

BANKING ON SUSTAINABILITY

Financing Environmental and Social Opportunities
in Emerging Markets





BANK “CENTER-INVEST”

Sustaining Market Share through Lending to SMEs and Energy Efficiency Projects

At A Glance

Established in 1992 in the city of Rostov-on-Don, Bank “Center-invest” ranks among the largest 150 Russian banks and is the largest privately owned bank in the Rostov Region. It has 9 branches and 33 sub-branches, mainly in the Rostov region, which service both large corporations and SMEs. Since 2004, the bank has been expanding to neighboring regions and has established representative offices in Moscow and in London. Since 2002, it has received investments and trade finance from IFC, EBRD, DEG, KFW, and USAID, along with technical assistance in the areas of credit underwriting, risk management, international accounting standards, business organization, and social and environmental management. | www.centriinvest.ru

Market Challenges

“Center-invest” is aggressively developing its retail business. It has an excellent reputation in its home market, which has enabled the bank to attract the most important enterprises in the region as clients, as well as the second largest retail deposit base. “Center-invest” intends to remain focused on a product strategy that relies on using international best practices and technology to keep ahead of its competition. The bank’s association with international financial institutions—particularly the equity investment from EBRD in 2004 and DEG in 2005, and two loans from IFC—enhanced the bank’s reputation and have enabled it to provide longer-term funding. However, competition is intensifying. Sberbank, the biggest Russian bank, is the main player in the market and Moscow-based banks are expanding their operations in the region. The management of “Center-invest” is responding by directing the bank to provide superior service to its clients, expand in new areas, and leverage its local connections and knowledge of the local market.

Social and Environmental Management

“Center-invest” has taken a number of steps to implement social and environmental considerations in overall lending activ-

ities. For example, two representatives of the bank attended IFC’s Competitive Business Advantage workshops in Moscow in November 2004. Guided by IFC’s Exclusion List and Project Categorization, as well by local social and environmental requirements, “Center-invest” uses environmental impact assessment and site visits to evaluate social and environmental criteria of funded projects, and also takes on environmental liability insurance.

“Center-invest” routinely carries out active consultations with clients on social and environmental impacts and, with participation of local social and environmental authorities, assists in developing an activity plan to monitor them. The following are examples of ways in which “Center-invest” is supporting clients through sustainability and growing its business in the process:

- The bank encourages its clients take measures to reduce their emissions of pollutants to meet strict State requirements.
- It had developed a successful program, “Support to SMEs of the Don River Region,” which serves over 9,000 small businesses and 4,000 individual entrepreneurs. IFC provided a \$5 million ruble-linked loan to the program in 2005, which the bank will use to extend long-term loans to SMEs in rubles. In 2005, “Center-invest” provided over \$343 million in credit to

SMEs, or 38.8 percent of the total volume of SME lending in the region.

- In 2005, “Center-invest” ranked among the 25 leading Russian banks to provide affordable housing finance.

Lending to Energy Efficiency Projects

With its diversified loan portfolio in a broad range of sectors, “Center-invest” is in a good position to provide energy efficiency loans to energy equipment producers, maintenance services, industrial energy consumers, and local regional and municipal governments. This area has been a strategic priority for the bank and is strongly supported by senior management.

In August 2005 IFC started a program to assist “Center-invest” in developing a pipeline of energy efficiency projects. Training events for both bank staff and bank clients were held in Rostov and Krasnodar, and IFC staff worked with “Center-invest” staff to build up a network of suppliers of energy efficient equipment. In 2006 IFC provided a \$4 million loan to “Center-invest” for lending specifically to these energy efficiency projects. IFC’s financial products and technical assistance are enabling “Center-invest” to expand and improve its lending to energy efficiency in the region. The bank has been marketing the energy efficiency program very aggressively. Since the beginning of 2006, the bank has made decisions to finance eight projects totaling \$4.4 million. Out of these projects, three were financed by “Center-invest” from its own resources and will be re-financed from the loan funds.

In addition to the above projects, the bank has a strong pipeline of energy efficiency projects: over 22 current projects totaling at least \$8.4 million, as of May 2006. Among the industries and projects financed are the food processing industry (a sunflower oil extraction factory, confectionery, bakeries, meat processing, milk processing); a brick factory; machinery production; leather processing; local municipal and private apartments maintenance; construction (new apartment buildings); packaging; and printing.

»» At ‘Center-invest’ we realize that market differentiation and expansion of our services into market segments with high potential are key factors to increase our competitiveness and sustain revenue growth. That is why areas such as lending to SMEs and energy efficiency projects are among our highest strategic priorities. However, this work also requires greater attention to social and environmental factors. IFC’s assistance in this regard has been very useful. ««

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