

# Silent runs in a dollarized banking system: Depositor-level evidence from financial and geopolitical shocks

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## Abstract

This paper examines depositor behavior during two episodes of system-wide withdrawal pressure in Armenia, a small, open, and highly dollarized economy. Using depositor-level administrative data covering 60–73 percent of the national deposit portfolio, we study early withdrawals during the 2014 exchange-rate and financial-market shock and the 2020 geopolitical shock, both characterized by sizable outflows despite the absence of bank-specific solvency stress. This environment allows us to analyze how contract characteristics, currency denomination, and depositor-bank relationships shape withdrawal decisions under uncertainty. We exploit Armenia’s dual-currency deposit insurance regime to assess how currency-specific coverage interacts with exchange-rate risk, and we use legally defined insider classifications to identify individuals with formal ties to bank governance. We find that deposit insurance has a clear stabilizing effect, though insured depositors still adjust behavior modestly as balances approach the coverage limit. Insiders, despite lacking insurance and plausibly possessing superior information, do not withdraw more aggressively than the broader public. Prior crisis experience reduces the likelihood of withdrawal in subsequent shocks, and dual-currency depositors disproportionately redeem AMD deposits, consistent with depreciation-driven precautionary motives. These results underscore how currency composition, contract design, and relational ties shape withdrawal pressures under macro-financial stress.

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