

May 11, 2018

## UNIBANK EQUITY FLASHNOTE UPDATE, Q1 2018

**NASDAQ OMX Armenia: (UNIB) \$0.49**

Outlook: **Positive**

1<sup>st</sup> quarter of 2018 was exceptionally successful for Unibank. Financial reports as of March 31, 2018 indicate growth in all key segments of the Bank.

Relative to 1Q 2017, interest income improved by an impressive 20.2%, amounting to USD 11,439 mln. Interest expenses, at the same time, declined by 19.2% - largest y-o-y decline since 2016. The spread between interest income margin and interest spending margin comprised 5.2% for the 1<sup>st</sup> quarter, three time more than that in 2017. The resulting net interest income stood at USD 6,134 mln, twice more than a year before. Provisioning expenses increased by 14%, SG&A remained almost on the same level. As a result, the net profit of the Bank equaled to USD 891k, a notable 3.74x increase relative to 1Q 2017.

### UNIBANK OJSC

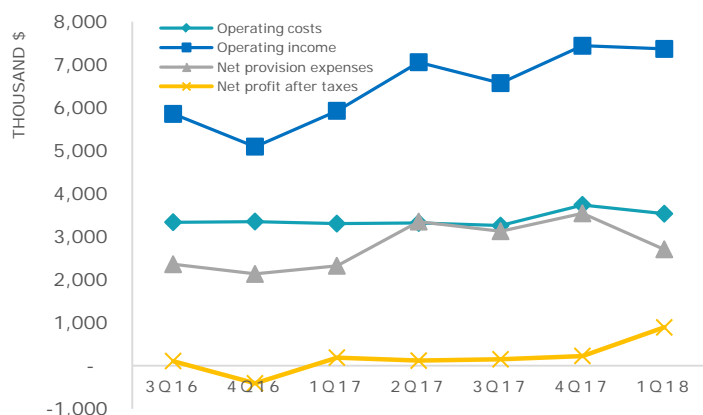
<b>Admission to trading:</b>	NASDAQ OMX Armenia	<b>Main Financial Indicators</b>	<b>1Q18/1Q17</b>	<b>1Q18/4Q17</b>
<b>Moody's:</b>	B2, «Stable» Upgraded	Operating costs	<b>6.96%</b>	<b>-5.50%</b>
<b>Raiffeisen Bank Int.:</b>	RBI STP Quality Awards	Operating income	<b>24.29%</b>	<b>-0.98%</b>
<b>ISO 27001:2013</b>	Information Security Standards	Assets	<b>4.05%</b>	<b>-4.06%</b>
		Interest earning assets	<b>5.97%</b>	<b>-6.16%</b>
		Loan portfolio	<b>11.48%</b>	<b>-3.45%</b>
<b>Ticker:</b>	UNIB	Liabilities	<b>7.14%</b>	<b>-3.11%</b>
<b>Market Cap (mln USD):</b>	84.72	Interest incurring liabilities	<b>7.68%</b>	<b>-2.64%</b>
<b>Shares Outstanding, mln:</b>	172.89	Deposits from customers	<b>5.43%</b>	<b>1.27%</b>
<b>Trading Value (thous USD):</b>	10.14	Interest income	<b>20.15%</b>	<b>-3.64%</b>
<b>Number of Securities traded:</b>	21,174	Total income	<b>1.75%</b>	<b>-2.96%</b>
<b>USD/AMD</b>	480	Net profit after taxes	<b>374.07%</b>	<b>291.22%</b>
<b>Last Price (USD):</b>	0.49			

**\*Does not include preferred shares**

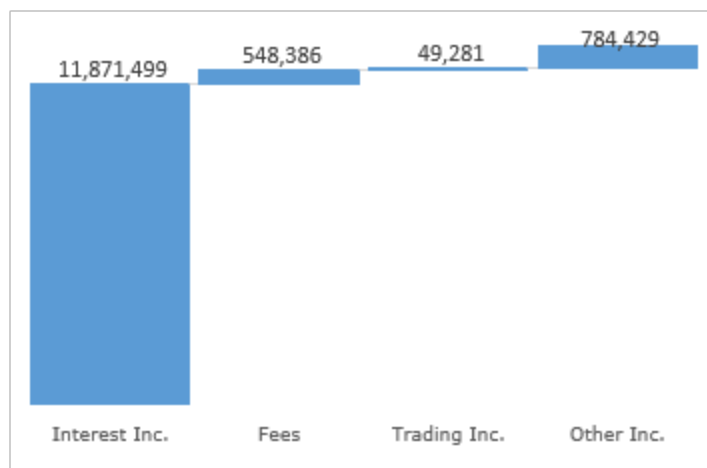
As of 1Q 2018, Interest earning assets comprised 77.4% of total assets. Meanwhile, loan portfolio represented 86.5% of interest earning assets, an improvement of 2.4% and 1.8% relative to 4Q 2017 and 1Q 2017, respectively. 17% the Bank's assets were financed by shareholders' equity, with the remaining 83% attributable to debtholders. This resulted in a financial leverage of 5.99 as of 1Q 2018 vs. 5.71 and 5.24 as of 4Q 2017 and 1Q 2017, respectively. Share of customer deposits in total liabilities declined to 79.87% (from 84.83% of the previous year), instead amounts due from financial institutions more than tripled.

For the reporting period, ROE and ROA stood at 1.23% and 0.22%, a significant improvement from 0.27% and 0.05% for the same period a year before.

## Unibank's income statement overview for Q1, 2018



## Total income composition of Q1, 2018 (in thousand \$)



## Unibank's stock trading activity

In Q1 2018 Unibank's stock trading volume comprised 5.9% of the total market trading volume, which amounted to 0.7% of the total market traded value for the period in USD terms. Both Unibank's stock trading volume and value as a percentage of market total increased relative to Q4 2017, by 160.8% and 52.7% respectively. This shows that trading liquidity of the stock continues to grow.

	Trading Volume	1Q18/ 4Q17	Trading Value	1Q18/ 4Q17
Total Market	362,249	-82.9%	1,375,219	-70.8%
UNIBB	21,174	-55.4%	10,145	-55.4%
UNIBB (%)	5.9%	160.8%	0.7%	52.7%

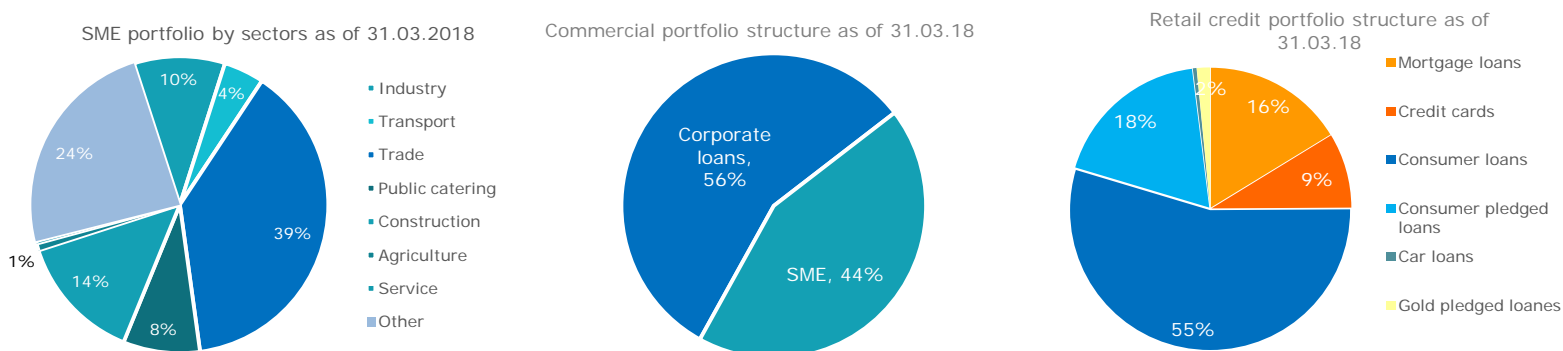
## Bank's developments for the 1<sup>st</sup> quarter of 2018

Unibank is the first Bank in Armenia, which successfully passed the certification of compliance with security requirements developed by SWIFT payment system. Customer Security Controls Framework 1.0. is a standard that contains mandatory and recommended controls for information security, cyber security, and information infrastructure protection.

On March 20 of 2018, the nominal coupon bonds of Unibank were listed at "NASDAQ OMX ARMENIA" and included in the Bbond list of bonds. The bonds have a face value of AMD 250 mln. and quarterly coupon payments of 10%.

## Loan portfolio

Total loan portfolio of the Bank amounted to USD 272 mln at the end of 1st quarter of 2018. This is a remarkable 11.5% increase relative to 1Q 2017, which itself was a strong quarter. The loan portfolio comprised 67% of total assets, indicating improved efficiency of asset utilization. The Bank effectively implements its strategy of growing retail and SME customer base, aiming for increased diversification and targeting sectors where the Bank has successful track record. Those sectors include manufacturing, trade, services and agriculture. By the end of 1Q 2018, SME segment comprised 44% of commercial loans.



During 1Q 2018, consumer loans comprised 31.1% of the loan portfolio of the Bank, followed by mortgage and secured loans – 16.3% and 15.2%, accordingly. Relative to 4Q 2017, the Bank increased its secured loans and credit cards portfolios by 16% and 12%, respectively. Those are the segments where quality of the loans has historically been high, with low provisioning costs. In 2018, the Bank plans to boost its retail and SME portfolios by 9.6% and 11.7%.

Bank's strategic plan is to achieve growth in retail lending by 44% and corporate lending by 37% by 2020. Advancing risk management and lending standards of the Bank allows borrowers to receive loans in a timely manner without unnecessary barriers.

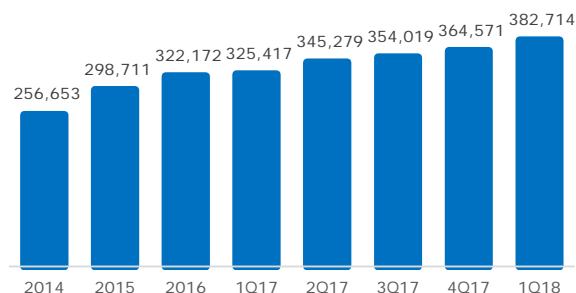
**Retail clients:** 379,518

**Corporate clients:** 3,196

**Branches:** 46

**Number of Employees:** 898

### Number of customers



### Banking sector update

During the 1<sup>st</sup> quarter of 2018, the banking sector assets grew by 1.37% relative to the 4<sup>th</sup> quarter of 2017. As of 31 March 2018, total assets stood at USD 9,200 mln. The growth was financed by 0.84% increase in Liabilities and 4.18% increase in Total Equity. Loan portfolio, as a percentage of total assets, increased to 60.9% compared to 60.7% as of 4Q 2017. Customer deposits remained almost on the same level.

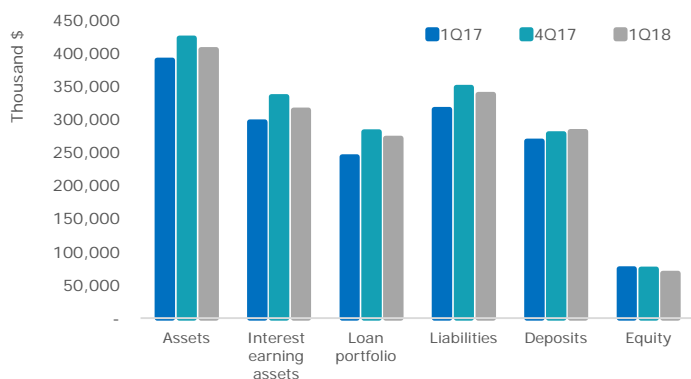
A sharp increase was recorded in net income of banking sector. For the 1<sup>st</sup> quarter of 2018, NI stood at USD 42 mln, USD 20 mln more than that of the same quarter a year before.

### Macroeconomic update

For the 1<sup>st</sup> quarter of 2018, GDP of Armenia increased by an unprecedented 10.6%. Meanwhile, inflation for the same period comprised 3.7%, pushing the real GDP growth down to 6.9%. Fastest growing sectors were construction and services – 23.2% and 18.8%, accordingly. Volume of industrial output grew by 8.2% compared with the same period a year ago. Exports and imports increased by 23.7% and 30.3%, respectively, while trade deficit gap continued to widen, comprising USD 197.2 mln.

Central bank's refinancing rate remained unchanged (6%). Yields on 10-year AMD-denominated Government bonds stood at 9.7%, a decline of 36bps from the beginning of the year.

### Unibank's balance sheet overview for Q1, 2018



### Unibank's strategic targets

- Reach up to USD5mln profit by 2020,
- Increase bank's market share value: SME/Corporate lending market share to 10%, retail lending share to 13%
- POS retail lending market share to 40%,
- Enhance product line, customer services quality, as well as staff qualification,
- Enhance Distant Banking tools,
- Increase the level of customer satisfaction and loyalty;
- Automate business processes (including Micro/SME Lending), increase of their efficiency
- Increase in the volume of retail banking and the provision of services to small and medium-sized enterprises, with emphasis on high-yield segments;
- Instill best practice in Corporate Governance,
- ensure financial performance and improvement of the position of Unibank in the banking system

## Main Financial Indicators

Main Financial Indicators (USD)	1Q18	4Q17	1Q17
Operating costs	1,697,199	1,796,046	1,586,717
Operating income	3,537,352	3,572,379	2,846,157
Assets	194,973,374	203,220,678	187,381,287
Interest earning assets	150,947,384	160,857,246	142,447,735
Loan portfolio	130,619,229	135,284,544	117,167,212
Liabilities	162,413,057	167,632,834	151,593,862
Interest incurring liabilities	161,439,665	165,823,578	149,922,256
Deposits	135,586,908	133,881,944	128,599,195
Equity	32,561,317	35,587,844	35,787,425
Charter capital	20,489,653	20,489,653	20,489,653
Total income	6,174,256	6,362,521	6,067,948
Interest income	5,491,431	5,699,032	4,570,440
Net profit after taxes	891,187	227,797	187,987
Total comprehensive income	824,518	266,158	371,685

## Unibank's selected ratios

Ratios	1Q18	2017	4Q17	3Q17	2Q17	1Q17	2016
Capital Adequacy Ratio	15.69%	17.04%	17.04%	17.92%	18.80%	18.80%	17.40%
Liquidity Ratio	24.87%	25.30%	25.30%	28.00%	29.06%	29.06%	29.10%
Cost to Income Ratio	47.98%	50.46%	50.28%	49.57%	47.02%	55.75%	61.16%
Loan Portfolio/Assets	66.99%	66.57%	66.57%	67.11%	65.09%	62.53%	63.34%
Equity/Assets	16.70%	17.51%	17.51%	18.75%	18.10%	19.10%	19.15%
Profit Margin	6.93%	1.30%	1.72%	1.17%	0.86%	1.49%	1.80%
Interest Earning Margin	3.53%	12.75%	3.72%	3.17%	3.20%	3.37%	13.92%
Interest Spending Margin	1.60%	7.55%	1.72%	1.86%	2.09%	2.19%	9.07%
Spread	1.94%	5.20%	1.99%	1.31%	1.11%	1.18%	4.85%
ROE	1.23%	0.92%	0.31%	0.20%	0.16%	0.27%	1.42%
ROA	0.22%	0.17%	0.06%	0.04%	0.03%	0.05%	0.24%

## UNIBANK FIXED INCOME FLASHNOTE UPDATE, Q1 2018

Ticker	List:	Cur.	Quantity	Maturity	Coupon (%)	YTM (%)	Coupon payments	Trading VOL:	Trading VAL:
UNIBB2	Bbond	AMD	25,000	23.11.2018	13.50%	10.50%	Quarterly	250	2,562,995
UNIBB3	Abond	USD	50,000	11.09.2020	5.75%	5.70%	Quarterly	7,304	731,839
UNIBN4	Abond	USD	50,000	13.05.2021	5.5%	5.50%	Quarterly	-*	-*
UNIBB5	Bbond	AMD	25,000	13.02.2020	10.00%	10.00%	Quarterly	658	6,684,217

\* **Note:** The bonds were issued on 03.04.18. Thus, for 1Q 18 no trading volume and value data were available.

### Unibank's bond securities update as of 1<sup>st</sup> quarter of 2018

In March of 2018, Unibank successfully completed the issue and allocation of AMD with 5.75% annual nominal coupon bonds. The latter issue comprised AMD 250 million in par value. The bond coupon will be paid quarterly, and bonds repayment will be made on 13.02.2020.

Yields on AMD-denominated issues declined by 100bps, while that of USD-denominated – increased by 30bps. Credit quality improvement of the bank will maintain low yields on Unibank's fixed income securities.

Unibank's bonds are quoted on stock exchange market everyday through market maker, which provides liquidity for the market participants. During the 1<sup>st</sup> quarter of 2018 Unibank's Bonds trading volume and trading value as a percentage of total market comprised 4.8% and 5.2% respectively during the quarter

