

EQUITY FLASHNOTE UPDATE, Q1 2016

UNIBANK (NASDAQ OMX Armenia: UNIB)

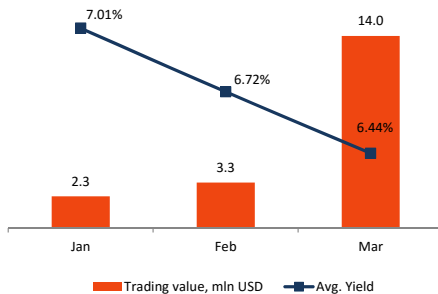
Macro update, Q1 2016

GDP at market prices	\$1,868.2 mln
GDP growth rate	5.6%
Industrial output	\$635.0 mln
Agricultural output	\$148.1 mln
Construction volume	\$87.7 mln
External trade turnover	\$997.1 mln
Export volume	\$375.9 mln
FDI (9m 2015)	\$144.4 mln

Key Banking Sector Indicators (in mln USD)

	Y2014	Y2015	Q1 2016
Assets	7,181	7,131	7,265
Liabilities	6,194	6,084	6,163
Equity	988	1,047	1,102
Net Income	45	(43)	6

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

Macroeconomic Update

During 3 months ending March 31, 2016, Armenian economy recorded 5.6% growth in GDP which amounted to around USD 1.9 bln. While the Government and the Central Bank of Armenia forecast the GDP growth rate for Y2016 to around 2.2 – 2.6%, World Bank still thinks that it will slow down to around 2.0% per annum. However, World Bank experts think that possible lifting of western sanctions against Russia could have positive impact on Armenian economy.

Along with that, Armenia's foreign trade turnover in the first quarter of 2016 decreased by 3.8% if compared to the same period of 2015, to approximately USD 997.1 million. According to NSS, the exports increased by 26.3% to USD 375.9 million, while imports fell by 15.9% to about USD 621.2 million. As a result, the negative foreign trade balance amounted to USD 245.3 million. It is worth mentioning that export to Russia during this period almost doubled and amounted to USD 67.7 mln.

At the end of March, 2016 Armenia's total public debt stood at USD 5.2 bln, an increase of 2.3% compared to the year end 2015. Around 85% of public debt is the external debt of the country. In the first quarter of 2016 Armenia's state budget deficit grew to USD 65.5 mln recording a double growth as compared to the same period of 2015.

Banking sector update

Armenian sector showed some increase in main aggregate indicators for Q1 2016 as against year-end 2015. Particularly, total assets grew by 1.3%, total liabilities 0.7%, total equity 4.6%. The total Net income for Q1 2016 amounted to around USD 6 mln as against USD 43 mln net loss for the total year of 2015. Loan portfolio grew by 2.2%, while the deposit base recorded a 3.3% increase for the same period.

66% of total loan portfolio is comprised of FX loans which are reasonably matching with 69% of FX deposits in total attracted deposits by Armenian banks. When analyzing the distribution of total loan portfolio by sectors, one can see that around 56.5% of total loans banks have issued to private sector, followed by households (38.5%) and the rest 5% loans have been credited to non for profit organizations and other financial institutions.

In March 2016 Central Bank of Armenia continued decreasing core interest rates, with refinancing rate decreasing to 8.25% as compared to 8.75% at the beginning of the year.

Armenbrok Composite Index Dynamics (2014-2016)



UNIBANK OJSC

Listing:	NASDAQ OMX Armenia
Moody's:	B2, stable forecast
Thomson Reuters:	Best Dealing Bank 2012
Raiffeisen Bank Int.:	RBI STP Quality Awards
ISO 27001:2013	information security standards
Mercury award	People's Bank

Share Data, Q1 2016

Ticker	UNIB
Market Cap (mln USD)	52.5
Shares Outstanding, mln	109.7
Free Float	9.7%
Trading Value (thous USD)	69.9
Number of Securities traded	145,748
Last Price (USD)	0.48

Selected Operational Data as of Mar 31, 2016

Retail clients	297,197
Corporate clients	3,915
Branches	45
ATMs	112
Number of Employees	888

Main Financial Position Indicators (in mln USD)

	Y2014	Y2015	Q1 2016
Loans	250.5	227.8	238.4
Assets	358.5	327.7	352.9
Deposits	214.9	231.0	259.4
Liabilities	315.4	280.5	304.7
Equity	43.0	47.2	48.2

Main Financial Performance Indicators (in mln USD)

	Y2014	Y2015	Q1 2016
Net Interest Income	15.4	10.9	3.0
Net Fee & Com. Income	2.5	4.3	1.6
Net Trade Income	1.6	1.8	0.2
Net Income	1.1	1.0	0.4

Quarterly Highlights

In first quarter 2016 Unibank continued its strategy to dynamically expand its presence in Armenian banking market. It recorded growth rates over all in all the balance sheet indicators. Particularly, despite the vulnerable economic environment it vigorously increased its deposit base by a rough 12.6% q-o-q, with a total number of clients increasing by 2400 individuals and entities for the same period. It came along with a 5% increase in loan portfolio and 7.7% increase in total assets.

Growth in deposit base was partly due to increase of retail and corporate products offered at the market as well as the substantially enhancement of the quality of customer service including but not limited to internet banking and mobile banking services.

Unibank remains the leading retail bank in the market. In Q1 2016 it succeeded to almost triple the quantity of retail loans issued amounting to 34,000 retail loans as against Q1 2015. The total retail loan portfolio by the end of Q1 2016 amounted to more than AMD 54 bln. The loans are realized through its 45 branches and 54 promo points, cooperating with around 1000 shops and service providers. In the mentioned period, the profit from retail business exceeded the target by 2.5 times comprising more than AMD 820 mln.

One of the main highlights of Q1 2016 is issuance of corporate bonds which aims at both increasing and diversification of funding base of the bank. The bonds are US dollar denominated instruments offering 8% annual interest rate with 24 month maturity period. The total value of the bonds amounts to USD 5.0 mln. After the issuance they are listed at the corporates bonds platform of NASDAQ OMX Armenia.

ABond list. Another core point of the Banks strategy will be issuance of third tranche of shares consisting of 12.2 mln ordinary shares with a total amount of AMD 2.8 bln. As a result of this strategy it will substantially increase its funding base allowing the bank to more aggressively capture the untapped opportunities of Armenian banking market. Besides, the free float of Bank's shares will exceed 10%, which will allow the Bank to be listed on equity platform B of NASDAQ OMX Armenia, increasing the attractiveness of Bank's shares.

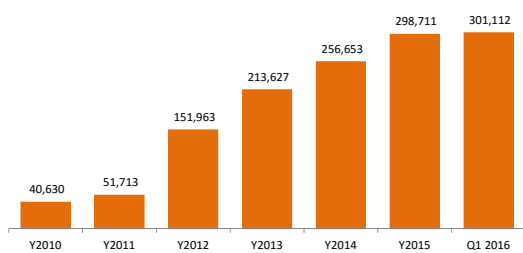
Unibank passed an audit by Bureau Veritas Certification agency and re-approved its ISO 27001:2013 Certificate which means that the Bank is fully compliant with the international standards of information security.

Unibank has started to implement a new CRM system, ProtoCRM, designed by Protobase Laboratories, which will substantially improve the quality and speed of servicing the customer, as well as decrease lots of administrative and IT expenses.

In Q1 2016 however was not the best period for the bank in terms of short term financial performance. The Bank experienced 7.5% decline in net interest income as well as 50% decrease in net trade income which, in spite of 140% increase in Net fee and commission income and another 26% increase in Other operating income resulted in around 64% decrease in Net Income as against Q1 2015. The total Net income was strongly affected by around AMD 834 mln impairment losses which made the NPL ratio up to 7.8% in total loan portfolio while the total reserves to total loan portfolio stood at 3.9% level.

Return on Equity for Q1 2016 (not annualized) comprised 0.9%, which will exceed Y2015 level by 1.4 percentage points if annualized. The Bank also succeeded to decrease its cost to income ratio to 84.8% as against 87.4% for Y2015, as well as increase its liquid assets to total assets and interest bearing assets to total assets ratios to correspondingly 22.6% and 92.5% levels.

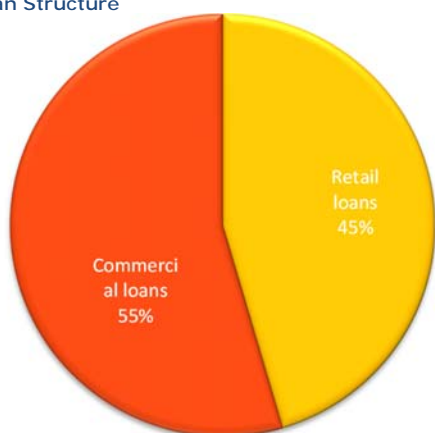
Number of Customers



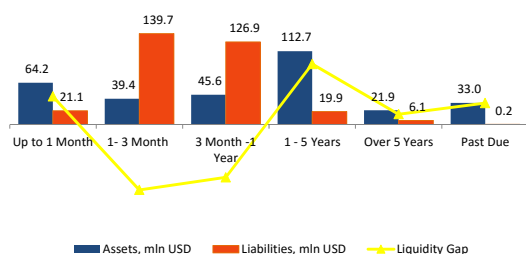
Funding sources and structure (in mln USD)

	2015	Q1 2016
Equity	47.2	48.2
Borrowed Funds	47.1	44.9
Corporate Current Accounts	13.5	8.2
Corporate Time & Demand Deposits	30.0	58.5
Individual Current Accounts	11.8	12.4
Individual Time & Demand Deposits	174.6	177.3
Other Liabilities	3.4	3.3

Loan Structure



Liquidity Gap



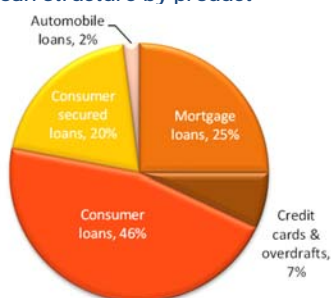
Funding Sources and Structure

Unibank is one of the few banks in Armenia that have very diversified funding structure and also one of the fewest for which Individual time and demand deposits comprise the largest portion of the funding sources. This talks about very developed retail arm of the Bank and comparatively low repayment risk of the Bank. The second largest group of sources is corporate time and demand deposits comprising around 17% of total liabilities, followed by equity with a rough 14% of total funds attracted. With regard to borrowed funds, Unibank has attracted credit resources from such international organizations as International Finance Corporation, Black Sea Trade and Development Bank and European Investment Bank. On April 2016 the Bank issued corporate bonds with total amount of USD 5 mln which became another source of funding Banks operations and will enhance the diversification of Banks liabilities.

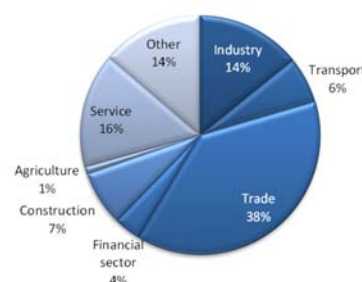
Loan Portfolio

The total loan portfolio of Unibank as at 31 March 2016 comprised around USD 238 mln showing a 4% increase q-o-q. Commercial loans comprise around 54% of total portfolio with retail loans amounting to a rough 46%. Accumulated reserves for the portfolio comprised around USD 10 mln as of the end of period.

Retail loan structure by product



Commercial loan structure by industry



The largest share in retail loan portfolio goes to general consumer loans followed by mortgage loans and credit cards & overdrafts. Within the commercial loan portfolio, SME loans take larger portion (56%) as against retail products (44%). Commercial loan products consist of working capital and credit lines for SMEs (around USD 43 mln for 317 borrowers), terms loans for longer term investments (around USD 88 mln for 1620 borrowers), Project finance products (around USD 10.9 mln) as well as trade finance instruments, including bank guarantees and letter of credits). In Q1 2016 Unibank has issued more than AMD 5.0 bln SME loans, which exceeds the same indicator for the previous year 6 times.

Liquidity and Adequacy

Unibank always keeps its liquidity close to high in order to meet an unexpected repayment booms, driven by market and exchange rate fluctuations. The Liquid assets-to-total assets ratio comprises 22.6% and the liquid assets-to-short term liabilities ratio amounts to 262% (Min CBA normative is 60%). Analyzing the liquidity structure by maturities, one may observe a negative liquidity gap for the maturities 1-3 months and 3 months – 1 year. However these gaps can be quickly neutralized using money market instruments (Repo, Swap, etc.) which are quite developed in Armenian financial market.

Capital adequacy ratio for the first quarter 2016 ended March 31 comprised 12.22% which is quite close to the Central Bank min requirement, though the Bank has a relevant risk management systems and staff in place to regularly monitor and detect any incompliance with the CBA as well as Bank's internal normative set out by the Bank's management.

Liquidity & adequacy normatives	Unibank	CB min req.
Liquid assets to total assets ratio	22.56%	> 15%
Liquid assets to short term liabilities ratio	296.11%	> 60%
Total capital to risk weighted assets ratio	12.22%	> 12%

Unibank Selected ratios

	Y2014	Y2015	Q1 2016 annualized
ROE	2.6%	2.2%	3.7%
ROA	0.3%	0.3%	0.5%
ROAE	2.6%	2.3%	3.7%
ROAA	0.3%	0.3%	0.5%
Net Interest Margin	4.6%	3.6%	3.7%
Cost of funds	8.9%	10.0%	9.2%
Net fee and commission income / Total Operating income	13.8%	33.7%	42.3%
Net fee and commission income / Average total assets	0.7%	1.3%	1.9%
Cost to income ratio	92.6%	87.4%	84.8%
Cost / Average total assets	4.8%	3.3%	3.9%
Personnel costs / Total operating income	38.7%	49.7%	39.8%
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%	92.5%
Total liabilities / Equity	7.3x	5.9x	6.3x
Equity / Total Assets	12.0%	14.4%	13.7%
Book Value per share, AMD	206.4	208.3	211.3
Earnings per share, AMD	5.4	4.5	7.7

CONTACTS

DISCLAIMER



ARMENBROK Research
 Investment Company | [Member NASDAQ OMX Armenia](#)
 #32/1 Tigran Mets avenue, 0018 Yerevan, ARMENIA
 Telephone: +37410 538700 | Facsimile: +37410 528986
 Mobile: +37499 538700 | E-mail: research@armenbrok.com
www.armenbrok.am | www.armenbrok.com

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no IDEAS
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