



UNIBANK

# Unibank - Investment opportunity in Armenia



2016

Armenia and Armenian Banking Sector

Unibank: Historical Results and Investment proposal

Unibank: Growth Strategy

# Armenia: Main Macroeconomic Indicators

**Full name** – The Republic of Armenia

**Population** - 3,006,154

**Capital** – Yerevan

**Area** – 29.743 sq. km (18.481 sq. miles)

**Major languages** –Armenian (official),

Russian (common), English (growing)

**State religion** – Christianity

**Life expectancy** : male -70.9, female -78.6

**Monetary unit** – Armenian dram (AMD)

**Exchange rate** - As of Dec 31,2015: 483.75AMD/USD

## **Main segments of economy**

Agribusiness, Mining, Tourism, Health & Pharma,  
Jewelry, Watchmaking& Diamonds, IT Engineering

## **Sovereign Country Ratings:**

Fitch – B+, stable (February 2, 2015)

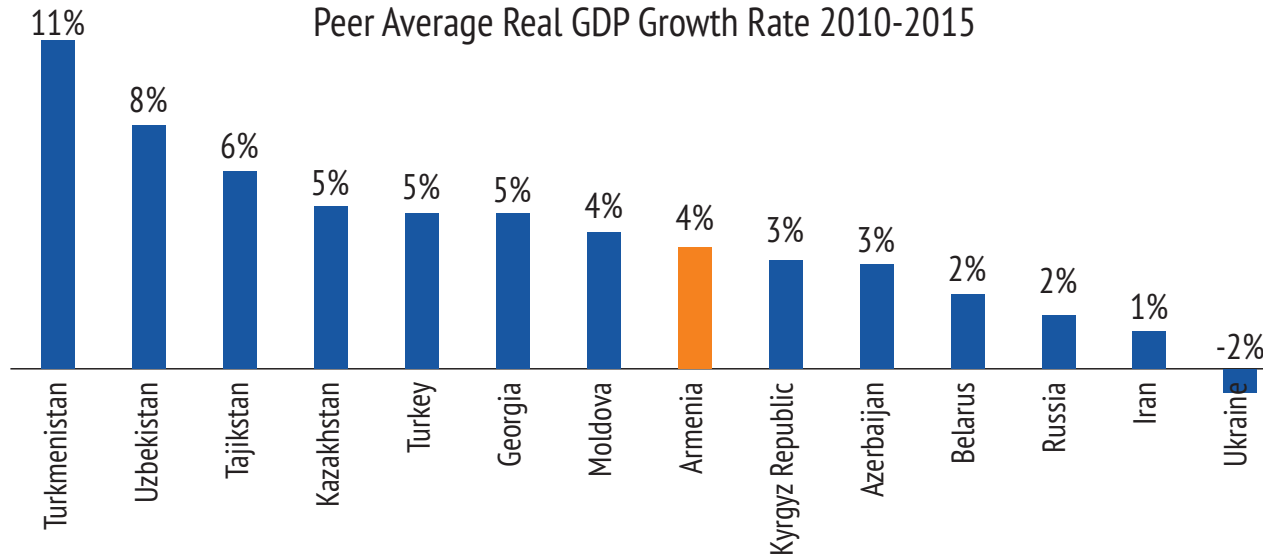
Moody's – Ba3 , stable (January 16, 2015)

Global competitiveness report 82 (World Economic Forum)

Human development index 85 (UNDP)

# Macroeconomic Stability

Peer Average Real GDP Growth Rate 2010-2015



With a 5 year compound annual growth rate of 4.2% outpacing peer countries.

## 2015

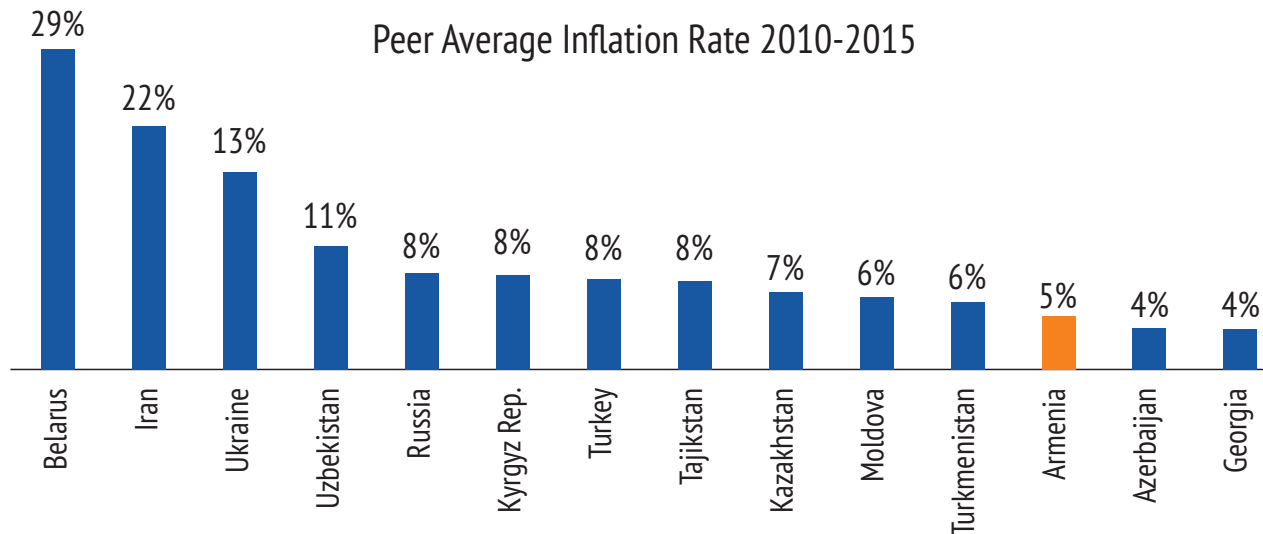
\$11 billion GDP

\$3,515 GDP per capita

\$24.3 billion GDP (PPP)

\$8,070 GDP (PPP) per capita

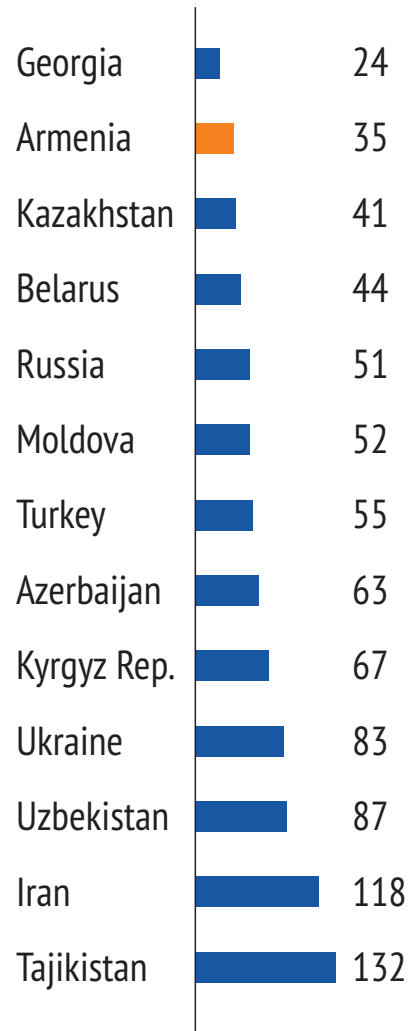
Peer Average Inflation Rate 2010-2015



## CPI

Armenia has one of the lowest inflation rates in the region with a 5 year average annual inflation rate of 5%.

# Ease of Doing Business



Out of 189 countries

Armenia	Rank
Starting a business	5
Dealing with construction permits	62
Getting electricity	99
Registering property	14
Getting credit	42
Protecting minority investors	49
Paying taxes	41
Trading across borders	29
Enforcing contracts	28
Resolving insolvency	71

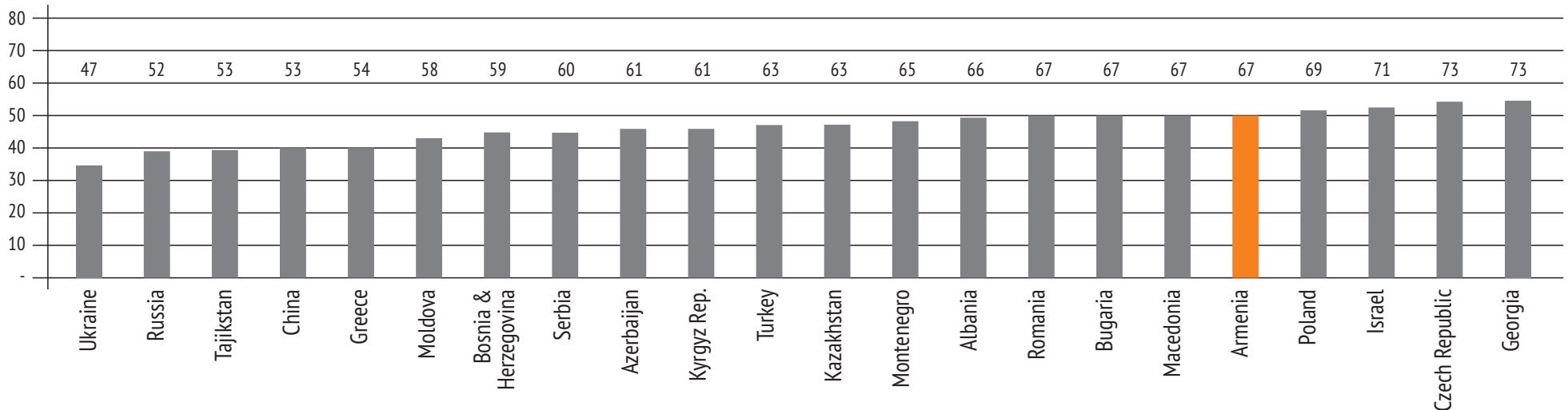
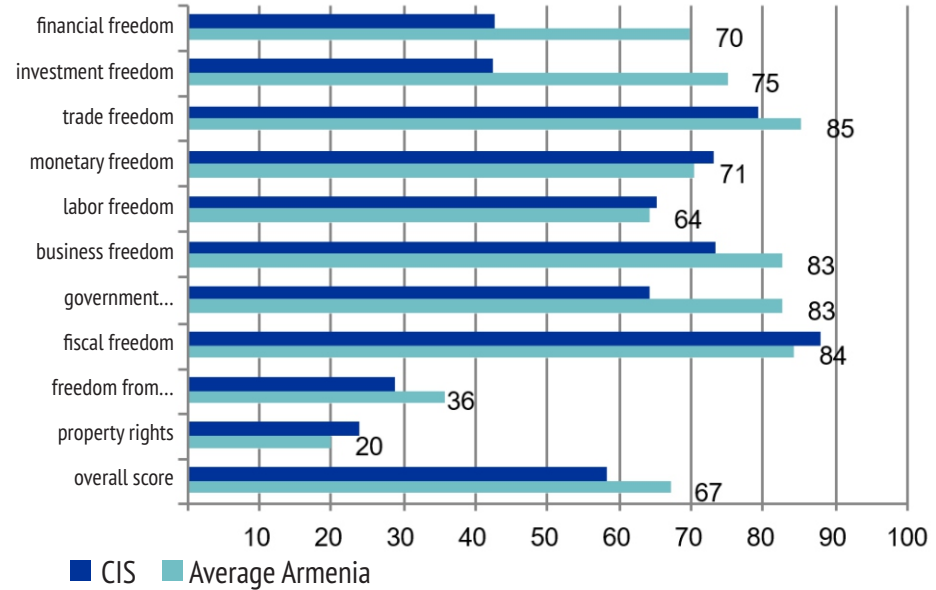
- Armenia is continuously improving its positions in the positions ranking of WB on the ease of doing business.
- By the ease of doing business Armenia ranked 43th in 2010, while in 2016 the country is the 35th.



# Economic Freedom Index

Economic freedom overall score: Armenia vs. CIS

- Economic Freedom Score: 67.0
- Economic Freedom Status: Moderately Free
- Global Ranking: 54th
- Regional Ranking in Europe: 23rd
- CIS Ranking: 1st



# Armenian Banking System – Main Features

- **20 commercial banks, 541 branches**
- **Developing financial sector with adequate technological tools**
  - Internet and Mobile Banking, e-Commerce
  - Good network of ATM-s and POS-terminals
- **Unified regulatory system (Central Bank) with professional and trained staff**
- **Proven cooperation with international financial organizations, such as EBRD, IFC , ADB, EIB, IMF, WB, KfW**
- **National payment system - ARCA**
- **ACRA central credit bureau - over 90% of data on banks and credit organizations**
- **Well functioning legislative and procedural framework protecting investors rights**
- **Well developed corporate bonds market:**
  - Beneficial taxation regime: Individuals - residents/non residents -10%, Institutions - residents-10%, non residents-20%
  - Central Depository system, safeguarding ownership title
  - Secondary Market operating on Nasdaq OMX Armenia platform

**55% of EBRD investment portfolio is in financial sector**

# Armenian Banking Sector Background

As of 31.12.2015

Revenue /USD

**385.533 mln**

Assets (Banking) /USD

**3.548 mln**

Assets to GDP (Banking)

**70.3%**

Employees

**11473/0.92**

of workforce (2015)

Percent of GDP

**4.2%**

Equity (Banking) /USD

**561.952 mln**

Loans to GDP (Banking)

**43.2%**

Number of Banks

**20**

Key Trends – Growth Rates (2008 to 2015)

Total Bank Assets

**346%**

Total Bank Equity

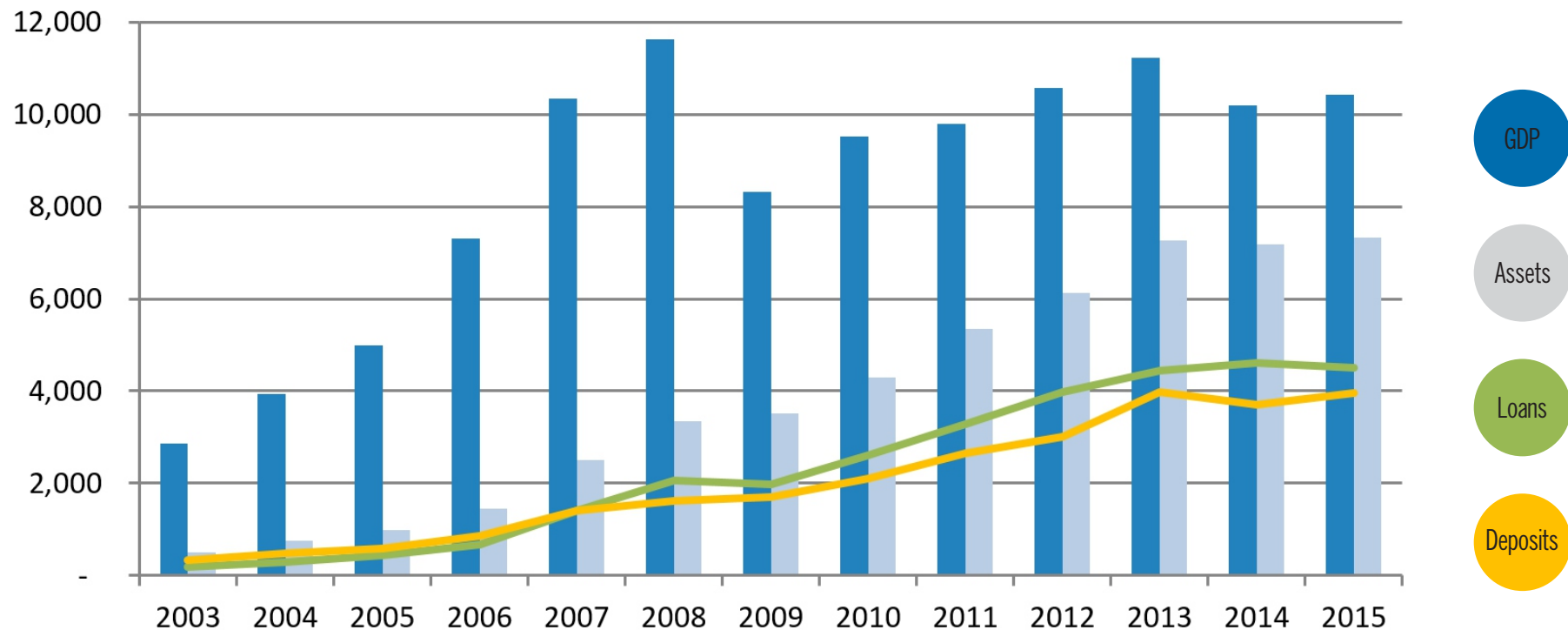
**236%**

Total Bank Loans

**344%**



# Armenian Banking Sector Background



- › In 2015 the share of loans in total assets was 62%, almost twice the amount in 2003
- › Since 2003 assets and loans had a CAGR of 23% and 29% respectively
- › By 2015 RA banking system assets increased to USD 7.3 bln (by 16%)
- › By 2015 the deposits/loan portfolio ratio was 88%

# Unibank at a glance

◆ Unibank was founded  
**in 2001**  
(Licence N81, 09.10.2001  
Central Bank of Armenia)

◆ Structured branch network -  
key regional coverage  
**45** branches

◆ First bank in RA listed  
its shares through an IPO at  
**Nasdaq OMX  
Armenia**

◆ Moody's Investors Service rating  
Outlook  
**Stable**

◆ Total Equity  
**USD 47.2 mln**

◆ Over  
**300000**  
customers

◆ **Top 100**  
taxpayers list

◆ Full scale banking services: Retail, Corporate and Private Banking,  
International and Domestic transfers, Cards, Internet Banking

## Our mission

- Providing high level financial services to customers
- Maintaining competitive service advantage via innovative operational and IT solutions
- Building strong, transparent and fair corporate culture for benefit of the shareholders
- Contributing to the society via Corporate Social Responsibilities projects and initiatives



## Our values

- Over 15 years of continuous growth
- Widely recognized brand
- Customer focused approach and high ethical standards
- Growing positions on the SME and Retail businesses

## 2001

Getting Banking Licence by CBA

## 2002

Launching international  
Unistream Money Transfer System

## 2003

Joining ArCa local  
payment system

## 2004

Joining Visa International  
payment system

## 2005

Intensive mortgage and car lending,  
second and first place in the  
local market

## 2006

Participating in International Fund for Agricultural  
Development (IFAD) and SME Business  
Development National Center lending program

## 2007

Increasing Share Capital to AMD 8 599 mln  
Launching Corporate Governance  
Program with ABN AMRO bank

## 2008

Joining Armenian NASDAQ OMX  
stock exchange

## 2009

Launching Central online database

## 2010

Obtaining Moody's Investors Service Rating -  
Financial stability E+, long-term rating of Ba3,  
short-term rating of NP on deposits  
in national and foreign currency with Outlook Stable.

## 2011

Participating in Asian Development  
Bank's Trade Finance Program  
Increasing Share Capital to 1 AMD 1 400 mln  
Receiving a subordinated loan of AMD 2 801 mln  
Getting "Best Cooperating Bank" Award from Financial System Mediator

## 2012

Getting Dealing Bank award from Thomson Reuters

## 2013

Launching own processing center,  
Introducing cloud based credit scoring  
Participating in Loan Guarantee Fund program

## 2014

Cooperating with IFC and BSTDB – USD 15 mln loan to expand SME lending  
Concluding Advisory services agreement with IFC for improving SME credit underwriting and risk management  
Launching “One Window” service at branches  
Joining Intel Express Money Transfer system  
Expanding active customer database up to 250 000  
Launching Unibank Prive service

## 2015

Reorganizing into Open Joint Stock Company  
Obtaining Moody’s Rating – B2 with Stable Outlook  
Getting RBI STP Quality Award from Raiffeisen Bank International for high quality international SWIFT transfers  
Introducing ISO 27001:2013 information security standard  
Getting status of Account Operator in the Depository system and a member of Unified System of Security Registry Maintenance and Settlement  
Getting Annual Mercury Award- People’s Bank.  
Completing first tranche of IPO- AMD 2.5 bln



Mercury Award

# IPO RESULTS: 186 shareholders

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Type

**Ordinary shares**

Placement volume

**USD 5.17 mln**

Price per share

**USD 0.47**

Stock market

**Nasdaq OMX Armenia**

Stocks list

**B list**

Market maker

**Armen Brok OJSC**

Account operator

**Unibank OJSC**

# Products and Services



## Banking accounts

Individuals  
Legal entities



## Loans

Business  
Mortgage  
Car  
Consumer finance



## Deposits

Residents  
Nonresidents



## Cards

Debit cards  
Credit cards



## Money transfers

Unistream  
Intel Express



## FX

Individuals  
Legal entities



## Trade finance

LC  
Banking guarantees



## Deposit boxes

Small  
Medium  
Large



## Other

Utility payments  
Online banking

# Retail Banking

As of 31.12.2015



## Consumer loans

Over 600 points of sales at the branches and partner's stores  
54 Promo points with 88 employees  
28 500 applications were provided by promo points during 2015 via Salesforce automated credit scoring.



## Mortgages

Cooperation with National Mortgage Company and Home for the Youth Fund



## Car loans

Close cooperation with major car dealers  
Car loans at primary and secondary markets



## Debit and Credit cards

Local ArCa and Visa cards, as well as Visa multi-currency chip cards emitted via the Bank's own processing Center.

In 2015 the number of cards made 151,928, ATMs - 112, POS-terminals - 400.



## Salary Projects:

334 salary projects  
for 11403 employees



## Magnis Loyalty program

76.845 cardholders



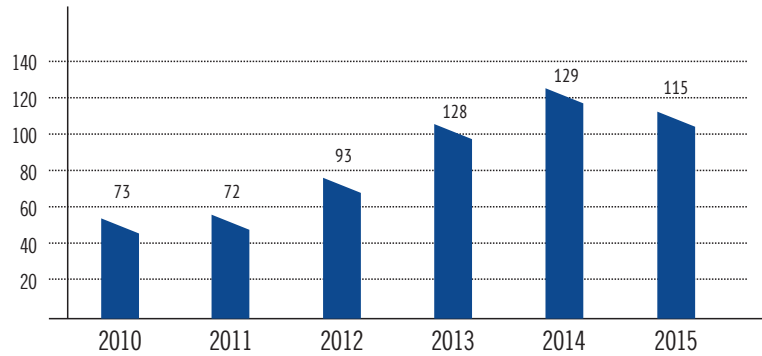
## Internet banking

2090 applications for USD 1.6 million were processed during 2015.

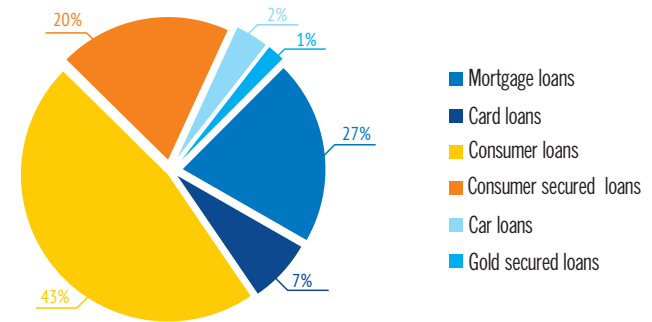


# Retail Business – Dynamic Growth

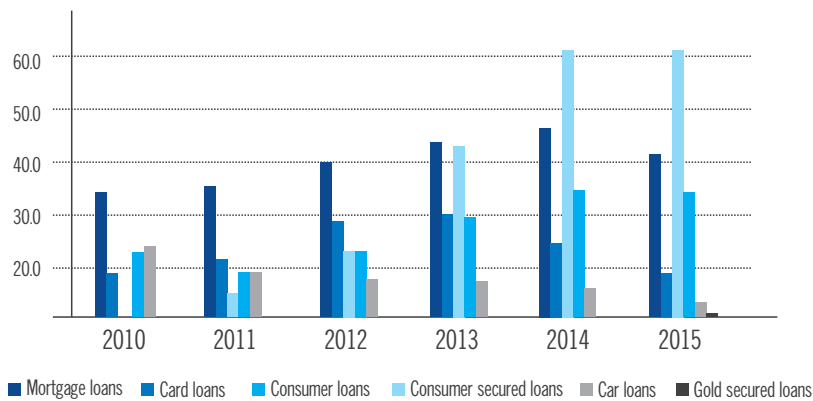
**Retail portfolio dynamics (mln USD)**



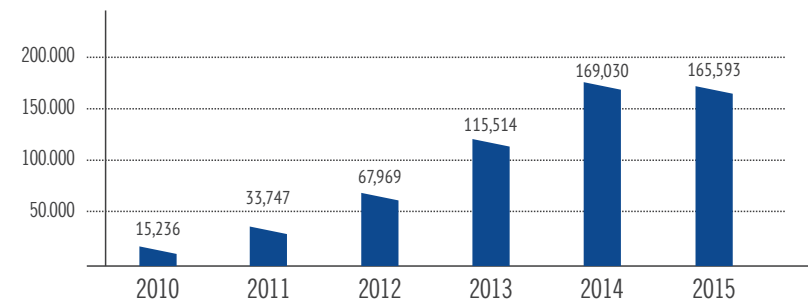
**Retail credit portfolio structure as of 31.12.2015**



**Retail credit portfolio dynamics and structure (mln USD)**



**Retail credits dynamics (quantity)**



# SME Banking

Unibank has succeeded in the SME sector owing to its ability to develop bespoke products for individual businesses, ensure competitiveness, high quality service and up-to-date technologies

- **Working Capital and Credit Lines to support SME**  
Number of borrowers - 288, total volume -USD 36,7 million

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- **Trade Finance**  
Domestic and International Guarantees, Letters of Credit to support Trade

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- **Term Loans**  
Providing longer term loans to support companies capital investments  
Number of borrowers - 1475, total volume - USD 84.7 million

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- **Deposits from companies and private entrepreneurs**  
Total volume - USD 29.5million

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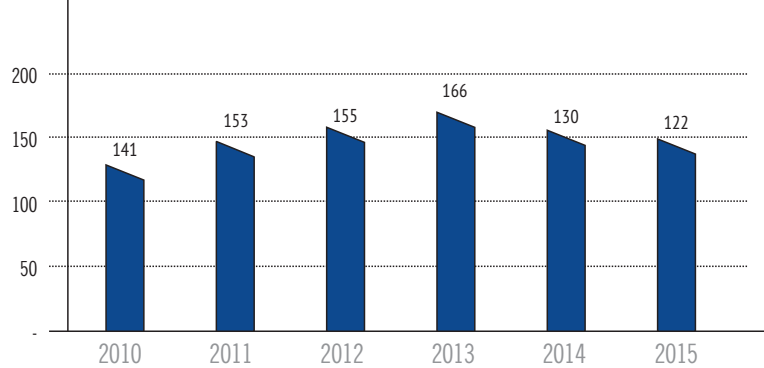
- **Project Finance**  
Larger companies projects to build up export capacities  
Total volume - USD 8.9 million

Unibank has attracted credit resources from World Bank’s International Finance Corporation (IFC), Black Sea Trade and Development Bank (BSTDB), European Investment Bank to expand SME and trade financing.



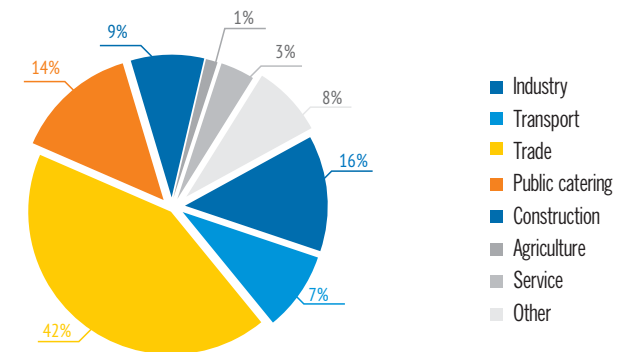
# SME Business: Cautious Strategy

SME credit portfolio dynamics (mln USD)

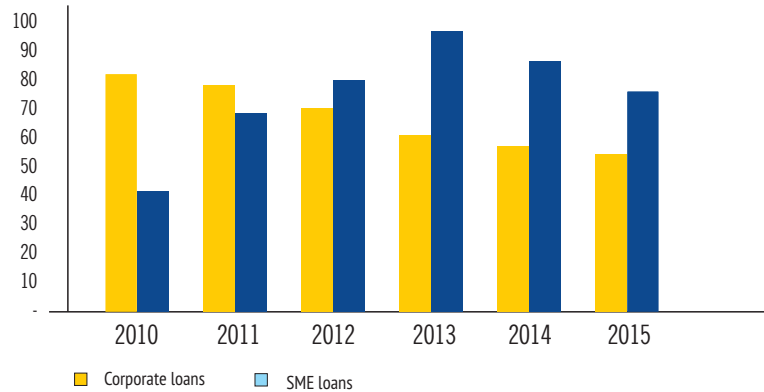


\*Low sales index is due to economic contraction

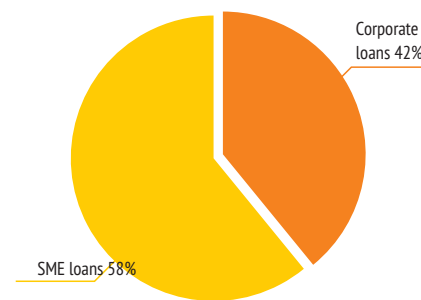
SME portfolio by sectors as of 31.12.2015



Business portfolio dynamics and structure (mln USD)



SME portfolio structure as of 31.12.2015

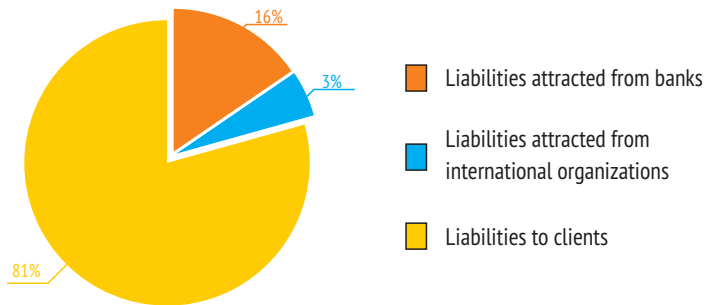


# Attracted Liabilities

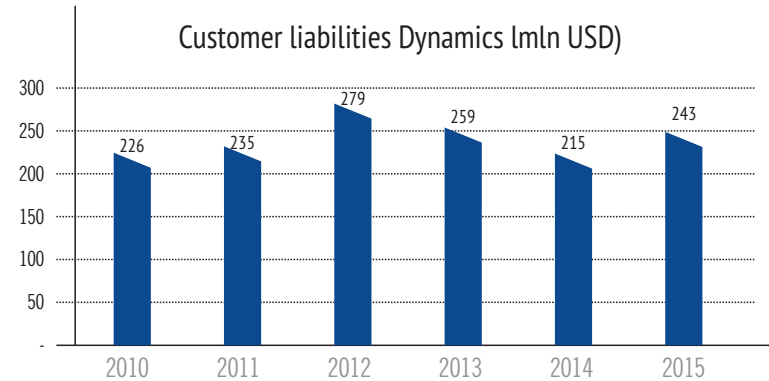
net growth of retail deposits

Wide range of deposits in various currencies and different options of maturity, over 4% net growth of retail deposits in 2015.

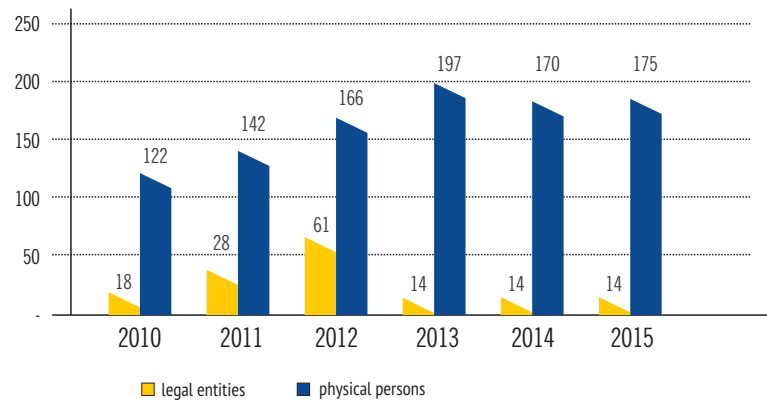
Attracted liabilities structure (%) 31.12.2015



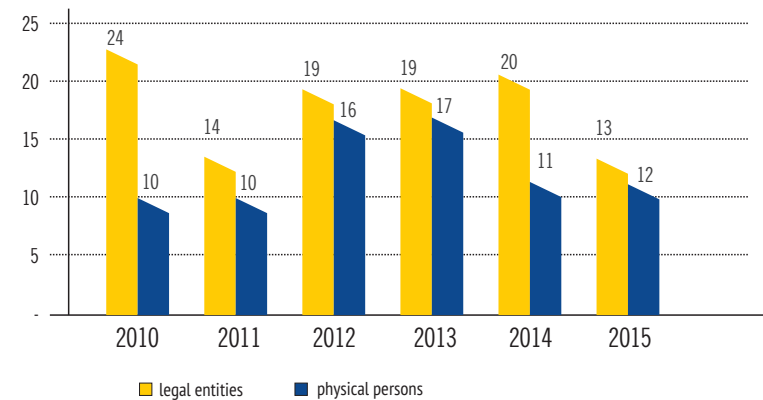
Customer liabilities Dynamics mln USD)



Term deposits dynamics (mln USD)



Demand deposits dynamics (mln USD)



## Our brand - Unibank Privé

### We ensure

- Maximum confidentiality
- Individualized approach, exclusive service
- Personal manager services, available at any time
- An opportunity to contact Unibank management directly
- A structured approach to the capital management, financial planning

### Benefits:

- “Prive” privileged deposit account
- VISA Gold and Infinite multicurrency cards
- Priority pass
- International insurance
- Individualized approach and exclusive service

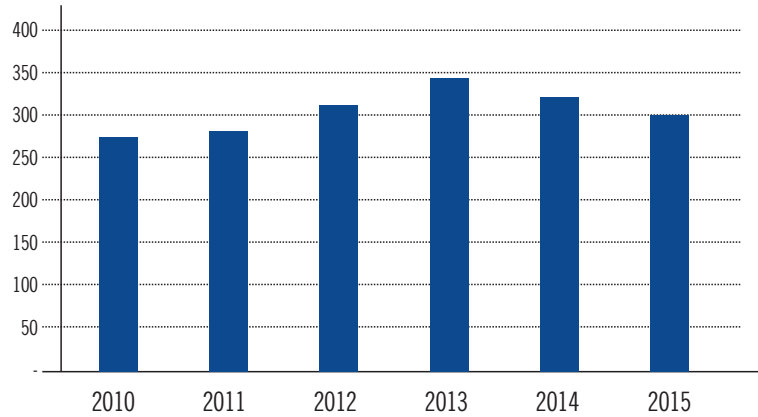


UNIBANK | PRIVÉ

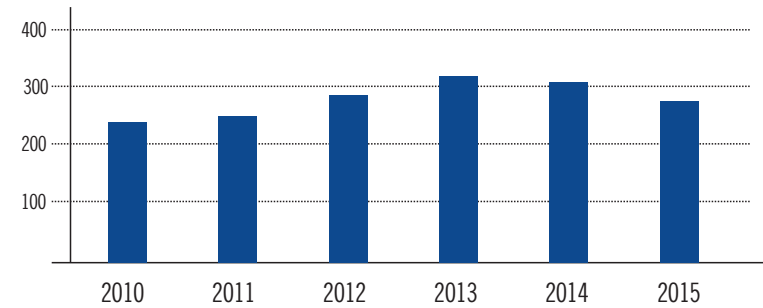


# Unibank: Main indicators 2010-2015

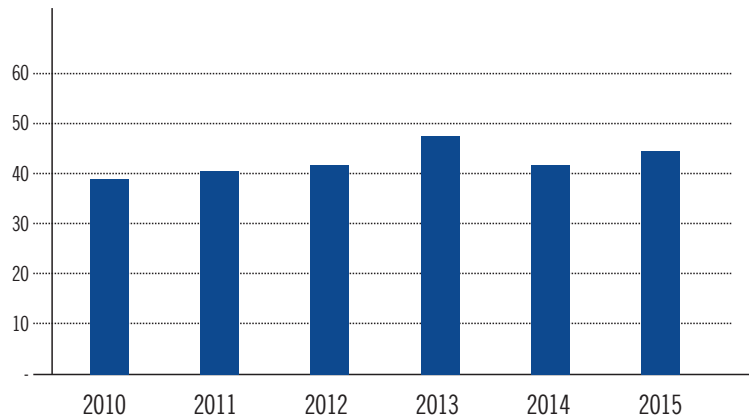
Assets dynamics (mln USD)



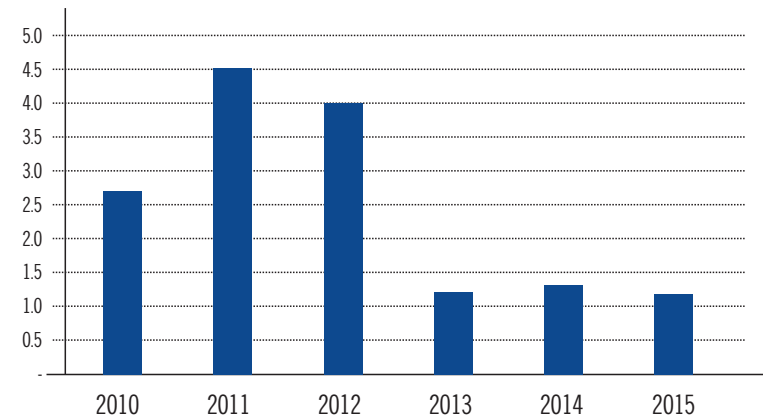
Liabilities dynamics (mln USD)



Capital dynamics (mln USD)

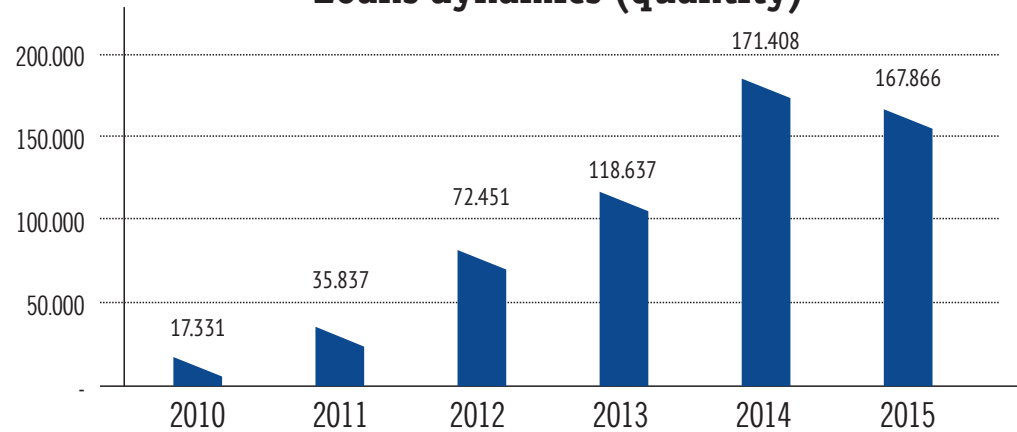


Profit dynamics (mln USD)

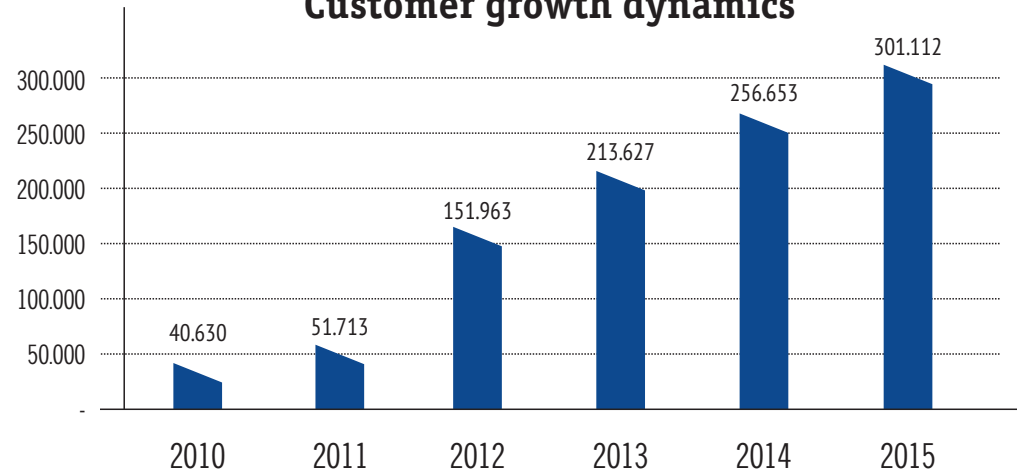


# Unibank: Main indicators 2010-2015

**Loans dynamics (quantity)**



**Customer growth dynamics**



<b>As of 31.12.2015</b>	<b>Position</b>	<b>Share</b>
<b>Assets</b>	<b>9</b>	<b>4.70%</b>
<b>Liabilities</b>	<b>9</b>	<b>4.54%</b>
<b>Total equity</b>	<b>10</b>	<b>4.07%</b>
<b>Credit investments</b>	<b>8</b>	<b>5.11%</b>
<b>Deposits</b>	<b>7</b>	<b>5.85%</b>
<b>Mortgage loans</b>	<b>6</b>	<b>7.54%</b>
<b>Consumer loans</b>	<b>4</b>	<b>9.35 %</b>
<b>Plastic cards</b>	<b>5</b>	<b>8.1%</b>

\* according to the data provided by ARKA analytical agency



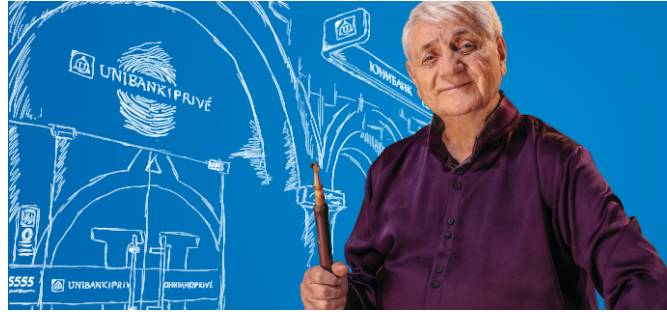
# Corporate Social Responsibility



- **Children Healthcare:** Charity for “Gift of Life” Fund and Armenian Support Fund for the treatment of children with life-threatening diseases



- **Sport:** sponsorship for the youth sambo championship, “Adrenalin” extreme sport federation, Arthur Abraham boxing matches broadcasting, tennis cup through Armenia Diaspora



- **Art and Cultural Heritage:** Preservation and Armenian historical heritage, concert and event sponsorship for famous singers and actors in Armenia and abroad such as Ruben Hakhverdyan, Jivan Gasparyan , Rafayel Kotanjyan, Gari Kyosayan. Financial partner of Armenian State Philharmonic and Armenian State Youth Orchestra, Financial partner and broadcasting sponsor of the Children Eurovision – 2012, Financial partner of documentary film “Garegin Njeh” Financial partner of book publication - “Spiritual Treasures of Artsakh”, Kim Bakshi



- **Education:** Scholarships to talented children, opening of G. Gasparyan’s school of duduk.



- **Construction:** Municipal programme on Yerevan improvement, programme on Yerevan and regional schools improvement, Erebuni-Yerevan festivities



- **Hayastan Armenian Fund:** Cooperation since 2005, funding various crucial projects in Nagorno Karabakh Republic

# Our Team: Board



## Gagik Zakaryan

Board Chairman of Unibank, Armenia  
 Chairman of the Board of Directors, Unistream Bank, RF  
 Member of the Presidium, Interregional Banking  
 Board of the Federation Council  
 Member of the Council, Association of Russian Banks  
 Member of Supervisory Board, National Banking Journal  
 President of the International Association of  
 Money Transfer Networks (IAMTN)



## George Piskov

Board Member, Unibank of Armenia  
 Chairman of Protobase Laboratories, RF  
 Member of the Board of Directors,  
 Unistream Bank, Russia  
 Founder and President of Institute of  
 Financial Planning (IFP), RF  
 Representative of the Association of  
 Russian Banks (ARB) in London, United Kingdom



## Eduard Zamanyan

Board Member of Unibank, Armenia,  
 Board Member of  
 "Unistream" OJSC CB



## Hrahat Arzumanyan

Board Member of Unibank, Armenia,  
 Chairman of the Board of Directors  
 "Transstroybank" CJSC, Russia



## Ararat Ghukasyan

Board Member of Unibank, Armenia

# Our Team: Executive Board



**Vardan  
Atayan**

Chairman of the  
Executive Board



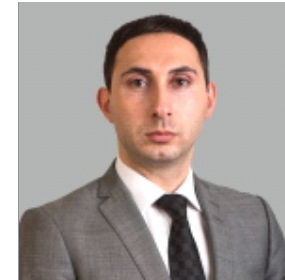
**Zakar  
Boyajyan**

First Vice-Chairman  
of the Executive Board -  
Risk Management Director



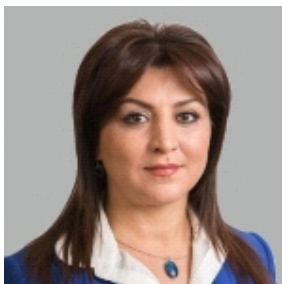
**Gohar  
Grigoryan**

Financial Director-  
Chief Accountant



**David  
Petrosyan**

Vice-Chairman of the  
Executive Board - Corporate Business  
Promotion and Sales Director



**Ovsanna  
Arakelyan**

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



**Gurgen  
Ghukasyan**

Vice-Chairman of the  
Executive Board -  
Retail Business Promotion  
and Sales Director



**Mesrop  
Hakobyan**

Vice- Chairman of the Executive  
Board - Operational and Information  
Systems Director

# Our Investment Proposal

Bank has already started subscription of USD bonds under following terms

<b>Issuer</b>	<b>UNIBANK OJSC</b>
Type	Nominal Coupon Bonds
Issued Volume	USD 5,000,000
Maturity	2 years
Issue/Placement Price	100%
Coupon Rate	8%
Coupon Periodicity	3 months
Secondary Market	NASDAQ OMX Armenia,
Arranger/Underwriter	Unibank OJSC
Market maker	Armen Brok OJSC

## Why to invest in Unibank's bonds

- No restriction on investment repatriation
- No foreign exchange control
- Protected by State Deposit Guarantee Fund

## What we have

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- Strong recognized brand
- 15 years of continuous profitability
- Over 35 000 new clients annually
- 5.85 % market share on deposits
- 9.35 % market share on retail business
- 4.15 % market share on SME business
- Up to date and innovative IT base
- Professional management team
- Total equity- USD 47.2 mln

## What we aim to have

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- Best common practice in corporate governance
- Increase of profit up to USD 10.6 mln by 2020
- Expansion of customer database to 430.000 by 2020
- Increase of deposits share up to 9% by 2020
- Increase of retail business share up to 13% by 2020
- Increase of SME business share up to 9.5% by 2020
- Optimization of business processes
- Creation of large team of loyal shareholders
- Total equity- USD 85.7 mln by 2020



# Forecast for 2016-2020

## Forecast for financial position

in thousand USD

	31/12/16	31/12/17	31/12/18	31/12/19	31/12/20
Assets	334,230	356,443	376,969	393,811	399,364
Credit portfolio	239,447	263,289	288,871	306,921	315,180
Business portfolio	116,115	123,425	132,300	137,242	140,106
Retail portfolio	123,332	139,864	156,571	169,679	175,073
Liabilities	266,112	284,207	301,065	313,334	313,676
Treasury liabilities	10,112	17,426	11,810	4,665	581
Deposits from customers	238,629	248,710	266,761	281,547	288,618
Equity	68,118	72, 236	75,903	80,477	85,688
Accumulated profit	6,768	10,580	12,182	14,223	17,486

# Forecast for 2016-2020

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## Forecast for P&L statement

in thousand USD	2016	2017	2018	2019	2020
Net interest income	15,005	19,615	24,654	29,086	31,817
Net fee and commission income	6,925	6,551	6,702	6,943	7,210
Operating income	25,028	29,223	34,454	39,154	42,161
Net provision from losses	(5,648)	(9,678)	(12,502)	(14,340)	(15,372)
Administrative expenses	(12,486)	(12,715)	(12,967)	(13,224)	(13,489)
<b>Profit for the year after tax</b>	<b>5,504</b>	<b>5,464</b>	<b>7,188</b>	<b>9,272</b>	<b>10,640</b>

# Forecast for Retail and SME Segment Efficiency

\*Share of Retail and SME Business in total expected profit of the Bank for 2016-2020.

	2016		2017		2018		2019		2020	
	Retail	SME	Retail	SME	Retail	SME	Retail	SME	Retail	SME
Net Interest Income	9,309	5,840	10,464	7,053	12,179	9,323	14,374	10,996	15,428	12,153
Fees & Commissions	6,158	909	5,750	938	5,904	938	6,151	938	6,423	938
Administrative expenses	(6,373)	(1,912)	(6,490)	(1,947)	(6,619)	(1,986)	(6,750)	(2,025)	6,885	(2,066)
Net Provisions	(5,429)	(2,368)	(4,919)	(6,751)	(8,177)	(8,335)	(9,447)	(8,942)	(10,159)	(9,283)
Net Profit	4,301	2,855	5,167	341	3,961	877	4,807	1,703	5,192	2,326



# Join our success

**Margarita Hambardzumyan**  
**Unibank Investor Relations**

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