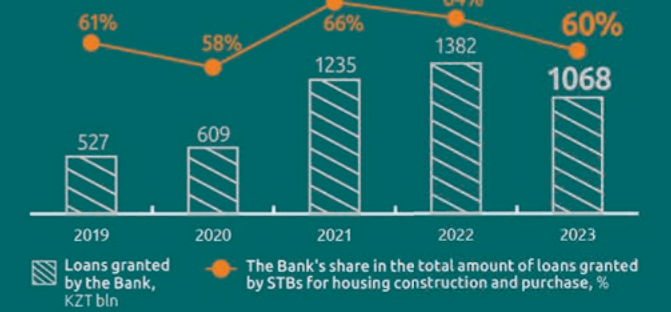


Otbasy Bank JSC (hereinafter referred to as Otbas Bank or the Bank) is the only one bank in the country implementing housing construction savings system. The HCS is aimed at improving the housing conditions of people by attracting depositors' money into housing construction deposits and providing them with housing loans.

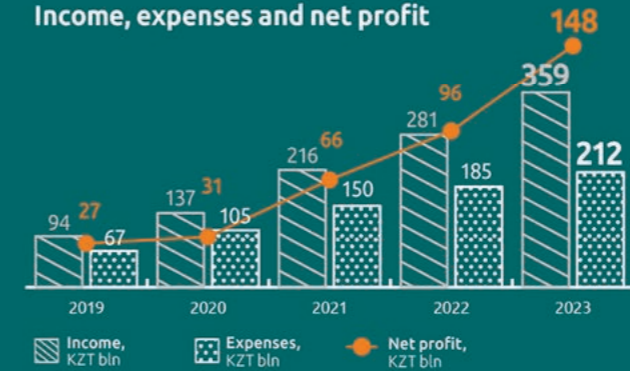
Deposit and loan portfolio



Amount of loans issued for construction and housing purchase



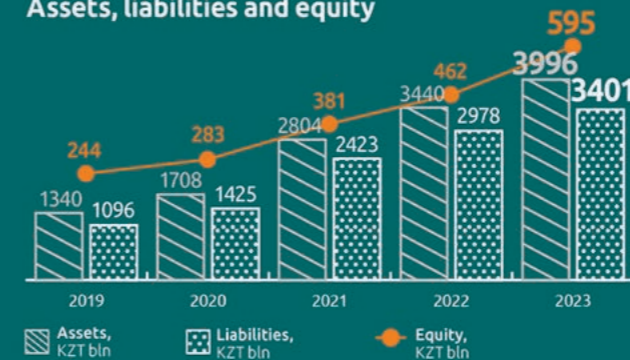
Income, expenses and net profit



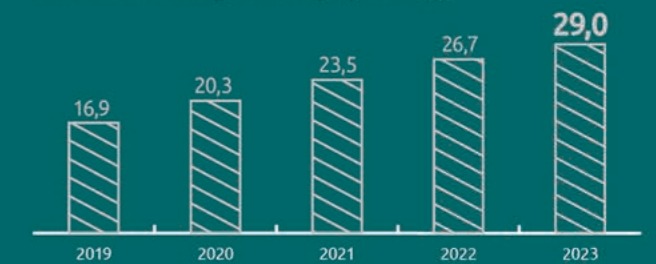
Profitability ratios



Assets, liabilities and equity



Share of HCS system participants to economically active population





Address of the Chairman of the Board of Directors



Dear colleagues, partners and customers!

I am pleased to present you the annual report of Otbas Bank JSC, which discloses the main results of financial activities, as well as operational and social aspects of the Bank's work.

Our Bank is the only bank in the country that implements a system of housing construction savings. This year we celebrated the 20th anniversary of the Bank. This is how long we have been helping Kazakhstanis to buy houses at the most affordable prices. During this time, 501,837 customers were able to celebrate obtaining of their houses with the help of Otbas Bank.

By the end of 2023, there were 2,761,109 deposits in the Bank. Thrifty Kazakhstanis saved KZT 2,362,586 in deposits.

Every day with the help of the Bank's employees and remote channels opened about 1,900 new deposits, the owners of which, having saved for a down payment, can take a housing loan in Otbas Bank at rates from 3.5% to 10% p.a. (EAR is from 3.6%).

In 2023, 64,778 people took advantage of this opportunity.

The share of participants of the economically active population of the country in the system of housing construction savings has increased markedly and already amounts to 29%. This indicator once again confirms the fact that Kazakhstan is actively developing a culture of savings among citizens.

Fulfilling its social function, the Bank started implementing the 2023–2029 Housing and Utility Infrastructure Development Concept. Within its framework, 7,294 Kazakh families purchased their own housing, including large families and families raising children with disabilities, persons with disabilities of groups 1 and 2, and orphans.

Otbas Bank has maintained the lowest level of NPL (loans with 90+ days past due). During the reporting period, this indicator was 0.08% against the bank average of 2.89%.

In 2023, Moody's Investors Service confirmed Otbas Bank's long-term local currency deposit rating at 'Baa2'. The rating outlook was changed from 'Stable' to 'Positive'. Also, Fitch Ratings affirmed Otbas Bank's long-term local currency issuer default rating at 'BBB'. The rating outlook is 'Stable'. The Bank's ratings were at the country level.

Another important financial indicator of the Bank's performance is the profit generated for 2023. It has reached a record value for the entire history of the financial institution's activity.

In general, the past year for Otbas Bank was marked by a number of significant digital transformations, launching new products and services to ensure that Kazakhstanis receive quality service and come faster to their main goal – the purchase of their own housing.

The mission in Otbas Bank's 2023 Development Strategy is as follows: Providing homes for Kazakhstani families and enhancing their sense of homeland. This task is successfully fulfilled by the Bank.

It is 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. This is the vision of the Bank described in its Strategy, which has been fully implemented.

The Bank will enter 2024 with a new Development Strategy that will facilitate its further growth. This means that there will be new functions, tasks, products, housing programs that will help even more Kazakhstanis in need of housing to solve their housing problem.

Sincerely,
Ersain Khamitov C
Chairman of the Board of Directors
Otbas Bank JSC



Address of the Chairman of the Management Board

Dear customers and partners!

The mission of Otbas Bank is: Providing homes for Kazakhstani families and enhancing their sense of homeland. For twenty years now, we have been giving the happiness of housewarming to Kazakhstanis. Our Bank is the only one in the entire CIS and the Republic of Kazakhstan that implements a system of housing construction savings. It helps citizens to obtain affordable loans. Since Kazakhstanis actually lend to themselves, the interest rate on such loans is very affordable and ranges from 3.5% to 10% (EAR is from 3.6%).

We are glad that for 20 years of its operation, the Bank has taught Kazakhstani a valuable quality – savings. This important skill has enabled 501,837 residents to celebrate housewarming. It is important to note that, with the Bank's support, housewarming can also be celebrated by members of socially vulnerable groups in dire need of housing.

Otbasy Bank lends to them at preferential rates of 2% and 5% p.a. (EAR is from 2%).

Today, we are the only Bank that is closely involved in supporting such categories of people on the waiting list as orphans and children without parental care, large families, families raising children with disabilities, persons with disabilities of the first and second groups. In 2023, as part of the government program, we helped 7,294 Kazakhstani families to solve their housing problem.

The main criterion for the Bank's development is the size of its assets. In 2023, Otbasy Bank ranks fourth in terms of equity and fourth in terms of assets. At the same time, Otbasy Bank has the lowest level of overdue loans. To assess this indicator, the NPL indicator is used globally – it is the amount of loan portfolio volume with overdue debts that are more than 90 days overdue. In our Bank, NPL is 0.08%, which is many times less than in the banking system as a whole, where this share is 2.89%. This indicator shows the high responsibility of our borrowers. It also allows the Bank to receive a stable net profit, which

has been growing for the last few years and at the end of 12 months of 2023 it reached KZT 148 billion.

The share of Otbasy Bank in long-term deposits is 36%.

And our biggest achievement is that the average age of a depositor is 35 years. That is, we have managed to achieve trust among young people, so our deposit portfolio is growing.

By the end of 2023, the Bank has 2,761,109 savings accounts where depositors are saving for future housing. During 2023, 486,265 new deposits were opened. That is, an average of 1,900 people opened accounts every day.

In 2023, Otbasy Bank became a trusted agent of the With a Diploma to the Village program, which shows the Government's confidence in us. The Bank has digitized the program and almost the entire loan process is now online.

This has made the process more transparent, reduced bureaucracy and increased the speed of obtaining loans. Previously it took 18 days, now the process has been reduced to 8 days.

With a Diploma to the Village loans are issued at the rate of 0.01% (EAR is from 0.01%). In the current year, the Bank issued 3,416 loans for KZT 17.4 billion.

In 2023, Otbasy Bank in Tbilisi was named gender champion among 11 countries participating in the Central Asia Regional Economic Cooperation (CAREC) program. The award was given for actively promoting gender equality in the country and implementing the Umai program. This is a joint project of Otbasy Bank and the Asian Development Bank. Over the three years of the project, which ended in 2023, 3,659 Kazakhstani women celebrated housewarming.

This year, we continued to support young Kazakhstani men and women. It is more difficult for them to save for a down payment, as they are just starting their careers and have recently graduated from universities.





Therefore, together with Akimats of Cities and Regions, we are implementing a special housing program for young people.

The down payment under the program is 10% and the interest rate is from 5% p.a. (EAR is from 5.2%).

Projects to support young Kazakhstanis in 2023 were launched in Karaganda, Abay, Zhetysu, Zhambyl, Kostanay, Mangistau, Pavlodar, Kyzylorda and Ulytau Regions, in Almaty and Astana Cities, and in Aksu and Temirtau Monotowns.

The budget of the programs with local executive bodies amounted to KZT 35 billion. This helped 1,854 young Kazakhstanis celebrate housewarming.

In 2023, the Bank continued to apply differentiated interest rates in order to comply with the principles of the housing savings system and strengthen the foundation of the savings culture. Their corridor for bridging loans was reduced to 6% to 10% (EAR is from 6.2%). The loan rate depends on the period of savings on the deposit and the frequency of its replenishment. These are the rules for the implementation of the housing construction savings system.

The Bank launched a new product – Tabysty tariff program – for those customers who were aimed at obtaining maximum income and its increase. This is an alternative to the Baspana deposit already operating in the Bank.

The interest rate on the new deposit is 5.5% (EAR is up to 17.1%). The minimum term of savings accumulation is at least 3 years. Another advantage, the most important one, is that customers of Otbasy Bank can eventually take a housing loan at the rate of 8.5% p.a. (EAR is from 8.8%). The housing loan will be granted for up to 5 years. The minimum contractual amount on the Tabysty deposit is KZT 6 million.

During 2023, the Bank actively introduced new tools and continued to move the Bank's services online. Our customers performed 3,3 million transactions via remote channels. A total of 77.4% of Otbasy Bank's services can already be received without coming to Branches.

In 2023, the Bank became an authorized operator of one of the key country projects, the National Fund for Children. In 2024, we will continue this work more actively. We will also work to improve our services and products so that our customers can receive all necessary services quickly and efficiently.

**Best regards,
Lyazzat Ibragimova
Chairman of the Management Board
Otbasy Bank JSC**



**PROVIDING KAZAKHSTAN FAMILIES
WITH THEIR OWN HOUSING**

**STRENGTHENING A
SENSE OF HOMELAND**



Key Events of the Reporting Year

During the reporting year, the Bank was actively working on the development and expansion of its product line, namely:



Agreements were concluded with Akimats of Astana, Almaty, Semey, Temirtau, Ayagoz District of Abay Region, as well as Zhetysu, Ulytau, Karaganda, Zhambyl, Kostanay, Pavlodar, West-Kazakhstan, Kyzylorda, Mangystau Regions to implement youth programs – Elorda Zhastary, Almaty Zhastary, Abay Zhastary, Temirtau Zhastary, Kozy Korpesh – Bayan Sulu zhastary, Zhetysu zhastary, Ulytau zhastary, Karagandy zhastary, Aulieata zhastary, Kostanay zhastary, Ertys zhastary, Zhaiyk zhastary, Syr zhastary, Mangystau zhastary;.



Cooperation with employers was increased within the framework of the Corporate program – agreements were concluded between the Bank and Viamedis LLP, Viamedis Pavlodar LLP, B.B.NURA LLP, Nur City Invest LLP, Shubarkol Komir JSC, Eurasian Group LLP (ERG), Zhasyl el-Taraz LLP and others on lending to the company employees;



Cooperation with local executive bodies was increased within the framework of the implementation of certain regional programs – agreements were concluded by Akimat of Burli District of West Kazakhstan Region on preferential lending to residents without age limitation; Akimat of Atyrau City on preferential lending to socially vulnerable segments of the population of Atyrau City and Districts of Atyrau Region, as well as on preferential lending to medical workers of Atyrau region; Akimat of Glubokoe District of East Kazakhstan region on rent of housing with subsequent purchase; with Rudny Department of Housing and Utilities, Passenger Transportation and Motor Roads State Institution of Akimat of Rudny City of Kostanay Region on rent of housing with subsequent purchase by citizens on the waiting list for housing; as well as with Petropavlovsk Electrotechnical Plant LLP on rent of housing with subsequent purchase by employees, etc.



The Bank launched a housing program for young scientists for 2023–2027 aimed at young people engaged in academic science.

- As part of the implementation of government programs, in 2023, the Bank received budget funds in the amount of KZT 73.3 billion for lending to people on the waiting lists at 2% p.a. and 5% p.a.
- From the Asian Development Bank, the Bank attracted the third tranche of the loan in the amount of KZT 15.6 billion, which was used for lending to Kazakhstani women under the Umai gender product.
- In 2023, the Bank became an authorized agent of the With a Diploma to the Village government project to support 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. The project has been digitized by the Bank.
- In addition, the Bank became an authorized operator of one of the key government projects, National Fund for Children, and approved its Concept and activities for its implementation.
- The Bank obtained licenses for opening and maintaining current bank accounts of individuals for crediting payments and subsidies to pay for rented housing in private housing stock and for trust operations of money management in the interests and on behalf of the principal for crediting payments and subsidies to pay for rented housing in private housing stock and for providing benefits to 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.
- In the reporting year, the Bank opened its 19th branch – Zhetysu Regional Branch of the Bank.
- The government bonus was paid to 1,905,475 depositors of the Bank. A total of KZT 75 billion was credited to the deposits of the Bank's customers by the end of 2022.
- Compensation in the amount of 10% was credited to deposits of depositors of Otbasy Bank. A total of KZT 115,1 billion was transferred to 883,071 deposits opened with the Bank.
- The Bank launched a Tabysty new deposit program with a more effective interest rate of 5.5% (together with the government bonus, this makes an effective rate of 17.1%). Under the Tabysty tariff, the minimum contractual amount is KZT 6 million, the accumulation period is 3 years, the loan rate at the end of the accumulation period is 8.5%, and the loan term is from 6 months to 5 years.
- In 2023, there were changes in the Bank's management team. The composition of the Bank's Board of Directors was changed. Taking into account the change, the Bank's Board of Directors consists of five persons: Ersain Khamitov, Lyazzat Ibragimova, Elmira Ermekova, Nurlan Tokobayev, Sanzhar Zhamalov. The composition of the Bank's Management Board was also changed. Taking into account the change, the Bank's Management Board consists of seven people: Lyazzat Ibragimova, Aliya Aidarbekova, Mukhtar Azimbekov, Nurlan Akshanov, Islambek Kairbekov, Elmira Raspekova, Vladimir Savchenko.
- In the reporting year, Otbasy Bank was recognized as a gender champion for implementing the Umai program. It was the only one from Kazakhstan to receive an award from the Central Asia Regional Economic Cooperation (CAREC) program for actively promoting gender equality in the country.
- The Bank took part in the landmark event of the state to reach the population of the Republic of 20 million people. The Bank presented the jubilee citizens of the country with gift certificates of KZT 2 million each, which, according to the Bureau of National Statistics, were 3 boys and 2 girls in Ulytau, Zhetysu, Atyrau, Akmola and Turkestan Regions.
- In addition, an agreement was entered into between the Bank and National Volunteer Network Association on charitable assistance to families affected by forest fires in Abay Region in 2023, etc.

ABOUT THE BANK

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

148 BILLION
TENGE

STRENGTHENING
A SENSE OF
HOMELAND





About the Bank

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

The principal activities of the Bank are:

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

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

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

Full name:

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

Abbreviated name:

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

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

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

RATINGS

MOODY'S

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

FitchRatings

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

Public Policy of the Housing Construction Savings System

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

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

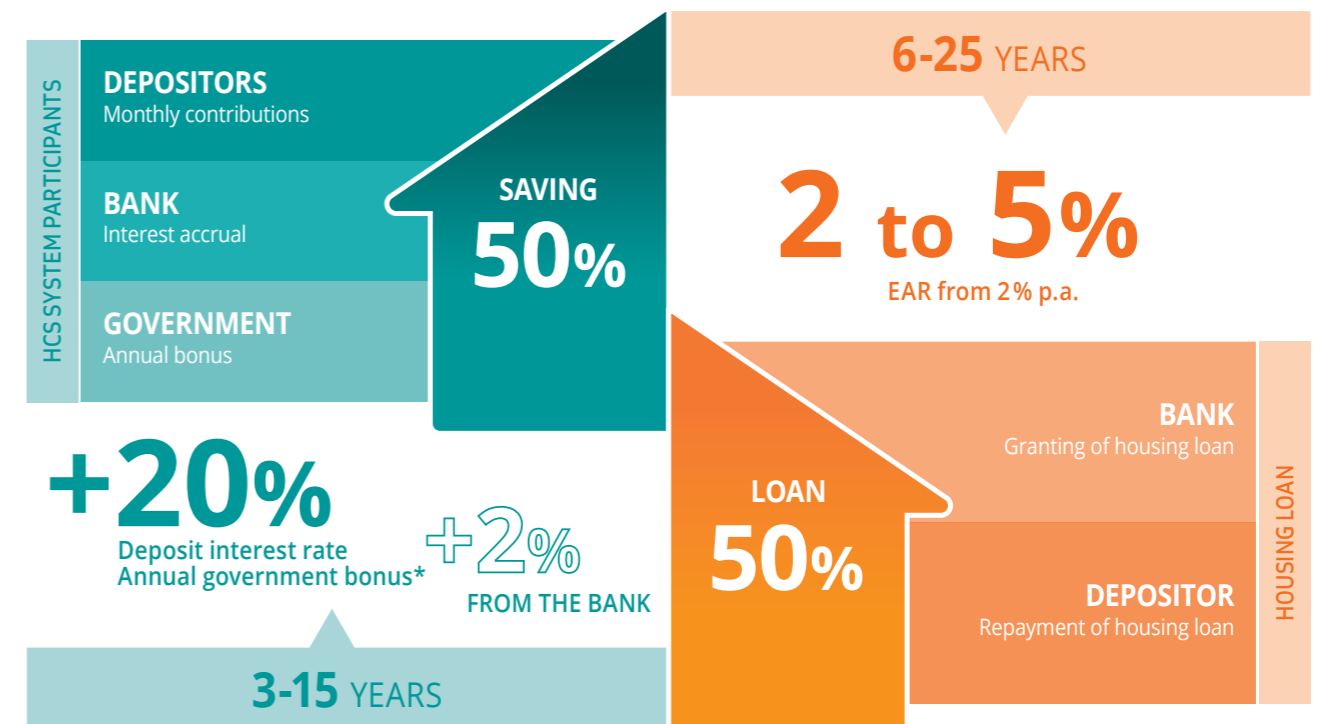
The HCS system has been operating in Kazakhstan for 20 years and is becoming increasingly popular among Kazakhstanis.

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

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

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

HOUSING CONSTRUCTION SAVINGS SYSTEM





LENDING OBJECTIVES

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



Construction

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



Repair and modernization of housing

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



Repayment of liabilities

incurred in connection with housing improvement activities.



Making a down payment

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

Timeline of the Bank's Development

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



Market Presence

REGIONAL NETWORK

19 BRANCHES

18 SERVICE CENTERS

3 SERVICE POINTS ACROSS KAZAKHSTAN.

AGENCY NETWORK

1 132 CONSULTING AGENTS

125 CONSULTING CENTERS

1 AGENT - LEGAL ENTITY - KAZPOST JSC.

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

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

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

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





Membership in International Organizations

European Federation of Building Societies (EFBS)

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

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

International Union for Housing Finance (IUHF)

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

Memorandum of Cooperation

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

Sole Shareholder

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

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

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

Central Office Structure

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

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

Economic Environment

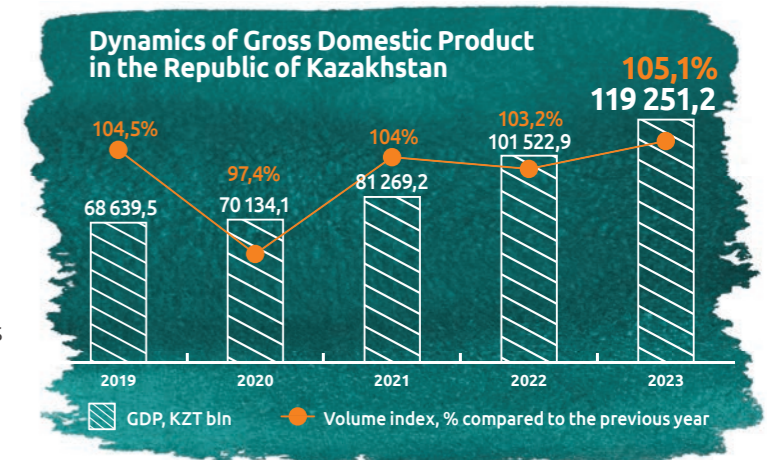
Macroeconomic indicators

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

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

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

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



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

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



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

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

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

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

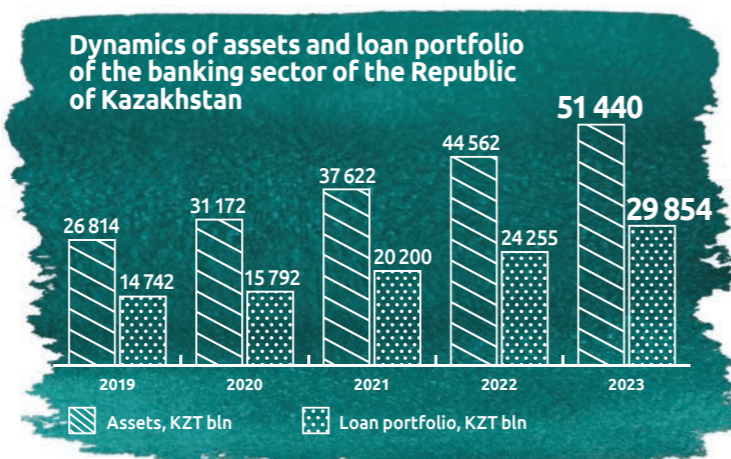
Housing provision per one resident as of 1 January 2023 in the Republic of Kazakhstan is 23.4 sq.m. Kazakhstan lags behind UN standards in this indicator – 30 sq. m per person and indicators of developed countries (France – 40 sq. m, USA – 70 sq. m, Austria – 43 sq. m).

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

KEY BANKING SECTOR FIGURES

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

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



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

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

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

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

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

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

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

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



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

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

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

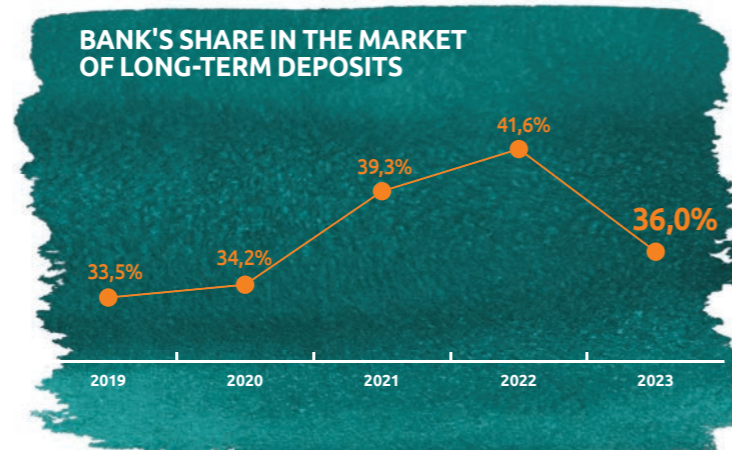
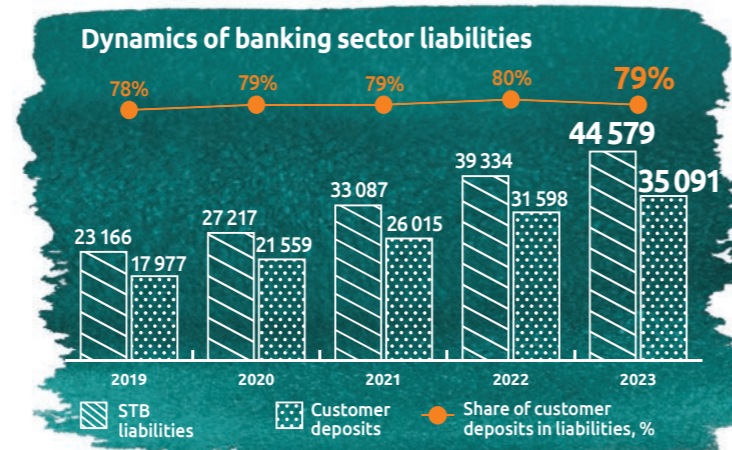
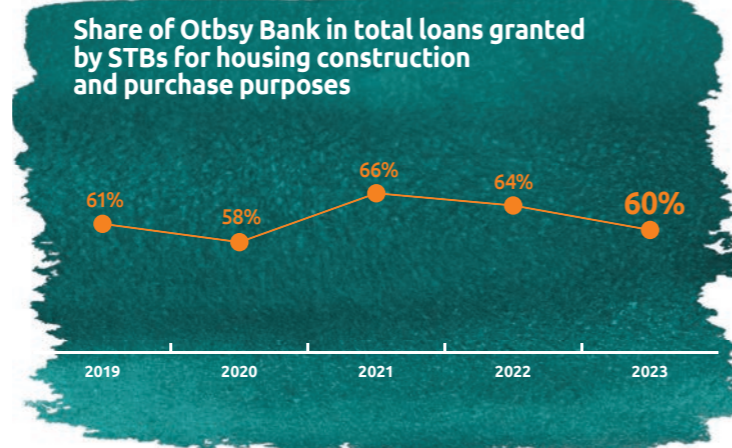
In fact, Otbasy Bank is the only active participant in the mortgage market among second-tier banks in recent years. The volume of the Bank's loan portfolio grew by 8% in 2023, from almost KZT 3 trillion to KZT 3.2 trillion. For the eighth year, about 60% of the volume of loans for construction and purchase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

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

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

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

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



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

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

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



STRATEGY

LOAN PORTFOLIO

3 202

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%¹ 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%² 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"> 0.3 million HCS system participants; 5.3% of the share of the HCS system participants to economically active population of the Republic of Kazakhstan; 19% of the Bank's share in long-term deposits; 21% of the Bank's share in mortgages among second-tier banks; 0.64% – the lowest NPL level among second-tier banks; 7th place by equity capital among 38 second-tier banks; 10th place by assets among 38 second-tier banks; KZT 248 billion deposit base; KZT 204 billion loan portfolio. 	<ul style="list-style-type: none"> 2.8 million HCS system participants; 29% of the share of the HCS system participants to economically active population of the Republic of Kazakhstan; 36% of the Bank's share in long-term deposits; 55% of the Bank's share in mortgages among second-tier banks and mortgage companies; 0.08% – the lowest NPL level among second-tier banks; 4th place by equity capital among 21 second-tier banks; 4th place by assets among 21 second-tier banks; KZT 2,363 billion deposit base; KZT 3,202 billion loan portfolio.

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	84
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	2.75
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	26.5
Deposit base activity	%	28.4	33	37	30.0
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

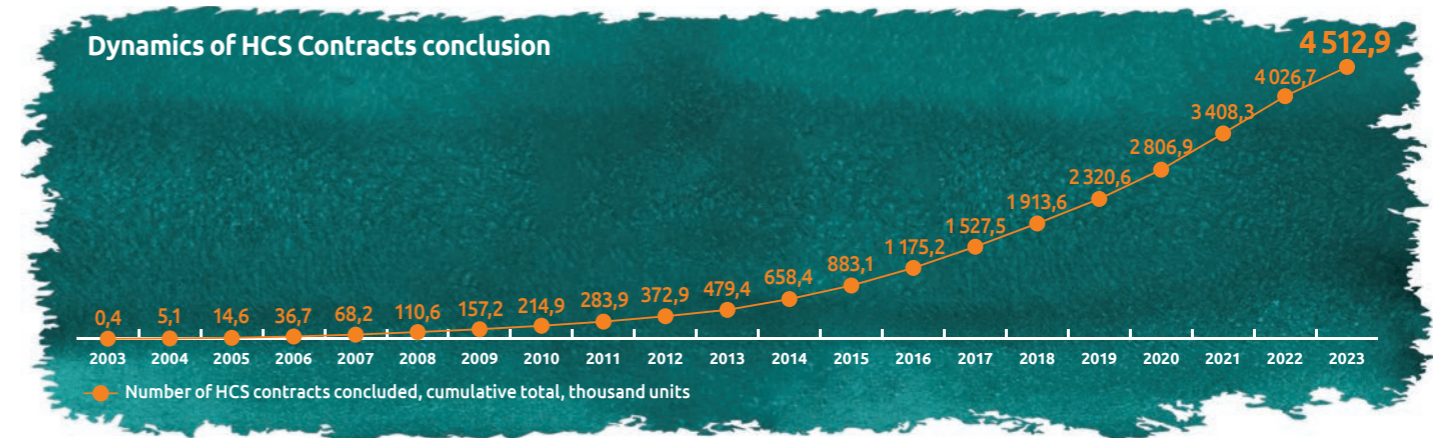
DEPOSIT TAKING

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.).

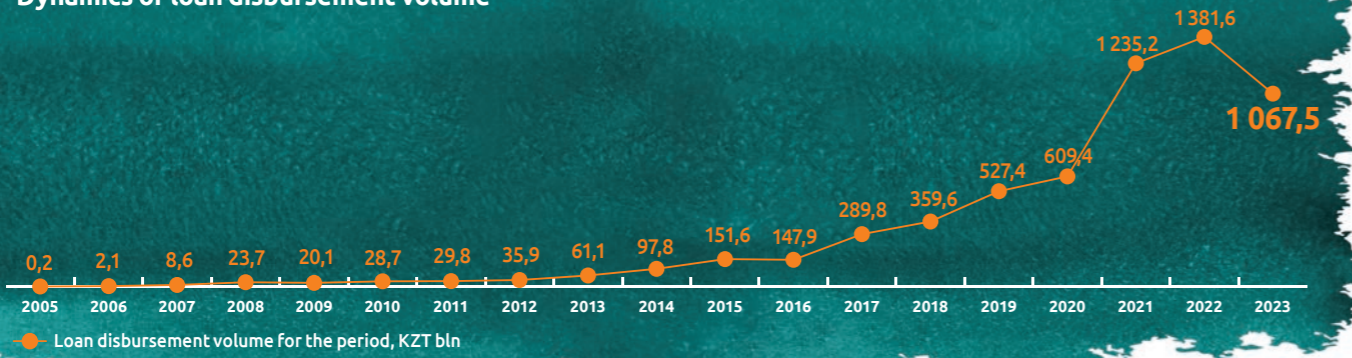
A bridging housing loan is granted subject to early accumulation or lump-sum deposit of the minimum required amount (at least 50% of the agreement value) with subsequent lending within the agreement value, as well as upon confirmation of solvency and sufficiency of collateral. Loan term – up to 25

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.).



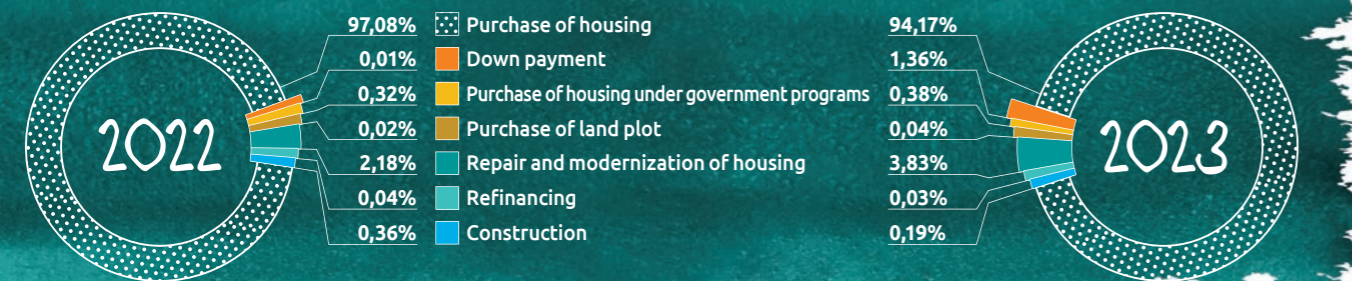
Dynamics of loan disbursement volume



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	-	486,265	-
Deposit portfolio, KZT million	1,034,002	1,509,092	2,140,681	2,394,441	2,362,586	99
Loans granted, KZT million	609,414	1,235,168	1,381,599	971,940	1,067,534	110
Loan portfolio, KZT million	1,368,478	2,083,795	2,968,315	3,362,608	3,202,303	95

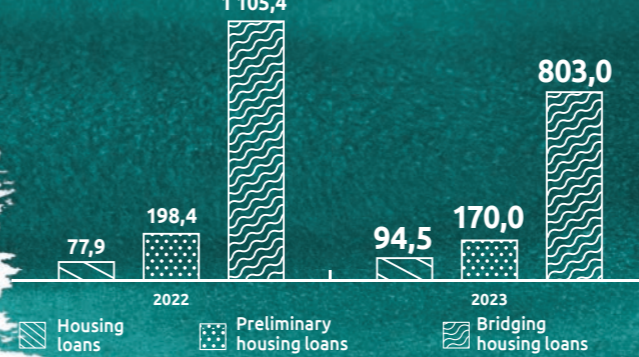
In total, the Bank concluded 4.5 million agreements totaling KZT 16.3 trillion over the entire period of its operations. More than 2.8 million depositors with a deposit amount of KZT 2.4 trillion were attracted to the system. One third of long-term deposits of the population (36%) are with Otbas Bank. 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.

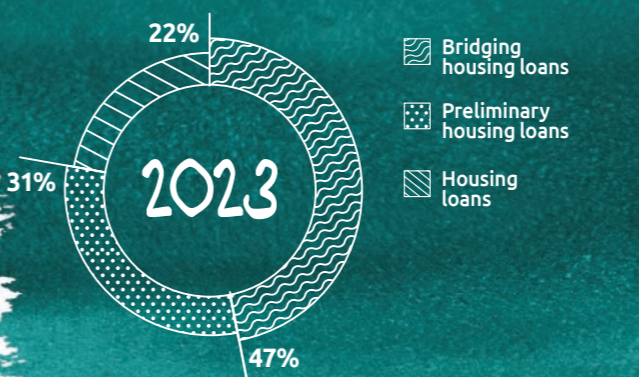
The main priority of our State's activity is recognized as the social well-being of citizens, primarily related to housing. For this purpose, various preferential housing programs are being introduced in the country, with special attention paid to socially vulnerable segments of the population. Otbas 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.

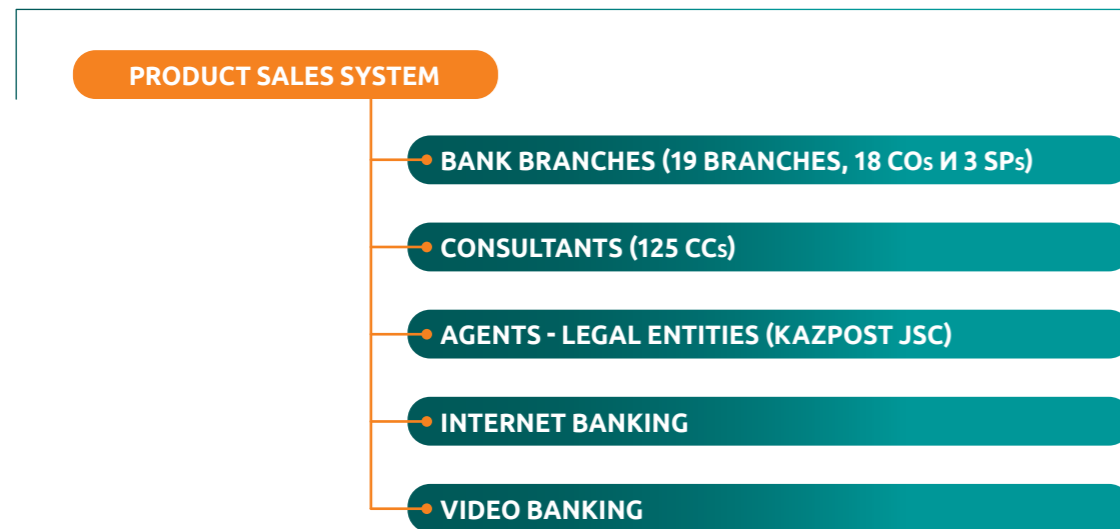
As part of the promotion of the Bank's corporate product, loans were raised from Nazarbayev Intellectual Schools AEO for KZT 335 million and from Shubarkol Komir JSC for KZT 400 million, and a bond purchase agreement was concluded with Karazhanbasmunay JSC for KZT 1.3 billion for lending to employees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

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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, %
Assets	2,804,120	3,440,022	3,996,059	116
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
Liabilities	2,423,017	2,977,760	3,400,790	114
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
Equity	381,103	462,261	595,269	129

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).

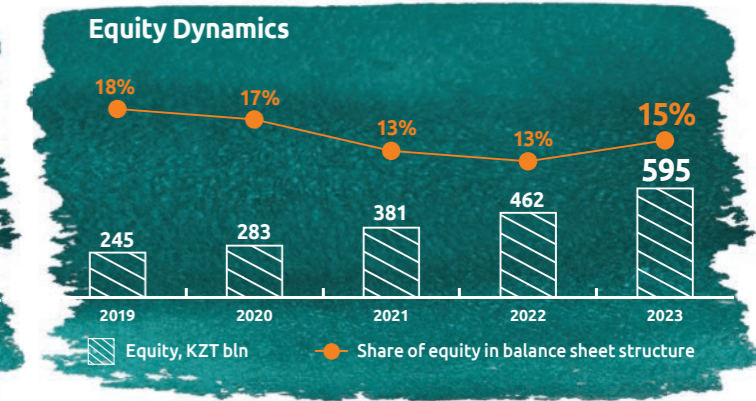
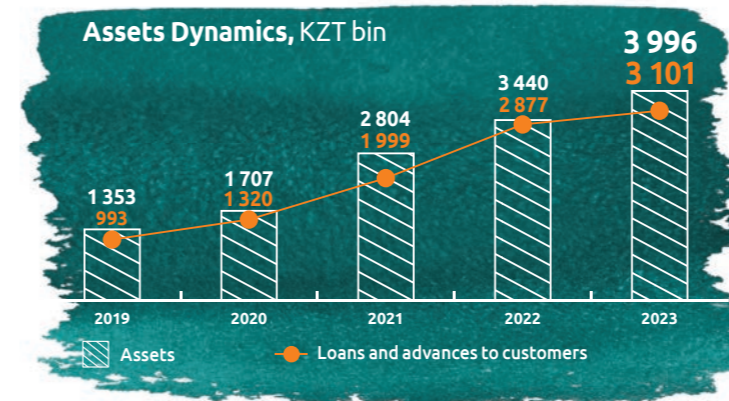
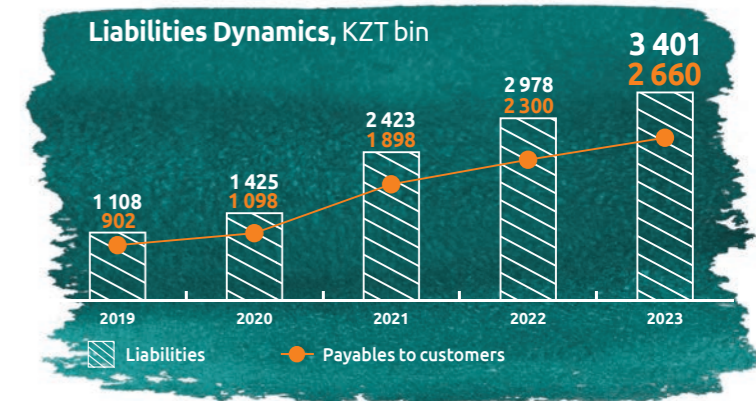
As at the end of 2023, the Bank's investments in securities account for 4% of its assets. The share of cash and cash equivalents is 15%. Investing activities are aimed at the efficient management of available free cash flow with the objective of safeguarding the Bank's assets. As at the end

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



CORPORATE GOVERNANCE

STRENGTHENING
A SENSE OF
HOMELAND



Information about Securities

Share capital

(in KZT thousands, excluding the number of shares)	Shares (thousands)	Common shares	Total
As at 1 January 2022 New shares issued	7,830	78,300,000	78,300,000
As of December 31, 2022	7,830	78,300,000	78,300,000
As of January 1, 2023 New shares issued	7,830	78,300,000	78,300,000
As of December 31, 2023	7,830	78,300,000	78,300,000

The Bank discloses all necessary information to the Sole Shareholder regarding the terms and procedure of dividend payment, financial position of the Bank and other. To pay dividends, the Bank is guided by the Procedure for Determining the Amount of Dividends to be Paid by the Holding's Subsidiaries, approved by the Sole Shareholder.

The amount of dividends is calculated based on the amount of the Bank's net income as disclosed in the Bank's annual audited financial statements. At the same time, the amount of dividends is determined taking into account the laws of the Republic of Kazakhstan.

The amount of dividends may be determined by the Sole Shareholder in a special order when considering the issue on approval of the procedure of profit distribution for the relevant periods.

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

On 22 May 2023, the Sole Shareholder of the Bank adopted a resolution on distribution of the Bank's net profit for 2022 and payment of dividends in the total amount of KZT 67,224,700 thousand, the amount of dividends per common share was KZT 8,585.53. Dividends were paid on 18 August 2023 (In 2022: Total dividends for 2021 amounted to KZT 32,877,465 thousand, dividends per common share amounted to KZT 4,198.91. Dividends were paid on 17 June 2022).

Based on the resolution of the Parent Company, the Bank's authorized share issue prospectus was amended to increase the number of authorized shares of the Bank by 4,990 thousand shares to a total of 12,820 thousand shares. The amendments to the authorized share issue prospectus were registered with the Agency for Financial Market Regulation and Development in January 2023. As at 31 December 2023 no authorized shares were placed.

Description of the Corporate Governance System

The Bank considers corporate governance as a means of improving the efficiency of its operations, ensuring transparency and accountability, enhancing its reputation and reducing its cost of capital, as well as its contribution to the rule of law in the Republic of Kazakhstan and as a factor in determining the Bank's place in the modern economy and society at large.

The Bank's corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism and competence. An efficient corporate governance structure implies respect for the rights and interests of all persons interested in the Bank's activities and contributes to the Bank's successful operations, including growth of its value, maintenance of financial stability and profitability.

Relations between participants in the Bank's corporate governance system are regulated by the Bank's internal documents developed on the basis of international practice. The Bank's corporate governance structure complies with the legislation and determines the division of responsibilities between the Bank's bodies.

In accordance with the Bank's Corporate Governance Code, the principles of the Bank's corporate governance are:

1. the principle of power separation;
2. the principle of protection of rights and interests of the sole shareholder of the Bank as provided for in accordance with the civil and banking laws of the Republic of Kazakhstan, the joint stock companies laws of the Republic of Kazakhstan, and support for the enforcement of these rights and interests;
3. the principle of effective management of the Bank by the Board of Directors and the Management Board;
4. the principle of sustainable development;
5. the principle of risk management, internal control and internal audit;

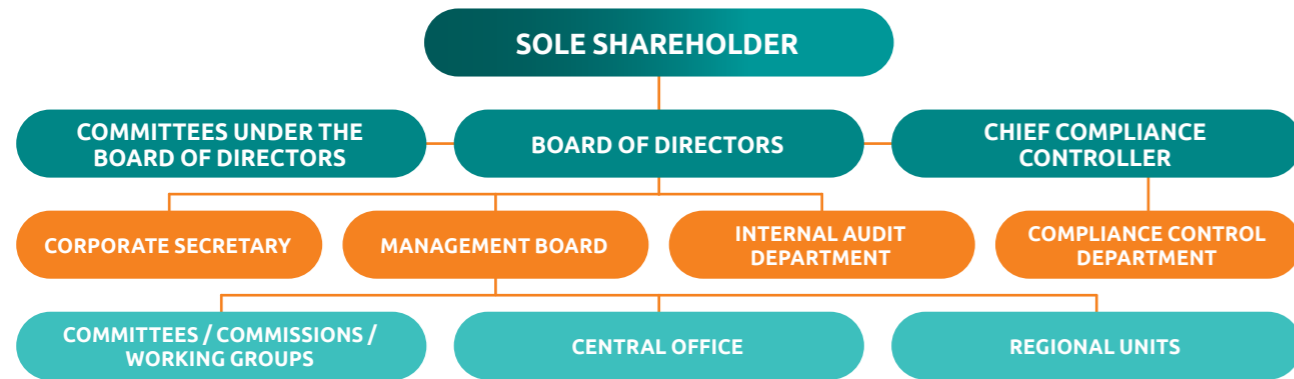
6. the principle of regulating corporate conflicts and conflicts of interest;
7. the principles of transparency and objectivity of disclosing the information concerning the Bank's activities in accordance with the banking laws of the Republic of Kazakhstan, the laws of the Republic of Kazakhstan concerning the state regulation, control and supervision of the financial market and financial organizations, the laws of the Republic of Kazakhstan concerning the currency regulation and currency control, payments and payment systems, securities market, laws on anti-money laundering and counter-terrorism financing, and laws on joint stock companies.
8. the principle of compliance with the scale and nature of the Bank's activities, its structure, risk profile, and the Bank's business model.
9. the principle of access of the members of the Bank's Board of Directors to complete, relevant and timely information on the Bank's activities in order to fulfil their duties.

The corporate governance system is assessed by the Bank's Internal Audit Department once in three years, in accordance with the requirements of the Rules on Organization of Internal Audit approved by the resolution of the Bank's Board of Directors.

According to paragraph 3 of Article 182 of the State Property Act of the Republic of Kazakhstan, an independent assessment of corporate governance should be carried out at least once every three years by state-controlled joint-stock companies (except for the National Welfare Fund). No independent assessment of the Bank's corporate governance was performed in 2023. In 2023, the Bank's corporate governance was assessed by internal auditors, according to the results of which the compliance with the level of corporate governance was 95.6%, which corresponds to the "Adequate" rating.



Corporate Governance Structure



In accordance with the laws of the Republic of Kazakhstan, the organisational structure of the Bank consists of the following governance bodies:

- the highest body – the Sole Shareholder;
- the governance body – the Board of Directors;
- the executive body – the Management Board;

- the body exercising control over the financial and economic activities of the Bank – the Internal Audit Division;
- other permanent collegial bodies of the Bank established in accordance with the laws of the Republic of Kazakhstan and internal documents of the Bank to implement various activities of the Bank.

Transparency of the Bank and Efficiency of Information Disclosure Processes

In its activities, the Bank adheres to the principles of reliability, trust and high quality in its relations with customers and partners, business transparency and corporate governance. The Bank's information resources meet the requirements of openness and accessibility.

The Bank's Internet resource publishes quarterly and year-end information on its balance sheet, profit and loss statements, and information on purchases of goods, works and services. Financial statements with the opinion of external auditors are also published.

Information for the Sole Shareholder is also published on a separate landing page.

Additionally, information on the Bank's core activities, annual report, information on significant

events in the Bank's life, the structure of the Board of Directors and the Management Board, information on existing vacancies, list and addresses of branches, list of the Bank's affiliates, as well as information on the Bank's shareholders and partners and its strategic development is published.

To ensure the Bank's information transparency, raise its business reputation in society and form a positive public opinion, the mass media regularly publish the press releases about the Bank's products, housing programs and promotions.

When publishing information, the Bank complies with the statutory regulations on the safety of banking, commercial and other legally protected secrets.

Board of Directors

The Board of Directors is the Bank's governance body exercising general management of the Bank's activities and control over the Management Board, except for issues referred by the Stock Companies Act of the Republic of Kazakhstan and/or the Bank's Articles to the exclusive competence of the Bank's Sole Shareholder, as well as strategic management and control over the implementation of sustainable development.

The Board of Directors operates in accordance with the Stock Companies Act of the Republic of Kazakhstan, other laws and regulations of the Republic of Kazakhstan, the Bank's Articles, the Bank's Corporate Governance Code, the Sole Shareholder's resolutions, these Regulations, and other internal documents of the Bank. Resolutions of the Board of Directors adopted within its competence are binding on the Management Board, structural units, officers and employees of the Bank.

Members of the Board of Directors of the Bank are elected by the Sole Shareholder with subsequent approval, if necessary, of candidacies with the RoK Agency for Financial Market Regulation and Development as provided for by the laws of the Republic of Kazakhstan and the Bank's Articles.

The Board of Directors of the Bank consists of representatives of the Sole Shareholder, Independent Directors and the Chairman of the Management Board of the Bank.

Selection for the position of Independent Director of the Bank is carried out on a competitive basis for a term not exceeding three years (subsequently, subject to satisfactory results of their performance evaluation, re-election may be carried out for up to three years) in accordance with the Regulations on the Board of Directors of the Bank.

When selecting candidates to the Board of Directors, the following is taken into account:

1. experience in management positions;
2. experience as a member of the Board of Directors;
3. length of service;
4. education, specialty, including the availability of international certificates;
5. competences/management experience of at least 2 years in areas and industries (industries may vary depending on the asset portfolio);

6. business reputation;
7. existence of a direct or potential conflict of interest;
8. availability of professional certification of the director 'Certified Director' (for Independent Directors).

The Board of Directors is informed about the occurrence of important financial and non-financial problems of the Bank through periodic reporting submitted by the Bank's units (Internal Audit Department, Internal Control Department, Compliance Control Department, Treasury Department, Accounting Department, Planning and Strategic Analysis Department) to the Board of Directors of the Bank. The list and deadlines of reporting are approved by the resolution of the Board of Directors of the Bank, which allows monitoring all performance indicators and the level of risks in the Bank's operations. Also, in accordance with the fifth paragraph of Clause 36 of Chapter 4 of Resolution No. 188 dated 12 November 2019 of the Management Board of the National Bank of the Republic of Kazakhstan 'On Approval of the Rules for Formation of Risk Management and Internal Control System for Second-tier Banks, and Branches of Non-Resident Banks of the Republic of Kazakhstan', the Chief Risk Manager informs the Board of Directors of the Bank if there are significant discrepancies between the opinion of the Risk Management Division and the opinion of the Management Board of the Bank regarding the level of risks accepted by the Bank.

In 2023, the Board of Directors was not notified of critical indicators in the Bank's performance through periodic reporting by the Bank's units.

CHAIRMAN OF THE BOARD OF DIRECTORS

The Board of Directors of the Bank is headed by the Chairman. The Chairman of the Board of Directors is elected in accordance with the Joint Stock Companies Act of the Republic of Kazakhstan.

The Chairman of the Board of Directors is responsible for the general management of the Board of Directors, ensures full and effective implementation by the Board of Directors of its main functions and building a constructive dialogue between the members of the Board of Directors, the Sole Shareholder and the Management Board of the Bank.

The Chairman of the Board of Directors organizes the work of the Board of Directors, conducts its



meetings and performs other functions as determined by the Bank's Articles.

REQUIREMENTS FOR INDEPENDENT DIRECTORS

To be elected as Independent Director to the Board of Directors, a candidate must:

- meet the definition of an Independent Director in accordance with the Joint Stock Companies Act of the Republic of Kazakhstan.
- have a general knowledge of key issues specific to an organization similar in scope and nature to the Bank, have international experience in a similar industry/sector and professional experience of at least 2 (two) years prior to nomination, and demonstrate an understanding of the legal requirements in relation to the Bank as well as the competitive environment in the national and international markets.
- be able to analyze and objectively assess the information provided and develop an independent position on the issue based on the principles of legality, fairness and equal treatment of all shareholders.

Possess the ability to express his/her own opinion and defend his/her point of view in a reasoned manner.

- be familiar with the principles of corporate governance and sustainability.
- have an impeccable reputation/positive track record in the business and/or industry environment. The candidate's biography should be free of economic crimes and administrative offences in business activities.
- have sufficient time to participate in the work of the Board of Directors, not only during Board meetings, but also to properly review materials for Board meetings.
- not be a member of more than three (3) Boards of Directors of other companies.
- carry out an annual independence confirmation procedure and inform the company if he/she loses the status of Independent Director.



Composition of the Board of Directors

As of 1 January 2024, the Board of Directors consisted of 5 members, including three Independent Directors. Term of office of the Board of Directors is three years.



Ersain Khamitov

Chairman of the Board of Directors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC (since 29.10.2023).

The Chairman of the Board of Directors is responsible for the general management of the Board of Directors, ensures full and effective implementation by the Board of Directors of its main functions and building a constructive dialogue between the members of the Board of Directors, the Sole Shareholder and the Management Board of the Bank.

Born in 1983, citizen of the Republic of Kazakhstan.

Education:

Baitursynov Kostanay State University, Specialty: Financial Economist. (Republic of Kazakhstan).

Lomonosov Moscow State University Specialty: Executive MBA (Russian Federation).

Employment history:

Since May 2022 – Deputy Chairman of the Management Board of Baiterek National Management Holding JSC.

From 2013 to 2022 – Director of the Corporate Finance Department of Baiterek National Management Holding JSC, Managing Director of Baiterek National Management Holding JSC, Managing Director – Member of the Management Board of Baiterek National Management Holding JSC.

Over 20 years' experience in various positions in banking and finance.

Membership in the Board Committees:

Member of the Audit Committee, Human Resources, Remuneration and Social Affairs Committee.

Other positions held:

Member of the Board of Directors, representative of the Sole Shareholder in Development Bank of Kazakhstan JSC, Bereke Bank JSC, Chairman of the Board of Directors of Kazakhstan Housing Company JSC.

Does not have shares (participation interests) of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC.



Lyazzat Ibragimova

Member of the Board of Directors, Chairman of the Management Board of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC (since 21.02.2022).

The Chairman of the Management Board acts on behalf of the Bank and performs functions and duties in accordance with the Bank's Articles:

1. organizes implementation of resolutions of the Sole Shareholder and the Board of Directors of the Bank;
2. act on behalf of the Bank in relations with third parties without a power of attorney;
3. issues powers of attorney for the right to represent the Bank in its relations with third parties;
4. hires, transfers and dismisses Bank's employees (except for members of the Bank's Management Board, employees of the Internal Audit Department, Corporate Secretary, Chief Compliance Controller, Chief Risk Manager), applies incentive measures to them and imposes disciplinary sanctions, establishes the amount of official salaries of the Bank's employees in accordance with the Bank's staffing table, determines the amount of bonuses for the Bank's employees (except for members of the Bank's Management Board, employees of the Internal Audit Department, Corporate Secretary, Chief Compliance Controller, Chief Risk Manager);
5. in case of his/her absence, entrust one of the members of the Management Board of the Bank to fulfil his/her duties;
6. distributes duties, as well as the areas of authority and responsibility among the members of the Management Board of the Bank;
7. organizes anti-corruption work and is personally responsible for this work;
8. performs other functions determined by the laws of the Republic of Kazakhstan, the Bank's Articles, and resolutions of the Sole Shareholder and the Board of Directors.

Born in 1972, citizen of the Republic of Kazakhstan.

Education:

Akmola Agricultural Institute. Specialty: Economics and Management in Agricultural Sectors.

Eurasian Humanitarian Institute. Specialty: Law.

Higher School of Business of Business of Nazarbayev University AEO. Specialty: Executive MBA.

Employment history:

Since 2017 – Chairman of the Management Board of Otbasy Bank JSC.

From 2016 to 2017 – Deputy Chairman of the Management Board of Baiterek National Management Holding JSC.

Over 25 years' experience in various positions, including in finance.

Membership in Committees of the Board of Directors:

Member of the Audit Committee, Personnel, Remuneration and Social Affairs Committee.

Other positions held:

none.

Does not have shares (participation interests) of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC



Nurlan Tokobayev

Member of the Board of Directors, Independent Director of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC (since 21.02.2022).

The Independent Director duly prepares for meetings of the Board of Directors of the Bank and (or) its Committees, in particular: study in advance with materials related to the meetings, collect and analyze necessary information, prepare his/her conclusions, opinions, recommendations.

Born in 1974, citizen of the Republic of Kazakhstan.

Education:

Kazakh State Academy of Management, Specialty: Finance and Credit, Qualification: Economist.

Employment history:

From 2017 to 2021 – Member of the Board of Directors, Independent Director of Kazakhstan Mortgage Company JSC.

From 2017 to 2021 – Member of the Supervisory Board, Independent Director of Kazakhstan Project Preparation Fund LLP.

From 2017 to 2020 – Member of the Board of Directors, Independent Director of Optima Bank JSC.

Over 25 years' experience in finance and banking.

Membership in the Board Committees:

Chairman of the Risk Management and Internal Control Committee, Member of the Audit Committee, Human Resources, Remuneration and Social Affairs Committee, Strategic Planning and Corporate Development Committee.

Other positions held:

none.

Does not have shares (participation interests) of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC.



Sanzhar Zhamalov

Member of the Board of Directors, Independent Director of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC (since 21.02.2022).

The Independent Director duly prepares for meetings of the Board of Directors of the Bank and (or) its Committees, in particular: study in advance with materials related to the meetings, collect and analyze necessary information, prepare his/her conclusions, opinions, recommendations.

Born in 1985, citizen of the Republic of Kazakhstan.

Education:

Charles University, Specialty: Bachelor of Financial Mathematics (Czech Republic);

Newcastle University, Specialty: Master of International Financial Analysis (UK);

University of Cambridge, Specialty: Executive MBA (UK).

Employment history:

Since August 2018 – Head of the Representative Office of ING Bank N.V. in the Republic of Kazakhstan.

2018 – Structured Finance Specialist in Metals and Energy at ING Bank N.V.

From 2014 to 2018 – Head of Corporate Clients at ING Bank N.V.

Over 15 years' experience in finance and banking.

Membership in the Board Committees:

Chairman of the Audit Committee, Strategic Planning and Corporate Development Committee, Member of the Risk Management and Internal Control Committee.

Other positions held:

Member of the Board of Directors, Independent Director of First Heartland Jusan Bank JSC, Member of the Board of Directors, Independent Director of Jusan Invest JSC, Chairman of the Board of Directors, Independent Director of Bolashaq Investments JSC, Member of the Board of Directors, Independent Director of KCELL JSC.

Does not have shares (participation interests) of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC.



Elmira Ermekova

Member of the Board of Directors, Independent Director of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC (since 21.02.2022).

The Independent Director duly prepares for meetings of the Board of Directors of the Bank and (or) its Committees, in particular: study in advance with materials related to the meetings, collect and analyze necessary information, prepare his/her conclusions, opinions, recommendations.

Born in 1963, citizen of the Republic of Kazakhstan.

Education:

Al-Farabi Kazakh National University. Specialty: Economist. Lecturer in Political Economy.

Employment history:

From 2019 to 2021 – Chairman of the Management Board of Training Centre of the National Bank of the Republic of Kazakhstan JSC.

Over 20 years' experience in finance and banking.

Membership in the Board Committees:

Chairman of the Human Resources, Remuneration and Social Affairs Committee, Member of the Strategic Planning and Corporate Development Committee.

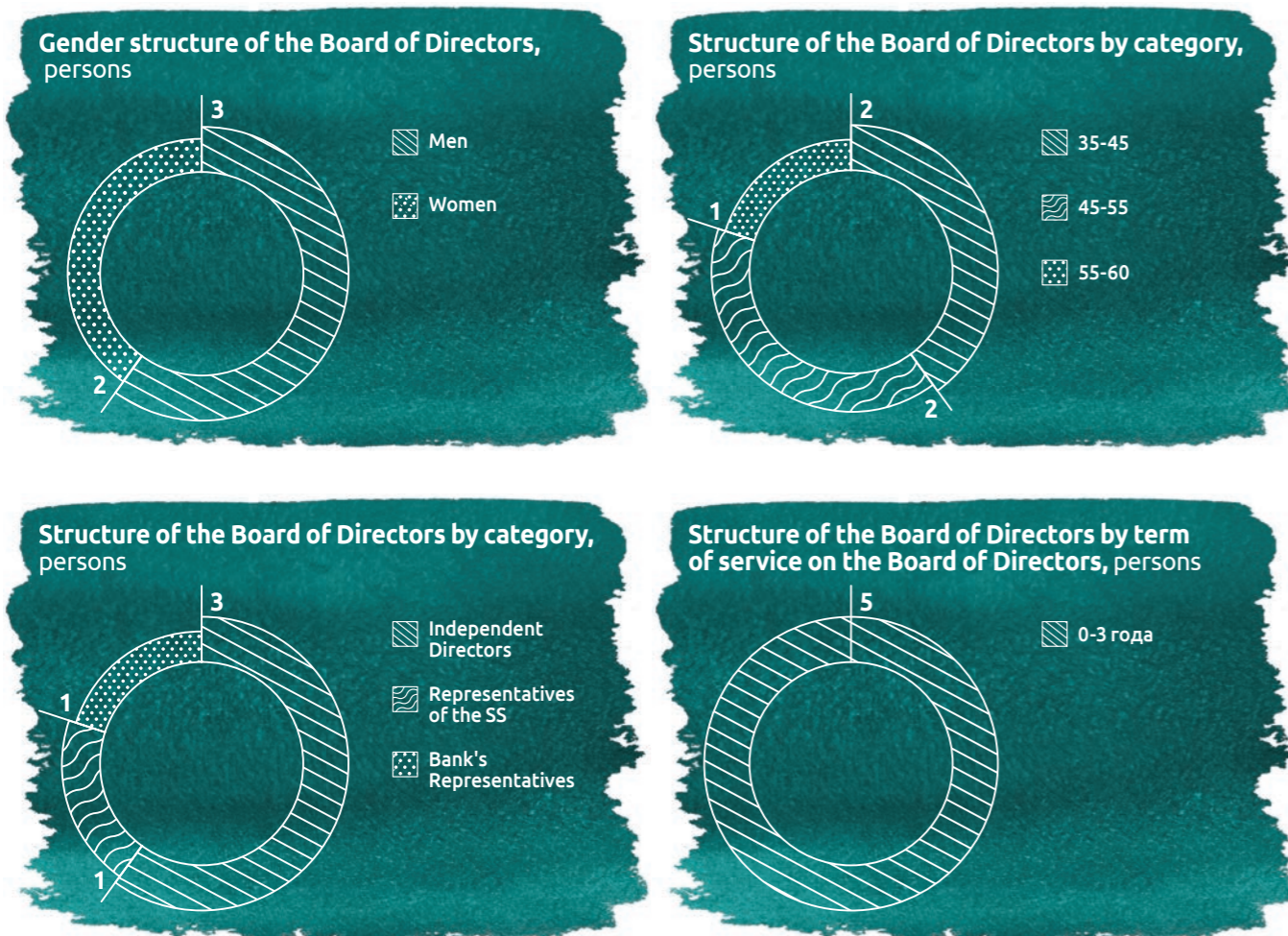
Other positions held:

none.

Does not have shares (participation interests) of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC.



Composition of the Board of Directors



Performance of the Board of Directors and Committees under the Board of Directors

In 2023, 17 meetings of the Bank's Board of Directors were organized and held, of which 5 meetings were held by absentee voting, 11 meetings were held in person, and one meeting was held in a closed format. The Board of Directors considered 142 issues and made decisions on them: 96 issues in person, 45 issues by absentee voting, and one issue by closed voting.

According to the Bank's internal documents, the Board of Directors annually prepares its Activity Plan with

the schedule of meetings for the previous year, based on the principle of rationality, efficiency and regularity. The activities of the Board of Directors of the Bank in 2023 were carried out in accordance with the 2023 Activity Plan of the Board of Directors of the Bank approved by the resolution of the Board of Directors of the Bank.

The most important decisions taken by the Board of Directors of the Bank in the reporting period include consideration and approval of the Bank's 2024–2028

Development Plan, amendments to the Bank's Articles, election of members of the Management Board of the Bank, changes in the composition of the Board of Directors of the Bank.

Transactions with persons who have special relations with the Bank were approved without providing preferential terms.

Annual financial statements, the Bank's 2022 Annual Report, amendments to the Bank's Articles, the issue of voluntary application to the authorized body to terminate the license of Otbas Bank JSC for certain banking operations were submitted to the Sole Shareholder of the Bank for consideration and further approved.

The work of the Committees is summarized in the table below.

Sr. No.	Committee name	Number of meetings held			Number of issues considered		
		2021	2022	2023	2021	2022	2023
1.	Audit Committee of the Board of Directors	9	10	11	57	65	56
2.	Strategic Planning and Corporate Development Committee of the Board of Directors	10	10	10	35	33	40
3.	Human Resources, Remuneration and Social Affairs Committee of the Board of Directors	7	10	11	14	26	11
4.	Risk Management and Internal Control Committee	8	10	11	25	63	61

Committees under the Board of Directors

The Bank has 4 Committees reporting to the Board of Directors:

1. Audit Committee;
2. Strategic Planning and Corporate Development Committee;
3. Human Resources, Remuneration and Social Affairs Committee;
4. Risk Management and Internal Control Committee.

AUDIT COMMITTEE

The Committee was established to improve the efficiency and quality of work of the Board of Directors of the Bank by making recommendations to the Board of Directors on establishing an effective system of control over the financial and economic activities of the Bank (including the completeness and accuracy of financial statements), compliance with the laws of the Republic of Kazakhstan, internal documents, as well as to prepare

recommendations to the Board of Directors of the Bank on the development of priority areas of activity (development), and the functioning of an adequate system of control over the Bank's financial and economic activities.

In addition to professional competencies, the Chairman of the Committee should have organizational and leadership qualities, as well as good communication skills to effectively organize the activities of the Committee headed by him/her.

The Committee consists of Members of the Board of Directors of the Bank who have the necessary professional knowledge, competences and skills to serve on the Committee.

The Committee consists of at least one Member of the Board of Directors of the Bank with experience in audit and/or accounting and financial reporting and/or risk management.



Composition of the Committee as of 01 January 2024

Sr. No.	Full name	Position
1.	Sanzhar Zhamalov	Chairman of the Committee – Member of the Board of Directors, Independent Director
2.	Nurlan Tokobayev	Member of the Committee – Member of the Board of Directors, Independent Director
3.	Ersain Khamitov	Member of the Committee – Member of the Board of Directors, Representative of the Sole Shareholder

In 2023, 11 meetings of the Audit Committee of the Bank’s Board of Directors were organized and held. The Committee considered 56 issues, on which decisions were made in person.

The most important decisions taken by the Audit Committee of the Bank’s Board of Directors in the reporting period include preliminary approval of: audit reports, the Bank’s annual financial statements

for 2022 and making recommendations to the Sole Shareholder on the distribution of net income for 2022, etc.

Reports of the Internal Audit Department were reviewed on a quarterly basis, HR issues of the Department and issues of bonus payment to its employees were solved.

STRATEGIC PLANNING AND CORPORATE DEVELOPMENT COMMITTEE

The Committee was established to enhance the preparation of recommendations to the Board of Directors on the development of priority areas of activity (development), strategic goals (development strategy), corporate development issues, including issues on the development of measures to improve the Bank’s performance in the medium and long term, its profitability and sustainable development.

In addition to professional competencies, the Chairman of the Committee should have organizational and leadership qualities, as well as

good communication skills to effectively organize the activities of the Committee headed by him/her.

The Committee consists of Members of the Board of Directors of the Bank who have the necessary professional knowledge, competences and skills to serve on the Committee. The Committee consists of at least one member of the Bank’s Committee with experience in one of the following areas: development of information technologies; development and provision of banking services; risk management; budget planning.

Composition of the Committee as of 01 January 2024

Sr. No.	Full name	Position
1.	Sanzhar Zhamalov	Chairman of the Committee – Member of the Board of Directors, Independent Director
2.	Nurlan Tokobayev	Member of the Committee – Member of the Board of Directors, Independent Director
3.	Elmira Ermekova	Member of the Committee – Member of the Board of Directors, Independent Director

In 2023, 10 meetings of the Strategic Planning and Corporate Development Committee of the Bank’s Board of Directors were organized and held. The Committee considered 40 issues, on which decisions were made in person.

The Strategic Planning and Corporate Development Committee preliminarily reviewed: the report

of the Management Board on the Bank’s performance for 2022, the report on compliance/non-compliance with the principles and provisions of the Bank’s Corporate Governance Code for 2022, the report on the implementation of the Bank’s 2019–2023 Development Plan for 2022, the report on the Bank’s sustainable development for 2022 and the report

on the Bank’s 2023 Information Technology Development Strategy for 2022.

It was recommended to approve the adjusted 2023 Annual Budget of Otbasy Bank JSC, the Bank Annual

Budget Performance and Profitability Indicators Report.

It was recommended to approve amendments to the Bank’s Articles, Regulations of the Bank’s Branches.

HUMAN RESOURCES, REMUNERATION AND SOCIAL AFFAIRS COMMITTEE

The Committee was established to improve the efficiency and quality of work of the Board of Directors by means of in-depth development and monitoring of issues within the competence of the Board of Directors in the area of HR policy, appointment and remuneration system, as well as

evaluation of the performance of the members of the Board of Directors of the Bank, members of the Management Board of the Bank, succession planning for the Chairman and members of the Management Board and evaluation of the Corporate Secretary’s performance.

Состав комитета по состоянию на 1 января 2024 года

Sr. No.	Full name	Position
1.	Elmira Ermekova	Chairman of the Committee – Member of the Board of Directors, Independent Director
2.	Nurlan Tokobayev	Member of the Committee – Member of the Board of Directors, Independent Director
3.	Ersain Khamitov	Member of the Committee – Member of the Board of Directors, Representative of the Sole Shareholder

In 2023, 11 meetings of the Human Resources, Remuneration and Social Affairs Committee of the Bank’s Board of Directors were organized and held. The Committee considered 24 issues, on which decisions were made in person.

In the reporting period, the Human Resources, Remuneration and Social Affairs Committee of the Bank’s Board of Directors preliminarily reviewed: report on the key performance indicators of the Members of the Management Board of Otbasy Bank JSC for 2022, maps of key performance indicators and their target values for 2024, KPI maps of the Corporate Secretary, early termination of powers of Mr. Miras Beisembayev, Member of the Management Board, Deputy Chairman of the Management Board of Otbasy Bank JSC, election of Mr. Vladimir Savchenko to the position of Member of the Management Board of Otbasy Bank JSC, Deputy Chairman of the Management Board, salary schemes based on grades of the Chief Compliance Officer, Corporate Secretary of Otbasy Bank JSC.

It was recommended to amend the Rules for Remuneration and Bonuses, Performance Evaluation and Social Support of Employees of the Internal Audit Division, Chief Compliance Officer and Corporate Secretary, and to amend and supplement the Rules for Selection of Candidates for Vacant Positions of the Internal Audit Division, Chief Compliance Officer and Corporate Secretary.

Reports on the work of the Board of Directors, its Committees and the Corporate Secretary, management reporting and reports in accordance with the List of Reports to be submitted by the Management Board to the Board of Directors were pre-approved and recommended for approval on a quarterly basis.



RISK MANAGEMENT COMMITTEE

The Committee was established to improve the efficiency and quality of the work of the Bank's Board of Directors by making recommendations to the Board of Directors on monitoring the reliability and effectiveness of the internal control and risk management system, on monitoring the independence of the Compliance Service, compliance with the laws

of the Republic of Kazakhstan and internal documents, as well as to prepare recommendations to the Bank's Board of Directors on the issues of prioritizing areas of activity (development) and functioning of an adequate risk management system in the Bank, improvement and strengthening of the risk management system.

Composition of the Committee as of 01 January 2024

Sr. No.	Full name	Position
1.	Nurlan Tokobayev	Chairman of the Committee – Member of the Board of Directors, Independent Director
2.	Sanzhar Zhamalov	Member of the Committee – Member of the Board of Directors, Independent Director

In 2023, 10 meetings of the Risk Management and Internal Control Committee of the Bank's Board of Directors were organized and held. The Committee considered 61 issues, on which decisions were made in person.

of Risk Management and Internal Control System for Second-tier Banks approved by Resolution No. 188 dated 12 November 2019 of the Management Board of the National Bank of the Republic of Kazakhstan.

In the reporting period, the Risk Management and Internal Control Committee of the Bank's Board of Directors preliminarily reviewed: the Bank's risk management and internal control reports for 2022, the Bank's business continuity management reports for 2022, KPI maps of the Chief Compliance Officer. The Committee of the Board of Directors pre-approved and recommended the Bank's internal documents and brought them in line with the requirements set out in the Rules for Formation

Reports on compliance risk control and compliance program (plan) implementation, management reporting and reports in accordance with the List of Reports to be submitted by the Bank's Management Board to the Board of Directors were pre-approved and recommended for approval on a quarterly basis.

Transactions with persons who have special relations with the Bank were pre-approved without providing preferential terms.

Attendance of meetings of the Bank's Board of Directors and Committees of the Bank's Board of Directors:

Quarter 1:

Full name of the Member of the Board of Directors	BOD Meeting No. 1	BOD Meeting No. 2	BOD Meeting No. 3	BOD Meeting No. 4
Ersain Khamitov	●	●	●	○
Sanzhar Zhamalov	●	●	●	●
Nurlan Tokobayev	●	●	●	●
Elmira Ermekova	●	●	●	●
Lyazzat Ibragimova	●	●	●	●

Full name of the Member of the BOD Committee	Meetings of (AC, HR, RSAC, RMC, SPCDC), No. 1	Meetings of (AC, HR, RSAC, RMC) No. 2	Meetings of (AC, HR, RSAC, RMC), No. 3, SPCDC, No. 2
Ersain Khamitov	●	●	○
Sanzhar Zhamalov	●	●	●
Nurlan Tokobayev	●	●	●
Elmira Ermekova	●	●	●

Quarter 2:

Full name of the Member of the Board of Directors	BOD Meeting No. 5	BOD Meeting No. 6	BOD Meeting No. 7	BOD Meeting No. 8	BOD Meeting No. 9
Ersain Khamitov	●	●	●	●	●
Sanzhar Zhamalov	●	●	●	●	●
Nurlan Tokobayev	●	●	●	●	●
Elmira Ermekova	●	●	●	●	●
Lyazzat Ibragimova	●	●	●	●	●

Full name of the Member of the BOD Committee	Meetings of AC, HR, RSAC, RMC, No. 4, SPCDC	Meetings of AC, HR, RSAC, RMC, No. 5, SPCDC No. 4	Meetings of AC, HR, RSAC, RMC, No. 6, SPCDC No. 5
Ersain Khamitov	●	●	●
Sanzhar Zhamalov	○	●	●
Nurlan Tokobayev	●	●	●
Elmira Ermekova	●	●	●

3 квартал:

Full name of the Member of the Board of Directors	BOD meeting No. 10	BOD meeting No. 11	BOD meeting No. 12
Ersain Khamitov	●	●	●
Sanzhar Zhamalov	●	●	●
Nurlan Tokobayev	●	●	●
Elmira Ermekova	●	●	●
Lyazzat Ibragimova	●	●	●

Full name of the Member of the BOD Committee	Meetings of AC, HR, RSAC, RM ICC, No. 7, SPCDC No. 6	Meetings of AC, HR, RSAC, RM ICC, No. 7, SPCDC No. 6
Ersain Khamitov	●	●
Sanzhar Zhamalov	●	●
Nurlan Tokobayev	●	●
Elmira Ermekova	●	●



Quarter 4:

Full name of the Member of the Board of Directors	BOD Meeting No. 13	BOD Meeting No. 14	BOD Meeting No.15	BOD Meeting No.16	BOD Meeting No.17
Ersain Khamitov	●	●	●	●	●
Sanzhar Zhamalov	●	●	●	●	●
Nurlan Tokobayev	●	●	●	●	●
Elmira Ermekova	●	●	●	●	●
Lyazzat Ibragimova	●	●	●	●	●

Full name of the Member of the BOD Committee	Meetings of Audit Committee, HR, RSAC, RMCC, No. 9, SPCDC No. 8	Meetings of Audit Committee, HR, RSAC, RMCC, No. 10, SPCDC No. 9	Meetings of Audit Committee, HR, RSAC, RMCC, No. 11, SPCDC No.10
Ersain Khamitov	●	●	●
Sanzhar Zhamalov	●	●	●
Nurlan Tokobayev	●	●	●
Elmira Ermekova	●	●	●

Evaluation of the Performance of the Board of Directors

The performance of the Board of Directors and its Committees is evaluated on an annual basis. At the same time, at least once every three years, the evaluation is carried out with the involvement of an independent professional company.

The Board of Directors may conduct the Evaluation:

- by its own resources as required by the laws of the Republic of Kazakhstan or internal documents;
- with the involvement of independent consultants, professional associations and corporate governance rating organizations;
- in other ways.

In 2023, an internal evaluation of the performance of the Board of Directors, its Committees and Members was conducted by means of a closed questionnaire. The results of the internal evaluation were approved at a closed meeting of the Board of Directors on 26 April 2023.

Based on the results of the evaluation of the Board of Directors' performance, the following is noted:

- The Board of Directors of the Bank pays sufficient attention and when making decisions is focused on achieving the set goals and protecting the interests of the Bank and its Sole Shareholder;

- The Board of Directors has all necessary tools for proper control over the financial and economic activities of the Bank;
- The Board of Directors regularly monitors and evaluates the progress of strategic objectives; the composition of the Bank's Board of Directors does not meet the Bank's needs;
- The Board of Directors and the Executive Body pay due attention to the main risks that may have a significant impact on the Bank's operations;
- The Board of Directors has sufficient time and information to make important decisions regarding future goals, strategy, policies, and major investment projects in a balanced manner;
- The Chairman of the Board of Directors effectively manages the Board of Directors;
- The Chairman of the Board of Directors fulfils the duties of monitoring and developing the Bank's strategy at an appropriate level;
- Skills and qualifications should be represented in the Board of Directors of the Bank to a greater extent: analytical skills, knowledge of the legislation of Kazakhstan;
- Meetings of the Board of Directors are not always held in accordance with the Activity Plan of the Bank's Board of Directors;

- Reports during the Board of Directors' meetings do not always provide sufficiently clear information to make balanced decisions;
- At the meetings of the Board of Directors, sufficient time is given to discuss each issue;
- Members of the Board of Directors devote sufficient time to studying the Bank's activities

and its specifics in order to effectively fulfil their supervisory functions. Based on the results of the evaluation of the Board of Directors' performance, the Members of the Board of Directors also highly appreciated the professional composition and work of the Committees.

Professional Development

By the Resolution of the Management Board of Baiterek NMH JSC dated 07 October 2020, amendments were made to the Regulations on the Board of Directors of the Bank, in accordance

with which the paragraphs providing for the allocation of funds for advanced training of members of the Board of Directors of the Bank were excluded.

Management Board

The Management Board of the Bank acts on the basis of the Regulations on the Management Board approved by the Board of Directors of the Bank and manages the day-to-day operations of the Bank. The establishment of the Management Board of the Bank, its powers, as well as early

termination of powers are decided by the Board of Directors of the Bank in accordance with the laws of the Republic of Kazakhstan and the Bank's Articles.

As at 1 January 2024, the Management Board of the Bank consists of 7 members.



Lyazzat Ibragimova

Chairman of the Management Board of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC (since 23.01.2017).

Born in 1972, citizen of the Republic of Kazakhstan.

Performs general management of the Bank's activities and supervises Advisors, Managing Directors, Press Service, HR and Procurement Departments. She is also the Chairman of the Human Resources Committee, Risk Committee, Asset and Liability Management Committee, as well as Banking Products, Processes and Service Quality Committee of the Bank.

Employment history:

Until 2017, she held managerial positions in Baiterek NMH JSC, Damu Entrepreneurship Development Fund JSC.

She is a citizen of the Republic of Kazakhstan.

Does not have shares (participation interests) of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbasy Bank Housing Construction Savings Bank of Kazakhstan JSC.



Aliya Aidarbekova

Deputy Chairman of the Management Board of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC (since 18.09.2017).

Born in 1976, citizen of the Republic of Kazakhstan.

Supervises finance and reporting issues. She is also the Chairman of the Strategy and Corporate Development Committee, the Budget Committee and the Commission for Determination of Value and Consideration of Issues on Writing Off Fixed Assets, Intangible Assets and Overstocks.

Employment history:

Until 2017, she held managerial positions in Otbas Bank JSC, Investment Fund of Kazakhstan JSC, Development Bank of Kazakhstan JSC.

Does not have shares (participation interests) of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC.



Nurlan Akshanov

Deputy Chairman of the Management Board of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC (since 18.06.2018).

Born in 1976, citizen of the Republic of Kazakhstan.

Supervises business development issues.

Employment history:

Until 2018, he held managerial positions in Damu Entrepreneurship Development Fund JSC and ATF Bank JSC.

Does not have shares (participation interests) of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC.



Mukhtar Azimbekov

Deputy Chairman of the Management Board of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC (since 10.06.2021).

Born in 1987, citizen of the Republic of Kazakhstan.

Supervises issues related to operations, banking products and processes. He is also the Chairman of Loan Committee 2 of the Bank.

Employment history:

Until 2021 held positions in Otbas Bank JSC, Ulagat Business Group LLP, BTA Ipoteka MC JSC.

Does not have shares (participation interests) of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC.



Islambek Kairbekov

Deputy Chairman of the Management Board of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC (since 17.01.2020).

Born in 1979, citizen of the Republic of Kazakhstan.

Supervises risk management and internal control issues. He is also the Head of Risk Management, Chairman of the Controlling Committee and Loan Committee 1 of the Bank.

Employment history:

Until 2020, he held managerial positions in Otbas Bank JSC, Damu Entrepreneurship Development Fund JSC and Tsesna Bank JSC.

Does not have shares (participation interests) of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC.



Elmira Raspekova

Deputy Chairman of the Management Board of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC (since 27.11.2020).

Born in 1973, citizen of the Republic of Kazakhstan.

Supervises issues on information technologies and digital transformation. She is also the Chairman of the Bank's Information Resources Committee.

Employment history:

Until 2020, she held managerial positions in Otbas Bank JSC, Damu Entrepreneurship Development Fund JSC and Alfa Bank JSC.

Does not have shares (participation interests) of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC.



Vladimir Savchenko

Deputy Chairman of the Management Board of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC (since 15.05.2023).

Born in 1979, citizen of the Republic of Kazakhstan.

Supervises the issues of the Bank's information security, legal support, security, implementation of government programs. He is also the Chairman of the Bank's Loan Committee.

Employment history:

Until 2023, he held managerial positions in Bereke bank JSC, Sberbank JSC, Bank CenterCredit OJSC.

Does not have shares (participation interests) of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC and its affiliates, and does not own shares of suppliers and competitors of Otbas Bank Housing Construction Savings Bank of Kazakhstan JSC.



Committees Reporting to the Management Board

The Bank has 11 Committees reporting to its Management Board.

1. STRATEGY AND CORPORATE DEVELOPMENT COMMITTEE

The main objective of the Strategy and Corporate Development Committee is to guide the development and implementation of the Bank's development strategy.

The main tasks of the Strategy and Corporate Development Committee are:

- defining strategic principles, development goals and activities of the Bank;
- coordination and control over the implementation of the Bank's strategic development plan;

- improving the efficiency of the Bank's current management system.

In the reporting year, the Strategy and Corporate Development Committee reviewed the draft new strategy, strategy plans, development plans, balanced indicators, sustainable development plans, branch plans, financial model, product strategy, risk-based liquidity forecast, increase in the number of authorized shares, and monitoring of the implementation of planning documents.

2. ASSET AND LIABILITY MANAGEMENT COMMITTEE

The main tasks of the Asset and Liability Management Committee are:

- determination of rules and procedures for investing and borrowing in the domestic and foreign markets, and for operations with financial instruments;
- determination of benchmarks for asset diversification, liquidity, profitability of the Bank, adequacy of the Bank's own funds for lending purposes, within the limits of authority defined

by the Regulations on the Committee and other internal documents of the Bank.

In 2023, the Committee considered issues related to the management of the Bank's assets and liabilities, including issues related to raising and placing funds, issues related to setting limits on counterparties, reporting by the financial and credit risk division and units involved in the process of managing the Bank's assets and liabilities, as well as other issues within the scope of the Committee's authority in accordance with the Regulations on the Committee.

3. BANKING PRODUCTS, PROCESSES AND SERVICE QUALITY COMMITTEE

The main tasks of the Banking Products, Processes and Service Quality Committee are:

- review and approval of rates and tariffs for banking operations, limits of interest on deposits and loans, limits of amounts and terms of accepted deposits and granted loans, approval of terms and conditions of servicing tariff programs and lending that do not require approval of the Board of Directors in accordance with the laws of the Republic of Kazakhstan;
- consideration and approval of proposals of the Bank's employees and divisions aimed at solving urgent problems on optimization of existing processes and procedures, as well as proposals aimed at improving the quality of services provided.
- approval of individual terms and conditions for products, tariffs for individuals, if necessary, preliminary approval of changes in business processes for such terms and conditions with subsequent amendments to the relevant internal documents of the Bank, except for individual cases for loan applications or personalized individuals;
- execution and approval of cooperation agreements/contracts/loan agreements and other transactions with legal entities within the framework of implementation of the Bank's mortgage programs for individuals.

4. LOAN COMMITTEE

The Bank's Loan Committee implements the Bank's internal loan and deposit policies, within the scope of its powers (since the beginning of 2019). The Committee structure includes (since 31.10.2023):

Committee 1, consisting of 5 (five) members in the following composition:

- Chairman of Committee 1, from among the members of the Management Board, whose job responsibilities include risk management and internal control;
- Deputy Chairman of Committee 1, from among the members of the Management Board, whose job responsibilities include business development;
- 3 (three) members of Committee 1, from among the heads of the Bank's structural units, such as: non-performing loans division, underwriting and collateral division, legal division, supervised by different members of the Management Board;

Committee 2, consisting of 3 (three) members in the following composition:

- Chairman of Committee 2, from among the members of the Management Board, whose job responsibilities include business development. In the absence of the Chairman of Committee 2, the duties of the Chairman of Committee 2 are assigned to a substitute Chairman of Committee 2, from among the members of the Management Board, whose job responsibilities include management of operational activities;
- 2 (two) members of Committee 2, from among the heads of the Bank's structural units, such as underwriting and collateral division, legal division, supervised by different members of the Management Board.

The main task of Committee 1 is to implement, within the scope of its powers, the provisions of the Rules on the Bank's Internal Credit and Deposit Policies and the decisions of the Asset and Liability Management Committee, provided that borrowing risks are minimized to the maximum extent possible and maximum income is obtained from the following banking operations: housing loan operations, bridging housing loans, preliminary housing loans (hereinafter, the loan products), as well as to consider and make decisions on issues related to management and/or recovery of funds on non-performing/overdue loans aimed at minimizing potential losses from the Bank's lending operations and reducing the share of non-performing loans in the Bank.

The main task of Committee 2 is to implement, the scope of its powers, the provisions of the Rules on the Bank's Internal Credit and Deposit Policies and decisions of the Asset and Liability Management Committee, provided that borrowing risks are minimized to the maximum extent possible and maximum income from operations on housing loans, bridging housing loans, preliminary housing loans (hereinafter, the loan products) is obtained, as well as to consider and make decisions on the release/replacement of pledged property or part thereof, including preliminary decisions for persons who have special relations with the Bank, on the exclusion of the guarantor, when considering the release/replacement of collateral, in cases where the pledgor is also the guarantor.



5. INFORMATION RESOURCES COMMITTEE

The main objective of the Committee is to provide recommendations to the Bank's Management Board on the implementation of the Bank's IT development strategy and information infrastructure development plan.

The main tasks of the Committee are:

- development, control and coordination of the information infrastructure;
- implementation of new and improvement of existing projects for the purpose of business development;
- improvement of processes for managing IT projects, changes and incidents.

6. BUDGET COMMITTEE

The main objective of the Committee is to ensure timely and quality development of the Bank's annual budget/Income and Expenditure Plan, Investment Plan, Procurement Plan/Long-Term Procurement Plan for the planned period, as well as proposals for their improvement, execution and control.

The main task of the Committee is to review financial and non-financial information to make an informed decision in accordance with the Bank's Development Strategy and Development Plan when drafting

7. CONTROLLING COMMITTEE

The main objective of the Committee is to assist the Bank's Management Board in performing controlling functions in terms of reviewing, planning and assessing key performance indicator maps of managers of structural units, managing directors and advisors to the Chairman of the Bank's Management Board.

- The tasks of the Committee are:
- support the work planning process to achieve the set goals in accordance with the Bank's Development Strategy.

control over the implementation of planned activities by the heads of structural units of the Bank's

In the reporting year, the Committee considered issues related to testing such systems as: multi-factor authentication systems, biometric identification and Liveness services, anti-fraud systems, AI-based auto gpt, a system for automating the process of analyzing the solvency of the Bank's customers, end-device management platforms, as well as issues related to the transition to microservices architecture in the implementation of online services, robotization, optimization of office printing infrastructure in the CO, implementation of Open Banking and Open API, introduction of a new mobile application, automation of business processes, etc.

the Bank's annual budget/Income and Expenditure Plan, Investment Plan and Procurement Plan/Long-Term Procurement Plan.

In the reporting year, the Committee reviewed issues related to the Budget, Investment Plan, Income and Expenditure Plan of the Central Office/Branches, needs of the Central Office/Branches, limits, reports thereon, report and analysis of the execution of the Procurement Plan for goods, works and services, etc.

Central Office, managing directors and advisors to the Chairman of the Bank's Management Board.

In the reporting year, the Committee reviewed issues related to approval, adjustment and monitoring of KPIs of managing directors, advisors to the Chairman of the Bank's Management Board and heads of structural units of the Bank's Head Office, as well as approval and adjustment of targets of the Bank's Branches.

8. HUMAN RESOURCES COMMITTEE

The main tasks of the Human Resources Committee are:

- implementation of the Bank's internal HR policy;
- coordination of the work on employee performance review, including in resolving disputes;
- consideration of candidates to form the Bank's talent pool;

- consideration of candidates for moral incentives;
- consideration of facts of violations by the Bank's employees of the requirements of the legislation of the Republic of Kazakhstan, internal documents of the Bank.

In the reporting year, the Committee reviewed issues related to the Bank's HR issues.

9. INFORMATION SECURITY COMMITTEE

The main tasks of the Information Security Committee are:

- ensuring compliance of the information security management system with the laws of the Republic of Kazakhstan;
- keeping the Bank's internal documents on information security up to date;
- ensuring minimization of the probability of information security incidents and their possible damage;

- complete and comprehensive analysis of information security issues submitted for consideration of the Bank's Management Board;
- keeping technical information security tools for the Bank up to date.

As part of its function, the Committee reviews issues related to the IT strategy, ISMS, the Bank's internal documents on IS issues, IS incidents, technical information security tools, reporting on IS and IT risks, the list of the Bank's critical information assets, etc.

10. COMMISSION FOR DETERMINATION OF VALUE AND CONSIDERATION OF ISSUES ON WRITING OFF FIXED ASSETS, INTANGIBLE ASSETS AND OVERSTOCKS

The main tasks of the Commission for Determination of Value and Consideration of Issues on Writing Off Fixed Assets, Intangible Assets and Overstocks are to consider issues and make decisions on:

- determining the value, regulatory and useful life of the Bank's fixed assets and intangible assets;
- writing off the Bank's property in accordance with the Bank's internal regulatory documents governing the disposal of the Bank's property;
- revaluation of the Bank's fixed assets (buildings, constructions) in accordance with the Accounting Policy of the Bank based on the opinion of an independent appraiser;

- impairment testing of property, plant and equipment and intangible assets.

In the reporting year, the Commission considered issues on sale and determination of starting and minimum prices of long-term assets, increase in the value of intangible assets, etc.



11. RISK COMMITTEE

The main tasks of the Risk Committee are:

- preparation of recommendations and proposals on organization and maintenance of an effective risk management system (hereinafter, the RMS) and internal control system (hereinafter, the ICS) for the Management Board of the Bank;
- development of processes designed to identify, assess, monitor and control the Bank's risks;
- coordination of the risk management and internal control process by the Bank's structural units and branches;

- ensuring the continuous exchange of information on the Bank's risks and internal controls among Committee members and communicating such information to risk owners and risk factors in order to improve risk culture, transparency and efficiency of the RMS and ICS;
- decision-making on issues aimed at improving the quality of services provided, as part of the report on customer appeals (complaints).

In the reporting year, the Committee considered issues related to operational risks, information technology risks, information security and internal control, as well as other issues in accordance with the Regulations on the Risk Committee.

PERFORMANCE OF THE MANAGEMENT BOARD AND COMMITTEES REPORTING TO THE MANAGEMENT BOARD

The executive body of the Bank is the Management Board acting on the basis of the Regulations on the Management Board approved by the Board of Directors of the Bank. The Management Board of the Bank manages the Bank's day-to-day operations.

The Management Board of the Bank acts on behalf of the Bank, including representing its interests, making transactions as required by the laws of the Republic of Kazakhstan and the Articles of the Bank, approving the staffing table, including of the Central Office and Branches, issuing decisions and giving instructions binding on all employees of the Bank.

In the reporting period, the Bank's Management Board made decisions on all issues of the Bank's activity that are not referred by the legislative acts of the Republic of Kazakhstan and the Articles of the Bank to the competence of the Sole Shareholder and the Board of Directors of the Bank.

The Bank's Management Board held 195 meetings in 2023 (228 meetings in 2022).

The work of the Bank's Management Board Committees is summarized in the table below.

Sr. No.	Name of the committee	Number of meetings held		Number of issues considered	
		2022	2023	2022	2023
1.	Strategy and Corporate Development Committee	29	35	45	43
2.	Asset and Liability Management Committee	63	46	219	197
3.	Banking Products, Processes and Service Quality Committee	66	66	136	132
4.	Loan Committee:	81	81	149	204
	Committee 1	51	51	92	135
	Committee 2	30	30	57	69
5.	Information Resources Committee	32	46	94	129
6.	Budget Committee	46	51	107	118
7.	Controlling Committee	19	31	28	39
8.	Human Resources Committee	19	18	56	74
9.	Information Security Committee	30	29	121	110
10.	Commission for Determination of Value and Consideration of Issues on Writing Off Fixed Assets, Intangible Assets and Overstocks	15	12	15	12
11.	Risk Committee	40	45	91	95

ACHIEVEMENT OF KPIS BY MEMBERS OF THE MANAGEMENT BOARD

The performance of the Bank's Management Board is evaluated based on the KPIs for 2023 approved by the Bank's Board of Directors. The activity of the Bank's Management Board in the reporting

period is generally characterized as positive. The target corporate KPIs and individual KPIs of Members of the Management Board for 2023 were achieved. Achievement of KPIs for 2023:

1. Lyazzat Ibragimova, Chairman of the Management Board – 95%,
2. Aliya Aidarbekova, Deputy Chairman of the Management Board – 99%,
3. Nurlan Akshanov, Deputy Chairman of the Management Board – 99%,
4. Mukhtar Azimbekov, Deputy Chairman of the Management Board – 104%,
5. Islambek Kairbekov, Deputy Chairman of the Management Board – 106%,
6. Elmira Raspekova, Deputy Chairman of the Management Board – 107%,
7. Vladimir Savchenko, Deputy Chairman of the Management Board – 104%.

Major transactions and Related Party Transactions

In the reporting year 2023, no major transactions (25% or more of the Bank's assets) and transactions with persons who have special relations with the Bank were made.



Basic Principles of Remuneration of the Management Board and the Board of Directors members

The purpose of the remuneration and bonus policy for the Management Board members is to stimulate conscientious, efficient and high-quality labor, allowing for fair remuneration depending on the complexity and volume of work performed, the position held and personal contribution to the implementation of the Bank's tasks.

Remuneration based on annual performance results of the Management Board members is a remuneration intended to incentivize the performance of the Management Board members, paid depending on the results of achievement of strategic key performance indicators and performance evaluation results as decided by the Bank's Board of Directors.

The performance of the Management Board members is evaluated based on key performance indicators (hereinafter – KPIs), based on the results of which remuneration may be paid. The procedure for evaluating the performance of the Management Board members consists of the following stages:

1. selection of KPIs, setting of target values, coordination of KPI maps with the authorized collegial body of the Sole Shareholder;
2. approval of KPI maps;

3. calculation and coordination of actual performance with the authorized collegial body of the Sole Shareholder and the Internal Audit Department;
4. adoption by the Bank's Board of Directors of a decision on payment/non-payment of remuneration based on the performance results for the reporting year on the basis of the Committee's recommendations.

Remuneration and bonuses are not paid to the members of the Bank's Board of Directors – representatives of the Sole Shareholder – Baiterek NMH JSC. Independent Directors – members of the Bank's Board of Directors are remunerated in accordance with the Regulations on the Bank's Board of Directors.

The amount of remuneration is determined as provided for by the laws of the Republic of Kazakhstan and the Articles of the Bank, taking into account the experience and qualifications of an independent director.

In 2023, the remuneration paid to independent directors – members of the Board of Directors and the remuneration and bonuses paid to members of the Management Board of the Bank amounted to KZT 296.8 million.

Compliance with the Corporate Governance Code

The Bank has the Corporate Governance Code in place. The objectives of the Code are to improve corporate governance, ensure transparency of governance, and confirm commitment to the standards of good corporate governance.

The Report on the Bank's Compliance/Non-compliance with the Principles and Provisions of the Corporate Governance Code approved by the Board of Directors of the Bank is attached as an additional Appendix to this Annual Report.

The Board of Directors of the Bank declares that the Annual Report of the Bank, in general, gives a fair, balanced and understandable description and provides information necessary for shareholders to evaluate the Bank's performance.

Business Ethics

The Bank has the Code of Business Ethics in place, which was developed in accordance with the legislative provisions of the Republic of Kazakhstan, the Articles and internal documents of the Bank, the Code of Business Ethics of Baiterek NMH JSC, taking into account recognized global standards of business conduct and corporate governance, and is a set of rules that establish fundamental values and principles of corporate (business) ethics and which are followed by the Bank's employees.

The Code applies to the members of the Board of Directors of the Bank and to all employees of the Bank regardless of their position and is applied on a par with other internal documents of the Bank. Employees are guided by the requirements of the Code in their relations with the Sole Shareholder, members of the Board of Directors, the Management Board, colleagues, customers, partners and suppliers.

In 2023, amendments were made in terms of such important aspects as ethical standards, inadmissibility of accepting gifts, material rewards or services, inadmissibility of discrimination and harassment, involvement in political activities, employment policy for relatives and fair competition.

ETHICAL PRINCIPLES.

1. The Bank provides equal opportunities and under no circumstances discriminates on the basis of gender, age, race, political, religious or other similar grounds.

2. Recruitment and promotion of personnel is based solely on professional knowledge, experience and competences in accordance with the Bank's internal documents, excluding any manifestations of discrimination. Career promotion is based on objective evaluation of performance, qualifications and competences.

3. The Bank provides all workers/employees with equal opportunities for development, which depend on the results achieved, competence and qualifications. In turn, the Bank expects all team members to take initiative, strive to acquire new knowledge and be ready to share this knowledge with colleagues.

4. It is not allowed to grant any privileges and benefits to individual workers/employees of the Bank.

5. With regard to establishing a fair remuneration, the Bank is based on the recognition of work results and achievement of key performance indicators, level of qualifications and competences, complexity and quality of work performed.

The Bank has an ombudsman institute to collect information on non-compliance with the Code of Business Ethics, consult employees on the provisions of the Code, initiate consideration of disputes on violation of the Code's provisions and participate in their settlement.

Conflict of Interest

The Bank has approved the Corporate Conflicts and Conflicts of Interest Policy, which defines a list of measures aimed at preventing conflicts of interest in the Bank, which is based on the collision of opposite interests, opinions, goals, and different ideas about how to achieve them.

The Policy clearly establishes the obligation of officials (members of the Board of Directors and the Management Board of the Bank) and employees of the Bank to act in the interests of the Bank and its Sole Shareholder, as well as defines their responsibility.

In accordance with the requirements of the Policy, in order to prevent a conflict of interest, officials and employees of the Bank are obliged to avoid any actions and relations that could potentially cause a conflict of interest. Any conflict of interest between personal interests and professional responsibilities in the Bank must be disclosed and settled as required by the laws of the Republic of Kazakhstan and the Policy. To exclude a conflict of interest, the Bank's employees sign an undertaking to comply with the actions limiting the risk of a conflict of interest.



The Regulations on the Bank's Board of Directors also provide that the Chairman of the Board of Directors, in case of corporate conflicts, takes measures to resolve them and minimize their negative impact on the Bank's activities, and promptly inform the Sole Shareholder if it is impossible to resolve such situations by own efforts. The Bank confirms

that as of 01.01.2024 there are no appeals of the Sole Shareholder in connection with corporate conflict with the Bank and its officials in 2023.

In 2023, no facts of conflict of interests, including on the part of the Bank's officials, were identified.

Sustainable Development Management

The Bank recognizes the importance of its impact on the economy, environment and people to ensure sustainable development in the long term. As part of the implementation of this principle, the Bank approved the updated Sustainability Policy (hereinafter, the Policy) by the Resolution of the Bank's Board of Directors dated 28.12.2023 (the current Policy is available on the Bank's website, in the Sustainable Development/ESG Policies section).

The objectives of the Sustainability Policy are:

- to define the principles and directions of the Bank's activities in the field of sustainable development, including the creation of an efficient and transparent system of interaction with stakeholders;
- to establish the role, competence, responsibility of each body and all employees of the Bank for the implementation of the principles of sustainable development;
- to define the relationship between sustainable development and the Bank's key processes.

In addressing sustainable development objectives, the Bank relies on its mission, the provisions of the Bank's Development Strategy, and uses international norms of behavior and principles set out in international standards in the field of sustainable development. The Bank's mission is: Providing homes for Kazakhstani families and enhancing their sense of homeland. In this regard, the Bank supports the government's housing construction policy.

In accordance with the provisions of the Policy, the sustainable development management system clearly defines and enshrines the roles, competences, responsibilities of each body and all employees for the implementation of sustainable development principles and standards.

Strategic management and control over the implementation of sustainable development is exercised by the Bank's Board of Directors.

Sustainable development issues are also delegated to the Strategic Planning and Corporate Development Committee of the Bank's Board of Directors.

The Management Board ensures the formation of an appropriate sustainable development management system and its implementation, as well as forms an appropriate action plan.

The Bank's Strategy and Corporate Development Committee is responsible for coordinating sustainable development actions, reviewing and organizing ESG issues, preparing recommendations for the Bank's Management Board on approving strategic ESG Policy documents, defining KPIs and strategic ESG targets, the approval of which falls within the competence of the Management Body.

All employees and officials at all levels contribute to sustainable development. The head of the Bank's structural unit supervising the direction of actions in the field of sustainable development is responsible for ensuring the management of this Policy, as well as coordinating approaches to achieving the goals and KPIs of ESG initiatives and control over the implementation of corporate standards in the field of ESG, control over the preparation of the Sustainability Report.

The Bank's structural units implement an ESG action plan to ensure the achievement of sustainability KPIs set out in the Bank's Development Strategy, implement the ESG system, and identify ESG risks.

Sustainability reporting is submitted to the Bank's Board of Directors on an annual basis.

The main department coordinating the Bank's sustainable development issues is the Planning and Strategic Analysis Department, which performs the following work:

- plans sustainability activities – analyzing the internal and external situation, defining sustainability goals and targets, measures to improve and enhance the Bank's performance across the three sustainability pillars, responsible persons, required resources and deadlines;
- coordinates the activities of the Bank's structural units aimed at achieving the goals and objectives of this Policy;
- prepares a report on the implementation of the action plan and KPIs in the field of sustainable development;
- prepares the Bank's Annual Report including a section on sustainable development;
- prepares the Bank's Sustainability Report;
- together with the Human Resources and Organizational Management Department, holds training seminars for the Bank's employees in order to improve the qualifications of the Bank's officials and employees in the field of sustainable development with the involvement of external trainers or independently;

- interacts with the Bank's structural units on sustainable development issues, including coordination of the Bank's internal documents and action plans in the field of sustainable development;
- interacts with international organizations, institutions and agencies on sustainable development issues.

As part of its activities, the Bank implements 9 UN Sustainable Development Goals, information on which is provided in the Bank's Sustainability Report for the reporting year (the Report is available on the Bank's website in the Sustainable Development/ ESG Reporting section).





Internal Audit

The activities of the Bank's Internal Audit Department are based on the International Framework for the Professional Practice of Internal Auditing and are carried out in accordance with the principles of independence, impartiality, honesty, objectivity and professional competence.

The mission of the Internal Audit Department is to provide the services necessary to assist the Board of Directors and the Management Board of the Bank in fulfilling their responsibilities in achieving the Bank's strategic goals.

The main purpose of the Internal Audit Department is to provide the Board of Directors with independent reasonable assurance and advice aimed at improving the Bank's operations and enhancing the effectiveness of risk management, internal control and corporate governance.

The Internal Audit Department is an independent structural unit and functionally reports to the Board of Directors and administratively to the Management Board of the Bank. The activities of the Internal Audit Department are supervised by the Audit Committee of the Board of Directors. The Head and employees of the Internal Audit Department are appointed by the Board of Directors.

In 2023, the headcount of the Internal Audit Department was 13 people. The Head of the Internal Audit Department holds an international CIA (Certified Internal Auditor) internal audit certificate. Internal auditors on an ongoing basis carry out continuous professional development and hold the Diplomas of Certified Professional Internal Auditors issued by the UK Institute of Financial Managers (DipPIA and DipCPA).

The main tasks and functions of the Internal Audit Department are:

- assessing the reliability and efficiency of the internal control system and risk management system;
- assessing the efficiency of corporate governance and compliance with ethical standards and values;
- assessment of sufficiency and efficiency of actions taken by the Bank's structural units to achieve their tasks within the framework of the Bank's strategic goals;
- assessing the reliability of the functioning of the internal control system for the use of automated information systems;

- providing advice to the Executive Body, structural units of the Bank on improving internal control processes, risk management and corporate governance.

All planned audit tasks for 2023 were completed in full. Significant problems identified as a result of audits are related to the human factor, which resulted in the following key risks: incomplete compliance of the Bank's internal documents, processes and/or procedures with the requirements of regulatory legal acts of the Republic of Kazakhstan (hereinafter, the RLA), incomplete compliance with information security requirements, incorrect and/or untimely entry of data into information systems, incomplete compliance with the requirements of the Bank's internal documents.

The main actions taken by the Bank to minimize these risks and problems included automation of business processes and technical improvements to the Bank's information systems, bringing the Bank's internal documents into compliance with the requirements of the RLA, conducting briefings and training with the Bank's employees, as well as applying disciplinary measures to the Bank's employees.

On a regular basis, the Internal Audit Department performs audits of the Bank's information systems and information security. The approved Methodology for Diagnostics of the Bank's Corporate Governance provides for assessment of the Bank's ESG policies and practices. Annual risk-oriented audit plans are reviewed and approved by the Board of Directors.

In performing its functions, the Internal Audit Department has confirmed its independence to the Board of Directors.

External Audit

In accordance with the laws of the Republic of Kazakhstan, the determination of the audit organization auditing the Bank and the amount of payment for its services falls within the exclusive competence of the Board of Directors.

In accordance with the Rules for the Procurement of Goods, Works and Services of the Bank and the concluded agreement on long-term procurement of services for audit of financial statements for 2022–2023 dated 21 December 2021, based on the resolution of the Management Board of Baiterek NMH JSC, external audit for the Bank is performed by PricewaterhouseCoopers LLP. The term of the agreement is from 01 January 2022 to 30 March 2024. The amount of remuneration of the auditor for 2023 is KZT 63,280 thousand.

The Bank follows the principle of rotation of the project partner (having the main responsibility for the audit) in accordance with the Policy on Organization of External Audit in the Bank, which is not more than 7 years.

If the Bank receives non-audit services from an external auditor, the Bank reviews all services for the possibility (risk) of a conflict of interest (a situation where the external auditor's interest may influence its opinion on the reliability of the financial statements) affecting the external auditor's independence. During 2023, PricewaterhouseCoopers LLP provided non-audit consulting services (on obtaining ESG rating) in the amount of KZT 30,800 thousand.

Stakeholder Engagement

The Bank endeavors to maintain high-quality and sustainable relationships with key stakeholders and takes their interests into account when making key decisions and conducting operational activities.







The principles and procedures of stakeholder engagement are formulated by the Corporate Governance Code and the Sustainability Policy.







The Stakeholder Map approved by the Bank determines the list of key stakeholders and the degree of their impact. The map allows the Bank to systematize and visualize information about the Bank's environment in order to build an adequate strategy for working with each stakeholder.

Identifying and working with stakeholders is one of the tools that allows improving the business reputation, the capitalization of the company, as well as establishing effective and balanced relations with all stakeholders.



Key stakeholder groups were selected based on the degree of their impact on the Bank and the degree of the Bank's impact on stakeholders.





No.	Stakeholders	Interests/motives	Tools for impact	Engagement strategy
1	 Sole Shareholder	Observance of interests of the Bank's sole shareholder, Baiterek NMH JSC	Laws of the Republic of Kazakhstan, Articles of Association, internal documents of the Bank	Ensuring the exercise of the Sole Shareholder's rights within the framework of corporate governance principles aimed at effective adoption of key decisions in accordance with the laws of the Republic of Kazakhstan
2	 Governance Body	General management of the Bank's activities, except for issues referred to the exclusive competence of the Sole Shareholder	Laws of the Republic of Kazakhstan, Articles of Association, internal documents of the Bank	Determination of the Bank's priority areas of activity and development strategy.
3	 Management	Decision-making on any issues of the Bank's activities not referred by the laws of the Republic of Kazakhstan and the Articles of the Bank to the competence of the Sole Shareholder and the Board of Directors	Laws of the Republic of Kazakhstan, Articles of Association, internal documents of the Bank	Execution of resolutions of the Sole Shareholder, the Board of Directors of the Bank. Preparation and implementation of development plans and other issues related to the Bank's activities.
4	 Personnel	Labor relations with the employer, direct performance of obligations under the employment contract	Labor Code, employment contract, internal documents of the Bank	Execution of official powers aimed at implementation of the Bank's tasks and functions.
5	 Government Authorities	Implementation of legislative functions stipulated in the laws of the Republic of Kazakhstan	Laws of the Republic of Kazakhstan	Control over compliance with the laws of the Republic of Kazakhstan.
6	 Investors	Making profit	Contractual relations under investment, cooperation/partnership agreements	Priority of payment of principal and interest on invested funds, exclusion of dependence on financing

No.	Stakeholders	Interests/motives	Tools for impact	Engagement strategy
7	 Financial Institutions	Making profit	Contractual relations under investment, cooperation/partnership agreements	Priority of payment of principal and interest on invested funds, exclusion of dependence on financing
8	 Suppliers	Making profit, increasing the level of competitiveness	Contractual relations of the supply of goods, performance of works, provision of services	Compliance with the requirements for the organization of the procurement process
9	 Partners	Commercial interests	Contractual relations	Conclusion of contracts and agreements on mutually beneficial cooperation and mutual understanding. Improvement of business processes and their automation. Control over the execution of contractual relations.
10	 Clients, Consumers	Quality and availability of product lines and services in the housing savings market	Customer preferences and satisfaction	Improving the quality and availability of products and services in the housing savings market. In 2023, there were no active legal actions related to marketing and communication of financial product information to new and regular customers.
11	 Auditors	Provision of financial audit services	Contractual relations	Conclusion of contracts for audit services. Audit of financial statements, external audit. The Bank had no accounting investigations in 2023.
12	 Consulting Companies	Provision of consulting services	Contractual relations	Conclusion of contracts for consulting services. Business process improvement. Control over the execution of contractual relations.



No.	Stakeholders	Interests/motives	Tools for impact	Engagement strategy
13	 Population	Quality and availability of product lines and services in the housing savings market	Public opinion. Appeals to higher and regulatory authorities, mass media.	Reputation audit, opinion polls, implementation of communication strategy. Publication of the Bank's financial and non-financial statements. Demonstration of practical commitment to social responsibility, operational transparency and sustainable development. Adoption of additional social commitments, solution of urgent social problems. Charitable activities.
14	 Public organizations	Various issues related to the activities of public and non-governmental organizations	Articles of Association, contractual relations	Compliance with the laws of the Republic of Kazakhstan, support of local public activities, charity, provision, care for the environment. Employment, social responsibility. In the reporting year, the Bank made no cash contributions or expenditures to lobbyists or lobbying organizations, trade associations and other tax-exempt groups. The Bank does not finance political parties, public associations in order to gain or maintain an advantage in its activities.

No.	Stakeholders	Interests/motives	Tools for impact	Engagement strategy
15	 Mass Media	Publications and information about the Bank's activities	Publications and information about the Bank's activities	Compliance with the laws of the Republic of Kazakhstan, development of bilateral and multilateral relations with the media.
16	 Competitors	Increasing the market share of household deposits, mortgage lending for the construction and purchase of housing, mortgage lending	Application of modern technologies, growth of the quality level of services and products provided in the financial market, active advertising campaign, development and introduction of new lines of products and services in the market of household deposits	Strategy to reduce the level of competition: cooperation on terms that are unattractive to competitors; increasing the level of staff commitment to the Bank; expanding presence in the country; development and introduction of new product lines and services in the housing savings market; cooperation for mutually beneficial solutions to problems.

The process of organizing the Bank's stakeholder engagement is based on the engagement principle, which implies taking into account the interests of stakeholders at all stages of the Bank's business management process and involving stakeholders in discussing significant topics and important issues, potential risks and boundaries of responsibility.

The Bank's strategy of engagement with each stakeholder, as well as tools for impact, are determined by the Bank's structural units independently depending on the specifics of their activities.

The Bank's mechanisms for receiving questions and/or complaints from stakeholders and how to respond to them in a timely manner, including grievance mechanisms and external communication mechanisms, are clearly presented on the Bank's website in the Sustainable Development/Corporate Responsibility section.

The Bank's employees responsible for stakeholder engagement are defined in the Bank's relevant operational documents and their contacts are posted on the Bank's website in the Sustainable Development/ESG Contacts section.



Customer Privacy

The Bank ensures the privacy of customers and protection of personal data in strict compliance with the laws of the Republic of Kazakhstan.

Personal data of the customers is collected by front office employees with the consent of the customers or their representatives. Customer personal data is processed and used within the limits and to the extent provided for by the customer's consent, as well as in cases stipulated by the laws of the Republic of Kazakhstan, by the Bank's employees (consultants, agents working under an engagement agreement, a paid services agreement) directly using them for official purposes.

The Bank may not transfer processed personal data to third-party organizations and (or) third parties without the customer's consent, except for cases stipulated by the laws of the Republic of Kazakhstan.

Processing of publicly available personal data obtained from appeals and requests of organizations and individuals, biographical directories, telephone, address books, mass media, and in other cases stipulated by the laws of the Republic of Kazakhstan may be carried out without the customer's consent.

The Bank takes the following measures to ensure the confidentiality of personal data:

1. an undertaking of non-disclosure of information constituting a trade secret and other confidential information of the Bank is signed with all employees when concluding an employment contract, and with agents, consultants when concluding an engagement agreement or a paid services agreement;
2. employees, employees of structural units do not allow dissemination of personal data without the consent of the customers or their legal representative, or other legal basis. Customer personal data is disclosed to third parties only with their consent or their legal representative's consent, or other legal basis.

3. all structural units and employees, as well as agents and consultants of the Bank take measures aimed at timely detection and identification of facts of unauthorized access to personal data, namely notification of their immediate supervisor and internal control unit of all suspicious situations and violations in the work with customer personal data;
4. prevention of unauthorized access to personal data and (or) their disclosure to persons who have no right of access to such information by restricting access to electronic databases of personal data with a password, to paper versions of personal data – to persons having official access only;
5. other measures not provided for in this Procedure, but ensuring continuous control over ensuring the level of protection of personal data.

In case of violation by the Bank or other persons having access to customer personal data of the rules governing the receipt, processing, storage, transfer and protection of customer personal data, they bear disciplinary, administrative, civil or criminal liability in accordance with the applicable laws of the Republic of Kazakhstan.

In 2023, 3 cases of disclosure of information related to bank secrecy were registered. The violations were committed by the Bank's workers/employees. In connection with the confirmed facts, as well as in order to prevent similar cases, the Bank took a number of necessary measures: terminated employment contracts with the relevant employees, implemented an audit trail of data, carried out relevant work, convened the Personnel Commission, imposed strict disciplinary measures on the Bank's employees vested with supervisory functions in customer relations.

There is no litigation related to customer privacy in 2023.





RISK MANAGEMENT POLICY AND INTERNAL CONTROL SYSTEM

STRENGTHENING
A SENSE OF
HOMELAND



Risk Management Policy and Internal Control System

The Bank's internal control system is formed in accordance with the requirements of the laws of the Republic of Kazakhstan, the Basel Committee on Banking Supervision and best international practices. The Bank applies the concept of the Integrated COSO Model developed in 2013 to build its internal control system. The Bank's Internal Control System (hereinafter, the ICS) is a process embedded in the day-to-day activities performed by the Board of Directors, collegial bodies, structural units and all employees of the Bank in the performance of their duties.

The Board of Directors of the Bank and the Risk Management and Internal Control Committee monitor the Bank's activities in order to identify and eliminate internal control deficiencies, violations and errors. On a quarterly basis, the Bank's Board of Directors and the Risk Management and Internal Control Committee review reports on operational risks, information technology and information security risks and internal control risks and make relevant decisions. In addition, the Board of Directors reviews and approves key internal documents regulating ICS in the Bank.

The Bank's ICS is multilevel and includes all units of the Bank. Participants of the internal control process are defined on the basis of three lines of defense.

The first line of defense is provided by all structural units of the Bank and represents controls designed to ensure correct execution of daily operations in the processes. Controls are developed by business units and are an integral part of business processes to minimize risks and comply with the requirements of internal documents, as well as to comply with external, regulatory requirements. Controls are managed and monitored by the business units themselves, which implies the ability of business units to identify risks, weaknesses in business processes, possible unforeseen events and respond to them in a timely manner.

The second line of defense is provided by the Internal Control Unit that monitors, coordinates and documents ICS, and units that ensure identification and assessment of risks in certain areas of the Bank's activities, including Risk Management Unit, Chief Compliance Officer and Compliance Control

Unit, Situational Monitoring Unit, Human Resources Unit, Legal Unit, Security Unit, Information Security Unit, Information Technology Risk Management Unit.

The third line of defense is provided by the Internal Audit Unit in the form of an independent assessment of the effectiveness of the Bank's ICS using the results of audits or in the form of a separate assessment of ICS effectiveness.

The Internal Control Unit provides consulting assistance to the Bank's employees on internal control issues in accordance with the Bank's internal regulatory documents, the regulatory documents of Baiterek NMH JSC, the regulatory documents of the National Bank of the Republic of Kazakhstan and the laws of the Republic of Kazakhstan in order to ensure the effective functioning of the ICS in the Bank. Every year, the Internal Control Unit conducts internal training of all Bank employees on the internal control system, followed by testing.

As part of the ICS monitoring and documentation activities, the Internal Control Unit conducts random audits of the Bank's business processes in accordance with the work plan/on behalf of the management, including diagnostics of the adequacy of the design of internal controls preventing or detecting identified risks in the processes. In 2023, the Unit performed diagnostics/audits of three processes, including:

- Sale of housing through the HCS system at the expense of the Bank's own funds/mixed funds/organizations' funds;
- Sale of housing through the HCS system at the expense of attracted budgetary funds/funds of local executive bodies;
- Personnel Management (audit of job descriptions of managers for the presence of functionality and responsibility for internal control).

Based on the results of diagnostics, the following findings were identified in the processes: the need for process optimization, regulation of control procedures, the presence of controls with partially effective design, the presence of a significant share of manual controls in the processes.

In order to minimize the consequences of the findings and controls with partially effective design, recommendations to process owners were developed,

including recommendations to eliminate violations, improve the regulation/automation/optimization of processes.

The Bank's Risk Management Committee reviewed/ will review reports on the audits conducted, approved/ will approve corrective action plans to eliminate identified deficiencies, containing 47 corrective actions. Responsible structural units of the Bank work on elimination of violations and implementation of corrective action plans.

Structural units – participants of all lines of defense – business process owners on an annual basis identify risks in their processes and self-assess the adequacy of the design of internal controls mitigating the identified risks. The results of the self-assessment are presented in the Bank's Matrix of Business Processes, Risks and Controls (hereinafter, the Matrix). The Matrix for the forthcoming reporting year,

containing self-assessment of business process owners/assessment of the internal control unit, is updated by process owners with the coordination and methodological support of the internal control unit and approved annually by the Board of Directors. If necessary, business process owners develop and the Management Board approves action plans to eliminate deficiencies/ineffectiveness of internal control in the processes. Further monitoring of the implementation of corrective action plans for internal control is performed by the internal control unit on a quarterly basis, with submission of progress information to the Risk Management Committee/ the Management Board of the Bank.





Risk Management

In accordance with the Bank’s Risk Management Policy, the Bank’s Board of Directors ensures that a risk management system is in place that is appropriate to the selected business model, scale of operations, types and complexity of operations, and ensures an appropriate process for identifying, measuring and assessing, monitoring, controlling and minimizing significant risks to ensure the Bank’s financial stability and stable functioning.

A key factor of the Bank’s high risk management culture is regular communication of risk-related issues, including risk management policies and procedures, to the Bank’s authorized collegial bodies, including the Board of Directors of the Bank. The exclusive competence of the Bank’s Board of Directors in terms of risk management includes the powers regulated by the Articles of the Bank, internal documents of the Bank, as well as the Regulations on the Bank’s Board of Directors. The Bank’s Board of Directors monitors and controls risk management, internal audit, compliance with the requirements of the laws of the Republic of Kazakhstan and internal documents of the Bank through interaction with authorized collegial bodies under the Bank’s Board of Directors, the Bank’s Management Board and the Head of Risk Management in order to effectively perform their duties. The Risk Management Committee of the Bank’s Board of Directors operates within the framework of the Regulations defining its powers, competence and principles of its work. The Risk Management Committee of the Bank’s Board of Directors regularly receives data and reports from risk management and other responsible departments on the Bank’s current risk level, risk appetite levels and risk mitigation mechanisms, as appropriate.

The Bank’s Board of Directors has developed and approved the Bank’s Risk Appetite Strategy, which defines clear limits on the volume of accepted risks inherent in the Bank’s activities within the framework of the implementation of the Bank’s general strategy, as well as defines the risk profile of the Bank’s activities in order to prevent the implementation of risks or minimize their negative impact on the Bank’s financial position.

In accordance with the Risk Appetite Strategy, the Bank’s Board of Directors approves the Bank’s Risk Appetite Statement. As part of the Risk Appetite Statement, a set of quantitative and qualitative indicators of risk appetite levels is approved for each material risk of the Bank, taking into account the Bank’s business model. Compliance with risk appetite levels in accordance with the Bank’s Risk Appetite Statement is monitored on a periodic basis and information on the results is submitted to the Bank’s authorized bodies, including the Bank’s Board of Directors, as part of risk management reporting.

The main financial risks inherent to the Bank’s operations are market risk (currency risk, interest rate risk), liquidity risk and credit risk.

Information on compliance with aggregated risk appetite levels as at 01.01.2024 (in KZT million)

Risk name	Risk appetite level as at 01.01.24	Approved risk appetite level for 2023	Adequacy of risk appetite level	
	1	2	3	
			4 = 3 – 2	
Credit risk		6,414	117,989	111,575
loan portfolio		5,402	80,863	75,461
interbank deposits		158	32,140	31,982
non-government securities		853	4,986	4,132
Market risk		13,771	32,293	18,521
Interest rate		13,768	29,689	15,922
Currency		1	2,577	2,576
Price		2	26	24
Liquidity risk		6,951	24,462	17,511
Aggregate risk level		27,137	174,744	147,607

The current aggregate level of credit, market and liquidity risk as at 01.01.2024 is KZT 27 billion and is within the approved risk appetite level, which is 16% of the approved risk appetite level for 2023.

For the purposes of capital adequacy assessment, the Bank has developed and implemented the Regulation on Internal Capital Adequacy Assessment Process (ICAAP) approved by the Board

of Directors of the Bank. As part of the ICAAP, the Bank identifies, assesses and controls significant risks inherent in the Bank’s operations and plans capital based on the Bank’s strategy, the results of a comprehensive assessment of significant risks, stress testing of the Bank’s financial stability in relation to internal and external risk factors, and the Bank’s capital adequacy requirements.

Assessment of the impact of the Bank’s current risks* on the level of equity capital adequacy

Regulator standard	Actual as at 01.01.24	Subject to current risk level	Deviations from actual	
	1	2	3	
			4 = 3 – 2	
k1 (min. 0,055)		0,348	0,332	-0,016
k1-2 (min. 0,065)		0,348	0,332	-0,016
k2 (min. 0,080)		0,348	0,332	-0,016

*credit, market and liquidity risk

Capital adequacy, taking into account the current aggregate risk level, will decrease by –0.016 on all coefficients, however, its value will be higher than the minimum requirements set by the regulator due to a significant amount of equity capital (KZT 588 billion).

Currency risk. The Bank’s exposure to currency risk is minimal given the specific nature of the Bank’s business model. The Bank does not conduct transactions with foreign currency, except for the purchase of foreign currency in fulfilment

of obligations under administrative and business contracts.

Interest rate risk. The Bank’s interest rate risk represents the risk of losses due to unfavorable changes in interest rates.

As part of interest rate risk management, the Bank analyses sensitive assets and liabilities whose yield and value are determined by interest rate. To control interest rate risk exposure, the Bank uses interest rate gap analysis tool, the purpose of which is to determine



over which time interval the exposure to interest rate risk arises due to changes in interest rates.

Liquidity risk. For the purposes of liquidity adequacy assessment, the Bank has developed and implemented the Regulation on Internal Liquidity Adequacy Assessment Process (ILAAP) approved by the Board of Directors of the Bank. As part of the ILAAP, the Bank has an effective process for identifying, assessing, monitoring and controlling liquidity risk, which includes forecasting cash flows on assets, liabilities and off-balance sheet instruments for different time intervals. The Bank assesses all balance sheet and off-balance sheet items affecting the level of liquidity risk, as well as the level of liquidity in the market to cover the Bank's need to raise funding to regulate liquidity risk, if necessary.

Taking into account the specifics of the Bank's business model, the Bank's stable funding base consists primarily of budget funds within the framework of state programs to provide the population with affordable housing and housing construction savings.

As part of the ILAAP, the Bank's exposure to liquidity risk is assessed in case of mismatch between the maturity of asset and liability liabilities, as well as inadequate liquid assets and funding sources, including taking into account the situation on the financial market.

The main objective of the Bank's liquidity risk management is to determine the methods of assessment and procedures for maintaining adequate liquidity level. The Bank's liquidity risk is managed by analyzing the level of liquid assets required to settle liabilities as they fall due, ensuring access to various sources of funding, having contingency plans in place in case of funding problems and monitoring liquidity ratios in accordance with the level of liquidity risk appetite and the regulator's prudential liquidity requirements.

The main measures to minimize liquidity risk, taking into account the specifics of the Bank's business model:

- monitoring compliance with the limits set by the regulator and the Bank's internal limits on liquidity risk;
- control of the Bank's daily (intraday) liquidity position;
- conducting a gap analysis of the Bank's assets and liabilities by maturity, the purpose of which is to determine the time interval over which the Bank is exposed to liquidity risk and to assess the impact of the liquidity imbalance in a certain time interval on the Bank's ability to meet its obligations;
- regular stress testing of liquidity risk under various scenarios.

The table below shows the liquidity gap as at 01.01.2024 (in KZT million)

	On demand	[0-7d]	[от 1н до 1м]	[от 1м-3м]	[3м-6м]	[6м-12м]	[1y-2y]	[2y-3y]	[>3y]	Total balance sheet
Assets	174 716	170 142	313 805	144 918	48 720	106,636	229 821	272 941	2,534,334	3 996,034
Liabilities	284 703	14 089	62 329	90 241	38 311	155 943	224 111	154 791	2 376 875	3 401 392
Contingent liabilities			3 664	7 328	10 991	14 655				36,638
GAP	-109 986	156 054	247 813	47 350	-582	-63 962	5 709	118 150	157 459	558 005
Cumulative GAP	-109 986	46 068	293 880	341,230	340 648	276 686	282 395	400 546	558 005	
Cumulative GAP /Assets		1,20%	7,40%	8,50%	8,50%	6,90%	7,10%	10,00%	14.0%	

The following assumptions were used to calculate the liquidity gap:

- all assets and liabilities are distributed over time intervals depending on the maturity dates;
- contingent liabilities are distributed on the basis of housing loans disbursed per month (excluding previously disbursed preliminary and bridging loans).

The resulting negative gaps in the net gap are due to the increase in accumulated customer accounts on demand deposits of KZT 230 billion mainly due to the funds of legal entities on current accounts, as well as on maturities '91 to 180 days' and '181 days to 1 year' of KZT 37 billion and KZT 152 billion mainly due to deposit balances in these periods.

At the same time, the cumulative liquidity gap for all maturities is positive, except for demand loans. The minimum value of the ratio of cumulative liquidity gap to total assets falls on the term 'up to 7 days' and amounts to 1.2%. The Bank complies with the approved internal limits on cumulative gap in the amount of not less than 2% of the Bank's assets.

CREDIT RISKS

The following activities were carried out as part of the Decision-Making System:

new scoring cards for preliminary and bridging loans were developed and implemented;

scoring population stability reporting (PSI) was implemented;

customer segmentation according to the EI (estimated indicator) was implemented.

At the end of 2023, the share of provisions created in accordance with IFRS was 0.17% of the loan portfolio, while the share of the Bank's 20 large loans was 0.06% of the Bank's loan portfolio, indicating that there is no risk of loan portfolio concentration. In the structure of collateral, the share of real estate was 84.00% of the total collateral. The overall weighted average L/C (loan/collateral) ratio was 40.18%, which indicates a conservative collateral policy.

For comparison, at the end of 2022, the share of provisions created in accordance with IFRS was 0.20% of the loan portfolio, while the share of the Bank's 20 large loans was 0.07% of the Bank's loan portfolio, indicating that there is no risk of loan portfolio concentration. In the structure of collateral, the share of real estate was 81.04% of the total collateral. The overall weighted average L/C (loan/collateral) ratio was 40.93%, which indicates a conservative collateral policy.



OPERATIONAL RISKS

The Bank's operational risk management system (ORMS) is established in accordance with the requirements of the laws of the Republic of Kazakhstan, recommendations of the Basel Committee on Banking Supervision, generally accepted principles and banking practices of risk management, as well as generally accepted international practices.

The Bank's ORMS infrastructure includes:

1. identification of operational risks: analyzing both existing and implemented internal procedures and systems, as well as products and services provided by the Bank;
2. assessment of operational risks: measurement of operational risks in order to determine trends in the level of their changes;
3. strategic management of operational risks: development of principles of continuous operational risk management in the Bank;
4. continuous management of operational risks: carried out by all structural units of the Bank and includes reduction of the level of exposure to operational risk and elimination of negative impacts of operational risk events in all structural units of the Bank;
5. monitoring and reporting on operational risks: monitoring of the level of operational risk and compliance with the level of operational risk appetite is performed by the Bank on a regular basis. To monitor operational risk, the Bank uses a management reporting system for management and collegial bodies involved in risk management processes, regular assessment of risks affecting the achievement of its objectives, changing circumstances and conditions, and development of risk management recommendations. Management reporting information is provided to the Board of Directors / Management Board of the Bank on a quarterly/monthly basis;
6. prevention/mitigation (control): a set of measures aimed at preventing/reducing the probability of occurrence of events or circumstances leading to operational losses or at reducing the size of potential losses.

In 2023, measures were taken to improve the database for collecting and analyzing internal data on operational risk events.

INFORMATION SECURITY AND INFORMATION TECHNOLOGY RISK MANAGEMENT

To ensure effective functioning of information security and information technology (hereinafter, the IS and IT) risk management systems, in accordance with the requirements of the laws of the Republic of Kazakhstan, the following documents have been developed and kept up to date:

1. IT and IS Risk Management Policies;
2. IT Risk Management Rules;
3. IS Risk Assessment Methodology;
4. Methodology for Determining Potential Loss on Information Security Risks;
5. Methodology for Determining Risk Appetite Benchmarks for IS and IT Risks at Otbasy Bank JSC.

In 2023, the working group for forming the list of critical information assets under the supervision of the Internal Control Unit classified the Bank's information assets and approved the list of the Bank's critical information assets.

In 2023, the responsible units of the Bank assessed the level of IS and IT risks. The results of risk assessment as part of the report on IS and IT risks were presented to the Management of the Bank.

The Internal Control Unit provides periodic reports on IT and IS risks to the Information Security Committee, the Management Board and the Board of Directors of the Bank.

BUSINESS CONTINUITY MANAGEMENT

The Bank's business continuity management is aimed at ensuring the Bank's resilience to any incidents by eliminating or minimizing downtime and quickly recovering key business processes and minimizing losses. For these purposes, the following have been developed, approved and kept up to date:

- the Bank's Business Continuity Management Policy;
- the Bank's Business Continuity Management Rules;
- the Bank's Business Continuity Plans by Business Lines.
- The following activities are carried out annually in this area:
- training of the Bank's personnel on business continuity issues;
- analyzing the impact on operations of the Bank's critical processes and business lines;
- testing and analyzing the Bank's business continuity plans;
- analyzing the risks of unforeseen circumstances for which a risk response action plan has been drawn up.

COMPLIANCE RISK

In a broad sense, compliance control is a system of management and control in an organization related to the risks of non-compliance with legislative requirements, regulations, rules and standards of supervisory authorities, codes of conduct, and other regulatory documentation of the organization.

Compliance control is an integral part of the internal control function, the purpose of which is to protect the interests of investors, banks and their customers by controlling compliance by the Bank's employees with legislative provisions, requirements of supervisory authorities, internal documents of the Bank regulating the Bank's services and operations in the financial market.

An effective compliance risk management system and its maintenance allow management to identify in a timely manner all significant risks of incomplete implementation of the Bank's business goals.

Responsibility for compliance is based on the Bank's compliance culture, which is reflected in the Bank's 3 lines of defense:

1. The first line of defense manages compliance risk within its competence and in accordance with the Bank's internal documents on compliance risk management (first level control). The participants are the Bank's employees and the heads of the Bank's structural units;
2. The second line of defense is compliance risk management and compliance control (second level control). The participants are the Chief Compliance Officer and the Compliance Control Unit;
3. The third line of defense is an independent assessment of the effectiveness of the compliance risk management system (third level control). The participant is the Internal Audit Unit.

All participants of the compliance risk management system, within their competence and responsibility, manage compliance risks in strict and rigorous compliance with the requirements of the laws of the Republic of Kazakhstan, the laws of foreign countries affecting the Bank's operations and recognized by the Republic of Kazakhstan, the Bank's internal rules and procedures, as well as generally accepted codes of conduct.

The main objective of compliance risk management is to minimize and/or maintain at an acceptable level compliance risks, such as financial losses incurred by the Bank and application of legal sanctions to the Bank due to non-compliance with the requirements of the laws of the Republic of Kazakhstan, regulations of the competent authority, internal documents and procedures of the Bank, as well as the laws of foreign countries affecting the Bank's operations and recognized by the Republic of Kazakhstan.

To effectively manage compliance risks, the Compliance Control Unit identifies and assesses their causes:

- data on compliance risks are collected and analyzed on a regular basis. The results of audits and a unified internal database of operational losses and events are used for this purpose;
- the Compliance Control Unit is involved in the introduction of new products and services;
- internal audits of the Bank's internal documents and processes for compliance with the laws of the Republic of Kazakhstan are conducted on a regular basis (5 audits were conducted by the Compliance Control Unit in 2022);



- the Know Your Customer principle has been implemented;
- a compliance risk register is maintained and a compliance risk map is drawn up;
- training workshops are conducted in the Bank as part of strengthening compliance culture.

To ensure compliance of the Bank's activities with the laws of the Republic of Kazakhstan, the Compliance Control Unit continuously monitors amendments to the laws of the Republic of Kazakhstan and provides further recommendations on the development of new internal documents and introduction of relevant amendments to the Bank's internal documents and procedures.

The Bank has a financial monitoring system in place to fulfil the requirements of the laws on anti-money laundering and counter-terrorism financing (hereinafter, the AML/CFT).

ESG RISKS

Along with credit, market, strategic, operational, compliance, liquidity, information security and IT risks, the Bank's Risk Register includes a separate group of ESG risks. ESG risks are identified taking into account the expectations of investors, staff and other stakeholders of the Bank. To take into account all possible consequences of the Bank's activities, the following is analyzed on a periodic basis:

- the needs of stakeholders;
- potential conflicts that may jeopardize projects or arise at various stages of their implementation;
- opportunities and relationships that may arise in the course of implementation of the Bank's projects.

Based on an analysis of external and internal factors, the Bank has compiled a detailed list of ESG risks, which cover environmental, corporate governance, health and safety and human rights.

The main purpose of the financial monitoring system is to minimize the risks arising from banking transactions subject to financial monitoring and other transactions with money or property related to money laundering, terrorism financing and financing of proliferation of weapons of mass destruction by ensuring compliance with the requirements of the AML/CFT laws of the Republic of Kazakhstan, preventing the Bank's involvement in money or property related to money laundering, terrorism financing and financing of proliferation of weapons of mass destruction, maintaining the effectiveness of the Bank's internal control system at a level sufficient to manage the risks.

The Bank implements the Know Your Customer principle, conducts due diligence procedures when establishing business relations, ensures completeness and timeliness of submission of information on transactions subject to financial monitoring to the competent financial monitoring authority

ESG risks in the Risk Register are subdivided into:

1. environmental risks: non-compliance of the Bank, its authorized bodies and employees with the requirements of the environmental laws of the Republic of Kazakhstan;
2. social and labor risks: violation by the Bank of labor laws in terms of occupational health and safety, resulting in temporary or permanent disability of an employee, non-observance by the Bank of the rights and legitimate interests of employees, violation of working hours and rest periods, lack of staff motivation, lack of indexation of remuneration, low level of employee involvement, lack of professional development programs;
3. corporate governance risks: reduction of supervision by the Bank's Board of Directors over the efficiency of the internal control system.

The final rating of this type of risk is assessed as low.

CLIMATE RISKS

In light of the growing concern about climate change, the Bank intends to integrate environmental and global climate change risks into its risk management system.

The Bank's portfolio already includes loans to purchase a home in a property that meets the green standard, which now forms the basis of goal-setting to reduce the impact on global climate change. Based on an assessment of climate risks and opportunities, the Bank plans to develop processes to manage these risks in its housing loan portfolio, and to include risk mitigation activities such as setting financing criteria, supporting customers in improving energy efficiency or developing renewable energy sources.

The Bank will work to identify climate risks of the Republic of Kazakhstan (from extreme weather, flood, fire and other climatic factors) and assess the level of their impact throughout the Republic of Kazakhstan in 2024.

These activities will enable the Bank to take climate change and other environmental risks into account when originating mortgage loans and provide a more reliable and sustainable approach to credit underwriting.

SOCIAL RESPONSIBILITY



STRENGTHENING
A SENSE OF
HOMELAND



Social Responsibility

The Bank is aware of its responsibility for the economic, social and environmental consequences of its activities, as well as recognizes the need to implement a set of measures to promote sustainable development of society and makes voluntary commitments on socially responsible behavior to a wide range of stakeholders.

The Bank endeavors to apply international best practices in environmental protection and social impact of its services within the scope of its operations in accordance with the Housing Construction Savings in the Republic of Kazakhstan Act, Banks and Banking Activities in the Republic of Kazakhstan Act, and the Bank's Articles.

Employment

One of the Bank's priorities is to create and maintain a workforce that meets the Bank's qualification requirements aimed at achieving the Bank's strategic goals and objectives. Labor relations are regulated by the Rules of Labor Relations and Internal Work

Order in the Bank in accordance with the laws of the Republic of Kazakhstan.



Staff Composition and Structure

The total number of the Bank's employees as at 01.01.2024, broken down by age group, gender and geographical region, is set out in the following table

No.	Region	Regular number, persons	Actual number, persons	Including				
				Women, persons	Men, persons	Under 30 years old, persons	30 to 50 years old, persons	Over 50 years old, persons
1	Central Office	600	564	312	252	97	400	67
2	Abay Regional Branch	32	32	21	11	2	26	4
3	Akmola Regional Branch	25	24	10	14	2	19	3
4	Aktobe Regional Branch	55	53	36	17	8	42	3
5	Almaty Regional Branch	36	36	24	12	9	25	2
6	Atyrau Regional Branch	35	35	25	10	1	31	3
7	East Kazakhstan Regional Branch	41	40	31	9	4	32	4
8	Zhambyl Regional Branch	33	33	17	16	5	27	1
9	Zhetysu Regional Branch	17	17	10	7	4	10	3
10	West Kazakhstan Regional Branch	41	39	27	12	4	34	1
11	Karaganda Regional Branch	49	48	29	19	6	39	3
12	Kostanay Regional Branch	37	37	22	15	4	31	2
13	Kyzylorda Regional Branch	28	28	12	16	10	16	2
14	Mangystau Regional Branch	39	39	29	10	4	32	3
15	Pavlodar Regional Branch	41	41	23	18	5	31	5
16	North Kazakhstan Regional Branch	27	27	14	13	4	17	6
17	Turkestan Regional Branch	15	14	6	8	2	12	
18	Branch in Almaty	121	121	81	40	32	87	2
19	Branch in Shymkent	49	49	19	30	8	39	2
20	Central Branch	136	135	98	37	15	111	9
	Reserve for Ulytau Regional Branch opening	7	-	-	-	-	-	-
	Total	1,464	1,412	846	566	226	1,061	125

The percentage of employees hired in the reporting year was 49.2%. The procedure of competitive selection for vacant positions of the Bank consists of several stages, including: determination

of personnel needs, selection of candidates and analysis of CVs, conducting preliminary interviews, professional testing with candidates.

Total number of new workers/employees hired during the reporting period

Total new employees	240
Number of new employees by age	
Employees under 30 years old	100
Employees 30-50 years old	134
Employees over 50 years old	6
Number of new employees by gender	
Men	117
Women	123



Total number of new workers/employees hired during the reporting period, by region

Region	Number of new employees hired
Almaty (Central Office)	108
Akmola Regional Branch	2
Aktobe Regional Branch	3
Almaty Regional Branch	14
Atyrau Regional Branch	4
East Kazakhstan Regional Branch	6
Zhambyl Regional Branch	5
West Kazakhstan Regional Branch	5
Karaganda Regional Branch	7
Kostanay Regional Branch	3
Kyzylorda Regional Branch	4
Mangystau Regional Branch	6
Pavlodar Regional Branch	6
North Kazakhstan Regional Branch	0
Turkestan Regional Branch	4
Branch in Almaty	21
Branch in Astana	22
Abay Regional Branch	7
Branch in Shymkent	8
Zhetysu Regional Branch	5

The average age of employees is 37 years.



There are employees with disabilities among the Bank's full-time and part-time employees and consulting agents. More detailed information is given in the following table

No.	Region	Total number of employees, persons	Including				
			Women, persons	Men, persons	Under 30 years old, persons	30 to 50 years old, persons	Over 50 years old, persons
1	Almaty (Central Office)	5	2	3		5	
2	Akmola Regional Branch	1		1		1	
3	Aktobe Regional Branch	1	1			1	
4	Almaty Regional Branch						
5	Atyrau Regional Branch						
6	East Kazakhstan Regional Branch						
7	Zhambyl Regional Branch						
8	West Kazakhstan Regional Branch	1	1	1			1
9	Karaganda Regional Branch	1	1			1	
10	Kostanay Regional Branch						
11	Kyzylorda Regional Branch	1		1		1	
12	Mangystau Regional Branch						
13	Pavlodar Regional Branch						
14	North Kazakhstan Regional Branch	1		1		1	
15	Turkestan Regional Branch						
16	Branch in Almaty						
17	Branch in Astana						
18	Abay Regional Branch						
19	Branch in Shymkent	1		1			1
20	Zhetysu Regional Branch						
	Total	12	4	8		10	2

It is also noted that part-time employees work in different structural units of the Bank. The total number of part-time employees as of 01.01.2024 is 137 persons (148 persons in 2022). Part-time

employees work in accordance with the Instructions on the procedure for selecting contractors/assistants of employees and concluding paid services agreements in the Bank.

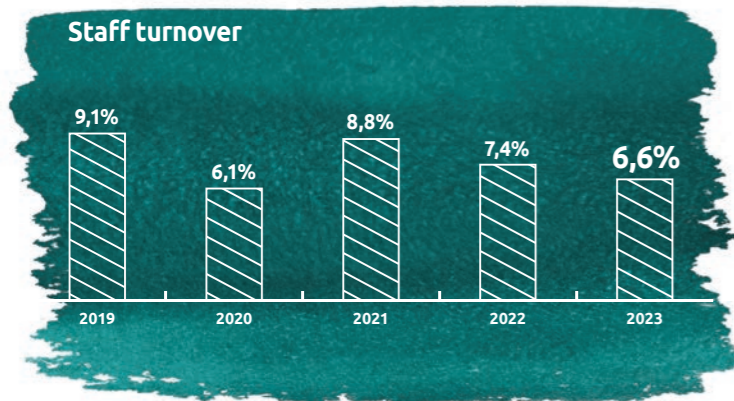
Total number of workers/employees by type of employment

Number of full-time workers/employees, persons	1,412
including men, persons	566
including women, persons	846
including employees under 30 years old, persons	226
including employees 30-50 years old, persons	1,061
including employees over 50 years old, persons	125
Number of part-time workers/employees, persons	0
including men, persons	0
including women, persons	0
including employees under 30 years old, persons	0
including employees 30-50 years old, persons	0
including employees over 50 years old, persons	0



Staff turnover for 2023 is 6.6% (compared to 7.4% in 2022).

Total staff turnover	
Voluntary staff turnover	6.6%
Involuntary staff turnover	11.9%
Staff turnover by age	
Employees under 30 years old	7%
Employees 30-50 years old	11%
Employees over 50 years old	0.5%
Staff turnover by gender	
Men	8.9%
Women	9.7%



Labor relations were terminated: 6.6% on the employee’s initiative, 10.8% by agreement of the parties, and 1.1% for other reasons (conscriptio, death, court decision, employer’s initiative, reduction, etc.).

Labor Practices

In respecting human rights and building labor relations, the Bank is guided by the principles of the UN Global Compact, the Bank’s Corporate Governance Code, and the Bank’s Sustainability Policy.

There were no grievances filed against the Bank in the reporting year for violation of labor relations practices. In accordance with the laws of the Republic of Kazakhstan as well as the terms and conditions of the labor contract, employees have the right to apply for consideration of an individual labor dispute/grievance to:

- the Bank’s Grievance Commission;
- the Bank’s Ombudsman;
- Representative of the Bank’s employees.

The Labor Code of the Republic of Kazakhstan regulates the timeframe for filing an application for consideration of individual labor disputes.

In 2023, the Bank provided training on policies or procedures related to aspects of human rights that are relevant to the Bank’s operations. Specifically, a distance learning course was conducted: ‘Raising Awareness of the Bank’s Employees on Gender Equality’, within the framework of this training 881 employees of the Bank were covered, of which 862 employees successfully passed, which is 98% of the total number of appointments, the period of training was 1 month, the number of hours for studying the training course was 1 hour.

There are no divisions where child and forced labor is used, or where young workers perform hazardous work.

Labor/Management Relations

As part of the relationship between employees and management, the Bank regularly holds:

1. weekly meetings with the participation of managers and heads of structural units on operational issues;
2. quarterly meetings between the Chairman of the Management Board and heads of structural units on the achievement of the approved Goal Maps for the reporting period.
3. ongoing free and effective working interactions between the Bank’s employees and management.

The Bank also holds joint team-building corporate events, trainings and sporting events with the participation of the Bank’s management.

Regulation of working hours in the Bank is based on the fact that with a five-day working week, the duration of daily work (working shift) may not exceed 8 hours with a weekly norm of 40 hours. The duration of daily work (working shift),

start and end time of daily work (working shift), and the time of work breaks are determined in compliance with the duration of the working week established by the Rules of Labor Relations and Internal Work Order in the Bank, labor agreements and collective bargaining agreement.

The collective bargaining agreement applies to the employer and employees of the Bank, on whose behalf the collective bargaining agreement is concluded, and employees who have joined it on the basis of a written application. In the Bank, 100% of the total number of employees are covered by collective bargaining agreements.

The Bank strictly complies with the standards and requirements of the Labor Code of the Republic of Kazakhstan. In case of significant amendments concerning the Bank’s activities, employees are notified in accordance with the established procedure (not later than fifteen calendar days in advance).

Training and Education

Taking into account that personnel development is one of the components of success of any organization, the Bank annually plans funds for personnel training and development.

During 2023, the Bank’s employees were regularly trained at the Bank’s premises on amendments made to regulatory documents, raising awareness of the Bank’s employees in the field of sustainable development, the Bank’s innovations within the framework of improving the IT infrastructure and introducing a new information system. Training events were also held to improve professional skills and motivation of the Bank’s employees capable of making effective decisions to achieve the goals and objectives of the Bank. In addition, the Bank’s employees were trained at external workshops, courses and online training courses in various areas in order to develop professional skills and learn from global experience. The Bank’s employees periodically undergo mandatory specialized courses to improve their professional qualifications and certification.

In 2023, 1,563 employees of the Bank completed external training, including 979 unique employees, which is 62.63% of the total number of trained

employees. Of them, 365 employees are employees of the Central Office and 614 employees of the Bank Branches. For comparison, in 2022, 1,077 employees completed external training, including 687 unique employees. Out of 1,563 employees who completed external training, 802 were women and 761 were men.

External training on sustainability and ESG topics was provided to 202 employees, representing 34% of the Bank’s Head Office staff.

In 2023, internal training covered 1,412 employees, which is 100% of the total number of employees, including 598 employees of the Central Office and 939 employees of the Bank Branches.

In 2023, the total number of training hours (internal training) was 15,526 training hours, taking into account short-term training (webinar, tech training) and asynchronous training (e – courses). In 2023, the average number of training hours (internal training) per 1 employee of the Bank was 11.1 training hours.

65 internal training events were held for employees of the Bank’s Head Office and Branches, compared



to 52 events planned for 2023. The topics of internal training were diverse: Internal Control System, Procurement of Goods, Works and Services, Servicing of Legal Entities, Raising Awareness of the Bank's Employees on Information Security Issues, Countering Fraud, Bank's Development Strategy, Consequences of Disclosure of Bank Secrecy, Corporate Conflicts and Conflicts of Interest Policy, Operational Risk and Business Continuity Management System, Anti-

Money Laundering and Counter-Terrorist Financing, Compliance Risk Management System, Anti-Corruption, etc.

During the year, the library of e-learning interactive courses in the Mirapolis distance learning system aimed at all employees of the Bank was also regularly replenished and updated.

Number of hours of employee training (external training)

Indicator	Total, hours		Average hours per employee
	2023		
	Women, persons	Men, persons	
Training hours, total	18,726	13.5	
including senior and middle executives	6,852	13.8	
including employees of structural units	11,874	11.1	
including men	8,329	10.9	
including women	10,397	13.0	

In accordance with the labor law, when terminating an employment contract with an employee by agreement of the parties, a decision may be made to pay compensation in the amount of up to two established official salaries and/or with a performance bonus for the reporting period of actually worked time based on the submitted report on the KPI map. Also, upon termination of the employment contract, the employee may be provided with a letter of recommendation

containing information on the employee's qualifications and attitude to work.

The Bank evaluates the performance of the Bank's Central Office on a quarterly basis by setting KPIs for all employees and reviewing their achievement during the reporting period by the Bank's collegial bodies. In the reporting year, 100% of the employees of the Central Office underwent quarterly performance evaluation.

Talent Pool

The procedure of formation of the talent pool of executive and managerial staff has been carried out in the Bank since 2008 in accordance with the Regulation on Formation and Organization of Work with the Bank's Talent Pool by identifying high-potential employees and organizing their professional and career development.

As of the end of 2023, the Bank's Talent Pool consists of 43 people, of whom 12 are employees of the Central Office and 31 are employees of the Bank's Branches.

Employee Performance Review

Since 2009, the Bank has been conducting employee performance reviews to determine the extent to which employees meet the requirements for their positions and to make necessary managerial decisions regarding further labor relations with the Bank's employees based on the results of the reviews. Performance review periodicity is not more often than once in three years, in case of unsatisfactory performance results

(KPI below 75%) performance review is carried out not more often than once a year. Performance review stages: analysis of qualification requirements, testing, meeting of the Personnel Review Board.

In 2023, only unscheduled performance review was conducted, in which 42 employees participated.

Testing Front Office Employees

On a regular basis, the Bank's front office employees, remote service department and consultants are trained and tested to check their knowledge of the Bank's tariff programs and internal documents.

In 2023, testing was conducted for front office employees on the topics Anti-Money Laundering and Counter-Terrorist Financing, Consequences of Disclosure of Bank Secrecy, Personal Data and Credit History and Requirements for Non-Disclosure of Bank Secrecy, Tabysty Tariff Program, Using Creatio CRM.

In 2023, testing was conducted as part of training on Anti-Money Laundering and Counter-Terrorist Financing, Operational Risk and Business Continuity Management System, Rental Housing Subsidies, Differentiated Lending Rates, Deposit Compensation, Mobile Application and Internet Banking, Government Bonus/Fee from the Bank, Lending Conditions, All Lending Programs, Post-Deposit Operations, Post-Loan Operations, With a Diploma to the Village, Program for Young Scientists, Testing on Tabysty Tariff Program, Testing on Lending Rules, Final Test for Knowledge of Bank's Products 2023, as part of performance review of consultants of the agency network.

There was also an annual certification (testing) of the agency network, which covered the following topics: HCS System; Deposits and Tariff Programs of Otbasny Bank, Loan Transactions (Purposes, Types, Programs, Solvency), Post-Loan Transactions (replacement of collateral release, replacement of co-borrower release, types of special post-loan transactions, loan restructuring, partial and full loan repayment, etc.), Information Security, Service Standards, Code of Business Ethics.



Remuneration of Bank Employees

The remuneration system of the Bank's employees consists of a fixed part of remuneration (official salary, bonuses) and a variable part of remuneration (incentive payment).

The amount of the official salary is determined on the basis of the grade structure and is fixed in accordance with the salary scheme and the staffing table approved by the Bank's Management Board.

Remuneration range is fixed for each grade that determines the minimum, average and maximum value.

The salary scheme reflects the value from the minimum to the maximum value of the level of remuneration in the grade.

The salary scheme is formed taking into account compliance with the principle of internal fairness (payment for positions of similar value to the Bank within a given range) and external competitiveness

(sufficient level of basic remuneration to attract and retain the Bank's employees). No cases of discrimination were recorded in the reporting year.

In the reporting year 2023, the ratio of the average base salary of men to women by employee category was 1:0.8. The ratio of the basic salary of top management to the average remuneration level in the Bank was 1:0.2. At the end of 2023, the average salary growth was 21%.

In accordance with internal documents, the Bank covers personnel maintenance costs and related deductions, which include salary costs, mandatory contributions to the social health insurance fund and the social insurance fund, social tax, accrued expenses for annual leave and paid sick leave, voluntary health insurance, bonuses and social assistance in cash form. The Bank does not have any legal or constructive obligation to pay pensions or similar payments other than payments under the government's defined contribution plan.

Incentives to Bank Employees

In 2023, the Bank continued to improve the efficiency, transparency and balance of the system of tangible and intangible incentives, which is one of the most important areas of work with personnel and ensures compliance with the standards and guarantees under the Labor Code of the Republic of Kazakhstan. To attract highly qualified specialists, increase staff engagement and satisfaction, reduce staff turnover and develop the HR brand, the Bank conducts regular surveys of the labor market and salary levels.

The approved incentive system for the Bank's employees takes into account the efficiency of each employee's performance and his/her individual contribution to the Bank's performance. The personnel incentive system is aimed at achieving high production

results and increasing labor productivity. In addition to incentives paid for labor results, the Bank's employees are paid bonuses for public holidays of the Republic of Kazakhstan.

The Bank also has a system of moral incentives for employees and structural units, which includes both recognition of personal merits of an employee in the form of gratitude, awarding a certificate of honor, inclusion in the Bank's Book of Honor, and presentation to state awards and titles. In accordance with the Rules of Moral Incentives for Employees and Structural Units, the best employees of the branches and structural units of the Bank's Head Office are determined on an annual basis.

Social Protection

The Bank's employee social support policy is aimed at stabilizing the team and taking care of each employee. The Bank provides its employees with benefits and compensations as part of a comprehensive social package, in accordance with

the Rules of Social Support for the Bank's Employees. All payments are made within the limits of the Bank's budget items. Social support does not apply to employees hired on a temporary or part-time basis.

The Rules provide for the following types of social support for the Bank's employees:

1. Financial assistance;

Financial assistance is paid to employees in the following cases:

- for health improvement when providing paid annual labor leave;
- in connection with marriage;
- in connection with maternity leave, leave to adopt a newborn child (newborn children);

- in connection with birth of a child/adoption of children;
- in connection with treatment/surgery of the employee or persons who are members of his/her family;
- in connection with death of the employee/ members of the employee's family.

In 2023, 214 female employees were on parental leave (children under 3 years of age). In particular, 151 employees took

Parental leave

Number of employees took parental leave, total	
Men	1
Women	214
Number of employees returned to work in the reporting period after the end of parental leave in the reporting year, total	
Men	0
Women	63
Number of employees returned to work after the end of parental leave who were still working 12 months after returning to work, total	
Men	2
Women	44

2. Voluntary Health Insurance Program (Health Insurance);

Employees and their family members are provided with health insurance in accordance with the voluntary health insurance program. Funds for health insurance are spent on employee sickness in accordance with contracts concluded as required by the laws of the Republic of Kazakhstan with insurance organizations, or under contracts for medical care with healthcare organizations. Health insurance expenses per employee should not exceed 100 MCI for the relevant financial year.

In 2023, 2,064 people, including 1,408 employees and 656 family members, used medical services under voluntary health insurance contracts.

3. Compensation payments;

In connection with a change of place of residence at the place of work in another locality, provided that supporting documents for actually incurred expenses are available, an employee can be paid the following compensation payments in a lump sum:

- payment of the cost of travel of an invited/transferred employee and his/her family members by railway/motor transport.
- payment for the transportation of property of an invited/transferred employee and his/her family members by railway/ motor transport.



4. Housing assistance.

Depending on the Bank’s financial situation, housing assistance may be provided to the invited/transferred

employee through partial reimbursement of housing rental costs (for a period not exceeding 2 years).

Diversity and Equal Opportunity

The Bank strives to create an atmosphere of goodwill and support, in which all employees are valued and equal employment opportunities are provided to all nationalities of Kazakhstan. The ratio of men to women, their remuneration and the average age of employees are set out in the Personnel section of the Bank’s Report.

The Bank is characterized by the great ethnocultural diversity of its employees. For example, the Bank employs representatives of the following nationalities: Kazakhs, Russians, Balkars, Jews, Azerbaijanis, Tatars, Koreans, Ukrainians, Uzbeks, Uighurs and Germans. At the same time, the Bank is improving its culture by increasing ethnocultural diversity in its management team, while strictly adhering to recruitment rules.

Breakdown of employees by nationality

	% of total number of employees	% of total number of all management positions, including junior, middle and senior management positions
Kazakhs	93	19
including men	36	9
including women	56	10
including employees under 30 years old	17	0
including employees 30-50 years old	53	10
including employees over 50 years old	5	3
Russians	7	1
including men	3	1
including women	4	1
including employees under 30 years old	0	0
including employees 30-50 years old	7	1
including employees over 50 years old	0	0

Creating equal career opportunities, ensuring fair evaluation of women’s and men’s work and non-discrimination in pay are essential to achieving gender equality and are a fundamental component of decent work. The Bank adheres to the principle of equal remuneration for work of equal value.

The Bank has created appropriate conditions to ensure equal rights and opportunities for women and men with respect to:

- employment – the Bank maximizes the use of vacant jobs for the employment of young professionals, both men and women;
- equal participation of women and men in production and management decisions;
- career opportunities for women;
- women’s participation in leadership development activities;
- both women’s and men’s right to parental leave until the child reaches the age of three.

In 2023, the ratio of the average base salary of men to women by employee category was 1:0.8.

In addition, the Bank promotes women’s initiatives and women’s leadership in every possible way.

In the reporting year, the Bank joined the UN global initiative on Women’s Empowerment Principles.

Representation of women

Share of women in the total number of employees	60.31
Share of women in all management positions, including junior, middle and senior management positions, as a % of the total number of employees	10.61
Share of women in junior management positions, as a % of the total number of employees	7.61
Share of women in senior management positions, i.e., at most two levels below the Chairman of the Management Board, as a % of total number of employees	0.33
Share of women in management positions in the Bank’s income-generating activities, as a % of the total number of employees	3.38

There were no cases of discrimination of the Bank’s employees during the reporting year.





Gender Policy

The link between improved gender equality and accelerated economic development is widely recognized globally by leading international financial institutions. Recognizing this, the Bank is committed to directing efforts and resources towards creating a society that values women and men equally.

The Bank cooperates with a number of international and foreign organizations whose experience shows that the application of gender-sensitive approaches is important and contributes to the sustainable development of the country's economy. Moreover, many financial institutions already today declare their readiness to support organizations, such as the European Investment Bank and many others.

The Bank is committed to taking into account, analyzing and addressing gender issues in the planning, implementation and evaluation of internal documents, projects and studies in order to achieve the following objectives:

1. Promoting equality between women and men;
2. Collection of quality information, taking into account gender-disaggregated data;
3. Creation of a social, physical and psychological environment that promotes equal and fair treatment of men and women.

Throughout her professional career, Lyazzat Ibragimova, Chairman of the Bank's Management Board, has been actively promoting gender equality in Kazakhstan. Under her leadership, the Damu Entrepreneurship Development Fund launched the first credit line in Central Asia under the European Bank for Reconstruction and Development (EBRD) to support women's entrepreneurship. In 2016, Suma

Chakrabarti, EBRD CEO, presented Lyazzat Ibragimova with an award for promoting gender equality.

Since 2021, Otbasy Bank has been implementing the Umai Women's Mortgage Program in cooperation with the Asian Development Bank, which helps women in Kazakhstan from different spheres of activity and with different incomes to purchase own housing.

In 2023, Otbasy Bank was the only one from Kazakhstan to receive an award from the Central Asia Regional Economic Cooperation (CAREC) program for actively promoting gender equality in the country.

CAREC is a partnership of 11 countries (Afghanistan, Mongolia, Azerbaijan, Pakistan, China, Tajikistan, Kazakhstan, Turkmenistan, Kyrgyzstan, Uzbekistan) and development partners (Asian Development Bank, European Bank for Reconstruction and Development, International Monetary Fund, Islamic Development Bank, United Nations Development Program, World Bank, and Asian Infrastructure Investment Bank) working together to promote development through cooperation leading to accelerated economic growth and poverty reduction. The CAREC Award highlights leaders who have made significant contributions to the development of modern society.

At the same time, the Bank annually develops a Gender Equality Action Plan and prepares an annual report on the implementation of the above Action Plan which is published on the Bank's official website. The report on the implementation of the Gender Equality Action Plan for 2023 is available on the Bank's website at www.hcsbk.kz.

Diversity and Inclusion

The Bank observes and develops the principles of diversity and inclusion, recognizes their importance and universality, shares the belief that diversity and inclusion are significant factors in achieving the Bank's long-term development goals, contribute to attracting, developing, retaining talent, making the most effective decisions, and enable a more rapid response to dynamic changes in the external environment.

The Bank has approved the Diversity and Inclusion Regulation 2023, which aims to create equal opportunities for all employees and officers of the Bank, to overcome all forms and manifestations of discrimination and to build a process whereby in any planned activity or project the needs of all categories of employees and officers are taken into account equally. The Bank strives to create an inclusive culture

characterized by openness and constructive challenge where workers/employees feel respected, valued and supported.

To comply with the principles of the Regulation, the Bank has planned actions for 2024 to implement the objectives, the main of which is to ensure access to training and development for all workers/employees of the Bank in order to raise their awareness of diversity and inclusion issues. Training will include conscious training in intercultural awareness, awareness of stereotypes and prejudices, communication skills and creating an inclusive work environment, as well as anonymous surveys to identify any forms of discrimination and informing workers/employees of the Bank on how to report all forms of discrimination.

Respect for Human Rights

The Bank complies with the Constitution and laws of the Republic of Kazakhstan, international regulations and standards for the protection of human rights as set out in the United Nations Universal Declaration of Human Rights of 10 December 1948, the United Nations Global Compact, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the United Nations Guiding Principles on Business and Human Rights, the International Finance Corporation International Financial Institution Guiding Principles on Human Rights, the European Bank for Reconstruction and Development International Financial Institution Guiding Principles on Human Rights, and the Asian Development Bank International Financial Institution Guiding Principles on Human Rights.

Otbasy Bank has developed a Regulation on Equal Rights, Labor Protection, Freedom of Association, which defines the basic minimum requirements for identifying, preventing and monitoring potential human rights violations. Compliance with the principles of this Regulation is mandatory for all workers/employees of the Bank.

The Bank's basic approach is that all human beings are free and equal in dignity and rights, irrespective of sex, language, age, religion, ethnicity, race, social origin, property or other status and characteristics.

Guaranteeing socio-cultural diversity, equal opportunities and inclusiveness for the Bank's employees is an important factor in ensuring the Bank's long-term competitiveness and performance.

The Bank recognizes the risks of adverse human rights impacts as well as the risks of conflict in all aspects of the Bank's operations, accepts responsibility for respecting human rights and takes measures to protect them, and prevents facilitating and benefiting from any form of human rights abuse.

The Bank is committed to providing the safest and most favorable working conditions for all workers/employees of the Bank and its counterparties, and complies with all applicable laws and internal health and safety requirements.

The Bank is committed to implementing the highest standards and procedures in terms of occupational health and safety to minimize health risks, and is also focused on protecting the health of citizens and the environment by implementing programs that comply with environmental standards for housing construction to minimize environmental impact, holding environmental events and activities to raise the level of environmental awareness of the Bank's workers/employees.



The Bank does not tolerate the use of any form of forced and bonded labor, any form of slavery and human trafficking. The Bank pays attention to the observance of children's rights and does not accept the use of child labor. The Bank observes such norms of labor legislation as working hours and rest periods of employees. In this way, we ensure the right of employees to a private life while maintaining a balance between work and personal time.

Non-discrimination

Equal opportunities and zero tolerance for discrimination and harassment of any kind are provided at all levels of the Bank's operations. The Bank provides a workplace free of discrimination and harassment on the basis of race, sex, colour, national or social origin, religion, age, disability, sexual orientation, gender identity, marital status or any other status.

The Bank does not tolerate physical, verbal, visual, sexual and psychological violence leading to the formation of a hostile and unsafe atmosphere in the workplace, undermining and damaging the reputation of a worker/employee of the Bank, humiliation, intimidation and aggression.

The Bank provides all workers/employees with equal opportunities for development, which depend on the results achieved, competence and qualifications. In turn, the Bank expects all its workers/employees to take initiative, strive to acquire new knowledge and be ready to share this knowledge with colleagues.

The Bank's Human Resources Policy, Sustainability Policy, and Code of Business Ethics regulate the prevention of discrimination based on gender, age, race, political, religious and other similar grounds. Recruitment and promotion of personnel realizes the principle of equal opportunities and is based solely on an objective assessment of professional knowledge and experience in accordance with the qualification requirements for the position, excluding any

We intend to improve our corporate practices to support human rights through open dialogue with stakeholders, monitoring of risks and implementation of best practices.

The Bank welcomes compliance by customers, suppliers, business partners and other stakeholders with human rights, basic principles of diversity and equal opportunity.

manifestations of discrimination and violations of employee rights.

In their relations with subordinates, the Bank's senior and middle-level executives should take measures aimed at occupational safety, health protection, creation of safe and necessary conditions for efficient activity, as well as creation of a favorable moral and psychological atmosphere, excluding any forms of discrimination and infringements on the honor and dignity of workers/employees.

For the purposes of resolving individual labor disputes, the Bank has established the Grievance Commission for consideration of individual labor disputes. The Commission consists of an equal number of representatives of the employer and the Bank's employees elected at the general meeting of employees. The Commission is a permanent body for consideration of individual labor disputes. A labor dispute is subject to consideration by the Commission if the employee, either alone or with the participation of a representative, has not settled the disagreement in direct negotiations with the employer or its authorized representative.

In 2023, the Commission received 3 applications from the Bank's employees: one of which was withdrawn by the Bank's employees due to satisfaction of their issue. The rest were considered in accordance with the labor laws of the Republic of Kazakhstan and internal documents of the Bank.

Ensuring Occupational Health and Safety, Civil Defense and Fire Safety

Every year the Bank implements a set of measures aimed at:

- creating and ensuring safe and healthy working conditions for employees, unconditional compliance of employees with occupational health and safety requirements;

- conducting civil defense drills and exercises, testing the Bank's business continuity plans;
- continuous improvement of fire safety regime and compliance with fire safety requirements;
- military registration of persons subject to military service and conscription.

OCCUPATIONAL HEALTH AND SAFETY.

The Bank ensures the rights of employees to safe working conditions, establishes the priority of employees' life and health in relation to any other results of labor activity. All employees are covered by the occupational health and safety management system.

In accordance with the provisions of regulatory legal acts and internal documents of the Bank in the field of occupational health and safety, continuous training, instructing and knowledge testing of employees, responsible persons of the Bank, instructing employees of contractors performing works and rendering services under business agreements, temporary employees, students undergoing internship in the Bank's units are carried out.

WORKPLACE HEALTH AND SAFETY.

The Bank regularly holds sports events to promote a healthy lifestyle among its employees. Outdoor activities, participation in sports competitions, health insurance, and reimbursement of 50% of the cost of fitness club passes – all this encourages employees to lead an active lifestyle, despite their sedentary lifestyle.

In addition to promoting physical activity, the Bank pays great attention to the health and safety of its employees. In 2023, regular briefings of employees on occupational health and safety in the workplace (in cases of emergency, fire, earthquake, etc.) were conducted – targeted, repeated and unscheduled. The buildings where the Bank and its branches are located are equipped with primary fire extinguishing equipment in accordance with fire safety requirements

Investigation of accidents is carried out in accordance with the labor laws of the Republic of Kazakhstan. Incidents are not identified during accident investigation as the Bank is not an organization with increased risk to human health. There were no accidents, including fatalities, in 2023. There were no fires in the Bank's buildings, including in the territories adjacent to the Bank.

In 2023, the following activities took place:

- online training of responsible employees on occupational health and safety issues by a specialized organization, with an examination and certification – 27 people;
- induction briefings for newly hired employees – 269 people.

(fire shields, fire extinguishers, fire hydrants), as well as with first aid equipment.

From 28 May 2023, coronavirus restrictions have been officially lifted in Kazakhstan and all regions are in the green zone. The COVID-19 coronavirus infection has not disappeared, the virus continues to circulate, but in a milder degree, subsequently, the incidence of the disease in the population of the Republic of Kazakhstan will be monitored on a continuous basis along with other viral infections.

To date, sanitary and epidemiological requirements for disinfection in all offices of the Bank are observed on a daily basis. No COVID-19 infections were detected among the Bank's employees during 2023. The measures taken by the Bank to combat the spread of COVID-19 showed timeliness and effectiveness,



the situation from 2020 to 2022 was under control, there was no serious decline in key performance indicators, let alone business interruption or staff reductions, and salaries were paid to employees in a timely manner.

The sickness absence rate was 0.03%, while:

- the lost time injury frequency rate (LTIFR) was 0%;
- the lost time accident frequency rate (LTAFR) was 0%;
- the accident severity rate was 0%;
- the fatal injury frequency rate was 0%;
- the occupational sickness rate was 0%;
- the lost day rate was 0%.

At the same time, the Bank also pays attention to the health of employees living in the environmental crisis zone and in areas with increased radiation risk. As part of its current activities, the Bank takes the following measures:

- employees of the Kyzylorda branch residing in the environmental crisis zone, the East Kazakhstan regional branch and the Bank's branch in Semey residing in the territory with increased radiation risk are provided with additional paid leave.
- employees of the East Kazakhstan regional branch and the Bank's branch in Semey residing in the territory with increased radiation risk are provided with additional maternity leave.
- additional labor remuneration to employees living in the environmental crisis zone and in the territory with increased radiation risk is provided in accordance with the laws of the Republic of Kazakhstan.

CIVIL DEFENSE.

In the area of civil defense, in accordance with the Bank's Business Continuity Response Plans, drills were conducted with evacuation of employees, rescue operations and firefighting. In the course of drills, the Business Continuity Response Plan of each division (Central Office and Branches of the Bank) was tested, the result of which was registered in the test report.

FIRE SAFETY.

In the area of fire safety, the following activities were carried out in 2023:

- in accordance with the provisions of the Instructions on Fire Safety Measures for the Buildings of the Bank's Head Office and Branches, fire safety inspections of the Bank's buildings, premises and territories were carried out, which are registered in the report checklists;
- during the year, online fire safety training of managers and responsible persons was conducted under the fire technical minimum program and certificates were given – 42 people.

MILITARY REGISTRATION.

Persons in charge of military records of the Central Office and Branches of the Bank were responsible for maintaining military records of the Bank's persons subject to military service and conscription.

Violations of military records by the Bank's employees in case of untimely receipt of military tickets were eliminated during 2023. The Bank ensured timely attendance of conscripts to the Defense Affairs Departments upon their periodic requests.

SECURITY PRACTICES

The role of the Security Department in achieving the Bank's goals is fulfilled by ensuring the safe functioning of the Bank, preventing internal and external threats to its security, protecting the legitimate interests of the Bank, its shareholders, management and staff from unlawful encroachments, as well as enhancing the Bank's image and increasing profits by ensuring the quality of services and customer security.

95% of the Department's employees have substantial experience in operational and investigative units of law enforcement agencies of the Republic of Kazakhstan, as well as financial organizations (second-tier banks), which speaks in favor of the qualitative composition of the Department.

Most of the employees of the Department have sufficient professional training in the field of economic, physical and information security. Thus, the Head of the Department has knowledge and experience in the field of counter-terrorism and investigation of terrorist cases; during his work

in the national security agencies, he was directly involved in the development, suppression, prevention and investigation of acts of terrorism and terrorist offences in various regions of Kazakhstan.

The employees of the Department have knowledge and skills acquired in the course of training in economic (enterprise and business security), personnel and information security (IT auditor, IS management system, hacking, etc.), procurement, fire safety, as well as in ensuring physical security of protected facilities, including in emergency situations (banks, warehouses, archives, life support (heat and water supply) and transport facilities (air and railway facilities), special facilities of special importance (fuel and lubricants, ammunition warehouses, etc.).

The Bank also imposes similar requirements for ensuring physical security of guarded facilities on its security service providers, Kuzet Motors LLP, whose employees regularly attend relevant courses at the premises of their security company.

In 2022, a new Anti-Fraud Department was introduced into the structure of the Security Department, the main task of which is to protect the Bank and its customers from fraud events during the use of the Bank's digital products (Internet banking, remote account management, etc.), and to prevent operational risks associated with fraud in these systems.

These changes resulted in an increase in the list of tasks and functions of the Department, consisting in the organization and direct participation of the Department in the implementation of a set of measures to prevent fraud risks associated with possible material and reputational damage to the Bank, as well as in carrying out activities aimed at protecting the Bank's economic interests from various types of external and internal fraud threats. In this regard, the employees of the Department were trained in the Russian Federation in the field of anti-fraud and business continuity of the Bank. In addition, all employees of the Security Department, without exception, were trained in the course 'Fundamentals of Cyber Security'.

In order to effectively combat such type of fraud, in 2022, the newly created Anti-fraud Department developed the 2022–2024 Concept of Anti-Fraud Development in the Bank, which was approved by the resolution of the Bank's Management Board as part of the implementation of measures to develop

the IT infrastructure provided for in the Bank's 2023 Development Strategy.

Thanks to the Concept, the Bank is currently making preparatory work to strengthen anti-fraud measures by acquiring and introducing a special information system for fraud monitoring of transactions in Internet banking (anti-fraud system) to protect against external attacks.

Meanwhile, in 2023, timely and well-coordinated actions of the employees of the Anti-Fraud Department and the Economic Security Department prevented the theft by Internet fraudsters of the Bank's customers' deposits totaling about KZT 140 million.

In 2023, the Security Department of the Bank, which is an authorized operator for opening and maintaining special accounts for lump-sum pension payments (hereinafter, the LLPP) from Unified Pension Savings Fund JSC (hereinafter, the UPSF) for the purpose of improving housing conditions and/or paying for medical treatment, carried out extensive work to identify abuses in the implementation of the government program for the use of pension savings.

Thus, the opportunity provided by the state to use pension savings to pay for medical treatment revealed a number of problematic issues related to illegal activities of both the depositors themselves and medical institutions in withdrawing from the Unified Pension Savings Fund, cashing and, as a consequence, misuse of pension contributions.

To date, the Bank's Security Department has identified a number of illegal schemes, for which internal investigations have been conducted with subsequent application to the law enforcement authorities of the Republic of Kazakhstan in order to bring the guilty parties to justice. These schemes are implemented by cashing out funds with the help of unscrupulous dental clinics under the guise of payment for allegedly rendered services and subsequent misuse of funds.

For example, such dental clinics of Atyrau as M Golden Dent LLP, Kompaniya Guldena GGG LLP, Medkosmo LLP, Doctor Dent LLP, MB Stom LLP, Daniyal Dent LLP, Smile Hub LLP, have carried out 21,204 transactions totaling KZT 28,853,882,575 only for the period from May to October 2023.



The Bank's investigation revealed circumstances raising suspicions about the legality of the activities of these clinics, the managers of which, in collusion with unknown persons, organized and directly participated in illegal schemes for cashing out customers' pension funds through deception, production and use of forged documents (contracts for dental services and certificates of medical consultative boards) with the receipt of illegal remuneration.

In addition, the voluntary transfer by UPSF depositors of their EDSs to intermediaries of dental clinics served to commit a number of other offences – embezzlement of funds from the special accounts of individuals without their consent and participation.

For example, on 1 September 2023, funds were stolen from the accounts of 46 customers of the Bank by transferring them to the account of Pacific Dental Group LLP, located in the Atyrau region, allegedly for dental services rendered. All transactions were carried out without the participation and consent of the customers. In total, from February to September 2023, 1,717 pension funds transfer transactions totaling KZT 1,044,215,663 were made from the special accounts of 1,603 customers in favor of Pacific Dental Group LLP for the purpose 'Dental Services'.

The Bank's Security Department found out that this dental clinic does not exist at the specified address,

and the director of Pacific Dental Group LLP is a citizen who has previously been convicted several times in Kazakhstan and Russia.

At present, the Security Department together with the Front Office of the Bank continue to reveal more and more facts of falsification of medical documents and licenses of dental clinics when going through the procedure of verification of applications for the use of pension savings for the purpose of 'Dental Services'.

For example, as a result of the Bank's internal investigations, the Bank identified Sadvakasova IE and Elyubaeva IE, who, using forged state licenses to provide medical services, conducted 270 pension funds transfer transactions totaling KZT 421,474,933. Similarly, Aldiyar IE, Ayagoz IE, Kadess IE and Nurzhan IE conducted 195 pension funds transfer transactions totaling KZT 274,910,331 using forged state licenses.

The Security Department continues to take all necessary measures to ensure safe functioning of the Bank, prevent internal and external threats to its security, protect the legitimate interests of the Bank and its customers from unlawful encroachments and enhance the security of the Bank's personnel and property.

Sponsorship and Charity

Charity and sponsorship are part of the Bank's corporate culture and one of the traditional areas of participation in the life of society, ensuring social, political and economic stability of the territory where the Bank operates.

For the Bank, charity and sponsorship are important from the point of view of strengthening the Bank's business reputation and developing the internal corporate culture. The Bank considers all incoming requests for charitable and sponsorship assistance and develops a program to involve employees in charity projects in various forms of participation: private monetary and other donations, each employee has an opportunity to make a personal contribution to the common cause.

The Bank's charitable, sponsorship and philanthropic assistance is carried out in strict compliance with the Bank's Charity Rules.

In 2023, the Bank's employees organized fundraising as part of the Asar campaign:

- for the treatment of the child of an employee from the Bank's Remote Service Department;
- for the cancer treatment of the father of an employee from the Bank's Central Branch.

In May 2023, the Victory Day campaign was held to help veterans of the Great Patriotic War, as part of which the Bank's Central Office employees provided assistance to veterans of the Great Patriotic War.

On 31 August 2023, as part of the Road to School campaign, charitable assistance was provided to families raising disabled children and large families registered with the Akimat of Auezov District to purchase 15 sets of stationery at the expense of the Bank's employees.

On 15 December, the Bank took part in the Baiterek – Open Hearts charity event, similar to the Aynalaiyn charity event, where the Bank's employees provided their products for sale, and the collected amount was used by Baiterek NMH JSC to help orphans.

At the end of December 2023, the Aynalaiyn charity event was held, where employees provided their products for sale, and the proceeds were used to purchase sweet gifts in the amount of 163 pieces (100 pieces for the SOS Children's Village, 60 pieces for the support center for children with severe diseases, 3 sweet gifts for children of the Bank's Central Office technical staff). The remaining amount was used to purchase 13 social packages (food basket, meat, cereals, etc.). Sweet gifts were sent on 27 December 2023 to children from the centers, and products were sent to low-income families, as well as to the Qamqor social house, where lonely veterans of the Great Patriotic War and pensioners live.

In total, in the reporting year, the Bank's employees raised about KZT 1.8 million for charity.



Anti-Corruption

The Bank pays special attention to anti-corruption issues. Activities in this area are carried out on an ongoing basis, in strict compliance with the requirements of the laws of the Republic of Kazakhstan and the Bank's internal documents.

To prevent corruption offences, the Bank takes a set of measures with the ultimate result to eliminate corruption.

The Bank has developed and approved the Anti-Corruption Rules. Certain procedures and controls have been implemented in the Bank's internal

documents, including those related to HR management.

The Bank regularly conducts internal training of the Bank's employees on anti-corruption issues with mandatory testing of the acquired knowledge.

In 2023, 1,285 consultants of the Central Office and 18 Branches of the Bank, 1,379 workers/employees of the Central Office and Branches of the Bank completed anti-corruption training with testing of their knowledge.

Women's representation

Region	Consultants	Workers/ Employees
Abay Regional Branch	39	30
Akmola Regional Branch	34	24
Aktobe Regional Branch	49	45
Almaty Regional Branch	39	34
Atyrau Regional Branch	68	34
East Kazakhstan Regional Branch	50	39
Zhambyl Regional Branch	47	33
Zhetysay Regional Branch	29	17
West Kazakhstan Regional Branch	65	39
Karaganda Regional Branch	49	46
Kostanay Regional Branch	43	37
Kyzylorda Regional Branch	52	27
Mangystau Regional Branch	52	40
Pavlodar Regional Branch	58	40
North Kazakhstan Regional Branch	32	28
Turkistan Regional Branch	34	13
Branch in Almaty	93	111
Branch in Shymkent	109	47
Central Office (Almaty)	265	571
Central Branch	78	124
Total	1,285 (100%)	1,379 (95,8%)

The Compliance Control Department is a division performing anti-corruption compliance functions in the Bank, is independent from any activities of the Bank's structural units and reports through the Chief Compliance Officer to the Board of Directors of the Bank.

All employees of the Bank and individuals providing services to the Bank on the basis of civil law contracts, regardless of their position, are warned of the obligation to report facts of corruption known to them in the Bank to their immediate supervisors or to the Security Department or confidentially

via the hotline. At the same time, each employee of the Bank is personally responsible for concealing the facts of involvement of any of the Bank's employees in corrupt practices.

To prevent corruption offences, the Bank takes a set of measures with the ultimate result to eliminate corruption.

The Bank has a hotline, which is a means of confidentially receiving information on corruption offences by the Bank's employees and consultants. An analysis of the messages received in the current year showed that all of them were of a reference and advisory nature and did not contain information indicating the involvement of the Bank's employees in corrupt practices.

On a quarterly basis, the Bank informs the Anti-Corruption Agency of the Republic of Kazakhstan about the presence/absence of facts of bringing the Bank's managers to responsibility for corruption offences of their subordinates.

Based on the results of personnel training, the awareness of the Bank's personnel of the Bank's anti-corruption activities, restrictions and obligations, and feedback channels was increased. It is expected

that the measures taken will minimize the risk of corruption manifestations in the Bank's activities.

In Q2 2023, the Bank conducted a thematic anti-corruption monitoring of the Bank's activities for 2022 and 5 (five) months of 2023. The results of the monitoring were communicated to the Chairman of the Management Board of the Bank and sent to the Anti-Corruption Agency of the Republic of Kazakhstan (Anti-Corruption Service) on 30 June 2023.

In Q4 2023, an internal analysis of corruption risks of the First Housing Centre of Otbas Bank JSC was carried out. Based on the results of the analysis, an Action Plan was drawn up to eliminate the causes and conditions contributing to the commission of corruption offences identified by the results of the internal analysis of corruption risks of the First Housing Centre of Otbas Bank JSC. The analytical report and the Action Plan based on the results of the analysis are available on the Bank's website.

During the reporting year, there were no instances of corruption-related offences committed by the Bank's employees. The Bank and its employees were not sanctioned for corruption-related offences. There are no legal actions for anti-competitive behavior, antitrust or monopoly practices.

Compliance with Laws

In its activities, the Bank generally complies with requirements of the laws of the Republic of Kazakhstan. No violations of antitrust laws have been identified.

At the same time, in 2023, the RoK Agency for Financial Market Regulation and Development applied 3 advisory measures and 1 written warning to the Bank.



Economic Performance

Distribution of economic value, in KZT million

	2021	2022	2023
Economic value generated (income):			
operating (interest) income	171,023	251,019	312,035
fee and commission income	1,919	3,016	4,913
other income	32	12	13
Economic value distributed:			
labor remuneration expenses	11,851	13,108	15,190
expenses on taxes and fees to the state budget	654	792	841
payments to capital providers (interest and dividend payments)	–	–	–
charity and sponsorship	–	–	–
other operating expenses	9,595	10,382	9,927
other non-operating expenses	–	–	–
Economic value to distribute (net profit)	65,755	96,035	147,528

In 2023, the Bank’s total economic value generated was KZT 317 billion. As a large commercial organization, the Bank contributes to the socio-economic development of the country through the distribution of economic value generated for the benefit of key stakeholders.

At the same time, the Bank makes a more significant contribution to society and the economy through its operational activities to develop the housing savings system in the country. By assisting Kazakhstanis in resolving housing issues, the Bank creates a sustainable foundation for the development of the state and for improving the living standards of Kazakhstanis.





ENVIRONMENTAL SUSTAINABILITY

STRENGTHENING
A SENSE OF
HOMELAND



Environmental Sustainability

The Bank's operations are not environmentally hazardous and do not involve high environmental risk. The Bank supports a precautionary approach to environmental issues and promotes the development and dissemination of environmentally sound technologies.

During the reporting year, there were no violations of environmental legislation, and no penalties were imposed.

Energy Consumption and Energy Efficiency

The Bank is a financial institution with a wide network of branches. Therefore, the Bank requires significant amounts of electricity and heat energy to support its operations. The Bank takes energy saving measures to minimize its environmental impact and improve

operational efficiency. To save money and electric energy, LED luminaires of 12-60 Watt have been installed in the buildings of the Bank's Central Office and branches.

Energy consumption in the building of the Bank's Central Office is summarized in the table below:

Type of energy	2021	2022	2023
Electricity (purchased), kWh	2,639,507.27	2,556,782.62	1,829,498.76
including from renewable sources	0	0	0
including from non-renewable sources	2,639,507.27	2,556,782.62	1,829,498.76
Heat energy, Gcal	13,807.38	9,159.20	8,598.63

Electricity is supplied to the Bank by a city power line from TS 21-44, based on an agreement with AlmatyErgoSbyt LLP. Heating of the building is provided by the central heating networks (CHN) of Almaty Heat Networks LLP, based on an agreement.

To reduce the environmental impact of its operational processes and ensure the sustainable use of natural resources, the Bank aims to install automatic corridor lighting control systems (motion sensors) in the Central Office in 2024, in 10 Bank Branches in 2025, and in all 20 Bank Branches in 2026.

Water Consumption

In its operations, the Bank seeks to reduce water consumption, improve water efficiency and minimize the impact on natural water bodies. The Bank

unreservedly accepts the importance of careful and rational treatment of the country's water resources.

Water consumption in the building of the Bank's Central Office is summarized in the table below:

Type of consumption	2021	2022	2023
Water consumption, m ³	20,915.97	20,203.21	17,872.32
Sewerage, m ³	20,915.97	20,203.21	17,872.32

The building of the Bank's Central Office does not consume or use surface water, groundwater, rainwater or wastewater from another organization as a source of water. Water supply and disposal are provided

by the central networks of Almaty Su State Utility Enterprise on the Right of Economic Management on the basis of a contract.

Waste Management

For the Bank as a financial institution, the main types of waste are paper, consumables and waste office equipment. To reduce paper consumption in office work, the Bank has been using the Documentolog electronic office document management system since 2014. This system made it possible to automate the entire internal document flow of the Bank and to transfer such business processes as formation, coordination, verification, approval of documents, control over their execution, distribution, search and archiving into the electronic format. At the same time, in recent years the Bank has been actively implementing the practice of minimized printing and double-sided printing. The Bank has started to use digital forms of holding meetings of collegial bodies/ working groups, i.e. without wasting paper, using LED screens, tablets to demonstrate materials – to make an additional contribution to preserving forests and trees and solving the world's environmental problems. Thus,

in 2023 the Bank reduced the use of paper by 50% compared to 2022 (the amount of paper used in 2022 – 53,950 packs, in 2023 – 27,100 packs).

Also, in 2019–2020, as part of the implementation of the Environmental Policy, the Bank implemented the Green Office project to unify the collection and disposal of solid domestic waste by using a system of separate collection of solid domestic waste and sorting into three groups – glass and metal, plastic and paper – in the Bank's buildings (jointly with Eco Network). This work was temporarily suspended in 2021–2022 and resumed in 2023. Meantime, the Bank's annual delivery of waste paper for recycling continues. At the end of 2023, the Bank's Central Office handed over 222.5 kg of waste paper for recycling and disposal by hydrocracking to the Organization of Secondary Raw Materials.

Waste Management	2021	2022	2023
Total waste generation (tons)	112.43	113.34	114.45
<i>Including:</i>			
Hazardous waste	-	-	-
Non-hazardous waste	112.43	113.34	114.45
Recycled and reused waste (tons)	0	0	0.33485

The Bank provides additional factual data on waste as part of the ESG Databook, which is available

on the Bank's website in the Sustainable Development/ ESG Reporting section.



Environmental Protection

Due to the nature of its operations, the Bank does not have a direct significant impact on the environment. The main resources consumed by the Bank, as mentioned above, are electricity, heat and water. The Bank applies principles and methods of sustainable use of resources that best ensure prevention of adverse environmental impact. The Bank does not pay a fee for emissions into the environment as the Bank is an operator of Category IV facilities with minimal negative impact on the environment.

At the same time, the Bank regularly carries out activities aimed at raising the level of environmental awareness of its employees, as well as compliance with safety regulations, including fire safety. Training of the Bank's employees in environmental policy, sustainable use of energy, water and other natural resources is held on an annual basis.

The Bank is constantly promoting environmental values and responsible living among its employees,

through which the Bank's employees were able to learn more about the importance of obligatory disconnection of computers and other electrical appliances from power sources after the end of the working day, switching off lights after the end of the working day, the principles and importance of waste segregation, learning together how to develop healthy habits by refusing disposable tableware, which helped to create an understanding of the enormous contribution of each employee to the Bank's social and economic development.

In its practice, the Bank conducts various environmental campaigns for greening the country's cities, planting trees in the courtyards of new buildings constructed in partnership with the Bank. In 2023, 30 employees of the Bank participated in the Almaty Clean & Green large-scale eco-campaign. The Bank's employees planted about 30 trees in a public garden in the Auezov District of Almaty.

GHG and Other Air Emissions

The Bank is committed to the national goal of the Republic of Kazakhstan to become carbon neutral by 2060 and contributes to global efforts to mitigate and adapt to global climate change.

In its operational activities, the Bank seeks to reduce its carbon footprint and quantifies greenhouse gas (GHG) emissions from its own operations based on the Guidelines for National Greenhouse Gas Inventories (IPCC, 2006), GHG Protocol Scope 2 Guidance.

The Bank is committed to annual monitoring of fuel and energy resources consumption, data collection, and public reporting on GHG emissions assessment.

The first step towards mitigation is the approval in the reporting year of the Methodology for Calculating GHG Emissions in the Bank to quantify GHG emissions (Scope 1, 2) from processes.

The approach to GHG emissions assessment is based on the operational control approach, whereby the Bank accounts for all GHG emissions from facilities over which the Bank has operational control. GHG emissions from facilities in which the Bank has a stake but no operational control are not accounted for. Quantitative assessment of GHG emissions is carried out for the Central Office, all Regional Branches of the Bank.

The following key environmental and climate impact indicators are given:

GHG emissions	2023
Total direct GHG emissions in CO ₂ equivalent (tons) for 2023 (Scope 1)	305.13
Direct GHG emissions in CO ₂ equivalent (tons) for 2023 per employee	0,16
Total indirect GHG emissions in CO ₂ equivalent (tons) for 2023 (Scope 2)	5,808.44
Indirect GHG emissions in CO ₂ equivalent (tons) for 2023 per employee	2.96

The Bank plans to calculate other indirect emissions (Scope 3) in 2024.

The Bank provides additional actual data on GHG emissions as part of the ESG Databook, which is available on the Bank's website in the Sustainable Development/ ESG Reporting section.

Procurement

The Bank endeavors to ensure transparency and efficiency of procurement procedures, which are performed in accordance with the Rules for Procurement of Goods, Works and Services. The Bank actively uses information systems that automate the processes of arranging and implementing procurement by means of request for quotations and open tender.

Procurement is based on the principles of:

1. optimal and efficient spending of money used for procurement;
2. openness and transparency of the procurement process;
3. providing potential suppliers with equal opportunities to participate in the procurement process;
4. fair competition among potential suppliers;
5. responsibility of procurement participants;
6. prevention of corrupt practices.

The Bank procures goods and services from a large number of state-owned enterprises. Such procurement procedures individually amount to insignificant amounts and are usually carried out on a commercial basis. Selection criteria are applied to potential suppliers of goods, works and services in accordance with the laws of the Republic of Kazakhstan.

As a result of the procurement procedures carried out in 2023, 687 contracts were concluded. The total value of concluded contracts was KZT 12,452,344 thousand (KZT 11,339,379 thousand excluding VAT), the number of disbursed items – 1,539. Total procurement savings totaled KZT 485,951 thousand, however, these savings are redistributed and re-disbursed during the year to meet the Bank's additional needs. At the same time, the share of local content in procurement for the reporting period was 70% (the scope of performance according to the received reports as of 01.01.2024 is KZT 9,896,627 thousand).

CLIMATE CHANGE



STRENGTHENING
A SENSE OF
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Climate Change Management

The Bank's Board of Directors is responsible for organizing and ensuring the effective functioning of the risk management and internal control system.

As potential risks are identified and adverse events occur, the Bank fills in the Risk Register and Risk Maps on an ongoing basis. The Risk Register and Risk Maps are submitted for review and approval by the Bank's Board of Directors annually.

The Bank is currently working on the inclusion of climate change risks in the Risk Register and Risk Map. The Bank plans to update and revise the Risk Register and Risk Map to include climate change risks in 2024. Accordingly, disclosure of information on the results of this work is expected in the Bank's subsequent reports.

Strategic Direction

ESG-related issues are an integral part of the Bank's new 2024–2,033 Development Strategy. Strategic key performance indicators (KPIs) cover not only operational and financial indicators, but also sustainable development requirements, namely, in terms of climate-related issues, the following KPIs are set:

1. Reduction of greenhouse gas emissions from the Bank's operations (Scope 1, 2) by 2026 – minus 5% of the base year (2023), by 2,033 – minus 10% of the base year;
2. Installation of automatic corridor lighting control systems (motion sensors) in the Central Office in 2024, in 10 Bank Branches in 2025, and in all 20 Bank Branches in 2026.
3. Tree planting: 150 trees in 2024, 250 trees in 2025, and 350 trees in 2026;
4. Reduction of paper consumption by 5% annually over 2024–2026.

The Bank's objectives in mitigating environmental impact and global climate change are:

- Environmental protection, including the sustainable use of resources, reducing the impact on global climate change;
- Fulfilment of mandatory legislative and other requirements adopted by the Bank;
- Application of environmentally friendly, energy- and material-saving technologies.

In doing so, the Bank recognizes its responsibility for its environmental impact and contribution to global climate change. The Bank seeks to reduce its impact by minimizing contributions from operations, sustainable use of natural resources and reducing greenhouse gas emissions, using a structured approach to managing the Bank's impact from operational processes as well as from invested impacts.

During 2023, PwC's international consultants carried out an ESG diagnostic of the Bank, based on the results of which the Bank approved the Roadmap for further ESG rating. As part of the Roadmap, new internal documents on ESG implementation in the Bank's operations are being updated and adopted.

In 2024, the Bank plans to work on climate risk issues, namely to integrate climate risks into the Bank's risk management system, assess their impact on the Bank's business model, financial position, loan portfolio indicators, etc. Today, the Bank sees physical and transition climate risks in mortgage loans and their collateral, and therefore recognizes the need for a more robust and sustainable approach to credit underwriting.

In the reporting year, the Bank developed the Environmental and Climate Impact Mitigation Policy, the Methodology for Greenhouse Gas Emissions, and other internal environmental documents.

Risk Management

In 2024, the Bank plans to build processes to identify, assess, prioritize and manage climate risks and opportunities in the short, medium and long term, as well as processes to integrate them into the Bank's

overall risk management process. Accordingly, disclosure of this information is expected in the Bank's subsequent reports.

Indicators and Target Values

The Bank is committed to the national goal of the Republic of Kazakhstan to become carbon neutral by 2060 and contributes to global efforts to adapt to global climate change. Due to the nature of its operations, the Bank does not have a direct significant impact on the environment. The main resources consumed by the Bank are electricity, heat and water.

In its operational activities, the Bank seeks to reduce its carbon footprint and quantifies GHG emissions from its own operations based on the Guidelines for National Greenhouse Gas Inventories (IPCC, 2006), GHG Protocol Scope 2 Guidance. The Bank is committed to annual monitoring of fuel and energy resources consumption, data collection, and public reporting on GHG emissions assessment.

The following key environmental and climate impact indicators are given:

Reporting scope in % of full-time equivalent 100%

Direct and indirect GHG emissions, Scope 1, 2	UOM	2023	2022	2021
Scope 1	CO ₂ -equivalent	305.13	350.21	375.16
Scope 2		5,808.44	4,806.54	4,596.27
TOTAL		6,113.57	5,156.75	4,971.43
GHG emission factor	UOM	2023	2022	2021
GHG emissions per employee	tons of CO ₂ per person	3.1	3.36	3.1

APPENDIX

The image is a vibrant, artistic illustration. In the foreground, there is a field of yellow and green grass with several pink and purple flowers. A large, flowing ribbon in shades of pink, blue, and white dominates the middle ground, appearing to dance in the wind. The background features a bright blue sky with soft, white clouds and a distant, hazy horizon line.

STRENGTHENING
A SENSE OF
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Appendix 1. About the Report

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

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

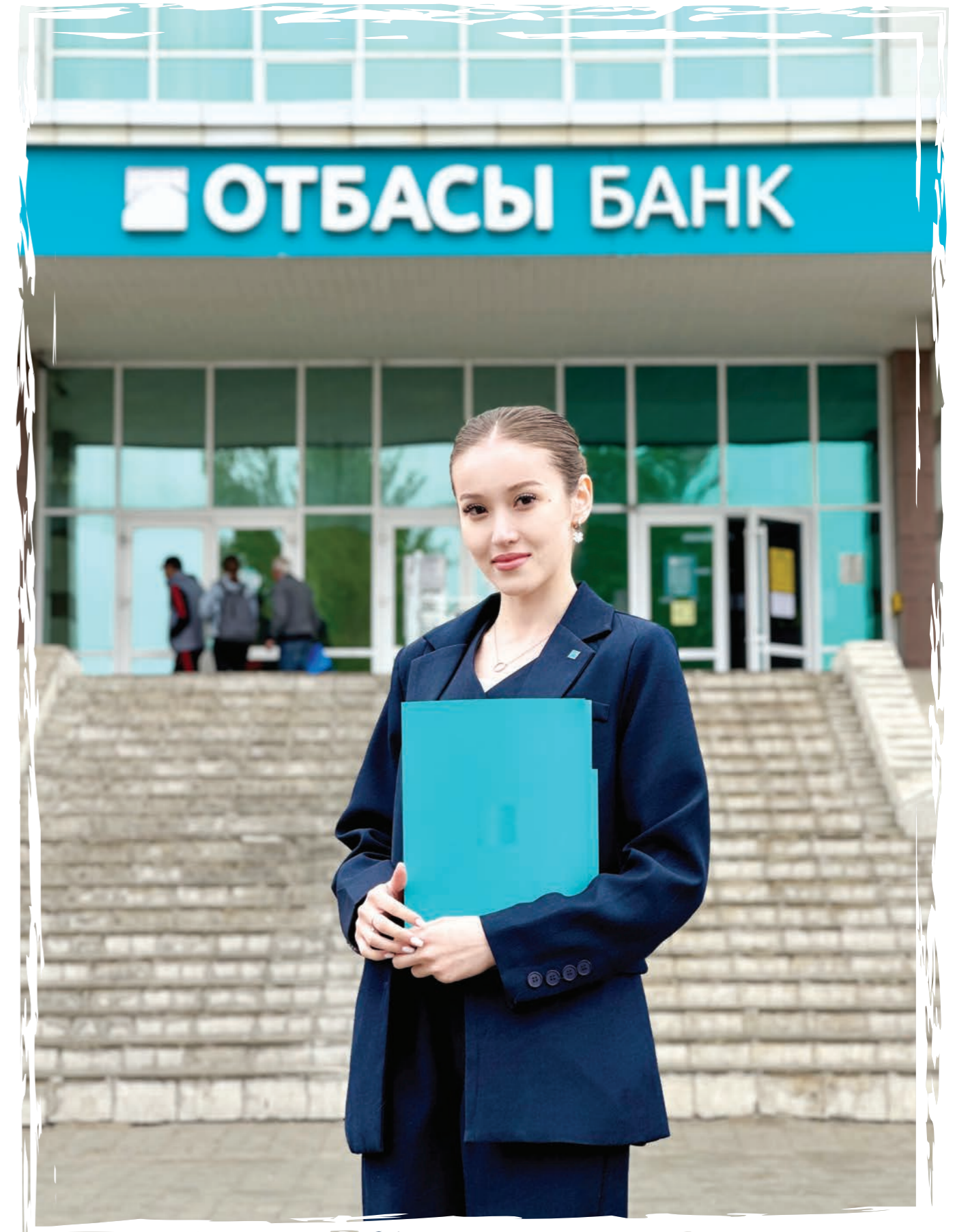
In preparing the Annual Report, the Bank followed the GRI principles for defining the report content:

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

Defining the Report Content

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

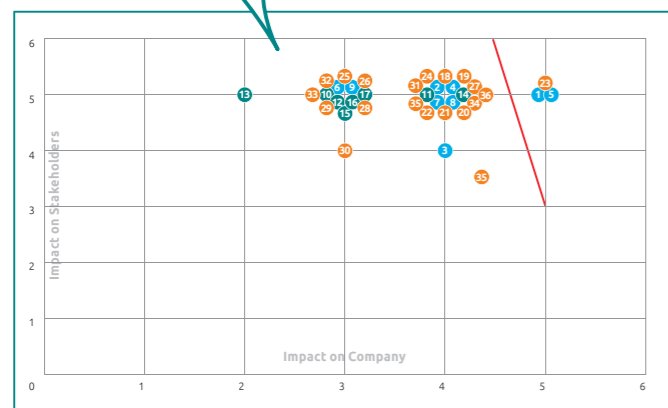
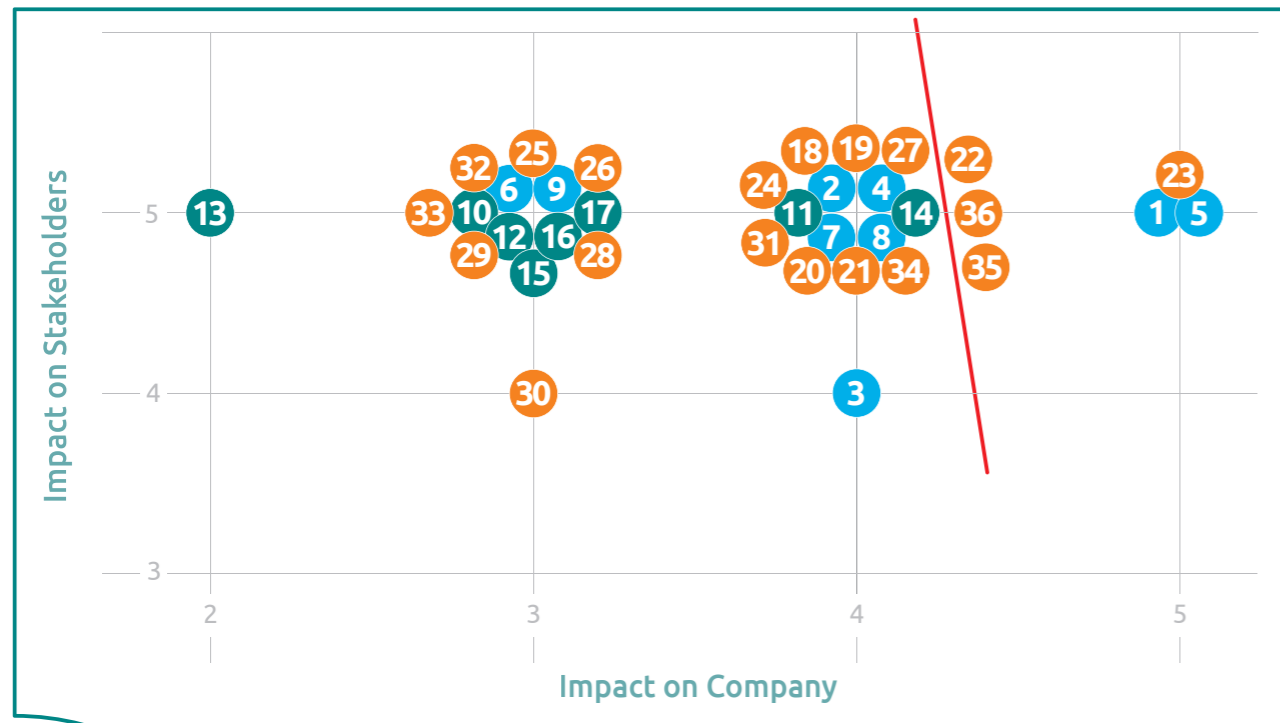
stakeholders (members of the Board of Directors, Management Board, employees of the Bank, representatives of the Sole Shareholder, media representatives, external auditors, etc.). Based on the results of the survey, the Materiality Matrix was constructed as follows. The topics in the upper right corner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





The concept of materiality for sustainability

MATERIALITY MATRIX



TOPICS

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



Appendix 2. Financial Statements

Statement of Financial Position

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

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

Statement of Profit or Loss and Other Comprehensive Income

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



Statement of Changes in Equity

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



Cash Flow Statement

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

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

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



Appendix 3. GRI Index

Statement of financial position

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

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



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

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



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

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



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

Appendix 4. SASB Table

Table 1. Sustainable Development Disclosure Topics and Indicators

Metrics	Category	UOM	Code	Figures for 2023
LENDING PRACTICES				
1. Number and value of loans granted for the purchase of housing, including a breakdown by combined fixed and floating rate; 2. Total value of prepayment penalty.	Quantitative	number, KZT mln	FN-MF-270a.1	1. Number: 62,640 Value: 1,050,453 The Bank does not grant floating rate loans. 2. Value: 105.8
1. Number and aggregate value of residential properties pledged under restructured mortgage loans; 2. Number and aggregate value of residential properties pledged as collateral for loans repaid through sale of collateral by the customer; 3. Number and aggregate value of residential properties pledged as collateral for loans repaid through the sale of other property.	Quantitative	number, KZT mln	FN-MF-270a.2	1. Number: 208 Value: 4,919 2. Number: 7 Value: 116. 3. No
Total cash losses due to litigation related to customer interactions or creditor fees *	Quantitative	KZT mln	FN-MF-270a.3	0,002 (The Bank's client filed a lawsuit against the Bank and the State Institution 'Astana Department of Housing and Housing Inspection' due to the fact that the State Institution 'Astana Department of Housing and Housing Inspection' untimely issued a housing certificate to Otbasy Bank JSC, namely, issued it after the conclusion of a housing loan agreement, and the Bank, in violation of the rules for issuing housing certificates, unreasonably returned the housing certificate to the State Institution 'Astana Department of Housing and Housing Inspection' during the court proceedings and consideration of the plaintiff's complaint. The Interdistrict Court for Civil Cases of Astana made a ruling to oblige the Bank to recalculate the customer's loan, taking into account the housing certificate issued by the State Institution 'Astana Department of Housing and Housing Inspection' and to recover from the Bank in favor of the customer the amount of state duty incurred when filing a lawsuit in the amount KZT 1,725 (one thousand seven hundred twenty-five). At present, the Bank has fully enforced the above court ruling).
Description of the mortgage loan interest structure	Discussion and Review	tbc	FN-MF-270a.4	Interest rates on the housing loan range from 2% to 5% p.a. (EAR is from 2.1% p.a.). Interest rates on the bridging loan range from 2% to 12% p.a. (EAR is from 2.1% p.a.). Interest rates on the preliminary loan range from 2% to 14.4% p.a. (EAR is from 2.1% p.a.).



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

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

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

Table 2. Activity Indicators

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

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

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

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



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

2. THE PRINCIPLE OF POWER SEPARATION

2.1.	The rights, duties and competences of the Sole Shareholder, the Board of Directors and the Management Board are determined in accordance with the applicable laws of the Republic of Kazakhstan in the internal regulations and are set forth therein.	Compliant	The rights, duties and competences of the Sole Shareholder represented by Baiterek National Management Holding JSC (hereinafter, the Sole Shareholder), the Board of Directors, and the Management Board of the Bank are determined by the laws of the Republic of Kazakhstan and the Bank's Articles. According to Clause 7.1. of Article 7 of the Articles, the Bank's bodies are: <ol style="list-style-type: none"> the highest body – the Sole Shareholder; the governance body – the Board of Directors; the executive body – the Management Board; the body exercising control over the financial and economic activities of the Bank – the Internal Audit Division; other permanent collegial bodies of the Bank established in accordance with the laws of the Republic of Kazakhstan and internal documents of the Bank to implement various activities of the Bank. It is not allowed to transfer issues, decision-making on which is referred to the exclusive competence of the Sole Shareholder of the Bank, to the competence of other bodies – the Board of Directors, the Management Board, officers, and employees of the Bank, unless otherwise provided for by the Joint Stock Companies Act of the Republic of Kazakhstan and other legislative acts of the Republic of Kazakhstan. Issues referred to the exclusive competence of the Board of Directors of the Bank may not be transferred for resolution to the Management Board of the Bank. The Board of Directors of the Bank is not entitled to make decisions on issues, which in accordance with the Articles are referred to the exclusive competence of the Management Board of the Bank, as well as to make decisions contradicting the decisions of the Sole Shareholder of the Bank.
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3. THE PRINCIPLE OF PROTECTING THE RIGHTS AND INTERESTS OF THE SOLE SHAREHOLDER

3.1	Corporate governance in the Bank is based on ensuring the protection, respect for the rights and legitimate interests of the Sole Shareholder and is aimed at contributing to the Bank's efficient operation and achieving break-even performance.	Compliant	The exclusive competence of the Sole Shareholder provided for in Article 14 of the Joint Stock Companies Act of the Republic of Kazakhstan and Clause 10.2 of the Bank's Articles is observed. <ul style="list-style-type: none"> The following documents were approved by Resolutions of the Management Board of Baiterek NMH JSC: Articles of Association of the Bank (dated 24.12.2014 (Minutes No. 41/14); Corporate Governance Code of the Bank (dated 12.01.2018 (Minutes No. 01/18); Regulations on the Board of Directors of the Bank (dated 28.11.2018 (Minutes No. 53/18); Regulations on interaction between the Holding Company and its Subsidiaries (dated 20.12.2017 (Minutes No. 52/17)
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Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
			As of 01.01.2023, the members of the Board of Directors – representatives of the Sole Shareholder were: Kanat Sharlapayev, Ersain Khamitov, and Adil Mukhamedzhanov. As of 31.12.2023, the member of the Board of Directors – representative of the Sole Shareholder was Ersain Khamitov. Materials on issues submitted for consideration of the Sole Shareholder of the Bank are prepared and sent within the terms established by the internal documents of the Bank and contain information to the extent necessary for making informed decisions on the issues. To comply with this principle, in accordance with the decision 'On Approval of the List, Forms and Frequency of Subsidiary Reporting to the Holding' of the Sole Shareholder dated 28 August 2019 (Minutes No. 42/19), the Bank regularly provides the Sole Shareholder with information on its financial and economic performance, as well as management and financial reporting in accordance with the approved forms of the reporting package, as well as in accordance with the Approval of the Rules for Formation of Risk Management and Internal Control System for Second-tier Banks approved by Resolution No. 188 dated 12 November 2019 of the Board of the National Bank of the Republic of Kazakhstan.

3.2	The Sole Shareholder should have access to information regarding the terms and procedure of dividend payment, as well as be provided with reliable information on the financial position of the Bank when paying dividends. To this end, the Sole Shareholder should approve the Dividend Policy. The Dividend Policy defines the principles, which the Board of Directors (Supervisory Board and/ or Executive Body) is guided by when preparing proposals to the Sole Shareholder on distribution of net income of the Bank and/or its subsidiary for the expired financial year. The Dividend Policy is based on the following principles: <ol style="list-style-type: none"> observance of the interests of the Sole Shareholder; ensuring profitability of the Bank's and subsidiaries' operations; ensuring the financial stability of the Bank and its subsidiaries; ensuring financing of the Bank's and subsidiaries' operations, including financing of investment projects implemented at the expense of the Bank; transparency of the mechanism for determining the amount of dividends; balancing short-term (income generation) and long-term (development of the Bank) interests of the Sole Shareholder. 	Compliant	Payment of dividends by the Holding's subsidiaries is regulated by the Procedure for Determining the Amount of Dividends to be Paid by the Holding's Subsidiaries, approved by the Minutes dated 11 May 2014 of the Management Board of the Holding Company (Minutes No. 14/14). The amount of dividends accrued by the Bank in favor of the Holding is determined depending on the financial and economic condition determined on the basis of the Bank's financial stability and liquidity indicators. In accordance with the laws of the Republic of Kazakhstan, the above-mentioned Procedure for Determining the Amount of Dividends to be Paid by the Holding's Subsidiaries and the Bank's Articles, the authorized bodies of the Bank prepare proposals on the procedure for distributing the Bank's net income for the past financial year and the amount of dividends for the year per common share of the Bank. The final amount of dividends is determined by the resolution of the Sole Shareholder of the Bank. In 2023, the Board of Directors of the Bank (Minutes No. 5 dated 26 April 2023) resolved: <ol style="list-style-type: none"> To pre-approve the audited annual financial statements of Otbasy Bank JSC for 2022, with its further presentation to the Sole Shareholder of Otbasy Bank JSC, i.e., Baiterek NMH JSC, for review, according to Appendix No. 5 to the Minutes. To recommend the Sole Shareholder of Otbasy Bank JSC, i.e., Baiterek NMH JSC, to adopt the following resolutions: <ul style="list-style-type: none"> to approve the following procedure for distribution of net income of Otbasy Bank JSC received at the end of 2022 reporting financial year in the amount of KZT 96,035,129,578.28 (ninety-six billion thirty-five million one hundred twenty-nine thousand five hundred seventy-eight tenge 28 tiyn): <ul style="list-style-type: none"> – to allocate KZT 67,224,699,900.00 (sixty-seven billion two hundred and twenty-four million six hundred and ninety-nine thousand nine hundred tenge 00 tiyn) from net income for payment of dividends to the Sole Shareholder, at the rate of 70% of the amount of net income attributable per share (total 7,830,000 shares), which is KZT 8,585.53 (eight thousand five hundred and eighty-five tenge 53 tiyn) of net income per share; – to leave 28,810,429,678.28 (twenty-eight billion eight hundred and ten million four hundred and twenty-nine thousand six hundred and seventy-eight tenge 28 tiyn) from net income to at the disposal of Otbasy Bank JSC;
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Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
	<p>The Dividend Policy also regulates the procedure for distribution of net income and determination of its part to be allocated for dividend payment, the procedure for calculation of the amount of dividends, and the procedure for payment of dividends, including the terms, place, and form of their payment.</p> <p>The Dividend Policy establishes the procedure for determining the minimum share of the Bank's net income to be allocated for dividend payments.</p>		<p>to approve the amount of dividends per common share of Otbasy Bank JSC, i.e., 8,585.53 (eight thousand five hundred and eighty-five tenge 53 tiyn);</p> <p>to determine the date of dividend payment start date – from the date of the Sole Shareholder's resolution;</p> <p>to pay dividends to the bank account of the Sole Shareholder of Otbasy Bank JSC in cash by wire transfer from the date of the resolution to pay dividends on common shares, within 90 (ninety) days from the date of the Sole Shareholder's resolution;</p> <p>to take the information on the amount and composition of remuneration of members of the Board of Directors and the Management Board of Otbasy Bank JSC paid in 2022 into consideration;</p> <p>to take the information on absence of appeals of the Sole Shareholder on actions of Otbasy Bank JSC and its officials in 2022 into consideration.</p>
4. THE PRINCIPLE OF EFFICIENT MANAGEMENT OF THE BANK BY THE BOARD OF DIRECTORS AND THE MANAGEMENT BOARD			
4.1	<p>The Board of Directors is the governance body providing strategic management of the Bank and control over the activities of the Management Board.</p> <p>At the same time, the Board of Directors pays special attention to the issues of:</p> <ol style="list-style-type: none"> defining the Development Strategy (directions and results); setting and monitoring of KPIs set out in the Development Strategy and/or Development Plan; organization and supervision of the effective functioning of the risk management, internal control and internal audit systems; approval and monitoring of effective implementation of major investment projects and other key strategic projects within the competence of the Board of Directors; election (re-election), remuneration, succession planning and supervision over the activities of the Head and members of the executive body; corporate governance; the Bank's compliance with the provisions of this Code and the Bank's corporate standards in the field of business ethics (Code of Business Ethics). 	Compliant	<p>According to Clause 7.1. of Article 7 of the Bank's Articles, the Board of Directors is the Bank's governance body. The exclusive competence of the Board of Directors provided for in the Joint Stock Companies Act of the Republic of Kazakhstan and the Bank's Articles is observed.</p> <p>Resolutions of the Bank's Board of Directors adopted in 2023:</p> <ol style="list-style-type: none"> By the Resolution dated 26 April 2023 of the Board of Directors (Minutes No. 5), the 2022 Report on the Implementation of the 2023 Information Technology Development Strategy of Otbasy Bank JSC was approved; By the Resolution dated 27 December 2023 of the Board of Directors (Minutes No. 16), the 2024 KPI Maps and their Target Values for Members of the Management Board of Otbasy Bank JSC were approved; By the Resolution dated 27 February 2024 of the Board of Directors (Minutes No. 3), the 2023 Report on Business Continuity Management of Otbasy Bank JSC was approved; By the Resolution dated 27 February 2024 of the Board of Directors (Minutes No. 3), the 2023 Internal Audit Department Performance Report was approved; By the Resolution dated 26 April 2023 of the Board of Directors (Minutes No. 5), early termination of powers of Mr. Miras Beisembayev, Member of the Management Board, Deputy Chairman of the Management Board of Otbasy Bank JSC, from 15 May 2023 was approved from 15 May 2023 with compensation payments to be made; and election of Mr. Vladimir Savchenko to the position of Member of the Management Board of Otbasy Bank JSC, Deputy Chairman of the Management Board was approved from 15 May 2023 with the term of office until the expiry of the term of office of the Management Board of Otbasy Bank JSC as a whole and with establishment of his official salary; By the Resolution dated 30 May 2023 of the Board of Directors (Minutes No. 7), payment of remuneration to the Chairman of the Management Board and members of the Management Board on the basis of performance for 2022 was approved; By the Resolution dated 31 May 2023 of the Board of Directors (Minutes No. 8), the Report on Compliance/Non-compliance with the Principles and Provisions of the Bank's 2023 Corporate Governance Code was approved.
4.2	<p>The quantitative composition of the Board of Directors should be determined by the Sole Shareholder. The composition of the Board of Directors should be determined individually taking into account the scale of operations, current tasks, development strategy and/or development plan and financial capabilities.</p>	Compliant	<p>The term of office of the Board of Directors is established by the Sole Shareholder. The term of office of the members of the Board of Directors coincides with the term of office of the entire Board of Directors, unless otherwise determined by the decision of the Sole Shareholder, and expires at the time of the Sole Shareholder's decision to elect a new Board of Directors. The Resolution dated 16 February 2022 of the Management Board of Baiterek NMH JSC (Minutes No. 09/22) approved the three-year term of office of the Board of Directors of Otbasy Bank JSC.</p>

Sr. No.	Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliant/ Not compliant	Measures Taken to Implement the Principles and Provisions of the Corporate Governance Code of Housing Construction Savings Bank of Kazakhstan Joint Stock Company
	<p>The composition of the Board of Directors should be balanced, which means a combination of members of the Board of Directors (representatives of the Sole Shareholder, Independent Directors, and the Head of the Executive Body), ensuring decision-making in the interests of the Holding Company and its economic development objectives.</p> <p>The presence and attendance of independent directors in the composition of the Board of Directors is mandatory. The number of members of the Board of Directors should not be less than three. At least one third of the members of the Board of Directors of the Bank should be independent directors. At the same time, the number of independent directors should be sufficient to ensure the independence of decisions taken.</p> <p>The recommended number of independent directors in the Board of Directors of the Bank is up to fifty percent of the total number of members of the Board of Directors.</p>		<p>Composition of the Board of Directors as of 1 January 2023: Kanat Sharlapayev, Chairman of the Board of Directors, Representative of the Sole Shareholder.</p> <p>Members of the Board of Directors:</p> <ul style="list-style-type: none"> Ersain Khamitov, Representative of the Sole Shareholder; Adil Mukhamedzhanov, Representative of the Sole Shareholder; Lyazzat Ibragimova, Chairman of the Management Board of the Bank. Sanzhar Zhamalov, Independent Director; Elmira Ermekova, Independent Director; Nurlan Tokobayev, Independent Director; <p>Composition of the Board of Directors as of 31 December 2023:</p> <ul style="list-style-type: none"> Ersain Khamitov, Chairman of the Board of Directors, Representative of the Sole Shareholder. Members of the Board of Directors: Lyazzat Ibragimova, Chairman of the Management Board of the Bank. Sanzhar Zhamalov, Independent Director; Elmira Ermekova, Independent Director; Nurlan Tokobayev, Independent Director.
4.3	<p>Relations between Independent Directors and the Bank should be formalized by agreements taking into account the legislative requirements of the Republic of Kazakhstan, provisions of this Code, and internal documents of the Bank.</p> <p>The agreements should specify the rights, duties, responsibilities of the parties and other material terms, as well as the obligations of Independent Directors of the Board of Directors to comply with the provisions of this Code, including devoting sufficient time to fulfil the functions assigned to them, not to disclose internal information about the Bank after termination of its activities for the period established by the Board of Directors, and additional obligations conditioned by the requirements to the status and functions of Independent Directors (in terms of timely declaration of loss of independence and others).</p> <p>The agreements may set out the terms of fulfilment of certain duties by members of the Board of Directors.</p>	Compliant	<p>The Bank and Independent Directors have entered into agreements under which the Director undertakes to fulfil the duties of a member of the Board of Directors of the Bank/Independent Director – a member of the Board of Directors of the Bank as defined by regulations of the Republic of Kazakhstan, the Articles, and other internal documents of the Bank, and the Bank undertakes to timely and fully pay remuneration to the Director and reimburse expenses related to the performance of duties of a member of the Board of Directors in accordance with the procedure established by the Agreement.</p> <p>Prior to signing the Agreement, the Bank provides the Director with a copy of the Bank's Articles and internal documents of the Bank regulating the activities of the members of the Board of Directors of the Bank according to the Appendix to the Agreement. During the term of the Agreement, the Bank notifies the Director of amendments to the relevant internal documents of the Bank in accordance with the Appendix to the Agreement and of adoption of new internal documents of the Bank within 15 (fifteen) calendar days from the date of such amendments.</p>
4.4	<p>The Bank should ensure that succession plans are in place to maintain continuity of operations and refreshment of the Board of Directors.</p> <p>The Board of Directors should approve an induction program for newly elected members of the Board of Directors and a professional development program, if necessary. The Corporate Secretary should ensure the implementation of this program.</p>	Compliant	<p>There is no succession plan for members of the Board of Directors.</p> <p>The professional development program for members of the Board of Directors has not been developed.</p> <p>The induction program as not been developed as a separate document. Clause 35 of the Regulations on the Board of Directors of the Bank describes the induction process for members of the Board of Directors.</p>



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

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



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

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



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

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



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

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



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

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



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

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



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

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



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

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4.20	The Management Board reports to the Board of Directors and manages the day-to-day operations of the Bank, is responsible for the implementation of the development strategy and/or development plan and decisions made by the Board of Directors and the Sole Shareholder.	Compliant	According to Clauses 11.1. and 11.2 of Article 11 of the Bank's Articles of Association, the Bank's Management Board manages the Bank's day-to-day operations. The Management Board of the Bank is obliged to execute resolutions of the Sole Shareholder and the Board of Directors of the Bank.
4.21	The Board of Directors elects the members of the Management Board (except for the Chairman of the Management Board), determines the terms of their office, the amount of their official salary, terms of their remuneration and bonus payment. The Human Resources, Remuneration and Social Affairs Committee of the Bank's Board of Directors plays a key role in the process of searching and selecting candidates for the Management Board and determining their remuneration.	Compliant	<p>Pursuant to sub-clause 17) of clause 9.2 of Article 9 of the Bank's Articles of Association, election of the Chairman of the Management Board of the Bank, as well as early termination of his powers is the exclusive competence of the Sole Shareholder.</p> <p>In accordance with clause 11.3 of Bank's Articles of Association, the Management Board should be composed of at least three members, including: Chairman of the Management Board, his deputy(s) and (or) other members of the Management Board of the Bank elected by the Board of Directors of the Bank for a term of five years.</p> <p>By Resolution of the Board of Directors of the Bank (Minutes No. 3) dated 11 March 2022, the quantitative composition of the Management Board is determined as 7 (seven) members.</p>
4.22	The Board of Directors may terminate the powers of members of the Management Board (except for the Chairman of the Management Board) at any time.	Compliant	<p>By Resolution of the Board of Directors of the Bank dated 26 April 2023 (Minutes No. 5):</p> <ul style="list-style-type: none"> the powers of Miras Beisembayev, member of the Management Board, Deputy Chairman of the Management Board of the Bank, were early terminated from 15 May 2023 in accordance with sub-clause 23) of clause 1 of Article 52 of the Labor Code of the Republic of Kazakhstan. Vladimir Savchenko was elected as a member of the Management Board of the Bank, Deputy Chairman of the Management Board from 15 May 2023 with the term of office until the expiry of the term of office of the Management Board of the Bank as a whole.
4.23	To increase transparency of the processes of appointment and remuneration of the members of the Management Board of the Bank, it is recommended that the Board of Directors approve the rules on appointment, remuneration, evaluation and succession of the members of the Management Board of the Bank.	Compliant	<p>Resolution No. 11 dated 7 October 2019 of the Board of Directors of the Bank approved the Rules on internal policy on remuneration, accrual of monetary remuneration, as well as other types of material incentives for the Bank's executives</p> <p>(as amended under the Resolution dated 01 December 2022 (Minutes No. 15) of the Board of Directors, and as amended under the Resolution dated 30 January 2024 (Minutes No. 15) of the Board of Directors).</p>
4.24	The Chairman and members of the Management Board may hold positions in other entities only with the approval of the Board of Directors. The Chairman of the Management Board should not hold the position of the head of the Management Board of another entity.	Compliant	<p>According to sub-clause 11.4 of the Bank's Articles, a member of the Management Board may hold a position in other entities or in the bodies of other entities only with the consent of the Board of Directors of the Bank.</p> <p>In 2023, the members of the Bank's Management Board did not hold positions in other entities.</p>
4.25	The Management Board ensures the establishment of an optimal organizational structure of the Bank. The organizational structure should be aimed at: 1. efficient decision-making; 2. increasing the Bank's productivity; 3. prompt decision-making; 4. organizational flexibility.	Compliant	<p>In accordance with the requirements of set forth in sub-clause 20 of clause 10.2 of article 10 of the Bank's Articles, the organizational structure of the Bank should be approved by resolution of the Board of Directors.</p> <p>In 2023 the organizational structure of the Bank was amended by the Resolution dated 28.03.2023 (Minutes No. 4) of the Board of Directors.</p>



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

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

5. THE PRINCIPLE OF SUSTAINABLE DEVELOPMENT

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

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



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

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



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

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



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

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



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

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



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

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



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

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



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

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



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8. THE PRINCIPLE OF TRANSPARENCY AND OBJECTIVITY OF DISCLOSURE OF INFORMATION ON THE BANK'S ACTIVITIES			
8.1	To comply with the interests of stakeholders, the Bank discloses information required by the laws of the Republic of Kazakhstan and internal documents of the Bank, as well as information on all important aspects of its operations, including its financial position, results of operations, ownership and management structure, in a timely and reliable manner.	Compliant	In accordance with the requirements of the Rules of Information Disclosure by the Issuer and requirements to the content of information to be disclosed by the issuer, as well as the terms of information disclosure by the issuer on the Internet resource of the depository of financial statements, approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan on 27 August 2018 № 189, Kazakhstan Stock Exchange and Astana International Financial Centre, the Bank discloses information in terms of corporate events of the Bank, as well as the list of affiliates of the Bank. The Bank sent a letter of assurance No. 09/1-16-12/1 165 dated 9 January 2024 to Kazakhstan Stock Exchange JSC (on provision of complete information on corporate events for the year by the Bank to the Exchange, according to the laws of the Republic of Kazakhstan and Rules of Information Disclosure by the Issuer).
8.2	To ensure systematic disclosure of information, the Bank approves internal documents defining the principles and approaches to information disclosure and protection, the list of information disclosed to stakeholders, the terms, procedure, method, form of information disclosure, responsible officials and employees, specifying their functions and duties, as well as other provisions regulating information disclosure processes.	Compliant	The following internal regulatory documents regulate the issues of confidentiality of information security, safeguarding commercial, official and other secrets protected by law, as well as disclosure of information about Housing Construction Savings Bank of Kazakhstan JSC and sources of its placement: • Order No. 137 dated 04 September 2023 'Provision of information on corporate events, financial statements and audit reports, list of affiliated persons of Otbas Bank JSC and information on total remuneration of members of the Management Board of Otbas Bank JSC based on the results of the year'. In addition, the Resolution dated 15 October 2018 (Minutes No. 12) of the Board of Directors of the Bank approved the List of Protected Information, Including Information Constituting Official, Commercial, or Other Legally Protected Secret of Housing Construction Savings Bank of Kazakhstan JSC.
8.3	To protect information constituting commercial and official secrets, the Bank, in accordance with the laws of the Republic of Kazakhstan, determines the procedure for categorizing information as access, conditions for storage and use of information. The Bank determines persons entitled to free access to information constituting commercial and official secrets and takes measures to protect its confidentiality.	Compliant	The following documents have been approved and are used in the Bank: • Rules for Categorization of Information and Information Assets, and Development of the List of Protected Information in the Bank (approved by MB Resolution No. 44 dated 12 May 2020); • List of Protected Information, Including Information Constituting Official, Commercial, or Other Legally Protected Secret of Housing Construction Savings Bank of Kazakhstan JSC (approved by MB Resolution dated 15 October 2018, Minutes No. 12); • Rules for Accounting, Use, and Storage of Protected Information in Housing Construction Savings Bank of Kazakhstan JSC (approved by MB Resolution No. 28 dated 19 February 2015).
8.4	The corporate Internet resource is structured, easy to navigate and contains information sufficient for interested parties to understand the Bank's activities. It is recommended that the information be placed in separate thematic sections of the corporate Internet resource. The corporate Internet resource is updated as necessary, but at least once a week. The Bank regularly monitors the completeness and relevance of the information posted on the corporate Internet resource, and determines the compliance of this information with the information posted on the Kazakh, Russian and English versions of the corporate Internet resource. For this purpose, persons (structural unit) responsible for the completeness and relevance of information on the corporate Internet resource are assigned.	Compliant	According to the Information Disclosure Rules of Otbas Bank JSC, approved by the Resolution of the Bank's Management Board on 28 December 2017 (Minutes No. 51), the responsibility for placement and updating of information on the Bank's Internet resource lies with the responsible department and IT department. According to the List of Responsible Departments, information on the Bank's Internet resource is placed and updated as necessary and on time in accordance with internal documents for the placement and updating of information and Order No. 451 dated 04 October 2019 'Information Formation, Placement and Updating in the Sections of the External Internet Resource of Otbas Bank JSC'.

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8.5	The Bank's corporate Internet resource contains the following information: 1. general information about the Bank, including information about its mission, main objectives, goals and activities, equity, assets, net income, and headcount; 2. the Bank's development strategy and/or development plan (at least strategic goals); priority areas of activity; 3. the Bank's Articles of Association and internal documents regulating the activities of the bodies, committees, and corporate secretary; 4. ethical principles; 5. risk management; 6. dividend policy; 7. members of the Board of Directors, including: photograph (upon agreement with a member of the Board of Directors), surname, first name, patronymic, date of birth, citizenship, status of a member of the Board of Directors (independent director, representative of the Sole Shareholder), indication of functions of a member of the Board of Directors, including membership in committees of the Board of Directors or fulfilment of functions of the Chairman of the Board of Directors, education, including basic and additional education (name of educational institution, year of graduation, qualification, degree obtained), work experience for the last five years, main place of work and other positions currently held, professional qualification, date of first election to the Board of Directors and date of election to the current Board of Directors, number and proportion of shares owned by affiliates; 8. members of the Management Board, including: photograph, surname, first name, patronymic, date of birth, citizenship, position and functions performed, education, including basic and additional education (name of educational institution, year of graduation, qualification, degree obtained), work experience for the last five years, professional qualification, positions held on a part-time basis, number and proportion of shares owned by affiliates; 9. financial statements; 10. annual reports; 11. external auditor; 12. procurement activities, including procurement rules, announcements and results;	Compliant	The Information Disclosure Rules of Otbas Bank JSC, approved by the Resolution of the Bank's Management Board on 28 December 2017 (Minutes No. 51), provide for the following information to be placed on the Bank's external website: 1. main activities of the Bank; 2. annual report of the Bank; 3. information on material events in the life of the Bank; 4. information on the structure of the Board of Directors and the Management Board of the Bank; 5. information on existing vacancies and the Bank's HR Policy; 6. list and addresses of the Bank's Branches; 7. information on affiliates; 8. information on the Bank's shareholders and partners; 9. information on the Bank's strategic development; 10. accounting policy of the Bank; 11. press releases and advertising and information articles of the Bank; 12. presentation plots and commercials of the Bank.



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

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8.7	<p>The requirements for the content of the annual report minimally imply the following information:</p> <ol style="list-style-type: none"> Address of the Chairman of the Board of Directors; Address of the Chairman of the Management Board of the Bank; About the Bank: general information; on the structure of the authorized capital, including the following information: number and nominal value of issued shares (participatory interests), description of rights granted by shares, number and nominal value of authorized but unissued shares, information on the sole shareholder, number of ordinary shares held by him, procedure for disposal of ownership rights; mission; development strategy, results of its implementation; market overview and market position; financial and operational performance for the reporting year: review and analysis of performance against objectives; operational and financial performance; key significant events and achievements; information on significant transactions; any financial support, including guarantees received from the government and any obligations to the government and society assumed by the Bank (if not disclosed in accordance with IFRS); asset structure, including subsidiaries of all levels, overview, summary of their financial and operational performance; 6) targets and plans for future periods; main risk factors and risk management system; 	Compliant	<p>In 2023, the 2022 Annual Report was submitted to the Sole Shareholder of the Bank for consideration, which provides information on the Bank's performance, including:</p> <ul style="list-style-type: none"> Address of the Chairman of the Board of Directors of the Bank, and Address of the Chairman of the Management Board of the Bank; information on the main activities and services provided; information on significant corporate events; information on the development strategy (mission, goals and objectives); information on risk management; information on corporate social responsibility and environmental protection; information on management bodies and organizational structure of the Bank; information on the Corporate Governance Principles of the Bank, including the Conflicts of Interest Policy; information on the results of self-assessment of compliance with the Bank's approved Corporate Governance Code; information on the Bank's transparency and efficiency of information disclosure processes; annual financial statements and auditor's reports; additional information as required by Kazakhstan Stock Exchange JSC.



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

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



List of Abbreviations

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

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