

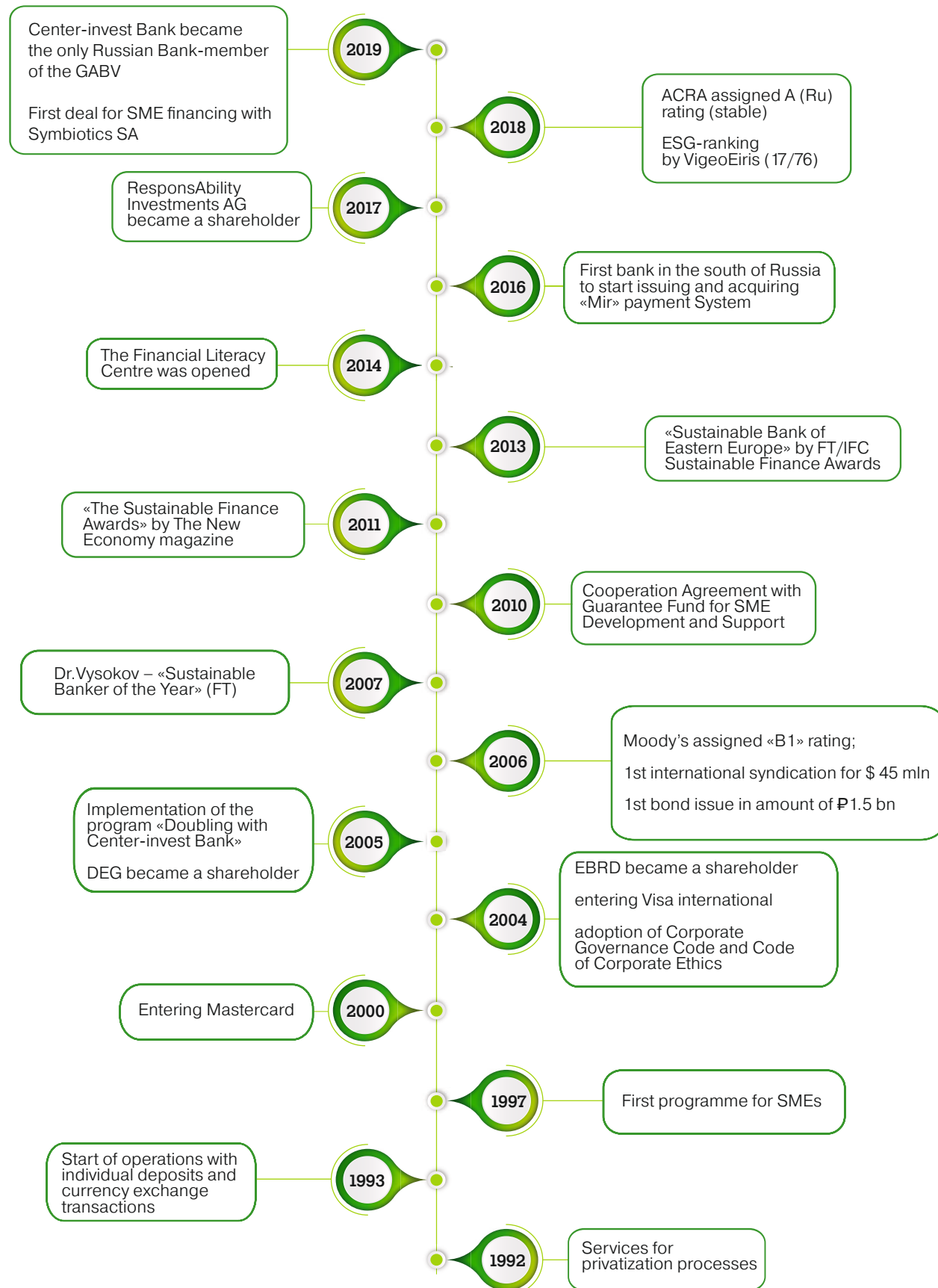


**Sustainable
Development Trajectory**

Annual Report 2019



SUSTAINABLE DEVELOPMENT WAY



ESG-TIMELINE TREE

Center-invest Bank is the largest private regional bank in southern Russia with positive example of social responsible business based on ESG banking business model

2019

Bank hosted partners and investors on ESG-investors days

2019

Center-invest launched Russia's first green bank bonds on Moscow Exchange

2019

CIB became Signatory of the UN Principles for Responsible Banking

2018

CIB's new strategy 2019-2021
«ESG-digitalization of the Center-invest bank's ecosystem» was developed and launched. ESG-ranking by VigeoEiris (17/76)

2014

Internal Control Policy implementation.

2012

Launch of lending programmes to support women-owned businesses and young entrepreneurship

2013

«Sustainable Bank of Eastern Europe» by FT/IFC Sustainable Awards

2007

Information Policy implementation

2010

The CIB's Environmental and Social Policy approved by Board of Directors. Jointly developed with the EBRD and IFC

2004

Implementation of first corporate rules and procedures. The CIB's Codes of Corporate Conduct and Ethics are taken together with EBRD

2005

CIB's first targeted loans program to increase energy efficiency

Banking strategy of CIB complies with:

- UN Sustainable Development Goals until 2030
- national development goals of the Russian Federation until 2024
- goals of the Bank of Russia development programs

Statement by the Chairman of the Board of Directors

ESG banking is becoming more and more popular, with growing demand among retail and business customers, market participants, regulators and politicians. The number of financial institutions applying ESG principles is increasing, the infrastructure is being developed (special sections on stock exchanges, ratings agencies and consultants), and regulation and supervision are changing. The new generation of customers prefer ESG banks, with their transparent sources of funding and positive social impact.

Center-invest Bank's experience of implementing ESG banking principles has demonstrated the resilience of this business model in the face of market volatility, geopolitical risks, climate change and social transformations. This experience allows the bank to respond confidently to the challenges that arise at a time of continual crises, and to be actively involved in establishing new rules of conduct in the financial market.

Center-invest Bank not only considers a wider range of environmental, social and governance risks; it also actively manages and controls these risks to achieve long-term profits in the interests of current and future generations of shareholders, employees, customers and partners.

In ESG banking, everything should be first-rate:

- profitability (ROE 2019 = 13.1%, ROA 2019 = 1.6%),
- balanced growth (Moody's Ba3/stable, ACRA A(ru) /stable and Vigeo Eiris 17/76 Europe),
- implementation of the UN Sustainable Development Goals and Russia's National Projects.



In 2019, Center-invest Bank assisted with the compilation and publication of a statistical review, "The Rostov Region – Progress Towards Achieving the Sustainable Development Goals"¹. The statistics provided further confirmation of the global competitive advantages of the region in which the bank operates. The data also allowed us to evaluate the bank's contribution towards implementation of the Sustainable Development Goals and the National Projects. The bank's team and customers are proud that for every 100 rubles in retail deposits, 73.5 rubles goes towards implementation of the Sustainable Development Goals and 67.5 rubles towards the National Projects.

Maintaining its leadership in the regional market, Center-invest Bank has leading market positions among Russian banks for lending to entrepreneurs, SMEs and retail customers, and it actively participates in government-subsidised loan programmes.

In ESG banking, profits are made from working with the real economy, and they are distributed among the population (36%), partners and suppliers (23%), employees and the state (19%), and shareholders (22%).

Managing credit risks in ESG banking requires creative approaches in each market segment: for agribusiness, we offer loans with longer terms; for SMEs, we provide non-financial services, and for retail customers, we finance "happiness" and treat every customer like a VIP.

An ESG risk management system is based on a balance between financial efficiency, organic growth and long-term profits, knowledge of the target markets and regional risks, a nurturing approach to customers, and continuous innovation to address new challenges. It is underpinned by regulatory requirements, best international practice and lessons learned from previous crises. Center-invest Bank actively promotes the ESG banking business model in business and public associations.

ESG digitalisation is first and foremost a moral choice between risks and efficiency when using modern financial and digital technologies to support the long-term development of the bank and its customers through the creative use of quantitative assessments and continuous innovation, data protection and safe transactions, and automated business process management based on digital technologies.

Center-invest Bank's corporate culture, established on the basis of ESG principles, engenders a creative atmosphere with high-quality governance and management, ensuring that we are always prepared for new challenges. Through its partnerships with regional higher education institutions and its social and educational projects, the bank cultivates the best customers and the best employees.

Chairman of the Board of Directors

Dr Vasily Vysokov

¹ http://rostov.gks.ru/wps/wcm/connect/rosstat_ts/rostov/ru/news/rss/5a09e9004a11cc9b99f4df3fbd401489

Statement by the Chairman of the Executive Board



A modern bank today is much more than just a financial institution with its classic functions. Center-invest Bank has an advisory role and acts as an intermediary between the state, business and the general population, providing services based on digital technologies.

As we implement our current strategy, “ESG Digitalisation of Center-invest Bank’s Ecosystem”, we understand that digitalisation is not simply a global trend; it is about the necessity of providing simultaneous access to financial and information services and interacting with customers through digital channels.

In 2019, we worked on improving our service platforms, using the latest information technologies to make them more efficient and accessible. Our standout services for customers include the cash pay-in facility at ATMs and self-service terminals. This service removes the need for direct contact with a cashier at a bank branch.

The expansion of mobile banking and the automation of decision-making enables us to increase the proportion of active customers, attract new customers, and offer them competitive loan interest rates and attractive tariffs for payment and other services, thereby growing the business.

Our new Internet banking service and mobile app for SMEs allows customers to make everyday payments using an automatic counterparty verification service, carry out currency transactions, apply for loans, and manage their payroll programmes online.

As part of our commitment to further enhancing the quality and responsiveness of our services for existing customers, we continue to actively support new entrepreneurs. This includes start-up support provided by our Accelerator.

The bank has adapted biometrics technology to promote the wider penetration and maximum accessibility of its products and services beyond the six regions in which it has branches. Customers who have completed the biometric identification process at any of our branches can open bank accounts and carry out various transactions without having to visit the bank again. They simply confirm their identity using any device that has access to the Internet, a microphone and a video camera. Center-invest Bank’s mission is built on environmental and social values that determine our responsible attitude to customers, partners, employees, shareholders and society, taking into account the priorities of the UN Sustainable Development Goals and Russia’s National Projects. The inclusion of Russia’s first issue of green bank bonds in the Moscow Exchange’s Sustainable Development Sector was an important event in 2019, not only for the bank, but for the whole financial community. With this notable achievement, the bank’s team showed once again how trends are set. Our green bonds issuance helped strengthen our reputation in the Russian and international markets, as the bonds were included in the list of the International Capital Market Association (ICMA).

At the end of the year, Center-invest Bank became a signatory to the Principles of Responsible Banking of the UN Environment Programme Finance Initiative (UNEP FI). More than 250 banks, investors and insurance companies from around the world have already signed up to this global programme. Its aim is to encourage the international community to apply the principles of responsible banking in their customer and partner relationships.

The bank’s social projects reflect our responsible attitude to improving the financial literacy of the general population, especially that of the young people who will shape the future Russian economy.

As well as strengthening the bank’s positions in the social investments market, the ESG model has allowed us to meet our responsibilities to our shareholders and investors in terms of financial performance: in 2019 the bank’s profits reached RUB 1.8bn.

Chairman of the Executive Board

Lidia Simonova

Sustainable Development Declaration

The 6 Principles of ESG Banking at a Time of Transformations

Voluntariness

Center-invest Bank's shareholders, management and employees have voluntarily committed to and act on the basis of 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.

Global Vision

Although not an official signatory, Center-invest Bank supports the provisions of international agreements and initiatives on sustainability and social responsibility (United Nations Global Compact (UNGC), Sustainable Development Goals (SDGs), Equator Principles (EP), 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 issues;
- explains the sustainable development provisions to its customers and partners, government bodies and 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, businesspeople and young people to make contacts internationally.

Social Responsibility and Effectiveness

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.

For Center-invest Bank, social responsibility and effectiveness means increasing 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.

By applying an ESG banking model, Center-invest Bank is achieving: sustainable, balanced growth; long-term competitiveness in Russian and international markets (including when compared to the speculative market); and high rankings among Russian banks, especially for products relating to energy efficiency, SMEs, youth and female entrepreneurship, retail lending, public-private partnership, and social enterprise.

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.

For Center-invest Bank, ESG banking risk management entails:

- balancing profitability, organic growth and risk;
- a focus on long-term profits;
- knowing the target markets and regional risks so as to avoid excessive risks;
- rejecting speculative transactions and prioritising growth in lending to the real economy;
- nurturing customers and actively managing risks on the basis of detailed analysis of borrowers' businesses;
- regularly re-assessing risks, and covering risks with sufficient provisions and capital;
- minimising risks by diversifying sources of funding and prioritising lending to the local population and small business in the regions where the bank operates;
- continually improving the risk management system; combining formal and substantive risk assessment procedures; transparency of deals and transactions;
- stimulating demand for loan products by improving the financial literacy of the population and providing free business advice;
- reducing the level of defaults (fraudulent or due to social and environmental factors) by using stimulatory interest rates;
- continuous innovation to tackle new challenges.

Implementation of our ESG risk management strategy is underpinned by Bank of Russia recommendations and requirements, Basel Committee recommendations, best international practice, shareholders' recommendations, the bank's 28 years' experience of managing regional risks, and the lessons drawn from the crises in 1998, 2008, and 2014.

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 considers a long-term vision for the system's main components:

Economic component - reproduction of all types of capital (financial, productive, 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 and channels for presenting information.

Nurturing Staff

The bank provides continuous staff training on new areas in banking. 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 strategy. An important result of this is the high birth rate among our employees' families. 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.

Events in 2019

January

The bank received a prestigious "Relationship Award" from Citibank for the high quality of its payments and successful cooperation.

Center-invest Bank appeared in the Higher Mortgage Lenders League, ranking 18th among Russian banks for volume of mortgage lending.

February

The bank's membership of the Global Alliance for Banking on Values (GABV) was ratified.



**Global Alliance for
Banking on Values**

March

The Swiss fund Symbiotics S.A. provided the bank with a RUB600m loan to finance SMEs.

Center-invest Bank was an official partner for the international environmental event Earth Hour (WWF).

April

The bank began providing loans for the renovation of apartment buildings in Nizhny Novgorod.

Together with the Rostov Region Enterprise Support Agency, the bank established the Rostov Region League of Accelerators.



May

In partnership with the Russian National Society for the Deaf, the bank launched a financial education programme that uses sign language.

Bank headliner and main sponsor for the Women's Motivational Forum held in Rostov-on-Don.



June

Deputies from the Russian State Duma visited several apartment buildings in the Rostov region to learn about the bank's experience of financing housing renovations.



July

Publication of the statistical review "The Rostov Region – Progress Towards Achieving the Sustainable Development Goals", in partnership with the Rostov region's statistics agency.

August

The Vyberu.ru financial products aggregator recognised the bank's Grow Big savings account as one of the best offerings for children.

September

Center-invest Bank hosted an ESG Investor Days, attended by representatives of investment funds, audit and consulting firms, development institutions, the Russian Central Bank, the Moscow Exchange and banking associations, as well as shareholders, employees and customers of the bank.

October

The bank presented its intelligent ATM concept and its digital accelerator incorporating mentorship at the FINOPOLIS Forum of Innovative Financial Technologies held in Sochi. The bank was also an official partner for the Forum's FINOdays Youth Programme.



November

Center-invest Bank signed the Principles of Responsible Banking and joined the UNEP FI. The bank issued the first exchange-traded green bonds in Russia.

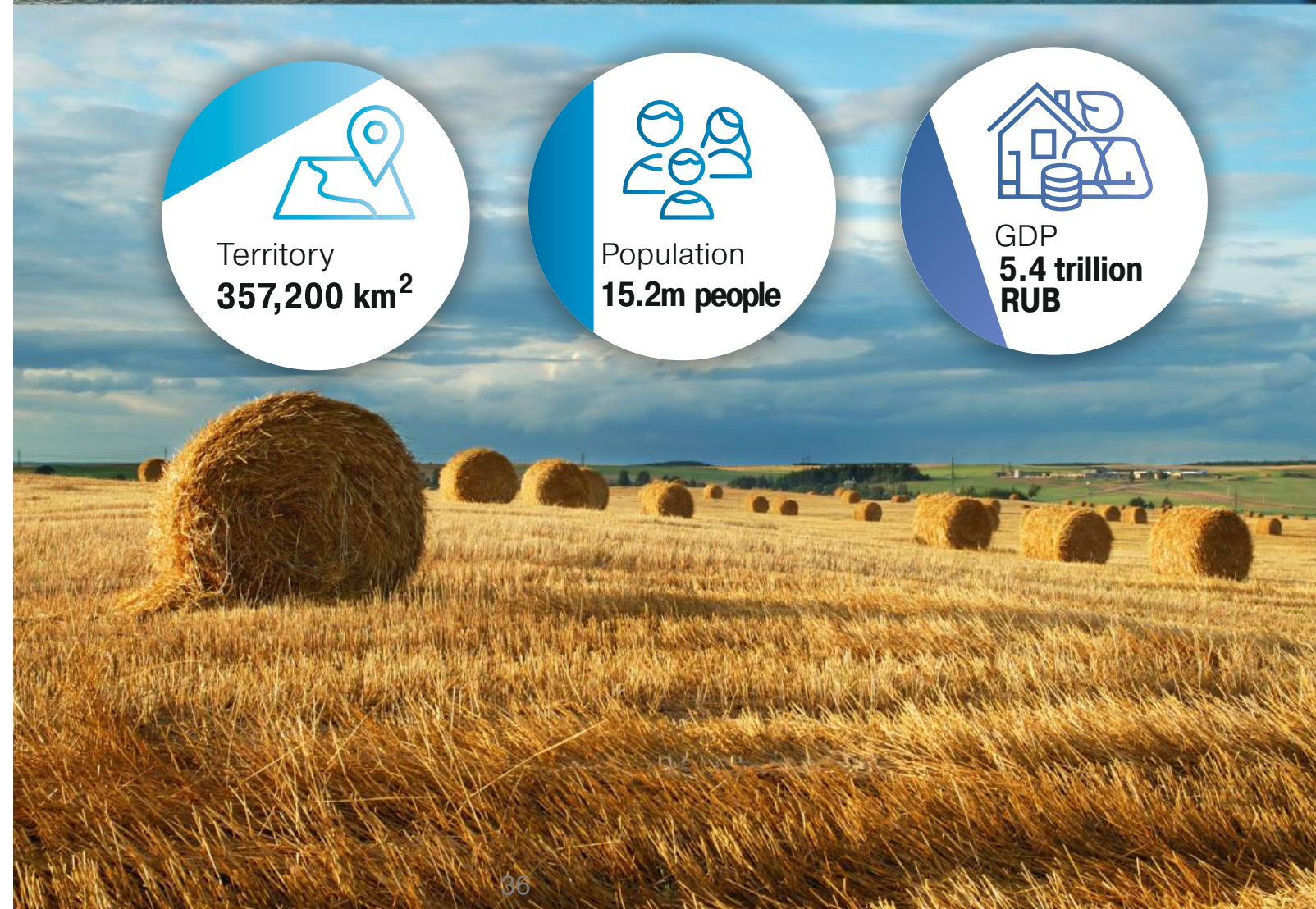
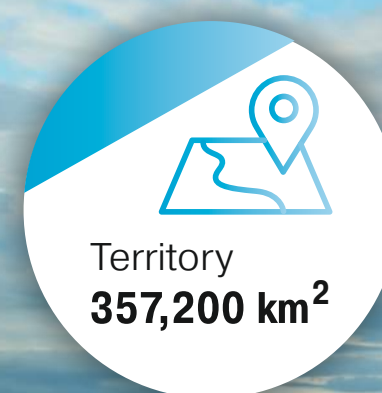
December

Representatives of the bank spoke at the international conference "Responsible Investments in the CIS" held in Frankfurt. Our experience of ESG banking was recognised as best practice in Russia.

Digitalisation of the scholarship competition for university students which is held annually by Center-invest Bank and the Endowment Fund for Education and Science in the Southern Federal District. Award ceremonies for the winners were held in Rostov-on-Don and Krasnodar.



Regional Overview: Southern Russia in 2019



Regional Overview: Southern Russia in 2019

Center-invest Bank presents the 2019 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 (NCFD), based on information from the Federal State Statistics Service (www.gks.ru). In 2017, Center-invest Bank opened a branch in Nizhny Novgorod (Volga Federal District) to promote the economic transformations model which it is applying successfully in southern Russia.

Growth rates, 2019 compared to 2018, %		RF	SFD	NCFD	RR	KK	VR	SK	NN
Industry	Output	2.4	2.9	1.0	1.2	3.2	1.0	-2.5	4.3
	Producers' prices	-4.3	0.9	-2.8	1.9	-0.5	-1.5	-5.4	-4.4
Agriculture	Output	4.0	7.1	0.8	5.4	8.3	7.0	-3.4	3.8
	Producers' prices	-4.5	-2.9	2.4	-1.4	-3.2	-7.2	1.2	-7.9
Construction	Output	0.6	-23.4	9.5	-3.8	-33.6	-19.0	18.5	-15.0
	Producers' prices	6.0	8.4	7.6	6.3	10.8	6.2	1.9	7.3
Trade	Output	1.6	1.7	0.9	1.9	2.3	0.0	0.8	1.3
	Producers' prices	3.0	2.7	3.2	2.7	2.6	3.0	3.1	3.0

Thanks to the upgrading of equipment and technology, the agricultural sector has experienced high demand against a backdrop of sanctions and weak growth in household income. In the current situation, the sector's advantages in terms of integration into global food chains can only increase.

As there is still scope for business modernisation in southern Russia, there is potential for the region to make new advances in its global competitiveness.

Housing construction in southern Russia is growing faster than the national average.

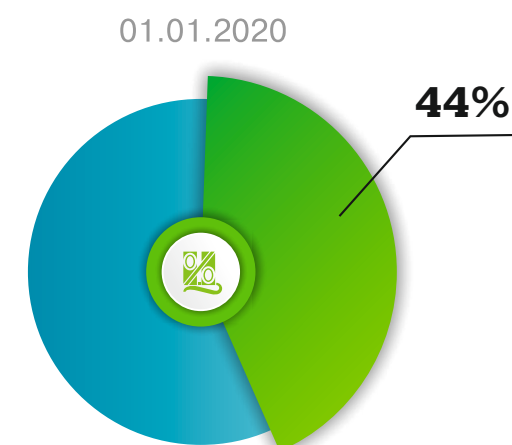
Retail sales and spending on services are growing faster in southern Russia than in the rest of the country as a whole. Despite the more modest income levels, both the local population and tourists are purchasing cheaper non-food items and services for which there was previously little demand.

In the regions in which the bank operates, lending to solo traders is growing at a faster pace.

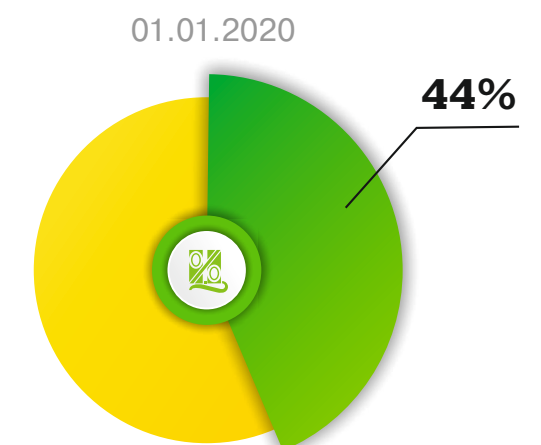
The regions in which Center-invest Bank operates are successfully adapting to the transformations economy. The first phases had positive results, but the next steps, which relate to the implementation of national projects, will require new solutions to optimise the management of production.

Center-invest Bank's market share among local banks in southern Russia

Loans



Deposits



An analytical review of the development of the region's economy based on Rosstat data is available on the Bank's website.



Organisational Profile



Public Joint-Stock Company Commercial Bank “Center-invest”

Number of branches

122

Customers

1.5 million

Employees

1631

Credit ratings

Moody's - Ba3 (stable)
ACRA - A(ru) (stable)

ESG-ranking

vigeo eiris
17/76 (Europe)

2010, 2012, 2013, 2016, 2018
STP Excellence Award

2013
Sustainable banking leader in Eastern Europe FT/IFC

2018
TOP 50 «The most reliable banks in Russia»

2019
Member of GABV

Bank head office: 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 address: www.centrinvest.ru

РЕЙТИНГОВОЕ АГЕНТСТВО

In ranking of the largest Russian banks as at 01.01.2020:

34	Value of retail loan portfolio
36	Value of retail deposits
43	Value of corporate loan portfolio
45	Value of total loan portfolio
52	Value of total assets

<https://www.raexpert.ru/rankings/bank/monthly/jan2020>

РЕЙТИНГОВОЕ АГЕНТСТВО

In ranking of TOP-15 Russian banks for SMEs as at 01.01.2020:

4	Value of solo traders loan portfolio
11	Value of small business loan portfolio
14	Value of total SME loan portfolio
15	Value of medium enterprises loan portfolio

https://www.raexpert.ru/researches/banks/msb_2019

GLOBAL FINANCIAL INTELLIGENCE SINCE 1986

TOP-50 Russian Banks by «The Banker»

5	Loans to Assets ratio
20	ROE
23	ROA
28	Profit
29	Cost/Income
33	CAR
38	Assets
40	Tier 1 Capital

<http://www.thebanker.com>

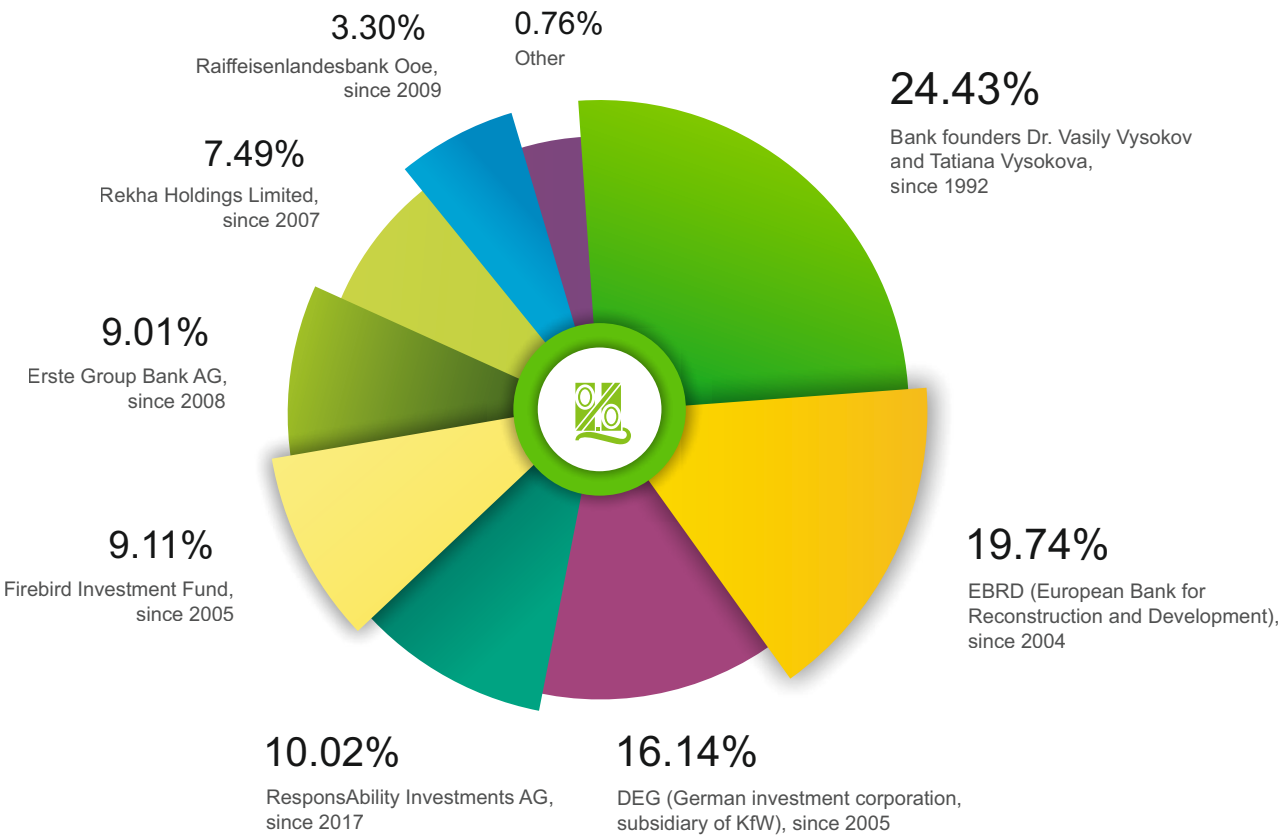
РЕЙТИНГОВОЕ АГЕНТСТВО

In ranking of largest mortgage banks as at 01.01.2020:

17	Value of mortgage loan portfolio
19	Value of issued mortgage loans

https://raexpert.ru/rankings/bank/ipoteka_2019

Shareholders at FYE 2019



Neither the Russian Federation nor its constituent entities are shareholders in Center-invest Bank.

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;
- purchase and sale of foreign currency in cash and non-cash forms;
- 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 bank participant 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).

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 122 branches and 1,631 employees.

Center-invest Bank has become an official Signatory of the UN Principles for Responsible Banking — a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and the United Nations Environment Programme Finance Initiative.

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.

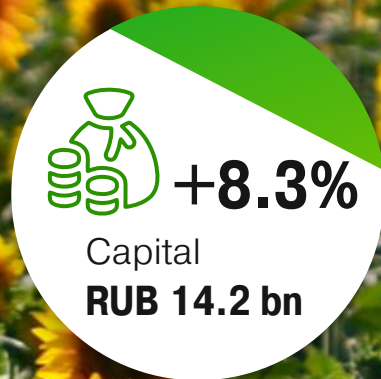
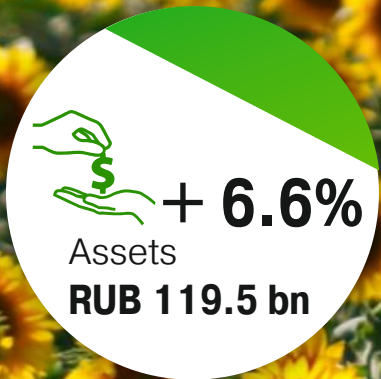
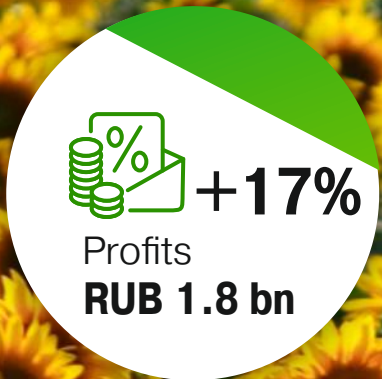
Center-invest Bank pays membership subscriptions to and participates in the work of the following associations:

- Global Alliance for Banking on Values;
- Association of Banks of Russia (Dr Vysokov is Chairman of the SME's Committee);
- Russian Financial Literacy Association (Dr Vysokov, Aleksandr Dolganov);
- Association of European Business (AEB);
- Rostov Region Chamber of Commerce and Industry (Dr Vysokov is a Board member), Krasnodar Krai Chamber of Commerce and Industry, Stavropol Krai Chamber of Commerce and Industry;
- Russian-German Chamber of Commerce (Deutsch-Russische Auslandshandelskammer);
- German-Russian Forum (Deutsch-Russische Forum);
- 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).

Representatives of the bank have been elected to the following:

- the Boards of Trustees of Southern Federal University, Don State Technical University, Southern Russia Technical University, Rostov State Economics University, and Rostov College of Technology and Engineering (Dr Vysokov sits on these 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 Administrative Board of the Alliance française-Rostov (Dr Vysokov and Maria Tyndyk).

Key Financial Indicators



Key Financial Indicators

For 2019 Center-invest Bank’s results calculated under IFRS were:

- net profits RUB 1.8bn (+17%)
- assets reached RUB 119.5bn (+6.6%)
- capital increased to RUB 14.2bn (+8.3%)
- ROAE increased to 13.1% (+10.1%)
- capital adequacy under IFRS was 18.4%, and Tier 1 capital adequacy was 16.8%.

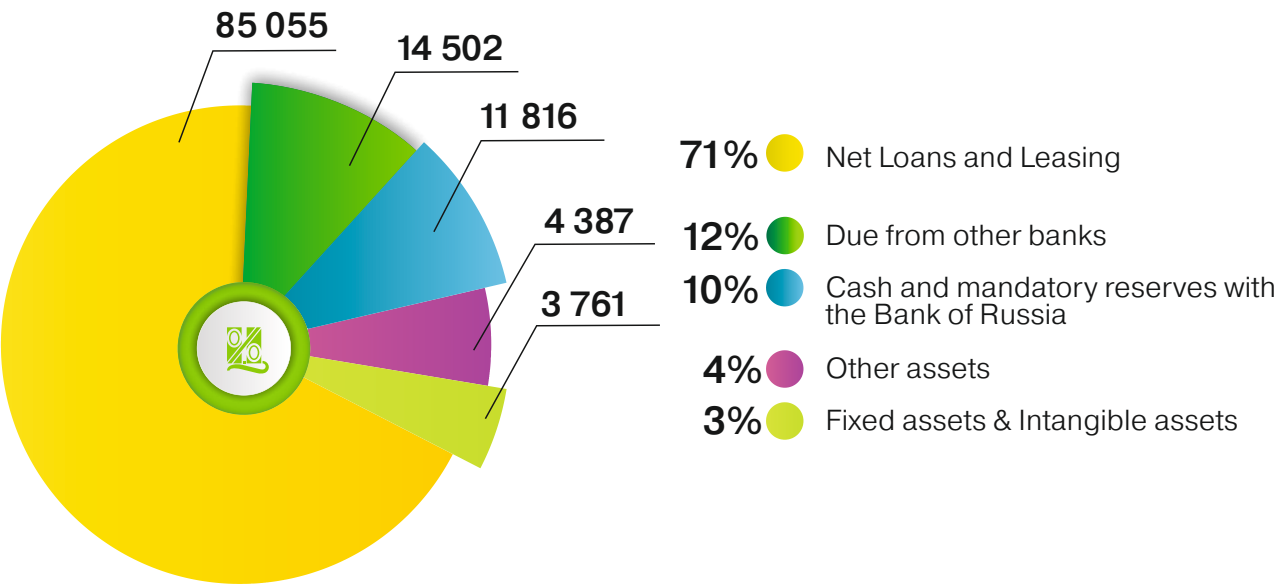
The bank’s main growth drivers in 2019 were:

- affordable and accessible loans for retail customers and SMEs
- digitalisation of banking products
- business acceleration for a new generation of entrepreneurs
- responsible investment in energy efficiency projects.

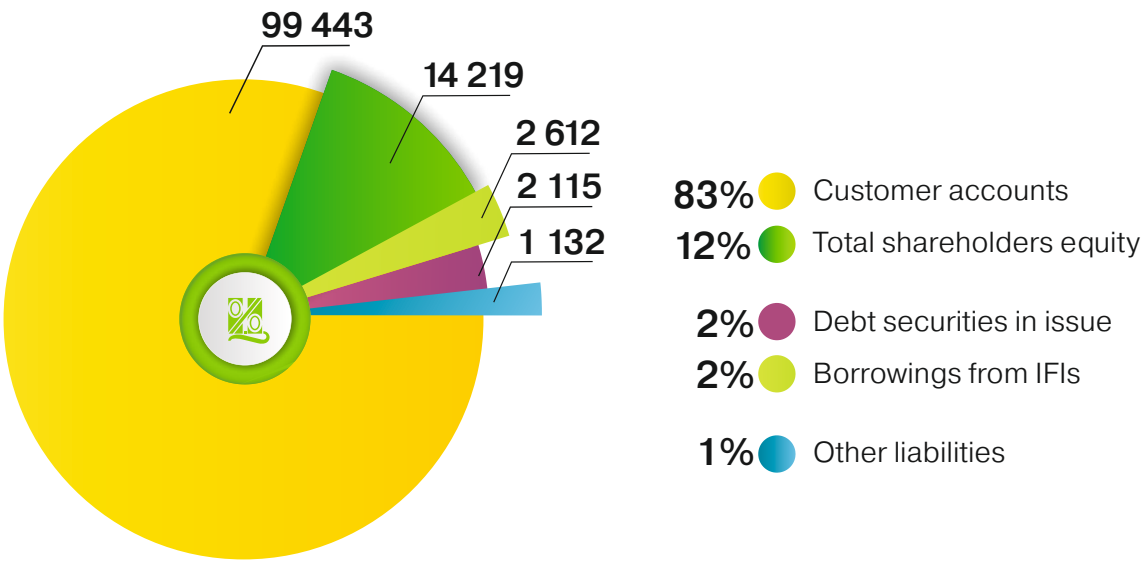
Center-invest Bank’s key financial indicators calculated in accordance with IFRS

As at 31 December, RUBbn		2014	2015	2016	2017	2018	2019
Capital		9.6	10.6	11.5	12.6	13.1	14.2
Assets		91.3	89.6	96.6	102.6	112.2	119.5
Net loans and leasing		72.0	72.7	73.6	80.1	88.0	85.1
Deposits		49.2	65.0	80.4	87.2	95.2	99.4
Profits		1.1	0.5	1.0	1.4	1.5	1.8
CAR, RAS, %	N1.0 ≥10.25	10.9	13.0	11.7	11.2	10.7	11.1
	N1.1 ≥6.75	7.7	9.5	9.5	9.6	9.5	9.4
	N1.2 ≥8.25	7.7	9.5	9.5	9.6	9.5	9.4
CAR, IFRS,%		14.5	17.1	17.0	16.8	16.7	18.4
CAR Tier 1, IFRS,%		10.3	12.7	13.7	15.0	15.1	16.8
CAR, Basel 3, %		13.0	15.1	14.8	14.6	14.4	15.8
CAR Tier 1, Basel 3,		9.2	11.2	12,0	13.1	13.0	14.4
ROAA, %		1.3	0.6	1.1	1.4	1.4	1.6
ROAE, %		12.1	5.3	9.1	11.8	11.9	13.1
Cost income ratio %		43.4	51.1	44.9	48.7	47.6	53.6
Number of children born to bank employees		86	78	103	89	72	72

Structure of Assets, RUBm and RUB119,521m



Structure of Liabilities, RUBm and RUB119,521m

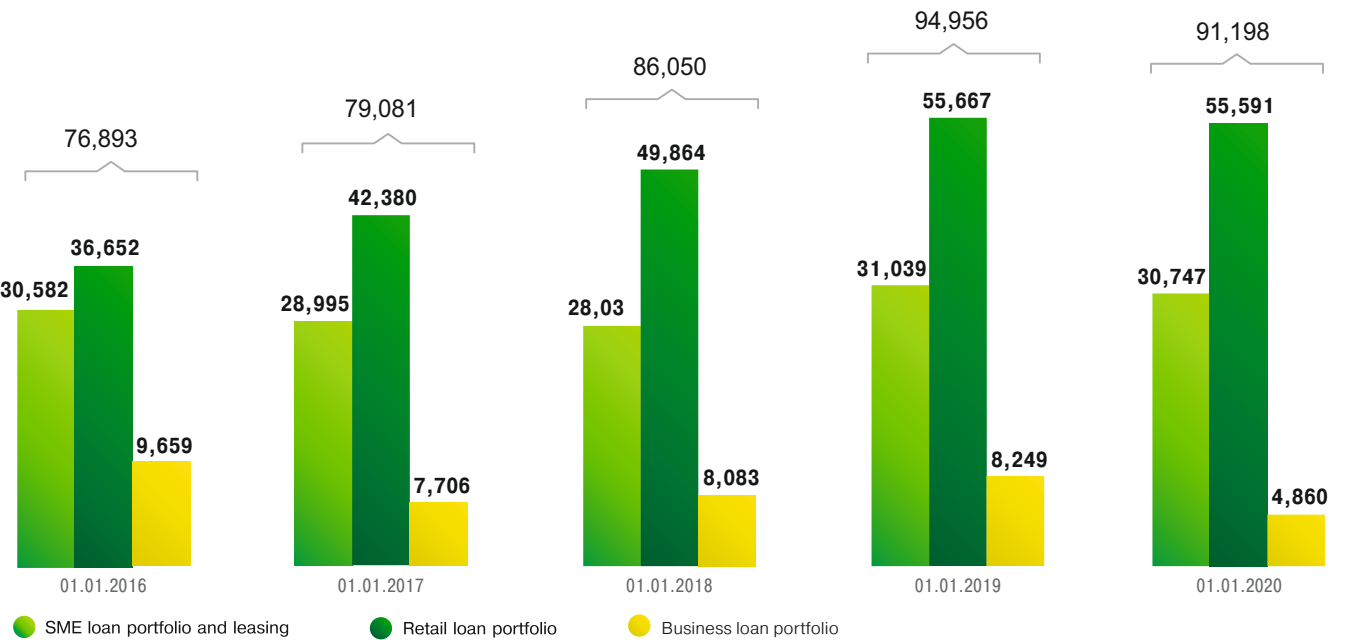


Lending

With an ESG banking business model, Centr-invest Bank finances real processes of transformation in its customer's lives and businesses. For many years now, Center-invest Bank has obtained 82% of its income from lending to the real economy and allocated its income to: the population (interest paid on deposits) – 36%; partners and suppliers – 23%; employees and the state – 19%; and shareholders (dividends and development) – 22%.

Center-invest Bank's total loan portfolio calculated in accordance with IFRS was RUB91.2bn. This small decrease -4% was due to the planned repayment of several large corporate loans as part of the bank's strategy to reduce the proportion of such loans.

Center-invest Bank's loan portfolio RUBbn



SMEs account for one third of Center-invest Bank's total loan portfolio. At FYE 2019 the bank's SME loan portfolio stood at RUB 30.7bn. In 2019 Center-invest Bank provided RUB 93bn in business loans, 87% of which was for SME customers.

- According to the Expert rating agency, based on performance in 2019, Center-invest Bank was:
- 4th among Russian banks for size of sole traders' loan portfolio in 2019
 - 11th for size of SME loan portfolio
 - 14th for volume of lending to SMEs.

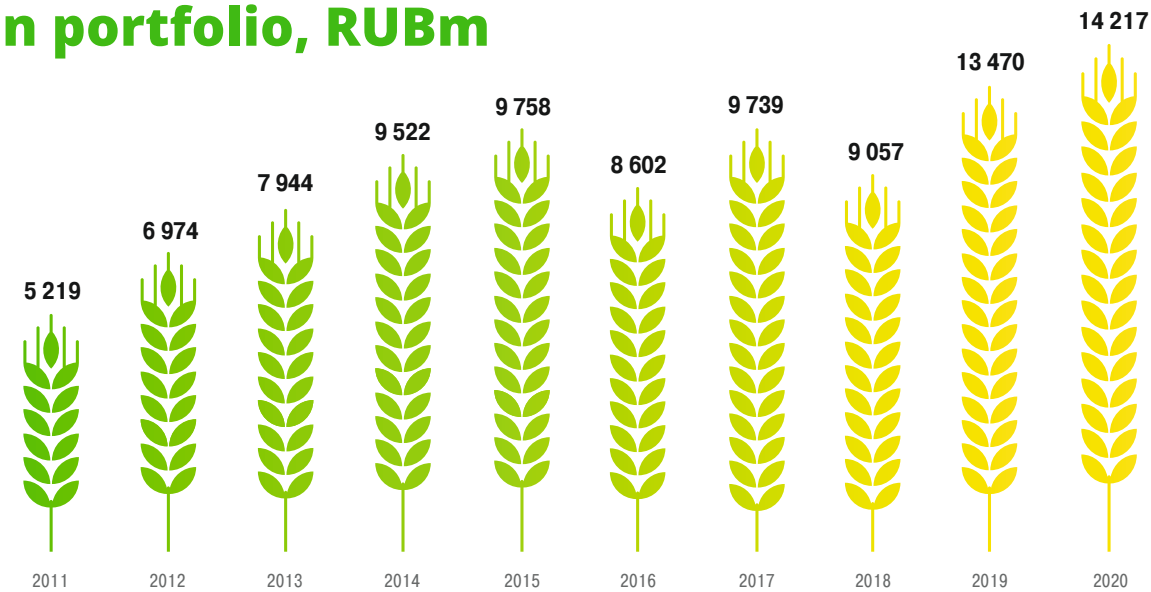
To reduce risks, since 1997 the bank has provided entrepreneurs with non-financial services in addition to loans: consulting, audit, outsourced bookkeeping, legal support and tax advice. The modest expenditure on this support reduces the risks of lending to small businesses that are operating legally.

Agribusiness is considered a risky sector to lend, but Center-invest Bank is able to manage agribusiness risks effectively. Using longer-term funding when lending to agribusiness not only reduces the risks of poor harvests, but also allows time for completing modernisation projects.

Center-invest Bank, together with its international partners and its customers, has supported the process of agricultural modernisation in southern Russia. Thanks to the introduction of modern technologies in the years of reform (1990-2020), agribusiness has seen considerable changes.

Over 1,400 agribusinesses in southern Russia have loans from Center-invest Bank. At FYE 2019, the bank's agribusiness loan portfolio was RUB14.2bn (+RUB0.7bn). In 2019, the bank made 2,140 loans to this sector for a total of RUB14bn. This was RUB1.4bn more than in the previous year. Ninety percent of the borrowers were small farms.

Center-invest Bank's agribusiness loan portfolio, RUBm



The bank actively participates in all the programmes offering subsidised rates and preferential lending for specific economic sector. The best loan terms were available for agricultural producers, with an effective rate of 1% - 5% thanks to a subsidy from the Russian Ministry of Agriculture.

Improved farming methods, an inflow of investment through long-term loans, and skills development for the agricultural workforce have stimulated a steady upturn in agribusiness in the last few years.

There are various groups within the small business sector: for each sector, ESG banking develops special loan products, reflecting the different lending risks.

Women in business

Lending to female entrepreneurs promotes the principle of gender equality and benefits from their lower risk appetite. Since 2012, Center-invest Bank has had a special loan programme to support women in business. By the end of 2019, 746 businesswomen had benefited from this programme, receiving a total of RUB1.1bn in loans.

Continuing the tradition of supporting women's business, in May 2019 the bank became a strategic partner and headliner of the Women's Motivational Forum, which brought together 350 businesswomen from southern Russia.

Online business loan

✓ Without unnecessary documentation.


✓ One-day approval

Youth enterprise is expected to implement the creative ideas of the next generation within the existing rules and the barriers to entrepreneurial activity. To support this, the bank provides training for new entrepreneurs, preferential terms for business bank accounts and loans, and free advice and mentoring.

The launch of its own Accelerator for new entrepreneurs was a landmark event for Center-invest Bank in 2019. The programme combines free training, preferential finance for business start-ups, and mentoring. It has already provided 758 young entrepreneurs with a total of RUB936m in start-up funding.

In April 2019 Center-invest Bank proposed that the Rostov region's various accelerator programmes form a league, to be managed by our own Accelerator. Consequently, the Rostov Region League of Accelerators was established, in partnership with the Rostov Region Enterprise Support Agency.


The League's main objectives are: providing information support for its members, sharing experience relating to educational programmes and ESG issues, multiplying best international practice, and ensuring that the graduates of each accelerator can access financial services.




Акселератор
ЦЕНТР-ИНВЕСТ

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#Центринвест
#КомандаУспешных
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Возможность
получить льготный
кредит на открытие
бизнеса




Бесплатная
консалтинговая
поддержка



Наставник для
вашего бизнеса



Возможность
дистанционного
прохождения



1 месяц обучения,
7 часов в неделю

Social enterprise

In 2017, Center-invest Bank introduced a special business development loan programme for social enterprises in the following sectors: education, health, culture, and the environment. At FYE 2019, the bank had financed 44 projects under this programme, with loans totalling RUB121m. The bank offers these businesses a preferential loan interest rate and an information platform to facilitate cooperation among social entrepreneurs in the region.

Financing apartment building renovations

In 2009 Center-invest Bank introduced a unique programme to finance the renovation of apartment buildings. We remain the only bank in Russia to offer loans for this purpose. By the end of 2019, we had made 167 loans to homeowners' associations for renovations, for a total of RUB276m. The loans have been used by customers from the Rostov and Volgograd regions, Krasnodar krai, Moscow and Nizhny Novgorod.

The renovation work includes the installation of metering systems (whole-building heat, water and electricity meters), insulating and repairing walls and roofs, repairing pipelines, installing energy efficient windows (metal-plastic), updating and repairing lighting systems, installing various types of automated technology, and other measures to make apartment buildings more energy efficient.

In Russia, apartment owners have to pay monthly contributions to a capital repairs fund. They then have to wait until there is enough money in the fund to finance renovations. When homeowners' associations take out a loan from Center-invest Bank, they can renovate their buildings straightaway, making them more modern and comfortable. They pay the same contributions as before, but now the money is used to repay the loan.

In June 2019 Russian State Duma deputies visited several apartment buildings in the Rostov region to learn about the bank's experience. They recommended that other financial institutions replicate this financial mechanism in other regions of the country.



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), makes great efforts to develop electronic services, and also supports and participates in environmental activities.

On 12 November 2019 the Moscow Exchange included RUB250m of Center-invest Bank exchange-traded bonds in the green bonds segment of its Sustainable Development Sector. This was the first issue of green bank bonds in Russia. The bank will use the funds raised in accordance with the Green Bond Principles 2018 developed by the International Capital Market Association (ICMA).

The Bank has had an energy efficiency finance programme since 2005 and 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 RUB17.4bn in 21,000 customer projects.

The Environmental and Social Policy of Center-invest Bank is an essential element of the bank's decision-making process regarding project financing and approval, and monitoring of project implementation.

In 2019, the bank financed 1,066 energy efficiency projects for a total of RUB1.1bn. By sector, the breakdown was: 54% to the agricultural sector, 24% to the utilities sector, 11% to production, trade and housing, and 11% to other sectors.

Center-invest Bank's success in financing energy efficiency projects is attributable to a fundamentally new approach: sustainable lending, which combines technical, financial and social engineering.

The full text of Center-invest Bank's Environmental Report for 2019 is available on the bank's website: www.centrinvest.ru

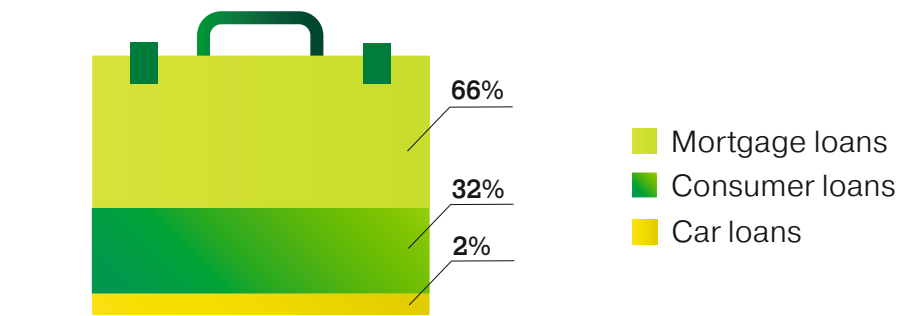


Retail lending comprises 61% of the bank's loan portfolio. Together with the interest paid on deposits, retail lending is another aspect to the social responsibility of ESG banking. Center-invest Bank's ESG retail lending focuses on traditional secured consumer loans and mortgages. Center-invest Bank offers over 20 different types of retail lending, including preferential loans under various government programmes.

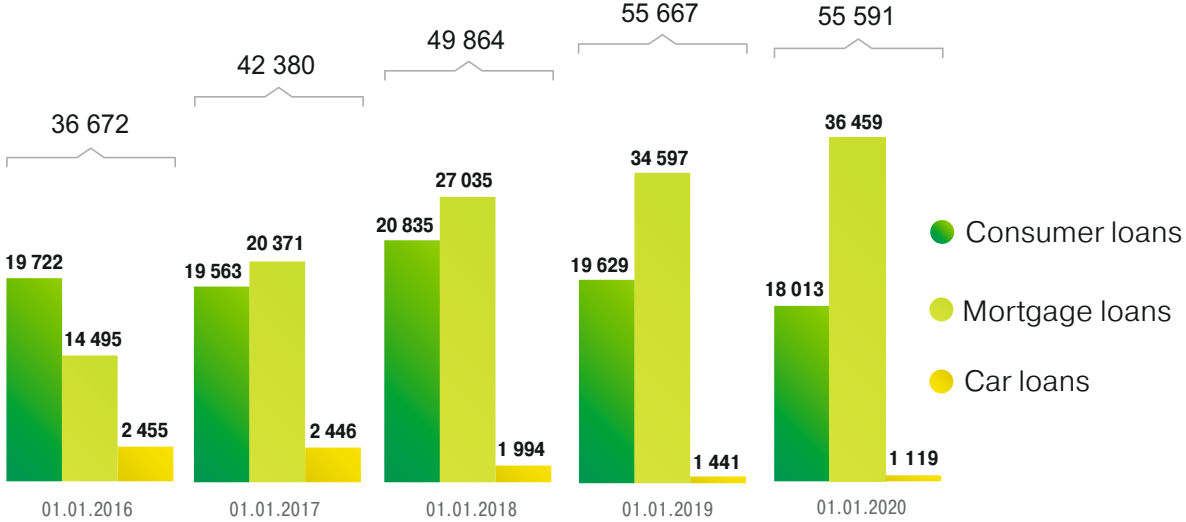
In 2019 Center-invest Bank made 34,355 loans for a total of RUB19.9bn. At FYE 2019, the bank's retail loan portfolio calculated in accordance with IFRS was RUB55.6bn.

The reduction in the key rate stimulated the lending market, with retail loans affected the most. Following the market, Center-invest Bank reduced its mortgage rate five times in 2019; by the end of the year, the rate under a government-subsidised programme was a record low of 4.5% per annum.

Breakdown of retail loan portfolio by sector at FYE 2019, %



Growth and structure of retail loan portfolio, RUBm



Mortgage loans, which are the most popular and the least risky loan product, account for two thirds of the bank's retail loan portfolio. The bank helps customers to find the best option for purchasing a property, considering incentives under government programmes, the environmental conditions of different locations, and energy efficiency solutions for new homes.

Forty percent of mortgage deals are to refinance loans originally taken out with other banks. Center-invest Bank has seen a large influx of customers applying for mortgages and refinancing. They are attracted to our bank because we do not charge any hidden fees or require borrowers to take out life or buildings insurance.

The growth in the mortgage loan portfolio is also due to the many government-subsidised programmes in which the bank is actively participating. For example, we participate in a programme to support families with two or three children (born in 2018-2022) and a preferential loan programme for the purchase of new build homes.

Lending digitalisation

Center-invest Bank is digitalising its own business processes and increasing sales channels by means of remote services and marketplace .

In 2019, 93% of retail loan applications were made via the bank's website. We received more than 120,000 loan applications from retail customers, for a total of more than RUB95bn.

In 2019 we trialled and then implemented an automated decision-making procedure for retail loan applications. Having analysed best practice, the bank determined how it would select applications that will be suitable for automatic decision-making. It then developed software to carry out this selection process and make loan decisions. This has sped up the application processing cycle, allowing customers to receive decisions more quickly.

As part of its Strategy "ESG Digitalisation of Center-invest Bank's Ecosystem", the bank modernized the process of submitting and processing a loan application for business clients. Applications are submitted via the bank's website. The loan decision is made the very next day, and, if the loan is agreed, the funds are also available that day. The quality of credit risk assessment is not affected.

Settlements and International Payments

Center-invest Bank is continually enhancing its payments and cash management services for business customers. Providing a full range of modern banking services, we act as the main payment centre for our customers. At FYE 2019, the bank had over 58,000 business accounts.

In 2019, the bank continued to work on attracting more business customers, both sole traders and larger businesses. We revised our business banking tariffs, increased the range of services provided, and updated and improved the remote banking system, which offers a wide range of functions. We introduced an electronic form for cash requests, replacing the traditional paper forms.

For customer convenience, the bank has equipped 60% of its branches with terminals where customers can print out their own bank statements. We have also significantly increased the number of ATMs with a cash pay-in function. In 2020, we plan to install this self-service technology in all of our sites that provide services for business customers.

In 2019, in the regions in which it operates, the bank significantly increased the number of ATMs with a cash pay-in function. These allow customers to pay cash into a business account, and the funds are credited almost instantly. In the Rostov region, we installed 52 ATMs with a cash pay-in function, and another 30 ATMs were installed in Krasnodar krai, Stavropol krai, and the Volgograd and Nizhny Novgorod regions. The expansion of the ATM network has substantially expanded the geographical area in which business customers can access self-service machines for cash pay in.

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

The volume of transactions under our customers' international trade contracts in 2019 was: USD132m, EUR48m, RUB7.2bn, CNY40m. The ruble equivalent of total international trade transactions was over RU20.5bn. 2019 saw significant growth in import transactions in Chinese yuan (+68% compared with 2018).

In 2019 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 Citibank for the high quality of its payments and successful cooperation. This is the sixth time that the bank has won this 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. For example, we organise special seminars and training for SMEs.

In summer 2019, together with the Rostov Region Chamber of Commerce and Industry, we gave our customers the opportunity to attend events held for the Italian Business Mission to the Rostov Region and Monaco’s Business Mission to the North Caucasus. This was to facilitate new business contacts and new international trade deals.



Retail Deposits and Payments

Retail deposits are the bank's main source of funding, and also a means for citizens to manage their savings effectively. At FYE 2019, total funds in customer accounts were RUB99.4bn (+4.4%), 81% of which was held in retail customer accounts. The consistently high level of retail deposits demonstrates that the population trusts the bank even when market rates are being cut, leading to lower returns on deposits. Amid risk volatility the proportion of foreign currency deposits is reducing.

Indicators	FYE 2018	FYE 2019	Change on FYE 2018	Change on FYE 2018, %
Number of deposit accounts	269 168	275 093	5,925	+2.2
Deposits, RUB bn	69.2	74.2	+4.5	+6.4

To attract new customers in the regions in which it operates, the bank introduces new deposit products every year. In 2019, these were the “Maximum” and “Stable” accounts.

In 2019 the Vyberu.ru banking and financial products aggregator included the bank's Grow Big savings account in its rating of the Best Ruble Deposit Accounts for Children. This is a special savings account which helps parents, grandparents and other relatives save money for a child's education, summer holiday, or 18th birthday. The initial account agreement is for one year and it is automatically renewed until the child reaches the age of 18.

Over 70% of payments by our retail customers are made using remote channels. Customers can 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. At FYE 2019, the bank had 436 payment terminals.

During 2019, the number of customers signed up for our Internet Banking and Mobile Banking services increased by 37,000 (+37%). The number of customers actively using remote services increased by 22,000 (+50%).

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.

Partnerships for Sustainable Development

In February 2019 Center-invest Bank became a member of the Global Alliance for Banking on Values (GABV). Established in 2009, GABV comprises 63 banks from countries across Asia, Africa, Australia, Latin America, North America and Europe. Collectively, these banks serve more than 70 million customers and have over USD 210 billion in assets.

The mission of the GABV is to use finance to deliver sustainable economic development, and to promote collaboration. For example, the member banks invest over 80% of their funds in lending to the real economy. This is a clear endorsement of the sustainable banking model.

Center-invest Bank's work is considered an example of international best practice in socially responsible banking. At the GABV annual meeting, the bank was commended for its reference to the Sustainable Development Goals and National Projects when planning, recording and reporting on its activities.

In March 2019, a loan agreement between Symbiotics S.A. and Center-invest Bank was signed. The three-year loan facility totalling RUB600m will primarily be used to finance micro, small and medium-sized enterprises in southern Russia. This was the first international financial deal for southern Russia in 2019, bringing in new investment for the region's sustainable development. The Swiss investment fund specialises in sustainable and inclusive finance. Center-invest Bank is its first Russian partner.

In September 2019 Center-invest Bank hosted an ESG Investors Days, attended by representatives of investment funds, audit and consulting firms, development institutions, representatives of the Bank of Russia, the Moscow Exchange and banking associations, as well as shareholders, employees and customers of the Bank. The Bank shared its experience of applying ESG principles and represented the investment potential of southern Russia's economy.

In November 2019 Center-invest Bank has become an official Signatory of the UN Principles for Responsible Banking - a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and United Nations Environment Programme Finance Initiative. By signing up to the Principles, the bank openly recognizes the role of the financial services sector in making our economy and lifestyles sustainable and commits to the integration of environmental and social considerations into all aspects of its operations.



In December 2019, Dr Vasily Vysokov, Chairman of the Board of Directors of Center-invest Bank, spoke at the RAEX-Europe conference “Responsible Investments in the CIS” in Frankfurt. Dr Vysokov presented the bank’s experience of applying a business model based on ESG principles.

The bank’s Strategy for 2019-2021 “ESG Digitalisation of Center-invest Bank’s Ecosystem” amalgamates the UN Sustainable Development Goals (SDGs) to 2030, the priorities of Russia’s National Projects to 2024, and the development goals set out in Bank of Russia programmes. This interlinkage increases the bank’s competitiveness and allows it to position itself in the banking services market as a pilot, success story, and example to follow.

In 2019, Center-invest Bank invested RUB86.7bn in implementation of the SDGs and RUB79.3bn in the National Projects. The close intertwining of national and global goals in Center-invest Bank’s work means: affordable loans for retail customers (RUB 18.5bn invested), support for agriculture (RUB 17.9bn), SME development (RUB 14bn), promoting healthy living and responsible consumption (RUB 16.2bn) and new financial technologies and the digital economy (RUB 7.4bn).

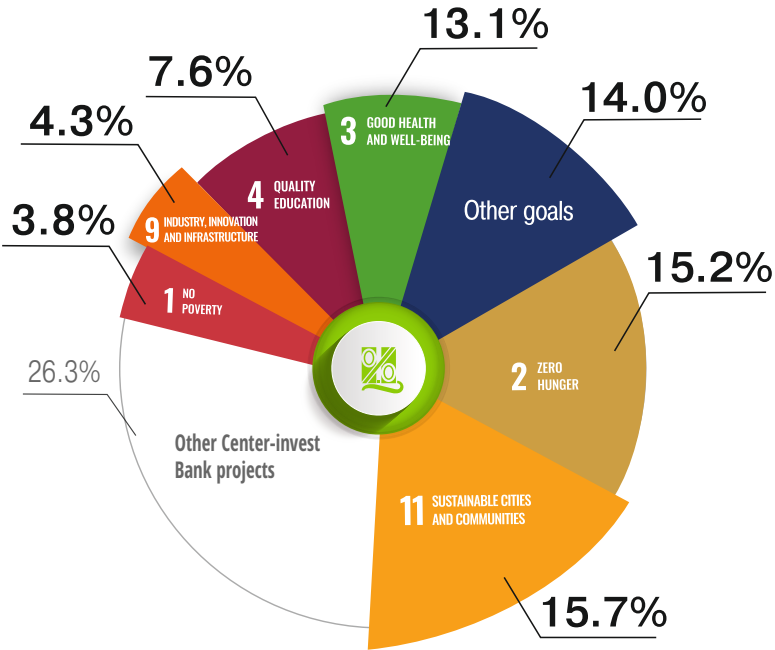
Sustainable development goals

Total investments in SDG ₸ 86.7 bn

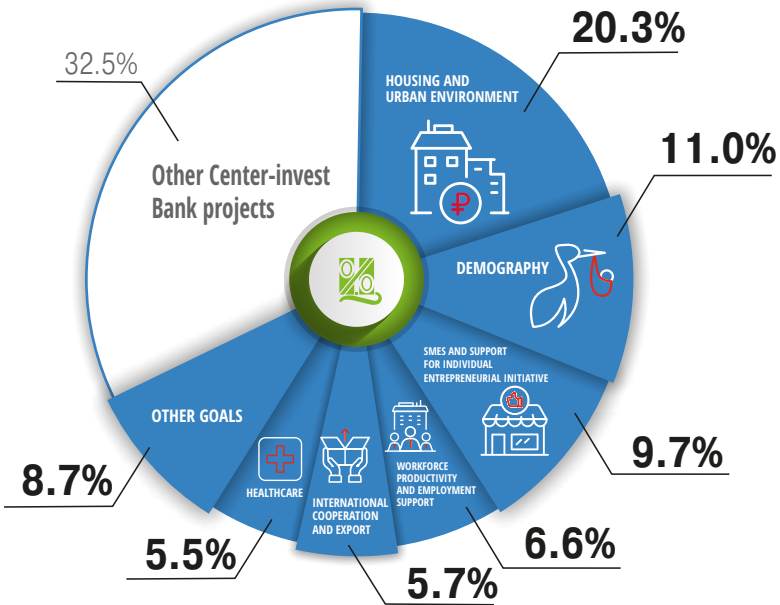


Center-invest Bank provides information about each depositor's contribution to implementation of the SDGs and National Projects. For every 100 rubles deposited with the bank, 73.5 rubles goes towards the SDGs. This includes: 15.7 rubles towards developing sustainable cities and affordable housing, 15.2 rubles on supporting agriculture, 13.1 rubles on health and wellbeing, and 7.6 rubles on decent work and economic growth. This breakdown clearly shows how every Center-invest Bank depositor is contributing to the sustainable development of the region, the country, and the world.

For every ₸ 100 of deposits for SDGs:



For every ₸ 100 of deposits for National Projects:



Bank Cards

Center-invest Bank is one of the leading regional players in the bank card market and has been recognised by the Bank of Russia as a significant institution in the payment services market. At FYE 2019 there were 374,000 cards issued by the bank in circulation. This included 192,000 Mir national payment system cards. In 2019, the bank acquired over 23,000 new cardholder customers.

In 2019 the bank added a service card to its product line. This is a new product based on the Mir card, with no fees, and a higher cashback rate (up to 5%) for certain categories of goods and services. The service card does not bear the cardholder's name and it is issued straightaway. The bank issues service cards to different categories of customer, and each category is offered the servicing options that will be most attractive for them.



Our customers carried out 19.5 million cards transactions in 2019, spending a total of RUB62bn. All the transactions carried out using a Center-invest Bank card are processed by our own Processing Centre. Our three card personalisation centres (Rostov-on-Don, Volgograd and Krasnodar) issued 103,000 cards in 2019.

In 2019, the bank's Processing Centre introduced a campus card, based on the Mir card, for students and teaching staff at the southern branch of the Russian Presidential Academy of the National Economy and Public Administration. The card includes a campus app (entrance/exit), a library app, and a banking app with an option to receive cashback on purchases.

The employees of over 3,000 SMEs, public sector organisations, and higher education institutions receive their salaries through Center-invest Bank payroll programmes. The bank offers these customers special loan terms, and their loans can be agreed more quickly, with a shorter list of required documentation.

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.



We introduced a new ATM function allowing customers to transfer money from a card account to a deposit account, without having to visit a branch. Customers can also pay money into deposit accounts using the bank's self-service terminals and Internet and mobile banking services.

For many years now, Center-invest Bank has worked successfully with Federal Treasury departments in the Rostov region, the Volgograd region and Krasnodar krai. At FYE 2019, the bank was servicing 13,038 Mir cards for these departments.

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 more effective interaction with customers and increase cross-selling.

Information Technologies

Improving remote services and channels is a key development area, enabling banks to attract more customers and reduce costs. Our 2019 results demonstrate positive trends and the correct vector in terms of our strategy “Digitalisation of Center-invest Bank’s Ecosystem”.

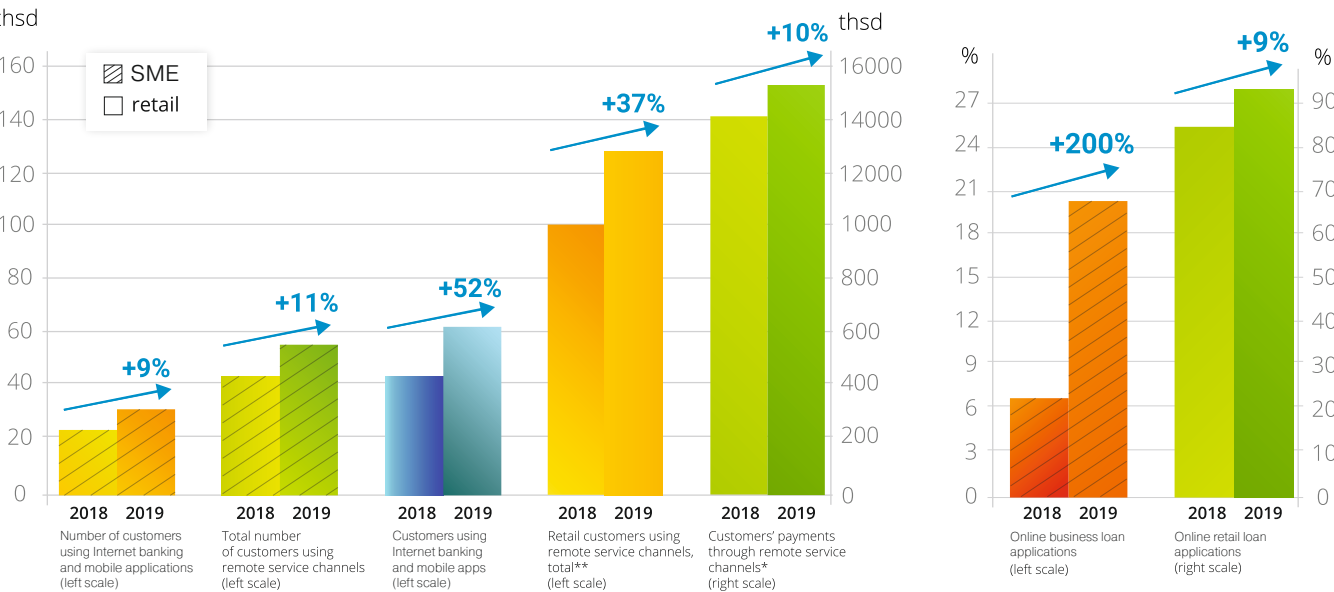
The number of retail customers actively using Internet banking or mobile banking increased by 52% in 2019. The number of business customers using remote banking increased by 9%.

A total of 93% of loan applications from retail customers are made online. The proportion of online applications for business loans is also increasing, reaching 21% by the end of 2019.

In 2019 the bank launched an information mobile app for small businesses, allowing them to perform the most popular operations very quickly.

In 2019 we continued to develop our new business Internet banking system, Center-invest Business Online. Customers can now use online banking to submit requests for payment into, withdrawal from, or closure of deposit accounts, the provision of loan funds, early loan repayment, and cash requests. We have also increased the speed of the service. The Internet banking system has been integrated with the Svetoфор (Traffic Light) express counterparty verification system so that customers can check the reliability of their partners before paying for goods and services. By the end of the year, over 17,000 customers had signed up to Center-invest Business Online.

ESG Digitalization



* Internet Bank, mobile applications, self-service terminals, ATMs
** The customers who have an access to the service

In 2019 the trend for digitalisation of the financial ecosystem picked up pace. The most significant project in this area is the federal financial marketplace, initiated and realised under the aegis of the Bank of Russia. Center-invest Bank has participated in this project from the outset, and it has already successfully completed the prototype and pilot stages. In 2019 the first “technical” transactions to open deposit accounts with Center-invest Bank were carried out through the marketplace window. The official launch is planned for the second half of 2020.

Center-invest Bank and the Rostov region's multifunctional centre for central and local government services (MFC) implemented a joint project to simplify payments. As a result, MFC services can now be paid for using a QR code. To make this possible, the MFC workstations were equipped with POS terminals and the bank's IT team developed a special hardware and software solution to send the payments. Using QR codes minimises the time spent on making payments as the details are entered automatically. The project allows the bank to expand the regions in which it operates, while for the general public, making payments through the MFC is quick, simple and convenient.

This project was commended at the 2019 national “Project of the Year” competition held by the unified professional community of digital transformation leaders, Global CIO|DigitalExperts.

In partnership with the National Payment Card System, the bank implemented a number of projects and introduced services for which there was customer demand. For example, Center-invest Bank's customers can sign up to the Mir payment system's loyalty programme via ATMs. The advantages of the programme include a cashback option.



The bank's customers can now use tokenisation with co-branded Mir-Maestro cards, and also virtual Mir cards, on the mobile apps SamsungPay and MirPay. Tokenisation allows customers to use mobile apps rather than physical cards, for fast, convenient and secure payments.

To produce its regulatory reports for the Bank of Russia, Center-invest Bank uses a SAP Data Warehouse. We were one of the first in Russia to use this software product in our work. In 2019 we continued to integrate the Data Warehouse into our business processes. To help the bank increase the timeliness of decisions, search for new growth points, generate initiatives, and put forward and test hypotheses, work has begun on producing a set of analytical reports using BI-analysis tools.

There was a focus in 2019 on equipping branches with the technology required to collect customers' biometric data. The bank records a customer's biometric data when they visit a branch in person, and then submits this data to the Unified Biometric System. Thereafter, the customer will be able to enter into agreements using a remote identification mechanism, removing the need for them to be physically present. By the end of the year, the bank had equipped over 100 branches with this technology and trained its staff in how to collect biometric data and register customers on the Government Services portal.

Holding and supporting hackathons and IT forums is a long-standing tradition for Center-invest Bank. These events help to develop high-tech start-up projects and southern Russia's scientific and technological capacity. The bank helps new IT specialists establish start-ups within its own ecosystem, and it grows together with them. In 2019 the bank was a partner for the Hackathon Spring DSTU programme developers' forum, and also for southern Russia's first hackathon for children. It took part in the national events "Coding Hour" and "Digital Lesson". The bank's programme to support the young workforce for the digital economy includes internships and practical work experience for students specialising in IT subjects.

Center-invest Bank hosted a meeting of the Rostov Region Council of IT System Designers, during which a tripartite agreement was signed on cooperation in the education sector to support gifted and talented children. The bank and the company RnD Soft joined the project initiated by the Rostov Region Ministry for Information Technologies and Communications, the regional centre "Steps to Success" and Southern Federal University.

Center-invest Bank was among the participants at the FINOPOLIS Forum of Innovative Financial Technologies held in Sochi. The bank presented its intelligent ATM concept, its digital accelerator incorporating mentorship, and its facial recognition technology (which was used to email delegates their photographs from a photo archive).

During the Forum, the bank's experts were involved in the work of the competition committee, selecting projects and mentoring fintech start-ups. They also gave talks and held masterclasses for delegates. The bank was an official partner for the Forum's FINOdays Youth Programme.





Unique banking products and solutions, together with the continual introduction of new technologies and business process optimisation, make every branch in our network a universal sales channel for banking products and services.

Branch Network

Thanks to its unique experience of working in the local market, its large customer base, and its extensive branch network, Center-invest Bank is consolidating its market share not only in southern Russia, but also in Nizhny Novgorod and Moscow. At FYE 2019 our branch network comprised 122 branches located in six Russian regions: the Rostov and Volgograd regions, Krasnodar krai, Stavropol krai, Moscow and Nizhny Novgorod.

Our developed branch network allows us to replicate our unique bank products and solutions, which are competitive in all the regions in which we operate. Together with the introduction of new technologies and business process optimisation, every branch in our network is a universal sales channel for banking products and services, ensuring high-quality growth in the bank's key indicators.

At FYE 2019, the branch network accounted for 79.1% of the total loan portfolio and 71.8% of total deposits.

	Loans and leases				Deposits			
	FYE 2018	FYE 2019	Change on FYE 2018	Change on FYE 2018 %	FYE 2018	FYE 2019	Change on FYE 2018	Change on FYE 2018 %
Rostov region (excluding head office)	45.9	45.7	-0.2	-0.4	45.2	47.5	2.3	5.0
Krasnodar krai	16.8	17.3	0.5	2.9	5.4	7.1	1.7	31.4
Volgograd region	4.7	4.8	0.1	2.1	0.7	1.4	0.7	100.0
Stavropol krai	2.9	2.6	-0.3	-10.3	0.6	0.8	0.2	33.3
Moscow and Nizhny Novgorod	1.5	1.9	0.4	26.6	0.2	1.0	0.8	400.0
Head office	23.1	19.1	-4.0	17.3	23.9	22.7	-1.2	-5.0
TOTAL	95.0	91.2	-3.8	-4%	76.0	80.4	4.4	5.7%
% attributable to branches	75.7%	79.1%			68.5%	71.8%		

In 2019, to optimise business processes, the bank modernised and redesigned its branches in Shakhty, Semikarakorsk and Chaltyr (Rostov region), Mikhailovsky (Volgograd region) and Zheleznovodsk (Stavropol krai).

With the aim of increasing the proportion of cashless transactions in rural areas, considerable attention is being paid to improving the financial literacy of the population, increasing the number of people using bankcards, and helping small businesses to develop payroll programmes and acquiring. In the bank's branches and external venues, our staff give talks on financial literacy and Internet skills, explain the advantages of remote banking, and teach customers how to use self-service terminals.

The bank is continually working to optimise its network of 24/7 self-service terminals.

In 2019 the bank continued to expand the collaboration between its branches and multifunctional centres for central and local government services (MFC). The Na Neftyanikov branch in Krasnodar was added to the existing joint projects. This collaboration allows customers to 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 ("one-stop-shop" principle).

The bank entered into a partnership agreement with the MFC in Volgograd for the opening of business bank accounts. As soon as an entrepreneur has registered their business, they can open a business account with the largest regional bank free of charge and obtain access to quality financial products to develop their business.

Center-invest Bank also expanded and consolidated its work with Federal Treasury departments. This project now includes the city of Kamyshin in the Volgograd region.

Corporate Governance

**Since
2004**

**ESG
focused**

**best
international
practice**

Corporate Governance

The governance of Center-invest Bank complies with Russian legislation and Bank of Russia requirements, takes into account best international practice, and is based on the recommendations of international organisations, in particular, the Basel Committee on Banking Supervision.

The purpose of the bank's corporate governance is to protect the rights and interests of shareholders, ensure effective management and transparent relationships between the bank's shareholders, Board of Directors and executive bodies, and deliver a long-term increase in the value of the bank's shares.

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.

The bank's corporate governance is based on the following principles:

■ **Accountability:** The Code of Corporate Conduct establishes the accountability of the Board of Directors to the bank's shareholders and provides guidance to the Board of Directors when developing the bank's strategy and managing and monitoring the activities of the executive bodies.

■ **Fairness:** The bank undertakes to protect shareholders' rights and ensure equal treatment of all shareholders, including minority and foreign shareholders. The Board of Directors shall afford all shareholders effective protection should their rights be infringed.

■ **Transparency:** The bank shall provide timely and reliable disclosure of information about all material facts relating to its activities, including its financial position, results, ownership and governance structure, as well as free access to such information for all stakeholders.

■ **Responsibility:** The bank recognises the rights of other stakeholders in accordance with the law and other regulatory requirements.

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, revised 2017, 2018, 2019) 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 governance 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 the Dividend Policy (2017) provides for at least 50% of net profits, calculated in accordance with IFRS, but not more than total net profits, calculated in accordance with RAS, to 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 (2019) 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, revised 2019) 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.

¹In brackets are the years of approval of documents and updated editions

8. The Environmental and Social Policies (2010, revised and expanded 2011, 2012, 2014, 2019) require 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. The Board of Directors approves the bank’s Environmental and Social Policies. The policies set out the bank’s strategy for managing and assuming environmental and social risks. A member of the Executive Board is assigned responsibility for compliance with the principles and approaches specified in the policies. The Executive Board member is responsible for ensuring that the policies are communicated to all bank employees and for compliance with the policies. All of the bank’s credit committees are also guided by the policies. An environmental report containing the main results of the bank’s work in the previous year is produced annually and made publicly available.

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 Federal Treasury departments and leading universities in the region.

11. Personnel Policy (2013) and Remuneration Policy (2016). Prior to the Bank of Russia requiring banks to have these documents, Center-invest Bank had already included in its corporate conduct regulations the main provisions on the payment of bonuses at intervals and transparency over the remuneration of the governance bodies.

12. The Information Security Policy (2019) 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, to reflect changes in legislation, the bank’s Accounting Policy, Accounting Policy for Reporting under RAS and IFRS, and Tax Accounting Policy are updated annually.

14. The Board of Directors of Center-invest Bank has approved all the methodology required to ensure the bank’s uninterrupted operation, in particular: the Business Continuity Policy (2018), and the Business Continuity and Recovery Plan to ensure infrastructure security and personnel safety (2018).

The bank, its officials and all its employees are guided in their actions by current legislation and also generally accepted business ethics as defined in the Code of Corporate Conduct and the Code of Corporate Ethics.

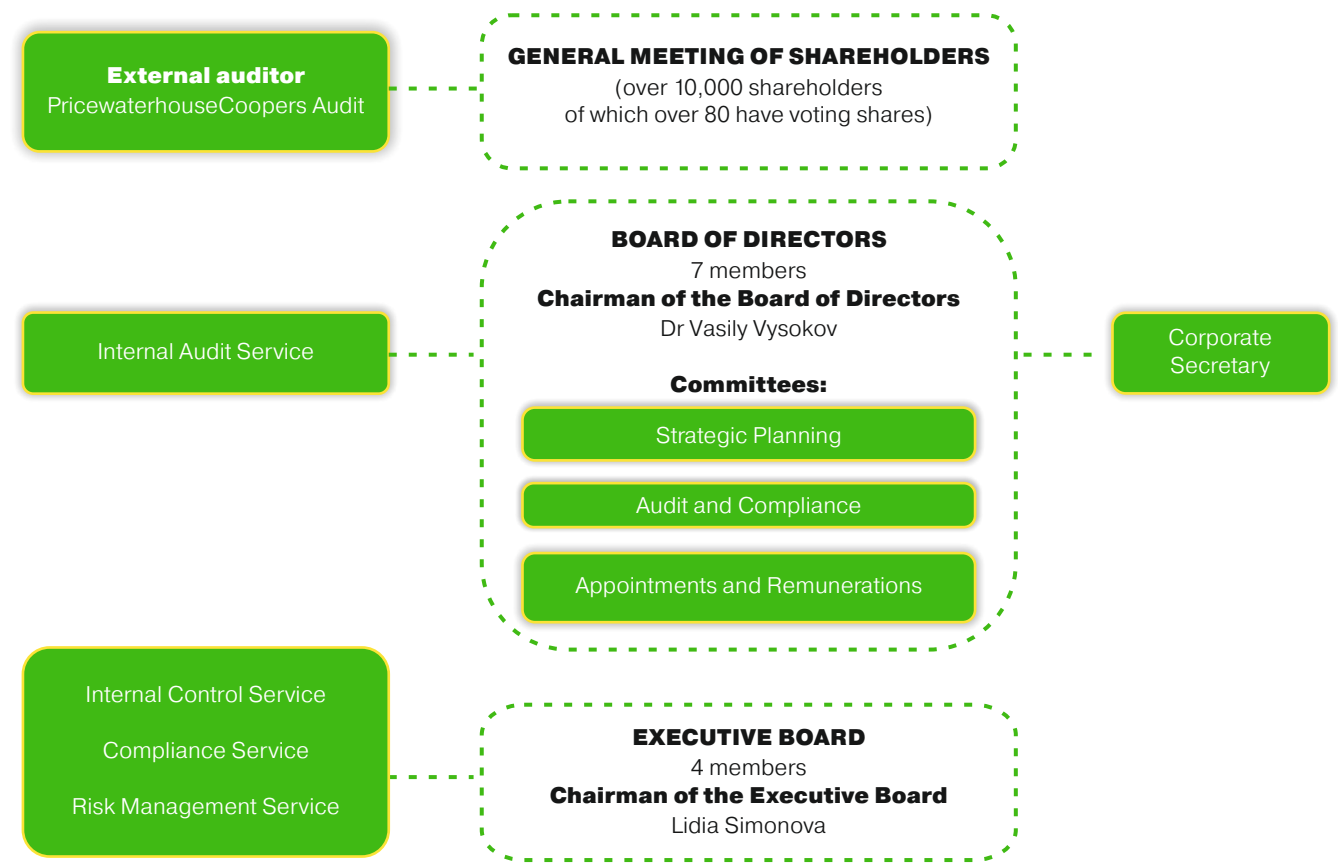
The bank complies substantially with the principles and recommendations of the Code of Corporate Governance approved by the Bank of Russia (Bank of Russia letter No. 06-52/2463 of 10.04.2014 on the Code of Corporate Governance).

Center-invest Bank will continue developing and enhancing its corporate governance practices in accordance with the recommendations of the Code of Corporate Governance, based on analysis of the scope to apply new practices in the bank.

In the reporting year, the bank's corporate governance and the effectiveness of the Board of Directors were independently evaluated. The main findings are as follow:

- Best international practice has been taken into account when establishing the corporate governance system;
- The structure and composition of the Board of Directors enable it to perform its duties;
- The Board of Directors provides comprehensive oversight of the bank's activities;
- The bank ensures that all its shareholders are treated equally and fairly when exercising their rights to participate in the management of the bank and in the General Meeting of Shareholders;
- The bank has a risk management, internal audit and internal control system;
- The bank discloses all required information in line with shareholders' expectations and generally liaises effectively with stakeholders.

Center-invest Bank's corporate governance structure



Within the corporate governance framework, the overall management of the bank's activities is exercised by the **General Meeting of Shareholders**, which elects the Board of Directors.

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 approves the composition of the **Executive Board** and the single-person executive body, the **Chairman of the Executive Board**.

The **Executive Board** manages the bank's day-to-day activities which are intended to achieve the aims and objectives set by the General Meeting of Shareholders and the Board of Directors.

The **Internal Audit Service**, which is independent of the bank's executive bodies, was established to exercise internal control of all aspects of the bank's activities and assist the bank's governance bodies in ensuring the effectiveness of the Board of Directors.

The **Risk Management Service** was created to identify risks, establish their likely scale and consequences, develop and implement measures to prevent or minimise the associated losses, and report on transactions in financial instruments.

The **External Auditor** verifies the bank's financial and economic activities in accordance with current Russian legislation, on the basis of an agreement entered into with the bank.

The **Corporate Secretary** ensures that the bank's governance bodies comply with internal and external regulations, facilitates the effective sharing of information between the governance bodies, and acts as an advisor to the members of the Board of Directors and senior managers.

Shareholders' equity

At 1 January 2020, the bank's share capital was 933,567,570 rubles, consisting of 84,307,507 registered ordinary shares with a par value of ten rubles each, 123,125 registered preference shares with a fixed dividend and a par value of four rubles each, and 90,000 registered preference shares with a fixed dividend and a par value of 1,000 rubles each.

Structure of shareholders' equity

Shareholder	share	Date became shareholder
EBRD	19.74	2004
DEG	16.14	2005
Dr Vysokov's family	24.43	1992
Erste Group Bank AG	9.01	2008
responsAbility Investments AG	10.02	2017
Rekha Holdings LTD	7.49	2007
Firebird funds	9.11	2005
Raiffeisenlandesbank Oberösterreich	3.30	2005
Other companies and individuals	0.76	since 1992

In the reporting year, the Annual General Meeting of Shareholders decided to allocate RUB621.7m to the payment of dividends for 2018: RUB18.1m in dividends on preference shares (the dividend rate is specified in the Articles of Association and is 20% of the par value of the shares), and RUB603.6m in dividends on ordinary shares (the dividend rate was 71.6% of par value or 7.16 rubles per share).

The General Meeting of Shareholders is the bank's highest governance body. It acts in accordance with current Russian legislation, the bank's Articles of Association, and the Byelaw on the General Meeting of Shareholders of Center-invest Bank.





The 2019 Annual General Meeting of Shareholders considered and approved the bank's annual report and annual financial statements, elected the Board of Directors, approved the bank's auditor, and approved amendments to the bank's Articles of Association. The Annual General Meeting of Shareholders was attended by shareholders with a total voting share of 82%.




Board of Directors

The Board of Directors provides overall management of the bank's activities, with the exception of matters which, under current Russian legislation and the bank's Articles of Association adopted in compliance with this legislation, fall within the remit of the General Meeting of Shareholders.

In 2019 the Board of Directors held eight meetings, three of which used absentee voting. The meetings considered current issues, such as the quarterly reports from the Executive Board and Internal Control Service and matters relating to the Annual General Meeting of Shareholders and the bank's business plan. Other issues discussed included: joining the Association for the Development of Financial Literacy, making (approving) the necessary amendments to the Exchange-Traded Bonds Programme and Prospectus for the bank's bonds to be assigned "green" status, and approving internal documentation, such as the Risk Appetite Statement of Center-invest Bank and the Bank Group, the Risk Management Policy, and the Credit Policy. All of the directors participated in all of the meetings.

**In 2019 the Board of Directors was elected as follows
(Decision of the Annual General Meeting of Shareholders of 27.06.2019):**

	<p>Dr Vasily V. Vysokov – Chairman of the Board of Directors, member of its Audit and Compliance Committee and its Strategic Planning Committee</p> <p>Member of the Board of Directors since 1992.</p> <p>Shareholding: 11.1%.</p> <p>Percentage of ordinary shares: 12.3%.</p>
	<p>Tatiana N. Vysokova – member of the Board of Directors, member of its Audit and Compliance Committee and its Appointments and Remunerations Committee</p> <p>Member of the Board of Directors since 1992.</p> <p>Shareholding: 10.96%.</p> <p>Percentage of ordinary shares: 12.13%.</p>
	<p>Dr Andreas Zeisler – member of the Board of Directors, member of its Appointments and Remunerations Committee</p> <p>Member of the Board of Directors since 2006.</p> <p>No equity stake in the bank.</p>
	<p>Dr Hans Unterdorfer – member of the Board of Directors, Chairman of its Appointments and Remunerations Committee.</p> <p>Member of the Board of Directors since 2013.</p> <p>No equity stake in the bank.</p>

	<p>Franz-Josef Flosbach – member of the Board of Directors, Chairman of its Audit and Compliance Committee. Independent director.</p> <p>Member of the Board of Directors since 2013.</p> <p>No equity stake in the bank.</p>
	<p>Per Fischer – member of the Board of Directors, Chairman of its Strategic Planning Committee. Independent director.</p> <p>Member of the Board of Directors since 2014.</p> <p>No equity stake in the bank.</p>
	<p>Eric Blanchetete – member of the Board of Directors, member of its Strategic Planning Committee.</p> <p>Member of the Board of Directors since 2019.</p> <p>No equity stake in the bank.</p>

To improve the effectiveness of the decisions taken by the Board of Directors, and to allow for more in-depth and thorough examination of the most important issues and preparation of appropriate recommendations, there were three Board of Directors' committees in 2019:

- Strategic Planning Committee: Per Fischer - independent director (Committee Chairman), Dr Vasily Vysokov, Eric Blanchetete
- Audit and Compliance Committee: Franz-Josef Flosbach - independent director (Committee Chairman), Tatiana Vysokova, Dr Vasily Vysokov
- Appointments and Remunerations Committee: Dr Hans Unterdorfer (Committee Chairman), Tatiana Vysokova, Dr Andreas Zeisler

Executive Board

The Executive Board is the bank's collegial executive body. Led by the single-person executive body, the Chairman of the Executive Board, it organises implementation of the decisions taken by the General Meeting of Shareholders and the Board of Directors.

The Executive Board manages the bank's day-to-day operations, which are intended to achieve the bank's aims and objectives and implement its strategy, business plan and budget, in the period between General Meetings of Shareholders and meetings of the Board of Directors.

The Chairman of the Executive Board is elected by the bank's Board of Directors and acts on the basis of the bank's Articles of Association and the Byelaw on the Chairman of the Executive Board of Center-invest Bank.

The Board of Directors determines the number of Executive Board members. Its decision is based on the belief that the composition and quality of the Executive Board is more important than the number of members.

Composition of the Executive Board at FYE 2019



Lidia Simonova – Chairman of the Executive Board.
Member of the Executive Board since 2016.
Appointed Chairman of the Executive Board in December 2019.
No equity stake in the bank.



Sergei Smirnov – Chief Financial Officer.
Member of the Executive Board since 2013.
Equity stake: 0.001%



Yuri Bogdanov – Director of Innovations
Member of the Executive Board since 2010.
Equity stake: 0.001%



Irina Kuznetsova – Head of Credit Risk and Monitoring Department
Member of the Executive Board since 2014.
Equity stake: 0.001%

Sergei Yevgenevich Yukilevich was a member of the Executive Board until 30 October 2019.

Remuneration of members of the Board of Directors and Executive Board

The remuneration of the Board of Directors is regulated by the Byelaw on the Board of Directors of Center-invest Bank, approved at the Annual General Meeting of Shareholders on 02.06.2016.

Reporting period	Type of remuneration (salaries, bonuses, commission, benefits and/or reimbursement of expenses, other)	Amount of remuneration, RUB.
Jan - Dec 2019	Salaries	0
	Bonuses	58 851 999
	Expenses incurred in performance of the functions of a member of the Board of Directors, reimbursed by the credit institution - issuer during the reporting period	1 445 022
	Other	4 808 014

The remuneration of the Executive Board is regulated by the Byelaw on the Executive Board of Center-invest Bank and the Byelaw on the Chairman of the Executive Board of Center-invest Bank, approved at the Annual General Meeting of Shareholders on 02.06.2016.

Reporting period	Type of remuneration (salaries, bonuses, commission, benefits and/or reimbursement of expenses, other)	Amount of remuneration, RUB.
Jan - Dec 2019	Salaries	22 115 310
	Bonuses	35 600 000
	Expenses incurred in performance of the functions of a member of the Executive Board, reimbursed by the credit institution - issuer during the reporting period	722 436
	Other	0

Internal Control and Risk Management

The **Internal Audit Service** was established by the Board of Directors to exercise internal control and to assist the governance bodies in ensuring the effective functioning of the bank. The procedure for forming the Internal Audit Service, its activities, the requirements for its staff, their rights and responsibilities, and the procedure for reporting to the governance bodies are determined by current Russian legislation, Bank of Russia regulations, the bank's Articles of Association and the Byelaw on the Internal Audit Service approved by the Board of Directors. The Internal Audit Service's activities encompass all aspects of the bank's work, and all of the bank's business units and employees are subject to scrutiny by the Internal Audit Service.

The Board of Directors approves the Internal Audit Service's work plans and examines reports on their implementation. During the external audit, the Internal Audit Service works with the external auditor and analyses the information and findings from the audit.

A separate **Financial Monitoring Department** was created within the internal control system to identify and prevent attempted money laundering and financing of terrorism. The department is headed by a senior manager of the credit institution, appointed and acting in accordance with current Russian legislation.

The **Compliance Service** was established to identify, monitor and manage regulatory risk in the bank. The head of the Compliance Service is answerable to the Chairman of the Executive Board and reports annually to the Executive Board, the Chairman of the Executive Board, and the Board of Directors.

The purpose of the bank's risk management system is to ensure its sustainability and effectiveness. The system enables the bank to effectively, and in a timely manner, identify, assess and limit the risks assumed, monitor the volume and structure of risks, identify the main factors influencing the degree of risk, and minimise the consequences in the event that risks are realised. The **Risk Management Service** ensures that the management of all banking risks is coordinated and centralised. It is directly answerable to the Chairman of the Executive Board and is entitled to present reports to the Board of Directors on matters relating to banking risk management.

The heads of the bank's divisions answer to the Board of Directors and they regulate the risk management procedures, taking account of the requirements of the Bank of Russia, the approaches of the Basel Committee on Banking Supervision, and the bank's own experience of managing regional risks.

The risk management system ensures the sustainable development of the bank and its customers and reliably protects shareholder and depositor investments. The risks assumed by the bank are covered by sufficient capital and provisions.

The External Auditor is approved annually at the bank's General Meeting of Shareholders. For over 20 years, the bank's auditor has been PricewaterhouseCoopers Audit. The auditor verifies the bank's financial and business activities in accordance with current Russian legislation, applying RAS and IFRS.

Code of Corporate Ethics

The bank's middle managers are answerable to the Executive Board and its Chairman for the implementation of the Code of Corporate Ethics in their departments and for ensuring that their staff understand and comply with the Code. For their part, 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 Corporate Ethics are incorporated in the 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.

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



Risk Management

The bank's activities the types of risk that are typical for all credit institutions and that are inherent in Change to: banking.

Centr-invest Bank's ESG risk management strategy is underpinned by Bank of Russia requirements, Basel Committee recommendations, best international practice, shareholders' recommendations, the bank's 28 years' experience of managing regional risks, and the lessons drawn from the crises in 1998, 2008, and 2014.

ESG banking risk management entails:

- balancing profitability, organic growth and risk;
- a focus on long-term profits and "nurturing" customers;
- knowing the target markets and regional characteristics;
- rejecting speculative transactions and prioritizing growth in lending to retail customers and the real economy;
- detailed analysis of borrowers' businesses and creditworthiness;
- covering risks with sufficient provisions and capital;
- diversifying sources of funding;
- the risk management system being independent of the bank's business units;
- transparency of deals and transactions;
- improving the financial literacy of the population and providing free business advice;
- using stimulatory interest rates to reduce the level of defaults (fraudulent or due to social and environmental factors);
- stress testing to evaluate the bank's resilience to external events and sharp changes in the operating environment;
- continuous innovation to tackle new challenges;
- continually improving the risk management system, taking into account changes in the operating environment, innovation in products and services, and changing regulatory requirements.



Consolidated Financial Statements in accordance with International Financial Reporting Standards and Independent Auditor's Report CENTER-INVEST BANK GROUP

31 December 2019

The full text of Independent Auditor's Report is available on the bank's website: www.centrinvest.ru

