
INTERNAL AUDIT OPINION

This opinion was prepared as required by Federal Law No. 208-FZ dated 26.12.1995 "On Joint-Stock Companies".

General Conclusion

The findings of the Internal Audit Department (the "Department") in 2020 confirm that the internal control, risk management and corporate governance system of CREDIT BANK OF MOSCOW (the "Bank") is in a condition generally consistent with the nature and scale of its operations, the level and mix of its risks.

No infractions or flaws were found in the Bank's operations that may jeopardise the interests of its shareholders, lenders and depositors, or its financial stability.

Department's Independence

The Department's independence is declared in the Bank's bylaws and is achieved by a set of organisational measures and principles ensuring that the Department:

- is accountable to the Supervisory Board and administratively subordinate to the Chairman of the Management Board;
- does not perform any activities that are subject to audits, provided that its activity may be audited by an independent audit organisation at request of the Supervisory Board;
- performs its functions in compliance with the principles of continuity, independence, impartiality, integrity, objectiveness and professional competence;
- on its own initiative, reports to the Supervisory Board on, and also informs the Chairman of the Management Board and the Management Board of, any matters coming to its attention when exercising its functions, and on proposals regarding their resolution;

The internal audit function's mandate was not subject to any restrictions that could prejudice its efficiency in 2020.

External appraisal of internal audit is made by an independent and qualified external appraiser at least once in five years. In 2019, PwC confirmed the Department's compliance with IIA's International Professional Practices Framework and the Bank of Russia's requirements.

Appraisal of the Internal Control System

As required by Federal Law No. 395 dated 02.12.1990-1 "On Banks and Banking Activities", the Bank's Charter describes the system of governing bodies, including executive bodies and internal control bodies, their formation and responsibilities.

The internal control system is a complex of internal control bodies and areas ensuring that objects set forth by Russian laws and regulations, the Bank's Charter and bylaws are fulfilled and achieved in a proper way.

The Department's main purpose is to assist the Bank's governing bodies in enhancing its performance, in particular through a systematised and consistent approach to appraising the effectiveness of its internal control and risk management systems and its corporate governance practice and by providing independent and impartial assurances and advice.

The Internal Audit Department audits all areas of the Bank's operations, and any of its subdivisions and employees may be an audit target.

The Internal Audit Department made 38 audits during 2020 in accordance with its Activity Plans for the first and second half-years approved by the Supervisory Board. Their results were duly made known to the Bank's and competent subdivisions' management. Following the audits, the heads of the

relevant subdivisions were given recommendations as to addressing the key problems and improving the Bank's processes. The Department controls the fulfilment of its recommendations, many of which were fulfilled in 2020. The results of audits and the progress in implementing the relevant recommendations are duly reported to the Bank's executive bodies and the Supervisory Board.

The Supervisory Board's Audit and Risk Committee at its meetings suggests ways to improve the Bank's internal control and risk management procedures, in particular by advising the Supervisory Board on how to improve the Department's performance.

The following was done in 2020 to develop and improve the internal audit function:

- an internal audit model was designed for 2021–2023 to get a structured list of all potential audit targets and reflect changes in the Bank's and Banking Group's risk profile;
- the Strategic Internal Audit Plan for 2021-2023 was prepared;
- as per the Quality Assurance and Improvement Programme, the Department's periodic (annual) self-appraisal form was updated, in particular by adding few newly designed quantitative performance indicators;
- the Department's bylaws¹ setting out the basic rules of, requirements to, and practical recommendations on, organisation and execution of audits, including approaches to documenting audit work, were updated;
- a data analysis tool was introduced, and key audit indicators were formulated for every business line of the Bank, allowing the Department to promptly identify risk events or suspicious operations.

Appraisal of the Risk Management System

The Bank manages its group's risks and capital in accordance with the Banking Group's and the Bank's Risk and Capital Management Strategies and the Banking Group's Risk Management Policy (all approved by the Supervisory Board and updated at least once a year). They set out the basic principles of the risk and capital management system in line with the Bank of Russia's requirements, Russian laws and regulations, and recommendations of the Basel Committee on Banking Supervision.

The Department, serving as the third line of defence, annually appraises the risk and capital management system, including the risk assessment methodology and risk management procedures. In 2020, the Department reviewed the assessment methods for the material risks identified by the Bank. The results were duly reported to the Bank's Supervisory Board, executive bodies and competent subdivisions. The Department's findings were taken into account by the Bank of Russia in evaluating the quality of the Bank's risk and capital management system and capital adequacy. The Bank of Russia concluded that no surcharges to the capital adequacy ratios needed to be imposed.

Appraisal of the Corporate Governance Framework

To assure its shareholders' rights and interests, make its business more efficient, transparent and attractive for investing, the Bank continuously improves its corporate governance practices. The main approaches, requirements and principles of its corporate governance system are set forth in CREDIT BANK OF MOSCOW's Corporate Governance Code approved by the Supervisory Board. Specific procedures and practices are regulated by the Bank's Charter and bylaws. Internal audit involves annual appraisal of corporate governance.

The Department appraised the Bank's corporate governance in 2020, reviewing:

- the adequacy of bylaws and communication procedures;
- protection of shareholders' rights, in particular in controlled companies, and relations with stakeholders;
- goal setting processes, monitoring and control of achievement of goals;
- compliance with disclosure procedures;
- compliance with ethical principles and corporate values.

¹ The Regulation on CREDIT BANK OF MOSCOW's Internal Audit Department, Work Manual of CREDIT BANK OF MOSCOW's Internal Audit Department, CREDIT BANK OF MOSCOW's Internal Audit Planning Guide and CREDIT BANK OF MOSCOW's Internal Auditors Code of Professional Ethics

The performance of the Bank's governing bodies arranging the corporate governance framework was evaluated in 2020 as satisfactory; the conclusions were duly reported to the Bank's Supervisory Board, executive bodies and competent subdivisions.

Evaluation of the Internal Audit Department's Performance by the Supervisory Board's Audit and Risk Committee

For the year 2020, the Supervisory Board's Audit and Risk Committee confirmed that the Bank ensured the internal audit function's independence, and qualified the Department's and its Director's performance as effective.

Director of the Internal Audit Department
CREDIT BANK OF MOSCOW

M.B. Badmaev

For reference

The Department's opinion was reviewed by the Supervisory Board's Audit and Risk Committee. The resolution to include the opinion in the list of information (materials) deliverable to the persons entitled to participate in CREDIT BANK OF MOSCOW's 2021 Annual General Shareholders' Meeting was taken by the Supervisory Board on 26.05.2021.