



**DemirBank**  
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**APPROVED  
BY RESOLUTION OF THE ANNUAL GENERAL  
SHAREHOLDERS MEETING  
CJSC “DEMIR KYRGYZ INTERNATIONAL BANK”  
Protocol #3  
dd. «12» August 2025**

**CORPORATE GOVERNANCE CODE  
OF DEMIR KYRGYZ INTERNATIONAL BANK CJSC**



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## 1. INTRODUCTION

**1.1.** The Corporate Governance Code of Demir Kyrgyz International Bank CJSC (hereinafter referred to as the Code) is a set of rules and recommendations that the Bank follows in the course of its activities to ensure effective (appropriate) corporate governance practices and a high level of business ethics in the relationships arising in the Bank's management process.

**1.2.** The purpose of the Code is to increase transparency in decision-making and ensure that the Bank respects and protects the legitimate rights and interests of all shareholders, creditors, depositors and customers of the Bank.

**1.3.** The bodies forming the Bank's corporate governance system are:

**1.3.1.** General Shareholders Meeting;

**1.3.2.** Board of Directors;

**1.3.3.** Management.

**1.4.** The procedure for the establishment, organization of activities and competence of the Bank's management bodies, including the procedure for convening, preparing and holding meetings of the Bank's management bodies, the procedure for making decisions of the Bank's management bodies, including the list of issues to be resolved, are determined in accordance with the Bank's Charter and internal regulatory documents of the Bank

**1.5.** Corporate governance is understood as the system of relations between the shareholders, the Board of Directors and the Bank Management in terms of:

- defining the strategic objectives of the Bank's activities, ways to achieve them, and monitoring the achievement of these goals;
- creation of work incentives that ensure that the management bodies and employees of the Bank perform all actions necessary to achieve the strategic goals of the Bank's activities;
- achieving a balance between the interests of the Bank's shareholders, its creditors, including depositors, and the Bank's stable development;
- ensuring compliance with the legislation of the Kyrgyz Republic, as well as internal documents of the Bank.

**1.6.** The Code has been developed in accordance with the legislation of the Kyrgyz Republic, internal regulatory documents of the Bank and is based on internationally recognized principles of corporate governance.

## 2. PRINCIPLES OF CORPORATE GOVERNANCE

**2.1.** The principles of corporate governance are the basic principles underlying the formation, functioning and improvement of the Bank's corporate governance system. Corporate governance is based on the principles of fairness, honesty, responsibility, transparency, professionalism, competence, respect for the rights and legitimate interests of its participants and contributes to the effective operation of the Bank, including increasing the value of the Bank's assets, creating jobs and maintaining financial stability and profitability of the Bank.

**2.2.** Relations between the Bank's shareholders, members of the Board of Directors and the Management Board of the Bank are based on mutual trust, respect, accountability and control.

**2.3.** Trust between the participants of corporate governance is the basis for effective operation and investment attractiveness of the Bank.

## 3. GENERAL SHAREHOLDERS MEETING

**3.1.** The General Shareholders Meeting of the Bank is the highest governing body of the Bank with the right to make decisions on the Bank's activities, as defined by the legislation of the Kyrgyz Republic and the Bank's Charter.

**3.2.** Shareholders have the right to participate in the management of the Bank by making decisions on the most important issues of the Bank's activities at the general meeting of shareholders. The Bank organizes the general meeting of shareholders in such a way as to ensure equal treatment of shareholders and their participation in it was not associated with high material and time costs.

**3.3.** Holding of the General Shareholders Meeting provides the Bank with the opportunity to inform the General Shareholders Meeting at least once a year about its activities, achievements and plans, involve it in discussion and decision-making on the most important issues of the Bank's activities, and provide a report on the policy pursued by the Bank.

**3.4.** Basic principles and approaches to the preparation and holding of the General Meeting of Shareholders:

**3.4.1.** the information provided in preparation for the General Shareholders Meeting, as well as the procedure for its provision, should allow the General Shareholders Meeting to obtain a complete picture of the Bank's activities and make informed decisions on the issues on the agenda;

**3.4.2.** the issues on the agenda of the General Meeting of Shareholders should be clearly defined, excluding the possibility of their different interpretation;

**3.4.3.** the possibility of convening an extraordinary meeting of the General Shareholders Meeting and making proposals on the agenda of the meeting.

**3.5.** The procedure for holding a meeting of the General Shareholders Meeting is regulated by the Bank's Charter and the legislation of the Kyrgyz Republic.

**3.6.** The Bank ensures effective participation of shareholders in making key corporate governance decisions, such as the appointment and election of members of the Board of Directors.

**3.7.** Shareholders are given the opportunity to participate in the distribution of the Bank's profits. The Bank provides sufficient information to form an accurate picture of the conditions for the payment of dividends and the procedure for their payment.

**3.8.** The Bank's shareholders are provided with reliable and effective ways of accounting for ownership rights to shares, as well as the possibility of free and rapid alienation of their shares.

**3.9.** The Bank ensures protection of interests and fair treatment of all shareholders, equal treatment of all shareholders regardless of the number of shares they own. All shareholders have an equal opportunity to defend their violated rights in court, in case of violation of shareholders' property rights and causing property damage

#### **4. BANK'S BOARD OF DIRECTORS**

**4.1.** The Bank's Board of Directors carries out the strategic management of the Bank, determines the basic principles and approaches to the organization of the Bank's risk management and internal control system, monitors the activities of the Bank's executive bodies, and performs other key functions

**4.2.** Each member of the Board of Directors must enjoy the confidence of shareholders as persons capable of properly performing their official duties based on their professional and independent judgments, and be responsible for their actions/omissions related to the performance of their duties as members of the Board of Directors.

**4.3.** The Board of Directors holds regular meetings to effectively perform its functions. Meetings of the Board of Directors are held on time and in accordance with the procedure established by the legislation of the Kyrgyz Republic, the Bank's Charter and internal regulatory documents of the Bank.

**4.4.** In its activities, the Board of Directors is guided by the legislation of the Kyrgyz Republic, the Bank's charter and internal regulatory documents of the Bank.

**4.5.** A member of the Board of Directors may not delegate the performance of the functions assigned to him in accordance with the legislation of the Kyrgyz Republic and/or the Bank's Charter to other persons.

**4.6.** The activities of the Bank's Board of Directors meet the following requirements:

**4.6.1.** the composition of the Bank's Board of Directors and its powers are sufficient to exercise effective control;

**4.6.2.** the Bank's Board of Directors consists of persons with the necessary qualifications, impeccable business reputation and experience, collectively sufficient for the strategic management of the Bank, in accordance with the chosen business model, the scale of activities, type and complexity of operations;

**4.6.3.** the members of the Bank's Board of Directors are oriented towards interaction, cooperation and critical discussion in the decision-making process;

**4.6.4.** The members of the Bank's Board of Directors perform their duties in good faith and make decisions and minimize conflicts of interest.

**4.7.** By decision of the General Shareholders Meeting, remuneration is paid to the members of the Board of Directors during the period of performance of their duties. The amount of such remuneration and the payment procedure shall be determined by the General Shareholders Meeting.

**4.8.** The Chairman of the Board of Directors is elected from among the members of the Board of Directors in accordance with the Bank's Charter and ensures the proper functioning of the Board of Directors and its committees, acts on behalf of the Board of Directors as the main contact person for the Bank Management and shareholders regarding the functioning of both the Board of Directors and the Bank Management. The Chairman of the Board of Directors is responsible for the organization of the activities and general organizational management of the Board of Directors, ensures the full and effective implementation by the Board of Directors of its main functions and the establishment of a constructive dialogue between shareholders, the Board of Directors and the Bank Management.

**4.9.** The activities of the Board of Directors are based on the principles of maximum respect for the interests of the Bank and the Bank's shareholders, reasonableness, efficiency, activity, integrity, honesty, accuracy, professionalism, objectivity and responsibility within its competence and are aimed at increasing the Bank's market value.

**4.10.** Совет директоров Банка должен действовать добросовестно и разумно в наилучших интересах банка, что предполагает соблюдение им следующих фидуциарных обязанностей: The Bank's Board of Directors must act in good faith and reasonably in the best interests of the Bank, which implies compliance with the following fiduciary duties:

- 1) act within the limits of their powers in compliance with the requirements of the banking legislation of the Kyrgyz Republic and the Bank's Charter;
- 2) use the powers granted to him in order to perform the tasks and functions for which he was elected;
- 3) make informed decisions based on their own qualifications and experience after taking all exhaustive measures/every possible effort to obtain the necessary and accessible information within a reasonable time.;
- 4) comply with the requirements for avoiding conflicts of interest;
- 5) to observe the principle of equality in relation to shareholders, not to give preference to the interests of one shareholder over the interests of others;
- 6) have an impeccable business reputation in accordance with the legislation of the Kyrgyz Republic;
- 7) to organize an effective control system in the Bank in order to prevent the bank from making transactions and conducting transactions of customers that do not have an obvious economic meaning, legitimate purpose and/or which may subsequently harm the interests of the Bank.

**4.11.** The Board of Directors provides the Bank's shareholders with a balanced and clear assessment of the Bank's achieved results and development prospects through objective monitoring of the current business and ensures the effective operation of the risk management system, the maintenance and functioning of a reliable internal control system and independent audit in order to preserve the investments of shareholders and assets of the Bank.

**4.12.** The Board of Directors ensures full transparency of its activities to the Bank's shareholders. The transparency of the Board of Directors' activities should be ensured by full, timely disclosure of information and informing shareholders about the work of the Board of Directors, as well as the availability of the Chairman and members of the Board of Directors to interact with the Bank's shareholders.

**4.13.** The Bank has a procedure for annual self-assessment of the activities of the Board of Directors, performance of official duties of the Chairman of the Board of Directors and individual assessment of each member of the Board of Directors.

**4.14.** The work of the Board of Directors is assessed according to the following criteria:

- compliance of the composition and structure of the Board of Directors with the requirements of the legislation;
- the necessary competencies of the members of the Board of Directors;

- compliance of the Board of Directors' practice with the norms of legislation, the charter, and internal documents of the Bank;
- the effectiveness of interaction between members of the Board of Directors and committees to achieve the Bank's common goals and strategies.

**4.15.** The individual assessment of each member of the Board of Directors should demonstrate whether each member of the Board of Directors continues to make an effective contribution to the development of the Bank. Independent members of the Board of Directors should be encouraged to share their opinions regardless of the opinions of all other members of the Board of Directors. Also, an individual assessment of each member of the Board of Directors may include an assessment of the contribution of each of its members to ensuring the sustainable development of the Bank and the growth of its value in the long term

**4.16.** The results of the assessment should be taken into account when re-electing or early terminating the powers of members of the Board of Directors. The system for evaluating the work and fair remuneration of members of the Board of Directors should ensure that their work is stimulated in the interests of the Bank and its shareholders.

**4.17.** The Board of Directors and the Management Board of the Bank should cooperate in a spirit of cooperation, act in the interests of the Bank and make decisions based on the principles of sustainable development, fair treatment of all shareholders and consideration of the opinions of stakeholders, ensuring sustainable development and growth of the value of the bank's shares in the long term.

**4.18.** The Board of Directors evaluates the activities of the Management Board and exercises control over the activities of the Bank Management by:

**4.18.1.** monitoring the implementation by the Bank Management of the strategy and policies approved by the Board of Directors and decisions of the Bank's shareholders;

**4.18.2.** approving internal documents regulating the activities of the Bank Management;

**4.18.3.** ensuring the implementation of an internal control system;

**4.18.4.** holding regular meetings with members of the Bank Management;

**4.18.5.** conducting an analysis and critical evaluation of the information provided by the Management;

**4.18.6.** establishing the necessary performance standards and remuneration system for members of the Management Board, which correspond to the long-term goals defined by the Bank's strategy and aimed at financial stability.

**4.19.** The performance of the Bank Management is assessed by the Board of Directors according to the following criteria:

- compliance of the Bank's activities with the Bank's internal documents (policies);
- stability of the Bank's financial condition;
- efficiency of banking operations;
- the quality of the Bank's work in reviewing customer requests that arise in the process of providing banking services;
- compliance with the requirements of the legislation of the Kyrgyz Republic;

**4.20.** In order to monitor, control and evaluate the activities of the Bank Management, the Bank's Board of Directors conducts the following activities:

1) monitors and controls the compliance of the professional level of the Bank Management with the types, level of complexity of the Bank's activities and its risk appetite

2) receives management information and hears the report of the Bank Management on the results of its activities, which should contain sufficient/comprehensive information on (but not limited to) the following issues:

- on the achievement by the Bank Management of the goals set out in the Bank's strategy, indicating, if any, the reasons preventing their achievement;
- on assessment of the internal and external operating conditions of the Bank and its controlled organizations and their changes;
- on compliance of the Bank's activities with the strategy and policies approved by the Bank's Board of Directors;

- the level of stability/volatility of the Bank's profitability;
- on the profitability of the Bank in terms of establishing that the profitability of the Bank is the result of the implementation of the Bank's strategy or the result of the Bank's operations that increase short-term profitability, but cause risk in the long term;
- on the state of internal control in terms of its ability to enable the Bank Management to timely identify incorrect, incomplete or unauthorized transactions, deficiencies in asset security, errors in the preparation of financial and regulatory reports, violations of the Bank's internal documents, legislation of the Kyrgyz Republic, to prevent conflicts of interest, internal abuse and fraud in relation to related structures;
- on the effectiveness of the Bank's risk management system;
- on the status and sufficiency of internal models and information systems for managing the bank and its risks, their abilities to effectively identify, measure, assess and manage the risks inherent in the bank, indicating, if necessary, the needs for their optimization;
- assessment of the Bank's capital adequacy to maintain its risk appetite and strategy;
- the status of the financial statements in order to reflect in them a complete, accurate and reliable assessment of the financial condition of the Bank;
- on the control and monitoring of the submission of regulatory reports to the National Bank for timeliness, reliability and completeness;
- compliance of the results of operations and current risk appetite with the acceptable risk level defined in the Bank's strategy;
- on the timeliness, completeness and quality of the elimination by the Bank Management of violations and deficiencies identified by the compliance control service, internal and external auditors and banking supervisors;
- on the implementation by the Bank Management of the recommendations of the Compliance control, risk management, internal audit, as well as external audit and banking supervision bodies.

## **5. BANK MANAGEMENT**

**5.1.** The Bank Management is the collegial executive body of the Bank and manages its current activities. The Bank Management is obliged to comply with the decisions of the General Shareholders Meeting and the Board of Directors.

**5.2.** The activities of the Bank Management are based on the principles of maximum respect for the interests of the Bank and its shareholders, legality, honesty, integrity, reasonableness, efficiency, professionalism, objectivity, and are fully accountable to the decisions of the Bank's shareholders and the Board of Directors.

**5.3.** The functions, rights and duties of a member of the Bank Management are determined by the legislation of the Kyrgyz Republic, the Bank's Charter, the Code, the employment contract concluded by the said person with the Bank and the Bank's internal regulatory documents.

**5.4.** The Chairman and members of the Bank Management must possess high professional and personal characteristics, as well as have an impeccable business reputation and adhere to high ethical standards.

**5.5.** When appointing members of the Bank Management, the Board of Directors should be guided by the rules and regulations defining the qualification requirements for candidates for these positions.

**5.6.** Members of the Bank Management are required to act in good faith and reasonably in the best interests of the Bank, which implies that they comply with the following fiduciary duties:

- 1) perform duties within the limits of their powers in compliance with the requirements of the banking legislation of the Kyrgyz Republic, the Bank's charter, decisions (adopted by the General Shareholders Meeting and the Board of Directors of the Bank), including the implementation of strategies and policies;
- 2) use the powers granted to them in order to perform the tasks and functions for which they are assigned;
- 3) make informed decisions based on their own qualifications and experience after taking all exhaustive measures/every possible effort to obtain the necessary and accessible information within a reasonable time;
- 4) comply with the requirements for avoiding conflicts of interest;

- 5) observe the principle of equality in relation to the shareholders, the Board of Directors and officials of the Bank;
- 6) have an impeccable business reputation in accordance with the legislation of the Kyrgyz Republic;
- 7) take comprehensive measures to prevent the Bank from making transactions and conducting transactions for customers that do not have an obvious economic meaning, legitimate purpose and/or which may subsequently harm the interests of the Bank.

**5.7.** The Bank Management is responsible for the proper performance of duties delegated to collegial bodies or employees of the Bank within the approved organizational structure of the Bank.

## **6. CORPORATE SECRETARY OF THE BANK**

**6.1.** The Corporate Secretary of the Bank ensures and organizes the work (meetings and record keeping) and effective ongoing interaction of the General Shareholders Meeting and the Board of Directors, as well as coordination of the Bank's actions to protect the rights and interests of shareholders.

**6.2.** The Corporate Secretary is an official of the Bank and is appointed and dismissed by a decision of the Bank's Board of Directors.

**6.3.** The Corporate Secretary carries out his/her activities in accordance with the legislation of the Kyrgyz Republic, the Bank's Charter and internal regulatory documents of the Bank, as well as decisions of the General Shareholders Meeting and the Board of Directors of the Bank.

**6.4.** The Corporate Secretary must have sufficient knowledge, experience and qualifications to perform the duties assigned to him and enjoy the confidence of the shareholders. The Corporate Secretary must have the necessary authority and resources to carry out the tasks assigned to him.

**6.5.** The independent position of the Bank's Corporate Secretary may be combined with other duties in the Bank only with the consent of the Bank's Board of Directors and in the absence of a conflict of interest.

**6.6.** The functional duties of the Corporate Secretary are developed by the Bank independently in accordance with the legislation of the Kyrgyz Republic and internal regulatory documents of the Bank.

**6.7.** The Corporate Secretary of the Bank is obliged to act in good faith and reasonably in the best interests of the Bank, which implies compliance with the following fiduciary duties:

**6.7.1.** perform their duties in compliance with the requirements of the banking legislation of the Kyrgyz Republic, the Bank's charter and internal regulatory documents of the Bank;

**6.7.2.** observe the principle of equality in relation to shareholders and members of the Board of Directors;

**6.7.3.** comply with the requirements of the legislation of the Kyrgyz Republic.

## **7. DISCLOSURE OF INFORMATION ABOUT THE BANK**

**7.1.** The Bank ensures timely and objective disclosure of information. Disclosure of information is extremely important for evaluating the Bank's performance by its shareholders and potential investors. The disclosure of information about the Bank is intended to ensure the maintenance of trust in the Bank.

**7.2.** Information disclosure requirements should not conflict with the interests of the Bank and should not allow disclosure of confidential information.

**7.3.** The purpose of disclosing information about the Bank is to bring this information to the attention of all persons interested in receiving it to the extent necessary to make an informed decision on participation in the Bank or perform other actions that may affect the financial and economic activities of the Bank.

**7.4.** The Bank Management is responsible for the disclosure of information about the Bank's activities. Information is disclosed in accordance with the requirements of the legislation.

**7.5.** The Bank shall promptly disclose information on its financial position, economic performance, ownership and management structure to ensure that the Bank's shareholders and investors can make informed decisions. The Bank's shareholders have equal opportunities to access the same information.

**7.6.** The Bank regularly provides information on significant corporate events in the Bank's activities, while at the same time following strict and reliable disclosure and confidentiality mechanisms.

**7.7.** The Bank Management is responsible for the completeness and reliability of the financial information provided.

## **8. SUSTAINABLE DEVELOPMENT OF THE BANK**

- 8.1.** Part of the overall corporate governance system is the Ecological Social Management System, which is a set of procedures and practical measures that ensure consistent implementation of best practices in environmental and social risk management in the business process.
- 8.2.** The Bank strives to increase its value in the long term, while ensuring consistency of its economic, environmental and social goals in the long term, as well as maintaining a balance of interests of the Bank and stakeholders.
- 8.3.** The Bank's sustainable development activities are carried out in accordance with the principles of openness, accountability, transparency, ethical behavior, respect for the interests of stakeholders, legality, respect for human rights, intolerance to corruption, and the inadmissibility of conflicts of interest.
- 8.4.** The Board of Directors is responsible for the formation of the Bank's corporate, environmental and social governance (ESG) system. All employees and officials of the Bank at all levels should contribute to sustainable development.
- 8.5.** The Bank must annually disclose information in the field of sustainable development in order to ensure clarity and transparency of its activities for interested parties, taking into account the protection of information constituting official, commercial and other legally protected secrets.
- 8.6.** Information in the field of sustainable development can be compiled in accordance with international standards in the field of sustainable development.
- 8.7.** The Bank shall encourage and facilitate the application of the principles of sustainable development by partners and customers.

## **9. CONFLICT OF INTEREST PREVENTION**

- 9.1.** A conflict of interest is defined as a situation in which the personal interests of a member of the Board of Directors, the Bank Management and an employee of the Bank affect or may affect the impartial performance of official duties.
- 9.2.** Members of the Board of Directors and Management, as well as employees of the Bank, must behave in such a way as to avoid a situation in which a conflict of interests may arise, either in relation to themselves (or related persons), or in relation to others.
- 9.3.** The main principles of conflict of interest prevention are disclosure of information about potential conflicts of interest, mechanisms for making managerial decisions and standards of conduct for the Bank's employees in the context of existing conflicts of interest.
- 9.4.** No activity by the Bank's officials and employees should violate obligations to the Bank or harm the Bank's reputation. Abuse of the Bank's resources is prohibited.
- 9.5.** Officials and employees of the Bank should take into account the nature of their actions and avoid situations that may be perceived as a conflict of interest.
- 9.6.** The Bank's Board of Directors is responsible for organizing a system for identifying and avoiding conflicts of interest, ensuring transparency of the Bank's activities, timely and complete disclosure of information, as well as ensuring easy access of the Bank's shareholders to the Bank's documents in accordance with the legislation of the Kyrgyz Republic.

## **10. FINAL PROVISIONS**

- 10.1.** This Code shall enter into force from the date of its approval by a decision of the General Shareholders Meeting of the Bank.
- 10.2.** The Code is subject to revision at least once a year, taking into account changes in the legislation of the Kyrgyz Republic, which may have a significant impact on corporate governance and/or require amendments to the Corporate Governance Code.