



# 2019

## SUSTAINABILITY R E P O R T



**BANK  
CENTER-INVEST**



# 2019

SUSTAINABILITY  
R E P O R T

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Center-invest Bank’s Sustainability Report describes the results achieved through the implementation of a business model based on ESG principles. It also provides information about the bank’s main business areas and key financial indicators. The Report has been produced in line with the core GRI Standards.

In accordance with the bank’s policy of openness and transparency, this Report contains information about our strategy and mission, our social responsibility and sustainable development principles, the key events and results of our work, the economic, social and environmental impacts of our activities, and stakeholder engagement.

● 102-51<sup>1</sup>

The ESG effect from Center-invest Bank’s activities has increased significantly since the publication of our first Sustainability Report in 2012. We continue to report on the measures and results that have helped to make the bank more sustainable and which reflect our progress in implementing best practice in CSR.

We strive to improve our CSR performance in close dialogue with stakeholders by optimising our processes for gathering reliable data, establishing new objectives, and detailing specific tasks for existing objectives. Since 2012 the bank’s approach to sustainable development has evolved into an ESG strategy. We have integrated the United Nations Sustainable Development Goals and Russia’s National Projects into our reporting so that we can fully analyse the bank’s role in their implementation.

1 GRI Table of Interactions is presented on page 91

# MATERIAL TOPICS

**1** the bank's activities to improve the financial knowledge of the population

**2** product digitalisation

**3** improvement of the accessibility and quality of financial services

102-42 In autumn 2019 Center-invest Bank held a two-day investment forum (ESG Investor Days). The programme included several brainstorming sessions with stakeholders to identify the bank's material topics for corporate social responsibility (CSR) reporting, and to expand collaboration for sustainable development. The event was attended by representatives of investment funds, audit and consulting firms, development institutions, the Bank of Russia, the Moscow Exchange and banking associations, as well as shareholders, employees and customers of the bank.

102-43

102-44

102-47

**4** risk management

**5** development of human capital

**6** engagement with external communities

**7** and the bank's environmental and social responsibility



# PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT

## 103-2

In its management of sustainable development, Center-invest Bank is guided by the following standards and principles:

the United Nations Sustainable Development Goals (SDGs);

The Membership Standards and Code of the Global Alliance for Banking on Values;

The Principles for Responsible Banking of the UN Environment Programme Finance Initiative (UNEP FI);

the international standards of conduct and principles enshrined in the international standards for sustainable development, corporate social activities and environmental protection: ISO 26000, AA1000, ISO 14000;

the GRI Standards on disclosure of non-financial information.

Center-invest Bank fully supports and recognises the importance of the 17 SDGs which are intended to address key environmental, economic and social challenges worldwide. While the bank aims to contribute to implementation of all the SDGs, given the nature of its business and the region in which it operates, the following five SDGs are priorities:

2. Zero Hunger
4. Quality Education
8. Decent Work and Economic Growth
11. Sustainable Cities and Communities
17. Partnerships for the Goals.

By using integrated reporting rather than just financial reporting, the bank has been able to assess the following in a new light:

the impact of the bank's income on the interests of other stakeholders: the local population, employees, shareholders, customers and partners;

the bank's development as a process of reproducing operational, financial, information, intellectual, human and social capital.

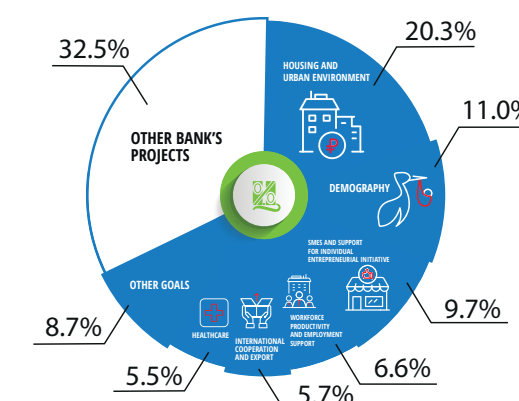
Total Investments in SDG RUB 86.7 bn



For every ₺ 100 of deposits for SDGs:



For every ₺ 100 of deposits for National projects:



## SDG #8



In 2019, Center-invest Bank invested RUB86.7bn in implementation of the SDGs and RUB79.3bn in the National Projects. The close intertwining of national and global goals in Center-invest Bank's work means: affordable loans for retail customers (RUB18.5bn invested), support for agriculture (RUB17.9bn), SME development (RUB14bn), promoting healthy living and responsible consumption (RUB16.2bn) and new financial technologies and the digital economy (RUB7.4bn).

Center-invest Bank provides information about each depositor's contribution to implementation of the SDGs and National Projects. For every 100 rubles deposited with the bank, 73.5 rubles goes towards the SDGs. This includes: 15.7 rubles towards developing sustainable cities and affordable housing, 15.2 rubles on supporting agriculture, 13.1 rubles on health and wellbeing, and 7.6 rubles on decent work and economic growth. This breakdown clearly shows how every Center-invest Bank depositor is contributing to the sustainable development of the region, the country, and the world.

## SDG #11



On the initiative of Center-invest Bank and with its financial support, in June 2019 the Rostov Region Statistics Service produced a statistical report, "The Rostov Region - Progress Towards Achieving the Sustainable Development Goals." This is the world's first comprehensive analysis of progress in implementing the 17 SDGs at a regional level.

The statistics provided further confirmation of the global competitive advantages of the Rostov region as a sustainable development region.

The report draws on official statistical data from government bodies and open sources: websites of the Russian Unified Interdepartmental Information and Statistical System (EMISS), the United Nations, the Russian Federal State Statistics Service, the government of the Rostov Region, and a report on human development in the Russian Federation produced by the Russian Government's Analytical Centre ("The UN Sustainable Development Goals in Russia").

● 102-12

102-13

## SDG #17



In February 2019 Center-invest Bank became a member of the Global Alliance for Banking on Values (GABV). Established in 2009, GABV comprises 63 banks from countries across Asia, Africa, Australia, Latin America, North America and Europe. Collectively, these banks serve more than 70 million customers and have over USD 210 billion in assets.

The mission of the GABV is to use finance to deliver sustainable economic development, and to promote collaboration. For example, the member banks invest over 80% of their funds in lending to the real economy. This is a clear endorsement of the sustainable banking model.

Center-invest Bank's work is considered an example of international best practice in socially responsible banking. At the GABV annual meeting, the bank was commended for its reference to the Sustainable Development Goals and National Projects when planning, recording and reporting on its activities.

In November 2019 Center-invest Bank became an official Signatory of the UN Principles for Responsible Banking - a single framework for a sustainable banking industry developed through an innovative partnership between banks worldwide and the UNEP FI.

By signing up to the Principles, the bank openly recognises the role of the financial services sector in ensuring the sustainability of our economy and way of life, and it commits to take environmental and social considerations into account in its operations.

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

The Ten Principles of the 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.

Center-invest Bank pays membership subscriptions to and participates in the work of the following associations:

- Global Alliance for Banking on Values;
- Association of Banks of Russia (Dr Vysokov is a member of the Association's Presidium and Board);
- Russian Financial Literacy Association (Dr Vysokov is a member of the Association's Supervisory Board);
- National Financial Market Council;
- National Financial Association;
- Association of European Business (AEB);
- Rostov Region Chamber of Commerce and Industry (Dr Vysokov is a Board member), Krasnodar Krai Chamber of Commerce and Industry, Stavropol Krai Chamber of Commerce and Industry;
- Russian-German Chamber of Commerce (Deutsch-Russische Auslandshandelskammer);
- German-Russian Forum (Deutsch-Russische Forum);
- Rostov Region Employers' Union, Russian Union of Industrialists and Entrepreneurs;
- Rostov Region Council of IT Systems Designers (Yuri Bogdanov, member).

Representatives of the bank have been elected to the following:

- the Boards of Trustees of Southern Federal University, Don State Technical University, Southern Russia Technical University, Rostov State Economics University, and Rostov College of Technology and Engineering (Dr Vysokov sits on these boards);
- the 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), and Don State Technical University Endowment Fund (Dr Vysokov, board member);
- the Administrative Board of the Alliance française-Rostov (Dr Vysokov and Maria Tyndyk).

The bank also works with the following organisations: the Association of Rostov Region Municipal Districts, the Rostov Region Association of Homeowners' Associations, and the Rostov-on-Don Council of Directors.

# STAKEHOLDER ENGAGEMENT

● 102-12, 102-13 102-40

Center-invest Bank is the leading private regional bank in southern Russia and a positive example of a socially responsible business based on an ESG banking business model. The bank pursues long-term partnerships with all of its stakeholders and sustainable development in the interests of current and future generations. The bank works in partnership with each of the stakeholders on the basis of the following principles.





## Shareholders and investors

Protecting the interests of the bank's investors and shareholders is a priority and part of corporate responsibility.

- Openness and timely disclosure of information about the bank's activities using IFRS.
- Disclosure of information about the management of ESG factors.
- Holding an Annual Meeting of Shareholders and meetings of the Board of Directors so that shareholders can exercise their right to be involved in the management of the bank.
- Quarterly reports on the bank's performance, comparing it with trends in Russia's financial market and best international practice.



## Customers

Our aim is to expand and develop our customer base by digitalising products and services, offering honest rates, and teaching financial literacy skills.

- Developing new products and services based on modern banking technologies and trends.
- Providing services and customer advice in branch and via digital channels.
- Internal quality control and testing of our banking products and services.
- Gathering, analysing and processing customer feedback via all channels.
- 24/7 support for bankcard holders and users of remote services.





## Employees

The bank's personnel are its most important asset and the bedrock of its competitiveness. We value each employee's contribution to the bank's growth and development.

- Willingness of the bank's management and Board of Directors to communicate with every employee.
- Communication with employees through email newsletters and social media and at internal company events.
- Training and upskilling employees at the Employee Training Centre.
- Organising cultural, sporting and volunteering corporate events.
- Regular surveys to ascertain employee engagement and whether there is a positive atmosphere in teams.



## The State

Center-invest Bank continually interacts with the Bank of Russia. The bank also works together with government authorities and local administrations in the regions where it operates, and with business associations.

- Disclosing information about the bank's activities in accordance with legislation and Bank of Russia requirements, under RAS and IFRS.
- Monitoring compliance with official regulations of the Bank of Russia, the Russian Government, and regional and local authorities.
- Participating in working groups to provide the regulator and the authorities with expert opinion and industry views, producing commentaries on draft laws and regulations, consultative papers and other analytical resources.
- Establishing the bank's position and working with federal government bodies, the Bank of Russia and the Association of Banks of Russia on pressing issues in banking regulation.





## Society, the media and not-for-profit organisations

For an effective system of engagement, it is important that we have constructive communication with local communities, the media and not-for-profit organisations, to develop the regions in which our employees, customers and partners live and work.

- Implementing our own social impact and charitable projects (educational, cultural, sporting, environmental) in the regions where the bank operates, and also in partnership with not-for-profit organisations, charitable foundations and civil society organisations.
- Sponsorship for business events.
- An active media presence, daily monitoring of traditional and social media, brand reputation management.
- Informing the public about the economic, environmental and social impact of the bank's activities in the regions where it operates.



## BUSINESS STRATEGY

### 102-14

Throughout 2019 Center-invest Bank successfully implemented its 2019-2021 Strategy "ESG Digitalisation of Center-invest Bank's Ecosystem". The bank has long applied ESG principles in its work.

Rather than focusing on immediate profits, the ESG banking business model, based on effective management of social and environmental risks, allows the bank to achieve sustainable long-term profits in the transformations economy (constant change amid continual crises).

ESG principles mean:

- working to achieve long-term sustainability goals;
- continual analysis of all business processes for compliance with ESG criteria, which informs decisions about whether certain actions should or should not be taken;
- a transparent and sustainable governance system;
- continual innovation based on best practice;
- a responsible approach to financing projects and attracting investment, applying ESG criteria in the interests of all stakeholders.

## ● 103-1

Digitalisation means:

- accessibility of financial and digital services for a wide range of customers;
- integration with marketplaces and big data operators;
- solutions based on quantitative assessments and analysis of big data, taking into account a large number of factors, alternatives and risks, so as to coordinate the ecosystem's many elements;
- search and matching algorithms for innovative solutions at a time of transformations;
- accelerated sustainable development and scaling of the best results.



The bank's Strategy is available on its website:

## ● 102-7, 201-1

Center-invest Bank does not just subscribe to the principles of ESG banking: it demonstrates through its work that ESG banking is effective, as is shown by its financial indicators for 2019<sup>1,2</sup>:

- ✓ Net profits were RUB1.8bn (+ 17%)
- ✓ Assets reached RUB119.5bn (+ 6.6%)
- ✓ Capital increased to RUB14.2bn (+ 8.3%)
- ✓ ROAE increased to 13.1%.

Capital adequacy under IFRS was 18.4%, and Tier 1 capital adequacy was 16.8%.

<sup>2</sup> Here and hereafter, the financial indicators are presented under IFRS.

## ● 203-2

The bank's main activity - lending to retail customers and SMEs - achieves its aim of having a positive impact on the infrastructure, community and local economy in the regions where the bank operates. In 2019 the bank provided RUB93bn in business loans. A total of 78% of the bank's income is distributed to its suppliers and partners, the population and the state.

## ● 204-1

95% of the bank's spending on suppliers is on local suppliers.

An ESG bank finances real processes of transformation in its customers' lives and businesses. Retail lending comprises 61% of Center-invest Bank's loan portfolio. The bank's ESG retail lending focuses on traditional secured loans and mortgages. We offer competitive interest rates, and we do not charge additional fees or require customers to take out insurance. These benefits maintain customer confidence and allow the bank to increase its customer numbers.

## ● 103-2

The bank maximises the advantages of its strategy (including its risk management strategy): its effective risk management system allows it to offer customers attractive interest rates, ensuring demand for its loan products. This then allows the bank to choose the best customers, maintain high asset quality, and establish a loan portfolio that is highly resilient to external stresses.

ESG risk management requires a bank to consider the specific characteristics of different groups of the population.



## SDG #8



## SDG #11



For **retail customers**, Center-invest Bank offers over 20 different retail and mortgage loan programmes, including preferential loans under various government programmes. Moreover, the bank helps mortgage customers to find the best option for purchasing a property, considering incentives under government programmes, the environmental conditions of different locations, and energy efficiency solutions for new homes.

**Small business** is considered a risky sector for lending. SMEs account for one third of Center-invest Bank's total loan portfolio. To reduce risks, since 1997 the bank has provided entrepreneurs with non-financial services in addition to loans: consulting, audit, outsourced bookkeeping, legal support and tax advice. The modest expenditure on this support reduces the risks of lending to small businesses that are operating legally.

There are various groups within the small business sector: for each sector, ESG banking develops special products, reflecting the different lending risks.

Together, these loan programmes provide access to finance for customers with different age, gender, business experience and risk profiles.



**Youth enterprise** and start-up projects are expected to implement the creative ideas of the younger generation within the framework of the existing rules and barriers to entrepreneurial activity. To support this process, the bank provides training for new entrepreneurs through its own Business Accelerator ([acc.centrinvest.ru](http://acc.centrinvest.ru)), preferential terms for business bank accounts and loans, and free advice and mentoring.

The bank actively participates in sociological research into the challenges faced by young entrepreneurs, and it implements projects together with university students.



**Lending to female entrepreneurs** promotes the principle of gender equality and benefits from their lower risk appetite. As female entrepreneurs manage risks more carefully, we can lend to them at lower rates. At the same time, we can focus more on the quality of bank services and on establishing trusting relationships between the bank and its customers.

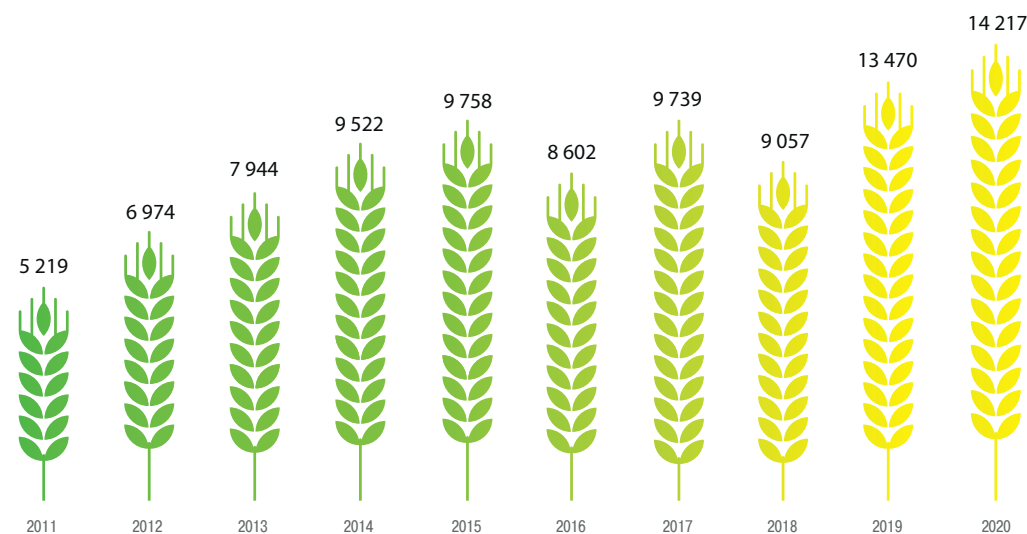


**Social enterprise addresses** community needs in a given market on the basis of more effective approaches, cost-recovery and financial sustainability, and it is scalable, while also effectively managing risks. The marketing strategy of social enterprises is to provide services for all, without being ostentatious, in contrast to philanthropy (targeted, discreet), sponsorship (targeted and brash) and show business (for everyone and brash)..

## SDG #2



**Agribusiness** is considered a risky sector to lend to. Agribusiness accounts for 15% of Center-invest Bank's total loan portfolio, but we are able to manage agribusiness risks effectively. Using longer-term funding when lending to agribusiness not only reduces the risks of poor harvests, but also allows time for completing modernisation projects.



Agribusiness loan portfolio\*, RUBm

Center-invest Bank is in the list of credit institutions authorised to participate in the Russian Agricultural Ministry's preferential loan programme for agricultural producers.

\*The figures are for 1 January of each year.

### 201-4

In 2019 the bank actively participated in government-subsidised loan programmes for small business. During the reporting period, the bank received RUB475m from the federal budget to compensate for lost earnings under subsidised loans made to agricultural producers, organisations and sole traders engaged in the production, primary and/or secondary (industrial) processing, and sale of agricultural products, and also under other loan programmes.

## ENVIRONMENTAL RESPONSIBILITY

### 302-4

Center-invest Bank makes considerable efforts to protect the environment. These include a focus on natural resource efficiency (electricity, paper, fuel, etc), the development of electronic and remote services, and participation in environmental activities.

Despite its steady business growth, the bank is continually reducing its energy consumption. In 2019 the bank used 104 tonnes of paper, 35% less than in the previous year. The bank does not use recycled waste or materials. It uses authorised municipal contractors for solid waste disposal.

### 301-1, 301-2

The bank records its consumption of the following resources:

	2019	2018	2017
Paper (tonnes)	104	161	154
Gas (cubic metres)	303 (10 305,4 GJ)	321 (10 915,2 GJ)	284 (9 653,1 GJ)
Electricity (kilowatt hours)	4 113 562 ( 14 808,8 GJ)	4 439 442 (15 982,0 GJ)	4 868 818 (17 527,7 GJ)
Gasoline (tonnes)	104 (3 335,7 GJ)	146 (4 682,8 GJ)	168 (5 388,4 GJ)

● 303-1

No grievances about environmental impacts have been filed against the bank. 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, or a harmful impact on biodiversity.

	2019	2018	2017
Waste (tonnes per year)	348	440	325
Environmental protection expenditures (RUB)	50	490	706
Waste water collection and treatment (RUB)	211	185	175
Waste disposal (RUB)	515	502	484

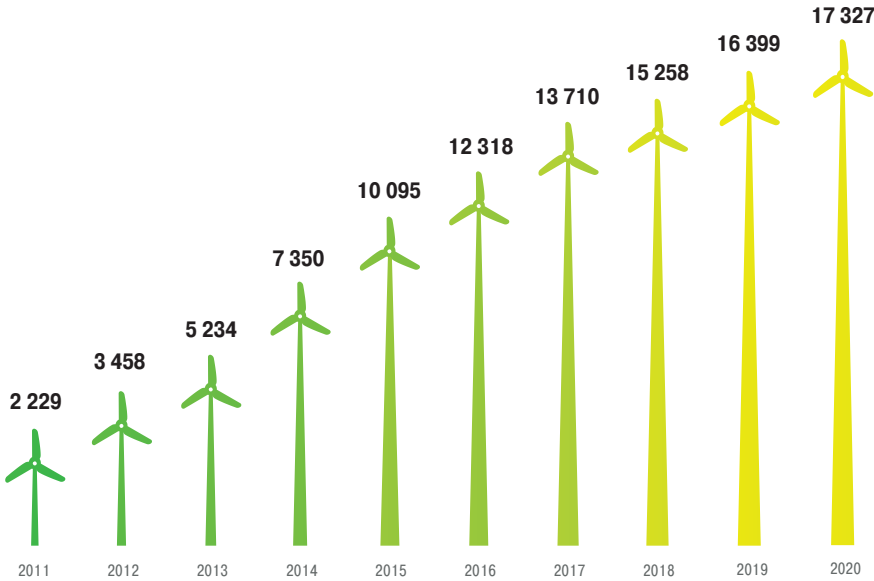
● 306

In 2019 the bank reduced its waste by 21% (348 tonnes in 2019, compared to 440 tonnes in 2018). Total expenditure on waste disposal, waste water collection and treatment, and environmental protection was RUB776,000.

● 302-4

The bank has had an energy efficiency finance programme since 2005, providing businesses and retail customers with loans for the introduction of modern energy saving technologies and measures.

New technologies reduce energy consumption and cut CO2 emissions. With the regulation of energy tariffs, simply reducing energy consumption will not deliver rapid payback of project costs. A more detailed ESG risks analysis has shown that the comprehensive introduction of new technologies generates labour and other resource savings, in addition to energy savings, and reduces losses. This results in a 2-3-year payback period for the cost of replacing equipment. When the bank conducts this analysis together with the customer, the customer chooses the energy efficient option.



Total investment in EE projects, RUBm

Center-invest Bank's success in financing energy efficiency projects is attributable to the sustainable lending approach, which combines technical, financial and social engineering.

\*The figures are for 1 January of each year.

305-1

To date, we have invested over RUB17.3bn in more than 24,000 customer projects. Through energy efficiency lending, the bank contributes to environmental protection in Russia every year.

Energy efficiency projects	2019	2018	2017
Total finance provided, RUBbn	0,9	1,1	17,3
Reduction in CO2 emissions, thousand tonnes per year	15,7	12,6	211,1
Equivalent to the emissions produced by: Cars, thousands	8 871	7 369	123,5
Oil, thousand barrels	43	36	603,1
Or absorbed by trees, million	0,6	0,5	8,4

\*The figures are for 1 January of each year.

308, 103-2

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 specifying the types of activities that the bank will not finance and a list of Category A projects (which require extra scrutiny).

In its internal activities, Center-Invest Bank makes use of the best practice of environment management (including saving of energy and resources), and human resources management (for instance, providing for equal opportunities, the proper ratio between the work time and leisure, health and safety). The Bank strives to deal with suppliers and contractors, who adhere to just as high environmental and social standards.

305-1

The bank has published an Environmental Report every year since 2008. The 2019 Environmental Report discloses information about the environmental and social criteria applied by the bank when assessing loan applications, its methods to monitor borrowers’ environmental activities, the bank’s own energy consumption, the purposes for which it has used the funds raised from Russia’s first issue of green bank bonds, and also the overall impact of these investments on sustainability indicators.



The full text of the Environmental Report is available on the bank’s website.

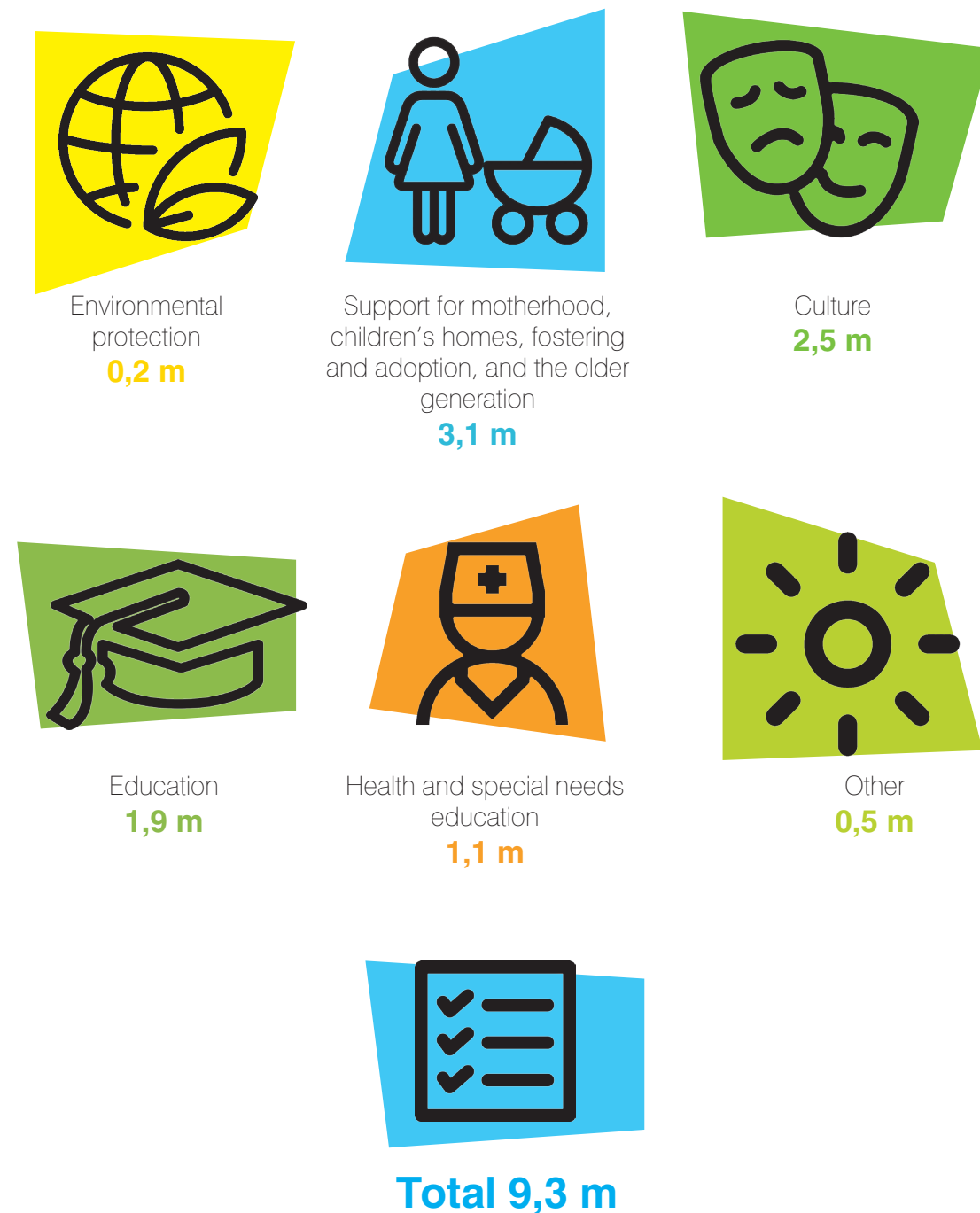
IMPACT ON SOCIETY

For many years now, Center-invest Bank has obtained 82% of its income from lending to the real economy and allocated its income to: the population (interest paid on deposits) – 36%; partners and suppliers – 23%; employees and the state – 19%; and shareholders (dividends and development) – 22%.

Areas of Corporate Social Responsibility:

- Financial literacy
- Support for youth, female and social entrepreneurship
- Festive and city events
- Assistance for the elderly, people with disabilities, and families living in difficult circumstances
- Digitalisation of education and learning
- The environment and energy efficiency
- Sport and healthy lifestyles
- Other

## Structure of expenditure on charitable activities in 2019, RUBm



All of Center-invest Bank's branches engage constructively with local administrations and the public to address socioeconomic and environmental issues. They also work with not-for-profit organisations and the expert community at the regional level.

- 203-1
- 203-2

## SDG#4



The bank actively engages with local communities on issues relating to employment and career planning, financial literacy, and public health. It invests in culture, sport and social infrastructure, and it also helps vulnerable groups of the population.

In 2019 the bank held 1,128 seminars and briefings for municipal bodies in the regions where it operates. These events addressed current issues relating to banking services, the use of remote banking, economic development, entrepreneurship, housing and utilities, and financial literacy.





## CENTER-INVEST BANK'S CSR PROGRAMMES

● 103-2

### Financial Literacy

The Financial Literacy Centre project, which began in April 2014, draws on Center-invest Bank's many years of experience in promoting financial literacy. The main aim of the project is to provide the population of southern Russia with access to free advice and financial knowledge.

Since its inception, the project has been rolled out in three regions: the Rostov region, the Volgograd region and Krasnodar krai. Leading higher education institutions in southern Russia are the bank's main partners for this project.

The Financial Literacy Centres provide advice to all groups of southern Russia's population. Specialists from the bank and partners regularly train students to work as volunteers at the Centres. Their training covers: personal financial management, business planning, sensible borrowing, online banking, taxation, and the safe use of bank cards.

In the six years since the project began, specialists and volunteers from the Centres have provided over 500,000 free consultations on financial issues.

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The bank's experience of setting up Financial Literacy Centres in partnership with leading higher education institutions has come to the attention of the World Bank. On 18 February 2019 the World Bank's Country Director and Resident Representative for the Russian Federation, Mr Andras Horvai, visited the Financial Literacy Centre in Krasnodar. Mr Horvai noted how important it is to improve the financial literacy of the middle-aged working population, which is the most economically active section of the population. These are people who already have established financial habits, but who also have little spare time for studying. Various aspects of work to improve financial literacy among all age groups were discussed, as well as methods of evaluating its effectiveness.





“

“I BELIEVE THAT THE LEVEL OF FINANCIAL LITERACY IN RUSSIA IS FAIRLY GOOD. CENTRES SUCH AS THIS HAVE MADE A HUGE CONTRIBUTION, WITH THEIR SERIOUS APPROACH TO WORKING WITH THE GENERAL PUBLIC AND ALSO WITH SMES. THIS EXPERIENCE SHOULD BE REPLICATED.”

*Mr Andras Horvai*

*World Bank's Country Director and Resident Representative for the Russian Federation*

In April 2019, the bank's Financial Literacy Centres in Rostov-on-Don and Krasnodar were the main regional venues for Financial Literacy Week, organised by the Russian Finance Ministry. The main aim of this event is to teach the younger generation how to use financial products effectively.

● 103-3

In 2019 specialists and volunteers from the Financial Literacy Centres gave talks to over 20,000 people on the following: “Learn to watch your money like an adult”, “Invest in your future - learn about personal finances”, “Financial services: use them correctly” and “Financial literacy in a digital format”.

To improve financial literacy, Center-invest Bank developed a free online training portal, Enterprise for All, which was launched in March 2013. Using a combination of online textbooks, video lectures and end-of-module tests, the portal provides distance learning in economics, entrepreneurship, taxation and marketing. The Enterprise for All course is available in English, Chinese, French, German and Portuguese.

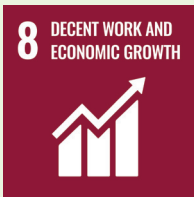
**More than 47,000 users have registered on the website, 21,200 of whom have already completed the training.**

In addition to its own programmes, Center-invest Bank joined a Bank of Russia initiative to establish a Financial Literacy Association. We participate in expert work and strategic decision-making at the Supervisory Board level. Within the framework of this federal project, the bank provides financial and organisational support to private and public initiatives relating to financial education in Russia. We also encourage the development of a volunteer movement to support financial literacy activities.

Support for Youth, Female and Social Entrepreneurship

- 102-2
- 102-3
- 203-2

SDG #8



The bank invests considerable resources in supporting SMEs and youth, female and social entrepreneurship through its own Accelerator, thereby promoting local socioeconomic development in the region and improving the quality of life of local communities.

The bank’s Accelerator helps at all stages of business development, starting with the first stage of producing a strategy and business plan and establishing funding requirements. Over 3,000 business projects have already come to fruition, with graduates of the Accelerator receiving finance from the bank’s loan programmes for start-ups, women in business and youth business.

Accelerator

Innovative platform for business start-up and intensive development. 5,500 participants so far.



Option to participate remotely



1-month programme, 7 hours a week



Business mentor



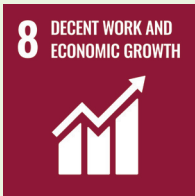
Free business advice



SDG #4



SDG#8



To provide financial support for new entrepreneurs and also for youth, female and social entrepreneurship, Center-invest Bank has developed special loan programmes with preferential interest rates, as well as an information platform. The bank’s partners for these programmes are the Guarantee Funds of the Rostov region, Volgograd region and Krasnodar krai.

To publicise and encourage replication of success stories in the social enterprise sector, since 2015 Center-invest Bank, together with the Rostov Region Public Chamber and the Russian Union of Journalists, has held an annual competition for journalists, known as the Smirnov Prize. Since the competition began, journalists from 20 Russian regions have submitted over 700 creative pieces, written with the aim of identifying and publicising best practice in social enterprise in Russia.

To date, 58 journalists have won an award. Award website: [dobro.centrinvest.ru](http://dobro.centrinvest.ru).



## SDG#4



## SDG#8



In 2019 the award ceremony was held in the “Rubin” co-working space in Rostov-on-Don (which is for social entrepreneurs and not-for-profit associations). As part of this event, Alexandra Moskovskaya, a professor from the Social Sciences Faculty at HSE University, held a roundtable on “Social Entrepreneurship in Russia and the Regions: Current State and Development Outlook”. The award winners and roundtable participants then had an open discussion about how the media views social entrepreneurship.

For the third year in a row, the bank was a partner for the regional stage of the World Skills Russia competition. The event aims to attract young people into vocational sectors of the economy and to improve educational programmes to reflect Russian and international requirements for vocational skills. The bank awarded high-value prizes to all the winners. Following the competition, the winners and participants undertook further study through the bank’s Accelerator, which helped these young professionals turn their ideas into successful businesses.

## Culture

Center-invest Bank contributes to cultural development in the regions where it operates. In 2019, the Year of Theatre in Russia, the bank’s programmes to support theatre and culture were expanded. They were aimed at preserving and promoting the best national theatre traditions and achievements, highlighting the theatre traditions of young people, and assisting talented young people.

The bank has sponsored the Rostov Region “Melpomena” Theatre Festival Competition since 2014. Professional juries select the best performances, roles and theatres of the season.

Center-invest Bank’s “Kind Theatre” programme is run in partnership with Rostov State Musical Theatre. This programme is for children from large families, low income families, children with disabilities and special needs, and children who are in care. Its aim is to introduce these youngsters to the world of theatre, create opportunities for their socialisation, and also involve bank employees in volunteering. Thanks to this project, in 2019 over 1,500 children attended theatre performances.

Center-invest Bank is a permanent partner of the Alliance Francaise’s Music Festival in Rostov-on-Don, attended by over 2,500 people every year. In 2019, the bank was the general sponsor for the VI International Children’s Festival Competition, “Let’s Play Jazz”, organised by the world-famous K. Nazaretov Jazz School.





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**“THE ESTABLISHMENT OF THE PUPPET THEATRE IS A CLEAR EXAMPLE OF HOW SOCIAL ENTREPRENEURSHIP SHOULD WORK: IT MEETS A COMMUNITY NEED, IT USES NEW APPROACHES, IT IS SCALABLE, AND IT ALLOWS FOR COST RECOVERY AND FINANCIAL SUSTAINABILITY”.**

*Dr Vasily Vysokov*  
Chairman of Center-invest  
Bank's Board of Directors

On 1 June 2019, with financial support from the Chairman of Center-invest Bank's Board of Directors, Dr Vasily Vysokov, a puppet theatre was opened at the Children's University in Rostov-on-Don. .

The Children's University is based at the regional facility for talented children and young people in the Rostov region, at Don State Technical University. The bank invested RUB1m in the establishment of the Children's University.

Center-invest Bank was the general sponsor for a unique "Arty Christmas Tree" urban project. Local designers were invited to produce their own creative versions of the traditional symbol of New Year, for display in Rostov-on-Don's main park from 27 December 2019 to 15 January 2020. The bank's branded Christmas tree was designed by Konstantin Travin and Maxim Il'inov.

For the cultural education of children, since 2003 Center-invest Bank has run several charitable programmes together with leading museums in southern Russia, and we sponsor free visits to exhibitions for schoolchildren. Over 400,000 children have participated in this project.

Gold of the Don Steppes - Rostov Region Local Studies Museum

The Artistic Heritage of Southern Russia - Rostov Region Museum of Fine Art

Quiet Flows the Don - Sholokhov Open Air State Museum, Rostov Region, and the Sholokhov Centre in Rostov-on-Don

The Artistic Heritage for Children - Kovalenko Museum of Art, Krasnodar Krai

The Battle of Stalingrad - Volgograd Panorama Museum

The Secrets of the Galaxy - Volgograd planetarium

Center-invest Bank will continue its efforts to ensure that southern Russia is known not only for its remarkable past, but also for its wonderful present-day cultural achievements.



## Support for Motherhood, Childhood and the Older Generation

### ● 103-1, 103-2, 103-3

The bank's charitable projects focus primarily on children, the elderly, people with disabilities and families living in difficult circumstances. For the last 25 years, the bank has provided financial assistance to children's homes and shelters. The funds are allocated for the repair of buildings and the purchase of essential items for the children (clothes, food, stationery, household appliances and furniture).

**Of the 364 children featured on the programme, 302 have since been adopted or fostered.**



For the last ten years, the bank has been working successfully with the Rostov Region's Education Ministry to support adoptive and foster parents in the region. The bank helps children living in children's homes to find adoptive or foster parents, and it also supports large families which have adopted or are fostering children. Every week the regional television channel Russia 1 broadcasts the "I Am!" programme, which tells the stories of the brave youngsters who, despite their difficult circumstances, continue to believe in miracles and hope to one day find a new family.

To promote family values and support adoptive and foster parents, the bank works closely with the "Kuban Family" Union of Large Families in Krasnodar krai, and the Ministry of General and Vocational Education in the Rostov region, jointly organising informative, fun and charitable activities. Under this partnership every autumn, Center-invest Bank provides stationery sets to over 2,000 children from adoptive or foster families in the Rostov region and from large families in Krasnodar krai.



**“THE SIGN LANGUAGE FINANCIAL LITERACY COURSE IS AN INCLUSIVE PRODUCT AND A NEW STEP IN THE DEVELOPMENT OF FINANCIAL EDUCATION. THE PROJECT'S OBJECTIVES ARE TO HELP DEAF AND HEARING-IMPAIRED CHILDREN WITH SOCIALISATION AND TO MAKE IT EASIER FOR THEM TO OBTAIN FINANCIAL SERVICES.”**

*Mrs Lidia Simonova*  
Chairman of Center-invest Bank's Executive Board

## SDG#4



## SDG#8



Together with the Krasnodar branch of the Russian Society for the Deaf, specialists from the Financial Literacy Centre in Krasnodar created a special course in financial literacy for children with hearing loss. The course includes interactive puzzles, finance quests, and outings to the bank.,

Center-invest Bank provides regular financial assistance to associations supporting World War II veterans, people with disabilities, and elderly people living alone.

In spring 2019, the bank supported a patriotic military project to commemorate the 74th anniversary of victory in World War II. Center-invest Bank employees joined a bicycle parade which set off from the city of Taganrog. The parade lasted 21 days. Covering a distance of 4,700km, it was one of the longest parades in the country. It also had one of the fullest programmes: the participants visited 23 districts in the Rostov region, 3 districts in Stavropol, and 5 districts in the Republic of Kalmykia.

Such events help young people to understand the full tragedy of the global conflict and the tremendous bravery of the generation that fought in the war. They can also learn more about the history and culture of the Rostov region.

In addition, Center-invest Bank holds its own event to commemorate victory in World War II. For the last eight years, for the enjoyment of veterans and Rostov-on-Don residents, we have arranged for a military band to perform outside our head office on the eve of Victory Day. The band plays traditional Russian music and much-loved tunes from the war years. The bank also gives gifts to its customers who are veterans, and we congratulate them warmly on this anniversary. In 2019, 434 veterans received gifts from the bank.

## Education and Science

## SDG#4



In 2007, shareholders and customers of Center-invest Bank established the region's first endowment fund: the Education and Science in the Southern Federal District Endowment Fund. This is a practical and effective financial instrument that allows businesses to benefit from supporting education and science in southern Russia. The fund's capital stands at RUB110m. Every year, the endowment fund holds a competition for the best students and the best young lecturers, awards grants to young scientists, and helps talented inventors.

In the last 17 years, over 21,500 undergraduate and postgraduate students from leading higher education institutions have entered the "Smart Grant" scholarship competition. (These institutions are located in the regions where Center-invest Bank and partners of the Endowment Fund operate.) The annual scholarship fund exceeds RUB9m. To date, 5,000 scholarships have been awarded.

### 103-3

In 2019 all the stages of the Smart Grant competition were digitalised, and particular emphasis was placed on the entrants' business projects. The competition is held on the smartgrant.ru website and on the Instagram account @smart\_grant. Two hundred scholarships were awarded in 2019 and the scholarship amount was doubled from previous years to RUB40,000. This year, for the first time, the jury categorised the winning projects by economic sector: fintech & IT, agribusiness and gastronomy, green economy and medicine, the urban environment, manufacturing and industry, and science and education.



IN THE LAST 17 YEARS, OVER 21,500 UNDERGRADUATE AND POSTGRADUATE STUDENTS FROM LEADING HIGHER EDUCATION INSTITUTIONS HAVE ENTERED THE "SMART GRANT" SCHOLARSHIP COMPETITION. THE ANNUAL SCHOLARSHIP FUND EXCEEDS RUB9M.



Center-invest Bank was a partner for the Youth Programme at VUZPROMEXPO-2019. This is a national exhibition, held since 2013 by the Russian Ministry of Science and Education. The bank presented its innovative solutions for higher education institutions based on bank cards, as well as mechanisms to develop students' entrepreneurial initiatives using the Start-Up Degree concept.

Together with Southern Federal University, at our exhibition stand we presented the results of our Campus card project. This project, based on the Mir card, began in 2017 and became a pilot for Russian higher education institutions. The visitors to our stand - heads of leading and progressive Russian higher education institutions, officials from government ministries and departments, and media representatives - were impressed by the advantages of non-financial services based on the Mir payment system, their security, manufacturability, and practicality.

Center-invest Bank has supported the Science Festival in Southern Russia for the past decade. The event brings together people who work in the world of science and people who would like to learn more about the subject. Every year, the bank devises a new interactive programme on economics, finance and entrepreneurship for the Festival. To date, over 35,000 people have taken part in these programmes.

Center-invest Bank has always respected and supported the work of teachers who have a creative approach, who introduce new educational methods to make the learning process interesting and effective, and who encourage their pupils to be compassionate and socially aware. Since 2003, the bank has supported the Teacher of the Year regional competition, awarding prizes for the best resources and innovative approaches for teaching financial literacy to children.

Every year the bank is an official sponsor of the international educational initiative "Total Dictation", which is held for people who wish to test their proficiency in the Russian language. The bank provides venues for the event. The Financial Literacy Centre in Rostov-on-Don was available for three months in 2019 for anyone who wished to prepare for the dictation challenge. It also arranged free lessons in Russian grammar.

For the last three years, Center-invest Bank employees have taken part in a Banking Dictation. This annual corporate event is designed to check and improve employees' literacy skills.



## Environment and Energy Efficiency

Environmental responsibility is a key priority for Center-invest Bank, on a par with traditional banking products and services.

Environmental protection and the introduction of energy saving technologies have enabled the bank to reduce annual CO<sub>2</sub> emissions by 211,000 tonnes a year. This is equivalent to the emissions produced by 123,500 cars or 603,100 barrels of oil. Volunteers from the bank regularly participate in environmental activities, such as clean-up days.

In 2019, Center-invest Bank was an official partner for Earth Hour, organised by the World Wildlife Fund (WWF). The bank shares the WWF's values of environmental conservation and protection. We have supported the Earth Hour global movement for several years now: for one hour, the external lights and roof advertising are switched off in Center-invest Bank offices and branches. The event is held in all the areas where the bank operates: Rostov-on-Don, Taganrog, Volgodonsk, Krasnodar, Sochi, Stavropol, Pyatigorsk, Nizhny Novgorod and Moscow.

As a member of the Global Alliance for Banking on Values, in 2019 Center-invest Bank joined in with International #BankingOnValues Day. This campaign aims to promote ESG principles worldwide. The main issues which GABV members focused on in 2019 were the environment and gender equality.

## SDG#11



Since 2009, the bank has had a programme to finance the energy-efficient renovation of apartment buildings. At 1 January 2020, the bank had made 139 loans to homeowners' associations, for a total of RUB213m. In Russia, apartment owners have to pay monthly contributions to a capital repairs fund. They then have to wait until there is enough money in the fund to finance renovations. When homeowners' associations take out a loan from Center-invest Bank, they can renovate their buildings straightaway. They pay the same contributions as before, but now the money is used to repay the loan. Our loan programme has been used by customers from the Rostov and Volgograd regions, Krasnodar krai, Moscow and Nizhny Novgorod.

In June 2019 eight Russian State Duma deputies visited several apartment buildings in the Rostov region that had been renovated using our loan programme. They noted that this successful experience can and should be replicated throughout Russia, and that this lending model will help address the problem of old housing stock.

The bank is continually reducing its own energy consumption. We also help our customers to introduce energy efficiency technologies. The bank has invested RUB17.3bn in 24,500 customer projects. The bank is consulting with the regulator and its customers and partners about a possible mutual reduction in the amount of paper used in financial relations.



## Sport and Healthy Lifestyles

Center-invest Bank supports the development of sports for children and young people in the regions where it operates. It also supports its employees' desire to keep fit and healthy.

The bank provides regular financial assistance to the "Hope" children's sports club, where more than 50 hearing-impaired boys and girls, born between 1995 and 2005, meet to play basketball. This is the only children's basketball club working with deaf and hearing-impaired children and teenagers in southern Russia.

In summer 2019 the bank sponsored a Futsal festival for neighbourhood teams and teams from children's homes. This was a large event, bringing together over 60 teams from the Rostov region, with players aged 10-14. There were two separate tournaments: one for teams from children's homes, and the other for teams from the neighbourhood league.

Children's chess is developing in the Rostov region thanks to a partnership between Center-invest Bank and the School Chess Association. This intellectual sport is popular in the region: over 47 events and tournaments were held in 2019. These included simultaneous displays, presentations of the latest chess books, and mass tournaments for children.

### 401-2

The bank's Head Office has very good fitness facilities for employees. In 2012 we opened a sports hall where employees can play table tennis, table football, air hockey and darts, and there is also a weights room. Our Head Office also has a Wellness Centre for yoga, Pilates and keep-fit. Over 350 employees regularly use these facilities.

Every year, our employees take part in bike parades and regional environmental festivals. Many of them commute to work by bike.

Center-invest Bank's tradition of holding sports tournaments for its employees began in 2012, when teams from different departments and branches competed in the first Bank President's Cup football tournament. This event was initiated by the bank's employees and supported by the Board of Directors and Executive Board. In 2019, over 100 players participated in our seventh football tournament, with journalists, universities and local businesspeople also forming teams.







WE AIM TO CONTINUE PROMOTING A CULTURE OF VOLUNTEERING AND TO ESTABLISH A LARGE, SUSTAINABLE CORPORATE VOLUNTEERING SYSTEM.



103-2, 413-1, 413-2

## Volunteering

Corporate volunteering is one of the most important components of Center-invest Bank's corporate culture. Developing and supporting a culture of corporate volunteering not only benefits society, but also helps with teambuilding and is an opportunity for employees to develop their personal skills.

Our corporate volunteering initiatives mainly involve helping vulnerable groups of the population, and activities relating to education, environmental protection and social welfare.

Together with the Financial Literacy Centres, volunteers from Center-invest Bank held over 1,000 events in 2019. These included: lectures, workshops and classes on financial literacy; educational games for children at mass public events, forums and festivals; clean-up days and tree-planting days; activities to commemorate Victory Day; and charity sports events.

We aim to continue promoting a culture of volunteering and to establish a large, sustainable corporate volunteering system. In 2019, 25% of our employees were involved in volunteering. We hope to increase this percentage, with an emphasis on the branch network, and also to attract external volunteers from among our customers and partners.

Other priorities for next year include maintaining the high level of volunteer hours and using corporate volunteering to expand our programmes to support vulnerable groups of the population.



## ● 103-2, 413-1, 413-2

### External Communications

Center-invest 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 actively promotes all suitable forms of digital engagement with customers. However, it also provides opportunities for offline interactions with stakeholders in its branches, recognising the need for this option.

In 2019 the bank's Contact Centre handled over 360,000 incoming calls and more than 1,500 written communications. An evaluation of the contact centres of Russian banks conducted by the company Naumen found that Center-invest Bank's Contact Centre had a service level of 86% and First Contact Resolution (FCR) was 97.78%. We were among the top five banks for customer service using social networks.

The Contact Centre has been stepping up cross-selling. In 2019, there was a 64.5% increase in the number of card agreements resulting from incoming calls, compared to 2018. The Contact Centre is also involved in encouraging organisations to set up a Center-invest Bank payroll programme. In 2019 there was a 60% increase in the number of customers agreeing to start a payroll programme.

In 2019, together with Alex Berg Contact Centre Consulting, the bank conducted an anonymous survey of its Contact Centre staff to determine their level of satisfaction with their working conditions. The average score for employee satisfaction was 82%, which is high for Russian contact centres. Our Contact Centre staff are continually developing their skills and attend industry conferences.

With audiences switching to the digital space, the bank is paying consideration attention to social media communications with its customers, partners and employees. In 2019, the bank's VKontakte account saw the highest increase in users: +17%. This was attributable to users being

attracted from a broader geographical area, our proactive communications policy, and high-quality content. At FYE 2019 the bank's social networks had 32,000 subscribers.

In terms of media coverage, in 2019 Center-invest Bank featured in over 6,500 articles (the bank's own press releases and coverage of the bank's news by other sources): 55% of these articles were published in national media, 41.4% in regional media, and 3.6% in foreign media.

An important component of the bank's engagement with local communities is its system for handling customer contacts and complaints. The bank's procedures for handling customer contacts and complaints are formalised in its internal regulations. All contacts (made by an individual or collectively) are registered in a special database on the day of receipt and passed to the appropriate staff member for consideration.

Center-invest Bank supports and also organises business events to promote the sharing of experience and international cooperation, increase the investment appeal of the regions where it operates, and attract investors. In 2019 the bank was a partner and sponsor for over 70 business events held at various levels.

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.

# DEVELOPING HUMAN CAPITAL AND HR MANAGEMENT

## 102-8, 103-1

The bank’s main priorities are: ensuring that all of its HR activities comply with Russian law, developing and revising its internal HR policies and procedures, developing the knowledge, skills and potential of its employees and managers, and enhancing its incentive system.

## 401-1

Total number of employees, new employee hires, and employee turnover							
		Number of employees at FYE 2019	Number of employees at FYE 2018	Number of new hires in 2019	Number of employees who left the bank in 2019	Employee turnover in 2019	Employee turnover in 2018
Total		1 631	1 644	105	118	7,6	8,6
By gender	- male	425	420	33	30	2,15	2,97
	- female	1 206	1 224	72	88	5,45	5,63
By age group	- under age 30	436	430	74	31	3,58	4,18
	age 30 - 50	955	973	31	64	3,24	2,83
	over age 50	240	241	0	23	0,78	1,58

## 102-41

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

Center-invest Bank pays considerable attention to building a talent pool, with the aim of developing, promoting and retaining high-potential employees, and also to ensure that it has appropriate candidates to replace employees who leave the business or to fill newly created managerial positions..

## 401-3

In accordance with Russian law, national traditions and established practice, all of the bank’s employees have equal rights, equal conditions, and equal opportunities for career development.

## 405-1

Heads of departments and/or branches	Rostov region	Krasnodar krai	Stavropol krai	Volgograd region	Nizhny Novgorod	Moscow
female	22	13	2	2	1	0
male	14	2	0	2	0	1

Composition of governing bodies, FYE 2019				
	Total	under age 30	age 30 - 50	over age 50
Board of Directors				
Total	7	-	1	6
of which - female	1	-	-	1
- male	6	-	1	5
Executive Board				
of which - female	2	-	1	1
- male	2	-	2	-

● 401-3

The bank’s care, concern and respect for motherhood is reflected in the fact that the birth rate among our employees’ families is a whole four times higher than the national average for Russia.

Every employee knows about their right to address any question to any level of management and to receive a comprehensive answer. This is not only a right - it is the culture of reciprocity in an ESG bank.

In 2019, all 62 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.

● 404-2

The bank endeavours to develop its internal communication channels. It takes its employees’ opinions into account and respects their right to have access to the information that they require. The bank creates employee loyalty and motivates employees by offering competitive pay, comprehensive benefits, safe and comfortable working conditions, training and opportunities for career progression.

● 403

The bank makes every effort to comply with all legal requirements to protect employee health and safety. The bank does not have any workplaces with hazardous working conditions. There were no work-related injuries in 2019.

For many years the bank has voluntarily paid for medical insurance for its employees. It takes measures to prevent acute respiratory viral infections. For example, we encourage employees to take up the flu vaccine.

	2019	2018	2019/2018
Number of insured employees	1644	1644	0,00
of which, women	1209	1224	-1,22
Number of employees who have been vaccinated	151	136	11,0
of which, women	94	88	6,8

● 405-2

Based on an annual report on employees’ salaries, the bank’s Board of Directors and Executive Board take decisions about wage indexation. The primary element of our employees’ compensation is their base salary. Variable pay (the incentive scheme) is structured by management in such a way that it is a motivating factor for all employees. The incentive scheme is reviewed as and when necessary, and all employees are kept informed about the scheme. The KPIs maintain a balance between personal and team results, quantitative indicators, and quality parameters for customer satisfaction (relevant for the front office).

	Total	Krasnodar krai	Volgograd region	Rostov region	Stavropol krai	Nizhny Novgorod
Average monthly nominal gross wage of employees in the Russian Federation in 2019, RUB	47 867	36 133	33 371	33 757	31 836	35 212
Average monthly wage for the bank's business units in 2019, RUB	75 052	73 752	77 177	75 432	61 286	74 625
Men	91 323	87 380	132 853	91 431	65 431	43 417
Men under age 30	60 031	51 274	-	61 160	-	43 417
Women	68 099	71 655	70 387	67 490	60 768	80 867
Women under age 30	53 504	46 964	61 010	53 879	39 124	68 159

#### 404-2

Center-invest Bank does not use headhunting as part of its personnel policy. Instead, it creates a pool of future employees by attracting students from local higher education institutions for work experience and training. We have run an internship programme for the last 26 years. Potential interns are trained at the Financial Literacy Centres in Rostov-on-Don and Krasnodar. In 2019, 447 students completed the Banking Business training course at the Financial Literacy Centres, and 97 of these students then became interns at Center-invest Bank. The 63 best interns went on to become employees of the bank.

#### 404-1

The bank's system for training and upskilling its employees plays an important role in employee performance. The system has a positive impact on career development and loyalty to the bank.

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. Professional tests have been developed for all categories of front office staff. This has allowed the bank to optimise and standardise its processes for skills verification when hiring new employees, transferring employees to new positions, and conducting annual reviews of skill levels.

The bank held 1,008 employee performance appraisals and 223 training courses in 2019. A total of 854 people participated in this training, which was 3.3 times more than in 2018. Sixty-five percent of the training was held remotely. This reduced costs as travel and business expenses were lower and employees were away from their routine work for less time.

The bank's employees regularly meet with customers to obtain feedback on service quality. Customer events are held to promote the bank's products and make new contacts. The Staff Training Centre has developed an online course in Public Speaking for the bank's employees, as effective communication improves service quality.

## ● 404-2

To systematise data about personnel, training programmes, skills verification and job rotations in an integrated software package, the bank entered into an agreement for a pilot project with the vendor HR+Maps. Their software reduces the amount of employee time spent on routine operations and on producing reports. It also stores and provides rapid access to various datasets about personnel and training programmes. The pilot will allow the bank to evaluate whether this is the right software solution to optimise its employee training and development processes.

## ● 102-23

The bank continually strives to ensure a work-life balance for its employees, taking steps so that employees are able to work effectively and gain satisfaction from their work. The bank sees considerable potential in the development of volunteering programmes among its employees.

# CORPORATE ETHICS

## ● 102-16, 102-17

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.

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

In carrying out its activities, the bank observes human rights at all times, and it strives to ensure that human rights are observed in all the geographical areas where it operates.

The bank's employees traditionally come from a wide range of ethnic backgrounds. Inclusion and diversity are part of the bank's corporate culture. The Bank Secretary for ESG Issues is available to assist or advise any employee on matters relating to discrimination, harassment or unethical conduct.

Taking into account feedback from the Internal Audit Service, which monitors compliance with the bank's Code of Corporate Conduct, the Board of Directors and Executive Board regularly carry out surveys and evaluate performance in terms of corporate conduct.

In 2019 Center-invest Bank surveyed all of its employees to identify which ESG banking issues are significant for them and involved in their work for the bank. Their responses were as follow:

1. Concern about the environment and the rational use of resources in the interests of future generations and long-term development (94% of responses);
2. A socially oriented business based on new values and mutually beneficial collaboration (win-win paradigm, no losers) (82%);
3. Responsible governance and corporate culture (59%) in the interests of customers, partners and employees (48%);
4. Financial sustainability and profitability based on risk management using international standards and resilience approaches (64%);
5. Work satisfaction and involvement in global development processes and in the country and region's development (93%);
6. Competitive advantages based on reputation and investment appeal (48%);
7. Innovative banking based on accessibility and digitalisation of banking services (35%);
8. ESG banking products and services (56%): loans for energy efficiency, SMEs, youth, female and social entrepreneurship, renovation of apartment buildings, agribusiness and retail customers;
9. Accessibility of the bank's financial services (31%), thanks to socio-educational projects and non-financial services for customers.

## ● 412-1

Training on human rights is provided as part of the process of familiarising new employees with the bank's codes and policies. The bank's employees comply with applicable Russian legislation in all aspects, including human rights.

## ● 412-3

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

## ● 205-2

Center-invest Bank has an Anti-Corruption and Anti-Fraud Policy, which must be adhered to by all employees of the bank and its subsidiaries, irrespective of their position and job functions. All existing employees have been informed of the Policy and it is mandatory for all new employees to be informed of the Policy also. The Board of Directors and Executive Board lead by example, with a zero-tolerance approach to any instances of corruption and fraud.

The bank monitors and examines any complaints in compliance with applicable law. The bank guarantees that any information received from customers will be kept confidential, unless otherwise required by law.



The full text of the Anti-Corruption and Anti-Fraud Policy is available on the bank's website.

# PRODUCT RESPONSIBILITY

## ● 416-2, 417-3

Center-invest Bank does not sell any banned or disputed goods or any goods that do not comply with regulations, including those on advertising, promotion and sponsorship.

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

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;
- voluntarily and intentionally develops and sells products and services that help its customers to raise their standards of living and run sustainable businesses;
- regularly and purposefully informs customers of its products and services through all forms of mass media;
- uses information technologies to enable customers to select for themselves the most suitable terms on which to receive services;
- monitors the compliance of its products and services with regulations and voluntarily assumed obligations, by analysing customer feedback and using mystery shoppers. No significant deviations from regulations or voluntary obligations have been found;
- continually develops its products and services, taking customer views into account;
- regularly responds to customer queries.

In the reporting year the bank did not receive any penalties for non-compliance with regulatory standards or voluntarily assumed obligations relating to the marketing of financial services and customer communications.

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



## ● 206-1

In 2019 the bank received the following fines:

- RUB300,000 under a Bank of Russia directive
- RUB226,190 fine from the Federal Tax Service for late submission of information about customer accounts that were suspended and other information about customers, and other breaches.

# CORPORATE GOVERNANCE AND RISK MANAGEMENT

## ● 102-16

The governance of Center-invest Bank complies with Russian legislation and Bank of Russia requirements, takes into account best international practice, and is based on the recommendations of international organisations, in particular, the Basel Committee on Banking Supervision.

The purpose of the bank's corporate governance is to protect the rights and interests of shareholders, ensure effective management and transparent relationships between the bank's shareholders, Board of Directors and executive bodies, and deliver a long-term increase in the value of the bank's shares.

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.

The bank's corporate governance is based on the following principles:

- ✓ **Accountability:** The Code of Corporate Conduct establishes the accountability of the Board of Directors to the bank's shareholders and provides guidance to the Board of Directors when developing the bank's strategy and managing and monitoring the activities of the executive bodies.

- ✓ **Fairness:** The bank undertakes to protect shareholders' rights and ensure equal treatment of all shareholders, including minority and foreign shareholders. The Board of Directors shall afford all shareholders effective protection should their rights be infringed.

- ✓ **Transparency:** The bank shall provide timely and reliable disclosure of information about all material facts relating to its activities, including its financial position, results, ownership and governance structure, as well as free access to such information for all stakeholders.

- ✓ **Responsibility:** The bank recognises the rights of other stakeholders in accordance with the law and other regulatory requirements.

## ● 102-18, 102-20, 102-29

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 (2004) harmonises all the regulations: the Articles of Association (2016, revised 2017, 2018, 2019) and the Byelaws on the General Meeting of Shareholders (2016), the Board of Directors (2016), the Executive Board (2016), and the Chairman of the Executive Board (2016). It has enabled the bank to clearly define the different remits and responsibilities of the governance 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 (2004), 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 the Dividend Policy (2017) provides for at least 50% of net profits, calculated in accordance with IFRS, but not more than total net profits, calculated in accordance with RAS, to be allocated to dividend payments, with due regard for legal requirements.

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 (2019) 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.

6. 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.

7. The Environmental and Social Policies (2010, revised 2011, 2012, 2014, 2019) require 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. The Board of Directors approves the bank’s Environmental and Social Policies. The policies set out the bank’s strategy for managing and assuming environmental and social risks. A member of the Executive Board is assigned responsibility for compliance with the principles and approaches specified in the policies. The Executive Board member is responsible for ensuring that the policies are communicated to all bank employees and for compliance with the policies. All of the bank’s credit committees are also guided by the policies. An environmental report containing the main results of the bank’s work in the previous year is produced annually and made publicly available.

8. The Digitalisation Strategy (2018) provides for the systematic introduction of modern software products and leadership in the introduction of new programmes and platforms (co-innovation partner for SAP, partner for Terrasoft, the Centre for Financial Technologies, Compass+, BSS). The effectiveness of this policy

is confirmed by our joint projects with the Bank of Russia (online account, Marketplace, pledged assets, etc), the Russian Pension Fund (data for assessing creditworthiness), the Mir National Payment Card System (Mir Accept, MirPay, data about purchases, and campus, school and transport cards), multifunctional centres (MFC) for central and local government services (provision of MFC services in the bank’s branches), providing integration with government services, the Interdepartmental Electronic Interaction System (fiscal data, electronic reporting, etc) and the Unified Biometric System (collecting data to identify individuals by voice and facial image). We have also won tenders to service accounts and bank cards for Federal Treasury departments and leading universities in the region.

9. Personnel Policy (2013) and Remuneration Policy (2016). Prior to the Bank of Russia requiring banks to have these documents, Center-invest Bank had already included in its corporate conduct regulations the main provisions on the payment of bonuses at intervals and transparency over the remuneration of the governance bodies.

The bank, its officials and all its employees are guided in their actions by current legislation and also generally accepted business ethics as defined in the Code of Corporate Conduct and the Code of Corporate Ethics.

The bank complies substantially with the principles and recommendations of the Code of Corporate Governance approved by the Bank of Russia (Bank of Russia letter No. 06-52/2463 of 10.04.2014 on the Code of Corporate Governance).

Center-invest Bank will continue developing and enhancing its corporate governance practices in accordance with the recommendations of the Code of Corporate Governance, based on analysis of the scope to apply new practices in the bank.



● 102-28, 102-25

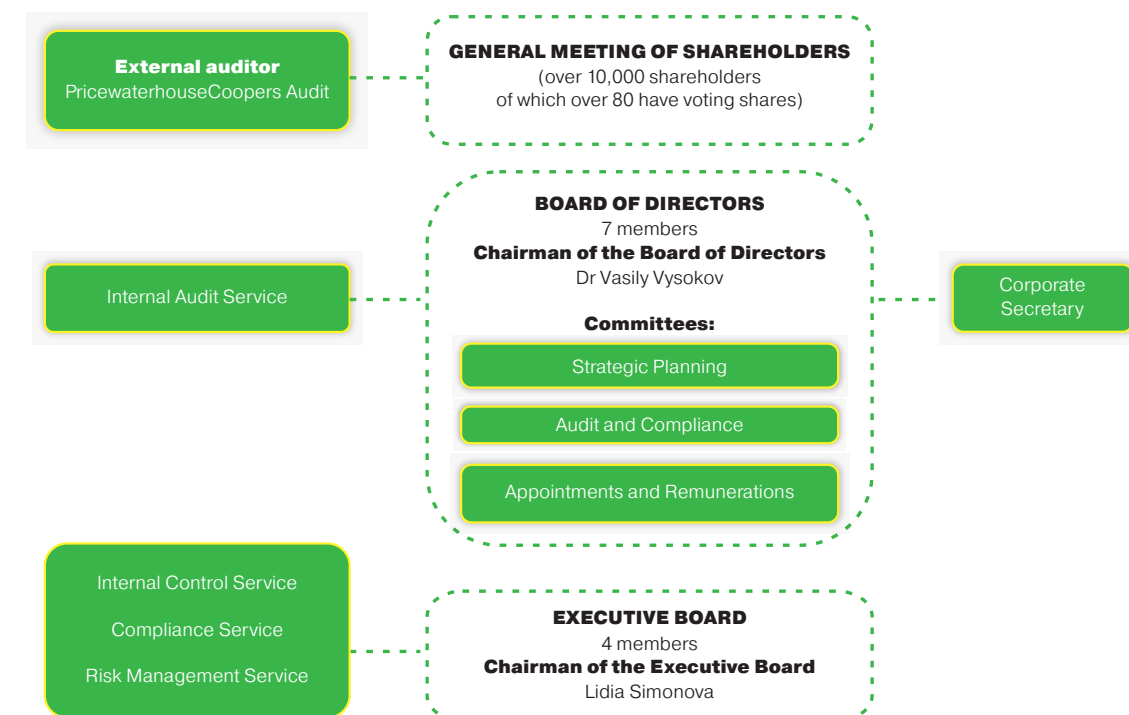
In the reporting year, the bank's corporate governance and the effectiveness of the Board of Directors were independently evaluated. The main findings are as follow:

- Best international practice has been taken into account when establishing the corporate governance system;
- The structure and composition of the Board of Directors enable it to perform its duties;
- The Board of Directors provides comprehensive oversight of the bank's activities;
- The bank ensures that all its shareholders are treated equally and fairly when exercising their rights to participate in the management of the bank and in the General Meeting of Shareholders;
- The bank has a risk management, internal audit and internal control system;
- The bank discloses all required information in line with shareholders' expectations and generally liaises effectively with stakeholders.

A list of affiliates is available on the bank's website:  
<https://www.centrinvest.ru/ru/investors/pub-info/aff-listt>

● 102-18, 102-22, 102-31, 102-32

Center-invest Bank's Corporate Governance Structure



Within the corporate governance framework, the overall management of the bank's activities is exercised by the **General Meeting of Shareholders**, which elects the Board of Directors.

The **Board of Directors** determines the bank's values, mission and strategy, with due regard for economic, environmental and social impacts. It determines: the main types of activities, permissible level of risk, overall expenditure, anticipated financial results, and performance incentive scheme.

The **Executive Board** manages the bank's day-to-day activities which are intended to achieve the aims and objectives set by the General Meeting of Shareholders and the Board of Directors.

The **Internal Audit Service**, which is independent of the bank's executive bodies, was established to exercise internal control of all aspects of the bank's activities and assist the bank's governance bodies in ensuring the effectiveness of the Board of Directors.

The **Risk Management Service** was created to identify risks, establish their likely scale and consequences, develop and implement measures to prevent or minimise the associated losses, and report on transactions in financial instruments.

The **External Auditor** verifies the bank's financial and economic activities in accordance with current Russian legislation, on the basis of an agreement entered into with the bank.

The **Corporate Secretary** ensures that the bank's governance bodies comply with internal and external regulations, facilitates the effective sharing of information between the governance bodies, and acts as an advisor to the members of the Board of Directors and senior managers.

The General Meeting of Shareholders is the bank's highest governance body. It acts in accordance with current Russian legislation, the bank's Articles of Association, and the Byelaw on the General Meeting of Shareholders of Center-invest Bank.

The 2019 Annual General Meeting of Shareholders considered and approved the bank's integrated Annual Report, including information about sustainable development, and the bank's annual financial statements. It elected the Board of Directors, approved the bank's auditor, and approved amendments to the bank's Articles of Association.

Shareholders holding a total of 82% of voting shares participated in the Annual General Meeting of Shareholders.

The Board of Directors provides overall management of the bank's activities, with the exception of matters which, under current Russian legislation and the bank's Articles of Association adopted in compliance with this legislation, fall within the remit of the General Meeting of Shareholders.

## ● 102-38, 102-39



Byelaw on the Board of Directors

<https://www.centrinvest.ru/files/about/reports/inside-documents/Polozhenie-o-Sovete-direktorov-2016-god.pdf>



Byelaw on the Executive Board

<https://www.centrinvest.ru/files/about/reports/inside-documents/Polozhenie-o-Pravlenii-2016-god.pdf>

## ● 102-34, 102-18, 102-22, 102-29, 102-31, 102-32, 102-33, 102-34

In 2019 the Board of Directors held eight meetings, three of which used absentee voting. The meetings considered current issues, such as the quarterly reports from the Executive Board and Internal Control Service and matters relating to the Annual General Meeting of Shareholders and the bank's business plan. Other issues discussed included: joining the Association for the Development of Financial Literacy (Financial Literacy Association), making (approving) the necessary amendments to the Exchange-Traded Bonds Programme and Prospectus for the bank's bonds to be assigned "green" status, and approving internal documentation, such as the Risk Appetite Statement of Center-invest Bank and the Bank Group, the Risk Management Policy and the Credit Policy. All of the directors participated in all of the meetings.

Changes were made to the composition of the Board of Directors in 2019. Aleksei Germanovich left the Board, and Eric Blanchetete joined the Board.

In 2019 the Board of Directors was elected as follows (Decision of the Annual General Meeting of Shareholders of 27.06.2019)::

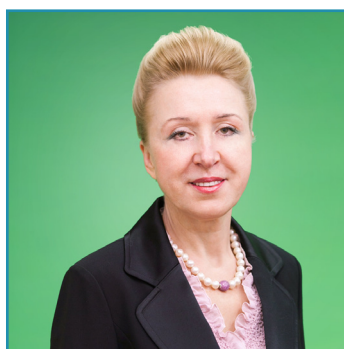


**Dr Vasily V. Vysokov** – Chairman of the Board of Directors, member of its Audit and Compliance Committee and its Strategic Planning Committee

Member of the Board of Directors since 1992.

Shareholding: 11.1%.

Percentage of ordinary shares: 12.3%.



**Tatiana N. Vysokova** – member of the Board of Directors, member of its Audit and Compliance Committee and its Appointments and Remunerations Committee

Member of the Board of Directors since 1992.

Shareholding: 10.96%.

Percentage of ordinary shares: 12.13%.



**Dr Andreas Zeisler** – member of the Board of Directors, member of its Appointments and Remunerations Committee

Member of the Board of Directors since 2006.

No equity stake in the bank.



**Dr Hans Unterdorfer** – member of the Board of Directors, Chairman of its Appointments and Remunerations Committee.

Member of the Board of Directors since 2013.

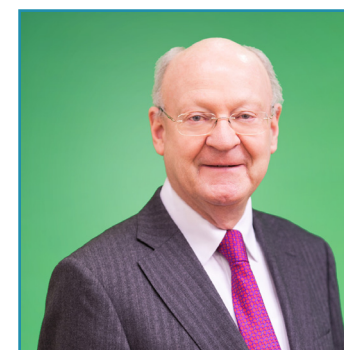
No equity stake in the bank..



**Franz-Josef Flosbach** – member of the Board of Directors, Chairman of its Audit and Compliance Committee. Independent director.

Member of the Board of Directors since 2013.

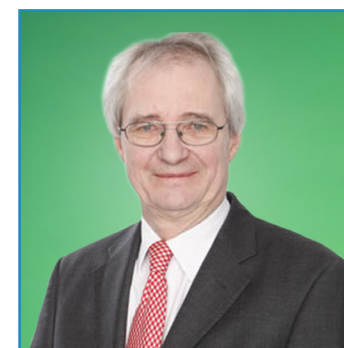
No equity stake in the bank.



**Per Fischer** – member of the Board of Directors, Chairman of its Strategic Planning Committee. Independent director.

Member of the Board of Directors since 2014.

No equity stake in the bank.



**Eric Blanchetete** – member of the Board of Directors, member of its Strategic Planning Committee.

Member of the Board of Directors since 2019.

No equity stake in the bank.

● 102-23, 102-24

In the 1980s, Dr Vasily Vysokov, Professor of Economics, was engaged in teaching and academic research. In 1991 he set up and headed the Market Transition Economic Support Centre reporting to the Rostov Region Soviet of People's Deputies. Dr Vysokov was actively involved in the process of reform in southern Russia and in devising privatisation programmes and programmes to support the development of entrepreneurship, a securities market, and modern banking services. In 1992 Dr Vysokov and his wife, Tatiana Vysokova, founded Center-invest Bank, together with the heads of the Rostov region's first privatised enterprises. Dr Vysokov has been Chairman of the Board of Directors since 2002. On 27 June 2019, he was elected Chairman of the Board of Directors for a new term by the General Meeting of Shareholders. Dr Vysokov is not a member of the bank's Executive Board.

The Board of Directors examines and provisionally approves the bank's integrated Annual Report.

To improve the effectiveness of the decisions taken by the Board of Directors, and to allow for more in-depth and thorough examination of the most important issues, and preparation of appropriate recommendations, there were three Board of Directors' committees in 2019:

Strategic Planning Committee: Per Fischer - independent director (Committee Chairman), Dr Vasily Vysokov, Eric Blanchetete

Audit and Compliance Committee: Franz-Josef Flosbach - independent director (Committee Chairman), Tatiana Vysokova, Dr Vasily Vysokov

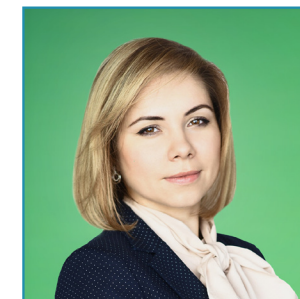
Appointments and Remunerations Committee: Dr Hans Unterdorfer (Committee Chairman), Tatiana Vysokova, Dr Andreas Zeisler

Meetings of the Board of Directors' committees are convened by their chairmen, who also set the meeting agenda.

The Executive Board is the bank's collegial executive body. Led by the single-person executive body, the Chairman of the Executive Board, it organises implementation of the decisions taken by the General Meeting of Shareholders and the Board of Directors.

The Board of Directors determines the number of Executive Board members. Its decision is based on the belief that the composition and quality of the Executive Board is more important than the number of members. The Executive Board reports quarterly on the results of its work and implementation of the bank's business plan and budget.

#### Composition of the Executive Board at FYE 2019



**Lidia Simonova** – Chairman of the Executive Board.

Member of the Executive Board since 2016.

Appointed Chairman of the Executive Board in December 2019.

No equity stake in the bank.



**Sergei Smirnov** – Chief Financial Officer

Member of the Executive Board since 2013.

Equity stake: 0.001%



**Yuri Bogdanov** – Director of Innovations

Member of the Executive Board since 2010.

Equity stake: 0.001%



**Irina Kuznetsova** – Head of Credit Risk and Monitoring Department

Member of the Executive Board since 2014.

Equity stake: 0.001%

**Sergei Yevgenevich** was a member of the Executive Board until 30 October 2019.



The Executive Board manages the bank's day-to-day operations, which are intended to achieve the bank's aims and objectives and implement its strategy, business plan and budget, in the period between General Meetings of Shareholders and meetings of the Board of Directors.

The Executive Board is responsible for the practical implementation of ESG principles and this task is included in the KPIs for the Executive Board members.

The Executive Board and its Chairman approve the bank's policies and programmes, including:



Annual Environmental & Social Report 2019



The report for investors "ESG Banking: Made in Russia"

#### ● 102-21 И 102-29, 102-43, 102-44

Center-invest Bank regularly meets with and consults stakeholders on economic, environmental, and social topics. In September 2019 the bank held a two-day investment forum (ESG Investor Days), which included an ESG foresight session. The event was attended by representatives of investment funds, audit and consulting firms, development institutions, the Bank of Russia, the Moscow Exchange and banking associations, as well as shareholders, employees and customers of the bank.

#### ● 102-15

Under Center-invest Bank's chosen business model, its main risks are:

- credit risk (including its macroeconomic component);
- liquidity risk (closely linked to reputational risk);
- operational risk (including cyber risk and fraud risk).

Our chosen sustainable development strategy focuses on long-term profits. The strategy allows the bank to compete effectively with large federal players due to its proximity to customers and its high level of social responsibility for the impact of its activities. It also allows the bank to occupy a unique market niche, which it creates within the framework of its ecosystem.

The bank has established an effective risk management system. The main risk management methods are stated in section 102-30.

The bank maximises the advantages of its strategy (including its risk management strategy): its effective risk management system allows it to offer customers attractive interest rates, ensuring demand for its loan products. This then allows the bank to choose the best customers, maintain high asset quality, and establish a loan portfolio that is highly resilient to external stresses.

#### ● 102-30, 103-1, 103-2 И 103-3

Center-invest Bank has an effective risk management system, which is underpinned by Bank of Russia requirements, Basel Committee recommendations, best international practice, shareholders' recommendations, the bank's 28 years' experience of managing regional risks, and the lessons drawn from the crises in 1998, 2008, and 2014.


ESG banking risk management entails:

- balancing profitability, organic growth and risk;
- a focus on long-term profits and "nurturing" customers;
- knowing the target markets and regional characteristics;
- rejecting speculative transactions and prioritising growth in lending to retail customers and the real economy;
- detailed analysis of borrowers' businesses and creditworthiness;
- covering risks with sufficient provisions and capital;
- diversifying sources of funding;
- the risk management system being independent of the bank's business units;
- transparency of deals and transactions;

- improving the financial literacy of the population and providing free business advice;
- using stimulatory interest rates to reduce the level of defaults (fraudulent or due to social and environmental factors);
- stress testing to evaluate the bank's resilience to external events and sharp changes in the operating environment;
- continuous innovation to tackle new challenges;
- continually improving the risk management system, taking into account changes in the operating environment, innovation in products and services, and changing regulatory requirements.

The effectiveness of our risk management system is confirmed by Russian and international ratings:

Moody's Investor's Service	LT Bank Deposits (Foreign, Domestic)	Ba3/Stable
Analytical Credit Ratings Agency (Joint-Stock Company)	National scale credit rating	A(RU) / Stable
VIGEO EIRIS	ESG ranking	17/76



The full list of the bank’s current ratings is available on our website

With respect to risk management, the Board of Directors determines the bank’s:

- Development Strategy, in accordance with SRI / ESG principles
- Risk Management Policy (including the capital and risk management strategy
- Risk Appetite Statement (including risk appetite and stress-testing scenarios)
- Liquidity Control Policy
- Credit Policy
- Information Security Policy
- Business Continuity Policy

In terms of the bank’s strategy and business plan, the Board of Directors determines the structure and target levels for risks and capital adequacy.

The Board of Directors monitors:

- the levels of risks assumed, and capital allocated to cover these risks;
- compliance with mandatory capital adequacy ratios;
- the Risk Appetite Statement;
- the results of stress-testing;
- conformity of the bank’s risk profile with its development strategy and business plan;
- the effectiveness of methods to assess, manage and cover the risks assumed.

102-35, 102-36, 102-37

The remuneration of the Board of Directors is regulated by the Byelaw on the Board of Directors of Center-invest Bank, approved at the Annual General Meeting of Shareholders on 02.06.2016.

Reporting period	Type of remuneration (salaries, bonuses, commission, benefits and/or reimbursement of expenses, other)	Amount of remuneration, RUBm.
Jan - Dec 2019	Salaries	0
	Bonuses	58.9
	Expenses incurred in performance of the functions of a member of the Board of Directors, reimbursed by the credit institution - issuer during the reporting period	1.4
	Other	4.8



The remuneration of the Executive Board is regulated by the Byelaw on the Executive Board of Center-invest Bank and the Byelaw on the Chairman of the Executive Board of Center-invest Bank, approved at the Annual General Meeting of Shareholders on 02.06.2016.

Reporting period	Type of remuneration (salaries, bonuses, commission, benefits and/or reimbursement of expenses, other)	Amount of remuneration, RUBm.
Jan - Dec 2019	Salaries	22.1
	Bonuses	35.6
	Expenses incurred in performance of the functions of a member of the Executive Board, reimbursed by the credit institution - issuer during the reporting period	0.7
	Other	0

## ORGANISATIONAL PROFILE

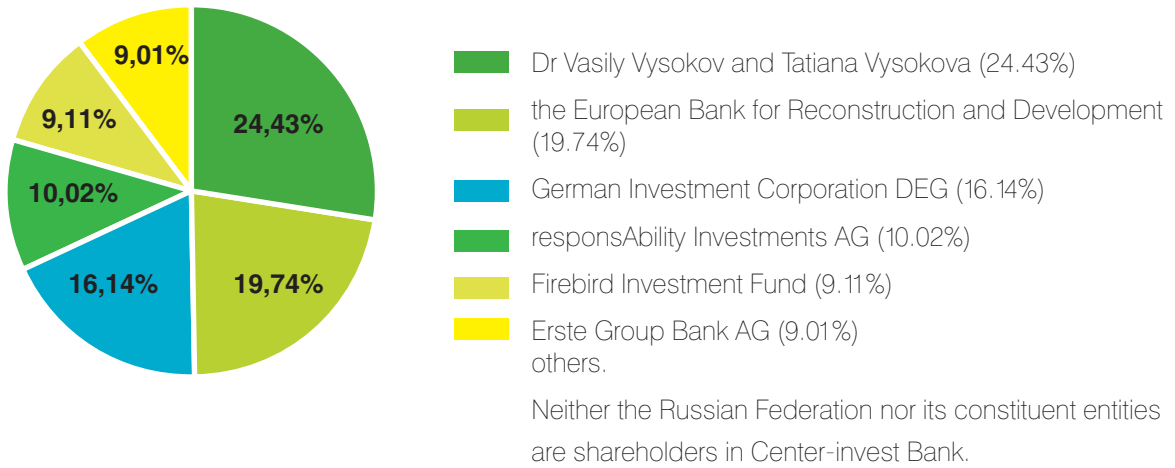
● 102-1,102-2,102-3, 102-4, 102-6

Public Joint-Stock Company Commercial Bank “Center-invest” is a financial institution with a universal banking licence, providing a full range of services for retail and business customers. It provides banking services in accordance with General Licence of the Central Bank of Russia No 2225 dated 26 August 2016.

The bank’s Head Office is located at 62 Sokolova Avenue, Rostov-on-Don, Russia, 344000.

Center-invest Bank operates in six regions of the Russian Federation: the Rostov region, Volgograd region, Krasnodar krai, Stavropol krai, and the cities of Nizhny Novgorod and Moscow. At FYE 2019, the bank had 122 branches and 1,631 employees.

At FYE 2019, the Bank’s Shareholders:



Full details of Bank Licenses is available on the website

Center-invest Bank presents the 2019 results for the regions in which its branches are located: the Rostov region (RR), Krasnodar krai (KK), the Volgograd region (VR), Stavropol krai (SK) and the Nizhny Novgorod region (NN), measured against data for the Russian Federation (RF), the Southern Federal District (SFD) and the North Caucasus Federal District (NCFD), based on information from the Federal State Statistics Service ([www.gks.ru](http://www.gks.ru)). In 2017, Center-invest Bank opened a branch in Nizhny Novgorod (Volga Federal District) to promote the economic transformations model which it is applying successfully in southern Russia.

Housing construction in southern Russia is growing faster than the national average.

Retail sales and spending on services are growing faster in southern Russia than in the rest of the country as a whole. Despite the more modest income levels, both the local population and tourists are purchasing cheaper non-food items and services for which there was previously little demand.

In the regions in which the bank operates, lending to sole traders is growing at a faster pace.

Center-invest Bank's market share among local banks in southern Russia at FYE 2019:

Loans 44%

Deposits 44%

The bank's ESG retail lending focuses on traditional secured loans and mortgages. We offer competitive interest rates, and we do not charge additional fees or require customers to take out insurance.

SMEs account for one third of Center-invest Bank's total loan portfolio. There are various groups within the small business sector: for each sector, ESG banking develops special products, reflecting the different lending risks.

Lending to female entrepreneurs promotes the principle of gender equality and benefits from their lower risk appetite. As female entrepreneurs manage risks more carefully, we can lend to them at lower rates. At the same time, we can focus more on the quality of bank services and on establishing trusting relationships between the bank and its customers.

Youth enterprise and start-up projects are expected to implement the creative ideas of the younger generation within the framework of the existing rules and barriers to entrepreneurial activity. To support this process, the bank provides training for new entrepreneurs through its own Business Accelerator ([acc.centrinvest.ru](http://acc.centrinvest.ru)), preferential terms for business bank accounts and loans, and free advice and mentoring.

Social enterprise addresses community needs in a given market on the basis of more effective approaches, cost-recovery and financial sustainability, and it is scalable, while also effectively manages risks.

Growth rates, 2019 compared to 2018, %		RF	SFD	NCFD	RR	KK	VR	SK	NN
Industry	Output	2,4	2,9	1,0	1,2	3,2	1,0	-2,5	4,3
	Producers' prices	-4,3	0,9	-2,8	1,9	-0,5	-1,5	-5,4	-4,4
Agriculture	Output	4,0	7,1	0,8	5,4	8,3	7,0	-3,4	3,8
	Producers' prices	-4,5	-2,9	2,4	-1,4	-3,2	-7,2	1,2	-7,9
Construction	Output	0,6	-23,4	9,5	-3,8	-33,6	-19,0	18,5	-15,0
	Producers' prices	6,0	8,4	7,6	6,3	10,8	6,2	1,9	7,3
Trade	Output	1,6	1,7	0,9	1,9	2,3	0,0	0,8	1,3
	Producers' prices	3,0	2,7	3,2	2,7	2,6	3,0	3,1	3,0

The regions in which Center-invest Bank operates are successfully adapting to the transformations economy. The first phases had positive results, but the next steps, which relate to the implementation of national projects, will require new solutions to optimise the management of production.

Thanks to the upgrading of equipment and technology, the agricultural sector has experienced high demand against a backdrop of sanctions and weak growth in household income. In the current situation, the sector's advantages in terms of integration into global food chains can only increase. As there is still scope for business modernisation in southern Russia, there is potential for the region to make new advances in its global competitiveness.

Agribusiness is considered a risky sector to lend to. Agribusiness accounts for 15% of Center-invest Bank's total loan portfolio, but we know how to manage agribusiness risks effectively. Using longer-term funding when lending to agribusiness not only reduces the risks of poor harvests, but also allows time for completing modernisation projects.

102-7

Center-invest Bank's key financial indicators calculated in accordance with IFRS

As at 31 December, RUBbn	2014	2015	2016	2017	2018	2019
Capital	9,6	10,6	11,5	12,6	13,1	14,2
Assets	91,3	89,6	96,6	102,6	112,2	119,5
Net loans and leasing	72,0	72,7	73,6	80,1	88,0	85,1
Deposits	49,2	65,0	80,4	87,2	95,2	99,4
Profits	1,1	0,5	1,0	1,4	1,5	1,8
CAR, RAS, % N1.0 ≥10.25	10,9	13,0	11,7	11,2	10,7	11,1
N1.1 ≥6.75	7,7	9,5	9,5	9,6	9,5	9,4
N1.2 ≥8.25	7,7	9,5	9,5	9,6	9,5	9,4
CAR, IFRS, % ≥ 8	14,5	17,1	17,0	16,8	16,7	18,4
CAR Tier 1, IFRS, % ≥ 4.0	10,3	12,7	13,7	15,0	15,1	16,8
CAR, Basel 3, % ≥ 10.5	13,0	15,1	14,8	14,6	14,4	15,8
CAR Tier 1, Basel 3, ≥ 8.5	9,2	11,2	12,0	13,1	13,0	14,4
ROAA, %	1,3	0,6	1,1	1,4	1,4	1,5
ROAE, %	12,1	5,3	9,1	11,8	11,9	13,1
Cost income ratio %	43,4	51,1	44,9	48,7	47,6	53,6
Number of children born to bank employees	86	78	103	89	72	72

CONCLUSION

102-50, 102-52

This Sustainability Report produced by Public Joint-Stock Company Commercial Bank "Center-invest" for 2019 presents information about the financial and non-financial (ESG) results of the bank's activities in an integrated format for the reporting period from 1 January 2019 to 31 December 2019.

102-51

Center-invest Bank's previous integrated report was published on 20 June 2019 on its website. It can be viewed here: 2018.centrinvest.ru.

102-45, 102-46, 102-49

Unless otherwise indicated, the financial data in this report is taken from the IFRS consolidated financial statements. The consolidated financial statements of the Center-invest Bank Group comprise the financial statements of Public Joint-Stock Company Commercial Bank "Center-invest" and its subsidiaries: Center-Leasing Ltd and JSC Belokalitvinsk Poultry Farm. There were no material changes in the approaches and principles used to produce the consolidated financial statements of the Center-invest Bank Group compared to the previous period.

207-1

The bank does not have a tax strategy. Every year the Board of Directors' Audit and Compliance Committee approves the bank's Tax Accounting Policy. This policy sets out the tax accounting principles and approaches to be followed by the bank, in full compliance with applicable Russian tax law. It ensures transparency in tax accounting and compliance with Russian tax laws and regulations.

207-2

The Tax Accounting Policy ensures transparency in tax accounting. The bank’s risk management system allows it, in a timely and effective manner, to identify, assess and limit the risks assumed by the bank, control the size and structure of the risks, identify the main factors influencing the degree of risk, and minimise the consequences should risks be realised. The Internal Audit Service exercises internal control of the bank’s tax accounting. The External Auditor audits the bank’s financial and economic activities and assesses the level of tax risks annually.

The data on sustainable development (ESG) is consolidated for all of the bank’s projects that have a significant socioeconomic impact in the regions where the bank operates.



Center-invest Bank’s Annual Report 2019 can be viewed here.

102-50

This report uses data provided by the company’s reporting system to the extent to which the information is of interest to the bank’s current and potential shareholders, partners, customers and employees.

102-53, 102-54

The accuracy of the data contained in the report is ensured during the process of collating and consolidating information, and it is confirmed by heads of departments or other persons responsible for preparing specific sections of the report.

We welcome any questions and suggestions concerning the Sustainability Report.

Contact person: Sergei Smirnov, Chief Financial Officer

Contact email address: dobro@centrinvest.ru

102-55

TABLE OF INTERACTIONS BY GRI STANDARTS

Disclosure level: ● completely ● partly ○ not disclosed

Universal Standards GRI	Page in the report	Disclosure level
<b>GRI 102: Organizational profile</b>		
102-1. Name of the organization	85-88	●
102-2. Activities, brands, products, and services	38, 85-88	●
102-3. Location of headquarters	38, 85-88	●
102-4. Location of operations	85-88	●
102-5. Ownership and legal form	85	●
102-6. Markets served	85-88	●
102-7. Scale of the organization	22, 58, 88	●
102-8. Information on employees and other workers	58-64	●
102-9. Supply chain		○
102-10. Significant changes to the organization and its supply chain		○
102-11. Precautionary Principle or approach	12-14,	●
102-12. External initiatives	12-14,	●
102-13. Membership of associations	12-14	●
102-14. Statement from senior decision-maker	21, 22	●
102-15. Key impacts, risks, and opportunities	80, 81	●
102-16. Values, principles, standards, and norms of behavior	64, 65, 68, 69	●
102-17. Mechanisms for advice and concerns about ethics	64, 65	●
102-18. Governance structure	69-71, 73-75	●
102-19. Delegating authority	73-75	●
102-20. Executive-level responsibility for economic, environmental, and social topics	69-73	●
102-21. Consulting stakeholders on economic, environmental, and social topics	80	●
102-22. Composition of the highest governance body and its committees	73-77	●
102-23. Chair of the highest governance body	64, 73-76, 78	●
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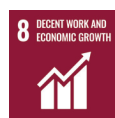
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