

# UNIBANK EQUITY FLASHNOTE UPDATE, Q1 2017

NASDAQ OMX Armenia: (UNIB) \$0.48 USD/AMD 487.25



## UNIBANK OJSC

<b>Listing:</b>	NASDAQ OMX Armenia
<b>Moody's:</b>	B2, «Stable» Upgraded
<b>Thomson Reuters:</b>	Best Dealing Bank 2012
<b>Raiffeisen Bank Int.:</b>	RBI STP Quality Awards
<b>ISO 27001:2013</b>	Information Security Standards

## Unibank's common stock

<b>Ticker:</b>	UNIB
<b>Market Cap (mln USD):</b>	35.48
<b>Shares Outstanding, mln:</b>	172.88
<b>Free Float:</b>	6.8%
<b>Trading Value (thous USD):</b>	68.4
<b>Number of Securities traded:</b>	145,018
<b>Last Price (USD):</b>	0.48

## Event

Unibank announced the release of 1<sup>st</sup> quarter financial statements of 2017.

## Overall Impact: Positive

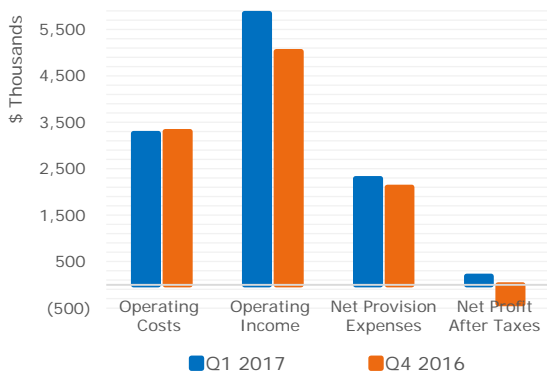
During 3 months ending March 31, 2017, Unibank recorded growth in all key segments of the business.

The bank's reported net earnings rebounded from negative \$ 404 thousand reported in 4<sup>th</sup> quarter of 2016 to positive \$ 185 thousand in the end of 1<sup>st</sup> quarter of 2017. Earning surprise occurred as actual earnings exceeded anticipated income by 24%. Compared to previous quarter's results bank's operating costs dropped by 1.44% and operating income increased by 16.34%. The bank also reported increase in total income by 5.61% and increase in interest income by 1.64% during the 1<sup>st</sup> quarter.

## Impact on share price

Unibank's ordinary share price remained unchanged even though the company accumulated robust earnings and grew its intrinsic value. Insufficient trading volume in the market is what causes sticky prices. Armenian security market has substantially less trading volume than the capital markets of developed economies. As retained earnings increase the shareholder's equity, the stock price should adjust to reflect the change in the fundamental value. Eventually the demand for undervalued securities will rise and capital market participants will arrive to equilibrium price.

## Unibank's income statement overview for Q1, 2017



Our valuation models that are based on number of inputs such as FCFE, expected earnings and common multiples assign the intrinsic value of Unibank's security to be within range of **\$ 0.57 to \$ 0.65** (including the impact of recent dividend payment), which is currently priced at \$ 0.48. The earlier range of fundamental values incorporates sensitivity to changes in assumptions used in the valuation models.

As a result of Unibank's successful activity over the past years the bank decided to pay first interim stock dividends to its shareholders in a form of ordinary shares amounting to AMD 3.2 Billion (\$ 6,56 mln). On February 10th, 2017 the bank paid dividends from its accumulated earnings that exceeded \$ 15 mln as of November 30, 2016. Paying dividends will have positive impact on public demand towards the bank's common stocks, which will subsequently increase trade volume and improve the liquidity.

In Q1 2017 Unibank's stock trading volume comprised 0.24% of the total volume, which amounted to 3.2% of the total traded value of the period.

## Bank's development

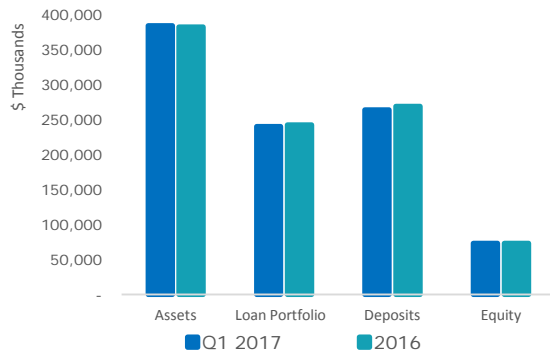
As a result of bank's significant improvement of its capital positions Moody's credit rating agency upgraded banks rating to B2 (from B3) in March, 2017. Capital injections increased the bank's total regulatory capital by 68% in 2016 compared with fiscal year of 2015. According to Moody's the upgrade was also supported by recent trends in Unibank's asset quality, profitability and funding structure.

During the first quarter of 2017 the bank successfully launched CRM-system on processing customer applications of unsecured business loans. The system automated the process of filling and analyzing the applications, which allows the bank to shorten the process of loan issuance and increase number of high quality borrowers. As a result, the bank provides decision on loan application within one business day. Centralized CRM system creates consolidated information database, that also assists to effectively work with overdue liabilities, which is expected to significantly reduce bank's expenses.

## Total income composition of Q1, 2017 (thous USD)



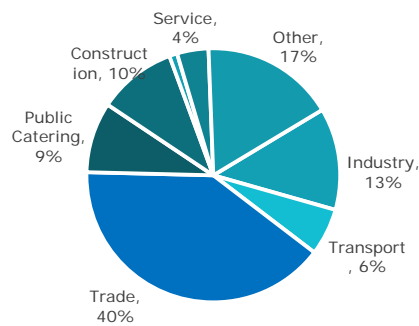
### Unibank's balance sheet overview for Q1, 2017



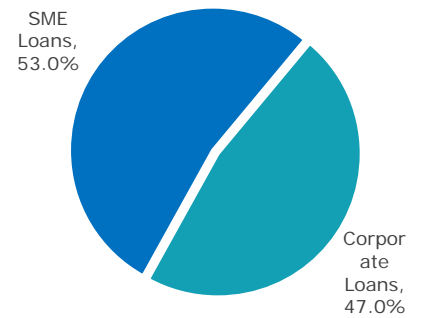
### Loan portfolio

The total loan portfolio of Unibank as of 31 March 2017 amounts to \$ 240.5 mln, which comprises 62.5% of the total assets. The bank puts emphases on increasing the number of retail customers and small/medium sized businesses. Unibank also targets to increase Point of Sale (PoS) customer loans that currently covers 28% of market share.

Q1, 2017 SME Portfolio By Sector

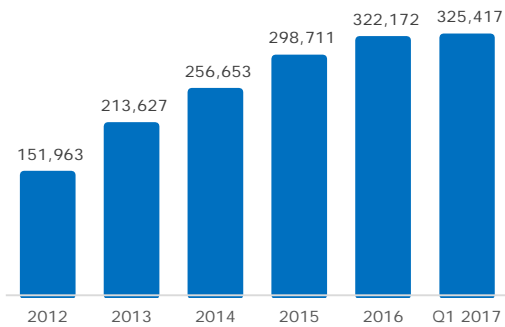


Q1, 2017 Commercial Portfolio Structure



The bank's Commercial loans and retail loans comprise around 51% and 49% of the total portfolio respectively. Growing number of Retail customers, SMEs and PoS will further diversify bank's loan portfolio, which will decrease provision expenses of the company.

### Customer number



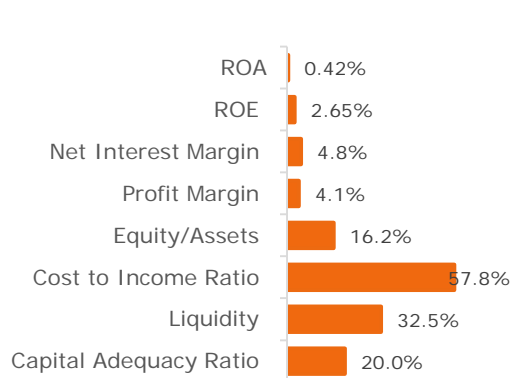
### Banking sector update for Y2016

The banking sector remains the largest part of the financial system as of 31 December 2016. The sector encompasses 17 commercial banks with nearly 530 operating branches and 11,500 employees. The sector assets grew by 20% that amounted to \$ 10.7 bln in year 2016 compared with fiscal year of 2015. The return on equity was 0.42% which grew by 12 basis points compared with year 2015. During the period the loans in the bank increased by 21%, deposits increased by 26% and equity grew by about 24%. The profit of banking sector increased by nearly 59% and total income increased by 3.9%.

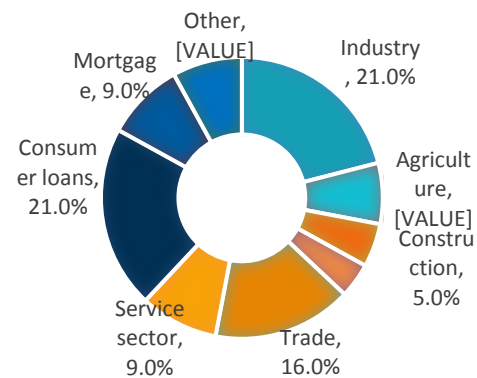
### Selected operational data as for Q1, 2017

<b>Retail clients:</b>	321,751
<b>Corporate clients:</b>	3,666
<b>Branches:</b>	46
<b>Number of Employees:</b>	849

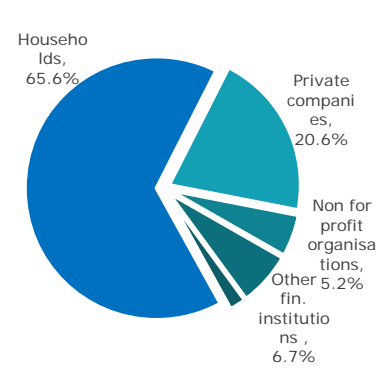
### Banking sector indicators for Y2016



Y2016 BANKING SECTOR LOAN STRUCTURE



Banking Sector Deposit Structure for Y2016



In 2016 mergers and acquisitions took place in the banking sector that increased the concentration between the participants.

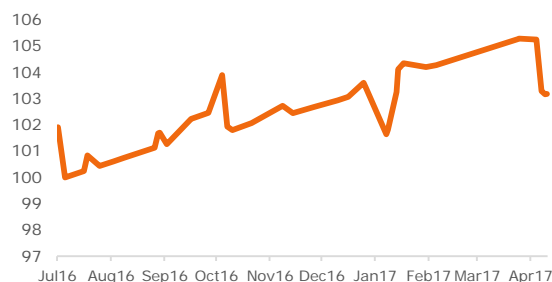
### Macroeconomic update for Q1 2017

Overall economic activity in the 1<sup>st</sup> quarter of 2017 grew by approximately 6.6% compared with to same period of year 2016. Agriculture grew by 16.1%, trade and service increased by 11.3% and 10% respectively. Agriculture and construction, however decreased by 1.5% and 13.6% respectively compared to the 1<sup>st</sup> quarter of 2016. Consumer price index for the three-month period decreased by 30 bases points, whereas average monthly nominal wages increased by 1.1% compared to the same period of the previous year.

External trade turnover totaled to 341.7 mln (USD/AMS = 487.25), which grew by 17.4% in AMD terms compared with 1<sup>st</sup> quarter of the previous year. Exports for the period amounted to USD 121.9 mln while imports totaled to USD 219.8 mln resulting USD 97.9 mln of trade deficit.

# UNIBANK FIXED INCOME FLASHNOTE UPDATE, Q1 2017

## Weighted average price for UNIBB1 in USD



Ticker	Currency	Quantity out.	Maturity	Coupon(%)	YTM	Coupon rate
UNIBB1	USD	50,000	08.04.2018	8.00%	4.50%	Quarterly

## Unibank's fixed income securities as of 25 April, 2017

Unibank issued USD denominated bonds with \$ 100 face value that will mature on April, 2019. Since the issuance, the price of fixed income securities has increased by roughly 5% as a result of a decrease in the yield. The price of the security was \$ 103.17 as of 13, April, 2017. We expect the price of the security to reach resistance level of 106.2 dollar by the end of the 2<sup>nd</sup> quarter of 2017.

The latter anticipated price is also supported by the recent update of bank's credit rating by Moody's credit rating agency. Credit quality improvement of the bank will maintain low yields on Unibank's fixed income securities of the bank.

On 26<sup>th</sup> of November, 2016 Unibank issued AMD denominated bonds amounting to 250 mln (\$ 645 thous) with par value of AMD 10,000 (\$ 20.52). The bond pays 13.5% quarterly coupons and has maturity of 2 years. The security is not yet listed on NASDAQ OMX Armenia and is anticipated to be available in the bourse by the end of May, 2017.

In the first quarter of 2017 Unibank's corporate bond trading volume comprised 8.7% of total volume, which amounted to 15.8% of total traded value for corporate fixed income securities during the period.

## Trading data for UNIBB1

<b>Issuer:</b>	UNIBANK
<b>Ticker:</b>	UNIBB1
<b>List:</b>	Abond
<b>Last:</b>	4.50%
<b>Date:</b>	28.03.2017
<b>Avg:</b>	5.59%
<b>Cur:</b>	USD
<b>High:</b>	6.8%
<b>Low:</b>	4.5%
<b>Number Of Deals:</b>	13
<b>Trading VOL:</b>	2659
<b>Trading VAL:</b>	274,587

## Unibank's selected ratios

	2017 Q1	2016 Q4
Capital Adequacy Ratio	18.80%	17.40%
Liquidity Ratio	29.06%	29.10%
Cost to Income Ratio	55.75%	65.80%
Loan Portfolio/Assets	62.53%	63.34%
Equity/Assets	19.10%	19.15%
Profit Margin	1.49%	-3.43%
Net Interest Margin	1.01%	1.00%
ROE	0.25%	-0.67%
ROA	0.05%	-0.11%



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