

MAIB – THE BEST ASSET FOR INVESTMENT!

REGARDLESS OF AUTHORITY, A PROFESSIONAL BANKER HAS TO CONFIRM REPUTATION WITH RESULTS ACHIEVED BY HIS BANK. IN THE CASE OF SERGHEI CEBOTARI, THE CEO OF MOLDOVA AGROINDBANK (MAIB), RESULTS CONCLUSIVELY PROVE THAT HE HAS EFFICIENTLY RUN THE COUNTRY'S LARGEST BANK DURING HIS FIRST FIVE-YEAR MANDATE.

Despite a difficult period caused by lack of transparency of shareholders, Serghei Cebotari has managed to keep the bank's leading position on the market, while increasing its capital, loans, assets, deposits and profit. MAIB is now performing much ahead of competitors, proving that its potential is incomparable to that of other banks.

"MAIB is an example of the best and most efficient investment in the country. Our bank has always been interesting to investors. Today this is a very attractive asset," Serghei Cebotari says.

Having recently received a new five-year mandate, the banker and his team have already started implementing the bank's long-term development strategy that should further increase MAIB's potential. The manager hopes that, in a not so distant future, MAIB will extend abroad, while its shares will be listed on European stock exchanges.

In an exclusive interview with Profit's editor-in-chief Alexandr Tanas, Serghei Cebotari spoke about the general situation on the market, growing lending, digitalization and hopes pinned on "financial investors" who are expected to soon buy 41.09% of MAIB's shares.

Profit: Mr Cebotari, is the number of new loans offered by MAIB growing, staying at the same level as last year or declining?

S.C.: The results of the first quarter of 2018 show that MAIB increased all its main indicators compared with the same period last year, including the volume of loans. I will go further than that and say that we have managed to increase the market share of all major indicators.

Profit: Despite this growth, don't you have the impression that banks' once very high efficiency will go down in the future?

S.C.: You are right. The growth will slow down in the future and shareholders will have to put up with the fact that the bank cannot achieve astonishing results year on year, in particular when it comes to profit growth.

Endless growth is not possible because the results depend, to a large extent, on the market situation which is not always favourable. There will be years when profit will remain at the level of the previous years or, if the best happens, it will only slightly increase.



Renown banker Serghei CEBOTARI has received a second five-year mandate to run the country's largest bank Moldova Agroindbank, which is justly viewed as a successful business model and as the most profitable investment in the country.

To make the process smoother and less visible for shareholders, the bank would like to try its hand in foreign markets given the fact that the Moldovan market is very small and limited by a number of restrictions. Our development strategy provides for opening business abroad and turning MAIB into a regional financial group.

Profit: When does MAIB plan to make the first step in this direction?

S.C.: Our team believes that MAIB is ready for such a development. Having set the target, we now have a vision how to achieve it. But most importantly, our financial situation is good enough to allow MAIB to extend abroad. I hope



that the new investors, who are expected to buy 41.09% of MAIB's shares in the near future, will support our plans and approve the opening of MAIB branches abroad. By solving this task, we will follow in the footsteps of our customers which develop and extend their operations abroad. We should be next to them in this process, providing them with all the necessary support and assistance. We are confident that we will be able to compete with other banks on foreign markets when it comes to prices, commissions, rates and range of products. Yet, there may be some legislative and regulatory issues that will have to be solved. But we will closely cooperate with the National Bank of Moldova and the central banks of the countries where MAIB plans to open branches.

Profit: Does the status of a "regional financial group" mean that MAIB plans to be listed on regional stock exchanges?

S.C.: The information that we have about investors interested in acquiring 41.09% of our shares allows us to confidently say that MAIB shares will be listed on European stock exchanges. My feeling is that this will happen very soon because, thanks to its qualitative assets, MAIB is ready to take concrete steps in this direction.

Profit: What kinds of feelings do MAIB managers have about foreign investors expected to enter the bank in the near future?

S.C.: If you try to suggest that we are afraid of the new investors, then you are wrong. Yes, we have feelings and this is something normal. But we feel no fear. Over the years I have worked with different shareholders and our team has always focused on the key task - successful implementation of the bank's long-term development strategy. Whether shareholders are residents or non-residents is of no importance to us. We understand that our key tasks will remain the same - to continue to run the bank efficiently and develop it sustainably. Yes, MAIB will be seen differently after its shares are purchased by transparent and reputable shareholders. Our bank will get access to foreign funding, something we have been deprived of over the past few years.

Profit: MAIB's executive team has managed to keep the bank's quality standards very high despite the difficulties of the past years. How was it possible?

S.C.: Despite corporate governance difficulties over the past five years, despite the introduction of tighter regulations and the 2014-2015 large-scale bank fraud, MAIB has proved that qualitative management brings results. This makes a big difference between MAIB and other banks.

Judge for yourself, we have managed to preserve the leading position on the market, having significantly improved such indicators as assets, capital, loans, deposits, clients and profit. But I would say that our biggest achievement is quality improvement.

MAIB is a successful model of the banking business, adjusted to the local market, although maybe it is not 100% perfect. Other banks align

to us. This places on us an even greater responsibility when it comes to qualitative and efficient management. That is why decisions taken by our team should outpace ongoing processes on the market, focusing the attention of the bank's staff on the most important issues, avoiding everything less important for customers.

Profit: In your opinion, will competition become fiercer after more foreign financial institutions will acquire stakes in Moldovan banks?

S.C.: I tell MAIB's 2,300-strong team not to see the forthcoming competition as a great challenge. We are not afraid of competition because we have the most professional staff, we are at home and we know, better than anyone else, the advantages of our market. In addition, our bank is so well capitalized that it is ready to compete on equal footing with any other bank. One of our tasks is to exploit this advantage as much as possible. As known, at home even the walls help.

A no less important task is to improve quality. This refers in particular to superior management who should learn everything very quickly, while implementing all business processes. This will allow MAIB to satisfy requirements of its old as well as new customers who will come to our bank thanks to its high qualitative services and popularity on the market.

Profit: Have you ever felt that shareholders are proud of their bank?

S.C.: I am not afraid to say that today MAIB is a model of the best and most efficient investment in our country. MAIB has always been interesting to investors. Today it is an attractive asset, no doubt about this.

market. In late May, the bank cut again the interests on deposits, bringing them in line with the interests on loans. By doing so, we pursue two goals: to increase our loan portfolio and reduce the short-term liquidity. Today, "excess liquidity" at MAIB makes up some 3 billion lei or about one third of liquidity in the banking system.

Profit: Today money becomes cheaper and easier to borrow, yet the demand for loans is not growing. What is your explanation?

S.C.: The growing lending volumes were influenced by factors atypical for the real sector of the economy and classical lending. In the case of medium and long-term lending, some banks refinanced customers, which, as a rule, does not lead to loan reimbursement. The situation has radically changed after the National Bank tightened requirements. You will agree that it is abnormal for a bank to issue five-year loans and, during the first three years, allow the customer to pay only the interest. This, as well as many other reasons, have contributed to the "lending boom" that we now see.

In addition, the demand for loans in the real sector of the economy is on decline.

Profit: The fact that MAIB has managed to avoid a significant decline in the loan portfolio means that the volume of such loans was not very high in your bank, doesn't it?

S.C.: We have always had a very serious approach to the lending quality. Today about 40% of loans have a maturity term of up to 12 months, which speaks about high quality of the lending and good risk management. Thanks to this approach, MAIB has managed to reduce the

"STAFF AGING AND TURNOVER HAS BEEN A MAJOR ISSUE OF CONCERN RECENTLY. UNFORTUNATELY, MORE AND MORE YOUNG PEOPLE LEAVE MOLDOVA. BUT WE, AT MAIB, HAVE ALWAYS SUPPORTED FAITHFUL STAFF, HELPING THEM TO REALIZE THEIR POTENTIAL AT HOME. THE BANK NOW PLANS TO OPEN A SPECIAL TRAINING CENTRE WHERE LOCAL AS WELL AS FOREIGN SPECIALISTS AND CONSULTANTS WILL HELP THE STAFF TO IMPROVE THEIR KNOWLEDGE AND SKILLS."

SERGHEI CEBOTARI

Profit: What policy does MAIB follow regarding deposits as money becomes cheaper?

S.C.: We have always attracted deposits following deep analysis of the situation on the

volume of bad loans. As of 31 December 2017, they totalled 11.58% compared with 18.38% in the banking system. In the first quarter of 2018, the share of these loans dropped to 10.37%.



Profit: Is the volume of "bad loans" somehow influenced by the National Bank's much tougher regulations?

S.C.: Undoubtedly, the National Bank today has a much tougher stance when it comes to how banks analyze risks. This is correct and important from the point of view of improving banks' quality. But I would not agree that the volume of bad loans is higher because of the central banks' tougher requirements. The situation should be viewed as a whole, including by the clients of the bank who have got accustomed to such a loan policy over the past 20 years.

I can tell you that many of our clients have not always been happy with our recommendations to capitalize their businesses. But today they are pleased to have security airbags that would allow them to better cope with possible finan-

cial crises. And although the pieces of advice we gave them 10-15 years ago often deprived them of dividends, now they feel much more confident on the market.

Profit: So many of your customers are grateful to MAIB for having obliged them to improve their financial situation, aren't they?

S.C.: Yes, we have such examples. I remember how some corporate clients reacted to such advice years ago. But gradually they started to realize how important capitalization was. Like doctors who, before announcing the diagnosis, should know almost everything about the physical condition of their patients, banks should know very well the businesses of their clients. This will allow banks to help their customers and avoid unpleasant losses for both sides.

Profit: MAIB is one of the several banks involved in Prima Casa programme for young people launched by the government earlier this year. Has this programme given a boost to the mortgage lending?

S.C.: We have already issued more than 20 such loans worth over 11 million lei. Another 20 applications are being studied by the bank now. Based on what I have read in the media, I can say that MAIB's share on this segment exceeds 30%.

Profit: Moldovan farmers have always complained about difficulties in accessing bank loans. Is their appetite satisfied when liquidity is so high?

S.C.: Agriculture continues to be of strategic importance for our economy. Today many farmers are growing ecologically friendly products that allow them to increase export to the EU which now stands at about 65%. Ties with the agriculture sector are very important for us. Most of their produce is sold, which means that the lending risks are significantly lower compared to other industries.

The bank's development strategy provides for increasing MAIB's share in agriculture, where many of our clients already operate. Today, 31% of all loans issued to the agriculture sector are given by MAIB. Of MAIB's total loans, 10% go to companies growing farm crops.

Profit: Are these figures significant for such a large bank, the name of which itself points to its link to the agriculture sector?

S.C.: It depends on diversification of the loan portfolio, the goal of which is to reduce risks. In MAIB's portfolio, the share of loans issued to the agriculture and agroindustrial sectors exceeds 30%. MAIB has some of the best specialists in this area.

Profit: Do farmers usually apply for short or long-term loans?

S.C.: It depends. The term is longer in the case of investment financing, and purchase of agricultural vehicles and equipment manufactured abroad. Such loans cannot be repaid within one or two years. At the end of the day, everything depends on what the customer needs, his financial situation, development plans and risks. As a rule, MAIB offers short-term loans to companies that need working

MAIB'S RESULTS DURING SERGHEI CEBOTARI'S FIRST MANDATE

(31 December 2013 - 31 December 2017)

ASSETS

- 10.3% - growth of market share of MAIB assets
- 65% - growth of MAIB assets
- 4% - growth of assets in the banking sector;
- 8.8 billion lei - growth of assets in monetary terms
- 3.4 billion lei - growth of assets in the banking system in monetary terms;

LOANS

- 19% - credit portfolio growth;
- 10.9% - market share growth;
- 1.83 million lei - growth of credit portfolio in monetary terms;
- 8.9 billion lei - decline in loans in the banking system in monetary terms

DEPOSITS

- 12% - market share growth;
- 84% - deposits growth compared with the average indicator in the banking sector;
- 8 billion lei - growth of deposits in monetary terms;
- 8% - growth of deposits in the banking system;
- 4.7 billion lei - growth of deposits in the banking system in monetary terms.

OTHER INDICATORS

- 50% - increase in number of customers;
- 85% - increase in number of bank cards;
- 40% - profit growth, dividends included.

capital. This is something very important for the sustainable development of agriculture.

Here I would like to stress that MAIB is examining the development of agriculture in close relations with trends on the world market. The world's population has already exceeded 7 billion



people. Many countries have been hit by food crises. The area of agricultural land is declining. Therefore, it is very important for Moldova's authorities to pay great attention to the development of this sector, helping farmers with subsidies and funding. People will always need something to eat, which means that there will always be demand for food. And banks should be ready to provide farmers and the entire sector with all the necessary products.

Profit: Let's now talk about bank management. How do MAIB managers succeed to focus business processes on the most topical and in demand issues on the market, as well as on issues the most efficient for the bank?

S.C.: During more than 20 years of work in just one bank - MAIB, I and my team have realized, and now we very well know, that the business model should be responsive to what is happening in the economy and on the consumer credit market. This knowledge helps our team of managers to organize work so that the bank meets most of our customers' requirements. Precisely this allows the bank to elaborate and propose products that are in demand on the market.

Profit: MAIB is now in the process of reorganizing its structure. What exactly does it mean?

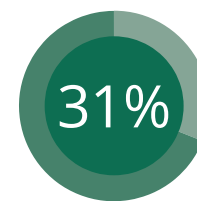
S.C.: The new structure will be implemented throughout 2018 and partially in 2019. It was developed with the help of foreign consultants who worked with MAIB for more than half a year. Their recommendations will help us to optimize the structure of our bank, making it much more efficient.

For instance, in February 2018, we reorganized the marketing department by creating several new units, including the Department of Alternative Channels, the PR and Communication Department etc.

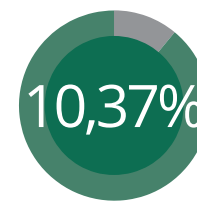
By introducing this new structure, we want to significantly improve the quality of business processes in the bank. For instance, the department of alternative channels will allow immediately reacting to all demands and requirements of our clients, providing them with the services that they need here and now.

Profit: Has the bank's board accepted all the recommendations made by foreign consultants?

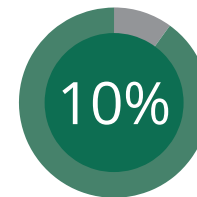
S.C.: Yes. Without going into too many technical details, I can say that the new structure will allow us to significantly improve the quality of our services. We will modernize and digitalize all our processes, making our services much more user-friendly.



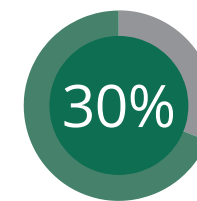
share of MAIB in the total volume of loans offered by the banking system of Moldova as of 31 March 2018.



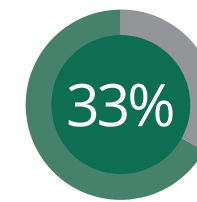
share of MAIB in the volume of bad loans in the banking system as of 31 March 2018.



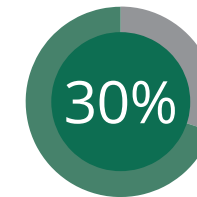
share of loans given to farmers to grow farm crop in MAIB's portfolio



share of loans given by MAIB to the agricultural sector.



share of MAIB's loans offered under the government-supported Prima Casa project for young families.



MAIB's share in the total volume of liquidity in the banking system as of 31 March 2018.

Profit: Does the new structure provide for an increase in the number of branches?

S.C.: The number of branches will remain the same for the time being. However, we may open several more non stop (24/24) units where our clients will be able to make operations round the clock without any help.

Opening new branches is unreasonable given the tough competition on the market today. Further growth would be possible only if the real sector of the economy grows and if the bank enters new markets. MAIB's task is to be ready to support the development and growth of the business through modernization of processes and quality improvement. This is very important given the arrival of new banks on the Moldovan market. This keeps us in a good shape and does not allow us to relax. Therefore, I can confidently say that the forthcoming competitive struggle will make us stronger.

Profit: So you want to say that MAIB is not afraid of the looming competition?

S.C.: No, we are not afraid of competition! We are ready for it!

Profit: Do you think MAIB will become even more competitive after strategic investors buy its shares?

S.C.: We do not yet know whether these will be strategic investors, but I have no doubt that our bank will become much more competitive in the future. To a large extent this will depend on who will buy 41.09% of our shares.

Judging by investors who have conducted due diligence in our bank, then different investors could enter our bank, for instance financial investors. These are slightly different investors than foreign banks that have already purchased stakes in several Moldovan banks and now integrate them in the mother companies. This could be one of the differences between our and other banks' investors, at least for the moment.

So, we are well aware that we will have to compete with foreign banks and we are ready for this. At the same time, we continue to actively invest in IT and digitalization.

Profit: Thank you for the interview.■