

Quarterly review (first quarter, 2014)

2014-06-10

Financial System of the Republic of Armenia in Q1, 2014

Banks functioning in the Republic of Armenia

As of 31.03.2014, there were 21 commercial banks with a total of 489 branch offices, and a development bank (All-Armenian Bank), functioning in the territory of the Republic of Armenia. In the period under review the banking sector indicators remained performing well.

Total capital of commercial banks

In the third quarter of 2013, total capital of the banking sector grew by 2.2 percent and amounted to AMD 466.0 billion (with the 12-month growth of 14.9 percent), owing to generated net profit of AMD 7.7 billion and a total of AMD 7.0 billion of paid-in capital carried out by a bank.

During the quarter, the total capital to total assets ratio has risen by 0.4 pp to 15.9 percent at the end of the quarter.

The total capital adequacy standard of commercial banks has reduced by 0.3 pp to 16.4 percent at the end of the quarter.

Total liabilities of commercial banks

In the period under review, total liabilities of commercial banks have decreased by 1.1 percent (with the 12-month growth of 13.7 percent) and amounted to AMD 2 trillion 460.1 billion at the end of the quarter. The decrease of total liabilities was largely attributable to the liabilities (including correspondent 'loro' accounts) to banks (Central Bank included) having reported a reduction of 12.4 percent (AMD 52.9 billion).

During the quarter, the amount of demand and term deposits of companies has increased by 1.7 percent to AMD 619.4 billion, and demand and term deposits of individuals have grown by 2.9 percent to AMD 938.9 billion.

Total assets of commercial banks

In the period under review, total assets of the banking sector have reduced by 0.6 percent

(with the 12-month growth of 13.9 percent) and amounted to AMD 2 trillion 926.2 billion at the end of the quarter. During the quarter, 15- banks reported increases and 7 banks reported decreases in assets.

In the structure of assets, the share of credit to the economy (factor and lease operations included) has grown by 1.7 percent (AMD 29.9 billion, with the 12-month growth of 10.4 percent) and the share of correspondent accounts and other claims to the Central Bank contracted by 15.2 percent (AMD 70.4 billion).

As of 31.03.2014, the volume of credit to the economy (factor and lease operations included) has been AMD 1 trillion 757.1 billion. The value of credit provided to companies and bank insiders has increased by 4.6 percent and 6.3 percent to AMD 668.1 billion and AMD 73.3 billion, respectively. In contrast, the value of credit to companies has reduced by 0.4 percent to AMD 996.7 billion. The total value of the factor and lease operations (interbank leasing and factoring excluded) has increased by 3.7 percent to AMD 19 billion at the end of the quarter.

In the period under review, the share of claims to financial institutions has grown by 0.9 pp to 4.2 percent in total assets portfolio but the share of other claims to banks (Central Bank included) has shrunk by 2.3 pp to 13.4 percent in total.

By currency structure, the dram and foreign currency loans (factor and lease operations included) have grown by 0.5 percent and 2.4 percent and reached AMD 635.2 billion and 1 trillion 121.9 billion, respectively. As a result, the share of foreign currency loans to total loans has increased by 0.4 pp to 63.8 percent at the end of the quarter.

Somewhat a brisker activity has been reported in the field of investment in financial and insurance business, agriculture as well as consumer loans, all having reported increases of 19.3 percent, 10.7 percent and 7.1 percent, respectively.

In the structure of resident loan investment during the quarter, the shares of credit to financial and insurance services have grown by 0.8 pp and 0.8 pp but the shares of credit to trade and manufacturing industries contracted by 0.9 pp and 0.7 pp, respectively. Loan investments hold big shares in consumer activities, trade and manufacturing industries, having posted increases of 21.4 percent, 19.0 percent and 9.7 percent, respectively.

In the period under review, the share of non-performing loans and receivables in total loans and receivables has grown by 1.3 pp to 5.6 percent at the end of the quarter.

As of 31.03.2014, the shares of "watch" category loans and receivables of the banking system constituted 3.4 percent of the total; "substandard" category loans, 1.4 percent, and "doubtful" category loans, 0.7 percent (the shares were 2.2 percent, 1.1 percent, and 1.0 percent, respectively, as of 31.12.2013). In the period under review, the total liquidity ratio of commercial banks has risen by 0.5 pp and the current liquidity ratio by 3.3 pp to

have reached 29.6 percent and 145.6 percent, respectively.

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