

Reg. No. 699

APPROVED BY
General meeting of shareholders
"Asaka" Bank
No. 01 dated "21" June 2017.

**REGULATION on
INTERNAL CONTROL
"ASAKA" BANK**

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I. GENERAL PROVISIONS

1. This regulation on internal control (hereinafter referred to as the "Regulation") of "Asaka" bank (hereinafter Bank) is developed in accordance with the law of the Republic of Uzbekistan "on joint stock companies and protection of shareholder rights", Decree of the President of the Republic of Uzbekistan N UP-4720 "On measures for introduction of modern corporate governance practices in joint-stock companies" dated 24 April 2015, Corporate governance code, approved by the Minutes of the Commission on increasing the efficiency of joint stock companies and improvement of the Corporate governance system dated 31.12.2015, No 9, Bank's Charter and other internal documents of the Bank.

2. This Regulation determines the objectives and tasks of the internal control system, principles of its functioning as well as the bodies and persons responsible for internal control at the Bank.

II. DEFINITIONS AND OBJECTIVES OF THE INTERNAL CONTROL SYSTEM

3. Internal control is a continuously operating process integrated in Bank's activity and aimed at improvement of risk management effectiveness, control and corporate governance in order to obtain reasonable and sufficient, with respect to the Bank's objectives, confirmation of compliance of Bank's activity with the following principles:

- effectiveness and productivity of activity, including performance level, profit receipt and asset protection;
- reliability and accuracy of financial reporting;
- compliance with applicable law and rules governing Bank's activity.

4. Internal control system is a set of organizational structure, regulatory measures, procedures and methods of internal control, regulated by internal documents, organized and carried out by the Bank's audit committee, internal audit service, Bank's Board, Bank's Management and other personnel at all levels and all functions (hereinafter - internal control subjects). Qualification of members of the Bank's internal control bodies can be established in regulations on their activities.

5. Internal control procedures is a set of measures undertaken by the Bank's board of internal auditors, Bank's audit committee, Bank's Board, Bank's management as well as Bank's subdivisions, authorized to carry out internal control (hereinafter Bank's subdivisions), and aimed at identifying violations of the law and Bank's internal documents during its financial and economic activity, to assess the Bank's goals achieving effectiveness, as well as engagement of internal control subjects with each other during implementation of internal control procedures.

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

7. Internal control shall provide on ongoing basis the following:

soundness of assets, cost effective and efficient use of the Bank's resources;

compliance with the requirements of the current legislation and Bank's internal documents;

fulfillment of the Bank's development strategy on medium and long term period, business plans;

completeness and accuracy of accounting records, financial statements and Bank's management information;

detection, identification and analysis of risks as they occur during Bank's activity;

planning and risk management in the Bank's activity, including timely and adequate solutions for risk management;

establishing and maintaining a positive reputation of the Bank among businesses and consumers;

adequacy, transparency and objectivity of remuneration and compensation payments, including its amount, to the members of the Bank's Management, Bank's board and the Bank's internal audit service.

III. WORKING PRINCIPLES OF INTERNAL CONTROL SYSTEM

8. Bank's internal control system is based on the following principles:

uninterrupted functioning - continuous and appropriate functioning of internal control system that enables the Bank to promptly identify any deviations from the standards and to prevent them from occurring in the future;

accountability of all participants of the internal control system - other participant internal control system shall control the quality of control functions executing by each person;

division of duties - the Bank seeks to avoid duplication of control functions, and these functions should be distributed among employees in such way that the same person has not united the functions related to approval of transactions with certain assets, including operations on assets security and their inventory taking;

proper approval and acceptance of operations - the Bank aims to establish a procedure for approval of all business operations by authorized persons within their corresponding powers;

organizational separation of the Bank's division, carrying out daily internal control, and its functional accountability directly to the Bank's Board through the Bank's Audit Committee;

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

implementation of internal control on the basis of clear interaction of all Bank`s divisions;

continuous development and improvement - the Bank aims to provide conditions for flexible adjustment of internal control system, so that it can be adapted to the need to complete new tasks, expand and improve the system itself;

timely message delivery about deviations - the Bank has established the maximum short time for delivery of relevant information to the persons authorized to make decisions on reducing variances;

identification of the Bank`s priority business areas in which control is established - strategic areas are selected, covered by internal control system, even if the efficiency of their functioning (correlation of "expenses - cost advantages") is difficult to measure.

IV INTERNAL CONTROL SYSTEM COMPONENTS

9. Internal control system shall include the following interconnected components:

control environment, which includes ethical values and competence of the Bank's employees, management policy, management`s method of distribution of powers and responsibilities, organization structure and employees` advancement training, as well as supervision and management by the Bank's Board;

risk assessment - represented as the identification and analysis of relevant risks when achieving certain goals, associated with each other and internally consistent at different levels;

control activities, summarizing the policy and procedures to ensure the proper execution of decisions of the Bank's management, and including a wide range of actions, such as issuing of approvals, sanctions, endorsements, audits, monitoring of current activities, security of assets and authority separation;

activity on information support and exchange aimed at timely and effective identification of data, their recording and exchange, including, establishment of effective channels for information exchange in order to develop an understanding of the Bank's policy and internal control procedures by the subjects of internal control and to ensure their fulfillment. The Bank takes measures to protect against unauthorized access to information;

monitoring is a process that includes control and supervision functions, during which the system performance quality is evaluated by time. Assessment of the internal control system shall be used to determine the probability of errors occurrence affecting financial reporting accuracy,

clarifying the significance of these errors and determining the ability of internal control system to ensure tasks fulfillment. Based of the proposal of the Bank's Board, an independent professional consulting organization may be engaged to assess the the effectiveness of the Bank`s internal control system by the decision of the general meeting of shareholders.

V. AUTHORITIES AND PERSONS RESPONSIBLE FOR THE INTERNAL CONTROL

10. The internal control is carried out by the Bank's board of internal auditors, the Audit Committee, Bank's Board, Chairman of the Bank's board, the internal audit service, as well as other employees of the Bank at all levels, however, each carry responsibility for internal control in accordance with the current legislation.

11. Functions, rights and obligations, responsibilities, procedure for calculating compensations and remunerations paid to divisions operating in the Bank, shall be provided in the Bank's internal documents. These documents, as well as other documents, directly or indirectly affecting internal control issues can not come into conflict with this Regulation.

12. In order to ensure systematic nature of control of the Bank`s financial and economic activities, internal control procedures are carried out by the internal audit service. 13. The functions of the Bank's Board include:

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

annual reporting at the annual general meeting of the Bank's shareholders about the results of conducted analysis and internal control system reliability and efficiency assessment, based on the regular reporting data by the Chairman of the Bank's Board, internal and external audits, the board of internal auditors, information from other sources and own observations on all aspects of internal control, including: financial control, operational control, control over compliance with legislation, control of internal policies and procedures;

determination of the structure and composition of the Bank's divisions, responsible for internal control;

continuous improvement of internal control procedures.

14. Responsibility for arrangement of control over the reliability and completeness of financial reporting, reliability and effectiveness of the the internal control system of the Bank if laid on the Bank's audit committee. Its role, objectives, tasks and powers are reflected in the Regulation on the audit committee of the Bank.

15. The Bank's Chairman of the Board shall be responsible for its functioning in accordance with the Bank`s internal control policy approved by the Bank's Board. The Bank's Chairman of the Board implements the procedures of internal control and ensure its effective functioning, timely

informing the the Bank's Board about all the risks of the Bank, significant weaknesses in internal control systems, also about the plans and results of measures taken to eliminate them.

16. The employees (including the Heads) of divisions at any level within their competence, shall be directly involved in the detailed development of strategies and procedures concerning control implementation. Their duties include managing during abnormal situations and problems as they occur. The employees report to the Bank's line management on major issues or any specific transaction risks.

17. Permanent body of internal control, board of Internal auditors shall be responsible for control over financial and economic activities of the Bank and its separate divisions, roles, goals, objectives, powers of which are reflected in Regulation on the board of internal auditors.

18. Internal audit service shall be responsible for regular control over fulfillment of internal control procedures, namely for compliance of the Bank's financial and economic operations and its separate divisions with the law of the Republic of Uzbekistan and the Bank's Charter, also for completeness and accuracy of accounting and financial reporting, role, goals, objectives, powers are reflected in the Regulations on Internal Audit Service.

The regulation on Internal audit service to be approved by the the Bank's Board.

19. The Bank's Internal audit service reports before the Bank's audit committee about the results of internal audit and internal control system. The Bank's Internal audit service reports to the Audit Committee.

20. Persons, who cannot hold positions in the Bank's internal audit service:

- persons, who have outstanding conviction for economic crimes or crimes against the order;
- persons, who hold chief executive positions or member of Bank's Board;
- persons, who are founders (shareholders, participants), holding chief executive positions or members of the Bank's Board or employees of other legal entities, competitors of the Bank;

The Audit Committee may establish other requirements to persons who are members of the Internal Audit Service.

21. The proper functioning of the Internal Control System shall also depend on professionalism of employees. The Bank shall make every effort to ensure that the system of selection, recruitment, training and career development provides for their professional qualification and compliance with the highest ethical standards.

VI. PROCEDURES AND METHODS OF INTERNAL CONTROL

22. The Bank's internal control procedures include:

determination of interrelated and consistent goals and objectives at different levels of Bank management;

identification and analysis of potential and existing operational, financial, strategic and other risks that may impede achievement of the Bank's activity purposes;

assessment of internal control essential components;

assessment of effectiveness of business processes of the internal control system;

determination of criteria and assessment of effectiveness of structural divisions, as well as officials and other employees of the Bank;

review of financial and other information in comparison with the comparable information for previous periods or with expected results of activities;

use of appropriate recognition methods of events, operations and transactions;

check assets soundness;

proper documentation of internal control procedures;

regular assessment of internal control system quality;

Inform all Bank's employees about their duties in the area of internal control;

distribution of key responsibilities among the Bank's employees (including responsibilities for approval and acceptance of operations, operations record, resources issuance, storage and receiving, operations analysis and verification);

approval and implementation of operations only by those persons who are vested with appropriate powers;

other procedures necessary to achieve internal control objectives.

23. The methods of inspection, observation, confirmation, recalculation, as well as other methods necessary to implement internal control procedures shall be used when conducting internal control procedures.

VII. FINAL PROVISIONS

24. This Regulation, as well as changes and supplements thereto are approved by the decision of the general meeting of shareholders.

25. Changes and supplements to this Regulation shall be made at the suggestion of the members of the Bank's Council, Bank's external auditor,

Bank's board of internal auditors, Bank's internal audit service, Bank's chairman of the board.

26. If certain articles of these Regulations come into conflict with amendments made in legislation and regulations of the Republic of Uzbekistan, these articles become invalid and before making amendments into Bank's Regulation they shall be guided by the legislation and regulations of the Republic of Uzbekistan.

Chairman of the Board

Akhmedkhadjaev A.I.

Members of the board:

Kasimov R.K. _____

Norinbaev O.K. _____

Galinova Z.A. _____

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