

Presentation for investors

## **Sustainable bank for southern Russia**

*2016 Audited IFRS Results*



## Southern Russia. Region overview.

The Bank operates primarily in Southern Russia.

Southern Russia consists of two federal districts: Southern and North Caucasus.

Due to a diversified by industry economic structure the South of Russia demonstrates more dynamic and stable development trends than most other Russia regions.

The main industry of the region is agriculture. The growth rate demonstrated by the agriculture significantly exceeds Russia's average level. Stable growth is attributable to natural and climate factors, well-developed infrastructure, the structure of economy diversified by activity and characterized by high share of small and medium enterprises.

Comparative features of the region, % of RF	2000	2005	2011	2012	2013	2014	2015
<b>Territory</b>	3.5	3.5	3.5	3.5	3.5	3.5	3.5
<b>Population</b>	15.6	16.0	16.4	16.3	16.4	16.5	16.2
<b>Industrial production</b>	-	5.6	7.6	7.3	7.2	6.2	7.7
<b>Agricultural output</b>	18.7	22.6	23.2	23.6	23.4	23.5	23.0
<b>Construction</b>	11.4	9.5	14.5	14.4	15.0	13.0	12.5
<b>Retail trade</b>	9.8	11.5	14.0	14.2	14.1	14.3	14.9
<b>Investments</b>	11.6	9.4	14.5	13.0	14.0	13.3	13.4



## History

first Russian bank who started issuing and acquiring «Mir» payment cards member of The Association of Regional Banks of Russia	• 2016	share capital increase in amount RUB500m;
The Financial Literacy Centre was opened; Social projects «Enterprise for All» and «Business loan for business woman» - «The Best Social Projects of Russia»	• 2015	Russia's 1st Positive Economy Forum together with PlaNET Finance (France)
partner of Youth Business Programme with IBLF; cash service for Federal Treasury	• 2014	www.school.centrinvest.ru was launched; «Sustainable Bank of Eastern Europe» by FT/IFC Sustainable Finance Awards; Citibank «STP Award 2012» and Commerzbank «Relationship Award 2012»
Development Strategy «The Post-Crisis Development of Southern Russia 2011-2015»; Cooperation Agreement with Guarantee Fund for SME Development and Support	• 2013	«The Sustainable Finance Awards» by The New Economy magazine; CNY correspondent account with Bank of Communications (Shanghai)
Erste Group Bank AG became a shareholder; Bank's own processing centre was opened	• 2012	Top performing bank in the Rostov Region under SME Development Programme; 1st loan under Energy Efficient Housing and Communal Services Programme
Moody's assigned «B1» rating; 1st international syndication for USD45m; 1st bond issue in amount of RUB1.5bn	• 2011	1st issuance of CLN in amount USD175m in international market; Dr.Vysokov - «Sustainable Banker of the Year» by FT;
EBRD became the shareholder; entering VISA International; adoption of Corporate Governance Code and Code of Corporate Ethics	• 2010	DEG became a shareholder; implementation of the program «Doubling with Center-invest Bank»; RUB1 bn syndication in the Russian money market
agreements with EBRD, The U.S. Agency for International Development (USAID), IFC and HERMES entered	• 2009	branch opened in Krasnodar; implementation of program «Billion dollars of Don investments»
cooperation with IFIs began; joining in Europay International	• 2008	participation in programs for transition of Russian banks to international standards
branches opened in Aksay, Azov, Semikarakorsk	• 2007	development of pro-active marketing program
first correspondent account opened in the USA	• 2006	first audit passed according to International Accounting Standards by PWC; development of the program for Don SME support; cooperation with Western Union
operations with bills of exchange; opening first branches in Bataysk, Novocherkassk, Taganrog;	• 2005	advanced license for currency operations; launching first investment projects
services for privatization processes	• 2004	start of operations with individual deposits and currency exchange transactions
	• 2003	
	• 2002	
	• 2001	
	• 2000	
	• 1999	
	• 1998	
	• 1997	
	• 1996	
	• 1995	
	• 1994	
	• 1993	
	• 1992	

## Bank overview

### Mission statement

**«Center-invest Bank is the Sustainable Bank for southern Russia»!**

- Center-invest Bank is a leading universal regional bank in southern Russia, was founded in 1992 (General Banking License N2225).
- Bank is licensed by the Federal Financial Markets Service of Russia to act as a broker, dealer, professional participant in the securities market for securities management and depositary in the Russian securities market.
- Credit rating from Moody's Investors Service: B1 (Stable Outlook)
- Two prominent IFIs – EBRD and DEG – together with Bank founders Vasily and Tatiana Vysokovy hold 70% of Bank's shares.
- Bank operates through 132 offices in southern Russia, Moscow, Nizhniy Novgorod and representative office in Moscow.
- Bank has been audited annually by PricewaterhouseCoopers Audit since 1997:  
[https://www.centrinvest.ru/files/about/reports/audit\(en\)/Center-invest\\_Bank\\_IFRS%20208FZ\\_AUDIT\\_RPRT\\_2016\\_english.pdf](https://www.centrinvest.ru/files/about/reports/audit(en)/Center-invest_Bank_IFRS%20208FZ_AUDIT_RPRT_2016_english.pdf)
- Number of employees: 1614



2013  
Sustainable banking  
leader in Eastern Europe



2010, 2012  
STP Excellence  
Award (Citibank)

2015  
«Relationship  
Award 2015»



2014  
«The 100 Best Goods of  
Russia» (banking services)



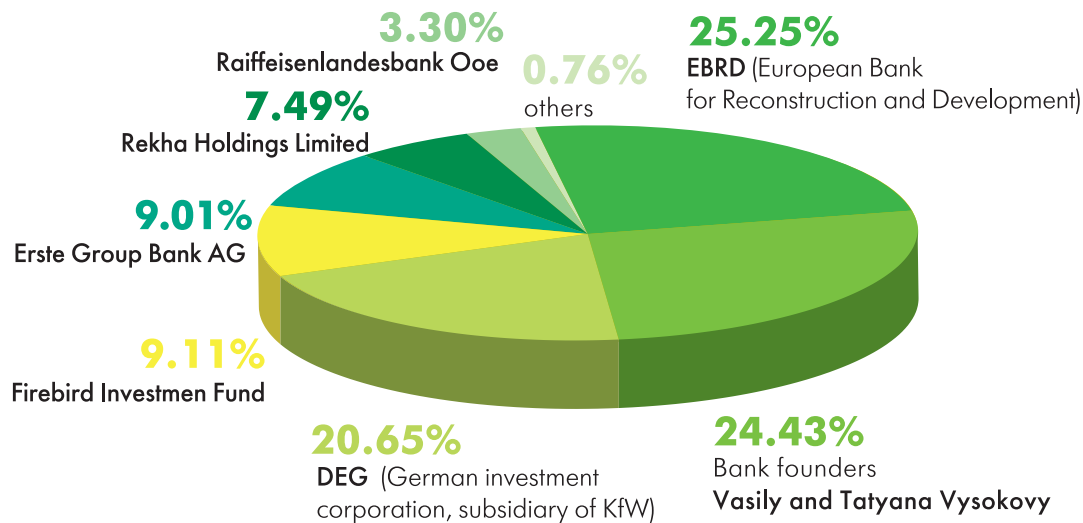
2014  
«The Best  
Regional Bank»



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## Shareholders

### Shareholders' structure\*



\* %, Voting right shares



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## Financial highlights

Key financials							
RUB.bn	2010	2011	2012	2013	2014	2015	2016
<b>Assets</b>	48.3	54.5	62.7	75.9	91.3	89.6	96.6
<b>Capital</b>	5.8	6.7	7.6	8.8	9.6	10.6	11.5
<b>Net Loans and Lease</b>	30.6	42.5	48.4	61.5	72.0	72.7	73.6
<b>Customer accounts</b>	33.8	39.0	44.0	49.4	49.2	65.0	80.4
<b>Net profit</b>	0.2	0.9	1.1	1.4	1.1	0.5	1.0
<b>ROE, %</b>	3.9	14.6	15.4	17.3	12.1	5.3	9.1
<b>ROA, %</b>	0.5	1.8	1.9	2.0	1.3	0.6	1.1
<b>NIM, %</b>	6.3	6.8	6.7	6.6	6.3	4.4	5.3
<b>Cost/Income, %</b>	51.8	49.9	45.1	45.0	43.4	51.1	44.9
<b>Loans/Deposits, %</b>	90.6	109.1	109.9	124.5	146.2	111.7	91.6
<b>CAR, %</b>	19.5	18.2	17.4	15.6	14.5	17.1	17.0
<b>Number of children born to bank employees</b>	81	82	71	83	86	78	103

1USD=60.6569RUB as at 01.01.2017

1USD=72.8827RUB as at 01.01.2016



## Competitive positions: ratings and rankings



### In ranking of the largest Russian banks as at 01.12.2016:

37	Value of retail deposits
38	Value of retail loan portfolio
52	Value of corporate loan portfolio
54	Value of total loan portfolio
67	Value of total assets

<http://raexpert.ru/ratings/bank/monthly/Dec2016/>



### In ranking of largest mortgage banks as at 01.07.2016:

13	Number of issued loans
14	Value of issued mortgage loans
18	Value of mortgage loan portfolio
18	Value of issued loans in frame of State Programme on «Financing an interest rate on mortgage loans»

[http://raexpert.ru/ratings/bank/ipoteka\\_1h\\_2016/](http://raexpert.ru/ratings/bank/ipoteka_1h_2016/)



### In ranking of TOP-15 Russian banks for SMEs as at 01.07.2016:

6	Value of loan portfolio to individual entrepreneurs
8	Value of loan portfolio to small business
11	Value of loans to individuals for business
14	Value of issued SME loans

[http://raexpert.ru/ratings/bank/frb\\_1h2016/](http://raexpert.ru/ratings/bank/frb_1h2016/)

## The Banker

GLOBAL FINANCIAL INTELLIGENCE SINCE 1926

### TOP-100 Russian Banks by «The Banker» magazine:

42	CAR
48	ROE
49	ROA
51	Cost/Income Ratio
55	Tier 1&Net Assets

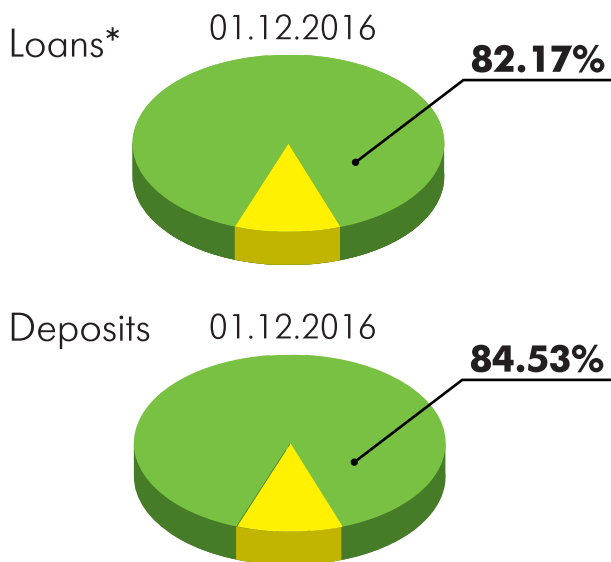
<http://www.thebanker.com>



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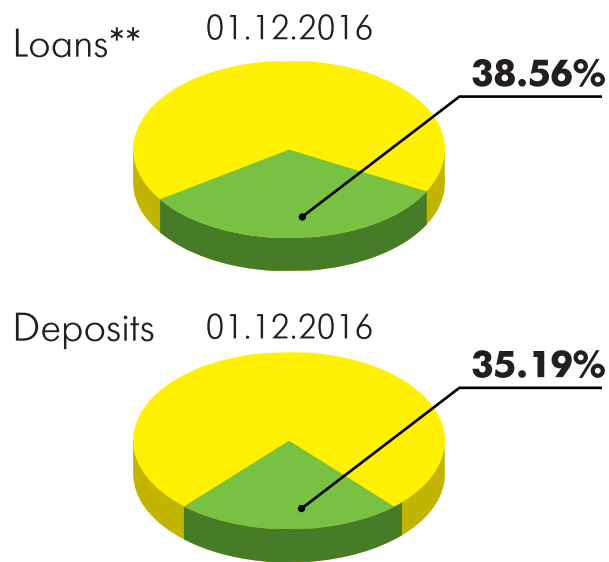
## Center-invest Bank: market share

### Share of Center-invest Bank in Rostov region among local banks



\*loans to individuals, corporate loans, leasing, factoring and interbank loans

### Share of Center-invest Bank in southern Russia among local banks in CIB operational area



\*\* loans to non-financial corporations, leasing, factoring

Due to the lack of data on regional Sberbank branches of Russia, since July 2014, information about a share among all banks isn't available.

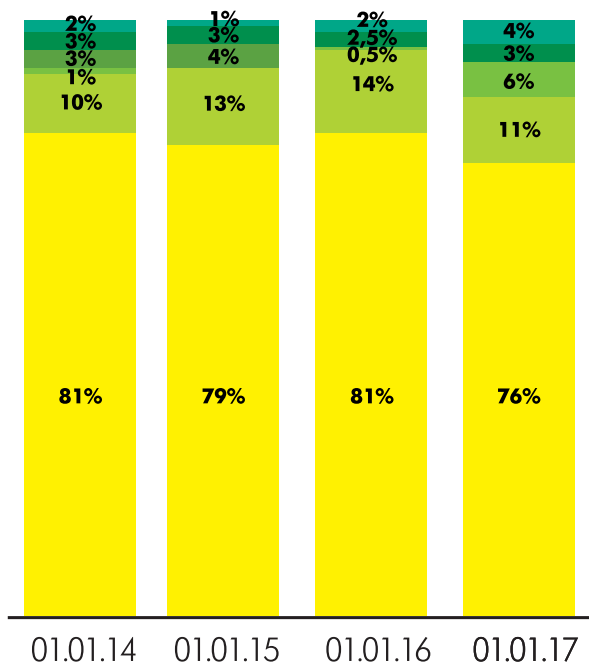


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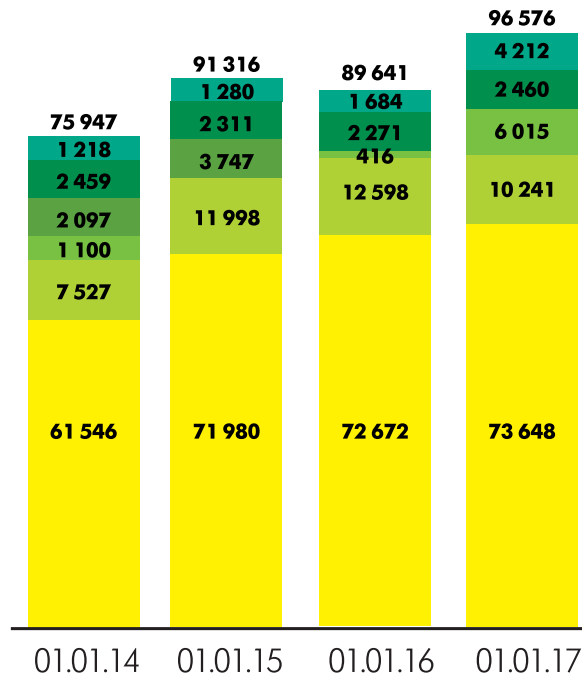
## Assets: dynamics and structure

### Assets structure, %



- Net Loans and Lease
- Cash and mandatory reserves with the Bank of Russia

### Dynamics of Assets, RUB m

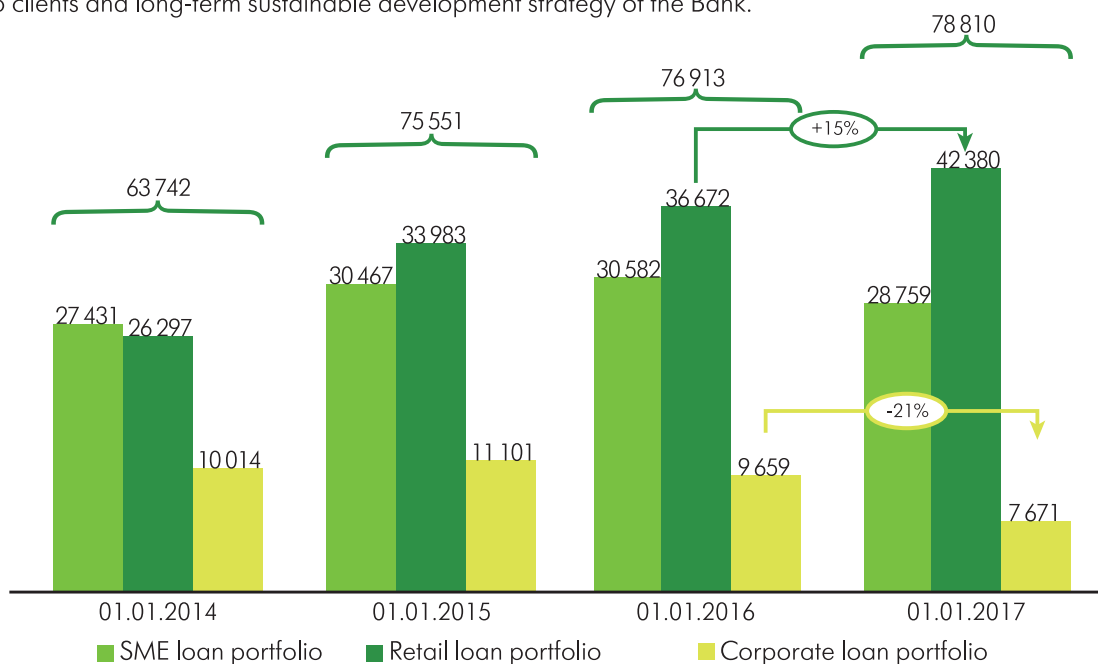


- Due from other banks
- Trading securities
- Fixed assets
- Other assets

## Loan portfolio development

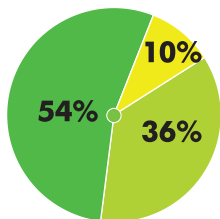
- During the FY2016 gross loan portfolio has increased by **RUB1.9bn** (+2.5%) and made up **RUB78.8bn** (before provisions).
- Retail lending is still the basic driver for growth of the Bank's loan portfolio.
- In current loan portfolio breakdown significant changes in 2016 relate to corporate loans which reduced from RUB9.6bn to RUB7.7bn due to Bank's strategy for reduction of corporate client's indebtedness and redeployment of released resources for retail and SME lending.
- The stable growth in lending is attributable to the attractive lending terms, comprehensive support for entrepreneurs, free consulting services to clients and long-term sustainable development strategy of the Bank.

### Loan portfolio growth dynamics, RUB m



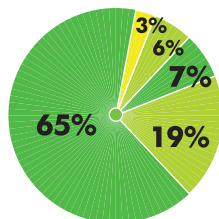
## Loan Portfolio: structure and concentration

### Client's structure



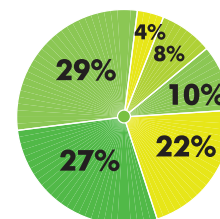
**54 %** - Retail  
**36 %** - SME  
**10 %** - Corporate

### Maturities structure



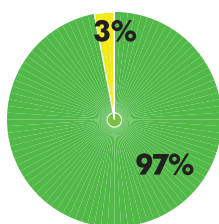
**65 %** - >1 year  
**19 %** - 181-365 days  
**7 %** - 91-180 days  
**6 %** - 31-90 days  
**3 %** - <30 days

### Industries structure



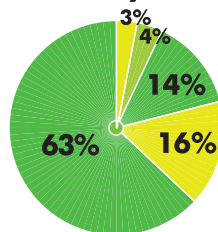
**29 %** - Trade  
**27 %** - Agriculture  
**22 %** - Manufacturing  
**10 %** - Others  
**8 %** - Construction  
**4 %** - Transport

### Structure by currency



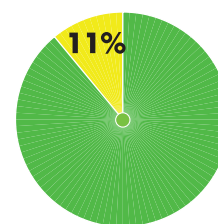
**97 %** - Russian rubles  
**3 %** - Foreign currency

### Structure by collateral



**63 %** - Real estate  
**16 %** - Motor vehicles  
**14 %** - Third parties' guarantees  
**4 %** - Others  
**3 %** - Farming machines

### TOP-10 Borrowers\*



**11 %** - Share of TOP-10 Borrowers in gross loan portfolio and leasing

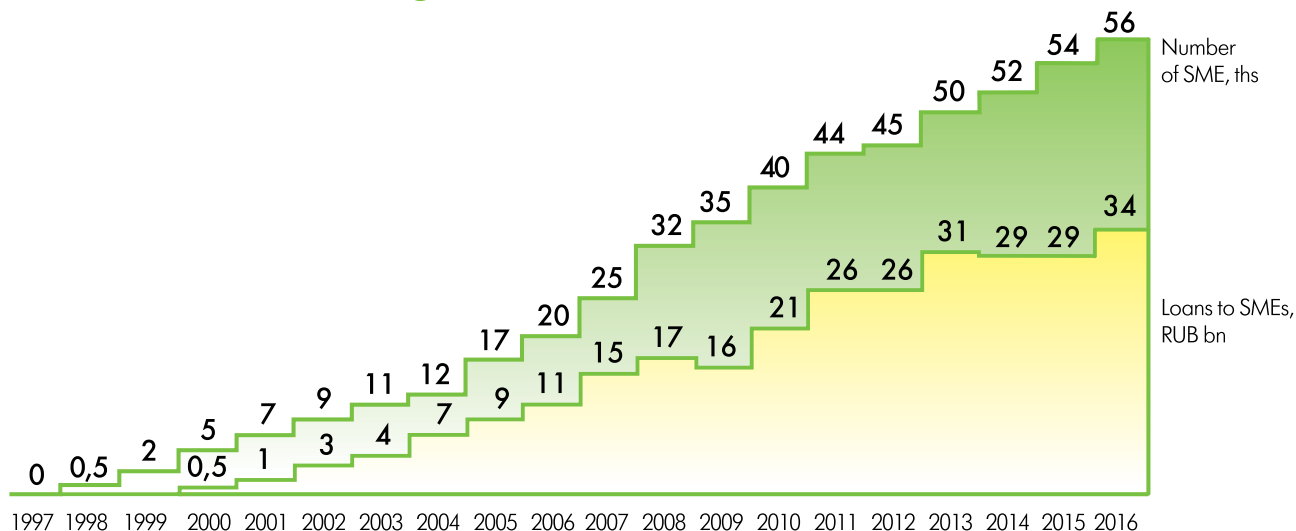
Gross loan portfolio and leasing – **RUB79.1bn**

\*%, loans and lease before provisions



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## Focus on SME Lending



Despite the intense competition on the SME lending market, the Bank maintained its rate of lending at the same level as last year: in 2016 we made **4 491** loans to SMEs for a total of **RUB31.6bn** and has managed to expand our client base.

Center-invest Bank first began working with SMEs back in 1997. Bank is a leader for SME Development Programmes in Rostov region – accounting for a quarter of all long-term loans for investment purposes for SMEs and takes an active part in implementation of the similar programmes in southern Russia.

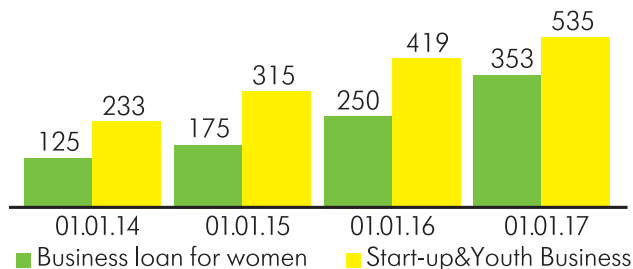
Bank has again performed very well in ratings of Russia's leading banks for SMEs. In a study of Russia's SME lending market in 1H2016 produced by the Expert RA Rating Agency, Center-invest Bank ranks **8th place in the TOP- 10 Russian banks** for value of portfolio of loans to small and medium business.



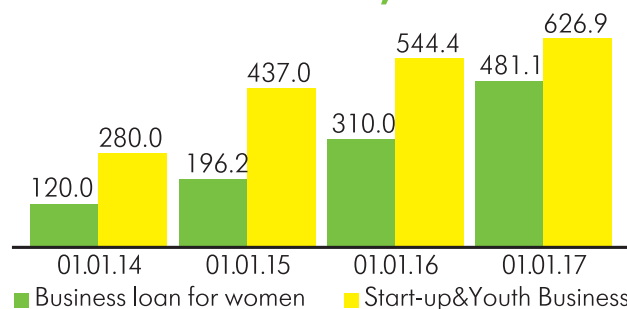
## Unique lending programmes

- Bank continues to provide finance on preferential terms under its Start-Up, Youth Business Russia and Business Loans for Women programmes.
- New entrepreneurs have already received 535 loans totaling RUB626.9m while businesswomen have obtained 353 loans for a total of RUB481.1m. **The absence of problem indebtedness** under «Business Loan for Women» Programme demonstrates their effectiveness and confirms the right credit strategy chosen by the Bank.
- More than **27 800** people registered on the online training portal «**Enterprise for All**» (<http://school.centrinvest.ru>) launched by the Bank, more than **11 500** users had completed the course of basic principles of the economy and entrepreneurship for which they received a certificate.
- In June 2016 Bank presented **Chinese, German, French and Portuguese versions** of online training portal «**Enterprise for All**». Moreover, free mobile applications of the training course are available in App Store and Google Market.

### Total number

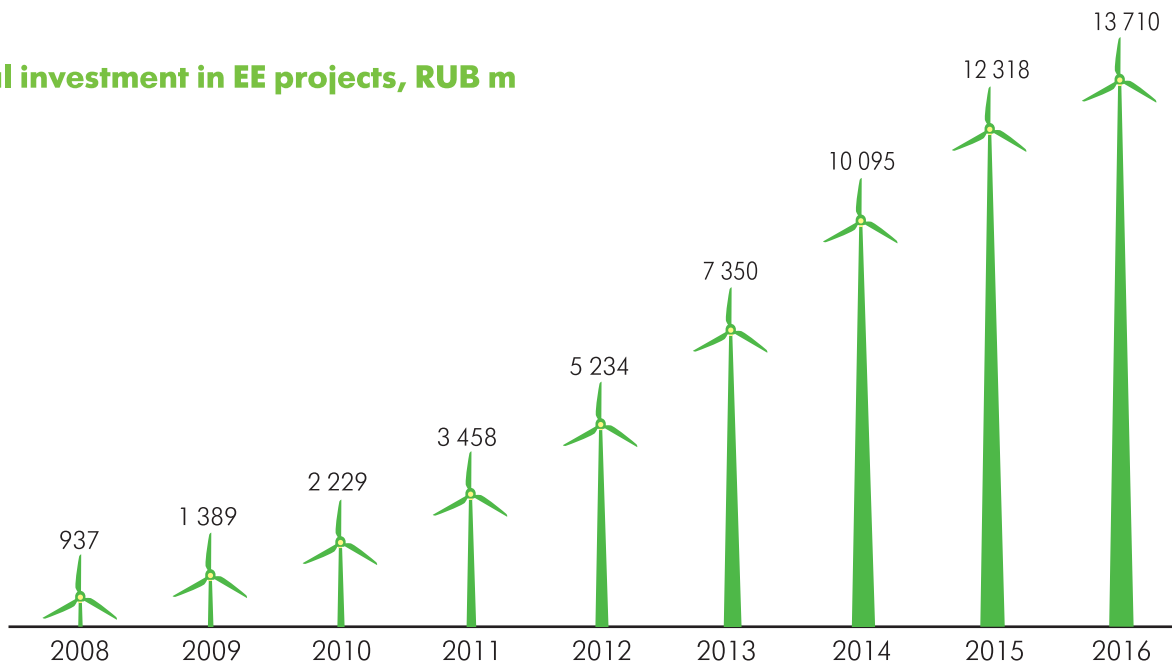


### Total amount, RUB m



## Energy Efficiency Lending

Total investment in EE projects, RUB m



Center-invest Bank's success in financing energy efficiency projects is attributable to the fundamentally new approach that we have developed for our customers in southern Russia: **sustainable lending**.

This approach combines technical, financial and social

engineering. The projects financed by the Bank meet the social and environmental requirements dictated by the Bank's policies and procedures

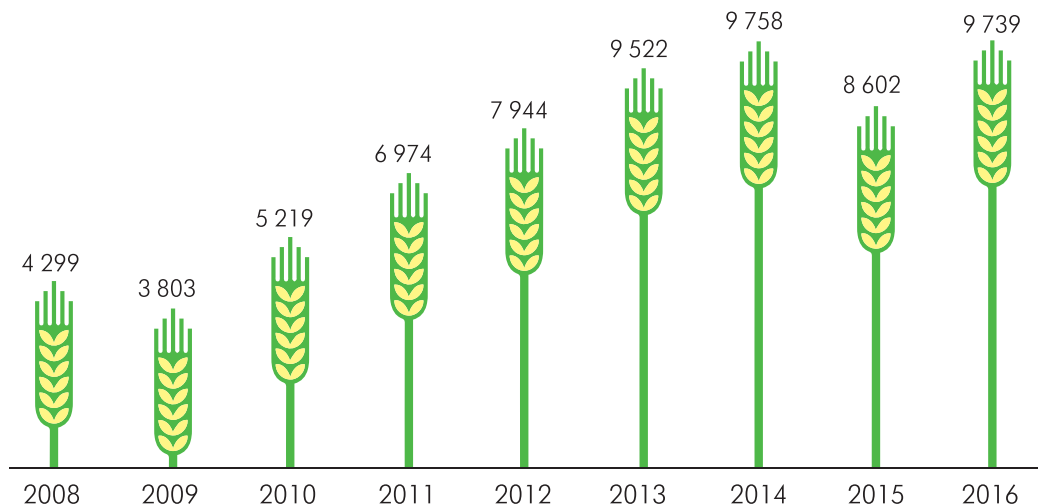
Center-invest Bank is **the first bank in southern Russia** to provide loans for homeowners' associations to renovate apartment buildings and reduce energy consumption.



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## Agribusiness Lending

### Value of financing agribusiness projects, RUB m



As at end-2016, loans granted to agribusiness constituted a substantial 27% of the Bank's corporate loan portfolio.

Bank nurtures and works with the best customers in southern Russia's agribusiness sector which accounts for 25% of the country's total agricultural output.

Loans from Center-invest Bank are used to introduce modern technologies for production and to improve the quality of soil cultivation and crop growing, and the productivity of livestock farming.

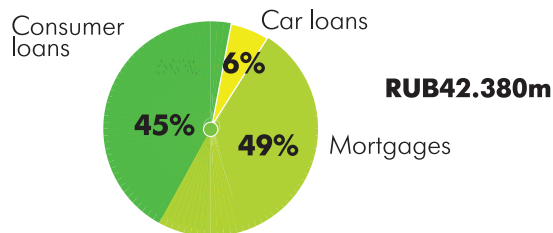


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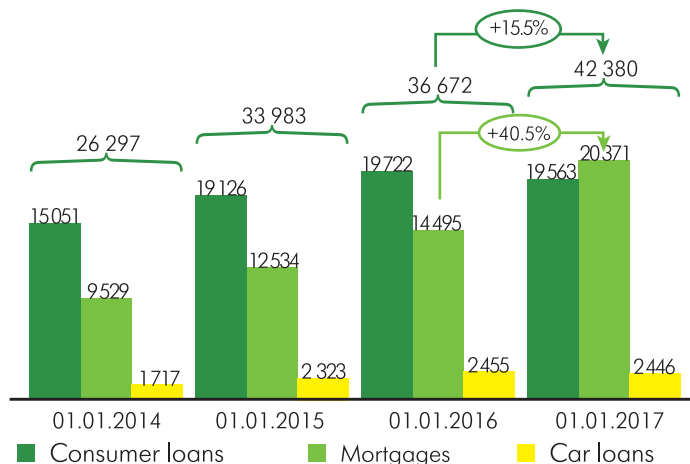
## Retail lending

- Bank's retail loan portfolio made up **RUB42.4bn** as at 01.01.2017 this represents an increase of over **RUB5.7bn** (+15%, five times higher than average statistics on the country) for FY2016 and attributable to the following factors: low interest rates, extensive product line, flexible loan terms and Bank's participation in State lending programmes.
- In spite of rapid growth of retail lending, NPL Ratio is maintained at a low level: NPL (+90 days) is 6.50% (four times better than average NPL ratios among Russian banks).
- Bank's approach to retail lending is rather conservative: Bank doesn't provide express loans and give preferences to own depositors, customers with solid credit histories and people who have salary cards issued by the Bank.
- Bank ranks 13th place in number and 14th place in value of issued mortgages among Russian banks (by ranking of RA Expert Rating Agency).

### Breakdown by loan volumes as at 01.01.2017



### Dynamics and structure of retail lending portfolio, RUB m

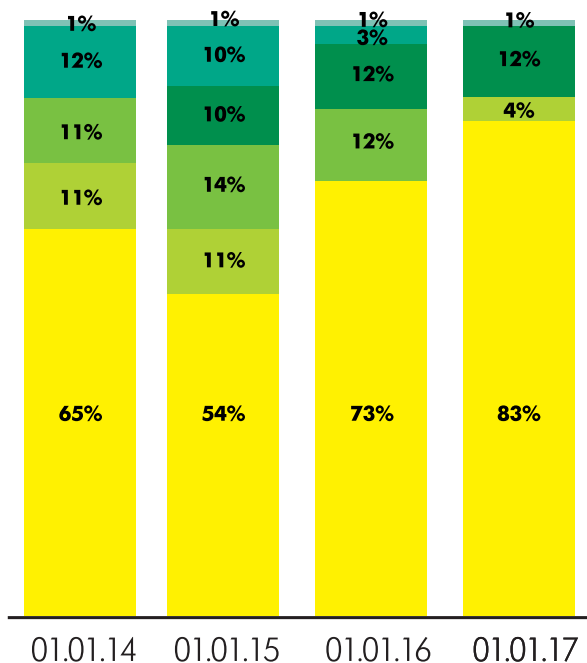


- Mortgage loans are still the basic driver for growth of the retail loan portfolio: during the FY2016 Bank more than doubled the volume of mortgage lending, the number of issued mortgage loans has increased up to 50%.
- According to the Government of the Rostov Region, in January — October of FY2016 15,300 mortgages for a total of RUB24.2bn were issued in the region. Center-invest Bank accounted for 30% of the market (4,484 mortgages for a total of RUB7.3bn).

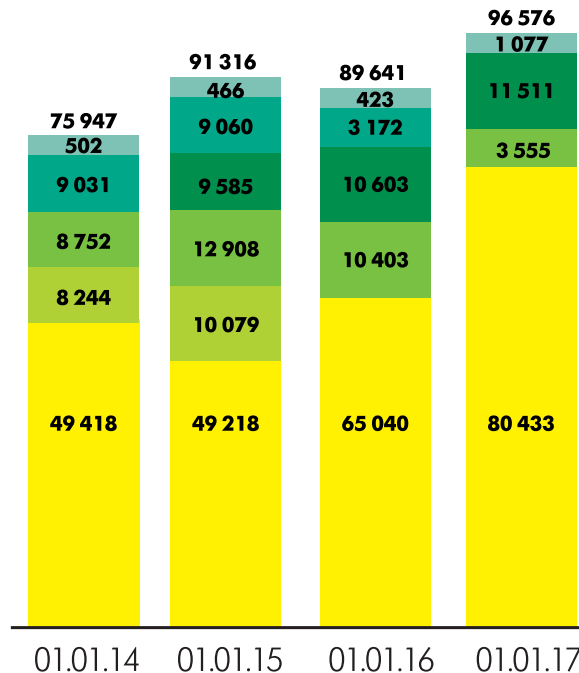


## Liabilities: dynamics and structure

### Dynamics of Liabilities, %



### Liabilities structure, RUB m



- Customer accounts
- Due to CBR
- Loans from IFIs and other banks

- Total shareholders equity
- Debt securities in issue
- Other liabilities



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## Funding base

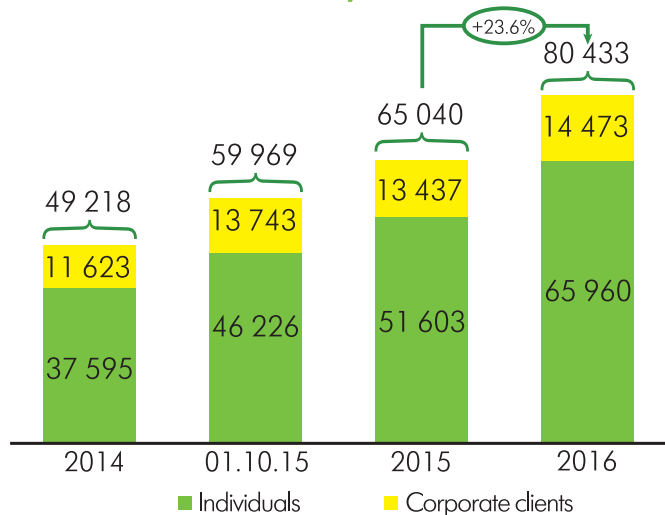
Retention of a stable customer base and steady growth in attracting funds during FY2016 testifies to the successful implementation of Bank's sustainable development strategy with a focus on retail and SMEs clients.

As of end 2016 the volume of customer accounts has increased by 23.7% as compared with the end 2015 and has reached the point of RUB80.433m and was due to the optimization of deposit's provisions, improvement of customer service technology and bank's reliability and unstained reputation.

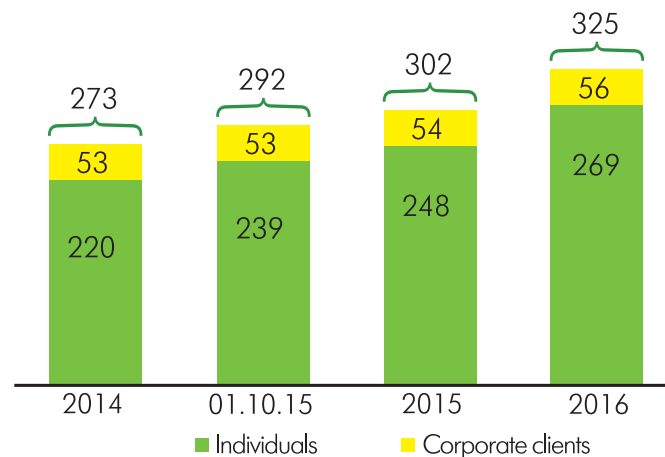
Despite of the significant share of retail deposits, it's diversification by quantity, type of customers and wide geographic presence, the continued low concentration as well as gathered bank's experience serves as clear proof that customer funds are the long-term and stable source of funding of bank's activity.

The share of TOP-10 depositors to the total value of liabilities made up 2.7% as at 01.01.2017 and continued to drop, for which reason, the risk of concentration of customer base is estimated as rather low.

### Dynamics and structure of customer accounts, RUB m



### Dynamics of individuals and corporate accounts, ths accounts



## Center-invest Bank on financial markets

### Bonds in circulation

Series	Total par value, RUB m	In circulation, RUB m	Maturity date	Put option date	Coupon rate, % per annum
Exchange bonds, BO-07 series	3 265.00	8.70	11.2018	11.2017	8.70
Exchange bonds, BO-10 series	3 000.00	190.00	05.2019	05.2017	10.00

During the period of high interest rates on financial markets and due to significant growth of customer accounts, Bank decreased the volume of bonds in circulation which resulted the reduction of pressure on the net interest margin and net interest income.

### Cooperation with IFIs

Starting from 2002 Bank has been attracting funds from both the Russian and the international financial markets. Bank continues to make positively use of borrowed funds from IFIs, including EBRD, DEG, BSTDB, IFC and others. Attracted credit lines are mainly dedicated for the development of Bank's SME and retail lending.

### Existing loan agreements

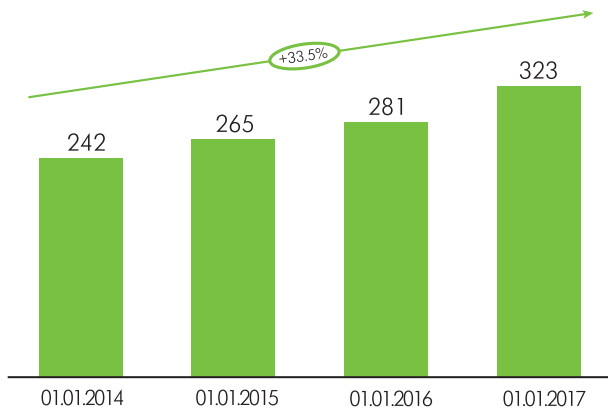
Date	Lender	Purpose	Amount	Years
December 2015	SME Bank (Russian Bank for Small and Medium Enterprise Support)	SME	RUB200.0m	5
August 2013	responsAbility Global Microfinance Fund (Luxemburg)	Microbusiness	RUB485.0m	3
November 2012	SME Bank (Russian Bank for Small and Medium Enterprise Support)	SME	RUB500.0m	5
May 2008	DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH)	Subordinated loan	USD30.0m	10
April 2008	EBRD (European Bank for Reconstruction and Development)	Subordinated loan	USD20.0m	10



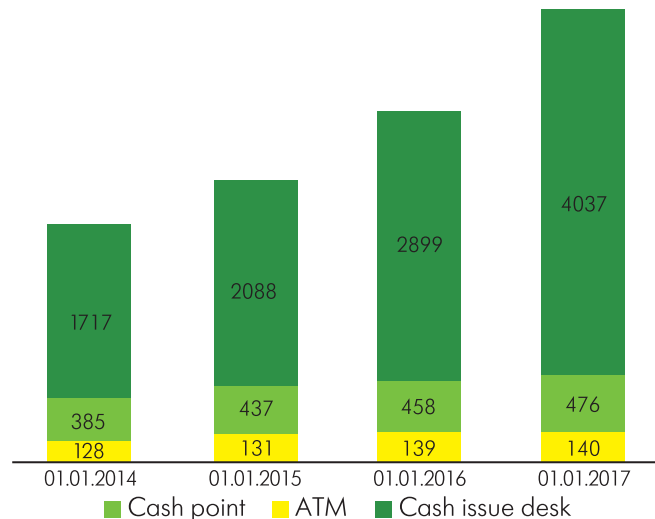
## Bank cards

- Center-invest Bank is the leader in southern Russia for the development and introduction of bank card products and services.
- Bank has become one of the first banks in Russia who joined new national payment card system «MIR» operated JSC National System of Payment Cards (NSPC) and took part in the pilot programme to test the issuing and servicing of the card
- Center-invest is **the only bank in Southern Russia** to have its own modern processing centre. This advantage enables to systematically expand our services based on bank cards.
- Bank provides services for settlement account to **Federal Treasury of Krasnodar Krai, Rostov and Volgograd regions**. As at 01.01.2017 a number of active bank cards issued in frame of this programme made up 14 350 cards.
- Center-invest Bank's «grace period card» won the «**Credit Card of the Year**» category in the Banker of the Year awards run by the Banki.ru portal.

Number of active cards  
in circulation, ths.



Growth in the Bank's acquiring network,  
number



## Focus on social responsibility

Center-invest Bank sets a positive example as a socially responsible business. Sustainable banking business model focuses on introducing new knowledge and new technologies in the interests of future generations.

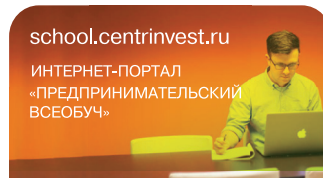
Social projects «Enterprise for All» and «Business loan for businesswoman» were recognized as «The Best Social Projects of Russia» in nomination «Education and Science» and «Social marketing».



For the past thirteen years the Endowment Fund for Education and Science in the SFD and Center-invest Bank have been running an open scholarship competition for undergraduate and postgraduate students in southern Russia. More than 15,000 students have entered the competition since it began, and 3,500 scholarships have been awarded.



In 2014, in partnership with Southern Federal University, the Bank set up a Financial Literacy Centre in Rostov-on-Don. Open to all, the centre provides free advice and training on personal finance for all groups of the population of southern Russia. Experts from the Bank regularly train students to work as volunteers at the Centre. In October 2016 in partnership with Kuban State Technological University the Bank set up a Financial Literacy Centre in Krasnodar. More than 500 volunteers finished their education and the most successful volunteers went on to take up paid positions with Center-invest Bank.



The Bank's work to raise financial literacy continues all year round. A key component of this is the online training platform [school.centinvest.ru](http://school.centinvest.ru). The platform combines training modules in the basics of entrepreneurship, video lectures, and textbooks. These resources help users to assess their entrepreneurial capabilities and resources, produce a business plan, and select the most appropriate start-up loan product. Everyone who completes the «Enterprise for All» course receives a certificate. Over 27,800 people have registered on the portal so far.



Thanks to financial support of CIB, more than 150 000 Rostov region children received free entry to the exhibitions at the Rostov Region Local Studies Museum and Volgograd State Panoramic Museum Stalin-grad Battle.

## CIB news: 2016

Bank has become a **full member of The Association of Regional Banks of Russia** (Association «Russia»).

CIB began issuing cards for Russia's new national **payment card system «Mir»** operated by OJSC National Payment Card System.

Bank in collaboration with Kuban State Technological University opened a **Financial Literacy Centre in Krasnodar city**.

Bank's card with «grace period» won the **«Credit Card of the Year»** category in the **Banker of the Year awards** run by the Banki.ru portal.

**Moody's Investors Service** affirmed Bank's **B1** long-term rating for deposits and senior debt, outlook **stable**.

Bank won the **Internal Communications and Corporate Media category** in the Silver Archer Awards (South) 2015 with the project of corporate theatre group - **«Green Theatre»**.

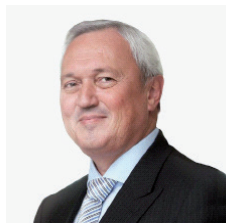
Bank presented his unique experience with Business-women lending in frame of the **Global SME Finance Forum 2016** in Beijing, China.

In frame of the **International Congress for Intellectual Systems and Information Technologies** Bank's specialists took part in **SAP InnoJam** – an experimental workshop based on design-thinking methodology.

Dr.Vysokov delivered a speech and shared an experience of «growing» SMEs clients on the round table «System of State Support of SME lending» in frame of **XIV International Banking Forum «Banks of Russia – XXI Century»**.



## Contacts



**Dr. Vasily Vysokov**  
Chairman of the Board  
of Directors

tel. +7 (863) 299-41-63  
referent@centrinvest.ru



**Tatiana Vysokova**  
Member of the Board  
of Directors

tel. +7 (863) 250-99-11  
referent@centrinvest.ru



**Per Fischer**  
Independent Director  
Member of the Board  
of Directors

tel. +7 (863) 299-41-63  
per.fischer@posteo.de



**Sergey Smirnov**  
Chairman  
of the Executive Board

tel. +7 (863) 299-41-63  
smirnov@centrinvest.ru



**Yuriy Bogdanov**  
Director for Innovations,  
Member of the  
Executive Board

tel. +7 (863) 299-41-63  
referent@centrinvest.ru



**Lidia Simonova**  
Deputy Head of Treasury,  
Member of the  
Executive Board

tel. +7 (863) 264-06-40  
l.simonova@centrinvest.ru



**Head office**

Russia, Rostov on Don, 344000,  
62, Sokolova ave.  
tel. +7 (863) 2-000-000

welcome@centrinvest.ru  
www.centrinvest.ru