

- To ensure a close link between auditing and the Bank's technological transformation, including in the banking sphere;
- To develop new audit formats: remote and thematic in terms of individual processes;
- To ensure that the internal audit methodology and personnel are up to the task in terms of new technological and organisational challenges.

The Internal Audit Department's organisational structure comprises a number of units responsible for auditing the lending process, non-credit business processes, regional divisions, digital auditing of processes and information technologies, as well as auditing within the Group. To improve the effectiveness of the monitoring of the internal control system in the Bank's regional branches, the structure of the Internal Audit Department includes dedicated internal control teams at the branch level.

In 2019, the Internal Audit Department conducted 36 scheduled audits and control measures, including 17 audits of various activities within the parent company and 19 audits of operations in the Bank branches. In addition, as part of its ongoing monitoring, Internal Audit Department staff members conducted 869 thematic audits at the branch level.

In addition to conducting audits and monitoring the Bank's internal control system, the Internal Audit Department's priority is operational oversight as well as the coordination and maintenance of the same level of practice and competencies in terms of internal audit within subsidiaries. In 2019, the Department carried out 20 control measures related to the Group's subsidiary companies and banks. The Internal Audit Department also regularly analyses reports on the work of Group companies' internal audit services. To enhance the level of professionalism and improve the exchange of experiences, on-the-job training is provided for staff from the internal audit services within Group companies, including the involvement of VTB Group functional coordinators.

The Internal Audit Department liaises with the Audit Committee and independent auditors, providing information on the internal control system and reporting any shortcomings during the audit period.

In 2019, PwC conducted an external independent assessment of the internal audit function in terms of its compliance with international professional standards in the context of oversight recommendations and the requirements of the *Bank of Russia* and the *Federal Agency for State Property Management*. The assessment concluded that VTB's internal audit function is fully compliant with international standards and with the Internal audit code of ethics. The high level of maturity of the Internal Audit Department was noted in terms of its objectivity, professionalism and use of advanced approaches and technologies.

COMPLIANCE CONTROL

The Compliance Control and Financial Monitoring Department assists the Bank's governing bodies with the effective management of regulatory (compliance) risks (risks resulting in losses due to non-compliance with the legislation of the country of registration, the Bank's regulations, standards for self-regulatory organisations, as well as the risk of losses resulting from the application of sanctions and/or the impact of other measures on the part of the supervisory authorities).

Regulatory risks also include the risks of money laundering and the financing of terrorism (AML / CFT), as well as financing the spread of weapons of mass destruction (WMD).

The Compliance Control and Financial Monitoring Department:

- Ensures a unified approach to internal (compliance) control, AML / CFT and preventing the spread of WMD within VTB Group's credit and non-credit financial organisations;
- Carries out the functional coordination of the activities of credit and non-credit financial institutions that are part of VTB Group in fulfilling their requirements in terms of internal (compliance) control, compliance with international sanctions concerning AML / CFT and the spread of WMD in accordance with the basic principles of managing VTB Group and taking into account the legislative provisions in the country of registration / location of the relevant VTB Group credit or non-credit financial institution.

MAIN TASKS IN TERMS OF INTERNAL (COMPLIANCE) CONTROL

- Ensuring that the activities of VTB Group credit and non-credit financial institutions are in compliance with the legislation of the country of registration, internal regulations, standards of self-regulatory organisations and common business practices;
- Ensuring effective management and minimisation of regulatory (compliance) risk and monitoring the performance of the regulatory (compliance) risk management;
- Coordinating and participating in the development of a set of measures aimed at reducing the level of regulatory (compliance) risk;
- Creating and maintaining an effective system of governance information and reporting;
- Coordinating activities undertaken to meet the requirements of the United States Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standard (CRS);
- Preventing the involvement of VTB Group companies or employees in unlawful activities (including corruption, improper use of insider information, market manipulation, etc.).

MAIN TASKS IN TERMS OF INTERNAL CONTROL FOR THE PURPOSES OF AML / CFT AND PREVENTING THE SPREAD OF WMD

- Ensuring compliance with legislation in the area of AML / CFT and in terms of preventing the spread of WMD;
- Organising an effective internal control system for AML / CFT and for preventing the spread of WMD that is aimed at strengthening VTB Group's position in financial markets, expanding the scale of its business, and improving the performance of operations and the quality of customer service;

- Minimising the risk of customer transactions involving money laundering or terrorist financing, as well as the risk of non-compliance with international sanctions;
- Avoiding involving VTB Group employees in money laundering, the financing of terrorism and the financing of the spread of weapons of mass destruction.

In the context of measures aimed at the effective development of the systems of internal (compliance) control and AML / CFT and preventing the spread of WMD within VTB Group, the Compliance Control and Financial Monitoring Department interacts with the Coordination Commission on Compliance and Internal Control for the Purpose of Preventing Money Laundering and the Financing of Terrorism (under the VTB Group Management Committee), which includes the following tasks:

- Developing common principles and standards;
- Introducing best practices within VTB Group;
- Sharing information among VTB Group companies and coordinating those companies;
- Improving the general professional capacity of experts.