

JSC LIBERTY BANK AUDIT COMMITTEE TERMS OF REFERENCE

These terms of reference define the main principles, goals, objectives, functions, rights and responsibilities of Audit Committee (the “**Committee**”) of JSC Liberty Bank (the “**Bank**”) and the authority delegated to the Committee by the Supervisory Board (the “**Supervisory Board**”) to monitor the Bank’s financial reporting and internal control frameworks.

1. Membership

- 1.1. The Committee is an independent structural unit and it reports to the Supervisory Board of the Bank;
- 1.2. The Committee shall consist of at least 3 (three) members, majority of which shall be independent members of the Supervisory Board;
- 1.3. At least two members of the Committee shall have competence in accounting, finance and/or auditing and have relevant experience;
- 1.4. The Chairman of the Committee (the “**Chairman**”) shall be an independent and at the same time shall not be the chairman of the Supervisory Board and/or any other committee. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting;
- 1.5. Only members of the Committee have the right to attend the Committee meetings, however, other individuals may also be invited to attend all or part of any meeting, as and when appropriate and necessary with the agreement of the Committee Chairman;
- 1.6. Where the business of the Committee meeting includes the review of actual or potential conflicts of interest of the Committee member, such affected member shall not participate in the review or discussions or decisions of the Committee which relate to that member and therefore shall not be counted in the quorum of the meeting for any such discussions or decisions.

2. Committee meeting and voting

- 2.1. Meetings of the Committee shall be held at least one in a quarter and in certain cases such meetings maybe called by the Supervisory Board;
- 2.2. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise its authorities. The Committee makes decisions by majority of votes and in the event of an equality of votes, the Committee Chairman shall have a casting vote;
- 2.3. The meeting shall be convened by the secretary of the meeting (the “**Secretary**”) at the request of any of its members or at the request of the top management of the Bank;
- 2.4. Unless otherwise agreed, the notice of each meeting shall be sent to each member of the Committee no less than three working days prior to the date of the actual meeting;
- 2.5. Notices, agendas and any other supporting documents may be sent in electronic form;
- 2.6. The minutes of the meeting shall be drawn by the Secretary and signed by the Chairman of the Meeting together with the Secretary. In case of any conflict of interest or any other reasonable grounds, the signature of the minutes may be delegated to any other member of the Committee;

3. Functions and responsibilities of the Committee

3.1. Internal Audit

3.1.1. The Committee shall:

- i. Review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work;
- ii. Ensure internal audit has unrestricted and necessary access to information and persons in relevant functions to enable to fulfil its duties;
- iii. Review and approve annual internal audit plan;
- iv. Monitor and assess the role and effectiveness of the Bank's internal audit function in the overall context of the Bank's risk management system and the work of compliance;
- v. Review certain reports provided by internal auditor the Committee;
- vi. Participate in selection of external auditor;

3.1.2. The Committee shall review and approve the annual audit plan, ensuring its consistent with the scope of external audit engagement, having regard to the seniority, expertise and experience of the audit team;

3.1.3. The Committee shall review the findings of the audit with the external auditor.

3.2. Financial reporting

3.2.1. The Committee shall monitor the integrity of the financial statements of the Bank, including its annual and interim reports, preliminary results' announcements and any other formal statements relating to its financial performance, and review and report to the Supervisory Board on significant financial reporting issues, financial statements and relevant judgments which those statements contain, having regard to matters communicated to it by the auditor;

3.2.2. The Committee shall review and challenge where necessary (a) the application of significant accounting policies used in the preparation of the financial statements, and any changes to them; (b) methods used to account for significant or unusual transactions where different approaches are possible, (c) whether the Bank has adopted appropriate accounting policies and made appropriate estimates and judgments, (d) the clarity and completeness of disclosure in the Bank's financial reports and the context in which statements are made and (e) any significant adjustments resulting from the audit;

3.2.3. Where requested by the Supervisory Board, the Committee shall review the content of the annual report and accounts and advise the Supervisory Board on whether it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Bank's position and performance, business model and strategy;

3.2.4. The Committee shall consider and make recommendations to the Supervisory Board, to be put to shareholders approval at the annual general meeting, in relation to the appointment, reappointment and removal of the Bank's external auditor, approve the remuneration and terms of engagement of the external auditor and oversee the relationship of the Bank with the external auditor;

3.3. Internal controls

3.3.1. The Committee shall:

- i. Keep under review the Bank's internal financial controls and risk management systems relating to financial reporting;
- ii. Consider the major findings of any internal investigations into control weaknesses, fraud or misconduct;
- iii. Review and monitor management's responsiveness to addressing control weaknesses and non-compliance with laws, regulation and internal policies and other weaknesses identified by the internal audit function and the external auditor;
- iv. Conduct assessment of the principal risks facing the Bank;
- v. Monitor IT, information security, compliance, corporate security and similar areas of operational risk;
- vi. Review the Bank's procedures for detecting fraud, prevention of bribery and anti-money laundering systems and controls;
- vii. Review and approve, if necessary, the statements concerning internal controls and risk management relating to the financial reporting; and
- viii. Review and approve the Bank's activities with respect to the Bank's treasury and tax policies and material changes thereto, and such other policies or regulations as may be requested by the Supervisory Board from time to time.

3.4. Conflicts of interest

- 3.4.1. The Committee shall review any interests the administrators of the Bank may have which conflict or may conflict with the interests of the Bank as per regulations of the National Bank of Georgia;
- 3.4.2. Make recommendations to the Supervisory Board as to whether any such conflict should be authorized and, if so, as to the terms and conditions on which any such authorization should be given by the Supervisory Board.

4. **Other matters**

- 4.1. The Committee shall report formally to the Supervisory Board and make relevant recommendations it deems appropriate on any area within its functions where certain action or improvement is needed;
- 4.2. The Committee shall have access to sufficient resources in order to carry out its duties and oversee any investigation of activities which are within its terms of reference;
- 4.3. The Committee shall arrange for periodic reviews of its own performance;
- 4.4. The Committee is authorized by the Supervisory Board to (a) seek and request any information it requires from any employee of the Bank in order to perform its duties, (b) consult, at the Bank's expense, such persons as it deems appropriate in the performance of its obligations, including to obtain outside legal or other professional advice on any matter it believes necessary to do so, (c) call any employee to be questioned at a meeting of the Committee as and when required, (d) to delegate any or all of its powers and authorities and may establish other sub-committees at its discretion;