

Quarterly review (fourth quarter, 2010)

2011-03-28

Financial System of the Republic of Armenia Q4, 2010

Banks functioning in the Republic of Armenia

As of 31.12.2010, there have been 21 commercial banks with a total of 408 branch offices, functioning in the territory of the Republic of Armenia. In the period under review the banking sector posted growth of survey indicators and even more vibrancy has been observed in the lending market.

Total capital of commercial banks

In the fourth quarter of 2010 total capital of commercial banks has grown by 4.0 percent (AMD 12.3 billion) and amounted to AMD 319.0 billion, mostly owing to the profit of that period. Over the quarter the banking sector posted net profit amounting to AMD 9.5 billion. The total assets to total capital ratio has fallen by 1.2 pp to 20.4 percent as assets grew faster than capital of the banking sector.

In the period under review the total capital adequacy ratio has dropped by 4.6 pp to 22.2 percent, chiefly determined by faster growing risk weighted assets over capital in turn due to a brisker lending market reported in the fourth quarter.

Total liabilities of commercial banks

In the period under review total liabilities of commercial banks have increased by 11.7 percent (AMD 130.3 billion) and amounted to AMD 1 trillion 241.5 billion, mostly due to AMD 54.7 billion increase of liabilities to banks and other financial institutions and AMD 54.7 billion increase of term and demand deposits of natural and legal persons. 18 banks reported increases and 3 banks reported decreases in total liabilities. The main decreases were reported in respect of liabilities to the Government, by 6.7 percent or AMD 5.8 billion.

As of 31.12.2010 total amount of deposits of commercial banks has been AMD 673.1 billion. Demand and term deposits of natural persons have grown by 11.1 percent or AMD 40.6 billion; demand and term deposits of legal persons, by 5.6 percent or AMD 14.1 billion. Dram deposits have grown by 14.3 percent or AMD 25.6 billion and foreign currency

deposits, by 6.6 percent or AMD 29.1 billion. Over the quarter the share of demand deposits of legal persons has shrunk by 1.8 pp, while the share of correspondent accounts (including with the Central Bank) of commercial banks and of other liabilities has grown by 1.7 pp.

Total assets of commercial banks

In the period under review total assets of commercial banks have grown by 10.1 percent (AMD 142.6 billion) and reached AMD 1 trillion 560.5 billion. During the quarter 18 banks reported increases and 3 banks reported decreases in assets. The main asset increases were attributable to growth of loans to economy (lease and factoring included, by 10.8 percent or AMD 89.9 billion, government securities, by 17.9 percent or AMD 23.0 billion, correspondent accounts with the Central Bank, by 10.9 percent or AMD 14.4 billion, and claims on commercial banks, by 16.8 percent or AMD 10.5 billion.

Over the fourth quarter correspondent accounts with commercial banks have reduced by 17.7 percent or AMD 12.8 billion. Loans to legal persons have grown by 10.9 percent (AMD 51.1 billion); loans to natural persons, by 8.0 percent (AMD 24.2 billion); loans to bank insiders, by 7.6 percent (AMD 2.9 billion); and lease and factoring operations, by 56.3 percent (AMD 11.6 billion).

As of 31.12.2010 the portfolio of banking system loans to the economy (lease and factoring excluded) has been AMD 888.6 billion, of which 58.6 percent were the loans to legal persons, 36.7 percent were the loans to natural persons, and 4.6 percent were loans to bank insiders. In the period under review commercial bank loans and accounts receivable (including inter-bank deposits and loans, repurchase agreements, lease and factoring) have increased by 11.1 percent (AMD 102.2 billion) and amounted to AMD 1 trillion 23.9 billion. The dram loans and receivables have grown by 7.0 percent to reach AMD 593.9 billion. The share of dram investment in total loan investments and receivables has reduced by 1.6 pp to 42.0 percent. Loans to and accounts receivable from non-residents have increased by 11.6 percent to and amounted to AMD 68.1 billion; loans to and accounts receivable from residents have increased by 11.1 percent to reach AMD 955.9 billion.

In the structure of resident loan investment, the largest increase has been reported for industry (AMD 30.1 billion), financial sector (AMD 14.9 billion) and trade sector (AMD 14.8 billion). The share of loan investment in industry has risen by 1.1 pp in total resident loan investments.

The share of "standard" category assets of commercial banks has grown by 1.2 pp to

reach 97.2 percent of total loans and accounts receivable. As of 31.12.2010, “watch” category loans and receivables of the banking system have constituted 1.1 percent of the total; “substandard” category loans and receivables, 1.1 percent, and “doubtful” category loans and receivables, 0.6 percent.

In the period under review the total liquidity ratio of commercial banks has reduced by 0.7 pp but the current liquidity ratio has risen by 2.2 pp, to 29.5 percent and 131.5 percent, respectively.

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