



UNIBANK

Unibank - Investment opportunity in Armenia



2017

Republic of Armenia: Investment map

Unibank: From milestones to success

Unibank: the way forward

Republic of Armenia: Investment map

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Armenia: Main Indicators

Full name – The Republic of Armenia

Population - 3,017,712

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 March 31,2017: 483.45AMD/USD

Sovereign Country Ratings:

Fitch – B+, stable (January 20, 2017)

Moody's – B1 , stable (March 16, 2016)

Global competitiveness report 82 (World Economic Forum)

Human development index 85 (UNDP)

Main segments of economy

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

Investment regime

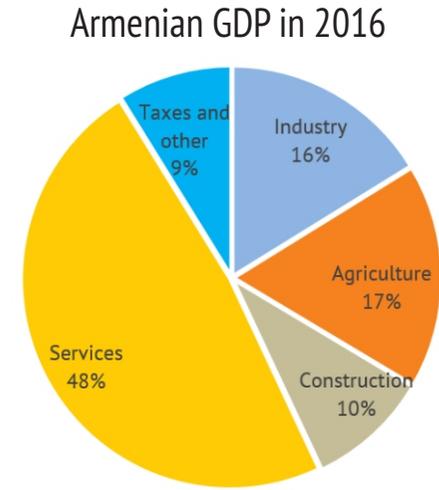
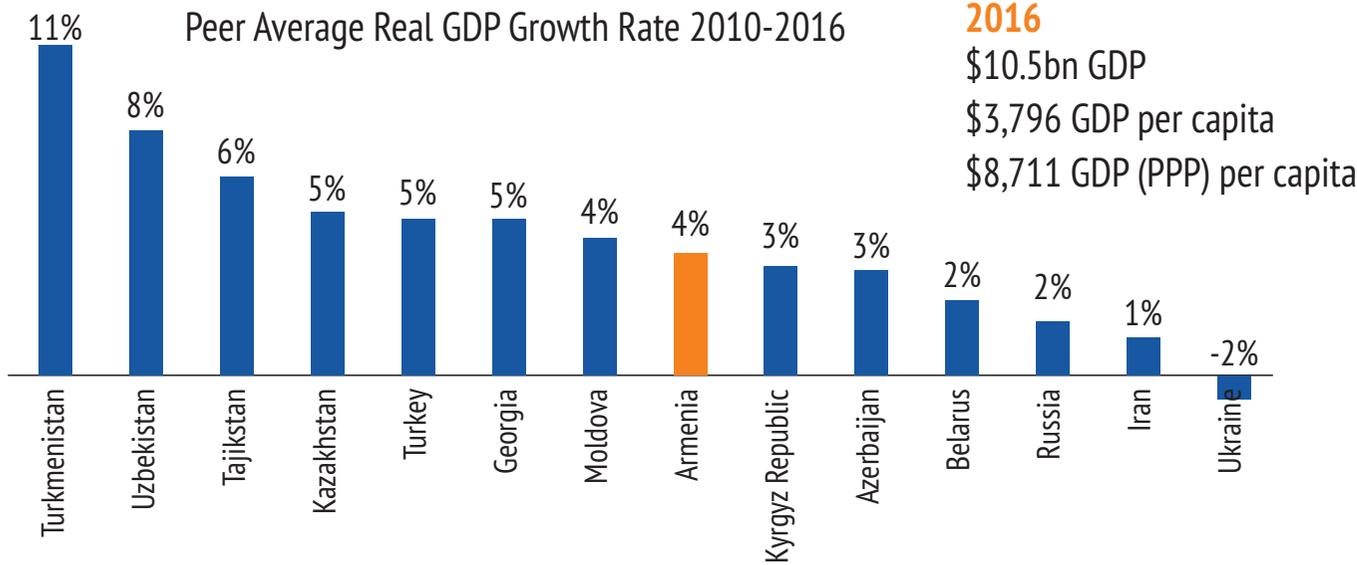
RA promotes foreign investment and operates an “open door” policy,

including:

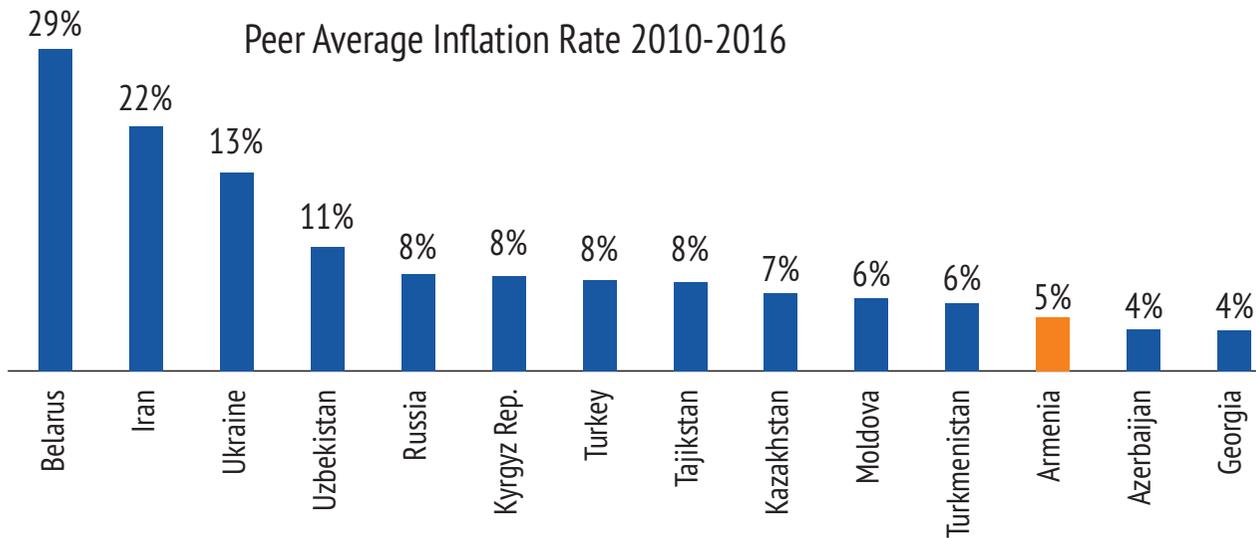
- Equal treatment for both foreign and domestic investors;
- 100% foreign ownership is permitted;
- No limitations on size and type of foreign ownership
- Special investment incentives for foreign investors*
- Alternative dispute resolution mechanisms for foreign investors (ICSID);
- Guarantees for legislative changes (a five-year “grandfather-clause”);
- No restrictions for capital and revenue transfer and repatriation;
- Liberal regime on employment of foreign workers.

*Customs duty exemptions for capital goods imported as a contribution to share capital);

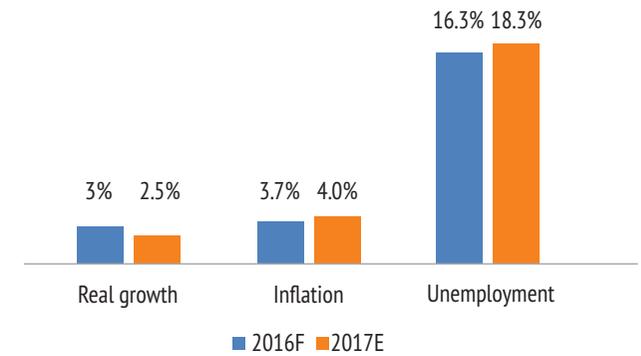
Armenian Economy vs peers



Source: Central Bank of Armenia

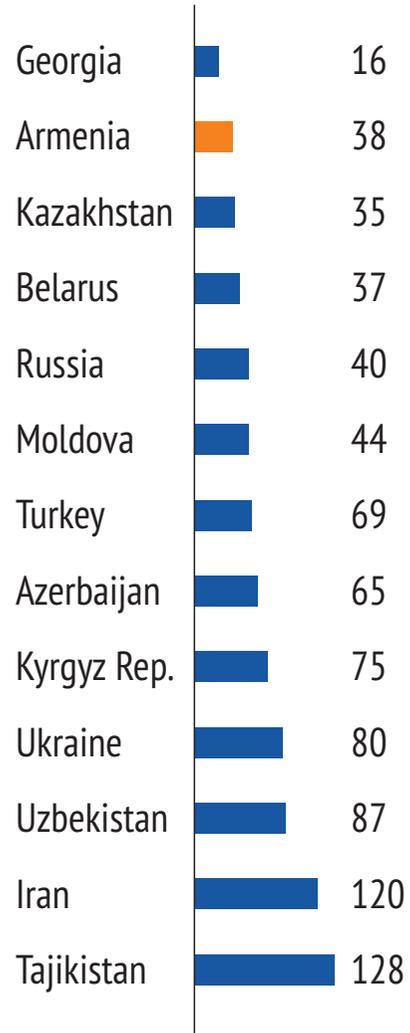


Outlook for Armenian economy



Source: IMF

Ease of Doing Business



Out of 189 countries

Armenia	Rank
Starting a business	5
Dealing with construction permits	81
Getting electricity	76
Registering property	13
Getting credit	20
Protecting minority investors	53
Paying taxes	88
Trading across borders	48
Enforcing contracts	28
Resolving insolvency	78

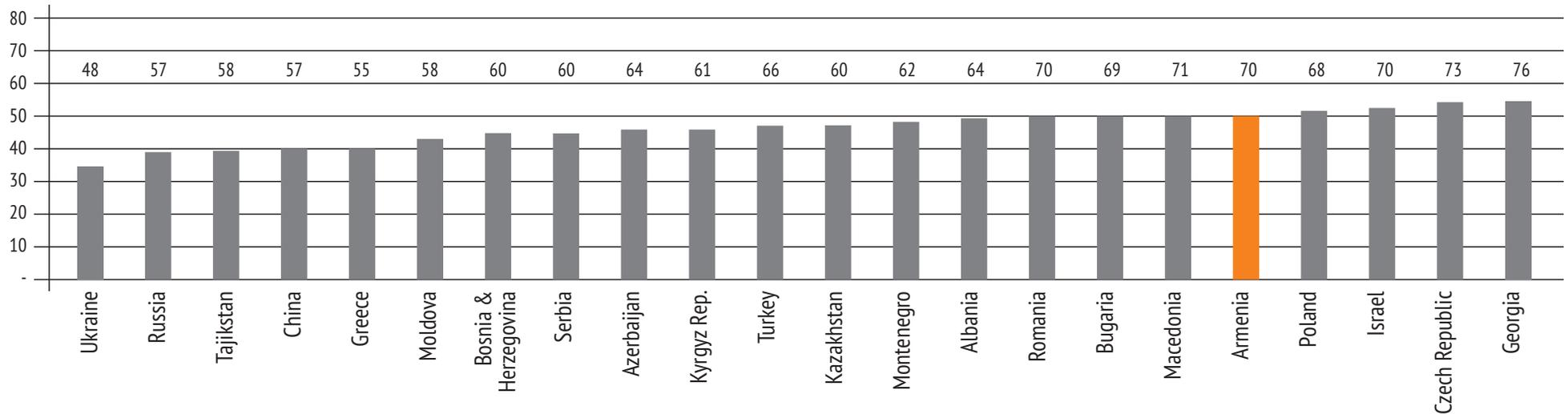
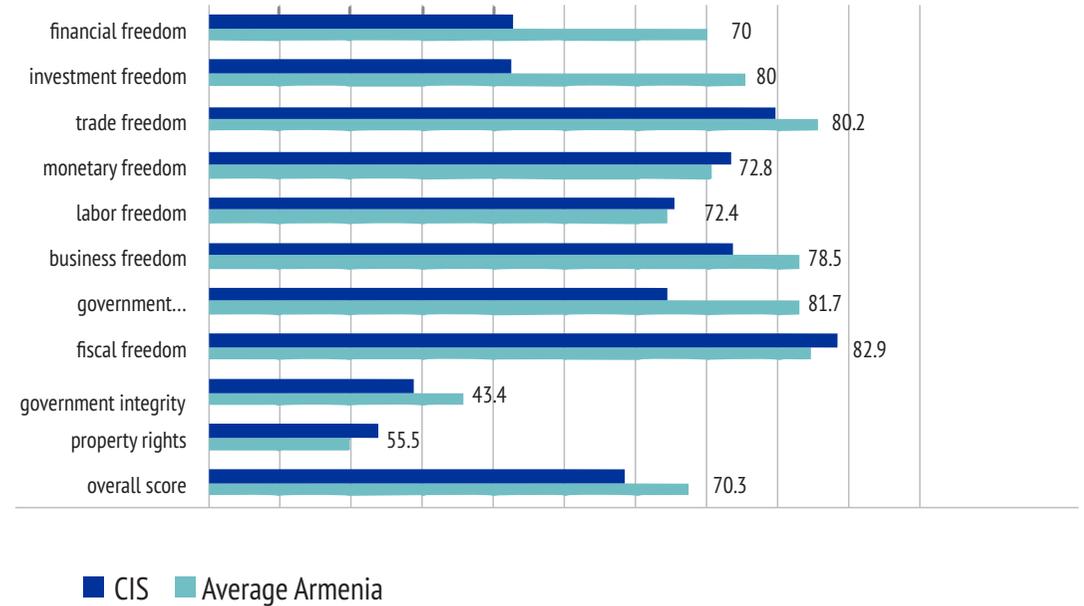
- Armenia is continuously improving its positions in the positions ranking of WB on the ease of doing business.
- By the ease of doing business Armenia ranked 43th in 2010, while in 2016 the country is the 38th.



Economic Freedom Index

Economic freedom overall score: Armenia vs. CIS

- Economic Freedom Score: 70.3
- Economic Freedom Status: Mostly Free
- Global Ranking: 33rd
- Regional Ranking in Europe: 19h
- CIS Ranking: 2nd



Armenian Banking System – Emerging opportunities

05

- **17 commercial banks**
- **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**
- **Developing securities market:**
 - Central Depository system, safeguarding ownership title
 - Secondary Market operating on Nasdaq OMX Armenia platform

Taxes

Profit Tax 20%
Income Tax 24.4-36%
Value Added Tax 20%

Other taxes:

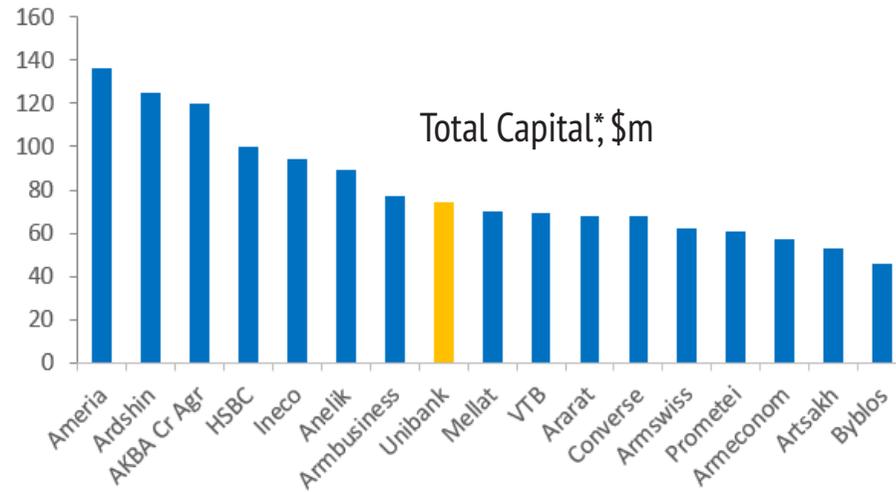
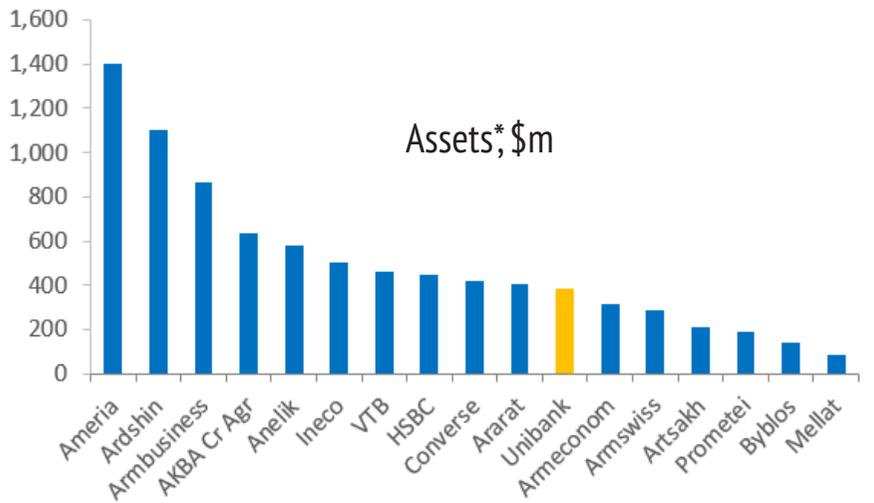
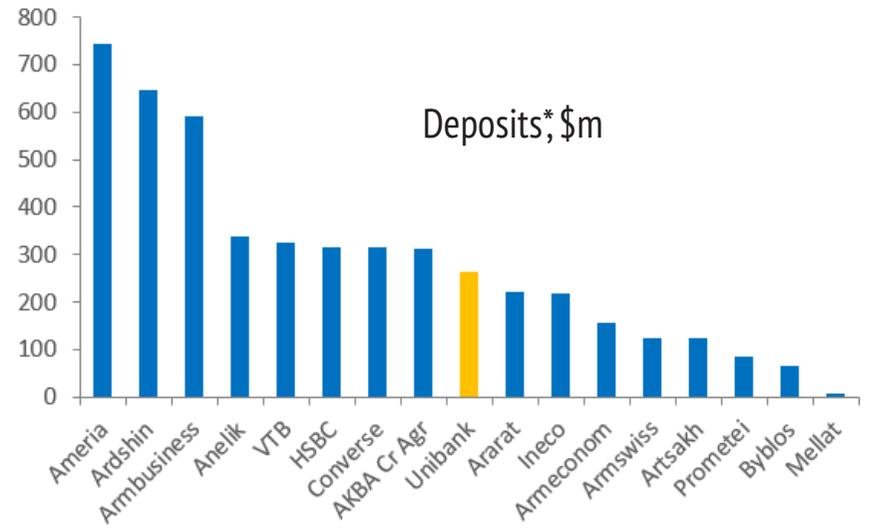
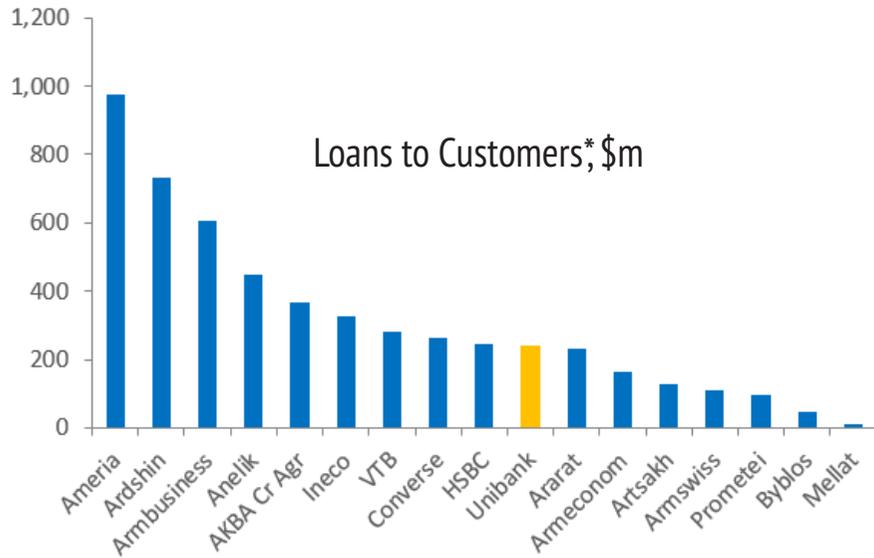
Property tax; excise tax (oil, spirits, wine, beer, tobacco products etc.); land tax.
Although businesses are taxed on dividends and capital gains on the disposal of shares, individuals are not taxed on either.

Taxation of non-residents:

	Legal entities/ Individuals	
Dividend	10%	10%*
Capital gain	10%	10%

* In case the dividends were invested again in the share capital of the Bank dividends aren't taxed

Armenian Banking System – Emerging opportunities



* Source: ARCA 1Q17

Armenian Banking Sector Background

As of 31.03.2017

Revenue /USD

22 mln

Assets (Banking) /USD

8,467 mln

Assets to GDP (Banking)

74,7%

Employees

11128/1,1

of workforce (March 31 2017)

Percent of GDP

6.2%

Equity (Banking) /USD

1,377 mln

Loans to GDP (Banking)

46.8%

Number of Banks

17

ROE

6.5%

Key Trends – Growth Rates (2010 to 20171Q)

Total Bank Assets

262%

Total Bank Equity

203%

Total Bank Loans

270%

55% of EBRD investment portfolio
is in financial sector

Unibank key facts

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

◆ Structured branch network -
key regional coverage
47 branches

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

◆ Moody's Investors Service rating
B2, outlook
Stable

◆ Total Equity
USD 73.8 mln

◆ Over
336000
customers

◆ **Top 100**
taxpayers list

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

Competitive Advantage

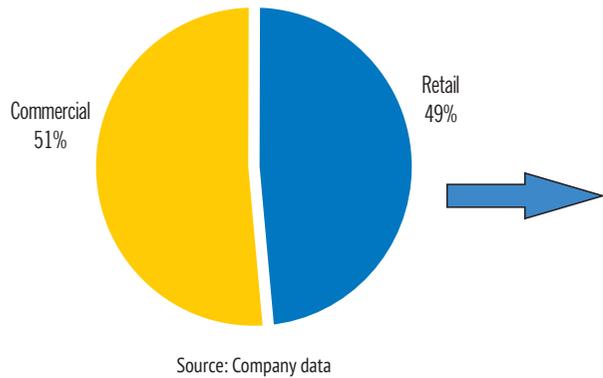
- Widely recognized brand among consumers
- Expanded branch network. 47 retail offices (4th largest), 54 PoS outlets (the largest), 200 PoS terminals and 117 ATMs (5th largest)
- One of three VISA processing centers in Armenia (other banks use local ARCA processing center)
- Proprietary in-house IT solutions with continuous improvement
- Score online loan application system, Cross-sales and upsales simplified
- Strong key shareholders and professional Management
- Vintage analysis (to discover fraud via historic data on bad loans)
- Flexibility to integrate new retail and SME business partners fast
- Immediate cash payment to retail partners instead of factoring within 3-4 days (like competitors do)
- Flexible interest and tariff policy

Growth Factors

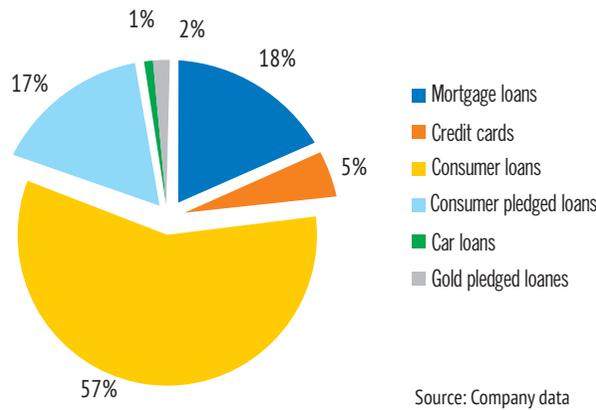
- Unibank targets Point of Sale (PoS) consumer loans niche, where it currently holds 28%. The segment is expected to grow ahead of economy due to currently inefficient system of PoS loan approvals. One of the challenges in the segment is to develop a viable IT solution Unibank plans to raise attracted means in shares and bonds for PoS portfolio growth.

Unibank Retail Business: Dynamic Growth

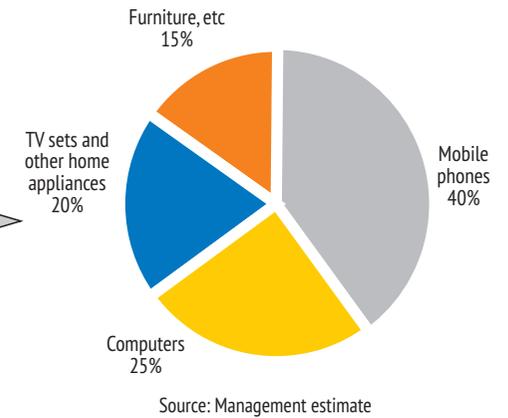
Loan portfolio structure



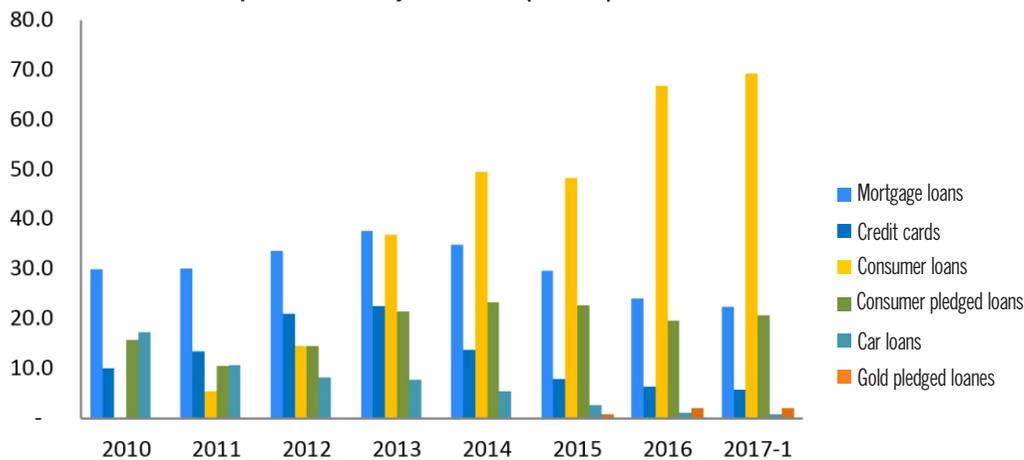
Retail loan portfolio structure



PoS loans structure



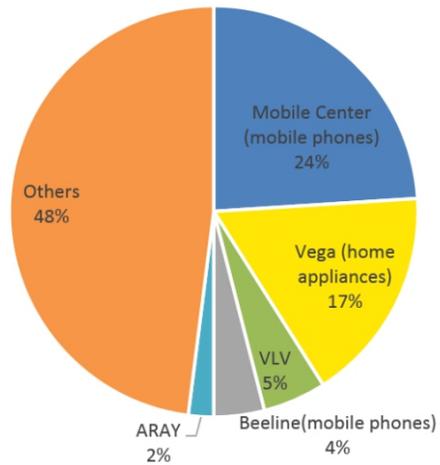
Retail loan portfolio dynamics (\$mln)



- In the future Unibank plans to grow consumer loans with a focus on PoS loans (mostly mobile phones, computers, TV sets)
- Volume of Unibank's PoS loans grew by more than 10 times since 2011
- Unibank's CRM culture allowed to create a database with more than 320 000 unique records, which is about a quarter of the active population of the country

Unibank PoS growth: retailers' expansion, consumer behavior

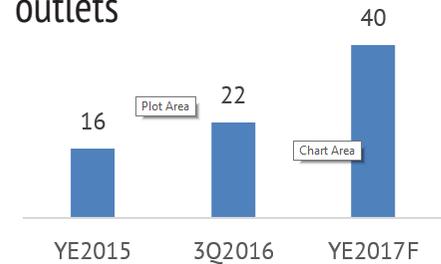
PoS loan portfolio structure by retail partner
(largest out of > 250 partners)



Source: Management accounts

- Mobile Center plans to boost sales by increasing the number of outlets
- Vega plans to open a new large store in 2017 and complete an extension of the existing store
- Mobile Center provided preemptive rights to Unibank, other banks are offered to a consumer in case of rejection by Unibank

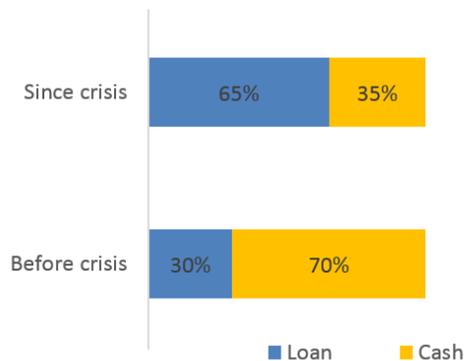
Mobile Center chain overview, outlets



Vega sales growth expectations



Source: Partners' management data

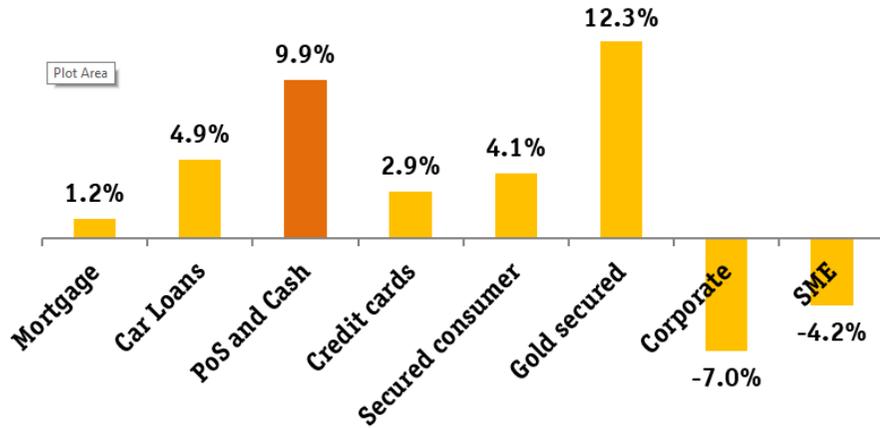


Source: Retailer partners' estimate

- As per retailers, the revenue from mobile phones, computers, TV sets does not fluctuate according to the economy, when conditions worsen, more purchases are completed with loans
- Traditionally in Armenia the propensity to save is low, whereas financial institutions are well developed. Current income and loan proceeds are spent for consumer goods (PoS), events like birthday parties, weddings, vacations (secured consumer loans)

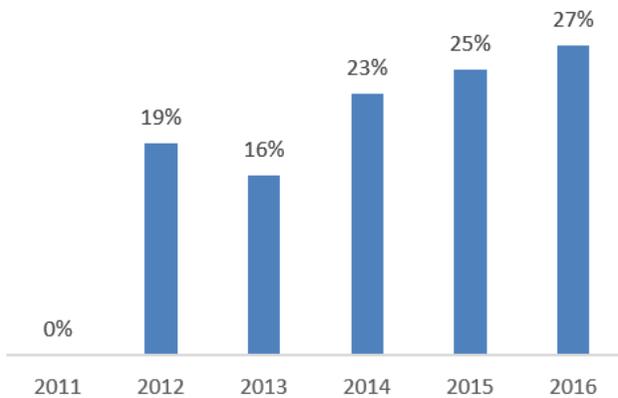
Unibank PoS Loan Niche

Profitability by product



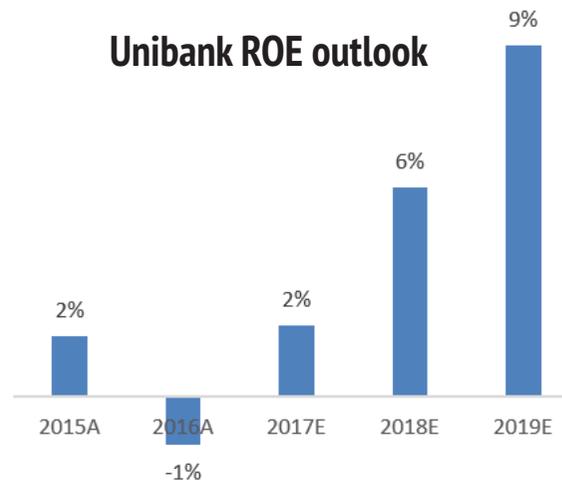
Source: Management accounts 1H2017 average

Share of Unibank in PoS loans segment of Armenia



Source: Management estimate, ARKA 4Q16

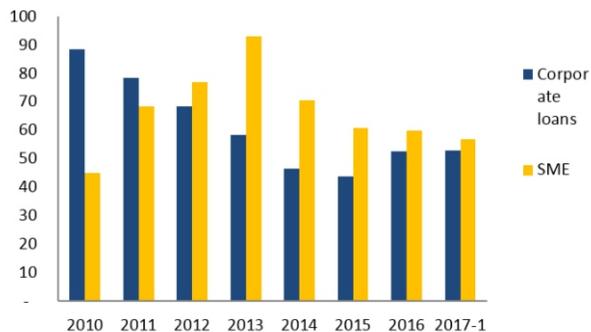
Unibank ROE outlook



- PoS is the most profitable product (gold secured loans segment is covered by both banks and pawnshops)
Unibank has been increasing its share of PoS segment in Armenia and has been growing the PoS loan share in its portfolio
- The growth of the most profitable part of the business together with low base of the profit (around break-even) will drive ROE within the next few years depending on the capital inflow

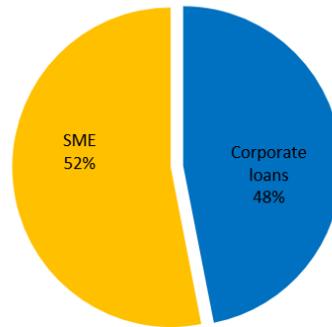
Source: Management accounts, Management estimate

Business portfolio dynamics and structure (\$mln)



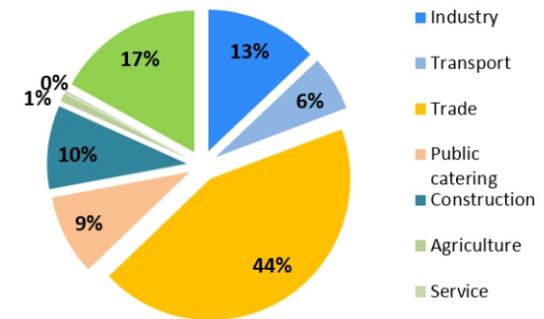
Source: Company data

Commercial portfolio structure as of 31.03.2017



Source: Company data

SME portfolio by sectors as of 31.03.2017



Source: Company data

Commercial loans account for 51% of Unibank loan portfolio

Selected sources for SME and trade financing

Working Capital and Credit Lines to support SME

Number of borrowers - 297
Total volume - \$ 34.9m

Term Loans

Providing longer term loans to support companies with capital investments
Number of borrowers - 1639
Total volume - \$ 82.7m

Project Finance

Larger companies projects to build up export capacities
Total volume - \$ 12.7 m

Trade Finance

Domestic and International Guarantees
Letters of Credit to support Trade



Unibank Milestones

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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 lending (N1) and car lending (N2)

2006

Participating in IFAD* and SME Business Development National Center lending program

2007

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

2008

Joining Armenian NASDAQ OMX stock exchange

2009

Launching Central online database

2010

Obtaining Moody's Investors Service Rating -Ba3, 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 FSMr

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
Launching "One Window" service at branches
Joining Intel Express Money Transfer system
Launching Unibank Prive service

2015

Reorganizing into Open Joint Stock Company
Revised Moody's Rating – B2 with Stable Outlook
Getting RBI STP Quality Award from Raiffeisen Bank International
Introducing ISO 27001:2013 information security standard
Getting status of Account Operator
Getting Annual Mercury Award- People's Bank.

2016

Three tranches for capital replenishment equaled to AMD 11.2bn
Issuance of \$5m worth nominal coupon bonds and AMD-denominated nominal coupon bonds
Dividend payments
Unibank's products and services showcase at «Armenia EXPO» in Tehran,
Launching cooperation with the German-Armenian Fund and the German bank KfW
Partner of the Year at "Banks of the Future International Conference" in Athens

2017-1Q

Automation of loan approval process for the unsecured loans to small businesses
Revised Moody's Rating – B2 with a Stable outlook



Mercury Award

Private Banking

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
U-Prive’ credit line
Priority pass
International insurance
Privé International Concierge service



UNIBANK | PRIVÉ

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

Unibank Team: Board



Gagik Zakaryan

Board Chairman of Unibank, Armenia
 Chairman of the Board of Directors, Unistream Bank, RF
 Member of the Presidium, Interregional Banking
 Member of the Council, Association of Russian Banks
 Member of Supervisory Board, National Banking Journal
 The laureate of the «Best Banker» in 2005 and
 2007, «Person of the Year 2006», the laureate of
 Efficient Bank Management National Banking
 Award 2007



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
 The laureate of the «Banking Manager of the
 Year - 2003» and «Financial Olympus 2009



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



David Papazyan

Board Member of Unibank, Armenia

Unibank Team: Executive Board



Vardan Atayan

Chairman of the Executive Board



Ararat Ghukasyan

First Vice-Chairman of the Executive Board



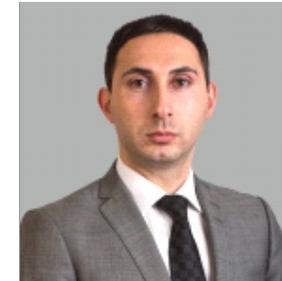
Mesrop Hakobyan

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



Gohar Grigoryan

Financial Director- Chief Accountant



David Petrosyan

Corporate Business Promotion and Sales Director



Ovsanna Arakelyan

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



Gurgen Ghukasyan

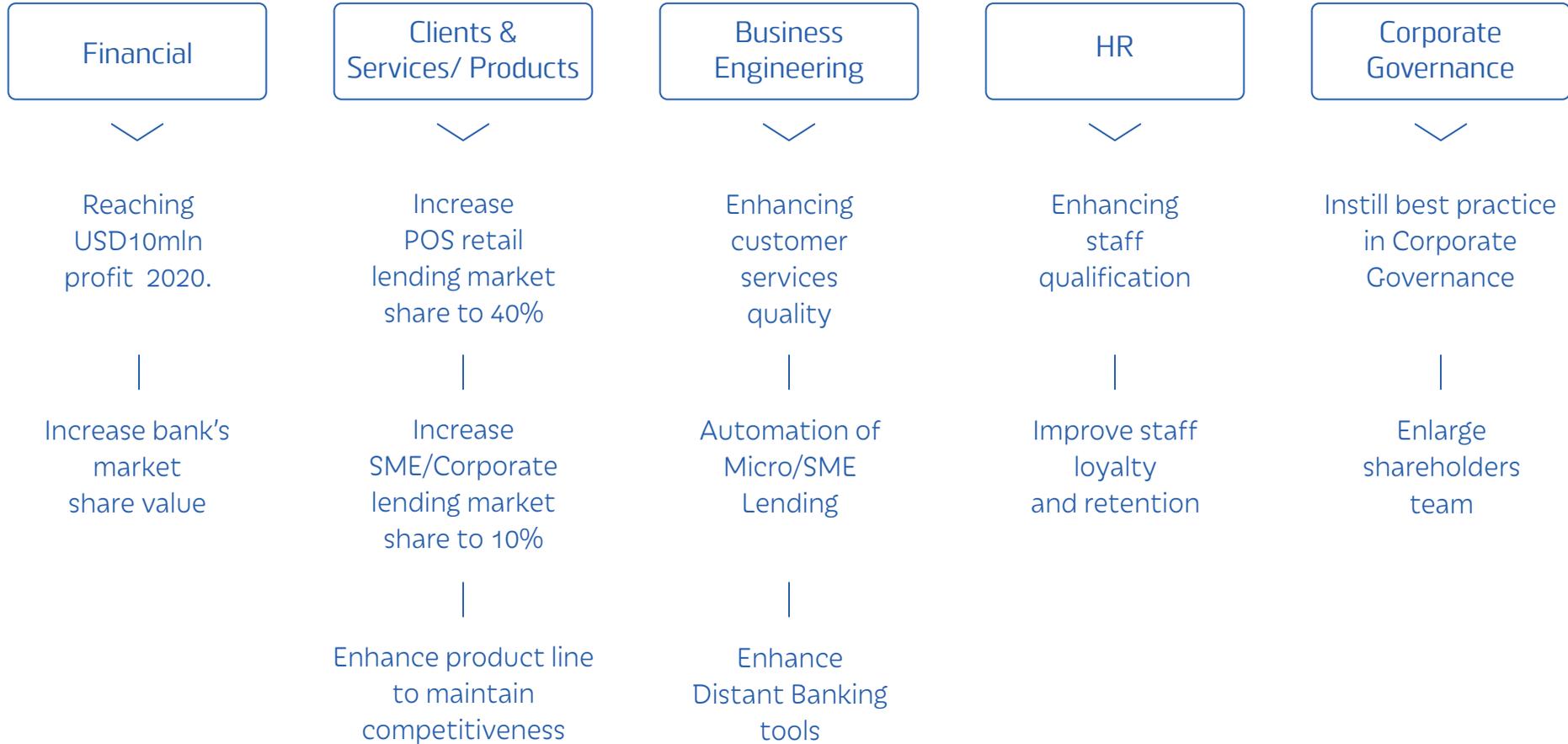
Retail Business Promotion and Sales Director



Tigran Badanyan

Risk Management Director

Unibank Strategic Goals 2017-2019



Unibank Forecast for 2017-2019

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Forecast for financial position

in thousand USD	31/12/17	31/12/18	31/12/19
Assets	397,459	405,016	431,029
Credit portfolio	280,821	298,035	321,575
Business portfolio	135,833	140,669	153,593
Retail portfolio	144,988	157,366	167,983
Liabilities	331,260	335,419	355,056
Treasury liabilities	36,087	26,745	21,352
Deposits from customers	270,407	289,430	314,840
Equity	66,199	69,597	75,973
Accumulated profit	590	1,400	4,612

Unibank Forecast for 2017-2019

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Forecast for P&L statement

in thousand USD	2017	2018	2019
Net interest income	13,641	19,184	21,978
Net fee and commission income	13,846	14,831	15,655
Operating income	27,487	34,015	37,632
Net provision from losses	(11,863)	(15,323)	(15,218)
Administrative expenses	(13,822)	(14,031)	(14,031)
Profit for the year after tax	1,202	3,728	6,707

Forecast for Retail and SME Segment Efficiency

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*Share of Retail and SME Business in total expected profit of the Bank for 2017-2019.

	2017		2018		2019	
	Retail	SME	Retail	SME	Retail	SME
Net Interest Income	12,551	2,231	14,089	3,723	16,010	4,311
Fees & Commissions	10,941	2,940	11,502	3,145	12,171	3,291
Administrative expenses	(9,606)	(4,117)	(9,752)	(4,180)	(9,752)	(4,180)
Net Provisions	(6,174)	(5,665)	(7,341)	(7,983)	(8,530)	(6,688)
Net Profit	7,111	(4,611)	7,566	(5,294)	8,221	(3,265)

Join our success

Correspondent account
CB UNISTREAM
EUROTRUST BANK
BANK OF GEORGIA
RAIFFEISEN ZENTRALBANK OESTERREICH AG
RIETUMU BANKA
TRANSSTROIBANK

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