Investor Presentation

2024 H1

Ardshinbank

Agenda

I. Ardshinbank in brief

Key facts

- **Leading bank** in Armenia with 18.3% market share by total assets (as of June 2024)
- **Universal bank with strong focus on retail and SME and Micro** and serving long-standing blue-chip corporate base
- **Over 386,737 customers** including over 6,811 legal entities and 379,826 individuals.
- **Strong omnichannel distribution platform** with 65 branches, over 150 ATMs, 3,084 POS terminals, supported by comprehensive mobile / online banking platform (82% of transactions are made in mobile).
- **Sustainable through-the-cycle performance** with leading profitability and efficiency (ROAE of 47.1% for 2Q 2024)
- **High corporate governance standards** with predominantly independent Board of Directors and experienced management team. Ardshinbank is consistently audited by **Big 4** audit firms, currently, by **Ernst & Young**.
- **The only non-sovereign** from Armenia which has issued RegS/144A public Eurobonds.
- **The only Bank in Armenia** that has sovereign ratings from three leading global rating agencies (Moody's, Fitch, S&P Global).

Market position

2Q 2024

#1	#1	#1	#1	#1	#1	#1	#1	#2
by total assets	*by total deposits*	*by total equity*	*by net profit*	*by retail deposits*	*by international financing*	*by ROE*	*by branch network*	*by net loans*

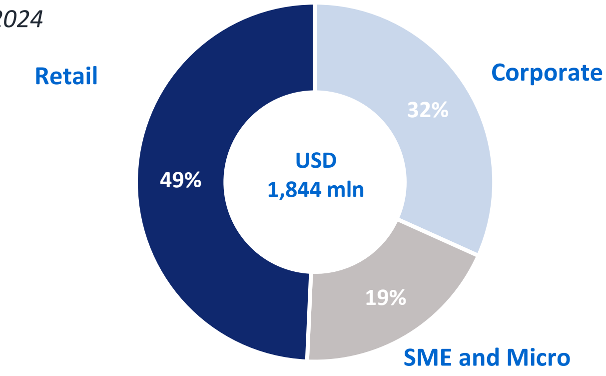
S&P Global BB- (Stable)[1] | Moody's Ba3 (Stable)[2] | FitchRatings BB- (Stable)[1]

Key financial highlights

USD mln	2020	2021	2022	2023	2024 2Q
Key metrics					
Net Loans	1,127	1,196	1,350	1,659	1,813
Total Assets	**1,755**	**2,104**	**3,958**	**4,039**	**4,586**
Customer Deposits	650	872	2,409	2,416	2,920
Shareholders' Equity	**166**	**208**	**370**	**468**	**619**
Operating Income	88	86	290	274	207
Net Profit	**21**	**27**	**143**	**156**	**126**
Key ratios					
ROE	13.1%	15.7%	62.2%	42.0%	53.4%
Cost to income	30.0%	32.9%	18.7%	26.2%	23.4%
NPL	7.8%	5.6%	4.7%	5.5%	2.8%
TCAR (CBA)[3]	13.1%	13.9%	20.2%	17.2%	20.8%

Gross loan portfolio structure

2Q 2024



Note: (1) – LT Issuer Default Rating; (2) – LT Bank Deposits; (3) – based on CBA requirements. Balance sheet items converted at the official Armenian dram to USD exchange rate as of 30 June of the respective year.

Source: Central Bank of Armenia

I. Leading omnichannel distribution platform in Armenia

Modern branch network covering all provinces of Armenia…

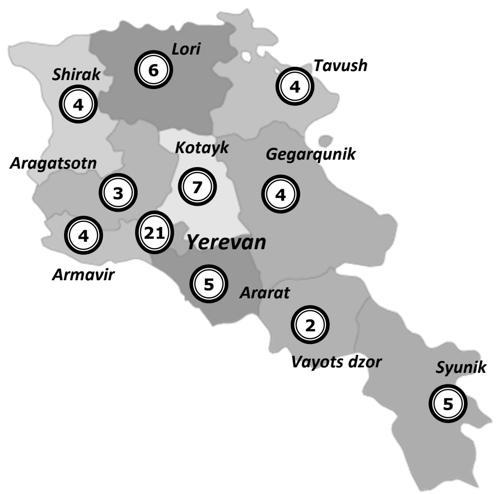
65 ***branches***

150 ***ATMs***

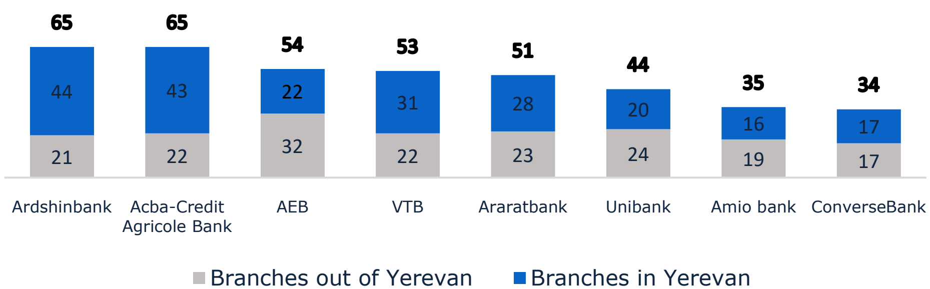
3,084 ***POS terminals***

Ardshinbank branches coverage in Armenia

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



Branch network
#

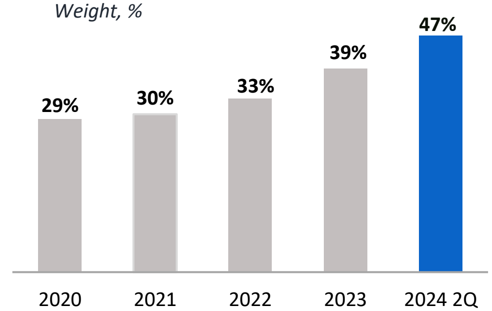


…supported by Mobile / Online Banking for retail and SME customers

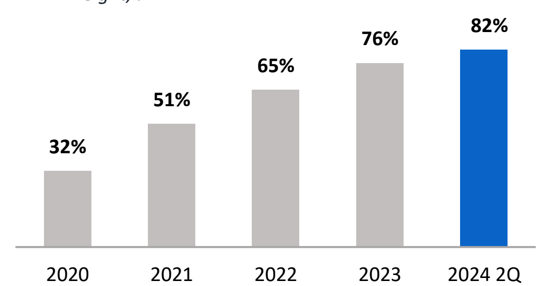
Actively developing remote access tool which allows customers to conduct financial transactions 24/7

- **Card accounts management**
- **Get / repay a loan**
- **Money transfers**
- **Insurance**
- **Bank transfers**
- **Deposits placement and replenishments**
- **Online payments**
- **Exchange currency**
- **Income / costs statistics**
- **Schedule an appointment at the bank**
- **And many more**

Number of active users
Weight, %



Number of transactions
Weight, %



Source: Banks' websites, Company data

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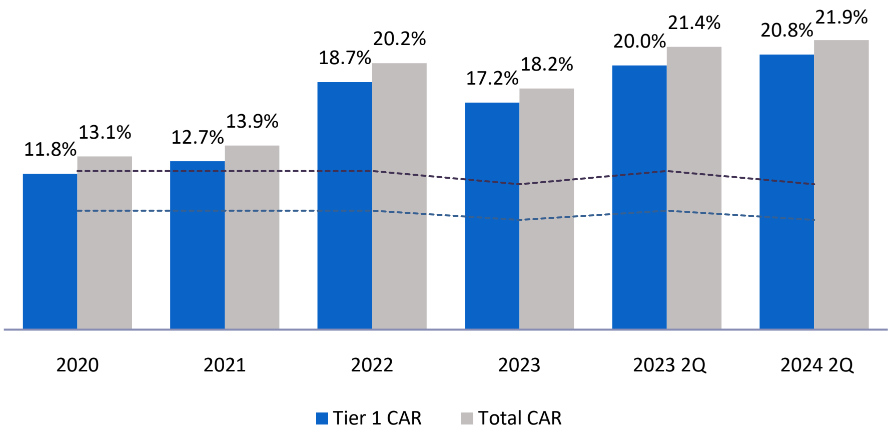
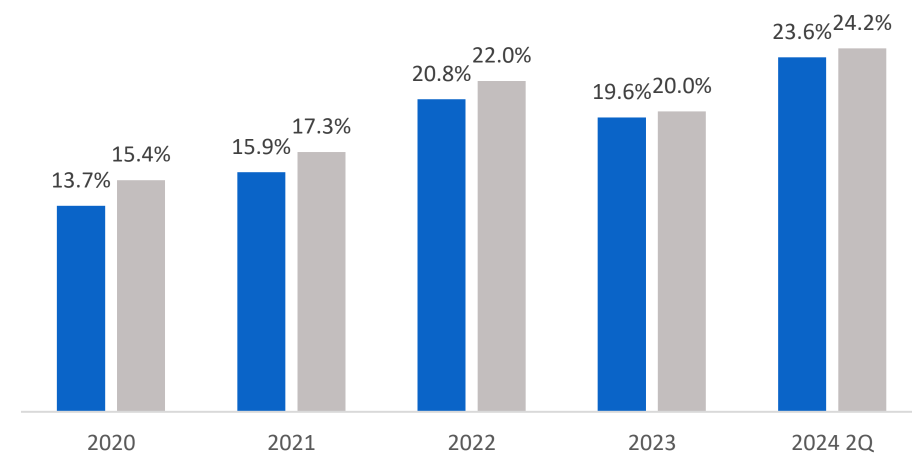
II. Capitalization above regulatory requirements

Capital adequacy ratios (CBA)[1]

Regulatory TCAR minimum 11%
Regulatory Tier 1 CAR minimum 8.3%



Capital adequacy ratios (Basel II)[2]



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 30 June of the respective year.

Agenda

III. High Corporate Governance standards and experienced management team

General Meeting of Shareholders (Supreme governing body)

Supervisory Board

6 Members

4 Independent

Karen Safaryan
Chairman

- **Aram Andreasyan**
- **Tigran Sargsyan** – Independent Member
- **Garegin Tosunyan** – Independent Member
- **Alexander von Gleich** – Independent Member
- **Vache Gabrielyan** – Independent Member

Karen Safaryan

Chairman of Supervisory Board, 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 Supervisory Board of Arins Group LLC - Ardshinbank's holding company

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

Management Board

9 Members

Artak Ananyan
Chairman

- **Artur Gyulazyan** – Deputy Chairman of the Management Board, Director of **Private Banking**
- **David Sargsyan** – Deputy Chairman of the Management Board, **Director of Investment Business**
- **Armen Gasparyan** – Director Corporate Business
- **Artur Hakobyan** – Director of SME Business
- **Artak Khachatryan** – Director of Retail Business
- **Harutyun Ispiryan** – Chief Digital and Talent Officer
- **Hovhannes Mkrtichyan** – Chief Accountant
- **Lusine Nersisyan** – Chief Risk Officer

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

Agenda

IV. Risk management

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

MSME

- 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 eyesprinciple in place
- BBB insurance at Brit Insurance

IV. Regulatory framework

Loan classification and provisioning

Categories	Objective criteria	Subjective criteria	Level of provision
Standard	Current	There are no signs of deterioration in a borrower's financial condition	General provision of 1%
Watch	Less than 90 days past due	There are negative tendences of deterioration in a borrower's financial condition which may affect the ability to service the loan	10% for LC[1] 12% for FC[2]
Substandard	91-180 days past due	The debt is not serviced as arranged because of the deterioration in the borrower's financial condition and inability to repay the loan	20% for LC 24% for FC
Doubtful	181-270 days past due	Primary sources of repayment are insufficient. Collection of20()79% of loan is possible through realization of collateral	50% for LC 60% for FC
Loss	More than 271 days past due	The loan is totally impaired and its continuance as the loan is not warranted	100% for LC 100% for FC

- The Bank classifies its assets and creates loan provisions in accordance with CBA regulations and IFRS standards:
  - Corporate loans are monitored and classified individually,
  - Consumer and SME loans are formed into group of assets based on common characteristics (e.g. mortgage loans, credit cards, micro loans, etc.) and group impairment is conducted based on an approved methodology of migration matrix.
- NPL recovery takes on average 3 months after notifying the borrower through non()judicial pledge perfection procedure (out of court).

Note: (1) – Local currency; (2) – Foreign currency

Components of regulatory capital

- Stricter approach on involvement of Tier II Capital in Regulatory Capital (the value of Tier II capital included in Regulatory Capital calculation must be less than 50% of Tier I capital)
- Adoption of most conservative approach to component deduction from Regulatory Capital
- Provisions to loan loss reserve are directly reduced from Total Capital through profit and loss: loan loss Reserve is not a component of Tier II Capital
- The value of intangible assets and tangible assets not used by the Bank in its ordinary business are deducted from the Regulatory Capital after 6 months from acquiring
- In February 2019, the CBA adopted a new regulation with the aim of strengthening the stability of the Armenian banking system:
  - Specific capital conservation buffer requirements have been set: 0.5% in 2020, 1% in 2021, 1.5% in 2022, 2% in 2023, and 2.5% from 1 January 2024 onwards
  - Capital countercyclical buffer ranges from 0% to 2.5%, with the minimum level set at 0.25%
  - Systemic buffers: 0.5% from 2021, 1% from 2022 and 1.5% from 2023 onwards

Regulatory compliance

30.06.2024

	CBA	Bank
Capital Adequacy	> 11%	21,9%
High Liquid Assets /Total Assets	> 15%	46.5%
High Liquid Assets /Demand Liabilities	> 60%	79%
Single Party Exposure	< 20%	12.3%
Exposure to Major Borrs.	< 500%	140.4%
Related Party Exposure	< 5%	0.5%
Exposure to all related parties	< 20%	3.8%
Reserve Requirement	LC - 4%; FC - 18%	

IV. Armenia at a glance – key country facts

Ardshinbank

Key indicators (2023)

Population (Millions of people)	2,9
GDP (bln current US$)	4,9*
GDP, PPP (bln current international $)	55,6
GDP per capita, PPP (thsd current international $)	20.8
10-year average annual GDP growth, %	6,2
Assets of banking system, % of GDP	96,7
Loans of banking system, % of GDP	52,9
Government debt, % of GDP	50,4
International reserves, bln US$	3,3*
Life expectancy at birth, total (years)	75,5

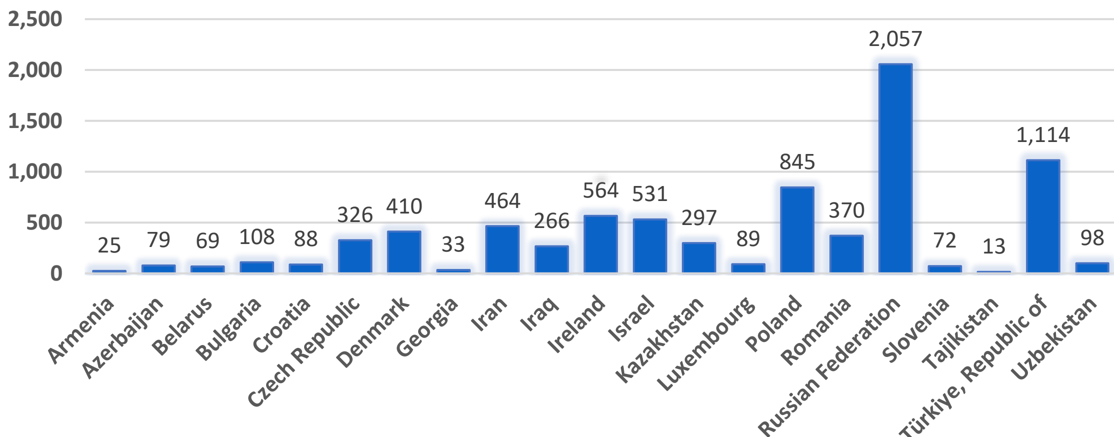
9.2%
GDP growth

0.6%
Inflation

S&P Global Ratings: **BB-** *(Stable)*
Moody's: **Ba3** *(Stable)*
Fitch Ratings: **BB-** *(Stable)*

Sovereign rating

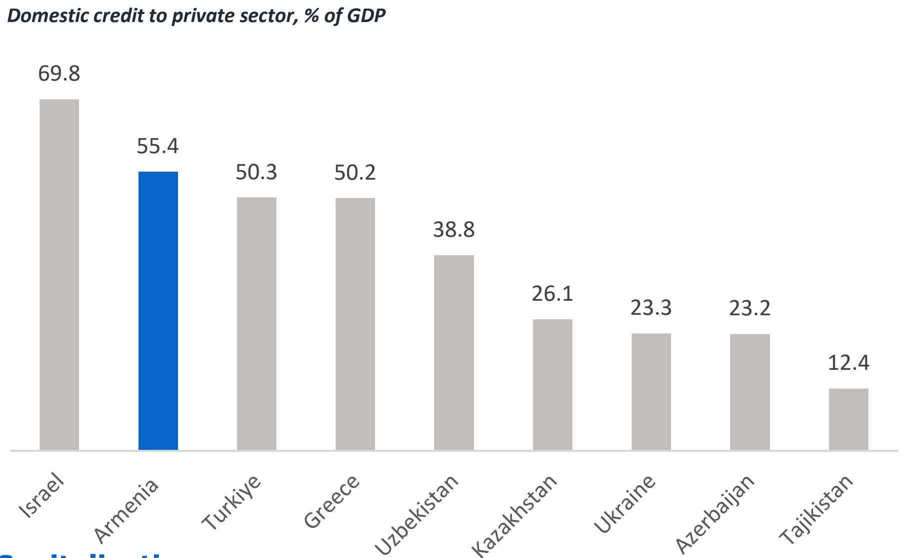
GDP, (Billions of U.S. dollars), 2023



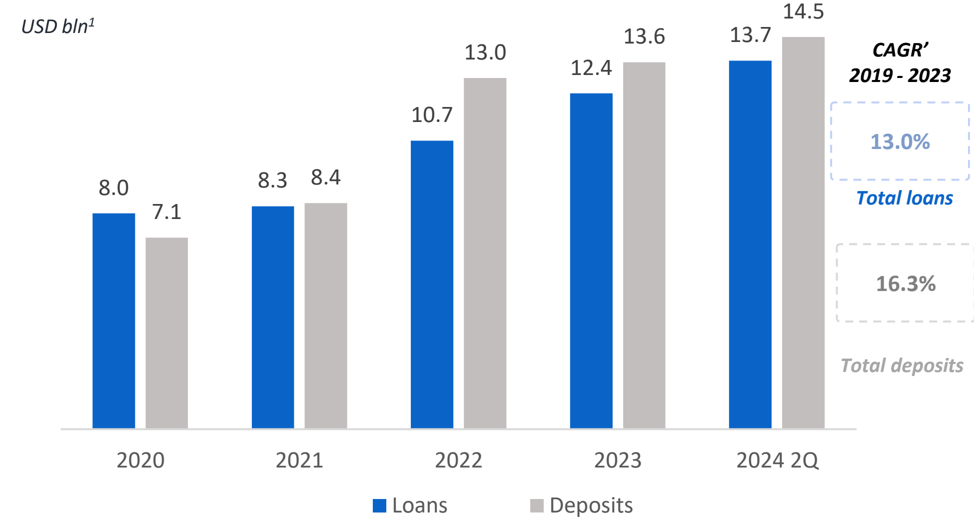
*As of Q1 2024

IV. Profitable banking sector with strong growth potential

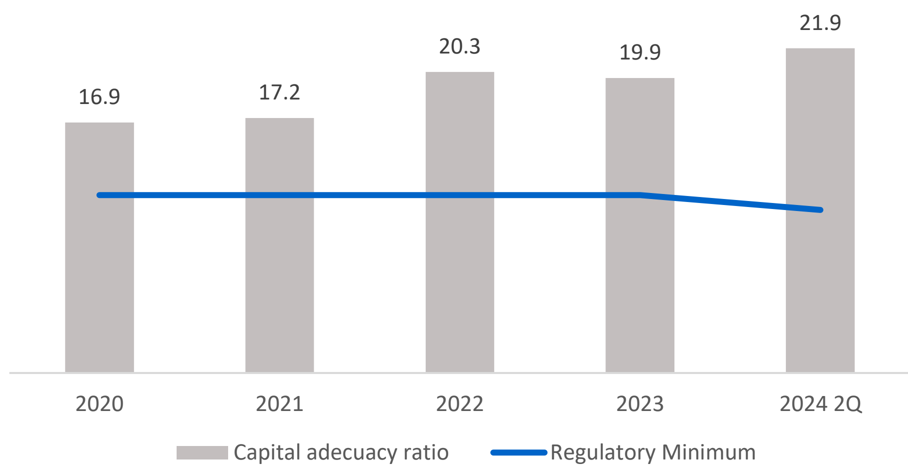
Banking sector penetration, 2023



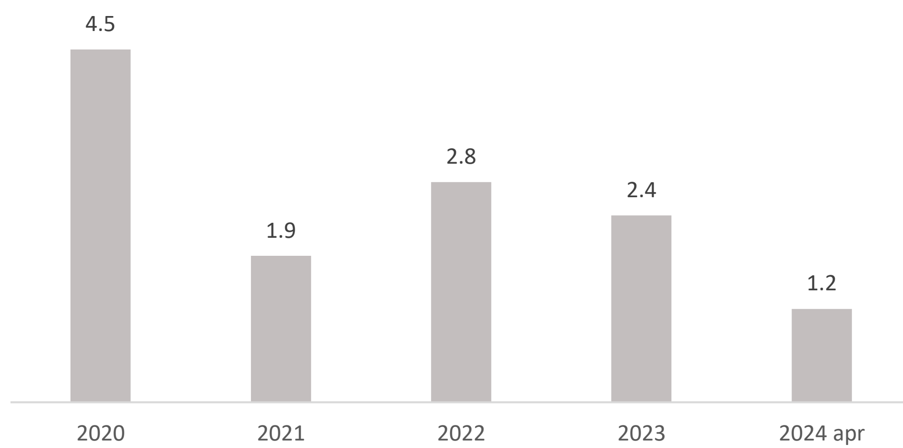
Market growth



Capitalization



Asset quality



Note: (1) - converted at the official Armenian dram to USD exchange rate as of 30 June of the respective year.
Source: Central Banks of countries (regarding banking penetration), Central Bank of Armenia

IV. Credible monetary policy

Efficient inflation targeting policy

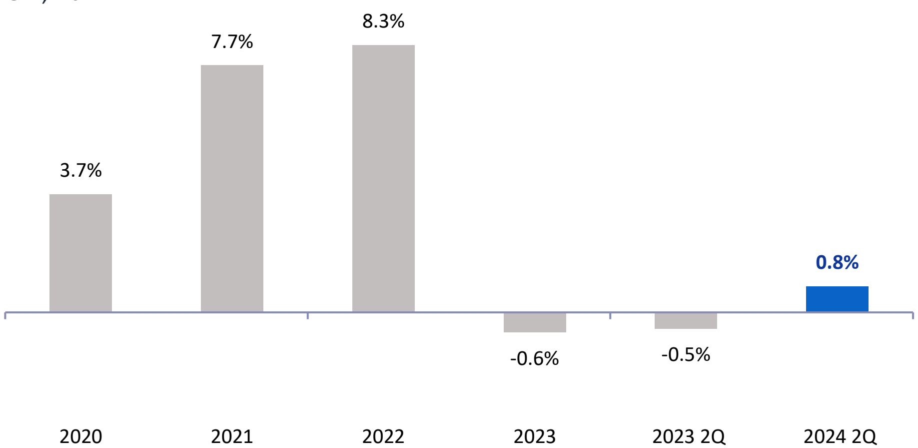
- In December, the country experienced deflation (-0.6%).
- In mid-term forecast inflation is expected to gradually pick up, reaching target of 4% in 2023F (tolerance band of ±1.5%)
- Key inflation targeting instrument is the adjustments in the interest rate on short-term loans from the CBA to the domestic 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

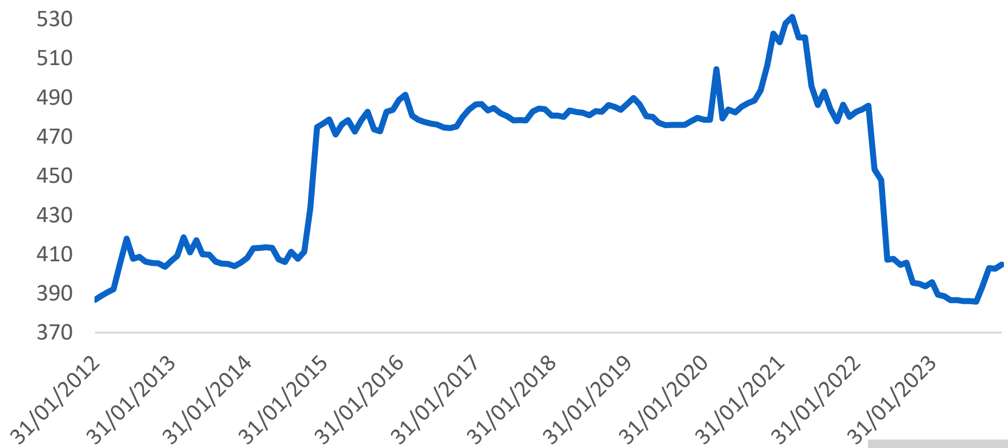
- Central Bank of Armenia considers the exchange rate as a key shock absorber in protecting competitiveness and maintaining international gross reserves at adequate levels
- Central Bank of Armenia agreed that FX intervention should be limited to addressing large and disorderly swings only

Inflation rate

CPI, %



Exchange rate over the past 10 years



Source: Central Bank of Armenia