

Quarterly review (second quarter, 2012)

2012-09-03

Financial System of the Republic of Armenia in Q2, 2012

Banks functioning in the Republic of Armenia

As of 30.06.2012, there were 21 commercial banks with a total of 461 branch offices, functioning in the territory of the Republic of Armenia. In the period under review the banking sector posted an increment in main prudential indicators.

Total capital of commercial banks

In the second quarter of 2012 total capital of commercial banks grew by 1.9 percent (by AMD 6.8 billion) and amounted to AMD 369.8 billion, owing to the profit of AMD 7.6 billion generated by commercial banks.

The total capital to total assets ratio has dropped by 1.3 pp to 16.5 percent at the end of the quarter as the growth rate of assets of the banking sector grew by 8.1 pp faster in comparison with total capital. The total capital adequacy standard has dropped by 1.0 pp to 16.8 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 increased by 11.8 percent (by AMD 197.1 billion) and amounted to AMD 1 trillion 871.2 billion. During the quarter 19 banks reported increases and 2 banks reported decreases in total liabilities. Liabilities to banks (Central Bank included) have grown; deposits of legal persons and natural persons have increased by 19.1 percent (by AMD 65.8 billion) and by 8.6 percent (by AMD 78.0 billion), respectively. Liabilities to other financial institutions have grown by 14.7 percent (by AMD 34.8 billion), too.

As of end-period, total amount of term and demand deposits of natural persons and legal persons has been AMD986.8 billion. The share of demand and terms deposits in total deposits portfolio constituted 33.4 percent and 66.6 percent, respectively (as of 31.03.2012 they amounted to 33.6 percent and 66.4 percent, accordingly). Demand and term deposits of natural persons have grown by 10.0 percent (by AMD 59.2 billion) and amounted to AMD 648.7 billion and demand and term deposits of legal persons have

grown by 5.9 percent (by AMD 18.8 billion) and made up AMD 338.1 billion.

By currency structure, in the period under review dram deposits have decreased by 4.1 percent (by AMD 12.7 billion but foreign currency deposits have increased by 15.2 percent (by AMD 90.7 billion). As a result, the share of dram deposits in total deposits portfolio has reduced by 4.0 pp to 30.1 percent, as of the end of the second quarter.

In the period under review no significant changes have taken place in the liabilities structure.

Total assets of commercial banks

In the period under review total assets of commercial banks have grown by 10 percent (by AMD 203.8 billion) and amounted to AMD 2 trillion 241 billion at the end of the quarter.

During the quarter 19 banks reported increases and 2 banks reported decreases in assets.

In the assets structure main increases were reported in respect of loans to the economy (factor and lease operations excluded), correspondent accounts with and other claims on the Central Bank, and correspondent accounts with and other claims on commercial banks, by 10.4 percent (by AMD 135.9 billion), 7.8 percent (AMD 15.0 billion) and 13.2 percent (AMD 18.5 billion), respectively. As of 30.06.2012 the portfolio of banking system loans to the economy (lease and factoring excluded) has been AMD 1 trillion 437.4 billion. Dram loans have increased by 4.8 percent (by AMD 22.5 billion) and foreign currency loans, by 13.7 percent (by AMD 113.4 billion) and amounted to AMD 495 billion and AMD 942.4 billion, respectively. As a result, the share of foreign currency loans has increased by 1.9 pp to 65.6 percent of total loan investment. Of the loans to the economy, 59.9 percent were the loans to legal persons, 34.9 percent were the loans to natural persons, and 5.2 percent were loans to bank insiders.

In the period under review no significant changes have taken place in the total assets structure.

All sectors of the economy, except for financial and insurance services area, reported growth in lending. Strongest growth was posted in loan investment in agriculture, forestry, fishing, electricity, gas, steam, pure air production and trade subsectors.

In the structure of resident loan investment, no considerable changes were reported in the second quarter. Loans to trade, consumer loans and loans to processing industry were the largest shares, making up 21.9 percent, 17.4 percent and 11.2 percent, respectively, in total loan investment.

The share of non-performing loans and receivables in total loans and receivables has reduced by 0.5 pp to 4.1 percent at the end of the quarter. As of 30.06.2012 the shares of

“watch” category loans and receivables of the banking system constituted 1.9 percent of the total; “substandard” category loans, 1.5 percent, and “doubtful” category loans, 0.7 percent (3.0 percent, 0.9 percent, and 0.7 percent, respectively, as of 31.03.2012). In the period under review, the total liquidity and current liquidity ratios of commercial banks have dropped by 2.2 pp and 8.3 pp to 24.4 percent and 118.1 percent, respectively, at the end-period.

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