



**BANK
CENTER-INVEST**

Annual report

2013



Volgograd

Rostov-on-Don

Krasnodar

Stavropol

Sochi

Annual report ²⁰¹³

Report structure

Letter to Shareholders

→ 4

Sustainable Development Declaration

→ 10

Organisational Profile

→ 16

Activities

→ 18

Social Responsibility

→ 42

Corporate Governance

→ 48

Ethics and Integrity

→ 57

Category: Economic

→ 58

Category: Environmental

→ 60

Category: Social

→ 63

Labour Practices and Decent Work

→ 63

Human Rights

→ 68

Society

→ 69

Product Responsibility

→ 71

Independent Auditor's Report

→ 73

- ◆ **G4-18** This report is presented for the 2013 calendar year as part of Center-invest Bank's integrated reporting. The G4 Sustainability Reporting Guidelines were taken into account in the compilation of this report, to the extent to which the information is of interest to the bank's current and potential shareholders, partners, customers and employees. The sections of the report presented in accordance with GR-4 are appropriately colour coded.
- ◆ **G4-36** The bank regularly informs stakeholders about events, facts, impacts and risks with respect to its work and economic, environmental and social development. The contact person for this report is Sergei Smirnov (smirnov@centrinvest.ru), member of the Executive Board and Head of Corporate Lending.

Letter to Shareholders

Dear shareholders, partners, customers and colleagues,

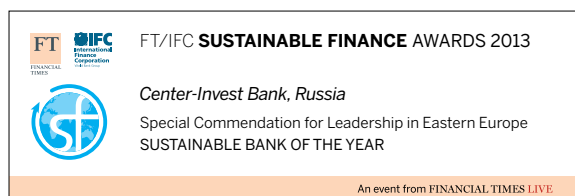
2013 was a successful year for Center-invest Bank as we continued to pursue our sustainable banking business model. This was reflected in key events and indicators and in the bank's impact on development processes in southern Russia.



◆ G4-1

2013 Events

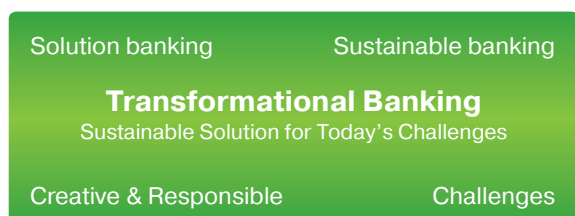
February. New summits open new horizons. The signing of an agreement with World Bank President Dr Jim Yong Kim was not only an honour for Center-invest Bank and testimony to its achievements; it was also an opportunity to meet a very interesting man. Dr Kim's vision is to turn the World Bank into an institution of solutions to continually improve the lives of ordinary people. The meeting and exchange of experience with Dr Kim gave a fresh impetus to the implementation of Center-invest Bank's plans for the sustainable development of southern Russia.



June. The bank's success in implementing a sustainable banking business model was also recognised by the FT/IFC Sustainable Finance Awards: Center-invest Bank received a Special Commendation for Leadership in Eastern Europe.



September. The bank held an international conference in Rostov-on-Don on the sustainable banking business model. The event brought together leading development institutions (DEG, EBRD, IFC, BSTDB), analysts, and Center-invest Bank partners. The speeches and discussions gave conference participants a deeper understanding of the sustainable business model as a basis for responsible and creative banking.



November. The Board of Directors approved the bank's strategy for 2014-2017, "The Global Competitiveness of Center-invest Bank's Customers". The new strategy is the bank's response to the challenges posed by the volatility of global markets and Russian economic stagnation. It is based on a sustainable banking business model, requiring a commitment to environmental and social responsibility and effective management of regional risks, underpinned by modern technologies and approaches.

Indicators

1. Center-invest Bank met the key targets in its 2011-2015 strategy, “The Post-Crisis Development of Southern Russia”, ahead of schedule: the bank’s capital grew by 15.3%, profits by 27%, the loan portfolio by 27%, and deposits by 12%.

At 31.12 of each year	2010	2011	2012	2013	Strategy 2014–2017			
					2014	2015	2016	2017
Capital	5.8	6.7	7.6	8.8	10.8	13.1	16.0	19.6
Assets	48.3	54.5	62.7	75.9	87.5	98.0	109.6	122.1
Net loans and leasing	30.6	42.5	48.4	61.5	71.3	80.8	90.9	102.4
Deposits	33.8	39.0	44.1	49.4	57.8	64.0	71.2	78.7
Profits	0.22	0.91	1.10	1.4	2.17	2.64	3.23	3.95
CAR, RAS, % ≥ 10	14.7	13.3	12.8	12.4	12.7	13.3	14.2	15.8
CAR, IFRS, % ≥ 8	19.8	18.2	17.4	15.6	15.7	16.4	17.4	18.5
CAR, Basel 3, % ≥ 10.5	16.4	15.9	15.3	13.9	13.9	14.4	15.2	16.2
CAR Tier 1, IFRS, % ≥ 4.0	11.9	11.6	11.8	11.3	12.4	13.8	15.5	17.2
CAR Tier 1, Basel 3, ≥ 8.5	9.9	10.1	10.4	10.0	11.0	12.1	13.5	15.0
ROAA, %	0.48	1.77	1.88	2.03	2.63	2.85	3.11	3.41
ROAE, %	3.92	14.64	15.42	17.25	22.1	22.12	22.13	22.15
Children born to bank employees	81	82	71	83				

2. The bank complied with all regulatory requirements under Russian and international standards. This was confirmed by all of the inspections conducted by supervisory and regulatory bodies. Taken together, these inspections lasted a total of 1336 days (+8% compared to 2012).
3. Center-invest Bank strengthened its positions in the regional and Russian markets, including for the following important parameters: SME lending (ranked 16th among Russia’s banks), reliability (ranked 35th by Forbes), return on equity (ranked 19th in the Top 100 Russian banks).
4. In 2013, 83 children were born to Center-invest Bank employees.

Letter to Shareholders

◆ G4-2

Impacts

1. The local population, businesses, government bodies and even Center-invest Bank's competitors in southern Russia are guided by our experience in introducing best international practice for the following: the quality of bank services; retail lending and SME lending; introducing energy efficient technologies; and modernising agriculture.
 - As a result of Center-invest Bank, entrepreneurs, non-governmental associations and government bodies pooling and multiplying their efforts, small business in southern Russia is continuing to grow rapidly, outpacing the average growth rates for Russia.
 - Our retail loan programmes have successfully retained demand among the population of southern Russia and limited the scale of risky lending.
 - Our experience in granting loans for repairs to multifamily residential buildings provides a good alternative to the current system, whereby residents make mandatory contributions to a regional fund and have no control over the scheduling of repairs.
 - Center-invest Bank's work on introducing electronic transfers for Federal Treasury departments has been used to roll out a new system across Russia.
2. Center-invest Bank's social and educational projects are helping to increase the prestige of education and create a new generation that is literate and creative.
3. Center-invest Bank's participation in cultural projects promotes the cultural development of southern Russia's regions.

◆ G4-2

Risks

Center-invest Bank delivered a strong performance against a backdrop of risks:

- volatility of global markets;
- Russian economic stagnation;
- considerable uncertainty about financial market reforms.

The bank took these risks into account in its analysis and localisation of best international practice. It accepted only those risks that were commensurate with shareholder requirements.

New challenges

← Center-invest Bank's solutions

Volatility of global markets

← Strengthening its positions in southern Russia, a sustainably developing region

Russian economic stagnation

← Using the advantages of southern Russia's diversified economy and entrepreneurial potential

Uncertainty about financial market reforms in Russia

← Business based on a sustainable banking model

President and Chairman of the Board
of Directors, Dr Vasily Vysokov



Chairman of the Executive
Board, Grigory Zhukov





In 2013 the bank:

- held its 11th annual competition for the top university students in southern Russia. More than 2000 people entered the competition, and the 320 winners received a Center-invest Bank scholarship;
- set up the Internet portal “Enterprise for All” (www.school.centrinvest.ru), which provides free online training in entrepreneurship. More than 600 people from the CIS have completed the course;
- held over 20 events in universities to promote knowledge and research into entrepreneurship and also the acquisition of entrepreneurial skills;
- supported the “Don Teacher of the Year” competition for the eleventh time;
- supported and participated in a Festival of Science in southern Russia.



In 2013 the bank supported:

- a Melpomena Theatre Festival;
- a festival of French song (together with the Alliance Française); and
- a classical concert conducted by Michael Kats.

It also:

- organised its traditional concert to commemorate Victory Day;
- held its traditional Christmas operatic concerts at its head office for customers and partners;
- for the tenth year in a row, funded free entry for schoolchildren to exhibitions at the Rostov Region Local Studies Museum and the Regional Museum of Fine Art. To date, more than 80000 schoolchildren have participated in this project.

The Banker

In The Banker's Top 100 Russian banks ranking, Center-invest is:

19 th	Return on equity
31 st	Return on assets
64 th	Tier 1 capital adequacy
57 th	Assets
72 nd	Tier 1 capital



RA "Ekspert Yug"
ranks Center-invest Bank:

1 st	in southern Russia by value of loan portfolio
16 th	Value of SME portfolio among Russian banks

Source: www.raexpert.ru



The Banki.ru portal ranks Center-invest Bank:

31 st	Most effective employees among Russian banks
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Source: www.banki.ru

Forbes

In the Forbes annual bank reliability rating Center-invest Bank ranks:

36 th	in the "Highly Reliable" category
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Source: www.forbes.ru/ratings



2013

Special Commendation
for Leadership
in Eastern Europe



COMMERZBANK

2013

«Relationship
Award 2012»



РБК

2013

8th in Russia
by volume
of SME lending

MOODY'S

2013

Moody's Investors Ser-
vice Ba3 stable

Moody's Interfax Aa3.ru



Sustainable Development Declaration

◆ G4-1

1. Center-invest Bank's sustainable banking business model comprises decisions taken voluntarily by its shareholders and employees in the interests of current and future generations. These obligations have become a cornerstone of Center-invest Bank's corporate culture. They inform the bank's customer and partner relationships and provide a mechanism for successful business management even at a time of crisis.
2. The distinctive features of the sustainable banking business model are:
 - a long-term vision for the bank's own business and for the environmental, social and institutional setting in which it operates;
 - stricter self-regulation, with due regard for national and international regulatory requirements and anticipated changes to these requirements;
 - rejection of speculative profits in favour of long-term profitability based on organic growth;
 - application of best international practice to ensure the competitiveness of the bank and its customers.
3. By applying a sustainable banking business model Center-invest Bank is achieving: sustainable, balanced growth; a high level of competitiveness (including when compared to the speculative market); and high rankings in ratings of Russian banks, especially for the latest and most popular inclusive finance products.
4. Center-invest Bank applies best international practice to improve its business performance. The following factors make our business model competitive in Russian and international markets and will ensure that it remains so in the long term: transparent procedures; a clearly defined corporate culture and unambiguous rules of conduct; independent risk management and internal control; a commitment to nurturing our employees; transparent and accessible reporting under national and international standards; a modern and constantly evolving information system; highly responsive liquidity management procedures; and technology, operations and product development.
5. Center-invest Bank is the leading bank in southern Russia. In terms of efficiency, southern Russia lags behind developed countries and the rest of Russia as a whole. This creates scope to introduce best international practice with the aim of increasing efficiency three- to fivefold throughout the regional economy and raising standards of living.

6. Center-invest Bank is committed to helping maintain southern Russia's environmental diversity and to reducing environmental harm. For example, the bank takes great care when selecting which agribusiness projects to finance. We are a market leader for energy efficiency finance, small business and youth enterprise development, and products to support women in business. We also offer products to enable the residents of southern Russia to improve their standard of living: consumer loans, mortgage loans and car loans. We do not, however, provide express loans. Rather, in dialogue with the customer, we assess the risks relating to the loan purpose, factoring in the long-term interests of the customer's family and loved ones. We also look for opportunities to provide special purpose loans to enable customers to purchase energy efficiency technologies or carry out housing renovations (including to multi-family residential buildings). Drawing on its accumulated experience of introducing best international practice, the bank is broadening the scope of its lending on the basis of public private partnerships (PPP).
7. Center-invest Bank's social and educational projects are designed to raise new generations of schoolchildren, students, entrepreneurs, civil servants and company managers.
8. The bank helps businesses in southern Russia to expand their contacts with partners from the EMENA region and CIS and BRICS countries. For example, we have updated an online database of SMEs in southern Russia. We establish correspondent banking relationships with new partner banks abroad, and we hold training events where bankers from various countries can share experience of introducing a sustainable banking business model.
9. Center-invest Bank provides continuous staff training on new areas in banking, in line with the sustainable banking business model. We have established a positive corporate culture, with a creative atmosphere and employees who take responsibility for, and have confidence in, the successful implementation of the bank's own strategy and those of its customers. An important result of this is the high birth rate among our employees. We have every reason to be confident that all the members of our team are committed to helping the bank and our customers achieve new sustainable results.

Sustainable Development Declaration

◆ G4-1

Southern Russia is a region:

- in which the staff of Center-invest Bank's 140 branches are fulfilling their civic and professional responsibility to work in the immediate and long-term interests of the region by promoting effective economic development, social stability, and environmentally responsible behaviour;
- in which Center-invest Bank effectively manages the regional risks associated with accepting deposits and lending to retail and business customers, the requirements of supervisory and regulatory bodies, the impact of global processes, and the specifics of Russian legislation;
- that, at a time of globalisation, effectively combines the advantages conferred by its geographical position, favourable climate, diverse natural and human resources, and infrastructure;
- that has long been populated by people of different nationalities, whose lives are enriched by the region's cultural diversity and tradition of enterprise, and who value their freedom and independence;
- that, with its economic diversity and high levels of entrepreneurship, serves as a model for the future Russian economy;
- in which salaries are 30-40% lower than the Russian average and five times lower than in European countries;
- that is experiencing a faster rate of economic recovery after the crisis, and slower growth in production costs, than the rest of Russia as a whole. This makes the region more competitive. Indeed, southern Russia plays the same role in the Russian economy as do the BRICS countries in the global economy;
- where SMEs are modernising successfully on the basis of best international practice.



Southern Russia (Southern Federal District (SFD) and North Caucasus Federal District (NCFD)
as % of Russian Federation

	2000	2005	2010	2011	2012	2013		
Territory	3.5							
Population	15.6	16.0	16.3	16.4	16.3	16.4	SMEs*	IEs*
Gross regional product / value of goods and services produced	7.6	7.1	8.6	8.5	8.8	8.8	10.3	17.92
Fixed assets	10.2	9.3	8.6	8.5	8.4	8.4	11.5	15.4
Industry	—	5.6	7.2	7.6	7.3	7.2	9.4	15.1
Agriculture	18.7	22.6	24.4	23.2	23.6	23.4	23.1	37.4
Construction	11.4	9.5	13.2	14.5	14.4	15.0	10.0	16.9
Retail trade	9.8	11.5	13.8	14.0	14.2	14.1	10.2	12.3
Capital investment	11.6	9.4	13.2	14.5	13.0	14.0	18	19
Average monthly wage								
SFD	71.4	72.5	74.3	73.8	75.3	75.1	80.4	—
NCFD	54.5	55.9	60.0	59.5	63.1	65.2	63.9	—
Average per capita income (monthly)								
SFD	69.8	71.2	79.8	79.9	81.3	85.3	—	—
NCFD	49.5	56.0	69.9	72.5	79.3	74.1	—	—

*small and medium-sized enterprises and individual entrepreneurs. Data as at 01.01.2013

At Center-invest Bank, sustainable banking means:

- an integral part of the corporate culture for its employees and customers;
- procedures to comply with the environmental requirements of the bank's IFI shareholders and partners;
- the bank's experience in financing projects pertaining to energy efficiency, SME modernisation, and agribusiness, which have increased business efficiency three- to fivefold;
- increased operational efficiency on the basis of best international practice: transparent corporate governance, risk management and internal control procedures, advanced information technologies, and a new corporate culture;
- a risk management system based on a combination of data analysis methods that ensures the appropriate allocation of capital, powers and responsibilities among the bank's business units and employees;
- a consistently strong financial performance that is persuasive not only for supporters of sustainable development but also for speculative market participants;
- increasing the competitiveness of the bank's customers and raising the population's standard of living by providing training in best international practice for a wide audience, including managers and other personnel, young people and schoolchildren.

President and Chairman of the Board
of Directors, Dr Vasily Vysokov



Chairman of the Executive
Board, Grigory Zhukov



A woman with dark hair, wearing a white short-sleeved shirt, is seated at a desk. She is looking at a computer monitor which has a green privacy screen. In her right hand, she holds a small white card. The background is a blurred office environment with a light green wall and a window. A sign on the wall behind her partially reads "ИТЫ (2)" and "ЕНИЯ".

Mission:

Center-invest Bank
is the Sustainable Bank
for southern Russia!



Full name of the bank:

Open Joint-Stock Company Commercial Bank «Center-invest»

Center-invest Bank carries out the following banking operations in accordance with General Licence of the Central Bank of Russia No. 2225 dated 9 September 2013 (General Licence No. 2225 dated 26 January 1998 expired due to the amendment by federal statute of the descriptions of specific banking operations):

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

Center-invest Bank is listed in the Unified State Register of Legal Entities (Certificate series 61 No. 002690018 dated 26 August 2002). Its primary state registration number is 1026100001949.

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

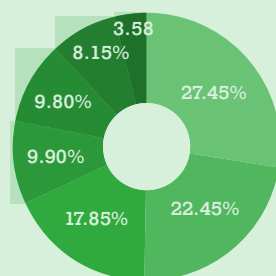
Center-invest Bank holds the following professional securities market participant licences:

- No. 061-03243-100000 dated 29 November 2000 for carrying out broker activities;
- No. 061-03332-010000 dated 29 November 2000 for carrying out dealer activities;
- No. 061-03407-001000 dated 29 November 2000 for carrying out securities management activities;
- No. 061-04118-000100 dated 20 December 2000 for carrying out depository activities.

Center-invest Bank is authorised to issue guarantees in favour of customs authorities (Notification of the State Customs Committee of the Russian Federation dated 01 March 2013).

Center-invest Bank has exclusive rights to an item of intellectual property, namely, its trademark (State Register of Trademarks and Service Marks of the Russian Federation, Certificates Nos. 330123, 330124, 328151 and 330126 dated 24 July 2007).

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
0.82%	Other shareholders



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

Telephone number, fax number: +7 863 2-000-000, +7 863 299-49-65.

Email address: welcome@centrinvest.ru

Website address: www.centrinvest.ru, центр-инвест.рф

Number of bank employees at FYE 2013: 1695

Assets and Liabilities Management

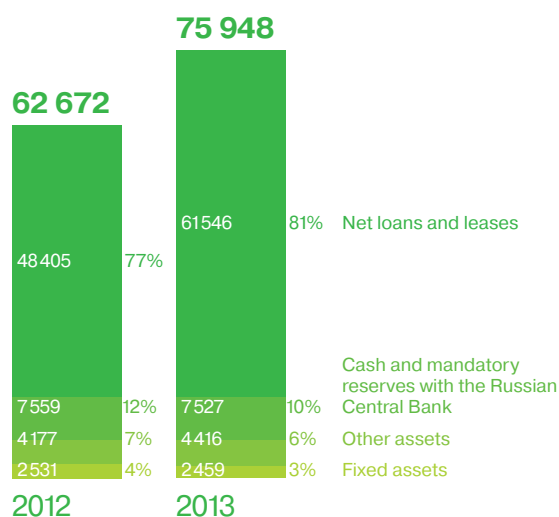
Center-invest Bank is very careful to ensure the correct balance between the scale of lending and the sources of funding. The bank's assets are concentrated in the real economy, primarily in retail and SME lending. Lending is diversified by maturities and economic sectors. Funds for lending come from equity, business and retail customer accounts, and the bank's partners. In 2013 borrowings from the markets grew at a faster rate due to the bank issuing its own securities.

	FYE 2013	FYE 2012	2013 / 2012
Assets (RUB million)	75 948	62 672	+21.2 %
Net loans and leases	61 546	48 405	+27.1%
Cash and mandatory reserves with the Russian Central Bank	7 527	7 559	-0.4%
Other assets	4 416	4 177	+5.7%
Fixed assets	2 459	2 531	-2.8%
Liabilities (RUB million)	75 948	62 672	+21.2 %
Customer accounts	49 419	44 064	+12.2%
Retail customer accounts	37 593	32 235	+16.6%
Business customer accounts	11 826	11 829	0.0%
Equity	8 753	7 593	+15.3%
Debt securities in issue	9 031	4 896	+84.5%
Borrowings from IFIs and banks	8 244	5 635	+46.3%
Other liabilities	501	484	+3.5%

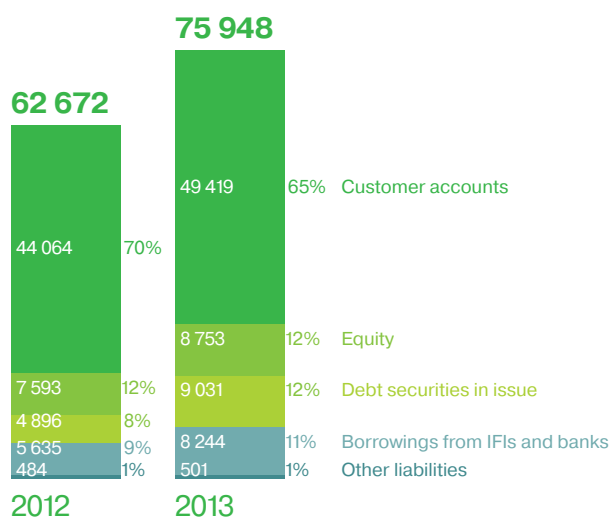
Balance sheet structure

RUB million

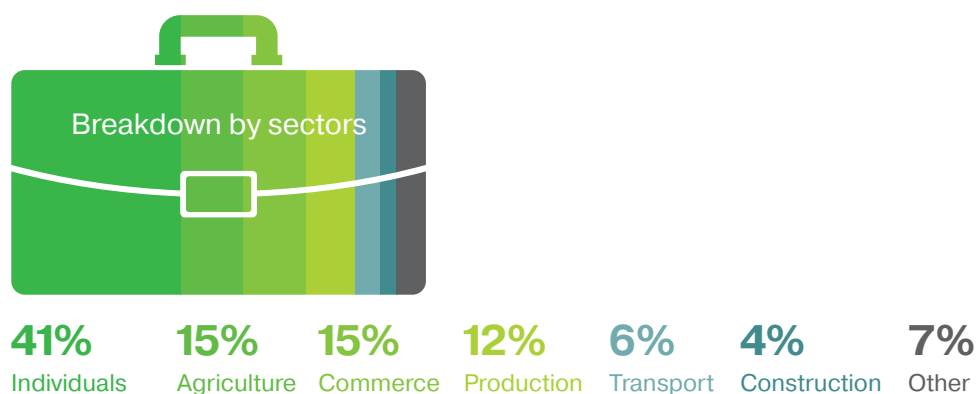
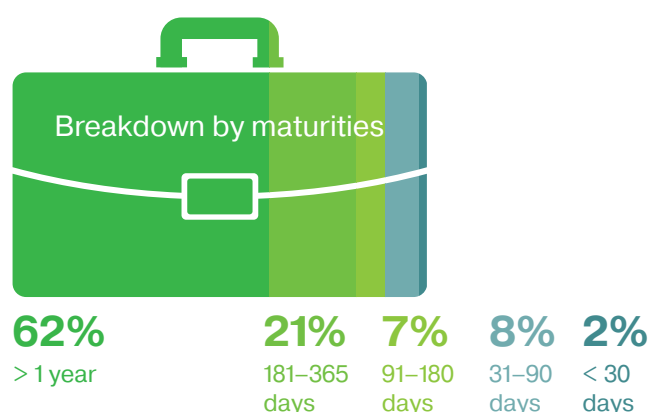
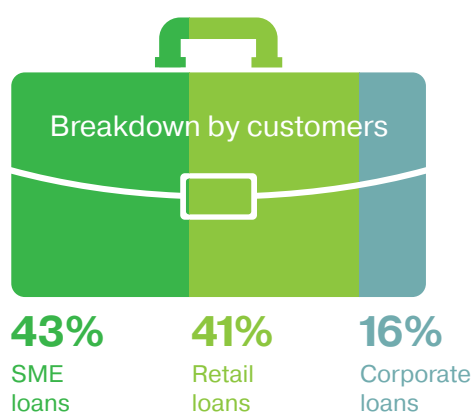
Assets



Liabilities



Structure of the loan portfolio



Deposits

	FYE 2013	FYE 2012	2013 / 2012
Retail customer funds (RUB bn)	37.6	32.2	+16.8 %
incl. deposits (RUB bn)	32.7	28.1	+16.4 %
Number of retail customer deposits (thousands)	525	479.3	+9.5 %
Interest on retail customer accounts and deposits (RUB m)	2 561.2	1 967.5	+ 30.2 %

In 2013 both the number of deposits and retail customer account balances increased. This was achieved by offering the best possible terms and conditions for deposits and bringing out new products (for example, deposits with an interest rate that increases over the term of the agreement).

Payments and Services

In 2013, all Center-invest Bank branches began offering money transfers through Zolotaya Korona, in addition to Western Union.

	2013	2012	2013 / 2012
Volume of bill payments accepted by the bank from retail customers (RUB m)	13 900	12 200	13.9 %
Money transfers (Western Union and Zolotaya Korona) (m)			
\$	14.9	16.3	–8.6 %
€	0.03	—	100 %
₪	495.8	485.9	2.0 %
Foreign exchange transactions (m)			
\$	58.7	81.5	–27.9 %
€	32.6	36.7	–11.2 %
£	1.4	—	100 %
¥	1	—	100 %
¥	0.45	0.15	198.5 %

The fall in the volume of money transfers is attributable to customers making wider use of plastic cards.

In 2013 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, and payment recipients are gradually switching to electronic documentation systems. Customers can now use the bank's self-service terminals, ATMs and Internet-Bank system to make payments for various services.

Telecommunications services	2013	2012	2013 / 2012
SMS notifications, number of users	64 655	56 155	+15.1 %
Internet banking, number of users	19 765	3 994	+394.9 %
Internet banking, number of transactions	114 560	41 214	+178.0 %



Retail Lending

The bank continued its efforts to improve the population's standard of living by offering consumer loans, mortgage loans and car loans. The bank is actively developing its loan products based on bank cards (bank card loans).

	2013	2012	2013 / 2012
Retail loan portfolio (RUB m)	26 296.6	19 108.2	+37.6 %
Consumer loans	14 718.0	10 383.9	+41.7 %
Mortgages	9 528.7	7 469.7	+27.6 %
Car loans	1 717.3	1 210.6	+41.9 %
Bank cards	332.6	44.0	+655.9 %

In 2013 Center-invest Bank continued to participate in a number of government loan programmes. We made:

- **178 mortgage** loans to borrowers who are in receipt of government subsidies to help them meet interest and capital repayments, including loans under the Young Teachers programme. Total lent: **RUB310m.**
- **264** government-subsided car loans.
- **4019 loans** for home energy efficiency improvements. Total lent: **RUB1 095m.**

Activities

Loans made	Number of loans	Value, RUB bn	Number of loans	Value, RUB bn	Number of loans	Value, RUB bn
	2013		2012		2013 / 2012	
Consumer loans	34 844	11.1	26 995	8.5	+29.1%	+30.0 %
Car loans	2 117	1.2	1 852	3.2	+14.3%	-60.5 %
Mortgages	2 483	4.3	1 194	0.7	+108.0%	+498.6 %
Bank card products	14 493	1.2	1 213	0.1	+1094.8%	+1100.0 %
Total	53 937	17.8	31 254	12.5	+72.6%	+42.5 %

A new loan product, “Universal Card”, was developed for people who receive their salary on a Center-invest Bank payroll card. It is now the main product in our range of bank card loans. In 2013 the bank also offered cards with a grace period for customers with a mortgage from Center-invest Bank.

	2013	2012
Number of credit limits	14 493	1 213
Value of limits agreed, RUB bn	1.2	0.1
Outstanding balances, RUB bn	0.3	0.04

In 2013 Center-invest Bank changed its procedures for agreeing bank card loans. Credit limits can now be agreed with just one visit to the bank. This generated a more than sevenfold increase in outstanding balances on credit cards.

	2013	2012	2013 / 2012
Number of transactions (million)	40	30	+33.3%
Number of active cards	241 883	219 168	+10.4 %
Visa International and MasterCard Worldwide cards issued	135 579	132 876	+2.0 %
Volume of transactions (RUB bn)	46.1	34.8	+32.5%
Number of payroll card programmes	2 128	1 840	+15.7%
Number of cards to service the accounts of Federal Treasury departments	10 015	8 580	+16.7%
Number of ATMs	385	334	+15.3%
Number of goods and service providers using the bank's card processing services	1565	913	+71.4%

Bank Cards

Center-invest Bank is the only bank in southern Russia to have its own modern processing centre. This advantage enables us to systematically expand our services based on bank cards.

For VisaPlatinum cardholders, an additional benefit was added to the “Exclusive” package: the PriorityPass. This provides access to more than 600 airport executive lounges worldwide.

Companies participating in a Center-invest Bank payroll card programme can now issue cards with their organisation’s personalised design.

Center-invest Bank obtained full certification as an issuer and acquirer bank for EMV-standard Mastercard Worldwide cards. This means that we can provide customers with bank cards that have a higher degree of reliability.

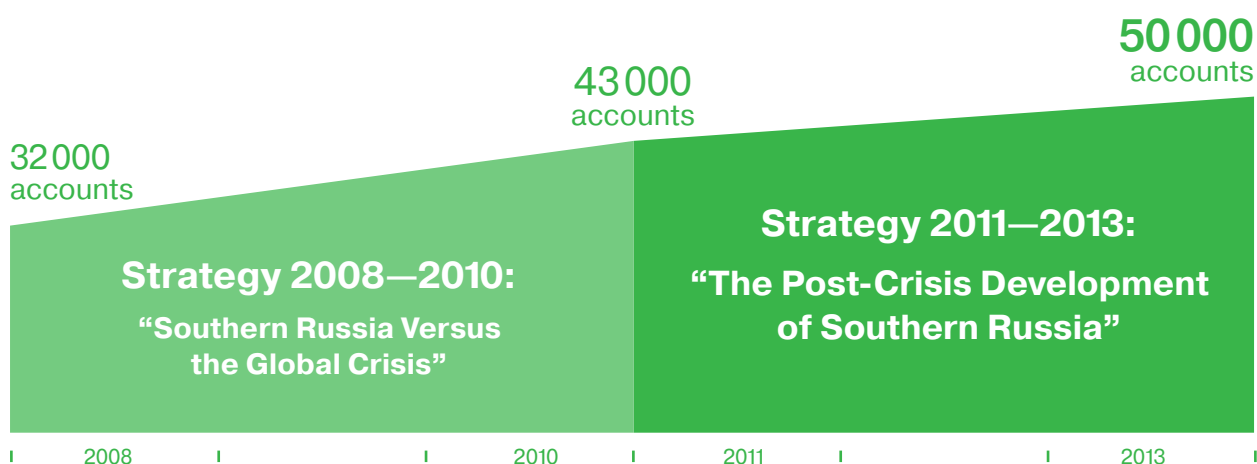
As part of our remote banking provision, customers can now:

- obtain a printout of their bank account details from an ATM;
- register for the SMS-Bank service via an ATM;
- register/deregister a card for online transactions.

By the end of 2013, under our ongoing World of Discounts programme, 186 goods and service providers were offering discounts for Center-invest Bank cardholders (2012: 105 companies).

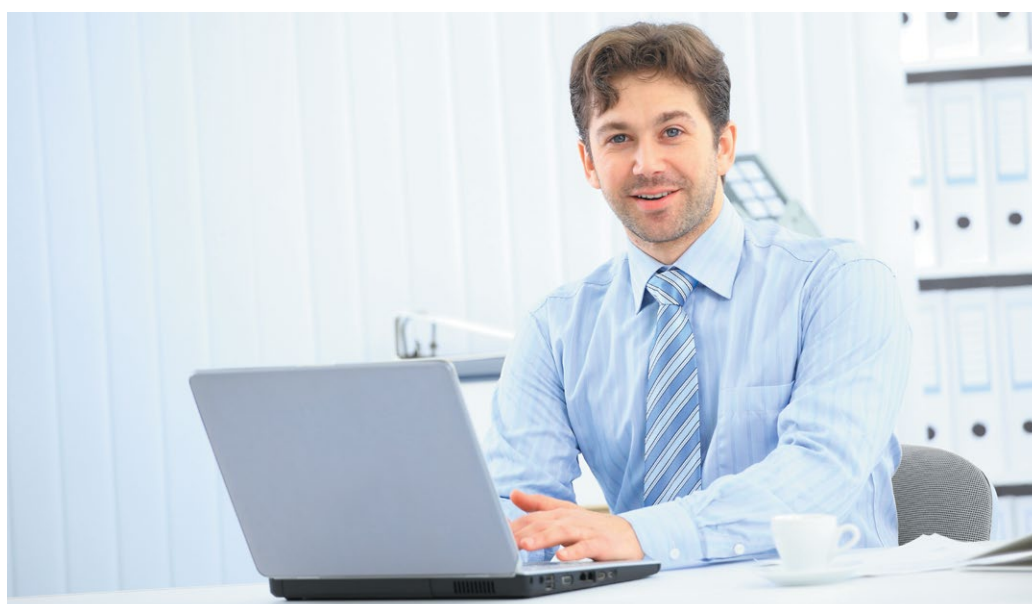


Business Banking



The bank continued its efforts to increase the number of business customers. To this end, we continually enhance our range of payment and cash management services, offer optimal tariffs, deploy our extensive branch network, and run special promotions to attract new customers. We are also expanding the functionality of our online banking service, Center-invest Client, specifically with regard to: acceptance and processing of electronic payment documents, provision of account information, and online applications for bank products and associated correspondence with the bank.

	2013	2012	2013 / 2012
Number of business customers	50 000	48 500	3.0 %
of which, use remote banking	24 900	19 400	28.4 %



Business Lending

Lending to companies and organisations in the real economy is one of Center-invest Bank's priorities.

The sustainable lending business model entails considerable preliminary work to analyse efficacy and risks and to help customers localise best international practice so that they can produce globally competitive goods and services. This preliminary work allows the bank to offer customers more comfortable interest rates. It also reduces project implementation risks and provides for a high-quality loan portfolio.

The bank establishes strategic relationships with its customers. We continually offer new products to enable our customers to remain competitive in a changing economic environment.

We offer a wide range of loan products, including: overdraft facilities, credit lines, trade finance for imports of goods and equipment, project finance, leasing, bank guarantees, guarantees for customs agencies, and counter guarantees.

A considerable increase in the number of bank guarantees issued was a notable trend in 2013.

At year end	2013	2012	2013 / 2012
Business loan portfolio, RUB bn	37.4	31.7	+18.0 %
Number of active loan agreements	5 021	4 763	+5.4 %
Value of finance lease agreements, RUB bn	0.6	0.7	-14.3 %
Number of active lease agreements	420	443	-5.2 %
Guarantees issued, RUB bn	2.1	1.5	+40.0 %
Number of active guarantees	571	313	+82.4 %
At year end	2013	2012	2013 / 2012
Number of new loan agreements	5 145	4 719	+9.0 %
Total value of agreements entered into, RUB bn	41.9	33.5	+25.1 %
Volume of funds released, RUB bn	88.0	79.4	+10.8 %
Number of guarantees provided	1072	625	+71.5 %
Value of bank guarantees, RUB bn	2.3	1.6	+43.8 %
Contract performance guarantees, RUB m	2 073	1 395	+48.6 %
Guarantees in favour of customs agencies, RUB m	202.2	157	+28.8 %
Guarantees of compliance with legislation on labelling, RUB m	21.6		
Tender guarantees, RUB m	2.4		





Strategy 2014–2017:

The Global Competitiveness
of Center-invest Bank's Customers

Loans and Support for SMEs

Center-invest Bank has been running programmes to support SMEs in southern Russia for 18 years, since 1997. In 2013 the bank surpassed its targets for growth in the SME loan portfolio and value of new loans for SMEs.

	2013	2012	2013 / 2012
Number of SME customers	49 530	44 300	+11.8%
Number of active SME loan agreements	4 760	4 485	+6.1%
SME loan portfolio, RUB bn	27.4	21.4	+28.0%
Number of new loans made to SMEs during the year	4 866	3 123	+55.8%
Value of new loans made to SMEs during the year, RUB bn	30.9	24.7	+25.1%

In 2013 our Advice Centre for New Businesses continued to advise on legal issues, taxation and accountancy. It held 60 seminars during the year (2012: 43 seminars).



In its new strategy “The Global Competitiveness of Center-invest Bank’s Customers”, the bank puts forward its own solutions to all the economic and political challenges.

At a time of multifaceted volatility on global markets and stagnation of the national economy, Center-invest Bank will strengthen its positions in the region and use the advantages conferred by southern Russia’s economic diversity and entrepreneurial potential.

In the next few years, the bank will continue to provide finance to enable SMEs in southern Russia to modernise. It will also continue its special programmes: “Start-up!”, “Youth Business Russia”, “Business Loans for Women” and “Enterprise for All”.

The bank will continue to provide and develop energy efficiency loan products for industry, the housing and communal services sector and retail customers.

The bank will help agribusiness in southern Russia to modernise, to increase the degree of processing of agricultural produce and create value chains.

The bank will continue to provide services to educational institutions and to participate actively in social and educational projects and programmes.

Special loan programmes for SMEs	Number of loans	Value, RUB m	Number of loans	Value, RUB m	Number of loans	Value, RUB m
	2013		2012		2013 / 2012	
“Start-up”, up to RUB3m, up to 36 months	181	265.7	116	155.3	+56.0 %	+71.1 %
“Youth Business Russia” together with the International Business Leaders Forum (IBLF), RUB 300 000, up to 36 months	52	14.3	14	3.8	+271.4 %	+276.3 %
Loans for businesswomen	125	120.0	78	61.0	+60.3 %	+96.7 %
Loans in conjunction with regional guarantee funds	36	228.0	26	132.8	+38.5 %	+71.7 %

Energy Efficiency Lending

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 OeEB. 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 2013, Center-invest Bank's total investment to date in energy efficiency projects was RUB7.36bn (FYE 2012: RUB5.23bn). We have financed 530 projects in the industrial, agricultural and service sectors, and 5,200 projects in the housing and communal services sector and private residential sector. The modernisation financed by the bank has reduced annual CO₂ emissions by 133,500 tonnes (equivalent to the emissions produced or absorbed by 78,100 light vehicles, 381,300 barrels of oil, or 5.3m trees).

Our energy efficiency finance portfolio grew by 41% (from RUB5.23 bn to RUB7.36bn). In 2013 most of the funding was used to implement projects in the industrial and agricultural sectors and for energy efficiency repairs and improvements to housing.

	2013	2012	2013 / 2012
Number of energy efficiency loans made	3 563	1 412	152.3 %
Value of loans made, RUB bn	2.1	1.8	19.7 %
Annual CO ₂ emissions reduction	23 067	18 945	21.8 %

The bank's success in financing energy efficiency projects is attributable to a fundamentally new approach: sustainable lending. This approach combines technical, financial and social engineering. In seminars and presentations, experts from Center-invest Bank share their unique experience of energy efficiency lending with representatives of Russian government bodies, municipal authorities, and financial institutions from various CIS countries, Eastern Europe, the Middle East, North Africa and BRICS countries.

Agribusiness Lending

	2013	2012	2013 / 2012
Number of borrowers in the agribusiness sector	667	600	+11.2%
Number of loans made	1 242	1 153	+7.7%
Value of loans made, RUB bn	9.2	7.5	+23.0%
of which, loans for investment purposes	1.9	1.2	+63.0%

The bank nurtures and works with the best customers in southern Russia's agribusiness sector. We help customers to use the advantages of the region's natural environment and climatic conditions and to modernise agribusiness in southern Russia by introducing best international practice. Projects include: acquiring agricultural equipment, building and modernising production facilities and livestock farms, and purchasing livestock.

In 2013 our agribusiness loan portfolio grew by 20% to RUB9.5bn.



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 Ober-oesterreich AG (Linz, Austria), SocieteGenerale SA (Paris, France), UniCredit SpA (Milan, Italy), and The Royal Bank of Scotland PLC (London, Great Britain). In 2013, transactions through correspondent accounts totalled USD14.3bn and EUR762.85m (USD16.2bn and EUR358m in 2012).

Center-invest Bank is a participant in the EBRD and IFC trade facilitation programmes (TFP). In 2013, the volume of transactions under these programmes exceeded USD15.6m (2012: over 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. Our trade finance partners in 2013 included banks from Germany, Austria, the Czech Republic, South Korea, China, Ukraine, Belarus, Taiwan, Slovenia, Spain and the Netherlands.

Stock Market Trading

To manage liquidity, at FYE 2013 the bank had a RUB2.04bn bond portfolio (FYE 2012: RUB1.63bn, including RUB109m in eurobonds and RUB1.5bn in ruble bonds). The portfolio was comprised entirely of ruble bonds from issuers with a rating of BBB– or higher. (In 2012, 96.9% of the portfolio had a rating of at least BBB–.)

The annual return on ruble bond transactions in 2013 was 8.83% (6.93% in 2012) and on foreign currency bonds it was 3.71% (2.01% in 2012).

International Trade Services

Center-invest Bank processes foreign currency transactions for its business customers who have international trade contracts. In accordance with Russian legislation, the bank holds “transaction certificates” for these customers, which provide evidence that the transfer of funds is legitimate.

Center-invest Bank works continually to boost southern Russia’s import and export trade. We organise special seminars and networking meetings where Center-invest Bank customers can meet customers of our partner banks from abroad. Together with our foreign partner banks, we arrange for our customers to visit trade fairs abroad so that they can make new business contacts and sign new contracts.

	2013	2012	2013 / 2012
Volume of transactions under international trade contracts, millions.			
\$	335.0	281.0	+19.2 %
€	55.0	63.7	–13.7 %
₽	5750.0	5660.4	+1.6 %

Trust Management

At FYE 2013 the value of net assets under management was RUB156.6m (FYE 2012: RUB121.3m). The annual rate of return for our bank-managed mutual fund (BMMF) Center-invest 1, which invests cash in Russian equities, was +12% (2012: +5.66%), while for BMMF Center-invest 2, which invests assets in bonds, it was +10.46% (2012: +12.55%).

Center-invest Bank manages three education endowment funds: the Endowment Fund for Education and Science in the Southern Federal District, the Southern Federal University Endowment Fund, and the Endowment Fund for the Development of Don State Technical University.

At FYE 2013	Net assets, RUB thous.	Annual return, %
Endowment Fund for Education and Science in the SFD	101 380.6	9.75
Southern Federal University Endowment Fund	14 050.7	10.16
Don State Technical University Endowment Fund	3 269.5	7.73

Information Technologies

In the implementation of its IT strategy, the bank draws on the benefits of the SAP AG platform to strengthen its competitive advantages: the efficiency of business service provision is not affected by the accounting load; the platform is compatible with other systems and technical platforms; it is customisable, scalable and can be further developed; and the baseline package incorporates best international practice. In 2013 the bank became a co-innovation partner for the localisation of the new version of SAP Banking Services. This status provides early access to the very latest solutions for the automation of banking operations.

In 2013 the bank integrated with the State Information System for Central and Municipal Government Payments. This increased the efficiency of interaction with customers, counterparties and government bodies on the basis of the SAP Process Integration platform. By further developing this area, in 2014 the bank will be able to offer its customers a service for automated payments to government bodies, integrated with the bank's existing payment services.

In 2013 the bank introduced:

- SMS notifications for business customers. Customers can now choose to receive near real-time notifications of their account balances and transactions via SMS.
- the eToken PASS, a stand-alone device which automatically generates one-time passwords. Customers do not have to connect to a computer, install additional software, search for a code on a plastic card, or ask the bank for a new card with one-time passwords. Each eToken PASS is designed to be used for several years.
- a new system for preventing bank card fraud (anti-fraud analyser), introduced in response to the growth in the ATM network, POS terminals and numbers of bank cards being issued, and also the bank's involvement with the Universal Electronic Card system.



VISA



— a new service for retail customers, SMS-Bank. Using a mobile phone linked to a bank card, customers can obtain notifications, make payments and transfers, and perform a number of other operations.

The bank continually upgrades the technical infrastructure of its business units on a planned basis, with due regard for the cost-reduction imperative. Technical equipment is purchased on a competitive basis. Transparent procedures are used to select offers with the lowest price, proven reliability and reparability, a long guarantee period, after sales servicing, and the shortest delivery times.



Internal Control

In 2013 Center-invest Bank's Internal Control Service:

- helped the Board of Directors and Executive Board ensure the sustainable and efficient operation of the business;
- continually monitored staff compliance with agreed procedures, functions, remits and decisions;
- was involved in updating Center-invest Bank's interdepartmental procedures for banking operations and also in developing procedures to assess, manage and monitor the risks involved in these operations;
- continued to further improve the internal control system on the basis of best international practice.

Checks conducted by the Internal Control Service	2013	2012
comprehensive audits of branches and sub-branches	16	31
checks of cash and valuables	20	14
investigation into customer complaints	1	1
audits of specific aspects of the work of business units	62	63
audits of professional activities on the securities market	4	4

The Internal Control Service assisted the Federal Financial Markets Service and the Bank of Russia with their inspections of the bank in 2013.

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

Risk Management

Operating on the basis of sustainable banking principles, 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.

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:

- conduct thorough assessments of borrower risks and 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 external environment is changing rapidly;
- prevent NPLs and monitor collateral;
- deal effectively with problem loans and NPLs;
- assess and manage market risks, including currency, stock market and interest rate risks;
- monitor and manage liquidity risks to ensure a balanced asset-liability structure and diversified sources of funding;
- monitor and manage operational risks, conduct anti-fraud monitoring and ensure information security;
- ensure that risks are covered by adequate capital and provisions.

The bank's risk management system exists independently of its business divisions. This means that objectively sound solutions can be found promptly, and the bank has the flexibility to make the necessary changes in its business areas.

Center-invest Bank's Risk Management Policy has been approved by the Board of Directors. The policy regulates our risk management procedures and reflects Bank of Russia requirements, Basel approaches, and our own experience in managing regional risks.

The bank studies global, national and regional economic trends in depth and analyses their impact on regional and sectoral risks. This has allowed us to minimise the systemic and strategic risks of our operations, at a time when global markets are highly volatile, and also to meet customer needs.

Center-invest Bank's risk management system ensures that both the bank and its customers develop sustainably and that shareholder and depositor investments are protected.

Center-invest Bank is setting a positive example for the Russian financial community, demonstrating that sustainable development in the banking sector can be both socially useful and commercially advantageous.



Motto:

Best international practice
for southern Russia!!



Branch Network

Center-invest Bank ranks 36th in RosBusinessConsulting's rating of the top Russian banks by number of branches at 2013 year end (out of 923 banks). Our branch network comprises 140 branches in southern Russia and a representative office in Moscow. In 2013, the expansion of our work with the Federal Treasury departments for the Rostov and Volgograd regions and Krasnodar Krai occasioned the opening of three new branches. Six unprofitable sites were closed down and merged with larger business units. Our Aleksandrovka and Leventsovsky sub-branches in Rostov-on-Don moved into new buildings and can now provide services to more customers.



Together with its twenty years of experience, Center-invest Bank's well-developed branch network allows it to continually deliver sustainable, lasting growth for key indicators. At FYE 2013 the bank's branches accounted for 78.6% of the loan portfolio. Our training and development programme for branch staff increased work productivity by 17%.

Center-invest Bank's extensive branch network in southern Russia gives it a competitive advantage in the implementation of its strategy. Our branches provide a full range of modern banking services and products, including: payments and cash management, various loan programmes, leasing, deposits, money transfers and business advice. They work with a wide range of customers in southern Russia: large companies, SMEs, self-employed individuals and retail customers. The system for managing the branch network is founded on close cooperation between functional and regional managers, based on modern technologies and methods.

Regional breakdown for key indicators

at FYE 2013

RUB bn	2013	2012	2013 / 2012,%
Loans, total	63.7	50.7	+25.6%
Head office	13.7	10.9	+25.7%
Rostov region	32.4	26.4	+22.7%
Krasnodar Krai	11.7	8.9	+31.5%
Volgograd region	2.3	2.0	+15.0%
Stavropol Krai	3.7	2.6	42.3%
Branch network	78.6%	78.5%	
Retail customer accounts, total	37.6	32.2	+16.8%
Head office	18.0	15.6	+15.4%
Rostov region	17.6	14.7	+19.7%
Krasnodar Krai	1.6	1.5	+6.7%
Volgograd region	0.2	0.1	+100.0%
Stavropol Krai	0.2	0.3	-33.3%
Branch network	52.1%	51.5%	

This section contains information about the bank's social impact products, loan programmes and educational projects in 2013. It also covers our achievements with respect to developing a sustainable banking business model.

In February the bank signed an agreement with IFC for a credit line to finance SME and energy efficiency projects. The agreement was signed by President of the World Bank, Dr Jim Yong Kim, and President and Chairman of the Board of Directors of Center-invest Bank, Dr Vasily Vysokov.

In June the bank received a Special Commendation for Leadership in Eastern Europe in the FT/IFC Sustainable Finance Awards.

Center-invest Bank organised the second international conference on the sustainable banking business model. The event was attended by more than 60 delegates from development banks (EBRD, DEG, IFC, BSTDB and Vneshekonombank), banks from Austria, Germany, the USA and Azerbaijan, and representatives of the Central Bank of Russia and academic and business circles.



The Delovoi Kvartal business magazine (Rostov-on-Don edition) named Dr Vysokov “Regional Banker of the Year”. Dr Vysokov is one of the region's most socially oriented bankers and a champion of the local economy. Center-invest Bank is proactive in lending to start-ups. Moreover, in 2005, in partnership with IFC, we became the first Russian bank to run an energy efficiency programme for SMEs, the housing and communal services sector and the local population. Delovoi Kvartal ranks Center-invest Bank as a market leader in all segments among regional banks.

In the 2013 Leader of the Year rating by the Gorod N business weekly (No. 50 (1059) dated 24.12.13), Center-invest Bank ranked among the Rostov region's top five most successful companies and significant brands. Dr Vysokov was voted third in the “Successful Entrepreneur” and “Business Reputation” ratings.

Grow big!

In autumn 2013 Center-invest Bank opened a children's bank branch in Kidburg, a miniature town where youngsters can find out about many different kinds of jobs. At the Center-invest Bank branch, children can learn about being a teller, cashier, senior cashier, cash-in-transit officer, and even an assistant branch manager.

In 2013, 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. More than 80,000 schoolchildren have taken part in this programme since it was launched by the bank in 2004.

To promote the financial wellbeing of children, the bank offers a special children's savings account. The Grow Big account can be opened for any child under the age of sixteen.

Fifty-seven young bankers attended training courses at the School for Young Bankers, which Center-invest Bank runs for its customers' children and grandchildren.

More than 200 schoolchildren in Rostov-on-Don, Semikarakorsk, Bataisk and Azov visited Center-invest Bank during Doors Open Days as part of a long-term programme to increase financial literacy.



Financial products for students

More than 200,000 students receive their grant on a Center-invest Bank card. The bank has been running payroll programmes for southern Russia's leading higher education institutions since 2001. The schemes are based on bank cards with preferential terms for educational institutions.

Center-invest Bank opened Russia's first bank café at its head office. Created specially for young people who are on the go, the facility combines access to modern banking technologies and services with excellent customer care. Customers can avail themselves of the full range of banking services in a pleasant café atmosphere.

More than 5000 people registered on the new online training portal "Enterprise for All" (www.school.centrinvest.ru). Launched by the bank in April 2013, by the end of the year 750 users had completed the course in basic principles of the economy and entrepreneurship, for which they received a certificate.

For students who are in paid employment the bank offers loans of up to RUB50,000 on preferential terms: no requirement for loan security or guarantors, terms of up to three years.

The 320 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. The annual scholarship fund exceeds RUB6.5m.





For new entrepreneurs

Center-invest Bank runs special loan programmes for new entrepreneurs. Under the Start-up and Youth Business Russia programmes, the bank provided 228 new entrepreneurs with a total of RUB274m in start-up finance. As well as financial assistance, the young people are offered business mentoring.

In 2013 more than 600 people attended free training seminars on taxation and bookkeeping at Center-invest Bank Advice Centres (in Rostov-on-Don, Volgograd, Shakhty and Taganrog).

Loans for businesswomen

125 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.

Providing a forum for female entrepreneurs to work together to address socially important issues, the bank held seven business breakfasts for women in southern Russia.



Looking after the older generation

Center-invest Bank's special products for pensioners include: loans on preferential terms, growth deposit accounts, and convenient deposit accounts for paying in and withdrawing pensions and other welfare payments.

50 customers were winners in the bank's special prize draw for pensioners.

Every year the Second World War veterans among our customers receive a Victory Day commemorative gift from the bank and we also organise a celebratory concert.



Supporting education and science

At FYE 2013 the capital of the Endowment Fund for Education and Science in the Southern Federal District, set up by Center-invest Bank, exceeded RUB100.5m. The Fund is used to further develop social and educational projects for schoolchildren, students, young academics and teachers in southern Russia.

Thanks to financial support from the bank, a Festival of Science was held in southern Russia for the fourth consecutive year.

For the eleventh consecutive year, Center-invest Bank supported the regional “Don Teacher of the Year” competition and awarded a special prize for “Best New Course Book”.

Using a grant from Dr Vysokov, students and postgraduates from the Southern Federal University published a book entitled “The Experience and Cooperation of the BRICS Countries and Their Regions”. The book was presented to Sergei Katyrin, Chairman of the Russian Business Council and President of the Russian Chamber of Commerce, and Gennady Chizhikov, Chairman of the Ukrainian Chamber of Commerce. (http://центр-инвест.рф/pdf/opyt_i_sotrudnichestvo_stran_BRIKS_i_ih_regionov.pdf)

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 SFD.



◆ G4-34 The governance of Center-invest Bank complies with Russian civil law and the recommendations of international organisations, in particular, the Basel Committee on Banking Supervision.

◆ G4-35 The bank's highest governance body is the General Meeting of Shareholders, which elects the Board of Directors (seven people, including two independent directors).

◆ G4-42 The Board of Directors determines the bank's strategy: the main types of activities, permissible level of risk, overall expenditure, anticipated financial results, and performance incentive scheme. It also approves the composition of the Executive Board (four people; in 2012, three people) and the single-person executive body, which is the Chairman of the Executive Board.

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

Pursuing its strategic mission, the bank introduces the most progressive forms of governance.

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

In 2013 the Board of Directors and the Executive Board continued their practice of holding joint meetings.

In 2013 the Board of Directors held eight meetings (2012: six meetings). In addition to current issues, it considered the implementation of the bank's IT Strategy and approved alterations to the bank's structure. It also approved Center-invest Bank's Development Strategy for 2014-2017 and Business Plan for 2014. Taking into account feedback from the Internal Control Service, which monitors compliance with the bank's Code of Corporate Conduct, the Board of Directors regularly carries out surveys and evaluates performance in terms of corporate conduct.

The Chairman of the Board of Directors, Dr Vasily Vysokov, was elected by the Board of Directors on 15 June 2012.

◆ G4-38 The Board of Directors approved the composition of its committees as follows:

Strategic Planning Committee: E. Welteke (Committee Chairman), independent director; V.V. Vysokov; A. Popov

Audit and Compliance Committee: T.N. Vysokova (Committee Chairman); V.V. Vysokov; A. Zeisler

Appointments and Remunerations Committee: V.V. Vysokov (Committee Chairman); F.D. Flosbach, independent director; T.N. Vysokova

The Board of Directors does not have any executive members. The Chairman of the Board of Directors is not an executive director. All the decisions of the Board of Directors are taken unanimously.

◆ G4-40

Shareholders (a shareholder) holding at least 2% of the bank's voting shares are (is) entitled to propose agenda items for the annual general meeting, and also to nominate candidates for the bank's Board of Directors and Internal Audit Committee. Such proposals must be received by the bank no later than 30 days after the end of the financial year.

Candidates for the Board of Directors give their consent and confirm that they meet the criteria specified in the By-Law "On the Board of Directors of the Bank".

Members of the Board of Directors should have:

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

They must not have any convictions or be otherwise ineligible for election to the Board of Directors. In addition to these criteria, the independent director should have at least 20 years' experience in international finance or in a Western bank with assets of at least USD500m.

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

◆ G4-41

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

Disclosure of information about related party transactions involving members of the Board of Directors

As part of its annual reporting, the bank includes information about transactions entered into by the bank with a member of the Board of Directors, his (her) spouse, parents, children, full siblings, half siblings, adoptive parents, adopted children and (or) their related parties, and also if these persons participated in a transaction with the bank as a beneficiary, intermediary, or representative in the transaction, or they hold 20% and more of the voting shares of a legal entity that is a party, beneficiary, intermediary or representative in a transaction with the bank, or they hold a position in a governance body of a legal entity that is a party, beneficiary, intermediary or representative in a transaction, or a position in a governance body of the management company of such a legal entity.

Information about such transactions must include information about all of the participants in the transaction, the time of making the transaction, its execution, price, and approval of the transaction by the bank's Board of Directors or General Meeting of Shareholders.

- ◆ G4-44 The Board of Directors evaluates its performance, including with respect to economic, environmental and social topics, through self-assessment.

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

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

- ◆ G4-45 At meetings of the Board of Directors and the Board Committees, and in conference calls and correspondence, the Board of Directors and the Executive Board regularly share information about economic, environmental and social impacts, risks and opportunities, and the management thereof. The bank regularly meets with customers and partners to discuss impacts, risks and opportunities relating to economic, environmental and social development.

- ◆ G4-46 Under the bank's procedures, it is mandatory for meetings of the Board of Directors, the Board Committees and the Executive Board to consider risks relating to economic, environmental and social topics.
- G4-47

- ◆ G4-48 The bank's annual report contains information about its sustainable development work. The Board of Directors considers the annual report and recommends it for approval by the meeting of shareholders.

- ◆ G4-49 The Board of Directors receives timely information about any development issues and concerns and also about the actions taken by the governance bodies to resolve these concerns.
- ◆ G4-50 In 2013 the Board of Directors considered three issues: market volatility, Russian economic stagnation, and the mechanisms and frequency of inspections of Center-invest Bank. In all three cases, the Board approved the actions taken by the bank's executive bodies to resolve concerns on the basis of new technologies and methods.
- ◆ G4-51 The members of the Board of Directors receive remuneration for their work in accordance with and on the basis of a decision of the meeting of shareholders. The amount of remuneration depends on the bank's performance (assets growth and profits, calculated under IFRS). Total remuneration cannot exceed 4% of profits calculated under IFRS.

Center-invest Bank's Policies		Date approved	Approved by
1.	Internal Control Policy	25.04.2007	Board of Directors
2.	Credit Policy	14.11.2007	Board of Directors
3.	Information Policy	14.11.2007	Board of Directors
4.	Information Security Policy	05.08.2004	Board of Directors
5.	Risk Management Policy	03.02.2009	Board of Directors
6.	Liquidity Management Policy	03.02.2012	Board of Directors
7.	Personnel Policy	16.12.2013	Board of Directors
8.	Employee Remuneration Policy	16.12.2013	Board of Directors
9.	By-law on Dividend Policy	07.12.2011	Board of Directors
10.	Environmental and Social Policy	06.09.2010	Board of Directors
11.	Accounting Policy for 2013	21.12.12, revised 30.09.13	Board of Directors Audit and Compliance Committee
12.	Accounting Policy for Reporting Under IFRS	21.12.2012	Board of Directors Audit and Compliance Committee

Corporate governance

- ◆ G4-52 Proposals as to the amount of remuneration are produced by the Remunerations Committee. The Board of Directors submits the proposals for approval by the meeting of shareholders, which takes the final decision about total remuneration.
- ◆ G4-53 Recommendations on remuneration for the Board of Directors take into account relevant trends and international practice.
- ◆ G4-56 Center-invest Bank's Code of Conduct and Code of Ethics have become an integral part of its corporate governance culture.
- ◆ G4-57
G4-58 All bank employees are entitled to address any question to any level of management and to receive a substantive response. The persons responsible must not only respond to questions from any employee, but also take steps to ensure compliance with rules and procedures to prevent such concerns from arising again.

Structure of Center-invest Bank

At FYE 2013

Approved by the Board of Directors
of Center-invest Bank

General Meeting of Shareholders

Internal →
Control
Service

Board of Directors

← Company
Secretary

Committees:

Strategic Planning
Audit and Compliance
Appointments and Remuneration

Executive Board

Deputy Chairman
of the Executive
Board

**Chairman
of the Executive
Board**

Member
of the Executive
Board

Deputy Chairman
of the Executive
Board

Transaction banking
— Transaction banking
and currency control

Retail operations
— Payment services
— Customer services
— VIP department

Bank cards
— Customer services
— Payment services

Processing centre
— Terminals

Information technologies
— IT development and operations
— Systems support

Accounting and Reporting
— Accounting
— Reporting

**Credit, operational
and market risks**
— Internal security
— Legal risks
— Information security
— Loan transactions
recording and monitoring
— Loan workout, credit risks
— Financial monitoring

**Treasury and
Financial Markets**
— Securities
— Financial institutions
— Retail and business
deposits
— Depositary

Administration
— Human resources
— Administrative staff
and secretariat
— Procurement

Legal Department

Lending
— Corporate customers
— SMEs
— Agribusiness
— Investment projects
— Retail customers

Leasing

Branch Network

Committees:

Assets and Liabilities Management
Risk Management
Loan Committees: main, small, retail
Development of Banking and Information Technologies
Problem Loans

Corporate governance

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

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

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

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

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

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

Pursuant to the bank's articles of association, the governance bodies are: the General Meeting of Shareholders, the elected Board of Directors (seven directors, including two independent directors), the Executive Board and the Chairman of the Executive Board. The Executive Board is a collegial executive body. At 2013 year end the Executive Board comprised four members (2012: three members). The Chairman of the Executive Board is a single-person executive body.

◆ G4-17 The consolidated financial statements for the Center-invest Bank Group comprise the financial statements for OJSC Center-invest Bank and its wholly owned subsidiary LLC Center-leasing.

◆ G4-35 Environmental and social topics

The Board of Directors approves the bank's Environmental and Social Policy. The policy sets out the bank's strategy for managing and assuming environmental and social risks. A member of the Executive Board is assigned responsibility for compliance with the principles and approaches specified in the policy. The Executive Board member

is responsible for ensuring that the policy is conveyed to all bank employees and for compliance with the policy. All of the bank's credit committees are also guided by the policy. An environmental report containing the main results of the bank's work in the previous year is produced annually and made publicly available.

Economic topics

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

◆ G4-37

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

There were changes in the composition of the Board of Directors in 2013. The composition of the Board at FYE 2013 is shown below.


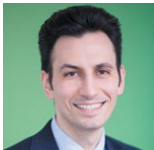
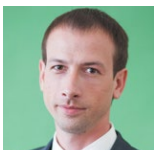

Corporate governance

		At FYE 2013		At FYE 2012	
		Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
	Ernst Welteke	0	0	0	0
	Vasily Vasilevich Vysokov	8.07	9.01	8.07	9.01
	Tatiana Nikolaevna Vysokova	7.91	8.83	7.91	8.83
	Alan Popov	0	0	—	—
	Hans Wolfgang Unterdorfer	0	0	—	—
	Franz Josef Flosbach	0	0	—	—
	Andreas Zeisler	0	0		
	Vladimir Semenovich Zolotarev Left the Board of Directors (decision of meeting of shareholders, 11.06.2013)	—	—	0.14	0
	Andreas Kling Left the Board of Directors (decision of meeting of shareholders, 11.06.2013)	—	—	0	0
	Michael Neumayr Left the Board of Directors (decision of meeting of shareholders, 16.12.2013)	—	—	0	0

◆ G4-EC1

The Chairman of the Executive Board, Grigory Ivanovich Zhukov, was approved by the Board of Directors on 27 May 2011.

The composition of Center-invest Bank's Executive Board at FYE 2013 and FYE 2012 is shown below:

		At FYE 2013		At FYE 2012	
		Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
	Grigory Ivanovich Zhukov	0	0	0	0
	Yuriy Yurevich Bogdanov	0	0	0	0
	Denis Vladimirovich Proshkin	0	0	—	—
	Sergei Yurevich Smirnov	0	0	—	—

Ethics and integrity

◆ G4-58

Center-invest Bank's ethical values, which are shared by its employees, customers and partners, are reflected in the sustainable development declaration (pages 10–13) and enshrined in the bank's codes and policies (page 51). These values are part of the bank's corporate culture.

Category: Economic

- ◆ **G4-EC1** In 2013, Center-invest Bank's activities, underpinned by its sustainable banking business model, were directed at generating income from the real economy (87%) and paying income out to depositors (27%), partners (26%), shareholders (26%), and employees and the government (20%).

Formation and distribution of Center-invest Bank's income in 2013

	RUB bn	% of total	2013 / 2012	
Income	9.4	100.0		
of which, lending to the real economy	8.2	87.2		+1.5
Distribution of income	7.2	100.0		
To the population – on retail deposits	2.6	27.6	28.1	+1.6
To society – social projects	0.04	0.4		
To partners – for funds raised	1.6	16.9	25.4	+0.2
To suppliers	0.8	8.5		
To employees – remuneration	1.4	14.8	20.1	+0.1
To the state – taxes and other mandatory payments	0.5	5.3		
To shareholders – dividends	0.3	3.2	26.5	-1.8
Bank development	2.2	23.3		

- ◆ **G4-EC2** Southern Russia's economy (agribusiness, recreation and tourism, transport) is sensitive to climate change risks. The impact of climatic factors can be offset through the use of modern technologies and best international practice. The following strong points permit Center-invest Bank to have a high-quality portfolio in this sector: its customers' many years of experience in the sector, the broad sweep of climate zones, crop rotation, application of modern production technologies, high-quality risk management, and an appropriate level of provisions for these customers. The key indicators (non-performing loans, returns, concentration) are mid-range when compared to the bank's loan portfolio as a whole.

- ◆ **G4-EC3** The bank does not have any pension plan liabilities.

In compliance with Russian legislation, in 2013 the bank paid RUB227.9m to the Russian Pension Fund in insurance contributions for mandatory pension and medical insurance for bank employees.

- ◆ **G4-EC4** Center-invest Bank does not receive any financial assistance from the government. It is, however, actively involved in efforts to promote the socio-economic development of southern Russia and the Russian Federation as a whole.

- ◆ G4-EC5 The wages of the bank's employees are in line with the market conditions in southern Russia and reflect the skills and experience required.

	Russian Federation	Krasnodar Krai	Volgograd Region	Rostov Region	Stavropol Krai
Average monthly nominal gross wage, RUB	29960.1	17624.2	21154.0	21616.6	20664.9
Average wage for the bank's business units, RUB	53593.1	54580.9	46768.6	53759.7	51444.7

- ◆ G4-EC6 Heads of Center-invest Bank's governance bodies and senior executives reside in the Southern Federal District (SFD), which is the location of the bank's operations.

	Number of personnel	Of which – residents of the SFD	
		total	as %
Board of Directors	7	2	29
Executive Board	4	4	100
Committees	46	41	89
Managers of head office divisions and departments	72	72	100
Branch Managers*	70	69	99

*Branch managers or deputy managers (one manager may oversee several sites).

- ◆ G4-EC9 Three quarters of the bank's spending on suppliers is on local suppliers.

Proportion of spending on local suppliers

Spending on Suppliers	Foreign	Russian Federation	Krasnodar Krai	Volgograd Region	Rostov Region	Stavropol Krai
Proportion of spending on suppliers	1%	99%	10%	4%	60%	2%

Category: Environmental

◆ G4-EN1
G4-EN2 In 2013 the bank used 163 tonnes of paper. The bank does not use recycled waste or materials.

◆ G4-EN3–
G4-EN7 Despite its sustainable growth, the bank is continually reducing its energy and water consumption.

◆ G4-EN6

Energy consumption	2013		2012			
	MJ		MJ		Change, MJ	
Gasoline, tonnes	210	6 735 680	292	9 344 000	–2608320	–28%
Gas, thousand m³	468	15 912 000	448	15 232 000	680000	4%
Electricity, kilowatt-hours	4742000	17 071 200	4328000	15 580 800	1490400	10%
Total		39 718 880		40 156 800	–437920	–1%

◆ G4-EN9
G4-EN8
G4-EN10 The bank uses a centralised water supply and water withdrawal system. Water consumption was 66054 tonnes in 2013 (31707 tonnes in 2012).

◆ G4-EN11
G4-EN12
G4-EN14
G4-EN13 The bank does not have any operations in protected areas. It does not have any impact on biodiversity or protected species.

The bank regularly participates in activities to restore natural habitats.



- ◆ G4-EN15–
G4-EN19 The bank has run an energy efficiency finance programme since 2005. It provides both business and retail customers with loans to finance the introduction of modern energy saving technologies and measures.

Energy efficiency projects	2013	2012	Base
Number of projects	3562	1412	5700
Total finance provided, RUB bn	2.13	1.78	7.36
Reduction in CO2 emissions, thousand tonnes per year	23.17	18.9	134.7
Equivalent to the emissions produced by: cars	13500	11050	78800
oil, thousand barrels	66.0	54.0	384.9
or absorbed by trees, million	0.9	0.8	5.4

- ◆ G4-EN20–
G4-EN27 The bank does not conduct any activities involving:
- emissions of greenhouse gases, ozone-depleting substances or other pollutants;
 - waste water discharge;
 - spills of liquid waste;
 - transportation of hazardous waste;
 - a harmful impact on biodiversity.

The bank uses authorised municipal contractors for solid waste disposal.

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

Category: Environmental

◆ G4-EN28 The bank does not use reclaimed packaging materials.

◆ G4-EN23 G4-EN30	2013	2012	2013 / 2012
Waste	356 tonnes	564 tonnes	−36.9 %
Reduction in transportation (gasoline consumption)	82 tonnes	29 tonnes	+183 %

◆ G4-EN31	2013	2012	2013 / 2012
Environmental protection expenditures, RUB thous.	1 291	1716	−24.8%
including: protection of the atmosphere	35	7	+400%
waste water collection and treatment	907	1349	−32.8%
waste disposal	349	360	−3.1%

◆ G4-EN32 All new borrowers undergo thorough assessment and are assigned a rating (in accordance with the criteria specified in the Environmental and Social Policy). This process includes an appraisal applying environmental criteria.

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

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

Labour practices and decent work

In accordance with Annex 10 of Instruction No. 2005-Y of the Central Bank of Russia, “Assessment of the Economic Position of Banks”, Center-invest Bank discloses the following information on remuneration:

	FYE 2013	FYE 2012
Headcount	1 695	1 670
Proportion of total payroll, %		
— Basic salaries	71.3	71
— Incentives, overtime and allowances	28.7	29
Largest short-term remunerations for members of the executive body, RUB thous.		
— Basic salaries	9 380	8 489
— Incentives, overtime and allowances	24 384	17 312

Remuneration for the Board of Directors and Executive Board

	2013	2012	2013 / 2012
Short-term remunerations (paid within 12 months), RUB thous.			
— Salaries	19 213	16 405	+17 %
— Bonuses	77 494	50 068	+55 %
— Reimbursement of travel expenses	7 444	3 665	+103 %
Total	104 151	70 138	+48 %
Long-term remunerations (paid after 12 months), RUB thous.	8 000	5 500	+45 %

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

Category: Social

◆ G4-LA1

Total number and rates of new employee hires and employee turnover

The bank does not use headhunting as part of its personnel policy. Instead, it creates a pool of future employees by attracting students from local universities for work experience and training.

	Number of employees at FYE 2012	Number of new employee hires	Number of employees who left the bank	Employee turnover
Total for bank	1670	187	162	9.6
By gender				
— male	431	69	52	3.1
— female	1239	118	110	6.5
By age group				
— under 30	449	102	51	3.1
— 30–50	1181	74	91	5.4
— over 50	40	11	20	1.2

◆ G4-LA2 G4-LA3 G4-LA4

All 139 employees who were entitled to parental leave exercised this right. All employees who had taken maternity leave continued to work in the same position or in a similar position.

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

◆ G4-LA5–
G4-LA8

Occupational Health and Safety

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

	2013	2012	2013 / 2012
Number of insured employees	1676	810	+107 %
of which, women	1255	608	+106 %
Number of employees who have been vaccinated	40	14	+186 %
of which, women	28	12	+133 %

◆ G4-LA9
G4-LA10
G4-LA11

All of the bank's employees regularly receive various types of training: on the job training, in-house seminars, and external training courses and placements.

In 2013 the bank held 2007 seminars, which were attended by 1471 employees. Participation in training was not dependent on gender or age.

Training Theme	Number of seminars	Number of employees who received training
Operational Activities	1	18
Services for Retail Customers	13	136
Lending Services	16	240
Plastic Cards	4	120
Information Technologies	53	258
Accounting and Reporting	25	145
Legal Issues	4	8
English Language	1872	39
Effective Team Communications	12	500
Press Service	7	7

In 2013 each employee received an average of five hours of training.

The bank provides for continual staff development. It sends employees on external training courses and organises placements for managers and other staff in partner banks, including banks abroad.

In 2013, through external courses and placements, 88 employees received training on the following subjects:

- the latest issues in SME lending;
- innovation in banking technologies;
- information and economic security;
- credit risks;
- macroeconomic (international) policy;
- investment policy.

Employee appraisals are conducted regularly, which benefits both the bank as a whole and its employees.

To encourage healthy living, the Board of Directors and the Executive Board of Center-invest Bank finance company sporting tournaments. Employees from different departments and branches compete for the Bank President's Cup. Four large tournaments were held in 2013: football, ping pong, basketball and volleyball, with 26 teams competing.

The bank opened its first sports hall in 2013. Located at head office, the facility has equipment for ping pong, table football, air hockey and darts, as well as exercise machines. The bank also opened a Wellness Centre for yoga, pilates and other forms of exercise.

To promote exercise and sustainable transport, in 2013 Center-invest Bank installed 12 free-of-charge bicycle parking stations for its customers and employees. These facilities are located near its offices in Rostov-on-Don, Bataisk, Aksai and Taganrog.



◆ G4-LA12

Composition of governing bodies	Total	under age 30	age 30-50	over age 50
Board of Directors				
Total	7	—	1	6
— female	1	—	—	1
— male	6	—	1	5
Executive Board				
Total	4	—	4	—
— female	—	—	—	—
— male	4	—	4	—

◆ G4-LA12	Total	Krasnodar Krai	Volgograd Region	Rostov Region	Stavropol Krai
Average monthly wage for the bank's business units, RUB	53 593.10	54 580.87	46 768.59	53 759.72	51 444.72
Men	68 772.99	73 367.77	58 953.89	68 546.85	75 678.75
Men under age 30	43 976.86	60 106.33	24 503.05	42 731.08	62 125.00
Women	47 466.08	50 870.27	43 666.59	47 149.23	46 375.33
Women under age 30	38 789.83	37 435.81	27 726.07	39 152.76	36 071.46

◆ G4-LA14
G4-LA15
G4-LA16

The bank refrains from providing services to customers who have been found in violation of legislation on labour relations.

Human rights

◆ G4-HR1–
G4-HR12

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

Training on human rights is provided as part of the process of familiarising new employees with the bank's codes and policies. Under the bank's corporate rules, all employees are entitled to address any question to any level of management and to receive a response. This approach prevents any discrimination.

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

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

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

Society

◆ G4-16

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

- Association of European Business (AEB) (Chairman of the Board of Directors of Center-invest Bank, Dr Vasily Vysokov, is the chairman of the Rostov sub-committee);
- Rostov Region Chamber of Commerce and Industry (Dr Vysokov is Vice President);
- Russian-German Chamber of Commerce (Deutsch-Russische Auslandshandelskammer);
- German-Russian Forum (Deutsch-Russische Forum);
- Krasnodar Krai Chamber of Commerce and Industry;
- Rostov Region Employers' Union, Russian Union of Industrialists and Entrepreneurs);
- Rostov-on Don Council of Directors, Bataisk Council of Directors.

The bank participates in the work of these associations, and pays membership subscriptions only.

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

- The Rostov Region Public Chamber (Dr Vysokov is chairman of the Commission for Economic Development, Enterprise and Innovation);
- The Public Chambers of the following bodies: North Caucasus Internal Affairs Directorate (Transport) (Dr Vysokov, member), The Rostov Region Ministry of Property Relations (Tatiana Vysokova, member), Regional Inspectorate of the Federal Tax Service (Dr Vysokov and also Pavel Shvarz from Center-invest Bank, members);
- Boards of Trustees of Southern Federal University, Don State Technical University, Southern Russia Technical University, Rostov State Economics University (Dr Vysokov is a member of all four boards).
- Boards of Trustees of the Endowment Fund for Education and Science in the Southern Federal District (Dr Vysokov, chairman; Tatiana Vysokova, board member), the Southern Federal University Endowment Fund (Tatiana Vysokova, board member), Don State Technical University Endowment Fund (Dr Vysokov, board member).

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

◆ G4-S01–
G4-S07

All of the bank's business units actively engage with local communities. In 2013 the bank held 127 seminars and briefings for municipal bodies in southern Russia on current issues in banking, economic development, entrepreneurship, and housing and communal services.

The bank refrains from operations that would have a negative impact on local communities. In a timely manner, the bank communicates its anti-corruption policy and procedures to local communities and informs them of the impact of external risks. In accordance with Russian legislation, the bank informs law enforcement agencies of any incidents of corruption and breaches of the law.

The bank refrains from financing political parties and it does not receive payment for its advice to political and non-governmental organisations. It participates in the public chambers of a number of government bodies.

Having investigated a customer complaint, the Rostov Region Department of the Federal Anti-Monopoly Service found no evidence of Center-invest Bank having a dominant position in the market for acceptance of utility bill payments.

◆ G4-S08

In 2013 the bank received the following fines:

- RUB64,000 fine from the Federal Tax Service for failure to report information about customer accounts;
- RUB294,000 fine from the Federal Tax Service in relation to the bank's 2009-2010 tax inspection;
- RUB85,000 fine from the Russian Pension Fund for late submission of information about the opening/closing of customer current accounts;
- RUB30,000 fine from the Federal Service of Court Bailiffs for failure to comply with a writ for non-pecuniary claims.

◆ G4-S09–
G4-S011

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

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

Product responsibility

◆ G4-PR1–
G4-PR9

The bank does not provide any products or services that have a negative impact on health and safety or that do not comply with regulations. It voluntarily and intentionally develops and sells products and services that help its customers raise their standards of living and run sustainable businesses. It regularly and purposefully informs customers of its products and services through all forms of mass media. Using information technologies, the bank enables customers to select for themselves the most suitable terms on which to receive services. By analysing customer feedback and using mystery shoppers, the bank monitors the compliance of its products and services with regulations and voluntarily assumed obligations. No significant deviations from regulations or voluntary obligations have been found. Taking customer views into account, the bank continually develops its products and services. It regularly responds to customer queries (more than 500,000 communications via the call centre, the 24-hour customer support line, and Twitter, Facebook, Instagram and VKontakte).

The bank does not sell any banned or disputed goods or any goods that do not comply with regulations, including those on advertising, promotion and sponsorship.

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

The bank has not received any fines concerning its provision of products and services.

◆ G4-13

There were no changes in the bank's capital or business structure in 2013.

◆ G4-14

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

◆ G4-15

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

— The Ten Principles – United Nations Global Compact, 2000

— OECD Guidelines for Multinational Enterprises, 2011

— United Nations Guiding Principles on Business and Human Rights, implementing the UN "Protect, Respect and Remedy" Framework, 2011.

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 2013

Contents

Report of the independent auditor on the summary consolidated financial statements

→ 74

Summary consolidated financial statements

→ 75

Summary Consolidated Statement
of Financial Position

→ 75

Summary Consolidated Statement of Profit
or Loss and Other Comprehensive Income

→ 76

Summary Consolidated Statement
of Changes in Equity

→ 77

Summary Consolidated Statement
of Cash Flows

→ 78

Note to the Summary Consolidated Financial
Statements

→ 80



Report of the Independent Auditor on the Summary Consolidated Financial Statements

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

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2013, the summary consolidated statement of profit or loss and other comprehensive income, of changes in equity and of cash flows 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 2013. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 14 March 2013.

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

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

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

In our opinion, the summary consolidated financial statements derived from the audited consolidated financial statements of the Group for the year ended 31 December 2013 are consistent, in all material respects, with those consolidated financial statements, on the basis described in Note "Basis for preparation".

14 March 2013
Moscow, Russia

Summary Consolidated Statement of Financial Position

In thousands of Russian Roubles	31 December 2013	31 December 2012
Assets		
Cash and cash equivalents	6 998 761	7 005 707
Mandatory cash balances with the Central Ban of the Russian Federation	528 130	552 854
Trading securities	2 096 680	1 682 658
Due from other banks	1 100 300	1 304 576
Loans and advances to customers	60 928 483	47 762 355
Finance lease receivables	617 050	643 094
Investment in associate	337 295	332 766
Intangible assets	301 801	309 979
Premises and equipment	2 458 882	2 530 490
Other financial assets	294 522	281 211
Other assets	285 306	260 150
Total assets	75 947 210	62 671 837
Liabilities		
Due to other banks	519 993	730 972
Customer accounts	49 418 580	44 062 862
Debt securities in issue	9 031 093	4 896 259
Borrowings from international financial institutions	5 906 408	3 070 200
Subordinated debt	1 817 953	1 834 138
Other financial liabilities	126 338	173 375
Deferred tax liability	184 730	204 456
Other liabilities	189 708	106 300
Total liabilities	67 194 803	55 078 562
Equity		
Share capital	1 258 709	1 258 709
Share premium	1 646 428	1 646 428
Revaluation reserve for land and premises	1 327 697	1 356 247
Retained earnings	4 519 573	3 331 891
Total equity	8 752 407	7 593 275
Total liabilities and equity	75 947 210	62 671 837

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of Russian Roubles

2013

2012

Interest income	8 179 845	6 494 937
Interest expense	(4 134 997)	(3 045 572)
Net interest income	4 044 848	3 449 365
Provision for loan portfolio impairment and impairment of finance lease receivables	(804 640)	(888 460)
Net interest income after impairment provisions	3 240 208	2 560 905
Fee and commission income	952 993	895 566
Fee and commission expense	(226 306)	(208 854)
Gains less losses from trading securities	6 244	22 528
Gains less losses from trading in foreign currencies	51 525	66 358
Foreign exchange translation gains less losses	36 060	40 455
Losses less gains from conversion operations on the interbank market	(8 266)	(32 986)
Gains less losses from assignment of the rights of claim	—	80 962
Other provisions and expenses	(123 812)	(58 605)
Repayment of debt written off	122 571	45 169
Other operating income	20 259	74 546
Contributions to the state deposit insurance scheme	(139 226)	(117 069)
Administrative and other operating expenses	(2 135 200)	(1 900 369)
Share of result of associate	4 529	39
Profit before tax	1 801 579	1 423 476
Income tax expense	(391 696)	(322 861)
Profit for the year	1 409 883	1 100 615
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation of premises and equipment of the associate	—	13 528
Income tax recorded directly in other comprehensive income	—	(2 706)
Other comprehensive income for the year	—	10 822
Total comprehensive income for the year	1 409 883	1 111 437

Summary Consolidated Statement of Changes in Equity

In thousands of Russian Roubles	Share capital	Share premium	Revaluation reserve for land and premises	Retained earnings	Total equity
Balance at 1 January 2012	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
Profit for the year	—	—	—	1 409 883	1 409 883
Total comprehensive income for 2013	—	—	—	1 409 883	1 409 883
Dividends declared and paid					
— ordinary shares	—	—	—	(232 652)	(232 652)
— preference shares	—	—	—	(18 099)	(18 099)
Transfer of revaluation surplus on premises to retained earnings	—	—	(28 550)	28 550	—
Balance at 31 December 2013	1 258 709	1 646 428	1 327 697	4 519 573	8 752 407

Summary Consolidated Statement of Cash Flows

In thousands of Russian Roubles

2013

2012

Cash flows from operating activities

Interest received	8 032 229	6 347 864
Interest paid	(3 965 603)	(3 080 219)
Fees and commissions received	955 715	904 759
Fees and commissions paid	(226 074)	(201 919)
Losses less gains from trading securities	(1 986)	(12 957)
Income received from trading in foreign currencies	50 633	66 358
Losses less gains from conversion operations on the interbank market	(6 849)	(32 986)
Receipts from assignment of rights of claim	407 900	343 068
Repayment of debt written off	79 874	45 169
Other operating income received	20 114	33 701
Contributions to the state deposit insurance scheme	(132 932)	(113 548)
Staff costs paid	(1 306 448)	(1 042 719)
Operating expenses paid	(633 489)	(599 021)
Income tax paid	(372 135)	(322 614)
Cash flows from operating activities before changes in operating assets and liabilities	2 900 949	2 334 936

Changes in operating assets and liabilities

Net change in mandatory cash balances with the CBRF	24 724	(68 763)
Net change in trading securities	(377 004)	(684 682)
Net change in due from other banks	204 057	707 151
Net change in loans and advances to customers	(14 136 843)	(7 020 994)
Net change in finance lease receivables	9 525	(110 769)
Net change in other financial and other assets	92 787	(24 470)
Net change in due to other banks	(202 330)	628 414
Net change in customer accounts	5 097 107	5 271 694
Net change in promissory notes	(119 644)	534 190
Net change in other financial and other liabilities	(41 301)	3 137
Net cash (used in)/from operating activities	(6 547 973)	1 569 844

Cash flows from investing activities

Acquisition of premises and equipment	(95 340)	(63 266)
Proceeds from disposal of premises and equipment	5 008	54 818
Acquisition of intangible assets	(28 115)	(16 701)
Net cash used in investment activities	(118 447)	(25 149)

In thousands of Russian Roubles

2013

2012

Cash flows from financing activities

Issue of bonds	5 681 921	3 065 000
Repurchase and repayment of bonds	(1 529 097)	(2 460 107)
Borrowings from international financial institutions	4 121 615	1 751 708
Repayment of borrowings from international financial institutions	(1 411 235)	(1 280 061)
Repayment of subordinated debt	(162 273)	—
Dividends paid	(250 705)	(204 221)
Net cash from financing activities	6 450 226	872 319
Effect of exchange rate changes on cash and cash equivalents	209 248	(62 269)
Net (decrease)/increase in cash and cash equivalents	(6 946)	2 354 745
Cash and cash equivalents at the beginning of the year	7 005 707	4 650 962
Cash and cash equivalents at the end of the year	6 998 761	7 005 707

Note to the Summary Consolidated Financial Statements

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 statements of financial position, of profit or loss and other comprehensive income, of changes in equity and of cash flows from the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards.

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

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