LIBERTY

JSC LIBERTY BANK'S REMUNERATION POLICY

The present Remuneration Policy (the "**Policy**" or the "**Remuneration Policy**") of JSC Liberty Bank (the "**Bank**" or "**Liberty Bank**") has been drawn up in accordance with the requirements of the Corporate Governance Code for Commercial Banks as approved by the National Bank of Georgia and aims to improve the taking, management and control or risks in financial institutions by defining guidelines relating in particular to the remuneration structure within the Bank.

The Bank's remuneration structure supports the sound governance and risk management incentivising good performance, acceptable risk-taking behaviour, reinforces the Bank operating and risk culture and is in line with the business and risk strategy, objectives, values and long-term interests of the Bank.

The present Policy sets out the general framework for remuneration throughout the Bank and defines the basic principles on which the Bank should approach issues regarding the staff remuneration.

In particular, the Remuneration Policy:

- Forms an integral part of the corporate governance framework of the Bank;
- Is aligned with the overall operational policy, the business strategy, the goals, the values, and the long-term interests of the Bank;
- Incorporates measures to avoid or minimize conflicts of interest or any possible negative impact on the sound, prudent and good management of risks assumed by the Bank;
- Promotes the sound and effective risk management and coverage of risks assumed by the Bank;
- Discourages excessive risk-taking;
- Contributes to safeguarding the capital position of the Bank; and
- Contributes to maintaining a sound, effective and complete framework for assessing and maintaining on an on-going basis the amounts, types and distribution of own funds of the Bank such as are sufficient to cover the nature and level of the risks to which they are, or might be, exposed.

1. Remuneration Principles and Objectives

1.1. Ethical behaviour, professionalism and sustained performance are basic principles and main pillars of the Liberty Bank's remuneration policy, serving to ensure both competitiveness and effectiveness of remuneration as well as transparency and internal fairness. These principles contain the following aspects:

- Clear and transparent governance;
- Compliance with regulatory requirements and principles of good business conduct;
- Continuous monitoring of market trends and practices;
- Sustainable pay remuneration for sustainable performance;
- Motivation and retention of all employees, with particular focus on talents and mission-critical resources;

1.2. Key objectives of the Remuneration Policy are:

- To ensure compliance of the Bank with the current legal and regulatory remuneration and employment framework;
- To allocate responsibilities regarding the remuneration procedures and to ensure their proper implementation;
- To ensure creditability and transparency of the principles and procedures relating to the remuneration of the Bank's staff;
- To minimise potential risks arising from implementation of the principles governing the remuneration of staff covered by this Policy;
- To attract and retain people with the ability, experience and skills to deliver on the Bank's strategy;
- To create an alignment between the rewards and the risk exposure of the staff;
- To counteract excessive risk-taking and incentivise employees to deliver sustainable performance, of the Bank and the funds managed by the Bank at any given time, that is consistent with strategic goals as well as healthy and effective risk management; and
- To deliver the remuneration that is affordable and appropriate in terms of value allocated to the respective unit holders;

2. Corporate Governance of the Remuneration

2.1. The Supervisory Board establishes a Remuneration Committee (the "**Remuneration Committee**"). The Remuneration Committee works as a preparatory committee for the Supervisory Board and prepares the Board with respect to remuneration issues and monitors compliance with the remuneration policy. A description of the composition, tasks and authority of the Remuneration Committee is available in the Terms of Reference of the Remuneration Committee;

2.2. The Supervisory Board of the Bank is responsible for the overall oversight of effective functioning of the remuneration system which is led by the management of the Bank. The Supervisory Board and/or the Remuneration Committee reviews the remuneration plans, processes and outcomes at least annually;

2.3. The Supervisory Board, with recommendations of the Remuneration Committee, approves remuneration policies and incentive schemes of senior management and control functions and monitors effective functioning of remuneration policies, systems and related control functions for the coming year. The aggregate bonus pool which is made up of bonus accrued under abovementioned schemes shall be approved once a year by the Supervisory Board based on recommendation of the Remuneration Committee;

2.4. Various control and compliance functions in the Bank are involved in the process with regard to the implementation of the policy and incentive structures to ensure that risk, capital and liquidity limits are not exceeded. The Bank assesses whether the incentive structure is commensurate with the Bank´s risks, capital and liquidity and evaluates the probability and timing of the remuneration;

3. Components of Remuneration

3.1. At the annual performance and appraisal interview, the individual employees and managers evaluate and document performance in the past year and set new goals. Decisions on adjustment, if any, of the employee's fixed salary or on annual performance-based pay are made on the basis of this appraisal;

3.2. The components of the remuneration are following:

3.2.1.	Fixed remuneration;
3.2.2.	Performance based variable remuneration
3.2.3.	Sign-up fixed pay, stay-on and guaranteed bonus; and
3.2.4.	Other benefits in kind;

3.3. Fixed remuneration constitutes the primary component of remuneration. It reflects the nature and responsibility of the position held, individual employee performance and market conditions. Amount of the fixed remuneration is agreed in the employment agreement;

3.4. Performance based variable remuneration is a component of remuneration which aims to incentivise particular behaviours and desired results; create an alignment between the rewards and risk exposure to those of the unit holders, shareholders, and employees; and provide motivation and foster a performance driven culture in Liberty Bank. The variable remuneration is purely discretionary in principle or amount. The amount of the variable remuneration depends on the performance of the Bank and also on the individual performance of the employees;

3.5. The allocation of variable remuneration to the staff shall take into account the full range of current and future risks. Variable performance based remuneration shall only be subject to the Bank's overall financial standing and justified according to the performance of the Bank, the unit involved and the individual concerned. The total variable remuneration shall not limit the ability of the Bank to strengthen its capital base;

3.6. The Supervisory Board determines a maximum percentage of performance based variable remuneration relative to the fixed remuneration in order to ensure an appropriate balance between fixed and variable pay. Maximum ratio of annual variable performance based remuneration – annual variable component of remuneration of material risk takers shall not exceed 100% of annual fixed component of the total remuneration for each individual. In exceptional cases, with reasonable basis, majority of shareholders can approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration;

3.7. Performance based variable remuneration may be disbursed as cash bonus, shares, share based instruments and other generally approved instruments, all on the basis of applicable legislation. The thresholds and the split vary within different business units and positions and are set according to the employees´ impact on the specific risk profile, market practice within the business unit in question and in order to offer competitive remuneration packages, however, always ensuring alignment of the interests of the employees, the Bank, the customers and the shareholders;

3.8. Sign-up fixed pay, as well as stay-on and guaranteed variable pay are granted only in exceptional cases and will be assessed by the management of the Bank. The mentioned components will only be used to attract or retain highly specialized and skilled individuals. Such pay may not exceed one year's gross salary inclusive of applicable taxes. Sign-up fixed can be paid in cash or in a split between cash/non-cash/shares and will according to applicable legislation as a main rule be conditional upon the employee not resigning within a given period of time after the pay. Sign up, stay on or guaranteed variable pay will be subject to and will be paid in accordance with the relevant applicable legislation.

4. Remuneration system for the Supervisory Board and Other Material Risk Takers

4.1. The remuneration of Supervisory Board members shall be appropriate to the level of contribution, taking into account factors such as effort and time spent and responsibilities of the Supervisory Board members. Their compensation shall not compromise their independence. Remuneration of supervisory board members only includes fixed compensation as required under the relevant applicable legislation. Except for membership of Supervisory Board, board member may receive compensation in the cases when she/he is the chair/deputy chair of the board, member of board committees or chair of the board committees. In addition, the difference between the compensation of the board members, which are members of committees, or chairs or deputy chairs, and other board members who do not hold such positions shall not be more than 30%;

4.2. Executive directors and other authorized personnel are also entitled to non-monetary benefits. The standards for non-monetary benefits for the eligible recipients should be set by the Supervisory Board;

4.3. Remuneration for the executive directors and other material risk takers depends on the whole year's results, considering the following elements related to the performance based variable compensation:

4.3.1. *The principles of deferral, retention and the payment methods of variable remuneration:*

i. **Deferral principle** - A substantial portion, and in any event at least 40% or— where variable part exceeds 50% of total remuneration — respectively 60% of the variable remuneration component shall be deferred over a period which is not less than three to five years. Deferral period should be correctly aligned with the timing of the realization of the risks associated with the activities of an employee. For the executive directors the deferral period shall not be less than 5 years. Deferred remuneration should either vest fully at the end of the deferral period or be spread out over several payments on *pro rata* vesting basis. Vesting should not take place more frequently than on a yearly basis;

ii. **Retention principle** - For the non-deferred part of the compensation that is paid, in shares, share linked or other instruments of the Bank or Banking holding (if applicable), in case of executive directors, are subject to one year retention period and in case of persons taking material risk at least a six-month retention period;

iii. **Payment forms** – For performance based variable remuneration both for deferred and non-deferred, maximum 50% of the given amount should be paid in cash, whereas the remaining 50 % must be paid in shares, share linked or other instruments of the bank or a banking holding (if applicable);

5. Adjustment of Variable Remuneration

5.1. Without prejudice to the general principles of labour law, total variable remuneration may be adjusted. The entire part of the variable remuneration shall be subject to the following types of adjustments:

5.1.1. **Malus –** where remuneration can be reduced or reversed based on realised risk or other events before or at the moment of vesting of such remuneration; and

5.1.2. **Clawback** – under which remuneration can be reduced or reversed after compensation is already vested;

5.2. The following criteria shall be taken into account when using abovementioned compensation corrections – malus and clawback arrangements for the reduction/reversal of variable remuneration:

5.2.1. Beneficiary of remuneration participated in or was responsible for conduct which resulted in significant losses to the Bank;

5.2.2. Beneficiary of remuneration failed to meet appropriate standards of fitness and propriety;

5.2.3. Evidence of misconduct or serious error by the beneficiary of remuneration, including, without limitation, material violation of code of conduct and other internal rules;

5.2.4. Whether the Bank and/or the business unit subsequently suffers a significant downturn in its financial performance (e.g. specific business indicators), which is caused by the beneficiary of remuneration;

5.2.5. Whether the Bank and/or the business unit in which the identified staff member works suffers a significant failure of risk management, which is caused by the beneficiary of remuneration;

5.2.6. Significant increases in the Bank's economic or regulatory capital requirements, in case of malus arrangements;

5.2.7. Any actions of the beneficiary of remuneration that contributed to the imposition of regulatory sanctions to the Bank.

6. Material Risk Takers

6.1. The Bank, based on various criteria identifies employees whose professional activities have a material impact on the Bank's risk profile. To this assessment all types of risk are relevant, including those of a prudential, operation, conduct and/or reputational nature;

6.2. Staff shall be deemed to have a material impact on the Bank's risk profile where any of the following qualitative criteria are met:

- The staff member is a member of the Supervisory Board;
- The staff member is a member of the Board of Directors;

6.3. The Remuneration Committee may from time to time recommend the Supervisory Board to set out new criteria or designate employees in control functions and employees who are material risk takers in addition to the staff members set forth herein;

6.4. The Bank ensures that the control functions and material risk takers are remunerated for delivering their best performance in the specific role and that the variable remuneration does not compromise employees' objectivity and independence;

7. Communication of the Policy

7.1. To the extent legally acceptable under applicable legislation, the Supervisory Board and/or the Board of Directors may deviate from this Policy in individual cases, if justified by extraordinary and exceptional circumstances;

7.2. This Policy shall be revised on a regular basis at the Supervisory Board's discretion;

7.3. A copy of this Policy is available to any employee of the Bank and can be accessed on the website of the Bank;

7.4. This policy may be disclosed to our customers, suppliers, sub-contractors, agents or intermediaries;

7.5. It is each colleague's responsibility to understand and follow this Policy and the laws and regulations that apply to the activities of the Bank.

7.6. This Policy should be read in conjunction with other respective policies of the Bank.