

VTB Bank (Kazakhstan) Subsidiary Joint Stock Company

**INFORMATION ON ACCEPTED RISKS, RISK AND CAPITAL  
MANAGEMENT PROCEDURES  
SUBSIDIARY JSC VTB BANK (KAZAKHSTAN)  
FOR 2024**

Almaty, 2025

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## Glossary:

1. Bank – Subsidiary JSC VTB Bank (Kazakhstan);
2. IRDs – internal regulatory documents;
3. ICAAP – Internal Capital Adequacy Assessment Process;
4. ILAAP – Internal Liquidity Adequacy Assessment Process;
5. RMC – Risk Management Committee under the Board of Directors of the Bank;
6. ALMC – Asset and Liability Management Committee under the Management Board of the Bank;
7. IFRS – international financial reporting standards;
8. Regulations No. 170 – Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated September 13, 2017 No. 170 “On the establishment of standard values and methods for calculating prudential standards and other mandatory norms and limits, the amount of bank capital and the Rules for calculating and limits of the open currency position”;
9. OCP – open currency position;
10. Rules 188 – Resolution of the Board of the National Bank of the Republic of Kazakhstan dated November 12, 2019 No. 188 “On approval of the Rules for the formation of the risk management and internal control system for second-tier banks, branches of non-resident banks of the Republic of Kazakhstan”;
11. CFP – Contingency Funding Plan;
12. BoD – Board of Directors of the Bank;
13. IAD – Internal Audit Department;
14. CC&FMD – Compliance Control and Financial Monitoring Department of the Bank;
15. ACBs – authorized collegial bodies.

## **1. Brief information on the main activities of the Bank**

VTB Bank (Kazakhstan) Subsidiary Joint Stock Company (hereinafter referred to as the “Bank”) was established on September 19, 2008 in accordance with the legislation of the Republic of Kazakhstan. As of December 31, 2024, the Bank carried out its activities on the basis of a license for banking and other transactions and activities in the securities market No. 1.2.14/39, issued by the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market on February 3, 2020, which replaces previous licenses.

The Bank accepts deposits from the population, provides loans and transfers funds within the territory of the Republic of Kazakhstan and abroad, conducts currency exchange transactions, and provides other banking services to legal entities and individuals who are clients of the Bank. Registered address of the head office of the Bank: 050040, 26/29, Timiryazev Street, Almaty, the Republic of Kazakhstan. As at 31 December 2024, the Bank had 12 branches in the Republic of Kazakhstan (as at 31 December 2023: 12 branches).

The Bank is a member of the Kazakhstan Deposit Insurance Fund (hereinafter referred to as the “KDIF”). The main objective of the KDIF is to protect the interests of depositors in the event of the forced liquidation of a bank-member of the fund. As of December 31, 2024, depositors can receive limited insurance coverage for deposits, depending on their amount and currency: in tenge - up to 10,000 thousand tenge, in foreign currency - up to 5,000 thousand tenge, savings deposits in tenge - up to 20,000 thousand tenge.

As of December 31, 2024 and 2023, the sole shareholder of the Bank is VTB Bank (Russia) Public Joint Stock Company (hereinafter referred to as the “Parent Company”). The ultimate controlling party of the Bank is the Government of the Russian Federation.

The financial position of the Bank is detailed in the Annual Financial Statements for 2024

[https://www.vtb-bank.kz/about/finansovye-dokumenty/finansovaya-otchetnost/FS\\_VTB\\_2024\\_rus.pdf](https://www.vtb-bank.kz/about/finansovye-dokumenty/finansovaya-otchetnost/FS_VTB_2024_rus.pdf)

## **2. Procedure for the implementation of the risk management policy by the Board of Directors and the Management Board of the Bank**

The Board of Directors of the Bank has approved the Risk Management Policy, which defines the basic principles for organizing the Bank’s risk management. In accordance with it, the Board of Directors of the Bank ensures the existence of a risk management system that corresponds to the selected business model, scale of activity, types and complexity of transactions and ensures an appropriate process for identifying, measuring and assessing, monitoring, controlling and minimizing procedures for significant risks to ensure the financial stability and stable functioning of the Bank.

The exclusive competence of the BoD of the Bank in terms of risk management includes the powers regulated by the Bank’s Charter, internal documents of the Bank, as well as the Regulation on the Board of Directors of the Bank. In order to effectively fulfill its assigned duties, the BoD of the Bank monitors and controls risk management, internal audit, compliance with the requirements of the legislation of the Republic of Kazakhstan and internal documents of the Bank through interaction with authorized collegial bodies under the BoD of the Bank, the Management Board of the Bank and the Head of Risk Management. The BoD of the Bank has a Risk Management Committee, which operates within the framework of the Regulation, which defines its powers, competence, and principles of its work.

The main responsibilities of the BoD of the Bank within the risk management system include the responsibilities defined by regulatory requirements and the Bank’s IRDs, but are not limited to: rational decision-making and acting in good faith in the interests of the Bank; active involvement in the Bank’s activities and awareness of significant changes in the Bank’s activities; approval of the Bank’s IRDs within the competence of the BoD of the Bank, approval and monitoring of compliance with the Bank’s Risk Appetite Strategy and risk appetite levels,

election of members of the Management Board, appointment of the Head of Risk Management; review of reports submitted for review to the BoD; ensuring the formation of three lines of defense in the Bank; other functions defined by the requirements of the regulator and the Bank's IRDs.

The main responsibilities of the RMC of the Bank within the risk management system include the following responsibilities: ensuring the development of the Risk Appetite Strategy and risk appetite levels, determining the Bank's risk profile; ensuring the development and submission for approval by the BoD of the Bank of: a document regulating the main approaches and principles of ICAAP and ILAAP, procedures for conducting stress tests and stress testing scenarios, the Bank's business continuity management policy, CFP, Operational Risk Management Policy, the Bank's Information Technology and Information Security Risk Management Policy, the Compliance Risk Management Policy, the internal procedure determining the functioning of the management information system, ensuring the regular submission to the BoD of the Bank of complete, reliable and timely information on the level of risks accepted by the Bank.

The Management Board of the Bank manages the Bank's current activities in accordance with the selected business model, scale of transactions, types and complexity of transactions, risk profile, and IRDs approved by the BoD of the Bank.

The main responsibilities of the Management Board of the Bank within the risk management system include the responsibilities defined by the requirements of Rules 188 and the Bank's IRDs, but are not limited to: responsibility for the development of the Bank's IRDs approved by the BoD of the Bank, preliminary approval of reports submitted for consideration by the BoD of the Bank; monitoring compliance with the limits and restrictions established by the BoD of the Bank.

The organizational structure of risk management corresponds to the Bank's business model, scale of activities, types and complexity of transactions, minimizes conflicts of interest and distributes risk management powers between collegial bodies and structural divisions, including: the BoD of the Bank, the RMC of the Bank, other collegial bodies under the BoD of the Bank, the Management Board of the Bank, collegial bodies under the Management Board of the Bank, CC&FMD, IAD, structural divisions of the Bank providing the second line of defense, structural divisions of the Bank providing the first line of defense.

The main principles, responsibilities and procedures for interaction between the BoD of the Bank, the Management Board, ACBs of the Bank and independent structural divisions of the Bank within the framework of the Bank's risk management system are reflected in the relevant internal documents of the Bank on risk management.

Risk management procedures ensure timely response to new risks, their clear identification and determination of risk owners. For a comprehensive and clear understanding of the inherent risks, the Bank annually identifies and assesses risks, which are reflected in the risk map, the list of significant risks, the risk appetite statement for the coming year, approved by the Board of Directors. Approaches to determining risks, the procedure for identifying and assessing risks, determining response methods, monitoring are provided for by internal documents within the risk management system.

A key factor in the high risk management culture of the Bank is regular informing of the authorized collegial bodies of the Bank, including the BoD of the Bank, on risk-related issues, including risk management policies and procedures. The BoD and RMC of the Bank regularly receive data and reports from risk management divisions and other responsible divisions on the current level of the Bank's risks, on risk appetite levels and mechanisms for mitigating the level of risks, if necessary.

### **3. Information on risks inherent in the Bank's activities, significant risks**

In accordance with the Risk Management Policy, the Bank continuously identifies, measures, monitors and controls risks at all levels of Bank management. At the same time, the

risk management and internal control system is improved in accordance with changes in the Bank's risk profile, as well as taking into account changes in the external environment.

The following list of risks inherent in the Bank has been identified:

- 1) Credit risks
- 2) Country (political) risk
- 3) Market risks
- 4) Liquidity risks
- 5) Concentration risk
- 6) Real estate risk
- 7) Operational risk
- 8) Residual risk
- 9) Regulatory (compliance) risk
- 10) Reputational risk
- 11) Strategic risk

The Bank's risk significance is assessed at least once a year. In assessing the risk significance, the Bank is guided by the following principles:

- 1) a comprehensive analysis of the Bank's activities in order to identify existing and potential risks;
- 2) a uniform approach to determining the degree of their impact on the Bank's activities for all types of risk;
- 3) regular review of the risk significance assessment results in order to ensure relevance.

Stages of the risk significance assessment process:

- 1) identification of risks inherent in the Bank's activities;
- 2) assessment of the significance of identified risks;
- 3) generation of reports on identified risks;
- 4) updating the list of risks when new risks are identified.

Based on the results of the risk assessment (for 2023), the following Bank risks were recognized as significant:

- 1) Credit risks
- 2) Market risks
- 3) Liquidity risks
- 4) Concentration risk
- 5) Operational risk
- 6) Reputational risk

#### **4. Procedure for determining the Bank's risk appetite**

The Bank's risk appetite management system is regulated by the Methodology for Determining and Calculating Acceptable Risk Levels.

The Methodology defines the system of indicators of the Bank's acceptable risk levels, including relevant quantitative indicators of the VTB Group's risk appetite system, the principles for calculating the control values of these indicators and the procedure for monitoring them, the departments responsible for calculating the indicators, the timing and procedure for calculating, controlling and monitoring the acceptable risk level.

Acceptable risk level/risk appetite is the level (amount) of risk that the Bank determines for itself as acceptable (acceptable, safe) to ensure its financial reliability and long-term functioning based on the strategy, nature, scale and complexity of activities, as well as the financial position.

The implementation of risk appetite is aimed at achieving the following goals:

- 1) defining and monitoring the target level of the Bank's risks, taking into account the set strategic goals;
- 2) integrating strategic goals into risk management procedures, including at the operational level;

3) increasing the efficiency of the risk management system.

When determining the acceptable level of the Bank's risk, the Management Board of the Bank takes into account all risks inherent in the Bank, including the risks of transactions recorded in the accounts of contingent and possible claims and liabilities.

Based on the results of determining (calculating) the acceptable level of risks, the Management Board of the Bank shall assess whether the acceptable level of risks of the Bank corresponds to the size, nature and level of complexity of the Bank's business by considering the results of the assessment of the financial and non-financial consequences of all risks inherent in the Bank, including through the use of:

- 1) the results of quantitative and qualitative analysis;
- 2) sensitivity analysis and stress testing;
- 3) studying historical experience;
- 4) establishing individual limits on individual types of risks for the subsequent determination of the upper limit of the aggregate level of risk that the Bank is willing to accept.

The Management Board of the Bank shall ensure the preparation of a report containing:

- 1) the results of calculating and determining acceptable risk levels and comparing them with the Bank's current risk level;
- 2) the level of capital that the Bank must maintain in the event of losses depending on the size of the risks;
- 3) the planned actions that the Bank's management can take to restore capital in the event of losses;
- 4) the results of assessing the acceptable level of risks for compliance with the size, nature and complexity of the Bank's business.

The Management Board of the Bank shall submit the report of the RMC of the Bank for review and further approval at the BoD of the Bank.

Risk appetite indicators are calculated and controlled by the responsible divisions of the Risk Department. Monitoring of risk appetite indicators is included in the Management Reporting on risks. Information on indicator violations, if any, is included in the Management Reporting on risks, measures are developed to reduce the risk and/or a decision is made to accept the risk and increase the control values.

For each risk appetite indicator, signals, triggers and limits can be set individually, as well as signals, triggers and limits together.

Proposals for control values of indicators are prepared by the Bank's Risk Department. Control values are revised regularly (at least once a year) and as needed (in the event of changes in regulatory requirements, economic conditions, methodology, etc.).

Acceptable risk levels can be revised in the event of changes in the Bank's Strategy or the VTB Group Strategy, as well as in the event of changes in internal or external conditions in the financial markets, changes in economic conditions and the requirements of the legislation of the Republic of Kazakhstan. Within the framework of acceptable risk levels, internal limits on risk indicators may be established.

## **5. Procedure for assessing risks as part of assessing capital adequacy**

The main stages of the risk management process are: identifying risks, assessing risks, controlling and monitoring risks, and generating risk reports.

The main methods of risk management are:

- 1) regulating transactions;
- 2) setting limits (including the pre-limit approach);
- 3) diversifying transactions;
- 4) early warning indicators of risk;
- 5) stress testing (using scenario analysis and sensitivity analysis methods);
- 6) establishing risk appetite indicators;
- 7) determining the amount of economic capital;

- 8) risk hedging;
- 9) forming a sufficient level of reserves to cover losses;
- 10) maintaining capital adequacy.

The choice of an effective risk measurement method is determined taking into account the specifics and nature of each specific type of risk. The use of financial risk assessment in analysis involves the calculation of quantitative indicators of the risk level. For this purpose, mathematical tools for risk calculation can be used, including Value at Risk (VaR) methods, scoring methods, volatility models, break-even point analysis, etc. A qualitative assessment of the probability of risk realization is also used.

Regulating transactions is high-quality risk management by forming procedures for their implementation taking into account the effective logistics of business processes and the principles of building an internal control system.

Setting limits (restrictions) on all types of financial transactions and instruments conducted by the Bank is the main quantitative risk management method.

The Bank's risk control limits are set, including taking into account intra-group transactions, both at the Bank level and in the context of business areas and divisions of the Bank.

Determination of the list of main risk indicators subject to control restrictions and approval of the register of limits is within the powers of the RMC.

The Bank provides for the establishment of internal limits on:

- Liquidity risk;
- Market risks;
- Counterparty risk;
- Credit risk, including portfolio quality;
- Other types of risks.

The procedure for establishing these limits is regulated by separate IRDs of the Bank for managing these types of risks.

Diversification is the distribution of assets and liabilities across various components, both at the level of financial instruments and portfolios, and by their components. In terms of assets, diversification allows to reduce the amount of losses in the event of a decrease in the profitability (liquidity) of individual portfolios and financial instruments or their components. In terms of liabilities, diversification allows to limit the Bank's dependence on individual funding sources.

The BoD of the Bank defines the general strategy for diversifying the Bank's business. The ACBs of the Bank, within the framework of the approved strategy, manage the diversification of the asset and liability structure (the Credit Committee under the Board of Directors and the Credit Committee under the Management Board - diversification of the loan portfolio, RMC and ALMC - diversification of other assets and liabilities of the Bank).

The Risk Department, together with the Bank's structural divisions, develops early warning indicators for liquidity and market risks, which are analyzed on a periodic basis. The results of monitoring the early warning indicators for the emergence of liquidity and market risks are contained in the management reports submitted to the Management Board on a monthly basis and to the BoD and RMC on a quarterly basis.

The Risk Department carries out stress testing and assesses changes in the market environment, changes in the nature and scale of the Bank's activities, as well as the Bank's existing actual experience of operating in stressful situations. Stress testing scenarios are approved by the BoD of the Bank. The results of the assessment with proposals (if necessary) for changing the stress testing scenarios are sent by the Risk Department at least once a year to the RMC for review and approval by the BoD of the Bank. A report on the results of risk stress testing is prepared by the Risk Department and is regularly submitted for review to the Management Board, RMC and the BoD of the Bank.

Stress tests can be conducted both for individual types of significant risks and for their totality – an integrated stress test.

The following types of scenarios are used within the integrated stress testing:

a base (optimistic) stress testing scenario that determines the most probable change in risk factors;

a stress (moderate) stress testing scenario that determines the probable negative change in risk factors;

a pessimistic stress testing scenario, the implementation of which will lead to a significant threat to the financial stability of the Bank (reverse stress test).

Stress test scenarios are developed by the Risk Department. Stress test scenarios can also be provided by the National Bank of the Republic of Kazakhstan as part of supervisory stress testing.

Stress test types and scenarios are developed based on the methods/models used in international financial practice and taking into account the requirements of stakeholders.

Stress testing procedures/scenarios are periodically reviewed (updated), including depending on the phase of the business cycle, as well as changes in external and internal factors affecting the Bank's activities.

Taking into account the risk factors of sustainable development during stress testing can be carried out through an assessment of the impact of such factors at the Bank level, at the industry level, as well as through expert consideration of the impact of risk factors of sustainable development on macroeconomic and microeconomic indicators (changes in the dynamics of growth of gross domestic product (GDP), working conditions, changes in prices for securities, goods and currency, revaluation of assets, changes in funding conditions).

Information on specific parameters of stress scenarios and the results of the stress tests conducted is submitted to the BoD of the Bank and the executive bodies of the Bank as part of reporting on risks.

The results of stress testing are reviewed by the Bank's management bodies and taken into account when making relevant management decisions, including can be used to determine the need for capital and take measures to reduce the level of risks.

The Bank's IRDs determine possible corrective actions in stressful situations.

Risk hedging – insurance of forward transactions against unfavorable changes in interest rates, exchange rates, prices of goods and financial instruments. It is carried out using direct insurance of the subject of the transaction, derivative financial instruments, special hedging methods: swaps, futures, options and using other financial instruments.

Formation of a reserve to cover losses allows to cover the risk at the expense of the Bank's own funds.

Maintaining capital adequacy, which plays a major role in covering the risks taken. The procedure for analyzing, managing and maintaining capital adequacy is regulated by the Bank's internal documents.

## **6. Information on the Bank's equity capital**

The main objectives of the capital management system:

- 1) Strategic objective - maintaining the optimal size and structure of the Bank's capital to ensure:
  - a) maximization of the Bank's profit;
  - b) compliance of equity with the level of risks accepted by the Bank and potential risks (risk appetite).
- 2) Tactical objectives:
  - a) sufficient level of capital to fulfill the strategic objectives of the Bank's development;
  - b) compliance with the requirements of the Authorized State Body for the Bank's capital adequacy indicators;
  - c) compliance with triggers for writing off subordinated loans.

Basic principles of capital management:

- 1) centralized capital management (determination of capital requirements, accumulation of capital sources by the Bank and redistribution within the Bank);

2) a variant approach to the development and selection of solutions (preparation of specific management decisions taking into account alternative possibilities – in terms of sources and forms of attracting additional capital and the target capital structure).

Capital management in the Bank is carried out in accordance with the recommendations of the Basel Committee on Banking Supervision, regulatory legal acts of authorized state bodies and the requirements of the Group.

The Bank ensures sufficient capital to cover credit, market and operational risks in accordance with the regulatory legal acts of authorized government bodies and the requirements of the Group.

The main approaches to further improving the Bank's internal procedures for assessing capital adequacy are provided for by strategic initiatives for the development of the Bank's and the Group's risk management system.

Mandatory standards for the adequacy of equity (capital), established by the Authorized State Body, are observed by the Bank as a matter of priority.

In addition to them, the Bank calculates capital to cover significant types of risks for internal purposes and for the purposes of preparing financial statements in accordance with International Financial Reporting Standards (IFRS).

An internal assessment of capital adequacy to cover all (identified within the framework of the ICAAP) relevant types of risks inherent in the Bank is carried out by determining economic capital and comparing it with the Bank's existing (regulatory) capital. The corresponding indicator is included in the Bank's risk appetite metrics.

As part of monitoring compliance with control values of risk appetite indicators and ensuring capital adequacy, the Board of Directors of the Bank makes decisions:

- 1) on reducing the level of risks (using additional risk limitation measures) taken by the Bank;
- 2) on changing the structure of the Bank's assets (primarily with respect to investments in shares/stakes in authorized capital) to improve the efficiency of capital use;
- 3) on the need to increase (change the structure) the Bank's capital.

Planned (target) level and structure of capital.

The planned (target) level of capital is determined based on the planned volume and structure of assets, risk propensity indicators and planned (target) capital adequacy indicators developed as part of the annual business planning procedure. Planned (target) capital adequacy indicators are approved by the decision of the RMC of the Bank and revised as necessary.

The planned shares of basic and core capital in the total amount of equity (capital) are determined based on the internal indicators of maximum permissible values for mandatory capital adequacy standards approved by the decision of the RMC of the Bank.

Methodology for assessing additional sources of capital.

As part of monitoring and planning capital, the total amount of capital required for the purposes of complying with the maximum permissible values of mandatory standards is related to the amount of capital available to the Bank. The following sources are included in the sources of available capital:

- 1) planned income (adjusted for planned expenses);
- 2) unrealized income (adjusted for unrealized expenses) in terms of assets (liabilities) reflected in accounting not at fair value;
- 3) a positive difference between the amount of the formed reserve (reserves) and the amount of expected losses calculated by the Bank;
- 4) other sources available to cover losses from the realization of risks.

The Bank applies a centralized regulatory capital management system, which involves making management decisions related to optimizing the burden on capital (risk regulation), increasing the efficiency of its use, forming (mobilizing) capital sources and managing its structure; responsibility for the quality and results of capital use.

The capital management system consists of the following elements:

- 1) establishing the planned (target) level / structure of capital and planned (target) values of capital adequacy ratios;
- 2) monitoring the amount of capital and the values of capital adequacy ratios;
- 3) forecast calculation of the amount of capital and the values of capital adequacy ratios;
- 4) calculation of the amount of capital and the values of capital adequacy ratios as of the reporting date;
- 5) preliminary approval of transactions in terms of their impact on capital and capital adequacy ratios;
- 6) preparation and submission of reports within the framework of ICAAP.

Control over compliance with the planned (target) level of the Bank's capital and the planned (target) values of capital adequacy ratios established within the framework of determining the risk appetite is carried out by the Bank's Finance Department within the framework of the Regulation on Business Planning of Subsidiary JSC VTB Bank (Kazakhstan).

Calculation of the amount of capital and the values of capital adequacy ratios is carried out by the Bank's Finance Department in accordance with the Regulation on the procedure for exercising control over prudential standards in Subsidiary JSC VTB Bank (Kazakhstan).

The procedure for exercising control over the amount of capital and the values of capital adequacy ratios, the information used, the procedure for providing information, as well as the procedure for determining the calculated amounts of capital and capital adequacy ratios are established by a separate regulatory act of the Bank.

In order to prevent a decrease in the amount of capital and capital adequacy ratios below their planned (target) values, the Finance Department and the Risk Department of the Bank carry out preliminary approval of transactions in the Bank that affect the amount of capital and the values of capital adequacy ratios. Transactions that carry the risk of a decrease in the amount of capital and capital adequacy ratios below the established control indicators are not agreed upon.

The procedure for implementing the said approval of transactions, the criteria for transactions carried out by the Bank that affect the amount of capital and the values of capital adequacy ratios, as well as the procedure for providing information within the framework of control over the level of capital and capital adequacy ratios are established by a separate regulatory act of the Bank.

In the event of a decrease in the actual amount of capital and the actual indicators of capital adequacy ratios below the established triggers, for the early warning of unforeseen circumstances, proposals for the implementation of measures aimed at increasing the values of the capital level and capital adequacy ratios are submitted to the ACBs of the Bank as part of the management reporting on capital adequacy. The measures aimed at increasing capital adequacy are in line with the Capital Adequacy Restoration Action Plan approved by the Board of Directors of the Bank.

The ACBs of the Bank are provided with reports for consideration, including information on compliance with mandatory standards, the amount of capital, the results of the assessment of regulatory capital adequacy, and compliance with the relevant risk appetite indicators.

The actual values of the capital and capital adequacy standards are also communicated to the heads of structural divisions and members of the Bank's committees, whose competence includes risk and capital management, as part of the management reporting within the ICAAP.

The detailed procedure for managing the Bank's regulatory capital and the procedure for interaction between structural divisions are determined by the Procedure for Managing Regulatory Equity Capital of Subsidiary JSC VTB Bank (Kazakhstan) and the Regulation on the Procedure for Monitoring Prudential Standards in Subsidiary JSC VTB Bank (Kazakhstan).

The Bank's capital adequacy is assessed both within the framework of regulatory and internal (economic) capital.

Regulatory capital is calculated in accordance with the requirements of Regulations No. 170, including all stipulated capital adequacy ratios (k1, k1-2, k2) and the corresponding buffers (conservation and systemic).

The Bank's equity capital is calculated as the sum of Tier 1 capital and Tier 2 capital minus positive differences calculated in accordance with the requirements of the National Bank of the Republic of Kazakhstan.

The table below shows an analysis of the Bank's capital, calculated in accordance with the requirements of the National Bank of the Republic of Kazakhstan, as of December 31:

(thousand tenge)

	<b>2024</b>
Tier 1 capital	<b>100,571,217</b>
<b>Equity capital</b>	<b>100,571,217</b>
Total regulatory assets, weighted by risk, contingent and possible liabilities, operational and market risk	<b>115,825,968</b>

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

The values of the capital adequacy ratios taking into account the conservation buffer and the system buffer

No.	Name	Minimum acceptable level of capital adequacy ratios taking into account the conservation buffer and system buffer (%)	Actual level of capital adequacy ratios taking into account the conservation buffer and system buffer (%)
1	2	3	4
1	Adequacy of core capital (k1)	8	86.8
2	Adequacy of Tier 1 capital (k1-2)	9	86.8
3	Adequacy of equity capital (k2)	10.5	86.8

## 7. Bank credit risk management

### Criteria and approaches to credit risk management

The Bank manages credit risks according to the following main principles:

- 1) a systematic and comprehensive approach;
- 2) methodological unity;
- 3) distribution of powers in the process of making credit decisions;
- 4) security of credit transactions.

The principle of a systematic and comprehensive approach provides for the use of a comprehensive and balanced approach to credit risk management, both for the Bank's credit portfolio as a whole and in relation to its individual segments, including transactions with specific counterparties (a group of related (interrelated) borrowers (persons, clients, counterparties)). This principle includes the following procedures:

- 1) risk identification;
- 2) risk analysis and assessment;
- 3) acceptance and/or limitation of risk;
- 4) risk level control.

Credit risk management covers all stages of the credit process: review of a credit application, structuring and examination of a potential credit transaction, decision-making on a credit application, credit administration (drafting a credit agreement/limit, maintaining a credit file, etc.), monitoring the intended use of the credit (limit), monitoring the financial condition of the counterparty, debt servicing, and the counterparty's fulfillment of non-financial obligations until full settlement of the credit transaction (closing of the credit limit). Since transactions bearing credit risk may involve accepting not only credit risks, but also other types of risks (currency, market, legal, tax, etc.), according to this principle, risk assessment for such transactions should be comprehensive (from all types of emerging risks and their totality).

The principle of methodological unity allows the application, both in the Bank and in the VTB Group as a whole, of the same methodology for identifying and quantifying credit risk that is adequate to the nature and scale of the transactions performed. The use of this principle provides for the continuous improvement by the Bank of methodological documents related to the analysis of accepted credit risks and other issues of credit risk management, as well as monitoring the implementation by the Bank's structural divisions of the requirements and recommendations established in internal documents.

Local systems of internal documents of the Bank are formed on the basis of approaches to the composition, subject matter and content of published documents based on practice and agreed upon within the VTB Group, taking into account the specifics of the Bank's profile of activities and the peculiarities of national regulation.

The methodology for assessing credit risk and the acceptability of its level is based on:

- 1) determining the level of credit risk accepted by the Bank for the counterparty based on its credit rating, determined in accordance with the Bank's internal documents;
- 2) determining the risk category of the credit transaction based on the requirements of the National Bank of the Republic of Kazakhstan and/or the Agency for Regulation and Development of the Financial Market for the formation of reserves (provisions) to compensate for possible losses on credit transactions, as well as its own methodology in accordance with the Bank's internal documents;
- 3) differentiating approaches to assessing credit risks depending on the category of the counterparty and the type of credit product;
- 4) the possibility of using hedging (insurance) instruments for credit risks accepted by the Bank;
- 5) linking the amount of payments due to the Bank (interest rate/commissions) on credit transactions with the value of the client's credit rating and the type of credit product.

The principle of distribution of powers in making credit decisions allows for a balanced integration of centralized and decentralized decision-making in the implementation of transactions related to the Bank's acceptance of credit risk, subject to the prevention of a possible conflict of interest. This principle is implemented by the Bank through the fulfillment of the following conditions:

- 1) the presence of a system of delegation of powers for accepting credit risks (which provides for a clear distribution of the boundaries of powers of specific participants in the credit process), specified in the Bank's internal documents. Regular review of powers based on monitoring of the formed credit portfolio (decisions made);
- 2) a predominantly collegial method of making decisions on credit transactions bearing credit risk, in the event that they are carried out for large amounts, for a long period of validity and the pricing conditions differ from standard ones;
- 3) separation of the functions of initiating/structuring a credit transaction, its examination and control.

The principle of security of transactions allows, as a rule, for the Bank to present demands to counterparties regarding the provision of collateral for a transaction bearing credit risk.

In managing credit risk, the Bank uses the following criteria and approaches:

- 1) lending to borrowers on the terms of repayment, maturity, payment, targeted use and security;
- 2) adequacy of the credit risk assessment system and their management in accordance with the volume and complexity of the transactions carried out by the Bank that carry credit risk;
- 3) implementation of transactions that carry credit risk based on the analysis of a specific credit application, investment transaction or within the previously established lending limit, based on a written decision of the authorized collegial body (in paper/electronic form) of the Bank or authorized officials of the Bank in accordance with the nature and scope of the powers delegated to them to accept credit risk;
- 4) prevention of conflicts of interest when making a credit decision, which is ensured by a clear separation of powers of the initiating and expert divisions of the Bank and/or the establishment of limits on certain types of transactions;
- 5) implementation of ongoing monitoring of the agreement that carries credit risk and the financial condition of the borrower until the moment of full fulfillment of his obligations to the Bank;
- 6) ensuring an optimal balance between the Bank's loan portfolio and resource base in terms of repayment periods, amounts, currencies and other terms;
- 7) ensuring a balanced and proportional structure of the loan portfolio in terms of loan products and individual categories of borrowers;
- 8) using a system of credit limits for lending transactions to the Bank's clients, including industry and regional limits taking into account environmental and social risks;
- 9) ensuring comprehensive customer service, within which credit products are a key element. When making credit decisions, one of the criteria for establishing the client's priority is the use of products and services of the Bank other than credit products or the presence of large balances on the client's current accounts opened with the Bank;
- 10) Conducting Environmental and Social Due Diligence (ESDD) related to the activities of a potential borrower in financing the upper subsegment and corporate business and project funding;
- 11) ensuring the highest possible profitability of the Bank's business associated with conducting transactions that carry credit risk in the context of the content market environment;
- 12) maximum satisfaction of clients' needs for credit resources while maintaining an acceptable level of credit risks;
- 13) maintaining consistently high quality of credit services provided to the Bank's clients, ensuring the competitiveness of the Bank's credit products, including their cost conditions;
- 14) universality of methodology, unity of methods, regulations within the framework of the product approach to borrower analysis;
- 15) ensuring a system of measures to combat the legalization (laundering) of illegally obtained income and the financing of terrorism when carrying out credit transactions;
- 16) compliance with information security standards, organization of operational data processing processes that help minimize operational risks.

### **Limits**

The Bank's Limit System.

- 1) The limit system ensures the limitation and control of risks in credit transactions in order to minimize the Bank's total losses and diversify risks in the Bank. The system assumes the following types of limits:
  - a) risk concentration limit by the amount of credit products provided to the Borrower/group of related (interrelated) Borrowers;
  - b) structural limits;
  - c) competence limits.

- 2) Risk concentration limit by the amount of credit products provided to the Borrower/group of related (interrelated) Borrowers - the maximum amount of risk for all credit products per Borrower/group of related (interrelated) Borrowers/guarantor/pledgor.
- 3) Structural limits:
  - a) limits on a product/group of similar products – the maximum volume of adopted current decisions on granting a loan for a product/group of similar products;
  - b) limits on counterparties – the maximum volume of adopted current decisions on granting a loan for a product/group of similar products, provided that counterparties (corporate clients of the Bank, construction companies, car dealerships, etc.) – third parties – participate in the transaction;
  - c) limits on the industry and country limits – these limits are set and controlled in accordance with the internal document “Country and Industry Risk Management Policy of Subsidiary JSC VTB Bank (Kazakhstan)”.
- 4) Competence limits:
  - a) competence limit;
  - b) aggregate liability limit.

### **The impact of the bank’s business model on the level of credit risk, methods for reducing it**

The risk profile in terms of the Bank’s lending corresponds to the chosen strategy: a conservative, restrained approach taking into account all risks with a thorough analysis. The Bank’s business model, in accordance with the strategy, is aimed primarily at using the Bank’s competitive advantages in terms of servicing payments between the Republic of Kazakhstan and the Russian Federation. In this regard, lending as a business area is in second place.

### **Organizational structure of the Bank’s divisions**

The following divisions are participants in the Bank’s credit risk management system:

First line of defense:

- I. Corporate and Investment Business Department:
  1. Credit Division;
  2. Large Business Clients Division;
  3. Trading Activities Division
  4. Transaction Business Division
  5. Business Support, Methodology, Planning and Reporting Division
- II. Corporate Clients Department:
  1. Credit Division
  2. Corporate Clients Division
  3. Business Support Division.
- III. Retail Business Department:
  1. Client Service Division;
  2. Regional Network Division;
  3. Retail Lending Development Division.

A separate block includes divisions for working with problem loans:

- IV. Retail Problem Assets Management Department
  1. Field Collection Division
  2. Problem Assets Support Division
  3. Claims and Enforcement Proceedings Division
  4. Remote Collection Division

## V. Corporate Problem Loans Management Department

1. Analysis, Reporting, and Non-Core Assets Management Division
2. Problem Debt Management Division for Legal Entities

Second line of defense:

### I. Risk Department

1. Corporate Credit Risk Management Division
2. Retail Borrower Due Diligence Division
3. Retail Credit Risk Management Division
4. Market Risk and Portfolio Analysis Division
5. Collateral Transactions Management Division

### II. Legal Department

1. Legal Support Division for Lending Transactions
2. Methodology and Banking Product Development Division
3. Legal Support Division for Head Office Banking Transactions
4. Legal Support Division for Branch Banking Transactions
5. Legal Support Division for Litigation

### III. Security Department

1. Information Security Division
2. Corporate Information and Interests Protection Division

## **Procedures for interaction of departments involved in credit risk management; information on methods and procedures for identifying, assessing and managing risks**

The procedure for interaction of departments involved in credit risk management (hereinafter referred to as the Procedure) is established in accordance with international standards, the requirements of the legislation of the Republic of Kazakhstan, VTB Group and the Bank's Credit Policy.

The procedure is aimed at timely identification of credit risks and assessment of the possibility of acceptance within the framework of lending.

The credit risk management system consists of three lines of defense.

The first line is business divisions. When lending to legal entities, the primary responsibility for identifying and managing credit risk lies with the client divisions, which are required to obtain all the necessary information about the client according to the KYC (know your customer) principle, including information about the business, managers, owners, related parties, partners, and obtain the necessary legal and financial documents. The task of the client division is to determine the possibility of establishing/continuing financing for the client.

Directly, the project analysis and determination of options and financing possibilities in business divisions are carried out by credit divisions. For small businesses, both functions are performed by an employee of the credit division of the Bank branch. The credit division, among other things, conducts an in-depth financial analysis and requests the necessary additional information. When new related parties are identified, financial documentation is also requested for them. The contractual base of the Client is studied.

The second line of defense is carried out by several independent departments:

1. The Security Department conducts a check of the client and related persons along the security line.
2. The Legal Department carries out a legal examination of title and title documents, determines beneficial owners, identifies legal risks for credit risks.
3. The Collateral Transactions Management Division checks the submitted appraisal reports from appraisal companies for the proposed/current collateral object/objects.

After receiving the information provided, the business division prepares a package of documents, including a credit proposal and expert opinions from the Security Department, the Legal Department, the Collateral Transactions Management Division, and sends it to the Corporate Credit Risk Management Division of the Risk Department. The Corporate Credit Risk Management Division of the Risk Department is the last final division of the second line of defense.

If necessary, the Corporate Credit Risk Management Division of the Risk Department requests additional information. Based on the results of the analysis, the Corporate Credit Risk Management Division of the Risk Department provides the business division with its expert opinion.

The Bank carries out monitoring of existing loans, the main objective of which is the timely identification of credit risk factors, while periodically conducting a full audit of the financial and economic status of the client and the Group of related parties, the financing project, legal and collateral risks, and a security audit. If such risks are identified, the Bank assesses them and, if necessary, takes measures to resolve them.

Based on the results, the business division forms a package of documents from its expert opinion and the received expert opinions of the second-line divisions and submits it to the Authorized Body of the Bank, which makes a decision on the possibility of providing/continuing financing to the client.

As part of the retail credit process, credit risk assessment is carried out mainly automatically by accumulating data on the client, their creditworthiness and solvency from internal and external data sources, including using scoring systems for assessing and making credit decisions. The first and second line of defense divisions support and control each stage of the automatic process for the application within the scope of their powers and areas of responsibility.

#### Information on bank assets exposed to credit risk

(thousand tenge)

No.	Name	Claims in default	Claims with overdue debt on principal and (or) accrued interest over ninety (90) calendar days	Claims not in default	Claims with overdue debt on principal and (or) accrued interest no more than ninety (90) calendar days	Provisions (reserves)	Net book value of assets
1	2	3	4	5	6	7	8
1	Loans	13 732 576.41	9 823 629.33	58 368 203.93	3 304 895.39	11 225 806.27	50 874 974.07
2	Debt securities	0	0	0	0	0	0.00
3	Off-balance sheet liabilities	0	0	3 120 359.97	0	163 505.64	2 956 854.33
4	Total:	13 732 576.41	9 823 629.33	61 488 563.90	3 304 895.39	11 389 311.91	63 831 828.40

#### Information on credit risk

(thousand tenge)

N o.	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	Loans	72 100 780.34	58 324 190.05	6 064 146.72	7 712 443.57	0

2	Debt securities	0.00	0	0	0	0
3	Total, of which:	72 100 780.34	58 324 190.05	6 064 146.72	7 712 443.57	0,00
4	Claims in default	13 732 576.41	10 290 147.52	1 423 455.84	2 018 973.05	0