Ardshinbank

Investor Presentation

2019

Agenda

I. Ardshinbank in brief

Key facts

Leading bank in Armenia with 12.4% market share by total assets (as of December 2019)

Universal bank with strong focus on retail and SME and Micro (38% and 16% of the loan portfolio, respectively, as of December 2019) and serving long-standing blue-chip corporate base

ca. **250,000 customers** including over 5,475 legal entities and 244,045 individuals

Strong omnichannel distribution platform with 63 branches, 138 ATMs, 617 POS terminals and over 2,000 self-service terminals supported by comprehensive mobile / online banking platform

Sustainable through-the-cycle performance with leading profitability and efficiency (ROE of c.12.7% as of 2019)

High corporate governance standards with predominantly independent Board of Directors and experienced management team

Market position

2019

#2	#3	#3	#3	#2
by net profit	*by total assets*	*by net loans*	*by total deposits*	*by branch network*

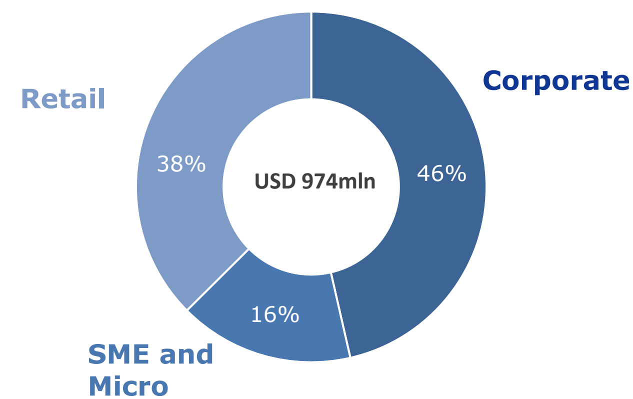
Moody's **Ba3 (Stable)[1]** FitchRatings **B+ (Stable)[2]**

Key financial highlights

USD mln	**2016**	**2017**	**2018**	**2019**
Key metrics				
Net Loans	740	810	944	974
Total Assets	**1,133**	**1,174**	**1,391**	**1,505**
Customer Deposits	615	713	759	828
Shareholders' Equity	**148**	**137**	**135**	**162**
Operating Income	41	53	57	77
Net Profit	**9**[3]	**12**	**13**	**21**
Key ratios				
ROE	8.1%[3]	8.0%	9.8%	12.7%
Cost to income	45.3%	45.6%	41.1%	38.0%
NPL + restructured loans ratio	2.1%	2.5%	4.7%	6.1%
TCAR (CBA)[4]	14.4%	13.3%	13.0%	15.4%

Gross loan portfolio structure

2019



Note: (1) – Baseline Credit Assessment; (2) – LT Issuer Default Rating; (3) – profitability ratios and net income are calculated without consolidation effect; (4) – based on CBA requirements. Balance sheet items converted at the official Armenian dram to USD exchange rate as of 31 December of the respective year: AMD 483.94 as of 2016, AMD 484.10 as of 2017, AMD 483.75 as of 2018 and AMD 479.7 as of 2019. Income statement items converted using the average the official Armenian dram to USD exchange rate for respective period: AMD 480.32 in 2016, AMD 482.63 in 2017, AMD 483.03 in 2018 and AMD 480.24 in 2019

Source: Central Bank of Armenia

Leading omnichannel distribution platform in Armenia

Ardshinbank

Modern branch network covering all provinces of Armenia…

***63* branches**

***137* ATMs**

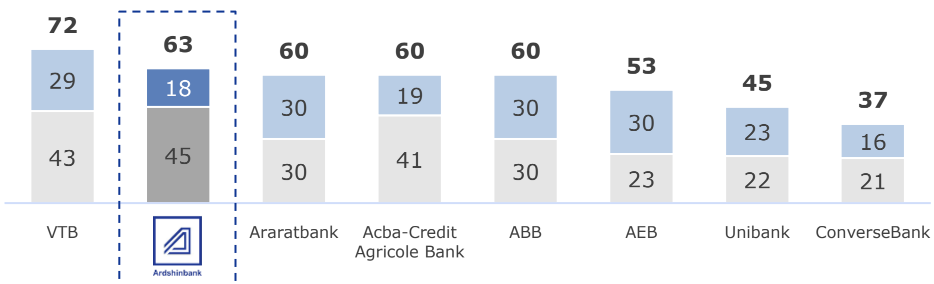
***688* POS terminals**

***2,000* Self-service terminals**

Ardshinbank branches coverage in Armenia

- **Continuing modernization of branches with new technologies** applied
- **Customer centric** branch layout
- **24/7 service area** within the branch allowing customers to take banking transactions any time

Branch network
#

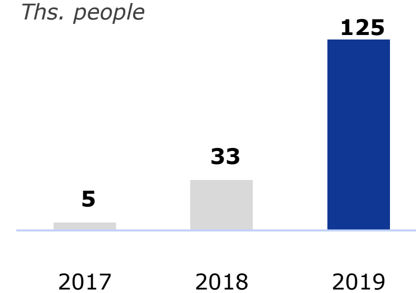


…supported by Mobile / Online Banking for retail and SME customers

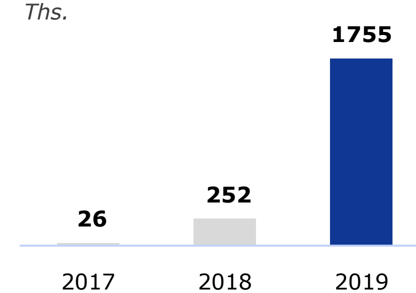
Actively developing remote access tool which allows individual customers to conduct financial transactions 24/7

- **Card accounts management**
- **Get / repay a loan**
- **Money transfers**
- **Insurance**
- **Bank transfers**
- **Deposits placement and replenishments**
- **Online payments**
- **PayX (alternative payment service using QR code)**
- **Exchange currency**
- **Income / costs statistics**
- **Schedule an appointment at the bank**

Number of users
Ths. people



Number of transactions
Ths.



Source: Banks' websites, Company data

Foundation

2002
Ardshininvestbank was founded

2003
Branch network acquisition of "Ardshinbank" and "ArmAgrobank"

2007
IFC acquired 10% stake in the Bank

2008
Moody's assigned LC and FC deposit ratings of Ba2 and Ba3
AMD 1.5 bn coupon bonds issue
Became a Member of NASDAQ OMX Armenia

Gaining scale

2009
Joined VISA as Principal Member

2011
Launched cooperation with ADB

2012
Implementation of credit score system for retail and micro lending
Became Mastercard Principal member

2013
Top-3 among local banks in Armenia

2014
USD75mln Reg S senior unsecured private bond Placement (1st in Armenia)
The Banker: Bank of the year in Armenia
#2 bank by total assets

Active expansion

2015
Fitch Ratings: Assigned B+ rating Long-Term Foreign Currency Issuer Default Rating
Euromoney 2015: Best Bank in Armenia
USD100mln Eurobond issuance
The first issuance from any private sector entity in Armenia

2016
Acquisition of Areximbank

2017
Global Finance: The safest bank in Armenia

2018
Global Finance, The Banker: Bank of the Year in Armenia

2019
Moody's upgraded rating to Ba3 from B1
Global Finance: Best Bank in Armenia

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II. Risk management

Ardshinbank

Credit Risk

Corporate

- Centralized decision making and loan administration
- Independent collateral appraisal, reappraisal
- Internal rating system through rigorous financial analysis
- On-line checks for company data from public registry
- Individual project finance approach
- Target borrowers with stable and verifiable income
- Management quality analysis as one of the key factors for approval
- Early warning indicators system for current monitoring

SME

- Internal rating system through rigorous financial analysis
- Well-designed combination of credit scoring and rating systems for SMEs
- Cross checking modules for SME data verification on front line
- Fine-tuned SME lending software with semi-automated risk assessment system
- Group lending techniques with mutual guarantees
- On site monitoring, using large branch network

Retail

- Automated information flows between branches and head office
- Application scoring model implemented
- Behavioral scoring model implemented
- Extensive use of high-quality credit bureau data
- Traditionally effective mortgage lending procedures implemented
- Sophisticated portfolio monitoring

Market and Liquidity Risk

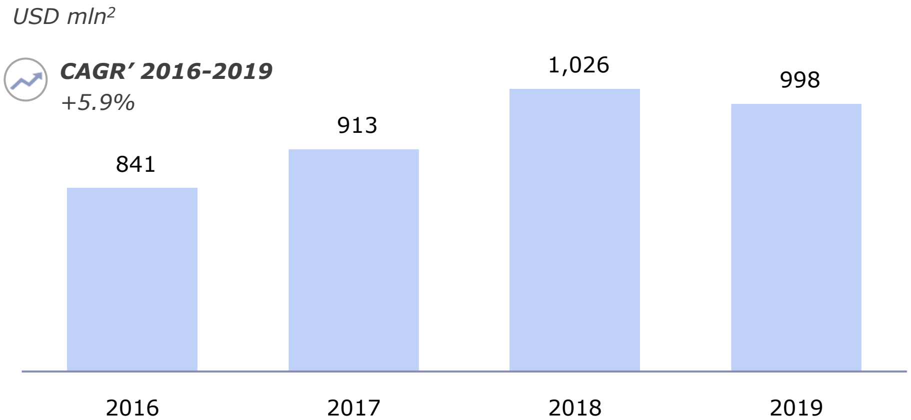
- Maturity mismatches are under control – GAP and duration analysis implemented
- Dedicated committee
- Portfolio and sub portfolio VAR estimation
- Monthly stress testing for interest and liquidity risk
- Repos and currency swaps are in practice

Operational Risk

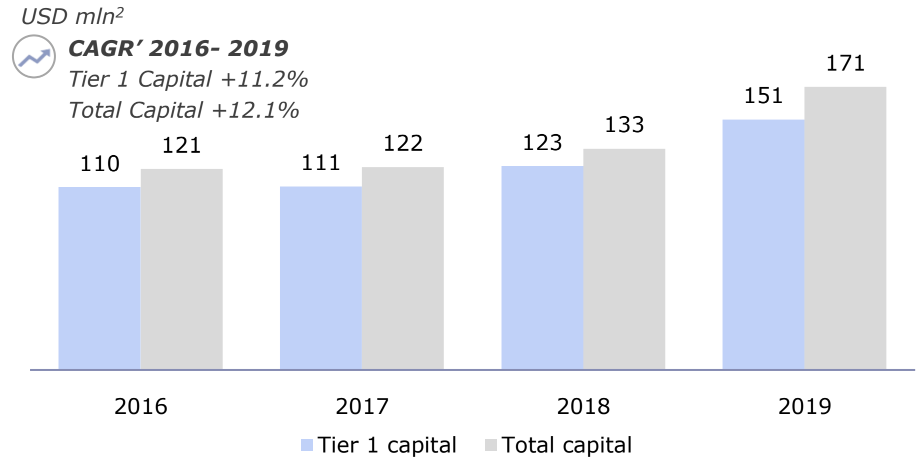
- Dedicated operational risk management unit
- Operational risk database over 3 years old
- Early warning system implemented
- Limits and 4 eyes principle in place
- BBB insurance at Brit Insurance

II. Conservative capitalization above regulatory requirements

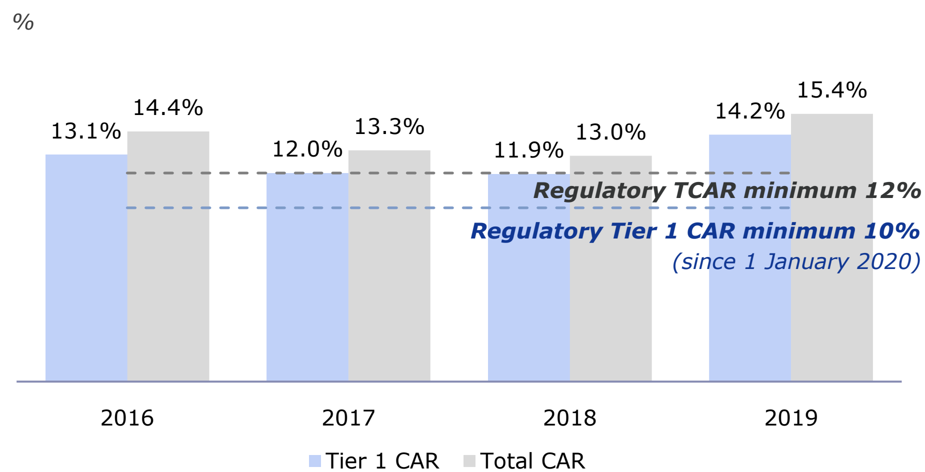
Risk weighted assets (CBA)[1]



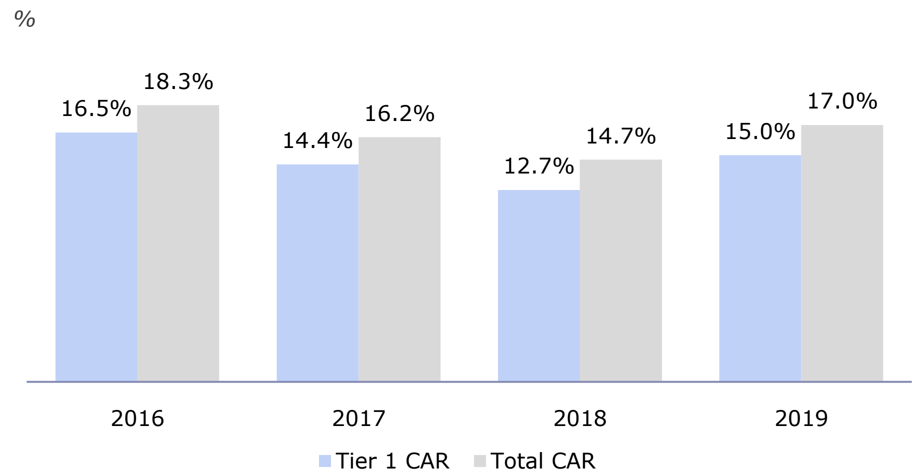
Tier 1 and Total capital (CBA)[1]



Capital adequacy ratios (CBA)[1]



Capital adequacy ratios (Basel II)[2]



Substantial capital buffer over minimum regulatory requirements. High capital adequacy is supported by strong internal capital generation sufficient for the sustainable business growth and development

Note: (1) - Capital Adequacy Ratios and Risk Weighted Assets are calculated according to CBA requirements, (2) - Capital Adequacy Ratios are calculated according to Basel 2 standards; (2) - Converted at the official Armenian dram to USD exchange rate as of 31 December of the respective year: AMD 483.94 as of 2016, AMD 484.10 as of 2017, AMD 483.75 as of 2018 and AMD 479.7 as of 2019

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Ardshinbank

High Corporate Governance standards and experienced management team

Ardshinbank

General Meeting of Shareholders (Supreme governing body)

Board of Directors

6 Members

4 Independent

Karen Safaryan
Chairman

Abel Aganbegyan – Independent Member

Aram Andreasyan

Garegin Tosunyan – Independent Member

Vache Gabrielyan – Independent Member

Dmitry Ladikov-Roev – Independent Member

Key functions of the Board of Directors

- ✓ Determines general strategy
- ✓ Establishes committees to advise Board of Directors on specific issues
- ✓ Supervises the activities of the Bank
- ✓ Appoints Management Board members

Karen Safaryan

Chairman of Board of Directors, final ultimate beneficiary of "Arshinbank" CJSC

- ✓ Karen Safaryan was born in 1963 and has been Chairman of the Board of Directors since 2003
- ✓ Mr. Safaryan also serves as the Chairman of the Board of Directors of Arins Group LLC - Ardshinbank's holding company
- ✓ Mr. Safaryan started his first company "Tranzit" CJSC in Nizhniy Novgorod, Russia in 1995 dealing with supplies of machinery and raw materials for industrial corporations
- ✓ Mr. Safaryan currently holds direct and indirect ownership in around 25 companies in Armenia and Russia
- ✓ He graduated from the Azerbaijan Polytechnic Institute in 1985

Management Board

9 Members

Artak Ananyan
Chairman

David Sargsyan – Chief Financial Officer

Artak Arzoyan – Chief Risk Officer

Artur Gyulazyan – Director of Corporate Business

Artak Khachatryan – Director of Retail Business

Harutyun Ispiryan – Chief Operating Officer

Hovhannes Mkrtichyan – Chief Accountant

Armen Gasparyan – Director of Non-Core Assets Management

Armen Sargsyan – Organizational Development and IT Director

Credit Committee

- Implements the credit policy
- Approves lending transactions within the limits set by MB

Retail credit committee

- Approves loans within the limits and authority delegated by Credit Committee

Technological committee

- Coordinates issues related to the streamlining and improvement of business processes

ALCO

- Determines product mix, pricing and risk profile
- Defines limits on lending and borrowing transactions

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Ardshinbank

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Key country highlights

- Attractive business environment (ranked #41 in 2020, up from #55 in 2012 in Ease of Doing Business vs. Russia #28)
- Sustainable banking system in line with international standards, still underpenetrated with loan-to-GDP at merely 49%
- Global diaspora with its investments, human capacity and support for tourism (more than 8 mln people is living abroad)
- Foreign investors can benefit from investment incentives: no export duties and restrictions, 100% of ownership is permitted, free exchange of foreign currency, no restrictions on remittances and other
- Stable political environment

Geography, people & society

29 km ths.
Area

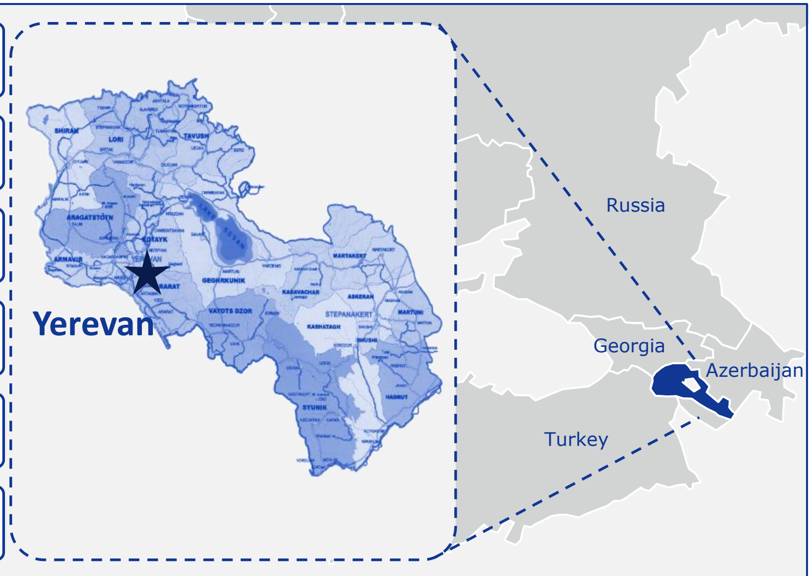
3 mln
Population

99.7%
Literacy rate

75 years
Life expectancy

Armenia
Language

93.6% Christian
Religion



Key indicators (2019F)

6%
GDP growth

1.4%
Inflation

USD13.4bn
Nominal GDP

USD4.5 ths.
GDP per capita

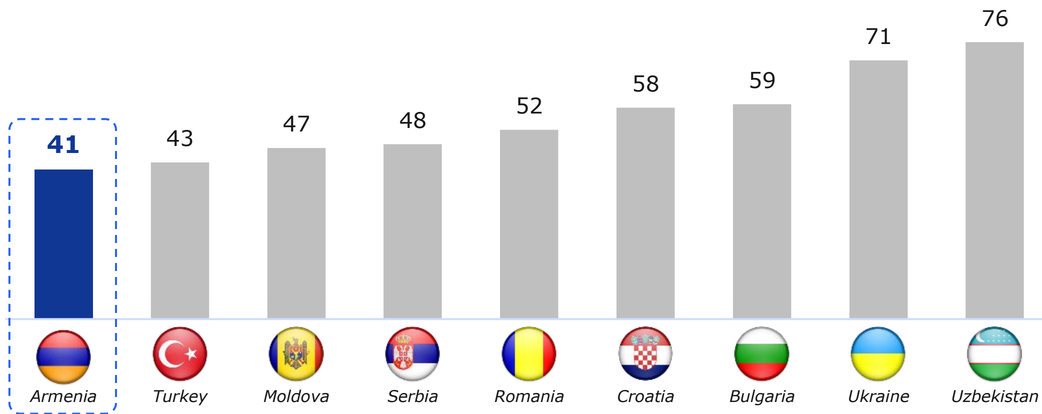
-1%
Budget deficit

FitchRatings **BB-** *(Stable)*[1]

Moody's **Ba3** *(Stable)*[2]

Sovereign rating

Ease of doing business ranking



1 – as of 22 November 2019; 2 – as of 27 August 2019

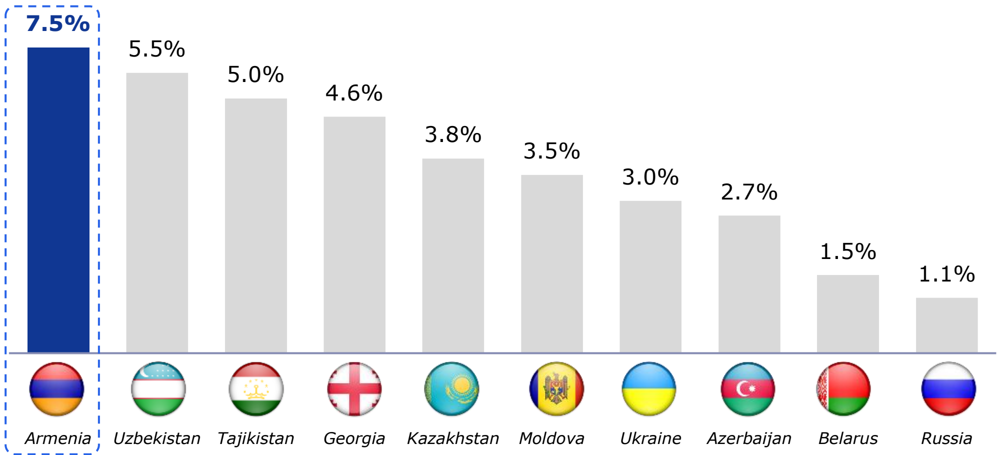
Source: CIA World Factbook, Armstat , IMF (regarding key indicators forecast of 2019), Doing Business 2020 Report (regarding Ease of Doing business rating)

IV. Fastest growing economy among CIS countries with high diversification to higher value activities

Ardshinbank

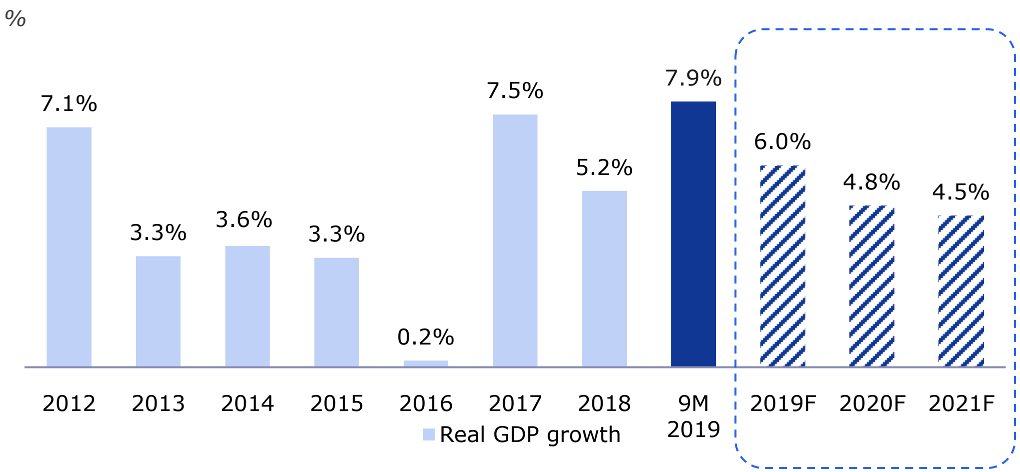
Armenia has the highest real GDP growth in the region …

Real GDP growth, 2019F



Source: IMF

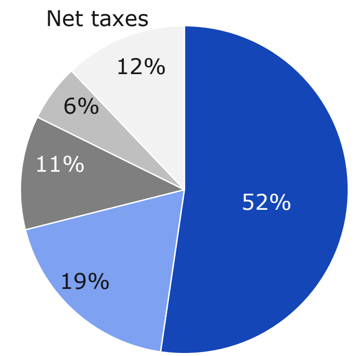
…with strong growth is forecasted going forward



Source: IMF (regarding GDP growth forecast), Central Bank of Armenia (regarding historical GDP growth)

..and well diversified economy, with services contributing 51%

Share in GDP by economic activity, Q3 2019



Services

- Software and Service companies – Priority investment sector by the Government
- Financial sector was driven by increasing customer loan base

Agriculture

- More than 65% of total land area is classified as agricultural land, with 50% comprises of pasture
- Livestock breeding ~50% of agricultural gross product

Industry

- Main manufacturing areas in Armenia:
  - Food
  - Beverage and tobacco
  - Basic metals
  - Rubber and plastics

Construction

- Building of major infrastructure project - North-South Highway
- Replacement of soviet-era housing and office buildings
- Construction of new terminal at Zvartnots Airport

Source: Ministry of Finance of Armenia, Armstat

IV. Profitable banking sector with strong growth potential

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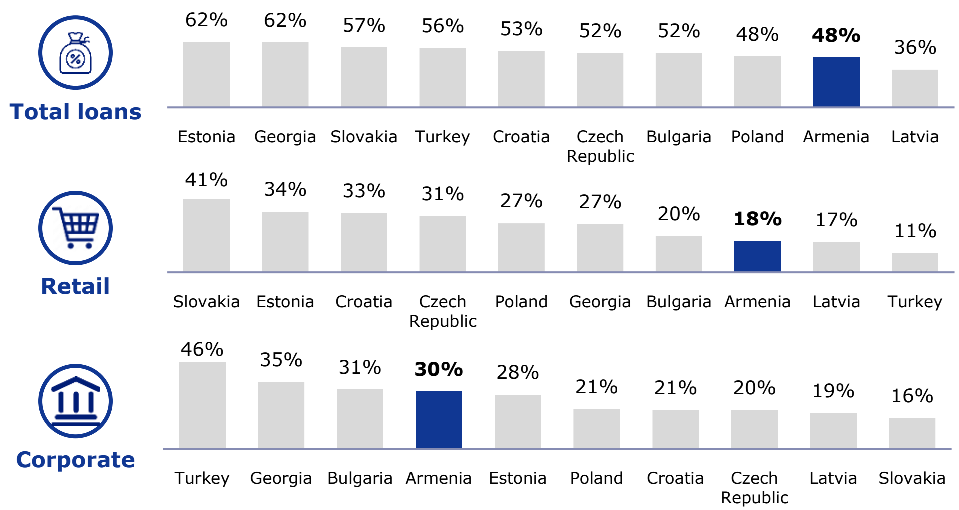
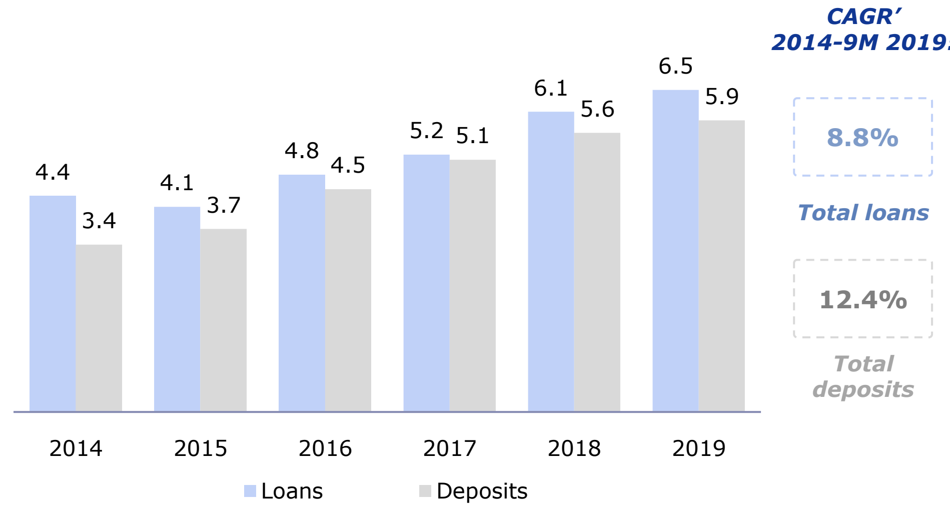
Underpenetrated banking sector…

% of GDP, 2018



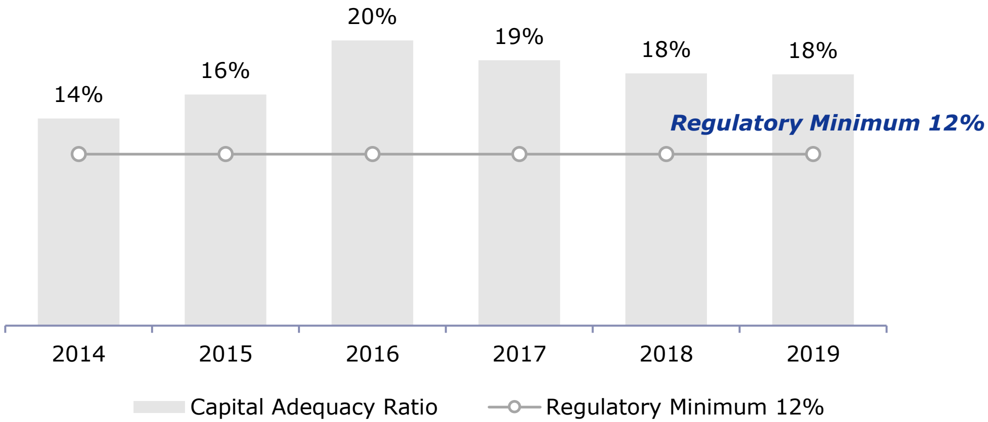
…supporting healthy market growth…

USD bn[1]



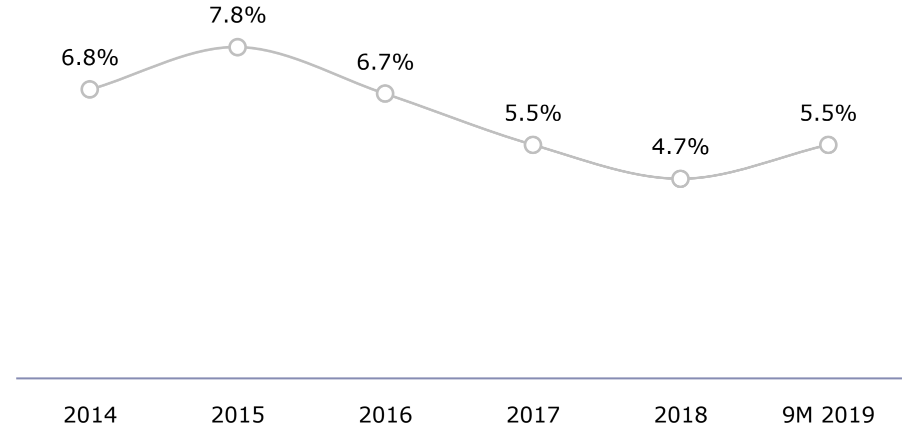
…on the back of strong capitalization…

Capital Adequacy Ratio, %



…and high asset quality

NPL ratio, %



Note: (1) - converted at the official Armenian dram to USD exchange rate as of 31 December of the respective year: AMD 403.58 as of 2012, AMD 405.64 as of 2013, AMD 474.97 as of 2014, AMD 483.75 as of 2015, AMD 483.94 as of 2016, AMD 484.10 as of 2017, AMD 483.75 as of 2018 and AMD 479.7 as of 2019

Source: Central Banks of countries (regarding banking penetration), Central Bank of Armenia

IV. Credible monetary policy

Ardshinbank

Efficient inflation targeting policy

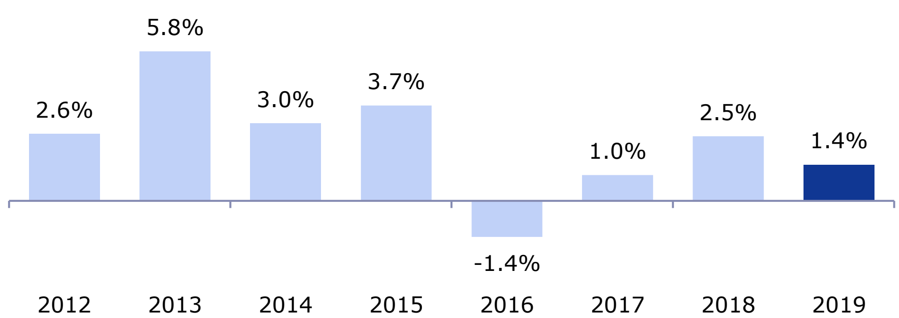
- Inflation remained low for 9M’19, shaping below the lower end of the target range
  - In mid-term forecast inflation is expected to gradually pick up, reaching target of 4% in 2022F (tolerance band of ±1.5%)
- Key inflation targeting instrument is the adjustments in the interest rate on short-term loans from the CBA to the domestic banking system (the “Refinancing Rate”)
- To increase the effectiveness of inflation targeting and monetary transmission mechanism, Central Bank of Armenia takes additional measures:
  - Development of a well-functioning interbank market
  - Banking sector de-dollarization

Stable currency under managed floating exchange rate regime

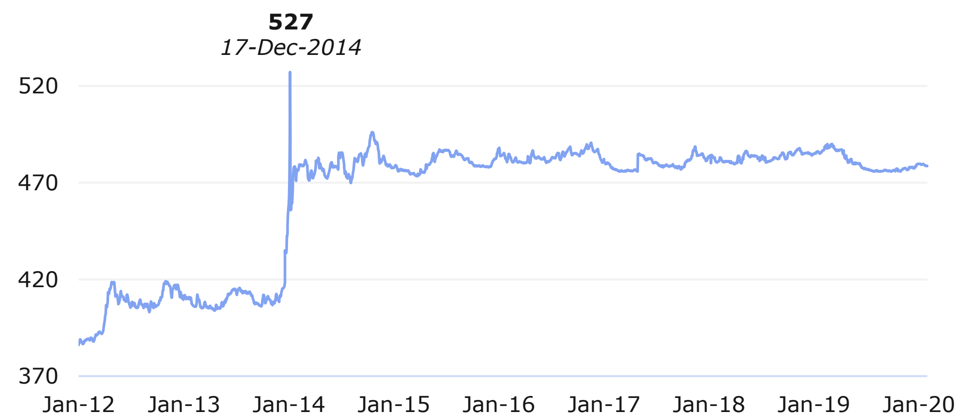
- Managed floating exchange rate regime helped to maintain stable exchange rate in the past 5 years
- Central Bank of Armenia considers the exchange rate as a key shock absorber in protecting competitiveness and maintaining international gross reserves at adequate levels
- Central Bank of Armenia agreed that FX intervention should be limited to addressing large and disorderly swings only

Stable low inflation

CPI, %



Stable exchange rate over the past 5 years



Source: Central Bank of Armenia