

Quarterly review (second quarter, 2013)

2013-09-13

Financial System of the Republic of Armenia in Q2, 2013

Banks functioning in the Republic of Armenia

As of 30.06.2013, there were 21 commercial banks with a total of 476 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 second quarter of 2013 total capital of the banking sector grew by 1.9 percent and amounted to AMD 413.2 billion, owing to the generated net profit. The assets growth rates outpaced those of total capital by 0.8 pp, and the total capital to total assets ratio has reduced by 0.2 pp to 15.6 percent.

The total capital adequacy standard has dropped by 0.1 pp to 16.3 percent, due to surpassing growth of risk weighted assets over the growth of total regulatory capital.

Total liabilities of commercial banks

In the period under review total liabilities of commercial banks have increased by 2.9 percent and amounted to AMD 2 trillion 227.5 billion. During the quarter 16 banks reported increases and 6 banks reported decreases in total liabilities.

The growth of total liabilities was attributable to total deposit portfolio of companies and individuals, with a reported increase of 5.9 percent (AMD 74.1 billion).

During the quarter demand and term deposits of companies grew by 11.3 percent and reached AMD 518.5 billion. Demand and term deposits of individuals have also increased by 2.7 percent to AMD 820.0 billion.

By maturity structure, the share of demand and term deposits of companies and individuals in total deposit portfolio has accounted for 36.0 percent and 64.0 percent (32.3 percent and 67.7 percent, as of 31.03.2013), respectively.

By currency structure, the dram and foreign currency deposits have grown by 3.4 percent and 6.8 percent, respectively. As a result, the share of foreign currency deposits in total deposit portfolio has increased by 0.7 pp to 72.9 percent at the end of the quarter.

The quarter saw a considerable change in the structure of total liabilities: the share of demand and term deposits of companies has grown by 1.7 pp while the share of liabilities to banks has reduced by 0.8 pp.

Total assets of commercial banks

In the period under review total assets of the banking sector have increased by 2.8 percent and amounted to AMD 2 trillion 640.7 billion at the end of the quarter. During the quarter 16 banks reported increases and 6 banks reported decreases in assets.

The main asset increases were reported in respect of correspondent accounts with banks, government securities and economy lending (factor and lease operations included) by 20.2 percent, 6.1 percent and 2.1 percent, respectively.

The value of loans to the economy (the factor and lease operations included) has been AMD 1 trillion 624.4 billion, as of 30.06.2013. The value of loans provided to companies, individuals, bank insiders has grown by 0.1 percent, 4.4 percent and 7.7 percent and reached AMD 937.9 billion, AMD 596.5 billion and AMD 75.6 billion, respectively. The value of the factor and lease operations (interbank leasing and factoring excluded) has increased by 8.4 percent to AMD 14.4 billion.

During the quarter, no considerable changes were observed in the assets structure. By currency structure, the dram and foreign currency loans (the factor and lease operations included) have grown by 4.6 percent and 0.7 percent to AMD 571.8 billion and 1 trillion 52.6 billion, respectively. As a result, the share of foreign currency loans to total loans has contracted by 0.9 pp to 64.8 percent at the end of the quarter.

Somewhat brisker growths were reported in the area of: a) financial and insurance services, b) electricity, gas, steam and fine air generation, and c) agriculture, forestry and fishing, with reported growth of 16.2 percent, 6.4 percent and 6.3 percent, respectively.

In the structure of resident loan investment during the quarter, the share of trade has reduced by 1.1 pp, whereas the share of credit to financial and insurance services has grown by 0.7 pp. Loan investments in trade, consumer activities and manufacturing industries posted growths by 19.8 percent, 19.6 percent and 10.1 percent, respectively. The share of non-performing loans and receivables in total loans and receivables has grown by 0.4 pp and reached 5.6 percent at the end of the quarter.

As of 30.06.2013, the shares of “watch” category loans and receivables of the banking system constituted 3.6 percent of the total; “substandard” category loans, 1.3 percent, and “doubtful” category loans, 0.8 percent (3.5 percent, 0.8 percent, and 0.9 percent, respectively, as of 31.03.2013).

In the period under review, the total liquidity ratio of commercial banks remained

unchanged, 26.1 percent, while the current liquidity ratio has dropped by 9.0 pp to 127.1 percent.

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