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**AUDIT COMMITTEE REGULATION OF
CJSC “Demir Kyrgyz International Bank”**

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1. GENERAL PROVISIONS

1.1 The Regulation on the Audit Committee of Demir Kyrgyz International Bank CJSC (hereinafter - the Regulation) establishes the procedure for organizing the activities of the Audit Committee of Demir Kyrgyz International Bank CJSC (hereinafter - the Bank) and reporting on the work done to the Board of Directors of the Bank, as well as determines the goals, objectives, functions, rights and duties of the Audit Committee.

1.2 The Audit Committee is a collegial body of the Bank established by resolution of the Board of Directors for preliminary consideration of issues within the competence of the Board of Directors and making recommendations for them.

1.3 In its activities, the Audit Committee shall be fully reporting to the Board of Directors and shall act within the powers granted to it by the Board of Directors.

1.4 The Audit Committee shall carry out its activities in accordance with the laws of the Kyrgyz Republic, NBKR NLA, the Charter of the Bank, internal regulatory documents (hereinafter - IRD) of the Bank and this Regulation.

1.5. The Audit Committee is not a management body of the Bank and cannot replace the Board of Directors and fulfill its functions.

1.6. The purpose of establishing the Audit Committee is to improve the efficiency of the activities of the Board of Directors of the Bank and optimize its decisions.

1.7. The main tasks of the Audit Committee are:

- control over reliability and efficiency of functioning of internal control systems;
- ensuring independence and objectivity of the internal audit function;
- interaction with the external auditor and participation in the selection of the audit organization;
- supervising the formation of the Bank's financial statements;
- improving interaction between the Board of Directors members, the Bank's management, internal audit, external audit and the NBKR.

1.8. All proposals developed by the Audit Committee shall be recommendations, which shall be submitted to the Board of Directors for consideration and appropriate management decisions.

1.9. Abbreviations and definitions used in this Regulation:

KR	Kyrgyz Republic
AC	Audit Committee of the Bank
NBKR NLA	Normative legal acts of the National Bank of the Kyrgyz Republic
IAD	Internal Audit Department, a structural unit of the Bank, which is not a legal entity, performs its activities on behalf of the AC, in accordance with the approved IRD of the Bank and acts within the framework of the granted powers and the Audit Plan.
Departments reporting to the BOD	Internal Audit Department, Internal Control Department and Information Security Department.
BOD	Board of Directors

2. STRUCTURE OF THE AUDIT COMMITTEE

2.1 The AC should consist of at least 3 members of the BOD, where 2 of them should be independent and meet the criteria established by the KR legislation.

2.2 The Chairperson of the AC shall be independent and shall not simultaneously be the Chairperson of the BOD and the Risk Management Committee under the BOD, as well as to meet the requirements of the NBKR NLA stipulated for the Chairperson of the AC.

2.3. Independence means that a member of the AC can not be:

- A member of the Bank Management and an employee of the Bank;
- A business partner and shareholder of the Bank;
- Member of the BOD and shareholder of other banks.

2.4. In the absence of the Chairperson of the AC, his/her duties shall be performed by one of the AC Members elected at the AC meeting by open voting by a simple majority of votes of the total number of the AC Members present at the meeting.

2.5. The AC members shall be appointed by the BOD for a term of 1 (one) year. The candidate's professional experience and competence shall meet the minimum requirements established by the relevant NBKR NLA, as well as the requirements of this Regulation.

2.6. The Chairperson of the AC shall be approved by the NBKR in accordance with the requirements of the NBKR NLA.

2.7. All members of the AC shall have appropriate competence to read and understand basic financial statements, including the Bank's balance sheet, statement of financial results and statement of cash flows. At least one member of the AC shall have professional experience in accounting, financial management or auditing.

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3. ORGANIZATION OF WORK OF THE AUDIT COMMITTEE

3.1. Meetings of the AC shall be held as necessary, but at least once a quarter. A meeting of the AC shall be called by the BoD or two members of the AC.

3.2. AC meetings may be held by personal attendance or by correspondence (tele/video conference and via corporate mail).

3.3. All members of the AC have the right to vote. Each AC member shall have one vote when deciding issues. Transfer of voting rights by a member of the AC to other persons, including other members of the AC, is not allowed.

3.4. To ensure a quorum, at least 2/3 of the members of the AC must be present at the meeting. All decisions shall be made by a simple majority of votes of the total number of AC members participating in the voting. In case of a equality of votes, the vote of the Chairperson of the AC shall be final and decisive.

3.5. Each AC member participating in the decision-making process shall:

- a) be aware of the subject matter under consideration and independent in judgment (capable of acting independently, regardless of anyone else's influence on the results of its conclusions, findings and in conditions that exclude any outside influence on the expression of opinion);
- b) be aware of the impact of decisions made by him/her on the Bank's activities;
- c) assess the possibility of risks and consequences of the decisions taken by him/her;
- d) be responsible for the decisions adopted and signed by him/her.

3.6. On a periodic basis, the AC shall meet separately with the Bank's management, the IAD and external auditors. The AC shall also hold closed meetings on a periodic basis.

3.7. The secretary of the AC shall be an employee appointed by the AC and responsible for organizing and holding meetings of the AC, preparation and distribution of the agenda, keeping minutes of the meetings of the AC and their proper keeping.

3.8. The agenda of the AC meeting is formed by the secretary of the AC taking into account the proposals of the departments reporting to the BoD and is sent to the members of the AC for approval. After approval, the agenda of the AC meeting is provided to the participants of the AC meeting, along with relevant materials for discussion, at least 3 working days prior to the AC meeting.

3.9. The minutes of the AC meeting, including voting results and decisions made by the AC, shall be made in writing.

3.10. The minutes of the AC meeting shall include:

- a) date, place, form of the meeting (physical, conference call, video-conference);
- b) the list of AC members who participated in the meeting, as well as the list of invited persons present at the AC meeting;
- c) a brief description of the items on the agenda;
- d) instructions of the AC and the executors of the instruction/assignments of the AC.

3.11. The minutes of the AC meeting shall be signed by all AC members present at the meeting, as well as by the Secretary of the AC. The opinion of a AC member having comments and suggestions on the issue under consideration and disagreeing with the decision taken shall be expressed during voting and reflected in the minutes.

3.12. AC members who did not participate in the meeting shall be familiarized with the minutes and decisions made by signing the minutes.

3.13. The Secretary of the AC on a quarterly basis monitors the implementation of decisions made by the AC.

3.14. In order to ensure the efficiency of the Bank's activities, the General Manager of the Bank, Head of the IAD and external auditor may attend the meeting of the AC without the right to vote. The number of participants of the AC meeting shall be limited to those who are familiarized with the agenda or are responsible for the issue submitted for consideration.

3.15. In case the performance of any operation/transaction of the Bank has a conflict of interest for any of the AC members, his/her spouse or relatives, such AC member shall refuse to participate in the voting process, indicating the information on the conflict of interest in the minutes of the AC meeting. A transaction/deal in which a AC member has an interest must be approved by the BoD of the Bank.

4. FUNCTIONS AND DUTIES OF THE AUDIT COMMITTEE

4.1. The main functions of the AC are:

- a) defining accounting procedures and supervising their implementation;
- b) making recommendations to the BoD on the appointment of external auditors and, if necessary, initiating special audits of the Bank, engaging experts to assist the AC at the Bank's expense;
- c) supervising the implementation of the KR legislation, including NBKR NLA, and reporting on this subject to the BoD of the Bank;
- d) approval of the action plan for implementation of corrective measures in the Bank's internal control system and provision for measures to monitor the effectiveness and timeliness of their implementation.

4.2. In its activities, the AC may not be limited to performing the functions stipulated in clause 4.1 in order to ensure functioning of an adequate internal control system in the Bank.

4.3. The main responsibilities of the AC shall include consideration and decision-making on the following issues:

4.3.1 Internal Control

- 1) Consideration and analysis of the effectiveness of the bank's internal control system, including information technology security and control.
- 2) The AC should be aware of the content of the internal and external auditors' observations regarding the internal control system in the financial reporting process and receive reports on significant observations and recommendations together with the Bank's management responses.
- 3) To evaluate the availability of the necessary methods, tools and implemented procedures for identification, measurement, control and management of risks borne by the Bank Management.

- 4) To find out from the Bank's management, internal and external auditors the existence of significant risks in the Bank's activity and plans for their minimization.

4.3.2 Internal Audit

- 1) Review with management and the Head of IAD and CAO the Regulations on the Internal Audit Department, plans, activities, staffing, and organizational structure of the internal audit function.
- 2) Ensure there are no unjustified restrictions or limitations, and reviewing and approving the appointment, replacement, or dismissal of the IAD staff proposed by Head of IAD and CAO.
- 3) Review the effectiveness of the internal audit function, including compliance with NBKR requirements.
- 4) On a regular basis, to meet separately with the Head of IAD and CAO to discuss any matters that the committee or internal auditing believes should be discussed privately.

4.3.3 External Audit

- 1) To recommend to the BoD a candidate for external auditor and the amount of his/her remuneration based on the analysis of information on audit companies for subsequent submission to the General Shareholders Meeting.
- 2) Assess the independence of the external auditor, analyze other services provided by the audit company.
- 3) Assess the experience of the external auditor, the adequacy of the audit company's resources and the correctness of the audit's determination of the risk area.
- 4) Review the scope of work and approaches proposed by the external auditors, including coordination of interaction with internal audit.
- 5) Review the annual report of the bank and management letters prepared by the external auditor for submission to the BoD.
- 6) Ensure the rotation of the lead audit partner every five years, and consider whether there should be regular rotation of the audit firm itself, according to criteria (Attachment #1).
- 7) If necessary, arranging meetings separately with the external auditors to discuss any issues that in the AC' or auditors' opinion should be discussed individually.

4.3.4 Compliance

- 1) Review the effectiveness of the system for monitoring compliance with laws and NBKR NLA, the Bank's Charter, regulations and policies adopted by the BoD, reviewing the results of investigations and taking follow-up action (including disciplinary action) regarding any cases of non-compliance.
- 2) Defining procedures for: (1) the receiving, keeping, and processing of notifications received from employees regarding accounting, internal accounting reports, or audit issues; and (2) the confidential, anonymous submission of notifications by employees regarding concerns about questionable accounting or audit results.
- 3) Review the audit findings conducted by the NBKR, as well as audit observations.
- 4) Consideration of issues on compliance with ethical norms of the Bank's staff.

4.3.5 Financial Statements

- 1) Evaluate the internal control system that ensures the reliability and accuracy of financial information provided to the bank management, the NBKR, and external users;
- 2) Analyze significant accounting and reporting issues and understand their impact on the financial statements;
- 3) Evaluate annual financial statements, determine their completeness and appropriate reflection of information known to the Committee members;

4.3.6 Reporting Responsibilities

- 1) Regularly informing the BoD about AC activities, the Bank's compliance with legal or regulatory requirements, the performance and independence of the Bank's external auditors, as well as the results of internal audit activities.
- 2) Provide an open gate for communication between internal audit, the external auditors, and the BoD.
- 3) Annual Report to the BoD with information on the AC composition, responsibilities and relief of duties, and any other information.
- 4) Review any other reports and issues of the Bank that relate to AC responsibilities.

4.3.7 Other Responsibilities

- 1) To submit proposals to the BoD related to the recruiting and dismissing of the heads and staff of the internal audit.
- 2) To evaluate the professional preparation and the competence of the managers and staff of the internal audit.
- 3) To review jointly with internal and external auditors any facts of fraud, illegal actions, deficiencies in the internal control system and other similar issues.
- 4) Assess the efficiency of the activity of the Bank's management.
- 5) Initiating and supervising special investigations as needed.
- 6) If needed, reviewing non-financial reporting issues and providing recommendations in this area.
- 7) Reviewing and evaluating the adequacy of this Regulation as necessary, obtaining BOD approval for proposed changes, and ensuring adequate disclosure of information as required by KR legislation or NBKR NLA.
- 8) Perform other activities related to this charter as requested by the BoD.

5. RIGHTS AND RESPONSIBILITIES

5.1 To fulfill their duties, the members of the AC shall have the right to:

- 1) recommend to the BoD the candidates for the Bank's internal auditor.
- 2) receive any necessary information and reports related to the Bank's activities from the Bank's employees, the Bank's management and external auditor.
- 3) require or authorize the investigation of any matter within its area of responsibility.
- 4) recommend to the BoD a candidate for external auditor and the amount of his/her remuneration based on the analysis of information on audit companies for subsequent submission to the General Shareholders Meeting.
- 5) receive, if necessary, reports on the Bank's performance and recommendations of the internal auditor without the Bank management's visa, as well as management's plans for implementation of such recommendations.
- 6) request from the external auditor the work plan, conclusions and recommendations based on the results of the conducted audit.
- 7) if necessary, meet with Bank staff, external auditors, or external consultants.

5.2 AC members shall be responsible in accordance with the legislation of the Kyrgyz Republic for the decisions made and signed by them.

5.3 Members of the AC and persons invited to the meeting of the AC shall be personally responsible for non-disclosure of information obtained during participation in the work of the AC and constituting commercial/banking secrets.

5.4 During performance of duties of the AC members, as well as upon termination of the term of office in the AC, persons who are (were) members of the AC shall be obliged to comply with confidentiality requirements in respect of information received by them in connection with their activities in the AC.

6. COORDINATION WITH BOARD OF DIRECTORS, BANK MANAGEMENT, EXTERNAL AUDITORS AND INTERNAL AUDIT

6.1 The AC shall report to the BoD of the Bank on a regular basis on the work performed, but at least once a quarter. The AC provides recommendations to the BoD based on their review of the issues brought to the attention of the AC.

6.2 AC coordination is based on following principles:

- 1) Strict observation of AC Objectives, Rights and Responsibilities;
- 2) Monitoring and coordination internal audit's work , based on which AC may issue orders that are binding on the Bank;
- 3) Careful examination and analysis of reports of external auditors and NBKR;
- 4) Regular evaluation and monitoring of activity of Bank Management and other Bank's Committees through reports of external auditors, NBKR inspection and internal audit.

6.3 AC shall establish appropriate environment and procedures ensuring confidentiality and anonymity of receiving any information, recommendations and proposals related to financial statements, internal control system and other above stated issues.

7. FINAL PROVISION

7.1. Issues not regulated by this Regulation shall be regulated by the legislation of the Kyrgyz Republic, the Charter of the Bank, the Regulation on the BoD of the Bank, resolutions of the BoD of the Bank, and other IRDs of the Bank.

7.2. If as a result of amendments to the legislation of the Kyrgyz Republic and NBKR NLA some articles of this Regulation come into contradiction with them, these articles shall become invalid and until amendments to this Regulation are made, the Bank and Members of the AC shall be governed by the legislation of the Kyrgyz Republic and NLA of the Kyrgyz Republic.

7.3. Recognition of some clauses of this Regulation as invalid shall not entail invalidity of other clauses of this Regulation.

7.4. This Regulation shall be reviewed and / or updated in the process of changes in the activities of the AC or in the legislation of the Kyrgyz Republic, but at least 1 every 5 years.

7.5 This Regulation as well as amendments and additions to it shall be approved by the BoD of the Bank.

Attachment #1

Criteria for selecting an external auditor

Criteria for external auditors

1. Abbreviations and definitions used in this Annex:

The External audit of the Bank	The independent audit of the Bank activity with the aim of the opinion expression on financial statements reliability in all principal aspects in line with the International Financial Reporting Standard and other information according to the legislation of the Kyrgyz Republic.
The external auditor of the Bank	Independent auditing firm (including its auditors, involved into the auditing group), developed in accordance with the requirements of the legislation of the Kyrgyz Republic.

The external audit of IT systems	Independent verification by external audit of the technical regulations and requirements of the Bank, providing the information protection and Bank systems itself from the unauthorized interference and other threats (risks).
Conflict of interest	The situation, where the interest of the external auditor of Bank may influence on his opinion about the reliability of the Bank financial statements;
The independence of external auditor of the Bank	The ability of the external auditor of the Bank to act independently from somebody' influence regarding its opinions, conclusions and in conditions, excluding any outside influence on opinions of external auditor of the Bank.

2. External auditor preference and requirements

- 2.1. The selection of the auditing firm is carried out by the Bank individually, in compliance with the requirements of the legislation of the Kyrgyz Republic.
- 2.2. The Commercial offers collection procedure from auditing firms is performed by the Bank IAD on the yearly base. The IAD prepares letters – notifications indicating the volume, character and terms of auditing works performance, indicating the deadline of providing the commercial offers by the auditing firms. At the emailing the inquiry letters, preference is given to companies, that are the representatives of Big Four. At the end, the commercial offers shall be obtained and submitted for consideration no less than three audit firms in order to choose the most appropriate audit company on the base of the quality of the external audit of the Bank. Then, the IAD prepares a consolidated table with the costs, the scope of the audit (including compliance with the requirements of legislation of the KR), the qualitative composition of the audit team and the experience, specifying the completed projects. At that, the Bank is entitled to request the auditing firm for discounts and obtaining improved commercial offers in turn IAD indicates this information in the consolidated table for the Board of Directors.
- 2.3. On the base of provided information by IAD the Board of Directors selecting the audit firm and auditors for the submission on the General Shareholders Meeting. When choosing the auditing firm the Board of Directors based on the actual successful projects of auditing firm, its image, position in auditing services market and team experience.
- 2.4. Not later than ninety working day prior to the General Shareholders Meeting the Bank notifies the National Bank on auditing firm and auditors. The National Bank has the right to reject the auditing firm and auditors who did not meet the established requirements and inform the Bank in ten working days.
- 2.5. The external auditor of the bank can be only auditing firm that has the appropriate license with the right to perform the bank audit on the territory of the Kyrgyz republic and meet the requirements of this Regulation.
- 2.6. The external auditor shall be in line with the restrictions, established by the legislation of the Kyrgyz Republic and legal regulatory acts of the National Banks.
- 2.7. The External auditor of the Bank shall stay independent, reliable, avoid the situations that give the reasons for the conflict of interest.
- 2.8. The external auditor must be independent from the Bank, which means the ability to act independently, regardless of somebody' influence on the results of the audit opinions,

conclusions, and conditions that excluding any outside influence on the expression of the external auditor their views. In the agreement for the external audit should be reflected the statement of the auditing firm that the audit organization itself or any of its auditor, or another employee, included in the audit do not have any interest in the Bank, is independent and not bound by any relations with the Bank and its officials.

2.9. Bank within three working days must notify the national Bank in writing:

a) about the selection (appointment) of the external auditor of the Bank or the bank group upon decision by the General Shareholders Meeting of the Bank;

In this notice shall be indicated the license (license number, date of issue, validity, issuing authority), the legal address, including phone numbers of auditing firm , full name of head of the audit company;

6) about change of external auditor of the Bank and its reasons, if the change of the external auditor of the Bank occurred during the external audit of the Bank.