



**OTBASY
BANK**

**ANNUAL
REPORT**

'21




ON THE WAY TO FULL
DIGITALIZATION



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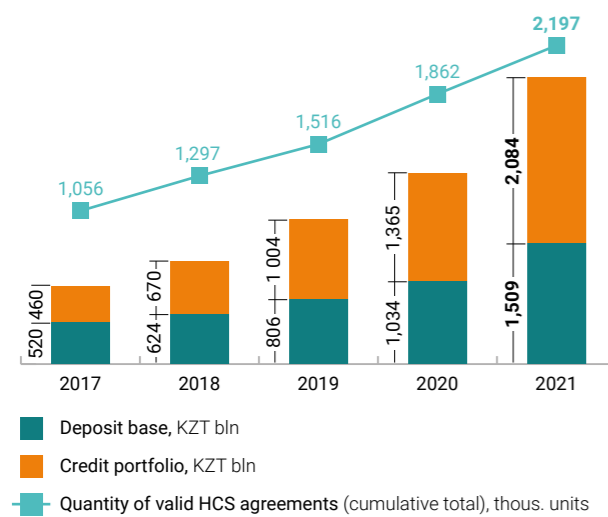


The annual report of Otbasy Bank JSC is available in electronic and interactive format in the State, Russian and English languages on the bank's website.

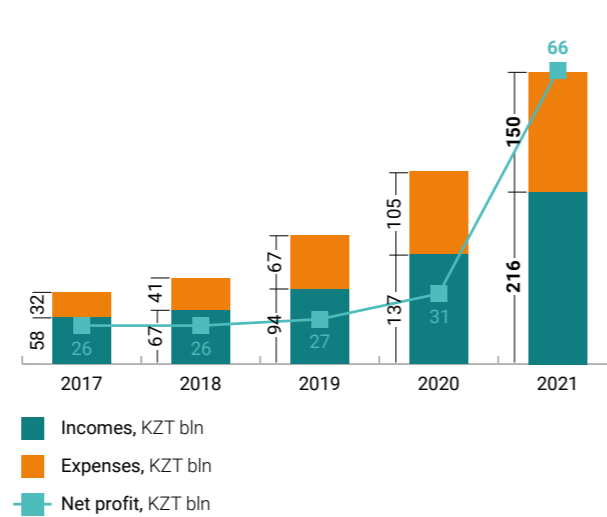
KEY INDICATORS

Otbasy Bank JSC (hereinafter – Otbasy Bank, the Bank) is the only bank in the country implementing the system of housing construction savings. The HCS system is focused on improvement of housing conditions of the people by attracting the funds of depositors to the housing construction deposits and granting housing loans to them.

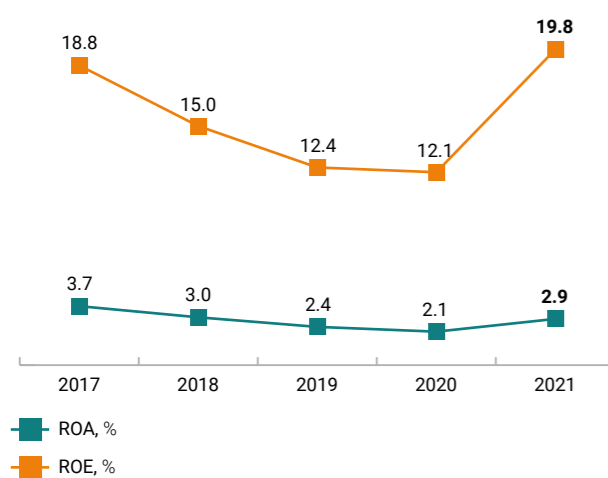
Deposit and loan portfolio



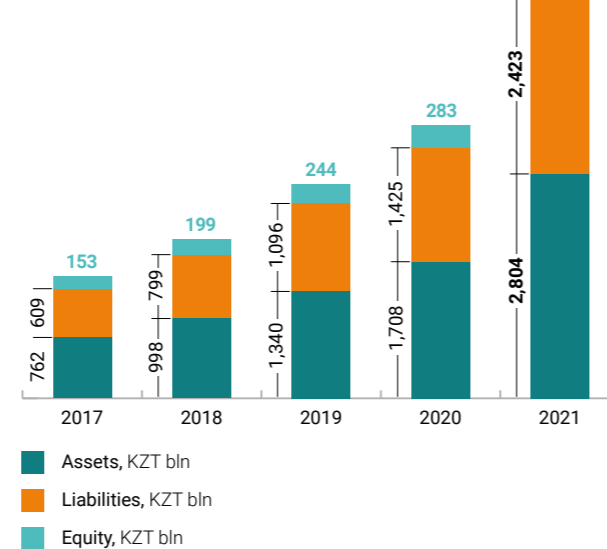
Incomes, expenses and net profit



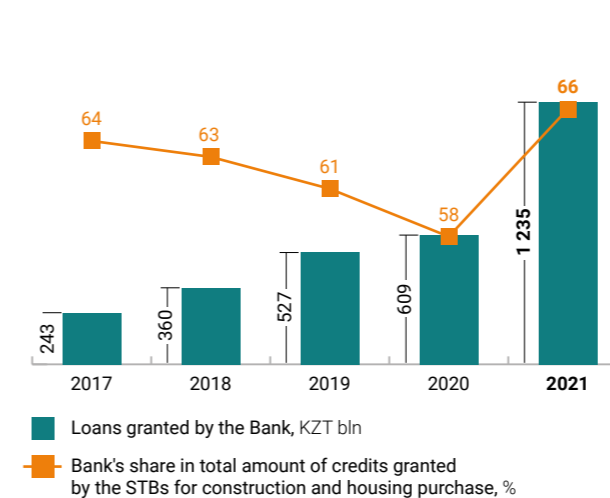
Profitability ratios



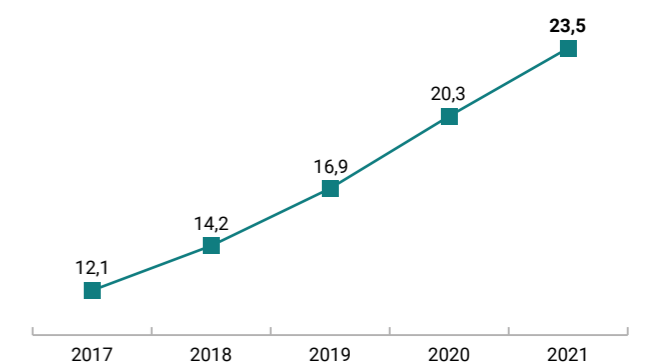
Assets, liabilities and equity



Amount of credits issued for construction and housing purchase



Share of participants of the housing construction savings system compared to economically active population



ADDRESS OF THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Customers and Partners,

The mission of Otobasy Bank is to provide Kazakh families with their own housing and strengthen the feeling of the Motherland. And the Bank successfully copes with this responsible role. Confirmation of this is the results of 2021.

Last year, the Bank helped 82 252 residents of Kazakhstan celebrate obtaining of their houses. This was a record number of loans disbursed for the year in the history of the Bank. In total, the bank customers received affordable loans to the amount of 1,235,168 million tenge.

The Bank also actively participated in implementation of the state program «Nurly Zher». As a result, every fourth loan was disbursed under this program. In total under this program direction, 20 290 Kazakh families celebrated housewarming in 2021. Including 4 216 families in «Bakytty Otobasy», 11 087 families in «Shanyrak» and 4 987 loans were disbursed under the direction of «Construction of Loan-Financed Housing».

The confidence of Kazakhstanis in the system of housing construction savings allows Otobasy Bank to take the first place in the market of long-term deposits for several years. As a result of the year 2021, the Bank has 2 196 865 deposits, every tenth of which is opened for a child under 18 years old. New accounts were opened by 601 370 Kazakhstanis. The total deposit portfolio of the Bank is 1 509 092 million tenge.

As a result, the ratio of participants in the housing construction savings system to the economically active population of the country increased and amounted to 23.5%. This figure once again confirms the fact that Kazakhstan is actively developing a culture of accumulation among its citizens.

In 2021, «Moody's Investors Service» upgraded the long-term national currency deposit rating of Otobasy Bank from «Baa3» to «Baa2». The rating outlook is «Stable». «Fitch Ratings» also upgraded Otobasy Bank's long-term national currency issuer default rating from «BBB-» to «BBB». The rating outlook is «Stable». The ratings upgraded to the country rating level.

In general, the past year for Otobasy Bank was marked by a number of significant, digital transformations aimed at improving processes and services for providing the high quality service to its depositors.

In the further development plans, the Bank will be transformed into a national development institution. It is set with the task to ensure accounting and distribution of housing among citizens based on «one window» principle. The Bank will implement the more and more complex digital tasks. Such new direction of Otobasy Bank will allow to solve the housing problems for a significant number of citizens who are registered as needing housing.

Sincerely,
Kanat Sharlapayev
*Chairman of the Board of Directors of
JSC Otobasy Bank*



ADDRESS OF THE CHAIRPERSON OF THE MANAGEMENT BOARD

Ladies and Gentlemen, Customers and Partners,

For Otbasy Bank, 2021 has been a year of digital breakthrough and new initiatives.

We helped 82,252 Kazakhstani families celebrate moving into new homes. The ability to use pension funds above the sufficiency threshold to improve the living conditions of citizens played a crucial role.

The initiative for the early withdrawal of pension savings belongs to the Head of State Kassym-Jomart Tokayev. It was a long-awaited decision for hundreds of thousands of citizens. It was important for us, being one of the authorized operators for the targeted use of lump-sum pension payments, to make the process as clear and simple as possible. In a short timeframe, the Bank developed the enpf-otbasy.kz platform and during 2021, without queues and fuss, 458,597 Kazakhstanis used pension funds remotely to purchase housing, pay off mortgages or receive medical treatment.

Starting from December 16, 2021, our citizens have the option of replenishing deposits in Otbasy Bank using unified pension payments. Until the end of the year, 34,284 people already used this opportunity. They replenished savings accounts in our Bank in the amount of 55.6 KZT bln.

In 2021, Otbasy Bank launched its own marketplace called "Baspana Market", where Kazakhstanis can choose housing in one place and apply for participation in state programs, choose the best option from a developer within the framework of the Bank's own programs, or purchase a secondary market apartment.

An application for online mortgage has become available to our citizens on the "Baspana Market". The launch of a new digital tool helps to reduce visits to the Bank's branches by 4 times. With an online mortgage, now applicants need to come to the physical branch only twice at the stage of signing a loan agreement.

Introduction of Blockchain technology for registering a real estate pledge agreement for individuals helped speed up the process of obtaining loans at Otbasy Bank. Now it takes maximum of two hours instead of three days.

Last year, Otbasy Bank also launched a number of new products. One of them is the "Umay" mortgage for women. It is aimed at promoting gender equality in housing finance in our country. With the help of "Umai", 970 Kazakhstani women purchased housing.

The second new program for us is "Elorda Zhastary". At its first stage, it is going to help 200 young specialists in the capital to obtain soft loans to purchase their own housing.

In December 2021, Otbasy Bank approved the Development Strategy until 2023 in a new edition, which now reflects the new functions of the Bank related to its transformation into a full-fledged national development institution.

This means that in addition to its current functions, the Bank will also carry out accounting, placement and distribution of housing on a centralized basis. To do this, the existing queueing system will be transferred from the akimats to the Otbasy Bank Housing Center.

The Housing Center will work for all citizens in need of housing under the one stop principle. In this case, they will no longer need to apply to several instances to confirm their status as needing housing, join the queue, and then apply to the Bank for a loan.

The Bank will also continue digitalization of its processes. We plan to implement online mortgages in the Otbasy Bank mobile application, introduce an intelligent voice robot, and receive calls via IP telephony. These and other digitalization steps will improve customer service so that consumers can quickly and efficiently receive all the necessary services of the Bank.

*Best wishes,
Lyazzat Ibragimova
Chairperson of the Management Board
Otbasy Bank JSC*



KEY EVENTS OF THE REPORTING YEAR

January

- Launch of the Rules for the use of pension payments to improve housing conditions and the www.enpf-otbasy.kz online platform for accepting applications for the use of pension savings.
- Opening of special current accounts for crediting lump-sum pension payments online has begun.
- The Bank's license to conduct banking operations has been expanded with a new type of activity – opening and maintaining current bank accounts of individuals for crediting lump-sum pension payments to improve housing conditions and (or) pay for medical treatment.

May

- “Power of Attorney” module implemented in the BPM system to optimize the service of customer representatives based on the issued power of attorney.

February

- Acceptance of applications for participation in the “Nurly Zher” state program of housing and communal development for 2020-2025 (hereinafter – the “Nurly Zher” program) in the Shanyrak direction has begun.
- Launch of the Rules for the use of lump-sum pension payments for medical treatment and acceptance of applications for payment for medical treatment in the territory of the Republic of Kazakhstan through the www.enpf-otbasy.kz online platform has begun.
- Introduction of a process for early repayment of loans through lump-sum pension payments.

June

- Azimbekov M.M. was appointed as a new Deputy Chairman of the Management Board of the Bank (instead of Kozhanbayev A.N., who previously held the same position).
- The Bank was allocated 20 KZT bln from the republican budget to implement the “Baqytty Otbasylar” direction of the “Nurly Zher” program.
- Integration of automated decision-making system on applications with the “Prequalification” process with decision-making based on the results of the scorecards has been introduced.

March

- Fitch Ratings upgraded the Bank's long-term national currency issuer default rating from ‘BBB-’ to ‘BBB’. The rating outlook is Stable.
- The Crystal Headset 2020/2021 international award awarded the Bank with the laureate title in “The Most Efficient Application of Technologies” nomination for the Video Banking innovation.
- The republican budget allocated 50 KZT bln to the Bank for the implementation of the “Baqytty Otbasylar” direction of the “Nurly Zher” program.
- The “Mortgage Loan Partial Early Repayment” online service was introduced in the mobile application and Internet banking on the Bank's website.

July

- Launch of a joint program of the Bank with the Akimat of Almaty “Baqytty otbasylar of Almaty” was launched, aimed at providing housing for citizens who are on the waiting list of the Akimat of Almaty within the framework of the “Nurly Zher” program.
- Ramil Mukhoryapov was elected a member of the Bank's Board of Directors (instead of Alexander Barunin, who previously held the position of an independent director on the Bank's Board of Directors).

April

- Launch of the “Umai” program designed to improve the living conditions of women in Kazakhstan and aimed at ensuring gender equality in housing finance, at the expense of borrowed funds from the Asian Development Bank.
- Acceptance of applications for participation in the “Nurly Zher” program in the direction of “Lending to low-income families from the waiting list of the LEB “Baqytty Otbasylar” has begun.
- To increase the openness and transparency of the Bank's activities, access to information and prompt feedback from citizens, blog of the Chairperson of the Management Board of the Bank, Lyazzat Ibragimova, was launched on the “Open Dialogue” blog platform (<https://dialog.egov.kz>).
- The Bank was allocated 32 KZT bln from the republican budget for the implementation of the “Nurly Zher” program.

August

- Moody's Investors Service upgraded Otbasylar Bank's long-term national currency deposit rating from “Baa3” to “Baa2”. The rating outlook is Stable.
- Launch of a new remote customer service function – online opening of a deposit via a video call, and the “Insurance contracts renewal” online operation in Internet banking.

September

- The Bank wrote off debts in the amount of 16.6 KZT mln to the families of two victims of explosions in the Zhambyl region and seven families affected by the state of emergency, who had loans from Otobasy Bank, provided an opportunity to receive a deferral of payments.
- A joint program of the Bank and the Otau Stroy construction company was launched, which allows the purchase of housing with a 30% reduced down payment at a 7% per annum remuneration rate (AERR from 7.4%) with a further rate reduction without providing additional collateral.
- Online services “Concierge service”, “Full early repayment of a loan”, “Partial early repayment of a loan with co-borrowers” were launched in the Bank’s mobile application
- Tokobayev Nurlan Tursunbekovich was elected a member of the Board of Directors and an independent director of the Bank.

October

- Launch of online registration of real estate pledge using Blockchain technology.
- Launch of the marketplace (Baspana Market portal) for buying and selling housing, where customers can choose housing, apply for participation in state programs, choose the best option from developers according to the Bank’s own programs, purchase an apartment on the secondary market, and developers can have their own personal account, where they can submit an electronic application for cooperation and put apartments for sale for a large pool of buyers of the Bank.
- Autumn real estate fair – the best platform for meeting buyers and developers was held (in compliance with all sanitary standards due to the coronavirus pandemic).
- Online quest was held to attract potential depositors of the Bank and increase the activity of the deposit portfolio.
- The “PR-support of the state program for the use of lump-sum pension payments” project of the Bank received the Grand Prix in the “Ak mergen” competition. The Kazakhstan Award in the field of PR development “Ak mergen” was held by the National Association of the Republic of Kazakhstan for Public Relations.

November

- Expansion of the list of the Bank’s partners for deposit replenishment and loan repayment – a new payment method has been introduced (deposit replenishment, loan repayment) via the Forte Bank mobile application with zero commission.
- The information systems of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan, National Information Technologies JSC and Otobasy Bank were integrated, as a result of which the Bank’s customers can use the “Digital Documents” service in the EGOV Mobile e-government mobile application.
- The Bank’s branch in Shymkent organized a real estate fair with the participation of clients, of Shymkent construction companies, representatives of the local akimat and consultants of the Bank. Potential customers were given the opportunity to receive discounts from developers up to 3 KZT mln for a future apartment.
- A joint program of the Bank and the Ontustik-Kurylys-Service construction company has been launched, which makes it possible to purchase housing with a 30% reduced down payment at a 7% per annum remuneration rate of (AERR from 7.4%) with a further rate reduction without providing additional collateral.

December

- The Bank distributed the first tranche allocated by the Asian Development Bank for the “Umai program” implementation in the amount of 8 KZT bln.
- Launch of a joint program of the Bank and the Akimat of Nur-Sultan called “Elorda Zhastary” for 2021-2023 for categories of citizens who work in state city and republican organizations of Nur-Sultan.
- A new option has been developed on the enpf-otobasy.kz platform for the transfer of pension funds that exceed the sufficiency threshold for a deposit in Otobasy Bank (with a three-year period of use).
- Update of the Bank’s Development Strategy until 2023.
- A joint program of the Bank and the K7 GROUP construction company has been launched, which makes it possible to purchase housing with a 30% reduced down payment at a 7% per annum remuneration rate (AERR from 7.4%) with a further rate reduction without providing additional collateral.

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ABOUT THE BANK

Otbasy bank JSC was established in 2003 in order to improve and increase the efficiency of the long-term financing of housing construction and the development of the housing construction savings system aimed at improving the housing conditions of the population.

The main activities of the Bank:

- acceptance of deposits for housing construction savings, opening and maintenance of depositors' accounts;
- providing the depositors with housing, preliminary housing and bridging housing loans in order to take measures to improve the housing conditions;
- accepting the deposits, opening and maintaining the bank accounts of depositors to accumulate the funds for the overhaul of the common property of the condominium and to grant housing loans to them.
- opening and maintaining special accounts for crediting lump-sum pension payments.

The founder of the Bank is the Government of the Republic of Kazakhstan represented by the Committee for State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan, which has the right to dispose of the state stock

Ratings

Moody's

Long-term rating on deposits in national currency:	Baa2
Short-term rating on deposits in national currency:	Prime-2
Base credit rating:	Ba2
Rating outlook:	Stable

of shares in the Bank. Since August 2013, the Sole Shareholder of the Bank is Baiterek NMH JSC.

The Bank was established as a joint stock company in its corporate form and has:

Full name:

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

Abbreviated name:

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

Location of the executive body of the Bank: Republic of Kazakhstan, A05A2X0, Almaty city, Almaly district, Abylai Khan Avenue, 91.

FitchRatings

Long-term local currency issuer default rating:	BBB
Short-term local currency issuer default rating:	F2
Rating outlook:	Stable

HOUSING CONSTRUCTION SAVINGS SYSTEM

For Kazakhstan, one of the important areas of social policy is to provide the citizens with affordable and high-quality housing. The 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 Law of the Republic of Kazakhstan "On housing construction savings in the Republic of Kazakhstan" dated 7 December 2000.

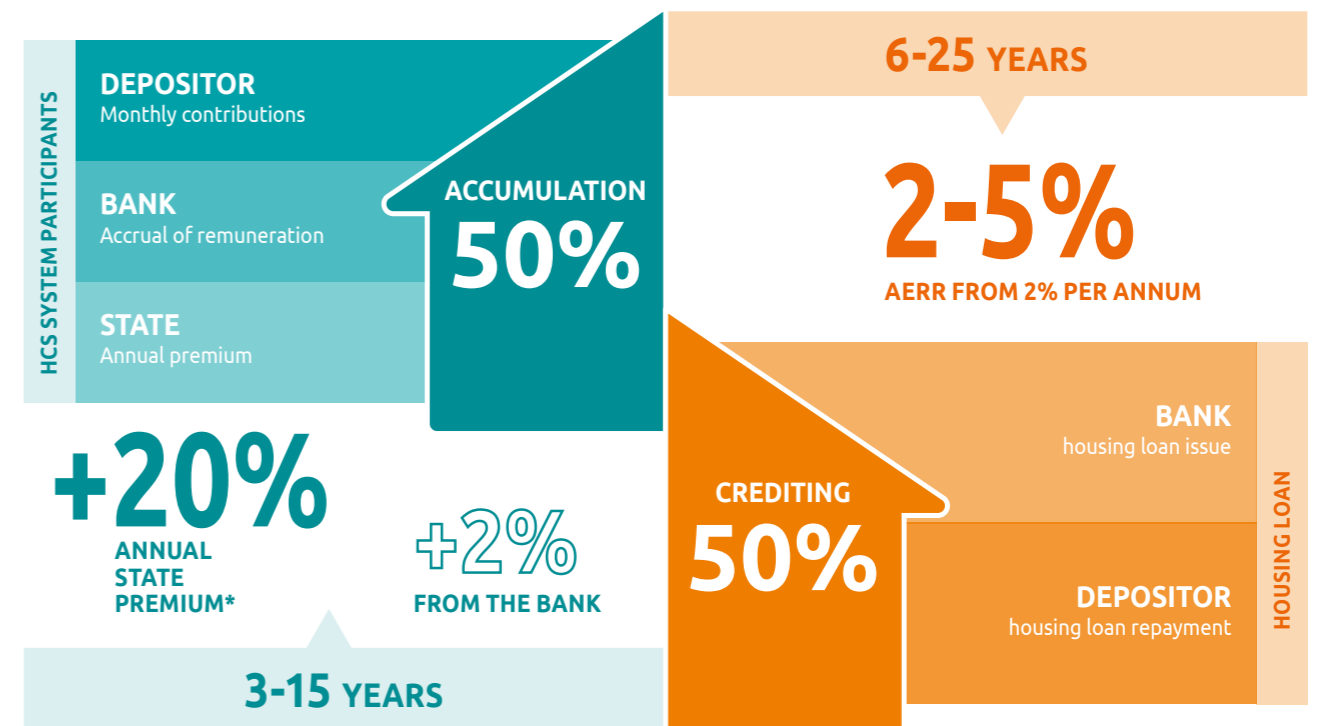
The HCS system has been operating in Kazakhstan for 18 years, and is becoming more and more in demand among the people of Kazakhstan.

A feature of the housing construction savings system is the preliminary accumulation of money in the saving

accounts of the Bank in order to obtain housing loans at low interest rates to improve the housing conditions.

The deposits of the population are encouraged by the state premium (20% of the deposit amount, the maximum amount of the encouraged deposit is up to 200 MCI), regardless of the form of ownership, in accordance with the Law of the Republic of Kazakhstan "On housing construction savings in the Republic of Kazakhstan".

The depositor also has the opportunity to purchase housing within the state, regional, as well as their own housing construction program.





CREDIT PURPOSES

The Bank issues to its depositors the housing, bridging and preliminary housing loans to take measures to improve the housing conditions, namely:

Construction



(including the acquisition of a land plot), acquisition of a house, including through exchange thereof for the purpose of improvement.

Repair and modernization of a house



(including the purchase of construction materials, payment for contract works).

Repayment of liabilities



that appeared in connection with the measures to improve the housing conditions.

Making a down payment



for obtaining a mortgage housing loan in banks and organizations carrying out certain types of bank operations.

Overhaul



of the common property of the condominium object.

KEY DATES OF THE BANK DEVELOPMENT

- In 2003, the Bank was established with 100% state participation. Immediately, a large-scale work was carried out to develop the bank's branch network and to attract the depositors for housing construction deposits.
- In 2005, the Bank issued the first loan – it was a bridging loan. A license was obtained to conduct banking and other operations and to engage in dealer activities.
- In 2006, the Bank entered a break-even operation and issued its first housing loan.
- In 2007, the first preliminary loan was issued. The ratings from the international rating agency Moody's were affirmed for the Bank. Housing Construction Saving Bank Kazakhstan was also the first Kazakhstani bank to receive a certificate of compliance with the quality management system ISO9001:2000.
- In 2008, the number of HCS agreements exceeded 100 thousand. The first loan was issued within the framework of the State housing construction program in the Republic of Kazakhstan for 2008-2010.
- In 2009, the Sole Shareholder was changed.
- In 2010, the number of HCS participants has already grown up to 200 thousand people. And the Bank's assets reached the amount of 100 KZT bln.
- In 2011, the first tripartite Agreements on housing construction were signed between the Agency of the Republic of Kazakhstan for construction and housing and communal services, local executive authorities, and the Bank.
- In 2012, the Bank put into operation the first 35 payment terminals in the premises of the Bank's territorial subdivisions.
- In 2013, Baiterek NMH JSC became the Sole Shareholder of the Bank. The Bank's own Contact Center was introduced.
- In 2014, the time for consideration of a credit application was reduced to 3 days due to the introduction of the BPM system. The Bank became a member of the European Federation of Construction Saving Cash Departments and the International Union of Housing Financing.
- In 2015, the Memorandum of Cooperation was signed between the Bank and Bausparkasse Schwäbisch Hall (Germany).
- In 2016, the Bank received a new license to conduct operations in the securities market. Compensation was paid to the depositors of the Bank in connection with the transition to the regime of the free-floating exchange rate of the tenge. 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 new state housing construction program "Nurly Zher". The bonds were issued on KASE. The commission for the conclusion of an agreement on housing construction savings and for an increase in the contractual amount has been zeroed. A new tariff program "Baspana" has been introduced.
- In 2018, memorandums 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 floor. A special mortgage program has been implemented for the servicemen of the Republic of Kazakhstan.
- In 2019, the "Bakytty Otbasy" program aimed at granting loans to the low-income families for the purchase of housing was introduced.
- In 2020, a new direction "Lending to participants in the pilot project "Shanyrak" of the "Nurly Zher" state program was implemented. A new branch of the Bank was opened in Turkestan city. Housing Construction Saving Bank Kazakhstan Joint Stock Company was re-registered as Otbasy Bank 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 to improve housing conditions and (or) pay for medical treatment. The Bank's product line has been expanded - new preferential programs "Umai" for women in Kazakhstan and "Elorda Zhastary" for the youth of Nur-Sultan city have been launched.



FOOTPRINT

REGIONAL NETWORK

- 18** | Branches
- 20** | Service centers
- 3** | Service points throughout Kazakhstan

AGENCY NETWORK

- 1,386** | Consultants
- 151** | Consulting center
- 1** | Agent being a legal entity – Kazpost JSC

The Bank is constantly working to ensure equal access to its services for all Kazakhstan people in all regions of the country. The Bank strives to ensure that the branches are located as conveniently as possible for customers, in terms of their residence, place of study, work, taking into account the transport and social infrastructure.

Today, the Bank has a developed network of consultants (agent network) through which the customers can receive consulting services on the Bank's products and services, open deposits online, submit an application for a loan, update certain types of details without visiting the Bank.

The Bank is constantly working on the development of remote service channels. In 2021, a pilot project was launched for the remote opening of deposits through "Video Service" with the use of biometric verification of the KCIBS NB RK.



MEMBERSHIP IN THE 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 informed about the progress in European unification and about the relevant measures taken by the European Union authorities. The Federation also supports and intensifies mutual information and exchange of experience among its members in the field of housing finance and housing policy. Today, the association has 45

members throughout Europe and Asia. The full membership of Otbasy Bank in the EFBS represents a unique opportunity for the further development of Kazakhstan’s housing construction savings system and for promoting 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 a member of the organization. This resolution came into force on 1 January 2015. The IUHF was founded in 1914 and is an organization that allows its members to keep abreast of the latest developments in the field of housing construction financing around the world.

MEMORANDUM OF COOPERATION



- Bausparkasse Schwäbisch Hall (Germany)
- State Mortgage Company OJSC (Kyrgyz Republic)
- International Finance Corporation



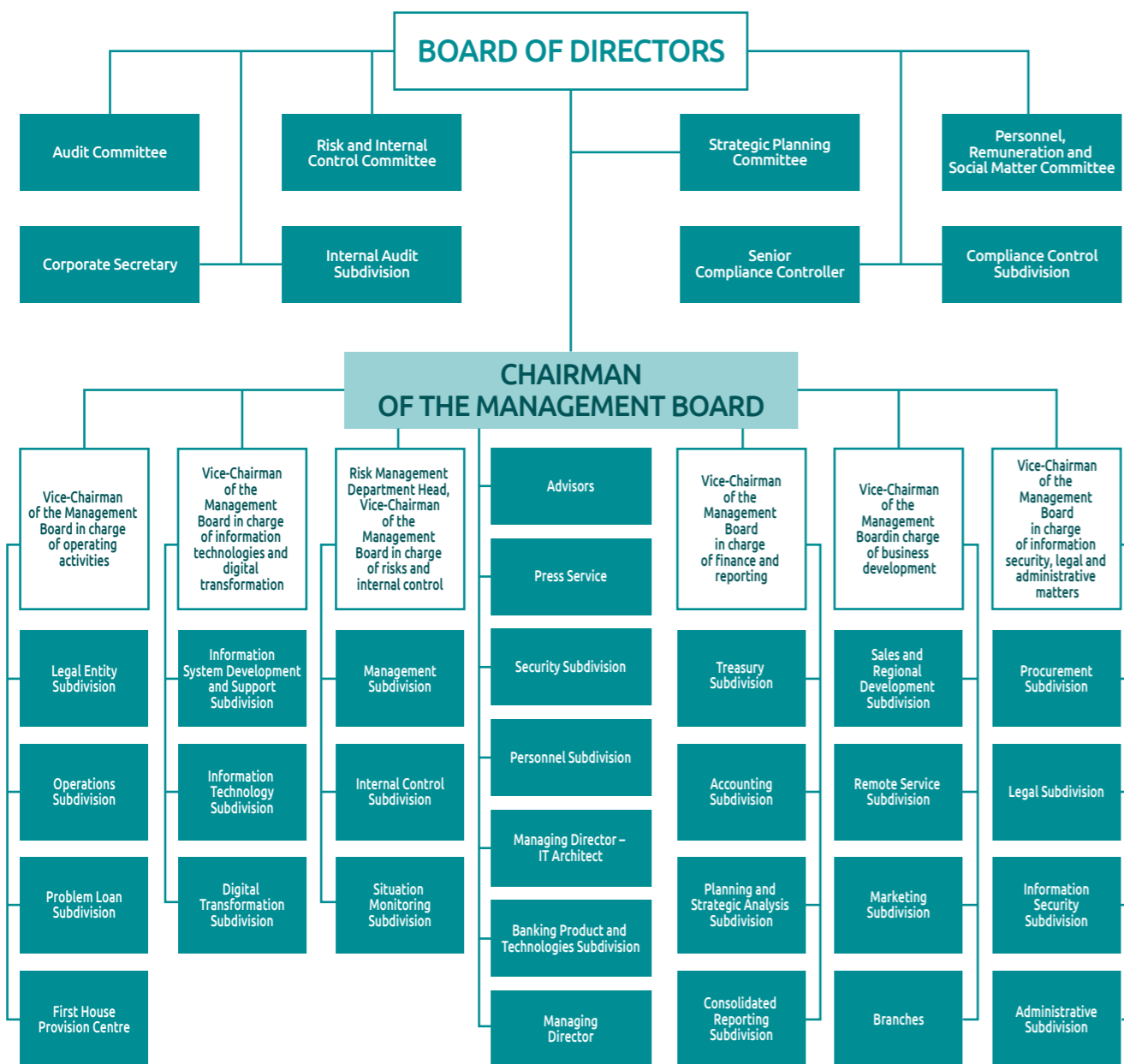
SOLE SHAREHOLDER

Baiterek NMH JSC is the Sole Shareholder of the Bank with 100% rights to own and use the state stock of shares. Since 2013, 7,830,000 ordinary shares of the Bank are owned by Baiterek NMH JSC.

The mission of Baiterek NMH JSC is the sustainable development of the Republic of Kazakhstan and the achievement of goals set by the “Strategy – 2050”.

One of the key tasks of Baiterek NMH JSC is to support the economy urbanization, which is solved under the strategic direction of activity of Baiterek NMH JSC – “Providing the Population with Housing”. The Holding’s activities to increase the affordability of housing are implemented by a subsidiary – Otbasy Bank.

ORGANIZATION STRUCTURE OF ZHILSTROYSBERBANK OF KAZAKHSTAN JSC



CENTRAL OFFICE STRUCTURE

The organizational structure of the Bank contributes to the effective solution of the strategic goals and objectives set before the Bank. In the reporting year, no changes or additions were made to the organizational structure of the Bank.

The structure of the Bank's Central Office is divided into the following blocks:

1. Business Development Block supervised by Deputy Chairman of the Management Board of the Bank – Akshanov N.S. This block includes 4 subdivisions of the Bank: Department of Sales and Regional Development, Director of the Department – Baltabayeva R.A.; Remote Service Department, Director of the Department – Cherniyazov A.A.; Marketing Department, Acting Director of the Department – Muratov M.M.; and the branches.
2. Finance and Reporting Block supervised by the Deputy Chairman of the Management Board – Aidarbekova A.K. This block includes 4 subdivisions of the Bank: Treasury Department, Director of the Department – Antonova Ye.V.; Accounting Department, Director of the Department – Kiltbayeva Zh.A.; Planning and Strategic Analysis Department, Director of the Department – Finogenova A.V.; Consolidated Reporting Department, Director of the Department – Abdibekov Ye.N.
3. Risk and Internal Control Block supervised by Deputy Chairman of the Management Board – Kairbekov I.U. This block includes 3 subdivisions of the Bank: Risk Management Department, Director of the Department – Matayev K.M.; Internal Control Department, Director of the Department – Dossybayeva G.Z.; Situation Monitoring Department, Director of the Department – Yeskarayeva A.Ye.
4. Information Technology and Digital Transformation Block supervised by the Deputy Chairman of the Management Board – Raspekova E.S. This block includes 3 subdivisions of the Bank: Information Technology Department, Director
5. Operating Activities Block supervised by Deputy Chairman of the Management Board – Azimbekov M.M. This block includes 4 subdivisions of the Bank: Legal Entities Department, Director of the Department – Datkayeva G.T.; Operations Department, Director of the Department – Misirova L.D.; Problem Loans Department, Director of the Department – Solovyov V.A.; First Housing Provision Center, Director of the Center – Taltusov R.A.
6. Information Security, Legal and Administrative Matters Block supervised by the Deputy Chairman of the Management Board – Beissembayev M.B. This block includes 4 subdivisions of the Bank: Information Security Department, Director of the Department – Suchkov D.N.; Administrative Department, Director of the Department – Nurov M.A.; Procurement Department, Director of the Department – Ismagulov G.K.; Legal Department, Director of the Department – Bakhtiyar A.
7. Block assigned to the Chairman of the Management Board – Ibragimova L.Ye. This block includes: Advisors – Alimova K.N., Imankulov R.Yu., Imanbayev D.A., Managing Director – Yakhyaev K.Ya., Managing Director – IT Architect – Mustakayev R.R., Press Service, the head – Masgutova Z.S.; Security Department, Director of the Department – Kalimzhanov A.K., Personnel Department, Director of the Department – Aitkulov A.I., and Bank Products and Technologies Department, Director of the Department – Yendibayeva B.S.

STRATEGY

Mission and Vision

Strategic Goals and Development Tasks

Work as Part of the Strategic Tasks in 2021

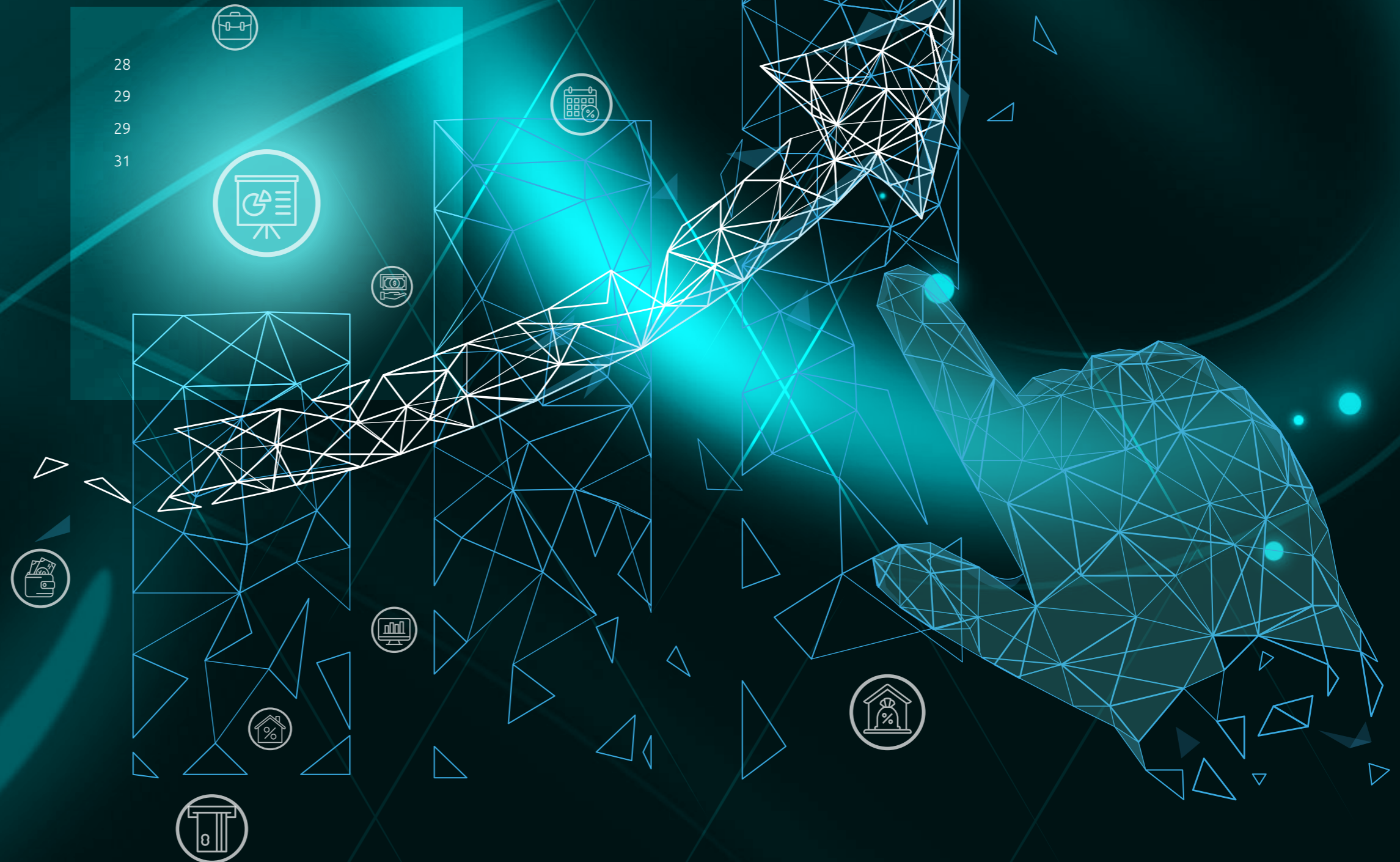
Key Performance Indicators

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MISSION AND VISION

Mission

Provision own housing for Kazakhstani families and increasing the sense of Homeland.

Vision

In 2023, we are a sustainable, high-tech, customer-oriented socially significant bank that implements the principles of the housing construction savings system, actively participates in the implementation of the state programs, supports the development of housing construction to provide housing to the wider population.

Values

- 1. Development and Innovation.** The Bank is constantly working to improve the customer service, the quality of internal processes and is intolerant of any manifestations of inefficiency, is always open to innovation and development, is actively introducing the latest banking and management technologies. The Bank supports the employees' desire for self-development.
- 2. Effectiveness and Meritocracy.** The Bank is committed to the highest standards in achieving goals, maintains a culture of results orientation for which purpose it sets clear goals, achieves them on time, with reasonable resources, and regularly evaluates the results. Meritocracy is a fair and objective assessment of the individual efforts, abilities and achievements of each employee.
- 3. Team and Respect.** An atmosphere of mutual respect is the Bank's priority. The Bank's management is aware of everyone's contribution to the achievement of team goals, which creates the basis for mutual trust.
- 4. 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.

STRATEGIC GOALS AND DEVELOPMENT TASKS

According to the approved Bank's Strategy of Development until 2023, the key goals of the Bank are:

- Increasing the share of the HCS system participants to economically active population up to 25%;
- Transfer of 100% of customer service operations to online format through the introduction of advanced technologies and automation of the Bank's operations;
- Maintaining customer satisfaction index (CSI) at the level of 4.7.

Strategic directions:

- transformation of the Bank into a full-fledged national development institution;
- implementation of the state policies.

Task 2. Providing the best customer service

Strategic directions:

- development of products/services;
- development/automation of business processes;
- development of sales/service channels;
- development of IT infrastructure;
- legislative initiatives.

Task 3. Ensuring sustainable development of the Bank

Strategic directions:

- attraction funding;
- well-balanced risk management;
- efficient personnel management system;
- maintaining financial stability.

To achieve the set goals, the Bank has identified the following key tasks:

Task 1. Implementation of the state policy in the field of providing the population with affordable housing

WORK AS PART OF THE STRATEGIC TASKS IN 2021

Task 1. Implementation of the state policy in the field of providing the population with affordable housing

During the reporting year, the Bank successfully implemented the strategic and socially significant tasks assigned to it, including active participation in the implementation of the "Nurly Zher" state program and its directions – lending to people on the akimats' waiting list as part of the "Shanyrak" pilot project, lending to low-income families on the akimats' waiting list.

As part of the "Nurly Zher" program, 16,074 loans were issued to Kazakhstani in the amount of 177.96 KZT bln at a reduced rate of 5% per annum. For these purposes, 32 KZT bln were allocated to the Bank

from the republican budget in 2021. Additionally, the Bank was allocated 70 billion tenge from the republican budget in the direction of "Bakytty Otbasy". In 2021, including at the expense of these funds, 4,216 loans in the amount of 49.1 KZT bln were issued to large and single-parent families, as well as families raising children with disabilities. At the end of the reporting year, another 858 people received approval for loan applications.

Task 2. Providing the best customer service

For the Bank, 2021 was a year to develop digital customer service channels. In addition, the implementation of the task was carried out at an accelerated pace, since a program to withdraw money

¹ From operations planned to transfer to online format until 2023.

from the pension fund has been launched for the citizens of the Republic of Kazakhstan.

In the reporting year, the “here and now” functionality was implemented (the possibility of opening a deposit by each operator of the Bank, regardless of the service channel through which the customer applies: incoming, outgoing calls, chats, video calls). We also implemented online mortgage scheme through a concierge service via the Bank’s video banking, which combines the best practices for servicing live communication, and through digital channels – Phygital. Introduction of this functionality helped the Bank’s customers to apply for a mortgage remotely, which was especially demanding during the pandemic.

The Bank has also been actively developing Internet banking, in 2021 a number of demanded operations were introduced and showed impressive results. At the beginning of the year, the function of early partial and full repayment of loans was introduced, including with the participation of co-borrowers issued by the Bank. During the year, 2,677 full and 56,665 partial loan repayments were made through Internet banking. Another feature that is in demand in Internet banking is the ability to remotely terminate a deposit (the feature was used 123,000 times in 2021).

As a result of all the work performed through remote channels (video banking, Internet banking), more than 202 thousand HCS agreements were concluded, which accounted for 33% of the total deposits opened in the Bank. Since October 2021, credit applications for a total amount of 868 KZT mln have been processed in pilot mode. The Bank’s customers used the function of post-deposit operations 250 thousand times. As part of the use of pension funds, more than 61 thousand special accounts were opened through video banking, and more than 594 thousand special accounts were opened through Internet banking. The total number of served video calls for the year amounted to more than 563 thousand.

Furthermore, the Bank’s customers highly appreciated the quality of service. The average CSI for all subdivisions amounted to 93% (9 out of 10 people who applied to Otbasys Bank rated the service as “excellent”).

Task 3. Ensuring sustainable development of the Bank

The Bank strives to balance the interests of business and society, and ensures the consistency of its economic, environmental and social objectives for sustainable development in the long run. The Bank integrates the principles of sustainable development, enshrined in international standards in the field of sustainable development, into the management system, development strategy and the key processes. The risk and capital management system is part of the Bank’s strategy and is aimed at ensuring sustainable development by making managerial decisions under uncertainty, in order to increase the effectiveness and efficiency of decisions made, reduce losses and boost income.

In 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 financial system of the state, such as:

- three lines of defense system;
- forming the Bank’s risk appetite strategy;
- assessment of capital sufficiency;
- assessment of liquidity sufficiency;
- conducting stress tests on the main financial indicators of the Bank;
- ensuring the availability of a management reporting system to timely communicate information on risk indicators to the authorized bodies of the Bank.

To implement the strategy successfully, the Bank regularly analyzes the key risks that may affect the achievement of the Bank’s strategic goals and financial stability, and develops appropriate measures to minimize them. In the reporting year, like in previous periods, the Bank continues to maintain a high level of capital availability and adequacy, significantly exceeding the requirements of the regulator.

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

The Bank also takes its efforts on building a highly efficient model of human resource management, creating a like-minded team capable of achieving the strategic goals and objectives of the Bank. The Bank, in turn, provides employees with ample opportunities for training and development, improving their skills and competencies. The Bank applies a modern

system of selection, hiring, training, career planning and effective motivation of personnel using the assessment of key performance indicators (KPI). The KPI assessment system is carried out through the process of cascading key performance indicators from top management to administrative employees.

KEY PERFORMANCE INDICATORS

The Bank’s activities in the reporting period were carried out in accordance with the Bank’s Strategy of Development until 2023, the Bank’s Development Plan for 2019-2023, the Bank’s Articles Association and internal documents.

In accordance with the above documents, the key indicators were established for 2021, the achievement of which is presented in the table below:

Key Performance Indicators

Indicator	Actual, 2019	Actual, 2020	Target, 2021	Actual, 2021	Achievement, %
Share of participants in the housing construction savings system to economically active population of the Republic of Kazakhstan, %	16.9	20.3	22.1	23.5	106
ROE, %	12.4	12.05	11.11	19.81	178
Agreements on housing construction savings, units	406,954	486,314	381,000	601,370	158
Amount of issued housing loans, KZT mln	527,428	609,414	633,006	1,235,168	195

The actual share of participants in the housing construction savings system in the economically active population at the end of 2021 amounted to 23.5%. 2,180 thousand people participate in HCS. With the target of 22.1%, 106% of the plan was achieved.

The return on equity at the end of the reporting period was 19.81%, which is a consequence of the receipt of positive retained earnings for the current period at the level of 66 KZT bln, with the target of 35 KZT bln.

PERFORMANCE

- Impact of COVID-19
- Economic Environment
- Operating Performance
- Information Development
- Development of Business Processes
- Financial Performance
- Key Goals for 2022-2023

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IMPACT OF COVID-19

In 2021, the COVID-19 pandemic reached a new level in Kazakhstan. A new mutation of the virus has appeared – the delta variant. After a year of pandemic experience, the country no longer made decisions on the introduction of a state of emergency, as it was in 2020. However, it was not without strict quarantines, which had a negative impact on economic growth.

Since early 2020, due to the deterioration of the macroeconomic environment caused by the spread of the COVID-19 pandemic, the Bank has revised its business plans. The Bank approached the crisis prepared thanks to the systematic work carried out earlier to ensure financial stability and improve operational processes. The Bank has introduced mandatory social distancing and strict sanitary and epidemiological disinfection procedures in all offices, transferred administrative personnel to a remote work mode.

The Bank believes that people are the biggest victims. In 2021, 231 cases of COVID-19 infection were detected among the Bank's employees. To date, 100% of all sick employees of the Bank have recovered. 1,505 full-time and part-time employees

of the Bank received vaccination passports. The measures taken by the Bank to stop the spread of COVID-19 were timely and effective. The Bank coped with the challenges caused by the pandemic, the situation of the spread of COVID-19 among the Bank's employees was brought under control, there was no serious decline in key performance indicators, and even more so, shutdown or personnel reductions were not required, salaries were paid to employees on time. The Bank has taken measures to provide online services for its customers and has accelerated the process of digital transformation. To prevent crowding in branches, the Bank is actively restructuring its business processes in the direction of expanding the list of online services. During the period of quarantine restrictions, convenient, fresh and unique services were introduced – video banking and online mortgage. We are also continuously working to improve the mobile application and Internet banking, where the customer can independently change his/her details at any time, combine deposits, change the terms of the loan or the contractual amount, etc. At the end of 2021, about 58% of customer service operations were transferred to online format.

ECONOMIC ENVIRONMENT

Macroeconomic Indicators

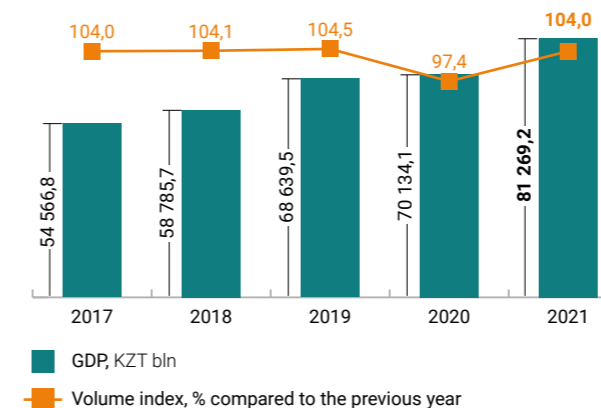
In 2020, economy of the Republic of Kazakhstan experienced difficulties. During the pandemic, there was a significant reduction in demand for oil, which led to a drop in prices to historic lows. World trade flows have declined. Business activity slowed down significantly as a result of protective measures against the coronavirus. The service sector, where small and medium-sized businesses are mainly occupied, suffered the most. The Government of the Republic of Kazakhstan took active anti-crisis measures to support the economy, which contributed to the preservation of employment and business activity.

Work to restore the economy and bring it to positive and sustainable growth dynamics, to provide the necessary support to the population and businesses continues in 2021.

Gross domestic product (GDP) of Kazakhstan at the end of 2021 in real terms increased by 4% compared to the previous year, amounting to 81.3 KZT trn (in 2020, the country's GDP decreased by 2.6%). Notably, the manufacturing industry grew by 5.5%, the construction industry – by 7.6%. There is also a positive trend in the service sector. At the same time, trade increased by 9.2%, the transport industry – by 3.6%.

The foreign trade turnover of Kazakhstan in 2021 amounted to 101.5 USD bln, showing an increase by 17% compared to last year. In particular, exports increased by 26% – up to 60.3 USD bln, imports increased by 6% – up to 41.2 USD bln.

Dynamics of gross domestic product of the Republic of Kazakhstan



The inflation rate in 2021 amounted to 8.4%. The main problem of the economy was the rise in prices for all components of the consumer price index. According to the Bureau of National Statistics, prices for food products increased by 9.9%, non-food – by 8.5%, paid services – by 6.5%.

In 2021, the tenge (KZT) rate depreciated by 2.6%, despite the increase in oil prices. According to the National Bank of the Republic of Kazakhstan, the average exchange rate of the US dollar (USD) in 2021 amounted to 426.08 tenge per US dollar – against 412.95 tenge per US dollar in 2020.

The main reasons for the growth in demand for foreign currency:

- growth of imports against the background of deferred demand and recovery of economic activity (imports of intermediate goods and means of production are partially financed by foreign investments, so its impact on the foreign exchange market is less significant);
- the growth of the monetary base (expansion of the monetary base increases the money supply

- through consumer lending, which ultimately leads to an increase in imports of consumer goods);
- early withdrawal of pension savings to improve housing conditions and repay previously taken mortgage loans (it must be noted that the final recipients of these funds are construction companies and individuals who sold real estate, who sent on average about 40-50% of the funds received (2.5-3 billion US dollars) for imports and foreign exchange; in relation to construction companies, this is the import of building materials and equipment, and in relation to individuals, this is consumer import and the purchase of foreign currency);
- growing volume of dollar deposits; and
- pressure on the tenge exerted by the tightening of monetary policy in developed countries, the strengthening of the dollar and the outflow of capital from emerging markets.

In 2021, despite a recovery in the global economy, against the backdrop of increasing industrial protectionism, acceleration of inflation, volatile financial markets, and a shift in expectations about the end of the pandemic due to new, more aggressive forms of the virus, uncertainty in the global economy remained at extremely high level.

The Ministry of National Economy of the Republic of Kazakhstan, taking into account the prospects for the development of the world economy, the situation in the commodity and financial markets, as well as the risks that can have a negative impact on the socio-economic development of the country in 2022-2026, has developed three scenarios.

The **baseline scenario** provides for a gradual increase in the growth rate of the global economy in 2022-2026 while maintaining its sustainability. In advanced economies (USA, Euro area), economic activity will continue with moderate growth rates, in emerging market and developing economies, gradual growth is expected due to a less volatile situation in external exchange markets and full adaptation of economic policy to the new realities of global development. Business activity is expected to recover, the negative consequences of the coronavirus pandemic to be leveled, and the epidemiological situation to gradually stabilize through support for pandemic control measures and systematic vaccination.

The **best-case scenario** assumes the progressive development of the world economy in 2022-2026. Improvement in economic and investment activity in developed countries will lead to stronger demand in world commodity markets, which will serve as an additional impetus for economic growth in developing countries. The dynamic recovery of global economic activity from the consequences of the coronavirus pandemic due to the effective management of the pandemic, including through vaccination, the reduction of uncertainty in the energy market, and progress in resolving trade and sanctions confrontations will have a positive impact on commodity prices.

The **worst-case scenario** is characterized by the onset of an unfavorable situation due to a slowdown in global economic growth, an aggravation of the geopolitical situation, an escalation of trade and sanctions confrontation, as well as a critical drop in world prices for export goods of Kazakhstan. This scenario also assumes a high rate of new COVID-19 cases, slow vaccine production and lack of mass vaccination, deteriorating financial conditions, business failures, and a global recession.

Taking into account the current trends in the development of the country's economy and the situation in the world economy, when forming the forecast macroeconomic and budgetary parameters, the baseline scenario is taken as the basis, the characteristics of which are the most probable.

As for the prospects for development of the Kazakhstani economy, in the baseline scenario, the projected oil price is set at 60 USD per barrel. According to forecasts, the average annual growth of the economy will be 4.8%, the average growth rate of production of goods will be at the level of 4.0%, services – 5.4% due to the expansion of domestic demand and a stable inflationary background.

Key Banking Sector Figures

As at the end of 2021, there are 22 second-tier banks operating in Kazakhstan. The total assets of second-tier banks last year increased by 21% and amounted to 37.6 KZT trn.

In the structure of total assets, the largest share belongs to the loan portfolio – 54%. In 2021, the

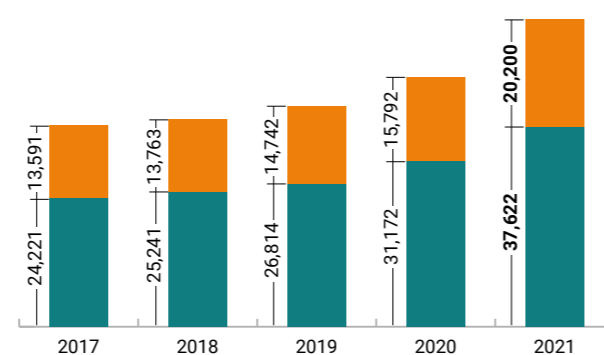
loan portfolio of banks increased by 28% to 20.2 KZT trn. The volume of loans for the construction and purchase of housing increased by 40% and amounted to 3.5 KZT trn. At the same time, the volume of overdue loans for construction and purchase of housing has significantly dropped – from 71.8 KZT bln in 2020 to 43.3 KZT bln at the end of 2021.

In fact, Otbas Bank has recently been the only active participant in the mortgage market among second-tier banks. The volume of the Bank's loan portfolio increased in 2021 by 50% – from 1.4 KZT trn to 2.1 KZT trn. For the seventh year now, about 60% of the volume of loans for the construction and purchase of housing has been annually issued by Otbas Bank.

Deposits of the population in all STBs in 2021 increased by 23% and amounted to 13,405 KZT bln, while the volume of deposits directly in Otbas Bank increased by 46% (from 1,034 KZT bln as of 01.01.2021 to 1,509 KZT bln as of 01.01.2022). Otbas Bank has been ranked first among all STBs for long-term household deposits in tenge for several years. As of 01.01.2022, the number of existing agreements of the housing construction savings system is about 2,197 thousand with savings in the amount of 1,509 KZT bln.

Net profit of the banking sector at the end of 2021 was 1,292 KZT bln. ROA was 3.76% (2.26% in 2020), ROE was 30.44% (17.31% in 2020). Otbas Bank's profit at the end of 2021 amounted to 66 KZT bln, which is 87% higher than the target. The good

Dynamics of assets and loan portfolio of the banking sector of the Republic of Kazakhstan

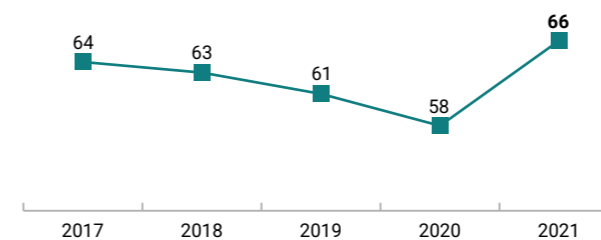


■ Assets, KZT bln
■ Loan portfolio, KZT bln

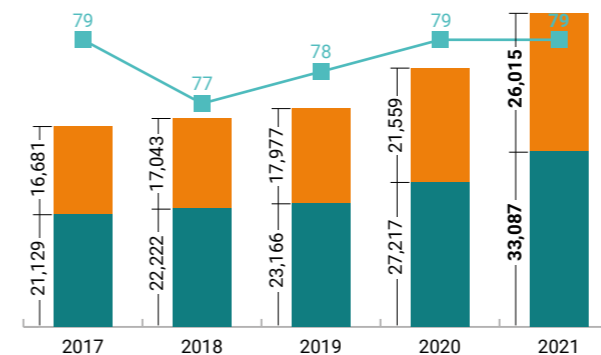
Structure of the loan portfolio of the banking sector of the Republic of Kazakhstan

	01.01.2021		01.01.2022		Increase, %
	Amount, KZT bln	% of the total	Amount, KZT bln	% of the total	
Loan portfolio (principal debt)	15,792	100.0	20,200	100.0	128
Loans to banks	84.0	0.5	114	0.6	136
Loans to legal entities	3,838.8	24.3	3,709.9	18.4	97
Loans to individuals, including:	7,124.8	45.1	10,038.7	49.7	141
for construction and purchase of housing, including:	2,487.2	15.7	3,425.4	17.0	138
– mortgage housing loans	2,363.1	15.0	3,255.7	16.1	138
Consumer loans	4,542.7	28.8	6,063.5	30.0	133
Other loans	94.9	0.6	549.9	2.7	579
Loans to small and medium-size business entities (RK residents)	4,246.2	26.9	5,487.6	27.2	129
Reverse REPO	498.3	3.2	850.2	4.2	171

Bank's share in total STB lending for the construction and purchase of housing, %



Dynamics of liabilities of the banking sector of the RK

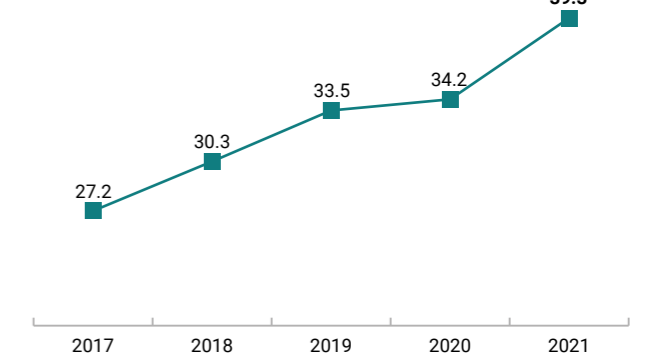


■ Liabilities of STB, KZT bln
■ Customer deposits, KZT bln
■ Share of customer deposits in liabilities, %

performance of Otbas Bank in 2021 is provided by its competitive advantages allowing the Bank to adhere to the strategy of successful development.

Positive impact on the increase in the market share of Otbas Bank and the growing interest in housing construction savings, despite the quarantine regime in the country, had a moderate increase in the activity of STBs and mortgage companies in the market for lending to the population for the construction and purchase of housing, the introduction of new state programs for the construction and provision of affordable housing to Kazakhstan. There was

Bank's share in the long-term household deposits market, %



a steady growth in the number of participants in the housing construction savings system, which, accordingly, led to an increase in the Bank's deposit base and volumes of lending to the population.

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

In comparison with the other second-tier banks of the country, we can determine the following strengths and weaknesses of the Bank:

Strengths	Weaknesses
1. Low interest rates on loans, state premium.	1. Limited line of products and operations.
2. Significant customer base.	2. Decrease in the purchasing power of the population.
3. Developed agent network (network of consultants).	3. Imperfection of the legal framework in terms of existing restrictions on possible services to be implemented.
4. State interest in the Bank's equity. Financial agency status.	4. Lack of maneuvering capability/flexibility (from procurement to resolution making).
5. Participation of the Bank, as an operator, in the implementation of the state housing construction programs and other specialized projects.	5. High sensitivity of the business model: the construction industry has been hit hard by the financial crisis.
6. Special tax benefits for the participants of Otbasny Bank system.	
7. Sustainable growth of financial performance.	
8. High indicator of the degree of confidence.	
9. Use of up-to-date information technology and platforms.	
10. High credit rating among the banks.	

OPERATING PERFORMANCE

Acceptance of deposits

At the end of 2021, the Bank's deposit base reached 1,509 KZT bln, an increase of 46% compared to 2020.

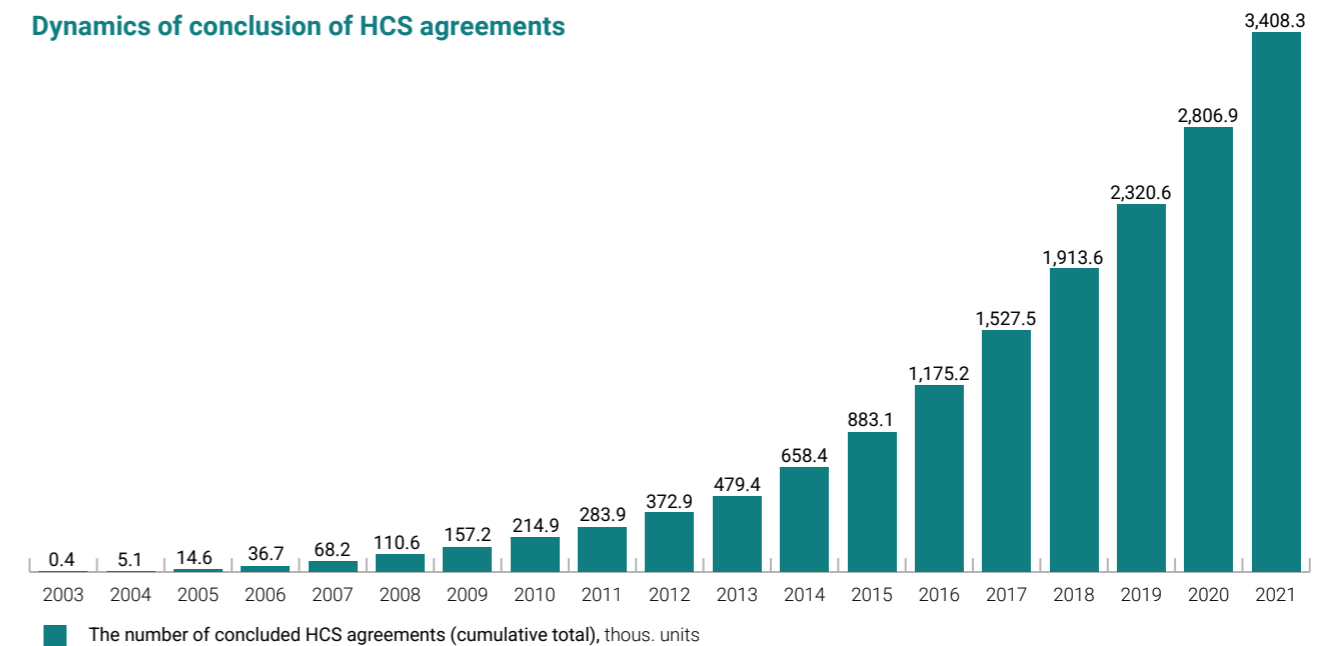
The Bank has a single, customer-friendly tariff program "Baspana", which allows a depositor deciding for himself/herself how many years he/she will be accumulating, at what interest he/she wants to get a housing loan. It requires accumulating 50% of the contractual value. The rate of return on savings is 2% per annum (AERR – up to 14% per annum (including government premium)).

The monthly amount of contributions is calculated so that, provided that they are evenly paid during

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

The rate at which the Bank concludes agreements shows a rapid consistent increase in the participation of the population in the development of the Kazakhstan system of housing construction savings. Over the entire period of the Bank's activity, the number of concluded HCS agreements exceeded 3.4 million, the contractual value thereunder reached 11.6 KZT trn. At the end of 2021, there are about 2.2 million HCS agreements in force, which is 16% more than in 2020.

Dynamics of conclusion of HCS agreements

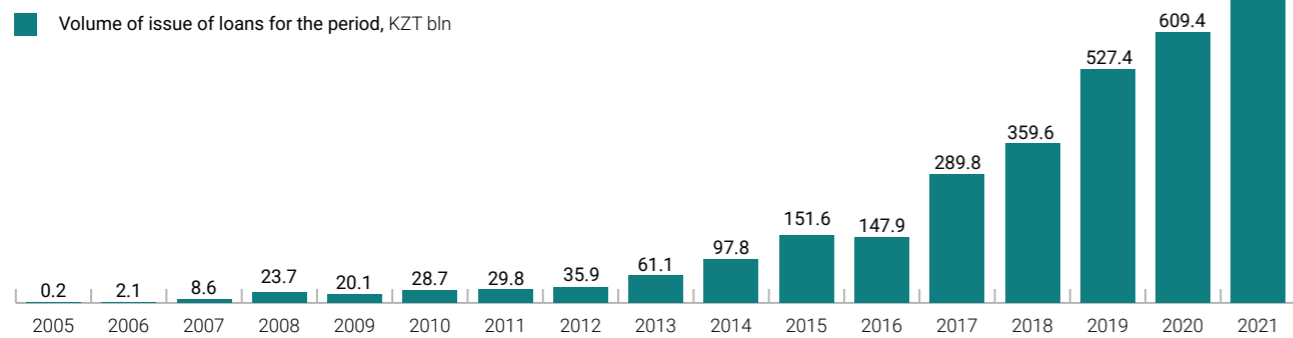


Issue of loans

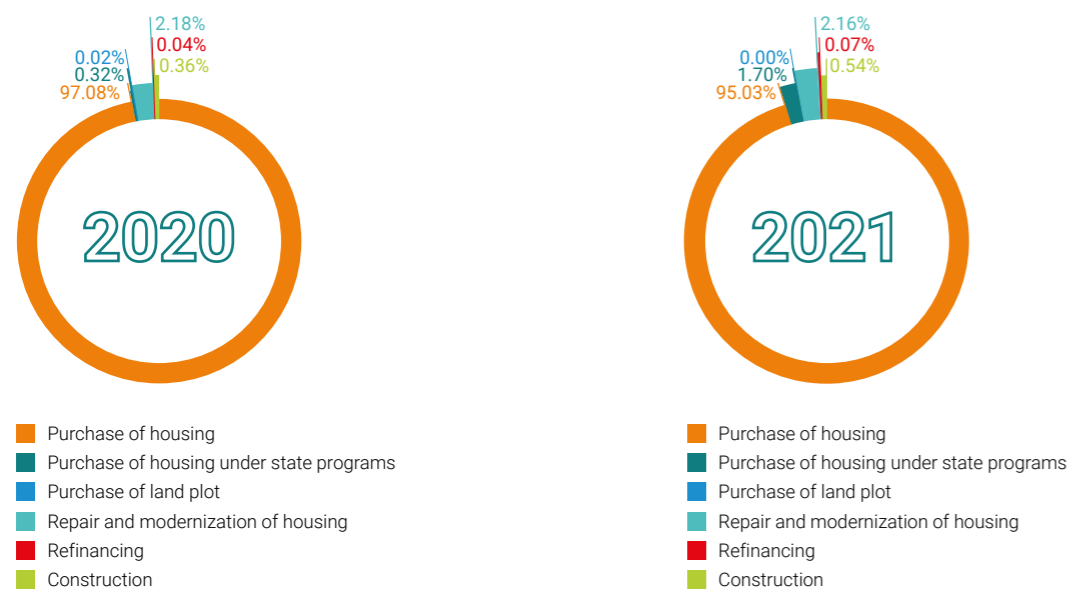
As of 01.01.2022, the Bank issued 357 thousand loans for the total amount of 3.5 KZT trn. In 2021 alone, 82.2 thousand loans were issued for the total amount of 1.2 KZT trn. The Bank's loan portfolio increased by 50%, amounting to about 2.1 KZT trn.

The Bank shows a steady growth in the loan issue throughout the entire period of its activity. The dynamic growth of the loan portfolio since 2012 is associated specifically with lending to the population within the framework of the state housing construction program "Nurly Zher", the market program "Svoy Dom", the program for military personnel, and other region-specific programs of the Bank.

Dynamics of the volume of issue of loans



Loan structure broken down by purposes



For reference. Credit products of the Bank

The Bank provides its depositors with housing, bridge and preliminary housing loans in order to take measures to improve the housing conditions.



Housing loan is issued under the obligatory condition of accumulating the minimum required amount, observing the accumulation period (at least 3 years), reaching the minimum value of the estimated indicator set individually for the tariff program, confirming solvency and providing collateral sufficient to cover the amount of the loan issued. Lending term – from 6 months to 25 years, interest rates on the loan are from 2% to 5% per annum (AERR from 2.1% per annum).



Bridge housing loan is issued subject to early accumulation or a one-time payment of the minimum required amount (at least 50% of the agreement value) with subsequent lending within the agreement value, as well as confirmation of the solvency and sufficiency of collateral. The term of the loan is up to 25 years, the interest rates on the loan are from 2% to 12% per annum (AERR from 2.1% per annum).



Preliminary housing loan is issued within the framework of the state programs and the Program "Svoy Dom". During the period of using the preliminary housing loan, the borrower repays only the interest on the loan and at the same time makes contributions to his/her deposit until 50% of the contractual value is reached. After the expiration of the accumulation period, the accumulated savings and housing loan are paid, which are used to repay the preliminary housing loan. The maturity and simultaneous accumulation period for the preliminary housing loan is up to 8 years, the interest rates on the loan are from 2% to 8% per annum (AERR from 2.1% per annum).

The Bank receives most of its income from interest on loans issued (as of 01.01.2022, income from interest on loans is 47% of comprehensive income). The Bank's most profitable product is bridge loan. In 2021, the

volume of bridging loans issued amounted to 91% of the total amount of loans issued, including through lump sum pension payments.

Target Assessment

Assessment of the Bank's operating performance

Indicator	Actual, 2018	Actual, 2019	Actual, 2020	Target, 2021	Actual, 2021	Achievement, %
Housing construction savings agreements, units	386,079	406,954	486,314	381,000	601,370	158
Volume of loans issued, KZT mln	359,573	527,428	609,414	633,006	1,235,168	195

At the end of 2021, the volume of concluded HCS agreements exceeded the targets by 58%, the volume of loans issued – by 95%. Analysis of the key figures of the Bank shows sustainable growth, which reflects the demand, competitiveness and flexibility of the Bank's products in the Kazakhstani financial market.

Social Focus Product

The Bank's activities and its product line have a significant social and economic impact. 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 the development and adaptation of its offer.

In April 2021, the conditions for lending to women were launched as part of the Bank's cooperation with the Asian Development Bank, which were approved in November 2019.

These conditions are aimed at improving the living conditions of women. Using these conditions, women can purchase a new or existing housing, as well as get a loan for repairs at 12% per annum (AERR from 12.2%) after accumulating 50% of the loan amount on the HCS deposit, the interest rate will decrease to 3.5-5% per annum (AERR from 3.6%).

In August 2021, the conditions of the youth lending programs "Elorda Zhastary", "Zhetisu Zhastary" were approved. They are aimed at supporting the youth of Nur-Sultan city and the Almaty oblast to further provide an opportunity to improve their living conditions: they can get a loan at 5% per annum (AERR from 5.2% per annum).

In 2021, changes were introduced to the conditions of crediting under the "Almaty Zhastary" program as related to:

- increasing the loan amount to 18 KZT mln;
- exclusion of offering restrictions on the provision of collateral in the form of a property right only within the framework of the "Svoy Dom" program.

Bank Commissions

The Bank has the right to charge commissions and other fees, but adheres to the policy of minimum tariff rates 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 2021, the following changes took place in the tariff rate system:

- cancellation of penalties for early repayment of loans in the event of partial/full early repayment using lump sum pension payments on loans, in the event of these operations on loans for which there was previously partial early repayment due to lump sum pension payments;
- removing the restriction on the minimum amount for early repayment of loan obligations in the amount of 50,000 KZT in case of early repayment of the loan using lump-sum pension payments;
- cancellation of the commission for early withdrawal of the amount of money from the savings account under the HCS agreements, the balance of which is 5,000 tenge or less, excluding the government premium;
- cancellation of the commission charged for transferring funds from the customer's current account to pay the state fee for registering a pledge on the real estate portal baspana.kz;
- no commission for early withdrawal of lump-sum pension payments from a savings account.

Improving Service Conditions and Procedures

In 2021, in connection with the launch of the program for withdrawing pension savings, the Bank carried out extensive work to provide customers with the opportunity to conduct operations for early full and early partial repayment of loans, as well as early replenishment of activated deposits for preliminary housing loans both at the Bank's branches and online through Internet banking or the Bank's mobile application.

Plus, in order to prevent the spread of coronavirus infection in the Republic of Kazakhstan, the Bank continued large-scale work to preserve the ability to serve customers through remote channels.

To do this, in 2021, existing borrowers were offered the possibility of partial and full early repayment of the loan via Internet banking.

Furthermore, the Bank's customers are offered the opportunity to remotely pre-qualify on the website <https://otbasybank.kz>, submit a loan application, register encumbrances on collateral electronically, sign using EDS loan and collateral agreements, collateral insurance agreements.

As for the credit process, the Bank has simplified the requirements for provision of customer documents in connection with the automation of the process of calculating the income and expenses of the Bank's depositors. If the depositor's income and expenses are automatically calculated by the system, the Bank does not require the submission of income documents.

Participation of the Bank in the Implementation of State Programs in the Republic of Kazakhstan

Implementation of the State Housing Construction Programs 2005-2007, 2008-2010, 2011-2014 and "Affordable Housing 2020" Program

In accordance with the State Housing Construction Programs 2005-2007, 2008-2010, 2011-2014 and "Affordable Housing 2020" program, the

Bank was appointed to be the operator for their implementation. Today, the specified programs have expired.

Implementation of the Region Development Program until 2020

As part of the Program, in 2021, the Bank's depositors were issued 1,396 loans in the amount of 4.0 KZT bln. Over the entire period, 1,561.6 thousand square meters of housing or 24,709 apartments were commissioned in the direction "Housing for all categories of the population" and "Housing for young families". Also, in 2019, 1 residential building with the total area of 3.7 thousand square meters or 72 apartments were commissioned in the direction "Housing for all categories of the population".

Implementation of the State Infrastructure Development Program "Nurly Zhol" for 2015-2019

As part of the "Nurly Zhol" Program, the Bank was the operator selling the credit housing, which is being built by construction operators – local executive bodies and Baiterek Development JSC. The implementation of this program was launched in 2015 and continues under the State housing construction program "Nurly Zher".

Implementation of the State Housing Construction Program "Nurly Zher" for 2017-2021

As part of the Program, the Bank is the operator selling the housing in the directions "Credit housing construction", "Development of individual housing construction", and "Lending to low-income families for the purchase of housing". In 2019, by the Resolution of the Government of the Republic of Kazakhstan approved a new version of the Program with the extension of the implementation period for 2020-2025.

In accordance with the terms of the Program, starting in 2017, the budget funds in the amount of 300.0 KZT bln were allocated to the Bank to provide preliminary and bridge loans to the Program participants.

In 2021, 93 facilities with the total area of 524.1 thousand square meters, or 9,186 apartments, were commissioned in the direction "Credit housing construction". 5,000 loans were issued for 41.5 KZT bln. In total, taking into account direct sales, 5.5

thousand apartments for the amount of 45.7 KZT bln were sold in 2020.

In the direction "Development of individual housing construction", 54 residential buildings with the total area of 6.2 thousand square meters were commissioned in 2021, 194 loans were issued for 2.1 KZT bln.

In 2021, in the direction "Crediting the low-income families for purchase of housing", 4,216 families received housing in the amount of 49,123 KZT mln.

Raised Funds

The funds raised by the Bank include loans received from the Government of the Republic of Kazakhstan, Samruk-Kazyna Sovereign Welfare Fund JSC, Baiterek

NMH JSC, the republican and local budgets, and the loan issued by Asian Development Bank.

For the entire period of activity within the framework of state and government programs the Bank attracted budgetary funds in the amount of 424 KZT bln. As of 01.02.2022, 394 KZT bln or 93% of the total amount of funds raised, has been disbursed. 110,917 loans were issued in the amount of 798 KZT bln (including repayable funds).

In 2021, to implement the first women's mortgage program in Kazakhstan, the Bank raised loans in the amount of 8.4 KZT bln from Asian Development Bank, which were fully disbursed in the reporting period. Within the framework of the program, 954 loans were issued in the amount of 8.4 KZT bln. Also due to repayable bonds on women's mortgage, 16 loans were additionally issued in the amount of 169 KZT mln.

INFORMATION DEVELOPMENT

In accordance with the Action Plan for 2021-2023 for the implementation of the Bank's Strategy of Development until 2023, during the reporting period, the Bank performed work to develop remote and alternative channels for servicing customers, as well as automating business processes.

Development of Remote and Alternative Service Channels

In 2021, the Baspana.kz real estate portal was fully redesigned and the Baspana market marketplace was launched with an adaptive version for mobile devices, which implements the following functionalities and sections:

- concierge service (videobank): since the launch (September 15, 2021), 27 loan applications have been accepted and considered;
- the process of electronic registration of pledge using Blockchain technology since the launch (end of September 2021): 1,282 pledge agreements have been registered;
- functionality for assessment of collateral;

- functionality of "Bakytty Otbası" under the "Nurly Zher" program;
- functionality of "Direct Sale" was improved for state programs and the "Svoy Dom" program;
- the possibilities of acquiring credit housing LEB through the formation of pools and without the formation of pools in constructed/under construction facilities in the directions of the "Nurly Zher", "Shanyrak" programs and for low-income families from the waiting list of the LEB "Bakytty Otbası" were realized;
- sections "Secondary housing", "Real estate developer personal account" were created;
- the mechanism for receiving applications from military personnel from Internet banking was transferred and 3,672 applications were successfully accepted (the total number of requests to the service was 216,381).

As part of the "Center for Providing First Housing" Portal" project on the Baspana.kz real estate portal, the customer part for displaying information about the waiting list and inventory has been fully implemented. 7 information systems of state bodies from 12 services are connected, according to the Roadmap signed with the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan:

1. service for checking the social status of the Ministry of Labor and Social Protection of the Republic of Kazakhstan (hereinafter – the MLSP RK);
2. service for checking the availability of disability status of the MLSP RK;
3. service for checking the presence in the dispensary of narcological, psycho-neurological and anti-tuberculosis organizations and other socially significant diseases of the Ministry of Health of the Republic of Kazakhstan;
4. service on information about the cellphone numbers of individuals by IIN registered in the database of mobile citizens of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan (hereinafter – MDDIAI RK);
5. service for sending SMS messages to the short number 1414 as part of the provision of public services by the MDDIAI RK;
6. service for the transfer of information in terms of the register of addresses of real estate objects of the MDDIAI RK;
7. a service for the transfer of information about the presence of the status of a government official.

Also in 2021, the Bank purchased VideoKZ, a domestically produced information system, which helped improve the quality of the video banking system. The VideoKZ information system provided an opportunity to implement integration with BPM, IDEC KISC systems through the Bank's service bus, as well as with CRM and the Agent Network systems. Introduction of a new video banking system made it possible to increase the number of operators connected to the system by 10 times.

Before the new system, the number of video operators was 80 people, after the introduction, the number of connected operators and consultants exceeded 900 people.

As a result, using video banking, 100,125 agreements worth 15.2 KZT bln were attracted through the contact center, 28,162 contracts worth 8.5 KZT bln through the agency network, and 139,717 post-deposit transactions were carried out. The total amount of inflow on deposits attracted through video banking amounted to 23.7 KZT bln.

The following operations are implemented in the Internet banking system:

1. Full early loan repayment, including the process of early replenishment of the deposit on preliminary loans with the possibility of stopping accumulation (with zeroing of the contribution);
2. Partial early loan repayment, including the process of partial early repayment of loans in the presence of co-borrowers;
3. Improved process of registration, password recovery and authorization, in order to prevent fixation from different phone numbers by one customer. Improved "One IIN – one number" functionality.

In the reporting period, 531,956 special accounts were opened in Internet banking for the use of lump-sum pension payments. 284 insurance contracts were renewed via Internet banking. 995 applications from military personnel were successfully received (total number of requests to the service – 20,344).

In 2021, the number of Internet banking users increased by 218 thousand, 218 thousand first deposits were opened.

The www.enpf-otbası.kz online platform has been developed and launched to accept applications for the use of pension savings to improve living conditions and pay for medical treatment. During the year, the responsible subdivisions of the Bank carried out work to ensure its smooth operation. By the end of 2021, a new option was developed on the enpf-otbası.kz platform to transfer pension funds that exceed the sufficiency threshold for a deposit in Otbası Bank (with a period of use for three years).

As a result, in 2021, 635,153 customers used this platform. 1,219,991 applications were created on the platform, 10,229 of which were received to replenish deposits in Otbası Bank in the amount of 17,538,258 thousand KZT.

Automation of the Bank's activities (reorganization of IT infrastructure and ensuring the smooth operation of the Bank's information systems)

As part of reorganization of the IT infrastructure and ensuring the smooth operation of the Bank's information systems, the following activities were carried out in 2021:

1. We purchased two servers - a server for telephony and one Sparc T8 server to replace the main ABS Colvir server.
2. We purchased three disk arrays and put them into operation, which made it possible to cover the disk space requirements of the Bank's main information systems – ABS Colvir, BPM, ODS, CRM systems and information security systems.
3. We purchased and put into operation two industrial air conditioners in the CA DC.
4. We purchased 6 switches to replace obsolete equipment and connect new leased offices to the Bank's corporate network.
5. We have made a planned update of a part of the computer stock and office equipment.

Implementation of information systems

Implementation of RPA

Innovative technology of business processes robotization (Robotic Process Automation, RPA) is one of the most powerful tools for optimizing business processes today.

The intelligent robot helps robotize many of the Bank's business processes and frees specialists from routine work.

To date, the Bank has robotized 10 processes, which made it possible to optimize the working time of employees and eliminate human errors. The intelligent robot completes processes 6 times faster and works around the clock, which has reduced the time to provide reports and services.

Licenses for the Contact Center

In 2021, we purchased Genesys Outbound Voice licenses and a package of Genesys licenses.

Genesys Outbound Voice enables the Bank's contact center to provide additional levels of customer service by creating, modifying, hosting, and reporting on outbound customer service companies using complex outbound call technology.

Increase in licenses led to a reduction in operating costs:

- number +75% (increased the number of answered customer calls by 75% compared to 2020);
- speed +21% (average processing time per customer decreased from 142 to 112 seconds, conditional savings of 121 KZT mln);
- quality +36% (dialing level increased);
- number +173K (the number of post-deposit transactions increased);
- increase in inflow on deposits by 18 KZT bln.

Development of ABS Colvir

The Bank's ABS Colvir must comply with requirements of the legislation, the regulator, the Tax Committee, external/internal audit and business units of the Bank. In this regard, it is necessary to constantly develop ABS Colvir – to refine, purchase new modules, integrate with external systems, etc., provide the ability to add additional computing power.

In 2021, as part of the development of ABS Colvir, the following works were carried out:

- refinement of optimization and automation of processes for the credit and deposit block;
- introduction of a new security server;
- automatic release of access rights;
- implementation of the post-deposit operation in pre-qualification;
- development of modules accounting for collateral and bad debts;
- corrective improvements and new operations to reverse the state premium on deposits;
- recognition of interest income/expenses in case of changes in cash flows;
- attracting loans with a commission;
- optimization of test environment creation for efficient and quick deployment.

Effect:

- reduction of operational risks;
- optimization of processes;
- adding new functionality to the post-deposit operation;
- compliance with information security requirements.

Personal Data Encryption in Databases of Information Systems

As part of implementation of the recommendation of the Information Security Committee of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan, given as a result of an unscheduled audit, licenses were purchased to use the Advanced Security module of the Oracle DBMS, which allows encryption of information containing personal data.

Data Backup

For the purpose of creation of a single repository of backup copies of critical information systems, we purchased licenses in 2021 for the use of the Data Protector hardware and software complex, which allows storing backups of databases of critical information systems up to 60 TB.

Electronic Queue Software and Hardware Complex

In 2021, we allocated funds to finalize the electronic queue system and performed work to improve the queue booking process, which made it possible to improve the functionality of this system in terms of customer service.

Microsoft Licenses

The Bank adheres to its internal policy, according to which special attention is paid to the issues of compliance with the clean licensing of the software products used. For this purpose, in 2021, the current license agreement with Microsoft was renewed – the Enterprise Agreement, which allowed to continue the legal use of Windows and Microsoft Office operating systems at all workplaces of the Bank.

Development of the CRM System

Project	Functionality	Efficiency
Agreement for the Bank's contact center CRM system	Marketing Campaigns Improvement: <ul style="list-style-type: none"> Implementation of additional statuses of PUSH notifications (read, followed the link, etc.) by integrating with the services of the Devino provider. Modification of the template in the campaign, ability to design notification texts in terms of changing fonts, ability to italicize, bold, insert pictures, links to a video, notification categories, select a PUSH display icon, etc. Implementation of the possibility of Authorization (approval) of the launch of a marketing campaign (one-stage approval for the Department of Remote Services and two-stage approval for branches). 	Improvement of the statuses of PUSH notifications made it possible to analyze in detail each campaign in terms of the conversion rate of delivery of notifications to customers, the proportion of customers who do not have/have not updated the Bank's mobile application. Improvement of PUSH notification templates made it possible to group push notifications into categories for the convenience of customers. The ability to insert push icon, emojis, and video links made notifications more attractive to customers. Campaign authorization allows checking the correctness of the campaign scheme, the life cycle, as well as regulate financial costs.
	Implementation of the process of receiving and distributing customer applications within the framework of the "Bakytty Otbas" direction of the "Nurly Zher" program (modification of the application card, development of a web service for the Bank's BPM system, development of a service for Internet banking, creation of a quota distribution process).	Implementation of processes in the "Shanyrak" and "Bakytty Otbas" directions of the "Nurly Zher" program made it possible to regulate the order of the applicant (main/reserve list). Create marketing campaigns based on these requests, sending notifications to customers about status changes, as well as campaigns for calling outgoing line operators. Customize statistical dashboards and reports.
	Automation of processing of applications from the www.enpf-otbas.kz online platform	Automation of processes made it possible to view the status of applications in the CRM system. Create marketing campaigns based on these requests, sending notifications to customers about status changes, as well as campaigns for calling outgoing line operators. Customize statistical dashboards and reports.
	Integration with the SRC service in terms of obtaining information on the customer when creating a customer card (full name, date of birth, unincorporated entrepreneur sign – lawyer, notary, private bailiff, etc.)	Integration made it possible to optimize the work of contact center operators in terms of creating cards for potential customers, as well as to minimize errors in customer data.

Project	Functionality	Efficiency
Chatbot Development Agreement	Chat platform for internet banking	Separate content for the mobile application of the Bank, which serves as a navigator for the services of the mobile application. Also, the customer has the ability to connect with the operator.
	Supervisor Workplace – Chat Management	A single chat supervisor window has been developed with the ability to view all active chats, coach marks for the operator, as well as participate in the chat and answer questions of the customers.
	Receiving images, files	Allowed to exchange files in chats (customer and operator).
	Auto-reply during dialogue with the operator	Optimizes the chat operator's work time for sending a welcome message, and the customer immediately receives a welcome message when switching to the operator and can write his/her main question.
	Dialogue with the customer from the second step Main menu	Optimizes time of the customer when starting a new chat session. When re-accessing the chat, the customer immediately gets to the main menu, without the need to select a language.
	Account statement	Implemented the ability to receive account statement (loan, deposit, current account) for the selected period.
	Integration with Instagram, Facebook, Vkontakte social networks	The channels of the chatbot have been expanded, which allows processing customer requests in social networks.
Tracking operator work time	A tool has been created to monitor the work of chat operators, the time of entry and exit from the system, the total time in the "Not Ready" status.	

DEVELOPMENT OF BUSINESS PROCESSES

In 2021, as part of the development of the Bank's business processes, improvements were made to the ABS Colvir, BPM software for post-loan transactions provided to the Bank's customers. For the purposes of optimization, the process of early partial repayment of housing loans with a reduction in the loan term in the Bank's information systems was improved to speed up the provision of this service. The Bank has simplified the process of replacing collateral from a property right to real estate in terms of preliminary approval of the

replacement of collateral for loan applications launched from 22.03.2021.

As part of the automation of post-credit processes, a module on repaid loans was launched to provide customers with a certificate of the absence of loan debt, as well as output forms for removing encumbrances from collateral for loans repaid in the BPM system or online via Internet banking, the Bank's mobile application.

As part of the automation of deposit and credit processes in the BPM system, the "Power of Attorney" module was implemented to optimize the servicing of customer representatives based on the issued power of attorney.

As part of the project to automate personnel records management and staff motivation, the following processes were implemented in the BPM system: recruiting to work on weekends/holidays, changing the salary, hiring a new employee.

As part of the project to automate accounting in the BRM system, the following processes were implemented: movement of goods and materials within a structural unit/movement of goods and materials between structural units/posting of goods and materials.

The "Digital Documents" service was integrated and introduced into the Bank's service bus, which allows receiving digital versions of identity documents. The integration made it possible to identify a customer when he/she applies by digital identity documents on a par with paper originals of identity documents.

As part of the automation of processes in the software "Consultants Social Network" (hereinafter referred to as CSN), work was carried out to open a customer card and a HCS deposit by the Bank's agents through the CSN mobile application via video communication, the pre-qualification process has been improved (adding the spouse of the co-borrower and the borrower, attaching additional documents), the process of integration with the HelpDesk system was developed and tested, the issuance of a multi-certificate in pre-qualification processes through a mobile application was introduced.

As part of the development of the RPM system (Non-financial risk management and internal control system), an incident management module was implemented and integration with the Resilient system in terms of information security incidents was carried out.

As part of the automation of internal processes in the BPM software, the process of providing employees with access to information systems was implemented, the process of making changes to information systems was automated and launched: 1,907 applications for changes in information systems were executed during the year.

As part of the automation of the ABS Colvir, the following improvements were made: functionality for reflecting the amounts on the analytical account JV_HOUSINGPAY with the indication of "housing payment" on the basis of the saving account entered in a special table, revision of the new operation "Posting to the accounts of the APO (association of property owners) agreement", suspension of charging penalties for non-collateralized loans overdue for more than 90 consecutive calendar days, revision of post-credit transactions on loans that were deferred during the period of pandemic and quarantine, automation of amendments and alterations to the tax account form 200.00 "Return on Individual Income Tax and Social Tax" (in terms of contributions to the CSHI and specification of individuals), finalization of electronic invoices for individuals, regarding the implementation of the accrual of interest income on loans in basket 3 with the application of the effective interest rate to the amortized cost.

FINANCIAL PERFORMANCE

Balance Sheet Analysis

Key Balance Sheet Indicators

Main balance sheet items, KZT mln	2019	2020	2021	Change 2021/2020, %
Assets	1,340,331	1,707,388	2,804,120	164
Credits and advances to customers	980,394	1,319,681	1,999,327	152
Investment securities available for sale	-	-	-	
Investment securities at fair value through other comprehensive income	130,600	127,383	102,855	81
Cash and cash equivalents	151,025	138,258	595,066	430
Investment securities held to maturity	-	-	-	
Investment securities at amortized cost	65,493	104,829	84,024	80
Other assets	12,819	17,237	22,848	133
Liabilities	1,095,924	1,424,605	2,423,017	170
Payables to customers	902,023	1,097,659	1,898,429	173
Borrowings	59,158	67,614	78,910	117
Issued debt securities	78,650	113,680	191,456	168
Other liabilities	56,093	145,652	254,222	175
Equity	244,407	282,783	381,103	135

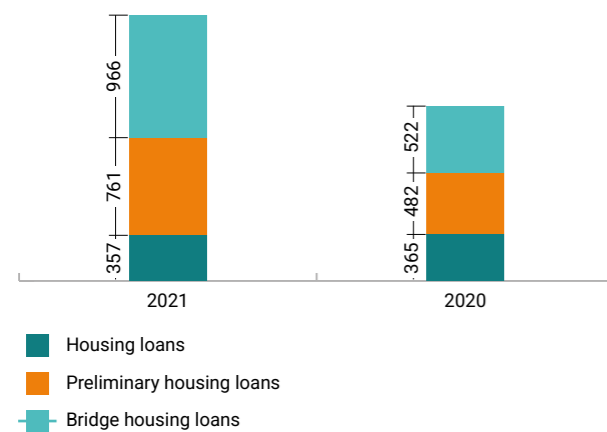
In 2021 the Bank's assets increased by 64% or by 1,097 KZT bln and amounted to 2.8 KZT trn. To a large extent, the increase of assets is associated with the inflow of funds under the program for the use of pension savings to improve housing conditions. After the announcement of an increase in the sufficiency threshold, customers ordered funds from the UAPF in order to receive in time and use them before 01.01.2022. The volume of loans to customers increased in 2021 by 680 KZT bln, or by 52%. The loan portfolio is well diversified – the share of the top 10 borrowers of the bank in the portfolio is less than 1%. At the same time, the share of loans with payments overdue for more than 90 days is 0.07% at the end of 2021 – the lowest rate in the Kazakhstani banking system.

The Bank issues loans only to individuals. The bridge housing loans at the end of 2021 increased by 101% to 966.2 KZT bln. Preliminary housing loans increased by 46% and reached 761.0 KZT bln at the end of the year. The volume of housing loans amounted to 356.6 KZT bln.

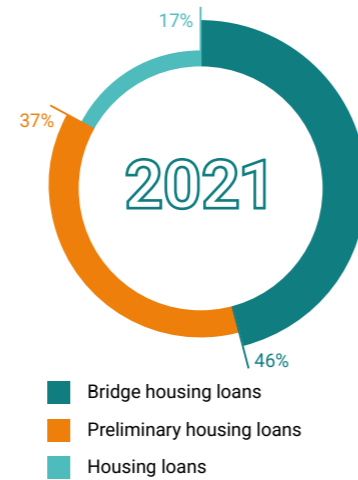
The Bank has no significant income and expense between operating segments. The Bank has no customers that represent at least ten percent of the total income received in 2021 (2020: no customers).

The Bank's investments in securities account for 7% of assets at the end of 2021. The share of cash and cash equivalents – 21%. Investment activity is aimed at efficient management of available free funds in order to safeguard the Bank's assets. As of the end of 2021, the Bank's financial assets amounted to 793 KZT bln, including securities – 250 KZT bln, reverse REPO – 5 KZT bln, correspondent accounts – 63 KZT bln. The share of government securities in the Bank's financial assets amounted to 23%.

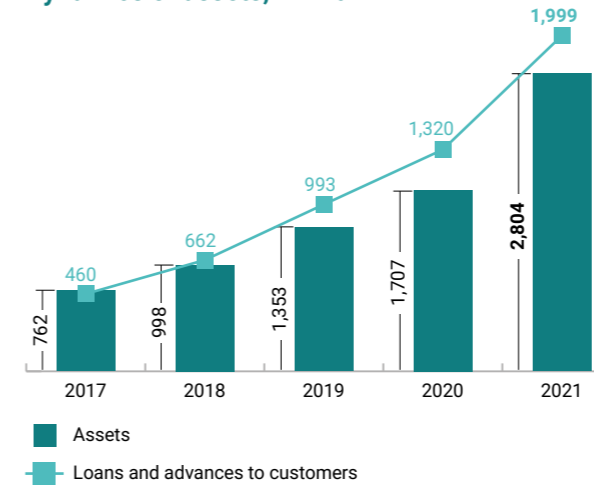
Dynamics of loans issued, KZT bln



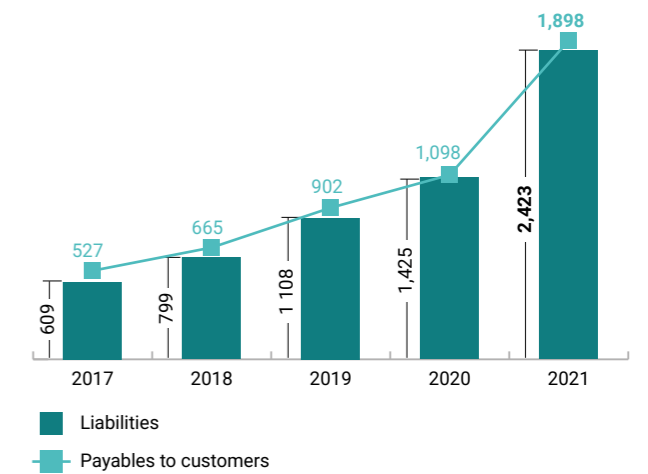
Loans structure at the end of 2021



Dynamics of assets, KZT bln



Dynamics of liabilities, KZT bln



The Bank's liabilities at the end of 2021 increased by 70%, or by 998 KZT bln, and amounted to 2.4 KZT trn. 78% in the structure of liabilities falls on amounts due to customers. The volume of customer accounts in the past year increased by 73%, or by 801 KZT bln, and amounted to 1,898 KZT bln at the year-end. As of 31 December 2021, the amounts due to customers of 141 KZT bln, or 7% of amounts due to customers, represented the amounts due to 10 largest customers, including 140.6 KZT bln – amounts due to legal entities and 0.4 KZT bln – amounts due to individuals.

The Bank's activity is characterized by a low level of debt load. At the end of 2021 the borrowings amounted to 3% of liabilities, the volume of issued securities amounted to 8%.

The volume of borrowings in 2021 increased by 17% to 11.3 KZT bln, primarily due to the provision of financing under state development programs from the Ministry of Finance of the Republic of Kazakhstan, which accounts for 71% of borrowings. Also, in 2021, the Bank received the first tranche of funds from the Asian Development Bank in the amount of 8.4 KZT bln under the Loan Agreement for the implementation of women's mortgages, which is 11% of borrowed funds.

The balance of issued securities at the end of 2021 is 191.5 KZT bln, which is 68% higher than at the end of 2020. In April-May 2021, the Bank placed the remaining part of the bonds under the first bond program in the amount of 20 million at Kazakhstan Stock Exchange JSC (organized market), with a nominal value of 1,000 KZT, with a maturity date of June 17, 2026, coupon rate remuneration of 10.27% per annum, with a coupon payment frequency of 2 times a year, to finance the lending and investment activities of the Bank.

In April, the Bank additionally placed the first and third issues of bonds under the second bond program of the Bank in the amount of 30 million and 90 million, respectively, with a nominal value of 1,000 KZT, a maturity of 20 years, a coupon rate of 4.05% per annum, with a coupon payment frequency of 2 times a year on the unorganized market by concluding a Securities Purchase and Sale Agreement with the Parent Company, to provide bridge and preliminary housing loans as part of the "Shanyrak" state program.

The Bank's equity in 2021 increased by 35% and reached 381 KZT bln. The increase in equity was associated with a 60% increase in retained earnings to 175 KZT bln. The share of equity in the Bank's balance sheet structure is 14%, which indicates high financial sustainability and independence of the Bank's financial position.

The Bank continues to maintain a high level of liquidity and capital sufficiency, which significantly exceeds the requirements of the regulator, which was the result of high-quality work on asset management. The prudential capital sufficiency ratios k1, k1-2, k2 in 2021 made up 35%, more than four times higher than the standard values.

Key indicators	2019	2020	2021	Standard
k1 ratio	39.8%	36.5%	34.6%	not less than 5.5%
k1-2 ratio	39.8%	36.5%	34.6%	not less than 6.5%
k2 ratio	39.8%	36.5%	34.6%	not less than 8%

Analysis of the Statement of Income

Key indicators of the Statement of Income

Main items of the statement of income, KZT mln	2019	2020	2021	Change 2021/2020, %
Interest income	84,718	111,434	171,023	153
Interest expenses	-28,138	-35,885	-54,597	152
Net interest income	56,580	75,549	116,426	154
Recovery/(creation) of reserve for loan portfolio impairment	-347	-5,530	-2,406	44
Net interest income after (creation)/recovery of reserve for loan portfolio impairment	56,233	70,019	114,020	163
Fee income	1,275	1,538	1,919	125
Fee expenses	-5,063	-6,637	-7,111	107
Administrative and other operating expenses	-17,114	-18,688	-22,100	118
Other operating expenses	-6,739	-13,217	-10,897	82
Profit before tax	28,592	33,015	75,831	230
Income tax expense	-1,245	-1,231	-10,076	819
Profit for the year	27,347	31,784	65,755	207

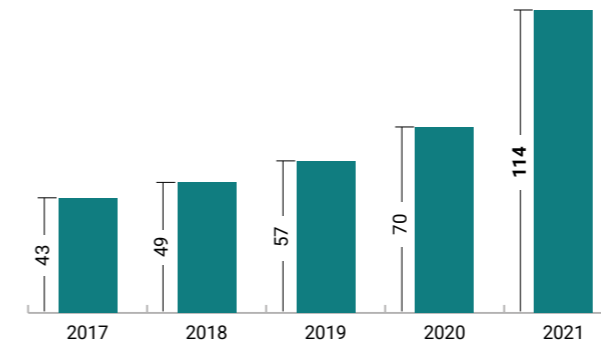
The Bank's interest incomes in 2021 increased by 53% to 171 KZT bln. 66% of this amount accounted for interest on loans issued. Last year, interest income on loans reached 113 KZT bln, having increased by 45% compared to 2020. 15% of interest income comes from return-on-investment securities.

In 2021, interest expenses increased by 152% and amounted to 54.6 KZT bln. The increase is mainly due to an increase in interest expense on amounts due to customers, which account for 55% of all interest expenses. The return on customers' accounts in 2021

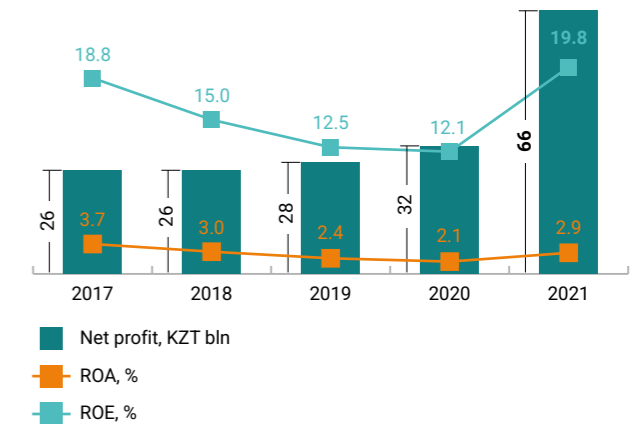
amounted to 30 KZT bln, showing an increase of 36% compared to 2020. The balance of the amount of interest expenses primarily accounts for interest expenses on issued bonds and borrowings.

Net interest income of the Bank formed at the end of 2021 at the level of 114 KZT bln and increased by 63% compared to 2020. As a result, the Bank's profit for the year amounted to 65.8 KZT bln and increased by 107%. The Bank maintains sufficient profitability ratios. ROE in 2021 was 19.81%, ROA – 2.91%.

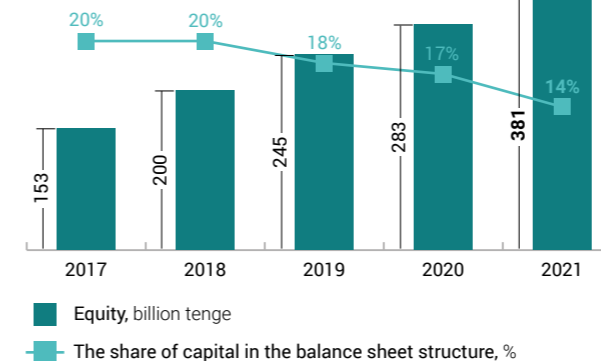
Net interest income, KZT bln



Dynamics of net profit



Capital dynamics



Target-Actual Analysis

At the end of 2021, the Bank demonstrates growth in all key performance indicators and exceeded the targets. In particular, the deposit base exceeded the target by 25%, the loan portfolio – by 29%. This reflects the growing scale of the Bank's activities, and the growing interest in the housing construction savings system on the part of the population. As a result, the Bank also continues to maintain high profitability rates, which remain above the target. The volumes of assets and liabilities also formed above the target.

Comparison of target and actual values of the main indicators

Indicator	Unit of measurement	Actual, 2018	Actual, 2019	Actual, 2020	Target, 2021	Actual, 2021	Achievement, %
Assets	KZT mln	998,340	1,340,331	1,707,388	2,192,503	2,804,119	128
Equity	KZT mln	199,662	244,407	282,783	351,190	381,103	109
Liabilities	KZT mln	798,678	1,095,924	1,424,605	1,841,313	2,423,017	132
ROE	%	15.01	12.44	12.12	11.11	19.81	178
ROA	%	3.01	2.35	2.09	1.81	2.91	161
Deposit base	KZT mln	624,212	806,831	1,034,578	1,207,168	1,509,092	125
Loan portfolio	KZT mln	669,505	1,004,892	1,364,619	1,610,438	2,083,795	129

KEY GOALS FOR 2022-2023

In accordance with the Bank's Strategy of Development until 2023 and the Bank's Plan of Development for 2019- 2023, the key indicators are identified and presented below.

Indicators	Unit of measurement	2021(T)	2021(A)	2022(T)	2023(T)
Contribution of Otbasys Bank to the construction of affordable housing in the Republic of Kazakhstan (for the year)	%	3.9	5.7	3.7	3.4
Share of the loan portfolio in the Bank's assets	%	78	74	75	74
Share of non-state sources of borrowing in the total structure of borrowing for the reporting year	%	65.0	79	65.0	70.0
Return on assets (ROA)	%	1.81	2.91	1.57	1.46
Volume of loans issued for primary housing through the instruments of Otbasys Bank JSC	sq. m	408,360	555,720	420,000	420,000
Share of participants in the HCS system to the economically active population	%	22.1	23.5	23.7	25.0
Deposit base activity	%	31	30	32	33
Transition to servicing online	%	47	58	67	100
Staff engagement rate	rate	average	above average	above average	above average

During 2022-2023, the Bank also will focus on the following key tasks:

1. Effective personnel management system.
2. High confidence on the part of the population in the Bank's activities in general, as well as in the implementation of the social state programs.
3. Maintaining high financial stability of the HCS system implemented by the Bank and flexibility in responding to changes in market conditions by improving the long-term management of the financial flows and funding.
4. Consideration of the possibility of raising funds from alternative funding sources.

In 2022, the Bank is faced with the task of transforming into a Development Institute as part of the adoption of a draft law on reforming housing policy.

Continuing the implementation of the "Nurly Zher" program in the directions of "Lending to low-income families on the waiting list of LEB", "Implementation of social credit housing of LEB", lending to participants in the "Shanyrak" pilot project and "Implementation of social credit housing of LEB within the framework of pilot projects", the Bank is planning to take an active part in the implementation of directions to increase the availability of mortgage lending and support shared housing construction. The Bank is also planning to actively participate in the implementation of the "Strong Regions – Driver of the Country's Development" National Project to increase the availability of lending by issuing loans at 2 and 5%.



Furthermore, the Head of State instructed the Government of the Republic of Kazakhstan, together with akims of the regions, to provide, within the framework of Otbasys Bank's instruments, a preferential mortgage program with an initial payment of 10%, a remuneration rate of 2-5% for residents of single-industry towns with low development potential. Starting from 2022, the Bank will carry out relevant work regarding this instruction.

The Bank will also work within the framework of scaling the successful experience of youth mortgages throughout the country using funds from the republican and local budgets.

The Bank is planning to pay part of the rent for people on the waiting list at the expense of the state budget. Subsidized rental payments for citizens in need of housing will make it possible to provide rental housing to people on the waiting list with a low-income level (below 1 subsistence rate). It is planned to start subsidizing rental payments for 70 thousand families (potentially 180 thousand applicants).

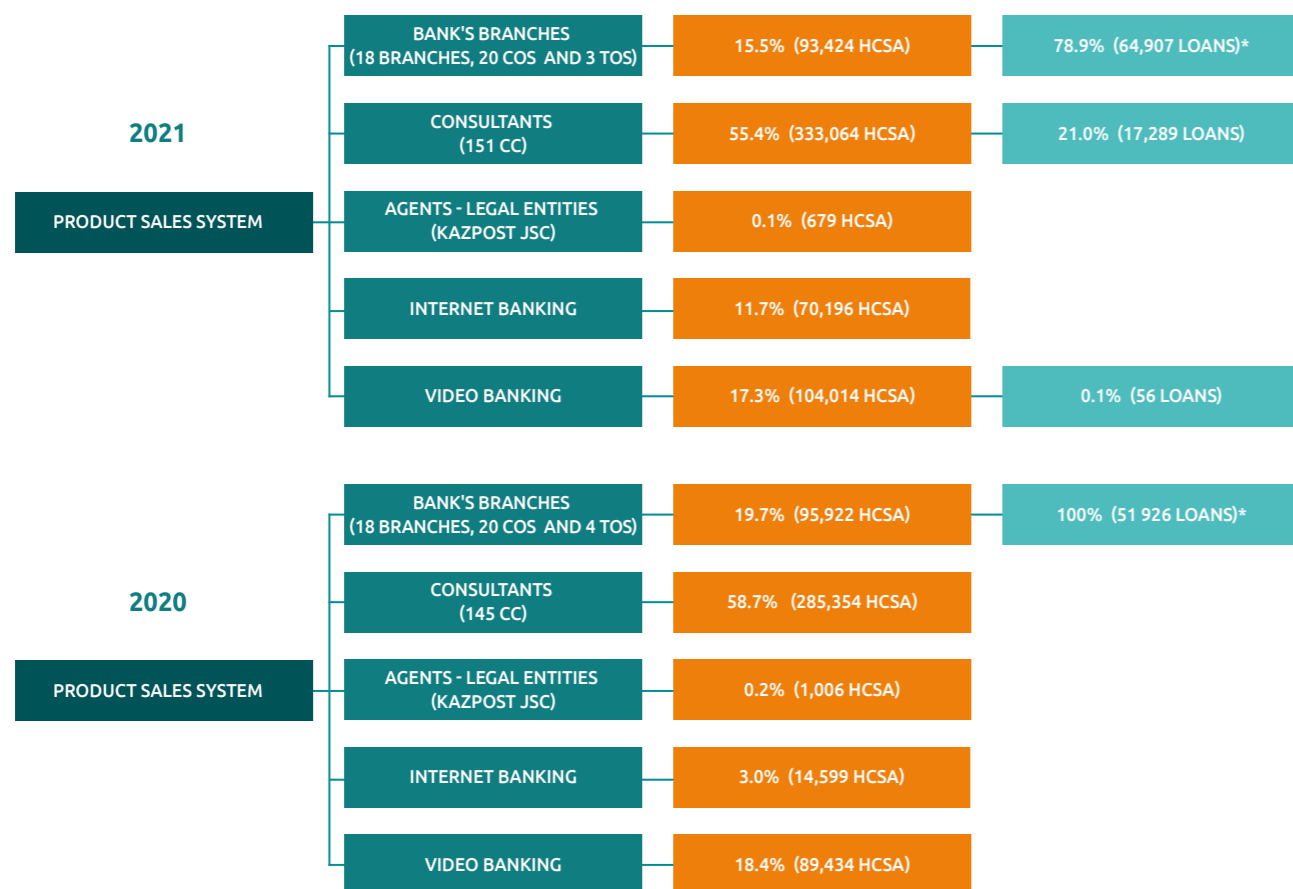
SALES SYSTEM



SALES SYSTEM

The Bank's activities are characterized by rather high rate of development as evidenced by the growth of key indicators. Such dynamics is ensured to a large extent by the successful operation of the Bank's sales system, which includes branches, centers and service points, consultants and agents (organizations that provide agency services to the Bank under concluded agency agreements), the Internet banking and video banking.

Main participants in the product sales system and the number of housing construction savings agreements concluded



*loans without transfers
HCSA – housing construction savings agreements

Contact Center

The Bank pays great attention to receiving feedback from customers, striving for effective development in the interests of customers. The Bank receives feedback through written requests (received by courier, mail, e-mail and Internet resource of the Bank) and verbal requests (received by phone and during a direct visit by the customer to the Bank). Requests, if any, are received on a daily basis.

Digital Communication Management

Since 2020, the Bank has been running the Quanysh chatbot hosted on two popular messengers – WhatsApp and Telegram. In July 2021, the Bank's CRM system was integrated with social networks, which made it possible to host the Quanysh chatbot on the official pages of the Bank on social networks such as Instagram, Facebook, VKontakte.

The Quanysh chatbot is also hosted on the Bank's mobile application, which is the second most popular communication channel after WhatsApp.

With the chatbot introduction on 01.01.2022, the Bank was able to transfer 48% of customers using voice channels to servicing via digital communication channels. The short number of the Bank's call center 300 was also available to the Bank's customers. The average monthly number of requests to the chatbot amounted to 88,000, an increase of 219% compared to the initial data.

The chatbot advantages are that no chat will be lost under any load compared to voice communication channels. It is impossible not to accept the customer session, the customer will promptly use the service in any case and will not be left unanswered.

In 2021, more than 1 million chats and more than 59 thousand comments were processed. 62.5% of customers prefer to use chatbot in the WhatsApp messenger, 23% use chatbot in a mobile application, 13.1% use Telegram, and the remaining 1.3% use social networks.

The configured chatbot processed 84% of requests without transfer to the operator. Accordingly, only 16% of customers, after consulting with the bot, connected to the operator. It is an indicator

of properly built robotization and the relevance of the posted content. As of today, more than 50 consultation scenarios on the Bank's products and services and 29 different banking services have been configured in the chatbot in two languages.

With the start of accepting applications for the use of lump-sum pension payments, the issue of checking the status of applications for the Unified Pension Payments (hereinafter – the UPP) has become relevant. To reduce the proportion of chats being transferred to an operator, we have implemented a feature to check UPP applications in the chat bot online.

In 2021, the average first response time did not exceed 32 seconds. While, operators process up to 21 chats simultaneously. The CSI level is 90%.

About 30 metrics have been developed to evaluate the chatbot performance, and based on these indicators, the content and functionality of the Quanysh chatbot are constantly being developed. Customer experience is constantly being studied to understand in which direction to improve digital services.

Additional functionality of the Digital Communications Management is to provide responses to citizens' requests. In 2021, "Feedback" processed more than 12 thousand official written requests, without a single complaint from users. In 2021, more than 332 thousand applications from the Bank's website were processed and more than 59 thousand comments were posted.

Video Banking Management

In accordance with the implementation of strategic tasks in terms of integrated transition of the Bank's activities, business processes, competencies, corporate culture and business models to a digital Bank with the maximum use of digital technologies, the Bank is working on the development and implementation of innovative products using new technologies to form new experience. So, in 2020, the Bank introduced video banking service. In 2021, we improved this service by launching a new remote customer service function – online opening of a deposit via a video call. Also, as part of the further availability of the Bank's products, an online mortgage scheme was implemented through a concierge

service via video banking. This product combines the best practices for serving live communication and using digital channels – Phygital. Introduction of this functionality helped the Bank's customers to apply for a mortgage remotely and minimize visits to the Bank's branches, which is especially important in the current epidemiological situation. Since October 2021, loan applications for a total amount of 868 KZT mln have been processed in pilot mode. Video calls helped save the Bank's customers' time and get services remotely for post-deposit transactions. This feature has been used 250,000 times. As part of customer support in terms of lump sum pension payments, more than 61,000 special accounts were opened via video banking and more than 594,000 special accounts via Internet banking to receive pension funds. The total number of served video calls for the year amounted to more than 563,000.

Also, as part of customer service support, in the first quarter of 2021 alone, 37% of calls from the total volume of answered calls in 2020 were answered, and in total for the current year, more than 1.6 million customers received service through audio servicing.

Telemarketing Management

In 2021, we continued work on the development of the CRM system by launching and conducting marketing campaigns. We have improved processes for launching regular and trigger campaigns.

Due to development of regular and trigger campaigns in CRM, communication with the customer is carried out immediately after leaving an application on the Bank's website or performing any action. SMS messages and PUSH notifications, outgoing calls are automatic, possibility of tracking the stages and statuses of launched communication both for the entire campaign and for a single customer. Introduction of this functionality allowed not only to reduce labor costs for the development, implementation and calculation of the campaigns results, but also to optimize the campaigns costs, to choose the most convenient communication channel for the customer. Also, the above improvements helped to identify the customer, recognize his/her request and direct to the appropriate operator.

Results of the Work Performed in 2021

Marketing Campaigns (sms/push/ivr):

- during the year, we held 10 regular monthly marketing campaigns on the transferred deposit base of dismissed consultants of branches (more than 420,000 deposits) aimed at stimulating the replenishment of the deposit. Customers who do not replenish deposits were the campaign participants. The results of work with the transferred portfolio led to replenishment of deposits in the total amount of 152.1 KZT bln. Reports and necessary processes were also automated for preparation and launch of regular marketing campaigns;
- we held a large-scale marketing campaign for customers who used pension funds that exceeded the sufficiency threshold. The campaign resulted in over 2,000 customers who opened a deposit with the Bank;
- in the 4th quarter of 2021, we held a marketing campaign, the purpose of which was to encourage customers to replenish deposits in order to receive the maximum state premium. Replenishment on deposits of campaign participants amounted to 132.6 KZT bln;
- we additionally launched more than 40 operational and marketing campaigns.

Operational Campaigns:

- in 2021, the number of processed outgoing line customers increased by 4.4 times compared to 2020. In 2021, the total number of dial-ups was more than 685,000 calls;
- more than 114,000 leads were created in CRM, 39% of which were completed with successful opening of a deposit;
- the result of calling "sleeping" customers (no replenishment) was the replenishment of deposits in the amount of 837.9 KZT mln;
- in August 2021, we expanded the functionality of operators, introduced a new function for opening deposits through a video service: 13,551 deposits were opened in the period from August to December 2021;
- more than 400 KZT mln was raised on deposits opened by the operators;

- the process of IVR automatic calling was improved in order to notify the customer about the overdue debt that has arisen, as well as about the amount of the resulting debt;
- we adjusted the functionality of IVR automatic calls to customers to notify them of arrests and issued payment request-order, and of switching to a housing loan. During the year, more than 10,000 customers were notified via IVR calls;
- we implemented a business process for conducting an NPS survey, which made it possible to obtain customer assessment of the quality of service at the Bank's branches without the participation of an operator, by IVR automatic calling.

Alternative Methods to Accept Payments methods

At the end of 2021, 16,011 cashless payments in the amount of 1,003 KZT mln were made through alternative payment channels (deposit replenishment/loan repayment).

Advertising and PR Activities of the Bank

The Bank is actively working to popularize the system of housing savings among the population and informing Kazakhstanis about the available opportunities offered by the Bank. The Bank holds major PR and marketing campaigns for this purpose.

In total, the Bank prepared 76 press releases in the state and Russian languages on the use by Kazakhstanis of the funds of unified pension payments to improve housing conditions, the implementation of the Bank's state programs, the digitalization of processes, the improvement of the Bank's financial performance, the benefits of implementing the housing construction savings system.

An interview of Lyazzat Ibragimova, the Chairman of the Management Board about the activities of the Bank was held and published in Forbes magazine. Explanatory materials about the system of housing construction savings, as well as the history of the Bank's depositors, were published in the republican newspapers "Karavan", "Vremya", "Kursiv", "Delovoy Kazakhstan", "Zhas Kazakh", "Kazakhstanskaya Pravda", "Yegemen Kazakhstan". During the year, the Bank's representatives participated in the filming of economic, socio-political and housing programs on TV channels "Khabar", "Khabar 24", "Astana", "STV", "Almaty", "31 Kanal", etc. We also launched an information campaign to promote the "Corporate" product.

Responses to requests were prepared, as a result of which explanatory materials about the Bank's products and the results of the implementation of the HCS system were published on the major information portals such as "Kursiv.kz", "Kapital.kz", "inbusiness.kz", "Tengrinews.kz", "krisha.kz", "informburo.kz", etc. As a result, in 2021, the media published 11,228 explanatory materials mentioning the Bank.

Over the year, we performed work to modernize the Bank's external website. Landing pages were created for new products: "Elorda Zhastary", women's mortgage "Umai", landing pages with forms for targeted advertising on the use of unified pension payments, video banking services, women's mortgage "Umai" and state premiums.

We created a version of the Bank's website for visually impaired citizens. Improved product calculator, page "Otbasy Info" – with the possibility of conducting surveys with customers and the function of evaluating the answer.

In terms of integration with remote customer services, the pages "Your Consultant" have been improved with the addition of a new list of "300 video consultants", "online booking" and other types of communication.

The Bank has official pages in social media, such as Facebook, Vk, Instagram, and it publishes video materials on the Youtube video hosting. During 2021, more than 150 thousand people subscribed to the Bank's pages in social media; the total number of subscribers at the end of the reporting period amounted to 583 thousand people.

100+ videos in two languages were created and published on the official pages of the Bank in social networks: instructions and presentations about the activities of the Bank and its products, success stories of the Bank's depositors.

1. 1,067,000 units of printed products (leaflets, brochures, posters, stickers), including 200,000 leaflets under the Umai program were printed.
2. Advertisement of the Bank was placed on 472 outdoor structures (Nur-Sultan – 126, Almaty – 235, Uralsk – 26, Aktobe – 55, Atyrau – 30).
3. Advertising of the Bank at airports and railway stations – 26 structures (Almaty – 6, Nur-Sultan – 13, Aktobe – 3, Aktau – 1, Shymkent – 3).
4. Advertising in the metro – 17 structures.

In 2021, the Bank continued to use a new online promotion channel – contextual and targeted advertising. As at the end of the year, 10 nationwide advertising campaigns were launched with a total coverage of more than 3 million.

The results of the marketing research conducted at the end of 2021 showed that 86.8% of the total number of respondents trusted the Bank. Awareness of the housing construction savings system and the Bank was 88.3%. The customer satisfaction rate was 91%.



CORPORATE GOVERNANCE

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INFORMATION ABOUT SECURITIES

Share capital

(in thousands of Kazakhstani tenge, except for the number of shares)	Shares (thousand)	Ordinary shares	Total
As of January 1, 2020	7,830	78,300,000	78,300,000
New issued shares	–	–	–
As of December 31, 2020	7,830	78,300,000	78,300,000
New issued shares	–	–	–
As of December 31, 2021	7,830	78,300,000	78,300,000

The Bank discloses all information necessary for the Sole Shareholder regarding the conditions and procedure for payment of dividends, the financial position of the Bank, etc. To pay dividends, the Bank follows the procedure for determining the amount of dividends paid by subsidiaries of the Holding as approved by the Sole Shareholder.

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

The amount of dividends can be determined by the Sole Shareholder according to a special procedure when considering the issue of approving the procedure for distributing profits for the relevant periods.

Based on the decision of the Sole Shareholder, the Bank did not pay dividends for 2020 (for 2019, dividends were paid in the amount of 8,292.6 KZT mln, for 2018 – in the amount of 7,936.6 KZT mln).

DESCRIPTION OF THE CORPORATE GOVERNANCE SYSTEM

The Bank considers the corporate governance as a means of increasing its efficiency, ensuring transparency and reporting, strengthening its reputation and reducing the cost of raising capital, as well as its contribution to ensure the rule of law in the Republic of Kazakhstan and a factor determining the Bank's place in the modern economy and society as a whole.

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

The relations between the participants in the Corporate Governance system in the Bank are regulated by the Bank's internal documents developed on the basis of the international practice. The structure of the corporate governance of the Bank is in accordance with the legislation and determines the subdivision of responsibilities between the Bank's bodies.

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

1. the principle of delineation of powers;
2. the principle of protection of the rights and interests of the sole shareholder of the Bank as provided in accordance with the civil and banking laws of the Republic of Kazakhstan, the legislation of the Republic of Kazakhstan concerning the joint-stock companies, 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 the management of risks, internal control and internal audit;
6. the principle of regulation of 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 legislation of the Republic of Kazakhstan concerning the state regulation, control and supervision of the financial market and financial organizations, the legislation of the Republic of Kazakhstan concerning the foreign exchange regulation and currency control, payments and payment systems, securities market, laws on anti-money laundering and terrorism financing counteraction, 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 compliance with the scale and nature of the Bank's activities, its structure, risk profile, and the Bank's business model.

The corporate governance system is diagnosed by the Bank's Internal Audit Department once every two years in accordance with the Rules for organization of internal audit as approved by the resolution of the Board of Directors of the Bank.

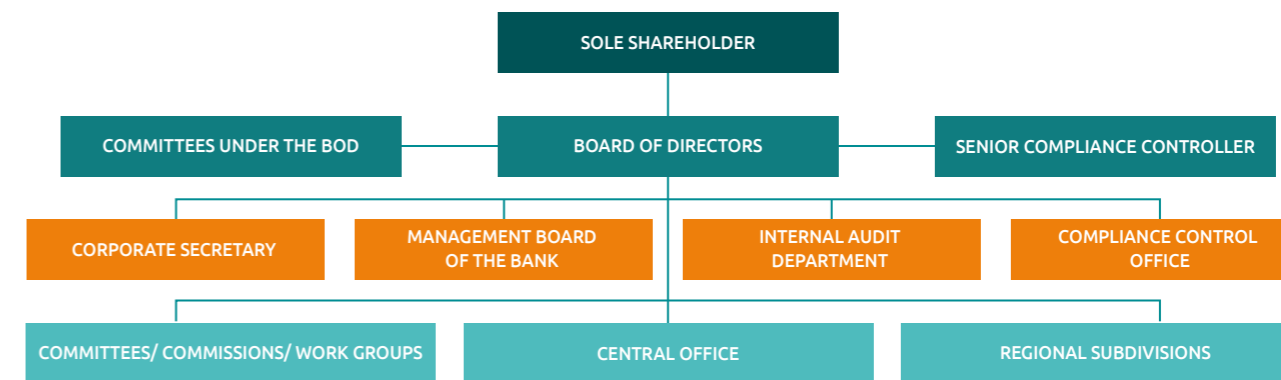
According to clause 3 of Article 182 of the Law of the Republic of Kazakhstan "On State Property", an independent assessment of corporate governance must be carried out at least once every three years

by state-controlled joint-stock companies (except for the National Welfare Fund). In 2021, in compliance with the Law of the Republic of Kazakhstan "On State Property", an independent assessment of the corporate governance of Otbasys Bank JSC was carried out. According to the results of the assessment, the compliance with the level of corporate governance was 94.9%, which corresponds to the "Adequate" rating.

Dynamics of Assessment of the Conformance of the Level of Corporate Governance of Otbasys Bank JSC

Section	Percent of conformance in 2021	Percent of conformance in 2019
1. STRUCTURE	96.7	95.0
Corporate governance structure	100.0	95.0
Overall commitment to the corporate governance principles	87.5	93.8
Rights of financial stakeholders	92.9	92.9
Conflict of interests	100.0	95.0
Distribution of powers	100.0	100.0
2. PROCESSES	98.2	95.2
Efficiency of the Board of Directors	95.8	100.0
Corporate social responsibility and sustainable development	100.0	95.0
Remuneration and succession	100.0	78.6
Risk management	97.5	100.0
Planning and monitoring	100.0	96.9
3. TRANSPARENCY	90.2	95.1
Information policy	87.5	93.8
Disclosing financial information	85.7	96.4
Disclosing non-financial information	84.1	93.2
Auditing process	100.0	100.0
Internal audit	94.6	94.6
TOTAL ASSESSMENT	94.9	95.1

CORPORATE GOVERNANCE STRUCTURE



In accordance with the legislation of the Republic of Kazakhstan, the organizational structure of the Bank consists of the following governing bodies:

- the supreme body – the Sole Shareholder;
- controlling body – the Board of Directors;
- executive body – the Management Board;
- the body supervising the financial and business activities of the Bank – the internal audit subdivision;
- other permanent collegial bodies of the Bank formed in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Bank for the implementation of various areas of the Bank's activities.

Transparency of the Bank and Efficiency of Information Disclosure Processes

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

The information on the balance sheet, statement of incomes and expenses, as well as the information on purchases of goods, works and services, is published on the Bank's Internet resource on a quarterly basis and at the end of the year. The financial statements,

including report of external auditors, are also published.

Also, information for the Sole Shareholder is published on a separate landing page.

Additionally, the information about the main activities of the Bank, an annual report, information about significant events in the Bank's life, structure of the Board of Directors and the Management Board, information about existing vacancies, a list and addresses of the branches, a list of the Bank's affiliates, information about shareholders and partners of the Bank and its strategic development is posted.

To ensure the informational transparency of the Bank, 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 posting the information, the Bank complies with the rules of the legislation on protection of banking, trade and other legally protected secrets.

BOARD OF DIRECTORS

The members of the Board of Directors of the Bank are elected to the position by the Sole Shareholder subject to subsequent their approval by the National Bank of the Republic of Kazakhstan in the manner prescribed by the legislation of the Republic of Kazakhstan and the Bank's Articles of Association.

The Bank's Board of Directors comprises the representatives of the Sole Shareholder, the Chairman of the Bank's Management Board and independent directors.

An independent director of the Bank is selected for the position on a competitive basis for a period not exceeding three years (subsequently, subject to satisfactory results of evaluation of their activities, they can be re-elected for another period of up to three years) in accordance with the Regulations on the Board of Directors of the Bank approved by the decision of Baiterek NMH JSC dated 28.11.2018 (Minutes No. 53/18).

When selecting candidates for the Board of Directors, the following are taken into account:

1. experience in executive positions;
2. work experience as a member of the Board of Directors;
3. length of service;
4. education, specialty, including availability of international certificates;
5. competencies / management experience for at least 2 years in the areas and branches (the branches may vary depending on the portfolio of assets);
6. business reputation;
7. availability of direct or potential conflict of interest; and
8. availability of professional certification of the director "Certified Director" (for independent directors).

The Board of Directors is informed about the emergence of important financial and non-financial issues in the Bank through periodic reporting provided by the Bank's subdivisions (Internal Audit Department, Internal Control Department, Compliance Control Department, Treasury Department, Accounting Department, Planning and Strategic Analysis

Department) for consideration by the Board Directors of the Bank. The list and deadlines for reporting were approved by the decision of the Board of Directors of the Bank dated 29.01.2021 (Minutes No. 1), it allows tracking all indicators and the level of risks in the Bank's work. In 2020, the Board of Directors was not notified of critical indicators in the work of the Bank through the periodic reporting of the Bank's subdivision.

Plus, the head of risk management, in accordance with the fifth paragraph of clause 36 of Chapter 4 of the Resolution of the NBRK Board No. 188 dated 19.11.2019 "On Approval of the Rules for Forming a Risk Management and Internal Control System for Second-Tier Banks", informs the Board of Directors of the Bank about the presence of significant discrepancies between the opinion of the risk management subdivision and the decision of the Bank's Management Board regarding the level of risks accepted by the Bank.

In 2021, the Board of Directors and the Sole Shareholder received information from the head of risk management about the emergence of significant risks for the Bank as a result of the conclusion by the Management Board of the Agreement on the implementation of joint activities for the supply of precast reinforced concrete and concrete structures and products, as well as the sale of square meters of housing being built and the provision of financing between GLB HBF LLP, EVOLVEKZ LLP, Development Bank of Kazakhstan JSC, SHAR-KURYLYS LLP, ARGON STROY LLP and Otbasys Bank JSC. As a result of timely informing, the Sole Shareholder decided to develop a set of measures to reduce legal and financial risks for the Bank.

Chairman of the Board of Directors

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

The Chairman of the Board of Directors is responsible for the overall management of the Board of Directors, ensures the 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, holds its meetings, and also performs other functions determined by the Articles of Association of the Bank.

Key functions of the Chairman of the Board of Directors:

1. planning meetings of the Board of Directors and setting the agenda;
2. ensuring timely receipt by the members of the Board of Directors of complete and up-to-date information for decision-making;
3. ensuring that the Board of Directors is focused on consideration of strategic issues and minimizing current (operational) issues subject to consideration by the Board of Directors;
4. ensuring maximum effectiveness of the meetings of the Board of Directors by allocating sufficient time for discussions, comprehensive and in-depth consideration of agenda items, stimulating open discussions, reaching agreed decisions;
5. ensuring monitoring and supervision of the proper execution of decisions adopted by the Board of Directors and the Sole Shareholder;
6. in the event of corporate conflicts, taking measures to resolve them and minimize the negative impact on the Bank's activities and timely informing the Sole Shareholder if it is impossible to resolve such situations by own forces;
7. building proper communication and interaction with the Sole Shareholder, including the organization of consultations when making key strategic decisions.

Requirements for Independent Directors

A candidate to be elected as an independent director to the Board of Directors shall:

1. Meet the definition of an independent director in accordance with the Law of the Republic of Kazakhstan "On Joint Stock Companies".
2. Possess general information on key issues specific to an organization similar in scope and nature of the Bank's activities, have international experience in a similar branch/sector and professional experience of at least 2 (two) years prior to nomination, as well as demonstrate understanding of the
 - requirements of the legislation in relation to the Bank;
 - competitive environment in the national and international markets;
3. Be able to analyze and objectively evaluate the information provided and develop an independent position on the issue based on the principles of legality, fairness and equal treatment of all shareholders; be able to express own opinion and defend the point of view reasonably;
4. Know the principles of corporate governance and sustainable development.
5. Have an impeccable reputation/positive track record in the business and/or sectoral environment. The biography of a candidate must not imply any facts of committing a crime in the field of economic activity, as well as administrative offenses in entrepreneurial activities.
6. Have sufficient time to participate in work of the Board of Directors, not only during the meetings of the Board of Directors, but also to properly study the materials for the meetings of the Board of Directors.
7. Not be a member of more than 3 (three) boards of directors in the other companies.
8. Annually carry out the independence confirmation procedure and inform the company in case of loss of the status of an independent director.

The Bank confirms that the Bank's Sole Shareholder, when selecting an independent director for the position, verified the candidates for compliance with the above criteria, as well as established their independence.

COMPOSITION OF THE BOARD OF DIRECTORS

As of January 1, 2022, the Board of Directors consisted of 7 members, including three



USKENBAYEV
Kairbek
Aitbayevich

24.10.1964

Chairman of the Board of Directors
of Otbasy Bank JSC, representative
of the Sole Shareholder

CURRENT POSITION

First Vice-Minister of the Ministry of Industry and Infrastructure Development of the Republic of Kazakhstan.

Elected to the Bank's Board of Directors on 07 September 2020.

EDUCATION

- Karaganda Higher School of the USSR Ministry of Internal Affairs (1986). Lawyer.
- Akmola Agrarian University named after S. Seifullin (1996). Economic Manager.
- Diplomatic Academy of the Eurasian National University named after Gumilyov (2004). International Relations.

ACADEMIC RANKS, DEGREES, ACTIVITIES

- Candidate of Economic Sciences, thesis work subject: "Regulation of the process of economy demonopolization and competition development" (1998)

WORK EXPERIENCE

2014-2016: Vice-Minister of National Economy of the Republic of Kazakhstan.

2016-2018: Managing Director – member of the Management Board of Baiterek NMH JSC.

2018-2019: Vice-Minister of Industry and Infrastructure Development of the Republic of Kazakhstan.

From March 2019 to the present time: First Vice-Minister of Industry and Infrastructure Development of the Republic of Kazakhstan.



OMARKHODZHAYEV
Anuar
Sagynaliyevich

31.10.1973

Member of the Board of
Directors of Otbasy Bank JSC

CURRENT POSITION

Vice-Chairman of the Management Board of Baiterek National Management Holding JSC.

Elected to the Board of Directors by the resolution of the Sole Shareholder dated 28 October 2020.

EDUCATION

- Kazakh State Agrarian University, department: agricultural mechanization, Almaty city (1990-1996). Mechanical Engineer.
- Bremen Institute (Bolashak program scholarship holder), department: mechanic engineering, Bremen, Germany (1994-1999). Industrial Engineering Technician.

WORK EXPERIENCE

2014-2016: deputy director of the Secretariat of the Prime Minister of the Republic of Kazakhstan.

Since 2016 to the present time: Vice-Chairman of the Management Board of Baiterek National Management Holding JSC.



IBRAGIMOVA
Lyazzat
Yerkenovna

07.11.1972

Member of the Board of
Directors of Otbasy Bank JSC

CURRENT POSITION

Chairperson of the Management Board of Otbasy Bank JSC.

Elected to the Bank's the Board of Directors on 30 January 2019.

EDUCATION

- Akmola Agricultural Institute. Specialty: Economics and Management in AIC branches.
- Eurasian Humanitarian Institute. Specialty: Jurisprudence.
- Higher Business School of AOE Nazarbayev University. Program: MBA Executive.

WORK EXPERIENCE

From April 2009 to January 2016: Chairperson of the Management Board of Damu Entrepreneurship Development Fund JSC.

From February 2016 to January 2017: Vice-Chairperson of the Management Board of Baiterek NMH JSC.

2016: Chairperson of the Board of Directors of "Kazakhstan Mortgage Company" Mortgage Organization JSC.

Since January 2017: Chairperson of the Management Board of Otbasy Bank JSC.



TOKOBAYEV
Nurlan
Tursunbekovich

21.03.1974

**Member of the Board of
Directors – Independent
Director of Otbas Bank JSC**

POSITIONS HELD IN OTHER ORGANIZATIONS

Member of the Board of Directors – Independent Director Kazakhstan Project Preparation Fund LLP

Member of the Board of Directors – Independent Director Optima Bank OJSC (Kyrgyzstan)

Elected to the Bank's Board of Directors on 29 September 2021.

EDUCATION

- Kazakh State Academy of Management, specialty "Finance and Credits", qualification "Economist".

WORK EXPERIENCE

National Bank of the Republic of Kazakhstan: Head of the Methodology Office of the Banking Supervision Department.

Kazakhstan Mortgage Company JSC, First Deputy Chairman of the Management Board of the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations, Director of the Department for Regulation of the Securities Market and Pension Funds.

Credit-Standard Commercial Bank JSC (Uzbekistan), Chairman of the Management Board.

Credit-Standard Commercial Bank JSC (Uzbekistan), Chairman of the Board of Directors.

Visor Capital JSC (Kazakhstan), Independent Director of the Board of Directors.

Advance Bank of Asia JSC (Cambodia), Independent Director, member of the Board of Directors.



KYDYRBAEV
Dossym
Khamitovich

10.11.1963

**Member of the Board of
Directors of Otbas Bank JSC,
Independent Director**

POSITIONS HELD IN OTHER ORGANIZATIONS

Rakurs Consulting Group LLP, Managing Partner.

Member of the Board of Directors – Independent Director of SO of VTB Bank JSC (Kazakhstan), Tengri Partners Investment Banking JSC, Olzha JSC (Kazakhstan).

Member of the Management Board of the Chamber of Commerce and Industry of France – Kazakhstan; member of the Board of Investors of Almaty city; member of the Management Board of Aspandau Educational Foundation.

Elected to the Bank's Board of Directors on 30 January 2019.

EDUCATION

- Leningrad State University (1986, 1992). Specialty "Higher Mathematics", Candidate of Physical and Mathematical Sciences.
- Copernic, Paris, MBA.

WORK EXPERIENCE

Managing Partner at Rakurs Consulting.

He was the Managing Director, Vice-Chairman of the Management Board of ATFBank JSC. He worked as the adviser to the President of Kazakhoil National Oil-and-Gas Company and as the President of the KazTransOil National Oil Transportation Company JSC.

He has experience in the foreign companies: Rompetrol, Bucharest, Romania – consulting coordinator for the transformation project "Change for Good". Dyneff, Montpellier, France – Deputy General Director.

Credit Commercial de France, Head of the Representative Office of the French banking group.

Trafigura Beheer B.V., representative of the international trading company in Kazakhstan.

Member of the Board of Directors – Independent Director in Tengri Partners Investment Banking JSC since December 2019.



KHAMITOV Yersain Yerbulatovich
05.09.1983
Member of the Board of Directors of Otbasy Bank JSC, representative of the Sole Shareholder

CURRENT POSITION

Managing Director – Member of the Management Board of Baiterek National Managing Holding JSC.

Elected to the Bank’s Board of Directors on 22 May 2019.

EDUCATION

- Kostanay State University named after A. Baitursynov, Institute of Economics (2000, 2004). Specialty “Finances and Credit”.
- Moscow State University named after M.V. Lomonosov (2018-2020). Program: Master of Business Administration.

WORK EXPERIENCE

2009-2010: Senior Manager at Samruk-Energo JSC;
2010-2013: Senior Manager at SWF Samruk-Kazyna JSC;
2013-2016: Director of the Corporate Finance Department, Managing Director in Baiterek NMH JSC;
Since 2016: Managing Director – Member of the Management Board of Baiterek NMH JSC.



YERMEKOVA Elmira Muslimovna
11.05.1963
Member of the Board of Directors – Independent Director of Otbasy Bank JSC

CURRENT POSITION:

Elected to the Board of Directors of the Bank on May 22, 2019.

EDUCATION

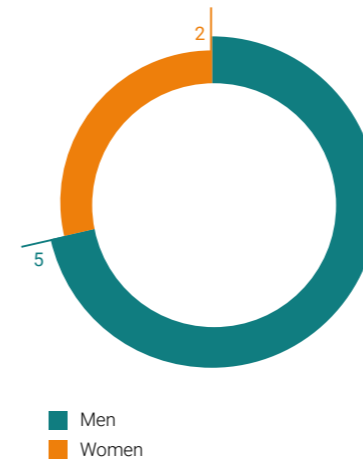
- Kazakh State University named after. Al-Farabi (1985). Specialty “Economist. Political Economy Lecturer missions.

WORK EXPERIENCE

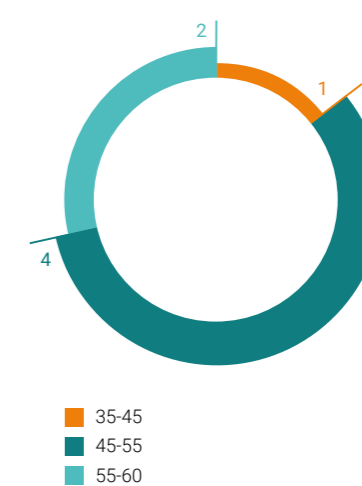
Has over 18 years of HR experience in leadership positions in the financial sector of Kazakhstan. Chairman of the Board JSC Training Center of the National Bank of the Republic of Kazakhstan (2019–2021).
Executive Director of Kazkommertsbank JSC.
Head of Personnel Development Department National Bank Republic of Kazakhstan.
Head of the Human Resources Department of Kazakhinstrakh JSC.
Deputy Director of the Human Resources Department - head of personnel development department JSC Halyk Bank of Kazakhstan.

COMPOSITION OF THE BOARD OF DIRECTORS

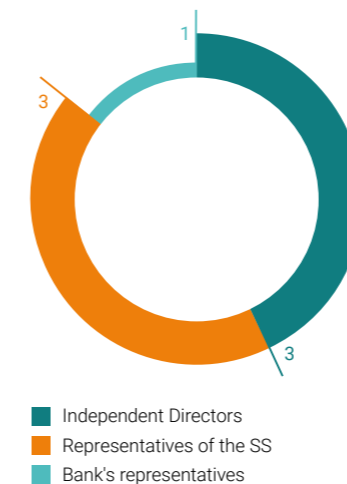
Gender structure of the Board of Directors, number of people



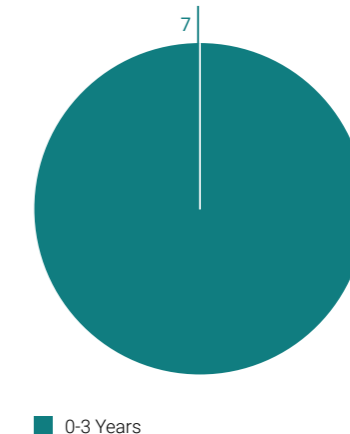
Structure of the Board of Directors by age categories, number of people



Structure of the Board of Directors by categories, number of people



Structure of the Board of Directors by term of service in the BoD, number of people



PERFORMANCE OF THE BOARD OF DIRECTORS AND COMMITTEES UNDER THE BOARD OF DIRECTORS

In 2021, 14 meetings of the Board of Directors of the Bank were arranged and held, 6 meetings of which were held by absentee voting, 7 meetings were held in person, and one meeting was held in a closed format. 157 issues were considered, on which decisions were made: on 71 issues – in person, on 85 issues – by absentee voting, on one issue – by closed voting.

According to the Bank's internal documents, the Board of Directors annually draws up a Plan of its work with a meeting schedule for the upcoming year, based on the principle of rationality, efficiency and regularity. The activities of the Board of Directors Bank in 2021 were carried out in accordance with the Plan of Work of the Bank's Board of Directors for 2021 as approved by the resolution of the Bank's Board of Directors dated 3 December 2020 (resolution No. 13).

The most important resolutions adopted by the Board of Directors of the Bank in the reporting period are the consideration and approval of the Bank's Development Strategy until 2023, the Bank's Information Technology Development Strategy until 2023, amendments and additions to the Articles of Association of the Bank related to the redistribution of powers between the management bodies of the Bank, amendments and

additions to the Regulations on the Board of Directors of the Bank, an increase in liabilities by an amount equal to ten or more percent of the Bank's equity, approval of the new version of the Regulations on the Committees of the Board of Directors of the Bank, changes in the composition of the Board of Directors of the Bank and the Management Board of the Bank.

Despite the restrictions associated with quarantine measures, the Board of Directors, in accordance with the Work Plan, timely considered the report of the Management Board, the report on the implementation of the Bank's Development Plan, budget, profitability indicators, reports on the work of subdivisions reporting to the Board of Directors.

Transactions with persons related to the Bank by special relations were approved without granting preferential terms.

The following documents were submitted for consideration and subsequently approved by the Sole Shareholder of the Bank: Annual financial statements, Annual report of the Bank for 2020, amendments and additions to the Articles of Association of the Bank, Regulations on the Board of Directors of the Bank.

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

No.	Committee	Number of meetings held		Number of issues considered	
		2020	2021	2020	2021
1.	Audit Committee of the Board of Directors	9	9	53	57
2.	Committee for Strategic Planning and Corporate Development of the Board of Directors	9	10	44	35
3.	Committee for Personnel, Remuneration and Social Payments of the Board of Directors	7	7	21	14
4.	Risk Management Committee of the Board of Directors	7	8	31	25

COMMITTEES UNDER THE BOARD OF DIRECTORS

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

1. Audit Committee
2. Committee for Strategic Planning and Corporate Development
3. Committee for Personnel, Remuneration and Social Payments
4. Risk Management Committee

Audit Committee

The Committee was formed to facilitate the effective performance of the control functions by the Board of Directors of the Bank. The Committee controls the preparation of the Bank's financial statements

and ensures the reliability and completeness of the Bank's financial statements, ensures control over the independence of the internal and external audit.

Composition of the Committee as of 01 January 2022

No.	Full name	Position
1.	Tokobayev Nurlan Tursunbekovich	Chairman of the Committee – member of the Board of Directors, Independent Director
2.	Yermekova Elmira Muslimovna	Member of the Committee – member of the Board of Directors, Independent Director
3.	Khamitov Yersain Yerbulatovich	Member of the Committee – member of the Board of Directors (Managing Director – Member of the Management Board of Baiterek NMH JSC)

In 2021, 9 meetings of the Audit Committee of the Board of Directors of the Bank were arranged and held. 57 issues were considered, on which resolutions were adopted in person.

The reports of the Internal Audit Department were considered, the personnel issues of the Department and the issues of remuneration of its employees were resolved on a quarterly basis.

The most important resolutions adopted by the Audit Committee of the Board of Directors of the Bank in the reporting period are preliminary approval of: audit reports, the Bank's annual financial statements for 2020 and making recommendations to the Sole Shareholder on the distribution of net income for 2020, consideration of letters-reports to the management from the external auditor based on the results of interim quarterly audits, the results of an independent assessment of corporate governance and other issues.

Committee for Strategic Planning and Corporate Development

The Committee was formed in order to facilitate the effective implementation of the control functions by the Board of Directors of the Bank, prepare recommendations on the development of priority

areas of activity and strategic goals, as well as develop the measures to improve the efficiency of the Bank's activities.

Composition of the Committee as of 01 January 2022

No.	Full name	Position
1.	Kydyrbayev Dossym Khamitovich	Chairman of the Committee – member of the Board of Directors, Independent Director
2.	Tokobayev Nurlan Tursunbekovich	Member of the Committee – member of the Board of Directors, Independent Director
3.	Yermekova Elmira Muslimovna	Member of the Committee – member of the Board of Directors, Independent Director
4.	Omarkhodzhayev Anuar Sagynaliyevich	Member of the Committee – member of the Board of Directors (Deputy Chairman of the Management Board of Baiterek NMH JSC)

In 2021, 10 meetings of the Committee for Strategic Planning and Corporate Development of the Board of Directors of the Bank were arranged and held. 35 issues were considered, on which resolutions were adopted in person.

The most important resolutions adopted by the Strategic Planning Committee of the Board of Directors of the Bank in the reporting period are the preliminary approval of: the report of the Management Board on the Bank's performance for 2020, certain types of standards and other limits for administrative expenses, a report on the implementation of the Bank's Plan of Development for 2020-2023, for 2020, a report on the implementation of the annual budget and profitability ratios as of 01.01.2021, the Bank's Strategy of Development until 2023 and the Strategy for the development of information technologies of the Bank until 2023.

The following was preliminarily approved: the annual budget for 2021, the report on the execution of the

annual budget and the Bank's profitability indicators as of 01.10.2021, an increase in the Bank's liabilities by an amount exceeding 10% of equity.

The Committee preliminarily approved amendments and additions to the Articles of Association of the Bank, the Regulations on the Board of Directors of the Bank, the new version of the Regulations on the Committees of the Board of Directors of the Bank.

The Committee preliminarily approved the reports of the Management Board on the implementation of the Bank's Development Plan, budget, profitability indicators, management reporting and reports in accordance with the List of Reports provided by the Management Board of the Bank to the Board of Directors.

The Committee also preliminarily approved transactions with persons related to the Bank by special relations without granting preferential terms.

Committee for Personnel, Remuneration and Social Matters

The Committee was formed to facilitate the effective implementation of control functions by the Board of Directors of the Bank, prepare recommendations on personnel policy, election (appointment), remuneration of the Bank's executives, employees

of the Bank, whose appointment is within the competence of the Board of Directors of the Bank, as well as to improve the efficiency of the Bank's management social matters.

Composition of the Committee as of 01 January 2022

No.	Full name	Position
1.	Yermekova Elmira Muslimovna	Chairperson of the Committee – member of the Board of Directors, Independent Director
2.	Tokobayev Nurlan Tursunbekovich	Member of the Committee – member of the Board of Directors, Independent Director
3.	Omarkhodzhayev Anuar Sagynaliyevich	Member of the Committee – member of the Board of Directors (Deputy Chairman of the Management Board of Baiterek NMH JSC)

In 2021, 7 meetings of the Committee for Personnel, Remuneration and Social Matters of the Board of Directors of the Bank were arranged and held. 14 issues were considered, on which resolutions were adopted in person.

The most important resolutions adopted by the Committee for Personnel, Remuneration and Social Payments of the Board of Directors of the Bank in the reporting period were preliminarily approved: performance charts for corporate key performance indicators and performance charts of the Chairman of the Management Board and members of the Management Board of the Bank based on the results of 2020, charts of key performance indicators for

members of the Management Board and their target values for 2022, KPI charts of the Corporate Secretary, candidacy of the Ombudsman of the Bank.

Amendments to the Rules on the internal policy of remuneration, performance assessment and remuneration of the Bank's executives were preliminarily approved.

On a quarterly basis, the Committee preliminarily approved 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 provided by the Management Board of the Bank to the Board of Directors.

Risk Management Committee

The Committee was formed to facilitate the effective implementation of the control functions by the Bank's Board of Directors, preparation of recommendations and ensuring of reliability and efficiency of risk

management, as well as coordination of activities and provision of methodological support on internal control issues.

Composition of the Committee as of 01 January 2022

No.	Full name	Position
1.	Tokobayev Nurlan Tursunbekovich	Chairman of the Committee – member of the Board of Directors, Independent Director
2.	Yermekova Elmira Muslimovna	Member of the Committee – member of the Board of Directors, Independent Director
3.	Khamitov Yersain Yerbulatovich	Member of the Committee – member of the Board of Directors (Managing Director – Member of the Management Board of Baiterek NMH JSC)

In 2021, 8 meetings of the Risk Management Committee of the Board of Directors of the Bank were arranged and held. 25 issues were considered, on which resolutions were adopted in person.

The most important decisions made by the Risk Management Committee of the Board of Directors of the Bank in the reporting period were preliminarily approved: reports on risks and internal control of

the Bank for 2020, report on business continuity management in the Bank for 2020, KPI charts of the senior compliance controller.

The Committee preliminarily approved amendments and additions to the Regulations on the Chief Compliance Controller of the Bank, the Bank's internal documents were brought into line with the requirements established by the Rules for the Formation of the Risk Management and Internal

Control System for Second-Tier Banks, approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 188 dated 12.11. 2019

On a quarterly basis, the Committee preliminarily approved reports on compliance risk control and on the implementation of the compliance program (plan), management reporting and reports in accordance with the List of Reports provided by the Management Board of the Bank to the Board of Directors.

ASSESSMENT OF THE BOARD OF DIRECTORS

In 2021, an internal assessment of the work of the Board of Directors, Committees and members of the Board of Directors was carried out by means of a closed questionnaire.

Results of the internal assessment were approved at a closed meeting of the Board of Directors on 21 May 2021.

Based on the results of the assessment of the work of the Board of Directors, the following is noted:

- the Board of Directors of the Bank pays sufficient attention and when adopting resolutions is guided by the achievement of the set goals and protection of the interests of the Bank and its Sole Shareholder;
- the Board of Directors has all the necessary tools to properly control the financial and economic activities of the Bank;
- the Board of Directors regularly monitors and evaluates the progress in the implementation of strategic tasks; the number of members of the Board of Directors of the Bank does not meet the needs of the Bank;
- the Board of Directors and the executive body pay due attention to the main risks that may significantly affect the Bank's activities;
- the Board of Directors has sufficient time and information to adopt balanced resolutions

concerning future goals, strategies, policies, and large investment projects;

- the Chairman of the Board of Directors effectively manages the Board of Directors;
- the Chairman of the Board of Directors at the proper level performs the duties of overseeing and developing the Bank's strategy;
- 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;
- the meetings of the Board of Directors are not always held in accordance with the Work Plan of the Board of Directors of the Bank;
- the reports during the meetings of the Board of Directors do not always provide the information clear enough to make informed decisions;
- at the meetings of the Board of Directors, sufficient time is given to discuss each issue;
- the members of the Board of Directors devote enough time to studying the Bank's activities and its specifics in order to effectively perform their control functions.

Based on the results of assessment of the work of the Committees of the Board of Directors, members of the Board of Directors also highly appreciated the professional composition and work of the Committees.

PROFESSIONAL DEVELOPMENT

In connection with the quarantine measures in the Republic of Kazakhstan caused by the spread of the coronavirus infection and the measures to reduce the budget in organizations of the quasi-public sector, by resolution of the Management Board of Baiterek NMH JSC No.47/20 dated 07.10.2020, the amendments

and additions were made to the Regulation on the Board of Directors of the Bank whereby the clauses providing for the allocation of funds to improve the qualifications of the members of the Bank's Board of Directors were excluded.



MANAGEMENT BOARD

The Management Board of the Bank acts on the basis of the Regulation on the Management Board as approved by the Board of Directors of the Bank and manages the day-to-day operations of the Bank. The formation 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 legislation of the Republic

of Kazakhstan and the Articles of Association of the Bank.

As of 01 January 2022, the Bank's Management Board consists of 7 members.

Composition of the Management Board

	Position in the Management Board
	Ibragimova Lyazzat Yerkenovna , birth date: 07.11.1972, since January 2017 has been the Chairman of the Board of Otbasys Bank JSC. Until 2017, she held senior positions in Baiterek NMH JSC, Damu Entrepreneurship Development Fund JSC. Citizen of the Republic of Kazakhstan. Does not own shares of Otbasys Bank JSC, does not own shares of suppliers and competitors of the Bank.
	Aidarbekova Aliya Karatayevna , birth date: 08.03.1976, since September 2017 has been the Deputy Chairman of the Board of Otbasys Bank JSC. In charge of financial and reporting. Until 2017, she held senior positions in Otbasys Bank JSC, Investment Fund of Kazakhstan JSC, Development Bank of Kazakhstan JSC. Citizen of the Republic of Kazakhstan. Does not own shares of Otbasys Bank JSC, does not own shares of suppliers and competitors of the Bank.

Position in the Management Board



Akshanov Nurlan Sagyndykovich, birth date: 10.10.1976, has been the Deputy Chairman of the Board of Otbas Bank JSC since June 2018. In charge of business development.

Until 2018, held senior positions in Damu Entrepreneurship Development Fund JSC, ATF Bank JSC. Citizen of the Republic of Kazakhstan. Does not own shares of Otbas Bank JSC, does not own shares of suppliers and competitors of the Bank.



Azimbekov Mukhtar Mirlanovich, birth date: 27.07.1987, since June 2021 has been the Deputy Chairman of the Board of Otbas Bank JSC. In charge of operational issues.

Until 2021, held positions at Otbas Bank JSC, Ulagat Business Group LLP, IO BTA Ipoteka JSC. Citizen of the Republic of Kazakhstan. Does not own shares of Otbas Bank JSC, does not own shares of suppliers and competitors of the Bank.



Beissembaev Miras Berikovich, birth date: 12.08.1980, since September 2017, has been the Deputy Chairman of the Board of Otbas Bank JSC. In charge of information security, legal and administrative issues.

Until 2017, held positions at Damu Entrepreneurship Development Fund JSC, Kazpost JSC. Citizen of the Republic of Kazakhstan. Does not own shares of Otbas Bank JSC, does not own shares of suppliers and competitors of the Bank.



Kairbekov Islambek Urumbayevich, birth date: 15.05.1979, since December 2019 acts as the Deputy Chairman of the Board of Otbas Bank JSC. In charge of risk management and internal control issues.

Until 2019, held senior positions in Otbas Bank JSC, Damu Entrepreneurship Development Fund JSC, Tsesna-Bank JSC. Citizen of the Republic of Kazakhstan. Does not own shares of Otbas Bank JSC, does not own shares of suppliers and competitors of the Bank.



Raspekova Elmira Sabyrzhanovna, birth date: 02.08.1973, since November 2020 has been the Deputy Chairman of the Board of Otbas Bank JSC. In charge of information technology and digital transformation issues.

Until 2020, held senior positions in Otbas Bank JSC, Damu Entrepreneurship Development Fund JSC, Alfa-Bank JSC. Citizen of the Republic of Kazakhstan. Does not own shares of Otbas Bank JSC, does not own shares of suppliers and competitors of the Bank.

COMMITTEES REPORTING TO THE MANAGEMENT BOARD

11 Committees reporting to the Management Board of the Bank operate in the Bank.

1. Committee for Strategy and Corporate Development

The main purpose of activities of the Committee for Strategy and Corporate Development (CSCD) is to control the development and implementation of the Bank's development strategy, as well as to consider the issues related to project management.

The main tasks of the CSCD:

- determination of strategic principles, development goals and activities of the Bank;
- coordination and control over the implementation of the strategic development plan of the Bank;
- increasing the efficiency of the existing management system of the Bank;
- coordination and control of the Bank's project portfolio; and
- organizing and improving the efficiency of project management in the Bank.

2. Committee for Asset and Liability Management

The tasks of the Committee for Asset and Liability Management:

- determination of the rules and procedures for investing and borrowing in the domestic and foreign markets, making transactions with financial instruments;
- determination of benchmarks (benchmark portfolio) for the diversification of assets, liquidity, profitability of the Bank, the adequacy of the Bank's own funds for credit purposes, within the powers determined by the internal documents of the Bank.

3. Committee for Banking Products, Processes and Quality of Service

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

- consideration and approval of rates and tariffs for banking operations, limits of return on deposits and interest on credits, maximum amounts and

terms of accepted deposits and granted credits, approval of the terms of service of the tariff programs and credit issue that do not require approval of the Board of Directors in accordance with the legislation of the Republic of Kazakhstan; and

- consideration and approval of proposals from employees and subdivisions of the Bank aimed at solving urgent problems to optimize existing processes and procedures, as well as proposals aimed at improving the quality of services provided.

4. Credit Committee

The Bank's Credit Committee implements the Bank's internal credit and deposit policy, within the framework of its powers. The structure of the Committee includes (since the beginning of 2019):

- Committee 1, which consists of the Chairman of Committee 1, Vice-Chairman of Committee 1 and 5 (five) members of Committee 1; and
- Committee 2, which consists of the Chairman of Committee 2, Vice-Chairman of Committee 2 and 1 (one) member of Committee 2. Committee 2 is formed from members of the Management Board of the Bank.

The main task of Committee 1 is to implement, within its powers, the provisions of the Rules on the internal credit and deposit policy of the Bank and the resolutions of the Committee for Asset and Liability Management, subject to the maximum reduction of borrowing risks and earning the maximum income from the following banking operations: granting housing loans, bridge housing loans, preliminary housing loans (hereinafter referred to as the credit products), as well as consideration and adoption of resolutions on the issues related to the management and/or recovery of funds on problem/overdue loans aimed at minimizing possible losses from the Bank's credit operations and reducing the share of problem loans in the Bank.

The main task of Committee 2 is to implement, within its powers, the provisions of the Rules on the internal credit and deposit policy of the Bank and the resolutions of the Committee for Asset and Liability Management, subject to the maximum reduction of borrowing risks and earning maximum income from granting the housing loans, bridge housing loans, preliminary housing loans (hereinafter referred to as the credit products), as well as consideration and adoption of resolutions on the issues related to the credit products and overdue/problem loans.

5. Committee for Information Resources

The main purpose of the Committee's activities is to provide recommendations to the Bank's Management Board on implementation of the strategy for development of information technologies and the plan for development of the information infrastructure of the Bank.

The main tasks of the Committee:

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

6. Budget Committee

The main purpose of the Committee is to ensure timely and high-quality development of the annual budget/Plan of incomes and expenses, Investment plan, Procurement plan/Long-term procurement plan of the Bank for the planned period, as well as proposals for improvement, implementation and control thereof.

The main task of the Committee is to consider financial and non-financial information in order to make an informed decision in accordance with the Development Strategy and Development Plan of the Bank when drafting the annual Budget / Plan of incomes and expenses, Investment Plan and Procurement plan / Long-term procurement plan of the Bank.

7. Controlling Committee

The main purpose of the Committee's activities is to assist the Management Board of the Bank in performance of the controlling functions in terms of considering, planning and evaluating the charts of key performance indicators of the heads of structural subdivisions, managing directors and advisers to the Chairman of the Management Board of the Bank.

The tasks of the Committee:

- support of the work planning process to achieve the assigned tasks in accordance with the Bank's Development Strategy;
- organization of control over the implementation of planned activities by the heads of structural subdivisions of the Bank's Central Office, managing directors and advisers to the Chairman of the Management Board of the Bank.

8. Committee for Personnel Issues

The main tasks of the Committee for Personnel Issues:

- implementation of the internal personnel policy of the Bank;
- coordination of work on certification of employees, including when resolving disputed issues;
- consideration of candidates for the formation of the personnel reserve of the Bank;
- consideration of candidates for moral incentives; and
- consideration of the facts of violations by the Bank employees of the requirements of the legislation of the Republic of Kazakhstan, internal documents of the Bank.

9. Information Security Committee

The main tasks of the Information Security Committee:

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

- full and comprehensive analysis of information security issues submitted for consideration of the Bank's Management Board;
- maintenance of technical products of information security for the Bank up to date.

10. Commission for Determining the Cost and Write-off of Fixed Assets, Intangible Assets and Unsalable Inventories

The main tasks of the Commission for Determining the Cost and Write-off of Fixed Assets, Intangible Assets and Unsalable Inventories are to consider issues and make decisions on:

- determination of the value, terms of standard and useful service life of fixed assets and intangible assets of the Bank;
- write-off of the Bank's property in accordance with the Bank's internal regulations governing the disposal of the Bank's property;
- revaluation of fixed assets (buildings, structures) of the Bank in accordance with the Accounting Policy of the Bank on the basis of the conclusion of an independent appraiser;
- carrying out a test for impairment of fixed assets and intangible assets.

11. Risk Committee

The main tasks of the Risk Committee:

- preparation of recommendations and proposals on organizing and maintaining 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 risks of the Bank;
- coordination of the risk management and internal control process by structural subdivisions and branches of the Bank;
- ensuring a constant exchange of information on risks, internal control of the Bank between the members of the Committee and bringing such information to the owners of risks, and risk factors in order to enhance the risk culture, transparency and efficiency of the RMS, ICS; and
- making decisions on the issues aimed at improving the quality of services provided, within the framework of the report on customer requests (complaints).

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 Regulation on the Management Board as approved by the Board of Directors of the Bank. The Management Board of the Bank is in charge of the day-to-day operations of the Bank.

The Management Board of the Bank acts on behalf of the Bank, including representing its interests, settling transactions in accordance with the procedure established by the legislation of the Republic of Kazakhstan and the Articles of Association of the Bank, approving the staff list, including the Central Office, branches, representative offices, issuing resolutions and giving instructions binding on all employees of the Bank.

In the reporting period, the Management Board of the Bank adopted resolutions on all issues relating to the Bank's activities that are not referred to the competence of the Sole Shareholder or the Board of Directors of the Bank by the legislative acts of the Republic of Kazakhstan and the Articles of Association of the Bank.

The Management Board of the Bank held 214 meetings in 2021 (2020: 168 meetings).

The work of the committees under the Management Board of the Bank is presented in the table below.

No.	Committee	Number of meetings held		Number of issues considered	
		2020	2021	2020	2021
1.	Committee for Strategy and Corporate Development	27	24	44	43
2.	Committee for Asset and Liability Management	32	44	156	182
3.	Committee for Banking Products, Processes and Quality of Service	39	46	92	118
4.	Credit Committee: Committee 1 Committee 2	63 46 17	59 50 19	3,708 934 2,774	5,228 910 4,318
5.	Committee for Information Resources	17	28	74	85
6.	Budget Committee	40	47	131	191
7.	Controlling Committee	6	23	6	31
8.	Committee for Personnel Issues	27	28	94	70
9.	Information Security Committee	22	26	78	101
10.	Commission for Determining the Cost and Write-off of Fixed Assets, Intangible Assets and Unsalable Inventories	19	14	47	35
11.	Risk Committee	37	36	111	83

Achievement of KPI by Members of the Management Board

Performance of the Management Board of the Bank is assessed based on the KPIs for 2021 approved by the Board of Directors of the Bank. Activities of the Management Board of the Bank in the reporting period are generally characterized as positive. The planned level of corporate key performance indicators (KPIs) and individual KPIs of the members of the Management Board for 2021 has been achieved. Achievement of the key performance indicators for 2021 is:

1. Chairperson of the Board Ibragimova L.Y. – 118%
2. Deputy Chairman of the Board Aidarbekova A.K. – 124%
3. Deputy Chairman of the Board Akshanov N.S. – 119%
4. Deputy Chairman of the Board Azimbekov M.M. – 115%
5. Deputy Chairman of the Board Beissembayev M.B. – 121%
6. Deputy Chairman of the Board Kairbekov I.U. – 125%
7. Deputy Chairman of the Management Board Raspekova E.S. – 125%

MAJOR TRANSACTIONS AND RELATED PARTY TRANSACTIONS

In the reporting year 2021, there were no major transactions (25% or more of the Bank's assets) and

transactions with persons related to the Bank by special relations.

BASIC PRINCIPLES OF REMUNERATING MEMBERS OF THE MANAGEMENT BOARD AND THE BOARD OF DIRECTORS

The purpose of the policy of remuneration and bonuses of the members of the Management Board is to stimulate conscientious, efficient and high-quality work, which allows providing 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.

Annual performance remuneration of the members of the Management Board is a remuneration designed to stimulate the performance of the members of the Management Board to be paid depending on the results of achieving strategic key performance indicators and the results of performance evaluation by the resolution of the Board of Directors of the Bank.

The members of the Board of Directors of the Bank – representatives of the Sole Shareholder – Baiterek NMH JSC – are not paid remuneration and bonuses. For the independent directors – the members of the Board of Directors of the Bank, the remuneration is established in accordance with the Regulation on the Board of Directors of the Bank.

The amount of remuneration is determined in the manner prescribed by the legislation of the Republic of Kazakhstan and the Articles of Association of the Bank taking into account the experience and qualifications of an independent director.

In 2021, the remunerations paid to independent directors – the members of the Board of Directors – and the remunerations and bonuses paid to the members of the Management Board of the Bank amounted to 278 KZT mln.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

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

of management, and reaffirm adherence to the standards of good corporate governance.

The report on compliance/non-compliance with the principles and provisions of the Bank's Code of Corporate Governance approved by the Board of Directors of the Bank is attached as an additional Appendix to this annual report.

BUSINESS ETHICS

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

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

Ethical Principles

1. Equal opportunity and prohibition of discrimination. The Bank provides equal opportunities and under no circumstances will discriminate on the basis of gender, age, race, political, religious or other similar grounds.
2. The personnel are selected and promoted solely on the basis of professional knowledge, experience and competencies in accordance with the Bank's internal documents, excluding any manifestations of discrimination. Career

The Board of Directors of the Bank declares that the annual report of the Bank generally provides an objective, balanced and understandable description along with information necessary for shareholders to assess the Bank's performance.

- advancement is based on an objective assessment of performance, qualifications, and competence.
3. Equal learning opportunities. The Bank provides all employees with equal opportunities for development, which depend on the results achieved, competence and qualifications. In turn, the Bank expects that all members of the collective initiative will endeavor to acquire new knowledge and to be willing to share this knowledge with colleagues. It is not allowed providing any privileges and benefits to individual employees of the Bank.
 4. Equitable remuneration. With regard to establishing an equitable remuneration, the Bank is based on the recognition of work results and the achievement of key performance indicators, the level of qualifications and competencies, the complexity and quality of the work performed.

The Bank has an ombudsman institution 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 provisions of the Code and participate in settlement thereof.

CONFLICT OF INTERESTS

The Bank has approved the Policy for the settlement of corporate conflicts and conflicts of interest, 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 stipulates the duty of the officials (members of the Board of Directors and the Management Board of the Bank), employees of the Bank to act in the interests of the Bank and its Sole Shareholder, as well as their responsibility is defined.

According to the requirements of the Policy, in order to avoid conflicts of interest the officials and employees of the Bank are obliged to avoid any actions and relationships 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 in accordance with the legislation of the Republic of Kazakhstan and the Policy. To exclude a conflict of interest, the Bank's employees shall sign an undertaking to comply with actions that limit the risk of a conflict of interest.

Also, the Regulation on the Board of Directors of the Bank provides that, in case of corporate conflicts, the Chairman of the Board of Directors shall take the measures to resolve them and minimize the negative impact on the Bank's activities, and promptly inform the Sole Shareholder, if it is impossible to resolve such situations using its own resources. The Bank confirms that as of 01.01.2022, there are no appeals of the Sole Shareholder regarding the actions of the Bank and its officials in 2021.

In 2021, no facts of a conflict of interest, including on the part of the Bank's officials, were revealed.

SUSTAINABLE DEVELOPMENT MANAGEMENT

The Bank is aware of the importance of its influence on the economy, ecology and society to ensure sustainable development in the long run. As part of implementation of this principle, the Bank approved the Sustainable Development Policy (hereinafter – the Policy) by the decision of the Board of Directors of the Bank dated 04.06.2019 (Decision No. 7) (the current Policy is available on the Bank's website in the section "The Bank's Approach to Sustainable Development").

The tasks of the Sustainable Development Policy:

- determine the principles and directions of the Bank's activities in the field of sustainable development, including in terms of creating an effective and transparent system of interaction with stakeholders;
- fix the roles, competencies, responsibility of each body and all employees of the Bank for the implementation of the principles of sustainable development;

- determine the relationship between sustainable development and key processes of the Bank.

When solving problems in the field of sustainable development, the Bank relies on its mission, the provisions of the Bank's Development Strategy, and also uses international norms of behavior and principles of international standards in the field of sustainable development. The mission of Otbasyl Bank is provision own housing for Kazakhstani families and increasing the sense of Homeland. The Bank supports the government's housing policy in this regard.

In accordance with provisions of the Policy, the roles, competencies, and responsibilities of each body and all employees for implementation of the principles and standards in the field of sustainable development are clearly defined and fixed in the sustainable development management system.

Strategic management and control over the implementation of sustainable development is carried out by the Board of Directors of the Bank. Also, sustainable development issues are delegated to the competences of the Committee for Strategic Planning and Corporate Development of the Board of Directors of the Bank. The Board ensures formation of an appropriate system and an action plan in the field of sustainable development and their implementation. All employees and officials at all levels contribute to sustainable development. Sustainability reporting is annually submitted to the Bank's Board of Directors.

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

- planning activities in the field of sustainable development;
- coordination of activities of the Bank's departments aimed at achieving the goals and objectives in the field of sustainable development;
- reporting on the implementation of the action plan and KPI in the field of sustainable development;
- preparing the Bank's annual report including a section on sustainable development;
- training workshops for the Bank's employees to improve the skills of officials and employees in the field of sustainable development with the involvement of external trainers or independently;
- interaction with international organizations, institutions, agencies and departments of the Bank on sustainable development issues.

The Sustainable Cities and Communities targets, which are part of the Sustainable Development Goals of the UN Global Compact, provide for universal access to sufficient, safe and affordable housing for the population. The Bank, as part of its activities, makes a great contribution to solving this issue.

In 2021, the Bank expanded its involvement in international sustainability initiatives, including by joining initiatives related to gender equality. One of the 17 Goals of the UN Global Compact is "Achieve Gender Equality and Empower All Women and Girls". Gender equality is one of the fundamental human rights, which implies that men and women have the same and equal opportunities and potential for development in all spheres of life.

The link between improving gender equality and accelerating economic development is widely recognized around the globe by leading international financial institutions. Recognizing this, as part of promoting access to housing finance for women in Kazakhstan, the Bank launched the first women's mortgage program in Kazakhstan. Overall, there are more than 4 million economically active women in Kazakhstan, and through the implementation of the program, the Bank is planning to reach 3.9 thousand women to help them improve their living conditions.

Meanwhile, in the reporting period, all the activities provided for in the Bank's Action Plan in the field of sustainable development for 2021 approved by the decision of the Bank's Management Board (Minutes No. 163 dated 28.12.2020) were implemented.

INTERNAL AUDIT

Activities of the Internal Audit Department of Otbasy Bank JSC are based on the International frameworks of professional practice of internal audit and are carried out in compliance with the principles of independence, impartiality, honesty, objectivity and professional competence.

Mission of the Internal Audit Department is to provide the necessary assistance to the Board of Directors and the Management Board of the Bank in fulfilling their responsibilities to achieve the strategic goals of the Bank.

The main purpose of the Internal Audit Department is to provide the Board of Directors with independent reasonable guarantees and consultations aimed at improving the Bank's activities and increasing the efficiency of risk management, internal control and corporate governance.

The Internal Audit Department is an independent structural unit and is functionally accountable to the Board of Directors and administratively – to the Bank's Management Board. The Internal Audit Department is 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 2021, the Internal Audit Department staffed 13 persons. Internal auditors carry out continuous professional development on an ongoing basis and hold the Diplomas of Certified Professional Internal

Auditors issued by the Institute of Professional Financial Managers of the United Kingdom (DipPIA and DiPCPIA), as well as Certificates of Professional Accountants (CPA).

The main tasks and functions of the Internal Audit Department:

- assessment of reliability and efficiency of the internal control system and risk management system;
- assessment of effectiveness of corporate governance and compliance with ethical standards and values;
- assessment of sufficiency and effectiveness of the measures taken by the structural subdivisions of the Bank to achieve the tasks assigned to them within the framework of the strategic goals of the Bank;
- assessment of reliability of the functioning of the system of internal control over the use of automated information systems;
- providing consultations for the Executive Body, structural subdivisions of the Bank on improving the processes of internal control, risk management and corporate governance.

The Board of Directors reviews and approves the annual risk-based audit plans. All scheduled audit engagements for 2021 were completed in full.

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

EXTERNAL AUDIT

In accordance with the Bank’s Rules for procurement of goods, works and services and the concluded agreement on long-term procurement of services for the audit of financial statements for 2019-2021 dated 14 May 2019, based on the resolution of the Management Board of the Holding, the external audit

for the Bank is performed by the Auditing Company – PricewaterhouseCoopers LLP. The term of the agreement is from 01 January 2019 to 20 April 2022. The auditor’s remuneration for 2021 amounted to 29,456 thousand tenge.

ENGAGEMENT WITH STAKEHOLDERS

The Bank is committed to maintaining quality and sustainable relationships with the key stakeholders and takes their interests into account when making key decisions and carrying out operating activities.

The principles and procedures for interaction with stakeholders are formulated by the Code of Corporate Governance and the Policy of Sustainable Development.

In 2021, the Bank’s Stakeholder Chart was updated (by decision of the Bank’s Management Board No. 164 dated 07.10.2021), which defines the list of key

stakeholders and the degree of their influence. The chart allows systematizing and visualizing information about the Bank’s environment in order to build an adequate strategy for working with each of the stakeholders. Identification of stakeholders and work with them is one of the tools that allows us to improve the business reputation of the business, the capitalization of the company, to establish effective and balanced relationships with all stakeholders.

The key stakeholder groups were selected based on their level of impact on the Bank and the level of the Bank’s impact on stakeholders.

No.	Stakeholders	Interests/Motives	Tools for influence	Interaction strategy
1	Sole Shareholder	Observance of the interests of the sole shareholder of the Bank Baiterek NMH JSC	Legislation of the Republic of Kazakhstan, Articles of Association, internal documents of the Bank	Ensuring the implementation of the rights of the Sole Shareholder within the framework of the principles of corporate governance aimed at the effective adoption of key decisions in accordance with the legislation of the Republic of Kazakhstan
2	Governing Body	General management of the Bank’s activities, except for the issues related to the exclusive competence of the Sole Shareholder	Legislation of the Republic of Kazakhstan, Articles of Association, internal documents of the Bank	Determination of priority areas of activity, development strategy of the Bank

3	Management	Making decisions on any issues of the Bank’s activities that are not referred by the legislation of the Republic of Kazakhstan and the Bank’s Articles of Association to the competence of the Sole Shareholder and the Board of Directors	Determination of priority areas of activity, development strategy of the Bank	Execution of decisions of the Sole Shareholder, the Board of Directors of the Bank Preparation and implementation of development plans, other issues related to the activities of the Bank
4	Personnel	Labor relations with the employer, direct fulfillment of obligations under an employment agreement	Labor Code, employment agreement, internal documents of the Bank	Execution of official powers aimed at implementation of the tasks and functions of the Bank
5	State Bodies	Implementation of legislative functions enshrined in the legislation of the Republic of Kazakhstan	Legislation of the Republic of Kazakhstan	Control over compliance with the legislation of the Republic of Kazakhstan
6	Investors	Making profit	Contractual relations within the framework of investment, cooperation/ partnership agreements	Priority of payment of the principal debt and remuneration on invested funds, exclusion of dependence on financing
7	Financial Institutions	Making profit	Contractual relations within the framework of investment, cooperation/ partnership agreements	Priority of payment of the principal debt and remuneration on invested funds, exclusion of dependence on financing
8	Suppliers	Making profit, increasing the level of competitiveness	Contractual relations within the framework of the supply of goods, performance of work, provision of services	Compliance with 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
10	Customers, Consumers	Quality and availability of product lines and services in the housing construction savings market	Preferences and satisfaction of the customers	Improving the quality and availability of products and services in the housing construction savings market
11	Auditors	Provision of financial audit services	Contractual relations	Conclusion of audit services agreements
12	Consulting Organizations	Provision of consulting services	Contractual relations	Conclusion of consulting services agreements Improvement of business processes Control over the execution of contractual relations

13	Population	Quality and availability of product lines and services in the housing construction savings market	Public opinion	Reputation audit, public opinion polls, implementation of a communication strategy Publication of financial and non-financial statements of the Bank Demonstration of practical commitment to the principles of social responsibility, transparency of operations and sustainable development Acceptance of additional social obligations, solution of urgent social problems Charity
14	Public Organizations	Various issues within the framework of the activities of public, non-governmental organizations	Articles of Association, contractual relations	Compliance with legislation of the Republic of Kazakhstan, support for local social activities, charity, provision, care for the environment Employment, social responsibility
15	Mass Media	Publications and information about the activities of the Bank	Publications and information about the activities of the Bank	Compliance with legislation of the Republic of Kazakhstan, development of bilateral and multilateral relations with the media
16	Competitors	Increasing the share of presence in the market of household deposits, mortgage lending for the construction and purchase of housing, mortgage lending	Use of modern technologies, growth of the quality level of services and products provided on the financial market, active advertising campaign, development and implementation of new lines of products and services on the household deposits market	Strategy to reduce the level of opposition from competitors: cooperation on unattractive conditions for competitors; increasing the level of personnel commitment to the Bank; expanding presence in the country; development and implementation of new lines of products and services in the housing construction savings market; cooperation for mutually beneficial problem solving

The process of organizing interaction between the Bank and stakeholders is based on the principle of involvement, which implies taking into account the interests of stakeholders at all stages of the process of managing the Bank's activities and involving stakeholders in the discussion of significant topics and important issues, potential risks and limits of responsibility

The strategy of the Bank's interaction with each stakeholder, as well as the instruments of influence, are determined by the structural divisions of the Bank independently, depending on the specifics of the activity.



RISK MANAGEMENT POLICY AND INTERNAL CONTROL SYSTEM

Risk Management

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Risk Management Policy and Internal Control System

The internal control system in the Bank is formed in accordance with the requirements of the legislation of the Republic of Kazakhstan, the Basel Committee on Banking Supervision, and the best world practices. The Bank applies the concept of the "Integrated COSO Model" of 2013 in building its internal control system. The Bank's internal control system (ICS) is a process embedded in the day-to-day activities carried out by the Board of Directors, collegial bodies, structural subdivisions and all employees of the Bank in the performance of their duties.

The Bank's ICS is multi-level and includes all the Bank's subdivisions. The participants in the internal control process are identified based on three lines of protection.

The first line of defense is provided by all structural subdivisions of the Bank and represents controls designed to ensure the correct execution of daily operations in the processes. Controls are developed by business units and are an integral part of the business processes to minimize risks and comply with the requirements of the internal documents, as well as to comply with external, regulatory requirements. Control management and monitoring are carried out by the subdivisions 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 subdivision that monitors, coordinates and documents the ICS, and the subdivisions that identify and assess the risks in certain areas of the Bank's activities, including: risk management subdivision, Senior Compliance Controller and compliance control subdivision, situation monitoring subdivision, personnel subdivision, legal subdivision, security subdivision, information security subdivision, and information technology risk management subdivision.

The third line of defense is provided by the internal audit subdivision 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 the effectiveness of the ICS.

The internal control subdivision provides consulting assistance to the Bank's employees on internal control issues in accordance with the Bank's internal regulations, the regulations of Baiterek NMH JSC, the regulations of the National Bank of the Republic of Kazakhstan and the legislation of the Republic of Kazakhstan to ensure the effective functioning of the ICS in the Bank.

As part of the work on monitoring and documenting the ICS, the internal control subdivision diagnoses the adequacy of the design of internal controls that prevent or detect identified risks in the Bank's key business processes. Based on the results of diagnostics, the recommendations were given to process owners on the identified controls with ineffective or partially effective design, including recommendations on the need to automate specific control procedures, finalization of regulations. The Risk Committee of the Bank approved plans of corrective actions to eliminate deficiencies in internal control in the processes.

The internal control subdivision conducts sampling audits of the Bank's business processes on behalf of the Bank's management in accordance with the plan of works. The structural subdivisions that are participants of the first and second line of defense being the owners of the business processes annually identify the risks in their processes and self-assess the adequacy of internal controls that mitigate the identified risks. The results of self-assessment are reflected in the matrix of business processes, risks and controls of the Bank. The matrix for the year after the reporting one containing the self-assessment of business owners – assessment of the internal control subdivision is approved annually by the Board of Directors. If necessary, business process owners develop and approve by the Management Board action plans to eliminate shortcomings/inefficiency of internal control in business processes. Further monitoring of the implementation of corrective action plans for internal control is carried out by the internal control subdivision.

RISK MANAGEMENT

The Bank's risk management is carried out in relation to financial and operational risks. Financial risks include market risk (currency risk, interest rate risk), credit risk and liquidity risk.

Financial Risks

Currency Risk.

The Bank's exposure to currency risk is minimal given the specifics of the Bank's business model. The Bank does not conduct operations with foreign currency, except for the acquisition of foreign currency as part of the fulfillment of obligations under the concluded business and administrative agreements.

Interest Rate Risk.

The Bank's interest rate risk is the risk of losses due to adverse changes in interest rates and also includes:

1. the risk of financial losses due to a discrepancy between the terms of return and repayment of placed interest-bearing assets and attracted interest-bearing liabilities;
2. the risk of losses due to the use of different types of rates (floating or fixed) on interest-bearing assets, on the one hand, and interest-bearing liabilities, on the other.

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

1. ensuring an effective ratio of interest income and interest expenses, taking into account the levels of profitability, interest risks and changes in the market environment;
2. maximizing the value of the interest spread at an acceptable level of risk;
3. ensuring a balance between sensitive assets and sensitive liabilities in terms of volumes and maturities, taking into account the revaluation.

As part of interest rate risk management, the Bank analyzes sensitive assets and liabilities, the yield and value of which is determined by the interest rate. To control exposure to interest rate risk, the Bank uses an

interest rate gap analysis tool, the purpose of which is to determine at what time interval an exposure to interest rate risk arises due to changes in the interest rate.

Liquidity Risk.

Considering the specifics of the Bank's business model, the Bank's stable funding base largely consists of budgetary funds as part of the implementation of government programs to provide the population with affordable housing and housing construction savings for individuals.

Moreover, the Bank is exposed to liquidity risk in the event of a mismatch between the maturities of liabilities on assets and liabilities, as well as an insufficient volume of liquid assets and sources of funding, including taking into account the situation on the financial market. To identify liquidity risk, the Bank regularly analyzes and evaluates all balance sheet and off-balance sheet items that affect the Bank's liquidity risk level.

The main purpose of the Bank's liquidity risk management is to determine the evaluation methods and procedures for maintaining a sufficient level of liquidity. 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, plans in place in case of problems with funding and monitoring compliance with legal 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;
- controlling the Bank's daily (intraday) liquidity position;
- conducting a gap analysis of the Bank's assets and liabilities by maturity to determine at what time interval the exposure to liquidity risk is formed, and to assess the impact of the magnitude of the existing 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.

When compiling the liquidity gap, the following assumptions were used:

- all assets and liabilities are distributed over time intervals depending on maturity terms;
- contingent liabilities are distributed based on the issue of housing loans per month (excluding previously issued preliminary and bridge loans).

	On demand	[0-7D]	[1W-1M]	[1M-3M]	[3M-6M]	[6M-12M]	[1Y-2Y]	[2Y-3Y]	[>3Y]	Total as per balance sheet
Assets	121,465	466,636	85,459	20,760	43,649	58,824	123,100	145,946	1,738,364	2,804,204
Liabilities	177,781	216,932	52,091	50,429	27,915	36,309	70,766	229,938	1,560,940	2,423,101
Contingent liabilities			3,236	6,472	9,707	12,943				32,358
GAP	-56,316	249,704	30,132	-36,141	6,027	9,572	52,334	-83,992	177,424	348,746
Cumulative GAP	-56,316	193,388	223,520	187,379	193,406	202,978	255,312	171,320	348,744	
Cumulative GAP / Assets	-2.0%	6.9%	8.0%	6.7%	6.9%	7.2%	9.1%	6.1%	12.4%	

The minimum value of the ratio of the cumulative gap to total assets falls on the demand interval and is -2.0%. The Bank complied with the approved internal limits for 2021 in the amount of >-35%.

The resulting negative gaps in the net gap are due to an increase in the accumulated amounts due to customers "on demand terms" – 177.8 KZT bln (funds of subsidiaries of Baiterek NMH JSC on current accounts), "from 1 to 3 months" – 50.4 KZT bln and "from 2 to 3 years" in the amount of 229.9 KZT bln. The amounts due to customers that have reached the estimated indicator – 32.4 KZT bln.

The Bank is able to raise funding, if necessary, through:

- carrying out REPO transactions;
- attracting interbank loans;
- selling securities (with possible discount).

To manage the Bank's risks, the levels of the Bank's risk appetite were approved as part of the Bank's Risk Appetite Statement for the corresponding year.

Assessment of the Impact of the Bank's Current Risks² on the Level of Equity Capital Sufficiency

Regulator standard	Actual, 01.01.22	Subject to current risk level	Deviations from the existing
1	2	3	4 = 3 - 2
k1-1 (min. 0.055)	0.346	0.328	-0.018
k1-2 (min. 0.065)	0.346	0.328	-0.018
k2 (min. 0.080)	0.346	0.328	-0.018

Capital sufficiency, taking into account the current total risk level, is going to decrease by -0.018 for all coefficients, however, its value will be higher than the

minimum requirements set by the regulator due to a significant amount of equity (375 KZT bln).

Information on Compliance with Aggregate Risk Appetite Levels as of 01.01.2022

Risk	Risk appetite level as of 01.01.22	Approved risk appetite level for 2021	Sufficiency of the risk appetite level
1	2	3	4 = 3 - 2
Credit risk	11,400	45,809	34,409
loan portfolio	9,970	39,862	29,892
interbank deposits	0	2,462	2,462
non-government securities	1,430	3,485	2,055
Market risk	7,468	14,810	7,342
Interest rate	7,451	13,803	6,352
Currency	15	1,000	985
Price	2	7	5
Liquidity risk	1,122	18,086	16,964
Aggregate risk level	19,990	78,705	58,715

The current aggregate risk level as of 01.01.2022 is 19.9 KZT bln, is within the approved risk appetite level, has a safety margin of 58.7 KZT bln and is 25% of the approved risk appetite level.

To implement the Bank's development strategy, earn planned profit and ensure sustainable current work, the Bank operates a risk management system.

Credit Risks

As part of the "Implementation of a decision-making system" project, the following activities were carried out:

- integration of the decision-making system with the "Pre-qualification" process was developed and implemented, with decision-making based on the results of the work of scoring cards;
- scoring cards for preliminary and housing loans were prepared and coordinated;
- cut-off points for interim, preliminary and housing loans were approved and set;

- the Technical procedure for conducting automated examinations in the “Decision-Making System” and “BPM” systems for prequalification were developed and approved;
- the methodology of balanced scorecard models was developed and approved;
- matrix of accesses to the DMS software – SDS, MDS was introduced;
- primary reporting on the results of scoring decisions was automated.

At the end of 2021, the share of provisions created in accordance with IFRS amounted to 0.50% of the loan portfolio, the share of 20 large loans of the Bank was 0.10% of the Bank’s loan portfolio, which indicates that there is no risk of concentration of the loan portfolio. In the structure of collateral, the share of real estate amounted to 81.04% of the total collateral. The overall weighted average L/C ratio (loan/collateral) is 43.55%, which indicates a conservative collateral policy.

In 2021, the following works were carried out in the “Appraiser’s personal account” (hereinafter – the portal):

- automation of collateral examination of objects of the primary residential real estate market (under the “Nurly Zher”, “Svoy Dom” programs);
- implementation of the mobile application of the portal;
- implementation of the new role of assistant collateral expert;
- adding a directory of addresses of residential complexes by cities;
- adding a directory of real estate addresses located in the sanitary zone next to cemeteries;
- the functionality of editing the real estate cadastral number by the Bank’s managers;
- integration of the portal with the personal account of customers in terms of requesting an assessment of the market value of real estate;
- visualization of the list of appraisers connected to the portal in the Kazakh language.

In 2021, employees of the risk management subdivision considered 55,369 applications, of which: 41,074 applications were approved, 648 applications were rejected, 13,647 applications were returned for revision. AutoRAC approved 55,137 applications.

For comparison, at the end of 2020, the share of provisions created in accordance with IFRSs amounted

to 0.56% of the loan portfolio, the share of 20 large loans of the Bank was 0.13% of the loan portfolio of the Bank, which indicates that there is no risk of concentration of the loan portfolio. In the structure of collateral, the share of real estate amounted to 83.62% of the total collateral. The overall weighted average L/C (loan/collateral) ratio is 47.29%, which indicates a conservative collateral policy.

Operational Risks

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

The ORMS objectives are achieved under a systematic, integrated approach, which implies the solution of the following tasks:

- improvement of procedures and mechanisms of operational risk management, which the Bank is exposed to;
- inadmissibility of transactions and other actions resulting in significant changes in the level of operational risk;
- limiting losses when the Bank settles transactions due to realization of operational risks;
- identification and analysis of operational risk arising in the course of the Bank’s activities;
- obtaining operational and objective information about the state and exposure of operational risk;
- development of measures aimed at reducing and preventing the Bank’s operational risk;
- improving the system of internal control over operational risk;
- development of a risk culture at all levels of the Bank’s management.

Infrastructure of the Bank’s ORMS includes:

1. identification of operational risks: analysis of 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 management of operational risks in the Bank;
4. continuous management of operational risks, which is carried out by all structural subdivisions of the Bank and includes a decrease in the level of exposure to operational risk and elimination of the negative effects of operational risk events in all structural subdivisions of the Bank;
5. monitoring and reporting on operational risks: the Bank regularly monitors the level of operational risk and adheres to acceptable levels of risk. To monitor operational risk, the Bank uses a management reporting system for the management and collegial bodies involved in risk management processes, regularly assesses the risks affecting the achievement of goals, changing circumstances and conditions, and gives recommendations on risk management. Information on management reporting is provided to the Board of Directors/Management Board of the Bank on a quarterly monthly basis;
6. prevention/mitigation (control): taking a set of measures aimed at preventing/reducing the likelihood of events or circumstances leading to operational losses, or at reducing the amount of potential losses.

In 2021, the Bank took measures to automate and improve the database for collecting and analyzing internal data on operational risk events.

Management of Information Security Risks and Information Technology Risks

To ensure the effective functioning of information security and information technology (hereinafter - IS and IT) risk management systems, in accordance with the requirements of the legislation of the Republic of Kazakhstan, the following documents were developed and are kept updated:

1. IT and IS Risk Management Policies
2. IT Risk Management Rules
3. IS Risk Management Methodology
4. Methodology for Determining the Potential Loss under Information Security Risks

In 2021, the working group on the formation of a list of critical information assets under the leadership

of the internal control subdivision took measures to classify the Bank’s information assets and approved the list of the Bank’s critical information assets.

The internal control subdivision periodically submits reports on IT and IS risks to the Information Security Committee, the Management Board and the Board of Directors of the Bank.

Going Concern Management

The Bank’s going concern management aims to ensure that the Bank is sustainable against 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:

- Policy for managing a going concern of the Bank;
- Rules for managing a going concern of the Bank;
- Plans for ensuring a going concern of the Bank; and
- Plans of response to ensure the Bank’s activities.

The following activities are held in this area on an annual basis:

- training of the Bank’s personnel on the going concern issues;
- analysis of the impact on the activities concerning critical processes and areas of the Bank’s activities;
- testing and analysis of the Bank’s plans for ensuring a going concern;
- analysis of risks of unforeseen circumstances for which a plan of actions to response to the risks has been drawn up.

In accordance with the Action Plan for the development and approval of new plans to ensure going concern of the Bank in 2021, the structural divisions of the Bank updated, developed and approved Plans for the areas of activity related to the Bank’s going concern.

Compliance Risk

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

The compliance system is an indicator of transparency of the Bank's activities and part of the structure of the Bank's sustainable development.

Effective compliance risk management system and its maintenance in an appropriate state allow the management timely identifying all significant risks of incomplete implementation of the Bank's business goals.

Responsibility for compliance with the established standards is based on the Bank's compliance culture, which is reflected in the 3 lines of defense that are being built:

1. The first line of defense manages the compliance risk within its competence and in accordance with the Bank's internal documents on compliance risk management (first level control). The participants are employees of the Bank, heads of structural subdivisions of the Bank.
2. The second line of defense manages the compliance risk and compliance control (second level control). The participants are the Senior Compliance Controller and compliance control subdivision.
3. The third line of defense carries out an independent assessment of the effectiveness of the compliance risk management system (third level control). The participant is the internal audit subdivision.

All participants in the compliance risk management system, within their competence and responsibility, manage the compliance risk with strict and rigorous observance of the requirements of the legislation of the Republic of Kazakhstan, the legislation of foreign states that affects the activities of the Bank and recognized by the Republic of Kazakhstan, internal rules and procedures of the Bank, and generally accepted codes of conduct.

The main goal of compliance risk management is to minimize and/or maintain at an acceptable level of compliance risks, such as the occurrence of financial losses of the Bank and the imposition of legal sanctions on it due to non-compliance with the requirements of the legislation of the Republic of Kazakhstan, regulatory legal acts of the authorized body, internal documents and procedures of the Bank, as well as the legislation of foreign states affecting the activities of the Bank and recognized by the Republic of Kazakhstan.

To effectively manage the compliance risk, the compliance control subdivision works to identify and assess the reasons for the occurrence of the compliance risk:

- collection and analysis of compliance risk realization events are carried out on a regular basis. For this purpose, the results of audits and a single internal database of operating losses and events are used;
- the compliance control subdivision takes part in the implementation of new products and services;
- internal checks of internal documents and processes of the Bank are carried out on a regular basis for compliance with the requirements of the legislation of the Republic of Kazakhstan (in 2021, the compliance control subdivision carried out 8 checks);
- the principle "Know Your Customer" has been implemented;
- a register of compliance risks is maintained with the preparation of a compliance risk map;
- as part of strengthening the compliance culture, the Bank conducts training workshops.

To ensure the compliance of the Bank's activities with the legislation of the Republic of Kazakhstan, the compliance control subdivision monitors amendments and alterations to the legislation of the Republic of Kazakhstan on an ongoing basis with further giving recommendations on the development of new internal documents, making appropriate amendments/alterations to the internal documents and procedures of the Bank.

As part of compliance with the requirements of the legislation on anti-money laundering and combating financing of terrorism (hereinafter – AML/CFT), a financial monitoring system is operated by the Bank.

The main goal of the financial monitoring system is to minimize the risks arising when settling bank transactions subject to financial monitoring and other transactions with money or property related to money laundering, terrorism financing and financing of the proliferation of weapons of mass destruction, by ensuring compliance with the requirements of the legislation of the Republic of Kazakhstan in the field of AML/CFT, preventing the Bank's involvement in money laundering and terrorism financing and financing the 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, when establishing business relations, due diligence procedures are performed, completeness and timeliness of submission to the authorized body in charge of financial monitoring of the information on transactions subject to financial monitoring is ensured.

CORPORATE SOCIAL RESPONSIBILITY

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Corporate Social Responsibility

The Bank actively promotes the solution of socially oriented tasks of the state and ensuring equal access of the general population to the housing construction savings system in all regions of the Republic of Kazakhstan. The Bank places great emphasis on the corporate social responsibility (CSR) as one of the key principles of its activities and corporate conduct. In this regard, in December 2016, by the resolution of the Management Board of the Bank, the Strategy for corporate social responsibility (CSR Strategy) was approved, which became the reference document determining the principles and directions of the Bank's activities in this area.

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

According to the CSR Strategy, the Bank adheres to the following principles in carrying out its activities:

1. Commitment to the Bank's mission, common values and vision.
2. Provision of quality services based on the high professionalism of the Bank's personnel.
3. Respect for the honor and dignity of the individual and their rights.
4. Honesty and mutual respect in dealing with the stakeholders.
5. Balanced approach when making management decisions.
6. Legality of actions taken and responsibility for consequences thereof.
7. Health protection of the Bank's employees.
8. Openness to relationships with the stakeholders.

Based on the CSR Strategy, the Bank has identified six priority groups of stakeholders: customers, Shareholder, employees, business partners, government, and society. The Bank accepts constructive criticism from stakeholders aimed at improving the Bank's CSR activities and undertakes to respond to such criticism by taking the measures to prevent unintentional and unforeseen negative consequences of its activities.

Compliance with the principles of the CSR Strategy is part of the corporate culture and is mandatory for all employees of the Bank.

The main directions of corporate social responsibility:

1. Fair business practice.
2. Personnel development.
3. Environmental protection.
4. Encouraging charity and sponsorship.

In 2019, in order to determine the fundamental standards, principles, rules and approaches that the Bank should adhere to in building a system of management in the field of sustainable development, the Bank approved the Sustainable Development Policy. Additionally, the Bank approves the Bank's Action Plan in the field of sustainable development on an annual basis, according to which the responsible subdivisions of the Bank carry out a number of relevant activities.

EMPLOYMENT

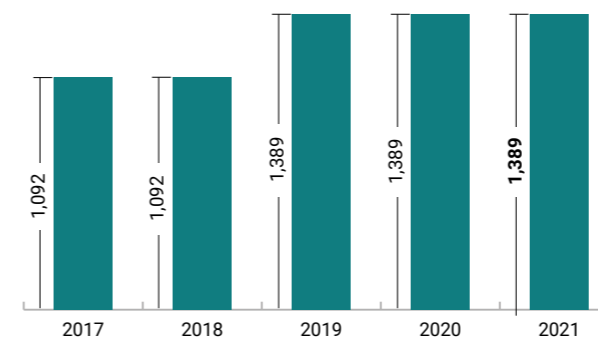
One of the priority tasks of the Bank is the formation and maintenance of a staff that meets the qualification requirements of the Bank aimed at achieving strategic goals and solving the problems the

Bank faces. The labor relations are governed by the Labor Relations Regulations and Internal Labor Policy of the Bank in accordance with the legislation of the Republic of Kazakhstan.

COMPOSITION AND STRUCTURE OF PERSONNEL

As of 01.01.2022, the internal organizational structure of the Bank consisted of 27 independent subdivisions of the Central Office, 15 regional and 3 city branches, 20 service centers and 4 service points.

Manning Level, people



As of 01.01.2022, the number of employees of the Bank was 1,389 people. Of them: 524 employees of the Central Office, 865 employees of the Bank's branches in all regions. The breakdown of the Bank's employees by region is presented in the following table.

No.	Region	Staff, people
1	Akmola regional branch	30
2	Aktobe regional branch	61
3	Branch of the Bank in Almaty city	126
4	Almaty regional branch	40
5	Atyrau regional branch	34
6	East Kazakhstan regional branch	50
7	Zhambyl regional branch	36
8	West Kazakhstan regional branch	43
9	Karaganda regional branch	46
10	Kostanay regional branch	40
11	Kyzylorda branch	28
12	Mangystau regional branch	38
13	Pavlodar regional branch	43
14	North Kazakhstan regional branch	30
15	Branch of the Bank in Semey town	29
16	Central branch	131
17	Branch of the Bank in Shymkent town	48
18	Turkestan regional branch	12
Total		865

The actual number of employees of the Bank as of 01.01.2022 was 1,341 people. Of them: 489 employees of the Central Office, 852 employees of the Bank's branches in all regions. The number of employees hired in 2021 amounted to 230 people. The average age of employees is 36 years.

It is also noted that non-staff employees work in different structural subdivisions of the Bank. The total number of non-staff employees as of 01.01.2022 is 133 people (in 2020 – 130 people).

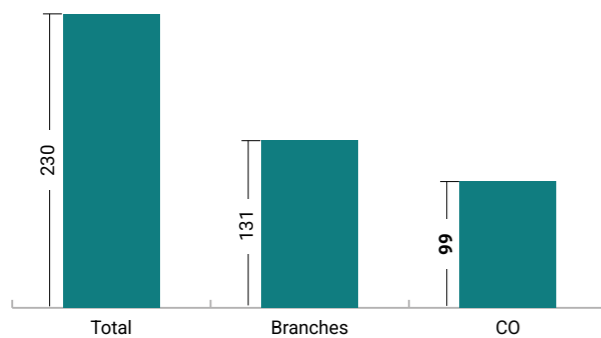
The Bank concluded a collective agreement between the employer and employees. It was voluntarily on the

basis of compliance with the norms of the legislation of the Republic of Kazakhstan, the authority of the representatives of the parties, freedom of choice, discussion and resolution of issues that make up its content, the reality of ensuring the obligations assumed. The collective agreement is not concluded with non-staff employees of the Bank. Non-staff employees are hired and perform their official duties in accordance with the Instruction on the procedure for selecting contractors/assistants to employees and concluding agreements for the provision of paid services at Otbas Bank JSC.

Personnel Breakdown by Gender and Age in 2021

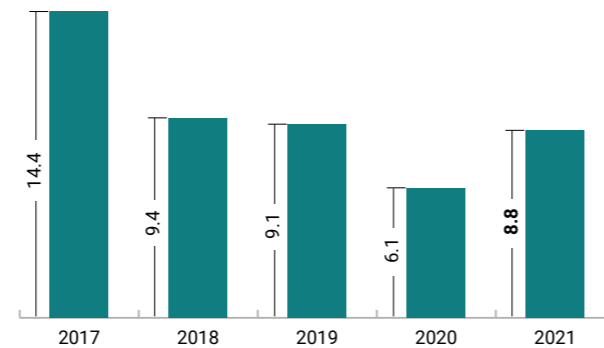
Indicator	Total, people	Share, %	Management positions	Share in management position, %	
Gender	Men	526	39%	4	57
	Women	815	61%	3	43
Age groups	Under 30 years old	265	20%	0	0
	30 - 50 years old	968	72%	7	100
	Over 50 years old	108	8%	0	0

Employees Hired in 2021, people



The procedure for competitive selection for vacant positions in the Bank comprises several stages, including: determining the need for personnel, selecting candidates and analyzing CVs, conducting preliminary interviews, and professional testing with

Personnel Turnover, %



candidates. Personnel turnover for 2021 is 8.8% (in 2020: 6.1%). Labor relations were terminated: at the initiative of employees – 58%, by agreement of the parties – 38%, for other reasons (draft, death, court decision, employer's initiative, reduction, etc.) – 4%.

LABOR RELATIONS PRACTICE

There were no complaints filed against the Bank during the reporting year for violation of labor relations practices. In accordance with the legislation of the Republic of Kazakhstan and the terms of the employment agreement, an employee has the right to apply for consideration of an individual labor dispute / complaints. The terms of appeal for consideration of individual labor disputes are regulated by the Labor Code of the Republic of Kazakhstan.

The Bank strictly complies with the norms and requirements of the Labor Code of the Republic of Kazakhstan. In case of significant changes related to the Bank's activities, employees are notified in accordance with the established procedure (no later than fifteen calendar days in advance).

There are no subdivisions that use child and forced labor, nor young workers performing hazardous work.

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

1. weekly planning meetings with the participation of executives and heads of structural subdivisions on operational activities;

2. quarterly meetings of the Chairman of the Management Board with the heads of structural subdivisions on achievement of the approved Goal Maps for the reporting period;
3. constant free and effective working interaction between employees and the management of the Bank.

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

Regulation of working time in the Bank proceeds from the fact that with a five-day working week, the duration of daily work (work shift) cannot exceed 8 hours at a weekly rate of 40 hours. Duration of daily work (work shift), start and end time of daily work (work shift), break time are determined in compliance with the established length of the working week by the Rules of labor relations and internal labor regulations in the Bank, employment agreements and the collective agreement.

TRAINING

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

During 2021, training events were held for the Bank's employees on a regular basis based at the Bank regarding the amendments and alterations made to the regulatory documents, the Bank's innovations as part of the introduction of a new information system and improving the IT infrastructure, implementation of the state project on the use of pension savings to improve housing conditions, get medical treatment, etc. The training events were also held with the aim of improving the professional qualifications

and motivating the Bank's employees who are able to make effective decisions to achieve the goals and objectives of the Bank. Moreover, the Bank's employees studied at external seminars, courses, online trainings in various areas in order to develop professional skills and study the world experience. The Bank's employees regularly complete compulsory specialized courses in order to improve their professional qualifications and get certificated.

In 2021, 1,161 employees of the Bank underwent external training, of which 820 employees were unique, which is 70.63% of the total number of employees. Of them, 550 persons are employees of the Central Office and 270 persons are employees

of the Bank's branches. For comparison, in 2020, 556 employees underwent external training, which was 40.7% of the total number of employees.

In 2021, 12 employees of the Bank successfully defended qualifying works (master's theses) under the MBA/EMBA programs in domestic and foreign universities, 7 people continue their education under the MBA/EMBA programs. There was no new enrollment for MBA/EMBA programs in 2021.

In 2021, 1,395 people participated in internal training, which is 100% of the total number of employees. For comparison, in 2020 – 1,389 employees.

The total number of training hours (internal training) in 2021 amounted to 16,020 academic hours, taking into account short-term training (webinar, technical training) and asynchronous training (electronic courses). The average number of training hours (internal training) per 1 employee of the Bank in 2021 amounted to 11.5 academic hours.

66 internal training events were held for employees of the Central Office and branches of the Bank, with the target for 2021 – 66 events. The topics of internal training were varied: Internal control system, Formation of KPI cards, Servicing legal entities, Remote work skills, Currency control on customer transactions in the Bank, Procedure for the preparation and submission by the Suppliers of the act(s) on the fulfillment of contractual obligations through the web portal (E-DOC), Management for mid-level manager, Increasing the level of awareness

of the Bank's employees on countering phishing attacks, Fraud management, Banking secrecy and the consequences of its non-compliance, Rules for granting access rights, Operational risk and business continuity management system, Countering the legalization (laundering) of proceeds from crime and the financing of terrorism, Compliance risk management system, Anti-corruption management, etc.

The number of trainings on electronic courses in the Bank's distance learning system (internal training) in 2021 amounted to: 5,500 trainings passed by employees of the Central Office and 8,450 trainings passed by employees of the Bank's branches.

During the year, the library of educational electronic interactive courses in the Mirapolis distance learning system was also replenished regularly with the focus on all employees of the Bank. The following electronic courses were developed and uploaded: "Raising the level of awareness of the Bank's employees on countering phishing attacks", "Practical course on AML/CFT", "Fraud management", "Formation of KPI cards", "Compliance risk management system", "Bank secrecy and the consequences of its non-compliance".

On the basis of the iSpring LMS, training is provided for employees of the Bank's Remote Service Department in the format of micro-learning on the topics: "Women's mortgage", the program for using the lump sum pension payments, monitoring the quality of service, "Bakytty otbasy 2021", "Almaty Zhastary for consultant operators".

PERSONNEL RESERVE

The procedure for the formation of a personnel reserve for the management and managerial staff of personnel is performed in the Bank since 2008 in accordance with the Regulations on the formation and organization of work with the personnel reserve of the Bank by identifying high-potential employees and organizing their professional and career growth.

As of the end of 2021, the Bank's personnel reserve consists of 71 people, of which 24 people are employees of the Central Office and 47 people are employees of the Bank's branches.

CERTIFICATION OF THE BANK'S EMPLOYEES

Since 2009, the Bank has been carrying out certification of employees to determine the degree of employees' compliance with the requirements for their positions and to make the necessary management decisions regarding further labor relations with the Bank's employees based on the certification results. The employees are certified no more than once every three years; in case of unsatisfactory results of the performance assessment (KPI below 75%), they are certified no more than once a year. The certification stages are: qualification

requirements analysis, testing, and meeting of the Certification Commission.

At the end of 2021, 99% of the total number of employees of the Bank (320 employees) passed the certification, the average performance among employees was 85%. Of these, 57% are women (183 employees), 43% are men (137 employees). Also, out of 320 employees who passed certification, 17 are heads of structural subdivisions (0.6%) and 303 are senior managers, specialists (99.4%).

TESTING FRONT OFFICE EMPLOYEES

Gamification is carried out for employees of the front office, the Remote Service Department and consultants of the Bank on a regular basis in order to check the level of knowledge of the tariff programs and internal documents of the Bank. The report on the completed gamification is sent to the business unit to use it in work and form technical training plans for common mistakes made by participants.

In 2021, work was carried out to analyze the results of gamification participants with a correlation by business indicators and further improve the gamification platform with the transition to a continuous learning platform using microcontent.

REMUNERATION OF THE BANK'S EMPLOYEES

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

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

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.

Average Base Salary of Men and Women by Employee Category in 2021

	Men	Women
Top management, KZT thous.	1,724.98	1,865.12
Heads of structural divisions, KZT thous.	705.83	760.78
General managers, specialists, KZT thous.	293.26	260.94

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 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.

INCENTIVIZATION OF THE BANK'S EMPLOYEES

In 2021, the Bank continued to work on enhancing the efficiency, transparency and balance of the system of material and non-material incentives, which is one of the most important areas of work with personnel and ensures compliance with standards and guarantees in accordance with the Labor Code of the Republic of Kazakhstan. To attract highly skilled specialists, increase the involvement and satisfaction of personnel, reduce staff turnover and develop the HR brand, the Bank regularly researches the labor market and the level of wages.

The approved system of bonuses for the Bank's employees takes into account the effectiveness of the performance of each employee 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 bonuses based on labor results, the Bank's employees are paid a bonus for public holidays of the Republic of Kazakhstan.

The Bank also has a system of moral incentives for employees and structural subdivisions, which includes both recognition of the personal merits of an employee in the form of an expression of gratitude, awarding a certificate of merit, awarding the titles "Best Employee of the Bank", "Honored Employee of the Bank", registering in the Bank's Book of Honor, and recommendation to confer the state awards and titles. According to the Rules for the moral encouragement of employees and structural subdivisions, the best employees of the branches and structural subdivisions of the Central Office of the Bank are determined on a quarterly basis. The

information is posted in the "Honorary Board" block on the Bank's internal portal. Also, the best structural subdivision of the Central Office and the best branch of the Bank are selected on a quarterly basis. In 2020, a system of monetizing moral incentives was created through the introduction of a virtual currency – Zhilcoin – and the possibility of using it in the 'Motivational Cafeteria' on the Bank's internal corporate portal. Zhilcoins are awarded for each type of moral encouragement, and based on the collected amounts at the end of the year, nominations for the "Best Employee of the Year" and nominations from the heads of supervising blocks are selected.

SOCIAL PROTECTION

The policy of social support for the Bank's employees is aimed at stabilizing the team and taking care of each employee. The Bank provides employees with benefits and compensations, which are part of an extensive social package, in accordance with the "Rules for providing social support for the Bank's employees". All payments are made within the limits of funds of the corresponding items of the Bank's budget.

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

- Financial Assistance**
Financial assistance is paid to employees in the following cases:
 - for health improvement when providing paid annual leave;
 - in connection with marriage;
 - in connection with maternity leave, leave by those who have adopted (adopted) a newborn child (newborn children);
 - in connection with the birth of a child/adoption of children;
 - in connection with the treatment/operation of an employee or persons who are members of his/her family;
 - in connection with the death of the employee/members of the employee's family.

In 2021, 150 employees were on parental leave (under three years old). In particular, 80 employees went on parental leave during the year. In the reporting year, 78 employees returned to work after parental leave.

2. Voluntary Health Insurance Program (Health Insurance)

The employees and members of their families are covered by health insurance in accordance with the voluntary health insurance program. The funds for medical insurance are expensed in case of disease of an employee in accordance with agreements entered into with insurance organizations in accordance with the procedure established by the legislation of the Republic of Kazakhstan, or under agreements for medical care entered into with the medical organizations. Expenses for health insurance per employee must not exceed 100 MCI for the corresponding financial year.

In 2021, 2,064 people, including 1,390 Bank employees and 674 members of their families, were able to use medical services under a voluntary health insurance agreement.

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

ENSURING SAFETY AND LABOR PROTECTION, CIVIL DEFENSE AND FIRE SAFETY

The Bank annually takes a set of measures aimed at:

- creation and provision of safe and healthy working conditions for employees, unconditional observance by employees of safety and labor protection requirements;
- conducting exercises and trainings in civil defense, testing plans to ensure the continuity of the Bank's activities;
- continuous improvement of the fire regime and compliance with fire safety requirements;
- conducting military registration of persons responsible for military service and recruiters.

Safety and Labor Protection

The Bank ensures the rights of employees to safe working conditions, sets the priority of the life and health of employees in relation to any other results of labor activity.

In accordance with provisions of the regulatory legal acts and internal documents of the Bank in the field of safety and labor protection, the Bank constantly takes measures to train, instruct and test the knowledge of employees, responsible persons of the Central Office and branches of the Bank, instruct employees of contractors performing works and providing services under business agreements, short-time workers, students undertaking an internship in the Bank's subdivisions.

4. Assistance in Solving Housing Issues

Assistance in solving housing issues, depending on the financial condition of the Bank, can be provided by the Bank to an invited/transferred employee by partial reimbursement of the expenses for paying the rent of a dwelling (for a period not exceeding 2 years).

The following activities were carried out in 2021:

- online training of a responsible employee on safety and labor protection issues by a specialized organization, with examination and certification – 1 person;
- introductory briefings for newly hired employees – 90 people;
- verification of knowledge by testing on safety and labor protection issues – 1,113 people.

Health and Safety in the Workplace

In 2021, 231 employees of the Bank suffered from COVID-19, and 1,505 full-time and freelance employees have a vaccination passport.

It is also noted that the activities of the Bank's employees are not associated with high injuries and increased danger to life. In 2021, there were no cases of work-related injuries among the Bank's employees. The rate of absence from work due to illness was 0.01%.

Civil Defense

In the field of civil defense, in accordance with the Bank's Business Continuity Response Plans, drills and exercises were conducted with the evacuation of employees, rescue operations and firefighting. During the training, the Response Plan was tested to ensure

the continuity of activities of each subdivision (the Central Office and branches of the Bank), the result of which was reflected in the test report.

Fire Safety

The following activities were carried out in 2021 in the field of fire safety:

- in accordance with the provisions of the Instructions on fire safety measures for buildings of the Central Office and branches of the Bank, inspections of the fire-prevention condition of buildings, premises and territories of the Bank were carried out, which are reflected in the reporting checklists;
- during the year, online training for managers and responsible persons in fire safety was conducted

SPONSORSHIP AND CHARITY

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

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

The Bank's charitable, sponsorship and philanthropic assistance is provided in strict accordance with the Bank's Charity Rules.

In 2021, the Bank's employees organized the "Aynalaiyn" charity fair. The funds raised in the amount of 439,760 KZT were used to purchase bags

twice under the fire-technical minimum program and 89 people were certified.

Registration with Military Authorities

Responsible persons for military registration of the Central Office and branches of the Bank carried out work on the maintenance of military registration of those liable for military service and recruits of the Bank.

Violations by employees of the Bank of military registration when moving to a new residence address, untimely receipt of military service record cards were eliminated during 2021. The appearance of recruits in the departments for defense affairs was ensured in a timely manner per their periodic requests.

with sweets, educational games and the services of animators at the request of the Almaty orphanage MPI No. 1.

Major efforts to help those in need were taken using own funds of the employees of the Central Office and branches of the Bank. Assistance was provided in the form of fundraising to purchase expensive medicines for the Bank's employees, who are in a difficult financial situation as a result of loss of health. Employees of the Central Office took an active part in the annual campaign "Donor Day" and in honoring the veterans of the Great Patriotic War timed to coincide with the Victory Day, as well as in charitable events organized by Baiterek NMH JSC.

During the pandemic, employees of the branches distributed medical masks in public transport as part of the "Take Care of Yourself and Your Loved Ones" campaign. Also, employees of the branches conduct on an ongoing basis the charity and sponsorship events for low-income families, children in orphanages, orphaned children and children left without parental care, children with disabilities, for

veterans of the Great Patriotic War and the labor front, the elderly, single mothers in difficult life situations, orphanages and Social Support Centers. In addition, the employees of the Central Office

organized the work on the distribution of medicines and personal hygiene products for the needy employees of the Bank from a partner from the Russian Federation on a gratuitous basis.

CORRUPTION COUNTERACTION

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

In order to prevent corrupt offenses, the Bank takes a set of measures with the ultimate result to eliminate corruption.

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

The Bank operates a Hotline, which is a means of confidentially obtaining information about corrupt offenses by the Bank's employees and consultants. An analysis of the appeals 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.

The Bank quarterly 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 offenses of their subordinates.

Based on the results of personnel training, the awareness of the Bank's personnel about the Bank's activities on combating corruption, about existing restrictions and obligations, and feedback channels was increased. It is expected that the measures taken will minimize the risk of corruption in the Bank's activities.

In accordance with the order of Baiterek NMH JSC No. 03-2-12/1376 dated 29 March 2021, the Model Rules for conducting an internal analysis of

corruption risks, approved by order of the Chairman of the Agency of the Republic of Kazakhstan for Civil Service Affairs and Anti-Corruption dated 19 October 2016 No. 12, the Rules for combating fraud and corruption in Housing Construction Savings Bank of Kazakhstan JSC, approved by the decision of the Bank's Management Board (minutes No. 140) dated 17 June 2016, and the order of the Chairman of the Management Board of the Bank "On conducting an internal analysis of corruption risks in the activities of Otbasny Bank JSC" dated 20 April 2021 No. 188, an internal analysis of corruption risks in the activities of the Bank was held.

Based on the results of corruption risks analysis, an Action Plan was drawn up and approved to eliminate the causes and conditions conducive to the commission of corruption offenses identified by the results of an internal corruption risks analysis in Otbasny Bank JSC.

In accordance with the Law of the Republic of Kazakhstan No. 365-VI dated 06 October 2020 "On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Anti-Corruption Issues", under which Article 16 of the Law of the Republic of Kazakhstan "On Combating Corruption" was amended, according to which "in the subjects of the quasi-public sector, structural units are defined that perform the functions of anti-corruption compliance services, the main task of which is to ensure compliance by the relevant organization and its employees with the legislation of the Republic of Kazakhstan on Combating Corruption", by the decision of the Bank's Management Board (minutes No. 43) dated 19 March 2021, the relevant amendments were made to the Regulations on the Compliance Control Department, approved by the decision of the Board of Housing Construction Savings Bank of Kazakhstan

JSC (minutes No. 76) dated 23 July 2020, in terms of assigning the function of anti-corruption compliance.

The Compliance Control Department is a subdivision that performs anti-corruption compliance functions in the Bank, independent of any activity of the Bank's structural subdivisions, reporting through the chief compliance controller 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 known facts of corruption in the Bank to their immediate supervisors or to the security department or confidentially via the hotline. 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, the ultimate result of which is the exclusion of corruption practices.

COMPLIANCE WITH THE LEGISLATION

In its activities, the Bank generally complies with requirements of the legislation of the Republic of Kazakhstan. In 2021, the following facts were recorded that led to compliance risks:

1. An order was issued to eliminate violations No. 21 dated 30 April 2021, and a protocol on an administrative offence No. 27 dated 30 April 2021 was drawn up (a fine of 145,850 KZT was paid), based on the results of an unscheduled inspection by the "Information Security Committee of the Ministry of Digital Development, Innovation and Aerospace Industry of the Republic of Kazakhstan" RSI for compliance with requirements of the legislation of the Republic of Kazakhstan on personal data and their protection. When storing restricted access personal data, the Bank does not use cryptographic information protection tools that have parameters not lower than the third level of security, in accordance with

the standard of the Republic of Kazakhstan ST RK 1073-2007 "Means of Cryptographic Information Protection. General Technical Requirements".

2. "Agency of the Republic of Kazakhstan for the Regulation and Development of the Financial Market" RSI applied a recommendatory measure of supervisory response for violation of the requirements of internal documents, which is non-compliance with clause 98 of the resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated 12.11.2019 No. 188 "On Approval of the Rules for the Formation of a Risk Management and Internal Control System for Second-Tier Banks, Branches of Non-Resident Banks of the Republic of Kazakhstan", as well as a violation of the rights of a consumer of a financial service in the form of a failure to transfer a debt when providing a full package of documents for transferring a debt.

CUSTOMER PRIVACY

The Bank ensures the privacy of customers and the protection of personal data, strictly observing legislation of the Republic of Kazakhstan in this area.

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 legislation of the Republic of Kazakhstan, by the Bank's employees, employees (consultants, agents working under an agency agreement, a paid services agreement) directly using them for official purposes.

The Bank is not entitled to transfer the processed personal data to third parties and (or) third parties without the consent of the customer, except as otherwise stipulated by the legislation of the Republic of Kazakhstan.

Without the customer's consent, the processing of publicly available personal data obtained from appeals and requests from organizations and individuals, biographical directories, telephone, address books, mass media, and in other cases stipulated by the legislation of the Republic of Kazakhstan.

The Bank takes the following measures to ensure the confidentiality of personal data by the Bank in order to prevent their dissemination without the consent of customers or their representatives or other grounds:

1. signing an obligation not to disclose information constituting a trade secret and other confidential information of Otbasyl Bank JSC with all employees when concluding employment agreements, and with agents, consultants when concluding agency agreements, paid services agreements;
2. employees of structural subdivisions do not allow the dissemination of personal data without the consent of customers or their legal

3. representative, or other legal grounds. Customer personal data is transferred to third parties only with their or their legal representative consent, or if there is another legal ground;
3. carrying out by all structural subdivisions and employees of the Bank, agents, consultants of measures aimed at timely detection and identification of facts of unauthorized access to personal data, namely, notifying their immediate supervisor and the internal control subdivision of all suspicious situations and violations when working with customer personal data;
4. prevention of unauthorized access to personal data and (or) their transfer to persons who do not have the right to access such information by restricting access to electronic personal data databases with a password, to paper versions of personal data - to persons who have official access only;
5. other measures not stipulated in this Procedure, but ensuring constant monitoring of ensuring the level of protection of personal data.

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

In 2021, there were no major cases of violation of the Rules for the use of personal data that caused damage to customers. There were no complaints from customers.

course of operating activities for the development of the housing construction savings system in the country. By helping the people of Kazakhstan in solving the housing issue, the Bank creates a sustainable support for development of the state and for improving the living standards of citizens.

ECONOMIC PERFORMANCE

In 2021, the total economic value of the Bank amounted to 173 KZT bln. As a large profit-making organization, the Bank contributes to the social and economic development of the country in the course of distribution of the economic value in the interests of the principal stakeholders.

At the same time, a more significant contribution to the society and the economy is made by the Bank in the

Distribution of Economic Value, KZT mln

	2019	2020	2021
Economic value created (income):			
operating (interest) income	84,435	111,434	171,023
fee income	1,275	1,538	1,919
other income	8	17	32
Distributed economic value:			
labor remuneration expenses	9,491	10,456	11,851
expenses on taxes and fees to the state budget	517	693	654
payments to capital makers (payments of interest and dividends)	7,937	8,293	-
charity and sponsorship	-	4	-
other operating expenses	7,402	7,536	9,595
other non-operating expenses	-	-	-
Economic value to distribute (net profit)	27,347	31,784	65,755

ENVIRONMENTAL FRIENDLINESS

The Bank's activities are not environmentally hazardous and do not involve high environmental risks. Bank supported adopts a precautionary approach to environmental issues and promotes the

development of development and dissemination of environmentally friendly technologies. During the reporting year, there were no violations of environmental legislation, no penalties.

ENERGY CONSUMPTION AND ENERGY EFFICIENCY

The Bank is a financial institution with a wide network of branches. In this connection, in order to maintain its activities, the Bank needs Significant volumes of electricity and heat are needed. Bank takes energy-saving measures to minimize its environmental impact and improve operating efficiency. In order to save money and savings electric energy in the Bank building installed LED lamps with a capacity of 18-48 Watts. The volume of energy consumed in the head office of the Bank for 2021 amounted to 1,023,636

kW (2020: 1,020,509 kW). The annual volume of electricity consumption in the head office of the Bank per person amounted to 2,093 kW. Heat energy consumption for the year in the Bank's Central Office building amounted to 972.7 Gcal. In general, the consumption of energy resources per year amounted to 278.63 toe. The Bank's branches also continue to implement measures aimed at reducing the consumption of water, energy and heat resources.

WATER CONSUMPTION

In its activities, the Bank strives to reduce the volume of water consumption blending, improve the efficiency of water use and to minimize the impact on natural water bodies. Bank unconditionally accepts

the importance of careful and rational wearing to the water resources of the country. In 2021, water consumption in the head office of the Bank amounted to 9,059.04 m³ (2020: 7,295.44 m³).

WASTE MANAGEMENT

The main types of waste in the Bank, being a financial institution, are paper, consumables and used office equipment. During the reporting period, the Bank made efforts to transfer used paper for recycling. To shorten consumption of paper in office work since 2014 Bank uses Documentolog – electronic office

document management system. This system made it possible to automate the entire internal document flow of the Bank and transfer to electronic format such business processes as formation, verification, approval of documents, control of their execution, distribution, search and archiving.

ENVIRONMENTAL PROTECTION

Due to the nature of its activities, the Bank does not have a direct significant impact on the environment (does not emit any pollutants into the atmosphere). The main resources consumed by the Bank, as mentioned above, are electricity, heat and water. The

Bank applies the principles and methods of rational use of resources that best ensure the prevention of adverse environmental impacts. The Bank regularly conducts activities aimed at raising the level of environmental awareness of employees.

PROCUREMENT

The Bank strives to ensure transparency and efficiency of procurement procedures that are performed in accordance with the Rules for the procurement of goods, works and services. At the same time, the information systems are actively used to automate the processes of arranging and implementing procurement by means of a request for quotations, an open tender and an auction.

Procurement is based on the following principles:

1. optimal and efficient expenditure 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. the responsibility of the procurement participants; and
6. prevention of corrupt practices.

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

Based on the results of the procurement procedures for 2021, 736 agreements were concluded. The total amount of agreements concluded was 8,796,577 KZT thous. (8,080,775 KZT thous. VAT exclusive), the number of disbursed items was 1,397. Total savings on all purchases made amounted to 596,552 KZT thous., however, these savings are redistributed and re-disbursed during the year, satisfying the additional needs of the Bank. At the same time, the share of local content in purchases for the reporting period amounted to 64% (the volume of execution according to the reports received as of 01.01.2022 is 5,673,717 KZT thous).

APPENDIX

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APPENDIX 1. ABOUT THE REPORT

This annual report of Otbasys Bank JSC includes financial and non-financial information on the Bank's activities for the period from 1 January to 31 December 2021, as well as historical data and a number of forward-looking statements. The Bank has been preparing the reports on an annual basis since 2004. The 2020 Annual Report was published on 13 July 2021. The current 2021 Annual Report was not externally certified.

This is the Bank's third Annual Report to include sustainable development information disclosed in accordance with the international non-financial reporting GRI Standards ("Basic Compliance Option").

When preparing the Annual Report, the Bank followed the principles of determining the content of the GRI Standards report:

- Stakeholder Engagement – the content of the report was determined based on the interests of key stakeholder groups.

- Sustainable Development Context – the Bank's activities in this report are presented in a broader socio-economic context.
- Materiality – the report covers only those issues in respect of which the Bank exerts great influence on the decisions of stakeholders.
- Completeness – the Bank tried to cover the essential topics of its activities as fully as possible and provide all the necessary information.

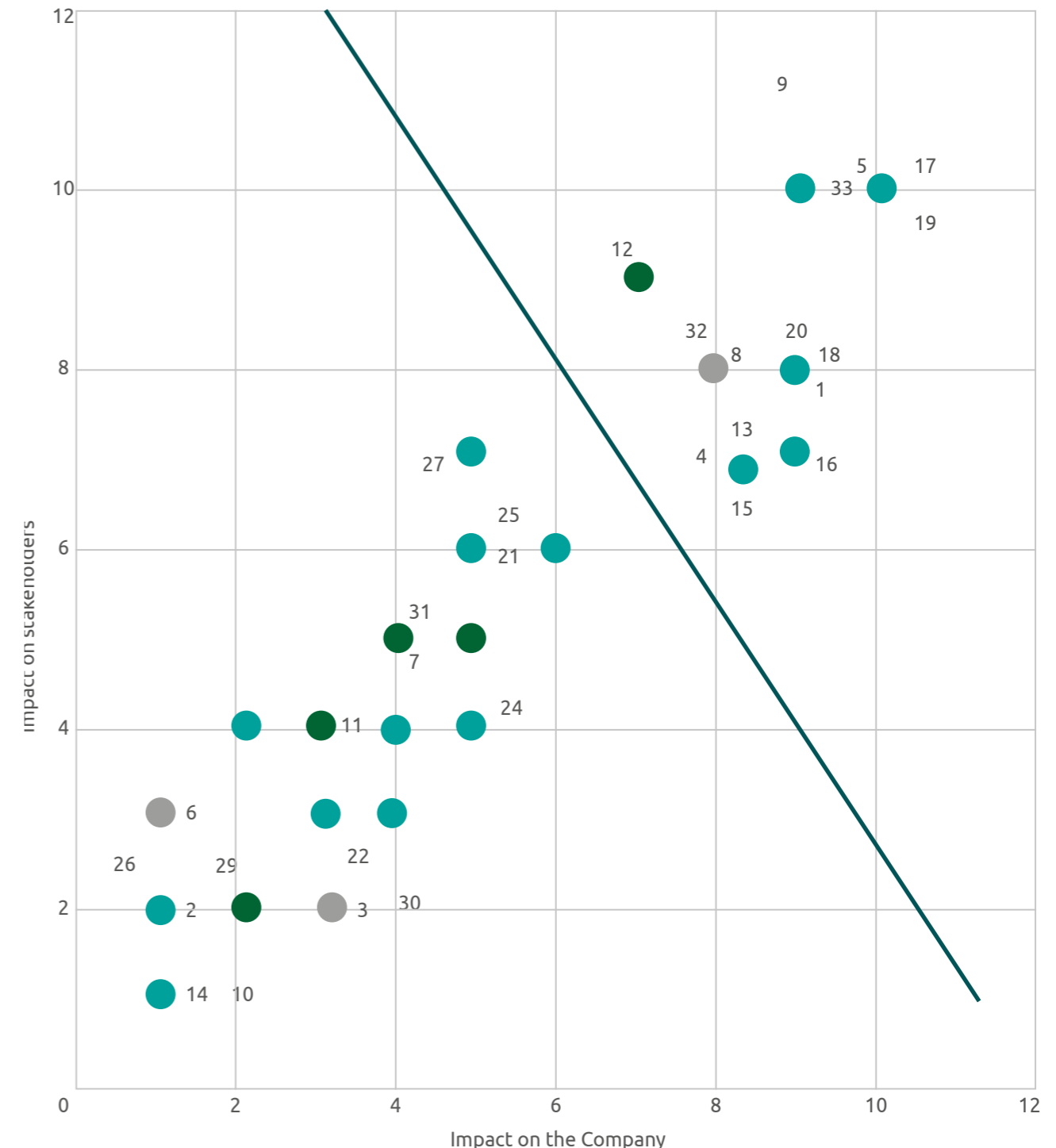
The principles of "materiality" and "stakeholder engagement" have been applied to define sustainable development topics that will be reflected in the Report. The principles of the "sustainable development context" and "completeness" were applied in collecting information and disclosing it on selected topics.

DETERMINING CONTENT OF THE REPORT

To determine the list of information to be included in this Report, the Bank analyzed all the topics proposed by the GRI Standards and determined a list of material topics that are most significant for disclosure in the annual report. Topics were ranked according to their importance to the Bank, taking into account its development strategy, and according to their importance to stakeholders, which was determined in the course of interaction with them during the year. Based on the results of the analysis, a questionnaire

was prepared, with the help of which a survey was conducted among the Bank's stakeholders (members of the Board of Directors, the Management Board, employees of the Bank, the Holding, media representatives, external auditors, etc.). Based on the survey results, a Materiality Matrix was built and is presented below. The topics included in the upper right corner of this matrix were recognized as the most significant and were disclosed in this Report.

Materiality Matrix



TOPICS

LEGEND

(grey color marks the topics recognized by results of the analysis as the most significant)

Economic performance	1
Presence in the markets	2
Indirect economic effects	3
Procurements practices	4
Corruption counteraction	5
Corruption prevention	6
Materials	7
Energy	8
Water	9
Biodiversity	10
Emissions	11
Discharges and wastes	12
Compliance with requirements of environmental legislation	13
Environmental assessment of suppliers	14
Employment	15
Relationships between employees and management	16
Health and safety in the workplace	17
Training and education	18
Diversity and equal opportunities	19
Non-discrimination	20
Freedom of association and collective bargaining	21
Child labor	22
Forced or compulsory labor	23
Security practices	24
Rights of indigenous and minority peoples	25
Assessment of respect for human rights	26
Local communities	27
Assessment of impact of suppliers on society	28
State policy	29
Consumer health and safety	30
Labeling of products and services	31
Consumer privacy	32
Compliance with the legislation requirements	33

APPENDIX 2. FINANCIAL STATEMENTS

Statement of Financial Position

(thousands of Kazakhstani tenge)	Notes	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	595,066,321	138,257,892
Funds in credit institutions		17,000	17,000
Loans and advances to customers	9	1,999,326,511	1,319,681,125
Investments in debt securities	8	186,877,167	232,210,452
Investments in equity securities		1,747	1,747
Fixed assets and right-of-use assets	10	5,188,019	5,462,232
Intangible assets	10	5,566,033	5,684,660
Current income tax prepayment		–	196,015
Other financial assets	11	11,450,453	5,417,469
Other assets	11	354,054	268,023
Long-term assets held for sale		272,678	191,476
TOTAL ASSETS		2,804,119,983	1,707,388,091
LIABILITIES			
Payables to customers	12	1,898,429,002	1,097,659,295
Borrowed funds	13	78,910,328	67,614,055
Issued debt securities	15	191,456,190	113,680,020
Government subsidies	16	221,981,940	121,753,860
Deferred tax liability	22	25,114,446	18,324,890
Current income tax liabilities		92,900	–
Other financial liabilities	14	4,349,852	3,563,068
Other liabilities	14	2,681,864	2,009,583
TOTAL LIABILITIES		2,423,016,522	1,424,604,771
EQUITY			
Share capital	17	78,300,000	78,300,000
Additional paid-in capital		127,470,774	95,406,389
Revaluation fund for investment securities measured at fair value through other comprehensive income		(1,703,462)	(2,204,346)
Other reserves		2,283,335	2,283,335
Retained earnings		174,752,814	108,997,942
TOTAL EQUITY		381,103,461	282,783,320
TOTAL LIABILITIES AND EQUITY		2,804,119,983	1,707,388,091

Statement of Profit or Loss and Other Comprehensive Income

(thousands of Kazakhstani tenge)	Notes	2021	2020
Interest income calculated using the effective interest method	18	171,023,329	111,433,654
Interest and similar expenses	18	(54,597,033)	(35,884,615)
Net interest margin and similar income		116,426,296	75,549,039
Valuation credit loss reserve	7, 8, 9	(2,406,247)	(5,529,664)
Net interest margin and similar income after credit loss reserve		114,020,049	70,019,375
Government subsidy income	16	32,375,919	16,660,494
Fee income	19	1,918,666	1,538,353
Fee expenses	19	(7,111,094)	(6,637,232)
Expenses from modifying financial assets measured at amortized cost that do not result in derecognition		-	(5,754,051)
Expenses less income arising from the initial recognition of financial instruments at below market rates		(41,393,980)	(22,895,729)
Income less expenses on debt securities at fair value through other comprehensive income		19,587	205,853
Income less expenses from operations with foreign currency		9,181	55,860
Other operating expenses net of income	20	(1,907,488)	(1,489,861)
Administrative expenses	21	(22,100,237)	(18,688,055)
Profit before tax		75,830,603	33,015,007
Income tax expense	22	(10,075,780)	(1,230,924)
Net profit		65,754,823	31,784,083
Other comprehensive income/(loss):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Income less expenses on debt securities at fair value through other comprehensive income		490,500	667,521
Income/(expenses) less (expenses)/income on debt securities measured at fair value through other comprehensive income transferred to the statement on profit and loss upon disposal		10,384	(205,853)
<i>Items that will not be subsequently reclassified to profit or loss:</i>			
Income/(expenses) less (expenses)/income from investments in equity securities measured at fair value through other comprehensive income		-	(2,703)
Other comprehensive income		500,884	458,965
Total comprehensive income for the period		66,255,707	32,243,048
Basic and diluted earnings per share for earnings attributable to a Shareholder of the Bank (Kazakhstani tenge per share)	30	8,398	4,059

Statement of Changes in Equity

(thousands of Kazakhstani tenge)	Share capital	Additional paid-in capital	Other reserves	Retained earnings	Total equity
Balance as of 01 January 2020	78,300,000	80,980,344	2,283,335	86,215,681	244,701,807
Voluntary change in accounting policy	-	-	-	(294,984)	(294,984)
Restated balance as of 01 January 2020	78,300,000	80,980,344	2,283,335	85,920,697	244,406,823
Profit for the year	-	-	-	31,784,083	31,784,083
Other comprehensive loss	-	-	458,965	-	458,965
Total comprehensive income for the year	-	-	458,965	31,784,083	32,243,048
Recognition of discount on loans from the Government of the Republic of Kazakhstan less deferred tax effect in the amount of 3,606,511 thous. KZT	-	14,426,045	-	-	14,426,045
Declared dividends	-	-	-	(8,292,596)	(8,292,596)
Transfer of revaluation reserve for equity investments at fair value through other comprehensive income to retained earnings on retirement of assets	-	-	414,242	(414,242)	-
Balance at 31 December 2020	78,300,000	95,406,389	2,283,335	108,997,942	282,783,320
Balance as of 01 January 2021	78,300,000	95,406,389	2,283,335	108,997,942	282,783,320
Profit for the year	-	-	-	65,754,823	65,754,823
Other comprehensive income	-	-	500,884	-	500,884
Total comprehensive income for the year	-	-	500,884	65,754,823	66,255,707
Recognition of a discount on loans from the Government of the Republic of Kazakhstan less deferred tax effect in the amount of 8,016,096 thous. KZT	-	32,064,385	-	-	32,064,385
Refund of unused compensation	-	-	-	49	49
Balance at 31 December 2021	78,300,000	127,470,774	2,283,335	174,752,814	381,103,461

Statement of Cash Flow

(thousands of Kazakhstani tenge)	Notes	31 December 2021	31 December 2020
Cash from operating activities			
Interest income received using the effective interest method		162,437,761	99,621,528
Interest paid calculated using the effective interest method		(46,463,874)	(30,236,874)
Fees received		1,918,666	1,538,353
Fees paid		(6,835,045)	(6,556,796)
Personnel maintenance expenses paid		(11,481,835)	(10,367,764)
Administrative and other operating expenses paid		(9,513,594)	(7,298,947)
Net cash flows from operating activities before income tax		90,062,079	46,699,500
Income tax paid		(11,013,404)	(2,407,483)
Cash from operating activities before changes in operating assets and liabilities		79,048,675	44,292,017
<i>Net (decrease)/increase in:</i>			
• due from other banks			(17,000)
• loans and advances to customers		(715,349,144)	(364,139,347)
• other financial assets		(1,545,676)	(2,439,462)
• other assets		(42,560)	69,782
<i>Net increase/(decrease) in:</i>			
• - payables to customers		796,448,384	195,887,856
• - other financial liabilities		578,075	(451,392)
• - other liabilities		38,834	(107,698)
Net cash from operating activities		159,176,588	(126,905,244)
Cash from investing activities			
Acquisition of fixed assets		(691,113)	(1,676,391)
Acquisition of intangible assets		(1,181,183)	(2,804,700)
Sale of fixed assets		89	5,672
Acquisition of debt securities measured at fair value through other comprehensive income		(12,766,458)	(26,664,286)
Acquisition of investments in debt securities carried at amortized cost		(44,733,251)	(125,623,904)

(thousands of Kazakhstani tenge)	Notes	31 December 2021	31 December 2020
Proceeds from disposal of debt securities measured at fair value through other comprehensive income		38,337,016	30,296,131
Proceeds from redemption of debt securities carried at amortized cost		65,600,000	88,700,000
Net cash received from/(used in) investing activities		44,565,100	(37,767,478)
Cash from financing activities			
Obtaining loans from the Ministry of Finance of the Republic of Kazakhstan		102,000,000	59,000,000
Obtaining loans from local executive bodies of the Republic of Kazakhstan		18,048,000	10,500,000
Repayment of loans from local executive bodies of the Republic of Kazakhstan		(2,000)	(421,000)
Repayment of a loan from NWF Samruk-Kazyna JSC		(15,163,000)	–
Obtaining loans from the Asian Development Bank		8,400,000	–
Obtaining loans from other organizations		120,000	108,000
Repayment of loans from other organizations		(9,100)	
Proceeds from issuance of debt securities	15	140,000,000	91,316,432
Dividends paid	17	–	(8,292,596)
Long term lease	14	(337,134)	(361,357)
Net cash received from financing activities		253,056,766	151,849,479
Effect of exchange rate changes on cash and cash equivalents		9,975	56,256
Net increase (outflow) of cash and cash equivalents		456,808,429	(12,766,987)
Cash and cash equivalents at the beginning of the period	7	138,257,892	151,024,879
Cash and cash equivalents at the end of the period		595,066,321	138,257,892

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

APPENDIX 3. GRI INDEX

Standard Number	Index	Report section/Comment	Page
GRI 1: Basics			
GRI 2: 2021 General Disclosures			
2-1 ORGANIZATION PROFILE			
2-1 a	Name of the organization	About Bank	11
2-1 b	Type of ownership and legal form	About Bank	11
2-1 c	Location of headquarters	About Bank, Contact information	11, 119
2-1 d	Location of operations	Geography of activities	14
2-2 ENTITIES INCLUDED IN THE ORGANIZATION'S SUSTAINABILITY REPORTING			
2-1 a	Legal entities that the organization controls or has an interest in, included in the sustainability reporting	The Bank has no subsidiaries.	-
2-1 b	Legal entities whose reporting was included in the reporting of the organization	See "Annual Financial Statements" on the Bank's website www.hcsbk.kz in the "Reporting" section.	-
2-3 REPORTING PERIOD, FREQUENCY AND CONTACT POINT			
2-3 a	Reporting period and frequency	About Report	100
2-3 b	Reporting period and frequency of financial reporting	About Report	100
2-3 c	Report publication date	About Report	100
2-3 d	Contact point for questions regarding this report	Contact information	119
2-4 RESTATEMENTS OF INFORMATION			
2-4 a	Restatement of information made for previous reporting periods (recalculations)	Indicators were not reformulated in the previous report.	-
2-5 EXTERNAL ASSURANCE			
2-5 a	Policy and practice of the organization regarding the provision of external assurance of accounts	About Report	100
2-6 ACTIVITIES, VALUE CHAIN AND OTHER BUSINESS RELATIONSHIPS			
2-6 a	Sectors (public, private/financial or other) in which the organization operates	<i>Economic environment</i>	21
2-6 b	Value chain	Operating results, Commissions of the Bank	25, 28
2-6 c	Other business relationships	Participation of the Bank in implementation of government programs in the Republic of Kazakhstan, Funds raised, Financial performance	28, 29, 36
2-6 d	Significant changes in 2-6 a, 2-6 b and 2-6 c compared to the previous reporting period	<i>Results of operating activities, Commissions of the Bank, Participation of the Bank in implementation of government programs in the Republic of Kazakhstan, Funds raised, Financial performance</i>	25, 28, 29, 36

Standard Number	Index	Report section/Comment	Page
2-7 EMPLOYEES			
2-7 a	Total number of employees, breakdown by gender, region	Employment, composition and structure of personnel	85, 86
2-7 b	Total number of permanent, temporary, full-time employees by gender and region, and total number of part-time employees, non-guaranteed hours of work	Employment, composition and structure of personnel	85, 86
2-7 c	Methodologies and assumptions used for data collection	Employment, composition and structure of personnel	85, 86
2-7 d	Contextual information required to understand the data presented in accordance with 2-7 a and 2-7 b	Employment, composition and structure of personnel	85, 86
2-7 e	Significant fluctuations in the number of employees during the reporting period and between reporting periods	Employment, composition and structure of personnel	85, 86
2-8 WORKERS WHO ARE NOT EMPLOYEES			
2-8 a	The total number of workers who are not employees and whose work is controlled by the organization	Employment, composition and structure of personnel	85, 86
2-8 b	Methodologies and assumptions used for data collection	Employment, composition and structure of personnel	85, 86
2-8 c	Significant fluctuations in the number of workers who are not employees during the reporting period and between reporting periods	Employment, composition and structure of personnel	85, 86
2-9 GOVERNANCE STRUCTURE AND COMPOSITION			
2-9 a	Governance structure, including senior management committees	Board of Directors, Committees under the Board of Directors, Management Board, Committees reporting to the Management Board	50,58
2-9 b	Committees of the highest governance body responsible for making decisions and overseeing the management of the organization's economic, environmental and social impacts	Committees under the Board of Directors	58
2-9 c	Composition of the highest governance body and its committees	Board of Directors, Committees under the Board of Directors	52, 58
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	50, 52
2-10 b	Criteria used to nominate and select the highest governance body	Board of Directors, Committees under the Board of Directors	50, 52

Standard Number	Index	Report section/Comment	Page
2-11 CHAIRMAN OF THE HIGHEST GOVERNANCE BODY			
2-11 a	Chairman of the highest governance body	Board of Directors	50
2-11 b	Functions of the Chairman of the highest governance body within the organization	Board of Directors	50
2-12 ROLE OF THE HIGHEST GOVERNANCE BODY IN OVERSEEING THE MANAGEMENT IMPACT			
2-12 a	Role of the highest governance body and senior management in developing, validating and updating the goals, values or mission of the organization. Statements, strategies, policies and goals related to sustainable development	Sustainable development management	69
2-12 b	Role of the highest governance body in overseeing processes to identify and manage the organization's economic, environmental and social impacts	Sustainable development management	69
2-12 c	Role of the highest governance body in reviewing the effectiveness of the organization's processes (2-12a, 2-12b), reviewing frequency	Sustainable development management	69
2-13 DELEGATION OF RESPONSIBILITY FOR MANAGING IMPACTS			
2-13 a	Delegation of responsibility for managing economic, environmental and social impacts to the highest governance body	Sustainable development management	69
2-13 b	Process and frequency of monitoring	Sustainable development management	69
2-14 ROLE OF THE HIGHEST GOVERNANCE BODY IN SUSTAINABILITY REPORTING			
2-14 a	Responsibility of the highest governance body regarding the information provided	Sustainable development management	69
2-15 CONFLICTS OF INTEREST			
2-15 a	The organization's processes to prevent conflicts of interest by the highest governance body	Conflict of interest	69
2-15 b	Disclosure of conflicts of interest to stakeholders	Conflict of interest	69
2-16 COMMUNICATION OF CRITICAL CONCERNS			
2-16 a	Process for bringing critical concerns to the attention of the highest governance body	Board of Directors	50
2-16 b	Total number and nature of critical concerns reported to the highest governance body in the reporting period	Board of Directors	50

Standard Number	Index	Report section/Comment	Page
2-17 COLLECTIVE KNOWLEDGE OF THE HIGHEST GOVERNANCE BODY			
2-17 a	Measures taken to develop the collective knowledge, skills and experience of the highest governance body to ensure sustainable development	Professional development	61
2-18 EVALUATION OF PERFORMANCE OF THE HIGHEST GOVERNANCE BODY			
2-18 a	Processes for evaluating the performance of the highest governance body	Evaluation of the Board of Directors	61
2-18 b	Independence, frequency of evaluation	Evaluation of the Board of Directors	61
2-18 c	Actions taken in response to evaluations	Evaluation of the Board of Directors	61
2-19 REMUNERATION POLICIES			
2-19 a	Remuneration policy for members of the highest governance body and senior executives	Basic principles of remuneration for members of the Management Board and the Board of Directors	68
2-19 b	Impact of the performance of members of the highest governance body and senior executives on remuneration policy	Basic principles of remuneration for members of the Management Board and the Board of Directors	68
2-20 PROCESS TO DETERMINE REMUNERATION			
2-20 a	Remuneration policy development and remuneration determination process	Basic principles of remuneration for members of the Management Board and the Board of Directors	68
2-20 b	Report on voting results of stakeholders (including shareholders) on remuneration policies and proposals	Basic principles of remuneration for members of the Management Board and the Board of Directors	68
2-21 ANNUAL TOTAL COMPENSATION RATIO			
2-21 a	Ratio of the annual total compensation for the highest paid employees of the organization to the average annual total compensation for all employees (excluding the highest paid individual)	Remuneration of employees of the Bank	90
2-21 b	Ratio of the percentage increase in annual total compensation for the organization's highest paid individual to the average percentage increase in annual total compensation for all employees (excluding the highest paid individual)		
2-21 c	Contextual information (21-1 a, 21-1 b)		

Standard Number	Index	Report section/Comment	Page
2-22 STATEMENT ON SUSTAINABLE DEVELOPMENT STRATEGY			
2-22 a	Report, statement by the highest governance body or the most senior executive of the organization on the relevance of sustainable development to the organization and its strategy to promote sustainable development	Compliance with the Corporate Governance Code, Report on compliance/non-compliance by the Bank with the principles and provisions of the Corporate Governance Code	68
2-23 POLICY COMMITMENTS			
2-23 a	Policy commitment to conduct business responsibly	Sustainable development management	69
2-23 b	Policy commitment to respecting human rights	Sustainable development management, Business ethics	68, 69
2-23 c	Links to Policy commitments	Sustainable development management, Business ethics	68, 69
2-23 d	Level at which each of the Policy commitments has been approved by the organization	Sustainable development management	69
2-23 e	Degree of applicability of Policy commitments to activities of the organization and its business relationships	Sustainable development management	69
2-23 f	Communication of Policy commitments to employees, business partners and other relevant parties	Sustainable development management	69
2-24 EMBEDDING POLICY COMMITMENTS			
2-24 a	Embedding policy commitments	Housing construction savings system	12
2-25 PROCESSES TO REMEDIATE NEGATIVE IMPACTS			
2-25 a	Obligations to ensure or cooperate in the remediation of negative impacts		
2-25 b	Approach to identifying and addressing complaints, including complaints investigation mechanisms		
2-25 c	Other processes by which the organization provides or cooperates in addressing negative impacts		
2-25 d	Participation of stakeholders in development, analysis, operation and improvement of complaints investigation mechanisms	In 2021, there were no significant cases of violation of the rules for the use of personal data that caused damage to customers. There were also no complaints from customers.	-
2-25 e	Tracking effectiveness of complaints investigation mechanisms and other remediation processes, examples of their effectiveness, including feedback from stakeholders		

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2-26 MECHANISMS FOR SEEKING ADVICE AND RAISING CONCERNS			
2-26 a	Mechanisms to enable individuals to seek advice on implementation of the organization's policies and practices in the area of responsible business conduct of the organization	Stakeholder engagement, sales system	42, 72
2-27 COMPLIANCE WITH LAWS AND REGULATIONS			
2-27 a	Total number of significant cases of non-compliance with laws and regulations during the reporting period (broken down by cases for which fines were imposed and for which non-monetary sanctions were applied)		
2-27 b	Total number and monetary value of fines for cases of non-compliance with laws and regulations that were paid during the reporting period (broken down by fines for cases of non-compliance with laws and regulations that occurred in the current reporting period and previous reporting periods)	Compliance with requirements of the legislation	95
2-27 c	Significant cases of non-compliance with laws and regulations		
2-27 d	Identification of significant cases of non-compliance with laws and regulations		
2-28 MEMBERSHIP IN ASSOCIATIONS			
2-28 a	Industry associations, other member associations and national or international human rights organizations in which the organization has a significant role	Membership in international organizations	14
2-29 APPROACH TO STAKEHOLDER ENGAGEMENT			
2-29 a	Approach to stakeholder engagement, including categories of stakeholders it engages with and how they are identified; purpose of stakeholder engagement; meaningful stakeholder engagement	Stakeholder engagement	72
2-30 COLLECTIVE BARGAINING AGREEMENTS			
2-30 a	Percentage of the total number of employees covered by collective bargaining agreements		
2-30 b	Organization of labor conditions and conditions of employment for employees not covered by collective bargaining agreements	Employment, composition and structure of personnel	85, 86

Standard Number	Index	Report section/Comment	Page
GRI 3: Material Topics 2021			
3-1 PROCESS TO DETERMINE MATERIAL TOPICS			
3-1 a	Process of identifying material topics, including identifying the actual and potential, negative and positive impacts on the economy, the environment and the social environment as part of its activities and business relationships; prioritizing impacts for reporting based on their significance	About Report	100
3-1 b	Stakeholders and experts whose opinions influenced the process of identifying material topics		
3-2 LIST OF MATERIAL TOPICS			
3-2 a	List of material topics		
3-2 b	Changes in the list of material topics compared to the previous reporting period	About Report	100
3-3 MANAGEMENT OF MATERIAL TOPICS			
3-3 a	Actual, potential, negative and positive impacts on the economy, environment and social environment	Economic performance, Environmental friendliness, Employment	85, 96, 98
3-3 b	Association of the organization with negative impacts as a result of its activities or as a result of its business relationships	Economic performance, Environmental friendliness, Employment	85, 96, 98
3-3 c	Policy or commitment regarding the topic of the material	About Report	100
3-3 d	Actions taken to manage the topic and associated impacts	About Report	100
3-3 e	Tracking the effectiveness of the actions taken	About Report	100
3-3 f	Influence of stakeholder engagement on actions taken (3-3 d) and communication on the effectiveness of actions (3-3 e)	About Report	100

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GRI 201: Economic Performance 2016			
201-1 DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED			
201-1 a	Direct economic value generated and distributed on an accrual basis, including key components for the organization's global operations	Economic performance	96
201-1 b	Direct economic value at the country, region or market level, and the criteria used to determine significance		
201-2 FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE			
201-2	Risks and opportunities associated with climate change that have the potential to lead to material changes in operations, income or expenses	Environmental friendliness	98
201-3 DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS			
201-3 a	Estimated value of liabilities that are covered by the general resources of the organization		
201-3 b	Fund for payment of pension obligations		
201-3 c	Coverage with fund for pension obligations	Remuneration of employees of the Bank	90
201-3 d	Percentage of wages paid by employee or employer		
201-3 e	Level of participation in mandatory and voluntary, regional or country pension schemes or schemes with financial impact		
201-4 FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT			
201-4 a	Total monetary value of financial assistance received by an organization from any government during the reporting period		
201-4 b	Information in 201-4-a by country	Operating results	25
201-4 c	Presence of any government in the shareholder structure, the degree of presence		

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GRI 202: Market Presence 2016			
202-1 RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE			
202-1 a	Time of receipt of wages by a significant proportion of employees in accordance with the minimum wage rules, ratio of entry-level wages by gender in the main places of work to the minimum wage		
202-1 b	Time of receipt of wages of other employees (with the exception of officials) performing the activities of the organization, in accordance with the minimum wage rules, actions taken to ensure that employees receive wages above the minimum wage	Remuneration of employees of the Bank	90
202-1 c	Local minimum wage by gender		
202-1 d	Definition used for important places of operations		
202-2 PROPORTION OF SENIOR MANAGEMENT HIRED FROM THE LOCAL COMMUNITY			
202-2 a	Percentage of senior management in important places of operations hired from the local community		
202-2 b	Definition used to refer to senior management	Management Board	62
202-2 c	Organization's geographic definition of "local"		
202-2 d	Definition used for "important" places of operations		
GRI 203: Indirect Economic Impacts 2016			
203-1	Infrastructure investments and services supported	In its activities, the Bank does not invest in infrastructure and services.	-
203-2	Significant indirect economic impacts		
GRI 204: Procurement Practices 2016			
204-1	Proportion of spending on local suppliers	Procurement	98
GRI 205: Anti-Corruption 2016			
205-1	Operations assessed for risks related to corruption		
205-2	Communication and training about anti-corruption policies and procedures	Anti-Corruption	122
205-3	Confirmed incidents of corruption and actions taken		
GRI 206: Anti-competitive (anti-monopoly) behavior 2016			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Anti-Corruption	94

Standard Number	Index	Report section/Comment	Page
GRI 207: Tax 2019			
207-1	Approach to tax		
207-2	Tax governance, control, and risk management	Information on taxes is disclosed in the full version of the Bank's financial statements, which is available on the Bank's website www.hcsbk.kz in the "Reporting" section.	-
207-3	Stakeholder engagement and management of concerns related to tax		
207-4	Country-by-country reporting		
GRI 301: Materials 2016			
301-1	Materials used by weight or volume		
301-2	Recycled input materials used	Waste management	98
301-3	Reclaimed products and their packaging materials		
GRI 302: Energy 2016			
302-1	Energy consumption within the organization		
302-2	Energy consumption outside of the organization	Energy consumption and energy efficiency	98
302-3	Energy intensity		
302-4	Reduction of energy consumption		
302-5	Reductions in energy requirements of products and services		
GRI 303: Water and Wastewater 2018			
303-1	Interactions with water as a shared resource		
303-2	Management of water discharge-related impacts	Water consumption	98
303-3	Water withdrawal		
303-4	Water discharge		
303-5	Water consumption		

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GRI 304: Biodiversity 2016			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
304-2	Significant impacts of activities, products, and services on biodiversity	Due to the nature of its activities, the Bank does not have a direct significant impact on biodiversity in the country.	
304-3	Habitat protected or restored		
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		
GRI 305: Emissions 2016			
305-1	Direct (Scope 1) GHG emissions		
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	Waste management	98
305-6	Emissions of ozone-depleting substances (ODS)		
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		
GRI 306: Waste 2020			
306-1	Waste generation and significant waste-related impacts		
306-2	Management of significant waste-related impacts	Waste management	98
306-3	Waste generated		
306-4	Waste diverted from disposal		
306-5	Waste directed to disposal		
GRI 308: Supplier Environmental Assessment 2016			
308-1	New suppliers that were screened using environmental criteria	Environmental friendliness, Procurement	98
308-2	Negative environmental impacts in the supply chain and actions taken	Environmental protection	98

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GRI 401: Employment 2016			
401-1	New employee hires and employee turnover		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employment, composition and structure of personnel	85, 86
401-3	Parental leave		
GRI 402: Labor/management relations 2016			
402-1	Minimum notice periods regarding operational changes	Labor relations practice	87
GRI 403: Occupational Health and Safety 2018			
403-1	Occupational health and safety management system		
403-2	Hazard identification, risk assessment, and incident investigation		
403-3	Occupational health services		
403-4	Worker participation, consultation, and communication on occupational health and safety		
403-5	Worker training on occupational health and safety	Ensuring safety and labor protection, civil defense and fire safety	92
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		
404-2	Programs for upgrading employee skills and transition assistance programs	Training	88
404-3	Percentage of employees receiving regular performance and career development reviews		

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GRI 405: Diversity and Equal Opportunity 2016			
405-1	Diversity of governance bodies and employees	Composition and structure of personnel, Remuneration of employees of the Bank	86, 90
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	Remuneration of employees of the Bank	90
GRI 407: Freedom of Association and Collective Bargaining 2016			
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Labor relations practice	87
GRI 408: Child Labor 2016			
408-1	Operations and suppliers at significant risk for incidents of child labor	Labor relations practice	87
GRI 409: Forced or Compulsory Labor 2016			
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Labor relations practice	87
GRI 410: Security Practices 2016			
410-1	Security personnel trained in human rights policies or procedures	Ensuring safety and labor protection, civil defense and fire safety	92
GRI 411: Rights of Indigenous Peoples 2016			
411-1	Incidents of violations involving rights of indigenous peoples	There are no cases of violation of the rights of the indigenous peoples.	-
GRI 413: Local Communities 2016			
413-1	Operations with local community engagement, impact assessments, and development programs	There were no operations with local community engagement.	-
413-2	Operations with significant actual and potential negative impacts on local communities		
GRI 414: Supplier Social Assessment 2016			
414-1	New suppliers that were screened using social criteria	Procurement	98
414-2	Negative social impacts in the supply chain and actions taken		

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GRI 415: Government Policy 2016			
415-1	Political contributions	Housing construction savings system	12
GRI 416: Customer Health and Safety 2016			
416-1	Assessment of the health and safety impacts of product and service categories	Environmental friendliness	98
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services		
GRI 417: Marketing and Labeling 2016			
417-1	Requirements for product and service information and labeling	The Bank has a Certificate for the "Otbasy Bank" trademark, which applies to the entire territory of the Republic of Kazakhstan (the certificate is available on the Bank's website in the section "About Bank"). There were no cases of non-compliance with product and service information, labeling and marketing communications.	-
417-2	Incidents of non-compliance concerning product and service information and labeling		
417-3	Incidents of non-compliance concerning marketing communications		
GRI 418: Customer Privacy 2016			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer privacy	95

LIST OF ABBREVIATIONS

ABBREVIATION	INTERPRETATION
HCS	housing construction savings
EXPO	(Eng. Exposition) – international exhibition, which is a symbol of industrialization and open platform to demonstrate technical and technological achievements
MM	Mass media
KASE	Kazakhstan Stock Exchange – KASE – stock exchange headquartered in Almaty city, Kazakhstan
SMS	(Eng. short message service) – a type of service in mobile (and some other) communication networks, a short text message
MCI	monthly calculated index
CSD	cash and settlement department
ISO	(Eng. International Organization for Standardization) – an international organization engaged in standard issue
SC	service center of the Bank
IIN	individual identification number of an individual
EU	European Union – economic and political union of 27 European states
GDP	gross domestic product
USA	United States of America
STB	second-tier banks
AERR	annual effective rate of return
TP	tariff program
SP	state program
RDP	state program “Region Development Until 2020”
IHC	individual housing construction
IT	information technologies
IS	information systems
BPM	(Eng. Business Process Management) – information system of the Bank created to manage the business processes
ELS	electronic learning system
IE	individual entrepreneur
RB	regional branch of the Bank
PS	point of service of the Bank
PR	abbreviation of Public Relations meaning when translating from English “public relations, community affairs”
GAP	strategic analysis method by means of which the actions to achieve specified goal are found
IFRS	International Financial Reporting Standards
IS	information security
VI	volume index

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**Appendix to the Annual Report of
Otbasy Bank JSC for 2021**

**appendix No. 1
to the decision of the Board of Directors
of the Otbasy Bank JSC
dated June 29, 2022 (Protocol No. 08)**

**Report on compliance/non-compliance with the principles and provisions of the Corporate Governance Code
of the JSC "Housing Construction Savings Bank of Kazakhstan" for 2021**

No.	Principles and Provisions of the Corporate Governance Code of the Housing Construction Savings Bank of Kazakhstan Joint Stock Company	Compliance/ non-compliance	Activities carried out to implement the principles and provisions of the Corporate Governance Code of JSC Housing Construction Savings Bank of Kazakhstan
1. General provisions			
1.1.	<p>The Corporate Governance Code (hereinafter referred to as the Code) of Housing Construction Savings Bank of Kazakhstan JSC (hereinafter referred to as the Bank) is a set of rules and recommendations that the Bank follows in the course of its activities to ensure efficiency, transparency, accountability, and a high level of business ethics in relations within the Bank and with other stakeholders.</p> <p>Control over the Bank's implementation of this Code is assigned to the Bank's Board of Directors. The Corporate Secretary monitors and advises the Board of Directors and the Executive body of the Bank on the proper compliance with this Code, as well as prepares a report on compliance/non-compliance with its principles and provisions on an annual basis. Subsequently, this report is submitted for consideration by the relevant committee of the Board of Directors, approved by the Board of Directors and included in the Bank's annual report.</p>	Compliance	<p>The Bank's Code was approved by the decision of the Board of the National Managing Holding Baiterek JSC dated January 12, 2018 (Protocol No. 01/18).</p> <p>The Bank's activities are carried out in accordance with the requirements of the Laws of the Republic of Kazakhstan "On Joint Stock Companies", "On Banks and Banking Activities", the Bank's Charter, the Corporate Governance Code, as well as other internal documents approved by the Sole Shareholder of the JSC "National Managing Holding "Baiterek", the Board of Directors and the Management Board of the Bank.</p> <p>On an annual basis, the Corporate Secretary of the Bank forms a Report on compliance/non-compliance with the principles and provisions of the Code (hereinafter referred to as the Report) and is submitted for preliminary consideration to the Strategic Planning and Corporate Development Committee, then for approval by the Board of Directors of the Bank.</p> <p>In 2021, the Strategic Planning and Corporate Development Committee of the Board of Directors preliminarily reviewed the 2020 Report and recommended it for approval (Meeting No. 4 of May 27, 2021). The Report for</p>

			2020 was approved by the decision of the Board of Directors dated May 28, 2021 (Minutes No. 6).
1.2.	<p>The objectives of this Code are to improve corporate governance in the Bank, ensure transparency and management efficiency, and confirm the Bank's commitment to follow the standards of good corporate governance.</p> <p>In particular:</p> <ol style="list-style-type: none"> 1) The Bank is managed in compliance with the principle of legality and the appropriate level of responsibility, a clear separation of powers, accountability and efficiency in order to maximize the value of the Bank and other benefits for the sole shareholder; 2) information disclosure and transparency are ensured, including thorough assessment, disclosure and periodic review of objectives that justify state participation in the Bank; 3) risk management and internal control systems are functioning properly; 4) minimizing the risk of a conflict of interest that may lead to decisions other than those based in the best interests of the Bank and the general public. This Code has been developed in accordance with the provisions of the legislation, taking into account the developing corporate governance practices in the Republic of Kazakhstan and the world. <p>The Bank is obliged to strictly comply with the provisions of the Code in its activities. In case of non-compliance, specify explanations in the annual report on the reasons for non-compliance with each of the provisions, periodically (at least once every two years) evaluate (if necessary, an independent assessment) of corporate governance and post the corresponding results on the Internet resource of the Bank.</p>	Compliance	<p>The Bank is managed in compliance with the principle of legality and the appropriate level of responsibility, a clear separation of powers, accountability and efficiency.</p> <p>The bank has a clear distribution of powers between the management bodies and the executive body – the Management Board.</p> <p>In 2020, the Sole Shareholder twice made significant changes and additions to the Regulations on the Bank's Board of Directors aimed at improving the Bank's corporate governance in accordance with the OECD Principles on corporate governance of state-owned enterprises of July 8, 2015.</p> <p>Disclosure of information and transparency of the Bank's activities are ensured through open publications in the media, on the Kazakhstan Stock Exchange, the AIFC, in the Depository of Financial Statements, on the Bank's external website.</p> <p>The Bank has established and effectively operates risk management and internal control systems.</p> <p>The risk of a conflict of interest that may lead to decisions other than those based on the interests of the Bank and the general public is minimized.</p>

1.3.	<p>Officials and employees of the Bank assume the obligations provided for by this Code, including on the basis of relevant agreements with the Bank, and undertake to comply with its provisions in the Bank.</p> <p>Control over the Bank's implementation of this Code is assigned to the Bank's Board of Directors. The Corporate Secretary monitors and advises the Board of Directors and the Executive body of the Bank on the proper compliance with this Code, as well as prepares a report on compliance/non-compliance with its principles and provisions on an annual basis. Subsequently, this report is submitted for consideration by the relevant committee of the Board of Directors, approved by the Board of Directors and included in the Bank's annual report.</p> <p>Cases of non-compliance with the provisions of this Code are considered at meetings of the relevant committee of the Board of Directors and the Board of Directors with the adoption of appropriate decisions aimed at further improving corporate governance in the Bank.</p>	Compliance	<p>Article 13 of the Bank's Charter defines the responsibility of the Bank's officials.</p> <p>According to subparagraph 17) of paragraph 19 of the Regulations on the Management Board of the Bank, the Chairman and members of the Management Board are obliged not to disclose any confidential information about the Bank known to the members of the Management Board. The obligation to maintain confidentiality remains in force for 5 (five) years after the expiration of the term of office of a member of the Management Board.</p> <p>According to subparagraph 6) of paragraph 9 of the Regulations on the Board of Directors of the Bank, members of the Board of Directors should conscientiously perform their duties, including not disclosing or using confidential information about the Bank for personal interests or for the benefit of third parties during the term of office of a member of the Board of Directors and for 5 (five) years after the end of the term of office of a member of the Board of Directors, unless a longer term is provided for by other internal documents of the Bank.</p> <p>According to subparagraph 12) of paragraph 8 of the Regulations on the Strategic Planning and Corporate Development Committee of the Board of Directors, the competence of the Committee includes consideration on an annual basis of a report on compliance/non-compliance with the principles and provisions of the Corporate Governance Code, with the formation, in cases of non-compliance, of relevant recommendations aimed at further improving corporate governance and submitting them to the Board of Directors.</p> <p>In 2021, the Bank sent a letter no. 09/1-12-11/2/12481 dated 15.06.2021 to the Sole Shareholder, the Annual Report of the Bank with an appendix on the Report on compliance/non-compliance with the Principles and Provisions of the Corporate Governance Code of the Joint Stock Company "Housing Construction Savings Bank of Kazakhstan" for 2020, approved by the decision of the Board of Directors of the Bank (minutes of the meeting No. 6 dated 28.05.2021)</p>

2. The principle of separation of powers

2.1.	<p>The rights, duties and competencies of the Sole Shareholder, the Board of Directors and the Management Board are determined in accordance with the current legislation of the Republic of Kazakhstan, in internal acts and are fixed in them.</p>	Compliance	<p>The rights, duties and competencies of the Sole Shareholder represented by the National Managing Holding Baiterek JSC (hereinafter referred to as the Sole Shareholder), the Board of Directors and the Management Board of the Bank are determined by the legislation of the Republic of Kazakhstan and the Bank's Charter.</p> <p>According to paragraph 7.1. of Article 7 of the Charter of JSC "Housing Savings Bank "Otbasy Bank" (hereinafter - the Charter), approved by the decision of the Board of JSC "National Managing Holding "Baiterek" (hereinafter - the Holding) No. 41/14 dated December 24, 2014, the Bank's bodies are:</p> <ol style="list-style-type: none"> 1) the supreme body – the Sole shareholder; 2) management body – the Board of Directors; 3) executive body – the Management Board; 4) the body exercising control over the financial and economic activities of the Bank – the internal audit unit; 5) other permanent collegial bodies of the Bank established in accordance with the legislation of the Republic of Kazakhstan and internal documents of the Bank for the implementation of various activities of the Bank. <p>It is not allowed to transfer issues, decision-making on which is attributed to the exclusive competence of the Sole Shareholder of the Bank, to the competence of other bodies - the Board of Directors, the Management Board, officials and employees of the Bank, unless otherwise provided by the Law of the Republic of Kazakhstan "On Joint Stock Companies" and other legislative acts of the Republic of Kazakhstan.</p> <p>Issues referred to the exclusive competence of the Bank's Board of Directors cannot be transferred to the Bank's Management Board for resolution.</p> <p>The Board of Directors of the Bank is not entitled to make decisions on issues that, in accordance with this Charter, are attributed to the exclusive competence of the Management Board of the Bank, as well as to make decisions that contradict the decisions of the Sole Shareholder of the Bank.</p>
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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 effective operation of the Bank and achieving break-even of its activities.	Compliance	<p>Exclusive competence of the sole shareholder, provided for in Article 14 of the Law of the Republic of Kazakhstan "On Joint-Stock Companies" the Charter of the Bank is complied with.</p> <p>Decisions of the Management Board of the Sole Shareholder approved:</p> <ul style="list-style-type: none"> - The Bank's Charter (dated 12/24/2014 (Protocol No. 41/14); - The Bank's Corporate Governance Code (dated 16.07.2020 (Protocol No. 34/20); - Regulations on the Board of Directors of the Bank (dated 30.01.2020 (Minutes No. 06/20); - The Rules of interaction of the Holding with subsidiaries (dated 20.12.2017 (Protocol No. 52/17). <p>In the reporting year 2021 , the members of the Board of Directors - Representatives of the Sole Shareholder were:</p> <p>Uskenbayev Kairbek Aitbayevich; Omarkhodjaev Anuar Sagynalievich; Khamitov Yersain Yerbulatovich.</p> <p>Materials on issues submitted for consideration by the Sole Shareholder of the Bank are prepared and sent within the time limits established by the internal documents of the Bank and contain information to the extent necessary for making informed decisions on issues.</p> <p>In order to comply with this principle, in accordance with the decision of the Sole Shareholder dated August 28, 2019 (Protocol No. 42/19), "On Approval of the List, forms and Frequency of Reporting to the Holding by subsidiaries, the Bank regularly provides the Sole Shareholder with information on the results of financial and economic activities, management and financial statements in accordance with the approved forms the reporting package, as well as in accordance with the Rules for the Formation of a risk management and internal control system for second-tier banks, approved by the Resolution of the Board of the National Bank of the Republic of Kazakhstan No. 188 dated 12.11.2019.</p>
3.2	The sole shareholder must have access to information regarding the conditions and procedure for the payment of dividends, as well as be provided with reliable information about the financial position of the Bank when paying dividends. For	Compliance	The payment of dividends by the Holding's subsidiaries is regulated by the Procedure for Determining the amount of Dividends paid by the Holding's subsidiaries, approved by the Minutes of the Holding's Management Board dated May 11, 2014 (Minutes No. 14/14).

<p>these purposes, the Sole Shareholder approves the dividend policy.</p> <p>The dividend policy defines the principles that guide the Board of Directors (Supervisory Board and/or executive body) when preparing proposals to the Sole Shareholder on the distribution of net income of the Bank and/or its subsidiary for the past financial year. The dividend policy is based on the following principles:</p> <ol style="list-style-type: none"> 1) compliance with the interests of the Sole Shareholder; 2) ensuring the profitability of the Bank and its subsidiaries; 3) ensuring the financial stability of the Bank and its subsidiaries; 4) providing financing for the activities of the Bank and its subsidiaries, including financing of investment projects implemented at the expense of the Bank; 5) transparency of the mechanism for determining the amount of dividends; 6) balance of short-term (income generation) and long-term (development of the Bank) interests of the Sole Shareholder. <p>The dividend policy also regulates the procedure for distributing net income and determining its part to be allocated for the payment of dividends, the procedure for calculating the amount of dividends, the procedure for paying dividends, including the timing, place and form of their payment.</p> <p>Also, the dividend policy establishes the procedure for determining the minimum share of the Bank's net profit allocated for the payment of dividends.</p>		<p>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.</p> <p>In accordance with the legislation of the Republic of Kazakhstan, the above Procedure for determining the amount of Dividends paid by subsidiaries of the Holding and the Bank's Charter, 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 one common share of the Bank.</p> <p>The final decision on the amount of dividends is determined by the decision of the Sole Shareholder of the Bank.</p> <p>Thus, the Board of the Sole Shareholder dated May 26, 2022 (Minutes No. 23/22) decided:</p> <ol style="list-style-type: none"> 1. Approve the Bank's annual financial statements for the year ended December 31, 2021. 2. To approve the following procedure for the distribution of the Bank's net income received at the end of the 2021 reporting financial year in the amount of 65,754,823,820.56 (sixty-five billion seven hundred fifty-four million eight hundred twenty-three thousand eight hundred twenty) tenge 56 tiyn: <ol style="list-style-type: none"> 1) the amount of 32,877,465,300.00 (thirty-two billion eight hundred seventy-seven million four hundred sixty-five thousand three hundred) tenge 00 tiyn, to direct to the payment of dividends to the Sole Shareholder at the rate of 50% of net income; 2) the remaining part of net income in the amount of 32,877,358,520.56 (thirty-two billion eight hundred seventy-seven million three hundred fifty-eight thousand five hundred and twenty) tenge 56 tiyn to leave at the disposal of the Bank. 3. Approve the amount of dividends per one common share of the Bank 4,198.91 (four thousand one hundred and ninety-eight) tenge 91 tiyn; 4. Determine the date of the beginning of the payment of dividends – from the date of adoption of this decision. 5. To pay dividends to the bank account of the Sole Shareholder in cash by non-cash transfer from the date of the decision to pay dividends on ordinary shares, no later than 90 (ninety) days from the date of this decision. 6. Take note of the information on the absence of appeals by the Sole Shareholder against the actions of the Bank and its officials in 2021 and on the
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amount and composition of remuneration of members of the Board of Directors and the Management Board of the Bank in 2021.

4. The principle of effective management of the Bank by the Board of Directors and the Management Board

4.1	<p>The Board of Directors is a management body that provides strategic management of the Bank and controls 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"> 1) determining the development strategy (directions and results); 2) setting and monitoring the efficiency set in the Development Strategy and/or Development Plan; 3) organization and supervision of the effective functioning of the risk management system, internal control and internal audit; 4) approval and monitoring of the effective implementation of major investment projects and other key strategic projects within the competence of the Board of Directors; 5) election (re-election), remuneration, succession planning and supervision of the activities of the head and members of the executive body; 6) corporate governance; 7) compliance in the Bank with the provisions of this Code and the Bank's corporate standards in the field of business ethics (Code of Business Ethics). 	Compliance	<p>According to paragraph 7.1. of Article 7 of the Bank's Charter, the governing body is the Board of Directors. The exclusive competence of the Board of Directors, provided for by the Law of the Republic of Kazakhstan "On Joint Stock Companies", is observed by the Charter of the Bank.</p> <p>By the decision of the Board of Directors dated April 30, 2021 (Protocol No. 4), the Report on Monitoring the Bank's Development Strategy of 2023 and the Action Plan for 2020-2022 for the implementation of the Bank's Development Strategy was approved, and the Action Plan for 2021-2023 for the implementation of the Bank's Development Strategy of 2023 was also approved;</p> <p>The report on the activities of the Internal Audit Department for 2021 was approved by the decision of the Board of Directors dated March 11, 2022 (Minutes No. 3);</p> <p>By the decision of the Board of Directors dated 09.06.2021 (Minutes No. 7), it was decided to pay remuneration to the Chairman of the Management Board and members of the Management Board based on the results of work for 2020.</p> <p>By the decision of the Board of Directors dated 28.05.2021 (Minutes No. 6), the Report on Compliance/Non-compliance with the principles and provisions of the Bank's Corporate Governance Code for 2020 was approved.</p>
4.2	<p>The quantitative composition of the Board of Directors is determined by the Sole Shareholder. The composition of the Board of Directors is determined individually, taking into account the scope of activities, current tasks, development strategy and/or development plan and financial capabilities.</p> <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,</p>	Compliance	<p>The term of office of the Board of Directors is set 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.</p> <p>By the decision of the Holding dated 30.01.2019 (Minutes No. 07/19), the quantitative composition of the Board of Directors was determined in the number of 6 (six) people, with a term of office of 3 (three) years.</p>

	<p>independent directors, the head of the executive body), ensuring decision-making in the interests of the Holding and the economic development tasks assigned to it.</p> <p>The Board of Directors must include the presence and participation of independent directors. The number of members of the Board of Directors must be at least three people. At least one third of the members of the Bank's Board of Directors must be independent directors. At the same time, the number of independent directors should be sufficient to ensure the independence of the decisions taken.</p> <p>The recommended number of independent directors on 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>In 2021 , the Board of Directors of the Bank included: Chairman of the Board of Directors – Uskenbayev Kairbek Aitbayevich, representative of the Sole Shareholder. Members of the Board of Directors: – Khamitov Ersain Yerbulatovich, representative of the Sole Shareholder; - Omarkhodjaev Anuar Sagynalievich, representative of the Sole Shareholder; – Ibragimova Lyazzat Yerkenovna, Chairman of the Management Board of the Bank. – Kydyrbayev Dosym Khamitovich, Independent Director; – Ermekova Elmira Muslimovna, Independent Director; - Mukhoryapov Ramil Radikovich, Independent Director (his powers were terminated by EA Decision No. 51/21 of 29.09.2021); – Tokobaev Nurlan Sagynalievich, Independent Director (appointed by the EA decision of 29.09.2021 (Protocol No. 51/21);</p>
4.3	<p>Relations between independent directors and the Bank are formalized by contracts taking into account the requirements of the legislation of the Republic of Kazakhstan, the provisions of this Code and internal documents of the Bank.</p> <p>The contracts must specify the rights, obligations, responsibilities of the parties and other essential conditions, as well as the obligations of independent directors of the Board of Directors to comply with the provisions of this Code, including to devote sufficient time to perform the functions assigned to them, on non-disclosure of internal information about the Bank after the termination of its activities for a period established by the Board of Directors and additional obligations arising from the requirements for the status and functions of independent directors (in terms of timely declaration of loss of independence and others).</p> <p>Contracts may set deadlines for the performance of certain duties by members of the Board of Directors.</p>	Compliance	<p>Agreements have been concluded between the Bank and Independent Directors, according to which the Director undertakes to perform the duties of a member of the Board of Directors of the Bank/ independent director - member of the Board of Directors of the Bank, as defined by regulatory legal acts of the Republic of Kazakhstan, the Charter and other internal documents of the Bank, and the Bank undertakes to pay remuneration to the Director in full and in a timely manner and to compensate expenses related to performing the 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 charter and internal documents of the Bank regulating the activities of members of the Bank's Board of Directors, in accordance with the annex 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 annex to the Agreement and the adoption of new internal documents of the Bank within 15 (fifteen) calendar days from the date of such changes. In accordance with the Regulations on the Board of Directors of the Bank, there is a program for the introduction of newly elected members of the Board of Directors of Otbasny Bank JSC.</p>

4.4	<p>The Bank needs to ensure that there are succession plans for members of the Board of Directors in order to maintain business continuity and update the composition of the Board of Directors.</p> <p>The Board of Directors approves the induction program for newly elected members of the Board of Directors and the professional development program, if necessary. The Corporate Secretary ensures the implementation of this program.</p> <p>Members of the Board of Directors elected for the first time, after their appointment, undergo an induction program. During the induction process, members of the Board of Directors become familiar with their rights and responsibilities, key aspects of the Bank's activities and documents of its subsidiaries, including those related to the greatest risks.</p>	Partially Compliance	<p>A succession plan for the members of the Board of Directors has not been developed.</p> <p>The professional development program for members of the Board of Directors has not been developed.</p> <p>The program of the introduction to the position has not been developed by a separate document. Paragraph 35 of the Regulations on the Board of Directors of the Bank describes the process of appointing members of the Board of Directors.</p>
4.5	<p>The remuneration level of the members of the Board of Directors is recommended to be set in an amount sufficient to attract and motivate each member of the Board of Directors of the level required for the successful management of the Bank. The HR, Remuneration and Social Affairs Committee of the Bank's Board of Directors makes proposals on the amount of remuneration for candidates for independent directors.</p> <p>No person should participate in making decisions related to their own remuneration.</p> <p>Remuneration should fairly reflect the expected contribution of a member of the Board of Directors to improving the efficiency of the entire Board of Directors and the Bank's activities.</p> <p>When determining the amount of remuneration of a member of the Board of Directors, the responsibilities of members of the Board of Directors, the scope of the Bank's activities, 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</p>	Compliance	<p>According to paragraph 24 of Chapter 5 of the Regulations on the Board of Directors of the Bank , the following types of remuneration are defined for independent 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 participation in meetings of the Committee of the Board of Directors of the Bank as Chairman of the Committee; – fixed annual remuneration for participation in the meetings of the Committee of the Board of Directors of the Bank as a member of the Committee. <p>The internal documents of the Holding Company do not pay remuneration for membership in the Board of Directors to the 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 to the Chairman of the Management Board of the Bank.</p> <p>In accordance with the Regulations on the Board of Directors of the Bank, contracts with Independent Directors of the Board of Directors of the Bank have been concluded.</p>

	<p>remuneration in similar private sector companies (benchmarking, remuneration review) are taken into account.</p> <p>The members of the Board of Directors are paid a fixed annual remuneration, as well as additional remuneration for participation and chairmanship in the committees of the Board of Directors. Remuneration of a member of the Board of Directors should not include options or other elements related to the results of the Bank's activities.</p> <p>At the same time, members of the Board of Directors of the Bank who are civil servants and/or representatives of the shareholder, as well as the Chairman of the Management Board (in case of his membership in the Board of Directors), remuneration for membership in the Board of Directors is not paid.</p> <p>The sole shareholder of the Bank determines the amount and conditions of remuneration and compensation of expenses to the members of the Board of Directors of the Bank. At the same time, the terms of remuneration of directors are reflected in the contracts concluded with them and/or, if necessary, in the internal document of the Bank.</p>		
4.6	<p>The Chairman of the Board of Directors is responsible for the overall management of the Board of Directors, ensures the 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 strive to create a unified team of professionals who are determined to achieve profitability and sustainable development of the Bank, 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 fixed in the internal documents of the Bank. The Chairman of the Management Board cannot be elected Chairman of the Board of Directors of the Bank.</p>	Partially Compliance	<p>The Chairman of the Board of Directors is responsible for the overall management of the Board of Directors, ensures the 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 also performs other functions defined by the Bank's Charter.</p> <p>The key functions of the Chairman of the Board of Directors include:</p> <ol style="list-style-type: none"> 1) planning of meetings of the Board of Directors and formation of the agenda; 2) ensuring timely receipt by members of the Board of Directors of complete and up-to-date information for decision-making; 3) ensuring that the Board of Directors focuses on strategic issues and minimizes issues of a current (operational) nature to be considered by the Board of Directors;

	<p>The key functions of the Chairman of the Board of Directors include:</p> <p>1) planning of meetings of the Board of Directors and formation of the agenda;</p>		<p>4) ensuring maximum effectiveness of meetings of the Board of Directors by allocating sufficient time for discussions, comprehensive and in-depth consideration of issues on the agenda, stimulating open discussions, achieving agreed decisions;</p> <p>5) ensuring monitoring and supervision of the proper execution of the decisions of the Board of Directors and the sole shareholder;</p> <p>6) in case of corporate conflicts, taking measures to resolve them and minimize the negative impact on the Bank's activities, and timely informing the sole shareholder if it is impossible to resolve such situations on their own.</p> <p>7) building proper communication and interaction with the Sole Shareholder, including the organization of consultations when making key strategic decisions.</p> <p>The Chairman of the Board of Directors adheres to the principle of freedom of expression of the point of view by the members of the Board of Directors on the issues discussed, promotes the search for an agreed solution, reaching consensus by the members of the Board of Directors, making decisions in the interests of the sole shareholder and the Bank. The Chairman of the Board of Directors promotes effective leadership in order to create conditions for the work of members of the Board of Directors as a single team.</p> <p>The Chairman of the Board of Directors is recommended to maintain constant contacts with other bodies and officials of the Bank. Such contacts should aim not only to obtain the most complete and reliable information necessary for the Board of Directors to make decisions in a timely manner, but also to ensure, where possible, effective interaction of these bodies and officials among themselves and with third parties.</p> <p>According to clause 10.8. of the Charter of the Bank – the Chairman of the Board of Directors approves the Agenda;</p> <p>According to clause 46 of the Code and clause 31 of the Regulations on the Board of Directors – forms the agenda;</p> <p>At the same time, according to clause 67 of the Regulations on the Board of Directors of the Bank, when making a decision on the agenda of a meeting of the Board of Directors, each member of the Board of Directors has one vote.</p>
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	<p>2) ensuring timely receipt by members of the Board of Directors of complete and up-to-date information for decision-making;</p> <p>3) ensuring that the Board of Directors focuses on strategic issues and minimizes issues of a current (operational) nature to be considered by the Board of Directors;</p> <p>4) ensuring maximum effectiveness of meetings of the Board of Directors by allocating sufficient time for discussions, comprehensive and in-depth consideration of issues on the agenda, stimulating open discussions, achieving agreed decisions;</p> <p>5) ensuring monitoring and supervision of the proper execution of the decisions of the Board of Directors and the sole shareholder;</p> <p>6) in case of corporate conflicts, taking measures to resolve them and minimize the negative impact on the Bank's activities, and timely informing the sole shareholder if it is impossible to resolve such situations on their own.</p> <p>7) building proper communication and interaction with the Sole Shareholder, including the organization of consultations when making key strategic decisions.</p>		<p>In practice, the agenda is formed by the Corporate Secretary, coordinated with the Chairman of the Board of Directors and approved by the decision of the Board of Directors.</p> <p>According to paragraph 36 of the Regulations on the Board of Directors of the Bank, the Board of Directors of the Bank draws up a work plan with a schedule of meetings for the previous year. The work plan of the Board of Directors is approved by the decision of the Board of Directors. In practice, the Corporate Secretary forms the Work Plan of the Board of Directors based on the proposals of the Bank's structural divisions and submits it for approval to the Board of Directors.</p> <p>According to subparagraph 3) of paragraph 10.8 of the Bank's Charter, the Chairman of the Board of Directors of the Bank organizes minutes at meetings of the Board of Directors, in accordance with the procedure established by the legislation of the Republics of Kazakhstan. According to subparagraph 11) of paragraph 17 of the Regulations on the Corporate Secretary, the Corporate Secretary ensures that the minutes of the meeting of the Board of Directors and Committees are kept, which reflects the time and place of the meeting, the names of the meeting participants, 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>
4.7	<p>The Board of Directors has established Committees whose competence includes consideration of issues on strategic planning, audit, personnel, remuneration and social issues, risks and internal control. In order to improve the efficiency of investment decision-making, the strategic planning committee preliminarily considers issues related to investment activities, the consideration of which is within the competence of the Board of Directors.</p> <p>Committees are created to conduct a detailed analysis and develop recommendations on a range of the most important issues before they are considered at a meeting of the Board of Directors. The final decision on the issues considered by the committees is made by the Board of Directors.</p>	Compliance	<p>By the decision of the Board of Directors of the Bank dated August 25, 2021 (Decision No. 8) approved:</p> <ul style="list-style-type: none"> - Regulations on the Audit Committee of the Board of Directors of the Bank; - Regulations on the HR, 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 Committee of the Bank's Board of Directors (hereinafter collectively referred to as the Committees).

To organize the work of the committee, the committee or the board of directors, the secretary of the committee is appointed by the corporate secretary or an employee of the corporate secretary service (if any) The Board of Directors decides on the establishment of committees, determines the composition of committees, terms and powers.

The Committees consist of members of the Board of Directors who have the necessary professional knowledge, competencies and skills to work in the committee. When forming the composition of the committees, the presence of potential conflicts of interest is taken into account. The chairmen of the committees, along with professional competencies, should have organizational and leadership qualities, good communication skills for the effective organization of the committee's activities.

The Bank has not established a Corporate Secretary Service. The functions of the secretary of the 4 Committees are performed by the Corporate Secretary of the Bank.

On November 05, 2021, by the decision of the Bank's Board of Directors (Minutes of Meeting No. 11), the composition of the Committees of the Bank's Board of Directors was determined.

1. Audit Committee:

№	Full name	Title
1.	Tokobaev Nurlan Tursunbekovich	Chairman of the Committee – Member of the Board of Directors, Independent Director
2.	Ermeikova Elmira Muslimovna	Committee member - Member of the Board of Directors, Independent Director
3.	Khamitov Yersain Yerbulatovich	Member of the Committee - member of the Board of Directors, (Managing Director-member of the Management Board of the Holding)

2. Risk Management Committee:

№	Full name	Title
1.	Tokobaev Nurlan Tursunbekovich	Chairman of the Committee – Member of the Board of Directors, Independent Director
2.	Ermeikova Elmira Muslimovna	Committee member - Member of the Board of Directors, Independent Director
3.	Khamitov Yersain Yerbulatovich	Member of the Committee - Member of the Board of Directors (Deputy Chairman of the Management Board of the Holding)

3. Strategic Planning and Corporate Governance Committee:

№	Full name	Title
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4.8	<p>The Chairman of the Strategic Planning Committee is elected from among the 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 decision on election is made by a simple majority of votes of the total number of members of the Board of Directors.</p> <p>If necessary, experts with relevant experience and competence may be involved in the composition of the Strategic Planning Committee. Members of the Committee who are not members of the Board of Directors are appointed by the Board of Directors on the proposal 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 the development of priority areas of the Bank's activities and its development strategy, including issues on the development of measures to improve the efficiency of the Bank's activities, its cost-effective activities and sustainable</p>	Compliance	<p>The Chairman of the Strategic Planning Committee was elected independent Director Kydyrbayev D.H. members of the Committee: Omarkhodzhaev A.S. – representative of the Holding, Ermeikova E.M. – independent director, Tokobaev N.T. – independent director.</p> <p>Experts were not involved in the work of the Committee.</p> <p>The Committee is a consultative and advisory body of the Bank's Board of Directors and is created to consider the most important issues. All proposals developed by the Committee are recommendations that are submitted to the Board of Directors of the Bank for consideration.</p> <p>The Committee is created in order to facilitate the effective performance of the supervisory functions of the Bank's Board of Directors, prepare recommendations on the development of priority areas of activity and strategic goals, as well as the development of measures to improve the efficiency of the Bank. (Paragraphs 3.4 of the Regulations on the Strategic Planning and Strategic Planning Committee of the Board of Directors of the Bank).</p>																											

	development. The detailed goals and objectives of the committee are provided for in the regulations on the committee.		
4.9	<p>The Audit Committee consists of independent directors with the necessary knowledge and practical experience in the field of accounting and auditing, risk management, and internal control. The Chairman of the Audit Committee is an independent director. The main functions of the Audit Committee include internal and external audit, financial reporting, internal control and risk management, compliance with the legislation of the Republic of Kazakhstan, internal documents and other issues on behalf of the Board of Directors.</p> <p>In addition, the Audit Committee evaluates candidates for external auditors of the Bank, as well as pre-analyzes the conclusion of the audit organization before submitting it to the Board of Directors and the Holding.</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 the membership of this person in the Audit Committee is necessary in the interests of the Holding and the Bank. When this appointment occurs, the Board of Directors should disclose the nature of the dependence of this person and justify such a decision.</p>	Compliance	<p>Independent Director Tokobaev N.T. was elected Chairman of the Audit Committee, members of the Committee: Khamitov E.E. – representative of the Holding, Ermekova E.M. – independent director.</p> <p>Experts were not involved in the work of the Committee.</p> <p>The Committee is a consultative and advisory body of the Bank's Board of Directors and is created to consider the most important issues. All proposals developed by the Committee are recommendations that are submitted to the Board of Directors of the Bank for consideration.</p> <p>The Committee is created in order to facilitate the effective performance of the supervisory functions of the Bank's Board of Directors. The Committee controls the preparation of the Bank's financial statements and ensures the reliability and completeness of the Bank's financial statements, ensures control over the independence of internal and external audits. (Paragraphs 3, 4 of the Regulations on the Audit Committee of the Board of Directors of the Bank.</p>
4.10	<p>The HR, Remuneration and Social Affairs Committee includes a majority of independent directors in order to develop objective and independent decisions and to prevent the influence of interested parties (representatives of the Sole Shareholder, the head of the Management Board, employees and other persons) on the judgments of the committee members.</p> <p>Members of the committee should have the necessary knowledge and practical experience in the field of personnel management and evaluation of its activities, as well as in the field of corporate governance. The Chairman of the committee is an independent director.</p> <p>The HR, Remuneration and Social Affairs Committee determines the criteria for the selection of candidates for members of the Board of Directors, candidates for top managers, develops the Bank's policy in the field of remuneration of these</p>	Compliance	<p>The Chairman of the HR and Remuneration Committee was elected independent Director Ermekova E.M., members of the Committee: Omarkhodzhaev A.S., – representative of the Holding, Tokobaev N.T. – independent director.</p> <p>Experts were not involved in the work of the Committee.</p> <p>The Committee is a consultative and advisory body of the Bank's Board of Directors and is created to consider the most important issues. All proposals developed by the Committee are recommendations that are submitted to the Board of Directors of the Bank for consideration.</p> <p>The Committee is created in order to facilitate the effective performance of the supervisory functions of the Bank's Board of Directors, to prepare recommendations on personnel policy, election (appointment), remuneration of Bank executives, Bank employees whose appointment falls within the competence of the Bank's Board of Directors, as well as to improve the efficiency of the Bank's management on social issues. (Paragraphs 3, 4 of the</p>

	<p>persons, regularly evaluates the activities 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 of 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 with respect 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 HR, Remuneration and Social Affairs Committee are advised not to allow a conflict of interest situation to arise and not to take part in the consideration of their own appointment and/or remuneration.</p>		<p>Regulations on the Personnel and Remuneration Committee of the Board of Directors of the Bank.</p>
4.11	<p>The Risk management committee consists of independent directors with the necessary knowledge and practical experience in the field of risk management, internal control. The Chairman of the Risk and Internal Control Committee is an independent director.</p> <p>If necessary, experts with relevant experience and competence may be involved in the composition of the risk and internal control committee. Members of the Committee who are not members of the Board of Directors are appointed by the Board of Directors on the proposal of the Chairman of the Committee.</p> <p>The main functions of the Risk and Internal Control Committee include issues of risk management and internal control, compliance with the legislation of the Republic of Kazakhstan, internal documents and other issues on behalf of the Board of Directors.</p>	Compliance	<p>Independent Director Tokobaev N.T. was elected Chairman of the Risk Management Committee, members of the Committee: Khamitov E.E. – representative of the Holding, Ermekova E.M. – independent Director.</p> <p>Experts were not involved in the work of the Committee.</p> <p>The Committee is a consultative and advisory body of the Board of Directors of the Bank and is created to consider the most important issues. All proposals developed by the Committee are recommendations that are submitted to the Board of Directors of the Bank for consideration.</p> <p>The Committee is created in order to facilitate the effective performance of the supervisory functions of the Bank's Board of Directors. The Committee ensures the reliability and effectiveness of risk management, as well as coordinates activities and provides methodological support on internal control issues. (Paragraphs 3, 4 of the Regulations on the Risk and Internal Control Committee of the Board of Directors of the Bank.</p>
4.12	<p>Preparation and holding of meetings of the Board of Directors should contribute to the maximum effectiveness 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 planned for consideration</p>	Partially Compliance	<p>In 2021, 14 meetings of the Bank's Board of Directors were organized and held, of which 6 meetings were held by absentee voting, 7 meetings were held in person, 1 meeting was held in closed form. 156 questions were considered: in person – 84, by absentee voting - 71, in closed voting - 1.</p> <p>The procedures, the procedure for organizing the preparation, holding meetings / absentee voting of the Board of Directors of the Bank are</p>

<p>during the year to ensure thorough and full discussion and timely and high-quality decisions.</p> <p>The Board of Directors should comply with the procedures established by the Bank's documents for the preparation and conduct of meetings of the Board of Directors.</p> <p>Meetings of the Board of Directors are held in accordance with the work plan approved by the Board of Directors before the beginning of the calendar year, which includes a list of issues under consideration and a schedule of meetings with dates.</p> <p>Meetings of the Board of Directors and its committees are held by means of in-person or absentee voting, while the number of meetings with absentee voting should be minimized. Consideration and decision-making on issues of an important and strategic nature is carried out only at meetings of the Board of Directors with face-to-face voting.</p>	<p>determined by the Regulations on the Board of Directors of the Bank, the Rules of Interaction of the Holding with subsidiaries.</p> <p>The work plan of the Bank's BD for 2021 was approved by the decision of the Board of Directors No. 13 dated December 3, 2020. Absentee meetings in 2021 were held: 6 In-person meetings in 2021 were held: 7 A closed meeting in 2021 was held: 1</p> <p>Paragraph 92 of the Regulations on the Board of Directors approved the list of issues on which decisions should be considered at in-person meetings:</p> <ul style="list-style-type: none"> – approval of the development strategy, development plans, amendments to them, hearing reports on their implementation/execution; – hearing reports of the internal audit and external audit units; – consideration of investment/credit projects; – making a decision on the conclusion of major transactions and transactions in which there is an interest; – approval/change of the organizational structure and staffing of the Bank; – evaluation of the activities and determination of the amount of remuneration to the members of the Management Board of the Bank; – personnel issues. <p>In 2021, the following issues were considered at the correspondence meetings:</p> <ul style="list-style-type: none"> - On awarding the Head, employees of the Internal Audit Department, Chief Compliance Controller, Corporate Secretary, Chairman of the Management Board and members of the Management Board of the Bank for the state holiday of the Republic of Kazakhstan (Nauryz Meiramy). - Approval of the report on compliance risk control for the 2nd quarter of 2021, the report on the performance of the efficiency of the Chief Compliance Controller of the Bank and the calculation of its premium amount for the 2nd
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	<p>A member of the Board of Directors who has an interest in an issue submitted for consideration by the Board of Directors does not participate in the discussion and voting on this issue, which is recorded in the minutes of the meeting of the Board of Directors.</p>		<p>quarter of 2021.</p> <ul style="list-style-type: none"> - On approval of the total number of employees of the Bank and amendments to the organizational structure of Housing Construction Savings Bank of Kazakhstan JSC, approved by the decision of the Board of Directors of Housing Construction Savings Bank of Kazakhstan JSC (Minutes No. 12 dated November 27, 2020). - On approval of the adjusted development plan of Bank 2019-2023 (in terms of indicators for 2022-2023) and the annual budget of Bank 2022. - On approval of the efficiency cards of the Director and employees of the Internal Audit Department of the Bank for the 1st, 2nd, 3rd and 4th quarters of 2022. - On the approval of the efficiency cards of the Chief Compliance Controller of Bank 2022. - On approval of the efficiency cards of the Corporate Secretary of JSC Housing Construction Savings Bank Otbasny Bank for 2022. - On determining the term of office of the Chief Compliance Controller of the Bank, Olga Nikolaevna Khlystova. <p>In 2021, the Board of Directors submitted 4 issues for consideration on concluding transactions with persons connected with the Bank by special relations. According to the signed protocols, the interested persons did not participate in the voting in respect of themselves, their close relatives and their spouse.</p>
4.13	<p>The Board of Directors, committees and members of the Board of Directors are evaluated on an annual basis, if the Chairman of the Board of Directors of the Bank initiates an appropriate assessment. At the same time, at least once every three years, the evaluation is carried out with the involvement of an independent professional organization.</p> <p>The evaluation makes it possible to determine the contribution of the Board of Directors and each of its members to 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 when re-electing or early termination of the powers of the members of the Board of Directors.</p>	Compliance	<p>In 2021, the assessment for 2020 was carried out by means of a questionnaire, the results were approved by the decision of the closed meeting of the Bank's Board of Directors dated May 21, 2021 (Protocol No. 5).</p> <p>In 2021, the diagnostics of the Bank's corporate governance was carried out, the results of which were approved by the decision of the Board of Directors of the Bank dated 12/24/2021 (Protocol No. 14).</p>

<p>Evaluation is one of the main tools for improving the professionalism of the Board of Directors and its individual members. The evaluation is mandatory for both independent directors and representatives of the Sole Shareholder.</p> <p>The evaluation is carried out according to principles such as regularity, complexity, continuity, realism, 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 vision, strategy, main tasks, problems and values of the Bank; 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 activities; 5) the effectiveness of interaction of the Board of Directors with the Sole Shareholder, the Management Board and officials of the Bank; 6) the effectiveness of each of the members of the Board of Directors; 7) the effectiveness of the activities of the committees of the Board of Directors and their interaction with the Board of Directors, members of the Management Board; 8) quality of information and documents provided to the Board of Directors; 9) the quality of discussions on the Board of Directors, in committees; 10) the effectiveness of the corporate secretary; 11) clarity in understanding processes and competencies; 12) risk identification and evaluation process; 13) interaction with the Sole Shareholder and other interested parties. <p>Evaluation methods are self-assessment or the involvement of an independent consultant to improve the quality of the</p>		
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	<p>assessment. 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 its individual member, revision of the composition of the Board of Directors and the amount of remuneration to 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 consults 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 carried out independently by the Board of Directors, the results of the Bank's activities, the performance of the efficiency and other factors are taken into account.</p>		
4.14	<p>In order to effectively organize the activities of the Board of Directors and the interaction of the Management Board with the sole shareholder, the Board of Directors appoints a Corporate Secretary.</p> <p>The Board of Directors decides on the appointment of the Corporate Secretary, determines the term of his/her powers, functions and procedure of activity, the amount of the official salary and remuneration conditions, decides on the establishment of the Corporate Secretary's service (secretariat) (if necessary) and determines the budget of the specified service. The Corporate Secretary is accountable to the Board of Directors and is independent from the Management Board of the Bank. The main duties of the Corporate Secretary include assistance in timely and high-quality corporate decision-making by the Board of Directors, the sole shareholder, acting as an Adviser to the members of the Board of Directors on all issues of their activities and the application of the provisions of this Code, as well as monitoring the implementation of this Code and participation in improving corporate governance in the Bank and subsidiaries. The Corporate Secretary also prepares a report on compliance with the principles and provisions of this Code, which is included in the Bank's annual report. This report should</p>	Compliance	<p>In accordance with the Bank's Charter, the Corporate Secretary is appointed to the position by the decision of the Board by the Director of the Bank.</p> <p>According to the Regulations on the Bank's Board of Directors, the Corporate Secretary is accountable to the Board of Directors and is independent of the Bank's Management Board.</p> <p>In 2021, Elena Dmitrievna Pogrebnaya was the corporate Secretary of the Bank.</p>

<p>reflect a list of principles and provisions of the Code that are not observed, with appropriate explanations.</p> <p>A person with a 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 is appointed to the position of Corporate Secretary.</p> <p>The Corporate Secretary carries out his activities on the basis of a regulation approved by the Board of Directors, which specifies the functions, rights and obligations, the procedure for interaction with the Bank's bodies, qualification requirements and other information.</p> <p>To perform their functions , the Corporate Secretary is vested with the following powers:</p> <ol style="list-style-type: none"> 1) request and receive from the bodies, officials and employees of the Bank documents and information necessary for decision-making at meetings of the Board of Directors and decisions of the Sole Shareholder; 2) take measures to organize meetings of the Board of Directors and to inform the Bank's officials about the decisions taken by the Board of Directors and the Sole Shareholder, as well as the subsequent control of their execution; 3) interact directly with the Chairman and members of the Board of Directors, the first head and members of the 		<p>The decision of the Board of Directors approved the Regulation on the Corporate Secretary, according to which the qualification requirements for the position of Corporate Secretary of the Bank were approved:</p> <ol style="list-style-type: none"> 1) have a higher legal or economic education; 2) have at least 5 (five) years of work experience and practical knowledge in the field of corporate governance and corporate law; 3) have knowledge of the legislation of the Republic of Kazakhstan; 4) be able to negotiate and regulate conflicts between participants in corporate relations; 5) have organizational and analytical skills; 6) speak the state language, as well as English, if there are persons in the board of directors who do not speak the state and/or Russian. <p>The Regulation on the Corporate Secretary of the Board of Directors of the Bank was approved by the decision of the Board of Directors by the decision of 30.03.2018 (Protocol No. 3).</p>
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	<p>Management Board, employees of the Bank, the Sole Shareholder.</p> <p>The Management Board of the Bank provides the Corporate Secretary with full assistance in the performance of his/her powers.</p>		
4.15	<p>In relation to the Corporate Secretary, the Bank is developing a program of induction and succession planning. The appointment of the Corporate Secretary is carried out on the basis of open and transparent procedures stipulated in the internal documents of the Bank.</p> <p>Depending on the size of the Bank and the scale of its activities, a Corporate Secretary Service may be created.</p>	Non-compliance	<p>In relation to the Corporate Secretary in the Bank, the program of induction and succession planning has not been developed.</p> <p>The Bank has not established a Corporate Secretary Service.</p>
4.16	<p>In order to comply with the principles of business ethics, optimal regulation of social and labor disputes arising in the Bank, an Ombudsman is appointed from among the Bank's employees.</p> <p>A candidate for the position of Ombudsman should have an impeccable business reputation, high authority, as well as the ability to make impartial decisions.</p> <p>The Ombudsman is appointed by the decision of the Bank's Board of Directors and is subject to re-election every two years. The role of the Ombudsman is to advise employees who have applied to him, participants in labor disputes, conflict and assist them in developing a mutually acceptable, constructive and implementable solution, taking into account compliance with the legislation of the Republic of Kazakhstan (including confidentiality, if necessary), assisting in solving problematic social and labor issues of both employees and the Bank.</p> <p>The Ombudsman submits for consideration of the relevant bodies and officials of the Bank the problematic issues identified by him that are of a systemic nature and require appropriate decisions (comprehensive measures), puts forward constructive proposals for their solution.</p>	Compliance	<p>By the decision of the Board of Directors of the Bank dated 06.09.2021 (Protocol No. 9), the Deputy Corporate Secretary – Head of the Corporate Secretary Service of the Holding Turganova Mayra was appointed as the Ombudsman of the Bank, with a term of office of two years.</p>

4.17	<p>The Ombudsman at least once a year submits a report on the results of the work carried out to the HR, Remuneration and Social Affairs Committee and the Audit Committee of the Board of Directors of the Bank, which assess the results of its activities.</p> <p>The Board of Directors of the Bank evaluates the results of the Ombudsman's activities and decides on the extension or termination of the powers of the person holding the position of the Ombudsman.</p>	Non-compliance	<p>In 2021, the Ombudsman's report was not submitted for consideration by the Committees of the Board of Directors (in 2019, in 2020 it was also not submitted).</p>
4.18	<p>An Internal Audit Service has been established and is functioning to carry out internal audit as an activity of providing independent and objective guarantees and consultations aimed at improving the Bank's work.</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 prematurely terminates their powers, determines the procedure for its work, the amount and conditions of remuneration and bonuses for 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 Bank's Board of Directors and is independent of the Bank's Management Board. The tasks and functions of the Internal Audit Service, its rights and responsibilities are determined by the regulations on the Internal Audit Service approved by the Bank's Board of Directors.</p> <p>The key responsibilities of the Internal Audit Service include assessing the quality of internal control, risk</p>	Compliance	<p>According to subparagraph 4) of paragraph 7.1 of the Bank's Charter, the body exercising control over the financial and economic activities of the Bank is the internal audit unit.</p> <p>In accordance with subparagraph 12) of paragraph 10.2 of the Bank's Charter, the exclusive competence of the Board of Directors of the Bank includes determining the number and term of office of the internal audit unit, appointing its head and employees, as well as early termination of their powers, determining the procedure for the work of the Internal Audit Department, the size official salaries and remuneration conditions, bonuses for employees of the Internal Audit Department, provision of social support, as well as decision-making on bonuses for the head and employees of the Internal Audit Department. The Board of Directors also approves the budget of the Internal Audit Department on an annual basis (separately or within the overall budget of the Bank). Based on the decision of the BD of February 25, 2020 No. 1, in 2021, the actual data for Internal Audit Department are as follows:</p> <ul style="list-style-type: none"> · the number of employees of the Internal Audit Department - 13 units, <ul style="list-style-type: none"> · A 3-year term of office of the Internal Audit Department was determined from February 10, 2020 to February 09, 2023, · the activity was carried out by appointed employees of Internal Audit Department including the director of Internal Audit Department, · the remuneration of employees of the Internal Audit Department was carried out according to certain sizes of official salaries and established grades.

4.19	<p>The Management of the Bank's current activities is carried out by the Management Board. The Chairman and members of the Management Board have high professional and personal characteristics, a good business reputation and adhere to ethical standards. The Chairman of the Management Board has high organizational skills, works in active interaction with the Sole Shareholder and constructively builds a dialogue with the Board of Directors, employees and other interested parties.</p>	Compliance	<p>The Chairman and members of the Management Board in 2021 were: Chairman of the Management Board Ibragimova Lyazzat Yerkenovna has been Chairman of the Management Board of the Bank since January 2017. Until 2017, she held senior positions in the Holding, JSC "Entrepreneurship Development Fund "Damu".</p> <p>Aliya Karatayevna Aidarbekova has been Deputy Chairman of the Bank's Management Board since September 2017. Supervises finance and reporting issues.</p> <p>Akshanov Nurlan Sagyndykovich has been Deputy Chairman of the Bank's Management Board since June 2018. Supervises business development issues.</p> <p>Beisembayev Miras Berikovich has been Deputy Chairman of the Management Board of the Bank since September 2017." Supervises issues on information security, legal and administrative issues.</p> <p>Raspekova Elmira Sabyrzhanovna has been Deputy Chairman of the Bank's Management Board since November 2020. Supervises issues on information technology and digital transformation.</p> <p>Islambek Urumbaevich Kairbekov has been Deputy Chairman of the Bank's Management Board since January 2020. Supervises risk management and internal control issues.</p> <p>Mukhtar Mirlanovich Azimbekov has been Deputy Chairman of the Bank's Management Board since June 2021. Supervises operational issues.</p> <p>All members of the Management Board meet the approved qualification requirements (Regulations on the Management Board approved by the decision of the Board of Directors of the Bank Minutes No. 17 dated 22.12.2017. The Chairman and a member of the Management Board meet the following qualification requirements:</p> <ul style="list-style-type: none"> – availability of higher education; – the presence of the work experience established by the Law of the Republic of Kazakhstan "On Banks and Banking activities in the Republic of Kazakhstan" in international financial organizations, the list of which is established by the authorized body and (or) work experience in the provision and (or) regulation of financial services and (or) audit services of financial organizations; – work experience in senior positions of at least 3 (three) years; – having an impeccable business reputation; – other requirements imposed on the Bank's senior employees in accordance with the banking legislation of the Republic of Kazakhstan
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4.20	The Management Board is accountable to the Board of Directors and manages the daily activities of the Bank, is responsible for the implementation of the development strategy and/or development plan and decisions taken by the Board of Directors and the Sole Shareholder.	Compliance	According to paragraph 11.1. and 11.2 of Article 11 of the Bank's Charter, the Bank's Management Board manages the Bank's day-to-day operations. The Management Board of the Bank is obliged to implement the decisions 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 (with the exception of the Chairman of the Management Board), determines the terms of office, the amount of the official salary, the terms of payment for their work and bonuses. The HR, Remuneration and Social Affairs Committee of the Bank's Board of Directors plays a key role in the process of searching and selecting candidates to the Management Board and determining their remuneration.	Compliance	According to subparagraph 17) paragraph 9.2. of Article 9 of the Bank's Charter, the election of the Chairman of the Bank's Management Board, as well as the early termination of his powers, is the exclusive competence of the Sole Shareholder. According to paragraph 11.3. The Management Board consists of its members consisting of at least three persons, including: the Chairman of the Management Board, his Deputies (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. By the decision of the Board of Directors of the Bank (Protocol No. 5) dated 31.03.2017, the quantitative composition of the Management Board was determined in the amount of 7 (seven) units.
4.22	The Board of Directors may terminate the powers of the members of the Management Board at any time (with the exception of the Chairman of the Management Board).	Compliance	In 2021, the powers of the Deputy Chairman of the Board, A.N. Kozhenbaev, were terminated prematurely.
4.23	It is recommended to elect members of the Bank's Management Board for up to three years. The terms of office of the Chairman and members of the Management Board coincide with the term of office of the Management Board as a whole. In order to increase the transparency of the processes of appointment and remuneration of members of the Management Board of the Bank, the Board of Directors is recommended to approve the rules on appointments, remuneration, evaluation and succession of members of the Management Board of the Bank.	Compliance	By the decision of the Board of Directors of the Bank (Protocol No. 5) dated 31.03.2017, the quantitative composition of the Management Board was determined in the amount of 7 (seven) units. By the decision of the Board of Directors of the Bank No. 11 dated October 7, 2019, the Rules on Internal Policy on Remuneration, Accrual of Monetary Remuneration, as well as other Types of material incentives for Bank executives were approved.
4.24	The Chairman and members of the Management Board may hold positions in other organizations only with the approval of the Board of Directors. The Chairman of the Management Board does not hold the position of the head of the Management Board of another legal entity.	Compliance	According to subparagraph 11.4. of the Bank's Charter, a member of the Management Board may hold a position in other organizations or in the bodies of other organizations only with the consent of the Board of Directors of the Bank. In 2021, such issues were submitted for consideration by the Board of Directors.

4.25	<p>The Management Board ensures the creation of an optimal organizational structure of the Bank. The organizational structure should be aimed at:</p> <ol style="list-style-type: none"> 1) effectiveness of decision-making; 2) increasing the productivity of the Bank; 3) efficiency of decision-making; 4) organizational flexibility. 	Compliance	<p>Organizational structure of the Bank in accordance with the requirements of the Charter, subparagraph 30 of paragraph 10.2. Article 10 is approved by the Board of Directors. In 2021, no decisions were made to change the organizational structure.</p>
4.26	<p>The selection of candidates for vacant positions of the Bank is carried out 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, competencies, work experience and achievement of tasks. A pool of personnel reserve employees is formed in the Bank, from which appointments to senior positions of middle and top management can be made in the future. Employees undergo a comprehensive performance assessment 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 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 opportunities, which contribute to increased competition and selection of worthy applicants who meet the requirements of professionalism and competence; impartial recruitment and complete absence of protectionism, patronage system of admission (based on the principle of loyalty, ethnicity, family ties and personal friendship); legal regulation, including in matters of fixing the principles and criteria for evaluating candidates, excluding conditions for subjectivity in making a decision. 	Compliance	<p>In 2021, 60 employees of the Bank were transferred from a lower position to a higher position. The procedure for forming the personnel reserve of senior and managerial personnel has been carried out at the Bank since 2008 in accordance with the Regulations on the Formation and Organization of work with the personnel reserve of the Bank by identifying high-potential employees and organizing their professional, career growth. The Regulation on the Personnel Reserve was approved by the decision of the Bank's Management Board No. 10 dated 18.09.2020. As of the end of 2021, the Personnel Reserve of the Bank consists of 71 people, of which 24 people are employees of the Central Office and 47 people are employees of the Bank's branches. Since 2009, the Bank has been certifying employees to determine the degree of compliance of employees with the requirements for their positions and to make the necessary managerial decisions regarding further employment relations with Bank employees based on the results of the certification. The frequency of attestation is no more than once every three years, with unsatisfactory performance evaluation results (efficiency below 75%), attestation is carried out no more than once a year. Stages of certification – analysis of qualification requirements, testing, meeting of the Certification Commission. By the end of 2021, 99% of the total number of employees of the Bank (320 employees) were certified, the average performance among employees was 85%. Of these, 57% are women (183 employees), 43% are men (137 employees). And also out of 320 employees who have passed certification – 17 heads of structural divisions (0.6%) and 303 chief managers, specialists (99.4%).</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 efficiency.</p>	Compliance	<p>The KPI cards of the Chairman and members of the Management Board of the Bank were approved by the Board of Directors of the Bank on December 25, 2020 (Protocol No. 14).</p>

	<p>The motivational KPIs of the Chairman and members of the Management Board are approved by the Bank's Board of Directors. Proposals regarding the motivational KPI of the members of the Management Board are submitted to the Board of Directors by the Chairman of the Management Board.</p> <p>The evaluation results have an impact on the amount of remuneration, encouragement, re-election (appointment) or early termination of powers.</p> <p>The remuneration of the Chairman and members of the Management Board consists of a constant and variable part. When setting the official salary, the complexity of the tasks performed, the personal competencies of the employee and his competitiveness in the market, the contribution made by this person to the development of the Bank, the level of official salaries in similar companies, 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 KPIs of the members of the Bank's Management Board have been developed and formed according to the current organizational structure of the Bank. If the organizational structure of the Bank changes, the efficiency of the members of the Bank's Management Board and their target values for 2021 will be adjusted. We note that E.S. Raspekova was appointed to the position of Deputy Chairman of the Management Board for Development according to the decision of the Board of Directors of the Bank (Protocol No. 12) dated 11/27/2020 and her performance targets (Deputy Chairman of the Management Board for Development) were formed according to the current organizational structure.</p> <p>The KPI cards of the members of the Bank's Management Board for 2021 were developed in accordance with the Bank's Development Plan for 2017-2021, approved by the decision of the Bank's Board of Directors (Protocol No. 16) dated 09.12.2019, the Action Plan for 2020-2022 for the implementation of the Bank's Development Strategy until 2023, approved by the decision of the Bank's Board of Directors (Protocol No. 4) dated 29.05.2020, and functional duties of the Chairman of the Management Board and members of the Management Board of the Bank.</p> <p>The KPI cards of the members of the Bank's Management Board for 2021 were formed in accordance with the Methodological Recommendations for the formation of maps of key performance indicators of executives of legal entities, more than fifty percent of whose shares (participation interests) directly belong to the Holding Company by right of ownership or trust management, approved by the decision of the Holding Board (Protocol No. 40/20) dated 02.09.2020.</p>
<p>5. The principle of sustainable development</p>			
5.1	<p>The Bank and its subsidiaries are aware of the importance of their influence on the economy, the environment and society to ensure sustainable development in the long term, while maintaining a balance of interests of stakeholders. The approach of responsible, thoughtful and rational interaction with stakeholders will contribute to the sustainable development of the Bank and its subsidiaries.</p>	Compliance	<p>The Bank is aware of the importance of its influence on the economy, the environment and society to ensure sustainable development in the long term. As part of the implementation of this principle in the Bank, the Sustainable Development Policy (hereinafter referred to as the Policy) was approved by the decision of the Board of Directors of the Bank dated June 04, 2019 (Decision No. 7).</p> <p>In accordance with the provisions of the Policy, the roles, competencies, responsibilities of each body and all employees for the implementation of principles, standards and standards in the field of sustainable development are</p>

			<p>clearly defined and fixed in the management system of sustainable development.</p> <p>The Board of Directors of the Bank provides strategic guidance and control over the implementation of sustainable development, the Management Board of the Bank forms an appropriate action plan.</p>
5.2	<p>The Bank strives for profitability, ensures sustainable development, and maintains a balance of interests of stakeholders.</p> <p>The Bank, in the course of its activities, exerts influence or is influenced by interested parties. Activities in the field of sustainable development meet the best international standards.</p> <p>Stakeholders can have both positive and negative impact on the activities of the Bank and its subsidiaries, namely, on achieving profitability, sustainable development, reputation and image, create or reduce risks. The Bank and its subsidiaries attach great importance to proper interaction with stakeholders.</p>	Compliance	<p>The Bank analyzed all the topics of sustainable development proposed by the GRI Standards. The topics were evaluated 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 during the interaction with them during the year.</p> <p>The Bank defines a complete list of stakeholders with whom it interacts in the course of its activities, with a description of the contribution of stakeholders and their interests. When assessing the importance of stakeholders, stakeholders are ranked by importance for the Bank according to two factors: the strength of the interested party's influence on the Bank and the degree of interest of the stakeholder in the Bank's activities. The interested parties (stakeholders) of the Bank are customers, the population, employees of the Bank, the Sole Shareholder, the Board of Directors, the Management Board, government agencies, competitors, investors, strategic partners, creditors, suppliers, international organizations, mass media and public, non-governmental bodies.</p>
5.3	<p>The Bank ensures consistency of its economic, environmental and social goals 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 to the profitability of their activities, ensuring the interests of shareholders and investors, improving the efficiency of processes, increasing investments in the creation and development of more advanced technologies, increasing labor productivity.</p> <p>The ecological component contributes to minimizing the impact on biological and physical natural systems, the optimal use of limited resources, the use of environmentally friendly, energy- and material-saving technologies.</p>	Compliance	<p>In accordance with the approved Development Strategy until 2023, the Bank's mission is to provide Kazakhstani families with their own housing and strengthen the sense of Homeland. In this regard, the Bank supports the government's policy in the field of housing construction.</p> <p>As part of its activities, the Bank has a significant impact on the development of regions, and therefore the Bank periodically evaluates the multiplier effect on related industries and the economy as a whole.</p> <p>In August 2019, the Bank joined the Green Economy program implemented by the Holding. The first step of the Bank in the comprehensive program was the introduction of eco-boxes in the building of the central office of the Bank. Thus, in 2020, the Bank managed to collect 294 kg of waste paper, 3 kg of plastic, 24 kg of glass and aluminum. Also in November 2020, an action called "Green Office" was held in the central office, thanks to which the Bank's employees learned together to develop useful habits by giving up disposable tableware, were able to learn more about the principles and importance of</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 respect for the rights of employees, individual development of personnel, implementation of social programs for personnel, creation of new jobs, sponsorship and charity, environmental and educational campaigns.</p> <p>The Bank selects employees based on transparent competitive procedures in accordance with the Bank's internal documents.</p> <p>The Bank conducts an analysis of its activities and risks in these three aspects, and also strives to prevent or reduce the negative impact of the results of its activities on interested parties.</p>		<p>waste sorting, which helped to create an understanding of the enormous contribution of each employee to the preservation of the environment.</p> <p>It should also be noted that there were no violations of environmental legislation during the year, there are no penalties.</p> <p>One of the priority tasks of the Bank is the formation and maintenance of a staff of employees who meet the qualification requirements of the Bank, aimed at achieving strategic goals and solving the tasks facing the Bank. Labor relations are regulated by the Rules of Labor Relations and internal labor regulations of the Bank in accordance with the legislation of the Republic of Kazakhstan.</p> <p>Taking into account that personnel development is one of the components of the success of any organization, the Bank annually plans funds for training and staff development.</p>
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 ensuring reasonable confidence in the Bank's achievement of its strategic and operational goals, and representing a set of organizational policies, procedures, standards of conduct and actions, methods and management mechanisms created by the Board of Directors and the Management Board of the Bank to ensure:</p> <ol style="list-style-type: none"> 1) an optimal balance between the profitability of the Bank's activities, strategic goals and the risks associated with them; 2) efficiency of financial and economic activity and achievement of financial stability of the Bank; 3) preservation of assets and efficient use of the Bank's resources; 4) completeness, reliability and reliability of financial and management reports; 5) compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Bank; 	Compliance	<p>According to the Bank's Risk Management Policy (BD No. 9 dated 09/24/2020, as amended by BD No. 7 dated 06/09/2021);</p> <p>The Board of the Bank ensures the availability of a risk management system appropriate to the chosen business model, the scale of activities, types and complexity of operations and ensures the proper process of identification, measurement and evaluation, monitoring, control and procedures for minimizing significant risks of the Bank in order for the Bank to determine the amount of equity and liquidity required to cover the significant risks inherent in the Bank's activities.</p> <p>The Bank's risk management system is a set of components that provides a mechanism for interaction of internal procedures, processes, policies, and structural divisions of the Bank developed and regulated by the Bank in order to timely identify, measure, control and monitor the Bank's risks, as well as minimize them to ensure its financial stability and stable functioning.</p> <p>The risk management system provides:</p> <ol style="list-style-type: none"> 1) the optimal ratio between the profitability of the Bank's main activities and the level of risks taken, based on the choice of a viable and sustainable business model, an effective strategy and budget planning process taking into account the risk appetite strategy;

	<p>6) proper internal control to prevent fraud and ensure effective support for the functioning of the main and auxiliary business processes and analysis of performance.</p>	<p>2) objective assessment of the size of the Bank's risks, completeness and documentation of risk management processes, their preventive identification, measurement and evaluation, 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;</p> <p>3) coverage of all types of the Bank's activities subject to significant risks at all levels of the organizational structure, completeness of the assessment of certain significant types of risks, their mutual influence in order to determine the Bank's risk profile and build a risk appetite strategy;</p> <p>4) the presence of risk appetite levels for all types of significant risks and the algorithm of actions in cases of violation of the established levels, including responsibility for taking risks, the level of which is determined as high, procedures for informing the Bank's Board of Directors, the Risk and Internal Control Committee and the Management Board within the framework of the risk appetite strategy;</p> <p>5) awareness of the authorized collegial body of the Bank, making decisions that carry risks, through the construction of an effective corporate governance system, the availability of complete, reliable and timely management information about the significant risks inherent in the Bank's activities;</p> <p>6) rational decision-making and action in the interests of the Bank based on a comprehensive assessment of the information provided in good faith, with due diligence and care (duty of care). The obligation to exercise prudence and care does not apply to mistakes in the process of making business decisions, unless the bank's employees and officials have shown gross negligence in doing so;</p> <p>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 connected with the bank by special relations, to the detriment of the interests of the bank (duty of loyalty);</p> <p>8) a clear distribution of functions, responsibilities and powers of risk management between all structural divisions and employees of the Bank, and their responsibilities, taking into account the 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 protection;</p> <p>10) availability of documents developed for the purpose of regulating the Bank's activities, creation and functioning of effective risk management and</p>
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			<p>Internal documents regarding the management of operational risks, information security risks and information technologies comply with the requirements of the legislation, including the Resolution of the National Bank of the Republic of Kazakhstan No. 188 dated 12.11.2019. "On approval of the Rules for the formation of a risk management and internal control system for second-tier banks, branches of non-resident banks of the Republic of Kazakhstan".</p> <p>Internal documents regarding internal control, including the Internal Control Policy of JSC Housing Construction Savings Bank of Kazakhstan (BD No. 17 dated 28.11.2014), comply with the requirements of legislation, including the Resolution of the National Bank of the Republic of Kazakhstan No. 188 dated 12.11.2019. "On approval of the Rules for the formation of a risk management and internal control system for second-tier banks, 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 the 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 risk level when making decisions, respond quickly to risks, exercise control over the main and auxiliary business processes and daily operations, as well as immediately inform the management of the relevant the level of any significant drawbacks.</p> <p>The principles and approaches to the organization of 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; 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 	Compliance	<p>The Bank has an effectively functioning risk management, internal control and internal audit system aimed at ensuring reasonable confidence in the Bank's achievement of its strategic and operational goals, which is a set of organizational policies, procedures, standards of conduct and actions, methods and management mechanisms created by the Board of Directors and the Management Board of the Bank.</p> <p>The Bank's internal regulatory documents establish the responsibility of the Board of Directors and the Management Board of the Bank for organizing and ensuring the effective functioning of the risk management and internal control system on a consolidated basis.</p> <p>The organizational structure of the Bank within the framework of the risk management system corresponds to the chosen business model, the scale of activities, types and complexity of operations, minimizes conflicts of interest and distributes risk management powers between collegial bodies and structural divisions, and includes:</p> <ol style="list-style-type: none"> 1) The Board of Directors of the Bank; 2) Risk Management Committee of the Bank's Board of Directors; 3) Strategic Planning Committee of the Bank's Board of Directors; 4) Audit Committee of the Bank's Board of Directors; 5) HR, Remuneration and Social Affairs Committee of the Bank's Board of Directors;

	<p>process of developing, approving, applying and evaluating the risk management and internal control system;</p> <p>3) basic requirements for the organization of the risk management process (approaches to risk identification, the procedure for identifying and assessing risks, determining response methods, monitoring, and others);</p> <p>4) requirements for the organization of the internal control system and the conduct of control procedures (characteristics of the key areas and main components of the internal control system, the procedure for evaluating the effectiveness and reporting in the field of internal control, and others).</p> <p>The Bank's internal regulatory documents establish the responsibility of the Board of Directors and the Management Board of the Bank for organizing and ensuring the effective functioning of the risk management and internal control system on a consolidated basis.</p>		<p>6) The Management Board of the Bank;</p> <p>7) Compliance Control Unit;</p> <p>8) Internal Audit Division;</p> <p>9) Structural divisions of the Bank that provide a second line of defense.</p> <p>10) Structural divisions of the Bank that provide the first line of defense.</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 the inherent risks, the Bank annually identifies and evaluates risks, which are reflected in the risk register, risk map, risk response plan (process improvement, minimization strategy), list of significant risks, Risk Appetite Statement for the previous year approved by the Board of Directors.</p> <p>Approaches to risk identification, the procedure for identifying and assessing risks, determining response methods, and monitoring are provided for by internal documents within the framework of the risk management system.</p> <p>Risk reports are submitted to the meetings of the Board of Directors quarterly, to the meeting of the Management Board monthly, if necessary, corrective measures are taken (as part of the consideration of these reports).</p> <p>The Bank's employees annually, as well as when applying for a job, undergo training/introductory instruction to familiarize themselves with the adopted risk management and internal control system.</p> <p>The Bank ensures the availability of an internal control system that corresponds to the current market situation, strategy, volume of assets, and the level of complexity of the Bank's operations.</p> <p>The internal control policy functioning in the Bank provides that the internal control system (hereinafter referred to as the Internal Control System) is a process integrated into the daily activities carried out by the Board of Directors, authorized bodies of the Bank, structural divisions and all employees of the Bank in the performance of their duties, and aimed at ensuring the effectiveness of the Bank's activities, including the effectiveness of the management of banking risks, assets and liabilities, ensuring the safety of assets.</p>
6.3	Each official of the Bank ensures proper consideration of risks when making decisions.	Compliance	The Bank's internal regulatory documents establish the responsibility of the Board of Directors and the Management Board of the Bank for organizing

<p>The Management Board of the Bank ensures the implementation of risk management procedures by employees with appropriate qualifications and experience.</p> <p>The Management Board</p> <ol style="list-style-type: none"> 1) ensures the development and implementation of internal documents approved by the Board of Directors in the field of risk management and internal control; 2) ensures the creation and effective functioning of the risk management and internal control system through the practical implementation and continuous implementation of the principles and procedures of risk management and internal control assigned to it; 3) responsible for the implementation of decisions of the Board of Directors and recommendations of the Audit Committee in the field of risk management and internal control system organization; 4) monitors the risk management and internal control system in accordance with the requirements of internal documents; 5) ensures the improvement of risk management and internal control processes and procedures, taking into account changes in the external and internal business environment. <p>In order to implement the principles of internal control and ensure the effectiveness of the risk management and internal control system, the Bank's Management Board distributes powers, responsibilities and responsibility for specific risk management and internal control procedures among the managers of the following level and/or heads of structural divisions/owners of business processes.</p> <p>The heads of structural divisions, in accordance with their functional responsibilities, are responsible for the development, documentation, implementation, monitoring and development of the risk management and internal control system in the functional areas of the Bank entrusted to them.</p>		<p>and ensuring the effective functioning of the risk management and internal control system on a consolidated basis.</p> <p>The Bank ensures the implementation of risk management procedures by employees with appropriate qualifications and experience. The Bank provides an approved list of qualification requirements for Bank employees. Also, in order to determine the degree of compliance of the Bank's employees with the requirements for their positions and to make the necessary management decisions, the Bank conducts certification on an annual basis.</p> <p>The Management Board of the Bank manages the current activities of the Bank in accordance with the chosen business model, the scale of activities, types and complexity of operations, 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"> 1) development of the Risk Management Policy for further submission to the Board of Directors for approval and monitor the Bank's compliance with the approved document; 2) 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 detection of incorrect, incomplete or unauthorized transactions, deficiencies in asset safety, errors in the formation of financial and regulatory reporting, violations of internal documents of the bank, requirements of civil, tax, banking legislation of the Republic of Kazakhstan, legislation of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, legislation 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 the formation of credit histories, on collection activities, on mandatory guarantee deposits, on countering the legalization (laundering) of proceeds from crime and the financing of terrorism, on joint-stock companies, as well as the exclusion of conflicts of interest and internal abuse and fraud, including in relation to persons associated with the bank special relations.</p> <p>Management risk reporting is formed in accordance with internal documents, including</p>
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			The Rules of the organization of the reporting system in the Bank (RP No. 291 of December 23, 2015, as amended by RP No. 71 of 20.05.2022), the List of reports provided by the Management Board to the Board of Directors of the Bank (BD No. 1 of 29.01.2021, as amended by BD No. 11 of 05.11.2021).
6.4	<p>The organizational structure of the risk management and internal control system in the Bank provides for the presence of a structural unit responsible for risk management and control issues, the tasks of which include:</p> <ol style="list-style-type: none"> 1) overall coordination of risk management and control processes; 2) 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, reports on their implementation; 3) organization of training of employees in the field of risk management and control; 4) analysis of the risk portfolio and development of proposals for a response strategy and reallocation of resources in relation to the management of relevant risks; 5) formation of consolidated reporting on risks; 6) implementation of operational control over the risk management process by structural divisions; 7) preparing and informing 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 in charge of 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>	Compliance	<p>In order to implement the principles of internal control and ensure the effectiveness of the risk management and internal control system, the Bank's Management Board has distributed powers, responsibilities and responsibility for specific risk management and internal control procedures among managers and/or heads of structural divisions.</p> <p>The organizational structure of the risk management and internal control system provides for the presence of structural risk management units (a unit that manages credit and financial risks, a unit that manages operational risks), 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 division, accounting and reporting division, security division, HR department).</p> <p>Risk management units perform, but are not limited to, the following functions:</p> <ol style="list-style-type: none"> 1) development of a risk management system, including risk management policies and procedures, risk appetite strategy and determination of risk appetite levels; 2) identification of significant current and potential risks inherent in the Bank's activities; 3) risk assessment and determination of the aggregated level of risk appetite; 4) development of risk appetite levels for subsequent submission to the Risk Management Committee and approval by the Board of Directors of the Bank, monitoring compliance with risk appetite levels; 5) development of early warning systems and triggers aimed at detecting violations of risk appetite levels; 6) provision of management reports to the Management Board, the Risk Management Committee of the Board of Directors of the Bank, the Authorized Collegial Body under the Management Board. <p>The Bank's divisions that manage risks in the areas of activity, if necessary, develop internal documents describing risk management procedures in the area of activity, including a risk appetite statement, to provide</p>

			<p>information within the framework of management reporting on the areas of activity.</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 the inherent risks, the Bank annually identifies and evaluates risks, which are reflected in the risk register, risk map, risk response plan (process improvement, minimization strategy), list of significant risks, Risk Appetite Statement for the previous year approved by the Board of Directors.</p> <p>The Bank's employees annually, as well as when applying for a job, undergo training/introductory instruction to familiarize themselves with the adopted risk management and internal control system.</p>
6.5	<p>The risk management and internal control system provides for the identification, assessment and monitoring of all significant risks, as well as the adoption of timely and adequate measures to reduce the level of risks.</p> <p>Risk management procedures ensure rapid response to new risks, their clear identification and identification of risk owners. In case of any unforeseen changes in the competitive or economic environment of the Bank, the risk card is reassessed and its compliance with risk appetite.</p> <p>The Board of Directors approves the overall level of risk appetite and the level of tolerance in relation to key risks, which are fixed by the Bank's internal documents.</p> <p>Tolerance levels for key risks are reviewed in the event of significant events. Limits are set to limit risks in day-to-day activities.</p> <p>For a holistic and clear understanding of the inherent risks in the Bank, at least on an annual basis, identification and assessment of risks are carried out, which are reflected in the risk register, risk map, risk response plan (improvement of processes, minimization strategies) approved by the Board of Directors.</p> <p>The Board of Directors, when reviewing the register and the risk map, ensures that risks that can really affect the implementation of strategic objectives are included in them, and when considering the risk response action plan, make sure that</p>	Compliance	<p>By the decision of the Board of Directors dated 11/26/2021 (Protocol No. 12), the Bank's Risk Map and Register, the list of significant risks, and the Risk Appetite Statement for 2022 were approved.</p> <p>The Bank's Risk Map contains information about risks that require attention and offers recommendations for further measures to minimize and manage risks.</p> <p>The risk Register consists of 16 names of risk factors provided by the structural divisions of the Bank.</p> <p>According to the results of the analysis, 38 names of risk factors have a low probability of occurrence and (or) do not have a significant impact on the financial viability of the Bank, respectively, they are located in the "green zone" of the Risk Map. There are also 4 names of risk factors located in the "yellow zone". There are no risk factors located in the "red zone" of the Risk Map.</p> <p>The list of significant risks contains a list of risks identified by the Bank's Risk Committee as significant (8 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 quarterly, to the meeting of the Management Board monthly, if necessary, corrective measures are taken (as part of the consideration of these reports).</p>

	<p>the measures are useful. The Board of Directors and the Management Board of the Bank regularly receive information about key risks and their analysis in terms of their impact on the Bank's strategy and development plan.</p> <p>Risk reports are submitted to meetings of the Board of Directors at least once a quarter and are discussed properly in full.</p>		
6.6	<p>The Bank has implemented transparent principles and approaches in the field of risk management and control, the practice of training employees and officials about the risk management system, as well as the process of documenting and timely bringing the necessary information to the attention of officials.</p> <p>The Bank's employees annually, as well as when applying for a job, undergo training/introductory instruction to familiarize themselves with the adopted risk management and internal control system. Based on the results of such training, knowledge testing is carried out.</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 unit about violations of the legislation of the Republic of Kazakhstan, internal procedures, the Code of Business Ethics by any employee and official of the Bank.</p>	Compliance	<p>The Bank's employees annually, as well as when applying for a job, undergo training/introductory instruction to familiarize themselves with the adopted risk management and internal control system.</p> <p>In 2021, the Bank's employees were trained in the Operational Risk Management System. According to the results of the training, 97% of the employees were tested. Also in 2021, the Bank's employees were trained in the Internal Control Policy, according to the results of the training, 98% of employees were tested.</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 unit about violations of the legislation of the Republic of Kazakhstan, internal procedures, the Code of Business Ethics by any employee and official of the Bank. And also:</p> <ol style="list-style-type: none"> 1. In accordance with the anti-fraud and corruption measures, the Bank has introduced a Fraud and Corruption Hotline (hereinafter referred to as the Hotline). The hotline is a means of receiving confidential signals about suspicions, violations and facts of fraud and corruption. 2. 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 the intentions, suspicions or cases of fraud and corruption known to them: <ul style="list-style-type: none"> • Internal Hotline communication channels for employees, employees and consultants of the Bank: <ul style="list-style-type: none"> – telephone line 8(727) 3309482, through which information about such suspicions/doubts, known intentions of committing and/or facts of committing violations/ fraud and corruption is reported; – electronic mailbox antifraud@hcsbk.kz where electronic messages and information about such suspicions/doubts, known intentions of committing and/or facts of committing violations/fraud and corruption are accepted. • External communication channels via the Hotline for the Bank's clients:

			<ul style="list-style-type: none"> - telephone line 8(727) 3309482, through which information about such suspicions /doubts, known intentions of committing and/or facts of committing violations / fraud and corruption is reported; - electronic mailbox antifraud@hcsbk.kz where electronic messages and information about such suspicions/doubts, known intentions of committing and/or facts of committing violations/fraud and corruption are accepted; - postal address: Republic of Kazakhstan, A05A2X0, Almaty city, Almaly district, Abylai Khan Avenue, 91, to the head of the security unit (marked "personally in hand").
6.7	<p>The Bank has established an Internal Audit Service for a systematic independent assessment of the reliability and effectiveness of the risk management and internal control system and corporate governance practices.</p> <p>Separate bodies – internal audit services - are also being created in subsidiaries that are part of the Bank's group. In subsidiaries in the form of a limited liability partnership, the internal audit functions are assigned to the Audit Commission/auditor, functionally accountable to the Supervisory Board; at the same time, the goals, functions and tasks of the Audit Commission/Auditor, the procedure for their interaction with the bodies of the organization are established taking into account the principles applicable to the Internal Audit Service set out in the Code.</p>	Compliance	<p>The Bank has established an Internal Audit Department, whose main tasks are to conduct analysis and evaluation within the framework of audit assignments and consultations, including:</p> <ol style="list-style-type: none"> 1) reliability and efficiency of the internal control system; 2) reliability and effectiveness of the risk management system (including compliance risks); 3) the effectiveness of information technology and information security systems, including monitoring the integrity of databases and their protection from unauthorized access and (or) use, taking into account the measures taken in case of non-standard and emergency situations in accordance with the action plan aimed at ensuring the continuity of activities and (or) restoring the Bank's activities in case of non-standard and emergency situations; 4) reliability, completeness, objectivity of the accounting system and reliability of financial statements, regulatory and management reporting, capital adequacy and liquidity, and other information of the Bank, as well as evaluation of the rules (principles, methods) used to identify, measure, classify and present such information (plans and reports) to internal and external users, evaluation of capital and liquidity stress testing processes; 5) the effectiveness of the corporate governance system and the process of its improvement, compliance with the accepted principles of corporate governance, relevant ethical standards and values; 6) reliability and efficiency of the accounting and information system and financial and regulatory reporting compiled on their basis, including the processes of interaction between the structural divisions of the Bank. <p>There are no subsidiaries in the structure of the Bank, and therefore there is no need to create a separate internal audit service.</p>
6.8	The Internal Audit Service carries out its activities on the basis of a risk-based (annual) audit work plan approved by the	Compliance	IAD carries out its activities on the basis of a risk-oriented annual audit plan (hereinafter referred to as the AAP) developed annually by the head of

	<p>Bank's Board of Directors. The results of audit reports, key findings and relevant recommendations are submitted quarterly for consideration by the Board of Directors.</p> <p>The Head of the Internal Audit Service takes into account the risk management concept adopted by the Bank, and also applies his own risk judgment formed after consultations with the Bank's Management Board and the Audit Committee.</p>		<p>IAD and approved by the decision of the Board of Directors. The results of audits reflecting key findings and recommendations provided are submitted quarterly to the Board of Directors for consideration as part of management reports.</p> <p>The preliminary procedures preceding the development of a risk-oriented AAP are:</p> <ol style="list-style-type: none"> 1) drawing up/updating the Audit Area Map based on the approved Matrix of Business processes, risks and controls; 2) analysis of the approved Card and the Bank's risk register.
6.9	<p>In carrying out its activities, the Internal Audit Service evaluates 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> <p>Evaluation of the effectiveness of the internal control system includes:</p> <ol style="list-style-type: none"> 1) conducting an analysis of the compliance of the goals of business processes, projects and structural units with the goals of the Bank, 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, managerial and other reporting, identification of the results of business processes and structural units for compliance with the set goals; 3) determination of the adequacy of the criteria established by the Bank's Management Board for analyzing the degree of fulfillment (achievement) of the set goals; 4) identification of shortcomings of the internal control system that did not allow (do not allow) to achieve the set goals; 5) evaluation of the results of the implementation of measures to eliminate violations, deficiencies and improve the internal control system implemented at all levels of management; 	Compliance	<p>The effectiveness of the internal control, risk management and corporate governance systems is assessed by the Internal Audit Department using generally accepted standards of activity in the field of internal audit and corporate standards, in accordance with the methods that are annexes to the Rules for organizing internal audit in the Bank, approved by the decision of the Board of Directors dated May 22 .2018 (protocol No. 5).</p> <p>Evaluation of the effectiveness of the internal control system includes:</p> <ol style="list-style-type: none"> 1) conducting analysis and evaluation within the framework of audit assignments and consultations: <ul style="list-style-type: none"> - reliability and efficiency of the internal control system; - reliability of the functioning of the system of internal control over the use of automated information systems, including control of the integrity of databases and their protection from 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 the continuity of activities and (or) restoration of the Bank's activities in the event occurrence of non-standard and emergency situations <ul style="list-style-type: none"> - sufficiency and/or effectiveness of the business processes carried out by the structural divisions of the Bank, measures to achieve the tasks assigned to them within the framework of the Bank's strategic goals; - the effectiveness of the system of measures to combat fraud and corruption; 2) analysis of the reliability, completeness, objectivity of the accounting system and reliability of financial statements, regulatory and management reporting, capital adequacy and liquidity, and other information of the Bank, as well as evaluation of the rules (principles, methods) used to identify, measure, classify and present such information

<p>6) checking the effectiveness and expediency of the use of resources;</p> <p>7) checking the safety of the Bank's assets;</p> <p>8) verification of compliance with the requirements of the legislation of the Republic of Kazakhstan, the Charter and internal documents of the Bank.</p> <p>Evaluation of the effectiveness of the risk management system includes:</p> <p>1) verification of sufficiency and maturity of elements of the risk management system 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);</p> <p>2) verification of completeness of identification and correctness of risk assessment by the executive body at all levels of its management;</p> <p>3) verification of the effectiveness of control procedures and other risk management measures, including the effectiveness of the use of resources allocated for these purposes;</p> <p>4) analysis of information on realized risks (violations identified by the results of internal audits, facts of failure to achieve goals, facts of court proceedings).</p> <p>Corporate governance assessment includes verification:</p> <p>1) compliance with ethical principles and corporate values of the Bank;</p> <p>2) the procedure for setting goals, monitoring and controlling their achievement;</p> <p>3) the level of regulatory support and procedures for information interaction (including on internal control and risk management) at all levels of management, including interaction with stakeholders;</p> <p>4) ensuring the rights of the Sole Shareholder, including subsidiaries, and the effectiveness of relations with interested parties;</p> <p>5) procedures for disclosure of information about the activities of the Bank and its subsidiaries.</p>		<p>(plans and reports) to internal and external to users, assessment of the processes of stress testing of the level of capital and liquidity, reliability and efficiency of the accounting system and information and financial and regulatory reporting compiled on their basis, including the processes of interaction between the structural divisions of the Bank;</p> <p>3) assessment of how the goals formalized in regulations, policies, etc. or designated by the owner of the process correspond to 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 motivation system of the owner and participants of the business process with the goals of the business process/subprocess. If the goals of the business process are not formalized, and the owner of the process 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 owner of the process;</p> <p>4) testing the reliability of the ICS to determine the probability of achieving the goal of the control procedure by which the owner of the analyzed risk can effectively manage this risk;</p> <p>5) evaluation of the results of the implementation (implementation) of measures to eliminate violations, deficiencies and improve the internal control system implemented at all levels of management by monitoring the Bank's implementation of the recommendations of the Bank issued and adopted in accordance with the established procedure, as well as in the framework of periodic reports;</p> <p>6) checking the rationality and efficiency of the use of resources;</p> <p>7) analysis of the methods used to ensure the safety of property (assets);</p> <p>8) verification of compliance with the requirements of the legislation of the Republic of Kazakhstan, internal policies and other documents of the Bank, as well as the effectiveness of systems and procedures created and applied to ensure compliance with these requirements (compliance control).</p> <p>Evaluation of the effectiveness of the risk management system includes:</p> <p>1) verification of sufficiency and maturity of elements of the risk management system for effective risk management (goals and objectives,</p>
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			<p>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 assessing RMS;</p> <p>2) verification of 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 established limits, Action plans to minimize risks, etc.;</p> <p>3) verification of the effectiveness of control procedures and other risk management measures, including the effectiveness of the use of resources allocated for these purposes by analyzing business processes, approved regulations, risk minimization Action plans, management reporting, etc.;</p> <p>4) analysis of information on realized risks (violations identified by the results of internal audits, facts of non-achievement of goals, facts of court proceedings) by analyzing information from the Database on realized risks, the results of internal investigations, audits conducted by the Department of Internal Control, internal and external audits.</p> <p>Corporate governance assessment includes verification:</p> <p>1) the effectiveness of the corporate governance system and the process of its improvement, compliance with the accepted principles of corporate governance, relevant ethical standards and values;</p> <p>2) sufficiency and/or effectiveness of the business processes carried out by the structural divisions of the Bank, measures to achieve the tasks assigned to them within the framework of the Bank's strategic goals, monitoring and control of the achievement of strategic goals;</p> <p>3) availability and compliance with approved regulations, information interaction of structural divisions and bodies of the Bank (including on internal control and risk management) at all levels of management, including interaction with external stakeholders, including reporting;</p> <p>4) ensuring the rights of the Sole Shareholder, including when paying dividends, providing management reports, and the effectiveness of relations with interested parties (ministries, departments and other authorized bodies);</p> <p>5) procedures for disclosure of financial and non-financial information about the Bank's activities, including by posting on the Bank's website and other public sources.</p>
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6.10	<p>The Bank conducts an annual audit of financial statements by engaging an independent and qualified auditor who, as an outside party, provides an objective opinion to interested parties on the reliability of financial statements and their compliance with IFRS requirements. The norms regarding the annual audit are applied if the audit of the annual financial statements is provided for by the legislation of the Republic of Kazakhstan and/or internal documents of the Bank.</p> <p>The selection of an external auditor is carried out on the basis of a competition. An important role in the selection process is played by the Audit Committee of the Board of Directors of the Bank, which coordinates the qualification requirements and/or technical specifications developed for the purpose of the competition.</p>	Compliance	<p>In accordance with paragraph 3 of Article 76 of the Law of the Republic of Kazakhstan "On Joint Stock Companies" (hereinafter – the JSC Law), the annual financial statements are subject to preliminary approval by the Board of Directors no later than thirty days before the date of the Annual General Meeting of Shareholders, the final approval of the annual financial statements of the Bank is made at the annual General Meeting of Shareholders. According to subparagraph 5) of paragraph 2 of Article 53 of the JSC Law, subparagraphs 5), 33) of paragraph 10.2 of Article 10 of the Bank's Charter, the exclusive competence of the Bank's Board of Directors includes preliminary approval of the Bank's annual financial statements, preparation of recommendations to the sole shareholder regarding the procedure for distributing the Bank's net income for the past financial year.</p> <p>In accordance with sub-paragraphs 7), 8) of paragraph 1 of Article 36 of the JSC Law, sub-paragraphs 11), 18) of paragraph 9.2. of Article 9 of the Bank's Charter, approval of the Bank's annual financial statements falls within the exclusive competence of the Bank's sole shareholder.</p> <p>In accordance with paragraph 1-1 of Article 57 of the Law of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan" (hereinafter – the Law on Banks), a requirement is provided for the mandatory audit of financial statements by second-tier banks based on the results of the financial year.</p>
6.11	<p>The Bank should approve documents regulating the procedure for conducting an audit and relations with an external auditor, including the process of selecting an external auditor, the powers and functions of the competition commission, the provision of consulting services by an audit organization that are not related to the audit of financial statements and other information, the rotation of audit organizations and senior personnel of the audit organization, recruitment issues former employees of the audit organization.</p> <p>The rotation of partners and senior staff of the audit organization responsible for the audit of financial statements is carried out at least once every five years, if the audit organization provides audit services to the Bank for more than 5 consecutive years.</p>	Compliance	<p>The Bank has developed a Policy (procedure) for attracting an external audit of JSC Housing Construction Savings Bank of Kazakhstan, approved by the decision of the Board of Directors of JSC Housing Construction Savings Bank of Kazakhstan (Protocol No. 14) dated 20.10.2017.</p> <p>In order to organize an external audit for the audit of financial statements, the Bank performs the following procedures in accordance with the legislation 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 the services of an audit organization performing an audit of financial statements; 2) preliminary approval by the Bank's Management Board of the issue of determining the audit organization performing the audit of financial statements and the amount of payment for its services; 3) preliminary approval by the Audit committee of the Board of Directors of the Bank of the issue of determining the audit organization performing the audit of financial statements and the amount of payment for its services;

4) preliminary approval by the Bank's Board of Directors of the issue of determining the audit organization performing the audit of financial statements, determination by the Board of Directors of the amount of payment for the services of the audit organization performing the audit of financial statements;

5) making a Shareholder's decision on determining the audit organization that performs the audit of financial statements;

6) conclusion of an agreement for the audit of the Bank's financial statements.

This clause does not apply to cases of external audit at the initiative of the Board of Directors or at the request of a Shareholder.

6. In order to organize an external audit for another audit, the Bank performs the following procedures in accordance with the legislation of the Republic of Kazakhstan and in accordance with the procedure established by the Procurement Rules:

1) conducting procurement procedures for external auditor services;

2) making a decision by the Management Board of the Bank on determining the audit organization performing another audit, as well as determining the amount of payment for the services of the audit organization performing another audit.

3) conclusion of a contract for conducting another audit of the Bank.

This clause does not apply to cases of external audit at the initiative of the Board of Directors or at the request of a Shareholder."

7. The decision to approve the composition of the tender commission is made in the form of an order of the Chairman of the Management Board of the Bank or another person authorized by him.

7. The principle of regulating corporate conflicts and conflicts of interest

7.1	<p>Members of the Board of Directors and the Management Board of the Bank, employees of the Bank, perform their professional functions in good faith and reasonably in the interests of the Sole Shareholder and the Bank, avoiding conflicts.</p> <p>In case of corporate conflicts, the participants seek ways to resolve them through negotiations in order to ensure effective protection of the interests of the Bank and interested parties. At the same time, the Bank's officials promptly inform the Corporate Secretary and/or the Ombudsman about the presence (occurrence) of a conflict.</p> <p>The effectiveness of work on the prevention and resolution of corporate conflicts presupposes the full and early identification of such conflicts and coordination of actions of all bodies of the Bank.</p>	Compliance	<p>In order to prevent and resolve possible corporate conflicts and conflicts of interest, the Bank's Board of Directors approved the Policy on Resolving Corporate Conflicts and Conflicts of Interest of the Bank (hereinafter referred to as the Policy) by the decision of March 27, 2015 (Protocol No. 4). The Policy regulates the procedure and procedures for pre-trial settlement of conflicts, as well as the actions of bodies, officials and employees of the Bank within these processes.</p> <p>The purpose of the Policy is:</p> <ul style="list-style-type: none"> – definition of the procedure for the prevention and settlement of corporate conflicts, contentious conflict situations, timely identification and prevention of conflicts of interest in the Bank; – definition of clear coordination of actions of all bodies of the Bank in case of occurrence or possibility of occurrence of a corporate conflict and/or conflict of interests; – improving the efficiency of decisions taken 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. <p>At the same time, taking into account the norms of the current internal regulatory documents of the Bank, in order to ensure the objectivity of the assessment of the corporate conflict and the conflict of interests to create conditions for its effective settlement, persons whose interests are affected by the conflict or may be affected may contact the Bank's Ombudsman.</p>
7.2	<p>A conflict of interest is defined as a situation in which the personal interest of a Bank employee affects or may affect the impartial performance of official duties.</p> <p>Serious violations related to a conflict of interest may damage the reputation of the Bank and undermine the trust in it on the part of the Sole Shareholder and other interested parties. The personal interests of an official or employee should not influence the impartial performance of their official, functional duties.</p>	Compliance	<p>The Bank's Corporate Conflicts and Conflicts of Interest Resolution Policy considers the following situations that may lead to a conflict of interest:</p> <ol style="list-style-type: none"> 1) a situation in which an official, an employee of the Bank, their close relatives or a legal entity in which he or any of his close relatives, his spouse is an official or a major participant are a party to a contract, project or transaction related to the Bank, except, due to the specifics activities of the Bank, contracts on housing construction savings, loan agreements and arising in connection with their conclusion of agreements and contracts concluded to ensure the fulfillment of obligations, both by the above-mentioned persons themselves and for the obligations of third parties, as well as auctions in accordance with the internal documents of the Bank regulating the procedure

		<p>for disposal and write-off from the balance of fixed assets, intangible assets, stale inventories, overdue accounts receivable formed as a result of administrative and economic activities of the Bank with off-balance sheet accounting of non-expendable property;</p> <p>2) any commercial or other interest of Bank officials and employees (direct or indirect) in transactions, contracts, projects related to the Bank;</p> <p>3) a situation in which an official or employee of the Bank competes with the Bank in terms of providing services, concluding a contract, implementing a project or a transaction with a third party;</p> <p>4) a situation in which an official or employee of the Bank, without obtaining the appropriate permits of the Bank's authorities, if obtaining a permit results from an employment contract concluded with an official or employees of the Bank, if necessary, enters into the Boards of Directors/supervisory Boards of other organizations or combines work in another organization in addition to working at the Bank, except for teaching, scientific and other creative activities;</p> <p>5) a situation in which an official, an employee of the Bank, their close relatives or a legal entity in which he or one of his close relatives, his spouse is an official or a major participant, receive remuneration in the form of money, services and other forms for the performance by an official or employee of the Bank of their professional duties or other services related to the performance by an official or employee of the Bank of their professional duties from organizations and individuals in which they do not perform the relevant duties;</p> <p>6) a situation in which an official, an employee of a Bank, their close relatives or a legal entity in which he or one of his close relatives, his spouse is an official or a major participant, accepts gifts or services in connection with the performance of their professional duties or from persons dependent on them for work, with the exception of symbolic tokens of attention and symbolic souvenirs in accordance with generally accepted norms of courtesy and hospitality or during protocol and other official events;</p> <p>7) a situation in which an official, a Bank employee, their close relatives or a legal entity in which he or one of his close relatives, his spouse (spouse) is an official or a major participant, receives personal discounts or other exclusive benefits from suppliers or customers of the Bank, which are not generally available to other officials, employees of the Bank or their close relatives;</p>
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7.3	<p>The Bank's employees do not allow a situation in which a conflict of interests may arise, either in relation to themselves (or related persons), or in relation to others.</p> <p>In order to avoid conflicts of interest that prevent the Board of Directors from fulfilling its duties objectively and to limit political interference in the processes of the Board of Directors of the Bank, mechanisms are being introduced to prevent and regulate them.</p>	Compliance	<p>Bank officials 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, violations of the procedure for providing information established by the legislation, proposals for the conclusion and (or) decision-making on the conclusion of large transactions, transactions in which there is an interest and transactions with persons associated with the Bank with special relations that have caused losses to the Bank as a result of their unfair actions and (or) inaction, including for the purpose of obtaining or their affiliated persons profit (income) as a result of concluding such transactions with the Bank.</p>
8. The principle of transparency and objectivity of disclosure of information about the Bank's activities			
8.1	<p>In order to comply with the interests of interested parties, the Bank promptly and reliably discloses information provided for by the legislation of the Republic of Kazakhstan and internal documents of the Bank, as well as information on all important</p>	Compliance	<p>The Bank, in accordance with the requirements of the Rules for Disclosure of Information by the Issuer and the requirements for the content of information to be disclosed by the issuer, as well as the timing of disclosure by the issuer of information on the Internet resource of the depository of financial statements, approved by Resolution No. 189 of the Board of the National Bank</p>

	aspects of its activities, including financial condition, results of operations, ownership and management structure.		of the Republic of Kazakhstan dated August 27, 2018, the Kazakhstan Stock Exchange and the International Financial Center "Astana ", discloses information in terms of corporate events of the Bank, as well as the list of affiliated persons of the Bank.
8.2	To ensure the systematic disclosure of information, the Bank approves internal documents defining the principles and approaches to disclosure and protection of information, a list of information disclosed to interested parties, deadlines, procedure, method, form of disclosure of information, responsible officials and employees, indicating their functions and responsibilities, as well as other provisions governing the disclosure processes.	Compliance	<p>The issues of ensuring confidentiality of information security, ensuring the safety of commercial, official and other secrets protected by law, disclosure of information about JSC "Housing Construction Savings Bank of Kazakhstan" and the sources of placement are regulated by the following internal regulatory documents:</p> <ul style="list-style-type: none"> - The Bank's information security policy approved by the decision of the Bank's Management Board dated August 28, 2018 (Protocol No. 60); - the policy of informing about violations related to the Bank's activities, approved by the decision of the Board of Directors of the Bank dated November 28, 2014 (Protocol No. 17). <p>In addition, by the decision of the Board of Directors of the Bank dated October 15, 2018 (Protocol No. 12) approvedThe list of protected information, including information on information constituting an official, commercial or other legally protected secret of JSC "Housing Construction Savings Bank of Kazakhstan".</p>
8.3	In order to protect information constituting commercial and official secrets, the Bank, in accordance with the legislation of the Republic of Kazakhstan, determines the procedure for classifying information into access categories, conditions for storing and using information. The Bank determines the circle of persons who have the right of free access to information constituting commercial and official secrets, and takes measures to protect its confidentiality.	Compliance	<p>The following documents have been approved and applied in the Bank:</p> <ul style="list-style-type: none"> - Rules for categorizing information, information Assets and developing a List of protected information in the Bank (approved by RP No. 44 of 12.05.2020) - The list of protected information, including, among other things, information about data constituting an official, commercial or other legally protected secret of Housing Construction Savings Bank of Kazakhstan JSC (approved by the Board of Directors on April 30, 2021, protocol No. 14); - Rules of accounting, use and storage of protected information in JSC "Housing Construction Savings Bank of Kazakhstan" (approved by PP No. 28 of 19.02.2015)
8.4	The corporate Internet resource is structured, user-friendly navigation 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.	Compliance	<p>The rules of information disclosure of JSC Housing Construction Savings Bank of Kazakhstan, approved by the decision of the Board of JSC Housing Construction Savings Bank of Kazakhstan dated December 28, 2017 (Protocol No. 51), the responsibility for posting and updating information on the Bank's Internet resource lies with the responsible division and the information technology division.</p>

	<p>Updating of the corporate Internet resource is carried out as necessary, but at least once a week.</p> <p>The Bank regularly monitors the completeness and relevance of information posted on the corporate Internet resource, and also determines the compliance of this information posted on the Kazakh, Russian, English versions of the corporate Internet resource. For these purposes, responsible persons (structural unit) responsible for the completeness and relevance of information on the corporate Internet resource are assigned.</p>		<p>According to the List of responsible departments for the placement and updating of information in the sections of the external Internet resource of Order No. 451 dated 04.10.2019 "On the formation, placement and updating of information in the sections of the external Internet resource of JSC Housing Construction Savings Bank of Kazakhstan", information on the Bank's Internet resource is updated as necessary and on time in accordance with internal documents.</p>
8.5	<p>The Bank's corporate Internet resource contains the following information:</p> <ol style="list-style-type: none"> 1) general information about the Bank, including information about the mission, main objectives, goals and activities, the amount of equity, assets, net income and number of staff; 2) on the development strategy and/or development plan (at least strategic goals); priority areas of activity; 3) The Charter and internal documents of the Bank regulating the activities of bodies, committees, corporate Secretary; 4) on ethical principles; 5) on risk management; 6) on the dividend policy; 7) on the members of the Board of Directors, including the following information: photo (in 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 the functions of a member of the Board of Directors, including membership in the committees of the Board of Directors or performance of the functions of the Chairman of the Board of Directors, education, including basic and additional education (name of educational institution, year of graduation, qualification, degree), work experience over the past five years, main place of work and other positions currently held, professional qualifications, date of first election to the 	Compliance	<p>The rules of information disclosure of JSC "Housing Construction Savings Bank of Kazakhstan, approved by the decision of the Board of the Bank dated December 28, 2017 (Protocol No. 51) provide for the placement of the following information on the external Internet site of the Bank:</p> <ol style="list-style-type: none"> 1) the main activities of the Bank; 2) annual report of the Bank; 3) information about significant 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 about existing vacancies, personnel policy of the Bank; 6) list and addresses of Bank branches; 7) information about affiliated persons; 8) information about the Bank's shareholders and partners; 9) information about the Bank's strategic development; 10) accounting policy of the Bank; 11) press releases and promotional and informational articles of the Bank; 12) presentation stories and commercials of the Bank.

Board of Directors and date of election to the the current Board of Directors, the number and share of shares owned by affiliated organizations;

8) on the members of the Management Board, including the following information: photo, 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), work experience over the past five years, professional qualifications, positions held concurrently, the number and share of shares owned by affiliated organizations;

9) on financial statements;

10) on annual reports;

11) on the external auditor;

12) on procurement activities, including rules, announcements and procurement results;

13) on the structure of the authorized capital, including the following information: the number and nominal value of issued shares (participation shares), a description of the rights granted by the shares, the number and nominal value of the declared but outstanding shares, information about the Sole Shareholder, the number and share of common shares (participation shares) owned by them, the procedure for disposing of ownership rights;

14) on the structure of assets, including information on affiliated organizations at all levels with a brief indication of the scope of their activities;

15) on the annual calendar of corporate events;

16) on interested-party transactions, including information about the parties to the transaction, the essential terms of the transaction (the subject of the transaction, the transaction price), the body that made the decision to approve the transaction;

17) on major transactions, including information about the parties to the transaction, the essential terms of the transaction (the subject of the transaction, the transaction price), the body that made the decision to approve the transaction;

18) on activities in the field of sustainable development;

19) on the amount of approved dividends;

8.6	<p>20) on news and press releases.</p> <p>The Bank prepares an annual report in accordance with the provisions of this Code and the best practices of information disclosure. The annual report is approved by the Board of Directors.</p> <p>The annual report is a structured document and is published in Kazakh, Russian and English (if necessary).</p> <p>The annual report is prepared and, after approval by the Board of Directors of the Bank, posted on the Internet resource.</p>	Compliance	<p>According to subparagraph 19) of paragraph 9.2 of Article 9 of the Bank's Charter, the Sole Shareholder's exclusive competence includes the approval of the Bank's annual report.</p> <p>In 2021, the Annual Report was preliminarily approved by the decision of the Bank's Board of Directors No. 7 dated June 9 and approved by the decision of the Holding's Management Board by decision No. 33/21 dated June 30.</p> <p>The Bank's annual report for 2020 is posted on the Bank's Internet resource.</p>
8.7	<p>The requirements for the content of the annual report minimally assume the following information:</p> <ol style="list-style-type: none"> 1) address of the Chairman of the Board of Directors; 2) address of the Chairman of the Management Board of the Bank; 3) about the Bank: general information; about the structure of the authorized capital, including the following information: the number and nominal value of issued shares (participation shares), a description of the rights granted by shares, the number and nominal value of declared but outstanding shares, information about the sole shareholder, the number of ordinary shares owned by him, the procedure for disposing of ownership rights; mission; development strategy, results of its implementation; market overview and market position; 4) results of financial and operational activities for the reporting year: review and analysis of activities regarding the tasks set; operational and financial performance indicators; key significant events and achievements; information on significant transactions; any financial support, including guarantees received/received from the state and any obligations to the state and society assumed by the Bank (if not disclosed in accordance with IFRS); 5) asset structure, including subsidiaries of all levels, overview, main results of their financial and production activities; 6) goals and plans for future periods; 7) main risk factors and risk management system; 	Compliance	<p>In 2021, a report for 2020 was submitted for consideration by the EA.</p> <p>The Bank's Annual Report for 2020 provides information on the results of the Bank's activities, including:</p> <ul style="list-style-type: none"> – Address of the Chairman of the Board of Directors of the Bank, Chairman of the Management Board of the Bank; – information about the main activities and services provided; – information about significant corporate events; – information about the development strategy (mission, goals and objectives); – information about risk management; – information on corporate social responsibility and environmental protection; – information about the management bodies and organizational structure of the Bank; – information on the principles of corporate governance of the Bank, including the policy on conflict of interest resolution; – information on the results of self-assessment of compliance with the approved Corporate Governance Code of the Bank; – information on the transparency of the Bank and the effectiveness of information disclosure processes; – annual financial statements and audit reports; – additional information according to the requirements of JSC "Kazakhstan Stock Exchange".

	<p>8) corporate governance: corporate governance structure; composition of shareholders and ownership structure; composition of the Board of Directors, including qualifications, selection process, including independent directors with 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 the compliance of corporate governance practices with the principles of this Code, and if it does not comply with 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 of officials;</p> <p>9) sustainable development;</p> <p>10) auditor's report and financial statements with notes;</p> <p>11) the analytical indicators and data included in the annual report should reflect a comparative analysis and the progress achieved (regression) in relation to the previous period (comparison with the values of similar indicators indicated in the last annual report). In order to compare the indicators with international companies operating in a similar industry, it is recommended to publish performance indicators that will allow for industry benchmarking analysis.</p>		
8.8	<p>The Management Board holds face-to-face 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. Board meetings are held on a regular basis. The cases of holding absentee meetings are limited and defined in the Charter and internal documents of the Bank.</p>	Compliance	<p>In 2021 , the Management Board of the Bank conducted: 57 face-to-face meetings (decisions were made on 351 issues); 157 absentee meetings (decisions were made on 558 issues).</p>
8.9	<p>The Management Board forms a work plan for the coming year with a list of issues before the beginning of the calendar year. Members of the Management Board are provided with materials for consideration in advance, of proper quality. When considering issues such as development strategies and/or</p>	Compliance	<p>The work plan of the Bank's Management Board for 2021 was approved by the decision of the Management Board (Protocol No. 214) dated 31.12.2021 .</p>

	development plans, investment projects, risk management, several meetings are allowed.		If necessary, it is possible to hold several meetings of the Management Board when discussing issues such as development strategies and/or development plans, investment projects, risk management.
8.10	When considering each issue, a separate discussion is devoted to the risks associated with making/not making a decision and their impact on the Bank's profitability. All issues submitted on the initiative of the Management Board for consideration by the Board of Directors and the Sole Shareholder are pre-considered and approved by the Management Board.	Compliance	Within the competence of the Management Board of the Bank, when considering each issue, a separate discussion is held on the risks associated with the adoption/non-adoption of a decision and their impact on the Bank's profitable activities. All issues submitted on the initiative of the Management Board for consideration by the Board of Directors and the Sole Shareholder are subject to preliminary approval by the Management Board of the Bank in accordance with subparagraph 13) of paragraph 11.5 of Article 11 of the Bank's Charter.
8.11	The Chairman and members of the Management Board do not allow a conflict of interest situation to arise. If a conflict of interest arises, they notify the Board of Directors or the Chairman of the Management Board in advance about the need to record it in writing and not participate in making a decision on the issue.	Compliance	In 2021, there are no cases related to direct or indirect potential conflicts of interest.

Corporate Secretary M. Tolkimbekova

