

“South of Russia plus”: the new strategy of Bank Center-Invest



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Education and scientific effort

In 1976, graduated Rostov State Institute of National Economy. In 1982, graduated Novosibirsk State University. 1976-91, Assistant Professor, Senior Lecturer, Associate Professor of the Department of National Economy Planning of the Rostov State Institute of National Economy, Rostov-on-Don. In 1995, Post Ph.D. (Doctorate) School of the Central Institute for Economics and Mathematics of the Russian State Academy of Sciences. Academic of International Ecology and Vital Activity Academy.

Business experience

In 1991, Head of Rostov Region administration Center of Economic Assistance for market conversion. 1997-98, General Director of the Federal Fund for Assistance for Small Businesses.

1992-02, Deputy Chairman of Directors Board of JSC “Center-Invest” Bank. Since 2002 Chairman of Directors Board of JSC “Center-Invest” Bank.

Vice-president of Chamber of Commerce and Industry, member of Rostov region Governor’s Councils for Banking activities, member of Krasnodar Region Governor’s Councils for investments, Member of Rostov Region Council for Small Enterprises, Member of European Economic Association.

Participant of World Economic Forums in Davos, Annual meetings of World Bank, Annual meetings of EBRD and other international economic forums.

Awards

Entrepreneur of the Year 2003 – Russia (Financial Services), by Ernst & Young; First Place in “Most Successful entrepreneur 2004 Rating”.

Books and articles

Dr Vysockov is the author of more than 200 works on problems of a transitional economy, privatisation and post privatisation development of small business.

Dr Vasily Voskov talks about the advantages of the Southern Federal District of Russia, and, based on the Bank’s Center-Invest own experience, introduces the opportunities for potential investors

The pearl of Russia

Foreign partners of Bank Center-Invest usually say after visiting Rostov-on-Don, Krasnodar or Sochi: “If Moscow is the centre, then the South is the pearl of Russia”. This seems to be accepted.

Russia needs a new industrialisation for all of the regions and all of the economic sectors. The South Russian region has many advantages, which are due to the natural recourses and climatic conditions. The average temperature is 5 degrees higher than in Central Russia, and so both pines and palm trees grow in the South of Russia. Another advantage is that the South of Russia is a point of intersection of the major transportation routes: Centre-Caucasus & the Urals-Europe. The South has a good infrastructure including sea, river, railway, car, air and pipeline transportation. These climatic and geographic factors create favourable conditions for the 1/6 of the Russian population, which lives in this area.

The South produces 1/5 of all the

agricultural production of the whole country. It is not a coincidence that outflow of capital from Moscow is accompanied by its movement to the South. The share of the South of Russia in total investments in Russia equaled 8.7% in 2005, and in the volume of building and construction it was 14.3% of the total. The rates of economic growth in the regions of the South of Russia exceed the average Russian level by 2-4%. It also benefits from the active development of services and hotel business.

The positive changes undergone by Bank Center-Invest illustrate the experience and business trends of the region. Scales of the Bank’s business activities are doubled annually. In 2006, the number of depositors of Bank Center-Invest increased by 20%, up to 126 000 persons. Since the beginning of 2006 until October, the Bank has already granted 15 000 consumer loans to the amount of RUR 2.2 billion, and loans for SMEs reaching a total of RUR 8.5 billion.

Position, in % to Russian Federation

	Southern Federal District	Rostov region	Volgograd region	Krasnodar Territory	Stavropol Territory
GRP	7,8	1,6	1,2	2,4	1,0
Industry	5,1	1,4	1,1	1,2	0,6
Agriculture	22,7	2,7	1,4	3,0	1,4
Commodity turnover	11,1	2,7	1,4	3,0	1,4
Building of houses	14,3	2,7	1,2	4,5	1,6
Direct investments	8,7	1,6	1,0	3,2	0,9

Consumer market

Consumer market

There are 22.7 million people living

in the South of Russia. They are of different nationalities, who have a specific southern spirit, physical

attractiveness and a high level of skills.

The South of Russia is a large consumer market, although the income of the population is 30% lower than the average for Russia. This could be in large part thanks to a fact that people do not have to purchase food from commercial sources because of very fertile soils and favorable agricultural conditions. A more accurate assessment of the living standards of the population of the South of Russia can be made on the basis of the volume of commodity turnover, the housing standard and the number of cars per household. In all these areas the living standard of the South is showing to be comparable to the rest of Russia.

The pattern of consumption shows local variation. People in the South of Russia prefer building their own houses and driving their own cars. There is a large potential for growth in services.

The development of the hotel business infrastructure is of especial importance for the resorts of the Black Sea and the Caucasian Mineral Waters.

Production market

The South of Russia produces about 23% of all the agricultural goods in Russia, including about 60% of sunflower products, 30% of grain, 21% of vegetables, 14% of milk and 18% of meat. Both agricultural production and its processing need new industrialisation. The experience of the Bank Center-Invest customers demonstrates that implementation of new technologies allow decreasing production costs by 30%. Consequently, investments are repaid within 2-3 years.

The structure of industry in the region is well diversified. Besides the development of the food industry, there is also a shoe industry, construction of machinery, a chemical industry, a production of construction materials, and a production of electricity, oil and gas. In recent years, there has been a rapid growth in production.

There also is expanding an intensive building of hotels, residential and

commercial estates in the region.

Infrastructure market

Small business in the South of Russia is developing very fast. To a great extent it is connected with traditions of entrepreneurship. About 20 thousand SMEs and individual entrepreneurs are customers of Bank Center-Invest. Small businesses channel over 50% of all the loans to renovation of the fixed assets and implementation of new technologies, especially in the sphere of energy saving.

The market for telecommunication, transportation and banking services is developing rapidly. However, the services market is still 2-3 times smaller than that of developed countries. This difference suggests that there is a room for growth by implementing new investment projects.

Investment market

Diversified structure of the economy of the South of Russia is attractive for investors in all the sectors of the economy, however so far investors have preferred to invest in forestry, fish production, hotel and restaurant businesses. They have also supported residential and road construction, logistic centres, and implementation of energy efficient technologies.

Investors find many opportunities in the region due to its large popu-

lation, good climatic conditions, and the development of many successful SMEs. Opportunities also lie within the real estate sector, which is rapidly. Despite the increase in business, the rent or purchase prices remain at a moderate level. There is an unsaturated market and growing demand. This gives advantages for the development of businesses. These are supported by a regional partner like the Bank Center-Invest, which helps to mitigate regional risks and to solve administrative issues.

Together with the large investment projects the greatest economic effect is obtained by investments that are realised through SMEs. Such businesses do not require large initial investments as they are oriented to specific market. They have transparent management and their owners are highly motivated. At Bank Center-Invest the share of loans to small business is over 30% in the loan portfolio. At the same time the share of small business in long-term loans (including leasing) is over 50% percent. The Bank Center-Invest is the leader for SME lending in the South of Russia, and currently achieves 45% of the market. Since 1997, the Bank has been supporting the development of the SMEs with the programs of IFC, EBRD, USAID and other institutions.



Center-Invest is your local partner

Shareholders of the Bank Center-Invest are as follows: EBRD (25%+1), DEG (20.6%), Firebird Investment Fund (9%), Raiffeisenlandesbank Oberösterreich (3,6%) professor Vysokov's family (26%). Due to their intensive work towards the implementation of the best world practice in the Bank's activities, the Bank Center-Invest itself has become a role model for Russian regional bank activities.

Today Bank Center-Invest exhibits the following characteristics:

- it is a dynamic bank, which is developing successfully in accordance with both Russian and international standards. For ten years PricewaterhouseCoopers has been auditing the Bank according to IFRS. This year Moody's agency has assigned the international rating of B1 and the national rating of A2.ru to the Bank. During the two years prior to Moody's Russian agency RusRating has been confirming BB rating for Bank Center-Invest;



successful development for its customers and its partners;

- it is a reliable bank, which results in it receiving syndicated loans, credit lines and guarantees from the leading Russian and international banks.

Strategy "South of Russia plus"

The South of Russia possesses a great potential that can be used in a more efficient way. Due to the implementation of new equipment and new technologies on the basis of lending, leasing and factoring the customers of Bank Center-Invest have increased

of the Bank.

To realise the strategy "South of Russia plus" key shareholders of the Bank have increased the Bank's capital by 1.5 times and created the basis for a successful development of the Bank in the following directions:

- the development of the branch network – doubled in size;
- the development of the product range due to lending to small enterprises in the agribusiness, the services sector, construction and building, transport, industry, servicing of network companies;
- the development of retail

	2005	2006 FORECAST	2007 PLAN	2008 PLAN	2009 PLAN	2010 PLAN
Capital (Bal)	81	147	174	210	245	324
Assets	505	807	1208	1691	2370	3319
Loans	304	602	854	186	1650	2305
Deposits	286	443	602	844	1182	1654
Net Profit	11	20	32	40	49	71
Number of branches	45	58	73	85	95	105

- it is an open bank with a transparent shareholder structure, it complies with the requirements of its Corporate Governance Code. An ex-president of Bundesbank Mr Ernst Welteke works as an independent director in the Supervisory Board of the Bank;
- it is a competitive bank, rated in the TOP-100 Russian banks and TOP-20 regional Russian banks;
- it is a competent bank as it complies with the requirements of Russian and international banking regulations;
- it is an innovative bank providing

growth of their business. Many of them are more than doubling their business. The efficiency of their activities is increasing in the growing market of the South of Russia.

Accumulated experience of successful development and efficient management of regional risks allowed the shareholders of Bank Center-Invest to approve a new strategy "South of Russia+". This strategy provides for the development of a branch network in the Rostov and Volgograd regions, Krasnodar and Stavropol Territories as well as for the support of interregional cooperation of the customers

services, including mortgages, car loans, personal loans, credit cards etc;

- the development of trade finance activities;
- the operational development on the basis of a new IT system "SAP for Banking", the perfection of risk management, internal control and staff management systems.

The new strategy of the Bank Center-Invest "South of Russia plus" reveals new opportunities for the customers and partners of the Bank Center-Invest in the South of Russia. 