

# Internal Control and Audit

## Remuneration of the Management Board Members

Remuneration is paid to members of the Management Board in accordance with the Bank's Regulation on Remuneration to Executive Bodies, approved by the Board of Directors. Remuneration for the Chairman and members of the Management Board includes a fixed salary, bonus payments and compensation packages. Bonuses are paid to the members of the Management Board according to the fulfillment of the annual plan fitting the Bank's approved development strategy and depend on the performance indicators achievement by each of the supervised business lines.

In 2012, the amount of remuneration paid to members of the Management Board (including salary, bonuses and other material remuneration) amounted to RUB 175,554,000.

## Internal Control and Audit

### Internal Control System

The Bank's internal control system oversees financial and business activities to protect the rights and legal interests of all shareholders and investors. The system functioning ensures effective identification, prevention and limitation of financial and operational risks and detection of violations. The objectives of the internal control system also include the development of recommendations to ensure compliance by the Bank's employees with the internal regulations. The rules of control system organization and other internal documents define the structure of the system, which consists of various management bodies, internal divisions and responsible employees.

Monitoring of the internal control system is the responsibility of the Board of Directors and the executive bodies.

The control system includes the following areas:

- Control over the compliance with the Law On Joint-Stock Companies and the Bank's Articles of Association carried out by the executive bodies;
- Control over the system for assessing and managing banking risks;
- Control over the allocation of authorities in the course of banking operations;
- Control over management of information flows and ensuring information security;
- Control over the system for combating money laundering and financing of terrorism;
- Control to ensure that the Bank's activities as a professional securities market participant comply with Russian laws and the regulations of the Federal Financial Markets Service;
- Continuous monitoring of the internal control system.

In 2012, the Bank worked on improvement of internal control system to ensure its adequateness to the scale

and nature of the Bank's operations and transactions, as well as to ensure the necessary level of control over the timely and complete elimination of violations and deficiencies identified by staff of regulatory authorities in accordance with the Russian legislation in the course of inspections, and preventing such violations and deficiencies in the Bank's subsequent operations.

The Bank's priority objective in the development of the internal control system for 2013 is to oversee banking risks and take timely action to maintain them at a level at which they do not jeopardize the financial stability of the Bank and the interests of its creditors and depositors.

## **Internal Control and Audit Service**

The Internal Control and Audit Service (ICAS) monitors the internal control system and helps management bodies to ensure that the Bank functions effectively. It carries out its activity in line with the Regulation on the Internal Control and the Audit Service, the Bank's Articles of Association and internal regulations, as well as the regulations of the Bank of Russia.

The ICAS operates according to the principles of consistency, independence and impartiality. Its Head and employees cannot combine their work with activities in other divisions.

The ICAS's scope of authority includes:

- Audit reviews of all aspects of the Bank's business;
- Control over the effectiveness of measures adopted by internal divisions and/or management bodies of the Bank on the basis of the results of reviews that are aimed at mitigating the detected risks;
- Control over measures aimed at eliminating violations and shortcomings detected by employees of the Bank of Russia and ICAS;
- Cooperation with the Bank's auditor and the Bank of Russia on issues regarding organization of internal control, as well as prevention of violations of legal acts, internal documents and professional standards by Bank staff and their elimination if any;
- Review of internal documents drafts.

ICAS is subordinated to the Board of Directors. Reports on results of internal reviews held are submitted to the Board at least twice a year.

## **Audit Commission**

The Audit Commission is elected by the General Meeting of Shareholders for the period until the next shareholders meeting. It should consist of at least four members, who cannot simultaneously be members of the Bank's Board of Directors or Management Board.

In 2012, the Audit Commission carried out an audit of the Bank's financial and business activity for the previous financial year. It also analyzed the Bank's financial position, compliance with established standards and limits, and the functioning of internal control and risk management systems. It confirmed the accuracy of the data presented in the annual report, annual financial statements and other financial documents. The Commission did not carry out any extraordinary audit based on a decision by the General Meeting of Shareholders or Board of Directors or following any request by shareholders.

## **Audit Commission Members**

Name,

Share in the

year and country of birth	Positions held at the Bank or other organizations	Bank's authorized capital	Education
Dmitry A. Strashok, 1951, Russia	Chairman of the Audit Commission, Member of the Board of Directors of Baltiisky Kurort LLC	0.08%	Higher, All-Union Agricultural Institute of Distant Education
Tamara N. Lapinskaya, 1954, Russia	Member of the Audit Commission; Head of Business Planning and Analysis Division of the Finance Department	0.004%	Higher, Moscow Finance Institute
Svetlana A. Markina, 1952, Russia	Member of the Audit Commission; Head of the Internal Operations Accounting Division of the Accounting and Financial Reporting Department	0.0000%	Specialized secondary, All-Union School of Accounting and Credit of the State Bank of the USSR
Dmitry V. Obryvalin, 1960, Russia	Member of the Audit Commission; Head of the Shareholder Relations Division of the Corporate Department	0.0001%	Higher, Moscow Institute of Economics and Statistics

## Auditor

Bank Vozrozhdenie activity is audited on the annual basis in accordance with Russian Accounting Standards and International Financial Reporting Standards. The independent auditor is approved by the General Meeting of Shareholders on the recommendation of the Board of Directors. ZAO PricewaterhouseCoopers Audit (before 1999, ZAO Coopers & Lybrand) has been the auditor of the Bank since it was founded.

Member of the Chamber of Russian Auditors (non-profit partnership)

State registration number: 1027700148431.

Address: Butyrsky Val 10, Moscow, 125047

The Bank's independent auditor has no interest in the Bank's share capital, the auditor is not a borrower of the Bank, and the auditor does not employ the Bank's executives. In addition, executives of ZAO PricewaterhouseCoopers Audit do not have close family relations and business relations with the Bank.