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Financial System of the Republic of Armenia in Q4, 2010

COMMERCIAL BANKS FUNCTIONING IN ARMENIA

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

TOTAL CAPITAL OF COMMERCIAL BANKS

In the fourth quarter of 2010 total capital of commercial banks has grown by 4.0 percent (AMD 12.3 billion) and amounted to AMD 319.0 billion, mostly owing to the profit of that period.

Over the quarter the banking sector posted net profit amounting to AMD 9.5 billion.

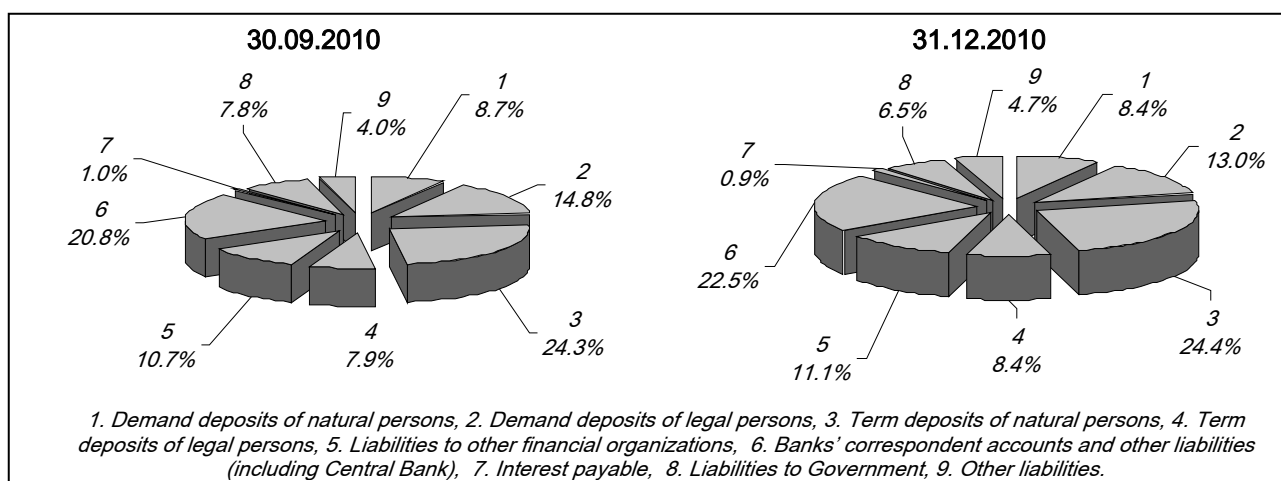
The total assets to total capital ratio has fallen by 1.2 pp to 20.4 percent as assets grew faster than capital of the banking sector.

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

TOTAL LIABILITIES OF COMMERCIAL BANKS

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

Structure of commercial bank assets



As of 31.12.2010 total amount of deposits of commercial banks has been AMD 673.1 billion.

Demand and term deposits of natural persons have grown by 11.1 percent or AMD 40.6 billion; demand and term deposits of legal persons, by 5.6 percent or AMD 14.1 billion.

Dram deposits have grown by 14.3 percent or AMD 25.6 billion and foreign currency deposits, by 6.6 percent or AMD 29.1 billion.

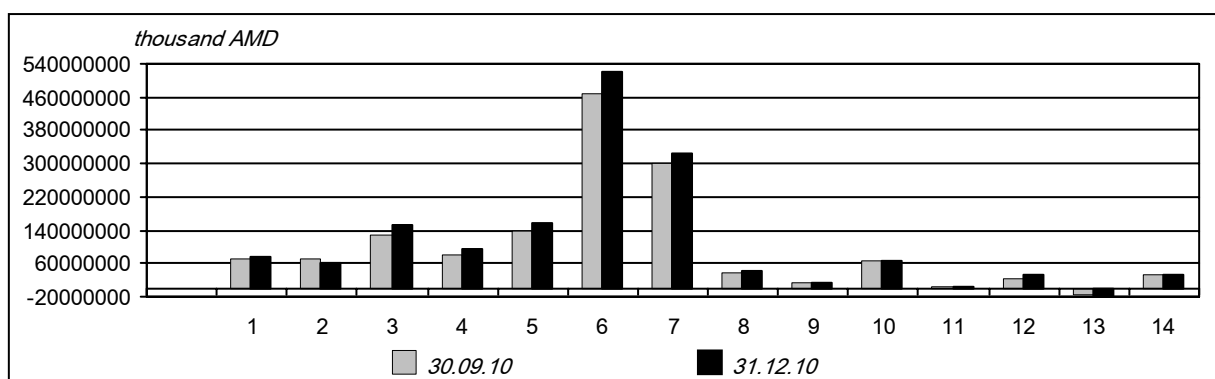
Over the quarter the share of demand deposits of legal persons has shrunk by 1.8 pp, while the share of correspondent accounts (including with the Central Bank) of commercial banks and of other liabilities has grown by 1.7 pp.

TOTAL ASSETS OF COMMERCIAL BANKS

In the period under review total assets of commercial banks have grown by 10.1 percent (AMD 142.6 billion) and reached AMD 1 trillion 560.5 billion. During the quarter 18 banks reported increases and 3 banks reported decreases in assets.

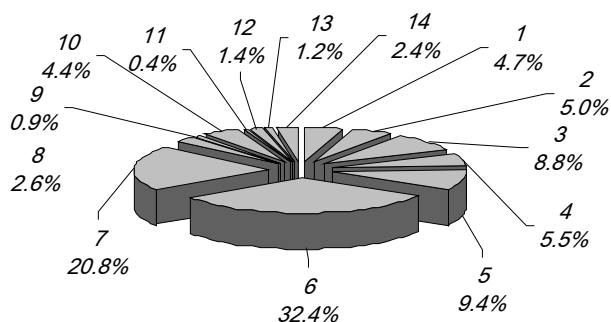
The main asset increases were attributable to growth of loans to economy (lease and factoring included, by 10.8 percent or AMD 89.9 billion, government securities, by 17.9 percent or AMD 23.0 billion, correspondent accounts with the Central Bank, by 10.9 percent or AMD 14.4 billion, and claims on commercial banks, by 16.8 percent or AMD 10.5 billion.

Commercial bank assets

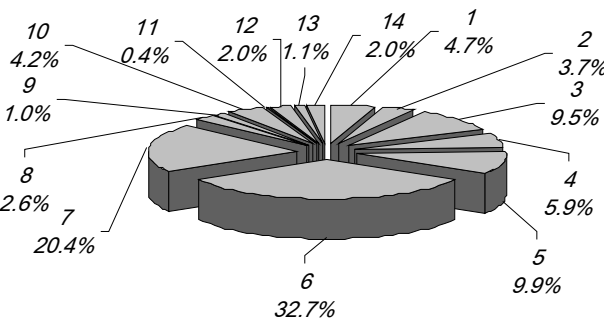


Structure of commercial bank assets

30.09.2010



31.12.2010



1. Cash
3. Government securities (including repurchase agreements)
5. Correspondent accounts with CBA and other claims on CBA
7. Loans to natural persons
9. Accrued interest receivable
11. Other securities
13. Reserve fund

2. Correspondent accounts with banks
4. Claims on banks and other financial organizations
6. Loans to legal persons
8. Loans to bank insiders
10. Fixed assets
12. Leasing and factoring (excluding inter-bank)
14. Other assets

Over the fourth quarter correspondent accounts with commercial banks have reduced by 17.7 percent or AMD 12.8 billion.

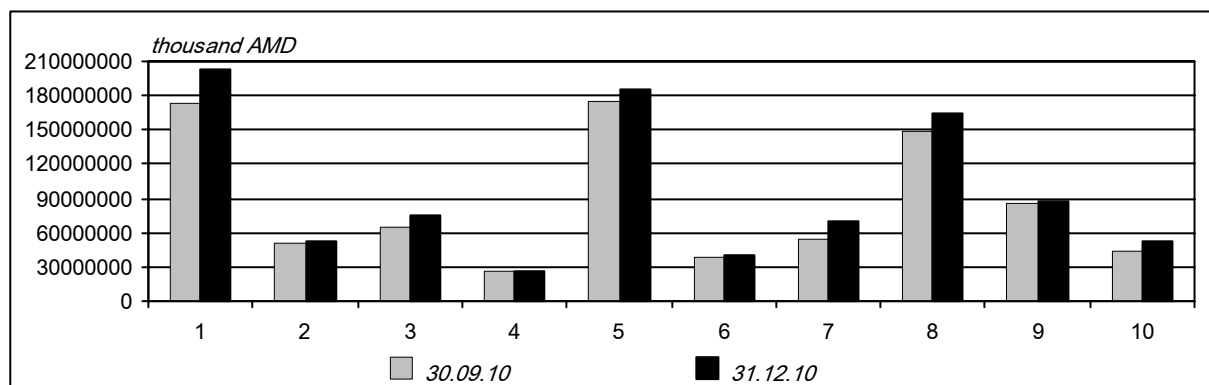
Loans to legal persons have grown by 10.9 percent (AMD 51.1 billion); loans to natural persons, by 8.0 percent (AMD 24.2 billion); loans to bank insiders, by 7.6 percent (AMD 2.9 billion); and lease and factoring operations, by 56.3 percent (AMD 11.6 billion).

As of 31.12.2010 the portfolio of banking system loans to the economy (lease and factoring excluded) has been AMD 888.6 billion, of which 58.6 percent were the loans to legal persons, 36.7 percent were the loans to natural persons, and 4.6 percent were loans to bank insiders.

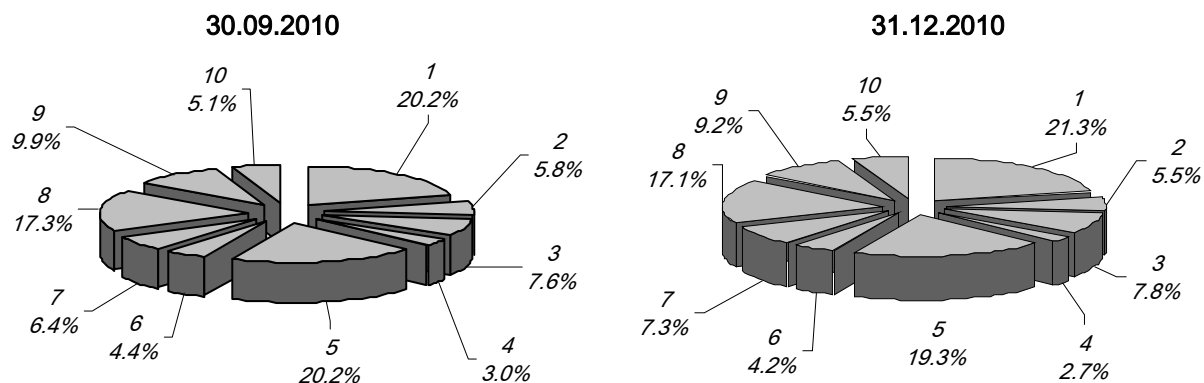
In the period under review commercial bank loans and accounts receivable (including inter-bank deposits and loans, repurchase agreements, lease and factoring) have increased by 11.1 percent (AMD 102.2 billion) and amounted to AMD 1 trillion 23.9 billion. The dram loans and receivables have grown by 7.0 percent to reach AMD 593.9 billion. The share of dram investment in total loan investments and receivables has reduced by 1.6 pp to 42.0 percent.

Loans to and accounts receivable from non-residents have increased by 11.6 percent to and amounted to AMD 68.1 billion; loans to and accounts receivable from residents have increased by 11.1 percent to reach AMD 955.9 billion.

Volume of commercial bank loans to residents, by sectors of the economy



Structure of commercial bank loans to residents, by sectors of the economy



1. Industry, 2. Agriculture, 3. Construction, 4. Transport and Communications, 5. Trade, 6. Public catering and other services, 7. Financial sector, 8. Consumer loans, 9. Mortgage loans, 10. Other sectors

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

The share of “standard” category assets of commercial banks has grown by 1.2 pp to reach 97.2 percent of total loans and accounts receivable. As of 31.12.2010, “watch” category loans and receivables of the banking system have constituted 1.1 percent of the total; “substandard” category loans and receivables, 1.1 percent, and “doubtful” category loans and receivables, 0.6 percent.

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

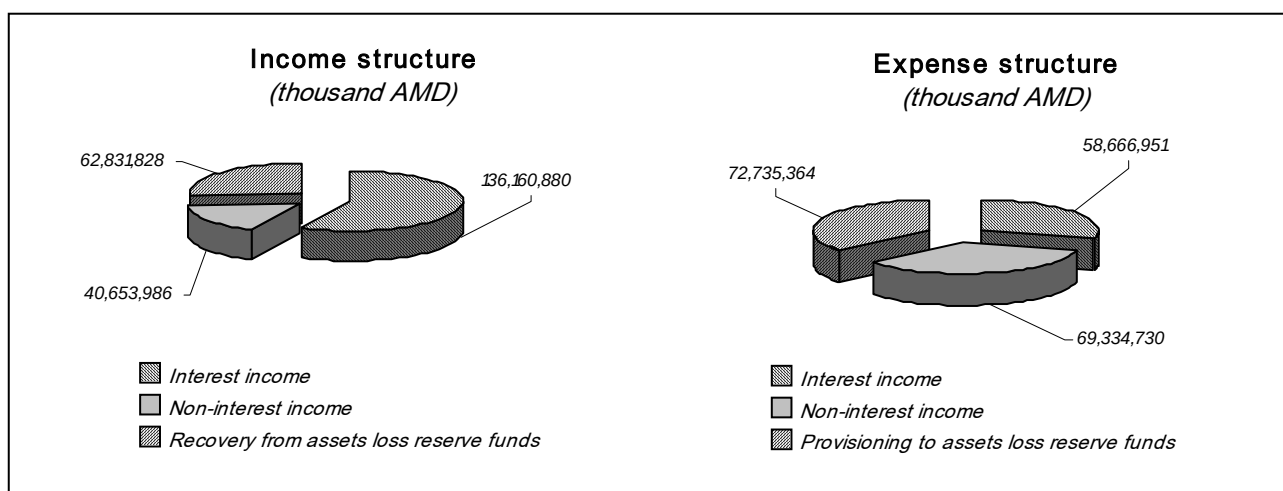
INCOME AND EXPENSE ACCOUNT OF COMMERCIAL BANKS

Based on the 2010 results, the banking sector generated net profit [after tax] of AMD 30.2 billion¹; return on assets amounted to 2.1 percent; return on equity, 10.4 percent. Further, 20 banks posted profit and 1 bank posted loss.

According to IFRS, net profit of the banking sector for the year 2010 has been AMD 32.9 billion; return on assets, 2.4 percent; and return on equity, 11.1 percent.

Commercial banks generated a total of AMD 239.6 billion of gross revenue and executed a total of AMD 200.7 billion of gross expenditures (calculated according to the Central Bank regulatory requirements). Based on the 2010 results, the pre-tax profit of the banking system has been AMD 38.9 billion.

Commercial bank income and expense structure in 2010



In the structure of gross income of the banking system, proceeds from loans to economy accounted for 80.3 percent of interest income, and commission fees accounted for 47.4 percent and FX trades accounted for 33.2 percent of non-interest income.

In the structure of gross expense of the banking system, interest paid on term deposits accounted for 49.5 percent of interest expense, and bank employee salary and salary equivalents accounted for 42.7 percent of non-interest expense.

During the quarter, the share of net provisioning² of AMD 9.9 billion constituted 0.6 percent of total assets of the banking sector.

CREDIT ORGANIZATIONS

In the fourth quarter of 2010, credit organizations "Credit Union" UCO and "Washington Capital" UCO emerged into the "Global Credit" Universal Credit Organization CJSC.

The organization "Credit Corp" UCO has been registered and licensed.

Permission for liquidation has been granted, and the activity license granted to the leasing credit organization "VTB Leasing" has been revoked.

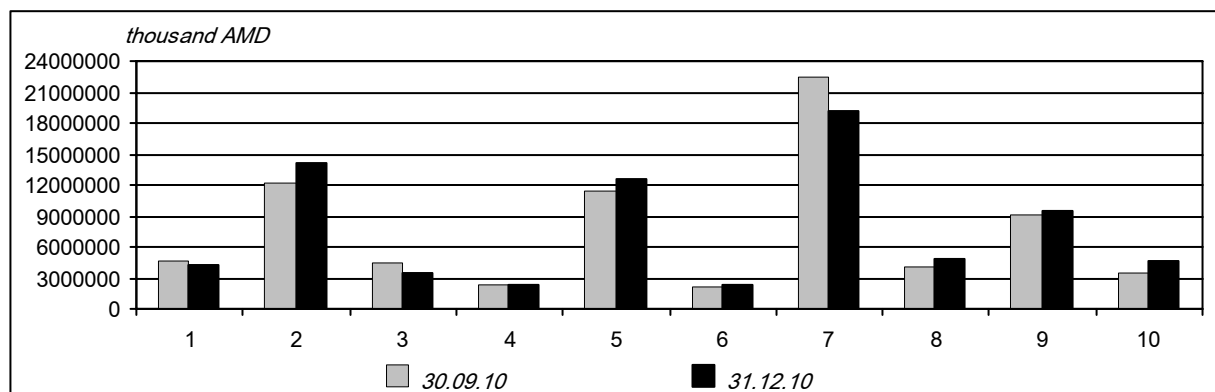
As of 31.12.2010 there have been 32 credit organizations, with a total of 60 branch offices, functioning in the territory of the Republic of Armenia.

In the period under review total assets of credit organizations have grown by 1.2 percent (AMD 1.0 billion) to AMD 87.2 billion. During the quarter, 25 credit organizations reported increases and 7 reported decreases in assets.

¹ 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.

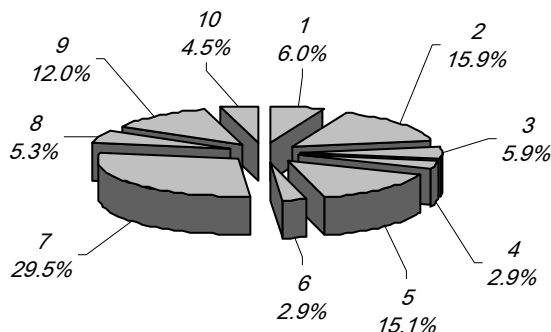
² Net provisioning is the expense item "Provisions to assets loss reserve fund" less the income item "Recoveries from assets loss reserve fund", and the indicator 'net provisioning' is used for an analytical purpose. Item "Provisions to assets loss reserve fund" increases when the particular asset category deteriorates; similarly, item "Recoveries from assets loss reserve fund" increases when the particular asset category improves.

Volume of credit institution loans to residents, by sectors of the economy

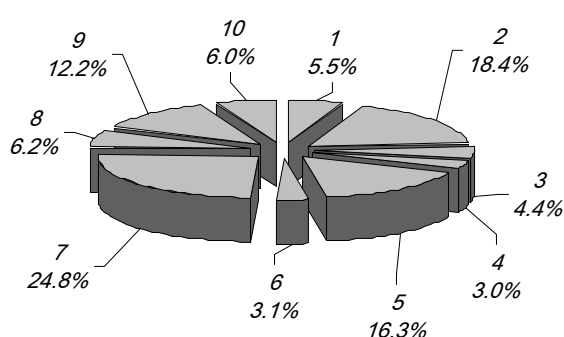


Structure of credit institution loans to residents, by sectors of the economy

30.09.2010



31.12.2010



1. Industry, 2. Agriculture, 3. Construction, 4. Transport and Communications, 5. Trade, 6. Public catering and other services, 7. Financial sector, 8. Consumer loans, 9. Mortgage loans, 10. Other sectors

In the period under review total lending to the economy (including lease operations) by credit organizations has grown by 10.5 percent or AMD 5.7 billion to amount to AMD 60.0 billion. The value of dram loans and leasing has increased by 18.5 percent or AMD 5.8 billion while the value of foreign currency loans and leasing has reduced by 0.4 percent or AMD 96 million. Loans to natural persons have grown by 16.4 percent to reach AMD 40.8 billion while loans to legal persons have reduced by 4.2 percent to AMD 12.5 billion. The total volume of lease operations has reduced by 5.1 percent to AMD 4.6 billion.

The total volume of credit organizations' loans to and accounts receivable on residents has risen by 1.3 percent or AMD 997.9 million to amount to AMD 77.3 billion. Over the quarter, in the structure of loan investment the shares of loans to industry and construction branches and to the financial sector have reduced.

Over the quarter, in terms of risk classification of the loan portfolio, the share of 'standard' category loans and receivables in total has grown by 1.1 pp to 97.0 percent. As of 31.12.2010, the share of 'watch' category loans and receivables has amounted to 1.5 percent in total loans of credit organizations; the share of 'substandard' category loans and receivables, 0.7 percent; and the share of 'doubtful' loans and receivables, 0.8 percent.

Total capital of credit organizations has augmented by 11.0 percent or AMD 3.6 billion to reach AMD 36.0 billion. Statutory capital has been added by AMD 904 million (an increase of 8.6 percent) owing to the entry of new credit organizations to the marketplace and replenished statutory capital.

Net accumulated profit of credit organizations for the year 2010 has been AMD 4.3 billion (calculated according to the Central Bank regulatory requirements). Since the beginning of the year, 26 credit organizations have posted profit and 6 have posted loss.

According to IFRS, net profit of credit organizations for the year 2010 has been AMD 4.7 billion.

Over the fourth quarter total liabilities of credit organizations have reduced by 4.7 percent or AMD 2.5 billion to amount to AMD 51.2 billion. The main decreases were attributable to the liabilities to commercial banks, by 40.8 percent or AMD 6.9 billion. On the other hand, deposits of natural persons and legal persons have increased by 8.3 percent or AMD 1.3 billion and liabilities to other financial institutions, by 9.6 percent or AMD 1.2 billion; other liabilities have grown by 125.9 percent or AMD 1.9 billion.

As of 31.12.2010, credit organizations' liabilities to commercial banks have reached AMD 10.0 billion; liabilities to other financial organizations, AMD 13.4 billion; liabilities to natural persons and legal persons, AMD 16.4 billion; liabilities to the Government, AMD 7.1 billion; and other liabilities, AMD 4.2 billion.

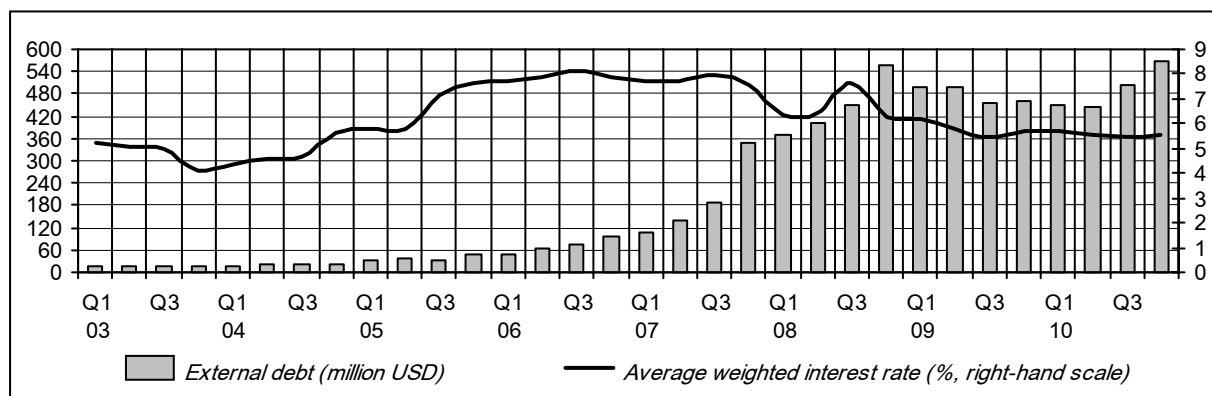
External debt of Armenian commercial banks and credit organizations at the end of the fourth quarter of 2010

As of the end of the fourth quarter of 2010, loan obligations¹ of Armenian commercial banks and credit organizations to the rest of the world have amounted to USD 565.6 million versus USD 504.2 million recorded at the end of the previous quarter. Over the quarter commercial banks and credit organizations attracted loan resources of USD 389.4 million from the rest of the world and made amortization repayments² in the amount of USD 325.8 million against loans outstanding.

At the end of the fourth quarter of 2010, the main lenders to commercial banks and credit organizations were Luxemburg (with its share of 13.2 percent in total versus 14.7 percent in the previous quarter), Russia (12.6 percent versus 11.1 percent), Germany (7.9 percent versus 8.6 percent), the Netherlands (7.8 percent versus 8.4 percent), and France (7.6 percent versus 10.5 percent). About 26 percent of loans were provided by international financial institutions.

At the end of the fourth quarter of 2010, the average-weighted interest rate of attracted loans slightly went up in relation to the previous quarter, to reach 5.6 percent (5.4 percent was recorded at the end of the previous year). About 61.2 percent of external loans are with floating interest rates (LIBOR, TB). The average maturity of the loans is about 4.6 years. The share of short-term loans has increased a little to 9.7 percent of total loans.

External debt of Armenian commercial banks, 2003-2010



¹ Excluding loans of international financial institutions and other lenders received through the Government in the framework of various programs.

² 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

INSURANCE COMPANIES

As of 31.12.2010, there have been 9 insurance companies functioning in the territory of the Republic of Armenia.

In the period under review, assets of insurance companies have grown by 30 percent, totaling AMD 25.6 billion as of 31.12.2010; liabilities, by 84.9 percent to AMD 13.1 billion; total capital has not changed, however, to amount to AMD 12.5 billion.

In the assets portfolio of insurance companies, deposits with banks accounted for the largest share (52.1 percent), bank accounts constituted 13.0 percent, investment in securities amounted to 10.0 percent, and the share of accounts receivable in respect of direct insurance reached 7.2 percent, in total.

In the liabilities portfolio of insurance companies, insurance payments accounted for the largest share (49.1 percent), the share of the reserve for unearned insurance premiums made up 15.2 percent, accounts payable to reinsurers constituted 13.9 percent. The sharp increase of the share of insurance payments has been driven mainly by the compulsory third party motor liability insurance scheme, with its policies to be effective since January of 2011.

As of 31.12.2010, two insurance companies posted profit and seven posted loss. The profit of insurance companies having posted profit reached AMD 161.1 million. The loss of insurance companies having posted loss amounted to AMD 1.14 billion. The reported loss has been determined by costs associated with the introduction of the new insurance scheme (branching out more agencies, more commission payable to agents, advertisement and administrative costs, etc.) whereas insurance premiums collected were recognized as income for the year 2011 only.

According to IFRS, net loss of insurance companies for the year 2010 has been AMD 891 million.

Total amount of accrued premiums amounted to AMD 8.3 billion. Total amount of insurance premiums payable to reinsurers has been AMD 4.0 billion or 48.6 percent of total insurance premiums.

In the period under review, insurance indemnities amounted to AMD 1.7 billion, while sums on insurance indemnities from reinsurers reached AMD 535.1 million.

As of 31.12.2010, insurance companies reported 50.5 thousand insurance contracts in use, with sums insured under these contracts totaling AMD 3.15 trillion. Sums reinsured transferable to reinsurers from sums insured amounted to AMD 2.5 trillion or 79.7 percent of insurance cover.

SECURITIES MARKET PARTICIPANTS

As of 31.12.2010, there have been 21 banks providing investment services and 8 investment companies 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 as well as to take and handle orders from customers for carrying out transactions with securities; **five** are entitled to provide advisory services relating to investment with securities; **six** are entitled to perform securities allocation activities; **three** are entitled to manage securities portfolios.

As of 31.12.2010, total assets of investment companies have amounted to AMD 19.6 billion, up by 15 percent in relation to the previous quarter. Total capital of investment companies has grown by 9 percent to reach AMD 3.2 billion.

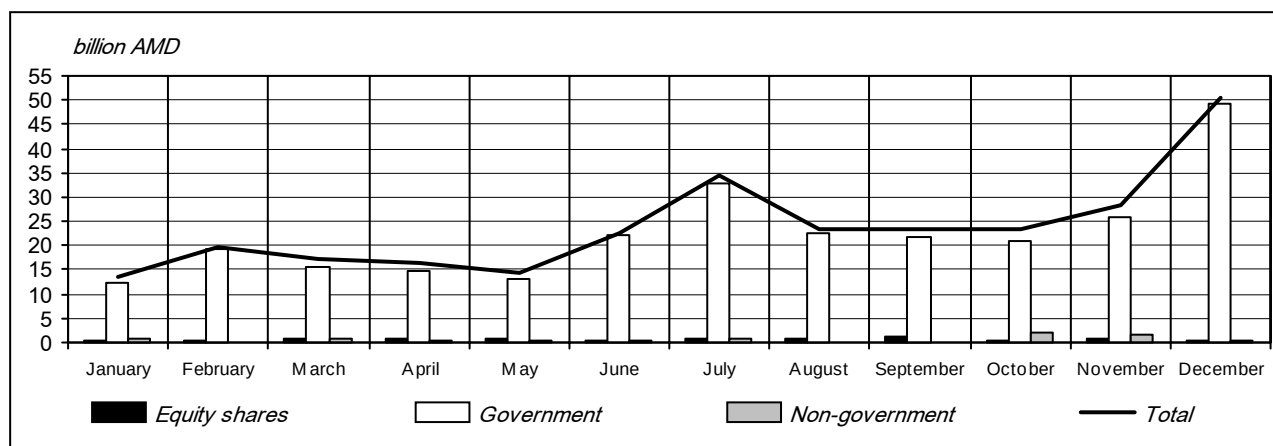
In the fourth quarter, the volume of securities trading in the Armenian securities market for investment operations has increased by 26 percent against the previous quarter, to make up AMD 102.3 billion. The volume of trading in corporate securities has grown approximately 3-fold in relation to the previous quarter to amount to AMD 4.0 billion. The volume of trading in shares has reduced by 32 percent to AMD 2.0 billion. The volume of trading in treasury bills has increased by 25 percent to reach AMD 96.2 billion. Based on the fourth quarter 2010 results, operations on treasury bills prevailed in the total securities market operations, constituting 94.1 percent of total securities market turnover. The weights of transactions with corporate securities and shares made up 3.9 percent and 2.0 percent, respectively, in total.

In the trades of government securities, the medium-term treasury bills reported the largest share, making up 60 percent of total operations. The share of short-term and long-term treasury bills in the total traded volume of government securities constituted 38.3 percent and 1.7 percent, respectively.

In the fourth quarter, the volume of securities trades executed in the regulated market by investment service providers constituted 2 percent of total investment operations carried out.

The volume of operations carried out in the regulated market has increased by 22 percent in relation to the third quarter and amounted to AMD 3.9 billion, with repurchase transactions, corporate securities and treasury bills operations accounting for 58 percent, 24 percent and 15 percent, respectively, of total operations.

Securities trades by investment companies in 2010



In the structure of operations performed as investment activities, operations by investment companies accounted for 89 percent and operations by commercial banks as investment service providers accounted for 11 percent in total.

The volume of repurchase transactions performed as investment activities (including repurchase transactions in the regulated market) has grown by 0.6 percent compared to the third quarter to reach AMD 432.4 billion, of which AMD 211.6 billion were rollovers.

As of 31.12.2010, the volume of transactions executed as trust management amounted to AMD 1.5 billion, representing some 23 percent decrease in relation to the end of the previous quarter.

As of 31.12.2010, there have been 1571 issuer companies in the Central Depository of Armenia and 111676 individuals as owners of securities issued by companies that run registries.

As of 31.12.2010, a total of 19 classes of securities of 15 reporting issuers have been admitted to trading in the regulated market. These classes included 12 shares of 11 issuers and 7 bonds of 5 issuers. Four of the issuers were banks. The total volume of shares amounted to AMD 32.4 billion. The volume of bonds amounted to AMD 4.4 billion. One issuer is accountable on both shares and bonds. Commercial banks accounted for 13 percent of debt securities issued and their participation in equity shares reached 38 percent.

As of 31.12.2010, there have been 21.4 thousand units of securities issued by the said 11 reporting issuers, with a total number of shareholders reaching 7381, of which 78 were non-resident shareholders and 35 were shareholders that owned more than 5 percent of the total issue volume.

IMPROVEMENT IN FINANCIAL SYSTEM REGULATORY FRAMEWORK

Drafts to laws as developed by the Central Bank during the fourth quarter of 2010

1. In October 2010, the National Assembly of the Republic of Armenia endorsed, on the first hearing, an amendment to the *Republic of Armenia Law on Payment and Settlement Systems and Payment and Settlement Organizations*, which were aimed to:

- enhance stability and reliability of the financial system through establishing stricter requirements to licensing and oversight of payment and settlement organizations;
- set a new minimum total capital requirement of AMD 100 million to payment and settlement organizations, to be effective from October 1 2012. Before that date, the organizations active in the market shall add to the total capital on a two-phase basis, i.e. AMD 30 million from October 1 2011 to April 1 2012 and AMD 70 million from April 1 2012 to October 1 2012;
- empower the Central Bank to establish a liquidity ratio for payment and settlement organizations;
- establish more requirements to the entities that wish to participate in foreign payment and settlement systems;

- further clarify types of payment and settlement services, by further aligning respective definitions with the EU legislative requirements;
- regularize aspects of holding payment and settlement organizations liable and offer payment and settlement organizations to use outsourcing services.

2. The National Assembly of the Republic of Armenia endorsed, on the first hearing, endorsed an amendment to the *Republic of Armenia Law on Securities Market* and the *Republic of Armenia Law on Credit Institutions*, which were aimed to:

- delineate the scope and functions between investment companies and credit institutions as the activity of these two segments seems to have reported an overlap in the absence of distinguished tasks. According to the proposed change, credit institutions will no longer provide investment services except when dealing with securities transactions to their expense and on their behalf, and investment companies will not perform operations pertaining to credit institutions.

3. The National Assembly of the Republic of Armenia adopted, on the third hearing, a draft to the *Republic of Armenia Law on Amendment to the Republic of Armenia Civil Code* and other drafts pursuant thereto.

The main purpose is to eliminate some legislative drawbacks in order to enable legal persons involved in entrepreneurship to attract subordinate borrowings, since these borrowings are the most effective and quickest way to attract extra capital in comparison with, say, the replenishing of statutory capital.

4. In December 2010, the Central Bank submitted drafts to the *Republic of Armenia Law on Bankruptcy* and the *Republic of Armenia Law on Enforcement of Legal Proceedings* to the Government.

The drafts contain provisions for satisfying creditor claims, backed by pledge, surety and guaranty, in the bankruptcy process, without the moratorium in effect. This means that the financial organization or person in question has the right to satisfying its claim without having to wait for the completion of the bankruptcy process.

In the meantime, two possible options have been established for protecting interests of other creditors involved with the case of bankruptcy the debtor is in, as follows:

- where creditor is to use his right to benefit the marketed pledge prematurely (without having to wait for the accomplishment of moratorium), he is not allowed (nor will be allowed in future) to get satisfaction of his claim in respect of other property of the debtor if the claim is in excess of the value of the pledge;
- where creditor is not using his right to benefit the marketed pledge prematurely, he will get satisfaction of his claim after the moratorium, in this case benefiting from both the marketed pledge and other property of the debtor.

5. In the fourth quarter of 2010, the Central Bank submitted drafts to the *Amendment to Republic of Armenia Law on Income Tax* and the *Amendment to Republic of Armenia Civil Code* to the Government. These drafts have been prepared to address a tax aspect in confiscating the property as pledge. The drafts specify that where, in the event the pledge is marketed extrajudicially, the pledge involved becomes the property of the bank or credit institution, an obligation to pay the income tax shall be postponed until that bank or credit institution has sold the pledge to the third party. The postponement, however, shall not last more than six months.

During the fourth quarter of 2010, the Central Bank made amendment to several legal acts.

Re: Banks and banking

1. Minimum requirements to implementation of internal control at banks:
 - provisions on foreign exchange risk management have been established;
 - new requirements to liquidity risk management (in particular, an action plan in the time of liquidity crunch as well as a need for regular revision thereof) have been established;
 - provisions on management of country risks have been established;
 - provisions on a proper business conduct (in particular, quality service by banks, prevention of conflicts of interest and regulation of conflicts, case handling, minimum requirements to internal rules and policies of banks) have been established.
2. Changes have been made to the procedure on Preparation of Consolidated Reporting of Commercial Banks to the Central Bank in order to align the forms and content of such reporting to the requirements set forth in Regulation 3 and the Chart of Accounts.

3. The Board of the Central Bank has approved the list of documents which commercial banks submit to the Central Bank requesting preliminary consent and permission for liquidation.
4. There has been an approval of the Manual for Business Continuity Management at financial institutions. The Manual contains all measures and stages required for inputting components for business continuity. The Manual is aimed to help financial institutions to introduce and further improve the system of business continuity management.

Re: Credit institutions

1. Regulation 13 "Technical Adequacy Requirements for Credit Institutions for Registration and Licensing; Record of Branches and Representations; Managers Qualification; Major Participation in Statutory Fund" has established that examination tests designed for assessment of professional integrity of managers are subject to public disclosure since March 1 2011.
2. Changes have been made to Regulation 14 "Regulation of Activities of Credit Institutions; Prudential Standards for Activities of Credit Institutions" pertinent to attraction of funds, issuance of bonds, attraction of funds through public placement, foreign exchange trades by credit institutions as well as calculation of the prudential standard of capital adequacy for credit institutions.
 - It has been established that credit unions and thrifts shall not attract funds from their stakeholders as natural person who hold funds less than 5 percent of their statutory capital. Credit institutions dealing with lease and factoring as well as universal credit institutions can attract funds from their stakeholders as natural person only where that stakeholder's participation amounts at least to 5 percent of their statutory fund, or where the fund is equivalent at least to AMD 30 million. In the latter case though, total capital of the credit institution should be at least AMD 1 billion. The recovery of the fund is not guaranteed by the Deposit Guaranty Fund.
 - It has further been established that credit unions and thrifts can execute foreign exchange trades on a non-cash basis (note that thrifts may execute such transactions with their participants only). Foreign exchange trades can be executed on a cash basis only in the event and to the extent of servicing the credits as granted by them. When carrying out foreign exchange purchase and sale operations, the amount traded can be rounded to the nearest AMD 5 000. Credit institutions dealing with lease and factoring as well as universal credit institutions can execute foreign exchange trades on a cash basis if their charter establishes so (except when dealing with, and to the extent of, servicing the credits as granted by them; further in this case, the amount traded can be rounded to the nearest AMD 5 000). This being the case, all prudential requirements shall be applied to that credit institution while minimum total capital requirement will be raised up to AMD 1 billion, according to the schedule.
 - Credit institutions dealing with lease and factoring as well as universal credit institutions can attract funds from natural persons through a public offer, provided that these institutions seek the consent of the Central Bank. Moreover, total capital of credit institution shall be at least AMD 1 billion before the funds attracted have been redeemed in full. The redemption of bonds shall not be guaranteed by the Deposit Guaranty Fund.
 - New credit institutions to deal with lease and factoring as well as universal credit institutions can execute foreign exchange purchase and sale operations on a cash basis provided that total capital of these institutions is at least AMD 1 billion.
 - A provision has been established whereby undistributed profit shall be included in the calculation of capital of credit institution at an utmost amount of 150 percent of the paid-up capital of the bank.
 - Credit institution's investments in other commercial undertakings shall be deducted from core capital of that credit institution, provided that:
 - ✓ investment in the statutory capital is 10 percent of that person's statutory capital or above 10 percent;
 - ✓ investment in the statutory capital is below 10 percent of that person's statutory capital but above 15 percent of net book value of credit institution; or
 - ✓ aggregate investment in the statutory capital of all persons is more than 60 percent of net book value of credit institution.
 - In calculating prudential capital adequacy standard, the foreign currency components of credit risk shall be assigned 50 percent stricter risk weights than usually is given to the dram components of credit risk.

- Lease firms can perform factoring provided that their prudential capital adequacy standard is at least 10 percent.
 - Issuance of credit cards has been removed from the list of operations performed by credit institutions.
3. Changes have been made to Regulation 15 “Credit Institutions’ Statements; Reporting and Release”, whereby forms of statements and procedure for completing these forms were aligned respectively to the changes made to Regulation 14 “Regulation of Activities of Credit Institutions; Prudential Standards for Activities of Credit Institutions”.

Re: Insurance market

For further improvement in the regulatory framework in the insurance market, changes have been introduced to the following legal acts and policies:

1. The Central Bank Board Resolution No 316-N, dated 29.11.2010, introduced changes and supplements to Regulation 3/01 “Licensing of Insurance Activities and Insurance Intermediary Activities; Obtaining the Preliminary Consent to Qualifying Holding in Statutory Capital of Insurance Company; Insurance Company’s Business Plan Submission, Procedure and Date; Testing of Qualification of Candidates for Officials and Responsible Persons of Insurance Company and Insurance Intermediary; Themes of Qualification Test for Officials of Insurance Company and Responsible Persons of Insurance Intermediary”. These amendments were aimed to further explicate the documents for insurance broker registration and specify more information about activities, location, and other requisites. As well as weaknesses in the Regulation have been identified and addressed appropriately.
2. The Central Bank Board Resolution No 315-N, dated 29.11.2010, introduced changes and supplements to Regulation 3/07 “Outsourcing Operations under Insurance Operations Outsourcing Agreement; Documents and Information to be Submitted to the Central Bank to Obtain Prior Authorization to Outsource Insurance Operations, their Content; Filing Procedures and Forms; Rules and Conditions for Obtaining Prior Authorization to Outsource Insurance Operations”, whereby outsourcing operation included expertise investigation of reasons triggered by an insurance event.
3. The Central Bank Board Resolution No 327-N, dated 07.12.2010, introduced changes and supplements to Regulation 3/04 “Insurance Company Form of Statements; Procedure and Terms for Filing of Information Contained Therein” to reflect the changes and supplements made, respectively, to a number of regulatory papers and policies.
4. The Central Bank Board Resolution No 298-N, dated 09.11.2010, introduced changes and supplements to the Central Bank Board Resolution No 314-N, dated 02.10.2007 which had approved the “Chart of Accounts of Insurance Companies Functioning in the Republic of Armenia” and “Guide to Using Chart of Accounts of Insurance Companies Functioning in the Republic of Armenia”. The logic of such legislative changes was that insurance companies operating in the Republic of Armenia shall maintain their accounts and records in accordance with international accounting standards (IFRS – International Financial Reporting Standards).
5. The Central Bank Board Resolution No 328-N, dated 09.12.2010, introduced changes and supplements to Regulation 3/02 “Prudential Standards for Insurance Activity; Limits, Formation and Calculation of Prudential Standards”, aimed to permit insurance companies to deduce the amount of participation of BBB rated reinsurer from the calculation of the N3 prudential, in consideration of the reported cooperation between that insurance company and the BBB rated reinsurer. These changes created favorable conditions for further development of cooperation between insurance companies and the BBB rated reinsurers, without detriment to financial stability of insurance companies operating in the Republic of Armenia.

Re: Securities market.

There have been changes made to the regulatory framework of the securities market, as follows:

1. The Central Bank Board Resolution No 282-N, dated 26.10.2010, approved Regulation 4/12 “Rules Protecting Resources of Clients of Investment Service Providers”. The Regulation establishes principles concerning protection of resources/assets of the clients of investment service providers, so that correct records of such resources/assets as well as safeguards to prevent unauthorized use thereof are in place.

2. The Central Bank Board Resolution No 324-N, dated 07.12.2010, introduced changes and supplements to the Board Resolution No 140-N, dated 22.04.2008 concerning approval of Regulation 4/03 “Investment Service Provider’s Statements; Reporting and Release”. The logic behind making such changes and supplements was as follows:
 - Formerly, information filed to the Central Bank only contained transactions with derivatives just concluded, and there was no mention of the change in essential terms and conditions for the transactions already concluded. The amendment filled in this legislative gap and made it possible for the Central Bank to receive more complete information in a more timely fashion;
 - Investment companies are no longer required to provide the Central Bank with information about mandatory charges payable in favor of the Office of Financial Mediator.
3. The Central Bank Board Resolution No 325-N, dated 07.12.2010, introduced changes and supplements to the Board Resolution No 356-N, dated 16.12.2008 concerning approval of Regulation 5/03 “Regulated Market Operator’s Statements; Reporting and Release”. The amendment made to the Regulation was aimed at improving the circumstances specified in the Regulation, as follows:
 - The form of statement on income and expense account of the regulated market operator, as reportable to the Central Bank, fails to provide a clear picture of incomes and expenditures of the regulated market operator; specifically, membership fees, commissions and other dues whatsoever received from the stock exchange members and participants of other regulated markets are hardly distinguishable under the current forms of statement. The change is designed to identify the sources of generation of incomes and expenditures of the Operator, the associated risks, and to have a clear understanding of financial stability of the Operator, by the use of extra data.
 - A new trading platform of credit resources arranged at NASDAQ OMX Armenia necessitated developing a new form of statement in order to reflect trades with credit resources.
 - Formerly, according to the forms of statement established under Regulation 5/03, information filed to the Central Bank only contained transactions with repo agreements just concluded, and there was no mention of the change in essential terms and conditions for the transactions already concluded. The amendment filled in this legislative gap and made it possible for the Central Bank to receive more complete information in a more timely fashion.
4. The Central Bank Board Resolution No 296-N, dated 09.11.2010, approved Regulation 11/10 “Prohibiting Price Abuse and Price Abuse Impulses in FX Trades; Notifying the Central Bank of Price Abuse”, with an aim to prohibit price abuse in the foreign exchange market.

Developments in Payments and Settlements Activities

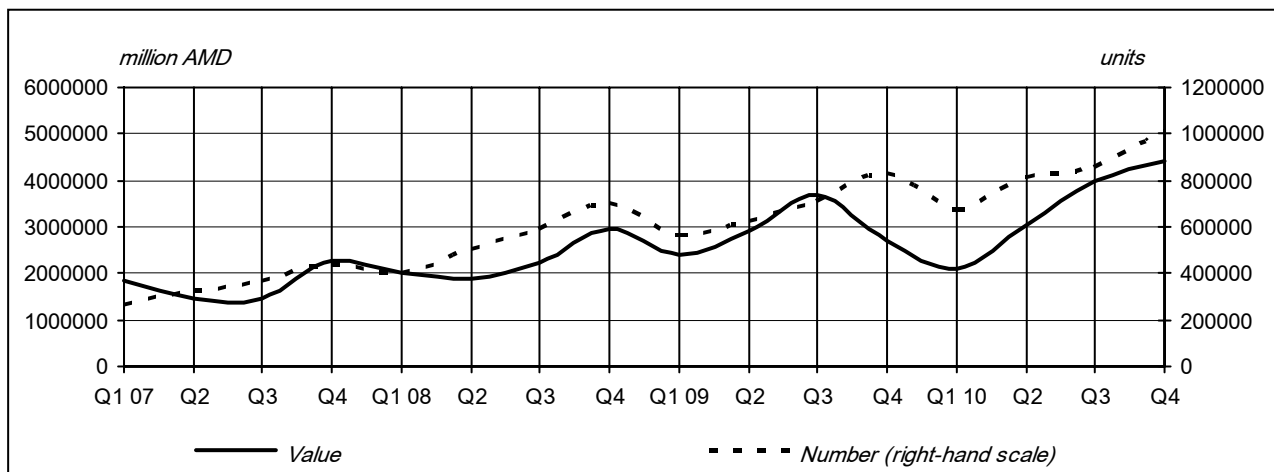
Payment and settlement relations in Q4, 2010

In the fourth quarter of 2010 the value of non-cash payment turnover in the Republic of Armenia has been AMD 5438 billion (a total of 2450380 transactions in number), of which AMD 4423 billion (1011820 transactions in number) had been via the Central Bank's payment systems. In the fourth quarter the value of non-cash payments carried out via the Central Bank's systems has increased by 64 percent (AMD 1727 billion) and the number of non-cash transactions, by 22 percent (179168 more transactions) in relation to the fourth quarter of the previous year. The value of transfers via the Central Bank's payment systems has increased by 11 percent (AMD 454 billion) and the volume, by 150851 in number (by 17 percent), in relation to the third quarter of 2010.

The average daily value of transfers (excluding stock exchange transactions) using the Central Bank payment systems has been nearly AMD 69 billion, with 15810 transfer transactions in number. The average daily value of monetary transfers has grown by AMD 30 billion (2800 more transactions) in relation to the fourth quarter of 2009. The average daily value of transfers on stock exchange transactions has been AMD 157 billion (representing 9 percent increase).

In the fourth quarter transfers initiated by and addressed to the Treasury have increased to amount to 32 percent of total value and 51 percent of total number of transactions of payments executed through the Central Bank (excluding transfers on stock exchange transactions). The total value of transfers addressed to and initiated by the Treasury through the Central Bank has increased in relation to the same quarter of the previous year by 18 percent (AMD 211 billion) and the transfers, by 101763 in number (24 percent). Relative to the third quarter of 2010, the volume of these payments has increased by 21 percent (AMD 245 billion).

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



In the fourth quarter of 2010, a total of 3339742 transactions amounting to AMD 182 billion have been executed in the Republic of Armenia by the use of payment cards. Of this, the value of non-cash card payments has been nearly AMD 12 billion. Of the non-cash turnover, e-payments on Internet amounted to AMD 2.4 billion (including e-commerce for a total of AMD 0.7 billion and card-to-card payments, AMD 1.7 billion). At the end of the quarter the total number of cards in circulation has been 729298, representing 7 percent increase (47866 more cards) relative to the end of the third quarter of 2010. In the period under review the value of card-based non-cash payments reached 7 percent of total transactions by cards. Overall, the value of card-based non-cash transactions has grown by 38 percent (AMD 3.5 billion) in relation to the same period of the previous year.

In the fourth quarter of 2010, relative to the same period of the previous year, remittances to natural persons through commercial banks and transfer organizations have increased by 14 percent to AMD 191 billion, while the value of transfers abroad has reduced by 15 percent to AMD 81 billion. As a result, net inbound transfers to natural persons have totaled AMD 110 billion, representing around AMD 39 billion increase in relation to the fourth quarter of the previous year.

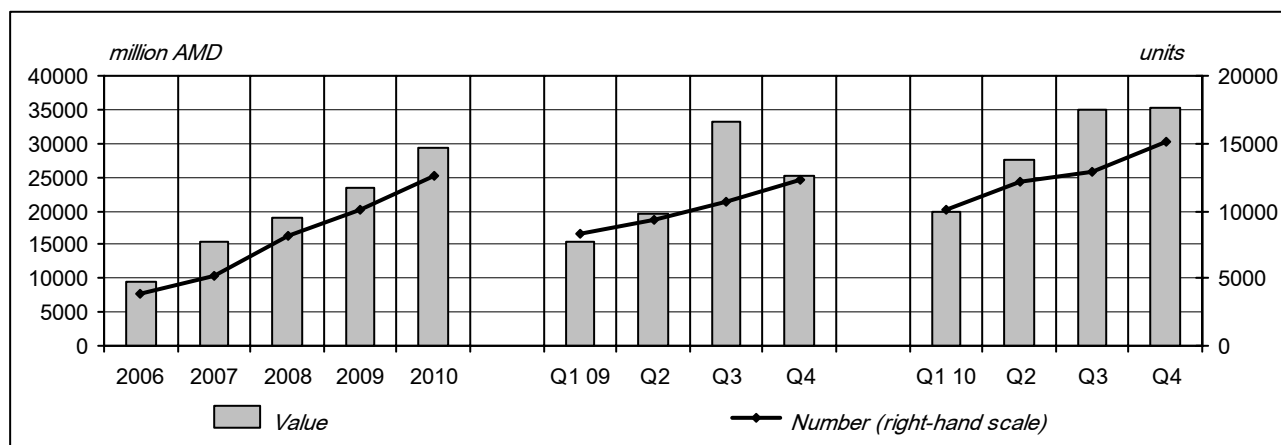
Fees charged for services provided by organizations engaged in processing and clearing of payment instruments as well as making money remittance totaled AMD 8.1 billion, including fees charged for services provided in cooperation with commercial banks.

ELECTRONIC PAYMENTS SYSTEM

In the fourth quarter of 2010, the vast majority of payments via the Central Bank payment systems have been executed using the Electronic Payments System. Electronic payments of the system participants (excluding transfers related to stock exchange transactions) averaged 51 percent in value and 96 percent in number, in total payments. The value of electronic payments has increased by 40 percent (AMD 648 billion) and the number of electronic payments, by 23 percent (178603 more transactions) in relation to the same period of the previous year. In the structure of total electronic payments by commercial banks (excluding transfers related to stock exchange transactions), the value of electronic payments reached around 63 percent (representing 27 percent increase in relation to the same period of the previous year) and the number, 99.7 percent, in total payments.

In the fourth quarter of 2010, relative to the fourth quarter of 2009, the average daily number of transfers using the Electronic Payments System has reached 15132 (2791 more transactions), and the value of such transfers has increased by AMD 10 billion to amount to AMD 35.4 billion. The average daily transfers related to stock exchange trades have amounted nearly to AMD 157 billion (representing an increase of AMD 13 billion).

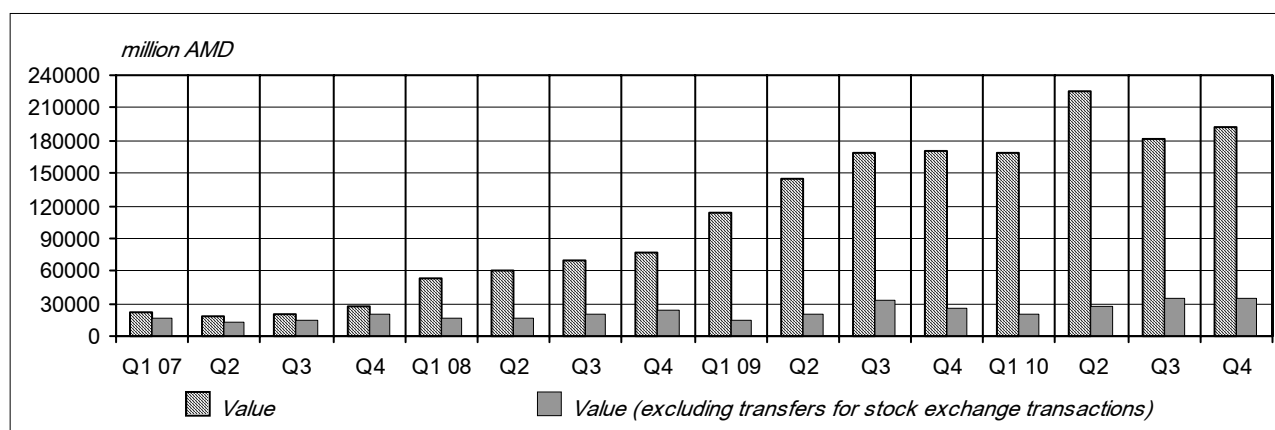
Average daily transfers executed via Electronic Payments System (excluding stock exchange transactions)



The average amount per electronic transfer in the Electronic Payments System, excluding stock exchange trading-related transfers, remained almost unchanged in relation to the same period of the previous year, having totaled AMD 2.3 million. The average amount of a stock exchange trades-related transfer by commercial banks using the Electronic Payments System made up AMD 1.7 billion.

Rejections in the Electronic Payments System constituted 0.007 percent of the number and 0.008 percent of the value of initiated payments (74 transfers with a total value of AMD 0.9 billion). Rejections due to insufficient liquidity constituted 0.002 percent of the number and 0.0015 percent of the value of initiated payments (15 transfers with a total value of AMD 0.26 billion).

Transfers for stock exchange transactions executed via Electronic Payments System in average daily payments



GROSS PAPER-BASED PAYMENT SYSTEM

In the fourth quarter of 2010, the paper-based payments have accounted for 44.6 percent in value and 4.2 percent in number of total bank payments executed via the Central Bank systems (relative to the same period of the previous year, the value of the transactions has increased 2-fold, whereas the number remained at an unchanged level).

Payments executed by Central Bank, commercial banks and Treasury via the Central Bank systems

Period	Gross Electronic*		Gross Paper		Government securities accounting and settlements system		Total, via the CBA*		Stock exchange-related transfers	
	Value (million AMD)	Number	Value (million AMD)	Number	Value (million AMD)	Number	Value (million AMD)	Number	Value (million AMD)	Number
2009										
Q1	989806	530280	1333397	31860	59875	704	2383078	562844	6248937	4842
Share in payments (%)	41.54	94.21	55.95	5.66	2.51	0.13	100	100		
Q2	1260960	594690	1543120	31625	88900	924	2892981	627239	8021865	4499
Share in payments (%)	43.59	94.81	53.34	5.04	3.07	0.15	100	100		
Q3	2121563	679249	1410056	34893	154334	1044	3685953	715186	8675669	5429
Share in payments (%)	57.56	94.98	38.25	4.88	4.19	0.15	100	100		
Q4	1617979	789849	927797	41912	150323	891	2696098	832652	9242227	5689
Share in payments (%)	60.012	94.86	34.41	5.03	5.58	0.11	100	100		
Total	5990307	2594068	5214370	140290	453432	3563	11658110	2737921	32188698	20459
Share in payments (%)	51.38	94.75	44.73	5.12	3.89	0.13	100	100		
2010										
Q1	1262858	640985	688950	33795	148297	1046	2100105	675826	9496297	4963
Share in payments (%)	60.13	94.84	32.81	5.00	7.06	0.15	100	100		
Q2	1755508	774247	1179761	35556	106883	732	3042152	810535	12614414	6364
Share in payments (%)	57.71	95.52	38.78	4.39	3.51	0.09	100	100		
Q3	2240052	821259	1565602	38665	163558	1005	3969211	860929	9374108	5942
Share in payments	56.44	95.39	39.44	4.49	4.12	0.12	100	100		
Q4	2265156	968452	1971135	42412	186706	956	4422997	1011820	10060316	5932
Share in payments (%)	51.213	95.71	44.57	4.19	4.22	0.09	100	100		
Total	7523573	3204943	5405448	150428	605444	3739	13534465	3359110	41545135	23201
Share in payments (%)	55.59	95.41	39.94	4.48	4.47	0.11	100	100		

* Excluding transfers related to stock exchange trades.

The average daily paper-based payments executed via the Central Bank systems numbered 663 transactions, with a total value of AMD 31 billion (relative to the fourth quarter of 2009, the average daily value of transfers has increased by AMD 16 billion). The average amount of a paper-based payment has been AMD 46 million, representing a 2-fold increase. The paper-based payments are determined largely by repurchase agreements and transactions executed at the credit trades platform.

GOVERNMENT SECURITIES ACCOUNTING AND SETTLEMENT SYSTEM

In the period under review the Government Securities Accounting and Settlement System, GSASS, has generated 344 instructions for a total value of nearly AMD 56 billion for primary allocation and redemption of government securities. This represented AMD 16 billion increase in relation to the fourth quarter of 2009 (where payments for allocation of securities grew by AMD 13 billion while payments for redemption of securities, by about AMD 3 billion). Participants have transferred AMD 38 billion in return for government securities purchased at the primary allocation while the Treasury has transferred AMD 18 billion for the redemption of government securities. The Treasury Direct has made payments of AMD 1.6 billion for government securities, of which nearly AMD 1.4 billion for allocation, and about AMD 0.2 billion for redemption of government securities.

In the period under review, 3 payments for a total of AMD 41 billion have been executed through the GSASS for redemption of the Central Bank securities.

In the third quarter the GSASS participants have made 609 transfers with a total value of AMD 130 billion for securities trades in the secondary market (on a *delivery versus payment* basis). This represented AMD 21 billion reduction in relation to the same period of the previous year. The operations of free delivery executed through the system have amounted to AMD 295 billion in nominal value and operations involving item of pledge have reached AMD 8 billion.

PAYMENT CARDS

As of the end of the fourth quarter of 2010, 20 commercial banks have had plastic cards issued as well as provided card services to customers. Further, 19 commercial banks are members to the "ArCa" ("Armenian Card" Unified Card Payment System).

In the period under review, 41 more ATMs were installed to serve payment cards, and as of the end of the fourth quarter the total number of ATMs has been 819. The number of ATMs serving "ArCa" cards has increased to 761. The total number of POS terminals installed by commercial banks has increased to 3730, of which 467 are installed in branch offices of commercial banks. The total number of imprinters installed is 25.

Cards issued (serviced) by commercial banks operating in the Republic of Armenia

Banks	ArCa	MASTER CARD	VISA	AMEX	Other
Armbusinessbank	+	+	+		
Anelik Bank	+	+	+		
Ararat Bank	+	+	+		+
Ameria Bank	+	+	+		
VTB-Armenia Bank	+		+		
Armeconombank	+	+			
Prometey Bank	+	+			
BTA Bank	+	+			
Armenian Development Bank	+	+			
Converse Bank	+	+	+		+
Ineco Bank	+	+			
Mellat Bank	+				
Byblos Armenia Bank	+	+			
HSBC Bank Armenia	+	+	+		+
ACBA-Credit Agricole Bank	+	+	+	+	
Artsakh Bank	+	+			
Areximbank-Gazprombank	+	+	+		
Unibank	+	+	+		
Ardshininvestbank	+	+	+		
Armswissbank					
Procredit Bank			+		

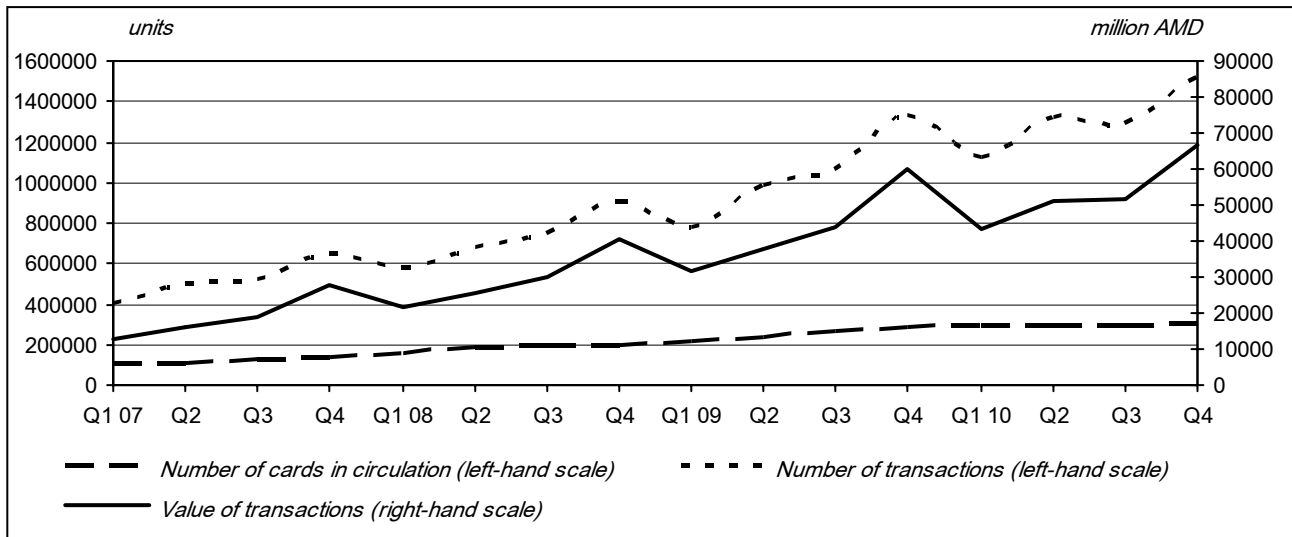
As of the end of the fourth quarter of 2010, the number of ArCa cards in use has increased by 2.2 percent (6718 more cards) in relation to the previous quarter to reach 306070 cards in total. The number of international system cards has increased by 10.7 percent (41148 more cards), with VISA increased by 8

percent (20263 more cards) to reach 269771, and MasterCard increased by 20 percent (19283 more cards) to reach 115943. The number of other international cards has increased by 4 percent (1602 more cards).

Relative to the fourth quarter of 2009, the value of transactions with cards has increased by 33 percent (AMD 45 billion) and number, by 26 percent (686906 more transactions).

In the fourth quarter of 2010, transactions using ArCA cards numbered 1522975 with a total value of AMD 66 billion. This represented about 11 percent increase (AMD 6 billion) in value and 14 percent increase (185836 more transactions) in number, in relation to the fourth quarter of 2009.

ArCA cards dynamics



A total of 1090158 transactions totaling AMD 75 billion have been carried out using VISA cards, and a total of 467845 transactions reaching AMD 23 billion have been carried out using MasterCard cards. The value and number of transactions using VISA and MasterCard have grown, respectively, by 59 percent (AMD 28 billion) and by 31 percent (AMD 5 billion), in relation to the fourth quarter of 2009.

Transactions executed through card servicing devices (Q4, 2010)

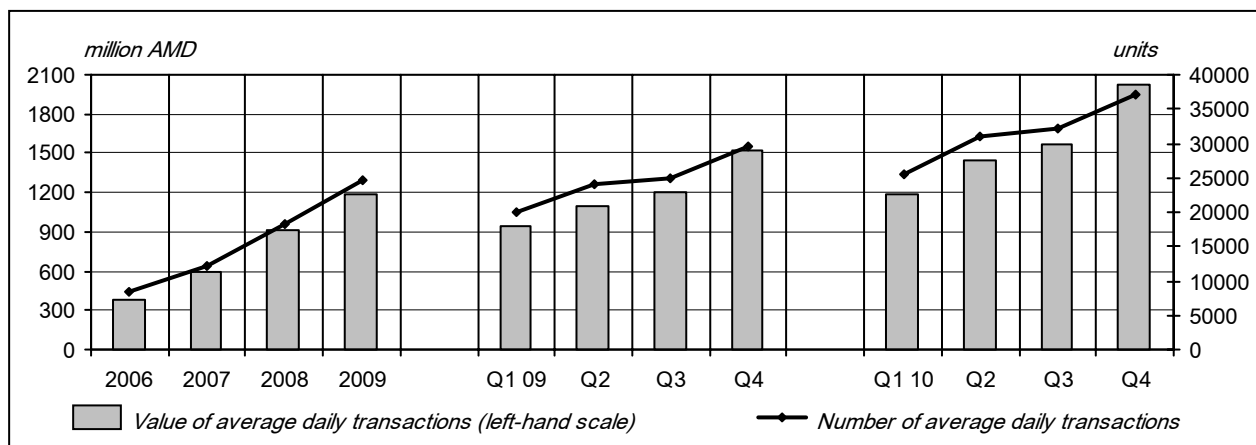
Device	Transactions			
	value	number	Including by ArCA cards	
	(million AMD)		value (million AMD)	number
Automated teller machines	142639	2849955	57010	1335053
o/w, non-cash	473	31344	35	16792
POS – terminals / imprinters	37123	389844	8904	147683
o/w, non-cash	9716	235725	3562	76111
Internet	2424	99943	656	40239
Total	182186	3339742	66571	1522975
o/w, non-cash	12613	367012	4253	133142

A total of 258764 transactions reaching AMD 17 billion have been carried out using other international cards, which represented an increase of AMD 5 billion.

In the fourth quarter of 2010, the average daily value of transactions using cards has been AMD 2024 million, with an average daily number of 37108 transactions. Relative to the same period of 2009, the average daily number of these transactions has increased by 25 percent (7599 more transactions) and the value, by 33 percent (AMD 503 million).

The monthly value of withdrawal of cash per payment card in the Republic of Armenia has reached AMD 77 thousand and the monthly value of non-cash withdrawal, AMD 5 thousand (numbers are, respectively, 1.3 and 0.1), which is roughly the same level compared to the fourth quarter of 2009.

Average daily transactions by payment cards in Armenia 2006–2009, 2009–2010, by quarters



INTERNATIONAL MONEY TRANSFER SYSTEMS

Remittances of natural persons without having to open bank accounts are carried out through the mediation of commercial banks and money transfer organizations, as licensed by the Central Bank, functioning in the territory of the Republic of Armenia.

In the fourth quarter of 2010, the value of inbound remittances to the Republic of Armenia through the banks participating in these systems reached AMD 132 billion (540043 remittances), an 8.5-fold increase versus the value of outbound transfers. Relative to the fourth quarter of 2009, the value of inbound remittances has increased by 15 percent or AMD 18 billion. The average amount of an inbound remittance to the Republic of Armenia through these systems has been AMD 244 thousand, which is AMD 19 thousand less from the figure recorded in the fourth quarter of 2009.

In the fourth quarter of 2010, relative to the fourth quarter of 2009, the value of payments to natural persons executed through correspondent accounts of commercial banks operating in the Republic of Armenia reached about AMD 58 billion, representing 13 percent increase (AMD 6 billion). The average value per payment has been AMD 2.8 million, representing AMD 0.8 billion increase. 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 65 billion, representing 21 percent or AMD 17 billion reduction in relation to the fourth quarter of 2009.

In the fourth quarter of 2010, the value of gross transfers to the Republic of Armenia executed through correspondent accounts (via SWIFT, telex, facsimile) of the Armenian commercial banks has amounted to AMD 780 billion, with a total of 38090 remittances in number. The average value per transfer has been AMD 20 million, which represents 20 percent increase in relation to the same quarter of the previous year.

PAYMENT AND SETTLEMENT ORGANIZATIONS

As of the end of the fourth quarter of 2010, there have been 11 payment and settlement organizations ("ArCA" System inclusive) functioning in the territory of the Republic of Armenia, of which 5 are licensed only to carry out money remittances and the other 5 to carry out processing and clearing of payment instruments, in addition to money remittance.

The payment and settlement organizations execute inbound payments through their membership to international payment systems. In the period under review, payment and settlement organizations have executed inbound and outbound payments totaling, respectively, AMD 1.3 billion and AMD 0.1 billion. In the period under review, the share of money remittance organizations in the total value of international transfers (including banks) has been 0.1 percent for outbound transfers and 0.9 percent for inbound transfers. The average value per inbound transfer to the customer through these organizations has been AMD 104 thousand, representing some AMD 7 thousand increase in relation to the same period of the previous year.

Five organizations engaged in processing and clearing of payment instruments as well as money remittances accept cash payments by collecting public utility fees. In doing so, they cooperated with 37 organizations, as of the end of reporting period. On general, 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.

Cash payments are accepted through automated self-service terminals and registered branch offices. Also, services related to processing are offered to some commercial banks when they accept some other types of charges.

As of the end of the fourth quarter of 2010, there have been 719 self-service terminals installed, through which a total of AMD 6.2 billion-worth of funds (2461743 transactions) have been collected. This represents 45 percent increase in relation to the same period of the previous year and 18 percent increase in relation to the third quarter of 2010.

As of the end of the fourth quarter of 2010, there have been 22 branch offices of payment and settlement organizations which also have collected public utility fees and charges. A total of 469370 transactions amounting to AMD 1.9 billion have been carried out through these branch offices.

There are payment and settlement organizations that provide processing and clearing services to 11 commercial banks. In cooperation with payment and settlement organizations, these banks have collected public utility fees and charges through their branch offices, and a total of 84172 transactions amounting to nearly AMD 0.3 billion have been executed.

In the period under review, the "ArCa" processing center carried out the processing of operations by cards with a total value of AMD 133 billion through card service devices (representing 20 percent increase in relation to the fourth quarter of 2009). The value of operations by cards issued from foreign banks reached AMD 6 billion, while the value of operations by cards issued from Armenian banks through processing centers of other Armenian banks (including through centers abroad) reached AMD 10 billion.

Financial Sector Indicators

Financial organizations: number and structure

	31.12.09	31.03.10	30.06.10	31.12.10
Banks	22	22	21	21
Banks by organizational structure	22	22	21	21
JSC	3	3	3	3
CJSC	18	18	17	17
LLC	1	1	1	1
Cooperative	0	0	0	0
Foreign participation	21	21	21	21
o/w: more than 50 percent	13	14	14	14
o/w: more than 95 percent	10	11	13	12
Foreign participation in statutory capital of banks, %	71.4	74.5	78.9	78.6
Credit organizations	27	28	29	32
Foreign participation	15	15	15	15
o/w: more than 50 percent	10	10	10	10
o/w: more than 95 percent	8	8	8	9
Foreign participation in statutory capital of credit organizations, %	46.5	40.9	40.3	39.9
Insurance companies	12	12	12	11
o/w: life insurance	0	0	0	0
o/w: non-life insurance	12	12	12	11
Foreign participation	9	9	9	8
o/w: more than 50 percent	7	7	7	6
o/w: more than 95 percent	5	5	5	4
Insurance brokers	5	5	5	5
Investment service providers in securities market ¹	30	30	29	29
o/w: investment service provider / bank	22	22	21	21
o/w: investment service provider company	8	8	8	8
Reporting issuer companies	19	17	17	17
Pawnshops	117	118	117	123
Licensed in the period under review	10	4	1	2
De-licensed in the period under review	2	3	2	0
Exchange offices ²	250	252	243	253
Licensed in the period under review	4	1	1	1
De-licensed in the period under review	0	4	1	0
Currency dealers	2	4	3	3
Money transfer organizations	10	10	9	9

¹ Under the Republic of Armenia Law on Securities Market, effective June 30, 2008, professional entities have been re-licensed as investment service providers.

² Exchange offices that are active.

Banking Sector Indicators

(million AMD)

	Q43, 2009	Q1, 2010	Q2, 2010	Q3, 2010	Q4, 2010
Average quarterly assets ¹	1274020	1333813	1332528	1391971	1497538
Average quarterly loans	684814	717750	746948	789388	856369
Average quarterly liabilities	1006984	1054084	1043860	1091911	1184488
Average quarterly deposits	614454	638589	611414	612280	637781
Average quarterly capital	267036	279729	288667	300060	313050
Average quarterly total capital adequacy ratio	28.5%	28.8%	28.8%	28.1%	22.6%
Average quarterly total liquidity ratio	34.7%	33.4%	31.6%	29.8%	29.3%
Average quarterly current liquidity ratio	143.9%	140.5%	134.6%	130.5%	132.3%

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)

Indicators	31/12/2009	31/01/2010	31/03/2010	30/06/2010	30/09/2010	Change 31/12/10 - 30/09/10
Core capital	261419	259680	269891	278430	291355	300829
Statutory capital	188641	188641	192792	195212	203799	203799
Profit / loss², o/w:	64570	62809	68868	68449	72477	81950
Profit (loss) in reporting period	8577	-1781	4235	11989	20666	30046
Interest income	114724	10227	31383	64395	98989	136161
Interest expense	52925	4878	14089	28407	42945	58667
Non-interest income	31746	1800	8357	17200	27655	40654
Non-interest expense	59602	5006	15651	32347	49301	69335
Other expense ⁵	25396	3925	5765	8847	13723	18766
Total liabilities³, o/w:	1047592	1025141	1098179	1035545	1111185	1241521
Correspondent accounts of banks	6531	8001	10472	9821	7632	11539
Other liabilities to banks (including CBA)	211233	190343	192907	190907	223949	267811
Liabilities to other financial institutions	87384	85847	95924	97932	118465	138279
Demand liabilities to legal persons and natural persons	252480	253693	274894	241966	260918	265045
Term deposits of legal persons and natural persons	374313	366139	387103	354138	357443	408017
Total assets⁴, o/w:	1325807	1300207	1383592	1329239	1417835	1560472
Cash	64673	64444	66568	64161	68727	74900
Correspondent accounts with banks (including CBA)	274858	265679	291058	198963	203462	205044
Other claims on banks (including CBA)	67603	64362	54557	66866	67657	84930
Claims on other financial institutions	16598	15176	15540	15689	17855	20561
Government securities, including:	109342	108394	106748	112438	128331	151298
Securities issued by CBA						
Other securities	4180	5581	6267	5128	6038	5695
Loans to legal persons and natural persons	703366	694685	747459	758924	810409	888612
Loan investment, o/w:	756287	733654	784999	794821	837216	934383
1. Standard	719963	682356	741064	756325	799366	905748
2. Watch	14875	29651	23168	18337	18902	11320
3. Substandard	10104	15805	16047	13753	13755	11257
4. Doubtful	11345	5842	4721	6405	5193	6057

¹ Calculations cover banks that are under a general supervision framework.

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

³ Data do not include the liabilities on securities purchased under repo agreements and the liabilities on currency swap transactions.

⁴ Data present total balance sheet assets of banks, including tangible assets and other claims as well as interest receivable. These are diminished to the extent of liabilities on securities purchased under repo agreements and on currency swap transactions.

⁵ Data include net provisioning on assets and profit tax.

Main Indicators of Credit Organizations and Changes Thereto

(million AMD))

Indicators	31/12/2009	31/03/2010	30/06/2010	30/09/2010	31/12/2010	Change 31/12/10 - 30/09/10
Core capital	26159.4	29177.1	30298.0	32320.8	35876.8	3556.0
Statutory capital	19799.7	22799.7	22799.6	23883.4	25761.7	1878.4
Profit / loss¹, o/w:	5903.9	5918.6	6820.1	7891.8	9569.2	1677.4
Profit (loss) in reporting period	2589.9	72.0	1395.8	2610.0	4301.5	1691.5
Interest income	10546.9	2724.7	5754.3	8752.3	11952.4	3200.1
Interest expense	3291.7	902.0	1906.0	2888.6	3881.4	992.8
Non-interest income	3768.3	955.4	1633.6	2581.5	4148.8	1567.3
Non-interest expense	4976.2	1256.8	2657.9	4022.6	5791.1	1768.5
Net provisioning	2784.6	1340.1	1165.2	1397.4	1069.7	-327.7
Other expense ²	672.7	109.1	255.1	415.2	1057.6	642.3
Total liabilities³, o/w:	49573.4	55567.5	55965.3	53778.5	51229.7	-2548.8
Funds attracted from banks	20357.4	21792.1	18584.8	16964.0	10045.2	-6918.8
Funds attracted from other financial institutions	11535.3	13101.5	13105.2	12254.2	13436.0	1181.8
Demand liabilities to legal persons and natural persons	147.4	175.8	219.6	213.8	211.5	-2.3
Term liabilities to legal persons and natural persons	11395.1	13159.9	14691.9	14976.3	16232.5	1256.2
Total assets⁴, o/w:	75822.8	84841.6	86347.1	86183.7	87194.9	1011.2
Cash	663.7	600.2	185.3	180.9	246.9	66.0
Bank accounts	3146.9	7169.6	4395.9	5097.9	4078.2	-1019.6
Other claims on banks	15650.3	17927.7	20733.9	21197.7	17557.8	-3639.9
Claims on other financial institutions	542.9	839.1	1143.2	1292.1	1539.3	247.2
Loans	45011.1	47967.7	49831.2	49174.2	55076.3	5902.1
Financial lease	5285.2	4882.7	4879.6	4822.6	4577.7	-244.9
Government securities	2131.2	2613.5	2305.5	1041.1	744.2	-296.9
Other securities	3.7	3.7	3.7	3.7	3.7	0.0
Loan investment, o/w:	59830.2	65517.0	70443.4	71277.3	72393.5	1116.3
1. Standard	57292.0	62540.2	68005.6	68675.5	70478.8	1803.3
2. Watch	1468.7	1882.1	1591.7	1752.0	1080.5	-671.5
3. Substandard	575.8	622.8	426.4	554.2	421.1	-133.1
4. Doubtful	493.6	471.9	419.7	295.5	413.1	117.6

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

² Data include net provisioning on assets and profit tax.

³ Data present total balance sheet liabilities of credit organizations, where other liabilities, liabilities to Armenian Government and interest payable are included in addition to the lines above mentioned.

⁴ Data present total balance sheet liabilities of credit organizations, where tangible assets and other claims, interest payable are included in addition to the lines above mentioned but are diminished to the extent of liabilities on securities purchased under repo agreements and on currency swap transactions.

⁵ The calculation of N1¹ includes only data of credit organizations which attract funds through public offer, according to statutory requirement established in their charter.

Main Indicators of Insurance Companies and Changes Thereto

(million AMD)

Indicators	31.03.10	30.06.10	30.09.10	31.12.10	Change 31.12.10 – 30.09.10
Cash	19	34	32	331	299
Bank accounts	1164	1358	2276	3320	1044
Sums receivable on insurance	1655	2254	2141	2249	108
Claims on indemnity	114	86	165	222	57
Current deposits and other investment	10271	9886	9995	12789	2794
Non-current deposits and other investment	861	548	837	816	-21
Loans	455	574	1531	705	-826
Securities	1236	1235	1446	2611	1165
Receivables	389	613	714	1426	712
Fixed assets	711	713	763	1123	360
Reserves for possible irrecoverable loss	-250	-228	-315	-338	-23
Other assets	185	168	115	260	145
Assets, total	16809	17239	19702	25515	5813
Dram	6639	7702	9213	16160	6947
Foreign currency	10170	9537	10489	9355	-1134
Sums payable on insurance indemnity	18	43	108	91	-17
Sums transferable to coinsurers and reinsurers	896	1735	1435	1818	383
Current loans	0	70	1107	103	-1004
Insurance reserves	2837	2865	2917	2913	-4
Unearned insurance reserves	2207	2214	2163	1997	-166
Claims reserve	481	483	559	607	48
Mathematical reserve	0	0	0	0	0
Other reserves	149	168	195	309	114
Payables on budget and mandatory social security contributions	91	94	91	124	33
Non-current loans	0	0	0	0	0
Other liabilities	738	944	1428	7906	6478
Liabilities, total	4580	5751	7086	12956	5870
Dram	3913	4468	5134	11611	6477
Foreign currency	667	1283	1952	1345	-607
Statutory capital	10654	9654	10985	12116	1131
Undistributed profit / loss in current period	363	11	-152	-945	-793
Undistributed profit / loss in previous period	868	1385	1386	892	-494
Other	345	438	397	496	99
Equity, total	12229	11488	12616	12559	-57
Other indicators					
Insurance amounts	3344961	2968127	3250344	3052439	-197905
Gross value of premiums	1898	4786	6582	8253	1671
Premiums transferred to reinsurer	582	2427	3074	4010	936
Gross value of insurance indemnity	355	782	1324	1746	422
Reinsurer's share in insurance indemnity	114	223	415	535	120

Main Indicators of Investment Service Providers

(million AMD)

Indicators	31.12.09	31/03/10	30/06/10	30/09/10	31/12/10	Change 31/12/10- 30/09/10
Total balance sheet capital	2936.3	2921.0	2787.5	2929.4	3196.2	266.8
Undistributed profit / loss, o/w:	317.6	381.4	223.4	328.0	416.9	88.9
Profit in current period	210.6	98.3	29.7	205.5	295.8	90.3
Commission and proceeds from provision of IS	50.8	5.5	12.1	16.7	24.4	7.8
Net proceeds from sale of securities	2416.5	234.4	914.8	1234.8	1560.5	325.7
Statutory capital	1755.8	2280.6	2318.2	2351.9	2514.8	162.9
Total liabilities	12636.6	10977.1	12365.9	14021.1	16359.9	2338.8
Loans from resident banks	1541.1	802.0	620.7	325.2	2017.6	1692.4
Liabilities on repo agreements	10402.8	9581.7	11246.0	13197.2	13879.6	682.5
Total balance sheet assets	15572.9	13898.1	15153.4	16950.5	19556.1	2605.6
Cash	166.1	177.9	184.2	189.3	200.2	10.9
Bank accounts	581.5	270.6	406.1	274.0	233.4	-40.7
Securities sold through repo agreements	10534.1	9858.6	11488.8	13404.0	14180.6	776.6
Securities purchased through repo agreements	0.0	0.0	0.0	0.0	0.0	0.0
Government securities	1116.6	1232.1	859.5	766.4	1713.4	947.1
Other securities	1363.5	747.3	896.2	795.5	886.8	91.3

Operations by Investment Service Providers

(million AMD)

Indicators	2010			
	Q1	Q2	Q3	Q4
Operations by investment bank	326718.0	328568.5	229798.0	262472.5
equity shares	1741.0	2021.0	2946.3	1746.5
o/w: traded on stock exchange	0.0	10.3	7.7	0.1
corporate bonds	460.2	526.8	82.5	2743.3
o/w: traded on stock exchange	329.4	525.3	77.3	761.5
government bonds	42546.8	44406.5	69378.9	86275.7
o/w: traded on stock exchange	1927.4	1413.9	5202.1	1034.7
repo/reverse repo agreements ¹	281970.0	281614.2	157390	171707
o/w: traded on stock exchange	1372.4	822.8	658	1035
Operations by investment company	41637.3	44730.2	53622.8	60687.2
equity shares	44.7	82.5	27.6	262.5
o/w: traded on stock exchange	2.5	11.9	14.6	208.2
corporate bonds	1170.1	799.9	944.5	1279.7
o/w: traded on stock exchange	1149.9	780.6	936.6	1113.4
government bonds	4474.0	5577.8	7897.9	9969.9
o/w: traded on stock exchange	324.8	30.7	453.2	151.6
repo/reverse repo agreements ¹	35948.4	38270.1	44752.8	49175.0
o/w: traded on stock exchange	1131.9	920.8	775.8	1063.2

¹ Repo and reverse repo agreements do not include roll-overs.