

*Annex 1  
to the decision of the Board of Directors  
JSC “Mortgage Organization “Kazakhstan Housing Company”  
dated December 24, 2020 No. 13*

**Development strategy of the “Kazakhstan Housing Company”  
Joint Stock Company  
for 2021-2023**  
*(with amendments and additions from April 28, 2023)*

**Nur-Sultan 2020**

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## Introduction

**The Kazakhstan Housing Company Joint Stock Company** (hereinafter referred to as the Company) was established in accordance with the Resolution of the National Bank of the Republic of Kazakhstan dated December 20, 2000 No. 469 On the Establishment of the Kazakhstan Housing Company Closed Joint Stock Company within the framework of the Concept of Long-Term Financing of Housing Construction and Development of Mortgage Lending in the Republic of Kazakhstan, approved by the Decree of the Government of the Republic of Kazakhstan dated August 21, 2000 No. 1290.

The Company was reorganized by joining to it a subsidiary organization - the KazIpoteka Mortgage Organization Joint Stock Company, a subsidiary organization - the Unified Payment Systems Joint Stock Company and the Baiterek Development Joint Stock Company, is the legal successor of the KazIpoteka Mortgage Organization Joint Stock Company, the Unified Payment Systems Joint Stock Company and the Baiterek Development Joint Stock Company in all their rights and obligations in relation to all creditors and debtors, including obligations disputed by the parties.

The sole shareholder of the Company is the Baiterek National Managing Holding Joint Stock Company (hereinafter referred to as the Baiterek NMH JSC).

On November 4, 2020, the Sole Shareholder of the Company represented by the Baiterek NMH JSC decided to reorganize the Company by joining the Housing Construction Guarantee Fund JSC and to change the name of the Company from the Kazakhstan Housing Company to the Kazakhstan Housing Company Joint Stock Company. Currently, the necessary measures are being taken to implement the above decision of the Sole Shareholder of the Company.

The Company's development strategy for 2021-2023 in the new edition was developed in accordance with the Rules for the development, coordination, approval, monitoring and updating of development strategies of subsidiaries of the Baiterek NMH JSC in connection with:

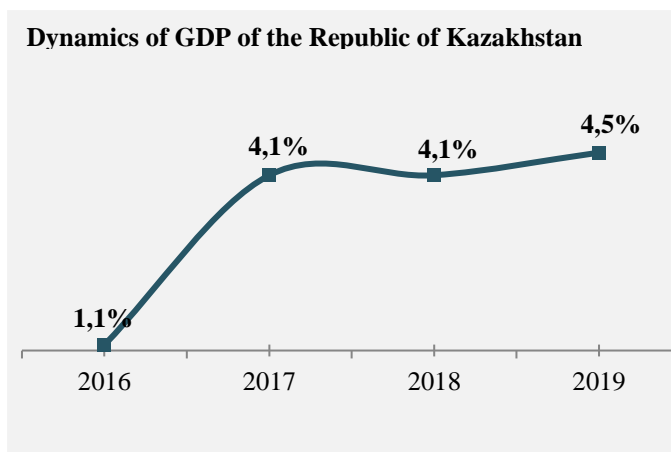
- The Address to the nation of the Head of State K.K. Tokayev to the people of Kazakhstan dated September 2, 2019 Constructive public dialogue is the basis of stability and prosperity of Kazakhstan provides for a reduction in the number of operators of housing programs;
- implementation of the Law of the Republic of Kazakhstan dated June 9, 2020 on Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Reducing the Number of Operators of Housing Programs;
- transformation of the housing and construction unit of the Baiterek NMH JSC on the model of the Singapore Housing and Development Board;
- transfer to the Company of the instrument of subsidizing loans to private builders from the Damu Entrepreneurship Development Fund JSC.

This document is developed taking into account the main activities of the Company and defines its mission, vision, strategic directions, goals and objectives for 2021-2023.

## 1. Analysis of the external environment

### 1.1. Macroeconomic overview

Growth in the economy in 2016-2019 was driven by a recovery in domestic demand, which was supported by new investment in the economy, the expansion of production in tradable sectors, and balanced growth in almost all sectors of the economy.<sup>1</sup> It is worth noting that the activities of «Baiterek NMH» JSC, aimed at ensuring sustainable growth, have contributed to the development



Source: SC MNE RK

of the economy. According to the assessment of the Institute for Economic Research JSC, the total contribution of «Baiterek NMH» JSC to the country's GDP growth in 2019 amounted to 0.6%<sup>2</sup>.

The main factors of positive conditions include large-scale budget injections into the economy, which, along with the growth of investments, made it possible to neutralize the negative impact from the decline in oil prices and ensured economic growth of 4.5% in 2019.

The average price of Brent crude oil in 2019 was \$64.03 per barrel, which is 9.9% lower than the same period last year<sup>3</sup>.

The continued positive economic dynamics in 2019 was due to an increase in investment in fixed assets (+12.7%). A significant increase in investments in fixed assets in 2019 was observed in the energy sector (+73.8%), in the mining industry (+24.5%), as well as in construction (+6.8%). There is a significant concentration of investments in the mining industry in the total volume of capital investments, the share of which, according to the results of the period under review, amounted to 45%<sup>4</sup>.

The volume of industrial production in 2019 grew by 3.8% higher than in 2018.

In mining and quarrying, the industrial production index was 103.7% in 2019. The extraction of non-ferrous metal ores increased (+16.9%), technical services in the mining industry increased (+19.5%).

In the manufacturing industry, production increased by 4.4%. The production of food and beverages (+10.2%), oil products (+6.6%), basic precious and non-ferrous metals (+6.8%) and engineering (+20.9%) increased.

<sup>1</sup><https://vlast.kz/novosti/36709-rost-vvp-kazahstana-po-itogam-2019-goda-sostavil-45.html>

<sup>2</sup>Calculations to assess the contribution of the Holding to the growth of the country's GDP in 2019 were carried out on the basis of the input-output balance model developed by JSC "Institute for Economic Research"

<sup>3</sup>Based on World Bank Commodities Price Data

<sup>4</sup>Calculations based on the data of the SC MNE RK

In electricity supply, gas supply, steam supply and air conditioning, the industrial production index was 101.3%, mainly due to an increase in production, transmission and distribution of electricity by 4.6%.

The growth rate of gross value added (hereinafter referred to as GVA) in the mining industry for 2019 amounted to 3.7%, in the manufacturing industry 4.4%, and the growth rate in construction GVA was 12.9%.

Overall, the country's economic development remained stable in 2019, driven by growth in mining, construction, manufacturing, and the contribution of the service sector.

Despite the steady growth of the economy, there are external factors that may have a dampening effect on the growth rate of the Kazakhstani economy.

The global economy is experiencing a synchronized slowdown with rising downside risks that could further dampen economic growth. Subsequently, some risks receded in part due to the announced “phase one” of the agreement between the US and China and the decrease in the likelihood of a no-deal Brexit. Monetary policy continues to support economic growth and dynamic financial conditions. Against the backdrop of these developments, there are now signs that global growth is stabilizing, albeit at subdued levels.

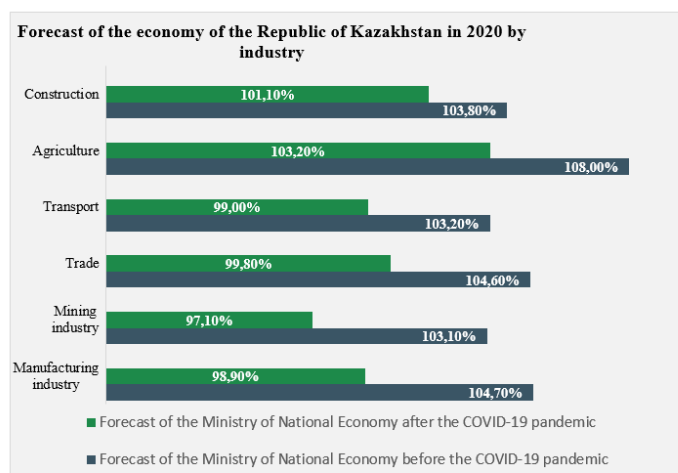
In connection with the COVID-19 pandemic that began in 2020, the International Monetary Fund (hereinafter referred to as the IMF) predicts a severe economic crisis and a decline in per capita income in 170 of the 180 countries that make up the organization from 2020.

According to the IMF, more than 80 developing countries have requested financial assistance from the fund totaling \$2.5 trillion. dollars, the fall in prices for most commodities is more than 30% and returns the markets to the price levels of 20 years ago, world prices for some commodities (products and primarily grain) have increased by 10-15% since the beginning of the crisis.

World interest rates have returned to their 2008-2009 lows after all the major central banks brought their rates down to their lowest levels, making potential private fundraising relatively cheaper.

Prior to the COVID-19 pandemic, the Ministry of National Economy (hereinafter referred to as the MNE) predicted Kazakhstan's GDP growth in 2020 at 4.1%, and the average annual growth until 2024 at 4.4%.

In connection with the COVID-19 pandemic, the MNE predicts a decline in Kazakhstan's GDP in 2020



by 2.1%<sup>5</sup>. The MNE forecasts for 2020 for the main sectors of the country's economy have been reassessed downward.

As a result of the COVID-19 pandemic, the World Bank and the IMF predict negative GDP growth in the global economy, as well as in the countries of Central Asia (hereinafter referred to as CA) and Kazakhstan in 2020.

	The World Bank <sup>6</sup>			International Monetary Fund <sup>7</sup>			Ministry of National Economy <sup>8</sup>		
	2019	2020	2021	2019	2020	2021	2019	2020	2021
<b>World economy</b>	2.40%	-5.20%	4.20%	2.40%	-4.40%	5.20%	2.40%	-4.90%	5.40%
<b>CA</b>	4.90%	-1.70%	1.50%	4.90%	-4.10%	-3.30%	4.90%	-	-
<b>Kazakhstan</b>	4.50%	-2.50%	2.5%	4.50%	-2.70%	3.0%	4.50%	-2.10%	2.8%

In 2020, according to the forecasts of the World Bank, the global economy will show a negative GDP growth of 5.2%. The IMF predicts a decline in global GDP by 4.4%. Kazakhstan's GDP in 2020 will decrease by 2.5% according to World Bank forecasts and by 2.7% according to IMF forecasts.

However, in 2021, the World Bank and the IMF forecast a slight global economic recovery of 4.2% and 5.2%, respectively. Kazakhstan's GDP growth for 2021, according to the forecasts of the World Bank and the IMF, will be 2.5% and 3%, respectively.

Inflation growth in 2020 is projected at 8-8.5%, which is 2.5-4% more than the previous forecast at 4-6%<sup>9</sup>.

At the same time, it is expected that the disinflation strategy of the National Bank of the Republic of Kazakhstan (hereinafter referred to as the NB RK) in 2021 will be aimed at keeping inflation within the target corridor of 4-6%<sup>10</sup> followed by a decrease to 3-5%. The Government of the Republic of Kazakhstan and the National Bank of the Republic of Kazakhstan will manage inflationary processes jointly. Measures to ensure price stability in the country will help create the necessary conditions for long-term sustainable economic growth. The main instrument of monetary policy remains the base rate, which is set depending on the actual and projected level of inflation and other parameters.

The interest rate policy of the National Bank of the Republic of Kazakhstan will be aimed at maintaining the base rate in real terms at a level no higher than long-term economic growth rates in order to ensure a reasonable balance in terms of regulating inflationary processes and the availability of credit resources. Monetary policy will be carried out in conditions of a freely floating tenge exchange rate.<sup>11</sup>

<sup>5</sup><https://vlast.kz/novosti/42090-mne-ozidaet-cto-po-itogam-goda-vvp-kazahstana-sostavit-minus-21.html>

<sup>6</sup>«Europe and Central Asia Economic Review: COVID-19 and Human Capital» World Bank group

<sup>7</sup>World Economic Outlook International Monetary Fund

<sup>8</sup>Government meeting of August 25, 2020

<sup>9</sup>Inflation Review of the National Bank of the Kyrgyz Republic June 2020

<sup>10</sup>Inflation Review of the National Bank of the Kyrgyz Republic June 2020

<sup>11</sup>Forecast of social and economic development of the Republic of Kazakhstan for 2020 - 2024

## 1.2. Overview of the housing and construction sectors

According to the data of the SC MNE RK, the population in Kazakhstan for the period from 2017 to 09/01/2020 increased by 3.8% and amounted to 18.7 million people. At the same time, the share of urban and rural population in 2017–2020 remained almost at the same level.

The total area of housing commissioned in 2019 amounted to 13.1 million m<sup>2</sup>, which is 18% more than in 2017.

In 2019, most of the housing was commissioned by private developers - 87% (11,236 thousand m<sup>2</sup>). At the expense of public sources, 13% of housing was commissioned (1,687 thousand m<sup>2</sup>).

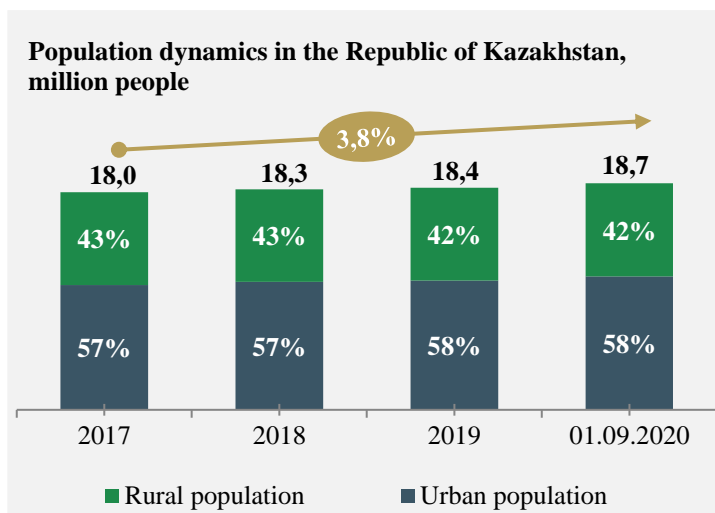
According to the Concept the housing commissioning plan for 2020 is 14.1 million rubles m<sup>2</sup>, and for 2021 is 15.2 million m<sup>2</sup>.

In 2019, the country's housing stock amounted to 363.9 million.m<sup>2</sup>, which is 4.7% more than in 2017. The private housing stock accounted for 98% of the total in 2017–2019.

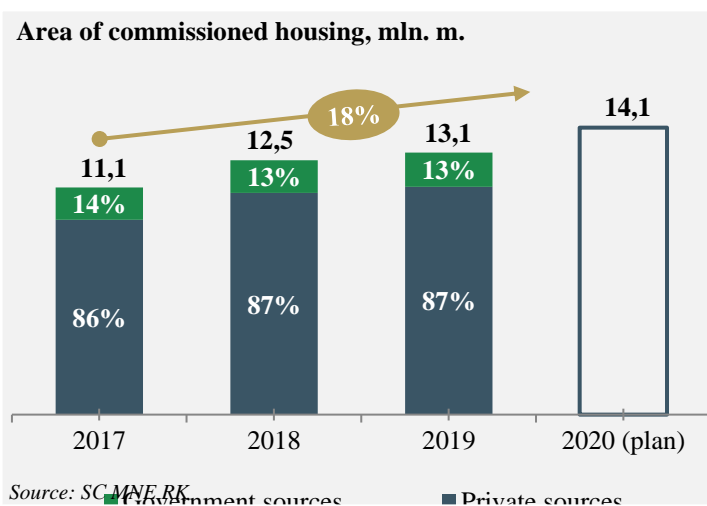
Despite a significant increase in commissioned housing, as well as a twofold increase in investment in housing construction, the housing stock in the country showed a slight increase.

This is due to an increase in the natural retirement of the housing stock due to the fact that more than 70% of residential buildings were built more than 15 years ago. Therefore, in 2019, the share of new housing stock

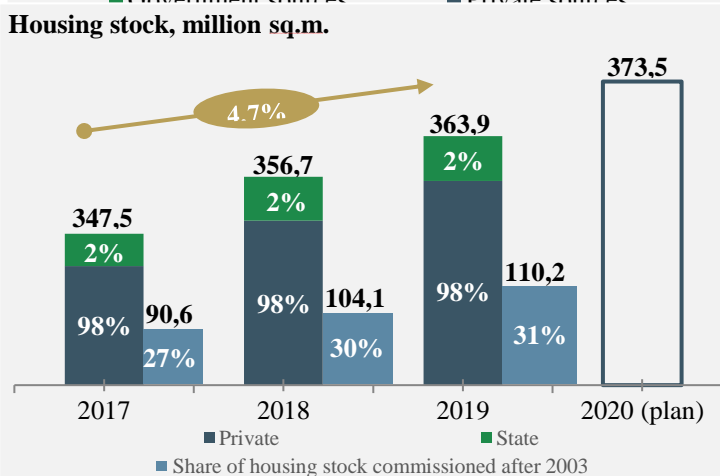
(introduced after 2003) was only 31%. The indicator increased by only 4 percentage



Source: SC MNE RK



Source: SC MNE RK



Source: SC MNE RK

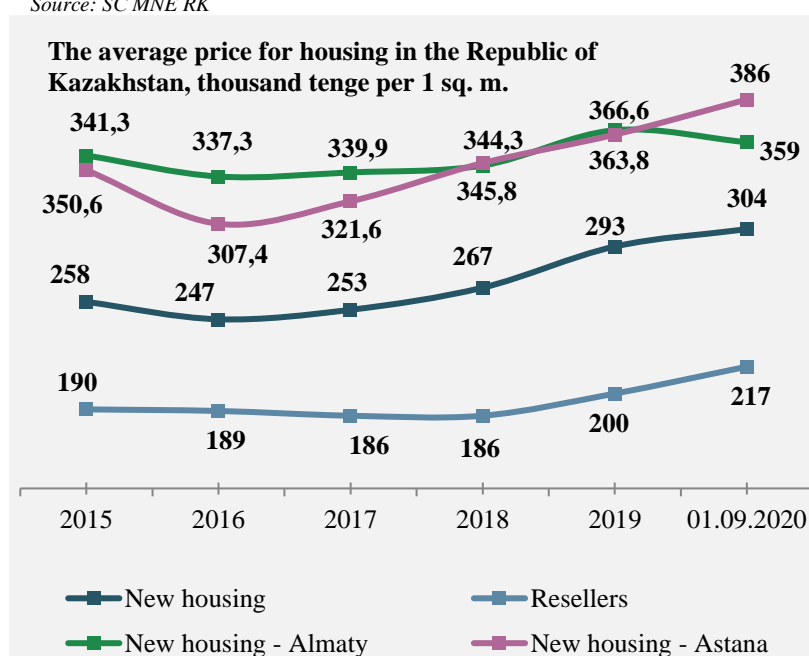
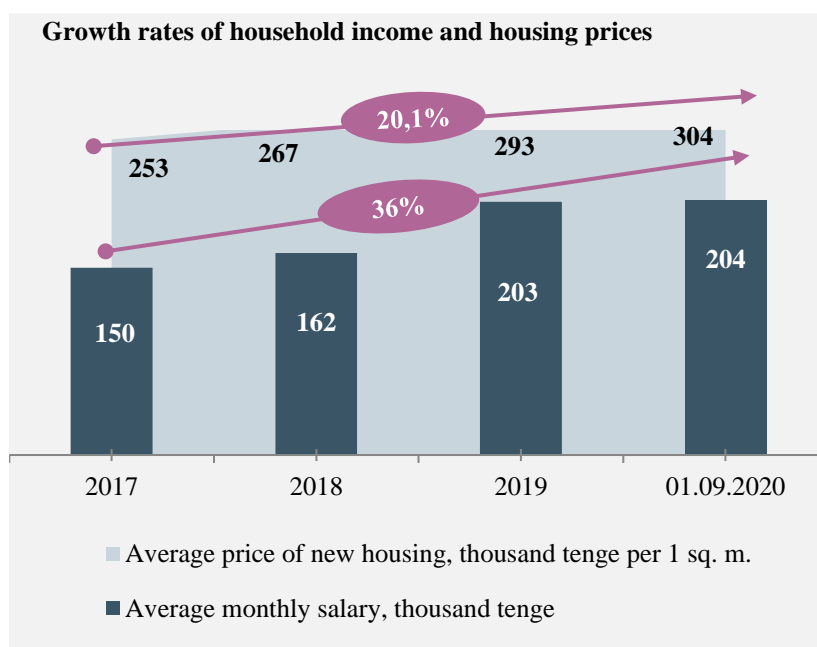
points between 2017 and 2019. The total area of the housing stock also includes houses in disrepair with a total area of 1.5 million m<sup>2</sup>.

The cumulative annual growth of the nominal average monthly salary of employees in the country for the period from 2017 to 09/01/2020 amounted to 36%.

While the cost per square meter of new housing increased by 20% on 09/01/2020 compared to 2017. Despite the fact that the growth in incomes of the population was greater than the growth in the cost of housing, the affordability of acquiring housing in the country is at a rather low level.

According to the CS of the Ministry of National Economy of the Republic of Kazakhstan, the number of people on the waiting list for local executive bodies as of September 2020 is 531,812 people, including: state employees (203,288), citizens whose only dwelling is recognized as emergency (2,885), orphans (59,252), disabled people and participants in the Second World War (200), mothers with many children (54,185) and socially vulnerable segments of the population (212,002).

Thus, there is a need to support and stimulate the housing and construction sector in affordable price segments, as well as additional measures to support demand.





### 1.3.Housing affordability overview

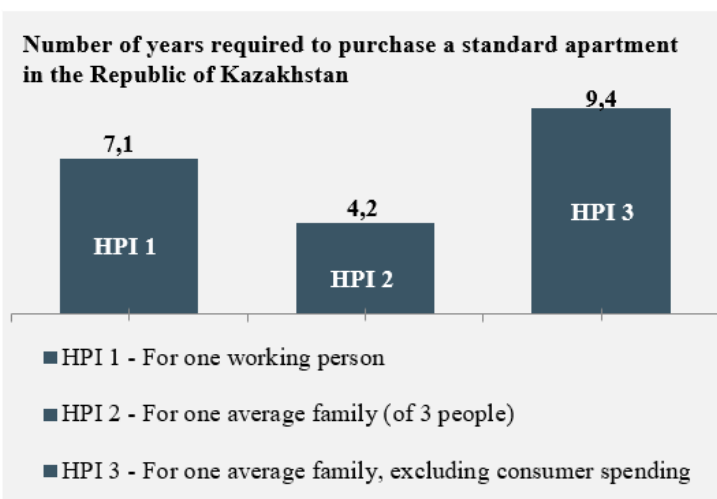
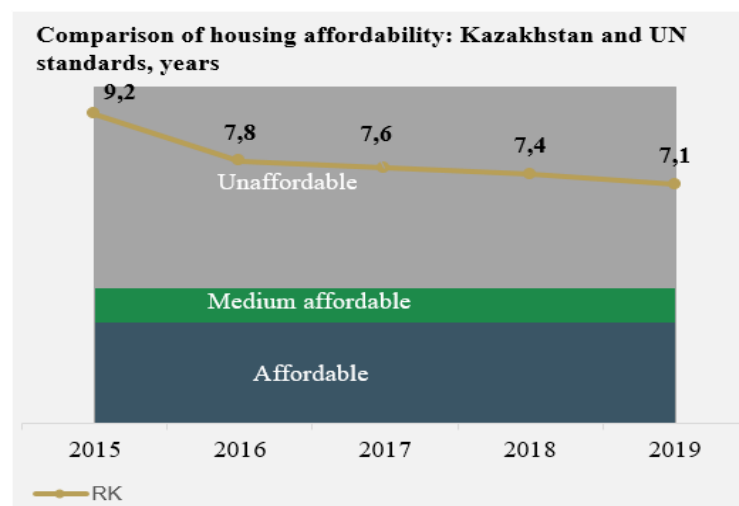
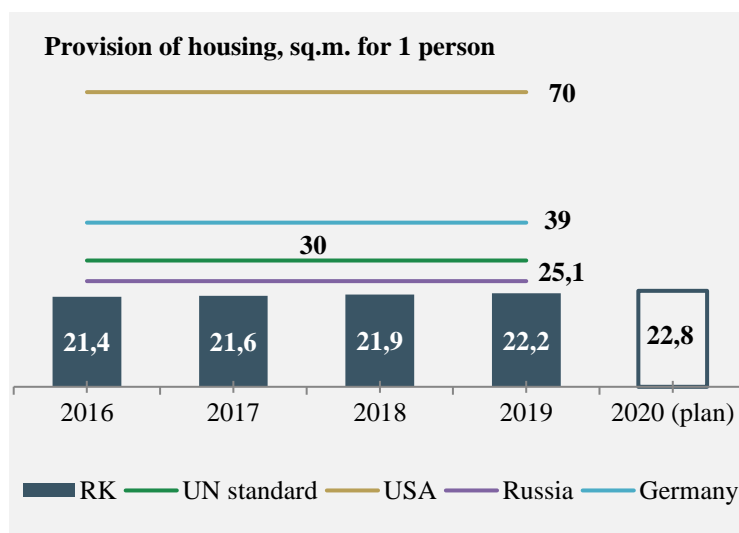
Provision of the population with housing in 2019 amounted to 22.2 m<sup>2</sup>. per person, while the UN social standard is 30m<sup>2</sup> per person.

For example, the housing supply rate in developed countries such as the US and Germany is 70m<sup>2</sup>and 39m<sup>2</sup>per person, respectively.

There are housing affordability indices that determine the amount of time required to purchase a standard housing HPI index (Housing price-to-income ratio)<sup>12</sup>and the ability of the population to acquire standard housing with the help of a mortgage, the HAI index (Housing Affordability Index)<sup>13</sup>.

According to UN standards, housing is considered affordable if it takes less than 3 years to purchase an apartment with an average area and cost, from 3 to 4 years for an average affordable one, and more than 5 years for an unaffordable one. According to the HPI index for the purchase of a standard apartment of 54m<sup>2</sup> it will take 7.1 years (HPI1) for one working citizen of Kazakhstan, provided that all income is directed to the purchase of housing.

It will take an average Kazakhstani family (3 people) 4.2



<sup>12</sup>The HPI index was developed by the US Federal Housing Finance Agency

<sup>13</sup>The HAI index was developed by the National Association of Realtors of the USA

years (HPI2) to buy the same apartment, provided that all income is directed to the purchase of housing. However, no average family can spend all their income on buying an apartment for several years. Assuming that a family can send no more than 1/3 of the total family cash income per year, that is, minus consumer spending, while maintaining normal living conditions, then the average family will need 9.4 years (HPI3) to purchase a standard apartment.

There is also the Housing Affordability Index (HAI), which measures a family's ability to purchase standard housing with a mortgage. The higher the index value (should be greater than 100), the more affordable housing for a family with its income level under existing mortgage conditions.

With the application of the conditions of the mortgage program to increase the affordability of housing - "7-20-25", the calculation of the HAI index showed that in the context of decile (10 percent) groups by average per capita income, the conditions of the program "7-20-25" are available only for 10% of the citizens of our country, that is, a group of the population with high incomes:

<b>Deciles (1 - the poorest group of the population and 10 - the richest group of the population)</b>	<b>HAI (as of 2019)</b>	<b>Housing affordability</b>
1	24.9	Not available
2	31.9	Not available
3	36.6	Not available
4	41.4	Not available
5	46.8	Not available
6	53.5	Not available
7	60.8	Not available
8	72.2	Not available
9	90.4	Not available
10	150.2	Available

*Source: SC MN RK, Company calculations*

Similar calculations were carried out under the terms of the programs "Orda" and Otbas Bank (programs: "Nurly Zher", "Military Product" and "Own Home" subject to accumulation of 50% for 3 years with an estimated indicator of 16 and "Bakytty Otbas").

Calculations of the HAI indicator showed that in the context of decile (10 percent) income groups, the conditions of the Orda and Otbas Bank programs (programs: Nurly Zher and Own Home) are available only for 10% of citizens of our country, and conditions of the Otbas Bank program ("Bakytty otbas") only for 20% of the citizens of our country, that is, a group of the population with high incomes.

It is important to note that the solution of housing problems is associated not only with a decrease in the cost of housing, but also with an increase in the income of the population; accordingly, it is necessary to concentrate on increasing the income of the population.

## 1.4. Overview of the mortgage lending market

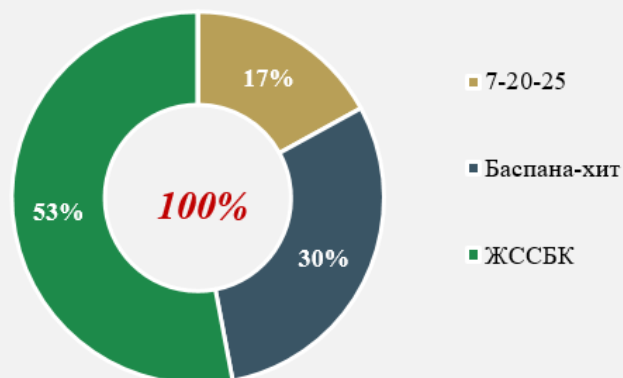
Per 10 months 2020, more than 66 thousand mortgage loans in the amount 717.3 billion tenge, of which "Otbasy Bank" issued 39 thousand loans for 446 billion tenge<sup>14</sup> and under the programs "7-20-25" / "Baspana Hit" issued 27.2 thousand loans for 271.1 billion tenge.

The share of "Otbasy Bank" in the total volume of mortgage loans issued as of 01.11.2020 is 62%, the share of loans under the programs "7-20-25" / "Baspana Hit" -38%. At the same time, STB's own mortgage loans were not issued for the same period.

As of 01.11.2020, the total mortgage portfolio of the Republic of Kazakhstan amounted to 2 677 billion tenge.

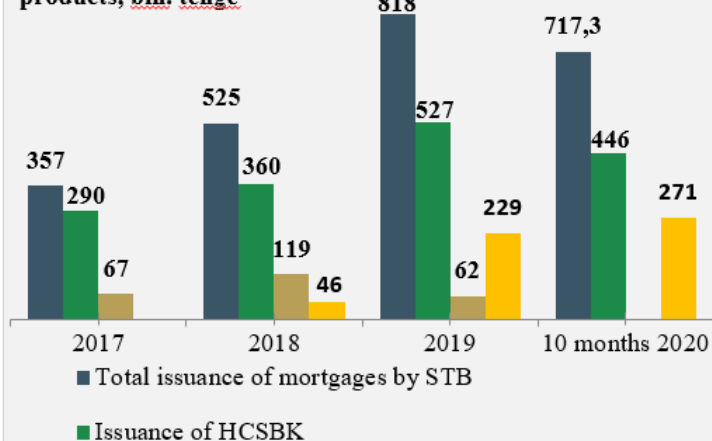
Since the beginning of 2020, the total mortgage portfolio has increased by 28%. The growth of the mortgage portfolio of STBs, excluding Otbasy Bank, amounted to 31% mainly due to the programs "7-20-25" and "Baspana Hit", while the portfolio of "Otbasy Bank" increased by 26%.

The volume of mortgage loans issued by programs



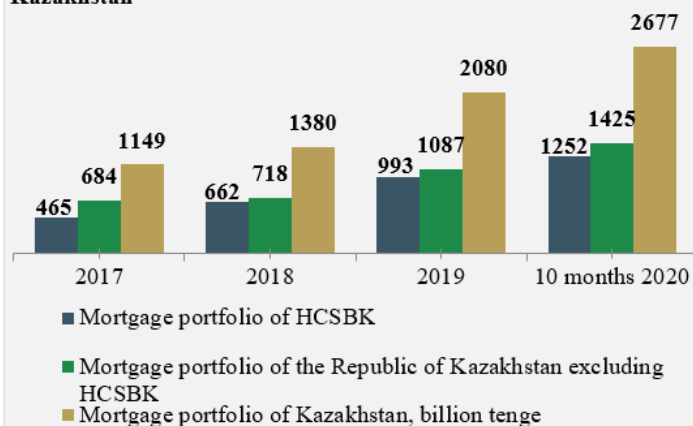
Source: National Bank of the Republic of Kazakhstan

The dynamics of loans in the context of the main mortgage products, bln. tenge



Source: National Bank of the Republic of Kazakhstan

The volume of the total mortgage portfolio of the Republic of Kazakhstan

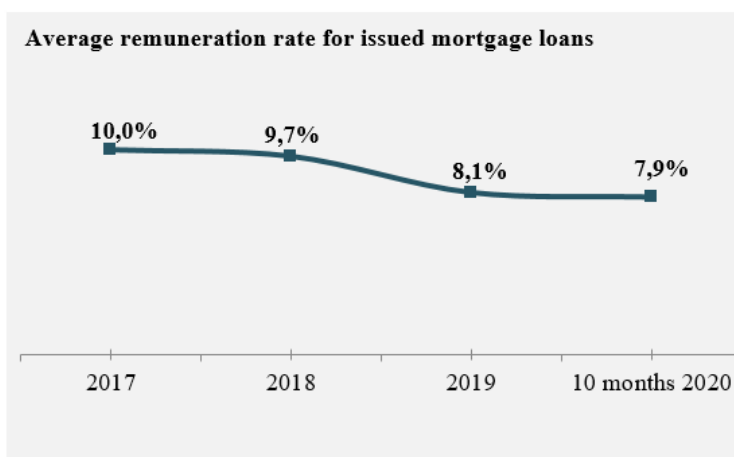


Source: National Bank of the Republic of Kazakhstan

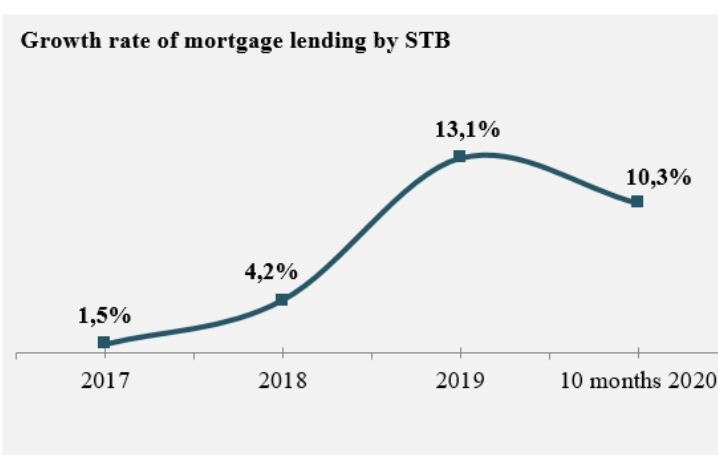
<sup>14</sup> <https://hcsbk.kz/en/about-the-bank/>

Analysis of indicators of mortgage lending growth rates in 2017-2020 years shows that the largest increase in the volume of mortgage lending was in 2019 year. In 2020, the growth rate slowed down due to the impact of the COVID-19 pandemic.

In October 2020, the average interest rate on issued mortgage loans was 7.9%, what is below indicator of 2019 year of 8.1%.



Source: National Bank of the Republic of Kazakhstan



Source: National Bank of the Republic of Kazakhstan

## 2. Analysis of the internal environment

The company for the period from 2017 to 2020 carried out its activities in the following main areas:

### 2.1.Redemption of local government bonds under government programs

#### 2.1.1. Redemption of local government bonds under the Concept

According to the Concept, the Company is a financial operator for financing the construction of credit housing through the mechanism for acquiring bonds of LEBs.

The companies in 2016-2020 were allocated funds from the National Fund of the Republic of Kazakhstan for a total amount of 457 billion tenge, of which:

277 billion tenge (allocated in 2016-2019) to finance the construction of credit housing on a revolving basis under the Concept;

and 180 billion tenge (allocated in 2020) to finance the construction of credit housing under the Shanyrak pilot project;

Perelevenmonths of 2020, the Company purchased bonds of local executive bodies in the amount of 98.7billion tenge (98% of the plan). Cumulatively for the period from 2016 to 01.12.2020 The Company purchased bonds of local executive bodies for a total amount of 415.3 billion tenge. 2,057.5 thous. m<sup>2</sup> (34,734 apartments) of credit housing under the Concept.

Region name	Acquisition of government securities of the MIO, billion tenge.					commissioned housing, thousand m <sup>2</sup>				
	2016	2017	2018	2019	2020 Plan	2016	2017	2018	2019	2020 Plan
Akmola	1.3	0.4	1.3	1.5	0.7	-	5	8.1	20.9	7.3
Aktobe	4.5	thirteen	4.5	5.6	7.0	-	134.8	74.2	52.6	38.9
Almaty	1.6	3.5	3.2	2.8	4.0	-	33.7	6.3	21.5	21.5
Atyrau	2	2.1	13.8	8.8	6.5	-	20.6	32.1	52.2	27.8
East Kazakhstan	1.3	4.7	8.6	13.0	7.0	-	6.7	53.5	32.0	43.8
Zhambyl	3	3.2	4	6.2	6.0	-	37.1	39.4	54.8	37.5
West Kazakhstan	1.6	3.5	4.8	10.2	7.0	-	30.5	13.1	31.3	43.8
Karaganda	0.9	6.7	2.6	3.7	2.3	-	14.9	31.1	17.1	22.2
Kostanay	2.3	5.3	10.5	6.2	4.0	2.3	28.5	54.2	92.2	37.5
Kyzylorda	6.2	-	2.1	5.2	3.6	-	44.5	-	52.4	5.6
Mangistau	2.6	4.5	3.2	1.9	5.0	-	30.3	38		27.8
Pavlodar	1.2	3.7	6.1	6.0	5.0	-	32.4	59.4	32.9	31.3
North Kazakhstan	3.4	1.6	6.8	3.2	3.0	19.6	50.2	64.9	42.8	18.8
Turkestan				5.6	10.1					56.6
Shymkent	1.7	5.1	7	11.5	10.0	-	31.6	15.1	42.4	50.0
Almaty city	2.9	7.1	8.2	7.4	10.0	-	39.5	70.4	33.6	41.7
Nur-Sultan	1.7	7.4	11.1	10.0	10.0	-	31.9	21.2	53.8	45.5

Region name	Acquisition of government securities of the MIO, billion tenge.					commissioned housing, thousand m <sup>2</sup>				
	2016	2017	2018	2019	2020 Plan	2016	2017	2018	2019	2020 Plan
<b>TOTAL</b>	<b>38.2</b>	<b>71.8</b>	<b>97.8</b>	<b>108.8</b>	<b>101.2</b>	<b>21.9</b>	<b>572.2</b>	<b>581.0</b>	<b>632.6</b>	<b>558</b>

Also, according to the Concept (out of 277 billion tenge), 40.0 billion tenge (20.0 billion tenge in 2018 and 20.0 billion tenge in 2019) were allocated to complete the financing of the construction of problem facilities in Nur-Sultan. In pursuance of this task, the Company entered into a target loan agreement with Elorda Kurylys Company LLP and the Akimat of Nur-Sultan. As of October 1, 2020, 47 problematic facilities are being built at the expense of these funds, the problems of 11,177 equity participants will be resolved.

Also, in order to finance the construction of credit housing as part of the Shanyrak pilot project, in 2020 the Company purchased bonds of local executive bodies in the amount of 180 billion tenge (100% of the plan). As of 10/01/2020, 20,181 apartments are being built at the expense of these funds, with a total area of 1.9 million m<sup>2</sup>., of which, by the end of 2020, it is planned to commission 11,370 apartments with a total area of 663,000 m<sup>2</sup>.

According to the SC MNE RK, the number of citizens on the waiting list at the LEB for September 2020 is 531,812 people with an annual increase of about 70 thousand people on the waiting list.

According to the recommendations of the Singapore Cooperation Enterprise, in order to maintain the number of people on the waiting list of LEBs at the current level, it is necessary to increase the volume of affordable housing to 70,000 apartments per year. In order to provide affordable housing to all those on the waiting list, the LEB needs to increase the volume of affordable housing to 124,000 apartments per year within 10 years.

In this regard, the Company, together with the authorized state bodies, will consider the possibility of increasing the volume of construction and financing to reduce the growth of the increase in the waiting list.

Also, according to the SC MNE RK, as of January 1, 2020, 3,441 residential buildings with a total area of 1,449 thousand m<sup>2</sup>, in which 69,389 people live, are in disrepair. Accordingly, in order to improve the comfort of housing for the population of Kazakhstan, the Company will consider the possibility of financing the renovation of dilapidated housing.

### **2.1.2. Redemption of local government bonds under the Employment Roadmap for 2020-2021**

In 2020, the companies were allocated funds from the National Bank of the Republic of Kazakhstan in the amount of 600 billion tenge to finance infrastructure projects under the Employment Roadmap for 2020-2021.

In 2020, the Company purchased IOI bonds in the amount of 600 billion tenge (100% of the plan). As of 01.10.2020, more than 4,500 facilities are financed from these funds, it is planned to create more than 200 thousand jobs.

In 4 quarter 2020 - 1 quarter In 2021, it is additionally planned to attract funds from the National Bank of the Republic of Kazakhstan in the amount of 100 billion tenge for additional financing of LEB infrastructure projects.

### **2.2. Guaranteeing equity participation in housing construction**

In order to protect the rights, legitimate interests and property of participants in shared construction, the Company provides guarantees for the completion of the construction of residential buildings.

Per eleven months of 2020 26 guarantees was issued for the completion of construction of residential buildings for a total amount 107.7 billion tenge. The total area of the projects is 630.1 thousand m<sup>2</sup> (7470 apartments).

As of 01.12.2020 27 objects from 67 facilities were cumulatively put into operation, total area 574.4 thousand m<sup>2</sup> (7 260 apartments) for the amount 88.2 billion tenge.

The total number of guaranteed construction objects is 67 objects for the amount 262.4 billion tenge, with a total area of 1,55 million m<sup>2</sup> (18 272 apartments).

### **2.3. Subsidizing loans to private developers**

In order to stimulate private developers in 2017, within the framework of the Concept, subsidies for loans to private developers were launched.

Per eleven months of 2020 JSC "IDF "DAMU" 25 projects for the amount of loans 23.06 billion tenge were signed, 37 thousand m<sup>2</sup>, 553 apartments were sold, of which 495 apartments were at a fixed price, the amount of subsidies paid was 2.2 billion tenge.

As of 01.12.2020 cumulatively since 2017 was signed 127 project for the amount 127.3 billion tenge, 704.8 thousand m<sup>2</sup> 9,852 apartments were sold, of which 8,063 were at a fixed price, the amount of subsidies paid was 6.3 billion tenge.

From 2021, the subsidizing function will be carried out by the Company as part of the transfer of a subsidizing instrument from DAMU JSC.



## **2.4.Financing of investment projects**

As of October 01, 2020, the Company's investment portfolio consists of 2 investment projects: the Baiterek Business Center and a housing investment project in Almaty.

In 2015–2018, the Company invested 13.8 billion tenge in the construction project of the Baiterek business center, including 6.9 billion tenge in construction and the buyout of shares from Turan Business Center LLP - 6, 9 billion tenge. As of October 1, 2020, the total return on investment amounted to 7.1 billion tenge, including the sale of Block C to Development Bank of Kazakhstan JSC in the amount of 5.4 billion tenge. Consolidated savings on renting offices of the «Baiterek NMH» JSC group of companies is about 1.2 billion tenge annually.

In 2018, the Company implemented a project to restructure the debt of Mega Plaza LLP by replacing funds from Development Bank of Kazakhstan JSC with the Company's own funds. In August 2018, the Company fully repaid the loan to the Development Bank of Kazakhstan JSC for the construction of the Mega Silk Way shopping and entertainment center while maintaining the obligations of Mega Plaza LLP in the amount of 7.0 billion tenge to the Company, which in 2019-2020 were fully returned to the Company ahead of schedule.

In June 2019, the Company approved financing of a housing investment project through the redemption of bonds of Fincraft Group LLP at the expense of borrowed funds in the amount of 65 billion tenge. The project is expected to build at least 2.4 million m<sup>2</sup>, on a land plot with a total area of 202 hectares in Almaty. About 120 thousand citizens will be provided with housing, more than 40 thousand apartments in the affordable housing segment.

In June and August 2019, the Company redeemed bonds of Fincraft Group LLP for a total of 65 billion tenge.

As of October 01, 2020, Fincraft Group LLP paid coupons according to the schedule, for a total amount of 4,025 billion tenge.

## **2.5.Acquisition of mortgage claims and securitization**

In order to encourage the population to obtain mortgage loans, the Company acquires the rights to claim mortgage loans.

In 2019, the Company acquired claims on 3,005 mortgage loans in the amount of 23.7 billion tenge.

For 11 months of 2020, 9 loans were purchased in the amount of 74 million tenge. By the end of 2020, it is planned to purchase a mortgage portfolio for 29 billion tenge.

Cumulatively, as of December 01, 2020, the Company acquired mortgage rights of claim for 224.5 billion tenge.



## **2.6. Issuance of mortgage loans**

In order to develop mortgage lending and increase its own mortgage portfolio, in October 2018 the Company launched the Orda mortgage program.

Mortgage program "Orda" is aimed at improving the living conditions of individuals with average and above average incomes, who wish to purchase housing (primary or secondary) of a higher comfort class (housing cost above 25 million tenge), at a rate below the average market, who have savings in the form of free cash, or the possibility of providing a pledge in the form of real estate as a down payment.

In order to implement the Orda mortgage program, cooperation agreements were concluded with Tsesnabank JSC, Bank Center Credit JSC, Eurasian Bank JSC, BI Capital LLP.

For 10 months of 2020, 787 loans were issued for a total amount of 11.9 billion tenge.

As of November 1, 2020, cumulatively, since the beginning of the Orda mortgage program, 1,533 loans have been issued for a total amount of 22.2 billion tenge.

The volume of the loan portfolio and purchased mortgage-backed securities as of November 1, 2020 amounted to 60.7 billion tenge. Until the end of 2020, the volume of the loan portfolio is planned at the level of 63.2 billion tenge.

## **2.7. Provision of rental housing with redemption under the Concept**

Since the beginning of 2014, the Company has been active in the construction, acquisition and sale of rental housing as part of the implementation of the Concept in the direction of "Rented housing with a buyout".

The sale of rental housing is a socially significant area of the Company's activities aimed at providing housing to those on the waiting list of local executive bodies by providing housing for rent for up to 20 years with subsequent purchase.

Financing in the amount of 163.3 billion tenge was provided for the implementation of this area, including through obtaining soft loans from the National Fund of the Republic of Kazakhstan (115 billion tenge) and the republican budget (19.1 billion tenge), as well as increase in the authorized capital of the Company by 29.2 billion tenge as part of the Affordable Housing 2020 program.

In 2019, the Company entered into agreements with the Ministry of Health and the Ministry of Education and Science of the Republic of Kazakhstan, with the akimats of the Mangistau, Kostanay, Karaganda regions to provide rental housing with a buyout to employees in the healthcare and education sectors, and an agreement was also concluded with the Aktobe city akimat to provide rental housing with a buyout employees of the akimat of the city of Aktobe and subordinate organizations.

According to the results of eleven months of 2020 22.4 thousand m<sup>2</sup> housing was purchased and 451 apartments provided under the lease-and-purchase program for education and healthcare workers.

As of 01.12.2020, the rental portfolio of the combined Company amounted to 165, eight billion tenge, 18874tenant.

The program covers more than 20 cities of the country, incl. Nur-Sultan, Almaty, Shymkent, Aktobe, Kyzylorda, Aktau Uralsk, Kostanay, Petropavlovsk, Karaganda, Pavlodar, Semey, Ust-Kamenogorsk, Taraz and others.

## **2.8.Subsidizing a part of the interest rate on mortgage housing loans issued to the population of second-tier banks**

Within the framework of the previously Concept<sup>15</sup>, The company has been identified as a financial agent to subsidize part of the interest rate on mortgage loans.

During the implementation period of the direction (since the beginning of 2017), 3,673 applications were received for a total amount of 38.39 billion tenge, of which 3,566 applications were approved for a total amount of 37.21 billion tenge. The company signed 3,473 subsidy agreements for a total amount of 36.24 billion tenge.

7 banks took part in the subsidy program: ATF Bank JSC, Bank Center Credit JSC, Housing Construction Savings Bank of Kazakhstan JSC, Nurbank JSC, Tsesnabank JSC, SB Sberbank JSC, subsidiaries of VTB Bank JSC.

In connection with the launch of the program "7-20-25"<sup>16</sup> the subsidy program was completed by the Company in June 2018. At the same time, the Company, at the expense of the republican budget, will pay subsidies under mortgage agreements issued by second-tier banks in 2017-2018 under the Concept.

## **2.9.«Nurly Zher» Command Center**

In 2018 The company, together with JSC "Institute of Digital Engineering and Technology" (subsidiary of Satbayev University), developed the Nurly Zher Command Center, the LEB Portal for monitoring real estate objects under construction financed under the Concept and a Mobile application (workstation of supervisor) .

These solutions allow the Company, as a single financial operator for the redemption of bonds of local executive bodies, as well as KDS housing and communal services of the Ministry of Investment and Development of the Republic of Kazakhstan, to carry out:

- remote monitoring of all facilities under construction using modern technical means of control (cameras, drones, tablets, etc.);
- online monitoring of disbursement and housing sales;
- forecast of the date of input of objects with possible deviations;
- analysis of photo/video stream and information from the MEB using artificial intelligence;

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<sup>15</sup>Decree of the Government of the Republic of Kazakhstan dated December 31, 2016 No. 922 "On approval of the s Zher Housing Construction Program"

<sup>16</sup>Resolution of the Board of the National Bank of the Republic of Kazakhstan dated May 31, 2018 No. 107 "On Approval of the Housing Mortgage Lending Program "7-20-25. New opportunities for acquiring housing for every family".

- development of appropriate measures based on data analysis.

LEBs post up-to-date information on the progress of construction of residential real estate in the regions, the volume of financing and the sale of finished housing through their personal account on the Portal. Information from the LEB is visualized in the interactive Command Center in real time.

As part of the further development of the Nurly Zher Command Center, the Company in 2019-2020 created a unified data warehouse on the performance indicators of the housing construction block of «Baiterek NMH» JSC, and also developed a data entry portal for monitoring the financing of infrastructure projects of the local government as part of the Roadmap employment for 2020-2021.

## **2.10. Financing the construction of real estate objects on the territory of the international specialized exhibition "EXPO-2017"**

In 2014 The company financed the construction of residential real estate and a shopping and entertainment center for the International Specialized Exhibition "EXPO-2017" in Nur-Sultan.

In total, 91.1 billion tenge were invested in the construction of facilities on the territory of EXPO-2017, of which 76.1 billion tenge were funds from the National Fund of the Republic of Kazakhstan and 15 billion tenge— a loan from the Development Bank of Kazakhstan JSC for additional financing of the construction of the Mega Silk Way shopping mall.

<i>billion tenge</i>				
No.	Object name	Design company name	The total cost of the project	The amount of the Company's investments
1	Residential buildings	Lux Real Estate Group LLP	23.3	19.9
		BI Group Corporation LLP	23.6	19.9
2	SEC "Mega" silk way"	Mega Plaza LLP	64.7	51.2
<b>TOTAL</b>			<b>111.6</b>	<b>91.1</b>

In December 2016, 42 residential buildings were put into operation, with a total area of 110.7 thousand m<sup>2</sup>, and the shopping center "Mega Silk Way", with a total area of 140.4 thousand m<sup>2</sup>.

3.7 thousand people were involved in the process of building facilities on the territory of EXPO-2017. As of 10/01/2020, the mall has more than 1 million visitors per month, more than 300 representatives of SMEs as tenants.

In February 2017, the commissioned apartments in the MZhK, located on the territory of EXPO-2017, were leased to NC Astana EXPO-2017 JSC for accommodation of participants of foreign delegations for the duration of the exhibition.

From February to November 2017, temporary accommodation was provided to 25,776 exhibitors, of which 2,753 were- foreign guests.

In June 2018, the Company began selling real estate in the MZhK on the territory of EXPO-2017, consisting of 1,300 apartments and 1,300 parking spaces. In 2018, 142 apartments and 102 parking spaces were sold in the amount of 3.9 billion tenge. At the end of 2019, 1,133 apartments and 680 parking spaces were sold in the amount of 35.2 billion tenge, the balance at the end of the year was 25 apartments and 518 parking spaces.

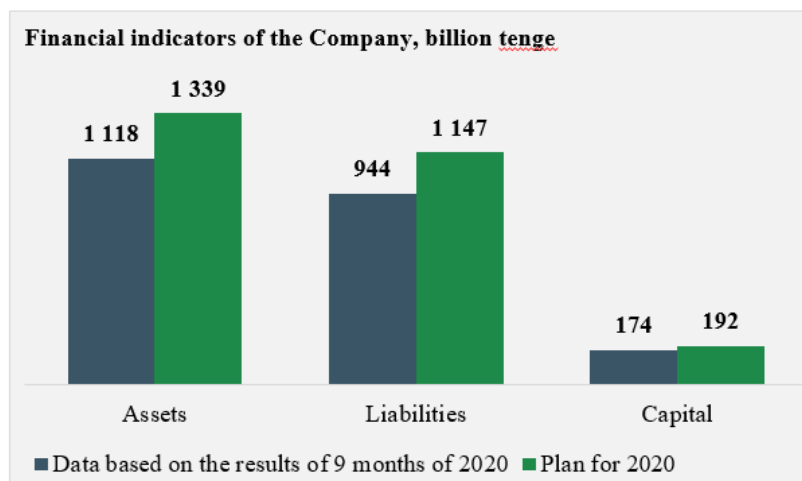
All properties were sold on the online platform Digital Baiterek. On June 15, 2019, within the first 45 minutes from the start of sales, all apartments were booked. During the first two months of sales under the installment mechanism, 900 apartments were sold. Since the launch of sales, more than 3.5 thousand applications for the purchase of housing from individuals have been accepted and processed.

According to the results eleven months of 2020, 25 apartments and 117 parking spaces were sold for a total amount of 967.7 million tenge. The remainder is 401 parking spaces, which will be implemented by the end of 2021.

## 2.11. Key financial indicators of the Company

As of 01.10.2020, the consolidated assets of the merged Company (excluding HGF JSC) amounted to 1,118 billion tenge, liabilities - 944 billion tenge, capital - 174 billion tenge.

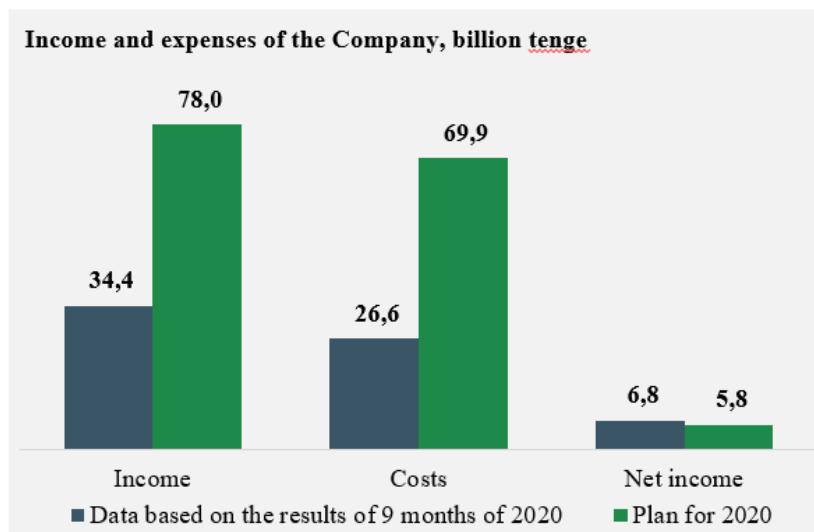
At the end of 9 months of 2020, net profit amounted to 6.8 billion tenge, ROA - 0.98%, ROE - 5.59%.



Source: SC MNE RK, Company calculations

By the end of 2020 (taking into account the JSC "HGF"), the Company plans to increase its assets to 1,339 billion tenge, liabilities- 1,147 billion tenge, capital - 192 billion tenge. Net profit is planned at the level of 5.8 billion tenge, ROA - 0.73%, ROE - 3.05%.

As a result of the first phase of the Singapore Housing and Development Board (HDB) transformation, the merger of the three Companies and the elimination of their duplicative functions, in 2020, general administrative expenses will be reduced by 53% from 8.9 billion tenge to 4.2 billion tenge, and also reduced the number of employees by 32% from 311 to 210 units. Annual general administrative expenses in 2021-2023 will be reduced by an average of 40% from 8.5 billion tenge to 4.9 billion tenge.



## 2.12. The main directions of the state economic policy

The company in its activities is guided by the main directions of state policy in the housing and construction sector, in particular, The Nurly Zher program for 2020–2025, approved by the Decree of the Government of the Republic of Kazakhstan dated December 31, 2019 No. 1054 (currently - the Concept of development of housing and communal infrastructure until 2026, approved by the Decree of the Government of the Republic of Kazakhstan dated September 23, 2022 No. 736).

Purpose of the Program: Increasing the affordability and comfort of housing and developing housing infrastructure.

Program Objectives:

1. Implementation of a unified housing policy;
2. Rational provision of the population with high-quality drinking water and sanitation services;
3. Modernization and development of the housing and communal sector;
4. Capital repairs and renovation of the housing stock;
5. Improving architectural, urban planning and construction activities.

The Company will continue to carry out its activities within the framework of the Concept through the implementation of the following tasks:

1. Redemption of bonds of LEBs within the framework of government programs;
2. Guaranteeing equity participation in housing construction;
3. Subsidizing loans to private developers;
4. Financing of investment projects;

## 5. Provision of rental housing with redemption.

### 2.13. Benchmarking

For the effective implementation of the Company's activities, analogue companies were studied, as well as international experience in supporting supply and demand in the residential real estate market.

#### 2.13.1. Companies-analogues in the affordable housing market

##### **Housing and development board (HDB)**

Housing and Development Council (HDB) was founded in 1960. HDB is the public housing operator in Singapore.

HDB is known worldwide for its contribution to Singapore's nation building. Since its inception, HDB has built around 1.1 million apartments, housing 80% of Singapore's population. 95% of Singapore citizens own rental apartments for 99 years. HDB offers low-cost and high-quality houses in bright and harmonious areas, which are complex microdistricts, with all the necessary infrastructure for comfortable living of citizens. HDB takes a holistic approach to solving housing problems.

In addition to managing public housing, HDB is also an urban planner and prime developer of neighborhoods, providing subsidized mortgage loans.

HDB not only provides new housing, but also implements a full range of real estate “rejuvenation” programs as part of its residential property renovation strategy. Thus, it ensures that the old residential complexes do not lag behind the new microdistricts in their maintenance, functionality and dynamism.

##### **Central Provident Fund (CPF)**

The Singapore Central Provident Fund (CPF) was founded in 1955. The CPF is a comprehensive social security system that allows working citizens and permanent residents of Singapore to save money for retirement.

The goal of the fund is to cover the needs of the population in pension, housing and medical services with the help of pension savings and investment programs.

The mandatory monthly combined employee and employer contribution in Singapore averages 37% of the employee's salary, of which 20% is contributed by the employee and 17% by the employer. Monthly contributions to the CPF are allocated to three individual employee accounts:

- Regular account 20% - for buying a home, paying a mortgage, insurance - family protection, education loan, investments;
- Special account 8% - savings for a future pension, investments;
- Medical bill 9% - expenses for medical care, purchase of a health insurance policy.

Singapore citizens use their CPF savings in a regular account to buy a home from HDB.

In Singapore HDB and CPF are an integral part of the daily life of most people.



## **TOKI**

TOKİ - Housing Authority under the Government of Turkey. TOKİ was founded in 1984. TOKİ's activities are aimed at finding and solving problems related to housing and urbanization throughout Turkey.

Due to the existing demand for quality and affordable homes, TOKİ is developing mass housing projects for target groups with middle and low incomes.

TOKİ carries out activities to provide quality housing and a healthy urban environment through integrated development.

The main activities of TOKİ are:

1. Construction of social housing for categories of people with medium and low incomes;
2. Renovation of built housing;
3. Integrated development of microdistricts;
4. Development of historical and local architecture.

TOKİ has built over 600,000 housing units, 86% of which are classified as social housing and designed for low-income groups. Also, more than 10 thousand social facilities, such as schools, hospitals, gyms, cultural centers, shopping centers.

## **JSC DOM.RF**

In 1997 in accordance with the Decree of the Government of the Russian Federation dated August 26, 1996 No. 1010, an open joint-stock company "Agency for Housing Mortgage Lending" (hereinafter - AHML) was established.

At the first stage of its activity, AHML was involved in refinancing mortgage loans and operating in the mortgage-backed securities market. AIHS has developed and implemented a two-tier system of mortgage lending. At the first level, the second-tier banks issued mortgage loans to citizens, then AHML bought out the rights of claim on mortgage loans.

In 2015, due to changes in economic conditions, a program was launched to subsidize mortgage rates for the purchase of housing in the primary market. Thanks to the implementation of the program in 2016, the mortgage market overcame the recession.

On October 20, 2017, the AHML subsidiary "Fund for the Protection of the Rights of Citizens - Participants in Shared Construction" was established. The fund's activities are aimed at protecting the rights of buyers of housing under construction.

In December 2017, the Ministry of Construction of Russia and AHML developed a strategy for the development of the housing sector until 2025. The goal of the strategy is to achieve the level of housing construction of 120 million m<sup>2</sup>. in 2025, an increase in the availability of mortgages, an increase in construction volumes by at least 1.5 times, the development of a civilized rental market with a market share of at least 50%, the development of a comfortable urban environment and infrastructure.

In March 2018, AHLS was renamed into JSC "DOM.RF".

The main activities of JSC "DOM.RF" are:

1. development of the mortgage securities market;

2. creation of a specialized credit organization in the field of housing construction;
3. creation of a rental housing market using a collective investment mechanism (REIT);
4. involvement in circulation and provision of federally owned land plots for the purposes of housing construction;
5. promoting the creation of a comfortable urban environment;
6. development of a unified information system for housing construction.

The activities of DOM.RF JSC are aimed at creating mechanisms for the development of a comfortable urban environment, the integrated development of cities, taking into account the urban environment quality index

On November 21, 2018, between the Prime Ministers of Kazakhstan and Singapore, a Memorandum of Understanding in the field of housing construction and affordable housing was signed between NMH Baiterek JSC and Singapore Cooperation Enterprise, within the framework of which NMH Baiterek JSC, together with the Company, studied the experience of HDB on the integrated construction of affordable housing for the population and developed a Roadmap for the transformation of the housing block of «Baiterek NMH» JSC into a Single Housing Construction Operator according to the HDB model.

The company, taking into account the international experience of peer companies, will provide comprehensive support for supply and demand in the affordable housing market, based on the HDB model, which applies an integrated approach to solving housing problems.

### **2.13.2. World practice of supporting demand for residential real estate**

Demand in the residential real estate market is supported by the implementation of state mortgage programs, limitation of rent for housing, protection of tenants from eviction, as well as by increasing the real incomes of citizens and the population.

In Germany, housing demand support through mortgage lending is presented in three types of mortgage programs:

- 1) Standard mortgage loan with an annuity payment and a fixed interest rate;
- 2) A loan from Stroysberkassa is a standard mortgage product with the condition of accumulating part of the cost of housing on deposit. After fulfilling the condition for the accumulation of funds on the deposit, a mortgage loan is issued. Due to the low interest rate on the deposit, it is possible to reduce the interest rate on the mortgage loan;
- 3) Parallel accumulation - for a certain time, the borrower pays only interest on the loan, but not the principal debt. At the same time, it is necessary to regularly pay a contribution to endowment life insurance. The profitability of accumulative insurance is lower than the interest rate on the loan and a mortgage loan is more expensive than a standard mortgage loan. Parallel accumulation due to the peculiarities of taxation is economically justified when renting out real estate.



Supporting housing demand through rental housing mechanisms is represented by the following measures:

1) Rent limitation. In Germany, rent restrictions have been in place since 1922. Until the end of the 1960s, rents were held back artificially and changed only by government decrees. Since the 1970s, rents have been tied to the average rent for a given area. Landlords could change the rent only at the conclusion of a new contract. Beginning in 1982, the rent growth rate was not to exceed 30% for 3 years. Since 1993 - no more than 20% for 4 years, since 2013 no more than 15% for 4 years. In 2015, the so-called “rental brake” was introduced, which stopped the practice of setting unlimited rents when concluding new contracts.

2) Eviction protection. In Germany, the protection of tenants from eviction has been practiced since the First World War. Initially, only military personnel and members of their families were protected from eviction, but later protection from eviction extended to all segments of the population. A landlord can only evict a tenant if there is persistent rent delay or if the property is required for the owner or family members to live in. In the early 1970s, even more stringent tenant-friendly regulations were introduced. These rules are still valid today.

In France, there are three key tools to support the socially vulnerable segment of the population:

1) Housing Assistance Allows you to reduce the cost of rent and the amount of monthly mortgage payments. The benefit depends on income, employment status, family composition and housing location;

2) Family Housing Benefit – financial assistance designed to reduce the amount of monthly rent or mortgage payments targeted at single people and young families;

3) Social housing allowance – available to any French citizen with an income below the minimum.

In France, housing demand support through mortgage lending is presented in three types of mortgage programs:

1) Mortgage loan with a zero interest rate - a loan is issued at a zero interest rate for the purchase of a first home. The borrower must not have owned a home for the past 2 years.

2) Housing loan in Paris - a loan is issued to citizens who have lived in Paris for at least a year. The loan is issued for housing located in the city.

3) Loan for living - a loan is issued to citizens who rent social housing and who wish to purchase property in Paris. As of 2020, this type of loan is issued at a zero interest rate for the entire term of the loan.

The majority of social housing in France is built under the “moderate rent housing” program. Under the program, multi-apartment residential complexes and individual residential facilities are being built. About 60% of the country's population cannot participate in programs aimed at social housing, as their income level exceeds the threshold determined by these housing programs.

### **2.13.3. World practice of supporting the supply of residential real estate**

In foreign countries, a variety of institutional models for managing the affordable housing segment are used.<sup>17</sup> Here are some common features of these models:

- the top priority is to support the supply of affordable housing;
- the main support is aimed at offering affordable rental housing;
- quite widely, to stimulate such a proposal, the tools of urban planning regulation are used;
- various non-profit organizations play a significant role in ensuring the necessary supply of affordable housing.

In many foreign countries, urban planning regulation tools are widely used to stimulate the supply of affordable housing.

Urban planning regulation systems and their relationship with housing policy in the field of affordable housing in foreign countries<sup>18</sup>:

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<sup>17</sup>M. Haffner, J. Hoekstra, M. Oxley, Harry van der Heyden. Is it possible to bridge the gap between the social and market sectors of rental housing in six European countries?

<sup>18</sup><http://www.urbaneconomics.ru/research/analytics/zarubezhnyy-opyt-novye-napravleniya-v-gradostroitelnom-regulirovanii-v-celyah>

Characteristic	USA	Canada	Great Britain	Ireland	Netherlands	Australia	Russia
The role of the state in regulating the supply of land	Limited	Medium	Medium	Medium	Strong direct influence	Limited	Strong direct influence
Responsibility for land use regulation/housing policy	State, local level	Province, local level	National, local level	National, local level	local level	State - framework regulation, execution of powers - local level	Housing policy - national, regional levels Land use - regional and local levels
Spatial level of urban planning	Local	Local	Local	Local	Specific building area	local, regional	Local/ regional
Subject of planning	land use	land use	land use	land use	Complex	land use	land use
The process of obtaining a building permit	Possibility of individual solutions is limited	Possibility of individual solutions is limited	Negotiated decision	Negotiated decision	Permission based on a detailed plan (master plan)	Different degree of possibility of individual solutions at the local level	The possibility of individual solutions is significantly limited
Urban Planning Tools for Affordable Housing	Voluntary agreements with developers on the provision of affordable housing; incentives; protective mechanisms; mandatory requirements for developers to provide affordable housing; overcoming local regulatory barriers for affordable housing	Voluntary agreements with developers on the provision of affordable housing; incentives; protective mechanisms; mandatory requirements for developers to provide affordable housing	Voluntary agreements with developers on the provision of affordable housing; overcoming local regulatory barriers for affordable housing	Mandatory requirements for the provision of affordable housing by developers	Direct provision of territories for the construction of affordable housing; allocation of special zones for affordable housing (for future construction); incentives for affordable housing providers	Voluntary agreements with developers on the provision of affordable housing; incentives; protective mechanisms; mandatory requirements for developers to provide affordable housing	Direct provision of territories for development under development and integrated development agreements for the purpose of building standard housing; use of public land for the construction of social housing
Public investment in support of affordable housing projects (capital investment)	Limited. channeled to the local level through state programs and federal grants	Limited. Granted only to certain provinces. Sent through agreements between the federal government and the provinces	Essential. Available for affordable housing projects	Essential. Provided to housing associations for the purchase of housing for the purpose of using it as social housing	Significant before 1995	Limited. Provided mainly for the construction of social housing	Essential
Taxes/subsidies and other financial instruments to	Housing Tax Credit Program for Low Income Families	limited	limited	limited	limited	In 2008, a scheme was introduced to stimulate affordable rental housing	limited

<b>Characteristic</b>	<b>USA</b>	<b>Canada</b>	<b>Great Britain</b>	<b>Ireland</b>	<b>Netherlands</b>	<b>Australia</b>	<b>Russia</b>
stimulate the supply of affordable housing							
Subsidies to citizens for affordable housing	Limited program to provide housing vouchers that can be used for rental housing (market or subsidized)	Providing cash subsidy to private employers in some provinces varies from province to province	Substantial housing subsidies that can be used for market or social housing	Limited subsidy for paying rent. Establishment of rental fees for social housing depending on the income of the tenant	Substantial housing subsidies that can be used for rental housing (market or social)	Private sector rent subsidy for low-income families and income-based housing rent relief in the public sector based on employer income	Subsidizing preferential categories for the purchase/construction of housing. Subsidies for housing and utilities for low-income citizens (owners and social employers)
Bodies and organizations providing affordable housing	The Essential Role of Commercial and Non-Profit Organizations in Providing the Needed Affordable Housing Supply	Non-profit organizations (2/3), provinces (1/3)	Strong Housing Companies (Registered Social Landlord)	Local authorities. The role of non-profit organizations is increasing	Major housing associations	Limited	State and local authorities

Measures to stimulate the supply of affordable housing in different countries can be applied simultaneously in different proportions, and can also be established in different areas.

Examples of regulatory instruments in relation to supporting the supply of affordable housing in foreign practice:

<b>Tax regulation</b>	<b>Financial support for construction</b>	<b>Direct legislative requirements, direct budget financing</b>
1) Income taxes: <ul style="list-style-type: none"> <li>- Tax Exemption (Social Housing Organizations)</li> <li>- Tax incentives (investment in affordable housing; interest on mortgage-backed securities to finance mortgages for low-income families; appreciation of rental housing for landlords);</li> <li>- Special tax treatment (housing finance institutions, for employer-provided housing);</li> <li>- Accounting for depreciation for rental housing stock;</li> <li>- Tax deductions for landlords (interest on loans, operating costs);</li> <li>- Compensation for losses from rented housing at the expense of other activities;</li> <li>- Reducing the tax base for rental income by the amount of expenses for the construction, reconstruction of rental housing.</li> </ul> 2) For property taxes: <ul style="list-style-type: none"> <li>- Special tax regime (unused land plots to stimulate housing construction, unused residential real estate);</li> <li>- Reduced rate for new, renovated homes.</li> </ul> 3) For VAT: <ul style="list-style-type: none"> <li>- Reduced rate (for new housing construction, reconstruction of non-residential buildings for the purpose of conversion to housing, for social landlords)</li> </ul>	<ul style="list-style-type: none"> <li>- Grants for the construction, renovation of affordable housing</li> <li>- Subsidizing loans for organizations for the construction of affordable housing;</li> <li>- Provision of land for the construction of affordable housing free of charge or at a reduced price;</li> <li>- Grants for the involvement of unused residential real estate;</li> <li>- Government guarantees (on loans to non-profit housing associations, on rent and mortgage payments for families with low incomes).</li> </ul>	<ul style="list-style-type: none"> <li>- Financing construction and provision of social housing for low-income families;</li> <li>- Requirements for developers on the mandatory share of affordable housing in housing projects;</li> <li>- Requirements for employers to provide housing</li> </ul>

Currently, in the Republic of Kazakhstan, the main instruments to support demand for housing are aimed at acquiring housing as a property. Measures to stimulate supply and demand for affordable rental housing are not applied everywhere, but only for certain categories of citizens.

## 2.14. SWOT analysis

<b>Strengths (S)</b>	<b>Weaknesses (W)</b>
1. support from «Baiterek NMH» JSC and the Government of the Republic of Kazakhstan; 2. positive experience in the implementation of government programs; 3. positive experience of housing offer support: <ul style="list-style-type: none"> <li>- redemption of bonds of local executive bodies;</li> </ul>	1. high level of dependence on the activity of partner banks; 2. a high level of dependence on the degree of development of the stock market (lack of institutional investors); 3. low return on assets (0.98% fact as of October 1, 2020) due to the social orientation of the Company; 4. limited targeted use of financial resources for the activities of the Company, regulated; Decrees of the

<ul style="list-style-type: none"> <li>- guaranteeing equity participation in housing construction;</li> <li>- conditional placement of funds in second-tier banks;</li> <li>- competence in financing and underwriting of housing construction projects through project financing;</li> </ul> <p>4. positive experience of housing demand support:</p> <ul style="list-style-type: none"> <li>- acquisition of rights to claim mortgage loans of second-tier banks;</li> <li>- sale of housing for rent with a purchase;</li> <li>- issuance of mortgage loans through second-tier banks;</li> </ul> <p>5. the availability of the necessary tools to ensure affordable housing;</p> <p>6. digital monitoring of real estate objects;</p> <p>7. experience in attracting financing in the international and local capital markets;</p> <p>8. high level of public confidence;</p> <p>9. high rating with a stable outlook.</p>	<p>Government of the Republic of Kazakhstan and other state bodies;</p> <p>5. the focus of the efficiency of state programs on targets that reflect the quantitative volumes of support, and not always on efficiency.</p>
<b>Opportunities (O)</b>	<b>Threats (T)</b>
<p>1. lack of players on the market with similar activities;</p> <p>2. integrated support for housing supply and demand;</p> <p>3. complex development of microdistricts, taking into account the needs of the population, with kindergartens, schools, shopping malls, etc.;</p> <p>4. opportunity to develop "green" construction and "green" mortgage;</p>	<p>1. depreciation of the national currency, and a high share of imports in the building materials market may lead to higher prices for building materials;</p> <p>2. unbalanced distribution of resources among the local government programs under government programs may lead to a high debt burden on some local government organizations;</p> <p>3. underdevelopment of the stock market of Kazakhstan;</p> <p>4. decrease in the purchasing power of the</p>

<ul style="list-style-type: none"> <li>5. development of the rental housing market;</li> <li>6. renovation of dilapidated housing;</li> <li>7. development of predictive analytics for the construction sector and the real estate market;</li> <li>8. intelligent monitoring of construction using computer vision;</li> <li>9. development of off-take contracts for building materials and real estate;</li> <li>10. attracting external borrowed funds/investors, including IFIs, in order to implement joint investment projects in the construction industry;</li> <li>11. increasing the affordability of housing for the population, including by stimulating demand for mortgage products and rental housing;</li> <li>12. an increase in the level of urbanization against the background of a deterioration in the state of the housing stock in the regions;</li> <li>13. the ability to raise funds from non-state sources of funding.</li> </ul>	<ul style="list-style-type: none"> <li>population;</li> <li>5. downgrading of the Company's credit rating and restriction of access to external sources of financing;</li> <li>6. Decreased interest of STBs in mortgage lending due to weak protection of creditors' rights;</li> <li>7. rising property values and interest rates.</li> </ul>
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### 3. Mission and Vision

**Mission:** Providing the population of Kazakhstan with affordable and high-quality housing.

**Vision:** A key development institution for providing the people of Kazakhstan with affordable housing.

In order to realize its mission and vision, the Company will work in the following key strategic areas:

**Direction 1. Support for housing supply**

**Objective:** To increase the volume of housing construction by stimulating the private sector and to become a "single window" for servicing builders

**Tasks:**

- 1) Financing of housing construction through the redemption of the Local Executive Bodies' bonds;
- 2) Guaranteeing equity participation in housing construction;
- 3) Subsidizing loans of private developers;
- 4) Financing of urban investment projects and development of integrated development standards.

**Direction 2. Support for housing demand**

**Objective:** To increase the availability of housing for citizens of Kazakhstan

**Tasks:**

- 1) Acquisition of mortgage rights of claims and securitization;
- 2) Issuance of mortgage loans through agent banks;
- 3) Provision of rental housing with redemption within the framework of the Concept;
- 4) Subsidizing part of the interest rate on mortgage loans issued to the population by second-tier banks.

**Direction 3. Development of information technologies and analytics**

**Objective:** Digitalization of the Company's products and development of analytics

**Tasks:**

- 1) the Nurly Zher Command Center;
- 2) Marketplace of building materials;
- 3) Housing portal;
- 4) Qazreestr.



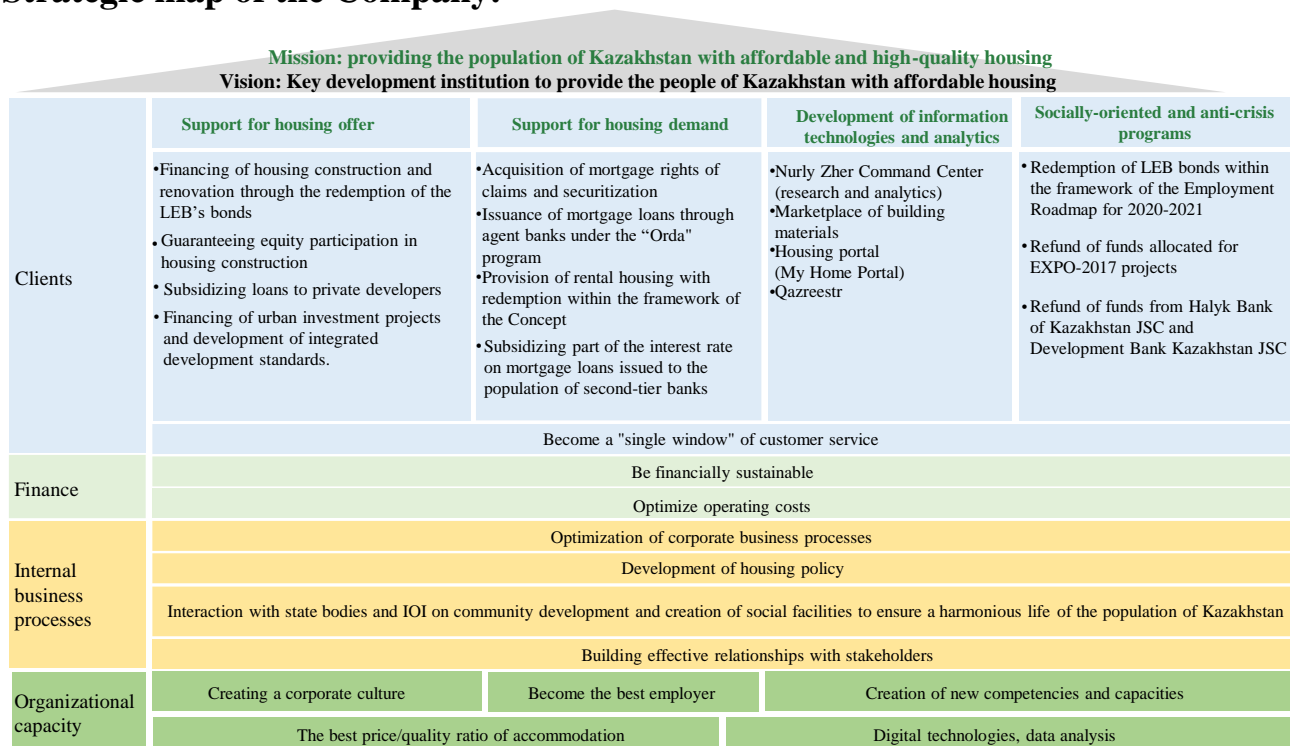
## Direction 4. Socially oriented and anti-crisis programs

### Goal: Create jobs and ensure timely return of allocated funds

#### Tasks:

- 1) Redemption of LEB bonds under the Employment Roadmap for 2020-2021;
- 2) Return of funds allocated for EXPO-2017 projects and other real estate objects;
- 3) Return of funds from Halyk Bank of Kazakhstan JSC and Development Bank of Kazakhstan JSC.

### Strategic map of the Company:



## **4. Strategic directions**

### **4.1. Strategic direction 1: Support for housing supply**

**Objective:** To increase the volume of housing construction by stimulating the private sector and to become a "single window" for servicing builders.

The strategic objectives of the Company in this direction are:

1. Financing of housing construction and renovation through the redemption of Local Executive Bodies' bonds;
2. Guaranteeing equity participation in housing construction;
3. Subsidizing loans from private builders;
4. Financing of urban investment projects and development of integrated development standards.

#### **4.1.1. Financing of housing construction and renovation through the redemption of Local Executive Bodies' bonds**

In order to increase the supply of affordable housing, the Company will provide financing for the construction of credit housing for depositors of the Otbasz Bank including the renovation of the housing stock by buying out the bonds of the Ministry of Education within the framework of the Concept.

Sources of financing will be the funds of the National Fund of the Republic of Kazakhstan (NF RK) in the amount of 277 billion tenge, allocated in 2016-2019 and the funds of the National Bank of the Republic of Kazakhstan in the amount of 180 billion tenge, allocated in 2020.

Financing of the construction of credit housing by the Local Executive Body at the expense of the NF RK will be carried out on a revolving basis through the redemption of Local Executive Bodies' bonds.

Thus, the total amount of funds allocated to finance the construction of credit housing is 457 billion tenge.

In order to ensure the timely reinvestment of allocated funds and the implementation of indicators of state programs, the Company will form proposals for state bodies on the distribution of funds and will provide digital monitoring of the development of funds, as well as the pace of construction and sale of real estate.

Also, the Company will consider the possibility of increasing the amount of financing for the construction and mixing of funds of the NF RK with external borrowings.

In order to monitor housing affordability, create comfortable living conditions for the population and determine the effectiveness of the measures taken, the Company will conduct analytical studies, including the real estate market and housing construction, as well as set technical requirements for financed facilities taking into account the needs of the population.

Monitoring of the effectiveness of the implementation of this task will be carried out by establishing the following KPIs:

- 1) Redemption of local executive bodies' bonds in the amount of 470.5 billion tenge until the end of 2023 to finance housing construction and renovation (cumulative from 2021).

#### **4.1.2. Guaranteeing equity participation in housing construction**

In order to ensure the protection of the rights and interests of equity participants, the Company will provide guarantees for the organization of the completion of the construction of a residential building in the event of a warranty event and the transfer of shares in a residential building to equity holders under agreements on equity participation in housing construction.

The Company will impose qualification requirements on the participants of shared construction on financial stability, experience and introduce mechanisms for control and monitoring over the targeted use of shareholders' money through engineering companies, as well as apply the best risk management practices.

The Company will introduce a rating system for private builders in order to increase confidence in shared construction projects.

The Company will consider the possibility of creating a single product with the Otbasy Bank on shared construction, and will also constantly improve the legislation in the field of shared construction.

The mechanism for granting guarantees is determined by the legislation in the field of shared construction.

The Company will finance authorized companies in case of risks of late commissioning of shared-equity construction facilities. The financing mechanism is determined according to the Company's internal regulatory documents.

#### **4.1.3. Subsidizing loans of private builders**

In order to support the development of the construction industry, the Company will provide subsidies for the interest rate on loans of private builders from 2021 as part of the Concept.

The source of subsidies will be the funds of the Republican Budget.

The procedure for granting subsidies is determined by the Concept and the Company's internal regulatory documents.

Monitoring of the effectiveness of the implementation of tasks: "4.1.2. Guaranteeing equity participation in housing construction" and "4.1.3. Subsidizing loans of private builders" will be carried out by establishing the following KPI:

- 1) The volume of issued guarantees and the volume of subsidized loans to private builders is 775.2 billion tenge until the end of 2023 (cumulatively from 2021).

#### **4.1.4. Financing of urban investment projects and development of integrated development standards.**

As part of the implementation of investment projects, the Company will finance urban development investment projects in accordance with internal regulatory documents.

The urban planning investment project is a complex development that provides for the construction of multifunctional residential areas with developed infrastructure and includes, without limitation:

- at least 50 (fifty) thousand square meters of housing;
- construction of social infrastructure facilities and park areas.

In addition, the urban planning investment project may include the construction of commercial (business centers, shopping centers, etc.) and other non-residential real estate.

Urban development investment projects will provide for the concept of the general plan (master plan) of the project, which includes the following information: the construction area, including the area of residential, commercial and social facilities, the financial model, the number of jobs created, social infrastructure facilities, the scope of work, the timing of the project and other information about the project.

Financing of urban development investment projects can be directed to the construction of the facility, redemption, as well as the termination of encumbrances of the land plot and / or the object of unfinished construction, repayment and/or refinancing of debts in second-tier banks, as well as to fulfill state tasks.

The Company will also finance the complex development of microdistricts to create a comfortable living environment for the population, which includes social infrastructure facilities (kindergartens, schools, etc.). At the same time, developers accept counter obligations to sell part of the housing at prices determined by the Concept.

Financing mechanisms:

Sources of funding	Funding mechanisms
Own funds and/or borrowed funds (from government and/or market sources)	Bond financing
	Crediting

Financing is carried out by providing a credit and (or) a loan in accordance with the internal documents of the Company on the terms of payment, urgency, repayment and security of the allocated funds.

Funding can be provided using a mixing mechanism from a variety of sources.

The Company will ensure the development of standards for integrated development, taking into account international experience, analysis of standard projects within the framework of the Concept and the needs of the population.

## **4.2. Strategic direction 2: Supporting demand for housing**

**Target:** To increase the availability of housing for citizens of Kazakhstan

The strategic objectives of the Company in this area are:

1. Acquisition of claims and securitization;
2. Issuance of mortgage loans through agent banks under the Orda program;
3. Provision of rental housing within the framework of the Concept;
4. Subsidizing part of the interest rate on mortgage loans issued to the population by second-tier banks.

### **4.2.1. Acquisition of mortgage rights of claims and securitization**

In order to maintain the liquidity of second-tier banks for the provision of mortgage loans to the population of Kazakhstan, the Company will ensure the acquisition of claim rights on mortgage loans and the issuance of mortgage-backed securities.

The Company will also consider the possibility of redemption of mortgage rights of claims with a subsequent obligation for second-tier banks to issue mortgage loans for shared housing construction secured by the Company's guarantee.

The Company will initiate changes in securitization legislation and regulations.

### **4.2.2. Issuance of mortgage loans through agent banks under the Orda program**

In order to develop the mortgage market and improve the living conditions of the population of Kazakhstan, the Company will ensure the issuance of loans under its own Program "Orda" through agent banks, and the Company will also issue loans for objects with a guarantee of completion of housing construction.

The source of financing will be external funds raised in the financial market.

The procedure for issuing mortgage loans, including the amount of interest rates, terms and down payment will be determined in accordance with the Company's internal regulatory documents.

Monitoring the effectiveness of the implementation of tasks: "4.2.1. Acquisition of claim rights on mortgage loans of second-tier banks and securitization" and "4.2.2. Issuance of mortgage loans through agent banks under the Orda program" will be carried out by establishing the following efficiencies:

1) The volume of the mortgage portfolio is 60 billion tenge until the end of 2023 (cumulatively from 2021).

### **4.2.3. Provision of rental housing with redemption within the framework of the Concept**

To ensure the availability of housing, the Company will ensure the provision of rental housing with redemption within the framework of the Concept for employees in the field of education and healthcare, as well as other employees in accordance with the

memorandums concluded with the Ministry of Education and State Organizations in accordance with the Company's internal documents.

Financing will be carried out by attracting loans in the financial market and reinvesting the Company's lease payments under the Concept.

Monitoring of the effectiveness of the implementation of this task will be carried out by establishing the following KPIs:

1) Sale of apartments for rent with subsequent redemption in the amount of 19.0 billion tenge (cumulative from 2021).

#### **4.2.4. Subsidizing part of the interest rate on mortgage loans issued to the population by second-tier banks**

In order to increase the availability of mortgage housing lending to the population, the Company will provide subsidies for part of the interest rate on mortgage housing loans issued to second-tier banks from 2023.

The source of subsidies will be the funds of the republican budget.

The procedure for granting subsidies is determined by the Company's internal regulatory documents.

### **4.3. Strategic direction 3: Development of information technologies and analytics**

**Target:** Digitalization of the Company's products and development of analytics

The strategic objectives of the Company in this direction are:

1. Situation Center "Nurly Zher";
2. Marketplace of building materials;
3. Housing portal;
4. Qazreestr.

#### **4.3.1. «Nurly Zher» Command Center**

As part of the digitalization of the Company's activities, the Nurly Zher Command Center and the LEB Portal were developed to monitor real estate objects under construction financed by the Company under the Nurly Zher Program and the Employment Roadmap, as well as a mobile application for filling in data.

These solutions allow the Company to carry out:

1. remote monitoring of facilities under construction using modern technical means of control (cameras, drones, tablets, etc.);
2. online monitoring of disbursement and housing sales;
3. forecast of the date of input of objects with possible deviations;
4. analysis of photo/video stream and information from the MEB using artificial intelligence;
5. development of measures based on data analysis.

The company will continue to develop these solutions in the following areas:

1. intelligent monitoring of construction using computer vision;
2. formation of a data warehouse of the Company's performance indicators;
3. predictive data analysis using machine learning algorithms;
4. integration with government databases;
5. conducting regular analytical studies (including on the real estate market and housing construction).

To implement this task, the Company will develop the competence in the field of predictive analytics and big data processing (data science, big data), project management, as well as research and analysis of the housing market.

#### **4.3.2. Marketplace of building materials**

In order to reduce the cost of housing construction and support Kazakhstani manufacturers of building materials, a marketplace of building materials will be created on the basis of the Nurly Zher Command Center, where participants in the construction industry will be able to post information about goods, works, services, as well as make transactions.

At the first stage, an analysis of the needs for building materials for the financed objects of the Concept will be carried out, in particular, a showcase of needs for building materials under the Concept will be formed and an online portal will be created for publishing a showcase of needs for building materials for sending commercial offers by Kazakh manufacturers.

At the second stage of development, the online portal will introduce the function of concluding electronic contracts between participants in the construction industry, and the function of controlling the delivery of building materials, with an off-take service that will accompany and verify participants and control transactions.

Monitoring the effectiveness of the implementation of this task will be carried out by establishing the following KPIs:

1. Create a building materials marketplace in 2021.

#### **4.3.3. Housing portal**

The Company will create a Housing Portal to provide comprehensive services for citizens of Kazakhstan.

The housing portal will include the following functions:

<b>Information about shared construction objects</b>	<b>After-sales service</b>
<ul style="list-style-type: none"><li>• Development of a map of shared construction objects</li><li>• Creation of shared construction object cards</li></ul>	<ul style="list-style-type: none"><li>• Creation of personal accounts of clients</li><li>• Integration with the Company's databases</li></ul>

Information about shared construction objects	After-sales service
<ul style="list-style-type: none"> <li>• Information about unscrupulous builders</li> <li>• Integration with the information system "Qazreestr"</li> </ul>	<ul style="list-style-type: none"> <li>• Signing of documents using EDS</li> <li>• Development of Telegram chatbot</li> </ul>

#### **4.3.4. Qazreestr (register)**

Qazreestr is a unified information system for registering equity participation agreements in housing construction, the trustee of which is the Kazakhstan Housing Company JSC (agreement on the transfer of state property dated July 16, 2021 No. 2/26 for a period of 5 years).

The Company will work on the development and modernization of the Qazreestr, including through integration with state databases.

The work carried out will reduce the period of electronic registration of equity participation agreements from 3 days to 2 hours, eliminate "double" sales of housing on the market, and also create a more convenient format of work for builders and equity holders.

#### **4.4. Strategic direction 4: Socially oriented and anti-crisis programs**

**Target:** Create jobs and ensure the timely return of allocated funds.

The strategic objectives of the Company in this area are:

1. Redemption of bonds of the local executive bodies under the Employment Roadmap for 2020-2021;
2. Return of funds allocated for EXPO-2017 projects and other real estate objects;
3. Return of funds from Halyk Bank of Kazakhstan JSC and Development Bank of Kazakhstan JSC.

##### **4.4.1. Redemption of local government bonds under the Employment Roadmap for 2020-2021**

In order to develop the regions of the LEB and ensure employment of the population, the Company will provide financing for infrastructure projects by redeeming bonds of the LEB as part of the Employment Roadmap for 2020-2021.

The source of financing will be the funds of the National Bank of the Republic of Kazakhstan in the amount of 700 billion tenge allocated in 2020-2021. Financing of infrastructure projects will be carried out through the redemption of bonds of local executive bodies.

The company will provide digital monitoring of the disbursement of funds, as well as the pace of construction of infrastructure projects.



Monitoring the effectiveness of the implementation of this task will be carried out by establishing the following KPIs:

- 1) Buyback of LEB securities in the amount of 700 billion tenge in 2020-2021 to finance infrastructure projects and ensure job creation (cumulative from 2020)

#### **4.4.2. Return of funds allocated for EXPO-2017 projects**

The company will ensure timely return of funds from the sale of a share in the Mega Silk Way shopping center in the amount of 36.2 billion tenge until 2034 and from the sale of EXPO-2017 real estate objects (housing and parking spaces) in the amount of 39.9 billion tenge until 2036.

#### **4.4.3. Return of funds from Halyk Bank of Kazakhstan JSC and Development Bank of Kazakhstan JSC**

The company will monitor the timely return of funds allocated in 2009-2010 by Development Bank of Kazakhstan JSC (20 billion tenge until 2024) and Halyk Bank of Kazakhstan JSC (18.2 billion tenge until 2029) to support business entities in the manufacturing industry and solving problems in the real estate market, respectively.

#### **4.5. Functional tasks in the framework of the implementation of the strategic directions of the Company**

##### **Status of the Unified Housing Construction Operator**

According to the Nurly Zher State Program for Housing and Communal Development, the Company was assigned the status of the Single Housing Construction Operator in the Republic of Kazakhstan by merging Mortgage Organization Kazakhstan Housing Company JSC, Housing Construction Guarantee Fund JSC and Baiterek Development JSC.

The creation of the Single Operator will make it possible to raise capital on market terms, mix with current financial flows and reduce the cost of funding for private developers, including through subsidizing and guarantee mechanisms, as well as provide direct support, ranging from strategic planning to full support of projects at all stages of implementation, including engineering, digital monitoring and subsequent operation.

##### **Financial stability**

To improve the efficiency of financial resource management and ensure financial stability, the Company will work to optimize the Company's operating expenses, improve liquidity and financial risk management systems, as well as increase investment attractiveness, including raising/maintaining the Company's credit rating, searching for optimal sources of funding and opportunities use of available resources to implement the strategic directions of the Company.

### **Risk management**

The Company will implement best practices in the field of corporate risk management system and preventive measures to minimize the Company's risks, as well as ensure a systematic and consistent approach in the implementation of the risk management process.

Activities will be carried out to inform, train and motivate employees to identify and assess the inherent risks of the Company.

### **HR policy and corporate development**

To implement new strategic directions, the Company will form a professional team and develop competence in urban planning, architecture and engineering, project management, as well as predictive analytics and big data processing (data science, big data).

Modern approaches to working with personnel and external applicants will be introduced, as well as a favorable environment and an effective corporate culture will be created to unlock the potential of employees and implement their ideas. The company will strive to become the best employer in its industry.

As part of corporate development, organizational transformations and business process reengineering will be carried out to ensure flexibility and the implementation of strategic directions.

To realize the Singapore Housing and Development Board (HDB) model transformation decision of the Board No. 79 dated October 15, 2020 the Project Office was created, which will be responsible for the transformation of the Company at all stages of its development.

The transformation of the Company will be carried out in 3 stages:

1. Short-term (2021-2022) – Consolidation and birth stage.

At this stage, the Company will combine all the products and services of the three Companies and ensure the continuity of operations and the implementation of government programs. The Company will also develop new strategic directions and products to become a key development institution for providing the people of Kazakhstan with affordable housing;

2. Medium-term (2023-2025) - Stage of growth and formation.

At this stage, the Company will complete the development of new strategic directions and products of the Company for their full-scale implementation.

3. Long term (2026 and beyond) – Maturity and sustainability stage.

At this stage, the Company will establish its reputation as a development institution for providing the people of Kazakhstan with affordable housing. The company will strive to develop and develop relevant products and services, taking into account the needs of the citizens of Kazakhstan.

## 5. Key performance indicators of the Company until 2023 and methodology for calculating indicators

In order to assess the effectiveness of activities, the Company will constantly monitor and analyze the achievement of its goals by using the following key performance indicators:

No. p / p one	Key performance indicator	Unit rev.	Rationale	Calculation methodology	Target value for 2023	Data source
2	3	4	5	6	7	
<b>Strategic direction 1: Support housing supply Goal: Increase housing construction by stimulating the private sector and become a one-stop-shop for developers</b>						
1	The Company's contribution to the construction of affordable housing in the Republic of Kazakhstan in 2023	%	In the implementation of the Concept to provide a sufficient number of affordable square meters of housing	The volume of housing commissioning, at the expense of the Company's instruments for the reporting year / The volume of housing commissioning (multi-apartment residential buildings) total for the Republic of Kazakhstan for the reporting year	13 <sup>19</sup>	Development plan/Report on the implementation of the development plan for the reporting year
2	The volume of housing commissioning, due to instruments <sup>20</sup> Companies (cumulative from 2021)	thousand m <sup>2</sup>	In the implementation of the Concept to provide a sufficient number of affordable square meters of housing	The amount of housing commissioned according to the acts of commissioning	Not less than 6 000	Development plan/Report on the implementation of the development plan for the reporting year
<b>Task 1. Financing housing construction and renovation through the redemption of LEB' bonds</b>						
3.	Purchase of LEB securities to finance housing construction and renovation (cumulative from 2021) <sup>21</sup>	billion tenge	In the implementation of the Concept	The amount of repurchase of securities of the LEB	470,5 (In the case of a change in the market borrowing rate and (or) in the event of a change in the need of the Local Executive	Development plan / Report on the implementation of the development plan for the reporting year

<sup>19</sup>Subject to the commissioning of 12,254,173<sup>m2</sup> of housing (multi-apartment residential buildings) in the Republic of Kazakhstan in 2023 (forecast and calculations of the Company)

<sup>20</sup>According to the instruments of redemption of securities of the Ministry of Education, subsidizing loans to private builders and guaranteeing, the Company does not ensure the timely commissioning of housing. The Company, in accordance with the State Program of Housing and Communal Development "Nurly Zher" for 2020-2025, provides timely redemption of securities of the Local Authorities, on-time subsidization of loans to private builders and guarantees the completion of construction.

<sup>21</sup> In the case of a change in the need of the Local Executive Bodies in the production of government securities, the volumes may be revised.

No. p / p	Key performance indicator	Unit rev.	Rationale	Calculation methodology	Target value for 2023	Data source
					Bodies in the issue of government securities, the volumes may be revised)	
Task 2 and 3. Guaranteeing equity participation in housing construction and subsidizing loans to private developers						
4.	The volume of guarantees issued and the volume of subsidized loans to private developers (cumulatively from 2021)	billion tenge	In the implementation of the Concept	The volume of accepted guarantee obligations for shared-equity construction and the amount of loans from developers receiving subsidies at nominal value	775.2	Concluded contracts for guaranteeing and subsidizing loans from private developers
<b>Strategic direction 2: Supporting demand for housing</b> <b>Goal: Increase the availability of housing for citizens of Kazakhstan</b>						
Tasks 1 and 2. Acquisition of mortgage rights of claims and securitization and issuance of mortgage loans through agent banks under the Orda program						
5.	Volume of mortgage portfolio (cumulative from 2021)	billion tenge	In order to develop the mortgage market and improve the living conditions of the population of Kazakhstan	The amount of mortgage loans issued, including through agent banks, and acquired claims rights	60	Development Plan/Development Plan Execution Report for the Reporting Year
Task 3. Provision of rental housing with redemption within the framework of the Concept						
6.	Sale of apartments for rent with subsequent redemption (cumulative from 2021)	billion tenge	In the implementation of the Concept	The cost of sold apartments for rent with subsequent redemption	19.0	Development Plan/Development Plan Execution Report for the Reporting Year
<b>Strategic direction 3: Development of information technologies and analytics</b> <b>Goal: Digitalization of the Company's products and development of analytics</b>						
Task 1. Marketplace of building materials						
7.	Creation of Marketplace of building materials	date	In the implementation of the Concept to reduce the cost of housing construction and support Kazakh manufacturers of building materials	Creation timeMarketplace of building materials	in 2021	Marketplace of building materials
<b>Strategic direction 4: Socially oriented and anti-crisis programs</b> <b>Goal: Create jobs and ensure timely return of allocated funds.</b>						
Task 1. Redemption of LEB bonds under the Employment Roadmap for 2020-2021						

No. p / p	Key performance indicator	Unit rev.	Rationale	Calculation methodology		Target value for 2023	Data source
8.	LEB securities buyback to finance infrastructure projects and ensure job creation (cumulative from 2020)	thousand units	In the implementation of the Employment Roadmap for 2020-2021 to ensure employment of the population of Kazakhstan	The amount of repurchase of securities of the LEB		700 billion tenge in 2020-2021	Development plan / Report on the implementation of the development plan for the reporting year
Key performance indicators within the strategic directions of the Company							
9.	ROA	%	In order to createvalue , including ensuring refunds	$(X/(Y+Z)/2)) * 100$ X = Net income Y = Assets at the end of the previous period Z = Assets at the end of the current period		Not less than 0,5	Audited financial statements of the Company
10.	Share of loan and investment portfolio of total assets	%	In order to work assets for the development of the country's economy, and not for placement in the treasury portfolio	$(X+Y)/Z*100$ X = Loan portfolio Y = Investment portfolio Z = Total assets at the end of the reporting period		80	Development plan/Report on the implementation of the development plan for the reporting year.
11.	Share of non-state sources of borrowing in the total structure of borrowing for the reporting year	%	In order to ensure the growth of the Company's balance sheet from non-state sources of borrowing (both domestic and foreign capital markets)	$(X/Y) * 100$ X = Nominal cost of non-state borrowing for the reporting year Y = Nominal cost of total borrowing for the reporting year		70	Management reporting, company data.
12.	Customer satisfaction	external evaluation	In order to improve the effectiveness of support measures through feedback from their customers on an ongoing basis	X + 3%	X =Baseline Survey Level (Base)	Base + 3 p.p.	Personal data of an independent survey company.

### List of abbreviations

"NMH "Baiterek" JSC	"National Managing Holding "Baiterek" Joint Stock Company
"KHC" JSC	The Kazakhstan Housing Company Joint Stock Company
"Otbasy Bank"	The Otbasy Bank Joint Stock Company
LSP	Lease with subsequent purchase
DBK	"Development Bank of Kazakhstan" Joint Stock Company
STB	Second tier bank
GDP	Gross domestic product
GS LEB	Government securities of local executive bodies
PPP	Public private partnership
Subsidiaries	Subsidiaries of the Holding
SC MNE RK	Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan
KPI	Key performance indicator
LEB	Local executive body
IFI	International financial institutions, including development banks, banks for reconstruction and development, investment banks, foreign exchange funds, development funds and private financial institutions
The concept	The concept of housing and communal infrastructure development until 2026
NF RK	National Fund of the Republic of Kazakhstan
UN	United Nations
DG RK	Decree of the Government of the Republic of Kazakhstan
RK	The Republic of Kazakhstan
CMNF RK	Council for Management of the National Fund of the Republic of Kazakhstan
Mall	Shopping and entertainment center
REIF	Real Estate Investment Fund

APO	Association of property owners
ROA	return on assets
ROE	return on equity
RC	Residential Complex