

SBERBANK

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Sberbank Internal Audit Regulations

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1. GENERAL PROVISIONS

1.1. These Regulations establish the goals, objectives, principles, functions and other aspects of operations of the Internal Audit of Sberbank (hereafter, the Bank).

1.2. In its proceedings, the Internal Audit will be governed by federal laws On Banks and Banking № 395-1 d/d 02/12/1990 and On the Central Bank of Russian Federation (hereinafter – Bank of Russia) № 86-FZ d/d 10/07/2002, Regulation of the Bank of Russia on Organizing the Internal Control in Credit Organizations and Bank Groups № 242-P d/d 16/12/2003, as well as other regulations, the Bank’s Articles of Association, decisions of the Bank’s Supervisory Board, Executive Board and Chief Executive Officer, Chairman of the Executive Board of the Bank (hereafter, the Bank’s CEO), the Bank’s internal regulations, and these Regulations.

1.3. In its proceedings, the Internal Audit will use the best internal auditing practices and international standards for the professional practice of internal auditing developed by the Institute of Internal Auditors Inc. (Standards, Definition of Internal Auditing, and Code of Ethics).

1.4. The Bank’s CEO and the Head of the Internal Audit (hereafter, the Internal Audit Head) will be responsible for the efficient proceedings of the Internal Audit.

1.5. The Internal Audit will be guided by the principles of operational continuity, independence, impartiality, integrity, objectivity and professional competence.

1.6. The Internal Audit will audit all lines of the Bank’s business. It may audit any department or staff member of the Bank or Group entity.

1.7. Internal auditing functions at Group entities will be subject to a separate regulation of the Bank.

2. ORGANISATION STRUCTURE

2.1. The Internal Audit will be functionally subordinate to the Supervisory Board of the Bank and administratively to the Bank’s CEO.

2.2. The Internal Audit comprises the Internal Audit Division of the Head Office (hereafter, Internal Audit Division) and Internal Audit Units of regional banks (hereafter, Internal Audit Units). Staff numbers, organisation structure and technical facilities of the Internal Audit will be subject to the nature and scope of the Bank’s transactions and the level and combination of multiple risks.

2.3. Head of the Internal Audit Division is the Head of the Internal Audit.

2.4. The Supervisory Board of the Bank will decide on the appointment and dismissal of the Internal Audit Head. Based on the resolution of the Supervisory Board, the Bank’s CEO issues the order for the appointment or dismissal of the Head of the Internal Audit Division.

2.5. The Bank’s CEO will approve the organisation chart and staff numbers of the Internal Audit Division and Internal Audit Units on recommendation of the Internal Audit Head.

2.6. Management of regional banks shall not amend the organisation chart or staff numbers of Internal Audit Units.

2.7. The Internal Audit Division will act in accordance with the Regulations on Internal Audit Division approved by the Bank’s CEO.

2.8. Internal Audit Units will act in accordance with the Regulations developed on the basis of standard-type Regulations on Internal Audit Units of regional banks and approved by the Internal Audit Head.

2.9. Heads of Internal Audit Units and their deputies will be on the staff list of the Bank's Head Office and will be appointed and dismissed by an order of the CEO on recommendation of the chairmen of the regional banks agreed with the Internal Audit Head.

2.10. The staff of Internal Audit Units who are not on the staff list of the Bank's Head Office will be appointed and dismissed by an order from the chairman of a regional bank where they are employed, subject to an approval from the Head of the Internal Audit Unit for that particular regional bank.

2.11. Salaries, bonuses, incentives and disciplinary actions with regard to Internal Audit staff will be subject to a memorandum of the Department head on whose staff list they appear, subject to an approval from the head of the relevant Internal Audit unit.

2.12. In the event of disagreement between the Chairman of a regional bank and the head of an Internal Audit Unit on any issues listed in Clause 2.10, they will be referred to the Internal Audit Head; in case of disagreement between the Chairman of the regional bank and the Internal Audit Head, they will be referred to the Bank's CEO.

3. OPERATIONAL PRINCIPLES

3.1. Operational continuity

3.1.1. The Internal Audit operates on an ongoing basis.

3.1.2. Internal Audit units are on the Bank's organisation chart.

3.2. Independence and impartiality

3.2.1. The Bank will take action to ensure that the Internal Audit is independent and impartial and to create an environment for unconstrained and efficient operations of the Internal Audit.

3.2.2. The Internal Audit Head will be administratively subordinate to the Bank's CEO. The Internal Audit will be subordinate to the Internal Audit Head and the Bank's CEO.

3.2.3. No individual who combines offices can be the Internal Audit Head.

3.2.4. The Internal Audit is independent in its activities from other departments of the Bank and has a vertical subordination structure: the Head of an Internal Audit Unit of a regional bank will report to the Internal Audit Head.

3.2.5. The Internal Audit Head may contact directly with the Supervisory Board of the Bank and report any issues related to the Internal Audit activities as well as his/her own suggestions as to how they could be addressed. He/she may disclose such information to the Bank's Executive Board and the CEO.

3.2.6. The head of an Internal Audit Unit may contact directly with the Chairman of the regional bank to expeditiously address any issues arising in the course of the Internal Audit Unit activities.

3.2.7. The Internal Audit will monitor the efficiency of any actions taken by departments and managing bodies of the Bank to mitigate any identified risks or will document any decisions made by the heads of the relevant department and/or managing bodies on the acceptability or combination of any identified risks for the Bank.

If the Internal Audit Head believes that the heads of a department and/or managing bodies have accepted a risk that is unacceptable to the Bank or that the controls are inadequate to the level of that risk, the Internal Audit Head must advise the Bank's Supervisory Board and the CEO.

3.2.8. The Internal Audit Head must not assume any duties that are not associated with internal audit functions. No departments or staff whose activities are not associated with internal audit functions must be employed by the Internal Audit.

3.2.9. The Internal Audit Head or heads of the Internal Audit Units must not serve as functional managers of any other units of the Bank. Internal Audit staff must not combine their activities with any activities in any other departments of the Bank.

3.2.10. Internal Audit staff must not engage in any banking transactions or other deals or transact any business that is subject to audit.

3.2.11. The Internal Audit Head / his / her deputies and Internal Audit staff members who earlier occupied other offices at other departments of the Bank must not be involved in the auditing of any activities or functions they transacted / performed during the period in review and twelve months after they ceased such activities or functions.

3.2.12. The Internal Audit Head (or his/her deputies) and Internal Audit staff must not sign or initial on behalf of the Bank any payment / settlement or accounting documents or any other documents whereby the Bank accepts any bank risks.

3.2.13. The Bank will ensure that the Internal Audit reaches its objectives unaffected by any interference from any managing bodies, departments or staff that are not the staff of the Internal Audit.

3.2.14. The Internal Audit Head will advise the Bank's CEO and (if needed) the Supervisory Board of the Bank of any obstacles in the functioning of the Internal Audit.

3.2.15. Internal Audit staff must be objective and unbiased in their work, avoiding any conflict of interest. The Internal Audit Head must take organisational action to prevent any potential or existing conflicts of interest and biased approaches.

3.2.16. The Internal Audit will independently develop its internal guidelines and organisation documents on the methodology and technology of auditing and other controlling actions. The Internal Audit is under no obligation to agree such documents with any departments subject to auditing.

3.3. Integrity and objectivity

3.3.1. In the course of their operations, Internal Audit staff will be guided by the Code of Ethics that establishes professional and practical principles of internal audit (integrity, objectivity, confidentiality and competence) and the rules that define the behaviour of Internal Audit staff.

3.3.2. Internal Audit staff must rule out any bias, conflict of interest, their own or other party's interests as the factors affecting the objectivity of their professional judgement in the course of auditing.

3.4. Professional competence

3.4.1. The Internal Audit Head must meet the qualification requirements established by the relevant Bank of Russia regulation and Clause 1 of Article 16 of the federal law On Banks and Banking № 395-1 d/d 02/02/1990.

3.4.2. Internal Audit staff as a team must have or acquire the knowledge, skills and other competences required for their work.

3.4.3. The Internal Audit Head and Internal Audit staff must hone their knowledge, skills and other competences through ongoing professional development.

4. GOALS, OBJECTIVES AND FUNCTIONS

4.1. The main goal of the Internal Audit is to assist the Bank's managing bodies in meeting their targets and ensuring that the Bank performs efficiently.

4.2. The objectives of the Internal Audit are to provide the management bodies of the Bank with the efficiency assessments of internal control, risk management and corporate governance systems and to make the recommendations for their improvement.

4.3. The Internal Audit shall perform the following internal audit functions:

4.3.1. Audit and assess the efficiency of the internal control system in general terms and how the decisions of the Bank's managing bodies are put in practice

4.3.2. Assess the efficiency of the risk management system, as well as audit the methodology of bank risk assessment and risk management procedures as they are established by the Bank's internal regulations (guidelines, programmes, rules, etc.) and assess the extent of their application in practice.

4.3.3. Audit the reliability of controls over automated information systems and the integrity of databases and their protection from unauthorised access and/or use, including emergency and recovery planning to ensure continuity.

4.3.4. Audit and test the reliability, completeness and timeliness of accounting and how reliable (including how accurate, complete and timely) data acquisition and reporting are.

4.3.5. Audit the existing modes / methods of the Bank's property protection

4.3.6. Assess the economic feasibility and efficiency of the Bank's transactions and other deals

4.3.7. Audit internal control processes and procedures

4.3.8. Audit the operations of the Bank's Internal Control and Risk Management functions

4.3.9. Corporate governance assessment

4.4. To carry out the internal audit functions, the Internal Audit:

4.4.1. Performs scheduled (review, auditing and monitoring) and non-scheduled control procedures (auditing on instruction of the Bank's management or management of regional banks; or on the initiative of the management of the Internal Audit units). A detailed process that describes control procedures¹ and cooperation between other units with internal control functions during the audit as well as the procedure for controlling any actions taken to eliminate any breaches identified by the Internal Audit (including re-auditing) will be subject to specific Internal Audit regulations.

4.4.2. Audits Group entities, identifies and analyses issues related to their operations; assesses internal control procedures, risk assessment methodologies and risk management

¹ Targets and methods; arrangement and scheduling of audits; key stages, formats of working papers and reports, implementation procedures.

procedures and develops internal audit policies and standards in member organizations of the Group.

4.4.3. Notifies the Bank's managing bodies / chairmen of regional banks on audit results. For the purposes of developing the internal control system at the Bank through addressing system issues and eliminating any breaches and shortcomings identified in the course of control procedures, standing collective bodies / committees will be established at the Head Office and regional banks to review audit results. The composition and activities of such collective bodies will be subject to specific regulations of the Bank.

4.4.4. Monitors the internal control system on an ongoing basis. The periodicity of monitoring various banking activities will be subject to the relevant bank risks, the frequency and nature of changes in the banking business of the Bank. Monitoring results will be brought to the attention of the relevant managers of the Bank / its departments.

4.4.5. Analyses channels for theft and abuse and develops methods to identify and prevent them in a timely manner

4.4.6. Works with the Audit Chamber of the Russian Federation, Bank of Russia, the Bank's external auditor within the remit of the Internal Audit and supports the audits performed by these bodies in accordance with the responsibilities set forth in the regulations of the Bank.

4.4.7. Generalises and analyses the results of the Bank of Russia audits, systematises any breaches, errors and omissions identified in the activities of the Bank's departments and ensures that such breaches are eliminated

4.4.8. Reviews claims, letters and requests from customers and the Bank's staff in the remit of the Internal Audit.

4.4.9. Arranges for an independent channel for the Bank's staff (including anonymous) to report any unlawful acts, that might result in the breaches of the rules and financial losses and/or reputation risks for the Bank.

4.4.10. Acting within its remit, engages in reviewing drafts of internal regulations, assessing their conformity to the regulations as well as the feasibility, adequacy and efficiency of internal control procedures

4.4.11. Ensures the development and update of Internal Audit regulations and methodology documents

4.4.12. Engages in creating Internal Audit products, services and technologies

4.4.13. May engage in the certification of any existing or new software

4.4.14. Ensures the maintenance of a single information system with the audit data, issues identified in internal control, risk management and corporate governance systems as well as any breaches, shortcomings and corrective actions

4.4.15. Develops and applies automated control procedures in its activities

4.4.16. Consults the Bank's executive bodies on improving internal control, risk management and corporate governance processes. The Internal Audit will provide such consultancy services based on the audit results provided that the Internal Audit retains its independence and objectivity and is not involved in any management decisions.

4.4.17. Ensures that audit procedures are coordinated with other departments of the Bank with controlling functions

4.4.18. Selects skilled experts and arranges for a process of ongoing training for Internal Audit staff

4.4.19. Fosters the development of corporate culture amongst Internal Audit staff

4.5. Internal Audit Division shall assess the efficiency of audit procedures and activities of Internal Audit Units.

5. SCHEDULING INTERNAL AUDIT ACTIVITIES

5.1. The Internal Audit Head will present to the Bank's Supervisory Board an Audit Plan for one year² and will advise of any material constraints on the Internal Audit authorities or budget that may adversely affect the internal audit function.

5.2. Based on the Internal Audit Head's proposal, the Supervisory Board of the Bank will approve the Audit Plan for one year.

5.3. The Audit Plan of Internal Audit Division is developed based on the Audit Plan of the Internal Audit approved by the Supervisory Board for one year and approved by the Bank's CEO.

5.4. The Audit Plan of Internal Audit Units is developed based on the Audit Plan of the Internal Audit approved by the Supervisory Board for one year and approved by the Internal Audit Head.

6. REPORTING

6.1. The Internal Audit Head will present Internal Audit progress reports on the Audit Plan for one year (approved by the Supervisory Board) as well as the Bank's audit results for the first six months, nine months and twelve months, to the Supervisory Board.

6.2. In the reports prepared by the Internal Audit for the Supervisory Board of the Bank, the Internal Audit Head provides information on shortcomings detected in the internal control, risk management and corporate governance systems, as well as on the actions taken to eliminate these shortcomings.

6.3. A copy of the information referred to in Clause 6.1 will be delivered to the Board and the CEO of the Bank.

7. RIGHTS, OBLIGATIONS AND LIABILITIES OF INTERNAL AUDIT STAFF

7.1. Internal Audit staff may

- Access the relevant information at the disposal of the Bank and its departments, including any documents, information systems, databases and registers directly related to the Bank's business. If needed, access will be formalised in accordance with the procedures of the Bank.

- Access any premises of the department subject to auditing, including archives, storerooms with cash and valuables, operations rooms, cash desks, computer rooms in the presence of managers and staff of the relevant department

- Retrieve documents and copies and any other information from the Bank's information systems for the purposes of auditing under Russian law and the regulations of the Bank on restricted information access

² The audit schedule of the Service is developed based on the frequency of the audits and the coverage defined by the regulations of the Bank of Russia.

- Inspect the contents of storerooms, vaults and the Bank's staff workstations and seal such storerooms, warehouses and other premises

- Request oral and written clarifications from the Bank's staff on any issues arising in the course of audit as well as have unconstrained access to documents and other information required for an audit

- Demand that the managers of audited departments suspend the related employees in accordance with the Bank's procedures if a failure to do so might result in a loss of money, valuables or documents or may facilitate abuse

- Involve staff from other Bank departments for auditing purposes

- Request the relevant information in accordance with the procedures in place from other institutions, companies and entities

- Suggest actions against any defaulting officers to the management of the Bank / regional bank

- Engage in the proceedings of the Executive Board of the Bank and the Boards of regional banks, Boards of head branches, collective bodies of the Bank and regional banks with an advisory vote but no right to vote on any issues

7.2. institutions staff must:

- Be guided by Russian law, statutes and the Bank's regulations

- Be guided by the Code of Ethics

- Perform their duties as they are stated in their job descriptions in a due manner

- Ensure the safety of any documents, files and notes and return any originals they may have received

- Promptly notify the Internal Audit Head of any identified risks, breaches and shortcomings under the Bank's regulations and of any situations whereby the management of the Bank's unit or managing bodies have assumed an unacceptable risk or if controlling action is inadequate to the level and combination of these risks

- Keep any information received confidential

- Notify the Internal Audit Head of any situations that prevent them from performing their functions.

7.3. Internal Audit staff will be responsible for:

- The professional level and quality of their work as well as the completeness, impartiality and objectivity of assessment

- Any wilful distortion or concealment of theft, breach or abuse

- Any disclosure of information on the Bank's staff members or customers that may have come to their knowledge in the course of duty.

Definitions of terms

Bank group (the Group): an association of legal entities which is not a legal entity in itself, in which one or several entities (bank group members) are controlled or significantly influenced by one credit institution (head credit institution of a bank group).

Internal control: activities transacted by the Bank's managing bodies, departments and staff to ensure:

- Efficient financial and business performance in banking transactions and other deals; efficient asset and liability management, including the safety of assets and bank risk management
- Reliable, complete, objective and timely compilation and delivery of financial, accounting, statistical, other reports as well as information security
- Compliance with regulatory acts, standards of self-regulating entities, the Bank's Charter and internal regulations
- That the Bank and its staff do not become involved in any unlawful activities, including money laundering and terrorism financing and that any relevant information is submitted to Government agencies and the Bank of Russia in a timely manner in accordance with the laws of the Russian Federation.

Code of ethics: a document establishing the principles related to the profession and practice of internal audit as well as behaviour rules for Internal Audit staff.

International standards for the professional practice of internal auditing (internal audit standards): an official professional regulation published by the Institute of Internal Auditors, setting forth internal audit requirements on a wide range of issues and internal audit assessment requirements.

The Bank's managing bodies: the general meeting, the Supervisory Board, the Executive Board (a collective body) and the Chief Executive Officer, Chairman of the Executive Board of the Bank (a sole executive body).

Definition of internal auditing: Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Internal control system: a set of bodies and lines of internal control ensuring that the targets established by Russian law and the Bank's constituent documents and internal regulations are achieved through a specific procedure.

Internal audit: a set of the Bank's units (Internal Audit Division of the Head Office and the relevant internal audit units of the regional offices) operating under Sberbank Internal Audit Regulations.

The Bank's regional office / office: a regional bank of the Bank

Abbreviations

Bank: Sberbank

CEO: the Chief Executive Officer, Chairman of the Executive Board of Sberbank

Group: the Sberbank group

Group entity: a member of the Sberbank Group

Internal Audit Division: the Internal Audit Division in the Head Office of Sberbank

Internal Audit Unit: an Internal Audit Department in a Regional Bank of Sberbank