

Quarterly review (first quarter, 2009)

2009-05-25

Financial System of the Republic of Armenia Q1, 2009

Banks functioning in the Republic of Armenia

As of 31.03.2009 there have been 22 commercial banks, with a total of 391 branch offices, functioning in the territory of the Republic of Armenia.

Total capital of commercial banks

In Q1 2009, total capital of the banking system has grown by 1.5 percent (AMD 3.5 billion) and amounted to AMD 238.9 billion as of 31.03.2009. The increase in total capital has been attributable to the replenishment by a commercial bank of its statutory capital by AMD 3.0 billion. During the quarter the total capital adequacy ratio has dropped by 1.3 percentage point and made up 26.2 percent. In the period under review the total capital to total assets ratio has dropped by 1.8 percentage point and made up 21.2 percent in the end of the quarter. Banks' loro correspondent accounts have grown by 84.7 percent (AMD 4.6 billion); other liabilities to the banks (including the Central Bank) have grown by 2.9 percent (AMD 6.2 billion) and to other financial organizations, by 11.3 percent (AMD 6.8 billion). No sudden changes in the share of liabilities were observed: the share of banks' loro correspondent accounts and of other liabilities to banks (including the Central Bank) has decreased by 1.9 percentage point, while the share of term deposits of legal persons has increased by 1.7 percentage point.

Total liabilities of commercial banks

During the first quarter, total assets of commercial banks have increased by 10.2 percent (AMD 104.2 billion) and reached AMD 1 trillion 127.9 billion. In the period under review, 18 banks reported an increase, and 4 banks reported a decrease, of assets. Assets in foreign currency have grown by 40.0 percent (AMD 166.3 billion), while assets in Armenian dram have reduced by 10.2 percent (AMD 62.1 billion) and, therefore, the share of dram assets has shrunk by 11 percentage point to 48.4 percent.

Banks posted large increases on assets owing to correspondent accounts with the Central Bank, by 51.1 percent (AMD 53.2 billion), owing to claims in commercial banks (excluding nostro correspondent accounts), by 148.7 percent (AMD 28.7 billion) and owing to lending

to the economy, by 3.9 percent (AMD 24.0 billion).

In the period under review, loans to legal persons have grown by 9.5 percent (AMD 27.6 billion), while loans to natural persons have decreased by 0.8 percent (AMD 2.5 billion) and loans to bank insiders have decreased by 22.9 percent (AMD 2.7 billion). At the end of the quarter, the portfolio of banking system lending to the economy has been AMD 640.8 billion, of which 49.5 percent constituted loans to legal persons, 47.7 percent loans to natural persons and 2.8 percent loans to bank insiders. During the first quarter, banking system loans and accounts receivable (including inter-bank deposits and loans, repurchase agreements, leasing, and factoring) have grown by a total of 3.9 percent (AMD 25.3 billion) and amounted to AMD 676.0 billion. Dram loans and receivables have reduced by 13.1 percent and amounted to AMD 346.7 billion, while foreign currency loans and accounts receivable have grown by 30.9 percent to reach AMD 329.2 billion. As a result, the share of dram loans and accounts receivable in total has dropped by 10 percentage points and made up 51.3 percent.

Loans to and accounts receivable from non-residents have increased by 67.1 percent and loans to and accounts receivable from residents have increased by 3.1 percent, having amounted to AMD 13.2 billion and 662.7 billion, respectively.

A considerable growth has been reported in respect of the lending to industry, agriculture, trade and construction, by AMD 9.1 billion, AMD 8.4 billion, AMD 8.1 billion and AMD 3.8 billion. By sectors of the economy, in the structure of resident loan investment the share of consumer loans has reduced by 3 percentage points but the shares of loans to industry, agriculture and trade have grown by round 1 percentage point each. During the quarter the share of standard assets of commercial banks has shrunk by 2.9 percentage points to 93.2 percent of total loans and accounts receivable. In the yearend, the “watch” category loans and receivables of the banking system accounted for 5.0 percent of the total; the “substandard” category loans and receivables, 1.5 percent, and the “doubtful” category loans and receivables, 0.3 percent. In the period under review, the total liquidity ratio of the banking system has increased by 5.2 percentage points and the current liquidity ratio has increased by 32.3 percentage points, having made up 29.1 percent and 135.4 percent, respectively.

Total assets of commercial banks

During the first quarter, total assets of commercial banks have increased by 10.2 percent (AMD 104.2 billion) and reached AMD 1 trillion 127.9 billion. In the period under review, 18 banks reported an increase, and 4 banks reported a decrease, of assets. Assets in foreign currency have grown by 40.0 percent (AMD 166.3 billion), while assets in Armenian dram have reduced by 10.2 percent (AMD 62.1 billion) and, therefore, the share of dram assets

has shrunk by 11 percentage point to 48.4 percent. Banks posted large increases on assets owing to correspondent accounts with the Central Bank, by 51.1 percent (AMD 53.2 billion), owing to claims in commercial banks (excluding nostro correspondent accounts), by 148.7 percent (AMD 28.7 billion) and owing to lending to the economy, by 3.9 percent (AMD 24.0 billion).

In the period under review, loans to legal persons have grown by 9.5 percent (AMD 27.6 billion), while loans to natural persons have decreased by 0.8 percent (AMD 2.5 billion) and loans to bank insiders have decreased by 22.9 percent (AMD 2.7 billion). At the end of the quarter, the portfolio of banking system lending to the economy has been AMD 640.8 billion, of which 49.5 percent constituted loans to legal persons, 47.7 percent loans to natural persons and 2.8 percent loans to bank insiders.

During the first quarter, banking system loans and accounts receivable (including inter-bank deposits and loans, repurchase agreements, leasing, and factoring) have grown by a total of 3.9 percent (AMD 25.3 billion) and amounted to AMD 676.0 billion. Dram loans and receivables have reduced by 13.1 percent and amounted to AMD 346.7 billion, while foreign currency loans and accounts receivable have grown by 30.9 percent to reach AMD 329.2 billion. As a result, the share of dram loans and accounts receivable in total has dropped by 10 percentage points and made up 51.3 percent.

Loans to and accounts receivable from non-residents have increased by 67.1 percent and loans to and accounts receivable from residents have increased by 3.1 percent, having amounted to AMD 13.2 billion and 662.7 billion, respectively. A considerable growth has been reported in respect of the lending to industry, agriculture, trade and construction, by AMD 9.1 billion, AMD 8.4 billion, AMD 8.1 billion and AMD 3.8 billion.

By sectors of the economy, in the structure of resident loan investment the share of consumer loans has reduced by 3 percentage points but the shares of loans to industry, agriculture and trade have grown by round 1 percentage point each. During the quarter the share of standard assets of commercial banks has shrunk by 2.9 percentage points to 93.2 percent of total loans and accounts receivable. In the yearend, the “watch” category loans and receivables of the banking system accounted for 5.0 percent of the total; the “substandard” category loans and receivables, 1.5 percent, and the “doubtful” category loans and receivables, 0.3 percent.

In the period under review, the total liquidity ratio of the banking system has increased by 5.2 percentage points and the current liquidity ratio has increased by 32.3 percentage points, having made up 29.1 percent and 135.4 percent, respectively.

