

# The Financial System of Armenia. Development, Supervision, Regulation 2011

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## Introduction

*In 2011 the world economy almost overcame crisis influence, while the financial systems were still sensitive. Nevertheless, in 2011 Armenian domestic economy gradually recovered to pre-crisis state. Parallel to post-crisis recovery of domestic economy the financial system responded accordingly. Armenian financial system, which overcame challenges with ease during the peak of the crisis, continued strong development in 2011. One of the most important achievements of the year was the significant deepening of financial intermediation. Particularly, compared to previous year the banking system assets/GDP ratio representing the intermediation of banking system, which is the main player in financial system, increased by 9.6 percentage points and totaled 54.1 percent, and banking system loans/GDP ratio increased by 6.3 percentage points and totaled 31.6 percent. Loan portfolio growth was observed in almost all sectors proving that the penetration of financial system into economic sectors strengthened also in 2011. During the current year banking system was sufficiently active in lending market registering 36.2 percent growth of loans to economy.*

*In 2011, assets of banking system increased by 32.4 percent, the capital increased by 11.6 percent, while the return on assets was 1.8 percent and return on equity was 9.8 percent. 38.8 percent deposit growth was also notable, which indicates growing confidence towards banking system in recent years. In 2011, the risks of Armenian financial system were at a manageable level. During the year banking system outperformed prudential requirements across all risks, while financial stability indicators were at an acceptable level despite the rapid growth. Continuous efforts aimed at sustainable development of financial system (banking, insurance, securities) were carried out also in 2011 to ensure healthy development of financial system, enhancement of payment system and financial stability. In 2011 compulsory insurance system of liability arising out of the use of motor vehicles (Motor Third Party Liability Insurance - hereafter MTPL) was launched.*

*During 2011 essential infrastructures for MTPL operation were designed and enhanced and also efforts were put to develop other insurance types. In 2011 the Central Bank introduced number of legal acts, rising from adoption of law package on pension reforms.*

*As a result of mentioned reforms starting 2011 voluntary funded pension component was introduced, and starting from 1st of January 2014 the mandatory component of funded pension system will be launched.*

*During 2011 for the first time National Mortgage Company issued corporate bonds. In 2011 Pan Armenian Bank started its operation aimed at promoting financial investments in strategic and high priority sectors of Armenia. In 2011 the Central Bank within the scope of its responsibilities proceeded with large scale actions aimed at development of financial system, modernization of financial sector regulation framework, financial supervision, consumer rights protection and financial education of various target groups.*

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