



**BANK
CENTER-INVEST**

**ANNUAL REPORT
2006**



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2006

General license of the Bank of Russia for banking operations №2225
issued January 26, 1998

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The contents of the 2006 Annual Report was approved by the Board of Directors of OJSC CB "Center-invest", protocol №2 of March 14, 2007



THE BANK CENTER-INVEST MISSION

TO PROVIDE THE MAXIMUM RANGE OF SERVICES TO CORPORATE CUSTOMERS, INDIVIDUAL ENTREPRENEURS AND THE POPULATION OF THE SOUTH OF RUSSIA IN ACCORDANCE WITH INTERNATIONAL STANDARDS AND MODERN BANKING TECHNOLOGIES



DEAR SHAREHOLDERS AND CUSTOMERS!

In accordance with our strategic mission, in 2006 Bank Center-invest ensured stable growth of customer business and the social and ecological environment, securing the position of Bank Center-invest in regional markets and in the global economy.

Stable development of customers business is a cardinal priority at Bank Center-invest. To this end, Bank Center-invest increased its loan portfolio up to RUR 18.9 billion (81.7%). Furthermore, 2006 witnessed a high rate of growth of retail lending, lending to SMEs, lending for project financing and implementation of new technologies in construction and building, agriculture, industry and services.

The stability of the social environment and its development was furthered by the Bank in 2006.

The increased volume of loans to individuals, which rose up to RUR 5.1 billion (+235%); deposits up to RUR 7.2 billion (+44%); plastic cards up to 87 000 cards (+7.3%); asset management up to RUR 206.4 million (+260%), as well as scholarships to the best students of higher educational establishments through the realisation of social programs – 155 students (+210%), free education on internet use basics for children and the organisation of excursions for pupils to theatres and museums are social contributions which remain at the core of Bank Center-invest's corporate responsibility.

Stability and development of ecological environment is also emphasised in Bank Center-invest activities.

In cooperation with the International Finance Corporation (IFC), the Bank was first to initiate a program to stimulate investments into the energy-saving projects. As a result of these investments, carbon dioxide atmosphere emissions will be reduced by 250 tons a year.

In the sphere of agribusiness financing, Bank Center-invest encourages projects furthering ecologically sound production methods.

Chairman of the Board of Directors,
Vasily V. Vysokov,
Doctor of Economics

Chairman of the Executive Board,
Anna A. Shtabnova,
Ph.D. (Economics)

To better serve customers in the South of Russia region, Bank Center-invest opened new offices in recreation areas of the Caucasian Mineral Waters (Pyatigorsk) and the Black Sea Coast (Sochi).

Stable operations development was ensured by Bank Center-invest through the growth of our branch network up to 97 sales offices (+19%) and growth in the number of staff and their skills. The total number of employees at Bank Center-invest now equals to 1352 (+36%).

Within the framework of technical assistance provided by the European Bank for Reconstruction and Development (EBRD), the Bank enhanced its internal control procedures, risk management procedures and chose a supplier for a new automated system SAP for banking through the terms of a tender.

Stable growth in the global economy was ensured

by Bank Center-invest by attracting funds for development of the South of Russia in international and Russian markets via the successful first rouble bonds issue (RUR 1.5 billion) and additional share issue (RUR 1.35 billion). Bank Center-invest raised funds via syndicated loans from domestic (RUR 1 billion) and international capital markets (USD 45 million) and established credit and guarantee lines with foreign and Russian banks.

The stable development of Bank Center-invest is proven by the ratings assigned by rating agencies Moody's (B1), RusRating (BB), and the 10-year auditing in accordance with Russian (RAS) and international standards (IFRS).

The Board of Directors of Bank Center-invest approved a new strategy for 2007-2011 "South of Russia+", which provides for complex and stable expansion of the following strategic priority areas:

- Branch network development in cities and regions in the South of Russia;
- Products (retail banking, SMEs, agribusiness and loans for energy-saving projects);
- Services (plastic cards, ATM, payments and settlements, direct marketing);
- Operations (procedures of standardisation, information technologies, internal auditing and control, risk management and human resources).

BOARD OF DIRECTORS OF BANK CENTER-INVEST



DR. VASILY V. VYSOKOV

Chairman of the Board of Directors
Chairman of the Strategic Planning Committee,
Professor, Doctor of Economics

TATIANA N. VYSOKOVA

Chairman of the Auditing
and Compliance Committee,
Ph. D. (Economics)



DR. VLADIMIR S. ZOLOTAREV

Chairman of the Appointment and
Remuneration Committee, President
of Rostov State University of
Economics,
Professor, Doctor of Economics,
Honored Scientist of the Russian
Federation

ALEXANDER V. LOSEV

Executive Director of OJSC
"Volga-Don Shipping
Company"



DR. ANDREAS ZEISLER

The Head of Financial Institutions of
Deutsche Investitions und
Entwicklungsgesellschaft mbH (DEG),
Doctor of Economics

GEORGIY N. ORLOV

Senior banker, financial
institutions department
European Bank for
Reconstruction and
Development (EBRD)



ERNST WELTEKE

Independent Director, ex-president
of Deutsche Bundesbank (Germany).

*The position of Independent
Director guarantees transparency
of Bank Center-invest activities
to the customers, personnel and
shareholders and ensures an
independent decision making
process.*

EXECUTIVE BOARD OF BANK CENTER-INVEST



Anna A. Shtabnova

**CHAIRMAN
OF THE MANAGEMENT BOARD**

Ph. D. (Economics)

Aleksey N. Shipilov
**DEPUTY CHAIRMAN
OF THE BOARD**

Ph. D. (Engineering
Sciences)



Vladimir V. Glushko

**DEPUTY CHAIRMAN
OF THE BOARD**

Ph. D. (Engineering
Sciences)

Grigory O. Chorayan
**HEAD OF TREASURY
AND FINANCE MARKETS
DEPARTMENT**

Ph. D. (Engineering
Sciences), MSc in
Economics and Finance



Svetlana V. Orlova

**HEAD OF INFORMATION
TECHNOLOGIES AND
CLEARING SYSTEMS
DEPARTMENT**

Grigory I. Zhukov
**HEAD OF RETAIL
BUSINESS
DEPARTMENT**



Elena A. Kuzheleva

CHIEF ACCOUNTANT
FIAB

CORPORATE GOVERNANCE

Since 2004 transparent procedures for corporate governance have been in operation at Bank Center-invest (www.centriinvest.ru/corp):

- Code of Corporate Conduct and Code of Corporate Ethics
- Policies of Bank activity

In 2006 the Bank realised "Strategy 2004-2008" ahead of schedule. The Board of Directors approved of a new Strategy for 2007-2011, "South of Russia+".

These documents provide for:

- Protection of shareholder, management, personnel and customer interests;
- Attracting investment;
- Increased governance efficiency;
- Formation of a new corporate culture.

Bank Center-invest enhances its system of corporate conduct on a constant basis via the implementation of world best practice procedures. In 2006 the Bank improved its internal control and risk management protocol. Information system development on the basis of SAP for banking was initiated. These updates were based on recommendations from consultants invited by the EBRD and the experience of our foreign banking partners as well as our own day-to-day work experience.

Bank Center-invest also provides assistance to its customers in implementing corporate conduct systems by holding information meetings and seminars to promote corporate conduct and stable development systems.

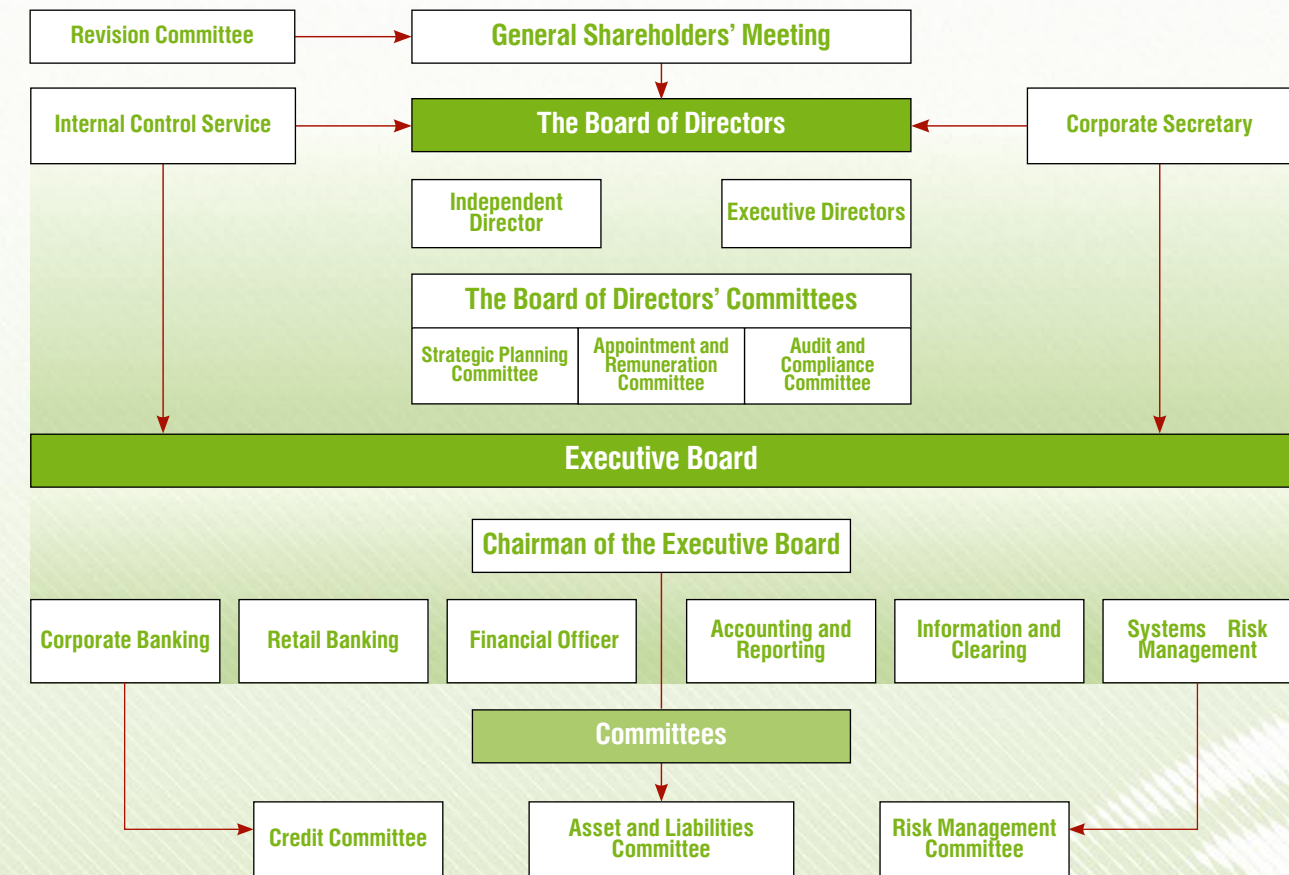
In 2006 the Board of Directors of Bank Center-invest held 12 meetings during which the approval and execution of plans and budget, internal control procedures, annual shareholders meeting and a new share issue, among other topics appeared on the agenda.

The Committees of the Board of Directors for Strategic Planning (Chairman – Dr.Vasily V. Vysokov), for Auditing and Compliance (Chairman – Tatyana N. Vysokova), for Appointment and Remuneration (Chairman Dr. Vladimir S. Zolotarev) made it certain that a detailed consideration of the issues as instructed by the Board of Directors is met. These include issues concerning the realisation of Bank Center-invest strategy and plans for institutional future development, current plans, plans and results of internal control service revisions, matters of accounting policy, auditor selection, respect of Code of Corporate Ethics and personnel remuneration.

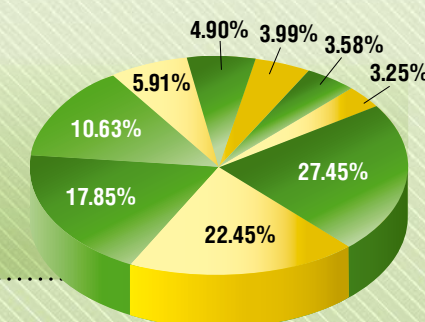
"One should be a very advanced bank to invite to a Russian region a man of such a high level as ex-president of Bundesbank Ernst Welteke. While his agreement to become an independent director of Bank Center-invest is a good indicator for investors to choose the South of Russia as strategic aim".

Minister for Economic Development and Trade of Russian Federation
German O. Gref

STRUCTURE OF MANAGEMENT BODIES



Major shareholders of Bank Center-invest as of January 01, 2007:



- 27.45% – EBRD
- 22.45% – DEG
- 17.85% – Vasily and Tatyana Vysokov
- 5.91% – Clairmont Holdings Ltd.
- 4.90% – Limited Liability Company "Renaissance Capital-Finance"
- 3.99% – Limited Liability Company "Service"
- 3.58% – Raiffeisenlandesbank Oö
- 3.25% – OJSC "Rostovenergo"
- 10.63% – Other shareholders

In 2006 Bank Center-invest issued additional ordinary shares, which were distributed among the existing shareholders: EBRD, DEG, Raiffeisenlandesbank Oberösterreich and other shareholders. The authorised capital of the Bank equaled **RUR 866 million**.

Bank Center-invest shares dividends, added and paid in 2006

	% to face value	Amount (RUR)
Ordinary shares	18	94 591 350
Preferred shares	20	18 098 500
Total		112 689 850

In 2006 Bank Center-invest operated within the framework of the Strategy and Business Plan, approved by the Board of Directors.

Major achievements of Bank Center-invest include:

- Capital exceeded RUR 3.6 billion; on December 6, the Central Bank of Russia registered the XXIII issue of Bank Center-invest shares. 25 million shares to the amount of RUR 1.35 billion were issued.
- The bank became the first in the South of Russia to receive an international syndicated loan in the amount of USD 45 million (organised by the EBRD);
- Rating agency Moody's Investor's Service assigned Bank Center-invest a B1 Stable rating according to international scale for long-term deposits in foreign currency;
- Moody's Interfax Rating Agency assigned Bank Center-invest a long-term credit rating A2.ru according to national scale;
- The Bank became the first in the South of Russia to place a debut bond issue amounting to RUR 1.5 billion on the Moscow Interbank Currency Exchange.

Key Financial Indicators		RUR, million						
	01.01.01	01.01.02	01.01.03	01.01.04	01.01.05	01.01.06	01.01.07	
Authorised capital	160.0	264.0	375.0	375.0	471.0	616.0	866.0	
Shareholders' equity	205.1	420.9	628.2	685.6	1 086.9	2 008.4	3 643.8	
Assets	990.6	1 604.5	3 025.6	5 131.5	8 359.0	13 058.0	22 875.2	
Loans	539.0	983.4	2 259.0	3 770.5	6 608.5	10 452.2	18 929.3	
Deposits	154.9	349.1	703.5	1 632.6	3 229.0	5 004.4	7 822.9	
Balance Profit	17.2	27.2	63.5	130.1	211.6	501.1	776.6	

MARKET POSITIONS

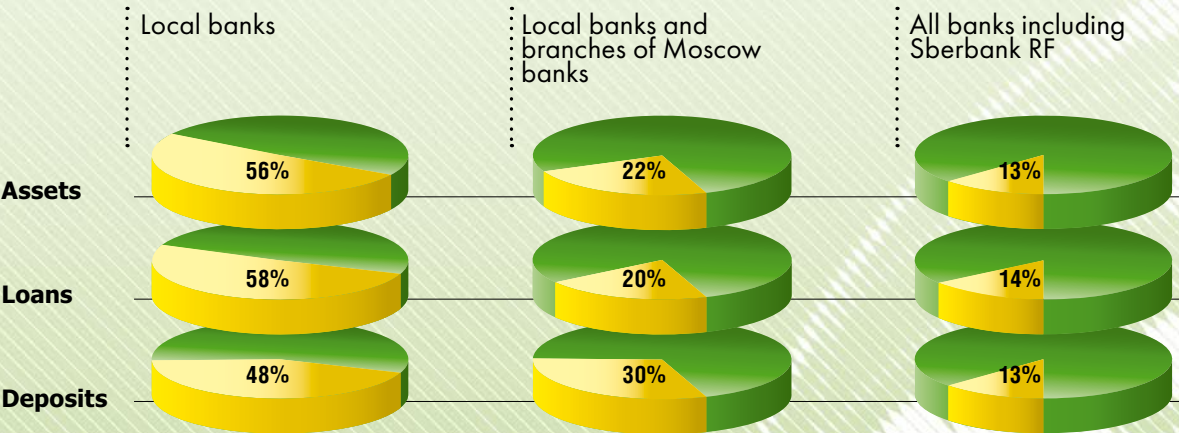
In 2006 Bank Center-invest retained leadership among local banks by all main financial indicators and strengthened its competitive position in the Russia-wide market of banking services.

The stability of Bank Center-invest secures its high position among Russian banks and provides balanced and rapid development in the most prospective market segments.

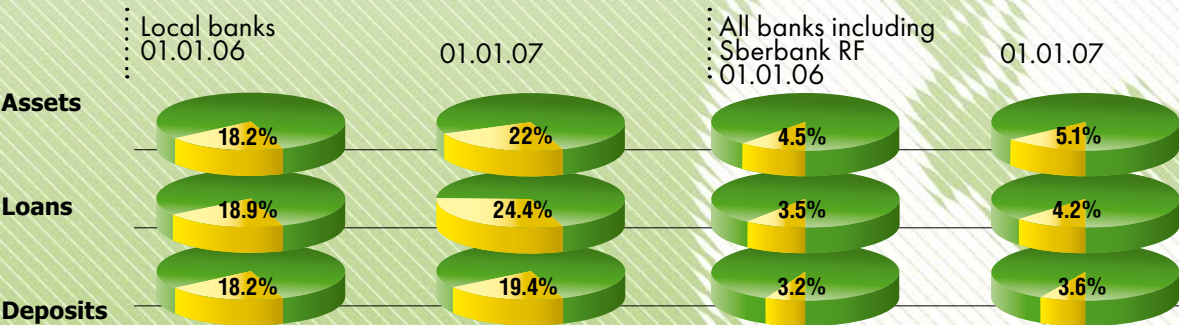
- **the 1st** position among banks of the Southern region;
- **the 8th** position by the number of loans granted;
- **the 17th** position among regional banks of Russia;
- **the 26th** position by number of branches;
- **the 30th** position by car loan portfolio;
- **the 34th** position by dynamics of deposit growth;
- **the 39th** position by dynamics of individual loan growth;
- **the 41st** position by deposits;
- **the 41st** position by mortgage loans portfolio;
- **the 41st** position by dynamics by equity growth;
- **the 43rd** position by dynamics of credit portfolio growth;
- **the 44th** position by the volume of lending to individuals;
- **the 53rd** position by profit;
- **the 54th** position among universal banks;
- **the 58th** position by dynamics of corporate lending;
- **the 59th** position by dynamics of asset growth;
- **the 59th** position by the volume of credit portfolio;
- **the 60th** position by equity;
- **the 61st** position by the volume of corporate lending;
- **the 70th** position by dynamics of deposit portfolio;
- **the 72nd** position by the volume of deposits;
- **the 77th** position by net assets aggregate;

*in accordance with ranking of RBC.ru (as of 01.01.07)

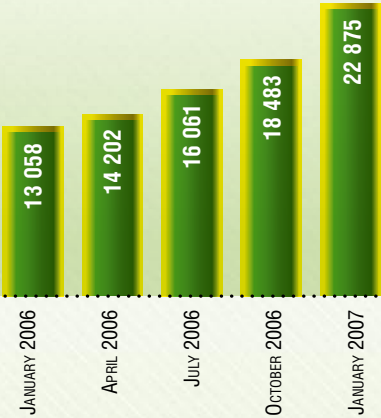
Market share of Bank Center-invest in the Rostov region market as of 01.01.07



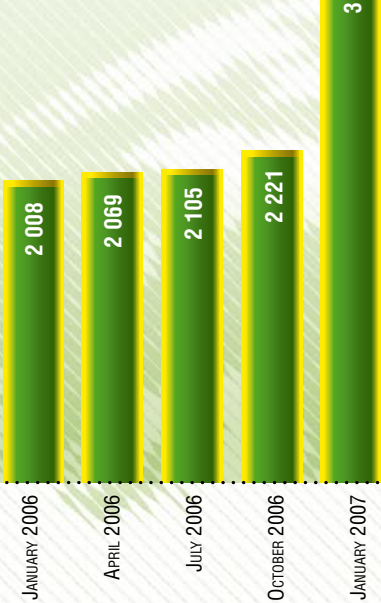
Market share of Bank Center-invest in the South Russia market as of 01.01.07



The dynamics of the bank's assets growth (RUR, million)



The dynamics of bank's equity growth (RUR, million)



DYNAMICS OF KEY FINANCIAL INDICATORS

The equity of Bank Center-invest has been increased by RUR 1 635 million and made up RUR 3 644 million as of 01.01.07.

The growth of capital was due to the allocation of additionally issued bank shares. As a result, 63.38% of Bank's equity belongs to the foreign shareholders: EBRD – 27.45%, DEG – 22.45%, Raiffeisenlandesbank Oö– 3.58%, US Investment Fund Firebird 9.9%

The other important factor of capital growth was capitalisation of the bank's profit.

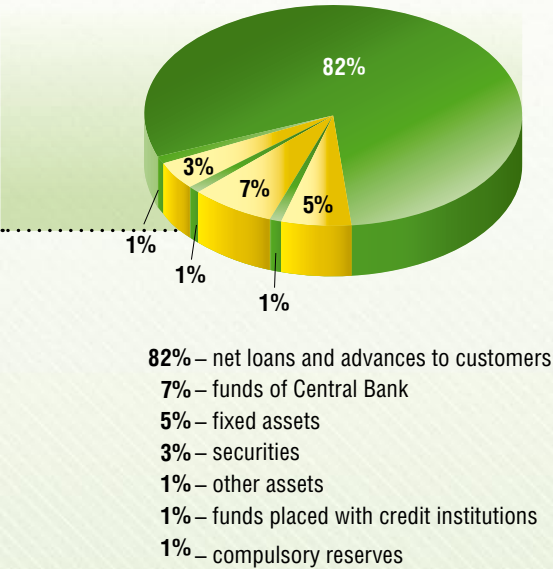
- In 2006 Bank Center-invest assets grew 1.8 times and at the end of year assets made up RUR 22 875 million. Profit growth was ensured by the growth of business scales as a result of expansion of its branch network and new types of banking products and services offered to corporate and retail customers. The volume of operational income grew by 57% and equaled RUR 1 694 million;
- Efficiency of business processes allowed increasing return on assets (ROAA) of Bank Center-invest from 3.7% to 3.8% despite cost increase due to the opening of new offices and general falling trend for banking assets profitability. Return on shareholders' equity (ROAE) made up 28.2%. A certain decrease of the indicator as compared to the results of the previous year is connected with the large capital growth of the Bank in December 2006. The ROAA and ROAE figures of Bank Center-invest are along with the best market indicators defined for the leaders of the Russian banking market.

	01.01.05	01.01.06	01.01.07
Return on assets ROAA (%)	3.5	3.7	3.8
Return on shareholders' equity ROAE (%)	27.6	29.6	28.2

- The bank's interest income increased by RUR 631.2 million and amounted to RUR 1 792.8 million. The growth of interest income was due to the maintenance of the high quality of the loan portfolio as well as expansion of the whole range and volume of credit products sales;
- In the bank's income structure the commission from cash operations, documentary transactions, plastic card operations, express money transfers, "Client-Bank" system transactions, cash collection and other business on a consignment basis for corporate clients and individuals made up RUR 666.7 million in 2006 exceeding the previous year's results 1.6 times.

THE BALANCE SHEET STRUCTURE

The Structure of assets of Bank Center-invest as of 01.01.07



In the asset structure, loans and advances to customers amounted to 82% of the Bank's assets. Outstanding loan volume exceeded **RUR 18 659 million** by the end of 2006. In 2006 the volume of the loan portfolio of Bank Center-invest increased by 81% along with its high quality (NPL was 0.8% as of 01.01.07).

Securities market operations followed the bullish market trend based on VAR calculations of accepted risk. In 2006 Bank Center-invest net investments into securities grew up to RUR 762.6 million. The share of investments in securities made up 3% of the assets.

Bank Center-invest' stability supported its high liquidity allowing it to fulfill its liabilities to customers duly and timely.

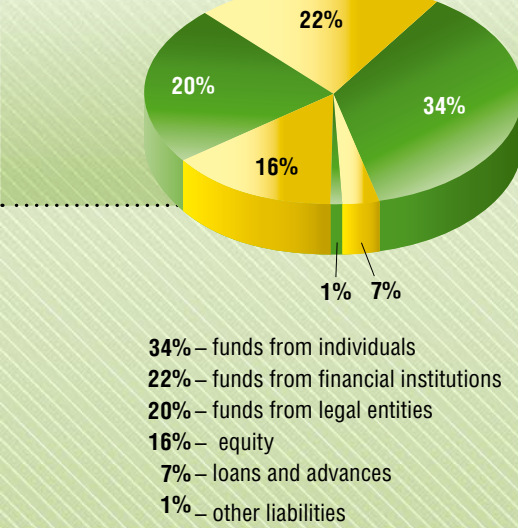
The increase of assets-side operations was based on strengthening the bank's resource base diversified by amounts and maturities.

The total sum of Bank Center-invest liabilities grew 1.7 times in 2006 and totaled RUR 19.3 million at the end of the reporting period.

The total sum of obtained inter-bank loans equaled to RUR 4.9 billion as of 01.01.07.

In 2006 the Bank increased the volume of deposits from individuals by **RUR 2.8 billion**; by the end of the year they equaled to **RUR 7.8 billion**.

The Structure of Liabilities of Bank Center-invest as of 01.01.07



The number of corporate customers (thousands of enterprises)



CORPORATE BANKING

In 2006 the number of corporate clients increased by **24%** and totaled **25 570 enterprises and individual entrepreneurs**.

Working to international standards:

- For the last ten years Bank Center-invest has been successfully audited by PricewaterhouseCoopers in accordance with the international financial reporting standards (IFRS) (<http://www.centrinvest.ru/ru/reports>).

Optimisation of services to the clients:

- The volume of deposits of legal entities made up **RUR 890 million** as of 01.01.07;
- The number of enterprises of the “Client-Bank” system increased by **89%** and amounted to **3 778 companies**.

Integrated servicing of participants in international economic activity

Payments and settlements	\$ mil	€ mil	RUR mil
Import	165.9	9.7	481.3
Export	64.7	18.9	2 331.8

The total amount of payments within the framework of Trade Facilitation Program exceeded **\$40 million**.

Development of customers’ business:

Bank Center-invest held over 50 seminars and information meetings aimed at intensifying clients’ investment activity.

Bank Center-invest provides consultations for customers regarding economic and legal issues of business development on consistent basis.

RETAIL BANKING

In 2006 all **97 of the Bank’s branches, subbranches and operational cash desks** in Rostov region, Volgograd region, Krasnodarsky and Stavropolsky Krai provided a full range of banking services to individuals:

- utility bill payment;
- currency exchange;
- RUR and foreign currency deposits;
- cash payment from plastic cards of international payment systems;
- money transfers (including Western Union).

In 2006 the volume of deposits from individuals increased 1.5 times and made up **RUR 7.8 billion**.

The number of depositors **exceeded 130 000** individuals.

The increase in deposits proves high consumer confidence in the largest bank in the South of Russia which joined the state deposit insurance system, offering a wide range of deposit account types (including those with prize draws), social programs of Bank Center-invest, high quality service, the Bank’s branch network expansion.

The Bank Center-invest “24 hours” service was initiated benefiting customer comfort and convenience. Working hours are from 3 a.m. till 12 a.m.

In 2006 the following prizes were drawn among the Bank’s depositors: a car VAZ 2110, seven personal computers, over 1 300 units of domestic household. Prizes were drawn regularly in the Bank’s branches and subbranches.

On Victory Day, **over 1 300 veterans of the Great Patriotic War** received gifts of recognition and were traditionally congratulated on the 9th of May.

The number of pension recipients via Bank Center-invest increased. A special prize draw was carried out among them.

At the head office the number of teller booths for servicing individual clients was increased. Transactions with individuals are performed in two operational halls.

There are four VIP rooms in the Bank, each with an individual manager.

155 of the best students at five Rostov universities are the recipients of Bank Center-invest’s grant in **the amount of RUR 10 000**. More than **40 000** students and teachers at Rostov higher educational establishments receive their scholarship and salary via Bank Center-invest Cirrus/Maestro cards.

RETAIL BANKING

The turnover of utility bill payments increased by 22% and made up **RUR 2.5 billion**.

- The number of offices accepting utility bill payments increased to 81 units;
- The Bank entered into contracts on utility bill payments with all major communal service providers;
- The Bank's customers can make utility bill payments either in cash or by transfers from personal accounts.

The volume of Western Union money transfers by individuals through the Bank's offices made up **USD 15.2 million** and **RUR 191.1 million** in 2006.

In 2006 the aggregate amount of FOREX transactions exceeded **USD 64 million** and **€ 18.8 million**.

The Bank increased the number of its safety deposit boxes by 34%, reaching 617 units, to meet growing demand.

CORPORATE LENDING

The Bank's loan portfolio including leasing and factoring grew two times in 2006 and made up **RUR 16.5 billion**. In 2006 the total amount of loans granted in RUR and foreign currency equaled **RUR 44.5 billion**.

In 2006 Bank Center-invest provided banking guarantees to customers in the amount of **RUR 412.25 million**.

In 2006 Bank Center-invest offered corporate customers short-term loans and overdrafts to finance working capital as well as long-term loans for investment projects (purchase of fixed assets, modernisation and reconstruction of the production process).

The volume of investment loans (over 1 year) granted to enterprises and entrepreneurs grew by 39% and exceeded **RUR 3.2 billion**.

The increase of the Bank's shareholders equity made it possible to increase maximum loan exposure to a single borrower up to **RUR 900 million**.

In 2006 project financing was developed: **RUR 295.7 million** was invested into construction of the largest projects in Rostov region and Krasnodarsky Krai.

The transactions on factoring services exceeded **RUR 121.8 million** in 2006.

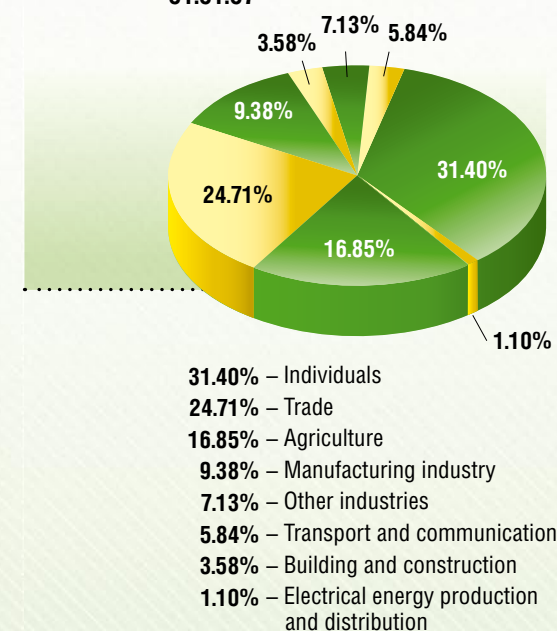
LENDING TO AGRIBUSINESS

In 2006 Bank Center-invest expanded its agribusiness lending 1.5 times. As of 01.01.07 the loan portfolio made up **RUR 3.2 billion**, including investment loans in the amount of **RUR 914 million**.

With the support of the EBRD, the program of pre-export financing of grain and oil-bearing crops was intensively developed in 2006.

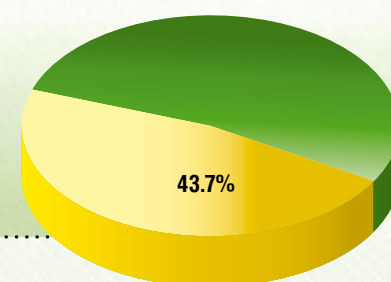
Program for investment lending to agribusiness with the possibility of partial commercial **subsidising of interest rates** being put into operation (together with Raiffeisenlandesbank Oö (Austria) and Voest Alpine Intertrading AG)

The loan portfolio structure by sectors of the economy as of 01.01.07



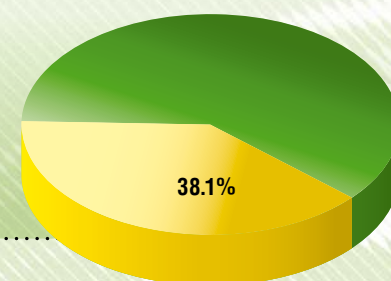
The share of Bank Center-invest in total lending to SMEs in Rostov region as of 01.01.07

By the number of loans granted



Total – 14 798
Bank Center-invest – 6 474

By the amount of loans granted



Total – RUR 32.1 billion.
Bank Center-invest – RUR 12.2 billion.

LENDING TO SMEs

12 000 SMEs and 8 000 individual entrepreneurs in the South of Russia are customers of Bank Center-invest. In 2006 small enterprises and individual entrepreneurs were granted **6 520 loans** totaling **RUR 12.5 billion**. By the number of loans to SMEs the Bank took **8th position among the largest Russian banks** and 36th position by the volume of loans granted.*

*according to information on RBC.ru

- Bank Center-invest and the International Finance Corporation (IFC) signed an agreement granting a credit line to the bank amounting to **USD 4 million** to finance small business projects in the sphere of energy-efficiency;
- The Russian Bank for Development increased the credit line limit for lending to SMEs of industrial and construction industries up to **USD 10 million**;
- Bank Center-invest, in cooperation with the Administration of Rostov region organised the second international conference "Russian and German Day for SMEs financing". Conference participants included entrepreneurs and financiers from Germany as well as representatives of KfW bank, a representative of the Federal Ministry for Economy and Technologies of Germany, representatives of the German embassy in the Russian Federation. The international partnerships of Bank Center-invest have allowed its customers the opportunity to enter world markets.
- Bank Center-invest took part in the **6th economic forum "Small business in the economy of Don region"**.
- A member of the department of lending to SMEs won the **"The best credit officer"** competition organised by the Administration of Rostov region among local banks;
- Bank specialists developed a program of implementation of typical business-projects for small enterprises in cities of the South of Russia;
- A new lending program was introduced which requires **no collateral** and guarantees coverage to individuals;
- For the SMEs, which are the Bank's clients, Bank Center-invest offers the "Partner" Internet-program that provides access to database containing 25 000 SMEs of Rostov region. (www.amb-don.ru);
- A "Hot Line" is now in operation. Over 2 000 complimentary legal consultations were obtained by the entrepreneurs of Rostov region (www.hotline.centrinvest.ru).

RETAIL LENDING

The share of lending to individuals in the loan portfolio of the Bank increased 3.4 times in 2006. The balance of outstanding loans equaled **RUR 4.95 billion**. The share of consumer loans in the loan portfolio increased from 18% to 31%.

In 2006 the volume of loans granted to individuals made up **RUR 5.36 billion**, the number of loans equaled **34 786**:

- **770** mortgage loans;
- **4 477** car loans;
- **29 539** consumer loans and loans for education.

In 2006 new credit products were developed:

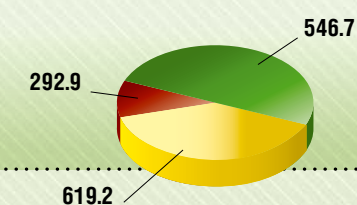
- Revolving loans for plastic cards;
- Loans for individual construction of houses with land as collateral;
- Loans for share freeholding in the houses.

A comprehensive service program to best serve the Bank Center-invest client base has been developed. Programs include: "My ideal vacation", "Loan for the purchase of presents", "Valuable staff", "Growth in square meters".

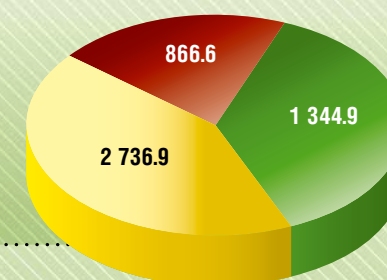
Bank Center-invest was awarded a diploma as a participant in the exhibition "Bank. Mortgage. Real estate. Insurance – 2006" for the best complex mortgage lending program of 2006 – "Growth in square meters".

Structure and dynamics of retail lending

RUR 1 458.8 million as of 01.01.06



RUR 4 948.4 million as of 01.01.07



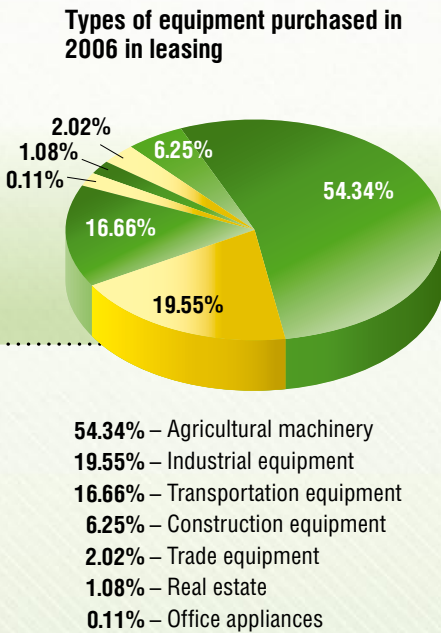
- – car loans
- – consumer loans
- – mortgage lending

The total portfolio of current leasing agreements made up **RUR 1.8 billion** as of 01.01.07.

Within the framework of the agreement with Bank Gesellschaft Berlin, (**€15 million** for five years), the Bank's clients purchased agricultural machinery from CLAAS in the amount of **€ 2.4 million**. German export and credit agency HERMES acted as a guarantor on these transactions.

There was active development of cooperation with foreign suppliers, such as MHF GmbH (Germany), S.A. DE SMET N.V. TECHNOLOGIES & SERVICES (Belgium), HOMAG GUS GmbH (Germany), "Imabe Iberica, S.A." (Spain) in purchasing equipment and delivering it to Russian enterprises. During 2006 contracts with foreign suppliers amounting to **€ 10.5 million** were signed.

	2005	2006	Growth rate, %
Number of agreements, items.	305	566	85.57
Total value of leasing deals by closing, RUR mil	949.96	1 667.47	75.53



OWN TRANSACTIONS

In 2006 turnover of the Bank's own transactions with Securities of Russian Issuers amounted to **RUR 4.1 billion**. The volume of the securities portfolio increased by 27% and made up **RUR 738 million**.

BROKERAGE SERVICES

Customers' transactions equaled **RUR 485 million**.

ASSET MANAGEMENT

Net assets value of asset management (Asset Management Fund and personal agreements for asset management) increased almost four times and reached **RUR 206.4 million** as of 01.01.07.

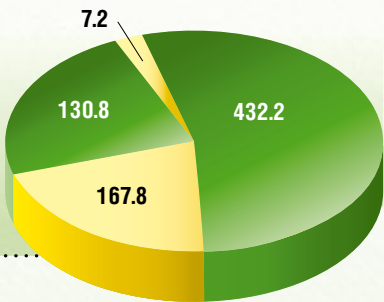
According to 2006 results measuring Russian ruble asset management funds with aggressive strategy, Asset Management Fund "Center-invest First" took the first position among asset management funds of Russian banks (rating prepared on the basis of data of the Agency for Investors' Informational Rights Protection (AIIRP)*). In 2006 profitability of the fund made up **61.85%**.

In August 2006 Bank Center-invest offered a new investment service to the population of the South of Russia – asset management fund "Center-invest Second".

The basis of the investment strategy of a new Bank Center-invest fund is bonds of Russian companies and shares of investment real estate funds.

*(<http://rating.rbc.ru/article.shtml?2007/01/22/31331319>)

Securities portfolio structure of the Bank as of 01.01.07 (RUR, mil)



- 432.2 – Corporate bonds
- 167.8 – Equities
- 130.8 – Government short-term and long term bonds
- 7.2 – Sub-federal bonds

Dynamics of asset value of asset management in 2006 (RUR, mil.)



COOPERATION WITH INTERNATIONAL FINANCIAL ORGANISATIONS

In 2006 international cooperation of Bank Center-invest was aimed at attracting foreign investment to the economy of the South of Russia, strengthening the Bank Center-invest business reputation in international financial markets and the realisation of joint projects with foreign partners:

- Trade finance (EBRD and commercial banks);
- Mortgage financing in the South of Russia (DEG);
- SMEs financing (KfW, DEG, USAID etc);
- Energy-saving technologies financing (IFC);
- Financing of construction of warehouses for agribusiness (Raiffeisenlandesbank Oö).

Bank Center-invest successfully continued working in the framework of the agreement with EBRD regarding trade financing in the framework of a guarantee line. In December 2006 the amount of trade finance increased up to **USD 26 million**.

Trade finance lines were opened for Bank Center-invest by leading world banks:

Commerzbank AG (Frankfurt, Germany)	€5 million
VTB Bank Austria (Vienna, Austria)	€4 million
Raiffeisenlandesbank Österreich (Linz, Austria)	€2 million
Raiffeisen Zentralbank Österreich AG (Vienna, Austria)	€1 million
Banque de Commerce et de Placements (Geneva, Switzerland)	CHF 2 million
Landesbank Berlin (Berlin, Germany)	€1 million
BNP Paribas (Geneva, Switzerland)	€700 thousand

Framework agreements of Bank Center-invest with the leading foreign banks allows for attracting funds efficiently for financing customers’ external economic operations.

INTERNATIONAL PAYMENTS

Bank Center-invest offers a full range of banking services in accordance with international standards to clients engaged in international economic activity and financial transactions.

- Bank Center-invest offers a scheme of settlements with the European production suppliers within the framework of agreements with export and credit agencies HERMES (Germany), COFACE (France) and SACE (Italy). Existing agreements allow for receiving deliveries without attracting current assets to the project;
- Bank Center-invest relies on its efficient network of foreign correspondent banks and banks-partners: HSBCBANK USA (New-York, USA), Wachovia Bank (New York, USA), Commerzbank AG (Frankfurt, Germany), Dresdner Bank AG (Frankfurt, Germany), Societe Generale SA (Paris, France), IntesaBCI (Milan, Italy), Capitalia SpA (Rome, Italy), The Royal Bank of Scotland (London, Great Britain);

In 2006 the turnover on correspondent accounts grew by more than 20% and exceeded USD 3.1 billion, the volume of EURO transactions increased by 37% and exceeded € 220 million.

- Bank Center-invest is a member of the international association SWIFT which ensures efficient payment and safe and reliable communication of financial messages to correspondent banks;
- Customers of Bank Center-invest actively use letters of credit and guarantees issued by the Bank and approved by reputable foreign credit institutions for settlements with their foreign counteragents. The largest banks from Germany, China, Italy, the Netherlands, South Korea, Taiwan, Turkey, Kazakhstan and other countries were partners of Bank Center-invest on documentary operations;
- The use of warranties and payment guarantees allowed the Bank to structure individual deal schemes ensuring the most favorable conditions for corporate clients.

FOREX AND MONEY MARKET OPERATIONS

In 2006 Bank Center-invest became the first bank in the South of Russia to be granted a syndicated loan in USD (**USD 45 million**). The participants of the syndication were 15 largest banks of the world: European Bank for Reconstruction and Development (the organiser), Anglo-Romanian Bank Ltd., Banco BPI Ltd. Bank Austria Creditanstalt, Bankgesellschaft Berlin, Commerzbank AG, Intesa Bank Ireland, Mizrahi Tefahot Bank Ltd., WGGZ-Bank AG, Raiffeisenlandesbank Niederösterreich-Wein AG, Raiffeisenlandesbank Oberösterreich AG, Rabobank International, National City Bank, Standard Bank Plc and State Bank of India.

In October 2006 Bank Center-invest attracted the second syndicated loan from ruble financial market amounting to **RUR 1.5 billion**, with International Moscow Bank being MLA. The participants of the syndication included, in addition to the organiser, thirteen Russian and Kazakh banks: OJSC "Vnesheconombank", JJSC "Russian Bank for Development", OJSC "Vneshtorgbank", CJSC "Raiffeisenbank Austria", OJSC "Bank of Khanti-Mansiysk", VTB Bank AG(Austria), CJSC "Denizbank Moscow", OJSC Bank Zenith, JSC "Kazkommerzbank" (Kazakhstan), OJSC Bank "Severnaya Kazna", CJSC "Standard Bank", JSC "Bank TuranAlem" (Kazakhstan), JSC CB "Yapi Kredi Bank Moscow".

In November 2006 Bank Center-invest was the first to place a debut bond issue amounting to RUR 1.5 billion on the Moscow Interbank Currency Exchange.

In 2006 Bank Center-invest considerably strengthened its positions as the major FOREX market operator of the Rostov region and an active participant in RUR and foreign currency interregional transactions. Over 250 Russian banks from Kaliningrad to South Sakhalinsk act as the Bank's counter agents on FOREX and money market operations. Since 2006 Bank Center-invest has been a participant in the REUTERS DEALING system.

The optimal rates for FOREX operations, efficient value dates and fast money transfers and conversion operations allowed the Bank to increase the volume of FOREX operations by more than 30% and to exceed the level of **USD 1.5 billion**.

Bank Center-invest:

- is a member of the Moscow Interbank Currency Exchange and Rostov Currency Stock Exchange;
- cooperates with the Saint-Petersburg Interbank Financial House and the Regional Dealing Center (Saint-Petersburg).

The use of modern information technologies allowed the Bank to participate in the real-time daily transactions of the Unified Trading Session and the Session on an electronic FOREX bargaining system of the Moscow Interbank Currency Exchange from a remotely connected work terminal situated in the bank.

Bank Center-invest issued over **87 000** Mastercard and Cirrus/Maestro plastic cards.

In 2006 holders of the cards issued by the Bank performed **1 365 000 transactions** amounting to over **RUR 4.12 billion**.

In 2006 Bank Center-invest was successfully certified in the Visa International Payment System and started issuing Visa Electron, Visa Classic and Visa Gold plastic cards. The Bank offers its customers a full range of plastic card products of leading international payment systems: MasterCard Int. and Visa Int.

The balance on plastic cards accounts totaled **RUR 560.51 million** as of 01.01.07.

Bank Center-invest introduced several new banking products and programs for plastic cards. These include the "Children's Card" and tariffs "Social", "For Youth", "Practical", "Optimum", which allowed the customers of the Bank to choose the most favourable conditions of account operation.

340 enterprises and organisations of the South of Russia take part in "salary projects" with the use of Bank Center-invest plastic cards.

25 new ATMs were set in operation in 2006. The widening network of the Bank increased to **60 ATMs, 58 cash departments, 160 trade and service enterprises**, which accept cards of all the major international payment systems and Russian payment systems – STB Card and Union Card.

The number of mobile operators and Internet providers, whose services can be paid for via Bank Center-invest ATMs increased and include: MTS, Beeline, TELE2, NTV+, Megafon among others.

A discount and rewards program was implemented for the holders of plastic cards MasterCard Gold of Bank Center-invest. Seven trading enterprises of the city, providing premium-class services, took part in it.

Over 85% of Bank Center-invest's 1 352 employees have higher education including 18 academics and Ph.D. holders, and 23 post-graduates degree holders from institutions of higher education.

In 2006 a Human Resources Department was organised to best address HR issues in the Bank. The main tasks of the department include: training and professional development, teambuilding, adaptation and motivation of the personnel, training and organisation of professional education for the staff, control of personnel activity results, staff rotation and work with students.

In 2006:

- 260 employees passed psychological testing;
- 87 students completed their probation period at the Bank;
- over 50 trainings in communication, adaptation, sales technology and teamwork were held for the staff;
- job descriptions of all Bank departments were unified.

Staff policy aims for the growth of work efficiency by raising the skill level, constant staff rotation and work control. The number of personnel in 2006 increased by 36%, mainly due to the opening of new branches and subbranches.

In 2006, 61 employees of the Banks took part in 76 seminars and conferences including events held abroad on the following topics:

- IFRS;
- Training and motivation of the personnel;
- Lending to SMEs;
- Mortgage lending;
- Trade financing;
- Internal control;
- Securities operations;
- Information security;
- Risk management;
- Language education;
- Information systems.

Bank Center-invest managers participated in the largest international economic forums and organized their own presentations strengthening the reputation of the bank and its customers as reliable partners in the international financial market.

- Forum "Eastern Europe: Chances in New Markets (Linz, Austria; Regensburg, Germany);
- 4th International Economic Forum "Krasnodar Krai Days in Germany" (Munich, Germany);
- International Forum "Banking on Russia 2006" (London, Great Britain);
- "Investment Potential of the South of Russia. Presentation of the SFD." (German Economy Union, Moscow, Russia);
- International Conference "Russia-Germany. Medium Business: New Prospects of Trade and Economic Cooperation" (Moscow, Russia);
- 5th International Economic Forum "Kuban 2006" (Sochi, Russia);
- International Euromoney Conference (Vienna, Austria);
- XI North-Western Banking Conference (Saint-Petersburg, Russia);
- Annual meeting of the World Bank (Singapore);
- International Forum "Syndicated Loans in Eastern Europe, Russia, CIS and Turkey" (Vienna, Austria);
- X International Economic Forum (Saint-Petersburg, Russia).

The expertise of Bank Center-invest representatives allowed the Bank to position the South of Russia as an attractive region for investments and Bank Center-invest as a regional bank effectively managing regional risks.

- "Rostov's mom-and-pop bank thrives", Anna Blundy, EBRD Communications Consultant <http://www.ebrd.com/new/stories/2006/061213.htm>
- "Investitionsmagnet Südrussland" (Investment management in the South of Russia) Finanzen, November 2006
- "South of Russia plus: the new strategy of Bank Center-Invest Russia" Finance, November 2006
- Vysokov V. "Going out to Global Economy. Guide for Small Business of the South of Russia", Rostov-on-Don, 2006
- Vysokov V. "Investment Appeal of the South of Russia", Rostov-on-Don, 2006 (available in both English and Russian)

The major initiatives in IT management in 2006 were to increase the reliability of the information system, to provide for the expansion of the range of products available and to support the development of the Bank Center-invest branch network in the South of Russia.

In accordance with the strategy for information system development in 2006 the Program for implementation of a new automated system SAP for Banking and branch system Gemini Branch automation started working. The realisation of given program will ensure:

- Implementation in all departments of Bank Center-invest of new technology for banking operations as well as attendant systems needed for ABS and Branch system functions;
- Development of the branch and subbranch network, performed by Bank Center-invest in the South of Russia with standard and universal sales technology and product range as well as the possibility to service a large number of customers and operations;
- Organisation of continuous customers service;
- Support of unified CRM-technologies for organisation of sales and customer service management;
- Possibility to optimise payment streams inside the Bank (within the frames of the branch network) including service to a geographically broad customer base.

The branch network of Bank Center-invest includes 97 branches and subbranches, credit and cash offices and operational cash-desks in Rostov-on-Don, Rostov region, Krasnodar, Krasnodarsky Krai, Volgograd, Volgograd region and Stavropolsky Krai.

In 2006 Bank Center-invest opened 19 new offices:

in Rostov-on-Don:

- Subbranch "Voyenved";
- Operational cash-desk "RZHD", Privokzalnaya St.;
- Operational cash-desk, 41 Mechnikova St.;

In Rostov region:

- Subbranch "Cheremushki" in Novocherkassk;
- Subbranch "Veshensky" in Veshenskaya;
- Subbranch "Noviy" in Salsk;
- Subbranch "Peschanokopsky" in Peschanokopsk;
- Subbranch "Rodionovsky" in Rodionovo-Nesvetaiskaya;
- Subbranch "Aksaisky" in Aksai;
- Subbranch "Russkoe pole" in Taganrog;
- Credit and cash office in Bataysk;
- Credit and cash office in Novocherkassk;
- Operational cash-desk in Kalinin;
- Operational cash-desk in Taganrog;
- Operational cash-desk in Azov;

In Krasnodarsky krai:

- Subbranch "Yubileiny" in Krasnodar;
- Subbranch in Sochi;
- Subbranch in Novorossiysk;

In Stavropolsky krai:

- Branch №4 in Pyatigorsk.

20 new offices are planned to be opened in Krasnodarsky and Stavropolsky Krai and Volgograd region.

Branches and additional offices of Bank Center-invest offer a full range of banking services to enterprises and individuals.

MAIN FINANCIAL INDICATORS OF BRANCHES
AND SUBBRANCHES OF BANK CENTER-INVEST
AS OF 01.01.07

	Assets (RUR, million)	Allocated funds (RUR, million)	Borrowed funds (RUR, million)	Customers (legal entities)
Aksai	1 554	1 462	579	1 414
Bataisk	537	479	375	794
Novocherkassk	659	539	462	1 654
Incl. Shakhty	228	185	151	517
«Cheremushki»	41	30	15	
Pyatigorsk	22	3	3	14
Taganrog	1 222	922	625	1 757
Incl. Pokrovskoye	138	138	62	316
«Roznichny»	158	158	321	
Azov	521	466	262	745
Semikarakorsk	459	410	241	878
Incl. B. Martynovka	62	62	35	
Konstantinovsk	42	42	33	
Vesely	45	45	17	
Krasnodar	1 731	1 507	227	482
Kropotkin	317	312	36	133
Timashevsk	210	200	17	63
Sochi	73	36	9	19
«Yubileyny»	42	42	11	
Volgograd	846	788	109	465
Incl. Volzhsky	161	161	37	153
«Centralny»	667	557	667	2 676
Salsk	934	847	294	1 698
Incl. «Novy»	716	709	66	
Orlovsky	27	10	27	
Proletarsk	60	0	59	
Peschanokopskoye	43	42	9	
Kagalnik	598	590	205	548
Incl. Zernograd	124	121	37	141
Yegorlyk	168	165	36	234
Volgodonsk	672	638	279	1 061
Incl. Tsimlyansk	69	68	31	75
«Novy Gorod»	143	137	38	198
Chaltyr	225	220	138	320
Krasny Sulin	134	130	68	287
Millerovo	259	243	160	440
Veshenskaya	65	59	5	38
Zapadny	605	442	455	830
Incl. Promzona	142	141	72	
CCO «Lyux»	61	32	61	
In Rostov-on-Don	239	113	216	
Kamensk-Shakhtinsky	218	215	100	389
Severny	293	228	293	927
Incl. Temernik	25	7	24	
Morozovsk	385	379	67	
Incl. Oblivskaya	36	35	6	83
«Orbita»	169	169	22	48
Selmash	239	204	239	280
Incl. "18th lineL	33	11	33	
«Voyenved»	39	30	42	64
«Rodoinovsky»	4	3	0	2
TOTAL:	13 060	11 530	5 918	18 319
Growth tempos (in % to 2005)	86	90	55	33

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Directorate for Krasnodarsky Krai

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INTERNAL CONTROL

In 2006 Bank Center-invest continued enhancing its internal control system. This included:

- Internal Control Service conducted 22 complex revisions of branches and subbranches, 37 revisions of funds and inventories of the property of Bank departments, 28 checks of different directions of Bank departments activities as well as quarterly checks within the framework of professional activity control in the securities market.
- Along with foreign consultants (ING Consulting) Bank Center-invest worked on the development of a methodological base of internal control service activities and compliance with international standards and legislation of Russian Federation.
- As system was implemented for normative planning of Internal Control System by departments, functional directions of Bank activity and man-hours for revision conducting.
- Work on regulating intermediation between the Bank's units and personnel in the process of realisation of banking operations, development of assessment procedures, procedures for management and supervision of risks resulting from banking activities.

Bank Center-invest complies with all the requirements to prevent money laundering and financing of terrorism.

RISK MANAGEMENT

A risk management policy has been approved by the Bank's Board of Directors. In accordance with this policy the bank's Executive Board sets limits by all risk types, units and products.

Bank Center-invest possesses an efficient risk management system, independent of business directions, and is a fusion of advanced world practice, modern information technologies and broad experience in regional risk management.

Bank Center-invest monitors risks on a continuous basis; the results of the monitoring are regularly reviewed by the Committee for Risk Management, Executive Board and the Board of Directors to control the compliance within established limits.

Bank Center-invest actively contributes to Russian reforms and takes into consideration their risks during its activities.

Bank Center-invest thoroughly studies trends of the global, national and regional economies and their influence on regional and branch risks in all spheres of its activity.

The technique and technologies, which are used for analysis and risk management, grant specific advantages to Bank Center-invest:

- high-quality and operative decision making;
- efficient operation in a highly competitive environment among local banks as well as among branches of the largest Russian banks;
- new services and products of European standards;
- robust protection of shareholders' investments and Bank depositors.

BALANCE SHEET OF OJSC CB “CENTER-INVEST”
AS OF JANUARY 1ST, 2007

Registry № 2225, BIC: 046015762
Legal Address: 62, Sokolova Ave., Rostov-on-Don, 344010, Russia

in RUR thousands		
Description of items	as of accounting date	as of previous accounting date
I. ASSETS		
1. Cash	839 280	455 893
2. Funds of credit institutions with the Bank of Russia	913 515	573 674
2.1 Mandatory reserves	253 585	176 004
3. Funds with credit institutions	165 745	177 910
4. Net investment in trading securities	610 960	459 777
5. Net loans	18 659 878	10 291 699
6. Net investments in securities available for sale	151 627	146 238
7. Fixed and intangible assets and inventory	1 175 847	787 761
8. Accrued interest income	8 287	1 866
9. Other assets	350 022	163 279
10. Total assets	22 875 161	13 058 097
II. LIABILITIES		
11. Due to credit institutions	4 919 680	2 945 118
12. Due to customers	12 389 912	7 850 029
12.1 incl. Personal deposits	7 822 883	5 004 435
13. Debt instruments issued	1 605 280	217 586
14. Accrued Interest expenses	226 586	118 126
15. Other liabilities	141 864	31 351
16. Provisions for possible losses on credit related commitments, other liabilities and on transactions with off shore residents	6 741	1 975
17. Total liabilities	19 290 063	11 164 185
III. SHAREHOLDERS' EQUITY		
18. Shareholders' funds	866 000	616 000
18.1 Registered ordinary stock and shares	775 508	525 508
18.2 Registered preferred stock	90 492	90 492
19. Share premium	1 645 586	545 586
20. Revaluation reserve for fixed assets	299 267	299 267
21. Deferred expenses and forthcoming payments affecting the equity capital	284 762	137 123
22. Funds and retained profit at disposal	441 093	180 961
23. Profit for the accounting period	617 914	389 221
24. Total equity*	3 585 098	1 893 912
25. Total liabilities	22 875 161	13 058 097
IV. OFF-BALANCE SHEET LIABILITIES		
26. Irrevocable commitments	1 960 680	1 153 877
27. Guarantees issued	137 746	156 042
V. TRUST ACCOUNTS		
ACTIVE ACCOUNTS		
1. Securities in trust	287 194	43 031
2. Funds allocated for other purposes	4 604	0
3. Trust settlements	38 247	15 398
4. Paid-off accrued interest profit on interest debt instruments	126	32
5. Current accounts	2 208	1 045
PASSIVE ACCOUNTS		
6. Capital in trust	258 574	58425
7. Trust settlements	31 995	1 081
8. Asset management profit	41 810	0
* Total equity incl. subordinated loan	3 643 761	2 008 422

INCOME STATEMENT OF OJSC CB “CENTER-INVEST” FOR 2006

Registry № 2225, BIC: 046015762
Legal Address: 62, Sokolova Ave., Rostov-on-Don, 344010, Russia

in RUR thousands		
Description of items	for accounting period	for previous accounting period
Interest income arising from:		
1. Funds with credit institutions	64 082	43 810
2. Loans to other customers	1 566 033	1 011 615
3. Leased funds	102 625	81 820
4. Fixed income securities	54 105	21 392
5. Others sources	5 952	2 978
6. Total interest income	1 792 797	1 161 615
Interest expenses arising from:		
7. Funds from credit institutions	(290 234)	(134 553)
8. Funds from other customers	(466 312)	(339 155)
9. Debt securities issued	(8 614)	(19 100)
10. Total interest expenses	(765 160)	(492 808)
11. Net interest income	1 027 637	668 807
12. Net income from transactions with securities	12 820	28 224
13. Net income from transactions with foreign currencies	32 738	29 920
14. Net income from transactions with precious metals and other assets	0	1 206
15. Net income from revaluation of foreign currency	3 494	1 809
16. Commission income	749 630	433 762
17. Commission expenses	(61 829)	(35 073)
18. Net income (expenses) from single operations	17 798	3 414
19. Other net operating income (expenses)	(87 863)	(51 886)
20. Administrative and managerial expenses	(743 934)	(518 819)
21. Provision for eventual losses	(128 260)	(27 009)
22. Profit before taxation	822 231	534 355
23. Taxes charged (incl. profit tax)	(204 317)	(145 134)
24. Profit for accounting period	617 914	389 221

REPORT ON THE COMPLIANCE WITH REQUIREMENTS STATED
IN NORMATIVE ACTS OF THE BANK OF RUSSIA AS OF 01.01.2007

Registry № 2225, BIC: 046015762
Legal Address: 62, Sokolova Ave., Rostov-on-Don, 344010, Russia

Description	Value/percentage	
	as of accounting date	as of previous accounting date
1. Equity capital (thousand rubles)	3 643 761	2 008 422
2. Actual capital adequacy ratio (H1, percentage)	17,6	17,3
3. Mandatory capital adequacy ratio (percentage)	10,0	10,0
4. Estimated provisions for possible loan losses (thousand rubles)	269 429	160 502
5. Actually formed provisions for possible loan losses (thousand rubles)	269 429	160 502
6. Estimated provisions for possible losses (thousand rubles)	10 832	6 133
7. Actually formed provisions for possible losses (thousand rubles)	10 832	6 133

Chairman of the Board

Anna A. Shtabnova

Chief Accountant

Elena A. Kuzheleva

- In the opinion of LLC "Audit and Consulting", the accompanying financial statements by Joint-Stock Commercial Bank "Center-invest" present fairly, in all material respects, the financial position of the Bank as of 31 December 2006 and the results of its operations and its cash flows for the period started on January 01, 2006 and ended December 31, 2006 in accordance with the requirements of Russian Federation legislation regarding financial (accounting) reporting and with the Regulation of the Bank of Russia of January 16, 2004 № 1376-U "On the list, forms and procedures of creation and presentation of reporting forms for credit organizations to the Central Bank of Russian Federation".

Auditing company:	Limited Liability Company «AUDIT and CONSULTING»
license №:	E 004873
Licensing order number	238
license issue date:	01.08.2003
license valid from:	01.08.2003
license expiry date:	31.07.2008
license issued by:	Ministry of Finance of the Russian Federation
Auditing company manager's name:	Mrs. Galina P. Chubarova

