

## Center-Invest: southern champion with a social conscience

"If Moscow is the centre of Russia, then the south is the pearl." That's the mantra that Vasily Vysokov, chairman of Bank Center-Invest, likes to chant about the Krasnodar Krai federal district where his bank is the pre-eminent private sector player. As a native of Rostov-on-Don where Center-Invest is headquartered, he's clearly biased in his opinion of his home region but there's no denying the fact that he and his wife Tatiana, who founded the bank back in 1992, have built a successful banking franchise that has propelled Center-Invest into the top 150 banks in Russia. So successful in fact that Vysokov remains supremely confident that Center-Invest will comfortably see off increasing competition from both Russian- and foreign-owned banks on his home turf.

In recent years the bank has been able to double its key financial figures, a performance that Vysokov claims can be maintained in the face of all-comers on the back of a simple philosophy. "As a regional bank, we know how to manage regional risks properly," he says. What's more, he says, after more than a decade and a half of operations the bank is now a fixture in its home region and has become a brand that people have come to trust. Moscow-based banks such as MDM Bank, Alfa Bank and Bank of Moscow alongside foreign-owned players such as Austrian-owned Raiffeisenbank, Italian-owned International Bank of Moscow and French-owned BSGV are trying to muscle in on Center-Invest's

Most recently it bought an 85% stake in Sochigazprombank from Gazprombank. Bank Zenit is looking to launch an initial public offering in the coming months.

Richard Hainsworth, founder of Rus Ratings, a Moscow-based independent ratings agency, says that the Conversbank group is one to watch. Although headquartered in Moscow the group has built a strong portfolio of banks in the Baltic republics and Russia, including Latvijas Krajbanka in Latvia and Bankas Snoras in Lithuania, and in Russia it has Investbank in Kaliningrad, Bank Gran in Yekaterinburg, Bank Enisay in Krasnoyarsk and VoronegPromBank in Voronezh, all up and coming economic centres of the country. It also boasts a UK arm following the acquisition of Pointon York Bank, which has been renamed Conversbank (UK).

Successful regional banks in Russia seem universally based on simple selling propositions. Vasily Vysokov, chairman of Bank Center-Invest, the leading private sector player in southern Russia, believes that quality of service is a key differentiator in an increasingly competitive banking marketplace. "At Center-Invest branches our bank tellers smile at our customers - you wouldn't get that at Sberbank," says Vysokov, adding that at Center-Invest customers get to sit down while bank staff run around for them, rather than the other way around at a more classically Russian banks.

Igor Kim, chairman of Ursa Bank, one of the leading banks in Siberia and the Urals, takes a similar view of the importance of responsive front-office staff. "We have a young, goal-oriented team of workers with an average age of just 26," he says. He says

territory, but Vysokov is sanguine about the threat they pose. "Where were they after August 1998?" asks Vysokov, referring to the fact that in the wake of the country's financial crisis of that year Center-Invest was one of the few banks left standing and servicing the needs of the local community.

Although Vysokov is a self-confessed fan of his home region, he says that Center-Invest aims to operate along international best practice and corporate governance lines and encourages its clients to do the same. As the so-called breadbasket of Russia, some 23% of Krasnodar's gross regional product comes from agribusiness, and as well as servicing the farming community's bread-and-butter banking needs, Center-Invest is committed to providing advisory and consultancy services that will enable the region's agricultural businesses to understand and compete in the increasingly competitive and globalized sector. The bank's outward-looking philosophy has won it strong backers in the form of the European Bank for Reconstruction and Development, the International Finance Corporation and Deutsche Entwicklungs-Gesellschaft among others; a fact that ensures that the bank has cost-effective access to capital and valuable expertise and know-how. In the all too often rapacious world of Russian banking, Vysokov is notable for his belief in the virtues of sustainable development; as a result Center-Invest is one of the country's market leaders in advising on social and environmental impact studies, with a particular emphasis on helping to cut carbon emissions and finance affordable housing. In a country that still bears the unenviable crown for being the most polluted in Europe and still faces a severe housing shortage, that's a remarkably responsible view.

that Sberbank in contrast has inherited Soviet-era personnel who are older, less enthusiastic and less motivated. "Sberbank faces a very serious challenge in that it needs to do a large-scale rotation of staff," says Kim. Kim says that Ursa's young team helped the bank to triple profits in 2006. A further doubling of profits is expected in 2007.

Ursa's performance has won Kim widespread recognition among the analyst community in Russia. In a recent report, Ursa Bank: A bear grip on the market, Renaissance Capital fixed income analyst Dmitry Polyakov says: "We believe that Kim is a major mastermind and driving force behind the bank's transformation into a regional leader... with a well-established franchise and a good chance to defend its position in its home markets. All in all, we consider Ursa to be one of the most promising regional growth stories." As a result of such praise, the bank has been able to fund its aggressive growth in the international markets and has about \$1.2 billion of Eurobonds outstanding, not just in dollars and euros but also more exotic currencies including Hungarian forints.

Not everyone is convinced that Ursa's aggressive growth dynamics are necessarily a good thing. "To the believers, Ursa is one of the best banks ever, but for others it's a disaster waiting to happen," says Fenner at UFG Asset Management, echoing concerns in some quarters about delinquency rates on unsecured express loans - potentially the Russian equivalent of the sub-prime mortgage problem in the US. Kim says that the bank is addressing its relatively high 5.6% non-performing loan numbers by introducing an automated credit risk scoring system, Experian-Scorex, to help