

Quarterly review (fourth quarter, 2012)

2013-03-21

Financial System of the Republic of Armenia in Q4, 2012

Banks functioning in the Republic of Armenia

As of 31.12.2012, there were 21 commercial banks with a total of 477 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.

In the course of 2012, the total capital to GDP ratio and the loans to economy (lease and factoring operations included) to GDP ratio have posted increases of 8.1 pp and 7.3 pp in relation to the previous year and reached 62.2 percent and 38.9 percent, respectively.

Total capital of commercial banks

In the fourth quarter of 2012 total capital of the banking sector grew by 3.2 percent (10.3 percent since the start of the year) and amounted to AMD 400.7 billion, mainly owing to reported net profit of AMD 11.3 billion. In the period under review the growth rate of assets outpaced the growth rate of total capital by 2.6 pp, pushing the total capital to total assets ratio down by 0.4 pp to 16.2 percent at the end of the quarter.

The total capital adequacy of commercial banks has dropped by 0.4 pp to 16.8 percent at the end of the fourth quarter. This reduction was attributable to risk weighted assets which had a surpassed growth over the total regulatory capital.

Total liabilities of commercial banks

In the period under review total liabilities of the banking sector have increased by 6.2 percent (21.4 percent since the start of the year) and amounted to AMD 2 trillion 77 billion. During the quarter 19 banks reported increases and 3 banks reported decreases in total liabilities. The increment of total capital has been driven by 4.3 percent (21.2 percent since the start of the year) growth of total deposits of natural persons and companies and 10.8 percent (22.0 percent since the start of the year) growth of liabilities to financial institutions. During the quarter the total amount of demand and term deposits of companies decreased by 3.4 percent (with a reported 3.4 percent growth since the start of the year) and amounted to AMD 388.1 billion. The total amount of demand and term

deposits of natural persons has grown by 8.8 percent (33.2 percent since the start of the year) to AMD 744.4 billion. By maturity structure, the share of demand and term deposits of natural persons and companies in total reached, respectively, 31.4 percent and 68.6 percent compared to 34.1 percent and 65.9 percent as of 30.09.2012. By currency structure, the share of dram deposits grew 7.4 percent (15.2 percent since the start of the year) and the share of foreign currency deposits, by 3.0 percent (24.0 percent since the start of the year). As a result, the share of foreign currency deposits in total deposits portfolio has reduced by 0.9 pp to 70.3 percent, as of the end of the fourth quarter. The fourth quarter of 2012 saw the share of demand deposits of companies reduce by 1.7 pp but the share of liabilities to financial institutions grow by 1.5 pp.

Total assets of commercial banks

In the period under review total assets of the banking sector have grown by 5.7 percent (19.5 percent since the start of the year) and amounted to AMD 2 trillion 477.8 billion at the end of the quarter. During the quarter 19 banks reported increases and 3 banks reported decreases in assets.

In the assets structure, main increases were reported in respect of loans to the economy (lease and factoring operations included), correspondent accounts with and other claims on the Central Bank, and government securities, by 4.8 percent, 27.7 percent, and 14.3 percent, respectively.

As of 31.12.2012 the portfolio of banking system loans to the economy (lease and factoring operations included) has been AMD 1 trillion 548.6 billion. The amount of loans, and lease and factoring provided to companies and natural persons (interbank lease and factoring operations excluded) has grown by 5.7 percent (28.3 percent since the start of the year), 5.9 percent (27.1 percent since the start of the year) and 19.1 percent (with a reported decrease of 48.7 percent since the start of the year), respectively. The amount of loans to bank affiliated persons and insiders has reduced by 16.2 percent (with a reported growth of 8.0 percent since the start of the year) and reached AMD 63.8 billion.

By currency structure, the amount of dram and foreign currency loans (lease and factoring operations included) has grown by 5.1 percent (15.3 percent since the start of the year) and 4.6 percent (31.6 percent since the start of the year) to AMD 536.8 billion and AMD 1 trillion 11.8 billion at the end of the quarter, respectively. As a result, the share of foreign currency loans in total has dropped by 0.1 pp to 65.3 percent at the end of the quarter.

In the period under review the share of correspondent accounts of commercial banks has dropped by 1.0 pp while the share of correspondent accounts with and other claims on the Central Bank has grown by 1.4 pp.

Almost all sectors of the economy reported growth in lending. Exceptions were a) industry, construction and trade which reported decreases in lending by 3.6 percent, 3.1 percent and 0.3 percent, respectively. Strongest growth was posted in investing in: a) electricity, gas, steam, pure air production and b) consumer loans, which reported, respectively, 12.8 percent and 8.6 percent increase. No considerable changes were reported with regard to the structure of resident loan investment: loans to trade, consumer loans and loans to processing industry were the largest shares, making up 20.1 percent, 18.5 percent and 10.4 percent, respectively, in total loan investment. The share of non-performing loans and receivables in total loans and receivables has reduced by 1.4 pp to 3.5 percent at the end of the quarter. As of 31.12.2012, the shares of “watch” category loans and receivables of the banking system constituted 1.6 percent of the total; “substandard” category loans, 1.1 percent, and “doubtful” category loans, 0.8 percent (as of 30.09.2012, these were 2.8 percent, 1.1 percent, and 1.0 percent, respectively). In the period under review, the commercial banks’ total liquidity ratio has grown by 0.3 pp to 25.6 percent but the current liquidity ratio has dropped by 1.5 pp to 126.1 percent, respectively.

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