CENTRAL BANK OF
THE REPUBLIC OF ARMENIA

ARMENIAN FINANCIAL SYSTEM

DEVELOPMENT
REGULATION
SUPERVISION

2010

2011

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INTRODUCTION

Challenges of world economic crisis in 2009-2010 did not result in significant shocks threatening stability of Armenian financial system. In 2010 Armenian financial system almost recovered to the pre-crisis profitability level.

Armenian Government and Central Bank lending programs, which were initiated already in the second half of 2009, persisted also in 2010. The mentioned programs, anti-crisis expansionary monetary and fiscal policies in 2009, dram depreciation and inflation in international markets led to the formation of inflation environment in the beginning of 2010. And though from the start of 2010 the Central Bank of Armenia (hereinafter CBA) tightened monetary policy, nevertheless as a result of increasing supply of lending resources the lending interest rates of banking system showed declining trend throughout the year.

The largest participant of Armenian financial system is the banking system[1], which holds 91 percent of total assets of financial system.

Armenian banking system withstanding crisis challenges inherited from previous year, already in 2010 reviewed and loosened lending standards. The financial intermediation level of the banking system increased in 2010, but still lags the same indicator in many other CIS countries. Parallel to the growth of assets, decrease of nominal GDP was registered. As a result, the ratio of banking system assets to GDP increased by 2.6 percentage points and reached 44.5 percent. The ratio of loans issued by the banking system to GDP increased by 3.3 percentage points and totaled 25.3 percent.

In 2010 Armenian banking system preserved growth and development tendencies and despite adverse impacts of financial crisis demonstrated high level of flexibility. The banking system ensured 17.7 percent growth of assets, 14.6 percent growth of capital and high level of profitability (Return on Assets 2.2 percent, Return on Equity 10.7 percent).

The CBA proceeded with reforms to ensure sustainable development of the banking, securities and insurance markets aimed at assuring financial stability and sustainable development of Armenian financial system and improvement of clearing and settlement system. In the context of the above mentioned the most important reform of 2010 was the implementation of Motor Third Party Liability Insurance system. The injured parties of motor vehicle accident would receive appropriate compensation. The system would also stimulate the development of overall insurance market broadening insurance product lines, enhancing the quality of provided services and increasing the process efficiency.

In 2010, pension system reform legislative package was adopted, which would ensure operation of volunteer pension system in 2011 and operation of mandatory pension system in 2014. Those reforms have a great social importance and are aimed at providing appropriate welfare level for the population after pension age.

In 2010 the CBA proceeded with large scale actions aimed at modernization of financial sector regulation framework, financial supervision, consumer right protection and financial education of various target groups of the society.

[1] *Here 21 commercial banks operating in Armenia.*

CHANGES IN FINANCIAL SYSTEM REGULATORY FRAMEWORK IN 2010

The regulatory framework of financial system is constantly updated and developed, which also continued in 2010. Continuous developments in real and financial sectors call for the need to withstand new challenges and hence update the regulatory framework.

Changes in the financial system regulatory framework

Legislative changes

1. In the second quarter of 2010 the National Assembly of Armenia adopted the law ***"On compulsory insurance of liability arising out of the use of motor vehicles"*** (Motor Third Party Liability Insurance-hereafter MTPL) and other laws connected to the issue drafted by the CBA.

This law defines obligation of compulsory insurance of the liability of motor vehicle owners and other persons legally possessing motor vehicles used on general purpose roads, arising out of the damage caused to third parties due to the use of the motor vehicles.

The main goal of the law is the protection of rights of injured parties caused by the use of motor vehicles, particularly through the establishment of efficient mechanisms of damage compensation.

According to insurance policy the sum insured shall not be less than

1) For personal damage – AMD 3 million per injured party and AMD 9 million for each insurance accident.

2) For property damage – AMD 1.5 million per insurance accident.

Only those insurance companies are authorized to perform MTPL which are members of Bureau of the companies performing compulsory insurance of liability arising out of the use of motor vehicles (hereafter Bureau).

The Bureau has a number of functions: in particular, Bureau adopts rules in order to ensure adequate conditions for operation of its member insurance companies in the MTPL area, apply professional rules, protect interests of injured persons and policyholders and enhance development of the MTPL system. The Bureau also supervises the compliance of member insurance companies with adopted rules. The rules of the Bureau shall be registered at the CBA.

The size of damage and the parties liable will be determined by qualified experts and other eligible parties (medical facilities, courts and etc.).

2. In the second quarter of 2010 the National Assembly of Armenia adopted amendments and addenda to the law ***"On Guaranteeing Compensation of Bank Deposits"***, according to which the guaranteed amount for AMD deposits was increased to AMD 4 million, while the guaranteed amount

for foreign exchange deposits was increased to AMD 2 million. At the same time, the CBA as a sole founder of the Fund was given authority to make investments into the Fund up to AMD 5 billion. An amendment was endorsed also to the law ***"On the Central Bank of Armenia",*** whereby the CBA will be entitled to provide the Deposit Guarantee Fund with loans covered by budgetary guarantee, if at the stage of compensation financial stability (liquidity and/or solvency) of the financial system is undermined. At the same time by amendments to the law "On Budget System of Republic of Armenia" it was defined that Deposit Guarantee Fund receives budgetary guarantee according to Government decree without any collateral.

3. In the second quarter of 2010 the National Assembly of Armenia adopted amendments to laws ***"On Banks and Banking"*** and ***"On Joint Stock Companies"***. The purpose of these amendments was to give banks, which are joint stock companies, the right to delegate maintenance of their participants' register either to the Central Depository or to the professional company not affiliated to the bank, which is entitled to maintain register (custodians). At the same time an article of the law was clarified, according to which companies rendering investment services are not authorized to maintain the register of their participants and delegate the maintenance of the register to the affiliated custodians either.

4. On the 22nd December 2010 the National Assembly of Armenia adopted the law **"On Investment Funds"** and other laws in connection with the issue drafted by the CBA.

- The law includes almost all models used in international best practice, which would provide the market with wide range of alternatives and would be comprehensible for foreign participants. Particularly, the law allows establishing standard and specialized funds, which differ from each other by investment policy, as well as establishment of open-end, interim and closed-end funds based on the ability and periodicity of buy-back of the fund securities.
- As a separate type of funds, the law defines pension funds, peculiarities of which are regulated by the law ***"On Funded Pensions"***.
- The law intends registration of fund rules for creation of non-legal entity contractual funds. While for the corporate funds, fund registration procedure is intended. And in particular, during the registration special requirements are imposed for the rules (charter) aimed at protection of fund participant rights.
- Special regulation is imposed on open-end funds, the shares of which are issued on continuous terms and do not have fixed value and quantity and can be presented for redemption at any time.
- The issuance and buy-back (redemption) price of fund securities should be in line with securities market value, which is calculated for open-end funds on the end of each trading day and once a month for closed-end and range funds.

- According to the main principle of asset investment the fund investments should be adequately diversified for the effective mitigation of the risks. Asset and risk diversifications requirements are defined taking into consideration peculiarities of certain types of the funds, while stricter requirements are imposed on standard funds.
- The fund management should be delegated to an asset manager licensed and registered by the CBA, which can perform only asset management activities and, if permitted, other activities as well. For managing pension funds, asset manager should also receive license for volunteer or mandatory pension fund management.
- Custody of investment fund assets should be passed to not affiliated custodian bank defined by law "On Securities market". For those banks additional requirements and responsibilities are defined.

5. In October 2010 the National Assembly passed the first reading of amendments to the law ***"On Payment and Settlement Systems and Payment and Settlement Organizations".***

- The purpose of these amendments was enhancement of payment organizations' and financial system's stability through tightening of licensing and supervision requirements of payment organizations.
- A minimum of AMD 100 million total regulatory capital requirement was imposed on payment and settlement organizations. This provision of law shall enter into force on October 1st 2012. Until then operating payment and settlement organizations should gradually replenish total capital: from October 1st 2011 to April 1st 2012 by AMD 30 million, from April 1st 2012 to October 1st 2012 by AMD 70 million.
- The CBA is given the authority to impose liquidity prudential requirement on payment and settlement organization in order to ensure their solvency.
- Additional requirements are set for entities wishing to participate in foreign payment systems.
- The types of payment services were clarified; their definitions were at most adjusted in accordance with requirements of EU legislation.
- The issues concerning the prosecution of payment and settlement organizations and outsourcing of services by those organizations were regulated.

6. The National Assembly also passed the first reading of amendments to the laws on ***"Securities Market Regulation"*** and ***"Credit Organizations".*** The purpose of these amendments was to distinguish activities between investment companies and credit organizations, because those organizations were becoming identical in essence due to the absence of such distinction. According to the proposed amendments, credit organizations will not render investment services, except the securities transactions on their behalf and on their account (as only those activities are directly related to the activity of credit organization), and the investment companies will not carry out credit organization activities.

7. In October 2010, the National Assembly passed the second reading of amendments and addenda to the *"Civil Code of Republic of Armenia"* and other laws connected to the issue. The purpose of draft laws was, by changing some hindering legal norms, to allow business entities to attract subordinate loans as the latter are more efficient and prompt means of attracting additional capital, than e.g. replenishment of statutory capital.

8. In December 2010, the CBA presented to the Government amendments to laws *"On Insolvency"* and *"On Compulsory Enforcement of Judicial Acts"*. The purpose of these amendments was to ensure fulfillment of claims backed by collateral, guarantee and surety during insolvency process without imposing moratorium. It means that financial organizations or any other person have the right to receive fulfillment of their claims from collateral or means of the parties which provided guarantee or surety, without having to wait until the end of the insolvency process.

At the same time, for the protection of interests of other participants of insolvency process two possible options were defined:

- If the party exercises its right for early fulfillment from the collateral (without having to wait for the end of moratorium), then the party is not eligible (also in the future) to receive compensation above the value of collateral from other property of debtor,
- If the creditor does not exercise the above mentioned right, then it receives the compensation after the moratorium, but both from collateral and other property of debtor.

9. In the fourth quarter of 2010, the CBA presented the amendments to the Government in the laws *"On Income Tax"* and *"Civil Code of Republic of Armenia"*. The purpose of those amendments was to solve the taxation problems arising during the confiscation of the collateral. The proposed amendments required that, in case of out-of-court sale of collateral, when ownership of the collateral transfers to the bank or credit organization, the income tax payment liability be prolonged until the bank or credit organization sells the property to a third party, but no longer than six months. And in particular, for the purposes of income tax calculation income of debtor the positive amount of difference between selling price of collateral and credit liability is considered.

Regulatory changes

In 2010 the CBA developed and revised the following regulations concerning banking activities:

- The CBA Board approved amendments and addenda to Regulation No1 "Registration and Licensing of Banks and Branches of Foreign banks, Registration of Bank Branches and Representative

Offices, Qualification and Registration of Heads of Banks and Branches of Foreign Banks", according to which the following licensing requirements for foreign bank branches in Armenia were established:

- The rating of foreign banks should be not less than AA-(Aa3),
- The supervision in the country where foreign bank has been registered should be in compliance with the Basel Core Principles for Effective Banking Supervision,
- The country where foreign bank has been registered belongs to the countries that participate in the international cooperation in the area of preventing and combating legalization (laundering) of proceeds from crime and terrorism financing and there were no announcement of incompliance to money laundering and terrorism financing system concerning this country by FATF or similar international body,
- The CBA and supervision body in the country where the foreign bank has been registered have signed a treaty (memorandum of understanding) of cooperation in the field of banking supervision,
- The foreign bank has issued a written commitment to unconditional fulfillment of the obligations arising from its branch activities in the territory of RA,
- The foreign bank has not breached prudential requirements during last two years from the date of applying for license to the CBA,
- The foreign bank shall deposit an amount of at least AMD 200 million or equivalent foreign exchange in the CBA or any commercial bank. Moreover, the deposit can be returned exclusively by preliminary consent of the CBA.

Those amendments will ensure that only healthy and financially stable foreign banks enter Armenian financial system ensuring stability of the financial system and depositor rights protection at the same time.

- The CBA Board approved amendments and addenda to Regulation No2 "Regulation of Banking; Prudentials for Banking" according to which:
  - Two stage amendments were introduced to reserve requirement. In the first stage, banks were obliged to keep out of 12 percent of attracted foreign exchange funds 3 percent in AMD and other 9 percent in appropriate foreign currency in CBA, instead of keeping 12 percent of attracted foreign currency funds in appropriate foreign currency. In the second stage, already 6 percent of attracted foreign currency funds were kept in AMD and the other 6 percent in appropriate foreign currency,
  - The foreign currency prudential requirement continued to be operational, while distinctive methodology was introduced. Until August 1st 2010 the prudential requirement was presented as the maximum ratio of sum of long positions of all currencies to the total regulatory capital (10 percent), and starting from August 1st 2010 the prudential requirement was calculated as maximum ratio of gross position to total regulatory capital (10 percent).

Similarly, until August 31st 2010 banks were required to keep maximum ratio of long position for each foreign currency to the total regulatory capital (7 percent), while starting from September 1st 2010 the requirement was calculated as maximum ratio of open position for each foreign currency to the total regulatory capital (7 percent),

- The share of undistributed profit in total capital has been limited. Only that portion of undistributed profit may be included in calculation of bank total capital, which does not exceed 150 percent of bank statutory capital.
- It was defined that investments in capital of non-financial commercial organizations should also be deducted from the core capital of the bank, if those investments exceed predefined limits.
- It was defined that N3 prudential requirement shouldn't be calculated for the government,
- In the calculation of capital adequacy requirement the foreign exchange assets are included with 50 percent higher(stricter) risk weights than for similar AMD assets (in particular 50, 75, 100 and 150 percent risk weights defined for AMD assets were defined respectively 75, 110, 150 and 225 percent for foreign exchange assets),
- It was defined that overnight credit funds extended at Loan platform of "NASDAQ OMX Armenia" in sense of Regulation No2 (liquidity prudential) are considered as highly liquid assets,
- It was clarified that foreign currency prudential requirement is not applicable to consolidated reports of banks,
- It was defined that starting August 1st 2010 in the calculation of foreign exchange position without derivatives the derivatives with foreign governments, foreign central banks and foreign banks that have high rating are included.

The above mentioned amendments were aimed at regulating reserve requirement, which serves as a monetary policy tool of CBA, with an intent to discourage dollarization. At the same time, the amendments allowed to control foreign exchange risks in the banking system. Also capital calculation for the banks was clarified with the view of improving methodology of prudential requirement calculation.

- The CBA Board introduced amendments to "Sample Forms and Fill Out of Public Financial Reports of Banks" and "Sample Forms and Fill Out of Public Reports of Credit Organizations" in order to Make Local Public Reports Compliant with IFRS.
- The CBA Board introduced amendments to "Classification of Loans and Receivables, and Loan Loss Provisioning in Banks operating in the Republic of Armenia". In particular:
  - Provisioning ratio for non-performing assets denominated in foreign currency was increased by 20 percent,
  - The provisioning requirement for non-performing assets was loosened and was defined that classification of those assets is performed based on maximum number of overdue days at

the moment of classification instead of total number of days while the asset was non-performing,

- The issues concerning asset revision, CBA subjective classification, and asset classification in case of partial repayment were clarified,
- Authority was given to the CBA to require banks to keep certain provision for separate group of assets without changing the classification of assets,
- It was defined that, blank loans are not classified at the moment of issuance, but provision is formed for them for the part of asset that is not covered. Due to this amendment those creditors who get a blank loan from a bank or credit organization will not deteriorate their credit history,
- It was defined that classification of the assets that are backed only by surety or guarantee from legal entity will be based on the stricter of classification of borrower or that of legal entity,
- It was defined that the norms of the regulation will not be applicable for assets less than AMD 1000, which would allow the bank or credit organization to avoid classifying those borrowers which have minor debts,
- It was defined that the bank or credit organization may downgrade the classification of the borrower if the borrower has used the loan not on purpose.
- The issues concerning writing-off and taxation of off-balance assets were clarified.

- By the decree of the CBA Board amendments and addenda were made to the regulations of "Guarantee Payment Calculation and Bank Reporting to CBA on Guarantee Payment Calculation, Number of Depositors and Remuneration Amount" and "Data Exchange between Deposit Guarantee Fund and CBA and Reporting of Deposit Guarantee Fund to The CBA". In particular:
  - The size of guaranteed deposits was changed to AMD 4 million for AMD deposits and AMD 2 million for foreign exchange deposits. This changes were conditioned by amendments in the law "On Guarantee of Remuneration of Bank Deposits of Individuals",
  - The reporting deadlines of banks to the CBA, from the CBA to Deposit Guarantee Fund and from Deposit Guarantee Fund to the CBA were shortened.
  - The procedure of submitting of depositor and deposit database to Fund by the CBA in case of remuneration was clarified.

- The following amendments and addenda were introduced by the CBA Board on "Minimum Requirements of Banks' Internal Control":
  - Provisions concerning foreign exchange risk management were defined,
  - New requirements for liquidity risk management were stipulated. In particular, a requirement was stipulated for contingency planning in case of liquidity crisis (for stressful situations) and for periodical revision of contingency plan,
  - Provisions were defined concerning country risk management,

- Provisions were defined concerning proper business conduct. In particular, minimum requirements were stipulated for internal legal acts regulating bank services, conflict of interests, conflict resolution and consumer service policy.

The purpose of these amendments was to improve the internal control in banks, particularly the management of foreign exchange and liquidity risk, while the implementation of proper business conduct was aimed at provision of sufficient level of consumer right protection.

- The CBA Board introduced amendments to "Regulation on Consolidated Reporting of Armenian Banks to Central Bank of Armenia", according to which the forms and content of consolidated reports were brought in compliance with reports of Regulation No 3 "Banks' Reports; Submission and Publication of Banks' Reports" and with chart of accounts.
- The CBA Board adopted "The List of Documents Presented to CBA for Receiving Preliminary Consent and Liquidation Permission for Bank Liquidation by a Decision of General Meeting of Banks Operating on the Territory of Republic of Armenia", which defines the list of documents presented to the CBA in case of bank liquidation by decision of general meeting.
- By a decree of the CBA chairman "Business Continuity Management Guideline" was adopted, which has a consultative nature. The guideline defines the description of activities and stages, order and principles for the implementation of business continuity management system. The guideline is aimed at assisting implementation and further development of business continuity management system in financial organizations, and increasing the efficiency of organization of this process as well.

In 2010 following changes were implemented in regulations relating to insurance activities.

- With the purpose of shaping regulatory framework arising from adoption of law "On Compulsory Insurance of Liability Arising out of the use of Motor Vehicles", the CBA adopted number of legal acts, as follows:
  - By CBA Chairman 28.06.2010 No 1/669 L decree "Guarantee Fund Rules" were approved, which define the rules of guarantee fund formation and management. Rules also define the criterion of Fund insufficiency and criterion of decision concerning it.
  - By CBA Board 29.06.2010 No 150-N decree "Reporting Forms, their Content, Submission Procedure and Terms of Auto Insurers Bureau of Armenia " were defined, aimed at transparent operation of Bureau and also collection of supervisory, analytical and statistical data.
  - The CBA Board adopted 344-N decree (21.12.2010) "Definition of Criterion of Guarantee Fund Resource Allocation Security and Liquidity by Bureau". The decree defined the limits

and directions of investments of guarantee fund resources ensuring safety of the Guarantee fund resources.

- Amendments and addenda were introduced to "Reporting Forms of Insurance Brokers, Scope of Information and Submission Terms and Deadlines" approved by 197-N decree of CBA Board, as a result of which the scope of the information submitted to the CBA by insurance brokers has changed. The amendments and addenda were aimed at improving the analysis of insurance brokers' activities and enhancing off-site supervision efficiency.
- According to 151-N decree (29.06.2010) of the CBA Board amendments were made to Regulation 3/02 "Procedure on the Size, Formation and Calculation of the Main Prudential Standards of Insurance Companies". The amendments were aimed at making the prudential system of insurance market more flexible and efficient through increased assessment and mitigation of insurance market risks. Amendments were made to Regulation 3/02, as follows:
  - Capital adequacy prudential was defined instead of solvency prudential.
  - Amendments were introduced to the calculation methodology of N2, N3, N4 and N5 prudentials, which were aimed at making those prudentials more flexible for reflecting the risks.
  - In the calculation of N3 prudential it was allowed to reduce the participation of reinsurance companies with BBB rating taking into consideration the cooperation history of insurance company with reinsurance company with BBB rating. The introduced amendments allowed the local insurance companies to build further favorable cooperation with reinsurance companies with BBB rating without undermining financial stability of Armenian insurance market.
- In Regulation 3/03 "Types and Formation of Technical Reserves" amendments were introduced, which were aimed at more precise reflection of potential liabilities arising from insurance contracts in technical reserves.
- According to 316-N decree (29.11.2010) of the CBA Board amendments were introduced to Regulation No 3/01 "Licensing of Insurance Activities and Insurance Intermediary Activities; Accounting of Insurance Agents; Registration of Branches and Representations of Foreign Insurance Companies operating in the Republic of Armenia; Obtaining Preliminary Consent to Qualifying Holding in Statutory Capital of Insurance Company; Insurance Company's Business Plan Disclosure, Procedure and Date; Testing of Qualification of Candidates for Officials and Responsible Persons of Insurance Company and Insurance Intermediary; Professional Competency and Qualification Criteria Officials and Responsible Persons of Insurance Company and Insurance Intermediary; Themes of Qualification Test for Officials of Insurance Company and Responsible Persons of Insurance Intermediary". The amendments clarify the documents needed for the registration of insurance agents (legal entities, natural persons, and sole entrepreneurs). It defines requirements

for additional data submission with the view of obtaining complete information on insurance agents.

- According to 315-N decree (29.11.2010) of the CBA Board amendments were introduced to Regulation No 3/07 "The Functions Delegated under the Contracts of Delegation of Insurance Functions, the Documents, Information, their Content, Submission Procedures and Forms Submitted to CBA for Receiving Preliminary Consent on Delegation of Insurance Functions, Procedures and Conditions for Receiving Preliminary Consent". According to these amendments, the expertise of causes of the insurance accident was included in the list of delegated functions.
- According to 327-N decree (07.12.2010) of the CBA Board amendments and addenda were made to Regulation No 3/04 "Procedure and Periods of Filling Out Reporting Forms by Insurance Companies; Information to be Included in the Forms". The introduced amendments were conditioned by changes in number of legal acts, definition of new scope of information needed for supervisory, analytical and statistical purposes, and also by necessity to enhance analytical value of some reporting forms.
- According to 298-N decree (09.11.2010) of the CBA Board amendments and addenda were made to "Chart of Accounts for Accounting in Insurance Companies Operating on the Territory of Armenia" and "Directive of using Chart of Accounts for Accounting in Insurance Companies Operating on the Territory of Armenia". According to amendments insurance companies should carry out their accounting in compliance with IFRS standards. The above mentioned amendments were aimed at provision of appropriate chart of accounts for insurance companies compliant with IFRS.

In 2010 following changes were implemented in regulations relating to securities market.

- Regulation No 4/10 "The Structure of Securities' Take-over Bid Documents, Procedure of Offer's Price Calculation, Procedure of Publishing Changes of Offer and its Terms, Procedure of Compulsory Offer in case of Revocation of Securities Permitted to Trading in Regulated Market, Procedure of Performance of any Public Offers or Council Concerning Admitting or Denying take-over Offer" was adopted, which was aimed at setting such rules for securities take-over offer that would best protect the rights of securities owners and would comply with EU criteria.
- The "Guideline of On-site Inspections in Investment Companies" was adopted, which will allow carrying out complete, comprehensive and minimum required procedures by supervisors during inspection, to have unified approach for inspecting, summarizing and documenting the inspection results by different supervisors. Besides, the purpose of this guideline is to implement efficient system for the assessment of the inspections in investment companies by different categories, which would allow through indicators collected in one table get complete picture of risk level in

investment company and understand which areas are more vulnerable and hence plan supervisory activities aimed at risk mitigation and elimination of vulnerability issues.

- Addenda were introduced to Regulation 4/07 "Requirements to Investment Service Providers". The purpose of those addenda is to clarify peculiarities of sensible benchmarks for the assessment of securities package efficiency offered to the customers by the companies rendering securities package management services.
- Amendments and addenda were introduced to Regulation No 4/04 "Prospectus and Reporting Issuer Reports", which were aimed at eliminating double or controversial reporting requirements for banking and securities markets for those banks that are also reporting issuers.
- Regulation No 4/12 "The Rules for Protection of Client Funds by Investment Service Providers". The purpose of this regulation is to establish principles of client funds protection, which would ensure separate accounting of clients' funds, prevent unauthorized transactions with those funds and hence guarantee that those funds would be properly returned to client.
- Amendments were introduced to Regulation 4/03 "Procedure, Form and Periods of Filing Reporting Forms Submitted to the CBA by Investment Service Providers". The purpose of those amendments was:
  - A new capital adequacy prudential requirement and calculation methodology has been outlined, as a result of which a new table for capital adequacy calculation was added to reporting forms submitted to the CBA.
  - With the view of bringing the securities market regulation in line with IOSCO principles, a provision was added establishing that investment companies should inform to the CBA in case their total capital prudential is below a certain threshold.
  - According the reporting forms previously outlined in Regulation 4/03 only newly signed derivative transactions were submitted to the CBA, i.e. the previous reporting forms did not allow to receive information concerning major changes in contracts signed prior. This constraint did not allow compiling complete picture of outstanding contracts at a certain point of time. For the solution of this issue amendments were introduced to Regulation 4/03, according to which the investment service providers are required to submit also information on changes in previously signed contracts.
  - According to Regulation 4/03 the investment companies submitted report on payments to Ombudsmen office. This report was eliminated, as the included information can be compiled from internal data sources of CBA.
- Amendments were introduced to 5/03 "Procedure, Form and Periods of Filling Out Reporting Forms Submitted to the CBA by Regulated Market Operator". The purpose of those amendments was:
  - The reporting form of regulated market operator on income and expenses would not allow clearly perceive the structure of incomes and expenses; particularly it was impossible to

distinguish membership and commission fees from stock exchange members and members of other regulated markets. As a result of those amendments additional data will be collected on the sources of incomes and expenses of the Operator, with the view of precise assessment of risks and financial stability of the Operator.

- As a credit resource trading platform was established at "NASDAQ OMX Armenia", a new report was added to Regulation 5/03, which includes information on transactions signed in credit resource platform.
- According the reporting forms previously outlined in Regulation 5/03 only newly signed repo agreements were submitted to the CBA, i.e. the previous reporting forms did not allow receive information concerning major changes in contracts signed prior. This constraint did not allow compiling complete picture of outstanding repo agreements at a certain point of time. For the solution of this issue amendments were introduced to Regulation 5/03, according to which the Operator is required to submit also information on changes in previously signed repo agreements.

In 2010 following changes were implemented in regulations relating to credit organizations and other financial institutions.

- In Regulation No 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" it was defined that qualification tests for managers of credit organizations will be published starting March 1st 2011.
- According to decree of the CBA Board amendments were endorsed to Regulation No 14 "Regulation of Activities of Credit organizations; Prudential Standards for Activities of Credit Organizations" concerning the attraction of funds by credit organizations, attraction of funds through issuance of securities and public offerings, foreign exchange transactions by credit organizations and calculation of capital adequacy prudential. Particularly:
  - It was defined that credit and saving unions can attract funds only from those natural person participants, which own at least 5 percent of the statutory capital of the credit organization. Leasing, factoring and universal credit organizations can attract funds from those natural person participants, which own at least 5 percent of statutory capital or if the attracted funds are no less than AMD 30 million. In latter case the total capital of the credit organization should not be less than AMD 1 billion either. The mentioned funds attracted are not covered by Deposit Guarantee Fund.
  - Foreign exchange transactions for certain types of credit organizations were restricted. Particularly, credit and savings unions can carry out non-cash foreign exchange transactions

(the saving unions can only trade with their participants), while cash foreign exchange transactions can be carried out only in case and extent of servicing issued loans. In case of foreign exchange transactions the sum of transaction can be rounded to AMD 5000. The leasing, factoring and universal credit organizations can buy/sell cash foreign exchange, if this is defined in their charter (except for servicing issued loans and the sum of transaction can be rounded to AMD 5000). In this case, credit organizations shall comply with all prudentials and the minimum total capital requirement will rise to AMD 1 billion, according to defined schedule.

- Leasing, factoring and universal credit organizations are entitled to attract funds from natural persons through public offering of bonds only with the consent of the CBA. The total capital of the credit organization should be no less than AMD 1 billion until the full redemption of the borrowing and the borrowing is not covered by the Deposit Guarantee Fund.
- Newly established leasing, factoring and universal credit organizations can buy/sell cash foreign exchange if their total capital is at least AMD 1 billion.
- It was defined that retained profit can be included in total capital of credit organization with a size not more than 150 percent of statutory capital.
- It was defined that credit organization's investments in statutory capital of other commercial organizations shall be deducted from the total capital, in case they exceed certain thresholds.
- For the calculation of capital adequacy foreign exchange components of credit risk will have 50 percent higher risk weights than the respective dram components.
- Leasing organizations were allowed to carry out factoring activities, in case their capital adequacy ratio is higher than 10 percent.
- Issuance of credit cards was excluded from the list of activities performed by credit organizations.

The purpose of the above mentioned amendments is to regulate the fund attraction process by credit organizations, to create new source for the attraction of funds through issuance of bonds to natural persons and as well as to improve the total capital calculation methodology of credit organizations. At the same time the purpose of the amendments was to mitigate possible risks arising from cash foreign exchange transactions by certain type of credit organizations.

- According to the decree of the CBA Board, amendments were endorsed to Regulation No 15 "Reporting Forms of Credit Organizations, Their Submission and Publishing", according to which reporting forms were brought in compliance with Regulation No. 14 "Regulation of Activities of Credit organizations; Prudential Standards for Activities of Credit Organizations".

- The CBA Board approved Regulation No 11/01 "Prohibition of Price Manipulation during Foreign Exchange Trade and Auctions, Price Manipulation Indications and Informing the CBA concerning Price Manipulations", which was aimed at prohibiting price manipulations in foreign exchange market.

- The CBA Board approved Regulation No 16/1 "Procedure and Terms of Granting, Revoking and Terminating Permission of Electronic Money Issuance, Requirements for Electronic Money Issuance", which defines procedure and terms of granting, revoking and terminating permission of electronic money issuers, requirements for electronic money issuers.
- The CBA Board approved Regulation No 16/2 "Procedure and Terms of Issuance and Servicing (circulation) Electronic Money, Requirements for Transactions with Electronic Money". This regulation defines requirements for electronic money issuance and servicing, report fill out and submission, redemption of liabilities. The requirements for internal control and security risk management for electronic money transactions were also defined.
- The CBA Board approved "Regulation on Sample Forms and Fill Out of Public Reports of Payment System Organizations". This regulation defined the forms for public statements and fill out of rules for payment system organizations, which were brought in compliance with IFRS requirements.

In 2010 following changes were implemented in regulations relating to consumer rights protection.

- According 220-N decree (31.08.2010) of the CBA Board, amendments and addenda were introduced to Regulation No 8/03 "Information Dissemination by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Central Depository and Clearing Companies Making Money Transfers". According to amendments the procedure of information dissemination on MTPL system (MTPL service, protection of MTPL participants' rights, etc.) was regulated.
- Amendments and addenda were introduced to Regulation No 8/04 "Minimum Requirements Regulating Procedure of Customer Claims and Complaints Examination". More flexible mechanism was defined for the form and content of claims and complaints of the customers. The procedure of accepting complaints was simplified.
- Amendments and addenda were introduced to 71-N decree "Minimum Requirements for Banks' Internal Control". Provisions for proper business conduct were included. Particularly, minimum requirements were imposed on internal legal acts regulating bank services, preventing and regulating conflict of interest, examination of complaints and defining consumer servicing policy. The definition of business conduct provisions is aimed at guaranteeing sufficient level of consumer rights protection.
- According to 161-N decree (20.07.2010), the CBA Board approved Regulation 8/03.1 "The Content and Publishing (providing) Procedure of Information by Bureau of MTPL Participant Insurance Companies, and also Requirements Imposed on Published (provided) Information". The scope of

information and the publishing (providing) procedure for information dissemination through Bureau's website, in its bulletins, at its premises, through mass media and through other channels (advertisements, posters, etc.) by Bureau were defined.

- According to decree 162-N of the CBA Board, "Requirements and Terms of Notices and Notifications Presented to Insurers by Insurance Companies" was adopted. The purpose of the decree was to define the right of early termination of motor vehicle liability insurance policies of those who voluntarily signed those policies which were active as of January 1st 2011 (starting date of MTPL system). The decree also defined the notification procedure concerning not exchanging voluntarily signed policy to MTPL policy.

SUPERVISION AND CONSUMER RIGHTS PROTECTION IN 2010

The CBA performs an on-going supervision over the financial system participants to identify and prevent excessive risk levels of the financial system participants; combat money laundering and terrorism financing; protect financial system consumer rights; prevent negative speculative tendencies in securities market and etc., separate departments (mainly the Financial Supervision Department) perform off-site and on-site inspections[2] of the financial institutions.

Supervision

In 2010 on-site and offsite inspections of the CBA Financial Supervision Department focused on the following areas:

- risk management system,
- internal control system,
- combat against money laundering and terrorism financing,
- consumer rights protection,
- integrity of corporate management principles,
- IT sector,
- assessment of asset quality,
- transparency,
- assessment of asset and liability management,
- compliance of business operations with new legislative framework,
- risk level of reinsurance,
- organization and control of Prospectus and/or Trade Prospectus registration procedures,
- control over protection of transparency, integrity and consistency of information subject to dissemination by reporting issuers,
- control over compliance of the business operations carried out by persons propounding public offerings of securities with the provisions of legislation,
- issues on introduction of mechanisms for control and prevention of abuses in securities market (such as price abuse and misuse of insider information for business purposes),
- issues on prevention of operations by non-licensed entities,
- compliance with the requirements relating to safe and sustainable business operation,
- quality of rendered services,
- other.

In 2010, the Financial Supervision Department performed 380 on-site inspections.

[2] *For more detail for supervision process please see Appendix 1*

Table1. On-Site Inspections and Workload of the Supervisors

	2008	2009	2010
Number of Supervisors in the Financial Supervision Department	74	82	83
Total assets of commercial banks, credit organizations, insurance companies, securities market participants and pawn shops (annual average)	AMD 964.3 billion	AMD 1.250 trillion	AMD 1.580 trillion
Average work load per supervisor of the Financial Supervision Department	AMD 13.0 billion	AMD 15.2 billion	AMD 19.0 billion
Number of inspections performed during the year, including:	243	539	380
Comprehensive inspections in banks	7	5	7
Targeted inspections in banks	10	29	24
Comprehensive inspections in credit organizations	5	3	6
Targeted inspections in credit organizations		3	2
Comprehensive inspections in insurance companies	4	4	3
Targeted inspections in insurance companies		4	8
Insurance brokers		1	1
Investment companies	1	8	4
Other participants of financial market(exchange offices, pawnshops, payments system organizations and other)	216	490	325

Compared with previous year, in 2010 the number of infringements relating to legislative issues rose in total number of infringements identified during on-site and off-site inspections performed by the CBA Financial Supervision Department. Compared to the previous year, the number of penalties also increased.

Table 2. Infringements of Financial Institutions and Penalties in 2010

	Commercial banks	Credit organizations	Insurance companies	Pawnshops	Payment system Companies*
Area of Violation					
Accounting	31	10	3		-
Asset classification norms	10	2	7	-	-
Legislation	509	88	228	217	1
Prudential standards	2		31		
Incompliance with instructions	6	2	10		-
Reporting delays	8	2	21	8	3
Inconsistent data	99	3	106	60	
Total regulatory capital			11		
Credit register	32	19			

Penalties					
Revocation of License	-	-	-	15	-
Fines imposed on organization	488	58	223	166	-
Fines imposed on managers	7				
Penalty	1				
Warning	587	92	243	62	4
Revocation of manager's professional qualification license		1			
Termination of license				36	
Cessation	4	1	2		

** Organizations implementing payment instruments, carrying out money transfers, processing settlement documents and performing clearing operations.*

Consumer rights protection

In 2010 the CBA continued implementation of wide range of activities aimed at consumer rights protection and strengthening financial and economic awareness of various target social groups.

- Activities aimed at development of "Finance for all" internet website (www.abcfinance.am) were continued. New financial, economic games and financial knowledge assessment tests were developed. The objective of the website is the financial education of target audience through simple and comprehensive interface. The website mainly contains educational materials and information on financial organizations and their services. The website will be continuously developed, updated and improved by the CBA.
- The CBA, in cooperation with "Junior Achievement" NGO, has organized "Economics and finance" game-competition for senior pupils of schools.
- Activities were carried out aimed at information coverage of MTPL implementation:
  - Popular brochures and booklets were developed, which were distributed in all cities of Armenia,
  - Educational and informative TV clips were developed.
- Stressing the importance of effective financial and economic education in schools as an assistance to National Educational Institute of the Education and Science Ministry the CBA developed guideline "On the assessment methodology of financial and economic educational programs " (with the model of "Economics" component of "Social Sciences" subject).The guideline includes those tools (surveys, discussions), steps, procedures (defines information scope and assessment criterion), through which the assessment should be carried out.

- Within the framework of Pension reform program "On Continuous provision of general and professional knowledge and information concerning pension system in Armenia" was developed. The purpose of the program is to create an institutional system, which would give the society an access to appropriate education and information concerning pension system and also ensure professional education and generation of new knowledge.
- Based on methodology developed by expert group of international network of financial education (INFE), which was founded by Organization for Economic Co-operation and Development (OECD), surveys were carried out throughout Armenia with the view of assessing level of financial literacy of the population. The results are to be summarized in 2011. According to the results of the surveys more appropriate, targeted and effective financial education activities will be developed.

STAFF TRAINING AND COOPERATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2010

Human resource development policy has always been in the CBA focus, as new developments and challenges require new levels of perception of international best practices and even higher levels of professional excellence. In 2010 the CBA continued carrying out consistent human resource development policy, which is aimed at enhancing efficiency of the financial system regulation and supervision processes.

For the purpose of enhancing staff qualifications, studying best international practices and their possible localization in Armenia, in 2010 the CBA Financial Supervision Department employees participated in a number of local and foreign courses, on-job meetings and conferences. In 2010 the CBA staff training activities were supported by the International Monetary Fund, Bank for International Settlements, banks of Switzerland, Italy, Lithuania, France, Joint Vienna Institute, European Bank for Reconstruction and Development, German Bundesbank, the Bank of England training center, the USA Federal Reserve System, central banks of Netherlands, Kazakhstan and Russian Federation, national banks of Serbia, Poland, Czech Republic and Austria, Eurasian Economic Community, Insurance Association of Austria, International Organization of Securities Commissions, Financial Stability Institute and etc. Topics covered in training courses, conferences and seminars on exchange of work experience, conducted by the above mentioned institutions, related to financial stability and anti-crisis management issues, actual issues related to banking, insurance, securities market participant supervision, development of those markets, reforms in the financial system regulation and etc.

During 2010 the major topics of the CBA staff training included "Challenges of Financial Policy", "Financial Stability", "Consolidated Supervision and Risk Integration", "Crisis Readiness", "Financial Supervision", "Major Supervision Issues", "Risk Based Supervision", "Profound Risk management", "Securities Market Development", "Financial Consumer Rights Protection", "Oversight of Payment Systems", "Payment System Assessment Simulation", "Compulsory MTPL Insurance System", "Investment Funds", "Money Laundering Prevention Procedures", "Combat Against Money Laundering and Financial Violations", etc.

Regarding internal trainings of the CBA it is remarkable that highly experienced supervision specialists of the CBA arranged training courses for younger colleagues for sharing their experience and knowledge.

In 2010 several specialists from the CBA attended the training course named "FSI connect", arranged by the Swiss Financial Stability Institute (FSI) in an on-line format, and only those who successfully passed the course can work in supervisory field of CBA or have professional advancement.

The CBA employees also visited central banks of other countries, in order to get acquainted with their experience.

In 2010 CBA continued multilateral and bilateral cooperation with international and foreign organizations.

The CBA employees participated in annual meetings, forums, banking and financial conferences, "round table" sessions, consultations, exhibitions and on-job seminars, where they presented reports and speeches. Inter alia are worth mentioning regional forum "Impact of global economic and financial crisis" held in Manila (Philippines) by Asian Development Bank, plenary session of EGMONT group concerning money laundering and terrorism financing held in Port Louis (Mauritius) , IMF and WB Netherlands subgroup country meeting concerning management issues held in Hague (Netherlands), international forum and exhibition "Investments and Trade Opportunities in Armenia" held Tehran (Iran), meeting of European Council Anti-Money Laundering and Combat Against Terrorism Financing MONEYVAL committee held in Strasburg (France), European banking and financial forum held in Prague (Czech Republic), regional conference of banking sector regulators held in Tbilisi (Georgia), "Financial sector after the crisis" forum held in Washington DC (USA), , Annual meeting of the heads of legal departments of CIS and Baltic central banks held in St. Petersburg (RF), international conference "Housing Lending in Developing Countries" held in Washington DC (USA),2010 Annual meeting of central banks Rome (Italy), annual meeting of WB/IMF chairmen and vice-chairmen Jerusalem (Israel), international conference dedicated to the 150th anniversary of foundation of Russian Central Bank held in Moscow (RF),the fifth annual meeting of the Bank of International Settlements Irving Fisher Committee in Basel (Switzerland), the international conference of bank supervisors held in Singapore, the international forum on "Management of Information Technologies" held in Boston (USA), annual meeting of presidents of national associations of SWIFT users and members and SIBOS annual conference in Amsterdam (Netherlands), 5th international conference of Statistics issues by ECB held in Frankfurt am Main (Germany), 11th board meeting of heads of securities supervision bodies of CIS countries held in Kazan (RF), annual meeting of the International Monetary Fund and the World Bank Board of Governors in Washington DC (USA), Symposium concerning pension and investment funds Dubai (UAE).

With the view of expanding operational cooperation and conducting negotiations, in 2009 the CBA visited experts from IMF Statistical Mission, experts of German GDV German Insurance Association experts, group of IMF experts for technical assistance against money laundering and terrorism financing, anti-money laundering and terrorism financing combating delegation of Islamic Republic of Iran, delegation of National Bank of Tajikistan, delegation of Black Sea Trade and Development Bank and etc.

During 2010 the CBA organized number of business meetings, working sessions and a conference. The international conference ""the Financial Ombudsman Institute directed toward strengthening of public trust and increase of financial mediation" is worth mentioning. It was organized jointly by CBA and by Financial Ombudsman of Armenia (Yerevan 2010 April 7-10).

In 2010 the CBA continued the process of signing agreements and memorandums of understanding (MOUs) with other central banks within the framework of the intergovernmental committees.

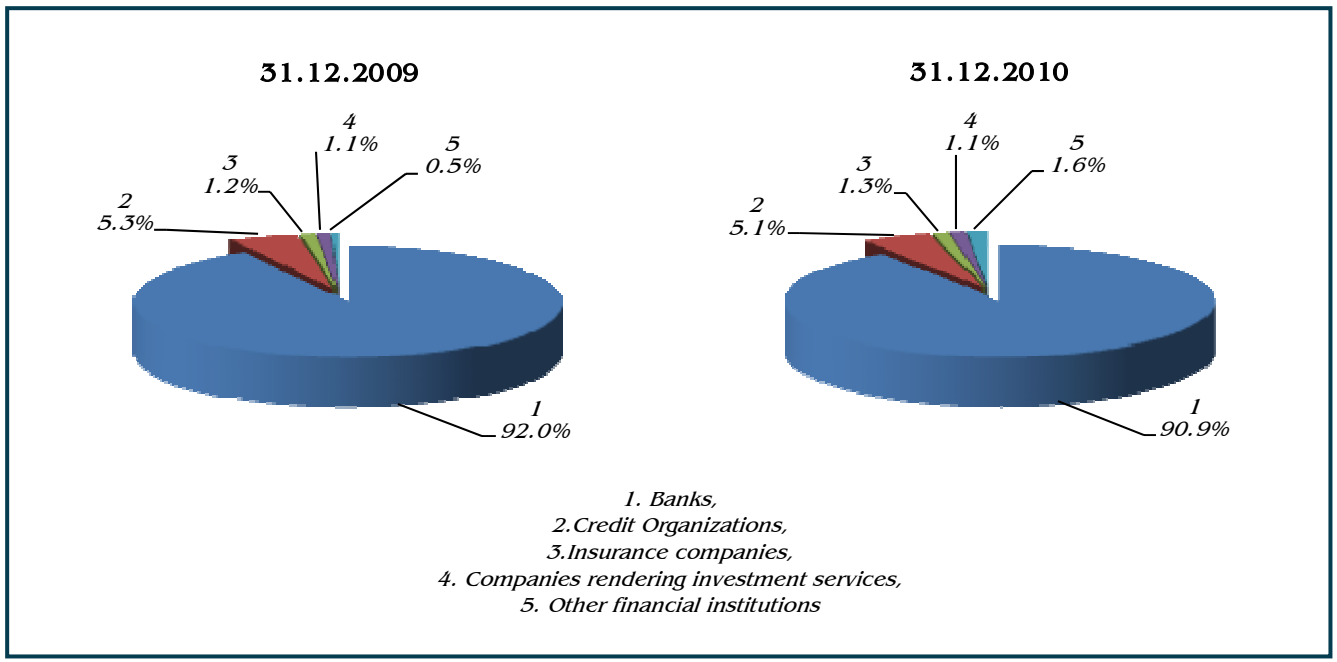
In pursuance of economic and technical cooperation agreement between Governments of Republic of Armenia and Peoples Republic of China signed on June 2nd 2010 in Yerevan, on October 28th 2010 Central Bank of Armenia and Chinese Development Bank Corporation signed agreement in Yerevan concerning banking accounting procedures.

Process of lifelong training and education of the staff, in cooperation with foreign partners, is also called to enhance the effectiveness of financial regulation and supervision. Therefore training and cooperation activities are constantly emphasized by the CBA.

ARMENIAN FINANCIAL SYSTEM IN 2010

The banking system is the major participant of Armenian financial system, accounting for 91 percent of total assets of financial system. In this sense, the consistent development of banking, insurance and securities markets is of significant importance. Compared to the crisis year 2009, in 2010 the financial system of Armenia was rather active. The banking system being the major component of financial system almost recovered to the pre-crisis profitability level. During the first half of 2010 the Armenian financial system moved from crisis derived risk adjustment stage to the stage of search of new development directions. In parallel with growing clarity of expectations concerning future economic developments Armenian financial system started to gradually recover.

Chart 1. The Structure of Financial System Assets by Financial Institutions



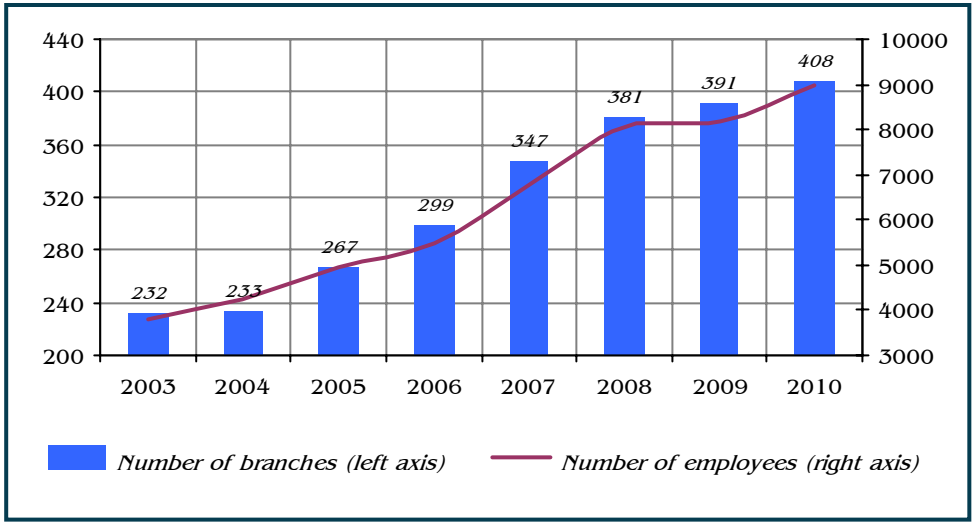
COMMERCIAL BANKS

GENERAL PROVISIONS

Domestic commercial banks

As of end of December 2010, Armenian banking system included 21 commercial banks. During 2010 Ameria Bank acquired the shares of Cascade Bank: In 2010 the number of branches increased by 17 and reached 408. As a result number of population per branch decreased by 4.9 percent and at year-end totaled 7800.

Chart 2. Number of Bank Branches and Employees



The number of bank employees (including service personnel) increased by 9.3 percent and at year-end reached 8961. Decrease of staff was recorded only in three banks. Compared to previous year the share of managerial staff in total number of employees decreased by 1.7 percentage points and at year-end amounted 17 percent mainly because of higher growth of non-managerial positions due to increased number of branches.

The level of financial intermediation of banking sector has increased considerably, although it is generally lower than the same indicator of other countries. In 2010 the Banking Assets/GDP ratio increased by 2.6 percentage points totaling 44.5 percent. Ratio of banking loans to GDP increased by 3.3 percentage points and totaled 25.3 percent.

Table 3. Number of Banks and Branches

	2008	2009	2010
Number of banks	22	22	21
Population per			
1 bank (thousand)	140.0	145.5	152.4
1 branch (thousand)	8.1	8.2	7.8
1 employee	383	390	357

Banking system concentration

Slightly decreasing indications of banking system concentration were observed. The Herfindahl-Hirschman Index of Concentration stayed unchanged or dropped (Time deposits of natural and legal entities concentration indicator). According to indicators presented in Table 4, Herfindahl-Hirschman Index of Concentration is set within 0.06-0.1 range, reflecting a comparatively low level of concentration in the banking system.

Table 4. The Herfindahl-Hirschman Index of Concentration

Indicators	31.12.08	31.12.09	31.12.10
Total assets	0.07	0.07	0.07
Total liabilities	0.08	0.07	0.07
Total capital	0.06	0.06	0.06
Loans to economy	0.08	0.07	0.07
Time deposits of natural and legal persons	0.09	0.09	0.08
Demand deposits of natural and legal persons (including bank accounts)	0.10	0.10	0.10

Throughout the year, the polarization among banks contracted a little. At the beginning of the year the share of the 10 largest banks in the total assets of the banking system was 76 percent and the share of the 4 largest banks within total assets of banking system was 40 percent, while at the end of the year those figures totaled 75 percent and 38 percent respectively. For some indicators, presented in table below, polarization level for 4 and 10 largest banks decreased, while for some indicators growth was observed (as a result of acquisition of Cascade Bank by Ameria Bank).

Table 5. Banking Sector Concentration Level (in %)

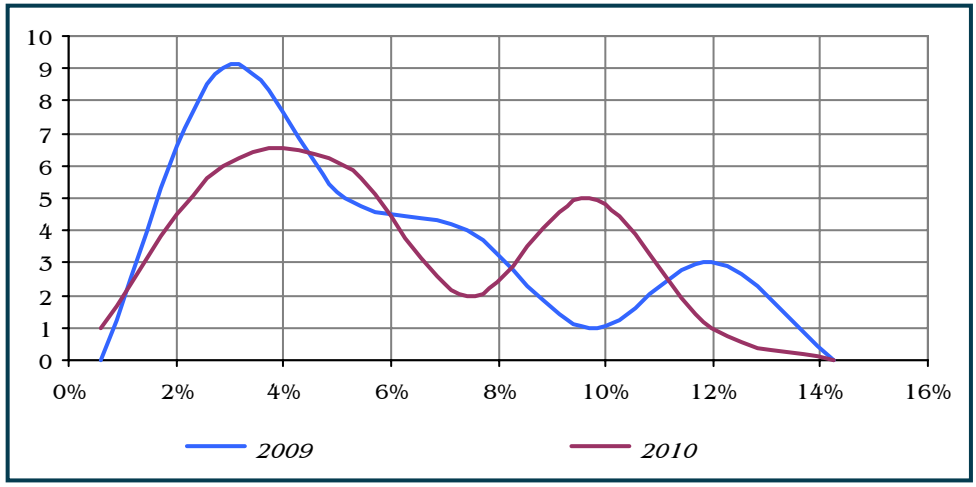
Indicators	31.12.08	31.12.09	31.12.10
Total assets			
CC 4 (share of assets of the 4 largest banks' assets within total assets of the banking system)	44	40	38
CC 10 (share of assets of the 10 largest banks' assets within total assets of the banking system)	76	76	75
Total liabilities			
CC 4	46	41	38
CC 10	80	80	76
Total Capital			
CC 4	38	36	40
CC 10	66	64	70
Loans to economy			
CC 4	48	39	39
CC 10	79	76	77
Time deposits of natural and legal persons			
CC 4	40	37	43
CC 10	79	81	79
Demand deposits of natural and legal persons (including bank accounts)			
CC 4	47	47	49
CC 10	78	82	82

The relative smoothening of the distribution of banks by asset shares also points out to the decreasing concentration in banking system. Compared to the previous year, the excess coefficient of asset shares decreased by 0.5 points. The smoothening is conditioned by the growth trends of relatively small banks and merger of two banks, as a result of which a new large bank was formed contributing to the competition between large banks. Contraction of Asymmetry Coefficient and Herfindahl-Hirschman Index also indicate a slight decrease of concentration.

Table 6. Main Indicators of Distribution of the Asset Shares of the Banks

	Standard deviation	Asymmetry Coefficient	Excess coefficient	Herfindahl-Hirschman Index
2009	0.035	0.932	-0.279	0.071
2010	0.030	0.657	-0.803	0.069

Chart 3. Distribution of the Asset Shares of the Banks



For the disclosure of competitiveness level, the competitiveness of Armenian banking system is assessed based on Panzar and Ross model, which is used to assess the impact of expense factors on interest income. Based on the banking system data for 2003-2010, the value of H-statistic indicator was 0.33. Although the calculated indicator shows existence of oligopolic competition elements, still growth of competition was observed compared to the previous year (compared to 2009 the H-statistic decreased by 0.05 points).

BANKING SYSTEM CAPITAL

Capital Growth Trends

Over the reporting year, total capital of the banking system grew by 14.6 percent (AMD 40.7 billion), and totaled AMD 319.0 billion. Growth of the total capital was mainly driven by the growth of the banking system profit and statutory capital. The statutory capital increased by 8.0 percent (AMD 15.2 billion), major share of which (AMD 12.7 billion) was replenished by foreign funds. As a result, during 2010 the share of non-residents within the total statutory capital of the banking system increased by 4.9 percentage points and totaled 78.9 percent.

According to supervision reports in 2010, net profit of the banking sector totaled AMD 30.2 billion.

Chart 4.
Sturcture of Banking System Capital by Residency

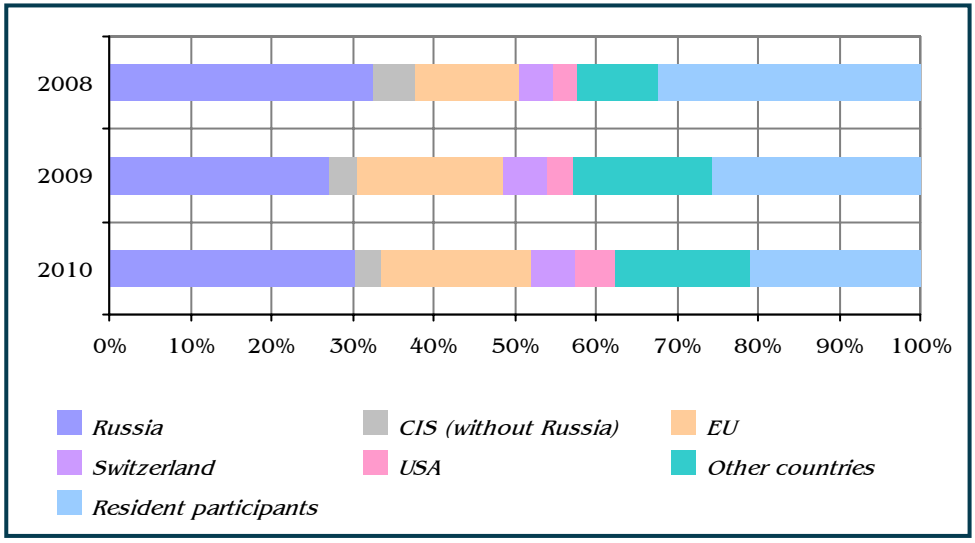
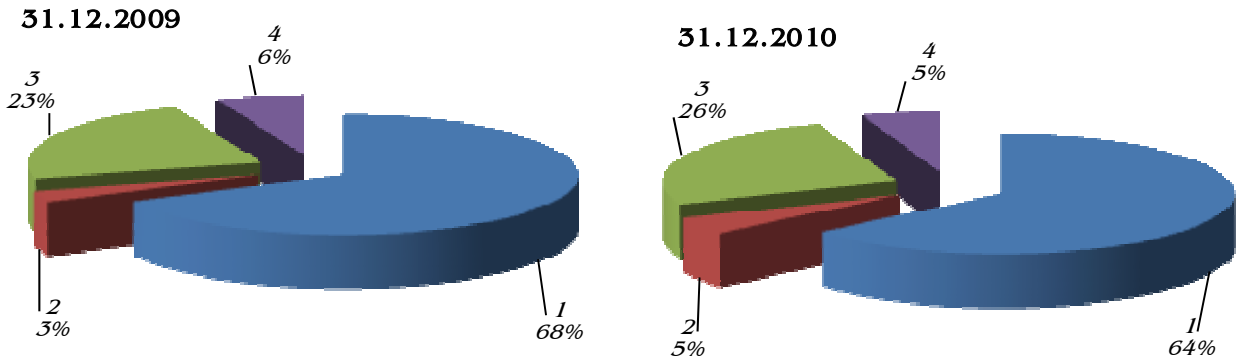


Chart 5. The Structure of the Banking System Total Capital



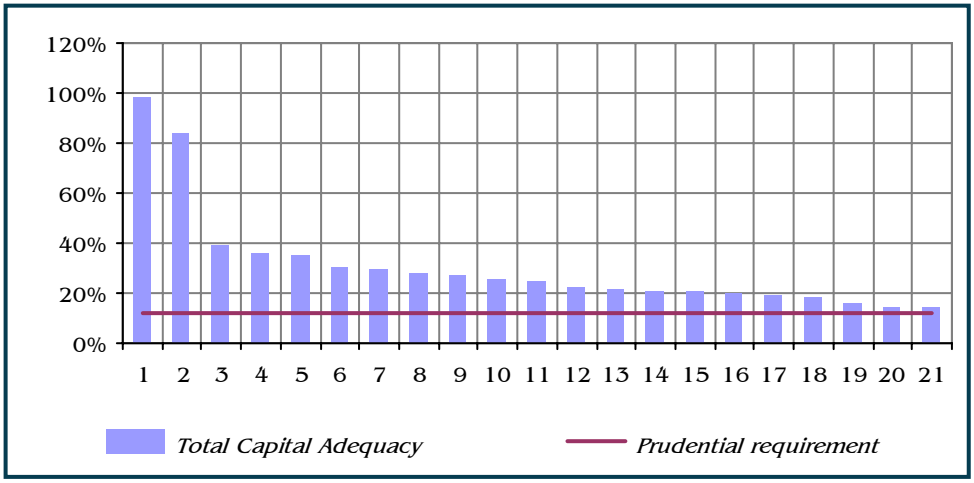
1. Statutory capital, 2.General reserve, 3.Retained profit (current and previous periods), 4.Other

The growth of total liabilities was 3.9 percentage points higher than the growth of total capital. As a result, total capital to total liabilities ratio dropped by 0.9 percentage points totaling 25.7 percent at the end of the year.

Banking system capital adequacy

In comparison with a number of countries, capital adequacy of Armenian banking sector is considerably high. High level of capital adequacy allows the banking system to neutralize the risks using their own resources. It is remarkable that in the light of global financial crisis none of Armenian banks faced the problems of insolvency, which was mainly due to high level of capital adequacy. In 2010 growth rate of risk weighted assets of banks exceeded growth rate of regulatory capital, which resulted in drop of capital adequacy ratio by 6.2 percentage points compared to 2009 totaling 22.2 percent(prudential minimum requirement is 12 percent). The growth of risk weighted assets was driven both by active lending policy of the banks and by the change in the calculation methodology of risk weighted assets.

Chart 6.
Total Capital Adequacy of Banks [3]



Shareholders of commercial banks

Out of 21 commercial banks operating in Armenia, only one bank is a limited liability company, 3 are open joint-stock companies and 17 are closed joint-stock companies.

Participants (shareholders, equity holders) of the Armenian banking system are 1,646 natural and legal persons, of which 94 are non-residents.

With an exclusion of 3 banks, which are open joint-stock companies, participants (shareholders, equity holders) of the remaining 18 banks are 72 natural and legal persons, out of which 43 are non-

[3] *In charts with individual banks, the same order 1-21 banks is not preserved throughout the document.*

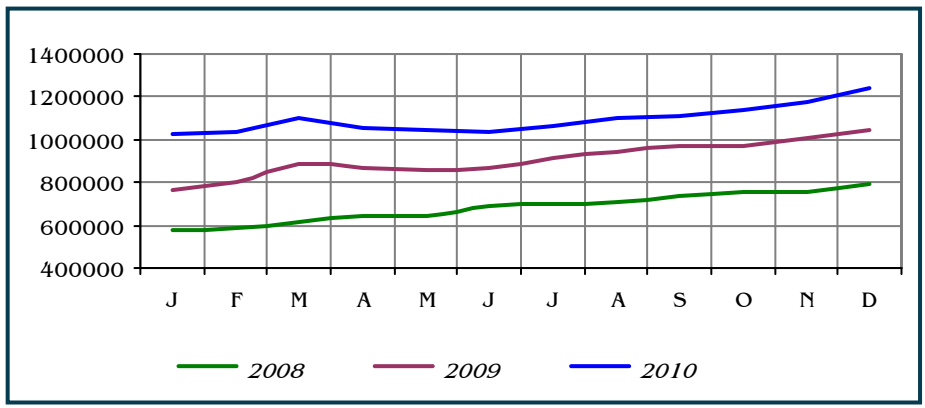
residents. In five banks, 100 percent of shares are owned by a single party (four non-resident legal persons and one non-resident natural person); while in 15 other banks a single shareholder owns more than 50 percent of the shares.

BANKING SYSTEM LIABILITIES

Attracted funds

In 2010, total liabilities of the banking system increased by 18.5 percent (AMD 193.9 billion) and at the end of the year totaled AMD 1 trillion 241.5 billion. Dram liabilities increased by 28.7 percent and foreign exchange liabilities increased by 13.7 percent. As a result, the share of dram liabilities at the end of the year increased by 2.7 percentage points and totaled 35.1 percent.

Chart 7.
Banking System Liabilities



The growth of liabilities was mainly driven by the growth of total deposits (AMD 46.3 billion), nostro correspondent accounts and other liabilities of the banks (61.6 billion dram growth) and liabilities to other non-bank financial organizations (50.9 billion dram growth).

Total deposits (time and demand), attracted from natural and legal persons, increased by 7.4 percent and at the end of the year totaled AMD 673.1 billion. The growth of dram deposits was the main source for total deposit growth. Dram deposits increased by 24.6 percent (AMD 40.3 billion), while foreign exchange deposits increased only by 1.3 percent (AMD 5.9 billion).

Over the reporting year, demand liabilities of legal entities decreased by 0.5 percent (by AMD 859 million), while demand liabilities of natural persons increased 14.8 percent (AMD 13.4 billion). The

number of current accounts held by the legal entities grew by 13.3 percent, and the number of current accounts of natural persons grew by 9.6 percent.

Chart 8. Demand Deposits

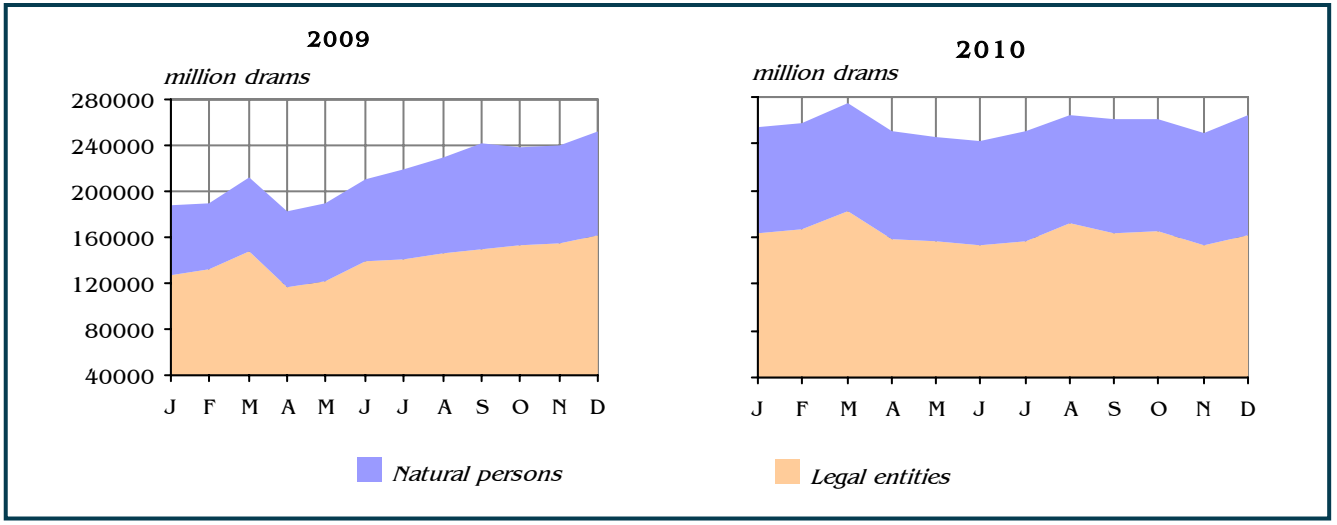
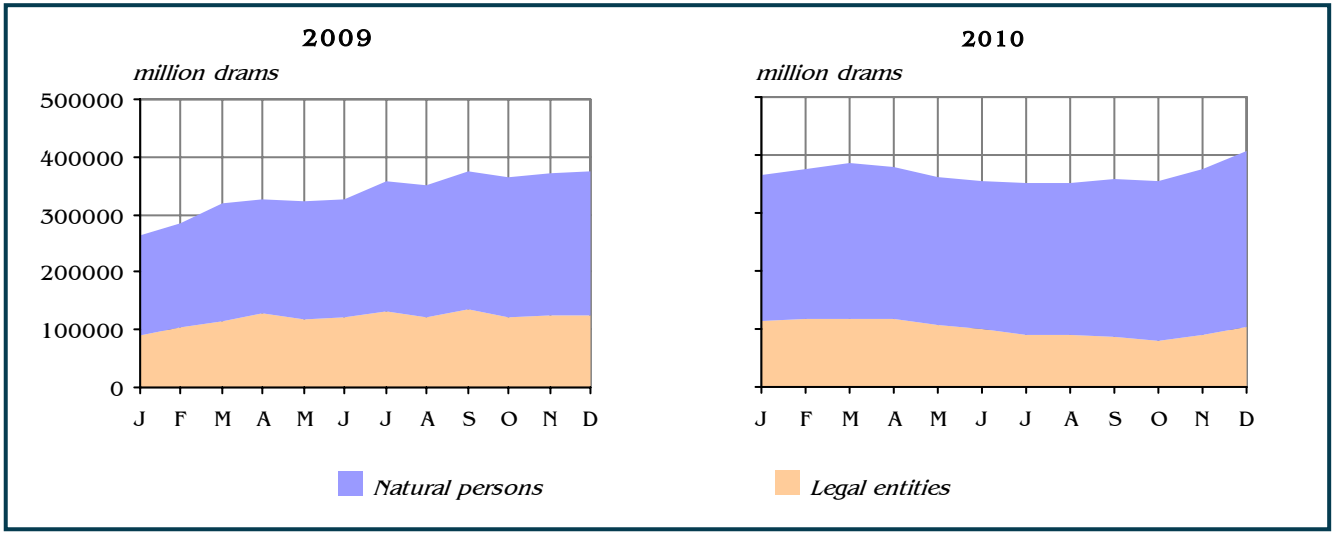


Chart 9. Time Deposits



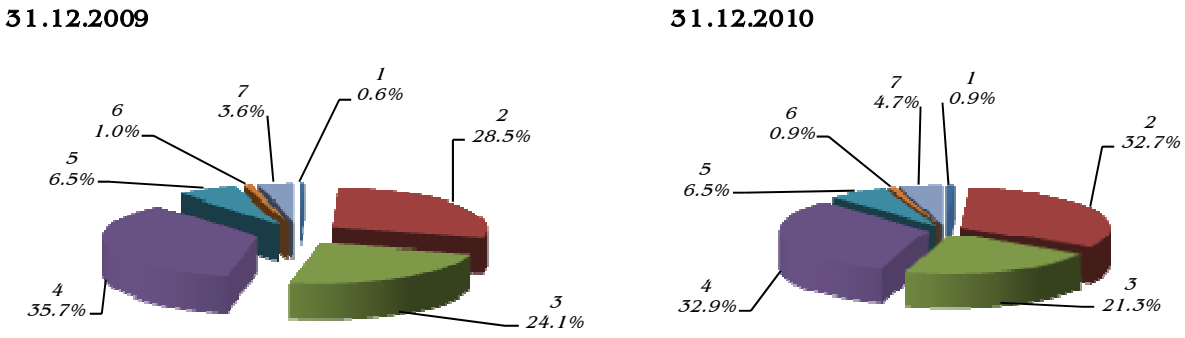
The volume of legal entities' time deposits dropped by 17.1 percent (by AMD 21.6 billion), while the number of time accounts grew by 22.1 percent, reflecting certain decreasing trend of the time deposits of legal entities. The same trend was observed also for the deposits of natural persons. The volume of natural persons' time deposits decreased by 22.3 percent (AMD 55.3 billion) and the number of time accounts decreased by 26.1 percent.

It is remarkable that in 2009, during the crisis, deposits of legal entities increased by 36 percent (the free funds that were accumulated during crisis were invested into banking system). While the contraction of legal entities' deposits (both time and demand) in 2010 was mainly conditioned by post crisis recovery and re-investment of saved resources into business.

Structure of banking system attracted funds

As of December 31, 2010, the share of the expense-bearing liabilities in the total liabilities of the banking system totaled 94.3 percent (compared with 96.1 percent in the previous year). Excluding low cost demand deposits, the share of cost incurring time deposits increased 1.4 percentage points compared to the previous year, reaching 71.6 percent.

Chart 10. Structure of the Banking System Total Liabilities



1. Bank correspondent accounts, 2. Other liabilities to banks (including CBA) and other financial institutions,3. Demand liabilities, 4. Time deposits, 5. Liabilities to the Republic of Armenia government,6. Interests payable, 7. Other liabilities

In the structure of Armenian banking system's total liabilities, the share of liabilities to banks and other financial institutions increased, while the share of time and demand liabilities shrunk.

At the end of 2010, 24 percent of the attracted funds were on demand (deposits, banking accounts, correspondent accounts and etc.), 48 percent were time deposits with a maturity of up to 1 year, and 28 percent were time deposits with a maturity of over 1 year (as of 31.12.2009 respectively 26,53,21 percent).

Commercial banks' customers

During 2010, the number of customers serviced by commercial banks stayed almost unchanged (increased by 2000 customers- 0.2 percent). By the end of the year, the number of natural person customers totaled 1 million 68.6 thousand, while the number of legal entity customers was 69.2 thousand.

Over the year, the number of bank accounts (current and term) grew by 17.1 percent and totaled 1 million 804 thousand. The number of accounts of legal entities grew by 16.0 percent and totaled 135 thousand by the end of the year. The number of accounts (current and time) of natural persons grew by 17.2 percent and by the end of the year totaled 1.669 million.

BANKING SYSTEM ASSETS

Growth trends of financing provided by the banking system

Over 2010, total assets of the banking system increased by 17.7 percent (by AMD 235 billion), and totaled AMD 1 trillion 560 billion at the end of the year.

Growth of assets was mainly driven by growth of loans to economy (AMD 185.2 billion), leasing and factoring (AMD 25.1 billion), investments in government securities (AMD 41.9 billion).During 2010, loans to economy (including loans to legal entities and natural persons) increased by 26.3 percent (AMD 185.2 billion) and totaled AMD 888.6 billion. Growth was driven both by loans to legal entities and natural persons (the growth rate was respectively 31.6 and 14.1 percent).

Correspondent accounts held in the CBA and other claims to CBA decreased by 18.1 percent (AMD 34.9 billion) mainly due to decrease of foreign exchange accounts, which resulted from changes in reserve requirement calculation.

Chart 11.
Total Assets of the Banking System

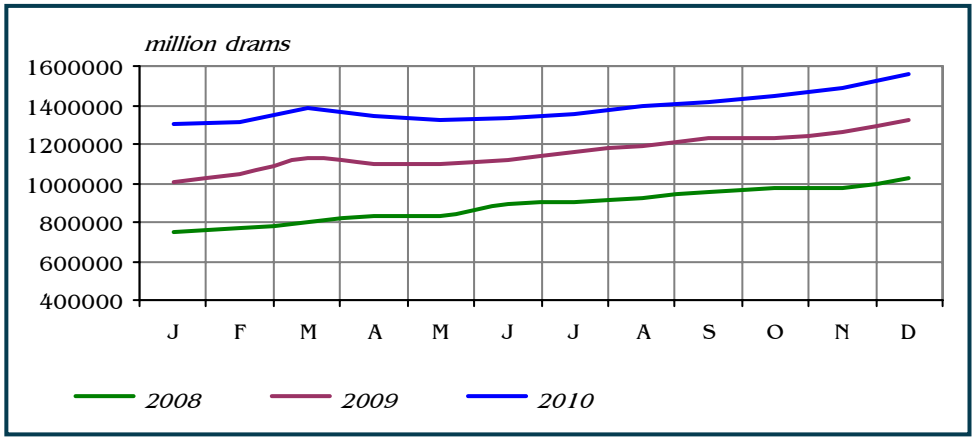
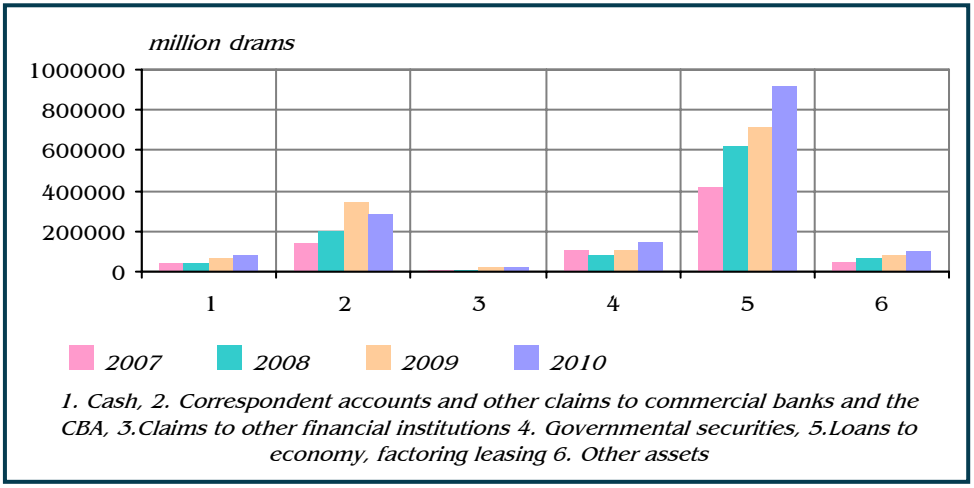


Chart 12.
Banking System Assets



1. Cash, 2. Correspondent accounts and other claims to commercial banks and the CBA, 3.Claims to other financial institutions 4. Governmental securities, 5.Loans to economy, factoring leasing 6. Other assets

Nostro correspondent accounts and other claims to other banks decreased by 11.7 percent (by AMD 17.6 billion). Nostro correspondent accounts had a high level of concentration, in terms of residency. At the end of the year, 84.8 percent of correspondent accounts were kept in non-resident banks (compared with 99.1 percent in the previous year). Compared to previous year, the concentration of correspondent accounts in terms of geographic breakdown slightly decreased. The shares of correspondent accounts held in US banks was 30 percent, in German banks – 24 percent, in French banks – 12 percent, in Russian banks – 12 percent, in Dutch banks – 10 percent and in banks of other countries – 12 percent (31.12.2009 USA – 38 percent, Germany – 23 percent, Russian Federation – 15 percent, other countries 24 percent).

Volume of investments in government securities increased by 38.46 percent during the year, and at the end of the year totaled AMD 151.3 billion. The volumes of investments in other securities increased by 31.5 percent and at the end of the year totaled AMD 5.7 billion.

Structure of allocated funds by the banking system

In terms of increased share of loans in total assets the share of assets with high return within total assets increased by 3.4 percentage points and totaled 76.0 percent. If correspondent accounts with low return are excluded, the share of other high return assets would be 74.6 percent (compared with 68.9 percent at end-December 2009).

Chart 13. Structure of the Banking System Assets

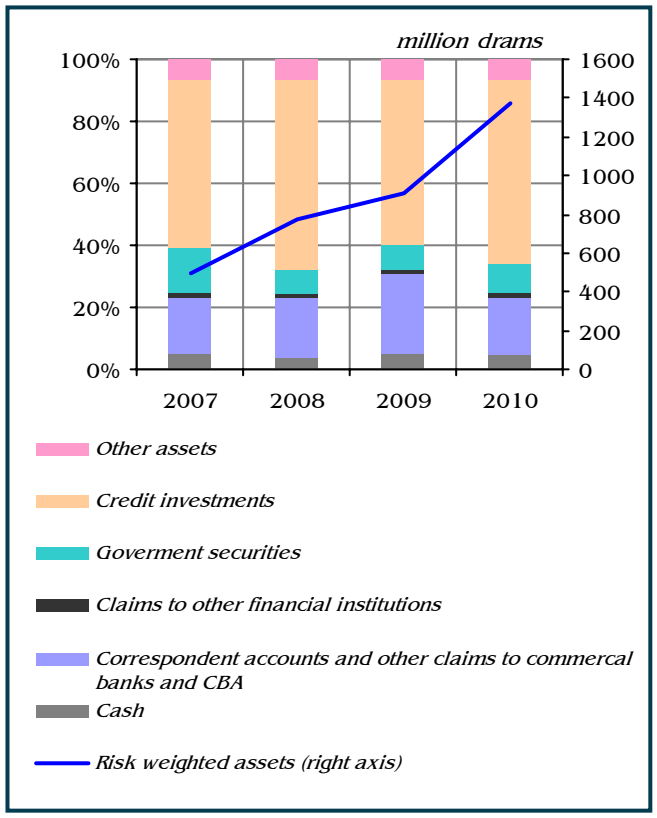
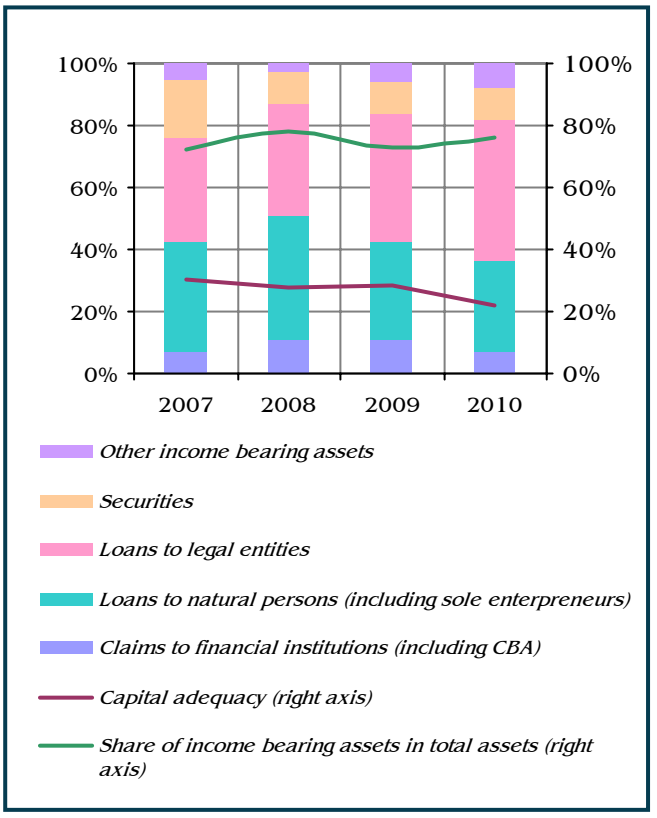


Chart 14. Structure of Income Bearing Assets



In the structure of assets, the share of claims (including correspondent accounts) to the banks (including CBA) decreased considerably, while the share of credit investments increased.

In 2010, in the maturity structure of the allocated funds the share of demand funds decreased, while the share of funds with maturity 1 month to 1 year and over 1 year increased. As of December 31, 2010, 18 percent of the allocated funds were demand, 40 percent had a maturity of 1 to 12 months, and 42 percent had a maturity over 1 year, or were with no term (compared with 25, 37 and 38 percent, respectively in the previous year).

Banking system credit investments (total loans, leasing, factoring and loans and deposits in financial organizations)

Over 2010 the shares of loans issued to legal and natural persons by banking system were, respectively, 56 and 44 percent.

The credit market was more active in the second half of the year. The 58.4 percent of loans issued over 2010 were issued in second half of the year. Remarkably, both dram and foreign exchange loan volumes prevailed in the second half.

Chart 15. Issued Loans in AMD

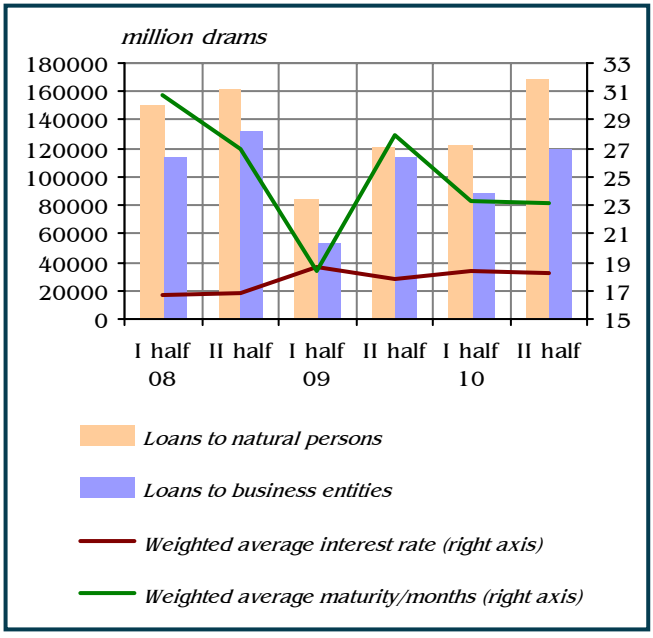
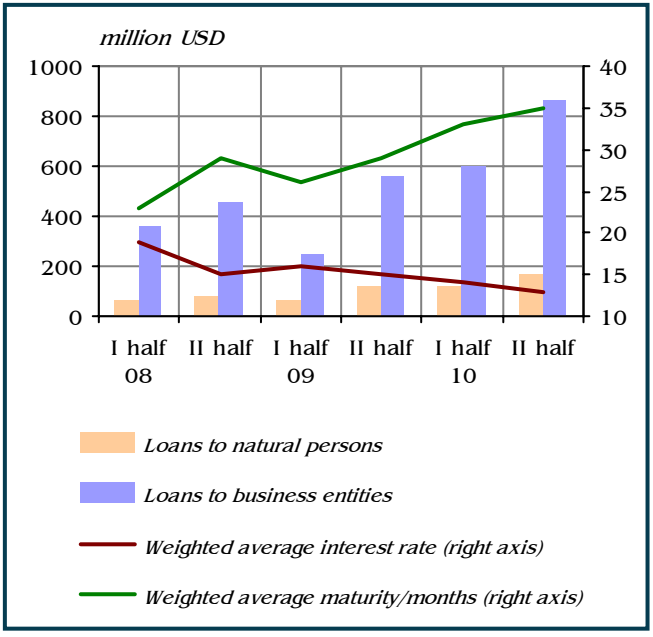


Chart 16. Issued Loans in Foreign Exchange



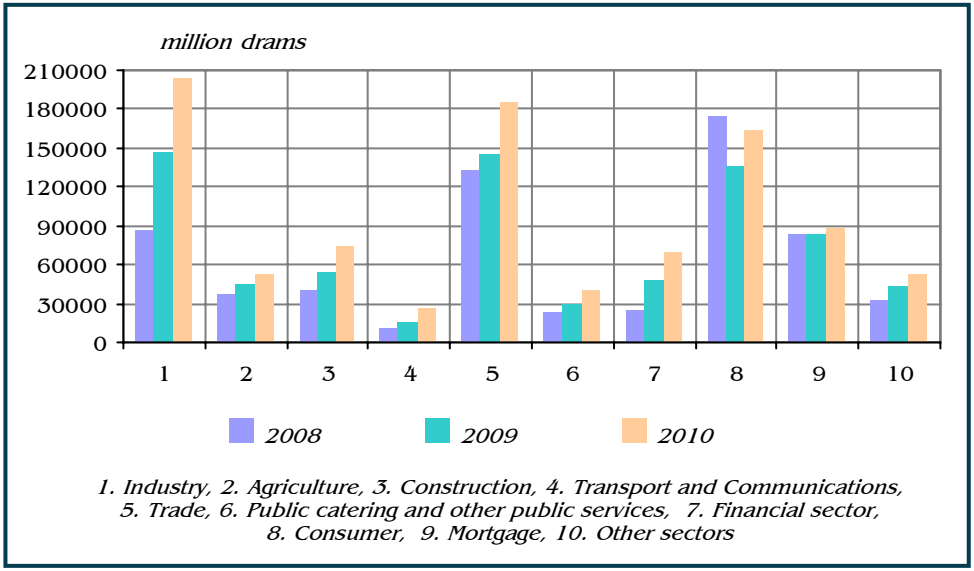
In the second half of 2010, due to active lending policy and resulting increased competition, both dram and foreign exchange credit interest rates decreased. Remarkably the decrease of interest rates was more noticeable for foreign exchange loans.

Compared to previous year, banking system credit investments increased by 27 percent (AMD 217.7 billion) and totaled AMD 1 trillion 24 billion. The growth was mainly driven by the growth of foreign exchange credit investment. The latter increased by 36.5 percent (AMD 158.9 billion) and at year-end totaled AMD 593.8 billion. Dram credit investments increased by 15.9 percent (AMD 58.9 billion) totaling AMD 430.1 billion at year-end. As a result, the share of foreign exchange credit investments within total credit investments increased by 4 percentage points reaching 58 percent.

Credit investments to non-residents increased by 13.7 percent and totaled AMD 68.1 billion, while credit investments to residents grew by 28.1 percent and totaled AMD 955.9 billion.

During 2010, growth of credit investments was observed in all sectors. In general, the sector structure of loan portfolio of the banking system didn't change significantly. As in the previous year, this year too, the share of industrial loans increased (by 2 percentage points), while the share of consumer loans decreased (by 1 percentage point). Industry lending grew by 38.7 percent (AMD 56.9 billion), agriculture 18.5 percent (AMD 8.2 billion), construction 38.2 percent (AMD 20.7 billion), transport and communications 66.3 percent (AMD 10.2 billion), trade 27.0 percent (AMD 39.2 billion), public catering and other public services 36.2 percent (AMD 10.8 billion), consumer loans 20.0 percent (AMD 27.3 billion), mortgage loans 4.9 percent (AMD 4.2 billion) and other sectors 22.3 percent (AMD 9.5 billion).

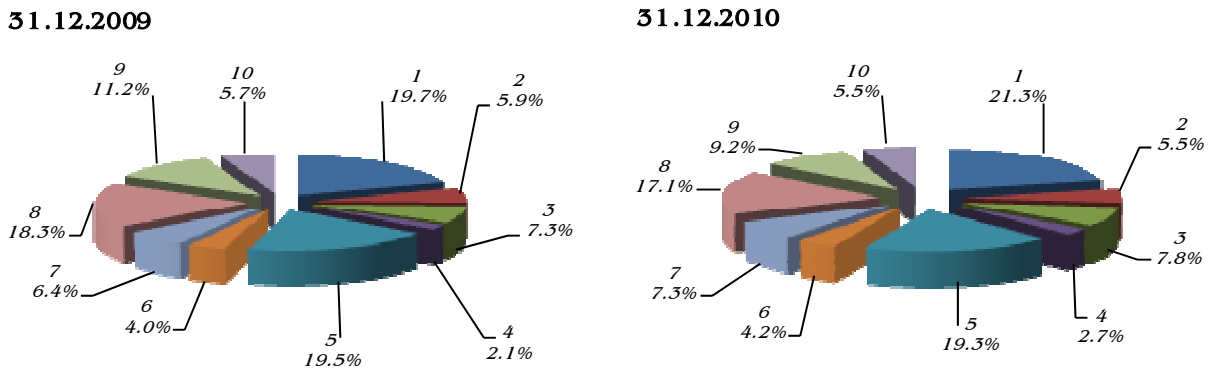
Chart 17.
Volumes of Loans Issued to Residents and Receivable Debts



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

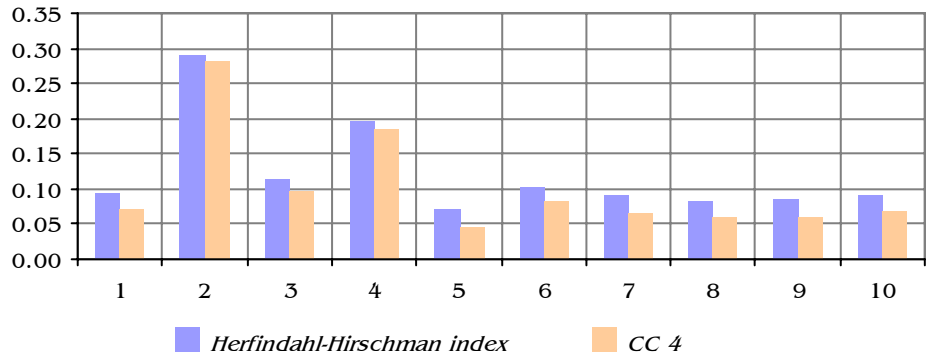
As of 31.12.2010, banking system loans are mainly concentrated within industrial, trade and consumer sectors.

Chart 18. Structure of Loans Extended to Residents and Receivable Debts by Sectors of Economy



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

Chart 19. Concentration of Loan Porfolio by Sectors of Economy



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

Compared to the previous year, the Herfindahl-Hirschman concentration coefficient of banking lending to the economy slightly decreased and totaled 0.11. The average concentration by banks was 0.167, which indicates a relatively high level of the sectoral concentration of lending in a number of banks (as of 31.12.2009 0.175).

Compared to 2009, the share of long-term loans (with the maturity of 1 year and more) increased by 2.8 percentage points and totaled 72.7percent.

The recovery of lending was mainly boosted by the loan projects of international organizations provided by the mediation of the banks. Those loans are mainly long-term. As of 31.12.2010, 19 banks and 11 credit organizations operating in Armenia serviced nearly all the credit projects supported by the following international financial institutions:

- ✓ the World Bank,
- ✓ Economic stability program within the framework of RF loan,
- ✓ German-Armenian Fund,
- ✓ International Development and Communication Corporation,
- ✓ European Bank of Reconstruction and Development,
- ✓ International Fund of Agricultural Development,
- ✓ International Migration Organization,
- ✓ Asian Development Bank,
- ✓ Black Sea Trade and Development Bank,
- ✓ OPEC International Development Fund,
- ✓ Millennium Challenges Fund,
- ✓ International Finance Corporation,
- ✓ Agriculture Finance Program Implementation Unit,
- ✓ Other international financial institutions.

In 2010, loans provided by the banks within the framework of the projects supported by foreign institutions grew by 20 percent and at the end of the year totaled AMD 168.6 billion. As of December 31, 2010, the share of the overdue loans within above mentioned loans was 0.3 percent. Around 89 percent of the loans had a maturity over one year, 8 percent had a maturity from 6 months to one year and 3 percent up to 6 months. As of December 31, 2010, the major sectors that received loans were the trade sector (30 percent), industry (27 percent), agriculture (15 percent) and mortgage loans (5 percent).

Quality of credit portfolio

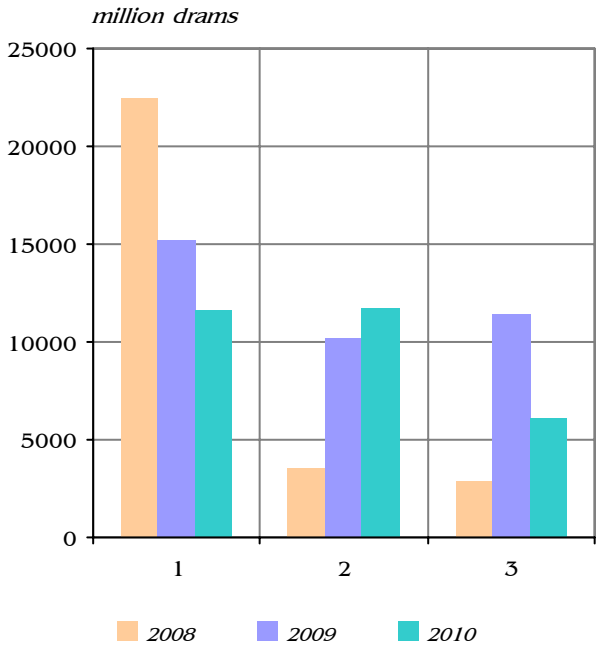
In post-crisis period the gradual recovery of the economy was also accompanied by improvement of loan portfolio quality. During 2010, the share of non-performing loans (watched, sub-standard and

doubtful) decreased by 1.7 percentage points and totaled 3.1 percent and the share of non-performing assets (loans and receivables) decreased by 1.4 percentage points and totaled 2.8 percent at year-end. The volume of non-performing loans and receivables shrank by AMD 7.3 billion and totaled AMD 29.6 billion, while the volume of standard assets grew by AMD 192.3 billion and totaled AMD 1 trillion 32 billion.

It is remarkable that the share of non-performing loans decreased in all sectors. Relatively high NPL ratio was observed in mortgage (5.6 percent), trade (3.8 percent) and consumer (3.7 percent) loans.

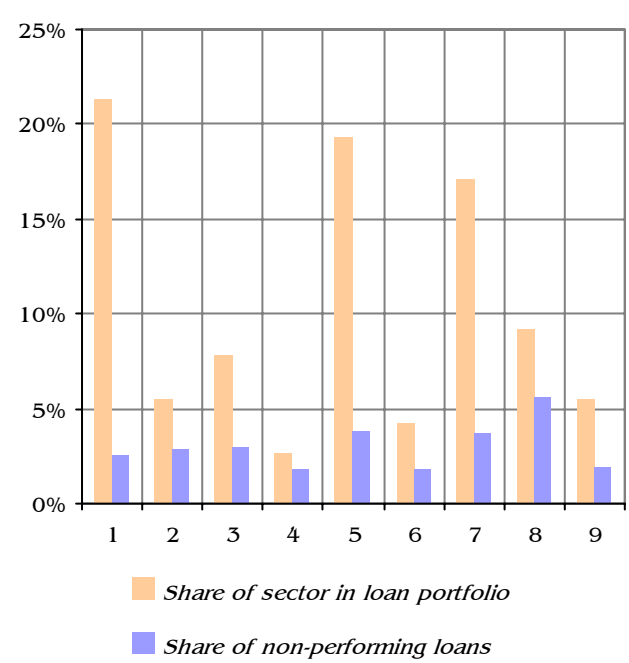
At the end of the year, 8 percent of the non-performing assets belonged to non-residents, while 99.2 percent belonged to residents.

Chart 20. Banking system Non-Performing assets



1. Watched loans and receivables, 2. Sub-standard loans and receivables, 3. Doubtful loans and receivables

Chart 21. Non-Performing Loans by Sector of Economy

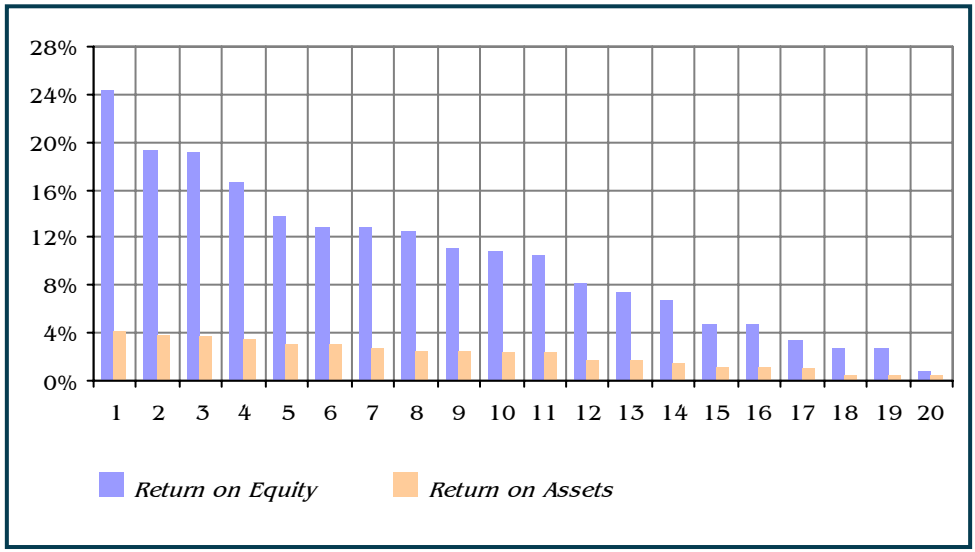


1. Industry, 2. Agriculture, 3. Construction, 4. Transport and Communications, 5. Trade, 6. Public catering and other public services, 7. Consumer, 8. Mortgage, 9. Other sectors

Banking System Profitability

In 2010, profit of the banking sector according to supervision reports totaled AMD 30.2 billion[4]. During the year, 20 banks operated with profit, with the net profit totaling AMD 30.5 billion. According to IFRS net profit totaled AMD 32.3 billion, Return on Assets (ROA) totaled 2.3 percent and Return on Equity (ROE) 11.1 percent. In 2010, the profitability indicators of the banking system significantly improved as a result of active lending policy and improvement of loan quality. Compared to 2009, the ROA and ROE (based on supervision reports) increased by 1.5 and 7.2 percentage points and totaled 2.2 and 10.7 percent, respectively. Over the year, banking system net operational margin[5] increased by 0.5 percentage points and totaled 3.4 percent.

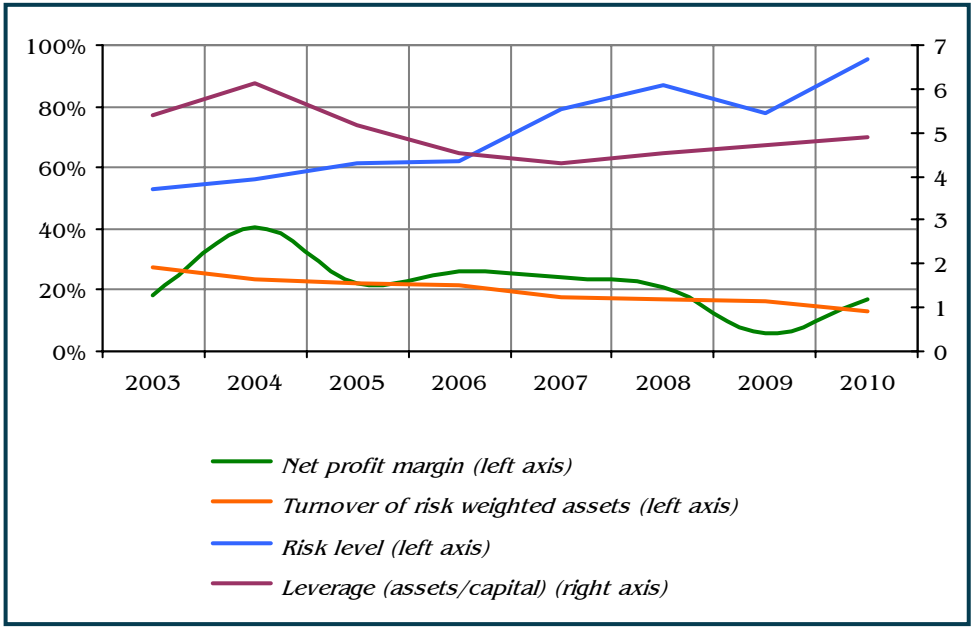
Chart 22. Profitability for 20 Profitable Banks (2010 annual)



The Herfindahl-Hirschman index of concentration for 20 banks that operated with profit decreased by 0.07 over the previous year and totaled 0.084 (in 2009 only 14 banks operated with profit). This indicator reflects a low level of concentration in the banking sector in regard to profit.

[4] *The main difference between net profit in supervision reports and IFRS is mainly due to the fact that according to IFRS 1% allocations to reserve for possible asset losses for standards loans are not considered as an expense.*
[5] *Net operational margin is equal to the net interest and net non-interest income to average annual total assets.*

Chart 23. Dynamics of ROE Components of Banking System



The ROE growth was mainly conditioned by 11.2 percentage point growth of net profit margin. The growth of net profit margin is explained by banks' active lending policy and improved loan portfolio in the second half of 2010. As a result, compared to the previous year, banks managed to report 18.7 percent growth of interest income, 28.1 percent growth of non-interest income and 63 billion dram return of loan loss provision. Consequently, this led to higher growth rate of net profit compared to growth rate of gross operational income (growth rates of net profit and gross operational income were, respectively, 252 and 21 percent).

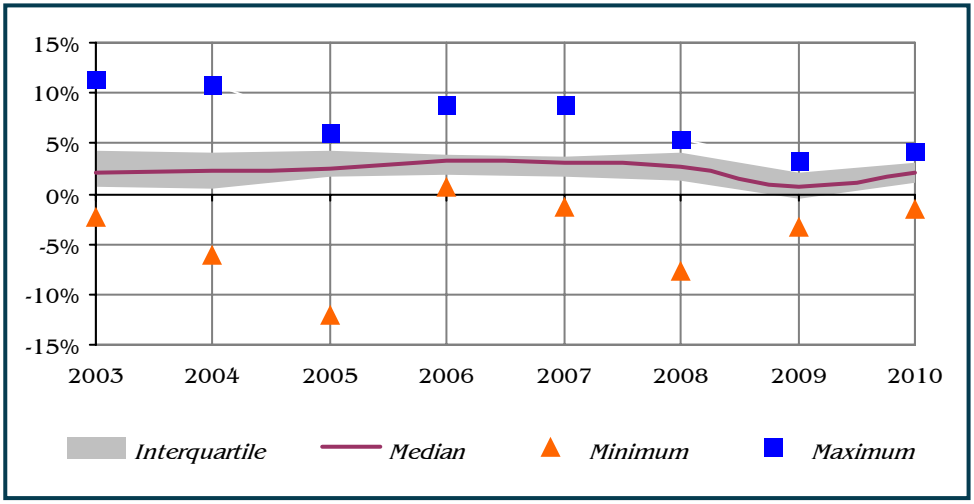
The next significant factor affecting ROE growth was drop of risk weighted asset turnover, which in difference to net profit margin, had a negative effect on ROE growth. The latter is conditioned by decreasing interest rates, as a result of growing competition between banks. As a result the gross operational income[6] increased slower than risk weighted assets (the growth rates of gross operational income and risk weighted assets were respectively 21 and 51 percent). The growth of risk weighted assets was also conditioned with a change in their calculation methodology.

[6] *In this analysis ROE of banks is calculated through following components*

$$ROE = \frac{P}{E} = \frac{P}{E} x \frac{TI}{TI} x \frac{RWA}{RWA} x \frac{A}{A} = \frac{P}{TI} x \frac{TI}{RWA} x \frac{A}{E} x \frac{RWA}{A} = NPM \times RWAturnover \times L \times RBAratio$$

where P-Net profit, E-Average capital, A-Average assets, TI-Total operational income, which is sum of interest and non-interest incomes, , RWA-Risk Weighted Assets, NPM-Net profit margin, RWAturnover-Risk weighted Assets' turnover.

Chart 24.
Return on Assets of Banking System



In 2010, compared to 2009, the interquartile range of banks' ROE decreased by 0.4 percentage points and totaled 2 percent, which demonstrates decreasing dispersion level of bank profitability. In 2010 (3rd quartile minus median) and (1st quartile minus median) were respectively 0.9 and 1.1 percent, which demonstrates the level of profitability dispersion in 2nd and 3rd were almost the same.

Structure of Income and Expenses

As a result of improved quality of loan portfolio in post-crisis period, in 2010 the share of interest income in total gross income increased, while the share of provisions to the possible asset losses reserve in total gross expenses decreased.

Compared with the previous year, gross income in 2010 grew by 11.9 percent (or by AMD 25.5 billion), while gross expenses decreased by 0.2 percent (AMD 0.5 billion).

Within gross income, interest income grew by 18.7 percent (AMD 21.4 billion); non-interest income fell by 28.1 percent (AMD 8.9 billion), while recoveries on the reserve for possible asset losses decreased by 7.2 percent (AMD 4.8 billion).

Compared with the previous year, interest expenses grew by 10.8 percent (AMD 5.7 billion), non-interest expenses by 16.3 percent (AMD 9.7 billion), while the provisions to the possible asset losses reserve increased by 18.0 percent (AMD 15.9 billion).

As a result of the mentioned growth of the income and expenses, the share of recoveries on the reserve for possible asset losses in total income decreased by 5.4 percentage points, while the share of provisions to the possible asset losses reserve in total expenses decreased by 7.8 percentage points. The growth of the banking sector interest income was mainly driven by 13.8 percent (AMD

13.2 billion) growth of income on loans provided to economy. Compared to 2009, the share of latter in total interest income decreased by 3.5 percentage points totaling 80.3 percent at year-end.

Chart 25. Banking System Income and Expenses

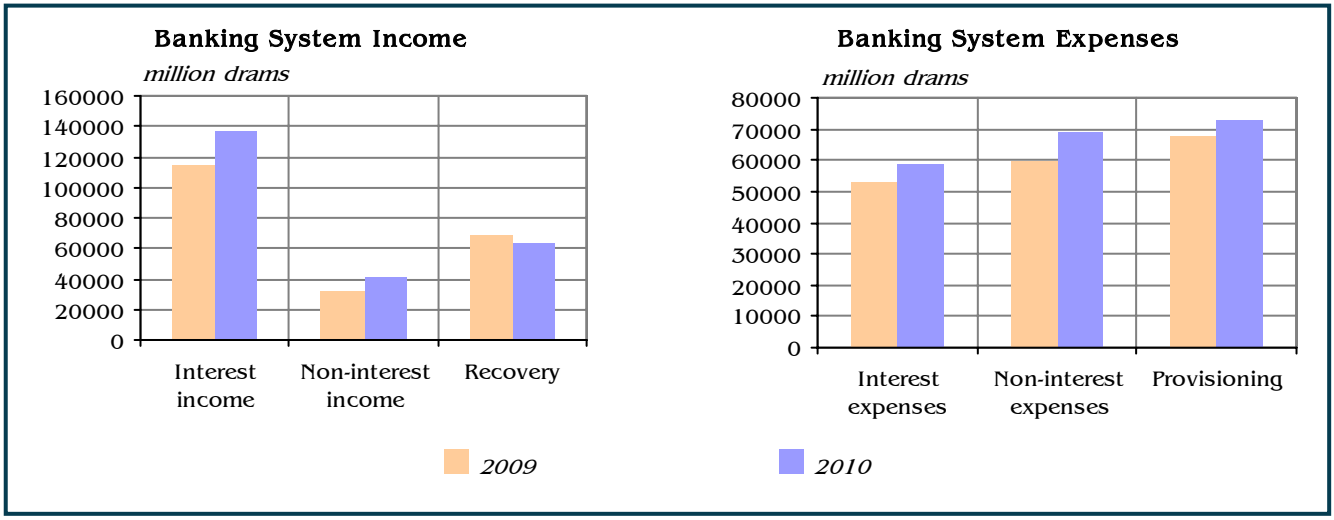
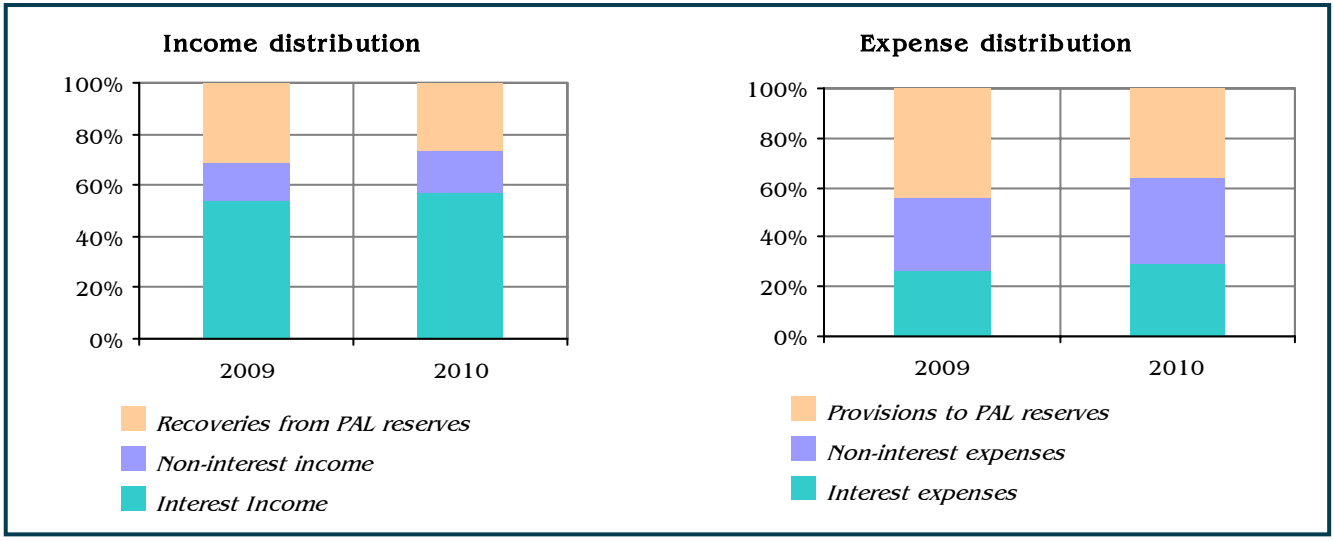


Chart 26. Structure of Banking Sector Income and Expenses



The growth of the banking sector non-interest income was mainly driven by 24.6 percent (AMD 3.8 billion) growth of intermediation fees. As a result, the share of intermediation fees in non-interest income decreased by 1.3 percentage points totaling 47.4 percent at year-end. The share of income on foreign exchange trade within non-interest income was 33.6 percent (43.6 percent as of 31.12.2009).

The 34.2 percent of growth of the banking sector interest expenses was driven by growth of interest expenses on time deposits. The volume of latter increased by 7.3 percent, as a result their share in interest expenses decreased by 1.7 percentage points totaling 49.5 percent at year-end, the share of which within total interest expenses was 51.1 percent.

The 39 percent of the growth of non-interest expenses was driven by the growth of salaries and other payments deemed thereto (AMD 3.8 billion), the share of which in non-interest expenses decreased by 0.6 percentage points, totaling 42.7 percent at year-end.

BANKING SECTOR FINANCIAL RISKS

In 2010, the risks of the Armenian commercial banks were at a manageable level and the financial stability was not undermined.

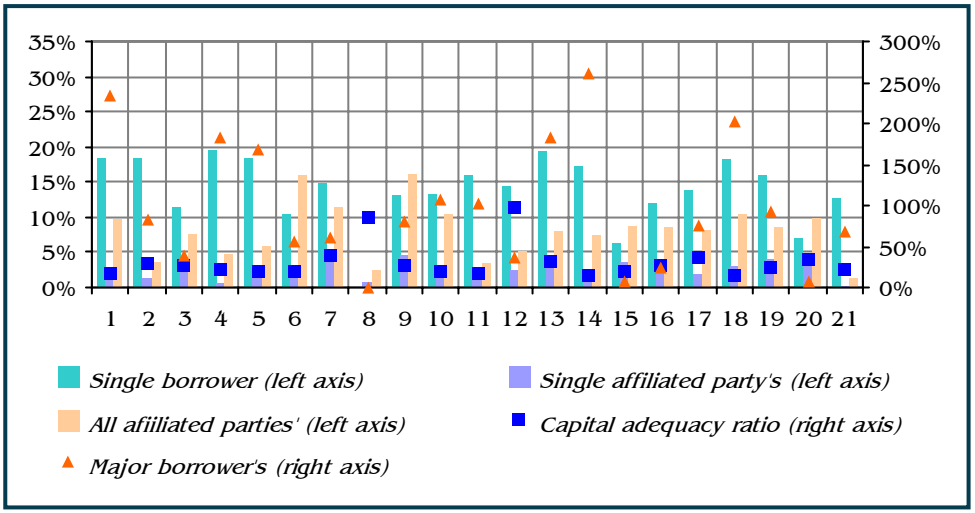
The losses conditioned by financial risks compared to crisis year 2009, demonstrated a steady decline trend.

During 2010 the commercial banks operated generally within the framework of prudential requirements. The capital adequacy and liquidity prudential requirements of the banking system were almost two times higher than required level.

Table 7. Prudential Ratios of Banking System

	31.12.2009	31.12.2010	Prudential thresholds
Capital adequacy prudential	28.4%	22.2%	12%
General liquidity prudential	34.4%	29.5%	15%
Current liquidity prudential	140.8%	131.5%	60%
Single borrower's maximum risk size prudential	15.9%	15.5%	20%
Major borrower's maximum risk size prudential	104.3%	114.0%	500%
Bank's single affiliated party's maximum risk size prudential	2.9%	2.6%	5%
Bank's all affiliated parties' maximum risk size prudential	8.7%	7.9%	20%

Chart 27. Prudential ratios by Banks (as of 31.12.2010)



Credit risk

Credit risk is considered as the most significant risk in the financial system and proper management of this risk is constantly emphasized.

Despite economic recovery and the growth of credit portfolio, in 2010 the share of non-performing loans ("watched", "sub-standard" and "doubtful" loans) demonstrated declining trend (compared to the year-end 2009 the indicator decreased by 1.7 percentage points) and at year-end totaled only 3.1 percent of total loans.

Chart 28. Dynamics of Loans to Economy and Non-performing Assets by months

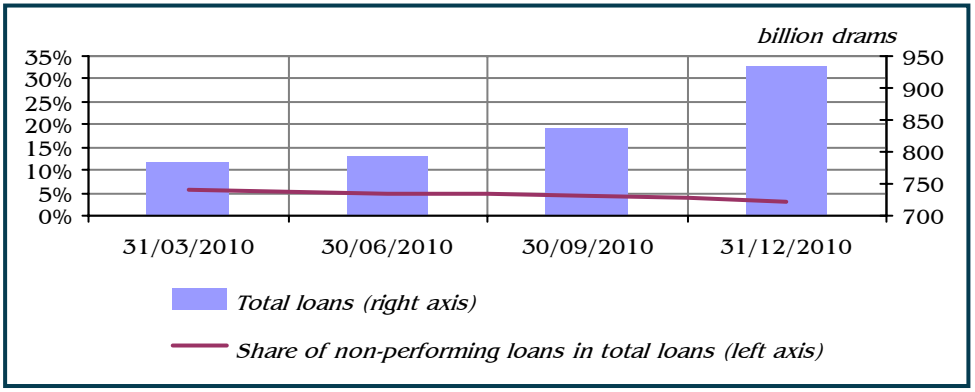


Chart 29. Dynamics of Loans to Economy and Non-performing Assets by years

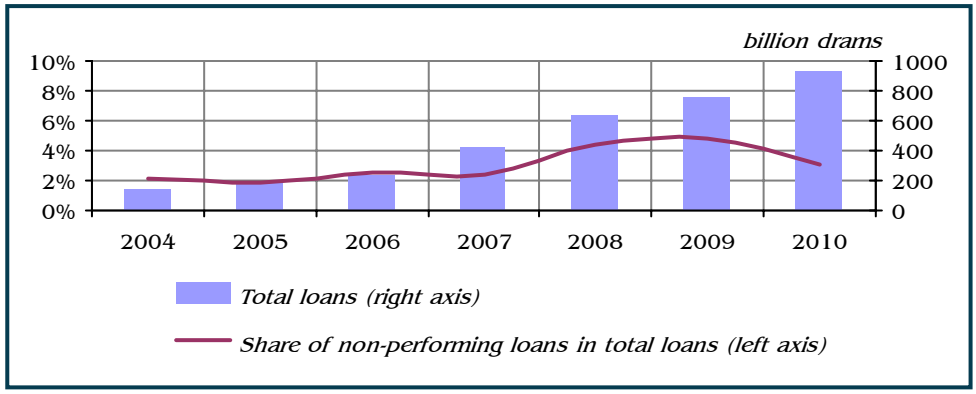


Chart 30. Dynamics of Loans to Economy and Credit Risk

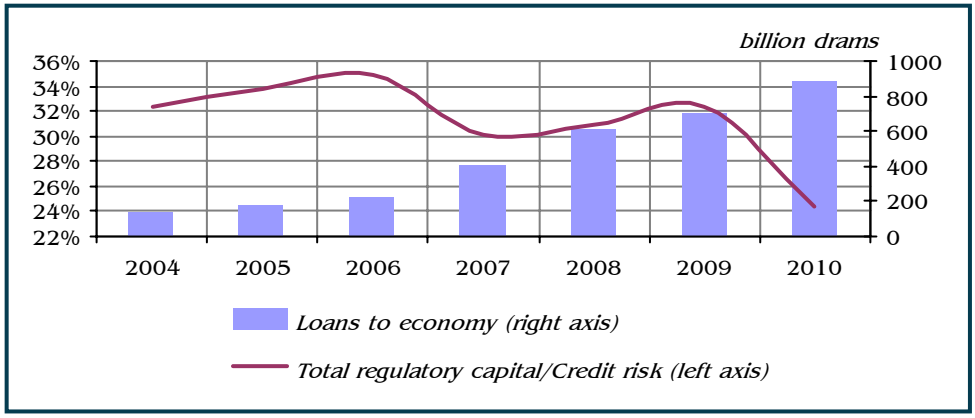
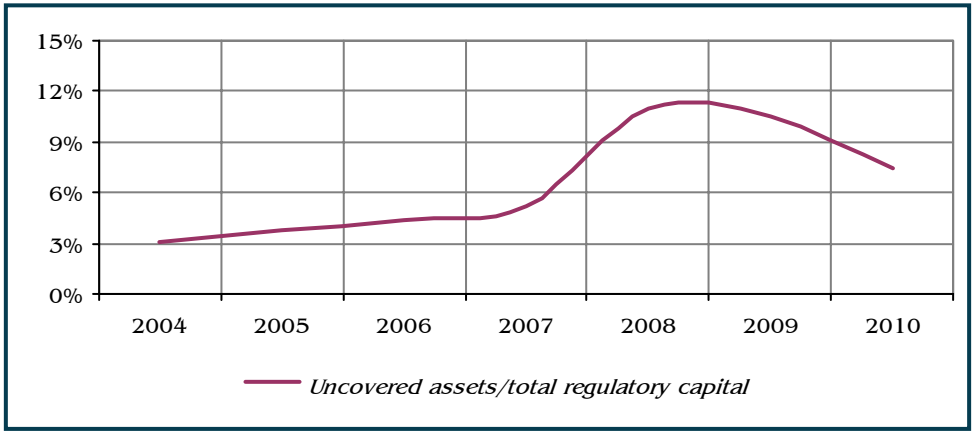
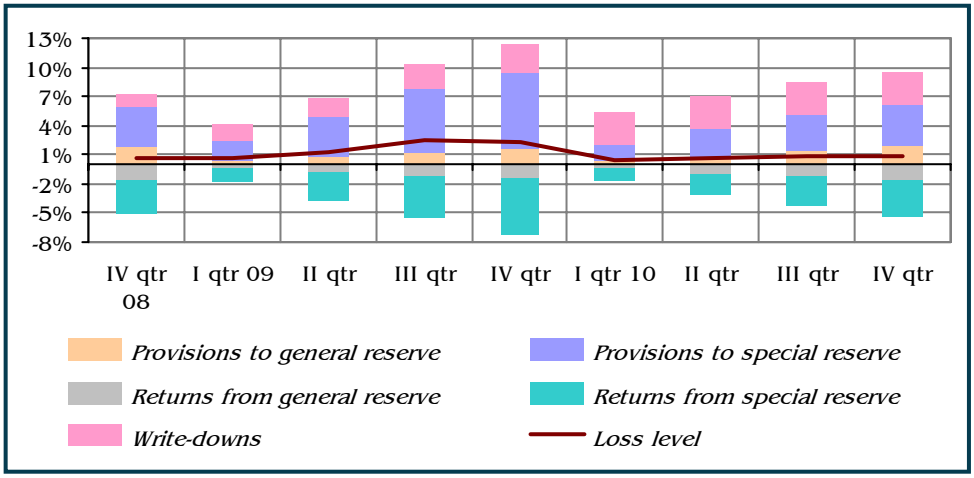


Chart 31. Dyanimics of Ratio of Uncovered Assets (difference between sum of watched, sub-standard and doubtful assets and provisions to possible asset loss reserve) and Regulatory Capital



At year-end 2010, non-performing assets (loans and payables) totaled to 9.7 percent of the total capital (14.3 percent in the previous year). Assuming the exclusion of AMD 6.6 billion possible asset losses reserve from AMD 29.6 billion non-performing assets, the remaining part of the non-covered non-performing assets will be equal to 7.5 percent (in 2009 10.7 percent) of the regulatory capital, which means that in the worst scenario, when all classified assets are written off (the value of collateralized assets is not considered), the financial stability of the banking system will not be undermined.

Chart 32.
Losses of Loans and Receivables[7]



During 2010, the share of net provisions to reserve in total assets decreased by 1.0 percentage points and totaled 0.6 percent.

Concentration of credit investments by sectors of economy was not high. Loans to industry and trade sectors, which account the biggest share in issued loans, account for, respectively, 21.3 and 19.3 percent of total credit investments of the banking system.

Foreign exchange risk

Compared to 2009, in 2010 the losses of financial system conditioned by foreign exchange risk were lower. In 2010 the annual average depreciation of Armenian dram against U.S. dollar was 2.8 percent. Reflecting the fluctuations of the dram exchange rate against other currencies, the banking system incurred 1.1 billion dram currency revaluation loss (AMD 5.7 billion in 2009), which was equal to 0.4 percent of the banking system regulatory capital (in 2009 2.2 percent). Loss from revaluation of

[7] *Loss level was calculated as ratio of net provisions to possible loss reserve for loans and receivables and total assets.*

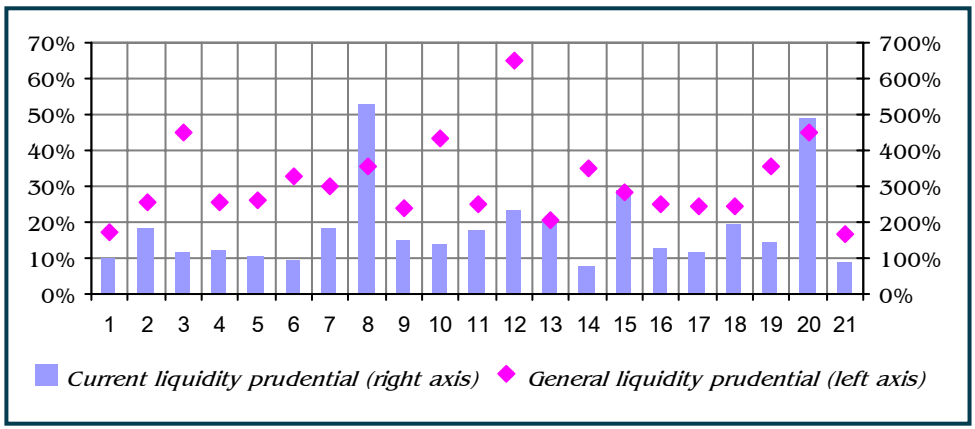
currency was observed in 17 banks, while 4 banks had revaluation profit. The banking system had AMD 13.5 billion income from foreign exchange trade (2.3 percent drop compared with the previous year).

Calculations in accordance with the foreign exchange risk assessment VAR (Value at risk) methodology as of December 31, 2010 show with 95 percent probability that possible daily losses on currency revaluation will not exceed AMD 35 billion.

Liquidity risk

Over the year, the volume of highly liquid assets of the banking system increased by 0.1 percent (88.8 percent growth in 2009), while the total assets increased by 17.7 percent and the demand liabilities increased by 7.2 percent. Subsequently, the banking system total liquidity prudential (highly liquid assets to total assets ratio) and current liquidity prudential (highly liquid assets to demand liabilities ratio) decreased respectively by 4.9 and 9.3 percentage points and totaled 29.5 and 131.5 percent. During the crisis the banking system significantly increased the liquidity level as a result of cautious credit policy in 2008-2009. The drop of liquidity prudential ratios in 2010 was mainly conditioned by post-crisis liquidity management adjustments by the banks. Total and current liquidity indicators were above the prudential standard margin and did not pose liquidity risks.

Chart 33.
Liquidity Prudential Ratios by Banks (as of 31.12.2010)



From the liquidity point of view, the level of dependence of the banking system liabilities on large depositors is emphasized. In 2010, the share of "large" liabilities decreased by 5.3 percentage points and totaled 27.6 percent[8].

[8] *The sum of all the funds, which all separately exceed 5 percent of the bank's total liabilities, without taking into account their interrelation.*

Price risk

Price risk in the Armenian banking system is at a low level. In 2010, the banking system practically did not incur losses associated with price risk.

At the end of the year, banking system investments in relatively risky non-government securities totaled AMD 5.3 billion, or 1.9 percent of the regulatory capital, and therefore even sharp fluctuations of prices on these securities would not have a strong adverse impact over the banking system. The share of assets kept for trade and available for sale in total assets is rather small and the price risk is assessed quite low.

Revaluation of the financial assets kept for trade and available for sale resulted in 109 million dram profit, while revaluation of the fixed assets resulted in 12 million loss (0.004 percent of regulatory capital).

Minor fluctuations of prices on the fixed assets would not lead to high losses either. Assuming that market prices on the fixed assets drop by 30 percent, the real estate revaluation losses of the banking system would be equal to 6.0 percent of regulatory capital. As of end-December 2009, the value of the fixed assets totaled AMD 67.1 billion.

The impact of real estate price drop on credit portfolio was also assessed (from credit risk point of view). According to stress tests, a failure to recover 100 percent of vulnerable credit portfolio[9], given 30 percent devaluation of market prices on real estate, could lead to 5.3 percent loss (taking into consideration selling off collateralized fixed assets at depreciated price) of the total banking system regulatory capital.

Interest rate risk

Taking into consideration that the average maturity of assets and liabilities is short, it can be stated that the level of interest rate risk is in manageable framework and hence, in case of changes in market interest rates, the banking system can quickly respond and adjust interest rates.

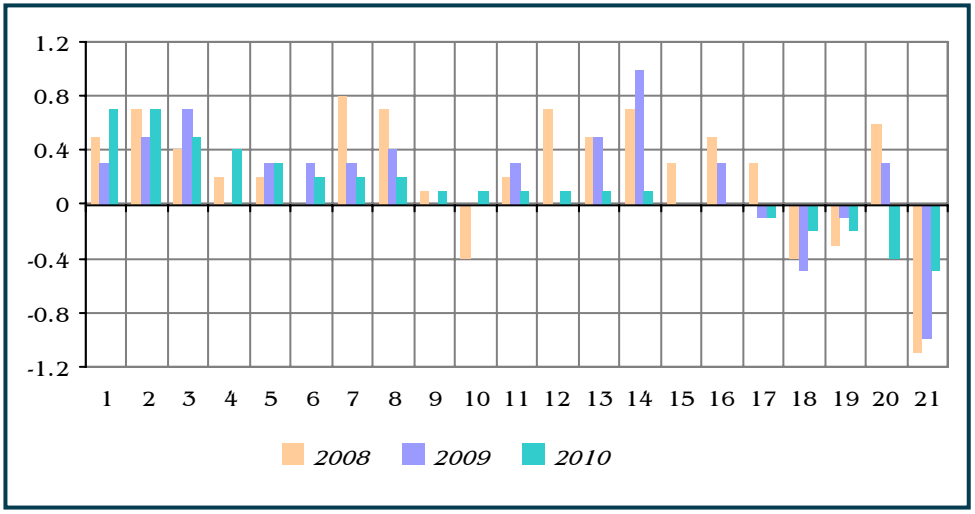
Over the recent years, the weighted average maturity gap of the banking system assets and liabilities almost did not change, remaining around a 6-month range. It is remarkable that this kind of maturity gap persists in the majority of banks.

According to the calculations of interest rate risk based on duration methodology, 2 percentage points growth of total market interest rates (both assets and liabilities), would narrow economic value of the banking system capital by AMD 2.1 billion or by 0.7 percent of regulatory capital.

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[9] Vulnerable credit portfolio is the sum of the balance on loans with book value exceeding 30 percent of the devaluated value of real estate collaterized against them.

Chart 34.
Duration
Gap of Banking System
Assets and Liabilities
(as of 31.12.2010)



CREDIT ORGANIZATIONS

GENERAL PROVISIONS

Domestic credit organizations

As of December 12, 2010, there were 32 credit organizations operating in Armenia (with 60 branches), of which 4 were leasing companies, one credit union and 27 universal credit companies. During 2010, the number of credit organizations' branches grew by 5.

In 2010, seven companies were granted license for carrying out credit organization business activities, namely "Housing to Young Families" CJSC universal credit organization, "Kamurj" CJSC universal credit organization, "G and A" CJSC universal credit organization, "Kilikia" CJSC universal credit organization, "FIKO" CJSC universal credit organization, "Global Credit" CJSC universal credit organization (formed as a result of merger of "Washington Capital" UCO and "Credit Union" UCO) and "Credit Corp" CJS universal credit organization.

Credit organizations concentration

During 2010 drop of concentration level of credit organizations was observed mainly conditioned by the entry of new participants into the market. The Herfindahl-Hirschman Index by various aggregate indicators declined and was within 0.07-0.09 range, reflecting low level of concentration in the credit organization system.

Table 8. The Herfindahl-Hirschman Index of concentration

	31.12.07	31.12.08	31.12.09	31.12.10
Total assets	0.14	0.14	0.10	0.07
Total liabilities	0.20	0.17	0.12	0.08
Total capital	0.09	0.09	0.11	0.09
Loans to economy , leasing factoring	0.16	0.15	0.11	0.08

Chart 35. The Herfindahl-Hirschman Index of Concentration for Different Indicators

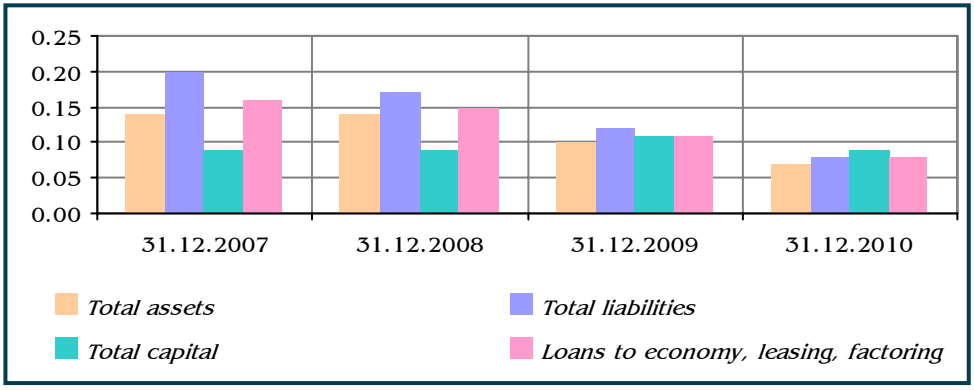
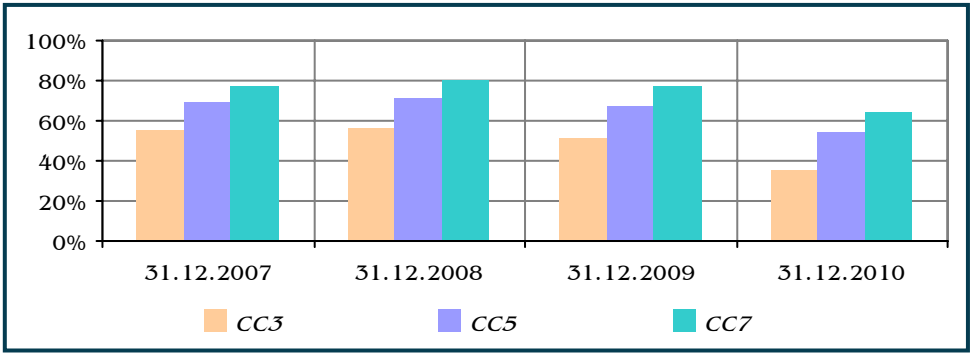


Chart 36. Concentration Coefficient of 3,5 and 7 Major Credit Organization for Assets (share in total)



Capital of credit organizations

During 2010, total capital of credit organizations grew by 37.0 percent (AMD 9.7 billion). The growth of the capital was conditioned by the current-year profit and growth of statutory capital.

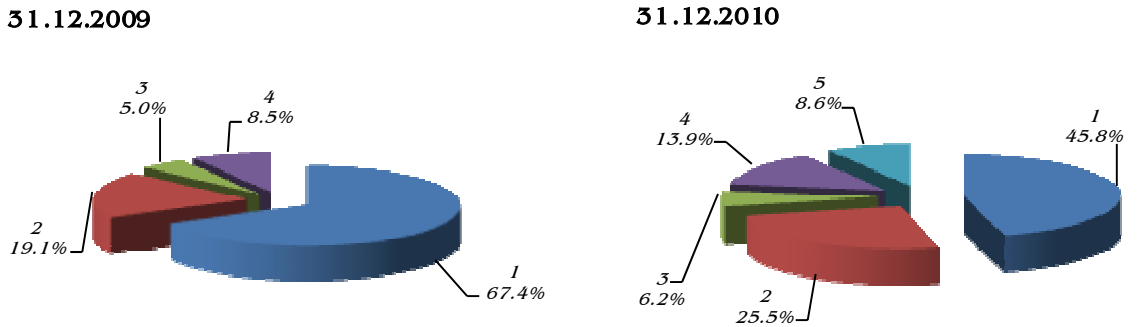
During the year, six newly-licensed and 9 existing credit organizations increased the paid-up capital by AMD 6.1 billion in total. As of year-end, the capital of credit organizations totaled AMD 36.0 billion.

During 2010, the non-resident participation in statutory capital of credit organizations decreased by 10.9 percentage points and totaled 36.3 percent at year-end. In 7 out of 14 credit organizations with foreign participation, 100 percent of shares were owned by non-residents.

Liabilities of credit organizations

Liabilities increased by 3.3 percent (1.7 billion dram growth) and totaled AMD 51.2 billion. Major source for the liability growth was the increase of time and demand liabilities towards natural and legal entities – 42.5 percent (AMD 4.9 billion) and increase of liabilities toward government – 77.4 percent (AMD 3.1 billion).

Chart 37. Liability Structure of Credit Organizations



1. Liabilities to banks and other financial institutions, 2. Time liabilities to legal entities, 3. Term liabilities to natural persons, 4. Liabilities to government, 5. Other Liabilities

In the structure of time and demand liabilities towards natural and legal entities mainly increased dram liabilities – 55.9 percent (AMD 3.9 billion), while foreign exchange liabilities increased by 21.5 percent (AMD 969 million).

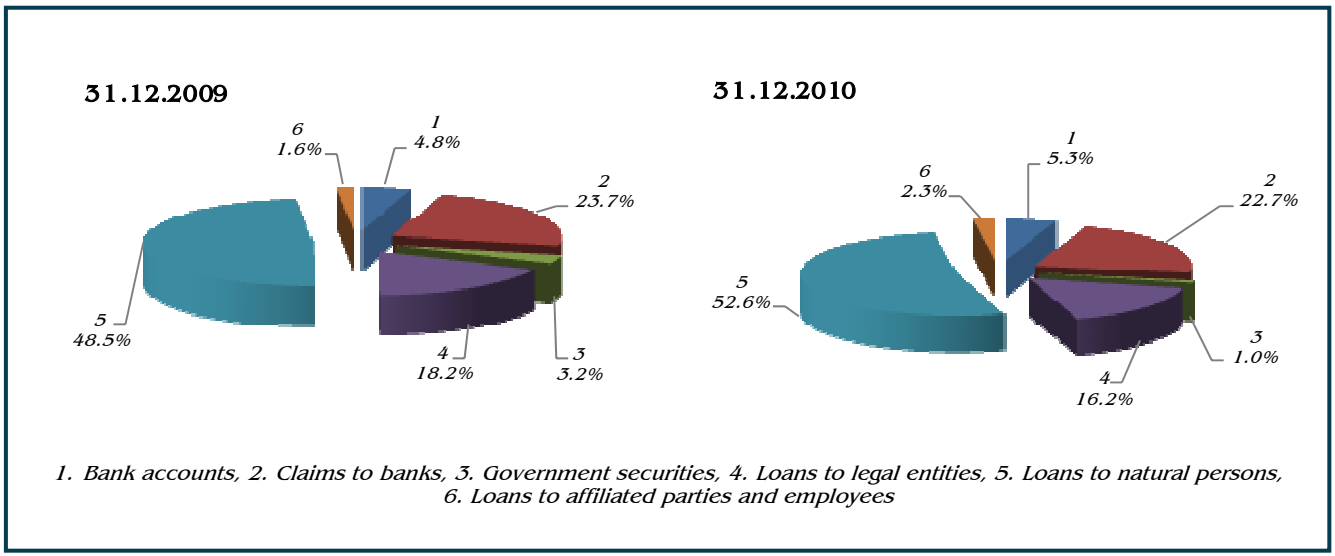
In 2010, the demand liabilities towards legal and natural persons increased respectively by 89.5 and 8.8 percent, and the time liabilities increased respectively by 44.2 and 17.8 percent.

Assets of credit organizations

Over 2010, total assets of credit organizations grew by 15.0 percent (AMD 11.4 billion) and totaled AMD 87.2 billion (5.6 percent of the banking system assets). At the end of 2010 asset growth was observed in 27 credit organizations, while for 5 credit organizations decrease of assets was observed.

Within the structure of loans mainly loans to economy increased (including leasing) - 18.6 percent (AMD 9.4 billion) and totaled AMD 59.7 billion, claims to banks (including current accounts) and other financial organizations increased 19.8 percent (AMD 3.8 billion) and totaled AMD 23.2 billion.

Chart 38. Asset Structure of Credit Organizations

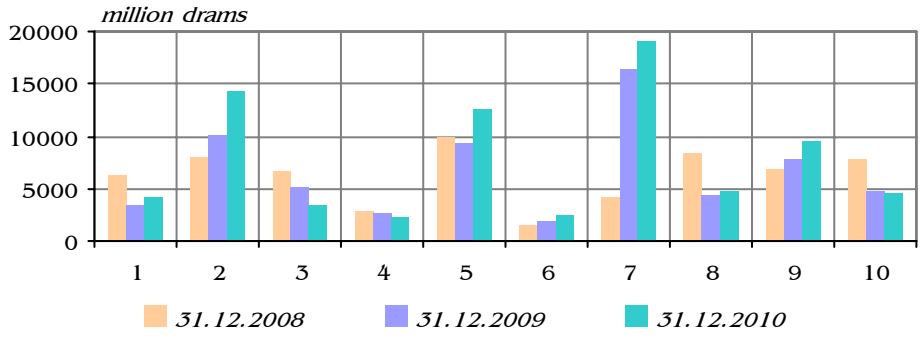


1. Bank accounts, 2. Claims to banks, 3. Government securities, 4. Loans to legal entities, 5. Loans to natural persons, 6. Loans to affiliated parties and employees

By-sector analysis shows large growths in lending to agricultural sector – 39.9 percent (AMD 4.1 billion), trade sector- 35.0 percent (AMD 3.3 billion) and financial sector 16.9 percent (AMD 2.8 billion). Mainly loans to construction decreased- 33.9 percent (AMD 1.8 billion).

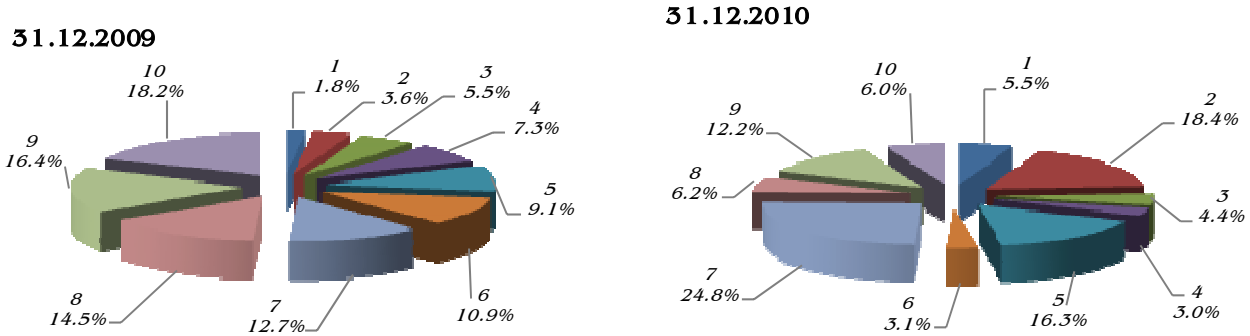
The share of loans to construction and transport and communication sectors dropped and the share of loans to agriculture and trade sectors grew.

Chart 39. Volumes of Loans and Debt Receivables Issued to Residents by Credit Organizations



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

Chart 40. The Sectoral Structure of Loans and Debt Receivables Issued to Residents by Credit Organizations



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

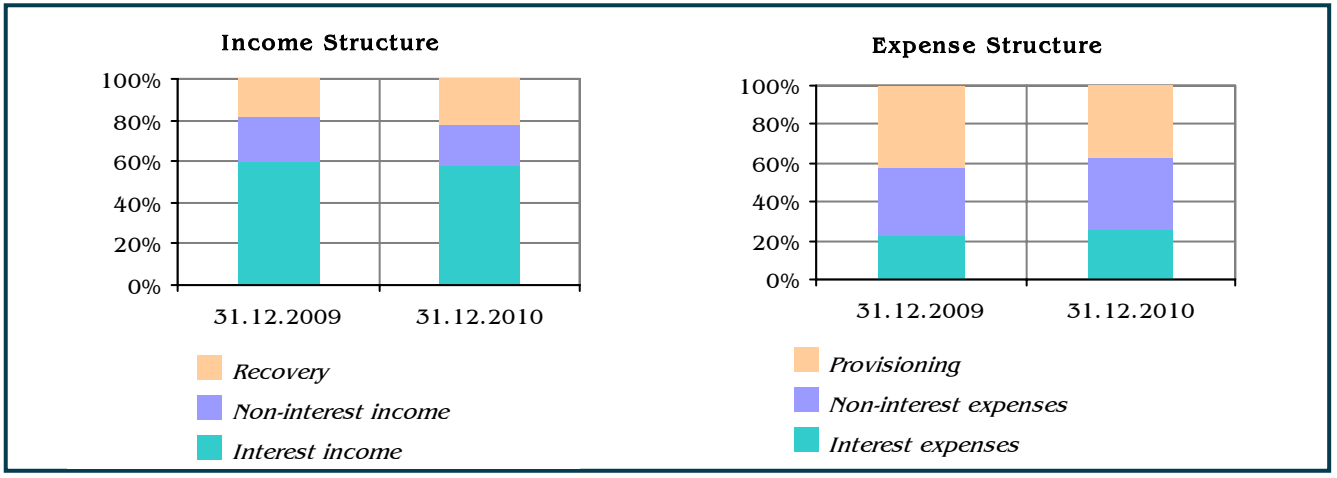
Over 2010, the share of non-performing assets of credit organizations ("watched", "sub-standard" and "doubtful" loans) decreased by 1.1 percentage points and at the end of the year reached 3.0 percent. The share of non-performing loans within the sectors of economy is comparably large in the transport and communication sector (16.6 percent of the loans are non-performing) and in industry sector (6.2 percent of the loans are non-performing). The share of non-performing loans is small in construction sector (0.8 percent of the loans are non-performing).

Financial results of credit organizations

In 2010 net profit of credit organizations according to supervision reports reached AMD 4.3 billion. 26 credit organizations out of all companies operating by the end of 2010 were profitable with net profit of AMD 4.4 billion. In 2010, the return on assets (ROA) of credit organizations was 5.0 percent, and return on equity (ROE) was 14.0 percent.

The net profit of credit organizations according to IFRS[10] was AMD 4.7 billion.

Chart 41. Income and Expense Structure of Credit Organizations



The interest income of credit organizations increased by 13 percent (AMD 1.4 billion), mainly conditioned by increased interest income from allocated funds in banks and other financial organization and from loans to economy. The share of interest income from loans within total interest income decreased by 7 percentage points and totaled 77 percent at year-end.

The non-interest income increased by 10 percent (AMD 381 million), mainly conditioned by increase of intermediation fees. The share of intermediation fees within total non-interest incomes increased by 11 percentage points and totaled 65 percent at year-end.

The interest expenses increased by 18 percent (AMD 590 million), mainly conditioned by increase of payable interest for time borrowings. The share of latter in total interest expenses was 39 percent (36 in 2009), while the interest payable for loans from banks and other financial organizations accounted for 41 percent (45 in 2009) of total interest expenses.

[10] *The main difference between net profit in supervision reports and IFRS is mainly due to the fact that according to IFRS 1% allocations to reserve for possible asset losses for standards loans are not considered as an expense.*

The non-interest expenses increased by 16 percent (AMD 815 million) mainly conditioned by 11 percent (334 million) growth of salaries and other payables to staff. The share of the latter in total non-interest expenses accounted for 57 percent (60 percent in 2009).

ARMENIAN INSURANCE MARKET

GENERAL PROVISIONS

Insurance companies operating in Armenia

As of 31.12.2010, 9 insurance companies (with 3 branches) operated in Armenia. All insurance companies carried out only non-life insurance activities.

Concentration in the insurance system

Until 2009 steady decline of Herfindahl-Hirschman concentration index of main financial indicators of the insurance system was being observed. However, starting 2010, all indicators, except sums insured, had growth trend, mainly conditioned by decreased number of market participants.

Chart 42. Dyanics of Concentrations of Main Indicators

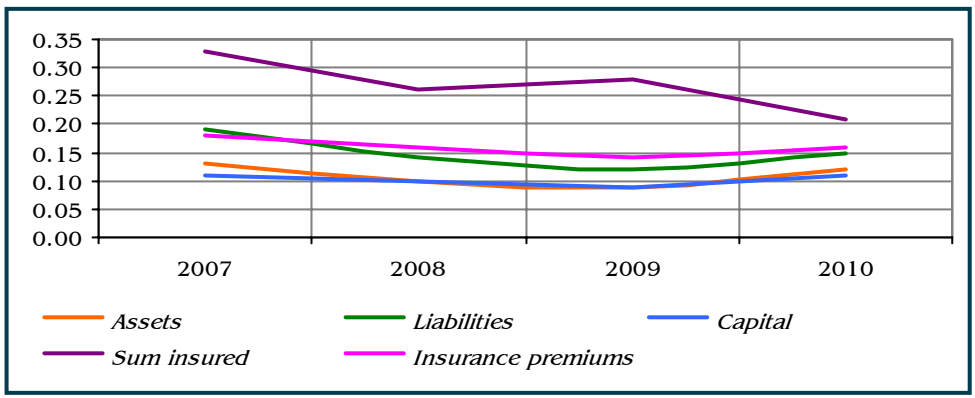


Table 9. Herfindahl-Hirschman Concentration Index

	31.12.08	31.12.09	31.12.10
Assets	0.10	0.09	0.12
Liabilities	0.14	0.12	0.15
Capital	0.10	0.09	0.11
Insurance amounts	0.26	0.28	0.21
Insurance premiums	0.16	0.14	0.16

The level of concentration increased almost for all financial indicators, except for concentration index of sums insured.

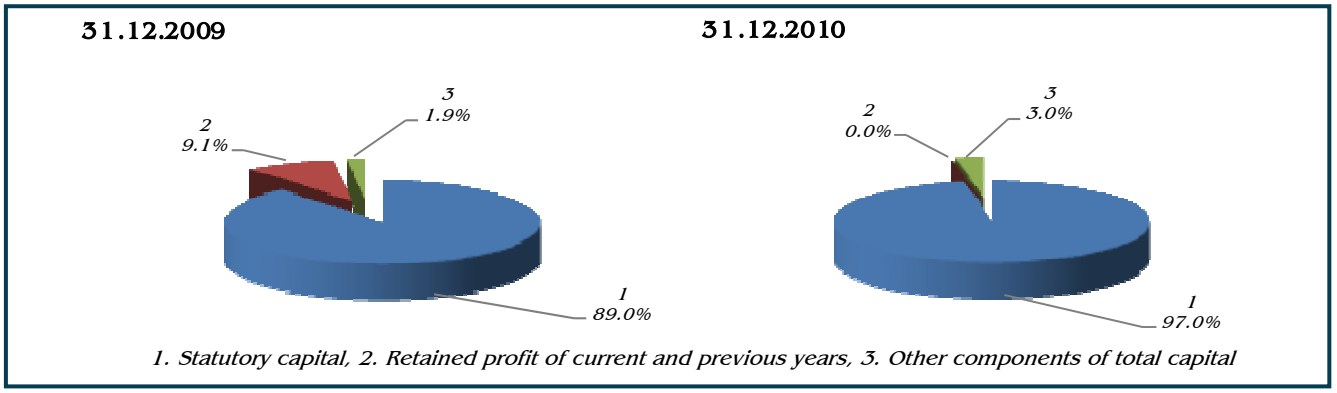
Table 10. Insurance System Concentration Level (%)

	31.12. 07	31.12. 08	31.12. 09	31.12. 10
Assets				
CC 2 (the share of assets of **two** largest insurance companies within insurance system total assets)	36	28	24	34
CC 5 (the share of assets of **five** largest insurance companies within insurance system total assets)	68	57	55	69
Liabilities				
CC 2	50	40	34	42
CC 5	84	78	71	79
Capital				
CC 2	28	27	25	27
CC 5	62	55	53	63
Sums Insured				
CC 2	79	65	70	57
CC 5	96	95	89	88
Insurance Premiums				
CC 2	49	44	41	46
CC 5	83	82	75	83

INSURANCE SYSTEM CAPITAL

In 2010, total capital of insurance system grew by 1.7 percent and totaled AMD 12.5 billion. The statutory capital increased by 10.8 percent driven by the minimum requirement of statutory capital endorsed by the CBA. According to the requirement all local insurance companies holding non-life insurance license must increase their statutory capital up to AMD 1.5 billion by 1st January of 2011.

Chart 43. Structure of Insurance Companies Total Capital

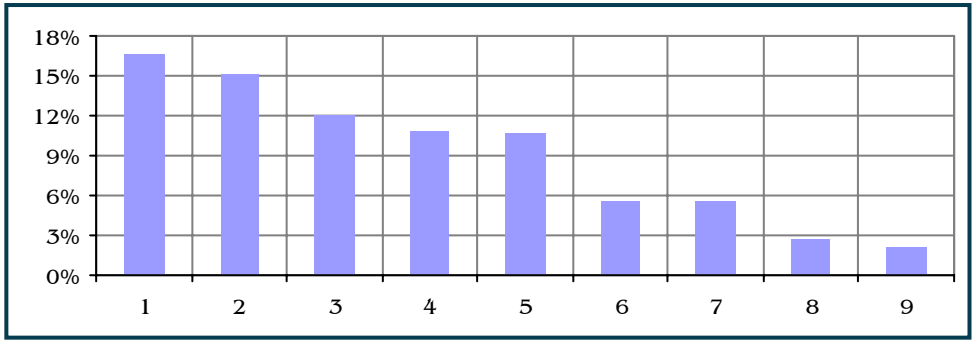


1. Statutory capital, 2. Retained profit of current and previous years, 3. Other components of total capital

Solvency of Insurance Companies

Average prudential ratio for solvency is 9 percent of total regulatory capital of insurance companies. The mentioned level of solvency proves the credibility of the insurance system (the ratio of required maximum threshold of solvency and regulatory capital is 100 percent).

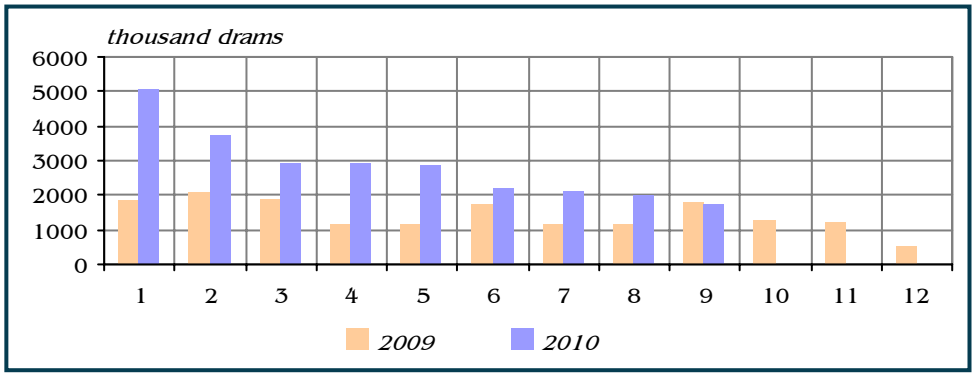
Chart 44. Required Solvency Limit to Total Capital Ratio by Insurance Companies (as of 31.12.2010)



INSURANCE SYSTEM ASSETS

In 2010, the assets of the insurance companies increased by 50.9 percent and as of 31.12.2010 totaled AMD 25.6 billion.

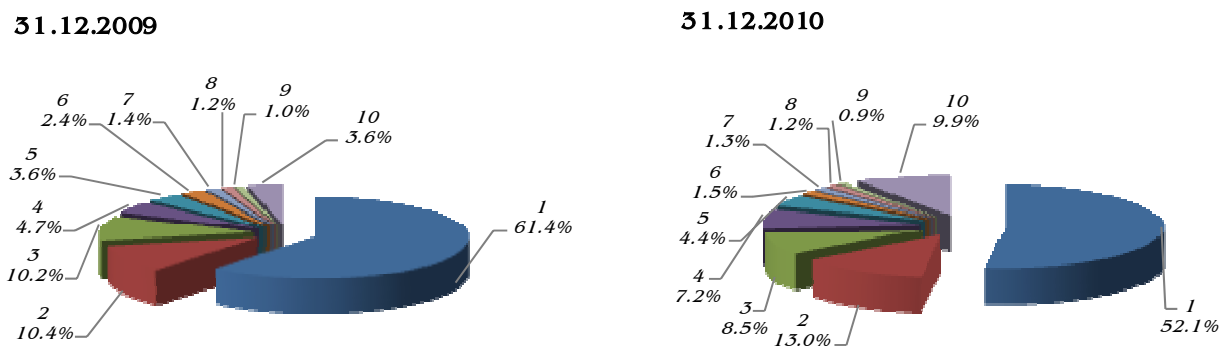
Chart 45.
Assets of Insurance Companies



By the end of the year, in the structure of assets of insurance companies the major share belonged to deposits in banks (52.1 percent), bank accounts (13.0 percent), government securities (including` securities issued by the CBA) (8.5 percent) and the amount receivables from policyholders for direct insurance (7.2 percent). It is worth mentioning that 94.1 percent of deposits are current deposits in domestic banks, and 5.9 percent are time deposits in domestic banks.

As seen in the below chart assets are mainly allocated in highly liquid assets, which demonstrates that insurance companies don't have liquidity problems. During the current year insurance companies didn't breach liquidity prudential.

Chart 46. Structure of Insurance Companies Total Assets



1. Deposits in banks, 2.Bank accounts, 3. Government securities, 4. Amounts receivable from policy holders for direct insurance, 5. Fixed assets, 6. Non-government securities, 7. Cash and cash equivalents, 8. Accrued interest, 9. Claims on reinsurers on compensations, 10. Other assets

INSURANCE SYSTEM LIABILITIES

In 2010, liabilities of insurance companies grew by 180.2 percent and totaled AMD 13.1 billion at year-end. The growth was mainly driven by the sharp growth of insurance prepayments.

Significant changes were observed in liability structure. As of 31.12.2010, the insurance prepayments had large share in total liabilities (49.1 percent), the share of insurance reserves was 21.9 percent and the share of payables to reinsurers was 13.9 percent.

Chart 47. Liabilities of Insurance Companies

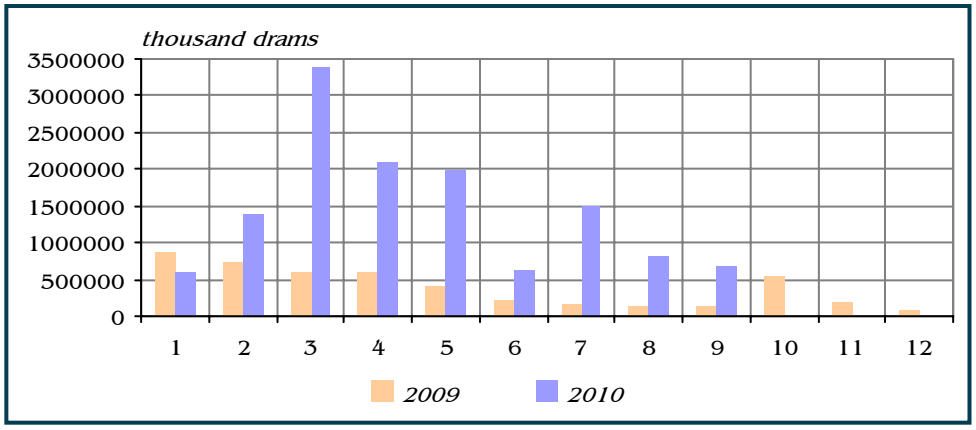
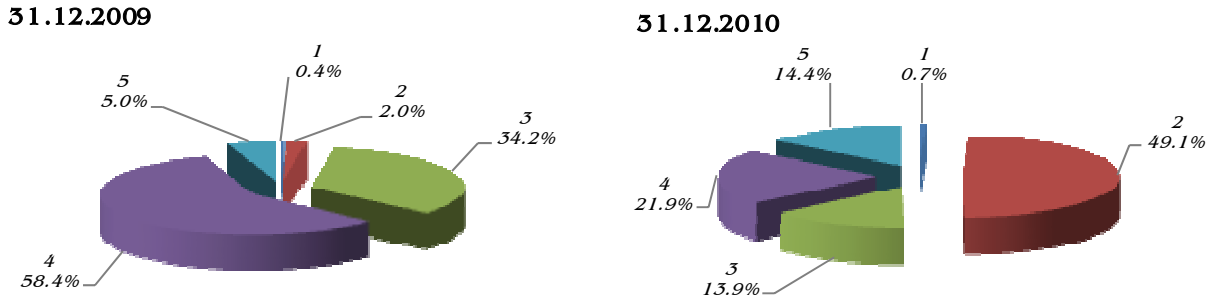


Chart 48. The Structure of Insurance System Total Liabilities



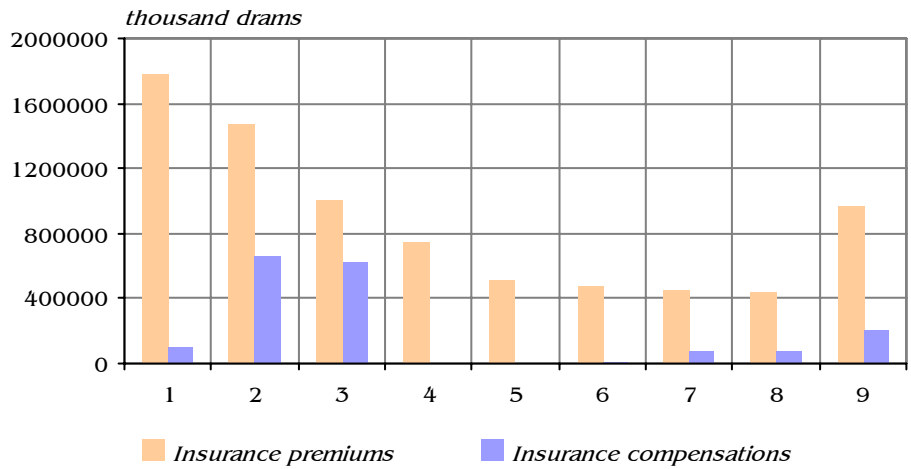
1. Payables compensations for direct insurance, 2. Received prepayments for insurance 3. Premiums transferred to reinsurers, 4. Insurance reserves, 5. Other liabilities

INSURANCE SYSTEM FINANCIAL PERFORMANCE

During 2010, the insurance companies operated with a total 975.8 million dram loss. It is notable that 2 insurance companies operated with profit and 7 with loss. The net profit of profitable insurance companies totaled AMD 161.1 million, while the losses of not profitable companies totaled AMD 1.14 billion.

The losses were conditioned by the fact that in 2010 the insurance companies incurred expenses for MTPL policies (agent network expansion costs, commissions to insurance agents, advertisement and PR expenses and etc.), while the collected premiums will accrued as income only in 2011 (according to accounting requirements the prepayments received at issuing of MTPL policies will be recognized as an income starting the first day, when the policies come into force, i.e. 01.01.2011). The mentioned expenses of insurance companies were aimed at strengthening their positions in market and expansion of the service network with view of ensuring smooth implementation and operation of MTPL system.

Chart 49. Accrued Insurance Premiums and Compensations by Insurance Class for 2010



1. Fire and natural disaster insurance,
2. Ground transport insurance,
3. Health insurance,
4. Aircraft insurance,
5.Aircraft operation responsibility insurance,
6. General liability insurance,
7. Financial loss insurance,
8. Cargo insurance,
9.Other insurance classes

Insurance premiums accrued by insurance companies totaled 8.3 billion drams (compared with AMD 8.1 billion in 2009).

During 2010, 87.7 percent of total accrued premiums was distributed among fire and natural disaster insurance (22.7 percent), ground transport (18.7 percent), health (12.8 percent), aircraft (9.5 percent), aircraft operation (including freight forwarding) liability (6.5 percent), general responsibility issuance (6.2 percent), transported cargo (goods) (5.5 percent) and financial loss (5.8 percent) insurance premiums. The growth of accrued premiums during 2010 was mainly driven by the growth of premiums on general liability, health and fire and natural disaster insurance, which compared to 2009 increased respectively by 64, 27 and 16 percent. In contrast to the growth of insurance classes mentioned, the premiums on aircraft and aircraft operation insurance shrank by respectively 24 and 19 percent. Conditioned by the changes in regulatory framework the insurance premiums on guarantee insurance fell by 99 percent.

During 2010 insurance companies accrued 1.7 billion insurance compensations (AMD 1.9 billion in 2009).

73.9 percent of total compensations accrued during 2010 were distributed among ground transport (38.3 percent) and health (35.6 percent) insurance compensations. It is notable that health insurance compensation amount accrued in 2010 in comparison with 2009 grew by 45 percent.

Loss ratio[11] of the insurance system totaled 22.5 percent. Net interest income of insurance companies totaled AMD 933.2 million. The share of interest income on current deposits in banks and current lending to banks in total interest income amounted 78.5 percent (or AMD 739.0 million). As of 31.12.2010 the net non-interest income of insurance companies totaled AMD 3.8 billion. 73.9 percent (or AMD 2.8 billion) of non-interest income was administrative and public relation expenses.

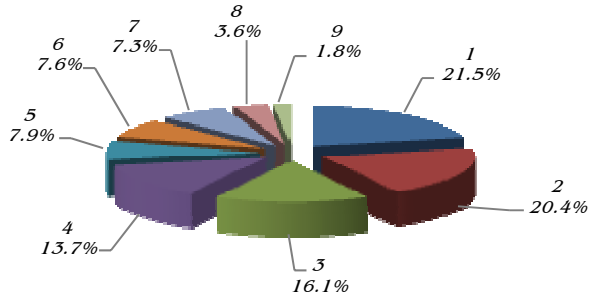
INSURANCE CONTRACTS IN FORCE AND SUM INSURED

As of yearend 2010 total number of insurance contracts was 50.5 thousand, which is 152 less contracts compared to the number reported in the end of 2009.

As of yearend 2010 sums insured for insurance contracts totaled AMD 3.05 trillion, which is 10 percent less than in 2009. The contraction of sums insured was mainly driven by 30.9 percent decrease of aircraft and aircraft (including cargo aircrafts) operation sums insured.

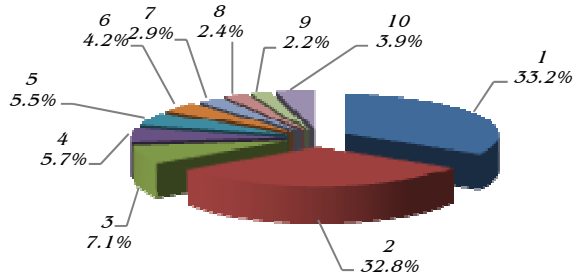
[11] Loss ratio was calculated as a relation of accrued insurance compensations to the difference of accrued and unearned insurance premiums in the reporting year.

Chart 50.
The Structure of Insurance Contracts in Force as of 31.12.2010.



1. Ground transport,
2. Fire and natural disaster insurance,
3. Accident insurance,
4. Support insurance,
5. Property damage insurance,
6. Health insurance,
7. General liability insurance,
8. Motor vehicle liability insurance ,
9. Other insurance classes

Chart 51.
The Structure of Sum Insured for Insurance Contracts in Force as of 31.12.2010.



1. Aircraft(including cargo aircraft) operation responsibility insurance,
2. Fire and natural disaster insurance,
3. General liability insurance,
4. Financial loss insurance,
5. Property damage insurance,
6. Support insurance,
7. Aircraft insurance,
8. Ground transport insurance,
9. Accident insurance,
10. Other insurance classes

REINSURANCE OF INSURANCE RISKS

As of yearend 2010 sum reinsured totaled AMD 2.52 trillion, or 79.7 percent of risks taken by insurance companies. It is notable that 93.8 percent of the risks taken by insurance companies were reinsured at reliable reinsurers. This minimizes the risk that the reinsurers will not meet their obligations.

During 2010 the amount of insurance premiums transferred to reinsurers totaled AMD 4.0 billion or 48.6 percent of total insurance premiums. The amount of insurance compensations received from reinsurers totaled AMD 535.1 million or 30.7 percent of total compensations accrued during 2010.

SECURITIES MARKET PARTICIPANTS

At the end of 2010, 21 banks and 8 investment companies rendered investment services. 7 companies rendering investment services were eligible to carry out securities transactions on behalf of themselves or on customers' behalf and account, and on behalf of themselves and their account. In addition, all of them are authorized for accepting and further messaging customer instructions concerning securities transactions. Five companies could also carry out consulting services covering investment in securities; six companies were authorized to carry out securities allocations, and three companies carried out securities portfolio management.

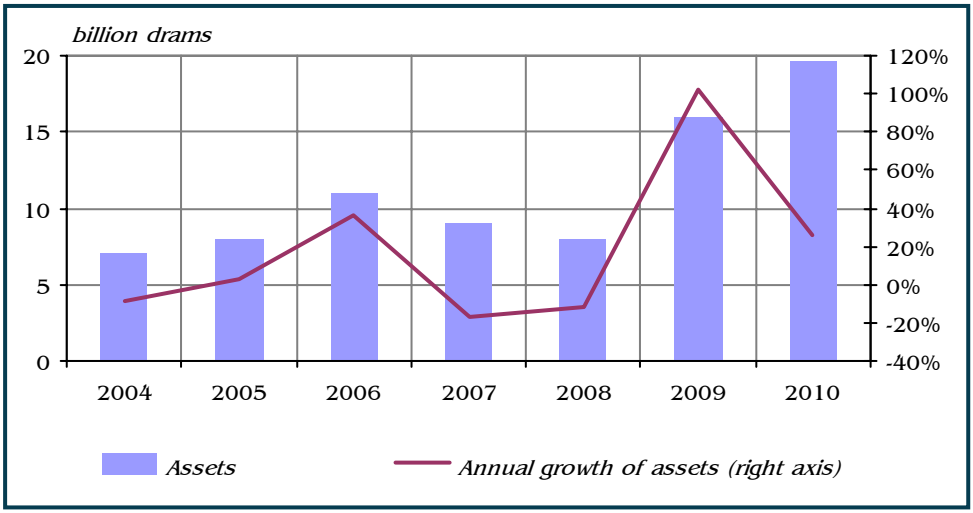
During 2010 concentration level of investment companies had slight upward trend.

Table 11. Herfindahl-Hirschman Concentration Index

Indicators	31.12.2008	31.12.2009	31.12.2010
Assets	0.17	0.17	0.20
Liabilities	0.20	0.18	0.20
Capital	0.26	0.25	0.21

Investment companies' assets increased by 26 percent and totaled AMD 19.6 billion, while total capital grew by 9 percent and totaled AMD 3.2 billion. During the year, net profit of investment companies reached AMD 301 million, increasing by 49 percent compared to 2009. Seven companies worked with profit, while only one company finished the year with loss.

Chart 52. Assets and Asset Growth of Investment Companies for 2004-2010 .

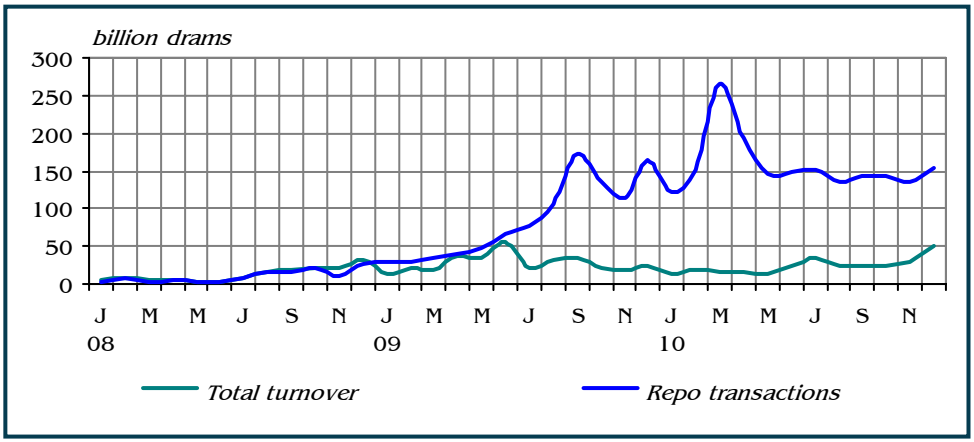


Armenian securities market turnover (including repo transaction excluding transactions with the CBA) during the year grew by 53 percent and totaled AMD 1 trillion 757 billion.

Compared to 2009, the volume of repo transactions (excluding transactions with CBA) in Armenian securities market increased by 82 percent and totaled AMD 1 trillion 470 billion or 83.6 percent of total turnover of the securities market.

In 2010, 97.7 percent of the repo agreements signed involved government securities. Notably, the 75 percent of the securities were mid-term government securities, 21 percent- long-term and 4 percent were short-term government securities.

Chart 53. Securities Turnover and Volumes of Repo Transactions by Investment Service Providers in 2008-2010



Transactions with government securities predominated in total number of buy-sell transactions of security market participants rendering investment services. Although transactions with government securities decreased by 18 percent and totaled AMD 270.5 billion, nevertheless the share of the latter is 94.1 percent of total number of transactions.

In 2010 the volume of transactions with corporate bonds decreased by AMD 17.3 billion, totaling AMD 8.0 billion or 2.8 percent of total turnover.

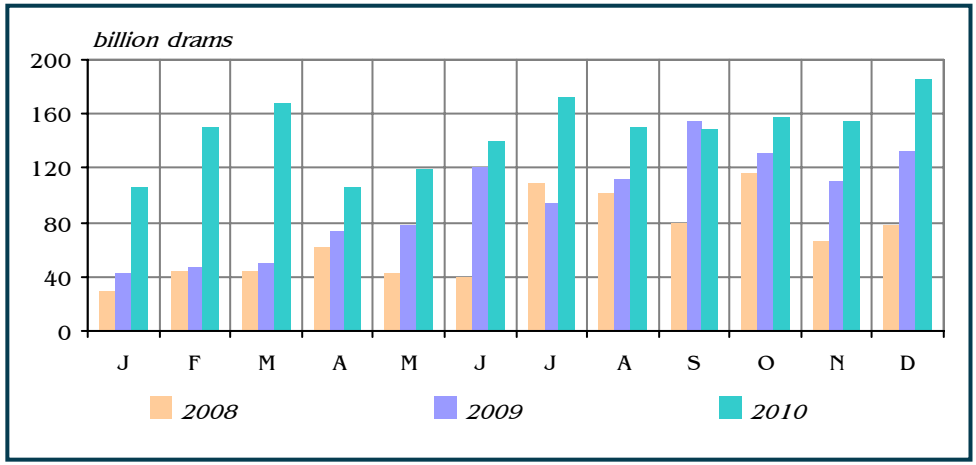
Transactions with stocks also decreased by AMD 7.3 billion, totaling AMD 8.9 billion or 3.1 percent of total number of buy-sell transactions.

In 2010 the share of buy-sell securities transaction in regulated and unregulated market totaled, respectively, 97 and 3 percent.

Securities transactions conducted in regulated market in 2010[12] grew by 9.2 percent and totaled 16.4 billion. Within such transactions, the major part was transactions with corporate bonds, totaling 64.8 percent of the total regulated market turnover.

Transactions with government securities totaled 33.6 percent of total turnover and transactions with stocks totaled 1.7 percent.

Chart 54. Securities Transactions Conducted by Investment Services Providers (excluding transactions with the CBA)

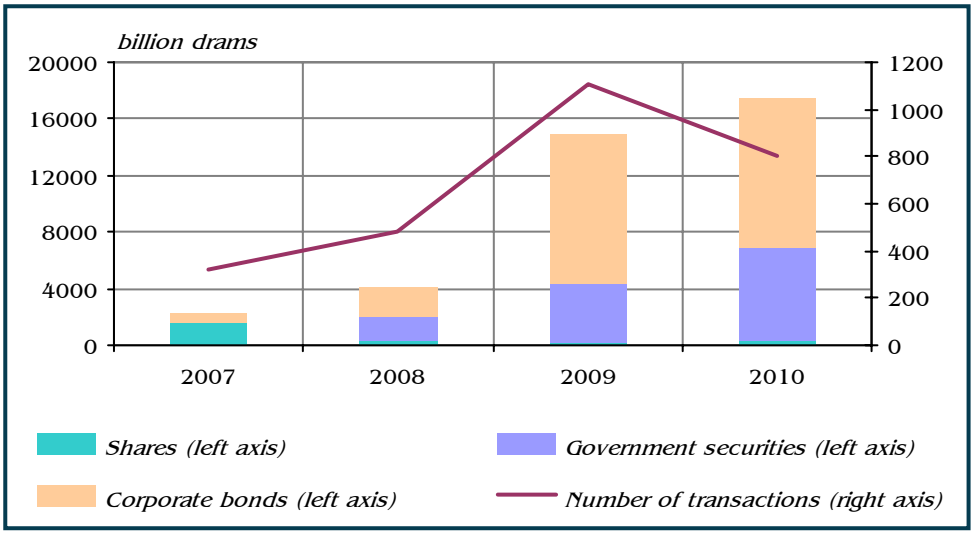


As of December 31, 2010, the volume of resources attracted by investment service providers under asset management contracts decreased by 25.0 percent compared with the same period of the previous year and totaled AMD 1.5 billion.

In the end of 2010, in the structure of securities held by investment service providers the share of non-resident issuers was only 0.5 percent decreasing by 0.4 percentage points compared to 2009.

[12] *As of 31.12.2010, the only registered and licensed stock exchange in Armenia is NASDAQ-OMX Armenia OJSC.*

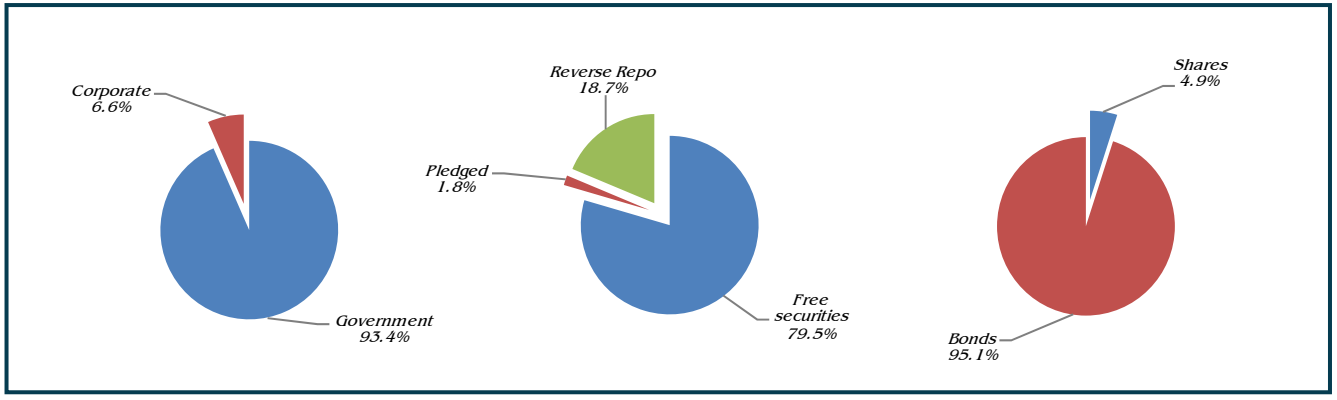
Chart 55. Structure of the Stock Exchange Turnover 2007-2010



As of 31.12.2010 95.1 percent of securities portfolio were equities (93.4 percent were government securities). The 79.5 percent of securities portfolio were free status securities.

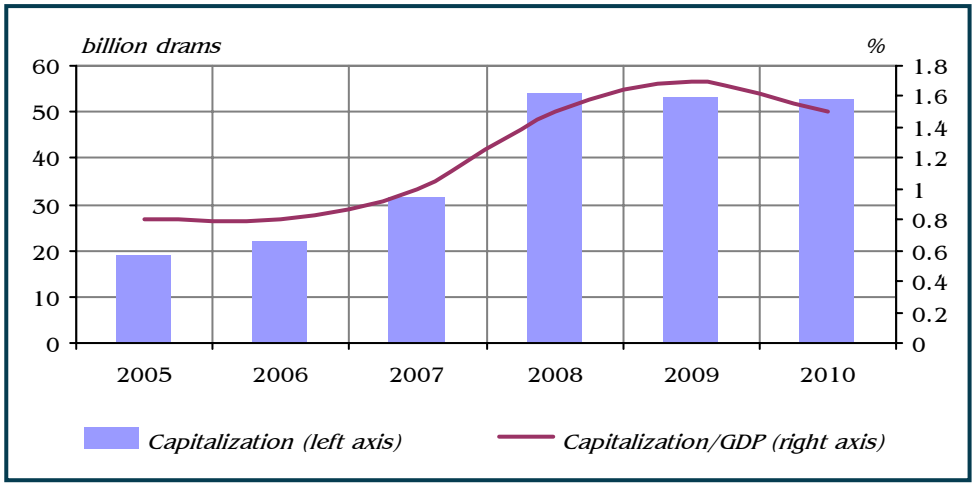
In the end of 2010 the capitalization[13] of Armenian securities market was AMD 52.6 billion and capitalization/GDP ratio was 1.5 percent. The average growth rate of securities market capitalization during six years was 23 percent.

Chart 56. Securities Portfolio of Investment Service Providers as of 31.12.2010



[13] *Product of number of issued ordinary shares and their recent prices*

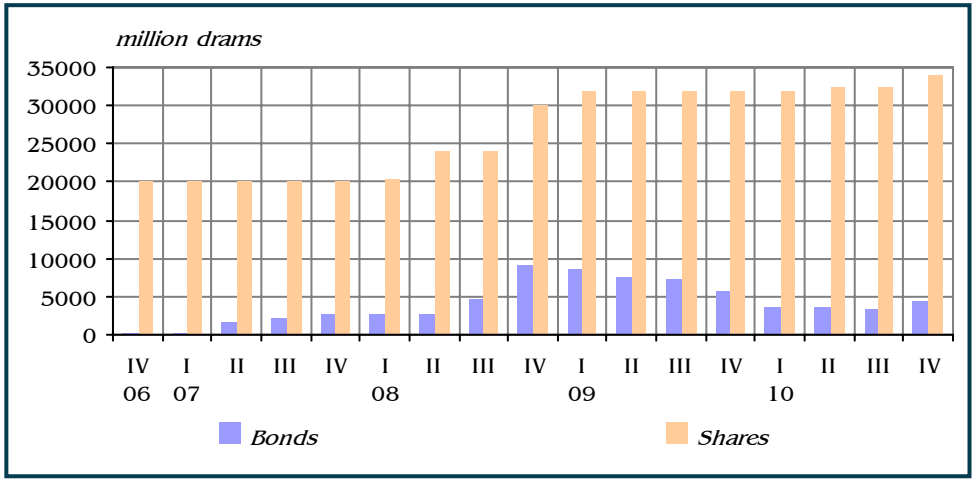
Chart 57.
Capitalization and Capitalization/GDP Ratio of Armenian Securities Market 2005-2010



As of end-2010, there were 1,570 register running issuers in the Central Depository and 111,676 holders of nominal securities in the Central Depository. Besides Central Depository two investment companies also render registry running services for 220 companies with 13,748 participants.

As of end-December 2010, 19 securities of 15 reporting issuers were circulating in market. One of reporting issuers was bank. 11 of reporting issuers issued shares and 5 issued bonds. One of the reporting issuers issued both shares and bonds. As of 31.12.2009, total volume of issued bonds totaled AMD 5.6 billion.

Chart 58.
Total Amount of Corporate IPOs



In 2010 one company issued corporate bonds with 2 billion drams total value with two installments, and another company issued corporate bonds with 1.4 billion dram total value, the allocation value of which was AMD 1.6 billion.

As of 31.12.2010 the total value of issued shares of reporting issuers was AMD 32.4 billion, while the total value of issued bonds was 4.4 billion. The shares of banks in total number of issued shares and bonds were respectively 38 and 13 percent.

The number of securities issued by mentioned 11 reporting issuers was 21.4 thousand. The number of shareholders was 7381, of which 78 were non-resident and 35 owned 5 percent and more of issued volume.

PAWN SHOPS

As of end-December 2010, 116 pawn shops (excluding branches) operated in Armenia. During the year, total attracted funds of pawn shops grew by 82 percent, and loans provided by pawn shops grew by 59 percent. As of end-December 2010, the total attracted funds of pawn shops totaled AMD 6.6 billion, total loans provided by pawn shops – AMD 19.9 billion.

EXCHANGE OFFICES AND DEALERS

As of end-December 2010, 302 exchange offices (excluding branches - 238) had licenses for currency trade operations. During 2010, the volumes of the US dollar buy and sell totaled US$ 437.6 million and US$ 432.0 million respectively (compared with US$ 420.1 million and US$ 415.2 million in 2009). During 2010, the volumes of the Euro buy and sell totaled Euro 51.0 million and Euro 49.9 million respectively (compared with Euro 47.5 million and Euro 46.4 million in 2009).

As of end-December 2010 2 legal entities had foreign exchange dealer licenses. During the year two foreign exchange dealer licenses were revoked.

CLEARING COMPANIES

As of end-December 2010, 11 clearing companies were registered in Armenia. Among them, 5 companies had the license only for money transfer operations, 5 companies had licenses for money transfer, payment instruments and processing and clearing of payment documents, and one company had a license solely for payment instruments and processing and clearing of payment documents. During 2010, 1 clearing company license was revoked and another one closed the business. One clearing company was granted with license ("Adal and Ria" Ltd.).

During 2009 total amount of transactions carried out by clearing companies totaled AMD 269 billion (3.9 percent increase compared to 2009).

Table 12. Total amount of services rendered by clearing companies (million drams)

Rendered Services by type	2009	2010
Utility and other payments	106 386	115 107
Budget(tax) payments	9 211	8 350
Pension and social benefit	137 614	140 069
Outgoing money transfers	695	412
Incoming money transfers	4 702	4 828
Total	**258 608**	**268 765**

Transfers from abroad are executed by both banks and money transfer companies. In 2010, clearing companies executed payments of AMD 4.8 billion to their clients (by 27 percent more than in 2009). The share of companies executing money transfers within total international transfers (including commercial banks) totaled 0.1 percent of transfers to abroad and 0.9 percent of the transfers received from abroad. The average size of single payment was 105 thousand drams (growth by 10 thousand dram in comparison with the previous year).

Five companies, dealing with processing and clearing of payment instruments and executing money transfers, provide cash payment collection services. As of the end of 2010, the clearing companies cooperate with 37 companies. In general, the clearing companies collect payments for utility payments, fixed and cellular phone, loan, budget penalties and fees, internet services and other.

The payments are collected through the self-service terminals and registered branches. As of the end of 2010, the clearing companies operated 719 self-service terminals through which 21 billion dram payments (7, 755 thousand transactions) were collected. Total amount of these payments increased for 47 percent in comparison with 2009.

As of end of 2010, 63 branches of clearing companies were registered (of which only 22 actually operated), through which services are provided both in Yerevan and other Armenian regions. The branches of clearing companies committed 1,384 thousand transactions with total value of 5.8 billon.

Eleven clearing companies provided processing services to 11 commercial banks and money transfer companies. The volume of utility payments through commercial banks totaled AMD 1.2 billion (271 thousand transactions).

During 2010, the processing center "ArCa" performed 443 billion drams processing of card operations (by 28 percent more than in the previous year), including AMD 22 billion for cards issued by foreign banks (37 percent more than in 2009), while the amount of operations with cards issued by the Armenian banks and processed through non-ArCa (including foreign) processing centers increased by AMD 8 billion (27 percent growth) and totaled AMD 38 billion.

PAYMENT AND SETTLEMENT SYSTEM

In 2010, the CBA continued further efforts on development and regulation of payment and settlement system, payment instruments and non-cash payments. Efforts on improvement of accessibility of financial services were also continued.

Development of payment system infrastructure

With the view of implementation and development of new technologies in Armenian financial market, in 2010 the CBA developed a number of legal acts, which regulate the requirements on electronic money issuers and requirements on e-money issuing, servicing and transactions. As a result, the regulatory framework for e-money operations was clarified for the participants of financial market.

In accordance with CBA legal acts, 8 Armenian commercial banks and 1 payment and settlement organization were authorized by the CBA to participate in various international payment systems. During 2010 commercial banks were authorized to participate in three new systems COINTSTAR MONEY TRANSFER money transfer systems, AMERICAN EXPRESS and ZOLOTAYA KORONA card payment system. At the same time operation ALUR system was revoked on the territory of Armenia.

With the view of developing interbank operations, in 2010 interbank credit resource trading platform was implemented. As a result, commercial banks gained an opportunity to attract interbank credit resources in "NASDAQ OMX Armenia" credit resource platform. For this purpose rules "On clearing and settlement of credit resources" and "On trade of credit resources" were developed, which regulate trade and settlement procedures on trading platform.

In 2010, the CBA continued development of "Purchase and Repurchase agreement signing and execution" automated system. Implementation of the mentioned system ensures usage of high-tech process for commercial banks and includes flexible tools for short term liquidity management. This system will allow to sign repo agreements more efficiently and operatively both with state and corporate securities. Through Monitoring tool the participants will be able to receive online information on signing, execution and settlement of repo agreements.

In 2010, cooperating with the delegation of Cooperation in the Commonwealth of Independent States Payments and Securities Settlement Initiative (CISPI) the CBA elaborated on "Purple Books", where Armenian payment system is thoroughly described.

Development of retail payments

In 2010, the pension reforms were continued in Armenia. Parallel to the current pension payment schemes, respective measures are taken for non-cash pension payments through commercial banks. As a result the pensioners will have an alternative for receiving the pension with payment cards. For this reason, respective legal acts were developed in cooperation with the Ministry of Labor and Social Affairs, which regulate the procedures for non-cash pension payments.

Basic Indicators of the Payment and Settlement System

Involving the population in the banking system is important precondition for non-cash payment development. At the yearend 2010, the number of banking system customers stayed almost at the same level and totaled 1 million 137 thousand, among which individuals totaled 1 million 69 thousand. The number of accounts increased by 17.5 percent and totaled 1 million 804 thousand (of which, 1 million 358 thousand current accounts, 88 thousand time deposits and 358 thousand credit accounts).

In 2010, 1.9 million transactions were conducted with payment cards totaling AMD 558 billion. The value of non-cash payments by cards increased by 31 percent and totaled AMD 40 billion. Within those non-cash transactions with payment cards, Internet payments totaled AMD 8.7 billion (of which, electronic commerce AMD 1.1 billion and card-to-card transfers AMD 6.6 billion). Compared to previous year, total number of cards in circulation increased by 26 percent (149.8 thousand cards) and totaled 729.3 thousand. The volume of non-cash payments by cards (including operations through Internet) stayed unchanged (7 percent of the total card operations).

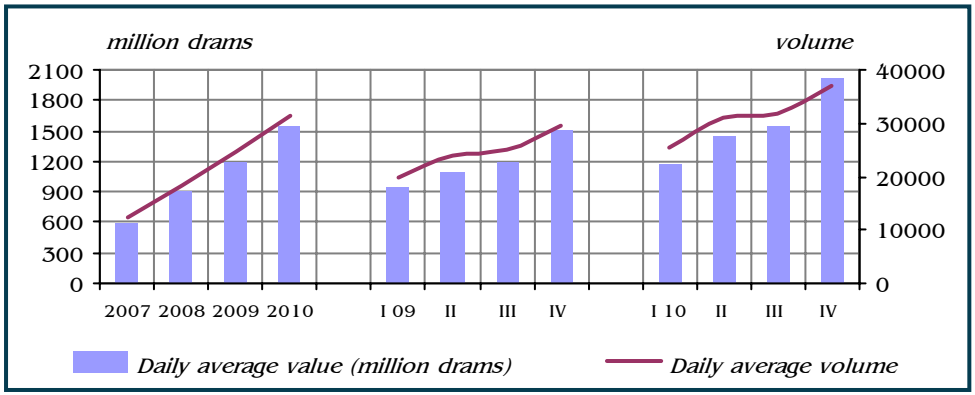
Compared with 2009, money transfers to individuals by banks and money transfer organizations increased by 4 percent and totaled AMD 607 billion (including SWIFT payments), while the value of outgoing transfers decreased by 3 percent and totaled AMD 267 billion. As a result, net inflow totaled AMD 340 billion, which is 10 percent higher than in 2009.

In 2010, the growth rate of non-cash payments was higher than the growth rate of GDP, as a result, compared to 2009, the non-cash payments/GDP ratio increased by 0.1 percentage points and totaled 1.9 percent at yearend.

In 2010, the value of non-cash payments in Armenia totaled AMD 17 trillion 655 billion (8 million 58 thousand transactions). Transfers through the CBA payment systems totaled AMD 13.5 trillion (3.4 million transactions). Compared with 2009, transfers through the CBA payment systems increased by 16 percent (AMD 1,876 billion) in value and by 23 percent in the quantity (6.2 million transactions).

The daily average value of the transfers through the CBA payment systems (excluding transfers on stock exchange transactions) totaled around AMD 52 billion (130122 transfers). The daily average amount of the transfers grew by AMD 7 billion (the number of transfers grew by 2,427).

Chart 59. Volume and Value of Transfers Executed by the CBA (excluding stock exchange transfers)



In 2010, the share of transactions from/to the Treasury within transfers executed by the CBA (excluding transfers on stock exchange transactions), remained high, totaling 35 percent of the value and 51 percent of the volume. The value and volume of the Treasury transfers executed by the CBA increased respectively by 19.0 percent (AMD 771 billion) and 28.0 percent (374.8 thousand transfers).

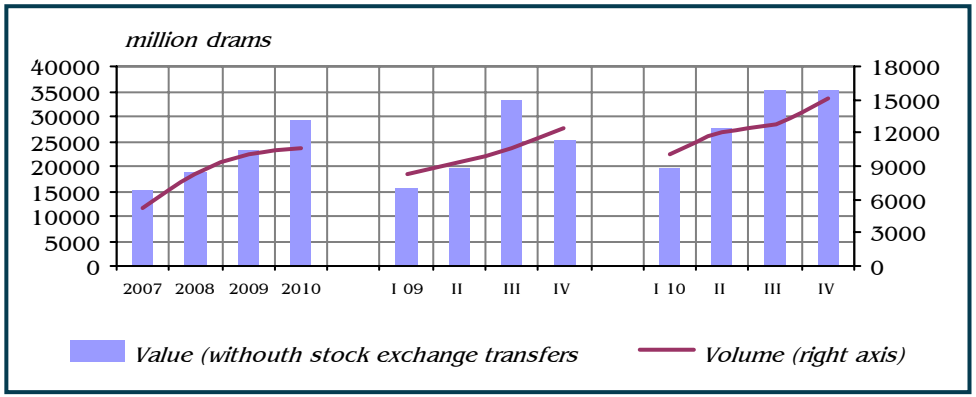
CBA PAYMENT SYSTEMS

During 2010, the major part of payments executed through the CBA payment systems[14] was carried through the electronic payments system. The share of the value and volume of electronic payments within total constituted 55.6 percent and 95.4 percent, respectively. Compared to 2009, the volume and number of electronic payments within total increased by 25.6 percent (AMD 1 trillion 533 billion) and 24 percent, respectively (610.8 thousand transactions). Share of payments of the commercial

[14] *Transfers connected with transactions in stock excahnge through electronic payment system are not included and are discussed separately.*

banks through the electronic payments system totaled around 65 percent of their total transfers (1046 billion drams increase), with the share of number of such transfers totaled 99 percent.

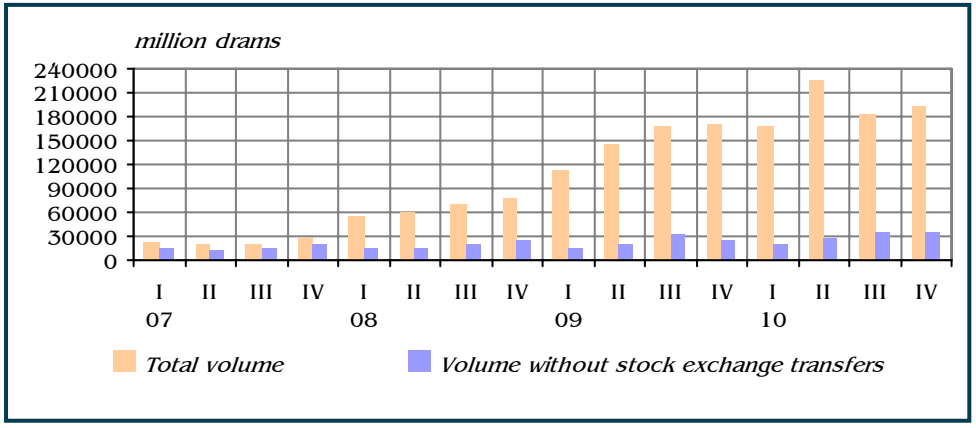
Chart 60.
Average Daily Transfers through Electronic Payments System (Without stock exchange transfers)



Compared with 2009, the average daily volume of transfers through electronic payments system grew by 23.7 percent (24,400 transactions), and totaled 12,520, while the value grew by 25.6 percent (AMD 6 billion), totaling AMD 29.4 billion. As a result the average value of single transaction slightly increased totaling AMD 2.4 billion.

During 2010, the total value of electronic transfers on stock exchange transactions amounted AMD 41 trillion 545 billion. Daily average transfers increased by AMD 36 billion and totaled AMD 162 billion drams. The average value of transfers of commercial banks' stock exchange transactions through electronic payments system increased by AMD 217 million and totaled AMD 1.8 billion.

Chart 61.
Electronic Payments System Average Daily Payments



Paper-based Gross Settlement System

In 2010, paper-based payments of the commercial banks through paper based gross settlement system totaled 27 percent (AMD 1808 billion) of the value and 0.3 percent of the volume of the total payments (compared with 2009, the value grew by 1.1 times and the volume by 2.6 times).

The average number of daily paper-based transfers processed by the CBA totaled 588 with AMD 21 billion value (compared with 2009, the average daily value grew by AMD 0.7 billion), while the average value of one such transfer fell by AMD 1 million, and totaled AMD 36 million. Most of the paper transfers related to deposit and Repo operations, and also reverse payments of credit resource overnights to the correspondent accounts.

Table 13. CBA, Commercial Banks and Treasury Payments Processed by the CBA Payment Systems (in millions of drams)

Period	Gross				Government securities accounting and clearing system		Total through CBA		Transfers on Stock Exchange Transactions	
	Electronic *		Paper							
	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number
2009										
Total	5990307	2594068	5214370	140290	453432	3563	11658110	2737921	32188698	20459
Share in total payments (%)	51.38	94.75	44.73	5.12	3.89	0.13	100	100		
2010										
I Q	1262858	640985	688950	33795	148297	1046	2100105	675826	9496297	4963
Share in total payments (%)	60.13	94.84	32.81	5.00	7.06	0.15	100	100		
II Q	1755508	774247	1179761	35556	106883	732	3042152	810535	12614414	6364
Share in total payments (%)	57.71	95.52	38.78	4.39	3.51	0.09	100	100		
III Q	2240052	821259	1565602	38665	163558	1005	3969211	860929	9374108	5942
Share in total payments (%)	56.44	95.39	39.44	4.49	4.12	0.12	100	100		
IV Q	2265156	968452	1971135	42412	186706	956	4422997	1011820	10060316	5932
Share in total payments (%)	51.213	95.71	44.57	4.19	4.22	0.09	100	100		
Total	7523573	3204943	5405448	150428	605444	3739	13534465	3359110	41545135	23201
Share in total payments (%)	55.59	95.41	39.94	4.48	4.47	0.11	100	100		

** Excluding transfers on stock exchange transactions*

Government Securities Accounting and Settlement System

As of yearend 2010, members of the government securities accounting and settlement system included 5 agent and 16 dealer banks, Deposit Compensation Guarantee Fund, the Armenian Central Depository, "NASDAQ-OMX Armenia", stock exchange, one non-bank dealer, Ministry of Finance (as

the issuer of government bonds), Treasury Direct, as well as the CBA (as the central custodian and the issuer of the CBA bills).

The system generated 1,665 orders of AMD 189 billion for the primary placement and redemption of government treasury securities, which was by AMD 14 billion more than in 2009 (payments on primary placement of securities increased by AMD 1.0 billion and redemptions by AMD 13 billion). In 2010, banking transfers on purchasing of government securities at primary public placements totaled AMD 109.0 billion, while Treasury's transfers on redemption of government securities totaled AMD 80.0 billion, including AMD 3.3 billion through the system "Treasury Direct", of which AMD 2.2 billion for primary placement of securities and AMD 117 billion for redemption.

There were no operations connected with the placement of CBA bills and transfers on CBA bills redemption totaled AMD 327 million.

Concentration in payment systems[15]

Attributable to the increased electronic payments of the commercial banks for repo agreements and transactions on credit resource platform, the level of concentration of payments in the CBA paper-based gross settlement system increased slightly (by around 4 percent) by yearend 2010. Compared with the previous period, the level of concentration within payments through gross electronic payments system increased by 1 percent and totaled 59 percent. The mentioned high level was driven by the progressive use of single payment orders of the banks.

While concentration of the payment card servicing fell (5 by volume and 4 percent by value), it is still rather high (61 percent by volume and 60 percent by value is the share of 5 banks). Furthermore, 7 banks serviced 32 percent of payment cards. In 2010, number of banks were relatively active in payment card servicing, as they installed new equipment and broadened the network of trade and service outlets.

Table 14. Level of Concentration in Payment Systems (%)*

Type		2008		2009		2010	
		Value	Volume	Value	Volume	Value	Volume
Gross	Electronic	31	59	27	58	27	59
	Paper	17	2	20	1	24	2
Government securities accounting and settlement system		49	42	52	41	49	40
Card system	Servicing in Armenia	69	67	64	66	60	61

* *Indicators of the five largest banks by value and volume.*

[15] *Concentration coefficient is calculated based on ECB "Payment System Definition" paper's methodology. The concentration is the share of first five banks. The quantitative and volume indicators are observed separately.*

PAYMENT CARDS

As of end-2010, 20 commercial banks provided payment cards to their clients and serviced them. 19 banks participated in the "ArCa" unified card payment system.

In 2010, 117 new automatic teller machines (ATMs) were installed, and subsequently their total number by end-year reached 819, including 761 "ArCa" card servicing automatic teller machines. Commercial banks also installed 1010 POS-terminals, bringing the total number to 3,730, of which 467 were installed in the branches. The number of installed imprinters was 25.

Table 15. Servicing of Issued Cards

Indicator	International criteria	2008	2009	2010
Issued cards / ATM	2600	845	825	890

Compared to 2009, the number of "ArCa" cards grew by 8.5 percent (23.9 thousand cards) and totaled 306 thousand. The number of the international card system cards grew by 42 percent (125.9 thousand), of which: "Visa" 33.8 percent (68.2 thousand), totaling 269.9 thousand, "Master Card" 89.7 percent (54.8 thousand), totaling 115.9 thousand. Quantity of other international cards increased by 8.57 percent (2,944).

The share of "ArCa" , "Visa" and "Master Card" cards within total cards issued by banking system was respectively 42, 37 and 16, the remaining 5 percent were other international cards, including "HSBC Debit" and "AmEx" cards.

Table 16. Transactions with card processing equipment (2010)

Equipment	Transactions			
	amount (million dram)	quantity	*of which: ArCa cards*	
			amount (million dram)	*quantity*
Automatic teller machines	438048	9681106	183505	4635054
o/w: non-cash	1871	85196	124	42306
POS–terminals/imprinters	111494	1288282	27206	493150
o/w: non-cash	29577	794912	10258	251508
Internet environment	8754	323390	2175	132921
Total	558296	11292778	212886	5261125
o/w: non-cash	40202	1203498	12557	426735

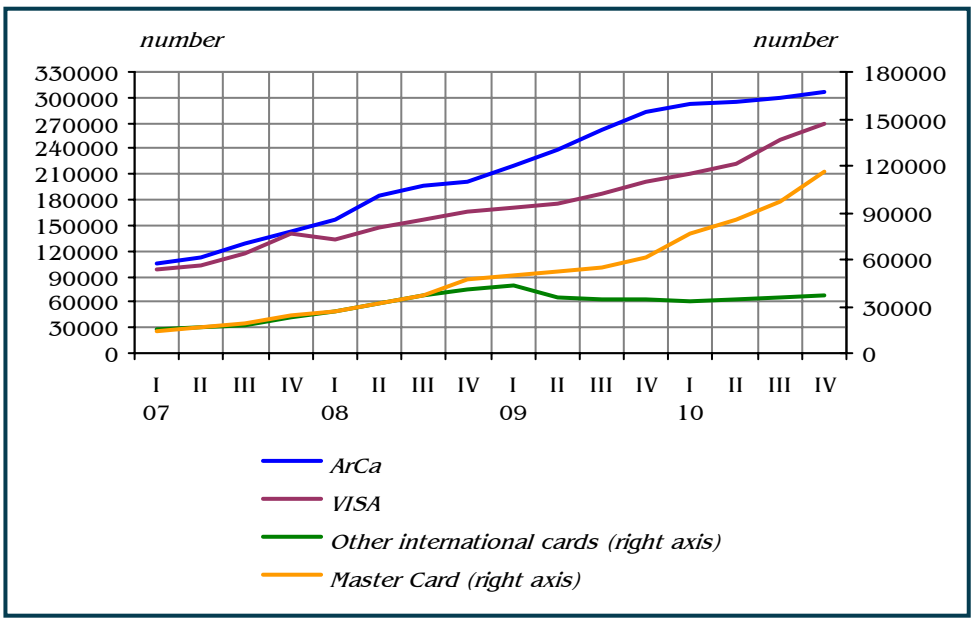
Compared to 2009, the value of card operations grew by 30 percent (AMD 130 billion) and the volume by 28 percent (AMD 2.4 million).

In the total value of card operations ArCa accounted 38 percent, Visa- 39 and other cards accounted for 23 percent. In 2010 the value of transactions with ArCa, Visa and MasterCard payment cards increased respectively by 23 percent (AMD 39 billion), 44 percent (AMD 67.5 billion) and 24 percent (AMD 15 billion) and totaled respectively AMD 213, AMD 219 and AMD 77 billion.

4,177,660 operations by "ArCa" cards totaled AMD 173 billion. The volume of operations with "ArCa" cards grew by 47 percent (AMD 55.8 billion drams) and the value by 43 percent (1,261,768). The value of operations with "ArCa" cards within total operations was equal to 40 percent and the volume 47 percent.

The value of transactions with other international cards increased by 20 percent (AMD 8 billion) and totaled AMD 49 billion.

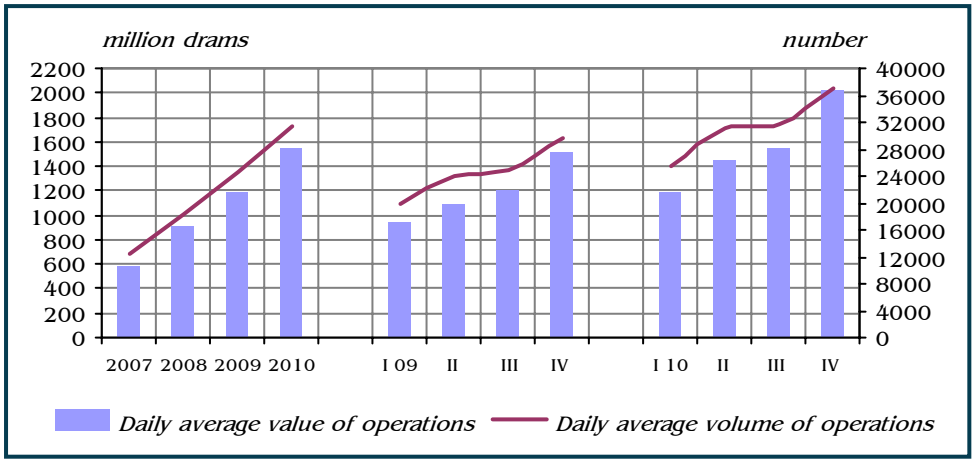
Chart 62. Payment Cards Issued by Banks (growth trend)



In 2010, the average daily value of card transactions grew by 30.0 percent and totaled AMD 1.55 billion, the average daily volume of card transactions increased by 28 percent totaling 31.4 thousand.

The monthly cash operations with single card totaled around 64 thousand drams, while non-cash operations totaled 5 thousand drams (quantity totaled respectively 1.2 and 0.1). The mentioned indicators, in comparison with previous year, stayed at the same level.

Chart 63.
Average Daily Payment Card Operations in 2007 – 2010 and 2009 - 2010 by quarters



INTERNATIONAL MONEY TRANSFER SYSTEMS

Remittances of individuals without opening of banking account are executed by commercial banks and money remittance organizations licensed by the CBA (see chapter Payment and Settlement Organizations).

To provide money transfer services to customers the commercial banks operating in Armenia participated in 17 international money transfer systems.

In 2010, transfers to Armenia through the banks participating in money transfer systems totaled AMD 430.0 billion (1,865,449 transfers) increasing by 18.7 percent (AMD 68 billion). The average value of single payment through these systems totaled 231 thousand drams staying at same level compared to previous year.

Compared to 2009, net money inflow through commercial banks by international money transfer systems increased by 18 percent (AMD 58 billion) and totaled AMD 379.0 billion.

In 2010, transfers to Armenia through commercial bank correspondent accounts (processed by SWIFT, telex, or fax) increased by AMD 349 billion totaled AMD 3 trillion 17 billion. The average amount of single transfer was AMD 20 million, which was AMD 4.4 million more than in 2009.

Within transfers through commercial bank correspondent accounts, individuals' transfers from abroad to Armenia dropped by AMD 45 billion and totaled AMD 172 billion. The average volume of single such transfer fell by AMD 170 thousand and totaled AMD 2.2 million. At the same time,

individuals' transfers through correspondent accounts transfers from Armenia dropped by AMD 20 billion, totaling AMD 215 billion. Subsequently, the 44 billion dram net outflow of household transfers within correspondent accounts of commercial banks was observed, growing about 2.4 times compared with 2009.

DISTANCE BANKING SYSTEMS

Banks improved and expanded their services through implementation of high-tech technologies. A number of banks implemented distance banking systems allowing their customers managing own accounts in distance. Those systems allow to put orders, receive information concerning account and perform various other operations.

In 2010 the total value of payments carried out through distance banking systems increased by 30 percent and totaled AMD 3.08 trillion (the volume was AMD 1 million 305 thousand). The mentioned payments were carried out

a) Through bank-client services, where the total value of payments was AMD 2.96 trillion, with AMD 2.6 million average value of single payment.
b) Through internet-banking services, where total value of payments was AMD 115 billion, with AMD 0.7 million average value of single payment.
c) Through telephone-banking services, where total value of payments was AMD 3 billion, with AMD 461 thousand average value of single payment.

SUPERVISION DEVELOPMENT OUTLOOKS

Domestic and international developments as well as global financial crisis brought about the need to update and upgrade regulatory framework of financial system, principles and approaches of financial supervision. In the context of stability of Armenian financial system and consistent development of banking, insurance and securities markets, in 2011 the CBA will continue reforms aimed at enhancement of regulation and supervision.

Financial system regulation prospects

In 2011, the CBA will continue activities aimed at stability of financial system. In particular, taking into consideration the efficiency of anti-crisis policies implemented in world practice and distinctive aspects of Armenian financial system, the CBA develops a crisis management concept. The mentioned paper defines the main objectives of the crisis management policy, its main principles and also the cooperation framework between responsible divisions and approaches of public awareness development. The paper will be used in crisis prevention and economic recovery stages during a crisis. An action plan is developed parallel to concept paper, which thoroughly presents particular cases, particularly, what actions should be taken in case when a systemic or non-systemic bank is under threat.

With the view of strengthening financial stability and mitigating risks in banking system, in 2011 the CBA will spend efforts on the implementation of Basel III. Basel III is a combination of suggestions for shifts in internationally accepted requirements for capital, liquidity and other supervised fields. The main objective of Basel III is to improve the capital and liquidity management and strengthen banks against external shocks.

In 2011, activities aimed at developing new risk assessment system at banks will be continued by the CBA. This will allow development of aggregate evaluation indicators based on analysis results of separation, assessment and management of the risks associated with distinctive business processes. This system will allow focusing on major and/or significant business processes of the banks, and also comprehensively asses banking risk system and evaluate each type of the risks.

In 2011 it is intended to stipulate the legal provisions regarding unified supervision, paying special attention to:

- Definition and criteria of financial conglomerate,
- Compliance of major participants and management of non-financial parent organization of the conglomerate, supervision of non-financial members of conglomerate,
- Definition of prudential framework of conglomerate's operations,
- Risk margins and supervision,
- Responsibility of the conglomerates for periodic disclosures and presentation of consolidated reports.

It is expected that consolidated supervision will allow to have a full understanding about

- Owners of the financial group,
- Persons having actual control over the group and member financial organizations,
- Corporate and risk management in group,
- Major risks affiliated with group's activities.

In 2011, the CBA intends to develop regulatory framework of All Armenian Bank, which will allow to regulate the operations of All Armenian Bank in Armenia and define the economic prudentials of banks' activities.

In 2011, the CBA intends to develop a regulation on opening and running unallocated metal accounts in commercial banks. This will allow banks to open unallocated metal accounts for their customers. Such service is a new product in banking services. The adoption of the regulation will allow extending the scope of banking services. At the same time, the objective of the regulation is to mitigate the risks connected with rendering of this service.

In 2011 it is intended to implement a unified and IFRS compliant chart of accounts for banks, credit organizations and investment companies.

In 2011 the CBA will continue efforts to improve the Armenian mortgage market. In particular, starting February 2010, "Affordable housing for young families" state-supported target social program was launched. For this reason the CBA established "Housing for young families" CJSC universal credit organization, which in the framework of the mentioned program refinances the mortgage loans issued by Armenian banks and credit organizations. During 2010, with the view of developing Armenian mortgage market, a number of legal issues were raised and options for their solutions were developed. In particular, appropriate report was designed, where above mentioned issues and purposed solutions were reflected. In 2011, according to designed report concerning legal issues of mortgage market respective legislative changes will be initiated. In 2010, development of "National Mortgage Company" UCO business plan was started, which is in the final phase. In the end of 2010, works on social program "Affordable housing for young scientists and members of artistic unions" were launched. In 2011 it is expected to finish the development of the business plan of "National Mortgage Company" and in the end of year it is expected that NMC will issue first corporate bonds. It is expected that in 2011 social security program "Affordable housing for young scientists and members of artistic unions" will be also launched.

One of the main activities of 2011 will be the development of concept paper on the implementation of mortgage certificates and on reform of mortgage loan transfer through implementation electronic registration. In this direction active work will be carried out in cooperation with State Committee of the Real Estate Cadastre. The adoption of the mentioned concept paper will significantly contribute to cost-cutting and simplification of concession of rights arising from sale of mortgage loans, which in its turn will boost development of Armenian secondary mortgage market and issuing of mortgage securities.

On May 18th, 2010, the National Assembly adopted law *"On Compulsory Motor Third Party Liability Insurance"*, which came into force starting January 1st 2011. On June 28th 2010 by a decision of CBA the "Armenian Bureau of Auto Insurers" was established, the objective of which is to protect the rights of injured parties and ensure stability and development of MTPL system. The Bureau started actively functioning starting September and in cooperation with CBA developed number of sub-laws concerning the MTPL and number of rules regulating MTPL field. In 2011 the CBA, in cooperation with Bureau, will continue to work on the organization of efficient MTPL system, particularly aimed at increasing the efficiency of insurance compensation procedures.

It is expected that with the support of new credit organization local banks and credit organizations will issue affordable mortgage loans to young families in compliance with predefined qualifications.

Enhancement of pension system efficiency can significantly contribute to formation of long term resources, hence to the expansion of financial system and improvement of financial intermediation. Steps taken by the Government of Armenia aimed at implementation of funded pensions system, will lead to the emergence of new players (investment (pension) fund managers, life insurers, etc.) in the financial system.

As the regulator and supervisor of the financial system, the CBA has an important role in above mentioned reforms. After the endorsement of legislative proposals major functions of the CBA will be:

- Development of legal acts in regard to financial institutions participating in funded pensions system (regulation of licensing of investment /pension/ fund manager, outlining reporting forms for new participants of financial system, etc.)
- Supervision of investment (pension) fund managers, pension asset custodians, and participant registrar.

In the framework of activities aimed at development of infrastructures ensuring efficient development of insurance market, in 2010 MTPL information system was designed, with the view of ensuring synchronization of data concerning car accidents with Traffic Police. Best ways of data exchange and data formats were discussed. In December 2010 the CBA Board approved regulation "On composition, the form of submission and the terms of data submitted to MTPL information system and usage of data". With the view of determining the efficiency of the system test and live productions were implemented. In 2011, the CBA will continue to work with insurance companies, and also with Traffic Police to ensure synchronization of data between MTPL information system participants.

In 2010, concept paper "On implementation of Bonus-Malus system in MTPL" was developed. The purpose of this system is to differentiation of the insurance premiums based on policy holder risk level. Based on this concept paper in 2011 it is intended to develop a document, which will present the procedure of application of Bonus-Malus system in MTPL participant insurance companies. Implementation of Bonus-Malus system, which is widely used across the world, in Armenia as activity

aimed at the development of an insurance market's infrastructure, is intended to launch starting January 1st 2013.

In 2010, working meeting and discussions between interested parties and CBA were continued with the view of developing concept paper on the development of health insurance in Armenia. During 2010, international best practices were thoroughly researched; calculations and analysis were carried out. It is intended to present the final version of the concept paper to Government until first half of 2011. The final version will consist of international best practice, current status of Armenian health system, needed infrastructure for operation of the system and purposed model for Armenia.

In 2010, concept paper "On the Implementation of Unified electronic information system in healthcare sector" was presented to Government, after which respective amendments were made and amended version was presented to the Government for approval. In this direction Ministry of Economy organized number of meetings with well-known international companies, which presented their experience in implementing information systems in healthcare sector. The e-Governance Infrastructure Implementation Unit under Ministry of Economy developed road map on the implementation of unified electronic information system in healthcare sector, which presents the overview of the system and possible plans and deadlines.

In 2011 the CBA is planning to proceed with reforms in the payment and settlement system regulatory framework. In particular, in 2011, after the endorsement of the law on "Amendments and addenda to the law on *"On Payment and Settlement Systems and Payment and Settlement Organizations""* by the National Assembly, minimum capital requirement, capital structure and capital compliance for payment and settlement organizations will be defined in respective legal acts.

Taking into consideration developments of new services of the financial institutions using high-tech technologies (e-money issuing and servicing, bank-client systems and other) the CBA will continue to clarify the requirements and regulate issues connected with the implementation of information technologies by the participants of financial system.

During 2011 it is intended to discuss with interested parties "Development policy of Armenian payment and settlement system" paper, which will outline the main development directions of payment system, problems with the implementation and solutions to them.

The CBA will continue to participate in meetings of heads of securities supervision bodies of CIS countries and to work on the proposals made during those meetings. The purpose of those works is to harmonize the legal framework regulating securities market throughout CIS countries, which will ensure free movement of capital across CIS.

As a result of adoption of laws "On Funded Pensions" and "On Investment Funds" the CBA will be actively involved in the development of the regulatory framework for the operation of investment and pension funds. The CBA will take steps to participate in International Organization of Pension Supervisors (IOPS), which will enhance the efficiency of the regulation of pension funds due to information exchange with IOPS member countries.

Financial system supervision prospects

In the context of the shift from supervision by types of institutions (banks, insurance companies, participants of securities market, etc.) to new supervision system(prudential, market conduct and financial system consumer right protection), in 2011, the CBA will continue the process of implementation of consumer right protection activities. In particular:

- Assessment of internal legal acts of the financial institutions in respect of consumer rights protection,
- On-site inspections of the business conduct of the financial institutions in line with respective guideline,
- Legal acts will be developed with the view of ensuring publicity and transparency of pension system participants,
- Works will be carried out aimed at standardization of products offered by financial institutions in Internet, which will allow to develop respective tools for consumers to select most appropriate financial services for own needs through one window.
- Boosting public awareness of pension reforms, publishing informative brochure on pension reform,
- Economics and financial game-competition will be organized for the pupils,
- Consumer rights protection website will be improved, developed and upgraded.

In 2011, works on joining the Multilateral Memorandum of Understanding (MOU) concerning consultation and cooperation and the exchange of information of the International Organization of Securities Commissions (IOSCO) will continue. For complying with the principles of IOSCO, which is one of the pre-conditions for joining the mentioned MOU, the CBA will continue to actively bring into compliance securities market regulation to IOSCO principles. In case of joining the MOU, it will be possible to exchange data on securities market through foreign supervision agencies.

For improving quick response skills in crisis situations in 2011 crisis management simulation games will be held, which will help decision takers to exercise crisis management skills, to be ready to take quick decisions and urgent steps in emergency situations.

In 2011, in the context of financial stability works on regulation of unified supervision procedures will be continued. This will allow to disclose the impact of intra-group transactions on group's financial performance, capital adequacy and also on possible risks conditioned by the group's activities. Parallel to adoption of basic principles of consolidated supervision respective amendments will be introduced to supervision guidelines. In addition to the supervision process of single financial institution, a procedure of financial group (which include more than one financial institution) supervision will be developed.

APPENDIX

FINANCIAL MARKET SUPERVISION AND REGULATION

In the supervision and regulation framework stipulated by the law the CBA ensures one of its major goals of securing stability, liquidity, solvency and soundness of the financial system, creating necessary conditions for development and sound performance of clearing systems, creating proper conditions for coordinated operation and future development of a fair, transparent and sustainable securities market, as well as protecting interests of the investors and consumers of financial services.

Organization of the Financial System Supervision and Regulation in the CBA

Financial system supervision and regulation in the CBA is mainly performed through the following hierarchy (in the ascending order):

1. Structural Subdivisions. The main subdivisions responsible and assisting to supervision and regulation of financial system are: Financial Supervision, Financial Stability and Development, Financial System Regulation, Statistics, Legal and Financial Monitoring Center[1],
   - ✓ Standing committees: Implementation of the financial system supervision and regulation functions is supported by the CBA Council and Licensing and Supervision Committee.
   - ✓ The CBA Council is a consulting body under the CBA Chairman, members of which are the CBA Chairman, the CBA Deputy Chairman and heads of the divisions. As a rule, the Council regular sessions are convened once in every two weeks, but not less than once in a month. The Council sessions may be attended by the CBA Board members. The issues that will be discussed by the Council members during the session are in advance shared with the CBA Council.
2. Members of the Licensing and Supervision Committee are the CBA Chairman (Committee Chairman), the CBA Deputy Chairman (Committee Deputy Chairman), Head of the CBA Financial Supervision Department, Head of the CBA Financial System Stability and Development Department, Head of the CBA Financial System Regulation Department and Head of the CBA Legal Department. Licensing and Supervision Committee functions through sessions, which shall be convened upon necessity, but not less than once in a week.
3. The CBA Chairman is the highest rank official of the Central Bank. The Chairman is responsible for the fulfillment of the objectives of the CBA set forth by "Central Bank Law".

[1] *For details of objectives and functions of departments responsible for financial supervision and regulation please see www.cba.am website.*

4. The Central Bank Board is the highest governance body of the Central Bank. The Board adopts normative and individual decisions. The Board is comprised of the Chairman of the Central Bank, his/her deputy and five members. A Board member of the CBA is responsible for carrying out duties reserved for him/her in the areas specified by the CBA Board. Sessions of the Central Bank Board shall be convened upon necessity at the request of the Central Bank Chairman, Deputy Chairman, or at least three Board members, but, in any case, no less than once a month.

Upon necessity working groups can be established within CBA.

Processes of Licensing, Supervision and Regulation of Financial Institutions

Licensing

Licensing of financial organizations by the CBA is described in detail in:

- ✓ Regulation No 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 No 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 Organization",
- ✓ Law on "Security Market Regulation",
- ✓ Regulation No 4/01 "Licensing and Registration of Investment Companies, Registration of Branches of Investment Companies and Foreign Investment Companies and Representations, Procedure on Preliminary Consent to Obtain Qualified Holding in Statutory Capital of Investment Companies, Procedure, Mode and Timeframe of Submission of Business Plans by Investment Companies, Provision of Advice on Investment Services Rendered by Credit Companies",
- ✓ Regulation No 4/04 "Prospectus and Reporting Issuer Reports"
- ✓ Regulation No 5/01 "Registration and Licensing of Regulated Market Operator; Procedure for Obtaining Preliminary Consent for Qualifying Holding in Statutory Capital of Regulated Market Operator ; Procedure, Mode and Timeframe for Presentation of Business Plan",
- ✓ Regulation No 3/01 "Licensing of Insurance Activities and Insurance Intermediary Activities; Accounting of Insurance Agents; Registration of Branches and Representations of Foreign Insurance Companies operating in the Republic of Armenia; Obtaining Preliminary Consent to Qualifying Holding in Statutory Capital of Insurance Company; Insurance Company's Business Plan Disclosure, Procedure and Date; Testing of Qualification of Candidates for Officials and Responsible Persons of Insurance Company and Insurance Intermediary; Professional Competency and Qualification Criteria Officials and Responsible Persons of Insurance Company and Insurance Intermediary; Themes of Qualification Test for Officials of Insurance Company and Responsible Persons of Insurance Intermediary",

- ✓ "Procedure of Licensing Pawnshop Activities in the Republic of Armenia",
- ✓ Regulation No 10 "Regulation and Licensing of Foreign Currency Purchase and Sale Operations",
- ✓ Regulation No 11 "Licensing, Regulation, and Supervision of the Organization of Foreign Currency Trading in the Republic of Armenia Territory".
- ✓ Regulation No 12 "Regulation and Licensing of Foreign Currency Dealer Purchase and Sale Operations",
- ✓ Regulation No 16 "Licensing of Money Transfer Organizations, Registration of Branches and Representations, Regulation of Activities, and Qualification of Managers",
- ✓ Regulation No 17 "Licensing of Organizations Processing and Clearing Payment Instruments and Settlement Documents, Registration of Branches and Representations, and Qualification of Managers",
- ✓ Regulation No 18 "Granting Permission to Create and Operate Armenian Payment and Settlement Systems",
- ✓ Regulation No 19 "Granting Permission to Participate in Foreign Payment and Settlement Systems",
- ✓ Regulation No 9/01 "Licensing of Credit Bureaus; Requirements on Premises and Technical, Security and Software Adequacy".

Regulation

As a rule, reforms of the regulation framework come out of the necessity to provide solutions to the new challenges rising in light of the new developments in the financial system. The CBA identifies system risks and challenges affecting the sustainability and development of Armenian financial system, carries out research and proposes institutional and legal solutions thereto. The CBA keeps track of the trends and developments, as well as the new technologies emerging in global financial markets, and provides respective suggestions where their introduction and implementation is feasible.

Supervision

The CBA, responsible for supervision, performs documentary (hereinafter referred as off-site) and on-site inspections of the financial institutions.

The off-site supervision of banks is carried out pursuant to the rules of the guideline "On Off-Site Supervision", which defines principles and methods of the off-site supervision, its sequence and frequency, as well as the list of persons engaged and their rights and responsibilities.

The main purpose of the off-site supervision is to disclose and assess risks through analysis of financial standing of the banks in the view of forecasting and/or assessing their possible losses. This is done through operative monitoring of bank's activities, analysis and assessment of real (current) and future standing of the bank and of its financial stability and risks.

If risks are identified in the analyses, the supervisor recommends, as needed, a list of supervision measures to ensure the banks' solvency, financial stability, and long-term sustainability of operations. Problems identified in off-site supervision may serve as a basis for on-site inspections or may be included in the comprehensive inspection plans. The off-site supervision is important since timely and accurate identification of problems and risks threatening the bank allow increases the overall efficiency of supervision, due to the effective use of supervision resources and planning of inspections in the supervised organizations.

The CBA conducts on-site inspections of banks and foreign bank branches operating in Armenia in accordance with the Bank Inspection Guideline. When supervising different areas of banks' activities, supervisors assess the presence and applicability of the banks' internal control system, processes, internal policies regulating the respective areas, and procedures. They assess the banks' internal control system and the effectiveness of internal audit to determine whether the banks' employees are complying with the principles set by the banks' management. Special attention is paid to analyzing the banks' management system and identifying the related risks, including, in particular, the separation of rights and responsibility between the banks' board and executive management.

There is a particular focus on identifying the areas of the banks' activities, which are the most vulnerable and sensitive to risks. Those areas must be supervised rigorously.

The on-site inspection should focus on the following issues:

- Asset Quality
- Liabilities and equity
- Profitability
- Liquidity
- Management
- Supervision of market conduct
- Other areas(Combating money laundering and terrorism financing, computer and information systems, internal and external audit, checking the credibility of reports submitted to the CBA)
- General assessment of the bank

Based on the results of the inspections, supervisors should prepare the inspection reports, which should reflect the major directions and the framework of the performed inspections, identified problems and risks, bank's financial performance, compliance with prudential standards, consolidated assessment of the bank's indicators (CAMELS), as well as submit opinions and the respective suggestions on the performed inspections.

The off-site supervision of the organizations rendering insurance services (insurance companies and insurance brokers) is performed in accordance with the guideline "On the off-site supervision in organizations rendering insurance services". Special emphasis is placed on data precision, consistent representation and believability. The guideline defines off-site principles and methods, regulates off-site procedures and their sequence and timelines, and also regulates scope of people participating in off-site supervision, their rights and responsibilities. Results of off-site supervision are consolidated in supervision reports on monthly basis and on

their results recommendations are sent to organizations. In consolidated reports major changes of indicators describing organization's activities are disclosed, main trends and their changes of the activities are presented, present and future financial performance assessment is performed, issues at hand and risky areas of performance are revealed. Risk assessments are part of off-site supervision, which guide the supervisor to the selection of on-site supervision directions, which on it turn makes on-site inspections more optimal and targeted.

The main purpose of off-site supervision of insurance companies is the risk assessment and disclosure through periodic analyzes for forecasting, early disclosure and mitigation of probable risks.

The on-site inspections of the organizations rendering insurance services should be performed in accordance with the guideline "On the (on-site inspections) of the organizations rendering insurance services within the Republic of Armenia". The on-site inspections involve the following directions:

- insurance (underwriting),
- asset quality,
- capital and profitability,
- management,
- reinsurance,
- relations with insurance intermediaries
- business conduct supervision (insurer rights protection, compliance with the rules of market behavior)
- other areas (Combating money laundering and terrorism financing, computer and informational technologies and etc.).

Based on the results of the inspections, supervisors should prepare the inspection reports, which should reflect the major directions and the framework of the performed inspections, identified problems and risks, bank's financial performance, compliance with prudential standards, as well as submit opinions and the respective suggestions on the performed inspections.

Main purpose of on-site and off-site supervision is to forecast and minimize possible misconducts of investment companies and also disclose all those issues that, in the future, can undermine the financial stability of investment company and the ability of the company to meet liabilities to the customers.

The on-site inspections of investment companies are performed in accordance with the guideline on "Inspections in Investment Companies", and "Inspections Business Conduct in Financial Organizations", which define on-site inspection preparation and core inspection (inspection targets) procedures and also consolidation of the inspection results.

The main target areas in on-site supervision are:

- assets,
- liabilities,
- capital and profitability,
- management,
- business conduct,

- other areas (Combating money laundering and terrorism financing, checking the credibility of reports submitted to the CBA and etc.).

Based on inspection results, an inspection report is composed as supervisors present areas and framework of the inspection, reveal issues, risks, financial performance of the investment company, and also conclusions and proposals are presented. The report also includes consolidated matrix of the assessment of different areas of operation.

The main goal of the on-site and off-site supervision of regulated market operator and Central Depository is the disclosure and future prosecution of violations of the law and other legal requirements. Supervision of those security market participants is also aimed at the analysis of their activities and financial standing, at the view of ensuring the reliable rendering of their services.

The main target areas in on-site supervision of regulated market operator and Central Depository are:

- Verifying the compliance of regulated market operator and Central Depository activities with the provisions of the laws, regulations and other legal acts.
- Verifying the accuracy of the regulated market operator and Central Depository reports and other information submitted to the CBA.
- Analyzing the financial standing of regulated market operator and Central Depository.
- Verifying the implementation and outcomes of the CBA instructions and suggestions by regulated market operator and Central Depository.
- Verifying the compliance of regulated market operator and Central Depository activities permitted by the law provisions with the provisions of the laws and other legal acts.

Based on regulated market operator and Central Depository inspection results, an inspection report is composed as supervisors present areas and framework of the inspection, reveal issues, risks, financial performance, and also conclusions and suggestions are presented.

The main goal of the supervision of companies propounding public sale offerings of securities and the reporting issuers (hereinafter issuer) is to ensure timely, accurate, law defined information framework concerning the issuers and issued securities for investors in those securities, disclose and prevent misuse of the internal information by insiders, and all those issues that in the future can affect fair pricing of the securities and ability of the company to face the liabilities to the investor.

Off-site supervision of issuers assumes analysis, disclosure and prevention of issues associated with prospectus and trade prospectus, intermediate reports, significant facts and internal data.

The on-site supervision of issuers is carried out based on law and Central Bank provisions, which define preliminary, execution and result consolidation procedures for on-site supervision.

The main target areas in on-site supervision of issuers are:

- Verifying the accuracy and reliability of the presented prospectus and trade prospectus, significant facts in intermediate reports, reports on internal information and other information published by the issuer.

- Verifying the implementation and outcomes of the CBA instructions and suggestions by regulated market operator and Central Depository.

Based on issuer inspection results, an inspection report is composed as supervisors present areas and framework of the inspection, reveal issues, risks, financial performance, and also conclusions and suggestions are presented.

The off-site inspections in credit organizations, clearing companies, pawn shops and exchange offices are performed similar to the practice applied for banks. The off-site supervision is based on reporting forms submitted to the CBA.

The on-site inspections in pawn shops and exchange offices should be performed with the view to verifying the compliance of their activities with the provisions of law.

In the view of enforcing market conduct rules the information published by banks, credit organization, insurance companies, insurance brokers, money transfer companies, and investment companies is verified. Periodically compliance of the information published on their websites and reports printed in newspapers with Regulation No 8/03 "Information Dissemination by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Central Depository and Clearing Companies making Money Transfers" is examined.

The inspection program in financial institutions must be approved by the CBA Licensing and Supervision Committee. At the end of each inspection, the group of supervisors must compile the inspection report and submit it to the CBA Board.

Annex 2. Commercial Banks and Branches

	Commercial banks	Branches	
		31.12.2009	31.12.2010
1	VTB Bank (Armenia)	74	68
2	Ardshininvestbank	55	55
3	ACBA-Credit Agricole Bank	35	40
4	Armeconombank	35	36
5	Unibank	34	34
6	Araratbank	27	33
7	Converse Bank	25	28
8	Armbusinessbank	22	25
9	Artsakhbank	17	17
10	AREXIMBANK-GazPromBank Group	15	15
11	Inecobank	9	11
12	Bank Anelik	10	10
13	ProCredit Bank	8	9
14	Ameriabank*	5	6
15	HSBC Bank Armenia	7	6
16	BTA Investbank	5	5
17	Prometey Bank	4	4
18	Armenian Development Bank	1	3
19	Byblos Bank Armenia	3	3
20	Mellat Bank		
21	Armswissbank		
Total		**391**	**408**

** The number of branches of Ameria bank in 2009 include branches of Cascade bank.*

Annex 3. Survey Balance Sheet Indicators of Commercial Banks

thousand drams

Indicators	Currency	31.12.08	31.12.09	Change 31.12.2010-31.12.2009	31.03.10	Change 31.03.10-31.12.09	30.06.10	Change 30.06.10-31.03.10
Cash	D	28450288	37996090	14.8%	28887863	-24.0%	30325937	5.0%
	Fx	13176321	26677242	17.2%	37680230	41.2%	33835415	-10.2%
Correspondent accounts with the CBA and other claims on the CBA	D	38086828	44128365	57.7%	27436710	-37.8%	40849173	48.9%
	Fx	65913580	148624060	-40.6%	157342374	5.9%	97108424	-38.3%
Correspondent accounts with banks and other claims on banks	D	8656500	7917917	235.2%	12413774	56.8%	13096850	5.5%
	Fx	86581202	141790353	-25.5%	148422295	4.7%	114774650	-22.7%
Claims on other financial institutions	D	6587006	14513224	9.5%	13111075	-9.7%	13069110	-0.3%
	Fx	1527217	2085087	123.8%	2428453	16.5%	2619672	7.9%
Government securities		81107632	109191067	38.6%	106748060	-2.2%	112437756	5.3%
Liabilities for securities through repos and currency through currency swap	D	-5073975	-33429477	35.0%	-33307234	-0.4%	-38353208	15.1%
	Fx	-2336293	-12586654	-2.5%	-13243056	5.2%	-15981427	20.7%
Repos (excluding interbank repos)	D	713847	11494620	11.9%	12412652	8.0%	15674368	26.3%
	Fx	318411	9485661	-9.4%	10042766	5.9%	9053030	-9.9%
Loans to legal entities	D	120666055	123864354	12.0%	128792981	4.0%	127072994	-1.3%
	Fx	168984403	272064880	40.6%	298582781	9.7%	305369933	2.3%
Loans to natural persons	D	240194442	194193234	11.0%	198156751	2.0%	198166653	0.0%
	Fx	68169327	91713712	20.6%	99716016	8.7%	99901814	0.2%
Loans to related parties and staff	D	14138116	13222181	6.6%	14208410	7.5%	13324127	-6.2%
	Fx	4637469	8307450	225.8%	8001619	-3.7%	15088759	88.6%
Asset loss reserves		-11932425	-18406948	-3.2%	-17585261	-4.5%	-17299849	-1.6%
Interest receivable		6094732	9032156	71.6%	11316431	25.3%	12490527	10.4%
Fixed assets		51773338	61279249	9.4%	60742426	-0.9%	64398231	6.0%
Other securities		3393287	4330676	31.5%	6267425	44.7%	5128388	-18.2%
Leasing, factoring (excluding interbank leasing and factoring)		9785213	7239913	346.8%	8077728	11.6%	13735457	70.0%
Other assets		24084979	51235076	33.4%	56938781	11.1%	63352619	11.3%
Total assets		**1023697500**	**1325963488**	**17.7%**	**1383592050**	**4.3%**	**1329239403**	**-3.9%**

thousand drams

Indicators	Currency	30.09.2010	Change 30.09.10-30.06.10	31.12.2010	Change 31.12.10-30.09.10	2010 annual	Change 31.12.10-31.12.09	
Cash	D	31836175	5.0%	43621525	37.0%	43621525	5625435	14.8%
	Fx	36890483	9.0%	31278419	-15.2%	31278419	4601177	17.2%
Correspondent accounts with the CBA and other claims on the CBA	D	57335950	40.4%	69592104	21.4%	69592104	25463739	57.7%
	Fx	79341089	-18.3%	88236486	11.2%	88236486	-60387574	-40.6%
Correspondent accounts with banks and other claims on banks	D	21227525	62.1%	26538429	25.0%	26538429	18620512	235.2%
	Fx	113214174	-1.4%	105607753	-6.7%	105607759	-36182594	-25.5%
Claims on other financial institutions	D	15264766	16.8%	15895880	4.1%	15895880	1382656	9.5%
	Fx	2590170	-1.1%	4665502	80.1%	4665502	2580415	123.8%
Government securities		128331317	14.1%	151297921	17.9%	151297921	42106854	38.6%
Liabilities for securities through repos and currency through currency swap	D	-39619817	3.3%	-45139332	13.9%	-45139332	-11709855	35.0%
	Fx	-22563406	41.2%	-12273346	-45.6%	-12273346	313308	-2.5%
Repos (excluding interbank repos)	D	15272612	-2.6%	12856911	-15.8%	12856911	1362291	11.9%
	Fx	8552478	-5.5%	8595881	0.5%	8595881	-889780	-9.4%
Loans to legal entities	D	129847077	2.2%	138671019	6.8%	138671019	14806665	12.0%
	Fx	340227907	11.4%	382486163	12.4%	382486163	110421283	40.6%
Loans to natural persons	D	200435590	1.1%	215641862	7.6%	215641862	21448628	11.0%
	Fx	101650432	1.8%	110647012	8.9%	110647012	18933300	20.6%
Loans to related parties and staff	D	13773193	3.4%	14098871	2.4%	14098871	876690	6.6%
	Fx	24475211	62.2%	27067035	10.6%	27067035	18759585	225.8%
Asset loss reserves		-17507196	1.2%	-17819227	1.8%	-17818829	588119	-3.2%
Interest receivable		12807293	2.5%	15495994	21.0%	15495994	6463838	71.6%
Fixed assets		64546005	0.2%	67031371	3.9%	67072179	5792930	9.5%
Other securities		6037704	17.7%	5695316	-5.7%	5695316	1364640	31.5%
Leasing, factoring (excluding interbank leasing and factoring)		20697788	50.7%	32347103	56.3%	32347103	25107190	346.8%
Other assets		73170482	15.5%	68335815	-6.6%	68309291	17074215	33.3%
Total assets		**1417835002**	**6.7%**	**1560472467**	**10.1%**	**1560487155**	**234523667**	**17.7%**

Annex 3 *(continued)*

thousand drams

Indicators	Currency	31.12.08	31.12.09	Change 31.12.2010-31.12.2009	31.03.10	Change 31.03.10-31.12.09	30.06.10	Change 30.06.10-31.03.10
Correspondent accounts of banks	D	1777354	2175587	4.8%	1070479	-50.8%	946659	-11.6%
	Fx	3645044	4355481	112.6%	9401317	115.9%	8874115	-5.6%
Other liabilities to banks (including the CBA) and other financial organizations	D	101174369	97314211	21.7%	85393297	-12.2%	83660962	-2.0%
	Fx	170590537	201302878	42.9%	203437311	1.1%	205177988	0.9%
Demand liabilities to legal entities	D	70036918	72248369	18.5%	66537878	-7.9%	69269490	4.1%
	Fx	54907210	89710479	-15.8%	116163011	29.5%	83445697	-28.2%
Demand liabilities to natural persons	D	31074703	30945052	29.4%	27784091	-10.2%	32573856	17.2%
	Fx	30797457	59575814	7.3%	64409499	8.1%	56677097	-12.0%
Time deposits of legal entities	D	45796099	20397548	0.4%	14389393	-29.5%	12564737	-12.7%
	Fx	43045053	106068383	-20.5%	103842377	-2.1%	86612582	-16.6%
Time deposits of natural persons	D	71561027	40426112	43.9%	41724051	3.2%	44742098	7.2%
	Fx	102242248	207420550	18.1%	227146700	9.5%	210218626	-7.5%
Liabilities to the Government		16222730	67583103	19.7%	81783743	21.0%	89767210	9.8%
Interest payable		6621563	10184797	14.4%	11143379	9.4%	10092748	-9.4%
Other liabilities		38783344	37871602	53.9%	43952249	16.1%	40921590	-6.9%
Total liabilities		**788275656**	**1047579966**	**18.5%**	**1098178775**	**4.8%**	**1035545455**	**-5.7%**
Actually paid in statutory capital		152490167	188640844	8.0%	192791844	2.2%	195211878	1.3%
General reserve		6458310	8208307	83.7%	8230579	0.3%	14768955	79.4%
Own shares repurchased by bank		0	0					
Retained profit (loss) Current period		27743274	8969666	239.7%	4316755	-51.9%	12167827	181.9%
Retained profit (loss) Previous period		37191188	55768602	-7.7%	64551631	15.7%	56281227	-12.8%
Total capital		**235421844**	**278383522**	**14.6%**	**285415275**	**2.5%**	**293693948**	**2.9%**
Received colletoral		1489089838	1771046028	29.2%	1765332148	-0.3%	1980447189	12.2%
including government securities		1160216	828696	235.9%	626631	-24.4%	4308650	587.6%
Guarantees received		419398584	709258935	54.9%	781683203	10.2%	848474513	8.5%
Off-balance sheet loans		7678839	22666741	39.3%	28781925	27.0%	28535198	-0.9%
Off-balance sheet receivables and other assets		2488080	3495283	-12.3%	3531956	1.0%	3435883	-2.7%
Off-balance sheet interest		3206455	6114772	46.3%	7443082	21.7%	7857518	5.6%
Guarantees issued		26349471	32485326	59.1%	34289966	5.6%	36950253	7.8%
Issued colletoral total		2975955	4770903	-14.1%	4872335	2.1%	8201737	68.3%
Issued colletoral including government securities		114495	429000	255.2%	225000	-47.6%	4016850	1685.3%

D – Armenian Dram *Fx– Foreign currency*

thousand drams

Indicators		Currency	30.09.2010	Change 30.09.10-30.06.10	31.12.2010	Change 31.12.10-30.09.10	2010 annual	Change 31.12.10-31.12.09	
Correspondent accounts of banks		D	600080	-36.6%	2279773	279.9%	2279773	104186	4.8%
		Fx	7031934	-20.8%	9259253	31.7%	9259253	4903772	112.6%
Other liabilities to banks (including the CBA) and other financial organizations		D	101698123	21.6%	118448941	16.5%	118448697	21134486	21.7%
		Fx	240716287	17.3%	287640560	19.5%	287640560	86337682	42.9%
Demand liabilities to legal entities		D	77256253	11.5%	85607927	10.8%	85607927	13359558	18.5%
		Fx	86784196	4.0%	75491551	-13.0%	75491551	-14218928	-15.8%
Demand liabilities to natural persons		D	34995661	7.4%	40050189	14.4%	40050189	9105137	29.4%
		Fx	61882228	9.2%	63895196	3.3%	63895196	4319382	7.3%
Time deposits of legal entities		D	16628185	32.3%	20471440	23.1%	20471440	73892	0.4%
		Fx	71186093	-17.8%	84367236	18.5%	84367236	-21701147	-20.5%
Time deposits of natural persons		D	49784482	11.3%	58166076	16.8%	58166076	17739964	43.9%
		Fx	219844560	4.6%	245012246	11.4%	245012246	37591696	18.1%
Liabilities to the Government			86727974	-3.4%	80880885	-6.7%	80880885	13297782	19.7%
Interest payable			11238633	11.4%	11654088	3.7%	11654913	1470116	14.4%
Other liabilities			44809890	9.5%	58295645	30.1%	58305970	20434368	54.0%
Total liabilities			**1111184579**	**7.3%**	**1241521006**	**11.7%**	**1241531912**	**193951946**	**18.5%**
Actually paid in statutory capital			203799176	4.4%	203799175	0.0%	203799175	15158331	8.0%
General reserve			15079172	2.1%	15079172	0.0%	15279711	7071404	86.1%
Own shares repurchased by bank							-	0	
Retained profit (loss)	Current period		20978391	72.4%	30468438	45.2%	30275257	21305591	237.5%
	Previous period		51498566	-8.5%	51481736	0.0%	51481736	-4286866	-7.7%
Total capital			**306650423**	**4.4%**	**318951461**	**4.0%**	**318955243**	**40571721**	**14.6%**
Received colletoral			2095805747	5.8%	2288094433	9.2%	2288094433	517048405	29.2%
including government securities			164110	-96.2%	2783363	1596.0%	2783363	1954667	235.9%
Guarantees received			949868407	12.0%	1098535975	15.7%	1098535975	389277040	54.9%
Off-balance sheet	loans		30571801	7.1%	31564198	3.2%	31564198	8897457	39.3%
	receivables and other assets		3382008	-1.6%	3064447	-9.4%	3064447	-430836	-12.3%
	interest		8621936	9.7%	8943497	3.7%	8943497	2828725	46.3%
Guarantees issued			47879677	29.6%	51683666	7.9%	51683666	19198340	59.1%
Issued colletoral	total		3986820	-51.4%	4096549	2.8%	4096549	-674354	-14.1%
	including government securities			-100.0%	1523906		1523906	1094906	255.2%

Annex 4. Structural Trends of Survey Balance Sheet Indicators of Commercial Banks (%)

Indicators	Currency	31.12.08	31.12.09	Change 31.12.10-31.12.09	31.03.10	Change 31.03.10-31.12.09	30.06.09	Change 30.06.10-31.03.10	30.09.09	Change 30.09.10-30.06.10	31.12.10	Change 31.12.10-30.09.10	2010 annual	Change 31.12.10-31.12.09
Cash	D	2.8	2.9	0.1	2.1	-0.8	2.3	0.2	2.2	0.0	2.8	0.5	2.8	-0.1
	Fx	1.3	2.0	0.7	2.7	0.7	2.5	-0.2	2.6	0.1	2.0	-0.6	2.0	0.0
Correspondent accounts with the CBA and other claims on the CBA	D	3.7	3.3	-0.4	2.0	-1.3	3.1	1.1	4.0	1.0	4.5	0.4	4.5	1.1
	Fx	6.4	11.2	4.8	11.4	0.2	7.3	-4.1	5.6	-1.7	5.7	0.1	5.7	-5.6
Correspondent accounts with banks and other claims on banks	D	0.8	0.6	-0.2	0.9	0.3	1.0	0.1	1.5	0.5	1.7	0.2	1.7	1.1
	Fx	8.5	10.7	2.2	10.7	0.0	8.6	-2.1	8.0	-0.6	6.8	-1.2	6.8	-3.9
Claims on other financial institutions	D	0.6	1.1	0.5	0.9	-0.1	1.0	0.0	1.1	0.1	1.0	-0.1	1.0	-0.1
	Fx	0.1	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.3	0.1	0.3	0.1
Government securities		7.9	8.2	0.3	7.7	-0.5	8.5	0.7	9.1	0.6	9.7	0.6	9.7	1.5
Liabilities for securities through repos and currency through currency swap	D	-0.5	-2.5	-2.0	-2.4	0.1	-2.9	-0.5	-2.8	0.1	-2.9	-0.1	-2.9	-0.4
	Fx	-0.2	-0.9	-0.7	-1.0	0.0	-1.2	-0.2	-1.6	-0.4	-0.8	0.8	-0.8	0.2
Repos (excluding interbank repos)	D	0.1	0.9	0.8	0.9	0.0	1.2	0.3	1.1	-0.1	0.8	-0.3	0.8	0.0
	Fx	0.0	0.7	0.7	0.7	0.0	0.7	0.0	0.6	-0.1	0.6	-0.1	0.6	-0.2
Loans to legal entities	D	11.8	9.3	-2.4	9.3	0.0	9.6	0.3	9.2	-0.4	8.9	-0.3	8.9	-0.5
	Fx	16.5	20.5	4.0	21.6	1.1	23.0	1.4	24.0	1.0	24.5	0.5	24.5	4.0
Loans to natural persons	D	23.5	14.6	-8.8	14.3	-0.3	14.9	0.6	14.1	-0.8	13.8	-0.3	13.8	-0.8
	Fx	6.7	6.9	0.3	7.2	0.3	7.5	0.3	7.2	-0.3	7.1	-0.1	7.1	0.2
Loans to related parties and staff	D	1.4	1.0	-0.4	1.0	0.0	1.0	0.0	1.0	0.0	0.9	-0.1	0.9	-0.1
	Fx	0.5	0.6	0.2	0.6	0.0	1.1	0.6	1.7	0.6	1.7	0.0	1.7	1.1
Asset loss reserves		-1.2	-1.4	-0.2	-1.3	0.1	-1.3	0.0	-1.2	0.1	-1.1	0.1	-1.1	0.2
Interest receivable		0.6	0.7	0.1	0.8	0.1	0.9	0.1	0.9	0.0	1.0	0.1	1.0	0.3
Fixed assets		5.1	4.6	-0.4	4.4	-0.2	4.8	0.5	4.6	-0.3	4.3	-0.3	4.3	-0.3
Other securities		0.3	0.3	0.0	0.5	0.1	0.4	-0.1	0.4	0.0	0.4	-0.1	0.4	0.0
Leasing, factoring (excluding interbank leasing and factoring)		1.0	0.5	-0.4	0.6	0.0	1.0	0.4	1.5	0.4	2.1	0.6	2.1	1.5
Other assets		2.4	3.9	1.5	4.1	0.3	4.8	0.7	5.2	0.4	4.4	-0.8	4.4	0.5
Total assets		**100.0**	**100.0**		**100.0**		**100.0**		**100.0**		**100.0**		**100.0**	

Indicators	Currency	31.12.08	31.12.09	Change 31.12.10-31.12.09	31.03.10	Change 31.03.10-31.12.09	30.06.09	Change 30.06.10-31.03.10	30.09.09	Change 30.09.10-30.06.10	31.12.10	Change 31.12.10-30.09.10	2010 annual	Change 31.12.10-31.12.09
Correspondent accounts of banks	D	0.2	0.2	0.0	0.1	-0.1	0.1	0.0	0.1	0.0	0.2	0.1	0.2	0.0
	Fx	0.5	0.4	0.0	0.9	0.4	0.9	0.0	0.6	-0.2	0.7	0.1	0.7	0.3
Other liabilities to banks (including the CBA) and other financial organizations	D	12.8	9.3	-3.5	7.8	-1.5	8.1	0.3	9.2	1.1	9.5	0.4	9.5	0.3
	Fx	21.6	19.2	-2.4	18.5	-0.7	19.8	1.3	21.7	1.8	23.2	1.5	23.2	4.0
Demand liabilities to legal entities	D	8.9	6.9	-2.0	6.1	-0.8	6.7	0.6	7.0	0.3	6.9	-0.1	6.9	0.0
	Fx	7.0	8.6	1.6	10.6	2.0	8.1	-2.5	7.8	-0.2	6.1	-1.7	6.1	-2.5
Demand liabilities to natural persons	D	3.9	3.0	-1.0	2.5	-0.4	3.1	0.6	3.1	0.0	3.2	0.1	3.2	0.3
	Fx	3.9	5.7	1.8	5.9	0.2	5.5	-0.4	5.6	0.1	5.1	-0.4	5.1	-0.5
Time deposits of legal entities	D	5.8	1.9	-3.9	1.3	-0.6	1.2	-0.1	1.5	0.3	1.6	0.2	1.6	-0.3
	Fx	5.5	10.1	4.7	9.5	-0.7	8.4	-1.1	6.4	-2.0	6.8	0.4	6.8	-3.3
Time deposits of natural persons	D	9.1	3.9	-5.2	3.8	-0.1	4.3	0.5	4.5	0.2	4.7	0.2	4.7	0.8
	Fx	13.0	19.8	6.8	20.7	0.9	20.3	-0.4	19.8	-0.5	19.7	0.0	19.7	-0.1
Liabilities to the Government		2.1	6.5	4.4	7.4	1.0	8.7	1.2	7.8	-0.9	6.5	-1.3	6.5	0.1
Interest payable		0.8	1.0	0.1	1.0	0.0	1.0	0.0	1.0	0.0	0.9	-0.1	0.9	0.0
Other liabilities		4.9	3.6	-1.3	4.0	0.4	4.0	-0.1	4.0	0.1	4.7	0.7	4.7	1.1
Total liabilities		**100.0**	**100.0**		**100.0**		**100.0**		**100.0**		**100.0**		**100.0**	
Actually paid in statutory capital		64.8	67.8	3.0	67.5	-0.2	66.5	-1.1	66.5	0.0	63.9	-2.6	63.9	-3.9
General reserve		2.7	2.9	0.2	2.9	-0.1	5.0	2.1	4.9	-0.1	4.7	-0.2	4.8	1.8
Own shares repurchased by bank		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained profit (loss) — Current period		11.8	3.2	-8.6	1.5	-1.7	4.1	2.6	6.8	2.7	9.6	2.7	9.5	6.3
Retained profit (loss) — Previous period		15.8	20.0	4.2	22.6	2.6	19.2	-3.5	16.8	-2.4	16.1	-0.7	16.1	-3.9
Total capital		**100.0**	**100.0**		**100.0**		**100.0**		**100.0**		**100.0**		**100.0**	

D – Armenian Dram *Fx– Foreign currency*

Annex 5. 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	267298281	42109062	309407343
Tier 1 capital	248945716	27612325	276558040
Statutory capital	188640878	15158297	203799175
Note: number of shares sold (pcs)	6597258	144279	6741537
General reserve	8208307	7071404	15279711
Undistributed profit	64569804	15312157	79881961
Amounts deducted from Tier 1 capital, o/w:	12473273	9929533	22402806
Long-term subordinate loans	800400	0	800400
Repurchased own shares of bank	0	0	0
Intangible assets (except for assets set forth in Regulation 2)	307773	785537	1093310
Investments in statutory capital of other banks, credit organizations, and "Other organizations" according to regulation 2	1684187	189995	1874182
Tangible assets not in use and capital investments in them	6312190	5714473	12026663
Amount of balance value of tangible assets in use and capital investments in them exceeding the size limit of Tier 1 capital as set forth in Regulation 2	0	2715715	2715715
Capital investments in bank's own and leased fixed assets	3368724	426098	3794821
Capital investments in statutory capital of other commercial organization according to 28.1 article of Regulation 2	0	97715	97715
Tier 2 capital	18352565	14728030	33080595
Revaluation reserve for bank premises and buildings	4954455	4017438	8971893
Reserve generated from FX differences due to balance sheet consolidation	0	0	0
Other reserves	1214956	-15737	1199219
Subordinated long-term borrowings attracted by bank	12183154	10726329	22909483

Annex 6. Non-Resident Participation in Statutory Capital of Commercial Banks

thousand drams

Indicators	31.12.08	Change within 31.12.09-31.12.08	31.12.09	Change within 31.12.10-31.12.09	31.12.10
Statutory capital	143967855	32665695	176633550	14738330	191371880
of which: non-residents	97507962	33150738	130658699	20354649	151013348
Share of non-residents %	67.73%	6.24%	73.97%	0	78.91%

Annex 7. Commercial Banks: Income and Expense

thousand drams

Indicators	31.12.08	31.12.09	Change 31.12.09-31.12.08	31.03.10	30.06.10	30.09.10	31.12.10	Change 31.12.10-31.12.09
	1	2	3	4	5	6	7	9
From correspondent accounts	609403	227228	-62.7%	38871	57929	69322	92430	-59.3%
From funds allocated in the CBA	65832	172270	161.7%	45359	81601	211685	304906	77.0%
Interest received from funds allocated in commercial banks and other financial institutions	668539	1421191	112.6%	340593	646947	934242	1350885	-4.9%
From loans to economy	79174613	96146225	21.4%	25466791	52262801	80076822	109387583	13.8%
Interest from overdraft	709689	982362	38.4%	363633	763315	1149252	1564501	59.3%
Interest from credit cards	3149525	4453312	41.4%	1190696	2439144	3792447	5281194	18.6%
Interest from government securities	5475312	6017045	9.9%	2025142	4112081	6527154	9346544	55.3%
From repos	824192	974448	18.2%	619670	1259044	1877737	2533969	160.0%
Other interest income	3801868	4330400	13.9%	1291950	2772172	4349977	6298868	45.5%
Total interest income	**94478973**	**114724481**	**21.4%**	**31382705**	**64395034**	**98988638**	**136160880**	**18.7%**
Interest paid on correspondent accounts	113782	81890	-28.0%	21456	32029	34988	50444	-38.4%
Interest paid on bank accounts and demand deposits	1558426	1724813	10.7%	567125	1156843	1757355	2397698	39.0%
Interest paid on funds attracted from the CB	2638510	4501646	70.6%	1114539	2274121	3484839	4722520	4.9%
On repos	226316	166253	-26.5%	141206	259958	405853	536443	222.7%
Interest paid on funds attracted from commercial banks and other financial institutions	6700949	9690575	44.6%	2093712	4117899	6587883	9769391	0.8%
Interest paid on time deposits	17567001	27062715	54.1%	7342664	14665456	21684107	29026280	7.3%
Interest paid on funds attracted from international financial organizations	2171196	2565031	18.1%	611919	1274711	2022111	2864439	11.7%
Interest expenses on deposit insurance	463205	588243	27.0%	173838	353284	534959	727819	23.7%
Expenses for accrued and not collected interest on non-performing assets	1326298	2968058	123.8%	583489	1056560	1542574	1923241	-35.2%
Other interest expenses	2051755	3575834	74.3%	1438605	3216127	4890040	6648676	85.9%
Total interest expenses	**34817438**	**52925058**	**52.0%**	**14088553**	**28406988**	**42944709**	**58666951**	**10.8%**
Net interest income	***59661535***	***61799423***	***3.6%***	***17294152***	***35988046***	***56043929***	***77493929***	***25.4%***
Commissions received	15927822	15469722	-2.9%	3891256	8478913	13255411	19276336	24.6%
Income from guarantees, acceptance and L/C operations, trust management	965634	978851	1.4%	266273	618849	1006938	1484814	51.7%
Net income from hedging derivatives	406160	559162	37.7%	133122	-43089	97562	135589	-75.8%
Net income from factoring	564191	490698	-13.0%	130010	326616	670155	1365130	178.2%
Income from investments in other organizations	447926	233076	-48.0%	-118451	-76290	-18841	207222	-11.1%
Net income from sale of securities	492890	1333152	170.5%	232216	281961	414774	587189	-56.0%
Net income from FX purchase and sale	14659916	13830812	-5.7%	2783470	5837488	9402018	13515924	-2.3%
Positive (negative) exchange rate difference from FX revaluation	-891367	-5711780	540.8%	-130108	-495671	-859508	-1138022	-80.1%
Net income from disposal of fixed assets	-249904	-26255	-89.5%	17311	39510	53747	-54549	107.8%

	1	2	3	4	5	6	7	9
Net income from revaluation of fixed assets	503	-288305	-57417.1%	0	0	2812	11554	-104.0%
Fines and penalties received	1606932	3685968	129.4%	872576	1777582	2875688	4088017	10.9%
Other non-interest income	1514630	1191175	-21.4%	279345	453963	754063	1174782	-1.4%
Total non-interest income	**35445333**	**31746276**	**-10.4%**	**8357020**	**17199832**	**27654819**	**40653986**	**28.1%**
Salary and salary-equivalent pays (other remuneration and financing of social requirements)	25060207	25779216	2.9%	6719876	13864578	21100143	29583014	14.8%
Business trip costs	544761	496355	-8.9%	114915	267253	403229	637935	28.5%
Contribution to State Fund of Social Insurance of RA	2360872	2475245	4.8%	610004	1265563	1963434	2752590	11.2%
Taxes, duties, other mandatory payments	1681485	1874674	11.5%	445413	1015822	1499498	2087830	11.4%
Depreciation	5567027	7287667	30.9%	1983124	4015708	6065653	8149925	11.8%
Leasing charge for bank premises and other fixed assets	2397466	3282575	36.9%	906284	1828039	2759178	3736676	13.8%
Advertisement and representative costs	2547766	2352783	-7.7%	584429	1194656	1852554	2994581	27.3%
Office and printing costs	775408	677795	-12.6%	168436	350843	544785	825208	21.7%
Audit and consultation services costs	641704	933763	45.5%	245315	578523	928076	1229469	31.7%
Bank equipment maintenance costs	705687	872948	23.7%	210917	437555	684619	986442	13.0%
Transport costs	479273	426265	-11.1%	115111	257980	390611	543449	27.5%
Communication costs	1757395	2004657	14.1%	483706	985483	1500999	2023180	0.9%
Fines and penalties paid	71153	67791	-4.7%	35031	58580	79990	112196	65.5%
Training costs	286764	351827	22.7%	56728	142169	229015	363724	3.4%
Other non-interest expenses	4676377	10718142	129.2%	2971250	6084297	9299514	13308511	24.2%
Total non-interest expenses	**54903276**	**59601703**	**8.6%**	**15650539**	**32347049**	**49301298**	**69334730**	**16.3%**
Net non-interest expenses	***-19457943***	***-27855427***	***43.2%***	***-7293519***	***-15147217***	***-21646479***	***-28680744***	***3.0%***
Provisions to general reserve on loans and receivables loss	14132559	15017665	6.3%	3948877	8436284	14010150	20834080	38.7%
Provisions to special reserve on loans and receivables loss	29399124	70022792	138.2%	15302294	25943244	37174986	48109308	-31.3%
Provisions to reserve on securities loss	49589	26100	-47.4%	4	600	2201	8683	-66.7%
Provisions to reserve on bank guarantees and other contingent liabilities	3013234	3627396	20.4%	651703	1593269	2587462	3783293	4.3%
Total provisions	**46594506**	**88693953**	**90.4%**	**19902878**	**35973397**	**53774799**	**72735364**	**-18.0%**
Recoveries from general reserve on loans and receivables loss	11962062	13265563	10.9%	3386889	7992431	12834739	19140110	44.3%
Recoveries from special reserve on loans and receivables loss	26077021	50774464	94.7%	11331717	20856969	30431769	40359217	-20.5%
Recoveries from reserve on securities loss	26391	15753	-40.3%	6	534	1749	8500	-46.0%
Recoveries from reserve on bank guarantees and other contingent liabilities	3088543	3614477	17.0%	586209	1379871	2198408	3324001	-8.0%
Total recoveries	**41154017**	**67670257**	**64.4%**	**15304821**	**30229805**	**45466665**	**62831828**	**-7.2%**
Net deductions	***5440489***	***21023696***	***286.4%***	***4598057***	***5743592***	***8308134***	***9903536***	***-52.9%***
Pre-tax profit	**34728080**	**12949268**	**-62.7%**	**5401754**	**15091850**	**26081729**	**38907865**	**200.5%**
Profit tax	7859759	4372413	-44.4%	1166568	3103055	5416175	8710306	99.2%
Net profit	**26868321**	**8576855**	**-68.1%**	**4235186**	**11988795**	**20665554**	**30197559**	**252.1%**
Dividends accrued	0	0		0	0	0	152021	
Undistributed profit	**26868321**	**8576855**	**-68.1%**	**4235186**	**11988795**	**20665554**	**30045538**	**250.3%**

Annex 8. Armenian Banking System: Return on Assets and Return on Capital

Indicators	2008	2009	2010
Return on assets			
Banking system	3.06%	0.74%	2.10%
Minimum (on profitable banks)	0.94%	0.10%	0.42%
Maximum (on profitable banks)	5.36%	3.20%	4.24%
Return on equity			
Banking system	13.55%	3.43%	10.30%
Minimum (on profitable banks)	4.93%	0.20%	2.64%
Maximum (on profitable banks)	29.22%	19.80%	24.30%

Annex 9. Loan Investments of Commercial Banks

thousand drams

Indicator	2008					
	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)	111764321	61410183	287347535	190184186	399111856	251594369
1.1 Time assets	105990603	59692211	287109780	190124709	393100383	249816920
o/w: loans	91941834	51799556	282573236	189611244	374515070	241410800
interbank loans, deposits, factoring, leasing, repo agreements	6285607	7753946	0	184038	6285607	7937984
1.2 Prolonged assets	3483017	826183	67747	39453	3550764	865636
o/w: loans	475842	167203	67747	39453	543589	206656
interbank loans, deposits, factoring, leasing, repo agreements	0	658980	0	0	0	658980
1.3 Overdue assets	2290700	891789	170008	20024	2460708	911813
o/w: loans	2127962	884716	170008	20024	2297970	904740
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	831653	2252955	2768715	2062778	3600368	4315733
2.1 Time assets	822204	2241978	2768715	2062778	3590918	4304756
2.2 Prolonged assets	0	0	0	0	0	0
2.3 Overdue assets	9449	10977	0	0	9449	10977
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	108568661	58380973	286942827	188897663	395511488	247278636
3.1 Industry	9199163	13783953	24235843	38639369	33435006	52423322
mining	734417	5944718	1778690	1674926	2513107	7619644
energy	2780787	1646772	3940366	11293375	6721153	12940147
food products	3400669	3610481	10081822	15590397	13482490	19200878
light	308627	225089	1312345	1500946	1620972	1726035
chemical	220624	527771	74700	553490	295324	1081261
building materials	1060899	447984	3022352	1821846	4083251	2269830
precious items	104820	456919	519375	759230	624195	1216149
metallurgy	14259	27398	61016	9457	75275	36855
machine-building and electrical	49367	339445	642190	1547335	691557	1886780
other branches of industry	524694	557376	2802987	3888367	3327682	4445743
3.2 Agriculture	1350538	5306483	7515914	22294340	8866452	27600823
3.3 Construction	5072803	3087510	14960079	16360199	20032882	19447709
3.4 Transport and Communications	1291307	1229138	5222712	2494483	6514019	3723621
3.5 Trade	12547135	22572049	43701022	53210503	56248157	75782552
3.6 Public Catering and Other Services	1698912	1076703	11578358	8502673	13277270	9579376
3.7 Financial Sector	13100013	7955860	2457434	1444917	15557447	9400777
3.8 Consumer Loans	58071945	595691	111305194	4538793	169377138	5134484
3.9 Mortgage loans	1707769	746208	56157424	25009487	57865193	25755695
3.10 Other Sectors of Economy	4529076	2027378	9808848	16402899	14337924	18430277

Annex 9 *(continued)*

thousand drams

Indicator	2009					
	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)	99840111	147318598	271392827	287646975	371232938	434965573
1.1 Time assets	88564245	136100212	271113393	287027649	359677638	423127861
o/w: loans	61922404	75232398	268038738	286591990	329961142	361824388
interbank loans, deposits, factoring, leasing, repo agreements	6577906	51150160	0	226734	6577906	51376894
1.2 Prolonged assets	8378032	8970125	276733	619326	8654765	9589451
o/w: loans	883776	8243346	276733	619326	1160509	8862672
interbank loans, deposits, factoring, leasing, repo agreements	656663	726779	0	0	656663	726779
1.3 Overdue assets	2897834	2248261	2701	0	2900535	2248261
o/w: loans	2825351	2248261	2701	0	2828052	2248261
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	12089255	43678368	949045	3153322	13038300	46831690
2.1 Time assets	11987833	43678062	949045	3153322	12936878	46831384
2.2 Prolonged assets	0	0	0	0	0	0
2.3 Overdue assets	101422	306	0	0	101422	306
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	84592819	98188618	273601820	289945265	358194638	388133883
3.1 Industry	6236243	33380523	35019969	72332533	41256212	105713055
mining	238761	2519198	3169480	5868493	3408241	8387691
energy	1407721	7694817	4206267	18341698	5613988	26036515
food products	2349691	5219844	16446280	27652497	18795971	32872341
light	206843	136974	1565986	2319543	1772830	2456517
chemical	59372	4921451	185588	114517	244960	5035968
building materials	978449	4527208	3256023	7968051	4234472	12495259
precious items	230063	156219	1940402	941179	2170465	1097398
metallurgy	27768	6244902	50659	649161	78427	6894063
machine-building and electrical	26001	1099464	352597	701244	378598	1800708
other branches of industry	711574	860446	3846687	7776150	4558261	8636596
3.2 Agriculture	570420	7126486	6926191	29554057	7496611	36680543
3.3 Construction	2779268	4665831	14094299	32592843	16873566	37258674
3.4 Transport and Communications	750843	758933	8157639	5762648	8908482	6521581
3.5 Trade	8760820	18718711	48576198	69436059	57337018	88154771
3.6 Public Catering and Other Services	2012439	3634105	12622898	11442576	14635337	15076681
3.7 Financial Sector	20017310	23495116	1802017	2093818	21819327	25588934
3.8 Consumer Loans	41022793	1545245	84709105	9157980	125731898	10703225
3.9 Mortgage loans	616796	722781	51324555	31295744	51941351	32018525
3.10 Other Sectors of Economy	1825887	4140887	10368949	26277007	12194837	30417894

Annex 9 *(continued)*

thousand drams

Indicator	2010					
	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)	143035664	149383903	287050550	444476837	430086214	593860740
1.1 Time assets	113847350	128505721	286782356	438863705	400629706	567369426
o/w: loans	84527655	78410234	282043243	426738319	366570898	505148553
interbank loans, deposits, factoring, leasing, repo agreements	17218592	49120995	0	9809246	17218592	58930241
1.2 Prolonged assets	27550694	18766504	262469	5613132	27813163	24379636
o/w: loans	1929610	10121959	262469	5613132	2192079	15735091
interbank loans, deposits, factoring, leasing, repo agreements	5741968	565273	0	0	5741968	565273
1.3 Overdue assets	1637619	2111677	5725	0	1643345	2111677
o/w: loans	1593205	2111677	5725	0	1598931	2111677
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	11946484	44043999	525635	11574479	12472119	55618478
2.1 Time assets	937964	35958451	525635	11574479	1463599	47532930
2.2 Prolonged assets	11006790	8080316	0	0	11006790	8080316
2.3 Overdue assets	1730	5232	0	0	1730	5232
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	131089180	105339904	286524915	432902358	417614096	538242262
3.1 Industry	5843719	15913352	45764349	136322180	51608068	152235532
mining	38314	994753	3978072	9430318	4016386	10425071
energy	1843444	938802	7963043	36414968	9806487	37353770
food products	1948055	7656609	19791560	50003047	21739615	57659656
light	154799	534869	1811021	3355694	1965820	3890563
chemical	35884	1011998	139973	5194627	175857	6206625
building materials	1474083	705107	4407485	13038774	5881568	13743881
precious items	66031	327244	3017190	3594693	3083220	3921937
metallurgy	681	2023765	15384	7154153	16065	9177918
machine-building and electrical	67690	231934	269618	620653	337308	852587
other branches of industry	214738	1488272	4371003	7515253	4585742	9003525
3.2 Agriculture	502862	9915244	6674120	35272405	7176982	45187649
3.3 Construction	2994883	5868136	15281936	50649756	18276820	56517893
3.4 Transport and Communications	1107937	1650173	8162624	14739892	9270561	16390065
3.5 Trade	8402086	26682491	54073612	95662457	62475699	122344948
3.6 Public Catering and Other Services	1102626	2539703	13170865	23650705	14273491	26190407
3.7 Financial Sector	39711552	23959890	540932	5751406	40252484	29711296
3.8 Consumer Loans	63814093	2773255	81601171	15522027	145415265	18295282
3.9 Mortgage loans	555032	917079	52455817	34186542	53010849	35103621
3.10 Other Sectors of Economy	4111904	5164970	11741974	31100598	15853879	36265568

Annex 10. Commercial Banks: Loans Investments by Sectors of Economy and Maturity

Indicator	2008					
	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)	17.2%	9.4%	44.2%	29.2%	61.3%	38.7%
1.1 Time assets	16.3%	9.2%	44.1%	29.2%	60.4%	38.4%
o/w: loans	14.1%	8.0%	43.4%	29.1%	57.6%	37.1%
interbank loans, deposits, factoring, leasing, repo agreements	1.0%	1.2%	0.0%	0.0%	1.0%	1.2%
1.2 Prolonged assets	0.5%	0.1%	0.0%	0.0%	0.5%	0.1%
o/w: loans	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%
interbank loans, deposits, factoring, leasing, repo agreements	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%
1.3 Overdue assets	0.4%	0.1%	0.0%	0.0%	0.4%	0.1%
o/w: loans	0.3%	0.1%	0.0%	0.0%	0.4%	0.1%
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%	0.3%	0.4%	0.3%	0.6%	0.7%
2.1 Time assets	0.1%	0.3%	0.4%	0.3%	0.6%	0.7%
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:	16.7%	9.0%	44.1%	29.0%	60.8%	38.0%
3.1 Industry	1.4%	2.1%	3.7%	5.9%	5.1%	8.1%
mining	0.1%	0.9%	0.3%	0.3%	0.4%	1.2%
energy	0.4%	0.3%	0.6%	1.7%	1.0%	2.0%
food products	0.5%	0.6%	1.5%	2.4%	2.1%	3.0%
light	0.0%	0.0%	0.2%	0.2%	0.2%	0.3%
chemical	0.0%	0.1%	0.0%	0.1%	0.0%	0.2%
building materials	0.2%	0.1%	0.5%	0.3%	0.6%	0.3%
precious items	0.0%	0.1%	0.1%	0.1%	0.1%	0.2%
metallurgy	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
machine-building and electrical	0.0%	0.1%	0.1%	0.2%	0.1%	0.3%
other branches of industry	0.1%	0.1%	0.4%	0.6%	0.5%	0.7%
3.2 Agriculture	0.2%	0.8%	1.2%	3.4%	1.4%	4.2%
3.3 Construction	0.8%	0.5%	2.3%	2.5%	3.1%	3.0%
3.4 Transport and Communications	0.2%	0.2%	0.8%	0.4%	1.0%	0.6%
3.5 Trade	1.9%	3.5%	6.7%	8.2%	8.6%	11.6%
3.6 Public Catering and Other Services	0.3%	0.2%	1.8%	1.3%	2.0%	1.5%
3.7 Financial Sector	2.0%	1.2%	0.4%	0.2%	2.4%	1.4%
3.8 Consumer Loans	8.9%	0.1%	17.1%	0.7%	26.0%	0.8%
3.9 Mortgage loans	0.3%	0.1%	8.6%	3.8%	8.9%	4.0%
3.10 Other Sectors of Economy	0.7%	0.3%	1.5%	2.5%	2.2%	2.8%

Annex 10 *(continued)*

Indicator	2009					
	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)	12.4%	18.3%	33.7%	35.7%	46.0%	54.0%
1.1 Time assets	11.0%	16.9%	33.6%	35.6%	44.6%	52.5%
o/w: loans	7.7%	9.3%	33.2%	35.5%	40.9%	44.9%
interbank loans, deposits, factoring, leasing, repo agreements	0.8%	6.3%	0.0%	0.0%	0.8%	6.4%
1.2 Prolonged assets	1.0%	1.1%	0.0%	0.1%	1.1%	1.2%
o/w: loans	0.1%	1.0%	0.0%	0.1%	0.1%	1.1%
interbank loans, deposits, factoring, leasing, repo agreements	0.1%	0.1%	0.0%	0.0%	0.1%	0.1%
1.3 Overdue assets	0.4%	0.3%	0.0%	0.0%	0.4%	0.3%
o/w: loans	0.4%	0.3%	0.0%	0.0%	0.4%	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	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2.1 Time assets	1.5%	5.4%	0.1%	0.4%	1.6%	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:	10.5%	12.2%	33.9%	36.0%	44.4%	48.1%
3.1 Industry	0.8%	4.1%	4.3%	9.0%	5.1%	13.1%
mining	0.0%	0.3%	0.4%	0.7%	0.4%	1.0%
energy	0.2%	1.0%	0.5%	2.3%	0.7%	3.2%
food products	0.3%	0.6%	2.0%	3.4%	2.3%	4.1%
light	0.0%	0.0%	0.2%	0.3%	0.2%	0.3%
chemical	0.0%	0.6%	0.0%	0.0%	0.0%	0.6%
building materials	0.1%	0.6%	0.4%	1.0%	0.5%	1.5%
precious items	0.0%	0.0%	0.2%	0.1%	0.3%	0.1%
metallurgy	0.0%	0.8%	0.0%	0.1%	0.0%	0.9%
machine-building and electrical	0.0%	0.1%	0.0%	0.1%	0.0%	0.2%
other branches of industry	0.1%	0.1%	0.5%	1.0%	0.6%	1.1%
3.2 Agriculture	0.1%	0.9%	0.9%	3.7%	0.9%	4.5%
3.3 Construction	0.3%	0.6%	1.7%	4.0%	2.1%	4.6%
3.4 Transport and Communications	0.1%	0.1%	1.0%	0.7%	1.1%	0.8%
3.5 Trade	1.1%	2.3%	6.0%	8.6%	7.1%	10.9%
3.6 Public Catering and Other Services	0.2%	0.5%	1.6%	1.4%	1.8%	1.9%
3.7 Financial Sector	2.5%	2.9%	0.2%	0.3%	2.7%	3.2%
3.8 Consumer Loans	5.1%	0.2%	10.5%	1.1%	15.6%	1.3%
3.9 Mortgage loans	0.1%	0.1%	6.4%	3.9%	6.4%	4.0%
3.10 Other Sectors of Economy	0.2%	0.5%	1.3%	3.3%	1.5%	3.8%

Annex 10 *(continued)*

Indicator	2010					
	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)	13.7%	13.6%	28.3%	44.4%	42.0%	58.0%
1.1 Time assets	11.1%	12.6%	28.0%	42.9%	39.1%	55.4%
o/w: loans	8.3%	7.7%	27.5%	41.7%	35.8%	49.3%
interbank loans, deposits, factoring, leasing, repo agreements	1.7%	4.8%	0.0%	1.0%	1.7%	5.8%
1.2 Prolonged assets	2.7%	1.8%	0.0%	0.5%	2.7%	2.4%
o/w: loans	0.2%	1.0%	0.0%	0.5%	0.2%	1.5%
interbank loans, deposits, factoring, leasing, repo agreements	0.6%	0.1%	0.0%	0.0%	0.6%	0.1%
1.3 Overdue assets	0.2%	0.2%	0.0%	0.0%	0.2%	0.2%
o/w: loans	0.2%	0.2%	0.0%	0.0%	0.2%	0.2%
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	1.2%	4.3%	0.1%	1.1%	1.2%	5.4%
2.1 Time assets	0.1%	3.5%	0.1%	1.1%	0.1%	4.6%
2.2 Prolonged assets	1.1%	0.8%	0.0%	0.0%	1.1%	0.8%
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:	12.5%	9.3%	28.3%	43.3%	40.8%	52.6%
3.1 Industry	0.6%	1.6%	4.5%	13.3%	5.0%	14.9%
mining	0.0%	0.1%	0.4%	0.9%	0.4%	1.0%
energy	0.2%	0.1%	0.8%	3.6%	1.0%	3.6%
food products	0.2%	0.7%	1.9%	4.9%	2.1%	5.6%
light	0.0%	0.1%	0.2%	0.3%	0.2%	0.4%
chemical	0.0%	0.1%	0.0%	0.5%	0.0%	0.6%
building materials	0.1%	0.1%	0.4%	1.3%	0.6%	1.3%
precious items	0.0%	0.0%	0.3%	0.4%	0.3%	0.4%
metallurgy	0.0%	0.2%	0.0%	0.7%	0.0%	0.9%
machine-building and electrical	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
other branches of industry	0.0%	0.1%	0.4%	0.7%	0.4%	0.9%
3.2 Agriculture	0.0%	1.0%	0.7%	3.4%	0.7%	4.4%
3.3 Construction	0.3%	0.6%	1.5%	4.9%	1.8%	5.5%
3.4 Transport and Communications	0.1%	0.2%	0.8%	1.4%	0.9%	1.6%
3.5 Trade	0.8%	2.6%	5.3%	9.3%	6.1%	11.9%
3.6 Public Catering and Other Services	0.1%	0.2%	1.3%	2.3%	1.4%	2.6%
3.7 Financial Sector	3.9%	2.3%	0.1%	0.6%	3.9%	2.9%
3.8 Consumer Loans	6.2%	0.3%	8.0%	1.5%	14.2%	1.8%
3.9 Mortgage loans	0.1%	0.1%	5.1%	3.3%	5.2%	3.4%
3.10 Other Sectors of Economy	0.4%	0.5%	1.1%	3.0%	1.5%	3.5%

Annex 11. Distribution of Bank Loan Investments

31.12.2010	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9	Bank 10	Bank 11
Allocation of loan investments by sectors of economy											
1. Industry	14.1%	34.4%	5.8%	36.8%	16.2%	12.1%	22.8%	3.1%	13.8%	11.2%	9.6%
mining	0.3%	0.3%	0.1%	3.6%	1.1%	0.0%	0.5%	0.0%	1.0%	0.1%	0.1%
energy	0.1%	4.1%	0.0%	11.3%	1.3%	2.0%	0.0%	0.0%	0.0%	0.3%	2.8%
food products	6.1%	16.6%	3.2%	10.6%	10.6%	5.0%	4.5%	0.4%	7.3%	9.6%	5.9%
light	0.1%	3.0%	0.5%	0.0%	0.3%	1.1%	0.6%	0.2%	2.1%	0.0%	0.2%
chemical	0.7%	0.1%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
building materials	2.9%	1.2%	0.5%	8.4%	0.7%	0.1%	1.8%	0.6%	0.0%	0.2%	0.0%
precious metals	1.9%	0.3%	0.5%	2.6%	0.0%	0.3%	10.4%	0.0%	0.0%	0.9%	0.2%
metallurgy	0.0%	0.0%	0.0%	0.0%	2.0%	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%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
other branches of industry	2.1%	8.8%	0.5%	0.3%	0.2%	3.6%	5.0%	1.9%	3.4%	0.1%	0.3%
2. Agriculture	3.9%	3.6%	0.2%	1.6%	2.5%	11.6%	0.4%	0.0%	2.5%	2.5%	1.2%
cattle breeding	1.8%	1.7%	0.2%	1.5%	1.9%	1.3%	0.4%	0.0%	2.5%	0.9%	0.7%
plant growing	2.1%	1.9%	0.0%	0.0%	0.6%	10.3%	0.0%	0.0%	0.0%	1.6%	0.5%
3. Construction	25.1%	5.9%	3.3%	3.9%	8.8%	1.5%	25.7%	0.0%	9.0%	5.7%	5.2%
4. Transport and communication	3.8%	1.5%	1.0%	10.4%	1.0%	0.6%	0.5%	0.4%	6.4%	0.9%	1.1%
5. Trade	16.7%	21.7%	27.7%	18.3%	16.7%	23.8%	16.5%	11.2%	18.8%	13.2%	29.8%
wholesale	7.4%	9.9%	11.8%	15.1%	7.8%	7.4%	8.4%	4.2%	14.6%	5.4%	29.5%
retail	9.2%	11.9%	15.9%	3.2%	8.9%	16.4%	8.2%	7.1%	4.2%	7.8%	0.3%
6. Catering and other services	2.6%	11.0%	6.7%	0.6%	0.8%	8.6%	5.1%	1.2%	5.5%	1.3%	0.5%
7. Financial sector	0.0%	0.2%	28.3%	9.0%	9.7%	10.3%	8.7%	14.1%	1.8%	6.0%	8.4%
o/w: resident banks	0.0%	0.0%	19.9%	7.5%	2.8%	3.4%	0.0%	0.0%	1.2%	4.6%	4.4%
8. Consumer loans	7.8%	12.3%	16.0%	8.2%	24.8%	13.9%	11.0%	54.1%	13.2%	33.6%	29.1%
9. Mortgage lending	14.0%	6.1%	5.9%	5.1%	10.0%	10.3%	6.2%	15.7%	18.5%	19.1%	6.3%
10. Other sectors of economy	11.9%	3.5%	5.2%	6.2%	9.5%	7.2%	3.0%	0.2%	10.5%	6.5%	8.9%
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%**
Share of sectors of economy in banks' loan investments											
1. Industry	4.5%	5.0%	1.0%	17.6%	6.7%	1.9%	2.0%	0.1%	1.0%	2.4%	1.9%
mining	1.3%	0.6%	0.2%	24.4%	6.6%	0.0%	0.7%	0.0%	1.1%	0.3%	0.2%
energy	0.1%	2.6%	0.0%	23.3%	2.3%	1.3%	0.0%	0.0%	0.0%	0.2%	2.5%
food products	5.0%	6.2%	1.4%	13.1%	11.4%	2.0%	1.0%	0.0%	1.4%	5.4%	3.1%
light	0.7%	15.1%	3.3%	0.4%	3.8%	6.1%	1.8%	0.2%	5.6%	0.2%	1.1%
chemical	7.5%	0.2%	2.2%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
building materials	9.5%	1.9%	0.9%	41.7%	2.8%	0.2%	1.6%	0.2%	0.0%	0.5%	0.1%
precious metals	17.3%	1.2%	2.5%	36.3%	0.0%	1.2%	25.9%	0.0%	0.0%	5.8%	1.1%
metallurgy	0.0%	0.0%	0.0%	0.0%	18.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
machine-building and electrical	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.2%	2.5%
other branches of industry	9.8%	19.1%	1.4%	1.9%	1.0%	8.5%	6.4%	0.7%	3.8%	0.2%	0.9%
2. Agriculture	4.8%	2.0%	0.1%	2.9%	4.1%	7.0%	0.1%	0.0%	0.7%	2.1%	1.0%
cattle breeding	3.4%	1.4%	0.2%	4.2%	4.6%	1.1%	0.2%	0.0%	1.1%	1.2%	0.8%
plant growing	7.8%	3.3%	0.0%	0.2%	2.9%	18.9%	0.0%	0.0%	0.0%	4.1%	1.3%
3. Construction	21.6%	2.3%	1.6%	5.1%	9.9%	0.6%	6.0%	0.0%	1.8%	3.4%	2.9%
4. Transport and communication	9.6%	1.7%	1.4%	39.5%	3.4%	0.7%	0.4%	0.1%	3.8%	1.6%	1.8%
5. Trade	5.8%	3.5%	5.3%	9.6%	7.7%	4.1%	1.6%	0.3%	1.6%	3.2%	6.7%
wholesale	4.8%	2.9%	4.2%	14.8%	6.7%	2.4%	1.5%	0.2%	2.3%	2.4%	12.2%
retail	7.0%	4.1%	6.6%	3.7%	8.8%	6.1%	1.7%	0.4%	0.8%	4.0%	0.1%
6. Catering and other services	4.2%	8.0%	5.9%	1.3%	1.7%	6.7%	2.2%	0.1%	2.1%	1.4%	0.5%
7. Financial sector	0.0%	0.1%	14.3%	12.5%	11.7%	4.6%	2.2%	1.0%	0.4%	3.8%	4.9%
o/w: resident banks	0.0%	0.0%	14.4%	15.1%	4.9%	2.2%	0.0%	0.0%	0.4%	4.2%	3.7%
8. Consumer loans	3.1%	2.2%	3.4%	4.9%	12.8%	2.7%	1.2%	1.6%	1.2%	9.1%	7.3%
9. Mortgage lending	10.2%	2.0%	2.4%	5.6%	9.6%	3.7%	1.2%	0.9%	3.2%	9.6%	2.9%
10. Other sectors of economy	14.7%	2.0%	3.5%	11.6%	15.4%	4.4%	1.0%	0.0%	3.1%	5.5%	7.0%
Total by banks	**6.7%**	**3.1%**	**3.7%**	**10.2%**	**8.9%**	**3.5%**	**1.8%**	**0.5%**	**1.6%**	**4.6%**	**4.3%**

31.12.2010	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 loan investments by sectors of economy											
1. Industry	9.7%	4.0%	21.5%	10.5%	10.6%	39.1%	32.1%	33.1%	31.2%	23.4%	21.3%
mining	0.0%	0.0%	0.1%	0.3%	0.2%	0.3%	11.2%	0.2%	1.8%	0.3%	1.5%
energy	0.0%	0.0%	2.7%	1.2%	2.1%	30.8%	0.0%	11.3%	13.8%	0.1%	4.9%
food products	9.7%	2.9%	12.6%	6.4%	4.3%	6.3%	13.3%	4.5%	9.5%	9.5%	8.3%
light	0.0%	0.0%	0.3%	0.6%	0.2%	0.0%	0.5%	0.9%	2.1%	6.4%	0.6%
chemical	0.0%	0.0%	1.3%	0.2%	0.0%	0.0%	0.0%	5.7%	0.0%	0.0%	0.7%
building materials	0.0%	0.0%	0.4%	1.0%	0.9%	1.2%	6.1%	0.6%	0.0%	2.9%	2.1%
precious metals	0.0%	0.0%	0.0%	0.4%	0.1%	0.1%	0.0%	0.1%	0.0%	0.3%	0.7%
metallurgy	0.0%	0.0%	1.1%	0.0%	0.0%	0.0%	0.0%	8.5%	0.0%	0.0%	1.0%
machine-building and electrical	0.0%	0.6%	0.2%	0.4%	0.0%	0.0%	0.0%	0.4%	0.9%	0.1%	0.1%
other branches of industry	0.0%	0.5%	2.7%	0.0%	2.8%	0.4%	1.0%	0.9%	3.0%	3.8%	1.4%
2. Agriculture	0.0%	6.4%	0.7%	26.1%	8.3%	3.5%	0.5%	5.7%	2.1%	1.2%	5.5%
cattle breeding	0.0%	6.4%	0.7%	17.4%	5.4%	3.3%	0.4%	5.4%	2.1%	0.5%	3.7%
plant growing	0.0%	0.0%	0.0%	8.7%	2.9%	0.2%	0.1%	0.3%	0.0%	0.7%	1.8%
3. Construction	12.5%	0.0%	15.7%	2.0%	13.4%	13.1%	3.8%	3.0%	3.6%	0.7%	7.8%
4. Transport and communication	0.0%	12.2%	0.2%	2.6%	0.9%	0.9%	1.0%	1.8%	2.9%	1.6%	2.7%
5. Trade	12.1%	31.7%	30.3%	18.0%	15.3%	9.3%	20.2%	9.5%	10.6%	41.3%	19.3%
wholesale	12.1%	27.8%	12.7%	6.5%	5.2%	3.5%	11.6%	7.4%	6.8%	13.9%	10.4%
retail	0.0%	3.8%	17.6%	11.6%	10.1%	5.8%	8.5%	2.1%	3.8%	27.3%	8.9%
6. Catering and other services	0.8%	0.9%	1.6%	5.8%	4.5%	3.8%	5.5%	11.0%	5.1%	10.3%	4.2%
7. Financial sector	0.0%	26.1%	1.1%	8.5%	4.1%	8.5%	0.0%	4.5%	29.2%	6.7%	7.3%
o/w: resident banks	0.0%	26.1%	1.1%	8.5%	0.1%	7.1%	0.0%	3.8%	21.2%	6.7%	5.1%
8. Consumer loans	1.8%	9.5%	7.0%	22.7%	21.3%	17.4%	16.1%	24.8%	1.3%	12.9%	17.1%
9. Mortgage lending	35.1%	9.2%	16.9%	3.7%	17.3%	3.5%	13.9%	3.0%	4.8%	1.2%	9.2%
10. Other sectors of economy	27.9%	0.0%	4.8%	0.1%	4.4%	0.8%	6.9%	3.6%	9.2%	0.7%	5.5%
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%**
Share of sectors of economy in banks' loan investments											
1. Industry	0.1%	0.4%	8.7%	5.3%	1.9%	10.3%	11.6%	12.6%	2.5%	2.3%	100.0%
mining	0.0%	0.0%	0.3%	2.3%	0.5%	1.0%	57.2%	1.0%	2.0%	0.4%	100.0%
energy	0.0%	0.0%	4.8%	2.6%	1.7%	35.2%	0.0%	18.5%	4.8%	0.0%	100.0%
food products	0.4%	0.8%	13.2%	8.4%	2.0%	4.3%	12.4%	4.4%	2.0%	2.4%	100.0%
light	0.0%	0.0%	3.8%	11.2%	1.4%	0.1%	6.2%	11.5%	5.8%	21.6%	100.0%
chemical	0.0%	0.0%	17.2%	3.3%	0.0%	0.1%	0.0%	68.8%	0.0%	0.1%	100.0%
building materials	0.0%	0.0%	1.9%	5.3%	1.6%	3.3%	22.9%	2.6%	0.0%	3.0%	100.0%
precious metals	0.0%	0.0%	0.0%	5.5%	0.7%	0.4%	0.1%	1.1%	0.1%	0.9%	100.0%
metallurgy	0.0%	0.0%	9.8%	0.0%	0.0%	0.1%	0.1%	71.2%	0.0%	0.1%	100.0%
machine-building and electrical	0.0%	10.3%	11.6%	32.1%	0.0%	0.0%	1.2%	27.7%	12.9%	1.5%	100.0%
other branches of industry	0.0%	0.9%	16.7%	0.0%	7.5%	1.7%	5.2%	5.2%	3.6%	5.6%	100.0%
2. Agriculture	0.0%	2.6%	1.2%	51.8%	5.8%	3.6%	0.7%	8.3%	0.7%	0.4%	100.0%
cattle breeding	0.0%	3.9%	1.8%	51.5%	5.7%	5.1%	0.8%	11.9%	1.0%	0.3%	100.0%
plant growing	0.0%	0.0%	0.0%	52.3%	6.2%	0.6%	0.4%	1.1%	0.0%	0.8%	100.0%
3. Construction	0.5%	0.0%	17.5%	2.8%	6.6%	9.5%	3.8%	3.1%	0.8%	0.2%	100.0%
4. Transport and communication	0.0%	10.2%	0.7%	10.5%	1.3%	1.9%	3.0%	5.5%	1.9%	1.2%	100.0%
5. Trade	0.2%	3.7%	13.6%	10.1%	3.1%	2.7%	8.1%	3.9%	0.9%	4.4%	100.0%
wholesale	0.4%	6.0%	10.5%	6.7%	1.9%	1.9%	8.6%	5.7%	1.1%	2.8%	100.0%
retail	0.0%	1.0%	17.2%	14.1%	4.4%	3.7%	7.4%	1.9%	0.7%	6.4%	100.0%
6. Catering and other services	0.1%	0.5%	3.3%	14.8%	4.1%	5.0%	10.0%	20.9%	2.1%	5.0%	100.0%
7. Financial sector	0.0%	8.0%	1.4%	12.6%	2.1%	6.6%	0.0%	5.0%	6.8%	1.9%	100.0%
o/w: resident banks	0.0%	11.5%	1.8%	18.1%	0.1%	7.8%	0.0%	6.0%	7.1%	2.7%	100.0%
8. Consumer loans	0.0%	1.3%	3.5%	14.3%	4.8%	5.7%	7.3%	11.7%	0.1%	1.6%	100.0%
9. Mortgage lending	1.2%	2.2%	15.9%	4.4%	7.2%	2.1%	11.6%	2.6%	0.9%	0.3%	100.0%
10. Other sectors of economy	1.6%	0.0%	7.6%	0.1%	3.1%	0.9%	9.8%	5.4%	2.9%	0.3%	100.0%
Total by banks	**0.3%**	**2.3%**	**8.7%**	**10.8%**	**3.9%**	**5.6%**	**7.7%**	**8.1%**	**1.7%**	**2.1%**	**100.0%**

Annex 12. Non-Performing and Written-Off Loans and Receivables of Commercial Banks

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Indicator	Non-performing assets		Off-balance sheet	
	AMD	FX	AMD	FX
2008				
Non-performing and off-balance sheet assets (total)	18377022	10472073	5202804	4964112
1. Residents' non-performing and off-balance sheet assets (total)	17947391	10454732	5120116	4493497
1.1 Industry	2028382	3437048	795993	1086247
mining	779224	1163190	1	0
energy	61778	17181	0	74219
food products	797158	1122513	564029	498847
light	43962	91630	22919	212034
chemical	0	0	151307	0
building materials	211549	279944	8595	6824
precious items	0	1821	0	10064
metallurgy	0	0	0	0
machine-building and electrical	99984	189767	730	0
other branches of industry	34727	571002	48412	284259
1.2 Agriculture	516709	236406	221311	307491
1.3 Construction	896892	2547919	345284	69227
1.4 Transport and communication	187763	195441	42862	19989
1.5 Trade	1458441	2133993	618471	783630
1.6 Public catering and other services	1340944	223973	187374	76238
1.7 Financial sector	16184	0	16393	407663
1.8 Consumer loans	7575786	336151	1551901	916236
1.9 Mortgage loans	3254563	1182574	143825	63540
1.10 Other Sectors of Economy	671727	161227	1196702	763236
2. Non-residents' non-performing and off-balance sheet assets (total)	429632	17341	82688	470615
2009				
Non-performing and off-balance sheet assets (total)	16709734	20156661	14004592	12157437
1. Residents' non-performing and off-balance sheet assets (total)	16595849	20132618	13904051	11603917
1.1 Industry	1334125	4216788	1332426	2438745
mining	46614	231124	4063	183225
energy	38299	170289	0	91438
food products	917877	2419212	1111888	855569
light	50523	125958	41609	255257
chemical	0	2829	41307	12399
building materials	54854	89335	57850	316491

precious items	13889	295850	11091	0
metallurgy	6499	19699	0	0
machine-building and electrical	26789	385457	1287	10626
other branches of industry	178782	477035	63331	713739
1.2 Agriculture	576163	1657961	576322	900091
1.3 Construction	868477	3160339	706423	1217236
1.4 Transport and communication	428359	147447	127198	32838
1.5 Trade	2686106	7082769	1588863	1782974
1.6 Public catering and other services	568360	520634	165619	311588
1.7 Financial sector	0	0	32492	502238
1.8 Consumer loans	6209934	797165	5473520	1379472
1.9 Mortgage loans	3531743	2159373	1831312	1346499
1.10 Other Sectors of Economy	392582	390142	2069877	1692237
2. Non-residents' non-performing and off-balance sheet assets (total)	113885	24043	100541	553520
2010				
Non-performing and off-balance sheet assets (total)	12942491	16422304	17385663	17242977
1. Residents' non-performing and off-balance sheet assets (total)	12909704	16216893	17183298	17079016
1.1 Industry	1159624	3925915	1297628	3380798
mining	4500	51540	1564	111908
energy	835	24588	0	87941
food products	740320	2791363	994923	1754601
light	48280	146023	49035	288642
chemical	2304	2721	0	0
building materials	92887	192970	84415	286205
precious items	3783	20336	25585	293227
metallurgy	1823	0	0	0
machine-building and electrical	10879	2105	2636	292
other branches of industry	254014	694269	139469	557983
1.2 Agriculture	373270	1167982	715099	1736683
1.3 Construction	533704	1740631	510651	2572284
1.4 Transport and communication	187214	265547	246894	103978
1.5 Trade	2231827	4724962	2192784	2955269
1.6 Public catering and other services	372438	346892	310978	378219
1.7 Financial sector	33875	0	20556	483028
1.8 Consumer loans	5031317	1086890	6629023	1488159
1.9 Mortgage loans	2493650	2480788	2862163	1503002
1.10 Other Sectors of Economy	492783	477286	2397524	2477596
2. Non-residents' non-performing and off-balance sheet assets (total)	32787	205411	202365	163961

Annex 13. Accrued Allowances on Loans, Receivables and Off-Balance Sheet Items *(thousand drams)*

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	% of total
31.12.08				
1. Standard	605703382	95.60%	6440121	1.06%
2. Watched	21810724	3.44%	2181075	10.00%
3. Non-standard	3353567	0.53%	670711	20.00%
4. Doubtful	2713194	0.43%	1356598	50.00%
Total	**633580867**	**100%**	**10648506**	**1.68%**

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	% of total
31.12.09				
1. Standard	719962763	95.20%	7751708	1.08%
2. Watched	14875372	1.97%	1498998	10.08%
3. Non-standard	10104375	1.34%	2025192	20.04%
4. Doubtful	11344692	1.50%	5686766	50.13%
Total	**756287201**	**100%**	**16962663**	**2.24%**

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	% of total
31.12.10				
1. Standard	905748416	96.94%	9758165	1.08%
2. Watched	11319857	1.21%	1138139	10.05%
3. Non-standard	11257396	1.20%	2258749	20.06%
4. Doubtful	6057357	0.65%	3068672	50.66%
Total	**934383026**	**100.00%**	**16223725**	**1.74%**

Receivables	Receivables	Share	Reserve on Receivables	
			balance	% of total
31.12.08				
1. Standard	96851471	98.99%	1030078	1.06%
2. Watched	676007	0.69%	67600	10.00%
3. Non-standard	199442	0.20%	39889	20.00%
4. Doubtful	108164	0.11%	54082	50.00%
Total	**97835085**	**100%**	**1191649**	**1.22%**

Receivables	Receivables	Share	Reserve on Receivables	
			balance	% of total
31.12.09				
1. Standard	119728787	99.52%	1234113	1.03%
2. Watched	347190	0.29%	34719	10.00%
3. Non-standard	143519	0.12%	28703	20.00%
4. Doubtful	91206	0.08%	45603	50.00%
Total	**120310701**	**100.00%**	**1343139**	**1.12%**

Receivables	Receivables	Share	Reserve on Receivables	
			balance	% of total
31.12.10				
1. Standard	126292492	99.27%	1328279	1.05%
2. Watched	343258	0.27%	34324	10.00%
3. Non-standard	516957	0.41%	103391	20.00%
4. Doubtful	65973	0.05%	32987	50.00%
Total	**127218680**	**100.00%**	**1498981**	**1.18%**

Off-balance sheet items	Off-balance sheet items	Share	Reserve on Off-balance sheet items	
			balance	% of total
31.12.08				
1. Standard	84011859	99.71%	844031	1.00%
2. Watched	162674	0.19%	16266	10.00%
3. Non-standard	21554	0.03%	4312	20.00%
4. Doubtful	35790	0.04%	17895	50.00%
5. Bad	24048	0.03%	24048	100.00%
Total	**84255925**	**100%**	**906552**	**1.08%**

Off-balance sheet items	Off-balance sheet items	Share	Reserve on Off-balance sheet items	
			balance	% of total
31.12.09				
1. Standard	95039740	99.59%	959956	1.01%
2. Watched	264264	0.28%	26427	10.00%
3. Non-standard	33473	0.04%	6695	20.00%
4. Doubtful	15289	0.02%	7645	50.00%
5. Bad	80037	0.08%	80037	100.00%
Total	**95432802**	**100%**	**1080759**	**1.13%**

Off-balance sheet items	Off-balance sheet items	Share	Reserve on Off-balance sheet items	
			balance	% of total
31.12.10				
1. Standard	136343491	99.67%	1390286	1.02%
2. Watched	158440	0.12%	15843	10.00%
3. Non-standard	188139	0.14%	37627	20.00%
4. Doubtful	12126	0.01%	6064	50.00%
5. Bad	89712	0.07%	89712	100.00%
Total	**136791907**	**100%**	**1539532**	**1.13%**

Annex 14. Main Prudential Standards of Commercial Banks

Indicators	31.12.08	31.12.09	31.03.10	30.06.10	30.09.10	31.12.10
Total capital adequacy	27.5%	28.4%	28.6%	28.9%	26.9%	22.2%
Total liquidity	23.8%	34.4%	33.9%	30.1%	30.1%	29.5%
Current liquidity	103.1%	140.8%	140.4%	128.8%	129.3%	131.5%
Maximum risk on a single borrower	13.5%	15.9%	15.8%	14.4%	15.8%	15.5%
Maximum risk on major borrowers	85.5%	104.3%	108.4%	102.4%	113.1%	114.0%
Maximum risk on a bank related party	2.5%	2.9%	2.8%	2.5%	2.1%	2.6%
Maximum risk on bank related all parties	8.4%	8.7%	8.8%	8.2%	7.4%	7.9%

Annex 15. Credit Organizations Operating in Armenia and their branches

	Credit Organizations	Branches	
		31.12.2009	31.12.2010
1	Universal Credit Company "Aregak"	23	26
2	Universal Credit Company "Malatia"	13	13
3	Universal Credit Company 'Finca"	11	12
4	Universal Credit Company "SEF International"	2	4
5	Universal Credit Company "New Horizon"	4	4
6	UCC commercial cooperative "Farm Credit Armenia"	0	1
7	Universal Credit Company "Express credit"	0	0
8	Credit Union "Arfin"	0	0
9	Credit Company "AGBA Leasing"	0	0
10	Universal Credit Company "Gladzor"	2	0
11	Leasing Credit Company "Agroleasing"	0	0
12	Universal Credit Company "First Mortgage Company"	0	0
13	Universal Credit Company "Norvik"	0	0
14	Universal Credit Company "Garni Invest"	0	0
15	Universal Credit Company "Ecumenical Church Lending Fund"	0	0
16	Universal Credit Company "Bless"	0	0
17	Universal Credit Company "GFC General Financial and Credit Company"	0	0
18	Universal Credit Company "Avangard Invest"	0	0
19	Universal Credit Company "Card Agrocredit"	0	0
20	Credit Company "Uni Leasing"	0	0
21	Universal Credit Company "Aniv"	0	0
22	Universal Credit Company "National Mortgage Company"	0	0
23	Universal Credit Company "Fides Mortgage Company"	0	0
24	Universal Credit Company "SME Investments"	0	0
25	Universal Credit Company "Housing for Young Families"	0	0
26	Universal Credit Company "Kilikia"	0	0
27	Universal Credit Company "F.I.K.O."	0	0
28	Universal Credit Company "Global Credit"	0	0
29	Universal Credit Company "G and A"	0	0
30	Universal Credit Company "Credit Corp"	0	0
31	Universal Credit Company "Kamurj"	2	0
32	Universal Credit Company "VTB Leasing"	0	0
	Total	**57**	**60**

Annex 16. Survey Balance Sheet Indicators of Credit Organizations

thousand drams

	Indicator		31.12.2008	31.12.2009	Change 31.12.09-31.12.08	31.03.2010	Change 31.03.10-31.12.09	30.06.2010
Assets	Cash		109571	663692	505.7%	600208	-9.6%	185294
	Current accounts with banks		2266561	3146922	38.8%	7169575	127.8%	4395996
	Claims on banks and other financial organizations		4298936	16193255	276.7%	18766804	15.9%	21877107
	Government securities		295909	2131215	620.2%	2613466	22.6%	2305453
	Loans to legal entities		18853385	11973875	-36.5%	12819383	7.1%	13544884
	Loans to natural persons		33638285	31981339	-4.9%	33829698	5.8%	34979993
	Loans to interrelated parties and employees		415352	1055931	154.2%	1318598	24.9%	1306331
	Fixed assets		844135	1172148	38.9%	1157464	-1.3%	1326402
	Leasing, factoring		4944096	5285189	6.9%	4882735	-7.6%	4879613
	Other securities		3680	3680	0.0%	3680	0.0%	3680
	Other assets		231167	3016791	1205.0%	3316419	9.9%	3126134
	Interest receivable		450635	446576	-0.9%	545618	22.2%	554355
	Asset loss reserves		-1112737	-1258546	13.1%	-2181999	73.4%	-2138162
	Total assets		**65238976**	**75812066**	**16.2%**	**84841650**	**11.9%**	**86347080**
Liabilities	Demand liabilities		38618	147415	281.7%	175830	19.3%	219599
	Liabilities to banks and other financial organizations		32151165	31892643	-0.8%	34893574	9.4%	31689981
	Time liabilities to natural persons		1936487	2348888	21.3%	2682848	14.2%	3016463
	Time liabilities to legal entities*		10869261	13046566	20.0%	15552636	19.2%	18753041
	Interest payable		623569	612307	-1.8%	830617	35.7%	840624
	Other liabilities		1788297	1517192	-15.2%	1432001	-5.6%	1445691
	Total liabilities		**47407396**	**49565011**	**4.6%**	**55567506**	**12.1%**	**55965399**
Capital	Paid-in statutory capital		13871364	19799650	43%	22799651	15.2%	22979649
	o/w: non-residents' participation		9280622	9225121	-1%	9329472	1.1%	9328644
	General reserve		329392	455854	38%	458773	0.6%	497990
	Repurchased capital by credit organizations		-41060	0	-100%	0		0
	Undistributed profit (loss)	Current period	2970998	2583136	-13%	418506	-83.8%	1,223,185
		Previous period	604775	3318765	449%	5500141	65.7%	5,597,010
	Total balance sheet capital		**17831580**	**26247055**	**47.2%**	**29274144**	**11.5%**	**30381681**
	Memorandum item: total number of credit organizations		**24**	**27**		**28**		**29**

Indicator			Change 30.06.10-31.03.10	30.09.2010	Change 30.09.10-30.06.09	31.12.2010	Change 31.12.10-30.09.10	Change 31.12.10-31.12.09
Assets	Cash		-69.1%	180894	-2.4%	246870	36.5%	-62.8%
	Current accounts with banks		-38.7%	5097862	16.0%	4078225	-20.0%	29.6%
	Claims on banks and other financial organizations		16.6%	22489832	2.8%	19097128	-15.1%	17.9%
	Government securities		-11.8%	1041090	-54.8%	744211	-28.5%	-65.1%
	Loans to legal entities		5.7%	13098362	-3.3%	12544962	-4.2%	4.8%
	Loans to natural persons		3.4%	35031767	0.1%	40764499	16.4%	27.5%
	Loans to interrelated parties and employees		-0.9%	1044110	-20.1%	1766883	69.2%	67.3%
	Fixed assets		14.6%	1717247	29.5%	2006634	16.9%	71.2%
	Leasing, factoring		-0.1%	4822550	-1.2%	4577687	-5.1%	-13.4%
	Other securities		0.0%	3680	0.0%	3680	0.0%	0.0%
	Other assets		-5.7%	3327891	6.5%	2994110	-10.0%	-0.8%
	Interest receivable		1.6%	527822	-4.8%	551440	4.5%	23.5%
	Asset loss reserves		-2.0%	-2199386	2.9%	-2181440	-0.8%	73.3%
	Total assets		**1.8%**	**86183722**	**2.9%**	**87194889**	**1.2%**	**15.0%**
Liabilities	Demand liabilities		24.9%	213810	-0.2%	211470	-1.1%	43.5%
	Liabilities to banks and other financial organizations		-9.2%	29218222	-2.6%	23481195	-19.6%	-26.4%
	Time liabilities to natural persons		12.4%	3206816	-7.8%	3189618	-0.5%	35.8%
	Time liabilities to legal entities*		20.6%	18817946	6.3%	20140216	7.0%	54.4%
	Interest payable		1.2%	788949	0.3%	744531	-5.6%	21.6%
	Other liabilities		1.0%	1532868	-6.1%	3462640	125.9%	128.2%
	Total liabilities		**0.7%**	**53778611**	**6.0%**	**51229758**	**-4.7%**	**3.4%**
Capital	Paid-in statutory capital		0.8%	23883350	-3.9%	25942476	8.6%	31.0%
	o/w: non-residents' participation		0.0%	9586001	3.9%	9426357	-1.7%	2.2%
	General reserve		8.5%	545624	2.8%	545732	0.0%	19.7%
	Repurchased capital by credit organizations			0	9.6%	-180703		
	Undistributed profit (loss)	Current period	192.3%	2571167		4254959	65.5%	64.7%
		Previous period	1.8%	5320649	110.2%	5314287	-0.1%	60.1%
	Total balance sheet capital		**3.8%**	**32405111**	**-4.9%**	**35965132**	**11.0%**	**37.0%**
	Memorandum item: total number of credit organizations			**31**		**31**		**14.8%**

** Including liabilities to government.*

Annex 17. Structure of Survey Balance Sheet Indicators of Credit Organizations

Indicator			31.12.2008	31.12.2009	Change 31.12.09-31.12.08	31.03.2010	Change 31.03.10-31.12.09	30.06.2010
Assets	Cash		0.2%	0.9%	0.7%	0.7%	-0.2%	0.2%
	Current accounts with banks		3.5%	4.2%	0.7%	8.5%	4.3%	5.1%
	Claims on banks and other financial organizations		6.6%	21.4%	14.8%	22.1%	0.8%	25.3%
	Government securities		0.5%	2.8%	2.4%	3.1%	0.3%	2.7%
	Loans to legal entities		28.9%	15.8%	-13.1%	15.1%	-0.7%	15.7%
	Loans to natural persons		51.6%	42.2%	-9.4%	39.9%	-2.3%	40.5%
	Loans to interrelated parties and employees		0.6%	1.4%	0.8%	1.6%	0.2%	1.5%
	Fixed assets		1.3%	1.5%	0.3%	1.4%	-0.2%	1.5%
	Leasing, factoring		7.6%	7.0%	-0.6%	5.8%	-1.2%	5.7%
	Other securities		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other assets		0.4%	4.0%	3.6%	3.9%	-0.1%	3.6%
	Interest receivable		0.7%	0.6%	-0.1%	0.6%	0.1%	0.6%
	Asset loss reserves		-1.7%	-1.7%	0.0%	-2.6%	-0.9%	-2.5%
	Total assets		**100.0%**	**100.0%**		**100.0%**		**100.0%**
Liabilities	Demand liabilities		0.1%	0.3%	0.2%	0.3%	0.0%	0.4%
	Liabilities to banks and other financial organizations		67.8%	64.3%	-3.5%	62.8%	-1.6%	56.6%
	Time liabilities to natural persons		4.1%	4.7%	0.7%	4.8%	0.1%	5.4%
	Time liabilities to legal entities*		22.9%	26.3%	3.4%	28.0%	1.7%	33.5%
	Interest payable		1.3%	1.2%	-0.1%	1.5%	0.3%	1.5%
	Other liabilities		3.8%	3.1%	-0.7%	2.6%	-0.5%	2.6%
	Total liabilities		**100.0%**	**100.0%**		**100.0%**		**100.0%**
Capital	Paid-in statutory capital		77.8%	75.4%	-2.4%	77.9%	2.4%	75.6%
	o/w: non-residents' participation		52.0%	35.1%	-16.9%	31.9%	-3.3%	30.7%
	General reserve		1.8%	1.7%	-0.1%	1.6%	-0.2%	1.6%
	Repurchased capital by credit organizations		-0.2%	0.0%	0.2%	0.0%	0.0%	0.0%
	Undistributed profit (loss)	Current period	16.7%	9.8%	-6.8%	1.4%	-8.4%	4.0%
		Previous period	3.4%	12.6%	9.3%	18.8%	6.1%	18.4%
	Total balance sheet capital		**100.0%**	**100.0%**		**100.0%**		**100.0%**

Indicator			Change 30.06.10-31.03.10	30.09.2010	Change 30.09.10-30.06.09	31.12.2010	Change 31.12.10-30.09.10	Change 31.12.10-31.12.09
Assets	Cash		-0.5%	0.2%	0.0%	0.3%	0.1%	-0.6%
	Current accounts with banks		-3.4%	5.9%	0.8%	4.7%	-1.2%	0.5%
	Claims on banks and other financial organizations		3.2%	26.1%	0.8%	21.9%	-4.2%	0.5%
	Government securities		-0.4%	1.2%	-1.5%	0.9%	-0.4%	-2.0%
	Loans to legal entities		0.6%	15.2%	-0.5%	14.4%	-0.8%	-1.4%
	Loans to natural persons		0.6%	40.6%	0.1%	46.8%	6.1%	4.6%
	Loans to interrelated parties and employees		0.0%	1.2%	-0.3%	2.0%	0.8%	0.6%
	Fixed assets		0.2%	2.0%	0.5%	2.3%	0.3%	0.8%
	Leasing, factoring		-0.1%	5.6%	-0.1%	5.2%	-0.3%	-1.7%
	Other securities		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Other assets		-0.3%	3.9%	0.2%	3.4%	-0.4%	-0.5%
	Interest receivable		0.0%	0.6%	0.0%	0.6%	0.0%	0.0%
	Asset loss reserves		0.1%	-2.6%	-0.1%	-2.5%	0.1%	-0.8%
	Total assets			**100.0%**		**100.0%**		
Liabilities	Demand liabilities		0.1%	0.4%	0.0%	0.4%	0.0%	0.1%
	Liabilities to banks and other financial organizations		-6.2%	54.3%	-2.3%	45.8%	-8.5%	-18.5%
	Time liabilities to natural persons		0.6%	6.0%	0.6%	6.2%	0.3%	1.5%
	Time liabilities to legal entities*		5.5%	35.0%	1.5%	39.3%	4.3%	13.0%
	Interest payable		0.0%	1.5%	0.0%	1.5%	0.0%	0.2%
	Other liabilities		0.0%	2.9%	0.3%	6.8%	3.9%	3.7%
	Total liabilities			**100.0%**		**100.0%**		
Capital	Paid-in statutory capital		-2.2%	73.7%	-1.9%	72.1%	-1.6%	-3.3%
	o/w: non-residents' participation		-1.2%	29.6%	-1.1%	26.2%	-3.4%	-8.9%
	General reserve		0.1%	1.7%	0.0%	1.5%	-0.2%	-0.2%
	Repurchased capital by credit organizations		0.0%	0.0%	0.0%	-0.5%	-0.5%	-0.5%
	Undistributed profit (loss)	Current period	2.6%	7.9%	3.9%	11.8%	3.9%	2.0%
		Previous period	-0.4%	16.4%	-2.0%	14.8%	-1.6%	2.1%
	Total balance sheet capital			**100.0%**		**100.0%**		

** Including liabilities to government.*

Annex 18. Credit Organizations: Income and Expense

thousand drams

Indicator	31.12.2008	31.12.2009	Change 31.12.09-31.12.08	31.03.2010	30.06.2010	30.09.2010	31.12.2010	Change 31.12.10-31.12.09
Interest income	9315613	2761852	-70.4%	2724687	5753821	8752266	11952365	332.8%
Interest expense	2844321	828688	-70.9%	902044	1905984	2888589	3881435	368.4%
Net interest income	6471292	1933164	-70.1%	1822643	3847837	5863677	8070930	317.5%
Non-interest income	2554463	1072290	-58.0%	955422	1633587	2581492	4148820	286.9%
Non-interest expense	4579593	1267684	-72.3%	1256840	2657901	4022570	5791563	356.9%
Net non-interest income	-2025130	-195393	-90.4%	-301418	-1024314	-1441078	-1642743	740.7%
Loss provision	2766597	1143270	-58.7%	2119940	3261854	4463696	5633549	392.8%
Recovery from loss reserve	2085015	681383	-67.3%	779806	2098410	3066296	4563882	569.8%
Net provision	681582	461887	-32.2%	1340134	1163444	1397400	1069667	131.6%
Gross income	13916915	4515526	-67.6%	4459915	9485818	14400054	20665066	357.6%
Gross expense	10144674	3239642	-68.1%	4278824	7825739	11374855	15306547	372.5%
Pre-tax profit	3764580	1275884	-66.1%	181091	1660080	3025199	5358519	320.0%
Net profit	2977297	1107858	-62.8%	72013	1404955	2617690	4308688	288.9%
Undistributed profit	**2977297**	**1107858**	**-62.8%**	**72013**	**1397230**	**2609965**	**4300963**	**288.2%**

Annex 19. Loan Investments of Credit Organizations

thousand drams

Sectors	31.12.2008	31.12.2009	Change 31.12.09-31.12.08	31.03.2010	30.06.2010	30.09.2010	31.12.2010	Change 31.12.10-31.12.09
Industry	6198714	3339535	-46.1%	3395509	4330815	4567993	4246400	27.2%
Agriculture	8034839	10159519	26.4%	11748792	12954128	12119819	14214867	39.9%
Construction	6748167	5178975	-23.3%	6303484	5848199	4465014	3425286	-33.9%
Transport and communications	2781262	2709392	-2.6%	2267507	2218354	2235736	2302936	-15.0%
Trade	9927066	9329382	-6.0%	9583868	10407774	11482513	12597594	35.0%
Public catering and other services	1486750	1979228	33.1%	2148029	2022185	2215980	2414152	22.0%
Financial sector	4279563	16370619	282.5%	18737046	21869128	22509567	19134871	16.9%
Consumer loans (including mortgage loans)	8330707	4416498	-47.0%	4111619	3929252	4072393	4734853	7.2%
Mortgage loans	6885271	7777295	13.0%	8383306	8678751	9131464	9545019	22.7%
Other sectors	7823384	4667416	-40.3%	4452262	3855180	3464673	4647076	-0.4%
Total	**62495722**	**65927859**	**5.5%**	**71131422**	**76113766**	**76265152**	**77263054**	**17.2%**

Annex 20. Structure of Loan Investment of Credit Organizations by Sectors of Economy

Sectors	31.12.2008	31.12.2009	Change 31.12.09-31.12.08	31.03.2010	30.06.2010	30.09.2010	31.12.2010	Change 31.12.10-31.12.09
Industry	9.9%	5.1%	-4.9%	4.8%	5.7%	6.0%	5.5%	0.4%
Agriculture	12.9%	15.4%	2.6%	16.5%	17.0%	15.9%	18.4%	3.0%
Construction	10.8%	7.9%	-2.9%	8.9%	7.7%	5.9%	4.4%	-3.4%
Transport and communications	4.5%	4.1%	-0.3%	3.2%	2.9%	2.9%	3.0%	-1.1%
Trade	15.9%	14.2%	-1.7%	13.5%	13.7%	15.1%	16.3%	2.2%
Public catering and other services	2.4%	3.0%	0.6%	3.0%	2.7%	2.9%	3.1%	0.1%
Financial sector	6.8%	24.8%	18.0%	26.3%	28.7%	29.5%	24.8%	-0.1%
Consumer loans (including mortgage loans)	13.3%	6.7%	-6.6%	5.8%	5.2%	5.3%	6.1%	-0.6%
Mortgage loans	11.0%	11.8%	0.8%	11.8%	11.4%	12.0%	12.4%	0.6%
Other sectors	12.5%	7.1%	-5.4%	6.3%	5.1%	4.5%	6.0%	-1.1%
Total	**100.0%**	**100.0%**		**100.0%**	**100.0%**	**100.0%**	**100.0%**	

Annex 21. Structure of Loans and Receivables of Credit Organizations by Risk Categories

thousand drams

Risk class	31.12.08	Share in total	31.03.2009	Share in total	31.03.2010	Share in total	30.06.2010	Share in total	30.09.2010	Share in total	30.12.2010	Share in total
Standard	62136871	96.0%	65995550	95.9%	76599548	96.3%	68005605	96.5%	76485328	95.9%	77559044	97.0%
Watched	1665528	2.6%	1567416	2.3%	1802844	2.3%	1591690	2.3%	2044482	2.6%	1204466	1.5%
Non-standard	430906	0.7%	601350	0.9%	670103	0.8%	426373	0.6%	714712	0.9%	537454	0.7%
Doubtful	493503	0.8%	637646	0.9%	429171	0.5%	419738	0.6%	493517	0.6%	644144	0.8%
Bad	0	x	x	x	x	x	x	x	x	x	x	x
Total	**64726807**	**100.0%**	**68801961**	**100.0%**	**79501666**	**100%**	**70443406**	**100%**	**79738039**	**100%**	**79945107**	**100%**

Annex 22. Investment companies as of 31.12.2010

1	"Alfa Securities, Ltd."
2	CJSC "Armenbrok"
3	CJSC "Ameria Invest"
4	CJSC "Renessa"
5	CJSC "Capital Asset Management"
6	CJSC "Cascade investments, Ltd"
7	"Tonton, Ltd.""
8	"Future Capital Market, Ltd."

Annex 23. Financial Indicators of Securities Market Professional Participants[1]

million drams

Indicator	2003	2004	2005	2006	2007	2008	2009	2010
Total assets, including:	8239	7471	7726	10530	8754	7728	15572	19556
Non-current financial investments	929	514	1215	1603	2667	1786		
Current financial investments	6246	5636	5656	5426	4353	4925		
Total liabilities, including:	7626	6090	6694	9282	6668	4900	12637	16359
Short-term borrowings	3114	2024	4523	7964	6057	4076		
Equity capital	607	1382	1032	1248	2086	2721	2935	3196
Accrued profit	217	908	543	629	737	146		
Net profit	344	970	672	667	594	16	202	301

[1] *Data before 2008 is on professional participants of securities market; data for 2008 is on investment companies.*

Annex 24. Brokerage/Dealership Turnover of Securities Market Professional Participants[1,2]

million drams

Securities	2009	2010												2010
		J	F	M	A	M	J	J	A	S	O	N	D	
Shares	16175	430	596	760	964	696	444	937	728	1310	412	1000	597	8872
o/w: traded on stock exchange	196	-	0	1	3	6	2	4	4	3	13	81	10	128
Government bonds	294854	12213	19118	15691	14735	13233	22016	32687	22704	21886	21056	25783	49407	270528
Government short-term bonds	68890	3263	1811	4345	5182	5674	6562	6123	4678	9067	8437	12651	15761	83556
o/w: traded on stock exchange	148	-	-	-	-	-	-	-	-	-	-	-	-	-
Government medium-term bonds	161690	7914	16467	8309	8366	7214	7958	25365	14043	5604	11062	13122	33591	159015
o/w: traded on stock exchange	7228	408	211	308	16	8	116	2111	397	83	171	10	386	4225
Government long-term bonds	64274	1035	840	3036	1187	345	7496	1199	3983	7214	1557	10	55	27957
o/w: traded on stock exchange	1283	-	-	116	341	65	263	24	419	13	-	-	26	1267
Corporate bonds	25310	754	192	684	555	459	313	732	138	157	1923	1737	362	8008
o/w: traded on stock exchange	21091	320	96	302	267	230	156	365	64	77	876	0	61	2816
Repo agreements	994474	122661	150377	264365	192979	145420	147544	150501	136028	143499	143218	135795	153421	1885809
o/w: traded on stock exchange	18583	1034	315	1098	760	161	868	-	580	842	907	101	1258	7923
Total	1331084	13396	19906	17135	16255	14388	22773	34355	23570	23353	23391	28521	50365	287408
o/w: traded on stock exchange	48531	728	308	727	627	309	537	2504	885	176	1060	91	483	8436
Investment service providers	30	30	30	30	30	30	30	29	29	29	29	29	29	29
o/w banks providing investment services	22	22	22	22	22	22	22	21	21	21	21	21	21	21
o/w investment companies	8	8	8	8	8	8	8	8	8	8	8	8	8	8

[1] Indicators are calculated through aggregation of data on persons rendering investment services, due to which the volume of turnover in regulated market is different from data presented in the table "Operations with Securities in Regulated Market".
[2] Due to report re-submission the data for 2009 is changed.

Annex 25. Armenian Stock Exchange Transactions and their Structure by Instruments

million drams

Period	Number of transactions	Value of Buy/Sell Transactions in Stock Exchange			
		Shares	Government bonds	Corporate bonds	Total
2005	1596	605	-	-	605
2006	1181	2150	-	477	2627
2007	319	1539	-	703	2242
2008	480	262	1662	2222	4146
2009	1108	98	4331	10545	14975
2010	805	128	5493	2816	8436
January	75	-	408	320	728
February	32	0	211	96	308
March	72	1	424	302	727
April	81	3	357	267	627
May	28	6	74	230	309
June	101	2	379	156	537
July	127	4	2135	365	2504
August	109	4	816	64	885
September	32	3	96	77	176
October	46	13	171	876	1060
November	7	81	10	0	91
December	95	10	413	61	483

Annex 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
2007	24928	102559	127487	33	701	734
2008	6627	121702	128329	20	1182	1202
2009	7807	119901	127708	19	1508	1527
2010	7791	103885	111676	19	1556	1570

Annex 27. Insurance Companies in Armenia as of 31.12.2010

1	"ISG, Ltd."
2	CJSC "Guarant-Limens"
3	CJSC "Ingo Armenia"
4	"Cascade Insurance, Ltd."
5	"Nairi Insurance, Ltd."
6	"Rasco, Ltd."
7	CJSC "Resso"
8	CJSC "Rosgosstrakh-Armenia"
9	"Sil Insurance, Ltd."

Annex 28. Balance Sheet Indicators of Insurance Companies

thousand drams

	Indicators	31.12.2008	31.12.2009	31.12.2010
Assets	Cash and cash equivalents	149842	237750	331351
	Bank accounts	495244	1774950	3320383
	Receivables on direct insurance, o/w:	1536720	1761958	2306212
	from insurers	1529428	1751183	1849021
	from intermediaries	597	691	423142
	from other persons	6695	10084	34050
	Insurance premiums from co-insurers	90	3352	7313
	Claims on indemnity, o/w:	155159	165061	221835
	on co-insurers	431	266	
	on reinsurers	154728	164795	221835
	on other persons			
	Claims due to subrogation	14650	43922	84282
	Deposits with banks	6304308	10351503	13332374
	Lending to financial organizations			201917
	Lending to natural persons and private entrepreneurs	7171	5398	214096
	Lending to legal entities		127000	282926
	Government securities (including CBA-issued securities)	1049697	812473	2184858
	Non-government securities	463212	418989	387200
	Reserves for securities depreciation held till maturity	-203	-103	
	Non-current investments in other parties statutory capital and other non-current claims on them	4	4	
	Reserves for receivables on direct insurance, co-insurance, reinsurance, on investments and borrowings	-138302	-313536	-340115
	Interest receivable	146473	214230	317371
	Fixed assets	523155	624126	1122951
	Other assets	978229	744815	1638997
	Total assets	**11685449**	**16971375**	**25613952**

Liabilities	Compensations payable, o/w:	42541	20149	91396
	on direct insurance	41814	20149	91396
	on co-insurance	727		
	on reinsurance risks			
	Payables to intermediaries	43128	11946	104154
	Refundable insurance premiums	10964	4130	10898
	Insurance premiums transferable to co-insurers	1272	650	395
	Insurance premiums transferable to reinsurers	1547774	1579012	1818490
	Borrowings and loans from financial organizations	40000		102770
	Interest payable	153		264
	Insurance reserves, o/w:	2144605	2723326	2870685
	unearned insurance premium reserve	1751446	2050887	1997212
	reserve for loss presented to the insurer yet unregulated	174684	306001	374051
	reserve for loss occurred yet not presented to the insurer	170799	232994	187016
	mathematical reserve			
	other reserves	47675	133444	312406
	Other liabilities	370377	338988	8108702
	Total liabilities	4200813	4678202	13107755
Capital	Statutory capital	6615539	10938236	12116468
	General reserve	172001	197137	275757
	Current period undistributed profit/loss	615293	783589	-978940
	Previous period undistributed profit/loss	45853	336133	873013
	Total capital	7484635	12293174	12506198

Annex 29. Income and Expenditure of Insurance Companies

thousand drams

Indicator	From the year beginning up to 31/12/2008	From the year beginning up to 31/12/2009	From the year beginning up to 31/12/2010
Earned insurance premiums	**3454102**	**3769849**	**3887898**
Accrued insurance premiums	3800483	4069289	4242904
Gross total	7769056	8105345	8253415
Premiums transferred to reinsurer	-3968574	-4036056	-4010512
Change in reserve for unearned insurance premiums	346381	299440	355005
Other income on insurance	**480184**	**577453**	**493133**
Indemnity from coinsurers	1858	358	361
Mediator fees	261433	224860	254476
Other income	216893	352235	246546
Insurance compensations	**821024**	**1009986**	**1210498**
Non-life insurance	821024	1009986	1210498
Gross value	1375015	1900596	1745567
Share of insurer	-553991	-890610	-535069
Technical reserves	**-1496187**	**-2175839**	**-2360832**
Claimed, but not yet paid claim reserve	-1295057	-1830484	-1470486
Gross value	-2286981	-4423314	-2390258
Share of reinsurer	991924	2592830	919772
Other reserves	-201130	-345356	-890346
Gross value	-201130	-345356	-890484
Share of insurer	-	-	138
Returns from technical reserves	**1287430**	**1893949**	**1973963**
Claimed, but not yet paid claim reserve	1242513	1761996	1310745
Gross value	1342116	2246025	1354980
Share of reinsurer	-99603	-484030	-44235
Other reserves	44917	131954	663218
Gross value	44917	131954	663218
Share of insurer	-	-	-
Other insurance expenses	**699058**	**844407**	**732235**
Premium return on suspended agreements	217261	314462	195406
Expenses on mediator fees	420955	476594	444876
Other operational expenses	60841	53351	91953
Interest income	**562132**	**710790**	**941087**

Interest income on deposits of financial organizations and borrowings to them	451260	589152	818751
Interest income on borrowings to natural persons	-	22	3867
Interest income on borrowings to legal entities	-	6698	4539
Interest income on government securities	64741	79722	85546
Interest income on non-government securities	36957	32382	22884
Other interest income	9174	2813	5500
Expenses on interest	**5887**	**11328**	**7862**
Interest expenses on loans from financial organizations and borrowings	2549	1748	7614
Other interest expenses	3338	9580	248
Non-interest income	**-60979**	**1069316**	**-464437**
Net income on assets disposal (selling)	399	-6567	-20030
Net income on revaluation of financial assets	-16608	9182	3886
Net income from currency revaluation	-98766	1040446	-443969
Other non-interest income	53996	26254	-4324
Non-interest expenses	**1514560**	**2122263**	**3320628**
Management expenses	1089737	1505706	2095211
Educational expenses	5549	8073	5776
PR expenses	137469	143141	703373
Other non-interest expenses	281804	465343	516268
Allocation to reserve for assets loss (non-collectability)	**229183**	**758403**	**172357**
Profit/loss on usual activity	**956971**	**1099132**	**-972769**
Profit before profit tax	**956971**	**1099132**	**-972769**
Profit tax	**259744**	**194432**	**3102**
Profit after profit tax	**697227**	**904700**	**-975871**
Dividends	**115731**	**121111**	**0**
Undistributed profit	**581496**	**783589**	**-975871**

Annex 30. Main Indicators of Insurance Companies by Types of Insurance

thousand drams

	Non-life insurance classes	Number of insurance contracts in force as of 31/12/2010	Insurance amount of insurance contracts in force as of 31/12/2010	Reinsurance amounts of insurance contracts in force as of 31/12/2010	Insurance premiums from the beginning of the year up to 31/12/2010	Reinsurance premiums from the beginning of the year up to 31/12/2010	Accrued insurance compensations in 2010	Share of reinsurers in accrued compensations in 2010
1	Accident insurance	8151	67901768	24087251	249954	35867	21522	335
2	Health insurance	3858	48511361	7000	1002113	16	620110	
3	Motor transport insurance	10864	73100880	33824761	1465370	525417	667512	258,936
4	Rail transport insurance	-	-	-	-	-	-	-
5	Air transport insurance	6	89806930	89909240	742739	686955	-	-
6	Water transport insurance	1	275705	248134	-	757	-	-
7	Freight insurance	498	36954275	33937686	433784	245055	69518	41,231
8	Fire and natural disaster insurance	10316	1000980817	905920183	1777083	1395802	95987	100,381
9	Property damage insurance	3983	168408287	105390997	319460	131288	294	
10	Responsibility for use of motor transport insurance	1804	24997182	9919409	135272	44632	92387	33,042
11	Responsibility for use of air transport insurance	8	1014396657	1015013232	512622	487185	-	-
12	Responsibility for use of water transport insurance	1	850450	-	-	2337	-	-
13	General liability insurance	3666	215701719	194550842	481782	282108	11968	11,207
14	Loan insurance			-				
15	Guarantee insurance	379	7182264	2615502	5884	101	31308	13,529
16	Financial loss insurance	26	173912252	37321384	452884	201118	69135	64,592
17	Judicial and extrajudicial costs insurance	-	-	-	-	-	-	-
18	Assistance insurance	6924	129458356	62617322	254548	52172	62772	9,761
Total		**50,485**	**3052438903**	**2515362942**	**7833495**	**4090813**	**1742513**	**533013**

Annex 31. Pawnshops

million drams

Indicator	Loans provided	Funds attracted	Number of pawnshops
31.12.2007	2410	1673	63
31.03.2008	2824	1848	64
30.06.2008	3108	2106	64
30.09.2008	3314	2156	66
31.12.2008	3921	2433	68
31.12.2009	5147	3312	103
31.12.2010	9930	6625	116

Annex 32. Payment system organizations as of 31.12.2010

1	"Elver" Ltd.
2	"Haypost" CJSC
3	"Depi Tun" Ltd.
4	"E-Dram" Ltd.
5	"Adalaev-Ria" Ltd.
6	"Tel-Cell" CJSC
7	"Tandem Payments" Ltd.
8	"Mega Pantera" Ltd.
9	"OSMP" Ltd.
10	"Quadracom" Ltd.
11	"ArCa" CJSC

Annex 33. Value of Transfers by Non-Cash Payment Instruments in Banking System

million drams

Transfers	2006	2007	2008	2009	2010	2010			
						QI	QII	QIII	QIV
Paper based payment orders[1]	2076422	3384516	4804497	6806481	6878130	1032553	1486437	1936958	2422181
Electronic payment orders[1]	3394735	5852703	10289081	7793560	10178918	1913997	2412909	2855900	2996112
Checks	7571	5954	17286	23744	19355	1871	4377	6339	6768
Other debit instruments [2]	4416	2466.31	693	866	260	62	70	59	69
Non-cash transactions by cards	11322	17035.2	24109	30750	40202	7604	9406	10579	12613
Total	5494466	9262675	15135666	14655401	17116866	2956088	3913199	4809835	5437744
Transactions by cards	138245	213633	326370	428209	558350	106467	130504	139193	182186

Annex 34. Number of Transfers by Non-Cash Payment Instruments in Banking System

Transfers	2006	2007	2008	2009	2010	2010			
						QI	QII	QIII	QIV
Paper based payment orders[1]	988964	1197760	1418090	1803287	1907845	369311	474077	429012	635445
Electronic payment orders[1]	1412116	1933016	2972924	3943374	4934399	1037276	1220196	1232939	1443988
Checks	8931	7152	11790	14174	10562	1404	2912	2885	3361
Other debit instruments [2]	5318	3195	2014	2512	2145	534	525	512	574
Non-cash operations by cards	212387	442100	638753	916178	1203498	233794	290324	312368	367012
Total	2627716	3583223	5043571	6679525	8058449	1642319	1988034	1977716	2450380
Cards in circulation	190232	327852	454357	579431	729298	612419	638002	681432	729298
Transactions by cards	3029569	4428550	6586134	8846164	11292931	2301660	2790246	2861283	3339742

[1] Orders to beneficiary bank/branch. Intrabank transfers of commercial banks are not included, except for customer-customer transfers.
[2] Debit orders and other transfers.

Annex 35. Transfers Sent and Received via International Money Transfer Systems

		2006	2007	2008	2009	2010	2010			
							QI	QII	QIII	QIV
Transfers sent	Value(million drams)	38513	39224	38945	41759	51779	11225	11891	12982	15681
	Volume	95460	81563	88778	107088	124911	28738	29864	29734	36575
Transfers received	Value(million drams)	315469	383860	439499	362703	430467	68823	97302	132387	131956
	Volume	1253637	1522420	1636683	1539255	1865449	319336	459575	546495	540043
Turnover	Value(million drams)	353981	423084	478444	404462	482246	80048	109193	145369	147637
	Volume	1349097	1603983	1725461	1646343	1990360	348074	489439	576229	576618

Annex 36. Number of Cards in Circulation

Plastic Card	2006	2007	2008	2009	2010	2010			
						QI	QII	QIII	QIV
ArCa	92283	142482	200190	282164	306070	292090	295735	299352	306070
VISA	90733	139280	165894	201589	269771	210236	222787	249508	269771
MASTER Card	11817	23665	47769	61108	115943	76877	85387	96660	115943
Other international cards[1]	14280	22425	40504	34570	37514	33216	34093	35912	37514
Total	209113	327852	454357	579431	729298	612419	638002	681432	729298

Annex 37. Value of Transactions by Cards

million drams

Plastic Card	2006	2007	2008	2009	2010	2010			
						QI	QII	QIII	QIV
ArCa	45471	74889	117550	173445	212886	43468	51232	51615	66571
VISA	60511	90234	127129	151623	219144	39189	49662	55063	75229
MASTER Card	12664	19904	39164	62331	77338	14691	18564	20637	23446
Other international cards[1]	19598	28608	42528	40849	48982	9118	11046	11877	16940
Total	138245	213634	326371	428248	558350	106467	130504	139193	182186

Annex 38. Number of Transactions by Cards

Plastic Card	2006	2007	2008	2009	2010	2010			
						QI	QII	QIII	QIV
ArCa	1408879	2081054	2915892	4177660	5261125	1128175	1320746	1289229	1522975
VISA	1008054	1436478	2090858	2602572	3577094	689353	869687	927896	1090158
MASTER Card	169523	319341	653957	1158843	1519906	279803	363246	409012	467845.23
Other international cards[1]	443113	591677	925427	908977	934806	204329	236567	235146	258764.04
Total	3029569	4428550	6586134	8848052	11292931	2301660	2790246	2861283	3339742.3

[1] *"HSBC Debit" and other international cards.*

Annex 39. Types of Cards Issued/Serviced by Banks Operating in Armenia

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

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