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Financial System of the Republic of Armenia in Q1, 2014

BANKS FUNCTIONING IN ARMENIA

As of 31.03.2014, there were 21 commercial banks with a total of 489 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 indicators¹ remained performing well.

TOTAL CAPITAL OF BANKING SECTOR

In the third quarter of 2013, total capital of the banking sector grew by 2.2 percent and amounted to AMD 466.0 billion (with the 12-month growth of 14.9 percent), owing to generated net profit of AMD 7.7 billion and a total of AMD 7.0 billion of paid-in capital carried out by a bank.

During the quarter, the total capital to total assets ratio has risen by 0.4 pp to 15.9 percent at the end of the quarter.

The total capital adequacy standard of commercial banks has reduced by 0.3 pp to 16.4 percent at the end of the quarter.

TOTAL LIABILITIES OF BANKING SECTOR

In the period under review, total liabilities of commercial banks have decreased by 1.1 percent (with the 12-month growth of 13.7 percent) and amounted to AMD 2 trillion 460.1 billion at the end of the quarter. The decrease of total liabilities was largely attributable to the liabilities (including correspondent 'loro' accounts) to banks (Central Bank included) having reported a reduction of 12.4 percent (AMD 52.9 billion).

During the quarter, the amount of demand and term deposits of companies has increased by 1.7 percent to AMD 619.4 billion, and demand and term deposits of individuals have grown by 2.9 percent to AMD 938.9 billion.

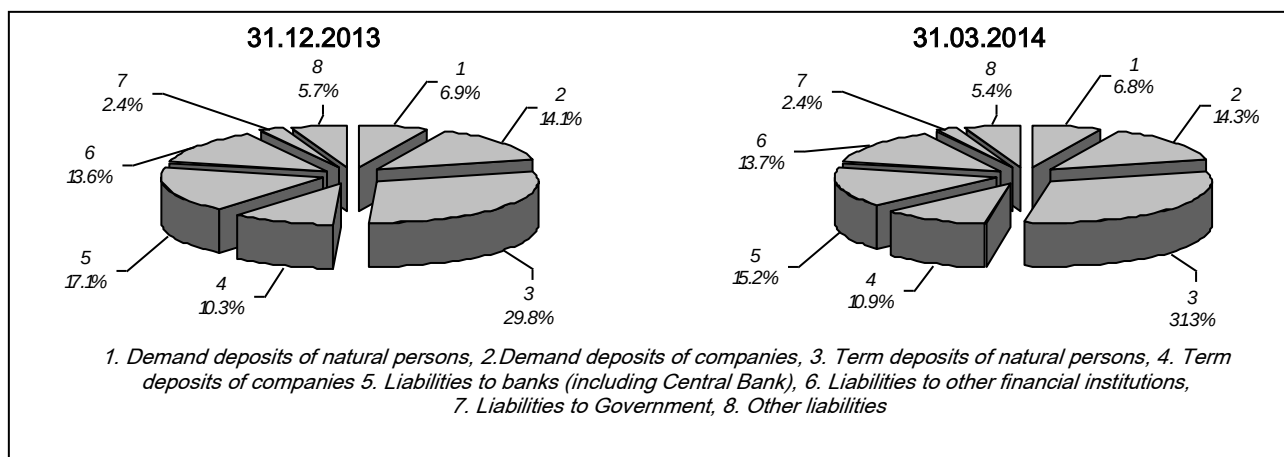
By maturity structure, the share of demand and term deposits of companies and individuals in total liabilities of commercial banks has increased by 0.2 pp to 65.7 percent, as of

but the foreign currency
s in total deposit portfolio

share of term deposits of
individuals in total liabilities portfolio has grown but the share of liabilities to banks (Central Bank included)
has reduced.

¹ Involves 21 commercial banks and the All-Armenian Bank.

Structure of total liabilities of the banking sector



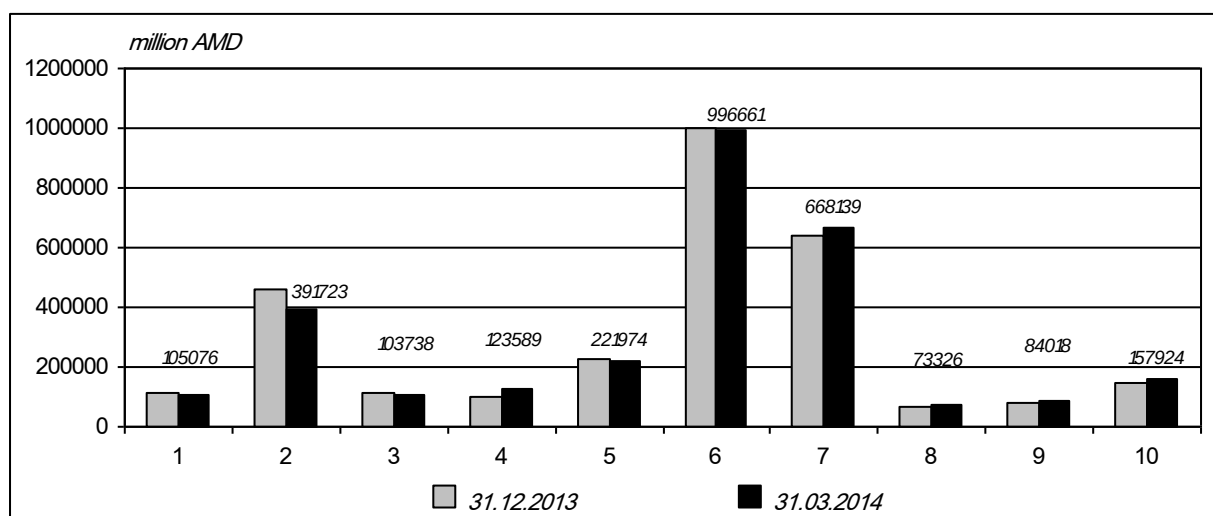
TOTAL ASSETS OF BANKING SECTOR

In the period under review, total assets of the banking sector have reduced by 0.6 percent (with the 12-month growth of 13.9 percent) and amounted to AMD 2 trillion 926.2 billion at the end of the quarter. During the quarter, 15 banks reported increases and 7 banks reported decreases in assets.

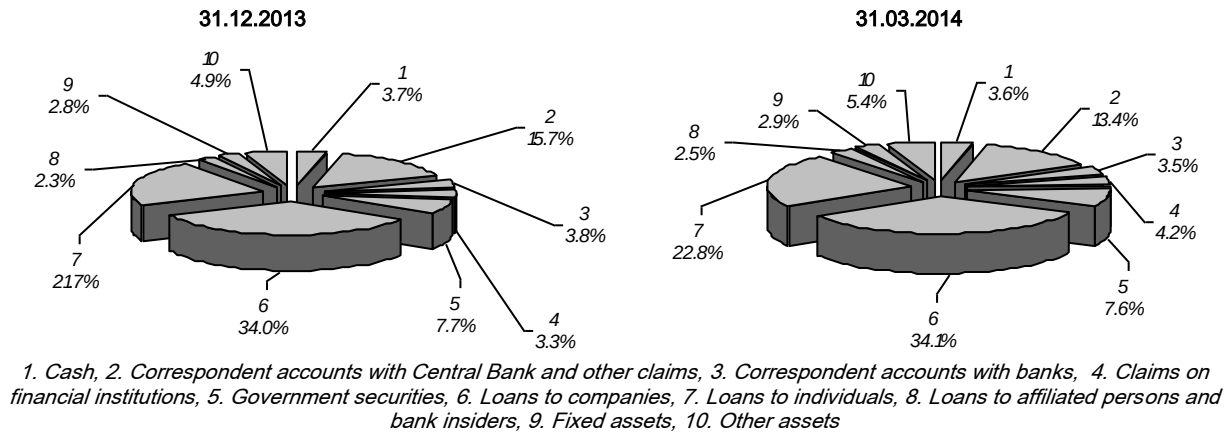
In the structure of assets, the share of credit to the economy (factor and lease operations included) has grown by 1.7 percent (AMD 29.9 billion, with the 12-month growth of 10.4 percent) and the share of correspondent accounts and other claims to the Central Bank contracted by 15.2 percent (AMD 70.4 billion).

As of 31.03.2014, the volume of credit to the economy (factor and lease operations included) has been AMD 1 trillion 757.1 billion. The value of credit provided to companies and bank insiders has increased by 4.6 percent and 6.3 percent to AMD 668.1 billion and AMD 73.3 billion, respectively. In contrast, the value of credit to companies has reduced by 0.4 percent to AMD 996.7 billion. The total value of the factor and lease operations (interbank leasing and factoring excluded) has increased by 3.7 percent to AMD 19 billion at the end of the quarter.

Total assets of the banking sector



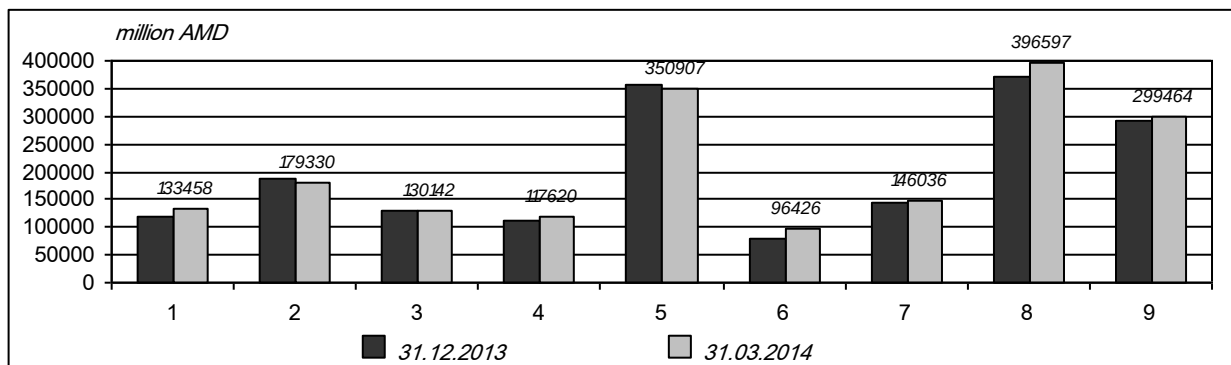
Structure of total assets of the banking sector



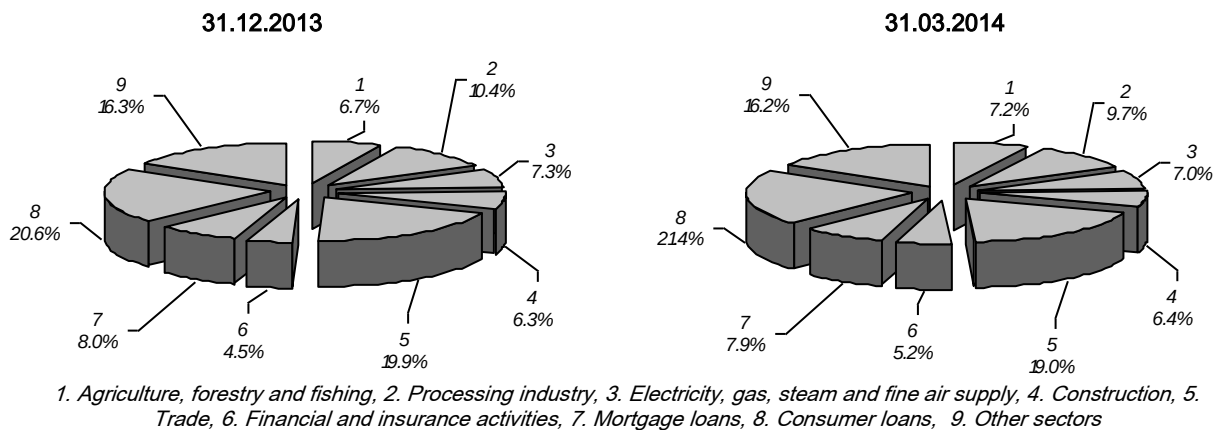
In the period under review, the share of claims to financial institutions has grown by 0.9 pp to 4.2 percent in total assets portfolio but the share of other claims to banks (Central Bank included) has shrunk by 2.3 pp to 13.4 percent in total.

By currency structure, the dram and foreign currency loans (factor and lease operations included) have grown by 0.5 percent and 2.4 percent and reached AMD 635.2 billion and 1 trillion 121.9 billion, respectively. As a result, the share of foreign currency loans to total loans has increased by 0.4 pp to 63.8 percent at the end of the quarter.

Banking sector loans to residents, by sectors of economy



Resident loan investment by the banking sector



Somewhat a brisker activity has been reported in the field of investment in financial and insurance business, agriculture as well as consumer loans, all having reported increases of 19.3 percent, 10.7 percent and 7.1 percent, respectively.

In the structure of resident loan investment during the quarter, the shares of credit to financial and insurance services have grown by 0.8 pp and 0.8 pp but the shares of credit to trade and manufacturing industries contracted by 0.9 pp and 0.7 pp, respectively.

Loan investments hold big shares in consumer activities, trade and manufacturing industries, having posted increases of 21.4 percent, 19.0 percent and 9.7 percent, respectively.

In the period under review, the share of non-performing loans and receivables in total loans and receivables has grown by 1.3 pp to 5.6 percent at the end of the quarter.

As of 31.03.2014, the shares of “watch” category loans and receivables of the banking system constituted 3.4 percent of the total; “substandard” category loans, 1.4 percent, and “doubtful” category loans, 0.7 percent (the shares were 2.2 percent, 1.1 percent, and 1.0 percent, respectively, as of 31.12.2013).

In the period under review, the total liquidity ratio of commercial banks has risen by 0.5 pp and the current liquidity ratio by 3.3 pp to have reached 29.6 percent and 145.6 percent, respectively.

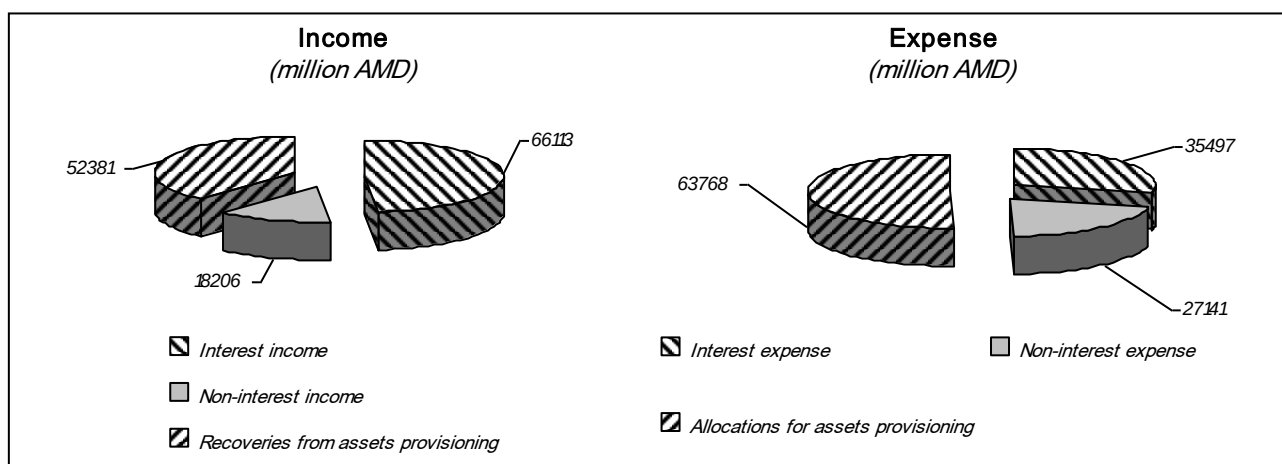
INCOME AND EXPENSE ACCOUNT OF COMMERCIAL BANKS

Net profit of the banking system (profit after tax), calculated according to the supervision reports, amounted to AMD 7.7 billion², return on assets³ (annualized) (RoA), 1.1 percent, and return on capital (annualized) (RoE), 6.8 percent. Bank performance in the first quarter of 2014 was as follows: 15 banks operated with profit and 7 operated at a loss.

Net profit of the banking system, calculated according to IFRS, amounted to AMD 9.1 billion. Return on assets (annualized) (RoA) and return on equity (annualized) (RoE) indicators were 1.2 percent and 7.5 percent, respectively.

According to supervision reports submitted to the Central Bank, gross profit and gross expense of the banking system in the first quarter of 2014 amounted to AMD 136.7 billion and AMD 126.4 billion, respectively.

Banking sector income and expense structure



Proceeds from credit to the economy accounted for the largest share, 84.6 percent, of interest income; commission fees accounted for 44.4 percent and FX trades accounted for 17.1 percent of non-interest income.

² 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.

³ Return on asset has been calculated as a ratio of net profit (profit after tax) to the value of average daily total assets since the beginning of the year; return on equity has been calculated as a ratio of net profit (profit after tax) to the value of daily total capital since the beginning of the year.

Interest expense on term deposits and interest expense on funds attracted from commercial banks and financial organizations remained the largest expense items, having amounted to 58.4 percent and 17.0 percent, respectively.

Bank employee salary and salary equivalents accounted for 49.2 percent of non-interest expense.

In the first quarter of 2014, the share of net provisioning⁴ of commercial banks amounted to AMD 11.4 billion or 0.4 percent of average annual amount of total assets.

CREDIT ORGANIZATIONS

As of 31.03.2014, there were 33 credit organizations, with a total of 126 branch offices, functioning in the territory of the Republic of Armenia.

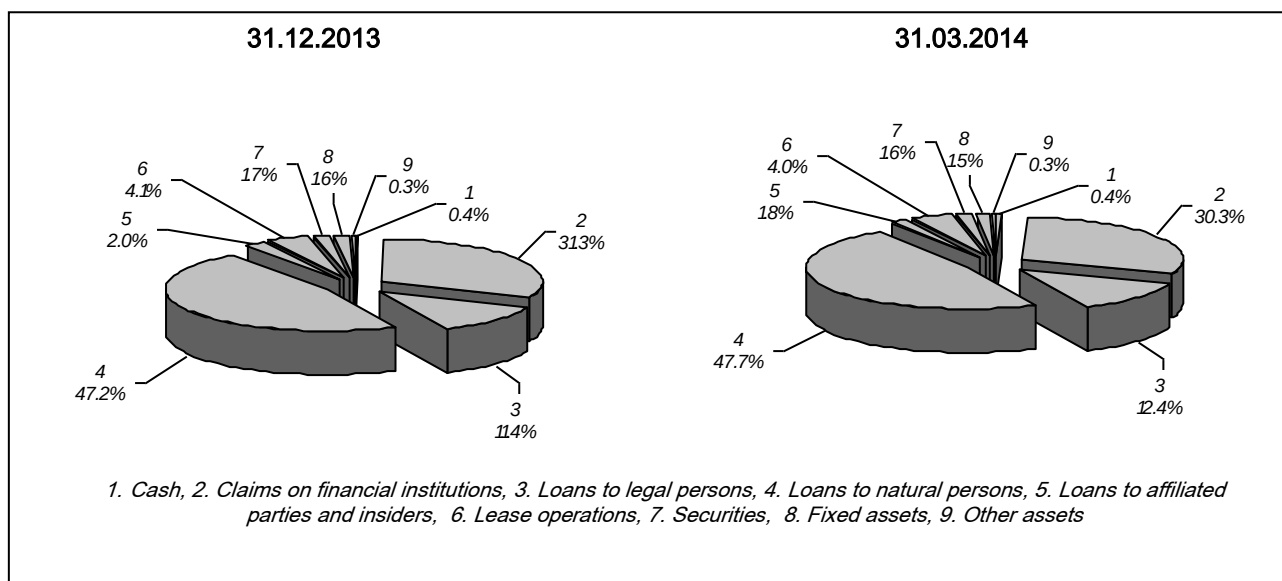
In the period under review, total assets of credit organizations have grown by 7.7 percent and amounted to AMD 226.1 billion at the end of the quarter. In the reporting period, 22 credit organizations reported increases and 11 reported decreases in assets.

In the period under review, total lending to the economy (factor and lease operations included) by credit organizations has grown by 7.3 percent and reached AMD 145.7 billion at the end of the quarter. The share of loans to individuals accounted for 72.4 percent in total growth, loans to companies, 18.8 percent, loans to credit organization affiliated parties and employees, 2.8 percent, and to lease operations, 6.0 percent.

The value of loans to individuals has increased by 6.6 percent and reached AMD 105.5 billion, and the value of loans to companies has grown by 14.8 percent to AMD 27.4 billion. The volume of lease operations has grown by 1.0 percent to AMD 8.8 billion. The amount of lending to credit organization affiliated parties and employees has reduced by 2.7 percent to AMD 4.0 billion.

By currency structure, the value of dram loans to the economy (factor and lease operations included) has grown by 5.4 percent (AMD 4.6 billion) and the value of foreign currency loans (factor and lease operations included), by 10.6 percent (AMD 5.3 billion). As a result, the share of foreign currency loans (factor and lease operations included) has increased by 1.1 pp to 38.0 percent in total.

Total assets of credit organizations



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.

In the structure of assets significant changes were observed on the part of claims on financial institutions and securities: the share of claims on financial institutions has reduced by 1.7 pp while the share of securities has grown by 1.9 pp.

As regards risk classification of the loan portfolio, the share of non-performing loans and receivables has increased by 0.8 pp to 4.7 percent at the end of the quarter; as of 31.03.2014 the share of 'watch' category loans and receivables of credit organizations was 2.6 percent in total; the share of 'substandard' category loans and receivables, 1.4 percent; and the share of 'doubtful' loans and receivables, 0.8 percent (as of 31.12.2013, the figures were 2.3 percent, 0.8 percent and 0.7 percent, respectively).

In the period under review, total capital of credit organizations has grown by 11.2 percent and reached AMD 86.3 billion. Total capital posted an increase owing to the quarter's net profit of AMD 1.5 billion generated by credit organizations and because a credit organization made an AMD 7.5 billion worth of statutory capital paid-in.

In the period under review, total liabilities of credit organizations have increased by 5.7 percent and reached AMD 139.8 billion at the end-period. The increment was due to 6.3 percent growth (AMD 4.9 billion) of liabilities to financial institutions, 11.7 percent growth (AMD 2.1 billion) of term liabilities to companies and 5.3 percent increase (AMD 528.4 million) of term liabilities to individuals.

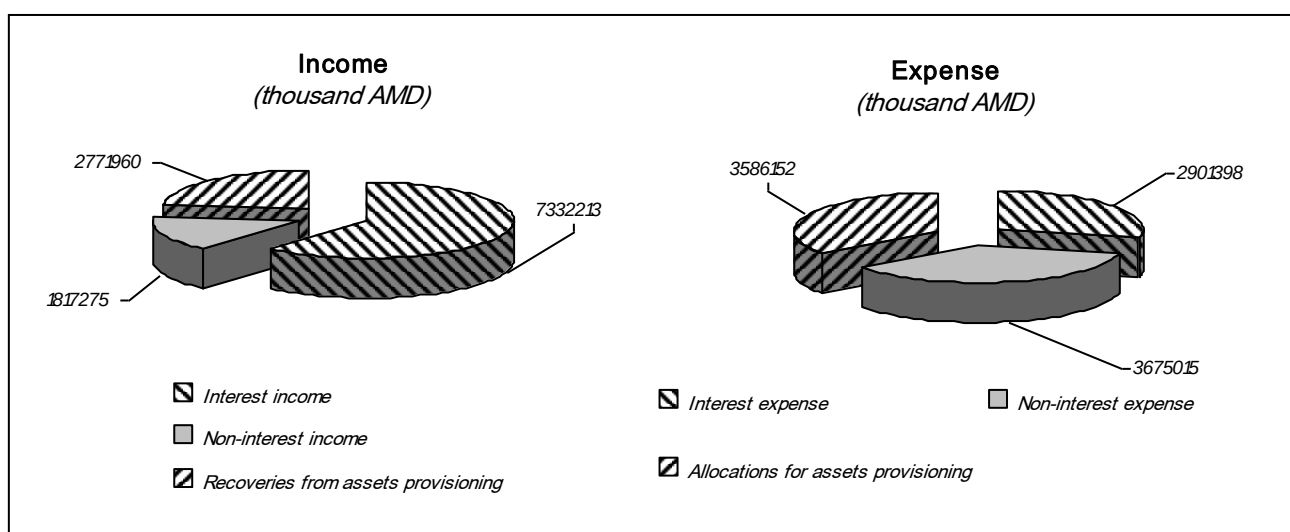
As of 31.03.2014, the total amount of demand and term liabilities to individuals and companies has been AMD 31.2 billion, with the value of liabilities to individuals having grown by 5.3 percent to AMD 10.6 billion and the value of liabilities to companies having increased by 9.4 percent to AMD 20.6 billion at the end of the quarter.

The structure of liabilities saw significant changes on the part of liabilities to banks and other financial institutions: in the period under review, the share of liabilities to banks has grown by 1.7 pp but the share of liabilities to other financial institutions reduced by 1.4 pp.

As of 31.03.2014, net profit (profit after tax) of credit organizations, calculated according to the supervision reports, was AMD 1.5 billion. Since the beginning of the year, 28 credit organizations posted profit and 5 posted loss. Credit organizations' return on profit (annualized) has been 2.7 percent and return on equity (annualized), 7.1 percent.

Since the beginning of the year, net profit of credit organizations, calculated according to IFRS, was AMD 7.0 billion. Return on assets (annualized) (RoA) remained the same, 3.1 percent but return on equity (annualized) (RoE) has increased to 8.0 percent.

Income and expense structure of credit organizations



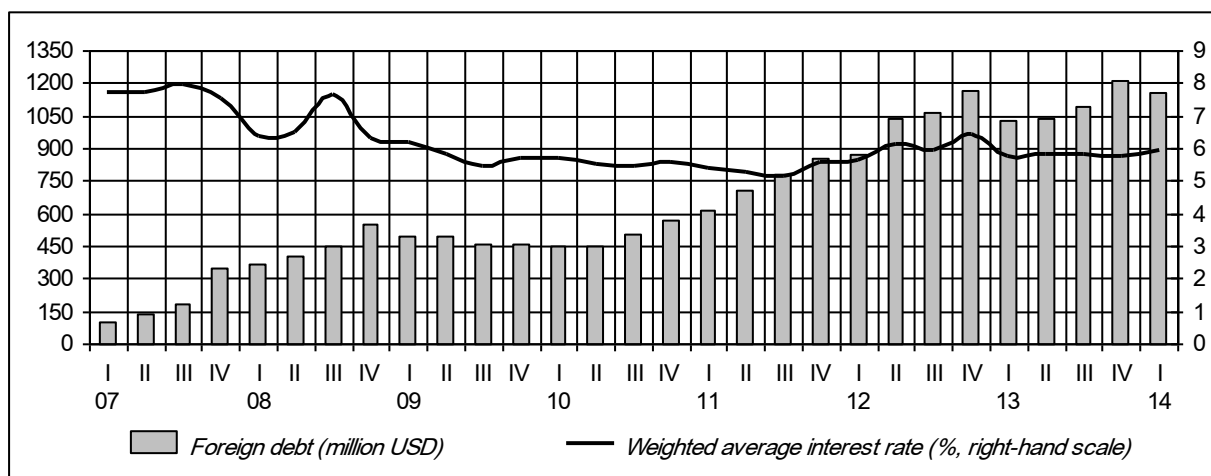
External debt of Armenian commercial banks and credit organizations as of end Q1, 2014

As of the end of the 1st quarter of 2014, loan obligations* of Armenian commercial banks and credit organizations to the rest of the world amounted to USD 1154.4 million against USD 1209.6 million recorded at the end of the previous quarter. Over the quarter, commercial banks and credit organizations attracted loan resources of USD 425.5 million from the rest of the world and made installments in the amount of USD 475.6 million on the principal**. Long-term loans accounted for 5.6 percent of total credit resources attracted, with 29.3 percent of them disbursed from Latvia, 11.5 percent from Luxemburg, and 44.4 percent from international financial organizations.

At the end of the 1st quarter of 2014, the main lenders to commercial banks and credit organizations were Russia (with its share of 16.5 percent in total compared to 18.0 percent in previous quarter), Luxemburg (12.5 percent compared to 12.8 percent), and the Netherlands (7.6 percent compared to 7.8 percent).

At the end of the 1st quarter of 2014, the average-weighted interest rate of attracted loans grew slightly to 5.9 percent against the previous quarter. About 48.4 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 10.8 percent of total loans attracted.

Private debt of commercial banks, 2007 - 2014



* 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.

INSURANCE COMPANIES

As of 31.03.2014, 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 reduced by 5.0 percent to AMD 47.5 as of 31.03.2014; liabilities of insurance companies have decreased by 10.6 percent to AMD 30.4 billion; total capital has grown by 6.8 percent to 17.1 billion.

In the assets portfolio of insurance companies, deposits with banks reported the largest share (30.9 percent), followed by investment in government securities (18.2 percent) and accounts receivable in respect of direct insurance (13.0 percent).

In the liabilities portfolio of insurance companies, the share of reserve for unearned insurance premiums accounted for the largest share (45.5 percent) and reserves for claims (12.0 percent).

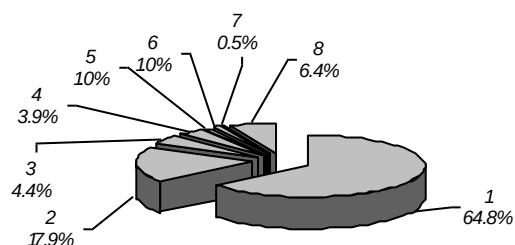
Based on the 1st quarter 2014 results, net profit of insurance companies, calculated according to supervision reports, amounted to AMD 1.3 billion.

Based on the 1st quarter 2014 results, net profit of insurance companies, calculated according to IFRS, amounted to AMD 1.2 billion.

⁵ This includes indicators of 8 insurance companies active and reporting as of 31.03.2014, as 1 insurance company which has an operating license, does not perform insurance business.

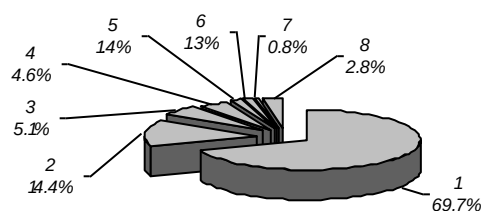
The amount of insurance premium totaled AMD 10.3 billion and the amount of premiums transferable to the reinsurers reached AMD 651.3 billion or 6.3 percent of total insurance premium.

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



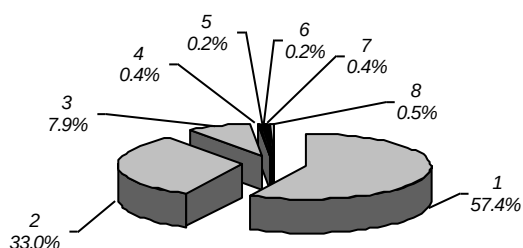
1. Mandatory motor insurance against third party liability, 2. Health insurance, 3. Land vehicle insurance, 4. Fire and natural disaster insurance, 5. Accident insurance, 6. Property in transit insurance, 7. Assistance insurance, 8. Other insurance

Accrued insurance premium, by insurance class (Q1, 2014)



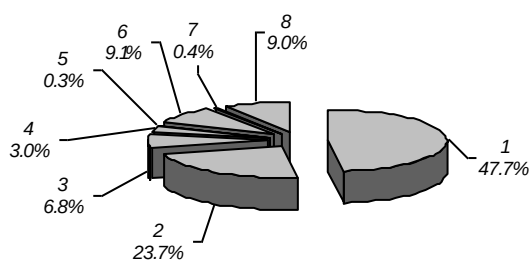
In the period under review, insurance indemnities have amounted to AMD 5.6 billion, while sums on insurance indemnities from reinsurers reached AMD 1.3 billion or 22.7 percent of all insurance indemnities.

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. Accident insurance, 6. Property in transit insurance, 7. Assistance insurance, 8. Other insurance

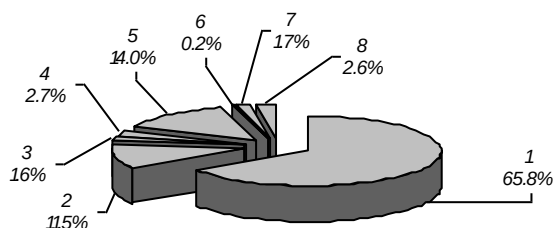
Accrued insurance indemnity, by insurance class (Q1, 2014)



As of 31.03.2014, there were 640.0 thousand contracts in use, with a total reported amount of AMD 9.7 trillion. The amount of reinsured risks transferred to reinsurers reached AMD 2.6 trillion or 27.3 percent of insurance sums.

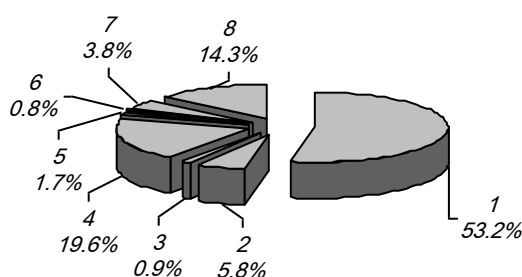
Insurance contracts and insurance sums, by insurance class

Insurance contracts, 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. Accident insurance, 6. Property in transit insurance, 7. Assistance insurance, 8. Other insurance

Insurance contracts, by insurance class (Q1, 2014)



SECURITIES MARKET PARTICIPANTS

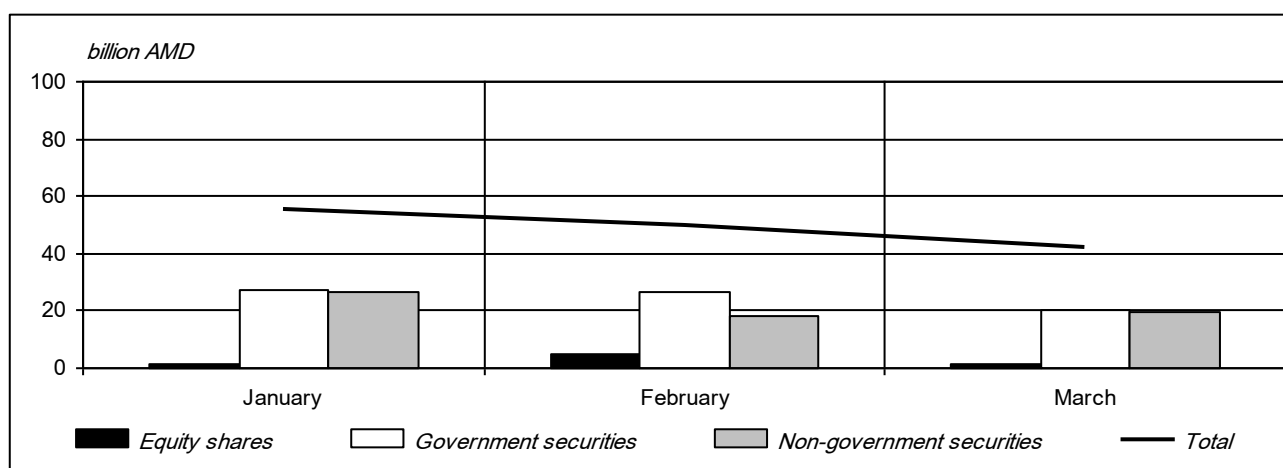
As of 31.03.2014, there were **21** banks providing investment services and **9** investment companies and **1** investment fund manager in the Armenian securities market. Of these investment companies, **eight** are entitled to carry out transactions with securities on their behalf or on their customers' behalf; **six** are entitled to carry out transactions with securities to their expense or to their customers' expense; **seven** are entitled to take and handle orders from customers for carrying out transactions with securities; **six** 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 end-March 2014, there were 3 investment fund managers registered in Armenia's financial market, **two** of which are entitled to a mandatory pension fund management and **one** to a voluntary pension fund management.

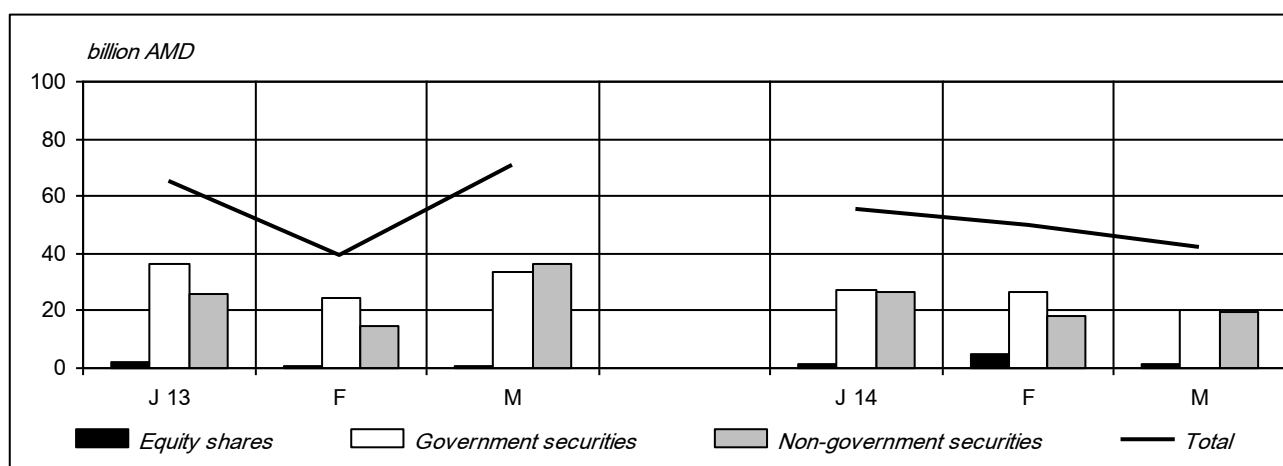
As of 31.03.2014, total assets of investment companies have reached AMD 29.3 billion, representing 8.5 percent increment in relation to the previous quarter. Total capital of investment companies has increased by 5.1 percent against the previous quarter and reached AMD 5.4 billion.

In the 1st quarter of 2014, relative to the same period of the previous year, the volume of securities trading in the Armenian securities market for investment operations has reduced by 15.9 percent to AMD 147.0 billion. Relative to the same quarter of the previous year, the volume of trading in corporate securities has decreased by 16.8 percent to AMD 64.2 billion. The volume of trading in shares has grown by AMD 4.8 billion to AMD 8.1 billion. Relative to the same quarter of the previous year, the volume of trading in treasury bills has reduced by 20.9 percent to AMD 74.7 billion. Based on the results of the first quarter 2014, the operations with treasury bills remained prevailing, making up 50.8 percent of total securities market turnover. The share of operations with corporate bonds and shares constituted 43.7 percent and 5.5 percent, respectively, in total.

Securities trades by investment companies executed in Q1, 2014



Securities trades by investment companies executed in third quarters of 2013 - 2014



In the trades of government securities, the medium-term treasury bills had the largest share, making up 63.6 percent of total operations. The share of long-term and short-term treasury bills in the total traded volume of government securities constituted 32.9 percent and 3.5 percent, respectively.

The volume of securities trades executed in the regulated market by investment service providers constituted 10.5 percent of total investment operations carried out.

Relative to the same period of the previous year, the volume of operations carried out in the regulated market has increased more than 7-fold (by AMD 13.6 billion) and amounted to AMD 15.7 billion, with trades on treasury bills constituting the biggest share, 64.3 percent, trades on corporate securities and shares making up 24.3 percent and 9.4 percent, respectively, in total operations.

In the structure of investment operations, operations carried out by commercial banks as investment service providers accounted for 91.7 percent and operations carried out by investment companies constituted 8.3 percent, in total.

Relative to the same period of the previous year, the volume of repo and reverse repo operations performed as investment activities (including repo and reverse repo operations in the regulated market) has decreased by 31.2 percent to AMD 475.7 billion, in which rollovers amounted to AMD 203.2 billion.

As of 31.03.2014, the volume of transactions executed as trust management amounted to AMD 1.6 billion, representing a 3.3 percent decrease in relation to the previous quarter.

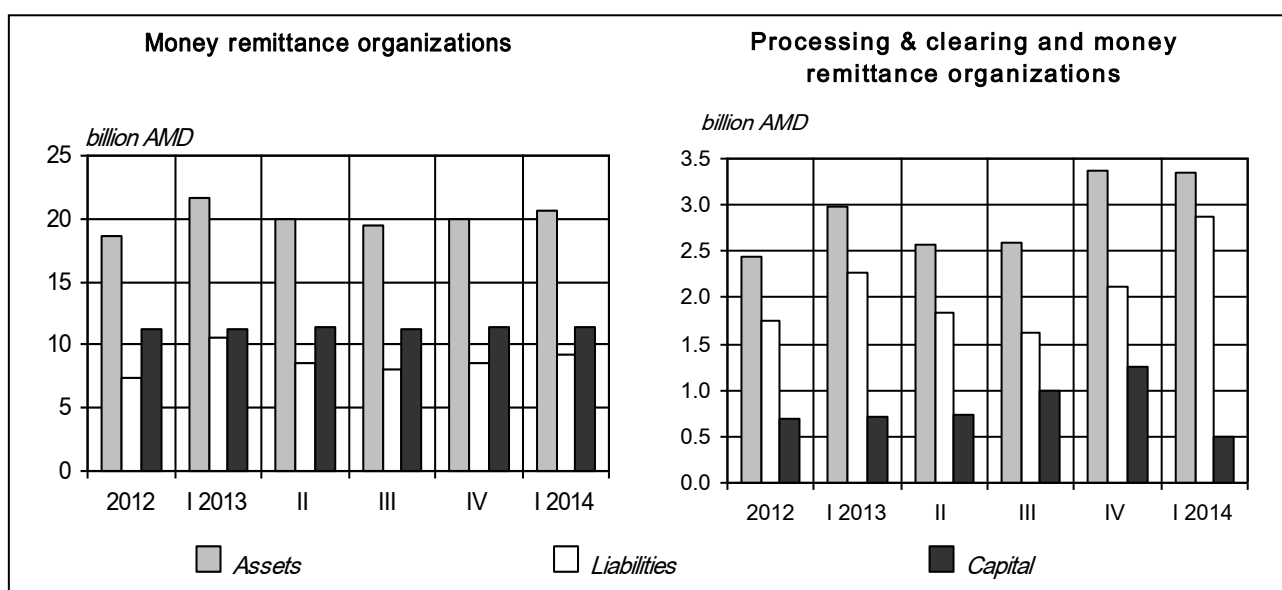
As of 31.03.2014, there were 2070 registries of holders of nominal securities (the number of holders: 107015) run at the Central Depository of Armenia.

As of 31.03.2014, a total of **23** classes of securities of **16** reporting issuers were admitted to trading in the regulated market. These classes included **12** shares of **11** issuers and **11** bonds of **7** issuers. **Two** of the issuers are reportable on both shares and securities. **Six** of the issuers were financial institutions. The total volume of shares reached AMD 53.4 billion. The volume of bonds amounted to AMD 14.6 billion. **Five** of the types of securities are foreign currency-denominated, with their share reaching 54 percent in total volume. The share of equity securities issued by **three** banks constituted 25 percent of total shares and the share of bonds issued by **four** financial institutions made up 52 percent of total bonds.

PAYMENT AND SETTLEMENT ORGANIZATIONS

As of 31.03.2014, there were **6** 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 processing and clearing of payment instruments, **three** permitted to issue e-money and **one** organization licensed to carry out processing and clearing of payment instruments ("Armenian Card" CJSC).

Financial performance by payment and settlement organizations, 2012 – 2014



In the period under review, money remittance organizations alone reported profit of AMD 85 million, while the organizations engaged in processing/clearing of payment instruments and money remittance posted profit of AMD 277 million.

In the period under review, **five** 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 **0.8 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 650 million and AMD 167 million. The average value per inbound transfer to the customer through these organizations has been AMD 113.000.

Five organizations engaged in processing and clearing of payment instruments and money remittance 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 49.3 billion of which AMD 46.0 billion as public utility fees. In the first quarter of 2014, **two** payment and settlement organizations operated 1104 self-service terminals, through which a total of AMD 21.0 billion-worth of funds (6.2 million transactions in number) were collected, of which AMD 9.7 billion were public utility fees.

Funds of AMD 423 million were collected on a non-cash basis, of which AMD 382 million collected as public utility fees.

There are payment and settlement organizations that provide processing and clearing services to a number of banks. In cooperation with payment and settlement organizations, these banks collected public utility fees and charges through their branch offices, and a total of 431,000 transactions reaching AMD 2.1 billion were executed.

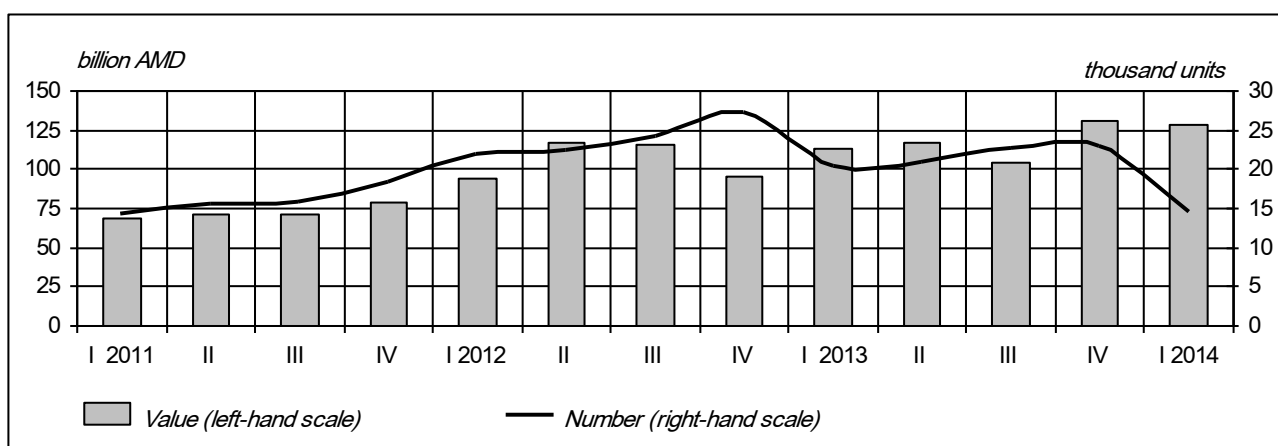
Payment and settlement developments

In the 1st quarter of 2014, the payment and settlement system of the Republic of Armenia further 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 150.8 billion, with 61 thousand transactions in number. The average daily value of non-cash payments executed through the Central Bank reached AMD 128.1 billion, with 14 thousand transactions in number. Relative to the same reference period of the previous year, the average daily value of non-cash payments via the Central Bank has grown by 14 percent but the number reduced by 29 percent.

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



Relative to the same period of the previous year, the average daily transfers executed through Electronic Payments System (stock exchange trades excluded) have increased by 43 percent and reached AMD 43.4 billion but the number reduced by 30 percent to 6,000 transactions.

Relative to the same period of the previous year, the average daily transfers in connection with the use of monetary instruments of the Central Bank have grown by 4 percent to AMD 82.1 billion, with 619 transactions in number, representing 9 percent increase.

PAYMENT CARDS

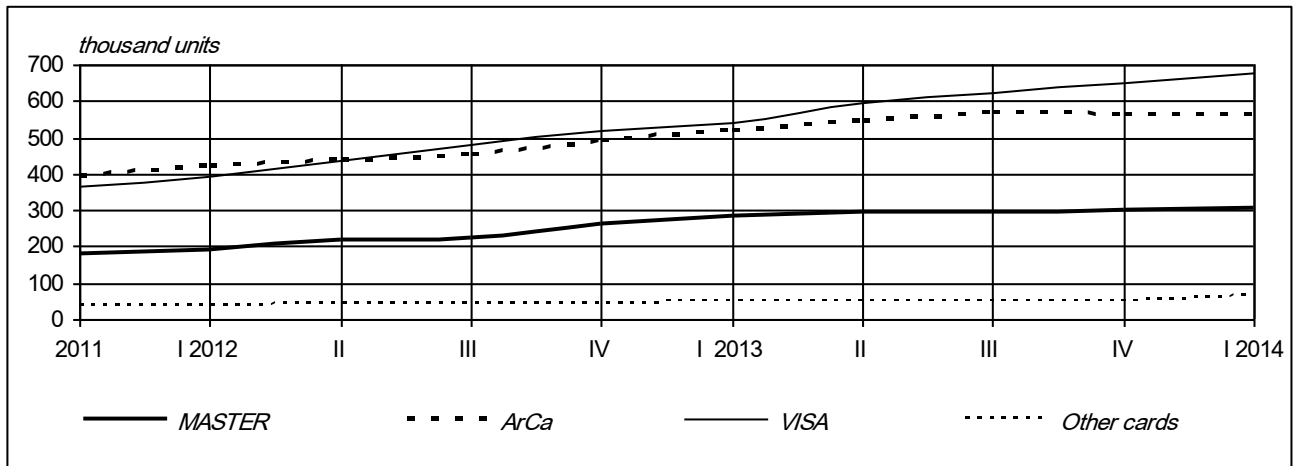
As of 31.03.2014, there were 19 commercial banks, out of 21, having issued payment cards or provided services connected therewith. These 19 commercial banks are members to the “ArCa” (“Armenian Card” Unified Card Payment System).

In the period under review, 42 more ATMs were installed to serve payment cards, and as of end of the quarter, the total number of ATMs was 1297. During the quarter, the number of POS terminals installed by commercial banks grew by 155 to 6989 POS terminals.

As of end of the quarter, the total number of cards in use has been 1.6 million, which represents some 3 percent increase. In particular, the number of ArCa cards in use has not changed much, amounting to 565 thousand cards in total. The number of international system cards has increased by 4 percent and reached 1

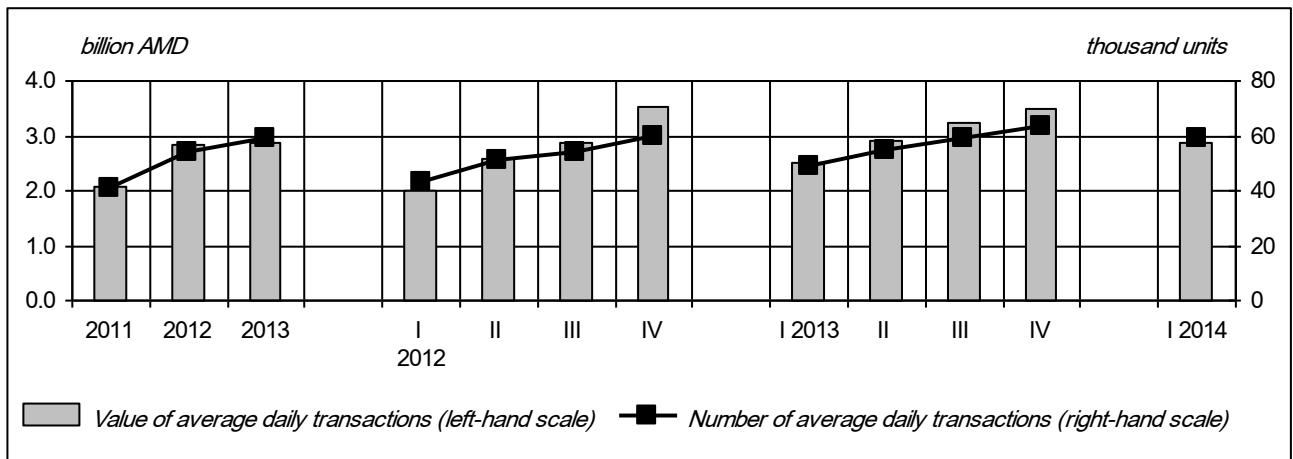
million cards, with VISA having increased by 4 percent to 677 thousand cards and MasterCard having increased by 1 percent to 304 thousand cards.

Payment cards issued by commercial banks in Armenia



In the 1st quarter of 2014, a total of 5.3 million of transactions amounting to AMD 257.1 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 27.2 billion. Of the non-cash turnover, e-payments via Internet amounted to AMD 6.0 billion (including e-commerce totaling AMD 1.5 billion and card-to-card payments, AMD 4.5 billion). The value of card-based non-cash transactions has increased by 32 percent relative to the same period of the previous year and constituted 11 percent of total transactions with cards.

Average daily operations by payment cards executed in Armenia, 2011–2013 and by quarters of 2012–2014

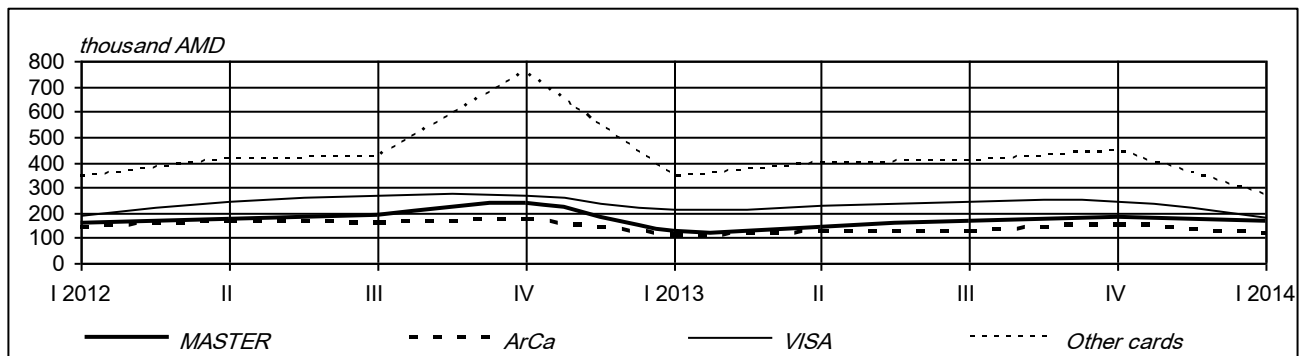


Transactions executed by means of card servicing machines (Q1, 2014)

Machines	Transactions			
	value (million AMD)	number	including by ArCa cards	
			value (million AMD)	number
Automated teller machines	196122	4302981	53480	1362466
o/w: non-cash	1394	112346	120	39993
POS terminals / imprinters	54919	628278	13507	165605
o/w: non-cash	19800	515771	6813	115798
Internet environment	6031	349925	1094	94114

Total	257072	5281184	68081	1622185
o/w: non-cash	27224	978042	8028	249905

Value of transactions per payment card issued by local and foreign banks, by quarters of 2012-2014



Relative to the same period of the previous year, the value of transactions using ArCA cards has grown by 22 percent and the number, by 12 percent.

In the 1st quarter of 2014, relative to the 1st quarter of 2013, the value of cards transactions (including cards issued by foreign banks) in the Republic of Armenia has grown by 14 percent and amounted to AMD 257.1 billion; and the number has increased by 21 percent and reached 5.3 million transactions. The value of transactions executed abroad with cards issued by local banks in the Republic of Armenia has increased by 11 percent to AMD 17.5 billion and the number has risen by 18 percent to 343 thousand transactions.

In the 1st quarter of 2014, relative to the 1st quarter of 2013, the value of transactions with VISA cards (including VISA cards issued by foreign banks) in the Republic of Armenia has grown by 3 percent (AMD 3.2 billion); the number of such transactions has increased by 24 percent (446 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 42 percent (AMD 15.0 billion); the number of such transactions has increased by 29 percent (244 thousand more transactions). The value of transactions with other cards has increased by 8 percent (AMD 1.3 billion).

The value of transactions executed abroad with VISA cards issued by local banks in the Republic of Armenia has increased by 17 percent (AMD 1.4 billion) and the number of such transactions has increased by 22 percent (38 thousand more transactions). The value of transactions executed abroad with MasterCard cards issued by local banks in the Republic of Armenia has reduced by 5 percent (AMD 266 million); the number of such transactions has increased by 11 percent (12 thousand less transactions). The value of transactions executed abroad with other international cards has grown by 37 percent (AMD 515 million).

Transactions by payment cards in Q1, 2014

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	68081	1622185	-	-
o/w: non-cash	8028	249905	-	-
VISA	120834	2281359	9951	211085
o/w: non-cash	9083	349463	6981	177359
Mastercard	50882	1074673	5625	117118
o/w: non-cash	8425	318811	4041	93931
Other international cards	17275	302967	1895	15128
o/w: non-cash	1689	59863	1020	9415
Total	257072	5281184	17470	343331
o/w: non-cash	27224	978042	12042	280705

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 1st

quarter of 2014, the value of inbound remittances to the Republic of Armenia through the banks participating in international transfers systems reached AMD 126.0 billion (691 thousand remittances in number), almost a 6-fold increase compared to the value of outbound transfers. Relative to the same period of the previous year, the value of inbound remittances has increased by 8 percent. The average amount of an inbound remittance to the Republic of Armenia through these systems has been AMD 182 thousand. Net inflow of funds transferred by commercial banks through international money remitters has increased by 7 percent and amounted to AMD 104.5 billion.

The value of payments to natural persons executed through correspondent accounts of commercial banks operating in the Republic of Armenia reached AMD 50.7 billion, representing an 8 percent decrease relative to the same period of the previous year. The average value per payment was AMD 4.0 million, which is an AMD 400 thousand-worth decrement 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 amounted to AMD 59.0 billion, representing some 5 percent (AMD 3.0 billion) increase against the same period of the previous year.

Financial Sector Indicators

Financial organizations: number and structure

Indicators	31.12.2012	31.03.2013	30.06.2013	30.09.2013	31.12.2013	31.03.2014
Banks	22	22	22	22	22	22
Banks by organizational structure	22	22	22	22	22	22
JSC	4	4	4	4	4	4
CJSC	17	17	17	17	17	17
LLC	1	1	1	1	1	1
Cooperative	0	0	0	0	0	0
Foreign participation	20	20	20	20	20	20
o/w: more than 50 percent	15	15	15	15	15	15
o/w: more than 95 percent	12	12	12	12	12	12
Foreign participation in statutory capital of banks, %	73.4	73.4	73.2	74.3	74.6	75.4
Credit organizations	32	33	33	33	33	33
Foreign participation	13	13	13	13	13	13
o/w: more than 50 percent	8	8	8	8	8	8
o/w: more than 95 percent	5	5	5	5	5	5
Foreign participation in statutory capital of credit organizations, %	33.2	30.5	28.8	30.4	30.1	27.1
Insurance companies	7	7	7	7	7	8
o/w: life insurance	0	0	0	0	0	0
o/w: non-life insurance	7	7	7	7	7	8
Foreign participation	4	4	4	4	4	4
o/w: more than 50 percent	3	3	3	3	3	3
o/w: more than 95 percent	3	3	3	3	3	3
Insurance brokers	3	3	2	2	2	2
Investment service providers in securities market	30	30	30	29	29	30
o/w: investment service provider / bank	21	21	21	21	21	21
o/w: investment service provider company	9	9	9	8	8	9
Reporting issuer companies	14	14	15	15	15	15
Pawnshops	143	146	148	148	148	149
Exchange offices ¹	238	244	239	238	236	225
Currency dealers	0	0	0	0	0	0
Money transfer organizations	7	7	8	8	8	7

¹ Exchange offices that are active.

Banking Sector Indicators

(million AMD)

Indicators	Q1, 2013	Q2, 2013	Q3, 2013	Q4, 2013	Q1, 2014
Average quarterly assets ¹	2530541	2577843	2658387	2792562	2862824463
Average quarterly loans	1567966	1603713	1625900	1665708	1715756543
Average quarterly liabilities	2136970	2174152	2234384	2348796	2404436116
Average quarterly deposits	1203159	1279005	1333229	1423788	1495253243
Average quarterly capital	393571	403691	424003	443766	458388347
Average quarterly total capital adequacy ratio	16.5%	16.3%	16.4%	16.7%	16.4%
Average quarterly total liquidity ratio	26.0%	26.0%	26.7%	28.0%	29.9%
Average quarterly current liquidity ratio	135.6%	128.9%	129.5%	141.9%	147.4%

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

Main Indicators of Commercial Banks and Changes Thereto¹

(million AMD)

Indicators	31.03.2013	30.06.2013	30.09.2013	31.12.2013	31.03.2014	Change 31.03.14 – 31.12.13
Book value	405434	413189	428733	456033	466038	10006
Statutory capital	251627	251627	258232	263030	270030	7000
Profit / loss², o/w:	112504	118048	127324	136138	142595	6457
Profit (loss) in reporting period	3993	12145	24356	37841	7684	-30157
Interest income	59940	123720	188632	254956	66113	-188843
Interest expense	32721	65459	99883	135120	35497	-99623
Non-interest income	14538	30033	46778	67385	18206	-49179
Non-interest expense	24380	51166	77064	106727	27141	-79586
Other expense ³	13383	24984	34107	42314	13998	-28316
Total liabilities, o/w:	2164580	2227542	2289427	2487702	2460130	-27572
Correspondent accounts of banks	6188	7581	10878	10404	6042	-4362
Other liabilities to banks (including CBA)	404919	407244	427974	416084	367564	-48520
Liabilities to other financial institutions	300336	299581	308852	339448	335996	-3452
Demand liabilities to legal persons and natural persons	408750	482256	442451	522137	519780	-2357
Term deposits of legal persons and natural persons	855629	856208	921242	999118	1038466	39348
Total assets, o/w:	2570014	2640731	2718160	2943734	2926168	-17567
Cash	97158	94309	98317	110005	105076	-4929
Correspondent accounts with banks (including CBA)	370646	401681	440260	549465	495461	-54004
Other claims on banks (including CBA)	102981	111115	96436	81190	79766	-1423
Claims on other financial institutions	37362	42252	39639	41372	43823	2450
Government securities, including:	176194	186919	201323	225674	221974	-3700
Other securities	6449	6618	14864	17062	20730	3668
Loans to companies and individuals	1578467	1610012	1632067	1708881	1738126	29245
Loan investment, o/w:	1666878	1719523	1742254	1792397	1839584	47187
1. Standard	1575023	1618383	1647564	1712712	1731095	18382
2. Watch	61371	63287	46357	41364	66420	25056
3. Substandard	14407	22681	34956	19534	27631	8097
4. Doubtful	16078	15173	13378	18787	14439	-4348

¹ Calculations include the data of 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	31.03.2013	30.06.2013	30.09.2013	31.12.2013	31.03.2014	Change 31.03.14 – 31.12.13
Book value	69118	72455	73809	77598	86260	8662
Statutory capital	54817	57978	58649	60783	68329	7547
Profit / loss ¹, o/w:	12339	12317	12976	14166	15437	1271
Profit (loss) in reporting period	1639	3196	4398	5747	1469	-4277
Interest income	5765	12092	18819	25554	7332	-18222
Interest expense	2200	4550	7137	9873	2901	-6971
Non-interest income	1775	3451	5079	7176	1817	-5359
Non-interest expense	2884	6173	9523	13385	3675	-9710
Net provisioning	579	1064	1960	2183	814	-1369
Other expense ²	239	560	880	1543	290	-1254
Total liabilities, o/w:	110725	117135	122596	132243	139812	7569
Funds attracted from banks	35375	41918	42416	40399	45061	4662
Funds attracted from other financial institutions	28222	30082	31487	37994	38268	274
Demand liabilities to legal persons and natural persons	732	781	827	877	553	-324
Term liabilities to legal persons and natural persons	26703	25312	26438	28046	30676	2630
Total assets, o/w:	179843	189590	196405	209842	226072	16231
Cash	496	631	855	830	977	147
Bank accounts	4455	6649	7676	7059	5561	-1498
Other claims on banks	40787	43510	46827	53183	55381	2198
Claims on other financial institutions	4110	4600	5083	5541	6127	586
Loans	112982	117780	119552	126997	136961	9964
Financial lease	9316	9238	8905	8678	8769	91
Government securities	2881	3396	3126	3506	3310	-196
Other securities	446	136	127	124	5006	4882
Loan investment, o/w:	159191	167165	172850	187063	199861	12797
1. Standard	153647	159901	165613	179641	190295	10654
2. Watch	2785	4336	3806	4467	5113	646
3. Substandard	1605	1384	2011	1547	2839	1291
4. Doubtful	1154	1544	1420	1408	1615	206

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	31.03.2013	30.06.2013	30.09.2013	31.12.2013	31.03.2014	Change (31.03.2014) - (31.12.2013)
Cash	48	56	57	215	60	-155
Bank accounts	1148	889	771	967	811	-156
Sums receivable on insurance	7300	11728	9583	7504	6197	-1307
Sums receivable from co-insurers	0	0	0	0	0	0
Sums receivable from re-insurers	150	128	90	115	125	10
Claims on indemnity	495	549	679	516	576	59
Claims generated from subrogation	365	440	474	538	656	118
Deposits with banks	15363	14887	13711	15326	14654	-672
Loans	621	1196	1391	1672	2102	430
Securities sold under repo agreements	4266	4942	5386	5657	4068	-1589
Securities	2313	1337	1646	4009	4900	891
Reserves for possible irrecoverable loss	-605	-723	-690	-572	-671	-99
Re-insurer's share in insurance reserves	2040	2326	2364	2662	2075	-587
Interest receivable	558	613	568	639	589	-50
Future expense and prepayment on insurance	3153	3579	2854	2821	2970	149
Fixed assets	3065	3094	2912	2951	2903	-48
Other assets	2955	5208	5056	4989	5484	495
Assets total	43238	50250	46851	50007	47497	-2510
Dram	37537	44727	41300	44733	43620	-1113
Foreign currency	5701	5524	5551	5273	3877	-1397
Indemnity payable, o/w:	272	273	354	232	299	67
Sums payable to brokers	707	937	768	780	545	-235
Insurance amounts recoverable	74	87	90	109	165	56
Insurance amounts transferable to co-insurers and re-insurers	1177	1126	1184	1625	1180	-445
Current loans	2093	3634	3371	4708	3447	-1262
Technical reserves, including"	18603	22287	19151	17219	18061	842
Unearned insurance reserves	13655	16726	13716	12196	13845	1650
Claims reserve	3772	4383	4406	4467	3659	-807
Mathematical reserve	0	0	0	0	0	0
Other reserves	1176	1179	1030	557	557	0
Repo agreements	4197	4976	5587	5612	4055	-1557
Other liabilities	2055	0	2560	3753	2685	-1068
Liabilities total	29176	35916	33066	34038	30437	-3601
Dram	26596	33399	30467	31141	28567	-2574
Foreign currency	2581	2517	2599	2897	1870	-1027
Statutory capital	11430	13232	13232	14732	14732	0
Undistributed profit / loss in current period	330	-278	-648	-894	1263	2157
Undistributed profit / loss in previous period	1594	683	683	846	-132	-978
Other	707	698	518	1284	1197	-88
Equity total	14062	14335	13785	15968	17060	1091
Insurance amounts	8026868	8275608	8677460	8160516	9713011	1552495
Gross value of premiums	11408	22708	28374	35753	10342	-25411
Premiums transferred to re-insurer	751	1318	2001	3251	651	-2600
Gross value of insurance indemnity	4916	9656	14599	19719	5607	-14112
Re-insurer's share in insurance indemnity	169	372	637	820	820	0

Main Indicators of Investment Service Providers

(million AMD)

Indicators	31.03.2013	30.06.2013	30.09.2013	31.12.2013	31.03.2014	Change (31.03.2014) - (31.12.2013)
Book value	4084.7	4167.0	4324.2	5168.2	5431.1	262.9
Undistributed profit / loss, o/w:	712	644	709	1021	1328	307
Profit in current period	140	309	529	550	443	-106
Commission and proceeds from provision of IS	737	749	824	871	54	-816
Net proceeds from sale of securities	127	392	1074	1219	246	-973
Statutory capital	2792	2942	2170	2954	3034	80
Total liabilities	21709.6	23323.8	23094.7	21870.7	23907.8	2037.1
Loans from resident banks	1558	1860	527	314	1374	1059
Liabilities on repo agreements	19490	20938	22054	21001	21888	887
Total balance sheet assets	25794.4	27490.7	27419.0	27039.0	29339.0	2300.0
Cash	3	2	2	6	5	-1
Bank accounts	731	477	548	475	417	-58
Securities sold through repo agreements	19775	21235	22079	20306	21454	1147
Securities purchased through repo agreements	0	0	0	0	0	0
Government securities	2807	3000	1723	2894	3392	498
Other securities	311	816	727	1242	1210	-32

Operations by Investment Service Providers

(million AMD)

	31.03.2013	30.06.2013	30.09.2013	31.12.2013	31.03.2014
Operations by investment bank	1123353	1344317	1368551	862097	1192319
equity shares	2498	5765	6030	1721	5103
o/w: traded on stock exchange	834	193	116	32	0
corporate bonds	77045	99994	46722	51799	64072
o/w: traded on stock exchange	1111	1523	847	577	4788
government bonds	89386	105080	72232	92102	73273
o/w: traded on stock exchange	639	3320	3691	1838	19704
repo/reverse repo agreements ¹	954424	1133478	1243567	716475	1049872
o/w: traded on stock exchange	9	727	200	185	61
Operations by investment company	89798	82376	95874	54457	100921
equity shares	761	1056	3	319	2994
o/w: traded on stock exchange	755	1055	0	38	2961
corporate bonds	137	300	454	228	172
o/w: traded on stock exchange	135	217	378	228	172
government bonds	5047	3057	7713	6520	7769
o/w: traded on stock exchange	0	206	597	0	491
repo/reverse repo agreements ¹	83853	77963	87703	47390	89986
o/w: traded on stock exchange	9	0	0	185	61

¹ Repo and reverse repo agreements do not include rollovers.

Central Bank Statement on Financial Standing

(as of March 31, 2014)

(thousand AMD)

	31.03.2014	2013
Assets		
Assets in foreign currency		
Cash	5,046,458	5,570,029
Funds allocated with banks and other financial institutions	236,961,858	297,991,441
Financial instruments at fair value measured through a profit or loss method	468,267,458	490,723,065
Financial derivatives	16,401	28,096
Assets available for sale	1,646	1,646
Assets held up to maturity	103,806,074	118,299,299
Holdings with the IMF	59,010,354	58,242,991
Other assets	250,699	124,864
	873,360,948	970,981,431
Assets in local currency		
Funds allocated with banks and other financial institutions	142,923,520	200,376,425
Assets available for sale	165,638,959	158,581,328
Non-current assets available for sale	4,876,013	4,876,013
Fixed assets	69,206,263	69,908,317
Intangible assets	1,087,217	1,116,123
Other assets	9,224,956	8,921,966
	392,956,928	443,780,172
Assets, total	1,266,317,876	1,414,761,603
Liabilities and Equity		
Liabilities in foreign currency		
Deposits and account balances of financial institutions and other institutions	211,459,693	240,775,372
Liabilities to the Government	2,947,228	5,550,796
Financial derivatives	53,005	3,112
Liabilities to the IMF	256,118,246	260,542,511
Other loans	62,889,389	58,357,035
Other liabilities	189,658	195,127
	533,657,219	565,423,953
Liabilities in local currency		
Notes and coins in circulation	382,530,619	446,833,170
Deposits and account balances of financial institutions and other Institutions	186,730,756	226,233,984
Liabilities to the Government	168,537,997	185,846,835
Other liabilities	1,717,427	1,764,757
	739,516,799	860,678,746
Liabilities, total	1,273,174,018	1,426,102,699
Equity		
Capital issued	100,000	100,000
General reserve	17,389,049	17,389,049
Additional capital	128,185,512	128,185,512
Revaluation reserve for assets available for sale	732,974	997,024
Accrued profit/loss	(153,263,677)	(158,012,681)
Equity, total	(6,856,142)	(11,341,096)
Liabilities and Equity, total	1,266,317,876	1,414,761,603

This Central Bank Statement on Financial Standing was approved by the Board of Central Bank on May 20, 2014 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, 2014 (closing entries included)

Beginning of quarter	SDR	USD
I. Foreign assets gross		2,251,613,609.56
including:		
International reserves (gross foreign assets in free convertible currency)		2,251,613,259.89
o/w:		
SDR with the IMF	1,235,738.00	1,903,035.49
II. Foreign assets net		1,606,825,794.46
o/w: in free convertible currency		1,606,825,444.80
End of quarter		
I. Foreign assets gross		1,970,266,389.98
including:		
International reserves (gross foreign assets in free convertible currency)		1,970,266,051.51
o/w:		
SDR with the IMF	373,455.00	577,222.69
II. Foreign assets net		1,340,269,922.66
o/w: in free convertible currency		1,340,269,584.19

ARTHUR JAVADYAN
Chairman