

CENTRAL BANK OF THE REPUBLIC OF ARMENIA

FINANCIAL SYSTEM OF ARMENIA 2006

DEVELOPMENT
SUPERVISION
REGULATION

2007

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INTRODUCTION

On January 1, 2006, the Republic of Armenia Central Bank undertook to regulate and supervise the financial sector of Armenia. Worldwide, financial system developments have entailed convergence of banking, insurance, and securities trading. Supervision of common financial market risks was the main reason for creating a unified supervisory body. It had become necessary to perform complex supervision of financial market development trends, to assess risks typical of different segments of the financial market, and to evaluate the impact on general financial system developments of risks emerging in specific financial markets, institutions, and infrastructures.

Presently, bank assets account for about 93% of total financial system assets. However, it is essential to create prerequisites for non-bank financial institutions (mainly, insurance and securities markets) to develop hand in hand with the banking system. In terms of future prospects of regulation and supervision, the Central Bank focused in 2006 mainly on redefining the policies to develop the insurance and securities markets. Concept papers on the development of insurance and securities markets in Armenia were developed and reflected in amendments to the Law on Insurance and the Law on Securities Market Regulation. Sub-legislation needed to regulate and supervise insurance and securities markets, too, has been developed on the basis of these concept papers.

Considering that commercial banks are presently the most important players in the Armenian financial market, this paper mostly focuses on the banking system.

On the whole, positive macroeconomic developments continued in 2006, positively influencing the banking system.

Though the ratio of banking system assets to GDP remained unchanged at 19.8% in 2006, the lending to GDP ratio grew by 0.3 percentage points to 8.6% due to a strong increase in bank lending volumes. In view of sustainable economic growth, Armenia's financial system has sufficient potential to expand; however, the level of financial intermediation in Armenia is still extremely low.

The interest rate spread—as an indicator of the level of financial intermediation—remains rather high in Armenia, pointing at the inadequacy of financial intermediation in Armenia's financial system. During 2006, the interest rate spread fluctuated around 13 percentage points, which is rather high in comparison with spreads of 4-6 percentage points in Baltic and Central European states.

The high spread is mainly due to limited supply of credit against high demand for loans. The ability to meet demand for long-term credit is another important consideration. In view of the continuing lack of long-term savings in the system, long-term lending may create problems posed by liquidity and interest rate risks arising out of a failure to match assets and liabilities. To this end, the Central Bank has been active to create preconditions for the development of insurance and securities markets, as well as the pension system, because these institutions need to develop for “long-term moneys” to become available in the economy. Furthermore, the Central Bank has continued implementing a number of measures aimed at developing mortgage lending (most of these measures are implemented in cooperation with the German KfW Development Bank).

A key development of the banking system in 2006 was the change in the currency structure of assets and liabilities, as follows:

- The share of dram assets grew by 9.5 percentage points to reach 56.9% of total assets (dram assets grew by 42.9%, while foreign currency assets shrunk by 2.5%); and
- The share of dram liabilities grew by 10.8 percentage points to reach 44.0% of total liabilities (dram liabilities grew by 54.8%, while foreign currency liabilities shrunk by 2.0%).

Bank lending to the economy grew by 25% during 2006 to reach AMD 230 billion at yearend. Lending grew in virtually all the sectors of the economy. Seasonal trends of lending to various sectors, which had been observed in 2005, persisted in 2006. Mortgage lending grew faster (114%) than other types of lending. As in previous years, consumer lending grew the fastest in terms of volume, facilitated by a 19% increase in net disposable household income in 2006.

Nominal GDP growth in 2006 was driven mainly by construction and services. Although construction growth was mainly due to higher volumes of privately-financed construction, rather than bank lending, the real growth of construction output amounted to 37%, while bank lending to construction grew by 47%.

The share of non-performing assets at yearend was 2.4% of total. 66% of such assets were in the “Watch” category. In 2006, net provisioning accounted for only 0.4% of total assets, which is indicative of low credit risk in Armenia’s banking system.

FINANCIAL SYSTEM SUPERVISION AND REGULATION

Functions and Objectives of Units Performing and Supporting Financial Supervision

In 2006, after the Central Bank undertook to regulate and supervise Armenia's financial system, the structure of the Central Bank was changed. Within the limits of its authority, the Central Bank ensures the presence of conditions necessary for financial system stability, liquidity, solvency, and the uninterrupted operation of the payment and settlement system. In the context of these objectives, the following units of the Central Bank have been performing and supporting financial supervision since 2006: the Financial Supervision Department, the Financial System Policy and Analysis Department, the Securities Market Department, the Statistics Department, the Legal Department, and the Exchange Office Licensing and Supervision Department.

The Financial System Policy and Analysis Department and the Legal Department support the financial supervision process in terms of methodology, analysis, and legal matters. The Statistics Department collects and surveys information from entities licensed by the Central Bank.

The Financial Supervision Department, the Securities Market Department, and the Exchange Office Licensing and Supervision Department carry out direct supervision.

The main objectives of the Financial Supervision Department are:

- To license banks, foreign bank branches, credit organizations, insurance companies, pawnshops, and other entities licensed by the Central Bank to operate in the Republic of Armenia territory, and to register (record) their territorial subdivisions;
- To supervise the activities of banks, foreign bank branches, credit organizations, insurance companies, pawnshops, and other entities licensed by the Central Bank, as well as, in cases stipulated by law, other entities operating in the Republic of Armenia territory;
- To supervise the activities of banks and credit organizations undergoing liquidation (self-liquidation); and
- Within the limits of its authority, to cooperate with other subdivisions of the Central Bank, Republic of Armenia public administration bodies and their officials, other countries' central (national) banks and financial supervision entities, and international organizations specializing in financial supervision.

The main objectives of the Securities Market Department are:

- To protect the rights and lawful interests of investors in the Republic of Armenia securities market;
- To protect the rights and lawful interests of securities market's professional participants;
- To ensure the transparency of operations of securities market participants; and
- By means of discovering, evaluating, and preventing risks in the system, to ensure the operation of a credible securities pricing system, a settlement system for securities transactions, and a system to register and file ownership rights over securities.

The main objectives of the Exchange Office Licensing and Supervision Department are:

- To license exchange offices buying and selling foreign currency, foreign currency dealers, and their territorial subdivisions, which operate in the Republic of Armenia territory;
- To supervise the activities of exchange offices buying and selling foreign currency, foreign currency dealers, and their territorial subdivisions, which operate in the Republic of Armenia territory; and
- Within the limits of its authority, to cooperate with other subdivisions of the Central Bank, Republic of Armenia public administration bodies and their officials, and other countries' central (national) banks and entities supervising compliance with the currency legislation.

Based on their main objectives, the aforementioned departments perform the functions stipulated by their respective charters.

The heads of the Financial Supervision Department, the Financial System Policy and Analysis Department, and the Legal Department are members of the Central Bank Licensing and Supervision Committee, which is an advisory body to the Central Bank Chairman or Board and is entitled to make decisions on issues pertaining to its authority.

Licensing and Supervision Committee

The Central Bank Chairman chairs the Licensing and Supervision Committee of the Central Bank. The Committee acts through sessions convened upon necessity, but no less than once a week. The Licensing and Supervision Committee discusses:

- ✓ Matters related to the granting of preliminary approval to create banks and foreign bank branches and the registration and licensing of banks and foreign bank branches;
- ✓ Matters related to the registration of bank branches and representations, as well as foreign bank representations;
- ✓ Matters related to the registration of specialized entities, self-regulating organizations, and their rules;
- ✓ Matters related to the licensing of other entities;
- ✓ Matters related to the registration of amendments stipulated by the Republic of Armenia Law on Banks and Banking and by Regulation 1 approved by the Central Bank Board;
- ✓ Matters related to the qualification and professional conformity of bank managers (except for heads of structural units) and other entities subject to licensing by the Central Bank;
- ✓ Matters related to the qualification needed to carry out specialized activities in the securities market;
- ✓ Matters related to the registration of a declaration to register securities;
- ✓ Violations by entities registered, licensed, or supervised by the Central Bank, as well as their explanations and objections, if any, and the appropriateness of applying or not applying sanctions in relation to them; and
- ✓ Other matters over which the Central Bank has legal authority in accordance with other legal acts.

The Licensing and Supervision Committee members are Central Bank Chairman (Chairman of the Committee), Deputy Chairman of the Central Bank (Deputy Chairman of the Committee), the head of Financial Supervision Department, the head of Financial System Policy and Analysis Department, and the head of Legal Department. The Committee Chairman or, in his absence, the Deputy Chairman of the Committee chairs sessions of the Committee.

A session of the Committee has legal power to act, if more than half of the Committee members and the Committee Chairman are present. All members of the Committee sign the session minutes. The session minutes are prepared within four days of the session day. The session opinion is delivered on the basis of the results of an open vote through a two-thirds majority vote of the Committee members present in the session.

When discussing licensing and registration matters, the head and employee of the unit that found the violation discussed in the session, as well as the heads of other

concerned structural subdivisions of the Central Bank may, at the invitation of the Committee Chairman, participate in the Committee session with an advisory vote. In certain cases, other employees of the Central Bank, as well as the entity that committed the violation or a representative of such entity may also participate in the Committee session.

Licensing of Financial Organizations

Banks, credit organizations, securities market's professional participants, and insurance (brokerage) companies are licensed on the basis of the Central Bank-approved Regulation 1 ("Registration and Licensing of Banks and Branches of Foreign Banks; Registration of Branches and Representations; Qualification and Registration of Management of Banks and Branches of Foreign Banks"), Regulation 13 ("Registration and Licensing of Credit Organizations; Recording of Branches and Representations; Consenting to the Acquisition of Significant Participation in the Statutory Fund; the Qualification of Managers; the By-Laws of Credit Organizations; and Requirements on the Place of Activities and Technical Adequacy of Credit Organizations"), the Republic of Armenia Law on the Securities Market Regulation, Section 17 of the Securities Market Regulatory Code, and the "Procedure of Licensing Insurers, Registering Branches, and Granting Preliminary Approval to Acquire a Share in the Statutory Fund of an Insurer." The Central Bank licenses other financial organizations on the basis of the "Procedure of Licensing Pawnshop Activities in the Republic of Armenia," Regulation 10 ("Regulation and Licensing of Foreign Currency Purchase and Sale Operations"), Regulation 12 ("Regulation and Licensing of Foreign Currency Dealer Purchase and Sale Operations"), Regulation 16 ("Licensing of Money Transfer Organizations, Registration of Branches and Representations, Regulation of Activities, and Qualification of Managers"), Regulation 17 ("Licensing of Organizations Processing and Clearing Payment Instruments and Settlement Documents, Registration of Branches and Representations, and Qualification of Managers"), Regulation 18 ("Granting Permission to Create and Operate Armenian Payment and Settlement Systems"), Regulation 19 ("Granting Permission to Participate in Foreign Payment and Settlement Systems"), and Regulation 11 ("Licensing, Regulation, and Supervision of the Organization of Foreign Currency Trading in the Republic of Armenia Territory").

The Central Bank Board approves a request by the founders of a financial organization, if:

- ✓ Its founders do not have bad character and are not subject to criminal prosecution;

- ✓ Investments made in its capital have a lawful origin;
- ✓ Its business plan is feasible and in conformity with the Central Bank-approved form;
- ✓ Its executive body and managers comply with the professional qualification requirements set by the Central Bank;
- ✓ The presented founding documents are credible and do not contain false information; and
- ✓ etc.

The professional qualification of management candidates appointed or elected by organizations licensed by the Central Bank is checked by the Republic of Armenia Central Bank Licensing and Supervision Committee. The qualification requirements are updated annually.

Supervision of Financial Organizations

Off-site supervision of financial organizations licensed by the Central Bank and on-site inspections of entities are carried out by the Financial Supervision Department, the Securities Market Department, and the Exchange Office Licensing and Supervision Department (in certain cases, with the support of other subdivisions of the Central Bank).

Off-site supervision is carried out on the basis of information obtained from financial organizations (in reports and other forms).

Off-site supervision of banks is carried out in accordance with the rules of the Off-Site Supervision Manual, which defines the principles, methods, processes, components, and deadlines of off-site supervision, as well as the scope of entities subject to off-site supervision and their rights and responsibilities.

For purposes of off-site supervision, in accordance with the requirements of law and Regulation 3 (“Bank Statements, Reporting, and Publishing”), entities subject to off-site supervision submit reporting forms to the Central Bank Statistics Department before set deadlines, which must contain the required information. After a review, the reporting forms are conveyed to the Financial Supervision Department and the Financial System Policy and Analysis Department. To improve the efficiency of supervision and analysis activities, these departments also use information received from the Credit Registry, earlier reports submitted to the Central Bank, notes received during the current and previous periods, notifications, long-term development plans, published financial reports, audit opinions annexed thereto, the results of audits in supervised entities (banks), and information obtained in other ways.

Based on the analysis of information obtained from banks, internal briefs are compiled for each bank, describing major changes in the bank's performance indicators, the main trends in its performance, issues faced by the bank, and risk areas. Off-site supervision reveals not only changes in a bank's financial performance indicators, such as deviations from the regulatory requirements set by the Central Bank, but also their causes and changes, based on which an appropriate action plan to manage identified risks is devised. Off-site supervision is also aimed at analyzing and evaluating a bank's financial outlook and risks.

Off-site supervision encompasses the analysis of a bank's credit, foreign exchange, interest rate, price, and liquidity risks using the credit risk migration matrix, VAR, duration, and GAP methodologies, as well as stress tests.

Based on information received from banks, monthly CAMELS assessment of the banks' performance is made. By studying and analyzing CAMELS assessments, indicators, the main reasons for change in indicators, and trends on the basis of bank reports, the supervisor adjusts the CAMELS assessments in accordance with the "Procedure of Calculating, Approving, and Publishing the CAMELS Assessment of the Performance of Banks Operating in the Republic of Armenia Territory." If CAMELS assessments deviate sharply in comparison with a previous period, the supervisor conducts a thorough analysis to discover the reasons.¹

Off-site supervision of credit organizations is implemented on the basis of reports submitted by credit organizations in accordance with Regulation 15 ("Reports of Credit Organizations: Submission and Publication").

Off-site supervision of pawnshops is regulated by the "Procedure on Reports Submitted by Pawnshops, Forms, and Compilation" adopted by the Central Bank Board by Decree 534-N on September 12, 2006, which requires pawnshops to submit monthly and quarterly reports to the Central Bank. Pawnshops also submit annual reports to the Central Bank.

Off-site supervision of foreign exchange offices is based on reports submitted by such offices, as well as contracts presented under licensing requirements in accordance with Regulation 10 ("Regulation and Licensing of Foreign Currency Purchase and Sale Operations"). Foreign exchange offices submit to the Central Bank weekly reports on the value and exchange rates of foreign currency purchase and sale operations carried out by them.

¹ The CAMELS assessment varies on a scale of 1 to 5, where a score below 3 serves as a ground for the Central Bank to reject a bank's request to open a territorial subdivision, to apply more stringent prudential requirements or sanctions, or to limit the performance of certain transactions. A bank scoring 2 points or less is considered insolvent.

Off-site supervision of insurance companies and insurance brokerage companies is performed in accordance with the “Manual on Off-Site Supervision of Insurance Companies and Insurance Brokerage Companies” approved under Decree 1/319-A of the Central Bank Chairman dated May 11, 2006. Off-site supervision of insurance companies and insurance brokerage companies is based on reports filed by such companies in accordance with the “Reports of Insurance Companies: Procedure and Dates of Compilation and Submission” Appendix stipulated by Paragraph 1.8 of Decree 124-N of the Central Bank Board dated March 28, 2006, as required by Article 22(2) of the Republic of Armenia Law on Insurance.

Off-site and on-site supervision of securities market participants (professional participants, as well as self-regulating organizations such as the Republic of Armenia Central Depository and the Armenian Stock Exchange) is performed in accordance with Decree 1/298-A of the Central Bank Chairman dated April 27, 2006 approving the “Guidelines for Inspections and Off-Site Supervision Procedure of Securities Market’s Professional participants, Self-Regulating Organizations, and Issuers.” Off-site supervision are based on reports submitted by securities market participants (the forms and submission deadlines of reports required of securities market specialized entities and self-regulating organizations are stipulated by the “Securities Market Regulatory Code” approved under Central Bank Board Decree 713-N dated December 5, 2006). Securities market participants present current and financial reports.

In general terms, off-site supervision is the continuous analysis of the performance of financial organizations, including their financial status, level of risks, and compliance with laws and other legal acts regulating their activities. The main purpose of off-site supervision is to detect and evaluate risks by means of conducting weekly, monthly, quarterly, and annual review of the financial status of organizations in order to prevent or minimize possible losses.

In order to conduct a more thorough review of risks identified during off-site supervision and their causes, on-site inspections of organizations are carried out. On-site inspections are also carried out on the basis of the banks’ and other financial organizations’ inspection timetable approved by an instruction of the Central Bank Chairman.

The Central Bank conducts on-site inspections of banks and foreign bank branches operating in the Republic of Armenia territory in accordance with the Bank Inspection Manual. When supervising different areas of a bank’s activities, supervisors assess the applicability of the bank’s internal control system, processes, internal policies regulating the respective areas, and procedures. They assess the bank’s internal control

system and the effectiveness of internal audit to determine whether the bank's employees are complying with the principles set by the bank's management. Special attention is paid to analyzing the bank's management system and identifying the related risks, including, in particular, the separation of rights and responsibility between the bank's board and executive management.

Inspections of pawnshops are carried out in accordance with the "Manual for Inspections of Pawnshops Operating in the Republic of Armenia Territory" adopted under Decree 1/237-A of the Central Bank Chairman dated April 7, 2006.

On-site inspections of exchange offices are carried out in accordance with the "Manual for Licensing of Foreign Exchange Offices by the Central Bank, Organization and Performance of Inspections, Reporting of Violations, and Applying Sanctions" approved by the Central Bank Chairman.

On-site inspections of insurance companies and insurance brokerage companies are carried out in accordance with the "Manual for On-site Inspections of Insurance Companies and Insurance Brokerage Companies Operating in the Republic of Armenia Territory" adopted under Decree 1/206-A of the Central Bank Chairman dated March 30, 2006.

On-site supervision of securities market participants is carried out in accordance with the "Guidelines for Inspections and Off-Site Supervision Procedure of Securities Market Specialized Entities, Self-Regulating Organizations, and Issuers" approved under Decree 1/298-A of the Central Bank Chairman dated April 27, 2006.

The inspection plan is approved by the Central Bank's Licensing and Supervision Committee. Upon completing each inspection, the inspection group prepares a report and submits it to the Central Bank Board.

CHANGES IN FINANCIAL SYSTEM REGULATORY FRAMEWORK

During 2006, the Central Bank of Armenia continued improving the Republic of Armenia financial system regulatory framework.

In 2006, the Republic of Armenia National Assembly adopted the following packages of draft legislation initiated by the CBA:

- Law HO-76 on Amending the Republic of Armenia Law on the Central Bank; Law HO-77 on Amending the Republic of Armenia Law on Public Notaries; Law HO-78 on Amending the Republic of Armenia Law on Compulsory Execution of Judicial Acts; and Law HO-79 on Amending the Republic of Armenia Civil Code. These laws are aimed at amending the Armenian laws in relation to the custody and circulation of government securities issued in non-documentary form.
- Law HO-69 on Amending the Republic of Armenia Law on the Legal Acts; and Law HO-70 on Amending the Republic of Armenia Law on the Central Bank. This set of amendments was necessary in order to address inconsistencies between the existing laws.
- Law HO-73 on Amending the Republic of Armenia Law on Road Fees; Law HO-74 on Amending the Republic of Armenia Law on Protection of Economic Competition; and Law HO-75 on Amending the Republic of Armenia Law on Privatization of State-Owned Assets. These laws were necessary to make the Law on Road Fees, the Law on Protection of Economic Competition, and the Law on Privatization of State-Owned Assets consistent with the Republic of Armenia Law on Currency Regulation and Supervision, especially its Article 6(1), which requires the sale of assets, delivery of services, performance of works, and utilization of assets in the Republic of Armenia to be priced in Armenian drams.
- Law HO-101 on Amending the Republic of Armenia Law on Cash Collection. This Law was adopted primarily with the aim of regulating matters arising in connection with cash transfer by several entities.
- The Law on Amending the Republic of Armenia Law on Insurance was enacted, repealing Article 8(6) of the Law on Insurance, which used to prohibit insurance companies with more than 49% foreign ownership of the statutory fund from providing

life insurance, mandatory insurance, mandatory state insurance, and state and local organizations' property insurance in the Republic of Armenia.

- Law on Amending the Republic of Armenia Law on Currency Regulation and Supervision; and other related laws. This Law defines notions such as “pricing,” “a dealer/broker trading foreign currency,” “an entity trading foreign currency,” and “an entity conducting foreign currency trading auctions”; it is also aimed at addressing deficiencies identified in the application of the Law.

- Law on Amending the Republic of Armenia Law on the Central Bank; Law on Amending the Republic of Armenia Law on the Budgetary System; and Law on Amending the Republic of Armenia Law on the Statute of the National Assembly. This set of amendments is aimed at aligning the legislation with the Amended Constitution of Armenia and prescribing the CBA-adopted new approach to inflation management—the inflation targeting strategy.

1. The Republic of Armenia Law on Amending the Civil Code is intended to address the following issues.

Under Article 235 of the Civil Code, “the right of pledge arises from the time of conclusion of the contract of pledge, and in cases when the right of pledge is subject to state registration, from the time of its registration.” The amendments provide that, in case of securities issued in non-documentary form, the rights under a transaction with such securities may, in practice, arise after just recording an entry with the custodian (sub-custodian). The amendments also provide that such a record cannot ever be considered state registration. Thus, there was an inconsistency with the Civil Code regarding the moment when the right of pledge over non-documentary securities arises.

Presently, government securities are issued in non-documentary form, and transactions involving their pledge are carried out through a two-level custody system. As a result, a subsequent pledge of government securities was impossible for purely technical reasons, which created a conflict with the Civil Code Article 236.

It was necessary to clarify that, in case of redemption of pledged securities, the proceeds of such redemption are considered to be pledged.

2. The Law on Amending the Law on the Central Bank is intended to address the following issue.

The third paragraph of Article 152(1) of the Civil Code provides: “The rights certified by means of such fixation, the procedure for official fixation of rights and of right-

holders, the procedure for documentary confirmation of records and *the procedure for performing transactions with non-documentary securities shall be prescribed by a law or by a procedure established by a law.*" However, there was no law that, in accordance with the aforementioned provision, would prescribe a procedure of performing transactions with non-documentary securities. It is worth mentioning that the procedure of performing transactions simply had to define the manner in which parties had to submit "depo" instructions to the custodian system for initiating a transaction of proceeds from "depo" accounts of securities, as well as the form and submission procedure of such instructions.

3. The Law on Amending the Law on the Compulsory Execution of Judicial Acts is intended to address the following issue: Chapter 11 of the Regulation on Performing Transactions Involving the Pledge of Republic of Armenia Government Bonds (approved by CBA Board Decision 75-N dated March 30, 2004) provides that bond seizure operations shall be carried out in accordance with the procedure prescribed by a law. However, such a law did not exist.

Since the bond seizure procedure had to lay down binding requirements not only for the CBA and commercial banks, but also for the Department for Compulsory Execution of Judicial Acts, the prescription of such a procedure by the CBA Board alone could be challenged, because the CBA does not have the authority to prescribe binding rules for other state bodies.

In view of this circumstance and Article 16(2) of the Law on Legal Acts, the Law was amended to provide: "The CBA Board shall, with the consent of the Republic of Armenia Ministry of Justice, prescribe the requirements and the submission terms and procedure of depo instructions presented by Judicial Enforcement Officers to a custodian (sub-custodian) for the purpose of the foreclosure, seizure, or forced sale of debtor-owned Armenian government securities issued in non-documentary form."

4. The Law on Amending the Law on Public Notaries is intended to address the following issue: the Regulation on Performing Transactions Involving the Pledge of Republic of Armenia Government Bonds (approved by CBA Board Decision 75-N dated March 30, 2004) provides, regarding the proceeds of the redemption of pledged bonds, that the pledgor's custodian is obliged to present to the bank, within five banking days, an agreement on accounting in a third-party commercial bank the proceeds of the redemption of pledged bonds; if the pledgor's custodian fails to present such an agreement within five banking days, then the CBA shall have the power to transfer the

pledged proceeds to a *notary deposit*. The Law on Public Notaries was the most appropriate legislation in which to incorporate this requirement and the procedure of complying with it.

5. The adoption of amendments to the Law on Legal Acts is aimed primarily at addressing the inconsistency between the Law on Legal Acts and the Law on the CBA.

The Law was needed due to the following reasons:

a) Previously, the banking settlement interest rate was set by an individual act of the CBA Chairman, although the Law on Legal Acts required it to be set by a statutory act. Stipulating the possibility of it coming into force prior to the date set by law was due to the fact that the prescribed rates are used for settlement by different persons and entities from the moment of their prescription. Consequently, it would be unreasonable, given these circumstances, to make a case for the need to comply with the established timelines and procedures for the registration, publication, and coming into force of statutory acts.

b) The mandatory reserve requirement is not only a prudential requirement applying to banks, but also a monetary policy tool used by the CBA. Hence, there are frequently situations in which the CBA needs to intervene in the market immediately by setting a new percentage of required mandatory reserves, which it needs to take effect in a rather short period.

c) As for special prudential requirements, the possibility for them to take effect in a short period had to be defined in view of the urgent nature of remedies that must be taken to prevent a banking system crisis.

d) Moreover, it needs be taken into consideration that the nature of the CBA's legal acts setting the banking settlement interest rate, the mandatory reserve requirement percentage, and the special prudential requirements stipulated by law does not create any conflict between such acts, on the one hand, and the Republic of Armenia Constitution, laws, or other legal acts, on the other, because the CBA's legal acts only set the numerical amounts, which are not subject to any limitation prescribed by other laws or legal acts. To this end, it is also important to note that the experience of registering the CBA's aforementioned legal acts has shown that, to date, the legal review of such acts by the Ministry of Justice has not revealed any conflict with the extant legislation of Armenia (which is logical given the reasons explained above). At a theoretical level, there might be concerns that the CBA's aforementioned legal acts could contradict the Law on Legal Acts in terms of legal drafting techniques, rather than substance; however, these concerns are easily dispelled given the potential volume of such acts.

6. The amendments to the Law on the Central Bank (under Law HO-703) are due to the fact that, by establishing an interest rate on and paying interest against the required reserves and the funds in excess of the required minimum, the CBA effectively acts as a bank, which means that, under Article 16(5) of the Law on Legal Acts, the CBA needs to take such decisions in the form of internal legal acts, endorsed by the CBA Chairman.

7. Article 1(2) of the Law on Cash Collection used to provide that the Law on Cash Collection applied only to dealings with the involvement of banks and credit organizations. This wording meant that the Law did not regulate the cash collection process involving other entities (such as a transaction involving a foreign exchange office and a cash collection company), unless a bank or credit organization was involved, which created serious problems in practice. Besides, it had become necessary to set additional requirements on cash collection companies in order to make their activities more secure.

8. A Law on Amending the Law on Insurance was enacted, repealing Article 8(6) of the Law on Insurance, which used to prohibit insurance companies with more than 49% foreign ownership of the statutory fund from providing life insurance, mandatory insurance, mandatory state insurance, and state and local organizations' property insurance in the Republic of Armenia.

This provision effectively restrained foreign capital entry to the aforementioned fields of insurance, which was not in line with Armenia's declared strategy of having a free market economy.

Furthermore, the repealed provision contradicted a number of international treaties on economic cooperation ratified by Armenia, including the terms of the WTO Accession Treaty.

9. The Law on Amending the Republic of Armenia Law on Currency Regulation and Supervision was aimed at addressing deficiencies identified in the application of the Law. This Law defines pricing as the declaring, stating, defining, or in any other way informing other persons of the price, value, or compensation amount of any commodity (asset), service, property use, work performance, or wages and/or wage-equivalent payments.

The Law provides that, in the territory of Armenia, consumer loans and credit may be provided only in Armenian drams, which is aimed at reducing the level of dollarization in society.

The Law was supplemented with a new article regulating the activities foreign currency trading dealers/brokers, entities trading foreign currency, and entities conducting foreign currency trading auctions. This Article provides that foreign currency trading dealers/brokers and entities trading foreign currency must be legal entities.

The Law provides that a license for trading foreign currency in a shop may only be issued to the legal entity trading goods in that shop; in a trade center, such a license may only be issued to the organizer of trade; in a hotel, such a license may only be issued to the legal entity that provides hotel services. This provision is intended to enhance the responsibility of foreign exchange offices for compliance with the currency legislation and to prevent violations of law. For instance, a legal entity that does not trade goods in a shop, but trades foreign currency in that shop, will not be interested in whether or not there is a foreign exchange office in that shop. It is only interested in its foreign exchange business. In contrast, the legal entity that trades goods in the shop is keen on the presence of a foreign exchange office in the shop, because it would facilitate and increase the sale of goods in the shop.

The Law defines as currency agents also the credit organizations and money transfers organizations, which monitor compliance with the currency legislation.

10. The adoption of a Law amending the Code of Administrative Infringements was related to the prescription of sanctions by officials monitoring compliance with the currency-regulating legislation and other legal acts (by means of controlled purchases), as well as the need to introduce heavier penalties for violations of the currency-regulating legislation and other legal acts of Armenia.

11. The Law amending the Criminal Code criminalized the operation of a foreign exchange office without an appropriate license, with a view to effectively combating such offences.

12. The Law on Amending the Republic of Armenia Law on the Central Bank was adopted by the National Assembly on December 25, 2006. These amendments can be divided into two parts:

- Amendments aligning the Law with the Amended Constitution of Armenia; and
- Amendments prescribing the CBA-adopted new approach to inflation management-the inflation targeting strategy.

Under Article 4 of the Law on the Central Bank, the CBA's primary objective is to ensure price stability in the Republic of Armenia, and the CBA's activities must aim at

achieving that objective. If any other provision contradicts the achievement of the primary objective, then preference should be given to ensuring price stability. Consequently, the application of some provisions of the Law on the Central Bank (such as Article 6 of the Law, or other provisions regarding the implementation of monetary policy by the CBA) contradicted the objective stipulated by Article 4 in view of the current economic realities. Therefore, it had become necessary to clarify these provisions and to enact legislation laying strong foundations for the CBA's achievement of its primary objective.

The inflation targeting strategy adopted by the CBA, too, pursues the achievement of the CBA's primary objective set forth in Article 4 of the Law.

The clarification to Article 4 means that the effectiveness of monetary policy, carried out from the standpoint of the inflation targeting strategy, requires a higher degree of flexibility and predictability, which fundamentally hinges on inflation projections for the long run. Along these lines, the National Assembly also amended the Law on the Budgetary System and the Law on the Statute of the National Assembly.

During 2006, a number of amendments were made to legal acts approved by the Central Bank of Armenia.

Regulation of the Banking Sector

- In line with the amendments to the Law on Banks and Banking Activities, the CBA has amended a number of sub-legislative acts, including the following: Regulation 1 ("Registration and Licensing of Banks and Foreign Bank Branches; Registration of Bank Branches and Representative Offices; Qualification and Registration of Bank and Foreign Bank Branch Managers"); the Guide on Acquisition of Significant Participation or Occupying a Management Position in a Bank; and the Regulation on the Minimum Requirements of Internal Control in Banks. These amendments are aimed at further regulating the acquisition of significant participation in a bank and the registration of a bank's board members, as well as establishing and strengthening independent internal control.

- With a view to effectively implementing corporate governance standards in banks operating in Armenia and ensuring banks' transparency, the Regulation on Publication (Provision) by Banks of Information about Them. This Regulation defines the information that a bank must post on its homepage or publish through other mass media, including the information about the bank's management structure, shareholders, managers, product mix, and so on.

- In order to diversify the investment portfolio of banks operating in Armenia and to encourage investment in new investment tools, amendments were made to Regulation 2 (“Regulation of Bank Activities and Main Prudential Requirements on Bank Activities”).
- Amendments were made to Regulation 3 (“Bank Reports, Their Presentation and Publication”). The following standard reports are no longer required: Form 12, “Report on Cash Flows of the Bank,” and Form 23, “Report on Tangible and Intangible Assets Owned by, but Not Used by the Bank for Its Activities, and about Investments in Statutory Funds of Other Entities.”
- Bank Inspection Manual has been revised completely on the basis of issues encountered in practice. The Manual has been supplemented with new sections on “Combating Money Laundering and Terrorism Financing,” “Corporate Governance Quality Assessment,” and “Risk Management System Evaluation.”

In the insurance market regulatory framework, the Central Bank Board adopted decrees to approve the following:

- The Regulation on Reinsurance Requirements (approved by CBA Board Decision 190-N dated May 10, 2006). This Regulation enables insurance companies operating in the Republic of Armenia territory to lower insurance reserves by an amount equal to the participation of re-insurers that are considered reliable in accordance with the said Regulation.
- The Regulation on Transfer of Insurance Risks Assumed under Insurance Contracts (approved by CBA Board Decision 454-N dated July 18, 2006). The main purpose of this Regulation is to regulate the process of transferring insurance risks assumed under insurance contracts.
- The “Chart of Accounts for Insurance Companies” and the “Instructions on the Application of the Chart of Accounts for Insurance Companies” (approved by CBA Board Decision 544-N dated September 12, 2006), which are aimed at aligning the accounting of Armenian insurance companies with the International Accounting Standards.
- The Regulation on Obtaining Preliminary Consent for Licensing an Insurer, Registering a Branch, and Acquiring a Share or Stake in an Insurer’s Statutory Fund; the Regulation on Competence Requirements and Qualification Checking for Managers, Actuaries, and Agents of an Insurer; and the Regulation on the Submission of a Three-Year Business Plan on the Activities of an Insurer (approved by CBA Board Decision

476-N dated August 1, 2006). Their purpose is to regulate the licensing and the competence testing of insurers.

- The List of Topics for the Qualification Checking for Nominated Managers and Agents of an Insurer (approved by CBA Board Decision 477-N dated August 1, 2006).

- Regulation 32 on Insurance Companies' Reports and the Terms and Procedure of Filing and Submitting Them (approved by CBA Board Decision 716-N dated December 5, 2006), which is aimed at ensuring that the information regularly submitted to the CBA by insurance companies is used to identify risks related to insurance activities, to analyze the insurance market, and to compile supervisory and analytical data on the activities of insurers.

- Regulation 30 on the Main Prudential Requirements for Insurance Activities and the Procedure of Measuring and Calculating Them (approved by CBA Board Decision 663-N dated November 7, 2006), which is aimed at aligning the regulatory framework with the international best practice in order to have financially-sound insurance companies.

- Regulation 31 on Types of Insurance Reserves and the Procedure of Their Formation (approved by CBA Board Decision 664-N dated November 7, 2006), which is intended to bring insurance companies' reserves into line with IAIS standards and, by prescribing clear mechanisms for their calculation, to increase the reliability of insurance companies).

The following amendments were made to the Securities Market Regulation Code with a view to improving and raising the effectiveness of securities market regulation and supervision:

- A legal basis has been created for inter-bank repurchase transactions involving bonds of enterprises that obtained high rating from the CBA, and the documentation of this process has been automated;

- The drafting of rules regulating custody activities involving corporate securities (including foreign corporate securities) has started, laying the groundwork for the formation of a two-level custody system;

- Work is underway to grant banks and credit organizations direct access to the securities market;

- The reporting procedure and forms of reports filed by professional participants have been revised, addressing redundant information requirements in the forms, and introducing the principle of information presentation on the basis of securities' and customers' residency;

- The requirements on reporting issuers and the procedure by which issuers must present the prospectus and reports have been revised. To be qualified as a reporting issuer, net assets of AMD 500 million are now required. Prospectus and report electronic filing has been implemented, and the number of filed paper-based copies has been reduced.

Regulatory Framework on Other Participants of the Financial Market

- Amendments have been made to Regulation 14 ("Regulation of Credit Organization Activities and Prudential Requirements"). Credit organizations operating in Armenia now have the right to issue bonds on their behalf and allocate them among legal entities.
- Effective January 1, 2006, the power to license and supervise pawnshops was transferred to the CBA. The CBA has drafted a Manual for Conducting Inspection in Pawnshops Operating in Armenia.
- The revised Regulation 10 ("Licensing and Regulation of Foreign Exchange Trading Operations") was approved under Decree 238-N of the Central Bank Board dated June 6, 2006.
- In view of achievements and development trends in the area of plastic cards in the territory of Armenia, the Central Bank approved the "Procedure of Issuing, Serving, Distributing, and Performing Transactions with Plastic Cards in the Republic of Armenia Territory."
- In relation to the performance of unified supervision by the Central Bank of Armenia, amendments were made to the "Procedure on Coding Participants of the Republic of Armenia Central Bank Payment and Settlement System Participants, Their Customer Account Numbers, and Information Systems Participants" to define the procedure of granting codes to securities market participants, reporting issuers, insurance companies, insurance brokerage companies, and other entities.

SUPERVISION DURING 2006

The Central Bank Financial Supervision Department, the Securities Market Department, and the Foreign Exchange Office Licensing and Supervision Department carry out off-site and on-site inspections with a view to discovering and rapidly preventing impermissible levels of risks in the financial system, as well as eliminating obstacles to its sustainable development.

During 2006, the Financial Supervision Department carried out 58 on-site inspections, including eight comprehensive and five targeted inspections in banks, four comprehensive inspections in credit organizations, three comprehensive and 12 targeted inspections in insurance companies, and 26 inspections in pawnshops.

Effectiveness of On-site Inspections and Workload of Supervisors

Indicator	2004	2005	2006
Number of Financial Supervision Department employees	41	44	49
Total assets (annual average) of banks, credit organizations, insurance companies, and pawnshops	AMD 365.8 billion	AMD 397.6 billion	AMD 500.2 billion
Average workload per employee of the Financial Supervision Department	AMD 8.9 billion	AMD 9.0 billion	AMD 10.2 billion
Number of inspections conducted during the year, of which:	25	51	58
Comprehensive inspections in banks	5	5	8
Targeted inspections in banks	17	41	5
Inspections in credit organizations	3	5	4
Inspections in insurance companies	-	-	15
Inspections in pawnshops	-	-	26

Violations by commercial banks and other financial organizations, as well as deficiencies discovered during inspections were mainly related to legislation, accounting rules, prudential requirements, and data reporting.

During 2006, supervision activities led to the discovery of 667 violations by commercial banks, 89 by credit organizations, 217 by insurance companies, and 225 by pawnshops. In the vast majority of cases, warning was given as a sanction.

Violations by Financial Organizations and Sanctions Applied in 2006

	Commercial Banks	Credit Organizations	Insurance Companies	Pawnshops
Type of Violation				
Accounting	61	19	-	3
Asset classification	47	2	1	-
Legislation	240	17	42	101
Prudential	52	-	1	-
Failure to carry out an instruction	5	2	-	1
Delay in submitting a report	7	6	11	17
Data credibility	72	24	162	103
Total capital	5	1	-	-
Credit register	177	18		-
Sanctions				
License revocation	-	-	6	-
Organization fined	266	24	52	119
Manager fined	191	8	2	-
Penalty	2	-	-	-
Warning	180	52	134	60
Manager deprived of professional qualification certificate	2	-	-	-
Non-enforcement of sanction	3	-	-	-
Suspension of sanction	21	5	32	31

During 2006, the Central Bank Exchange Office Licensing and Supervision Department conducted a total of 529 on-site audits in foreign exchange offices, resulting in the revocation of licenses of 126 offices. In 134 cases, foreign exchange offices paid fines. Another 180 were warned.

During 2006, on-site inspections were carried out among securities market participants (including three specialized entities, two self-governing organizations, and two reporting issuers). Warning was the sanction applied towards all of them.

HUMAN RESOURCE DEVELOPMENT AND COOPERATION WITH SUPERVISORS OF OTHER COUNTRIES

During 2006, the Central Bank structure was changed as a result of the Central Bank assuming the regulation and supervision of financial system participants that were not subject to Central Bank licensing prior to 2006 (including securities market participants, insurance market participants, and others). In 2006, a strong need for recruiting new employees was felt. Moreover, new areas of specialization emerged. To this end, the professional development of employees engaged in the regulation and supervision of securities and insurance markets became a priority of the Central Bank's training efforts.

To improve the qualification of employees engaged in the regulation and supervision of the financial system and to familiarize them with the international best practices, they took part in a number of domestic and overseas training courses and conferences on present-day problems related to supervision. Some of the main topics covered by training courses and discussions were Supervision of Insurance Companies, Re-Insurance, Fundamental Principles of Insurance, Securities Market Development, Licensing and Supervision of Foreign Exchange Offices, Monitoring of Payment Systems and Money Laundering Supervision, Inspectoral Bank Supervision, Unified Supervision, Assessment and Supervision of Banking Risks, Advanced Risk Analysis, New Basle Capital Accord (Basle II), Financial Stability, and the like.

The International Monetary Fund, the CCBS (Bank of England), the Bank of France, the German Bundesbank, Bank of Netherlands, the National Bank of Switzerland, the Central Banks of the Russian Federation and Kazakhstan, the Bank for International Settlements, the National Bank of Poland, the Financial Stability Institute, and others actively supported the training efforts of the Central Bank of Armenia. The training efforts mainly focused on contemporary issues of insurance, securities, and banking markets, including risk management and evaluation, new approaches to supervision, regulatory framework reform, and financial stability.

During 2006, seminars were held in Yerevan, as well. On June 26 and 27, 2006, a workshop on "Building the Awareness of Armenian State Bodies on Money Laundering Matters" was held in Yerevan under the auspices of the CBA.

On June 17 and 18, 2006, the IMF and World Bank Netherlands Constituency Annual Meeting took place in Yerevan.

From November 1 to 4, 2006, the 33rd session of the Inter-State Bank Board was held in Yerevan, which was attended by representatives of all the member states (since April 2006, CBA Chairman Tigran Sargsyan has chaired the Inter-State Bank Board).

For the purpose of strengthening business ties and conducting negotiations, delegations of “Moody’s Investor Services” and “Fitch Ratings” rating agencies, the Federal Financial Monitoring Service of the Russian Federation, the OMX Group, Bloomberg UK, the Dutch ABN-AMRO Bank and ING Bank, the National Bank of Bulgaria, the National Bank of Poland, and the Black Sea Trade and Development Bank (led by the President of the Bank Hayrettin Kaplan) visited the CBA.

During 2006, the CBA signed agreements and memoranda of understanding with other central banks in the frameworks of inter-governmental commissions.

On April 13, 2006, in the Cyprus capital Nicosia, the CBA and the Central Bank of Cyprus signed a Memorandum of Understanding on cooperation in matters of banking supervision.

During 2006, preparatory works continued for signing a banking cooperation agreement between the CBA and the People’s Bank of China and a banking supervision cooperation agreement between the CBA and the Central Bank of the Islamic Republic of Iran.

To further improve the financial system regulatory framework and the effectiveness of supervision in line with international financial developments, relevant employees of the Central Bank are constantly trained by and cooperate with financial system supervisory bodies of other countries.

REPUBLIC OF ARMENIA FINANCIAL SYSTEM IN 2006

BANKING SYSTEM IN 2006

GENERAL PROVISIONS

Banks Operating in the Republic of Armenia

No new banking licenses were issued in 2006. As of December 31, 2006, 21 commercial banks (with a total of 299 branches) operated in the Republic of Armenia territory. The number of branches grew by 32 during the year. During 2006, the French Credit Agricole Bank acquired a large share of an Armenian bank's statutory fund, while the Ukrainian UkrPromBank acquired a share in the statutory fund of another Armenian bank.

During 2006, the financial intermediation indicators virtually did not change. At yearend, total banking system assets accounted for 19.8% of GDP (unchanged from 19.8% in 2005). Lending to the economy reached 8.6% of GDP (compared to 8.3% in 2005).

Concentration in the Banking System of Armenia

During 2006, concentration in the banking system, especially concentration of demand deposits of natural persons and legal entities, somewhat declined. For the banking system as a whole, the Herfindahl-Hirschman Index of Concentration² is rather low, which indicates relatively little concentration in the system.

Herfindahl-Hirschman Index of Concentration

Indicator	31.12.04	31.12.05	31.12.06
Total assets	0.09	0.08	0.08
Total liabilities	0.10	0.09	0.09
Total capital	0.06	0.06	0.07
Lending to the economy	0.09	0.08	0.08
Term deposits of natural persons and legal entities	0.11	0.10	0.10
Demand liabilities of natural persons and legal entities (including bank accounts)	0.18	0.17	0.15

² The Herfindahl-Hirschman Index of Concentration varies between 0 and 1, characterizing the level of concentration (values close to 0 denote a low level of concentration).

In recent years, capital concentration has been rather low, while deposit concentration has been high.

The disparity between large and small banks has somewhat declined: at yearend 2006, the largest 10 banks accounted for 80% of the total banking system assets, down from 81% at the beginning of 2006. The polarization of the largest four banks, too, declined, as they accounted for 46% of the total banking system assets and 49% of the total banking system liabilities at yearend (compared to 47% and 50%, respectively, at the beginning of the year). Though the polarization of demand liabilities in the largest four banks sharply declined in 2006, the concentration of demand deposits remains the highest. Total capital polarization was the only item to grow, mainly due to the sharp capital increase of ACBA Credit Agricole Bank.

Banking System Concentration Levels (%)

	31.12.04	31.12.05	31.12.06
<i>Total assets</i>			
LB 4 (share of largest four banks in system)	49	47	46
LB 10 (share of largest 10 banks in system)	81	81	80
<i>Total liabilities</i>			
LB 4	52	50	49
LB 10	84	85	84
<i>Total capital</i>			
LB 4	32	35	38
LB 10	65	64	67
<i>Lending to the economy</i>			
LB 4	45	43	47
LB 10	85	85	83
<i>Term deposits of natural persons and legal entities</i>			
LB 4	51	51	49
LB 10	80	88	87
<i>Demand liabilities of natural persons and legal entities (including bank accounts)</i>			
LB 4	60	64	57
LB 10	86	86	85

BANKING SYSTEM CAPITAL

Banking System Capital Growth Trends

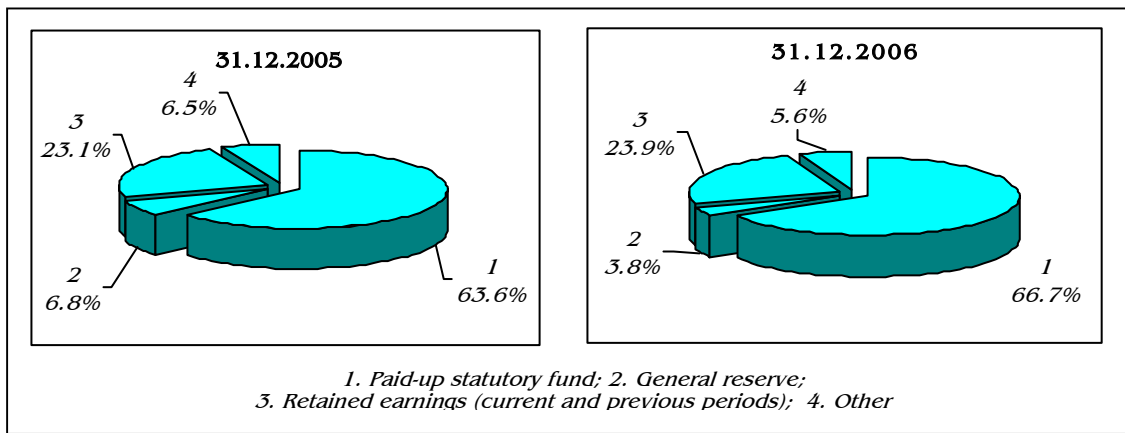
During 2006, total banking system capital grew by 26.8% (AMD 25.4 billion) to AMD 120.2 billion.

Total capital growth was financed by retained earnings and statutory fund increases.

During the year, the statutory fund grew by AMD 19.8 billion, while the general reserve shrunk by AMD 1.8 billion. The statutory fund grew in nine banks, on account of both internal and external sources. AMD 13.0 billion of the statutory fund increase was due to ACBA Credit Agricole Bank, mainly on account of the investment by the French Credit Agricole Group.

Net profit of the banking system was AMD 16.9 billion in 2006. Six banks paid dividends in 2006 out of previous periods' retained earnings in the amount of AMD 7.9 billion (a large share of the capital distribution (about AMD 5.0 billion) was used to replenish the statutory fund).

Chart 1. Structure of Total Banking System Capital

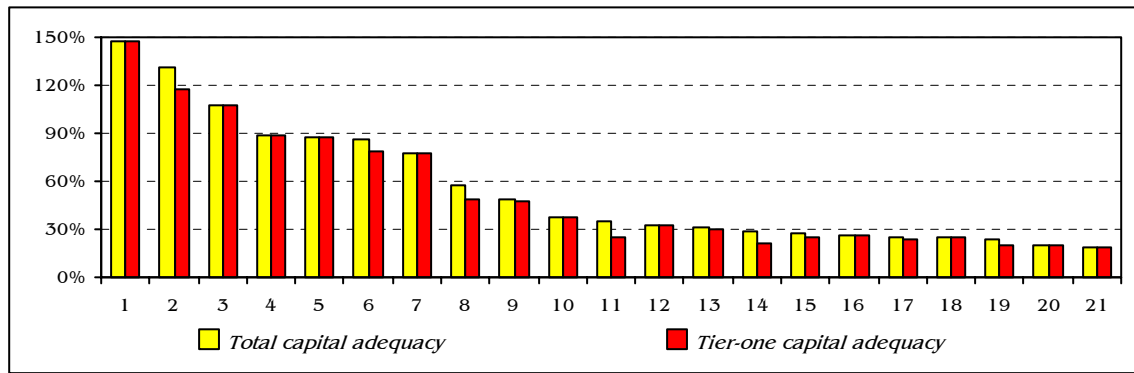


During 2006, total banking system capital grew faster than total liabilities, which resulted in the ratio of total capital to total liabilities (i.e. the leverage ratio) to grow by 2.3 percentage points to reach 29.7% by December 31, 2006.

Banking System Capital Adequacy

During 2006, the loan portfolio of the banking system grew somewhat more slowly than total capital, which resulted in total and tier-one regulatory capital growing faster than risk-weighted assets. Consequently, banking system total and tier-one capital adequacy ratios were higher at yearend than at the beginning of the year: the total capital adequacy ratio grew by 1.2, and the tier-one capital adequacy ratio—by 1.0 percentage points, reaching 34.9% and 32.7%, respectively. The adequacy ratios of banks operating in Armenia are much higher than the regulatory thresholds of 12% and 8%.

Chart 2. Total and Tier-One Capital Adequacy, by Bank



Commercial Bank Owners

In terms of corporate form, two of the 21 banks operating in Armenia are limited liability companies, two are open joint-stock companies, and 17 are closed joint-stock companies. In 2006, one bank, in the capital of which the French Credit Agricole Group acquired a significant share, changed its corporate form (from a cooperative to a closed joint-stock company).

1,602 natural persons and legal entities participate in the Armenian banking system (as share owners and stock owners), of which 70 are non-residents. Excluding the two banks that have open joint-stock company status, the remaining 19 banks are owned by 90 natural persons and legal entities, of which 30 are non-residents. In four banks, 100% of the shares are owned by one person (two resident legal entities, one non-

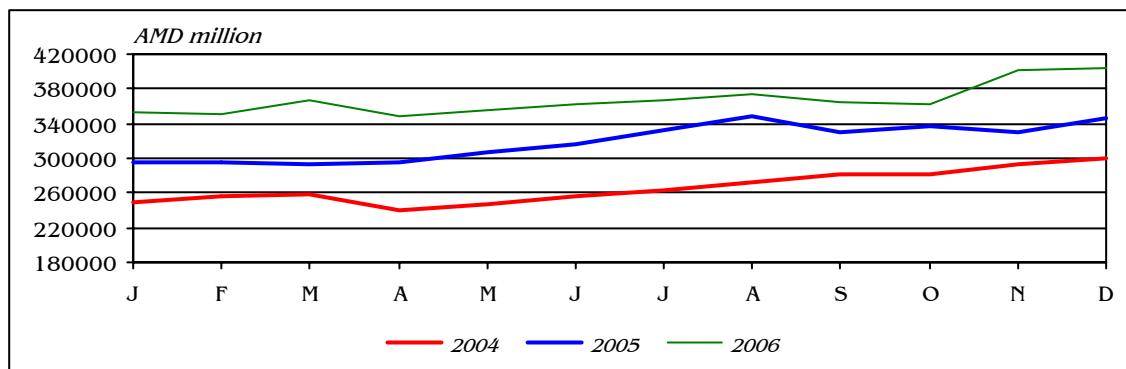
resident legal entity, and one non-resident natural person). In eight other banks, one shareholder owns more than 50% of the shares.

BANKING SYSTEM LIABILITIES

Growth Trends in Banking System Liabilities

During 2006, total liabilities of the Armenian banking system grew by 16.9% (AMD 58.4 billion) to reach AMD 404.3 billion at yearend. This increase was in whole due to higher dram liabilities. Dram liabilities grew by 54.8%, while foreign currency liabilities shrunk by 2.0%, which caused the share of dram liabilities in total to grow by 10.7 percentage points to reach 44.0% at yearend. Despite the considerable decline in the level of dollarization, it still remains high.

Chart 3. Growth Trends in Banking System Liabilities



Actual growth of liabilities was mainly driven by growth of deposits (AMD 38.3 billion), bank claims (AMD 8.8 billion), and other financial institutions' claims (AMD 6.2 billion).

Loro accounts of banks fell by 5.3% (AMD 263 million). At yearend, non-resident banks (mostly banks operating in Russia and Iran) accounted for 75% of loro accounts.

Total liabilities attracted by the banking system from natural persons and legal entities grew by 14.6% (AMD 38.3 billion) by yearend to reach AMD 299.6 billion.

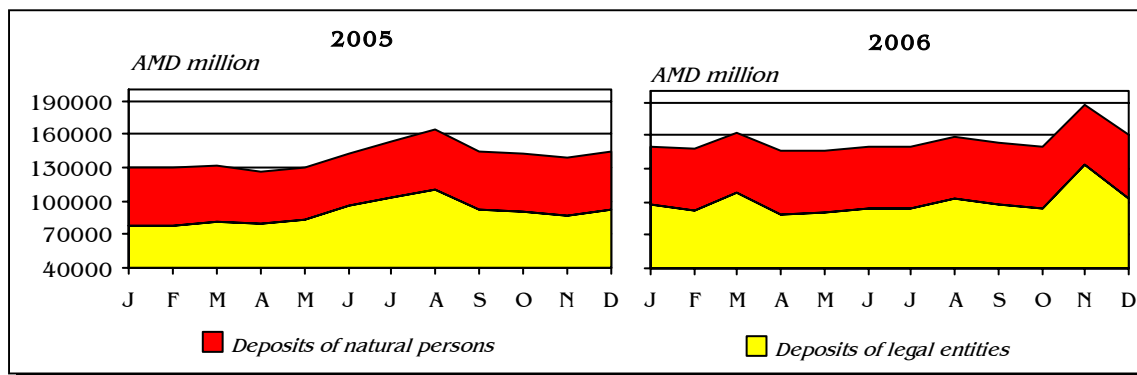
As in 2005, a key development in the banking system during 2006 was that total bank deposits of natural persons and legal entities grew in whole due to higher dram

deposits: dram deposits grew by 55.4% (AMD 46.6 billion), while foreign currency deposits fell by 4.7% (AMD 8.3 billion). This was facilitated by not only market developments, but also amendments to the Republic of Armenia Law on Currency Regulation and Supervision, the adoption of a Law Guaranteeing the Reimbursement of Bank Deposits to Natural Persons (which guarantees bank deposits in foreign currency for an amount of up to AMD 1 million, and dram deposits—for an amount of up to AMD 2 million), and other measures aimed at dramization.

During 2006, demand liabilities of legal entities grew by 10.6%, which was driven by both a larger number of legal entities that are bank customers and the larger number of accounts of existing customers: the number of legal entities that are bank customers grew by 9.0% (3,300 new bank accounts), while the number of current accounts of existing customers increased by 8.4% (4,300 new bank accounts).

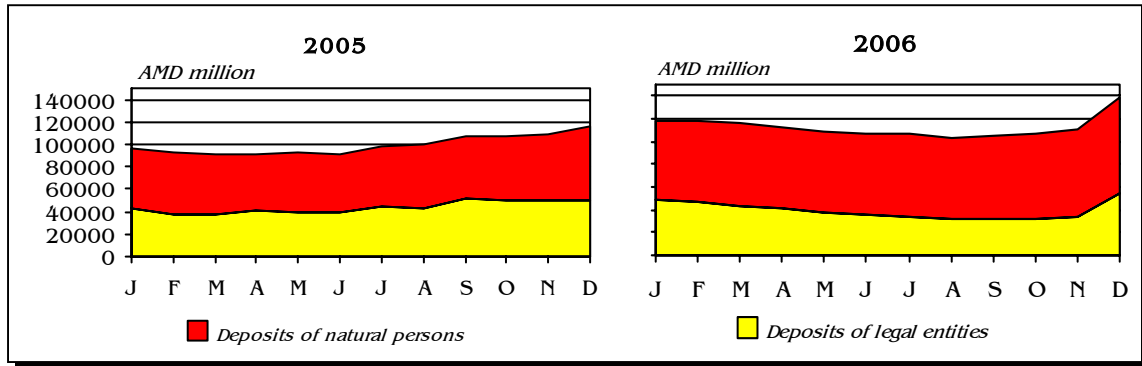
Demand liabilities of natural persons grew by 11.9%, which was mostly due to growing accounts of natural persons that are already bank customers; during the year, the number of natural persons that are bank customers grew by 8.6%, while the number of their accounts grew by 1.4%.

Chart 4. Growth Trends in Banking System Demand Deposits



Term accounts of natural persons and legal entities grew by 56.4% and 82.1%, respectively, by far exceeding the growth pace of their deposit accounts: term deposits of natural persons grew by 26.3%, while those of legal entities grew by 9.7%. This indicates that retail deposits were the main item to grow during 2006.

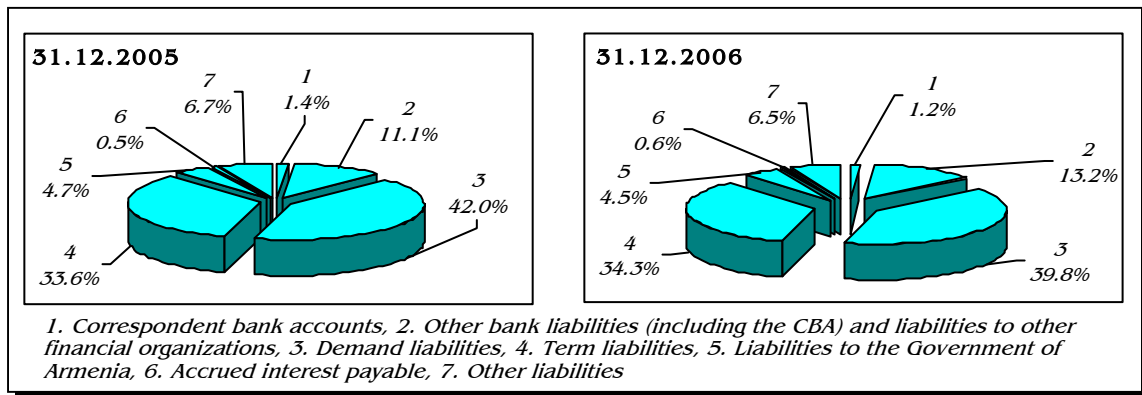
Chart 5. Growth Trends of Banking System Term Deposits



Structure of Funds Attracted by the Banking System

As of December 31, 2006, expense-bearing liabilities accounted for 91.7% of total banking system liabilities (compared to 92.3% in 2005). During 2006, demand liabilities grew more slowly than total liabilities (10.9%, compared to 16.9%), which resulted in the share of expense-bearing term liabilities, excluding less expense-bearing liabilities, growing by 0.5 percentage points over 2005 to reach 48.9% at yearend 2006. The share of demand liabilities in total liabilities (of natural persons and legal entities) fell by 2.2 percentage points by yearend 2006.

Chart 6. Structure of Total Banking System Liabilities



The average-weighted maturity of total banking system liabilities is about half a year. 46% of the liabilities are demand liabilities (deposits, bank accounts, correspondent accounts, and the like), 42% have maturity of 1-12 months, and 12% have a maturity in excess of one year.

Customers of Commercial Banks

During 2006, the number of natural persons and legal entities served by the banking system grew by 8.6% or 60,700 (mainly due to the larger number of natural persons) to reach 763,300 by yearend. The number of natural persons served by banks reached 723,600, while that of legal entities reached 39,700.

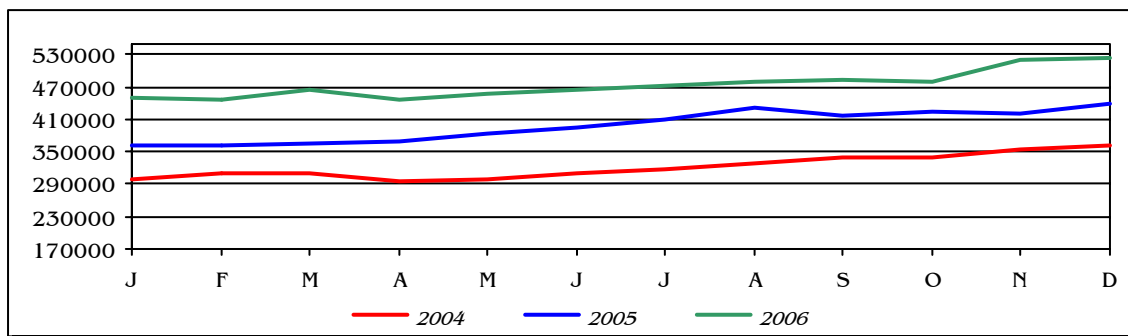
During the year, the number of bank accounts grew by 3.4% to reach 881,900, of which 96% were current and 4%—term accounts. The number of current accounts grew by 1.9% or 15,500 (mainly due to the larger number of accounts of natural persons) to reach 844,900 by yearend. The number of term accounts grew by 57.0% or 13,500 (mainly due to the larger number of term accounts of natural persons) to reach 37,000 by yearend. The sharp increase in the number of term accounts of natural persons was largely driven by the activities of the deposit guarantee system.

BANKING SYSTEM ASSETS

Growth Trends of Banking System Assets

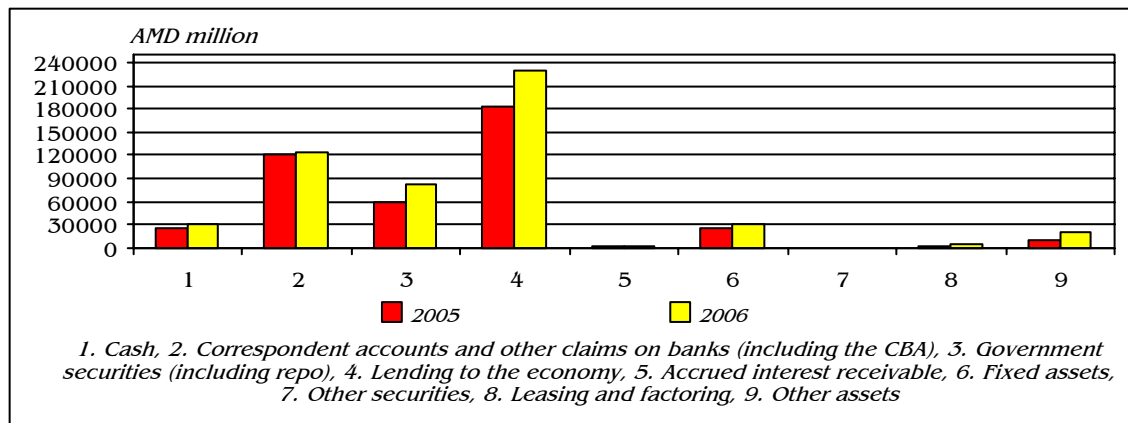
During 2006, total assets of the Armenian banking system grew by 19.0% (AMD 83.8 billion) to reach AMD 524.5 billion at yearend.

Chart 7. Growth Trends of Total Banking System Assets



During 2006, both the share of lending to the economy in total assets and the share of the portfolio of government securities in total assets grew, as these items grew faster than total assets.

Chart 8. Growth Trends of Banking System Assets



Correspondent accounts with the Central Bank grew by 25.6% (AMD 11.1 billion), while nostro accounts with other banks shrunk by 15.9% (AMD 8.5 billion). Nostro correspondent accounts are concentrated in terms of both their geography and residency. 97.4% of the correspondent accounts are with non-resident banks (compared to 96.0% in 2005). As of December 31, 2006, 53% of the total volume of correspondent accounts with non-resident banks was held in US banks, while 39% was in European banks, 5% in Russian banks, and 3% in banks of other countries (compared to 37%, 50%, and 7%, respectively, at yearend 2005).

The portfolio of government securities (including repo agreements) grew by 36.9% (AMD 22.1 billion) to reach AMD 81.9 billion at yearend. At yearend 2006, the average yield on short-term government treasury bills ("T-bills") was 5.12%, while that on medium-term coupon T-bills (including T-bills with partial redemption) was 6.11%, representing 1.38 and 1.02 percentage point increases over the beginning of the year. The average yield on CBA-issued bonds was 5.46%. The increase in the banks' portfolios of T-bills and bonds was due mainly to their desire to hold an adequate amount of highly-liquid income-earning assets, given the existence of sizeable demand liabilities.

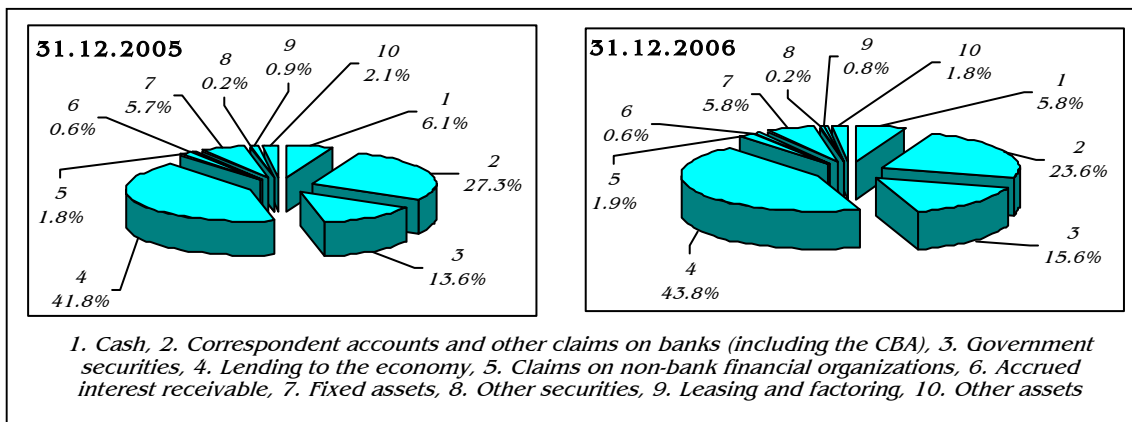
The portfolio of other securities grew only by AMD 226 million to reach AMD 1.2 billion at yearend.

During 2006, fixed assets of the banking system grew by 22.7% to reach AMD 30.7 billion at yearend, which is 25.5% of total capital and 5.8% of total assets. In all of the banks, fixed assets were smaller than total capital, which indicates that banks do not borrow funds in order to acquire fixed assets.

Structure of Banking System Assets

At yearend 2006, the share of income-earning assets of the banking system in total assets was 73.3% (compared to 73.6% in 2005). The share of income-earning assets, excluding low-income-earning correspondent accounts, in total assets was 65.9% (compared to 64.5% in 2005).

Chart 9. Structure of Banking System Assets



During 2006, lending to the economy and the portfolio of government securities grew faster than total assets, which resulted in the shares of these items in total assets growing by 2 percentage points each.

The average-weighted maturity of total banking system assets is around one year. 26% of the assets are demand, 47% have 1-12 months' maturity, and 27% have maturity of greater than one year or have no maturity.

Banking System Loan Portfolio

During 2006, the banking system loan portfolio³ grew by 24.6% (AMD 51.1 billion) to reach AMD 259.3 billion. The dram loan portfolio grew by 62.2%, while foreign currency loans increased by 3.1%, which resulted in the share of dram loans in the total loan portfolio growing by 11.0 percentage points to 47.2% at yearend.

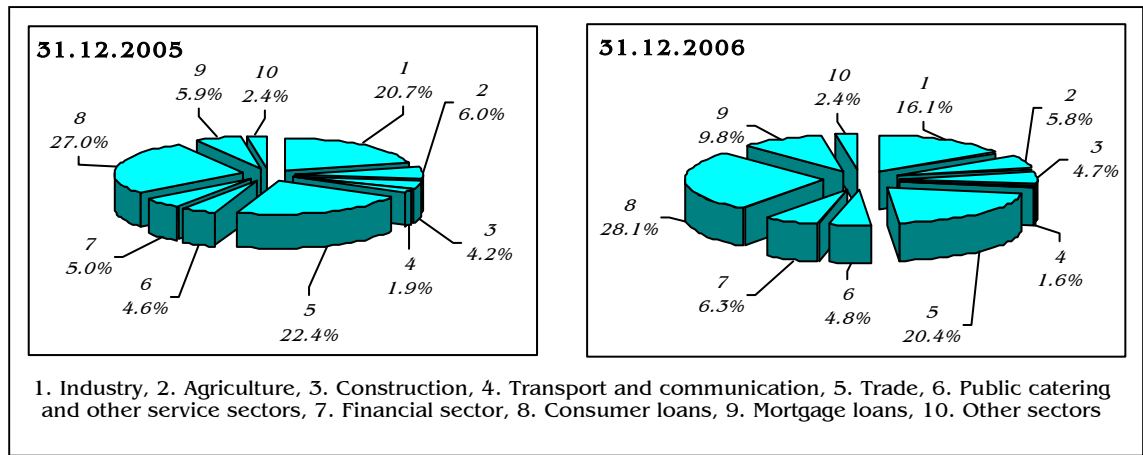
Loans to non-residents fell by 19.2% to AMD 15.9 billion.

Loans to residents grew by 29.1% to AMD 243.4 billion.

During 2006, lending to all the sectors of the economy grew (industry branches have been treated as a common sector). Mortgage lending grew considerably in 2006 (by 114.0% or AMD 12.7 billion). Consumer loans, trade loans, construction loans, and public catering and other service sector loans grew significantly, as well (by 34.5% or AMD 17.5 billion, by 17.6% or AMD 7.4 billion, by 46.5% or AMD 3.7 billion, and by 34.9% or AMD 3.0 billion, respectively).

In the structure of loans to residents, the share of mortgage loans grew abruptly in 2006. Banking system loans are mainly concentrated in consumer, trade, and industry lending.

Chart 10. Structure of Resident Loans and Receivables by Sectors of the Economy



³ The loan portfolio includes loans to the economy, leasing, factoring, and loans to and deposits with financial organizations.

The Herfindahl-Hirschman Index of Concentration of banking system loans to various sectors of the economy declined by 0.011 in 2006 to 0.17, mainly due to the sharp increase in mortgage loans, which account for a small share of total loans. 0.17 is considered a low level of concentration. The median index for banks was 0.25, which indicates that, in a number of banks, lending is rather heavily concentrated in certain sectors.

Due to growing demand for long-term loans, the share of long-term loans (one year and longer) in total lending grew by 1.5 percentage points during 2006 to reach 57.9%. There is still a noticeable shortage of long-term resources in the banking system, which is an important precondition of long-term lending.

The economy's demand for long-term loans is partially met by long-term loans made by banks under programs supported by international financial organizations. Eight of the banks operating in Armenia are engaged in programs offering loans to virtually all the sectors of the economy under the Enterprise Development Fund of the World Bank, the German-Armenian Fund, the Agriculture Reform Support Project of the World Bank, the EBRD, IFAD, the North-Western Agriculture Services Program, the SME Development and Mortgage Lending Projects of the IFC, Commerzbank, the SME Project of the World Bank, and other international financial organizations. As of yearend 2006, most of the program lending focused on trade (38.4% of the total loan portfolio), agriculture (17.3%), consumer loans (13.5%), and services (8.9%).

Bank lending under the aforementioned programs grew by 11.8% during 2006 to reach AMD 27.8 billion at yearend. The repayment rate of these loans is very high, indicated by a 0.4% rate of overdue loans. About 79% of the loans made under international programs are for a one-year term, 18% are for 6-12 months, and 3% are for less than six months.

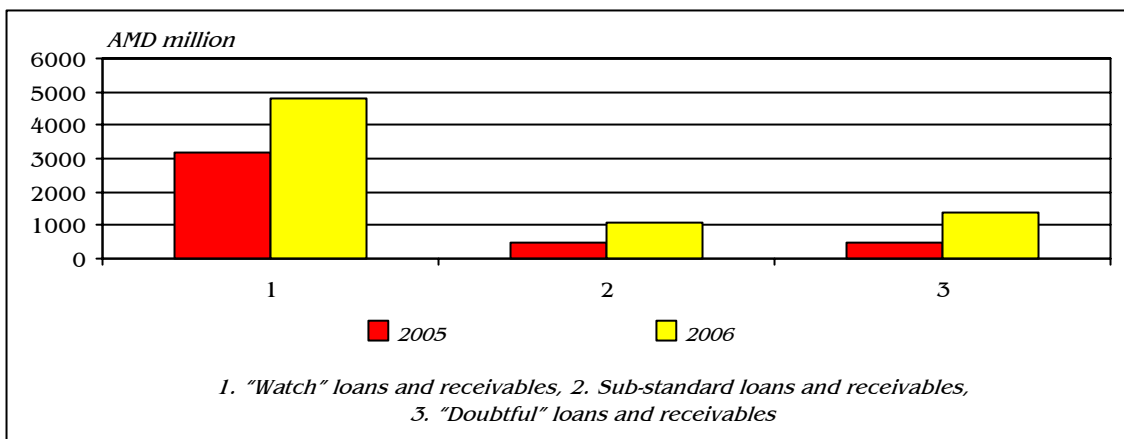
Loan Portfolio Quality

During 2006, non-performing loans and receivables (including correspondent accounts) grew by 73.6% to reach AMD 7.2 billion, while standard assets grew by 12.2% to reach AMD 291.1 billion. As a result, the share of standard loans and receivables in total declined by 0.8 percentage points to 97.6%.

At yearend, non-residents accounted for 0.9% and residents—99.1% of the non-performing assets. The share of residents in non-performing assets was relatively high in construction loans (9.5%), as well as public catering and other service sector loans

(4.9%). The share of non-performing loans was low in consumer loans, trade loans, and transport and communication loans (2.0%).

Chart 11. Growth Trends of Non-Performing Assets of the Banking System



FINANCIAL RESULTS OF THE BANKING SYSTEM

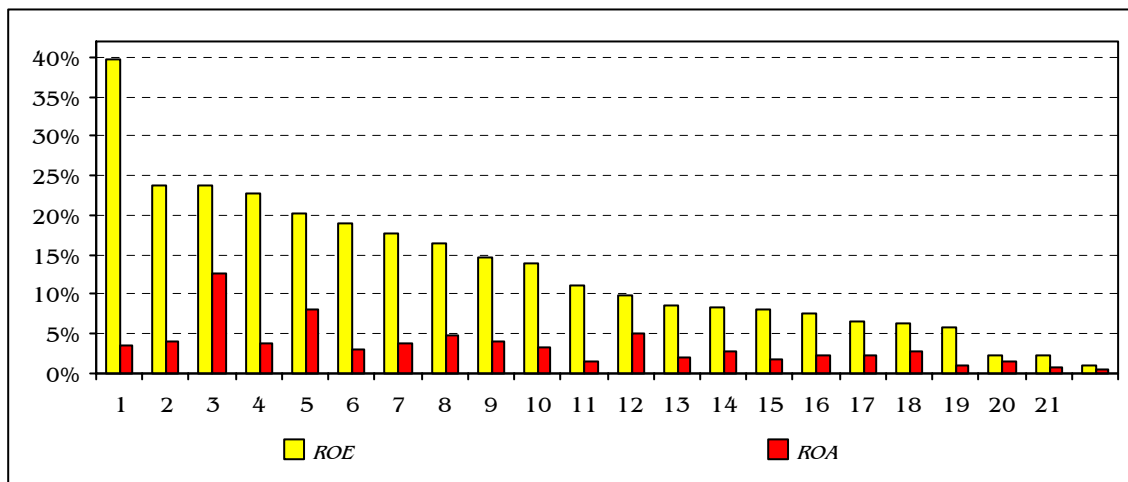
Banking System Profitability

In 2006, retained earnings of the banking system were AMD 16.9 billion. During the year, all banks were profitable.

Compared to 2005, banking system profitability improved: return on assets (net profit to average annual assets) was 3.6%, while return on equity (net profit to average annual equity) was 15.9%, compared to 3.0% and 15.3%, respectively, in 2005. The net operational margin of the banking system⁴ increased by 0.6 percentage points in 2006 to reach 4.9%.

⁴ The net operational margin is the ratio of the sum of net interest and net non-interest earnings to the average annual sum of total assets.

Chart 12. ROA and ROE of 21 Profitable Banks



The Herfindahl-Hirschman Index of Concentration of the profit of 21 profitable banks shrunk by 0.03 relative to 2005 to reach 0.09, which indicates that the level of profit concentration in banks has declined.

Structure of Banking System Income and Expense

During 2006, the net profit of the banking system exceeded the 2005 profit by 40.8% (AMD 4.9 billion), which was mainly due to a considerable increase in interest income driven by strong growth of lending. In 2006, commercial banks remained active in the lending market, where competition between banks was maintained.

Higher interest income of the banking system in 2006 relative to 2005 was due to a 30.0% (AMD 7.9 billion) increase in interest income from loans to the economy. The share of interest income from loans in total interest income remained virtually unchanged (80.4%).

The share of banking system commission income in total non-interest income grew by 11.6% (AMD 1.1 billion) in 2006 due to the considerable growth of remittances. Commission income accounted for 50.2% and foreign exchange trading income—29.4% of total non-interest income.

Interest payable against term deposits, which accounts for 53.4% of interest expense, grew by 14.1% (AMD 820 million).

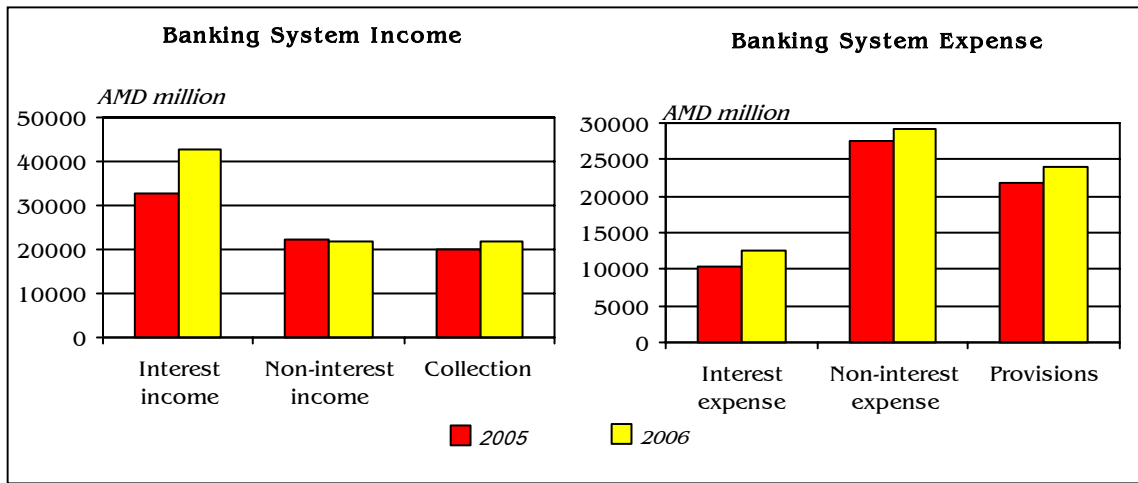
Expense under the “Accrued salary and salary equivalents” item, which accounts for 44.5% of non-interest expense, grew by 26.1% (AMD 2.7 billion) in 2006 relative to 2005, while the total number of banking system employees grew by 15.3%. This indicates that, during 2006, similar to 2005, average salaries in the banking system rose.

On the whole, gross income increased by 15.7% (AMD 11.8 billion) in 2006 relative to 2005, while gross expense shrunk by 10.1% (AMD 6.0 billion).

The share of interest income in gross income increased by 30.3% in 2006, while the share of non-interest income fell by 1.2%, and collections from the reserve fund for possible asset losses increased by 10.4%.

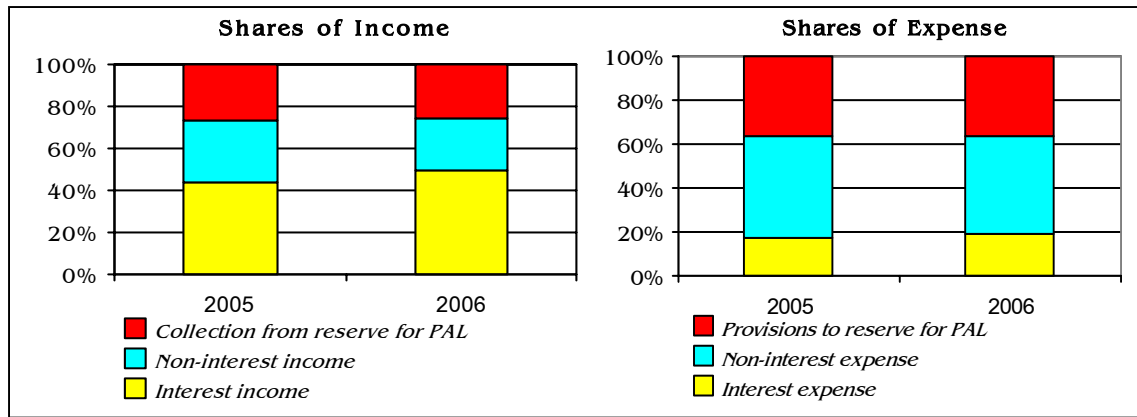
In 2006, interest expense grew by 20.6%, non-interest expense—by 6.5%, and provisions to the reserve fund for possible asset losses—by 9.8%.

Chart 13. Banking System Expense and Income



As a result of the aforementioned increases in expense and income, the share of interest income in gross income and the share of interest expense in gross expense somewhat increased.

Chart 14. Banking System Expense and Income Structure



BANKING SYSTEM FINANCIAL RISKS

According to expert estimates, the Armenian banking system risks are currently within a manageable framework. In view of the rapid growth of bank lending, credit risks is presently considered the most important financial risk for the Armenian banking system, though it is lower than the credit risk typically found in the international market.

Credit Risk

Adequate management of the credit risk has always been an important consideration for any country's banking system. Though the share of classified loans and receivables (hereinafter, "non-performing assets") in total loans and receivables grew by 0.8 percentage points in 2006 to reach 2.4, the latter is considered a rather low indicator. Non-performing assets accounted for 6.9% of regulatory total capital in 2006 (compared to 5.0% in 2005). If the AMD 1.2 billion special fund for possible asset losses is excluded from the AMD 7.2 billion stock of non-performing assets, the

remaining unsecured non-performing assets would account for only 5.8% of regulatory capital. This means that, even if a stress scenario were devised, whereby all classified assets had to be written off in full (ignoring the value of collateral), the banking system loss would not exceed 5.8% of regulatory capital, which shows that the banking system is stable in terms of credit risk. In recent years, the operation of the Credit Registry (operational in the Central Bank from January 1, 2003), from which banks obtain advance information about a borrower's credit history, has greatly contributed to lowering the credit risk.

Average annual asset growth has been 23% during the last three years, with loans growing by 34%, without any major deterioration of asset quality. During 2006, the share of net provisions in total assets was only 0.4%, which supports the conclusion that banking supervision has had a positive impact.

At yearend 2006, the maximum single-borrower exposure was 12.3% of regulatory capital (the average for all banks was 13.4%), while the maximum exposure to all large borrowers was 80.3% (the average for all banks was 81.4%). The maximum exposure to a single bank-related party was 1.9% (the average for all banks was 2.2%), while the maximum exposure to all bank-related parties was 5.5% (the average for all banks was 6.0%). In terms of these indicators, the maximum reported amounts in certain banks do not deviate much from the average for the whole banking system, which shows the absence of major deviations in any given bank and the manageable levels of risks.

Foreign Exchange Risk

During 2006, the Armenian dram exchange rate against other currencies continued to fluctuate rather considerably. The average annual appreciation of the Armenian dram (AMD)/USD exchange rate was 10.0%, while yearend appreciation was 23.8% in 2006.

As a consequence of the AMD exchange rate fluctuating against other currencies, the banking system suffered an AMD 272 million (0.3% of total banking system regulatory capital) loss due to foreign exchange revaluation in 2006 (compared to a 0.5% loss in 2005). Foreign exchange revaluation caused losses to 9 banks and gains to 12 banks. During 2006, the banking system gained AMD 6.4 billion from foreign exchange trading (up 6% from 2005). At yearend, the banking system gross foreign currency position for convertible currencies was 4.4%, while the net position for non-convertible currencies was 1.1%, on the background of regulatory caps of 15% and 5%, respectively.

The foreign exchange risk evaluation performed using VAR (value at risk) methodology shows that with 95% confidence level, in 2007, possible losses of the

banking system due to revaluation of foreign exchange rate against dram will not exceed AMD 200 million.⁵

Liquidity Risk

In 2006, similar to 2005, the loan portfolio outgrew total assets, which resulted in highly-liquid assets growing more slowly than total assets. Though the share of highly-liquid assets in total assets fell by 2 percentage points to 40%, the latter is still considered a rather high figure—a sign of low liquidity risk in the banking system. Highly-liquid assets of the banking system grew by 14% to reach AMD 209.5 billion. During 2006, total liquidity of the banking system fell by 2.9 percentage points to 41.2% at yearend, while current liquidity fell by 4.4 percentage points to 106.1% at yearend. Total and current liquidity indicators have been quite high compared to the required regulatory minimum, and do not pose a liquidity threat. In terms of days-to-maturity groups, banking system assets will exceed liabilities in 2007; based on this, it is predicted that, other conditions equal, the banking system will be able to avoid alternative losses caused by liquidity risk in 2007.

The structure and concentration of banking system liabilities, too, is considered important in terms of liquidity: in 2006, the share of “large” liabilities⁶ in total liabilities grew by 0.4 percentage points to 27.5%.

Price Risk

In terms of price risk, it is noteworthy that the banking system portfolio of relatively risky non-government securities reached AMD 1.2 billion: if the prices of such securities fall and/or increase by 10%, for instance, the system loss and/or gain will be equal to 0.1% of regulatory capital.

Less abrupt fluctuations of fixed asset prices, too, will not lead to significant losses. If market prices of fixed assets fall and/or increase by 10%, for instance, the system loss and/or gain will be equal to 2.9% of regulatory capital. Banking system fixed assets were valued at AMD 30.7 billion at yearend, while confiscated real estate, which has become property of the banks, was valued at AMD 775 million. The impact of a decline in real estate prices on the loan portfolio has been evaluated, as well. Stress scenarios

⁵ Calculations are based on the open foreign currency positions presented by banks as of December 31, 2006; actual losses may be somewhat higher depending on how much the open foreign currency positions change in 2007.

⁶ The sum of all funds that, taken separately, exceed 5% of the bank's total liabilities, excluding affiliation.

have shown that the non-repayment of 50% of the loan portfolio at risk⁷ due to a 30% decline in the market price of real estate will cause the banking system a loss equal to 9.1% of total regulatory capital. However, experts believe there to be low likelihood of either such a price decline or a price risk to the banking system.

Interest Rate Risk

The level of interest rate risk in the banking system is manageable, as well. The average maturity of assets and liabilities is short (around one year), which enables banks to respond rapidly to changes of market interest rates and to revise them. Moreover, duration-based assessments of interest risk show that the spread between average-weighted maturities of assets and liabilities is small (about six months), which indicates that proportionate fluctuations of market interest rates will not influence the economic value of banking system capital. It has been estimated that, if overall market interest rates (on both assets and liabilities) fall by 1%, the economic value of the banking system capital will increase by AMD 1.2 billion.

Though banking system interest rate risk is presently rather moderate, the process of continuously evaluating and managing the interest rate risk is considered very important. In 2006, net interest income of the banking system was 35% higher than in 2005 due to the rapid growth of the loan portfolio. Interest income accounted for 50% of total banking system income, which further proves the importance of managing the interest rate risk.

⁷ The loan portfolio at risk is the sum of the balances of the bank's loans, the balances of which exceed 30% depreciated values of the real estate pledged against such loans.

OTHER PARTICIPANTS OF THE ARMENIAN FINANCIAL MARKET IN 2006

CREDIT ORGANIZATIONS OPERATING IN ARMENIA

During 2006, seven companies obtained credit organization licenses (“Finca,” “Aregak,” “Norvik,” and “Garni Invest” universal credit organizations incorporated as closed joint-stock companies, and “New Horizon,” “Malatia,” and “Ecumenical Church Lending Fund” universal credit organizations incorporated as limited liability companies). At yearend, 17 credit organizations (with 12 branches) were active in Armenia, two of which were leasing organizations, one—a credit union, and 14—universal credit organizations.

In recent years, credit organizations have grown faster than banks: during 2006, total capital, liabilities, and assets of credit organizations grew several-fold faster than the same indicators of the banking system. As a result, credit organizations’ assets reached 3.9% of banking system assets at yearend 2006 (compared to 1.8% at yearend 2005). Though the average market interest rates on loans made by credit organizations were slightly higher than those on loans made by banks; however, the loan services offered by credit organizations are considered more accessible for the public at large. Credit organizations rather actively lend to virtually all sectors of the economy. The volumes of consumer and mortgage loans, too, have grown considerably. Several credit organizations specialize in mortgage lending.

During the year, total capital of credit organizations grew by 92.6%. Capital growth was mainly achieved on account of seven newly-licensed credit organizations, as well as the increase in the statutory fund of four existing credit organizations. In 2006, total credit organizations’ retained earnings reached AMD 106 million in 2006. Return on assets was 0.9%, and return on equity—1.8%. Yearend capital was AMD 85 billion or 0.7% of banking system capital (compared to 4.6% at the beginning of the year).

Liabilities grew by 248.5% (AMD 8.7 billion) to reach AMD 12.1 billion. Most of this growth was fueled by increased borrowing by legal entities (an AMD 3.5 billion increase), higher due to banks (an AMD 3.2 billion increase), and higher due to other financial organizations (an AMD 1.5 billion increase).

The yearend volume of loans to legal entities and natural persons was AMD 5.4 billion. Funds attracted from banks and other financial organizations reached AMD 5.9 billion at yearend.

Total assets of credit organizations grew by 161.1% (AMD 12.7 billion) during 2006 to reach AMD 20.6 billion at yearend. In the structure of assets, the loan portfolio

(including leasing) grew considerably (by 168%) to reach AMD 16.6 billion. Lending to virtually all the sectors of the economy increased.

INSURANCE MARKET OF ARMENIA

As of December 31, 2006, 15 insurance companies and six insurance brokerage firms were licensed in the territory of Republic of Armenia. During 2006, the licenses of eight insurance companies ("Avuar" and "Ermed" closed joint-stock companies, and "Yerashkhik," "Inorient," "Goba," "Samgas," "Renaissance Insurance," and "H&F" limited liability companies) and the "Saha" LLC insurance brokerage firm were revoked.

In 2006, the own capital of insurance companies grew by 35.3% (AMD 1.6 billion) to reach AMD 6.0 billion (5.0% of banking system capital) at yearend.

The capital growth was mainly due to an AMD 1.5 billion increase in the statutory fund.

Total liabilities and total assets of insurance companies shrunk by 51.6% (AMD 2.8 billion) and 12.7% (AMD 1.3 billion), respectively, in 2006. At yearend, total assets were AMD 8.6 billion or 1.6% of banking system assets.

Total assets and liabilities shrunk mainly because of the reduction of insurance companies' quantity. A large share (76.7%) of insurance companies' total assets was in current assets, while all of their liabilities were current liabilities.

In 2006, accrued premiums reached AMD 5.9 billion, while re-insurance premiums reached AMD 3.7 billion (62.9% of total premiums).

76% of premiums were for aviation risks (35%), vehicles (21%), assets (13%), and liability (8%).

In 2006, insurance compensations reached AMD 27.3 billion, of which AMD 27.0 billion (98.6%) was the share of re-insurers.

97.5% of total insurance compensations were for aviation risks. However, excluding aviation risks, 92% of compensations were for vehicle insurance (47%), freight (15%), assets (15%), and medical insurance (14%).

The loss ratio of insurance companies (insurance compensations divided by insurance premiums) was 17.8%.⁸

At yearend 29,500 insurance contracts were in force. Sums insured of the contracts in force reached AMD 3.93 trillion, of which AMD 3.76 trillion (95.7%) was the share of re-insurers.

⁸ To present the real situation in the system, aviation risks have not been included in the calculation of this indicator.

As of December 31, 2006, total assets and own capital of insurance brokerage firms reached AMD 189.3 million and AMD 50.9, respectively.

SECURITIES MARKET OF ARMENIA

As of December 31, 2006, 20 companies performed professional activities in the Armenian securities market. During the year, the number of such companies increased by two: a brokerage license was issued to the “Tamrazyan and Friends” Brokerage LLC, and brokerage and trust management licenses—to the “Ecapital Asset Management” CJSC. All 20 companies have brokerage licenses, and seven of them have not only brokerage/dealer licenses, but also trust management licenses. One company has these two types of licenses, plus a custodian license.

At yearend 2006, two self-regulating organizations operated in the securities market of Armenia—the Central Depository of Armenia and the Armenian Stock Exchange (the latter organizes foreign currency and securities trading).

During 2006, security market professional participants executed transactions worth a total of AMD 191.4 billion, of which AMD 7.2 billion (3.8%) was executed in the framework of brokerage activities, and AMD 184.2 billion (96.2%) was in dealer transactions.

In the securities market of Armenia, three types of instruments were used—government bonds, shares, and other securities. Government bonds are the main instrument for specialized entities (accounting for about 97% of the total turnover). Transactions with shares accounted for about 2.4% and those with other securities—0.4% of the total turnover.

Medium-term government bonds accounted for 40.3% of the government bonds turnover, while long-term government bonds accounted for 59.2%, and short-term government bonds—0.5%.

98% of the transactions with shares, 55% of the transactions with corporate bonds, and 1% of the transactions with government bonds were carried out in the framework of brokerage activities. 99% of the transactions with government bonds were carried out through dealers.

About 97% of the brokerage and dealer trading was over the counter. At the same time, 84% and 95% of transactions with corporate bonds and shares, respectively, were executed in the Armenian Stock Exchange.

A total of 1,181 transactions for a total amount of AMD 2.6 billion were executed in the Armenian Stock Exchange. Nine professional companies participated in stock exchange trading.

At yearend, securities of 36 reporting issuers were listed in the Stock Exchange. Two of them are banks, and one is a credit organization. Four of the 36 issuers are rated by the CBA.

In 2006, companies completed three prospectus-based placements of securities: one was a closed placement of shares, and the other two were public placements. One of the issuers of corporate bonds was a credit organization and one—a construction company (at annual yields of 7.25% and 9.0%, respectively); in both cases, the corporate bonds were guaranteed by USAID.

In the Central Depository of Armenia, there were 710 issuer companies that maintained registries of nominal securities owners and 130,900 individuals owning securities issued by companies maintaining registries at yearend 2006.

PAWNSHOPS OPERATING IN ARMENIA

At yearend 2006, 64 pawnshops were active in Armenia. During the year, 13 companies and sole entrepreneurs received pawnshop licenses, and the licenses of 10 pawnshops were revoked. Total assets of pawnshops and total loans given by pawnshops grew by 26% and 55%, respectively. Total assets of pawnshops reached AMD 2.5 billion, and their total loan portfolio reached AMD 1.7 billion. The total number of loan agreements provided by pawnshops was 31,100.

FOREIGN EXCHANGE OFFICES AND CURRENCY DEALERS

At yearend 2006, 288 foreign exchange offices (including branches) had licenses to buy and sell foreign exchange in the Republic of Armenia. During the year, 148 foreign exchange offices had their licenses revoked. Foreign exchange buy and sell licenses were issued to 60 offices. Compared to 2005, the total volume of foreign exchange trading in foreign exchange offices grew in 2006. US dollar purchase and sale volumes grew by 27% and 23%, respectively, reaching US \$324.8 and 322.1 million. Euro purchase and sale volumes grew by 11% and 12%, respectively, reaching EUR 21.5 and 21.2 million.

A foreign currency dealer license was issued to the “Armane Gazpa” LLC. As of December 31, 2006, seven legal entities had foreign currency dealer licenses. Foreign currency dealers bought a total of US \$7.0 million and sold a total of US \$14.4 million (in 2005, purchases were US \$15.9 million, and sales were US \$14.9 million).

ORGANIZATIONS PERFORMING MONEY TRANSMISSION AND THE PROCESSING AND CLEARING OF PAYMENT INSTRUMENTS AND SETTLEMENT DOCUMENTS

At yearend 2006, three companies (“Haypost” CJSC, “Armenian Express” CJSC, and “Depi Tun” LLC; the latter two were licensed in 2006) were providing money transfer services in Armenia. By acceding to international payment systems, these organizations make payment of funds remitted to Armenia from abroad and vice versa. During the year, these companies transferred a total of AMD 5.3 billion to customers in Armenia and AMD 1.1 billion abroad. These companies accounted for 1% of total international payments made without opening a bank account. The average payment per customer was AMD 117,000 during the reported period.

The “Armenian Card” CJSC is also active in the financial market of Armenia. It carries out processing and clearing of payment instruments and payment and settlement documents. This company processes transactions made via ArCa plastic cards issued by 18 commercial banks participating in the “ArCa” unified system of card payments and via plastic cards belonging to the “VISA” and “MasterCard” international card systems. The “ArCa” Processing Center provides card services through ATMs, POS terminals, imprinters, and via Internet.

As the operator of the “ArCa” unified system of card payments, the Processing Center has executed card transactions totaling AMD 86 billion, including AMD 10 billion transactions with cards issued by foreign banks.

PAYMENT AND SETTLEMENT SYSTEM

With a view to developing the payment and settlement system of Armenia, the Central Bank of Armenia (CBA) further developed the legal framework on payment systems (see the “Changes in Financial System Regulatory Framework” section), as well as non-cash turnover. The CBA has developed an Action Plan for the Development of Non-Cash Turnover, which was approved by the CBA and submitted to the Republic of Armenia Government. In the frameworks of this Action Plan, the CBA plans to cooperate with other relevant bodies to carry out a comprehensive set of activities in the payment and settlement system and related areas, which will promote the use of non-cash payment instruments and the development of non-cash turnover.

Financial, legal, and other requirements on payment and settlement organizations willing to participate in foreign payment systems have been clarified in order to minimize potential risks.

The CBA has developed a Concept Paper on Payment System Oversight by the Central Bank of Armenia, which sets forth the CBA’s objectives and scope of the payment system oversight, as well as the policy and process, and the scope of cooperation with other entities.

To regulate the issuance and circulation of new types of securities by the Republic of Armenia Ministry of Finance and Economy (perpetual government bonds and government savings (coupon) bonds), the CBA’s Government Securities Accounting and Settlement System was modified appropriately, and procedures were developed in 2006.

With a view to developing the securities market by means of channeling through the Central Depository of Armenia the repurchase and reverse repurchase transactions involving highly-rated commercial papers, a number of documents have been developed to streamline the legal framework.

In order to minimize operational risks in the settlement of transactions in the Armenian Stock Exchange and automate the process, the appropriate payment message formats have been developed, which ensure the electronic submission to the CBA of the net positions for purposes of settlement.

During the reported period, the CBA has authorized several of the commercial banks operating in Armenia to participate in various international payment systems (Visa, MasterCard, and AMEX).

During 2006, non-cash turnover in Armenia increased by about 12.6% to reach AMD 5,494 billion. Non-cash payments were made mainly using credit payment instruments (99.6% of the value and 91.4% of the volume, while payment instructions filed electronically accounted for 61.8% of the value and 53.7% of the volume of payment instruments). Payments using debit instruments accounted for 0.4% of the value and 8.6% of the volume of total payments.

As of yearend 2006, 20 commercial banks were issuing and acquiring payment cards. 18 commercial banks were members of the "Armenian Card" ("ArCa") Unified Card Payment System. During 2006, the number of banks-members of ArCa grew by two (Ararat Bank and Armbusinessbank).

During 2006, the total number of cards in circulation grew by 52.4% to reach 209,113 at yearend. The number of ArCa cards grew by 65.7% to reach 92,283, while the number of international cards in circulation grew by 42.4% to reach 116,830 (the number of Visa cards grew by 44.4% to reach 90,733, while that of MasterCard international cards grew by 100% to reach 11,813). Of the total number of cards (in circulation) issued by commercial banks operating in Armenia, ArCa cards accounted for 44.1%, while Visa and MasterCard cards accounted for 43.4% and 5.7%, respectively. The remaining 6.8% were cards of other international card systems, including the HSBC debit cards.

During 2006, a total of 1,408,900 transactions with a total value of AMD 45.5 billion were carried out using "ArCa" cards, representing a 63.4% increase over 2005. Transactions using ArCa cards accounted for 32.9% of the value and 46.5% of the volume of all card transactions.

Transactions using Visa international cards account for a prevalent share (43.8%) of the value of card transactions. The value of transactions using VISA international cards reached AMD 60.5 billion (1,008,000 transactions), while MasterCard international cards were used in a total of 169,500 transactions for a total value of AMD 12.7 billion. The value of transactions using VISA and MasterCard cards grew by 52.8% and 64.7%, respectively, while their volumes grew by 45.7% and 88.5%, respectively.

During 2006, e-payments (transactions via the Internet) accounted for AMD 258 million (a total of 31,500 transactions) (including 29,600 e-commerce transactions worth a total of AMD 161 million, and 1,900 card-to-card payments for a total of AMD 97 million). To develop the ArCa system of unified card payments, work is currently underway to make ATM cash deposit facilities available to cardholders.

Money transfers of natural persons without opening a bank account are performed by commercial banks operating in Armenia and money transmitter organizations

licensed by the CBA. The total value of inbound and outbound money transfers to natural persons through commercial banks and money transmitter organizations reached AMD 510 and 321 billion, respectively.

The total value of outbound transfers from Armenia through commercial banks operating in Armenia grew by 18.1% to reach AMD 38.5 billion, while their value grew by 88.0% to reach 95,500. The total value of inbound transfers to Armenia through commercial banks grew by 29.2% (to reach AMD 315.5 billion drams), while their volume grew by 29.0% (a total of 1,253,637 inbound transfers). During the reported period, transfers through Unistream account for the largest share (49.3% of the total value and 33.9% of the total volume) of inbound transfers using systems such as Western Union, Money Gram, Anelik, Unistream, Bistraya Pochta, and others. Inbound transfers through Western Union and Anelik stand out, as well (13.1% and 12.9% of value and 17.03% and 18.35% of volume, respectively). Transfers through the Bistraya Pochta system accounted for 12.1% of the total value and 13.1% of the volume of transfers. Transfers through Contact, Money Gram, and other systems accounted for the rest.

The share of inbound transfers to natural persons in total transfers using the SWIFT system fell by 5.9% to about AMD 189 billion.

Three of the money transmitter organizations transferred AMD 5.3 billion to their customers in Armenia during 2006 and AMD 1.1 billion abroad. The average size of a transfer to Armenia using payment and settlement organizations was AMD 117,000 during 2006.

As of December 31, 2006, 21 commercial banks operating in Armenia, as well as the CBA were members of SWIFT. During the year, the value and volume of transfers to Armenia via SWIFT fell by 36.7% and 3.0%, respectively. The value of transfers abroad via SWIFT fell by 29.7% during 2006, while their volume grew by 2.9%.

Some of the commercial banks operating in Armenia provide services to their customers through remote banking systems (PC banking, Internet banking, Telebanking, mobile phone, home banking). These systems enable customers not only to obtain information about their accounts, but also to manage their accounts by giving instructions to the bank.

During 2006, customers initiated AMD 249.2 billion worth of payments through mobile banking systems.

To develop and further regulate the payment and settlement sector, the CBA plans to improve non-cash payments and the regulation and supervision of payment systems, and to introduce new technology in 2007.

SUPERVISION DEVELOPMENT PROSPECTS

The Central Bank of Armenia (CBA) will implement a number of activities in 2007 to sustain the development of Armenia's financial system and to strengthen an environment of healthy competition. In terms of financial system stability and protection of financial system consumers' interest, the CBA will focus primarily on the introduction of a new system of supervision. In the context of broadening financial intermediation, the CBA will attach great importance to the harmonious development of banking, securities, and insurance markets, and engage actively in the reform of the pension system.

Improving the Supervision Framework

During 2007, the CBA will considerably revise the supervision system and start implementing a new system of supervision. The current model implies financial system supervision by institutional breakdown (banks, insurance companies, and securities market specialized entities). The new system of supervision will imply a model of functional regulation/supervision, clearly distinguishing prudential, market conduct, and financial system consumer protection regulatory/supervisory functions. In the context of the transition to the new supervision system, a clear action plan for consumer protection will be drafted in 2007 to boost confidence in the financial market and to deepen financial intermediation.

The CBA plans to work towards making high-quality financial services accessible to various segments of consumers. The CBA will develop a rating methodology and, based on the assessment results, rate financial organizations. Ratings will be regularly publicized.

In connection with the aforementioned structural changes in the financial system supervision framework, the acts regulating the CBA's supervisory functions will be revised and amended in 2007, and new acts will be drafted. New supervision staff will be recruited, and the existing staff will be subject to additional requirements on qualification. Furthermore, standards will be developed and implemented.

Financial System Development Measures

From January 1, 2006, the CBA undertook the regulation and supervision of insurance and securities markets. Harmonious development of banking, securities, and

insurance markets is a high priority. Amendments to the Law on Insurance and the Law on Securities Market Regulation, which were drafted by the CBA in 2006, are designed to regulate and reform the development policies of these two markets.

Insurance Market

The insurance market development and supervision reform activities that started in 2006 will continue in 2007. There are plans to harmonize the insurance legislation of Armenia with European standards and the standards developed by the International Association of Insurance Supervisors, to introduce institutions needed for the sound operation of the insurance market (actuaries and case reporting and evaluation infrastructure), and to form an adequate supervisory and regulatory framework.

In 2007, a new draft Law on Insurance will be submitted to the Government, addressing a number of issues that are neither regulated nor mentioned in the current Law on Insurance.

The introduction of infrastructures supporting the effective functioning of the insurance market, which are also preconditions for mandatory insurance, will continue in 2007. The following are currently being drafted and will be enacted in 2007:

- Clear and effective procedures for reporting road accident cases for insurance purposes, which will boost the confidence of potential insured persons;
- Creation of an insurance statistics center that will facilitate the assessment and management of insurance risks and the creation of a reliable database for setting tariffs;
- A draft on actuaries, aimed at forming, educating, and developing the actuarial profession in Armenia; and
- Development of evaluators in order to evaluate insurance risks and set fair prices for compensation of damage.

The development of the insurance regulatory and supervisory framework will remain a priority. In 2006, the CBA Board approved a new chart of accounts and instructions on its implementation, new prudential and reserve regulations, the procedure of justifying insurance tariffs, the procedure of filing reports to the CBA by insurers, the sample forms of financial reports published by insurers, and instructions on how to file such reports. The latter will enter into force during 2007. The model by-laws of insurance agents and the requirements on reports submitted to the CBA by insurance brokers for supervision purposes will be revised in 2007.

From a standpoint of supervision improvement and risk identification, much attention will be paid in 2007 to the development of early warning instruments for any

deterioration of the financial status of insurance companies, as well as the drafting and introduction of inspection manuals for supervisors. Efforts aimed at harmonizing the domestic insurance companies' and agents' regulatory and supervisory framework with the European standards and the standards developed by the International Association of Insurance Supervisors (IAIS) will continue in 2007. The qualification tests of insurers' managers will be revised in line with amendments to the legislative and sub-legislative frameworks.

Securities Market

In the frameworks of the strategy to increase the number of securities market stakeholders, the CBA will implement a number of measures facilitating the development of the securities market in 2007.

The CBA will continue, jointly with the Swedish exchange operator OMX, to examine development prospects of the Armenian securities market and to implement a set of recommendations on developing the market.

The drafting of a new Law on the Securities Market will be completed. The urgency of a new law is justified by the need to harmonize the regulatory framework with the EU directives and implement a policy supporting the development of the securities market.

The implementation of a number of activities stipulated by the CBA's Concept Paper for Securities Market Development will continue in 2007, including, most notably, close cooperation with potential issuers, commercialization of the Stock Exchange and Central Depository, and facilitation of commercial banks' access to the securities market.

With a view to improving the sub-legislative framework on the securities market, banks and credit organizations will be granted direct access to the securities market, a two-level custody system will be introduced, prudential requirements will be defined for specialized entities in the securities market, the information to be contained in a securities prospectus (as well as reports of reporting issuers) will be identified, and a number of other changes will be made. Support to entities issuing securities through IPOs will continue.

Banking Sector

The development of the insurance market and private pension funds (the latter are considered institutions that generate money in the economy) will help to meet the

economy's demand for long-term credit. As these markets remain underdeveloped, the CBA is currently taking steps to meet demand for long-term mortgage credit in other ways. During 2006, mortgage lending was the fastest-growing component of loans to the economy; therefore, the CBA will keep up efforts to develop mortgage lending in 2007, as well. The CBA will continue working with the German KfW Development Bank. In 2007, KfW will refinance partner banks and credit organizations selected for the mortgage market development program for a total of EUR 12 million. The CBA plans to work towards developing the secondary mortgage market in 2007. The CBA will draft a Law on Securitization of Assets and Asset-Backed Securities. The adoption of this law is important, because it will enable banks and credit organizations to issue mortgage securities in order to raise funds from the capital market to finance mortgage loans.

The CBA will continue implementing Basle II in the Armenian banking system in 2007, which will facilitate the development of an effective risk management system in banks, as well as the integration of Armenian commercial banks with international financial markets. In 2006, training courses on Basle II were organized for bank managers and employees. A working group was created, comprising representatives of commercial banks and the CBA, to coordinate the implementation of Basle II. In 2006, amendments to the banking sector regulatory framework were drafted under the standardized approach of Basle II (assets risk weights are revised as well as the market risk and operational risk are included in the capital adequacy calculation). The aforementioned regulatory changes will take effect in 2007.

Payment and Settlement System

The CBA plans to continue supervising the payment and settlement system of Armenia in 2007. In connection with the introduction of new technology, the CBA will continue putting in place conditions for the issuance of smart cards in the frameworks of the ArCa unified card system, as well as the servicing in Armenia of smart cards issued by international (Visa and MasterCard) card payment systems, which in turn lays the groundwork for reducing risks in the ArCa payment system and applying enhanced protection measures. Work is currently underway in the ArCa payment system to connect ATMs and POS-terminals with the processing center through the cellular network, which will enhance the security and reliability of system links. Moreover, web technologies will be introduced for ATMs, which will enable commercial banks to connect ATMs to the Internet and to support non-cash transactions in the Internet, based on a virtual card formed on the basis of a plastic card.

Pension System Reforms

In 2007, the CBA will remain pro-active in the reforms of the pension system.

The purpose of introducing the reformed system is to enhance the efficiency of the pension system, to further expand and develop the financial system, to deepen financial intermediation, and to make long-term credit available to the economy.

Financial Stability System

From January 1, 2006, the CBA undertook the supervision of the whole financial system of Armenia, with a special focus on ensuring financial stability. In recent years, many countries have paid much attention to studying not only individual components of the financial system, but also the overall financial system developments, as they relate to integration with international markets and the application of the relevant financial instruments. Overall financial system stability can be distorted by various risks emanating from internal and external economies (partner states). In the context of ensuring financial stability, it is very important to carry out a detailed review of risks arising in the financial system and all the macroeconomic sectors (real, fiscal, and external sectors).

In 2007, under its Concept Paper for a Financial System Stability Framework, the CBA will continue to identify and study internal and external risks emanating from the activities of various financial system participants, with a view to measuring their impact on financial stability. To ensure the stability of the financial system, the CBA will continue to supervise and regulate insurance and securities markets, as well as the other participants of the financial system.

To achieve stability in the financial system, supervisory functions need to be combined with measures aimed at identifying and preventing impermissible levels of potential risks undermining the financial system.

Appendixes

Commercial Banks Operating in Armenia and their branches

Commercial banks		Branches	
		31.12.2005	31.12.2006
1	VTB-Armenia Bank	101	98
2	Ardshininvestbank	51	51
3	Armeconombank	39	43
4	Artsakhbank	12	14
5	Converse Bank	16	16
6	ACBA – Credit Agricole Bank	12	16
7	Unibank	17	27
8	Anelik Bank	6	8
9	Areximbank	4	8
10	Inecobank	4	4
11	HSBC Bank Armenia	1	2
12	Prometey Bank	3	2
13	Armimpexbank	-	-
14	Armenian Development Bank	-	-
15	Armbusinessbank	-	1
16	Mellat Bank	-	-
17	Cascade Bank	-	-
18	ITB International Trade Bank	2	4
19	BTA Investbank	1	2
20	Ararat Bank		3
21	Armswissbank	-	-
Total		269	299

Appendix 2

Survey Balance Sheet Indicators of Commercial Banks Operating in Armenia

(thousand drams)

Indicators			31.12.04	31.12.05	Change 31.12.06-31.12.05	31.05.06	Change 31.05.06-31.12.05	30.06.06	Change 30.06.06-31.05.06
			1	2	3	4	5	6	7
Assets	Cash	AMD	6964968	11193271	60.7%	10997879	-1.7%	10118885	-8.0%
		FX	17745627	15791693	-11.0%	17181777	8.8%	16692757	-2.8%
	Correspondent accounts with the CBA and other claims on the CBA	AMD	27686319	28684125	3.6%	23258440	-18.9%	20839820	-10.4%
		FX	0	22322722	100.0%	24679181	10.6%	24367702	-1.3%
	Correspondent accounts with banks and other claims on banks	AMD	2740070	1433294	-47.7%	1742844	21.6%	5057676	190.2%
		FX	99469659	67970937	-31.7%	70290158	3.4%	55399630	-21.2%
	Claims on other financial institutions	AMD	2116767	5215286	146.4%	5644376	8.2%	6997543	24.0%
		FX	4722095	2585819	-45.2%	1993234	-22.9%	2162494	8.5%
	Government securities		36596314	65576558	79.2%	75993943	15.9%	74985230	-1.3%
	Liabilities on securities purchased through repo agreements and on foreign currency purchased through currency swap	AMD	-4236986	-6239541	47.3%	-7509982	20.4%	-10373395	38.1%
		FX	0	0	-	-313576	100.0%	-275928	-12.0%
	Repo agreements (except interbank repos)	AMD	0	0	-	598644	100.0%	300307	-49.8%
		FX	0	0	-	0	-	0	-
	Loans to legal entities	AMD	27530658	40484971	47.1%	42373733	4.7%	47986799	13.2%
		FX	51691888	63731078	23.3%	66552484	4.4%	66355290	-0.3%
	Loans to individuals	AMD	10863202	23966654	120.6%	24136770	0.7%	29478126	22.1%
		FX	38544218	49823289	29.3%	57414087	15.2%	61352229	6.9%
	Loans to bank related parties and employees	AMD	1468646	2532112	72.4%	2224529	-12.1%	2513617	13.0%
		FX	2227656	3484976	56.4%	2962531	-15.0%	3162381	6.7%
	Assets provisioning		-3805466	-3413727	-10.3%	-3888625	13.9%	-4073121	4.7%
	Interest receivable		2112345	2700113	27.8%	3056334	13.2%	2947277	-3.6%
	Fixed assets		21955413	25013801	13.9%	25921121	3.6%	28048099	8.2%
	Other securities		3962181	999245	-74.8%	1427492	42.9%	1462958	2.5%
	Leasing, factoring (except interbank leasing and factoring)		4761969	3781838	-20.6%	3942142	4.2%	4035379	2.4%
	Other assets		8430001	12827709	52.2%	15472804	20.6%	15636180	1.1%
	Total balance sheet assets		363567544	440674145	21.2%	466152320	5.8%	465177935	-0.2%

				1	2	3	4	5	6	7
Liabilities	Correspondent accounts of banks		AMD	286086	353082	23.4%	392977	11.3%	2527263	543.1%
			FX	5733448	4621770	-19.4%	3846595	-16.8%	3653600	-5.0%
	Other liabilities to banks (including the CBA)		AMD	16056501	14212362	-11.5%	16099324	13.3%	19007091	18.1%
			FX	13169228	24172463	83.6%	24651280	2.0%	32286902	31.0%
	Demand liabilities to legal entities		AMD	28561688	50376433	76.4%	47682416	-5.3%	50255062	5.4%
			FX	52167290	42160840	-19.2%	60302917	43.0%	43834955	-27.3%
	Demand liabilities to individuals		AMD	6490154	10277819	58.4%	10470385	1.9%	11892939	13.6%
			FX	48357694	42300069	-12.5%	44677353	5.6%	43281349	-3.1%
	Term deposits of legal entities		AMD	9303891	14807606	59.2%	14725737	-0.6%	13014501	-11.6%
			FX	28778271	34344040	19.3%	28316364	-17.6%	23164913	-18.2%
	Term deposits of individuals		AMD	4847757	8646948	78.4%	9848174	13.9%	10815134	9.8%
			FX	48473761	58424772	20.5%	63365949	8.5%	59219893	-6.5%
	Liabilities to the Government			13380620	16275264	21.6%	18722014	15.0%	20162250	7.7%
	Interest payable			1397495	1890445	35.3%	1816570	-3.9%	1974501	8.7%
Capital	Other liabilities			21932021	23049476	5.1%	21981658	-4.6%	27752534	26.3%
	Total balance sheet liabilities			298935905	345913589	15.7%	366899713	6.1%	362842887	-1.1%
	Actually paid-in statutory fund			40134956	60297882	50.2%	60547882	0.4%	65447868	8.1%
	General reserve			5161084	6449947	25.0%	6449947	0.0%	7620422	18.1%
	Repurchased own shares of bank			0	0	-	0	-	0	0
	Undistributed profit (loss)	Current period		17182041	12004620	30.1%	16343371	36.1%	8221585	-49.7%
		Previous period		-2857405	9850677	-444.7%	9596293	-2.6%	14390285	50.0%
	Total balance sheet capital			64631639	94760756	46.6%	99252607	4.7%	102335048	3.1%
Note	Pledge received			304446478	416964496	37.0%	448724008	7.6%	499402957	11.3%
	o/w: securities			4768657	3969832	-16.8%	2976938	-25.0%	3905451	31.2%
	Guarantees received			50957543	82770395	62.4%	92393986	11.6%	98623253	6.7%
	Written off	loans		9282606	9182312	-1.1%	8787151	-4.3%	8068114	-3.2%
		receivables and other assets		3388264	4339260	28.1%	3983765	-8.2%	3729167	3.6%
		interest		4258841	3901036	-8.4%	3929315	0.7%	3867622	-0.9%
	Guarantees provided			5835763	8386373	43.7%	6747017	-19.5%	9981978	47.9%
	Pledged issued	total		9561007	8986344	-6.0%	7804671	-13.1%	8681669	11.2%
		o/w: government securities		1535702	2184668	42.3%	1130010	-48.3%	2484972	119.9%

Appendix 2
(continuation)

Survey Balance Sheet Indicators of Commercial Banks Operating in Armenia

(thousand drams)

Indicators			30.09.06	Changes 30.09.06-30.06.06	31.12.06	Changes 31.12.06-30.09.06	Annual 2006	Changes 31.12.06-31.12.05	
			8	9	10	11	12	13	
Assets	Cash	AMD	10215027	1.0%	15372106	50.5%	15372106	4178835	37.3%
		FX	23418518	40.3%	15198111	-35.1%	15198111	-593582	-3.8%
	Correspondent accounts with the CBA and other claims on the CBA	AMD	27766546	33.2%	38169305	37.5%	38169305	9485180	33.1%
		FX	19418228	-20.3%	23628784	21.7%	23628784	1306062	5.9%
	Correspondent accounts with banks and other claims on banks	AMD	1536051	-69.6%	3723119	142.4%	3723119	2289825	159.8%
		FX	48638542	-12.2%	58087230	19.4%	58087230	-9883707	-14.5%
	Claims on other financial institutions	AMD	8727646	24.7%	8714525	-0.2%	8714525	3499239	67.1%
		FX	1692195	-21.7%	1455662	-14.0%	1455717	-1130157	-43.7%
	Government securities		85286195	13.7%	93623489	9.8%	93623489	28046931	42.8%
	Liabilities on securities purchased through repo agreements and on foreign currency purchased through currency swap	AMD	-9200774	-11.3%	-11730337	27.5%	-11730337	-5490796	88.0%
		FX	-190750	-30.9%	-610680	220.1%	-610680	-610680	100%
	Repo agreements (except interbank repos)	AMD	355047	18.2%	238401	-32.9%	238401	238401	100%
		FX	0	-	0	-	0	0	0%
	Loans to legal entities	AMD	49425294	3.0%	54234059	9.7%	54234059	13749088	34.0%
		FX	65002593	-2.0%	60316870	-7.2%	60316870	-3414208	-5.4%
	Loans to individuals	AMD	36324066	23.2%	49395335	36.0%	49395335	25428681	106.1%
		FX	57118157	-6.9%	59577126	4.3%	59577126	9753837	19.6%
	Loans to bank related parties and employees	AMD	2736134	8.9%	2527026	-7.6%	2527026	-5086	-0.2%
		FX	3181121	0.6%	3603253	13.3%	3603253	118277	3.4%
	Assets provisioning		-4587143	12.6%	-4562064	-0.5%	-4562064	-1148337	33.6%
	Interest receivable		2884317	-2.1%	3106010	7.7%	3106010	405897	15.0%
	Fixed assets		28209532	0.6%	30684002	8.8%	30684002	5670201	22.7%
	Other securities		1490883	1.9%	1225834	-17.8%	1225834	226589	22.7%
	Leasing, factoring (except interbank leasing and factoring)		3858146	-4.4%	4019180	4.2%	4019180	237342	6.3%
	Other assets		19010822	21.6%	14637726	-23.0%	14521086	1810017	13.2%
	Total balance sheet assets			482516393	3.7%	524634072	8.8%	524517487	83959927

			8	9	10	11	12	13	
Liabilities	Correspondent accounts of banks	AMD	1078704	-57.3%	326082	-69.8%	326082	-27000	-7.6%
		FX	2871480	-21.4%	4385729	52.7%	4385729	-236041	-5.1%
	Other liabilities to banks (including the CBA)	AMD	17503310	-7.9%	23675655	35.3%	23675655	9463293	66.6%
		FX	32702646	1.3%	29746273	-9.0%	29746273	5573810	23.1%
	Demand liabilities to legal entities	AMD	57585730	14.6%	64197565	11.5%	64197565	13821132	27.4%
		FX	40033071	-8.7%	37949927	-5.2%	37949927	-4210913	-10.0%
	Demand liabilities to individuals	AMD	17688259	48.7%	20649762	16.7%	20649762	10371943	100.9%
		FX	38554497	-10.9%	38176535	-1.0%	38176535	-4123534	-9.7%
	Term deposits of legal entities	AMD	14644787	12.5%	23355332	59.3%	23355332	8527726	57.6%
		FX	17262207	-25.5%	30576190	77.1%	30576190	-3767850	-11.0%
	Term deposits of individuals	AMD	14726222	36.2%	22520313	52.9%	22520313	13873365	160.4%
		FX	57598928	-2.7%	62199228	8.0%	62199228	3774456	6.5%
Capital	Liabilities to the Government		19629943	-2.6%	18063406	-8.0%	18063406	1788142	11.0%
	Interest payable		2044328	3.5%	2293525	12.2%	2288754	403080	21.1%
	Other liabilities		31005886	11.7%	26266575	-15.3%	26255194	3217099	13.9%
	Total balance sheet liabilities		564929998	0.6%	404362097	10.8%	404345948	58448708	16.9%
	Actually paid-in statutory fund		79655615	21.7%	80107615	0.6%	80107615	19809733	32.9%
	General reserve		4620422	-39.4%	4620422	0.0%	4620422	-1829525	-28.4%
	Repurchased own shares of bank		0	0.0%	0	0.0%	0	0	0.0%
	Undistributed profit)	Current period	12823055	56.0%	16418010	28.0%	16314819	4413390	35.9%
		Previous period	13161506	-8.5%	12406486	-5.7%	12406486	2555809	25.9%
	Total balance sheet capital		117586395	14.7%	120271975	2.5%	120171559	25511219	26.8%
Note	Pledge received		544705566	9.1%	603703074	10.8%	603703074	186738578	44.8%
	o/w: Government securities		3494415	-10.5%	3448616	-1.3%	3448616	-521216	-13.1%
	Guarantees received		101856049	3.3%	111709644	9.7%	111709644	28939249	35.0%
	Written off	loans	7684938	-4.7%	8461131	10.1%	8461131	-721181	-7.9%
		receivables and other assets	4464591	19.7%	3503659	-21.5%	3503659	-835601	-19.3%
		interest	3721469	-3.8%	3660302	-1.6%	3660302	-240734	-6.2%
	Guarantees issued		11377559	14.0%	11118111	-2.3%	11118111	2731738	32.6%
	Pledge provided	Total	8780398	1.1%	8609846	-1.9%	8609846	-376498	-4.2%
		o/w: government securities	1959397	-21.2%	2121582	8.3%	2121582	-63086	-2.9%

AMD - in Armenian drams

FX – in foreign currency

Survey Balance Sheet Indicators Structure of Commercial Banks Operating in Armenia

Indicators			31.12.04	31.12.05	Changes 31.12.06- 31.12.05	31.03.06	Changes 31.03.06- 31.12.05	30.06.06	Changes 30.06.06- 31.03.06
			1	2	3	4	5	6	7
Assets	Cash	AMD	1.9%	2.5%	0.6%	2.4%	-0.2%	2.2%	-0.2%
		FX	4.9%	3.6%	-1.3%	3.7%	0.1%	3.6%	-0.1%
	Correspondent accounts with the CBA and other claims on the CBA	AMD	7.6%	6.5%	-1.1%	5.0%	-1.5%	4.5%	-0.5%
		FX	0.0%	5.1%	5.1%	5.3%	0.2%	5.2%	-0.1%
	Correspondent accounts with banks and other claims on banks	AMD	0.8%	0.3%	-0.4%	0.4%	0.0%	1.1%	0.7%
		FX	27.4%	15.4%	-11.9%	15.1%	-0.3%	11.9%	-3.2%
	Claims on other financial institutions	AMD	0.6%	1.2%	0.6%	1.2%	0.0%	1.5%	0.3%
		FX	1.3%	0.6%	-0.7%	0.4%	-0.2%	0.5%	0.0%
	Government securities		10.1%	14.9%	4.8%	16.3%	1.4%	16.1%	-0.2%
	Liabilities on securities purchased through repo agreements and on foreign currency purchased through currency swap	AMD	-1.2%	-1.4%	-0.3%	-1.6%	-0.2%	-2.2%	-0.6%
		FX	0.0%	0.0%	0.0%	-0.1%	-0.1%	-0.1%	0.0%
	Repo agreements (except interbank repos)	AMD	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	-0.1%
		FX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Loans to legal entities	AMD	7.6%	9.2%	1.6%	9.1%	-0.1%	10.3%	1.2%
		FX	14.2%	14.5%	0.2%	14.3%	-0.2%	14.3%	0.0%
	Loans to individuals	AMD	3.0%	5.4%	2.5%	5.2%	-0.3%	6.3%	1.2%
		FX	10.6%	11.3%	0.7%	12.3%	1.0%	13.2%	0.9%
	Loans to bank related parties and employees	AMD	0.4%	0.6%	0.2%	0.5%	-0.1%	0.5%	0.1%
		FX	0.6%	0.8%	0.2%	0.6%	-0.2%	0.7%	0.0%
	Assets provisioning		-1.0%	-0.8%	0.3%	-0.8%	-0.1%	-0.9%	0.0%
	Interest receivable		0.6%	0.6%	0.0%	0.7%	0.0%	0.6%	0.0%
	Fixed assets		6.0%	5.7%	-0.4%	5.6%	-0.1%	6.0%	0.5%
	Other securities		1.1%	0.2%	-0.9%	0.3%	0.1%	0.3%	0.0%
	Leasing, factoring (except interbank leasing and factoring)		1.3%	0.9%	-0.5%	0.8%	0.0%	0.9%	0.0%
	Other assets		2.3%	2.9%	0.6%	3.3%	0.4%	3.4%	0.0%
	Total balance sheet assets		100.0%	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%

				1	2	3	4	5	6	7
Liabilities	Correspondent accounts of banks		AMD	0.1%	0.1%	0.0%	0.1%	0.0%	0.7%	0.6%
			FX	1.9%	1.3%	-0.6%	1.0%	-0.3%	1.0%	0.0%
	Other liabilities to banks (including the CBA)		AMD	5.4%	4.1%	-1.3%	4.4%	0.3%	5.2%	0.9%
			FX	4.4%	7.0%	2.6%	6.7%	-0.3%	8.9%	2.2%
	Demand liabilities to legal entities		AMD	9.6%	14.6%	5.0%	13.0%	-1.6%	13.9%	0.9%
			FX	17.5%	12.2%	-5.3%	16.4%	4.2%	12.1%	-4.4%
	Demand liabilities to individuals		AMD	2.2%	3.0%	0.8%	2.9%	-0.1%	3.3%	0.4%
			FX	16.2%	12.2%	-3.9%	12.2%	-0.1%	11.9%	-0.2%
	Term deposits of legal entities		AMD	3.1%	4.3%	1.2%	4.0%	-0.3%	3.6%	-0.4%
			FX	9.6%	9.9%	0.3%	7.7%	-2.2%	6.4%	-1.3%
	Term deposits of individuals		AMD	1.6%	2.5%	0.9%	2.7%	0.2%	3.0%	0.3%
			FX	16.2%	16.9%	0.7%	17.3%	0.4%	16.3%	-0.9%
	Liabilities to the Government			4.5%	4.7%	0.2%	5.1%	0.4%	5.6%	0.5%
Interest payable			0.5%	0.5%	0.1%	0.5%	-0.1%	0.5%	0.0%	
Other liabilities			7.3%	6.7%	-0.7%	6.0%	-0.7%	7.6%	1.7%	
Total balance sheet liabilities			100.0%	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%	
Capital	Actually paid-in statutory fund			62.1%	63.6%	1.5%	61.0%	-2.6%	64.0%	3.0%
	General reserve			8.0%	6.8%	-1.2%	6.5%	-0.3%	7.4%	0.9%
	Repurchased own shares of bank			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Undistributed profit)	Current period		26.6%	12.7%	-13.9%	16.5%	3.8%	8.0%	-8.4%
		Previous period		-4.4%	10.4%	14.8%	9.7%	-0.7%	14.1%	4.4%
	Total balance sheet capital			100.0%	100.0%	0.0%	100.0%	0.0%	100.0%	0.0%

Appendix 3
(continuation)

Survey Balance Sheet Indicators Structure of Commercial Banks Operating in Armenia

Indicators			30.09.06	Changes 30.09.06- 30.06.06	31.12.06	Changes 31.12.06- 30.09.06	Annual 2006	Changes 31.12.06- 31.12.05
			8	9	10	11	12	13
Assets	Cash	AMD	2.1%	-0.1%	2.9%	0.8%	2.9%	0.4%
		FX	4.9%	1.3%	2.9%	-2.0%	2.9%	-0.7%
	Correspondent accounts with the CBA and other claims on the CBA	AMD	5.8%	1.3%	7.3%	1.5%	7.3%	0.8%
		FX	4.0%	-1.2%	4.5%	0.5%	4.5%	-0.6%
	Correspondent accounts with banks and other claims on banks	AMD	0.3%	-0.8%	0.7%	0.4%	0.7%	0.4%
		FX	10.1%	-1.8%	11.1%	1.0%	11.1%	-4.4%
	Claims on other financial institutions	AMD	1.8%	0.3%	1.7%	-0.1%	1.7%	0.5%
		FX	0.4%	-0.1%	0.3%	-0.1%	0.3%	-0.3%
	Government securities		17.7%	1.6%	17.8%	0.2%	17.8%	3.0%
	Liabilities on securities purchased through repo agreements and on foreign currency purchased through currency swap	AMD	-1.9%	0.3%	-2.2%	-0.3%	-2.2%	-0.8%
		FX	0.0%	0.0%	-0.1%	-0.1%	-0.1%	-0.1%
	Repo agreements (except interbank repos)	AMD	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
		FX	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Loans to legal entities	AMD	10.2%	-0.1%	10.3%	0.1%	10.3%	1.2%
		FX	13.5%	-0.8%	11.5%	-2.0%	11.5%	-3.0%
	Loans to individuals	AMD	7.5%	1.2%	9.4%	1.9%	9.4%	4.0%
		FX	11.8%	-1.3%	11.4%	-0.5%	11.4%	0.0%
	Loans to bank related parties and employees	AMD	0.6%	0.0%	0.5%	-0.1%	0.5%	-0.1%
		FX	0.7%	0.0%	0.7%	0.0%	0.7%	-0.1%
	Assets provisioning		-1.0%	-0.1%	-0.9%	0.1%	-0.9%	-0.1%
	Interest receivable		0.6%	0.0%	0.6%	0.0%	0.6%	0.0%
	Fixed assets		5.8%	-0.2%	5.8%	0.0%	5.8%	0.2%
	Other securities		0.3%	0.0%	0.2%	-0.1%	0.2%	0.0%
	Leasing, factoring (except interbank leasing and factoring)		0.8%	-0.1%	0.8%	0.0%	0.8%	-0.1%
	Other assets		3.9%	0.6%	2.8%	-1.2%	2.8%	-0.1%
	Total balance sheet assets		100.0%	0.0%	100.0%	0.0%	100.0%	0.0%

			8	9	10	11	12	13
Liabilities	Correspondent accounts of banks	AMD	0.3%	-0.4%	0.1%	-0.2%	0.1%	0.0%
		FX	0.8%	-0.2%	1.1%	0.3%	1.1%	-0.3%
	Other liabilities to banks (including the CBA)	AMD	4.8%	-0.4%	5.9%	1.1%	5.9%	1.7%
		FX	9.0%	0.1%	7.4%	-1.6%	7.4%	0.4%
	Demand liabilities to legal entities	AMD	15.8%	1.9%	15.9%	0.1%	15.9%	1.3%
		FX	11.0%	-1.1%	9.4%	-1.6%	9.4%	-2.8%
	Demand liabilities to individuals	AMD	4.8%	1.6%	5.1%	0.3%	5.1%	2.1%
		FX	10.6%	-1.4%	9.4%	-1.1%	9.4%	-2.8%
	Term deposits of legal entities	AMD	4.0%	0.4%	5.8%	1.8%	5.8%	1.5%
		FX	4.7%	-1.7%	7.6%	2.8%	7.6%	-2.4%
	Term deposits of individuals	AMD	4.0%	1.1%	5.6%	1.5%	5.6%	3.1%
		FX	15.8%	-0.5%	15.4%	-0.4%	15.4%	-1.5%
Capital	Liabilities to the Government		5.4%	-0.2%	4.5%	-0.9%	4.5%	-0.2%
	Interest payable		0.6%	0.0%	0.6%	0.0%	0.6%	0.0%
	Other liabilities		8.5%	0.8%	6.5%	-2.0%	6.5%	-0.2%
	Total balance sheet liabilities		100.0%	0.0%	100.0%	0.0%	100.0%	0.0%
	Actually paid-in statutory fund		67.9%	3.9%	66.6%	-1.3%	66.6%	3.0%
	General reserve		3.9%	-3.5%	3.8%	-0.1%	3.8%	-3.0%
	Repurchased own shares of bank		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Undistributed profit)	Current period	10.9%	2.9%	13.7%	2.7%	13.7%	1.0%
		Previous period	11.2%	-2.8%	10.3%	-0.9%	10.3%	-0.1%
	Total balance sheet capital		100.0%	0.0%	100.0%	0.0%	100.0%	0.0%

AMD – in Armenian drams

FX – in foreign currency

Appendix 4

Change in Commercial Banks' Regulatory Capital Accounts

(thousand drams)

Indicators	At the beginning of period	Change within the period	At the end of period
Total capital	82477937	25216283	107694220
Tier 1 capital	77322927	23838899	101161826
Statutory fund	60297882	19809733	80107615
Note: number of shares sold (pcs)	3452452	234580	3687032
General reserve	6449947	-1829525	4620422
Undistributed profit	21855295	6969204	28824499
Amounts deducted from Tier 1 capital, o/w:	9850937	2539773	12390710
Long-term subordinate loans	0	0	0
Repurchased own shares of bank	0	0	0
Intangible assets (except for assets set forth in Regulation 2)	133142	89481	222623
Investments in statutory capital of other banks, credit organizations and other parties according to Regulation 2	623969	-303958	320011
Tangible assets not in use and capital investment in them	2295204	909169	3204373
Amount exceeding balance sheet value of tangible assets in use and capital investment in them and Tier 1 capital according to Regulation 2	6350027	1605335	7955362
Capital investment in bank's leased fixed assets	448595	239746	688341
Tier 2 capital	6415004	117390	6532394
Revaluation reserve of bank business premises	6240783	440307	6681090
Reserve generated from FX differences due to balance sheet consolidation	0	0	0
Other reserves	-125837	-22859	-148696

Appendix 5**Non-Residents' Participation in Statutory Fund of Commercial Banks***(thousand drams)*

Indicators	31.12.04	Change within 31.12.05- 31.12.04	31.12.05	Change within 31.12.06- 31.12.05	31.12.06
Statutory fund	39872373	18327454	58199827	15942044	74141871
o/w: non-residents	20988452	9768486	30756938	4913227	35670165
share of non-residents (%)	52.60%	0.25%	52.85%	-4.74%	48.11%

Appendix 6

Commercial Banks - Income and Expense

(thousand drams)

Indicators	31.12.04*	31.12.05	Change 31.12.05- 31.12.04*	31.03.06	30.06.06	30.09.06	31.12.06	Annual 31.12.06	Change 31.12.06- 31.12.05
	1	2	3	4	5	6	7	8	9
Interest received from correspondent accounts	228766	525011	129.5%	139218	335291	534214	689760	689760	31.4%
Interest received from funds allocated in the CBA	538876	133421	-75.2%	48504	76671	129326	172275	172275	29.1%
Interest received from funds allocated in commercial banks and other financial institutions	604191	665163	10.1%	197450	349928	494979	698916	698916	5.1%
Interest received from loans to economy	20528466	26534128	29.3%	7730833	16359250	25095941	34482073	34482073	30.0%
Interest received from overdraft	317153	215901	-31.9%	61577	137567	242625	318545	318545	47.5%
Interest received from credit cards	140519	248966	77.2%	85504	185938	313605	438696	438696	76.2%
Interest received from T-bills	2961637	2409268	-18.7%	679134	1384629	2129450	3124015	3124015	29.7%
Interest received from repo agreements	159599	186282	16.7%	70013	153686	259384	393109	393109	111.0%
Interest received from leasing	0	3421	100.0%	0	0	0	0	0	-100.0%
Other interest income	1539227	2003730	30.2%	623914	1273344	1952517	2568529	2568584	28.2%
Total interest income	27018433	32925291	21.9%	9636147	20256303	31152040	42885918	42885973	30.3%
Interest paid on correspondent accounts	49614	90278	82.0%	12668	29981	45337	47508	47508	-47.4%
Interest paid on bank accounts and demand deposits	485684	699747	44.1%	178528	352832	502723	721494	721494	3.1%
Interest paid on funds attracted from the CBA	847003	919824	8.6%	218663	453539	695722	923753	923753	0.4%
Interest paid on liabilities on repo agreements	42793	46137	7.8%	7778	21055	36455	58455	58455	26.7%
Interest paid on funds attracted from commercial banks and other financial institutions	390362	905678	132.0%	332713	737146	1272849	1809242	1809242	99.8%
Interest paid on term deposits	4788978	5804482	21.2%	1658340	3305968	4873586	6624208	6624208	14.1%
Interest paid on funds attracted from international financial organizations	286272	409103	42.9%	149431	303413	483213	639058	639058	56.2%
Interest paid on overdraft	1059	2987	182.1%	24	192	504	2547	2547	-14.7%
Interest expenses on deposit insurance	523675	224806	-57.1%	63236	128052	194070	262203	262203	16.6%
Expenses for accrued and not collected interest on non-performing assets	474246	559660	18.0%	154388	308211	424849	524731	524731	-6.2%
Other interest expenses	386057	626212	62.2%	142186	314028	558218	799937	797031	27.3%
Total interest expenses	8275743	10288914	24.3%	2917955	5954417	9087526	12413136	12410230	20.6%

Net interest income	18742690	22636376	20.8%	6718192	14301886	22064515	30472782	30475743	34.6%
Commissions received	7614112	9804722	28.8%	2237560	4875184	7684322	10946871	10946871	11.6%
Income from guarantees, acceptance and L/C operations, trust management	277609	309812	11.6%	79408	183759	287241	421709	421709	36.1%
Net income from hedging derivatives	-247	0	-100.0%	0	0	0	0	0	#DIV/0!
Net income from factoring	275912	296543	7.5%	69111	130276	186131	240211	240211	-19.0%
Income from investments in other organizations	638498	631517	-1.1%	246039	336513	629288	663805	663805	5.1%
Net income from sale of securities	426909	471686	10.5%	41257	198719	275351	416073	416073	-11.8%
Net income from FX purchase and sale	3677879	6034803	64.1%	1187752	2543649	4353251	6412879	6412879	6.3%
Positive (negative) exchange rate difference from FX revaluation	-811641	-394516	-51.4%	204	-7791	-208495	-272161	-272161	-31.0%
Net income from disposal of fixed assets	91328	-113252	-224.0%	1614	-2915	476787	456017	456017	-502.7%
Net income from revaluation of fixed assets	7877	-15684	-299.1%	-497	-13786	-13779	34916	34916	-322.6%
Fines and penalties received	409826	455699	11.2%	109782	264675	435988	682474	682474	49.8%
Other non-interest income	2758581	4566336	65.5%	160232	93345	1760073	1776251	1778118	-61.1%
Total non-interest income	15366641	22047666	43.5%	4132461	8601628	15866157	21779045	21780912	-1.2%
Salary and salary-equivalents (other remuneration and financing of social requirements)	7650942	10287417	34.5%	2708143	5852353	8952525	12977366	12977366	26.1%
Business trip costs	347131	376697	8.5%	74437	173706	259501	378266	378266	0.4%
Contribution to State Fund of Social Insurance of RA	780776	1047440	34.2%	291504	617048	956886	1350106	1350106	28.9%
Taxes, duties, other mandatory pays	757440	786989	3.9%	199113	416785	629132	912805	912805	16.0%
Depreciation	2338631	2919537	24.8%	775171	1583237	2421684	3293394	3293394	12.8%
Leasing charge for bank premises and other fixed assets	657580	758621	15.4%	218452	465011	709044	968815	968815	27.7%
Advertisement and representative costs	862492	943784	9.4%	224264	484884	772994	1205059	1205059	27.7%
Office and printing costs	354475	426788	20.4%	107594	225698	342424	484801	484801	13.6%
Audit and consultation services costs	247554	214891	-13.2%	68950	149722	229001	329608	329608	53.4%
Bank equipment maintenance costs	215759	256329	18.8%	75350	158467	249028	353666	353666	38.0%
Transport costs	268083	304952	13.8%	77471	168950	262381	369067	369067	21.0%
Communication costs	938230	1007226	7.4%	266822	563687	890069	1245330	1245330	23.6%
Fines and penalties paid	28857	45931	59.2%	6601	10255	63655	89649	89649	95.2%
Training costs	41449	44547	7.5%	15065	25684	41363	53826	53826	20.8%
Other non-interest expenses	4225448	7997131	89.3%	1133244	2364628	3600240	5170860	5175956	-35.3%
Total non-interest expenses	19714848	27418278	39.1%	6242183	13260115	20379927	29182618	29187714	6.5%
Net non-interest income	-4348207	-5370612	23.5%	-2109722	-4658487	-4513770	-7403573	-7406802	37.9%
Provisions to general reserve on loans and receivables loss	8097719	10283393	27.0%	2371043	4991203	7533827	11377519	11377519	10.6%
Provisions to special reserve on loans and receivables loss	8303935	11309465	36.2%	2689310	4686622	8559256	12480290	12480290	10.4%
Provisions to reserve on securities loss	5013	152303	2938.2%	215	7737	7738	14603	14603	-90.4%
Total provisions	16406667	21745161	32.5%	5060568	9685562	16100821	23872412	23872412	9.8%

Recoveries from general reserve on loans and receivables loss	7383611	9683691	31.2%	2355102	4814109	7290742	11007225	11007225	13.7%
Recoveries from special reserve on loans and receivables loss	7598885	10085957	32.7%	3010120	5244595	7445522	10833965	10833965	7.4%
Recoveries from reserve on securities loss	27723	8830	-68.1%	27	803	2226	3039	3039	-65.6%
Total recoveries	15010219	19778478	31.8%	5365250	10059507	14738490	21844229	21844229	10.4%
Net provisions	~~1596448~~	~~1966683~~	~~40.8%~~	~~504682~~	~~573945~~	~~1562331~~	~~2028183~~	~~2028183~~	~~3.1%~~
Pre-tax profit	12998035	15299082	17.7%	4913152	10017344	16188414	21041026	21040758	37.5%
Profit tax	2718137	3321097	22.2%	871751	1795758	2865359	4070092	4170259	25.6%
Net profit	10279898	11977985	16.5%	4041401	8221586	13323055	16970934	16870499	40.8%
Dividends accrued	0	0	-	0	0	500000	580000	580000	100.0%
Undistributed profit	10279898	11977985	16.5%	4041401	8221586	12823055	16390934	16290499	36.0%

* Indicators do not include data on "Ararat" (ArmCommunication) Bank.

Appendix 7

Armenian Banking System – Return on Assets and Return on Equity

(thousand drams)

Indicators	2004*	2005	2006
Return on Assets			
Banking system	3.30%	3.01%	3.58%
Minimum (on profitable banks)	0.10%	0.60%	0.60%
Maximum (on profitable banks)	10.90%	5.10%	18.80%
Return on Equity			
Banking system	18.50%	15.25%	15.94%
Minimum (on profitable banks)	0.20%	1.90%	0.90%
Maximum (on profitable banks)	43.20%	20.10%	39.20%

** Indicators do not include data on “Ararat” (ArmCommunication) Bank.*

Appendix 8

Loan Investments of Commercial Banks

(thousand drams)

Indicators	2004					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	27254809	54609924	18780183	55066890	46034991	109676814
1.1 Term assets	24751274	53740209	18780183	51757785	43531456	105497994
o/w: loans	20405296	43798496	18611658	49986326	39016954	93784822
interbank loans, deposits, factoring, leasing, repo agreements	1452000	9472146		971680	1452000	10443826
1.2 Prolonged assets	2071250	139181		2477784	2071250	2616965
o/w: loans	474147	138102		2477784	474147	2615886
interbank loans, deposits, factoring, leasing, repo agreements	500000				500000	
1.3 Overdue assets	432285	730534		831321	432285	1561855
o/w: loans	384907	668287			384907	668287
interbank loans, deposits, factoring, leasing, repo agreements						
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	29100	9985424	820552	5092022	849652	15077446
2.1 Term assets	29001	9918706	820552	4260701	849553	14179407
2.2 Prolonged assets		22985				22985
2.3 Overdue assets	99	43733		831321	99	875054
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	26885187	44067872	18300152	50531496	45185339	94599368
3.1 Industry	7514530	8738158	6062605	13277848	13577135	22016006
Mining	2264938	1304208	55746	339457	2320684	1643665
Energy	1338936	402953	2156088	2657440	3495024	3060393
Food products	1312925	4294895	2178675	6250487	3491600	10545382
Light	227961	232067	233000	390547	460961	622614
Chemical	13286	170734	10310	732253	23596	902987
Building materials	394383	394330	390376	774231	784759	1168561
Precious items	32523	217692	113013	208107	145536	425799
Metallurgy		216	25168	24	25168	240
Machine-building and electrical	111000	776620	21745	342963	132745	1119583
Other branches of industry	1818578	944443	878484	1582339	2697062	2526782
3.2 Agriculture	272117	2438188	889901	5010389	1162018	7448577
3.3 Construction	635930	853748	1006467	2792545	1640397	3646293
3.4 Transport and communication	356416	300606	184090	321375	540506	621981
3.5 Trade	7095664	7824896	5796945	10424864	12892609	18249760
3.6 Public catering and other services	1086427	1107976	1143555	1877338	2229982	2985314
3.7 Financial sector	4010520	4558892		251082	4010520	4809974
3.8 Consumer loans (including mortgage)	5014733	17051651	2503059	14748790	7517792	31800441
3.9 Other sectors of economy	900851	1193757	713530	1827265	1614381	3021022

Appendix 8
(continuation)

Loan Investments of Commercial Banks

(thousand drams)

Indicators	2005					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	35917636	54757853	39589441	77879518	75507077	132637370
1.1 Term assets	29910506	42341237	42961838	89268516	72872344	131609752
o/w: loans	654674	11538394	65646643	105972725	66301317	117511119
interbank loans, deposits, factoring, leasing, repo agreements	2386644	280539	-1731970	12338311	654674	12618850
1.2 Prolonged assets	500146	280448	1886498	42859	2386644	323307
o/w: loans	0	0	500146	323216	500146	323216
interbank loans, deposits, factoring, leasing, repo agreements	248089	704311	-248089	-704311	0	0
1.3 Overdue assets	204274	693628	43815	10683	248089	704311
o/w: loans	0	0	204274	693628	204274	693628
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	162787	11227956	159934	8092417	322721	19320373
2.1 Term assets	0	112548	322512	19094035	322512	19206583
2.2 Prolonged assets	209	1242	-209	111306	0	112548
2.3 Overdue assets	0	0	209	1242	209	1242
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	9514568	6062510	65669788	107254487	75184356	113316997
3.1 Industry	8786	980372	17831072	20278441	17839858	21258813
Mining	3632374	1306539	-3597345	320415	35029	1626954
Energy	2039541	2047956	2816394	1759549	4855935	3807505
Food products	221811	317057	6248937	8363824	6470748	8680881
Light	1493330	146751	-877660	566113	615670	712864
Chemical	898465	274535	609383	833376	1507848	1107911
Building materials	30660	341269	1767811	811580	1798471	1152849
Precious items	9163	225095	176623	345501	185786	570596
Metallurgy	62345	113839	-29787	111256	32558	225095
Machine-building and electrical	1118093	309097	-964298	539150	153795	848247
Other branches of industry	1486244	2545298	697774	-19387	2184018	2525911
3.2 Agriculture	892361	1439902	3024988	5946867	3917349	7386769
3.3 Construction	729746	408101	2414155	4324268	3143901	4732369
3.4 Transport and communication	7609352	10353491	-5661765	-8649676	1947587	1703815
3.5 Trade	4590089	8758584	12445369	16370084	17035459	25128668
3.6 Public catering and other services	5706823	3399074	-1081778	587838	4625045	3986912
3.7 Financial sector	654674	2006006	5074149	1645692	5728823	3651698
3.8 Consumer loans (including mortgage)	930197	1128066	17910067	41982730	18840264	43110796
3.9 Other sectors of economy	266890	276951	1839179	2080206	2106070	2357157

Appendix 8
(continuation)

Loan Investments of Commercial Banks

(thousand drams)

Indicators	2006					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	57069676	52123049	65409760	84688162	122479436	136811211
1.1 Term assets	53434662	49508880	65408980	84684309	118843642	134193189
o/w: loans	41055597	37490214	64246040	84333422	105301637	121823636
interbank loans, deposits, factoring, leasing, repo agreements	3599131	11894770	0	218100	3599131	12112870
1.2 Prolonged assets	2768285	1846373	780	3853	2769065	1850226
o/w: loans	23345	1846300	780	3853	24125	1850153
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
1.3 Overdue assets	866729	767796	0	0	866729	767796
o/w: loans	831708	766934	0	0	831708	766934
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	762248	10553338	56952	4504159	819200	15057497
2.1 Term assets	762230	10551537	56952	4503891	819182	15055428
2.2 Prolonged assets	18	655	0	268	18	923
2.3 Overdue assets	0	1146	0	0	0	1146
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	55799197	39464476	65861039	82289238	121660236	121753714
3.1 Industry	6974760	3703638	12249140	16336442	19223900	20040080
Mining	70553	16866	437249	461751	507802	478617
Energy	1991870	21061	534466	2425217	2526336	2446278
Food products	2846389	1862804	7038557	7843132	9884946	9705936
Light	350183	483956	811764	1070474	1161947	1554430
Chemical	17823	341800	38259	566757	56082	908557
Building materials	610903	88843	1369439	429521	1980342	518364
Precious items	45307	111284	392498	200406	437805	311690
Metallurgy	95643	250	20926	394	116569	644
Machine-building and electrical	699511	67939	300417	786450	999928	854389
Other branches of industry	246578	708835	1305565	2552340	1552143	3261175
3.2 Agriculture	2866391	2284901	3109549	5935588	5975940	8220489
3.3 Construction	2393774	559860	5781966	2805385	8175740	3365245
3.4 Transport and communication	1556974	152532	1250478	956438	2807452	1108970
3.5 Trade	8308063	8374257	13937208	18945438	22245271	27319695
3.6 Public catering and other services	1678154	933982	5472585	3529438	7150739	4463420
3.7 Financial sector	11672839	2858248	260738	538701	11933577	3396949
3.8 Consumer loans (including mortgage)	19185480	20084428	21760932	31136959	40946412	51221387
3.9 Other sectors of economy	1162762	512630	2038443	2104849	3201205	2617479

AMD – in Armenian drams

FX – in foreign currency

Commercial Banks – Loans Investments by Sectors of Economy and Maturity

Indicators	2004					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	17.5%	35.1%	12.1%	35.4%	29.6%	70.4%
1.1 Term assets	15.9%	34.5%	12.1%	33.2%	28.0%	67.8%
o/w: loans	13.1%	28.1%	12.0%	32.1%	25.1%	60.2%
interbank loans, deposits, factoring, leasing, repo agreements	0.9%	6.1%	0.0%	0.6%	0.9%	6.7%
1.2 Prolonged assets	1.3%	0.1%	0.0%	1.6%	1.3%	1.7%
o/w: loans	0.3%	0.1%	0.0%	1.6%	0.3%	1.7%
interbank loans, deposits, factoring, leasing, repo agreements	0.3%	0.0%	0.0%	0.0%	0.3%	0.0%
1.3 Overdue assets	0.3%	0.5%	0.0%	0.5%	0.3%	1.0%
o/w: loans	0.2%	0.4%	0.0%	0.0%	0.2%	0.4%
interbank loans, deposits, factoring, leasing, repo agreements	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	0.0%	6.4%	0.5%	3.3%	0.5%	9.7%
2.1 Term assets	0.0%	6.4%	0.5%	2.7%	0.5%	9.1%
2.2 Prolonged assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2.3 Overdue assets	0.0%	0.0%	0.0%	0.5%	0.0%	0.6%
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	17.3%	28.3%	11.8%	32.5%	29.0%	60.8%
3.1 Industry	4.8%	5.6%	3.9%	8.5%	8.7%	14.1%
Mining	1.5%	0.8%	0.0%	0.2%	1.5%	1.1%
Energy	0.9%	0.3%	1.4%	1.7%	2.2%	2.0%
Food products	0.8%	2.8%	1.4%	4.0%	2.2%	6.8%
Light	0.1%	0.1%	0.1%	0.3%	0.3%	0.4%
Chemical	0.0%	0.1%	0.0%	0.5%	0.0%	0.6%
Building materials	0.3%	0.3%	0.3%	0.5%	0.5%	0.8%
Precious items	0.0%	0.1%	0.1%	0.1%	0.1%	0.3%
Metallurgy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Machine-building and electrical	0.1%	0.5%	0.0%	0.2%	0.1%	0.7%
Other branches of industry	1.2%	0.6%	0.6%	1.0%	1.7%	1.6%
3.2 Agriculture	0.2%	1.6%	0.6%	3.2%	0.7%	4.8%
3.3 Construction	0.4%	0.5%	0.6%	1.8%	1.1%	2.3%
3.4 Transport and communication	0.2%	0.2%	0.1%	0.2%	0.3%	0.4%
3.5 Trade	4.6%	5.0%	3.7%	6.7%	8.3%	11.7%
3.6 Public catering and other services	0.7%	0.7%	0.7%	1.2%	1.4%	1.9%
3.7 Financial sector	2.6%	2.9%	0.0%	0.2%	2.6%	3.1%
3.8 Consumer loans (including mortgage)	3.2%	11.0%	1.6%	9.5%	4.8%	20.4%
3.9 Other sectors of economy	0.6%	0.8%	0.5%	1.2%	1.0%	1.9%

Appendix 9
(continuation)

Commercial Banks – Loans Investments by Sectors of Economy and Maturity

Indicators	2005					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	17.3%	26.3%	19.0%	37.4%	36.3%	63.7%
1.1 Term assets	14.4%	20.3%	20.6%	42.9%	35.0%	63.2%
o/w: loans	0.3%	5.5%	31.5%	50.9%	31.9%	56.5%
interbank loans, deposits, factoring, leasing, repo agreements	1.1%	0.1%	-0.8%	5.9%	0.3%	6.1%
1.2 Prolonged assets	0.2%	0.1%	0.9%	0.0%	1.1%	0.2%
o/w: loans	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%
interbank loans, deposits, factoring, leasing, repo agreements	0.1%	0.3%	-0.1%	-0.3%	0.0%	0.0%
1.3 Overdue assets	0.1%	0.3%	0.0%	0.0%	0.1%	0.3%
o/w: loans	0.0%	0.0%	0.1%	0.3%	0.1%	0.3%
interbank loans, deposits, factoring, leasing, repo agreements	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	0.1%	5.4%	0.1%	3.9%	0.2%	9.3%
2.1 Term assets	0.0%	0.1%	0.2%	9.2%	0.2%	9.2%
2.2 Prolonged assets	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
2.3 Overdue assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	4.6%	2.9%	31.6%	51.5%	36.1%	54.4%
3.1 Industry	0.0%	0.5%	8.6%	9.7%	8.6%	10.2%
Mining	1.7%	0.6%	-1.7%	0.2%	0.0%	0.8%
Energy	1.0%	1.0%	1.4%	0.8%	2.3%	1.8%
Food products	0.1%	0.2%	3.0%	4.0%	3.1%	4.2%
Light	0.7%	0.1%	-0.4%	0.3%	0.3%	0.3%
Chemical	0.4%	0.1%	0.3%	0.4%	0.7%	0.5%
Building materials	0.0%	0.2%	0.8%	0.4%	0.9%	0.6%
Precious items	0.0%	0.1%	0.1%	0.2%	0.1%	0.3%
Metallurgy	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%
Machine-building and electrical	0.5%	0.1%	-0.5%	0.3%	0.1%	0.4%
Other branches of industry	0.7%	1.2%	0.3%	0.0%	1.0%	1.2%
3.2 Agriculture	0.4%	0.7%	1.5%	2.9%	1.9%	3.5%
3.3 Construction	0.4%	0.2%	1.2%	2.1%	1.5%	2.5%
3.4 Transport and communication	3.7%	5.0%	-2.7%	-4.2%	0.9%	0.8%
3.5 Trade	2.2%	4.2%	6.0%	7.9%	8.2%	12.1%
3.6 Public catering and other services	2.7%	1.6%	-0.5%	0.3%	2.2%	1.9%
3.7 Financial sector	0.3%	1.0%	2.4%	0.8%	2.8%	1.8%
3.8 Consumer loans (including mortgage)	0.4%	0.5%	8.6%	20.2%	9.1%	20.7%
3.9 Other sectors of economy	0.1%	0.1%	0.9%	1.0%	1.0%	1.1%

Appendix 9
(continuation)

Commercial Banks – Loans Investments by Sectors of Economy and Maturity

Indicators	2006					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	22.0%	20.1%	25.2%	32.7%	47.2%	52.8%
1.1 Term assets	20.6%	19.1%	25.2%	32.7%	45.8%	51.8%
o/w: loans	15.8%	14.5%	24.8%	32.5%	40.6%	47.0%
interbank loans, deposits, factoring, leasing, repo agreements	1.4%	4.6%	0.0%	0.1%	1.4%	4.7%
1.2 Prolonged assets	1.1%	0.7%	0.0%	0.0%	1.1%	0.7%
o/w: loans	0.0%	0.7%	0.0%	0.0%	0.0%	0.7%
interbank loans, deposits, factoring, leasing, repo agreements	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
1.3 Overdue assets	0.3%	0.3%	0.0%	0.0%	0.3%	0.3%
o/w: loans	0.3%	0.3%	0.0%	0.0%	0.3%	0.3%
interbank loans, deposits, factoring, leasing, repo agreements	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	0.3%	4.1%	0.0%	1.7%	0.3%	5.8%
2.1 Term assets	0.3%	4.1%	0.0%	1.7%	0.3%	5.8%
2.2 Prolonged assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2.3 Overdue assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	21.5%	15.2%	25.4%	31.7%	46.9%	47.0%
3.1 Industry	2.7%	1.4%	4.7%	6.3%	7.4%	7.7%
Mining	0.0%	0.0%	0.2%	0.2%	0.2%	0.2%
Energy	0.8%	0.0%	0.2%	0.9%	1.0%	0.9%
Food products	1.1%	0.7%	2.7%	3.0%	3.8%	3.7%
Light	0.1%	0.2%	0.3%	0.4%	0.4%	0.6%
Chemical	0.0%	0.1%	0.0%	0.2%	0.0%	0.4%
Building materials	0.2%	0.0%	0.5%	0.2%	0.8%	0.2%
Precious items	0.0%	0.0%	0.2%	0.1%	0.2%	0.1%
Metallurgy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Machine-building and electrical	0.3%	0.0%	0.1%	0.3%	0.4%	0.3%
Other branches of industry	0.1%	0.3%	0.5%	1.0%	0.6%	1.3%
3.2 Agriculture	1.1%	0.9%	1.2%	2.3%	2.3%	3.2%
3.3 Construction	0.9%	0.2%	2.2%	1.1%	3.2%	1.3%
3.4 Transport and communication	0.6%	0.1%	0.5%	0.4%	1.1%	0.4%
3.5 Trade	3.2%	3.2%	5.4%	7.3%	8.6%	10.5%
3.6 Public catering and other services	0.6%	0.4%	2.1%	1.4%	2.8%	1.7%
3.7 Financial sector	4.5%	1.1%	0.1%	0.2%	4.6%	1.3%
3.8 Consumer loans (including mortgage)	7.4%	7.7%	8.4%	12.0%	15.8%	19.8%
3.9 Other sectors of economy	0.4%	0.2%	0.8%	0.8%	1.2%	1.0%

Appendix 10

Allocation of Bank Loan Investments (%)

31.12.06	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9	Bank 10
<i>Allocation of loan investments by sectors of economy</i>										
1. Industry	12.8	13.3	24.2	17.8	13.9	23.1	20.7	6.4	15.9	6.0
mining	0.0	0.0	0.0	0.0	0.1	1.6	0.5	0.2	0.1	0.1
energy	0.0	0.0	3.5	0.0	0.6	2.1	0.0	1.6	1.2	0.1
food products	4.7	11.7	15.6	8.7	3.2	18.4	19.4	2.4	11.9	2.9
light	6.2	0.0	0.7	1.2	1.6	0.0	0.0	0.9	1.4	0.9
chemical	0.0	0.0	0.6	2.4	0.4	0.0	0.0	0.0	0.0	0.1
building materials	1.0	0.9	0.7	0.0	1.4	0.2	0.0	0.1	0.0	1.1
precious metals	0.0	0.0	1.1	0.0	2.0	0.0	0.3	0.2	0.0	0.2
metallurgy	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.2	0.0
machine-building and electrical	0.6	0.0	0.2	0.3	0.7	0.2	0.0	0.4	0.0	0.5
other branches of industry	0.2	0.7	1.8	5.2	3.6	0.7	0.5	0.6	0.0	0.0
2. Agriculture	0.5	0.0	0.4	1.4	0.7	2.8	0.0	2.2	0.0	31.0
cattle breeding	0.1	0.0	0.0	1.2	0.3	1.1	0.0	0.9	0.0	21.2
plant growing	0.4	0.0	0.4	0.2	0.4	1.8	0.0	1.3	0.0	9.8
3. Construction	0.6	0.0	5.0	1.3	0.5	5.7	0.0	1.3	19.1	0.3
4. Transport and communication	5.4	4.2	4.8	0.1	3.4	0.3	7.7	0.3	0.7	0.9
5. Trade	42.3	22.9	28.1	25.5	23.2	13.3	18.5	26.1	9.7	20.7
wholesale	33.2	12.5	14.5	18.6	13.3	12.7	16.7	26.1	5.5	7.7
retail	9.1	10.3	13.6	6.9	9.9	0.7	1.8	0.0	4.2	13.1
6. Catering and other services	5.1	1.7	5.3	4.8	13.2	0.8	0.2	0.3	4.3	3.9
7. Financial sector	0.3	11.0	0.0	2.1	0.2	7.6	35.8	8.9	29.2	5.0
o/w: resident banks	0.0	7.6	0.0	2.1	0.0	4.6	10.5	1.9	6.1	0.9
8. Consumer loans	13.7	1.4	27.4	13.3	37.8	37.2	5.7	45.4	14.8	30.5
9. Mortgage lending	16.7	40.2	2.4	33.8	2.3	6.8	7.8	6.4	3.4	1.5
10. Other sectors of economy	2.5	5.3	2.3	0.1	4.8	2.4	3.5	2.7	2.9	0.0
Total by banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Appendix 10
(continuation)

Allocation of Bank Loan Investments (%)

31.12.06	Bank 11	Bank 12	Bank 13	Bank 14	Bank 15	Bank 16	Bank 17	Bank 18	Bank 19	Bank 20	Bank 21	Total by sectors
<i>Allocation of bank loan investments by sectors of economy</i>												
1. Industry	2.0	68.3	7.7	16.9	4.9	8.3	18.3	6.1	15.6	23.2	37.2	16.1
mining	0.0	0.0	0.0	0.0	0.0	0.0	1.1	0.5	0.0	0.0	11.8	0.4
energy	0.0	67.6	0.0	3.2	0.0	0.0	0.2	0.0	0.3	2.9	12.5	2.0
food products	0.1	0.0	0.2	9.4	0.0	3.0	11.7	5.3	7.0	8.2	11.7	8.0
light	0.0	0.0	0.0	1.0	0.0	0.8	0.6	0.0	4.0	0.7	0.0	1.1
chemical	0.0	0.7	0.0	0.0	0.0	0.0	0.1	0.0	0.1	0.1	0.0	0.4
building materials	1.9	0.0	0.3	0.0	3.4	1.1	2.0	0.0	1.3	3.8	0.0	1.0
precious metals	0.0	0.0	6.2	0.0	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.3
metallurgy	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
machine-building and electrical	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	5.6	0.0	0.8
other branches of industry	0.0	0.0	1.0	3.2	1.5	3.4	2.2	0.3	2.9	1.8	1.1	2.0
2. Agriculture	0.0	0.0	0.9	0.0	0.4	0.6	7.5	0.0	4.7	3.2	0.0	5.8
cattle breeding	0.0	0.0	0.9	0.0	0.4	0.4	3.0	0.0	1.4	2.9	0.0	3.7
plant growing	0.0	0.0	0.0	0.0	0.0	0.1	4.5	0.0	3.3	0.3	0.0	2.1
3. Construction	0.0	0.0	20.9	1.3	11.8	3.1	7.5	8.9	5.4	13.6	7.8	4.7
4. Transport and communication	0.0	0.0	1.3	2.4	0.0	0.0	2.2	0.0	3.1	1.2	0.0	1.6
5. Trade	3.0	0.0	20.9	16.7	10.9	29.5	18.3	20.0	28.1	14.0	11.6	20.4
wholesale	3.0	0.0	19.7	6.2	9.7	26.9	2.4	15.9	8.6	7.6	0.0	12.0
retail	0.0	0.0	1.2	10.4	1.1	2.5	15.9	4.0	19.6	6.4	11.6	8.4
6. Catering and other services	0.0	0.0	5.7	5.2	0.2	7.9	7.1	2.8	4.2	7.2	11.3	4.8
7. Financial sector	54.3	29.8	7.3	5.0	0.0	5.6	4.9	12.8	4.1	1.1	27.3	6.3
o/w: resident banks	54.3	9.5	0.0	0.0	0.0	0.0	0.0	12.8	0.0	0.0	0.0	2.0
8. Consumer loans	7.8	1.9	6.5	38.8	68.2	27.1	21.8	38.3	15.3	36.0	0.3	28.1
9. Mortgage lending	22.9	0.0	14.4	9.4	0.2	11.5	6.8	0.0	19.5	0.2	1.2	9.8
10. Other sectors of economy	10.0	0.0	14.4	4.3	3.4	6.5	5.7	11.1	0.0	0.2	3.2	2.4
Total by banks	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Appendix 10
(continuation)

Allocation of Bank Loan Investments (%)

31.12.06	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9	Bank 10
<i>Loans to sectors by banks</i>										
1. Industry	2.0	0.8	7.8	14.0	5.0	11.5	2.1	2.2	3.3	5.0
mining	0.0	0.0	0.0	0.4	2.0	32.1	2.2	2.5	1.0	3.3
energy	0.0	0.0	8.7	0.0	1.8	8.3	0.0	4.2	2.0	0.9
food products	1.4	1.4	10.0	13.7	2.3	18.4	3.9	1.6	4.9	4.9
light	13.8	0.0	3.2	13.7	8.4	0.0	0.0	4.5	4.2	11.1
chemical	0.0	0.0	8.4	75.5	6.5	0.0	0.0	0.0	0.0	3.2
building materials	2.5	0.9	3.5	0.0	8.2	1.3	0.0	0.3	0.0	14.3
precious metals	0.0	0.0	18.9	0.0	38.0	0.0	1.6	4.1	0.0	7.3
metallurgy	0.0	0.0	0.3	0.0	0.0	0.0	0.0	0.0	81.0	7.6
machine-building and electrical	2.0	0.0	1.3	5.1	5.7	1.9	0.0	2.7	0.0	9.2
other branches of industry	0.3	0.4	4.8	33.3	10.6	2.7	0.4	1.8	0.0	0.0
2. Agriculture	0.2	0.0	0.3	3.0	0.7	3.9	0.0	2.1	0.0	71.5
cattle breeding	0.1	0.0	0.0	4.1	0.5	2.4	0.0	1.4	0.0	76.3
plant growing	0.5	0.0	0.9	1.0	1.1	6.7	0.0	3.4	0.0	63.0
3. Construction	0.3	0.0	5.4	3.5	0.6	9.6	0.0	1.5	13.4	0.9
4. Transport and communication	8.3	2.6	15.4	0.4	12.3	1.6	7.7	0.9	1.5	7.8
5. Trade	5.1	1.1	7.1	15.9	6.6	5.3	1.5	7.0	1.6	13.7
wholesale	6.9	1.0	6.2	19.7	6.5	8.6	2.2	11.9	1.5	8.6
retail	2.7	1.2	8.4	10.3	6.8	0.6	0.3	0.0	1.7	20.9
6. Catering and other services	2.7	0.4	5.7	12.7	16.1	1.4	0.1	0.3	3.0	11.1
7. Financial sector	0.1	1.7	0.0	4.2	0.2	9.7	9.1	7.7	15.5	10.7
o/w: resident banks	0.0	3.7	0.0	12.9	0.0	18.2	8.3	5.1	9.9	6.0
8. Consumer loans	1.2	0.0	5.0	6.0	7.8	10.7	0.3	8.8	1.8	14.6
9. Mortgage lending	4.2	4.1	1.3	43.9	1.4	5.6	1.3	3.6	1.2	2.1
10. Other sectors of economy	2.6	2.2	5.0	0.4	11.6	8.1	2.4	6.2	4.0	0.0
Total by banks	2.5	1.0	5.2	12.7	5.8	8.1	1.6	5.5	3.3	13.5

Appendix 10
(continuation)

Allocation of Bank Loan Investments (%)

31.12.06	Bank 11	Bank 12	Bank 13	Bank 14	Bank 15	Bank 16	Bank 17	Bank 18	Bank 19	Bank 20	Bank 21	Total by sectors
<i>Loans to sectors by banks</i>												
1. Industry	0.1	4.7	0.6	9.3	0.9	1.0	6.3	0.4	6.1	14.1	3.1	100.0
mining	0.0	0.0	0.0	0.0	0.0	0.0	15.2	1.5	0.0	1.2	38.6	100.0
energy	0.0	36.6	0.0	13.9	0.0	0.0	0.7	0.0	1.0	13.9	8.1	100.0
food products	0.0	0.0	0.0	10.3	0.0	0.7	8.1	0.7	5.5	10.0	1.9	100.0
light	0.0	0.0	0.0	7.7	0.0	1.3	3.1	0.0	22.4	6.5	0.0	100.0
chemical	0.0	2.0	0.0	0.0	0.0	0.0	1.7	0.0	1.4	1.2	0.0	100.0
building materials	1.6	0.0	0.4	0.3	10.1	1.9	10.9	0.0	7.8	36.0	0.0	100.0
precious metals	0.0	0.0	24.9	0.5	0.0	0.0	4.7	0.0	0.0	0.0	0.0	100.0
metallurgy	0.0	0.0	0.0	11.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
machine-building and electrical	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	72.0	0.0	100.0
other branches of industry	0.0	0.0	0.6	14.3	2.3	3.1	6.1	0.1	9.3	9.1	0.8	100.0
2. Agriculture	0.0	0.0	0.2	0.0	0.2	0.2	7.1	0.0	5.1	5.4	0.0	100.0
cattle breeding	0.0	0.0	0.3	0.0	0.3	0.2	4.5	0.0	2.3	7.7	0.0	100.0
plant growing	0.0	0.0	0.0	0.0	0.0	0.1	11.9	0.0	10.0	1.4	0.0	100.0
3. Construction	0.0	0.0	5.4	2.4	7.5	1.2	8.8	2.1	7.2	28.0	2.2	100.0
4. Transport and communication	0.0	0.0	1.0	13.3	0.1	0.0	7.7	0.0	12.1	7.3	0.0	100.0
5. Trade	0.1	0.0	1.3	7.2	1.6	2.7	5.0	1.1	8.7	6.7	0.8	100.0
wholesale	0.2	0.0	2.0	4.6	2.5	4.2	1.1	1.5	4.5	6.2	0.0	100.0
retail	0.0	0.0	0.2	10.9	0.4	0.6	10.5	0.5	14.7	7.5	1.8	100.0
6. Catering and other services	0.0	0.0	1.5	9.6	0.1	3.1	8.2	0.7	5.6	14.8	3.1	100.0
7. Financial sector	7.6	5.2	1.4	7.0	0.0	1.7	4.3	2.3	4.1	1.8	5.7	100.0
o/w: resident banks	23.6	5.1	0.0	0.0	0.0	0.0	0.0	7.1	0.0	0.0	0.0	100.0
8. Consumer loans	0.2	0.1	0.3	12.2	7.3	1.8	4.3	1.5	3.4	12.6	0.0	100.0
9. Mortgage lending	2.1	0.0	1.8	8.5	0.1	2.2	3.8	0.0	12.6	0.2	0.2	100.0
10. Other sectors of economy	3.7	0.0	7.4	15.7	4.3	5.0	13.3	5.3	0.0	0.9	1.8	100.0
Total by banks	0.9	1.1	1.2	8.8	3.0	1.8	5.6	1.1	6.3	9.8	1.3	100.0

Appendix 11

Non-Performing and Written-Off Loans and Receivables of Commercial Banks

(thousand drams)

Items	2004				2005				2006			
	Non-performing assets		Off-balance sheet		Non-performing assets		Off-balance sheet		Non-performing assets		Off-balance sheet	
	AMD	FX	AMD	FX	AMD	FX	AMD	FX	AMD	FX	AMD	FX
Non-performing and off-balance sheet assets (total)	1153634	3098191	4146844	8525540	1258420	2928606	4396615	9124958	3490124	3743732	4437717	7527074
1. Residents' non-performing and off-balance sheet assets (total)	1152544	2218564	4032290	7645610	1237815	2735484	4285219	7810662	3488456	3683468	4356941	6115058
1.1 Industry	187527	530234	868169	1228299	235732	263326	1000142	1323737	288469	1514933	889325	1094799
mining	0	0	0	0	0	0	0	0	0	0	0	0
energy	0	0	4947	117559	0	0	202366	108932	0	0	63020	94812
food products	148861	67544	281033	433520	176028	222042	261274	263946	103981	447802	272480	207039
light	14407	2196	11789	172516	36495	1732	11313	531931	0	768	11178	200329
chemical	6000	38867	165747	143201	817	0	165747	22509	0	81200	165747	58160
building materials	3171	91136	37080	5956	21764	17444	4666	21397	86804	2331	22104	8086
precious items	0	160169	10102	18675	0	0	10102	15180	0	0	10102	11927
metallurgy	0	0	0	0	0	0	0	0	0	0	0	0
machine-building and electrical	87	0	313717	248736	0	21871	313717	172641	0	37433	313737	154920
other branches of industry	15001	170322	43754	88136	628	238	30957	187201	97684	945399	30957	359526
1.2 Agriculture	44560	128799	31076	220328	51321	183143	56725	303789	198404	120024	24639	339659
1.3 Construction	217679	9558	203472	142239	308511	232686	294316	264529	1094737	1670	327001	71335
1.4 Transport and communication	359	31123	2315	50818	3971	6132	5144	45970	72851	7166	6869	37098
1.5 Trade	217412	204651	209454	1944581	141947	598443	381782	1400566	383450	648345	463044	1125413
1.6 Public catering and other services	13007	113984	72968	119680	54549	222500	84941	334706	344597	222251	90350	448962
1.7 Financial sector	0	0	2348	647049	0	0	2648	599471	0	0	2648	501484
1.8 Consumer loans	372835	1063288	701089	1637456	395898	986546	333916	1751973	720842	1120730	521594	1276405
1.9 Other sectors of economy	99165	136927	1941398	1655160	45886	242708	2125605	1785922	385106	48349	2031472	1219903
2. Non-residents' non-performing and off-balance sheet assets (total)	1090	879627	114554	879930	605	193122	111396	1314296	1668	60264	80776	1412016

Appendix 12

Accrued Allowances on Loans, Receivables and Off-Balance Sheet Items Containing Credit Risk

(thousand drams)

Loans	Loan investments	Share	Allowances on loans granted	
			balance	%
	31.12.04			
1. Standard	143958286	97.92%	1559821	1.08%
2. Watched	1544424	1.05%	154437	10.00%
3. Sub-standard	388502	0.26%	77701	20.00%
4. Doubtful	1123196	0.76%	561598	50.00%
Total	147014408	100%	2353555	1.60%

Loans	Loan investments	Share	Allowances on loans granted	
			balance	%
	31.12.05			
1. Standard	195184843	98.07%	2089996	1.08%
2. Watched	2872132	1.44%	287203	10.00%
3. Sub-standard	484727	0.24%	96948	20.00%
4. Doubtful	486170	0.24%	243086	50.00%
Total	199027872	100%	2717233	1.37%

Loans	Loan investments	Share	Allowances on loans granted	
			balance	%
		31.12.06		
1. Standard	236958102	97.55%	2584833	1.09%
2. Watched	3552351	1.46%	355241	10.00%
3. Sub-standard	1045262	0.43%	209053	20.00%
4. Doubtful	1364110	0.56%	682056	50.00%
Total	242919825	100%	3831182	1.58%

Appendix 12
(continuation)

Accrued Allowances on Loans, Receivables and Off-Balance Sheet Items Containing Credit Risk

(thousand drams)

Receivables	Receivables	Share	Allowances on receivables	
			balance	%
	31.12.04			
1. Standard	96445229	98.80%	964455	1.00%
2. Watched	284979	0.30%	28497	10.00%
3. Sub-standard	21649	0.00%	4329	19.99%
4. Doubtful	889077	0.90%	444539	50.00%
Total	97640935	100%	1441820	1.48%

Receivables	Receivables	Share	Allowances on receivables	
			balance	%
	31.12.05			
1. Standard	64274116	99.50%	642740	1.00%
2. Watched	289187	0.45%	28918	10.00%
3. Sub-standard	21465	0.03%	4293	19.99%
4. Doubtful	13346	0.02%	6673	50.00%
Total	64598114	100%	682624	1.06%

Receivables	Receivables	Share	Allowances on receivables	
			balance	%
	31.12.06			
1. Standard	54117838	97.70%	569924	1.05%
2. Watched	1240987	2.24%	124099	10.00%
3. Sub-standard	16848	0.03%	3369	20.00%
4. Doubtful	14539	0.03%	7270	50.00%
Total	55390212	100%	704662	1.27%

Appendix 12
(continuation)

Accrued Allowances on Loans, Receivables and Off-Balance Sheet Items Containing Credit Risk

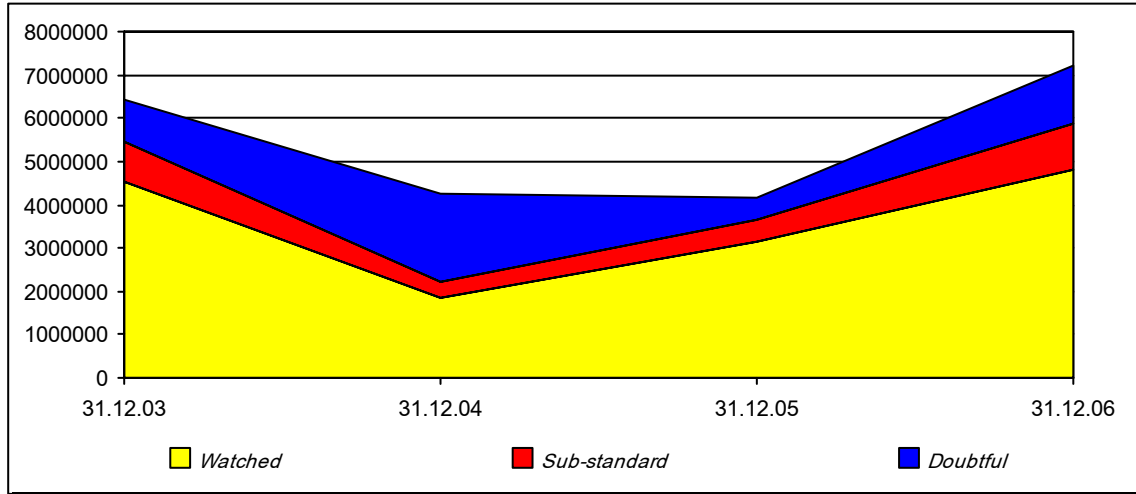
(thousand drams)

Off-balance sheet items	Off-balance sheet items	Share	Allowances on off-balance sheet items	
			balance	%
	31.12.04			
1. Standard	19813976	99.89%	198141	1.00%
2. Watched	16781	0.08%	1678	10.00%
3. Sub-standard	493	0.00%	99	20.00%
4. Doubtful	5190	0.03%	2595	50.00%
Total	20038615	100%	404688	2.02%

Off-balance sheet items	Off-balance sheet items	Share	Allowances on off-balance sheet items	
			balance	%
	31.12.05			
1. Standard	27737632	99.96%	277371	1.00%
2. Watched	10456	0.04%	1045	10.00%
3. Sub-standard	1127	0.00%	225	20.00%
4. Doubtful	150	0.00%	75	50.00%
Total	27797133	100%	326484	1.17%

Off-balance sheet items	Off-balance sheet items	Share	Allowances on off-balance sheet items	
			balance	%
	31.12.06			
1. Standard	45473144	99.76%	454731	1.00%
2. Watched	86355	0.19%	8636	10.00%
3. Sub-standard	10396	0.02%	2079	20.00%
4. Doubtful	11833	0.03%	5916	50.00%
Total	45581727	100%	471362	1.03%

Dynamics of “Watched”, “Sub-standard”, “Doubtful” loans, receivables

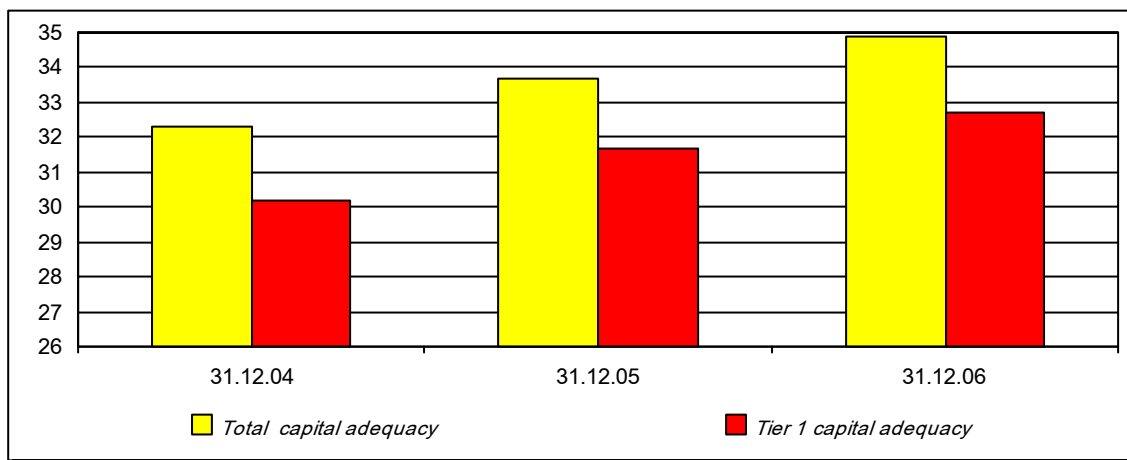


Appendix 14

Main Prudential Standards of Commercial Banks

%

	31.12.04	31.12.05	31.03.06	31.06.06	30.09.06	31.12.06
Total capital adequacy	32.5	33.7	33.8	33.7	35.3	34.9
Tier 1 capital adequacy	30.2	31.7	31.6	30.0	31.4	32.7
Total liquidity	47.1	44.2	44.7	40.8	42.3	41.2
Current liquidity	98.7	110.5	110.3	105.9	104.5	106.1
Maximum risk on a single borrower	14.7	16.4	15.1	14.8	13.2	12.9
Maximum risk on major borrowers		117.3	104.7	103.6	84.6	80.3
Maximum risk on a bank related party	1.7	3.0	2.4	4.0	2.5	1.9
Maximum risk on all bank related parties	3.8	7.4	6.5	7.8	6.3	5.5



Appendix 15**Credit Organizations Operating in Armenia and their branches
as of 31.12.2006**

Credit organizations		Branches	
		31.12.2005	31.12.2006
1	Arfin	-	-
2	Agroleasing	-	-
3	ACBA Leasing	-	-
4	Sef International	2	2
5	Express Credit Universal	-	-
6	Gladzor Universal	-	-
7	First Mortgage Company	-	-
8	Izmirlan-Eurasia	-	-
9	Cascade Credit	-	-
10	Washington Capital		-
11	Aregak		2
12	Garni Invest		-
13	Malatia Universal Credit Organization		-
14	Norvik		-
15	Nor Horizon		4
16	Finca		4
17	Ecumenical Church Loan Fund		-
Total		2	12

Appendix 16

Survey Balance Sheet Indicators of Credit Organizations

(thousand drams)

Indicators			31.12.2004	31.12.2005	Change 31.12.05- 31.12.04	31.03.2006	Change 31.03.06- 31.12.05	30.06.2006
Assets	Cash		57256	57275	0%	119299	108.3%	186804
	Claims on the CBA							
	Current accounts with banks		1141378	301664	-74%	485965	61.1%	1265052
	Claims on banks and other financial organizations		510734	987757	93%	797392	-19.3%	427813
	Government securities							
	Loans to legal entities		702302	1975028	181%	1889456	-4.3%	2163434
	Loans to individuals		1595211	2757055	73%	2898604	5.1%	4552667
	Loans to interrelated parties and employees		95332	115714	21%	144128	24.6%	62739
	Fixed assets		243626	233696	-4%	223144	-4.5%	429762
	Leasing, factoring		856549	1351001	58%	1663066	23.1%	1668618
	Other securities							3300
	Other assets		531844	269072	-49%	250565	-6.9%	520393
	Interest receivable		41184	47920	16%	47611	-0.6%	60451
	Asset loss reserves		-132217	-223923	69%	-251344	12.2%	-175895
	Total assets		5643200	7872259	39%	8267886	5.0%	11165139
Liabilities	Demand liabilities							22578
	Liabilities to banks and other financial organizations		788773	1179498	50%	1249697	6.0%	1205499
	Term liabilities to individuals		580919	533451	-8%	615494	15.4%	602118
	Term liabilities to legal entities*		733301	1216034	66%	1288342	5.9%	2119256
	Interest payable		11745	28244	140%	51260	81.5%	36890
	Other liabilities		266282	524274	97%	447333	-14.7%	1526129
	Total liabilities		2381020	3481501	46%	3652126	4.9%	5512470
Capital	Paid-in statutory capital		3659071	4764592	30%	4453195	-6.5%	5434945
	o/w: non-residents' participation		1947435	2918655	50%	2989358	2.4%	3791408
	General reserve		42558	44911	6%	45566	1.5%	46017
	Repurchased capital by credit organizations		-473200	-473200			-100.0%	-12010
	Undistributed profit (loss)	Current period	152546	80357	-47%	205838	156.2%	151045
		Previous period	-257644	-165866	-36%	-228703	37.9%	-106911
	Total balance sheet capital		3262179	4390758	35%	4615760	5.1%	5652668
Note: total number of credit organizations			9	10				

* Includes also liabilities to the Government.

Appendix 16
(continuation)

Survey Balance Sheet Indicators of Credit Organizations

(thousand drams)

Indicators		Change 30.06.06- 31.03.06	30.09.2006	Change 30.09.06- 30.06.06	31.12.2006	Change 31.12.06- 30.09.06	Change 31.12.06- 31.12.05
Assets	Cash	56.6%	61446	-67.1%	82293	33.9%	43.7%
	Claims on the CBA						
	Current accounts with banks	160.3%	1591008	25.8%	1932388	21.5%	540.6%
	Claims on banks and other financial organizations	-46.3%	854997	99.9%	1084658	26.9%	9.8%
	Government securities				34947	100.0%	100.0%
	Loans to legal entities	14.5%	2072721	-4.2%	3084584	48.8%	56.2%
	Loans to individuals	57.1%	6491302	42.6%	11519184	77.5%	317.8%
	Loans to interrelated parties and employees	-56.5%	67556	7.7%	73232	8.4%	-36.7%
	Fixed assets	92.6%	539913	25.6%	506732	-6.1%	116.8%
	Leasing, factoring	0.3%	1766652	5.9%	1890557	7.0%	39.9%
	Other securities	100.0%	3300		3680	11.5%	100.0%
	Other assets	107.7%	656168	26.1%	490809	-25.2%	82.4%
	Interest receivable	27.0%	93119	54.0%	170331	82.9%	255.4%
	Asset loss reserves	-30.0%	-210006	19.4%	-284564	35.5%	27.1%
	Total assets	35.0%	13988175	25.3%	20588830	47.2%	161.5%
Liabilities	Demand liabilities	100.0%	22578			-100.0%	
	Liabilities to banks and other financial organizations	-3.5%	2296775	90.5%	5914629	157.5%	401.5%
	Term liabilities to individuals	-2.2%	520022	-13.6%	751150	44.4%	40.8%
	Term liabilities to legal entities*	64.5%	3393519	60.1%	4661997	37.4%	283.4%
	Interest payable	-28.0%	85880	132.8%	104080	21.2%	268.5%
	Other liabilities	241.2%	740875	-51.5%	700870	-5.4%	33.7%
	Total liabilities	50.9%	7059648	28.1%	12132726	71.9%	248.5%
Capital	Paid-in statutory capital	22.0%	6752305	24.2%	8388902	24.2%	76.1%
	o/w: non-residents' participation	26.8%	4720715	24.5%	5280412	11.9%	80.9%
	General reserve	1.0%	51477	11.9%	51479	0.0%	14.6%
	Repurchased capital by credit organizations	-100.0%	-41060	241.9%	-41060		-91.3%
	Undistributed profit (loss)						
	Current period	-26.6%	215148	42.4%	105944	-50.8%	31.8%
	Previous period	-53.3%	-188848	76.6%	-188787	0.0%	13.8%
Total balance sheet capital		22.5%	6928526	22.6%	8456104	22.0%	92.6%
Note: total number of credit organizations					17		

* Includes also liabilities to the Government.

Appendix 17

Structure of Survey Balance Sheet indicators of Credit Organizations

Indicators		31.12.2004	31.12.2005	Change 31.12.05- 31.12.04	31.03.2006	Change 31.03.06- 31.12.05	30.06.2006
Assets	Cash	1.0%	0.7%	-0.3%	1.4%	0.7%	1.7%
	Claims on the CBA						
	Current accounts with banks	20.2%	3.8%	-16.4%	5.9%	2.0%	11.3%
	Claims on banks and other financial organizations	9.1%	12.5%	3.5%	9.6%	-2.9%	3.8%
	Government securities						
	Loans to legal entities	12.4%	25.1%	12.6%	22.9%	-2.2%	19.4%
	Loans to individuals	28.3%	35.0%	6.8%	35.1%	0.0%	40.8%
	Loans to interrelated parties and employees	1.7%	1.5%	-0.2%	1.7%	0.3%	0.6%
	Fixed assets	4.3%	3.0%	-1.3%	2.7%	-0.3%	3.8%
	Leasing, factoring	15.2%	17.2%	2.0%	20.1%	3.0%	14.9%
	Other securities						0.0%
	Other assets	9.4%	3.4%	-6.0%	3.0%	-0.4%	4.7%
	Interest receivable	0.7%	0.6%	-0.1%	0.6%	0.0%	0.5%
	Asset loss reserves	-2.3%	-2.8%	-0.5%	-3.0%	-0.2%	-1.6%
	Total assets	100.0%	100.0%		100.0%		100.0%
Liabilities	Demand liabilities						0.4%
	Liabilities to banks and other financial organizations	33.1%	33.9%	0.8%	34.2%	0.3%	21.9%
	Term liabilities to individuals	24.4%	15.3%	-9.1%	16.9%	1.5%	10.9%
	Term liabilities to legal entities*	30.8%	34.9%	4.1%	35.3%	0.3%	38.4%
	Interest payable	0.5%	0.8%	0.3%	1.4%	0.6%	0.7%
	Other liabilities	11.2%	15.1%	3.9%	12.2%	-2.8%	27.7%
	Total liabilities	100.0%	100.0%		100.0%		100.0%
Capital	Paid-in statutory capital	112.2%	108.5%	-3.7%	96.5%	-12.0%	96.1%
	o/w: non-residents' participation	59.7%	66.5%	6.8%	64.8%	-1.7%	67.1%
	General reserve	1.3%	1.0%	-0.3%	1.0%	0.0%	0.8%
	Repurchased capital by credit organizations	-14.5%	-10.8%	3.7%		10.8%	-0.2%
	Undistributed profit						
	Current period	4.7%	1.8%	-2.8%	4.5%	2.6%	2.7%
	Previous period	-7.9%	-3.8%	4.1%	-5.0%	-1.2%	-1.9%
	Total balance sheet capital	100.0%	100.0%		100.0%		100.0%

* Includes also liabilities to the Government.

Appendix 17
(continuation)

Structure of Survey Balance Sheet indicators of Credit Organizations

Indicators		<i>Change 30.06.06- 31.03.06</i>	<i>30.09.2006</i>	<i>Change 30.09.06- 30.06.06</i>	<i>31.12.2006</i>	<i>Change 31.12.06- 30.09.06</i>	<i>Change 31.12.06- 31.12.05</i>
Assets	Cash	1.0%	0.4%	-0.5%	0.4%	0.9%	-0.3%
	Claims on the CBA						
	Current accounts with banks	9.3%	11.4%	2.1%	9.4%	7.3%	5.6%
	Claims on banks and other financial organizations	6.7%	6.1%	-0.6%	5.3%	5.9%	-7.3%
	Government securities				0.2%	0.2%	0.2%
	Loans to legal entities	21.6%	14.8%	-6.8%	15.0%	21.8%	-10.1%
	Loans to individuals	40.7%	46.4%	5.7%	55.9%	50.3%	20.9%
	Loans to interrelated parties and employees	0.3%	0.5%	0.2%	0.4%	0.2%	-1.1%
	Fixed assets	4.1%	3.9%	-0.3%	2.5%	2.7%	-0.5%
	Leasing, factoring	12.0%	12.6%	0.6%	9.2%	8.5%	-8.0%
	Other securities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other assets	5.0%	4.7%	-0.4%	2.4%	2.7%	-1.0%
	Interest receivable	0.6%	0.7%	0.1%	0.8%	0.7%	0.2%
	Asset loss reserves	-1.4%	-1.5%	-0.1%	-1.4%	-1.3%	1.5%
	Total assets	100.0%	100.0%		100.0%	100.0%	
Liabilities	Demand liabilities	0.4%	0.3%	-0.1%		0.1%	
	Liabilities to banks and other financial organizations	21.5%	32.5%	11.0%	48.7%	37.7%	14.9%
	Term liabilities to individuals	9.4%	7.4%	-2.0%	6.2%	8.2%	-9.1%
	Term liabilities to legal entities*	38.1%	48.1%	10.0%	38.4%	28.5%	3.5%
	Interest payable	0.1%	1.2%	1.1%	0.9%	-0.3%	0.0%
	Other liabilities	30.5%	10.5%	-20.0%	5.8%	25.8%	-9.3%
	Total liabilities	100.0%	100.0%		100.0%	100.0%	
Capital	Paid-in statutory capital	22.0%	108.2%	97.5%	-10.7%	99.2%	109.9%
	o/w: non-residents' participation	26.8%	68.8%	68.1%	-0.6%	62.4%	63.1%
	General reserve	1.0%	0.8%	0.7%	-0.1%	0.6%	0.7%
	Repurchased capital by credit organizations	-11.0%	-0.6%	10.4%	-0.5%	-10.9%	10.3%
	Undistributed profit (loss)						
	Current period	0.0%	3.1%	3.1%	1.3%	-1.8%	-0.6%
	Previous period	-0.7%	-2.7%	-2.0%	-2.2%	-0.2%	1.5%
	Total balance sheet capital	100.0%	100.0%		100.0%	100.0%	

* Includes also liabilities to the Government.

Appendix 18

Credit Organizations – Income and Expense

(thousand drams)

Indicators	31.12.04	31.12.05	Change 31.12.05- 31.12.04	31.03.06	30.06.06	30.09.06	31.12.06	Change 31.12.06- 31.12.05
Interest income	597829	1072878	79.5%	331150	756879	1295521	2059019	91.9%
Interest expense	111339	224719	101.8%	59892	127828	215851	353430	57.3%
<i>Net interest income</i>	<i>486490</i>	<i>848159</i>	<i>74.3%</i>	<i>271258</i>	<i>629051</i>	<i>1079670</i>	<i>1705589</i>	<i>101.1%</i>
Non-interest income	127577	178873	40.2%	90787	46333	141972	394805	120.7%
Non-interest expense	614034	661176	7.7%	202900	490658	992190	1728336	161.4%
<i>Net non-interest income</i>	<i>-486457</i>	<i>-482303</i>	<i>-0.9%</i>	<i>112113</i>	<i>-444325</i>	<i>-850218</i>	<i>1333531</i>	<i>176.5%</i>
Loss provision	773000	794585	2.8%	260527	516414	703780	1061468	33.6%
Recovery from loss reserve	961582	620026	-35.5%	188859	503188	726232	960266	54.9%
<i>Net provision</i>	<i>-188582</i>	<i>174559</i>	<i>192.6%</i>	<i>71668</i>	<i>13226</i>	<i>-22453</i>	<i>101202</i>	<i>-42.0%</i>
Gross income	1686988	1871777	11.0%	610796	1306399	2163725	3414089	82.4%
Gross expense	1498373	1680480	12.2%	523319	1134900	1911821	3143235	87.0%
Pre-tax profit	188615	191297	1.4%	87477	171499	251904	270855	41.6%
Net profit	155461	80357	-48.3%	78142	148374	207873	105949	31.8%
<i>Undistributed profit</i>	<i>155461</i>	<i>80357</i>	<i>-48.3%</i>	<i>78142</i>	<i>148374</i>	<i>207873</i>	<i>105949</i>	<i>31.8%</i>

Appendix 19

Loan Investments of Credit Organizations

(thousand drams)

Sectors	<i>31.12.04</i>	<i>31.12.05</i>	<i>Change 31.12.05- 31.12.04</i>	<i>31.03.06</i>	<i>30.06.06</i>	<i>30.09.06</i>	<i>31.12.06</i>	<i>Change 31.12.06- 31.12.05</i>
Industry	1025809	2146931	109.3%	2025232	2229651	2197388	2206458	2.8%
Agriculture	400071	504299	26.1%	507476	1029051	1541895	2353510	366.7%
Construction	97000	194205	100.2%	147529	192884	178894	258170	32.9%
Transport and communications	70444	159290	126.1%	383005	501747	609038	816481	412.6%
Trade	204310	355902	74.2%	374980	1235344	2283994	4070807	1043.8%
Financial sector	465348	986374	112.0%	796072	382601	834825	1083590	9.9%
Consumer loans (mortgage including)	1172954	2241785	91.1%	2452828	2391084	2474903	4622377	106.2%
Other sectors	321610	579800	80.3%	678821	842953	1079032	1830425	215.7%
Total	3757546	7168586	90.8%	7365943	8805315	11199968	17241818	140.5%

Appendix 20

Structure of Loan Investment of Credit Organizations by Sectors of Economy

Sectors	31.12.04	31.12.05	Change 31.12.05- 31.12.04	31.03.06	30.06.06	30.09.06	31.12.06	Change 31.12.06- 31.12.05
Industry	27.3%	29.9%	2.6%	27.5%	25.3%	19.6%	12.8%	-17.2%
Agriculture	10.6%	7.0%	-3.6%	6.9%	11.7%	13.8%	13.7%	6.6%
Construction	2.6%	2.7%	0.1%	2.0%	2.2%	1.6%	1.5%	-1.2%
Transport and communications	1.9%	2.2%	0.3%	5.2%	5.7%	5.4%	4.7%	2.5%
Trade	5.4%	5.0%	-0.5%	5.1%	14.0%	20.4%	23.6%	18.6%
Financial sector	12.4%	13.8%	1.4%	10.8%	4.3%	7.5%	6.3%	-7.5%
Consumer loans (mortgage including)	31.2%	31.3%	0.1%	33.3%	27.2%	22.1%	26.8%	-4.5%
Other sectors	8.6%	8.1%	-0.5%	9.2%	9.6%	9.6%	10.6%	2.5%
Total	100.0%	100.0%		100.0%	100.0%	100.0%	100.0%	

Structure of Loan Investment of Credit Organizations by
Risk Categories

(thousand drams)

Category	31.12.04	Share in total	31.12.05	Share in total	31.03.06	Share in total	30.06.06	Share in total	30.09.06	Share in total	31.12.06	Share in total
Standard	4814781	89.2%	6900450	89.9%	7340192	91.6%	9813047	94.9%	12744060	96.3%	19336953	97.5%
Watched	353216	6.5%	355805	4.6%	358066	4.5%	387006	3.7%	308445	2.3%	316720	1.6%
Sub-standard	216971	4.0%	294391	3.8%	44703	0.6%	110813	1.1%	117413	0.9%	88571	0.4%
Doubtful	10707	0.2%	120925	1.6%	266394	3.3%	33801	0.3%	59629	0.5%	83618	0.4%
Loss		x		x		x		x		x		x
Total	5395675	100.0%	7671571	100.0%	8009355	100.0%	10344667	100.0%	13229547	100.0%	19825862	100.0%

Appendix 22

Securities Market Professional Participants as of 31.12.2006

1	Alinvest LTD
2	Astvan LTD
3	Alfasecurities LTD
4	Armenbrok CJSC
5	YT Brok Dil Trust LTD
6	Ameria Invest CJSC
7	Aerobrok LTD
8	Tamrazyan and Company LTD
9	Ecapital Asset Management CJSC
10	Private Invest CJSC
11	Government and Corporate Securities Center CJSC
12	Sarinian and Company LTD
13	Renesa CJSC
14	Capital Invest LTD
15	Cascade Investments CJSC
16	TONTON LTD
17	Yerevan Broker
18	Futures Capital Market LTD
19	AB Securities LTD
20	Global Bond LTD

Appendix 23

Financial Ratios of Securities Market Professional Participants

(mln drams)

	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>
Total assets, o/w:	8239	7471	7726	10530
Non-current financial investments	929	514	1215	1603
Current financial investments	6246	5636	5656	5426
Total liabilities, o/w:	7626	6090	6694	9282
Short-term borrowings	3114	2024	4523	7964
Equity capital	607	1382	1032	1248
Accrued profit	217	908	543	629
Net profit	344	970	672	667
Brokerage proceeds	7	29	79	43
Dealership proceeds	8650	25053	23301	18704
Trust management proceeds	10	0	40	53
Custody proceeds	0	0	0	0
Other proceeds	16243	8203	22277	15369

Appendix 24

Brokerage/Dealership Turnover of Securities Market Professional Participants ^{1, 2}

(mln drams)

Securities	2006						
	January	February	March	April	May	June	July
Shares	2287	1085	23	333	351	7	131
o/w: within brokerage	2249	1085	23	319	351	7	131
Government bonds	13005	10796	13917	15069	17041	20888	15075
o/w:							
Government short-term bonds	-	2	54	246	49	245	98
o/w: within brokerage	-	-	-	-	-	-	-
Government medium-term bonds	5983	4800	4046	7157	9386	8326	6126
o/w: within brokerage	-	-	-	-	-	-	-
Government long-term bonds	7022	5994	9817	7656	7606	12317	8851
o/w: within brokerage	-	-	-	-	-	-	-
Corporate bonds	57	360	70	10	10	245	20
o/w: within brokerage	57	360	70	10	10	245	20
Other securities			4	28	-	0,3	-
o/w: within brokerage			-	-	-	-	-
Total	15350	12241	14014	15430	17402	21140	15225
Number of securities market dealers/brokers	18	18	18	18	18	18	18

Appendix 24
(continuation)

Brokerage/Dealership Turnover of Securities Market Professional Participants ^{1, 2}

(mln drams)

Securities	2006						2006
	July	August	September	October	November	December	
Shares	131	47	80	14	167	16	4541
o/w: within brokerage	131	47	73	10	3	3	4301
Government bonds	15075	14158	18092	13616	16375	17588	185620
o/w:							
Government short-term bonds	98	60	12	60	22	43	891
o/w: within brokerage	-	-	-	-	-	-	-
Government medium-term bonds	6126	6413	5690	4681	7064	5130	74802
o/w: within brokerage	-	-	-	-	-	-	-
Government long-term bonds	8851	7685	12390	8875	9289	12415	109917
o/w: within brokerage	-	-	-	-	-	-	-
Corporate bonds	20	-	218	-	-	132	1122
o/w: within brokerage	20	-	77	-	-	95	944
Other securities	-	0,3	34	27	1	-	94
o/w: within brokerage	-	-	-	-	-	-	-
Total	15225	14205	18425	13657	16543	17736	191368
Number of securities market dealers/brokers	18	18	18	19	20	20	221

¹ Includes also repo transactions signed by professional participants within brokerage (at initial volume).

² Indicators are calculated using the broker/dealer data aggregation, that is why indicators of brokerage turnover differ from correspondent ones in table "Armenian Stock Exchange Transactions".

Appendix 25

Armenian Stock Exchange Transactions and their Structure by Instruments

(mln drams)

Period	Number of transactions	Volume of transactions			
		By shares	By Government bonds	By corporate bonds	Total
2005	1596	605	0	0	605
2006	1181	2149.7	0	477	2626.8
o/w:					
January	81	1124.3	0	28.7	1153.1
February	154	542.4	0	180.1	722.5
March	91	11.6	0	35.2	46.8
April	118	159.3	0	5	164.4
May	167	175.6	0	10.1	185.7
June	187	3.4	0	122.5	125.9
July	77	65.3	0	9.8	75
August	15	23.4	0	0	23.4
September	92	36.4	0	38.2	74.6
October	72	5.2	0	0	5.2
November	15	1.4	0	0	1.4
December	112	1.4	0	47.4	48.8

Appendix 26

Number of Register Running Issuers and Holders of Securities in the Central Depository

Period	Number of holders of securities (persons)			Number of Register running issuers		
	Registered securities	Non-registered securities	Total	Registered securities	Non-registered securities	Total
2004	97725	37210	134935	212	436	648
2005	94949	39550	134499	210	458	668
2006	28316	102584	130900	36	674	710

Insurance Companies as of 31.12.2006

1	First Insurance LTD
2	Aliants Flash LTD
3	Private Insurance CJSC
4	State Insurance-Armenia CJSC
5	Ingo Armenia CJSC
6	Sil Insurance CJSC
7	RASCO LTD
8	London-Yerevan Co. LTD
9	Cascade Insurance CJSC
10	Mika CJSC
11	Nairi Insurance LTD
12	Fintrust JSC
13	AHA Royal Insurance LTD
14	Garant-Limens CJSC
15	Grand LTD

Appendix 28

Main Prudential Standards of Insurance Companies

(thousand drams)

Indicators		31.03.2006	30.06.2006	30.09.2006	31.12.2006
ASSETS	Tangible assets	1507383	1266085	1334735	629334
	fixed assets	1507383	1266085	1323243	616693
	Non-tangible assets	157283	153567	150998	147844
	Total long-term financial assets	424510	860201	956126	1193923
	long-term financial investments	227140	479606	640784	645686
	deposits	90000	160000	133393	150000
	other long-term financial assets	107370	220595	181949	398236
	Other non-current assets	182	153722	119	2129
	Total non-current assets	2089358	2433575	2441978	1973229
	Total short-term receivables	1316971	1889844	2318259	1901726
	receivables on direct insurance	1020629	1595118	1924205	1476465
	receivables from re-insurers	90196	68416	146847	161873
	receivables on risks arising from reinsurance activities	3812	6162	2697	2081
	receivables with budget and on social insurance	20845	52673	77788	27721
	other receivables	195056	178105	176571	243433
	receivables loss reserves	-13567,0	-10630,0	-9848,0	-9848,0
	Total short-term financial investments	2568713	2557971	2801835	3135777
	short-term financial investments	272780	235001	283235	228628
	deposit accounts	1241906	1301814	1274291	1933720
	other short-term financial assets	1054027	1021156	1244309	973429
	Total funds (cash and bank accounts)	1550819	1637129	1609263	1456639
	Other current assets	20917	11596	13123	12409
	Total current assets	5457419	6096539	6742481	6506552
	Total assets	7546777	8530115	9184459	8479782

Appendix 28

(continuation)

Main Prudential Standards of Insurance Companies

(thousand drams)

Indicators		31.03.2006	30.06.2006	30.09.2006	31.12.2006
LIABILITIES	Total long-term financial liabilities	1623	15733	14138	0
	long-term loans	1623	15733	14138	0
	Total non-current liabilities	1623	15733	14138	0
	Total insurance provisions	1235891	27498966	1296777	1203926
	Unearned insurance premium reserve	886912	1250504	1149651	1116650
	Life insurance reserve	6523	6665	8052	13786
	Loss reserve	221982	26233170	134189	68553
	Other technical reserves	59086	0	0	0
	Preventive measures reserve	61388	8627	4885	4936
	Total short-term financial liabilities	37141	13246	51190	16591
	short-term loans	1564	995	466	1308
	short-term borrowings	23519	0	50000	14559
	premium deposits for reinsurance	12058	12251	724	724
	Total short-term payables	1111039	1646393	2131195	1479083
	payables on direct insurance	13331	6662	8488	75336
	payables on advances from insurance	18706	21316	15229	25471
	payables to re-insurers	870195	1491214	1561953	1239974
	payables on risks arising from reinsurance activities	19	91	91	0
	other short-term payables	208787	127110	545435	138301
	Total current liabilities	2384072	29158605	3479162	2699599
	Total liabilities	2385695	29174338	3493300	2699599
EQUITY	Net statutory fund	4936069	5286709	5209318	5398226
	Reserve capital	77351	77351	77351	82114
	Additional capital / issue proceeds + difference from revaluation	1266	1266	1266	1266
	Other components of equity	-10826	-15708	-24465	-15005
	Profit/loss of current period	12030	-26060457	303998	181888
	Profit/loss of previous periods	145192	66616	123692	131694
	Total equity	5161082	-20644223	5691160	5780183

Income and Expenditure of Insurance Companies

Appendix 29

(thousand drams)

INDICATORS	From start of the year up to 31.03.2006	From start of the year up to 30.06.2006	From start of the year up to 30.09.2006	2006
Total insurance premiums	1180092	3317234	5096370	5875878
Premiums on non-life insurance	1176127	3309607	5084888	5846041
Premiums on life insurance	3965	7626	11482	29837
Change of unearned insurance premium reserve (+ or -)	-332774	-701860	-602584	-667422
Change of life insurance reserve (+ or -)	-4923	-5065	-6452	-12186
Premiums refunded due to cancellation of agreement	-33259	-67650	-89875	-137627
Income on / expenses for insurance premiums	809135	2542659	4397459	5058643
Insurance indemnity	-171500	-897877	-27134686	-27343103
Insurance indemnity for non-life insurance	-171050	-896977	-27130461	-27338878
Insurance indemnity for life insurance	-450	-900	-4225	-4225
Change of claims (losses) reserve (+ or -)	-2275	-26017328	81140	124909
Losses adjustment expenses	-1428	-2493	-3485	-4793
Total losses	-175203	-26917698	-27057031	-27222986
Provisioning for preventive measures	-8040	-7958	-7930	-8161
Change of other reserves (+ or -)	-	59086	22690	22690
Profit (loss) from reinsurance	-452377	-1308739	23597564	23429698
Operational expenses	-186424	-401811	-622709	-894244
Other operational income (expenses)	44754	61408	91627	196328
Profit (loss) from insurance	31845	-25973053	421671	581967
Profit (loss) from investing and marketed assets	18476	39684	74231	103723
Profit (loss) from other activity	-22341	-105812	-104716	-199584
Pre-tax profit (loss)	27980	-26039181	391186	486106
Income tax expenses (reimbursement)	-15950	-21276	-31592	-148327
Net profit	12030	-26060457	359594	337779

Appendix 30

Pawnshops

(mln drams)

Period	Loans provided	Funds attracted	Number of pawnshops
31.03.2006	1329	1003	59
30.06.2006	1521	1179	61
30.09.2006	1673	1276	64
31.12.2006	1713	1322	62

Appendix 31

Value of Transfers by Non-Cash Payment Instruments in Banking System

(mln drams)

Transfers	2003	2004	2005	2006	2006			
					Q-1	Q-2	Q-3	Q-4
Paper based payment orders ¹	1226184	1467080	2114168	2076422	436831	508747	532077	598767
Electronic payment orders ¹	1806832	2032136	2743646	3394735	607542	747624	909892	1129677
Checks	14797	12564	9663	7571	1732	2106	1859	1874
Other debit instruments ²	1149	4540	4782	4416	562	1745	841	1268
Non-cash operations by cards				11322	1991	3086	2814	3431
Total	3048962	3516320	4872259	5494466	1048658	1263308	1447483	1735018
Transactions by cards	59543	98771	90136	138245	23999	30944	38163	45139

Appendix 32

Number of Transfers by Non-Cash Payment Instruments in Banking System

Transfers	2003	2004	2005	2006	2006			
					Q-1	Q-2	Q-3	Q-4
Paper based payment orders ¹	466928	522071	717219	988964	193337	246893	240857	307877
Electronic payment orders ¹	1424397	1062858	1280968	1412116	306634	348892	367882	388708
Checks	14601	15222	12207	8931	1766	2321	2259	2585
Other debit instruments ²	355	323	744	5318	225	241	2510	2342
Non-cash operations by cards »C				212387	35852	44786	59659	72090
Total	1906281	1600474	2011138	2627716	537814	643133	673167	773602
Cards in circulation	61110	108865	137186	209113	156674	176104	190232	209113
Transactions by cards	1005981	1763090	2184492	3029569	579356	719878	789433	940902

¹ Orders presented to beneficiary bank/branch. Since January 2002, intrabank transfers of commercial bank are not included, except for customer-customer transfers.

² Debit order and other debit transfers.

Appendix 33

Value of Transfers Sent and Received via International Money Transfer Systems

(mln drams)

Systems		2003	2004	2005	2006	2006			
						Q-1	Q-2	Q-3	Q-4
WESTERN UNION	sent	3934	3326	3359	3989	863	1003	1006	1117
	received	37722	38271	41060	41184	8369	10503	11403	10909
BISTRAYA POCHTA	sent		1658	2199	3279	657	798	758	1066
	received		15525	28176	38151	5918	9496	11637	11101
ANELIK	sent	7481	5742	3679	4143	595	662	1383	1503
	received	70220	44202	37799	40687	5891	9325	13111	12361
UNISTREAM	sent	5056	8928	13421	18516	4283	4837	4615	4780
	received	44394	59801	95342	149130	19678	33253	45503	50695
Other*	sent	1814	9439	9954	8586	738	956	3851	3042
	received	22682	32168	41866	46316	7274	10995	13587	14459
Total	sent	18284	29093	32612	38513	7137	8256	11613	11508
	received	175019	189967	244243	315469	47130	73573	95241	99525
Turnover		193303	219059	276855	353981	54267	81829	106853	111032

** Includes transfer systems between Armenian commercial banks and foreign banks (Contact, Money Gram, etc).*

Appendix 34

Number of Transfers Sent and Received via International Money Transfer Systems

Systems		2003	2004	2005	2006	2006			
						Q-1	Q-2	Q-3	Q-4
WESTERN UNION	sent	9681	8739	9359	11553	2463	2731	2908	3451
	received	141273	162604	193613	213533	42659	52257	55851	62766
BISTRAYA POCHTA	sent		4543	6401	9399	1968	2262	2118	3051
	received		47039	104796	163767	26443	41646	48497	47181
ANELIK	sent	13122	12807	11236	10525	2618	2476	2562	2869
	received	369283	238958	228894	230041	41489	58835	65518	64199
UNISTREAM	sent	4927	10094	16240	24020	5257	6033	5960	6770
	received	118813	161750	290043	424449	67148	101438	125145	130718
Other*	sent	4161	4158	7545	39963	2523	2823	20428	14189
	received	77337	112960	154286	221847	36487	51343	61270	72747
Total	sent	31891	40341	50781	95460	14829	16325	33976	30330
	received	706706	723311	971632	1253637	214226	305519	356281	377611
Turnover		738597	763652	1022413	1349097	229055	321844	390257	407941

* Includes transfer systems between Armenian commercial banks and foreign banks (Contact, Money Gram, etc.).

Number of Cards in Circulation

Plastic cards	2003	2004	2005	2006	2006			
					Q-1	Q-2	Q-3	Q-4
ArCA	25983	47215	55697	92283	64975	75689	82447	92283
VISA	23451	45760	62839	90733	70262	78191	83676	90733
MASTER Card	1318	3003	5901	11817	8243	8470	9916	11817
Other international cards*	10358	12887	12749	14280	13194	13754	14193	14280
Total	61110	108865	137186	209113	156674	176104	190232	209113

** Including AMEX, HSBC debit and other cards.*

Appendix 36

Value of Transactions by Cards

(mln drams)

Plastic cards	2003	2004	2005	2006	2006			
					Q-1	Q-2	Q-3	Q-4
ArCA	11149	18895	27821	45471	7454	9828	12318	15871
VISA	14475	30644	39595	60511	10685	13844	16593	19389
MASTER Card	4231	9145	7689	12664	2128	2661	4155	3720
Other international cards*	29688	40087	15030	19598	3732	4611	5097	6158
Total	59543	98771	90136	138245	23999	30944	38163	45139

Appendix 37

Number of Transactions by Cards

Plastic cards	2003	2004	2005	2006	2006			
					Q-1	Q-2	Q-3	Q-4
ArCA	437254	764339	1023304	1408879	268699	331729	358275	450176
VISA	145408	423379	692100	1008054	190733	237460	266586	313275
MASTER Card	29714	62083	89937	169523	28236	37934	50164	53189
Other international cards*	393605	513289	379151	443113	91688	112755	114408	124262
Total	1005981	1763090	2184492	3029569	579356	719878	789433	940902

** Including AMEX, HSBC debit and other cards.*

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