

JSC TBC Bank
(the “Bank”)
Audit Committee (“Committee”)
Terms of Reference

These Terms of Reference define the Committee's role and responsibilities, authority delegated to the Committee by the Supervisory Board, as well as its structure, membership and procedural matters related to the Committee’s activities.

1 Role of the Committee

- 1.1 The role of the Committee is to support the Supervisory Board in its oversight of and carrying out supervisory responsibilities in relation to:
- a) Internal Controls;
 - b) Accounting and Financial Statements;
 - c) External Financial Reporting;
 - d) Compliance with Regulatory and Legal Requirements;
 - e) Internal Audit;
 - f) External Audit; and
 - g) Non-Audit Services.
- of the Bank.

2. Detailed Responsibilities

In carrying out its role, the Committee shall:

2.1 Internal Controls

- a) Regularly review the Bank’s internal financial and other controls to ensure the effectiveness of the internal control structure; regularly assess, manage and monitor the Bank’s internal control, risk management, compliance and governance functions’ consistency with appropriate policies and procedures in conjunction with the Bank's Risk Committee.
- b) Regularly review recommendations prepared by the internal audit on improvement of the internal controls and risk management policies and procedures established by the Bank and monitor implementation of these recommendations; regularly review the third party opinions in relation to the risk framework of the Bank and effectiveness of the internal control systems and the structure;
- c) Regularly review the implementation status of the correction of internal control deficiencies, revealed by the Bank’s external auditors.

2.2 Accounting and Financial Statements

- a) Regularly monitor the integrity of the financial statements of the Bank to satisfy itself that they meet all statutory requirements, appropriate Financial Reporting Standards and, that there are no unsettled issues of significance between the management and the Bank external auditors which could affect the truth and fairness of the statements, including:
- i. the annual statutory financial statements;
 - ii. the half year and quarterly financial results; and
 - iii. other formal statements relating to the Bank's financial performance, including the going concern and viability statements.

And approve the above-listed financial statements in accordance with the requirements of the Georgian Corporate Governance Code.

The Committee shall review and challenge where necessary:

- i. the Bank's financial accounting policy, developing recommendations on its improvement;
 - ii. the application of significant accounting policies and any changes to them;
 - ii. the methods used to account for significant or unusual transactions where different approaches are possible;
 - iii. whether the Bank has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the external auditor's views on the financial statements;
- b) Regularly report to the Supervisory Board significant financial reporting issues and judgements which those statements contain having regard to matters communicated to the Committee by the internal or external audit;
- c) Regularly review significant accounting and reporting issues, including recent and relevant professional and regulatory changes, and understand their impact on the financial statements;
- d) Report its views to the Supervisory Board where the Committee is not satisfied with any aspect of the proposed financial reporting by the Bank.

2.3 External Financial Reporting

- a) Review the content and messages in the quarterly reports and presentations of the annual report and accounts and advise the Supervisory Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders and other external stakeholders to assess the Bank's position and performance, business model and strategy;
- b) Review the Annual Report and ensure that taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Bank's position and performance, business model and strategy;

- c) Review the Pillar 3 Annual Report and ensure that taken as a whole, it is fair, balanced and understandable and provides the information necessary to assess the Bank's position and performance, business model and strategy;

The Committee shall review and challenge where necessary:

- i. all material information presented with the financial statements, including the strategic report and the corporate governance statements (insofar as they relate to the audit and risk management);
- ii. the assumptions or qualifications of the Supervisory Board in support of the going concern statement (including any material uncertainties as to the Bank's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer-term viability statement (including an assessment of the prospects of the Bank looking forward over an appropriate and justified period);
- iii. the Risk Committee's explanation of the principal risks facing the Bank to go into the annual report, including those which would threaten its business model, future performance, solvency or liquidity and the management and mitigation of those risks.

2.4 Compliance with Regulatory and Legal Requirements

- a) Annually review the Bank compliance policies, including policies and procedures for detecting fraud and the prevention of bribery;
- b) Review and approve the annual compliance plan; ensure it is aligned to the key risks of the business, and receive regular reports on the work carried out;
- c) Regularly review the effectiveness of the systems monitoring compliance with laws and regulations, affecting financial reporting and, if applicable, the Bank's Code of Conduct;
- d) Regularly review reports on material compliance incidents, whistleblowing reports and results of management's investigation and actions, including disciplinary action, of any fraud-attempt or non-compliance; report to the Supervisory Board on the effectiveness of the arrangements and the issues raised through these arrangements at least twice a year;
- e) Review compliance reports prepared by management and report to the Supervisory Board and ensure that all regulatory compliance matters, that may have material impact on the financial statements or compliance policies, have been considered in the preparation of the financial statements;
- f) Act as a discussion partner for compliance matters and give guidance to the Compliance function in the Bank, including a review of the necessary skills and expertise of the Compliance function in the Bank and any mandatory training programmes;
- g) Regularly discuss and cooperate with the internal and external auditors any identified instances of fraud, illegal acts, internal control deficiencies or other similar issues; if necessary, initiate special investigations and where appropriate hire special counsel, external consultants or experts to assist in such investigations;

- h) Assess and monitor the Bank's internal controls and governance functions' consistency with appropriate regulatory requirements, policies and procedures.

2.5 Internal Audit

- a) Appoint and dismiss the Head of Internal Audit of the Bank; assess his/her annual performance;
- b) Approve the internal audit charter of the Bank to ensure it is appropriate to the current needs of the Bank; approve and regularly monitor the internal audit quality assurance and improvement program, developed and maintained by the Head of Internal Audit of the Bank;
- c) Approve the annual internal audit plan and ensure it is aligned to the key risks of the business, and receive regular reports on the work carried out; regularly review and analyse the planned versus actual work done by the internal audit function;
- d) Approve quarterly and annual internal audit reports and report the internal audit results to the Supervisory Board;
- e) Regularly monitor any internal audit findings follow-up undertaken by CEO/senior management¹;
- f) Ensure that the internal audit function has direct access to the Supervisory Board Chairman and to the Committee Chair, providing independence from the executive management board and ensuring direct accountability to the Committee;
- g) Regularly review the effectiveness of the internal audit activities in the overall context of the Bank's risk management system, and its relationship with the external auditors; consider and analyse internal audit quality self-assessment (in line with the best international practices for internal audit) and external assessment results, where applicable;
- h) Conduct meetings at least annually or more frequently, as required, with the Head of Internal Audit and key employees of internal audit, without the presence of CEO/senior management, to discuss matters relating to its remit and any issues arising from the audits.

2.6 External Audit

- a) Make recommendations to the Supervisory Board for shareholder approval in general meeting, in relation to the appointment, re-appointment and removal of the Bank's external auditor; its remuneration and terms of engagement;
- b) Ensure that the external audit contract is put out to tender at least every nine years;
- c) Regularly review and monitor the effectiveness of the external audit process taking into consideration relevant Georgian professional and regulatory requirements;
- d) Discuss with the external auditor, at the start of each financial year, the nature and extent of audit procedures for the forthcoming financial year, including ensuring that appropriate plans are in place for the audit. The Committee may set special focus on required topics or accounts for the external auditor to cover with procedures. The

¹ Senior Management includes members of the management board (except for the CEO), head of compliance and heads of other key functions of the Bank, as defined by the Supervisory Board.

Committee may initiate external audit assignments on areas/accounts/classes of transactions if the Committee considers this is required;

- e) Regularly review the external audit findings and discuss adjustments to financial statements;
- f) Obtain assurance that significant findings and recommendations made by the external auditors are implemented properly;
- g) Regularly, at least annually, meet the external auditors, without the presence of CEO/senior management to discuss matters relating to its remit and any issues arising from the audits;
- h) Regularly review the policy on the engagement of the external auditor to supply non-audit services, identify any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

2.7 Non-Audit Services

- a) Approve each engagement of the external auditor for permitted non-audit services (including the fees), before such engagement. Where critical timing issues mean that referral to the Committee is not feasible within the given timescale, the Committee Chair may approve the appointment of the external auditor for non-audit services (including the fees). Such approval shall be ratified by the next Committee meeting. If no such ratification is given, the appointment must be terminated.
- b) Review annual written report from the Bank's Chief Financial Officer describing the fees paid to the external auditor for any non-audit work undertaken during that financial year.

3. Committee Membership and Composition, Members' Rights and Obligations

- 3.1 The Committee shall comprise a minimum of three members, including the Committee Chair, all of whom shall be independent non-executive directors, as determined by the Board.
- 3.2 One of the independent non-executive Supervisory Board members shall be appointed by the Supervisory Board as the Chair of the Committee (the "**Committee Chair**"). In the absence of the Committee Chair, the remaining members present shall elect one of themselves to chair the meeting. The Committee Chair should not be Chairman of the Supervisory board or any other committee at the same time.
- 3.3 Committee members should have the appropriate balance of skills, experience, independence to enable them to discharge their respective duties and responsibilities effectively. Committee members should have adequate qualifications, necessary knowledge and experience in matters within the Committee's competence and at least two members of the Committee (including Chairman) should have recent and relevant financial experience and with competence in accounting and/or auditing and/or degree in finance.
- 3.4 Committee members are appointed for a term of one year, subject to annual re-election at the Annual General Meeting of the Bank's parent company, TBC Bank Group PLC. Reappointment is allowed without any restriction if a member still meets the criteria for the Committee membership.

3.5 Committee members shall have the following rights:

- (a) to request documents, reports, explanations and other relevant information from the officers, executives and employees of the Bank;
- (b) to invite the Bank's officers, executives and employees to its meetings as observers to question them, and seek explanations and clarifications;
- (c) to utilise the services of outside consultants, experts and advisors;
- (d) to perform any other duties as may be required by the Supervisory Board within the scope of authority of the Committee as set forth herein;
- (e) to contribute written suggestions and propositions in order to improve Committee activities;
- (f) to place matters on the agenda of the Committee meeting and to vote on any matters in the agenda, and to demand inclusion to the Committee meeting minutes of his or her individual opinion;
- (g) to contribute recommendations on the improvement of relevant policies within the Committee's scope for the consideration of the Supervisory Board;
- (h) on giving reasonable notice, to resign from the Committee;
- (i) Where there is disagreement between the Committee and the Supervisory Board, adequate time should be made available for discussion of the issue with a view to resolving the disagreement.; and
- (j) to have sufficient resources in order to carry out the Committee's duties including access to the Corporate Secretary professional advice.

3.6 Committee members shall have the following obligations:

- (a) to participate in the activities and work of the Committee, and attend all meetings;
- (b) to treat as confidential all information that becomes known to him/her in the course of performing his/her duties;
- (c) to inform the Supervisory Board of any changes in his/her independent status or any conflicting interest regarding decisions to be made by the Committee;
- (d) to adhere to all applicable laws and regulations and these Terms of Reference whilst carrying out his or her activities;
- (e) to act in the best interests of the Bank for the benefit of its members as a whole and, in doing so, have regard (amongst other matters) to:
 - (i) the likely consequences of any decision in the long term;
 - (ii) the interests of the Bank's employees;
 - (iii) the need to foster the Bank's business relationships with suppliers, customers and others;
 - (iv) the impact of the Bank's operations on the community and the environment;

- (v) the desirability of the Bank maintaining a reputation for high standards of business conduct; and
- (vi) the need to act fairly as between members of the Bank.

4. Committee Meetings

- 4.1 **Notice of the Meetings** - Meetings of the Committee shall be called by the Corporate Secretary at the request of the Committee Chair or any of its members at any time, to consider any matters falling within the competence of the Committee. In special circumstances, the Committee meetings can be called by the Corporate Secretary at the request of the CEO or Chairman of the Supervisory Board if they consider it necessary. Unless the Committee otherwise agrees, notice of each meeting confirming the venue, time and date, together with an agenda of items to be discussed, shall be provided to each member of the Committee and any other person required to attend, no later than five calendar days before the date of the meeting or in case of matters of urgency – no later than 24 hours before the date of the meeting.
- 4.2 **Meetings** - Committee shall meet as often as it deems necessary and at least four times a year. All Committee members are expected to attend the meetings, in person or via telephone or video conference. The Committee meeting agenda will be prepared and provided in advance of the meeting to the members, along with appropriate materials. Outside of the formal meetings, the Committee Chair will maintain a dialogue with key individuals involved in the Bank's governance, including the Supervisory Board Chairman and the CEO.
- 4.3 **Attendees** – only the members of the Committee have the right to attend Committee meetings, other persons may be invited by the Committee Chair to attend the meeting, if and when appropriate. The Corporate Secretary shall attend all Committee meetings.
- 4.4 **Quorum** – the quorum for the Committee meeting shall be two.
- 4.5 **Voting** - each Committee member shall have one vote which may be cast on matters considered at the meeting, where:
 - (a) votes can only be cast by members attending a Committee meeting.
 - (b) if a matter that is considered by the Committee is one where a Committee member, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting; and
 - (c) except where he or she has a personal interest, the Committee Chair shall have a casting vote.
- 4.6 **Secretary** – the Corporate Secretary shall act as the secretary of the Committee. The Committee is supported by the Corporate Secretary on all matters, including assisting the Committee Chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of any necessary practical support. The Corporate Secretary ensures that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

- 4.7 **Professional Advice** – the Committee and the Committee Chair shall have access to the advice and services of the Legal Counsel and the external (local and/or international) legal counsel on regulatory and legal matters.
- 4.8 **Minutes** – the Secretary shall minute the proceedings and the decisions of all meetings of the Committee, including recording the names of those absent and in attendance. The Secretary shall also ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly. The Secretary shall prepare and circulate the draft minutes of the Committee meetings promptly to all members and other attendees of the relevant meeting. Minutes of any meeting shall be announced as final, once signed by the Chair. Unlimited access to all the minutes of the Committee meetings must be granted to all Supervisory Board members at any time. The Secretary is the key responsible person to provide such access. A resolution in writing and signed by all Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be noted at the next meeting of the Committee.
- 5. Committee Professional Development, Self-Assessment, Reporting and Disclosure**
- 5.1 The Committee will undertake appropriate and timely professional development, including an induction programme for new members and on an ongoing basis for all members. The professional development shall include, but not be limited to, an understanding of the principles of and developments in governance-related matters.
- 5.2 The Committee shall, with the support of the Corporate Secretary, conduct an annual self-assessment (including the evaluation of the Committee’s compliance with the Terms of Reference) and report any conclusions and recommendations to the Supervisory Board not later than in the two month period from the end of the relevant year.
- 5.3 The Committee shall annually review these Terms of Reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Supervisory Board for approval.
- 5.4 The Committee Chair shall report to the Supervisory Board on its proceedings at the following Supervisory Board meeting on all matters within its duties and responsibilities. The Committee Chair shall inform the Chairman of the Supervisory Board as soon as possible on matters that the Committee has deemed as urgent.
- 5.5 The Committee can make recommendations to the Supervisory Board it deems appropriate on any area within its remit where action or improvement is needed.
- 5.6 The Committee shall annually produce a report on its activities, which shall be presented to the Supervisory Board. The Committee Report shall comply with all applicable requirements of the National Bank of Georgia, where relevant.
- 5.7 Committee information, including the Terms of Reference, membership of the Committee and the description of the Committee’s duties and activities during the year, shall be disclosed on the Bank’s website.
- 6. Other Matters**
- 6.1 **Amendments** – these Terms of Reference may be amended by the Supervisory Board at its sole discretion without prior notification.

- 6.2 **Inconsistency with Georgian Law**– where these Terms of Reference are inconsistent with Georgian law or other applicable Georgian regulations, the latter shall prevail.