

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 "Audit Function") in 2019 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 might jeopardise the interests of its shareholders, lenders and depositors, or its financial stability.

Audit Function's Independence

The Audit Function is independent in its work. Its independence is declared in the Bank's bylaws and is achieved by a set of organisational measures and principles ensuring that the Audit Function:

- acts under direct control of the Supervisory Board;
- does not undertake any audited activities;
- 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;
- is appraised independently.

The Supervisory Board may engage external experts for regular independent appraisal of the Audit Function's compliance with the Bank of Russia's requirements, IIA's International Professional Practices Framework (the "Framework"), stakeholders' expectations and best practices of internal audit. In 2019, PwC confirmed the Audit Function's compliance with the Framework and the Bank of Russia's requirements. PwC did not find any restrictions of the Audit Function's mandate that could prejudice its efficiency.

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 Charter defines the internal control system as 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 Internal Audit Department was created to assist the Bank's governing bodies directly in ensuring its effective operation by providing independent and impartial assurances as to internal control, risk management and corporate governance. The Internal Audit Department works to assure that the internal rules, procedures and practices comply with applicable laws and regulations, the Bank's Charter, and resolutions of its governing bodies, monitors the performance of its decision-making/authority distribution system, risk management system, anti-money laundering / combating terrorism financing system, and other systems ensuring its operation.

The Internal Audit Department made 34 audits during 2019 in accordance with its Activity Plans for the first and second half-years approved by the Supervisory Board. Following the audits, the heads of the relevant subdivisions were given recommendations intended to improve the internal control, risk management and corporate governance system. The Audit Function controls the fulfilment of its recommendations, many of which were fulfilled in 2019. 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 Audit Function's performance.

The following was done in 2019 to develop and improve the internal audit function:

- the Strategic Internal Audit Function Plan for 2020-2022 was prepared and approved by the Supervisory Board;
- the Quality Assurance and Improvement Programme was prepared, setting out approaches to internal and external appraisal of the Audit Function, its annual self-appraisal, and requiring it to get feedback from executive bodies on its conformity with their expectations;
- the Audit Function's Work Manual, setting out the basic rules of, requirements to, and practical recommendations on, organisation and execution of audits, including approaches to documenting audit work, was updated;
- a data analysis tool was introduced, and key audit indicators were formulated for every business line of the Bank, allowing the Audit Function 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 Audit Function, being the third line of defence, annually appraises the risk and capital management system, including the risk assessment methodology and risk management procedures. In 2019, the Audit Function reviewed the assessment methods of all material risks identified by the Bank. The results were duly reported to the Bank's Supervisory Board, executive bodies and competent subdivisions. The Audit Function'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 System

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 detailed in and regulated by the Bank's Charter and bylaws. Internal audit involves annual appraisal of corporate governance.

The Audit Function appraised the Bank's corporate governance in 2019, 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.

The performance of the Bank's governing bodies arranging the corporate governance system was evaluated in 2019 as requiring minor improvements; the conclusions were duly reported to the Bank's executive bodies and Supervisory Board.

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

For the year 2019, the Supervisory Board's Audit and Risk Committee confirmed that the internal audit function was carried out independently, and qualified the Audit Function's and its Director's performance as effective.

Director of the Internal Audit Department
CREDIT BANK OF MOSCOW

E.A. Taturin

For reference

The Audit Function'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 2020 Annual General Shareholders' Meeting was taken by the Supervisory Board on 15.05.2020.