APPROVED BY THE BOARD OF DIRECTORS
OF CITIBANK KAZAKHSTAN JSC
NO. 10–2026 DATED JULY 29, 2026

Report on the methods and procedures for identifying, assessing and managing risks and capital of JSC Citibank Kazakhstan

July 2026

Content

1. Overview

1.1 General Information

The mission of JSC Citibank Kazakhstan (hereinafter referred to as the "Bank") is to serve as a reliable partner to our clients by responsibly providing financial services that foster growth and economic progress in the markets where we operate.

The Bank maintains a consistent approach to achieving its goals of promoting economic development, enhancing competitiveness, expanding economic relations, and supporting investment in the interests of the Shareholder Bank.

The Bank is 100% owned by Citibank N.A. (hereinafter referred to as the "Shareholder Bank"). The Bank has no subsidiaries and does not plan to invest in subsidiaries.

The Bank specializes exclusively in corporate clients and offers financial and operational services, including commercial and foreign exchange transaction processing. Modern business practices, as well as a high level of digitalization of products and processes, allow the Bank to work with clients from all regions of the Republic of Kazakhstan, as well as provide financing and other services permitted by the legislation of the Republic of Kazakhstan to subsidiaries of Kazakhstani enterprises registered abroad.

1.2 Disclosure Requirements

This report is published in accordance with the requirements of the Resolution of the Board of the Resolution of the Board of the Agency of the Republic of Kazakhstan for Regulation and Development of Financial Market dated April 28, 2026, No. 86 " On approval of the Rules for the formation of a risk management and internal control system for banks and branches of non-resident banks of the Republic of Kazakhstan".

2. Risk Assessment

2.1 Procedure for Assessing Risks and Determining Risk Appetite

The Bank manages risks in accordance with the requirements of the legislation of the Republic of Kazakhstan and internal policies and regulations.

The Bank's Board of Directors ensures the existence of a risk management system that is appropriate to the chosen business model, scale of operations, and the type and complexity of transactions. It also ensures an appropriate process for identifying, measuring, assessing, monitoring, controlling, and mitigating the Bank's material risks to determine the amount of equity capital and liquidity required to cover the material risks inherent in the Bank's operations.

Risk identification is the process of identifying and assessing material risks across the Bank based on data received from business units and risk management departments. On a periodic basis, the Bank systematically identifies, documents, and consolidates all material risks in a Material Risk Register using a bottom-up approach.

A risk may be considered material if its materialization, underestimation, or distortion would significantly change or impact on the Bank's capital adequacy, profitability, or business continuity from an economic perspective. The materiality assessment is conducted across the full range of risks relevant to the Bank's operations and business model. This process is based on judgments that consider the assessment and review conducted by the first line of defense (business function), risk management, and authorized collegial bodies.

The first line of defense owns its risks and is responsible for identifying, monitoring, assessing, and reporting on them, as well as for confirming that risks remain within the risk appetite.

The second line of defense is responsible for reviewing and challenging the risk identification process, identifying and assessing overall risks, and managing material risks.

To build an effective risk management system, the Bank's Board of Directors approves a risk appetite strategy. The risk appetite strategy defines clear boundaries for the volume of accepted risks within which the Bank operates within the framework of the Bank's overall strategy, and also determines the Bank's risk profile in order to prevent risks from materializing or minimize their negative impact on the Bank's financial position. As part of the risk appetite strategy, the Bank's Board of Directors develops a risk appetite statement, which sets the general direction for the risks assumed by the Bank in the context of budget planning and operational activities.

To determine risk appetite, the Bank's Board of Directors establishes an aggregated risk appetite level(s) and risk appetite levels for each type of material risk.

In 2026, the following risks were assessed as material: Credit Risk (incl. Concentration Risk), Market Risk (incl. Concentration Risk), Liquidity Risk (incl. Concentration Risk), Compliance Risk, Operational Risk, and Concentration Risk.

More detailed information is provided in the notes to the Bank’s audited financial statements.

2.2 Credit Risk Management

The objective of the Bank's lending activities is to achieve an acceptable level of profitability from banking operations, considering available resources and capital, while ensuring adequate loan portfolio quality and minimizing credit losses in accordance with the Bank's strategy.

Lending activities are carried out within the limits established in the Bank's risk appetite statement, as well as additional limits established by the Bank's Credit Policy. Credit risk limits include limits on lending to borrowers with special relationships with the bank, lending limits for the purpose of limiting the concentration of credit risk, i.e. limits for unsecured loans, on types of collateral, by currency, industry, category of borrower (counterparty), products, groups of related parties and per borrower; and also limits past due loans.

Monitoring of credit limits is carried out within the framework of quarterly management reporting on credit risk, including an assessment of the approach of the total exposure to the limits established by the bank for various types of loans (pre-limit approach). If necessary, the issue of revising the limits is considered. The revision is approved by the Risk Management Committee and the Board of Directors of the Bank as part of the approval of the Credit Policy. In the event of reaching the maximum values and/or violating the established risk appetite levels, the board of directors, the risk management committee, the Bank's Management Board and the interested structural divisions are immediately informed.

The Bank manages credit risk through the entire lifecycle of credit based on the following key principles: identify, measure, monitor, control, and report credit risk at both client and portfolio levels, with concentration management as an integral component of Bank’s risk appetite considerations. The Bank maintains prudent underwriting standards that take into account the Bank’s risk appetite limits, based on a credit analysis process which considers structural and asset quality factors; and operate under Citi’s Wholesale Credit Risk Policy and Citi Credit Risk Framework and the Bank’s local Credit Policy which defines sound credit risk practices, and includes considerations for concentrations and by specific geographies, client types, markets and products; these are executed by a commensurate range of staff and skillsets.

As part of the stress testing, the Bank carries out a comprehensive analysis of the credit risk based on forecasts both under the usual business conditions (base case) and in the stress conditions (stress case) during the three-year horizon. The results of stress testing provide view on effectiveness and implementation of proper risk management of the Bank, the need for certain actions from the management to maintain sufficient capital levels. The results of stress-testing are used by the management of the Bank in order to make a decision on a further strategy and, if necessary, adoption of response measures in order to prevent risks.

Interaction between participants in the credit process occurs in accordance with the Bank's Credit Policy and Citi's internal policies within the framework of structured forums, committees, calls, and business correspondence.

The main responsibilities of the **Board of Directors** of the Bank include approval of the credit policy, the policy on problem assets, the document regulating the main approaches and principles of the internal capital adequacy assessment process, the collateral policy, approval of the risk appetite strategy and risk appetite limits of the Bank, monitoring compliance with the risk appetite strategy, risk appetite levels and risk management policies; the formation of three lines of defense in the Bank; monitoring the implementation by the Board of Directors of the strategy and policies approved by the Board of Directors, decisions of the general meeting of shareholders; interaction and control over the work of the head of risk management; making a decision on issuing a loan, the amount of which exceeds 5 (five) percent of the Bank's equity capital based on the analysis and assessment of the feasibility of issuing a loan.

The **Risk Management Committee** is responsible for: ensuring the development of a risk appetite strategy and determining the bank's risk profile; determining the size of the aggregate level(s) of the bank's risk appetite and the bank's risk appetite levels for each material type of risk for subsequent submission for approval by the bank's board of directors; ensuring the development of a document regulating the main approaches and principles of the ICAAP, taking into account the requirements established by Chapter 5 of the Rules, for subsequent submission for approval by the bank's board of directors and for monitoring the bank's compliance with the approved document; ensuring the development of procedures for conducting stress tests and stress testing scenarios for subsequent submission for approval by the bank's board of directors; ensuring the development of an internal procedure determining the functioning of the management information system, which ensures the regular provision to the bank's board of directors of complete, reliable and timely information on the level of accepted risks. The above mentioned procedure includes the criteria, composition, frequency of formation, and forms of presentation to the bank's board of directors of management information on the level of risks assumed by the bank and its subsidiaries, indicating the structural divisions and bodies of the bank responsible for the timely preparation and dissemination of information to the bank's board of directors; monitoring the bank's management's compliance with risk appetite levels; the existence of internal models and information systems for managing the bank's risks, as well as for ensuring complete, reliable, and timely financial, regulatory, and management information; review of the results of an assessment of the quality and effectiveness of the risk management and internal control system, and corporate governance in general, aimed at ensuring the protection of the bank and its reputation, for subsequent submission to the bank's board of directors for approval.

The Risk Management Committee regularly receives data and reports from the risk management units and other responsible units on the bank's current risk level, violations of risk appetite levels, and risk mitigation mechanisms.

The **Board of Directors and the Bank's Risk Management Committee** ensure:

- maintaining a sufficient level of provisions
- exercising control over the credit risk assessment process, which is ensured by the following
- taking necessary measures to ensure the completeness and accuracy of information for decision-making purposes
- compliance with the requirements of the civil, tax, and banking legislation of the Republic of Kazakhstan, legislation of the Republic of Kazakhstan on accounting and financial reporting, on credit bureaus and the formation of credit histories, on collection activities, and internal policies and procedures for credit risk management
- taking measures to ensure complete and accurate management, regulatory, and financial reporting
- having a loan assessment procedure independent of business units
- approving an adequate system for classifying assets by credit risk level, based on the use of all available information in the loan assessment process
- having detailed and fully regulated procedures for interaction between participants in the credit risk management process
- development of an effective internal control system, including an assessment of the compliance of the level of provisions with expected losses within the framework of the approved methodology for the formation of provisions and the internal process of assessing capital adequacy.

The Bank's **Management Board** is responsible for developing the Bank's Credit Policy for subsequent submission to the Risk Management Committee and approval by the Bank's Board of Directors; providing the Bank's Board of Directors with the necessary information to monitor and evaluate the quality of the Management Board's work in accordance with the established internal documents of the Bank and the Rules, which includes: compliance of the Bank's activities with the strategy and policies approved by the Bank's Board of Directors; exceeding the approved risk appetite levels and the reasons for their violation; information on the timeliness, completeness and quality of the Bank's Management Board's elimination of violations and deficiencies identified by the risk management units.

The **Credit Committee** is responsible for approval of credit limits and other conditions for conducting bank borrowing operations based on the conclusions of the relevant divisions of the Bank, as well as implementation of the provisions of the Credit Policy.

The Board of Directors of the Bank ensures the existence of the **Credit Risk Department**, headed by a Head of Risk Management, who has sufficient authority, independence and resources, and who interacts with the Board of Directors.

The Credit Risk Department performs, but is not limited to, the following functions:

1) developing a credit risk management system, including risk credit management policy and procedures, and determining risk appetite levels

2) identifying significant current and potential credit risks inherent in the Bank's activities, including internal stress testing

3) assessing credit risks and determining the aggregated credit risk appetite levels

4) developing credit risk appetite levels for subsequent consideration by the Risk Management Committee and approval by the Bank's Board of Directors, and monitoring compliance with risk appetite levels

5) developing early warning systems and triggers aimed at identifying violations of credit risk appetite levels

6) provision of credit risk management reports to the Management Board, the Risk Management Committee and the Board of Directors of the Bank.

Credit monitoring, maintenance of credit dossiers, and monitoring of the intended use of loans are carried out by the **Department of Credit Administration and Financial Monitoring of Borrowers**.

The **Corporate Banking Department** and the **Global Network Banking Department** coordinate the Bank's relationships with clients during the credit process.

The **Legal Department** is responsible for providing legal opinions for the Credit Committee's documentation package.

Trade and Credit-Deposit Operations is responsible for technical support of the process of issuing/maintaining/repaying loans, issuing contingent liability instruments in the Bank's information system.

The Credit Risk Department quarterly submits credit risk management report to the Management Board, the Risk Management Committee, and the Board of Directors. The report includes, but is not limited to, the following information:

- on the loan portfolio and its quality, including the dynamics of its changes
- on the size (level) of exposure to credit risk, including an assessment of the approach of the total exposure to the limits established by the Bank for various types of loans (pre-limit approach)
- on the exposure to credit risk in relation to a group of related borrowers and the dynamics of its change
- on the concentration of credit risk of the largest borrowers (counterparties) and borrowers (counterparties) with special relationships with the Bank, including with the Bank's shareholders, and the dynamics of its change
- on internal ratings of borrowers (counterparties) and the dynamics of their change, on loan quality monitoring based on borrower (counterparty) ratings and its frequency
- on the amount of provisions and an assessment of the adequacy of provisions
- on restructured, refinanced, and problem loans
- on monitoring and enforcing compliance with limits
- on deviations from policy and limits.

Table 1. Information on the Bank's assets exposed to credit risk

(thousand tenge)

№	Name	Claims in default	Claims with overdue debt on the principal debt and (or) accrued interest in excess of 90 (ninety) calendar days	Claims not in default	Claims with overdue debt on the 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	0	0	135,968,278	0	309 470	135,658,808
2	Debt securities	0	0	133,770,000	0	76 035	133,770,000
3	Off-balance sheet liabilities	0	0	65,750,870	0	129 906	65,620,964
4	**Total:**	0	0	335,489,148	0	515 411	335,049,772

*The carrying amount of securities is measured at fair value and is not reduced by the expected credit loss allowance.

Table 2. Information on Credit Risk

In thousands of tenge

№	Name	Total	Unsecured claims	Claims secured by collateral	Claims secured by guarantees	Claims secured by derivatives
1	2	3	4	5	6	7
1	Loans	135,968,278	26,266,304	0	109,392,505	0
2	Debt securities	133,769,999	133,769,999	0	0	0
3	All, including:					
4	Claims in default	0	0	0	0	0

2.3 Market Risk Management

The Bank defines market risk as the risk of losses arising from adverse movements in market prices, including interest rates, foreign exchange rates, equity prices, commodity prices, and credit spreads. Market risk primarily originates from trading activities, treasury operations, and balance sheet management.

The Bank maintains a comprehensive market risk management framework designed to identify, measure, monitor, and control market risk exposures in line with the Bank's risk appetite and regulatory requirements.

Governance Structure

The Board of Directors approves the overall market risk strategy and risk appetite framework. Oversight responsibility is delegated to the Risk Committee, which monitors compliance with approved limits and policies.

Senior management, through the Management Board and Risk Management Committee, is responsible for implementing market risk policies and ensuring that exposures remain within approved thresholds.

The independent Risk Management (FinCRO) performs ongoing monitoring of market risk exposures separately from the business units generating the risk.

Risk Identification and Measurement

The Bank uses a range of quantitative and qualitative methodologies to assess market risk exposures, including:

- Value-at-Risk (VaR)
- Sensitivity analysis
- Stress testing and scenario analysis
- Position and exposure limits
- Foreign exchange open position analysis

VaR models are used to estimate potential losses under normal stressed market conditions over a specified holding period and confidence interval. Stress testing supplements VaR by evaluating the impact of extreme but plausible market events.

Risk Monitoring and Reporting

Market risk exposures are monitored daily against approved risk limits. Breaches of limits are escalated in accordance with the Bank's escalation procedures and are subject to review by senior management and relevant stakeholders.

Regular reports are provided to Bank's Management Board, Risk Management Committee and the Board of Directors covering:

- Utilization of market risk limits
- VaR metrics
- Concentration risks
- Significant market developments

Risk Mitigation

The Bank manages market risk through:

- Diversification of trading and investment portfolios
- Hedging strategies using derivative instruments
- Limit structures by product, desk, and counterparty
- Trigger mechanisms

Stress Testing Framework

The Bank conducts periodic stress testing to assess the resilience of its portfolios under adverse market conditions. Scenarios include historical market crises, hypothetical macroeconomic shocks, and institution-specific stress events.

Results of stress testing are reviewed by senior management and incorporated into risk appetite assessment, capital planning, and contingency measures.

Model Validation

Market risk measurement models are independently validated on a periodic basis to ensure their appropriateness and accuracy. Model validation includes back-testing, methodology review, and assessment of underlying assumptions.

2.4 Liquidity Risk Management

Liquidity risk is defined as the risk that the Bank may be unable to meet its financial obligations as they fall due, without incurring unacceptable losses or compromising its financial position. Effective liquidity risk management is essential to ensure the Bank maintains sufficient funding capacity under both normal and stressed market conditions.

The Bank's liquidity risk management framework is designed to maintain adequate levels of high-quality liquid assets (HQLA), ensure diversified funding sources, and comply with applicable regulatory liquidity standards, including the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).

Governance and Risk Management Framework

The Board of Directors retains ultimate responsibility for oversight of liquidity risk and approves the Bank's liquidity risk appetite, strategy, and key risk management policies. Oversight is supported by the Risk Management Committee, Management Board and Asset and Liability Committee (ALCO) / Country Coordinating Committee (CCC), which monitor liquidity metrics, funding concentrations, stress testing results, and market developments on a regular basis.

The Treasury department is responsible for day-to-day liquidity management, including cash flow forecasting, liquidity buffer management, funding activities, and monitoring compliance with internal and regulatory liquidity limits. Independent oversight is provided by the Risk Management function (FinCRO) through ongoing monitoring, and periodic review of liquidity assumptions and methodologies.

Liquidity Risk Measurement and Monitoring

The Bank monitors liquidity risk using a range of quantitative and qualitative indicators, including:

- regulatory liquidity ratios (including LCR and NSFR);
- concentration of funding sources;
- stress testing and scenario analysis;
- early warning indicators and liquidity triggers.

Liquidity positions are monitored daily against internal thresholds and regulatory requirements. The Bank maintains a portfolio of unencumbered liquid assets that can be readily converted into cash to meet potential liquidity needs during periods of market stress.

Funding Strategy

The Bank seeks to maintain a diversified and stable funding base across corporate deposits and wholesale funding sources. Funding concentration limits are established to reduce reliance on individual counterparties, products, or markets.

Corporate deposits continue to represent the primary source of funding. The Bank actively monitors deposit stability, customer behavior patterns, and market conditions to manage potential refinancing and withdrawal risks.

Stress Testing and Contingency Funding

The Bank conducts regular liquidity stress testing under institution-specific and market-wide stress scenarios. These scenarios assess the potential impact of adverse events such as significant deposit outflows, restricted market access, credit rating deterioration, and macroeconomic disruptions.

Results of stress testing are reviewed by senior management and ALCO/CCC and are incorporated into liquidity planning and risk appetite calibration.

The Bank maintains a Contingency Funding Plan outlining escalation procedures, governance responsibilities, communication protocols, and potential funding actions in the event of a liquidity stress situation.

Regulatory Compliance

The Bank complies with all applicable regulatory liquidity requirements established by the local regulator. Liquidity metrics, including LCR and NSFR, remained above minimum regulatory thresholds throughout the reporting period.

Bank maintains a prudent liquidity profile supported by a stable funding base, sufficient liquidity buffers, and effective liquidity risk management practices.

2.5 Operational Risk Management

The operational risk profile consists of Citigroup's global requirements, as well as regulatory requirements for operational risk at the Kazakhstan level, focusing on the following:

- Fraud, theft and unauthorized events
- Employment practices and workplace environment
- Clients, products and business practices
- Physical assets and infrastructure events
- Execution, delivery and process management; and
- Business disruption and system failures.

In order to build an effective operational risk management system, the Board of Directors is responsible for approving across all three lines of defense an operational risk management policy; formation of appropriate risk culture; ensuring an ongoing analysis of the operational risk management system; facilitating suitable conditions for the application of best practices relating to operational risk management; approving, controlling and regularly reviewing operational risk appetite levels.

The Bank's operational risk management framework lays out an extensive effort to identify the significant operational risks, based on both historical experience (both internal and external), audit findings, self-assessment, key risk indicators, emerging trends, and scenario analysis. These significant risks and entity-specific metrics for enhancement are reviewed by the Management Board, the Risk Management Committee, and the Board of Directors of the Bank.

Adjacent to its operational risk framework, the Bank has established the following key frameworks:

- An extensive Business Continuity (CoB) program, which enables a timely response to disruptions (incidents) and the continuation of products and services in line with its objectives.
- An information security risk management system, which includes local monitoring arrangements for cyber risk indicators, according to 7 information security domains: Application Security Management, Data Protection, Identity and Access Management, Vulnerability Threat Management, Third Party Management, Security Operations and Risk Review and Compliance.
- An information technology risk management system that matches the external operating environment, strategy, organizational structure, volume of assets, the nature and level of complexity of the bank's operations and ensures the minimization of information technology risks.

2.6 Compliance Risk Management

The compliance risk profile consists of Citigroup's global requirements, as well as regulatory requirements for compliance risk at the Kazakhstan level, focusing on the following:

- Governance, Roles, and Responsibilities Disclosure: Transparently communicating the roles of the Board of Directors and Management in the implementation and oversight of risk management policies.
- Transparency of Risk and Capital Management Frameworks: Clearly disclosing the methods, procedures, and frameworks used for identifying, assessing, and managing key risks (e.g., credit risk) and capital.
- Accuracy and Comparability of Public Disclosures: Ensuring that all disclosed information is reliable, presented in an understandable format, and allows for comparison with previous periods and industry peers.
- Adherence to Prudential Standards: Complying with all prudential standards and other mandatory norms and limits, including those related to capital adequacy and buffers.

In order to build an effective compliance risk management system, the Board of Directors is responsible for approving a compliance policy across all three lines of defense; formation of an appropriate compliance culture; ensuring an ongoing analysis of the compliance management system; and approving, controlling, and regularly reviewing the Bank's compliance risk appetite.

The Bank's compliance risk management framework lays out an extensive effort to identify significant compliance risks, based on continuous monitoring of legislative changes, regulatory inquiries, internal and external audit findings, compliance testing, and self-assessments. These significant risks, particularly those arising from new legislation and entity-specific metrics for enhancement are reviewed by the Management Board, the Risk Management Committee, and the Board of Directors of the Bank.

Adjacent to its compliance risk framework, the Bank has established the following key frameworks:

- A robust Regulatory Change Management program, which ensures new and amended regulations are identified, analyzed, and implemented in a timely and effective manner.
- A comprehensive Internal Control System, designed to ensure adherence to the Bank's policies, procedures, and regulatory obligations.
- A Code of Conduct and Ethics program, which promotes a culture of integrity and accountability, forming the foundation of the Bank's compliance environment.

3. Capital Management

The Bank's management analyzes the adequacy of its equity capital, 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 inherent risks, to identify potential equity capital needs.

If capital insufficiency is detected or forecast, the Bank may apply one of the following capital replenishment methods: the internal capital replenishment method; or the external capital replenishment method.

Under the first method, the main source of capital growth is the Bank's retained net profit. Reinvestment of profits is the most acceptable and relatively accessible form of bank financing.

The external capital replenishment method involves increasing the Bank's authorized capital by issuing additional shares. This method allows for raising a larger amount of funds but imposes requirements for maintaining return on capital.

The process of monitoring and controlling the level of capital adequacy is carried out through:

- ensuring timely, accurate, and informative management reporting to monitor the level of equity capital adequacy;

- preparing reports that serve as the basis for a periodic assessment and analysis of the capital adequacy level, considering the current risk profile and future development plans of the Bank, as well as the results of risk stress testing;

- control and management of the process of planning and paying dividends, taking into account the implementation of all necessary metrics and indicators.

Table 3. Values of capital adequacy ratios taking into account the conservation buffer and the systemic buffer

№	Name	Minimum acceptable capital adequacy ratio, taking into account the conservation buffer and systemic buffer (%)	Actual capital adequacy ratio, taking into account the conservation buffer and systemic buffer (%)
1	2	3	4
1	Tier 1 capital adequacy (k1)	8%	45,8%
2	Tier 1 capital adequacy (k1-2)	9%	45,8%
3	Equity capital adequacy (k2)	10.5%	45,8%

Additional information on capital is disclosed in the Note 22 *Capital Management* to the audited financial statements of the Bank for the year ended 31 December 2025.