

«Jýsan Bank» JSC

Approved by
Board of Directors
the Minutes
dated «__» _____ 2020
No. _____

REGULATIONS

ON THE RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE OF

Almaty, 2020

Contents

Chapter 1. General provisions.....	2
------------------------------------	---

Chapter 2: Purpose and main tasks of the Committee	3
Chapter 3: Field of responsibility, rights and duties of the Committee	3
Chapter 4. Composition of the Committee	7
Chapter 5: Organization of the Committee's activities	7
Chapter 6. Responsibilities of the Committee, Secretary of the Committee and other bank employees.....	8
Chapter 7: Evaluation of the Committee.....	8
Chapter 8. Final clauses	9
Annex 1	9
Annex 2	11

1. This Regulation on the Risk Management and Internal Control Committee of Jýsan Bank JSC (hereinafter referred to as the Regulation) defines the status, purpose, tasks and functions of the Risk Management and Internal Control Committee (hereinafter referred to as the Committee), as well as the quantitative composition, rights, duties and responsibilities of the Committee..

2. The Regulation is an internal document of Jýsan Bank JSC (hereinafter - the Bank), developed in accordance with the laws of the Republic of Kazakhstan, including Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 188 dated November 12, 2019 "On Approval of the Rules for Formation of Risk Management and Internal Control System for Second-Tier Banks", the Bank's Charter, the Corporate Governance Code and other internal documents of the Bank.

3. The Committee is established to improve efficiency and more detailed (in-depth) work, as well as to develop recommendations to the Board of Directors on risk management and internal control issues in the Bank.

4. The Committee is a permanent collegial body of the Bank and coordinates the risk management and internal control process in the Bank.

5. The Committee shall be accountable to the Board of Directors, and shall act within the powers granted by the Board of Directors, these Regulations, the Bank's Charter, Corporate Governance Code, Regulations on the Board of Directors and other internal documents of the Bank.

6. Committee's decisions are binding on all employees/divisions/authorized persons of the Bank.

7. Implementation of the Committee's decisions is ensured by the Management Board of the Bank.

8. The Committee shall be guided in its activities by the legislation of the Republic of Kazakhstan, including regulatory legal acts of the authorized state body for control and supervision of the financial market and financial organizations, the Charter of the Bank, the Corporate Governance Code, decisions of the Board of Directors of the Bank, other internal documents of the Bank and these Regulations.

Chapter 2: Purpose and main tasks of the Committee

9. The Committee acts in the interests of the Bank and its work is aimed at assisting the Board of Directors in ensuring the effectiveness of the risk management and internal control system.

10. The main tasks of the Committee are

- 1) participation in formation of the required level of risk culture in the Bank;
- 2) ensuring effective processes and procedures of risk management and internal control in the Bank in accordance with the principles and requirements established by the Board of Directors to ensure compliance of the Bank's equity capital with the level of accepted risks and availability of an appropriate level of liquidity;
- 3) review of the results of assessing the quality and efficiency of the risk management and internal control system, corporate governance in general, as well as development of recommendations and/or measures to the Board of Directors to improve their efficiency;
- 4) exercising control over functioning of the internal control system;
- 5) ongoing monitoring of risk management and internal control processes, as well as regular monitoring of the Bank's current risk level, identification of new and potential risks;
- 6) ensuring maintenance of sufficient level of provisions;
- 7) ensuring implementation of the management information system and its compliance with the current market and economic situation, risk profile, types and level of complexity of the Bank's activities in order to inform the Board of Directors and develop recommendations;
- 8) Provision of observance of requirements of civil, tax, bank legislation of the Republic of Kazakhstan (hereinafter referred to as "RK"), legislation of RK on state regulation, control and supervision of financial market and financial organizations, legislation of RK on currency regulation and currency control, on payments and payment systems, on pension provision, on securities market, on accounting and financial reporting, on credit bureaus and formation of credit histories, on collection activity, on obligatory guaranteeing of deposits, on the securities market, on the securities market;
- 9) maintenance of observance of operating procedures, processes, policies and other internal documents of the bank on risk management by means of building an effective internal control system;
- 10) ensuring training of managers and employees of the Bank in methodology of internal control and risk management;
- 11) consideration of proposals and approaches in the field of automation of the risk management system and internal control system;
- 12) control over independence of the compliance-control unit.

Chapter 3: Field of responsibility, rights and duties of the Committee

11. The Committee is responsible for the following areas:

1) regular assessment of risks inherent in the Bank's activities as well as maintenance of relevance of the risk profile of the Bank. The risk assessment procedure includes continuous analysis of current risks as well as identification of new and potential risks. When assessing risks, the Bank takes into account the degree of concentration of significant risks. When identifying and measuring risks, both quantitative and qualitative parameters are taken into account. The Bank also takes into account risks that are difficult to assess, such as reputational and legal risks;

2) review and communication of significant information on risk-related issues requiring immediate decision or urgent action to the Board of Directors, if necessary, to the Management Board of the Bank, to the responsible officials and heads of units exercising control for taking preventive decisions and measures;

3) preliminary consideration for further submission to the Board of Directors for approval of the following internal documents of the Bank (hereinafter - "ID"), including after preliminary approval by the Management Board:

- a. risk appetite strategies, including the Bank's risk profile, risk appetite statements;
 - b. document governing the basic approaches and principles of the internal capital adequacy assessment process;
 - c. document regulating the main approaches and principles of the internal process of liquidity adequacy assessment;
 - d. stress-testing procedures;
 - e. business continuity management policies;
 - f. contingency funding plans;
 - g. information technology risk management policies;
 - h. information security risk management policies;
 - i. compliance risk management policies;
 - j. ID determining the procedure for functioning of the management information system ensuring regular submission to the Board of Directors of complete, reliable and timely information on the level of accepted risks by the Bank and its subsidiaries;
 - k. capital management procedures (main approaches and principles of the internal capital adequacy assessment process);
 - l. credit policy;
 - m. credit risk management policies;
 - n. policy on development of risk assessment models;
 - o. policies for validation and/or back-testing of risk assessment models;
 - p. market risk management policies;
 - q. policies for operational risk management;
 - r. policies on problem assets;
 - s. collateral policy;
 - t. funding strategies;
 - u. policies and procedures for liquidity risk management;
 - v. internal control policies;
 - w. policies on risk management of money laundering and terrorism financing;
- 4) monitoring and control over compliance by the Bank and its employees with ID specified in sub-clause 3, clause 11 of this Regulation;
- 5) consideration for further submission to the Board of Directors of data previously approved by the Management Board:
- a. to calculate the level of risk appetite of the Bank and the size of the aggregate level of risk appetite of the Bank for each significant type of risk;
 - b. plans for corrective measures in case of deviations from the planned level of risk appetite;
 - c. limits on market risks and liquidity risk;
 - d. early warning indicators on liquidity risk;
 - e. stress-testing scenarios;
- 6) reviewing reports previously approved by the Management Board on non-compliance of the decisions taken by the Bank with the procedures, processes and policies specified in sub-clause 3, clause 11 of these Regulations and notifying the Board of Directors for review;
- 7) reviewing the following information and monitoring and controlling the activities of the Management Board of the Bank, communicating this information to the Board of Directors:
- a) information on risk management issues provided by risk management units;

b) information on the current risk level of the Bank, actual values of risk appetite levels and their performance, violations of risk appetite levels, mechanisms (measures) to prevent and/or reduce (minimise) the risk level, as well as other information provided as part of the risk appetite strategy;

c) information on capital adequacy assessment based on the results identified in the internal capital adequacy assessment process, on significant changes in capital adequacy and liquidity levels;

d) information on the results of stress testing and taking measures to minimise the capital and liquidity risks identified during stress testing;

e) results of back-testing and proposals on improving market risk management procedures;

f) information on characteristics and diversification of funding sources;

g) information on the ability to quickly raise funds from each funding source;

h) information on the results of analysis of the contingency funding plan;

and) recommendations on distribution of maximum allowable capital losses by risk operations, by type of risk, by type of business;

i) limits on market risks and liquidity risk;

j) early warning indicators for market risks and liquidity risk;

8) evaluation and control of the ability to quickly raise funds from each funding source;

9) review of information of the head of risk management and bringing it to the attention of the Board of Directors:

a. on the taking risks in excess of the established levels of risk appetite;

b. on the existence of significant differences between the opinion of the Risk Management Division and the decision of the Management Board of the Bank regarding the level of risks accepted by the Bank;

c. reviewing and bringing to the attention of the Board of Directors information previously approved by the Management Board on the methods used and potential shortcomings of risk management models and analytical approaches at the Bank;

10) review and analysis for further submission to the Board of Directors of management reports on the level of the risks of the Bank, as well as preliminary approval by the Management Board of an assessment of compliance of the management information system, the current market and economic situation, the risk profile, types and level of complexity of the activities of the Bank;

11) ensuring control over the credit risk assessment process, including consideration of results of validation of credit risk assessment models;

12) analysis of stress-testing frequency, taking a decision on increasing the frequency of stress-testing under deteriorating market conditions;

13) ensuring availability of internal models and information systems in order to manage the Bank's risks as well as to ensure complete, reliable and timely financial, regulatory and management information for internal and external users;

14) exercising control over completeness, reliability and timeliness of generation and submission of regulatory reports;

15) exercising control over functioning of the internal control system;

16) reviewing the results of monitoring the internal control system;

17) analysis of sufficiency and efficiency of decisions made or measures taken to eliminate violations and shortcomings identified in the process of internal control;

18) preliminary consideration of management reporting on internal control;

19) ensuring the process of regular monitoring of the operational risk level;

20) assessment of efficiency of procedures designed to ensure the Bank's compliance with the legislation of the Republic of Kazakhstan, regulatory legal acts of the National Bank of the Republic of Kazakhstan and the authorized body for regulation, control and supervision of the financial market and financial organizations based on recommendations of the compliance risk management unit;

21) for the compliance control unit:

a) reviews and pre-approves reports on the implementation of quarterly work plans;

b) review the results of monitoring the efficiency of procedures by which the Bank's employees may confidentially report violations of compliance control;

22) review of information on timeliness, completeness and quality of elimination by the Management Board of violations and shortcomings identified by the compliance control, risk management, internal control, internal audit and external audit departments and the authorized state body in the field of risk management and internal control of the Bank as well as implementation of their recommendations;

23) review of information on the state of internal control in terms of timely identification of incorrect, incomplete or unauthorized transactions, deficiencies in asset security activities, errors in financial and

regulatory reporting, violations of the Bank's Internal Audit Department, civil, tax and banking legislation of the Republic of Kazakhstan, legislation of the Republic of Kazakhstan on state regulation, control and supervision of the financial market and financial organizations, legislation of the Republic of Kazakhstan on currency regulation and currency control, on payments and payment systems, on pension provision, on the securities market, on accounting and financial reporting, on credit bureaus and the formation of credit histories, on collection activities, on mandatory deposit guarantee, on anti-money laundering and anti-terrorism financing, on joint stock companies and other legal acts of the Republic of Kazakhstan, as well as on the elimination of conflicts of interest and internal abuse and fraud, including with regard to persons related to the Bank by special relations;

24) review of the report on the results of testing with proposals, if necessary, on improvement of the plan(s) for ensuring business continuity and/or restoration of operations, information on the status of implementation of business continuity management procedures and processes, revealed violations of internal procedures and policies, incidents, inspection results and plans for improving the Bank's sustainability and ability to restore certain operations;

25) development, as appropriate, of recommendations to the Board of Directors to improve the efficiency of risk management and internal control processes;

26) performance of the Board of Directors' assignment in the field of the Committee's tasks;

27) regular submission, at least 1 (once) per year, of a report on its activities to the Board of Directors;

28) other functions and tasks delegated by the Board of Directors and assigned to the Committee in accordance with the requirements of the Rules for Forming a Risk Management and Internal Control System in second-tier banks approved by Resolution of the Management Board of the National Bank of the Republic of Kazakhstan No. 188 dated 12.11.2019, as well as stipulated by the current legislation of the Republic of Kazakhstan not specified in these Regulations.

12. Members of the Committee shall have the right:

a) make decisions, give instructions to structural units of the Bank and give recommendations to the Bank's collegial bodies within their competence;

b) request and receive on a regular basis from the risk management subdivision(s) and other responsible subdivisions and collegial bodies data and reports on the current level of the bank's risks, violations of risk appetite levels and mechanisms to reduce risks, as well as any information required in the work of the Committee;

c) to involve employees of structural units of the Bank and branches of the Bank, in case of reasonable necessity, by agreement with the Chairman of the Committee and the supervising officer of the employee for implementation of measures taken by the Committee in accordance with these Regulations;

d) maintain official correspondence with other collegial and working bodies of the Bank, structural units of the Bank, subsidiaries of the Bank on issues within the competence of the Committee;

e) to propose amendments to these Regulations;

f) to get acquainted with extracts of Minutes of the Committee meetings;

g) demand inclusion in the minutes of the Committee's meetings of its dissenting opinion on the issues on the agenda and decisions taken;

h) initiate convening of the meeting of the Committee and include issues into the agenda;

i) To exercise other rights provided for by law and necessary for the exercise of the powers conferred.

13. The Chairman of the Committee shall:

1) organize the work of the Committee;

2) convene and chair meetings of the Committee;

3) determine the form of meeting conduct.

14. The members of the Committee must:

1) participate in the work of the Committee and attend its meetings;

2) comply with the laws of the Republic of Kazakhstan, the Charter of the Bank and other internal regulations, including these Regulations;

3) study issues included in the agenda and attached materials before the Committee meeting;

4) maintain strict confidentiality of all information received as a result of exercising their powers. The opinion of the Committee members expressed during the meetings, as well as the results of the roll call vote shall be official and commercial secret and shall not be subject to disclosure, except for the cases provided for by the ID of the Bank and the Legislation of the Republic of Kazakhstan;

5) in case of interest in the matter under consideration, any member of the Committee, an interested member of the Committee or a member of the Committee aware of interest of one of the Committee members

shall inform the Committee thereof. In this case the interested member of the Committee shall not be entitled to take part in voting on this issue;

6) timely inform the Board of Directors on deficiencies in the risk management and internal control system of the Bank;

7) inform the Board of Directors of any changes in his/her status or any conflict of interest in connection with the decisions to be taken by the Committee and/or the Board of Directors;

8) upon request of the Board of Directors to submit reports on activities of the Committee within the terms set forth in the request.

Chapter 4. Composition of the Committee

15. The determination of the quantitative composition, term of office of the Committee members, election of the Head of the Committee (hereinafter referred to as Chairman of the Committee) and members, as well as early termination of their powers are within the competence of the Board of Directors.

16. The Committee shall consist of at least three persons;

17. The Chairman of the Committee shall be an independent director of the Bank or the Chairman of the Board of Directors.

18. Committee members must have knowledge of finance or banking. At least one of the Committee members must have the necessary professional knowledge and experience in risk management or internal control.

19. Committee members are elected for a period until the Board of Directors makes a decision on the election of a new Committee or individual members. The Board of Directors may provide for periodic rotation of Committee members.

20. Upon the decision of the Committee, the Secretary of the Committee shall be appointed to provide organizational and information support for the work of the Committee.

Chapter 5: Organization of the Committee's activities

21. In the absence of the Chairman of the Committee, his functions are performed by the Deputy Chairman of the Committee. The Deputy Chairman of the Committee shall be elected by the Board of Directors.

22. The meetings of the Committee may be scheduled and/or ad hoc as needed, but at least once (1) per quarter on days determined by the Chairperson of the Committee.

23. Extraordinary meetings may be held at the initiative of any Committee member, with the obligatory invitation of the person who initiated the meeting.

24. Meetings may be held in person and by correspondence through video, telephone, e-mail and other means of communication.

25. Application for inclusion of an item in the agenda of the meeting (Annex 1), documents for consideration at the meeting of the Committee shall be submitted to the Secretary of the Committee not later than 3 (three) working days before the planned date of the meeting of the Committee.

26. The agenda is prepared and sent to the Chairperson and members of the Committee, as well as to the invited persons no later than 1 (one) working day before the date of the meeting.

27. A meeting of the Committee shall be eligible if it is attended by at least 50 per cent of the members of the Committee and at least two members of the Committee.

28. Decisions shall be taken by a simple majority of votes of the Committee members present at the meeting.

29. Experts with professional expertise in matters within the competence of the Committee may be invited to meetings of the Committee.

30. In case of preliminary consideration of the issue by the Board and adoption of the decision on the application before the Committee, the initiator shall also send an extract from the Board and annexes to the Board extract on the issue to the Secretary of the Committee.

31. The issues submitted for consideration of the Committee should undergo preliminary examination of the structural units concerned whose interests and/or authority and/or scope of responsibility will be affected by the issues under consideration.

32. Materials on the issues under consideration must be recorded on paper and/or electronic media: brief information on the issues considered, recommendations (if any).

33. Decisions taken by the Committee at its meeting shall be executed in minutes (Annex 2 to these Regulations). Minutes are drawn up and signed within 3 (three) business days of the Committee meeting.

34. The Minutes of the face-to-face meeting of the Committee shall be signed by the Chairman of the Committee and the Secretary of the Committee, and shall be signed by the members of the Committee present at the meeting.

35. The absentee voting shall be conducted using absentee ballots. The secretary sends the Committee members materials by e-mail or other convenient means (including postal mail), as well as the absentee voting ballot.

36. The Minutes of the Committee meeting in absentia shall be signed by the Chairman of the Committee and the Secretary of the Committee.

37. The Secretary of the Committee shall send extracts from the Minutes to the initiator and interested departments/persons no later than 3 (three) business days after the Committee meeting.

38. The Secretary of the Committee shall ensure the preparation and conduct of Committee meetings, the collection and systematization of meeting materials, the timely provision of notice of Committee meetings to Committee members and invitees, the agenda of meetings, agenda material, minutes of meetings, the preparation of draft decisions of the Committee, and the provision of extracts from the Minutes of Committee meetings as required and the subsequent storage of all relevant materials. The Secretary of the Committee shall ensure that Committee members receive the necessary information.

Chapter 6. Responsibilities of Committee members, Committee Secretary and other Bank employees

39. The members of the Committee shall be responsible as provided for by the legislation of the Republic of Kazakhstan and the Bank's Internal Affairs:

- 1) decisions taken by the Committee;
- 2) ensuring development of the ID regulating the risk management and internal control system;
- 3) failure to perform or improper performance of tasks and functions assigned to them in accordance with these Regulations;
- 4) failure to comply with internal and/or legislative requirements to prevent conflict of interest;
- 5) failure to comply with the current legislation of the Republic of Kazakhstan, regulatory documents of the National Bank of the Republic of Kazakhstan, the Agency for Regulation and Development of the Financial Market of the Republic of Kazakhstan, the Internal Affairs of the Bank while performing their duties;
- 6) disclosure of information that constitutes official, commercial or other secret protected by the laws of the Republic of Kazakhstan and other confidential information about the activities of the Bank.

40. Employees of the Bank who are invited to the meeting of the Committee are responsible as provided by the legislation of the Republic of Kazakhstan and the Internal Affairs of the Bank for:

- 1) failure to comply with the current legislation of the Republic of Kazakhstan, regulatory documents of the National Bank of the Republic of Kazakhstan, the Agency for Regulation and Development of Financial Market of the Republic of Kazakhstan;
- 2) submission of incorrect information to the Committee within the competence;
- 3) disclosure of bank secrecy and other protected information.

41. The Secretary of the Committee shall be responsible for:

- 1) The timely preparation of the Committee's agenda, including the attached documents;
- 2) The timely provision of notice to Members of the Committee and invitees of Committee meetings;
- 3) The recording of meetings, preparation of draft decisions of the Committee;
- 4) timely dispatch of the Committee Minutes to the relevant departments;
- 5) Document management for the work of the Committee;
- 6) non-compliance with the current legislation of the RK, regulatory documents of the National Bank of the RK, the Agency for Regulation and Development of the Financial Market of the RK;
- 7) disclosure of information that constitutes official, commercial or other secret protected by the laws of the Republic of Kazakhstan and other confidential information about the activities of the Bank..

42. All documents submitted to the Committee and the decisions made on them relate to confidential information, for the disclosure of which Committee members are responsible in accordance with the Internal Audit Office written obligations of confidentiality, as well as the legislation of the Republic of Kazakhstan.

Chapter 7: Evaluation of the Committee

43. The Committee's activities shall be assessed by the Board of Directors based on the results of the Committee's ensuring effective risk management and internal control processes and procedures.

44. The Risk Management and Internal Control Committee prepares for the Board of Directors at least 1 (once) per year a report on its performance, which includes the following (but not limited to):

- 1) measures to build the risk management system performed by the Committee during the reporting period;
- 2) recommendations provided by the Committee, the authorized collegial body and officials of the Bank as well as the report on their implementation;
- 3) results of analysis of quality of risk management and internal control system functioning.

Chapter 8. Final clauses

45. These Regulations shall come into effect after 5 (five) working days from the date of their approval by the Board of Directors.

46. Amendments and additions to the Regulations shall enter into force from the date of their approval by the Board of Directors, unless another term for their enactment is set.

47. The introduction of amendments and additions to these Regulations shall be initiated by the Board of Directors on its own initiative or on the initiative of the Committee by a decision taken by a simple majority vote.

48. In case the provisions of these Regulations come into conflict with the norms of the legislation of the Republic of Kazakhstan, the Bank's Charter and the Regulations on the Board of Directors, such norms shall not be applied.

49. In case of changes in the legislation of the Republic of Kazakhstan and occurrence of contradictions of certain provisions of the Regulations with the legislation of the Republic of Kazakhstan, such provisions shall become invalid and the Bank's employees shall be guided in their activities by the legislation of the Republic of Kazakhstan until respective changes and amendments are made to the Regulations.

Chairman of the Management Board

A. Kayip

and internal control
of " _ " _____ 2020 No. _____

Date: _____

Application No. _____
for inclusion in the Committee's agenda

The name of the responsible unit:	
Spokesperson (<i>the level of the spokesperson is at least as high as the head of the structural unit</i>)	
Question type (<i>ID/report/information/other in accordance with the mandate of the Committee</i>)	
Question name	
Explanatory note (if necessary)	
Submission to/confirmation by the Board of Directors is required	
Grounds for consideration/approval by the Board of Directors	
Draft decision	

Head of responsible unit

_____ (full name) Date: _____ Signature: _____

Agreed by:

Curator of the responsible unit

_____ (full name) Date: _____ Signature: _____

Committee Secretary

_____ (full name) Date: _____ Signature: _____

Annex 2
to the Regulations on the Risk Management Committee
and internal control
dated «__» _____ 2020 No. _____

Minutes No. dd/mm/yy _____

In person/in absentia meeting of the Risk Management and Internal Control Committee

Location of the meeting: _____

(address and location of the meeting)

Total number of members of the Risk Management and Internal Control Committee - ____

The following members of the Committee attended the meeting:

_____, Chairman of the Committee:
 _____ (provide full name)
 _____, Committee member
 _____ (provide full name)
 _____, Committee member
 _____ (provide full name)

A quorum is present.

Corporate Secretary: _____
 _____ (provide full name)

Invited: _____
 _____ (provide full name, guest position)

AGENDA: 1.

 (name of agenda issue)

All Committee members have confirmed receipt of documents containing information for voting purposes.

On the first issue of the Agenda "Name of the agenda issue":

Information on the agenda issue was provided by *(provide full name and the position of a spokesperson, which clearly and concisely sets out the essence of the issue to be raised)*.

Having considered the information presented and put it to a vote, in accordance with (references to the legislation, articles of association and internal documents that gave rise to the issue), the Risk Management and Internal Control Committee DECIDED:

1. _____ (the wording of the
 decision on the agenda issue)

Voting results:

Yes: 0

No: 0

Abstain: 0

Not participating: indicate the full name of the members of the Risk Management and Internal Control Committee who did not participate in the voting and the reason why they did not participate in the voting

The agenda has now been completed. The meeting of the Risk Management and Internal Control Committee has been declared closed.

Chairman of the Committee

(signature) (provide full name)

Corporate Secretary

(signature) (provide full name)