

Liberty Bank
Ref: 4v7-14052013

Charter Effective as of 14 May 2013

**Charter of Joint Stock Company
Liberty Bank**

(NEW EDITION)

Tbilisi
2013

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Article 1
General Provisions

- 1.1. Joint Stock Company Liberty Bank (hereinafter, referred to as the “Bank”) is a joint stock company incorporated and existing under the laws of Georgia, registered with large tax payers’ inspection under the identification (registration) number 203828304.
- 1.2. The Bank has its corporate name, stamp and logotype, as well as other relevant requisites thereof:
 - Full name of the Bank in Georgian shall be: სააქციო საზოგადოება „ლიბერტი ბანკი“;
 - Full name of the Bank in English shall be: Joint Stock Company Liberty Bank.
- 1.3. The Bank’s registered office is located at Liberty Tower, 74 Chavchavadze Avenue, Tbilisi 0162, Georgia.
- 1.4. The Bank’s corporate existence is not limited in time.
- 1.5. The fiscal year of the Bank coincides with the calendar year. It consists of twelve months starting from January 1 and ending on December 31.
- 1.6. The Bank is established for the purposes of generating profits as an independent corporate entity through its recurring activities.
- 1.7. The Bank has its own property and it can appear in legal transactions under its own name, acquire property rights and non-property rights, undertake obligations, and be claimant or defendant in a court, an arbitration tribunal and/or mediation forum.
- 1.8. The Bank has its own balance sheet, is entitled to open settlement and other types of accounts (including foreign currency accounts) in Georgia and foreign countries.

- 1.9. The Bank is not liable for the obligations of its shareholders and the Bank's shareholders are liable for the Bank's obligations up to the unpaid, outstanding amount of their respective contributions to the Bank's charter capital.
- 1.10. The Bank has proprietary rights to various trademarks which it intends to use for various products and business dealings, including the firm name People's Bank of Georgia; in light of recent corporate and managerial decisions, the Bank is authorised to do business as People's Bank of Georgia, make any public announcements with such firm name and otherwise use the firm name People's Bank of Georgia in its dealings alongside its current registered name.

Article 2

Activities of the Bank

- 2.1. The Bank carries out its activities in accordance with the Law of Georgia on Entrepreneurs, dated October 28, 1994 (as amended), the Law of Georgia on "Activity of Commercial Banks", dated February 23, 1996 (as amended), decrees, resolutions and other regulations of the National Bank of Georgia, the Financial Supervision Agency of Georgia or any authority exercising the functions of a central bank or otherwise having authority to regulate the banking sector in Georgia, documented administrative and accounting procedures, terms, conditions and limitations attached to the banking licences, other laws of Georgia and this Charter. If there is no regulation or decree of the National Bank of Georgia, the Financial Supervision Agency of Georgia or any authority exercising the functions of a central bank or otherwise having authority to regulate the banking sector in Georgia, the Bank will act in accordance with international banking practices.
- 2.2. In accordance with the license issued by the National Bank of Georgia, the Bank provides lending, financial, settlement, cash and other banking services, including:
- 2.2.1. Receiving interest bearing and non-interest bearing (demand, time and other) deposits and other refundable payment instruments;

- 2.2.2. Issuance of loans, including, without limitation, consumer, mortgage, unsecured and other types of loans, engaging in factoring operations with and without the right of recourse, trade finance, issuance of guarantees, letters of credit and acceptance bills, including forfeits.
 - 2.2.3. Purchase and sale of monetary instruments for the Bank's accounts as well as the accounts of the clients of the Bank (including, without limitation, cheques, promissory notes and depositary certificates), securities, futures, options and swaps with debt instruments and/or interest rates, currencies, interest rate instruments, debt instruments, foreign exchange instruments, precious metals and gems;
 - 2.2.4. Carrying out cash and non-cash transactions, providing cash collection services;
 - 2.2.5. Issuance and circulation of payment tools (payment notes, cheques and bills of exchange);
 - 2.2.6. Intermediary services on financial markets;
 - 2.2.7. Carrying out operations, attracting and placement of funds on behalf of clients (trust operations);
 - 2.2.8. Safekeeping and registration of valuables, including securities;
 - 2.2.9. Credit-information services;
 - 2.2.10. Services related to any of the activities provided above;
 - 2.2.11. Any other type of banking activity carrying out of which is permitted for the Bank under the laws of Georgia;
- 2.3. When carrying out its activities the Bank is obliged to comply with applicable economic limits, standards and prudential ratios set by the National Bank of Georgia, the Financial Supervision Agency of Georgia or any authority exercising the functions of a central bank or otherwise having authority to regulate the banking sector in Georgia.
- 2.4. The Bank shall adhere to the rules and regulations set forth by the banking legislation of Georgia regarding holding the equity interests by the Bank in other legal entities.

Article 3

Charter Capital, Shares and Other Securities

- 3.1. The total authorised charter capital of the Bank amounts to GEL 85,000,000 (eighty five million Georgian lari).
- 3.2. The Bank's total authorised charter capital is divided into 7,500,000,000 (seven billion five hundred million) common shares and 1,000,000,000 (one billion) preferred shares. Nominal value per each common and preferred share is GEL 0.01. Each common share entitles its owner to one vote at the general meeting of shareholders.
- 3.3 The Bank has the right to issue preferred shares in accordance with the laws of Georgia, provided the charter of the Bank allows for the issue of preferred shares. Such preferred shares, if and when issued, shall form part of the issued capital and entitle their owners to a specific rate of dividend. The amount and rules of preferred dividend payout will be defined under the relevant share issue prospectus (if any) in accordance with the applicable laws. Preferred shares will not be entitled to voting rights at the general meeting of shareholders.
- 3.4. The acquisition price of the newly issued shares of the Bank shall not be less than the nominal value per share.
- 3.5. Holders of the Bank's shares shall have a pre-emptive right to acquire additional shares issued by the Bank in the same proportion which the nominal value of such holder's shares represents to the total nominal value of all shares outstanding immediately prior to the issuance of such additional shares.

Upon issuance of new shares, for which the pre-emptive rights have not been cancelled, the Bank shall notify its existing shareholders of such share issuance and their respective pre-emptive rights by publishing such notice in printed media. The

shareholders holding at least 1 % (one per cent) of the Bank's shares (or such other smaller stake as might be envisaged by the applicable laws) will also be served a written notification via registered mail. The shareholders willing to exercise their pre-emption rights shall acquire the shares within 20 (twenty days) from the date of notification, after which the pre-emptive rights shall become null and void.

A pre-emptive right shall not exist with respect to the shares issued out of the part of authorised but un-issued charter capital designated by the general meeting of shareholders for employee stock ownership purposes in accordance with Article 3.9 below. In all other cases, cancellation/waiver of pre-emptive rights to the newly issued shares shall be approved by the general meeting of shareholders in accordance herewith.

- 3.6. Maintenance of the register of the Bank's shares shall be carried out by an independent registrar in accordance with the established procedures.
- 3.7. The Bank may issue other securities convertible into common and/or preferred shares.
- 3.8. The supervisory board shall be authorised to resolve on issuance of the shares up to the amount of authorised charter capital of the Bank. The resolution of the supervisory board regarding issuance of shares shall specify quantity, class (if the charter capital is divided into different classes) and minimum price of the to-be-issued shares as well as term and/or other conditions of issuance of such shares. The resolution of the supervisory board regarding issuance of shares shall be implemented by the management of the Bank.
- 3.9. If and when so decided by the general meeting of shareholders, part/all of the authorised but un-issued charter capital may be designated for an employee share ownership plan as approved by the supervisory board. In such case, issuance of the new shares for any other purposes out of such (part of) authorised but un-issued

charter capital so designated for the employee share ownership plan shall be forbidden. For avoidance of any doubt, the pre-emptive rights shall not apply to authorized but un-issued charter capital (or any part thereof) designated for the employee share ownership plan in accordance with the decision of the general meeting of shareholders.

3.10. The Bank may redeem its shares in accordance with the rules and in the amount defined by the relevant laws. In addition to the mandatory redemption of the shares envisaged under the applicable laws, the Bank has the right to purchase and subsequently sell its own shares (the “Treasury Shares”) on its own volition. The Treasury Shares shall at no time exceed 25 % (twenty five percent) of the total number of shares outstanding. The Bank’s Treasury Shares are not accounted for during the vote count, dividend distribution, liquidation and enforcement of other rights with respect to the shares. The same rule applies to the shares owned by subsidiaries of the Bank, save that shares held by the subsidiaries on behalf of their clients/customers (i.e. where the subsidiary acts as a nominee holder of the shares) shall have voting, dividend and other similar rights. Any redemption of shares of the Bank and any purchase and/or sale by the Bank of Treasury Shares shall be subject to the prior approval of the supervisory board.

3.11. The Bank has the right to issue bonds and other securities subject to the prior approval of the supervisory board.

Article 4

The Bank’s Shareholders

4.1. The Bank’s shareholders are those persons who hold the shares of the Bank under the established rules and regulations and are registered with the same share registrar of the Bank. The Bank’s shareholders may be legal entities established in Georgia and/or in foreign countries, citizens of Georgia and/or of other countries.

4.2. The shareholders are entitled to do the following:

- 4.2.1. attend or be represented at the general meeting of shareholders and take part in the voting (holders of common shares only);
- 4.2.2. participate in the distribution of profit and receive their pro rata share of dividends;
- 4.2.3. dispose of their shares in accordance with the rules defined by law;
- 4.2.4. in case of the liquidation of the Bank, receive their pro rata share of the assets remaining after payment of the claims of the creditors;
- 4.2.5. holder(s) of the 5% (five per cent) or more of the outstanding shares are entitled to request a special inspection of the business activities and the annual balance sheet if they believe in their reasonable judgment that material irregularities have taken place. Holder(s) of 30% (thirty per cent) or more of the issued, paid up and outstanding common shares shall have information, inspection and review rights without the need of claiming material irregularities. Such request shall be submitted in writing to the supervisory board. Within 15 (fifteen) days from the date of acceptance of the written request the supervisory board may:
 - a) If it shares the concern of the shareholder (s), instruct the management board to arrange for the carrying out at the Bank's expense special inspection; or
 - b) if it believes in its reasonable judgment that no material irregularities have taken place, refuse to carry out special inspection at the expense of the Bank and allow such shareholder(s) to perform the inspection at its (their) own expense. In such case, if the inspection reveals any material irregularities, the Bank shall compensate the shareholder(s) for any costs and expenses pertaining to such inspection; or
 - c) if it believes in its reasonable judgment that (i) no material irregularities have taken place, and (ii) performing the special inspection by the shareholder(s) may be against the interest of the Bank (e.g. due to competition, confidentiality or other similar matters), refuse to carry out special inspection and not allow the shareholder(s) to perform the inspection at its (their) own expense.
- 4.2.6. Holders of 5% (five percent) or more of the outstanding shares of the Bank are entitled to request that an extraordinary general meeting of shareholders be convened.

A written request to this effect should be submitted to the Bank's management or supervisory board. The Bank's management or supervisory board shall call the extraordinary general meeting of shareholders within 30 (thirty) days following receipt of such request. The holders of 5% or more of the outstanding shares of the Bank may not request convocation of the extraordinary general meeting of shareholders within one month from the date of the last general meeting of shareholders.

4.2.7. Any shareholder may request from the management board and the supervisory board clarification and explanation of any item included on the agenda of the general meeting of shareholders. If such request is submitted in writing at least ten days prior to the date of the general meeting of shareholders, the request must be complied with or it must be discussed at the meeting as one of the items on the agenda.

4.2.8. A shareholder may not exercise his/her/its voting rights in respect of the agenda item where such item being voted on concerns a potential transaction as prescribed by the applicable laws between such shareholder and the Bank.

Article 5

Distribution of Profits

5.1. Rules of profit distribution:

5.1.1. Within one month from the completion of the annual audit (but in any case, at least one month prior to the general meeting of the shareholders), the management board of the Bank shall prepare a proposal on the distribution of profits and submit it to the supervisory board for approval. If the proposal on the distribution of profits is agreed upon, the supervisory board and the management board shall submit a joint proposal to the general meeting of shareholders. If the management board and the supervisory board fail to reach an agreement on distribution of profits, each of them shall submit separate proposals in the general meeting of shareholders. The issue of

distribution of profit shall be resolved /approved by the general meeting of shareholders.

5.1.2. Following the decision of the general meeting of shareholders, net profit, used for dividend payout, shall be distributed among the shareholders in accordance with the rules and procedures set out in Article 5.2 below.

5.2. Dividend payout

5.2.1. The general meeting of shareholders shall fix the record date (the “Dividend Record date”) which shall be at least 15 (fifteen) days after the general meeting of shareholders, provided that such date shall be a business day. Only the shareholders holding the Bank’s shares as of the closing of the Dividend Record Date will be eligible for dividends in proportion to the number of shares held by them.

5.2.2. The same general meeting of shareholders shall also fix the dividend payout start date (“Dividend Payout Start Date”). The Dividend Payout Start Date shall be at least 15 (fifteen) days after the Dividend Record Date, but in any case, within two months from the date of the relevant general meeting of the shareholders.

5.2.3. The Dividend Record Date and Dividend Payout Start Date shall be published in printed media within five days from the date of relevant general meeting of shareholders and the shareholders holding at least 1% (one percent) of the shares (or such other smaller stake as might be envisaged by the applicable laws) must be notified via registered mail, in person or by email using the email addresses held on file by the Bank.

Article 6

Governing Structure of the Bank

6.1. The highest internal governing body of the Bank is the general meeting of shareholders.

6.2. The supervisory board oversees the activities of the Bank. Members of the supervisory board are elected by the general meeting of shareholders.

6.3. The Bank's day-to-day management and administration is carried out by the management board (directors) appointed by the supervisory board. The management board is led by the Chief Executive Officer (General Director) of the Bank (the "CEO").

Article 7

General Meeting of Shareholders

7.1. Convening of the general meeting of shareholders:

7.1.1. An ordinary general meeting of shareholders shall be convened by the supervisory board annually, within two months following the completion of the external audit of Bank's books and in any event within six months from the end of the preceding fiscal year. An extraordinary general meeting of shareholders may also be called from time to time by either the supervisory board or the management board of the Bank or at the written request of the shareholder(s) holding at least 5% (five percent) of the Bank's shares in accordance with Article 4.2.6.

7.1.2. Convocation of the general meeting of shareholders will not be necessary if the shareholder holding more than 75% (seventy-five percent) of the Bank's voting shares makes a decision regarding the issue on the agenda. Such decision shall be equivalent to the minutes of the general meeting of shareholders and shall be considered as a resolution of the general meeting of shareholders. In such cases the

remaining shareholders shall be notified about such resolution in accordance with Article 7.1.3 below.

7.1.3. The time, place and the agenda of the general meeting of shareholders shall be published in printed media specified under the laws of Georgia, if applicable, at least 20 (twenty) days prior to the date of such general meeting of shareholders. Shareholders holding at least 1% (one percent) of the Bank's shares should be notified about the general meeting of shareholders via registered mail or by email using the email address held on file by the Bank. In certain cases envisaged by the applicable law, the shareholders holding smaller stakes in the Bank's equity shall also receive notifications.

7.1.4. The supervisory board determines the record date for the general meeting of shareholders in accordance with the applicable law.

7.1.5. The general meeting of shareholders is authorised to take decisions if a quorum is constituted. A quorum is constituted if a meeting is attended by the holder(s) of more than half of the voting shares or representatives thereof. If the general meeting of shareholders is inquorate, a new general meeting of shareholders shall be convened with the same agenda and with the period determined by the supervisory board in accordance with the procedures set forth in Article 7.1.3 above. The general meeting of shareholders shall be quorate if attended by the holder(s) of at least 25% (twenty-five percent) of the voting shares or representatives thereof. If the general meeting of shareholders is still inquorate, a new general meeting of shareholders shall be convened with the same agenda and within the period determined by the supervisory board in accordance with the procedures set forth in Article 7.1.3 above. Such general meeting of shareholders shall be deemed quorate irrespective of the number of attending (or represented) voting shareholders.

7.1.6. The general meeting of shareholders shall be presided over by the chairman of the supervisory board or in his absence by any member of the supervisory board as

determined by the supervisory board. In the absence of the members of the supervisory board, the general meeting of shareholders shall be presided over by the CEO or his/her substitute. In the absence of the CEO or his/her substitute, the general meeting of shareholders shall be presided over by one of the directors as determined by the supervisory board. In the absence of the directors, the general meeting of shareholders shall be presided over by the person elected by the simple majority of attending voting shareholders.

7.1.7. The minutes of the meeting shall be drawn up by the secretary of the meeting to be elected by simple majority of attending voting shareholders and shall be signed by the chairman and the secretary of the meeting. The minutes of the general meeting of shareholders shall be certified by the notary only in cases where notarisation of such minutes is mandatory under the applicable law. The minutes shall be available to any shareholder, management of the Bank, members of the supervisory board and their representatives.

7.2. Representation at the general meeting of shareholders:

7.2.1. All shareholders registered with the share register as of the record date of the general meeting of shareholders shall have the right to attend and vote at the meeting.

7.2.2. A shareholder may exercise his/her/its voting rights at the general meeting of the shareholders through proxy acting on the basis of the duly issued power-of-attorney certified by a notary. Representation by nominee shareholders (including without limitation the brokers and dealers) shall be regulated in accordance with the applicable laws and regulations.

7.3. The general meeting of shareholders shall be authorised to take decisions on the following issues and on such other issues as follow from the Bank's Charter:

7.3.1. Adoption, approval and amendment of the Bank's Charter;

7.3.2. Consolidation of the Bank with another entity or any merger of, with, or into, another person or entity;

7.3.3. De-merger, dissolution, liquidation, reorganisation and transformation of the Bank;

7.3.4. Full or partial cancellation of pre-emptive rights during the increase of issued capital;

7.3.5. Approval or rejection of the proposal of the supervisory board and/or the management board regarding the utilisation of profits, or if these bodies can not provide a joint proposal, making a decision about the utilisation of net profit;

7.3.6. Election and dismissal of the members of the supervisory board;

7.3.7. Working out a Code of Conduct for supervisory board members;

7.3.8. Approval or rejection of the reports of the supervisory board and management board;

7.3.9. Making decisions about the compensation of members of the supervisory board acting in such capacity

7.3.10. Making decision on participation in litigation against the members of the supervisory board and the management board, including the appointment of a representative in such litigation;

7.3.11. Making decisions on the acquisition, sale, transfer, exchange (or such related transactions) or other encumbrance of the Bank's properties, the value of which is more than 10% (ten percent) of the equity value of the Bank;

7.3.12. Approval of annual accounts;

7.3.13. Selection, appointment and dismissal of independent auditors;

7.3.14. Increase or decrease of authorised charter capital of the Bank.

7.4. Decisions on all other issues, except as otherwise determined by the Bank's Charter, shall be made by the supervisory board and the management board within their respective capacities.

7.5 Issues listed in Article 7.3.2 and Article 7.3.3 shall require the votes of the holders of at least 75% (seventy-five percent) of the voting shares attending the general meeting of shareholders. All other issues falling within the authority of the general meeting of shareholders shall be resolved by simple majority of the attending votes.

Article 8

Supervisory Board

8.1 The supervisory board may consist of up to 7 (seven), but in no event less than 3 (three) members. The exact number of supervisory board members is determined from time to time by the general meeting of shareholders.

8.2 Each member of the supervisory board shall be elected for the period of four years, however, should this period end before a new election takes place, the term of such supervisory board member shall be extended until the next general meeting of shareholders is convened.

8.3 Each member of the supervisory board may resign from the supervisory board upon at least four weeks prior written notice submitted to the chairman of the supervisory board (the chairman of the supervisory board resigns by submitting his/her written

notice to any other member of the supervisory board). New member of the supervisory board shall be elected within three months after the resignation/dismissal of the departing member.

- 8.4 A member of the management board may serve as a member of the supervisory board at the same time provided that the members of the management board shall not constitute majority on the supervisory board.
- 8.5 An individual cannot be a member of the supervisory board or he/she shall be dismissed from the supervisory board, if he/she is not eligible to serve as the member of the supervisory board of the Bank under the laws of Georgia.
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- 8.6 The supervisory board elects the chairman of the supervisory board. The chairman (or in case of his/her absence any member of the supervisory board) convenes the meetings of the supervisory board and determines the agenda. Any member may add items to the agenda or request that a meeting of the supervisory board is convened.
- 8.7 Meetings of the supervisory board shall be held at least once per quarter at the legal address of the Bank or at the request of any member of the supervisory board at any other location. A written notification with the respective agenda shall be sent at least eight days prior to the anticipated date of the meeting. With the agreement of all other members, the chairman (himself or at the request of any member) may call the meeting verbally or otherwise within a shorter period of time. The members of the supervisory board may be represented by other members of the supervisory board. Each member may represent only one other member of the supervisory board.
- 8.8 The supervisory board meeting has the right to make decisions if it is quorate. The meeting is quorate if more than half of the members attend or are represented at the meeting. If the supervisory board is inquorate, the chairman of the supervisory

board may convene the new meeting within 8 days. The new meeting will be deemed quorate if at least 50% of the members attend or are represented at the meeting. If the supervisory board is still inquorate, the authority of the supervisory board to resolve the issues on the agenda shall be terminated and the chairman of the supervisory board shall convene the general meeting of shareholders for the purposes of resolving issues on the agenda. The supervisory board shall take decisions by the simple majority of the votes of the supervisory board members, attending or represented at the meeting.

- 8.9 Any meeting may be held via telephone or video conference calls if so requested by any member of the supervisory board.
- 8.10 The minutes of the meeting and resolutions of the supervisory board are drawn up by the secretary of the supervisory board. The minutes will be sent to all members of the supervisory board and approved at the earlier of (i) written agreement by all members or (ii) approval at a subsequent meeting. The minutes then are signed by the chairman of the supervisory board and the secretary of the meeting. The minutes shall state the place and time of the meeting, list of the attendees, agenda, brief summary of the discussions held at the meeting and the relevant resolutions. The minutes shall be certified by the notary only in cases where notarisation is mandatory under the applicable law.
- 8.11 Each member of the supervisory board has one vote. A member of the supervisory board shall not participate or vote in supervisory board discussions regarding any agenda item where such member has a conflict of interest. Should the chairman be so excluded, then the supervisory board shall select a new chairman of the meeting for the consideration of that item.
- 8.12 The supervisory board may decide, by simple majority, to create committees. The composition of such committees and their tasks shall be determined by the

supervisory board. Committees shall report their conclusions and recommendations to the supervisory board.

8.13 Tasks and competence of the supervisory board shall include the following:

8.13.1 adoption, termination or amendment of the supervisory board regulations or similar rules relating to the internal organisation of the supervisory board as well as adoption, termination or amendment of regulations regarding the organisation of meetings of the supervisory board by electronic means;

8.13.2 determination and alteration of the accounting reference date or accounting policies or practices, except as required by law;

8.13.3 formulation or change of the risk management strategy, health and safety policy, environmental policy, internal policies and procedures for lending, investing, foreign exchange, assets and liabilities management, their classification and adequate provisioning and other regulatory documents, including the code of conduct of the management board members;

8.13.4 Supervising the activities of the management board;

8.13.5 Appointment and dismissal of the management board members and determination of the limits of their authorities;

8.13.6 Providing instructions to the management board on the general lines of the financial, social, economic and employment policies;

8.13.7 Inspecting the financial documentation, books and assets of the Bank, including without limitation, condition of cash, securities and goods of the Bank, either directly or through its individual members or invited experts (with the cost of hiring such experts borne by the Bank);

8.13.8 Requesting reports on the Bank's activities from the management board (including dealings with the affiliated companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;

8.13.9 Convening an extraordinary general meeting of shareholders, if required in the interests of the Bank;

- 8.13.10 Reviewing annual reports and the proposals of the management board on distribution of profits;
 - 8.13.11 Instigation, conduction or settlement of any litigation or arbitration or mediation proceeding (except relating to debt collection in the ordinary and normal course of business or applications for an interim injunction or other urgent application where it is not reasonably practicable to obtain the requisite consent of the supervisory board) where the amount in dispute exceeds US\$ 500,000 or which relate to criminal proceedings or which relate to proceedings with affiliated persons who are in managerial positions such as directors of the Bank;
 - 8.13.12. Approving annual budget;
 - 8.13.13. Appointment and dismissal of audit committee members;
 - 8.13.14. Determination of the number of members of the management board, it being understood that as a matter of general principle, the management board shall not consist of more individuals than as reasonably required for its proper functioning;
 - 8.13.15. Determination, change or termination of the terms of engagement of any member of any board, including determination of the remuneration and/or additional benefits for the Bank' management other than the terms of engagement of members of the management board who at the same time serve on the supervisory board of the Bank;
 - 8.13.16. Selection, retaining and dismissal of independent share registrar of the Bank;
 - 8.13.17. Resolving issues which fall within the authority of the supervisory board under the applicable law and/or this Charter.
- 8.14 The responsibilities of the management board may not be delegated to the supervisory board.

8.15 The following activities of the Bank may be carried out only with the approval of the supervisory board:

8.15.1. exercise of voting rights connected to shares in any material subsidiaries of the Bank, including the exercise of rights to appoint, nominate or dismiss key executives of any material subsidiary of the Bank. Material subsidiary shall mean a subsidiary where the Bank controls or owns more than 50% of the voting capital or similar right of ownership and/ or where the value of the Bank's investment in such subsidiary represents 5% or more of the Bank's total assets.

8.15.2. entry into any partnership or joint venture arrangement with any person;

8.15.3. making any political contribution or political donation;

8.15.4. incorporation or creation of a new subsidiary or undertaking or acquisition of an interest in any shares in the capital of any corporate body, or in any instrument convertible into the share capital of any corporate body or acquisition of any other interest in a company or other business undertaking, including, without limitation the acquisition of any share or marketable security which is traded on a recognized investment exchange or any other public securities market;

8.15.5. any decisions which constitute an important change of the identity or the character of the Bank or its business or enterprise, including transfer of a material part, all, or substantially all, of its properties or assets in a single transaction or series of related transactions;

8.15.6. application for the Bank's moratorium on debt payments or any other similar action for creditor relief measures of the similar legal effect and in accordance with applicable law;

8.15.7. entry into or termination of a long-term (one year plus; or series of consecutive periods which could result in a term of one year plus) cooperation with another legal entity or company respectively, if the entering into the cooperation or the termination thereof involves future payment rights or obligations in excess of US\$ 1,000,000 annually;

8.15.8. acquiring (including, without limitation, by lease or license and in a single transaction or a series of transactions) or disposing of a participation in the capital of a company or other enterprise or any other asset or business (a) with a value of at least the greater of (i) 5 % of the amount of the assets of the Bank according to the last balance sheet with explanatory notes of the Bank (on a standalone or consolidated basis) and (ii) US\$ 1,500,000, or (b) where such acquisition would cause the aggregate value of such acquisitions in any one financial year to exceed US\$ 2,500,000;

8.15.9. adoption of the budget of the subsidiary and any interim amendments to such budget;

8.15.10. approval of capital expenditure projects of more than US\$ 500,000;

8.15.11. borrowing of any money or incurring any indebtedness (in a single event or in a series of events) in an amount in excess of US\$ 1,000,000 excluding ordinary course of business and reasonable working capital needs;

8.15.12. factoring of the booked debts with an annual value in excess of US\$ 500,000 or entering into any invoice discounting or similar arrangements with an annual value in excess of US\$ 500,000;

8.15.13. Except as otherwise provided for in this Charter, entering into any agreement or arrangement, including the sale and lease back of any asset, with a value of more than US\$ 500,000 and being outside the scope of normal commercial banking activities, which include lending, treasury (including liquidity and foreign currency management operations), documentary and deposit taking operations;

8.15.14. disposal, other than in the ordinary course of business, by any means of (including, without limitation by lease or license) any asset or a material part of, the whole or a significant part of any of the Bank's businesses, in each case at a price or with a value of more than US\$ 1,000,000 or where such disposal would cause the aggregate value for all disposals in any one financial year to exceed US\$ 2,500,000;

8.15.15. changing the general employment conditions at the Bank or a subsidiary of the Bank (generally applicable to all employees), including any employee incentive plan of its employees and deciding on or implementation of any new employment conditions or incentive plans;

8.15.16. appointment and dismissal of trade representatives (procurists);

8.15.17. granting security over any asset of the Bank (in a single event or in a series of events), other than in the ordinary course of business, with a value in excess of US\$ 500,000 and entry into any agreement or arrangement pursuant to which the Bank shall bind itself as surety, guarantor, joint and several debtor or in another similar manner;

8.15.18. approval of key parameters, such as the interest rate, tenor and sufficiency of collateral of the loans made by the Bank, or a subsidiary of the Bank engaged in the banking business, as the case may be, from 1 January 2010, as well as the recipients of such loans, to (i) new clients of the Bank where the loan(s) in question amount to net credit exposure that exceed(s) the Threshold Exposure Value (as defined below), or (ii) existing clients of the Bank, where the Bank's net credit exposure to such existing client exceeds the Threshold Exposure Value as a result of the issuance of an additional loan or increase in a credit line, as the case may be; in each of (i) and (ii) regardless of whether such new or incremental loans are to be made to a single borrower or several affiliated borrowers with the same ultimate beneficial shareholder; for the purposes hereof, the Threshold Exposure Value shall be set at US\$ 2,500,000 and shall exclude any loans secured with cash collateral (with the cash collateral funds placed, on a term deposit with the term matching or exceeding the respective loan, at the Bank, other banks operating in Georgia in respect of which the Bank's ALCO has established a counterparty limit (provided such deposit does not exceed the counterparty limit) or any other bank with a long-term credit rating of A- or higher (or equivalent); in the event that a loan is partly secured by qualifying cash collateral, the amount of such qualifying cash collateral shall be excluded from the calculation of the Threshold Exposure Value, provided, however, that

the Bank shall notify its Supervisory Board of (i) any such cash covered loan exceeding US\$ 1,000,000 and (ii) in the event of the aggregate amount of such cash covered loans exceeds US\$ 10,000,000, any such cash covered loan irrespective of its amount;

8.15.19. sale or recapitalisation of any equity of the Bank and the approval of any transfer of or encumbrance over any of the shares (including the granting of any rights to acquire any shares or equity (related) right) other than pursuant to an approved employee incentive plan;

8.15.20. Any decision to obtain debt financing and any decision to amend (in the widest sense) any existing debt financing, in both cases in excess of US\$ 1,000,000;

8.15.21. effecting any public offering of the equity or equity related instruments, other than sale of Treasury Shares and ordinary-course market-making activities in the Bank's shares (whether carried out directly or through a broker-dealer subsidiary);

8.15.22. Redemption of the Bank's shares, including mandatory redemption.

Article 9

Management Board

9.1 The Bank's day-to-day activities are carried out by the management board, whose members are appointed by the supervisory board.

9.2 The management board comprises of the CEO and the directors. The CEO and each management board director shall be appointed by the supervisory board of the Bank.

9.3 No one can be appointed as a member of the management board or if so appointed he/she shall be discharged, if he/she is not eligible to hold the position of a director of the Bank in accordance with the applicable law.

9.4 The Bank's management board shall:

- 9.4.1 Conduct and carry out the Bank's current activities;
- 9.4.2 Review all items prior to putting them on the agenda of the general meeting of shareholders or supervisory board meetings, obtain all the necessary information, prepare proposals and recommendations in respect of the issues on the agenda;
- 9.4.3 Within one month after the end of the fiscal year draft and present to the supervisory board for approval the business plan for current year. Such business plan shall include the budget, profit & loss forecast and the Bank's investments plan;
- 9.4.4 Arrange for and supervise lending, settlements, financing, cash services, security, accounting and reporting of cash and valuables of the Bank, internal controls and accounting, ensure that the Bank provides proper service to the customers and supervise other major activities of the Bank;
- 9.4.5 Arrange for and supervise the functioning of the Bank's branches and service centres, ensuring that the managers of such branches and service centres fulfill their tasks and functions;
- 9.4.6 Review the information obtained from internal audit or external inspections as well as the reports submitted by the branch managers and heads of the service centres, and make appropriate decisions based on the above information;
- 9.4.7 Ensure the fulfillment of resolutions made by the general meeting of shareholders and the supervisory board;
- 9.4.8 Develop policies, office rules and any other regulations, which are approved by the supervisory board and ensure compliance with such policies, rules and regulations;
- 9.4.9 Decide on the selection, dismissal, training and remuneration of staff (provided that the management board shall be bound to consider the recommendations of the supervisory board regarding certain top managers);

9.4.10 Deal with any other issues assigned to the management board (or its individual members) by the supervisory board and/or the general meeting of shareholders; and

9.4.11 Fulfill the requirements set forth in this Charter and the applicable laws.

9.5 The directors may delegate their tasks to other persons exclusively with the consent of the supervisory board.

9.6 The activities of the management board are led by the CEO. The CEO shall be authorised to severally represent the Bank before any person, subject to Article 8.15. The CEO is entitled to act on the Bank's behalf without a power of attorney. In the absence of the CEO one of the directors shall act on the Bank's behalf on the basis of a power-of-attorney issued on behalf of the Bank by the CEO subject to the consent of the supervisory board.

9.7 Any transaction or any internal regulation, order or instruction of the Bank unless authorised by the signature of the CEO may be authorised by the signatures of all the remaining members of the management board. Subject to the consent of the supervisory board, the CEO may issue a power-of-attorney to the other directors authorizing such directors to severally represent the Bank in respect of transactions and commitments not exceeding (individually or as a series of related transaction or events) the amount to be determined by the respective decision of the supervisory board.

9.8 The CEO is responsible for the following:

9.8.1 chairing meetings of the management board, supervising the implementation of decisions of the management board, supervisory board and the general meeting of shareholders, distributing along the general lines of the organisational chart of the Bank as from time to time approved by the supervisory board tasks among the management board members and other managers of the Bank, and issuing relevant orders, instructions and other directives for these purposes;

- 9.8.2 acting independently on the Bank's behalf, subject to any possible consents and approvals of the supervisory board;
 - 9.8.3 submitting for approval by supervisory board, recommendations on the remuneration and bonuses of the Bank's management board;
 - 9.8.4 appointing and dismissing the employees in accordance with the employee recruitment plan approved by the management board;
 - 9.8.5 carrying out any other activity required for attaining the Bank's goals, except for the functions imposed on to the general meeting of shareholders or the supervisory board.
- 9.9 The CEO of the Bank is entitled to delegate his direct tasks to the management board members, heads of the relevant departments, heads of the Bank's branches and service centres and any other person the CEO considers necessary, in accordance with the applicable law.
- 9.10 Any member of the management board shall have the right to request from the supervisory board that a meeting of the supervisory board be called and he/she may address such meeting.
- 9.11 The rights and obligations of the members of the management board are determined by this Charter, the resolutions of the Bank's supervisory board and the CEO.

Article 10

Audit Committee and Internal Controls

- 10.1 The Bank's audit committee comprises of three members, who are appointed by supervisory board for the term of four years. An individual cannot be elected as a member of the audit committee if he/she is not eligible for the membership of the audit committee according to the law.
- 10.2 Rights and obligations of the audit committee are as follows:

- 10.2.1 Set the accounting and reporting rules for the Bank, supervise the compliance with such rules and inspect the Bank's books and journals through the internal audit service of the Bank;
- 10.2.2 Supervise the compliance of the Bank with the applicable laws;
- 10.2.3 Approve the regulations governing the Bank's internal audit services and ensure the functioning of the internal audit service of the Bank;
- 10.2.4 Ensure the independence of the internal audit service from the Bank's supervisory board and the management board;
- 10.2.5 Approve the operation plan of the internal audit service for the following fiscal year;
- 10.2.6 Review the quarterly reports of the internal audit service, approve and present to the supervisory board and the management board audit inspections and recommendations;
- 10.2.7 Supervise the activities of the internal audit, ensure its compliance with quarterly and annual operation plans;
- 10.2.8 Assess the activities carried out by the director of the internal audit service and individual auditors;
- 10.2.9 Approve the annual operations plan prepared by the internal audit service and perform the plan's quarterly review;
- 10.2.10 Assess the activities of each of the employees of the internal audit service in consideration of their professional skills and performance and make appropriate decisions;
- 10.2.11 Together with the Bank's supervisory board and management board ensure the cooperation of the internal audit service with other structural units of the Bank;
- 10.2.12 Make recommendations to the supervisory board on the employment/dismissal of the head and deputy head of the Bank's internal audit service, as well as on the remuneration of such staff; and
- 10.2.13 Make recommendations (subject to the agreement of the head of the internal audit service) to the management board on the

employment/dismissal of the other staff of internal audit service, as well as on remuneration of such staff;

10.2.14 Facilitate functioning of external auditors of the Bank.

10.3 Meetings of the audit committee shall be held at least once a quarter. In extraordinary cases, a meeting may be convened upon the request of the supervisory board. The audit committee passes resolutions by a simple majority of votes. The attending members do not have the right to abstain from voting. The audit committee is presided over by the chairman who is elected by the supervisory board.

Article 11

Related Party Transactions

- 11.1 For the purposes of this Article 11, the term “related party” shall mean any person who is (i) a shareholder of the Bank holding and/or otherwise exercising control of five percent or more of the Bank’s outstanding shares, (ii) a member of the supervisory board, management board, audit committee and other senior employee of the Bank, (iii) a company that directly, or indirectly controls, or is controlled by, or is under common control with the Bank, and (iv) such other person (being a corporate body or individual) as might be determined by applicable legislation, and/or identified by the supervisory board of the Bank.
- 11.2 The Bank and its management bodies shall at all times comply with the requirements and limitations set out in respect of the related party transactions by any applicable securities and banking laws, rules, regulations and instructions adopted by relevant authorities in Georgia and/or in other country(ies) where the Bank’s securities are admitted for trading.
- 11.3 Any transaction(s) with related parties of the Bank shall be subject to the prior approval of the supervisory board or the general meeting of the shareholders in accordance with requirements provided under the applicable laws.

Article 12

Confidentiality

- 12.1 Unless otherwise approved by the supervisory board, the members of the supervisory board, management board and other managers of the Bank shall not use, publish, disseminate or disclose to any party, except for the managers or employees of the Bank whose province it is to know the same, any confidential information about the activities, expenses, financial or contractual arrangements or other agreements, transactions or other affairs of the Bank, of which they become aware. They shall use all reasonable efforts to prevent the publication or disclosure of any confidential information concerning such matters.

- 12.2 In the event of approval of any merger, acquisition or other similar transaction involving the Bank, the management board shall be authorised to disclose any confidential information (reasonably required for successful completion of such transaction) to the relevant counterparty(ies), its advisors, consultants or agents, who have a legitimate need to know the confidential information as long as such parties shall be informed of the confidential nature of the information.
- 12.3 The above provisions of confidentiality shall not apply to: (a) any information which is in the public domain and is required to be disclosed under the applicable laws; (b) information which became a part of public domain through other sources (not related to the Bank).
- 12.4 Any material information disclosed to any of the shareholders of the Bank which in the reasonable opinion of the supervisory board, may affect the investment decision(s) of the shareholders, shall also be disclosed to other shareholders to the same extent.

Article 13

Termination of the Bank's Activities

- 13.1 The Bank's activities shall be terminated in accordance with the applicable laws.
- 13.2 The Bank shall be reorganised and liquidated in compliance with the laws of Georgia.

Article 14

Branches

On the basis of the resolution of the supervisory board, the bank may establish branches in Georgia or abroad. Such branches shall not constitute legal entities. The branches should be established in accordance with the applicable legislation and in consideration of the rules and terms set by the relevant authority tasked with the supervision of the

banking sector. The liquidation of the branches of the Banks shall also be subject to approval of the supervisory board.

Article 15

Miscellaneous Provisions

- 15.1 This Charter comes into effect upon its execution and approval by the general meeting of shareholders or resolution of shareholder holding more than 75% of voting shares of the Bank, as applicable.
- 15.2 If any of the provisions of this Charter becomes invalid, it shall not affect the validity of the Charter as a whole.
- 15.3 In case of any inconsistency between this Charter and Georgian legislation, the rules laid down by effective Georgian legislation shall prevail over the provisions of this Charter.

Vladimer Gurgenedze
Chief Executive Officer
JSC Liberty Bank LLC