



Ardshinbank

Investor Presentation

2020



Best Bank in
Armenia



Best Bank in
Armenia



I. ARDSHINBANK IN BRIEF

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II. HEALTHY RISK PROFILE

6

III. HIGH CORPORATE GOVERNANCE STANDARDS AND EXPERIENCED MANAGEMENT TEAM

9

IV. OPERATIONAL ENVIRONMENT

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Key facts



Leading bank in Armenia with 13.9% market share by total assets (as of December 2020)



Universal bank with strong focus on retail and SME and Micro (37% and 12% of the loan portfolio, respectively, as of December 2020) and serving long-standing blue-chip corporate base



ca. **264,568 customers** including over 4,923 legal entities and 259,645 individuals



Strong omnichannel distribution platform with 60 branches, 138 ATMs, 747 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 16.9% as of Dec 2020)



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

Market position

2020



by net profit



by total assets



by net loans



by total deposits



by branch network

MOODY'S

Ba3 (Negative)¹

FitchRatings

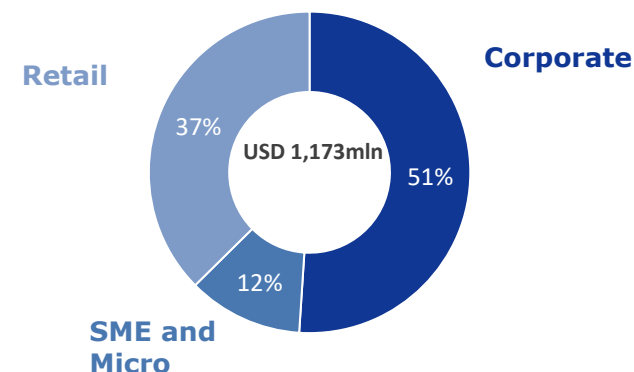
B+ (Negative)²

Key financial highlights

USD mln	2017	2018	2019	2020
Key metrics				
Net Loans	810	944	974	1,132
Total Assets	1,174	1,391	1,505	1,762
Customer Deposits	713	759	828	650
Shareholders' Equity	137	135	162	172
Operating Income	53	57	77	91
Net Profit	12	13	21	27
Key ratios				
ROE	8.0%	9.8%	12.7%	16.9%
Cost to income	45.6%	41.1%	38.0%	29.1%
NPL	2.5%	4.7%	6.1%	7.8%
TCAR (CBA) ³	13.3%	13.0%	15.4%	13.1%

Gross loan portfolio structure

2020



Note: (1) – LT Bank Deposits; (2) – LT Issuer Default Rating; (3) – 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 484.10 as of 2017, AMD 483.75 as of 2018, AMD 479.7 as of 2019 and AMD 522.59 as of 2020. Income statement items converted using the average the official Armenian dram to USD exchange rate for respective period: AMD 482.63 in 2017, AMD 483.03 in 2018, AMD 480.24 in 2019 and AMD 489.44 in 2020.

Source: Central Bank of Armenia

I. Leading omnichannel distribution platform in Armenia

Modern branch network covering all provinces of Armenia...



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



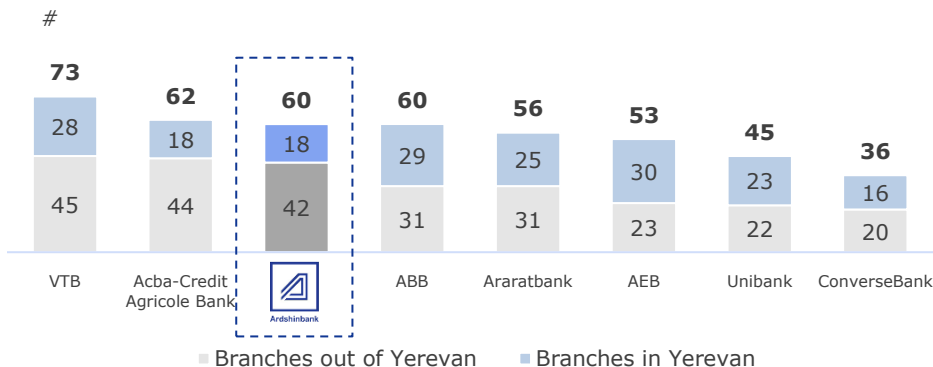
...supported by Mobile / Online Banking for retail and SME customers

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

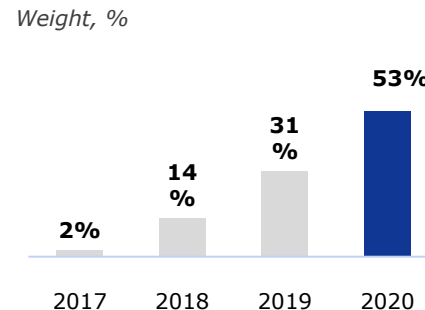


- Card accounts management
- Get / repay a loan
- Money transfers
- Insurance
- Bank transfers
- Deposits placement and replenishments
- Online payments
- PayX (alternative payment service using QR code)
- Exchange currency
- Income / costs statistics
- Schedule an appointment at the bank

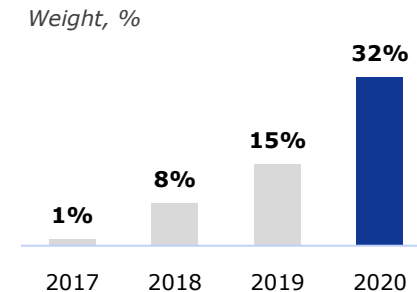
Branch network



Number of users



Number of transactions



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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

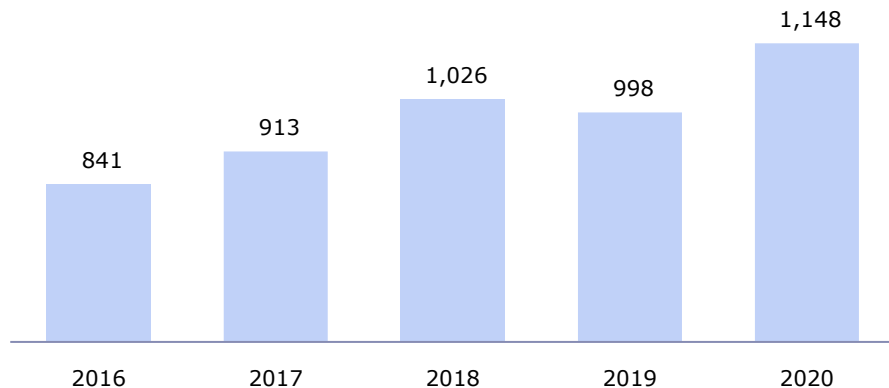
Operational Risk

- 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

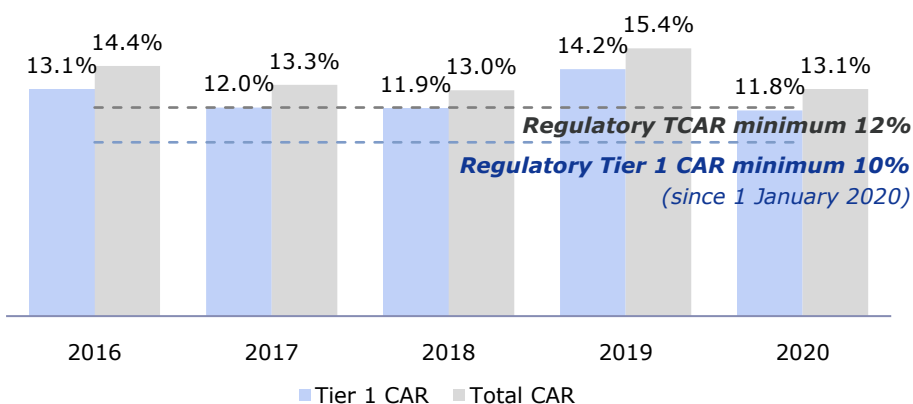
Risk weighted assets (CBA)¹

USD mln²



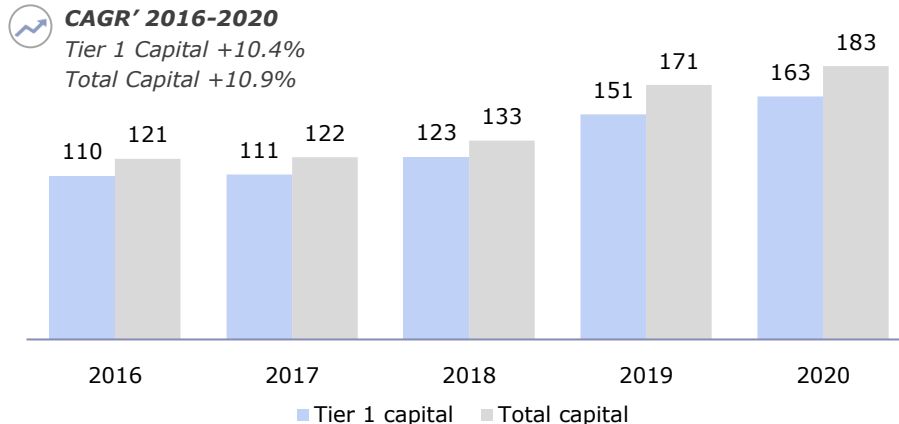
Capital adequacy ratios (CBA)¹

%



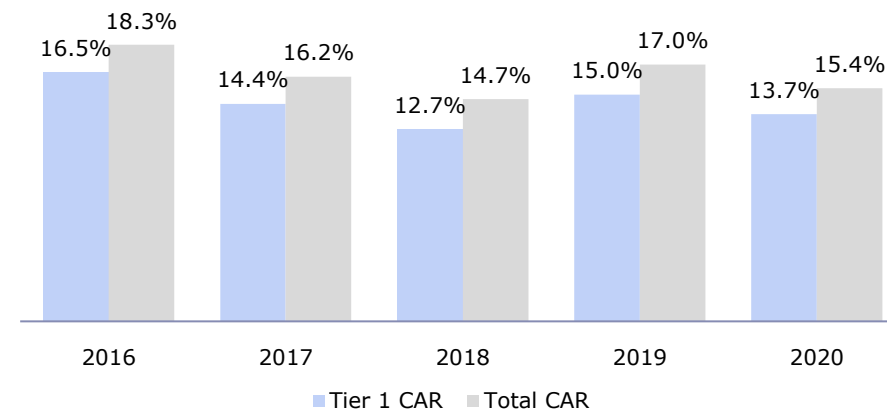
Tier 1 and Total capital (CBA)¹

USD mln²



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, AMD 479.7 as of 2019 and AMD 522.59 as of 31 December 2020

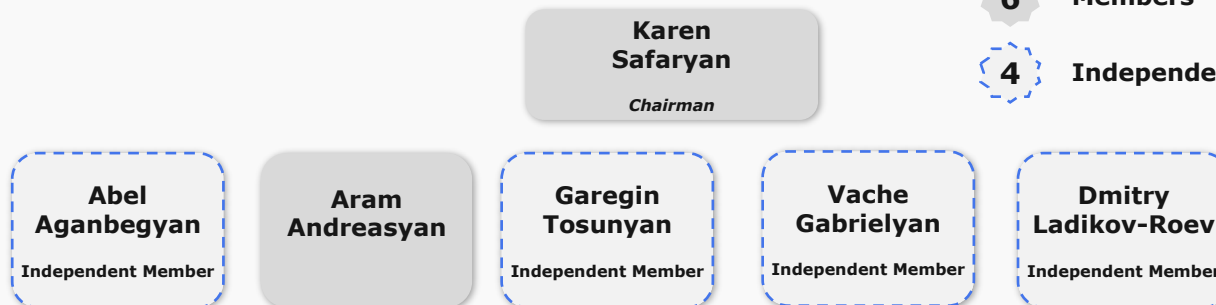
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III. High Corporate Governance standards and experienced management team

General Meeting of Shareholders (Supreme governing body)

Board of Directors

6 Members
4 Independent



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



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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IV. Armenia at a glance – key country facts

Key indicators (2020 F)

-7.3%

GDP growth

3.7%

Inflation

USD12.8bn

Nominal GDP

USD4.3 ths.¹

GDP per capita

6.1%

Budget deficit

FitchRatings

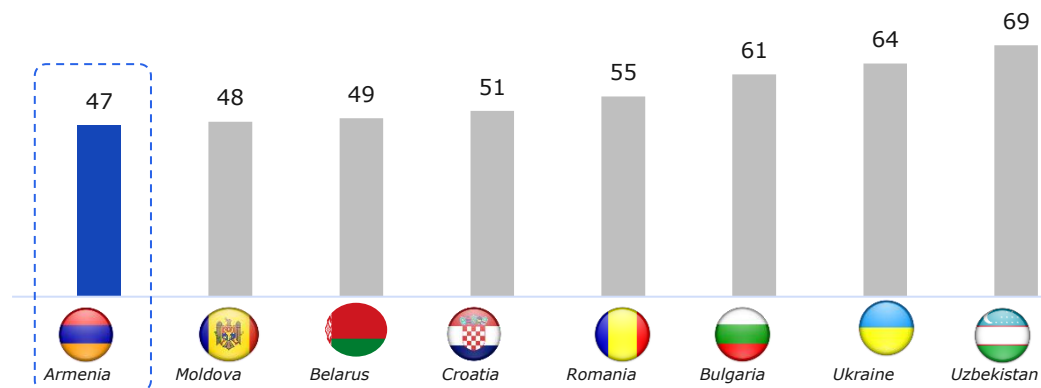
B+ (Stable)²

MOODY'S

Ba3 (Stable)³

Sovereign rating

Ease of doing business ranking



1- as of 2020 F

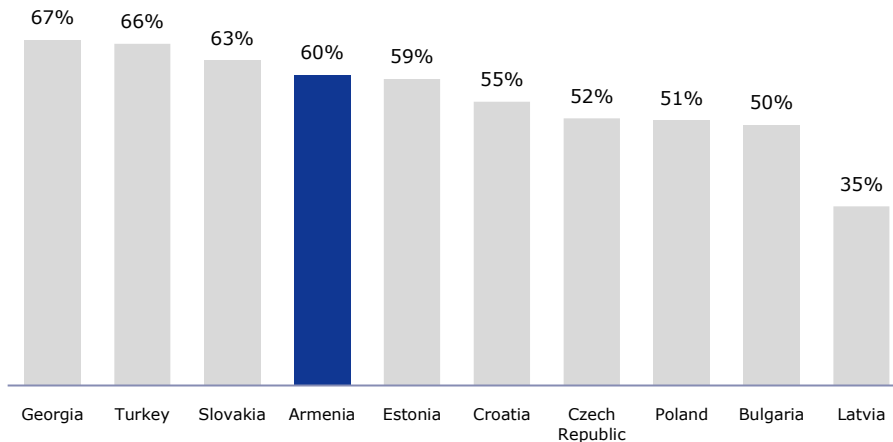
2- as of 05 October 2020; 3 - as of 31 December 2020

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

IV. Profitable banking sector with strong growth potential

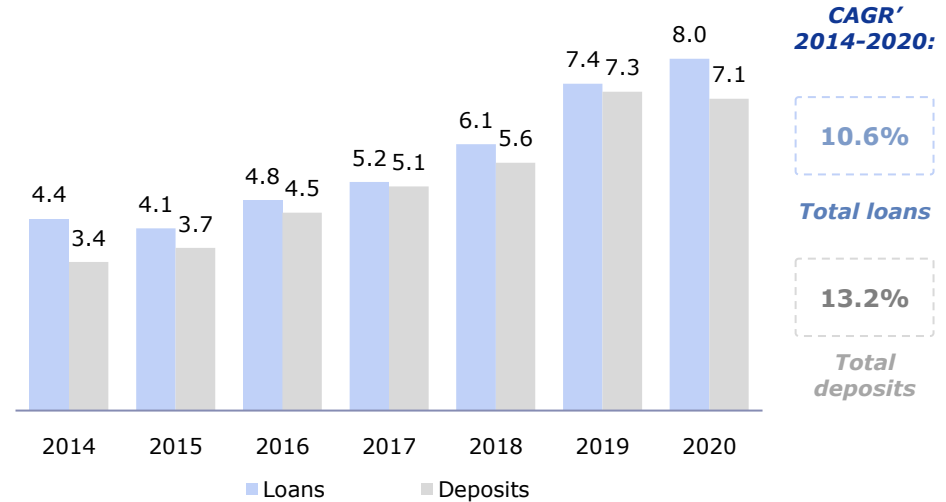
Underpenetrated banking sector...

Loans % of GDP, 2019



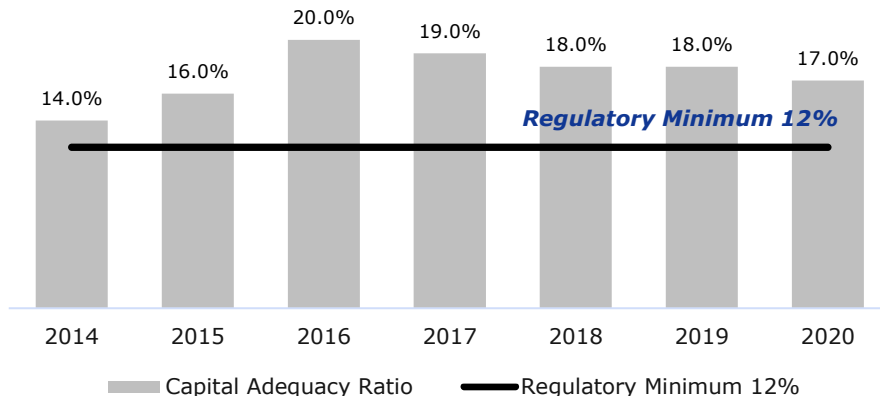
...supporting healthy market growth...

USD bn¹



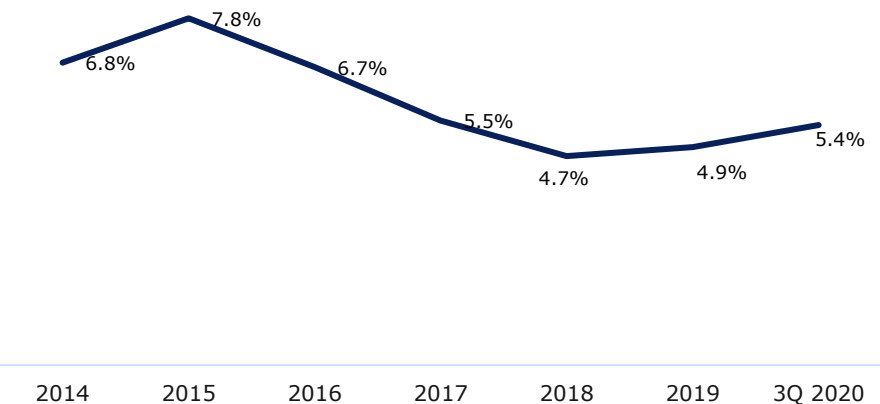
...on the back of strong capitalization...

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 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, AMD 479.7 as of 2019 and AMD 522.59 as of 2020.

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

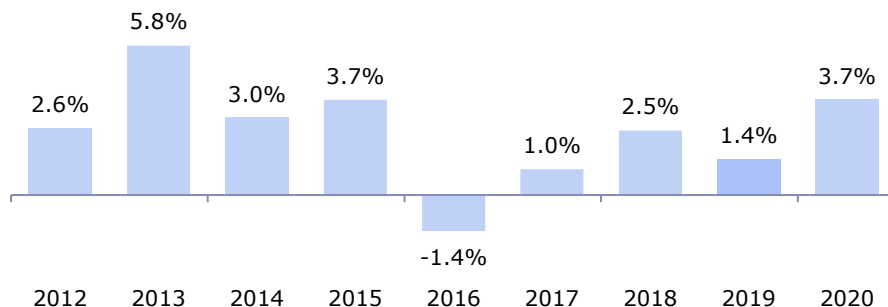


Efficient inflation targeting policy

- Inflation remained low for 3M'20, 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 $\pm 1.5\%$)
- 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 low inflation

CPI, %



Source: Central Bank of Armenia



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 exchange rate over the past 5 years

