

Halyk Group Compliance Culture

Almaty
2021

Chapter 1. General Provisions

1. Halyk Group provides international level services across the territories of its business operation.
2. Halyk Group is aware of its responsibility for economic and social implications of its operations and implements a set of measures to promote the sustainable development of the community and the state.
3. Halyk Group makes efforts to develop favorable internal and external environment, which is consistent with the strategic interests of Halyk Group in terms of its commitment to open and transparent business, which can be understood by wider society.
4. Compliance culture is one of the key elements of corporate behavior, which enables to strengthen the reputation of Halyk Group in the Republic of Kazakhstan and abroad, unite Halyk Group around common values, reduce strategic, reputational, operational, compliance, and other risks, which finally contributes to capitalization and confirmation of Halyk Group status at the international level.
5. Halyk Group develops its compliance culture guided by the acquired experience, legislation of the Republic of Kazakhstan, applicable legislation of foreign countries, and international compliance standards.
6. This Compliance Culture of Halyk Group defines the key approaches and standards of compliance culture in Halyk Group, and establishes a single concept of work arrangement to ensure compliance with the requirements applicable to Halyk Group, legislation of the Republic of Kazakhstan and laws of foreign countries, as well as international compliance standards.
7. The IRD is binding upon all bodies, structural subdivisions, officials and employees of Halyk Group.
8. Halyk Group companies shall bring their internal regulatory documents in line with this IRD to the extent that they do not contradict the laws of the country of their location and (or) the statutory requirements.

Chapter 2. Glossary

9. The following terms and abbreviations are used in this IRD:
 - 1) Bank means JSC Halyk Bank;
 - 2) Shell Bank a non-resident bank that has no physical presence in the country (territory) in which it is incorporated;
 - 3) IRD means the Compliance Framework of Halyk Group;
 - 4) Wolfsberg Principles mean anti-money laundering directives in the banking sector;
 - 5) Halyk Group means the Bank and the Bank's subsidiaries;
 - 6) Shell Company means a non-resident company that has no physical presence in the country (territory) in which it is incorporated;
 - 7) International Sanctions mean enforcement measures of political, diplomatic or economic nature imposed by any international organization, government of a foreign country or competent public authority of a foreign country, that provide for a partial or full prohibition of trade, financial or other transactions with a country/territory and/or residents thereof that are subject to sanctions;
 - 8) ML/FT means Money Laundering and Financing of Terrorism;
 - 9) AML/CFT means Anti-Money Laundering/Combating the Financing of Terrorism;
 - 10) FATF Recommendations mean a set of organizational and legal measures on creation of effective anti-money laundering and combating the financing of terrorism system in each country;
 - 11) EU means the European Union;
 - 12) FATF means the Financial Action Task Force on Money-laundering;
 - 13) OFAC means the Office of Foreign Assets Control of the US Department of Treasury;
 - 14) OFAC SDN List (Specially Designated Nationals List)/Non-SDN List (Non-Specially Designated Nationals List)/ SSI List (Sectoral Sanctions Identifications List) means a list of individuals and legal entities/countries/territories and/or residents thereof that are subject to trade, financial and other prohibitions/restrictions imposed by the USA;
 - 15) UN means the United Nations.

Chapter 3. Main goals and objectives

10. This IRD has been developed taking into account the legislation of the Republic of Kazakhstan, applicable laws of foreign countries, documents of the Basel Committee on Banking Supervision, FATF and the Wolfsberg Principles, and given the organizational structure of Halyk Group companies, the nature of products (services) provided by Halyk Group companies to their customers.

11. Implementation of the compliance culture in Halyk Group is aimed at:

- ensuring compliance of the Group and the Group employees with the legislation of the Republic of Kazakhstan, internal documents, applicable laws of foreign countries, and international compliance standards, including documents of the Basel Committee on Banking Supervision, FATF, and the Wolfsberg Principles;
- minimizing risks of adverse consequences related to losses caused by failure of Halyk Group and its employees to comply with the legislative requirements of the Republic of Kazakhstan, including regulatory legal acts of the competent authority, internal documents governing the procedure of service delivery, and applicable laws of foreign states and international standards, which affect the operations of Halyk Group;
- preventing involvement of Halyk Group companies and employees in unlawful activities;
- implementation of a single intra-group approach to compliance risk management, including ML/FT risk for the purpose of their systematic minimization;
- conducting business in compliance with the business ethics and standards of Halyk Group.

12. The IRD has been developed with due consideration of the functional diversity and specific nature of Halyk Group's operations and is designed to contribute to:

- shaping the compliance culture in Halyk Group;
- recognizing the mission, values, principles and standards of compliance culture that guide the officials and employees of Halyk Group in their activities;
- ensuring consistency of Halyk Group's operations with the strategic goals and objectives of international compliance standards, including documents of the Basel Committee on Banking Supervision, FATF, and the Wolfsberg Principles;
- promoting the compliance culture as a philosophy of interaction of Halyk Group with its stakeholders;
- ensuring the efficient and high quality corporate governance and risk management;
- strengthening and maintaining market leadership and promoting the compliance culture in Halyk Group;
- improving the transparency of business processes and efficiency of interaction with partners and counterparties of Halyk Group, enhancing the reputation and image of Halyk Group, increasing investment attractiveness and quality of business management.

Chapter 4. Key Principles of Compliance Culture

13. The Compliance Culture is based on the following principles:

- the Compliance Culture is a part of Halyk Group's corporate culture;
- the Compliance Culture is an integral part of Halyk Group's operations;
- the Compliance Culture is supported, observed, and promoted at all levels starting with the management of Halyk Group to each of its employees;
- coordination of efforts in implementation, promotion of the compliance culture in Halyk Group;
- information exchange with Halyk Group companies on the issues of compliance culture;
- mutual assistance to Halyk Group companies in solving problems related to implementation and promotion of the compliance culture;
- regulatory compliance of Halyk Group in order to protect interest of its shareholder, customers, employees and keep the local and international financial markets stable; compliance with the applicable

laws and procedures in all countries of its operation;

- unconditional and unequivocal condemnation by Halyk Group of unlawful activities in any form or manifestation;
- developing and taking timely and adequate measures to avoid the risk of Halyk Group and its employees being involved in illegal activities.

Chapter 5. Compliance with Applicable Laws

14. Halyk Group operates both in the Republic of Kazakhstan and abroad, and its business operations are governed by both national and international laws. Halyk Group complies with and operates within the requirements of the laws and regulations applicable to its operations.

15. Where the IRD establishes higher requirements or standards, Halyk Group companies shall be guided by the provisions hereof.

16. In the event of any discrepancy between the provisions of applicable laws of two or more countries, employees shall be entitled to seek advice from independent legal advisors in order to resolve legal conflicts as set forth in the internal documents.

Chapter 6. Compliance with International Compliance Standards

17. Halyk Group complies with and operates within the framework of international compliance standards, including those of the Basel Committee on Banking Supervision, FATF, and the Wolfsberg Principles.

18. In order to implement the standards of good corporate governance set by the Basel Committee, Halyk Group employs the following mechanisms and principles, including but not limited to:

- consistency of corporate governance with the scale and nature of operations, structure, importance, risk profile, and business model of Halyk Group;
- single corporate culture;
- efficient risk management system;
- control over activities of Halyk Group's management and employees;
- providing stakeholders with the necessary information;
- ensuring regular external and internal audits of Halyk Group's operations and structure.

19. Halyk Group operates being guided by the Wolfsberg Principles and FATF recommendations and applies the following common standards, principles and approaches for the purpose of AML/CFT:

- unconditionally and unequivocally condemns money laundering and terrorism in any form and manifestation;
- assesses ML/FT risks and applies the risk-based approach;
- identifies customers (representatives thereof) and beneficiary owners;
- collects, verifies and stores information on customers (representatives thereof), beneficiary owners, and transactions;
- carries out a due diligence of customers (representatives thereof) and beneficiary owners in case of increased risk, including identification of the origin of customer funds and the financing source of transactions performed;
- updates information on customers (representatives thereof) and beneficiary owners;
- carries out monitoring of the customer transactions and activities;
- reports on operations to the competent authority;
- does not disclose that the transaction report or related information is sent / forwarded to the competent authority;
- complies with the international sanctions;
- discloses any risks and irregularities identified to management;
- provides training and information to its employees;
- implements the AML/CFT programs at the level of all branches, representative offices and

subsidiaries;

- evaluates the effectiveness of internal controls for AML/CFT purposes.

Chapter 7. Compliance Risk Management

20. Halyk Group develops the effective compliance risk management system that ensures:

- the efficient operation of Halyk Group and consistency with its strategy, risk profile and risk appetite;
- compliance of Halyk Group and all of its employees with the legislation of the Republic of Kazakhstan, including regulations of the competent authority, internal documents regulating the procedure for service provision, applicable laws of foreign countries, and international compliance standards, including documents of the Basel Committee on Banking Supervision, FATF and the Wolfsberg Principles in AML/CFT area;
- Halyk Group's commitment to international standards of business conduct, compliance risk management and ethical principles;
- implementation of effective compliance risk management procedures to minimize risks and improve investment attractiveness and competitive advantage.
- compliance risk management is a part of the overall corporate culture of Halyk Group, which is based on the principles of integrity, honesty and openness.

21. The compliance risk management system is ensured by all employees of Halyk Group.

22. **The Compliance Control Department** is a structural subdivision, independent of any activities of the structural subdivisions, with the functions not combined with those of the internal audit service or subdivisions involved in operational (current) activities.

Chapter 8. Internal Control

23. Halyk Group ensures that the internal control system is in place and is consistent with the current market environment, strategy, volume of assets and operations of the Group. The internal controls are aimed at the following:

- ensuring efficient operations of Halyk Group, including the effectiveness of risk management, asset and liability management, and safeguarding of assets;
- - ensuring that financial, regulatory and other reports are complete, accurate and are timely submitted to internal and external users;
- ensuring information security;
- - ensuring Halyk Group's compliance with the legislation of the Republic of Kazakhstan, applicable laws of foreign countries, and international compliance standards, including the documents of the Basel Committee on Banking Supervision, FATF, the Wolfsberg Principles on AML/CFT, and internal documents of Halyk Group
- - preventing Halyk Group and its employees from being involved in illegal activities, including fraud, errors, inaccuracies, deception, money laundering and financing of terrorism.

Chapter 9. Anti-Money Laundering and Combating the Financing of Terrorism

24. Halyk Group unconditionally and unequivocally condemns money laundering and terrorism in any form and manifestation and targets the AML/CFT internal control programs to prevent services, operations and transactions, including international ones, from being used for money laundering and terrorist financing.

25. Halyk Group is committed to ensuring the regulatory compliance in relation to its business and maintains the culture of high integrity and zero tolerance for any violation of legal requirements applicable to Halyk Group business operations. This includes, among other things, supervising ML/FT risks, including timely identification, prevention of and effective response to the same.

26. To this end, as well as to establish the effective corporate governance system and internal control system for AML/CFT purposes, the ML/FT risk management system is implemented, which is based on the following principles:

- legitimacy and ethics;
- non-acceptance and intolerance of ML/FT in any form and manifestation;
- irreconcilable attitude to ML/FT manifestations;
- availability and implementation of an internal control program for AML/CFT purposes, aimed at preventing criminal activities related to ML/FT;
 - mandatory AML/CFT due diligence of customers (representatives thereof) and beneficial owners, and entering into business relationships with those customers whose due diligence confirms their legal status, legitimacy and lawfulness of their activities;
 - inadmissibility of establishing business relationships with shell companies, shell banks and banks that do not take AML/CFT measures;
 - identification of individuals and legal entities subject to sanctions by the competent authority and/or international organizations (UN, EU), and/or countries, e.g. the United States (OFAC SDN List/Non-SDN List/ SSI List) in order to prevent them from initiating cooperation or conducting one-off transactions with such individuals and legal entities;
 - active involvement of Halyk Group officials and employees in AML/CFT activities.

27. In order to meet the requirements of AML/CFT legislation, recommendations of the Basel Committee on Banking Supervision, FATF and the Wolfsberg Principles, and to implement the ML/FT risk management system, Halyk Group has developed and approved the internal documents to define the following:

- the main goals, objectives, organization principles of the AML/CFT internal control system;
- - a program for ML/FT risk management and AML/CFT internal control organization;
- - a single approach to due diligence of customers (representatives thereof) and beneficial owners, including identification of the origin of the customer's funds and the financing source of transactions carried out;
 - monitoring and review of customer transactions, including review of complicated, unusual/suspicious transactions and transactions with characteristics corresponding to typologies, schemes and methods of money laundering and terrorist financing;
 - identifying individuals and legal entities sanctioned by the competent authority and/or international organizations and/or countries;
 - AML/CFT training and education program for the employees of Halyk Group.

Chapter 10. Prevention of Misuse of Insider Information and Market Manipulation

28. Halyk Group ensures compliance with the legislation of the Republic of Kazakhstan and foreign laws regulating the use of insider information, and enhancing its business reputation, maintaining a high level of corporate governance and ensuring stability of Halyk Group.

29. In this regard, the internal document has been developed to determine the list of insider information, establish the procedure for control over disposal and use of the Bank's insider information, the Bank's subsidiaries and other legal entities in respect of which the Bank is recognized as an insider, the procedure and terms for disclosure thereof, maintenance of the list of insiders, define the restrictions imposed on insiders, and the liability for disclosure of insider information.

Chapter 11. Final Provisions

30. Any matters that are not addressed/regulated hereby shall be governed by the relevant internal regulatory documents and laws of the state in which Halyk Group company is located.

31. The officers and employees of Halyk Group shall any failure to fulfill or improper fulfillment of this IRD in accordance with laws of the state in which Halyk Group company is located, the employment agreement and internal documents.

32. The content hereof shall be communicated to the employees of Halyk Group in accordance with the procedure set forth in the internal documents.