

Annual Report 2014



**BANK
CENTER-INVEST**



Annual Report — 2014

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◆ G4-18 This report is presented for the 2014 calendar year as part of Center-invest Bank's integrated IFRS 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 contact person for this report is Sergei Smirnov, Deputy Chairman of the Executive Board.

1. Events

- 1.1. In 2014 amid volatility on the global markets and Russian economic stagnation, Center-invest Bank interpreted and encapsulated its experience as “transformational banking”¹:

 - continually innovating;
 - comprehensive, practical implementation of solutions;
 - creative, and socially and environmentally responsible.
- 1.2. It was on this basis that Center-invest Bank continued its work within the framework of its ecosystem. Our ecosystem comprises our shareholders, employees, customers and partners, all of whom have been working together to implement their programmes for sustainable, innovative and responsible development in terms of the following:

 - space (southern Russia, Russia, global markets);
 - time (the older, younger and future generations);
 - society (the authorities, civil society organisations, informal groups);
 - information (including electronic and print media, the Internet, “orders from above”, word of mouth).
- 1.3. The bank regularly analysed the markets in which its ecosystem was evolving. As well as educational resources, we provided new products and approaches for small business, information technologies, energy efficiency, the agribusiness sector, consumer lending, and the training of creative cadres of young people, entrepreneurs and civil servants.
- 1.4. With the publication of the book “Transformational Banking: made in Russia”² Center-invest Bank was able to promote its new vision for the future of banking to its partners at various international forums in Moscow, St Petersburg, Sochi, Vienna, Boston, Frankfurt, Bucharest, Istanbul and Warsaw.
- 1.5. The crisis in Ukraine and the introduction of sanctions created new conditions for the development of the bank’s ecosystem:

 - consolidation of society and mobilisation of the economy in Russia;
 - restrictions on the operations of international financial institutions in Russia;
 - creation of competitive advantages in the domestic market for the bank’s business customers;
 - government support for competitor banks, and a tougher competitive environment.
- 1.6. Faced with these new challenges, Center-invest Bank’s transformational banking business model and ecosystem not only proved resilient but also provided competitive advantages. We were able to avoid panic among depositors and to introduce new information communication technologies and risk management and internal control methods.

1. www.centrinvest.ru/files/articles/pdf/CI_TransformationBank_book_final.pdf
2. www.centrinvest.ru/files/smi/pdf/CI_TransformationBank_book_en_small.pdf

2. Indicators

- 2.1. Despite the difficult geopolitical situation, the fall in the ruble, the shortage of funding, and the considerable increase in the cost of funding, Center-invest Bank managed to achieve the key targets in its business plan and show a good level of profitability, especially when compared to the market.
- 2.2. Center-invest 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 1,663 days (+24% compared to 2013).
- 2.3. Center-invest Bank strengthened its positions in the regional and Russian markets, including for the following important parameters: SME lending (ranked 15th among Russia’s banks), reliability (ranked 33rd by Forbes), and growth rate (5th among regional banks).
- 2.4. In 2014, 86 children were born to Center-invest Bank employees.

At 31.12	2010	2011	2012	2013	2014	business plan 2015
Capital, RUBbn	5.8	6.7	7.6	8.8	9.6	10.1
Assets, RUBbn	48.3	54.4	62.7	75.9	91.3	88.3
Net loans and leasing, RUBbn	30.6	42.5	48.4	61.5	72.0	75.8
Deposits, RUBbn	33.8	39	44.1	49.4	49.2	52.8
Profit, RUBbn	0.2	0.9	1.1	1.4	1.1	0.7
CAR, RAS, % ≥ 10	14.7	13.3	13.3	12.4	10.9	10.7
CAR, IFRS, % ≥ 8	19.8	18.2	17.4	15.6	14.5	15.0
CAR, Basel 3, % ≥ 10.5	16.4	15.9	15.3	13.9	13.0	13.3
CAR Tier 1, IFRS, % ≥ 4.0	11.9	11.6	11.8	11.3	10.3	11.4
CAR Tier 1, Basel 3, ≥ 8.5	9.9	10.1	10.4	10.0	9.2	10.2
ROAA, %	0.48	1.76	1.88	2.03	1.32	0.8
ROAE, %	3.92	14.53	15.42	17.25	12.07	6.9
Cost income	51.8	49.9	45.1	45	43.4	36.2
Number of children born to bank employees	81	82	71	83	86	

3. Impacts

- 3.1.** At a time of crisis and volatility, causing Russian consumers to panic, the local population, businesses, government bodies and even Center-invest Bank’s competitors in southern Russia are guided more than ever by our intelligent risk analysis and sustainable conduct:

 - by making it known publicly that it would not increase interest rates on existing loans or engage in speculative forex trading, Center-invest Bank had a stabilising effect on the conduct of participants in the regional market in December 2014;
 - throughout 2014 Center-invest Bank retained its leadership in southern Russia in introducing best international practice for the following: the quality of bank services; retail and SME lending; introducing energy efficient technologies; and modernising agriculture;
 - thanks to Center-invest Bank, entrepreneurs, non-governmental associations and government bodies pooling and multiplying their efforts, small business in southern Russia continued to grow rapidly. The sector adjusted structurally to the new circumstances, and individual entrepreneurs were able to play a greater role;
 - while in Russia as a whole retail lending was shrinking, Center-invest Bank managed to retain demand among the population of southern Russia. This was because our approach to lending allows us to avoid high levels of risk: low interest rates and an individual approach to loan applications;
- Center-invest Bank’s unique experience of financing the renovation of multifamily residential buildings has shown that pressing social problems in the housing sector can be addressed through the effective use of market mechanisms and new lending approaches;
 - Center-invest Bank’s work on introducing electronic transfers for Federal Treasury departments has been used to roll out a new system across Russia.
- 3.2.** Center-invest Bank’s social and educational projects are helping to increase the prestige of education and create a new generation that is both literate and creative.
- The bank held a series of lectures at leading southern Russian universities on current economic challenges, modern banking technologies, and creative analysis.
- With the establishment of southern Russia’s first Financial Literacy Centre and the increased prominence and uptake of the online Enterprise for All training course, Center-invest Bank is promoting new educational approaches.

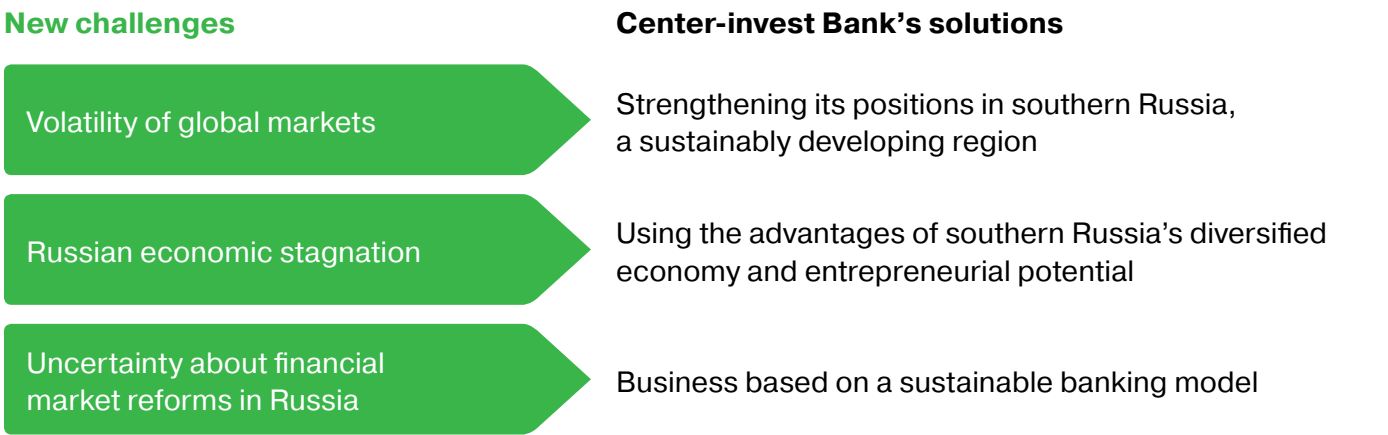
3.3. Center-invest Bank’s participation in cultural projects promotes the cultural development of southern Russia’s regions. We support public events held by theatres and museums, as well as competitions and cultural projects.

4. 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.



President and Chairman of the Board of Directors, Dr Vasily Vysokov	Chairman of the Executive Board, Yuri Bogdanov
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In 2014 the bank:

— held its twelfth annual scholarship competition for southern Russia's top university students. Over 2,000 students entered the competition, and the 360 winners each received a Center-invest Bank scholarship;



— supported the Internet portal “Enterprise for All” (www.school.centrinvest.ru), which provides free online training. More than 2,600 people from the CIS have completed the course;



— held over 50 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 twelfth time;
— supported and participated in the Fifth Festival of Science in southern Russia;
— supported a festival of French song (together with the Alliance Française) and a classical concert conducted by Misha Katz. 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 twelfth 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 100,000 schoolchildren have participated in this project. In 2014 the Battle of Stalingrad Panorama Museum in Volgograd joined the project.



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.

The Banker

In The Banker’s Top 100 Russian Banks ranking, Center-invest Bank is:

10th — cost-to-income ratio

15th — return on Tier 1 capital

25th — return on assets

58th — assets

72nd — capital

Forbes

In the Forbes annual reliability rating of Russian banks, Center-invest Bank ranks:

33rd

Moody’s

Moody’s Investors Service B1 stable
Moody’s Interfax A1.ru



In 2014 Russia’s Expert RA rating agency ranked Center-invest Bank:

15th for size of SME loan portfolio among Russia’s leading banks

Sustainable Development Declaration

G4-1

Southern Russia is a region:

- in which the staff of Center-invest Bank’s 135 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.
- 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;

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

	2000	2005	2011	2012	2013	2014		
Territory	3.5							
Population	15.6	16.0	16.4	16.3	16.4	16.5	SMEs*	IEs*
Gross regional product/value of goods and services produced	7.6	7.1	8.5	8.8	8.8	9.0	10.8	17.6
Fixed assets	10.2	9.3	8.5	8.4	8.4		11.5*	15.4*
Industry	—	5.6	7.6	7.3	7.2	6.2	9.4	15.1
Agriculture	18.7	22.6	23.2	23.6	23.4	23.5	23.1	37.4
Construction	11.4	9.5	14.5	14.4	15.0	13.0	11.6	16.9
Retail trade	9.8	11.5	14.0	14.2	14.1	14.3	8.1	16.1
Capital investment	11.6	9.4	14.5	13.0	14.0	13.3	16.2	19
Average monthly wage							*data as at 01.01.2013	
SFD	71.4	72.5	73.8	75.3	75.1	75.2	80.4	—
NCFD	54.5	55.9	59.5	63.1	65.2	65.0	63.9	—
Average per capita income (monthly)								
SFD	69.8	71.2	79.9	81.3	85.3	87.6	—	—
NCFD	49.5	56.0	72.5	79.3	74.1	75.2	—	—

- 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, Yuri Bogdanov



Mission:

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

◆ G4-7

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).

There were no changes in the bank’s capital or business structure in 2014. The precautionary principle is included in the bank’s risk management

procedures and must be applied in decision-making. 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

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

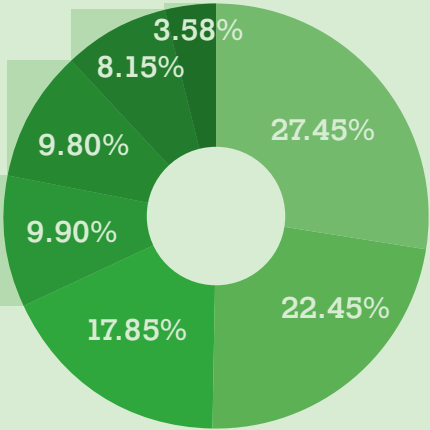
Telephone number, fax number: +7 863 2-000-000, +7 863 299-49-65.

Email address: welcome@centrinvest.ru

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

Number of bank employees at FYE 2014: 1 717

Shareholders at 01.01.2015 (% 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 Oberösterreich AG
- 0.82% Other shareholders

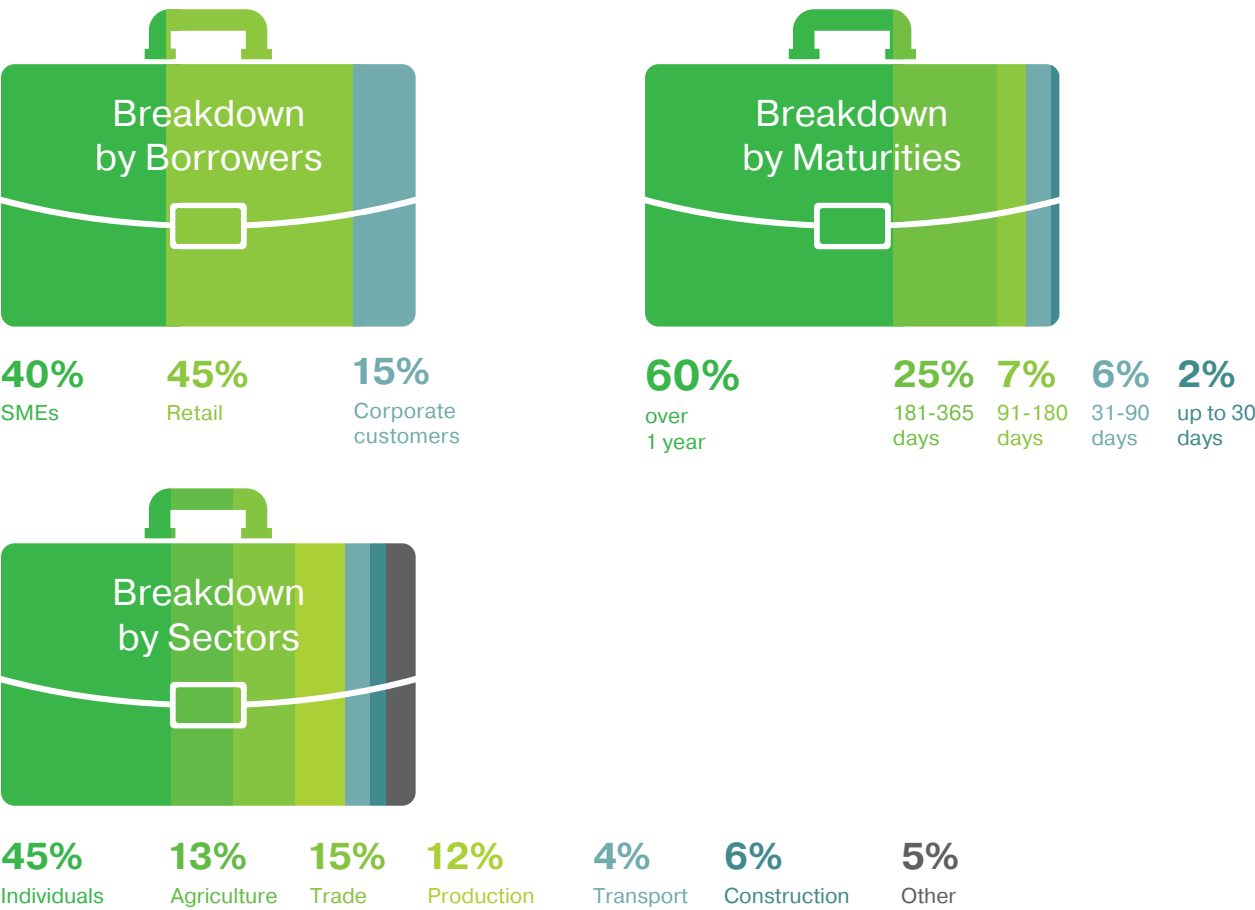


Assets and Liabilities Management

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 2014 borrowings from the markets grew at a faster rate due to the bank issuing its own securities.

	FYE 2014		FYE 2013		2014 / 2013
Assets (RUBm)	91 316	100%	75 948	100%	20.2%
Net loans and leases	71 980	79%	61 546	81%	17.0%
Cash and mandatory reserves with the Russian Central Bank	11 999	13%	7 527	10%	59.4%
Other assets	5 027	6%	4 416	6%	13.8%
Fixed assets	2 311	3%	2 459	3%	−6.0%
Liabilities (RUBm)	91 316	100%	75 948	100%	20,2%
Customer accounts, of which	49 218	54%	49 419	65%	−0.4%
retail customer accounts	37 595	41%	37 593	49%	0.0%
business customer accounts	11 623	13%	11 826	15%	−1.7%
Equity	9 585	10%	8 753	12%	9.5%
Debt securities in issue	9 060	10%	9 031	12%	0.3%
Funds from Russian Central Bank	10 079	11%	0	0%	
Borrowings from IFIs and banks	12 909	14%	8 244	11%	56.6%
Other liabilities	465	1%	501	1%	−7.2%

Structure of the Loan Portfolio 01.01.2015



Retail Customer Funds

	31.12. 2014	31.12.2013	2014 / 2013
Retail customer funds, RUBm	37 595	37 593	+0%
including term deposits	33 310	32 730	+1,8%
Number of deposit accounts	220 629	208 309	+ 5.9%
Interest on retail customer deposits and accounts, RUBm	2 661	2 561	+3,9%

In 2014 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 2014 the bank accepted RUB16.3bn in bill payments from retail customers (+17.2%).

We continued to improve our 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. Moreover, payment recipients are gradually switching to electronic documentation systems. Customers can use the bank’s self-service terminals, ATMs and Internet banking service to make payments for various services.



	2014	2013	2014 / 2013
Western Union and Zolotaya Korona money transfers, millions			
\$	16.7	14.9	+12.1%
€	0.2	0.03	+633.3%
₽	1104.9	495.8	+122.9%
Foreign exchange transactions, millions			
\$	96.6	58.7	+64.6%
€	58.5	32.6	+79.4%
£	1.6	1.4	+14.3%
¥	1.1	1.0	+10%
¥	1.2	0.5	+167.3%



Retail Lending

	2014		2013		2014 / 2013
Retail loan portfolio, RUBbn	33.98	100%	26.30	100%	29.2%
Consumer loans	18.37	54.1%	14.72	56.0%	24.8%
Mortgages	12.53	36.9%	9.53	36.2%	31.5%
Car loans	2.32	6.8%	1.72	6.5%	35.3%
Bank cards	0.75	2.2%	0,33	1.3%	126.5%

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.

Activities

Loans issued	Number of loans	Value, RUBbn	Number of loans	Value, RUBbn	Number of loans	Value, RUBbn
	2014		2013		2014 / 2013	
Consumer loans	35 015	11.70	34 844	11.08	+0.5%	+5.6%
Car loans	2 544	1.54	2 117	1.24	+20.2%	+24.2%
Mortgages	3 402	5.82	2 483	4.25	+37.0%	+36.9%
Bank card loans*	20 426	1.76	14 493	1.21	+29%	+31.3%
Total	61 397	20.82	53 937	17.78	+12.2%	+14.6%

* Number and value of credit limits agreed

In 2014 Center-invest Bank issued 61,397 loans for a total of RUB20.82bn (2013: 53,937 loans for a total of RUB17.78bn). This included:

- 35,015 consumer loans for a total of RUB11.7bn;
- 2,544 car loans for a total of RUB1.54bn;
- 3,402 mortgage loans for a total of RUB5.82bn;

The bank agreed 20,426 card credit limits for a total of RUB1.76bn (2013: 14,493 loans for a total of RUB1.21bn). This more than doubled our credit card loan portfolio, from RUB0.33bn to RUB0.75bn.

In 2014 Center-invest Bank continued to participate in a number of government loan programmes. For example, we issued 190 mortgage loans for a total of RUB323m to borrowers receiving government subsidies to help them meet interest and capital repayments. This included mortgage lending under the Young Teachers programme.

Our retail customers continued to take out loans to make energy efficiency improvements to their homes. In 2014 we issued 6,466 such loans, for a total of RUB1,803m.

In April 2014 Center-invest Bank introduced a new

service for its customers: consumer lending via ATMs. This service is available only to customers with a Center-invest Bank payroll card. The new loan product is unique for the financial market. It enables customers to access affordable finance without needing to go into a branch, submit paperwork or provide guarantors. The credit limit is calculated individually for each customer and is based on the amount of money that has been paid onto the customer’s payroll card.

Loan applications take just minutes to process and the loans are issued as standard consumer loans. The customer has immediate access to the funds in cash. The cost of this quick and convenient loan is comparable with that of traditional loans available in branch. Between April 2014 (product launch) and December 2014, the bank issued 921 such loans for a total of RUB9.5m.

To comply in full with Federal Law No. 353-FZ dated 21.12.2013 “On Consumer Loans” (which entered into force on 01.07.2014) the bank agreed and introduced new loan agreement templates for consumer loans, car loans and bank card loans. Moreover, we have

completely automated the processing of this new documentation.

We have also improved the system for communicating with notaries who officially register and record pledges of movable property. Notifications are transferred to notaries by electronic channels (electronic signatures).

Customers who have applied for a loan can now choose to be informed of the loan decision by SMS. For each application in the Terrasoft system, once a loan decision has been made, an SMS message is automatically generated and delivered to the mobile telephone number provided by the applicant.

In 2014 we tested and introduced a “Loans” module for our retail Internet banking system. This allows customers to manage their loans in real time (view all loans, loan balances and transactions; schedule payments; make extra payments).

In 2014 retail lending was up 20.6% on 2013 and the retail loan portfolio increased by RUB7.7bn. At FYE 2014 the retail loan portfolio was RUB34bn (2013: RUB26.3bn), comprising 90,269 (2013: 72,567) active loan agreements.



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.

In 2014, to meet the needs of different categories of customers, we introduced several new bank card products: the Pension Card, People’s Card, Universal Card, and Premium Card.

We also set up a dedicated desk at our Head Office where customers can apply for and collect universal electronic cards with the Russian payment application PRO100. Introduced by the Russian government, these cards are used both for identification and to pay for government services.

Center-invest Bank is now a certified issuer and acquirer of universal electronic cards. We have been issuing universal electronic cards that include a Center-invest Bank payment application.

In addition, Center-invest Bank has been certified by MasterCard as an issuer and acquirer bank for cards with PayPass contactless technology, and by Visa Int. as an issuer and acquirer bank for PayWave cards for various types of devices (including watches, fobs and wristbands).

We have introduced secure online payments using 3DSecure for Visa International cards.

As part of our remote banking provision (including via ATMs) we now offer:

- consumer loans via ATMs for customers with a Center-invest Bank payroll card;
- P2P transfers (card to card transfers) for cards issued by Center-invest Bank;
- the option to sign up for our retail online banking service via an ATM.

A card personalisation centre was opened in the city of Krasnodar. Residents of Krasnodar Krai can now obtain an international bank card on the same day that they apply.

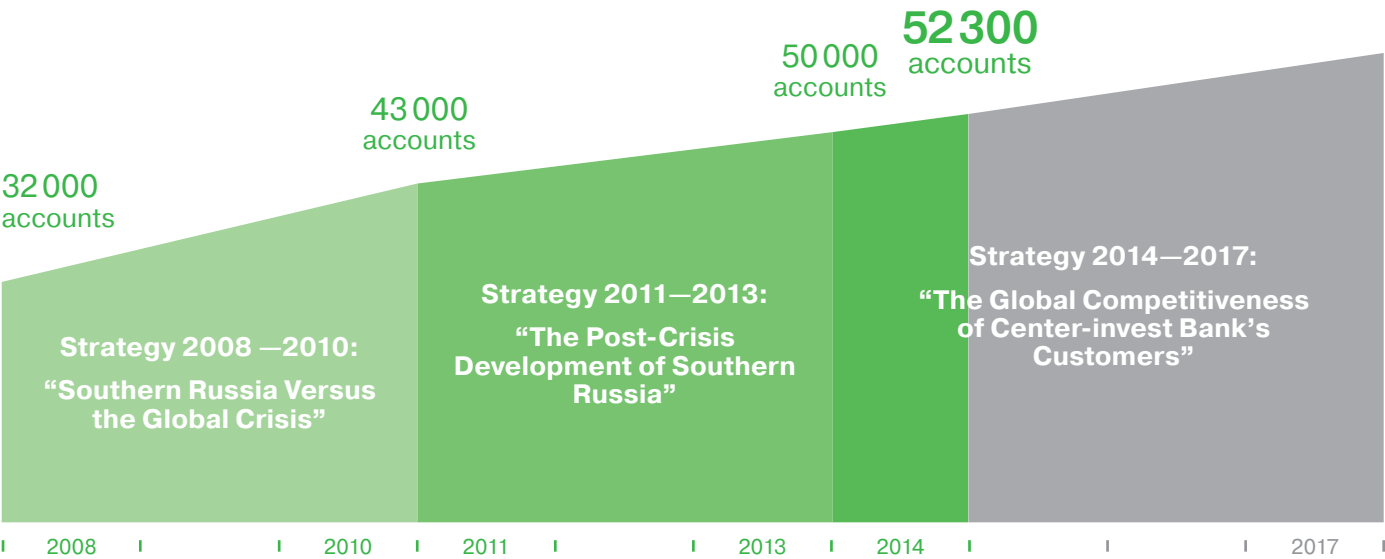
As part of our long-standing relationship with Southern Federal University we have set up an affinity card programme to support its Alumni Association. For every payment that a cardholder makes with their affinity card Center-invest Bank donates a certain percentage to the Alumni Association.

By the end of 2014, under our ongoing World of Discounts programme, 215 goods and service providers were offering discounts for Center-invest Bank cardholders (2013: 186 companies).



Bank Cards	2014	2013	2014 / 2013
Number of transactions (m)	50	40	25%
Number of active cards	265 293	241 883	9.7%
Number of Visa International and MasterCard Worldwide cards issued	149 447	135 579	10.2%
Value of transactions (RUBbn)	50.5	46.1	9.5%
Number of payroll programmes	2 275	2 128	6.9%
Number of cards to service the accounts of regional departments of the Federal Treasury in southern Russia	12 490	10 015	24.7%
Number of ATMs	437	385	13.5%
Number of goods and services providers using the bank’s payment processing centre	1 896	1 565	21.2%

Business Banking



In 2014 the bank continued its efforts to attract more business customers. At FYE 2014, we had 52,300 business accounts (+4.6%).

Center-invest Bank is continually expanding the functionality of its online business banking system, improving existing services and offering new features. For example, in 2014 we added a new online banking security feature: eTokenGOST.

The bank’s business customers make extensive use of remote banking channels. In 2014, 30,400 customers were using remote banking (up 22%).

To expand our customer base, we are continually enhancing our payment and cash management services. We provide a comprehensive service for companies and self-employed individuals and we act as the main payment centre for our customers.

Center-invest Bank is authorised by the Russian Central Bank to service the accounts of strategically important companies and pension and government funds. We also provide payment services to Federal Treasury departments in the Rostov and Volgograd regions and Krasnodar Krai.

Business Lending

Center-invest Bank lends to companies and organisations operating in the real economy of southern Russia.

The bank has a team of skilled loan officers who ensure the high quality of our loan portfolio by carefully analysing the potential returns and risks when assessing loan applications.

The bank provides loans to finance promising, potentially profitable projects that are in line with the bank’s strategic aims. We do not engage in highly competitive but unjustified types of lending.

We develop long-term relationships with our customers. By looking carefully at their requirements and selecting the best loan product for each project, we enable our customers to be competitive in the

new economic environment and to localise best international practice in the production of goods and services.

Thanks to our effective lending policy and experience in the lending market, as our loan portfolio grows its quality remains high.

We offer our customers a comprehensive range of finance products, including: credit lines, overdraft facilities, standard loans, bank guarantees, leasing, project finance, and trade finance for imports of goods and equipment.

At year end	2014	2013	2014/2013
Business loan portfolio, RUBbn	41.6	37.4	+11.2%
Number of active loan agreements	5108	5 021	+1.7%
Value of finance lease agreements, RUBbn	0.5	0.6	–16.7%
Number of active lease agreements	360	420	–14.3%
Guarantees issued, RUBbn	3.3	2.1	+57.1%
Number of active guarantees	2022	571	+254.1%
During the year	2014	2013	2014/2013
Number of new loan agreements	4829	5 145	–6.1%
Total value of agreements entered into, RUBbn	34.7	41.9	–17.2%
Volume of funds released, RUBbn	87.7	88.0	–0.3%
Number of guarantees issued	2603	1072	+142.8%
Value of bank guarantees, RUBbn	3.9	2.3	+69.6%
contract performance guarantees, RUBm	3415.6	2 073.0	+39.3%
guarantees in favour of customs agencies, RUBm	223.5	202.2	+9.5%
other guarantees RUBm	177.3	—	
tender guarantees, RUBm	83.2	—	



The Global Competitiveness of
Center-invest Bank's Customers



SME Lending

Developing entrepreneurship is a priority for Center-invest Bank under its 2014-2017 Strategy “The Global Competitiveness of Center-invest Bank’s Customers”. As SMEs have adapted to the tougher business climate¹, we have seen a prudent reduction in borrowing. At the same time, Center-invest Bank’s ecosystem has been the most attractive and reliable for entrepreneurs.

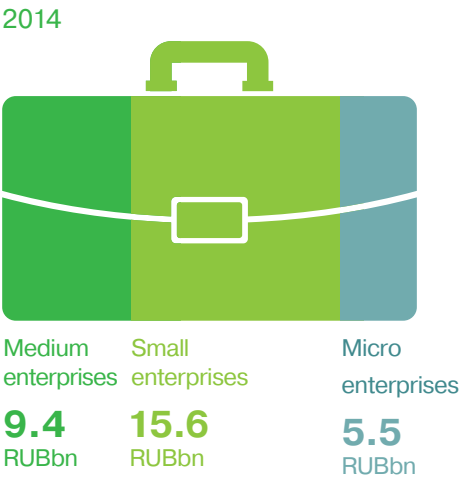
SME lending accounts for 40% of the bank’s loan portfolio.

Center-invest Bank has been running programmes to support SMEs in southern Russia for nineteen years now. These include not only a wide range of loan products, but also advisory and educational programmes:

- In 2014 our Advice Centre for New Businesses held 60 seminars on legal issues, taxation and accountancy.
- Our Business Loans for Women programme offers loans with a preferential interest rate and a grace period to businesswomen and companies

1. www.centrinvest.ru/files/articles/pdf/anabioz-malogo-biznesa.pdf

Structure of SME loan portfolio



providing services and/or selling goods for women.

- Under the Youth Business Russia programme, new entrepreneurs under the age of 35 can take out a RUB300,000 loan for up to 36 months at 12% per annum and with a six-month grace period. The

programme also includes free online business banking for the first year and comprehensive advice and mentoring from successful business people. The mentors share their experience and help the new companies to grow.

- The Start-Up programme offers loans of up to RUB3m for a term of up to 36 months.

	2014	2013	2014/2013
Number of SME customers	52 300	49 530	+5.6%
Number of active SME loan agreements	4870	4 760	+2.3%
SME loan portfolio, RUBbn	30.5	27.4	+11.3%
Number of new loans made to SMEs during the year	4596	4 866	−5.5%
Value of new loans made to SMEs during the year, RUBbn	28.6	30.9	−7.4%

Special loan programmes for SMEs	Number of loans	Value, RUBm	Number of loans	Value, RUBm	Number of loans	Value, RUBm
	2014		2013		2014 / 2013	
“Start-up”, up to RUB3m, up to 36 months	240	416.8	181	265.7	+32.6%	+56.9%
“Youth Business Russia” together with the International Business Leaders Forum (IBLF), RUB 300,000, up to 36 months	75	20.3	52	14.3	+44.2%	+42.0%
Business Loans for Women	175	196.2	125	120	+40.0%	+63.5%
Loans in conjunction with regional guarantee funds	24	208	36	228	−33.3%	−8.8%

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, IIB 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 2014, Center-invest Bank’s total investment to date in energy efficiency projects was RUB10.1bn (+37% in 2014). We have financed a total of 630 projects in the industrial, agricultural and service sectors, and 11,600 projects in the housing and communal services sector and private residential sector. The modernisation financed by the bank has reduced annual CO2 emissions by 143,900 tonnes (equivalent to the emissions produced or absorbed by 84,300 light vehicles, 411,900 barrels of oil, or 5.8m trees).

Our loan programme for the renovation of multifamily residential buildings is proving popular. Under Russian law, the owners of apartments in multifamily residential buildings have to pay monthly contributions to a capital repairs fund. This fund is used to renovate buildings in accordance with a regional capital repairs schedule. Under the unique arrangement introduced by Center-invest Bank our customers can take out a loan in order to renovate their buildings straightaway. Customers

pay the same contributions as before, but the money goes towards the loan repayments.

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 countries from the CIS and BRICS, Eastern Europe, the Middle East and North Africa.

	2014	2013	2014 / 2013
Number of energy efficiency loans made	6 158	3 563	72.8%
Value of loans made, RUBbn	2.7	2.1	28.6%
Annual CO ₂ emissions reduction, tonnes	143 903.2	128 670.2	11.8%



Agribusiness Lending

Agribusiness lending accounts for a significant part of our business loan portfolio: 13% (RUB9.8bn).

Center-invest Bank finances investment projects to introduce best international practice throughout the agricultural sector.

Loans from Center-invest Bank are used to introduce modern technologies for production and to improve the quality of soil cultivation and crop growing, and the productivity of livestock farming. We also provide finance for major fertiliser dealers, grain producers, grain traders and agricultural equipment dealers.

	2014	2013	2014 / 2013
Number of borrowers in the agribusiness sector	686	667	+2.8%
Total value of current loans and leases, RUBbn	9.8	9.5	+3.2%
Number of loans made	1193	1 242	−3.9%
Value of loans made, RUBbn	7.6	9.2	−17.4%
of which, loans for investment purposes, RUBbn	1.8	1.9	−5.3%

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: Citibank NA (New York, USA), Commerzbank AG (Frankfurt, Germany), SocieteGenerale SA (Paris, France), UniCredit SpA (Milan, Italy), Erste Group Bank AG (Vienna, Austria), and Raiffeisenlandesbank Oberoesterreich AG (Linz, Austria). In 2014, transactions through correspondent accounts

totalled USD4.7bn and EUR1.8bn.

Center-invest Bank is a participant in the EBRD and IFC trade facilitation programmes (TFP).

In 2014, trade finance transactions amounted to USD4.7m. By using structured trade finance mechanisms, we are able to minimise the risks and reduce the potential losses for our customers who are trading internationally.

Our trade finance partners in 2014 included banks from Germany, Turkey, the Netherlands, Italy, Portugal, China, Greece, Morocco, the United Arab Emirates Belarus and other countries.

Stock Market Trading

Type of bond	At FYE 2014	At FYE 2013	2014/2013
Bonds issued by credit institutions (Russian residents)	3 579 820	980 054	265.3%
Bonds issued by Russian institutions	50 735	804 080	-93.7%
Bonds issued by non-residents	116 668	254 771	-54.2%
Total	3 747 223	2 038 905	83.8%

To manage liquidity, at FYE 2014 the bank had a RUB3.75bn bond portfolio (FYE 2013: RUB2.04bn). The portfolio was comprised entirely of ruble bonds from issuers with a rating of BB– or higher.

The value of our debt securities portfolio is not very sensitive to interest rate changes: 93.4% of the bonds in our portfolio at FYE 2014 had a duration of 12 months or less.

The annual return on ruble bond transactions in 2014 was 0.87% (2013: 8.83%).

International Trade

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 has been accepting a significant number of transaction certificates for customers who have switched from other banks because we offer more favourable terms.

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.

	2014	2013	2014 / 2013
Volume of transactions under international trade contracts			
\$ m	299.0	335.0	–10.7
€ m	44.0	55.0	–20.0
₽ m	5 048.0	5 750.0	–12.2
¥ m	22.0		

Trust Management

At FYE 2014 the value of net assets under management was RUB146.4m (FYE 2013: RUB156.6m).

The downward trend in returns on bank-managed assets was due to the crisis on the Russian securities market in 2014. Nonetheless, Center-invest Bank’s returns were higher than the market average.

The annual rate of return for our bank-managed mutual fund (BMMF) Center-invest 1, which invests cash in Russian equities, was -6.18% (2013: +12.3%), while for BMMF Center-invest 2, which invests assets in bonds, it was -3.27% (2013: +10.46%).

Information Technologies

Center-invest Bank's information technology experts have been focusing on:

- expanding the product line and using innovation to optimise technical and business processes;
- increasing the reliability and productivity of the information infrastructure.

Center-invest Bank's experience of introducing SAP for Banking and its partnership with SAP AG, based on Design Thinking, strengthen its competitive advantages.

In 2014 the bank introduced:

- an automated customer queue management system for branch front offices;
- a flexible system for notifying individuals of electronic transactions into and out of their bank accounts;
- a more extensive system of self-service terminals;
- the option for customers to submit all types of financial document with an electronic signature;
- electronic communications with the Federal Court Bailiff Service and the Federal Tax Service;
- automated document exchange with notaries when executing pledge agreements;
- increased functionality for the Loans module in our Internet banking system for retail customers.

The bank also launched a new product: consumer loans via Center-invest Bank ATMs. In terms of simplicity and accessibility, this product is comparable to loans issued by microfinance institutions. However, our product has a low level of credit risk as it is only available to customers who have a Center-invest Bank payroll card.

In 2014 members of the bank's Information Technology

team shared their expertise and knowledge with external bodies in southern Russia. They were involved in the following:

- developing the Rostov Region's Information Technology Strategy;
- the work of the Public Chamber of the Rostov Region's Ministry for Information Technologies and Communications;
- training university students in the Financial Literacy Centre.

The bank upgrades the equipment and technology for its business units on a planned basis. Equipment and software is purchased on a competitive basis. Transparent procedures are used to select offers with the lowest price, proven reliability, a long warranty period, after sales servicing, and the shortest delivery times.



Enterprise for All

school.centrinvest.ru

Free online training
in the basics of entrepreneurship



Internal Control

In September 2014 Center-invest Bank’s Internal Control Service was reorganised to form an Internal Audit Service. At the same time we created a Compliance Service.

- In 2014 the Internal Audit 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.

In 2014 the Internal Audit Service (Internal Control Service) assisted the Russian Central Bank with a

thematic inspection of Center-invest Bank. It also liaised with authorised representatives of the Russian Central Bank.

The main purpose of the Compliance Service is to assist the Chairman and members of the Executive Board in fulfilling their responsibility for observance of corporate, regulatory and legal standards. The Compliance Service helps the Executive Board to ensure that Center-invest Bank has an effective system for managing regulatory risks.

Center-invest Bank uses continuous monitoring to ensure that it observes all requirements on compliance monitoring and the prevention of money laundering and the financing of terrorism.

Checks conducted by the Internal Audit Service	2014	2013
Comprehensive audits of branches	32	16
Checks of cash and valuables	10	20
Investigation into customer complaints	0	1
Audits of specific aspects of the work of business units	71	62
Audits of professional activities on the securities market	4	4

Risk Management

Risk management is part of corporate governance and encompasses all areas of Center-invest Bank’s activities.

Center-invest Bank’s risk management strategy is based on a sustainable banking business model. It envisages that the bank will:

- be guided by best international practice in risk management and its own unique experience acquired over the course of many years;
- when assuming risks, aim for the optimum balance between the profitability of its business areas and the risks arising from them;
- use its knowledge of the target market and regional risks, and also effective decision-making procedures, to allow it to expand lending successfully without assuming excessive risks;
- prioritise growth in lending because this is the business area in which it can control risks most effectively;
- reject the classical model of reselling credit risks and using high interest rates to cover losses in favour of a model of active risk management. This requires the bank to conduct detailed analysis of borrowers and their businesses and also to advise customers on how to improve their business efficiency and business risk management;
- use a rational combination of risk assessment procedures when taking decisions;
- minimise market risks by rejecting speculative transactions in favour of lending to retail customers and the real economy;
- ensure that it has sustainable and diversified sources of funding and a balanced approach to managing liquidity and interest rates, based on its development strategy and an understanding of macroeconomic trends;

- manage operational risks effectively, work to prevent fraud, and ensure information security as its customer base grows rapidly and the use of remote banking channels increases;
- cover risks with sufficient provisions and capital in line with the requirements of the national regulator and the Basel Committee for Banking Supervision;
- continually develop risk assessment methodologies, tools and technologies at a time of rapid change in business requirements, external factors and the regulatory environment;
- provide for its business requirements and compensate effectively for the risks that arise in the implementation of a transformational banking business model.

Center-invest Bank’s Risk Management Policy was produced in 2014 and approved by the Board of Directors in February 2015. The policy regulates our risk management procedures and is based on our current development strategy and Sustainable Banking principles.

Center-invest Bank’s risk management system covers the whole spectrum of risks arising from all the different areas of our operations.

By constantly tracking global, national and regional economic trends and their impact on regional and sectoral risks, the bank is able to both minimise the systemic and strategic risks of its 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.



Branch Network

At FYE 2014 Center-invest Bank’s branch network comprised 135 branches located in the Rostov and Volgograd regions, Krasnodar Krai, Stavropol Krai and Moscow. We are continually improving our branch network: introducing new technologies, optimising business processes, modernising existing branches, and opening new branches in a new format.

In 2014 we opened four new branches. The “Kuban” branch was opened in September 2014 and is now the main branch in Krasnodar for the bank’s retail and business customers. The expansion of our work with the Federal Treasury occasioned the opening of three new branches in December 2014: two in Krasnodar Krai (Slavyansk-on-Kuban and Tikhoretsk) and one in the Volgograd region (Kotelnikovo). In addition, to meet an increase in customer numbers, the branch in Zernograd and the “Horizon” branch in Rostov-on-Don moved into modern, more spacious buildings.

The bank is giving considerable attention to the use of new technologies to deliver services to customers. We are working to increase the volume of products and services accessed via remote banking channels. We are also expanding the functionality of our self-service terminals and ATMs and and also the number of branches in which these facilities are available 24/7.

Center-invest Bank’s extensive branch network continually delivers high-quality growth for key indicators. At FYE 2014 our branches accounted for 77% of the loan portfolio and 57% of deposits. Thanks to our training and development programme for branch staff and increased staff multifunctionality, work productivity continues to increase together with key indicators.

Our branches provide a full range of modern banking services and products to a very wide range of customers in southern Russia. These include: various loan programmes for retail customers, SMEs and corporate customers; leasing; deposits; payments and cash management; money transfers; and safe boxes. Our branch operations are underpinned by best international practice.

Center-invest Bank’s extensive branch network in southern Russia gives it a competitive advantage in the implementation of its strategy.

Regional breakdown for key indicators, RUBm	Loans and leasing			Deposits		
	2014	2013	2014/2013	2014	2013	2014/2013
Rostov region, excluding Head Office	38 345	32 782	17.0%	19 271	17 600	9.5%
Krasnodar Krai	13 118	11 758	11.6%	1 711	1 598	7.1%
Volgograd region	2 867	2 297	24.8%	229	175	30.9%
Stavropol Krai	4 240	3 697	14.7%	200	213	−6.1%
Head Office	17 507	13 828	26.6%	16 184	18 007	−10.1%
Total	76 077	64 362	18.2%	37 595	37 593	0.0%
% attributable to branches	77.0%	78.5%		57.0%	52.1%	



Social Responsibility

Center-invest Bank sets a positive example as a socially responsible business. Our sustainable banking business model focuses on introducing new knowledge and new technologies in the interests of future generations. Our social and educational projects aim to increase the importance attached to quality education in Russia today and to expand knowledge about the economy. The projects encompass all the groups involved in education and academia: teachers, schoolchildren, lecturers, students and recent graduates.

The school.centrinvest.ru online training portal was launched in March 2013. Financed by Center-invest Bank, this initiative draws on our twenty years of experience in working with local entrepreneurs. Using a combination of textbooks and modules (with end-of-module tests), the portal provides free training in the basics of entrepreneurship. Participants receive a certificate upon successful completion of the course. An English version of the portal went live in January 2014. Child and Youth Finance International (CYFI) has included this training resource in its global electronic library. In the two years since it was launched, 10,000 people have registered on the portal and 2,600 people have already completed the course.

The portal has the support of the local governments of the Rostov region, Volgograd region, Krasnodar Krai and Stavropol Krai, as well as the Rostov Region Association of Municipal Districts and the Rostov Region Public Chamber. These bodies have all agreed that the use of this self-study resource will count towards their employees' continuing professional development.

For the past twelve years Center-invest Bank and the Endowment Fund for Education and Science in the Southern Federal District have held an annual scholarship competition for southern Russia's top

students. The annual scholarship fund exceeds RUB7m. In 2014, we saw an increase in the number of successful entries from outside the Rostov region, and in recognition of this, award ceremonies were held in Krasnodar and Volgograd, as well as Rostov-on-Don. At all three ceremonies, a jazz orchestra provided musical entertainment. More than 12,000 students have entered the competition since it began, and 2,900 scholarships have been awarded.



In April 2014, in partnership with Southern Federal University, the bank set up a Financial Literacy Centre. Open to all, the centre provides free advice and training on personal finance for all groups of the population of southern Russia.

Experts from the bank regularly train students to work as volunteers at the Centre. The training covers the following key financial issues: personal financial management, business planning, sensible borrowing, online banking, taxation, and the safe use of bank cards.

Four groups of financial literacy volunteers completed their training in 2014. The most successful volunteers went on to take up paid positions with Center-invest Bank.

For entrepreneurs the Centre provides training in how to use Center-invest Bank's business online banking system. Entrepreneurs can also obtain advice on taxation, finance and accountancy from specialists in these areas.

On Tuesdays the Centre runs classes for pensioners. Members of the older generation can learn how to: pay their bills from the comfort of their home, choose a reliable bank, use their bank card to obtain their pension without having to queue, and also to make safe electronic payments. They can also ask any questions they might have about financial issues.



◆ G4-34 The governance of Center-invest Bank complies with Russian civil law and the recommendations of international organizations, 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) 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 2014 the Board of Directors and the Executive Board continued their practice of holding joint meetings.

In 2014 the Board of Directors held eight meetings

(2013: eight meetings). In addition to current issues, it considered the implementation of the bank’s IT Strategy and approved the creation of the Internal Audit Service, its structure and number of members. Taking into account feedback from the Internal Audit 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 03 June 2014.

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








— Strategic Planning Committee: P. Fischer (Committee Chairman), independent director; V.V. Vysokov; A. Popov.

— Audit and Compliance Committee: T.N. Vysokova (Committee Chairman); V.V. Vysokov; F.J. Flosbach (independent director);

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

— 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

		At FYE 2014		At FYE 2013	
		Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
	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	0	0
	Hans Wolfgang Unterdorfer	0	0	0	0
	Andreas Zeisler	0	0	0	0
	Franz Josef Flosbach Independent Director	0	0	0	0
	Per Fischer Independent Director	0	0	—	—

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 exchange 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.

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.

◆ G4-48 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 2014 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.

◆ 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.

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.

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 2014 year end the

Executive Board comprised four members (2013: four 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-EC1 The Chairman of the Executive Board is Yuri Bogdanov.

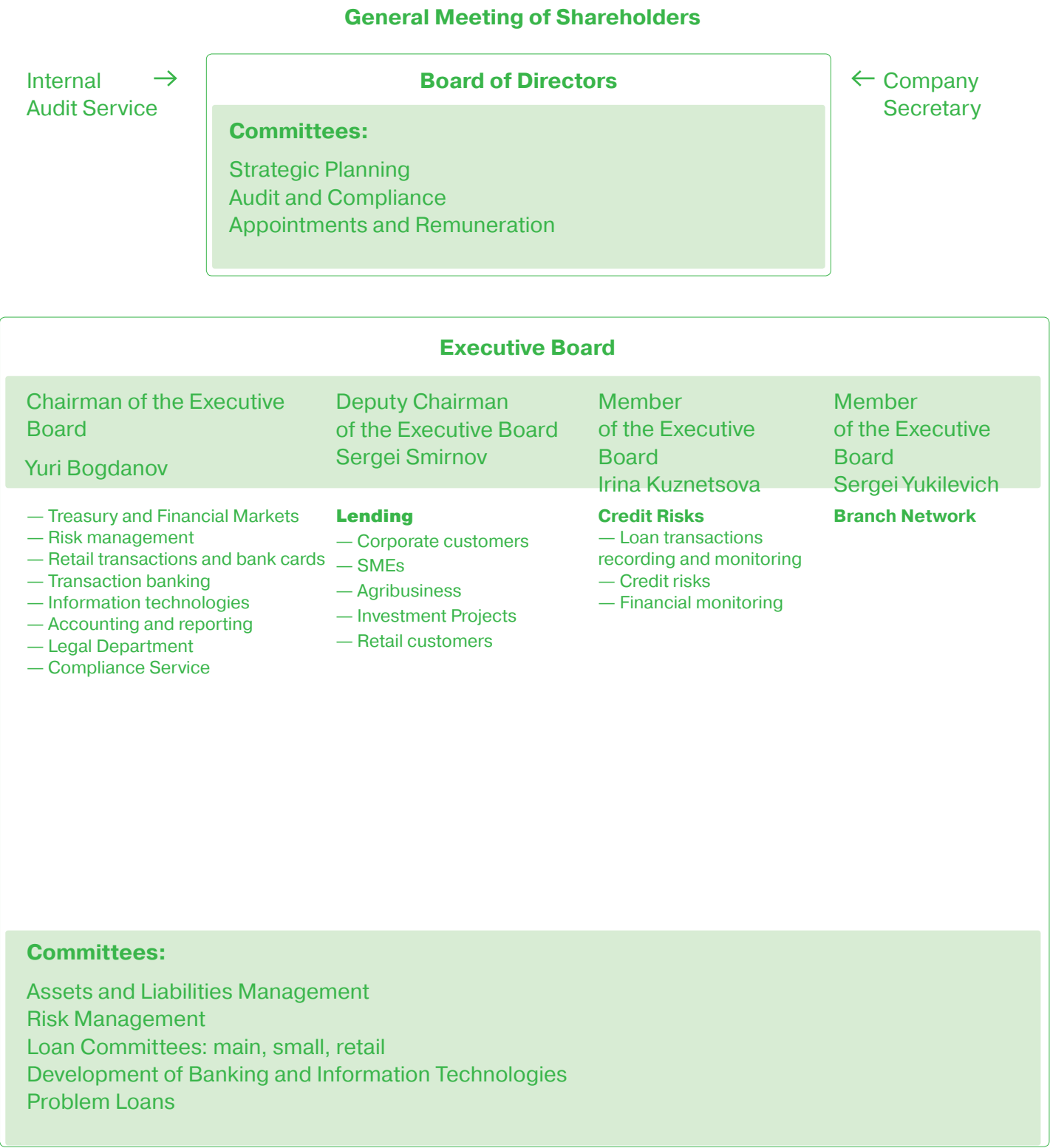
Corporate Governance

The composition of the Executive Board at FYE 2014 is shown below.

		At FYE 2014		At FYE 2013	
		Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
	Yuri Yurevich Bogdanov	0	0	0	0
	Sergei Yurevich Smirnov	0	0	0	0
	Sergei Evgenievich Yukilevich	0	0	—	—
	Irina Nikolaevna Kuznetsova	0	0	—	—

Nº	Center-invest Bank’s Policies	Date approved	Approved by
1.	Internal Control Policy	30.09.2014	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	03.02.2015	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 2014	27.12.2013 revised 04.02.14	Board of Directors Audit and Compliance Committee
12.	Accounting Policy for Reporting Under IFRS for 2014	27.12.2013	Board of Directors Audit and Compliance Committee
13.	Taxation Accounting Policy for 2014	27.12.2013	Board of Directors Audit and Compliance Committee
14.	Consolidated Financial Statements Accounting Policy for 2014	27.12.2013	Board of Directors Audit and Compliance Committee

Structure of Center-invest Bank



Code of Ethics

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.

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 50). These values are part of the bank’s corporate culture.

◆G4-EC1 In 2014 Center-invest Bank’s activities, underpinned by its sustainable banking business model, were directed at generating income from the real economy (89%) and distributing income to depositors (25%), partners (30%), shareholders (27%), and employees and the government (17%).

◆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 2014 the bank paid RUB248.5m 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

Formation and distribution of Center-invest Bank’s income in 2014

Information and distribution of Center-invest Bank's income in 2014	RUBbn	% of total	2014 / 2013	
Income	10.6	100.0	+1.27%	
of which, lending to the real economy	9.5	89.21	+1.3%	
Distribution of income	8.0	100.0		
To the population – on retail deposits	2.7	25.01	25.26	+0.08%
To society – social projects	0.03	0.25		
To partners – for funds raised	2.2	20.83	30.18	+0.78%
To suppliers	1.0	9.35		
To employees - remuneration	1.4	13.54	17.43	+0.02%
To the government – taxes and other mandatory payments	0.4	3.89		
To shareholders - dividends	0.3	2.57	27.13	+0.39%
Allocated to bank development	2.6	24.56		

Category: Economic

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	32 629.1	25 979.0	23 932.6	23 476.7	22 557.3
Average wage for the bank's business units, RUB	56 590.6	58 054.3	49 598.1	56 686.5	54 962.3

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	%
Board of Directors	7	2	29
Executive Board	4	4	100
Committees	46	42	91
Managers of head office divisions and departments	71	70	99
Branch Managers*	61	61	100

*Managers or Deputy Managers of the bank's branches (one manager may be responsible for several branches).

G4-EC9

Three quarters of the bank's spending on suppliers is on local suppliers.

Proportion of spending on local suppliers

	Foreign	Russian Federation	Krasnodar Krai	Volgograd region	Rostov region	Stavropol Krai
Proportion of spending on suppliers	1%	99%	8%	3%	77%	2%

G4-EN1, G4-EN2

In 2014 the bank used 158 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	2014		2013		Change	
		MJ		MJ		
Gasoline, tonnes	188	6 028 950	210	6 735 680	–706 730	–10%
Gas, thousand cubic meters	424	14 416 000	468	15 912 000	–1 496 000	–9%
Electricity, kilowatt hours	4 883 800	17 581 680	4 742 000	17 071 200	510 480	3%
Total		38 026 630		39 718 880	–1 692 250	–4%

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.



Category: Environmental

◆ 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	2014	Total
Number of projects	6158	11600
Total finance provided, RUBbn	2.7	10.1
Reduction in CO2 emissions, thousand tonnes per year	15.2	143.9
Equivalent to the emissions produced by: cars	8913	84380
oil, thousand barrels	43.5	411.8
or absorbed by trees, million	0.6	5.7

◆ 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 impact, 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.

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

◆ G4-EN23, G4-EN30	2014	2013	2014/2013
Waste, tonnes	372	356	4.5%
Reduction in transportation (gasoline consumption), tonnes	22	82	-73.2%

◆ G4-EN31	2014	2013	2014 / 2013
Environmental protection expenditures, RUB thous.	566	1291	–56.2%
including: protection of the atmosphere		35	–100.0%
waste water collection and treatment	332	907	–63.4%
waste disposal	234	349	–33.0%

◆ G4-EN32, G4-EN33, G4-EN34

All new applicants for business loans 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 2014	FYE 2013
Headcount	1717	1 695
Proportion of total payroll, %		
— Basic salaries	69.4	71.3
— Incentives, overtime and allowances	30.6	28.7
Largest short-term remunerations for members of the executive body, RUB thous.:		
— Basic salaries	10 589	9380
— Incentives, overtime and allowances	20 167	24384

Remuneration for the Board of Directors and Executive Board

Remuneration for the Board of Directors and Executive Board	2014	2013	2014 / 2013
Short-term remunerations, (paid within twelve months), RUB thous.			
— Salaries	25 077	19 213	+30.5 %
— Bonuses	83 064	77 494	+7.2 %
— Reimbursement of travel expenses	8 062	7 444	+8.3 %
Total	116 203	104 151	+11.6 %
Long-term remunerations, (paid after twelve months), RUB thous.	17 000	8 000	+112.5 %

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.

♦ 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 2014	Number of new employee hires	Number of employees who left the bank	Employee turnover
Total	1717	170	148	9.5
By gender				
— male	462	55	39	2.5
— female	1255	115	109	7.0
By age group				
— under 30	453	91	40	2.6
— 30 - 50	1007	69	86	5.5
— over 50	257	10	22	1.4

♦ G4-LA2, G4-LA3, G4-LA4

All 67 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.

	2014	2013	2014 / 2013
Number of insured employees	1698	1676	+ 1.31%
of which, women	1267	1255	+0.96%
Number of employees who have been vaccinated	69	40	+72.5%
of which, women	40	28	+42.8%

Category: Social

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 2014 the bank held 2,027 seminars, which were attended by 980 employees. Participation in training was not dependent on gender or age.

Training theme	Number of seminars	Number of employees who received training
Operational Activities	5	5
Lending Services	21	226
Plastic Cards	38	325
Information Technologies	7	7
Accounting and Reporting	26	145
Legal Issues	4	25
English Language	1892	31
Risk Management	24	198
Press Service	2	4
Financial Monitoring	8	14

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 2014, through external courses and placements, 76 employees received training in the following:

- energy efficiency and innovation;
- current approaches to card personalisation;
- latest issues in depositary services;
- information and economic security;
- energy efficiency finance in housing and communal services;
- credit risks;
- macroeconomic (international) policy;
- innovation in banking technologies.

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

The Board of Directors and the Executive Board of Center-invest Bank support employees’ efforts to keep fit and healthy. As part of this, the bank runs sports tournaments for its staff: employees from

different departments and branches compete for the Bank President’s Cup. Three large tournaments were held in 2014 (football, basketball and volleyball) and 25 teams took part.

The bank’s employees make good use of the Sports Hall located at Head Office. It has equipment for ping pong, table football, air hockey and darts, as well as exercise machines. In their free time, the bank’s employees also use the bank’s Wellness Centre for yoga, Pilates and keep-fit.

To promote exercise and sustainable transport, in 2014 Center-invest Bank installed an additional eight free bicycle parking racks near a number of its branches and its partners’ offices. To date, the bank has installed 21 bicycle racks for its customers and employees.

◆ G4-LA14, G4-LA15, G4-LA16

Composition of governance bodies

	Total members	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	1	—	1	—
— male	3	—	3	—

◆ G4-LA12	Total	Krasnodar Krai	Volgograd region	Rostov region	Stavropol Krai
Average monthly wage for the bank’s business units, RUB	56590.65	58 054.32	49 598.07	56 686.49	54 962.30
Men	72727.34	73 976.93	60 755.06	72 637.87	88 950.20
Men under age 30	46678.13	73 896.83	39 263.83	44 995.26	13 020.00
Women	49770.45	55 193.23	47 738.58	49 103.34	48 893.05
Women under age 30	39861.17	39 626.13	30 367.93	40 242.00	37 107.23

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.

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

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

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 a member of the Board);
- 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 the aforementioned

associations and pays membership subscriptions.

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, chairman), 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.

All of the bank’s business units actively engage with local communities. In 2014 the bank held 165 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.

In 2014 the bank received the following fines:

RUB130,000 fine from the Federal Tax Service for late submission of information about customer accounts and other information;

RUB75,000 fine from the State Labour Inspectorate for breach of employment law;

RUB30,000 fine from the Krasnodar Krai Department of the Federal Service for Oversight of Consumer Rights Protection and Human Wellbeing for breach of legislation on environmental health and epidemiology and breach of consumer rights;

RUB25,000 fine from the Russian Pension Fund for late submission of information about the opening/closing of customer current accounts;

RUB20,000 fine from the Stavropol Krai Ministry for Natural Resources and the Environment for non-compliance with environmental standards when using buildings, structures or other constructions.

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.

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.

Product Responsibility

Center-invest 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 does not sell any banned or disputed goods or any goods that do not comply with regulations, including those on advertising, promotion and sponsorship. Taking customer views into account, Center-invest Bank continually develops its products and services. It voluntarily and intentionally develops and sells products and services that help its customers raise their standards of living and run sustainable businesses.

The bank regularly and purposefully informs customers of its products and services through all forms of mass media. It uses information technologies to enable 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. The bank has a 24-hour customer call centre (more than 500,000 calls) and it responds promptly to communications sent via Twitter, Facebook, Instagram and VKontakte.

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.

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 2014

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**Report of the Independent Auditor on the Summary
Consolidated Financial Statements**

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

The accompanying summary consolidated financial statements, which comprise the summary consolidated statement of financial position as at 31 December 2014, the summary consolidated statements of profit or loss and other comprehensive income, changes in equity and 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 2014. We expressed an unmodified audit opinion on those consolidated financial statements in our report dated 17 March 2015.

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 of the Group 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 2014 are consistent, in all material respects, with those consolidated financial statements, on the basis described in Note «Basis for preparation».

17 March 2015
Moscow, Russian Federation

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Summary Consolidated Statement of Financial Position

In thousands of Russian Roubles	31 December 2014	31 December 2013
ASSETS		
Cash and cash equivalents	11 454 902	6 998 761
Mandatory cash balances with the Central Bank of the Russian Federation	543 600	528 130
Trading securities and repurchase receivables	3 747 222	2 096 680
Due from other banks	300	1 100 300
Loans and advances to customers	71 456 556	60 928 483
Finance lease receivables	523 714	617 050
Investment in associate	332 202	337 295
Intangible assets	280 610	301 801
Premises and equipment	2 310 867	2 458 882
Other financial assets	417 308	294 522
Other assets	248 900	285 306
Total assets	91 316 181	75 947 210
LIABILITIES		
Due to the Central Bank of the Russian Federation	10 079 160	–
Due to other banks	1 529 410	519 993
Customer accounts	49 217 578	49 418 580
Debt securities in issue	9 060 314	9 031 093
Borrowings from international financial institutions	8 532 622	5 906 408
Subordinated debt	2 846 628	1 817 953
Other financial liabilities	171 600	126 338
Deferred tax liability	123 361	184 730
Other liabilities	170 031	189 708
Total liabilities	81 730 704	67 194 803
EQUITY		
Share capital	1 258 709	1 258 709
Share premium	1 646 428	1 646 428
Revaluation reserve for land and premises	1 229 040	1 327 697
Retained earnings	5 451 300	4 519 573
Total equity	9 585 477	8 752 407
Total liabilities and equity	91 316 181	75 947 210

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

Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of Russian Roubles	2014	2013
Interest Income	9 489 711	8 179 845
Interest expense	(4 876 879)	(4 134 997)
Net interest income	4 612 832	4 044 848
Provision for impairment of loan portfolio and finance lease receivables	(1 482 362)	(804 640)
Net interest income after impairment provisions	3 130 470	3 240 208
Fee and commission income	1 038 111	952 993
Fee and commission expense	(326 575)	(226 306)
Gains less losses from trading securities	(84 732)	6 244
Gains less losses from trading in foreign currencies	181 925	51 525
Foreign exchange translation gains less losses	135 083	36 060
Losses less gains from conversion operations on the interbank market	(216 367)	(8 266)
Other provisions and expenses	(129 671)	(123 812)
Repayment of debt written off	55 878	122 571
Other operating income	42 456	20 259
Contributions to the state deposit insurance scheme	(158 188)	(139 226)
Administrative and other operating expenses	(2 233 979)	(2 135 200)
Share of result of associate	(5 093)	4 529
Profit before tax	1 429 318	1 801 579
Income tax expense	(322 262)	(391 696)
Profit for the year	1 107 056	1 409 883
Other comprehensive income for the year	—	—
Total comprehensive income for the year	1 107 056	1 409 883

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 2013	1 258 709	1 646 428	1 356 247	3 331 891	7 593 275
Profit	—	—	—	1 409 883	1 409 883
Total comprehensive income	—	—	—	1 409 883	1 409 883
Dividends declared					
— 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
Profit	—	—	—	1 107 056	1 107 056
Total comprehensive income	—	—	—	1 107 056	1 107 056
Dividends declared					
— ordinary shares	—	—	—	(255 917)	(255 917)
— preference shares	—	—	—	(18 099)	(18 099)
Other movements	—	—	—	30	30
Transfer of revaluation surplus on premises to retained earnings	—	—	(98 657)	98 657	—
Balance at 31 December 2014	1 258 709	1 646 428	1 229 040	5 451 300	9 585 477

Summary Consolidated Statement of Cash Flows

In thousands of Russian Roubles	2014	2013
Cash flows from operating activities		
Interest received	9 245 897	8 032 229
Interest paid	(4 580 268)	(3 965 603)
Fees and commissions received	1 075 057	955 715
Fees and commissions paid	(324 156)	(226 074)
Losses less gains from trading securities	(16 489)	(1 986)
Income received from trading in foreign currencies	181 925	50 633
Losses less gains paid from conversion operations on the interbank market	(191 964)	(6 849)
Receipts from assignment of rights of claim	170 944	407 900
Repayment of debt written off	47 853	79 874
Other operating income received	29 215	20 114
Contributions to the state deposit insurance scheme	(154 099)	(132 932)
Staff costs paid	(1 403 142)	(1 306 448)
Operating expenses paid	(651 015)	(633 489)
Income tax paid	(431 830)	(372 135)
Cash flows from operating activities before changes in operating assets and liabilities	2 997 928	2 900 949
Changes in operating assets and liabilities		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	(15 470)	24 724
Net change in trading securities and repurchase receivables	(1 721 479)	(377 004)
Net change in due from other banks	1 099 978	204 057
Net change in loans and advances to customers	(9 701 957)	(14 136 843)
Net change in finance lease receivables	82 345	9 525
Net change in other financial and other assets	4 298	92 787
Net change in due to other banks and due to the Central Bank of the Russian Federation	11 322 898	(202 330)
Net change in customer accounts	(2 200 635)	5 097 107
Net change in promissory notes issued	(205 458)	(119 644)
Net change in other financial and other liabilities	(31 472)	(41 301)
Net cash received from/(used in) operating activities	1 630 976	(6 547 973)
Cash flows from investing activities		
Acquisition of premises and equipment	(102 407)	(95 340)
Proceeds from disposal of premises and equipment	541	5 008
Acquisition of intangible assets	(21 333)	(28 115)
Net cash used in investment activities	(123 199)	(118 447)

In thousands of Russian Roubles	2014	2013
Cash flows from financing activities		
Issue of bonds	7 020 332	5 681 921
Repurchase and repayment of bonds	(6 810 889)	(1 529 097)
Borrowings from international financial institutions	3 523 408	4 121 615
Repayment of borrowings from international financial institutions	(2 345 574)	(1 411 235)
Repayment of subordinated debt	(172 075)	(162 273)
Dividends paid	(273 986)	(250 705)
Net cash from financing activities	941 216	6 450 226
Effect of exchange rate changes on cash and cash equivalents	2 007 148	209 248
Net increase/(decrease) in cash and cash equivalents	4 456 141	(6 946)
Cash and cash equivalents at the beginning of the year	6 998 761	7 005 707
Cash and cash equivalents at the end of the year	11 454 902	6 998 761

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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