

# Quarterly review (second quarter, 2009)

2009-08-20

Financial System of the Republic of Armenia  
Q2, 2009

## *Banks functioning in the Republic of Armenia*

*As of 30.06.2009, there have been 22 commercial banks with a total of 383 branch offices, functioning in the territory of the Republic of Armenia.*

## *Total capital of commercial banks*

*In the second quarter of 2009, total capital of commercial banks has grown by 4.5 percent (AMD 10.8 billion) and amounted to AMD 249.7 billion, as of 30.06.2009. The increase in total capital has been attributable to the replenishment by two commercial banks of their statutory capital by AMD 12.0 billion.*

*As a result of the increase in statutory capital, the total capital to total assets ratio has grown by 1.1 percentage point and made up 22.3 percent at the end of the quarter. In the period under review, the total capital adequacy ratio has grown by 1.8 percentage point to make up 28.0 percent. The growth of this indicator was due to the fact that, in the second quarter, coupled with the growing of the regulatory capital, the volume of risk weighted assets has reduced by AMD 42.2 billion as a result of more prudent lending policies implemented by commercial banks in the times of the financial and economic crisis.*

## *Total liabilities of commercial banks*

*In the period under review, the total liabilities of the banking system have declined by 2.4 percent (AMD 21.0 billion) and amounted to AMD 868.0. Increases of total liabilities were reported in 10 banks and decreases of liabilities, in 12 banks. In the structure of bank liabilities, loro correspondent accounts of commercial banks have decreased by 48.6 percent (AMD 4.9 billion) and other liabilities to banks, by 13.8 percent (AMD 30.1 billion). In the structure of liabilities, increases were reported with regard to liabilities to the Government, by 36.0 percent (AMD 7.6 billion) and with regard to total deposits (both demand and term deposits) of legal persons and natural persons, by 0.8 percent (AMD 4.4 billion).*

*As of 30.06.2009, the total amount of deposits has been AMD 534.9 billion. Demand and*

term deposits of natural persons have grown by 3.4 percent (AMD 9.0 billion) and demand and term deposits of legal persons have declined by 1.7 percent (AMD 4.6 billion).

As a result of the above developments, the share of banks' loro correspondent accounts and other liabilities to banks (including Central Bank) has shrunk by 3.4 percentage points, whereas the shares of demand deposits of natural persons, term deposits of legal persons and liabilities to Government have increased each by about 1 percentage point.

#### *Total assets of commercial banks*

During the second quarter of 2009, total assets of commercial banks have reduced by 0.9 percent (AMD 10.2 billion) and reached AMD 1 trillion 117.7 billion. In the period under review, 10 banks reported an increase, and 12 banks reported a decrease, of assets. The main decreases on assets were reported with regard to claims on banks (excluding loro correspondent accounts), by 39.0 percent (AMD 18.7 billion) and economy lending, by 5.0 percent (AMD 31.8 billion).

Banks posted a large increase with regard to nostro correspondent accounts, by 59.4 percent (AMD 40.3 billion).

In the times of the global financial and economic crisis, the Armenian banking system is more cautious in implementing a credit policy, and the volume of highly liquid assets has increased in the banking sector, as a result. Loans to legal persons have decreased by 2.7 percent (AMD 8.5 billion), loans to natural persons, by 7.4 percent (AMD 22.6 billion) and loans to bank insiders, by 3.8 percent (AMD 668 million). At the end of the first half of 2009, the portfolio of banking system lending to the economy has been AMD 609.0 billion, of which 50.7 percent constituted loans to legal persons, 46.5 percent loans to natural persons and 2.8 percent loans to bank insiders.

During the second quarter, banking system loans and accounts receivable (including inter-bank deposits and loans, repurchase agreements, leasing, and factoring) have decreased by a total of 2.8 percent (AMD 19.1 billion) and amounted to AMD 656.9 billion. Dram loans and receivables have reduced by 8.1 percent and amounted to AMD 318.6 billion, while foreign currency loans and accounts receivable have grown by 2.8 percent and amounted to AMD 338.3 billion. As a result, the share of dram loans and accounts receivable in total has dropped by 2.8 percentage points to make up 48.5 percent. Loans to and accounts receivable from non-residents have increased by 65.4 percent, while loans to and accounts receivable from residents have decreased by 4.2 percent, having amounted to AMD 21.9 billion and AMD 635.0 billion, respectively.

*In the structure of resident loan investment, the shares of consumer loans, trade loans and mortgage loans have reduced by AMD 21.0 billion, AMD 9.4 billion and AMD 3.2 billion, respectively. As a result, by sectors of the economy, the share of consumer loans has reduced by 2.3 percentage points in the structure of resident loan investment.*

*During the quarter, the share of the “standard” category assets of commercial banks has shrunk by 1.8 percentage point to 91.4 percent of total loans and accounts receivable. As of 30.06.2009, the “watch” category loans and receivables of the banking system have constituted 5.2 percent of the total; the “substandard” category loans and receivables, 2.6 percent, and the “doubtful” category loans and receivables, 0.9 percent. In the period under review, the total liquidity ratio of commercial banks has increased by 2.9 percentage points and the current liquidity ratio has increased by 9.9 percentage points, having reached 32.0 percent and 145.3 percent, respectively.*

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