

## JSC LIBERTY BANK RISKS REVIEW COMMITTEE TERMS OF REFERENCE

These terms of reference define the main principles, goals, objectives, functions, rights and responsibilities of the Risks Review Committee (the “**Committee**”) of JSC Liberty Bank (the “**Bank**”) and the authority delegated to the Committee by the Supervisory Board (the “**Supervisory Board**”) for the oversight of risk related matters, identification, assessment, governance and mitigation of risks impacting the Bank.

### 1. **Membership**

- 1.1. The Committee is established with the Supervisory Board and it reports to the Supervisory Board respectively;
- 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. The Chairman of the Committee (the “**Chairman**”) shall be elected by the Supervisory Board among the members of the Committee provided that the Chairman shall be an independent Supervisory Board member and at the same time he/she shall not be the chairman of the Supervisory Board and/or any other committee. In the absence of the Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting;

### 2. **Committee meetings and quorum**

- 2.1. Meetings of the Committee shall be held at least twice a year. In certain cases, an extraordinary Committee meeting may be called for;
- 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 Chairman shall have a casting vote;
- 2.3. The Committee meeting, both half-year and extraordinary, may be convened by the top management of the Bank, a Committee member or, upon their request, by any other person;
- 2.4. The secretary of the meeting (the “**Secretary**”) shall be elected by the Committee in its sole discretion;
- 2.5. 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;
- 2.6. Committee meeting may be held via telephone, video conference calls or other means of electronic communication;
- 2.7. Notices, agendas and any other supporting documents may also be sent in electronic form;
- 2.8. The minutes of the meeting shall be drawn up 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. **Participation in Committee meetings**

- 3.1. Only members of the Committee have the right to attend the Committee meetings. however, the chief risks officer of the Bank (the “CRO”) shall be invited to attend each Committee meeting. Furthermore, any 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;
- 3.2. Where the business of the Committee meeting includes the review of actual or potential conflict of interests 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.

#### **4. Functions and responsibilities of the Committee**

##### **4.1. Risk management and risk-related matters**

###### **4.1.1. The Committee shall:**

- i. Review and monitor the risk strategy and risk appetite and its consistency and alignment with strategic, capital and financial plans and submit respective recommendations to the Supervisory Board;
- ii. Oversee the management board’s implementation of the ratios and limitations determined under the risk appetite document approved by the Supervisory Board;
- iii. Oversee the strategies for capital and liquidity management as well as for all of the Bank’s relevant risks, such as credit and operational risks, market and reputational risks along with other relevant types of risks to ensure they are consistent with the stated risk appetite and risk culture;
- iv. Assess the extent to which such risks may threaten business model, future performance, solvency or liquidity of the Bank and make sure, in cooperation with other relevant structural units, such risks are mitigated;
- v. Review reports on any breaches of risk appetite and the adequacy of proposed action;
- vi. Review the effectiveness of the risk management framework and the Bank’s capability to identify and manage new types of risk;
- vii. Review the scenarios, (covering both economic and other future risk outlooks over the business planning horizon) and the effectiveness of stress tests implemented by the management board to assess the adequacy of economic and regulatory capital and liquidity; Review and challenge the outcome of these tests and the proposed actions which might need to be taken in the light of the outcomes;
- viii. Discuss the risk strategies on both an aggregated basis and by types of risks, and where appropriate make recommendations about them to the Supervisory Board;
- ix. Review and recommend the internal capital adequacy assessment process (ICAAP) report to the Supervisory Board for approval;
- x. Oversee external risk disclosure;
- xi. Consider and advise the Supervisory Board on risks relating to cyber security and serious, large scale, organised crime relating to information security;
- xii. Review whether the incentives set by the compensation system take into consideration the Bank’s risk, capital and liquidity structure as well as the likelihood and maturity of earnings;

4.2. Reporting responsibilities:

4.2.1. The Committee shall:

- i. At least quarterly Provide a risk management report to the Supervisory Board;
- ii. Review the risk policies at least annually and report to the Supervisory Board on any changes to be made thereto;
- iii. Produce a report of its activities and the Bank's risk management and strategy addressing to principal risks which have been identified. Such report may be included in the Bank's annual report if so required or the Committee considers it reasonable;
- iv. Consider any material findings from regulators which impacts or may impact on risk governance, conduct of business, risk assessment or risk management processes and recommend to the Supervisory Board on actions to be taken;
- v. Monitor the effectiveness and independence of the CRO, evaluate his/her levels of achievement and recommend to the Supervisory Board on issues related to appointment and/or resignation/dismissal of the CRO;
- vi. Make whatever recommendations to the Supervisory Board it deems appropriate on any area within its remit where action or improvement is needed;

**5. Confidentiality obligations**

Members of the Committee and other persons who attend a meeting of the Committee must maintain confidentiality on reports and documents they have received and on the contents of discussions and deliberations, as well on all confidential information and secrets of the Bank, including but not limited to operating and business information which came to their attention as a result of their activity on the Committee.

**6. Authorities**

6.1. The Committee may:

- i. Request that the CRO or the management board shall submit a report to the Committee whether on ad hoc or a regular basis and in case of the latter, determine the frequency of such reports concerning capital and liquidity, risk and other relevant issues within his/her/its authorities;
- ii. Seek, request and receive any information it requires from any employee of the Bank in order to perform its duties;
- iii. Consult, at the Bank's expense, external advisors and/or outsource companies 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;
- iv. Request the attendance of any employee at a Committee meeting as and when required;
- v. Decide that one or several Committee members, whether current or newly elected, should be provided with appropriate training in order to enable the Committee to carry out its duties effectively. Such Committee decision shall be complied with by the Bank in due and timely manner;

**7. Other matters**

- 7.1. The Committee shall have access to sufficient resources in order to carry out its duties;
- 7.2. The Committee shall arrange for periodic reviews of its own performance and within practicable intervals but at least annually review these terms of reference, assess its effectiveness as well as the quality of information it receives, including from the CRO and recommend any necessary changes to the Supervisory Board;
- 7.3. The Committee may delegate any or all of its powers and authorities and may establish other sub-committees at its discretion;
- 7.4. In monitoring and overseeing risk-related issues, the Committee may consider the independence and competence of risk control units and assess the adequacy of resources and access to information they have to enable them to perform their functions effectively. Furthermore, the Committee shall focus on establishment of strong and effective cooperation and communication between the Committee, other committees, internal controls, management board and other senior executives, organise meetings with any of the abovementioned, including separate meetings with the management board to work with on determination of risk reporting requirements for the Committee and the Supervisory Board so that they receive the right balance of quantitative and qualitative information.