

ANNUAL REPORT

2011





BANK CENTER-INVEST

**At the forefront of sustainable
banking in southern Russia**

Center-Invest Bank's mission

statement: to provide the local population and businesses in southern Russia with banking services on the basis of international standards and modern banking technologies.



ANNUAL REPORT

2011



Head Office:

**62 Sokolova Avenue, Rostov-on-Don,
344000, Russia, tel: +7 (863) 2-000-000**

www.centrinvest.ru

welcome@centrinvest.ru

Banking licence No. 2225 issued by the Central Bank
of the Russian Federation on 26 January 1998

Dear shareholders, customers and partners of Center-invest Bank!



Dr. Vasily Vysokov
President and Chairman of the Board
of Directors of Center-invest Bank

For Center-invest Bank, sustainable banking is not only about being socially and environmentally responsible; it also entails a commitment to a business model that focuses on long-term profitability in the interests of current and future generations, rather than on speculative, instantaneous gains. In 2011, at a time of volatility on the speculative markets, the sustainable banking business model was shown to offer competitive advantages. Moody's confirmed this when it upgraded Center-invest Bank's international rating to Ba3 and our national scale rating to Aa3.ru. Center-invest Bank is now one of the top ranked Russian banks for modern banking products.

Most importantly, Center-invest Bank has shaped a new generation of customers. During the acute phase of the crisis, we helped our customers to complete their modernization projects, and they now enjoy sustainable market positions in the new, post-crisis economy.

Center-invest Bank supported new businesses by offering a range of services for start-ups. We have also been running successful energy efficiency loan programmes, and we are now in a position to apply this experience to new sectors, using the principles of public private partnerships.

Center-invest Bank's social and educational projects are designed to raise new generations of schoolchildren, students, entrepreneurs, civil servants, and company managers.

In addition, by updating our operational system, we have increased the efficiency of all of our business units. Our reduced operating costs have made Center-invest Bank more competitive on the payments and settlements market. As a result, we won a government tender to service the accounts of the Federal Treasury Department for the Rostov region.

In 2011 the bank completed major phases in its work on updating and automating its accounting procedures (tax and management accounting, Russian and international standards) and creating a centralized customer database. We also introduced new methods of developing products and services on the basis of modern information technologies, including SAP technologies.

Last, but not least, the economy of southern Russia has adapted more quickly to the new, post-crisis environment.

With only modest means, but retaining their unique temperament and optimism, the people of southern Russia are trying to make their lives better, often by setting up and running their own businesses. Companies in southern Russia are modernizing their production operations, reducing their costs in order to consolidate and expand their market positions.

These new factors complement southern Russia's traditional global advantages (its climate, geographical location, diversified economy, and tradition of enterprise) and will help ensure that the region can develop sustainably regardless of developments on the global markets. Center-invest Bank is helping its customers not only to enter, but also to achieve growth in these markets. In particular, we are enabling our customers to introduce international best practice into their operations, and this is making them more competitive.

The bank has also helped businesses in southern Russia to expand their contacts with partners from Europe and the BRICS countries. We have established correspondent banking relationships with new partner banks abroad, and we have created an online business network for companies in southern Russia.

In 2012, Center-invest Bank will celebrate its 20th anniversary. Established by the first privatized enterprises in southern Russia, Center-invest Bank has gone on to become not only the leading bank in southern Russia, but also a pioneer of all kinds of innovations based on international best practice, deservedly winning a reputation as "the reform laboratory of southern Russia". Retaining its best traditions, Center-invest Bank provides continuous training for staff on new areas in the banking business and the post-crisis economy.

We are pleased to note that 82 children were born to Center-invest Bank employees in 2011, indicating that our staff feel secure about their futures. We can be confident that all the members of our team are committed to helping the bank and our customers achieve new, sustainable results.



Grigory Zhukov
Chairman of the Executive Board

Board Of Directors



Dr. Vladimir S. Zolotarev

Professor, Doctor of Economics, Honoured Academic of the Russian Federation, full member of the Academy of Social Sciences and the Academy of Commerce. Graduated from the Rostov-on-Don Institute of Finance and Economics in 1959. January 1992 — December 2007: Rector of Rostov State Economics University; since December 2007: President of Rostov State Economics University Chairman of the Appointments and Remunerations Committee of Center-invest Bank (since June 2005), and member of the Board of Directors since May 2002.



Dr. Andreas Zeisler

Doctor of Economics. Graduated from the International Institute of Finance in 1983, and from Berlin Economics University in 1991. Head of Financial Institutions at DEG (Deutsche Investitions- und Entwicklungsgesellschaft mbH) since April 2006. Member of the Board of Directors of Center-invest Bank since April 2006.



Dr. Vasily V. Vysokov

Chairman of the Board of Directors, Professor, Doctor of Economics. Graduated from the Rostov State Institute of the National Economy in 1976, and from Novosibirsk State University in 1982.

Vice President of the Rostov Region Chamber of Trade and Industry (since April 2001); Chairman of the Strategic Planning Committee of Center-invest Bank (since June 2005); Chairman of the Board of Directors of OJSC Teploenergo (since June 2005); Chairman of the Board of Directors of Center-invest Bank since May 2002.



Tatiana N. Vysokova

Ph.D (Economics), Reader. Graduated from the Rostov State Institute of the National Economy in 1976.

Chairman of the Audit and Compliance Committee of Center-invest Bank (since May 2004); member of the Board of Directors of OJSC Teploenergo (since June 2005); member of the Board of Directors of CJSC Santarm (since December 2009).

Member of the Board of Directors of Center-invest Bank since November 1992.

Board Of Directors



Michael Neumayr

Doctor of technical Sciences. In 1982, graduated from John Hopkins University in Bologna, Italy.
September 2008 — October 2008: member of the Board of Directors of the Kazna Development Fund, Kazakhstan
2002 — 2008: Member of the Board of Directors at the European Bank for Reconstruction and Development (EBRD) in London, representing Austria, Bosnia and Herzegovina, Cyprus, Israel, Kazakhstan, and Malta.
Member of the Board of Directors of Monkhongai Group, Ulaanbaatar, Mongolia (since December 2008); member of the Investment Committee and Board of Directors of the European Fund for Southeast Europe, Luxemburg (since August 2008).
Member of the Board of Directors of Center-invest Bank since September 2009.



Andreas Kling

Graduate of Berlin Technical University, with an MBA from Rotterdam Business School.
2005 — 2010: Member of the Executive Board and Head of Strategic Development at Erste Group Bank AG, Vienna, Austria.
Deputy Chairman of the Executive Board and Financial Director of Erste Bank AG Ukraine (since July 2010).
Member of the Board of Directors of Center-invest Bank since November 2008.



Independent director guarantees transparency of Center-invest Bank activity to its clients and also independent decision making.

Ernst Welteke

In 1965 — 1971 he studied economics at the university of Marburg and Frankfurt am Main.

Dr. Welteke began his professional career in 1972 when he joined the Office of the Prime Minister of Hesse. In 1974 he was elected to the Hesse State Parliament and remained a member until 1995. He was chairman of the parliamentary group of the Social Democratic Party (SPD) in the Hesse State Parliament in 1984-87 and 1988-91. From 1991 to 1994 Dr. Welteke was the Minister of Economics, Transport and Technology for the State of Hesse. In 1995 he was appointed President of the Land Central Bank in Hesse and a member of the Central Bank Council of the Deutsche Bundesbank. Dr. Welteke was President of the Deutsche Bundesbank and a member of the Governing Council of the European Central Bank from September 1999 until April 2004. He has been the Independent Director of Center-invest Bank since June 2005.

Executive Board



Grigory I. Zhukov

Chairman of the Executive Board. Graduated from Rostov-on-Don's State Academy of Agricultural Engineering in 2000.

December 2002 — April 2005: head of Center-invest Bank's Plastic Cards Division; April 2005 — May 2011: head of the bank's Retail Banking Department and member of the Executive Board; October 2010 — May 2011: Deputy Chairman of the Executive Board; since May 2011: Chairman of the Executive Board of Center-invest Bank.



Valery V. Sorokin

Deputy Chairman of the Executive Board. Graduated from the Sergo Ordzhonikidze Novocherkassk Polytechnical Institute in 1993. In 1996, graduated from the Kharkov Institute of Finance and Economics, and in 1997 from the Taganrog State Radio Technology University. January 2006 — September 2008: head of the lending department at Center-invest Bank's Main Branch No. 5; October 2008 — March 2009: Deputy Manager of Main Branch No. 5; March 2009 — March 2011: Manager of Main Branch No. 5; since May 2011: head of the Corporate Banking Department and Deputy Chairman of the Executive Board of Center-invest Bank



Yury Y. Bogdanov

Deputy Chairman of the Executive Board. Graduated from Don State Technical University in 2003.

December 2006 — March 2008: Advisor to the Chairman of the Board of Directors of Center-invest Bank; March 2008 — October 2011: head of the bank's Information Technology and Settlement Systems Department, member of the Board of Directors of CJSC Santarm (from December 2009), member of the Executive Board of Center-invest Bank (from October 2011); since June 2011: Deputy Chairman of the Executive Board of Center-invest Bank



Olga V. Vysokova

Deputy Chairman of the Executive Board. Graduated from Moscow State University of International Relations in 2002. In 2004, received a Master's Degree in Finance and International Banking from Cass Business School, London. Since 2005: Deputy Chairman of the Executive Board and head of Center-invest Bank's representative office in London.

Main Achievements and Financial Results

Center-invest Bank's new post-crisis development strategy for 2011-2015 provides for the bank's sustainable and organic growth. This growth is to be based on the modernization of our customers' businesses and also on further improvements to our own operating and technological processes. Center-invest Bank is helping its customers to adopt international best practice and to increase their efficiency three-to fivefold, in order that they can compete on global markets. The bank also applies these same principles to its own work: we introduce the latest and best practices in corporate governance, assets and liabilities management, risk management, and internal control, we are reducing our operating costs, we offer our customers new products and services based on new technologies, and we provide continuous training for staff. The results for the first year of the implementation of the 2011-2015 Strategy have confirmed that this strategy will allow Center-invest Bank to remain competitive amid volatility on global markets.

In 2011,

- For the **16th year in a row**, a clean audit opinion was issued on Center-invest Bank's IFRS financial statements by an independent auditor (PricewaterhouseCoopers).
- A third Center-invest Bank bond issue, with a par value of RUB2.5bn, was quoted on the MICEX. These bonds, together with our second bond issue (RUB3bn par value), have been included in the list of securities accepted as collateral for Bank of Russia loans and for repo agreements with the Bank of Russia.
- We increased our total equity to **RUB6.7bn** at FYE 2011, calculated under IFRS. The bank's equity calculated in accordance with the Basel Capital Accord was **RUB8.4bn**.
- Center-invest Bank was included in the list of the **59 banks** that are permitted to act as guarantors for loans from the Bank of Russia.

Key financial indicators (IFRS) *

RUB, millions

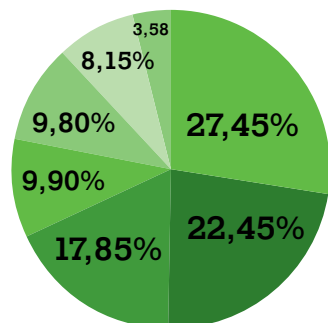
	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010	31.12.2011
Shareholders' equity	4 187.8	5 226.7	5 479.1	5 442.3	5 774.1	6 686.1
Assets	23 832.6	39 461.1	50 653.4	42 912.0	48 279.3	54 537.0
Loans and leases	15 819.7	28 723.3	30 710.7	26 286.6	30 624.7	42 549.2
Deposits	12 361.0	19 245.1	21 251.7	27 791.1	33 813.7	39 000.8
Profit	513.3	700.9	307.5	66.6	219.8	912.2

Dividends on Center-invest Bank shares

in 2011	% of par	Amount in rubles
Preference shares	20 %	18 098 500
Ordinary shares	24 %	186 121 800

* All the financial indicators on this page and in the rest of the report are based on the consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The full IFRS auditors' report and data compiled in accordance with Russian financial reporting standards can be found on our website (www.centrinvest.ru)

Main Achievements and Financial Results



Shareholders at FYE 2011 (% of voting shares)

27,45%	European Bank for Reconstruction and Development (EBRD)
22,45%	The German Investment and Development Company (DEG)
17,85%	Dr. Vasily Vysokov and Mrs. Tatiana Vysokova
9,90%	Firebird Investment Fund
9,80%	Erste Group Bank AG
8,15%	Renaissance Capital
3,58%	Raiffeisenlandesbank Oberosterreich AG

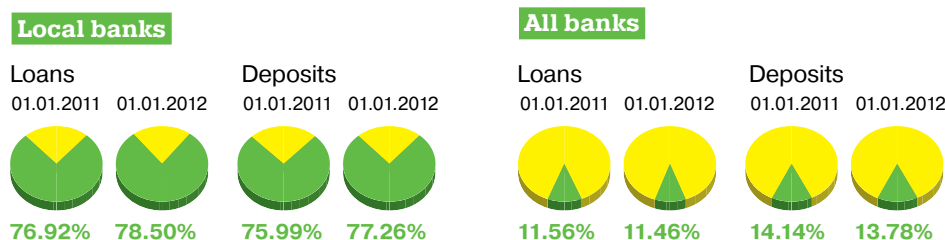
Market positions

In 2011 Center-invest Bank maintained its leading position in southern Russia, achieving accelerated development in the most promising market segments. Among Russia's **top 100 banks** Center-invest Bank ranks:

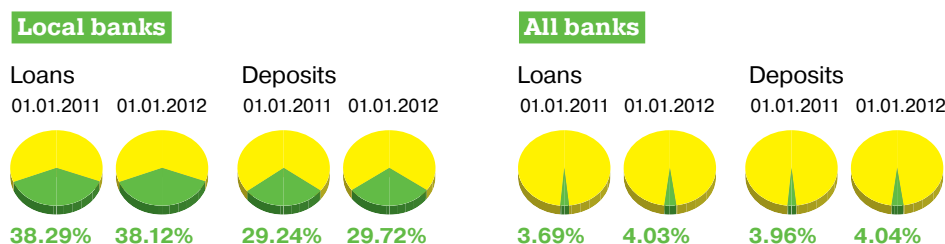
5th value of SME loans	21st value of mortgage loans	30th car loan portfolio	Data from RosBusinessConsulting (www.rbc.ru)	
63rd profits	41st number of ATMs	33rd number of active plastic cards	43rd retail deposits	44th retail loan portfolio
50th business loan portfolio	54th loan portfolio	71st deposit portfolio	75th net assets	79th shareholders' equity

The bank consolidated and even increased its share of the banking services market in the Rostov region and in southern Russia as a whole, proving a worthy competitor to the state-owned banks undergoing expansion in the south.

Center-invest Bank's market share in the Rostov region



Center-invest Bank's market share in southern Russia



Main Achievements and Financial Results

Key indicators

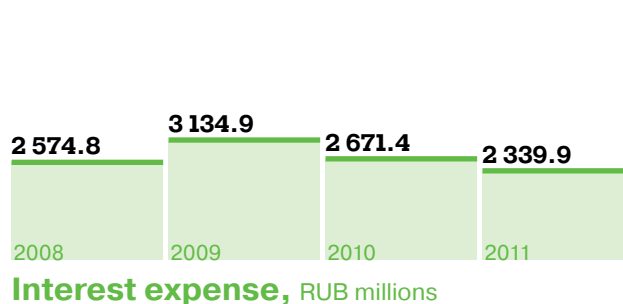
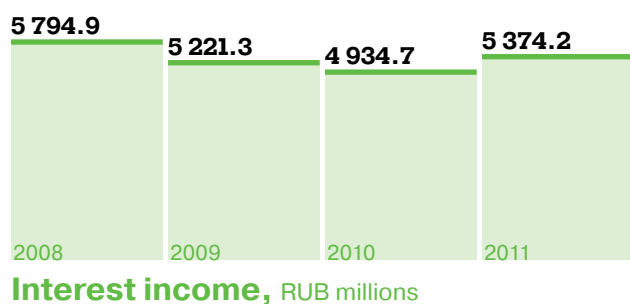
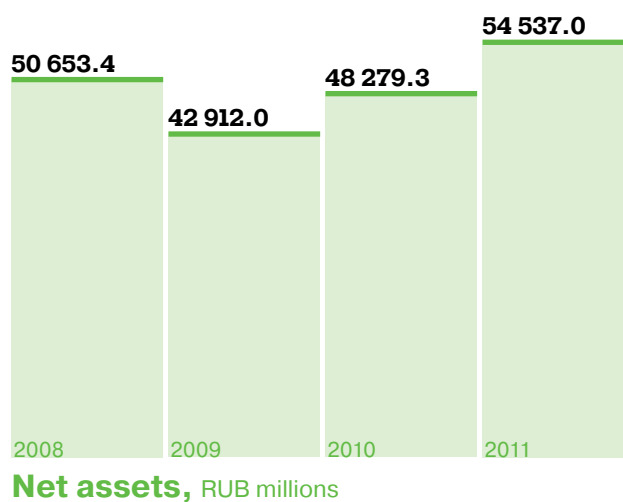
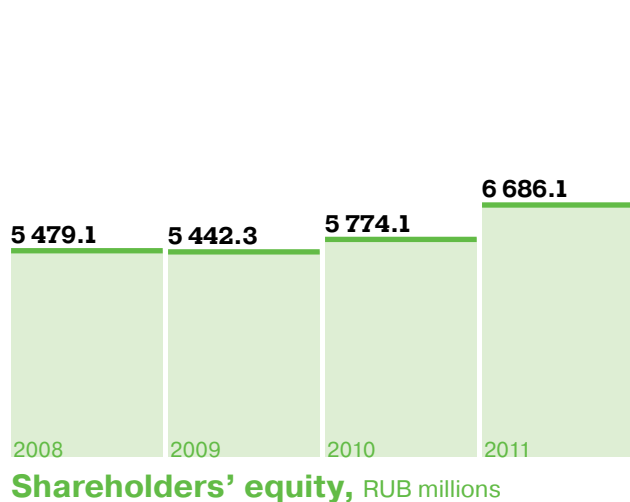
In 2011, Center-invest Bank improved all of its principal financial performance indicators:

- The bank's net profits for 2011 were **RUB912.2m**, up more than fourfold on 2010.
- Interest income increased by **8.9%**, while interest expense fell by **12.4%**. As a result, net interest income was up **34.1%** on 2010. Our net interest margin in 2011 was **6.81%**, compared to **6.26%** in 2010. More than **95.7%** of our interest income came from loans and leases.

Both ROAA and ROAE increased by more than **3.7** times compared to the previous year, to **1.77%** and **14.64%**, respectively.

Center-invest Bank continued to reduce its cost/income ratio in accordance with its internal plan. Our operating ratio was **47.8%**.

The bank maintained a high capital adequacy ratio: **18.2%**. Applying the Basel II and III requirements, the bank's capital adequacy ratio is **15.9%**.



Balance sheet structure

At FYE 2011 Center-invest Bank had net assets of **RUB54.5bn**, up **13%** on 2010.

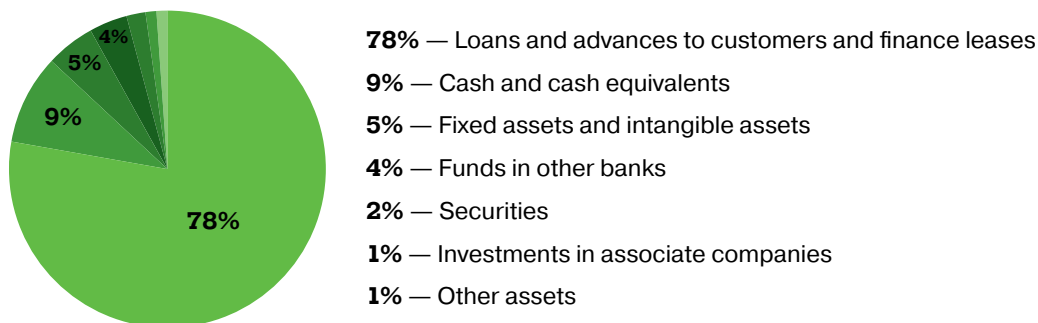
The bank's assets are concentrated in the real sector of the economy: our loan and lease portfolio grew by **38.9%** to **RUB42.5bn**.

Center-invest Bank is very careful to ensure the correct balance between the scale of lending and the sources of finance. The bank's liabilities at year end were **RUB47.4bn**, **12.6%** more than in the previous year.

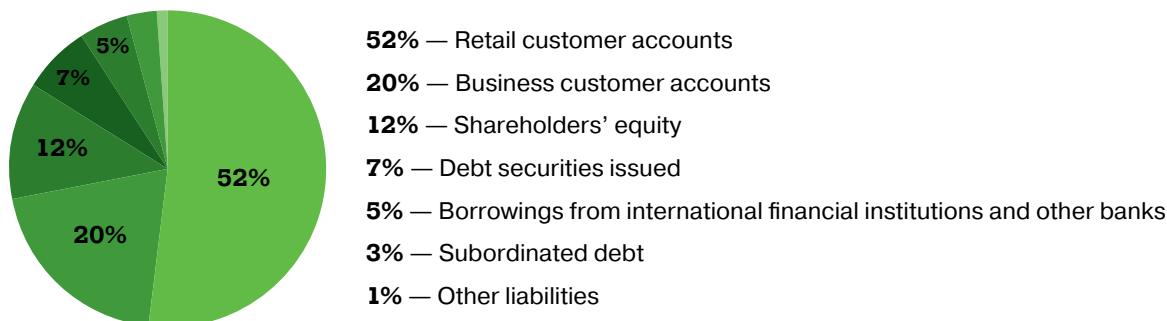
Retail deposits increased by **20.7%** in 2011, reaching **RUB28.3bn** by year end.

Borrowings from banks, international financial institutions and the financial markets remained at the same level as in 2010, amounting to **RUB8.4bn** at FYE 2011.

Structure of assets at FYE 2011



Structure of liabilities at FYE 2011



Sustainable Development

Center-invest Bank integrates sustainable development principles into its operations. Rather than pursuing speculative gains, the bank strives to maximize long-term profits for the benefit of its shareholders, customers and employees.



Center-invest Bank won the Sustainable Business category of “The Sustainable Finance Awards”, organised by the magazine The New Economy. We were the only Russian bank to make it to the final of this international competition.



The publication Delovoi Kvartal (Business Quarter) rated the President of Center-invest Bank, Dr. Vasily Vysokov, as one of the three most influential business people in the Rostov region, and also among the top three most influential heads of a Russian regional bank.

Center-invest Bank received the prestigious STP Award 2010 from Citi Bank for excellence in the processing of international payments in US dollars in Russia.



For the eighth year in a row, Center-invest Bank supported the “Don Teacher of the Year” competition and awarded a special prize for the best new course book.

Center-invest Bank is the founder of the Endowment Fund for Education and Science in the Southern Federal District. The Fund is used to provide financial support for undergraduate and postgraduate students and to encourage the best teaching staff and young scholars and scientists in southern Russia.



Every year, the 255 top students from southern Russia's leading higher education institutions receive a Center-invest Bank scholarship of RUB20,000. In 2011, the total scholarship fund was more than RUB5m. Center-invest Bank has been providing financial incentives for the best students since 2003, increasing students' motivation and desire to study, and instilling in them a sense of civic responsibility.

Center-invest Bank was the first bank to take the initiative to support the teaching of SAP information technologies in the Southern Federal District. We have been working with southern Russia's leading higher education institutions and the SAP company under the University Alliance programme since 2008. In 2011, the South Russian State Technical University became the latest institution to sign up to implement the SAP project in Russia.

As has become traditional, on 26 May, Russian Enterprise Day, Center-invest Bank held an award ceremony for the winners of the third annual “Best Young Lecturer” competition, organised by Center-invest Bank and the Endowment Fund for Science and Education in the Southern Federal District.

Center-invest Bank and the Rostov Region Institute for the Advanced Training and Retraining of Education Workers challenged school pupils to produce a winning business project in a new competition entitled “Future Business Person of the Don Region”. The competition prize fund was RUB500,000.

This year, as part of the educational project “Enterprise for All”, Center-invest Bank, together with the Rostov Region Institute for the Advanced Training and Retraining of Education Workers and Rostov State Economics University, released a second, expanded edition of the textbook “Small Business: Enterprise for All for Schoolchildren”, which accompanies a course on the principles of enterprise. The new textbook is being distributed in Don region schools free of charge. The “Enterprise for All” project has been running since 2009.



Dr.Vysokov gave a lecture “Creating an Environment Conducive to Innovation Based on Small Businesses” in a number of higher education institutions in southern Russia.

Dr.Vysokov and members of the Board of Directors, Ernst Welteke and Michael Neumayer, gave an open lecture “Enterprise for All” at lycee No. 24 in the city of Volgodonsk.



Together with the Committee for Youth Policy of the Rostov Region government, Center-invest Bank is running an educational project for young people, “I Am A Successful Business Person”. Round tables, seminars and master classes have been organised for young business people, with participation from Don region business leaders. The project aims to improve business literacy and to enhance managerial qualities.

Center-invest Bank was Russia's first regional bank to formally sign up to work with OJSC Universal Electronic Card (UEC). This is the company mandated by the Russian government to administer its “universal electronic card” scheme, which is designed for payments and services. Center-invest Bank will participate as an issuer and acquirer bank for the universal cards.

We continued to run our educational project “The Secrets of the Art of Banking”. Based at the bank, this is a business school for our customers’ children and grandchildren. The free-of-charge educational programme is designed to broaden the children’s economic horizons and teach them the financial skills needed to manage their personal finances and to navigate the banking business and the global economy with confidence. More than 140 young business people were awarded certificates for successfully completing the programme.



Every year, thanks to financial support from Center-invest Bank, 8,000 schoolchildren from the Rostov region visit the “Treasures of the Don Steppes” exhibition at the Rostov Region Local Studies Museum free of charge. More than 55,000 children have participated in this social and educational programme since its launch in 2006.



Center-invest Bank sponsors the television programme “I Am Here!” shown on the Rossiya channel. In 2011, there were 23 broadcasts about children from children’s homes in the Rostov region. Eight children found their parents.

More than 1,300 Second World War veterans have accounts with Center-invest Bank. Every year, they receive a gift from us to commemorate Victory Day, and we also organise a celebratory concert.

Coverage of Center-invest Bank in the international and Russian media



Moody's Upgrades Center-invest's Rating

Gorod N, No.31, August 2011

http://old.gorodn.ru/archive/940/2_1.htm



Academia and Business Should Be Kept Separate

DelovoiKvartal, No.8, April 2011

http://www.dkvartal.ru/rostov/magazines/dk-rostov/2011/n08/ne_stoit_smeshivat_nauku_i_biznes



Formula for Success from Center-invest Bank

Vecherny Rostov, 7 September 2011

www.centrinvest.ru/pdf/smi202.pdf



Energy Efficient Chemists

Kommersant. Business Guide. No. 56 (111), October 2011

www.kommersant.ru/doc-rss/1798548



We Shouldn't Fear New Things. It is Better to Try Them and Enjoy the Convenience

Komsomolskaya Pravda, 31 January 2011

www.rostov.kp.ru/daily/25629.5/795481/



Programme for the Modernization of Southern Russia

Ekspert-Yug, No. 20-21, June 2011

<http://smoro.ru/upload/iblock/588/110707%20wjriubjg%20gwzukbucpsek%20wyc%20ficcms.pdf>



Center-invest Gives Agriculturalists Seven-Year Loans

Vestnik agropromyshlennogo kompleksa, August 2011

www.centrinvest.ru/pdf/smi203.pdf



Increased Competition in Agribusiness Lending Unlikely in the Near Future

Vestnikagropromyshlennogokompleksa, No. 2, September 2011

www.centrinvest.ru/ru/smi/200



We Must Not Allow New "Bubbles" To Form

Vestnik ekonomiki, No. 5 (47), July 2011

www.donbiz.ru/archive/articles/2510.html

Agricultural Enterprises Have Started Investing in Modernization

Delovoi Krestyanin, No. 12, December 2011

www.centrinvest.ru/pdf/smi212.pdf

We Know What a Good Manager Needs

Krestyanin, No. 20, May 2011

<http://www.centrinvest.ru/pdf/smi195.pdf>



Reform Laboratory

Realny Biznez, October 2011

www.centrinvest.ru/pdf/smi214.pdf



To Be Strong and Brave

SvoeDelo, May 2011

<http://svoedelomedia.ru/finansovyy-otdel/articles/byt-silnym-i-smelym.html>



Vasily Vysokov: Whoever Enters This System First Will Get Fast Payback Projects

Deloru, October 2011

<http://deloru.ru/news/2320/>



Die Entwicklung Südrusslands nach der Krise

Investieren in Russland

www.centriinvest.ru/pdf/AEB-German.pdf



2010 Best Sustainable Financial Institutions

New Economy, Winter 2011

The BRICS Countries Need Experience of Developing Sustainable Banking

Chinese news portal, April 2011

www.sina.com.cn



Together with the International Finance Corporation (IFC), Center-invest Bank organised a two-day press tour for the national and regional media on energy efficiency in the housing and small business sectors.

The participants visited the cities of Taganrog and Shakhty, where they learnt about the successful implementation of new technologies in the housing and communal services (utilities) sector. They met with local business people and heads of homeowner associations.



Center-invest Bank on social networking sites

Center-invest Bank established a presence on social networking sites in November 2011. The bank now has its own **Facebook** page, an information page on **Twitter**, and a Center-invest Bank scholarship group on the Russian social network, **Vkontakte**.



Investor Relations Activities

January



At the annual Central and Eastern Europe Forum organised by the Euromoney magazine (Vienna, Austria), the President of Center-invest Bank, Dr. Vasily Vysokov, and the Deputy Chairman of the Executive Board and head of the London representative office, Olga Vysokova, held a number of meetings with foreign partner banks.

Dr. Vysokov met for talks with Ludwig Scharinger, Chairman of the Managing Board of Raiffeisenlandesbank Oberösterreich, in the Upper Austrian city of Linz. Dr. Vysokov and Mr. Scharinger updated their strategy to support international cooperation between the customers of their respective banks.

February



At a meeting of the South Regional Committee of the Association of European Business (AEB) it was decided to set up a Rostov sub-committee. The sub-committee's remit is the provision of services that will make it easier for European companies to operate in the region. Dr. Vysokov was elected chairman of the sub-committee.

March

Dr. Vysokov gave a lecture to students at the London School of Economics and Political Science (LSE) on "Designing Economics Mechanisms". His audience learnt about the theory and methods of producing balanced socioeconomic programmes to promote social stability, and also about an integrated approach to their implementation.

April



Dr. Vysokov presented a paper entitled "BRICS Cooperation for Sustainability" at the summit of BRICS countries (Hainan, China). He spoke about the bank's experience of applying sustainable development principles for the benefit of southern Russia's population and businesses.

May



As part of "Europe Days" in Rostov-on-Don, the South Regional Committee and the Rostov Sub-Committee of the Association of European Business gave a presentation at Center-invest Bank. The event was attended by representatives of the AEB in Russia, delegations from the European Union, the Russian Foreign Ministry, the Rostov Region Administration, and the Rostov-on-Don city council, and representatives of the region's business community. The participants took part in a round table discussion of opportunities to develop southern Russia's infrastructure.

In the City of London, Dr. Vysokov and Olga Vysokova presented the 2011-2015 Strategy "The Post-Crisis Development of Southern Russia" to the bank's partners and investors.

June



The International Energy Centre, set up at Center-invest Bank with assistance from IFC, gave a presentation for the Russian Development Bank and Minsk Transit Bank. Center-invest Bank experts shared the bank's experience in energy efficiency lending, and the participants discussed the replication of this experience in Belarus.

Center-invest Bank became the first bank in southern Russia to establish a correspondent banking relationship with China's fifth largest bank (by assets), the Bank of Communications. Center-invest Bank customers who open correspondent accounts in Chinese yuan (CNY) can now make direct payments in this currency to their business partners, bypassing the chain of intermediaries.

July



A meeting was held at Center-invest Bank to sum up the initial results of the “Window on Europe” project. This project is designed to support SMEs in southern Russia that wish to export their products. The project was set up by the Rostov Region Enterprise Agency, the Rostov Region Euro Info Correspondence Centre, Center-invest Bank, and the Rostov Region Administration.

September



Center-invest Bank and the Russian Chamber of Commerce and Industry were co-organisers of the third Russia-India-China Business Forum. This forum is attended by members of the Russian Chamber of Commerce and Industry, the Chinese Committee to Promote International Trade, and the Federation of Indian Chambers of Commerce and Industry.

October



Together with IFC, Center-invest Bank organised a two-day press tour on the subject of energy efficiency in the housing and small business sectors. The national media was represented by RIA Novosti, the Kommersant and Moscow Times newspapers, and the Energopolismagazine. The regional media was represented by the Gorod N newspaper, the Delovoi Kvartal magazine, the Deloru business portal, and the Gorodskoi Reporter website.

November



Dr. Vysokov attended the International Banking Congress and the Congress for Central and Eastern European Countries in Frankfurt.

Dr. Vysokov gave a presentation “Sustainable Turnpike Road” at the Russian Banking Forum in London, organised by Adam Smith Conferences.

December



At the now traditional meeting between Center-invest Bank's management and diplomats based in Rostov-on-Don, Dr. Vysokov updated foreign officials on the bank's performance and economic developments in southern Russia, highlighting the relevance for international cooperation.

Corporate Governance

Center-Invest Bank has had transparent corporate governance procedures since 2004. These include:

- codes of corporate conduct and ethics;
- policies for specific areas of our business.

www.centrinvest.ru/corp

Our sustainable corporate governance system has enabled us not only to survive the acute phase of the crisis in 2008-2009, but also to ensure the bank's sustainable development in the post-crisis environment.

In 2004, Center-invest Bank introduced corporate governance rules and procedures, incorporating international best practice. During the crisis, these rules allowed us to maintain stable relationships between our shareholders, managers, employees and customers, and they have given a new impetus to our joint work in the new economic environment.

The Board of Directors and the Executive Board have been devoting more time to jointly discussing the current situation and possible future developments on global and regional markets. Center-invest Bank's current business plans were analysed in detail in the light of the bank's post-crisis development strategy, approved by the Board of Directors.

Each quarter, the Board of Directors reviewed progress against all the indicators in the bank's business plans, broken down by market segments, products, and services. Due consideration was given to the risks in each area of the bank's activities. The Board of Directors was provided with more detailed information about the bank's loan portfolio and NPLs (using both Russian and international reporting standards), and more in-depth consideration was given to the bank's risk management and cost optimization policies.

Members of the Board of Directors regularly visited Center-invest Bank business customers and saw for themselves the results of the bank's policy of lending to finance modernization projects in southern Russia.

In 2011 the Board of Directors held nine meetings, during which, in addition to current issues, it considered the bank's strategy for 2011–2015 in the context of the post-crisis development of southern Russia.

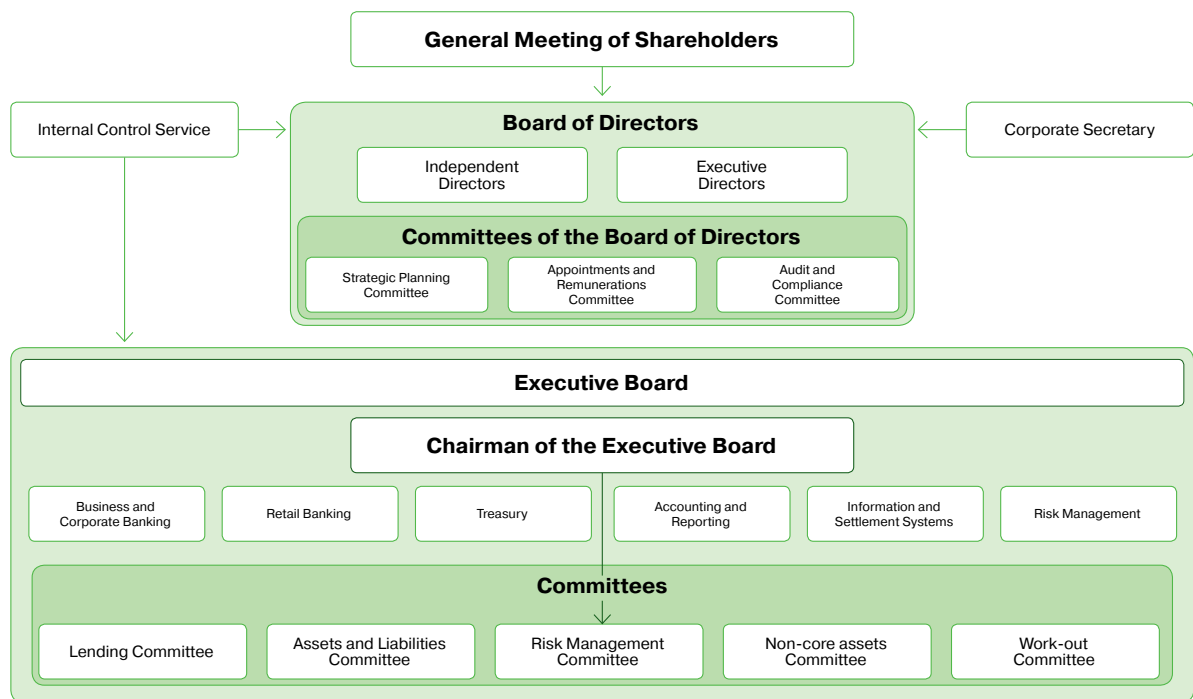
Center-invest Bank did not carry out any large transactions or related-party transactions. In the course of the bank's ordinary commercial activities, it carried out transactions approved by the general meeting of shareholders in 2011.

The remuneration for the chairman and members of the Executive Board and the chairman of the Board of Directors is specified in the by laws approved by the general meeting of shareholders of Center-invest Bank, and depends on net profits, asset growth, and asset quality.

In 2011 remuneration for the Board of Directors totalled RUB27,749,000 (including salaries, bonuses, commission, benefits and/or reimbursement of expenses, and also other financial provisions).

Remuneration for the Executive Board totalled RUB28,833,000 (including salaries, bonuses, commission, benefits and/or reimbursement of expenses, and also other financial provisions).

Taking into account feedback from the Internal Control Service, which monitors compliance with the Code of Corporate Conduct, the members of the Board of Directors regularly evaluate the bank's work in terms of its adherence to corporate governance standards.



Retail Banking

Deposits

In 2011 retail deposits increased by **RUB4.8bn**, reaching **RUB28.3bn** by year end. This growth demonstrates that Center-invest Bank continues to enjoy the trust of the population that it serves.

While deposits increased, the cost of funding fell in 2011. Interest expense was RUB240m less than in 2010.

During 2011, the number of retail depositors increased by 8,000.



More than **1,300 Second World War veterans** bank with us. Every year, we hold an exciting **prize draw for pensioners** who draw their pensions from Center-invest Bank.

Traditionally, ahead of the start of the new academic year, Center-invest Bank organises a **children's festival and prize draw for our young customers who have a "Grow Big!" account.**



Payments and other services

The volume of payments accepted by Center-invest Bank almost doubled to **RUB10bn.**

In 2011 we handled **USD16.9m** and **RUB570m** in money transfers for our retail customers.

Foreign exchange transactions in cash exceeded **USD72.2m** and **EUR37.1m.**



In 2011 we continued to improve our processes for accepting payments from customers for various services. Payments are made in real time. Customers do not need to complete payment requests, and, to speed up the process, our system reads the barcodes on their bills. The companies that receive these payments are gradually switching to electronic documentation systems.

In 2011 we began transferring our payment acceptance system to self-service terminals and this transition is going well. The use of self-service terminals will significantly improve our customer service and will free up branch staff to carry out more skilled work.

Our Internet-Bank service now includes an option for customers to specify the periodicity of payments, for example, for their mobile phone and Internet services. This new capability is proving very popular.



Retail Banking

Retail lending

In 2011, Center-invest Bank granted 26,469 retail loans with a total value of **RUB10.88bn**:

- 23,142 consumer loans totalling **RUB6.85bn**
- 1, 956 mortgage loans totalling **RUB3.24bn**
- 1,371 car loans totalling **RUB0.79bn**

In 2011 Center-invest Bank continued to participate in a number of government loan programmes. For example, we granted **240 subsidised car loans** under the Russian Ministry of Industry and Trade’s subsidised car loan programme. We also granted 251 mortgage loans to borrowers that are receiving government subsidies to help them meet their interest and capital repayments.

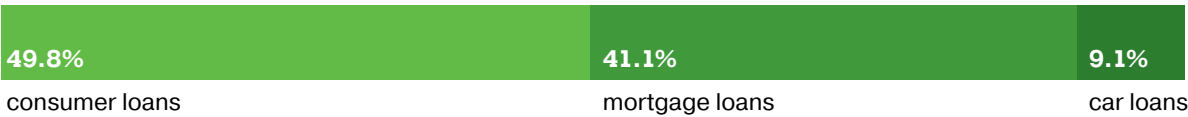
We developed and introduced a loan programme for customers wishing to make energy-saving improvements to their home and/or purchase household appliances with an “A” energy efficiency rating.

Retail lending increased by **57.5%** in comparison with 2010. Our retail loan portfolio grew by **RUB4.9bn**.



At FYE 2011, our retail loan portfolio comprised of **45,716** active loan agreements with a total value of **RUB14.5bn**.

Structure of the retail loan portfolio FYE 2011



Bank cards

Center-invest Bank is the only bank in southern Russia to have its own modern processing centre. In 2011, this centre handled **more than 24 million transactions**.

In 2011 we issued **55,331** Visa International and MasterCard Worldwide cards. The number of active cards at FYE 2011 was **182,603**. Transactions using cards issued by Center-invest Bank amounted to **RUB21.4bn**.

The employees of **1,532 companies and organisations** in southern Russia receive their salaries on Center-invest bank cards.

With the introduction of **28 new ATMs**, at FYE 2011 our acquiring network comprised: **285 ATMs, 114 cash issue desks, and 754 goods and service providers** that accept cards from Visa International, MasterCard Worldwide and Diners Club.

Center-invest Bank was the first Russian regional bank to sign up to work with Universal Electronic Card (UEC) as an issuer and acquirer bank for the nationwide e-card scheme (universal payment and services system).

Center-invest Bank won open tenders to service the accounts of the Federal Treasury Department for Krasnodar Krai and the Rostov region that are used to make payments from government budgets to individuals via debit cards.

Center-invest Bank is currently implementing a joint project, "The Rostov Region Resident's Card", together with the Rostov Region government, Don State Technical University, the transport company Rostov Transport, and Rostov State Economics University. The cards contain banking, transport and campus applications. To date, more than 14,700 cards have been issued, and they are working well.

In 2011 Visa Platinum cardholders received an additional benefit: free use of the business lounges in Krasnodar Krai's four airports. Cardholders can now enjoy this service in Rostov-on-Don (domestic and international flights), Krasnodar, Sochi, Anapa and Geledzhik.

Furthermore, Visa cardholders can now use Visa Fast Funds to receive payments to their cards immediately.

We expanded the list of companies participating in our discount programme, "World of Discounts", which gives our customers a discount of up to 25% off their purchases when paying with their Center-invest card.

Center-invest Bank obtained certification as an acquirer bank for EMV-standard Visa International cards, meaning that our ATMs can now accept both chip and pin cards and magnetic stripe cards.



24-hour customer support line for cardholders. National free phone number: 8-800-2009-109

Business Banking

Thanks to our proactive approach to customer acquisition and our reputation as a reliable and strong partner, 2011 saw a 10% increase in the number of new business customers. At FYE 2011, **47,570 companies** and self-employed individuals had accounts with Center-invest Bank.

We have been expanding the functionality of our new remote banking service for business customers "Bank-Client". In 2011, **4,481 customers** signed up to use the service.

In 2011, we ran the following special promotions for our customers:

- ✓ from 10.02.2011 to 31.03.2011: free-of-charge access to the Bank-Client service
- ✓ from 01.04.2011: "Your partners are our customers"
- ✓ from 01.06.2011: interest is being paid on minimal balances
- ✓ from 23.06.2011 to 31.12.2011: "Start-up" campaign, during which 2267 accounts were opened
- ✓ December 2011: launched new loan programme "Business loan for women".

Lending policy

Lending to companies and organisations from the real sector of the economy continues to be a priority for Center-invest Bank.



At the heart of our customer policy is a commitment to building relationships based on strategic partnerships with our customers. The bank applies the principle that each customer must be treated as an individual: the specifics of their business should be taken into account and the appropriate personal approach identified.

The bank views every customer as a partner. We build strategic relationships with our customers, with due regard for the specifics of their businesses and the need for a personal approach.

Center-invest Bank is continually growing its share of the business lending market. We continue to introduce new products to enable our customers to develop their businesses even at a time when the global economy is in flux.

In 2011, we entered into 5,660 new loan agreements for a total sum of RUB36.3bn. Total lending to business customers in 2011 was **RUB79.2bn**, 80% of which comprised loans to SMEs in southern Russia.

Investment loans (with a term of more than one year) to enable businesses to modernize their production totalled **RUB7.7bn**.

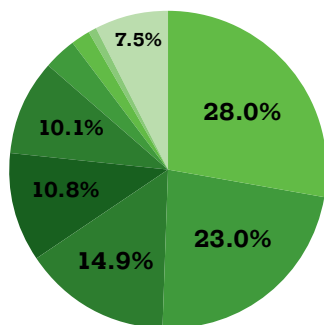
Loans to customers from the energy sector amounted to **RUB1.7bn**.

The bank offers its customers a wide range of loan products: overdraft facilities, credit lines, trade finance for imports of goods and equipment, project finance, leasing, bank guarantees, guarantees for customs agencies, and counter guarantees.

At FYE 2011 Center-invest Bank's total finance lease portfolio was **RUB560m**.

We provided **406** bank guarantees on behalf of our customers, for a total sum of **RUB1.3bn**: RUB979m in contract performance guarantees and RUB154m in guarantees issued to customs agencies.

Structure of the business loan portfolio FYE 2011, in bn RUB



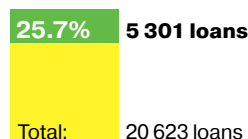
28.0% Trade	8 460.2
23.0% Agriculture	6 973.8
14.9% Production	4 512.4
10.8% Construction	3 277.0
10.1% Transport	3 061.7
3.3% Energy	1 007.8
1.8% Financial companies	532.9
0.6% Real Estate	177.4
7.5% Other	2 260.4
	30 263.6

SME lending and support for the SME sector

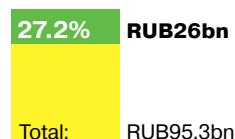
Center-invest Bank has been running **programmes to support SMEs in southern Russia for fifteen years**. Today, our customers include **44,200 SMEs** and self-employed individuals.

Center-invest Bank's share of the SME lending market in the Rostov region

Number of loans issued



Value of loans issued



In 2011, Center-invest Bank made 5,301 loans to SMEs and self-employed individuals, for a total of RUB26bn. This was 22.7% more than in 2010.

In 2011, Center-invest Bank opened a free Advice Centre for New Businesses. The centre provides aspiring entrepreneurs with information on legal issues, taxation, and accountancy. It also runs training seminars; in 2011, the centre held 30 seminars, attended by more than 280 people.

In June 2011 we launched the "Start-up" loan programme for new businesses. By FYE 2011, 58 loans with a total value of **RUB60.5m** had been granted under this programme.

In 2011, the bank continued to work successfully with regional SME Guarantee Funds that provide loan security for SMEs under loan guarantee programmes. Thanks to agreements with the Guarantee Funds, Center-invest Bank had the opportunity to provide additional finance, as the guarantee limit was rolled over upon redemption of the existing loans. In 2011, Center-invest Bank made 50 loans under these programmes, for a total of **RUB295.5m**.

Center-invest Bank finances a "hot line", which in 2011 provided more than 4,000 free consultations on legal issues to businesses in the Rostov region (www.hotline.centrinvest.ru).



Business Banking

Financing energy efficiency projects

For the following international institutions, Center-invest Bank is the leading Russian partner for the implementation of energy saving projects: the EBRD, IFC, FMO and KfW. Center-invest Bank finances projects to introduce **energy efficient technologies** in the following sectors: **industry, agriculture, the service sector, the public sector, the housing and communal services sector, and the private residential sector.**

Working together with the Rostov Region government, in 2011 Center-invest Bank began a project involving the installation of building-wide metering systems in multifamily residential buildings.



At FYE 2011, Center-invest Bank's total investment to date in energy efficiency projects reached **RUB3.45bn**. We have now financed 900 such projects, which together have achieved an annual reduction in CO2 emissions of **89,200 tonnes** (equivalent to the annual emissions from 52,100 cars, or 254,800 barrels of oil).

In 2011 alone, we made **534 energy efficiency loans** with a combined value of **RUB1.23bn**. This was a 44.8% increase on 2010.



In summer 2011, Center-invest Bank launched a **unique loan product** to enable its retail customers to purchase modern, energy efficient household appliances and carry out energy efficiency renovations to their homes. In the six months to FYE 2011, **more than 400 families** in southern Russia were able to introduce energy saving technologies into their everyday lives and to reduce their energy bills.



In 2011, the bank and IFC held a review of their two-year joint programme **"Energy Efficient Housing and Communal Services"**. Under this programme, homeowner associations and housing management companies were given loans to install energy efficiency technologies in 52 multifamily residential buildings, and **3,930 families** are now benefiting from these improvements. The work included: renovating entrance ways, roofs and basements; replacing heating pipes and cabling in entrance ways; and installing building-wide metering systems. The programme also included an energy inspection of **20 multifamily residential buildings** in the Rostov region.



In June 2011, with support from IFC, the **first International Centre for Energy Efficiency (ICEE)** was opened at Center-invest Bank. As part of the centre's activities, **specialists from the bank share their unique experience of energy efficiency lending**. They have held **seminars and presentations** for Russian regional authorities and municipal districts, and also for the financial institutions of various countries, including Brazil, Germany, Ukraine and Belarus.

Center-invest Bank's success in financing energy efficiency projects is attributable to the fundamentally new approach that we have developed for our customers in southern Russia: sustainable lending. This new strategy combines **technical, financial and social engineering**.

Agribusiness lending

In 2011 Center-invest Bank made **1,345 loans** to agricultural companies. The loans totalled **RUB7.03bn**, and this included **RUB1.37bn** in loans for investment purposes, such as acquiring agricultural equipment, building and modernizing production facilities and livestock farms, and purchasing livestock.

More than **500 agricultural companies** have a loan from Center-invest Bank.



With the support of IFC, we are financing the introduction of modern technologies to grow and process crops in accordance with international quality standards.

Assets and Liabilities Management

For many years now, Center-invest Bank's liquidity management policy has remained focused on sustainability. We work with our partners to attract funds from both the Russian and the international financial markets. At a time when long-term resources in the Russian market are extremely limited, we have been working actively with international financial institutions: the EBRD, the German Development Bank (DEG), IFC, the Development Bank of Austria (OeEB), and the Black Sea Trade and Development Bank. The long-term resources that we attract from these international organisations enable us to finance investment projects to modernize our customers' businesses.

The bank strives to maintain a sustainable and diversified funding base, which includes a combination of retail and business deposits, debt securities and interbank loans from banks and international financial institutions. We also maintain sufficient liquid assets to be able to respond promptly to any extraordinary liquidity requirements.

After several years of consumption outstripping saving, the population is now prioritizing saving again. In 2011, we continued to see an increase in the balances in our customers' deposit accounts.

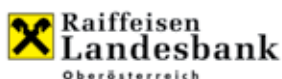
As we had sufficient liquid assets, throughout 2011 we were able to avoid competing for customer accounts on the basis of price alone. This kept our costs down, even although our market share of retail and business customer deposits was growing. We meet the liquidity requirements set by the Bank of Russia with a considerable reserve. At FYE 2011, our current liquidity ratio (N3) was 89.9% (Bank of Russia liquidity covenant: $\geq 50\%$).

Liquidity covenants

	Actual at FYE 2011	Bank of Russia covenant
N2 (quick liquidity covenant)	46.8%	$\geq 15\%$
N3 (current liquidity covenant)	89.9%	$\geq 50\%$
N4 (long-term liquidity covenant)	57.2%	$\leq 120\%$

Throughout 2011, access to the international capital markets continued to be very costly, if not impossible. Therefore, Center-invest Bank focused on increasing customer deposits (achieving an increase of **15.3%** on 2010, from RUB33.8bn to **RUB39.0bn**), while at the same time leaving our foreign borrowings at the same level. At FYE 2011, net borrowing from the financial markets was RUB8.4bn.

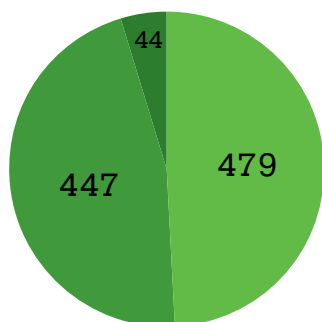
At FYE 2011 the loan to deposit ratio, including leases (L/D ratio), was **116%**.



Stock Market Trading

To lessen market risk, in July 2011 Center-invest Bank reduced its securities portfolio to RUB970m.

The annual return on ruble bond transactions was **11.89%** and on foreign currency bonds it was **2.93%**.



Structure of the securities portfolio FYE 2011, RUBm

Euro bonds — **479**

Other securities — **44**

Ruble bonds — **447**

Bond issue

A third Center-invest Bank bond issue, with a par value of RUB2.5bn, was quoted on the MICEX. These bonds, together with our second bond issue (RUB3bn par value), have been included in the list of securities accepted as collateral for Bank of Russia loans and for repo agreements with the Bank of Russia.

Trust management

At FYE 2011 the value of net assets under management was RUB107m.

2011 proved to be a difficult year for the stock market. In autumn 2011, affected by instability on the European debt market, the stock market underwent a serious correction. Индекс РТС снизился в 2011 году на 21,9%

In 2011, the annual rate of return for our bank-managed mutual fund (BMMF) Center-invest 1, which invests cash in Russian equities, was **-18.11%**, while for BMMF Center-invest 2, which invests assets in bonds, it was **+2.97%**.

Center-invest Bank manages the Endowment Fund for Education and Science in the Southern Federal District (capital under management: RUB38.5m) and the Endowment Fund of the Southern Federal University. In 2011, the annual rate of return for the university's fund was **9.4%**.

International Payments and Trade Finance

Center-invest Bank is a member of the international association SWIFT, which ensures rapid clearing of payments and the safe and reliable communication of financial messages to correspondent banks. The main currencies for payments are US dollars, euros, pounds sterling, and Swiss francs.

Our network of correspondent banks includes:

Erste Group Bank AG (Vienna), Citibank NA (New York, USA), HSBC BANK USA (New York, USA), Commerzbank AG (Frankfurt, Germany), Raiffeisenlandesbank Oberösterreich AG (Linz, Austria), Societe Generale SA (Paris, France), UniCredit SpA (Milan, Italy), The Royal Bank of Scotland PLC (London, Great Britain), and Credit Suisse (Zurich, Switzerland).

In June 2011, Center-invest Bank established a correspondent banking relationship with one of China's largest banks, the Bank of Communications (Shanghai, China).

In 2011, transactions through correspondent accounts totalled **USD 13.9bn** and **EUR 357m**.

Center-invest Bank is a participant in the EBRD and IFC trade facilitation programmes (TFP). By using structured trade finance mechanisms, we are able to minimize the risks and reduce the potential losses for our customers who are engaged in foreign trade. In 2011, our trade finance partners included banks from Germany, Austria, the Czech Republic, South Korea, China, Brazil, Uzbekistan, Ukraine, Belarus, Taiwan, Slovenia, Spain and the Netherlands.



International trade services

In 2011, the bank processed USD 277.2m, EUR 62.7m and RUB 4,086.0m in international trade transactions under our customers' import-export contracts.

At FYE 2011, to carry out these transactions on behalf of our customers, we held 6,517 "transaction certificates" (as required by Russian legislation).

The bank is working to boost exports by companies in southern Russia, as well as imports of the equipment that SMEs in southern Russia require to modernize their operations. To this end, we organise special seminars and events where our customers can meet the customers of our partner banks.

Human Resources

Of Center-invest Bank's **1499 employees** (at FYE 2011), 23 have higher doctorates and PhDs and 9 are studying for postgraduate qualifications. Over **85%** of our employees have a higher education.

82 children were born to Center-invest Bank employees in 2011.

To help us uncover employee potential and encourage increased efficiency, we run an **Employee of the Month** competition.

Center-invest Bank places a high priority on staff training and development. In 2011, **34** employees attended **28** seminars, forums and conferences, both in Russia and abroad, on the following subjects:

- Introducing technologies to save energy and other resources;
- Information and economic security;
- Leasing;
- Innovative banking technologies;
- SME lending;
- Agribusiness lending;
- Subsidised lending;
- Macroeconomic (international) policy;
- Investment policy.

Another important element of our human resources strategy is to help train the banking specialists of the future. Center-invest Bank works together with leading higher education institutions in southern Russia, offering work experience placements to the most promising students. In 2011, we provided **70 students** with internships and work experience at the bank.



Internal Control

Center-invest Bank continued to improve its internal control system on the basis of international best practice. By continually monitoring staff compliance with agreed procedures, functions, remits, and decisions, the Internal Control Service helped the bank's Board of Directors and Executive Board to ensure the sustainable and efficient operation of the business.

In 2011 the Internal Control Service conducted 17 comprehensive branch audits, 17 checks of cash and valuables held by branches and divisions, 4 investigations into customer complaints, and 77 audits of various aspects of the work of branches and divisions. It also carried out quarterly audits of securities trading.

In 2011, the Internal Control Service assisted with an inspection carried out by the Bank of Russia to ascertain the bank's overall position.

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

Risk Management

The bank's risks are covered by adequate capital (including Tier 1 capital), meeting not only the Russian Central Bank's requirements, but also the requirements of the Basel Committee on Banking Supervision (Basel III), even when applying the "strictest" version of the rules (due to enter into force in early 2019).

Capital adequacy

	Actual at FYE 2011	Minimum required
Capital adequacy (RAS)	13.3%	10.0%
Capital adequacy (IFRS)	18.2%	8.0%
Capital adequacy Basel 3	15.9%	8.0%
Total Tier 1 Equity / Risk-weighted Assets (IFRS)	11.5%	4.5%
Total Tier 1 Equity / Risk-weighted Assets Basel 3	10.0%	4.5%
Common Equity Capital Ratio (Basel 3)	9.8%	3.5%

By studying global, national and regional economic trends in depth and analysing their impact on regional and sectoral risks, we have been able to minimize the systemic and strategic risks of our operations at a time of global financial crisis and to meet our customers' needs as the post-crisis economy emerges.

The international ratings agency Moody's Investors Service has recognised that the bank's chosen business and risk management strategies are highly effective and sustainable. In August 2011, the agency upgraded Center-invest Bank's long-term foreign currency deposit ratings to Ba3 with a stable outlook and Moody's Interfax Rating Agency upgraded the bank's long-term National Scale Rating to Aa3.ru.

Risk Management

Operating on the basis of sustainable banking principles, Center-invest Bank has a conservative approach to accepting risks. We view risk management as a comprehensive set of measures designed to protect assets and achieve the best possible return/risk ratio.

Center-invest Bank's Risk Management Policy has been approved by the Board of Directors. The policy regulates our risk management strategy and our main risk management procedures with due regard for Bank of Russia requirements, best international practice, and our own experience.

In the course of its work, the bank accepts the traditional set of main risks inherent in the banking business, which include: credit risk, market risk (including currency, stock market and interest rate risks), liquidity risk, operational risk, compliance risk, reputation risk, and strategic risk.

Center-invest Bank's risk management system covers the whole spectrum of risks arising from the different areas of our operations. The system ensures that the bank can:

- produce an effective development strategy and business plan, thanks to the presence on the Board of Directors of a highly skilled team of professionals with extensive experience in the banking business;
- effectively monitor and manage liquidity risks with the aim of ensuring that the bank has a balanced asset and liability structure and diversified sources of funding;
- conduct thorough assessments of borrower and collateral risks as part of the lending decision-making process;
- take timely decisions in order to achieve the quantitative and qualitative targets in our business plan, at a time of rapid change in the external environment;
- prevent and monitor NPLs, monitor collateral;
- deal effectively with problem loans and NPLs;
- continually monitor trade transactions and the size of the currency position;
- assess and manage market risks, including currency, stock market and interest rate risks;
- set and monitor limits on the main types of risk;
- monitor and manage operational risks and ensure information security;
- be resilient in the event of unplanned, adverse situations, thanks to its business continuity plans;
- insure against operational risks;
- ensure that risks are covered by adequate capital and provisions;
- keep up to date with current legislation and ensure effective legal protection of the bank's interests;
- enjoy an impeccable reputation among the business community and the trust of our customers, thanks to our high-quality service, our involvement with socially significant projects, our support for business in the region, our audited IFRS financial statements, the backing of international ratings, and our ranking among the top Russian banks;
- implement effective internal procedures for decision making and risk management, and continually improve these procedures, working closely with international financial structures and consultants (EBRD, DEG, IFC, KfW, Erste Group, Raiffeisenlandesbank Oberösterreich AG, DeutscheBundesbank, Commerzbank, DAI Europe).

Information Technology

With respect to information technology, in 2011 Center-invest Bank focused on optimizing its technological and business processes, improving the reliability of the information system, and providing for an expanded product range.

In 2011, the following were put into commercial use:

- A system for creating mandatory reports based on SAP Business Warehouse (a centralized databank). The new system has reduced the man-hours required to produce the reports for submission to bank regulators.
- A centralized client management system based on a CRM system incorporating BPM software. Thanks to this system, the bank is able to introduce more proactive approaches to working with customers, with a controlled level of service quality, automated segmentation, and also cross- and up-sell matrixes.
- Additional capacity for the High-End data processing centre based on Oracle hardware, guaranteeing the highest levels of reliability and productivity.

We also introduced a new version of the Internet banking system for our retail customers, with an improved graphic interface, expanded functionality, and better information security.



By introducing plastic cards using one-time codes for the confirmation of payments, we have made our Bank-Client system even more secure and user-friendly for our business customers.

In accordance with our IT Development Strategy, we are gradually introducing the modules for our automated banking system based on SAP AG software products. The SAP XI platform has been upgraded to SAP Process Integration, which supports the transfer of the bank's information system to a service-oriented architecture (SOA).

In 2011 we added a new channel for payment acceptance: self-service terminals. Center-invest Bank customers can use the terminals to pay their utility and telephone bills, make loan repayments, and put money onto their bank cards.

Развитие филиальной сети

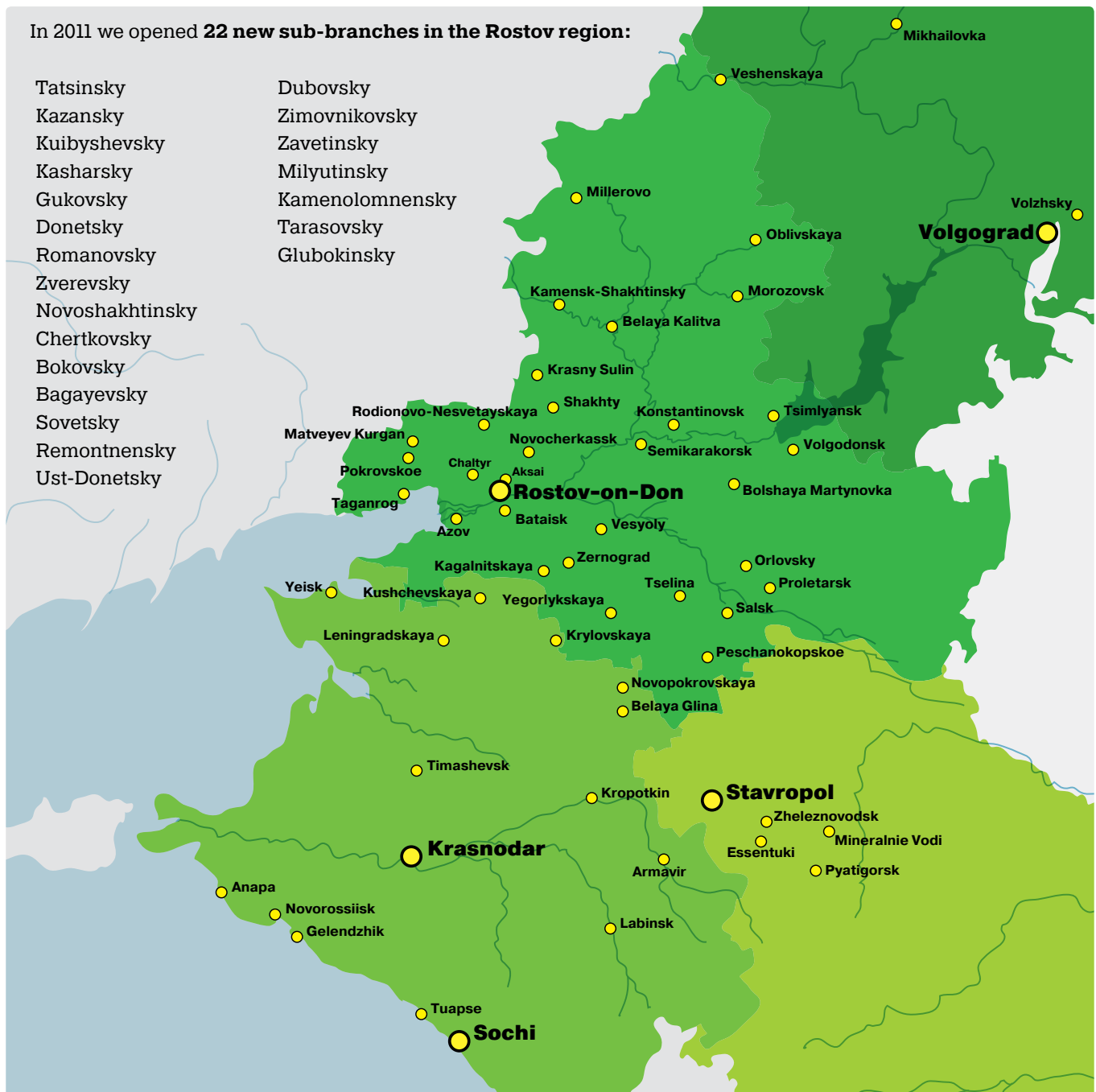
The Center-invest Bank branch network plays an important role in the acquisition of both retail and business customers. The branch network is a key factor in the implementation of the bank's strategy.

Our branches provide modern banking services and products to a wide range of customers throughout southern Russia: corporate clients, SMEs, self-employed individuals, and retail customers. The system for managing the branch network is based on close cooperation between functional and regional managers.

At FYE 2011, Center-invest Bank's branch network comprised **140 branches** and sub-branches in Rostov-on-Don, the Rostov region, Krasnodar and Krasnodar Krai, Volgograd and the Volgograd region, Stavropol, and Stavropol Krai. We also have representative offices in Moscow and London.

In 2011 we opened **22 new sub-branches in the Rostov region:**

Tatsinsky	Dubovsky
Kazansky	Zimovnikovsky
Kuibyshevsky	Zavetinsky
Kasharsky	Milyutinsky
Gukovsky	Kamenolomnensky
Donetsky	Tarasovsky
Romanovsky	Glubokinsky
Zverevsky	
Novoshakhtinsky	
Chertkovsky	
Bokovsky	
Bagayevsky	
Sovetsky	
Remontnensky	
Ust-Donetsky	



Report Of The Independent Auditor

Center-invest Bank Nroup

Summary Consolidated Financial Statements Prepared from the International Financial Reporting Standards Consolidated Financial Statements and Independent Auditor’s Report

31 December 2011

Contents

Report of the independent auditor on the summary consolidated financial statements

Summary consolidated financial statements

Summary Consolidated Statement of Financial Position	42
Summary Consolidated Statement of Comprehensive Income	43
Summary Consolidated Statement of Cash Flows	44
Summary Consolidated Statement of Changes in Equity	46
Note to the Summary Consolidated Financial Statements	46



Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Shareholders and Board of Directors of Center-invest Bank:

1 The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2011, the summary consolidated statement of comprehensive income, the summary consolidated statement of cash flows and the summary consolidated statement of changes in equity for the year then ended are derived from the audited consolidated financial statements of Center-invest Bank and its subsidiary (the "Group") for the year ended 31 December 2011. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 30 March 2012.

2 The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards ("IFRS"). Reading the summary consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of the Group prepared in accordance with IFRS.

Management's Responsibility for the Summary Consolidated Financial Statements

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

Auditor's responsibility

4 Our responsibility is to express an opinion on the summary consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 «Engagements to Report on Summary Financial Statements.»

Opinion

5 In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the Group for the year ended 31 December 2011 are consistent, in all material respects, with those consolidated financial statements, on the basis described in Note "Basis for preparation".

30 March 2012
Moscow, Russia

A handwritten signature in blue ink, likely of the auditor, written over a horizontal line.

ZAO PricewaterhouseCoopers Audit, White Square Office Center, 10 Butyrsky Val, Moscow, Russia, 125047
Telephone +7 (495) 967 6000, Fax +7 (495) 967 6001, www.pwc.ru

Summary Consolidated Statement of Financial Position

<i>In thousands of Russian Roubles</i>	<i>31 December 2011</i>	<i>31 December 2010</i>
Assets		
Cash and cash equivalents	4 650 962	5 945 891
Mandatory cash balances with the Central Bank of the Russian Federation	484 091	244 706
Trading securities	970 349	2 907 567
Other securities at fair value through profit or loss	5 997	6 005
Due from other banks	2 012 023	4 511 454
Loans and advances to customers	42 010 560	30 142 571
Finance lease receivables	538 667	482 097
Investment in associate	319 199	320 657
Intangible assets	329 674	354 747
Premises and equipment	2 710 632	2 623 759
Other financial assets	302 851	202 457
Other assets	201 958	537 426
Total assets	54 536 963	48 279 337
Liabilities		
Due to other banks	94 689	362 857
Customer accounts	39 000 759	33 813 688
Debt securities in issue	3 720 669	2 040 432
Borrowings from international financial institutions	2 655 299	4 007 518
Subordinated debt	1 942 715	1 876 061
Other financial liabilities	148 429	116 525
Deferred income tax liability	216 063	166 323
Other liabilities	72 281	121 845
Total liabilities	47 850 904	42 505 249
Equity		
Share capital	1 258 709	1 258 709
Share premium	1 646 428	1 646 428
Revaluation reserve for premises and equipment	1 377 608	1 270 280
Retained earnings	2 403 314	1 598 671
Total equity	6 686 059	5 774 088
Total liabilities and equity	54 536 963	48 279 337

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

Summary Consolidated Statement of Comprehensive Income

<i>In thousands of Russian Roubles</i>	<i>2011</i>	<i>2010</i>
Interest income	5 374 230	4 934 729
Interest expense	(2 339 864)	(2 671 373)
Net interest income	3 034 366	2 263 356
Provision for loan portfolio impairment and impairment of finance lease receivables	(620 790)	(1 077 259)
Net interest income after impairment provisions	2 413 576	1 186 097
Fee and commission income	842 041	806 815
Fee and commission expense	(210 918)	(166 336)
Losses less gains from trading securities	(38 208)	(9 399)
Gains less losses from trading in foreign currencies	61 582	46 665
Foreign exchange translation gains less losses	138 374	(34 862)
Losses less gains from conversion operations on the interbank market	(125 049)	59 487
Gains less losses from assignment of the rights of claim	29 031	14 355
Provision for other assets	(158 444)	(80 412)
Other operating income	87 277	64 896
Contributions to the state deposit insurance scheme	(99 894)	(79 398)
Administrative and other operating expenses	(1 778 642)	(1 498 870)
Share of profit of associate	3 934	7 856
Profit before tax	1 164 660	316 894
Income tax expense	(252 484)	(97 080)
Profit for the year	912 176	219 814
Other comprehensive income		
Revaluation of premises and equipment	196 035	156 492
Revaluation of premises and equipment of the associate	(5 392)	4 879
Income tax recorded directly in other comprehensive income	(95 199)	(31 298)
Other comprehensive income for the year	95 444	130 073
Total comprehensive income for the year	1 007 620	349 887

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

Summary Consolidated Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	<i>2011</i>	<i>2010</i>
Cash flows from operating activities		
Interest received	5 393 576	4 874 668
Finance income arising from leasing	93 810	132 334
Interest paid	(2 478 150)	(2 709 089)
Fees and commissions received	857 088	809 457
Fees and commissions paid	(206 154)	(160 675)
Realized gains less losses from trading securities	(19 111)	16 157
Net income received from trading in foreign currencies	61 582	46 665
Realized gains less losses from conversion operations on the interbank market	(120 046)	35 189
Income received from assignment of the rights of claim	185 274	67 161
Other operating income received	98 122	75 723
Contributions to the state deposit insurance scheme	(94 846)	(95 885)
Staff costs	(914 729)	(712 524)
Operating expenses paid	(580 524)	(494 124)
Income tax paid	(341 526)	(29 084)
Cash flows from operating activities before changes in operating assets and liabilities	1 934 366	1 855 973
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the CBRF	(239 385)	(44 384)
Net decrease /(increase) in trading securities	1 905 859	(249 413)
Net decrease/(increase) in due from other banks	2 515 904	(4 101 450)
Net increase in loans and advances to customers	(12 576 650)	(5 784 910)
Net (increase)/decrease in finance lease receivables	(64 594)	200 199
Net decrease in other financial and other assets	187 955	142 430
Net decrease in due to other banks	(278 881)	(318 149)
Net increase in customer accounts	5 238 690	6 123 090
Net (decrease)/increase in promissory notes issued	(68 602)	46 760
Net decrease in other financial and other liabilities	(26 455)	(92 162)
Net cash used in operating activities	(1 471 793)	(2 222 016)
Cash flows from investing activities		
Acquisition of premises and equipment	(103 447)	(21 491)
Proceeds from disposal of premises and equipment	19 983	2 383
Acquisition of intangible assets	(34 515)	(15 961)
Net cash used in investing activities	(117 979)	(35 069)

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

Summary Consolidated Statement of Cash Flows

<i>In thousands of Russian Roubles</i>	<i>2011</i>	<i>2010</i>
Cash flows from financing activities		
Issue of bonds	2 500 000	1 691 787
Repurchase of bonds	(754 156)	(2 035 685)
Borrowings from international financial institutions	70 000	650 000
Repayment of borrowings from international financial institutions	(1 452 305)	(863 549)
Repayment of subordinated debt	(37 567)	(111 894)
Dividends paid	(95 649)	(18 099)
Net cash from/(used in) financing activities	230 323	(687 440)
Effect of exchange rate changes on cash and cash equivalents	64 520	(78 121)
Net decrease in cash and cash equivalents	(1 294 929)	(3 022 646)
Cash and cash equivalents at the beginning of the year	5 945 891	8 968 537
Cash and cash equivalents at the end of the year	4 650 962	5 945 891

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

Summary Consolidated Statement of Changes in Equity

In thousands of Russian Roubles	Share capital	Share premium	Revaluation reserve for premises and equipment	Retained earnings	Total equity
Balance at 1 January 2010	1 258 709	1 646 428	1 166 911	1 370 252	5 442 300
Profit for the year	—	—	—	219 814	219 814
Other comprehensive income	—	—	130 073	—	130 073
Total comprehensive income for 2010	—	—	130 073	219 814	349 887
Dividends declared and paid:					
— preference shares	—	—	—	(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings	—	—	(26 704)	26 704	—
Balance at 31 December 2010	1 258 709	1 646 428	1 270 280	1 598 671	5 774 088
Profit for the year	—	—	—	912 176	912 176
Other comprehensive income	—	—	155 297	(59 853)	95 444
Total comprehensive income for 2011	—	—	155 297	852 323	1 007 620
Dividends declared and paid					
— ordinary shares	—	—	—	(77 550)	(77 550)
— preference shares	—	—	—	(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings	—	—	(47 969)	47 969	—
Balance at 31 December 2011	1 258 709	1 646 428	1 377 608	2 403 314	6 686 059

Basis for preparation

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

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

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

Head Office:

**62 Sokolova Avenue, Rostov-on-Don,
344000, Russia, tel: +7 (863) 2-000-000**

www.centriinvest.ru

welcome@centriinvest.ru

Banking licence No. 2225 issued by the Central Bank
of the Russian Federation on 26 January 1998