

Quarterly review (third quarter, 2013)

2013-12-06

Financial System of the Republic of Armenia in Q3, 2013

Banks functioning in the Republic of Armenia

As of 30.09.2013, there were 21 commercial banks with a total of 481 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 3.8 percent and amounted to AMD 428.7 billion, at the end of the quarter, owing to generated net profit of AMD 12.2 billion and a total of AMD 6.6 billion of paid-in capital carried out by two banks. During the quarter, the total capital growth rate outpaced the assets growth rate by 0.8 pp, and the total capital to total assets ratio has risen by 0.2 pp to 15.8 percent. The total capital adequacy standard of commercial banks has grown by 0.2 pp to 16.5 percent, due to surpassing growth of total regulatory capital over the growth of risk weighted assets.

Total liabilities of commercial banks

In the period under review, total liabilities of commercial banks have increased by 2.8 percent and amounted to AMD 2 trillion 289.4 billion at the end of the quarter. During the quarter 14 banks reported increases and 8 banks reported decreases in total liabilities.

The growth of total liabilities was largely attributable to the liabilities (including correspondent 'loro' accounts) to banks (Central Bank included) and total deposit portfolio, having reported increases of 5.8 percent (AMD 24.0 billion) and 1.9 percent (AMD 25.2 billion), respectively.

During the quarter the amount of demand and term deposits of companies reduced by 1.6 percent to AMD 510.1 billion. On the contrary, demand and term deposits of individuals have increased by 4.1 percent to AMD 853.6 billion.

By maturity structure, the share of demand and term deposits of companies and individuals in total deposit portfolio has accounted for 32.4 percent and 67.6 percent (36.0

percent and 64.0 percent, as of 30.06.2013), respectively.

By currency structure, the dram and foreign currency deposits have grown by 6.8 percent and 0.1 percent, respectively. As a result, the share of foreign currency deposits in total deposit portfolio has contracted by 1.3 pp to 71.6 percent at the end of the quarter.

The quarter saw some changes in the structure of total liabilities: the share of term deposits of companies and individuals in total liabilities portfolio has grown, the amount of liabilities to banks (Central Bank included) has increased, and the share of demand deposits of companies has reduced.

Total assets of commercial banks

In the period under review, total assets of the banking sector have grown by 2.9 percent and amounted to AMD 2 trillion 718.2 billion at the end of the quarter. During the quarter 16 banks reported increases and 6 banks reported decreases in assets.

As of 30.09.2013, the volume of credit to the economy (factor and lease operations included) has been AMD 1 trillion 646.9 billion. The value of loans provided to companies and individuals has increased by 1.9 percent and 2.0 percent to AMD 955.8 billion and AMD 608.6 billion, respectively. In contrast, the value of credit to bank insiders has reduced by 10.6 percent to AMD 67.6 billion. The total value of the factor and lease operations (interbank leasing and factoring excluded) has increased by 3.3 percent to AMD 14.8 billion at the end of the quarter.

During the quarter, no considerable changes were observed in the assets structure. By currency structure, the dram and foreign currency loans (factor and lease operations included) have grown by 2.7 percent and 0.7 percent and reached AMD 587.0 billion and 1 trillion 59.8 billion, respectively. As a result, the share of foreign currency loans to total loans has contracted by 0.4 pp to 64.4 percent at the end of the quarter.

Somewhat a brisker activity has been reported in respect of mortgage lending, consumer loans and trade credit, having reported increases of 4.5 percent, 3.6 percent and 2.5 percent, respectively.

In the structure of resident loan investment during the quarter, the shares of credit to 1) agriculture, forestry and fishing and 2) financial and insurance services have reduced by 0.5 pp each.

Loan investments in trade, consumer activities and manufacturing industries posted growths by 20.0 percent, 19.9 percent and 9.8 percent, respectively. The share of non-performing loans and receivables in total loans and receivables has decreased by 0.4 pp to 5.2 percent at the end of the quarter.

As of 30.09.2013, the shares of “watch” category loans and receivables of the banking system constituted 2.5 percent of the total; “substandard” category loans, 1.9 percent, and “doubtful” category loans, 0.7 percent (the shares were 3.6 percent, 1.3 percent, and 0.8 percent, respectively, as of 30.06.2013). In the period under review, the total liquidity ratio of commercial banks has risen by 0.2 pp and the current liquidity ratio by 9.8 pp to have reached 26.3 percent and 136.9 percent.

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