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UNIBANK PRIVÉ ЮНИБАНК PRIVÉ

ANNUAL REPORT



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BANKING SYSTEM OF ARMENIA: MAIN INDICATORS

The aggregate volume of assets of the banks of Armenia for 2019 comprised 5,805 billion AMD, increased by 18.2% compared with 2018 (896 billion AMD).

Assets growth rate is mainly due to growth rate of credits. Based on the results of 2019 the aggregate volume of loan investments of the banking system of Armenia comprised 3,576 billion AMD, increased by 16.8% compared to 2018.

The liabilities of banks for the previous year comprised 4,960 billion AMD, increased by 19.1%. Aggregate deposits in the banks of Armenia as of the end of December of 2019 comprised 3,442 billion AMD, which is 20.6% or 588 billion AMD more than the indicator of the December of 2018.

The profit of the banking system of Armenia for 2019 comprised 78 billion AMD. The economic growth in Armenia in 2019 was 7.6%.

The volume of GDP in 2019 comprised 6,569 billion AMD or \$13,7 billion. GDP in 2019 in Armenia comprised 2,219.5 thousand AMD (\$4,627) per capita against 2,029.3 thousand AMD (\$4,195) in 2018.

Based on the results of 2019 the assets of the banking system in the GDP of Armenia reached 88%, and the loan investments – 54% against the 82% and 51% based on the results of 2018.



GROWTH TENDENCY

(2010-2019, million AMD)

ASSETS

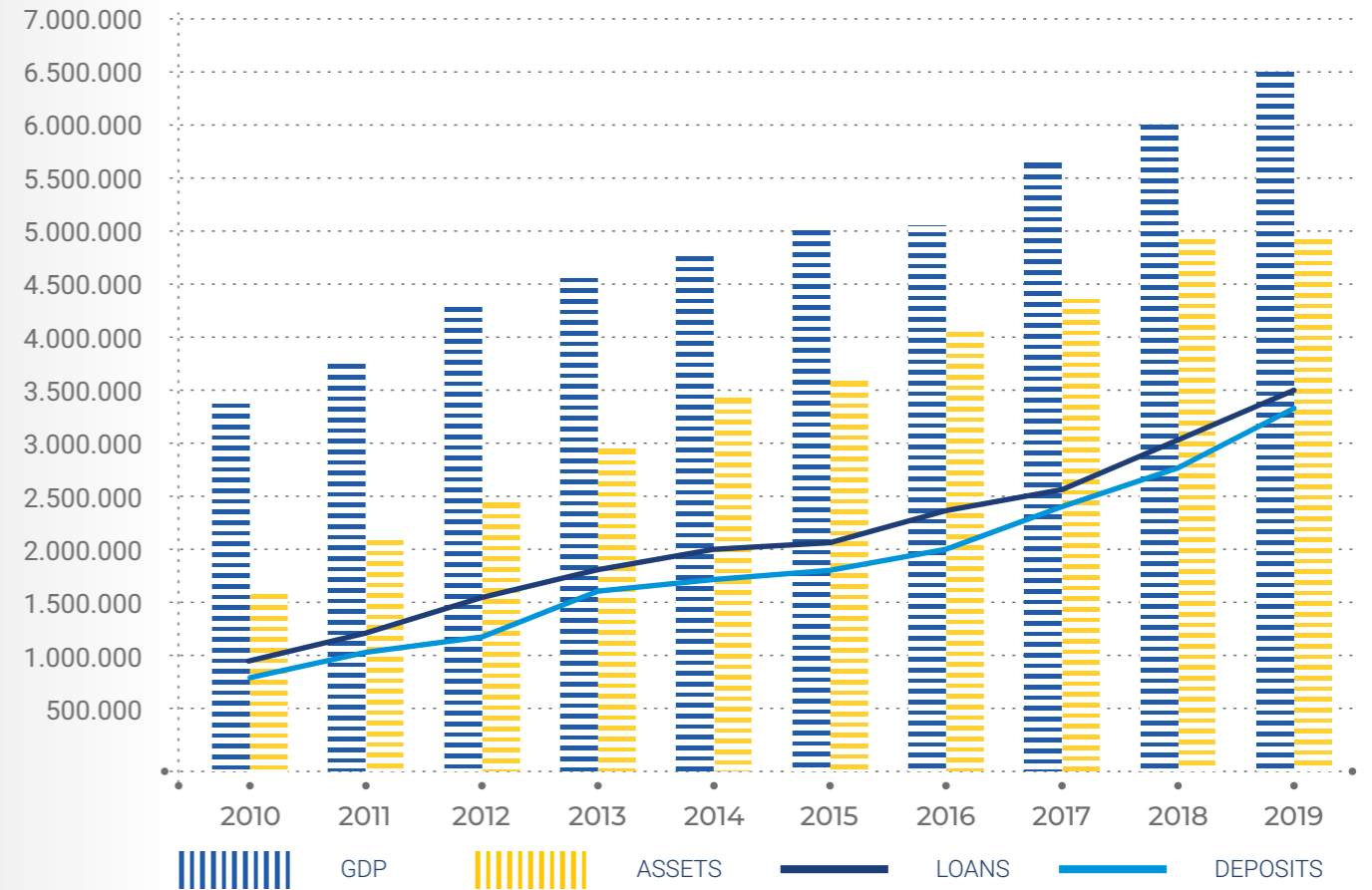
372%

CAPITAL

257%

CREDIT INVESTMENTS

377%



IMPORTANT EVENTS OF 2019

- The Bank expanded its geographical area of presence and opened five new branches: Gugark, Ararat, Isakov, Noragavit, Gevorg Chaush. At the end of the year, the branch network of Unibank included 51 branches in Armenia and Artsakh; a representative office of the Bank operates in Moscow, which helps to attract foreign customers. A lot of activities were implemented to open a branch at the Astana International Financial Center as a channel for new opportunities of attracting foreign investment.
- For the implementation of a new approach to the Bank's investment policy, an agreement will be signed on the circulation of Unibank securities on the Moscow Stock Exchange Market.
- The Board of the Bank has made a decision to increase the regulatory capital and expand the profile of the investment portfolio of the Bank, thus in September 2020 the Bank will issue additional convertible preferred shares of class B with a fixed annual dividend of 27% in the amount of 4,778,261 shares, with a nominal value of 100 (one hundred) AMD each, with the placement by open subscription.



- Last year, Unibank initiated and, in May of this year, successfully implemented artificial intelligence technology by updating credit scoring for unsecured consumer loans. An innovative algorithm helps to significantly reduce costs, process large amounts of information, analyze and model the client profile, thereby contributing to the growth of mass lending.
- 2019 was the year of development of the Bank's transactional business. In order to facilitate the development of foreign economic activity of clients, correspondent relations have been established with a number of foreign banks, including Landesbank Baden (Germany), Banca Popolare di Sondrio (Italy), Eurasian Development Bank (Kazakhstan), Transcapitalbank (Russia).
- Continuous work to modernize Unibank's mobile application significantly increased the number of users, in 2019 the this channel customer base grew by 8000 people and already exceeds 12000 users.
- Unibank became the winner of the Visa international payment system award in the "Largest Visa Issuance in Armenia" nomination for the leading position in the number of Visa cards issued in Armenia.



- In July 2019 Moody's Investors Service international rating agency approved Unibank's rating at B2 with a stable outlook.
- Unibank successfully passed the annual certification audit of compliance with the PCI DSS standard and recertification for compliance with the ISO 27001: 2013 standard, once again confirming the high level of personal data protection of its customers.

KEY FINANCIAL INDICATORS FOR 2019

ASSETS

249

AMD

LOAN PORTFOLIO

141.4

AMD

LIABILITIES

215.2

AMD

BONDS ISSUED

9.5

AMD

NET INTEREST INCOME

10.1

AMD

NON-INTEREST INCOME

1.7

AMD

TOTAL CAPITAL

33.8

AMD

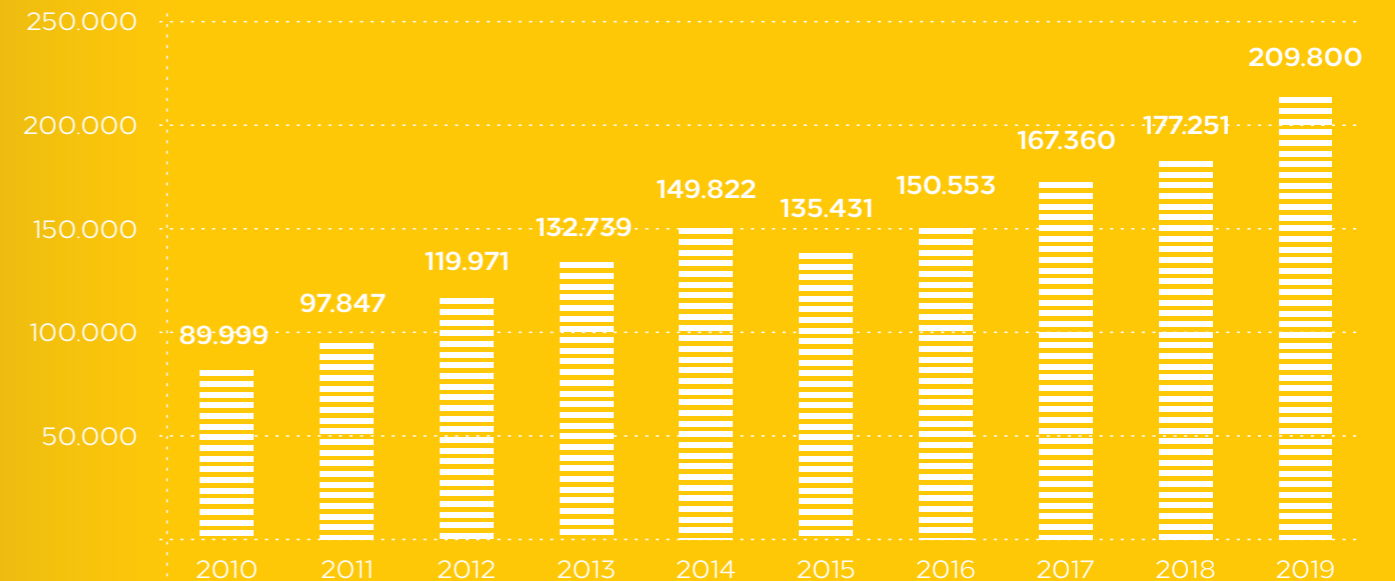
NET PROFIT

1.3

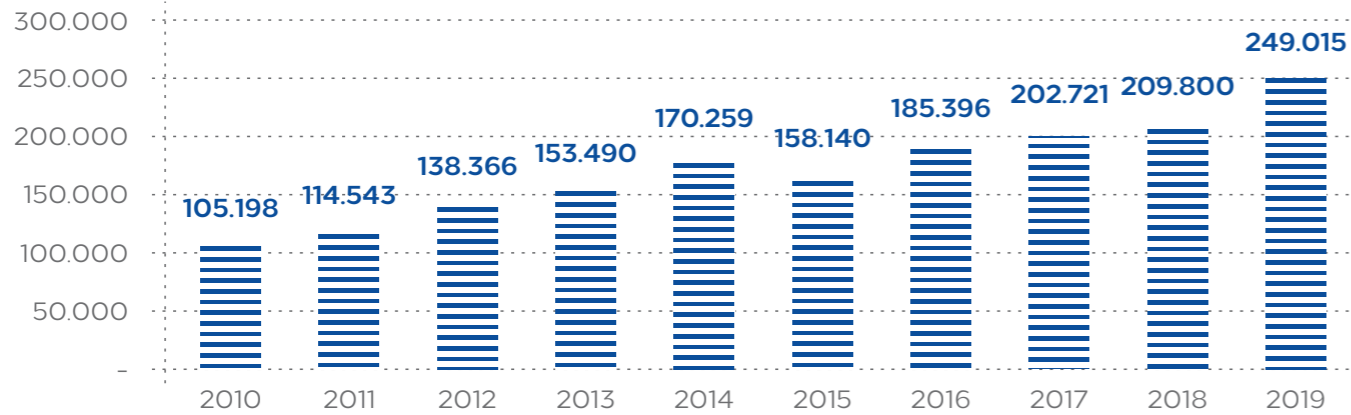
AMD

Based on the results of 2019 Unibank ensured the following indicators:

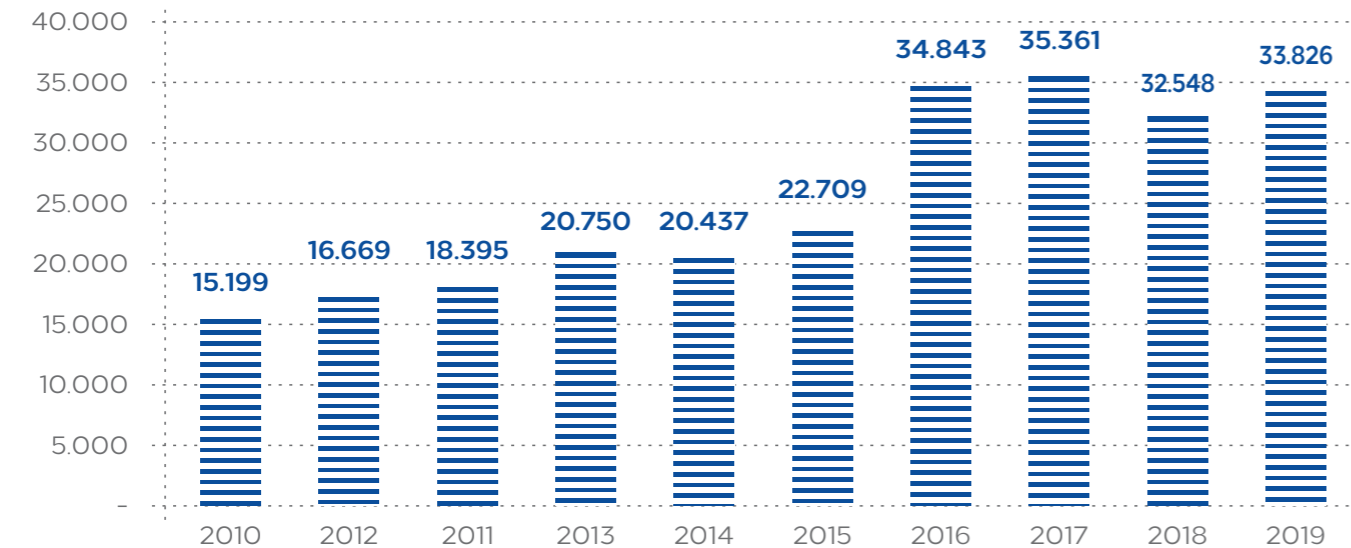
Liabilities (mln AMD)



Assets (mln AMD)



Total Capital (mln AMD)



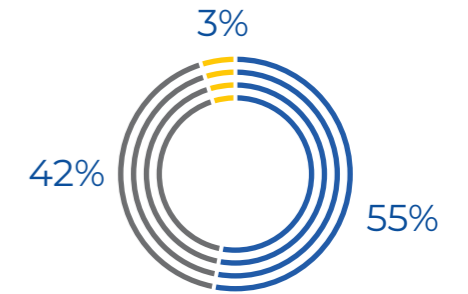
LOAN PORTFOLIO

As of 31.12.2019 total loans portfolio of the Bank comprised 57% of the total assets. Loan portfolio in AMD comprised 56% of the aggregate loan portfolio. Average rate of interest of crediting as of 31.12.2019 comprised 9.9%.

The situation with the volume of overdue liabilities improved, the level of “bad” loans decreased from 39% to 24% over the year due to the measures taken (automation of business processes, improvement of scoring systems, restructuring, activation of repayment, strengthening of the SME and Underwriting Credit Center, segmentation of the lending market).

LOAN PORTFOLIO CURRENCY STRUCTURE

- AMD
- Freely convertible currency
- Non convertible currency



LOAN PORTGOLIO STRUCTURE

- Corporate Loans
- SME Loans



DEPOSIT PORTFOLIO

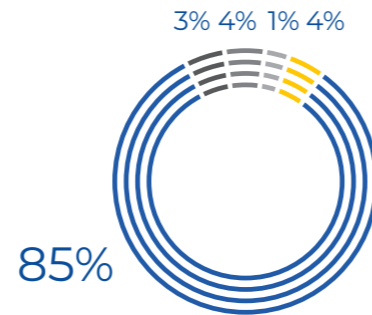
Demand deposits portfolio by the end of the reporting year comprised 108.2 billion AMD. Customer liabilities with the share of 89% - 96.2 billion AMD, prevailed in the structure of liabilities.

For 2019 the term deposits increased by 38.3 billion AMD and comprised 81.5 billion AMD, out of which, the liabilities attracted from legal entities comprised 68.7 billion AMD and those from physical persons – 12.8 billion AMD.

In total the funding cost for attracted liabilities decreased by 0.15%.

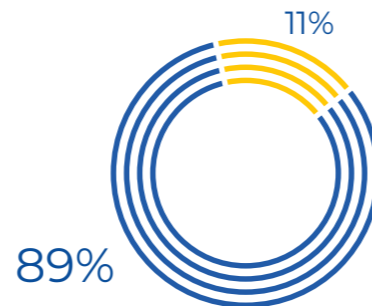
ATTRACTED FUNDS STRUCTURE

- Liabilities of financial institutions
- Liabilities to customers
- Borrowings
- Bonds issued
- Other Liabilities



TERM DEPOSITS

- Individuals
- Corporate clients



RETAIL BUSINESS

In 2019, Unibank provided loans to individuals in the amount of 70.8 billion AMD, the volume of consumer lending was ensured also due to the development of a convenient product range and lower interest rates. Unsecured consumer loans and gold secured loans continued to be very popular. In the 4th quarter of 2019, Unibank took a leading position in the banking system of Armenia in the number of POS loans. The weighted average nominal interest rate of the retail loan portfolio for 2019 decreased by 0.9 p.p. and amounted to 11.4% per annum. The portfolio of physical entities term deposits has increased by 8.5 billion AMD, or by about 10% since the beginning of the year. In the structure of the bonds portfolio issued by the Bank, 80% of the share falls on the bonds of physical entities, which indicates high confidence of the population and readiness to place their savings in a long-term investment tool.

At the end of 2019 the number of active retail customers exceeded 344,000. Within the reporting year Unibank provided 121 mortgage loans amounting to 2.6 billion AMD, out of which 12 loans - 146 million AMD were provided within the programs of “National Mortgage Company” and “Housing for young families”.

The number of online applications for consumer loans received during the year amounted to 35,800 with a total of 18.2 billion AMD, of which 7,900 loans worth 3 billion AMD were approved.

In 2019, the weighted average nominal interest rate of the retail loan portfolio amounted to 11.38%, decreasing by 0.9 p.p., interest income amounted to 9.2 billion AMD (52.4% of the Bank's interest income). In the field of POS lending, the Bank cooperated with more than 300 companies, enabling the Bank to extend its services in 700 points of sale. The advantages of cooperation are the availability of jointly developed products for various promotions, as well as jointly conducted advertising campaigns.



High retail lending indicators for 2019 were ensured through the following activities:

- expansion of the promo-points network to 93, which issued 76,000 loans with the total amount of 13 billion AMD;
- increase in the number of branches providing gold-secured loans from 18 to 31;
- the possibility of filing an online application for a consumer loan, including a POS loan;

CORPORATE BUSINESS

In 2019 «Unibank» continued its specialization in providing services to small and medium enterprises. Serious transformations have taken place in the corporate lending business model - the focus of development in the segment of small and medium enterprises and micro-businesses has been defined; product offers for differentiated client segments have been developed, several lending areas where the Bank has historically had the lowest NPL have been identified. Niche separation includes small – scale production, trade, services and agro, farming. Besides, the process of provision of unsecured micro loans to small businesses is automated by using the latest CRM-system by “Protobase Laboratories”, enabling the Bank to significantly reduce loan-processing time.

The volume of business loans in the aggregate loan portfolio comprised 49%, or 69.5 billion AMD without reserves, including corporate loans - 55%, SME loans - 45%. The weighted-average interest rate of the portfolio of business loans in 2019 reduced by 1 p.p. and comprised 12.3%, interest income amounted to 5.4 billion AMD (24% of total interest income).

Throughout the the year, the Bank continued to work on financing programs: with the German Development Bank KfW - for the acquisition of solar power plants, the Dutch Development Bank FMO - in support of female entrepreneurship in Armenia, the European Investment Bank - in lending to the agricultural sector and tourism of SMEs.



SELECTED SOURCES FOR SME AND TRADE FINANCING



HUMAN RESOURCE MANAGEMENT AND PERSONNEL POLICY

The objectives of the personnel policy of “Unibank” are the formation of a highly professional and efficient team, the development of a personnel-training system, the creation of motivational programs for employees, and maintenance of a corporate culture that implies compliance with service standards and business communication.

The personnel policy of the Bank is aimed at careful selection and training of personnel, and the formation of highly qualified personnel potential ensuring the achievement of planned results. This policy is implemented within the framework of the Bank’s corporate interests and by attracting the most qualified specialists, encouraging initiative employees and their promotion to senior positions. Special attention is paid to the growth of the professional level, the maximum self-realization of each employee and the formation of an optimal organizational structure.

In the process of selection, testing and interviews, responsible, progressive and goal-oriented specialists that are sharing the values of the Bank and are ready to move forward are identified. To determine compliance with the positions held and the level of qualification, the Bank periodically conducts personnel certification and rotation.

In 2019, the main areas of work were:

- development of systematic training and staff development;
- implementation of internship programs and attraction of students from leading universities in Armenia;
- improvement of incentive programs for the employees of the Bank;
- provision of health insurance to the employees.

As of the end of 2019, the Bank had 840 employees.



CORPORATE GOVERNANCE

Corporate Governance overview

The Bank has a fully structured corporate governance that includes the Shareholders Annual General Meeting, Bank's Board, Bank's Executive Board, Internal Audit, Committees attached to the Board, Committees attached to the Executive Board, Credit Committee and Reserves Committee.

Shareholders Annual General Meeting is the supreme governing body of the Bank, which makes decisions on the main issues of the Bank's activities. Shareholders Annual General Meeting is held on an annual basis, as well as based on the Boards decision an Extraordinary Meeting may take place. The Board decides the date of the Shareholders Annual General Meeting. The Bank informs shareholders about the Shareholders Annual General Meeting on the official website of the Bank or through mass media, no later than 15 days prior to Shareholders Annual General Meeting, and 30 days prior to Extraordinary Meeting. Decisions taken by the Shareholders Annual General Meeting, as well as the voting results are communicated to the shareholders in the same manner.

The Board of the Bank is a collegial management body of the Bank, which defines the main strategic directions of the Bank's activities in the long term, determines the approaches to the organization of internal control. The Board of the Bank, in carrying out its activities, is accountable to the Shareholders Annual General Meeting of the Bank, acts in the interests of the Bank and its shareholders, as well as ensures that the interests and legal requirements of all other interested parties are met.

The Executive Board of the Bank manages the current and operational activities of the Bank within the framework of its authority, as determined by the legislation of the Republic of Armenia and the Bank's charter. The Executive Board is accountable to the Shareholders Annual General Meeting and to Board of the Bank.

Internal audit has an independent status and operates under the direct control of the Board. Performs verification and assessment of the effectiveness of the Bank's internal control system.





CORPORATE SOCIAL RESPONSIBILITY

“Unibank” takes an active part in the social life of the country, following the principle of social responsibility and directing efforts to the development of infrastructures and the creation of new jobs. “Unibank” is an active and responsible participant of economic and social programs. The Bank actively supports charity and sponsorship programs aimed at improving financial literacy, as well as supporting education, culture and sports.

COMPLIANCE

The Bank's compliance policy in 2019 was aimed at ensuring the Bank's activities in strict accordance with the legislation of the Republic of Armenia. For this purpose, a comprehensive analysis of the internal regulatory acts, the provided services and products of the Bank was carried out, a study of amendments to the law, and consultation of structural and territorial divisions and employees of the Bank.

Analysis of customer complaints and suggestions was of particular importance in the management's activities, aiming at enhancing the quality of service and preventing repetition of such complaints. The quality of the management and the Bank as a whole is clearly shown by the following figures. Throughout 2019, a total of 661 complaints was registered, of which the Bank fully or partially satisfied 110 (16.6% in total), the payout sum by the Bank on these complaints amounted to 2.15 million AMD.

CORPORATE ETHICS

Interaction in the Bank is based on respect for the individual and focus on results in order to successfully solve professional tasks and maintain constructive relations within the team. We strive to comply with the highest principles of professional ethics, comply with existing laws, as well as the norms and regulations established in the Bank.

ENVIRONMENTAL PROTECTION

In its activities, the Bank aims to follow the principles of respect for the environment. When implementing credit programs, the Bank takes into account compliance with environmental standards and prioritizes lending to environmentally friendly industries and resource-saving projects. In its activity, Unibank seeks to minimize the financing of projects that have a negative impact on the environment.

MISSION AND VALUES

“Unibank” OJSC is a dynamically developing and innovative Bank that provides a full range of services to retail and corporate clients. The Bank sees its mission in promoting the economic development of the Republic of Armenia, increasing the financial well-being of customers, shareholders and partners, and meeting the public need for high-quality financial services.

OUR VALUES

- attentive and honest attitude towards customers
- strong team spirit and efficiency
- society's trust
- high brand awareness
- reliability and stability



WE STRIVE

- strengthen our position and increase the financial market share
- to ensure a high culture of banking services
- to increase availability of popular and high-tech banking services
- introduce a transparent business model and best practice of corporate culture
- to increase the investment attractiveness of the Bank

STRATEGIC PRIORITIES FOR 2020

The events of recent months amid the coronavirus pandemic have changed the tasks and priorities of the Bank's further development, and the Bank's management is reviewing its annual forecasts, analyzing various scenarios for the development of Unibank.

As part of ongoing measures to support citizens and businesses, Unibank participates in government programs to stimulate lending to small and medium-sized businesses, pay assigned social support benefits, provide deferred loan payments, provide with the possibility of restructuring loans, and to limit face-to-face interaction with customers as much as possible, the remote connection to mobile banking system is introduced as well.

As part of Unibank's approved strategy of 2020, the following key priorities are formulated:

- technological improvement, sales development through digital channels,
- further development of artificial intelligence technologies in the lending industry,
- development of a customer-oriented approach and, based on an in-depth analysis of customer needs, formation of a service and product line also for their counterparties,
- ensuring financial performance and improving the position of Unibank in the banking system, increasing the investment attractiveness of the Bank.



OUR TEAM

UNIBANK BOARD



GAGIK ZAKARYAN

Cofounder of Gx2 Capital Ltd., Cofounder/Board Chairman of “Unibank OJSC”, Cofounder/Board Chairman, Unistream OJSC CB, Board Chairman of “RESO” CJSC, Board Member of the Association of Russian Banks, Member of the Supervisory Board of National Banking Journal.



GEORGE PISKOV

Cofounder of Gx2 Capital Ltd., Cofounder/Board Member of “Unibank OJSC”, Cofounder/Board Member of the Unistream OJSC CB, Cofounder/Chairman of the Board of Directors of Protobase Laboratories, Founder and owner of money transfer service “MoneyTO”.



EDUARD ZAMANYAN

Board Member of “Unibank OJSC”, Board of Directors Member of the National Bureau of Credit Histories, Advisor to President at “Globeksbank” CJSC.



ARTEM KONSTANDYAN

Board Member of “Unibank OJSC”, Supervisory Board Member of “MSP Bank” JSC, Board of Directors Member Russian Export and Investment Insurance Agency, Board of Trustees Member Jurisdiction Armenia Foundation (RA) Chairman of the Board of Trustees of the “ANIV” Foundation for Development and Support of Armenological Studies



VARDAN ATAYAN

Board Member and Shareholder of “Unibank OJSC”, Shareholder and spase missing of “Unileasing” company, Board Member of “RESO” CJSC .



HRAHAT ARZUMANYAN

Board Member of “Unibank OJSC”, Chairman of the Board of Directors “Transstroy bank” CJSC.



DAVID PAPAZIAN

Board Member of “Unibank OJSC”, General Director of the Armenian National Interests Fund.



UNIBANK EXECUTIVE BOARD

MESROP HAKOBYAN
Executive Board Chairman



GOHAR GRIGORYAN
Financial Director - Chief Accountant



OVSANNA ARAKELYAN
Vice-Chairman of the Executive Board
Legal Service and Overdue Liabilities
Collection Director



DAVID PETROSYAN
Corporate Business Promotion
and Sales Director



ARARAT GHUKASYAN
First Vice-Chairman
of the Executive Board



GURGEN GHUKASYAN
Retail Business Promotion and
Sales Director



ARTUR APERYAN
Operational services and information
systems Director



HAYK SUVARYAN
Internal Audit Director

INTERNATIONAL RATING

International rating agency Moody's upgraded Unibank's local-currency and foreign-currency deposit ratings of B2. The Bank's ratings are based on its Baseline Credit Assessment (BCA) of b3 and long-term Counterparty Risk Assessment -CR Assessment - B2(cr)/NP(cr). Outlook - Stable.

Ratings upgrade has mainly been conditioned with the capital replenishment and material improvements in the Bank's asset quality.

CORRESPONDENT BANKS

- BANKA POPOLARE DI SONDRIO
- EURASIAN DEVELOPMNET BANK
- CB UNISTREAM
- ALFA BANK
- BANK OF GEORGIA
- RAIFFEISEN BANK INTERNATIONAL AG
- AO RAIFFEISENBANK
- TRANSSTROIBANK
- TRANSKAPITALBANK
- EXIMBANK OF RUSSIA
- JSC ROSSELKHOZBANK

CONTACT INFORMATION

We will be glad to provide you with a more detailed information about the activity and services of "Unibank", discuss the possibilities of cooperation and investment and agree on the time of the meeting convenient for you.

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