

Quarterly review (third quarter, 2012)

2012-12-14

Financial System of the Republic of Armenia in Q3, 2012

Banks functioning in the Republic of Armenia

As of 30.09.2012, there were 21 commercial banks with a total of 465 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 posted an increment in main prudential indicators.

Total capital of commercial banks

In the third quarter of 2012 total capital of commercial banks grew by 3.1 percent (by AMD 11.5 billion) and amounted to AMD 381.3 billion. Statutory capital grew by AMD 9.0 billion.

The total capital to total assets ratio has dropped by 0.2 pp to 16.3 percent at the end of the quarter as the growth rate of assets of the banking sector grew 1.2 pp faster in comparison with total capital. The total capital adequacy standard has increased by 0.3 pp to 17.2 percent, due to surpassing growth of total regulatory capital over risk weighted assets, which was attributable to two banks having added to their statutory capital during the quarter.

Total liabilities of commercial banks

In the period under review total liabilities of commercial banks have increased by 4.5 percent (by AMD 84.1 billion) and amounted to AMD 1 trillion 955.3 billion. During the quarter 15 banks reported increases and 6 banks reported decreases in total liabilities. As of the end of the reporting period, total amount of term and demand deposits of natural persons and legal persons has been AMD 1 trillion 86 billion. The share of demand and terms deposits in total deposits portfolio constituted 34.1 percent and 66.6 percent, respectively (as of 30.06.2012 they amounted to 33.4 percent and 66.6 percent, accordingly).

Deposits of natural persons and legal persons have grown by 5.5 percent (by AMD 35.6 billion) and 18.8 percent (AMD 63.6 billion) and amounted to AMD 684.2 billion and AMD 401.8 billion, respectively.

By currency structure, in the period under review dram deposits have increased by 5.4 percent (by AMD 16.0 billion and foreign currency deposits, by 12.1 percent (by AMD 83.2 billion). As a result, the share of foreign currency deposits in total deposits portfolio has grown by 1.3 pp to 71.1 percent, as of the end of the third quarter.

In the period under review the share of demand and term deposits of legal persons has increased in total liabilities structure while the share of liabilities to financial institutions has reduced.

Total assets of commercial banks

In the period under review total assets of commercial banks have grown by 4.3 percent (by AMD 95.6 billion) and amounted to AMD 2 trillion 337 billion at the end of the quarter. During the quarter 15 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, cash claims, and government securities, by 2.1 percent, 17.8 percent, 12.0 percent, and 6.2 percent, respectively.

As of 30.09.2012 the portfolio of banking system loans to the economy (lease and factoring excluded) has been AMD 1 trillion 467.4 billion. The dram and foreign currency loans have grown by 1.9 percent and 2.2 percent to AMD 504.3 billion and AMD 963.1 billion, at the of the quarter, respectively. As a result, the share of foreign currency loans has somewhat increased, making up 65.6 percent in total loans. Of the loans to the economy, 60.1 percent were the loans to legal persons, 34.7 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 as the share of loans to the economy has slightly reduced by 1.3 pp and the share of correspondent accounts with commercial banks has increased by 1.2 pp.

All sectors of the economy reported growth in lending. Exceptions were a) agriculture, forestry and fishing and b) trade which posted decreases in lending by 4.8 percent and 1.6 percent, respectively.

Strongest growth was posted in investing in: a) financial and insurance services area, b) electricity, gas, steam, pure air production and c) consumer loans, which reported, respectively, 8.5 percent, 5.4 percent and 4.5 percent increase.

In the structure of resident loan investment, loans to trade, consumer loans and loans to processing industry were the largest shares, making up 21.9 percent, 17.8 percent and 11.3 percent, respectively, in total loan investment.

The share of non-performing loans and receivables in total loans and receivables has grown by 0.8 pp to 4.9 percent at the end of the quarter. As of 30.09.2012 the shares of “watch” category loans and receivables of the banking system constituted 2.8 percent of the total; “substandard” category loans, 1.1 percent, and “doubtful” category loans, 1.0 percent (as of 30.06.2012, these were 1.9 percent, 1.5 percent, and 0.7 percent, respectively,).

In the period under review, the total liquidity and current liquidity ratios of commercial banks have increased by 1.0 pp and 9.4 pp to 25.3 percent and 127.6 percent, respectively, at the end of the quarter.

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