

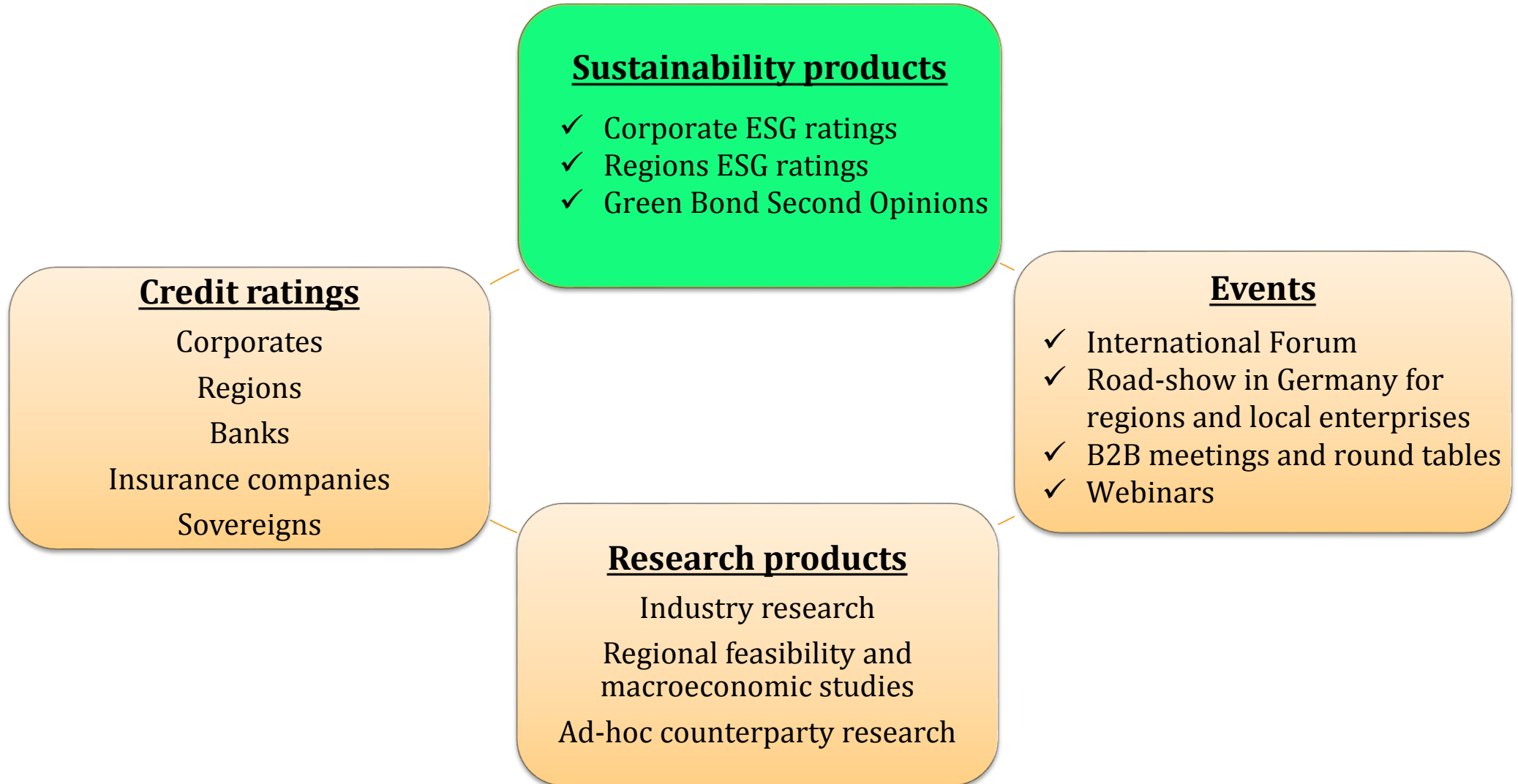
Republic of Belarus Credit rating

Frankfurt am Main, 11 February 2020

About RAEX-Europe

- The Agency works since 2013 in **Frankfurt am Main**
- **The CRA, registered by the European Securities and Markets Authority (ESMA)**
- **Official status** of External Credit Assessment Institution (ECAI)
- International **rating service team** with diverse academic and professional experience
- More than **20 years of experience** in the analytical researches and risks analysis

RAEX-Europe services



Sustainable finance products

- **ESG ratings:**
 - first ESG rating for CIS banks - **Credit Bank of Moscow**
 - ESG ratings of **Russian regions**
- **ESG Ranking: Russian companies and regions**
- **Green bonds Second Opinions:**
 - 2018 - first Green bonds in Russia **RSB HMAO Ltd.**
 - 2019 - first Green bonds in the official MOEX Sustainability Sector **Center-Invest Bank**
 - 2020 - the largest issue of Green bonds in Russia **LLC SFC RuSol 1**
- **Research ESG products** – unsolicited ESG reports (**launch in March 2020**)



International Forum

Responsible investments in the CIS region

Frankfurt am Main
17-18 December 2019

- ✓ 70 participants and >20 speakers
- ✓ CIS regions, banks and corporates
- ✓ EU financial institutions
- ✓ Sustainable finance industry



2nd International Forum – **Responsible investments** In the CIS and Black Sea region

8-9 December 2020, Frankfurt am Main

First part – Banking: increasing social worth

- ✓ Dedicated to discuss **funding necessities and investment possibilities in Banks located in the CIS and Black Sea region**
- ✓ Presentations and panels to discuss:
 - ✓ **Funding and liquidity** needs of CIS Banks
 - ✓ Challenges and opportunities for CIS banks in **international capital markets**
 - ✓ Solutions for a better management of **local currency risks**
 - ✓ How can **European financial institutions** can contribute to the funding of these banks?
 - ✓ **Banking system risks** in the CIS
- ✓ CIS Banks will have the opportunity to present their investment projects in a **pitch session**

Second part – Responsible investments

- ✓ Responsible investments in the CIS regions:
 - ✓ Investment climate
 - ✓ Sustainable development of the regions from CIS
 - ✓ Responsible investment policy in the CIS regions: best practices
 - ✓ Importance of local business in sustainable development
- ✓ Responsible and sustainable financial markets:
 - ✓ ESG-ratings and rankings for companies
 - ✓ Green bond advantages and opportunities
 - ✓ Green bond second opinions
 - ✓ Overview of sustainable stock exchanges

Republic of Belarus Credit Rating

Sovereign credit ratings of CIS countries



Country	Sovereign government rating		Outlook
	National currency	Foreign currency	
Kazakhstan	BBB-	BBB-	Positive
Russia	BBB-	BBB-	Positive
Azerbaijan	BB+	BB+	Stable
Georgia*	BB	BB	Stable
Armenia	BB-	BB-	Positive
Uzbekistan	BB-	BB-	Stable
Belarus	B	B	Positive
Kyrgyzstan	B	B	Stable
Tajikistan	B	B-	Negative

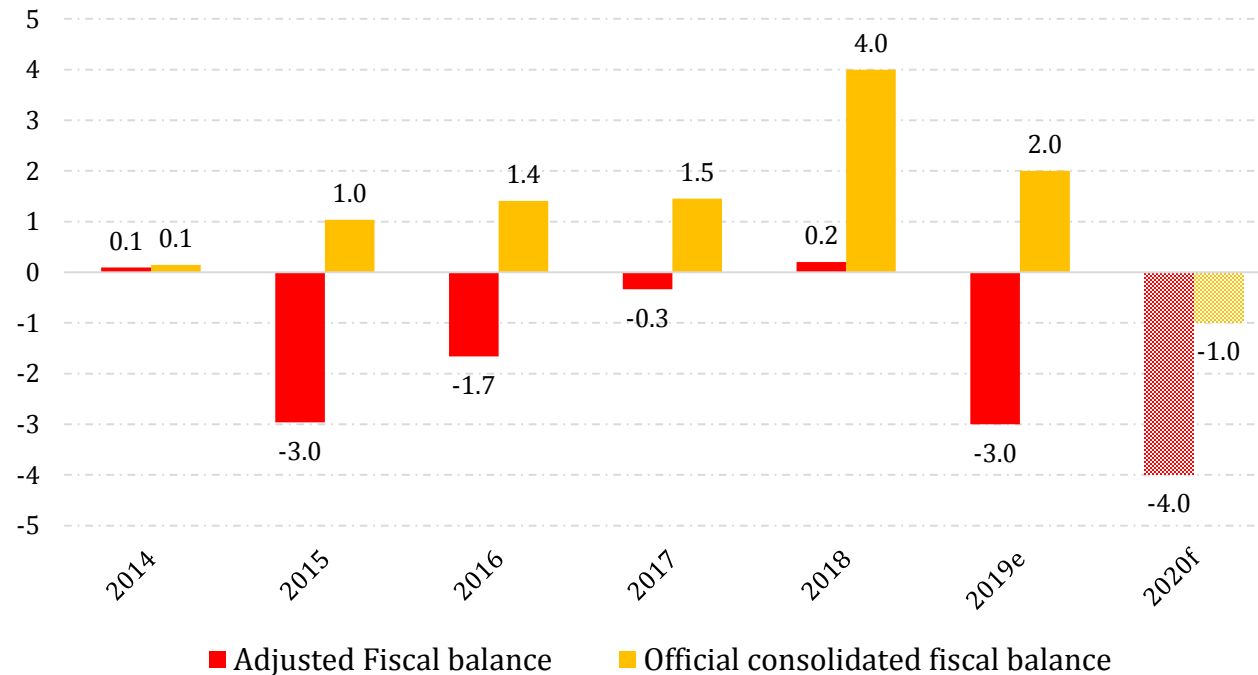
* Not CIS member

Source: RAEX-Europe

Positive factors

- **Fiscal position is strengthening** with improving budgetary discipline and fiscal policy
- The consolidated fiscal balance is estimated at **2,6% of GDP by end-2019**; however, adjusted for off-budget costs, the **fiscal deficit may reach 3%-4%**

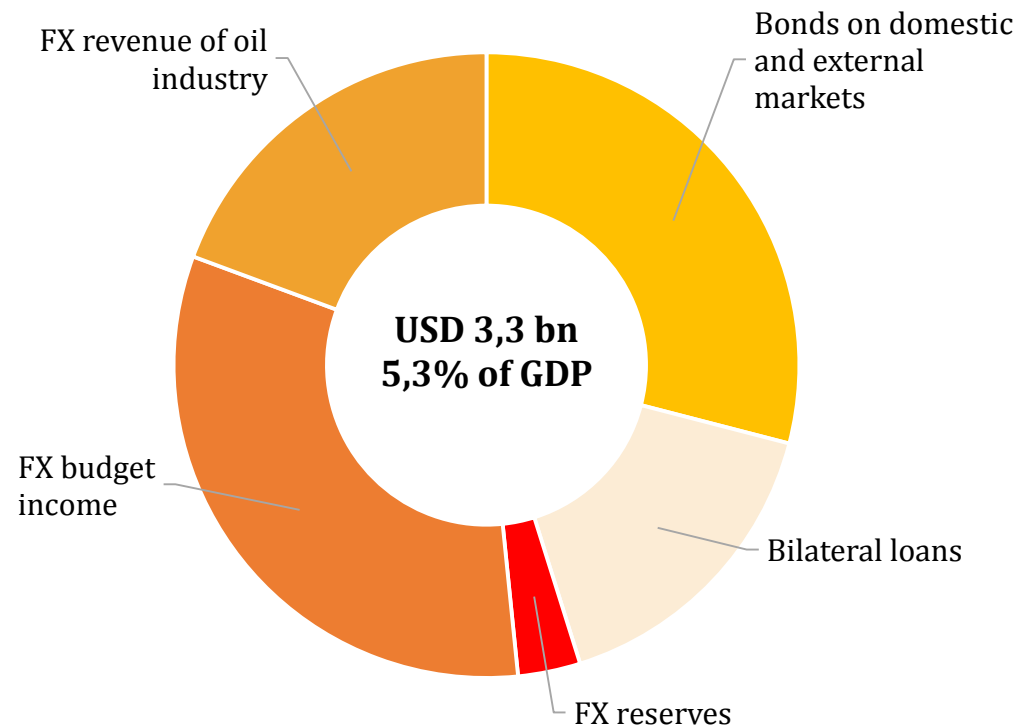
Fiscal budget indicators, % of GDP



Positive factors

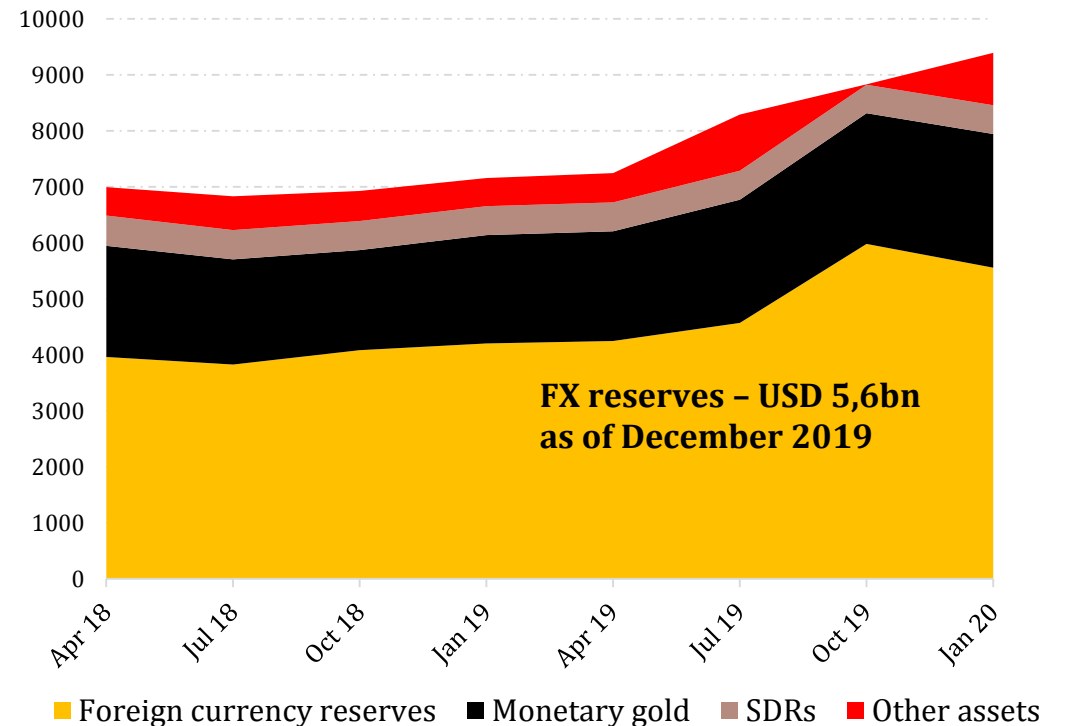
- Short-term debt is estimated at a favorable level of **5,3% of GDP in 2019** and **6% of GDP** in 2020
- Debt servicing remains manageable
- FX reserves increased by **25%** in 2019, covering short-term debt obligations by **1,5x**.

Sources for short-term debt redemption, USD bn



Source: RAEX-Europe calculations based on data from the MFRB

International reserves, USD m

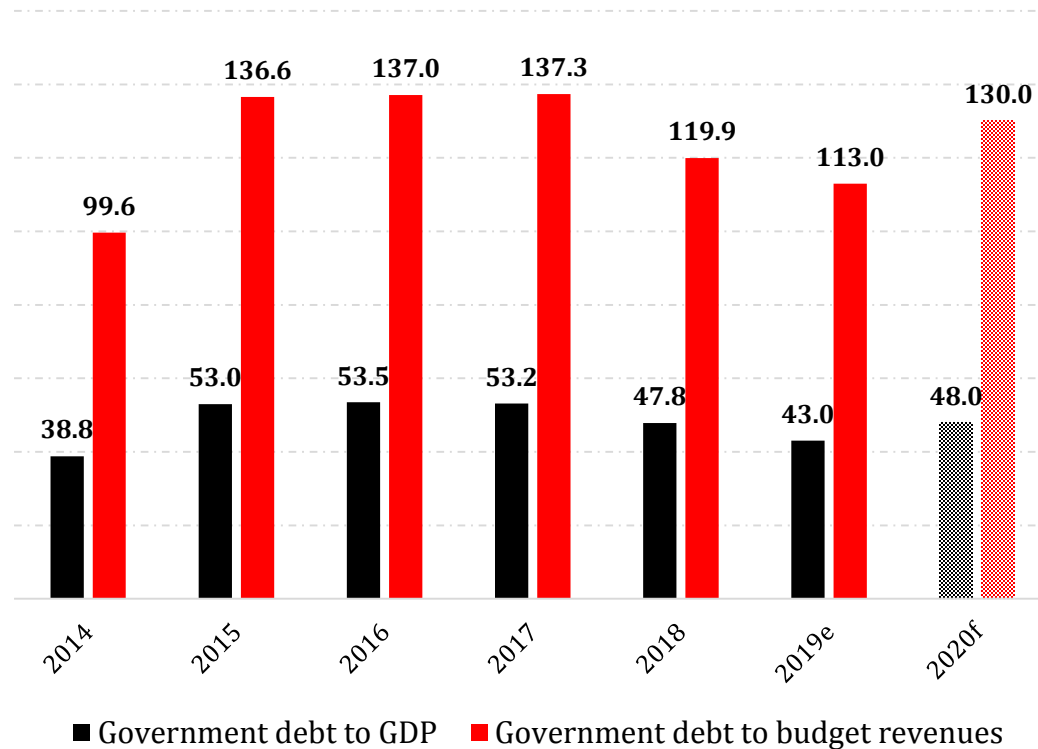


Source: RAEX-Europe calculations based on data from the NBRB

Restricting factors

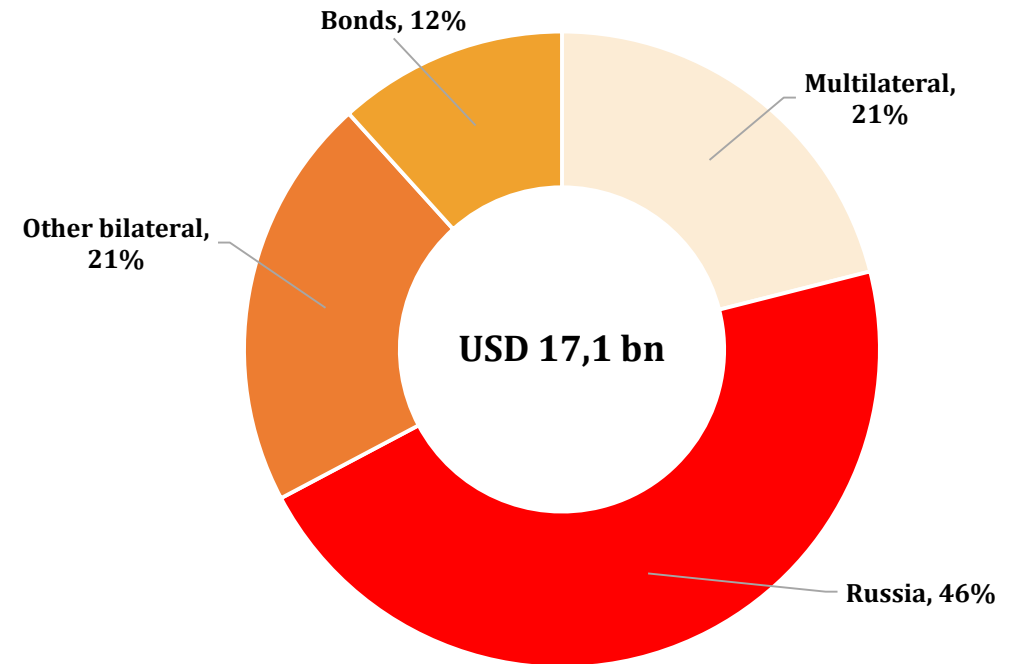
- Level of gross government debt in 2019 declined to **43% of GDP** and **113% of budget revenues**
- Debt remains highly concentrated – **Russia is the main creditor (almost half of the external debt)**
- More than **90% of direct government debt is denominated in foreign currency**

Government debt dynamic, % GDP



Source: RAEX-Europe calculations based on data from the IMF, MFRB

Structure of the external government debt as of December 2019, %

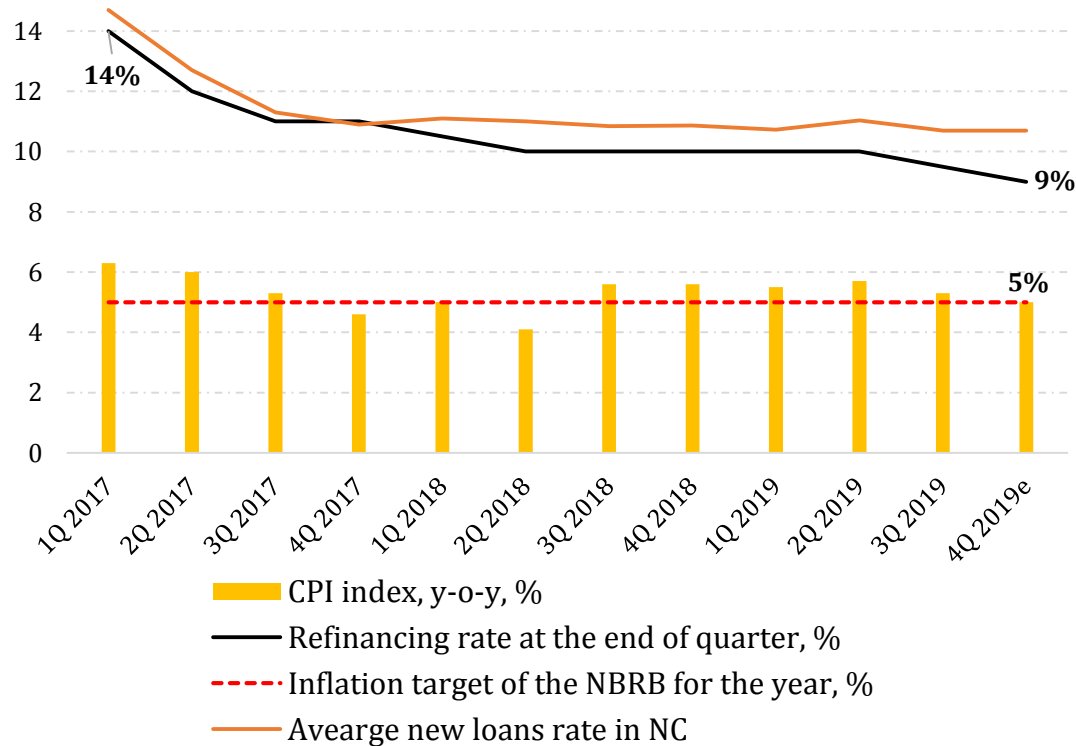


Source: RAEX-Europe calculations based on data from the MFRB

Restricting factors

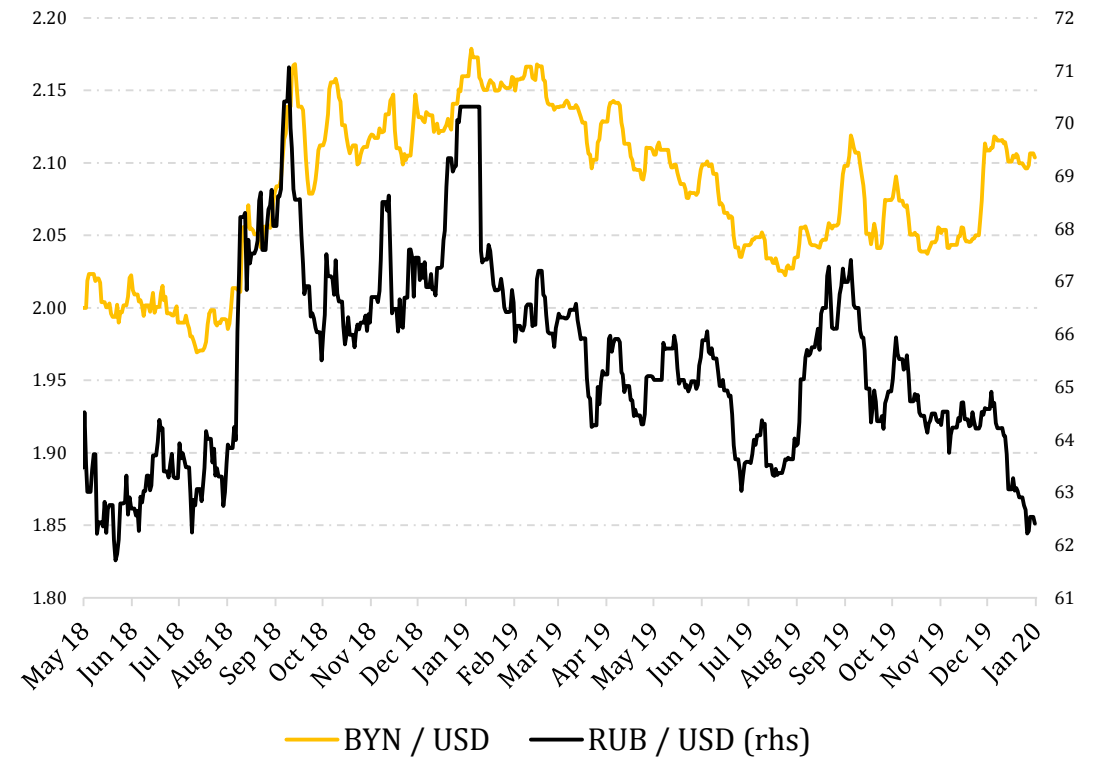
- **Monetary policy is improving;** while the transition to an inflation-targeting regime continues
- However, the **efficiency of the transmission mechanism is still weak**

Monetary policy effectiveness



Source: RAEX-Europe calculations based on data from the IMF, WB, NBRB

BYN/USD and RUB/USD dynamics

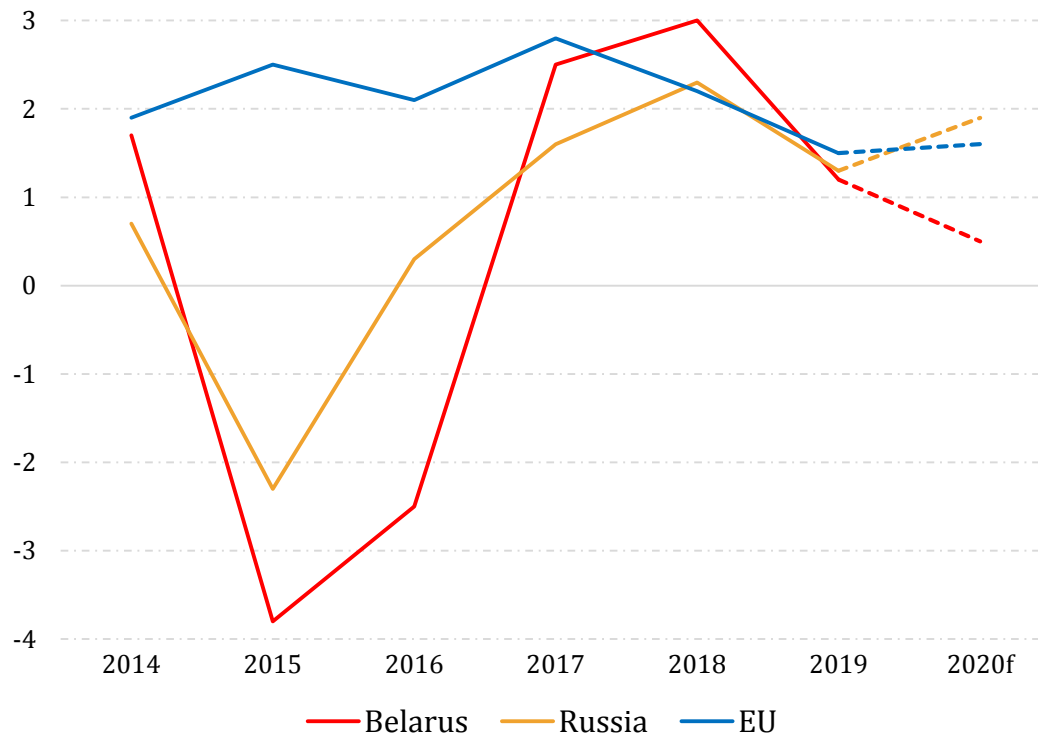


Source: RAEX-Europe calculations based on data from the investing.com, NBRB

Restricting factors

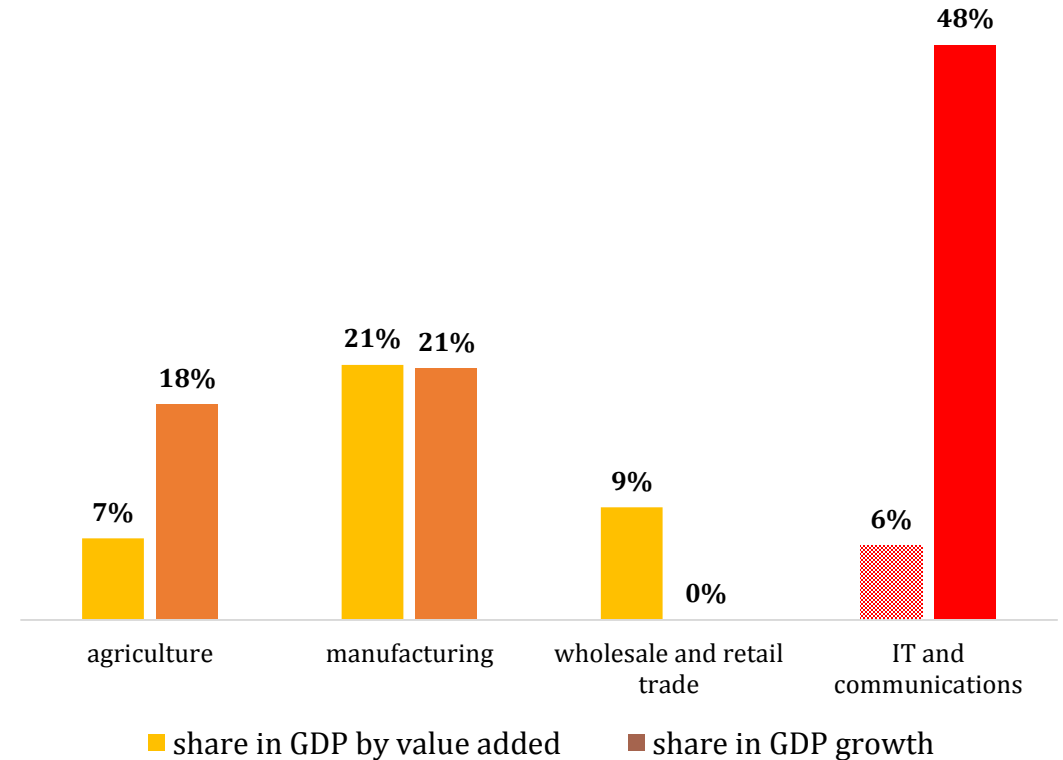
- After a short phase of recovery, slowdown resumed; **real GDP growth** dropped to **1,2% in 2019**
- The IT sector contributes to almost half of GDP growth in 2019

Real GDP growth, % y-o-y



Source: RAEX-Europe calculations based on data from the IMF

The main industries and their share in GDP 2019

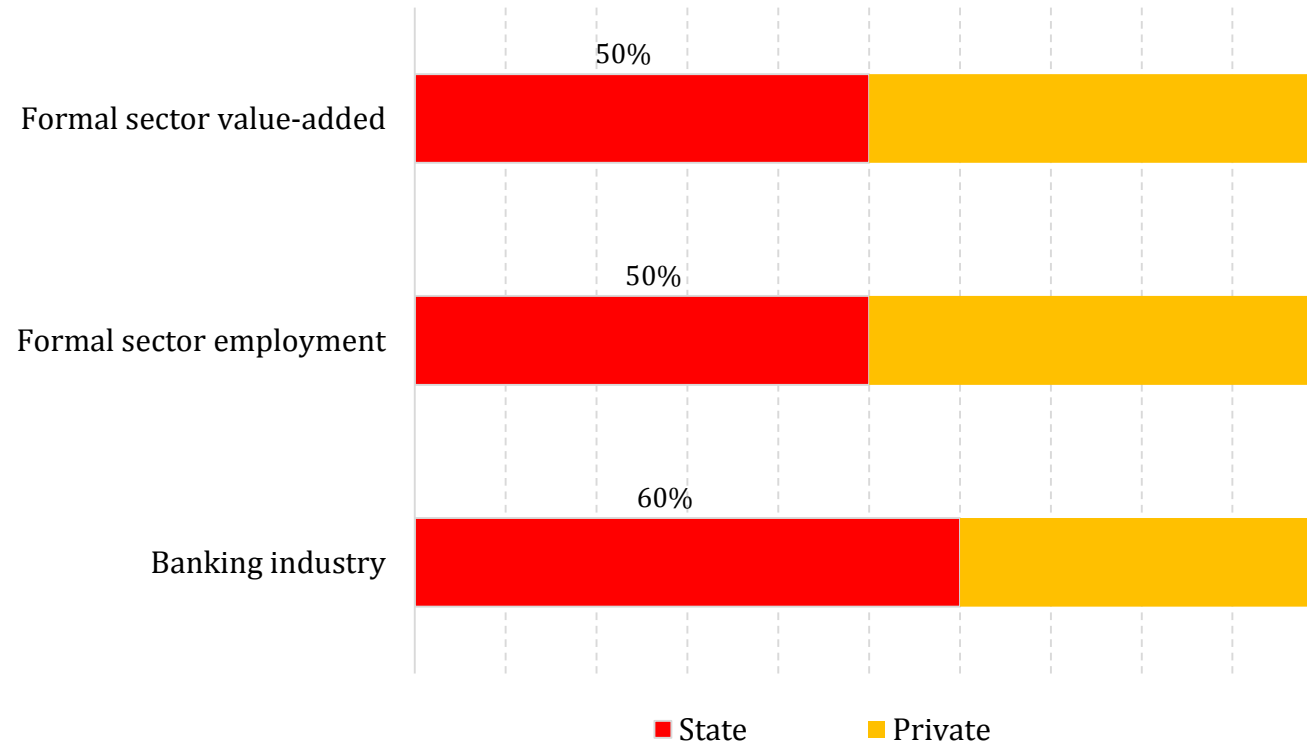


Source: RAEX-Europe calculations based on data from Belstat

Negative factors

- Excessive footprint of the state in the economy
- The local capital market remains weak with **low market capitalization** of companies (7% of GDP) and **high concentration on the largest public issuers**

Footprint of the state in the economy, %

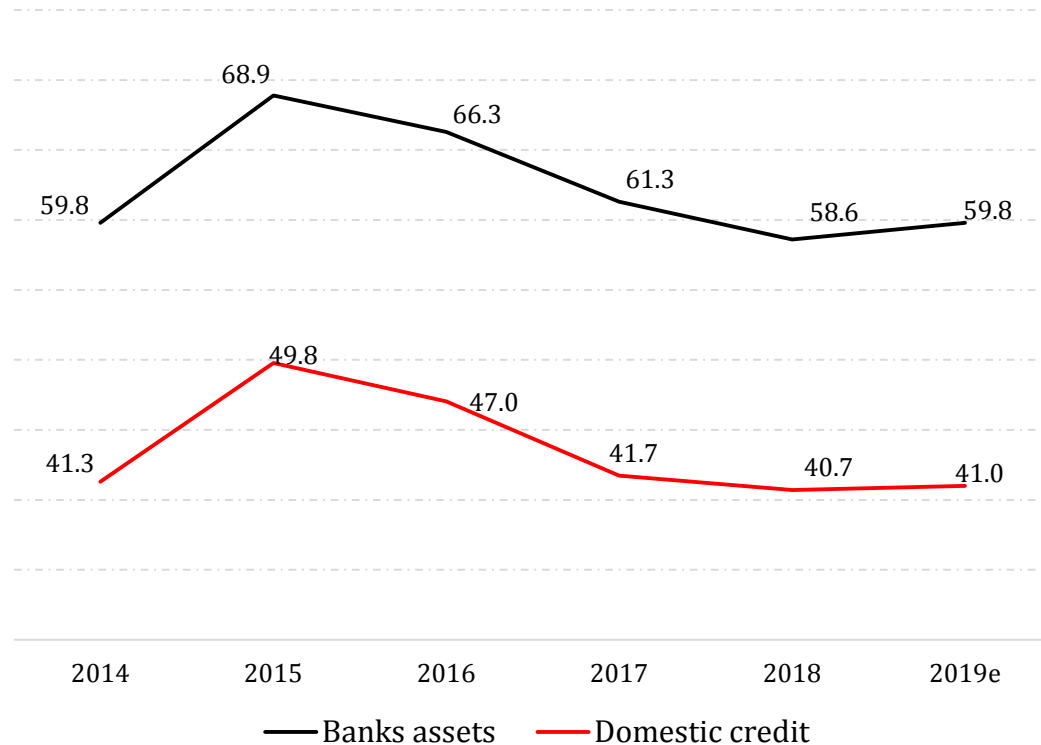


Source: RAEX-Europe calculations based on data from the IMF, NBRB

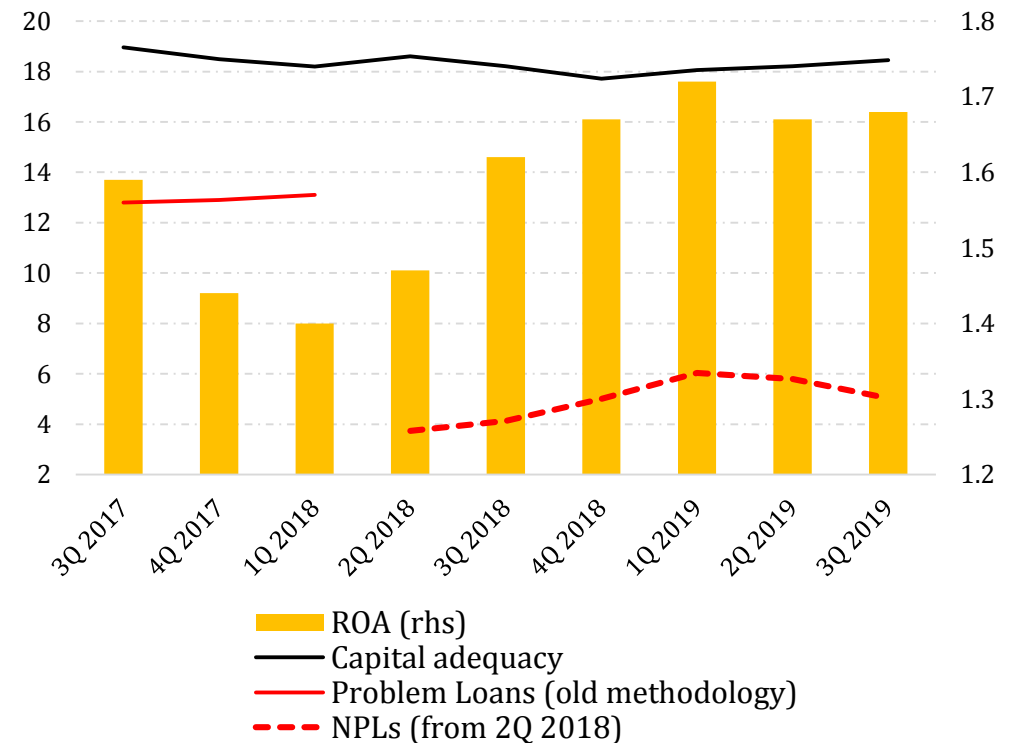
Negative factors

- The banking sector is still weak with total assets estimated at around **59% of GDP** and **domestic credit at 41% of GDP** in 2019

Total assets and credit to economy dynamics, % of GDP



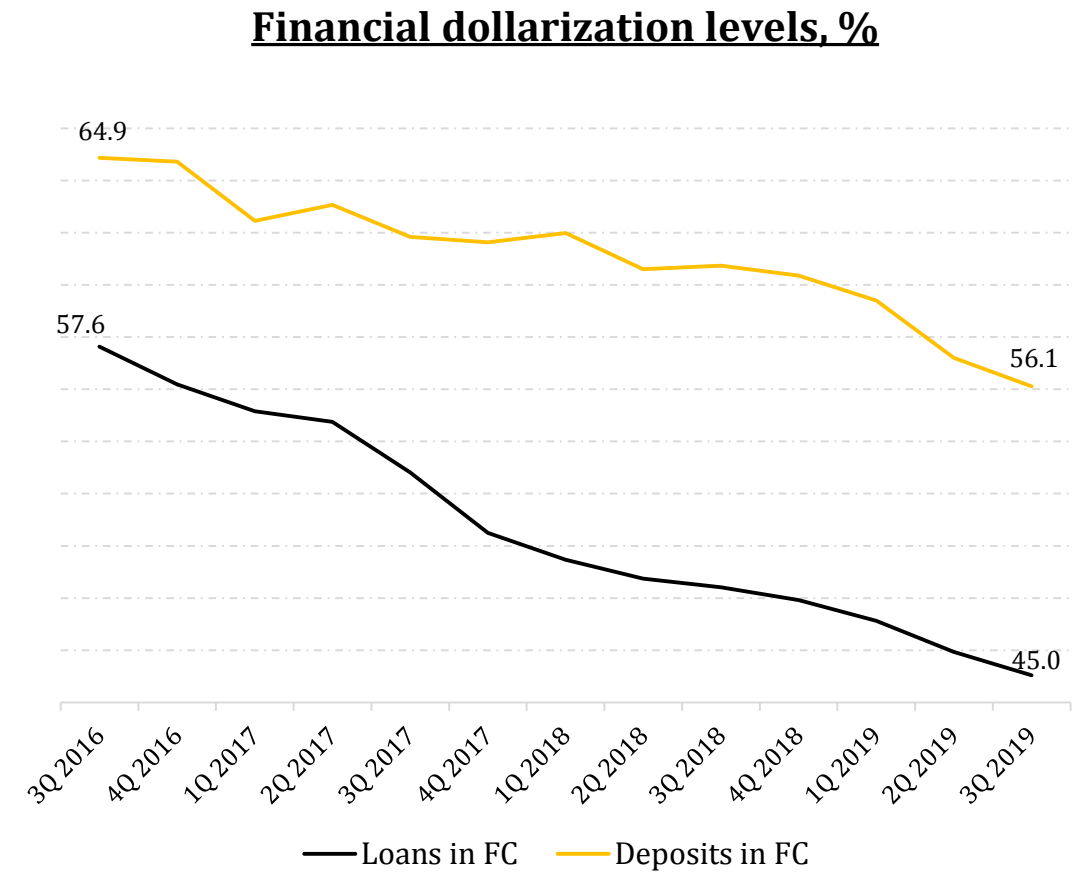
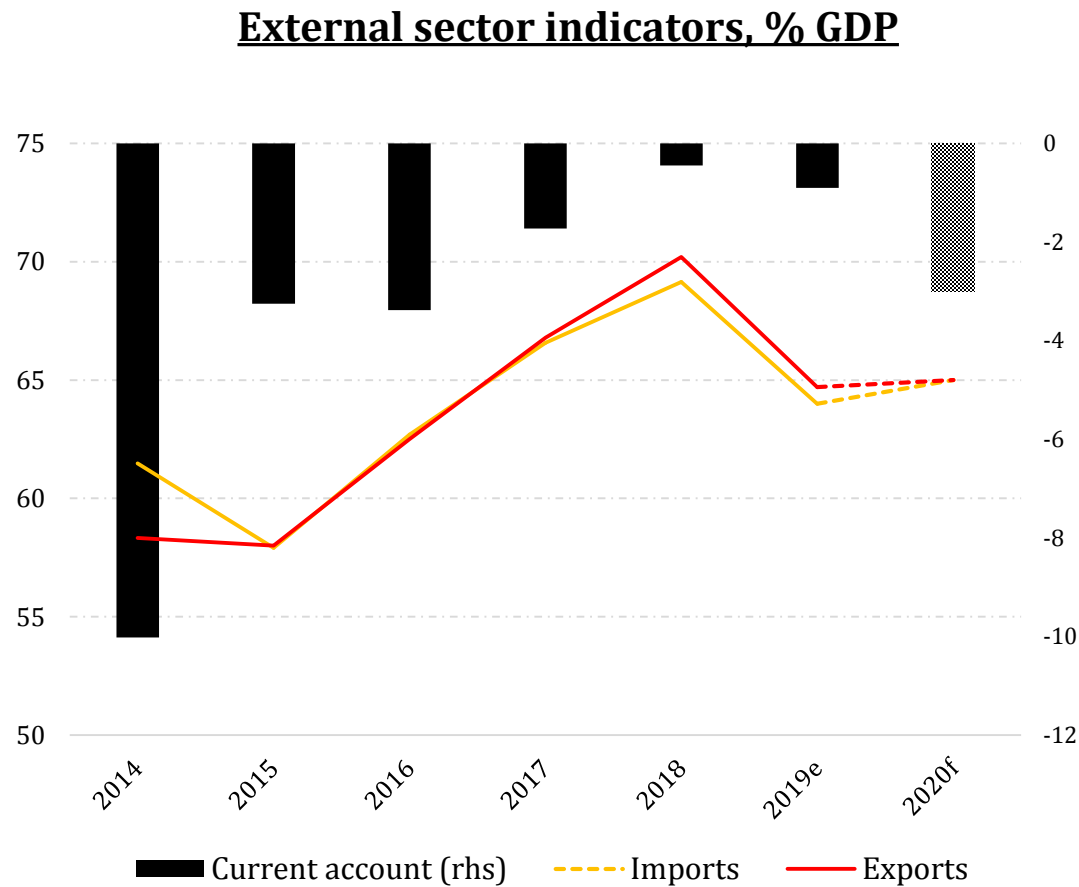
Financial soundness indicators, %



Source: RAEX-Europe calculations based on data from the IMF, NBRB

Stress-factors

- Strong dependence on Russia creates risks for the external position
- Still high levels of financial dollarization



Positive Outlook

The **positive outlook** on the ratings reflects our expectations about:

- ✓ Achieving favorable agreements on oil and gas supplies and prices, as well as compensation for adverse effects of the tax maneuver in the oil industry
- ✓ Strengthening and further development of the local capital market and banking system
- ✓ Substantial and gradual decrease in the level of financial dollarization

Thank you for your attention!

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