

**REGULATION
ON THE RISK OVERSIGHT COMMITTEE**

Tashkent, 2017

1. General provisions

1.1. Regulation on the Risk Oversight Committee of JSC “Aloqabank” (hereinafter, the “Regulation” and the “Bank”, respectively) is developed according to the Law of the Republic of Uzbekistan “On banks and banking”, Resolution of the President of the Republic of Uzbekistan No. IIII-1438 dated 26 November 2010 “On further reforming priorities and improvement of banking and financial stability in Uzbekistan republic in 2011-2015 and achievement of high international ratings”, Regulation of the Board of the Central Bank “On risk management requirements of commercial banks” (registered by the Ministry of Justice of the Republic of Uzbekistan on 25 May 2011 under No. 2229) and other laws and regulations.

1.2. The Regulation defines the legal grounds of activities, authorities and the procedure for forming the membership of Risk Oversight Committee (hereinafter, the “Committee”).

1.3. The Committee is a permanent collegial consultative body under the Bank’s Supervisory Board (hereinafter, the “Board”).

1.4. The Committee was established by a resolution of the Bank’s Board of 8 November 2011, minutes No. 75.

1.5. The Committee reports to the Board and performs its activities within the authorities set by the Board.

1.6. The Committee performs its activities in accordance with legislation of the Republic of Uzbekistan, the Statute and other internal regulations of the Bank and resolutions of the Board.

2. Objective of the Committee

2.1 The Committee was established to assist the Board in managing risks, creation of a risk oversight system and supporting its effective operation.

3. Functions of the Committee

3.1. The Committee provides the Board with recommendations on the development of the Bank’s risk and capital management strategy and risk appetite, provides monitoring on the risk and capital management strategy implementation by the Board, risk appetite compliance, reports on the compliance with the Bank’s risk management culture, supervises the activities of the Bank’s risk management leader and cooperates with him.

3.2. The Committee processes monitoring of the risk and capital management strategy implementation, compliance with the internal policies, regulating Bank’s risk management (i.e. credit, market, operational, reputational and other risks’ management) and compliance with the established risk appetite level for banking operations

3.3. The Committee’s functions include:

a) an assessment of approaches to credit and investing operations, liquidity provision, and Bank’s correspondence accounts opening;

b) a discussion on the risk assumption strategy both in aggregated and individual form for every risk, development of recommendations on these cases and risk appetite issues for the Board.

c) providing monitoring on the Bank’s risk management system processing (i.e. in credit, liquidity, market, operational risk management) on a continuing basis;

d) considering external auditors’ proposals aiming to improve internal controls and risk management system;

e) considering quarterly reports issued by the risk management department;

- f) reviewing and updating the Bank's risk management policy on an annual basis;
- g) monitoring the compliance of the Executive Board, management, functional leaders and all employees with the Bank's risk management policy.

4. Authorities of the Committee

4.1. The Committee is authorized to:

a) request and obtain from the Bank's employees the information and documents required to perform functions for which it is responsible (information and documents are provided to the Chairman of the Committee based on a written request signed by the Committee's secretary);

b) invite, if necessary, members of the Bank's Executive Board, internal auditors, other employees and independent experts to attend meetings of the Committee;

4.2. The Committee regularly receives required information and reports on the current risk profile, risk management culture and risk appetite compliance, observance and breaches of the established risk limits and risk mitigation mechanisms from the risk management leader and other functional leaders .

5. Responsibility of the Committee

5.1. The Committee is responsible for:

a) presenting a report on its activities to the Bank's Board at least annually;

b) informing the Board about the Bank's risk exposure, the gaps of risk management system and actions to be performed to mitigate risks;

c) performing functions vested by this Regulation;

d) keeping confidentiality of materials and documents received in the course of its activities.

6. Membership of the Committee and its formation

6.1. The Committee consists of at least 3 (three) members of the Board appointed by a resolution of the Board, the members of the Committee are selected from the Board.

6.2. The majority of the Committee are independent members of the Bank's Board.

6.3. At least one member of the Committee has risk management experience.

6.4. Members of the Committee are elected according to the majority of votes at the meeting of the Board

6.5. Any changes in the Committee's membership are approved by a resolution of the Board.

6.6. If members of the Committee intend to divest authorities, they must fulfill their duties within 30 (thirty) days until the election of new members of the Committee.

7. Chairman of the Committee and the appointment procedure

7.1. The Chairman of the Committee is elected from the Bank's Board according to the majority of votes.

7.2. The Chairman of the Committee is an independent member of the Bank's Board. The Chairman of the Committee cannot be the Chairman of the Board or one of its committees at the same time.

7.3. The Chairman of the Committee is authorized to:

- a) organize activities of the Committee;
- b) schedule meetings of the Committee, approve the agenda of such meetings and fulfil Chairman's functions during these meetings;
- c) allocate responsibilities among the members of Committee;
- d) supervise the implementation of decisions taken by the Committee;
- e) organize the reporting on the Committee's activities and report to the Bank's Board;
- f) fulfill other tasks within the authorities of the Committee.

8. Meetings of the Committee

8.1. The meetings of the Committee are held ad hoc and in the cases defined by this Regulation; the notification of the meeting and the agenda are communicated to the members of the Committee at least 3 (three) days prior to the meeting.

8.2. The Chairman takes a decision on convening the meeting of the Committee, defines its date and place, the agenda and defines the necessity of functional leaders' and other employees' participation in this meeting.

8.3. Considering the specifics of issues discussed during the Committee meetings, the participation of any other employees must be approved by the Chairman.

8.4. The meetings of the Committee are initiated by the Chairman of the Committee or on the demand of the Bank's Board and its members.

8.5. The persons authorized to require and requiring to hold the meeting of the Committee should notify the Committee's secretary about the date and the place of meeting at least 10 (ten) calendar days prior to this meeting.

8.6. The secretary should communicate the requirement to convene the meeting to the Chairman of the Committee within 3 (three) business days.

8.7. The meeting of the Committee is considered as duly constituted if more than a half of the Committee's members are present.

8.8. The decisions at Committee's meetings are taken according to the majority of votes of its members.

8.9. The Chairman of the Committee shall have the crucial vote in the case of tie voting.

8.10. The head of risk management department performs the duties of the Committee's secretary.

8.11. Secretary of the Committee is responsible for:

- a) collecting and preparing working materials and documents according to the agenda of Committee's meeting;
- b) providing working materials and documents for the Committee's members;
- c) preparing the minutes of the Committee's meetings;
- d) providing extracts from the minutes of the Committee's meetings to all the departments involved;
- e) organizing registration and storage of the documents related to the Committee's activities in an appropriate way.

8.12. The secretary of the Committee prepares the minutes within 3 (three) business days after the meeting.

8.13. The minutes of meeting is signed by the Chairman of the Committee, it's members and secretary.

8.14. If any member of the Committee does not agree with any decision taken by the Committee, the reasons of such disagreement must be indicated.

8.15. The minutes of meeting should include the following information:

- a) time and place of the meeting;
- b) list of participants of the meeting and other invited participants;
- c) agenda of the meeting;
- d) suggestions made by the Committee members for issues on the agenda;
- e) issues put to the vote during the Committee's meeting, voting results and decisions taken.

9. Confidentiality

9.1. The members of the Committee shall not disclose the information which constitutes a bank secret and information that becomes known to them during the performance of their duties as Committee members and after termination.

10. Other terms

10.1. This Regulation and any subsequent amendments and changes hereto shall be approved by the Bank's Board.