

**“Agreed”**

by the supervisory board protocol of the  
“Ipoteka-bank” JSCMB  
No. 73 dated November 21, 2016

**“Approved”**

by decision of the general  
meeting of shareholders of the  
“Ipoteka-bank” JSCMB  
No. 23 dated December, 2016

**REGULATION  
OF DIVIDEND POLICY  
OF «IPOTEKA-BANK» JSCMB**

## **I. GENERAL PROVISIONS**

1. This Regulation on the dividend policy of the Joint-Stock Commercial Mortgage Bank “Ipoteka Bank” (hereinafter referred to as the Regulation) is developed in accordance with the Law of the Republic of Uzbekistan “On Joint-Stock Companies and Protection of Shareholders' Rights”, other applicable regulatory legal acts of the Republic of Uzbekistan, and the Bank’s Charter (hereinafter - Bank).

The Regulation establishes the basic principles of the Bank’s dividend policy, the procedure for making decisions on the payment (declaration) of dividends, the procedure for calculating the amount of dividends, their payment and is aimed at informing shareholders and other interested parties about the Bank’s dividend policy.

2. If any issues related to the payment of dividends to shareholders of the Bank are not regulated by the provisions of the Law of the Republic of Uzbekistan “On Joint-Stock Companies and Protection of Shareholders' Rights”, other applicable regulatory legal acts of the Republic of Uzbekistan, the Bank’s charter and this Regulation, they must be resolved based on the need to ensure the rights and interests of shareholders.

## **II. TERMS AND DEFINITIONS**

3. The terms and definitions used in these Regulations are applied in the sense in which they are used in the legislation of the Republic of Uzbekistan (Laws “On Joint Stock Companies and Protection of Shareholders' Rights”, “On the Securities Market”), unless otherwise provided by this Regulation .
4. For the purposes of this Regulation, the following terms and definitions are used:
  - “dividend” - a part of the bank’s net profit distributed among shareholders;
  - “dividend policy” - the Bank’s policy in the field of using profit in determining and paying dividends;
  - “general meeting of shareholders” - the supreme governing body of the Bank;
  - “declared dividends” - dividends, the decision on the payment of which was adopted by the general meeting of shareholders;
  - “person entitled to receive dividends” - a person recorded in the register of shareholders of the company formed for the general meeting of shareholders at which a decision was made on the payment of dividends;
  - “decision on payment (declaration) of dividends” - the decision of the general meeting of shareholders to pay dividends to persons entitled to receive dividends, which may be adopted based on the results of the first quarter, six months, nine months of the reporting year and (or) according to the results of the reporting year;
  - “dividend payment period” - a period of time during which the dividend payment obligation must be fulfilled. The dividend obligation is payable that day or at any time within that period.

### **III. BASIC PROVISIONS ON DIVIDENDS**

5. The adoption of a decision (announcement) on the payment of dividends on placed shares is a right of the Bank. The general meeting of shareholders is entitled to decide on the payment or non-payment of dividends on shares.
6. The right to receive dividends is held by the owners of ordinary and preferred shares placed by the Bank.
7. The source of dividend payment is the Bank's profit after tax (Bank's net profit) for the corresponding reporting period. The Bank's net profit is determined according to the Bank's financial statements prepared in accordance with national accounting standards.
8. The bank pays only declared dividends. In the absence of a decision on the payment (declaration) of dividends, the Bank shall not be entitled to pay dividends, and shareholders shall not demand their payment.
9. The payment of declared dividends is the responsibility of the Bank. The Bank is liable to persons entitled to receive dividends for failure to fulfill this obligation in accordance with the current legislation of the Republic of Uzbekistan.

Expenses related to the payment of dividends (including expenses on the calculation and withholding of taxes, transfer of dividends, postal expenses) cannot be assigned to the shareholder receiving the dividends by decision of the management bodies. The Bank is liable to shareholders for failure to fulfill this obligation in accordance with the current legislation of the Republic of Uzbekistan.

Declared dividends are taxable in the manner prescribed by law.

10. Dividends are not accrued and paid on shares:
  - not placed;
  - acquired and / or redeemed by the Bank itself;
  - in other cases stipulated by the legislation of the Republic of Uzbekistan.
11. In cases provided for in the first part of Section 54 of the Law “On Joint Stock Companies and Protection of Shareholders' Rights”, the Bank is not entitled to pay and make decisions on payment of dividends on shares.
12. By decision of the general meeting of shareholders, a dividend may be paid in cash or other legal means of payment or with bank securities, in accordance with the requirements of the law.

### **IV. VALUES AND PRINCIPLES OF DIVIDEND BANK POLICY**

13. The Bank's dividend policy is based on the following values:
  - transparency - definition and disclosure of information on the obligations and responsibilities of parties involved in the implementation of the dividend policy, including the procedure and conditions for deciding on the payment and amount of dividends;
  - timeliness - the establishment of time limits in the implementation of dividend payments;
  - validity - a decision on the payment and amount of dividends can be made only if the Bank achieves a positive financial result, taking into account development plans and its

investment programs based on the actual financial situation of the Bank;

- equity - ensuring equal rights of shareholders to receive information on decisions made regarding the payment, size and procedure for paying dividends;
- consistency - strict implementation of procedures and principles of dividend policy;
- development - the continuous improvement of the dividend policy as part of the improvement of corporate governance procedures and the revision of its provisions in connection with a change in the strategic goals of the Bank;
- sustainability - the Bank's desire to ensure a stable level of dividend payments;
- Legality - compliance with the laws of the Republic of Uzbekistan and the Charter of the Bank.

14. The dividend policy of the Bank is based on the following principles:

- striving to meet high standards of corporate governance;
- ensuring the interest of management and shareholders in increasing the profitability of the Bank;
- the optimal combination of short-term and long-term interests of the Bank and its shareholders;
- increasing the investment attractiveness of the Bank and its capitalization;
- respect and strict observance of the rights of shareholders stipulated by the current legislation of the Republic of Uzbekistan and best corporate governance practices.

15. The Bank considers the growth of capitalization as the main way to satisfy the property interests of shareholders in extracting income from the shares of the Bank. The dividend policy is to optimize the proportions between the consumed and capitalized parts of the profit received by the Bank in order to increase the market value of shares.

## **V. PROCEDURE FOR DETERMINING THE SIZE AND CALCULATION OF DIVIDENDS**

16. The Bank is entitled, based on the results of the first quarter, six months, nine months of the financial year and (or) according to the results of the financial year, make decisions (declare) on the payment of dividends on shares, except for the shares specified in clause 10.

A decision on the payment (declaration) of dividends based on the results of the first quarter, six months and nine months of a financial year may be made within three months after the end of the relevant period.

Dividends are paid out of the Bank's net profit remaining at its disposal and (or) retained earnings of previous years. Dividends on preferred shares may also be paid out of the Bank's funds specially designed for this purpose.

17. The General Meeting of Shareholders of the Bank makes a decision on the payment (declaration) of dividends on shares of each category. The Bank's Supervisory Board submits recommendations to the general meeting of shareholders on the amount of dividends on shares and the procedure for their payment. The size of dividends cannot be more than recommended by the Supervisory Board.

18. The Supervisory Board, when determining the amount of dividends recommended by the general meeting of shareholders for the categories of shares placed by the Bank, takes into account the following factors:
- the amount of the Bank's net profit according to the Bank's financial statements compiled in accordance with the requirements of the legislation of the Republic of Uzbekistan;
  - the Bank's net profit, according to the Bank's consolidated financial statements, prepared in accordance with international financial reporting standards;
  - the Bank's need for capital for sustainable business development and strategy implementation, compliance with current and future requirements of the legislation of the Republic of Uzbekistan and the Central Bank of the Republic of Uzbekistan, as well as recommendations of the Basel Committee on Banking Supervision;
  - balancing the interests of the Bank and its shareholders, taking into account the need to increase the investment attractiveness of the Bank;
  - other factors that may have a significant impact on the Bank's business and the decision on the amount of dividends.

The payment of dividends recommended by the Supervisory Board to the general meeting of shareholders of the Bank should not lead to the attraction of additional debt financing by the Bank or other expenses not provided for by the approved financial and economic plan for subsequent periods.

19. The recommended amount of dividend payments (in total for all types of shares) is determined by the Supervisory Board on the basis of the Bank's consolidated financial results for the reporting period, and, as a rule, is not less than 20% of the net profit earned by the results of the corresponding reporting period .

The size of the dividend on preferred shares is determined by the Charter of the bank.

In preparing recommendations for the payment of dividends, the Bank's Supervisory Board should take into account the requirements of the Central Bank of the Republic of Uzbekistan and legislative acts.

20. By a decision of the general meeting of shareholders on the payment (declaration) of dividends, the following shall be determined:
- category (type) of shares for which dividends are paid (declared);
  - the amount of dividend per one share of a certain type (in soums and percent of the par value of a share);
  - term, procedure and frequency of dividend payment.

At the same time, the Bank is not entitled to decide on the accrual (payment) of dividends in cases established by law, as well as the impossibility of full payment of dividends on ordinary shares within the time period established by law.

## **VI. ORDER AND TERMS OF PAYMENT OF DIVIDENDS**

21. The Bank shall pay dividends in cash or other legal tender or in securities of the Bank. Declared dividends are paid in the national currency of the Republic of Uzbekistan.
- At the written request of a non-resident shareholder of the Republic of Uzbekistan, the

Bank is obliged to convert the amount of dividends accrued to it into freely convertible currency in the manner prescribed by law and transfer them to a bank account submitted by a non-resident shareholder.

22. The amount of accrued dividends paid to each shareholder is determined separately for each category of shares by multiplying the dividend per share per number of shares owned by the shareholder.
23. The deadline for the payment of dividends is established by the decision of the general meeting of shareholders of the Bank, but cannot exceed 60 days from the date of the decision to pay dividends by the general meeting of shareholders.
24. In the event that the owners of the Bank's securities could not receive the accrued dividends within the deadlines set by the general meeting of shareholders, the Bank continues to pay such (unclaimed) dividends.

The period for the payment of unclaimed dividends may not exceed three years. Calculation of this period starts from the date the Bank fulfills its obligation to pay declared dividends.

After a three-year period, unclaimed dividends are restored as part of the Bank's retained earnings, and the obligation to pay them ends.

25. In case of non-payment (non-receipt) due to the Bank's fault of dividends within the time period established by the general meeting of shareholders, a penalty is charged for unpaid (non-received) dividends based on the refinancing rate established by the Central Bank of the Republic of Uzbekistan. The size of the penalty charged on unpaid (unearned) dividends shall not exceed 50 percent of the amount of unpaid (unearned) dividends.
26. The structural unit of the Bank, which has, among its functions, the organization and conduct of work with shareholders, together with the accounting department of the Bank, prepares, coordinates and conducts all activities related to the organization of payment by the Bank of dividends provided for by these Regulations.
27. Shareholders are entitled to request information from the Bank on the procedure for calculating dividends on shares, the procedure for calculating and taxing the amount of dividends, and on the conditions for payment. Such information will be published on the bank's website.
28. Persons recorded in the register of shareholders of the Bank, formed for the general meeting of shareholders, at which a decision was made to pay dividends to shareholders, are entitled to receive dividends on shares.
29. The shareholder is obliged to timely inform the investment intermediary and/or the Central Securities Depository, which provides services for recording the rights to its shares, about changes in its data. In the event that a shareholder fails to provide information on changes in its data, the Central Securities Depository and / or investment intermediary providing services for recording rights to its shares, as well as the Bank shall not be liable for losses incurred to the shareholder.
30. In case the shareholder incorrectly indicated his bank details or address for transferring dividends, either did not inform the Bank about the specified details or did not inform about it in a timely manner, the Bank is not liable for losses caused to the shareholder.

After the Bank returns to the Bank the incorrectly paid dividends due to the fault of the shareholder for the reasons specified in this clause, their repeated transfer to the shareholder at the specified details is carried out minus the costs of their return and re-transfer.

31. The Bank is a tax agent in the payment of income to shareholders of their shares and pays accrued dividends net of taxes on income from securities established by the current legislation of the Republic of Uzbekistan. A shareholder, to whom standard tax rates should not be applied, provides supporting documents established by the current legislation of the Republic of Uzbekistan to the Bank (to the Paying Agent involved).

## **VII. RESPONSIBILITY FOR PAYMENT OF ANNOUNCED DIVIDENDS**

32. The bank is obligated to pay declared dividends on shares of each type.  
When paying dividends, none of the shareholders has advantages in terms of payment.
33. The Bank shall pay accrued dividends on ordinary shares in compliance with the equal rights of shareholders to receive dividends. At the same time, the Bank is not entitled to pay dividends to a major shareholder if, as a result, dividends will not be paid to minority shareholders on time.
34. The Management Board of the Bank is responsible for the full and timely payment of dividends to shareholders of the Bank. Control over the actions of the executive body is carried out by the Supervisory Board together with the Audit Commission of the Bank.
35. In order to ensure payment of accrued dividends, the Supervisory Board considers at its meetings the issue of the progress of dividend payment. In case of incomplete or untimely payment of dividends due to the fault of the Bank's Management Board, the supervisory board determines the measures of responsibility of the guilty persons and imposes appropriate sanctions or initiates their imposition.
36. If the Bank does not fulfill its obligations, shareholders are entitled to demand the payment of declared dividends on shares of each type in a judicial proceeding.
37. For non-fulfillment or improper fulfillment of the duties of the tax agent assigned to the Bank to withhold and transfer the amount of dividend tax, the Bank is responsible in accordance with the legislation of the Republic of Uzbekistan.

## **VIII. INFORMATION DISCLOSURE PROCEDURE**

38. These Regulations, as well as amendments and additions to it, are published on the Bank's corporate website within ten days from the date of approval of this Regulation or amendments and additions thereto.
39. When a decision is made by the general meeting of shareholders on the payment of dividends, the Bank discloses information in the form of statements of material facts within the time period established by law.

Information is disclosed by the Bank:

- (a) on the Bank's corporate website at - [www.ipotekabank.uz](http://www.ipotekabank.uz);

(b) in the Single Corporate Information Portal - [www.openinfo.csm.gov.uz](http://www.openinfo.csm.gov.uz);

(c) on the corporate website of the Republican Stock Exchange “Tashkent” - [www.uzse.uz](http://www.uzse.uz).

## **IX. FINAL PROVISIONS**

40. These Regulations, as well as amendments and additions to it are approved by the decision of the general meeting of shareholders.
41. Changes and additions to these Regulations are made at the proposal of the members of the Supervisory Board of the Bank, the Audit Commission of the Bank, the Internal Audit Service of the Bank, and the Chairman of the Management Board of the Bank.
42. If certain articles of these Regulations conflict with the current legislation of the Republic of Uzbekistan and/or the Charter of the Bank, these articles shall cease to be valid and, in terms of the issues regulated by these articles, they should be guided by the norms of the current legislation of the Republic of Uzbekistan and/or the Charter of the Bank until the relevant amendments are made to The present Regulation.