

JOINT-STOCK COMPANY "CREDIT EUROPE BANK"

APPROVED
By the decision of the Supervisory Board
JSC "CREDIT EUROPE BANK"
Protocol No. 08-24
dated "21" June 2024.
Chairperson of the Supervisory Board
JSC "CREDIT EUROPE BANK"
Mehmet Güleşci

Regulation on the Internal Audit Department

Kyiv, June 2024

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1. Introduction

The Regulation on the Internal Audit Department of JSC "CREDIT EUROPE BANK" (hereinafter referred to as the Bank) defines the standards of activity, responsibilities, and requirements for the organisation of the Internal Audit Department (hereinafter referred to as the IAD) and its functioning in the Bank. This means that internal audit activities are based on risk identification and must comply with international and national standards to ensure high quality of performance of its functions.

Definition.

The Bank	JSC "CREDIT EUROPE BANK", acting under the laws of Ukraine, is registered at 42-44 Shovkovychna Str., Kyiv, 01024, Ukraine;
CEB NV	Credit Europe Bank N.V. (the parent bank), registered in Amsterdam, the Netherlands;
Supervisory Board	Supervisory Board of the Bank;
Management Board	Management Board of the Bank;
Head of Internal Audit	Head of Internal Audit of the Bank;
Group Head of Internal Audit	Head of Internal Audit at CEB NV.
NBU	National Bank of Ukraine

The content of this Regulation shall be communicated to all managers and employees of the Bank and posted on the Bank's website for all interested parties of the Bank to review.

2. General Provisions

- 2.1. The Regulation on the IAD (hereinafter referred to as the Regulation) is the main document that defines its status, structure, powers, main function, objectives and tasks.
- 2.2. The Bank's structure of risk management and internal control is organized according to the three line model. Business departments/units form the first line. The second line consists of risk management and compliance. As the third line, IAD regularly reviews and assesses the effectiveness, of the risk management and internal control systems and comprehensiveness and adequacy of the Bank's corporate governance.
- 2.3. IAD is organized separately and independent from other departments/units. IAD operates based on internal regulations and administrative acts, the NBU's regulatory documents, and Ukraine's current legislation. Main guidance in relation to IAD's activities are as follows:
 - The Law of Ukraine "On Banks and Banking Activities" No. 2121-III dated 07.12.2000 (as amended);
 - The Regulation on the Organisation of Internal Audit in Ukrainian Banks, approved by the NBU Board Resolution No. 311 dated 10.05.2016;
 - The Regulation on the Organisation of the Risk Management System in Ukrainian Banks and Banking Groups, approved by Resolution of the NBU Board No. 64 dated 11.06.2018;
 - The Regulation on the Organisation of the Internal Control System in Ukrainian Banks and Banking Groups, approved by Resolution of the NBU Board No. 88 dated 02.07.2019;
 - The Law of Ukraine "On Prevention and Counteraction to Legalisation (Laundering) of Proceeds of Crime, Terrorist Financing and Financing of the Proliferation of Weapons of Mass

Destruction" No. 361-IX of 06.12.2019 (as amended);

- The Bank's Charter and Code of Conduct;
- The Regulation on the Internal Audit Department;
- Group Internal Audit Manual and Code of Ethics of the IAD of CEB NV;
- Internal Labour Regulations and other administrative and internal regulatory documents;
- International Standards for the Professional Practice of Internal Auditing, adopted by the International Internal Auditing Standards Board (IIASB) and approved by the International Professional Practices Framework Oversight Council (IPPFOC) (hereinafter referred to as International Standards on Auditing).

2.4. The IAD is:

- directly subordinated to the Chairperson of the Supervisory Board with an administrative reporting line to the Chairperson of the Management Board and a functional reporting line to the Group Head of Internal Audit;
- organized on a continuous basis and independent from the operating activities, internal control processes, and from day-to-day control.
- carries out its activities in compliance with this Regulation, the Regulation on the Organisation and Conduct of Audits and the International Standards on Internal Auditing.

2.5. In relation to IAD's activities, the Supervisory Board:

- together with the Management Board, provides the IAD with all necessary financial and other resources to perform its tasks;
- ensures and annually evaluates the effective functioning of the internal audit function, including assessing the quality of its work, monitoring the implementation of the internal audit plan, the adequacy of resources for the performance of its function, confirming that the Head of Internal Audit meets the qualification requirements, and the access of IAD employees to information and documents is secured (key performance indicators);
- approves the number and salaries of IAD employees in accordance with the staffing table;
- obliges the Bank's employees to provide the IAD with all information necessary for the conduct of internal audits and to fully facilitate its activities.

2.6. The heads of the other departments/units have no right to influence the scope and content of the audits conducted by the IAD in any way.

2.7. The functional duties, rights and responsibilities of IAD employees, qualification requirements, as well as the procedure for replacing an employee during his/her temporary absence are determined by this Regulation and their Job Description.

2.8. Objectivity requires IAD employees to conduct their activities impartially, without being influenced by third parties, and to avoid conflicts of interest.

2.9. Upon appointment, all IAD employees sign an obligation to maintain banking secrecy, as well as an obligation not to disclose or use for their own or third parties' benefit any trade secrets and confidential information that they become aware of in the course of their duties.

2.10. All IAD employees must be familiarised with this Regulation against their personal signature.

2.11. The Head of Internal Audit ensures that measures are taken to mitigate the risks of impact on the independence and/or objectivity of IAD employees. Threats to independence should be controlled at the level of each IA employee, audit engagement, as well as at the functional and organisational levels.

3. Main tasks

3.1. Internal audit is an independent function responsible for reviewing and evaluating organisational arrangements and controls. The internal audit function is an objective and independent assessment function that reviews and evaluates the systems, processes and controls. Internal audit is organised in such a way as to add value to the organisation and achieve improvements in its performance. Internal

audit helps an organisation achieve its objectives by adding a systematic, disciplined approach to assessing and improving the effectiveness of risk management, controls and governance processes.

- 3.2. The objective of the internal audit function is to enhance and protect the value of the organisation by providing objective assurance, recommendations and adequate evaluation based on a risk-based approach. The internal audit function assists in achieving and maintaining sound management and control and achieving its business goals and objectives by assessing the functioning and efficiency of business departments/units, risk management and compliance. The main objective of the internal audit function is to provide all levels of the management and other stakeholders with sufficient, relevant and useful information that will help them to assure:
- the achievement of the organization's objectives;
 - compliance with laws, regulations, policies, procedures and contracts;
 - the safeguarding of assets;
 - the effectiveness and efficiency of operations, risk management, compliance, control and governance processes;
 - the reliability and integrity of financial and operational information.

4. Areas of activity

- 4.1. The internal audit function is responsible for conducting internal audit activities in accordance with this Regulation.
- 4.2. The Head of Internal Audit determines the strategy and principles of internal audit, ensures the application of uniform methodological principles, comparability of results and consistency in the course of internal audit.
- 4.3. The IAD will review and assess the organisational arrangements and internal controls. The scope covers any process and any department/unit, including the compliance and risk management function as well as the branch organized within the head-office.
- 4.4. The IAD has access to all departments/units, managers, processes and information within the Bank.
- 4.5. The IAD communicates and standardises internal audit activities by taking into account the policies, procedures and practices established by the internal audit function of CEB NV and shall report functionally to the Group Head of Internal Audit. The internal audit function of CEB NV may assist in the conduct of internal audits and IT audits.
- 4.6. Identified deviations and control deficiencies in the organisational structure and control mechanisms and/or their functioning are reported and discussed with the management responsible for the relevant process.
- 4.7. The audit results are reported to the Management Board and Supervisory Board in writing.
- 4.8. The Management Board ensures that identified deviations and control deficiencies in the organizational structure and control mechanisms and/or their functioning are properly and timely corrected. The IAD is involved in monitoring the implementation of recommendations and reports on the implementation of recommendations to the Management Board and Supervisory Board.
- 4.9. The financial statements are audited by an external auditor. The internal auditor is responsible for its own judgements and estimates. The internal and external auditors may identify similar or related risks.
- 4.10. The IAD meets regularly with the external auditors and provides its internal audit reports to the external auditor.
- 4.11. The IAD may carry out consulting activities at the request of the Supervisory Board and/or the Management Board.
- 4.12. Consulting services, if any, should be clearly defined and conducted in accordance with the Institute of Internal Auditors' standards for consulting services. As a principle for consulting engagements the documentation, procedures and instructions used are applied as if it is an assurance engagement, except for the audit rating of the results. Moreover, other exceptions may be applicable and important deviations need to be properly documented. The provision of consulting services shall be pre-approved

- by the Supervisory Board, Group Head of Internal Audit and Audit & Risk Committee of CEB NV.
- 4.13. The IAD may initiate the involvement of employees of other departments/units for internal audit, provided that they have the knowledge and experience required to perform certain internal audit tasks and in case of approval of such involvement by the Supervisory Board and Group Head of Internal Audit.
 - 4.14. The Head of IAD holds a closed meeting with the Supervisory Board once a year.

5. Accountability, independence and objectivity

- 5.1. The IAD operates separately from the controls that are an integral part of the organisation's various business processes. The IAD assesses the functioning and efficiency of business departments/units and compliance and risk management activities and reports administratively to the Chairperson of the Management Board and functionally to the Chairperson of the Supervisory Board and Group Head of Internal Audit.
- 5.2. The organisational status of the IAD should ensure its independence, the possibility of free and objective performance of its duties, provision of fair and unbiased opinions on the audit results, adequate consideration and appropriate decisions by the management.
- 5.3. The organisational structure and number of staff of the IAD shall be determined by the Supervisory Board upon submission of the internal audit plan by the Head of Internal Audit. The internal audit plan takes into account the size and types of the Banks' activities and the level of risks to which the Bank may be exposed in the course of its activities. The internal audit budget set by the Supervisory Board is to be sufficient for an effective organisation of the internal audit function and the execution of the annual internal audit plan.
- 5.4. The IAD staffing table shall be approved by the authorised person/management of the Bank in accordance with the procedure established by the current legislation of Ukraine, the Bank's Charter and other documents of the Bank upon submission of the Head of Internal Audit. Increase or reduction of the number of IAD staff shall be approved by the Supervisory Board.
- 5.5. The Supervisory Board, upon recommendation of the Group Head of Internal Audit, approves the terms and conditions of employment contracts, the amount of remuneration, incentive and other compensation payments to the Head of Internal Audit/IAD employees. Remuneration conditions of the IAD employees should not create a conflict of interest or jeopardise the independence and objectivity of the IAD activities but should contribute to the IAD being staffed with professional and qualified employees.
- 5.6. The IAD's organizational status should ensure its independence, the possibility of free and objective performance of its duties, the provision of fair and impartial opinions on the internal audit results, their adequate consideration, and appropriate decision-making.
- 5.7. The Head of Internal Audit informs the Chairperson of the Management Board of the internal audit results and provides recommendations for eliminating deficiencies and improving work. Informing the Supervisory Board of the audit results is carried out in accordance with clauses 5.8 and 5.10 of this Regulation.
- 5.8. Upon identification of significant potential and/or realised risks, the Head of Internal Audit shall immediately inform the Group Head of Internal Audit, the Management Board, and the Supervisory Board.
- 5.9. In accordance with the requirements of the legislation of Ukraine, the Head of Internal Audit shall notify the NBU in writing of the cases of misstatements of the Bank's financial statements, violations and deficiencies in the Bank's operations, including any actions in the operations that may adversely affect the solvency, safety and reliability of the Bank, if the Management Board did not take timely measures to eliminate these violations/disadvantages, and the Supervisory Board did not timely consider the appeal of the Head of Internal Audit regarding the inaction of the Management Board.
- 5.10. The Head of Internal Audit shall submit reports for the relevant reporting period to the Supervisory

Board, which shall contain the following information on:

- the implementation of the annual internal audit plan at least once a year, which includes an assessment of the effectiveness of the internal control system, on the processes reviewed during the reporting period, a brief description of the identified critical deficiencies, and the main recommendations of the IAD;
 - interim results of the annual internal audit plan implementation, including information on significant problems, risks and shortcomings in the Bank's activities and plans of the departments/units to eliminate them - at least once every six months;
 - the status and results of implementation by the Management Board and heads of the departments/units of recommendations (proposals) submitted by the IAD to eliminate violations and deficiencies in the Bank's activities identified as a result of internal audits - at least once every six months;
 - significant limitations that prevent the IAD from effectively fulfilling its tasks;
 - annual confirmation of the compliance of the Head of Internal Audit with the qualification requirements;
 - an annual report on the results of the Internal Audit Quality Assurance Programme;
 - the results of periodic external quality assessments on the internal audit function;
 - other issues within the IAD's competence, if it is provided for by the legislation of Ukraine or if such information is necessary in accordance with the expert opinion of the Head of Internal Audit.
- 5.11. The annual and semi-annual reports of the IAD should contain the main risks to which the Bank is exposed, including the risk of fraud, information on the elimination of deficiencies identified by the NBU (if any). The annual internal audit plan and reports on its implementation shall be submitted by the IAD to the Management Board for consideration and approval by Supervisory Board. Members of the Supervisory Board may be informed on issues that do not require approval or a separate resolution of the Supervisory Board by sending relevant information to their e-mail. Informing the Management Board and the Supervisory Board is carried out in accordance with the document flow rules established in the Bank and the procedure set out in the Regulations on the Organisation and Conduct of Audits.
- 5.12. The result of an internal audit is drawn up in the form of an audit report, which may consist of the following sections: detailed information on the work performed and a summary of the findings. The executive summary with conclusions is addressed to the members of the Management Board/Supervisory Board and includes the most significant facts about the objects of the audit, brief conclusions on the state of affairs, information on systemic violations and/or global problems and/or identified risks, with an assessment of the effectiveness of the internal control system. The summary may also include the main recommendations, the implementation of which requires assistance from the members of the Management Board. Prior to the completion of the audit, the Bank's responsible persons may be informed of the existence of a deficiency/problem in the form of the draft internal audit report or an internal memo.
- 5.13. Ensuring independence and objectivity
- 5.13.1. The Head of Internal Audit and employees of the IAD shall not be entitled to participate in the determination and/or implementation of measures to create an adequate internal control system in the Bank and in the execution of transactions or activities subject to their audit and shall not be entitled to sign documents on behalf of the Bank in accordance with which the Bank accepts risks or to endorse such documents.
- 5.13.2. The Head of Internal Audit and employees of the IAD may not combine their activities with activities in other departments/units. The IAD employee who previously held a position in another department/unit may not conduct an audit in the activities for which they were responsible within 24 months after the completion of such activities.
- 5.13.3. The Head of IAD is prohibited from holding positions in another bank.

- 5.13.4. The final decision on hiring an applicant to the IAD staff shall be made by the Head of Internal Audit, subject to a positive opinion of the Group Head of Internal Audit and provided that the applicant is professionally qualified for the vacant position.
- 5.13.5. The procedure for interaction of the IAD with other departments/units is documented in the Group Internal Audit Manual and the Regulations on the Organisation and Conduct of Audits.
- 5.13.6. Information on cases of obstruction of the IAD in the performance of its functions shall be immediately reported to the Chairperson of the Management Board and, if necessary, to the Chairperson of the Supervisory Board.
- 5.13.7. The objectivity of the conclusions of the employees of the IAD is achieved, inter alia, through periodic rotation. Some internal audits are recurring on a yearly basis. It is preferred that internal audit staff is not involved in the same internal audit for more than four audits in a row. In circumstances, involvement might be useful. In such cases prior approval should be requested from the Head of Internal Audit to involve the internal audit employee in the audit. In case approval is granted the Head of Internal Audit clarifies the conditions under which the audit is performed to safeguard the independence and objectivity of the internal audit employee involved. The Head of Internal Audit and IT audit staff are exempted from this rotation requirement due to their review roles, specific knowledge and/or availability in a geographical location. Nevertheless, where possible the four-year period will be applied accordingly.

6. Qualifications, appointment and dismissal of IAD employees

- 6.1. The minimum (basic) requirements for professional suitability and business reputation of a candidate for the position of the Head of Internal Audit is established by the NBU regulations. The Head of Internal Audit must have a higher education degree, at least 5 years of experience in the field of audit activities, of which at least three years in banks, comply with the restrictions set out in Article 45 of the Law of Ukraine "On Banks and Banking Activities" on holding positions in other banks, and meet other qualification requirements for professional suitability and business reputation.
The professional suitability of the Head of Internal Audit is defined as a set of knowledge and professional and managerial experience necessary for the proper performance of his/her duties, taking into account the business plan and development strategy of the bank. In particular, the Head of Internal Audit must be proficient in the state language of Ukraine, have a high level of responsibility for his/her work, be demanding of himself/herself and subordinates, have business integrity, initiative and discipline.
- 6.2. Mandatory minimum requirements for the Bank's internal auditors:
 - profile and level of education - complete higher education;
 - knowledge in subject areas;
 - legislative acts of Ukraine on banking activities, regulations governing internal audit in banks, the state language, rules for the operation of computer equipment;
 - practical experience - at least three years of experience in the banking system;
 - a high level of responsibility for their work, self-discipline, business integrity, initiative and discipline.

Additional requirements for professional suitability and business reputation may be established by the Head of Internal Audit and are specified in the job description of internal auditors.

- 6.3. The Head of Internal Audit shall be appointed and dismissed on the basis of a resolution of the Supervisory Board by order of the Chairperson of the Management Board and Group Head of Internal Audit. The candidacy of the Head of Internal Audit shall be approved by the NBU.
The Head of Internal Audit takes office after the NBU approves his/her candidacy. The NBU has the right to demand the Head's replacement if his/her professional suitability and/or business reputation does not meet the qualification requirements established by the NBU. The bank shall, at the request of the NBU, take measures to replace such head.
The Bank is obliged to agree with the NBU on the decision to dismiss the Head of Internal Audit,

except in cases of voluntary resignation or by agreement of the parties or in case of termination of the employment agreement (contract).

- 6.4. All employees of the IAD are subordinate to the Head of Internal Audit. The IAD employees shall be appointed or dismissed by an order of the Chairperson of the Management Board (or his/her authorised person) upon recommendation of the Head of Internal Audit and Group Head of Internal Audit. Job descriptions of the IAD shall be developed on the basis of this Regulation and approved by the Head of Internal Audit.
- 6.5. During the period of temporary absence of the Head of Internal Audit, one of the employees of the Bank or CEB NV shall perform his/her duties upon recommendation of the Group Head of Internal Audit, who shall meet the level of professional suitability and business reputation of the Head of Internal Audit, in accordance with the relevant administrative document established by the Bank.

7. Functions

7.1. The IAD performs the following functions, among others:

- reviews and evaluates the processes that support the Bank's operations, including those that carry potential risk and are performed by engaging legal entities and individuals on a contractual basis (outsourcing);
- checks the availability, assesses the effectiveness and adequacy of the Bank's risk management systems, internal control, management processes, compliance of these systems and processes with the types and volumes of operations performed, including the prevention of the use of the banking system for money laundering/terrorist financing;
- reviews the process of assessing capital adequacy, liquidity level, and means of ensuring the safety of assets, taking into account the Bank's risks;
- verify the correctness and reliability of accounting records, information, financial and other reports prepared by the Bank, their completeness and timely submission, including to the NBU, state authorities and governing bodies that supervise the Bank's activities within their competence;
- independently assesses the control system implemented by the Bank's management, in particular, compliance by the Bank's managers and employees providing banking and other financial services with the requirements of the laws of Ukraine, including regulations of the NBU, and the Bank's internal regulations, fulfilment of professional duties and rules established by the Bank's Charter and internal documents, including those on compliance and risk management;
- identifying and analysing facts of violations by the Bank's employees of the requirements of the current legislation of Ukraine, professional standards, and internal regulations governing the Bank's activities;
- timely elimination of deficiencies identified by the NBU and other governmental authorities that supervise the Bank's activities within their competence;
- independently assesses the reliability, efficiency and integrity of the management of the bank's information systems and processes (including the relevance, accuracy, completeness, accessibility, confidentiality and complexity of data);
- reviews the bank's financial and business activities;
- assess the effectiveness and sufficiency of the Bank's business recovery plan (if any);
- assesses the activities of the risk management and compliance function, committees established by the Bank and the quality of risk reports submitted to the Supervisory Board and the Management Board;
- identifies and checks cases of abuse of authority by the Bank's officials, as well as conflicts of interest in the Bank;
- develops proposals and recommendations for eliminating identified deficiencies and violations, mitigating risks, improving the quality and efficiency of the corporate governance system, and preventing actions that may result in the violation of legal requirements;
- monitor violations and deficiencies identified by the IAD, as well as the implementation of recommendations and suggestions provided by the IAD (internal audit follow-up);
- develops an annual internal audit plan and a multi-year internal audit plan, if it is decided that the latter is necessary;
- develops internal audit programmes;

- prepares internal reports, including on the implementation of the annual internal audit plan and reports on the work of the IAD to the NBU;
- participates in audits of the Bank's subsidiaries;
- organises the quality improvement of the IAD;
- participates in internal investigations, if requested thereto by the Bank's Supervisory Board;
- provides consulting services, if requested thereto by the Management Board and/or Supervisory Board, in the absence of a threat to independence and performs other functions provided for by the legislation of Ukraine. Consulting services shall be provided by the IAD only if the employees of the IAD have the necessary competence (knowledge, skills and other abilities required to perform the task in whole or in part) and only if the unused limit of the time reserve provided by the Supervisory Board is available. A request for consulting services shall be documented. The internal auditor who has provided consulting services shall not be entitled to re-evaluate this consulting service within one year from the date of issuance of the evaluation report;
- If the IAD does not have the staff with the qualifications and skills required to perform a particular audit engagement, the Head of Internal Audit may decide to outsource the audit (full performance by external service providers) or co-source (engagement of an external service provider as a leader or member of the audit team together with the IAD staff). This decision should be discussed with the Supervisory Board and Group Head of Internal Audit. In case of engaging an external service provider, the Head of Internal Audit is responsible for ensuring that the internal auditor fulfils its obligations under this Regulation efficiently and effectively, and that its activities comply with the requirements of the International Standards and the Code of Ethics. An external provider of services engaged on the basis of co-sourcing or outsourcing shall sign a written undertaking not to disclose or use information containing bank or commercial secrets for the benefit of itself or third parties prior to the start of the audit.

8. Responsibility

8.1. The Head of Internal Audit is responsible for:

- organising the work of the department in compliance with internal audit standards;
- ensuring that internal auditors have sufficient qualifications and skills;
- developing and implementing an annual risk-based internal audit plan and reporting on the implementation of the plan, taking into account proposals and tasks received from the Supervisory Board and/or the Management Board;
- the quality of the assessment of the effectiveness of the internal control system; continuous monitoring of internal audit activities and periodic evaluations of internal audit activities and development of a programme to ensure and improve the quality of internal audit; development of internal regulatory documents governing the IAD's activities;
- reporting to the NBU in accordance with the requirements of the Regulation on the Organisation of Internal Audit in Ukrainian Banks, approved by the NBU Board Resolution No. 311 dated 10.05.2016.

8.2. The duties and responsibilities of employees shall be established in accordance with the current legislation of Ukraine and internal regulatory documents of the Bank, and shall be defined in more detail in the Job Description of each employee.

8.3. IAD employees are liable, in particular, in case of:

- failure to perform and improper performance of their job duties as stipulated by their Job Descriptions, within the limits established by the current labor legislation of Ukraine;
- non-compliance with/violation of requirements, instructions, regulations of the NBU, internal documents of the Bank and applicable laws of Ukraine, requirements of internal audit standards, principles of the Code of Ethics and provisions related to the activities of the Department, for unreliable reports, other source information, and/or untimely provision of information within its competence;
- disclosure of banking and commercial secrets, personal data, and other confidential information that became known to them in the course of their employment and after termination of employment with the Bank;
- committing an offence in the course of their activities within the limits established by the current administrative, criminal and civil legislation of Ukraine;

- Causing material damage, failure to preserve property provided for the performance of functional duties within the limits established by the civil and labour legislation of Ukraine, including for failure to preserve the Bank's property provided for the performance of functional duties;
- violation of the rules of the current internal labour regulations, for violation of the rules and regulations on labour protection and fire safety in accordance with the current legislation of Ukraine;
- unauthorised and/or unlawful actions to process personal data and/or disclosure of personal data that became known to them in the course of their employment.

8.4. The IAD is not responsible for, and has no authority over transactions subject to internal audit.

9. Duties of IAD employees

9.1. IAD employees are obliged to:

- timely and efficiently perform the tasks and duties defined by this Regulation and stipulated in employee's job descriptions;
- comply with the requirements of the laws of Ukraine, regulations of the National Bank, internal regulations, organisational and administrative documents of the Bank and the requirements of International Standards and the principles of the Code of Ethics for Internal Auditors;
- comply with the regime of protection and disclosure of banking and commercial secrets, as well as confidential information, procedures for processing and protection of personal data, confidentiality in their activities and activities of IAD. Upon appointment, the Head of Internal Audit and employees of IAD shall give a written undertaking not to disclose information about the Bank's activities and to keep banking secrecy in accordance with the requirements of the current legislation of Ukraine;
- Provide consulting and methodological assistance on issues related to the Bank's financial and business activities in terms of the internal control system and mitigation of banking risks, including in the planning process, at the stage of development and implementation of new products, projects, processes, systems, and other issues within the competence of IAD.
- comply with the rules of labour and executive discipline, rules and regulations on labour protection and fire safety;
- timely inform the risk management function of operational cases/incidents in their area of responsibility and ensure the provision of information on identified operational risk cases in accordance with internal regulations;

9.2. In addition to the above, IAD employees shall be obliged to:

- to keep the Bank's resources at its disposal, including, but not limited to: material resources, entrusted documents, seals, stamps;
- adhere to the rules of permissible use of the Bank's resources including hardware and software systems, e-mail and communication, removable media, remote access to information resources;
- comply with the security requirements for the use of the Bank's resources and confidential storage of codes, keys and passwords for access to information resources;
- adhere to the "clean desk and clean screen" policy;
- in case of using the Bank's resources, protect them in accordance with the Information Security Policy and other information security documentation;
- protect information resources from unauthorised access, disclosure, alteration, destruction or interference;
- inform the immediate supervisor and the Information Security Department of known or suspected cases of information security breaches;
- notify the immediate supervisor of any incidents involving a breach of physical security, or of possible events or other risks to the Bank's security;
- inform the Compliance Department of any circumstances that may lead to bribery, corruption, conflict of interest, any personal transactions with financial instruments and other incidents that may adversely affect the Bank's reputation;
- to control and supervise the effectiveness of the risk management system by inspecting the state of risk management at all levels of the system;

- assess the compliance of risk management processes with the regulatory requirements of internal regulations and the NBU;
- assess the adequacy of internal methodologies, algorithms, methods and approaches used in the processes of detecting, identifying, assessing, monitoring and controlling risks to the goals and objectives set by the Supervisory Board on risk management;
- evaluate the effectiveness of implementation of internal risk management requirements in the course of activities by all departments/units and bodies of the Bank;
- to independently assess the internal control system established by the Bank's management over compliance by employees with the NBU regulations, internal regulations of the Bank on the procedure for providing banking and other financial services, internal documents of the Bank on financial monitoring, the effectiveness of management actions, types of the Bank's activities, including those performed by the Bank by engaging legal entities and individuals on a contractual basis (outsourcing), as well as other activities,
- check the existence, and assess the comprehensiveness, efficiency and adequacy of the internal control system, its compliance with the types and volumes of operations performed by the bank, changes in the bank's business model, its macroeconomic and business environment;
- to submit proposals for improving the efficiency of the risk management system, including its compliance with the types and volumes of the Bank's operations and the internal control system;
- to verify the effectiveness of the measures taken by the Bank to correct the violations and deficiencies identified by the IAD;
- Initiate submission of reports on the results of audits to the Supervisory Board, Management Board, and heads of departments/units, including those on ensuring compliance with the requirements of the Ukrainian legislation on prevention of money laundering/terrorist financing;
- Initiate recommendations to the heads of departments/units on taking measures to avoid and prevent actions that may result in the Bank's violation of the requirements of the legislation of Ukraine, and monitor the completeness and timeliness of implementation of recommendations made as a result of previous audits;
- Identify, based on the audit results, areas of potential losses, favourable conditions for fraud, abuse and misappropriation of the Bank's funds and report the same to the Supervisory Board and the Management Board in accordance with the established procedure;
- ensure the safety and timely return of documents received from departments/units;
- not to participate in the creation and organisation, including jointly with departments/units, of any measures and processes that support the Bank's activities or are perceived as affecting the impartiality and objectivity of the internal auditors, development of internal documents of the Bank (except for cases when the internal auditors provide consulting services provided by the internal audit function), not to endorse such documents;
- improve their knowledge, skills and other abilities through continuous professional development.

9.3. The Head of Internal Audit is, in particular, obliged to:

- demonstrate managerial and leadership qualities, as well as have a sufficient qualification level of knowledge and skills, and constantly improve them;
- to prepare work plans for the internal audit function based on a risk-based approach, taking into account proposals and tasks received from the Supervisory Board or the Management Board and ensure their implementation;
- conduct unscheduled inspections if approved by the Supervisory Board;
- to ensure continuous operation of the IAD in accordance with this Regulation, the Regulation on Organisation and Conduct of Audits, International Standards and principles of the Code of Ethics for Internal Auditors;
- ensure that the resources of the Department are appropriate, sufficient and efficiently used to fulfil the annual internal audit plan;
- ensure that the IAD is staffed with qualified personnel with the necessary skills, including the ability to effectively and professionally assess the Bank's performance and to exercise influence at the highest level of the Bank's management;

- determine the policies and audit procedures used by internal auditors to conduct the audit in accordance with the requirements of the Bank's internal documents on audit and internal audit standards;
- prepare a report on the implementation of the annual internal audit plan and submit it to the Supervisory Board for review and approval no later than the last day of the first month of the year following the reporting year, with confirmation of the organisational independence of the IAD;
- ensure submission of reports on the results of audits to the heads of departments/units, the Management Board and the Supervisory Board for them to take appropriate organisational (corrective) measures. Audit reports containing an assessment of the audited processes, observations and comments of the internal auditors, as well as recommendations for eliminating identified deficiencies;
- to submit to the Supervisory Board (at least once every six months) a report on the status of implementation, including non-implementation, by the Management Board and heads of departments, of recommendations (proposals) to eliminate violations and deficiencies identified in the audit;
- in the event of circumstances that prevent the internal audit function from performing their duties, interference of the Bank's officials in the activities of the IAD, identification of a risk level that is unacceptable for the Bank's activities, to inform the Supervisory Board in writing for it to make appropriate decisions or take measures;
- monitor the quality of IAD's activities on an ongoing basis and develops and maintains a programme for ensuring and improving the quality of the Bank's internal audit in accordance with the requirements of internal audit standards, to ensure periodic (at least once a year) reporting to the Supervisory Board and the Management Board on its implementation by reviewing and approving the report on the work of the IAD for the reporting period;
- ensure continuous professional training and education of internal auditors;
- develop and maintain a system for monitoring the implementation of recommendations (proposals) made by the Bank's managers based on the results of audits, and avoid conflicts of interest;
- to prepare and submit to the NBU the Report on the work of the Internal Audit Department and other documents based on the results of the internal audit of the Bank;
- notify the NBU in writing of any misstatements of the Bank's financial statements, violations and deficiencies in the Bank's operations, as well as any events in the Bank's activities that may adversely affect the Bank's solvency, safety and reliability, if the Bank's Management Board has not taken timely measures to eliminate these violations and deficiencies, and the Bank's Supervisory Board has not considered the appeal of the Head of Internal Audit regarding the inactivity of the Bank's Management Board and has not taken appropriate measures based on the results of consideration of this appeal;
- to ensure, within its powers, ongoing cooperation with external auditors, public authorities and management bodies that supervise the Bank's activities within their competence, including the NBU.

10. Rights

- 10.1. The rights and obligations of IAD employees shall be determined on the basis of its main tasks and functions set out in this Regulation.
- 10.2. IAD employees have the right to:
 - receive information and materials from departments/units, including those stored on electronic media, oral and written explanations on the activities, necessary for the performance by IAD employees of the tasks and functions defined by this Regulation and their Job Description;
 - to involve, upon agreement with management of departments/units, the employees in the activities carried out by the IAD in order for the IAD employees to perform tasks and functions defined by this Regulation and their Job Description; to access and use the banking automation system:
 - databases and other information from the bank's primary documents;
 - software used to automate processes in the bank's operations, including financial monitoring;
 - financial, statistical, management and other types of reporting;
 - the bank's inventory materials and documents of commissions established in the bank (if any);
 - documents of the bank's governing bodies, including those on the implementation and operation of risk management and internal control systems;
 - other documents of the bank required for conducting audits (audits);

- access to all premises, including those used to store documents, cash and other valuables;
- make copies of the documents submitted for verification, including copies of files of any information stored on electronic media and necessary for the audit (inspection);
- use the information resources;
- participate in the development of IAD documents;
- make inquiries to other departments/units and other organisations in order to fulfil the tasks assigned.

10.3. The Head of Internal Audit has the right, in particular:

- to submit proposals to the Supervisory Board (on conducting a scheduled audit), initiate (if necessary) an unscheduled audit, discuss the results of the audit and conclusions with the Supervisory Board, the Management Board, and heads of departments;
- request an extraordinary meeting with the members of the Supervisory Board;
- initiate a meeting with any official of the Bank;
- Initiate the involvement of employees of other departments to conduct internal audit;
- Receive written explanations from managers and employees on issues arising during the internal audit and based on its results;
- to submit for consideration and approval by the Supervisory Board the calculation of the need for resources of the IAD, and to report on any restrictions;
- send requests to other organisations and institutions or third parties to obtain the necessary information and documents related to the audit (inspection);
- express their opinion, including at the request of the Management Board, on issues related to risk activities and internal controls;
- participate without the right to vote in meetings of the Council, the Management Board, and committees;
- to get acquainted with information and documents, including those stored on electronic media, of any department, written explanations on the bank's activities, and affiliated persons of the bank.

11. General requirements for risk-based planning of IAD's work

11.1. The scope of the IAD may cover all areas of the activities, including activities carried out by engaging legal entities or individuals on a contractual basis (outsourcing), the object of the audit may be any process, activity of any department/unit and employee of the Bank.

Higher-level processes are audited at least once every two years, and all business processes are audited at least once every three years (Audit Universe). The most risky processes (according to the IA's risk-based planning) may be audited annually, provided that the IA has the necessary resources.

The information used to define the audit universe is based on the following main sources:

- a list of banking processes;
- register of banking products.

11.2. The annual internal audit plan and multi-year internal audit plan are developed by the Head of Internal Audit using a risk-based approach. For this purpose, the IAD annually determines the bank's most risky activities.

11.3. The planning of the work of the IAD is carried out in several stages.

11.3.1. The first stage is the collection of information.

The IAD requests the following information from the departments/units: what new services have been introduced recently or are planned to be introduced next year; where organisational changes have taken place or are planned; a list of employee joiners and leavers, staff turnover and changes in management; information on the commissioning of new IT systems; areas of activity that have received increased regulatory attention, significant changes in Ukrainian legislation, including regulations, etc. It also considers complaints, operational risk incidents, materials of internal investigations, results of the risk assessments, results of internal audit, inspections by external regulatory authorities, etc. The Head of Internal Audit holds a number of meetings with the heads of departments/units and members of the

Management Board to discuss their vision on the Banks's risks, their wishes and expectations from the internal audit in the planned year.

11.3.2 The second stage is risk analysis and assessment.

The IAD focuses on those areas that are subject to a higher level of risk and/or where the risk level increases due to inadequate internal control systems. The risk assessment is carried out by determining a list of parameters, options for their quantification and the share of influence of each parameter on the overall assessment.

The risk assessment parameters may include: complexity of the transaction, its importance; large amount of possible penalties; share in the balance sheet/number of transactions; sufficiency of regulation (external/internal); availability of information on official abuse/other violations in work; effectiveness of the internal control system; competence, responsibility of the head and employees of the audited departments/units; date and results of the previous audit; good accounting (accounting/tax/management); level of automation; and other factors. The Head of Internal Audit determines the completeness of the application of the above parameters in the analysis process.

For each of the potential audit items, a final score is calculated as the sum of the scores for each of the parameters of the audit item weighted by the weight of each parameter's impact on the overall assessment of the item.

11.3.3. The third stage is the preparation of the draft internal audit plan, allocation of IAD resources, and execution of the planning results.

In order to form a list of audit items, which, taking into account the risk-based approach, should be checked, first of all, whether the items that scored the highest according to the analysis results are taken into account.

The human resources required for the audit are calculated for each facility. The scope of the audit is determined based on the internal audit objectives. The frequency of audits is determined by risk assessments inherent in each area of audit focus, with due regard for the human resources (and their competencies) made available to the IAD by the Supervisory Board and the Management Board.

In the annual planning of the IAD's work, the Head of Internal Audit also provides for a time reserve (the amount of which is indicated in the materials for approval of the annual internal audit plan) for unscheduled audits. Internal auditors may use the IAD's time reserve in the following areas:

- providing consulting services;
- conducting unscheduled inspections of the Bank's activities initiated by members of the Supervisory Board and/or the Chairperson of the Management Board and/or the Head of Internal Audit.

This time reserve is also taken into account when preparing the draft internal audit plan and calculating the free limit of IAD human resources.

Analysing the information collected (but not limited to), taking into account the Bank's strategy, current and future business plans, priorities and business development directions set out therein, the structure and size of the risks taken, the scope and conditions of operations, as well as the wishes of the members of the Supervisory Board, the draft annual internal audit plan for the first and second half of the year is developed. The auditor's professional judgment is used to make the final decision on the list of audit items to be included in the annual work plan of the IAD.

The results of the analysis shall be documented in any form (at the discretion of the Head of Internal Audit).

11.4. The Head of Internal Audit shall timely submit the internal audit plan developed for consideration and approval by the Bank's Supervisory Board.

At the discretion of the Head of Internal Audit, a multi-year audit plan (3-5 years) may be drawn up in a stable external and internal environment. In case of availability of a long-term work plan, it shall be communicated to the Supervisory Board (for information purposes).

The approved annual internal audit plan may be amended during the year, which shall be agreed, reviewed and approved in the same manner as the approval of the annual internal audit plan.

Unplanned internal audits using the provided time reserve should be carried out without threatening to violate the terms of scheduled control procedures, otherwise the issue of the need to amend the annual internal audit plan shall be submitted by the Head of Internal Audit for consideration by the Supervisory Board.

11.5. Planning an audit (control procedure).

The audit planning is based on risk-based planning. For each audit, an Audit Programme shall be developed, which shall include the purpose, scope, timing, and allocation of resources. The programme shall take into account the Bank's strategy, objectives and risks relevant to the relevant audit.

Particular attention should be paid to aspects that have a significant impact on the Bank's operations. This includes the strategy and objectives of the audited entity and the manner in which their implementation is monitored, significant risks associated with objectives, resources and operations, methods of keeping the potential impact of risks at an acceptable level, adequacy and effectiveness of governance, risk management and control processes compared to the relevant framework.

The following documents and information are used for this purpose (but not limited to): The Bank's strategy, internal regulations, risk and control matrices, interviews with process owners/participants, information from the operational risk incident database, compliance risk, acts of regulatory authorities, external audit, and reports of previous audits. The planning process is described in detail in the Regulation on the Organisation and Conduct of Audits.

12. Internal Audit Quality Assurance Programme

- 12.1. The Head of Internal Audit develops and implements an Internal Audit Quality Assurance Programme that includes ongoing monitoring, annual self-assessment of IAD on compliance with International Internal Auditing Standards, as well as periodic external quality assessment of internal audit function.
- 12.2. The Internal Audit Quality Assurance Programme is implemented under the direct supervision of the Head of Internal Audit.
- 12.3. The Programme defines the tools for continuous monitoring of the quality of the IAD's activities and the areas for developing the competences and skills of IAD employees in the reporting year and the tools for achieving these objectives.
- 12.4. The report on the results of the implementation of the Internal Audit Quality Assurance Programme and the improvement of the quality of the IAD's activities is reviewed by the Supervisory Board.
- 12.5. The engagement of the external assessment shall be discussed with the Management Board and approved by the Group Head of Internal Audit and Supervisory Board. The external quality assessment of the internal audit function is performed at least once every 5 years and the results shall be submitted to the Management Board, Supervisory Board and the NBU.
- 12.6. Based on the results, at least once a year, the Head of Internal Audit shall submit to the Management Board and the Supervisory Board a report on the results of the implementation of the Internal Audit Quality Assurance Programme for ensuring and improving the quality of the internal audit function. The structure and format of such a report shall be determined by the Head of Internal Audit and shall ensure a sufficient degree of information and objectivity.

13. Relations with other departments/units and external parties

- 13.1. In its activities, the IAD shall interact with all departments/units of the Bank on issues related to the performance of tasks, functions and duties set out in this Regulation, the Job Descriptions of employees and other internal regulatory and organisational documents of the Bank.
- 13.2. To ensure the effectiveness and efficiency of internal audit activities, the IAD shall properly coordinate and interact with other risk management and control functions of the organisation.
- 13.3. Employees of departments/units shall provide all necessary assistance to the IAD staff to perform their

functions: timely provide requested documents or copies thereof, provide written or oral explanations and answer any questions posed by the head and the IAD staff; not to interfere with the performance of the IAD's functions.

- 13.4. Specialists from other departments/units who are sufficiently professional and independent in accordance with the requirements for internal audit may be engaged by the IAD to perform certain internal audit tasks.
- 13.5. The Head of Internal Audit shall organise interaction and information exchange between the IAD and the Bank's management bodies on internal audit issues.
- 13.6. The reports/information from the IAD to the Supervisory Board of Management Board and feedback on the results of consideration shall be transmitted by means of corporate e-mail.
- 13.7. The IAD employees shall exchange information with other departments/units on issues related to the IAD activities and tasks assigned to the IAD by the Bank's management.
- 13.8. The Head of Internal Audit shall be informed by the Management Board of significant changes in the risk management strategy, methods and procedures, introduction of new products and changes in operations at an early stage of their application, as well as inform the Head of Internal Audit about the initiation of internal investigations and their results, provide information on the results of inspections of the controlling bodies. The Management Board shall be obliged to provide the Head of Internal Audit with the results of external inspections of regulatory authorities.
- 13.9. In its activities, the IAD shall interact with external organisations on issues related to the performance of tasks, functions and duties set out in this Regulation, Job Descriptions of employees and other internal regulatory and organisational documents in the manner prescribed by the internal regulatory and organisational documents.
- 13.10. The Head of Internal Audit shall ensure the exchange of information between the IAD and the external auditor on internal audit matters, including the procedure for applying the relevant audit procedures.
- 13.11. Relationships and information exchanges between the IAD and the external auditor, state authorities, and management bodies that supervise the activities of banks within their competence shall be in compliance with the requirements of Ukraine's legislation and internal documents regarding storage, protection, use, and disclosure of information constituting banking and commercial secrets.
- 13.12. IAD employees may participate in events organised by external enterprises, institutions, and organisations after notifying the Bank's management.

Consulting services provided by IAD employees to other departments/units are advisory in nature and are not binding.

14. Final provisions

- 14.1. The Regulation shall come into force from the date of its approval by the resolution of the Supervisory Board unless otherwise specified in the resolution of the Supervisory Board on its approval. Any questions regarding the content or interpretation of this Regulation shall be directed to the Head of Internal Audit.
- 14.2. Amendments and additions to the Regulations shall be made by their prior approval by the resolution of the Supervisory Board or other management body, which will be responsible for such issue, in accordance with the Bank's Charter or internal regulatory documents of the Bank and shall be executed by setting out the Regulations in a new version.
- 14.3. Adoption of a new version of these Regulations shall result in termination of the previous version. In case of inconsistency of any part of these Regulations with the laws of Ukraine, including regulations of the NBU, the Bank's Charter, in particular in connection with the adoption of new regulations, these Regulations shall be effective only to the extent that they do not contradict the laws of Ukraine, regulations of the NBU or the current version of the Bank's Charter.
- 14.4. This Regulation has been approved by the Supervisory Board and will be periodically reviewed and updated every two years.

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