

Role of EBRD in fostering the development of the banking sector in Russia

Nick Tesseyman
Managing Director, Financial Institutions Group

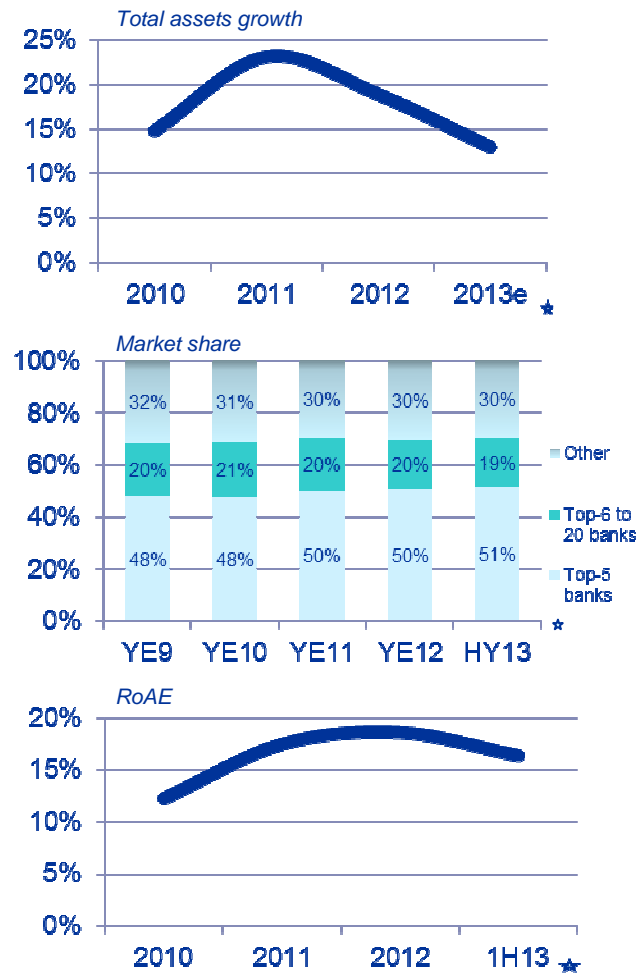
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Russian banking sector dynamics (1)

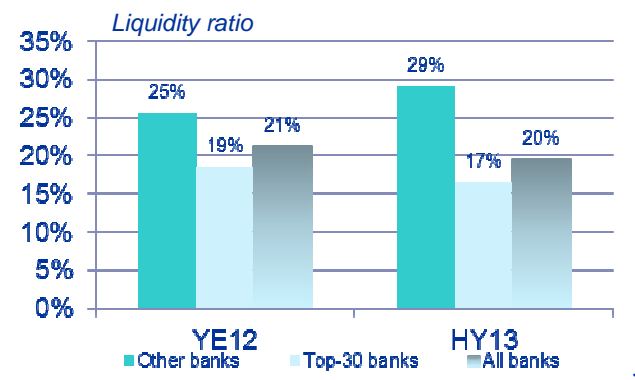
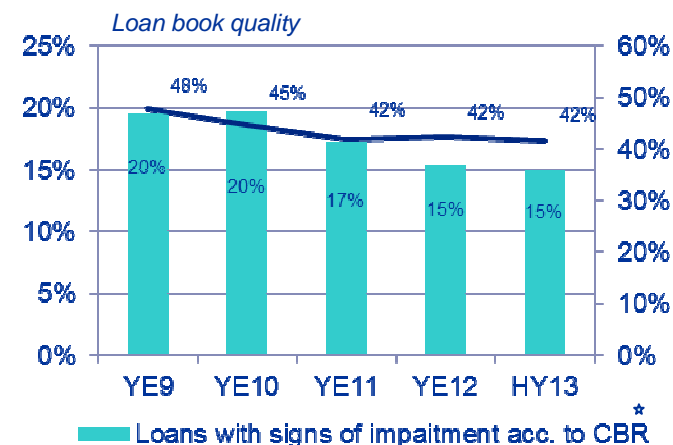
- Asset growth is still solid, although tempered in 2012 and expected to continue to decelerate over 2013 on the back of economic slowdown and new regulatory restrictions
- Growth has been uneven across the sector with increasing dominance of largest banks
- On average the sector has shown strong profitability; however, sustainability of RoAE is a question mark going forward

* Source: CBR



Russian banking sector dynamics (2)

- NPLs demonstrated a positive trend overall on the back of strong growth in the previous years, but the trend is likely to reverse with the current slowdown; some lending segments, i.e. consumer finance, have already shown clear signs of weakening in asset quality; sufficiency of provisions is a question mark
- Ample liquidity in the sector contributes positively, though may disguise potential problems, and drives interest rates down

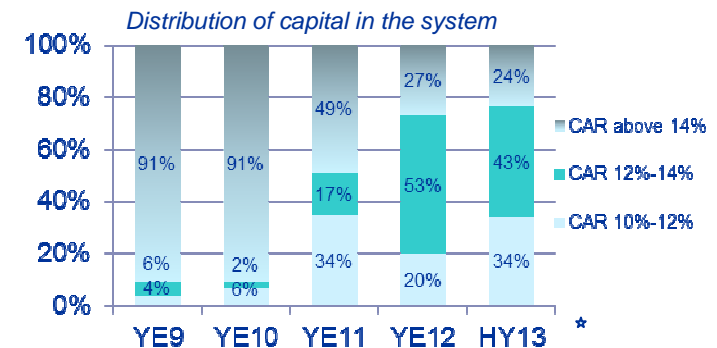
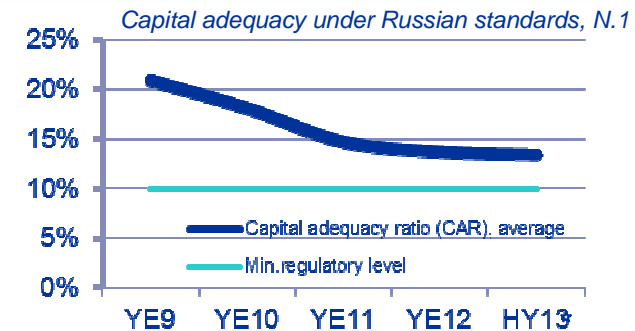


★ Source: CBR



Russian banking sector dynamics (3)

- Growth and dividends have depleted the capital base considerably with current CAR levels (N.1.) exceeding the minimum required CAR by 3% only
- Share of banking assets supported by stronger capital has been diminishing; further capital strengthening measures by the CBR are expected to increase pressure on banks' capitalisation and contain the growth
- Low valuations and lack of investors' appetite discourage public capital raising and M&A activities in the sector



Bank valuations

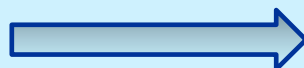
Group	P/B		P/E	
	2012	2013F	2012	2013F
Russia banks	1.0	1.0	5.5	5.4
CIS peer banks	0.9	0.8	5.2	5.8
MSCI EM banks	1.4	1.1	9.0	7.7

* Source: CBR; ^Δ Source: Sberbank CIB



EBRD response to the banking sector needs

Banking sector needs



EBRD's response

Capacity building, diversification, and efficiency enhancement for sustainable profitability

Increase the efficiency and diversity of financial intermediaries by providing long-term resources in the local currency for further on-lending supported by technical assistance focused on institutional strengthening

Capital raising capacity

Promote local capital market development and support capitalisation of selected banks through direct investments and structured products

Preserve and improve asset quality

Impose financial discipline on the partner banks and share best international experience

Transparency and corporate governance strengthening

Support corporate governance and best business practices via close engagement with the partner banks via technical assistance and board participations

Regulatory and legislative improvements

Policy dialog and collaboration with regulators and authorities to advance current practices and legal framework



Products we provide

Broad range of products for supporting financial intermediaries and the real sector with long-term funding

Debt finance:

- Loans to support on-lending to MSME (investment and working capital)
- Credit lines to bolster energy efficiency and innovation projects
- Well-established trade finance programme (debt and guarantee products)
- Mortgage financing, structured products
- Syndicated facilities under EBRD A/B structure
- Subordinated debt

Equity finance:

- Investments in ordinary shares
- Quasi-equity and mezzanine finance



Focus on quality: technical assistance

- Institutional development programmes for individual banks, incl.:
 - Corporate governance strengthening
 - Tailored business solutions, i.e. IT development, NPL work-out systems, risk management enhancement, business processes facilitation, AML, etc.
- Capacity building:
 - Encourage diversification and sustainable banking
 - Focus on MSME and EE lending
 - Shaping growth, improving credit processes
- Knowledge transfer and skills development:
 - Formal training and seminars
 - Engagements of professionals with international expertise
 - On-job training/experience sharing
 - Board participation
 - E-learning



Partner institutions

EBRD partners with various institutions

Local institutions

New and existing country-based investors

Strategic sponsors

Key international investors with specific industry expertise

Co-investors

Financial investors and International Financial Institutions

Governments

Government agencies, particularly for debt/equity co-financing



Existing clients

34 relationships, incl. 13 with equity investments

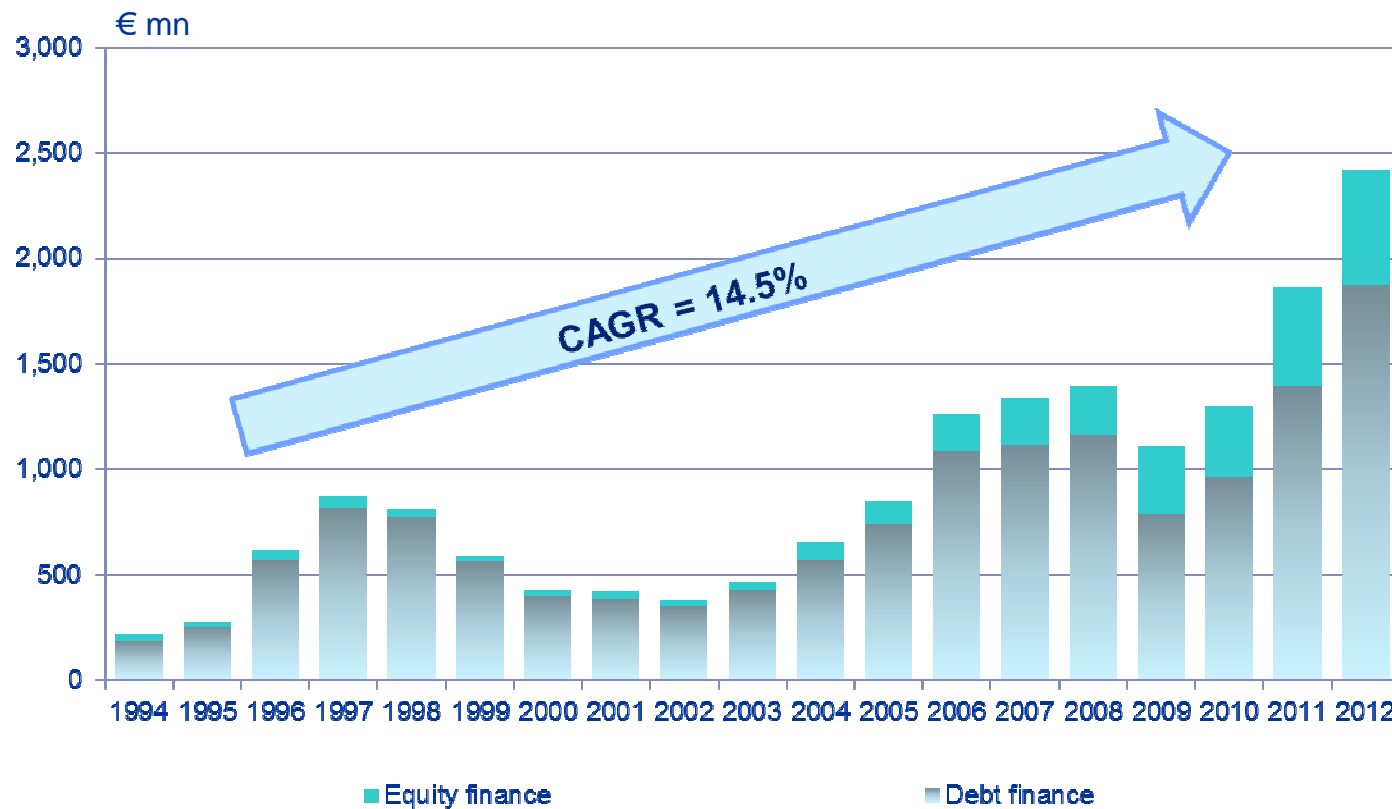
- Asian Pacific Bank
- Bank Intesa*
- Bank Kazansky
- Bank St. Petersburg*
- Bank Vozrozhdenie
- Bank VTB/ VTB 24
- Bystrobank
- Center-Invest Bank*
- Chelindbank
- Credit Bank of Moscow*
- Credit Europe Bank
- Deltacredit Bank
- FINCA
- ICICI Bank Eurasia
- Locko Bank
- Master Bank
- MDM Bank*
- NBD Bank*
- Orient Express Bank
- Primotsbank*
- Probusiness Bank
- Promsvyazbank*
- Raiffeisen Bank
- Renaissance Credit
- Rosbank
- Rosevrobank*
- Russian Standard Bank
- Sberbank
- SDM Bank*
- SKB Bank
- Spurt Bank*
- Transcapitalbank*
- Unicredit Bank
- Uraltransbank*



* *Equity relationships*

EBRD Financial Institutions Russia portfolio

Financial Institutions in Russia (banks only): €2.4 billion as at end 2012



Penetration and performance (1)

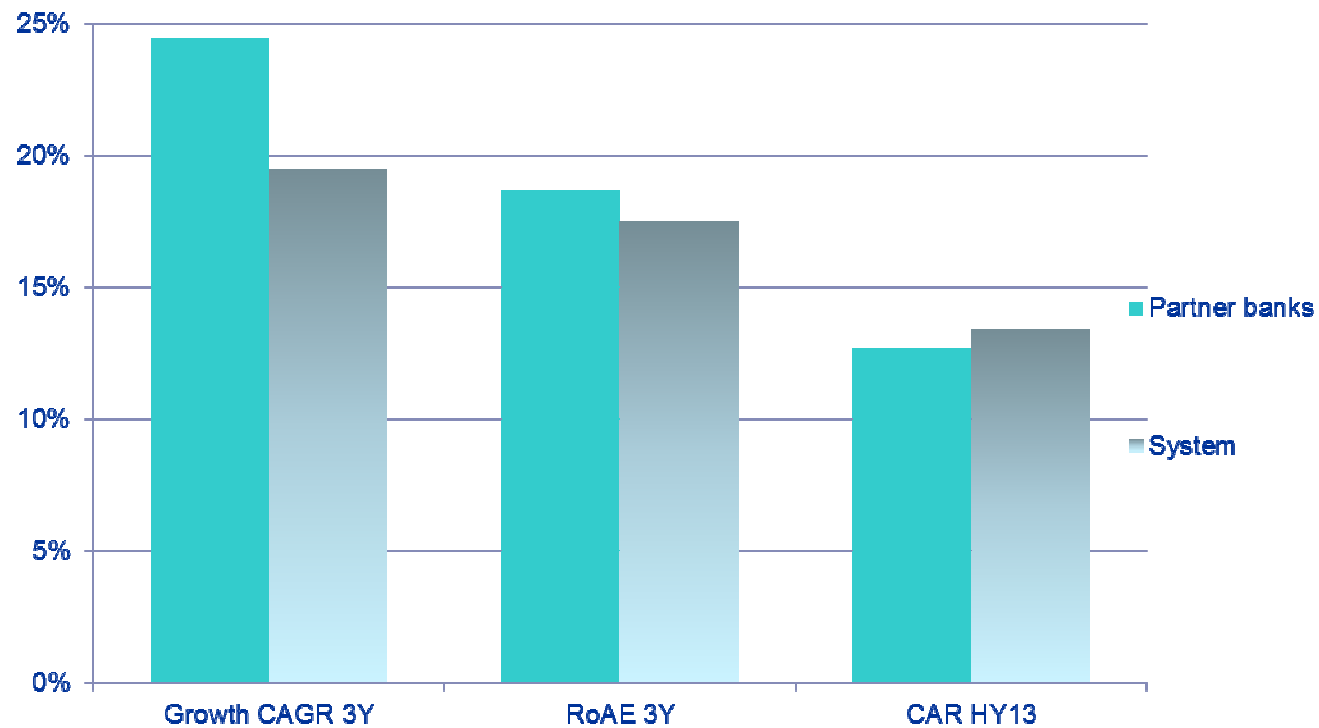
- Extensive engagement across the banking industry...

Partner banks' profile	Debt exposure, EUR m	Equity exposure, EUR m	Total	Market share of partners in total assets of the group
Local private	1,295	492	1,787	24%
Foreign subsidiaries	445	58	502	19%
Total	1,740	549	2,289	22%



Penetration and performance (2)

- ... For the benefit of sustainable sound banking



We remain committed to our clients and responsive to their needs



Financial Institutions contact details

Financial Institutions Group

Nick Tesseyman
Managing Director

Tel: +44 20 7338 7489

Fax: +44 20 7338 7380

Email: tesseymn@ebrd.com

Financial Institutions Russia

George Orlov
Director

Tel: +7 495 787 1111

Fax: +7 495 787 1122

Email: orlovg@ebrd.com

