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## **In The Course Of The Nearest 3 Years Armenian Banking Sector Will Live Through A Boom Of Mergers And Sales**

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Interview of the General Director of "Converse Bank" Artak Anesian to Mediamax News Agency and Banks.am web-portal

- With the arrival of a new owner in the person of Eduardo Ernekian, "Converse Bank" started carrying out an active policy of selection of new staff. Does this mean that the personnel changes in the bank evidence large-scale changes, planned by the new owner?

- The personnel changes in the bank are not directly connected with the new strategy, which is planned by Mr. Ernekian. "Converse Bank" has been constantly working and continues working to attract new staff, to increase the level of professional preparedness. Our plans for the nearest future include the extension of the team of the bank, which is first of all connected with the extension of the branch network. By the end of the year, we plan to open 8 new branches, and in the course of the year of 2008 - 24 more branches. The branch network of "Converse Bank" should cover the whole territory of Armenia.

For the course of the nearest one year the bank has an aim set to occupy at least the second place in the banking system of the country as to such indices as the volume of assets and the capital, the range and the variety of the offered services, the number of customers, the market of plastic cards, the branch network, etc. There is a corresponding program elaborated, which has gained the approval of the Board of the bank.

Mr. Ernekian is considering the prospect of increasing the capital of the bank, and it is expected that the corresponding decision will be made by the end of the year.

In early October, there will be a new program of agro-crediting implemented in the bank, which provides for providing credits on auspicious conditions to farmers and processing companies. The credit will be provided at the term of 3-5 years, with a preliminary interest rate of 12-14% per year.

We have also reconsidered the conditions of mortgage crediting; in particular, we have increased the terms of credit provision and decreased the interest rates.

By the end of October, we plan to start providing leasing services; we also consider the prospect of implementing factoring.

- The representatives of commercial banks welcome the arrival of new banks in the Armenian market in their public statements. How honest are those statements?

- Already today becomes quite apparent the tendency of arrival of a number of large financial organizations in the Armenian banking market. Moreover, those organizations possess serious resources and technologies. The point is both the purchase of the existing banks and the establishment of new ones.

One of these days a statement was made on the purchase of "Armimpexbank" by a Russian investment company "Troika Dialogue", the deal on the sale of "ITB International Trade Bank" to the Lebanese "Byblos Bank" is close to its conclusion, the Russian "Gazprombank" is in the process of negotiations on

the purchase of "Areximbank", in the nearest future the new "Procreditbank" will be established, which will be specializing in crediting of small and medium enterprises.

It is natural that the inflow of non-expensive resources will lead to the intensification of competition, and the Armenian banks should think about the diversification of their resource basis. Besides, the arrival of new banks will stimulate the implementation of new technologies and products, which will lead to the reconsideration of the existing products - both on their quality and the price parameters. As to many forecasts, this will take place earlier than mid-2008.

Today the credit investments of the banks make only the 10% of the GDP, which is the lowest index in the region. This evidences that the banking system of Armenia has sufficient potential for growth in the spheres of crediting and attraction of deposits.

In conditions of growing competition, it will be especially difficult for the small banks, which will have to think about a merger or a sale. I believe that in the course of the nearest 3 years the Armenian banking sector will live through a boom of mergers and sales. To my mind, the presence of 5 large and 2-3 specialized banks will be enough for maintaining the banking system of the country.

- In the condition of a growing competition, the banks of Armenia started attaching great importance to the implementation of new technologies. Aren't those innovations untimely from the point of view that the population of the country does not have sufficient skills for their practical implementation?

- The answer is definite - no, since the implementation of new technologies in the banking market of Armenia takes places simultaneously with the world trends. It is another issue how to make the presentation of the new products to the population more accessible.

Nevertheless, there are certain improvements already. If 2 years ago the 95% of the users of the "Bank-Customer" system made the non-resident organizations, already today there are many resident users - organizations and individuals. Besides, the tendency of growth of plastic cards users is noticeable.

- Does "Converse Bank" plan to turn to international agencies for gaining a rating?

- Gaining a rating is not an aim in itself for us. The main aim of be given a rating is the establishment of conditions for attracting resources from the external markets, which is secured by issues of bonds. This year we do not plan to issue bonds and we have made a decision to apply for gaining a rating in 2008. This is conditioned by our striving to enter the securities market, as well as the international markets, aiming at attracting syndicated credits.

In any case, the partner-banks know us well - we have in fact become the first Armenian bank, which, lacking a rating, received from a correspondent-bank a non-secured credit resource (letters of credit) for realization of trade operations.

- What results did "Converse Bank" reach this year?

- Due to understandable reasons, we started this year with quite low indices - in the course of 5-6 months the bank was in the process of sale and did not carry out active policy in the market. Starting from February of 2007, with the arrival of the new owner, we started an active activity, due to which the

volume of our assets, the credit investments and the profitability of the bank increased.

I can say for sure that the plans for this year will be fulfilled and we will even be ahead of the schedule. In the course of 9 months of 2007, we fulfilled the yearly plan as to the volume of assets. The credit investments of the bank increased for 80%, and it is expected that by the end of the year the given index will increase at least for 120-130%. Starting from June, the bank has been ahead of the schedule as to the profitability part, and I am sure that the given tendency will continue until the end of the year.

P.S. Starting next week, Artak Anesian will occupy the position of the Executive Director of "Armimpexbank", purchased by the Russian "Troika Dialogue" Company. Banks.am wishes Mr. Anesian good luck in this walk of life.

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