

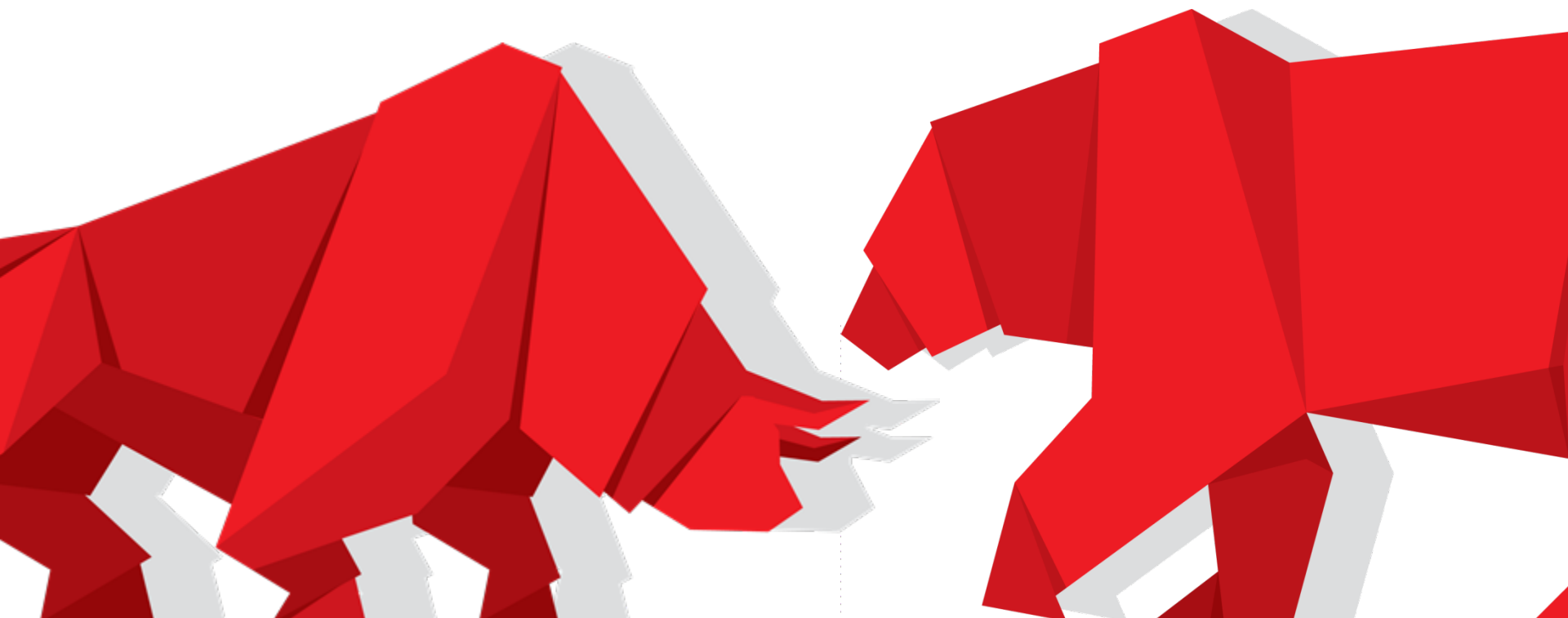


armenbrok

ANNUAL REPORT

PRESENTATION

2014





Company Overview

Established in	1994
Commercial registry and license №	10 (Central Bank of Armenia)
Stock Exchange Membership	NASDAQ OMX Armenia
Main activities	Investment Banking, Brokerage, Dealing (Repo), Registry Keeping, Custodian, Investment Solutions, Business Advisory, Global Trading
Number of shareholders	30 (1 Institutional, 29 individual)
Shareholders domiciled in	Armenia, Germany, Austria, Switzerland, Greece, USA, Canada, Australia, Italy, Lithuania
Shares outstanding	267,150
Number of employees	20
Premises	32/1 Tigran Mets avenue
Awards	Best Exchange member in Corporate Market 2012, 2013 and 2014 Best Account Operator of Depository System 2014 Best Account Operator-Custodian of Depository System in corporate securities market 2014



Summary results

In 2014 Armenbrok managed to deliver truly unprecedented results. With total revenue and net income growth in excess of 46% and 94% respectively, return on average equity up from 22.3% to an impressive 38.3%, the company is looking at its most successful year to date.

Such strong performance was underpinned by Armenbrok’s efforts to enhance the company’s position as one of the leading providers of quality investment services in Armenia while diversifying its revenue structure. As a result, the company’s net income nearly doubled to AMD 319m whereas brokerage fees jumped by a whopping 135% and dealing revenues grew by 112%. Despite that repo transactions remained the major income contributor, their share continued to reduce over the year – from 65.4% to 53%.

Company’s another core business, depository services, was also highly productive. Building upon its rapid market entry and a focused growth strategy, Armenbrok managed to beat its own target indicators on both market share and revenues. By year-end the number of customers served saw a 35% increase, and registry keeping revenues rose by 83% to AMD 64.7m, well above the planned level. All these factors led to more balanced and diversified income streams, as well as made the company the leader among peers on return ratios.

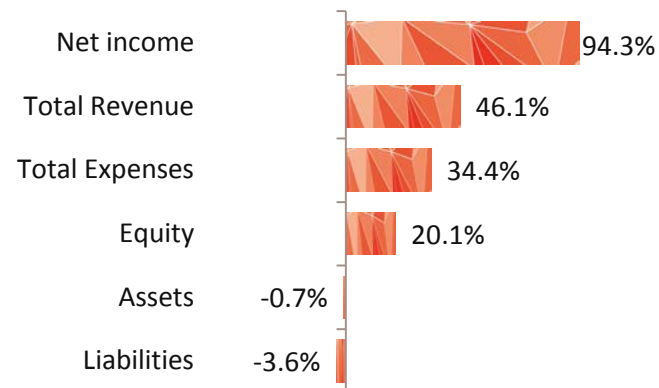
At the end of 2014, Armenbrok had an investment portfolio of slightly above AMD 6.0b with an average annual yield of 13.6%. Even though the total value of Gbonds held by the company remained almost unchanged on the previous year (AMD 5.8b), they still constitute the major share of the investments. Since the share of equities did not increase over the year, Armenbrok made a deliberate decision not to augment the Gbonds portfolio in order to maintain a conservative approach to investment diversification and acceptable leverage.

In December 2014, affected by the turmoil in emerging and frontier markets, Armenia – like many other developing countries – saw a substantial depreciation of its national currency followed by an interest rate increase. Armenbrok does and will experience the effects of this continuing volatility in 2015; however, the management is taking all necessary steps to protect the company from serious adverse impact.

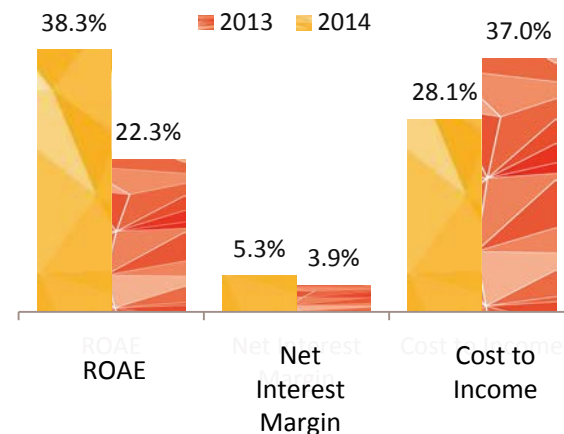
Armenbrok’s efforts and accomplishments did not go unnoticed: for the third year in a row NASDAQ OMX Armenia named the company as the Best Exchange member in Corporate Market. Besides that, Armenbrok was also announced the winner in two new nominations: the Best Account Operator of Depository System and the Best Account Operator-Custodian of Depository System in Corporate Securities Market for 2014.



Growth



Efficiency & Profitability



Financial Highlights, Y2014



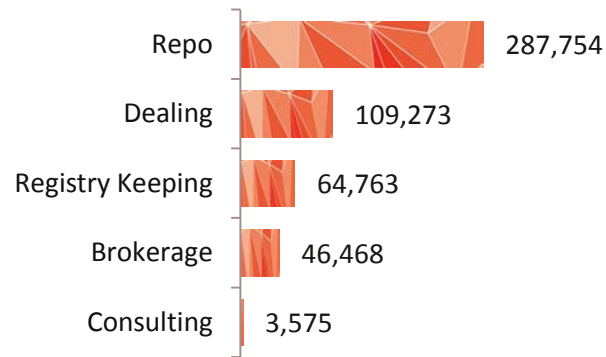
in thousands of AMD	As of December 31		Growth y-o-y
	2013	2014	
Financial Position			
Assets	6,184,565	6,139,613	-0.7%
Equity	757,696	910,265	20.1%
Liabilities	5,426,869	5,229,348	-3.6%
Investment portfolio	6,101,375	6,018,852	-1.4%
Financial Performance			
Net Interest Income	237,406	317,649	33.8%
Net fee and commission income	57,235	113,768	98.8%
Net income	164,234	319,048	94.3%
Selected ratios			
Net Interest Margin	3.9%	5.3%	
Interest earning assets to total assets	98.6%	98.0%	
Debt to Equity ratio	7.2	5.7	
Cost to Income ratio	37.0%	28.1%	
ROAA	2.9%	5.2%	
ROAE	22.3%	38.26%	

Dividend Calendar

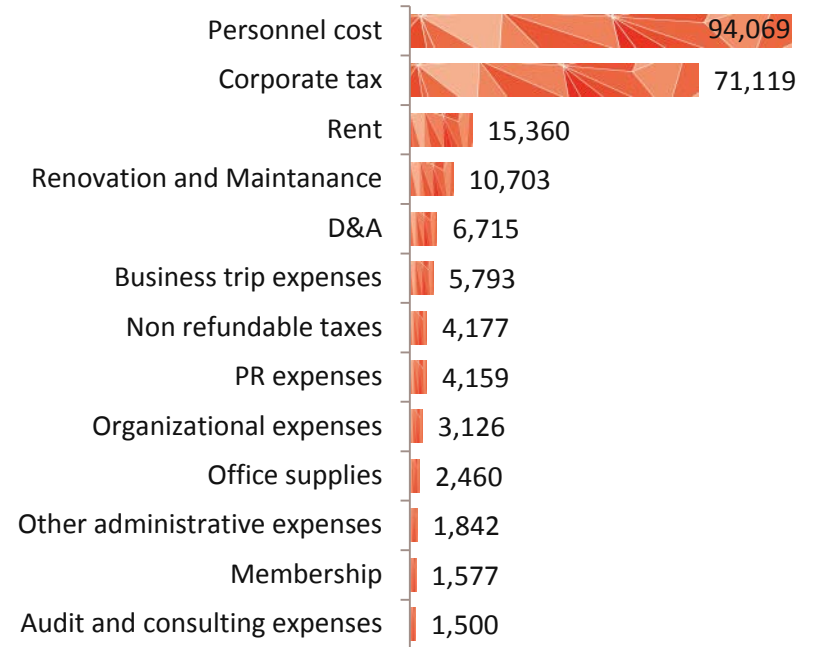
Dividends	2009	2011	2012	2013	2014F
AMD per share	190	175	464	600	600

Main performance data, Y2014

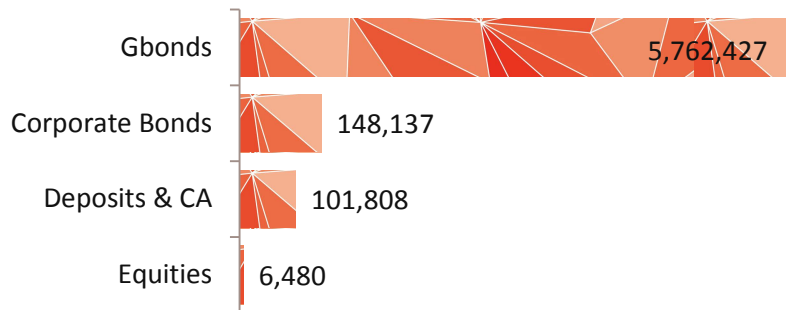
Net Operating Income, '000 AMD







Operating Expenses, '000 AMD



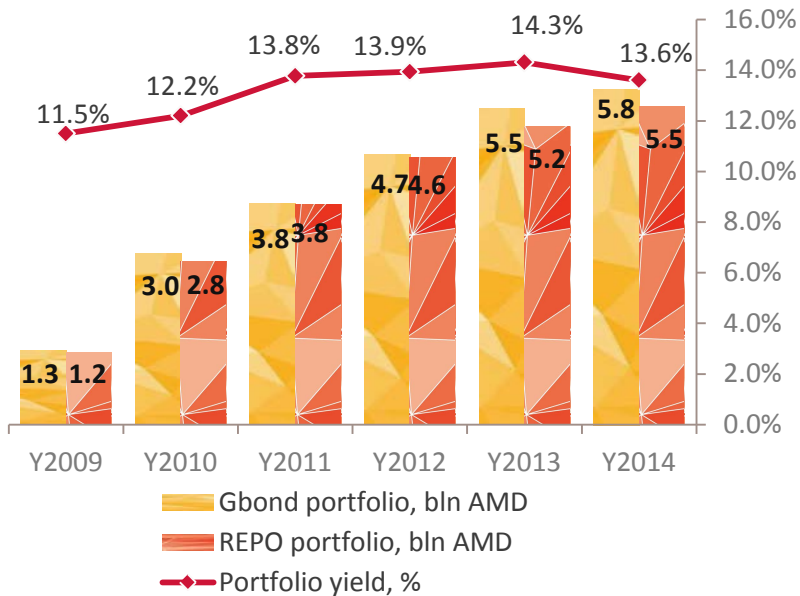
Investment portfolio, '000 AMD



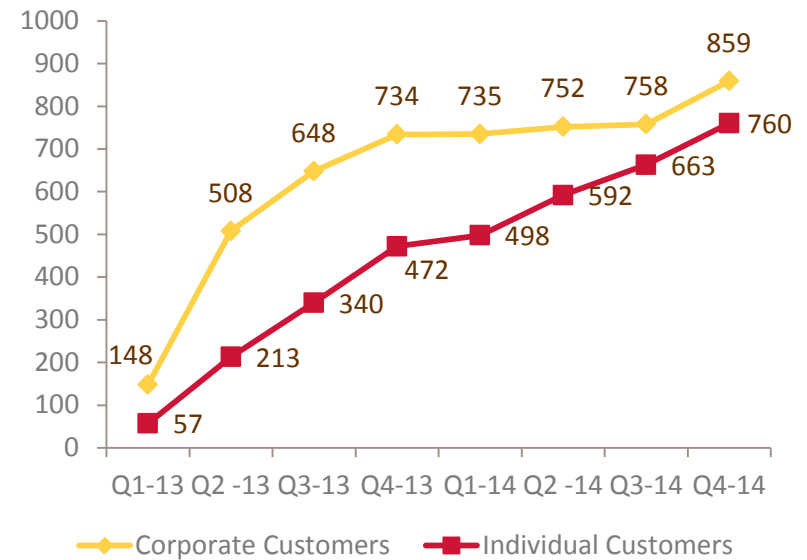
HIGHLIGHTS

-  High growth rates across all business lines in Y2014
-  Share of Repo income in total operating income decreased from **65%** to **56%**
-  Gbonds comprise about **95%** of total portfolio
-  Share of trades with corporate securities on stock exchange - **92%**

Repurchase agreements



Depository activities



HIGHLIGHTS

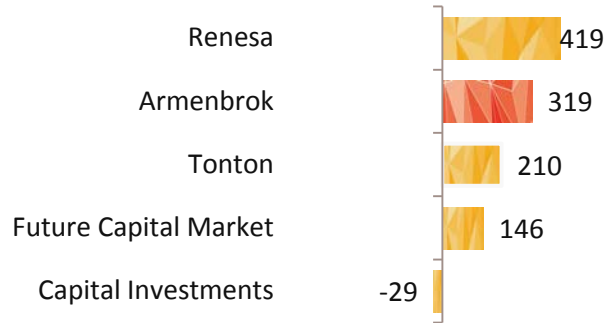
- 🛡️ Launched in **2009**
- 🛡️ Repo portfolio 5 year CAGR ≈ **35%**
- 🛡️ ≈ **5.8** bln AMD Gbond portfolio at year end **2014**
- 🛡️ Actively working with **15** partner banks
- 🛡️ Average portfolio yield ≈ **13.6%**
- 🛡️ Average Repo Margin ≈ **5.5%**

HIGHLIGHTS

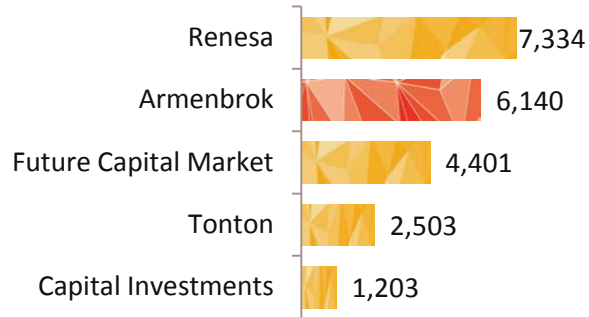
- 🛡️ Launched in **2010**, restructured in **2013**
- 🛡️ ≈ **1600** corporate and individual customers in total
- 🛡️ ≈ **60%** of total market share
- 🛡️ Gross income in Y2014 ≈ **65** mln AMD
- 🛡️ Estimate income in Y2015 ≈ **50** mln AMD

Peer comparison, Y2014

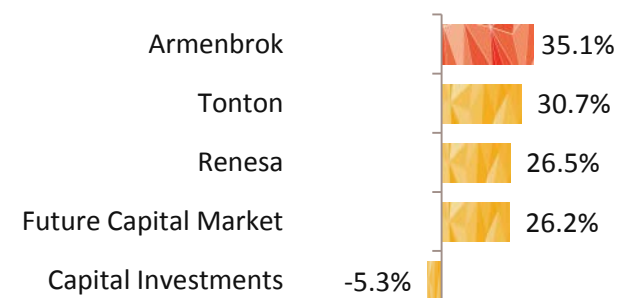
Net Income, mln AMD



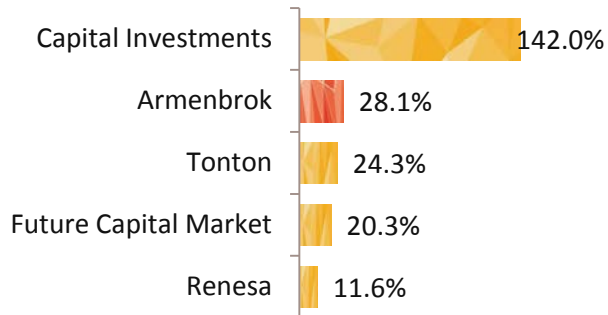
Total Assets, mln AMD



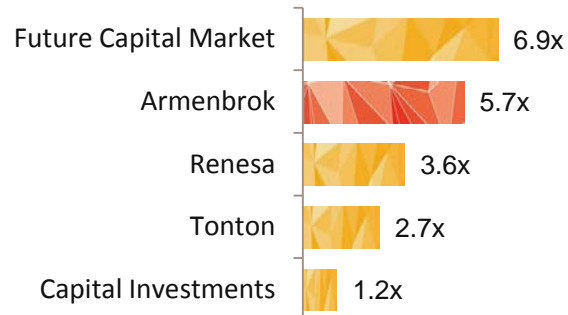
ROE, %



Cost to Income, %



Debt to Equity, times



Income Statement (audited)

in thousands of AMD	As of December 31		Growth y-o-y
	2013	2014	
Interest income	668,728	768,395	14.9%
Interest expenses	431,322	450,746	4.5%
Net interest income	237,406	317,649	33.8%
Fee and Commission income	109,274	291,801	167.0%
Fee and Commission expense	52,039	178,033	242.1%
Net fee and commission income	57,235	113,768	98.8%
Dividend income	800	12	-98.5%
Net trade income	-11,649	-33,666	189.0%
Other operating income	46,734	144,814	209.9%
Operating Income	330,526	542,577	64.2%
Administrative expenses	114,262	139,960	22.5%
Other expenses	8,008	12,450	55.5%
Income before taxes	208,256	390,167	87.3%
Profit tax charges	44,023	71,119	61.5%
Net income	164,233	319,048	94.3%

Balance Sheet (audited)

in thousands of AMD	As of December 31		Growth
	2013	2014	y-o-y
Cash and balances with CBA	4,541	2,899	-36.2%
Claims on banks & other fin. institutions	210,037	98,909	-52.9%
Claims on customers	54,128	98,882	82.7%
Financial investments held for trading	1,753	1,486	-15.2%
Investments available-for-sale	285,772	40,860	-85.7%
Investments held-to-maturity	5,594,108	5,874,698	5.0%
PP&E and intangibles	11,487	6,762	-41.1%
Other assets	22,739	15,117	-33.5%
TOTAL ASSETS	6,184,565	6,139,613	-0.7%
Chartered capital	267,150	267,150	0.0%
Share Premium	208,011	208,011	0.0%
Reserves	80,203	81,691	1.9%
Retained Earnings	202,332	353,413	74.7%
TOTAL EQUITY	757,696	910,265	20.1%
Due to other banks	5,373,036	5,157,403	-4.0%
Due to Customers	2,737	4,140	51.3%
Other liabilities	51,096	67,805	32.7%
TOTAL LIABILITIES	5,426,869	5,229,348	-3.6%

Selected ratios

Ratio	Y2010	Y2011	Y2012	Y2013	Y2014
ROE	2.71%	13.69%	11.53%	21.68%	35.05%
ROA	0.79%	2.11%	1.59%	2.66%	5.20%
ROAE	2.63%	10.06%	11.84%	22.27%	38.26%
ROAA	0.99%	2.21%	1.72%	2.88%	5.18%
Net Interest Margin	3.63%	3.66%	2.90%	3.89%	5.28%
Cost of funds	2.72%	5.50%	8.10%	9.10%	8.03%
Net fee and commission income / Total Operating income	10.76%	11.05%	5.15%	17.32%	20.97%
Net fee and commission income / Average total assets	0.45%	0.53%	0.21%	1.00%	1.85%
Cost to income ratio	65.18%	44.05%	46.50%	36.99%	28.09%
Cost / Average total assets	4.74%	7.11%	8.46%	7.57%	7.31%
Personnel costs / Total operating income	35.60%	24.58%	29.40%	24.60%	17.34%
Personnel costs / Average total assets	1.47%	1.18%	1.18%	1.43%	1.53%
Total cash balances / Total Liabilities	0.08%	0.05%	0.09%	0.08%	0.06%
Liquid assets / Total assets	21.42%	9.23%	7.30%	8.12%	2.35%
Interest earning assets / Total assets	98.87%	98.71%	99.28%	98.57%	98.03%
Total liabilities / Equity	2.4x	5.5x	6.3x	7.2x	5.7x
Equity / Total Assets	0.3x	0.2x	0.1x	0.1x	0.1x

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Money has
IDEAS
WE HAVE