

Quarterly review (first quarter, 2012)

2012-05-24

Financial System of the Republic of Armenia in Q1, 2012

Banks functioning in the Republic of Armenia

As of 31.03.2012, there were 21 commercial banks with a total of 444 branch offices, functioning in the territory of the Republic of Armenia. In the period under review the banking sector has been active enough in the lending market.

Total capital of commercial banks

In the first quarter of 2011 total capital of commercial banks grew by 2.0 percent (by AMD 7.0 billion) and amounted to AMD 363 billion, owing to the generated profit of AMD 7.9 billion.

The total capital to total assets ratio has grown by 0.6 pp to 17.8 percent as total capital grew faster than assets of the banking sector. The total capital adequacy standard has dropped by 0.5 pp to 18.3 percent, due to surpassing growth of risk weighted assets over the growth of total regulatory capital as a result of increased lending volumes reported by banks.

Total liabilities of commercial banks

In the period under review total liabilities of commercial banks have decreased by 2.1 percent (by AMD 36.7 billion) and amounted to AMD 1 trillion 674.1 billion. During the quarter 10 banks reported increases and 11 banks reported decreases in total liabilities. Liabilities to other financial institutions have grown, too; term deposits of legal persons and natural persons have increased by 7.1 percent (AMD 15.8 billion) and by 8.0 percent (AMD 44.5 billion), respectively. Liabilities to banks (the Central Bank included) and demand deposits of legal persons and natural persons have reduced by 12.5 percent and 18.6 percent, respectively.

Total amount of deposits of commercial banks has decreased by 2.7 percent (by AMD 25.4 billion and reached AMD 908.8 billion. Demand and term deposits of natural persons have grown by 5.5 percent (by AMD 30.5 billion) and amounted to AMD 589.4 billion, while demand and term deposits of legal persons have reduced by 12.5 percent (by AMD 55.9 billion) and made up AMD 319.4 billion. By currency structure, in the period January-March

dram deposits have grown by 6.1 percent or AMD 17.7 billion but foreign currency deposits have decreased by 6.7 percent or AMD 43.1 billion. As a result, the share of dram deposits in total has increased by 2.8 pp to 34.1 percent.

The share of demand liabilities to natural persons and legal persons and the share of liabilities to banks (the central Bank included) have increased by 3.7 pp and 2.5 pp, respectively. Shares of term deposits of other financial institutions and legal persons and natural persons have grown by 1.2 pp and 3.3 pp, respectively.

Total assets of commercial banks

In the period under review total assets of commercial banks have reduced by 1.4 percent (by AMD 29.6 billion) and amounted to AMD 2 trillion 37 billion at the end of the quarter. During the quarter 12 banks reported increases and 9 banks reported decreases in assets. The main asset decreases were reported in respect of claims on the Central Bank (29.8 percent or AMD 8.6 billion), government securities (11.4 percent or AMD 19.0 billion), lease and factoring operations (62.4 percent or AMD 14.9 billion), cash funds (13.3 percent or AMD 11.9 billion), and correspondent accounts with banks (11.9 percent or AMD 7.0 billion).

The portfolio of banking system loans to the economy (lease and factoring excluded) has grown by 7.5 percent (by AMD 91.0 billion) and reached AMD 1 trillion 302 billion at the end of the quarter. Dram loans have increased by 4.7 percent (by AMD 21.3 billion) and foreign currency loans, by 9.2 percent or AMD 69.7 billion and amounted to AMD 472.5 billion and AMD 829.0 billion, respectively. As a result, the share of dram loans has reduced by 1.0 pp to 36.3 percent and the share of foreign currency loans has increased by 1.0 pp to 63.7 percent of total loan investment. Of the loans to the economy, 59.7 percent were the loans to legal persons, 36.6 percent were the loans to natural persons, and 3.7 percent were loans to bank insiders.

The share of loans to the economy (lease and factoring excluded) has increased by 5.3 pp to 63.9 percent but the share of correspondent accounts with the Central Bank and other claims has reduced by 3.8 pp to 9.1 percent. All sectors of the economy, except for financial and insurance area, reported growth in lending.

In the structure of resident loan investment, most notable changes were reported in the area of financial and insurance services and consumer loans as the share of loans to financial and insurance services has reduced by 1.6 pp to 5.8 percent while the share of consumer loans has grown by 0.7 pp to 17.5 percent.

The share of non-performing loans and receivables in total loans and receivables has

grown by 1.3 pp and reached 4.6 percent at the end of the quarter. As of 31.03.2012, the shares of “watch” category loans and receivables of the banking system constituted 3.0 percent of the total; “substandard” category loans, 0.9 percent, and “doubtful” category loans, 0.7 percent (1.5 percent, 1.1 percent, and 0.7 percent, respectively, as of 31.12.2011).

In the period under review, the total liquidity ratio of commercial banks has dropped by 1.4 pp to 26.6 percent while the current liquidity ratio of commercial banks has risen by 5.7 pp to 126.4 percent.

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