CENTRAL BANK OF THE REPUBLIC OF ARMENIA

# FINANCIAL SYSTEM OF ARMENIA 2006

DEVELOPMENT
SUPERVISION
REGULATION

2007

# CONTENTS


**Introduction** ..... 3

**Financial System Supervision and Regulation** ..... 5

**Changes in Financial System Regulatory Framework** ..... 13

**Supervision during 2006** ..... 23

**Human Resource Development and Cooperation with Supervisors of Other Countries** ..... 25

**Republic of Armenia Financial System in 2006**

***Banking System in 2006*** ..... 27

*General Provisions* ..... 27

*Banking System Capital* ..... 29

*Banking System Liabilities* ..... 31

*Banking System Assets* ..... 34

*Financial Results of the Banking System* ..... 39

*Banking System Financial Risks* ..... 42

***Other Participants of the Armenian Financial Market in 2006*** ..... 46

*Credit Organizations Operating in Armenia* ..... 46

*Insurance Market of Armenia* ..... 47

*Securities Market of Armenia* ..... 48

*Pawnshops Operating in Armenia* ..... 49

*Foreign Exchange Offices and Currency Dealers* ..... 49

*Organizations Performing Money Transfers and the Processing and Clearing of Payment Instruments and Settlement Documents* ..... 50

**Payment and Settlement System** ..... 51

**Supervision Development Prospects** ..... 54

**Annexes** ..... 59

# 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.

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*[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 diversity 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 Concentration[2] 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 |
|---|---|---|---|
| ***Total assets*** | | | |
| LB 4 (share of largest four banks in system) | 49 | 47 | 46 |
| LB 10 (share of largest 10 banks in system) | 81 | 81 | 80 |
| ***Total liabilities*** | | | |
| LB 4 | 52 | 50 | 49 |
| LB 10 | 84 | 85 | 84 |
| ***Total capital*** | | | |
| LB 4 | 32 | 35 | 38 |
| LB 10 | 65 | 64 | 67 |
| ***Lending to the economy*** | | | |
| LB 4 | 45 | 43 | 47 |
| LB 10 | 85 | 85 | 83 |
| ***Term deposits of natural persons and legal entities*** | | | |
| LB 4 | 51 | 51 | 49 |
| LB 10 | 80 | 88 | 87 |
| ***Demand liabilities of natural persons and legal entities (including bank accounts)*** | | | |
| LB 4 | 60 | 64 | 57 |
| LB 10 | 86 | 86 | 85 |

## BANKING SYSTEM CAPITAL

### *Banking System Capital Growth Trends*

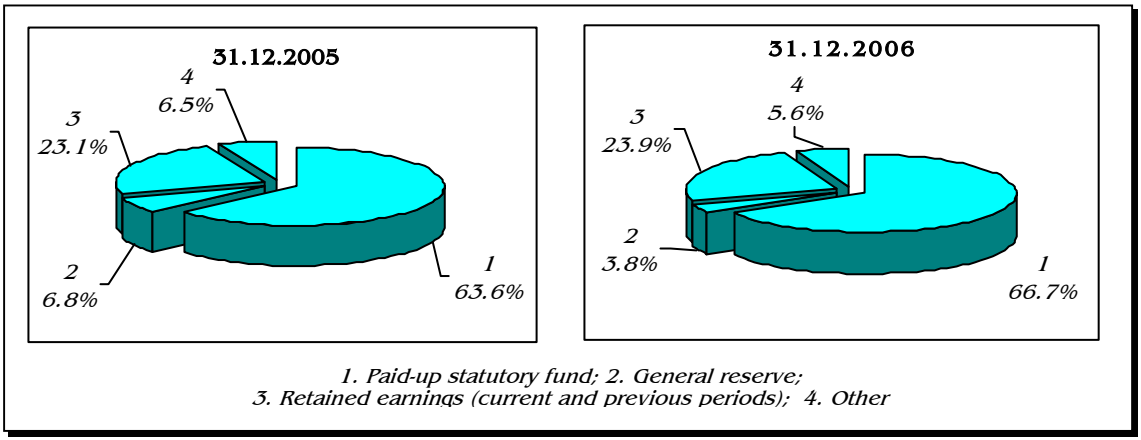
During 2006, total banking system capital grew by 26.8% (AMD 25.4 billion) to AMD 120.2 billion.

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*



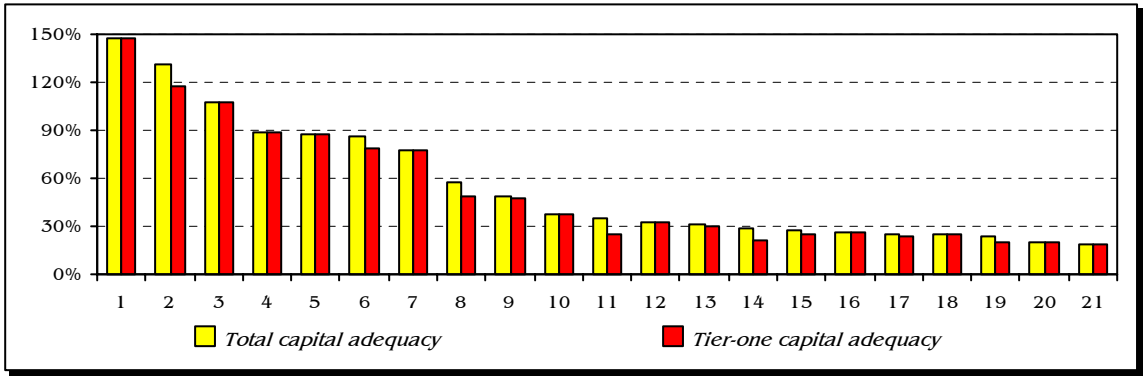

*1. Paid-up statutory fund; 2. General reserve;*
*3. Retained earnings (current and previous periods); 4. Other*

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-

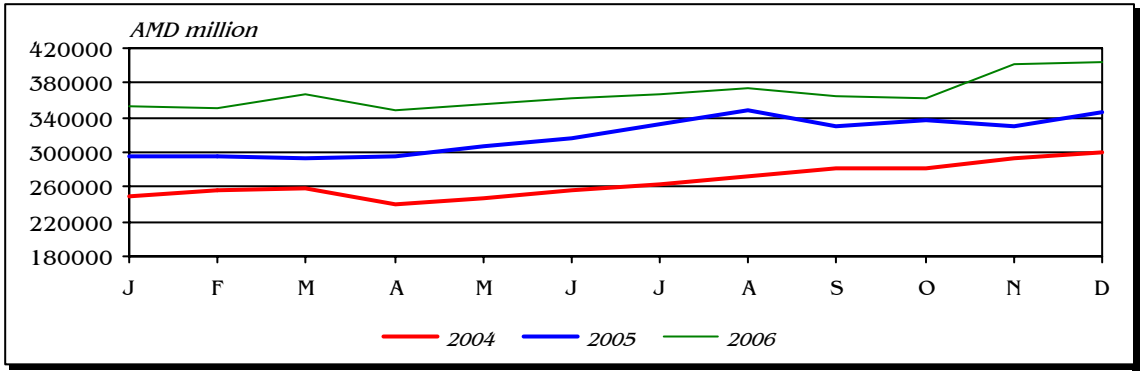
resident legal entity, and one non-resident natural person). In eight other banks, one shareholder owns more than 50% of the shares.

## 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.

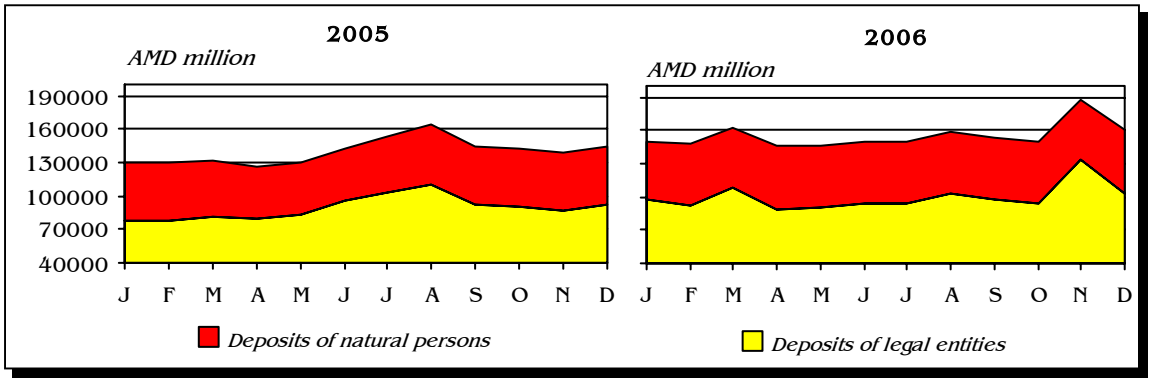
As in 2005, a key development in the banking system during 2006 was that total bank deposits of natural persons and legal entities grew in whole due to higher dram

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).

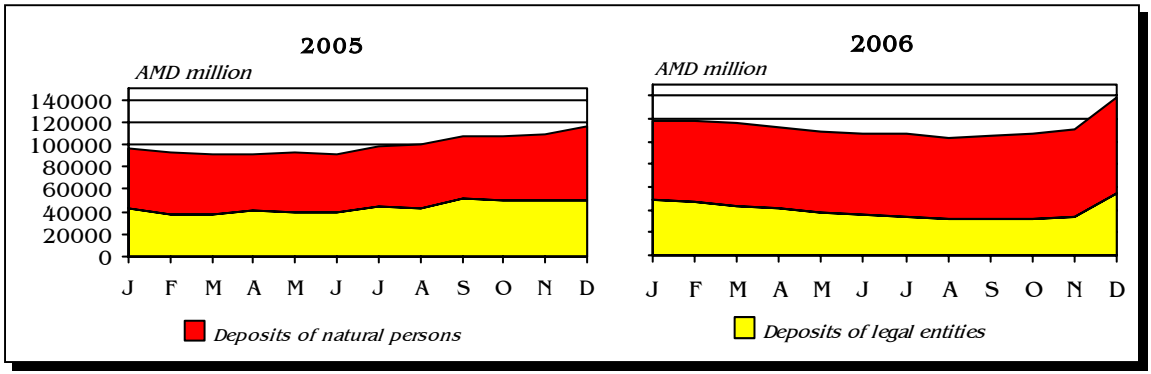
Demand liabilities of natural persons grew by 11.9%, which was mostly due to growing accounts of natural persons that are already bank customers; during the year, the number of natural persons that are bank customers grew by 8.6%, while the number of their accounts grew by 1.4%.

***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.

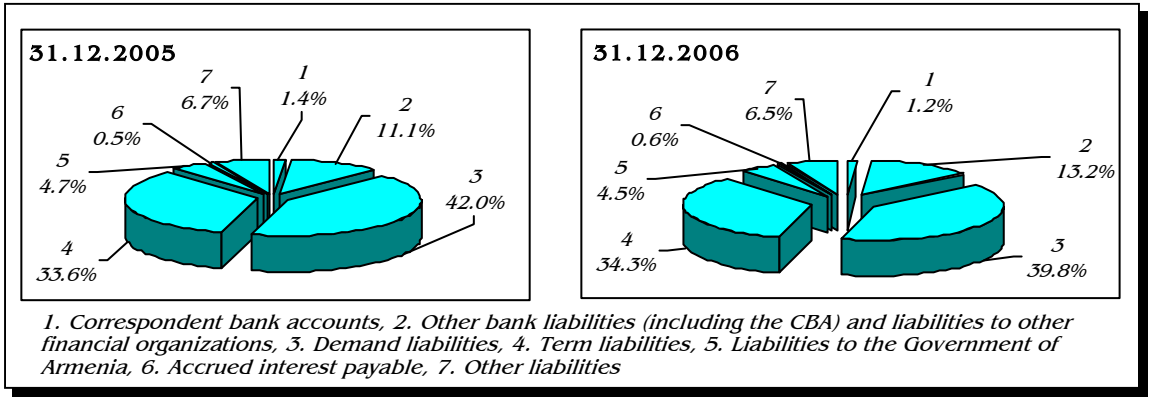
*Chart 5. Growth Trends of Banking System Term Deposits*




## *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*




*1. Correspondent bank accounts, 2. Other bank liabilities (including the CBA) and liabilities to other financial organizations, 3. Demand liabilities, 4. Term liabilities, 5. Liabilities to the Government of Armenia, 6. Accrued interest payable, 7. Other 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.

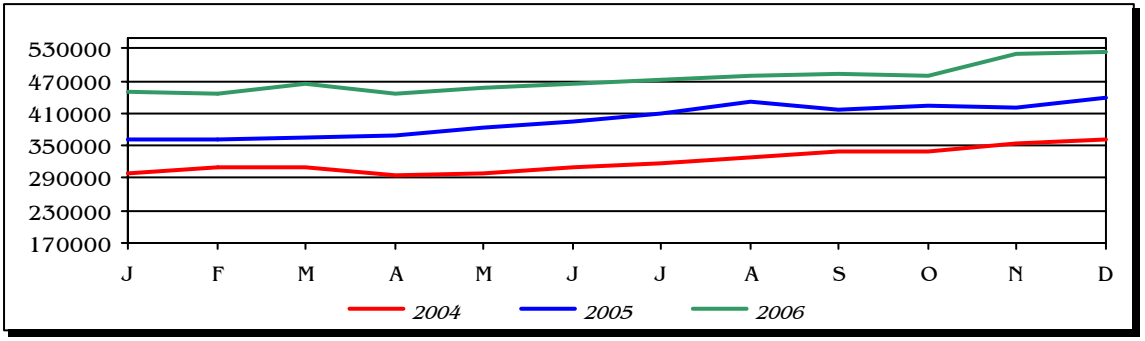
During the year, the number of bank accounts grew by 3.4% to reach 881,900, of which 96% were current and 4%—term accounts. The number of current accounts grew by 1.9% or 15,500 (mainly due to the larger number of accounts of natural persons) to reach 844,900 by yearend. The number of term accounts grew 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*

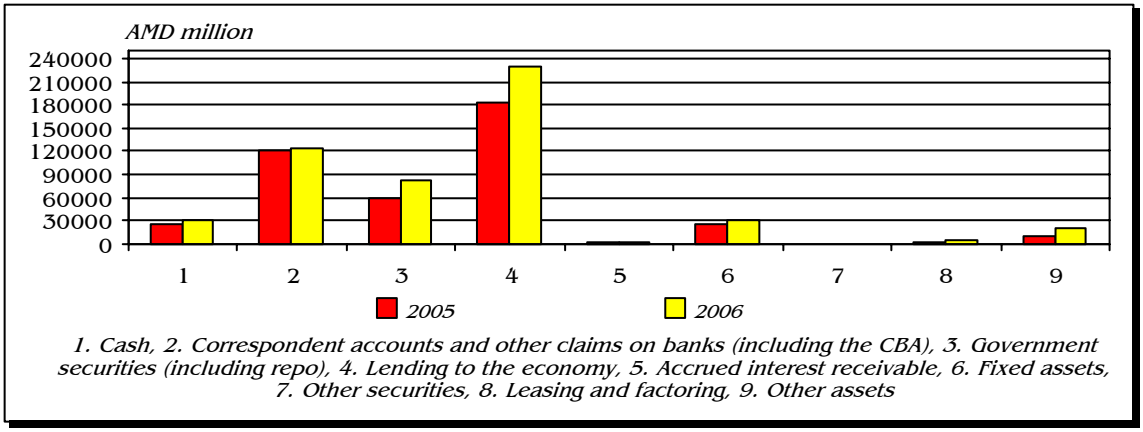
During 2006, total assets of the Armenian banking system grew by 19.0% (AMD 83.8 billion) to reach AMD 524.5 billion at yearend.

*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***




*1. Cash, 2. Correspondent accounts and other claims on banks (including the CBA), 3. Government securities (including repo), 4. Lending to the economy, 5. Accrued interest receivable, 6. Fixed assets, 7. Other securities, 8. Leasing and factoring, 9. Other 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.

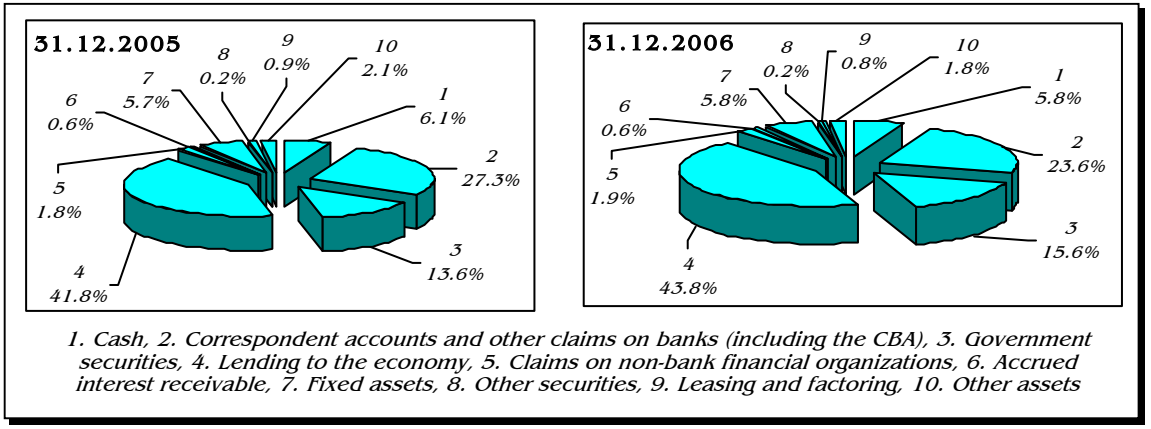
The portfolio of other securities grew only by AMD 226 million to reach AMD 1.2 billion at yearend.

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***




*1. Cash, 2. Correspondent accounts and other claims on banks (including the CBA), 3. Government securities, 4. Lending to the economy, 5. Claims on non-bank financial organizations, 6. Accrued interest receivable, 7. Fixed assets, 8. Other securities, 9. Leasing and factoring, 10. Other 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 portfolio[3] 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.

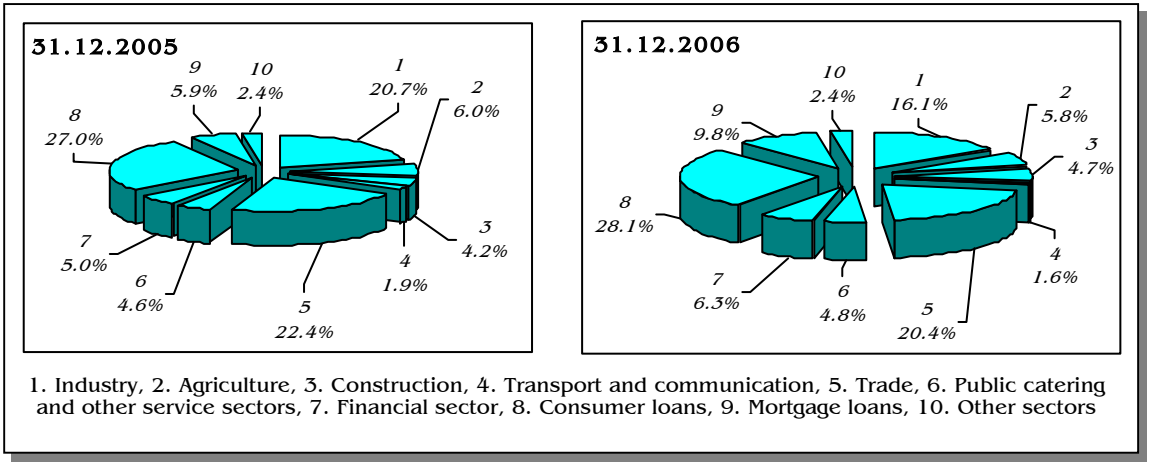
Loans to non-residents fell by 19.2% to AMD 15.9 billion.

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*




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

[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.

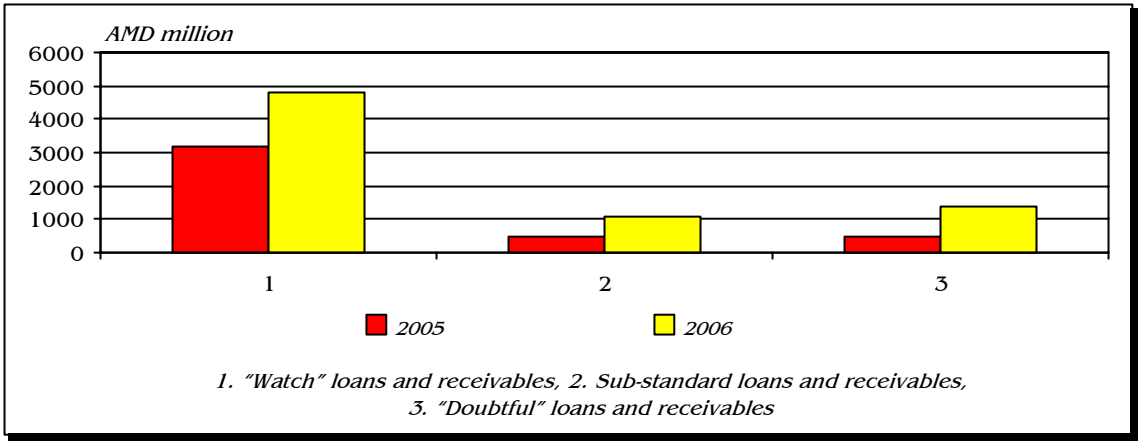
### *Loan Portfolio Quality*

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*




*1. "Watch" loans and receivables, 2. Sub-standard loans and receivables, 3. "Doubtful" loans and receivables*

## FINANCIAL RESULTS OF THE BANKING SYSTEM

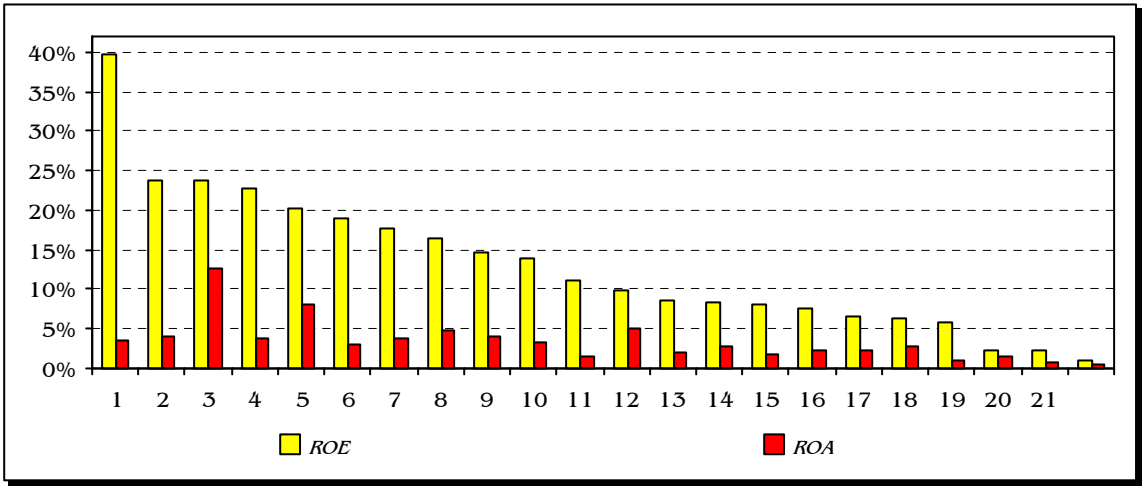
### *Banking System Profitability*

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 system[4] 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).

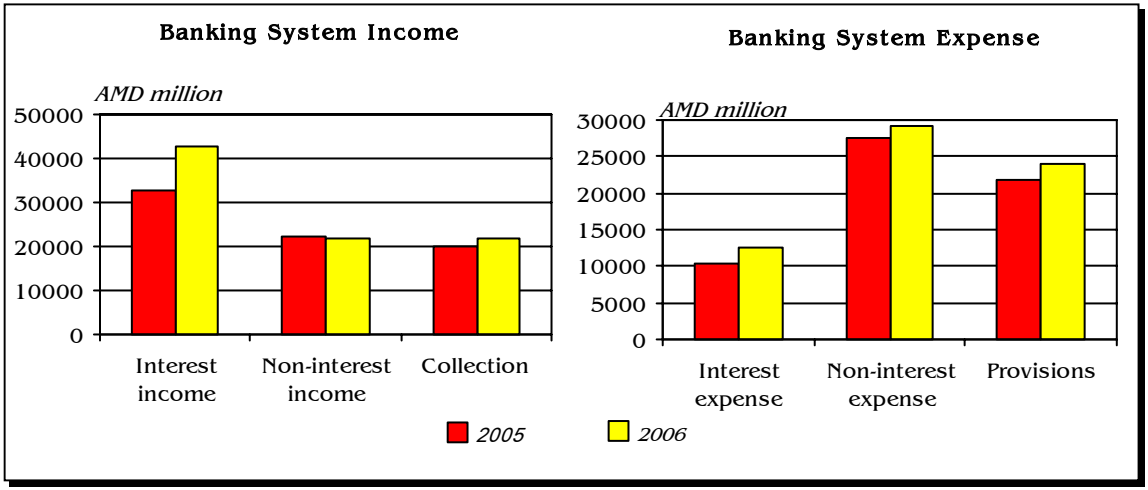
Expense under the "Accrued salary and salary equivalents" item, which accounts for 44.5% of non-interest expense, grew by 26.1% (AMD 2.7 billion) in 2006 relative to 2005, while the total number of banking system employees grew by 15.3%. This indicates that, during 2006, similar to 2005, average salaries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

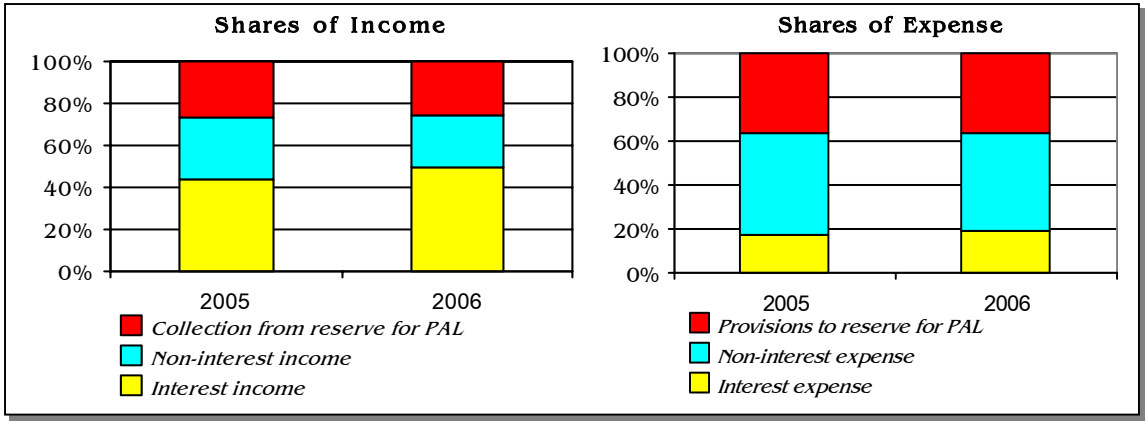
In 2006, interest expense grew by 20.6%, non-interest expense—by 6.5%, and provisions to the reserve fund for possible asset losses—by 9.8%.

*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" liabilities[6] 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

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*[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 risk[7] 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.

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[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

*Appendix 1*

## 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** |

## 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 | 31.03.06 | Change 31.03.06-31.12.05 | 30.06.06 | Change 30.06.06-31.03.06 |
|---|---|---|---|---|---|---|---|---|---|
| | | | 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% |
| | Other liabilities | | | 21932021 | 23049476 | 5.1% | 21981658 | -4.6% | 27752534 | 26.3% |
| | **Total balance sheet liabilities** | | | **298935905** | **345913389** | **15.7%** | **366899713** | **6.1%** | **362842887** | **-1.1%** |
| Capital | 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% |

## 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** | | **482316393** | **3.7%** | **524634072** | **8.8%** | **524517487** | **83959927** | **19.0%** |

| | | | | 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% | 23335332 | 59.3% | 23335332 | 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% |
| | 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** | | | **364929998** | **0.6%** | **404362097** | **10.8%** | **404345948** | **58448708** | **16.9%** |
| Capital | 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%** | **120171539** | **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%** |

## 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% |
| | 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%** |
| Capital | 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% |

## 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*** | ***57.9%*** |
| 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*** | ***1396448*** | ***1966683*** | ***40.8%*** | ***-304682*** | ***-373945*** | ***1362331*** | ***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 | 633930 | 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 |

## 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 |

## 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% |

## 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% | 2.3% |
| 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% |

## 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% |

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Allocation of loan investments by sectors of economy* | | | | | | | | | | |
| 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 |

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Allocation of bank loan investments by sectors of economy*** | | | | | | | | | | | | |
| 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 |

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Loans to sectors by banks*** | | | | | | | | | | |
| 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 |

## 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 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Loans to sectors by banks*** | | | | | | | | | | | | |
| 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** | **4457717** | **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%** |

## 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%** |

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

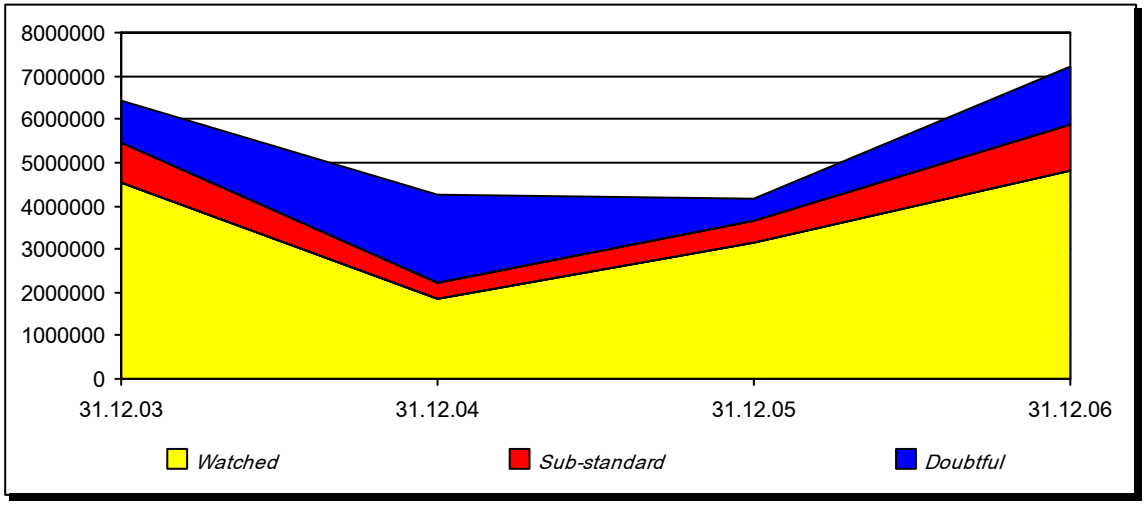
*(thousand drams)*

| 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%** |

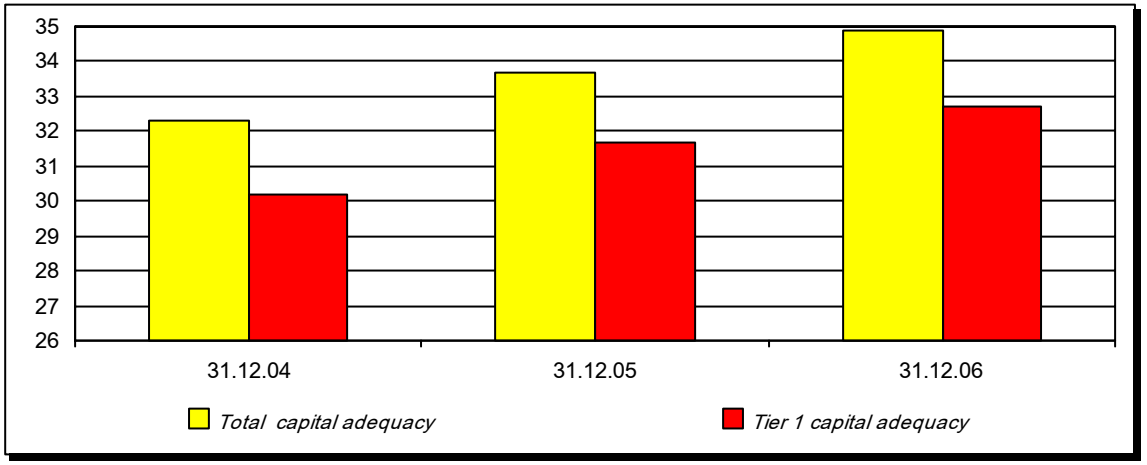
**Dynamics of "Watched", "Sub-standard", "Doubtful" loans, receivables**



## 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 | 32.3 | 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 | Izmirlian-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** |

## 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.*

## 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.*

## 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 (loss) | 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.*

## Structure of Survey Balance Sheet indicators of Credit Organizations

| | 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 | | 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% |
| *Net interest income* | *486490* | *848159* | *74.3%* | *271258* | *629051* | *1079670* | *1705589* | *101.1%* |
| 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% |
| *Net non-interest income* | *-486457* | *-482303* | *-0.9%* | *-112113* | *-444325* | *-850218* | *-1333531* | *176.5%* |
| 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% |
| *Net provision* | *-188582* | *174559* | *-192.6%* | *71668* | *13226* | *-22453* | *101202* | *-42.0%* |
| 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% |
| *Undistributed profit* | **155461** | **80357** | **-48.3%** | **78142** | **148374** | **207873** | **105949** | **31.8%** |

*Appendix 19*

## Loan Investments of Credit Organizations

*(thousand drams)*

| 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 | 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%** | |

*Appendix 21*

## 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)*

| | *2003* | *2004* | *2005* | *2006* |
|---|---|---|---|---|
| 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 |

## 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 |

*Appendix 29*

## Income and Expenditure of Insurance Companies

*(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.*