

2020

ANNUAL REPORT





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BANKING SYSTEM OF ARMENIA: MAIN INDICATORS

The aggregate volume of assets of the banks of Armenia for 2020 comprised AMD 6,643 bln, increased by 14.6% compared to 2019 (AMD 846 bln).

Assets growth rate is mainly due to growth rate of credits. Based on the results of 2020 the aggregate volume of loan investments of the banking system of Armenia comprised AMD 4,053 bln, increased by 13.6% compared to 2019.

The liabilities of banks for the previous year comprised AMD 5,748 bln, increased by 16%. Aggregate deposits in the banks of Armenia as of the end of December of 2020 comprised AMD 3,564 bln, which is 2.4% or AMD 84.7 bln more than the indicator of the December of 2019.

The profit of the banking system of Armenia for 2020 comprised AMD 60 bln. The economic decline in Armenia in 2020 was -7.4%.

The volume of GDP in 2020 comprised AMD 6,182 bln or \$11,8 bln. GDP in 2020 in Armenia comprised AMD 2,085.5 thous (\$3,991) per capita against 2,210.8 thous AMD (\$4,609) in 2019.

Based on the results of 2020 the assets of the banking system in the GDP of Armenia reached 107%, and the loan investments – 66% of total GDP against the 89% and 55% based on the results of 2019.

GROWTH TENDENCY

2010-2020, MLN AMD

CREDIT INVESTMENTS

427%

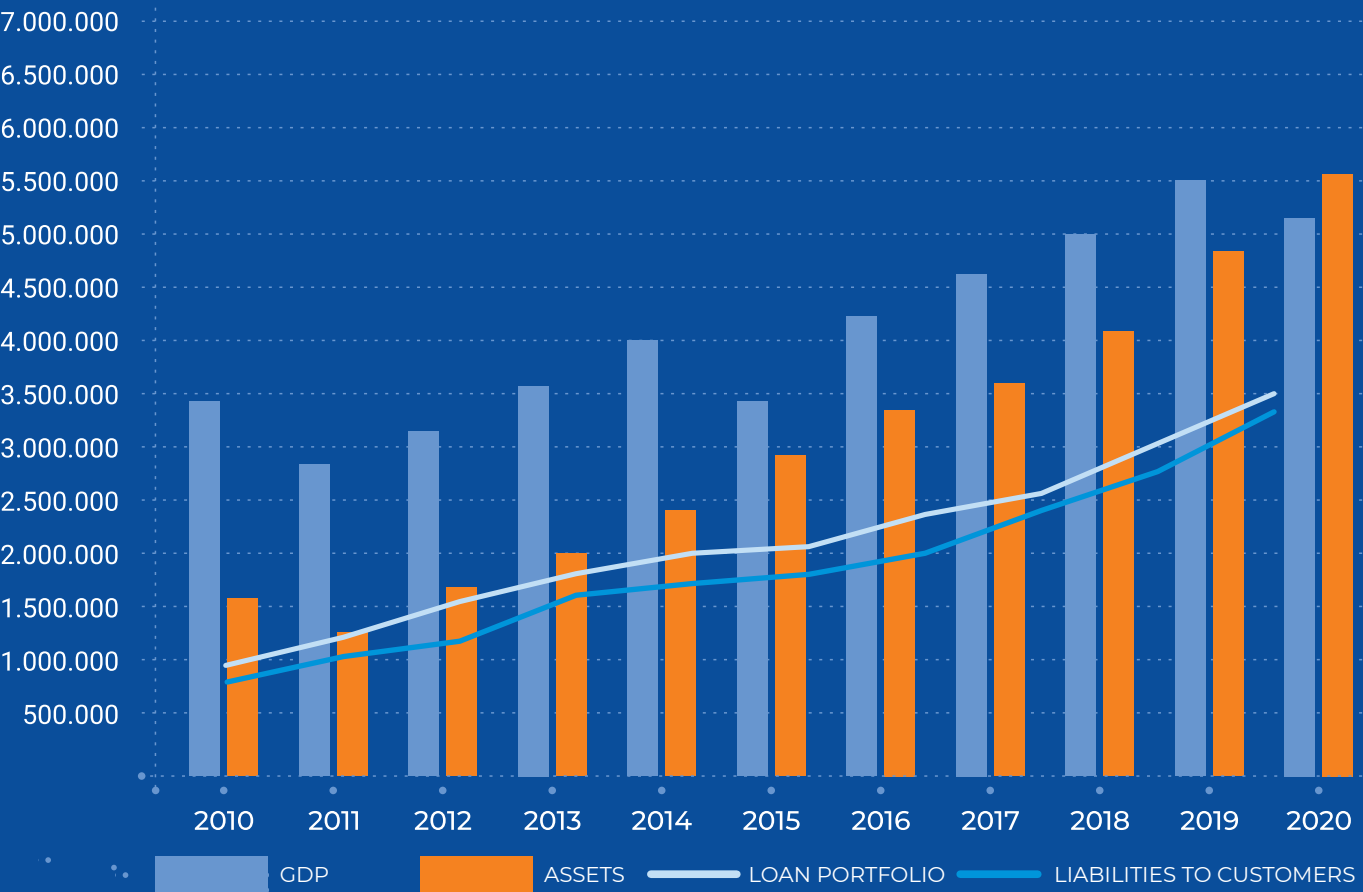
ASSETS

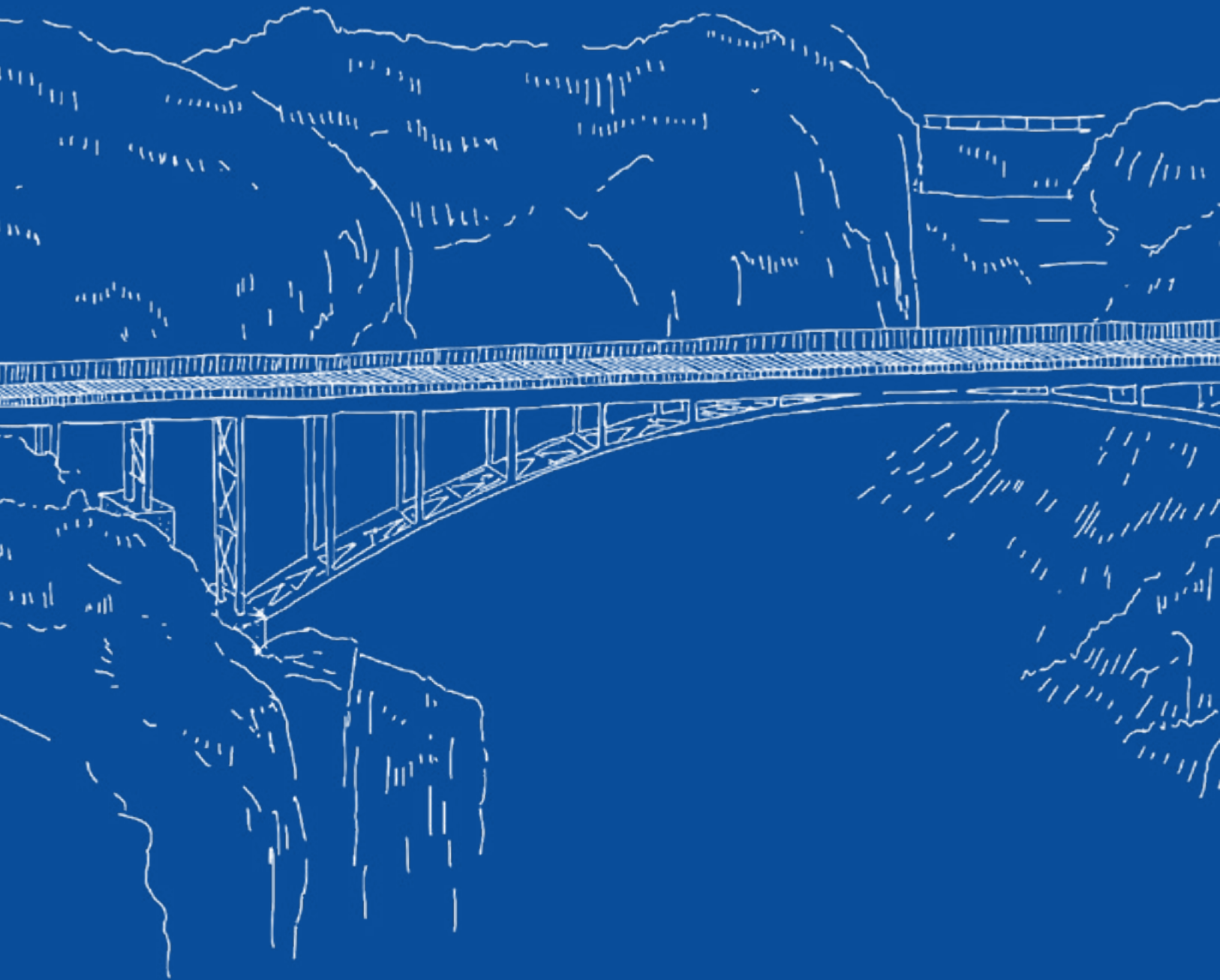
426%

CAPITAL

273%

The main direction of the Bank's activities in 2020 was the development of solutions to support clients facing financial difficulties. The coronavirus pandemic has become a serious challenge for the banking sector in the global economy. For Armenia, the past year was extremely difficult also due to the escalation of Nagorno-Karabakh conflict. Banks faced tasks that had to be solved not in stages, but in parallel. With the recovery of economic and consumer activity in the country, also thanks to the accumulated safety margin, Unibank improved its financial stability indicators and registered positive dynamics in key strategic areas.





THE MOST IMPORTANT EVENTS OF 2020

- The Bank expanded its geographical area of presence and opened two new branches: Aparan and Sisian. At the end of the year, the branch network of Unibank included 53 branches in Armenia and Artsakh; a representative office of the Bank operates in Moscow, which helps to attract foreign customers. Astana International Financial Center branch started operating at the end of 2020 as a channel for new opportunities to attract foreign investment.
- For the implementation of a new approach to the Bank's investment policy, an agreement was signed on the circulation of Unibank's securities on the Moscow Stock Exchange Market, as a result of which USD denominated bonds of Unibank were listed on the Moscow Exchange. By disclosing up-to-date information, the Bank reached a new level of transparency. The Bank has successfully placed 14 bond issues for more than USD 30 mln and AMD 3 bln.
- Apart from the strategy of increasing the scale of settlement services, Unibank has significantly expanded its correspondent network with leading banks in the CIS countries and abroad, providing optimal forms of international settlements for participants in foreign economic activity.
- Unibank 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.
- In December 2020 Moody's Investors Service international rating agency approved Unibank's rating at B2 with a stable outlook.
- Austrian Raiffeisen Bank International awarded Unibank with the "STP Quality Award 2020" for providing high quality international transfers
- Unibank was awarded with "Sustainability Icon" award by Visa international payment system
- Unibank's data processing center completely switched to operation from solar energy

KEY FINANCIAL INDICATORS FOR 2020

ASSETS

238.172

MLN AMD

LOAN PORTFOLIO

156.575

MLN AMD

LIABILITIES

204.273

MLN AMD

BONDS ISSUED

9.498

MLN AMD

NET INTEREST INCOME

10.051

MLN AMD

NON-INTEREST INCOME

2.156

MLN AMD

TOTAL CAPITAL

33.899

MLN AMD

NET PROFIT

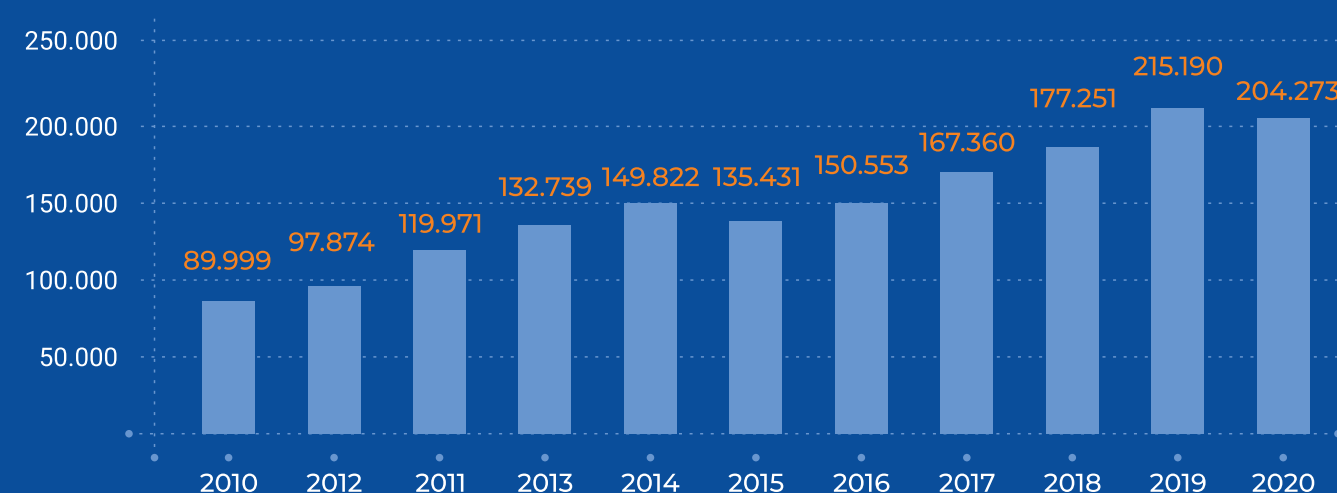
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MLN AMD

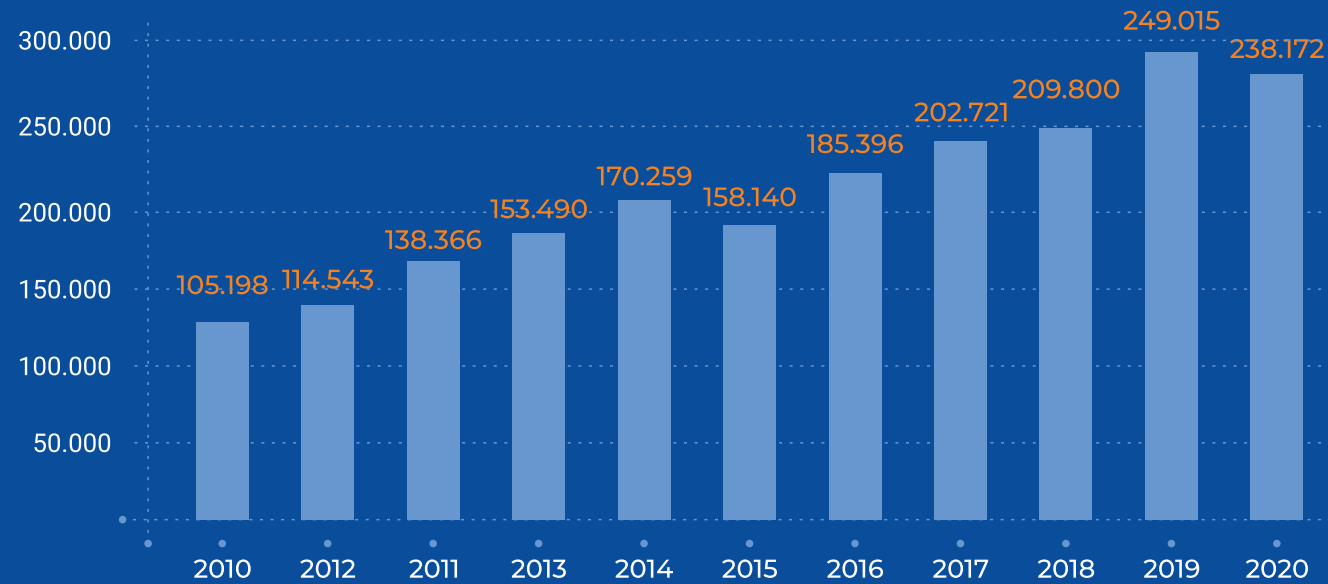
Government programs and measures by the Central Bank to support the population, the economy and the financial sector prevented the negative impacts of the crisis. Following the principles of a client-oriented approach, within the framework of its own programs, the Bank promptly used anti-crisis instruments, providing clients with the opportunity to take advantage of credit holidays and debt restructuring. An important issue on the Bank's agenda in the 4th quarter was assistance to participants in the military actions and their families.

BASED ON THE RESULTS OF 2020 UNIBANK ENSURED THE FOLLOWING INDICATORS

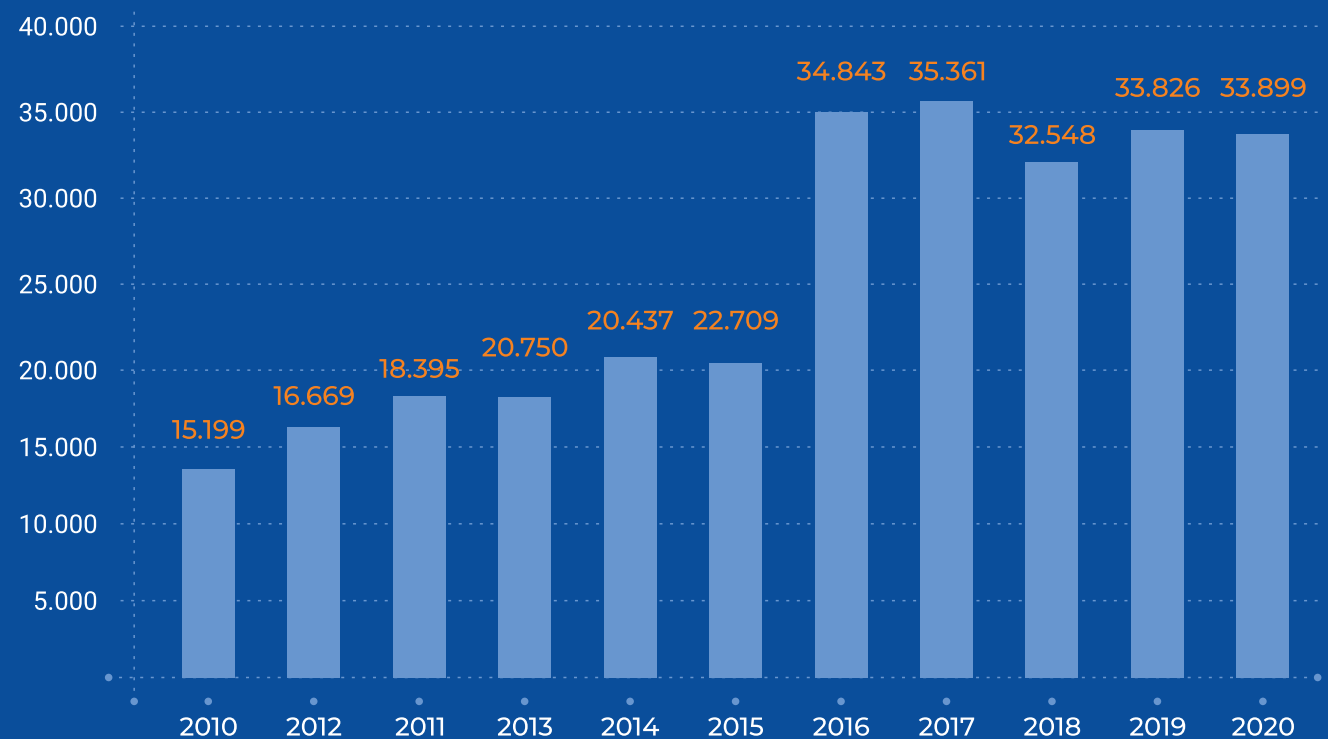
ASSETS (MLN AMD)



LIABILITIES (MLN AMD)



TOTAL CAPITAL (MLN AMD)

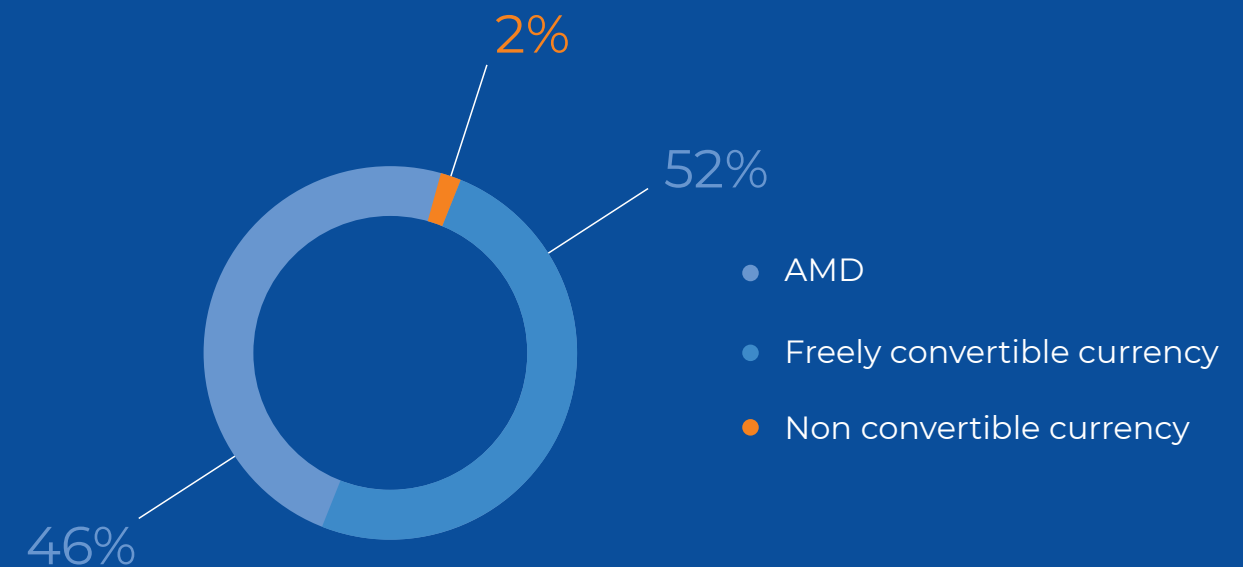


LOAN PORTFOLIO

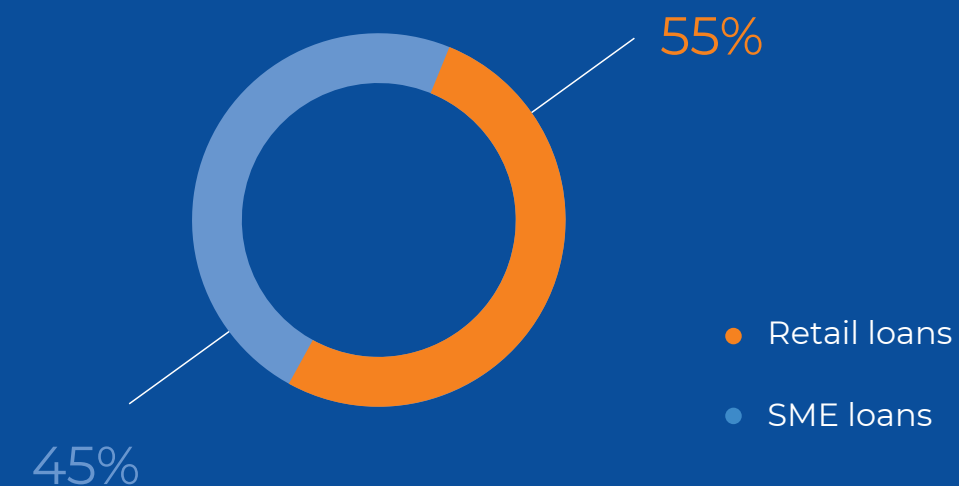
As of 31.12.2020 total loan portfolio of the Bank comprised 66% of the total assets. Loan portfolio in AMD comprised 52% of the aggregate loan portfolio. Average rate of interest of crediting as of 31.12.2020 comprised 9.4%.

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 re-payment, strengthening of the SME and Underwriting Credit Center, segmentation of the lending market).

LOAN PORTFOLIO CURRENCY STRUCTURE AS OF 31/12/20



LOAN PORTFOLIO STRUCTURE AS OF 31/12/20



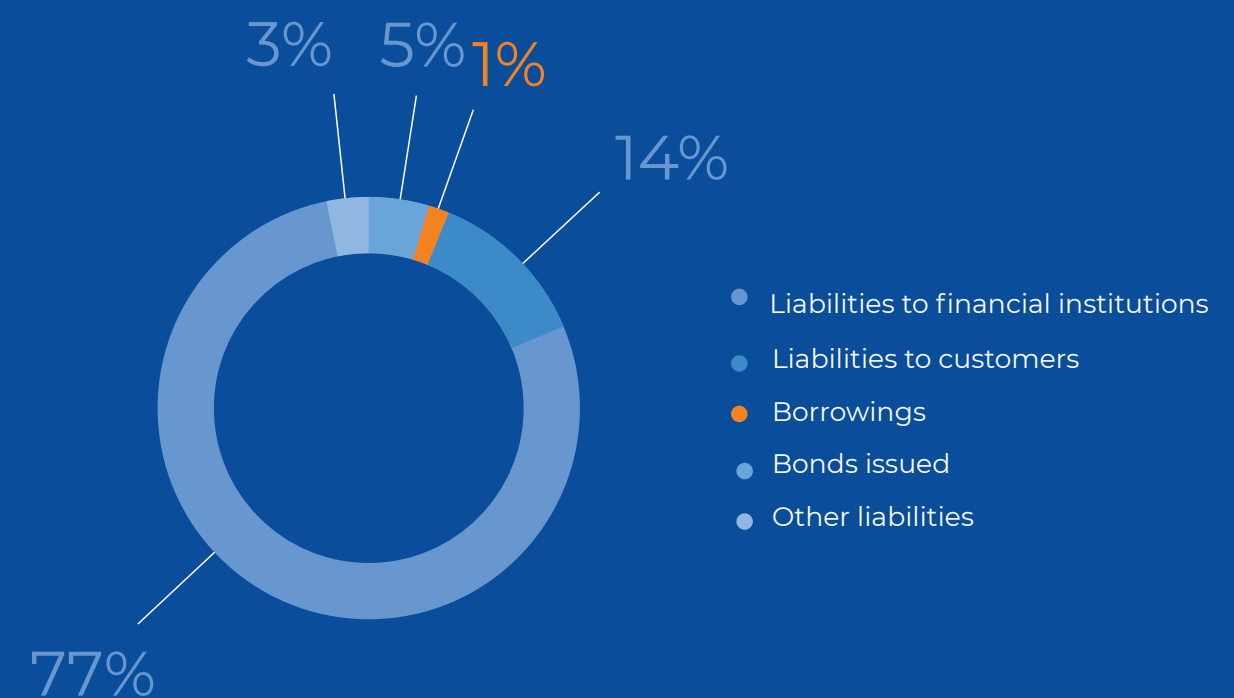
DEPOSIT PORTFOLIO

Demand deposits portfolio by the end of the reporting year comprised 105.8 bln AMD. Customer liabilities with the share of 83.1% - 87.9 bln AMD, prevailed in the structure of liabilities.

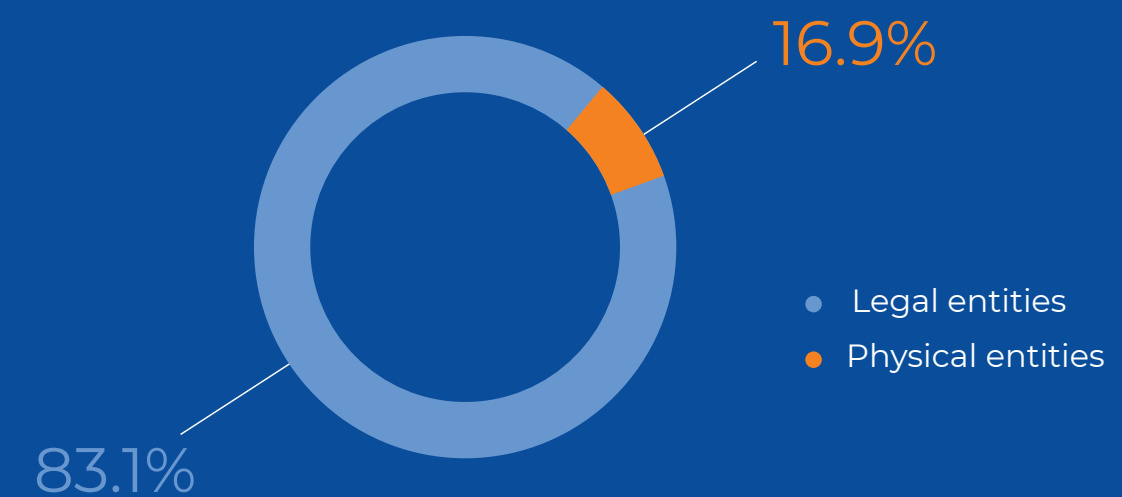
For 2020 the term deposits decreased by 30.5 bln AMD and comprised 51 bln AMD, out of which the liabilities attracted from legal entities comprised 31.6 bln AMD and those from physical persons – 19.4 bln AMD.

In total the funding cost for attracted liabilities decreased by 0.13%.

FUNDING STRUCTURE AS OF 31/12/20



TERM DEPOSITS AS OF 31/12/20



RETAIL BUSINESS

Unibank is one of the leading players in the local retail lending market, the client base covers about 1/3 of the working-age population of Armenia.

As part of expanding the functionality of the mobile application, an application for obtaining small unsecured loans is being developed. As a result of the socio-economic crisis, deductions to reserves for consumer loans amounted to more than 1 bln AMD, almost twice the figure for 2019. According to the vintage analyzes, since March of this year, there has been an improvement in the payment discipline of borrowers.

According to the results of 2020, Unibank took a leading position in the banking system of Armenia in the number of POS loans. The Bank's share in POS lending market accounts for approximately 20%.

The weighted average nominal interest rate of the retail loan portfolio for 2020 decreased by 0.59 p.p. and amounted to 11.32% per annum.

The portfolio of physical entities term deposits has decreased by 8.3 bln AMD, or by about 9% since the beginning of this 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 2020 the number of active retail customers exceeded 314,000.

One of the significant innovations of Unibank is the use of artificial intelligence technology in the scoring system of consumer loans. Artificial intelligence technology makes it possible to process large amounts of information faster and better, analyze customer data and build their profile more accurately.

Following a client-oriented policy, in 2020 Unibank took measures to support clients in a pandemic and a military situation.

The Bank extended the maturity of unsecured consumer loans provided to individuals and distributed payments in proportion to the maturity of the outstanding loan. The Bank also provided assistance to clients who took part in the military actions.

CORPORATE BUSINESS

The Bank's assets at the end of 2020 amounted to AMD 238.1 bln and loan investments amounted to approximately AMD 156 bln.

Lending to small and medium-sized enterprises continued to be a priority area of development for Unibank in the corporate segment using an industry-specific approach to the selection of potential brands. In 2020, the loan portfolio of small and medium-sized enterprises increased by 6% in quantitative terms, amounting to more than AMD 67 bln.

The Bank monitors the dynamics of the recovery in the tourism sector, which has taken the main hit of pandemic, and develops a targeted financing program.

The volume of business loans in the aggregate loan portfolio comprised 44%, including corporate loans - 61%, SME loans - 39%. The weighted-average interest rate of the portfolio of business loans in 2020 reduced by 2.11 p.p. and comprised 8.53%, interest income amounted to AMD 4.1 bln (21% of total interest income).

In 2020, Unibank continued its strategy of flexible lending to SMEs, taking into account the specifics of business customers and the decision-making speed on lending. In particular, Unibank provided flexible repayment schedules and grace periods for representatives of segments of the economy affected by the consequences of the pandemic. As a result, business loans totalling AMD 9 bln were restructured.

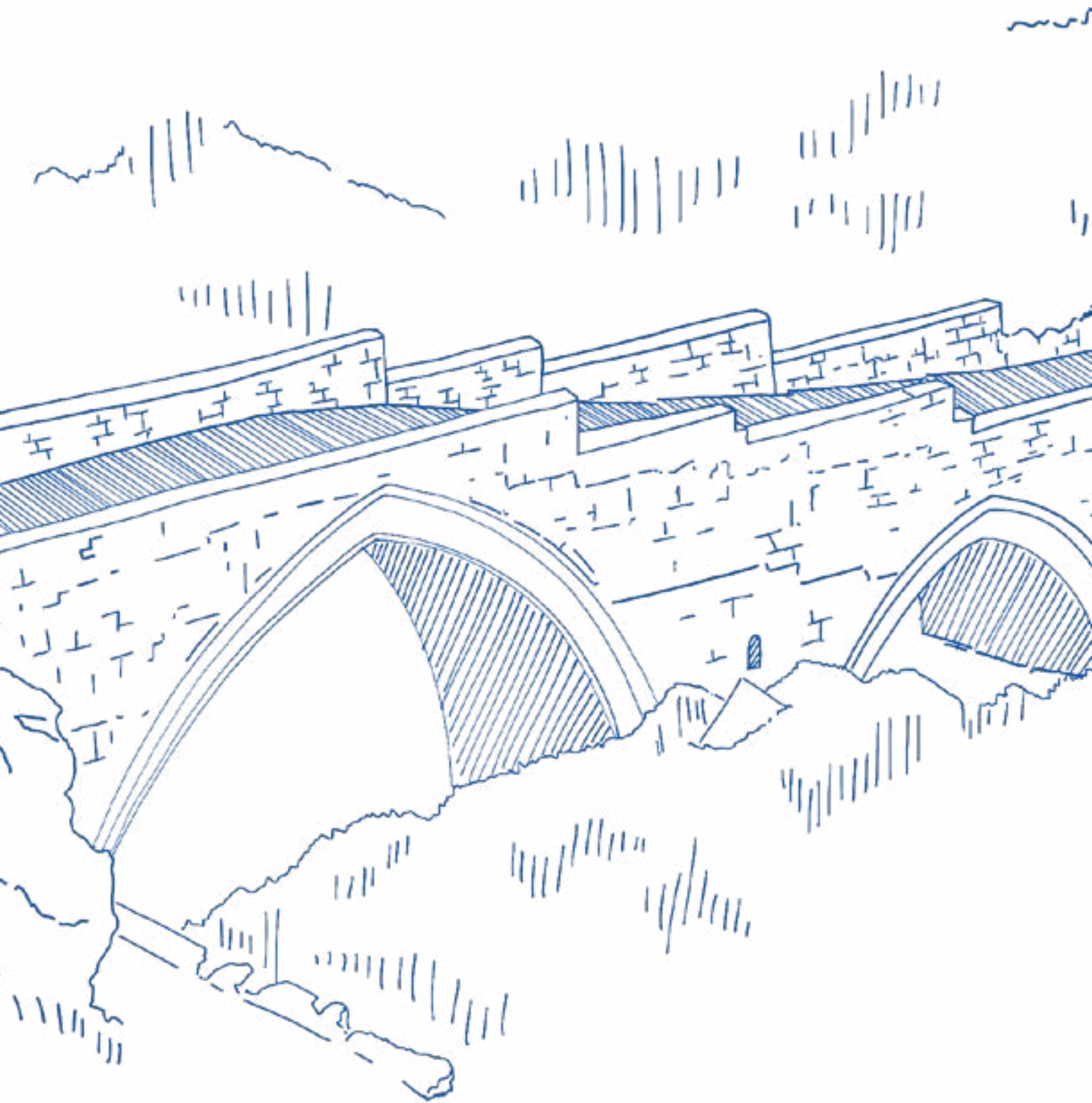
Unibank also actively participated in the state program supporting legal entities affected by the consequences of the pandemic, by issuing loans for almost AMD 1 bln. In addition to the terms of lending, Unibank's most important factor when choosing, is a flexible approach, understanding the specifics of the client's business and the speed of loan decision making.

Throughout the year, the Bank continued to work on financing programs: with the German Development Bank KfW - for the purchase of solar power plants, the Dutch Development Bank FMO - in support of women's entrepreneurship in Armenia, the European Investment Bank - in lending to the agro sector and tourism to SME's.

In November, an application was submitted for participation in the program by KfW "SME financing in the sphere of Agriculture", in January 2021. The Bank has passed the initial selection process.

SELECTED SOURCES FOR SME AND TRADE FINANCING FROM INTERNATIONAL FINANCIAL INSTITUTIONS





BRANCH NETWORK

At the end of the year, the branch network of Unibank included 53 branches in Armenia and Artsakh, 87 promotional points, 114 ATMs, 145 payment terminals. A representative office of the Bank operates in Moscow, which assists in attracting foreign clients.

Throughout the year the Bank has served more than 317,000 clients, of which 314,000 retail.

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, 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 share the Bank’s values 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 2020, the main areas of activities 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 employees

As of the end of 2020, the number of the Bank’s employees comprised 792.

COMPLIANCE

The Bank's compliance policy in 2020 was aimed at ensuring the Bank's activities in strict accordance with the legislation of the Republic of Armenia. Compliance Department pays great attention to ensuring the compliance of the Bank's internal legal acts with the current legislation of the Republic of Armenia and applicable banking business processes, as evidenced by the fact that 22 new normative acts were adopted in the new edition in 2020.

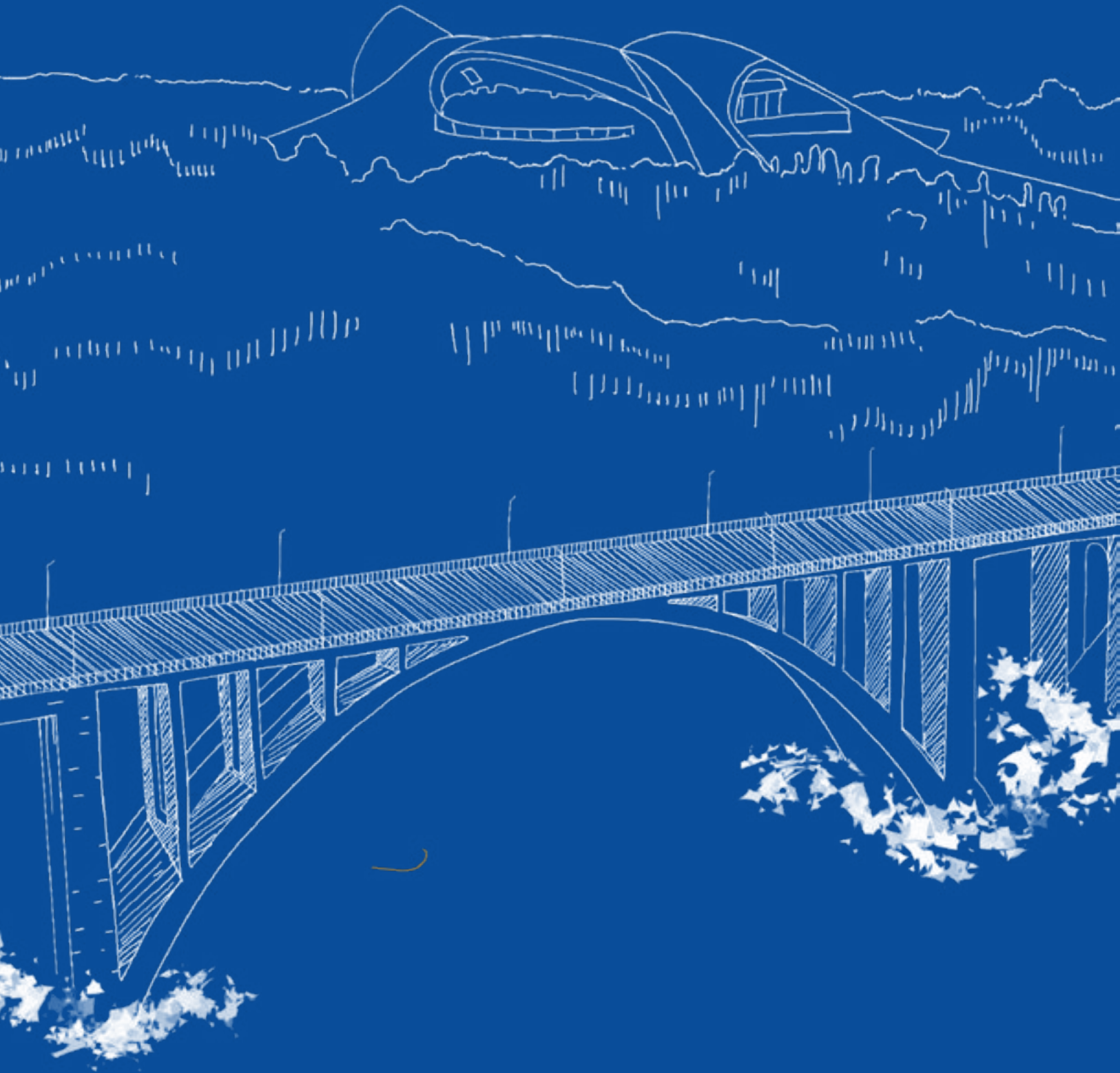
In order to eliminate violations and inconsistencies registered by the Central Bank of the Republic of Armenia, as well as identified in the course of monitoring by the Compliance Department for the reporting year, and their elimination in the future, corresponding measures were taken according to the established schedule.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE OVERVIEW

The Bank has 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, 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 Board's 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 of and the 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.

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 performance
- society's trust
- high brand awareness
- reliability and stability



WE STRIVE

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

STRATEGIC PRIORITIES FOR 2021

The 2020 pandemic and military actions forced the Bank to reconsider its strategic goals, clarify tasks and development priorities. At present, financial technologies are an integral part of financial services, and the Bank, in line with the market trends, is actively investing in fintech innovations.

The following are the main vectors to be adapted to the new reality:

- acceleration of technological development, including digitalization of customer service, creation of a market place, expansion of the use of artificial intelligence in the lending process, operation of P2P transfers and crediting, arming with ATM network touch technology;
- the risk management system improvement in the conditions of digital transformation;
- expansion of the Bank's services geography, including in other countries;
- participation in “Green Financing” project;
- expansion of the Bank's investment portfolio, increase of authorized statutory capital;
- improvement of the internal efficiency and external competitiveness 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”.



VARDAN ATAYAN

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



EDUARD ZAMANYAN

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



HRAHAT ARZUMANYAN

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



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



DAVID PAPAZIAN

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

UNIBANK EXECUTIVE BOARD



MESROP HAKOBYAN
Executive Board Chairman



ARARAT GHUKASYAN
First Vice-Chairman of the Executive Board



GOHAR GRIGORYAN
Financial Director - Chief Accountant



GURGEN GHUKASYAN
Retail Business Promotion and Sales Director



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



ARTUR APERYAN
Operational services and information
systems Director



DAVID PETROSYAN
Corporate Business Promotion
and Sales Director



HAYK SUVARYAN
Internal Audit Director

INTERNATIONAL RATING

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

SBERBANK

BANK VTB PAO

PAO BANK FK OTKRITIE

LANDESBANK BADEN-WUERTTEMBERG

CONTACT INFORMATION

We'll 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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