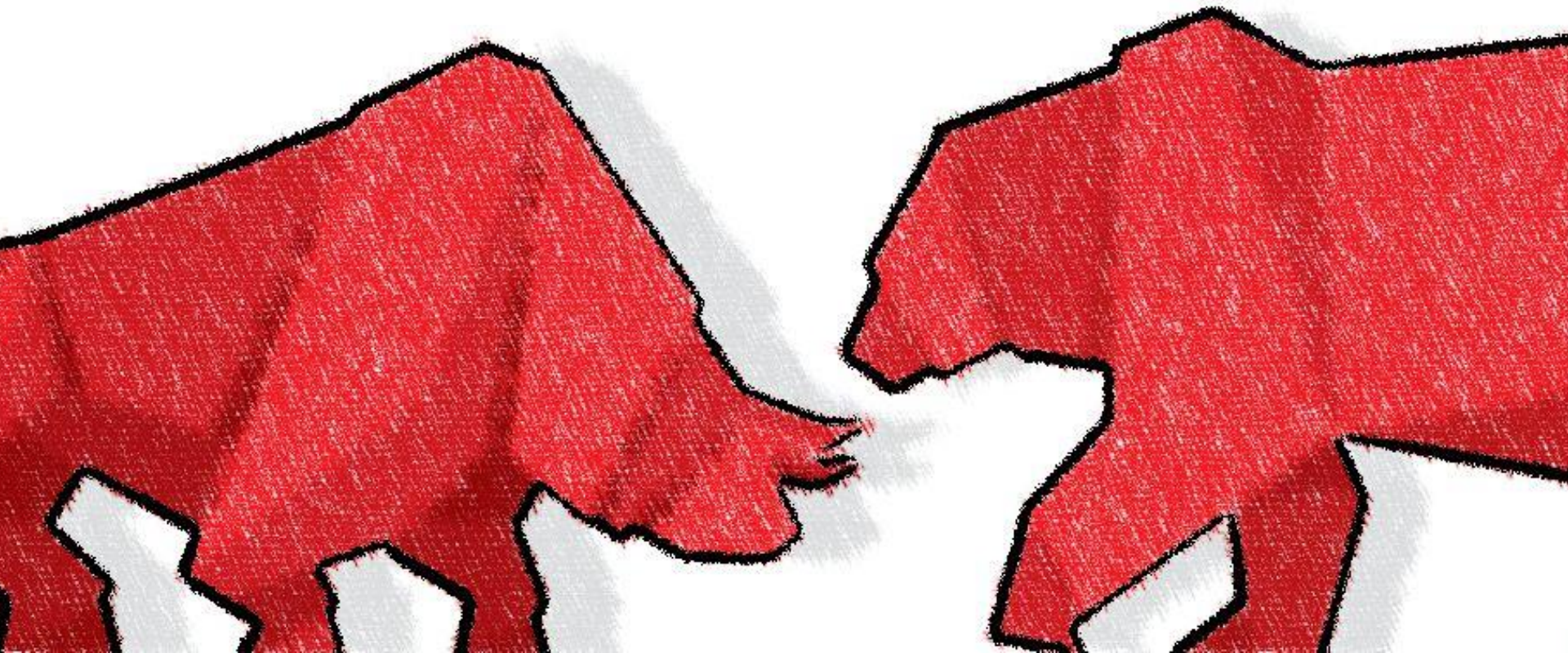




armenbrok

ANNUAL REPORT
PRESENTATION
2015





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 | 28 (1 Institutional, 27 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 - Registry keeper of Depository System 2014, 2015 Best Account Operator-Custodian of Depository System in corporate securities market 2014, 2015 Best member In Unified System of Securities Registration and Settlement 2015 |



Summary results

Year 2015 brought about severe challenges to emerging markets across the world and specifically the countries of the region, including Armenia. Decline in growth rates, deceleration of remittance inflows, reduction in local demand and other macroeconomic issues inevitably triggered tensions in the financial system such as pressure for the depreciation of the domestic currency and a rise in interest rates.

Against this adverse economic backdrop, Armenbrok's primary objective throughout the year was to navigate the challenges in a most effective way ensuring that shareholders' returns are kept on a reasonable level. And, even though for a few months of 2015 Armenbrok had to operate under negative margins, which obviously affected the company's annual bottom line, this objective has been largely accomplished.

Despite the fact that, for reasons mentioned above, interest and other income received by Armenbrok were substantially lower than in previous years while net interest margin was at five-year low of 1.62%, Armenbrok still managed to generate a ROE of 8.23%. Total operating income, having decreased significantly over the year, nevertheless demonstrated an improved, more diversified structure with a reduced contribution from repo transactions (34% against 56% in 2014) and increased share of other revenue lines, e.g. dealing (27% against 21%) and registry keeping (doubled to 26% from 13% in 2014). With a customer base exceeding 1,600 private and legal entities representing a market share of about 60%, the depository business did and will continue to bolster the company's steady revenues.

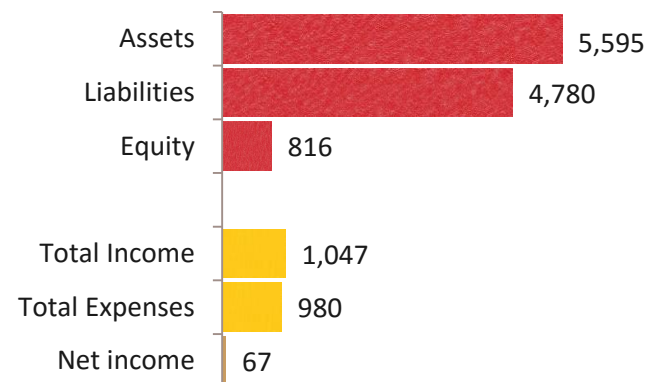
As of year-end 2015, Armenbrok held an investment portfolio of just short of AMD 6.0b with an average annual yield at 13.62%, which is equal to the last year's level. Gbonds still make up the overwhelming majority of all investments, however, the company's management keeps a constant eye on portfolio composition to ensure proper diversification and leverage.

Armenbrok continues to rank among the top three investment companies in the Armenian market on almost all major financial indicators. The company's focus is to build upon its competitive advantages making full use of the opportunities provided by the environment. Starting with March 2015, the Central Bank of Armenia adopted and has been implementing interest rate reduction plans, so, at the time this report is being finalized, Armenbrok's current financials and future prospects have already been positively affected.

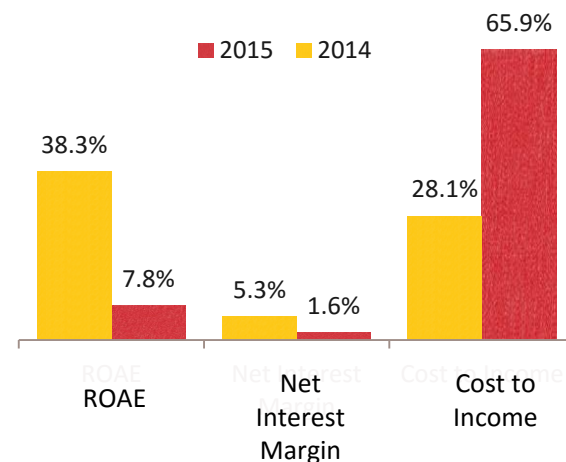
The 2015 would just not be complete without NASDAQ Armenia recognizing Armenbrok's efforts—something that has apparently become a tradition. This year, at the special annual ceremony held by the stock exchange Armenbrok was awarded the Grand Prix as the "Best member in Unified system of securities registration and settlement" for 2015. The company also won the "Best Account operator-custodian of depository system in corporate securities market" (also received in 2014) and "Best Account operator-registry keeper of depository system" awards. Previously, for 2012, 2013, and 2014, Armenbrok was also named the Best Exchange member of the year in corporate market.



Main Financials, mln AMD



Efficiency & Profitability



Financial Highlights, Y2015



As of December 31
in thousands of AMD

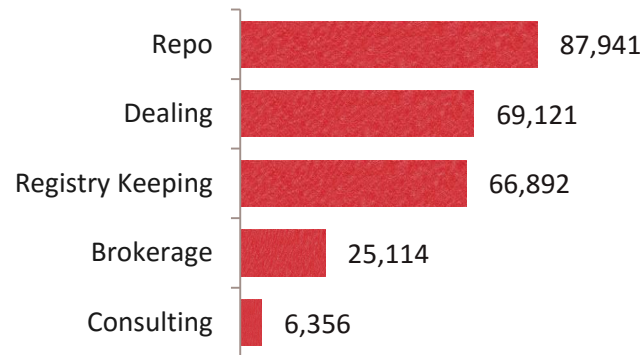
| | 2014 | 2015 | Growth y-o-y |
|---|-----------|-----------|--------------|
| Financial Position | | | |
| Assets | 6,139,613 | 5,595,357 | -8.9% |
| Equity | 910,265 | 815,632 | -10.4% |
| Liabilities | 5,229,348 | 4,779,725 | -8.6% |
| Investment portfolio | 6,018,852 | 5,219,876 | -1.4% |
| Financial Performance | | | |
| Net Interest Income | 317,649 | 87,940 | -72.3% |
| Net fee and commission income | 113,768 | 89,688 | -21.2% |
| Net income | 319,048 | 67,150 | -79.0% |
| Selected ratios | | | |
| Net Interest Margin | 5.3% | 1.62% | |
| Interest earning assets to total assets | 98.0% | 97.10% | |
| Debt to Equity ratio | 5.7x | 5.9x | |
| Cost to Income ratio | 28.1% | 65.89% | |
| ROAA | 5.2% | 1.14% | |
| ROAE | 38.26% | 7.78% | |

Dividend Calendar

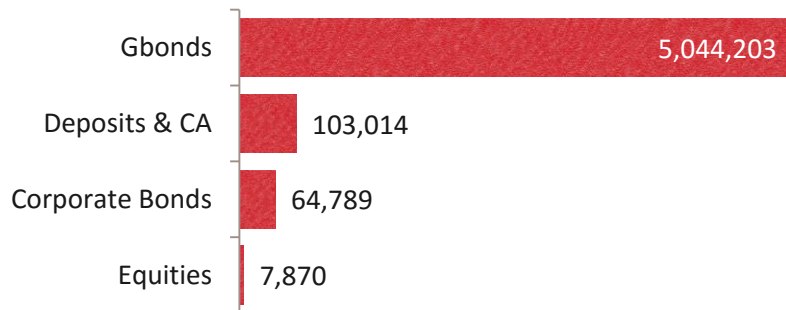
| Dividends | 2009 | 2011 | 2012 | 2013 | 2014 | 2015F |
|---------------|------|------|------|------|------|-------|
| AMD per share | 190 | 175 | 464 | 600 | 600 | 200 |

Main performance data, Y2015

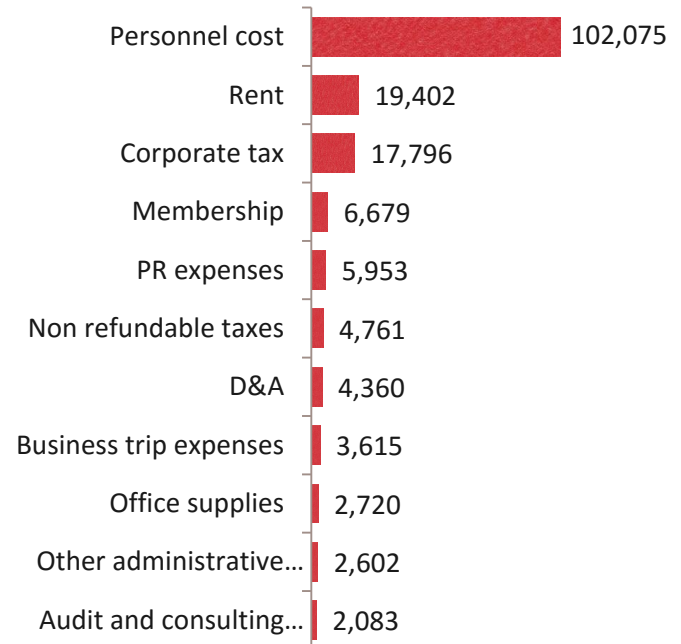
Net Operating Income, '000 AMD






Investment portfolio, '000 AMD



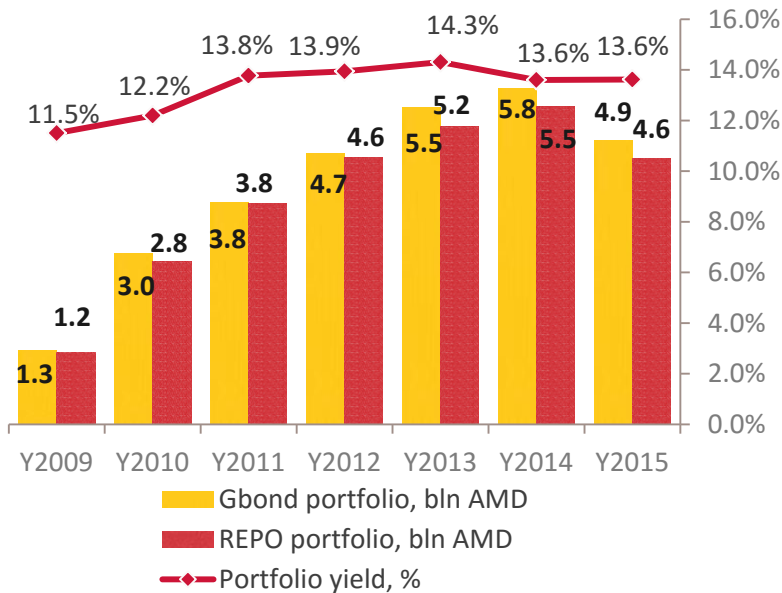
Operating Expenses, '000 AMD



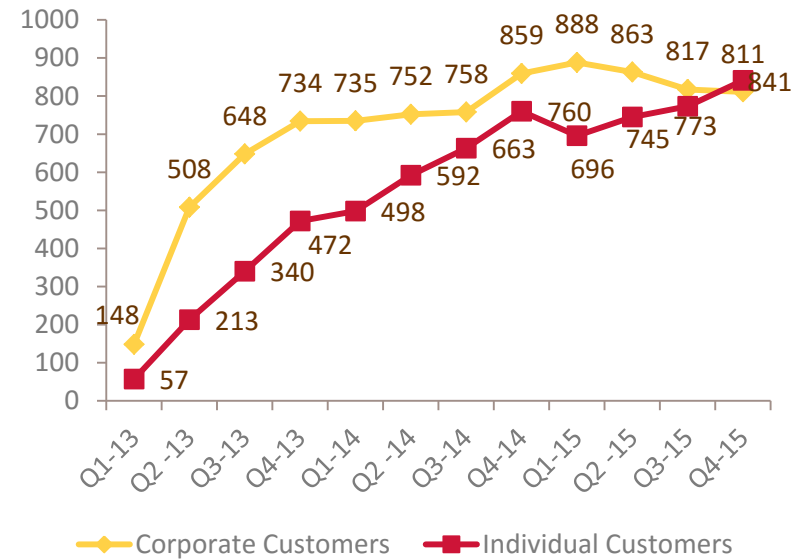
HIGHLIGHTS

-  Keeping positive net income balances across all business lines in Y2015 despite highly fluctuating market environment
-  Gbond portfolio comprises about **97%** of total portfolio
-  Major expense line is still personnel cost comprising around 54% of total operating expenses

Repurchase agreements



Depository activities



HIGHLIGHTS

- Launched in **2009**
- Repo portfolio 6 year CAGR \approx **26%**
- \approx **5.0** bln AMD Gbond portfolio at year end **2015**
- Actively working with **15** partner banks
- Average portfolio yield \approx **13.62%**
- Average Repo Margin \approx **1.24%**

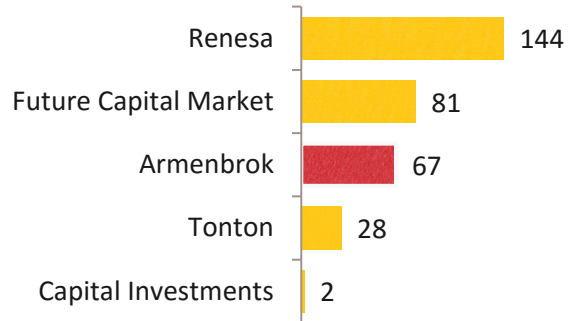
HIGHLIGHTS

- Launched in **2010**, restructured in **2013**
- More than **1600** corporate and individual customers in total
- \approx **60%** of total market share
- Gross income in Y2015 \approx **67** mln AMD
- Estimate income in Y2016 \approx **70** mln AMD

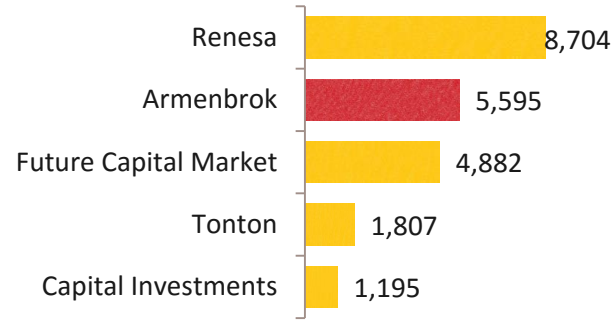
Peer comparison, Y2015



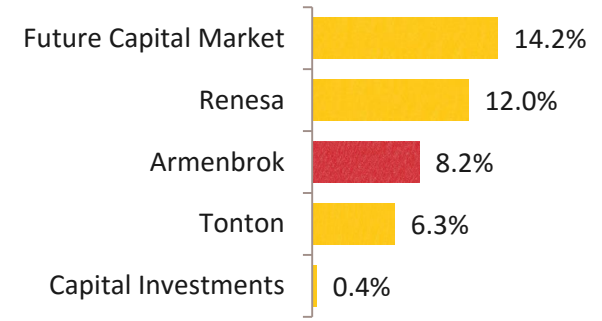
Net Income, mln AMD



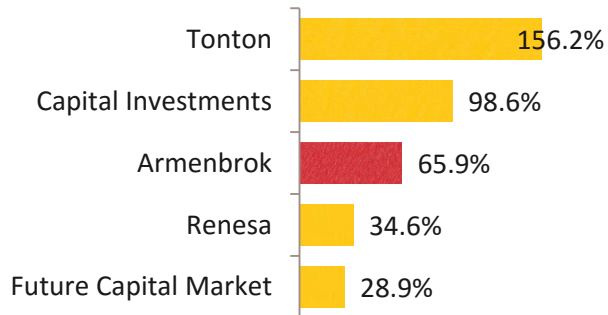
Total Assets, mln AMD



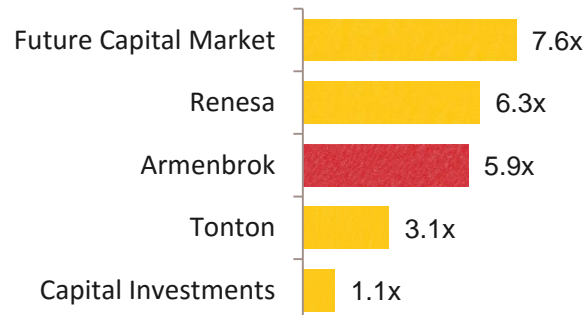
ROE, %



Cost to Income, %



Debt to Equity, times



Income Statement (audited)

| As of December 31 in thousands of AMD | 2014 | 2015 | Growth y-o-y |
|--|----------------|----------------|---------------|
| Interest income | 768,395 | 733,124 | -4.6% |
| Interest expenses | 450,746 | 645,184 | 43.1% |
| Net interest income | 317,649 | 87,940 | -72.3% |
| Fee and Commission income | 291,801 | 203,555 | -30.2% |
| Fee and Commission expense | 178,033 | 113,867 | -36.0% |
| Net fee and commission income | 113,768 | 89,688 | -21.2% |
| Dividend income | 12 | 12 | 0.0% |
| Net trade income | -33,666 | -1,884 | 94.4% |
| Other operating income | 144,814 | 73,259 | -49.4% |
| Operating Income | 542,577 | 249,015 | -54.1% |
| Administrative expenses | 139,960 | 137,169 | -2.0% |
| Other expenses | 12,450 | 26,900 | 116.1% |
| Income before taxes | 390,167 | 84,946 | -78.2% |
| Profit tax charges | 71,119 | 17,796 | -75.0% |
| Net income | 319,048 | 67,150 | -79.0% |

Balance Sheet (audited)

As of December 31
in thousands of AMD

| | 2014 | 2015 | Growth y-o-y |
|---|------------------|------------------|-----------------|
| Cash and balances with CBA | 2,899 | 103,014 | 3453.4% |
| Claims on banks & other fin. institutions | 98,909 | 213,003 | 115.4% |
| Claims on customers | 98,882 | 0 | -100.0% |
| Financial investments held for trading | 1,486 | 72,109 | 4752.6% |
| Investments available-for-sale | 40,860 | 176,425 | 331.8% |
| Investments held-to-maturity | 5,874,698 | 4,868,328 | -17.1% |
| PP&E and intangibles | 6,762 | 4,354 | -35.6% |
| Other assets | 15,117 | 158,124 | 946.0% |
| TOTAL ASSETS | 6,139,613 | 5,595,357 | -8.9% |
| Chartered capital | 267,150 | 267,150 | 0.0% |
| Share Premium | 208,011 | 208,011 | 0.0% |
| Reserves | 81,691 | 80,198 | -1.8% |
| Retained Earnings | 353,413 | 260,273 | -26.4% |
| TOTAL EQUITY | 910,265 | 815,632 | -10.4% |
| Due to other banks | 5,157,403 | 4,556,328 | -11.7% |
| Due to Customers | 4,140 | 185,411 | 4378.5% |
| Other liabilities | 67,805 | 37,986 | -44.0% |
| TOTAL LIABILITIES | 5,229,348 | 4,779,725 | -8.6% |

Selected ratios

| Ratio | Y2011 | Y2012 | Y2013 | Y2014 | Y2015 |
|--|--------------|--------------|--------------|--------------|--------------|
| ROE | 13.69% | 11.53% | 21.68% | 35.05% | 8.23% |
| ROA | 2.11% | 1.59% | 2.66% | 5.20% | 1.20% |
| ROAE | 10.06% | 11.84% | 22.27% | 38.26% | 7.78% |
| ROAA | 2.21% | 1.72% | 2.88% | 5.18% | 1.14% |
| Net Interest Margin | 3.66% | 2.90% | 3.89% | 5.28% | 1.62% |
| Cost of funds | 5.50% | 8.10% | 9.10% | 8.03% | 14.16% |
| Net fee and commission income / Total Operating income | 11.05% | 5.15% | 17.32% | 20.97% | 36.02% |
| Net fee and commission income / Average total assets | 0.53% | 0.21% | 1.00% | 1.85% | 1.53% |
| Cost to income ratio | 44.05% | 46.50% | 36.99% | 28.09% | 65.89% |
| Cost / Average total assets | 7.11% | 8.46% | 7.57% | 7.31% | 11.00% |
| Personnel costs / Total operating income | 24.58% | 29.40% | 24.60% | 17.34% | 40.99% |
| Personnel costs / Average total assets | 1.18% | 1.18% | 1.43% | 1.53% | 1.74% |
| Total cash balances / Total Liabilities | 0.05% | 0.09% | 0.08% | 0.06% | 2.16% |
| Liquid assets / Total assets | 9.23% | 7.30% | 8.12% | 2.35% | 10.09% |
| Interest earning assets / Total assets | 98.71% | 99.28% | 98.57% | 98.03% | 97.10% |
| Total liabilities / Equity | 5.5x | 6.3x | 7.2x | 5.7x | 5.9x |
| Equity / Total Assets | 0.2x | 0.1x | 0.1x | 0.1x | 0.1x |

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Money has
no IDEAS
WE HAVE