



# Priorbank Experience in Belarus as RBI Subsidiary

Presentation by Bernd Rosenberg, Deputy Chairman of Priorbank JSC,  
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# Key Facts on Priorbank

- Established back in 1989, controlling stake acquired in 2003 by Raiffeisen Bank International currently holding 87.74% of Priorbank's shares
- Country-wide presence: 87 banking units across Belarus
- Solid customer base: over 750 thsd. clients, thereof over 1 800 large corporates and almost 32 thsd SMEs
- One of the **leading** private banks in the market ranking 7<sup>th</sup> in terms of assets with a market share of over 5% as of 2017 year end
- Full-service commercial bank with a broad product range: loans and deposits, settlement & cash services, trade finance, forex, cards, leasing, project finance, investment banking consulting services, bonds, asset management.
- Repeatedly acknowledged as the best bank in Belarus by The Banker and a number of reputable financial institutions, such as EBRD, Global Finance and Euromoney.



# Priorbank in Commercial Banks Rating

(as of 31.12.2017 EUR mln. according to local standards)

a	Bank	Equity capital	Profit	Net Assets	Loans to legal entities	Loans to individuals	Term deposits of legal entities	Current account of legal entities	Term deposits of individuals	Current account of individuals
1	Belarusbank ASB	1 512,7	73,1	12 154,7	5 163,6	2 420,2	2 654,5	781,9	3 494,8	369,5
2	Belagroprombank	739,2	10,1	4 298,8	2 018,1	166,3	636,9	205,0	1 352,9	107,9
3	Belgazprombank	262,0	44,3	2 133,1	873,3	177,2	425,4	391,4	353,9	95,7
4	BPS - Sberbank	282,6	35,7	2 124,3	884,0	190,4	261,7	269,7	393,7	139,6
5	BelVeb OJSC	271,6	29,0	1 859,7	1 100,5	70,4	355,4	118,7	473,5	53,9
6	Belinvestbank	224,7	4,8	1 704,7	719,3	129,6	344,7	280,9	393,9	133,8
7	Priorbank JSC	226,2	84,0	1 564,9	708,3	175,3	158,1	337,7	230,9	236,5
8	Alfa-bank ASB	100,3	24,9	822,8	407,4	66,6	152,9	108,7	111,0	119,1
9	Bank VTB (Belarus)	90,5	11,9	619,7	216,9	98,9	229,3	36,1	74,4	17,9
10	MTBank	63,4	20,1	434,0	148,9	151,6	90,0	74,2	73,5	53,9
11	Moscow-Minsk	41,8	6,3	430,3	183,5	51,8	96,9	57,1	144,4	20,1
<b>Total Banking System</b>		<b>4 092,2</b>	<b>367,2</b>	<b>29 422,7</b>	<b>12 865,8</b>	<b>3 832,9</b>	<b>5 648,5</b>	<b>2 829,8</b>	<b>7 333,5</b>	<b>1 403,5</b>
<b>Priorbank market share as of 31.12.2017, %</b>		<b>5,5%</b>	<b>22,9%</b>	<b>5,3%</b>	<b>5,5%</b>	<b>4,6%</b>	<b>2,8%</b>	<b>11,9%</b>	<b>3,1%</b>	<b>16,9%</b>
<b>Priorbank's place as of 31.12.2017</b>		<b>6</b>	<b>1</b>	<b>7</b>	<b>7</b>	<b>4</b>	<b>8</b>	<b>3</b>	<b>7</b>	<b>2</b>
<b>Priorbank market share as of 31.12.2016, %</b>		<b>5,8%</b>	<b>19,0%</b>	<b>4,7%</b>	<b>4,9%</b>	<b>4,1%</b>	<b>2,0%</b>	<b>12,9%</b>	<b>3,7%</b>	<b>15,6%</b>
<b>Priorbank's place as of 31.12.2016</b>		<b>6</b>	<b>2</b>	<b>7</b>	<b>7</b>	<b>2</b>	<b>9</b>	<b>2</b>	<b>7</b>	<b>2</b>

# Key Figures

EUR mn	Actual 12/2016	Budget 09/2017	Actual 09/2017
<b>Assets</b>	<b>1 391,7</b>	<b>1 259,0</b>	<b>1 333,6</b>
<b>Equity</b>	<b>265,5</b>	<b>262,1</b>	<b>231,7</b>
<b>Loans and advances to customers</b>	<b>897,6</b>	<b>818,3</b>	<b>847,1</b>
<b>Deposits from customers</b>	<b>913,8</b>	<b>773,7</b>	<b>896,8</b>
<b>Loan Deposit Ratio</b>	<b>99,7%</b>	<b>108,6%</b>	<b>94,3%</b>
<b>Gross Income</b>	<b>175,1</b>	<b>122,0</b>	<b>120,2</b>
<b>OPEX</b>	<b>67,3</b>	<b>53,0</b>	<b>54,1</b>
<b>Cost /Income Ratio (CIR)</b>	<b>38,73%</b>	<b>43,81%</b>	<b>45,92%</b>
<b>Net Profit after Tax</b>	<b>67,3</b>	<b>41,2</b>	<b>44,9</b>
<b>Net Interest Margin</b>	<b>9,06%</b>	<b>9,02%</b>	<b>7,55%</b>
<b>Gross Margin</b>	<b>13,32%</b>	<b>13,04%</b>	<b>11,57%</b>
<b>NPL, %</b>	<b>9,43%</b>	<b>10,29%</b>	<b>8,09%</b>
<b>Total Risk Costs</b>	<b>18,3</b>	<b>14,9</b>	<b>2,9</b>
<b>Coverage Ratio</b>	<b>70,86%</b>	<b>75,17%</b>	<b>80,53%</b>
<b>Total FTE</b>	<b>1 973</b>	<b>2 013</b>	<b>1 884</b>
Rate EUR /BYR eop	2,0684	2,4465	2,3142
Rate EUR /BYR avg	2,1863	2,4045	2,1342

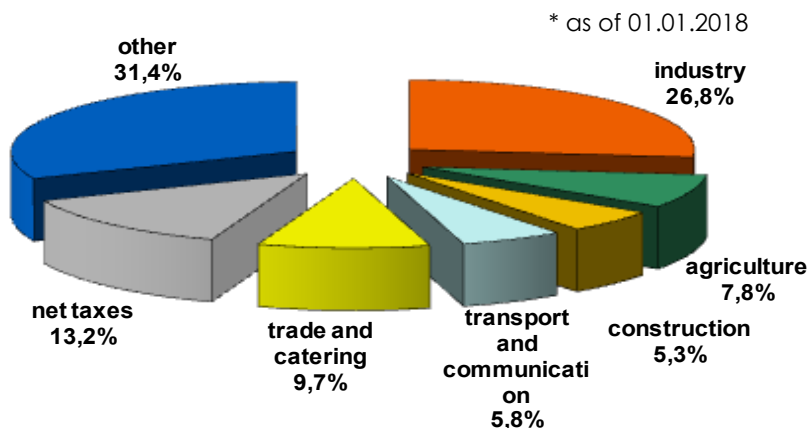
**We systematically monitor technological innovations, structure existing and timely implement new service tools. We analyze banking operations and appreciate feedback from customers.**

- Internet bank for legal entities + full-fledged mobile banking;
- Opening of the second and subsequent accounts in electronic form;
- SMS and / or E-mail notifications to the payer on payment execution;
- Personal manager in the bank - creating a pop-up chat in the Internet bank + call to the contact center;
- Development of the bank API enabling integration with a third-party software;
- Customer account statements in MT940 format.



# Belarus: Key Economic Figures & Developments

## Structure of Gross Domestic Product

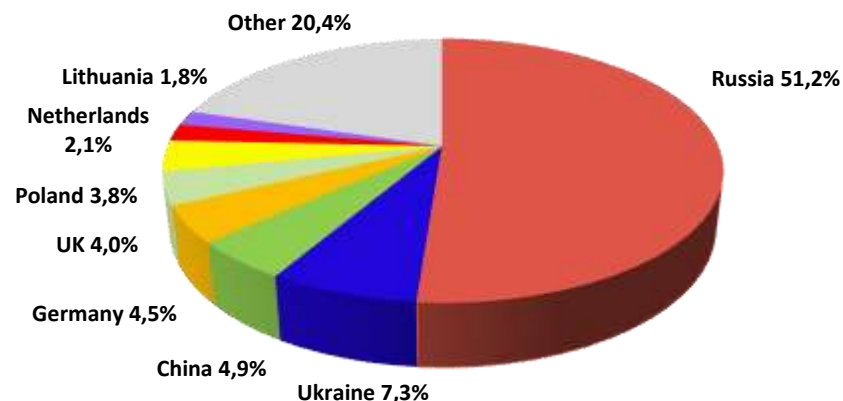


\*9m 2017; \*\* 11m 2017

	2015	2016	2017	2018f	2019f
Real GDP, bn USD	56.7	47.4	54.5	54.2	55.6
Real GDP, % yoy	- 3.8	- 2.6	2.4	1.5	2.0
General budget, % of GDP	1.8	1.5	4.6**	1.0	0.5
CPI, eop % yoy	12.0	10.6	4.6	8.0	8.0
Unemployment rate, %	1.0	0.8	0.6**	2.0	2.0
EUR/BYN (avg)	1.77	2.20	2.18	2.51	2.88
USD/BYN (avg)	1.59	1.99	1.93	2.09	2.25
Current account balance, USD bn	- 1.83	- 1.68	-0.35*	-1.8	-1.8
FX Reserves, USD bn	4.2	4.9	7.3	6.7	7.0
External debt, USD bn	38.3	37.5	39.6*	41.3	41.7

- Highly open economy with exports-to-GDP ratio at around 65%
- Growing share of services in trade surplus (transit location, focus on High-tech and IT)
- GDP per capita of USD 5.7 thsd.
- Belarus' economy rebounded by 2.4% yoy in 2017 after two years of recession. Strong about 21% increase in the country's exports with a trade surplus of USD 0.4 bn (11m 2017).
- Domestic demand is supported by a solid upsurge in consumer lending and higher wages. Growth resumed in retail sales at 3.8% yoy and in capital investment at 5.3% yoy.
- Moderate GDP growth is anticipated to continue in 2018-2019.
- Prudent monetary and fiscal policies facilitated macroeconomic stability – readjustment of external imbalances, strong disinflation and stability in the local FX market. Record low inflation allowed key rate cuts.

## Main trading partners, 11m 2017



Source: National Statistical Committee of Belarus, National Bank of Belarus, Raiffeisen Research

- ✓ **Revolutionary package of documents signed** at 2017-end is supposed to «set free» entrepreneurship, improve business environment and support high-tech sector:
  - ❖ reduced number of administrative procedures for businesses
  - ❖ tax increase moratorium till 2020
  - ❖ simplified tax regime for e-commerce
  - ❖ enlarged benefits to high-tech companies (special legal treatment till 2049; visa-free entry for foreign employees and business owners; lifting restrictions on capital flows and for foreign trade operations).
  - ❖ green light to digital economy (blockchain technology, use of crypto currencies; tax holidays for such activities).
  
- ✓ **FX market liberalization initiatives of the National Bank** include
  - ❖ staged phase-out of mandatory FX surrender rule
  - ❖ lifting restrictions on FX purchase
  - ❖ registration principle for FX capital transactions



## Improved 2017 performance and growing role of private sector

- ✓ Economic recovery in 2017 reflected in improved performance indicators of businesses: 10m 2017 sales revenues increased by 10.9% yoy, net profit up by 62% yoy.
  
- ✓ In H1 2017, private and foreign companies accounted for 44.3% of the overall stock of capital investment, the share in exports of goods and services stood at 63%.

**Source:** National Statistical Committee of Belarus,

# Why Belarus?



- **Well-developed** industries & infrastructure with highly qualified workforce
- **Favorable transit location**, open Russian & the Customs Union markets, proximity to EU markets, neighborly conflict-free business relations with Ukraine
- **38th out of 190 economies** on ease of doing business according to the World Bank's Doing Business 2018 report, the ranking improved from 91st in 2010
- **Enlarged benefits to high-tech** companies, green light to digital economy
- **Broad range of benefits to investors**
  - ❖ standard preferential regimes for companies registered in small towns and rural areas, free economic zones, hi-tech park, China-Belarus industrial park Great Stone
  - ❖ additional/individual tax and customs benefits, preferences for land and real estate use, personalized state support and financial government guarantees under an investment agreement with Belarus

## A Glance on Investment Potential

### Wood Processing

- Local resources
- Modernized equipment
- Contract manufacturing arrangements

### IT & High Technology Production

- Highly qualified local personnel
- Production based on own R&D

### Transport & Logistics

- Strategically profitable transit location
- Road infrastructure development possibilities

### Telecommunications

- High penetration of services in the market
- Infrastructure development possibilities

### Agro Business & Food Industry

- High-quality in-house agricultural resources
- Contract manufacturing arrangements

### Financial Sector

- Open for foreign investors
- High corporate governance and reporting standards

### Pharmaceutical Industry

- Good production facilities
- Contract manufacturing arrangements



# Main Austrian Success Stories in Belarus



Major shareholder in Priorbank since 2003, largest private bank with over 5% market share, #1 in terms of profit in 2017.



Represented in Belarus by local Kupala since 2003, one of the leading insurance companies providing voluntary insurance services, with a wide branch network across Belarus



Acquired 70% stake in local mobile operator Velcom in 2007 and the remaining 30% in 2010. Today the customer base is about 4.9 mn subscribers. In 2017, the company purchased 100% of the two leading local fixed line operators. The company expands and diversifies its business and migrates into a converged operator. Also one of the largest suppliers of smart phones and tablet PCs.



Kronospan established two plants for wood-based panels and a plant for UF-resin production in Belarus over the years 2012 - 2018. Total investment amount is estimated at USD 900 mn. To date Kronospan plants in Belarus account for some 20% of total output and 25% of exports of woodworking products.



Investment project in Belarus started in 2012 - installation of the electronic toll collection system BellToll (in service since 2013) with projected road coverage of 2 743 km, and operation of the system during the following 20 years by the established foreign company Kapsch Telematik Services. Project investment by Kapsch is estimated > EUR 267 mn.

# Our Expertise

Priorbank closely cooperates with clients in various industries, the State Property Committee and with local and central authorities.

Priorbank's IB team constantly monitors changes in investment environment and tracks investment opportunities.

A number of important enterprises have been modernized in Belarus, good technical and social infrastructure created. With the appropriate legislative initiative, there are obvious prospects for attracting financial and strategic partners into joint projects in both traditional industries and new ones with a high level of added value in the final product.

We "speak the same language" with Western companies, we understand their requirements for business organization. Our support helps to establish a long-term partnership.

## Priorbank's Investment Banking services

- M&A advisory
- Support in green-field projects
- Industrial assets trust management
- Brokerage, custody
- Economic research





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