

MAIB is my bank!

ONLY A FEW MOLDOVAN CITIZENS OF THE 2 MILLION SHAREHOLDERS EXISTING IN THE COUNTRY BACK IN THE 1990S WERE FORTUNATE ENOUGH TO BECOME THE OWNERS OF VALUABLE ASSETS, GETTING INCREASINGLY EXPENSIVE YEAR ON YEAR AND EVEN BRINGING IN DIVIDENDS ON A REGULAR BASIS. AND TOPPING THIS RATHER SHORT LIST OF ATTRACTIVE ISSUERS ARE THE SHARES OF MOLDOVA'S BIGGEST FINANCIAL INSTITUTION — MOLDOVA AGROINDBANK (MAIB). THEIR PRICE QUOTATION ON THE REGULATED STOCK MARKET HAS REACHED 2,501 LEI PER ONE SHARE WITH FACE VALUE OF 200 LEI.

Alexandr TANAS

Yet, unfortunately, the overwhelming majority of this army of shareholders, dreaming of trading shares on the stock exchange and receiving good dividends, saw their plans of owning profitable shares falling apart. The overwhelming majority of citizens became bondholders during the period of mass privatization, receiving various assets from the state absolutely for free. It was assumed that the shift from the Socialist command and administration system to an efficient capitalist management of assets would secure profitable operation of private factories and plants.

But back in the difficult and bold 1990s, privatized enterprises quickly went bankrupt, which deprived their owners of hopes for liquidity. For many locals, the beautiful lives of people living in developed countries turned into a phantom. Most assets that the Moldovan state offered so generously to its citizens needed investments and constant capitalization but their new owners could not afford that.

And consequently, as of today, despite the fact that there are over a million shareholders on Moldova's stock exchange, only some two dozen of issuers are listed there. Transactions take place quite rarely there, which makes it difficult to make a good analysis of the market place of shares, of the stock price indexes which is influenced back and forth by the bull and bear factors.

In this respect, Moldova Agroindbank shares are distinct. Irrespective of the political, economic or financial situation in the country, its shares justify the very existence of the stock exchange in

the country. Transactions with MAIB shares raise the interest of national investors and make ordinary people day-dream of having an attractive, profitable and liquid asset in their small investment portfolio.

Currently, the market price of MAIB shares has amounted to 2,501 lei. The National Financial Market Commission told us that in 2019 the stock prices of MAIB shares on the controlled market have displayed an increasing dynamic, with their price going up by 17% since the beginning of the year.

"These are the only shares on the controlled market which display a stable increase in price. Stock transactions with these shares prove the wish of local investors to buy shares of this issuer despite the fact that their price has been permanently increasing since early 2019," a representative of the commission has said.

Professional market participants addressed by us have drawn our attention to the fact that MAIB shares have the highest capitalization index on the controlled market.

"The increasing quotation of MAIB shares is the result of the dynamic development of Moldova Agroindbank. In 2019, the bank has registered good financial results, increasing its profit, assets, capital, loans and deposits portfolios, and the most important, preserving the biggest market share - over 30%," they said.

Stock market participants believe that MAIB development has been positively influenced by the group of foreign investors that entered its



share capital: two equity funds from the USA and Lithuania and the European Bank for Reconstruction and Development, which acquired 41.09% of MAIB shares during a public auction in October 2018.

"Given the financial results constantly registered by MAIB and its new highly reputed international investors, the attraction of shares has significantly increased. The demand for these shares will further increase. Local investors acquiring small sets of shares of this issuer are perfectly aware that the strategic investors that entered MAIB sooner or later will sell their asset to an international strategic financial institution," an expert said.

Judging by the international practice, experts say, the foreign investors will stay within MAIB some 5-6 years. During this period, they will do their best to develop the bank from all points of view, waiting for favourable and attractive circumstances at regional level to profitable sell their shares, given that actually they will sell Moldova's leading and biggest bank.

Commenting on how stable the increasing trend of MAIB shares price may be, market

analysts note that from a theoretical viewpoint the price index of these shares may be subject to any metamorphosis. Nobody can rule out, for instance, that their price may decrease in a certain market situation. It will be an absolutely natural situation if some shareholder will urgently need money and hence will sell his shares at a compromise price.

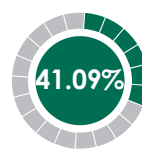
But for the time being, the situation on the market shows that since early 2019 MAIB shares have been among the favourites, displaying high attractiveness, which obviously implies a higher price. And as long as their attractiveness is on

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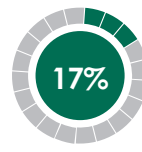
shares issued by MAIB



NPL as of 30 June 2019. The average value of the system is 10.63%



MAIB shares owned by a consortium of international investors, including EBRD



Increase in MAIB shares price since early 2019



Serghei CEBOTARI, MAIB CEO:

The price of MAIB shares recorded on Moldova's Stock Exchange is a natural and expected outcome, reflecting the results of our bank over the past six years. The stable upward trend was expected given the results MAIB has been recording.

Transactions with our shares on the state-regulated market reflect the real situation of the demand and offer indexes. There is no manipulation about the constant increase in prices of MAIB shares on the secondary market in 2019. There are real people behind sellers and buyers there. Obviously, the management of the bank is glad that our shares are getting increasingly expensive. I want to draw your attention to the fact that this process is absolutely transparent and under the absolute control of the market regulator. The only triggering factors are offer and demand, which are fundamentally important for stock trading. This should be absolutely natural for the market. We would like to see transactions with shares of other issuers too as this would only enliven the Moldovan market of corporate securities, drawing in local and international investors.

As the chairman of MAIB's executive committee, I am very glad that the value of the bank's shares has been recognized and now they are appreciated at their true value by market participants. We have been work-

ing hard to reach this result over the past five years, streamlining our efforts in four directions at a time: quality corporate management, aggressive and quality lending, transparency of shareholders, digitalization of banking processes and fight against money laundering. The fact that the objectives set were met brought about the current results, when, for instance, the widest loan portfolio in the banking system, the one of MAIB, has the lowest NPL index. As of 30 June 2019, it stood at 5.6%.

Without false modesty, I can say that the high quality of MAIB's portfolio is not the only achievement. Over the past years, the bank practically doubled its assets, capital, profit and successfully solved the painful issue of shareholders' transparency.

Now that foreign investors, including the European Bank for Reconstruction and Development have entered MAIB's capital, we shifted to a new development stage, which will make the bank's shares even more attractive for investors. I have to say that the current price of 2,500 lei per share does not reflect their real cost, if we take into account the balance-sheet value of 3,922 lei and the huge potential of MAIB. Therefore, the next important step that will reveal the potential of the bank will reside in listing MAIB shares on a regional stock exchange.

the rise, prompting investors to buy shares of this issuer, their price will be on the rise too, reaching new record highs.

For the sake of fairness, it must be said that the true price of MAIB shares is significantly higher than 2,501 lei. Both shareholders and professional market participants have admitted that. Specialists point to a number of obvious and objective reasons, such as, the poorly developed secondary securities market, the small number of local investors, which turns the local stock exchange little dynamic. This also tells on the fact that there are few attractive issuers listed there, which would enjoy the confidence of local investors. Let's take MAIB shares, for instance, they are valuable also due to the fact that their buyers have high confidence in the bank.

And confidence, as everybody knows, does not come out of the blue, it is always based on a strong foundation, which includes a whole list of important component parts, crowned by the reputation of the issuer. No investor decides on acquiring shares in a hurry, without making a specific analysis, thinking over his decision and without taking the advice of specialists. All these taken together shape up the critical mass of "pros" needed for the purchase, which prevail over the "cons".

One can firmly state that when buying such an asset, two things count the most: the reputation of the issuer and the balance-sheet value of shares. It is clear that when buying MAIB shares, their owner does not become a strategic shareholder, because his several dozens, hundreds and even thousands of acquired shares automatically assign him to small investors, given that the bank

Profit

Finance and Banking review

Note:

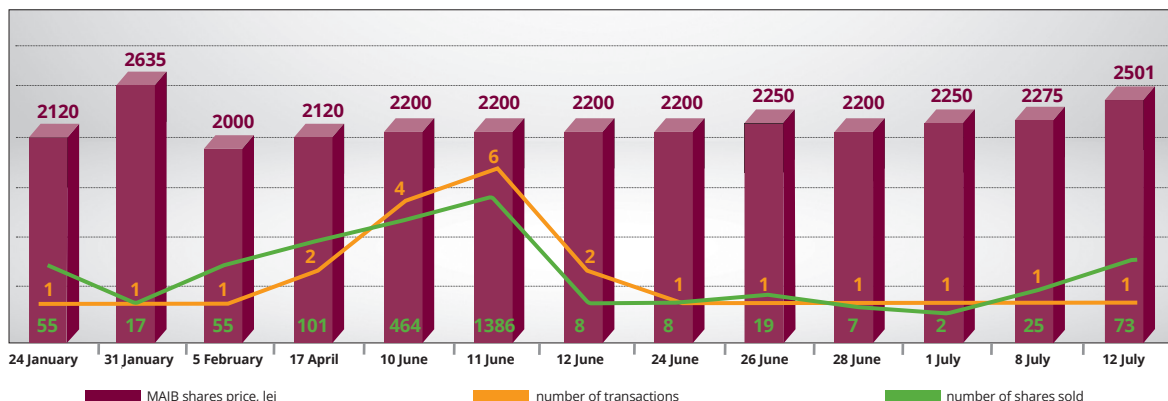
According to results of the first half of 2019, MAIB's reported profit was 397,633,740 lei. Its assets amounted to 24,748,260,732 lei and capital reached 4,070,617,229 lei. The loans portfolio exceeded 13 billion lei.

has an aggregate of 1,037,634 shares. This category of shareholders practically has no influence on the issuer, which however does not diminish these shareholders' wish to earn profit in the form of regularly paid dividends.

Everybody knows that the financial market needs a wide range of instruments and not only traditional bank deposits, whose profitability has been falling over the past years. If, let's say, the profitability in the form of dividends exceeds the interest rate on bank deposits, then this will prompt participants of the securities market to become more active. Any person will consciously buy attractive shares of those issuers who are not only known, but who also pay dividends on a regular basis.

And if the number of those who will consciously invest spare money in shares goes up, then the market of corporate shares will become more animated. A lively stock exchange means a vigorous price paper flow and not only upwards, but also downwards. Listed shares need a certain degree of liquidity, which allows their owners to sell them at any time for real money.

Trend of MAIB share price in 2019:



As Moldova is a small state, its corporate market needs some 15-20 issuers of attractive shares, which will make it possible to cut away from banks quite a significant part of their high liquidity. A mandatory condition for that is that the issuers of shares are viewed as trustworthy, just as MAIB currently is.

What does MAIB currently has that is so distinct and attractive and which other issuers whose shares are listed on the stock exchange are lacking? In rough order, the first thing that attracts the emerging establishment of local investors is the positive perception of the bank in society and the most important is the rather high top of mind level of MAIB brand on the market.

Pondering over what is so special about MAIB's arsenal, which secures a continuous upward trend of the bank, specialists and analysts share the opinion that this is "the increasing confidence in the bank". MAIB is one of those banks which even in its hardest times related to the estrangement of shares owned by non-transparent shareholders, followed by the sale of newly issued shares, was led by highly professional, bold managers who cared about shareholders' interests. And their care did not resume only to the payment of dividends.

Over the past six years, MAIB considerably improved its financial results, increasing its market share to one third. As to such indexes as assets, capital, profit, the bank's management doubled them over this period.

Looking back to those six difficult years faced by the bank, one can see that while society was concerned with the dangerous situation in the banking sector in 2014-2018, MAIB manage-

EXPERTS EXPLAIN THE ATTRACTIVENESS OF MAIB SHARES BY THE FACT THAT OVER THE PAST YEARS THE BANK REGULARLY PAID DIVIDENDS. IN 2018, THE BANK PAID OVER 200 LEI PER SHARE, THUS SPENDING ALMOST HALF OF ITS EARNED PROFIT, WHICH REACHED 530 MILLION LEI, A RECORD HIGH IN ITS HISTORY.

ment was focused on specific activities. The work they did back then has brought about plenty of crops, which now give MAIB those undisputable advantages in the tough competition on the banking market, helping MAIB to keep the position of unrivalled leader and impacting positively its current financial results. Its systemic approach to risk analysis made it possible for MAIB to decrease its NPL index to 5.6%.

The second peculiarity of MAIB, which is not less important though, resides in the fact that both strategic investors and local smaller investors sincerely love the bank and have all the reasons to say "MAIB is my bank!".

Therefore, it goes without saying that as long as 3,000 MAIB shareholders, 2,000 of its employees and 1,000,000 grateful clients say "MAIB is my bank", there is nothing that might seriously endanger the price trend of the bank shares.

The above-mentioned three categories of people, sharing this conviction, are the new ecosystem of MAIB. Due to the wisely built cooperation with partners, a model of mutually advantageous cooperation is taking shape in this system. It is noteworthy that the ones to win the most from such cooperation are MAIB clients who are offered the widest range of needed bank products and services. ■

MAIB market share:

