

Reg. No. 699

APPROVED by
the General shareholders'
meeting of the «Asaka» bank
under No. 01 dated June 21, 2017.

**REGULATION ON INTERNAL CONTROL
OF THE “ASAKA” BANK**

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I. GENERAL PROVISIONS

1. The present Regulation on internal control (hereinafter referred to as Regulation) of the «Asaka» Bank (hereinafter referred to as the Bank) was elaborated in accordance with the Law of the Republic of Uzbekistan «On Joint-Stock Companies and Protection of Shareholders' Rights», the Decree of the President of the Republic of Uzbekistan under No. DP-4720 "On measures for the introduction of modern methods of corporate governance in joint stock companies" dated April 24, 2015, the Corporate Governance Code, approved by the minutes of the meeting of the Commission on Increasing of Efficiency of Management in Joint Stock Companies and the System of Corporate Governance dated December 31, 2015 under No. 9, the Bank Charter and other internal documents of the Bank.

2. The present Regulation defines the purposes and objectives of the internal control system, its operational principles, as well as the Bank's bodies and persons responsible for internal control.

II. DEFINITION AND OBJECTIVES OF THE INTERNAL CONTROL SYSTEM

3. Internal control is a continuous process built into the Bank's operations and aimed at improving the effectiveness of risk management processes, monitoring and corporate governance to obtain reasonable and sufficient evidence of the Bank's objectives in the following areas:

Effectiveness and efficiency of the operations, including the level of operational efficiency, profit making and asset protection;

Reliability and accuracy of financial reporting;

Compliance with the laws and regulations that govern the Bank's activities.

4. Internal control system is a set of organizational structure, controlling measures, procedures and methods of internal control, which are regulated by internal documents organized and implemented by the Bank's revision commission, internal audit function, The Board of the Bank, the Management Board of the Bank and other employees at all levels (hereinafter internal control subjects) and in regard to all functions. The qualifications of members of the Bank's internal control bodies may be established in the Regulations on their activities.

5. Internal control procedures are a set of measures implemented by the Bank's revision commission, the Bank's Audit Committee, the Bank's Board, the Bank's Management Board, as well as by the Bank's internal control departments (hereinafter referred to as the Bank's departments) and aimed at detecting violations of the legislation and the Bank's internal documents in carrying out financial and economic activities, and at assessing the effectiveness of the Bank in achieving its objectives, as well as the interaction of internal control subjects with each other in the process of implementation of internal control procedures.

6. The main purpose of internal control is to ensure the protection of the rights and legitimate interests of all shareholders, including minority shareholders

Internal control shall provide the following on ongoing basis:

Safeguarding of assets, economical and efficient use of Bank`s resources;

Implementation of the medium- and long-term development strategy and the Bank`s business plans;

The completeness and reliability of the Bank`s accounting records, financial statements and management information;

Detection, identification and analysis of risks at the moment they occur in banking activities;

Planning and risk management in the banking activity, including adopting timely and adequate decisions on risk management;

Establishing and maintaining the Bank`s positive reputation in business and consumer circles;

The adequacy, transparency and objectivity of remuneration and compensation, including its amounts, to the members of the Management Board of the Bank, the Board of the Bank and the revision committee.

III. OPERATIONAL PRINCIPLES OF THE INTERNAL CONTROL SYSTEM

8. The internal control system in the Bank is based on the following principles:

Smooth functioning - The continuous and proper functioning of the internal control system enables the Bank to detect any deviations from the standard in a timely manner and to prevent future deviations;

Accountability of all participants of the internal control system - the quality of each person`s performance in performing the control function is controlled by another participant of the internal control system;

Segregation of duties - The Bank seeks to avoid duplication of supervisory functions, and these functions should be shared among employees in a way that the same person does not merge functions related to the approval of transactions involving certain assets, taking into account transactions, safeguarding assets and conducting their inventory;

Proper acceptance and approval of transactions - The Bank seeks to establish a procedure for all financial transactions to be approved by authorized persons within their respective competencies;

Ensuring the organizational separation of the Bank`s daily internal control department and its functional reporting directly to the Bank`s Board through the Bank`s Audit Committee;

The responsibility of all internal control subjects working at the Bank for the proper performance of control functions;

Implementation of internal controls based on a clear interaction of all departments of the Bank;

Constant development and improvement - The Bank seeks to provide a flexible customization of the internal control framework so that it can be adapted to meet new challenges and expand and improve the system itself;

Reporting the deviations in a timely manner - the Bank sets the shortest possible deadlines for reporting the relevant information to persons authorized to take decisions on the elimination of deviations;

Prioritization of the Bank's areas of control - the strategic areas covered by the internal control framework are highlighted, even if their performance (cost-benefit ratio) is difficult to measure.

IV. COMPONENTS OF THE INTERNAL CONTROL SYSTEM

9. Internal control system includes the following interconnected components:

Control environment, which includes the ethical values and competence of the Bank's employees, the management policy, the manner in which the management assigns authority and responsibility, the structure of the organization and staff development, as well as the direction and management by the Board of the Bank;

Risk assessment presenting the identification and analysis of the relevant risks in the achievement of certain tasks, interconnected at various levels and internally consistent;

Control activities that summarize the policies and procedures that help ensure that management decisions are implemented, and includes a wide variety of actions, such as: approvals, sanctions, confirmations, audits, monitoring of ongoing activities, asset safety assurance and separation of powers;

Information support and exchange activities aimed at the timely and effective identification of data, their registration and exchange, including the creation of effective information exchange channels in order to form an understanding of the Bank's policies and procedures for internal control and assurance among all subjects of internal control their execution. The Bank takes measures to protect against unauthorized access to information;

Monitoring is a process that includes the functions of management and supervision, during which the the system performance is assessed over time. The assessment of the internal control system is carried out to determine the likelihood of errors that affect the reliability of financial statements, to clarify the materiality of these errors and to determine the ability of the internal control system to ensure the fulfillment of the assigned tasks. To assess the effectiveness of the internal control system in the Bank by a decision of the General shareholders' meeting on the basis of a proposal from the Board of the Bank, an independent professional organization - a consultant may be involved.

V. BODIES AND ENTITIES RESPONSIBLE FOR INTERNAL CONTROL

10. Internal control is exercised by the revision commission, the Audit Committee of the Bank, the Board of the Bank, the Chairman of the Management Board of the Bank, the Internal Audit Function and other Bank staff at all levels, where each is responsible for internal control, as appropriate.

11. The functions, rights and obligations, responsibility, calculation of compensation and compensation payments of the Bank's departments are stipulated in the Bank's internal documents. These documents, as well as other documents which directly or indirectly affect internal control, may not contravene the present Regulation.

12. Internal control procedures are conducted by the internal audit function to ensure that the Bank's financial and economic operations are monitored systematically.

13. The functions of the Board of the Bank are the following:

Determination of the direction of development and approval of certain internal control system operations and strategies;

Annual communication at the annual General shareholders' meeting of the Bank on the results of the analysis and evaluation of the reliability and effectiveness of the internal control system based on the regular reports of the Chairman of the Management Board of the Bank, internal and external audits, Revision Commission, information from other sources and its own observations on all aspects of internal control, including: financial control, operational control, enforcement of legislation, control of internal policies and procedures;

Determination of the structure and composition of the Bank's internal control departments;

Continuous improvement of internal control procedures.

14. The Audit Committee of the Bank is responsible for monitoring the reliability and completeness of the financial statements, the reliability and effectiveness of the Bank's internal control system; The role, aims, objectives and powers of which are reflected in the Regulation on the Audit Committee of the Bank.

15. The Bank's internal control policy, as approved by the Board of the Bank, entrusts responsibility for its operation to the Chairman of the Management Board. The Chairman of the Management Board of the Bank implements the procedures of the internal control system and ensures its effective functioning by informing the Board of the Bank in a timely manner of all risks of the Bank, significant shortcomings of the internal control system, as well as plans and results of actions to address them.

16. Staff members (including managers) at all levels are directly involved, within their areas of responsibility, in the detailed development of monitoring policies and procedures. It is their responsibility to deal with unusual situations and

problems as they arise. Employees report significant issues or risks in a particular transaction to the Bank's senior management.

17. Responsibility for the supervision of the financial and economic operations of the Bank and its separate entities rests with the permanent internal control body, the Audit Commission, The role, objectives and objectives of the Commission are reflected in the Statute of the Audit Commission.

18. Responsibility for regular monitoring of compliance with internal control procedures, namely, compliance of financial and economic operations carried out by the Bank with the legislation of the Republic of Uzbekistan and the Bank's Charter as a whole, and of its separate departments, as well as the completeness and reliability of the accounting and financial reporting is the responsibility of the internal audit function, the role, purpose and objectives of which are reflected in the Regulation on Internal Audit Function.

The Regulation on Internal Audit Function is approved by the Board of the Bank.

19. The internal audit function of the Bank reports to the Bank's Audit Committee on the results of the internal audit, internal control system. The Internal Audit Function of the Bank reports to the Audit Committee.

20. The following persons are not eligible for positions in the Bank's Internal audit function:

Persons with an outstanding criminal record for economic offences or offences against the order;

Persons who are heads or members of the Management Board of the Bank;

Persons who are founders (shareholders, participants), heads or members of the Management Board of the Bank or employees of another legal entity which is a competitor of the Bank;

Other requirements for persons who are part of the Internal audit function may be established by the Bank's Audit Committee.

21. The proper functioning of the internal control system also depends on the professionalism of the staff. The Bank makes efforts to ensure that the system of selection, recruitment, training and promotion of staff ensures that they are highly qualified and adhere to high ethical standards.

VI. INTERNAL CONTROL PROCEDURES AND METHODS

22. The Bank's internal control procedures include:

Defining interrelated and coherent goals and objectives at different levels of Bank management;

Identifying and analyzing potential and existing operational, financial, strategic and other risks that may impede the achievement of the Bank's objectives;

Evaluation of significant components of internal control;
Assessing the effectiveness of the internal control system for business processes;
Defining criteria and evaluating the performance of the Bank's structural units, officials and other employees;
Reviewing financial and other information against comparative information for prior periods or expected outputs;
Use of adequate means of recording events, operations and transactions;
Verification of the safety of assets;
Proper documentation of internal control procedures;
Regular quality assessments of the internal control system;
Making all Bank staff aware of their internal control responsibilities;
Allocation of key responsibilities to Bank staff (including acceptance and approval of transactions, operations record, issuance, storage and receiving of resources, analysis and verification of operations);
Approval and implementation of operations by authorized persons only;
Other procedures needed to achieve internal control objectives.

23. Internal control procedures shall apply methods of inspection, observation, confirmation, recalculations and other methods necessary for the implementation of internal control procedures.

VII. FINAL PROVISIONS

24. This Regulation, as well as the amendments and additions thereto, shall be approved by the decision of the General shareholders' meeting.

25. Additions and amendments to this Regulation shall be made upon the proposal of the members of the Board of the Bank, the External Auditor of the Bank, the Revision Commission of the Bank, the Internal Audit Function of the Bank, and the Chairman of the Management Board of the Bank.

26. If certain articles of this Regulation come into conflict with amendments made in legislation and regulations of the Republic of Uzbekistan, these articles shall cease to have effect and till the time amendments are introduced into the Regulation, the Bank shall be guided by the legislation and regulations of the Republic of Uzbekistan.

The Chairman of the Management Board

Akhmedkhadzhaev A.I.

Members of the Management Board:

Kasimov R.K. _____ **Norinbaev O.K.** _____

Galinova Z.A. _____ **Pulatova M.Sh.** _____

Introduced:

Head of the Treasury Department

Iskanov I.Kh. _____

**Head of the Department of Economic Analysis,
Strategic Development and Coordination of Methodological Work:**

Bakhramov A.B. _____

Head of the Internal Audit Function:

A.A. Kariev _____

Head of the Internal Control Service:

Mirzaev M.D. _____