

EQUITY FLASHNOTE UPDATE, H1 2016

UNIBANK (NASDAQ OMX Armenia: UNIB)

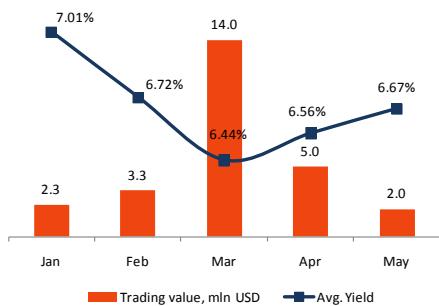
Macro update, H1 2016

GDP at market prices	\$2,366.5 mln
GDP growth rate	4.7%
Industrial output	\$1,384.0 mln
Agricultural output	\$533.4 mln
Construction volume	\$262.4 mln
External trade turnover	\$2,272.5 mln
Export volume	\$815.0 mln
FDI	\$34.8 mln

Key Banking Sector Indicators (in mln USD)

	Y2014	Y2015	H1 2016
Assets	7,181	7,131	7,250
Liabilities	6,194	6,084	6,100
Equity	988	1,047	1,150
Net Income	45	(43)	12

Armenian Eurobonds trading data



ARMENBROK COMPOSITE INDEX (ABCI)

ABCI - is the first equities market index estimated in Armenia. The Index is calculated and published by Armenbrok Investment Company since 2007. It is based on 6 most liquid equity instruments traded at NASDAQ OMX Armenia equities platform, the list of which given below:

Company	Ticker	Platform
Unibank	UNIB	B
Pure Iron Plant	MQER	C1
Armenian Development Bank	ZHBK	C1
Araratbank	ARBK	C1
Artsak HEK	AHEK	B
ArmEconomBank	HEZB	B

Macroeconomic Update

Armenian Economy saw a 4.7% growth in Q2 2016, which exceeds all the previous expectations and forecasts both internal and recommended by international organizations. Based on that, IMF improves slightly its outlook for Armenian economic growth for Y2016 from 2.25% to 2.5%. Along with that Consumer price index fell recording a 1.5% deflation in H1 2016 as against the previous period, which forced the Central Bank of Armenia cut its refinancing rate by 0.25 percentage points to 7.5%. The CBA believes also that the low inflationary environment will continue in the coming months with relatively steady inflationary expectations. The growth driver of Armenian Economy in H1 2016 was Industry with a growth hitting up to 8.9% followed by services sector with a 8.3% increase and some moderate growth in agriculture sector showing a rough 3.3% raise y-o-y. In spite of that construction and domestic trade decreased in during the first half of 2016 by correspondingly 7.8% and 0.3%. A significant improvement was recorded in foreign trade with the export growing by 16.7% y-o-y most of which was driven by the expansion of trading relations with the Eurasian Economic Union. The Budget deficit at the end of June 2016 stood around \$180 mln, with the Finance Ministry forecasting it to stabilize at around 2%, while in 2015 it recorded as high as 4.4% as a result of the expansionary policy.

Banking sector update

Armenian Banking sector underperformed in April-May 2016. It recorded decreases in virtually all main financial position indicators as against Q1 2016. As at end of May 2016 Assets dropped by 1.1% q-o-q, Liabilities decreased by around 1.9%. On the performance side, during these two months banking sector in overall recorded a positive net income comprising around \$6.0 mln, with the loan portfolio slightly increasing by around 0.3% while the total deposit portfolio registered an increase of around 2.1%. IN spite of positive net income the overall return on equity in banking sector stood at 0.8% (annualized for 2016), which evidences of negative real returns taking into action the high country risk environment of Armenian economy. These downward trends together with recorded deflation in real sector of economy forced the Central Bank of RA decrease its refinancing rates to 7.5% at period end, which pushed down basic interest rates of financial market. Particularly, long term deposit and loan interest rates decreased by on average 0.5% as against end of Q1 2016.

Armenbrok Composite Index Dynamics (2014-2016)



UNIBANK OJSC

Listing:	NASDAQ OMX Armenia
Moody's:	B3, positive forecast
Thomson Reuters:	Best Dealing Bank 2012
Raiffeisen Bank Int.:	RBI STP Quality Awards 2014
ISO 27001:2013	information security standards
Mercury award	People's Bank 2015

Share Data, H1 2016

Ticker	UNIB
Market Cap (mln USD)	65.1
Shares Outstanding, mln	132.4
Free Float	6.5%
Trading Value (thous USD)	155.2
Number of Securities traded	319,545
Last Price (USD)	0.49

Selected Operational Data as of June 30, 2016

Retail clients	307,626
Corporate clients	3,666
Branches	47
ATMs	113
Number of Employees	777

Main Financial Position Indicators (in mln USD)

	Y2014	Y2015	H1 2016
Loans	250.5	227.8	241.4
Assets	358.5	327.7	350.1
Deposits	214.9	231.0	235.4
Liabilities	315.4	280.5	289.6
Equity	43.0	47.2	60.4

Main Financial Performance Indicators (in mln USD)

	Y2014	Y2015	H1 2016
Net Interest Income	15.4	10.9	5.6
Net Fee & Com. Income	2.5	4.3	3.6
Net Trade Income	1.6	1.8	0.5
Net Income	1.1	1.0	1.2

Quarterly Highlights

In Q2 2016 Unibank successfully completed two large transactions, first of which was the issuance and placement of third tranche of the ordinary shares. As a result the Bank successfully raised around USD 6.0 mln via placement of 12.2 mln shares and registering it at the B platform of NASDAQ OMX Armenia. The total number of ordinary shares stood at around 132.4 mln. Along with that, the Bank also successfully placed USD denominated corporate bonds with a total value of USD 5.0 mln with a coupon yield of 8% and 24 month maturity. These bonds got the highest rating and were listed at A platform of NASDAQ OMX Armenia. The Bank's securities showed a high rising demand by local investors and foreign investors. At the time of this report 14 trades with the bonds of Unibank were registered at NASDAQ OMX Armenia with a total value of around USD 114 thous. As for shares, the results are even more impressive. Particularly during 6m 2016 around 319 thous shares of Unibank changed hands on secondary market with a total value of USD 155.2 thous. The last price stood at USD 0.49.

Another great success in Q2 2016 was that Moody's Investors Service had affirmed the B3 long terms local and foreign currency deposit ratings of the Bank and, what's more important, it has changed the outlook for the ratings from stable to Positive. This kind shift of the rating to positive was driven by the strengthening of Unibank's capital position as well as the expectation of further capital injections before year end 2016, as it will materially improve the Bank's loss absorption capacity, given the high quality of current asset base.

During this quarter, Unibank launched its new Data Processing Center which is based on high-end solutions and technologies provided by Huawei. This kind of modern and innovative information infrastructure will substantially strengthen the safety and allow to maintain and process huge databases of the Bank. One of the main features of this center is its mobility meaning that in any force majeure situations it can easily change its dislocation to a safer place.

Unibank continues to expand its client base which grew by around 10,000 individuals and legal entities during the second quarter of 2016. The total number of clients exceeded 311,000 most of which are retail clients, which makes the Bank the retail oriented Bank in Armenia. Along with that, the Bank expended its branch network, opening a new branch in Yerevan city in order to ease the access of clients to and enhance the quality of its services. The overall number of branches of the Bank hit 47 through over the country.

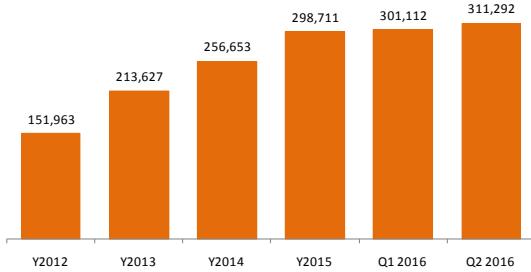
According to the results of 6 months ending June 30 2016, the Banks succeeded to generate around USD 1.2 mln of Net Income rising the annualized return on average equity to 4.4%. The recorded 6-month income is even higher than annual income for the past three years, evidencing Unibank's rising efficiency and a right balance of expansionary strategy in the market and risk management techniques. The loan portfolio grew by around 1.3% and is expected to grow even more till year end 2016 given the substantial capital injections and debt capital mobilization through corporate bonds. Along with that deposit base decreased by around 9%, which can explained with the fact that a number of deposit holders shifted from deposits to shares and bonds of the Bank. This resulted in decrease of total liabilities for around 4.9% and total assets by around 0.8% q-o-q.

The total equity of the Bank increased by around USD 13 mln comprising more than USD 60 mln as at July 30 2016, most of which was due to the issuance of new shares (second and third tranches) as well as conversion of the subordinated debt of the Bank's main shareholder into equity, which came along with the second tranche.

Funding Sources and Structure

Unibank keeps on maintaining diversified funding structure. It became even more diversified with the issuance of corporate bonds into the open market. As a result it has quite low repayment risk through over its liabilities. Individual time and demand deposits still comprise comparatively the largest portion of its funds, comprising around 50% of total assets which in their respect have quite diversified maturities and denominations. The second largest group of sources is borrowed funds the owners of

Number of Customers



Funding sources and structure (in mln USD)

	2015	H1 2016
Equity	47.2	60.4
Borrowed Funds	47.1	55.9
Corporate Current Accounts	13.5	8.1
Corporate Time & Demand Deposits	30.0	35.1
Individual Current Accounts	11.8	12.9
Individual Time & Demand Deposits	174.6	174.3
Other Liabilities	3.4	3.3

Liquidity Gap

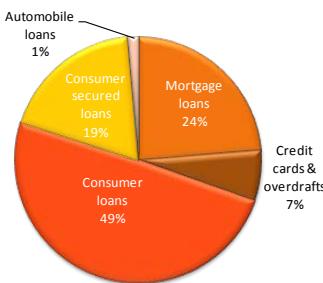


which are mostly International development finance organizations such as IFC, BSTDB, EIB as well as local individuals and corporate entities. Corporate time and demand deposits comprise around 10% of total assets.

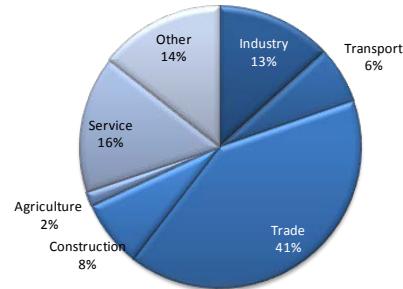
Loan Portfolio

The loan portfolio of Unibank amounts to around USD 241 mln having increased by 1.3% q-o-q. FX loans comprise around 62% of total loans, which is mostly due to higher volatility of Armenian currency as well as dominancy of FX sources in the total funding structure. Retail loans comprise around 47% of total portfolio with consumer loans hitting as high as 49% of total retail portfolio. Mortgages take only 24% of retail loans followed by consumer secured loans (19%) and Credit cards & overdrafts (7%). On commercial loan side Trade takes prevailing position across all industries, having 41% of total loan portfolio followed by services (16%) and Industry (13%). The Bank is quite conservative in lending to large companies, trying to issue large loans in comparatively low risk industries. For SMEs, it has developed a special scoring which allows to effectively assess the creditworthiness of clients from the first approach.

Retail loan structure by product



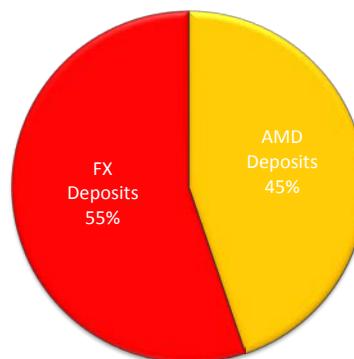
Commercial loan structure by industry



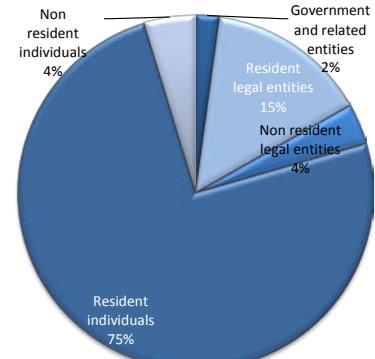
Deposit base

Unibank has managed to mobilize quite large and diversified deposit base, which amounted to around USD 235 mln at the period end of H1 2016. FX deposits comprise a bit larger portion of total deposit portfolio having reached to 55% of total deposit base. Resident individuals are the main claimers of Unibank deposits, taking as much as 75% of total deposits, followed by resident individuals with a 15% share. The remaining 10% goes to non-resident individuals and entities.

FX Structure of Deposits



Client structure of Deposits



Liquidity & adequacy norms	Unibank	CB min req.
Liquid assets to total assets ratio	22.21%	> 15%
Liquid assets to short term liabilities ratio	316.84%	> 60%
Total capital to risk weighted assets ratio	14.59%	> 12%

Unibank Selected ratios

	Y2014	Y2015	H1 2016 annualized
ROE	2.6%	2.2%	4.0%
ROA	0.3%	0.3%	0.7%
ROAE	2.6%	2.3%	4.4%
ROAA	0.3%	0.3%	0.7%
Net Interest Margin	4.6%	3.6%	3.4%
Cost of funds	8.9%	10.0%	10.6%
Net fee and commission income / Total Operating income	13.8%	33.7%	48.9%
Net fee and commission income / Average total assets	0.7%	1.3%	2.0%
Cost to income ratio	92.6%	87.4%	79.7%
Cost / Average total assets	4.8%	3.3%	3.3%
Personnel costs / Total operating income	38.7%	49.7%	43.5%
Personnel costs / Average total assets	2.0%	1.9%	1.8%
Total cash balances / Total Liabilities	22.7%	17.4%	20.0%
Interest earning assets to total assets	93.3%	92.2%	92.4%
Total liabilities / Equity	7.3x	5.9x	4.8x
Equity / Total Assets	12.0%	14.4%	17.3%
Book Value per share, AMD	206.4	208.3	217.6
Earnings per share, AMD	5.4	4.5	8.6

ARMENBROK RECOMMENDATION

Market Price	AMD 230
12m Target Price	AMD 260
Short term upside potential	13%
Short term Recommendation	BUY
36m Target Price	AMD 300
Mid – Term Upside Potential	30%
Mid-Term Recommendation	BUY

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