



"National Investment Corporation of
National Bank of Kazakhstan" JSC

Approved by the decision of the Board of Directors
of the "National Investment Corporation of

National Bank of Kazakhstan" JSC

No. 56 dated August 25, 2017

Risk Management Policy

"National Investment Corporation of the National Bank of Kazakhstan" JSC

Almaty, 2017

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1. General provisions

1. This Risk Management Policy of the "National Investment Corporation of the National Bank of Kazakhstan" JSC (hereinafter referred to as the Policy) defines the general procedure, purposes, objectives, principles and tools of risk management in "National Investment Corporation of the National Bank of Kazakhstan" JSC (hereinafter referred to as Corporation) and approved by the Board of Directors of the Corporation.

2. The Policy applies to all areas of the Corporation activities. The Policy is mandatory for all employees of the structural subdivisions of the Corporation.

3. The procedure and methodology of risk management and other internal documents in the field of risk management are developed/brought into line with the Policy and approved by the Executive Board of the Corporation.

4. The list of basic concepts used in this document is specified in Appendix 1 to this Policy.

2. Purposes and objectives of the Policy

5. The main purposes of the Policy are:

- 1) Increasing the sustainability of the Corporation's development by identifying, evaluating, controlling and reducing the impact of all types of risks to which the Corporation is exposed;
- 2) ensuring the integrity of the risk management system;
- 3) ensuring the relationship and correspondence between the investment beliefs of the Corporation and acceptable risks.

6. The main objectives of the Policy are:

- 1) ensuring the achievement of the Corporation's development strategy;
- 2) minimization of risks associated with improper compliance by officials with the relevant limits and powers;
- 3) ensuring the effective functioning of the asset management system;
- 4) ensuring proper assets diversification of the Corporation.

3. Principles of Risk management and Policy place in the Corporation's management system

7. The policy, along with other internal documents defining the external and internal policies of the Corporation's activities, is one of the main tools for implementing the Corporation's strategy for efficient development.

8. The Policy is the main internal document of the Corporation describing the risk management system of the Corporation. At the same time, the specific risks, procedures and methods of risk management of the Corporation are determined by other internal documents of the Corporation.

9. Risk management principles represent a set of beliefs and attitudes common to the Corporation that describe how the Corporation evaluates risk in all of its processes, from the development and implementation of strategy purposes in the course of business.

10. Risk management principles are defined by the investment beliefs of the Corporation.

4. Corporate Risk Management System

11. Risk Management System - a set of tools under which the Corporation's management and employees, each at their own level, are involved in identifying potential negative events that may affect the Corporation's activities, as well as in managing these events within an acceptable level of risk.

12. The main purpose of the risk management is to prevent or reduce the impact of corresponding risk on the Corporation activities.

13. The objectives of risk management system of the Corporation are the following:

- 1) obtaining of intelligence and objective information on the status of certain risks;
- 2) forecasting the state of relevant risks for certain periods in the future;
- 3) preventing certain risks events of critical levels for the Corporation.

14. The main stages of risk management:

- 1) identification of possible risks;
- 2) risks analysis (description of possible consequences of detected risks event and their assessment);
- 3) identification of possible measures, directed at reducing of negative impact in case of possible risks event;

4) making one of the following decisions in case of possible risk event:

- a) risk acceptance without any actions on its minimization;
 - b) taking measures on its minimization;
 - c) elimination of risk by termination of the activity that caused the risk event.
- 5) monitoring compliance with the developed measures.

15. For all risks that may lead to a significant deterioration in the Corporation's activities, the Corporation's risk management subdivision, together with the interested subdivisions of the Corporation, is developing a set of measures, the main purpose of which is to prevent one of the risks events a critical for the Corporation. In case of above risks events:

1) The Risk Management Subdivision of the Corporation analyzes the relevant risk, develops an action plan to eliminate or minimize it, and submits an appropriate conclusion for consideration by the Investment Committee of the Corporation within the time limits established by the internal documents of the Corporation;

2) The Investment Committee of the Corporation, having analyzed the conclusion of the risk management subdivision of the Corporation, makes a decision on the risk event and, if necessary, approves an action plan to eliminate or minimize it.

16. Control over the execution of the action plan is carried out by the internal audit subdivision of the Corporation together with the risk management subdivision of the Corporation. Control of deadlines is indicated in the action plan as one of the procedures.

17. The purposes and objectives of the Policy are achieved through the use of the following risk management system tools:

- 1) the system of limits;
- 2) the system of control and powers.

4.1 The system of limits

18. The system of limits is designed to establish a certain limit for acceptance of excessive risks by the Corporation. Exceeding the relevant limits is allowed by the decision of the Board of Directors of the Corporation.

19. The system of limits is divided into three main levels:

1) first-level limits determined by the investment strategy and approved by the Corporation's clients, including, but not limited to:

- a) absolute risk level (portfolio volatility);
- b) limit per manager;
- b) limit on one fund.

2) second-level limits approved by the Corporation's Board of Directors (unless otherwise determined by the Corporation's investment strategy), including:

- a) active risk (tracking error)
- b) limit per asset class
- b) maximum credit risk limit for counter-partners

3) the limits of the third level are determined by the internal documents of the Corporation and approved by the Investment Committee on the basis of the recommendation of the risk management subdivision of the Corporation in accordance with the limits of the first and second levels.

20. The procedure for setting the credit risk limit for a counter-partner is determined by the Procedure and Methodology of Risk Management. At the same time the limits of credit risk for counter-partners are established by Investment Committee of the Corporation in accordance with restrictions stipulated by Appendix No.2 to this Policy.

21. The Board of Directors of the Corporation determines the aggregate limits on financial instruments used when investing the Corporation's own funds.

22. The methodology and procedure for calculating credit risk limits and selecting clearing brokers and counter-partners for operations are agreed with the National Bank of the Republic of Kazakhstan, with the exception of counter-partners for operations:

1) for which there is a mechanism of 100% prepayment on the part of the counter-partner for the concluded transactions;

2) for which there is collateral in the amount of at least 100 percent of the transaction amount;

3) according to which the principle of "delivery versus payment" applies;

4) conducted with state institutions (for state institutions, including central banks of countries that do not have their own rating, are subject to the country's sovereign rating) and international financial institutions whose long-term and short-term credit ratings are AAA/A1+ - S&P and/or Aaa/P1 - Moody's and/or AAA/F1+ - Fitch, as well as those who do not have a credit rating, while being the main key infrastructure entities in the market (such as Bank for International Settlements (Basel), International Monetary Fund (Washington));

5) conducted on a stock exchange operating on the territory of the Republic of Kazakhstan.

4.2 Control system

23. The control system as a Policy tool is based on the following principles:

1) the internal control system is multilevel;

2) control procedures cover all structural subdivisions of the Corporation;

3) the risk control system is the main element of the internal control system.

24. The control system provides the following levels:

- 1) The first level (lowest) - heads of structural subdivisions of the Corporation;
- 2) The second level is the risk management subdivision of the Corporation;
- 3) Third level (highest) - Board/Investment Committee of the Corporation;
- 4) The exceptional level is the Board of Directors of the Corporation.

25. Decisions taken by one level of the control system within its authority are mandatory for all entities of lower levels.

26. The Internal Audit Subdivision of the Corporation conducts periodic inspections of the state of the control system and the organization of the functioning of the direction of the Corporation's activities, separately for each level. Control systems shall be checked according to the first and second levels, as well as the availability of control tools and the effectiveness of their use by the relevant managers and officials of the Corporation.

27. Subdivisions of the Corporation shall provide information, specified by Appendix No.3 to this Policy, for the attention of Board of Directors, Executive Board of Corporation and Investment Committee of the Corporation.

5. Final provisions

28. Amendments and additions to this Policy are made by decision of the Board of Directors of the Corporation.

29. Members of the Executive Board and heads of structural subdivisions of the Corporation shall be made aware of Policy.

List of terms

No.	The concept	Definition
1	Portfolio under Corporation management	the client's assets transferred under the management of the Corporation.
2	Exchange risk	the risk of losses associated with changes in foreign currency exchange rates in the course of the Corporation's activities. The risk of losses arises due to the revaluation of positions on currencies in value terms.
3	Reputational risk	risk of damage (both financial and non-financial) due to negative public opinion or a decline in trust in the Corporation.
4	Internal Audit subdivision	a subdivision of the Corporation, whose main function is to provide an independent and objective assessment of the effectiveness of internal control and risk management systems based on the results of audits of the structural subdivisions of the Corporation. .
5	Risk Management subdivision	a subdivision of the Corporation responsible for ensuring proper control over the level of risks accepted by the Corporation
6	Strategy subdivision	a subdivision of the Corporation responsible for the development and implementation of the Corporation's strategic development plans.
7	Analysis and reporting subdivision	a subdivision of the Corporation that performs and provides portfolio analysis and reporting on transactions within trust management of assets.
8	Administrative and - Financial Department	a subdivision of the Corporation that carries out and ensures the organization of financial activities, accounting and tax accounting, office work, cooperation with external managers, control over administrative and financial activities, as well as the organization and performance of purchases of the Corporation.
9	Internal control system	part of the risk management system, representing a set of internal control procedures and policies that ensure the implementation of long-term goals by the Corporation.
10	Internal documents	documents regulating the conditions and procedure for the activities of the Corporation, their bodies, structural subdivisions, employees.
11	Investment beliefs	a strategic document defining the mission, vision, purpose and investment beliefs of the Corporation.

12	External Manager	an investment company and/or an investment bank specializing in the trust management of clients' assets and operating in international financial markets.
13	Counterpartner	a legal entity that is not an external manager, when interacting with which the Corporation has financial risks.
14	Clearing Broker	a foreign organization that performs settlements on transactions, maintains margin positions on the client's account and guarantees properly settlements. The clearing broker simultaneously acts as the executing broker for the transaction.
15	Credit risk	the risk of losses arising as a result of non-fulfillment by the counterpartner of its financial obligations stipulated by the contract or arising during making the transaction.
16	Legal risk	the risk of expenses (losses) arising as a result of the Corporation's violation of the requirements of the legislation of the Republic of Kazakhstan or non-compliance of the Corporation's practice with its requirements, and in relations with non-residents of the Republic of Kazakhstan - the legislation of other states.
17	Conflict of interest management	creation of mechanisms to prevent situations in which the interests of an official or employee of the Corporation may affect the objectivity and independence of their decision-making and performance of duties, and may also conflict with their obligation to act in the interests of the Corporation's clients and (or) shareholders of the organization
18	Operational risk	<p>the risk of expenses (losses) arising as a result of deficiencies or errors in the implementation of internal processes made by employees, the functioning of information systems and technologies, as well as due to external events, including risks associated with:</p> <ul style="list-style-type: none"> - undefined and ineffective the organizational structure of the Corporation, including the distribution of responsibility, accountability and management structure; - ineffective strategies, policies and (or) standards in the field of information technology, shortfalls in the use of software; - misinformation or its nonconforming use; - inefficient personnel management and (or) unqualified staff of the Corporation; - insufficient design of process of Corporation activity performance or inadequate control internal regulations implementation;

		<ul style="list-style-type: none"> - unforeseen or uncontrolled factors of external influence on the activities of the Corporation; - the presence of deficiencies or errors in internal documents (rules) regulating the activities of the Corporation; - unprofessional actions of the management and staff of the Corporation, which led to distrust or negative perception of the Corporation by customers and (or) counter-partners.
19	Interest rate risk	the risk of incurring expenses (losses) due to adverse changes in interest rates on assets and/or liabilities.
20	Liquidity risk	the risk associated with the possible non-fulfillment or late fulfillment by the Corporation of its obligations (capital calls).
21	Liquidity risk of financial instruments	The liquidity risk of securities as the assets is determined by their ability to be sold quickly, at low costs and at reasonable prices.
22	Stress testing	methods for measuring the impact of potential events on the financial position of a Corporation or a portfolio under its management.
23	Market risk	risk of losses, related to failure moves of financial markets.
24	Risk management system	a set of tools within which the management of the Corporation and its employees, each at their own level, participate in identifying potential negative events that may affect the activities of the Corporation, as well as in managing these events within an acceptable level of risk
25	Sovereign risk	risk of loss occurrence in consequence of financial insolvency or unwillingness of a foreign state or a resident of a foreign state to be liable for obligations to the Corporation for reasons unrelated to financial risks.
26	Back-testing	methods for verifying the effectiveness of risk measurement procedures using historical data and comparing the calculated results with the current (actual) results from performing these operations
27	VaR (Value at Risk)	a cost measure of risk that determines the amount of expected losses with a certain level of confidence.
28	Price risk	risk of expenses (losses) arising due to changes in the value of financial instruments

Table of maximum limits* and credit ratings for counter-partners on over-the-counter tradings

Risk class	S&P	Moody's	Fitch	Limit (% of assets under management)
1	AAA AA+ AA	Aaa Aa1 AA2	AAA AA+ AA	25%
2	AA- A+ A	Aa3 A1 A2	AA- A+ A	20%
3	A- BBB+ BBB BBB-	A3 Baa1 Baa2 Baa3	A- BBB+ BBB BBB-	15%

*second-level limit approved by the Corporation's Board of Directors

Appendix No. 3
to the Risk Management Policy of "NIC NBK" JSC

List of reports submitted by structural subdivisions of the Corporation

Reports	Frequency	Subdivision	Collegial body of the Corporation
Report on the state of risks of the liquid portfolio under the management of NIC	Weekly	Risk Management subdivision	Investment Committee
Stress testing results	Quarterly	Risk Management subdivision	Investment Committee
Analysis of compliance of portfolios managed by the Corporation with the approved investment limits	Quarterly	Risk Management subdivision	Investment Committee
Report on the risk status of portfolios managed by the Corporation	Quarterly	Risk Management subdivision	The Board of Directors/ Investment Committee
Macroeconomic analysis of the degree of attractiveness of markets and investment sectors	Quarterly	Strategy subdivision	Investment Committee
Liquidity risk analysis of portfolios managed by the Corporation	Once every six months	Risk Management subdivision	The Board of Directors /Investment Committee
Report on the results of monitoring of the Corporation's asset managers	Quarterly	Analysis and Reporting Subdivision	Investment Committee
Report on the detection of negative information about the activities of sub-funds	As it is detected	Analysis and Reporting Subdivision	Investment Committee
A brief analysis of the Corporation's current and projected requirements in equity capital	If necessary	Administrative and - Financial Subdivision	Board of Directors

Reports on the current results of the financial and economic activities of the Corporation in comparison with the same period for the last reporting period and with the planned performance indicators	Quarterly	Administrative and - Financial Subdivision	Board of Directors/ Executive Board
Monthly income (expense) reports Corporations, with the appendixes of planned indicators of financial activity, including dynamics by type of activity, territorial and functional subdivisions	Quarterly	Administrative and - Financial Subdivision	Executive Board
Report on the results of monitoring the implementation of the recommendations of the internal audit unit to improve the activities of the Corporation	Once every six months	Internal Audit subdivision	Internal Audit Committee The Board of Directors
Reports on self-identification of violations and measures taken to eliminate the identified violations	As it is detected	All subdivisions	Executive Board