



# Annual Report 2016



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♦G4-18 This report is presented for the 2016 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 the G4 guidelines are appropriately colour coded.

♦G4-36 The contact person for this report is Lydia Simonova, Deputy Chairman of the Executive Board.





Veshenskaya

Volgograd

Veshenskaya

Millerovo

Oblivskaya

Morozovsk

Kotelnikovo

Kamensk-Shakhtinsky

Belaya Kalitva

Tsimlyansk

Volgodonsk

Romanovskaya

Konstantinovsk

Bolshaya Martynovka

Zimovniki

Krasny Sulin

Rodionovo-Nesvetayskaya

Shakhty

Semikarakorsk

Akсай

Novocherkassk

Matveyev Kurgan

Pokrovskoe

Taganrog

Chaltyr

Bataisk

Azov

Vesyoly

Zernograd

Кагальницкая

Yegoriyskaya

Kushchevskaya

Krylovskaya

Novopokrovskaya

Belaya Gлина

Yeisk

Leningradskaya

Tikhoretsk

Stavropol

Zheleznovodsk

Essentuki

Pyatigorsk

Kropotkin

Armavir

Timashevsk

Slavyansk-na-Kubani

Krasnodar

Labinsk

Anapa

Novorossiisk

Gelendzhik

Tuapse

Sochi

## Main Results

① In 2016 Center-invest Bank's transformational banking business model proved to be resilient and effective.

② At a time of new challenges, the bank worked within its ecosystem, guided by the principle "Center-invest: it's the best!" The bank:

- used the competitive advantages of the best ecosystem (southern Russia, partners, customers, employees);
- studied best international practice, applied it in its own business, and helped its customers to do the same;
- introduced the best banking products and modern technologies for retail customers, small business, agribusiness and energy efficiency;
- formed the best new generation of customers through its social and educational projects.

To date over 80,000 people have participated in the bank's projects "Me and the World in 2030", Financial Literacy Centre, Enterprise for All (<http://school.centrinvest.ru>), and the Endowment Fund for Education and Science in the Southern Federal District.

③ Geopolitical crises and sanctions created new conditions for the development of the bank's ecosystem:

- Compared to the rest of the country as a whole, output in southern Russia has increased more quickly, while manufacturers' prices have risen more slowly; customer demand has fallen less sharply, and consumer price growth has been below the rate of inflation;

— Thanks to the transparency of the bank's operations it has coped well with the increased number of inspections and been able to demonstrate a good level of efficiency, under both Russian and international standards (see the Ratings section);

— The bank is proactive in introducing new ways of working, and it generously shares its experience of using a transformational banking model with its customers, partners and the banking community.

**Transformation** is the new economic growth trajectory. It requires management of constant change amid continual crises. This should be through creative, socially responsible solutions that are in the interests of current and future generations and based on best international practice and technical, financial and social engineering.

**Transformation of crises.** Continual crises require continual improvements in business efficiency in order to revive changing demand.

**Transformation of business.** The production of public goods and services is becoming universal and requires constant innovation and social responsibility for the development of business ecosystems.

**Transformation of lending.** Banking is not about buying and selling risks, but managing risks, which requires expenditure in the initial stages to avoid large losses.

**Transformation of financial markets.** New information technologies are changing the landscape of the financial markets, separating them into segments based on speed of payments and levels of risk and return.

**Transformation of risks.** There is a growing risk of not only Type I errors (not spotting a crisis), but also Type II errors (not spotting innovations).

## Indicators

① Center-invest Bank complied with all regulatory requirements under Russian and international standards. This was confirmed by all the inspections conducted by supervisory and regulatory bodies. Taken together, these inspections lasted a total of 2,800 days (+12% compared to 2015).

② Center-invest Bank strengthened its positions among Russian banks, including for the following important parameters: retail lending (ranked 11<sup>th</sup> for consumer lending and 18<sup>th</sup> for popularity among borrowers), SME lending (13<sup>th</sup>), reliability (ranked 38<sup>th</sup> by Forbes), and profitability (33<sup>rd</sup>). The bank is a leading lender for businesswomen, young people, and social projects in the housing and communal services sector.

③ In 2016, 107 children were born to Center-invest Bank employees. This is by far the largest number in the last seven years.

### Key indicators

FYE, RUBbn			2014	2015	2016
Capital			9.6	10.6	<b>11.5</b>
Assets			91.3	89.6	<b>96.6</b>
Net loans and leasing			72.0	72.7	<b>73.6</b>
Deposits			49.2	65.0	<b>80.4</b>
Profit			1.1	0.53	<b>1.0</b>
CAR, RAS, %	N 1.0	≥ 8.625	10.9	13.0	<b>11.7</b>
	N 1.1	≥ 5.125	7.7	9.5	<b>9.5</b>
	N 1.2	≥ 6.625	7.7	9.5	<b>9.5</b>
IFRS	CAR, %	≥ 8	14.5	17.1	<b>17.0</b>
	CAR Tier 1, %	≥ 4.0	10.3	12.7	<b>13.7</b>
Basel 3	CAR, %	≥ 10.5	13.0	15.1	<b>14.8</b>
	CAR Tier 1, %	≥ 8.5	9.2	11.2	<b>12.0</b>
ROAA, %			1.3	0.6	<b>1.1</b>
ROAE, %			12.1	5.3	<b>9.1</b>
Cost/Income, %			43.4	51.1	<b>44.9</b>
Children born to bank employees			86	90	<b>107</b>

# Impacts

① At a time of transformations, 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:

— Unlike speculative banks, Center-invest Bank did not raise its interest rates on existing loans. Instead, the bank and its customers took measures to manage the risks of market volatility, a fall in production, and geopolitics. These measures allowed the bank to continue lending to the real economy at optimum interest rates. The bank's customers were able to complete their projects successfully, make sufficient profits, and share their success with the bank;

— The bank's transparency and openness and its work with various social groups helped to bring the business community and the authorities together to maintain southern Russia's dynamic growth. It also enabled the bank to retain its leadership in introducing best international practice, the quality of bank services, retail and SME lending, introducing energy efficient technologies, and financing the renovation of multifamily residential buildings and agricultural modernisation;

— Center-invest Bank's experience of introducing cashless payments and the Mir national payment card has informed practice throughout Russia;

— The bank continued its series of lectures on current economic challenges, modern banking technologies and creative analytical methods. Lectures were given at leading universities in southern Russia and the Financial Literacy Centres set up with the bank's assistance, and also to business associations.

— Using crowdsourcing to help develop the "Me and the World in 2030" Strategy the bank attracted the attention of young people, other residents, businesses and government bodies in southern Russia.

Through its own successful business, its social responsibility, and its ecosystem Center-invest Bank has contributed to southern Russia's successful adaptation to the new transformational environment: output in southern Russia is increasing faster than the national average, while price indicators are rising more slowly.

## Southern Russia: key indicators, % change 2016 compared to 2015

Growth rate		RF	SFD	NCFD	KK	VR	RR	SK
Industry	Output	1.1	6.4	7.5	4.1	2.2	12.6	8
	Manufacturers' prices	7.4	5.8	5.3	4.0	7.4	5.8	5
Agriculture	Output	4.8	8.7	6.1	6.1	12.8	15.1	10.3
	Manufacturers' prices	1.8	-1.8	0.2	-1.5	-0.7	-3.5	3.9
Construction	Output	-4.3	-12.5	-0.3	-8.2	-12.3	-14.5	-15.8
	Manufacturers' prices	6.6	4.5	4.6	8.1	-3.2	2.4	8.6
Trade	Output	-5.2	-2.9	-2.4	0	-5.7	-4.4	-11.1
	Manufacturers' prices	5.6	5.4	5.3	6	5.2	5.4	5.8

RF — Russian Federation, SFD — Southern Federal District, KK — Krasnodar Krai, VR — Volgograd region, RR — Rostov region, SK — Stavropol Krai



## Ratings

Center-invest Bank among Russia's banks:



The Sravni.ru comparison site ranks Center-invest Bank:

- 1<sup>st</sup>** — interest rates for government-subsidised mortgages
- 1<sup>st</sup>** — best rates for car loans
- 3<sup>rd</sup>** — best mortgages for the second-hand housing market
- 6<sup>th</sup>** — most affordable cash loans
- 11<sup>th</sup>** — consumer loans
- 18<sup>th</sup>** — most popular banks for borrowers

## The Banker

The Banker's Top 100 Russian Banks ranking:

- 42<sup>nd</sup>** — capital adequacy (CAR)
- 48<sup>th</sup>** — return on capital
- 49<sup>th</sup>** — return on assets
- 55<sup>th</sup>** — capital and assets



**38<sup>th</sup>** in the annual reliability rating of Russian banks



Moody's Investors Service  
**Ba3 stable outlook**



The business daily Kommersant ranks Center-invest Bank:

**33<sup>rd</sup>** — most profitable banks



Russia's Expert RA rating agency ranks Center-invest Bank:

- 7<sup>th</sup>** — size of portfolio of loans for individual entrepreneurs
- 13<sup>th</sup>** — size of SME loan portfolio among Russia's largest banks

## Risks

The new transformational environment requires the bank to be not only at the forefront of trends, but also constantly ready to meet new challenges. It is with these factors in mind ("trends", "best practice", "black swans") that the bank monitors the risks in

the financial markets and its own operations and ecosystem. The bank carefully examines the new requirements of the regulators and supervisory bodies, and assesses innovative products and technologies.

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

A blue ink signature of Dr. Vasily Vysokov.

Chairman of the Executive Board, Dr. Sergei Smirnov

A blue ink signature of Dr. Sergei Smirnov.

## Events

In 2016:

We were the first bank in southern Russia to start issuing cards for the Mir national payment card system: free of charge and with extensive functionality. Issuing over 17,000 Mir cards to organisations and individuals in southern Russia in 2016, we were one of the country's top six banks for the number of cards issued.



At the 2016 St Petersburg Economic Forum, Center-invest Bank signed a trilateral cooperation agreement on information and payment services with the Rostov region government and JSC National Payment Card System (the operator of the Mir national payment system).



Center-invest Bank became an official member of the Association of Regional Banks of Russia.

We took part in Global Money Week, running a programme of events for the public at the Financial Literacy Centre in Rostov-on-Don.

Center-invest Bank's "grace period card" won the "Credit Card of the Year" category in the Bank of the Year Awards run by the Banki.ru portal.

We were one of the first banks in Russia to participate in the Mir national payment card system. Center-invest Bank was part of the pilot programme to test the issuing and servicing of the Mir card.

Together with Kuban State Technological University, we opened our second Financial Literacy Centre (in Krasnodar).



We held our 14th annual scholarship competition for southern Russia's top university students. We received over 3 400 entries, and awarded 400 scholarships. The award ceremonies were held in Krasnodar, Volgograd and Rostov-on-Don.



Center-invest Bank was included by the Bank of Russia in its updated list of significant banks in the payment systems market (Bank of Russia Order dated 17 March 2016 "On Recognition by the Bank of Russia of Credit Institutions as Significant in the Payment Services Market"). There are 51 credit institutions on the list.

The bank presented its unique experience of financing businesswomen's projects at the Russian National Forum for Entrepreneurs held in Krasnodar and at the Global SME Finance Forum 2016 in China.



Center-invest Bank was included in the updated Register of Banks Authorised to Issue Guarantees for Customs Payments (effective until 28 February 2019).

The bank presented its experience of transformational banking and co-organised a round table on “risk resilient banking models: infrastructure and new opportunities” at the International Investment Forum in Sochi.



We held a competition for students and young academics, “Rostov-on-Don in 2030: analysis of the current situation and development trends”. This was with support from the Rostov-on-Don city administration and the Expert-South business magazine.

Center-invest Bank was one of the initiators of plans to create a technology park based at the Rostov College of Mechanical Engineering. It is intended that the “New Rostov” technology park will help to expand the region's manufacturing sector by increasing high-tech manufacturing and training personnel and entrepreneurs. The bank is offering preferential financial arrangements for businesses based at the park.



We opened two multifunctional “My Documents” centres at Head Office to provide individuals and businesses with convenient access to a range of central and local government services.



The bank presented the results of its project to introduce a deposit product configurator based on SAP Banking Services software at the SAP SE forum “DIGITAL Business” in Moscow.

The bank was a co-organiser of the VII Festival of Science in southern Russia.

In addition, the bank supported a music festival (together with the Alliance Française), the Don Teacher of the Year competition, the 47 Hours hackathon for youth IT start-up projects and the Cyber Garden hackathon. We were a partner for Youth Day and City Day (together with the Rostov-on-Don and Krasnodar city administrations) and we held our traditional concert to commemorate Victory Day.

# Sustainable Development Declaration

### 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 Europe and CIS and BRICS countries. For example, we have updated an online database of SMEs in southern Russia. We establish correspondent banking relationships with new partner banks abroad, and we hold training events where bankers from various countries can share experience of introducing a sustainable banking business model.

### 9

Center-invest Bank provides continuous staff training on new areas in banking, in line with the sustainable banking business model. We have established a positive corporate culture, with a creative atmosphere and employees who take responsibility for, and have confidence in, the successful implementation of the bank's own strategy and those of its customers. An important result of this is the high birth rate among our employees. We have every reason to be confident that all the members of our team are committed to helping the bank and our customers achieve new sustainable results.

# Sustainable Development Declaration

## Southern Russia as % of Russian Federation

	2011	2012	2013	2014	2015	2016*		
Territory	3.6	3.6	3.6	3.6	3.6	<b>3.6</b>		
Population	16.4	16.3	16.4	16.5	16.2	<b>17.8</b>	SMEs**	IEs**
Gross regional product/value of goods and services produced	8.5	8.8	8.8	9.0	9.4	<b>9.7</b>	8.5	17.8
Fixed assets	8.5	8.4	8.4		8.8	<b>8.9**</b>	11.3	15.0
Industry	7.6	7.3	7.2	6.2	6.5	<b>8.8</b>	8.7	18.4
Agriculture	23.2	23.6	23.4	23.5	23.0	<b>26.3</b>	23.4	41.3
Construction	14.5	14.4	15.0	13.0	12.5	<b>12.0</b>	7.8	18.9
Retail trade	14.0	14.2	14.1	14.3	14.9	<b>16.1</b>	8.8	17.2
Capital investment	14.5	13.0	14.0	13.3	11.8	<b>10.9</b>	11.1	—
Average monthly wage								
SFD	73.8	75.3	75.1	75.2	74.6	<b>73.4</b>	84.6	—
NCFD	59.5	63.1	65.2	65.0	60.1	<b>62.5</b>	68.2	—
Average per capita income (monthly)								
SFD	79.9	81.3	85.3	87.6	83.3	<b>86.2</b>	—	—
NCFD	72.5	79.3	74.1	75.2	81.3	<b>77.2</b>	—	—

Data is provided for the Southern Federal District and the North Caucasus Federal District.

\* The Republic of Crimea and the city of Sevastopol became part of the North Caucasus Federal District in 2016.

\*\* SMEs and individual entrepreneurs based on data for 2015.

# Sustainable Development Declaration

## Key Indicators

### Strategy 2008—2010

"Southern Russia Versus the Global Crisis"

### Strategy 2011—2013:

"The Post-Crisis Development of Southern Russia"

### Strategy 2014—2015

"The Global Competitiveness of Center-invest Bank's Customers"

### Strategy 2016—2018

"Global Competitiveness in Transformations"

At 31.12	2010	2011	2012	2013	2014	2015	2016
Capital, RUBbn	5.8	6.7	7.6	8.8	9.6	10.6	11.5
Assets, RUBbn	48.3	54.4	62.7	75.9	91.3	89.6	96.6
Net loans and leasing, RUBbn	30.6	42.5	48.4	61.5	72.0	72.7	73.6
Deposits, RUBbn	33.8	39.0	44.1	49.4	49.2	65.0	80.4
Profits, RUBbn	0.22	0.90	1.10	1.41	1.11	0.53	1.00
CAR, RAS, % $\geq 8.625$	14.7	13.3	13.3	12.4	10.9	13.0	11.7
CAR, IFRS, % $\geq 8$	19.8	18.2	17.4	15.6	14.5	17.1	17.0
CAR, Basel 3, % $\geq 10.5$	16.4	15.9	15.3	13.9	13.0	15.1	14.8
CAR Tier 1, IFRS, % $\geq 4.0$	11.9	11.6	11.8	11.3	10.3	12.7	13.7
CAR Tier 1, Basel 3, % $\geq 8.5$	9.9	10.1	10.4	10.0	9.2	11.2	12.0
ROAA, %	0.48	1.76	1.88	2.03	1.32	0.59	1.08
ROAE, %	3.92	14.53	15.42	17.25	12.07	5.30	9.08
Cost/income, %	51.8	49.9	45.1	45.0	43.4	51.1	44.9
Children born to bank employees	81	82	71	83	86	90	107

### **Southern Russia is a region:**

- in which the staff of Center-invest Bank's 132 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;
- 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.



# Organisational Profile

Full name of the bank:

Public 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 № 2225 dated 26 August 2016 (General Licence № 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 №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 № 283 dated 9 December 2004).

Center-invest Bank holds the following professional securities market participant licences: № 060-03407-001000 for carrying out securities management activities dated 29.11.2000; № 060-03332-010000 for carrying out dealer activities dated 29.11.2000; № 060-04118-000100 for carrying out depository activities dated 20.12.2000; № 060-03243-100000 for carrying out broker activities dated 29.11.2000.

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 2016).

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).

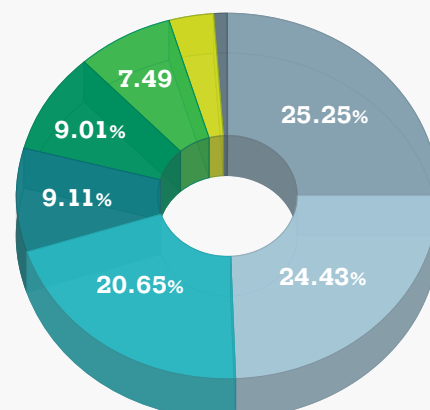
The bank's head office is located at: 62 Sokolova Avenue, Rostov-on-Don, Russia, 344000. Telephone number, fax number: (863)2-000-000, (863)299-49-65.

Email address: [welcome@centrinvest.ru](mailto:welcome@centrinvest.ru).

Website addresses: [www.centrinvest.ru](http://www.centrinvest.ru), [центр-инвест.рф](http://центр-инвест.рф).

Shareholders, % of voting shares at FYE 2016

<b>25.25%</b>	European Bank for Reconstruction and Development (EBRD)
<b>24.43%</b>	Dr. Vasily Vysokov and Mrs. Tatiana Vysokova
<b>20.65%</b>	The German Investment and Development Company (DEG)
<b>9.11%</b>	Firebird Investment Fund
<b>9.01%</b>	Erste Group Bank AG
<b>7.49%</b>	Rekha Holdings Ltd
<b>3.30%</b>	Raiffeisenlandesbank Oberosterreich AG
<b>0.76%</b>	Other shareholders



# Activities

## Assets and Liabilities Management

At FYE 2016 Center-invest Bank's profits calculated under IFRS were up by 87.7%, while net assets had increased by just 7.7%. The bank's profits exceeded RUB1bn.

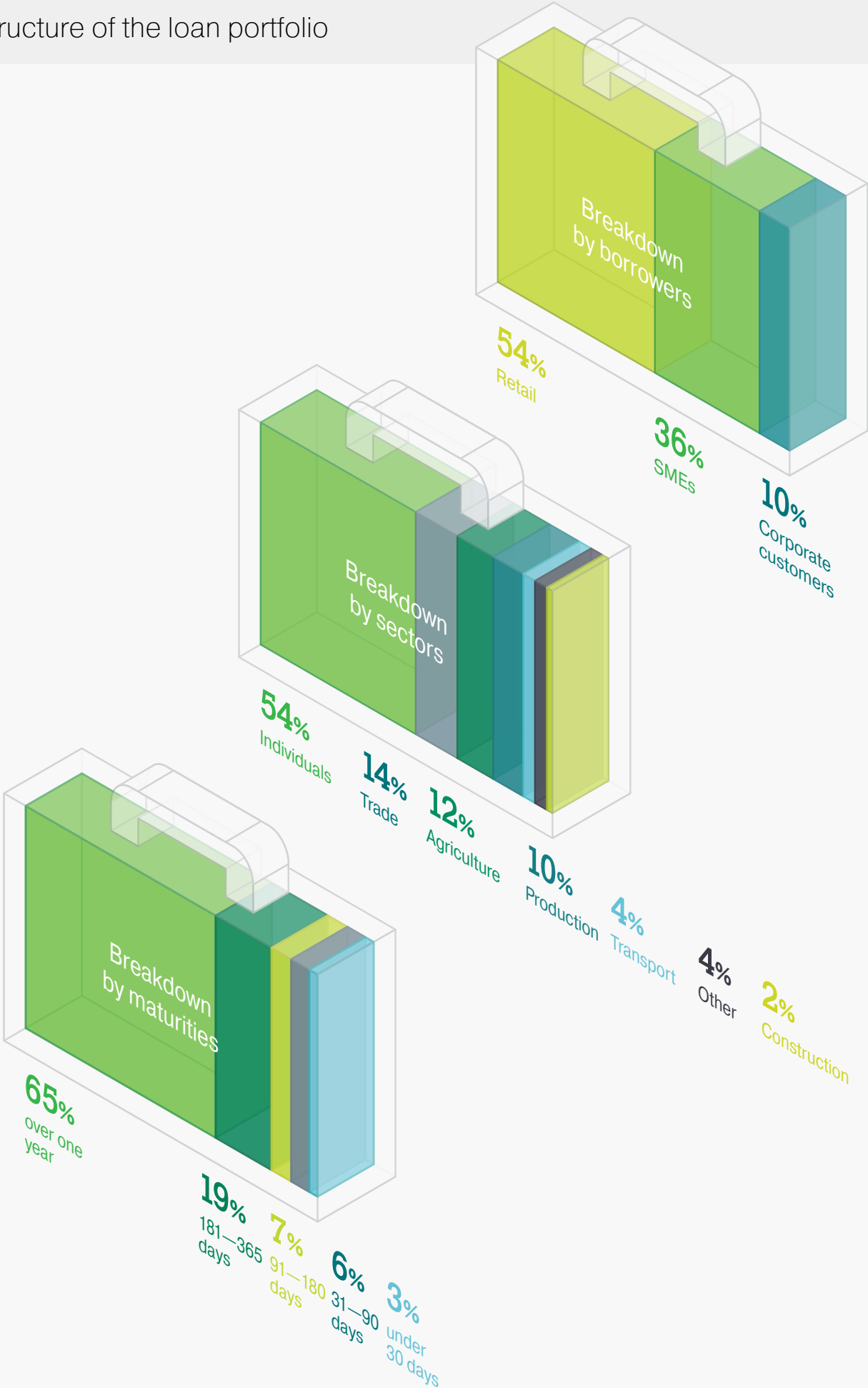
These results were achieved thanks to a change in the structure of the funding base. At the same time, the bank maintained low interest rates for loans to retail and business customers. Center-invest Bank's loan terms continue to be attractive not only in southern Russia but also nationwide.

We continued to see an increase in retail customer accounts as a percentage of total liabilities: 46% at the end of 2014, 65.3% for 2015 and 77.5% for 2016. This again confirms that the bank enjoys a high level of trust among the population of southern Russia, and it allowed the bank to reduce expensive borrowings from the financial markets.

Foreign investments as a percentage of total liabilities decreased to 3.8% (2014: 13.9%, 2015: 12.4%). This reduces the influence of geopolitical risks and the cost of attracting funding from external markets.

	31.12.2016		31.12.2015		2016 / 2015
<b>Assets RUBm</b>	<b>96 576</b>	<b>100%</b>	<b>89 641</b>	<b>100%</b>	<b>7.7%</b>
Net loans and leases	73 647	76%	76 672	81%	1.3%
Cash and mandatory cash balances with the Central Bank of the Russian Federation	10 241	11%	12 598	14%	–18.7%
Due from other banks	6 015	6%	416	1%	1 345.9%
Other assets	1 604	2%	1 684	2%	–4.8%
Fixed assets and investment property	5 069	5%	2 271	2%	123.2%
<b>Liabilities RUBm</b>	<b>96 576</b>	<b>100%</b>	<b>89 641</b>	<b>100%</b>	<b>7.7%</b>
Customer accounts, of which	80 433	83%	65 040	72%	23.7%
retail customer accounts	65 961	68%	51 603	57%	27.8%
business customer accounts	14 472	15%	13 437	15%	7.7%
Equity	11 511	12%	10 603	12%	8.6%
Debt securities in issue	427	1%	3 172	3%	–86.5%
Borrowings from IFIs and banks	3 555	3%	10 403	12%	–65.8%
Other liabilities	650	1%	423	1%	53.7%

Structure of the loan portfolio

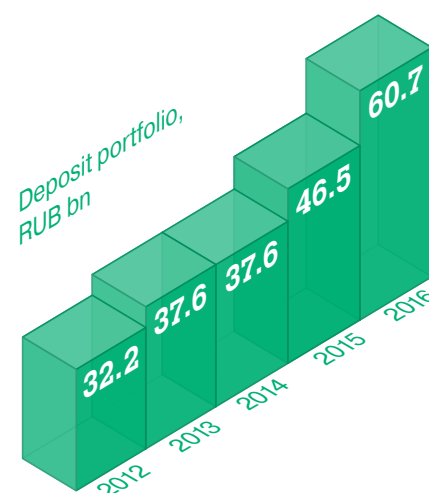


# Retail Banking

## Deposits

In 2016 retail customer deposits increased by RUB14.2bn to RUB60.7bn at year end. This increase was accompanied by a decrease in the cost of the funding: the weighted average interest rate fell by almost 2% in 2016 to 9.24%. It is evident from these results that our deposit accounts and account servicing options are attractive, and that we are achieving broad coverage of all sectors of the population and retaining customer trust.

In 2016 the number of depositors increased by 16,200, and the number of deposit accounts by 20,700.



## Payments and Services

In 2016 the bank continued to develop its other retail banking services:

- Cash foreign exchange transactions totalled USD47.4m, EUR24.7m, GBP2m, CHF1bn and CNY1bn.
- The bank processed USD12.3m, EUR356,400 and RUB1.4bn in Western Union and Zolotaya Korona money transfers.
- The bank accepted RUB16.6bn in bill payments from retail customers (including utility bills).
- Safe deposit boxes for keeping valuables, documents and cash are available at our Head Office and in twenty of our branches.

In 2016 the bank continued to improve its processes for accepting bill payments from customers for various services. Most 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 and QR codes on bills. Moreover, payment recipients are switching to electronic documentation systems. Remote banking channels (self-service terminals, ATMs and Internet banking) account for 45% of our customers' bill payments.

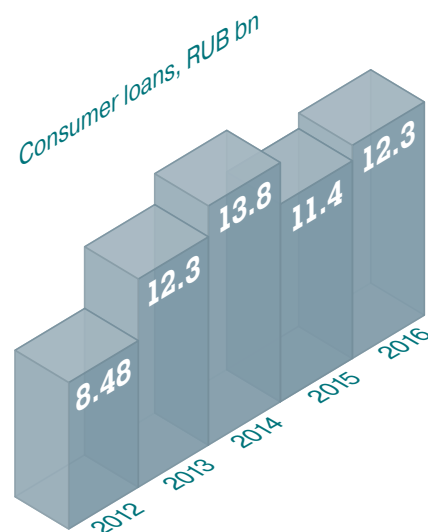
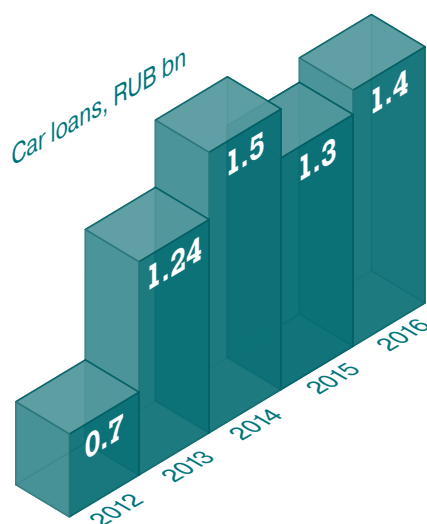
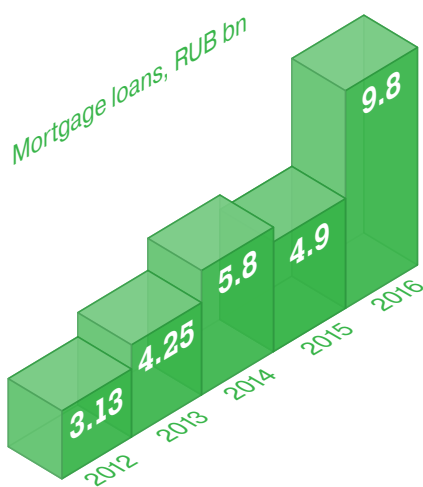
## Retail Lending

In 2016 Center-invest Bank made 44,493 loans for a total of RUB23.47bn (2015: 39,035 loans, RUB17.54bn). This comprised:

- 31,313 consumer loans for a total of RUB10.15bn;
- 1,903 car loans for a total of RUB1.36bn;
- 5,435 mortgage loans for a total of RUB9.81bn;
- 5,842 bank card loans for a total of RUB2.15bn.

The retail loan portfolio increased by RUB5.7bn in 2016 to RUB42.4bn at year end. This was a 15.6% increase on 2015. The portfolio comprised 104,852 loan agreements (99,814 in 2015).

In 2016 Center-invest Bank continued to participate in government loan programmes. For example, we issued 110 mortgage loans for a total of RUB222m to borrowers receiving government subsidies to help them meet interest and capital repayments. This included mortgage lending under the Young Teachers programme.



The bank also made 2,953 loans for a total of RUB790m for home energy efficiency improvements.

Growth in the retail loan portfolio has been driven by mortgage lending: mortgages accounted for 47% of the portfolio. In 2016 the bank issued 5,435 mortgages for a total of RUB9.81bn, which is double the value and number of loans for 2015 (2,747 loans, RUB4.9bn). The key aspects of our mortgage products are: low rates; no requirement for customers to take out additional insurance (life insurance, buildings insurance); and no extra fees.

In 2016 the bank joined a government-subsidised mortgage lending programme, which allowed it to increase its mortgage lending for new-build residential properties. In 2016 we provided 1,042 loans for a total of RUB1.6bn under this programme, which was 92.2% of the maximum amount permitted by the Russian Finance Ministry.

In 2016 we continued to offer a unique service for customers with a Center-invest Bank payroll card: consumer lending via ATMs. Customers can obtain a loan without needing to go into a branch, submit paperwork or provide guarantors. The cost of this quick and convenient loan is comparable with that of traditional loans available in branch. 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. In 2016 we issued 5,839 of these loans, for a total of RUB58.4m (2015: 4,207 loans, RUB41.8m). We also began work on expanding the product's functionality and making it available via Internet banking. Customers will be able to agree their loans online and the funds will be paid into their card accounts almost instantly.

We have made it even easier for customers to submit loan applications on the bank's website ([www.centrinvest.ru](http://www.centrinvest.ru)): as well as submitting new applications, customers can check the status of existing applications. Any partially completed applications can be saved online and returned to later. Online applications can also be made from any mobile device or using the "Loan Application" mobile app which is available from the App Store and Google Play Market.

## Bank Cards

Center-invest Bank is the only bank in southern Russia to have its own modern processing centre and three card personalisation centres (in Rostov-on-Don, Krasnodar and Volgograd). This advantage allows us to systematically expand our services based on bank cards, and to introduce innovative products and services quickly and effectively in all our branches.

At FYE 2016 there were 323,325 Center-invest Bank VISA International, MasterCard Worldwide and Mir cards in circulation. We issued 97,800 cards in 2016, including 9,765 payment cards for public sector organisations under contracts with the Federal Treasury Departments for the Rostov and Volgograd regions and Krasnodar Krai.

Center-invest Bank is an active participant in the Mir national payment card system. On 17 June 2016, the bank entered into a trilateral cooperation agreement on information and payment services with the Rostov region government and JSC National Payment Card System. The agreement envisages the creation of a multifunctional Rostov region resident's card based on the Mir card. It is intended that this will increase transactions using the Mir card in the Rostov region.

The bank also launched a campus card, based on the Mir card, for students at Southern Federal University. Students will be able to use the cards to obtain their grants and to gain entry to university buildings, and also as library cards.

In 2016 Center-invest Bank was:

- the first bank in southern Russia to issue the Mir card and to adapt all of its ATMs and POS terminals to accept the card;
- the first bank in Russia to issue personalised Mir cards;
- one of the first to introduce the Mir Accept secure online payment technology for its customers;
- one of the first pilot banks to be certified as an issuer and acquirer of contactless Mir cards.

At the 2016 Transport Week exhibition, JSC National Payment Card System demonstrated Center-invest Bank's contactless Mir cards as a means of paying for travel.

The bank once again proved a reliable partner for the Federal Treasury, servicing the accounts used to make payments to public sector organisations in the Rostov and Volgograd regions and Krasnodar Krai. Under a state contract with the Federal Treasury Department for the Rostov region, the bank issued over 5,500 Mir cards to organisations and institutions.

In 2016 Center-invest Bank was certified as an acquiring bank for card payments made using the PayWave contactless technology.

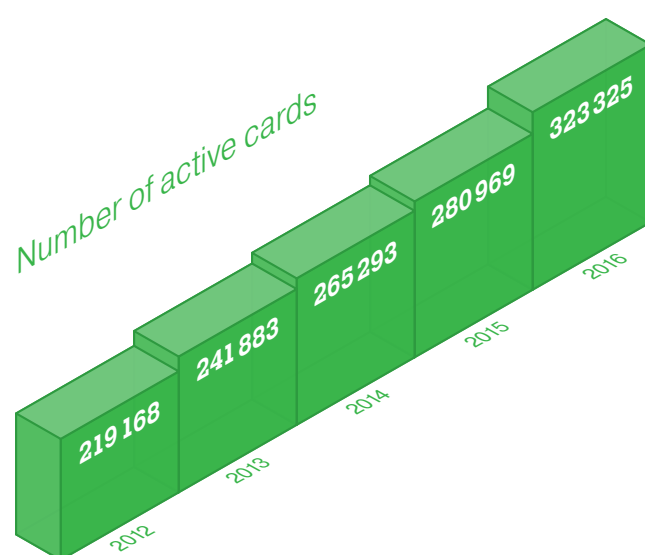
## Retail Banking

For added convenience, our customers can now use the Center-invest Bank website, our ATMs or Internet banking to transfer funds between cards, irrespective of which bank the cards were issued by.

For customers with one of our Universal, Premium or Exclusive cards, we have more than doubled the number of partners offering up to 30% cashback on purchases from their online stores. They include leading Russian and international online retailers such as AliExpress, Nike, Asos and MediaMarkt.

Under our ongoing World of Discounts programme, over 200 goods and service providers offer discounts for Center-invest Bank cardholders.

In 2016 the bank joined the Book Plus loyalty programme for readers with electronic library cards for Rostov-on-Don's centralised library system. Readers using the city's libraries are issued with a bank card by Center-invest Bank. In addition to the standard functions, the card also serves as an electronic pass for the libraries and entitles the holder to discounts from shops that have signed up to the Book Plus programme.



### Bank cards

	2016	2015	2016/2015
Number of transactions, bn	1	0.75	+29.1%
Number of active cards	323 325	280 969	+15.1%
including Mir cards	17 000	—	—
Number of payroll programmes	2 617	2 466	+6.1%
Number of ATMs	476	458	+3.9%
Number of goods and services providers using the bank's payment processing centre	3 149	2 629	+19.8%
Number of self-service terminals	278	227	+22.5%
Number of POS terminals	3 753	2 750	+36.5%



## Business Banking

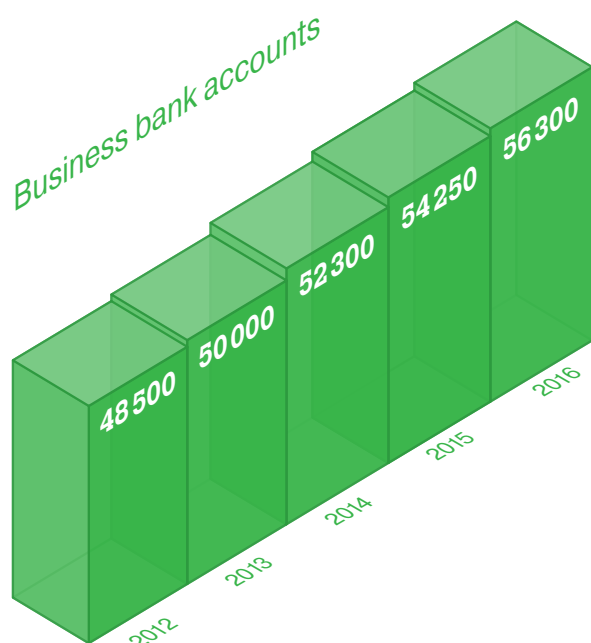
In 2016 the bank continued to strengthen its positions and expand its customer base in the business banking sector. At FYE 2016 we had 56,300 business bank accounts. The following contributed to growth in the customer base: optimum banking fees; end-to-end customer service (achieved by transforming branches into sub-divisions); and expansion of remote banking services.

The bank developed new products and further improved its sales processes. It paid particular attention to developing its remote banking systems.

The bank also continued its efforts to attract deposits. For example, customers can now submit applications to open a deposit account online.

As a strategic partner, Center-invest Bank handles payments on behalf of the Federal Treasury Departments for the Rostov and Volgograd regions and Krasnodar Krai.

Center-invest Bank is an authorised bank for financial transactions under public procurement contracts in accordance with Federal Law No. 44-FZ.



## SME Lending

The bank's strategy envisages a gradual reduction in the concentration of large corporate customer debt and redistribution of funding to retail lending and SME lending. This explains the 9.5% reduction in the business loan portfolio compared to last year, from RUB40.2bn to RUB36.4bn. However, by offering preferential loan terms and comprehensive business support the bank managed to increase SME lending by 9.8%, from RUB89.2bn to RUB98bn.



At the end of the year	2016	2015	2016/2015
Business loan portfolio, RUBbn	36.4	40.2	−9.5%
Number of active loan agreements	4 981	4 962	0.4%
Value of guarantees, RUBbn	3	3	1.3%
Number of active guarantees	2 498	2 202	13.4%
During the year	2016	2015	2016/2015
Number of new loan agreements	4 695	4 343	8.1%
Total value of agreements entered into, RUBbn	35.1	34.9	0.8%
Volume of funds released, RUBbn	98.0	89.2	9.8%
Number of guarantees issued	2 550	2 423	5.2%
Volume of bank guarantees, RUBbn	3.3	4.2	−21.1%

Lending to SMEs is a priority for Center-invest Bank. We aim to establish long-term, mutually beneficial relationships with our customers and partners, based on ecosystem principles. In 2016 Center-invest Bank customers were among the winners of the Don Business competition run by the Rostov region government (Small Enterprise of the Year, Trailblazer of the Year, and Start-Up of the Year).

In 2015 – 2016 demand for loans for new entrepreneurs doubled. To date, the bank has lent a total of RUB627m on preferential terms to 535 new entrepreneurs.

We were one of the first banks in Russia to provide loans and business support for start-ups, entering this market in 2012. We offer the Youth Business Russia programme, run together with the International Business Leaders Forum (IBLF), and our own Start-up programme.

In addition to finance, we offer young and new entrepreneurs guidance on business planning and opportunities to learn about various aspects of running a business. The bank's experts advise entrepreneurs daily, both in-branch and at the Financial Literacy Centres in Rostov-on-Don and Krasnodar. We also offer a mentoring scheme, whereby successful business people (Center-invest Bank customers and partners) share their experience and

knowledge with mentees and help them to avoid common mistakes. In 2016 alone, we successfully matched eleven mentees with mentors. These business relationships have proven effective.



### Youth Business Russia

Up to  
RUB **300000** | **12%** per annum | **3** years

With free payments and cash management  
and Internet banking  
For borrowers under the age of 35, unsecured loan

### Start-Up

Up to RUB **3m** | **15%** per annum | **3** years

With free payments and cash management  
and Internet banking

The bank also has a Women in Business Programme, which includes preferential loans and opportunities to increase business exposure and collaborate with other participants. In the five years since the Programme began (in 2012), Center-invest Bank has lent 353 businesswomen a total of RUB481m on preferential terms. There have been no defaults on these loans.

To provide networking opportunities as part of the Women in Business Programme, Center-invest Bank has held 12 business breakfasts for businesswomen in Rostov-on-Don, Krasnodar and Volgograd. These events were attended by over 500 proactive and dedicated women. In spring 2016, Olga Vysokova, the driving force behind the initiative, began organising similar events for Russian-speaking businesswomen in London (eight events to date).

These forums have resulted in 27 joint charitable events, 6 new joint business projects, and 74 cooperation agreements.

In autumn 2016 the bank published two books in Russian and one compendium in English of success stories from female entrepreneurs. To bring Center-invest Bank's experience and our customers' and partners' businesses to international attention, the English-language book was presented to participants at the 2016 Global SME Finance Forum in China.



### Business Loans for Women

Up to RUB **3m** | **11.5%** per annum | **1** year

With publicity and marketing support from the bank

## Energy Efficiency Lending

For many years now, Center-invest Bank has worked in partnership with international financial institutions on various energy saving projects (the EBRD, IFC, FMO, KfW, EDB, IIB and OeEB). We finance 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 2016, Center-invest Bank's total investment to date in energy efficiency projects was RUB14.5bn (FYE 2015: RUB12.3bn). We have financed 858 projects in the industrial, agricultural and service sectors, and 17,902 projects in the housing and communal services sector and private residential sector.

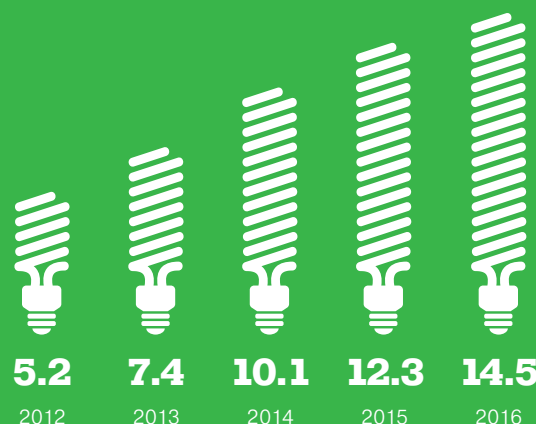
Our loan programme for the renovation of multifamily residential buildings continues to be popular. Under Russian law, the owners of apartments in these buildings have to pay monthly contributions to a capital repairs fund. This fund is used to renovate buildings in accordance with a regional capital repairs schedule. Center-invest Bank introduced a unique arrangement allowing our customers to take out a loan so that they can renovate their buildings straightaway. They pay the same contributions as before, but the money goes towards the loan repayments. This programme is the only one of its kind in Russia.

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, Center-invest Bank experts share their unique experience of energy efficiency lending with representatives of Russian government bodies, municipal authorities, and financial institutions from various CIS countries, Eastern Europe, the Middle East, North Africa and BRICS countries.

In 2016 Center-invest Bank lent a total of RUB2.2bn for energy efficiency projects. This comprised RUB1.3bn to retail customers for energy efficiency improvements to their homes, 9 loans to homeowners' associations for capital repairs (RUB9m), and 116 loans to companies for the introduction of energy efficiency technologies (RUB872m).

The modernisation financed by the bank has reduced annual CO<sub>2</sub> emissions by 168,600 tonnes (equivalent to the emissions produced or absorbed by 98,600 light vehicles, 481,600 barrels of oil, or 6.7m trees).

### Investment in Energy Efficiency Projects, RUBbn



## Agribusiness Lending

Agriculture is one of the main economic sectors in southern Russia, and the bank's objective is to make it competitive in international markets. The bank increased its lending to the agricultural sector in 2016, making 1,356 loans for a total of RUB9.8bn. One third of these loans were for investment purposes.

We offer a wide range of loan programmes for agricultural producers:

- short-term working capital loans, up to 2 years;
- “Seasonal Offer” programme: unsecured working capital loans, up to RUB5m, 11% per annum;

— investment loans (5-7 years) for companies to modernise their operations and purchase livestock, agricultural machinery and equipment, irrigation systems, and agricultural land.

### Agribusiness Loan Portfolio, RUB bn



	2016	2015	2016/2015
Number of borrowers in the agribusiness sector	820	741	10.7%
Number of loans made	1 356	1 224	10.8%
Value of loans made, RUBbn	9.8	8.1	21.0%
of which, loans for investment purposes	3.1	2.1	47.6%



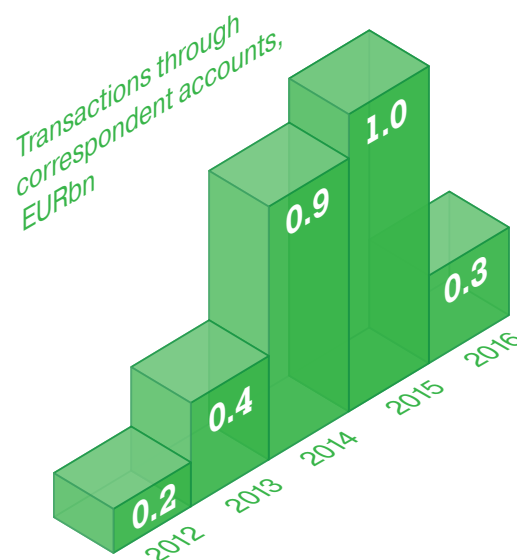
## International Payments and Trade Finance

To make its own international payments and payments for its customers, Center-invest Bank has direct correspondent accounts in foreign banks: Citibank NA (New York, USA), Commerzbank AG (Frankfurt, Germany), UniCredit SpA (Milan, Italy), Erste Group Bank AG (Vienna, Austria) and Bank of Communications Co. Ltd (Shanghai, China).

In 2016, transactions through correspondent accounts totalled USD1.2bn, EUR0.3bn, and over USD6.5m in other currencies.

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.

We use structured trade finance mechanisms to minimise the risks and reduce the potential losses for our customers who are trading internationally. In 2016, trade finance transactions amounted to USD1.73m.



## International Trade Services

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

The volume of transactions under our customers' international trade contracts in 2016 was as follows: USD197m, EUR46m, RUB6.7bn, CNY28m (2015: USD203m, EUR36m, RUB7.2bn, CYN35m).

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 authorised banks because we offer more favourable terms.

## Trust Management

Center-invest Bank manages two bank-managed mutual funds (BMMF) and three endowment funds. At FYE 2016 the total value of assets under management was RUB164,196,300, an increase of 4.6% over the year.

BMMF Center-invest 1 is managed in accordance with the “MICEX Equity Instruments” Standard Management Strategy for which the benchmark is the MICEX index.

BMMF Center-invest 2 is managed in accordance with the “Ruble Bonds” Standard Management Strategy for which the benchmark is the RUX-Cbonds index.

Increase in value of nominal share in BMMF Center-invest 1 compared to the MICEX index at FYE 2016.

	1 year	2 years	3 years	5 years	10 years
BMMF Center-invest 1	28.86%	79.76%	68.62%	99.62%	14.83%
MICEX index	26.76%	59.87%	48.51%	59.23%	31.84%

Increase in value of nominal share in BMMF Center-invest 2 compared to the Rux-Cbonds index at FYE 2016

	1 year	2 years	3 years	5 years	10 years
BMMF Center-invest 2	9.53%	30.42%	26.12%	56.85%	136.56%
Rux-Cbonds index	12.70%	32.49%	32.68%	57.33%	140.25%

Center-invest Bank manages the following endowment funds:

	Value of net assets at FYE 2016
Education and Science in the Southern Federal District Endowment Fund	107,047,900
Southern Federal University Endowment Fund	23,985,800
Don State Technical University Endowment Fund	6,796,900

Return (percent per annum) from endowment fund assets management:

Fund	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Education and Science in the Southern Federal District	9.3	4.0	5.2	11.2	7.3	9.8	10.1	7.1	15.9	11.0
Southern Federal University		19.6	14.9	7.9	8.3	10.7	10.2	6.3	17.1	10.6
Don State Technical University						8.0	7.7	8.2	16.4	9.5



## Branch Network

Center-invest Bank's extensive branch network in southern Russia gives it a competitive advantage in implementing its development strategy. The bank's branches provide a full range of modern banking services and products to a very broad customer base in southern Russia, operating in accordance with best international practice.

At FYE 2016 Center-invest Bank's branch network comprised 132 branches located in the Rostov and Volgograd regions, Krasnodar Krai, Stavropol Krai, Moscow and Nizhny Novgorod.

The bank continues to actively develop its branch network and to modernise and update the format of its existing branches. In 2016, following a decision of the Board of Directors, the status of all six branches in the Rostov region was changed so that they became sub-divisions of Head Office. This has allowed the bank to speed up payments between customers, improve its service provision, streamline operations and reduce operating costs, improve manageability, and increase centralisation of back office functions.

Our branches offer business and retail customers attractive terms for loans and leasing, deposit accounts, payments and cash management, money transfers, credit and debit cards, payroll programmes, and other banking products. Irrespective of their geographical distance from Head Office, all our branches adhere to the same high standards of customer service and the same work principles, and internal procedures are consistent throughout the branch network.

In 2016 the bank expanded its presence in the Volgograd region, opening two new branches (in Volgograd and Kalach-on-Don). These branches provide a full range of modern banking services for retail customers and services for public sector organisations. We now have eight branches in the Volgograd region.

The bank continued to work on establishing a customer base in Nizhny Novgorod. Our four branches in the city are performing well, providing a full range of modern banking services for retail customers. They are located in busy districts of the city, have a modern design, and are easy to navigate. The local population has recognised the benefits of the bank's payroll cards and our attractive retail deposit and loan products. Key staff members have experience of working in our Rostov branches and ensure that the Nizhny Novgorod branches adhere to the same work principles and high standards of customer service. At FYE 2016, the loan portfolio for Nizhny Novgorod was RUB162m, deposits stood at RUB47m, and the branches were servicing bank cards for over 2,000 people. They have also entered into cooperation agreements with property developers and car dealerships, and agreements to provide services to organisations as part of payroll programmes.

We are continually improving our branch network and making it more efficient. We regularly check whether our branch locations are still convenient and accessible for customers. In 2016, due to the increased popularity of a shopping centre in Rostov and another in Volgograd, we decided to relocate our nearest branches to these retail outlets.

The bank is also continually expanding the use of modern technologies to deliver services: the increased functionality of the bank's self-service terminals and ATMs has allowed us to increase the number of "24-hour self-service zones" in our branches, where customers can conduct banking transactions and access services around the clock.

In conjunction with the introduction of new technologies and business process optimisation, our branch network continually delivers high-quality growth for key indicators. At FYE 2016 our branches accounted for 76.2% of the bank's loan portfolio and 67.1% of deposits. Thanks to the measures outlined above our branches are becoming more efficient.

## Branch Network

### Branch network indicators

	Loans and leasing			Deposits		
	2016	2015	2016/2015	2016	2015	2016/2015
Rostov region, excluding Head Office	40 227	39 147	2.8%	38 955	29 153	33.6%
Krasnodar Krai	12 857	11 986	7.3%	4 136	2 675	54.6%
Volgograd region	3 673	3 092	18.8%	689	428	61.0%
Stavropol Krai	3 518	4 475	−21.4%	490	330	48.5%
Head Office	18 806	18 580	1.2%	21 691	19 017	14.1%
Total	79 081	77 280	2.3%	65 961	51 603	27.8%
Total % attributable to branches	76.2%	76.0%		67.1%	63.1%	

# Internal Control

## In 2016 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 2016 the Compliance Service:

- assisted the bank's governing bodies with observance of corporate, regulatory and legal standards by means of developing, introducing and supporting effective management of regulatory risks;
- with regard to managing compliance risks, took measures aimed at: preventing compliance risks from arising; detecting, identifying and assessing any existing compliance risks; and minimising compliance risks;
- in order to minimise compliance risks, continually monitored compliance of internal processes with legislative requirements and appropriate standards of market conduct.

Center-invest Bank continually monitors its compliance with all requirements on the prevention of money laundering and the financing of terrorism. The bank's internal documents regulating activities in this area are based on the principle "Know Your Customer", national legislation, and best international practice. In 2016 the bank continued to work on improving the co-ordination of the activities of its business units and increasing compliance monitoring.

## Activities

Checks conducted by the Internal Audit Service	2016	2015	2014	2013
Comprehensive branch audits	34	17	32	16
Checks of cash and valuables	8	7	10	20
Investigation into customer complaints	1	0	0	1
Audits of specific aspects of the work of business units	90	86	71	62
Audits of professional activities on the securities market	4	4	4	4

## Information Technologies

With respect to information technologies (IT), the bank's priorities are:

- introducing innovative products;
- rapid development of remote banking services and self-service banking;
- business process optimisation;
- increasing the security, reliability and productivity of its information systems.

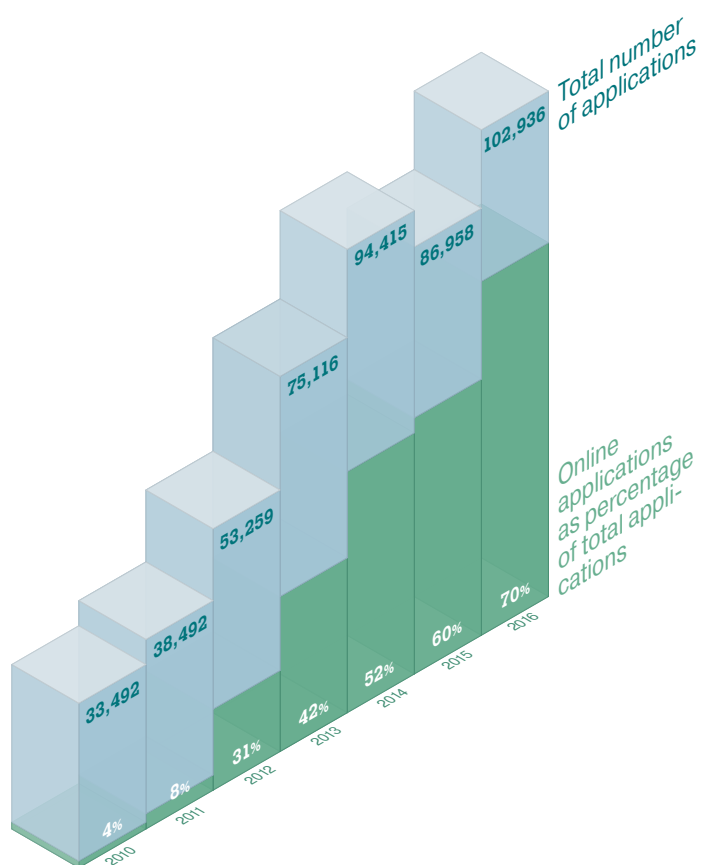
Notable developments in 2016 included:

- publication of Retail Loan Application mobile app for IOS and Android, and Mobile Payments app for Android;
- redesign of the retail loan application section on the bank's website;
- introduction of front-office software for recording retail deposits, integrated with localised SAP Banking Services module;
- a new P2P payment service;
- interfacing with the Housing and Communal Services State Information System;
- automatic tracking of fines imposed by the State Road Safety Inspectorate for traffic offences.

To strengthen its competitive advantages, the bank draws on its experience of introducing and expanding the functionality provided by leading global suppliers of banking software. In 2016 Center-invest Bank and SAP SE continued to work on localising SAP Loans and Deposits software for Russia, as part of their co-innovation partnership.

They also held joint brainstorming sessions on developing the bank's product line and introducing front-office software for recording retail deposits. By using best practice in designing its deposit products and its information systems' functionality, the bank was able to increase deposits by 28%.

In 2016 a number of modifications were made to algorithms which allowed for improved analysis of all the stages of the loan cycle, from submission of the loan application, to the customer signing the loan agreement, to release of funds. As a result we were able to increase efficiency and substantially reduce the time taken to assess loan applications: the average time from submission of an application to receipt of a decision was reduced by 30%.



One of Center-invest Bank's priorities is to develop its remote banking services, including mobile apps and self-service banking. This improves the quality of customer service, attracts new customers, and increases staff productivity. In the fourth quarter of 2016 the bank published a Mobile Payments app for Android. We also published a Retail Loan Application app for IOS and Android, providing a quick and convenient way for customers to submit loan applications from their mobile devices. We redesigned the loan application pages on our website, optimising them for mobile devices and we improved the templates used by customers to pay for communal services (utilities) via Internet banking.

The bank launched a new P2P service, allowing customers to transfer funds from Center-invest Bank cards to cards issued by other banks. We also introduced a new fee structure for card payments and transfers. This substantially increased fee income and expanded the use of Center-invest Bank cards to make payments.

In addition, Center-invest Bank customers can now request information from the Housing and Communal Services State Information System via self-service terminals and Internet banking. They can find out how much they owe for services used, and make payments. The bank also added a service that automatically notifies customers of any outstanding fines for traffic offences.



It is very important to Center-invest Bank that as well as introducing new services it ensures their smooth operation and information security. To protect our remote banking services for business customers, we improved the system that allows customers to use SafeTouch and eTokenGOST security technology. This is now a chargeable service.

By modifying our information systems, we were able to change the status of our Rostov region branches so that they are now sub-divisions of Head Office. This streamlining of the bank's structure resulted in faster payments between customers (as they are no longer inter-branch payments) and lower IT administration costs.

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

By giving presentations and acting as mentors at various forums, seminars and professional events, experts from the bank's IT services actively share their experience and knowledge. The most notable events in 2016 were:

— SAP InnoJam — an experimental seminar using design thinking;

— Hackathon — a regional hackathon for software developers held at the Southern IT Park, at which we shared our experience of managing IT projects and software development;

— SAP forums — At the XV Summit on the Localisation of SAP Solutions and the DIGITAL Business forum we spoke about the bank's involvement with the SAP BS8 localisation project as part of the Customer Validation programme, its information technology innovation, and its effective strategies for product line development.

Participation in these public events promotes the bank's services and is good for brand recognition. It also provides new information and experience for our team to draw on when developing customer service processes using new technologies.

# Risk Management

Center-invest Bank has created a comprehensive risk management system, which is integrated with its business processes.

The risk management system is underpinned by best international practice, the sustainable banking business model developed over the course of the bank's 25-year history, and its unique experience of managing regional risks during Russian economic crises.

Center-invest Bank's risk management strategy is based on:

- rejecting speculative transactions on the financial markets in favour of lending to SMEs operating in the real economy and the local population in southern Russia;
- rejecting the classical model of “selling” banking risks and using high interest rates to cover losses in favour of actively managing credit risks. This entails:
  - knowing the target market and regional risks, and using effective decision-making procedures that allow the bank to expand lending successfully without assuming excessive risks;
  - lending at low interest rates with the aim of stimulating demand for the bank's loan products, and allowing the bank to select the best customers;
  - building long-term customer relationships;
  - rejecting statistical lending based on scoring models in favour of meaningful analysis of the businesses and creditworthiness of potential borrowers;

— providing customers with comprehensive advice on how to improve business efficiency and manage business risks;

— improving the financial literacy of the population.

— ensuring that the bank 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;

— managing operational risks effectively, working to prevent fraud, and ensuring information security as its customer base grows rapidly and the use of different technologies and remote banking channels increases;

— covering risks with sufficient provisions and capital in line with the requirements of the national regulator and the Basel Committee for Banking Supervision.

Center-invest Bank's risk management policy, approved by the Board of Directors in February 2015, covers the whole spectrum of risks assumed by the bank.

Center-invest Bank is meeting the needs of its customers and effectively managing the risks arising. It is transforming the environment in which it operates, helping its customers to be commercial and social successes, and thereby creating its own ecosystem.

The bank's time-tested risk management system ensures that both it and its customers develop sustainably and that shareholder and depositor investments are protected.



## 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 ways of working in the interests of current and future generations.

The bank's commitment to social responsibility and its contribution to socioeconomic development have been formally recognised by the governor of the Rostov region and the head of the Rostov-on-Don city administration:

— Dr. Vasily Vysokov, chairman of Center-invest Bank's Board of Directors, received a Medal of the Order "For Services to the Rostov Region".



— Mrs Tatiana Vysokova, member of Center-invest Bank's Board of Directors, received a medal "For Services to the City of Rostov-on-Don" and a letter of gratitude for her philanthropic work.



— Thirty-seven Center-invest Bank employees received medals in recognition of their hard work and personal contributions to the development of the city.





## Financial Literacy

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 Enterprise for All online training portal was launched in March 2013 ([school.centrinvest.ru](http://school.centrinvest.ru)). Using a combination of textbooks and modules (with end-of-module tests), the portal provides free training in the basics of entrepreneurship and taxation. Participants receive a certificate upon successful completion of the course. Since it was launched, 28,000 people have registered on the portal and 8,200 people have already completed the course.

The Enterprise for All portal is an international project. Russian and English versions were available from the outset, and in 2016 the bank added Chinese, French, German and Portuguese versions. We demonstrated the Chinese version to the Mayor of the People's Government of Yantai, Chang Yunsia, and within two weeks over 2,000 Chinese users had registered on the site.

Moreover, the Enterprise for All online course has become a mandatory part of the curriculum at the government-funded Smena Children's Educational Centre. In summer 2016, over 2,000 children used this resource to improve their financial literacy.

In partnership with Southern Federal University and Krasnodar State Technological University, the bank has set up two Financial Literacy Centres, one in Rostov-on-Don (2014), the other in Krasnodar (2016). Open to all, the Centres provide free advice and information about finance. To date, volunteers and experts have provided over 35,000 free consultations.

Center-invest Bank staff regularly train students to work as volunteers at the Centres. In 2016 six groups of volunteers completed their training, and the most successful of them went on to take up paid positions with the bank.

In 2016 Center-invest Bank's social projects won awards in the annual Public Recognition competition held by the Krasnodar Krai Public Chamber.



## Support for Students, Teachers and Young Academics

For the past fourteen years Center-invest Bank and the Endowment Fund for Education and Science in the Southern Federal District (SFD) have held an annual scholarship competition for southern Russia's top university students. Every year scholarships are awarded to 400 undergraduate and postgraduate students. The scholarship fund exceeds RUB8m. Over 15,000 students have entered the scholarship competition since it began, and 3,300 scholarships have been awarded.

Since 2009 Center-invest Bank and the Endowment Fund for Education and Science in the SFD have held a competition to find the "Best Young Lecturer in the SFD". The winners are chosen by southern Russia's top students (the students receiving scholarships from the bank). The twelve best young lecturers from

leading universities in southern Russia each receive a prize of RUB100,000. This event is timed to coincide with Russian Entrepreneur's Day on 26 May.

In 2016, with support from the Rostov-on-Don city administration, Center-invest Bank held a competition for the best analysis of the current situation and development trends in Rostov-on-Don to 2030. The total prize fund was RUB100,000.

To support and develop social enterprise, Center-invest Bank, the Rostov Region Public Chamber, and the Russian Union of Journalists organise an annual competition for journalists, the Smirnov Prize. This year we received 122 entries from nine regions. There were eight winners, and the prize fund was RUB500,000.

## Treasures of Southern Russia

Center-invest Bank sponsors free entry for children to museum exhibitions in southern Russia. To date, 170,000 schoolchildren have visited exhibitions at the Rostov Region Local Studies Museum, the Regional Museum of Fine Art, and the Battle of Stalingrad Panorama Museum in Volgograd, free of charge. In 2016, the M. A. Sholokhova open-air state museum joined the list of participating museums.

Center-invest Bank's support for culture and the performing arts is the latest step in its work to develop social and educational projects. The bank supports creative projects that promote the region's cultural development and help talented young people. In 2016, the bank supported the "Melpomena" Regional Theatre Festival Competition for the fourth time. All the theatres in the Rostov region take part in this event. The bank presented cash prizes to the winners.



## Socially Responsible Banking

Supporting and developing entrepreneurship in southern Russia is a priority for Center-invest Bank. In addition to preferential loans for start-ups, the bank provides young entrepreneurs with access to mentors. A Mentoring School was set up by the bank together with the International Business Leaders Forum (IBLF Russia). Experienced business people from Russia and abroad provide advice and support free of charge and on an individual basis.



To support businesswomen in southern Russia, Center-invest Bank has a Women in Business Programme, which includes preferential loans and opportunities to increase business exposure and collaborate with other participants. In 2016 we published two books containing business success stories from 32 women who have achieved their goals thanks to preferential loans from the bank. The publication of these books was a logical continuation of our work to support women in business.



[www.centrinvest.ru/publications](http://www.centrinvest.ru/publications)

Center-invest Bank contributes to environmental protection in the region through energy efficiency lending. The bank has offered energy efficiency loan products since 2005. To date, it has lent over RUB14bn to finance 20,000 customer projects.

In 2009, together with IFC (a member of the World Bank Group), Center-invest Bank developed a special loan programme to finance the renovation of multifamily residential buildings. The programme remains unique for Russia. Thanks to this initiative, ninety such buildings have undergone renovation, without the residents having to wait until the buildings were scheduled for repairs by the regional authorities.

## Internal and External Communications

In 2016 the Call Centre staff handled:

**419 357**

incoming calls

**5 575**

call back requests  
(return calls requested  
via the bank's website  
and using IVR)

**1 718**

comments (feedback)  
submitted on the  
bank's website

**457**

requests for  
statements, cash  
withdrawals and coins

Center-invest Bank's Call Centre has become one of its strategic assets. It has a direct impact on customer loyalty and the company's image.

In 2016, distance selling of bank products was included in the Call Centre's functions for the first time. Distance selling helps to grow the customer base, increases footfall for the bank's branches, and enhances the quality of our customer service.

The Call Centre staff continually receive training on the bank's products and services. They are also trained to provide technical support for our online business banking system. By providing all staff with the same basic training, the bank ensures that it can handle high volumes of calls at busy times, while also freeing up staff for outbound campaigns to sell banking services.

The responsibilities of the Call Centre team included arranging and delivering internal training for the bank's staff. In 2016, 734 employees attended this training.





Center-invest Bank actively uses social media networks to inform its customers about new products and services, promotions, and its team's successes. It also uses its social media groups to improve financial literacy, to share advice on navigating the world of finance, and to hold competitions for its subscribers.

The bank pays particular attention to the quality of the content and its response times. By responding promptly to customer contacts via social media, the bank retains trust in its brand and its reputation for offering some of the best social media groups.

The bank ranks in the Top 45 Friendliest Russian Banks on Social Media. In 2016 the number of subscribers doubled: 14,300 people have now subscribed to the bank's online communities on Facebook, Twitter, Vkontakte and Odnoklassniki. The bank also has its own Instagram and YouTube pages.

**14300**

subscribers

#центринвест  
#centrinvest



In 2016 the bank continued to implement and initiate new internal communications projects. These included:

— Club 10.15.20: For the fifth year, the Board of Directors and the Executive Board presented staff with silver and gold lapel pins and commemorative coins for 10, 15 and 20 years' service.



— Best New Employee competition (held for the third time). At the end of the year, staff voted for the best new employee by text message.

— Best Branch competition. Launched in 2016, this competition identified the best-performing branches judged on various criteria (including “fastest growing branch”, “branch issuing the most cards”, “most active on social networks”, “best branch for start-ups”, and “branch with the most payroll projects”). The winning branches received commemorative certificates.

This year the Center-invest Bank team took part in the Immortal Regiment event, held to commemorate Victory Day. Stands were placed around Head Office with photographs of employees’ relatives (grandmothers and grandfathers) who had taken part in World War Two.



Center-invest Bank won the Corporate Communications and Corporate Media category in the Silver Archer Awards (South), organised by AGT Communications Group (part of PROI WorldWide). The prize was awarded for our unique corporate theatre group. Our entry was a clear favourite with the jury.



The bank’s Board of Directors and Executive Board support employees’ efforts to keep fit and healthy. Head Office has a Sports Hall and Wellness Centre for yoga, Pilates, keep-fit and dance classes.

In 2016, in keeping with tradition, teams from different departments and branches competed in the bank’s football tournament, the Bank President’s Cup. This was the fourth tournament to date.



# Corporate Governance

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

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 crisis.

Center-invest Bank's articles of association, byelaws, policies, codes and other internal regulations concerning various aspects of its work define the allocation of powers between the governing bodies. This is to demarcate the overall management exercised by the shareholders and the Board of Directors and the management of the bank's day-to-day operations exercised by its executive bodies (the Executive Board and its chairman).

Center-invest Bank's corporate governance system comprises its regulations, the corporate culture procedures set out therein, and monitoring and reporting on compliance with these regulations.

1. The Code of Corporate Conduct (2002, 2008)<sup>3</sup> harmonises all the regulations: the Articles of Association (2002, 2008, 2016) and the Byelaws on the General Meeting of Shareholders (2006, 2016), the Board of Directors (2006, 2014, 2016), the Executive Board (2006, 2012, 2016), and the Chairman of the Executive Board (2008, 2012, 2016). It has enabled the bank to clearly define the different remits and responsibilities of the governing bodies and the lines of reporting, and it provides a clear-cut decision-making process that is especially important given the gaps and ambiguities in current legislation.
2. The Code of Ethics (2002), which enshrines our moral principles, enables the bank to address any conflicts successfully. In addition to official documents on compliance with human rights obligations and other social standards, the bank has established a corporate culture that ensures effective interactions: every employee is entitled to address any question to any level of management, and every level of management is obliged to provide an explanation that is satisfactory to the employee.
3. The Byelaw on Dividend Policy (2011) sets an upper limit on dividend payments (50% of net profit) and a lower limit ( $\frac{1}{2}$  of the Central Bank of Russia bank rate).
4. Our Information Policy (2007) guarantees and provides access to non-privileged information and effectively protects trade secrets and insider information.
5. The Risk Management Policy (2015) ensures transparent and effective risk management. It is based on modern risk assessment methods using a wide range of risk assessment and data analysis tools and expert analysis.

3. The years in which the documents and their revised versions were adopted are given in brackets.



6. The Lending Policy (2007) ensures that the bank's lending procedures are transparent, effective and properly controlled.

7. The Internal Control Policy (2014) sets out a full range of measures to ensure compliance with not only regulatory requirements but also best international practice. In 2016 the bank passed all the inspections by various supervisory bodies. Taken together, these lasted a total of 2800 days. This confirmed the effectiveness of our internal control policy.

8. The Environmental and Social Policy (2010, 2011, 2012, 2014) requires the bank to promote the generally accepted principles of "environmentally sound and sustainable development" throughout its banking operations, investments and technical cooperation, as a cornerstone of rational business conduct.

9. The Liquidity Management Policy (2012) and Liquidity Crisis Action Plan set out our decision-making procedures for liquidity management and the action to be taken in critical situations.

10. The IT Strategy (2004, 2008, 2012) provides for the systematic introduction of modern software products. The effectiveness of our strategy is confirmed by our strategic partnership with SAP AG to localise SAP for Banking 8. (SAP for Banking 4 is currently used in Russia.) We have also won tenders to service the accounts and bank cards of regional divisions of the Bank of Russia, the Federal Tax Service, the Federal Treasury, the Pension Fund of Russia, and leading higher education institutions in the region.

11. Personnel Policy (2013) and Remuneration Policy (2013). The Bank of Russia now requires banks to have these documents. In any case, we had already included in our corporate conduct regulations the main provisions on the payment of bonuses at different intervals and transparency over the remuneration of the governing bodies.

12. The Information Security Policy (2004) sets out rules and procedures to ensure the reliable functioning of the bank's information systems. It takes account of the development of information technologies and the attendant risks.

13. Based on decisions of the Board of Directors' Audit and Compliance Committee, the bank's Accounting Policy, Accounting Policy for Reporting under RAS and IFRS, and Tax Accounting Policy are updated annually to reflect changes in legislation.

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

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 (five people) and the single-person executive body, which is the Chairman of the Executive Board.

In 2016 the Board of Directors held six meetings (2015: eleven meetings). In addition to current issues, it considered the bank's personnel policy.

## The Board of Directors

		at FYE 2016		at FYE 2015	
		Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
	Vasily Vasilevich Vysokov	11.10	12.30	11.10	12.30
	Tatiana Nikolaevna Vysokova	10.96	12.13	10.96	12.13
	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	0	0

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 2 June 2016. There are two independent directors on the Board of Directors. 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.






The Board of Directors has the following committees: Strategic Planning Committee, Audit and Compliance Committee, and Appointments and Remunerations Committee. The Board of Directors approved the composition of its committees as follows:

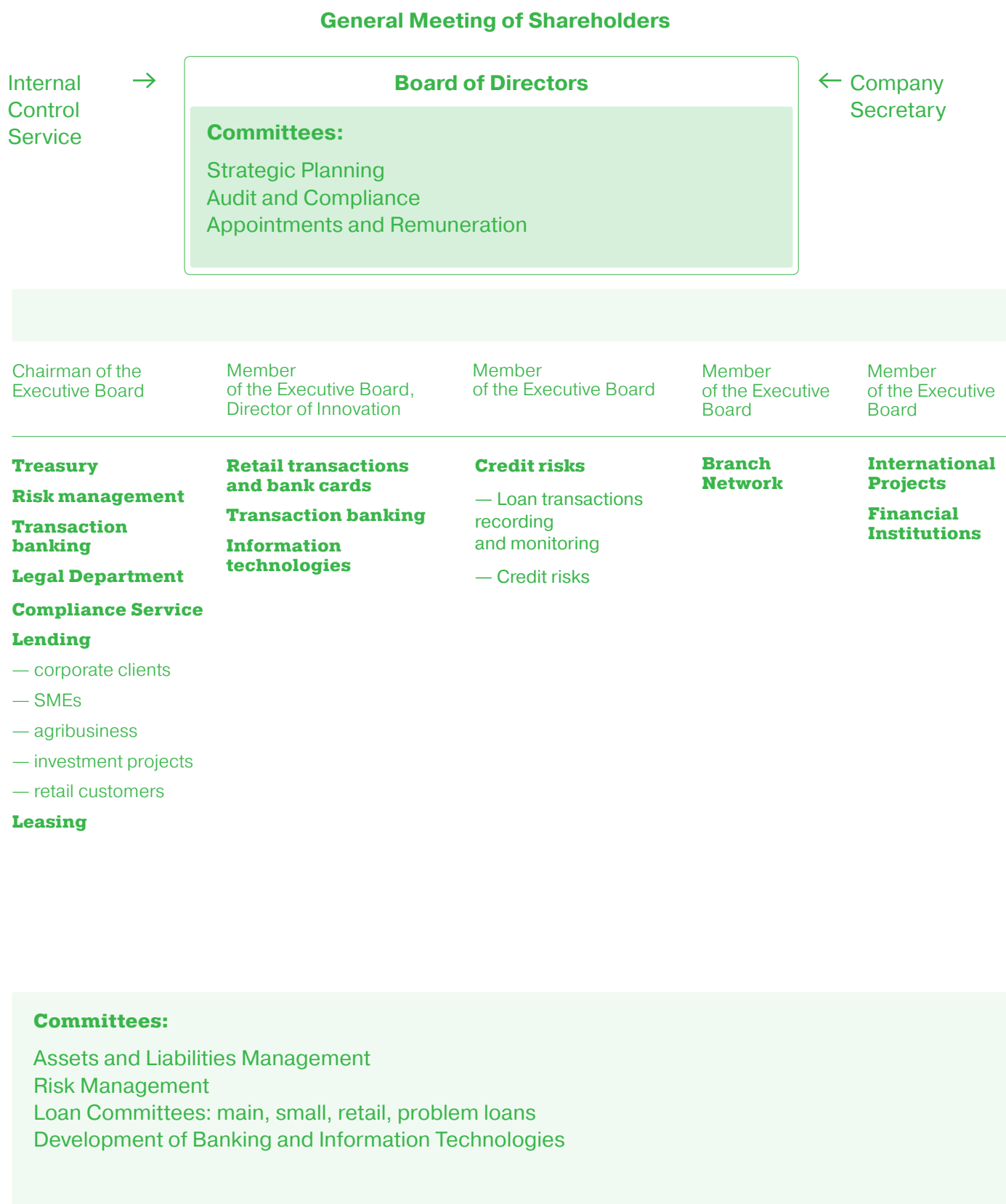
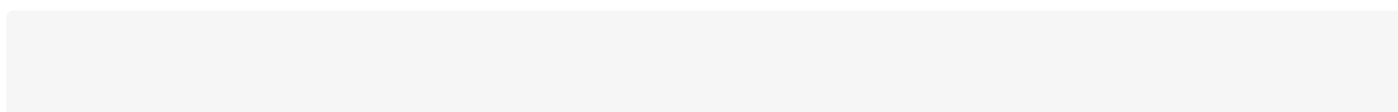
— Strategic Planning Committee: P. Fischer (Committee Chairman), independent director; V.V. Vysokov; A. Popov.

— 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); T.N. Vysokova, A. Zeisler.

## Corporate Governance

		At FYE 2016		At FYE 2015	
		Shareholding, %	Ordinary shares held, %	Shareholding, %	Ordinary shares held, %
	Dr. Sergei Yurevich Smirnov	0.001%	0	0	0
	Yuri Yurevich Bogdanov	0.001%	0	0	0
	Lydia Nikolaevna Simonova	0	0	0	0
	Irina Nikolaevna Kuznetsova	0.001%	0	0	0
	Dr. Sergei Evgenievich Yukilevich	0.001%	0	0	0



### 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 governing 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 and identifying and remedying shortcomings are regularly reviewed and updated.

◆ G4-58 Center-invest Bank's ethical values, which are shared by its employees, customers and partners, are reflected in the sustainable development declaration and enshrined in the bank's codes and policies. These values are part of the bank's corporate culture.

## Category: Economic

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 strengths permit Center-invest Bank to have a high-quality portfolio in this sector: its customers' many years of experience in the sector, the application of modern 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.

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

Center-invest Bank's activities, underpinned by its sustainable banking business model, were directed at generating income from the real economy (88%) and distributing income to depositors (41%), partners (22%), shareholders (22%), and employees and the government (14.5%)

Formation and distribution of Center-invest Bank's income	2015, RUBbn	2016, RUBbn	2016, % of total	2016 / 2015
<b>Income</b>	<b>12.5</b>	<b>13.2</b>	<b>100</b>	<b>5.8%</b>
of which, lending to the real economy	11.1	11.7	88.2	5.2%
<b>Distribution of income</b>	<b>10.4</b>	<b>10.6</b>		<b>1.6%</b>
To the population – on retail deposits	4.6	5.4	<b>41.0</b>	16.7%
To society – social projects	0.012	0.015		
To partners – for funds raised	3	1.1	<b>22.3</b>	-26.7%
To suppliers	1	1.9		
To employees— remuneration	1.5	1.5	<b>14.5</b>	11.1%
To the government — taxes and other mandatory payments	0.3	0.4		
To shareholders — dividends	0.018	0.3	<b>22.2</b>	40.1%
Allocated to bank development	<b>2.1</b>	<b>2.6</b>		

## Corporate Governance

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

♦G4-EC9 The wages of the bank's employees are in line with the market conditions in southern Russia and reflect the skills and experience required.

	Russian Federation	Krasnodar Krai	Volgograd region	Rostov region	Stavropol Krai
Average monthly nominal gross wage, RUB	32 629	25 979	23 933	23 477	22 557
Average wage for the bank's business units, RUB	59 610	56 896	50 716	60 574	46 177

	Number of personnel	of which, residents of the SFD	
		Total	as %
Board of Directors	7	2	29
Executive Board	5	5	100
Committees	50	46	92
Managers of head office divisions and departments	71	71	100
Branch Managers*	60	60	100

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

90% 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%	6%	2%	83%	1%



## Category: Environmental

♦G4-EN1, G4-EN2 In 2016 the bank used 140 tonnes of paper. The bank does not use recycled waste or materials.

♦G4-EN3—G4-EN7 The bank is continually reducing its energy and water consumption.

♦G4-EN6						
Energy consumption	2016		2015			
	MJ		MJ		Change, MJ	
Gasoline, tonnes	144	4 630 523	166	5 324 284	–693 761	–13.03%
Gas, thousand m <sup>3</sup>	315	10 706 819	375	12 750 000	–2 043 181	–16.02%
Electricity, kilowatt hours	4 392 658	15 813 569	4 669 342	16 809 631	–996 062	–5.93%
<b>Total</b>		<b>31 150 911</b>		<b>34 883 915</b>	<b>–3 733 004</b>	<b>–10.70%</b>

♦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	2016	Total
Number of projects	2725	18942
Total finance provided, RUBbn	2.0	14.5
Reduction in CO <sub>2</sub> emissions, thousand tonnes per year	15.5	176.0
Equivalent to the emissions produced by cars	9794	102894
Oil, thousand barrels	47.8	502.7
Or absorbed by trees, million	0.6	7.0

♦G4-EN23, G4-EN30	2016	2015	2016/2015
Waste, tonnes per year	273	370	–26.2%
Gasoline consumptiont	144	166	–13.3%
♦G4-EN31			
Environmental protection expenditures, RUB thous.	677	570	+18.8%
Waste water collection and treatment	193	245	–21.2%
Waste disposal	484	325	+48.9%

♦G4-EN20—G4-EN27 The bank regularly participates in activities to restore natural habitats. 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.

♦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.

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

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.

## Category: Social

### 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 2016	FYE 2015
Headcount	1 614	1 612
Proportion of total payroll, %		
— Basic salaries	72.1	68.2
— Incentives, overtime and allowances	27.9	31.8
Largest short-term remunerations for members of the executive body, RUB thous.;		
— Basic salaries	32 559	13 799
— Incentives, overtime and allowances	12 500	22 633

Remuneration for the Board of Directors and Executive Board	2016	2015	2016 / 2015
Short-term remunerations, (paid within twelve months), RUB thous.			
— Salaries	58 292	27 093	115.16 %
— Bonuses	46 496	76 524	–39.24%
— Reimbursement of travel expenses	14 254	7 901	80.41%
Total	119 042	111 518	
Long-term remunerations, (paid after twelve months), RUB thous.	6 000	12 400	–51.61%

The remuneration for the heads of Center-invest Bank is specified in byelaws 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 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.

## Total number and rates of new employee hires and employee turnover

	Number of employees at FYE 2016	Number of new employee hires	Number of employees who left the bank	Employee turnover
Total	1 614	130	128	8.9
By gender				
— male	417	29	33	2.3
— female	1 197	101	95	6.6
By age group				
— under 30	390	103	33	2.3
— 30 – 50	1 000	24	57	4.0
— over 50	224	3	38	2.6

♦G4-LA2, G4-LA3, G4-LA4 All 89 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 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.

The bank does not have any pension plan liabilities. In compliance with Russian legislation, in 2016 the bank paid RUB264.4m to the Russian Pension Fund in insurance contributions for mandatory pension and medical insurance for bank employees.

	2016	2015	2016 / 2015
Number of insured employees	1 607	1 709	–6.0%
of which, women	1 190	1 248	–4.6%
Number of employees who have been vaccinated	153	61	+150.8%
of which, women	101	44	+129.5%

The bank provides for continual staff development through various forms of training: on the job training, seminars, training courses and placements. In 2016 the bank held 161 seminars, which were attended by 589 employees. Participation in training was not dependent on gender or age.

To reinforce knowledge obtained from seminars and courses, the bank arranges for staff to have placements in partner banks, including foreign banks.

The bank regularly conducts appraisals to assess employees' professional and personal qualities and to encourage further development of skills and knowledge and improved work performance.

## Composition of governing bodies, FYE 2016

	Total	under age 30	30-50	over age 50
<b>Board of Directors</b>				
<b>Total</b>	<b>7</b>	<b>—</b>	<b>1</b>	<b>6</b>
— female	1	—	—	1
— male	6	—	1	5
<b>Executive Board</b>				
<b>Total</b>	<b>5</b>	<b>—</b>	<b>5</b>	<b>—</b>
— female	2	—	2	—
— male	3	—	3	—

♦G4-LA12	Total	Krasnodar Krai	Volgograd region	Rostov region	Stavropol Krai
Average monthly wage for the bank's business units, RUB	<b>59 610</b>	56 896	50 716	60 574	46 177
Men	<b>81 898</b>	81 655	87 875	81 711	77 568
Men under age 30	<b>49 093</b>	54 255		48 357	
Women	<b>51 058</b>	53 040	47 090	51 186	41 154
Women under age 30	<b>38 255</b>	35 978	32 960	38 802	27 477

♦G4-LA14, G4-LA15, G4-LA16 The bank refrains from providing services to customers who have been found in violation of legislation on labour relations.

## Human Rights

◆G4-HR1—G4-HR12 Center-invest Bank's loan agreements stipulate that borrowers must comply with applicable Russian legislation. Moreover, the criteria in the bank's Environmental and Social Policy are applied when assessing all loan applications. Social risks are considered, including observance of human rights. Observance of human rights is also mandatory under the bank's funding agreements with its international partners.

Training on human rights is provided as part of the process of familiarising new employees with the bank's codes and policies.

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

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

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

## Society

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

Association of Regional Banks of Russia;

Association of European Business (AEB) (Chairman of the Board of Directors of Center-invest Bank, Dr Vasily Vysokov, represents the Rostov region);

Rostov Region Chamber of Commerce and Industry (Dr Vysokov is a member of its 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.

Rostov Region Council of IT Systems Designers (Yuri Bogdanov, member).

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 2016 the bank held 187 seminars and briefings for municipal bodies in southern Russia on current issues in banking, economic development, entrepreneurship, and housing and utilities.

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 2016 the bank received the following fines:

— RUB1,095,000 fine from the Federal Tax Service for late submission of information about customer accounts that were suspended and other information about customers;

— RUB40,000 fine from the Rostov Region Department of the Federal Service for Oversight of Consumer Rights Protection and Welfare for breach of consumer rights law (deposit agreement);

— RUB10,000 fine from the Federal Service for Transport Oversight for failure to comply on time with a directive to remedy a breach of law;

— RUB30,000 fine from the Rostov Region State Labour Inspectorate for breach of labour law;

— RUB600,000 fine from the Central Bank of Russia under Art. 74 of Federal Law No. 86-FZ.

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

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



## Product Responsibility

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 1,000,000 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.

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.

# Report of the Independent Auditor on the Summary Financial Statements

Summary consolidated financial statements.

31 December 2016

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

To the Shareholders and Board of Directors of Public Joint-stock company commercial bank "Center-invest":

### **Our opinion:**

In our opinion, the accompanying summary consolidated financial statements of the Public Joint-stock company commercial Bank "Center-invest (the "Bank") and its subsidiary (together — the "Group"), derived from the audited consolidated financial statements of the Group for the year ended 31 December 2016, are consistent, in all material respects, with the audited consolidated financial statements on the basis described in Note "Basis of preparation".

### **The Group's summary consolidated financial statements comprise:**

- the summary consolidated statement of financial position at 31 December 2016;
- the summary consolidated statement of of profit or loss and other comprehensive income for the year then ended;
- the summary consolidated statement of changes in equity for the year then ended;
- the summary consolidated statement of cash flows for the year then ended, and
- the related notes the summary consolidated financial statements.

### **Summary consolidated financial statements**

The summary consolidated financial statements do not contain all the disclosures, required by International Financial Reporting Standards. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditor's report thereon.

### **The audited consolidated financial statements and our report thereon**

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 15 March 2017. That report also includes:

- The communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

### **Management's responsibility for the summary consolidated financial statements**

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

**Auditor's responsibility**

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard of Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

AO PricewaterhouseCoopers Audit

15 March 2017

Moscow, Russian Federation

O. Kucherova, certified auditor (license number № 01-000397),

AO PricewaterhouseCoopers Audit.

Audited entity Public Joint-stock company commercial Bank  
"Center-invest".

Sertificat of inclusion of the United State Register of Legal  
Entitites issued on 256 August 2002 under registration number  
№ 61002690018,

62 Sokolova street, Rostov-on-Don, Russian Federation,  
344000.

Independent auditor: AO PricewaterhouseCoopers Audit

State Registration Sertificate № 008.890 issued by the  
Moscow Registration Chamber on 28 February 1992

Certificate of incusion in the United State Register of Legal  
Entities issued on 22 August 2002 under registration number  
№ 1027700148431

Member of Self-regulated organization of auditors "Russian  
Union of auditors" (Association)

ORNZ 11603050547 in the register of auditors and audit  
organizations.

Center-invest bank group  
Summary Consolidated Statement of Financial Position

In thousands of Russian Roubles	31 December 2016	31 December 2015
<b>Assets</b>		
Cash and cash equivalents	9 629 681	12 186 777
Mandatory cash balances with the Central Bank of the Russian Federation	611 606	411 386
Due from other banks	6 014 533	416 240
Loans and advances to customers	73 380 554	72 310 896
Finance lease receivables	266 272	361 190
Investment in associate	315 409	323 144
Investment properties	2 609 073	126 822
Intangible assets	310 878	252 756
Premises and equipment	2 459 566	2 270 541
Other financial assets	560 293	678 051
Other assets	417 824	234 889
Deferred income tax asset	—	68 307
<b>Total assets</b>	<b>96 575 689</b>	<b>89 640 999</b>
<b>Liabilities</b>		
Due to other banks	295 407	630 001
Customer accounts	80 433 365	65 039 828
Debt securities in issue	427 032	3 171 560
Borrowings from international financial institutions	182 116	6 079 705
Other financial liabilities	90 303	93 503
Other liabilities	492 674	330 031
Subordinated debt	3 077 640	3 692 976
Deferred income tax liability	65 919	—
<b>Total liabilities</b>	<b>85 064 456</b>	<b>79 037 604</b>
<b>Equity</b>		
Share capital	1 326 277	1 326 277
Share premium	2 078 860	2 078 860
Revaluation reserve for land and premises	1 353 140	1 192 811
Retained earnings	6 752 956	6 005 447
<b>Total equity</b>	<b>11 511 233</b>	<b>10 603 395</b>
<b>Total liabilities and equity</b>	<b>96 575 689</b>	<b>89 640 999</b>

## Summary Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of Russian Roubles	2016	2015
Interest income	11 665 819	11 089 497
Interest expense	(6 544 416)	(7 661 920)
Contributions to the state deposit insurance scheme	(782 734)	(179 563)
<b>Net interest income</b>	<b>4 338 669</b>	<b>3 248 014</b>
Provision for impairment of loans and advances to customers and finance lease receivables	(1 480 661)	(1 313 070)
<b>Net interest income after impairment provisions</b>	<b>2 858 008</b>	<b>1 934 944</b>
Fee and commission income	1 248 400	1 192 570
Fee and commission expense	(401 228)	(364 039)
Gains less losses from trading securities	—	43 168
Gains less losses from trading in foreign currencies	81 221	117 629
Foreign exchange translation gains less losses	(13 059)	459 976
Losses less gains from spot currency transactions and other conversion operations on the interbank market	(15 383)	(510 026)
Other provisions and expenses	(107 045)	(39 795)
Other operating income	62 628	54 280
Administrative and other operating expenses	(2 417 681)	(2 174 975)
Share of result of associate	(7 735)	(10 743)
<b>Profit before tax</b>	<b>1 288 126</b>	<b>702 989</b>
Income tax expense	(284 155)	(168 157)
<b>Profit for the year</b>	<b>1 003 971</b>	<b>534 832</b>
<b>Other comprehensive income</b>		
Items that will not be reclassified to profit or loss:		
Revaluation of land and premises of the Group	250 190	—
Revaluation of premises and equipment of associate	—	1 685
Income tax recorded directly in other comprehensive income	(50 038)	(528)
<b>Other comprehensive income for the year</b>	<b>200 152</b>	<b>1 157</b>
<b>Total comprehensive income for the year</b>	<b>1 204 123</b>	<b>535 989</b>

Center-invest bank group  
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
<b>Balance at 1 January 2015</b>	<b>1 258 709</b>	<b>1 646 428</b>	<b>1 229 040</b>	<b>5 451 300</b>	<b>9 585 477</b>
Profit	—	—	—	534 832	534 832
Other comprehensive income	—	—	1 685	(528)	1 157
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>1 685</b>	<b>534 304</b>	<b>535 989</b>
Issue of ordinary shares	<b>67 568</b>	<b>432 432</b>	—	—	500 000
Dividends declared:					
— preference shares	—	—	—	(18 099)	(18 099)
Other movements	—	—	—	28	28
Transfer of revaluation surplus on land and premises to retained earnings	—	—	(37 914)	37 914	—
<b>Balance at 31 December 2015</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 192 811</b>	<b>6 005 447</b>	<b>10 603 395</b>
Profit	—	—	—	1 003 971	1 003 971
Other comprehensive income	—	—	200 152	—	200 152
<b>Total comprehensive income for the year</b>	<b>—</b>	<b>—</b>	<b>200 152</b>	<b>1 003 971</b>	<b>1 204 123</b>
Dividends declared:					
— ordinary shares	—	—	—	(278 215)	(278 215)
— preference shares	—	—	—	(18 099)	(18 099)
Other movements	—	—	—	29	29
Transfer of revaluation surplus on land and premises to retained earnings	—	—	(39 823)	39 823	—
<b>Balance at 31 December 2016</b>	<b>1 326 277</b>	<b>2 078 860</b>	<b>1 353 140</b>	<b>6 752 956</b>	<b>11 511 233</b>



Center-invest bank group  
Summary Consolidated Statement of Cash Flows

In thousands of Russian Roubles	2016	2015
<b>Cash flows from operating activities</b>		
Interest received	11 272 558	10 633 457
Interest paid	(7 011 004)	(7 320 027)
Contributions to the state deposit insurance scheme	(510 413)	(170 115)
Fees and commissions received	1 268 644	1 186 107
Fees and commissions paid	(396 414)	(359 518)
Losses less gains from trading securities	—	(13 899)
Gains less losses from trading in foreign currencies	81 221	117 629
Losses less gains paid on spot currency transactions and other conversion operations on the interbank market	(15 357)	(535 872)
Receipts from assignment of rights of claim on loans and advances to customers	302 111	175 551
Repayment of debt written off	44 927	61 768
Other operating income received	32 405	38 142
Staff costs paid	(1 340 280)	(1 461 384)
Operating expenses paid	(782 940)	(592 678)
Income tax paid	(458 450)	(174 549)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>2 487 008</b>	<b>1 584 612</b>
<b>Changes in operating assets and liabilities</b>		
Net change in mandatory cash balances with the Central Bank of the Russian Federation	(200 220)	132 214
Net change in trading securities	—	3 774 339
Net change in due from other banks	(5 597 167)	(415 081)
Net change in loans and advances to customers	(6 130 204)	(568 995)
Net change in finance lease receivables	90 848	153 575
Net change in other financial and other assets	259 602	(371 024)
Net change in due to other banks	(316 313)	(11 030 428)
Net change in customer accounts	16 522 677	14 566 850
Net change in promissory notes issued	(74 607)	151 629
Net change in other financial and other liabilities	(108 106)	(37 506)
<b>Net cash from operating activities</b>	<b>6 933 518</b>	<b>7 940 185</b>

Center-invest bank group  
Summary Consolidated Statement of Cash Flows

In thousands of Russian Roubles	2016	2015
<b>Cash flows from investing activities</b>		
Acquisition of premises and equipment	(86 001)	(73 876)
Proceeds from disposal of premises and equipment	137	2 206
Acquisition of intangible assets	(88 491)	(10 695)
<b>Net cash used in investing activities</b>	<b>(174 355)</b>	<b>(82 365)</b>
<b>Cash flows from financing activities</b>		
Issue of bonds	381 351	2 927 122
Repurchase and repayment of bonds	(3 046 710)	(8 885 204)
Repayment of borrowings from international financial institutions	(5 508 696)	(3 009 074)
Issue of ordinary shares	—	500 000
Dividends paid	(296 284)	(18 071)
<b>Net cash used in financing activities</b>	<b>(8 470 339)</b>	<b>(8 485 227)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(845 920)</b>	<b>1 359 282</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(2 557 096)</b>	<b>731 875</b>
Cash and cash equivalents at the beginning of the year	12 186 777	11 454 902
<b>Cash and cash equivalents at the end of the year</b>	<b>9 629 681</b>	<b>12 186 777</b>

Center-invest bank group  
Note to the Summary Consolidated Financial Statements

**Basis of preparation**

These summary consolidated financial statements of PJSC 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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General banking licence No. 2225  
issued by the Central Bank of Russia  
dated 26 August 2016