



**armenbrok**

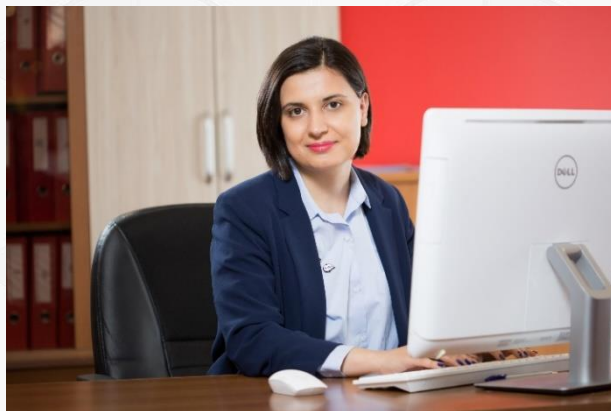
**ANNUAL REPORT**

P R E S E N T A T I O N

**2016**



*trending again*



Established in	1994
Commercial registry and license	Central Bank of Armenia, №10
Stock Exchange Membership	NASDAQ OMX Armenia
Main activities	Investment Banking, Brokerage, Dealing (Repo), Registry Keeping, Custodian, Investment Solutions, Business Advisory, Market-making
Number of shareholders	29 (1 institutional, 28 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, 2014 and 2016 Best Account Operator - Registry keeper of Depository System 2014, 2015 and 2016 Best Member of Stock Exchange Settlement System 2016 Best Account Operator-Custodian of Depository System in corporate securities market 2014, 2015 and 2016 Best Member In Unified System of Securities Registration and Settlement 2015 and 2016



A **LEADING**  
**MARKET MAKER**  
FOR EQUITIES AND BONDS  
ON **NASDAQ OMX** | ARMENIA  
STOCK EXCHANGE



**BEST**  
EXCHANGE MEMBER IN  
CORPORATE  
SECURITIES  
MARKET 2012/14, 2016  
**NASDAQ OMX** | ARMENIA



**BEST**  
ACCOUNT OPERATOR  
OF DEPOSITORY SYSTEM AND  
ACCOUNT OPERATOR-  
CUSTODIAN  
OF DEPOSITORY SYSTEM IN CORPORATE  
SECURITIES MARKET 2014-16  
**NASDAQ OMX** | ARMENIA



## Summary results

2016 was yet another successful year for Armenbrok. Despite of the political uncertainty due to elections outlooks and challenging macroeconomic instability within the country, Armenbrok's team managed to effectively lead the firm towards its strategic direction and achieve its all business objectives for the year.

The company's earnings rebounded from previous year's slump that was caused by extreme market conditions. Virtually all essential financial indicators of the firm improved. Net profit for the year tripled in volume and assets, equity and liabilities increased by nearly 33% compared with previous period. As a result of stabilizing interest rates the cost of borrowing decreased dramatically for the reporting year and drove down the interest payments by 27% compared with previous period. Interest and similar income increased by 10.5%. Net interest income hiked from AMD 88 million in 2015 to AMD 339 million in year 2016.

Net fee and commission income remained relatively stable compared with previous year's results exhibiting 6.7% decrease in amount. Net fee and commission encompasses brokerage, consulting, security placement & pricing and registry keeping services that Armenbrok provides to its clients. All the following operations have increased in volume except registry keeping. Registry keeping comprises around 72% of total net commission income, which decreased in amount by nearly 10% compared with previous year. Armenbrok covers 57% of the total market share of registry keeping service and preserves its top position in the market in terms of volume and quality of the service provided. The firm started to provide market-making service to listed companies and was successful to generate AMD 9,8 million during the first year.

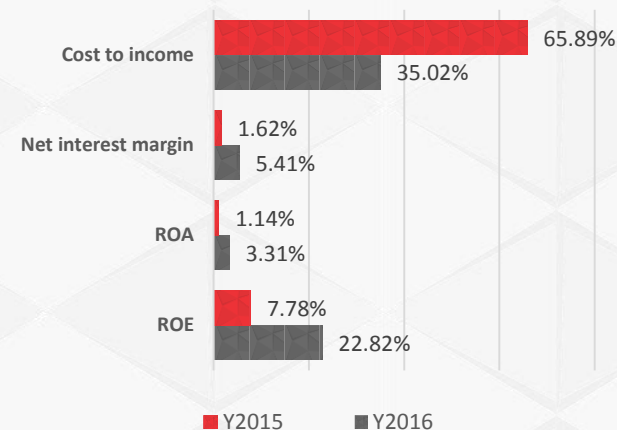
The major expense for the firm was the impairment of large holding in corporate bonds of "Monarch Capital" coming back from 2006, which defaulted on payments to debtholders and experienced technical bankruptcy. The later resulted in impairment cost of AMD 95.8 million, which had to be reflected in 2016 results. No payments or recovery of loss from the counterparty occurred during the period. Regardless the cost being classified under operating loss, the nature of bankruptcies is highly infrequent and have significant negative impact on net income of investor company. The ROE for 2016 was 23%, which could potentially reach 30% without the effect of the latter expense.

Armenbrok's management have optimistic view on near future improvement of macroeconomic environment in the country. The latter is driven by a encouraging trend in tourist arrivals, improving agricultural conditions, increasing volume of exports and transfer inflows, and increasing amount of capital investments in the country. The developments will enhance economic activity and GDP growth, and will uphold loose monetary and fiscal policies, which in turn will continue keeping stabile and positive effect on Armenbrok's business and development.

Nasdaq OMX Armenia awarded Armenbrok by recognizing the firm the Best Exchange member in Corporate Market, Best Account Operator - Registry keeper, Best Member of Stock Exchange Settlement System, Best Account Operator-Custodian and Best Member In Unified System of Securities Registration and Settlement in 2016.



	Y2016	Y2015	y-o-y
In million AMD			
Net interest income	339	88	285%
Net fee income	84	90	-7%
Profit for the year	215	67	221%
Total assets	7,419	5,595	33%
Securities under Repos	5,953	4,853	23%
Total liabilities	6,347	4,780	33%
Amounts due to Banks	6,292	4,556	38%
Total equity	1,073	816	32%



## Income Statement (audited)



In thousands AMD	Year ended December 31, 2016	Year ended December 31, 2015	y-o-y change
Interest and similar income	809,780	733,124	10%
Interest and similar expense	(471,034)	(645,184)	-27%
<b>Net interest income</b>	<b>338,746</b>	<b>87,940</b>	<b>285%</b>
Fee and commission income	181,536	203,555	-11%
Fee and commission expense	(97,894)	(113,867)	-14%
<b>Net fee and commission income</b>	<b>83,642</b>	<b>89,688</b>	<b>-7%</b>
Net trading income	21,099	(472)	
Net gains less losses on investments available for sale	81,813	75,288	9%
Other income	3,415	2,267	51%
Impairment charge	(95,810)	(16,461)	482%
Staff costs	(96,167)	(102,014)	-6%
Other expenses	(55,442)	(51,290)	8%
<b>Profit before income tax</b>	<b>281,296</b>	<b>84,946</b>	<b>231%</b>
Income tax expense	(65,871)	(17,796)	
<b>Profit for the year</b>	<b>215,425</b>	<b>67,150</b>	<b>221%</b>
<b>Other comprehensive income</b>			
Net unrealized gains from changes in fair value from available-for-sale financial assets	200,505	73,795	172%
Net gains realized to statement of profit or loss and other comprehensive income on disposal of available-for-sale instruments	(81,813)	(75,288)	9%
Income tax relating to components of other comprehensive income	(23,738)	-	
<b>Other comprehensive income for the year, net of tax</b>	<b>94,954</b>	<b>(1,493)</b>	
<b>Total comprehensive income for the year</b>	<b>310,379</b>	<b>65,657</b>	<b>373%</b>
<b>Earnings per share in AMD</b>	<b>806</b>	<b>251</b>	<b>321%</b>

## Balance Sheet (audited)



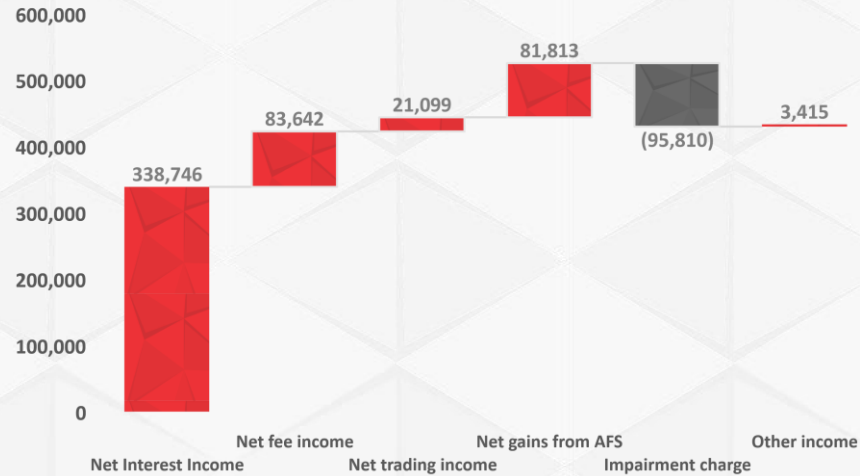
In thousands AMD	As of December 31, 2016	As of December 31, 2015	y-o-y change
<b>Assets</b>			
Cash and cash equivalents	104,514	103,014	1.5%
Assets at fair value through profit or loss	196,257	72,109	172.2%
Reverse repurchase agreements	200,534	176,336	13.7%
Investments available for sale	327,907	550	
Investments held to maturity	563,401	191,569	194.1%
Securities pledged under repurchase agreements	5,953,109	4,852,634	22.7%
Prepaid income taxes	-	41,760	
Property, plant and equipment and intangible assets	36,373	4,354	735.4%
Deferred tax asset	-	15,619	
Other assets	37,089	137,412	-73.0%
<b>Total assets</b>	<b>7,419,184</b>	<b>5,595,357</b>	<b>32.6%</b>
<b>Liabilities</b>			
Amounts due to financial institutions	6,291,654	4,556,328	38.1%
Amounts due to clients	-	185,411	
Current income tax liabilities	30,024	-	
Deferred income tax liabilities	2,208	-	
Other liabilities	22,717	37,986	-40.2%
<b>Total liabilities</b>	<b>6,346,603</b>	<b>4,779,725</b>	<b>32.8%</b>
<b>Equity</b>			
Share capital	267,150	267,150	
Share premium	208,011	208,011	
Statutory general reserve	79,670	79,670	
Other reserves	95,482	528	
Retained earnings	422,268	260,273	62.2%
<b>Total equity</b>	<b>1,072,581</b>	<b>815,632</b>	<b>31.5%</b>
<b>Total liabilities and equity</b>	<b>7,419,184</b>	<b>5,595,357</b>	

	2009	2011	2012	2013	2014	2015	2016F
Dividends							
AMD per share	190	175	464	600	600	200	600

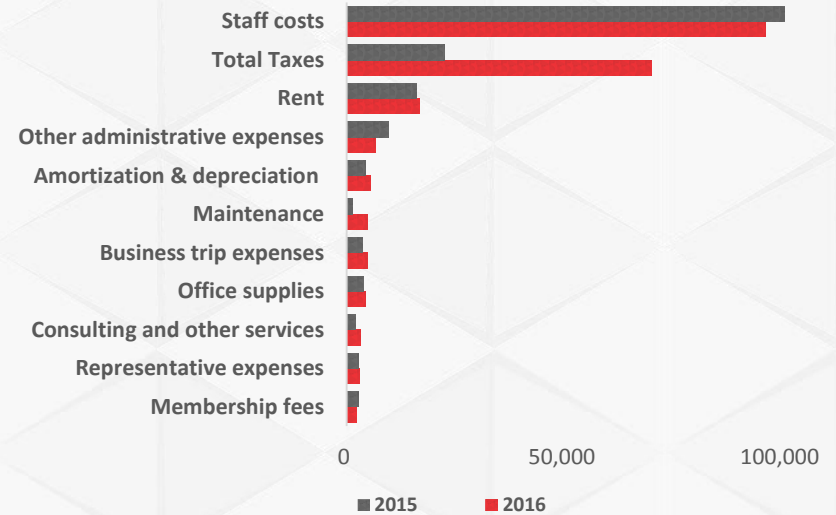
## Main operating indicators



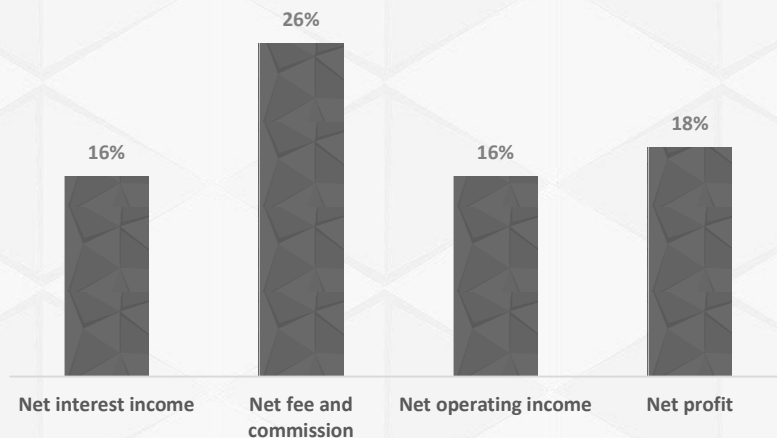
### Operating income composition in '000 AMD



### Operating expenses and tax in '000 AMD



### Compounded annual growth rate from Y2009



### HIGHLIGHTS

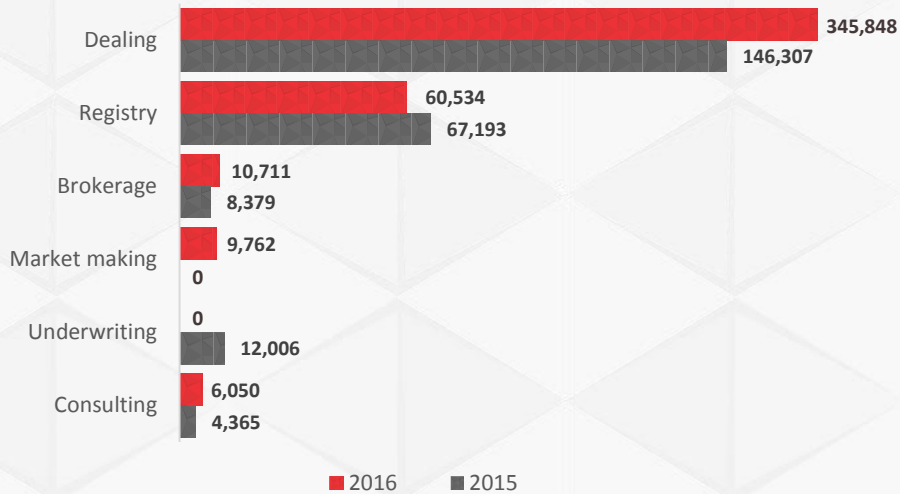
- Net Interest income comprised **78%** of total net operating income
- Major loss reported in operating income was impairment charge from investment in Monarch Capital's corporate bonds, amounted AMD **95.8** million
- Largest operating expense remained the staff costs, which was around **64.4%** of the total operating cost
- Total operating costs decreased by **1.1%** relative to 2015



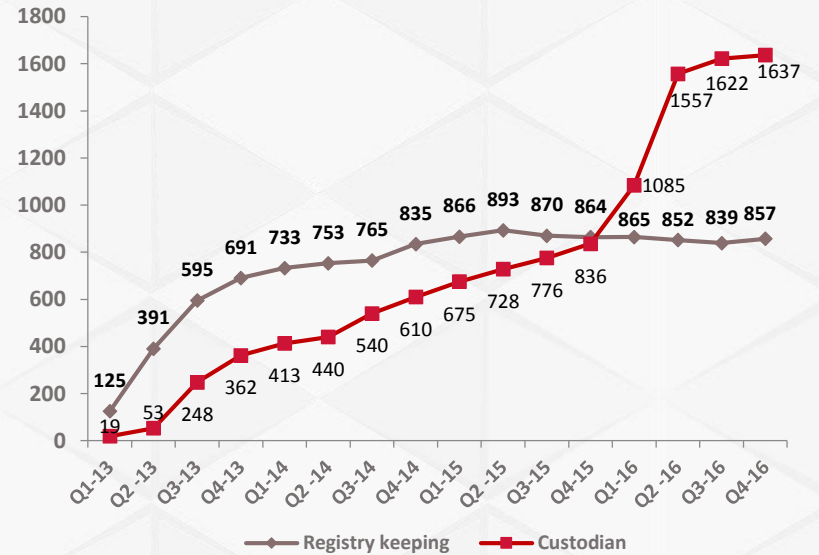
# Main performance data



## Operating income composition by segments in '000 AMD



## Depository clients



### HIGHLIGHTS

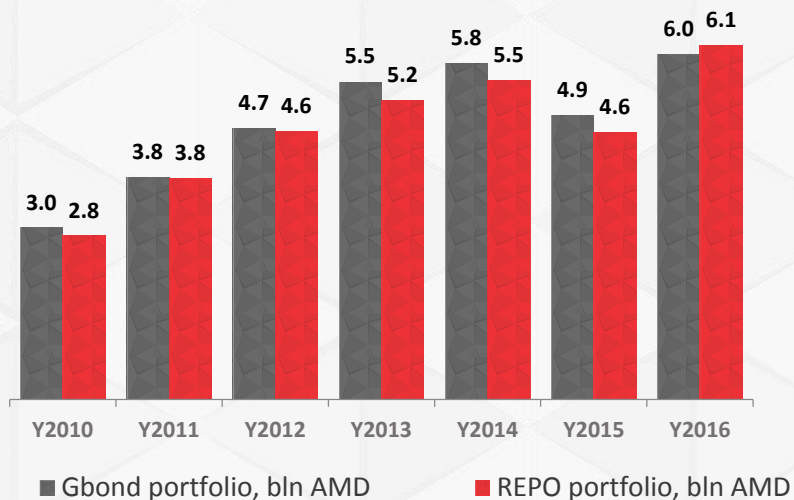
- Y2016 results exhibited increase in most key business segments
- Armenbrok initiated market-making service and generated AMD 9.8 million in 2016
- Dealing, Brokerage and consulting segments increased relative to previous period



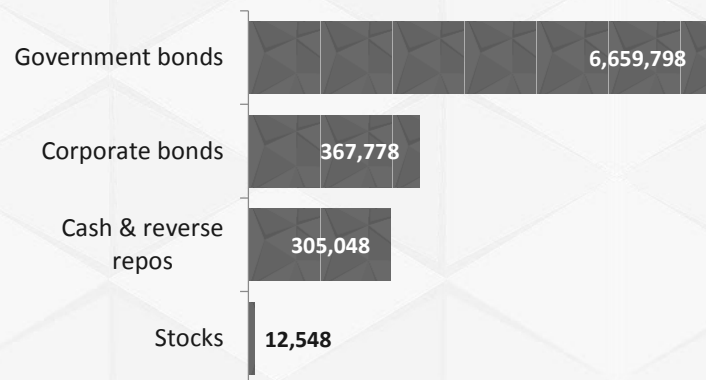
# Investment portfolio



## Repo portfolio in bln AMD



## Investment portfolio in '000 AMD

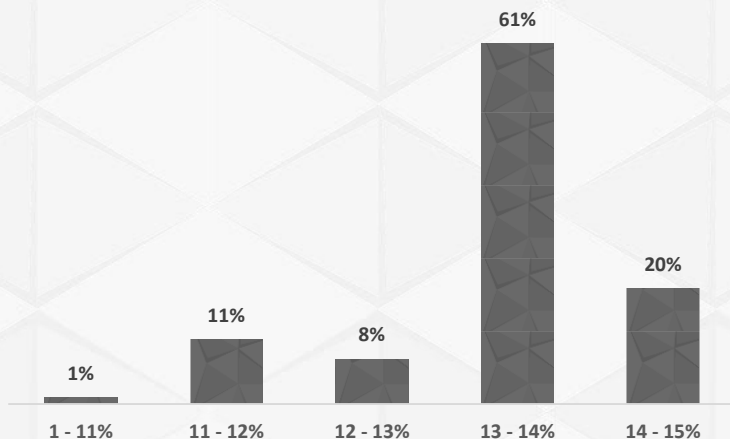


	Held to maturity	Available for sale
Government bonds pledged under repurchase agreements	57%	32%
Unpledged government bonds	8%	2%

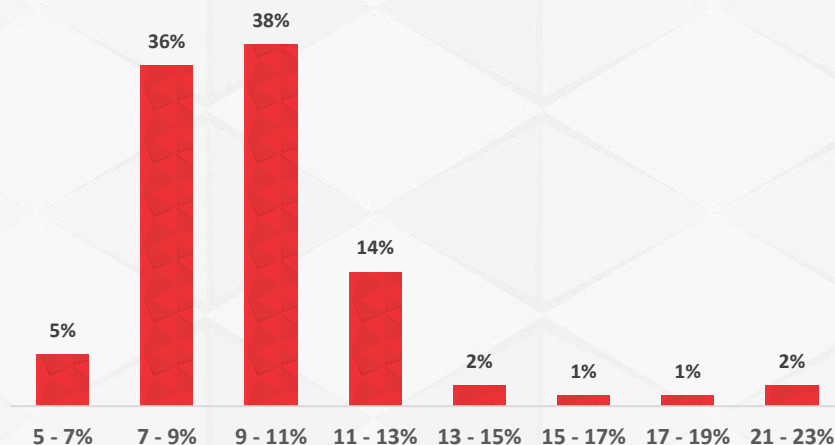
### HIGHLIGHTS

- Repo portfolio launched in **2009**
- Actively collaborated with **15** partner banks during **2016**
- Average portfolio yield for 2016 ≈ **13.72%**
- Average repo rate for 2016 ≈ **8.36%**
- Government bonds comprised about **91%** of total portfolio

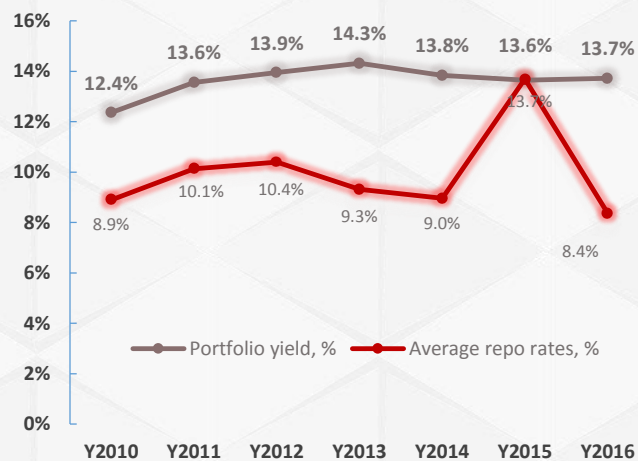
Average monthly portfolio yield frequency for last 92 months



Average monthly Repo yield frequency for last 92 months



Average interbank repo rates and G-Bond yields



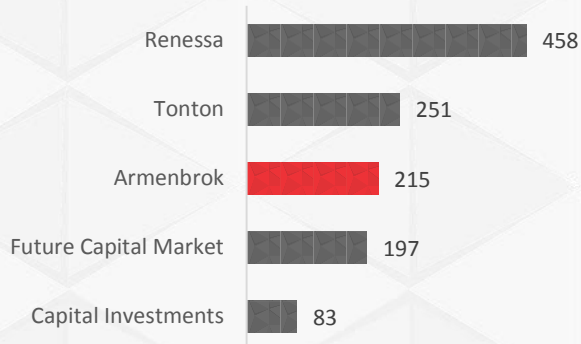
## HIGHLIGHTS

- Portfolio yield is negatively skewed, which means high frequency for high yield and low frequency for low yields. In **61%** of cases portfolio yield was between **13-14%** during last **92** months
- Repo rates (borrowing rate) are positively skewed, and were between **7-11%** in **74%** of cases during the last **92** months

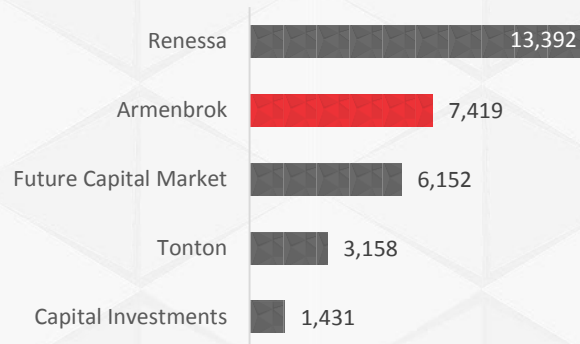
# Peer comparison, Y2016



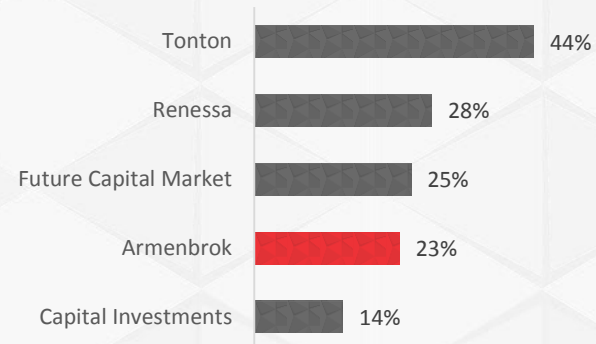
## Net Income, mln AMD



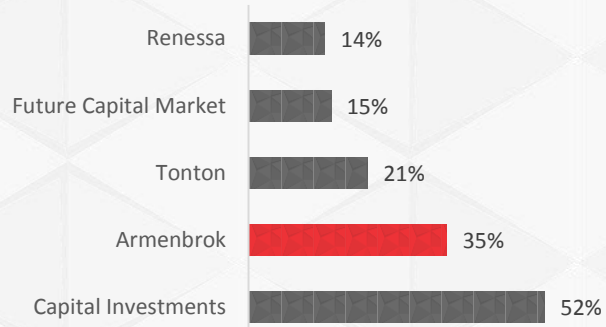
## Total Assets, mln AMD



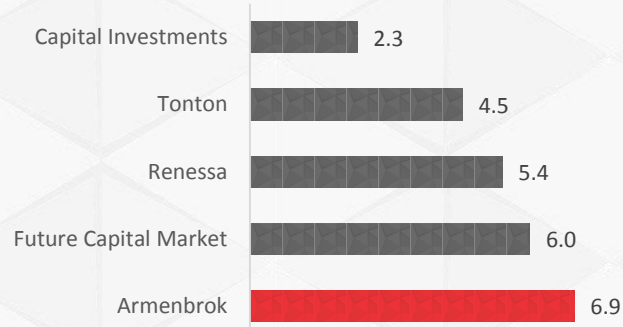
## ROE, %



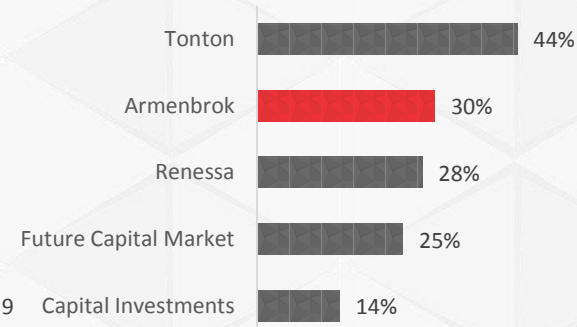
## Cost to Income, %



## Financial Leverage



## Adjusted ROE\*



\*excluding the effect of large infrequent impairment charge from investment in Monarch Capital corporate bonds coming from 2006



## Selected ratios



<b>Ratio</b>	<b>Y2016</b>	<b>Y2015</b>	<b>Y2014</b>	<b>Y2013</b>	<b>Y2012</b>	<b>Y2011</b>
ROE	20.08%	8.23%	35.05%	21.68%	11.53%	13.69%
ROA	2.90%	1.20%	5.20%	2.66%	1.59%	2.11%
ROAE	22.82%	7.78%	38.26%	22.27%	11.84%	10.06%
ROAA	3.31%	1.14%	5.18%	2.88%	1.72%	2.21%
Net Interest Margin	5.41%	1.62%	5.28%	3.89%	2.90%	3.66%
Cost of funds	7.59%	14.16%	8.03%	9.10%	8.10%	5.50%
Net fee and commission income / Total Operating income	19.32%	36.02%	20.97%	17.32%	5.15%	11.05%
Net fee and commission income / Average total assets	1.29%	1.53%	1.85%	1.00%	0.21%	0.53%
Cost to income ratio	35.02%	65.89%	28.09%	36.99%	46.50%	44.05%
Interest earning assets / Total assets	97.60%	97.10%	98.03%	98.57%	99.28%	98.71%
Total liabilities / Equity	5.9x	5.9x	5.7x	7.2x	6.3x	5.5x
Equity / Total Assets	0.1x	0.1x	0.1x	0.1x	0.1x	0.2x

## 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](mailto:armenbrok@armenbrok.com)

Web: [www.armenbrok.am](http://www.armenbrok.am); [www.armenbrok.com](http://www.armenbrok.com)



Money has  
**no IDEAS**  
WE HAVE

