Information on Assumed Risks, Risk and Capital Management Procedures for 2025

Almaty, 2026

I. General Information

This Information on Assumed Risks, Risk and Capital Management Procedures for 2025 has been prepared in accordance with the requirements of the Rules for Establishing a Risk Management and Internal Control System for Banks and Branches of Non-Resident Banks of the Republic of Kazakhstan, approved by Resolution of the Management Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market No. 86 dated April 28, 2026 (hereinafter - "Rule No. 86").

II. Brief Information on Main Activities of the Bank

"Subsidary "KZI Bank" JSC was founded in early 1993 as one of the first banks in Kazakhstan with foreign ownership and is a subsidiary of the Turkish T.C. Ziraat Bankası A.Ş. The Bank offers a wide range of banking services to Kazakhstani and international customers.
The Bank's main activities include providing services to corporations, individual entrepreneurs, and individuals, as well as operating in the interbank and financial markets.
In accordance with its current license to conduct banking operations and activities in the securities market, the Bank provides its customers with the following services and products: settlement and cash services (transfers in local and foreign currencies, currency conversion, Western Union transfers, cash transactions); deposits; loans, including contingent liabilities; bank debit cards; personal safe deposit boxes; remote banking services (online banking);
In the interbank market, the Bank places and attracts deposits and loans, buys and sells foreign currency, and enters into transactions on the KASE in the foreign exchange market, including transactions involving securities and derivative financial instruments.

III. Procedures for the Implementation of the Risk Management Policy by the Board of Directors and the Management Board of the Bank

In accordance with the requirements of Rule No. 86 and the Bank's internal regulations governing ICAAP and ILAAP, the risk governance and management system has been established to continuously improve effectiveness and provide a more detailed analysis of the risk management system.
In accordance with the Internal Capital Adequacy Assessment Process (hereinafter the "ICAAP") and the Internal Liquidity Adequacy Assessment Process (hereinafter - the "ILAAP"), the Bank's organizational structure includes the following participants:

1) the Board of Directors of the Bank
2) Risk Management Committees under the Board of Directors
3) the Management Board of the Bank
4) the Chief Risk Officer (hereinafter - the "CRO")
5) the Financial Risk Management Department (hereinafter - the "FRMD")
6) the Internal Control and Operational Risk Management Department
7) Responsible departments involved in the risk management process (Responsible departments)
8) Internal Audit Department (hereinafter - the "IAD").

The exclusive competence of the Board of Directors of the Bank with respect to risk management includes the powers set forth in the Bank's Articles of Association, the internal documents, and the Regulations on the Board of Directors of the Bank. In order to ensure the effective performance of its responsibilities, the Board of Directors of the Bank monitors and oversees risk management, internal audit, and compliance with the laws of the Republic of Kazakhstan and the Bank's internal documents by collaborating with the authorized collegial bodies reporting to the Board of Directors of the Bank, the Management Board of the Bank, and the Chief Risk Officer. In accordance with the requirements of Rule No. 86 and in order to enhance the effectiveness of risk management based on the chosen business model, the scope of operations, the types and complexity of transactions, and the risk profile, the Risk Management Committee of the Board of Directors has been established, which operates in accordance with the approved Regulations on the Risk Management Committee of the Board of Directors.

The primary responsibilities of the Board of Directors of the Bank within the risk management framework include, but are not limited to, those defined by regulatory requirements and the Bank's internal regulations: rational decision-making and acting in good faith in the best interests of the Bank; active invlovement in the Bank's activities and awareness of material changes in the Bank's activities; approving the Bank's internal regulations within the competence of the Board of Directors; approving and monitoring compliance with the Bank's Risk Appetite Strategy and risk appetite levels; electing members of the Management Board and appointing the Chief Risk Officer; reviewing reports submitted to the Board of Directors; ensuring the establishment of three lines of defense within the Bank; and performing other functions as defined by regulatory requirements and the Bank's internal regulations.

The main objectives of the Risk Management Committee under the Board of Directors include: preparing recommendations and proposals on the organization and maintenance of effective risk management and internal control systems; developing processes designed to identify, assess, monitor, and control the Bank's risks; coordinating the risk management and internal control processes carried out by the Bank's structural divisions and branches; ensuring a continuous exchange of information regarding risks and the Bank's internal controls among Committee members and communicating such information to risk owners and risk factors in order to enhance risk culture, transparency, and the effectiveness of risk management and internal control systems..

The organizational structure for risk management corresponds to the Bank's business model, the scale of its operations, and the types and complexity of its transactions; it minimizes conflicts of interest and distributes risk management authority among collegial bodies and structural divisions, including: the Board of Directors of the Bank, the Risk Management Committees under the Board of Directors, the Management Board of the Bank, the IAD, and the Bank's responsible departments that provide the first and second lines of defense.

The fundamental principles, responsibilities, and procedures governing the interaction between the Board of Directors, the Management Board, the collegial governing bodies, and the independent structural divisions of the Bank within the the Bank's risk management system are set forth in the Bank's relevant internal risk management documents.

Risk management procedures ensure a timely response to new risks, their clear identification, and the determination of risk owners. In order to ensure a comprehensive and clear understanding of the inherent risks of the Bank, risks are identified and assessed on an annual basis and documented in the risk register, risk map, list of material risks, and Risk Appetite Statement for the upcoming year, all of which are approved by the Board of Directors. Approaches to risk identification, procedures for identifying and assessing risks, the determination of response methods, and monitoring are set forth in internal documents as part of the risk management system.

A key factor in the Bank's strong risk management culture is the regular reporting to the Bank's authorized collegial bodies, including the Board of Directors of the Bank, on risk-related matters, including risk management policies and procedures. The Board of Directors and the Risk Management Committees under the Board of Directors of the Bank regularly receive data and reports from the risk management departments and other relevant departments regarding the Bank's current risk levels, risk appetite levels, and risk mitigation mechanisms, if necessary.

IV. Information on the Inherent Risks of the Bank's Activities; Material Risks

In accordance with internal regulations governing risk management, the Bank continuously identifies, measures, monitors, and controls risks at all levels of the Bank's management. At the same time, the risk management and internal control systems are being improved in accordance with changes in the Bank's risk profile and takeing into account the changes in the external environment.

The following list of inherent risks of the Bank has been identified:
1) Operational risks;
2) Information security risk;
3) Information technology risk;
4) Legal risk;
5) Compliance risk;
6) Liquidity risk;
7) Credit risk;
8) Market risk;
9) Tax risk;
10) Strategic risks;
11) Reputational risk;
12) ESG risks;
13) Corruption and fraud risks;
14) Internal control risks;
15) Human resources management risks;
16) Audit risks.

The Bank identifies material risks based on an assessment of the inherent risks of the Bank's activities (including risks associated with on-balance-sheet and off-balance-sheet transactions, as well as risks by groups, portfolios, and specific business activities of business units), taking into account both quantitative and qualitative parameters when identifying and measuring these risks.

The criteria for determining the materiality of risks, the occurrence of which would lead to a deterioration in the Bank's financial stability, are the impact of such risks on:

- the Bank's capital;
- profitability of the Bank;
- the Bank's liquidity;
- the Bank's reputation;
- compliance with regulatory requirements.

Based on the results of the risk assessment, the following risks of the Bank have been identified as material:
1) Credit risk;
2) Market risk;
3) Liquidity risk;
4) Strategic risks;
5) Operational risks;
6) Information security risk;
7) Information technology risk;
8) Compliance risk.

V. Information on the Bank's Equity

The Bank's primary objective in capital management is to ensure the Bank's compliance with external capital requirements and to maintain a high credit rating and capital adequacy ratios that are necessary to conduct operations and maximize shareholder value.

The Bank implements a comprehensive approach to capital management that ensures alignment with current market conditions, the Bank's long-term strategy, and the scale of its operations. The capital management system is designed to effectively monitor and control capital adequacy levels, and includes:

- a capital management policy;
- a capital financing plan;
- procedures for monitoring and controlling capital adequacy levels;
- a management information system;
- internal control mechanisms;

– regular assessments of the capital management system’s effectiveness by the Internal Audit Department.

For the purpose of assessing capital adequacy, the Bank has developed the Regulations on the Internal Capital Adequacy Assessment Process (ICAAP), which were approved by the Board of Directors of the Bank.

As part of the ICAAP, the Bank carries out the following activities:

– identifying, assessing, and monitoring of material inherent risks of the Bank’s activities;

– strategic capital planning;

– stress testing of the Bank’s financial stability;

– monitoring of the Bank’s capital adequacy to ensure compliance with regulatory requirements.

The procedures for conducting a capital adequacy analysis, taking into account the Bank’s current risk profile and future development plans, as well as the results of stress testing of the Bank’s material risks, to identify potential capital requirements, include the following activities:

1) conducting regular stress testing of the Bank’s risks and assessing their cumulative impact on the Bank’s capital adequacy level;

2) calculating current and projected risk levels;

3) determining the need for capital increases when developing or revising the Bank’s budget, development plan, or long-term strategy;

4) approval of budget/development plan/long-term strategy by the Board of Directors of the Bank, including the Bank’s intentions to adjust its capital level taking into account the risk appetite set forth in the Bank’s strategy.

For 2025, the Bank continued to improve its risk management policy related to capital management in order to enhance its stability and financial flexibility in a changing economic and financial environment. The following key initiatives were implemented:

Here is the corrected version:

The Bank's capital adequacy is assessed in terms of both regulatory and internal (economic) capital.

Regulatory capital is calculated in accordance with the requirements of Resolution of the Management Board of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market No. 85 dated April 28, 2026 "On the Approval of Prudential Standards and Limits that are Mandatory for Banks with a Universal Banking License, Banks with a Basic Banking License, and Islamic Banks, their Limit Values, and Calculation Methods: (hereinafter - "Regulations No. 85"), including all prescribed capital adequacy ratios (k1, k1-2, k2) and corresponding buffers (conservation and systemic).

The (regulatory) capital adequacy ratios, taking into account the buffers, are given in the following table.

Capital Adequacy Ratios, taking into account the Conservation Buffer and the Systemic Buffer, as of 01.01.2026

No.	Name	Minimum acceptable level of capital adequacy ratios, taking into account the conservation buffer and the systemic buffer (%)	Actual capital adequacy ratios, taking into account the conservation buffer and the systemic buffer (%)
1	2	3	4
1.	Core Capital Adequacy (k1)	8.0 %	36.5%
2.	Tier 1 Capital Adequacy (k1-2)	9.0 %	36.5%
3.	Equity Adequacy (k2)	10.5 %	36.5%

As of 01.01.2026, the Bank complies with the capital adequacy ratio requirements established by the National Bank of the Republic of Kazakhstan, taking into account the conservation and systemic buffers. In this regard, in accordance with the requirements of Regulations No. 85, maintaining an adequate level of capitalization does not result in restrictions on the use of retained earnings, such as the suspension of dividend payments or share buybacks.

Information on the Bank's Capital Structure

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EQUITY	**01.01.2025**	**01.01.2026**
Share capital	48,500,000	48,500,000
Other reserves	701,457	406,150
Retained earnings	49,116,297	67,443,389
TOTAL EQUITY	**98,317,754**	**116,349,539**

The Bank calculates its economic (internal) capital based on the Methodology for Calculating Available and Economic (Internal) Capital. The Bank uses a calculation methodology and economic (internal) capital valuation models that are consistent with its business structure and risk profile.

Assessing the adequacy of economic (internal) capital is an integral part of the management and decision-making processes related to both strategic planning and setting limits, as well as evaluating the effectiveness of risk management at the Bank.

The process of assessing the adequacy of the Bank's economic (internal) capital is designed to:

1) identify, measure, aggregate, and monitor the Bank's risks;
2) maintain an adequate level of the Bank's economic (internal) capital;
3) improve the effectiveness of risk management.

VI. Procedure for Determining the Bank's Risk Appetite

In order to establish an effective risk management system, the Board of Directors of the Bank approved the Risk Appetite Strategy as internal regulations. The Risk Appetite Strategy establishes clear limits for the scope of assumed risks within which the Bank carries out its activities as part of the Bank's Development Strategy, and defines the risk profile of the Bank's activities in order to prevent the materialization of risks or minimize their negative impact on the Bank's financial position. The Risk Appetite Strategy is taken into account in:

- strategic and budget planning;
- internal capital adequacy and liquidity assessment processes;
- the development of the Bank's organizational structure and compensation policies.

As part of the Risk Appetite Strategy, the Board of Directors of the Bank develops a Risk Appetite Statement that sets the general direction regarding the risks the Bank assumes as part of its budget planning and operational activities.

An effective Risk Appetite Statement:

- is formed in accordance with the Bank's Development Strategy;
- defines, for each material risk type, the aggregate risk appetite level(s) that the bank accepts in its activities, taking into account its risk profile;
- includes quantitative metrics used to determine the aggregate risk appetite level(s) for each material risk type;
- includes a qualitative statement that describes the Bank's rationale for accepting or excluding risks, including reputational and/or other risks that cannot be quantitatively assessed, and establishes approaches for managing them;

- involves a forward-looking approach and takes into account the results of stress testing to identify potential events that could cause risk appetite levels to be breached.

When determining its risk appetite, the Bank assesses the appropriateness of the established risk appetite for the current period and its suitability for the future through stress testing (scenario analysis and sensitivity analysis).

If material risks are identified that are not described in the risk profile, the FRMD assesses the level of risk, refines the relevant procedures under the “Internal Capital Adequacy Assessment Process” Policy (hereinafter - the "ICAAP") to include such risks in the risk profile, determines the level of risk appetite, and develops measures to prevent and/or minimize the identified risk. The aggregate risk appetite level(s) is (are) approved and reviewed by the Board of Directors of the Bank at least once a year based on a proposal from the FRMD. Risk appetite levels for individual risk types are reviewed throughout the year in response to changes in market conditions and/or changes in the requirements of the Board of Directors of the Bank, but within the limits of the aggregate risk appetite level. Risk appetite reflects the acceptable level of risk that affects the achievement of specific strategic goals. The indicators are formulated based on the areas of activity that the Bank considers strategically important within the framework of its strategic planning. The Risk Appetite Strategy defines escalation procedures to ensure that senior management is involved when necessary. The Bank’s risk profile is a set of risk types and other information that characterizes the extent to which the Bank is exposed to inherent risks of all of its activities, in order to identify weaknesses and priority of subsequent actions within the risk management system. The key indicators of the Bank’s current risk profile are defined in the internal documents on the "Internal Liquidity Adequacy Assessment Process" (hereinafter - the "ILAAP") and the ICAAP.

The Bank’s collegial bodies/departments involved in calculating and determining the Bank’s aggregated risk appetite levels:

The Board of Directors of the Bank:

1) approves the Bank’s Risk Appetite Strategy;
2) approves the Bank’s aggregated risk appetite levels as set forth in the Risk Appetite Statement;
3) monitors compliance with the Risk Appetite Strategy and risk appetite levels.

The Board of Directors of the Bank reviews information on the actual risk appetite levels and their implementation at least once per quarter. The Board of Directors of the Bank takes note of information regarding risk appetite levels, assesses the adequacy of the measures proposed by the Management Board of the Bank, and, if necessary, may recommend that other measures be taken to minimize risks.

The Risk Management Committees under the Board of Directors:

1) ensure the development of the Risk Appetite Strategy;
2) determine the Bank’s aggregate risk appetite levels and risk appetite levels for each material risk type for subsequent submission to the Board of Directors of the Bank for approval;
3) review information on the actual values of risk appetite levels and their performance.

The Risk Management Committees under the Board of Directors of the Bank receive information on the actual risk appetite levels and their implementation at least once per quarter.

The Management Board of the Bank:

1) preliminarily approves the Bank’s Risk Appetite Strategy;

2) implements measures to determine (calculate) the Bank's aggregate risk appetite level;

3) preliminarily approves the Bank's aggregate risk appetite levels as part of the Risk Appetite Statement;

4) following the determination (calculation) of the Bank's aggregate risk appetite, submits a report to the Risk Management Committees under the Board of Directors of the Bank for review and to provide recommendations to the Board of Directors of the Bank;

5) approves risk limits within the aggregate risk appetite levels approved by the Board of Directors of the Bank;

6) determines the Bank's intentions regarding changes to its capital level, taking into account the aggregate risk appetite level and the Bank's Strategy.

Business owners assess risks within their respective areas of operation, including based on materiality criteria, and, once a risk has been identified as material, develop an internal document to establish quantitative and qualitative parameters, as well as a Risk Appetite Statement for that material risk. Business risk owners, who are responsible for calculating and monitoring risk appetite levels, develop methods for calculating risk appetite levels in the form of quantitative and/or qualitative indicators.

The Bank's risk appetite levels for material risks include the following risk level limits:

1) a level that does not require corrective measures. The Bank classifies this level as the initial risk appetite level in the Risk Appetite Statement;

2) a level defined as acceptable but requiring specific corrective actions within the existing risk management procedures in order to reduce the risk level;

3) a level defined as critical, requiring the implementation of appropriate measures to prevent a deterioration in the Bank's financial stability and solvency.

The Risk Appetite Strategy defines the procedure to be followed when risk appetite limits are reached and/or exceeded:

1) upon reaching the initial level that does not require corrective action, this information is reported by the business risk owners responsible for monitoring and calculating risk appetite levels in the risk appetite monitoring report and is brought to the attention of the Management Board, the Risk Management Committees under the Board of Directors, and the Board of Directors of the Bank as part of management reporting;

2) upon reaching the level that is defined as acceptable but requires specific corrective actions under the existing risk management system procedures to reduce the risk level, this information is reported by the business owners responsible for monitoring and calculating risk appetite levels in the risk appetite monitoring report and brought to the attention of the Management Board, the Risk Management Committees under the Board of Directors, and the Board of Directors of the Bank as part of the management reporting process.

In this regard, the Management Board takes the following actions:

a) if necessary, develops the necessary actions to implement corrective measures at this level;

b) designates the departments responsible for the timely implementation of the actions determined by the Management Board;

c) sets a deadline for the Bank's responsible departments to implement the actions aimed at carrying out corrective measures;

d) monitors the timeliness of the implementation of these measures.

3) Upon reaching and/or exceeding a critical level defined as "high", which requires the implementation of appropriate measures to prevent a deterioration in the Bank's financial stability

and solvency, this information is reflected in the risk appetite monitoring report and is brought to the attention of the Management Board, the Risk Management Committees under the Board of Directors, and the Board of Directors of the Bank by the business owners responsible for monitoring and calculating risk appetite levels as part of the management reporting process.

In this regard, the Management Board takes the following actions:

a) develops the necessary actions to implement corrective measures at this level;

b) designates the departments responsible for the timely implementation of the actions determined by the Management Board;

c) sets a deadline for the Bank's responsible departments to implement the actions aimed at carrying out corrective measures;

d) monitors the timely implementation of measures;

e) promptly informs the Board of Directors of the Bank when the risk appetite level is determined to be high and regarding the measures being taken to reduce it.

Compliance with risk appetite levels, as set forth in the Bank's Risk Appetite Statement, is monitored on a periodic basis, and the results of such monitoring are submitted for review by the Bank's authorized bodies, including the Board of Directors of the Bank, as part of management risk reporting.

The main risks affecting the Bank's capital include credit risk, market risk (foreign exchange and interest rate risks), and operational risk. Information on aggregate risk appetite levels (quantitative and qualitative indicators) for the specified risks, their actual values as of the end of the reporting period, and their impact on the Bank's capital adequacy is disclosed in the Bank's Annual Report for the relevant reporting period on the Bank's external website.

VII. Material Risks of the Bank

In accordance with the Methodology for Determining and Calculating Acceptable Risk Levels, the Bank takes into account the following material risks:

No.	**Risk type**	**Risk classification**
1	Credit	the probability of incurring losses resulting from a borrower's or counterparty's failure to fulfill its obligations in accordance with the agreed terms.
2	Market	the probability of financial losses on on-balance-sheet and off-balance-sheet items resulting from adverse changes in market interest rates, foreign exchange rates, and the market value of financial instruments and commodities.
	Foreign exchange	the probability of financial losses resulting from adverse changes in foreign exchange rates as the bank conducts its business.
	Interest rate	the probability of financial losses resulting from adverse changes in market interest rates on assets, liabilities, and off-balance-sheet instruments.
3	Liquidity risk	the probability of incurring losses as a result of a bank's inability to meet its obligations by the specified deadline without incurring significant losses.
4	Price (equity) risk	the probability of financial losses resulting from adverse changes in the market value of financial instruments and commodities.

5	Operational	the probability of losses resulting from inadequate or insufficient internal processes, human resources, and systems, or from external events, including legal risk (excluding strategic risk and reputational risk).
6	Strategic	the risk of losses or failure to generate planned revenue as a result of mistakes (shortcomings) made when making decisions determining the bank's business and development strategy (strategic management) and expressed in inadequate or insufficient consideration of possible dangers that may threaten the bank's business, incorrect or insufficiently justified determination of promising areas of activity, in which the bank can achieve competitive advantages, lack of or insufficient provision of the necessary resources (financial, logistical, and human) and organizational measures (management decisions) required to ensure the achievement of goals of the bank’s activities.

As of 01.01.2026, the Bank maintained a sufficient reserve of available equity capital relative to the calculated amount of economic (internal) capital.

1. Market risk

Risk Determination

At the Bank, market risk is defined as the probability of losses to which the Bank’s on-balance-sheet and off-balance-sheet positions may be exposed in connection with foreign exchange risk and interest rate risk.

Risk Measurement

The Bank measures and monitors risks to identify the market risks it may face and takes these results into account in its strategic decision-making process. At the same time, calculations of amounts exposed to market risk are performed on a monthly basis, and the results are submitted to the authorized body for financial market regulation and development as part of the reports required by law.

The market risk measurement system was designed to comply with legal requirements, business lines, and product types, to be reliable, and to be applied in good faith. In this context, at least the following analyses are conducted to measure and monitor market risk:
- Calculation of the amount exposed to market risk and the authorized capital liability;
- Performing Value at Risk (VAR) analysis and backtesting;
- Monitoring the bank's compliance with market risk limits.

The Bank conducts regular technical reviews using statistical models and systems to comprehensively manage the market risk of the portfolio, which may be affected by market factors. The departments involved in the market risk management process regularly prepare reports containing scenario analyses and stress tests, as well as the necessary information and ratios related to market risk.

Market risk limits are regularly analyzed within the framework of the Bank’s risk appetite and market trends.

The accuracy and consistency of the model used by the Bank are regularly verified through an analysis of historical data.
Consequently, the approaches used are fully consistent with the Bank's risk profile.
As of the reporting date, the absolute values of market risk exposure are at the initial risk level.

Risk Management

Research on measurement, monitoring, mitigation, and stress testing is conducted in accordance with the structure and complexity of the Bank's market risk management positions, and the results are regularly reported. Market risk management activities include, at a minimum, the following:

- ✓ Daily monitoring of accounts and positions exposed to market risk, as well as market changes that affect the value of those accounts and positions;
- ✓ Calculating the amount exposed to market risk and determining the amount of authorized capital that must be allocated to cover market risk;
- ✓ Establishing the structure of market risk limits and signals, and performing the corresponding market risk monitoring function.

Market risk is managed in accordance with principles and rules, the general framework for which is established by applicable laws and regulations and the Board of Directors. The Bank's strategy, policies, and procedures for managing market risk are set forth in the regulations. Internal regulations are periodically reviewed and amended as necessary.
The "Total Net Foreign Currency Position/Equity" ratio is regularly tracked as part of VaR analysis and reporting aimed at monitoring foreign exchange risk. The VaR-based foreign exchange risk limit, as approved by the Board of Directors, is also monitored on a regular basis. In addition, the market risk strategy is also discussed at periodic meetings of the Asset and Liability Management Committee of the Board of Directors, taking into account the Bank's overall policies and strategies, market movements, and economic conditions.
The market risk strategy was defined in accordance with the scope, nature, and complexity of the Bank's activities.

Risk Appetite and Risk Limits

To prevent adverse events that may arise in relation to the portfolio exposed to market risk from having a material impact on the Bank, risk levels were limited to thresholds consistent with the Bank's risk appetite.

Market Risk Signal

Risk limits are set in accordance with the level of risk that can be accepted, the size and complexity of transactions, products, and services, and, when necessary, are regularly reviewed and updated in accordance with changing market conditions, the Bank's strategy, and its risk appetite.

Market Risk Trends.

Risk name	**01.01.2025**	**01.01.2026**
Market risks		
Open foreign exchange position to equity	0.08%	0.12%
Open Position on Interest Rate Risk (Trading Portfolio)	none	none

Market risk limit values are periodically and thoroughly monitored by the Risk Management Department, and the distribution levels for the limit parameters are reported to senior management. The Bank has a reporting system to notify management when a limit is exceeded. In such cases, risk reduction, risk transfer, risk prevention, and similar issues can be assessed as part of the necessary actions. If the limit is exceeded, future strategies and policies, including budget targets, may be reviewed and adjusted as necessary.

2. Operational Risk

Risk Determination

At the Bank, operational risk is defined as the possibility of losses arising from inadequate or ineffective internal processes, people, and systems, or from external events, including legal risk.

Risk Measurement

The Bank measures and monitors risks to identify the operational risks it may face and takes these findings into account in its strategic decision-making process. The results regarding identified operational risks are submitted to the authorized body for the regulation and development of the financial market as part of the reporting required by the regulator.
The operational risk measurement system was designed to align with best practices, comply with legal requirements, reflect the company's business areas and product lines, be reliable, and be applied in good faith. The amount exposed to operational risk is calculated in accordance with regulatory requirements to ensure that there is sufficient capital to cover losses that may arise from operational risk.
The Bank manages the concentration of operating losses arising from specific business processes, types of operating losses, or information systems, taking into account its risk appetite and all applicable legal requirements.

Operational Risk Signal

Risk name	**01.01.2025**	**01.01.2026**
Operational Risks		
Amount of operating losses (in thous. tenge)	738	75,529
Operational Risk-to-Capital Ratio	0.001%	0.065%

In addition, internal limits set for operational risk are monitored on a regular basis.

Self-Assessment

Compared to other types of risk, operational risk, which, by its very nature, does not involve a measurable exposure, is quite difficult to both quantify and assess. Digitization efforts using both basic and advanced measurement methods are covered in other sections, and the Bank conducts its own risk assessment. The subject of this work is the operational risks of the Bank's business units.
As part of the self-assessment, all Bank departments are invited to identify the risks they may face in connection with their current processes, duties, and responsibilities, as well as the probability of these risks occurring, their frequency, potential losses, impact levels, root causes, and risk mitigation factors, in an expert opinion. The data received from the business units is consolidated, and the total potential loss and the expected loss amounts are determined based on probability.

Risk Management

At the Bank, activities related to measurement, monitoring, limits, and stress testing are conducted in accordance with the structure and complexity of the position held with respect to operational risk management, and the results are regularly reported.

Risk Appetite and Risk Limits

To prevent operational risks from having a significant negative impact on the Bank, risk levels are restricted by limits consistent with the Bank's risk appetite. The limit structure took effect with the Regulation approved by the Board of Directors.
Risk limits are set in accordance with the level of risk that can be accepted, the scale and complexity of the Bank's activities, products, and services, and, where necessary, are regularly reviewed and updated in line with changing market conditions, the Bank's strategy, and its risk appetite. The operational risk loss database is used to set risk limits.

- If the signal values are exceeded, the Internal Control and Operational Risk Management Department notifies the relevant departments so that they can analyze the underlying operational risks and take the necessary measures.
- If the limit values are exceeded, the Internal Control and Operational Risk Management Department notifies the relevant department of the analysis of the operational risks causing the limit to be exceeded and, if necessary, takes measures regarding business processes and control processes following assessments or the implementation of other risk mitigation measures. If the limit is exceeded, risk mitigation, risk transfer, risk avoidance, and similar issues may be evaluated as part of the necessary actions. If the limit is exceeded, the Bank's future strategies and policies, including budgetary targets, may be reviewed and, if necessary, adjusted.

3. Interest Rate Risk in the Banking Book

Risk Determination

Interest rate risk associated with bank accounts is defined as the possibility of losses that may arise from mismatches in maturities and revaluations of on-balance-sheet and off-balance-sheet accounts and positions, as well as differences in the structure of interest income and expense.

Risk Measurement

Risk measurement and monitoring activities are carried out to identify the interest rate risk associated with bank accounts that the Bank may face. It is important that the results obtained be taken into account in the Bank's strategic decision-making process. In this regard, the following analyses of measurement and monitoring activities are conducted:

- A gap analysis based on the remaining maturity of assets and liabilities,
- An analysis of changes in fair value and net interest rate risk resulting from changes in market interest rates.

Risk Management

The Bank ensures that work related to measurement, monitoring, limit setting, stress testing, and scenario analysis is carried out in accordance with the structure and complexity of its risk management positions, and that it provides reporting on the results and analysis of interest rate risk across the entire balance sheet. In this regard, the following measures, at a minimum, are being implemented:

- Monitoring mismatches in interest rates and maturities between funding sources and interest-bearing uses;
- Analyzing and tracking the impact of potential downward and upward changes in interest rates, both normal and extraordinary, on the interest margin and the present value of assets and liabilities;
- Monitoring of yield curve risk.

4. Liquidity Risk

Risk Determination

Liquidity risk associated with financing is the probability that the Bank's failure to meet its current or future expected or unexpected obligations in a timely manner and in full, due to mismatches and irregularities in cash flows, could have a negative impact on the Bank's activities and overall financial condition.

Risk Measurement

In order to identify the liquidity risk the Bank may face, it is necessary to implement measures to measure and monitor that risk and to take the results into account in the Bank's strategic decision-making process. Within this framework, the following analyses, at a minimum, are conducted as part of measurement and monitoring activities:

- Liquidity gap analysis based on the remaining maturity of assets and liabilities;
- Structural liquidity gap analysis taking into account the core volatility coefficients of deposits;
- Liquidity coverage ratio;
- Net stable funding ratio.

In addition, various calculations of the liquidity ratio are also performed in accordance with legal regulations.

Liquidity Coverage Ratio

The liquidity coverage ratio is calculated by the authorized body for the regulation and development of the financial market as part of compliance with prudential standards, and as part of liquidity risk management to ensure that the Bank has a sufficient reserve of high-quality liquid assets to cover net cash outflows, which would occur within 30 days, in order to determine the minimum liquidity level.

Net Stable Funding Ratio

The net stable funding ratio is calculated to ensure stable funding and to prevent the funding risk to which banks may be exposed in the long term and which undermines their liquidity.

Currently, the liquidity models in use follow the most conservative approach due to the regulatory requirements of the local regulator. When calculating liquidity ratios in accordance with international practice and the Basel recommendations, the current LCR and NSFR ratios are significantly higher than the current required liquidity ratios. Accordingly, the plan is to establish the most liquid structure of assets and liabilities.

Risk Management

The Bank's liquidity risk management function ensures that activities related to measuring, monitoring, limiting, stress testing, and analyzing scenarios are carried out in accordance with the structure and complexity of its positions, and the results are presented in a report.

The liquidity risk management stress-testing scenarios include scenarios for customer deposit outflows that take into account projected liquidity horizon indicators.

Regulatory liquidity ratios:

1) Liquidity ratios (k4, k4-1, k4-2, k4-3, k4-4, k4-5, k4-6): indicate the availability of highly liquid assets to ensure the timely repayment of the company's short-term liabilities. These ratios make it possible to assess a company's ability to meet its current obligations using its most liquid assets, such as cash, cash equivalents, and readily marketable assets. High ratios indicate a strong liquidity position, while low ratios suggest potential risks of insolvency in the short term. Analyzing these ratios helps management and investors make informed decisions regarding the company's liquidity and financial stability.
2) LCR (Liquidity Coverage Ratio): indicates the extent to which a bank holds highly liquid assets to cover expected outflows over a 30-day period.
3) NSFR (Net Stable Funding Ratio): assesses the long-term stability of a bank's funding structure.

At the Bank, the Risk Management Department, in collaboration with the Liquidity Management Department, is effectively managing liquidity risk.

Risk Appetite and Risk Limits

In order to avoid a significant impact on the Bank's financial stability resulting from increased market volatility and the negative consequences that may arise with respect to cash inflows and outflows, it is important to limit risk levels to those consistent with the Bank's risk profile and risk tolerance and to determine whether any excess is active or passive.
If a limit and an signal are exceeded, a notification is sent to management, and the financial risk management department notifies the relevant departments of the analysis of the causes of the limit exceedance and the measures taken with respect to business processes and control processes, if necessary, following assessments or the implementation of other risk mitigation measures. In such cases, risk reduction, risk transfer, or risk prevention, and similar issues can be assessed as part of the necessary actions. If limits and signals are exceeded, the Bank's future strategies and policies, including budget targets, may be reviewed and, if necessary, adjusted. The limit/signal values and limits are listed in the table below.

Monitoring of Liquidity Ratio

Risk name	**01.01.2025**	**01.01.2026**
Liquidity Risk		
Current Liquidity Ratio (k4)	1.623	2.165
Liquidity Ratio (k4-1)	8.674	7.423
Liquidity Ratio (k4-2)	4.492	3.251
Liquidity Ratio (k4-3)	3.730	2.547
Short-Term Foreign Currency Liquidity Ratio (k4-4)	1.681	1.324
Short-Term Foreign Currency Liquidity Ratio (k4-5)	3.864	2.311
Short-Term Foreign Currency Liquidity Ratio (k4-6)	4.386	2.300

Monitoring of Liquidity Coverage Ratio

Name	**01.01.2025**	**01.01.2026**
Total high-quality liquid assets	**71,033,218**	**74,429,984**
Cash inflows	**37,679,547**	**29,349,012**
Cash outflows	**44,416,643**	**38,835,653**
Total net cash outflow	**11,104,161**	**9,708,913**
LCR	**6.397**	**7.666**

Monitoring of Net Stable Funding Ratios

Name	**01.01.2025**	**01.01.2026**
Accessible Stable Funding	**208,738,489**	**235,598,189**
Required Stable Funding Assets	**136,260,380**	**146,315,585**

Required Contingent and Potential Stable Funding Obligations	**6,465,706**	**7,180,885**
NSFR	**1.463**	**1.535**

5. Credit risk

Risk Determination

In managing credit risk, the Bank adheres to the principles of integrated risk management, which also encompasses credit risk management.

The key stages of credit risk management (identification, assessment, management, monitoring, and control) are governed by internal documents:

1) the Bank's Credit Policy;
2) the Regulations on Credit Committees;
3) the Methodology for Calculating Allowances (Reserves);
4) Other internal regulations governing the procedures and rules for lending.

The Bank determines the acceptable level of credit risk based on:

- clearly defined parameters (limits) and criteria for the Bank's risk appetite, namely the aggregate level of credit risk that the Bank is prepared to accept, taking into account the probability of potential losses that could lead to a loss of financial stability;
- the Bank's aggregate credit risk indicators, derived by aggregating the various types of credit risk;
- procedures for allocating aggregate credit risk among the various types of credit risk.

At least once a year, the Board of Directors approves the Bank's maximum allowable credit risk level and risk appetite for the upcoming year.

The Bank continuously monitors its acceptable level of credit risk through identification, assessment, and monitoring procedures.

Credit risk identification (detection) is the process of identifying current on-balance-sheet and off-balance-sheet exposures that are sensitive to changes in credit factors, as well as the Bank's planned future transactions that are subject to credit risk. At the Bank, credit risk is defined as the possibility of losses that may be incurred due to a debtor's partial or complete failure to fulfill its obligations on time by not complying with the terms of the contract.

The Bank recognizes credit risk as the most material of all inherent risks of the Bank's activities.

Among the existing types of credit risks, the Bank identifies the following:

1) The risk of loan default or late repayment, which refers to the probability that a borrower will fail to comply with the terms of the loan agreement regarding the full and timely repayment of the principal amount of the debt, as well as the payment of interest, delays in loan repayment and late interest payments for a period exceeding 90 days (NPL), which leads to a reduction in liquid assets (transitioning into default risk).
2) Loan collateral risk, which refers to the probability of difficulties in realizing collateral (low liquidity/overvalued collateral). This type of risk is considered when the risk of default arises.
3) Solvency (creditworthiness) risk, which refers to the probability that a borrower will lose the ability to meet its obligations to the Bank.
4) Concentration risk, a risk arising from the concentration of loans in the loan portfolio, with the maximum loan amounts broken down by currency, collateral, economic activity, affiliation, and the country where the customers are located.

The Bank applies its credit risk classification when making decisions at all stages of credit risk management, which ensures that limits are set in a timely and appropriate manner and that other measures are taken to manage the Bank's credit risk exposure.

The Bank defines the following as credit risk management tools:

- assessing the financial condition of borrowers, securities issuers, and counterparty banks;
- monitoring and controlling risk indicators;
- limit setting;
- provisioning;
- monitoring of concluded transactions;
- diversification of the loan portfolio and investments;
- collateralization and monitoring of the status of collateral;
- segregation of duties among employees.

Risk Measurement

The Bank measures and monitors risks to identify potential credit risks and takes these findings into account in its strategic decision-making process. At the same time, calculations of amounts exposed to credit risk are performed on a monthly basis, and the results are presented in the form of reports to internal and external parties in accordance with the requirements of internal and regulatory guidelines.

Risk Management

The Bank's organizational structure within the risk management system is consistent with its chosen business model, the scale of its operations, and the types and complexity of its transactions; it minimizes conflicts of interest and distributes authority for risk management, including credit risk management, among collegial bodies and structural divisions, and includes:

- the Board of Directors;
- the Risk Management Committee under the Board of Directors;
- the Management Board of the Bank;
- the Bank's branches;
- the relevant structural divisions;
- the Internal Audit Department.

As part of the credit risk management process, the authority and responsibilities of the Board of Directors, the Risk Management Committees under the Board of Directors, and the Management Board of the Bank are defined by the relevant regulations governing the Bank's collegial bodies.

The internal auditor shall be responsible for assessing the effectiveness of risk management based on a judgment derived from the evaluation of credit risk management systems.

Other structural divisions participate in the credit risk management process within the scope of their authority, as defined by the regulations governing these units and other internal documents of the Bank, including:

providing the Risk Management Department with the information necessary for it to perform its risk management functions;

- implementing the decisions of the Bank's authorized collegial risk management bodies;
- being responsible for the effective management of inherent risks of the processes within the division's area of responsibility;
- being responsible for identifying and monitoring the level of operational risk within the division's area of responsibility.

Measurement, monitoring, limit-setting, and stress-testing activities are conducted in accordance with the structure and complexity of the Bank's credit risk management framework, and reports are regularly prepared based on the results of these activities. In this regard, credit risk management activities include, at a minimum, the following:

- Establishing and maintaining a credit risk management infrastructure that is sufficiently flexible to meet regulatory obligations;
- Calculating the amount exposed to credit risk and determining the amount of capital to be allocated to credit risk;
- Identifying applicable risk mitigation techniques;
- Conducting stress tests;
- Establishing a structure of credit risk signals and limits, and performing the corresponding credit risk monitoring function;
- Establishing an infrastructure for reporting the results of credit risk analysis to senior management;
- Monitoring accounts and positions exposed to credit risk, as well as events affecting the value of those accounts and positions.

In addition, the sectors receiving loans are closely monitored, and all developments are reported on a regular basis. The Bank is carrying out effective and productive projects, both in terms of developing credit policy and in terms of monitoring, reporting, and evaluating the results of research on this issue. In addition, the fact that the Bank employs staff with strong technical expertise, extensive experience, and a deep understanding of credit risks enhances the effectiveness and quality of the Bank's credit risk management.

Credit Risk Management Reporting

Management reports on credit risk management are reviewed by the Management Board of the Bank on a monthly basis and by the Risk Committee and the Board of Directors on a quarterly basis. Management reporting contains information on:

• the loan portfolio and its quality, presented as a trend over time;
• the extent (level) of credit risk exposure, including an assessment of how
closely the aggregate exposure aligns with the Bank's established limits for various types of loans (pre-limit approach);
• the Bank's exposure to credit risk with respect to related borrowers and changes in that exposure;
• the concentration of credit risk among the largest borrowers and borrowers with whom the Bank has special relationships, including the Bank's shareholders, and changes in that concentration;
• the Bank's internal borrower ratings and changes therein;
• the amount of loan loss provisions and an assessment of their adequacy;
• restructured, refinanced, and non-performing loans;
• monitoring and control of compliance with limits;
• deviations from policies and limits.

Risk Appetite and Risk Limits

In order to prevent the negative effects of the overall loan portfolio from having a significant impact on the bank, risk levels are limited by signals and limits consistent with the Bank's risk appetite. The signal and limit values are calculated in accordance with the "Risk Appetite Strategy."

Risk limits are set in accordance with the level of risk that can be accepted, the size and complexity of transactions, products, and services, and, when necessary, are regularly reviewed and updated in accordance with changing market conditions, the Bank's strategy, and its risk appetite.

The Bank has a reporting system to notify management when a limit is exceeded. In such cases, reducing, transferring, or mitigating risk, increasing the guarantees obtained, and similar matters are evaluated as part of the necessary actions. If the limit is exceeded, future strategies and policies, including budget targets, may be reviewed and adjusted as necessary.

Credit Risk Trends

Risk name (in thous. tenge)	**01.01.2025**	**01.01.2026**
Credit-risk-weighted assets	265,113,796	254,660,900
Credit risk-weighted contingent liabilities	41,260,891	48,799,463
NPL 90+	*0.76%*	*0.64%*

Credit risk signals and limit values are carefully and periodically monitored by the financial risk management department, and the levels of utilization of these limits and signals are reported to senior management.

Appendix 1 to the Report on Assumed Risks, Risk and Capital Management Procedures for 2025

Table 1

Information on the Bank's Assets Exposed to Credit Risk as of 01.01.2026

(thous. tenge)

No.	Name	Claims in default	Claims with overdue principal debt and/or accrued interest for more than 90 (ninety) calendar days	Claims that are not in default	Claims with overdue principal debt and/or accrued interest of no more than 90 (ninety) calendar days	Provisions (reserves)	Net book value of assets
1	2	3	4	5	6	7	8
1	Loans	3,472,348	1,209,997	191,557,783	193,820,134	6,957,121	188,073,010
2	Debt securities	0	0	1,022,517	0	867	1,021,650
3	Off-balance-sheet liabilities	0	0	143,617,694		88,949	143,528,745
4	Total:	3,472,348	1,209,997	336,197,994	193,820,134	7,046,937	541,747,410

Table 2

Credit Risk Information

(thous. tenge)

No.	Name	Total	Unsecured claims	Claims secured by collateral	Claims secured by guarantees	Claims secured by derivative financial instruments
1	2	3	4	5	6	7
1	Credits	195,030,131	7,766,995	186,863,465	399,671	0
2	Debt securities	1,022,517	1,022,517	0	0	0
3	Total, of which:	196,052,648	8,789,512	186,863,465	399,671	0
4	Claims in default	3,472,348	45,175	3,427,173	0	0