



Ardshinbank

Investor Presentation

1H 2020



Best Bank in
Armenia



Best Bank in
Armenia



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III.	HIGH CORPORATE GOVERNANCE STANDARDS AND EXPERIENCED MANAGEMENT TEAM	10
IV.	OPERATIONAL ENVIRONMENT	12

Key facts



Leading bank in Armenia with 13.4% market share by total assets (as of June 2020)



Universal bank with strong focus on retail and SME and Micro (38% and 13% of the loan portfolio, respectively, as of June 2020) and serving long-standing blue-chip corporate base



ca. **262,000 customers** including over 5,116 legal entities and 257,342 individuals



Strong omnichannel distribution platform with 63 branches, 138 ATMs, 743 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 17.7% as of June 2020)



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

Market position

1H 2020



by net profit



by total assets



by net loans



by total deposits



by branch network

MOODY'S

Ba3 (Stable)¹

FitchRatings

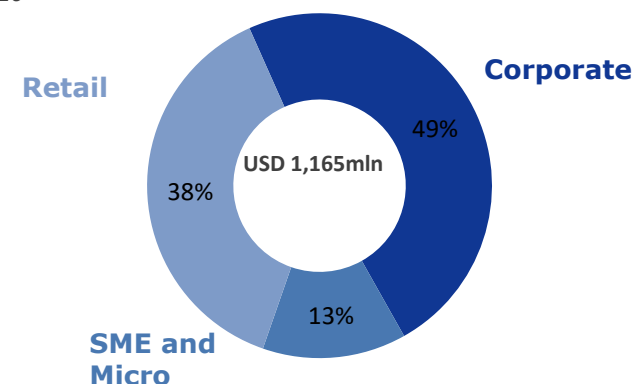
B+ (Negative)²

Key financial highlights

USD mln	2017	2018	2019	1H 2020
Key metrics				
Net Loans	810	944	974	1,137
Total Assets	1,174	1,391	1,505	1,671
Customer Deposits	713	759	828	767
Shareholders' Equity	137	135	162	175
Operating Income	53	57	77	43
Net Profit	12	13	21	14
Key ratios				
ROE	8.0%	9.8%	12.7%	17.7%
Cost to income	45.6%	41.1%	38.0%	31.3%
NPL + restructured loans ratio	2.5%	4.7%	6.1%	4.9%
TCAR (CBA) ³	13.3%	13.0%	15.4%	14.2%

Gross loan portfolio structure

1H 2020



Note: (1) – Baseline Credit Assessment; (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 482.36 as of 1H 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 483.7 in 1H 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



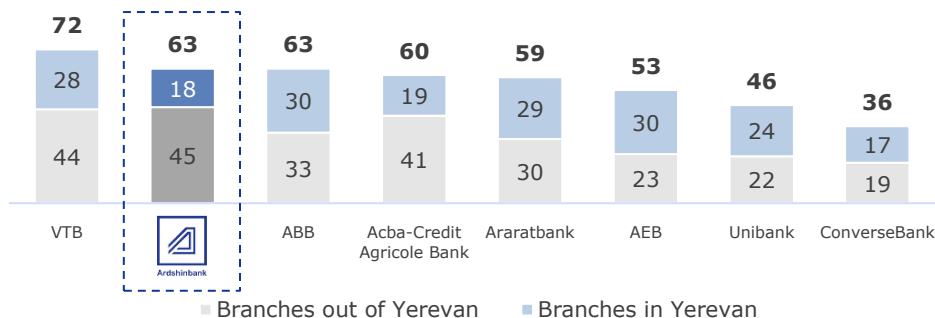
...supported by Mobile / Online Banking for retail and SME customers

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

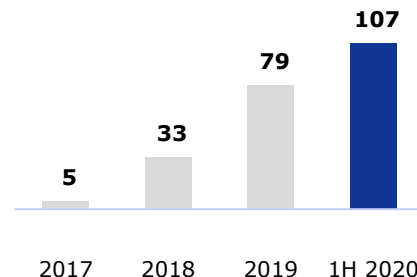


- Card accounts management
- Get / repay a loan
- Money transfers
- Insurance
- Bank transfers
- Deposits placement and replenishments
- Online payments
- PayX (alternative payment service using QR code)
- Exchange currency
- Income / costs statistics
- Schedule an appointment at the bank

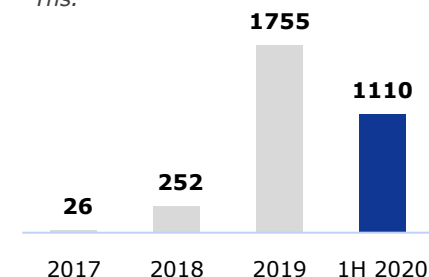
Branch network



Number of users Ths. people



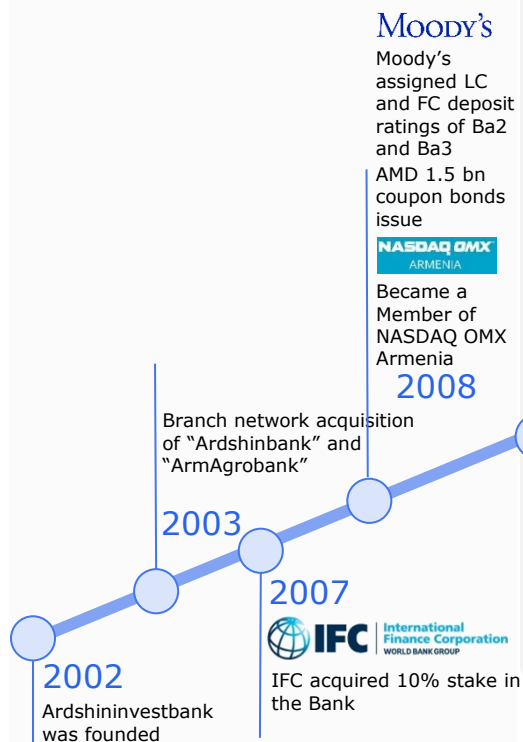
Number of transactions Ths.



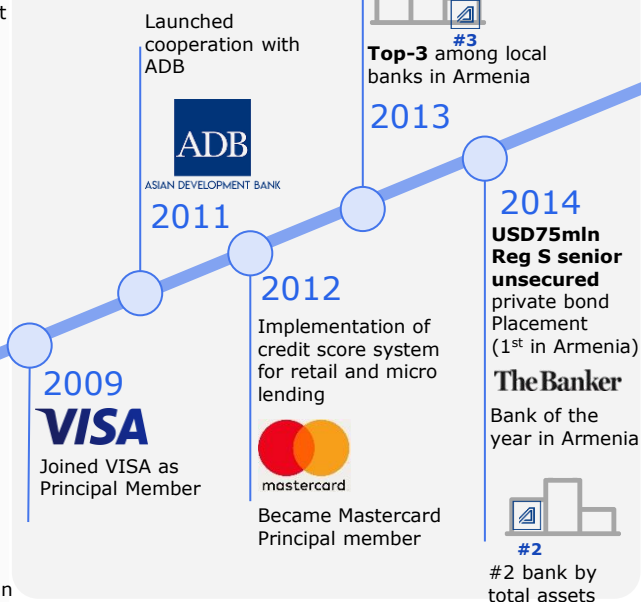
I. Historic milestones



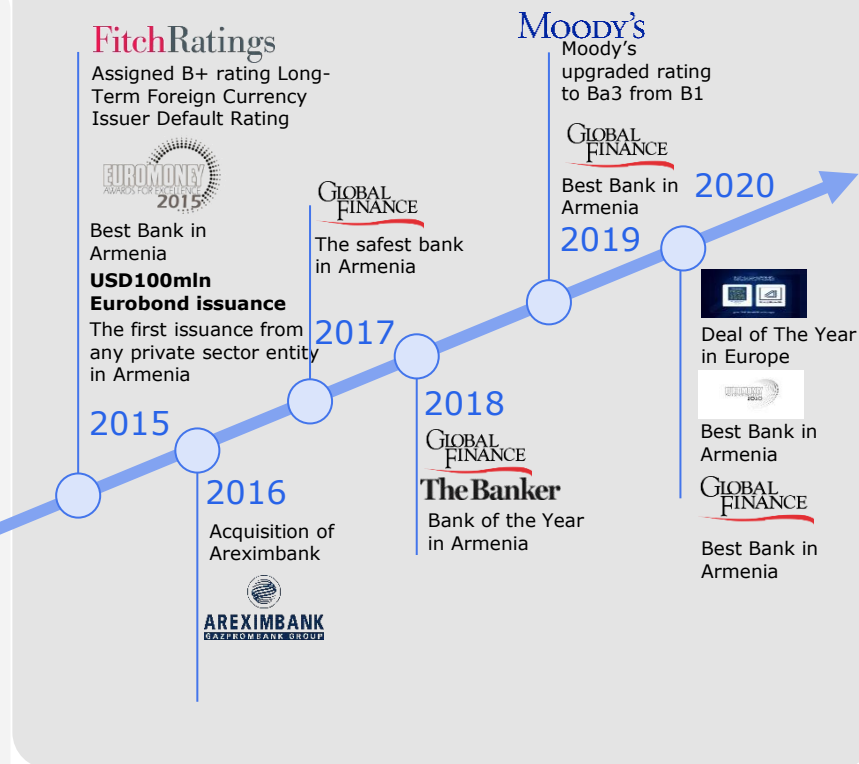
Foundation



Gaining scale



Active expansion



I. ARDSHINBANK IN BRIEF

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II. HEALTHY RISK PROFILE

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III. HIGH CORPORATE GOVERNANCE STANDARDS AND EXPERIENCED MANAGEMENT TEAM 10

IV. OPERATIONAL ENVIRONMENT

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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

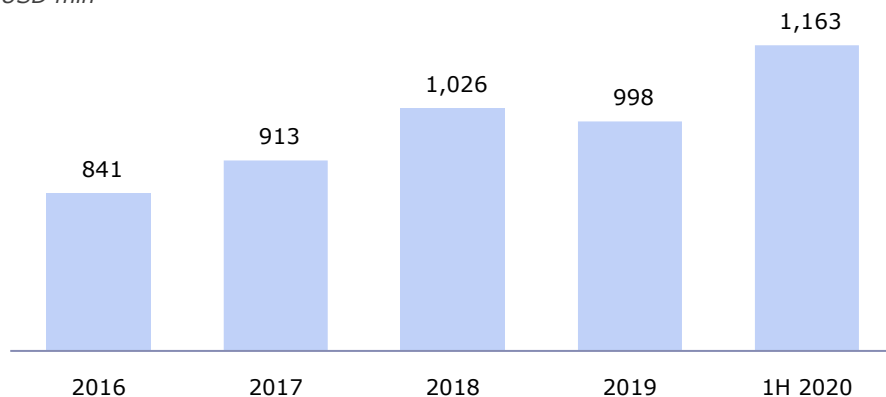
Operational Risk

- 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

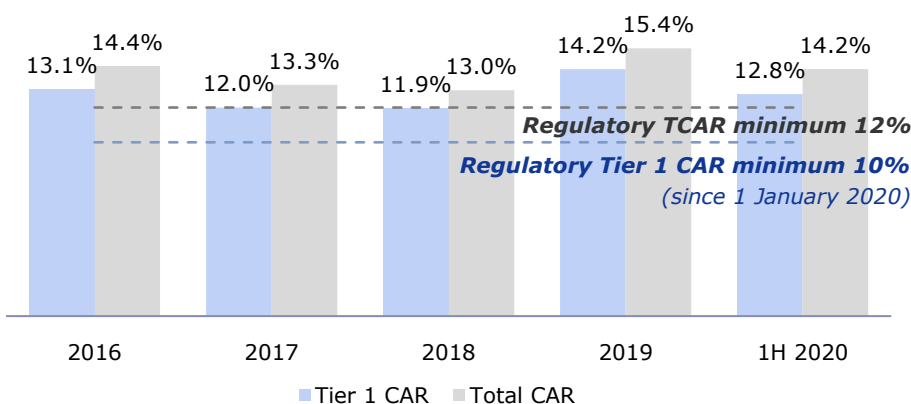
Risk weighted assets (CBA)¹

USD mln²



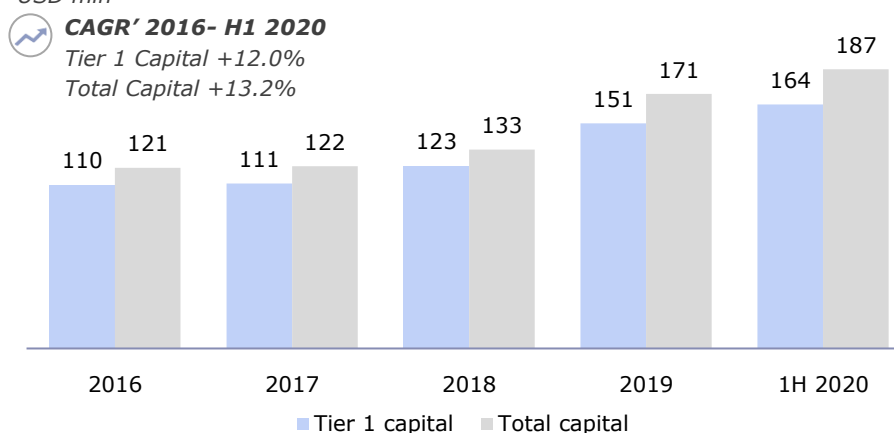
Capital adequacy ratios (CBA)¹

%



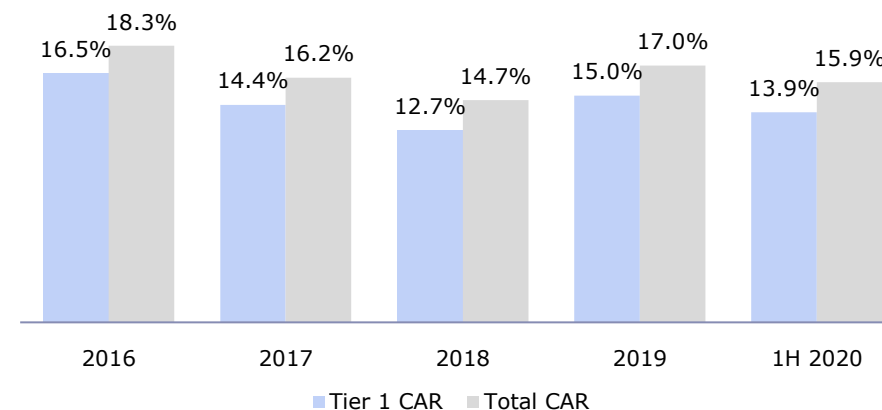
Tier 1 and Total capital (CBA)¹

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 482.36 as of 30 June 2020

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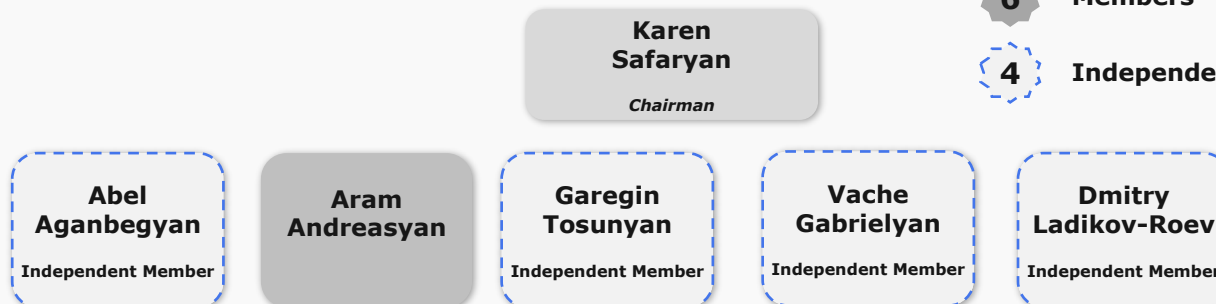
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III. High Corporate Governance standards and experienced management team

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

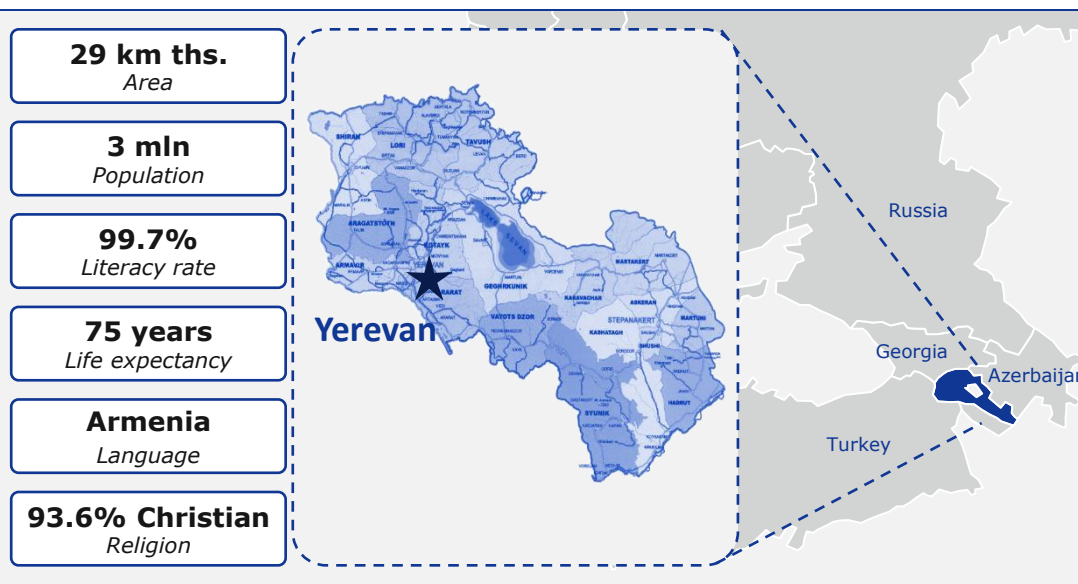
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IV. Armenia at a glance – key country facts

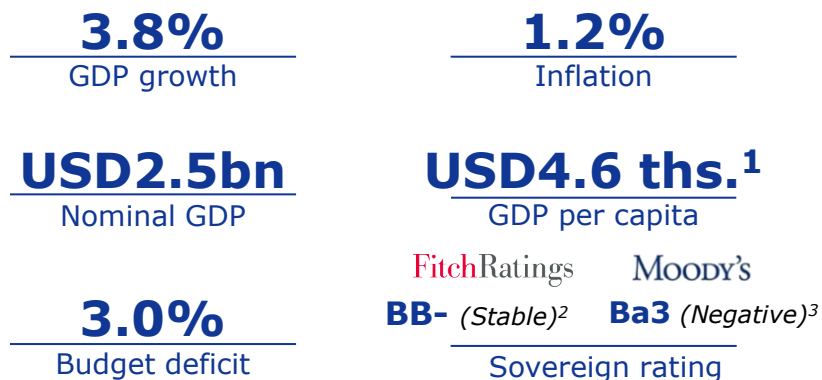
Key country highlights

-  Attractive business environment (ranked #47 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

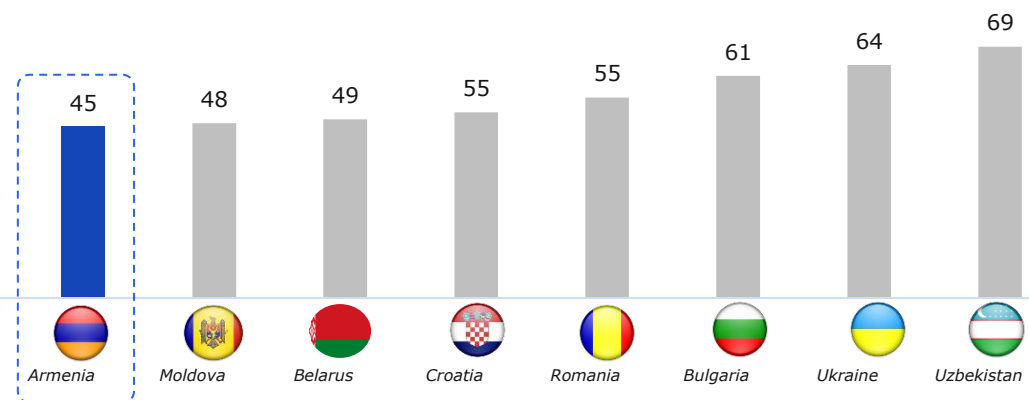
Geography, people & society



Key indicators (1Q 2020)



Ease of doing business ranking



1- as of 2019

2- as of 22 November 2019; 3 - 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)

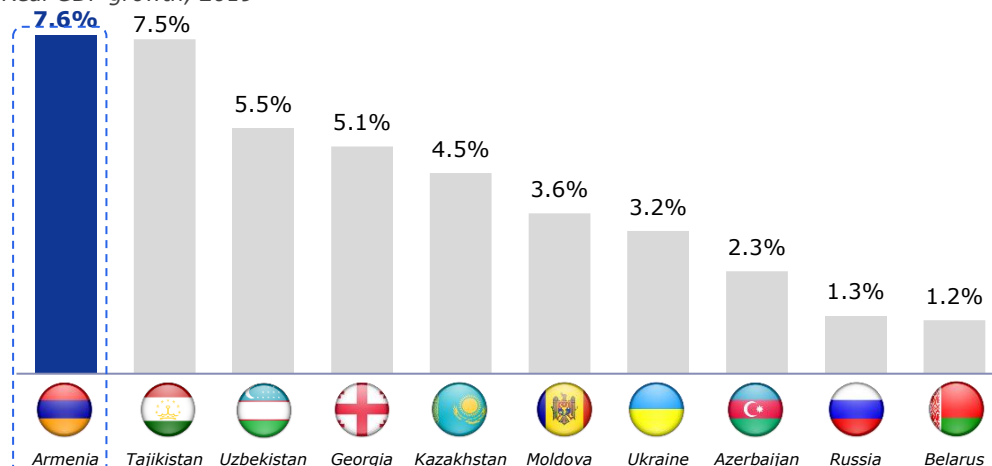
IV. Fastest growing economy among CIS countries with high diversification to higher value activities



Ardshinbank

Armenia has the highest real GDP growth in the region ...

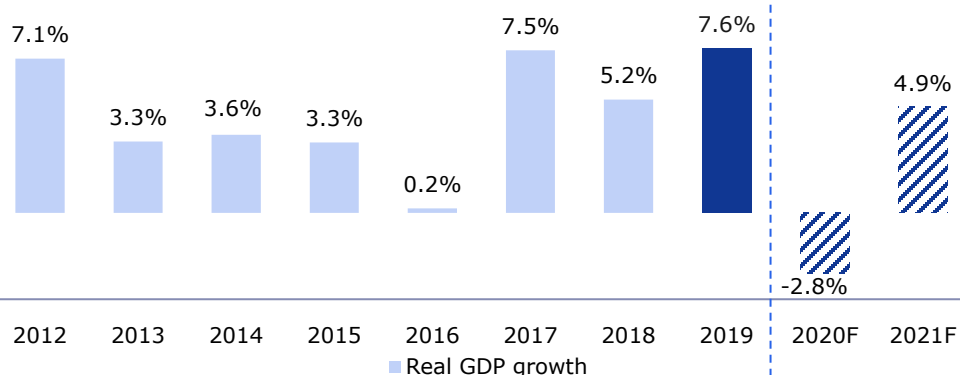
Real GDP growth, 2019



Source: IMF

...as a result of COVID-19 pandemic the economy is projected to decrease in Y2020

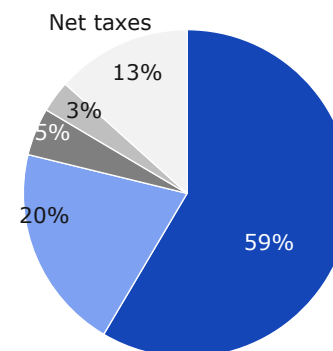
%



Source: IMF, Worldbank (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, 1Q 2020



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

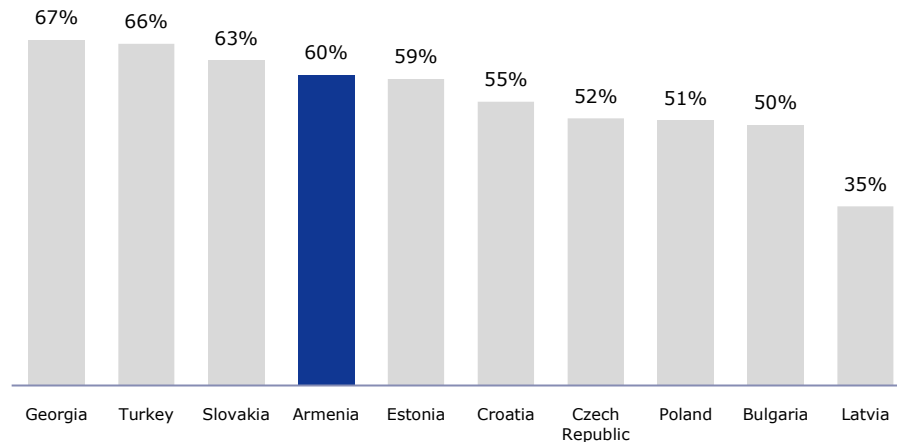
Source: Ministry of Finance of Armenia, Armstat

Ardshinbank

IV. Profitable banking sector with strong growth potential

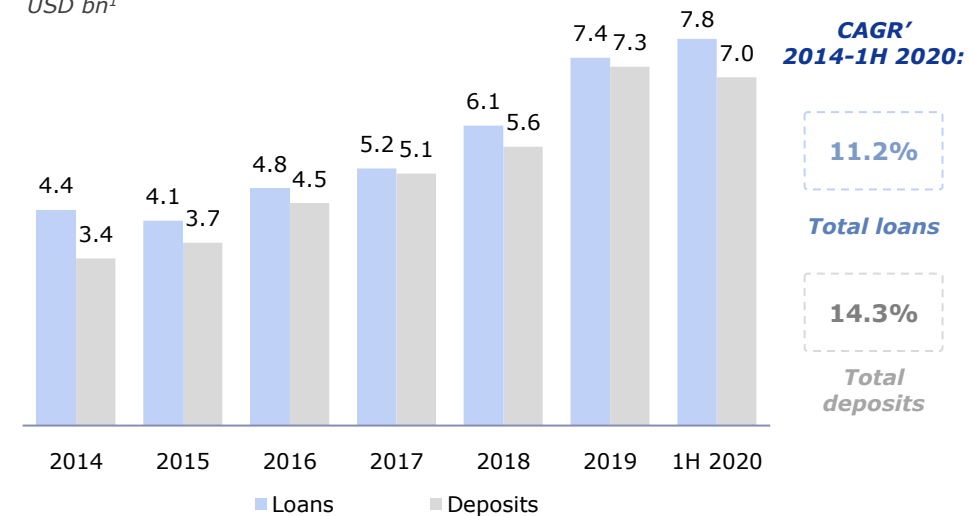
Underpenetrated banking sector...

Loans % of GDP, 2019



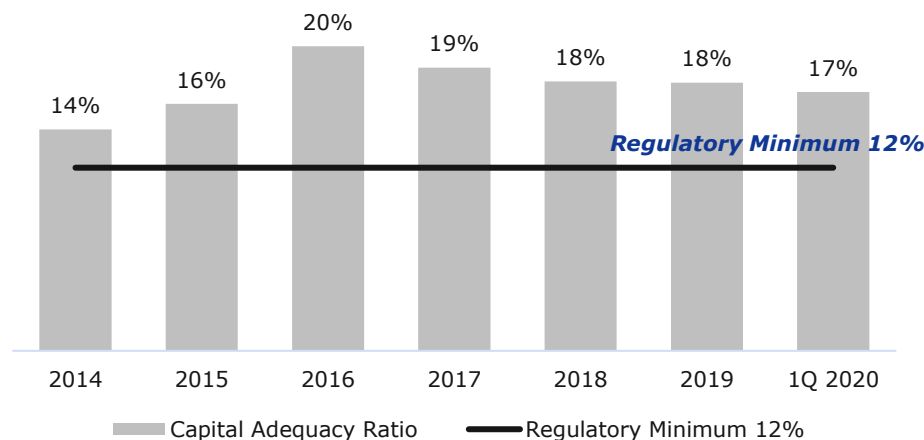
...supporting healthy market growth...

USD bn¹



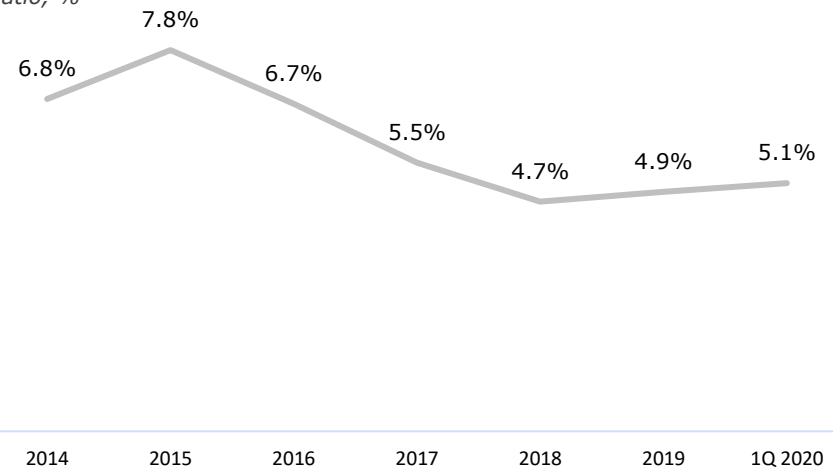
...on the back of strong capitalization...

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 483.7 as of June 2020.

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

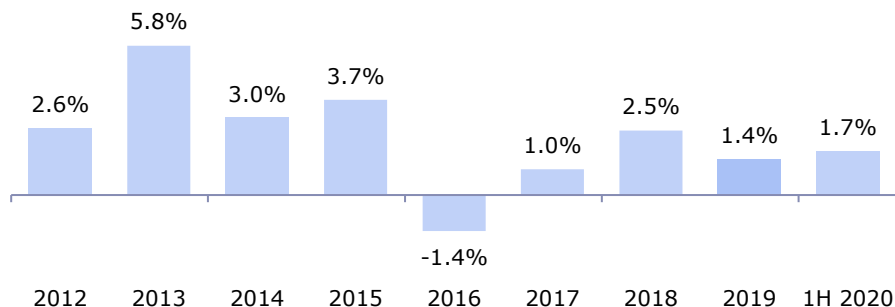


Efficient inflation targeting policy

- 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

