



UNITER



Banking sector



BANKING SECTOR

5 of 32 Belarusian banks account for about 80% of the market

The banking sector of the Republic of Belarus is represented by 32 operating banks. It is characterized by a high level of concentration: the 5 largest banks account for about 80% of the banking sector assets, and 3 out of 5 banks are state-owned. In 15 banks foreign capital exceeds 50%, 9 banks are completely foreign-owned, though the state share in the banking sector assets prevails and amounts to about two-thirds, and it is significantly higher than in the neighboring countries and in the EU.

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In 2011, the banking sector operated under the tough conditions. As a result of the national currency devaluation (the total depreciation by 2,7 times in 2011) the total banking sector assets, the regulatory capital (authorized capital of banks is denominated in Belarusian rubles) and profit in foreign currency terms decreased sharply compared to 2010.

Since 2011, banks prepare their financial statements in accordance with 29th IAS

In 2011, in connection with the application of IAS 29 "Financial reporting in hyperinflationary economies" the vast majority of Belarusian banks reported a net loss according to IFRS. Under National standards all banks in Belarus, with the exception of the Belarusian Bank for Small Business, reported profit in 2011, but according to IFRS all banks, except for Priorbank, BelSwissBank, MTBank and Bank Moscow-Minsk, incurred losses.

National Bank tightens requirements for the regulatory capital of the banks

The National Bank (NB) tightened the requirements for the minimum regulatory capital for existing banks that don't have a license to attract retail deposits. The requirement for the minimum regulatory capital will be gradually increased – up to 15 EUR mn from 01.01.2014 and up to 25 EUR mn from 01.01.2015.

There is a high M&A activity in the banking sector

In 2012, the 32nd bank was registered (BIT-bank), another bank is in the process of registration (Eurosetbank). Also this year retailer "Euroopt" bought OJSC "International Reserve Bank" from the investment group Dogmat. Due to the changes to the regulatory capital requirements a new wave of mergers and acquisitions has begun among the banks at risk.

New leader in consumer lending

There were significant changes in the banking sector - the shift of forces occurred in the consumer loan market. Priorbank took the lead in the portfolio of consumer loans and outran such major players as Belarusbank and Belagroprombank. Some specialized banks - SomBelBank, Delta Bank, Home Credit Bank, MTBank – also expanded their loan portfolios significantly.

Liquidity crisis is growing

There has been a sharp increase in interest rates in the interbank market since the end of September. Interest rates rose from 20 to 70% per annum. September of this year was preceded by an 8-month excess liquidity, but since September 1 there is an acute shortage of liquidity connected with the increased demand for foreign currency, a large-scale financing of government programs and increased reserve requirements. After an 8-month break NB began to support the liquidity of the banks due to the gradual increase of the liquidity crisis. To avoid deterioration of liquidity, banks are trying to provide a real inflow of ruble deposits increasing interest rates for deposits.



BANKING SECTOR

Banking sector landscape*

Large-sized banks (equity >50 EUR mn)		Medium-sized banks (equity 25-50 EUR mn)		Small-sized banks (equity <25 EUR mn)			
Bank/ ownership structure	Equity, as of 01.09.2012	Bank/ ownership structure	Equity, as of 01.09.2012	Bank/ ownership structure	Equity, as of 01.09.2012	Requirement – 5 EUR mn (for banks without retail deposits)	Requirement – 25 EUR mn (for banks with retail deposits)
Belarusbank State (100%)	1875,8	VTB Bank (Belarus) Bank VTB, Russia (71,4%), Belneftekhim (16,3%)	46,1	Paritetbank National bank of Belarus (98,77%)	18,6	✓	✗
Belagroprombank State (100%)	787,0	Bank Moscow-Minsk Bank of Moscow, Russia (99,75%)	39,2	Credexbank VICPART HOLDING SA (Switzerland) (98,82%)	18,4	✓	✗
Belvnesheconombank Vnesheconombank, Russia (97,52%)	256,3	Belrosbank Rosbank, Russia (99,99%)	36,1	Belarusky Narodny Bank “Benderlock Investment Limited” (Cyprus) (43,46%) IFC (USA) (19,99%), Bank of Georgia (36,73%)	17,1	✓	✗
BPS-Sberbank Sberbank, Russia (97,91%)	206,8	MTBank MTB INVESTMENTS HOLDINGS LIMITED (JV of Atlant M and Horizon Capital) (98,97%)	33,2	Delta Bank Lagun N. I. (58,985%), Delta Belarus Holding B.V (41,014%)	17,0	✓	✗
Priorbank Raiffeisen Bank, Austria (87,74%)	171,8	FransaBank Fransaholding, Lebanon (11,89%), Fransabank S. A. L., Lebanon (88,08%)	30,2	SomBelBank GetIn International, Luxembourg (99,9%)	16,7	✓	✗
Belgazprombank Gazprom, Russia (49,66%), GazpromBank, Russia (49,66%)	170,7	Alfa-Bank Alfa Group (Russia) via ABH BELARUS LIMITED (Cyprus) (97,91%)	28,8	RDB-Bank EBRD (25%), OJSC “Dikris” (23,97%), Cibulin V.A. (17,91%), DEG MBH (14,99%), Joint LTD “Spidster” (10,6%)	16,3	✓	✗
Belinvestbank State (95,6%)	160,6	BelSwissBank Swiss Investment Century (8,7%), Alpin Professional Investment (86,45%), Profinvest Professional and Financial Investment (4,85%)	27,8	Technobank >than 5%: Kozarenko V.A.; Kozarenko E.M.; Kurach I.A (Belarus); Fleetwood Finance (Ireland)	15,1	✓	✗
TC Bank Tejarat Bank, Iran (99,89%)	96,7	Zepter Bank HOME ART AND SALES SERVICES AG (Switzerland) (99,76%)	27,1	BTA Bank Bank TuranAlem, Kazakhstan (99,71%)	13,6	✓	✗
		Home Credit Bank Home Credit Group (99,04%)	26,7	Trustbank Joint LTD “Saturn-Info” (66,97%), Joint LTD “Intersportproject” (33,03%)	11,5	✓	✗
				Honorbank Refah Kargaran Bank, Saderat bank, Toseeh Saderat bank, Iran (100%)	9,1	✓	n/a
				Absolutbank Cyprus-based companies (92,89%), Contekhimpex (5,91%)	6,7	✓	n/a
				BBSB Bank EBRD (21,67%), Commerzbank (Germany) (4,49%), IFC (21,67%), KFW (Germany) (12,98%), FMO (Netherlands) (21,67%), Swedfund (Sweden), (11,64%), SCI (USA) (4,07%), SBI (USA) (1,82%)	6,5	✓	n/a
				BIT-Bank LUXROSE Ltd. (Cyprus) (90%), Joint LTD “Lucky Currency” (Belarus) (10%)	5,3	✓	n/a
				Eurobank Trading House Zhdanovichi, Belarus (99,9995%)	3,2	✗	n/a
				International Reserve Bank LTD “Eurotorg”, Belarus (92,55%)	3,0	✗	n/a

Risk group #1:

9 banks in the group of small-sized banks which have a license to attract retail deposits currently do not fulfill the requirement of the NB to the regulatory capital of 25 EUR mn which is necessary for that license.

Risk group #2:

2 banks which don't have a license to attract retail deposits do not comply with the requirement of the NB to the regulatory capital for existing banks of 5 EUR mn - Eurobank and International Reserve Bank.

n/a – not applicable

State

Russian capital

Other foreign capital

Controlled by private capital

Source: National Bank of the Republic of Belarus, official banks' websites

* The classification of banks by equity is based on the requirement of the National Bank to the regulatory capital of banks, which is 25 EUR mn for the newly created banks (for the existing banks standard will be introduced on 1 January 2015).

UNITER Investment Company – financial and investment adviser in Belarus with 14+ years of experience with national and international investors in 40+ industries and markets within the country.

The company's activity is focused on investment banking; support of foreign investors and attraction of financing for national companies; conducting marketing and analytical research; project and asset management.

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