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Financial System of the Republic of Armenia in Q1, 2013

BANKS FUNCTIONING IN ARMENIA

As of 31.03.2013, there were 21 commercial banks with a total of 476 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 sector¹ has been active enough in the lending market.

TOTAL CAPITAL OF BANKING SECTOR

In the first quarter of 2013 total capital of the banking sector grew by 1.2 percent and amounted to AMD 405.4 billion, owing to the generated net profit of AMD 3.9 billion.

The assets growth rates outpaced those of total capital by 2.5 pp, and the total capital to total assets ratio has reduced by 0.4 pp to 15.8 percent.

The total capital adequacy standard has dropped by 0.4 pp to 16.4 percent, due to surpassing growth of risk weighted assets over the growth of total regulatory capital.

TOTAL LIABILITIES OF BANKING SECTOR

In the period under review total liabilities of commercial banks have increased by 4.2 percent and amounted to AMD 2 trillion 164.6 billion. During the quarter 8 banks reported increases and 4 banks reported decreases in total liabilities.

The growth of total liabilities was attributable to total deposit portfolio of companies and individuals, with a reported increase of 11.7 percent (AMD 131.9 billion).

Demand and term deposits of companies have grown by 20.1 percent and reached AMD 465.9 billion. Demand and term deposits of individuals have also increased by 7.3 percent to AMD 798.5 billion.

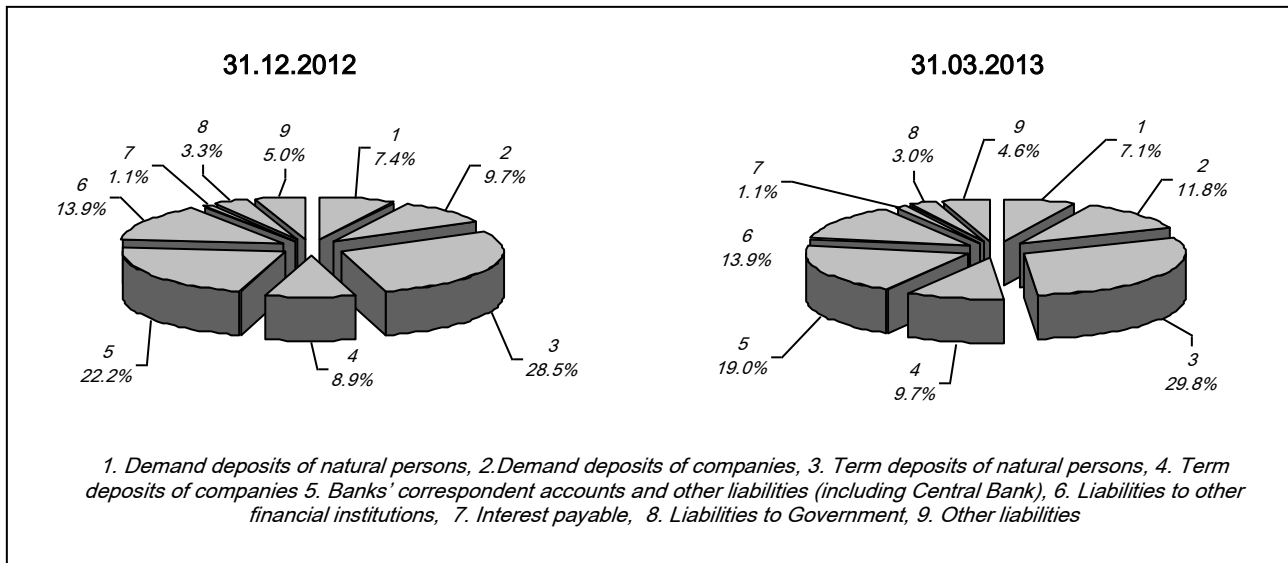
By maturity structure, the share of demand and term deposits of companies and individuals in total deposit portfolio has accounted for 32.3 percent and 67.7 percent (31.4 percent and 68.6 percent, as of 31.12.2012), respectively.

By currency structure, the dram and foreign currency deposits have grown by 4.2 percent and 14.8 percent, respectively. As a result, the share of foreign currency deposits in total deposit portfolio has increased by 2.0 pp to 72.2 percent at the end of the quarter.

The quarter saw a considerable change in the structure of total liabilities: the share of demand and term deposits of companies has grown by 2.8 pp while the share of liabilities to banks has reduced by 3.2 pp.

¹ Involves 21 commercial banks and All-Armenian Bank.

Structure of liabilities of the banking sector



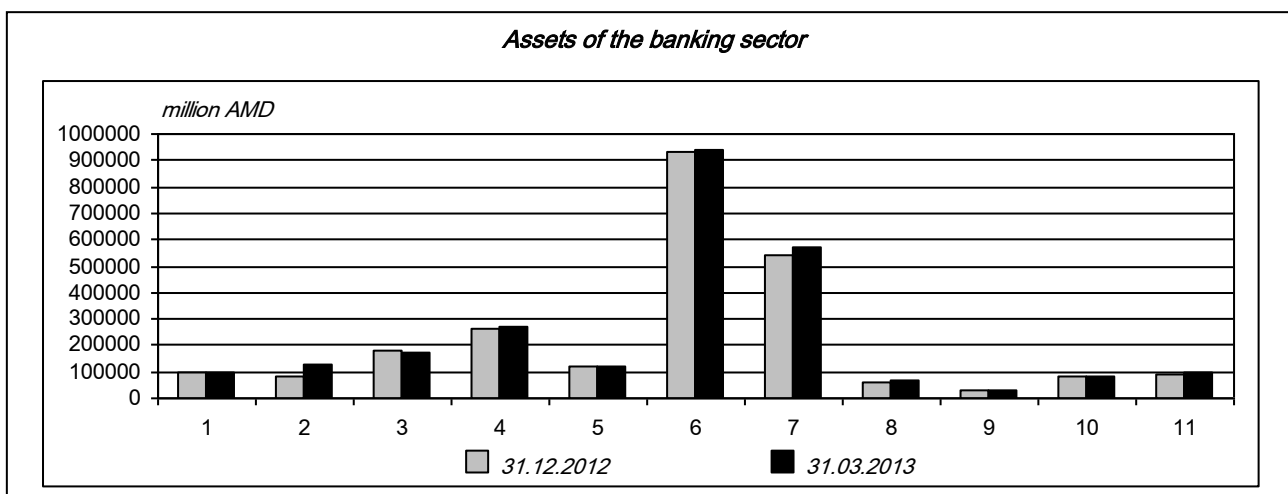
TOTAL ASSETS OF BANKING SECTOR

In the period under review total assets of the banking sector have increased by 3.7 percent and amounted to AMD 2 trillion 570 billion at the end of the quarter. During the quarter 9 banks reported increases and 13 banks reported decreases in assets.

The main asset increases were reported in respect of correspondent accounts with banks and economy lending (factor and lease operations included) by 50.3 percent and 2.8 percent, respectively².

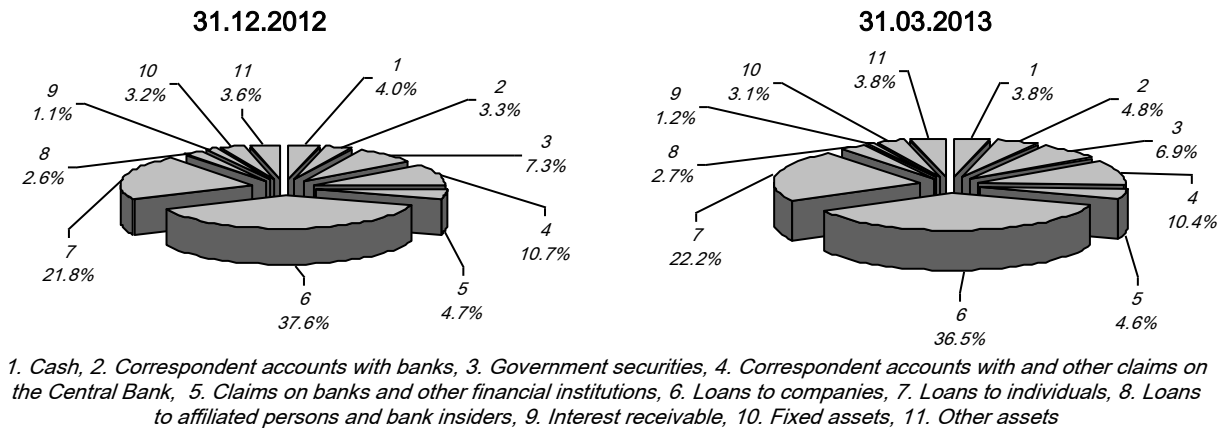
The value of loans to the economy (the factor and lease operations included) has been AMD 1 trillion 591.7 billion, as of 31.03.2013. The value of loans provided to companies, individuals, bank insiders has grown by 0.5 percent, 5.8 percent and 10.0 percent and reached AMD 937.0 billion, AMD 571.2 billion and AMD 70.3 billion, respectively. The value of the factor and lease operations (interbank leasing and factoring excluded) has increased by 8.3 percent to AMD 13.2 billion.

Assets of the banking sector



² A standard category credit was charged off from the balance sheet of a commercial bank due to bookkeeping records (credit was still in the economy) and started to be treated in the balance sheet of a parent bank. If not the said bookkeeping records, the economy lending (the factor and lease operations included) would have grown by 6.7 percent and company credit by 6.9 percent.

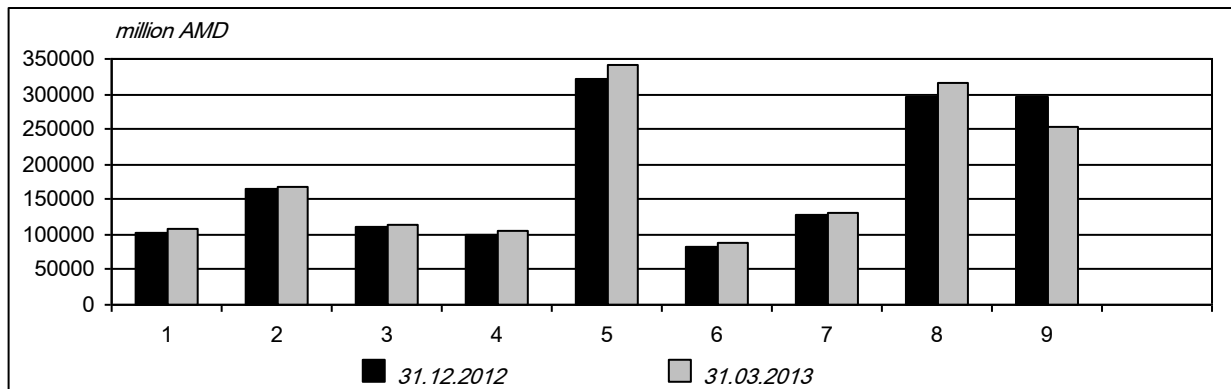
Total assets of the banking sector



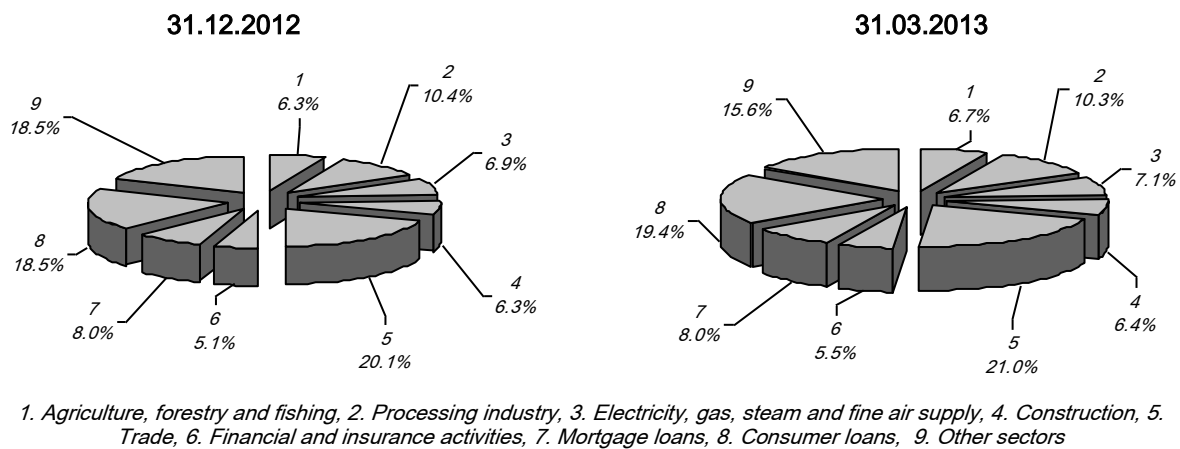
During the quarter, no significant changes were observed in the structure of total assets.

By currency structure, the dram and foreign currency loans (the factor and lease operations included) have grown by 1.8 percent and 3.3 percent to AMD 546.6 billion and 1 trillion 45.1 billion, respectively. As a result, the share of foreign currency loans to total loans has increased by 0.3 pp to 65.7 percent at the end of the quarter.

Banking sector loans to residents, by sectors of economy



Resident loan investment by the banking sector



In the structure of resident loan investment, most notable changes were reported in the area of a) financial and insurance services, b) agriculture - forestry and fishing, and c) consumer loans, with reported growth of 8.5 percent, 7.8 percent and 6.9 percent, respectively.

During the quarter, no significant changes were reported in the structure of non-resident loan investment. The trade credit, consumer credit and investments in manufacturing industries posted the largest share of 21.0 percent, 19.4 percent and 10.3 percent, respectively.

The share of non-performing loans and receivables in total loans and receivables has grown by 1.7 pp and reached 5.2 percent at the end of the quarter.

As of 31.03.2013, the shares of “watch” category loans and receivables of the banking system constituted 3.5 percent of the total; “substandard” category loans, 0.8 percent, and “doubtful” category loans, 0.9 percent (1.6 percent, 1.1 percent, and 0.8 percent, respectively, as of 31.12.2012).

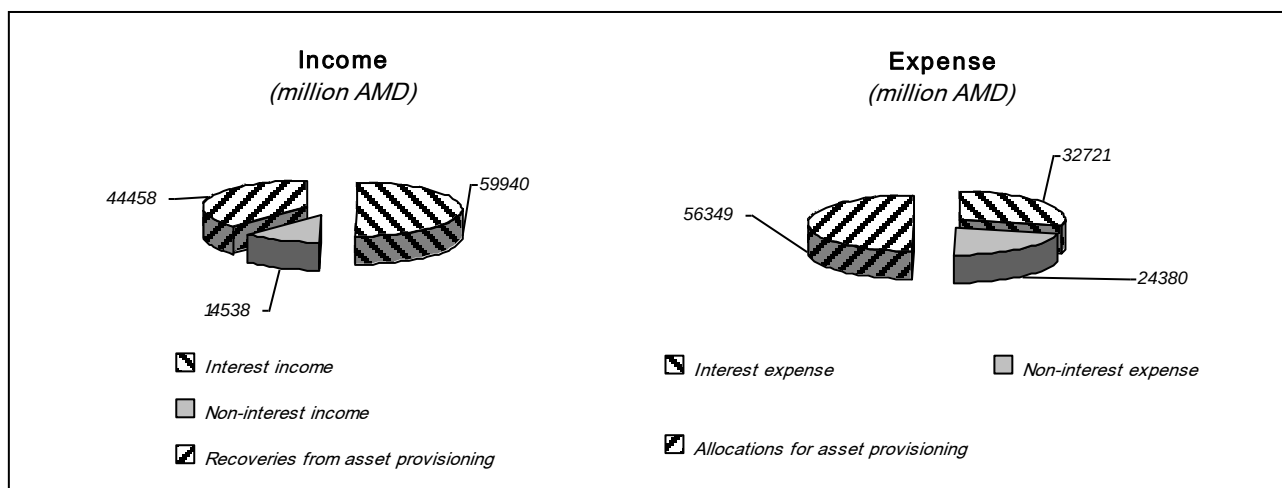
In the period under review, the total and current liquidity ratios of commercial banks have increased by 0.5 pp and 10.0 pp to 26.1 percent and 136.1 percent, respectively.

INCOME AND EXPENSE ACCOUNT OF COMMERCIAL BANKS

In the first quarter of 2013, the net profit of the banking system (profit after tax), calculated according to the supervision statements was AMD 3.9 billion³, return on assets (annualized) (RoA), 0.6 percent, and return on capital (annualized) (RoE), 3.9 percent. Bank performance was as follows: 17 banks operated with profit of 5 banks operated at a loss.

The net profit of the banking system, according to IFRS amounted to AMD 8.9 billion. Return on assets (annualized) (RoA) and return on equity (annualized) (RoE) were 1.4 percent and 7.9 percent, respectively.

Banking sector income and expense structure



In the first quarter of 2013, Gross profit and gross expense of the banking system, calculated according to reports submitted to the Central Bank, reached AMD 118.9 billion and AMD 113.5 billion, respectively.

Proceeds from loans to economy accounted for the largest share, 83.7 percent, of interest income; commission fees accounted for 48.5 percent, FX trades accounted for 18.2 percent.

In the structure of interest expense on term deposits and interest expense on funds attracted from commercial banks and financial organizations amounted to 50.5 percent and 22.5 percent, respectively.

Bank employee salary and salary equivalents accounted for 48.1 percent of non-interest expense.

In the first quarter the share of net provisioning⁴ of commercial banks amounted to AMD 11.8 billion or 0.5 percent of average annual amount of total assets.

³ The main reason for a large discrepancy between the Central Bank reports and reports submitted according to IFRS is the practice to make provisioning of standard assets to reserves on potential losses at the amount of 1 percent. This is the amount to which extent banks recognize it as expense.

⁴ Net provisioning is the expense item “Provisions to assets loss reserve fund” less the income item “Recoveries from assets loss reserve fund”, and the indicator ‘net provisioning’ is used for an analytical purpose. Item “Provisions to assets loss reserve fund” increases when the particular asset category deteriorates; similarly, item “Recoveries from assets loss reserve fund” increases when the particular asset category improves.

CREDIT ORGANIZATIONS

As of 31.03.2013 there were 33 credit organizations, with a total of 106 branch offices, functioning in the territory of the Republic of Armenia. In the reporting quarter, a license to operate has been granted to the credit organization Credo Finance UCO CJSC.

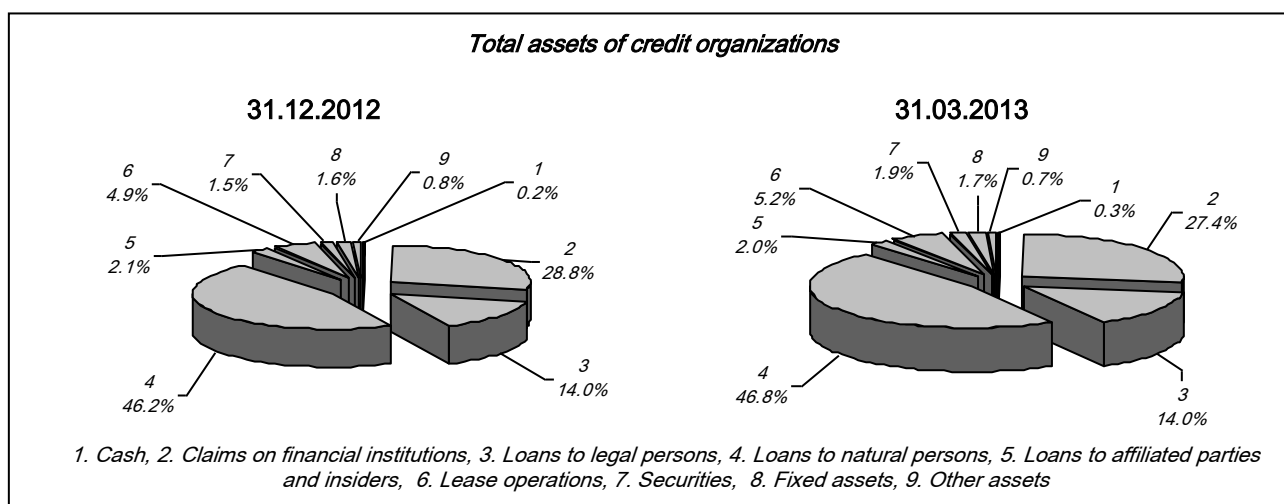
In the period under review, total assets of credit organizations have grown by 6.7 percent (AMD 11.3 billion) and amounted to AMD 179.8 billion. In the reporting period, 24 credit organizations reported increases and 9 reported decreases in assets.

In the period under review total lending to the economy (the factor and lease operations included) by credit organizations grew by 8.0 percent (AMD 9.1 billion) and reached AMD 122.3 billion at the end of the quarter. The share of loans to natural persons accounted for 68.9 percent in total growth, loans to companies, 20.6 percent, loans to credit organization affiliated parties and employees, 2.9 percent, and leasing, 7.6 percent.

The value of loans to natural persons has increased by 8.2 percent (AMD 6.4 billion) and reached AMD 84.2 billion, and the value of loans to companies has grown by 7.0 percent (AMD 1.6 billion) and totaled AMD 25.2 billion. The amount of lending to credit organization affiliated parties and employees has increased by 1.9 percent (AMD 67 million) to AMD 3.6 billion.

By currency structure, the value of dram loans to the economy (the factor and lease operations included) has grown by 7.3 percent (AMD 5.1 billion) and the value of foreign currency loans (the factor and lease operations included), by 9.1 percent (AMD 4.0 billion). As a result, the share of foreign currency loans (the factor and lease operations included) has grown by 0.4 pp to 39.1 percent in total.

In the structure of assets significant changes were observed on the part of claims on financial institutions and loans (including leasing and factoring) to economy: the share of claims on financial institutions has reduced by 1.4 pp while the share of loans to the economy and lease operations has grown by 0.8 pp.

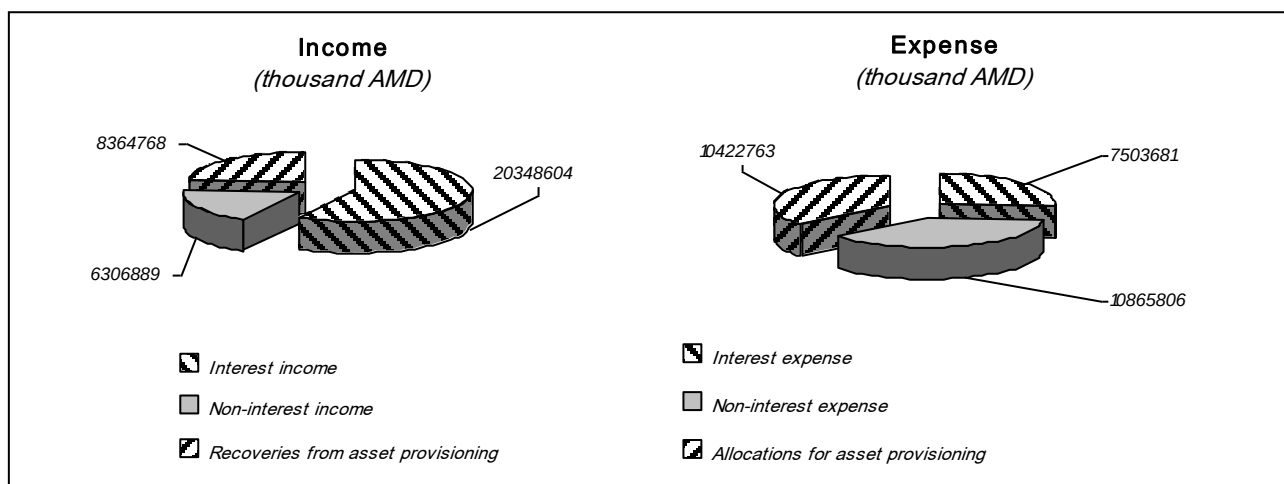


As regards risk classification of the loan portfolio, the share of non-performing loans and receivables has grown by 0.2 pp to 3.9 percent at the end of the quarter; as of 31.03.2013 the share of 'watch' category loans and receivables of credit organizations was 2.2 percent in total; the share of 'substandard' category loans and receivables, 1.0 percent; and the share of 'doubtful' loans and receivables, 0.7 percent (as of 31.12.2012, the figures were 2.1 percent, 0.9 percent and 0.6 percent, respectively).

In the period under review total capital of credit organizations has grown by 9.9 percent (AMD 6.2 billion) and reached AMD 69.1 billion, owing to AMD 4.5 billion increment of statutory capital and an estimated profit of AMD 1.6 billion.

In the period under review total liabilities of credit organizations have increased by 4.8 percent (AMD 5.1 billion) and reached AMD 110.7 billion at the end-period. The increment was due to 10.2 percent growth (AMD 2.5 billion) of demand and term liabilities to companies and individuals as well as 1.8 percent increase (AMD 1.1 billion) of liabilities to financial institutions.

As of 31.03.2013, the total amount of demand and term liabilities to individuals and companies has been AMD 27.4 billion, with demand and term liabilities having grown by 6.7 percent (AMD 538 million) and 11.9 percent (AMD 2.0 billion) to AMD 8.6 billion and AMD 18.9 billion at the end of the quarter, respectively.



In the liabilities structure of credit organizations, the share of demand and term liabilities to companies has reduced by 1.7 percent whereas the liabilities to individuals have grown by 1.1 pp.

In the first quarter of 2013, the net profit of credit organizations (profit after tax) was AMD 1.6 billion (calculated according to the Central Bank regulatory requirements). Since the beginning of the year, 27 credit organizations posted profit and 6 posted loss. Credit organizations' return on profit (annualized) has been 3.7 percent and return on equity (annualized), 9.8 percent.

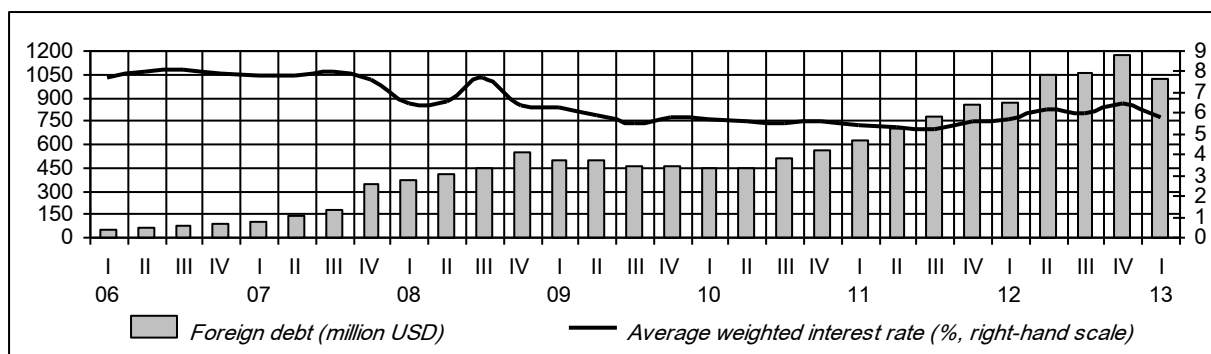
External debt of Armenian commercial banks and credit organizations as of end Q1, 2013

As of the end of the first quarter of 2013 loan obligations* of Armenian commercial banks and credit organizations to the rest of the world amounted to USD 1027.4 million against USD 1178.3 million recorded at the end of the previous quarter. Over the quarter commercial banks and credit organizations attracted loan resources of USD 541.3 million from the rest of the world and made amortization repayments in the amount of USD 545.2 million on the loans outstanding**. Long-term loans accounted for 6.7 percent of total credit resources attracted, with 33.9 percent of them disbursed from Luxemburg, 21.8 percent from Russia, 14.1 percent from the USA, and 28 percent from international organizations.

At the end of the first quarter of 2013 the main lenders to commercial banks and credit organizations were Russia (with its share of 16.5 percent in total compared to 12.2 percent in previous quarter), Luxemburg (10.2 percent compared to 11.3 percent), the Netherlands (7.9 percent compared to 5.7 percent), and Germany (5.1 percent compared to 7.0 percent). About 35.7 percent of loans was disbursed from international financial institutions.

At the end of the first quarter of 2013 the average-weighted interest rate of attracted loans rose slightly to 5.7 percent relative to the previous quarter. About 45.4 percent of external loans are with floating interest rates (LIBOR, EURIBOR, and etc.). The average maturity of the loans is 4.3 years. The share of short-term loans has grown to 10.6 percent of total loans attracted.

Private debt of commercial banks, 2006 - 2013



* Excluding loans of international financial institutions and other lenders received through the Government in the framework of various programs.

** The amount of net attraction in previous and reporting periods varies from the actual figure as funds attracted are expressed in different currencies which is why, when expressed in dollar equivalent, they include the exchange rate revaluations.

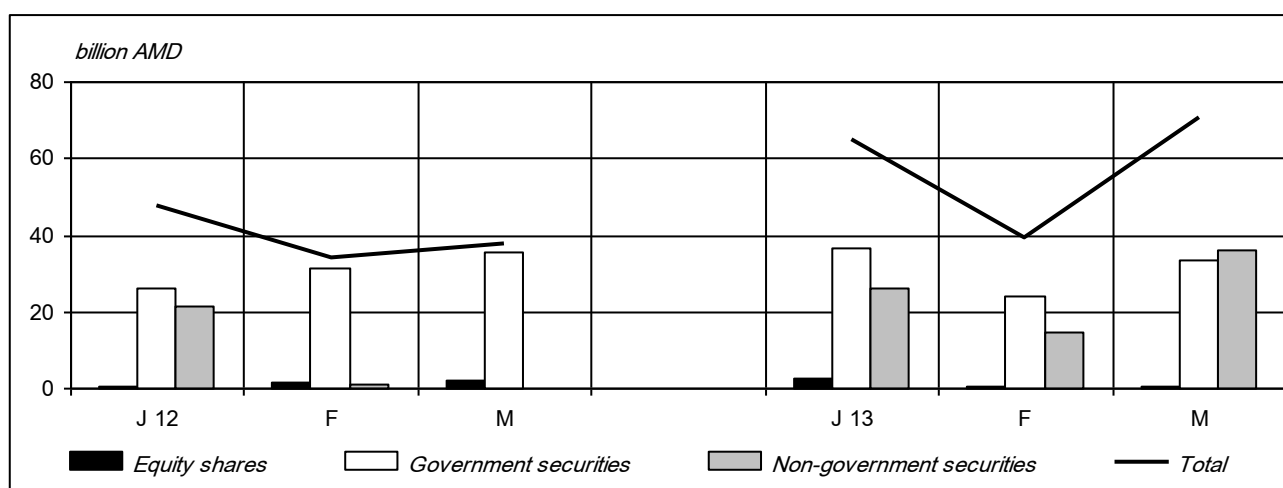
SECURITIES MARKET PARTICIPANTS

As of 31.03.2013, there were **21** banks providing investment services and **9** investment companies and **1** investment fund manager in the Armenian securities market. Of these investment companies, **seven** are entitled to carry out transactions with securities on their behalf or on their customers' behalf and to their expense or to their customers' expense; **seven** are entitled to take and handle orders from customers for carrying out transactions with securities; **seven** are entitled to provide advisory services relating to investment with securities; **six** are entitled to perform underwriting; **four** are entitled to manage securities portfolios.

As of 31.03.2013, total assets of investment companies have grown by 2.3 percent in relation to the previous quarter to AMD 25.8 billion. Total capital of investment companies has increased by 7.6 percent against the previous quarter and reached AMD 4.1 billion.

In the first quarter the volume of securities trading in the Armenian securities market for investment operations has increased by 46.5 percent to AMD 174.9 billion. Relative to the same quarter of the previous year, the volume of trading in corporate securities has increased more than threefold and reached AMD 77.2 billion. The volume of trading in shares has reduced by 19.7 percent (AMD 800 million) to AMD 3.3 billion. The volume of trading in treasury bills has grown by 1.7 percent (AMD 1.6 billion) and amounted to AMD 94.4 billion. Based on the results of the first quarter, the operations with treasury bills remained prevailing, making up 54.0 percent of total securities market turnover. The share of operations with corporate bonds and shares constituted 44.1 percent and 1.9 percent, respectively, in total.

Securities trades by investment companies executed in first quarters 2012 and 2013



In the trades of government securities, the long-term treasury bills had the largest share, making up 46.5 percent of total operations. The share of medium-term and short-term treasury bills in the total traded volume of government securities constituted 40.5 percent and 13.1 percent, respectively.

The volume of securities trades executed in the regulated market by investment service providers constituted 1.0 percent of total investment operations carried out.

The volume of operations carried out in the regulated market has grown by 15.7 percent and reached AMD 1.7 billion, with trades on treasury bills, corporate securities and shares accounting for 45.5 percent, 35.7 percent and 18.3 percent, respectively, of total operations.

In the structure of investment operations, operations carried out by commercial banks as investment service providers accounted for 96.6 percent and operations carried out by investment companies constituted 3.4 percent, in total.

The volume of repurchase transactions performed as investment activities (including repurchase transactions in the regulated market) has increased by 6.1 percent and amounted to AMD 691.6 billion, in which rollovers amounted to AMD 153.8 billion.

As of 31.03.2013 the volume of transactions executed as trust management amounted to AMD 2.5 billion, representing some 8.6 percent reduction in relation to the previous quarter.

As of March 31, 2013, there were 1576 registries of holders of nominal securities (the number of holders: 90799) run at the Central Depository of Armenia; the number of issuer companies reached 1570.

As of 31.03.2013 a total of 19 classes of securities of 15 reporting issuers were admitted to trading in the regulated market. These classes included 12 shares of 11 issuers and 7 bonds of 6 issuers. **Four** of the issuers were financial institutions. The total volume of shares reached AMD 52.9 billion. The volume of bonds amounted to AMD 2.9 billion. **One** of the issuers is reportable on both shares and bonds. Commercial banks accounted for 24 percent of equity shares issued.

INSURANCE COMPANIES

As of 31.03.2013, there were 9 insurance companies⁵ licensed to operate in the territory of the Republic of Armenia.

In the period under review, assets of insurance companies have grown by 12.7 percent and amounted to AMD 43.2 at the end of the quarter; liabilities have grown by 18.4 percent to AMD 29.2 billion; total capital has grown by 2.4 percent and reached AMD 14.1 billion.

In the assets portfolio of insurance companies, deposits with banks reported the largest share (35.5 percent), followed by accounts receivable in respect of direct insurance (16.9 percent), and investment in securities (5.4 percent).

In the liabilities portfolio of insurance companies, the share of reserve for unearned insurance premiums accounted for the largest share, 46.8 percent, reserves for claims, 12.9 percent, and premiums transferable to reinsurers, 4.0 percent.

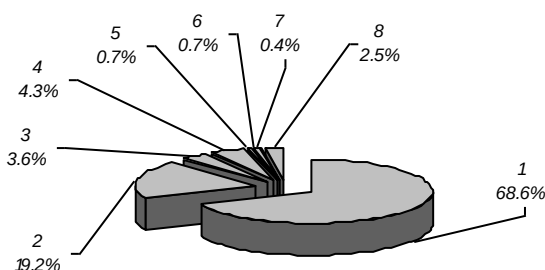
The first quarter 2013 results show that net profit of insurance companies calculated based on supervision reports amounted to AMD 330.5 million, with return on assets having reached 3.5 percent and return on equity, 9.5 percent. In the period under review 5 companies operated with profit.

According to IFRS, based on the first quarter 2013 results net profit of insurance companies amounted to AMD 340.8 million, with return on assets having reached 3.3 percent and return on equity, 9.3 percent.

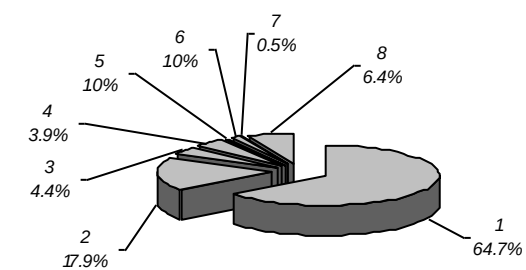
The amount of insurance premium totaled AMD 11.4 billion and the amount of premiums transferable to the reinsurers reached AMD 751.1 billion or 6.6 percent of total insurance premium.

In the period under review, insurance indemnities amounted to AMD 4.9 billion, while sums on insurance indemnities from reinsurers reached AMD 168.9 million or 3.4 percent of all insurance indemnities.

Accrued insurance premium, by insurance class (Q1, 2012)



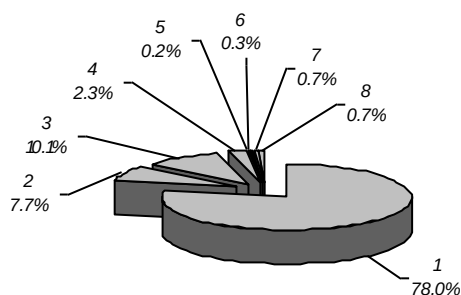
Accrued insurance premium, by insurance class (Q1, 2013)



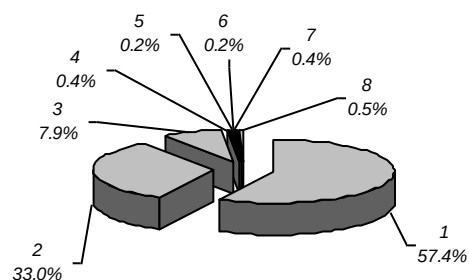
1. Mandatory motor insurance against third party liability, 2. Health insurance, 3. Land vehicle insurance, 4. Fire and natural disaster insurance, 5. Cargo (property) insurance, 6. Accidents insurance, 7. Assistance insurance, 8. Other insurance

⁵ This includes indicators of 7 insurance companies active and reporting as of 31.03.2013.

Accrued insurance indemnity, by insurance class (Q1, 2012)



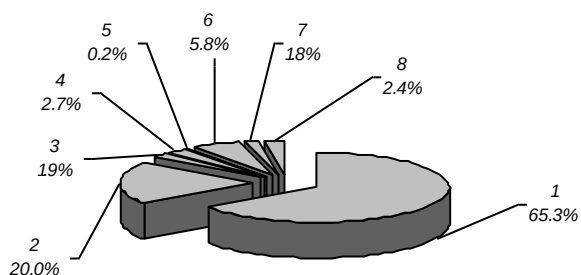
Accrued insurance indemnity, by insurance class (Q1, 2013)



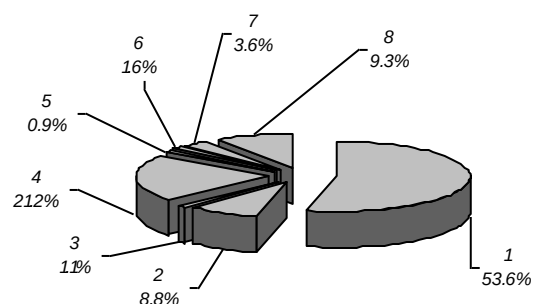
1. Mandatory motor insurance against third party liability, 2. Health insurance, 3. Land vehicle insurance, 4. Fire and natural disaster insurance, 5. Cargo (property) insurance, 6. Accidents insurance, 7. Assistance insurance, 8. Other insurance

Insurance contracts and insurance sums, by insurance class

Insurance contracts, by insurance class (31.03.2013)



Insurance sums, by insurance class (31.03.2013)



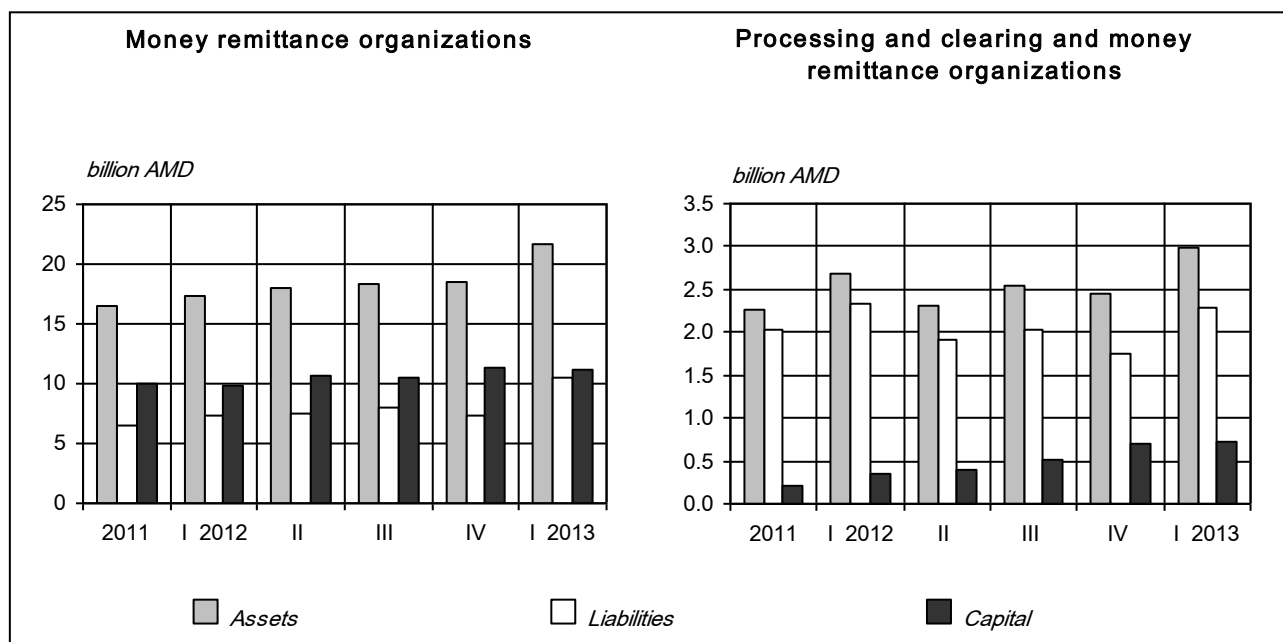
1. Mandatory motor insurance against third party liability, 2. Health insurance, 3. Land vehicle insurance, 4. Fire and natural disaster insurance, 5. Cargo (property) insurance, 6. Accidents insurance, 7. Assistance insurance, 8. Other insurance

As of 31.03.2013, there were 532.9 thousand contracts in use, with a total reported amount of AMD 8.0 trillion. The amount of reinsured risks transferred to reinsurers reached AMD 2.0 trillion or 25.5 percent of insurance sums.

**PAYMENT AND
SETTLEMENT
ORGANIZATIONS**

As of end of the first quarter of 2013, there were **5** money remittance organizations functioning in the Republic of Armenia, **two** of which permitted to carry out processing and clearing of payment instruments, **two** permitted to carry out money remittance and **one** organization licensed to carry out processing and clearing of payment instruments ("Armenian Card" CJSC).

Financial performance by payment and settlement organizations, 2011-2013



In the period under review, money remittance organizations generated profit of AMD 467 million, which represents a 60 percent increase in relation to the first quarter 2012 figure. The organizations engaged in processing/clearing of payment instruments and money remittance posted profit of AMD 177 million, which represents a 25 percent increase against the same period of the previous year.

Two payment and settlement organizations engaged in money remittance served inbound transfers through their membership to international payment systems. The share of money remittance organizations in the total value of international transfers (including commercial banks) has been **0.2 percent** for outbound transfers and **0.5 percent** for inbound transfers. In the first quarter the payment and settlement organizations executed inbound and outbound payments totaling, respectively, AMD 601 million and AMD 29 million. The average value per inbound transfer to the customer through these organizations has been AMD 119 thousand.

Five organizations engaged in processing and clearing of payment instruments as well as money remittances accepted cash payments for public utility fees, **two** of which provided such services by the use of terminals.

Payment and settlement organizations accept payments for public utility services, phone and cellular phone and Internet fees, installments for credit repayment, fine/penalty amounts and other charges and state dues. In particular, **five** head-offices of payment and settlement organizations and their branch offices collected funds of AMD 44.2 billion of which AMD 36.2 billion as public utility fees. In the first quarter of 2013, **two** payment and settlement organizations used 834 self-service terminals, through which a total of AMD 13.9 billion-worth of funds (5.1 million transactions in number) were collected, of which AMD 7.3 billion were public utility fees.

Funds of AMD 131 million were collected on a non-cash basis, of which AMD 125 million collected as public utility fees.

There are payment and settlement organizations that provide processing and clearing services to 12 commercial banks. In cooperation with payment and settlement organizations, these banks collected public utility fees and charges through their branch offices, and a total of 297 thousand transactions reaching AMD 1.5 billion were executed.

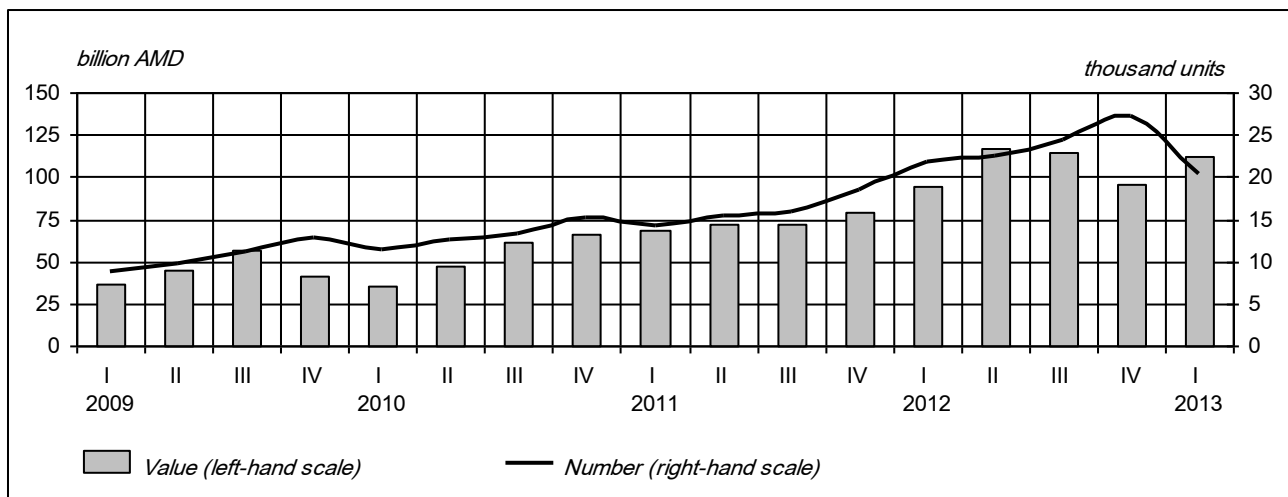
Payment and Settlement Developments

In the first quarter of 2013 the payment and settlement system of the Republic of Armenia showed trends of sustainable development.

PAYMENT SYSTEMS

In the period under review the average daily value of non-cash payments executed through the banking system has been AMD 132.2 billion, with 58 thousand transactions in number. The average daily value of non-cash payments executed through the Central Bank reached AMD 112.6 billion, with 20 thousand transactions in number. The average daily value of non-cash payments via the Central Bank has increased by 20 percent but the number has reduced by 7 percent.

Value and number of payments executed via the Central Bank systems (excluding stock exchange trades)



The average daily transfers executed through Electronic Payments System (stock exchange trades excluded) have reduced by 7 percent against the first quarter of 2012 and reached AMD 30.4 billion, and the number has reduced by 7 percent to 20 thousand transactions.

The average daily transfers relating to monetary instruments of the Central Bank have amounted to AMD 79.0 billion, with 570 transactions in number.

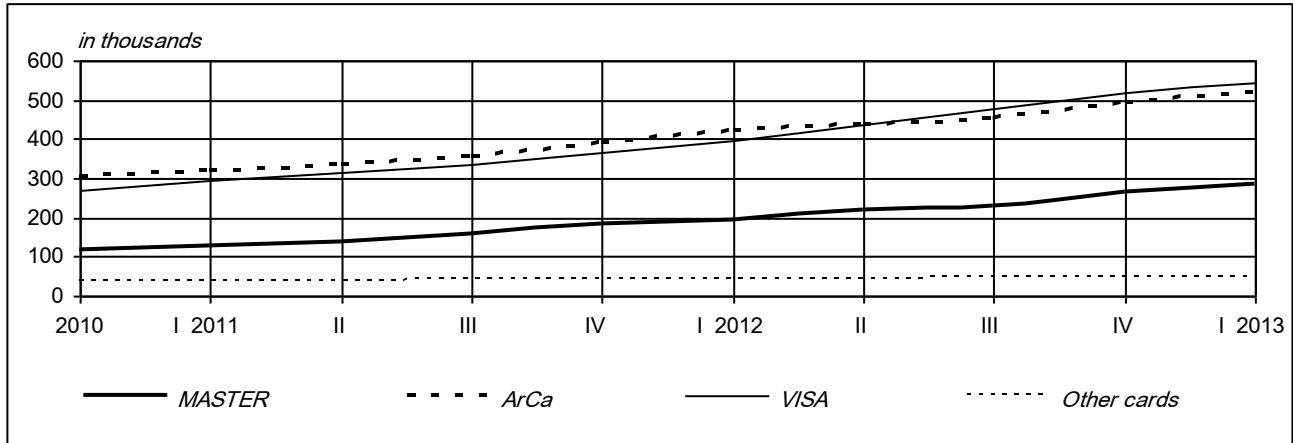
PAYMENT CARDS

As of end of the first quarter of 2013, there were 19 commercial banks out of 21 having issued payment cards or provided services connected therewith. These 19 commercial banks are members to the “ArCa” (“Armenian Card” Unified Card Payment System).

In the period under review, 12 more ATMs were installed to serve payment cards, and as of end of the first quarter the total number of ATMs reached 1182. During the quarter nine more POS terminals were installed by commercial banks, and the total number reached 6683.

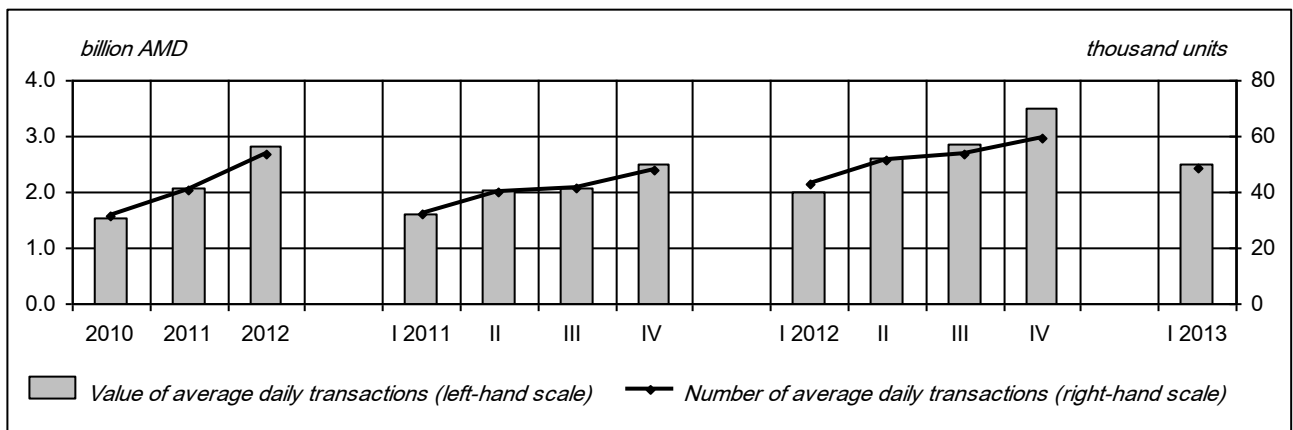
As of end of the first quarter, the total number of cards in use has been 1.4 million, which makes up a 5 percent increase. In particular, the number of ArCa cards in use has increased by 5 percent and reached 518 thousand cards in total. The number of international system cards has increased by 5 percent to 873 thousand cards, with VISA having increased by 4 percent to 543 thousand cards and MasterCard having increased by 7 percent to 283 thousand cards.

Payment cards issued by commercial banks in Armenia



In the first quarter of 2013 a total of 4.4 million of transactions amounting to AMD 225.6 billion were executed in the Republic of Armenia by the use of payment cards. Of this, the value of non-cash card payments has been AMD 20.6 billion. Of the non-cash turnover, e-payments via Internet amounted to AMD 4.8 billion (including e-commerce totaling AMD 0.8 billion and card-to-card payments, AMD 3.9 billion). The value of card-based non-cash transactions has increased by 15 percent relative to the same period of the previous year and constituted 9 percent of total cards transactions.

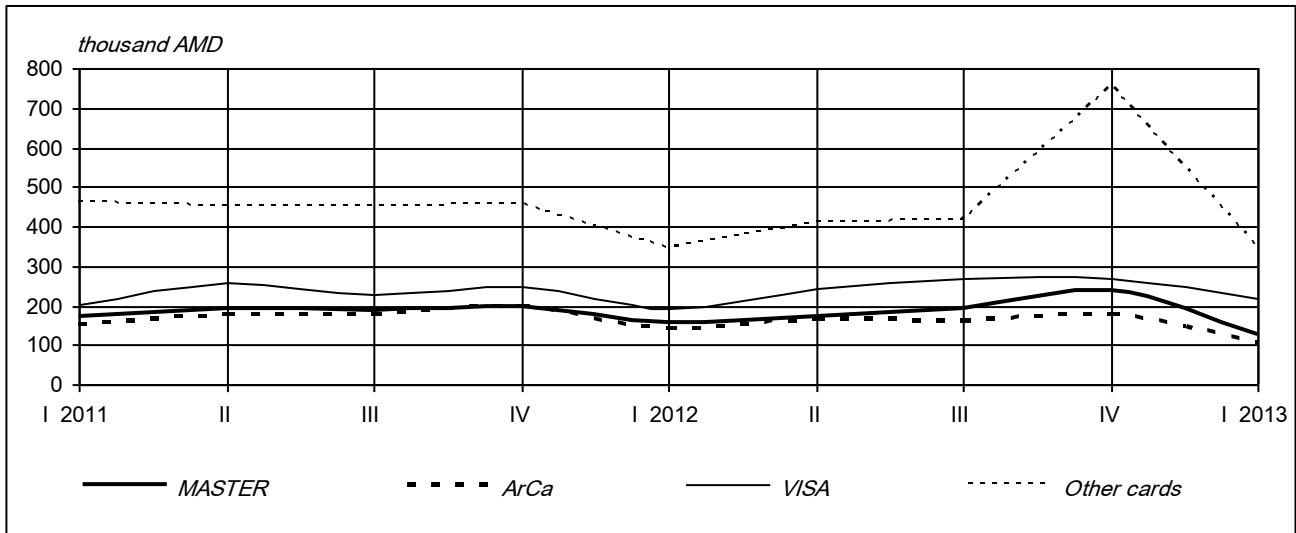
Average daily operations by payment cards executed in Armenia, 2010–2012 and quarters of 2011-2013



Transactions executed by means of card servicing machines (Q1, 2013)

Machines	Transactions			
	value (million AMD)	number	including by means of ArCa cards	
			value (million AMD)	number
Automated teller machines	175458	3554086	44163	1206189
o/w: non-cash	375	48087	43	19288
POS terminals / imprinters	45354	559388	11058	162140
o/w: non-cash	15502	441804	5937	112910
Internet environment	4760	249544	805	74555
Total	225571	4363018	56026	1442884
o/w: non-cash	20637	739435	6786	206753

Value of transactions per payment card issued by local and foreign banks, quarters of 2011-2013



The value of transactions using ArCA cards has decreased by 5 percent (AMD 3.2 billion) and the number, by 6 percent (86 less transactions), relative to the same period of the previous year.

In the first quarter of 2013, relative to the first quarter of 2012, the value of cards transactions (including cards issued by foreign banks) in the Republic of Armenia has grown by 25 percent and reached AMD 225.6 billion; and the number has increased by 13 percent to make up 4.4 million transactions. The value of transactions executed abroad with cards issued by local banks in the Republic of Armenia remained the same, AMD 15.8 billion, while the number has increased by 16 percent (40 thousand more cards transactions) and reached 290 thousand transactions.

The value of transactions with VISA cards (including VISA cards issued by foreign banks) in the Republic of Armenia has grown by 55 percent (AMD 41.8 billion); the number of such transactions has increased by 32 percent (442 thousand more transactions). The value of transactions with MasterCard cards (including MasterCard cards issued by foreign banks) in the Republic of Armenia has increased by 17 percent (AMD 5.2 billion); the number of such transactions has increased by 17 percent (122 thousand more transactions). The value of transactions with other cards has increased by 11 percent (AMD 1.6 billion).

The value of transactions executed abroad with VISA cards issued by local banks in the Republic of Armenia has increased by 42 percent (AMD 2.5 billion); the number of such transactions has increased by 89 percent (82 thousand less transactions). The value of transactions executed abroad with MasterCard cards issued by local banks in the Republic of Armenia has reduced by 31 percent (AMD 2.7 billion); the number of such transactions has reduced by 30 percent (46 thousand less transactions). The value of transactions executed abroad with other international cards has grown by 21 percent (AMD 623 million).

Transactions by payment cards in Q1, 2013

Cards	Transactions in Armenia (cards issued by local and foreign banks)		Transactions abroad (cards issued by local banks)	
	Value (million AMD)	Number	Value (million AMD)	Number
ArCa	56026	1442884	-	-
o/w: non-cash	5980	132198	-	-
VISA	117670	1835536	8535	173196
o/w: non-cash	4661	205277	5945	144734
Mastercard	35855	830301	5891	105308
o/w: non-cash	4555	142820	4749	93421
Other international cards	16020	254297	1380	11230
o/w: non-cash	680	9596	480	3300
Total	225571	4363018	15807	289734
o/w: non-cash	15877	489891	11174	241455

**INTERNATIONAL
TRANSFERS SYSTEMS**

In the Republic of Armenia money remittances can be executed by commercial banks and money remittance organizations, without having to open a bank account. In the first quarter of 2013 the value of inbound remittances to the Republic of Armenia through the banks participating in international transfers systems reached AMD 116.7 billion (755 thousand remittances in number), a 6.2-fold increase compared to the value of outbound transfers. Relative to the first quarter of 2012, the value of inbound remittances has increased by 16 percent. The average amount of an inbound remittance to the Republic of Armenia through these systems has been AMD 204 thousand. Net inflow of funds transferred by commercial banks through international money remitters has increased by 16 percent and amounted to AMD 97.9 billion.

In the first quarter of 2013, relative to the first quarter of 2012, the value of payments to natural persons executed through correspondent accounts of commercial banks operating in the Republic of Armenia reached AMD 55.3 billion, representing a 24 percent increase. The average value per payment has been AMD 4.4 million, which is an AMD 2.2 million increment compared to the previous reference period. In the meantime, outbound remittances by natural persons through the correspondent accounts of commercial banks functioning in the Republic of Armenia have amounted to AMD 56.0 billion, representing a 17.2 percent (AMD 8.2 billion) increment against the first quarter of 2012.

The Financial System Regulatory Framework

In the first quarter of 2013 the Central Bank made amendments to some regulations.

Banking sector

There were changes and supplements, endorsed under the Board of the Central Bank resolution, made to Regulation 1, as follows:

- Bank dealers are considered as manager of the bank, therefore, they must have higher education and hold a professional qualification dealer certificate issued by the Central Bank. Furthermore, dealers are such employees of the bank, who set the terms (price, volume, quantity, rate, timing of execution, performance, maturity and other terms and/or other conditions) of purchase, sale or exchange of foreign currency and securities, as specified under the Republic of Armenia Law on Securities Market (except for own securities or payment securities).
- Qualification certificate is issued to the dealer on the basis of:
 - 1) a document certifying the fact of having passed at least the first level CFA (Chartered Financial Analyst) exam, or
 - 2) an ACI Dealing Certificate, issued by ACI ("The Financial Markets Association").
- Qualification certificate is issued to a dealer for an unspecified period of time.
- In the event of change in the structure dealers, the bank shall make a due notice to the Central Bank.

The said decision will help improve the skills and professionalism of decision-makers engaged in dealing with securities, currencies and derivative instruments.

Securities market

1. There were changes and supplements, endorsed under the Board of the Central Bank resolution, made to Regulation 11. The amendment involved a clarified list of persons who have the right of direct bid in purchase and sale of foreign currency.
2. The Board of the Central Bank resolution endorsed the approval of Regulation 5/08 "Reporting to the Central Bank by the Register of Funded Pension Contribution Component Participants".

Regulation 5/08 establishes the forms of reports and how to submit such reports to the Central Bank. Furthermore, an early warning mechanism has been put in place to report the cases when the amount of 1 percent participation in the fund falls below an established threshold.

Regulation 5/08 has entitled selected supervisors the right to conduct a real-time monitoring of information on issuance and redemption of pension shares in the information system of the register of participants, which is another supervisory tool.

Financial Sector Indicators

Financial organizations: number and structure

Indicators	31.11.2011	31.12.2012	31.03.2013
Banks	22	22	22
Banks by organizational structure	22	22	22
JSC	4	4	4
CJSC	17	17	17
LLC	1	1	1
Cooperative	0	0	0
Foreign participation	21	20	20
o/w: more than 50 percent	15	15	15
o/w: more than 95 percent	12	12	12
Foreign participation in statutory capital of banks, %	75.09	73.35	73.40
Credit organizations	32	32	33
Foreign participation	13	13	13
o/w: more than 50 percent	8	8	8
o/w: more than 95 percent	5	5	5
Foreign participation in statutory capital of credit organizations, %	39.2	33.2	30.5
Insurance companies	9	7	7
o/w: life insurance	0	0	0
o/w: non-life insurance	9	7	7
Foreign participation	7	4	4
o/w: more than 50 percent	5	3	3
o/w: more than 95 percent	3	3	3
Insurance brokers	4	4	4
Investment service providers in securities market ¹	29	30	30
o/w: investment service provider / bank	21	21	21
o/w: investment service provider company	8	9	9
Reporting issuer companies	15	14	14
Pawnshops	137	143	141
Licensed in the period under review	5	1	1
De-licensed in the period under review	2	3	2
Exchange offices ²	259	238	244
Licensed in the period under review	0	1	3
De-licensed in the period under review	0	1	16
Currency dealers	1	0	0
Money transfer organizations	9	7	7

¹ Exchange offices that are active.

Banking Sector Indicators

(million AMD)

Indicators	Q4, 2011	Q1, 2012	Q2, 2012	Q3, 2012	Q4, 2012	Q1, 2013
Average quarterly assets ¹	1981697	2020903	2174354	2255015	2402395	2537745
Average quarterly loans	1173574	1266248	1390647	1438628	1502184	1569343
Average quarterly liabilities	1631918	1661825	1808638	1881318	2015263	2137027
Average quarterly deposits	895372	905104	960928	1032604	1115606	1203159
Average quarterly capital	349779	359078	365715	373696	387132	400717
Average quarterly total capital adequacy ratio	18.6%	18.0%	17.1%	17.0%	17.1%	16.5%
Average quarterly total liquidity ratio	28.2%	26.7%	24.4%	25.1%	25.6%	26.0%
Average quarterly current liquidity ratio	122.1%	128.8%	118.3%	123.6%	127.3%	135.6%

¹ Average quarterly indicators are calculated based on the median value of each three months in a quarter.

Main Indicators of Commercial Banks and Changes Thereto¹

(million AMD)

ՑՈՒՑԱՆԻՇՆԵՐ	31.12.2012	31.03.2013 ¹	Change 31.03.13 – 31.12.12
Book value	393589	405434	11845
Statutory capital	244127	251627	7500
Profit / loss², o/w:	109013	112504	3491
Profit (loss) in reporting period	42518	3993	-38526
Interest income	225728	59940	-165789
Interest expense	111165	32721	-78444
Non-interest income	56481	14538	-41942
Non-interest expense	96649	24380	-72269
Other expense ³	31876	13383	-18492
Total liabilities, o/w:	2077042	2164580	87538
Correspondent accounts of banks	7292	6188	-1104
Other liabilities to banks (including CBA)	453044	404919	-48125
Liabilities to other financial institutions	289329	300336	11007
Demand liabilities to legal persons and natural persons	355599	408750	53151
Term deposits of legal persons and natural persons	776848	855629	78781
Total assets, o/w:	2470631	2570014	99383
Cash	99041	97158	-1883
Correspondent accounts with banks (including CBA)	322718	370646	47928
Other claims on banks (including CBA)	105213	102981	-2233
Claims on other financial institutions	34468	37362	2894
Government securities, including:	178384	176194	-2190
Securities issued by CBA	5681	6449	768
Other securities	1535190	1578467	43277
Loan investment, o/w:	1627588	1666878	39290
1. Standard	1569216	1575023	5807
2. Watch	26525	61371	34845
3. Substandard	18998	14407	-4591
4. Doubtful	12849	16078	3228

¹ Calculations are pertinent to 22 banks.

² Includes profit (loss) of the previous and current period.

³ Data include net provisioning on assets and profit tax.

Main Indicators of Credit Organizations and Changes Thereto

(million AMD)

Indicators	31.12.2012	31.03.2013	Change 31.03.13 - 31.12.12
Book value	62877.1	69118.2	6241.2
Statutory capital	50300.2	54816.5	4516.2
Profit / loss¹, o/w:	10981.6	12339.4	1357.8
Profit (loss) in reporting period	4809.5	1639.0	-3170.6
Interest income	20348.6	5765.4	-14583.2
Interest expense	7503.7	2200.1	-5303.6
Non-interest income	6306.9	1774.8	-4532.1
Non-interest expense	10865.8	2883.6	-7982.2
Net provisioning	2058.0	578.9	-1479.1
Other expense ²	1418.5	238.5	-1179.9
Total liabilities, o/w:	105653.8	110725.1	5071.2
Funds attracted from banks	35978.9	35374.7	-604.2
Funds attracted from other financial institutions	26510.7	28222.0	1711.3
Demand liabilities to legal persons and natural persons	680.8	731.6	50.8
Term liabilities to legal persons and natural persons	24212.1	26703.4	2491.3
Total assets, o/w:	168530.8	179842.8	11312.0
Cash	312.4	496.1	183.7
Bank accounts	3770.9	4454.5	683.6
Other claims on banks	40564.7	40786.9	222.2
Claims on other financial institutions	4119.5	4110.1	-9.5
Loans	104911.8	112981.8	8070.0
Financial lease	8332.0	9315.6	983.6
Government securities	2502.4	2880.6	378.1
Other securities	29.9	445.8	415.9
Loan investment, o/w:	149866.8	159190.6	9323.8
1. Standard	144559.9	153647.2	9087.3
2. Watch	3013.5	2784.9	-228.5
3. Substandard	1300.6	1604.9	304.3
4. Doubtful	992.7	1153.5	160.8

¹ Includes profit (loss) of the previous and current period.

² Data include net provisioning on assets and profit tax.

Main Indicators of Insurance Companies and Changes Thereto

(million AMD)

Indicators	31.12.2012	31.03.2013	Change (31.03.2013) - (31.12.2012)
Cash	212	48	-164
Bank accounts	1317	1148	-168
Sums receivable on insurance	5160	7300	2140
Sums receivable from co-insurers	0	0	0
Sums receivable from re-insurers	87	150	64
Claims on indemnity	591	495	-96
Claims generated from subrogation	296	365	68
Deposits with banks	13814	15363	1549
Loans	696	621	-75
Securities sold under repo agreements	2227	4266	2039
Securities	3895	2313	-1582
Reserves for possible irrecoverable loss	-493	-605	-112
Re-insurer's share in insurance reserves	1933	2040	107
Interest receivable	514	558	45
Future expense and prepayment on insurance	2794	3153	359
Fixed assets	2843	3065	222
Other assets	2465	2955	490
Assets total	38351	43238	4887
Dram	34814	37537	2723
Foreign currency	3538	5701	2164
Indemnity payable, o/w:	223	272	49
Sums payable to brokers	562	707	145
Insurance amounts recoverable	168	74	-94
Insurance amounts transferable to co-insurers and re-insurers	1418	1177	-241
Current loans	197	2093	1896
Technical reserves, including"	15612	18603	2991
Unearned insurance reserves	10833	13655	2822
Claims reserve	3956	3772	-185
Mathematical reserve	0	0	0
Other reserves	822	1176	354
Repo agreements	2160	4197	2037
Other liabilities	3957	2055	-1902
Liabilities total	24296	29176	4880
Dram	23856	26596	2740
Foreign currency	440	2581	2140
Statutory capital	11430	11430	0
Undistributed profit / loss in current period	699	330	-368
Undistributed profit / loss in previous period	1261	1594	333
Other	665	707	42
Equity total	14055	14062	7
Insurance amounts	6295988	8026868	1730880
Gross value of premiums	35525	11408	-24117
Premiums transferred to re-insurer	3172	751	-2421
Gross value of insurance indemnity	14487	4916	-9571
Re-insurer's share in insurance indemnity	784	169	-615

Main Indicators of Investment Service Providers

(million AMD)

Indicators	31.12.2012	31.03.2013	Change (31.03.2013) - (31.12.2012)
Net book value	3797.8	4084.7	286.9
Undistributed profit / loss, o/w:	616.6	711.9	95.3
Profit in current period	348.5	139.8	-208.8
Commission and proceeds from provision of IS	334.7	737.4	402.7
Net proceeds from sale of securities	2238.9	126.7	-2112.3
Statutory capital	2767.1	2792.1	25.0
Total liabilities	19811.5	21709.6	1898.2
Loans from resident banks	1156.8	1557.5	400.7
Liabilities on repo agreements	17424.0	19489.5	2065.5
Total balance sheet assets	23609.3	25794.4	2185.0
Cash	6.5	2.7	-3.8
Bank accounts	732.5	730.5	-2.0
Securities sold through repo agreements	28217.4	19774.6	-8442.9
Securities purchased through repo agreements	0.0	0.0	0.0
Government securities	2607.5	2807.2	199.7
Other securities	889.7	310.5	-579.2

Operations by Investment Service Providers

(million AMD)

Indicators	2012	2013
	Q4.	Q1
Operations by investment bank	1093674.0	1123352.7
equity shares	1899.4	2497.5
o/w: traded on stock exchange	79.7	833.7
corporate bonds	75861.0	77045.1
o/w: traded on stock exchange	948.4	1111.3
government bonds	112674.5	89385.8
o/w: traded on stock exchange	2696.3	638.8
repo/reverse repo agreements ¹	903239	954424.3
o/w: traded on stock exchange	-	8.6
Operations by investment company	78651.7	89797.6
equity shares	431.3	761.2
o/w: traded on stock exchange	386.7	754.7
corporate bonds	472.6	136.5
o/w: traded on stock exchange	346.5	134.6
government bonds	12596.1	5047.4
o/w: traded on stock exchange	367.9	-
repo/reverse repo agreements ¹	65151.7	83852.6
o/w: traded on stock exchange	-	8.6

¹ Repo and reverse repo agreements do not include rollovers.

Central Bank Statement on Financial Standing

(as of March 31, 2013)

(thousand AMD)

	31.03.2013	2012
Assets		
Assets in foreign currency		
Cash	5,728,494	5,937,942
Funds allocated with banks and other financial institutions	228,025,932	248,667,357
Financial instruments at fair value measured through a profit or loss method	285,810,540	273,543,277
Assets available for sale	1,646	1,646
Assets held up to maturity	162,455,784	185,240,208
Holdings with the IMF	58,424,059	69,868,364
Other assets	157,651	20,615
	740,604,106	783,279,409
Assets in local currency		
Loans and reverse repurchase agreements	167,650,398	171,603,820
Assets available for sale	132,376,508	131,118,876
Assets held up to maturity	0	0
Fixed assets	67,309,878	64,338,694
Intangible assets	907,342	941,898
Other assets	2,541,511	3,152,144
	370,785,637	371,155,432
Assets, total	1,111,389,743	1,154,434,841
Liabilities and Equity		
Liabilities in foreign currency		
Deposits and account balances of financial institutions and other institutions	86,247,046	87,905,163
Liabilities to the Government	2,571,830	2,718,775
Financial instruments at fair value measured through a profit or loss method	3,819,868	2,015,617
Liabilities to the IMF	286,814,862	299,023,415
Other loans	55,292,576	53,206,929
Other liabilities	172,888	244,322
	434,919,070	445,114,221
Liabilities in local currency		
Notes and coins in circulation	395,632,669	440,117,123
Deposits and account balances of financial institutions and other Institutions	185,591,701	181,964,508
Liabilities to the Government	114,892,983	106,563,930
Other liabilities	1,976,105	2,836,566
	698,093,458	731,482,127
Liabilities, total	1,133,012,528	1,176,596,348
Equity		
Capital issued	100,000	100,000
General reserve	17,389,049	17,389,049
Additional capital	107,531,884	107,531,884
Revaluation reserve for assets available for sale	(1,317,705)	(1,182,440)
Accrued profit/loss	(145,326,013)	(146,000,000)
Equity, total	(21,622,785)	(22,161,507)
Liabilities and Equity, total	1,111,389,743	1,154,434,841

This Central Bank Statement on Financial Standing was approved by the Board of Central Bank on May 14, 2013 and signed thereafter.

ARTHUR JAVADYAN

Chairman

HAYKANUSH HAKOBYAN

Chief Accountant

International Reserves of the Republic of Armenia

By virtue of Article 52 of the Republic of Armenia Law on Central Bank, the Central Bank hereby presents

SURVEY INFORMATION

on condition and composition of international reserves of the Republic of Armenia

Q1, 2013 (closing entries included)

Beginning of quarter	SDR	USD
I. Foreign assets gross		1,799,376,608.80
including:		
International reserves (gross foreign assets in free convertible currency)		1,799,376,166.37
o/w:		
SDR with the IMF	20,641,832.00	31,724,842.16
Reserve position with the IMF	0.00	0.00
II. Foreign assets net		1,067,736,731.37
o/w: in free convertible currency		1,067,736,288.94
End of quarter		
I. Foreign assets gross		1,631,218,357.35
including:		
International reserves (gross foreign assets in free convertible currency)		1,631,217,920.70
o/w:		
SDR with the IMF	1,101,079.00	1,650,733.71
Reserve position with the IMF	0.00	0.00
II. Foreign assets net		951,660,378.87
o/w: in free convertible currency		951,659,942.22

ARTHUR JAVADYAN
Chairman