

Annual Report **2013**

PRESENTATION

Outstanding performance





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	34 (1 Institutional, 33 individual)
Shareholders domiciled in	Armenia, Germany, Austria, Switzerland, Greece, USA, Canada, Australia, Italy, Lithuania
Shares outstanding	267,150
Number of employees	19
Premises	32/1 Tigran Mets avenue
Awards	Best Exchange member in Corporate Market 2012, 2013



Summary results

Year 2013 was greatly productive for Armenbrok investment company. With just a slight growth in assets and equity, the Company managed to generate a 22.3% return on its average equity versus 11.8% of the previous year. Armenbrok recorded growth across all aspects of its financial position and performance indicators. Total revenue grew by around 34% while total expenses by only 24% y-o-y, pushing the net income up by around 100%.

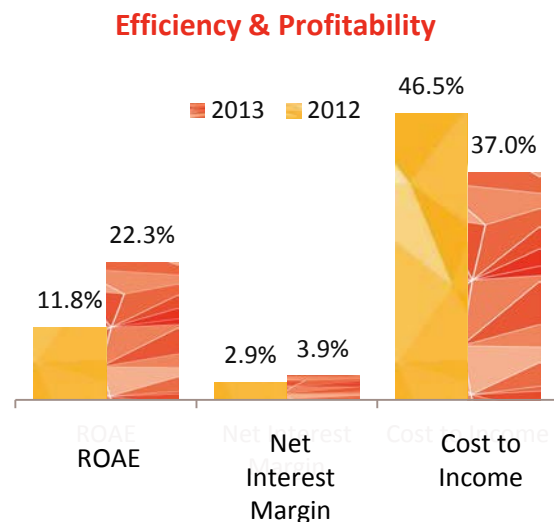
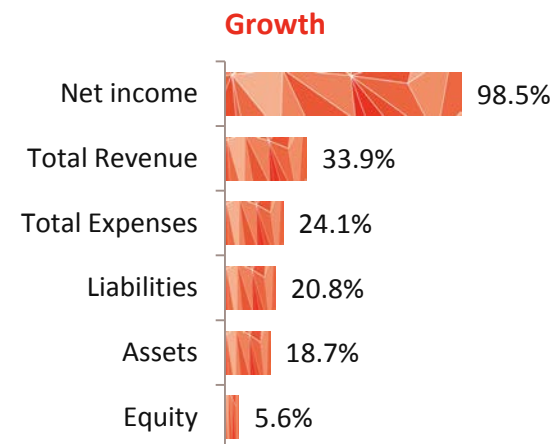
The major part of the revenue (65.4%) was generated by repo operations; still, its share decreased in 2013 by around 18 percentage points compared to the same in 2012. The Company currently has a Gbond portfolio of AMD 5.5 bln yielding on average 14.3% per annum with a repo margin of between 5.5 and 6.0%.

Last year was also highly successful for another business line: depository operations. Armenbrok aggressively stepped into the market and succeeded in gaining around 58% of the total market share translating into more than 730 corporate and 470 individual customers. This activity became another steady source of revenue totaling AMD 35 mln in 2013, while in 2014 it is estimated to hit AMD 60 mln.

Together with dealing operations, depository services stood for around 26% of the Company's total operating income, which significantly reduced the concentration of income sources observed over the previous years.

Even though the brokerage arm of the Company is generating less income compared to repo and depo operations, Armenbrok continues to hold a leading positions in that market. This is evidenced by the annual **Best Exchange member in Corporate Market 2013** award by NASDAQ OMX Armenia presented to the Company for the second consecutive year.

Among peers Armenbrok ranked first by return on equity and second by net income and total assets.

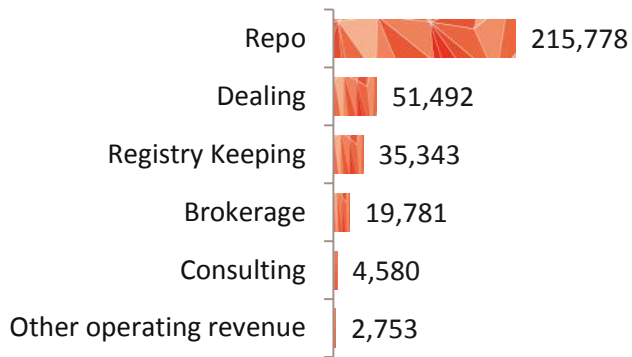


Financial Highlights, Y2013

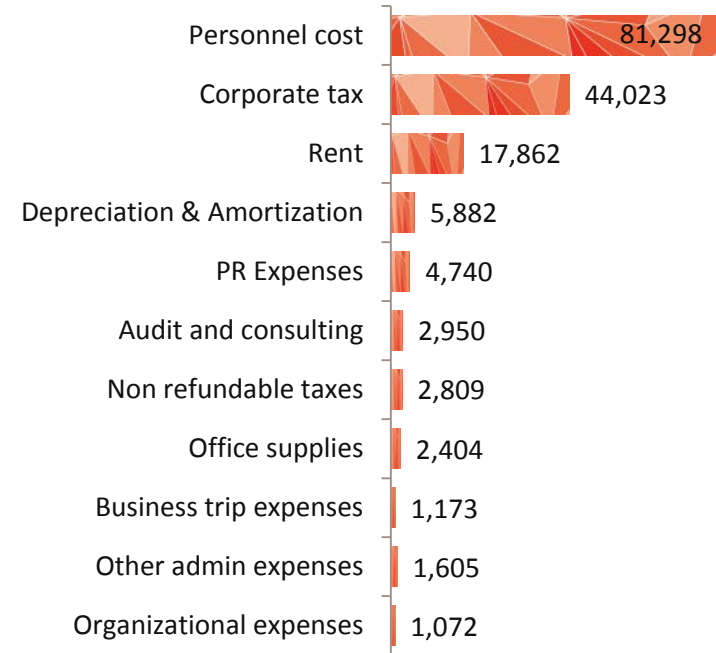
	As of December 31		Growth
	2012	2013	y-o-y
Financial Position			
Assets	5,208,218	6,184,565	18.7%
Equity	717,416	757,696	5.6%
Liabilities	4,490,802	5,426,869	20.8%
Investment portfolio	5,186,693	6,101,375	18.9%
Financial Performance			
Net Interest Income	150,078	237,406	58.2%
Net fee and commission income	9,905	57,235	477.8%
Net income	82,745	164,234	98.5%
Selected ratios			
Net Interest Margin	2.9%	3.9%	
Interest earning assets to total assets	99.3%	98.6%	
Debt to Equity ratio	6.3	7.2	
Cost to Income ratio	46.5%	37.0%	
ROAA	1.7%	2.9%	
ROAE	11.8%	22.3%	

Main performance data, Y2013

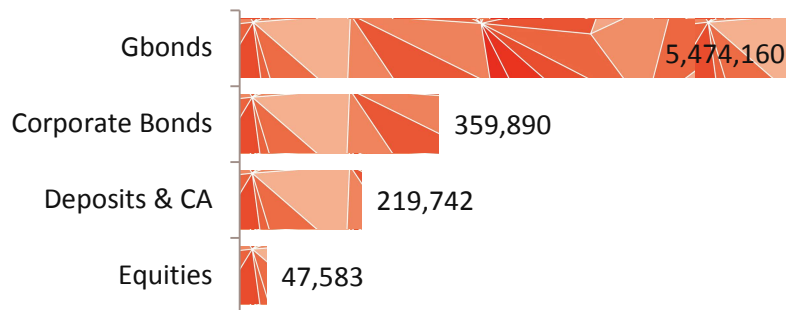
Operating Income, '000 AMD







Operating Expenses, '000 AMD



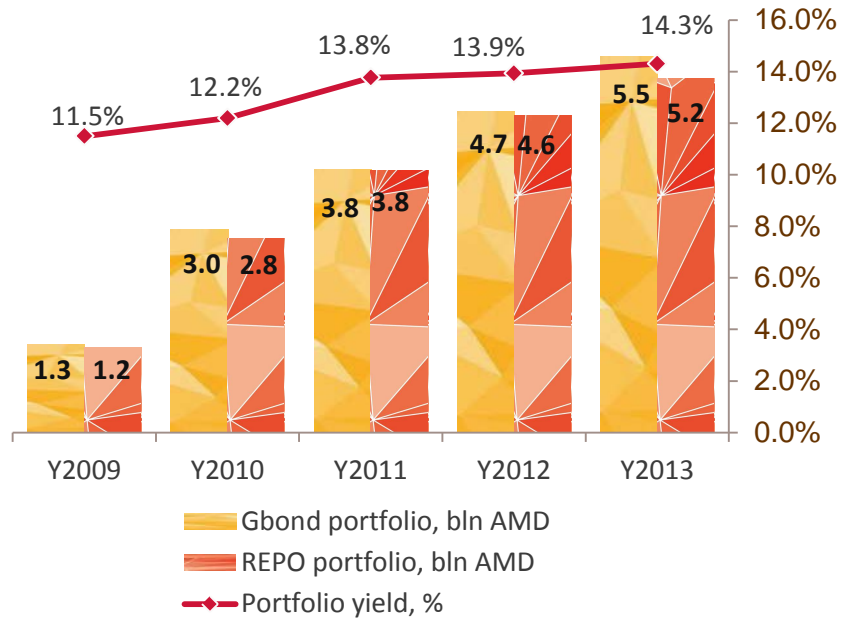
Investment portfolio, '000 AMD



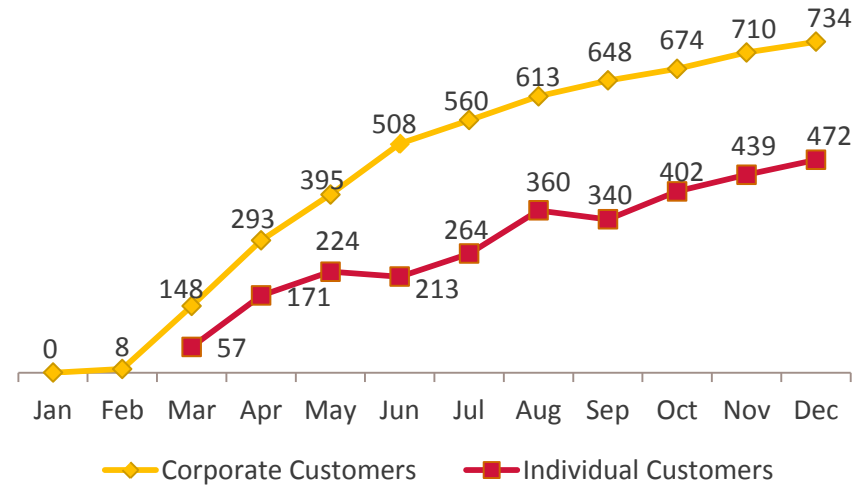
HIGHLIGHTS

-  High growth rates across all business lines in Y2013
-  Share of Repo income in total income decreased significantly (≈ 18 pps)
-  Investment portfolio grew by around 19% y-o-y
-  Gbonds comprise about 90% of total portfolio

Repurchase agreements



Depository activities



HIGHLIGHTS

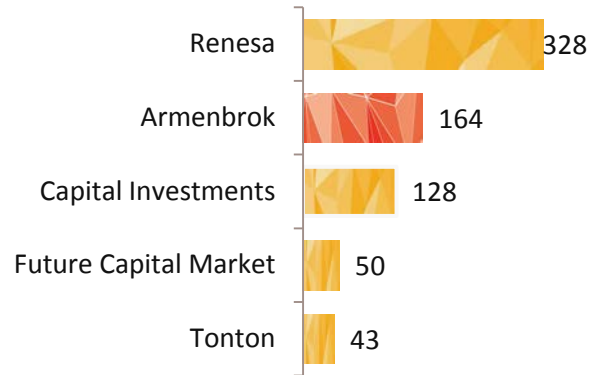
- 🛡️ Launched in **2009**
- 🛡️ Repo portfolio 4 year CAGR ≈ **43%**
- 🛡️ ≈ **5.5** bln AMD Gbond portfolio at year end **2013**
- 🛡️ Actively working with **14** partner banks
- 🛡️ Average portfolio yield ≈ **14.3%**
- 🛡️ Average Repo Margin ≈ **5.5 - 6%**

HIGHLIGHTS

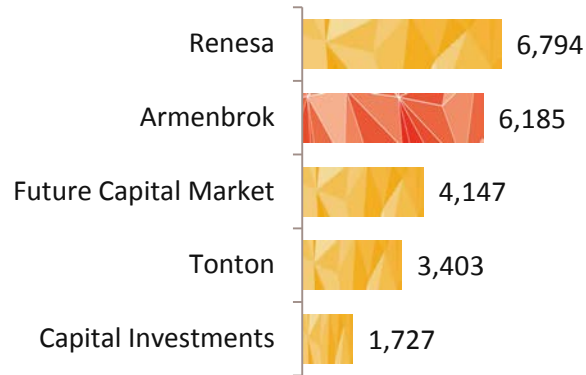
- 🛡️ Launched in **2010**, restructured in **2013**
- 🛡️ ≈ **1200** corporate and individual customers in total
- 🛡️ ≈ **58%** of total market share
- 🛡️ Gross income in Y2013 ≈ **35** mln AMD
- 🛡️ Estimate income in Y2014 ≈ **60** mln AMD

Peer comparison, Y2013

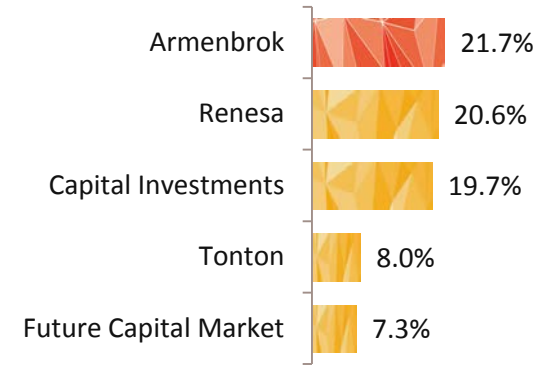
Net Income, '000 AMD



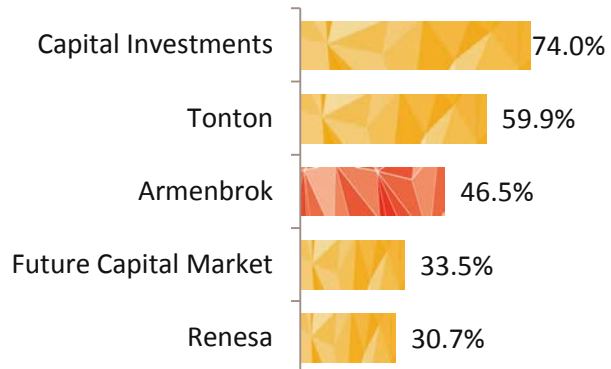
Total Assets, '000 AMD



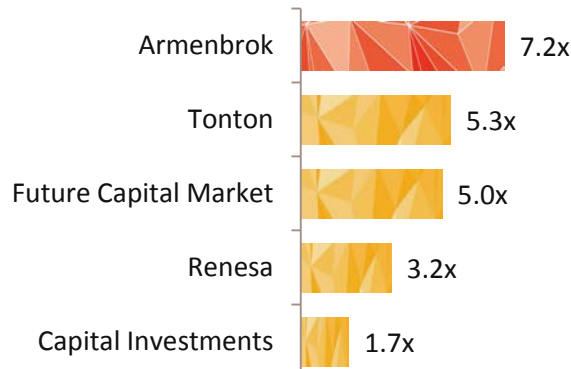
ROE, %



Cost to Income, %



Debt to Equity, times



Income Statement (audited)

in thousands of AMD	As of December 31		Growth y-o-y
	2012	2013	
Interest income	557,385	668,728	20.0%
Interest expenses	407,307	431,322	5.9%
Net interest income	150,078	237,406	58.2%
Fee and Commission income	11,705	109,274	833.6%
Fee and Commission expense	1,800	52,039	2791.1%
Net fee and commission income	9,905	57,235	477.8%
Dividend income	491	800	62.9%
Net trade income	-4,410	-11,649	164.1%
Other operating income	36,442	46,734	28.2%
Operating Income	192,506	330,526	71.7%
Administrative expenses	83,339	114,262	37.1%
Other expenses	6,185	8,008	29.5%
Income before taxes	102,982	208,256	102.2%
Profit tax charges	20,236	44,023	117.5%
Net income	82,746	164,233	98.5%

Balance Sheet (audited)

in thousands of AMD	As of December 31		Growth y-o-y
	2012	2013	
Cash and balances with CBA	4,081	4,541	11.3%
Claims on banks & other fin. institutions	199,789	210,037	5.1%
Claims on customers	21,833	54,128	147.9%
Financial investments held for trading	29,852	1,753	-94.1%
Investments available-for-sale	146,610	285,772	94.9%
Investments held-to-maturity	4,790,128	5,594,108	16.8%
PP&E and intangibles	12,114	11,487	-5.2%
Other assets	3,811	22,739	496.7%
TOTAL ASSETS	5,208,218	6,184,565	18.7%
Chartered capital	267,150	267,150	0.0%
Share Premium	208,011	208,011	0.0%
Reserves	80,198	80,203	0.0%
Retained Earnings	162,057	202,332	24.9%
TOTAL EQUITY	717,416	757,696	5.6%
Due to other banks	4,477,139	5,373,036	20.0%
Due to Customers	706	2,737	287.7%
Other liabilities	12,957	51,096	294.4%
TOTAL LIABILITIES	4,490,802	5,426,869	20.8%

Selected ratios

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

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Money has
no IDEAS
WE HAVE