



DIGITALISATION



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Letter to Shareholders

In 2018 Center-invest Bank produced and began implementing its new Strategy for 2019-2021 “ESG Digitalisation of Center-invest Bank’s Ecosystem”. The bank has long applied environmental, social and governance (ESG) principles in its work.

Rather than focusing on immediate profits, the ESG-banking business model, based on effective management of social and environmental risks, allows the bank to achieve sustainable long-term profitability in the transformation economy (constant change amid continual crises). Ideally, with digitalisation, ESG principles can be implemented with “one click”.

ESG principles are:

a moral choice in favour of the long-term sustainable development of an ecosystem,

an activity in the interests of employees, partners, customers, regulators and investors,

a high level of professionalism,

continuous innovation based on best practice,

a transparent and stable system of governance.

Digitalisation is:

accessibility of financial and digital services for a wide range of customers,

integration with marketplaces and big data operators,

solutions based on quantitative assessments and analysis of big data, taking into account a large number of factors, alternatives and risks, so as to coordinate the ecosystem’s many elements,

search and matching algorithms for innovative solutions at a time of transformations,

accelerated sustainable development and scaling of the best results.

The objectives in Center-invest Bank's Strategy with regard to the local population, the business community, the development of the bank's operational system, and social responsibility are in line with the UN Sustainable Development Goals to 2030, the national development goals of the Russian Federation to 2024 and the goals in the Bank of Russia's development programmes. This report presents the results of this coordinated approach for 2018.

The development and implementation of the Strategy has demonstrated the viability of ESG principles, as well as the bank's readiness to respond to new geopolitical challenges and its ability to manage business processes and risks in the new competitive environment.

Sustainable Development Goals



ESG products and services for Sustainable Development Goals

For retail customers



Loans

Consumer loans	●	●		●		●											●
Car loans	●	●		●		●											●
Mortgages	●			●		●											●
Credit cards	●	●		●		●											●
Energy efficient housing	●			●	●	●	●					●	●	●			●
Loans for education and medical treatment	●		●	●	●	●											●

Deposits

Deposits	●	●	●	●	●		●										●
Money transfer systems	●	●	●	●	●		●										●
Currency operations	●	●															●
Safe boxes					●												●
VIP-service			●		●												●
Securities transactions	●	●	●	●	●		●										●
Depository	●	●	●	●	●		●										●

Bank cards

KcardsCards from national and international payment systems	●	●	●		●		●	●	●	●	●	●	●	●			●
Loyalty programmes	●	●	●	●	●		●	●	●								●
Samsung Pay	●	●	●	●	●		●	●	●	●			●				●

Payments

Internet banking			●		●		●		●								●
Mobile app			●		●		●		●								●
Currency exchange	●	●		●	●		●		●								●
Payment of utility bills			●		●	●	●		●	●							●
Self-service terminals			●		●				●		●						●
ATMs			●		●				●		●						●
Commemorative Coins					●												●

SupportContact

Contact Centre			●		●		●										●
Bank chatbots					●												●
Support via social networks					●												●

For business customers



Loans

SME loans	●	●			●			●	●	●	●					●	●
Business loans for women	●	●			●			●	●		●	●					●
Business start-ups	●	●			●			●	●	●	●					●	●
Lending to agricultural producers	●	●	●		●			●	●	●	●						●
Energy-efficiency investments	●		●		●	●	●	●	●		●	●	●	●	●		●
Social entrepreneurship	●	●	●	●	●	●	●	●	●	●	●					●	●
Investment lending	●	●			●	●	●	●	●	●	●						●
Lending to homeowners' associations	●		●		●	●		●			●				●		●
Bank guarantees	●	●			●			●	●	●	●						●
Leasing	●				●			●	●	●	●						●
Accreditation of housing construction projects	●				●	●	●			●	●						●

Services

Remote banking services					●			●		●		●					●
Payroll programmes	●	●			●			●	●	●	●	●					●
Business expense cards					●			●	●	●	●	●					●
Acquiring					●			●	●								●
Currency operations					●			●	●			●					●
Deposits					●			●	●		●						●
Personal management					●												●
Securities transactions					●			●	●								●
Depository					●			●	●		●						●

Corporate and social responsibility



Operational system

Biometric identification					●			●	●	●							●
Information security					●			●	●	●							●
Risk management	●				●			●			●						●
Project appraisal	●				●			●			●						●
Corporate culture				●	●			●			●			●			●
Continuous staff training				●	●			●									●

Social projects

Enterprise for All	●			●	●			●	●	●						●	●
Financial Literacy Centres	●			●	●			●	●	●							●
Scholarships for students	●			●	●			●									●
Educational activities				●	●			●	●	●			●	●			●
Student project competitions	●			●	●			●	●	●							●
Business accelerator	●	●		●	●			●	●	●	●						●
Corporate social responsibility programmes	●	●	●	●	●	●	●	●	●	●		●	●	●			●

Geopolitical risks (sanctions, tariff barriers, restrictions on access to global markets), unsustainable macroeconomic trends, recovery growth, and the government's commitment to a breakthrough at the national level have allowed Center-invest Bank to use the competitive advantages of the regions in which it operates.

Thanks to southern Russia's diversified economy, strong tradition of enterprise, rich natural environment, and favourable geographic position, it is able to adapt quickly to new challenges:

- compared to the rest of Russia as a whole, production is growing more quickly, while prices are rising more slowly;
- the population are seeking to satisfy pent-up demand from previous years, in order to reach the average consumption levels for Russia;
- government investment in infrastructure development in the region is supplemented by companies' own funds, investment by parent companies, and bank loans.







The risks of state-owned banks dominating the domestic market have strengthened Center-invest Bank's advantages as a bank that is effectively managing regional risks and successfully introducing proven innovative technologies.

In today's competitive environment, Center-invest Bank was the first to start using best international practice, and it has become a pilot project, benchmark, case study and success story for other banks in the region, the population and the business community.

The trust placed in Center-invest Bank by global leaders in sustainable finance allows it to introduce best international practice in technology and business: in 2018, Center-invest Bank had credit lines totalling in excess of RUB1.5bn to finance SME projects.

In 2018, in addition to its Moody's Ba3 investment rating, outlook stable, Center-invest Bank received an A(ru) rating, outlook stable, from the Russian rating agency ACRA. The Vigeo Eiris rating agency ranks the bank 17th out of 76 European banks that are applying environmental, social and governance models. In addition, Center-invest Bank continually appears in the top 50 in ratings produced by The Banker, the Expert rating agency and Forbes.

Ratings




 Ba3 stable outlook Moody's Investors Service	 A(ru), outlook stable
 17th out of 76 European banks applying ESG-models	 31st in the rating of the 100 Most Reliable Banks of Russia
 3rd size of individual entrepreneurs loan portfolio 7th size of small enterprise loan portfolio 11th volume of SME lending in 2018 13th size of medium enterprise loan portfolio 16th return on equity 27th return on assets 45th profits	 annual ranking of the Top 50 Russian banks: 4th loans to assets ratio 15th profit growth 18th return on equity 20th capital growth 24th return on assets 25th cost/income ratio 28th capital adequacy ratio

Presentation of the bank's new strategy for 2019-2021 "ESG Digitalisation of Center-invest Bank's Ecosystem" to investors and partners. Moscow, October 2018.



Events 2018

January	<p>The bank holds a youth competition in southern Russia: "Me and the World in 2030: plus digitalisation of the whole country!"</p>
February	<p>The bank becomes a participant in a new government-subsided mortgage programme.</p> <p>The bank signs an agreement with METRO Cash and Carry and the Administration of Krasnodar Krai on supporting SMEs.</p> 
March	<p>The bank is ranked 31st in the Forbes reliability rating.</p> <p>The bank participates in the environmental event "Earth Hour".</p> 
April	<p>The Eurasian Development Bank provides Center-invest Bank with a five-year RUB600m loan for on-lending to SMEs.</p> <p>Together with the Alliance Française, the bank organises a foresight session, "Future Cooperation Between the Rostov Region and France".</p>
May	<p>The bank becomes a participant in a preferential loan programme run by the Russian Ministry for Industry and Trade.</p> <p>The bank is the main financial partner for the Festival of Youth Enterprise in the Rostov region.</p> 
June	<p>The bank opens the first deposit accounts via the Marketplace system.</p> <p>The bank's team win a Fair Play award in the "Straßenfußball" international football tournament.</p>

July	<p>Center-invest Bank becomes the first Russian bank to receive an ESG rating from Vigeo Eiris - ranking 17th out of 76 European banks.</p> <p>The Russian rating agency ACRA issues the bank with an A(RU) national scale rating, outlook stable.</p>
August	<p>Dr Vasily Vysokov's new book is published, "Banks Love Small Business".</p> 
September	<p>The bank opens its fourth Financial Literacy Centre, in Volgodonsk city (Rostov region).</p> <p>The bank's Accelerator signs an agreement on cooperation with the Shenzhen Association for Youth Enterprise, and also with INCO, a French accelerator for social and environmental start-ups.</p> 
October	<p>The bank's team win a youth projects competition at Finopolis-2018.</p> <p>The bank's new Strategy for 2019-2021 "ESG Digitalisation of Center-invest Bank's Ecosystem" is adopted.</p>
November	<p>The bank starts collecting customer biometric data.</p> <p>The bank receives a three-year RUB1bn loan from the Black Sea Trade and Development Bank.</p> 
December	<p>The bank helps to organise the Big Data Analysis Festival, held as part of the II Open Russian Statistics Congress.</p> <p>The bank receives an award at the XVI Russian Bond Congress for successfully initiating a green loans market in Russia and making a considerable contribution to its development.</p>

Southern Russia: 2018

Center-invest Bank presents the 2018 results for the regions in which its branches are located: the Rostov region (RR), Krasnodar Krai (KK), the Volgograd region (VR), Stavropol Krai (SK) and the Nizhny Novgorod region (NN), measured against data for the Russian Federation (RF), the Southern Federal District (SFD) and the North Caucasus Federal District (NCDF), based on information from the Federal State Statistics Service (www.gks.ru). Center-invest Bank opened a branch in Nizhny Novgorod (Volga Federal District) in 2017 to promote the transformation economy model which it is using successfully in southern Russia.

Transformation economy – managing constant change amid continual crises, on the basis of creative, socially responsible solutions that are in the interests of current and future generations.

Growth rates, 2018 compared to 2017, %		RF	SFD	NCDF	RR	KK	VR	SK	NN
Industry	Output	2.9	5.7	1.0	9.7	4.2	1.7	3.5	2.7
	Producers' prices	11.7	7.0	11.5	5.4	5.6	8.2	16.8	7.2
Agriculture	Output	-0.6	-5.4	-2.0	-9.6	-4.0	-3.2	-7.3	-0.4
	Producers' prices	12.9	14.7	15.8	15.6	13.7	18.0	17.6	20.2
Construction	Output	5.3	-3.2	1.8	-33.5	-11.5	-35.8	2.5	-15.0
	Producers' prices	7.3	9.5	16.9	5.6	8.7	11.4	13.1	7.3
Trade	Output	2.6	3.5	-2.6	3.1	2.6	2.5	3.8	3.8
	Producers' prices	-0.2	-0.1	1.7	-1.3	0.4	-10.6	0.6	-0.9

Industry. In the regions where the bank operates, compared to the rest of the country as a whole, industrial output is growing more quickly, while producers' prices are rising more slowly. This increases the competitiveness of the goods produced. It was only in the Nizhny Novgorod region that growth in industrial output was below the Russian average (-0.2%), but so too was price growth (-4.5%). This anti-crisis trajectory shows that **the regions in which Center-invest Bank operates are adapting successfully to the transformation economy.**

At the same time, manufacturing in the regions is growing at a faster pace. This trend is to a large extent due **to import substitution, as well as programmes to modernise production and increase energy efficiency that are being implemented with support from Center-invest Bank.**

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Extractive industry	4.1	13.7	-3.1	-5.9	5.0	6.2	-5.7	-8.2
Manufacturing	2.6	4.9	2.9	10.1	4.2	1.3	7.2	3.2
Supply of electricity, gas and steam; air conditioning	1.6	5.9	-5.0	10.8	3.6	1.3	-9.2	-2.3
Water supply; waste water disposal; waste collection and recycling; activities to eliminate pollution	2.0	4.8	-1.7	9.1	10.4	-7.1	-1.5	3.7
Electricity generation	1.4	8.3	-6.3	14.1	4.9	-2.3	-11.2	-6.0

Agriculture. After the record harvests of the preceding years, weather-related risks and a fall in output were highly likely. Reduced expenditure did not compensate for the lower output, and this influenced price growth for agricultural production, especially in the regions that specialise in this sector. Crop production was hit the hardest by the dry weather. In the Rostov region, avian influenza was a significant factor in the reduced supply of meat and eggs.

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Grain	-16.7	-18.6	-9.8	-18.9	-9.7	-34.4	-11.7	-13.1
Sunflowers	-20.6	-22.5	-25.8	-20.2	-22.7	—	-21.6	-14.2
Potatoes	20.2	1.9	-13.2	-6.3	-12.5	64.0	-12.5	-35.5
Vegetables	3.3	5.0	0.2	9.5	5.7	-3.9	1.3	2.3
Cattle and poultry for slaughter (live weight)	-0.1	0.9	-2.9	-12.6	-0.3	-9.0	-9.4	-6.6
Milk	2.5	0.7	4.7	0.2	0.1	-1.7	7.6	-0.6
Eggs	1.5	2.2	-0.1	0.4	5.0	1.0	-8.1	0.5

Construction. Construction output declined in southern Russia following completion of the main infrastructure projects for the 2018 FIFA World Cup (including the Platov airport), and the construction sector turned its attention to the housing market. There is increased demand for new housing, reflected in the higher price growth in the new build market.

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Construction (volume of work)	5.3	-3.2	1.8	-33.5	-11.5	-35.8	2.5	-15.0
Housing construction	-4.9	-6.7	-32.7	0.6	-7.1	-20.5	1.9	3.3
of which, self-builds	-1.6	-11.4	-35.6	-9.8	-12.4	-13.6	12.5	26.3
Price indexes on the housing markets:								
New build market	6.3	7.0	6.1	3.0	9.9	9.5	10.3	1.0
Resale market	4.1	0.9	-0.1	-1.2	1.1	0.7	0.1	2.2

Trade. Retail sales and spending on services are growing faster in southern Russia than in the rest of the country as a whole. In particular, southern Russia is seeing higher growth in sales of food items and the prices of these goods. Income lags behind the national average, and when income growth is modest, the main growth in demand is for food items. Purchases of non-food items lag slightly behind the national average, but prices are lower: workers from expanding manufacturing sectors are buying cheaper non-food items and services which were previously unaffordable.

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Retail sales	2.6	3.5	-2.6	3.1	2.6	2.5	3.8	3.8
Food items	1.7	3.0	-4.6	2.8	2.6	0.6	3.5	1.4
Non-food items	3.4	3.8	-0.3	3.3	2.6	4.1	3.9	4.6
Consumer spending on services	2.5	0.5	1.2	2.8	1.3	-1.0	0.8	2.6
Consumer prices								
Goods and services	4.3	4.5	3.7	4.5	4.3	4.3	4.5	4.7
Food items	4.7	5.4	3.5	5.4	5.3	5.2	4.6	4.8
Non-food items	4.1	3.7	3.7	3.3	3.9	4.2	4.3	4.6
Prices for services	3.9	4.0	4.1	4.9	3.3	3.4	4.5	4.7
Housing and utilities services (heating, water supply, waste water disposal)	4.4	3.7	4.3	3.8	3.2	4.0	3.3	4.0

Household income and expenditure. Growth in income and accelerated wage growth has been outstripped by expenditure and high prices, resulting in a fall in real household income in southern Russia. The more rapid growth in income and expenditure in the Rostov region and Krasnodar Krai is connected to local entrepreneurial activity

and expenditure by visitors from other regions. **The population is increasingly using loans to meet its needs, primarily mortgage loans to improve living conditions.**

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Real income	0.9	1.5	-2.1	2.0	0.1	-0.2	-0.8	-0.9
Income	6.5	5.4	1.2	4.9	3.5	6.4	11.1	9.3
Consumer spending	5.6	5.0	-3.5	6.5	3.0	8.7	5.9	9.5
Average monthly wage	6.5	5.4	1.2	4.9	3.5	6.4	11.1	9.3

Company finances and investment. The weak financial performance of companies in southern Russia has not impacted on the attractiveness of investment in fixed capital, **as it is to a large extent based on government investment and determined by parent companies.**

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Financial results	66.4	6.0	11.3	16.4	-14.8	108.1	44.5	11.3
Capital investments	4.3	-8.9	2.4	-23.6	-8.6	-11.9	2.4	2.8

Foreign trade. The regions in which Center-invest Bank operates are not involved in energy exports, but they are **actively using the export potential of various sectors and also importing machinery and equipment, raw materials and other materials**, despite the slowdown in imports in Russia as a whole.

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Exports	25.6	26.0	11.2	32.4	19.8	24.6	6.9	41.4
With non-CIS countries	27.5	27.2	17.7	35.5	20.0	29.2	15.3	57.7
With CIS countries	13.5	20.0	0.8	20.1	17.2	18.1	-7.8	20.4
Imports	4.7	11.1	-7.2	5.9	1.5	26.1	-2.7	12.8
With non-CIS countries	4.6	9.8	-8.0	-3.6	2.8	25.7	-6.2	20.9
With CIS countries	5.3	16.3	-4.1	28.8	-5.7	27.2	9.1	-36.4

Retail lending*. The population has long resisted foreign currency loans, and demand is falling rapidly. The population of southern Russia take out fewer loans, but mortgage lending programmes, including government-subsidised programmes, are in high demand.

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
In rubles	22.6	23.6	24.1	21.2	24.1	22.3	22.7	20.7
Including consumer loans for house purchases	23.6	27.3	24.9	25.8	28.4	23.0	23.2	19.1
Of which, mortgage loans	23.9	27.8	25.5	26.3	28.9	23.2	23.7	19.8
In foreign currency	4.3	-16.0	-9.0	-13.7	-24.8	-7.1	-14.4	-34.7
Including consumer loans for house purchases	-20.3	-15.2	-5.2	-0.6	-21.5	-28.8	-19.9	-24.7
Of which, mortgage loans	-21.1	-15.8	-3.4	-1.1	-21.8	-28.8	-19.7	-24.1

* Outstanding debt on loans provided by credit institutions to individuals (based on the location of the borrower).

Business lending*. The rate of growth in lending to the real economy in southern Russia is below the national average. However, in the Rostov region the scale of lending to companies and organisations is almost 75% above the national average. While SME lending is becoming increasingly popular in Russia, regions in which Center-invest Bank operates surpass the average rates, for SME lending (the Volgograd and Nizhny Novgorod regions) or for lending to individual entrepreneurs. Foreign currency lending to business is increasing, despite efforts to “dedollarize” the economy. However, in the regions, foreign currency loans are linked to very specific projects, which again shows that rates of SME lending are highly volatile.

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
In rubles	14.9	7.4	6.3	24.1	-0.8	14.7	13.4	12.7
Including to SMEs	10.7	-2.7	-0.8	5.5	-15.9	26.8	-1.5	16.0
Of which, individual entrepreneurs	6.4	14.4	1.4	14.1	16.1	15.8	5.2	-7.7
In foreign currency	37.3	16.1	-29.2	41.5	-9.0	434.6	16.6	53.1
Including to SMEs	43.0	193.5	-82.4	130.8	319.1	262.0	-100.0	-85.0
Of which, individual entrepreneurs	-17.0	—	—	—	—	—	—	—

* Outstanding debt on loans provided by credit institutions to companies and individual entrepreneurs (based on the location of the borrower).

Institutional structure. 2018 marked a turning point for the structure of the economy: **the number of companies began to fall, while the number of individual entrepreneurs began to increase.**

Growth rates, 2018 compared to 2017, %	RF	SFD	NCFD	RR	KK	VR	SK	NN
Number of companies	-7,6	-3,3	-5,4	-1,5	-3,9	-7,0	-8,0	-6,1
Number of individual entrepreneurs	3,2	0,8	-3,7	-0,3	1,1	1,3	1,0	2,5

Population. The Russian population fell in 2018, and this same trend was seen in the regions of southern Russia, with the exception of the North Caucasus republics. **Southern Russia is highly attractive for migrants, but the influx of migrants does not compensate everywhere for the natural population decline.**

Population increase/decrease in 2018, by 1000 residents	RF	SFD	NCFD	RR	KK	VR	SK	NN
Natural population increase (+), decrease (-)	-1.5	-2.4	6.8	-3.6	-0.9	-3.9	-0.7	-1.5
Population increase (+), decrease (-) due to migration	0.9	3.0	-2.6	-0.6	8.5	-1.5	-2.5	-1.5

Sustainable Development Declaration

The 6 ESG Principles of Banking at a Time of Transformations

1. Voluntariness. Center-invest Bank's shareholders, management and employees have voluntarily committed to and act on the basis of environmental, social and governance (ESG) principles, which promote sustainable, environmentally friendly, ethical and socially responsible banking. These obligations have become a cornerstone of Center-invest Bank's corporate culture. They inform the bank's customer and partner relationships and provide a mechanism for successful business management even at a time of crisis.

2. Global Vision. Although not an official signatory, Center-invest Bank supports the provisions of the following international initiatives: United Nations Global Compact (UNGC), Sustainable Development Goals (SDGs), Equator Principles (EP), Principles for Responsible Investment (PRI), Environmental, Social and Governance (ESG) principles, and the Triple Bottom Line (3BL) - People, Planet, Profit. The bank:

- includes these provisions in its operational and corporate governance procedures;
- offers special products and programmes to address social problems;
- explains the sustainable development provisions to its customers and partners, government bodies and social communities;
- voluntarily reports on its sustainable development activities on the basis of international recommendations (GRI, IR);

- monitors and checks compliance with best international practice;
- helps its partner banks, business people and young people to make contacts internationally.

3. Social Responsibility and Effectiveness. For Center-invest Bank, this means profits which:

- are not immediate, but long-term;
- take into account risks and ensure safeguards;
- avoid conflict and do not infringe on the interests of other parties;
- ensure the development of public goods and services;
- promote the growth of social consciousness and effective social transformations.

Center-invest Bank applies best international practice to improve its business performance:

- transparent decision-making procedures;
- a clearly defined corporate culture and unambiguous rules of conduct;
- independent risk management and internal control;
- nurturing its employees;
- transparent and accessible reporting under national and international standards;
- a modern and constantly evolving information system;
- highly responsive liquidity management procedures;
- innovative technology, operations and product development.

By applying an ESG banking model, Center-invest Bank is achieving: sustainable, balanced growth; a high level of competitiveness on Russian and international markets (including when compared to the speculative market);

and high rankings among Russian banks, especially for products relating to energy efficiency, small business, youth enterprise, women in enterprise, retail lending, public-private partnership, and social enterprise.

4. Managing risks amid transformations. Transformations are the new economic reality. This requires management of constant change amid continual crises, and creative, socially responsible solutions in the interests of current and future generations, based on best international practice and technical, financial and social engineering.

ESG banking is not about buying and selling risks, but managing risks, which requires expenditure in the initial stages to avoid large losses.

- The bank offers its customers non-financial services (training, consulting, mentoring, analysis) to reduce the risks and increase the competitiveness of its ecosystem.
- Center-invest Bank's social and educational projects are designed to raise new generations of schoolchildren, students, entrepreneurs, civil servants and company managers.

5. The bank's ecosystem. The participants and resources required for the bank's sustainable development (constant reproduction) include, at a minimum:

- stakeholders (shareholders, partners, customers, employees),
- regulatory bodies, public administration and government bodies,
- civil society organisations, social groups and the media.

In developing its ecosystem, the bank takes into account a long-term vision for its main components:

Economic component - reproduction of all types of capital (financial, manufactured, natural, intellectual, human, social) on the basis of:

- a rational combination of pace of growth and proportions,
- risks and returns,
- localisation of best international practice.

Environmental component:

- procedures and measures to preserve and restore natural resources,
- reducing harmful emissions and waste,
- maintaining biodiversity,
- using best international practice in technological and organisational solutions to raise the population's standard of living and make customers more competitive.

Social component:

- preventing social conflict and inequality,
- supporting effective social differentiation,
- developing public goods and services,
- transforming social structures and relationships,
- the corporate culture and ethics of the ecosystem's participants,
- implementing social and educational projects.

Information component: the effective analysis of the growing volume of information, based on:

- modern methods and technology,
- management of information risks,
- transparent reporting and information policy,
- new forms of information and communication channels.

6. Nurturing staff. The bank provides continuous staff training on new areas in banking, in line with the ESG banking business model. We have established a positive corporate culture, with a creative atmosphere and employees who take responsibility for, and have confidence in, the successful implementation of the bank's own strategy and those of its customers. An important result of this is the high birth rate among our employees. We have every reason to be confident that all the members of our team are committed to helping the bank and our customers achieve new sustainable results.

Key Financial Indicators

In profits

1.5 RUB
BN
+7.5%

In assets

112.2 RUB
BN
+9.3%

Loan
portfolio

88.0 RUB
BN
+9.8%

In customer
accounts

95.2 RUB
BN
+9.2%

The growth shown by Center-invest Bank's key indicators for 2018 confirm the effectiveness of the ESG-banking business model at a time of transformations. Not only does Center-invest Bank subscribe to ESG-banking principles, but its results demonstrate the value of applying these principles in practice. In 2018 the bank's net profits calculated under IFRS increased by 7.5%, to RUB1.53bn. Return on equity was 11.9%. The bank's assets reached RUB112bn, an increase of RUB9.5bn (+9.3%) on the previous

year. The bank's loan portfolio grew by 10% to RUB88bn, and it continued to account for a high proportion of assets (78%), reflecting the principle that ESG-banks are more focused on lending to the real economy. Growth in the loan portfolio was driven primarily by mortgages and lending to agricultural producers. Customer accounts balances increased by 9.2% to RUB95.2bn, 80% of which comprised retail customer accounts. Capital adequacy under IFRS was 16.7%, and Tier 1 capital adequacy was 15.1%.

As at 31 December, RUBbn			2014	2015	2016	2017	2018
Capital			9.6	10.6	11.5	12.6	13.1
Assets			91.3	89.6	96.6	102.6	112.2
Net loans and leasing			72.0	72.7	73.6	80.1	88.0
Deposits			49.2	65.0	80.4	87.2	95.2
Profits			1.1	0.5	1.0	1.4	1.5
CAR, RAS, %	H 1.0 \geq 9.25		10.9	13.0	11.7	11.2	10.7
	H 1.1 \geq 5.75		7.7	9.5	9.5	9.6	9.5
	H 1.2 \geq 7.25		7.7	9.5	9.5	9.6	9.5
IFRS	CAR, %	\geq 8.0	14.5	17.1	17.0	16.8	16.7
	CAR Tier 1, %	\geq 4.0	10.3	12.7	13.7	15.0	15.1
Basel 3	CAR, %	\geq 10.5	13.0	15.1	14.8	14.6	14.4
	CAR Tier 1, %	\geq 8.5	9.2	11.2	12.0	13.1	13.0
ROAA, %			1.3	0.6	1.1	1.4	1.4
ROAE, %			12.1	5.3	9.1	11.8	11.9
Cost/Income, %			43.4	50.6	44.9	48.7	47.6
Children born to bank employees			86	90	107	89	72
Inspections, days per year			1663	2500	2800	3200	3850

Southern Russia's economy (agribusiness, recreation and tourism, transport) is sensitive to climate change risks. The impact of climatic factors can be offset through the use of modern technologies and best international practice. The following strengths allow Center-invest Bank to have a high-quality portfolio in this sector: its customers' many years of experience in the sector, the application of modern technologies, high-quality risk management, and an appropriate level of provisions for these customers. The key indicators (returns, non-performing loans, concentration) are mid-range when compared to the bank's loan portfolio as a whole.

Center-invest Bank does not receive any financial assistance from the government. It is, however, actively involved in efforts to promote the socioeconomic development of southern Russia and the Russian Federation as a whole. Center-invest Bank's activities, underpinned by its sustainable banking business model, were directed at generating income in the real economy (87%) and distributing income to depositors (37%), partners (18%), shareholders (26%), and employees and the government (19%).

Formation and distribution of Center-invest Bank's income	2018, RUBbn	2017, RUBbn	B % of total
Income	12.7	13.0	100
Of which, lending to the real economy	11.0	11.4	86.6
Distribution of income			
To the population – on retail deposits	4.6	5.1	36.6
To society – social projects	0.03	0.02	
To partners – for funds raised	0.5	0.4	18.3
To suppliers	1.9	1.6	
To employees - remuneration	1.9	1.8	18.9
To the government – taxes and other mandatory payments	0.5	0.6	
To shareholders – dividends	0.6	0.3	26.2
To shareholders – dividends	2.7	3.2	

91% of the bank's spending
on suppliers is on local suppliers

	2018	2017
Rostov region	81%	84%
Krasnodar krai	6%	6%
Stavropol krai	1%	1%
Volgograd region	2%	2%
Nizhny Novgorod	1%	—
Other	9%	7%

**Growth in Center-invest Bank's ecosystem
in 2018 at a time of transformations
was driven by innovative solutions for retail
customers and SMEs, with an emphasis
on the new generation of entrepreneurs.**

Retail Business

Retail loan
portfolio

55.0 RUB BN

+10.7%

393000

CARDS
IN CIRCULATION

+0.5%

17.1m

CARD
TRANSACTIONS

+16.4%

119000

LOAN
APPLICATIONS

+13.6%

In deposits

69.2 RUB BN

+7.8%

269200

DEPOSITORS

+0.5%

The bank's retail loan portfolio increased by 10.7% in 2018 to RUB55bn. In 2018 Center-invest Bank made 38,231 loans for a total of RUB25.4bn

Center-invest Bank's digitalisation strategy has given customers new opportunities. A number of the bank's branches now have virtual reality presentation areas, where customers can view apartments that they could purchase with a mortgage. Using this technology, customers can assess the layout and dimensions of a property, choose their preferred specifications, and consider their furnishing options.

In 2018, the bank agreed 8,309 mortgage loans for a total of RUB14.6bn, which was a 16% increase in the volume of lending compared to 2017. Center-invest Bank ranks 18th among Russian banks in the Mortgage Lenders League 2018.

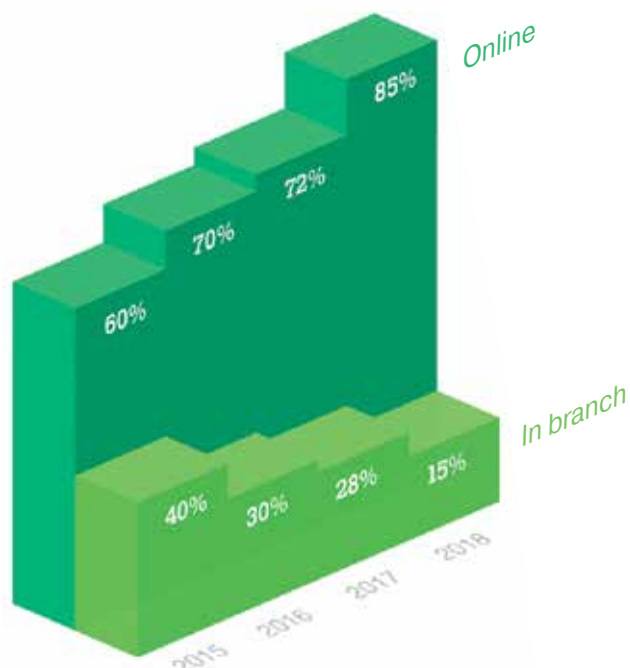
The growth in the number of mortgages and in the volume of lending is connected to our favourable loan terms and the digitalisation of the whole process: from receipt of the loan application and making a loan decision, to processing the paperwork and issuing the funds. Other advantages for customers are that Center-invest Bank does not charge any hidden fees and borrowers are not required to take out life or buildings insurance. It is notable that half of the mortgage agreements are to refinance loans originally taken out with other banks.

Center-invest Bank participates in government-subsidised mortgage programmes for young families with two or three children (interest rate of 6% per annum, loan term - 20 years, 20% deposit).

Center-invest Bank's existing customers are offered special loan terms, while for employees of organisations using a Center-invest Bank payroll programme, we have simplified the list of documentation required when applying for a loan.

In 2018, we received more than 119,000 loan applications from retail customers, for a total of more than RUB96bn. In recent years, a steadily increasing proportion of applications have been made online. We are seeing even faster growth in applications submitted using the mobile app, with a threefold increase in 2018.

Proportion of applications submitted online and in branch



In 2018 Center-invest Bank's information systems were integrated with those of the Pension Fund of the Russian Federation. Customers completing loan applications online can now request that the Pension Fund provides the bank with information about their financial position. This allows customers to confirm their official income and creditworthiness remotely.

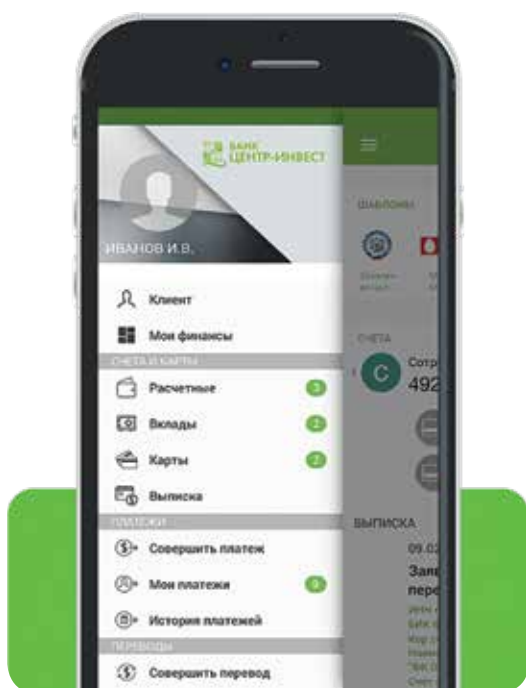
In 2018 retail customer deposits increased by RUB5bn to RUB69.2bn at year end. Although the general market trend was for an increase in the cost of funding, the cost of the bank's deposits steadily reduced from 10% to 8% (the weighted average interest rate reduced from 7.4% to 6.49%). Therefore, the growth achieved by the bank shows that our deposit account options are attractive and that we enjoy a high level of trust among the population.

In 2018 our sales of Bank of Russia commemorative and bullion coins totalled **RUB27.6m**. This was more than a fourfold increase and a record for the bank.

To celebrate the 2018 FIFA World Cup, the bank held a promotion for residents of Rostov-on-Don, Krasnodar and Nizhny Novgorod, whereby they could exchange ordinary banknotes and coins for special 100 ruble commemorative banknotes (made from polymer) and 25 ruble coins featuring the tournament's official mascot, Zabivaka. More than 30,000 people took part in the promotion, exchanging a total of RUB14m. Due to the high level of demand, the bank simplified the procedure for exchanging coins and notes, so that ID was not required, and no commission was charged.

The bank also introduced an electronic system so that customers applying to exchange money at its head office could choose the time slot that was most convenient to them.

In 2018 we launched a new “Mobile Bank” app for Android and iOS. The app allows customers to obtain up-to-date information about their cards, accounts, deposits and loans, make P2P transfers, pay for utilities and communications services, make loan repayments, and pay into deposit accounts.



In addition, customers can use the app to find their nearest Center-invest Bank ATM and to view exchange rates. They can also keep track of and analyse their spending in various categories (e.g. shopping, health, services), across all of their accounts and for different time periods.

At present, 61% of our retail customers' payments are made using remote banking channels; and this is at a time when we have over 1.5 million retail customers.

Customers can also use the bank's payment terminals, which are accessible 24/7, to pay utility and mobile phone bills, make loan repayments, and pay into their bank card accounts. The bank currently has 410 payment terminals.

In 2018 we introduced an option for customers to make QR-code payments at self-service terminals, saving the customer time. This service is extremely popular with our customers: 78,026 payments were made using QR codes in 2018.

At FYE 2018, Center-invest Bank had 519 ATMs. ATMs are a multiformat channel for interacting with customers. For example, they allow customers to manage their card settings and make payments, in much the same way as they can in a branch and using Internet banking. Customers can now change their PIN codes at an ATM and use a contactless chip as identification.

At FYE 2018 there were 393,001 cards issued by the bank in circulation. Of these, 38% were Mir national payment system cards. A total of 80,645 customers use our Internet banking service.

Center-invest Bank cardholders carried out more than 17 million transactions in 2018, spending a total of RUB57.5bn.

The bank's plastic cards department agreed 286 new payroll programmes in the regions where the bank operates. At FYE 2018, 3142 payroll agreements were in effect.

The bank continues to develop its loyalty programme for Center-invest Bank cardholders (promo.centrinvest.ru), with the addition of new partners: Booking, AliExpress, Respect, JD.ru, RALF RINGER, Pompadoo, and re:Store. In 2018, Center-invest Bank customers received RUB16m in cashback through this programme.

Approximately 30% of our customers are active users of Internet banking and the mobile app. Therefore, the bank is systematically stepping up cross-selling via remote channels. The CRM system generates targeted customer offers for loan products, resulting in a 17% conversion rate.

Center-invest Bank actively and successfully participates in pilot projects to develop interfaces for interacting with the Bank of Russia (online account, marketplace, pledged assets, etc), the Russian Pension Fund (data for assessing creditworthiness), and the National Payment Card System (Mir Accept, MirPay, data about purchases). It also provides integration with government services and the Interdepartmental Electronic Interaction System (fiscal data, electronic reporting). These forms of digitalisation provide for stronger and effective interaction with customers.



Business Banking

Center-invest Bank is a **reliable partner for innovation in the financial sector.** It is continually improving its existing services and **creating new financial products** for its customers, on the basis of reliable and modern IT solutions.

Center-invest Bank is continually enhancing its payments and cash management services. Providing a full range of modern banking services, we act as the main payment centre for our customers. At FYE 2018, the bank had over 58,000 business accounts.

In 2018, the bank continued to work on attracting more business customers, both individual entrepreneurs and larger businesses. We revised our business banking tariffs, increased the range of payments and cash management services, and introduced a new Internet banking system with extensive functionality.

The bank won tenders to service accounts for Federal Treasury departments in Krasnodar, Krasnodar krai, Volgograd and the Volgograd region.

As part of our digitalisation strategy, for increased customer convenience and also to save staff time, business customers can now print out statements at self-service terminals. In the near future, we plan to make this function available in all of our branches that provide services for business customers.

Also for the convenience of our customers and to reduce their costs, the bank has introduced a cash pay-in function at some of its ATMs. This means that customers do not need to enter into cash collection agreements or take cash into a branch. Instead, they can pay cash into their accounts using the nearest ATM offering this function. The funds are credited to their accounts almost instantly. Customers are no longer tied to the opening hours of the branch where they opened their account.

To make the cash pay-in function as efficient as possible, the bank has installed recycling ATMs, which can accept a larger quantity of cash in one transaction than ordinary ATMs. In 2019, we plan to roll out the cash pay-in function for business customers across our branch network, on the basis of recycling ATMs.

Center-invest Bank's customers make extensive use of remote banking channels. At FYE 2018, 49,167 customers were using remote banking (+31%).

In 2018 the bank launched a new Internet banking system, “Center-invest Business Online”. In addition to payment instructions, users can submit foreign currency transfer instructions and currency control documentation to the bank. They can also manage their deposits and loans and obtain information about acquiring transactions. Using the “Electronic Office” module, the bank and the customer can exchange legal documentation, such as requests for information, applications for services, or requests for new loan tranches to be issued under existing loan agreements. Organisations with a Center-invest Bank payroll programme can send a payment instruction to the bank with just a few clicks, and within an hour their employees will have received their salaries on their plastic cards.

The new Internet banking system saves customers time, speeds up transactions, and increases the competitiveness of the bank. By the end of 2018, over 4,500 customers had signed up to the system.

Recognising that its customers have different needs, Center-invest Bank provides customised merchant acquiring solutions. In addition to the traditional option of POS terminals, we can provide integration of POS terminals with tills, and acquiring for self-service machines. Currently, over 6,000 retail outlets have Center-invest Bank terminals. Our customers appreciate our simple and straightforward financial terms for acquiring, without any hidden charges or subscription payments.

A total of 1,878 POS terminals were installed in 2018. At FYE 2018, the bank had 5,871 POS terminals and 271 in-branch cash points.

In autumn 2018, Center-invest Bank, the technology company INPAS, and Don State Technological University completed work on a joint project for Rostov Zoo: the introduction of a robot cashier to serve customers and sell tickets. The Waybot robot cashier was developed by graduates and students from Don State Technological University. Center-invest Bank provided the robot's payment functions, and INPAS supplied the equipment and software.

Visitors to Rostov Zoo can now purchase tickets online and then print them out using a code, or they can buy tickets directly from the robot cashier.



The technical solution developed by the bank for this project can be scaled and applied in different ways with various modifications: e.g. for automatic tills, parking meters, vending machines and other self-service machines accepting payment by bank card.

Center-invest Bank plays an active role in international trade by assisting its customers with currency control, and ensuring prompt payments under contracts and the transparency of foreign currency transactions.

The volume of transactions under our customers' international trade contracts in 2018 was: USD243m, EUR43m, RUB7.281bn, CNY24m (2017: USD237m, EUR44m, RUB7,028m, CNY24m). Export transactions amounted to over RUB8.5bn (ruble equivalent), an increase of 12% on 2017.

In 2018 Center-invest Bank was once again one of the best performing Russian financial and credit institutions for quality of payment processing, winning a prestigious

Relationship Award from the Citibank N.A. for the high quality of its payments and successful cooperation. This is the fifth time that the bank has won a Relationship Award and it demonstrates the high quality of international payments in southern Russia.

Center-invest Bank is continually working to boost southern Russia's import and export trade, and it organises special seminars and training for SMEs. In 2018, the bank actively participated in programmes to support southern Russia's exporters. Together with the Russian Export Centre, the bank held a number of events for its customers who are engaged in international trade. The aim of these events was to provide customers with information about existing forms of government support for export, and also to inform them about opportunities and routes to reduce costs, enter new markets and find partners.

Supporting and developing entrepreneurship in southern Russia is a priority for Center-invest Bank. We are one of the top 15 banks in Russia by volume of SME lending. We rank 3rd for size of individual entrepreneurs loan portfolio, 7th for size of small enterprise loan portfolio, 11th for volume of SME lending, and 13th for size of medium enterprises loan portfolio (RAEX rating).

3rd place individual entrepreneurs loan portfolio

In 2018 lending to SMEs and individual entrepreneur are maintained strong. As part of its new digitalisation strategy, in 2018 the bank introduced an online business loan application form on its website. Online applications can be processed more quickly and customers receive their loans sooner. 2018 saw a 10% increase in loan applications from business customers. This was partly due to applications via the bank's website, which at the end of the year accounted for 7% of business loan applications.

Center-invest Bank is one of the leaders for agribusiness lending in southern Russia. At FYE 2018, the bank's agribusiness loan portfolio was RUB13.3bn (one third of the bank's total loan portfolio). In 2018, the bank made 1,979 loans to agricultural companies for a total of RUB13.8bn, and 80% of the borrowers were small farms.

Two government programmes have contributed significantly to growth in agribusiness lending: the Russian Ministry for Agriculture's preferential loan programme for agricultural producers, with a maximum interest rate of 5%, and the Russian Ministry for Industry and Trade's preferential loan programme. Under the Agriculture Ministry's programme, in 2018 Center-invest Bank lent over RUB6bn to small businesses in southern Russia. This enabled enterprises to acquire new agricultural equipment, install irrigation systems, and purchase fertiliser, fuel and lubricants when required and in sufficient quantities.

In 2018, Center-invest Bank was the only regional financial institution in Russia participating in the Ministry for Industry and Trade's preferential loan programme. Under this programme, in 2018 the bank made 154 loans for a total of RUB759.1m, with a maximum interest rate of 5-6% per annum. The finance was provided for the purchase of agricultural and road construction equipment, and also Russian-manufactured equipment for the food production and processing industries.

In 2018 there was also an increase in loan applications from retail and service companies (hotels, restaurants etc) due to the World Cup being held in our region.

Center-invest Bank is authorised by the Russian Central Bank to open escrow accounts for shared equity construction, and it has developed a special programme for lending to developers in accordance with Federal Law No. 214 on loans for the construction of apartment buildings using escrow accounts. There were no loan agreements under this programme in 2018.

In 2018 Center-invest Bank was accredited by the Federal SME Corporation to participate in its SME preferential loan programme.

The bank works effectively with the Loan Guarantee Funds for the regions in which it operates. The Funds can provide guarantees for all of Center-invest Bank's loan products and these guarantees are one of the most liquid types of security.

In April 2018, the bank and the Rostov Region Guarantee Fund entered into an exclusive partnership agreement: the Fund will guarantee up to 70% of the loan amount for Center-invest Bank customers lacking sufficient collateral, for a fee of 1% of the guarantee amount.

Center-invest Bank is the market leader in Russia for financing energy efficiency projects in the housing and communal services sector. It is the only bank in Russia that provides homeowners' associations with loans for building renovations. This includes lending under a government-subsidised loan programme. Under Russian law, apartment owners have to pay monthly contributions to a capital repairs fund. This fund is used to renovate apartment buildings in accordance with a regional capital repairs schedule, and residents might have to wait 10-20 years before it is their building's turn. With a loan from Center-invest Bank, homeowners can renovate their buildings straightaway, making energy efficiency improvements that will reduce their energy bills. They pay the same contributions as before, but the money goes towards the loan repayments.

Other financial and credit institutions in Russia are yet to embrace this type of lending and do not offer loans for these purposes.

At FYE 2018 Center-invest Bank had made 123 loans to housing associations, for a total of RUB183m. In 2018, homeowner associations in Moscow, Volgograd and Krasnodar took out loans for building renovations for the first time.



New Generation of Entrepreneurs

701 start-up loans for a total of 833 RUBm

The bank's experience in financing energy efficiency projects, women's enterprise, social enterprise and start-ups has become an example of best international practice in socially responsible banking. Over 700 new entrepreneurs have started up a business together with Center-invest Bank.

In 2018 the bank combined all of its programmes and projects for new entrepreneurs and socially-minded business people into a Business Accelerator (acc.centrinvest.ru). This is a free platform for start-ups and existing businesses, which helps them to work on their business development strategies, from writing a business plan to entering global markets.

The bank's accelerator programme includes training, mentoring and preferential lending. The residents attend free masterclasses in marketing (including social media marketing and online promotion), human resource management and sales. The training is provided by existing entrepreneurs who are part of Center-invest Bank's ecosystem.

In autumn 2018 the bank signed agreements on cooperation with the Shenzhen Association for Youth Enterprise and also with INCO, a leading global start-up accelerator. The partnerships with these organisations will create opportunities for start-ups in southern Russia to enter new markets and become globally competitive.

Since 2009 the bank has worked with the Rostov Region Guarantee Fund, which provides guarantees for the bank's special loan programmes for female entrepreneurs, start-ups and socially-oriented businesses.

The bank also has a Women in Business programme, which has three components: preferential lending, mentoring and networking. Under this programme, the bank offers businesswomen loans of up to RUB3m, with a one-year term and a preferential rate of 10.5% per annum. Since the programme began, the bank has made preferential loans to 623 businesswomen for a total of RUB978m. In 2018, it made 121 loans for a total of RUB202m. Borrowers also receive free payments and cash management services for a year. There have been almost no loan defaults under this programme.

Many of the bank's female customers help and support new entrepreneurs by acting as mentors. Thanks to this, the number of women's business projects has doubled in the last two years. Center-invest Bank has held 97 networking events for businesswomen in Rostov-on-Don, Krasnodar, Taganrog, Sochi, Volgograd, Pyatigorsk, Stavropol and Nizhny Novgorod. Over 1,700 proactive and motivated women have taken part in these events. Collaboration by participants in the Women in Business programme leads to sharing of experience, the creation of new projects, and the development of existing projects: 122 cooperation agreements have been signed and are being implemented, 47 joint fundraisers have been held, and 14 new joint business projects have emerged.

Information Technologies

Digitalisation is a key growth factor for the banking sector. The development of mobile banking and the automation of decision-making allow banks to attract more customers and reduce costs. Thanks to digitalisation, Center-invest Bank has **increased its customer base from one million to one and a half million people** in five years; under its new strategy, it plans to double its customer numbers by digitalising its main operations.

In 2018, the bank completed work on introducing a front office solution for transactions relating to bank cards and deposit products. This IT solution has now been replicated in all of the bank's branches. The system ensures a high level of service for all categories of customer, based on the introduction of standardised processes. Customers can now access services in any branch, irrespective of whether it is the branch where they opened their account.

The CRM solution is used as a single system for managing customers with bank cards, deposits and loan applications. In addition, on the basis of the CRM system (with integrated BPM solutions), the bank is actively expanding its cross-selling system with flexible options for customising outbound marketing, generating personalised offers, and integration with all possible sales channels (Internet banking, mobile banking, SMS bank, ATMs, payment terminals, contact centre, face-to-face service in branches, etc).

Center-invest Bank's success in introducing advanced technologies is being recognised by the professional community. Its project to introduce a new version of the Terrasoft BPM online CRM system received a prestigious 2018 Project of the Year award from the professional community of IT Directors, Global CIO.

Center-invest Bank actively supports financial innovations initiated by the government. In 2018 the bank helped to create a prototype for the Bank of Russia's federal financial Marketplace project, and we subsequently participated

in the pilot. This is a key area of the Bank of Russia's work to develop the country's financial infrastructure. The aims of the project are to encourage competition in the financial market, increase the availability, quality and range of financial services, reduce risks and costs in the financial sector, and increase the competitiveness of Russian technologies.

As part of this project it is intended to create a federal centralised platform where retail customers can view the various financial products (deposit accounts, loans, securities, third party vehicle insurance, etc) that they have obtained from various financial institutions (banks, brokers, insurance companies).

By participating in the Marketplace project, the bank gains another sales channel and an opportunity to expand its geographical presence. Customers will have a personal account area where they can view all of their financial products in the one place. Moreover, customers can use this platform to transfer deposits from one bank to another, or to send a deposit from one bank to pay off a loan held with another bank, or to close a deposit account and use the money to purchase securities.

Before they become a trend, all modern technologies are tested and introduced by pioneers, which include Center-invest Bank. At the same time, new technologies mean new risks, so the bank will only offer them to its customers after a period of adaptation and once the reliability of the technologies has been proven.

Center-invest Bank actively collaborates with the National Payment Card System, the operator of Russia's Mir payment system. This has resulted in interesting projects and products for customers. 2018 saw a 32% increase in the number of Mir cards issued by the bank; by FYE 2018 it had issued more than 167,000 Mir cards.

Center-invest Bank's team have already participated in several pilot projects with the National Payment Card System. We were the first in Russia to make it possible to connect Mir cards to the Samsung Pay mobile service, to issue personalised Mir cards, and to enable customers to make safe online payments using Mir Accept 2.0 technology.

We also signed up as a pilot bank partner to a new service developed by the National Payment Card System, which

allows cardholders to use Internet banking to view detailed cash register receipts. This service provides bank card users with electronic receipts in a convenient format, while banks can make their customers attractive cashback offers not only for specific shops but for product goods from a specific manufacturer or service provider. Thanks to this new service, Center-invest Bank will be able to provide new special offers together with its partners. Customers will be able to receive additional discounts and higher cashback for purchases as part of the loyalty programme. They will also be able to manage their expenditure in a personal account area, without accumulating paper receipts.

Center-invest Bank was among the first in Russia to offer its customers the Mir Pay mobile payment service. Mir Pay can be used by Mir cardholders with an Android smartphone (version 6.0 up), supported by NFC technology. The Mir Pay app can be downloaded from Play Market.

A Unified Biometric System for identification of individuals by voice and facial image was launched in Russia in July 2018. The remote identification mechanism will be used to enter into agreements with retail customers without them being physically present.

First, the customer's biometric data is registered. The customer goes into the bank and their data is recorded and submitted to the Unified Biometric System. Thereafter, when the customer wants to access bank services remotely, they go through a straightforward process of authentication via the Unified Identification and Authentication System.

Center-invest Bank began collecting biometric data on 7 November 2018. By FYE 2018 the system had been rolled out in 25 of the bank's branches.

Part of Center-invest Bank's work to develop information technologies involves mentoring and community activities, which are beneficial for the growth of the bank's ecosystem. For example, Center-invest Bank initiated and organised southern Russia's first "Big Data Analysis" youth festival. This event was held at Rostov State Economics University on 4 - 5 December 2018 as part of the II Open Russian Statistics Congress. Public lectures and masterclasses, an analytics competition, and a big data hackathon attracted over 500 undergraduate and postgraduate students and young scientists from 12 regions of Russia and abroad. The bank also provided a RUB1m prize fund.



Mentoring helps to promote the bank's brand. At the Finopolis 2018 Forum of Innovative Financial Technologies, Center-invest Bank's team won the youth projects competition. Center-invest Bank is traditionally a strategic partner for the Forum's Youth Day.



Also at Finopolis-2018 Center-invest Bank staff held workshops and shared their experience of implementing IT projects with colleagues. The Finopolis Forum is held annually by the Bank of Russia in partnership with IT and financial market leaders. It is the largest forum in Russia for discussion and analysis of trends and opportunities to use modern digital technologies in the financial sector.

A team from the bank participated in innovative “project-based learning” activities (<http://pbl.fintech-lab.ru/>) organised by the company Fintechlab. Our staff mentored university teams that were working on real-world tasks in the field of financial technologies.

As part of the national educational project “Digit Lesson”, IT specialists from Center-invest Bank held lessons in the basics of programming for 170 pupils from Rostov schools.

Center-invest Bank’s Contact Centre supports all of its business areas and helps to increase customer loyalty by:

- providing comprehensive advice to customers who call about products and services; also offering customers the opportunity to apply for an account or sign up for a product or service by telephone, without having to visit a branch afterwards. (In 2018 the bank handled 435,095 incoming calls and contacts made using the feedback form on the bank’s website);
- making outgoing calls to address issues that have arisen for customers (42,308 calls);
- analysing customer suggestions and claims in order to improve customer service (658 contacts).

The Contact Centre’s modern IT system means it can process, systematise, and respond promptly to all customer contacts made using various channels: via the administrative office, our “hotline”, the website feedback form, social networks and marketplaces.



Branch Network



Rostov
region

82 BRANCHES

Krasnodar
krai

23 BRANCHES

Volgograd
region

8 BRANCHES

Stavropol
krai

5 BRANCHES

Moscow

2 BRANCHES

Nizhny
Novgorod

4 BRANCHES

At FYE 2018 our branches accounted for **75.7%** of the bank's loan portfolio and **68.5%** of deposits.

Our extensive branch network gives us a competitive advantage as we implement our development strategy. At FYE 2018 Center-invest Bank's branch network comprised 125 branches located in six regions of Russia: the Rostov and Volgograd regions, Krasnodar krai, Stavropol krai, Moscow and Nizhny Novgorod. Irrespective of their geographical distance from head office, all of our branches adhere to the same high standards of customer service and the same work principles, and internal procedures are consistent throughout the branch network.

Our developed branch network allows us to replicate our unique bank products and solutions. These are competitive in all the regions in which we operate. Together with the introduction of new technologies and business process optimisation, the bank's branch network allows it to continually achieve high-quality growth for its key indicators.

	Loans and leases			Deposits		
	2018	2017	%	2018	2017	%
Rostov region (excluding head office)	45.8	41.8	9.7%	45.2	42.0	7.7%
Krasnodar krai	16.8	15.0	12.1%	5.4	4.4	23.6%.
Volgograd region	4.7	4.2	11.6%	0.7	0.7	10.3%
Stavropol krai	2.9	3.1	-5.1%	0.6	0.5	12.4%
Moscow and Nizhny Novgorod	1.5	1.1	40.2%	0.2	0.1	46.5%
Head office	23.1	20.8	10.8%	23.9	22	4.8%
Total	95.0	86.1	10.4%	76.0	70	7.9%
% attributable to branches	75.7%	75.8%	—	68.5%	67.6%	—

In 2018 the branch network delivered high-quality growth in key areas: retail lending and SME lending. In 2018 the retail loan portfolio for our branches increased by RUB5.2bn (+12.5%). The highest growth was seen in the Rostov region: RUB2.4bn (excluding head office), and Krasnodar krai: RUB2.2bn.

The SME loan portfolio for our branches increased by RUB4bn in 2018. Branches in the Rostov region accounted for more than three quarters of this growth.

Among our projects to expand and modernise the branch network in 2018, our new branch in the centre of Krasnodar stands out. The opening of this branch, which has already become very important to the bank's operations in Krasnodar krai, was timed to coincide with the 15th anniversary of the opening of the bank's first branch in Krasnodar.



Flagship branch in Krasnodar

At this new branch, customers are offered the widest range of financial services based on best international practice, including innovative financial services of the future. The branch has been equipped with technology to capture customer biometric data, which can be used to access services. The branch also has a private banking centre for high-net-worth individuals. There is even a café, so customers can enjoy a cup of coffee while doing their banking.

With the aim of increasing the proportion of cashless transactions in rural areas, considerable attention is being paid to improving financial literacy and increasing the number of people using bankcards. The bank's employees are also working closely with small businesses to develop payroll programmes and acquiring. Branch staff are always happy to explain the advantages of using remote banking services for organisations and individuals. They also teach customers how to use Internet banking and self-service machines. The bank is continually working to optimise its network of self-service machines that are available 24/7.

In 2018 the bank continued to expand collaboration between its branches and multifunctional centres for central and local government services (MFC). The Mikhailovsky branch in the Volgograd region was added to the existing joint projects. Customers of this branch, and of other Center-invest Bank branches that are working in partnership with MFC, now receive services on the basis of the "one-stop-shop" principle: customers can access a wide range of banking services, as well as central and local government services for individuals, organisations and businesses, all in the one location.

Center-invest Bank expanded and consolidated its work with Federal Treasury departments in the regions in which it operates. The bank received a letter of thanks from the Volgograd region's Federal Treasury department for our productive collaboration in 2018 under exclusive contracts to service its accounts.



ESG

Center-invest Bank is a positive example of a socially responsible business based on an ESG-banking business model. Center-invest Bank's corporate social responsibility (CSR) activities aim to bring about positive changes in society and are for the benefit of present and future generations. They are also consistent with the bank's strategic interests.

All of Center-invest Bank's CSR projects reflect our responsible attitude to the social development of the regions in which we operate, the protection of natural resources, and the improvement of the financial literacy of the general population and the new entrepreneurs who represent the future of the Russian economy.

Center-invest Bank's social, educational, environmental and charitable programmes encompass six regions of Russia and over 700,000 people. The bank has invested over RUB1.1bn in CSR activities. It is important to note that we could not have achieved these results without a cohesive team of like-minded people: our shareholders, partners, employees and customers.

In developing its CSR activities, Center-invest Bank is guided by its own experience, and also by global CSR and non-financial reporting standards, including the GRI Standards and UNESCO's Sustainable Development Goals.

Center-invest Bank's social and charitable programmes are in keeping with the nature and level of development of our business. They are reviewed regularly and modified taking into account the views of the bank's employees and shareholders. All the CSR projects are funded by the bank itself and designed to enhance its reputation and image, establish its corporate identity, and expand constructive partnerships with the government, business partners, local communities and civil society organisations.

In addition to implementing its own programmes, Center-invest Bank participates in projects with local, regional and federal authorities, non-profit organisations, civil society organisations and professional associations, as a partner and sponsor. In its activities the bank takes into consideration international corporate conduct standards and practices, focusing on high standards of corporate governance.



Environment

Environmental responsibility is a key priority for Center-invest Bank, on a par with traditional banking products and services.

Center-invest Bank strives to protect the environment, including through the efficient consumption of resources (electricity, paper, fuel, etc).

The bank has had an energy efficiency finance programme since 2005. The bank contributes to environmental protection in Russia by providing business and retail customers with loans to finance the introduction of modern energy saving technologies and measures. To date, we have invested over RUB16.5bn in 20,000 customer projects.

The projects financed by the bank have reduced carbon dioxide emissions by 196,000 tonnes a year, equivalent to the emissions from 114,600 light vehicles or 560,000 barrels of oil.

Energy efficiency projects	2018	Bcero
Number of projects	803	20 171
Total finance provided, RUBbn	1.1	16.7
Reduction in CO ₂ , emissions, thousand tonnes per year	12.6	196.0
Equivalent to the emissions produced by:		
Cars	7 369	114 629
Oil, thousand barrels	36	560
Or absorbed by trees, million	0.5	7.8

Despite its steady business growth, the bank is continually reducing its energy consumption. In 2018 the bank used 161 tonnes of paper. The bank does not use recycled waste or materials. The bank uses authorised municipal contractors for solid waste disposal.

	2018	2017
Gasoline (tonnes)	146 (4 682 804 MJ)	168 (5 388 432 MJ)
Gas (cubic metres)	321 (10 915 177 MJ)	284 (9 653 132 MJ)
Electricity (kilowatt hours)	4 439 442 (15 981 991 MJ)	4 868 818 (17 527 744.80 MJ)

	2018	2017
Waste (tonnes per year)	440	325
Gasoline (tonnes per year)	146 (4 682 804 MJ)	168 (5 388 432 MJ)
Environmental protection expenditures (RUB, thous.)	490	706
Waste water collection and treatment (RUB, thous.)	185	175
Waste disposal (RUB, thous.)	502	484

The bank does not conduct any activities involving:

- emissions of greenhouse gases, ozone-depleting substances or other pollutants;
- waste water discharge;
- spills of liquid waste;
- transportation of hazardous waste;
- a harmful impact on biodiversity.

Center-invest Bank shares the values of the World Wildlife Fund (WWF) regarding environmental conservation and protection. We have supported the Earth Hour global movement for several years now: for one hour, the external lights and roof advertising are switched off in Center-invest Bank offices and branches. The event is held in all the areas where the bank operates: Rostov-on-Don, Taganrog, Volgodonsk, Krasnodar, Sochi, Stavropol, Pyatigorsk, Nizhny Novgorod and Moscow.



The bank regularly participates in activities to restore natural habitats. The bank's employees participate in annual bicycle parades and they travel to work by bike. They also take part in regional eco-festivals.

Under Center-invest Bank's Environmental and Social Policy, during the initial assessment stage, all projects are categorised by environmental and social risks (low, average or high risk). The bank aims to minimise potential environmental and social impacts, for example, with sector-specific guidelines on environmental protection and health and safety. When this is not possible, the bank has the right to refrain from financing a project. The Environmental and Social Policy also contains an Exclusion List and a list of Category A projects (which require extra scrutiny). The bank regularly holds seminars and advises its customers on the environmental impacts of their activities and the use of new technologies to reduce negative impacts.

All new applicants for business loans undergo thorough assessment and are assigned a rating (in accordance with the criteria specified in the Environmental and Social Policy). This process includes an appraisal applying

environmental criteria.

The bank's customers comply with Russian legislation on environmental protection. In accordance with its Environmental and Social Policy, the bank has the right to refuse to finance projects that do not comply with applicable law.

No grievances about environmental impacts have been filed against the bank.

In 2018, at the XVI Russian Bond Congress in St Petersburg, Center-invest Bank received an award for successfully initiating a green loans market in Russia and making a considerable contribution to its development. The award was presented by the National Association of Concessionaires and Long-Term Investors in Infrastructure (NAKDI) and the CBonds group. Also in 2018, Vigeo Eiris ranked us 17th out of 76 European banks applying environmental, social and governance (ESG) models.





Social Investments

#Financialliteracy

Center-invest Bank's social and educational projects aim to increase the importance attached to quality education in Russia today and to expand knowledge about the economy.

The Financial Literacy Centre project, which began in April 2014, encapsulates Center-invest Bank's many years of experience in improving financial literacy. Its main aim is to provide the population of southern Russia with access to free advice and financial knowledge.

This social and educational project was a joint business and academic initiative. The region's leading higher education institutions are the bank's main partners for this project.

 Центр финансовой грамотности				
2014	2016	2017	2018	2019
Rostov-on-Don	Krasnodar	Taganrog	Volgodonsk	Volgograd
				

The project uses new educational methods that allow each student to learn about the modern financial world and about risks and returns. They acquire the skills to make financial decisions with an understanding of the potential consequences for themselves and others.

The Financial Literacy Centres provide advice to all groups of the population of southern Russia. Specialists from the bank and partners regularly train students to work as volunteers at the Centres. Their training covers: personal financial management, business planning, sensible borrowing, online banking, taxation, and the safe use of bank cards.

In the five years since the project began, specialists and volunteers from the Centres have provided over 100,000 free consultations on financial issues.

#Enterprise_for_All

Center-invest Bank and the Financial Literacy Centres have become the main regional hosts of National Financial Literacy Week for Children and Young People and National Savings Week. These events are organised by the Russian Finance Ministry and held annually in spring and autumn. In 2018, over 200 masterclasses, lectures, seminars and discussions were held as part of these national awareness-raising weeks. Over 15,000 people received advice on managing personal finances and household budgets.



So far, over 300,000 children have tried out the role of bank employee in the KidBurg miniature towns in Rostov-on-Don and Nizhny Novgorod. These are places where youngsters can find out about many different kinds of jobs, and they both have special children's branches of Center-invest Bank. They can learn about being a teller, cashier, senior cashier, cash-in-transit officer, and even an assistant branch manager.

#Education

In 2007, shareholders and customers of Center-invest Bank established the region's first endowment fund: the Education and Science in the Southern Federal District Endowment Fund. This is a practical and effective financial instrument that allows businesses to benefit from supporting education and science in southern Russia. Since its establishment, the endowment fund's capital has increased fivefold, to RUB110m, and income has also increased fivefold. The number of participants in the programmes financed by the fund has increased 25-fold!

Every year, the endowment fund holds a competition for the best students and the best young lecturers, awards grants to young scientists, and helps talented inventors.

For 16 years now, the top students from leading southern Russian universities have received scholarships from Center-invest Bank and the endowment fund. The annual scholarship fund exceeds RUB9m. More than 20,000 students have entered the scholarship competition since it began, and 4,400 scholarships have been awarded.



#Science

Since 2009 Center-invest Bank and the endowment fund have held a Best Young Lecturer competition. The winners are chosen by the students who are in receipt of a scholarship from the bank. The fifteen best young lecturers from leading universities in southern Russia each receive a prize of RUB100,000. The award ceremony is held just before Russian Entrepreneur's Day.

Center-invest Bank has supported the Science Festival in Southern Russia for the last nine years. The event brings together people who work in the world of science and people who would like to learn more about the subject.

#TeacheroftheYear

Center-invest Bank has always respected and supported the work of teachers who have a creative approach, who introduce new educational methods to make the learning process interesting and effective, and who encourage their pupils to be compassionate and socially aware. For the past 16 years, the bank has supported the Teacher of the Year regional competition, awarding prizes for the best resources and innovative approaches for teaching financial literacy to children.

#SocialEnterprise

Center-invest Bank has developed a new business development loan for social enterprises in the following sectors: education, health, culture and the environment. The bank offers these businesses a preferential loan interest rate and an information platform to facilitate cooperation among social entrepreneurs in the region. The bank's partners for this programme are the Guarantee Funds for the Rostov region, the Volgograd region and Krasnodar krai. By the end of 2018, the bank had financed 30 projects under this programme, with loans totalling RUB80m.

To publicise and encourage replication of success stories in the social enterprise sector, since 2015 Center-invest Bank, together with the Rostov Region Public Chamber and the Russian Union of Journalists, has held an annual competition for journalists, known as the Smirnov Prize. Since the competition began, journalists from 14 Russian regions have submitted 570 creative pieces, written with the aim of identifying and informing readers about best practice in social enterprise in Russia. To date, 45 journalists have won an award. Award website: dobro.centrinvest.ru.

#Culture

Center-invest Bank also has socio-educational projects to support culture and the arts. The bank supports creative projects that promote regional culture and heritage and help talented young people.

For the cultural education of children, since 2003 Center-invest Bank has run several charitable programmes together with leading museums in southern Russia, and we sponsor free visits to exhibitions and shows for schoolchildren. Over 350,000 children have participated in this project.

Gold of the Don Steppes — Rostov Region Local Studies Museum

The Artistic Heritage of Southern Russia — Rostov Region Museum of Fine Art

The Artistic Heritage for Children — Kovalenko Museum of Art, Krasnodar Krai

The Battle of Stalingrad — Volgograd Panorama Museum

The Secrets of the Galaxy — Volgograd planetarium

Quiet Flows the Don - Sholokhov Open Air State Museum, Rostov Region

#KindTheatre

The bank's social and charitable activities also include support for the performing arts. In 2018, Center-invest Bank continued to run its "Kind Theatre" programme, together with Rostov State Musical Theatre. Annually, more than 400 children from large families, inclusive classes and children's homes receive theatre season tickets from the bank, allowing them to see musical shows throughout the year.

Center-invest Bank is traditionally a financial partner for the Rostov Region «Melpomena» Theatre Festival Competition. All the theatres in the Rostov region take part in this event, presenting their best performances of the season. The bank provides cash prizes for young actors.

Center-invest Bank is a permanent partner of the Alliance Française's Music Festival in Rostov-on-Don. The Don Public Library is the festival's traditional venue. This is a large festival which brings together groups of musicians from southern Russia for a five-hour concert, attended by over 2,500 people every year.

Center-invest Bank will continue its efforts to ensure that southern Russia is known not only for its remarkable past, but also for its wonderful present-day cultural achievements.

#Sport

Center-invest Bank supports the development of sports for children and young people in the regions in which it operates. It also supports its employees' desire to keep fit and healthy.

Children's chess is developing in the Rostov region thanks to investment by Center-invest Bank and its partnership with the School Chess Association. This intellectual sport is popular in the region, with over 30 events and tournaments held in 2018. These included simultaneous displays, presentations of the latest chess books, and mass tournaments for children.

Center-invest Bank provides regular financial assistance to the "Hope" children's sports club, where 40 hearing-impaired boys and girls, born between 1995 and 2005, meet to play basketball. This is the only children's basketball club working with deaf children in southern Russia. The club aims to promote basketball for disabled children at a national level and to train athletes for the Paralympic team.

The bank's head office has very good fitness facilities for employees. In 2012 we opened a sports hall where employees can use exercise bars and play table tennis, table football, air hockey and darts. Our head office also has a Wellness Centre for yoga, Pilates and keep-fit. Over 250 employees regularly work out in the sports hall and Wellness Centre.

Center-invest Bank's tradition of holding sports tournaments for its employees began in 2012, when teams from different departments and branches competed in the first Bank President's Cup football tournament. This event was initiated by the bank's employees and supported by the Board of Directors and Executive Board. In 2018, over 200 players participated in our sixth football tournament, with journalists, universities and local entrepreneurs also forming teams.

#Family

The bank's charitable projects focus primarily on children, the elderly, people with disabilities and vulnerable groups. We also finance other activities with a social impact.

Center-invest Bank has traditionally provided financial assistance to children's homes and shelters. The funds are allocated for the repair of buildings and the purchase of essential items for the children (clothes, food, stationery, household appliances and furniture).

Since 2010, Center-invest Bank has sponsored the production and broadcast of the "I Am!" television programme on the Russia 1 channel. In the last nine years, 400 children featured on the programme have found adoptive or foster families.

For the start of the new academic year, over 2,000 large families in the Rostov region and Krasnodar krai receive stationery sets from Center-invest Bank.

The bank regularly provides financial support to associations supporting veterans, people with disabilities, and elderly people who are living on their own.

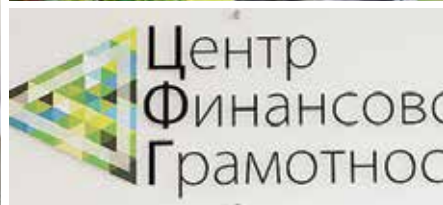
#Volunteering

Corporate volunteering is an effective way to build teams and strengthen corporate culture. The bank encourages its staff to volunteer for the company's social and charitable activities. The bank also supports its employees' own volunteering initiatives.

Our corporate volunteering mainly involves helping vulnerable groups of the population, and activities relating to education, environmental protection and social welfare.

Together with the Financial Literacy Centres, volunteers from Center-invest Bank held over 1,000 events in 2018. These included: lectures, workshops and classes on financial literacy; educational games for children at mass public events, forums and festivals; clean-up days and tree-planting days; activities to commemorate Victory Day; and charity sports events.







Governance

The governance of Center-invest Bank complies with Russian civil law and the recommendations of international organisations, in particular, the Basel Committee on Banking Supervision.

Center-invest Bank has had corporate governance rules and procedures since 2004, including codes of corporate conduct and ethics, and policies for specific areas of the business. Incorporating best international practice, these rules have allowed us to maintain stable relationships between our shareholders, managers, employees and customers.

Center-invest Bank's corporate governance system comprises its regulations, the corporate culture procedures set out therein, and monitoring and reporting on compliance with these regulations.

1. The Code of Corporate Conduct (2004)¹ harmonises all the regulations: the Articles of Association (2016) and the Byelaws on the General Meeting of Shareholders (2016), the Board of Directors (2016), the Executive Board (2016), and the Chairman of the Executive Board (2016). It has enabled the bank to clearly define the different remits and responsibilities of the governing bodies and the lines of reporting, and it provides a clear-cut decision-making process that is especially important given the gaps and ambiguities in current legislation.

2. The Code of Ethics (2004), which enshrines our moral principles, enables the bank to address any conflicts successfully. In addition to official documents on compliance with human rights obligations and other social standards, the bank has established a corporate culture that ensures effective interactions: every employee is entitled to address any question to any level of management, and every level of management is obliged to provide an explanation that is satisfactory to the employee.

3. The Byelaw on Dividend Policy (2017) guarantees that at least 50% of net profits, calculated in accordance with IFRS, but not more than total net profits, calculated in accordance with RAS, will be allocated to dividend payments, with due regard for legal requirements.

4. Our Information Policy (2007) guarantees and provides access to non-privileged information and effectively protects trade secrets and insider information.

5. The Risk Management Policy (2018) ensures transparent and effective risk management. It is based on modern risk assessment methods using a wide range of risk assessment and data analysis tools and expert analysis.

6. The Lending Policy (2018) ensures that the bank's lending procedures are transparent, effective and properly controlled.

7. The Internal Control Policy (2014) sets out a full range of measures to ensure compliance with not only regulatory requirements but also best international practice. In 2018 the bank passed all the inspections by various supervisory bodies. Taken together, these lasted a total of 3,850 days. This confirmed the effectiveness of our internal control policy.

¹ The years in which the documents and their revised versions were adopted are given in brackets.

8. The Environmental and Social Policy (2010, as revised in 2011, 2012, 2014) requires the bank to promote the generally accepted principles of “environmentally sound and sustainable development” throughout its banking operations, investments and technical cooperation, as a cornerstone of rational business conduct.

9. The Liquidity Management Policy (2018) and Liquidity Crisis Action Plan set out our decision-making procedures for liquidity management and the action to be taken in critical situations.

10. The Digitalisation Strategy (2018) provides for the systematic introduction of modern software products and leadership in the introduction of new programmes and platforms (co-innovation partner for SAP, partner for Terrasoft, the Centre for Financial Technologies, Compass+, BSS). The effectiveness of this policy is confirmed by our joint projects with the Bank of Russia (online account, Marketplace, pledged assets, etc), the Russian Pension Fund (data for assessing creditworthiness), the “Mir” National Payment Card System (Mir Accept, MirPay, data about purchases, and campus, school and transport cards), multifunctional centres (MFC) for central and local government services (provision of MFC services in the bank’s branches), providing integration with government services, the Interdepartmental Electronic Interaction System (fiscal data, electronic reporting, etc) and the Unified Biometric System (collecting data to identify individuals by voice and facial image). We have also won tenders to service accounts and bank cards for the Federal Treasury and leading universities in the region.

11. Personnel Policy (2013) and Remuneration Policy (2016). The Bank of Russia now requires banks to have these documents. In any case, we had already included in our corporate conduct regulations the main provisions on the payment of bonuses at different intervals and transparency over the remuneration of the governing bodies.

12. The Information Security Policy (2004) sets out rules and procedures to ensure the reliable functioning of the bank’s information systems. It takes account of the development of information technologies and the attendant risks.

13. Based on decisions of the Board of Directors’ Audit and Compliance Committee, the bank’s Accounting Policy, Accounting Policy for Reporting under RAS and IFRS, and Tax Accounting Policy are updated annually to reflect changes in legislation.

The Board of Directors approves the bank’s Environmental and Social Policy. The policy sets out the bank’s strategy for managing and assuming environmental and social risks. A Chairman of the Executive Board is assigned responsibility for compliance with the principles and approaches specified in the policy. The Chairman of the Executive Board is responsible for ensuring that the policy is communicated to all bank employees and for compliance with the policy. All of the bank’s credit and risk committees are also guided by the policy. An environmental report containing the main results of the bank’s work in the previous year is produced annually and made publicly available.

The Board of Directors of Center-invest Bank has approved all the methodology required to ensure the bank’s uninterrupted operation. Responsibility for compliance with these decisions lies with the Executive Board and various committees (credit committees, ALM committee, risk management committee). The decisions of these bodies are binding on all bank employees.

The bank’s highest governing body is the General Meeting of Shareholders, which elects the Board of Directors (seven people, including two independent directors).

The Chairman of the Board of Directors, Dr Vasily Vysokov, was elected by the Board of Directors on 16 June 2018. There are two independent directors on the Board of Directors. The Board of Directors does not include any members of executive bodies. The Chairman of the Board of Directors is not an executive director.

Board of Directors

	at 31.12.2018		at 31.12.2017	
	Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
Vasily Vasilevich Vysokov	11.10	12.30	11.10	12.30
Tatiana Nikolaevna Vysokova	10.96	12.13	10.96	12.13
Aleksei Andreevich Germanovich	0	0	0	0
Hans Wolfgang Unterdorfer	0	0	0	0
Andreas Zeisler	0	0	0	0
Franz Josef Flosbach — Independent Director	0	0	0	0
Per Fischer — Independent Director	0	0	0	0

The Board of Directors has the following committees: Strategic Planning Committee, Audit and Compliance Committee, and Appointments and Remunerations Committee.

The Board of Directors approved the composition of its committees as follows:

- Strategic Planning Committee: P. Fischer (Committee Chairman), independent director; V.V. Vysokov; A.A. Germanovich; H.W. Unterdorfer;
- Audit and Compliance Committee: T.N. Vysokova (Committee Chairman); V.V. Vysokov; P. Fischer, independent director; F.J. Flosbach, independent director;
- Appointments and Remunerations Committee: V.V. Vysokov (Committee Chairman); T.N. Vysokova; A. Zeisler.

Center-invest Bank's articles of association, byelaws, policies, codes and other internal regulations concerning various aspects of its work define the allocation of powers between the governing bodies. This is to demarcate the overall management exercised by the shareholders and the Board of Directors and the management of the bank's day-to-day operations exercised by its executive bodies (the Executive Board and its chairman).

Shareholders (a shareholder) holding at least 2% of the bank's voting shares are (is) entitled to propose agenda items for the annual general meeting, and also to nominate candidates for the bank's Board of Directors. Such proposals must be received by the bank no later than 30 days after the end of the financial year. Candidates for the Board of Directors give their consent and confirm that they meet the criteria specified in the Byelaw on the Board of Directors of the Bank.

Members of the Board of Directors should have:

- worked at senior management level in joint-stock companies;
- experience of managing joint-stock company assets of at least USD10m;
- experience of managing a team of at least 300 people;
- higher education, with a higher degree or academic title.

They must not have any convictions or be otherwise ineligible for election to the Board of Directors.

In addition to these criteria, the independent director should have at least 20 years' experience in international finance or in a Western bank with assets of at least USD500m.

Shareholders are entitled to receive information about the candidates and to vote by cumulative voting.

Candidates for the Board of Directors disclose information about their membership of other Boards, shareholding with stakeholders, and related parties. Newly elected Board members receive training on the bank's procedures to prevent conflicts of interests.

The Board of Directors determines the bank's strategy: the main types of activities, permissible level of risk, overall expenditure, anticipated financial results, and performance incentive scheme. It also approves the composition of the Executive Board (five people) and the single-person executive body, which is the Chairman of the Executive Board.

The Executive Board, headed by its Chairman and acting within its terms of reference, organises implementation of the approved strategy, business plans and budget.

Executive Board				
	At FYE 2018		At FYE 2017	
	Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
Sergei Yurevich Smirnov	0.001	0	0.001	0
Yuri Yurevich Bogdanov	0.001	0	0.001	0
Lidia Nikolaevna Simonova	0	0	0	0
Irina Nikolaevna Kuznetsova	0.001	0	0.001	0
Sergei Evgenyevich Yukilevich	0.001	0	0.001	0

The Board of Directors uses self-assessment to evaluate its performance, including with respect to economic, environmental and social topics.

The results of the evaluation of Center-invest Bank's corporate governance are examined annually at a meeting of the Board of Directors' Strategic Planning Committee and approved by the Chairman of the Board of Directors.

The Board of Directors continually reviews the composition of the governance bodies and policy documents.

At meetings of the Board of Directors and the Board Committees, and in conference calls and correspondence, the Board of Directors and the Executive Board regularly share information about economic, environmental and social

impacts, risks and opportunities, and the management thereof. The bank regularly meets with customers and partners to discuss impacts, risks and opportunities relating to economic, environmental and social development.

Under the bank's procedures, it is mandatory for meetings of the Board of Directors, the Board Committees and the Executive Board to consider risks relating to economic, environmental and social topics.

The bank's annual report contains information about its sustainable development work. The Board of Directors considers the annual report and recommends it for approval by the meeting of shareholders.

The Board of Directors receives timely information about any development issues and concerns and also about the actions taken by the governance bodies to resolve these concerns.

In 2018 the Board of Directors held seven meetings (2017: seven meetings). In addition to current issues, it considered approval of byelaws and policies regarding internal audit, lending, risk management, liquidity management, business continuity planning, and other issues. In September 2018, the Board of Directors approved Center-invest Bank's Strategy for 2019-2021 "ESG Digitalisation of Center-invest Bank's Ecosystem".

The members of the Board of Directors receive remuneration for their work in accordance with the Byelaw on the Board of Directors and on the basis of a decision of the meeting of shareholders. The amount of remuneration depends on the bank's performance (assets growth and profits calculated in accordance with IFRS). Total remuneration cannot exceed 4% of profits calculated in accordance with IFRS.

Proposals as to the amount of remuneration are produced by the Appointments and Remunerations Committee. The Board of Directors submits the proposals for approval by the meeting of shareholders, which takes the final decision about total remuneration.

Recommendations on remuneration for the Board of Directors take into account relevant trends and international practice.

Remuneration for the Board of Directors and Executive Board	2018	2017	%
Short-term remuneration (paid within twelve months), RUB thous.			
— Salaries	21 724	29 880	–27.30%
— Bonuses	99 996	79 496	25.79%
— Reimbursement of travel expenses	5 179	3 547	46.01%
Total	126 899	112 923	12.38%
Long-term remuneration (paid after twelve months), RUB thous.	20 400	15 500	31.61%

Heads of Center-invest Bank's governing bodies and senior executives reside in the Southern Federal District (SFD), which is the location of the bank's operations.

The wages of the bank's employees are in line with market conditions and reflect the skills and experience required.

	Russian Federation	Krasnodar Krai	Volgograd region	Rostov region	Stavropol Krai	Nizhny Novgorod
Average monthly nominal gross wage in 2018, RUB	43.445	33.583	30.350	30.653	28.651	32.909
Average wage for the bank's business units in 2018, RUB	75.052	73.752	77.177	75.432	61.286	74.625

	Number of personnel
Board of Directors	7
Executive Board	5
Committees	50
Managers of head office divisions and departments	65
Managers*	71

* Managers or Deputy Managers of the bank's branches (one manager may be responsible for several branches).

Labour Practices and Decent Work

As part of its digitalisation strategy, in 2018 the bank successfully transferred all of its human resource processes and payroll to the SAP HR software product.

The bank's main priorities are: ensuring that all of its HR activities comply with Russian law; developing and revising its internal HR policies and procedures; developing the knowledge, skills and potential of the bank's employees and managers; and enhancing its incentive system.

Center-invest Bank pays considerable attention to building a talent pool, with the aim of developing, promoting and retaining high-potential employees, and also to ensure that it has appropriate candidates to replace employees who leave the business or to fill newly created managerial positions.

Composition of governing bodies, FYE 2018	Total	under age 30	age 30 — 50	over age 50
Board of Director				
Total	7	—	1	6
of which				
— female	1	—	—	1
— male	6	—	1	5
Executive Board				
Total	5	—	4	1
of which				
— female	2	—	1	1
— male	3	—	3	—

The bank endeavours to develop its internal communication channels. It takes its employees' opinions into account and respects their right to have access to the information that they require. The bank creates employee loyalty and motivates employees by offering competitive pay, comprehensive benefits, safe and comfortable working conditions, training and opportunities for career progression.

The remuneration for the heads of departments/divisions of Center-invest Bank is specified in byelaws approved by the General Meeting of Shareholders and depends on net profits, asset growth and asset quality. No changes were made to the procedures and terms for payment of remuneration to the bank's key management personnel in the accounting year compared to the previous year.

	Total	Krasnodar krai	Volgograd region	Rostov region	Stavropol krai	Nizhny Novgorod
Average monthly wage for the bank's business units, RUB	75 052	73 752	77 177	75 432	61 286	74 625
men	91 323	87 380	132 853	91 431	65 431	43 417
men under age 30	60 031	51 274	—	61 160	—	43 417
women	68 099	71 655	70 387	67 490	60 768	80 867
women under age 30	53 504	46 964	61 010	53 879	39 124	68 159

The bank does not use headhunting as part of its personnel policy. Instead, it creates a pool of future employees by attracting students from local universities for work experience and training. Center-invest Bank has had an internship programme for the last 26 years.

In 2018 the bank established a Staff Training Centre, which provides training courses for new employees and in-house accreditation programmes.

Potential interns are trained at the Financial Literacy Centres in Rostov-on-Don and Krasnodar. In 2018, the Centres trained 449 students from 15 higher education institutions in southern Russia. The 114 students who had performed the best during their training were then offered internships at Center-invest Bank, and the 102 best interns went on to become employees of the bank.

With a creative atmosphere and employees who take responsibility for and have confidence in the success of the bank's strategy, we have established a positive corporate culture that is aimed at achieving new sustainable development results for the bank's ecosystem.

Total number and rates of new employee hires and employee turnover

	Number of employees at FYE 2018	Number of new hires	Number of employees who left the bank	Employee turnover
Total	1 644	128	127	8.6
By gender				
— male	420	38	50	2.97
— female	1 224	90	77	5.63
By age group				
— under age 30	430	94	30	4.18
— age 30 – 50	973	30	54	2.83
— over age 50	241	4	43	1.58

In 2018, all 64 employees who were entitled to parental leave exercised this right.

All employees who had taken maternity leave continued to work in the same position or in a similar position.

The bank's codes of corporate conduct and ethics comply with Russian legislation, fully protect the interests of workers and do not require the use of collective labour agreements.

The bank does not have any workplaces with hazardous working conditions. However, for many years it has voluntarily paid for medical insurance for its employees. There have not been any work-related injuries at the bank. The bank does not have any pension plan liabilities.

	2018	2017	2018/2017
Number of insured employees	1644	1624	1.23%
of which, women	1224	1211	1.07%
Number of employees who have been vaccinated	136	199	– 31.6%
of which, women	88	131	– 32.8%

The bank provides for continual staff development through various forms of training: on the job training, seminars, training courses and placements. In 2018 the bank arranged and held 66 training courses and seminars for employees. Participation was not dependent on gender or age. A total of 475 employees took part in face-to-face and distance learning courses and seminars, while 708 employees had their qualifications verified in person or remotely.

To reinforce knowledge obtained from seminars and courses, the bank arranges for staff to have placements in partner banks, including foreign banks.

The bank regularly conducts appraisals to assess employees' professional and personal qualities and to encourage further development of skills and knowledge and improved work performance. The bank refrains from providing services to customers that are found to be in breach of legislation on employment relations.

Human Rights

Center-invest Bank's loan agreements stipulate that borrowers must comply with applicable Russian legislation. Moreover, the criteria in the bank's Environmental and Social Policy are applied when assessing all loan applications. Social risks are considered, including observance of human rights. Observance of human rights is also mandatory under the bank's funding agreements with its international partners.

Training on human rights is provided as part of the process of familiarising new employees with the bank's codes and policies.

All customers are checked for compliance with Russian legislation. The bank refrains from working with customers who violate human rights.

All of the bank's security personnel have been appropriately educated in policies and procedures concerning human rights and the rights of indigenous peoples. The bank's employees comply with applicable Russian legislation in all aspects, including human rights.

Any grievances raised with the bank are examined and monitored in compliance with applicable legislation.

The bank guarantees the confidentiality of customer information, unless otherwise stipulated by law.

All of the bank's business units actively engage with local communities.

All of Center-invest Bank's branches engage constructively with local government bodies and society to help address socioeconomic and environmental issues. The bank also works with non-commercial organisations and the expert community at the regional level. The bank actively works with local communities on issues relating to employment and career planning, financial literacy, and public health; it invests in culture, sport and social infrastructure; and it helps vulnerable groups of the population. The bank invests considerable resources into developing SMEs and youth, female and social entrepreneurship through its own Accelerator, thereby promoting local socioeconomic development and improving the quality of life for local communities.

In 2018 the bank held 348 seminars and briefings in municipal districts in regions where it operates. These events considered current challenges relating to banking and the development of the economy, entrepreneurship, and the housing and utilities sector.

For the past nine years, the bank has been working successfully with the Rostov Region's Education Ministry to encourage adoption and fostering in the region. The bank helps children living in children's homes to find adoptive or foster parents, and it also supports large families which have adopted or are fostering children. Every week the regional television channel Russia 1 broadcasts the "I Am!" programme, which tells viewers the stories of youngsters who, despite their difficult circumstances, continue to believe in miracles and hope that one day they will find a new family. Nine out of every

ten children shown on the programme have since been adopted or fostered. For the start of the new academic year, over 2000 children in adoptive or foster families in the Rostov region receive stationery sets from Center-invest Bank.

In Krasnodar Krai the bank works closely with the “Kuban Family” Union of Large Families, jointly organising informative and fun events aimed at promoting family values.

An important component of the bank’s engagement with local communities is its system for handling customer contacts and complaints. The bank’s procedures for handling customer contacts and complaints are formalised in its internal regulations. All contacts (made by an individual or collectively) are registered in a special database on the day of receipt and passed to the appropriate staff member for consideration.

The bank refrains from operations that would have a negative impact on local communities. In a timely manner, the bank communicates its anti-corruption policy and procedures to local communities and informs them of the impact of external risks. In accordance with Russian legislation, the bank informs law enforcement agencies of any incidents of corruption and breaches of the law. The bank refrains from financing political parties and it does not receive payment for its advice to political and non-governmental organisations. It participates in the public chambers of a number of government bodies.

The bank regularly responds to customer enquiries (annually, over 1.5m calls to the contact centre and communications with the 24-hour customer support service, and also communications via the bank’s official accounts on the social networks Twitter, Facebook, Instagram, V Kontakte and Odnoklassniki).

Product Responsibility

Center-invest Bank does not provide any products or services that have a negative impact on health and safety or that do not comply with regulations. It does not sell any banned or disputed goods or any goods that do not comply with regulations, including those on advertising, promotion and sponsorship. Taking customer views into account, Center-invest Bank continually develops its products and services. It voluntarily and intentionally develops and sells products and services that help its customers to raise their standards of living and run sustainable businesses.

The bank regularly and purposefully informs customers of its products and services through all forms of mass media. It uses information technologies to enable customers to select for themselves the most suitable terms on which to receive services. By analysing customer feedback and using mystery shoppers, the bank monitors the compliance of its products and services with regulations and voluntarily assumed obligations. No significant deviations from regulations or voluntary obligations have been found.

The bank complies in full with legislation on banking secrecy and data protection.

The precautionary principle is included in the bank’s risk management procedures and must be applied in decision-making.

In 2018 the bank received the following fines:

Russian Central Bank directive with payment of a RUB4,330,000 fine;

— RUB30,000 fine from the Krasnodar Krai Department of the Federal Service for Oversight of Natural Resource Use for breach of legislation on environmental protection and the use of natural resources;

— RUB100,000 fine for an administrative offence relating to unauthorised use of the land plot on which the bank’s branch in Shakhty is situated;

— RUB470,000 fine from the Federal Tax Service for late submission of information about customer accounts that were suspended and other information about customers, and other breaches.

All new applicants for a business loan undergo thorough assessment and are assigned a rating (using the criteria specified in the Environmental and Social Policy). This includes a society impact assessment.

All of the bank's new products and services are assessed for their potential negative impact on society. The bank refrains from providing products and services that could potentially have such an impact.

Ethic

Center-invest Bank's ethical values, which are shared by its employees, customers and partners, are reflected in its codes and policies. These values are part of the bank's corporate culture.

Taking into account feedback from the Internal Audit Service, which monitors compliance with the bank's Code of Corporate Conduct, the Board of Directors regularly carries out surveys and evaluates performance in terms of corporate conduct.

All bank employees are entitled to address any question to any level of management and to receive a substantive response. The persons responsible must not only respond to questions from any employee, but also take steps to ensure compliance with rules and procedures to prevent such concerns from arising again.

Code of Ethics

Middle managers are answerable to the Executive Board and its Chairman for the implementation of the Code of Ethics in their departments and for ensuring that their staff understand and comply with the Code.

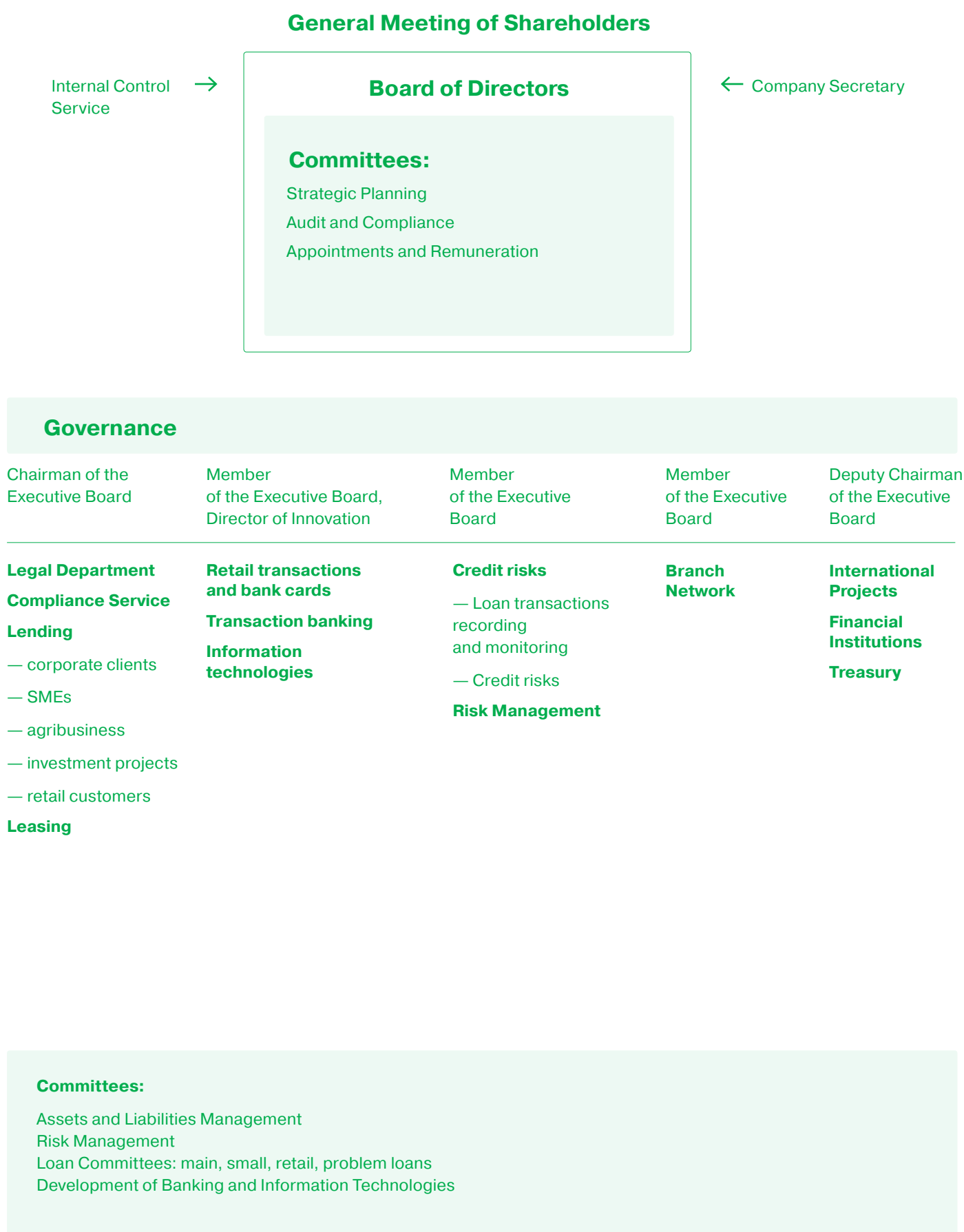
The Executive Board and its Chairman are answerable to the Board of Directors.

The Board of Directors protects the bank's ethical views and values, leads by example, and diffuses conflicts between individuals. While ensuring compliance with all legal requirements, the Board of Directors is also careful to meet the needs of shareholders and other stakeholders. It also aims to ensure harmonious relations between managers and other employees.

The Chairman of the Board of Directors represents the bank and issues statements on behalf of the Board of Directors. The Chairman is the official channel for informing management of matters that are of concern to the Board of Directors. The Chairman encourages the Board members to take maximum responsibility for their decisions on the key issues affecting the bank.

When addressing a corporate conflict, the main objective of the bank's governance bodies is to find a legal and justified solution that is also consistent with the bank's interests.

The principles and provisions of the Code of Ethics are incorporated in the bank's internal control system. The bank's strict and objective procedures for evaluating its work, identifying shortcomings, and acting to remedy shortcomings, are regularly reviewed and updated.



Internal Control and Risk Management Systems

The functioning of Center-invest Bank's internal control and risk management systems is based on the "Three Lines of Defence" model:

First line of defence	Second line of defence	Third line of defence
Business units	Departments ensuring and overseeing the implementation of risk management practices, internal control, compliance with legislation and internal regulations, and also the investigation of instances of fraud	Internal audit
<ul style="list-style-type: none"> — identify and conduct first assessment of risks; — implement first control of compliance of risks with set limits; — devise and implement the necessary measures for compliance with set limits. 	<ul style="list-style-type: none"> — define a common strategy with regard to identifying, assessing and reviewing risks and devising measures to respond to risks; — name the types of risks and assess their importance; — develop a system of limits on risk levels; — assess and predict risk levels; — oversee compliance with set limits; — carry our stress tests; — report on risks; — check that internal control, risk assessment, compliance etc. are being implemented effectively; — take measures aimed at preventing fraud. 	<ul style="list-style-type: none"> — assesses effectiveness; — in accordance with international approaches, assesses all three systems: internal control, risk management, and corporate governance; — informs the Board of Directors and Executive Board of any shortcomings identified and also the measures taken to remedy them.

Internal Control

At Center-invest Bank internal control is performed by a combination of internal control bodies, acting in accordance with the remits set out in the bank's articles of association and internal regulations:

- the governing bodies of the bank:
 - Board of Directors
 - Chairman of the Executive Board (single-person executive body)
 - Executive Board (collective executive body)
- the bank's Revision Commission
- the Chief Accountant (their deputies)
- the managers (their deputies) and chief accountants of branches
- departments and staff carrying out internal control in accordance with the remits set out in internal regulations, including:
 - the Internal Audit Service
 - the Compliance Service
 - the Department for the Prevention of Money Laundering and the Financing of Terrorism (Financial Monitoring Department).

In 2018 the Internal Audit Service:

helped the Board of Directors and Executive Board ensure the sustainable and efficient operation of the business;

continually monitored staff compliance with agreed procedures, functions, remits and decisions;

was involved in updating Center-invest Bank's interdepartmental procedures and also in developing procedures to assess, manage and monitor the risks arising in banking operations;

continued to further improve the internal control system on the basis of best international practice.

Checks conducted by the Internal Audit Service	2018	2017	2016	2015
Comprehensive branch audits	25	11	34	17
Checks of cash and valuables	12	5	8	7
Investigation into customer complaints	0	0	1	0
Audits of specific aspects of the work of business units	124	88	90	86
Audits of professional activities on the securities market	4	4	4	4

In 2018 the Compliance Service:

assisted the bank's governing bodies with observance of corporate, regulatory and legal standards by being involved in developing, introducing and supporting effective management of regulatory risks;

with regard to managing compliance risks, took measures aimed at preventing compliance risks from arising, and also carried out measures to identify (capture and name) and assess any existing compliance risks, and to minimise compliance risks;

in order to minimise compliance risks, continually monitored compliance of internal processes with legislative requirements and appropriate standards of market conduct.

In 2018 the Financial Monitoring Department:

ensured continual monitoring of compliance with all requirements on the prevention of money laundering, the financing of terrorism, and the financing of proliferation of weapons of mass destruction;

developed, updated and ensured implementation of new internal regulations on the prevention of money laundering, the financing of terrorism, and the financing of proliferation of weapons of mass destruction;

ensured the coordination of the activities of business units to prevent money laundering, the financing of terrorism, and the financing of proliferation of weapons of mass destruction.

Revision Commission

The bank's Revision Commission reports to the Board of Directors on the findings of audits (checks) of financial and business activities during the year and confirms or refutes the veracity of the data contained in the bank's annual report and annual financial statements.

The bank's internal control and risk management system is appropriate for the nature and the scale of the bank's operations and the level and combination of risks assumed.

Risk Management

Risk management is an integral part of Center-invest Bank's business model. The bank's activities entail the types of risk that are typical for all credit institutions and which are inherent in banking. The main types of risk are:

- credit risk;
- liquidity risk;
- interest rate risk;
- operational risk (including legal and cyber risks);
- market risk of assets revaluation;
- concentration risks;
- regulatory risk;
- reputational risk;
- insurance risk,
- strategic risk.

The development of a bank depends on many factors; it is also to a large extent determined by the operating environment in which the bank functions.

To minimise risks and to mitigate their potential impact on operations, Center-invest Bank has established an effective and independent risk management system, which is integrated with its business processes.

The system is underpinned by best international practice and the sustainable banking business model developed by the bank over the course of many years. This business model is based on the bank's unique experience of managing regional risks, acquired during its successful work in the face of numerous Russian economic crises.

Center-invest Bank's risk management strategy involves:

- rejecting speculative transactions on the financial markets in favour of socially responsible lending to the local population and SMEs operating in the real economy in the regions where the bank operates;
- ensuring that the bank has sustainable and diversified sources of funding and a balanced approach to managing liquidity and interest rates, based on its development strategy, stress testing and an understanding of macroeconomic trends;
- managing operational risks effectively, working to prevent fraud, and ensuring information security at a time of rapid growth in the bank's customer base, intensive development of information technologies and remote banking channels, and the bank's participation in most of the pilot IT projects in the financial sector;
- covering risks with sufficient provisions and capital, in accordance with the bank's internal procedures for assessing capital adequacy with due regard for the requirements of the national regulator and the Basel Committee on Banking Supervision;
- ensuring business continuity, and effective business continuity and disaster recovery planning;
- rejecting the classical model of "selling" banking risks and using high interest rates to cover losses in favour of actively managing credit risks. This entails:
 - knowing the target market and regional risks, and using effective decision-making procedures that allow the bank to expand lending successfully without assuming excessive risks;
 - actively using modern information technologies and in-house and external services and sources of data to improve the quality and timeliness of decision-making and subsequent monitoring;
 - lending at attractive interest rates with the aim of stimulating demand for the bank's loan products, allowing the bank to select the best customers;
- actively influencing the operating environment.

To influence the operating environment, the bank:

- builds long-term customer relationships;
- provides customers with comprehensive advice on improving business efficiency, managing business risks, and energy efficiency;
- carries out activities to improve the financial literacy of the population.

The current risk management policy was approved by the Board of Directors in November 2018 and covers the whole spectrum of risks assumed by the bank. It takes into account relevant risk and regulatory requirements, and also reflects shareholders' decisions with regard to the risk appetite and the risk management strategy, principles and approaches within the framework of the bank's business model.

As well as managing its own risks, Center-invest Bank is transforming the operating environment by forming its own ecosystem. To this end, the bank works systematically to improve financial literacy, encourages its customers' social and business activities, and advises them on managing business risks.

The bank's time-tested risk management system is continually revised to ensure that it is appropriate for new external conditions and regulatory requirements. The system ensures that the bank and its customers develop sustainably, and that the interests of its customers, investors and shareholders are reliably protected.

Organisational Profile

Full name of the bank and legal form: Public Joint-stock company commercial Bank “Center-invest”

Center-invest Bank carries out the following banking operations in accordance with General Licence of the Central Bank of Russia No 2225 dated 26 August 2016:

- attraction of funds from individuals and companies in the form of deposits (call and fixed term deposits);
- investment of the funds attracted from individuals and companies in the form of deposits (call and fixed term) in its own name and at its own expense;
- opening and administering bank accounts for individuals and companies;
- transferring funds on the instructions of individuals and companies, including authorised correspondent banks and foreign banks, through their bank accounts;
- collection of cash, bills, and payment and accounting documents, and provision of cash services for individuals and companies;
- issuance of bank guarantees;
- transferring funds without bank accounts being opened, including electronic funds transfer (excluding postal transfers).

Center-invest Bank is listed in the Unified State Register of Legal Entities (Certificate series 61 No002690018 dated 26 August 2002). Its primary state registration number is 1026100001949.

Center-invest Bank is registered as a member of the mandatory insurance system (Certificate No 283 dated 9 December 2004).

Center-invest Bank holds the following professional securities market participant licences: No 060-03407-001000 for carrying out securities management activities dated 29.11.2000; No 060-03332-010000 for carrying out dealer activities relating to securities management dated 29.11.2000; No 060-04118-000100 for carrying out depository activities dated 20.12.2000; No 060-03243-100000 for carrying out broker activities dated 29.11.2000.

Center-invest Bank has the exclusive right to the “Center-invest Bank” trademark (State Register of Trademarks and Service Marks of the Russian Federation, Certificates Nos. 627491, 628301, 628300, 628298, and 628299 dated 24 August 2017).

The bank’s head office is located at: 62 Sokolova Avenue, Rostov-on-Don, Russia, 344000.

Call centre: (863) 2-000-000, 8-800-200-99-29

Email address: welcome@centrinvest.ru. Website addresses: www.centrinvest.ru, центр-инвест.рф.

Center-invest Bank operates in six regions of the Russian Federation: Rostov region, Volgograd region, Krasnodar Krai, Stavropol Krai, and the cities of Nizhny Novgorod and Moscow. It has 125 branches and 1 644 employees.

Although the bank has not formally signed the following documents, it subscribes to and applies their main principles:

- The Ten Principles of the United Nations Global Compact, 2000;
- OECD Guidelines for Multinational Enterprises, 2011;
- United Nations Guiding Principles on Business and Human Rights, implementing the UN “Protect, Respect and Remedy” Framework, 2011.

Center-invest Bank is a member of the following associations:

- Association of Banks of Russia;
- Association of European Business (AEB);

- Rostov Region Chamber of Commerce and Industry (Dr Vysokov is a member of its Board);
- Russian-German Chamber of Commerce (Deutsch- Russische Auslandshandelskammer);
- German-Russian Forum (Deutsch-Russische Forum);
- Krasnodar Krai Chamber of Commerce and Industry;
- Rostov Region Employers' Union, Russian Union of Industrialists and Entrepreneurs;
- Rostov-on Don Council of Directors;
- Rostov Region Council of IT Systems Designers (Yuri Bogdanov, member).

The bank participates in the work of the aforementioned associations and pays membership subscriptions.

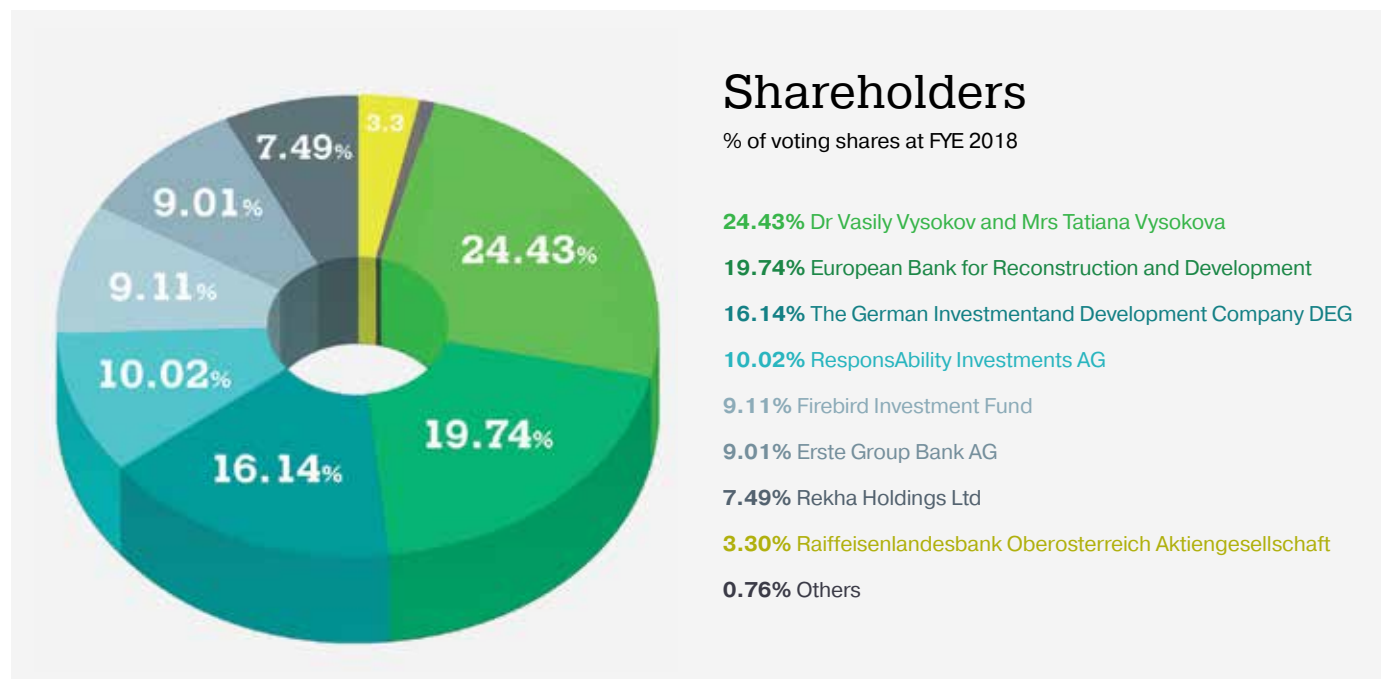
Dr Vysokov and Mrs Tatiana Vysokova have been elected to the following public bodies:

— the Boards of Trustees of Southern Federal University, Don State Technical University, Southern Russia Technical University, and Rostov State Economics University, , and Rostov College of Engineering Technology (Dr Vysokov is a member of all four boards).

— the Boards of Trustees of the Endowment Fund for Education and Science in the Southern Federal District (Dr Vysokov, chairman; Tatiana Vysokova, board member), the Southern Federal University Endowment Fund (Tatiana Vysokova, chairman), and Don State Technical University Endowment Fund (Dr Vysokov, board member).

— the “Alliance Française - Rostov” regional cultural and educational non-governmental organisation (Dr Vasily Vysokov, president; M.L. Tyndyk, member of the Board of Administration).

In addition to its membership of the above, the bank works with the following organisations: the Association of Rostov Region Municipal Districts, and the Rostov Region Association of Homeowners' Associations.



Conclusion

This report is presented for the 2018 calendar year as part of Center-invest Bank's integrated IFRS reporting, and it incorporates a report on sustainable development and corporate social responsibility. The GRI Standards and the recommendations of the Board of the Russian Union of Industrialists and Entrepreneurs on non-financial reporting were taken into account in the compilation of this report, to the extent to which the information is of interest to the bank's current and potential shareholders, partners, customers and employees.

In accordance with its policy of openness and transparency, this report contains information about Center-invest Bank's strategy and mission; its social responsibility and sustainable development principles; the key events and results of its work; the economic, social, and environmental impacts of its activities; and its interactions with stakeholders.

The data in this report has been provided by the company's reporting system. The accuracy of the data contained in the report is ensured during the process of collating and consolidating information, and it is confirmed by heads of departments or other persons responsible for preparing specific sections of the report. The contact person for this report is Lidia Simonova, Deputy Chairman of the Executive Board of Center-invest Bank.

Center-invest Bank's last integrated report was published on 16 June 2018 on its website. It can be viewed here: <http://2017.centrinvest.ru/report-2017/report-en.html>

Table mapping the general standard disclosures to the GRI Standards

disclosure rate : completely ● partly ⊙ not disclosed ○

Reporting elements of the GRI Standards	Place in Report	Disclosure rate
Strategy and analysis G4-1, G4-2	4—11	●
Organizational Profile G4-3, G4-4, G4-5, G4-6, G4-7, G4-8, G4-9, G4-10, G4-11, G4-12, G4-13, G4-14, G4-15, G4-16	38, 55, 56, 59, 66, 67	●
Identified material aspects and boundaries G4-17, G4-18, G4-19, G4-20, G4-21, G4-22, G4-23	41, 55, 56	⊙
Stakeholder engagement G4-24, G4-25, G4-26, G4-27	40—49	⊙
Report profile G4-28, G4-29, G4-30, G4-31, G4-32, G4-33	68	●
Governance G4-34, G4-35, G4-36, G4-37, G4-38, G4-39, G4-40, G4-41, G4-42, G4-43, G4-44, G4-45, G4-46, G4-47, G4-48, G4-49, G4-50, G4-51, G4-52, G4-53, G4-54, G4-55	50—57, 61	●
Ethics and integrity G4-56, G4-57, G4-58	57, 60—63	●

Table mapping the general standard disclosures to the GRI Standards

disclosure rate : completely ● partly ⊙ not disclosed ○

Reporting elements of the GRI Standards	Place in Report	Disclosure rate
Disclosures on management approach G4-DMA		
CATEGORY: ECONOMIC		
Economic Performance G4-EC1, G4-EC2, G4-EC3, G4-EC4	21, 22, 40—43, 57	●
Market Presence G4-EC5, G4-EC6	24, 30, 56, 62	●
Indirect Economic Impacts G4-EC7, G4-EC8	58, 59	●

Reporting elements of the GRI Standards	Place in Report	Disclosure rate
Procurement Practices G4-EC9	22	●
CATEGORY: ENVIRONMENTAL		
Materials G4-EN1, G4-EN2		○
Energy G4-EN3, G4-EN4, G4-EN5, G4-EN6, G4-EN7	41	⊙
Water G4-EN8, G4-EN9, G4-EN10	41	⊙
Biodiversity G4-EN11, G4-EN12, G4-EN13, G4-EN14	42	⊙
Emissions G4-EN15, G4-EN16, G4-EN17, G4-EN18, G4-EN19, G4-EN20, G4-EN21	42	⊙
Effluents and Waste G4-EN22, G4-EN23, G4-EN24, G4-EN25, G4-EN26	41	●
Products and Services G4-EN27, G4-EN28	40	⊙
Compliance G4-EN29	42, 59	●
Transport G4-EN30		○
Overall G4-EN31	40, 41	⊙
Supplier Environmental Assessment G4-EN32 G4-EN33	58	●
Environmental Grievance Mechanisms G4-EN34	59	⊙
CATEGORY: SOCIAL		
Labor practices and decent work		
Employment G4-LA1, G4-LA2, G4-LA3	56, 57	●

Reporting elements of the GRI Standards	Place in Report	Disclosure rate
Labor/Management Relations G4-LA4		○
Occupational Health and Safety G4-LA5, G4-LA6, G4-LA7, G4-LA8	55, 56, 57	●
Training and Education G4-LA9, G4-LA10, G4-LA11	55, 56, 57	●
Diversity and Equal Opportunity G4-LA12	56	●
Equal Remuneration for Women and Men G4-LA13	55, 56	●
Supplier Assessment for Labor Practices G4-LA14, G4-LA15		○
Labor Practices Grievance Mechanisms G4-LA16	58	⊙
Human rights		
Investment G4-HR1, G4-HR2	58, 59	⊙
Non-discrimination G4-HR3	59	●
Freedom of Association and Collective Bargaining G4-HR4		○
Child Labor G4-HR5	59	●
Forced or Compulsory Labor G4-HR6		○
Security Practices G4-HR7		○
Indigenous Rights G4-HR8		○
Assessment G4-HR9		
Supplier Human Rights Assessment G4-HR10, G4-HR11	59	⊙

Reporting elements of the GRI Standards	Place in Report	Disclosure rate
Human Rights Grievance Mechanisms G4-HR12	59	⊙
Society		
Local Communities G4-SO1, G4-SO2	58	●
Anti-corruption G4-SO3, G4-SO4, G4-SO5	62–63	●
Public Policy G4-SO6		○
Anti-competitive Behavior G4-SO7	59	●
Compliance G4-SO8	59	●
Supplier Assessment for Impacts on Society G4-SO9, G4-SO10		○
Grievance Mechanisms for Impacts on Society G4-SO11	59	⊙
Product responsibility		
Customer Health and Safety G4-PR1, G4-PR2	59	●
Product and Service Labeling G4-PR3, G4-PR4, G4-PR5	59	●
Marketing Communications G4-PR6, G4-PR7	58, 59	●
Customer Privacy G4-PR8		○
Compliance G4-PR9	59	●



**CENTER-INVEST
BANK GROUP**

**Summary Consolidated Financial Statements
prepared from the International Financial
Reporting Standards Consolidated Financial Statements
and Independent Auditor's Report**

31 December 2018

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Independent Auditor's Report on the Summary Consolidated Financial Statements

To the Shareholders and Board of Directors of Public Joint-stock company commercial Bank "Center-invest":

Our opinion

In our opinion, the accompanying summary consolidated financial statements of Public Joint-stock company commercial Bank "Center-invest" (the "Bank") and its subsidiary (together – the "Group") are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Note "Basis of preparation".

The summary consolidated financial statements

The Group's summary consolidated financial statements derived from the audited consolidated financial statements for the year ended 31 December 2018 comprise:

- the summary consolidated statement of financial position as at 31 December 2018;
- the summary consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended; and
- the related note to the summary consolidated financial statements.

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 15 March 2019. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the audited consolidated financial statements of the current period.

Management's responsibility for the summary [consolidated] financial statements

Management is responsible for the preparation of the summary consolidated financial statements on the basis described in Note "Basis of preparation".



Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), "Engagements to Report on Summary Financial Statements".

AO PricewaterhouseCoopers Audit

15 March 2019

Moscow, Russian Federation

Thoney



E.I.Kopanyova, certified auditor (licence no. 01-000398),

AO PricewaterhouseCoopers Audit

Audited entity: Public Joint-stock company commercial Bank
"Center-invest"

Record made in the Unified State Register of Legal Entities on 26
August 2002 under State Registration Number 1026100001949

62 Sokolova Street, Rostov-on-Don, Russian Federation, 344000

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber
on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on
22 August 2002 under State Registration Number 1027700148431

Member of Self-regulated organization of auditors «Russian Union of
auditors» (Association)

Principal Registration Number of the Record in the Register of
Auditors and Audit Organizations – 11603050547

CENTER-INVEST BANK GROUP
Summary Consolidated Statement of Financial Position

<i>In thousands of Russian Roubles</i>	31 December 2018	31 December 2017
ASSETS		
Cash and cash equivalents	8 712 015	8 369 737
Mandatory cash balances with the Central Bank of the Russian Federation	740 650	662 931
Due from other banks	9 708 809	8 607 390
Loans to customers and finance lease receivables	88 022 690	80 146 601
Investment in associate	293 363	305 468
Investment properties	510 371	422 971
Premises, equipment and intangible assets	2 804 609	2 807 326
Other financial assets	750 328	701 569
Other assets	386 828	443 324
Current income tax prepayment	236 390	149 185
TOTAL ASSETS	112 166 053	102 616 502
LIABILITIES		
Customer accounts	95 238 192	87 217 936
Debt securities in issue	1 325 096	1 062 172
Borrowings from international financial institutions	1 720 816	996 297
Other financial liabilities	190 881	103 889
Other liabilities	267 404	275 139
Deferred income tax liability	296 018	320 549
TOTAL LIABILITIES	99 038 407	89 975 982
EQUITY		
Share capital	1 326 277	1 326 277
Share premium	2 078 860	2 078 860
Revaluation reserve for land and premises	1 262 206	1 306 152
Retained earnings	8 460 303	7 929 231
TOTAL EQUITY	13 127 646	12 640 520
TOTAL LIABILITIES AND EQUITY	112 166 053	102 616 502

Approved for issue and signed on 15 March 2019.

S. Yu. Smirnov
Management Board Chairman



T. I. Ivanova
Chief Accountant

The consolidated financial statements, from which the summary consolidated financial statements have been derived, are available from PJSC CB "Center-invest" upon request.

CENTER-INVEST BANK GROUP
Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

<i>In thousands of Russian Roubles</i>	2018	2017
Interest income calculated using the effective interest method	11 041 929	11 398 295
Interest and other similar expense	(5 110 005)	(5 495 092)
Net margin on interest and similar income	5 931 924	5 903 203
Credit loss allowance	(1 521 431)	(1 177 078)
Provision for credit related commitments	14 818	-
Net margin on interest and similar income after credit loss allowance	4 425 311	4 726 125
Fee and commission income	1 473 223	1 366 588
Fee and commission expense	(492 899)	(430 866)
Gains less losses from operations with foreign currencies	71 403	62 650
Foreign exchange translation gains less losses	109 003	8 310
(Losses less gains)/gains less losses from spot currency transactions and other conversion operations on the interbank market	(49 456)	31 217
Other provisions and expenses	(150 833)	(257 660)
Result from disposal of investment properties	-	(405 915)
Investment properties revaluation	58 871	-
Other operating income	68 515	59 684
Contributions to the state deposit insurance scheme	(463 671)	(340 502)
Administrative and other operating expenses	(3 112 671)	(2 945 275)
Share of result of associate	(12 104)	(9 941)
Profit before tax	1 924 692	1 864 415
Income tax expense	(392 120)	(438 843)
PROFIT FOR THE YEAR	1 532 572	1 425 572
Other comprehensive income for the year	-	-
Total comprehensive income for the year	1 532 572	1 425 572

The consolidated financial statements, from which the summary consolidated financial statements have been derived, are available from PJSC CB "Center-invest" upon request.

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CENTER-INVEST BANK GROUP
Summary Consolidated Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	Total equity
<i>In thousands of Russian Roubles</i>					
Balance at 1 January 2017	1 326 277	2 078 860	1 353 140	6 752 956	11 511 233
Profit for the year	-	-	-	1 425 572	1 425 572
Total comprehensive income for 2017	-	-	-	1 425 572	1 425 572
Dividends declared:					
- ordinary shares	-	-	-	(278 215)	(278 215)
- preference shares	-	-	-	(18 099)	(18 099)
Other movements	-	-	-	29	29
Transfer of revaluation surplus on land and premises to retained earnings	-	-	(46 988)	46 988	-
Balance at 31 December 2017	1 326 277	2 078 860	1 306 152	7 929 231	12 640 520
Effect of initial application of IFRS 9 – revaluation of ECL	-	-	-	(423 718)	(423 718)
Restated balance at 1 January 2018	1 326 277	2 078 860	1 306 152	7 505 513	12 216 802
Profit for the year	-	-	-	1 532 572	1 532 572
Total comprehensive income for 2018	-	-	-	1 532 572	1 532 572
Dividends declared:					
- ordinary shares	-	-	-	(603 641)	(603 641)
- preference shares	-	-	-	(18 099)	(18 099)
Other movements	-	-	-	12	12
Transfer of revaluation surplus on land and premises to retained earnings	-	-	(43 946)	43 946	-
Balance at 31 December 2018	1 326 277	2 078 860	1 262 206	8 460 303	13 127 646

The consolidated financial statements, from which the summary consolidated financial statements have been derived, are available from PJSC CB "Center-invest" upon request.

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CENTER-INVEST BANK GROUP
Summary Consolidated Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	2018	2017
Cash flows from operating activities		
Interest income calculated using the effective interest method received	11 186 903	11 117 084
Interest paid	(4 954 483)	(5 516 214)
Contributions to the state deposit insurance scheme	(432 144)	(574 686)
Fees and commissions received	1 462 853	1 346 787
Fees and commissions paid	(492 899)	(422 048)
Gains less losses from trading in foreign currencies	71 403	62 650
Gains less losses from spot currency transactions and other conversion operations on the interbank market	(54 911)	33 191
Receipts from assignment of rights of claim on loans and advances to customers	101 106	476 762
Repayment of debt previously written off	36 939	58 673
Other operating income received	64 420	55 312
Staff costs paid	(1 875 881)	(1 854 623)
Operating expenses paid	(1 233 818)	(962 460)
Income tax paid	(397 926)	(249 006)
Cash flows from operating activities before changes in operating assets and liabilities	3 481 562	3 571 422
Change in operating assets and liabilities		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	(77 719)	(51 325)
Net change in due from other banks	(1 099 000)	(2 589 776)
Net change in loans to customers and finance lease receivables	(9 725 826)	(7 439 359)
Net change in other financial and other assets	72 498	(54 032)
Net change in due to other banks	-	(295 407)
Net change in customer accounts	7 321 988	6 805 570
Net change in promissory notes issued	(175 617)	171 749
Net change in other financial and other liabilities	(18 530)	60 351
Net cash (used in)/from operating activities	(220 644)	179 193
Cash flows from investing activities		
Acquisition of premises and equipment	(110 381)	(191 375)
Proceeds from disposal of premises and equipment	9 654	7 582
Acquisition of intangible assets	(62 664)	(48 588)
Investments in investment properties	(28 529)	(9 989)
Proceeds from disposal of investment properties	-	772 150
Net cash (used in)/from investing activities	(191 920)	529 780
Cash flows from financing activities		
Issue of bonds	860 709	543 765
Repurchase and repayment of bonds	(440 452)	(81 502)
Proceeds from borrowings from international financial institutions	1 100 000	1 000 000
Repayment of borrowings from international financial institutions	(400 000)	(179 860)
Repayment of subordinated loans	-	(2 841 227)
Dividends paid	(621 803)	(296 251)
Net cash from / (used in) financing activities	498 454	(1 855 075)
Effect of exchange rate changes on cash and cash equivalents	256 388	(113 842)
Net increase/(decrease) in cash and cash equivalents	342 278	(1 259 944)
Cash and cash equivalents at the beginning of the year	8 369 737	9 629 681
Cash and cash equivalents at the end of the year	8 712 015	8 369 737

The consolidated financial statements, from which the summary consolidated financial statements have been derived, are available from PJSC CB "Center-invest" upon request.

Basis of preparation

These summary consolidated financial statements of PJSC CB «Center-invest» (the “Bank”) and its subsidiary (the “Group”) have been prepared by extraction, without any modification, of the consolidated statements of financial position, of profit or loss and other comprehensive income, of changes in equity and of cash flows from the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards.

The consolidated financial statements, from which the summary consolidated financial statements have been derived, are available from the Bank upon request at 62 Sokolova Avenue, Rostov-on-Don, Russia, 344000.

