

30-June-2020

**Α ΑΜΕΡΙΛΒΑΝΚ** 

**INVESTOR PRESENTATION** 





Content

## **Ameriabank at a Glance**

2020 Q2 Snapshot

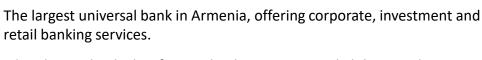
2020 Q2 Financial Results

Strategy Highlights

Appendices



#### **Overview**



1<sup>st</sup> in the market by key financial indicators: assets, liabilities and equity

Major contributor to Armenian banking sector development

Ongoing appreciation and quality recognitions by reputable global institutions

Highest possible credit ratings within current sovereign rating constraints.

Assets	14.8%
Loans	15.8%
Liabilities	15.3%
Equity	<mark>11.9%</mark>
Net Profit	<mark>11.3%</mark>

Ameriabank Market Share

### Ratings

S&P	
Long-term	B+
Short-term	В
Outlook	stable
SACP	bb-
Moody's	
Widday 5	
Bank Deposits (LC)	Ba3/NP
•	Ba3/NP B1/NP
Bank Deposits (LC)	•
Bank Deposits (LC) Bank Deposits (FC)	B1/NP
Bank Deposits (LC) Bank Deposits (FC) BCA	B1/NP ba3

19	1083
Branches	Employees

POS

Terminals





Terminals



#### 515 Virtual POS

Terminals

#### **Ownership structure**



## **Investment Highlights**



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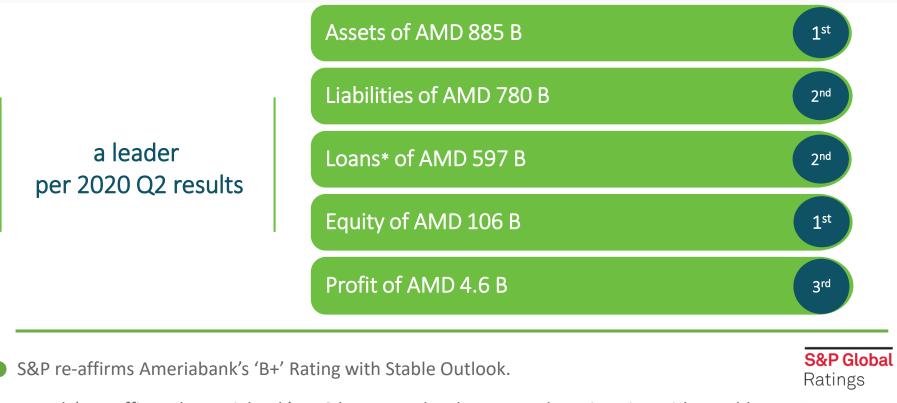
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## 2020 Q2 Achievements



Moody's re-affirmed Ameriabank's Ba3 long-term local currency deposit rating with a stable outlook.

Moody's

The offloading ratio reached 88% with online banking penetration rate of 43%.

Board renewal with three new Independent NEDs joining the Board – Kaha Kiknavelidze, Richard Ogdon and Tigran Davtyan; replacing Resigning Board members – Ruben Vardanyan, Noubar Afeyan and Pierre Gurdjian.



First registered case of COVID-19 in Armenia on March 1.

State of Emergency declared on March 16, with almost total lockdown and closure of all non-essential business.

Gradual lift of restrictions starting from May 1, with almost all business activities restored as of June 1, with the exception of the services that imply large gatherings (cinema, theatre, museums, schools, etc). Public transport and public kindergartens now fully operational with certain restrictions and strict control.

Stricter social distancing and limitations rules enforced starting from May 18, as COVID-19 registered cases started to surge after mid May.

COVID-19 cases reached the peak in the end of June with slow down of infection rates starting from July.

## **Government Response**

- The Government has presented its anti-crisis program that will be not only supporting both businesses and households to survive the crises, but will also ensure competitiveness of the postcrises economy.
- The first anti-crises package has been introduced for AMD 150bn+ (2.3% of GDP) which includes nine support to business programs, mostly to SMEs and companies from the sectors that are hit harder, and thirteen social support and allowance programs.

## Central Bank of Armenia Response

- The refinancing rate was cut by 50 bps reaching 4.5%.
- Basel III related additional buffers requirements are postponed till 2021 and thresholds for the CAR are reduced (Tier 1 threshold reduced from 10% to 9%).
- Basel III related liquidity requirements LCR & NSFR, are postponed till Jan 1, 2021 too.
- Banks are offered an unlimited repo window and 2 to 6 month FX swap operations.



Within it comprehensive Business Continuity Plan (BCP) Ameriabank took a number of steps and pre-cautionary actions in order to ensure safety of both employees and clients, continuity of operations and mitigate operational and financial risks.

We follow strict social distancing rules within the team and when interacting with clients, with physical split of working desks, only online meetings and certain rules of conduct in the office. 70% of non-client facing staff and 40% of client facing staff have been working remotely from home since March. We implement bi-weekly shifts for the teams that cannot shift fully to remote work.

Considering the expected impact on our borrowers, we have granted grace period on principal and interest payments to all retail clients and to those corporate clients who operate in the hardest hit sectors (HORECA, transportation, etc.)

We have tightened risk parameters, have been working on cost-cutting and are keeping excessive liquidity and capital adequacy buffers to secure our resilience in the currently unfolding situation.







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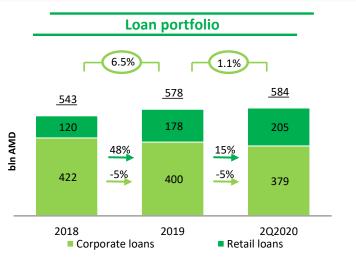
**2020 Q2 Financial Results** 

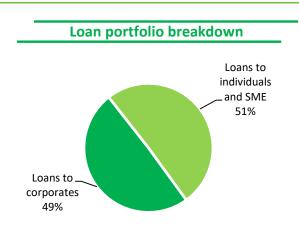
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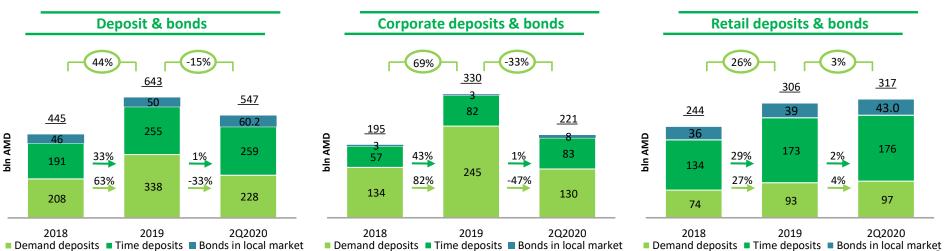
## **Core Business**





#### HIGHLIGHTS

- Increased share of retail and SME loans (51%) in line with the Bank's strategy to move to more universal banking model. The latter also explains 15% growth of Retail lending with slightly decreasing corporate loan book.
- 44% increase as of Q4 2019 and 15% decrease in 2Q2020 of total deposits and bonds portfolio is mainly due seasonality. Time deposit portfolio of both Corporate and Retail slightly increased despite COVID-19 economic impact.
- Leading the local corporate bond market with 23% market share.



-9%

4%

-10%

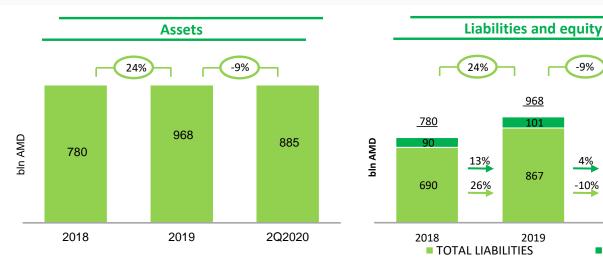
885

106

780

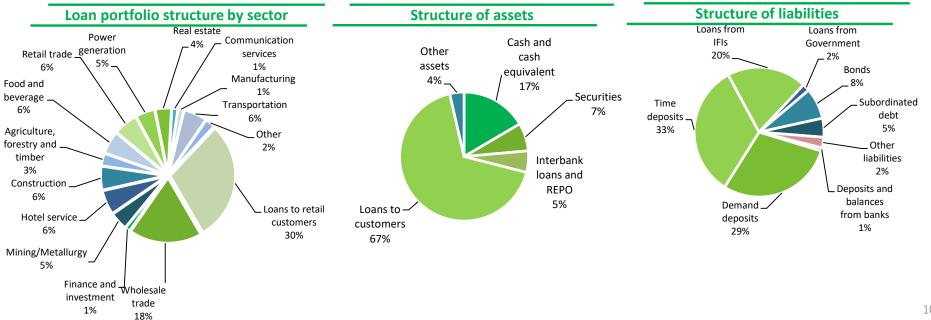
2Q2020

EQUITY



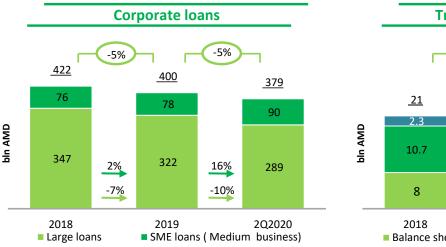
#### **HIGHLIGHTS**

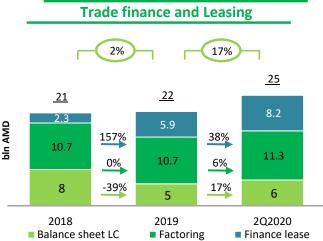
- 10% YoY decrease in liabilities is due to seasonal outflow of some corporate accounts.
- Diversified balance-sheet structure with 79% interest earning assets to total assets and 70% customer funds to total liabilities.
- Maintaining exceptional sectorial diversification of loan portfolio, with balanced exposure to all industries.



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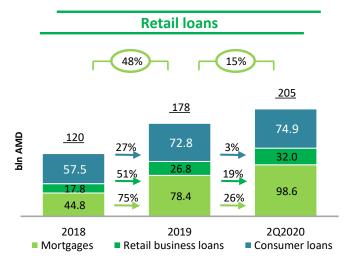
## **Corporate and Retail Banking**





#### HIGHLIGHTS

- Retail loan portfolio registered robust growth of 15% YoY, with growth registered by all retail loan products.
- Trade Finance and Leasing portfolio recorded 17% growth with significant growth in all product portfolios.
- Large loans portfolio decreased by 10% YtD mainly due to limitations on large corporate lending, in line with the Bank's strategy to move to more universal banking model, while SME loans portfolio grew by 16%



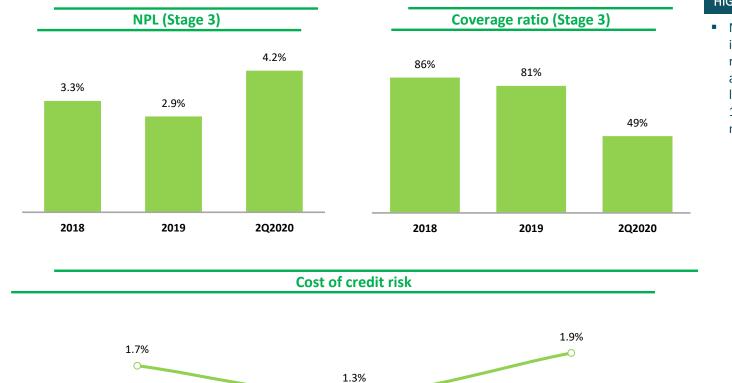


retail loans

# Loan Portfolio Quality

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2018



2019

2Q2020

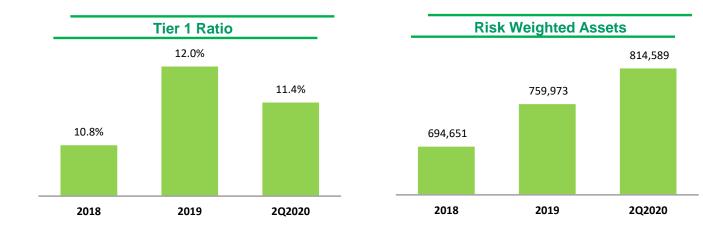
#### HIGHLIGHTS

 NPL ratio and Cost of credit risk increased by 1.3pp and 0.6pp respectively, mainly due to additional provisioning in some loan buckets, considering COVID-19 related uncertainty and possible negative impact.

> 4.2% NPL 1.9% Cost of credit risk 49%

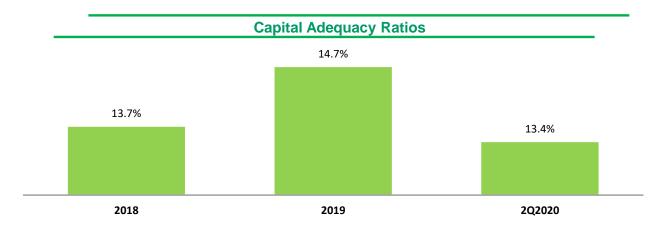
> > Coverage ratio



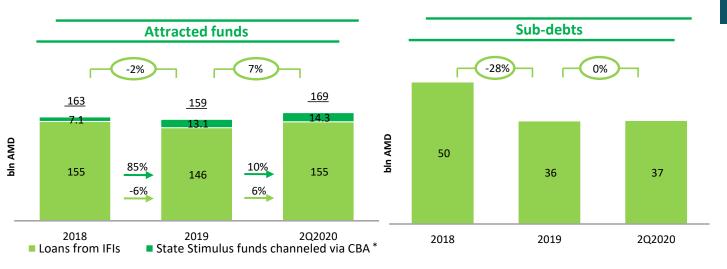


#### HIGHLIGHTS

- CBA has encouraged to utilize Basel III buffers (1%) to support lending.
- CBA has postponed Basel III related additional buffers implementation and decreased Tier 1 CAR threshold from 10% to 9%.
- Additionally, Tier 2 limit was increased from 20% to 30% of Tier 1 capital.

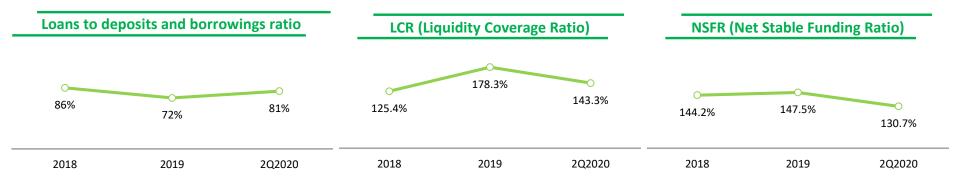


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#### HIGHLIGHTS

- The bank attracted more than USD 30M new funds from IFIs in 2020.
- Sub-debts remained flat in 2Q2020, however the CBA increased Tier 2 to Tier 1 limit from 20% to 30% which gives more room for sub-debt attractions.



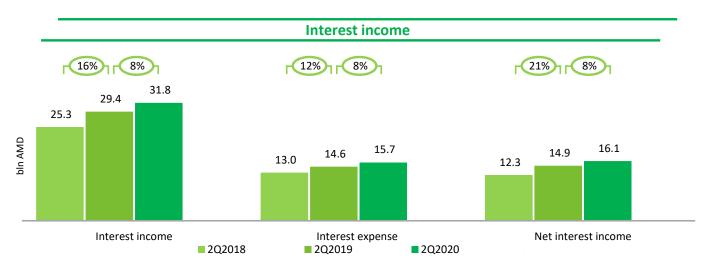
-5%

5.6

5.9

bln AMD

2%



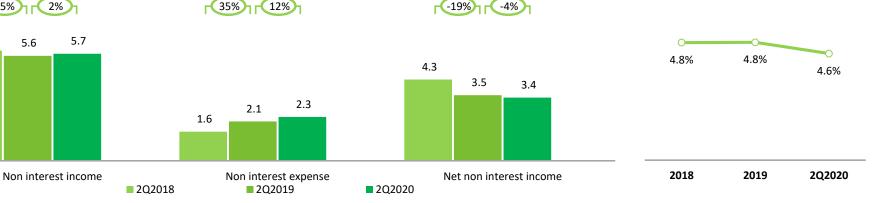
Non interest income

12%

#### HIGHLIGHTS

- Net interest income increased by 8% YoY, mainly due to significantly higher interest income, which is a result of increased share of Retail and SME loans in total portfolio.
- Net interest margin decreased by 0.2pp comprising 4.6% mainly due to credit vacations granted to customers and additional liquidity buffers amid COVID-19.
- Net non interest income remained stable in 2Q2020.

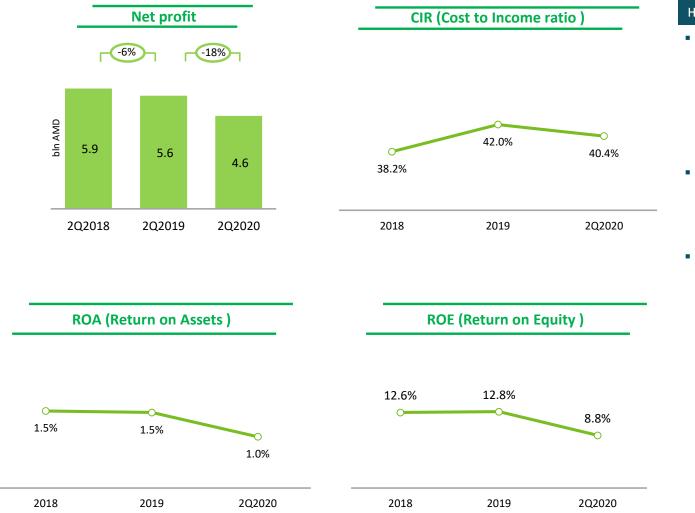




-19%

-4%

## **Efficiency and Profitability**



#### HIGHLIGHTS

- Net profit decreased by 18% YoY mainly due to additional provisioning costs amid COVID-19 to tackle possible negative impact. Net Profit before provisioning totaled AMD 9.5B recording 15.5% YoY growth.
- The latter also affected key performance ratios such as ROA and ROE which recorded 0.5pp and 4.0pp decrease respectively.
- The bank managed to generate higher operating profit, combining with YoY lower admin expense, which resulted in CIR ratio improvement by 1.6pp.



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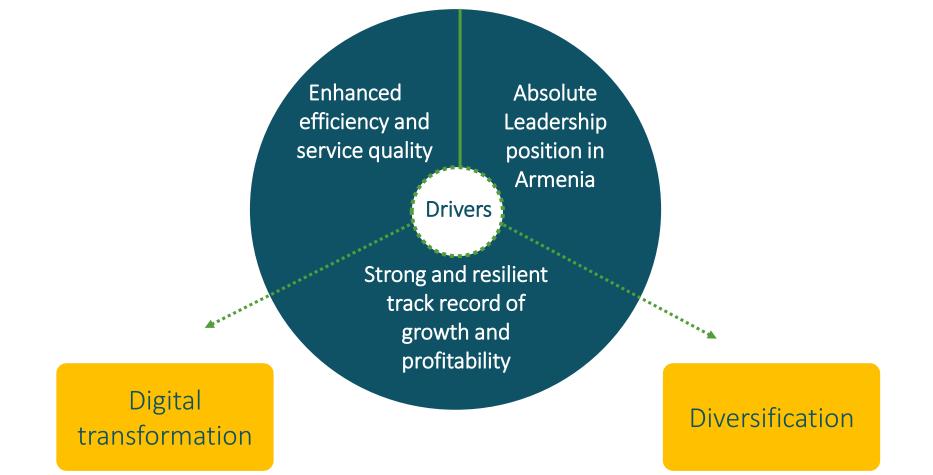
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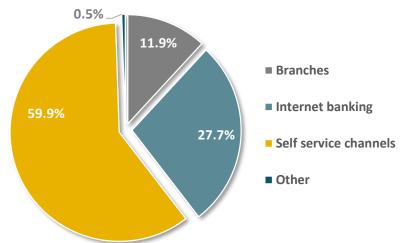
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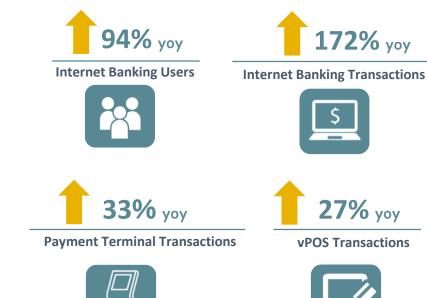
## **Mid-term Targets**

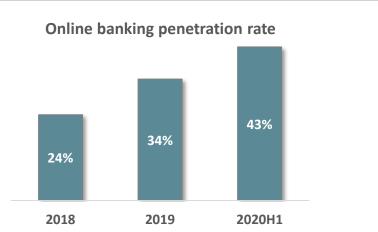


# Omni channel Distribution Platform with Focus on Digital

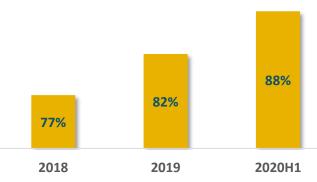
Omni-channel distribution platform, with enhanced distance banking capabilities







Offloading ratio\*

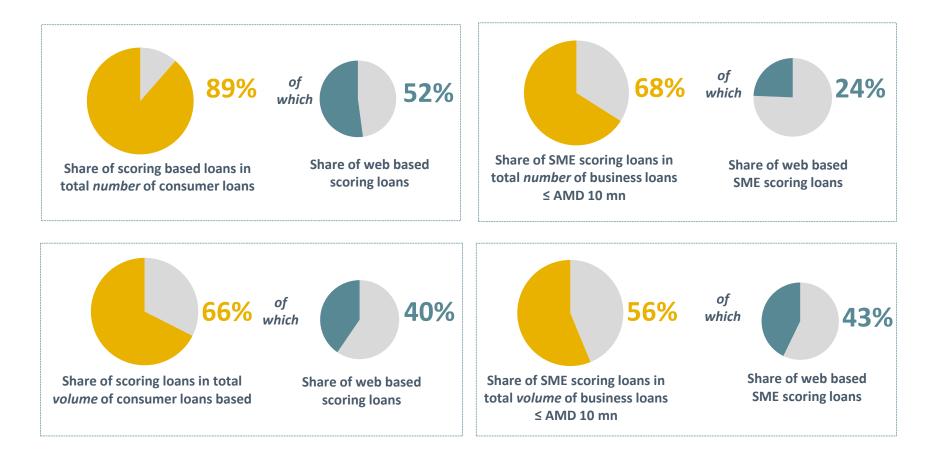


\* Share of transactions performed via distance and digital channels in total number of bank's transactions.



Fully automated scoring based online loans implemented for consumer loans

Fully automated scoring based online loans implemented for SME loans





## **Innovator and Trend Setter**

Best customer
experience and high
satisfaction scores

Online market platforms/ecosystems

#### current progress

NPS – 72%

CEI\* – 9.5

launching ecosystems

- car market
- mortgage market
- SME ecosystem

mid term targets

NPS ≥ 70%

CEI ≥ 9.3

ecosystems market penetration rate

≥ 50%

**¥124mn allocated in 2019 for CSR purposes** cultural and educational projects, children's health care programs, community development programs

**Doing business** 

responsibly and giving

back to community

Following and implementing best practice international ESG standards

**Green bonds issuance** 



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#### General

GDP: 13.7 bln (2019, current \$) GDP per capita: 4,615 (2019, current \$) Average real GDP growth (2013-2019):4.4% Moody's: Ba3 (stable) Fitch: BB- (negative)

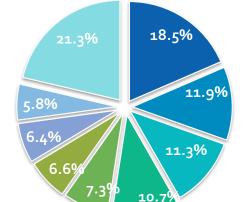
#### 2013-2020, 1<sup>st</sup> half 5.8% 7.5% 7.6% 3.6% 3.7% 2.5% 3.0% 3.2% 1.49 0.5% 3.3% 1.0% -1.4% -5.7% 2018 1H2020 2013 2014 2015 2016 2017 2019 GDP real growth, % -Inflation, 12m YoY

High average GDP growth and low inflation

#### Most Stable Currency in the Region



(regional currencies vs USD FX rate dynamics)\*\*



Well Diversified Economy

**GDP Structure by production\*** 

#### Industry

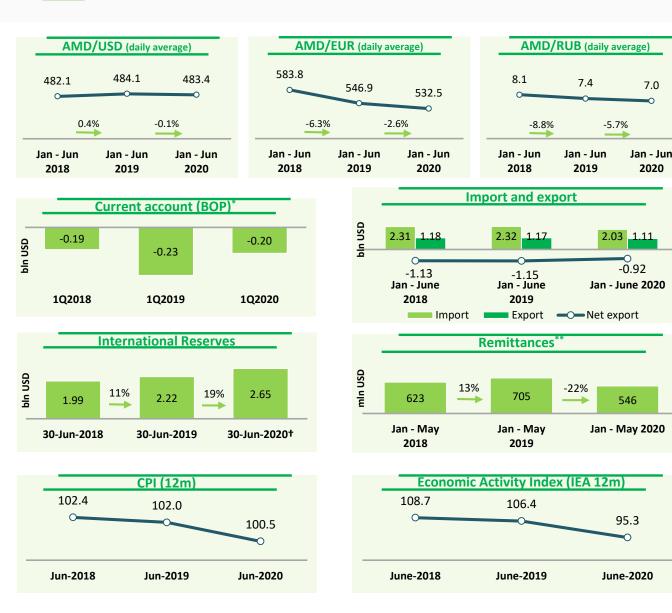
- Agriculture, hunting, forestry and fishing
- Wholesale and retail trade
- Taxes on products (minus subsidies)
- Real estate activities
- Arts. entertainment and recreation
- Financial and insurance activities
- Construction
- Other

\* \*daily rate changes with 2014 January as basis. \*most recent 4 quarters, as of Q2 2020

Source: Bloomberg

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## Armenia macro indicators



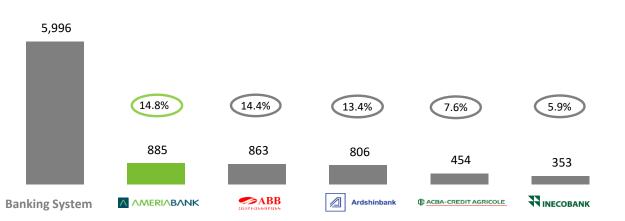
HIGHLIGHTS

- EAI (GDP proxy) for the first six months comprised -4.7% amid COVID-19 related State of Emergency.
- 12-month cumulative CPI comprised 0.5% (Jun-20) vs 2.0% YoY CPI.
- Armenian dram slightly (0.2%) appreciated vs US dollar over 6m 2020. Exchange rate fluctuations have been within 1-2% range during the last 5 years.
- Current account deficit slightly improved in the first half of 2020 vs the same period of previous year.
- International reserves increased by 19% YoY.
- Remittances dropped by 22% YoY as of May vs 13% increase a year earlier – largely driven by overall economic situation in the world amid Covid-19 crisis.

\*Updated information is not available yet. †Data are preliminary. The CBA closing entries are not included.

\*\*Remittances include total commercial and non-commercial transfers of physical persons through the banking system.





#### HIGHLIGHTS

- A competitive market, with top five banks representing 56% and 60.6% of the total banking system assets and loans respectively.
- The top three banks account for 43% of the total assets and 46% of the total loans.
- The banking system total assets and loans increased by 4.2% and 6.4% respectively in the first half of 2020.

Top 5 banks by loans\* (AMD B)





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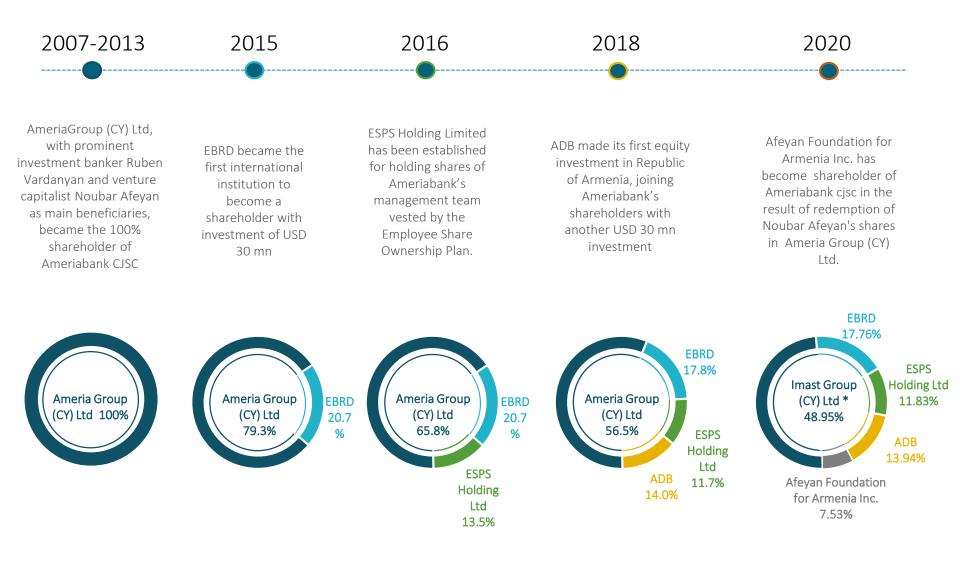
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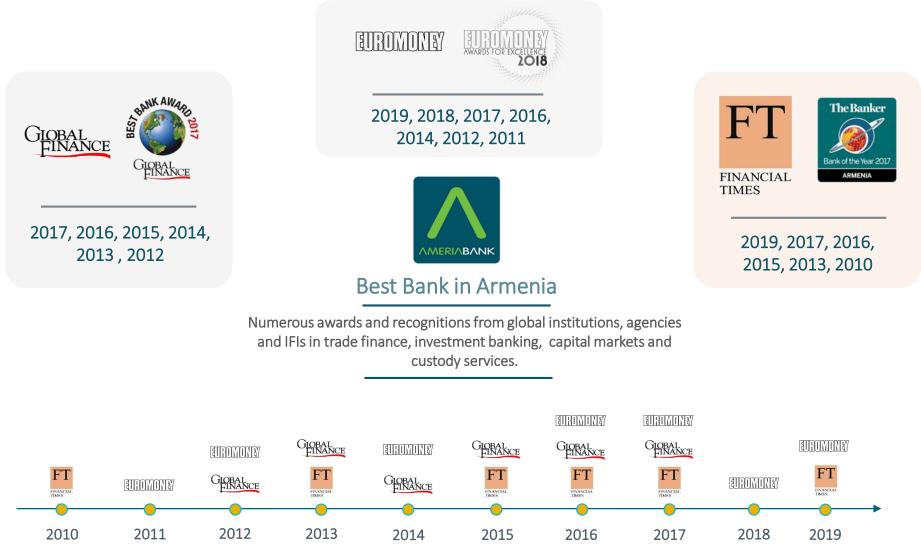
Ameria Advisory oldest ye		deal in RA	one of the deal in RA : smallest Ameriabank A Cascade bar		<ul> <li>▶ US</li> <li>1<sup>st</sup> banking merger</li> <li>deal in RA :</li> <li>Ameriabank and</li> <li>Cascade bank signed</li> <li>merger deal.</li> </ul>		30mln equity stment by EBRD.* 50mln sub debt n IFC.* ublished mational credit ng ( <b>B+ rating</b> with le Outlook by Fitch)		
1998 2000	)-2007	2007	2008 - 2009	2010	2011 - 2014	2015	2017 - 2019		
GRO with	ria became a <b>UP of compar</b> expanded bu : <i>Legal and Ta</i>	isiness	rebranded to Ameriabank.		Became <b>the leac</b> <b>bank in RA.</b> Strategic decisio	-	Absolute leader in RA by key financial indicators USD 30mln equity		
Advis Bank	Advisory, Business Advisory, Investment Banking, Asset Management		Unprecedented growth amid global crisis		become a universal bank, significantly increasing Retail Banking share		investment by ADB in early 2018** Ba3 rating with stable outlook by Moody's		
			-				<b>B+ rating</b> with stable outlook by S&P		



## **Our Shareholders**









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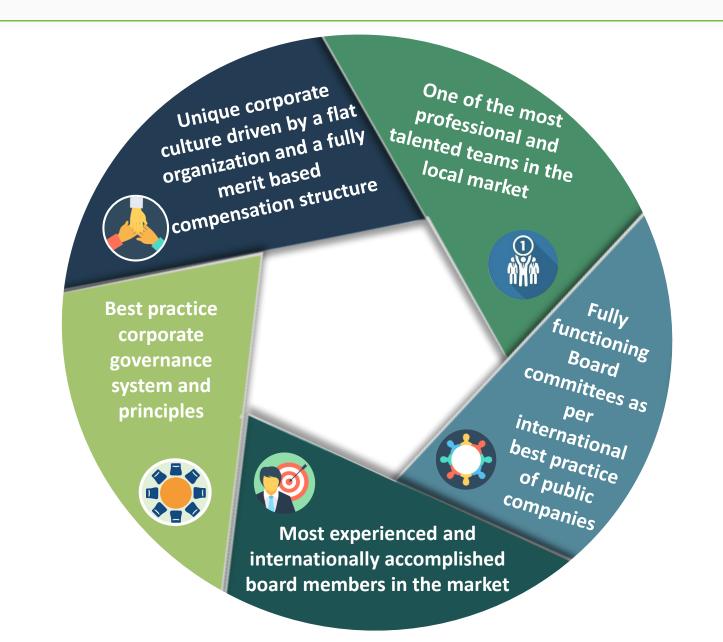
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**Appendices: Corporate Governance** 

## Strong Team and Corporate Culture







# **Our Board of Directors**

Andrew Mkrtchyan Chairman of the Board	Lindsay M. Forbes Non-executive Board Member	Philip Lynch Non-executive Independent Board Member	Robert von         Rekowsky         Non-executive         Independent Board         Member	Richard P. Ogdon Non-executive Independent Board Member	Kaha         Kaha         Kiknavelidze         Non-executive         Independent Board         Member	Tigran         Davtyan         Non-executive         Independent Board         Member
Over 20 years of experience in investment and management advisory by standing at the roots of investment banking establishment in Armenia, board member in a number of private/public organizations.	Over 35 years of experience in commercial and investment banking, including more than 20 years with European Bank of Reconstruction and Development (EBRD). Before joining EBRD, Mr. Forbes spent 13 years with the British Linen Bank, the Investment Bank subsidiary of Bank of Scotland.	Over 30 years of experience in finance, including more than 20 years with Lehman Brothers in senior positions. Was CEO of Middle East, Asia Pacific and Africa business at Nomura, is currently the founding partner of Stem Capital Partners - an independent direct investment company.	Around 30 years of experience in global asset management, specialized in emerging markets funds, a former vice- president at Emerging Markets Strategy and portfolio manager for Fidelity Investments.	More than 30 years of experience in the financial sector, with senior positions in investment banks, asset management and advisory companies (UBS Warburg, Uralsib and other Fis), serves as the CEO of TRDATA software company.	More than 25 years of experience in commercial and investment banking, has been a long time NED and later CEO of Bank of Georgia Group, the leading financial institution in Georgia. Held executive and top managerial positions at UBS, Rioni Capital and other FIs.	About 30 years of experience in the financial system, with senior executive positions at the commercial banks, of which more than 8 years as CEO. Held senior positions at the Central Bank of Armenia and Eurasian Economic Commission



## **Our Management Board**

Artak Hanesyan	Gevorg Tarumyan	Gagik Sahakyan	Arman Barseghyan	Armine Ghazaryan	Andranik Barseghyan	Gohar Khachatryan
CEO, Chairman of the Management Board	Deputy CEO, CFO	CIB Director	Retail Banking Director	Chief People and Services Officer	Risk Management Director	Chief Accountant
A distinguished banker with more than 25 years of experience in the banking system of Armenia. Has been the CEO of Ameriabank since 2008. Before that Mr. Hanesyan held key positions in the banking sector of Armenia, including positions of CEO and deputy CEO.	Over 25 years of experience in the banking system of Armenia, including around 20 years of experience serving as CFO both in local banks and global banks represented in Armenia. Has been the CFO of Ameriabank since 2012.	Around 10 years of experience in corporate banking and around 15 years experience in management advisory. Starting his career at Ameria and leading Ameria advisory services he later moved to corporate banking and has been heading the business line since 2010.	A proven career track of more than 20 years in retail banking, of which around 15 years at HSBC bank Armenia. Mr. Barseghyan joined Ameriabank as Retail Banking Director in 2012.	Around 20 years of experience in the banking sector of Armenia, of which around 15 years in human resources management (HRM). Mrs. Ghazaryan had been heading Ameriabank's HRM unit since 2008, prior to becoming CPSO in 2019.	Around 25 years of experience in financial institutions' risk management and automation technologies. Mr. Barseghyan has been heading Ameriabank's Risk Management Center since 2009.	Around 30 years of experience in accounting holding key positions both at the Central Bank of Armenia and private banks, of which more than 10 years as the chief accountant of Ameriabank.
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**Appendices: Financial Performance Details** 



thous AMD

2Q2020	2019
146,477,925	248,217,495
8,095,695	8,255,606
8,278,450	10,848,985
47,753,020	50,564,199
597,247,962	585,741,899
45,850,587	33,510,890
21,715,729	22,397,513
9,973,692	8,544,630
885,393,060	968,081,217
466,653	35,314
50,851,499	34,488,813
486,628,433	593,223,433
123,235,156	126,685,607
36,673,602	36,495,281
81,787,759	75,925,691
779,643,102	866,854,139
54,452,244	54,356,760
504,310	650,042
50,793,404	46,220,276
105,749,958	101,227,078
	146,477,925 8,095,695 8,278,450 47,753,020 597,247,962 45,850,587 21,715,729 9,973,692 885,393,060 466,653 50,851,499 486,628,433 123,235,156 36,673,602 81,787,759 <b>779,643,102</b> 54,452,244 504,310 50,793,404



#### thous AMD

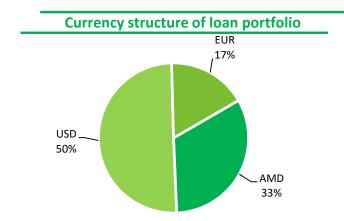
ITEMS	2Q2020	2Q2019
Net interest income	16,114,415	14,844,489
Net fee and commission income	1,606,219	1,635,174
Net profit/loss from trading operations	2,515,973	2,299,356
Other operating income (expenses)	(742,228)	(423,567)
Operating income	19,494,379	18,355,452
Impairment losses	(6,041,934)	(3,352,891)
Personnel expenses	(4,653,195)	(4,811,045)
Total administrative expenses	(3,220,327)	(3,161,813)
Profit/ (loss) before tax	5,578,923	7,029,703
Profit tax	(1,005,795)	(1,460,063)
Net profit/ (loss)	4,573,128	5,569,639

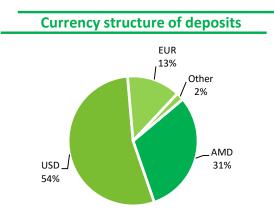


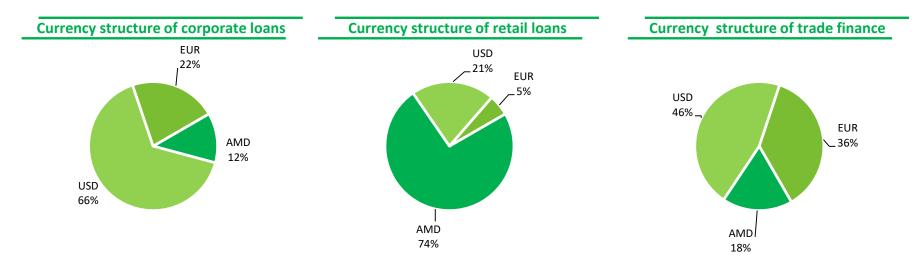
ITEMS	2018	2019	2Q2020	CBA requirement	Violations
Minimum statutory fund (in '000 AMD)	37,300,480	37,347,200	37,386,880	50,000	No violation
Minimum total capital (in '000 AMD)	97,770,976	115,150,056	112,926,360	30,000,000	No violation
S12_Total capital to risk weighted assets	13.7%	14.7%	13.4%	12%	No violation
S21_High liquid assets / Total assets	21.9%	27.9%	29.3%	15%	No violation
S211_High liquid assets of first group of currency / Total assets of first group of currency	11.4%	18.2%	22.6%	4%	No violation
S22_High liquid assets/ Demand liabilities	78.8%	94.5%	112.1%	60%	No violation
S221_ High liquid assets of first group of currency / Demand liabilities of first group of currency	41.5%	63.2%	103.4%	10%	No violation
S31_Maximum risk on a single borrower	14.6%	13.7%	15.0%	20%	No violation
S32_Maximum risk on large-scale borrowers	280.9%	211.7%	238.9%	500%	No violation
S41_Maximum risk on bank related person	2.7%	1.2%	1.2%	5%	No violation
S42_Maximum risk on all bank related persons	9.6%	6.3%	7.6%	20%	No violation
Minimum requirement for obligatory reserves allocated with RA CBA: AMD Currency	Х	Х	х	2% 18%	No violation
Maximum risk of currency position / Total capital of the bank	0.0%	0.1%	0.3%	10%	No violation
Maximum risk of separate currency positions / Total capital of the bank: USD EUR RUB other	-1.29% -0.49% -0.02% X	-1.07% 0.04%	0.24% -1.78% 0.00% X	7%	No violation

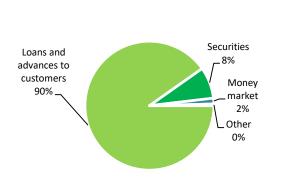
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## **FX** exposure



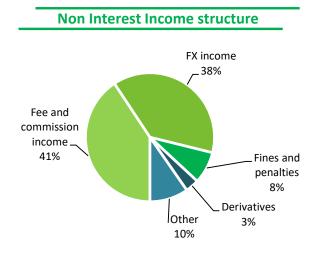


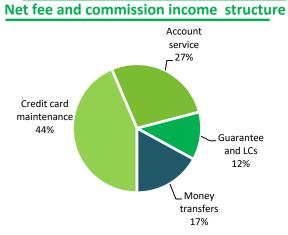




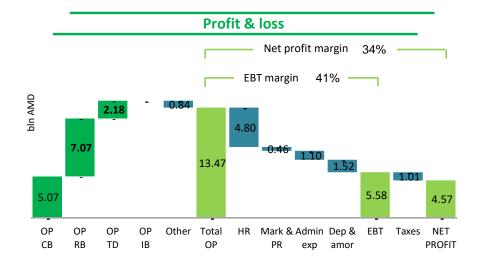
Interest income structure

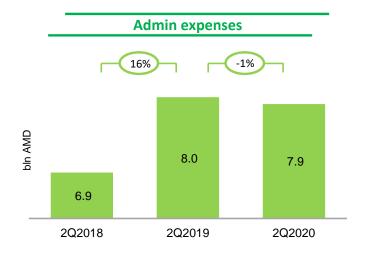
#### **Interest expense structure** Due to customers 60%. └\_ Due to IFI 27% Due to Other CBA/banks 5% 8%

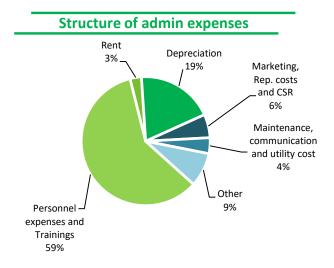




**P&L Structure** 







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