

“REGIONAL BANKS ARE EFFECTIVELY MANAGING REGIONAL RISKS AND BECOMING RELIABLE PARTNERS FOR INVESTORS”



Center-Invest is the largest private bank headquartered in the Rostov region, an important economic centre in southern Russia. Here the bank's Chairman, Professor Vassily Vysokov, explains why the most interesting banking activity is taking place in Russia's regions

What is the focus of Center-Invest's development in 2005?

Center-Invest has been doubling its key financial figures every year, and has also helped its clients to double investment in the growth of Russia's GDP. In 2005, Center-Invest will offer the economic mechanisms, to guarantee the doubling of growth and development for clients through up-to-date banking technology and long-term sources of financing. Specifically this will include:

- **Doubling business** with Center-Invest: Modern banking technology to develop the business of clients. Center-Invest offers a whole range of commercial banking services: rated cashier facilities, including currency control and trade financing, all kinds of lending and leasing for major enterprises and small, business operations with securities, lending to the employees of the business through credit cards issued by the bank.
- **Doubling knowledge:** Center-Invest conducts seminars and consultations for its clients on investment projects and modern accounting methods.
- **Doubling the scale:** the bank supports the business of the clients, through the development of its branch network. Center-Invest's clients receive absolutely equal high quality service in any of its branches in southern Russia; the branch network is developing as the business of our clients grows.
- **Doubling achievements:** Center-In-

vest possesses significant experience of cooperation with the international financial institutions and attracts long-term financial resources to the economy of southern Russia (including credit and guarantee lines from the EBRD, IFC, USAID, KfW, HERMES, DEG etc). Through its international cooperation, Center-Invest has found foreign partners for its clients, bringing new reliable partners to the south of Russia. The results show that working with Center-Invest is a win-win situation.

- **Doubling standards** of living: the strategy of the bank is to offer the population modern banking services on the basis of international standards. With the Centre-Invest the population of southern Russia has access to a wide range of deposit schemes, car loans, mortgages, retail loans, currency exchange, money transfers, Western Union and international plastic cards settlements including MasterCard and VISA.

In 2004 the EBRD bought 25.23% of Center-Invest. How is this relationship benefiting the bank and how does the bank plan to expand its programmes of long-term cooperation with international financial organisations?

The participation of the EBRD in the equity of Center-Invest was the first project of this kind by the EBRD in Russia since in 1998 and it confirmed

that there are banks in Russia that are capable of managing regional risks effectively thus becoming a stimulus for other financial institutions. Center-Invest has signed loan agreements with IFC, KfW, DEG, USAID and other FIs. Apart from the EBRD, at the end of 2004, the IFC offered Center-Invest a subordinated loan, as a result of which the capital of the bank exceeded 1b rubles. Due to cooperation with international financial institutions the bank attracted long-term financial resources for the industrialisation of southern Russia.

How is Center-Invest positioning itself in ongoing consolidation of the Russian banking sector?

I have to mention that Center-Invest's management are lecturers from economics universities, who have been advising specialists in southern Russia for many years. Today, they consult colleagues from other regional banks on the issues of international cooperation, the shift to the ISFR, the introduction of modern methods of internal control and risk management and the corporate governance code. Although Russian legislation is not stimulating mergers and acquisitions, this market has a great deal of potential. Center-Invest is creating technology for mergers and acquisitions, aimed not at the redistribution of the market but at taking advantage of the positive effects of banking consolidation.

In December 2004, Center-Invest was accepted for Insurance Scheme of Deposits. How urgent is the Bank of Russia's ongoing reform of the banking sector and are you happy that reform is progressing as fast as it needs to?

The Russian banking system is smaller by more than twenty times in terms of capitalisation than the European system. In terms of crediting and attracting deposits it is smaller by five to six times. These figures reflect the potential for growth in the market for banking services in Russia.

The Russian banking sector is an attractive sector of the Russian economy – it is the most dynamic sector with a growth rate of 30 - 40% per year, compared to 6 - 7% for the economy as a whole, it is the most transparent with the Bank of Russia controlling standards and operations on a daily basis, it is the most competitive () with taxes and the reserves of commercial banks used for the development of their direct competitors – the state banks, the most

competent due to the banks controlling and managing not only their own risks but also the risks of their clients in every sector of the economy.

Today the banks are part of Russian accounting standards. Taxes and reserves from commercial banks are used for the financing of state banks. State banks are not effective at managing regional risks, therefore the regional banks stand out which know not only the regional risks but also manage them properly.

Among the other measures, necessary for further development of the banking system, are:

- the acceleration of change to ISFR , which will help to attract more resources from the population and foreign partners,
 - the introduction of the corporate governance code, making the banks more transparent,
 - the simplification of procedure allowing foreign banks to work in Russia.
- This is necessary for Russia's accession to the WTO

To what extent has corporate governance improved in the Russian banking sector in recent years how much more improvement is needed?

Center-Invest approved the corporate governance code in the beginning OF 2004. The code was prepared with the help of the IFC and EBRD and was designed not only to attract new investment and long-term financial resources, but also to increase the protection of the shareholders, managers and employees rights.

As a result of the code, corporate culture was taken to a new level of the corporate culture, and team spirit was preserved with the expanding sales and expansion of the branch network. Banks need corporate governance codes to build an effective system of their risk management. This is an evidence that the regional banks are managing regional risks effectively and they are good examples of being reliable partners for investors. 




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