



**money has
no ideas,**

we do

Armenbrok at a glance

Awards

Established in	1994
Commercial registry and license	Central Bank of Armenia, №10
Stock exchange membership	AMX
Main activities	Investment banking, brokerage, dealing (repo), market-making, registry keeping, custodian, investment solutions, business advisory
Number of shareholders	26 (one institutional, 25 individual)
Shareholders domiciled in	Armenia, Germany, Austria, Switzerland, Greece, USA, Canada, Australia, Italy, Lithuania
Shares outstanding	267,150
Number of employees	19
Premises	Yerevan, 39 Hanrapetutyan street
Auditor	Deloitte Armenia

Best Exchange Member in Repo/Swap Transactions for 2018-20

Best Account Operator-Custodian of Depository System in Corporate Securities Market for 2014-2020

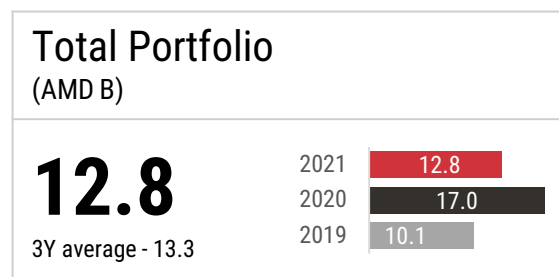
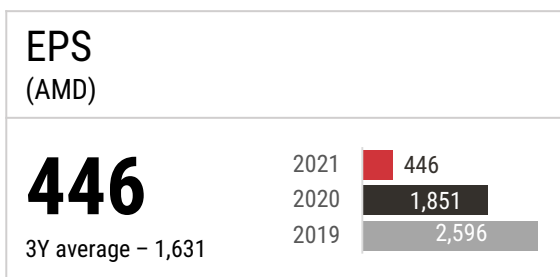
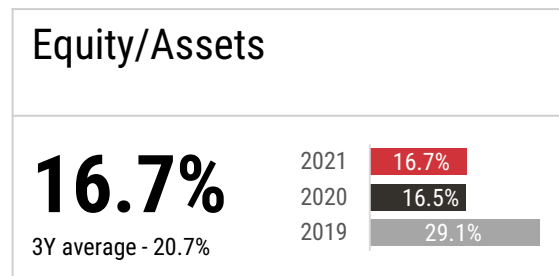
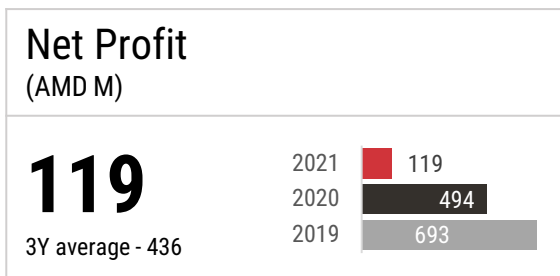
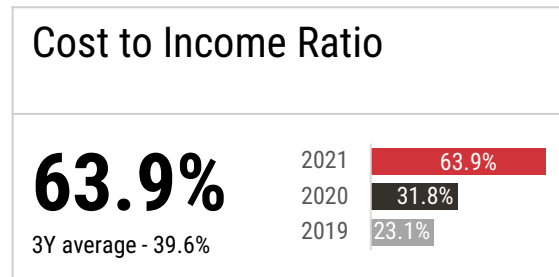
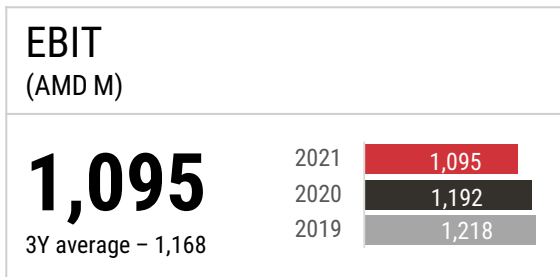
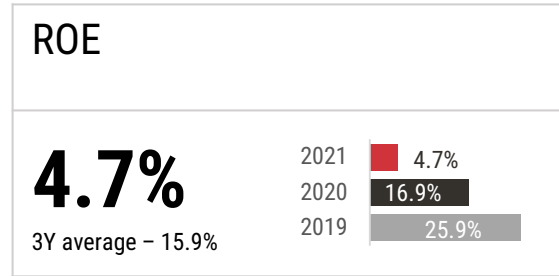
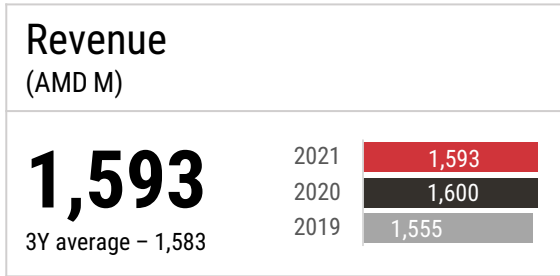
Best Account Operator-Registry Keeper of Depository System for 2014-2018

Best Member in Unified System of Securities Registration and Settlement for 2015-2018

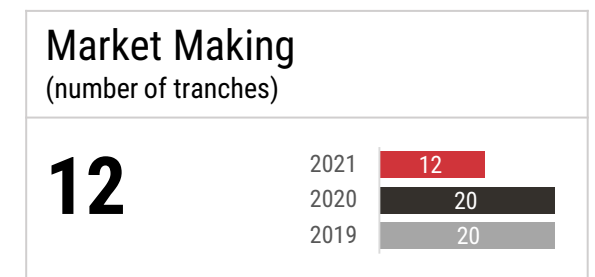
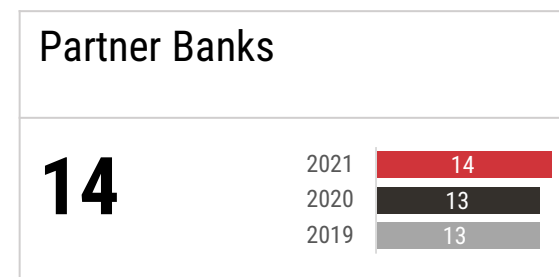
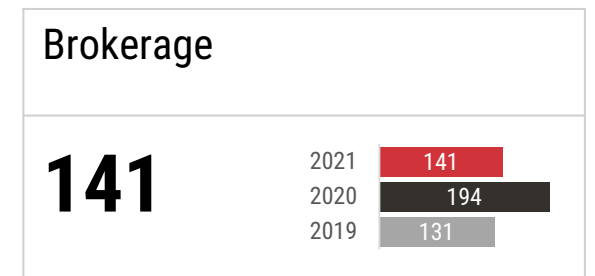
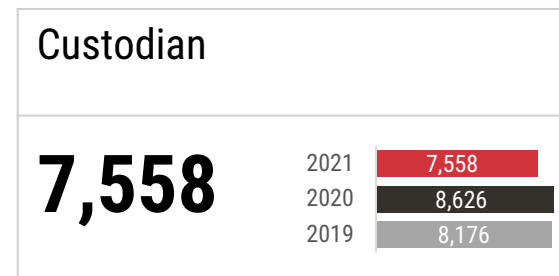
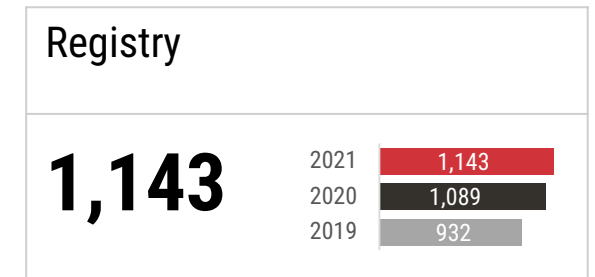
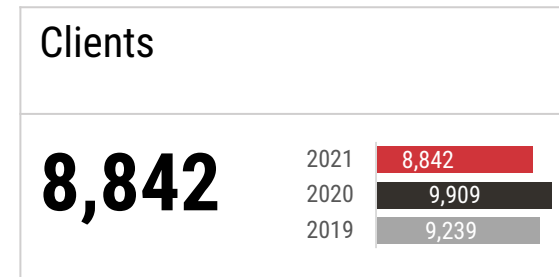
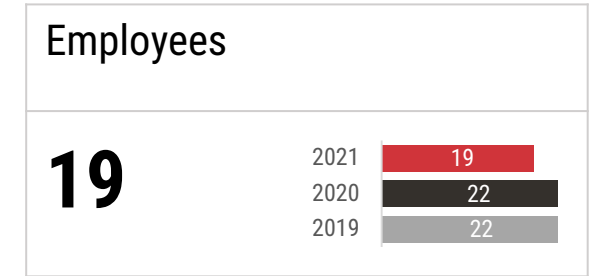
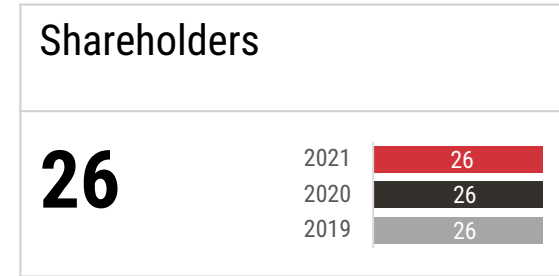
Best Member of Stock Exchange Settlement System for 2017

Best Exchange Member in Corporate Securities Market for 2012-2014, and 2016

Financial Highlights



Operating Highlights



Rebranding

In 2021 we decided to streamline the branding of the company, as well as return to the roots and change its name to ARMBROK—the original name, under which our company was established back in 1994. It feels natural and inspiring to embrace the company’s original legacy as we take a retrospective look at almost three decades of successful market presence and good reputation.



Slice



Glass



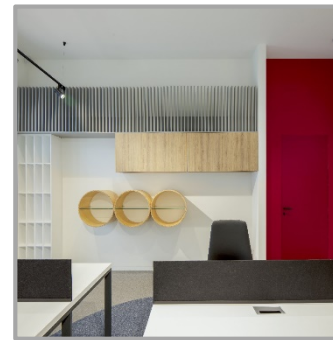
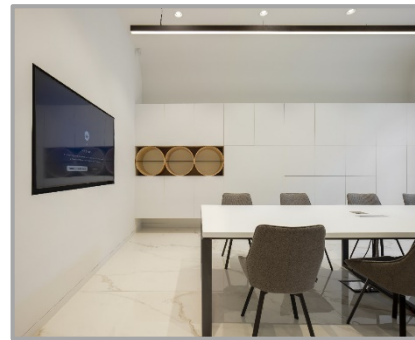
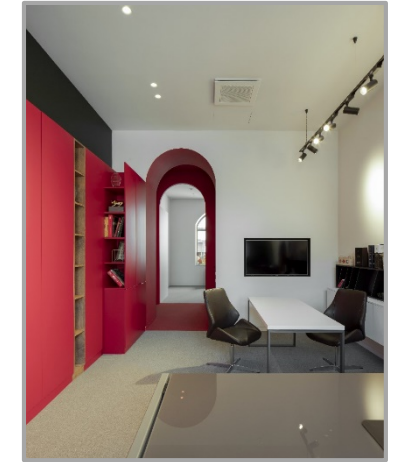
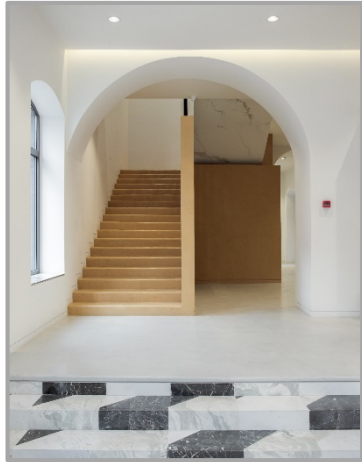
Fabric



Plastic

New Premises

Updated name and image call for improved locations and—most importantly!—a more convenient environment to welcome customers. So ARMBROK moved to a new address with larger, brighter and smarter offices, in the very heart of the Armenian capital and its vibrant financial district. The spacious office brought together the staff of ARMBROK and our subsidiary/partnering companies, which enabled us to provide the clients with integrated services under one roof.



Economic Performance

The Armenian economy closed the year with a 5.7% real growth of the GDP, which amounted to USD 13.9B. The highest growth rate, 61.7%, was reported for the sector of accommodation and services. Public health and social security, transportation, and warehousing went up remarkably, as well – by 31.8% and 27.4%, respectively. A significant increase of 14.1% was achieved in real estate activities. A minor decline of 1.4% was reported for agriculture; financial and insurance services also slightly contracted, by 0.8%. The public administration sector declined by 9.9%. As to the aggregate sectors of Armenian economy, in 2021 trade and services went up by 6.8%, while industry and construction grew by 4.2% and 2.6%, respectively.

During the year, a sharp increase was achieved in foreign trade. The total volume of external turnover expanded by impressive 17.7% standing at USD 8.4B. Exports went up by 19.1% to USD 3.0B, while imports rose by 16.9% to USD 5.4B. As a consequence, foreign trade deficit widened by USD 290M, or 14.2%, equalling to USD 2.3B.

Inflation and Exchange Rates

As an integral part of the global economy, Armenia could not evade the effects of the worldwide inflation surge recorded in 2021. Throughout the year the Armenian economy remained under serious inflation pressure predominantly attributed to the developments in the foreign markets after the gradual removal of COVID-19 related restrictions.

Under these circumstances, committed to preventing further acceleration of inflation and anchoring inflationary expectations, the Central Bank of Armenia (CBA), one of the first, started to implement restrictive monetary policy. By the year-end, through several increases in the refinancing rate, it was brought to 7.75% from the 5.25% at the beginning of the year. The CBA continued with the same policy in 2022, as well, especially in the light of Russia-Ukraine conflict. As a result, the rate was further increased to the 9.25% as of the time of writing this report.

Overall, monetary authorities managed to sustain macroeconomic stability of the economy and finish the year with a 7.2% inflation—still among the lowest in the region (Georgia - 9.6%, Turkey - 19.6%, Iran - 43.4%).

Concerning the national currency, despite a hike in the beginning of the year when USD/AMD exchange rate nearly reached AMD 540, it remained stable during the year with no need of any essential interventions from the CBA. As of the end of the year the official exchange rate of AMD against USD and EUR stood at AMD 480.14 and AMD 542.61. Compared to the year-end 2020, AMD appreciated against both currencies, by 8.12% and 15.36% respectively.

As of the end of the year, due to uncertainties and fluctuations in the financial markets, the yield of 10-year Government bonds went up by 1.18pps over that of the same period last year, to 10.02%.

Macroeconomic Update 2021

Subsequent events

On February 24, the military conflict between Russia and Ukraine started. USA, EU, and several other countries joined in condemning the actions of Russia and imposed massive economic and political sanctions against the country, its officials and companies. A great many international companies and brands pulled out from the Russian market cutting thousands of local jobs. As a consequence, the Russian economy is expected to decline in 2022 and 2023. The newly imposed sanctions brought about global economic problems, as well—due to uncertainties, increased energy prices, interrupted supply chains. Obviously, these problems will take a toll on the Armenian economy, especially taking into account its substantial integration and interactions with Russia.

On the other hand, the situation has opened some new opportunities for Armenia: the country has already hosted nearly 100,000 Russian citizens and lots of private businesses, especially from IT sector—including due to its favourable business and tax environment. This means additional inflow of money and positive impact on business activity, which will in turn benefit the macroeconomic environment.

According to the official statistics for the H1 2022, the Armenian economy demonstrates remarkable performance with double-digit growth rate – 11.8% y/y. All major sectors of the economy have positive growth rates (except for agriculture), with services having the highest increase rate – 26.9% y/y.

Despite above-target inflation (CPI for January-June went up by 8.1% y/y), the overall macroeconomic stability was sustained. Due to currency inflows and accelerated economic activity, the Armenian Dram strongly appreciated against both USD and EUR, standing at AMD 407.21 and AMD 423.54, respectively.

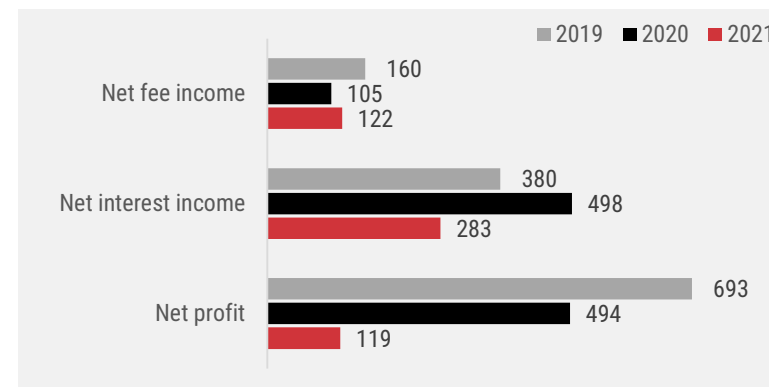


Operational Results 2021

Profitability

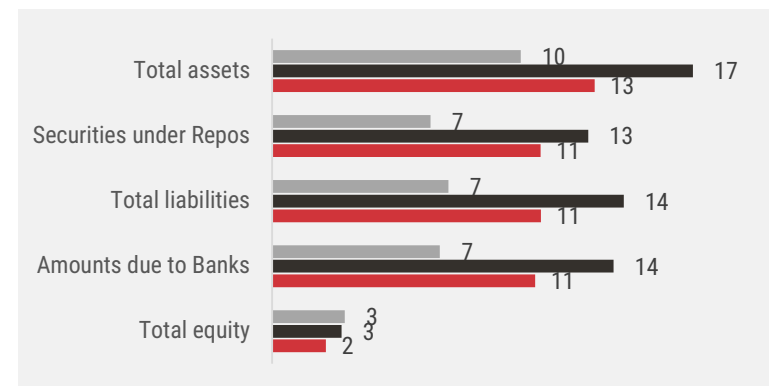
Armbrok closed the financial year of 2021 with a net income of AMD 119.2M—a contraction of 75.89% over the previous year. The decline primarily came from an increase in interest expenses by 54.15% y/y, which brought about a decrease of net interest income by 43.1% y/y to AMD 282.9M. Due to the high volatility in the financial market the company also reported a net loss of AMD 137.6M from the trade of financial assets at fair value through OCI.

On the other hand, Armbrok increased its net fee and commission income by 16.7% y/y to AMD 122.0M.



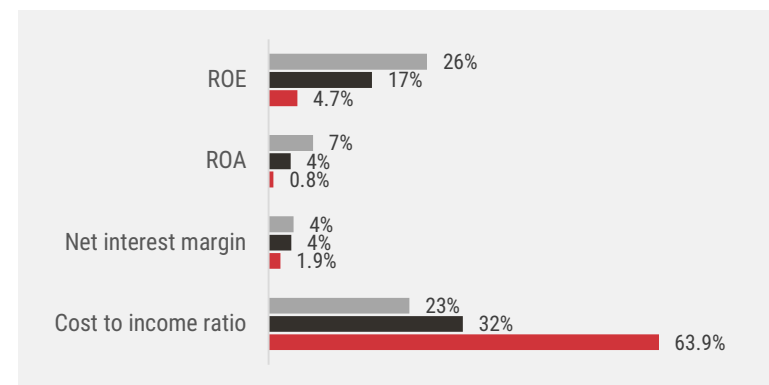
Assets & Capital

During the year, total assets of Armbrok went down by 23.4% y/y to AMD 13.3B. Total liabilities contracted by 23.6% y/y to AMD 11.1B, while total equity reduced by 22.3% y/y standing at AMD 2.2B. As a consequence of the comparable decline rates, financial leverage ratio remained nearly unchanged at 6.1x vs 6.0x in 2020. Government bonds increased their share in total investment portfolio to 88.2%. However, total portfolio of Government bonds contracted by 16.4% y/y to AMD 11.3B. The share of corporate bonds dropped to 6.1%. Repo portfolio of the company declined, as well – by 19.4% y/y to AMD 10.8B.



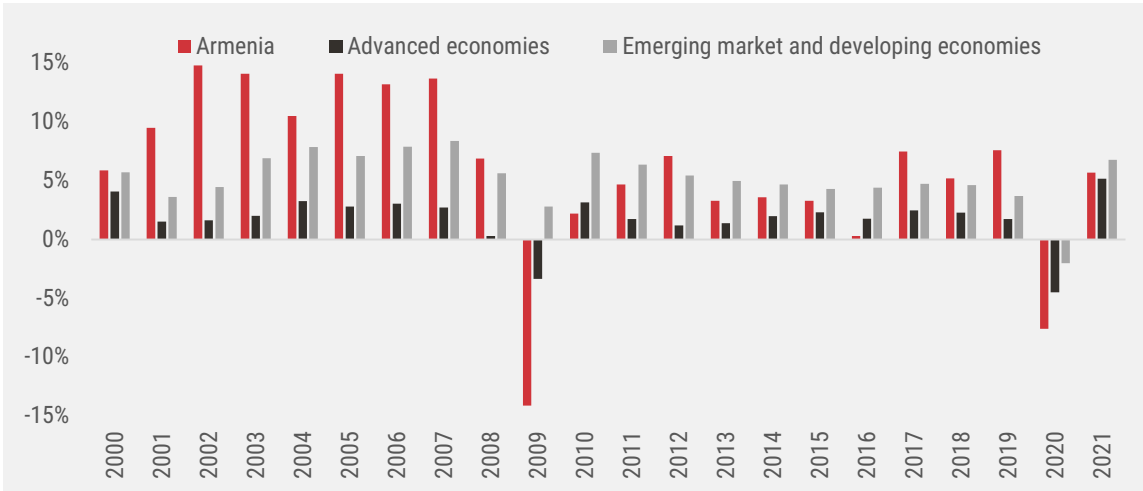
Key Ratios

Due to the lagging financial performance, there was a decline in key financial ratios, as well: ROE contracted by 12.2pps y/y to 4.7%, while ROA decreased by 2.8pps y/y to 0.8%. Cost to income doubled, equalling to 63.9%. As a result of the increasing borrowing rates in the market, in 2021 net interest margin narrowed to 1.9% (vs 3.7% in 2020).



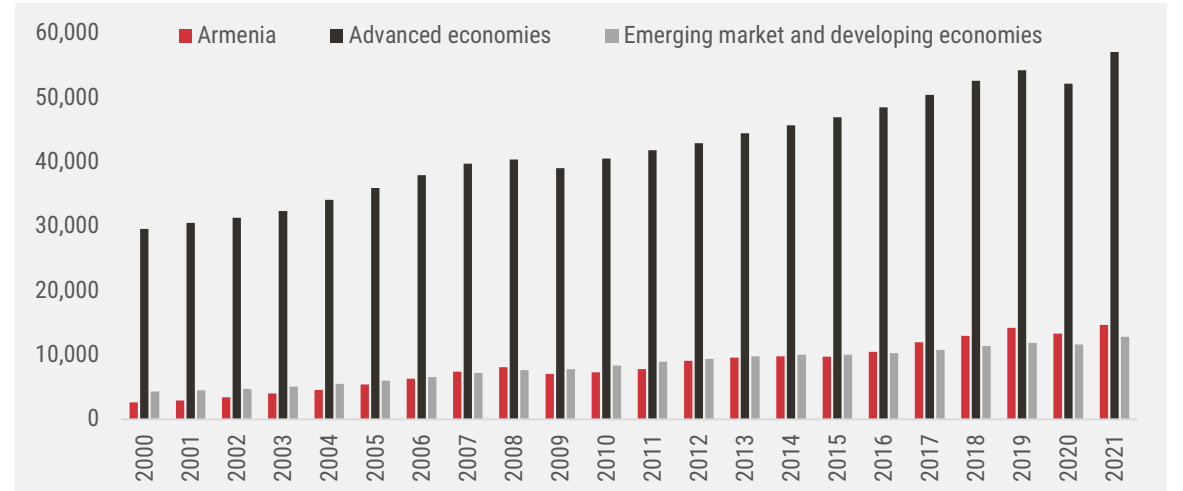
Macroeconomic Overview: Return to the Growth Path

Real GDP growth rates



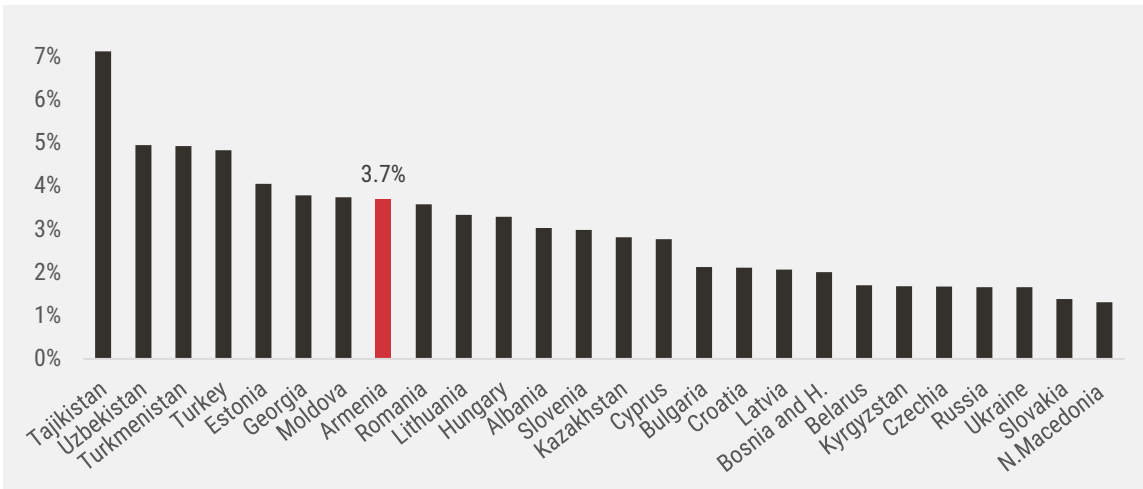
Source: IMF

GDP per capita (PPP)



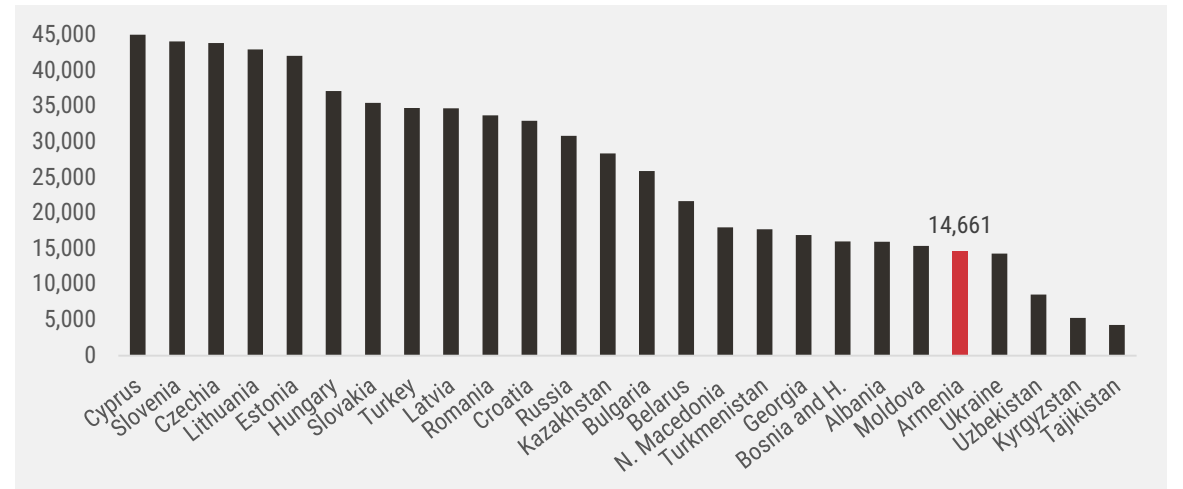
Source: IMF, Armbrok estimates

Growth comparison with peers (average growth 2017-2021)



Source: IMF

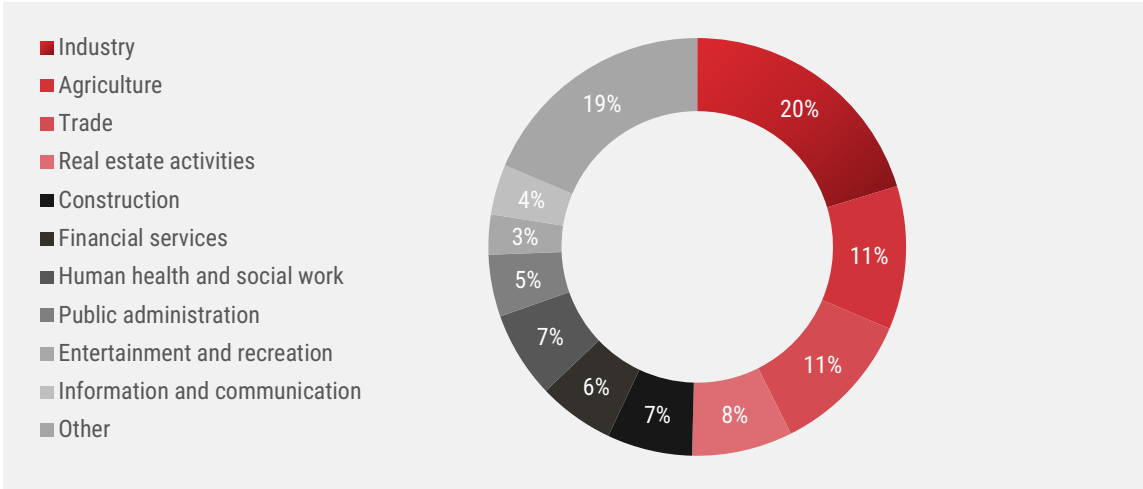
GDP per capita (PPP) – peer comparison 2021



Source: IMF

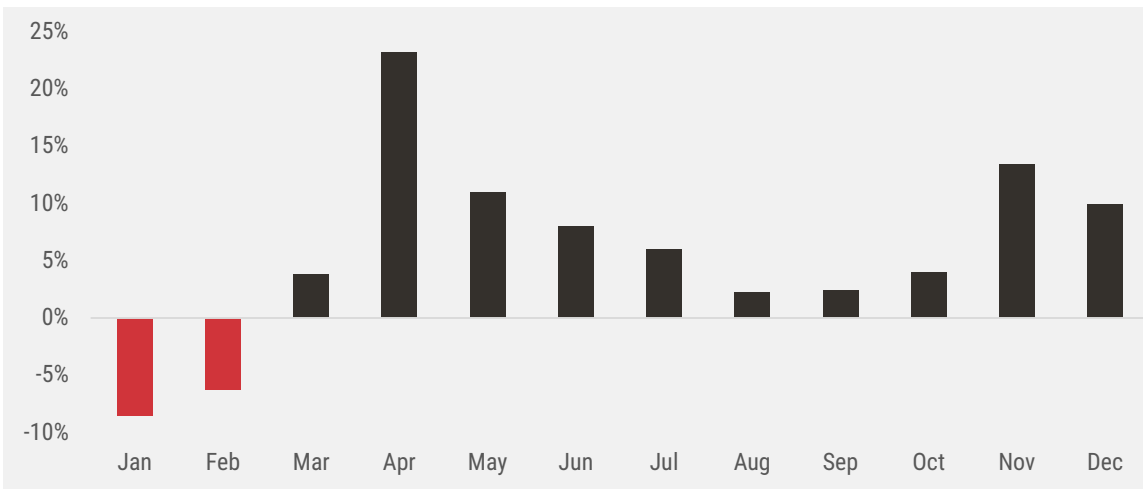
Macroeconomic Overview: Diversified Economy

Diversified nominal GDP structure - 2021



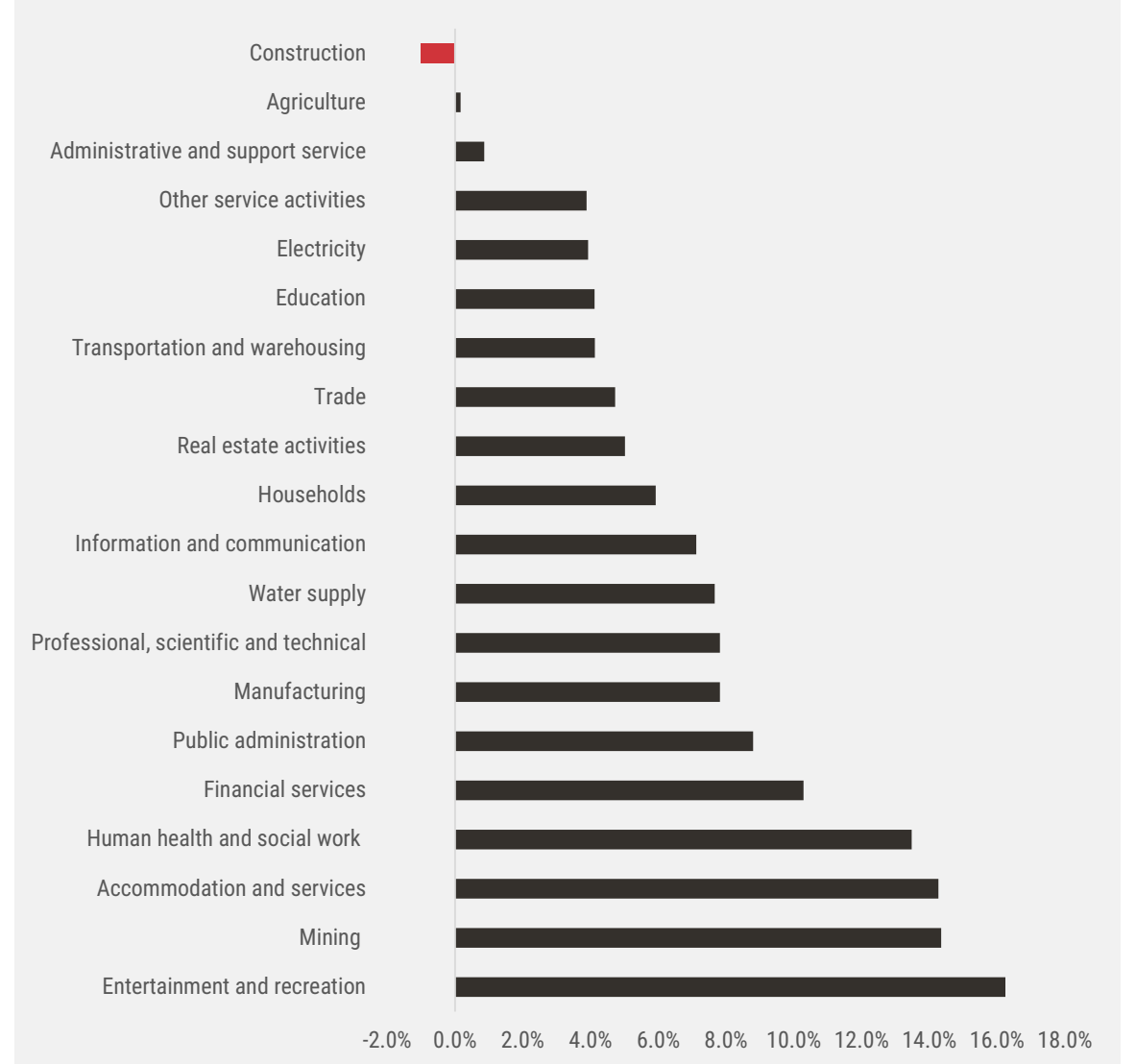
Source: Armstat

Monthly economic activity – 2021



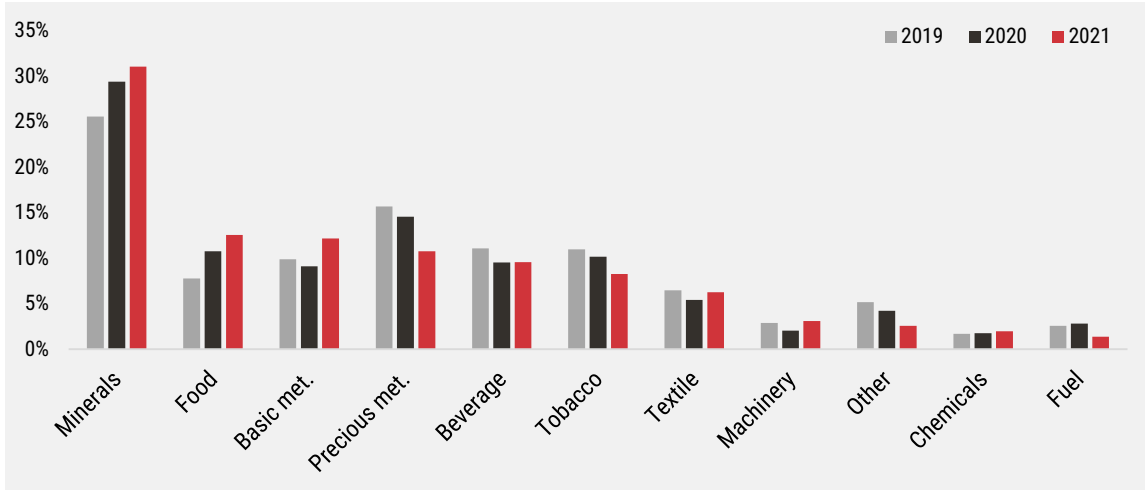
Source: Armstat

CAGR of economic sectors (2012-2021)



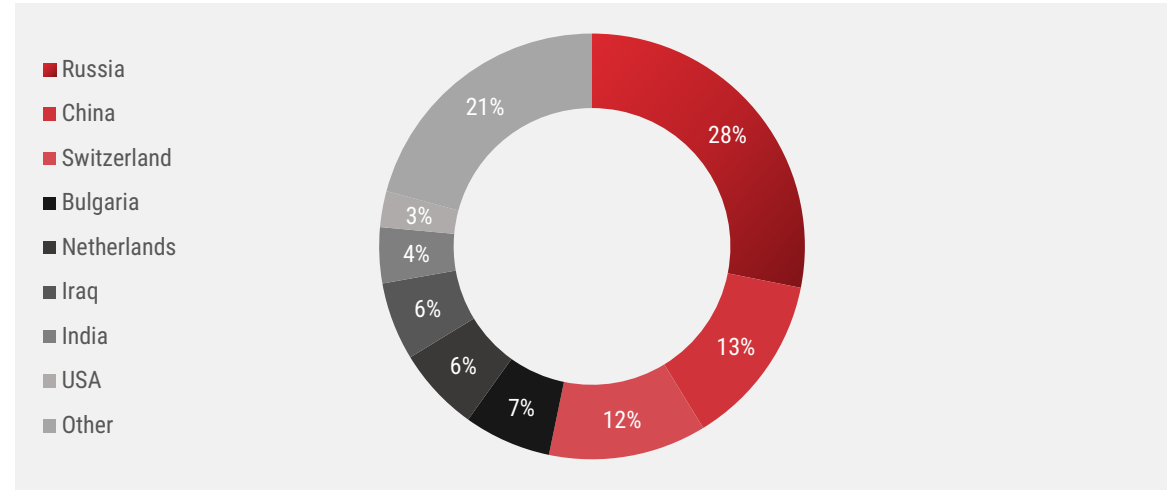
Source: Armstat

Exports. High reliance on commodities



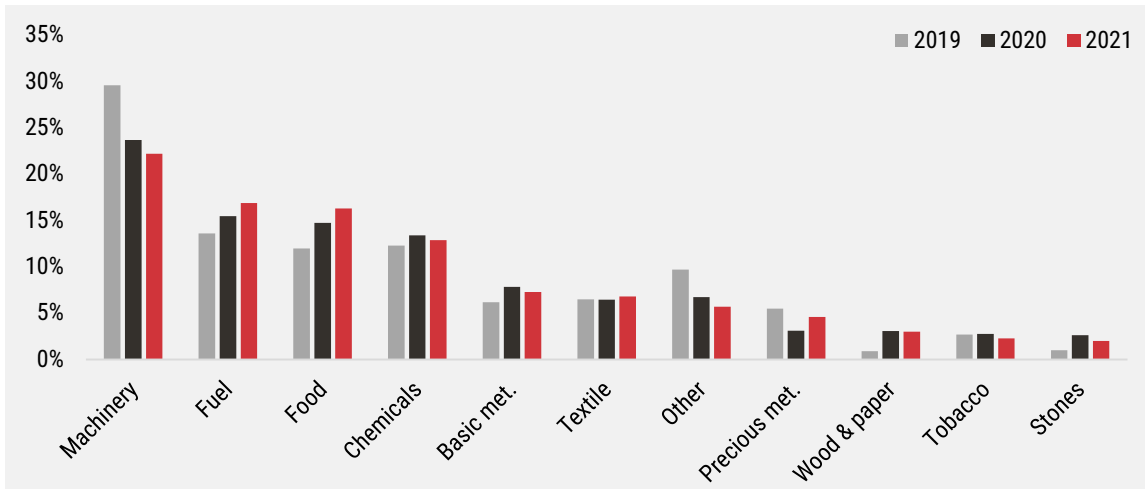
Source: State Revenue Committee

Increased geographical diversification of exports



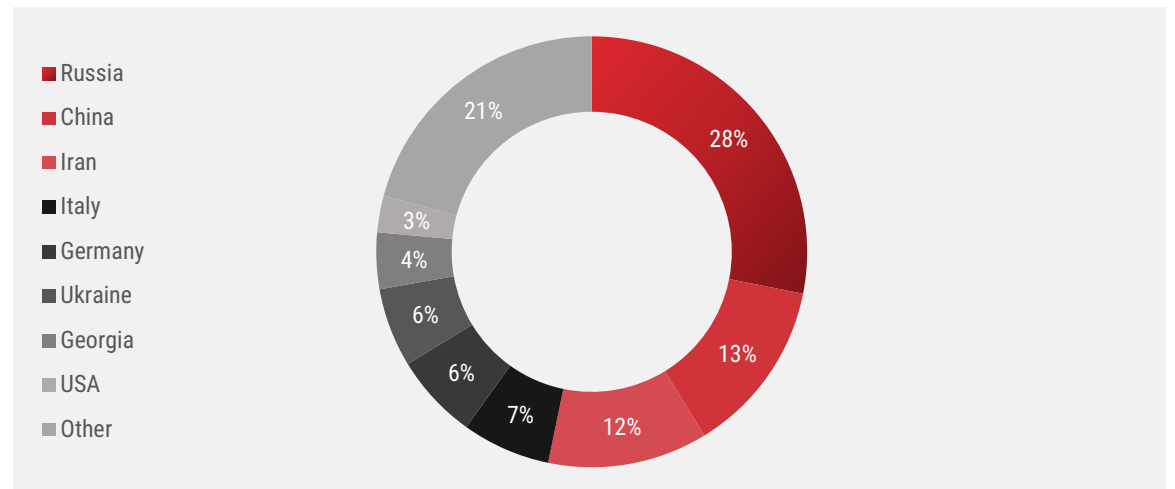
Source: State Revenue Committee

Imports. Machinery & equipment – 24% of total



Source: State Revenue Committee

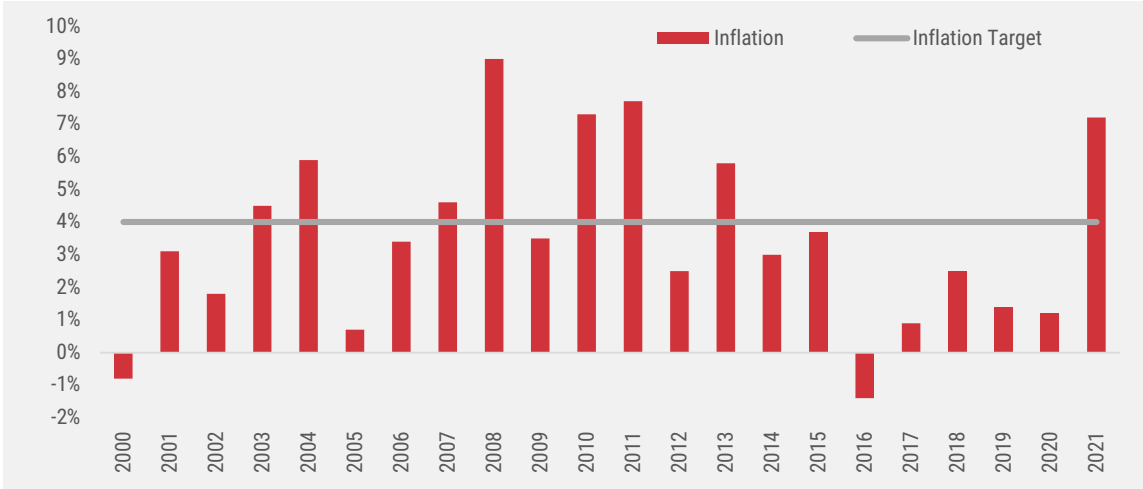
Geographical structure of imports



Source: State Revenue Committee

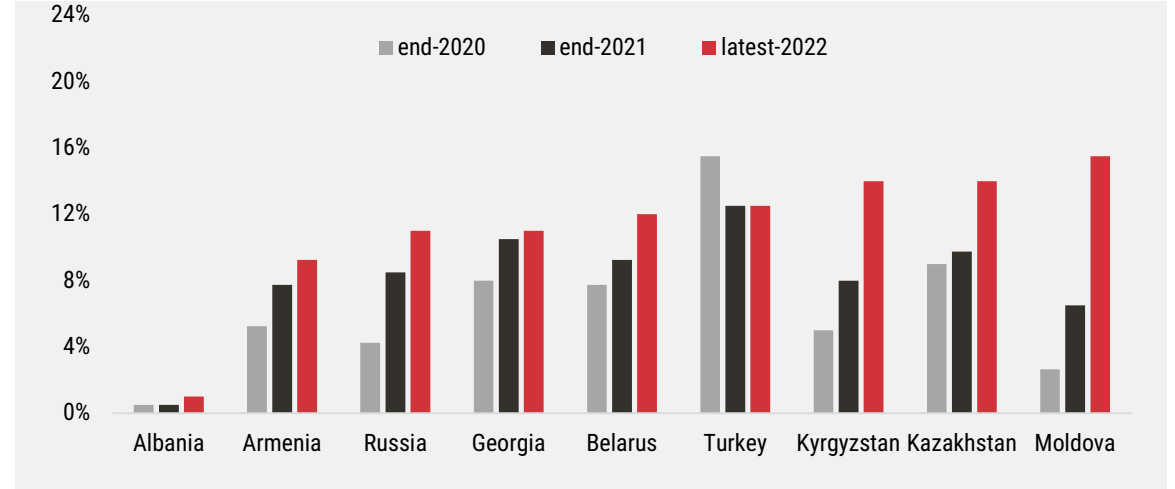
Macroeconomic Overview: Macroeconomic Stability Sustained

Inflation



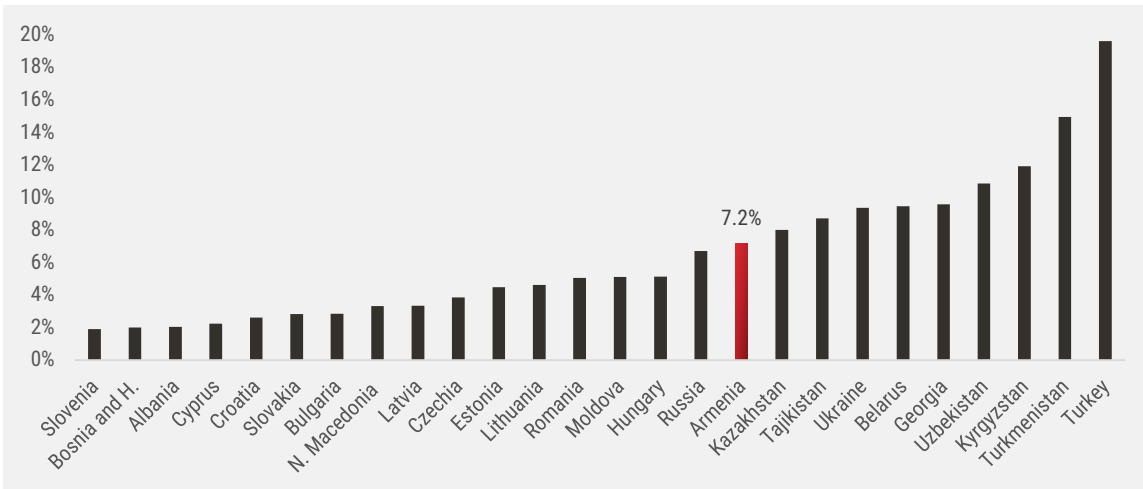
Source: Armstat

Monetary policy rate



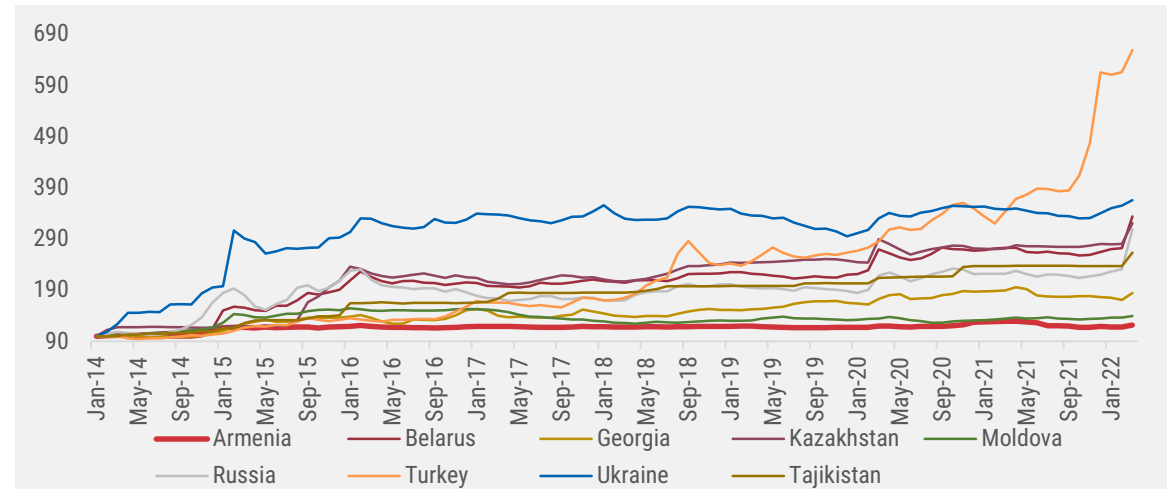
Source: IMF

CPI – peer comparison 2021



Source: IMF

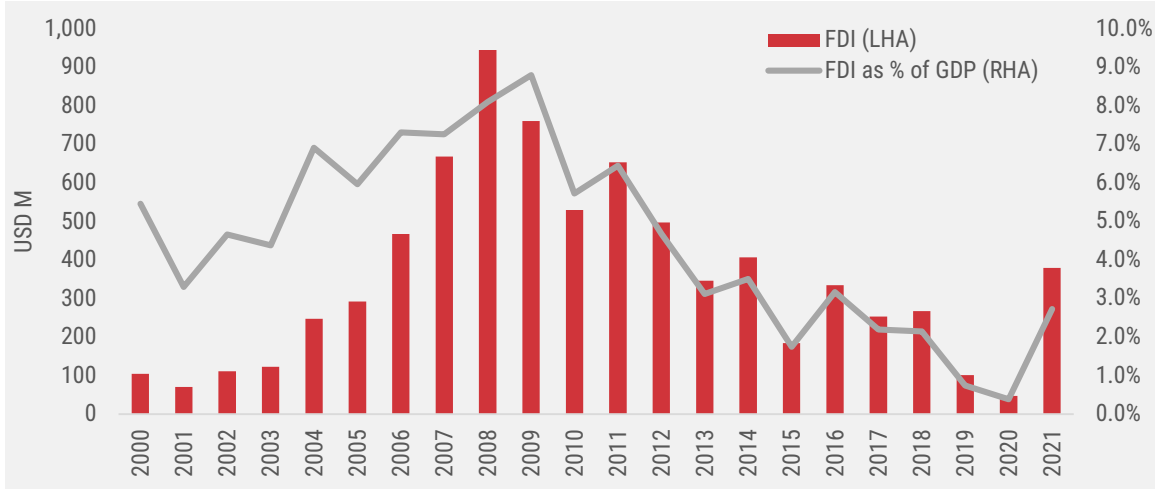
Exchange rate – the most stable currency in the region



Source: IMF

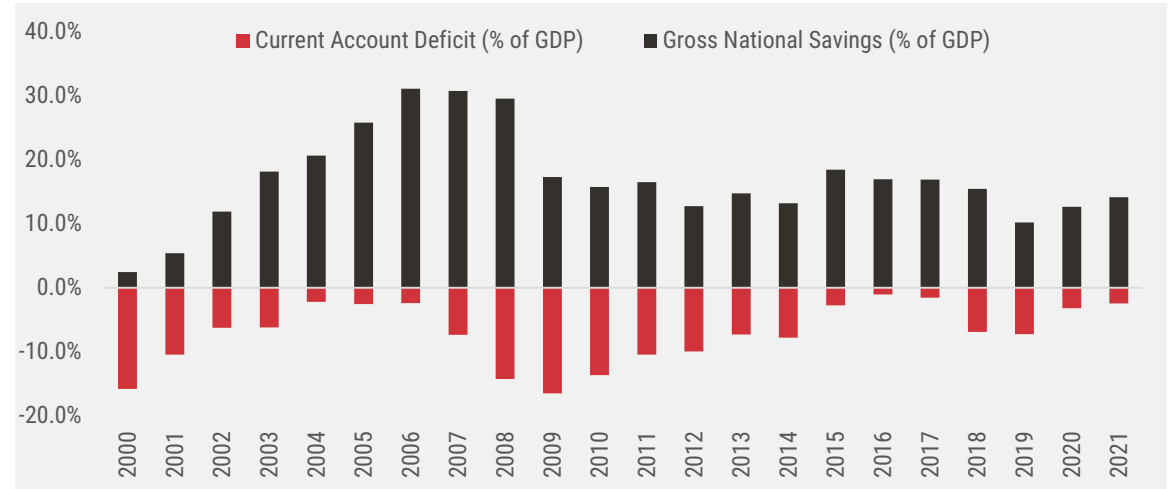
Macroeconomic Overview: Macroeconomic Stability Sustained

Foreign direct investments



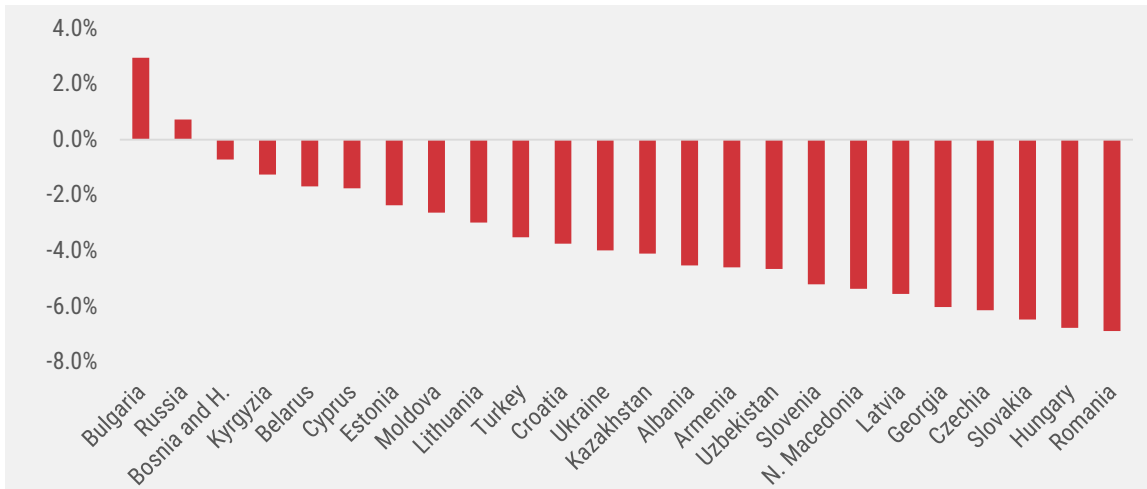
Source: IMF

Current account deficit (as % of GDP)



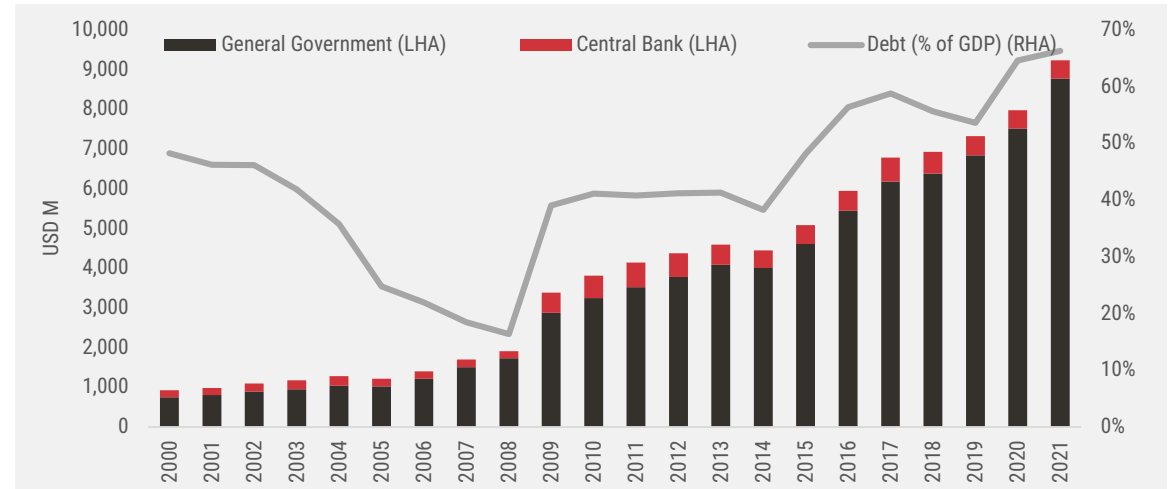
Source: IMF

Budget deficit (as % of GDP)



Source: IMF

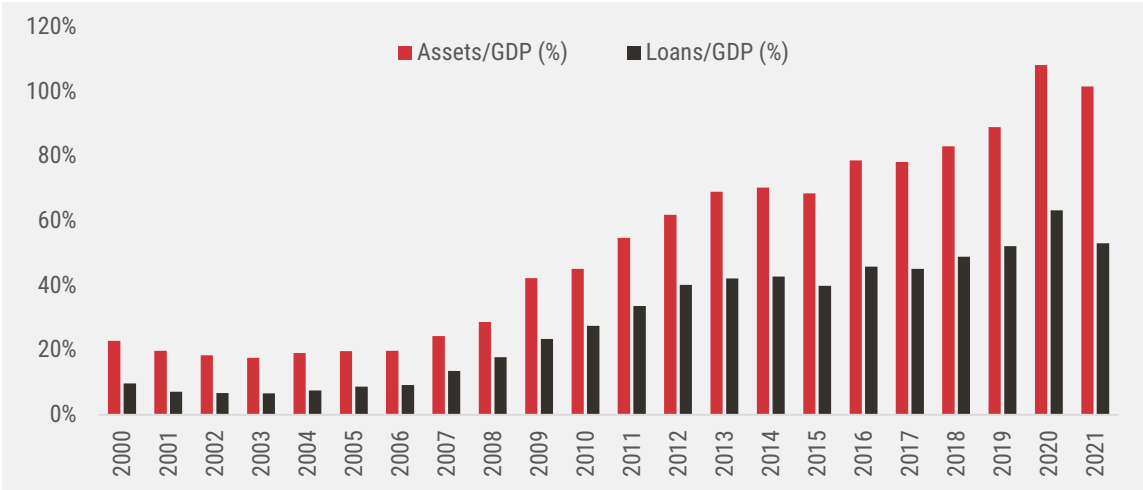
Acceptable level of national debt



Source: Ministry of Finance RA

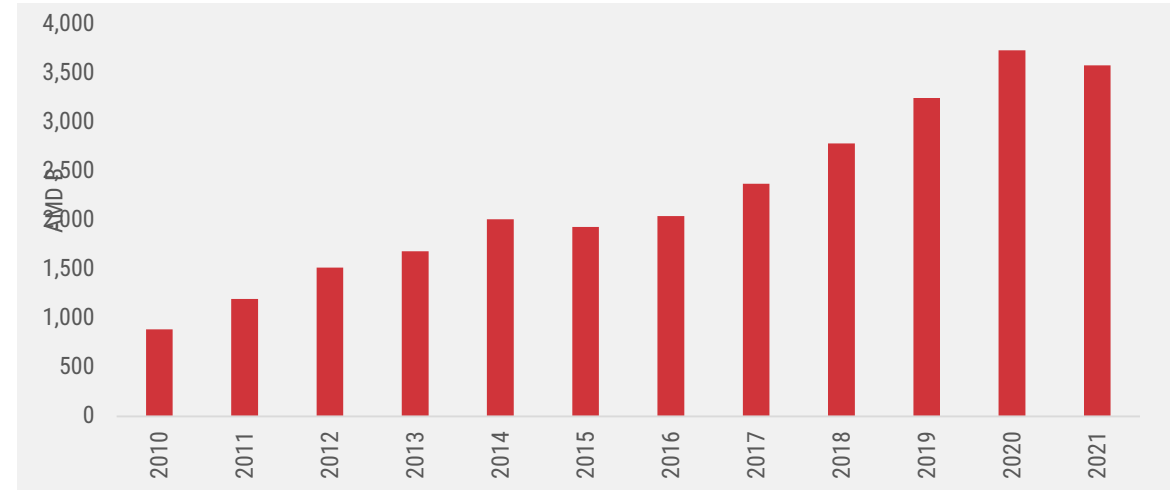
Macroeconomic Overview: Robust Banking Sector

Banking sector loans and assets as % of GDP



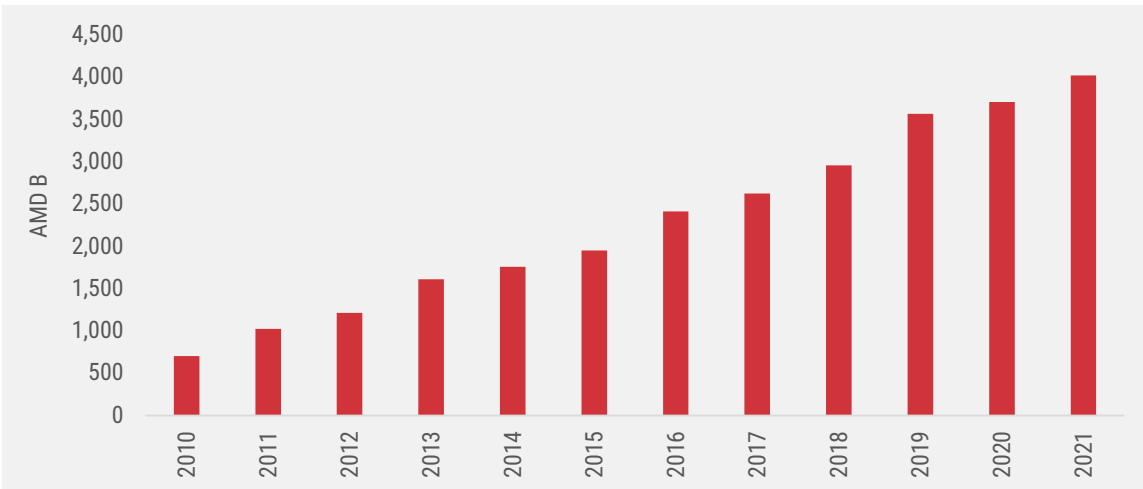
Source: CBA

Loans of commercial banks



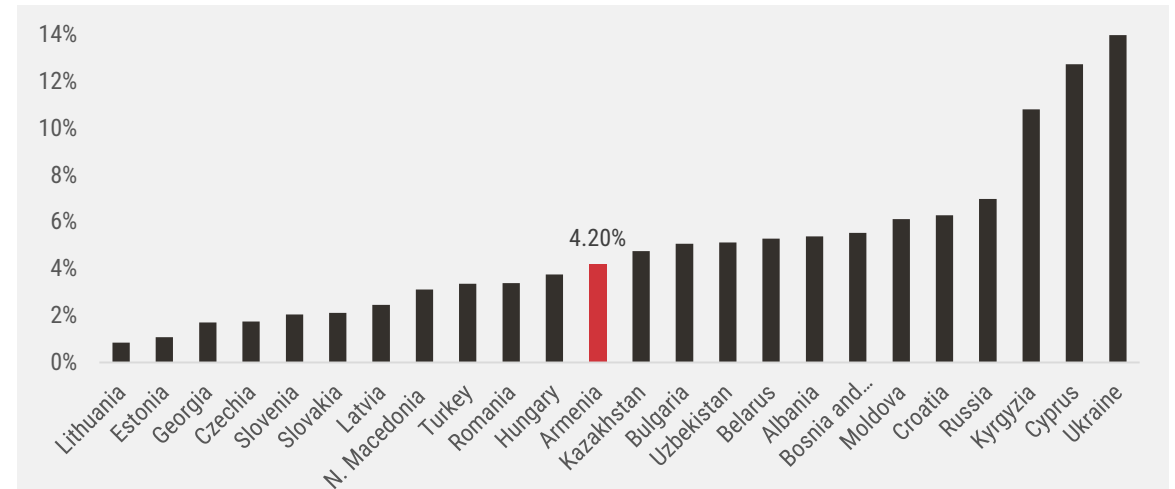
Source: CBA

Deposits in commercial banks



Source: CBA

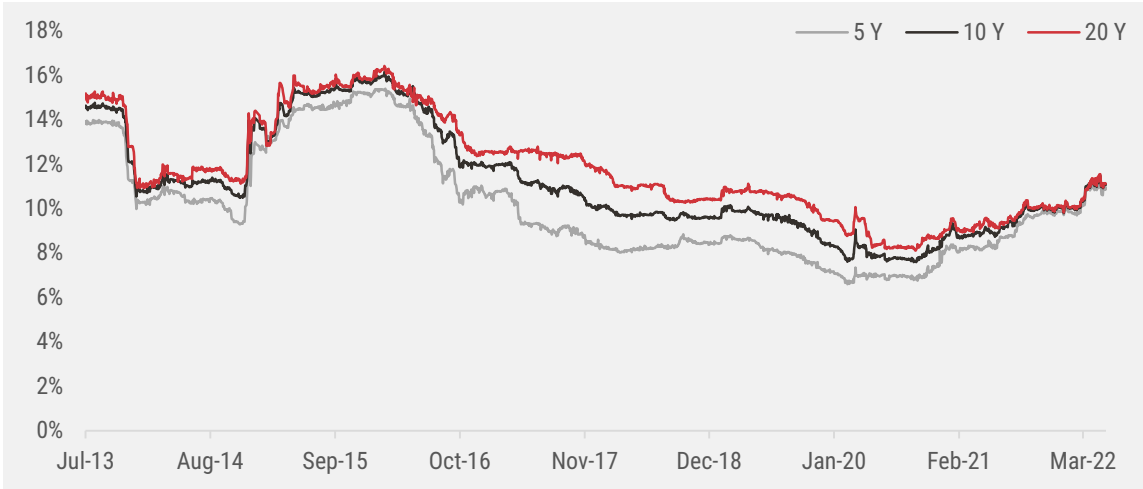
Non-performing loans



Source: IMF

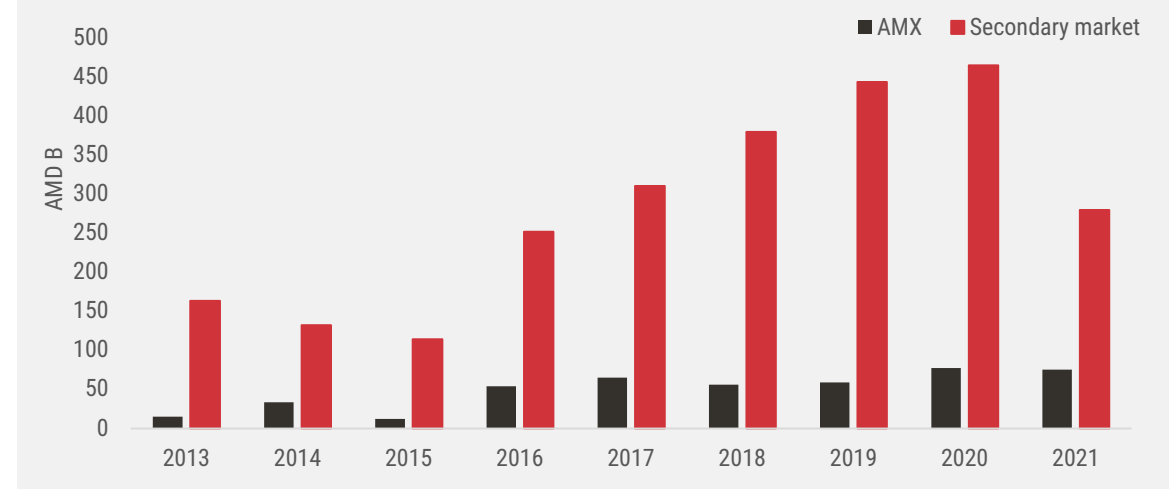
Government Bond Market

G-bond historical yield



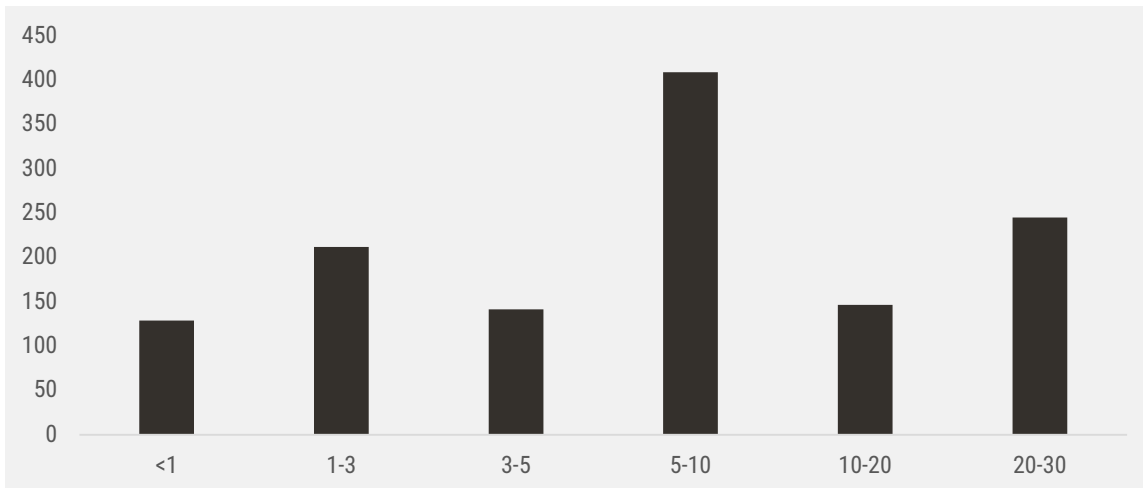
Source: CBA

Trading value of AMD-Denominated G-bonds



Source: AMX, Glocal

AMD-Denominated G-bonds by maturity, Apr 2022



Source: Ministry of Finance RA

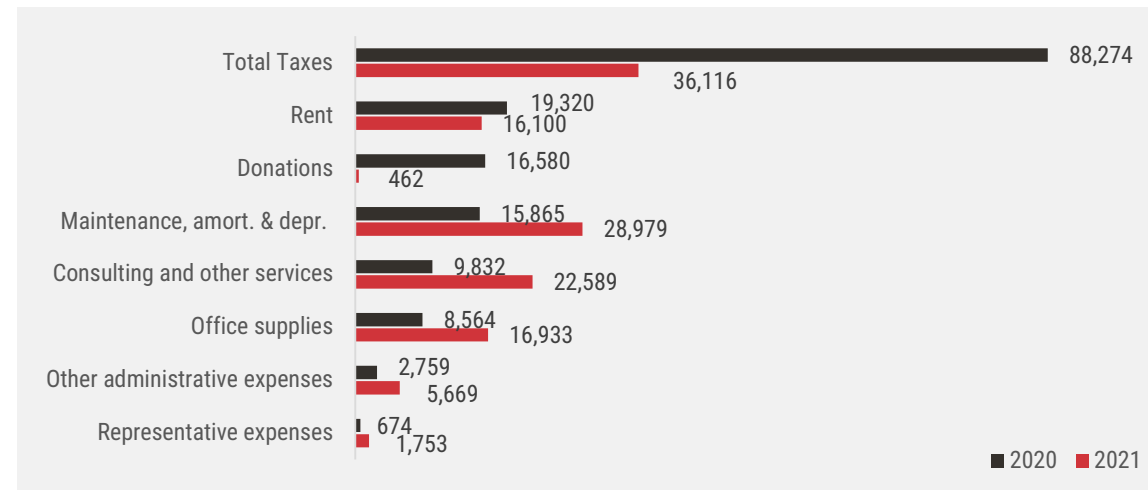
Highlights

- In 2021, the trading volume of AMD-denominated treasury bonds in the secondary market dropped by 39.8% y/y standing at AMD 279.7B. The figure for AMX was AMD 75.2B.
- G-bonds with maturity of 5-10 years retained their largest share in the market, 31.9%. G-bonds with maturity of 20-30 years had a 19.1% share.
- After historical minimums in 2020, yield of G-bonds started to increase reaching 10.0% at the end of 2021.

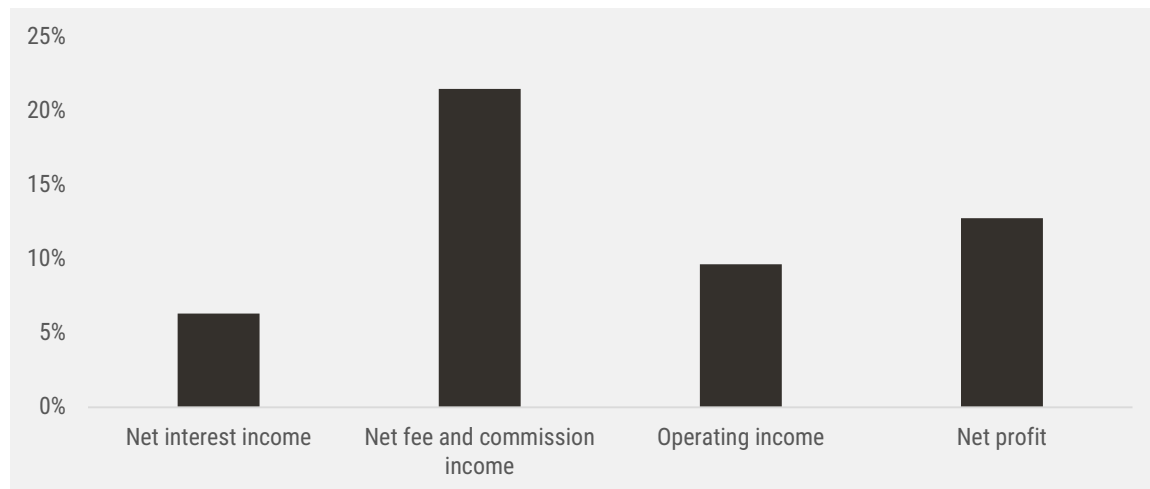
Operating income composition in AMD K



Operating expenses and tax in AMD K



Compounded annual growth rate from 2010

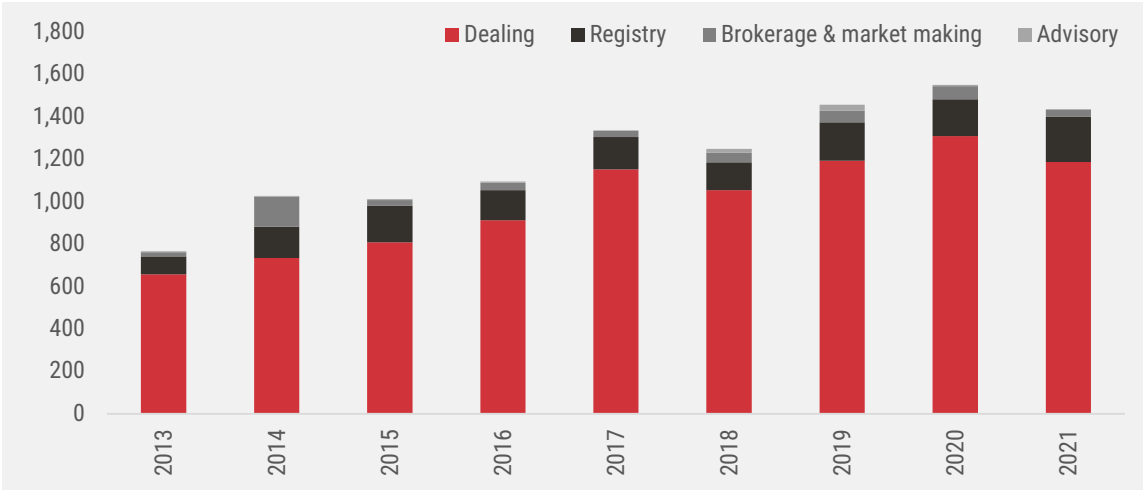


Highlights

- Armbrok reported a 52.8% y/y decrease of operating income to AMD 366.6M.
- The largest component of operating income - net interest income declined by 43.1% y/y to AMD 282.9M.
- On the contrary, net fee and commission income went up by 16.7% y/y to AMD 122.0M.
- The company managed to reduce its operating costs by 19.9% y/y to AMD 265.1M with staff costs having 51.2% share.
- 11-year CAGR rate of net profit stood at 12.8%.

Performance Highlights

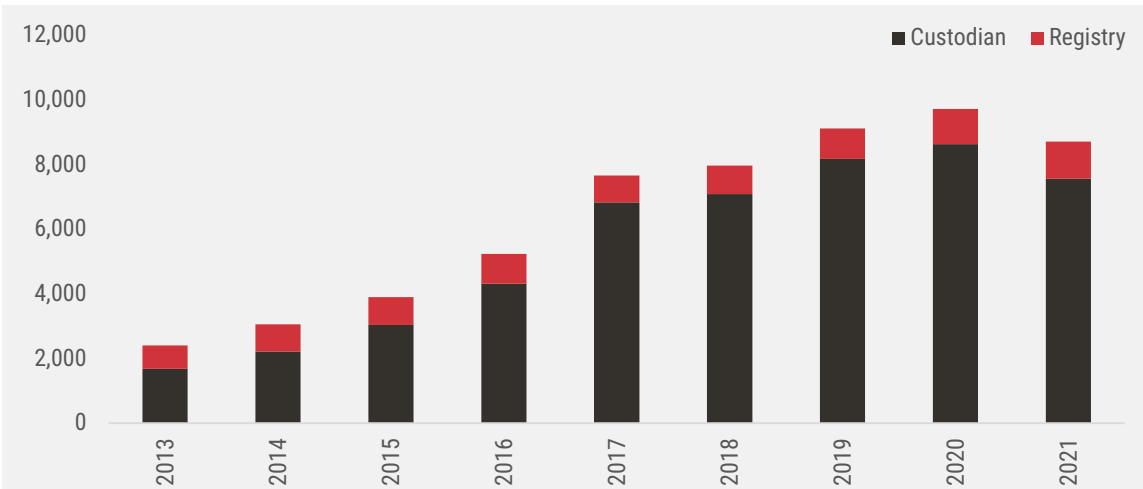
Income composition by major segments in AMD M



Structure of clients



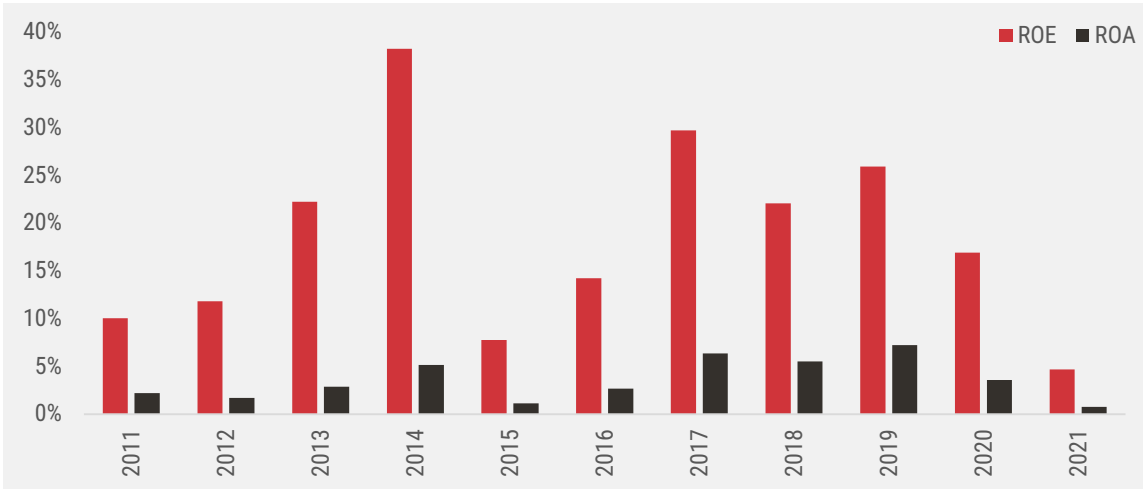
Depository clients



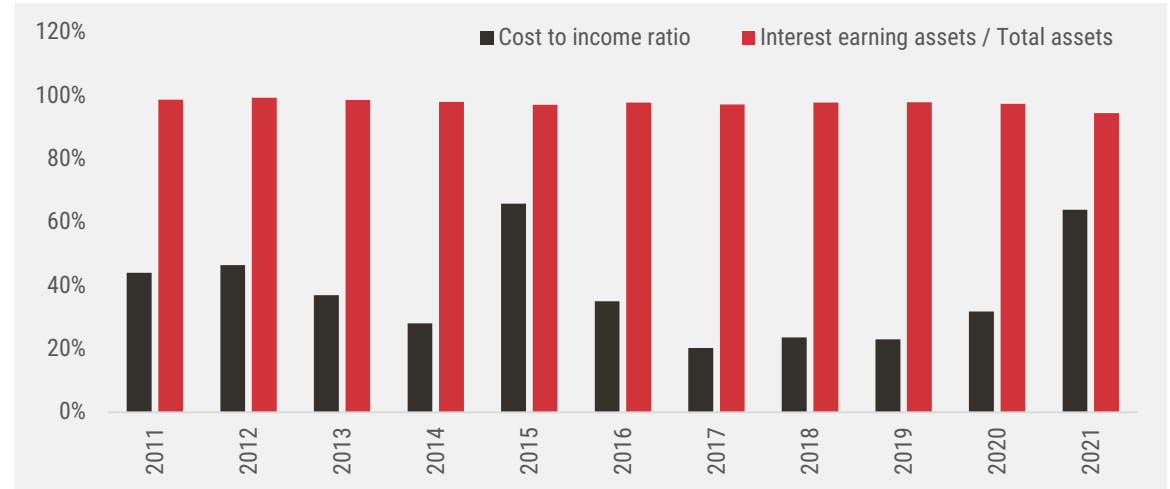
Highlights

- In 2021, dealing was the major income generating segment with 82.7% share.
- Income from registry increased by 21.7% y/y to AMD 211.2M.
- Total number of clients served by the company in 2021 stood at 8,842.
- Custody service clients comprised the largest share of the total client base, a staggering 85.5%.
- Registry clients had a share of 12.9%.

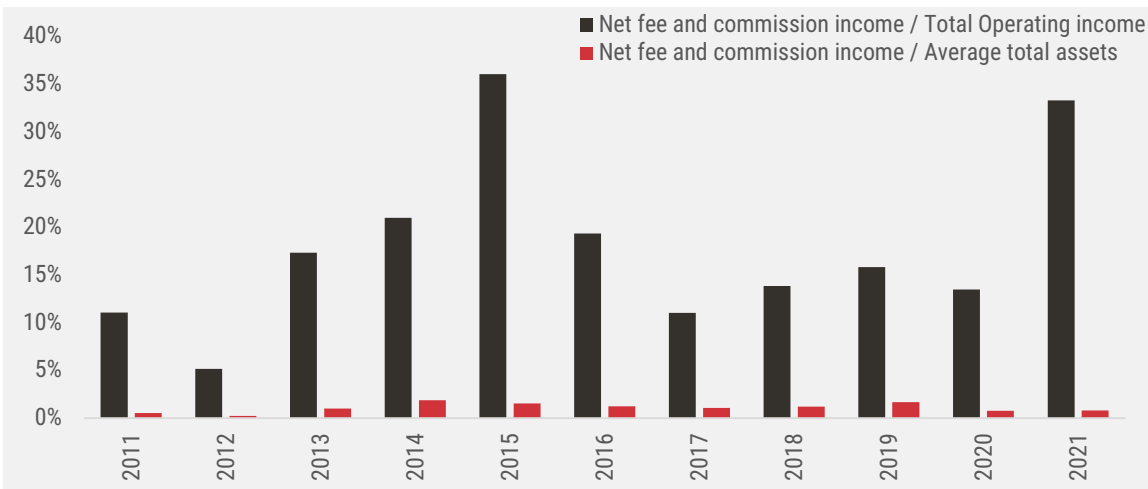
ROE & ROA



Cost to income & Interest earning assets



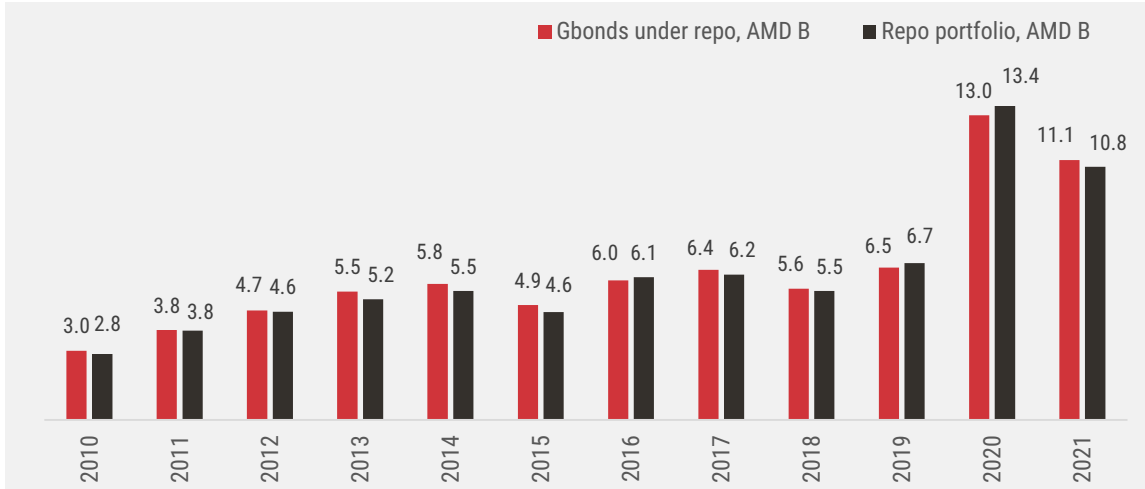
Net fee and commission income



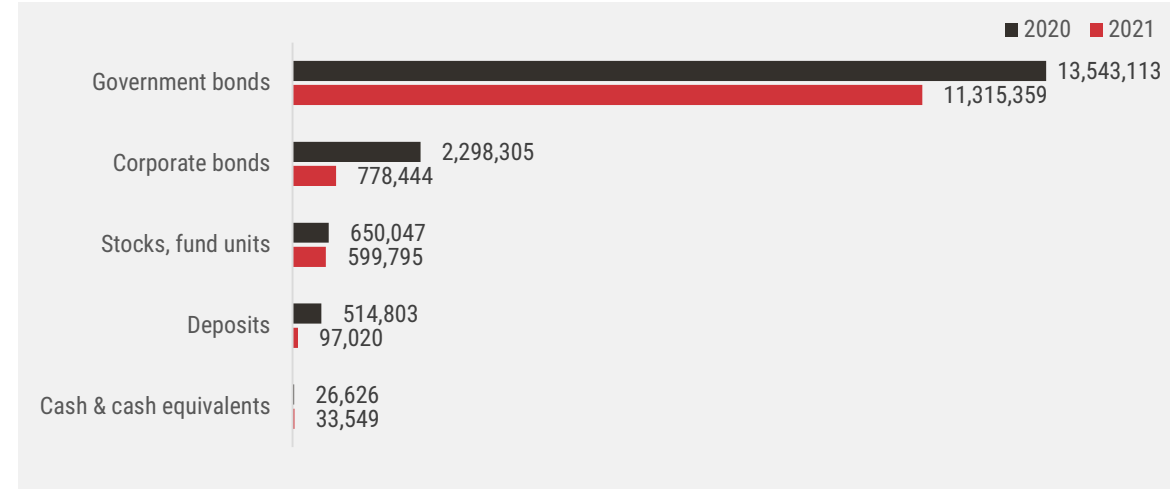
Highlights

- Key profitability ratios of the company were affected by the decrease in net profit.
- ROE contracted by 12.2pps y/y rounding to 4.7%.
- ROA declined by 2.8pps y/y standing at 0.78%.
- The share of interest earning assets in the structure of total assets dropped by 2.9pps y/y to 94.52%.
- Cost to income ratio doubled to 63.91%.

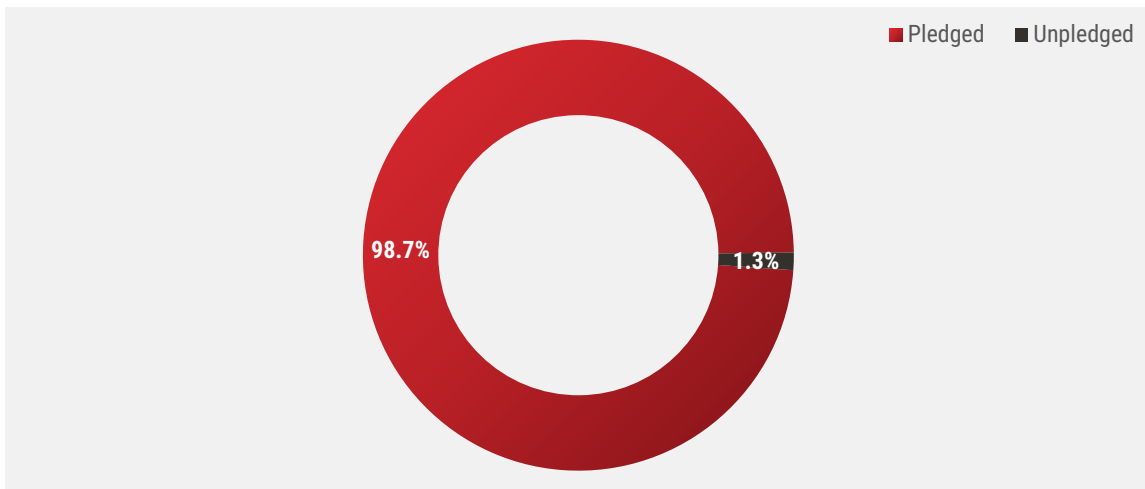
G-bonds under repos vs repo portfolio



Portfolio structure (in AMD K)



Pledged vs unpledged G-bonds

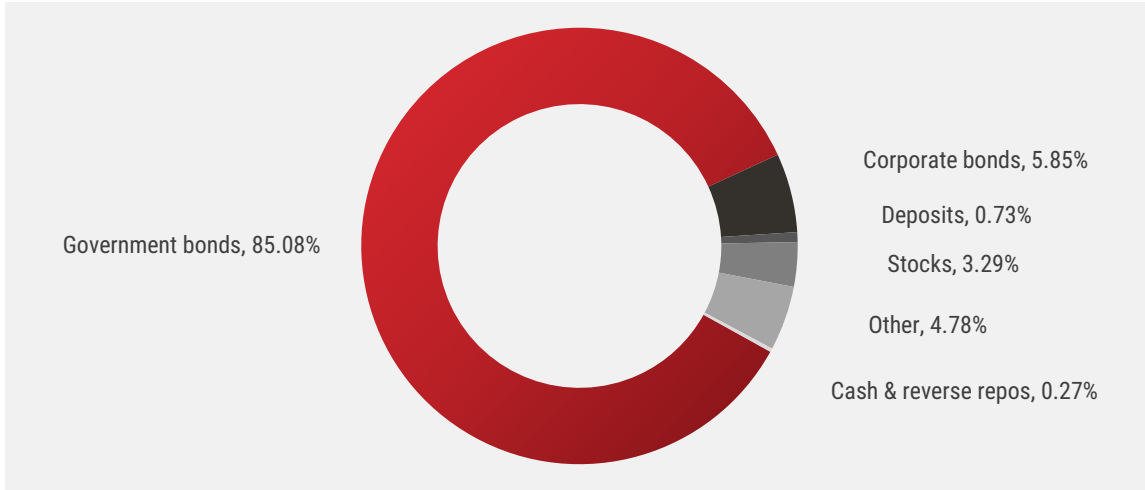


Highlights

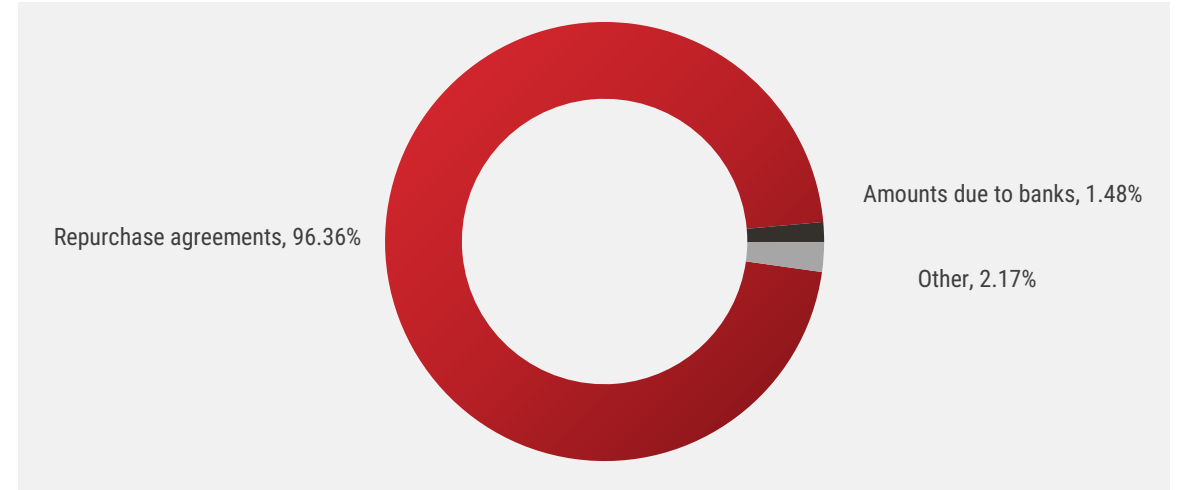
- In 2021, the company increased the share of Government bonds in the total investment portfolio by 8.7pps to 88.2%.
- Total portfolio of Government bonds stood at AMD 11.3B.
- However, there was a decline in the share of corporate bonds by 7.4pps y/y to 6.1%.
- Nearly the whole portfolio of Government bonds (98.7%) was pledged against borrowings from financial institutions (mostly repos).
- During the year, the repo portfolio decreased by 19.4% y/y rounding to AMD 10.8B.

Assets & Liabilities

Structure of assets



Structure of liabilities



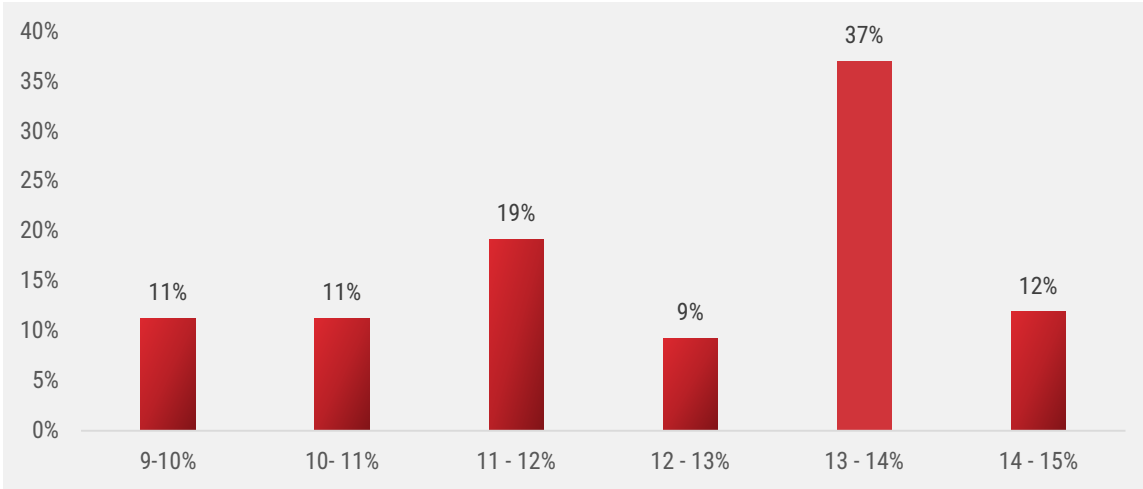
Currency structure of financial assets



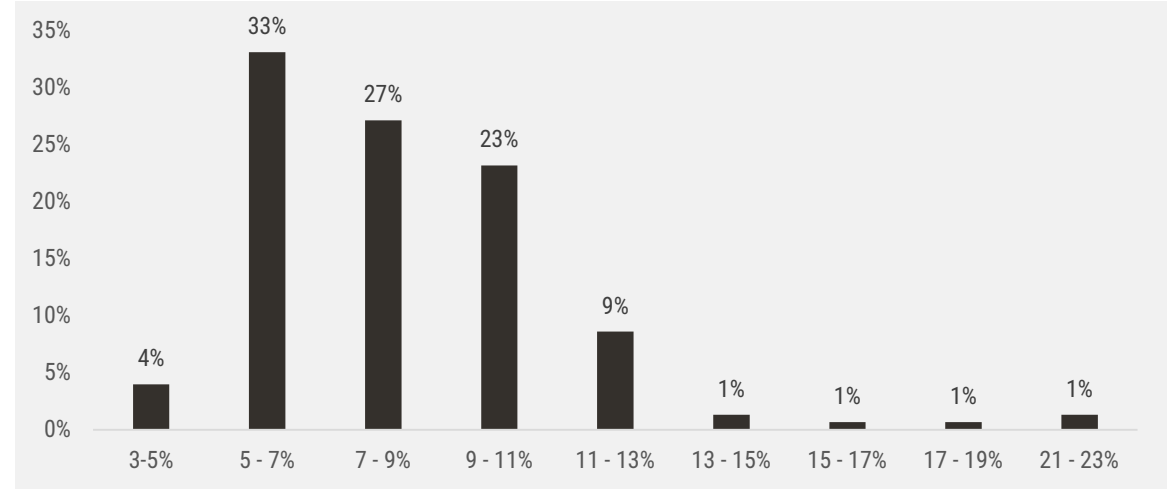
Currency structure of financial liabilities



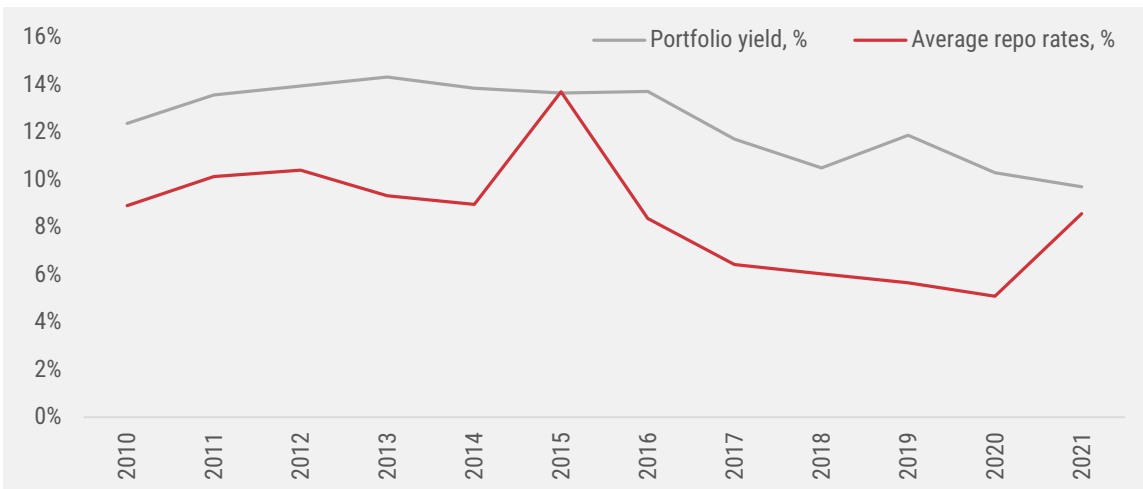
Average monthly portfolio yield frequency for last 151 months



Average monthly Repo rate frequency for last 151 months



Portfolio of G-Bonds



Highlights

- Diminishing trend of portfolio yields started in 2020, prevailed in 2021, as well. As a result, the figure went down from 9.9% in January to 9.8% at the end of the year.
- However, the distribution of monthly yields for the last 151 months remained left-skewed, meaning dominance of high yields. In particular, 49% cases were in the range between 13% and 15%.
- Concerning average portfolio yield for 2021, it contracted to 9.7% from 10.3% a year ago.
- The distribution of average repo rate for the last 151 months sustained its right-skewed pattern with 60% cases between 5% and 9%.
- Due to hikes in refinancing rate, the average repo rate increased up to 8.6% (vs 5.1% in 2020).

Income Statement (audited)

In thousand Armenian Drams	Year ended December 31, 2021	Year ended December 31, 2020	Y-o-Y change
Interest income	1,227,452	1,110,269	10.55%
Interest expenses	-944,531	-612,738	54.15%
Net interest income	282,921	497,531	-43.1%
Fee and Commission income	247,963	241,690	2.60%
Fee and Commission expense	-125,916	-137,135	-8.18%
Net fee and commission income	122,047	104,555	16.73%
Net trading income	97,276	168,258	-42.19%
Net gains less losses on investments available for sale	-137,605	29,309	
Other income	2,487		
Income from an associate company	18,069	50,356	-64.12%
Income from joint ventures	-331	-836	-60.41%
Impairment charge	-527	-23,584	-97.77%
Staff costs	-135,779	-169,309	-19.80%
Other expenses	-98,529	-77,400	27.30%
Income before taxes	150,029	578,880	-74.08%
Profit tax charges	-30,818	-84,468	-63.52%
Net income	119,211	494,412	-75.89%
Earnings per share	0.45	1.85	-75.9%

Balance Sheet (audited)

In thousand Armenian Drams

	Year ended December 31, 2021	Year ended December 31, 2020	Y-o-Y change
Assets			
Cash & cash equivalents	33,549	26,626	26.0%
Term deposits	97,020	514,803	-81.2%
Financial assets at fair value through profit or loss	1,215,847	2,803,698	-56.6%
Held by the Group	743,215	1,056,914	-29.7%
Pledged under repurchase agreements	395,878	1,084,985	-63.5%
Pledged under borrowings from financial institutions	76,754	661,799	-88.4%
Financial assets at fair value through OCI	11,315,359	13,543,113	-16.4%
Held by the Group	148,390	285,834	-48.1%
Pledged under repurchase agreements	11,065,739	13,038,823	-15.1%
Pledged under borrowings from financial institutions	101,230	218,456	-53.7%
Investments in associate	139,559	121,490	14.9%
Investment in joint venture	22,833	23,164	-1.4%
PP&E and intangible assets	206,250	34,437	498.9%
Right of use assets	182,611	211,447	-13.6%
Current profit tax assets	1,697		
Other assets	84,989	77,352	9.9%
Total assets	13,299,714	17,356,130	-23.4%
Liabilities			
Amounts due to financial institutions	163,692	645,882	-74.7%
Repurchase agreements	10,677,662	13,435,487	-20.5%
Current income tax liabilities		59,595	
Deferred tax liabilities	2,965	115,191	-97.4%
Lease liabilities	157,675	168,136	-6.2%
Other liabilities	51,641	48,776	5.9%
Provision	27,677	26,872	3.0%
Total liabilities	11,081,312	14,499,939	-23.6%
Equity			
Chartered capital	267,150	267,150	
Share premium	208,011	208,011	
Statutory general reserve	79,670	79,670	
Financial assets at fair value through OCI reserve	30,551	547,116	-94.4%
Retained earnings	1,633,020	1,754,244	-6.9%
Total equity	2,218,402	2,856,191	-22.3%
Total equity and liabilities	13,299,714	17,356,130	-23.4%

Selected Ratios

Ratios	2021	2020	2019	2018	2017	2016	2015
ROAE	4.70%	16.93%	25.9%	22.08%	29.72%	14.26%	7.78%
ROAA	0.78%	3.58%	7.3%	5.55%	6.39%	2.70%	1.14%
Net Interest Margin	1.92%	3.70%	4.1%	4.50%	5.88%	5.41%	1.62%
Cost of funds	8.57%	5.09%	5.66%	6.03%	6.42%	8.36%	14.16%
Net fee and commission income / Total Operating income	33.29%	13.47%	15.81%	13.84%	11.01%	19.32%	36.02%
Net fee and commission income / Average total assets	0.80%	0.76%	1.67%	1.21%	1.05%	1.23%	1.53%
Cost to income ratio	63.91%	31.79%	23.1%	23.60%	20.30%	35.02%	65.89%
Interest earning assets / Total assets	94.52%	97.43%	97.88%	97.85%	97.25%	97.77%	97.10%
Total liabilities / Equity	5.0x	5.1x	2.4x	2.8x	3.2x	4.3x	5.9x
Equity / Total Assets	0.2x	0.2x	0.3x	0.2x	0.2x	0.2x	0.1x

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A bull with large horns is running in a red-tinted arena, kicking up dust. The background shows a wooden fence and a building.

**money has
no ideas, we do**

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