



armenbrok

Money has
no IDEAS
WE HAVE

Annual Report

Presentation

2011 *Boosting the growth*





armenbrok

Legal name	Armenbrok OJSC
Commercial registry and license №	10 (Central Bank of Armenia)
Stock Exchange Membership	NASDAQ OMX Armenia
Main activities	Investment Banking, Brokerage, Dealing (Repo), Depository Services, Business Consulting, Global Trading
Number of shareholders	37 (2 Institutional, 35 individual)
Shareholders domiciled in	Armenia, Germany, Sweden, Austria, Switzerland, Greece, USA, Canada, Australia, Italy, Lithuania
Shares outstanding	267,150
Number of employees	15
Main Staff	Aram Kayfajyan, CEO Samvel Sahakyan, Research Hayk Manaselyan, Internal Audit Edgar Aghabekyan, Repo Araksia Harutyunyan, Trading Siranush Khlghatyan, Accountancy Mikael Broyan, Global Trading Elmira Ghalumyan, Depository Suren Mkrtchyan, Business Consulting
Auditor	Baker Tilly Armenia

Money has
no IDEAS
WE HAVE

Summary results

Growth

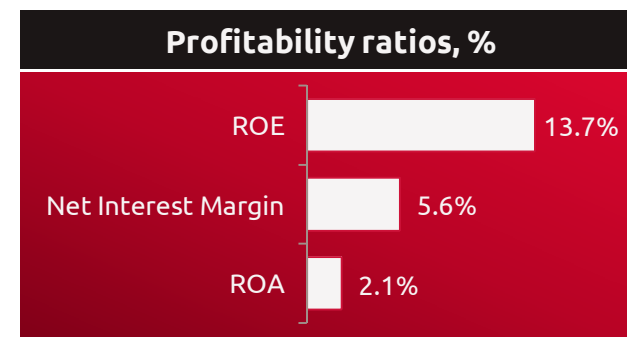
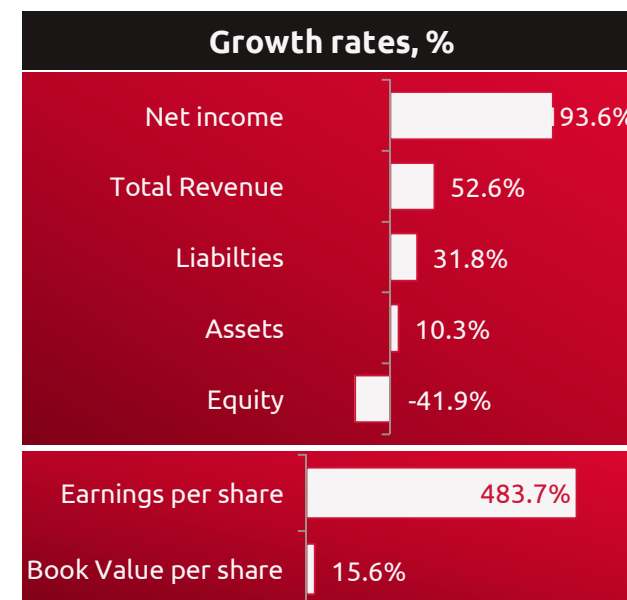
Y2011 was a year of unprecedented growth for Armenbrok Investment Company. In spite of about 50% equity repurchase, the Company demonstrated outstanding results recording a 52% growth of total revenue, a 50% growth in operating income and nearly 3x increase in net income. This is a result of a more aggressive business strategy for all business units and particularly Repo operations, Depository services and Global trading. As a result the Company recorded high growth rates over nearly all business lines except ibanking, though repo operations contributed the most to the total revenue growth (44% of total revenue growth). All these came along with a 10% growth rate in total assets, a 32% growth in liabilities and 42% decrease in Equity, which however increased Company's leverage (debt to equity ratio) to 5.5x as opposed to 2.4x in Y2010 exposing the Company to more financial risk.

Efficiency & Profitability

Along with high growth rates of revenue and income, the company also succeeded to increase its efficiency as evidenced by lower cost to income ratio (44.1% in Y 2011 as against 65.2% in Y2010) and higher net interest margin (5.6% in Y 2011 as against 3.7% in Y2010). This, along with increased leverage significantly influenced on Company's profitability, with ROE amounting to 13.7% as against 2.7% in Y2010 and ROA 2.1% as against 0.8% in Y2010.

Market Share

In the market Armenbrok has positioned itself as a full range of investment services provider, offering its clients the most diversified services among its peers, while most of the players are doing only repo operations and FX trading. As a result Armenbrok has a below average leverage constituting 5.5x as opposed to the industry high of 8.6x, which significantly affects its profitability as against its peers. In spite of that the Company has succeeded to take 2nd or 3rd positions with its total assets, revenues and return yields. Thus, the Company covers about 24% of the market with its assets and 25% with its investments portfolio, while with operating revenue it takes only 23% of total market. While in market trading volume Armenbrok still remains an absolute market leader having more than 80% share in 2011.





Financial Highlights

	As of December 31		Growth, %
	2010	2011	y-o-y
Financial Position			
Assets	4,008,488	4,421,061	10.3%
Equity	1,171,200	680,893	-41.9%
Liabilities	2,837,288	3,740,168	31.8%
Investment portfolio	3,225,111	4,113,573	27.5%
Financial Performance			
Total Revenue, incl.	132,945	202,859	52.6%
<i>Investment income</i>	30,175	53,346	76.8%
<i>Operating revenue</i>	102,770	149,512	45.5%
Net income	31,740	93,182	193.6%
Selected ratios			
Net Interest Margin	3.66%	5.62%	1.96 pps
Interest earning assets to total assets	98.67%	95.36%	-3.31 pps
Debt to Equity ratio	2.42	5.49	126.75%
Cost to Income ratio	65.18%	44.05%	-21.13 pps
RoA	0.8%	2.1%	1.3 pps
RoE	2.7%	13.7%	11.0 pps
Per share data			
No of shares outstanding	531,150	267,150	-49.7%
Book Value per share, AMD	2,205	2,549	15.6%
Earnings per share, AMD	60	349	483.7%

Market Summary

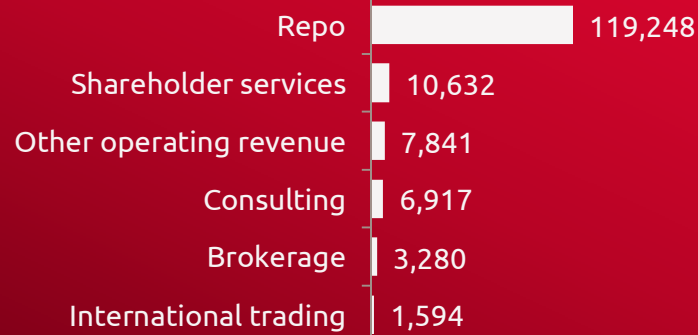
Capital market of Armenian in Y2011 can be characterized with low liquidity and decreased trading activity. Though stock market recorded a slight 0.7% y-o-y growth, about 80% of that volume was covered by 2 block trades with the shares of ArmEconombank and Artsakh HEK. No IPOs or secondary offerings were recorded in the market in Y2011.

With regard to corporate bond market, the trading volume faced a rough 65% decrease y-o-y amounting AMD 669 mln. Three new issues of corporate bonds were done in Y2011 by Araratbank, Shen Concern and Valetta, most part of which were aimed at refinancing and restructuring outstanding bonds. The total volume amounted to AMD 2.0 bln. One of the major reasons of decreasing liquidity is expectations for exchange rate sharp fluctuations, which makes investments in Armenian Drams more exposed to currency risk.

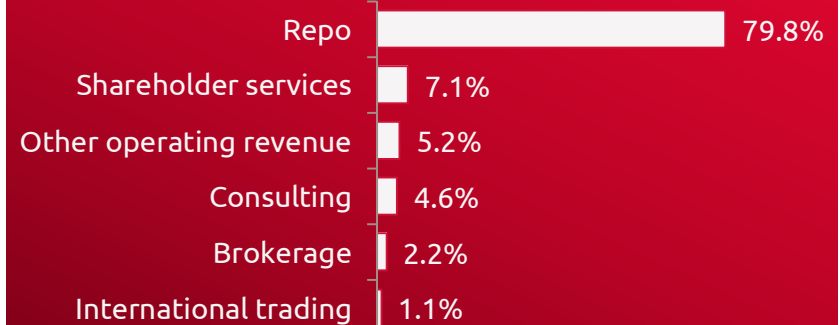


Operating Revenue, Y2011

Revenue composition, '000 AMD



Revenue composition, %



Revenue growth, y-o-y, %

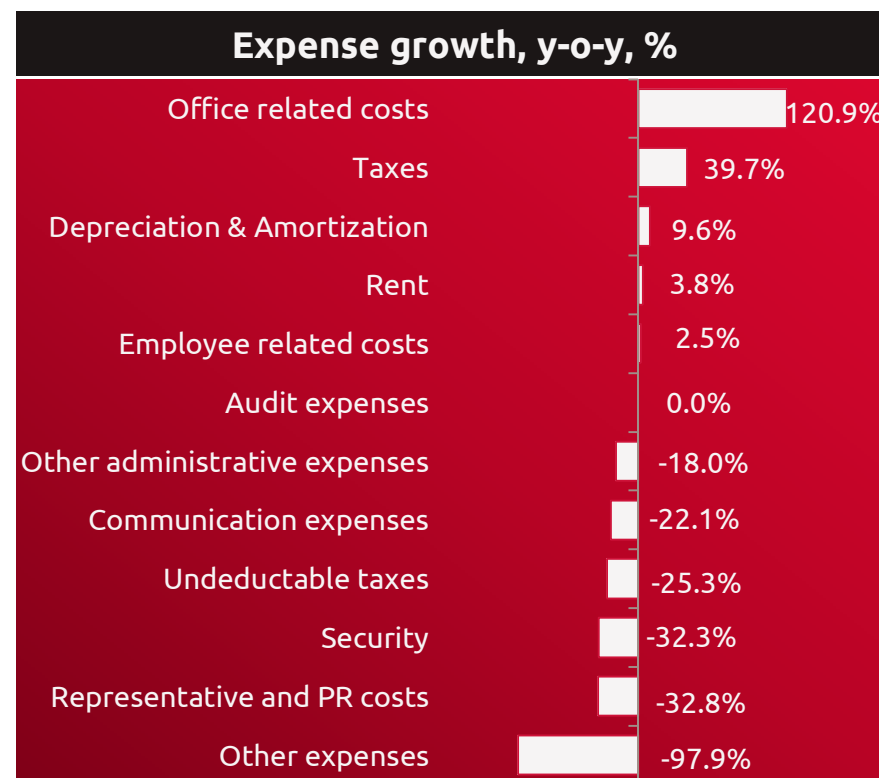
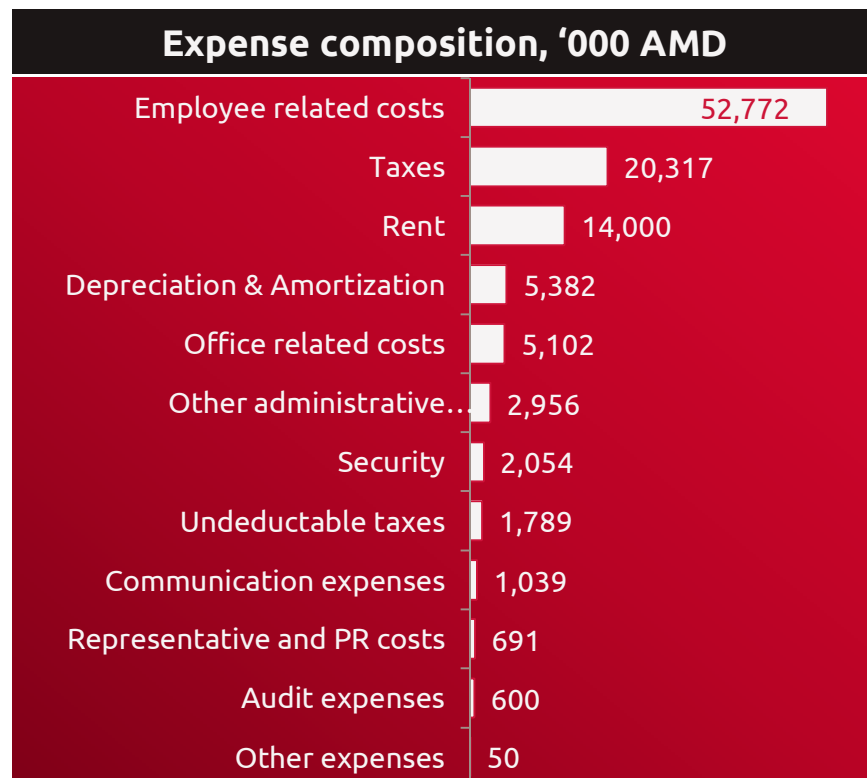


HIGHLIGHTS

- Substantial growth over all business units
- More aggressive business strategy
- 53% revenue growth
- 77% investment income growth
- 25% customer base growth



Operating Expenses, Y2011



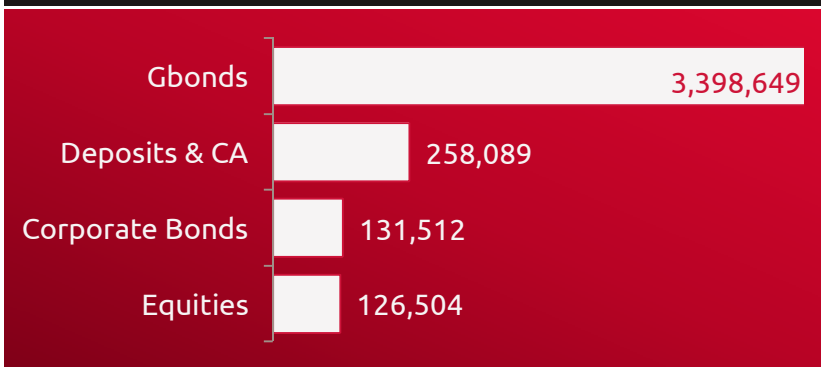
HIGHLIGHTS

- 8.4% expense growth vs. 52.6% revenue growth
- Decrease in expenses over 6 line items
- 44% cost to income ratio in 2011 vs. 65% in 2010

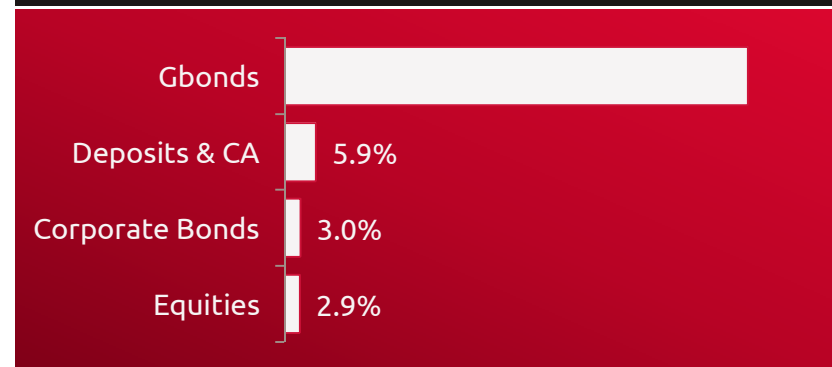


Investment Portfolio, 31 December 2011

Investment portfolio, '000 AMD







Investment portfolio, % of total



Investment portfolio growth, y-o-y, %

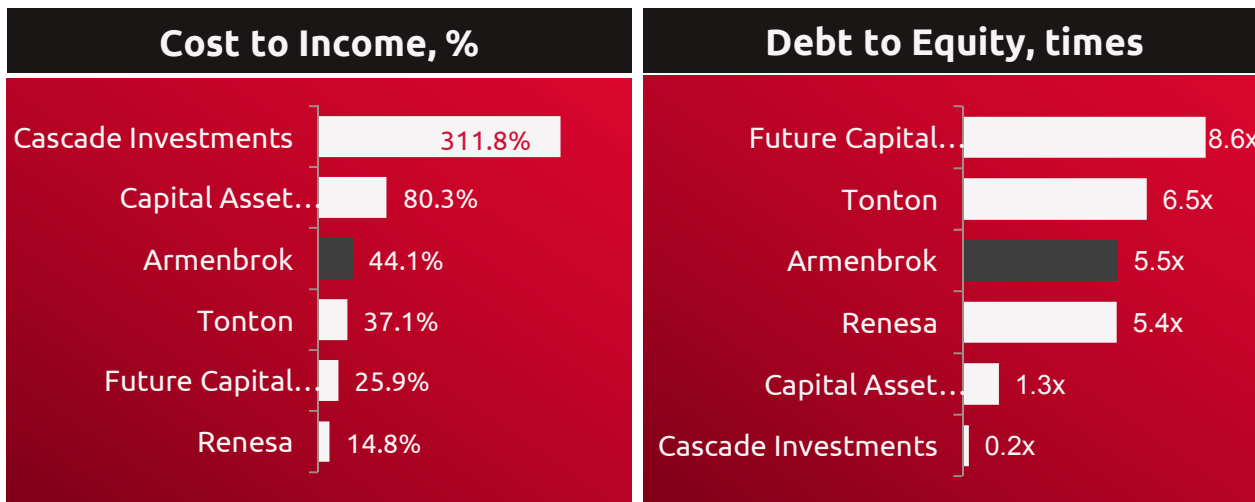
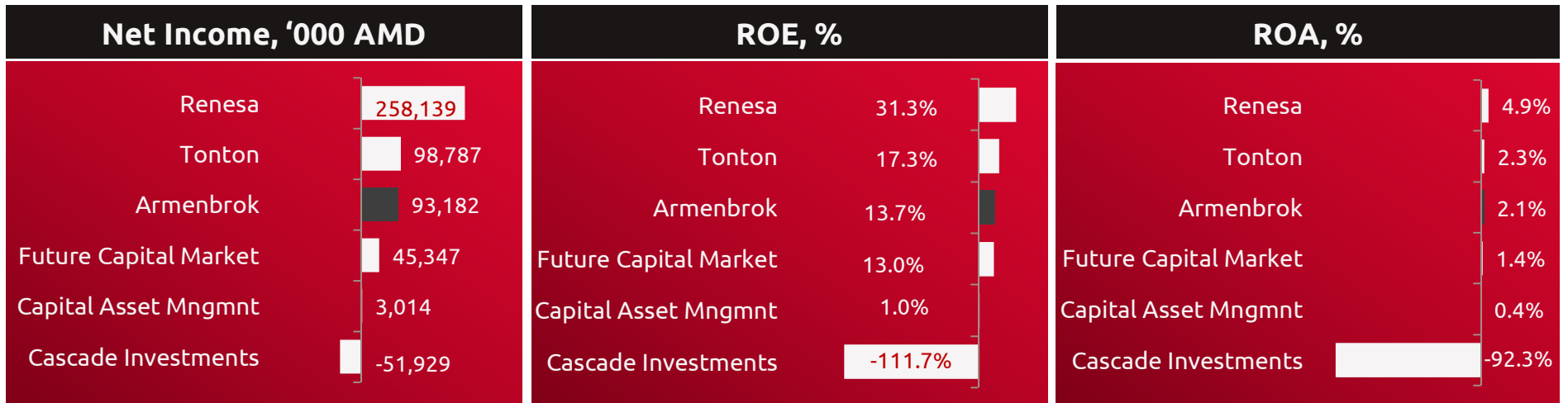


HIGHLIGHTS

-  Total portfolio value – AMD 4.36 bln
-  10 % portfolio increase despite 55% share repurchase
-  Substantial structural changes
-  14% yield on portfolio



Peer comparison, Y2011



HIGHLIGHTS

- 3rd place in the market over all positions
- Though less levered than market leaders
- Most diversified investment services/products in the market



Income Statement (audited)

	As of December 31		Growth
	2010	2011	y-o-y
Interest income	296,144	459,334	55.1%
Interest expenses	152,106	299,520	96.9%
Net interest income	144,038	159,814	11.0%
Fee and Commission income	14,309	22,423	56.7%
Fee and Commission expense	0	0	n.m.
Net fee and commission income	14,309	22,423	56.7%
Dividend income	604	451	-25.3%
Net trade income	-26,182	12,330	-147.1%
Other operating income	175	7,841	4380.6%
Operating Income	132,944	202,859	52.6%
Administrative expenses	78,348	83,237	6.2%
Other expenses	8,311	6,123	-26.3%
Income before taxes	46,285	113,499	145.2%
Profit tax charges	14,545	20,317	39.7%
Net income	31,740	93,182	193.6%



Balance Sheet (audited)

	As of December 31		Growth
	2010	2011	y-o-y
Cash and balances with CBA	2,339	1,851	-20.9%
Claims on banks & other fin. institutions	735,654	248,729	-66.2%
Claims on customers	23,142	33,591	45.2%
Financial investments held for trading	18,765	25,365	35.2%
Investments available-for-sale	101,763	131,938	29.7%
Investments held-to-maturity	3,104,583	3,956,270	27.4%
PP&E and intangibles	19,709	14,994	-23.9%
Other assets	2,533	8,323	228.6%
TOTAL ASSETS	4,008,488	4,421,061	10.3%
Chartered capital	531,150	267,150	-49.7%
Share Premium	524,811	208,011	-60.4%
Reserves	79,670	79,670	0.0%
Retained Earnings	35,569	126,062	254.4%
TOTAL EQUITY	1,171,200	680,893	-41.9%
Due to other banks	2,763,094	3,677,301	33.1%
Other liabilities	74,194	62,867	-15.3%
TOTAL LIABILITIES	2,837,288	3,740,168	31.8%



Selected ratios

Ratio	Y2009	Y2010	Y2011
ROE	5.5%	2.7%	13.7%
ROA	2.8%	0.8%	2.1%
ROAE	5.7%	2.6%	10.1%
ROAA	3.8%	1.0%	2.2%
Net Interest Margin	5.2%	3.7%	5.6%
Net non-interest income/Total Operating income	27.1%	-8.3%	21.2%
Net fee and commission income/Total Operating income	10.6%	10.8%	11.1%
Net fee and commission income/Average total assets	0.9%	0.4%	0.5%
Cost to income ratio	49.30%	65.18%	44.05%
Cost / Average total assets	4.26%	2.70%	2.12%
Personnel costs/Total operating income	29.23%	38.74%	26.01%
Personnel costs/Average total assets	2.53%	1.60%	1.25%
Total cash balances / Total Liabilities	69.71%	25.93%	0.00%
Liquid assets / Total assets	38.39%	21.42%	9.23%
Total liabilities / Equity	94.57%	242.25%	549.30%
Equity / Total Assets	51.39%	29.22%	15.40%



armenbrok

CONTACTS

ARMENBROK

Investment Company

32/1 Tigran Mets ave.,
0018 Yerevan, Republic of Armenia

Tel: +37410 538700

Fax: +37410 528986

E-mail: armenbrok@armenbrok.com

Web: www.armenbrok.am

www.armenbrok.com

Aram Kayfajyan

Chief Executive Officer

Tel: +37410 538700

Mob: +37491 412837

E-mail: kayfajyan@armenbrok.com

Skype: [aram.kayfajyan](https://www.skype.com/user/aram.kayfajyan)

Linkedin: [Aram Kayfajyan](https://www.linkedin.com/in/aram-kayfajyan)

Samvel Sahakyan

Head of Research

Tel: (+374 10) 538700

Mob: +37491 607799

E-mail: sahakyan@armenbrok.com

Skype: [ssahakyan](https://www.skype.com/user/ssahakyan)

Linkedin: [Samvel Sahakyan](https://www.linkedin.com/in/samvel-sahakyan)

Mikhail Broyan

International markets analyst

Tel: (+374 10) 538700

Mob: +37455 577170

E-mail: broyan@armenbrok.com

Linkedin: [Mikhail Broyan](https://www.linkedin.com/in/mikhail-broyan)

Money has
no IDEAS
WE HAVE