

20 YEARS BANK CENTER-INVEST

Annual report **2012**



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,

2012 was a landmark year for Center-invest Bank: we celebrated our 20th anniversary!

Established in 1992 by southern Russia's first privatised enterprises, Center-invest Bank soon became something of a "laboratory", providing solutions to problems encountered during the process of reform in Russia, introducing best international practice, and promoting the region as an international partner.

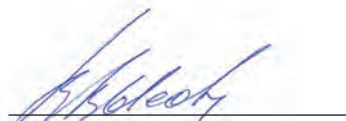
The bank's twenty years of experience in localising best international practice have culminated in its implementation in southern Russia of a sustainable banking business model. Under this model the bank pursues policies that are consistent with not only the short-term but also the long-term interests of its shareholders, customers and staff, and of society and the environment, striking the optimum balance between profitability, organic growth and risk management.

In its 20th anniversary year, Center-invest Bank:

- continued to work together with international financial institutions to implement energy efficiency projects;
- successfully placed bonds on the capital markets;
- brought to the market new products for young entrepreneurs and businesswomen, and increased uptake of its Internet banking services and plastic cards;
- further improved its information system and became one of SAP AG's partners for the localisation of SAP for Banking 8;
- improved work performance through enhanced staff development and training, and introduced new benefits for staff;
- increased its contribution to the Endowment Fund for Education and Science in the Southern Federal District to RUB67m, and provided support for social and educational programmes;
- won the banking services category of the prestigious 100 Best Goods of Russia competition.

Center-invest Bank is on track to achieve its 2011-2015 post-crisis development strategy ahead of schedule. The bank's new strategy to 2020 will again be based on a sustainable banking business model and opportunities to expand the application of this model not only in southern Russia but also in other regions of the Russian Federation.

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



Grigory Zhukov, Chairman of the
Executive Board of Center-invest Bank



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.

Center-invest Bank's strategy:

Center-invest Bank's strategy is to use its sustainable banking business model, southern Russia's competitive advantages, and best international practice to help raise business competitiveness and the standard of living in southern Russia to the level of developed countries. This strategy is proving effective.

Board Of Directors



Dr. Vasily V. Vysokov

Doctor of Economics, Professor

Chairman of the Board of Directors since May 2002.

1976 — Diploma in Economics, Rostov State Institute of the National Economy, Russia.
1982 — Diploma in Economics, Novosibirsk State University, Russia.
1976–1991 — scientific and management work at Rostov State Institute of the National Economy.
1991–1992 — Associate professor of the Central Institute for Economics and Mathematics of the USSR Academy of Sciences.
1992–1997 — Deputy Chairman of the Board of Directors of Center-invest Bank.
1997–1998 — General Director of the Federal Fund for SMEs support, Moscow.
1999–2002 — Deputy Chairman of the Board of Directors of Center-invest Bank.
Since 2002 — Chairman of the Board of Directors of Center-invest Bank.
Since 2005 — Chairman of the Board of Directors of OJSC Teploenergo.

Has a stake of 8.07% in the share capital of Center-invest Bank, equating to 9.01% of ordinary shares.



Tatiana N. Vysokova

Ph.D (Economics), Reader

Chairman of the Audit and Compliance Committee of Center-invest Bank (since May 2004); member of the Board of Directors of Center-invest Bank since November 1992.

1978 — Diploma in Economics, Rostov State Institute of the National Economy, Russia.
1980–1984 — teacher of the Rostov State Institute of the National Economy, Russia
1984–1993 — associate professor of the Rostov State Institute of the National Economy, Russia
Since 1992 — Member of the Board of Directors of Center-invest Bank.
1993–1999 — Chairman of the Executive Board of Center-invest Bank.
Since 2004 — Chairman of the Audit and Compliance Committee of Center-invest Bank.
Since 2005 — member of the Board of Directors of OJSC Teploenergo.

Has a stake of 7.91% in the share capital of Center-invest Bank, equating to 8.83% of ordinary shares.



Dr. Vladimir S. Zolotarev

Professor, Honoured Academic of the Russian Federation, full member of the Academy of Social Sciences and the Academy of Commerce.

Chairman of the Appointments and Remunerations Committee of Center-invest Bank (since June 2005); member of the Board of Directors since May 2002.

1959 — Diploma in Economics, Rostov-on-Don Institute of Finance and Economics, Russia.
1959–1962 — engineer-economist of Rostselmash factory.
1962–1988 — scientific and management work at Rostov State University
1988–2008 — Rector of Rostov State Economics University.
Since 2002 — Member of the Board of Directors of Center-invest Bank.
Since 2008 — President of Rostov State Economics University.

Has a stake of 0.14% in the share capital of Center-invest Bank.



Dr. Andreas Zeisler

Doctor of Economics

Member of the Board of Directors of Center-invest Bank since April 2006.

1978–1983 — Diploma in International Finance, Finance Institute, Moscow, Russia.
1983–1990 — Director, Credit policy with emerging market for Ministry of Finance, East Berlin
1988–1991 — Doctor Degree in Economics, University of Economy, Berlin, Germany.
1990–1993 — DAV Wirtschaftsberatungsgesellschaft mbH, Cologne
Since 1993 — DEG (Deutsche Investitions- und Entwicklungsgesellschaft, Cologne.
since 2002 — Head of Financial Institutions Department, DEG
since 2006 — Member of the Board of Directors of Center-invest Bank



Michael Neumayr

Doctor of Law

Member of the Board of Directors of Center-invest Bank since September 2009.

1980 — Doctor of Law (University of Vienna).
 1982 — Diploma in International Relations, Johns Hopkins University, Bologna Center, Italy.
 1982–2002 — Extensive experience in international banking at Girozentrale Group (Vienna and Zurich) and Bank Austria Creditanstalt, Vienna.
 2002–2008 — Member of the Board of Directors at the European Bank for Reconstruction and Development (EBRD) in London, representing Austria and five other shareholder countries, including Bosnia and Herzegovina, and Kazakhstan.

Since 2009 — Member of the Board of Directors of Center-invest Bank.
 Current day — independent business advisor and member of supervisory boards of several banks and financial institutions.



Andreas Klingens

Member of the Board of Directors of Center-invest Bank since November 2008.

1984–1990 — Diplom-Physiker, Technische Universität, Berlin, Germany
 1991–1993 — MBA, Rotterdam School of Management, Rotterdam, NL
 1993–1998 — Associate of Lazard & Co, Frankfurt, Germany.
 1998–2005 — Senior Vice President of JPMorgan, London, United Kingdom.
 2005–2010 — Head of Strategic Group Development of Erste Group Bank AG, Vienna, Austria.
 Since 2008 — Member of the Board of Directors of Center-invest Bank.
 Since 2010 — Deputy CEO, CFO, Head of Treasury and Corporate Banking PC «Erste Bank», Kyiv, Ukraine.
 Various Supervisory Board Positions.



Dr. Ernst Welteke

Independent Director of Center-invest Bank since June 2005.

1971 — Diploma in Economics, Johann-Wolfgang-Goethe University in Frankfurt (Main).
 1972–1974 — joined the Office of the Prime Minister of Hesse.
 1974–1995 — Member to the Hesse State Parliament.
 1984–1987, 1988–1991 — Chairman of the parliamentary group of the Social Democratic Party in the Hesse State Parliament
 1991–1994 — Minister of Economics, Transport and Technology for the State of Hesse.
 1994–1995 — Minister of Finance for the State of Hesse.
 1995–1999 — President of the Land Central Bank in Hesse and a member of the Central Bank Council of the Deutsche Bundesbank.
 1999–2004 — President of the Deutsche Bundesbank and a member of the Governing Council of the European Central Bank.
 Furthermore, he is on the Board of Directors of Unibank, Azerbaijan.

The independent director guarantees the transparency of the bank's activities and ensures independent decision-making.

Executive Board



Grigory I. Zhukov

**Chairman of the Executive Board
since May 2011.**

2000 — Rostov-on-Don's State Academy of Agricultural Engineering, Russia.

2002–2005 — head of Center-invest Bank's Plastic Cards Division;

2005–2011 — head of the bank's Retail Banking Department and member of the Executive Board.

2010–2011 — deputy Chairman of the Executive Board.

Since 2011 — chairman of the Executive Board of Center-invest Bank



Valery V. Sorokin

**Deputy Chairman of the Executive Board
since May 2011.**

1993 — Sergo Ordzhonikidze Novocherkassk Polytechnical Institute, Russia.

1996 — Kharkov Institute of Finance and Economics, Russia.

1997 — Taganrog State Radio Technology University, Russia.

2006–2008 — head of the lending department at Center-invest Bank's Main Branch No. 5.

2008–2009 — deputy Manager of Main Branch No. 5.

2009–2011 — manager of Main Branch No. 5.

Since 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
since June 2011.**

2003 — Don State Technical University, Russia.

2006–2008 — advisor to the Chairman of the Board of Directors of Center-invest Bank.

2008–2011 — head of the bank's Information Technology and Settlement Systems Department,

2009 — member of the Executive Board of Center-invest Bank.

Since 2009 — member of the Board of Directors of CJSC «Santarm».

Since 2011 — deputy Chairman of the Executive Board of Center-invest Bank.



Denis V. Proshkin

Deputy Chairman of the Executive Board.

2003 — Rostov State Pedagogical University, Russia.

2005–2006 — head of team Center-invest Bank's Plastic Cards Division.

2006 — manager of Sub-branch in Volgodonsk.

2006–2012 — manager of Sub-branch «Voenved».

Since 2012 — deputy Chairman of the Executive Board of Center-invest Bank and head of Branch network.



Olga V. Vysokova

**Deputy Chairman of the Executive Board
since September 2005.**

2002 — Moscow State University of International Relations.

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.

1. Main Achievements and Financial Results

Center-invest Bank's post-crisis development strategy for 2011-2015 provides for the bank's sustainable and organic growth, based on the modernisation of our customers' businesses and also on further improvements to our own operating processes and technologies. Center-invest Bank is helping its customers to adopt best international practice and to increase their efficiency three- to fivefold so 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 introduce new products and services for our customers based on new technologies; and we provide continuous staff training. The results achieved in the first two years of implementing the 2011-2015 Strategy confirm that our chosen approach is allowing Center-invest Bank to remain competitive amid ongoing volatility on global markets.

In 2012,

- For the **17th year in a row**, a clean audit opinion was issued on Center-invest Bank's **IFRS financial statements** by an independent auditor (PricewaterhouseCoopers).
- We placed Center-invest Bank bonds with a total par value of RUB 1.5bn on the MICEX. At the end of 2012, these bonds were included in the list of securities accepted as collateral for Central Bank of Russia loans and for repo agreements with the Central Bank of Russia. Including previous bond issues, at FYE 2012 the total par value of Center-invest Bank bonds being traded was RUB 7bn. The bonds mature in June 2014 and April 2015.
- For net assets, loans and customer accounts, we achieved our targets for FYE 2013, a year ahead of plan.
- We increased our total equity to **RUB 7.6bn** at FYE 2012, calculated under IFRS. The bank's equity calculated in accordance with the Basel Capital Accord was **RUB 9.2bn**.
- Center-invest Bank was included in the list of the **59 banks** that are permitted to act as guarantors for loans from the Central Bank of Russia (http://www.cbr.ru/analytics/standart_system/print.asp?file=spr_8.htm).

Key Financial Indicators (IFRS)*

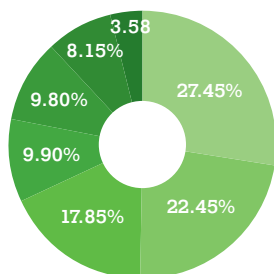
RUB, thousands

	31.12.2008	31.12.2009	31.12.2010	31.12.2011	31.12.2012
Shareholders' equity	5 479.1	5 442.3	5 774.1	6 686.1	7 593.3
Assets	50 653.4	42 912.0	48 279.3	54 537.0	62 671.8
Loans and leases	30 710.7	26 286.6	30 624.7	42 549.2	48 405.4
Deposits	21 251.7	27 791.1	33 813.7	39 000.8	44 062.9
Profit	307.5	66.6	219.8	912.2	1 100.6

Dividends on Center-invest Bank shares

in 2012	% of par	Amount in rubles
Preference shares	20%	18 098,500
Ordinary shares	30%	232 652,250

Shareholders at FYE 2012 (% 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%	Rekha Holdings Ltd
3.58%	Raiffeisenlandesbank Oberosterreich AG

Market positions

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:*

8th

value of SME loans

24th

value of mortgage loans

27th

number of proprietary transaction and payment terminals

35th

car loans

40/41st

number of ATMs

42nd

number of active plastic cards

47th

retail deposits

44th

retail loan portfolio

55th

business loan portfolio

57th

liquid assets

59th

loan portfolio

63rd

profits

72nd

deposit portfolio

77th

net assets

79th

shareholders' equity

* Data from RosBusinessConsulting (www.rbc.ru)

The bank retained 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

Local banks

Loans

FYE 2011
78.50%

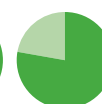
FYE 2012
77.93%



Deposits

FYE 2011
77.26%

FYE 2012
77.97%



All banks

Loans

FYE 2011
11.46%

FYE 2012
9.45%



Deposits

FYE 2011
13.78%

FYE 2012
13.04%



Center-invest Bank's market share in southern Russia

Local banks

Loans

FYE 2011
38.12%

FYE 2012
36.63%



Deposits

FYE 2011
29.72%

FYE 2012
29.41%



All banks

Loans

FYE 2011
4.03%

FYE 2012
3.63%



Deposits

FYE 2011
4.04%

FYE 2012
3.86%



1. Main Achievements and Financial Results

Key indicators*

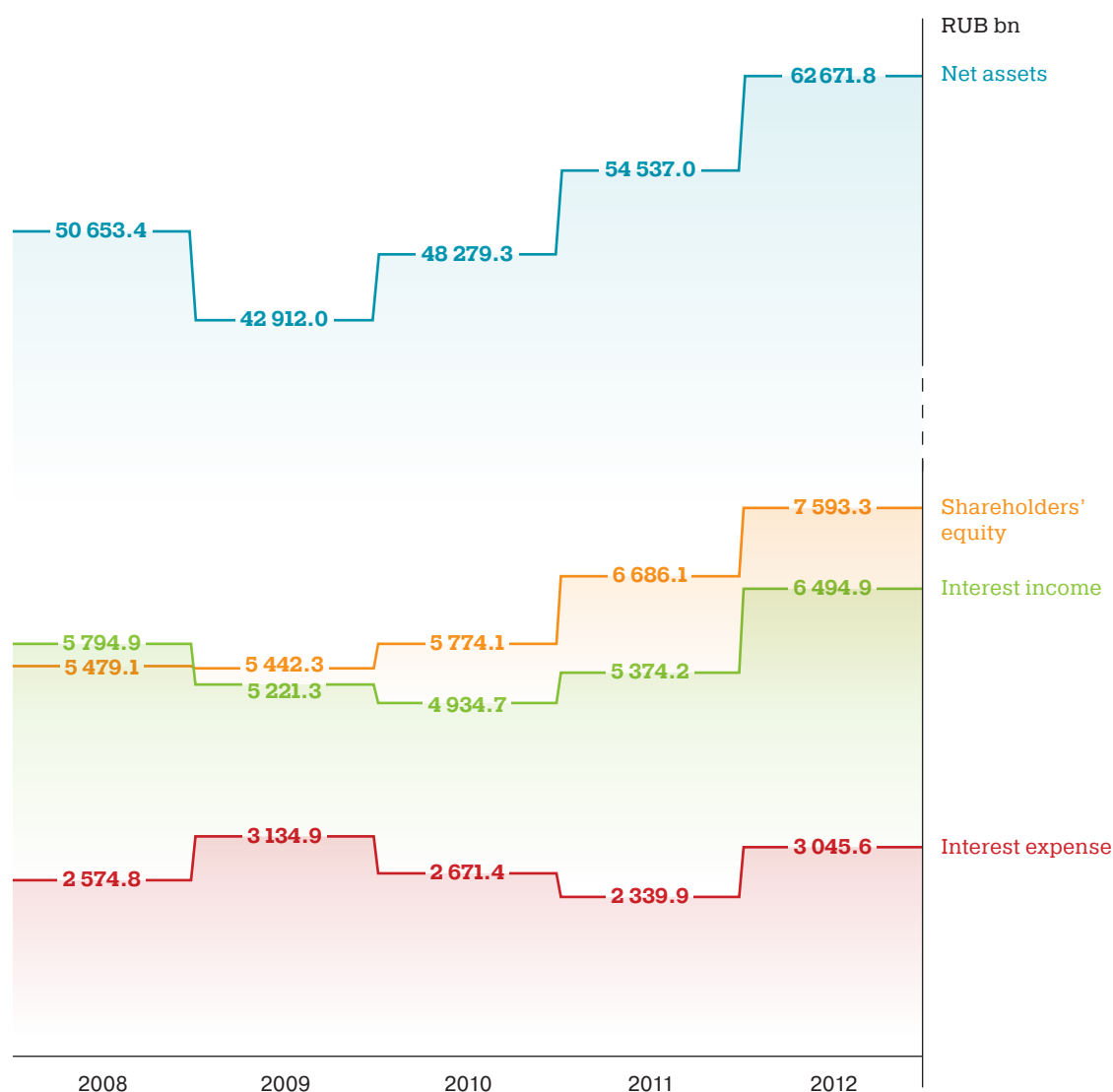
In 2012, Center-invest Bank achieved sustainable growth for all of its key financial performance indicators: the bank's net profits were **RUB1.1bn**, up 20.7% on 2011.

Growth in profits exceeded growth in net assets and equity, which resulted in higher returns on average assets and average equity: in 2012 ROAA was **1.9%** and ROAE was **15.4%**. This was an increase of 6% and 5% respectively on the previous year.

Despite a significant increase in 2012 in the market cost of funding, which resulted in a **30.2%** increase in interest expense, net interest income was up **13.7%** as a result of a **20.9%** increase in interest income. At **6.7%** the net interest margin in 2012 remained at its 2011 level. **97.7%** of our interest income came from customer loans and leases.

Center-invest Bank continued to reduce its cost/income ratio in accordance with its internal plan. Our operating ratio was **45.1%**, compared to **49.9%** in 2011.

The bank maintained a high capital adequacy ratio of **17.4%**. Applying the **Basel 2 and 3** requirements, the bank's capital adequacy ratio is **15.3%**.



Balance sheet structure

At FYE 2012 Center-invest Bank had net assets of **RUB62.7bn**, which was an increase of **14.9%** on 2011.

The bank's assets are concentrated in the real economy: our loan and lease portfolio grew by **13.8%** to **RUB48.4bn**. Loans and leases accounted for **77%** of net assets.

Center-invest Bank is very careful to ensure the correct balance between the scale of lending and the sources of funding. The bank's liabilities at year end were **RUB54.6bn**, an increase of **15.1%** on the previous year.

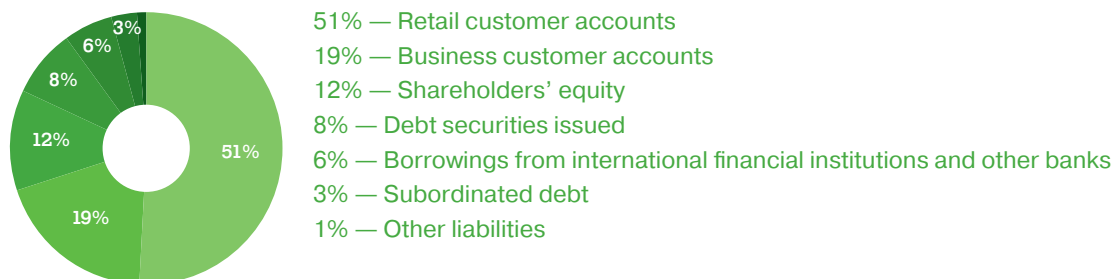
Retail deposits increased by **14.1%** in 2012, exceeding **RUB32.2bn** by year end.

Borrowings from banks, international financial institutions and the financial markets increased by **25.2%**, amounting to **RUB10.5bn** at FYE 2012.

Structure of assets at FYE 2012



Structure of liabilities at FYE 2012



2. Sustainable Development

Center-invest Bank operates on the basis of sustainable development principles. Rather than pursuing speculative gains, we strive to maximise long-term profits in the interests of current and future generations of Center-invest Bank shareholders, customers and employees.

This section provides information about the bank's new socially important products, loan programmes and educational projects in 2012.

Grow big!

- In 2012, thanks to financial support from Center-invest Bank, more than 10,000 Rostov region schoolchildren received free entry to two exhibitions: “**Treasures of the Don Steppes**” at the Rostov Region Local Studies Museum and “**Southern Russia's Artistic Heritage**” at the Regional Museum of Fine Art. The bank has been running this programme since 2004. To date, more than 70,000 schoolchildren have taken part in it.
- The bank continued to offer its special **savings account for children**, the **Grow Big** account. This account can be opened for any child under the age of sixteen.
- 47 young bankers attended training courses at the **School for Young Bankers**, which Center-invest Bank runs for its customers' children and grandchildren.

Financial products for students

- In 2012, every fourth student in the region received their **grant on a Center-invest bank card**. Since 2004 the bank has provided the staff and students of southern Russia's leading higher education institutions with plastic cards on preferential terms.
- For students who had paid employment the bank offered loans of up to RUB50,000 on preferential terms: no need for loan security or guarantors, loan terms of up to three years.
- The 250 top students in southern Russia received **Center-invest Bank scholarships**. The bank and the Endowment Fund for Education and Science in the Southern Federal District have run an annual scholarship competition since 2003. Each year the total scholarship fund exceeds RUB5m.

For new entrepreneurs

- Under the **Start-up** and **Youth Business Russia** programmes, the bank provided 135 new entrepreneurs with business start-up loans totalling RUB170m. As well as financial assistance, the young people are offered business mentoring.
- In 2012 more than 600 people attended free training seminars on taxation and bookkeeping at Center-invest Bank **Advice Centres (in Rostov-on-Don, Volgodonsk, Shakhty, and Taganrog)**.
- Center-invest Bank was a co-organiser of the first Russian Forum of Youth Enterprise Leaders. The event brought together key representatives of European and Russian youth enterprise programmes, including programmes being run in the Rostov region.

Loans for businesswomen

- 90 customers took advantage of the bank's special loan programme for businesswomen. The low interest rate on this loan product is intended to help successful business ladies grow their businesses.
- To provide a forum in which businesswomen can work together to address socially important issues, the bank held four business breakfasts for women in southern Russia.

Looking after the older generation

- In 2012 Center-invest Bank's special products for pensioners included: loans on preferential terms, growth deposit accounts, and convenient deposit accounts for paying in and withdrawing pensions and other state payments.
- 50 customers were winners in the bank's special prize draw for pensioners.
- As has become customary, the Second World War veterans among our customers received a gift from the bank to commemorate Victory Day, and we also organised a celebratory concert.

Supporting education and science

- The capital of the **Endowment Fund for Education and Science in the Southern Federal District**, which was set up by Center-invest Bank, was increased by RUB30m. The Fund is used to further develop social and educational projects for schoolchildren, students, young academics, and teachers in southern Russia. At FYE 2012, the fund's capital was RUB 68.5m.
- In 2012, thanks to financial support from the bank, a Festival of Science in the Southern Federal District was held for the third consecutive year.
- For the tenth consecutive year, Center-invest Bank supported the regional "Don Teacher of the Year" competition and awarded a special prize for the **"Best New Course Book"**.
- Grants were awarded to the five university lecturers who won 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 held their third annual competition for teachers who are teaching the principles of entrepreneurship using Dr Vysokov's textbook, *Enterprise for All for Schoolchildren*. RUB 500,000 were awarded to the competition winners.

2. Sustainable Development

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

The sustainable banking business model requires openness and transparency for customers, partners, government bodies and the media. In 2012 more than 1200 articles about Center-invest Bank (news stories and analysis) were published in print and electronic media.



We Should Envy Copernicus, not Our Neighbours

Vedomosti, April 2012

http://www.vedomosti.ru/newspaper/article/279467/revnovat_nado_k_koperniku_a_ne_k_sosedu_vasilij_vysokov/



Public Administration Should be as Efficient as Possible

Gorod N., March 2012

<http://www.gorodn.ru/archive/2012/>

Bank Loan for Salsk Homeowners' Association to Build New Boiler House

Gorod N., No.31, August 2012

<http://www.gorodn.ru/archive/2012/>

Don Start-Ups Conduct Self Assessments

Gorod N., No.32, August 2012

<http://www.gorodn.ru/archive/2012/>

Leaders of the Last 20 Years

Gorod N., No.50, December 2012

<http://www.gorodn.ru/archive/2012/>



Long-Term Money

Rossiiskaya Gazeta No. 93, April 2012

<http://www.rg.ru/2008/03/06/banki.html/>



Moving Forward

Ekspert-Yug, No. 28-31, July 2012

<http://m.expert.ru/south/2012/31/na-operezhenie/>

A Bank for Small Business

Ekspert-Yug, No. 34, August 2012

<http://m.expert.ru/south/>

Center-invest Bank Gives Boost to Education

Ekspert-Yug, No. 38-39, September 2012

<http://expert.ru/south/2012/39/tsentr-invest-naraschivaet-nauku/>



Center-invest is Thinking About Russia's Future

Vecherniy Rostov No. 256, December 2012

<http://www.vechrost.ru/>



I Awoke One Morning – Tidy up Your Planet

Delovoi Kvartal, August 2012

<http://rostov.dkvartal.ru/blogs/post/prosnulsya-utrom-uberi-svoyu-planetu>



20 Most Influential Bankers in the Rostov Region

Realny Biznes, October 2012

<http://www.real-business.ru/>

From the West to the East

Realny Biznes, October 2012

<http://www.real-business.ru/>



A Woman's View of Business

Kto Glavny, No.7, August 2012

<http://kg.riacenter.ru/>



Determined, Capable People Live in Khutors

Krestianin No.52, December 2012

<http://www.krestianin.ru/articles/35121.php>



Center-invest Bank Hosts Business Meeting for Russians and Austrians

RBK, October 2012

<http://centrinvest.ru/ru/smi/221/>



The Time for Business Dynasties

Iskusstvopotrebleniya, July 2012

<http://ip-magazine.ru/>



The ideal combination: loan payments should not be more than half your income

Komsomolskaya Pravda. Rostov-on-Don, August 2012

<http://www.kp.ru>



Russlands neue Kornkammer Wirtschaftsblatt

WirtschaftsBlatt, October 2012

http://wirtschaftsblatt.at/home/nachrichten/europa_cee/1303064/Russlands-neue-Kornkammer



Sustainable Banking Business Model

World Finance Review, November 2012

<http://www.worldfinancereview.com/Dec2012/34-35.pdf>



Mixed times ahead for Russia's regional banks

The Banker, January 2012

<http://www.thebanker.com/World/Central-Eastern-Europe/Russia/Mixed-times-ahead-for-Russia-s-regional-banks?ct=true>



In 2012 the bank launched a quarterly in-house magazine called Vektor, which is an informative publication for people who wish to keep abreast of new banking products and developments on the financial markets.

Other news and details of special offers can be found on social media sites. In 2012 the number of people using the bank's social networks increased by 1838. The bank now has its own YouTube channel; to date, its videos have been viewed by 2353 users.

3. Investor Relations

January

- The president of Center-invest Bank, Dr Vasily Vysokov, attended the conference “Small Business is Big Business” held in Beirut by the International Finance Corporation (IFC), the Central Bank of Lebanon (Banque Du Liban) and the Development Bank of Austria. Addressing an audience of bankers from the Middle East and North Africa, Dr Vysokov presented a paper entitled *Financing Energy Efficiency Projects: Center-invest Bank’s Experience*.



- Center-invest Bank helped to organise an information event in Rostov-on-Don to introduce the Youth Business Russia programme run by the International Business Leaders Forum (IBLF). Center-invest Bank is one of the partners for this programme, which provides young people with access to finance for the implementation of business plans.

February

- Representatives of Center-invest Bank attended a conference of leading Russian banks held in Shanghai to mark Citibank’s 200th anniversary. During the event, Center-invest Bank met with Chinese partner banks and agreements were reached on trade finance programmes.

March



- On the invitation of the organisers, Dr Vysokov presented a paper on Sustainable Banking in the Post-Crisis Economy at the BRICS business forum held in New Delhi in India. He spoke about the way in which Center-invest Bank remained profitable in the post-crisis environment by using best international practice and modern banking technologies.

- To help companies in southern Russia make business contacts in international markets Center-invest Bank hosted visits by an Italian delegation headed by President of the Brescia Chamber of Commerce and Industry, Francesco Bettoni. Center-invest Bank also met with

colleagues from European banks: UBS (Switzerland) and Bank GospodarstwaKrajowego (Poland), and with representatives of Asian markets (Japan Bank for International Cooperation). The parties agreed on mechanisms and strategies to support international cooperation between their respective customers.

April

- Center-invest Bank's model for sustainable business development incorporating social responsibility received international recognition when the bank became the only Russian company to make it to the final of the international competition "Sustainable Entrepreneurship Award 2011 (SEA)".



May

- Center-invest Bank held its first business breakfast event for its female customers and partners. Member of the Board of Directors, Tatiana Vysokova, and deputy chairman of the Executive Board, Olga Vysokova, raised various important issues during the meeting, including: routes to business success, corporate and social responsibility, and philanthropy.



June

- Center-invest Bank held a Round Table on the Sustainable Banking Business Model. The event was attended by Center-invest Bank shareholders, partners and staff, as well as representatives of academia and business. Dr Vysokov presented the results of stress tests conducted under scenarios set out by regulatory bodies. He also provided a comparative analysis of the main business models for the banking industry. The participants were very interested in Center-invest



Bank's successful implementation of a sustainable banking business model and it was proposed that the bank's experience be discussed further in other international forums.

- Together with the consulting firm OST-EURO GmbH and the Council of Municipalities of the Rostov Region, Center-invest Bank held a seminar on "The Theory and Practice of Municipal-Private Partnerships in Russia and Germany". Representatives of Don municipalities learnt about German experience in PPP and opportunities to apply this mechanism in the Rostov region.

July

- An EBRD delegation headed by Paul Vlaanderen visited Center-invest Bank and the district heating company Teploenergo, and met with business people from the Rostov region. During the visit, the parties discussed the results of Center-invest Bank's sustainable development strategy. They also discussed the challenges involved in modernising Russia's housing and communal services sector, and experience to date in addressing specific problems (payments, tariff setting, and introducing energy service contracts).
- To meet growing demand among the residents of southern Russia's capital city that are visiting China on business and holiday, Center-invest Bank introduced a Chinese yuan currency exchange service.

3. Investor Relations



August

- In the lead-up to the youth forum "Rostov 2012. 100% Energy" Center-invest Bank (together with the Rostov Region's Committee for Youth Policy) held a competition for the best business idea. The young entrepreneurs taking part in the competition not only presented their own plans but also assessed their peers' entries using a methodology developed by the bank for this type of competition.

September

- Dr Vysokov met with Dmitry Livanov, the Russian Minister for Education, during a visit by the latter to the Southern Federal University. Dr Vysokov apprised Mr Livanov of the bank's track record in supporting education and the two men discussed issues relating to the training of personnel for the innovative development of the Rostov region.



October

- The international rating agency Moody's Investors Service affirmed Center-invest Bank's Ba3 rating for long-term local currency debt and foreign currency deposits, outlook stable, and its Aa3.ru long-term national scale rating.
- Center-invest Bank and its partners, the Development Bank of Austria and RaiffeisenlandesbankOberösterreich,

organised a networking event for companies from the Don region and Austria. Center-invest Bank customers had the opportunity to establish direct contacts with Austrian companies operating in a number of rapidly growing markets.



November

- Dr Vysokov was an invited speaker at the international Future of Banking Conference held in Amsterdam. During the conference, Dr Vysokov held talks with Her Royal Highness Princess Máxima of the Netherlands, the UN Secretary-General's Special Advocate for Inclusive Finance.



- Center-invest Bank's services were recognised as the best in Russia and the bank was awarded a gold quality mark for excellence.
- Center-invest Bank was ranked 7th in the list of Leading Corporate Philanthropists in the Financial Sector and 30th in the overall ranking of the best Russian companies for philanthropy. The lists were compiled by the federal business newspaper Vedomosti together with PwC and the non-profit partnership Donors Forum.

December

- Representatives of Center-invest Bank attended the Tenth Russian Bonds Congress, during which they met with potential investors and partner banks.
- Center-invest Bank became a partner of the Russian SME Bank (Vneshekonombank group) and took part in its "Stimulus" programme, which provided assistance for the bank's SME customers from the production sector.

4. 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.centriinvest.ru/corp

Our sustainable corporate governance system, which enabled us to overcome the acute phase of the crisis in 2008–2009, today provides the basis for our sustainable development in the post-crisis era.

In 2012 the Board of Directors and the Executive Board analysed Center-invest Bank's current business plans in the light of the bank's post-crisis development strategy, approved by the Board of Directors.

Each quarter, the Board of Directors reviewed performance against all the indicators in the bank's business plan, 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 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 optimisation 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 modernisation projects in southern Russia.

In 2012 the Board of Directors held six meetings, during which, in addition to current issues, it considered the implementation of the bank's IT strategy and approved alterations to the bank's structure. The Board also approved Center-invest Bank's Business Plan for 2013.

Taking into account feedback from the Internal Control Service, which monitors compliance with the bank's 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.

Center-invest Bank did not carry out any large transactions or related-party transactions in 2012. In the course of the bank's ordinary commercial activities, it carried out transactions approved by the general meetings of shareholders in 2011 and 2012.

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 2012 remuneration for the Board of Directors totalled RUB43.939m (including salaries, bonuses, commission, benefits and/or reimbursement of expenses, and also other financial provisions).

In 2012 remuneration for the Executive Board totalled RUB26.198m (including salaries, bonuses, commission, benefits and/or reimbursement of expenses, and also other financial provisions).

General Meeting of Shareholders



Internal
Control
Service →

Board of Directors

Independent Directors
Executive Directors

← Corporate
Secretary

Committees of the Board of Directors

Strategic Planning Committee
Appointments and Remunerations Committee
Audit and Compliance Committee

Executive Board

Chairman of the Executive Board



Business and Corporate Banking
Retail Banking
Treasury
Accounting and Reporting
Information and Settlement Systems
Risk Management

Committees

Lending Committee
Assets and Liabilities Committee
Risk Management Committee
Non-core assets Committee
Work-out Committee
Banking and Information Technologies

5. Retail Banking

Deposits

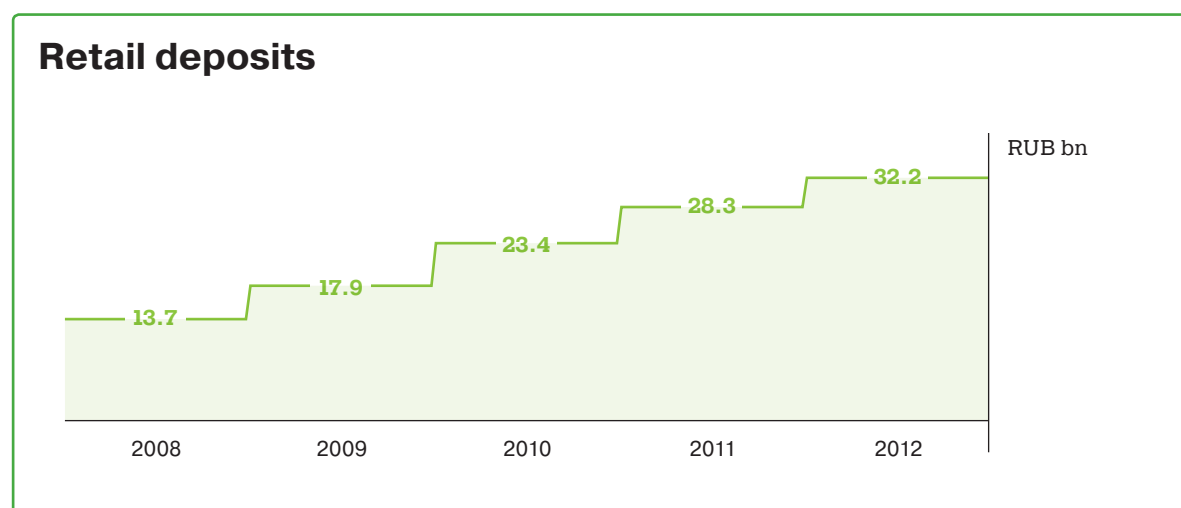
In 2012 retail deposits increased by **RUB4bn**, reaching **RUB32.2bn** by year end. This growth demonstrates that Center-invest Bank continues to enjoy the trust of the population that it serves.

Due to higher market interest rates on retail deposits, in 2012 interest expense on deposits increased by RUB301m or 18.1%.

During 2012, the number of retail depositors increased by 7,000.

Our customers include **1,100 Second World War veterans**. Every year, they receive a gift from Center-invest Bank to commemorate Victory Day. We also hold an annual **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 a prize draw for our young customers who have a "Grow Big!" account**.



Payments and other services

The volume of bill payments accepted by Center-invest Bank increased by 20% to **RUB12bn**.

In 2012 our branches handled **USD16.3m** and **RUB485.9m** in money transfers for our retail customers.

Foreign exchange transactions in cash exceeded **USD81.5m** and **EUR36.7m**.

In the second half of 2012, Center-invest Bank became the only bank in southern Russia to offer a Chinese yuan exchange service for retail customers. The volume of transactions was **150,100 yuan**.

In 2012 the bank continued to improve its processes for accepting bill payments from customers. The majority of payments are made in real time and do not require customers to complete payment requests. To speed up the process, the bank's system reads the barcodes on bills. The companies that receive these payments are gradually switching to electronic documentation systems.

We also continued the process of transferring our payment acceptance system to self-service terminals. The use of self-service terminals will significantly improve our customer service and will free up branch staff to carry out more skilled work.

The option to set up payments at regular intervals (for example, for mobile phone and Internet services) is proving very popular among users of our online banking system, Internet-Bank.

Retail lending

In 2012, Center-invest Bank made more than 30,000 retail loans with a total value of **RUB12.76bn**. This was an increase of more than 17%.

- 26,995 consumer loans totalling **RUB8.91bn**, including **RUB0.39bn** in credit on plastic cards
- 1,852 mortgage loans totalling **RUB3.14bn**
- 1,194 car loans totalling **RUB0.71bn**

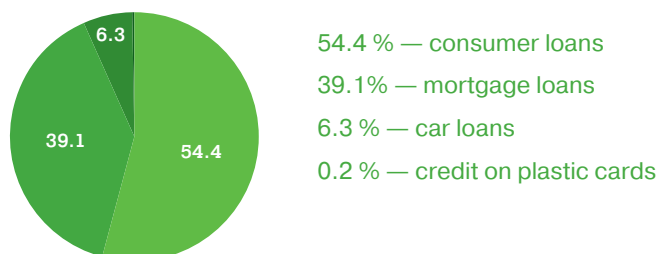
Our retail loan portfolio grew by **RUB4.6bn**. At FYE 2012, the total value of the portfolio was **RUB19.1bn**, and it comprised **56,066** active loan agreements and **3,212** plastic card credit agreements.

The growth in the loan portfolio is attributable to the following: 1. In line with sustainable banking principles, Center-invest Bank's interest rates are the lowest in the market: long-term customer relationships are more important to us than immediate profits. 2. We have an extensive product line. 3. We offer flexible loan terms. At the same time, the bank does not provide express loans, and we give preference to our own depositors, customers with solid credit histories, and people who have a Center-invest Bank salary card.

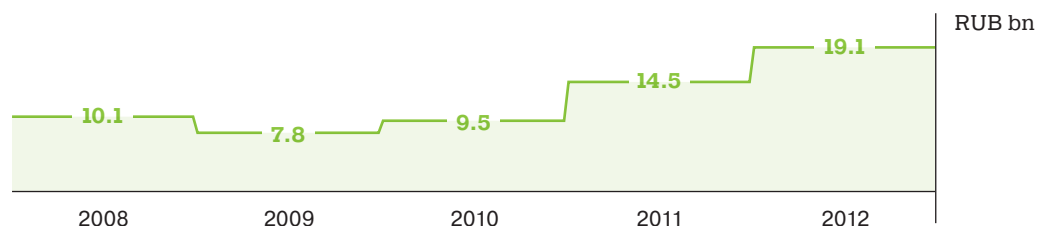
With a high-quality loan portfolio and a low level of NPLs, Center-invest Bank is able to keep its lending interest rates down; we do not have to "load" our interest rates with possible losses and risks.

In 2012 Center-invest Bank continued to participate in a number of government loan programmes. For example, we made 104 mortgage loans to borrowers that are in receipt of government subsidies to help them meet their interest and capital repayments (including loans under the "Young Teachers" programme). Our loan programme for customers wishing to make energy-saving improvements to their home and/or purchase household appliances with an "A" energy efficiency rating continues to be popular.

Structure of the retail loan portfolio FYE 2012, RUB bn



Retail loan portfolio



5. Retail Banking

Bank cards

Center-invest Bank is the only bank in southern Russia to have its own modern processing centre. In 2012, this centre handled **more than 30 million transactions**.

In 2012 we issued **69,355** Visa International and MasterCard Worldwide cards to new customers. The number of active cards at FYE 2012 was **219,168**. Transactions using cards issued by Center-invest Bank amounted to **RUB34.8bn**.

The employees of **1,840 companies and organisations** in southern Russia receive their salaries on Center-invest Bank payroll cards.

With the introduction of **49 new ATMs**, at FYE 2012 our acquiring network comprised: **334 ATMs, 128 cash issue desks, and 913 goods and service providers** that accept cards from Visa International, MasterCard Worldwide and Diners Club.

In 2012, under our contracts to service the current accounts of the Federal Treasury Departments for Krasnodar Krai and the Rostov Region, we issued more than 8580 debit cards to individuals. These cards are used to receive payments from the government.

Center-invest Bank continued to work on the joint project "The Rostov Region Resident's Card" in partnership 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 identification applications. To date, more than 29,000 cards have been issued and they are functioning well.

In 2012 we introduced new card products for retail customers: Carte Blanche, Simple Solution, and Motorist's Card. This provides our customers with a wider choice in terms of card interest rates and services. The Simple Solution product includes an option to have a card with a personalised design, and customers can apply for the card online via the bank's website.

We have made it even easier for our customers to sign up for our Internet-Bank system: they can now sign up via an ATM or with just one visit to any Center-invest Bank branch. We have expanded the money transfer options to allow our customers to set up ruble direct debits and to pay their tax bills online. Furthermore, the Internet-Bank service is now provided free of charge for all customers.

We expanded the list of companies participating in our World of Discounts programme, which allows customers to save up to 20% on their purchases when paying with a Center-invest Bank card. A total of 105 companies providing various goods and services have signed up for the programme.

We also expanded the list of SMS notifications that cardholders receive about transactions and changes to card status.

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



6. Business Banking

Thanks to our proactive approach to customer acquisition and our reputation as a reliable and strong partner, 2012 saw a 3% increase in the number of new business customers. At FYE 2012, almost 50,000 companies and self-employed individuals had accounts with Center-invest Bank.

We continued to expand the functionality of Bank-Client, our online banking service for business customers. In 2012, 2338 customers signed up to use the service.

In 2012, we ran the following special promotions for our customers:

from 10.01.2012: "Your partners are our customers"

from 10.01.2012: preferential banking tariffs for borrowers under the Start-up and Youth Business programmes

from 10.01.2012: no charge for transferring Chinese yuan

from 10.01.2012: interest paid on minimal current account balances

from 02.04.2012 to 31.05.2012 and from 01.11.2012 to 24.12.12: no charge for signing up to use the Bank-Client system

from 03.09.12 to 30.09.12: no charge for opening a business current account

Lending policy

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.

Center-invest Bank is retaining and consolidating its positions in the business lending market. We continue to introduce new products that enable the bank to remain competitive in a changing economic environment.

The bank's business loan portfolio at FYE 2012 was **RUB31.6bn**, which was 4.5% more than at the end of 2011. In 2012 we made 4,700 new loans totalling **RUB33bn**. Total business lending was **RUB78.8bn**.

Investment loans (with a term of more than one year) to enable businesses to modernise their production facilities and operations totalled RUB11bn.

Loans to customers from the energy sector amounted to **RUB1.4bn**.

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.

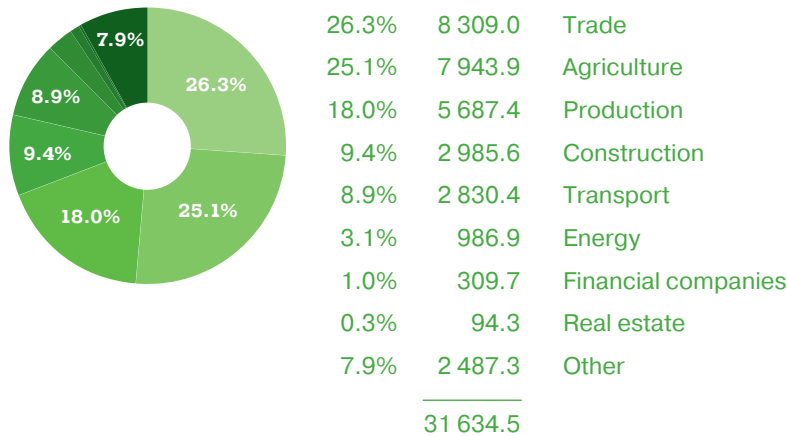
At FYE 2012 Center-invest Bank's total finance lease portfolio was **RUB667m**.

We provided our customers with bank guarantees for a total sum of **RUB1.6bn**: RUB1.4bn in contract performance guarantees and RUB157m in guarantees issued to customs agencies.

6. Business Banking

Structure of the business loan portfolio

FYE 2012, RUB thousands

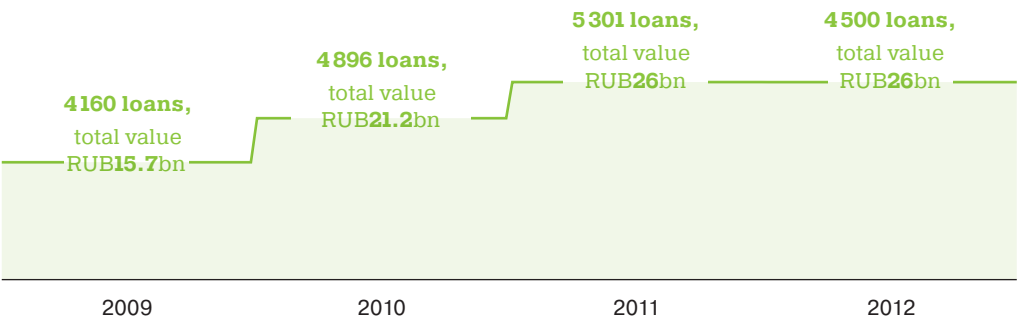


SME lending and support for the SME sector

Center-invest Bank has been running **programmes to support SMEs in southern Russia** since 1997. Today, our customers include **44,300 SMEs** and self-employed individuals. At FYE 2012 our SME loan portfolio was **RUB21.4bn**.

In 2012, Center-invest Bank made **4,500 loans** to SMEs and self-employed individuals for a total of **RUB26bn**.

SME loans, number and value



Center-invest Bank's Advice Centre for New Businesses is proving a success. The centre provides aspiring entrepreneurs with information on legal issues, taxation and accountancy, free of charge, and it also runs free training seminars. In 2012, the centre held **43 seminars**, which were attended by more than 270 people.

In 2012 the bank continued to promote its Start-up loan programme for new businesses. In the period from 01.06.2011 (programme launch) to FYE 2012, **116 loans** with a total value of **RUB156.1m** were made under the programme.

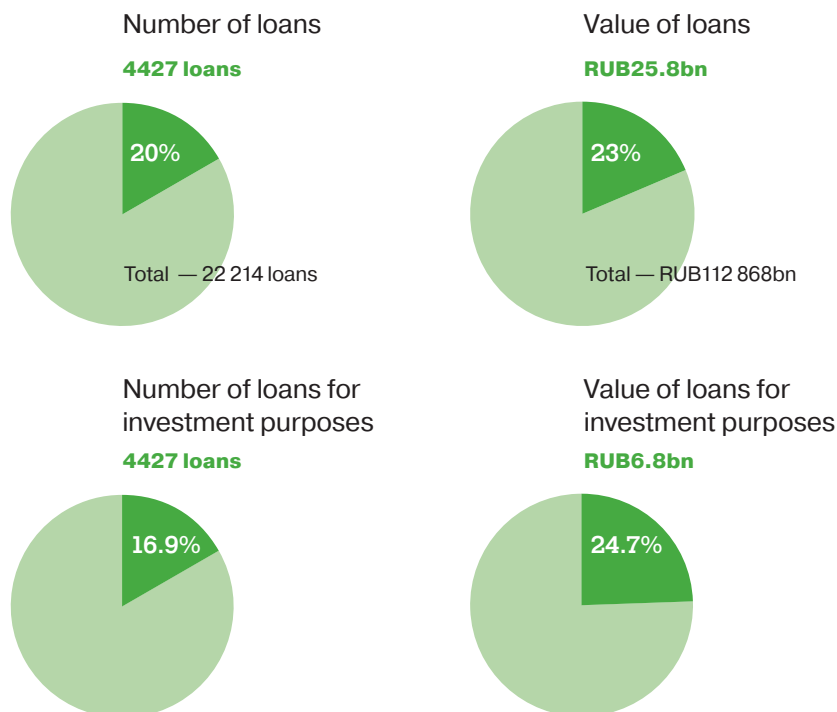
In 2012 Center-invest Bank became a financial partner of the Youth Business Programme run by the International Business Leaders Forum (IBLF). The programme provides young entrepreneurs with finance and comprehensive advice, including mentoring by successful business people, who share their experience and help mentees develop their businesses. By FYE 2012, under this programme the bank had made **14 loans** for a total of **RUB3.8m**.

The bank continued to offer preferential terms on loans for female business managers and owners. The loan product, which was developed to support businesswomen in southern Russia, is the only one of its kind in the region. At FYE 2012, **78 loans** for a total of **RUB61m** had been made under the programme.

In 2012, the bank also continued to work successfully with regional SME Guarantee Funds that provide loan security for SMEs under loan guarantee programmes. Thanks to agreements entered into 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 2012, Center-invest Bank made an additional 26 loans under these programmes, for a total of RUB132.8m.

Center-invest Bank finances an advice hotline, which in 2012 provided more than 5,200 free consultations on legal issues to businesses in the Rostov region (www.hotline.centrinvest.ru, тел. (863) 262-35-15).

Center-invest Bank's share of the SME lending market in the Rostov region FYE 2012



6. Business Banking

Introducing energy efficient technologies

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

At FYE 2012, Center-invest Bank's total investment to date in energy efficiency projects was **RUB5.23bn**. We have financed 450 projects in the industrial, agricultural and service sectors, and 50 projects in the housing and communal services sector. We have also provided retail customers with finance for 1,600 projects to make energy efficiency improvements to their homes. Taken together, the energy efficiency projects financed by Center-invest Bank have achieved an **annual reduction in CO2 emissions of 105,300 tonnes** (equivalent to the emissions produced or absorbed by 61,600 cars, 301,000 barrels of oil, or 4.2m trees).

In 2012 alone the bank made **1,412 energy efficiency loans** for a total of **RUB1.78bn**. This was a 44.7% increase on 2011. The funds were predominantly used to finance projects in the industrial and agricultural sectors.

As well as loans, Center-invest Bank provides its customers with advisory support to help them **calculate all the main energy efficiency parameters during the project viability assessment stage**. In the many years that we have been running an energy efficiency programme, our customers have received advice and support from IFC consultants (2005-2011), the company MVV decon GmbH (2007-2009), consultants from RuSEFF (2012), and, of course, Center-invest Bank's own specialists. In 2005-2012 consultants carried out a total of **36 energy audits** for our customers, as well as many expert assessments. This approach benefits both the customer and the bank. The customer can compare its own calculations with those produced by energy efficiency experts and identify project bottlenecks. For the bank, it is a means of reducing project risks.

In 2012 Center-invest Bank experts were involved in discussions about legislation on major repairs to multifamily residential buildings. **The bank has unique experience in providing homeowners' associations and housing management companies with finance for major repairs.** The bank gave expert opinion at sessions of the Russian State Duma and Federation Council, at meetings of the Russian Chamber of Commerce and Industry, the All Russian Association of Homeowners' Associations, the Association of European Business, and the Council of Municipalities of the Rostov Region, and in other forums.

The **first International Centre for Energy Efficiency (ICEE)** was opened at Center-invest Bank last year. In 2012, the centre continued to facilitate the exchange of experience and knowledge relating to the introduction of energy efficiency technologies in industry, agriculture, and the housing and communal services sector. At **seminars and presentations** run by the centre, experts from Center-invest Bank **share their unique experience of energy efficiency lending**. These events are attended by representatives of Russian government bodies (regional and municipal) and employees of financial institutions from various countries, including Brazil, Germany, Ukraine and Belarus.

The bank's system for assessing environmental and social risks aims to promote **environmentally sound and sustainable development** in its banking operations, investments, and technical cooperation, as a cornerstone of rational business management.

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 method combines

Agribusiness lending

In 2012 Center-invest Bank made **1,153 loans** (2011: 1,345) to agricultural companies. The loans totalled **RUB7.47bn** (2011: RUB7.03bn), and this included RUB1.19bn for investment purposes, such as acquiring agricultural equipment, building and modernising production facilities and livestock farms, and purchasing livestock.

More than **600 agricultural companies** have a loan from Center-invest Bank.



7. 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, the bank has benefited from its cooperation with international financial institutions: the EBRD, the German Development Bank (KfW group and DEG), IFC, the Development Bank of Austria (OeEB), and the Eurasian Development Bank (EDB). The long-term resources that we attract from these international organisations enable us to finance investment projects to modernise our customers' businesses in southern Russia.

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 has been prioritising saving once again. In 2012, we continued to see an increase in the balances in our customers' deposit accounts.

As we had sufficient liquid assets, throughout 2012 we were able to avoid competing for customer accounts on the basis of price alone. This had a positive effect on the total cost of funding, and our market share of retail and business customer deposits still continued to grow. We meet the liquidity requirements set by the Bank of Russia with a considerable reserve. At FYE 2012, our current liquidity ratio (N3) was 101.8% (Central Bank of Russia liquidity covenant: $\geq 50\%$).

Liquidity covenants

	Actual at FYE 2012	Bank of Russia covenant
N2 (quick liquidity covenant)	64.1%	$\geq 15\%$
N3 (current liquidity covenant)	101.7%	$\geq 50\%$
N4 (long-term liquidity covenant)	63.0%	$\leq 120\%$

Throughout 2012, access to the international capital markets continued to be very costly. Therefore, Center-invest Bank focused on increasing customer deposits, which by year end were up by **13%**, from RUB39bn to **RUB44.1bn**. The bank's borrowings from the financial markets increased by 25%, from **RUB8.4bn** to **RUB10.5bn**.

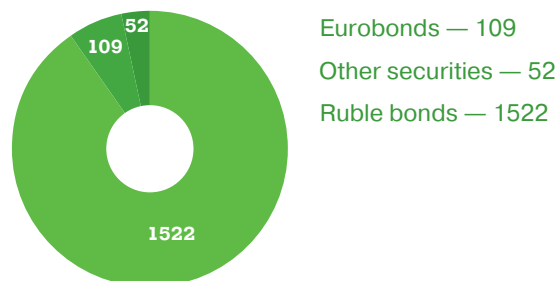
At FYE 2012 the loan to deposit ratio, including leases (L/D ratio), was 110%.

8. Stock Market Trading

To manage liquidity, the bank built up a RUB1.6bn bond portfolio, including RUB109m in eurobonds and RUB1.5bn in ruble bonds. 96.9% of the bonds were from issuers with a rating of BBB- or higher.

The annual return on ruble bond transactions in 2012 was 6.93% (11.89% in 2011) and on foreign currency bonds it was 2.01% (2.93% in 2011).

Structure of the securities portfolio FYE 2012, RUBm



Trust management

At FYE 2012 the value of net assets under management was RUB121.3m.

In 2012, the annual rate of return for our bank-managed mutual fund (BMMF) Center-invest 1, which invests cash in Russian equities, was +5.66%, while for BMMF Center-invest 2, which invests assets in bonds, it was +12.55%.

Center-invest Bank manages the Endowment Fund for Education and Science in the Southern Federal District (capital under management: RUB68.5m) and the Endowment Funds of the Southern Federal University and Don State Technical University. In 2012, the annual rate of return for the Southern Federal University's fund was 9.75%.

9. 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, Swiss francs and Chinese yuan.

Our network of correspondent banks includes:

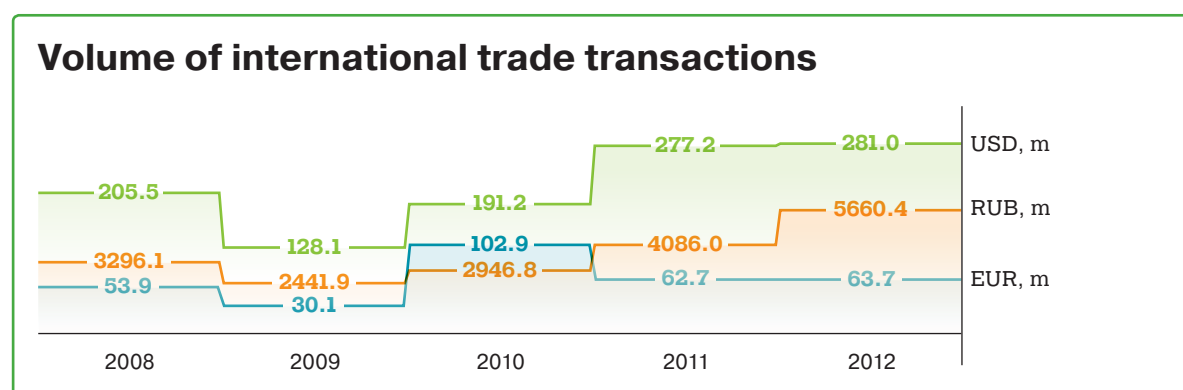
Erste Group Bank AG (Vienna), Citibank NA (New York, USA), Commerzbank AG (Frankfurt, Germany), Raiffeisenlandesbank Oö AG (Linz, Austria), Societe Generale SA (Paris, France), UniCredit SpA (Milan, Italy), and The Royal Bank of Scotland PLC (London, Great Britain).

In 2012, transactions through correspondent accounts totalled USD16.2bn and EUR358m (USD13.9bn and EUR357m in 2011).

Center-invest Bank has had a correspondent banking relationship with one of China's largest banks, the Bank of Communications (Shanghai, China), since June 2011, and in July 2012 Center-invest Bank became the only bank in southern Russia to make payments in Chinese yuan on behalf of its business customers.

Center-invest Bank is a participant in the EBRD and IFC trade facilitation programmes (TFP). In 2012, the volume of transactions under these programmes exceeded USD4m. By using structured trade finance mechanisms, we are able to minimise the risks and reduce the potential losses for our customers who are engaged in foreign trade. In 2012, our trade finance partners included banks from Germany, Austria, the Czech Republic, South Korea, China, Ukraine, Belarus, Taiwan, Slovenia, Spain and the Netherlands.

10. International Trade Services



At FYE 2012, to carry out these transactions on behalf of our customers, the bank held 6,773 (FYE 2011: 6,517) "transaction certificates" (as required by Russian legislation). Center-invest Bank is continually working to boost southern Russia's import and export trade (imports of modern equipment and technology, and exports of globally competitive goods produced using this equipment and technology). For example, we organise special seminars and events at which our customers can meet our partner banks' customers.

Center-invest Bank's trade finance and international payments services enable our customers to deal directly and on competitive terms with their foreign partners. In 2012 transactions under Trade Finance Programmes totalled RUB161m, including RUB125m under the EBRD's Cash Advance programme (August 2012). International payments for the import and export of goods and services in 2012 amounted to RUB16.6bn.

In 2012 Center-invest Bank succeeded in increasing the use of trade finance documents (letters of credit, payment and performance guarantees, documentary collections and other means of payment). The volume of L/C transactions with non-residents in 2012 was equivalent to RUB35m. The bank's trade finance partners include leading credit institutions and the world's largest financial institutions.

11. Human Resources

Of Center-invest Bank's **1,670** employees (at FYE 2012):

- **20** have higher doctorates and PhDs
- **10** are studying for postgraduate qualifications
- more than **77%** of our employees have a higher education.

71 children were born to Center-invest Bank employees in 2012.

Center-invest Bank places a high priority on staff training and development. In 2012, **40** employees attended **33** seminars, forums and conferences, both in Russia and abroad, on the following subjects:

- Introducing technologies to save energy and other resources, energy policy
- Information and economic security, computer network security
- Leasing
- Innovation in banking technologies
- SME lending
- Agribusiness lending
- Subsidised lending
- Credit risks
- Macroeconomic (international) policy, the future of banking
- Investment policy

Eight employees had internships in London.

As well as the opportunity to grow and develop as part of an outstanding team in southern Russia's leading bank, Center-invest Bank employees also receive a comprehensive benefits package: free language courses, medical insurance, a sports club based at the bank, annual staff parties and team building events. These benefits help to create a good working atmosphere and to ensure that all of our employees are loyal and committed to achieving new, sustainable results for the bank and our customers.

Center-invest Bank continues to work closely with leading higher education institutions in southern Russia, offering work experience placements to the most promising students. In 2012, we provided **148 students** with internships and work experience at the bank.



12. Internal Control

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

In 2012 the Internal Control Service conducted 31 comprehensive branch audits (2011: 17), 14 checks of cash and valuables held by branches and divisions (2011: 17), 1 investigation into a customer complaint (2011: 4), and 63 audits of various aspects of the work of branches and divisions (2011: 77). It also carried out quarterly audits of securities trading.

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

13. Risk Management

Operating on the basis of sustainable banking principles, which require careful assessment of risks, returns and current market conditions, the bank applies a balanced approach to risks. We view risk management as a comprehensive set of measures designed to protect assets and achieve the best possible return/risk ratio.

In carrying out its business activities, the bank is exposed to the range of risks that is standard for the banking industry. These include: credit risk, market risk (including currency, stock market and interest rate risks), liquidity risk, operational risk, compliance risk, reputational 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, including an independent director;
- effectively monitor and manage its liquidity to meet the business's needs and ensure that the bank has a balanced asset and liability structure and diversified sources of funding;
- conduct thorough assessments of borrower risks and loan security as part of the lending decision-making process;
- take timely decisions in order to achieve the quantitative and qualitative targets in its business plan, at a time when the banking market is highly competitive and the external environment is changing rapidly;
- build long-term, mutually beneficial relationships with its customers, and support its customers in periods of economic instability;
- prevent and monitor NPLs, monitor collateral;
- deal effectively with potential 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;

The risks assumed by the bank are covered by adequate capital (including Tier 1 capital). Our capital levels comfortably exceed the minimum levels required by the Central Bank of Russia and the Basel Committee on Banking Supervision.

Capital adequacy

	Actual at FYE 2012	Minimum required
Capital adequacy (RAS)	13.3%	10.0%
Capital adequacy (IFRS, Basel 1)	17.4%	8.0%
Capital adequacy (Basel 2, 3)	15.3%	8.0%
Total Tier 1 Equity / Risk-weighted Assets (IFRS, Basel 1)	11.8%	4.5%
Total Tier 1 Equity / Risk-weighted Assets (Basel 2, 3)	10.4%	4.5%
Common Equity Capital Ratio (Basel 2, 3)	10.2%	3.5%

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 2012, the agency twice affirmed Center-invest Bank's Ba3 long-term foreign currency deposit rating, outlook stable, and its Aa3.ru National Scale Rating from Moody's Interfax Rating Agency.

14. Information Technology

The aim of Center-invest Bank's IT development policy is to ensure that the bank can achieve all of its business objectives in accordance with its Strategy for 2011-2015.

In 2012 the following were put into commercial operation:

- A centralised client management system based on TerrasoftXRM Bank's CRM system was introduced throughout the bank's branch network. In line with the "single window" principle, which aims to make front office operations more efficient by centralising the most frequently performed tasks in the one software product, retail loan applications have been transferred to the CRM system.
- An Electronic Archive for the long-term storage of electronic versions of the payment documents which the Bank of Russia requires to be retained. The archive will reduce the quantity of paper documentation to be printed and stored by the bank.
- A new version of the online banking system for business customers. The functionality of the home page has been improved to provide quick access to the most popular functions; customers can now print out payment confirmations; and the system is faster.
- A new version of Internet-Bank, the online banking system for retail customers who have a Center-invest bank card. The system became a free-of-charge banking service in 2012. The upgraded system offers various new options, of which the most popular is the option allowing customers to set up payees for ruble transfers and payments.
- Under an arrangement with the Federal Tax Service, Center-invest Bank's retail customers can pay their tax bills online via the Internet-Bank system.
- A new technology to create software test landscapes based on IBM systems provides for the faster deployment and uninterrupted parallel operation of multiple test environments. This reduces the time required to introduce new technologies into the bank's business processes.

To increase the efficiency with which customer payments for government services can be made and processed, in 2012 Center-invest Bank signed up to the Russian Federal Treasury's system for recording the charging and the payment by individuals and companies of state duties and other monies due to the government. This will allow the bank to join the federal Interdepartmental Electronic Interactions System and we will then be able to offer our customers fully automated payment systems for various government services.

In recognition of Center-invest Bank's extensive experience of introducing SAP systems, in 2012 SAP AG invited the bank to become one of its partners for its project to localise the new version of SAP for Banking. The bank's involvement will enable SAP to more quickly adapt its system to meet the requirements of the Central Bank of Russia, and will ensure that the SAP for Banking 8 solutions reflect not only international but also Russian business practice.

15. Branch Network

Center-invest Bank ranks 41st in RosBusinessConsulting's rating of the top Russian banks based on the number of branches. (There are approximately 1200 banks in Russia.) The bank's branch network comprises 140 branches and sub-branches in southern Russia, as well as representative offices in Moscow and London. We opened six new branches in 2012.

All of the branches in Center-invest Bank's extensive network provide excellent customer service and professional advice. Residents in small towns in the Rostov and Volgograd Regions, Krasnodar Krai and Stavropol Krai have access to just the same opportunities as do our customers in large cities.

At FYE 2013 our branches accounted for 78% of our loan portfolio. Our staff development and training programme led to a 17% increase in work productivity.

Thanks to our well-developed branch network, in 2012 we successfully rolled out significant projects, including the provision of services to the Federal Treasury Departments for the Rostov Region and Krasnodar Krai.

By reaching out to customers through our large branch network, and drawing on our twenty years of experience, Center-invest Bank is able to continually deliver sustainable, lasting growth for its main performance indicators.



Independent Auditor’s Report

Center-invest Bank Group

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

31 December 2012

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Report of the Independent Auditor on the Summary Consolidated Financial Statements

To the Shareholders and Board of Directors of OJSC CB «Center-invest»:

1. The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2012, 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 OJSC CB «Center-invest» and its subsidiary (the "Group") for the year ended 31 December 2012. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 19 March 2013.
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 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 2012 are consistent, in all material respects, with those consolidated financial statements, on the basis described in Note "Basis for preparation".

19 March 2013
Moscow, Russia

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

In thousands of Russian Roubles	31 December 2012	31 December 2011
Assets		
Cash and cash equivalents	7 005 707	4 650 962
Mandatory cash balances with the Central Bank of the Russian Federation	552 854	484 091
Trading securities	1 682 658	970 349
Other securities at fair value through profit or loss	5 997	5 997
Due from other banks	1 304 576	2 012 023
Loans and advances to customers	47 762 355	42 010 560
Finance lease receivables	643 094	538 667
Investment in associate	332 766	319 199
Intangible assets	309 979	329 674
Premises and equipment	2 530 490	2 710 632
Other financial assets	281 211	302 851
Other assets	260 150	201 958
Total assets	62 671 837	54 536 963
Liabilities		
Due to other banks	730 972	94 689
Customer accounts	44 062 862	39 000 759
Debt securities in issue	4 896 259	3 720 669
Borrowings from international financial institutions	3 070 200	2 655 299
Subordinated debt	1 834 138	1 942 715
Other financial liabilities	173 375	148 429
Deferred income tax liability	204 456	216 063
Other liabilities	106 300	72 281
Total liabilities	55 078 562	47 850 904
Equity		
Share capital	1 258 709	1 258 709
Share premium	1 646 428	1 646 428
Revaluation reserve for premises and equipment	1 356 247	1 377 608
Retained earnings	3 331 891	2 403 314
Total equity	7 593 275	6 686 059
Total liabilities and equity	62 671 837	54 536 963

Summary Consolidated Statement of Comprehensive Income

In thousands of Russian Roubles	2012	2011
Interest income	6 494 937	5 374 230
Interest expense	(3 045 572)	(2 339 864)
Net interest income	3 449 365	3 034 366
Provision for impairment on loans and advances and finance lease receivables	(888 460)	(620 790)
Net interest income after impairment provisions	2 560 905	2 413 576
Fee and commission income	895 566	842 041
Fee and commission expense	(208 854)	(210 918)
Gains less losses from trading securities	22 528	(38 208)
Gains less losses from trading in foreign currencies	66 358	61 582
Foreign exchange translation gains less losses	40 455	138 374
Losses less gains from conversion operations on the interbank market	(32 986)	(125 049)
Gains less losses from assignment of the rights of claim	80 962	29 031
Other provisions	(58 605)	(158 444)
Other operating income	74 546	87 277
Contributions to the state deposit insurance scheme	(117 069)	(99 894)
Administrative and other operating expenses	(1 900 369)	(1 778 642)
Share of profit of associate	39	3 934
Profit before tax	1 423 476	1 164 660
Income tax expense	(322 861)	(252 484)
Profit for the year	1 100 615	912 176
Other comprehensive income		
Revaluation of premises and equipment	—	196 035
Revaluation of premises and equipment of the associate	13 528	(5 392)
Income tax recorded directly in other comprehensive income	(2 706)	(95 199)
Other comprehensive income for the year	10 822	95 444
Total comprehensive income for the year	1 111 437	1 007 620

Summary Consolidated Statement of Cash Flows

In thousands of Russian Roubles	2012	2011
Cash flows from operating activities		
Interest received	6 230 579	5 393 576
Finance income arising from leasing	117 285	93 810
Interest paid	(3 080 219)	(2 478 150)
Fees and commissions received	904 759	857 088
Fees and commissions paid	(201 919)	(206 154)
Losses less gains paid from trading securities	(12 957)	(19 111)
Net income received from trading in foreign currencies	66 358	61 582
Losses less gains paid from conversion operations on the interbank market	(32 986)	(120 046)
Income received from assignment of the rights of claim	343 068	185 274
Other operating income received	78 870	98 122
Contributions to the state deposit insurance scheme	(1 113 548)	(94 846)
Staff costs	(1 042 719)	(914 729)
Operating expenses paid	(599 021)	(580 524)
Income tax paid	(322 614)	(341 526)
Cash flows from operating activities before changes in operating assets and liabilities	2 334 936	1 934 366
Changes in operating assets and liabilities		
Net increase in mandatory cash balances with the CBRF	(68 763)	(239 385)
Net (increase)/decrease in trading securities	(684 682)	1 905 859
Net decrease in due from other banks	707 151	2 515 904
Net increase in loans and advances to customers	(7 020 994)	(12 576 650)
Net increase in finance lease receivables	(110 769)	(64 594)
Net (increase)/decrease in other financial and other assets	(24 470)	187 955
Net increase/(decrease) in due to other banks	628 414	(278 881)
Net increase in customer accounts	5 271 694	5 238 690
Net increase/(decrease) in promissory notes issued	534 190	(68 602)
Net increase/(decrease) in other financial and other liabilities	3 137	(26 455)
Net cash from/(used in) operating activities	1 569 844	(1 471 793)
Cash flows from investing activities		
Acquisition of premises and equipment	(63 266)	(103 447)
Proceeds from disposal of premises and equipment	54 818	19 983
Acquisition of intangible assets	(16 701)	(34 515)
Net cash used in investing activities	(25 149)	(117 979)

Summary Consolidated Statement of Cash Flows

In thousands of Russian Roubles	2012	2011
Cash flows from financing activities		
Issue of bonds	3 065 000	2 500 000
Repurchase and repayment of bonds	(2 460 107)	(754 156)
Borrowings from international financial institutions	1 751 708	70 000
Repayment of borrowings from international financial institutions	(1 280 061)	(1 452 305)
Repayment of subordinated debt	—	(37 567)
Dividends paid	(204 221)	(95 649)
Net cash from financing activities	872 319	230 323
Effect of exchange rate changes on cash and cash equivalents	(62 269)	64 520
Net increase/(decrease) in cash and cash equivalents	2 354 745	(1 294 929)
Cash and cash equivalents at the beginning of the year	4 650 962	5 945 891
Cash and cash equivalents at the end of the year	7 005 707	4 650 962

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 2011	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
Profit for the year	—	—	—	1 100 615	1 100 615
Other comprehensive income	—	—	13 528	(2 706)	10 822
Total comprehensive income for 2012	—	—	13 528	1 097 909	1 111 437
Dividends declared and paid:					
— ordinary shares	—	—	—	(186 122)	(186 122)
— preference shares	—	—	—	(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings	—	—	(34 889)	34 889	—
Balance at 31 December 2012	1 258 709	1 646 428	1 356 247	3 331 891	7 593 275

Basis for preparation

These summary consolidated financial statements of OJSC CB «Center-invest» (the “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 the Bank upon request at 62 Sokolova street, Rostov-on-the Don, 344000, Russia.

