

1.1 Address of the Chairman of the Supervisory Board

Dear shareholders, investors, customers, partners and employees,

It is my pleasure to provide you with the 2019 Annual Report of CREDIT BANK OF MOSCOW. I am also pleased to report that our bank's shareholder and investor bases have continued to grow following a series of successful capital transactions in 2019.

Words of satisfaction from the results achieved last year would definitely sound more solid and encouraging, should they be said in a healthier and more stable environment. Unfortunately, the recent coronavirus outbreak has totally changed mindsets, ways of life, economies, financial markets, plans and expectations. While we deeply feel for people themselves and for the families who suffered from the virus, we are also preparing to a different environment, both socially and economically. We are developing the ways both to support the businesses and individuals, and to keep on serving the needs of our clients in an even better and more efficient way. The economies will sooner or later be returning to growth after the current downturn, and we believe that a track record of our strong performance, on which we will report herein, will be a good basis to withstand the crisis and move forward.

While economic growth worldwide was relatively slow last year, a look at the performance of emerging markets shows Russia to be a relative outperformer of its peers due to a mix of financial stability, currency strength, and relatively cheap valuations. Russian borrowers were especially active through 2019 in the international capital markets amid global interest rates cuts and higher risk appetite of investors seeking to retain portfolio return levels. Though banking sector growth is somewhat constrained by slow economic growth in Russia, a few larger market players - including our bank - are well positioned to be in the forefront of the sector in terms of maintaining growth opportunities, increasing market share, and ensuring healthy asset quality.

Our focus in 2019 was on client services, technological development, and the reliability and efficiency of our IT systems. Strategically we continue to develop in the key areas of larger corporate and high-quality retail segments, focusing on cross-selling, enhancing efficiency and digital banking, while improving customer experience. We have increased our digital presence, with the penetration of remote banking into our retail client base now exceeding 50% and into our corporate base now exceeding 90%. The real winners of the digital transformation process are our clients, and we are pleased to see improved client scores of those using our remote banking applications.

As mentioned, our shareholder base is now larger and more diverse, with another milestone transaction performed in 2019: an SPO coupled with a buy-back of our Tier 1 and Tier 2 Eurobonds. This transaction resulted in the optimization of our capital structure and the strengthening of our regulatory capital, enabling us to prepare for further growth, while also meeting investor expectations. New equity was raised in the amount of RUB 14.7 billion, Eurobonds in the amount of USD 150 million were repurchased and cancelled, and a gain of approximately USD 28 million was recorded from cancellation of the Eurobonds.

MKB has focused on growing its businesses with a primary goal of delivering long-term solid financial returns justifying the investments of our shareholders and investors, while at the same time being a bank of first choice for our customers and counterparties.

For us, 2019 also became a milestone in terms of bringing our environmental, social and governance initiatives to a new level. In addition to what had already been accomplished in terms of our environmentally friendly business principles - enhanced by EBRD social and environmental policies, strong governance structure and charity projects - we have now placed ESG issues as a focus of our business development on a strategic level. Last year we issued the first Sustainability Report for the bank, developed a sustainable business development road map and formed a dedicated Sustainable Development Workgroup aiming at expanding the bank's contribution to the achievement of a sustainable future. In addition, MKB became a partner of the World Wildlife Fund, developed more socially-oriented products, and our efforts earned recognition by Rating-Agentur Expert RA GmbH rating agency, which assigned a BBB ESG rating to the bank. Our further commitment is to continue to seek opportunities to develop our businesses for the benefit of our stakeholders and the public, and to do it in a responsible manner.

In terms of corporate governance, the Board is pleased to report on another independent recognition of the bank's efforts in becoming one of the leaders in transparency, sustainability and strong corporate governance in Russia: in 2019 MKB was recognized by World Finance Corporate Governance Awards as having the "Best Corporate Governance in Russia".

The bank also last year continued to implement recommendations by the Central Bank of Russia as to best corporate governance practices which we believe benefit the Bank's stakeholders. In particular, the Supervisory Board of the Bank reviewed new recommendations described in the Central Bank of Russia's information letter No. IN-O6-28/18 "On Guidance for Members of Financial Institutions' Board of Directors (Supervisory Boards)", Russia's information letter No. IN-O6-28/45 on recommendations as to the boards of directors' (supervisory board's) "engagement in the processes of IT development and management and information security risk management in a public joint-stock company" and information letter No. IN-O6-28/41 on recommendations on "self-appraisal of public joint-stock companies' board of directors (supervisory boards)" and developed a plan to implement those recommendations. The Supervisory Board also invested significant time during the year to the development of a longer-term strategy for the bank, as well as the further development of the internal audit function, including communication with external auditors and monitoring of risk management matters. In order to make an independent evaluation of the work of the Supervisory Board, the Supervisory Board retained an external consultant - Stanton Chase - to measure and evaluate the Board, the results of which formed the basis for further improvements in 2019.

We are pleased to report that we have continued to progress toward achieving our strategic objectives, while building a more viable enterprise better able to capture future growth opportunities, offer first class products and technologies to our clients, and deliver solid shareholder value and investor returns.

While aware of the challenges, we do believe that our bank is well-positioned to take advantage of the significant opportunities which lie ahead.



William Forrester Owens

Chairman of the Supervisory Board