CENTRAL BANK OF
THE REPUBLIC OF ARMENIA

ARMENIAN FINANCIAL SYSTEM

2011

DEVELOPMENT
REGULATION
SUPERVISION

2012

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INTRODUCTION

In 2011 the world economy almost overcame crisis influence, while the financial systems were still sensitive. Nevertheless, in 2011 Armenian domestic economy gradually recovered to pre-crisis state. Parallel to post-crisis recovery of domestic economy the financial system responded accordingly.

Armenian financial system, which overcame challenges with ease during the peak of the crisis, continued strong development in 2011.

One of the most important achievements of the year was the significant deepening of financial intermediation. Particularly, compared to previous year the "banking system assets/GDP" ratio representing the intermediation of banking system[1], which is the main player in financial system, increased by 9.6 percentage points and totaled 54.1 percent, and "banking system loans/GDP" ratio increased by 6.3 percentage points and totaled 31.6 percent. Loan portfolio growth was observed in almost all sectors proving that the penetration of financial system into economic sectors strengthened also in 2011.

During the current year banking system was sufficiently active in lending market registering 36.2 percent growth of loans to economy. In 2011, assets of banking system increased by 32.4 percent, the capital increased by 11.6 percent, while the return on assets was 1.8 percent and return on equity was 9.8 percent. 38.8 percent deposit growth was also notable, which indicates growing confidence towards banking system in recent years.

In 2011, the risks of Armenian financial system were at a manageable level. During the year banking system outperformed prudential requirements across all risks, while financial stability indicators were at an acceptable level despite the rapid growth.

Continuous efforts aimed at sustainable development of financial system (banking, insurance, securities) were carried out also in 2011 to ensure healthy development of financial system, enhancement of payment system and financial stability.

In 2011 compulsory insurance system of liability arising out of the use of motor vehicles (Motor Third Party Liability Insurance - hereafter MTPL) was launched. During 2011 essential infrastructures for MTPL operation were designed and enhanced and also efforts were put to develop other insurance types.

In 2011 the Central Bank introduced number of legal acts, rising from adoption of law package on pension reforms. As a result of mentioned reforms starting 2011 voluntary funded pension component was introduced, and starting from 1st of January 2014 the mandatory component of funded pension system will be launched.

[1] *This covers 21 commercial banks operating in Armenia.*

During 2011 for the first time "National Mortgage Company" issued corporate bonds.

In 2011 "Pan Armenian Bank" started its operation aimed at promoting financial investments in strategic and high priority sectors of Armenia.

In 2011 the Central Bank within the scope of its responsibilities proceeded with large scale actions aimed at development of financial system, modernization of financial sector regulation framework, financial supervision, consumer rights protection and financial education of various target groups.

CHANGES IN FINANCIAL SYSTEM REGULATORY FRAMEWORK IN 2011

Modern developments in real and financial sectors call for the need for changes in the regulatory framework. In 2011 the Central Bank proceeded with enhancement of regulatory framework of financial sector.

Changes in the financial system regulatory framework

Legislative changes

In 2011 the National Assembly of Armenia adopted the following laws drafted by the Central Bank of Armenia

Laws "On amendments in the law "On Income Tax"" and "On addenda in Civil Code of Republic of Armenia".

The purpose of those laws was to solve the taxation and legal issues arising during the confiscation of collateral.

According to the tax legislation in force prior to amendments, the transfer of the ownership of the collateral to the bank for further sale was considered as a sale by pledger, which created obligation of income tax payment.

The bank acting as a tax agent was obliged to pay the income tax at its own expenses, as the further sale of the collateral would cover neither credit liability nor the amount of mentioned income tax. Besides, the legislation didn't clearly define when the difference between the value of confiscated property and the credit liability is due to be paid to the pledger.

The adopted law defines new taxation mechanisms of natural persons' income rising from the out-of-court confiscation and further sale of the pledged property.

According to the law the income of the debtor is the positive difference between selling price of collateral and credit liability.

It is intended to have three possible options for defining **"the selling price of the property and selling moment (and hence moment for returning of excess amount)".**

1) **Option 1**- The pledged property is sold to third party during six month period from the day when the ownership of property was transferred to the bank. In this case as a sale price and moment of selling is considered *the sale date and price* of the property by the bank. When the sale price is unreasonably lower than the *market price of the property*, then the market price of the property is considered as the selling price of the property, except when the property was *re-sold to the previous owner or owner's legal successor*.

2) **Option 2**- The bank **did not sell** the property in six months from the day the property came into its ownership. In this case as a sale moment and price are considered the last day of six-month period and *the market price at that day*.
3) **Option 3**- According to a **contract preliminarily signed** by bank and pledger. In this case the parties can agree that in future in case of transfer of the ownership to the bank the sale moment and price is considered the day when the ownership passed to the bank and the market price at that day.

The above mentioned six-month period doesn't include the timeframe, when the collateral was arrested within the framework of civil, criminal, bankruptcy or administrative suite, where pledger or its successor took part.

Laws "On amendments and addenda in the law "On Insolvency"" and "On addenda in the law "On Compulsory Enforcement of Judicial Acts"".

The laws define that:

- The creditor with claims secured with collateral, guarantee or surety has the right to receive the fulfillment of secured claim regardless of moratorium. It means that financial organizations or any other parties 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 from both collateral and other property of debtor.

Laws "On amendments in the law "On Circulation of Credit Information and Activities of Credit Bureaus"" and "On amendments in the law "On Electronic Communication"".

The presentation of the laws was conditioned by the adoption of Government decree No. 1768-N "On Approving Business Environment Improvement Program and Annulment of Government Decree No. 97-N January 21, 2010" on December 9, 2010.

According to amendments to the law "On Electronic Communication" providing credit information (debts for telephone bills) concerning their clients to credit bureaus by the telecommunication operators is not considered as publishing of private information.

As a result the telecommunication operators will have the right to provide information on their clients to credit bureau. But this information is not classified as mandatory information submitted to credit bureau. This means that providing information is possible only in case of existence of

agreement between telecommunication operator and credit bureau having the telecommunication operator preliminarily warned their clients that their information might be provided to credit bureau.

After the adoption of law *"On amendments in the law "On Circulation of Credit Information and Activities of Credit Bureaus""* the credit bureau is obliged to include a note in credit report clarifying which parties provided information included in credit report taking into consideration the fact that now the credit bureau is collecting information not only about the customers of financial organizations, but also of other parties. In the credit report the bureau should mention that the presented information is based on the information provided by banks, credit organizations or for example from utility companies. If necessary, the Central Bank will define the list of information included in the credit report with the view of ensuring uniformity of the form and content of credit reports provided by all credit bureaus.

Law "On amendments and addenda in the law "On Payment and Settlement Systems and Payment and Settlement Organizations"", which defines the minimum total regulatory capital requirement, clarifies the terms and conditions of creation of payment and settlement systems and participation to those, clarifies the procedure of the foundation of payment and settlement unions, the procedures of the delegation of payment and settlement functions, the licensing procedure for payment and settlement organizations.

The law allows performing money transfers without opening a branch. The types of payment and settlement services were clarified, and definitions of latter were brought in compliance with EU legal requirements at the same time taking into consideration the characteristics of Armenian financial system. The issues related with taking actions against of payment and settlement organizations were regulated.

In 2011 the Central Bank of Armenia presented the following draft laws to the Government of Armenia:

Draft laws "On amendments in the law "On Central Bank of Armenia"", "On amendments in the law "On Administrative Violations"

The development of mentioned draft laws is conditioned by transfer of the functions related to the calculation of the balance of payment, international investment position and external debt to the Central Bank.

For the execution of the mentioned functions the related state bodies will assist the Central Bank. For compiling statistics on the balance of payments, international investment position and external debt the National Statistics Service (NSS) will provide the Central Bank with non-personal data.

After the adoption of laws the business entities (including non-financial entities) will be entitled to submit some of the statistical reports to the Central Bank formerly submitted to NSS.

Regulatory changes

In 2011 the Central Bank developed and revised the following regulations concerning banking activities:

1. Regulation No 1 "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", where the following changes were introduced:
   - In case of obtaining significant participation, in the documents presented to the Central Bank the significant participant should mention willingness or unwillingness to provide financial support in case of deterioration of bank's financial standing.
   - During their future service the head and members of board of commercial bank can be invited to the Central Bank for additional interview at the Central Bank Board meeting with the view of examining the professional compliance.
   - The head (employee) of bank's financial intelligence unit is considered as a managerial employee, and the qualification and registration procedures were harmonized with qualification and registration procedures of other managerial positions.
   - The managers and employees subject to registration under the law "On Investment Laws" (in force from January 9, 2011) were included in the standard request form for the registration of managers and employees.
   - It is intended to create unified electronic database by state bodies responsible for the registration of charters of legal entities, which can be used by all interested parties.
   - Amendments and addenda were introduced to the list of the documents presented for registrations, licensing, and registration of branches and representative offices.
   - Amendments and addenda were introduced to the list of documents and information presented to the Central Bank for receiving consent for obtaining significant participation.
   - The list of the information and documents was defined, which the organization should periodically present to the Central Bank.
   - Procedures were set up for the registration in line with the regulations, for providing, altering and returning of copies of registration certificates.
   - An appropriate form was defined for opening accumulative account in the Central Bank intended for replenishment of the statutory capital.
   - Qualification requirements are defined for the head and members of the liquidation commission, and in case of the delegation of those functions for the persons responsible for the fulfillment of the delegated functions.

As a result of those amendments, in case the financial standing of the bank deteriorates, it will be possible to use the additional financial resources provided by the significant participants and improve bank's financial standing. Besides, the registration procedures of the head (employee) of

financial intelligence unit and other managers of the bank will be harmonized; it will be possible to ensure the requirements of the clauses of the law "On Investment Funds", and also procedure for registration of all managers and employees subject to registration by the Central Bank through unified petition. With the view of supporting the improvement of business environment in Armenia the procedure of submitting charters to various parties and bodies by the legal entities was eased. The amendments will allow ensuring efficient consolidated supervision through reports (information) periodically submitted to the Central Bank by financial organizations (the definition of the mentioned requirement was also conditioned by the necessity of complying to Basel principles).

2. Regulation No 2 "Regulation of Banking; Prudential Requirements for Banking", where the following changes were introduced:
   - The metal accounts are included in the calculation of foreign exchange risk, which is part of capital adequacy ratio.
   - For the standardized gold bars with no less than 999 proof 50 percent risk weight was defined.
   - The funds attracted through metal accounts (except correspondent accounts) are subject to reserve requirement in Armenian dram.
   - The banks are obliged to keep the whole 12 percent of attracted foreign exchange funds in Armenian dram as a result of changes to reserve requirement mechanism, which is aimed at fighting dollarization of the economy.
   - The tangible assets, which were obtained for financial leasing or came into the ownership of the bank as a result of solution or ending of leasing contract, are reduced from the core capital of the bank in one year after the day of their registration in the balance sheet (formerly the period was six months).
   - The funds attracted through overnight contracts signed at credit platform of NASDAQ-OMX (which are reflected in the correspondent account at the Central Bank) and deposits in the Central Bank with maturity more than three working days are excluded from the calculation of highly liquid assets.
   - An exception was made from the requirement that the subordinate borrowings cannot be redeemed prematurely, for the cases when the whole amount (before the redemption date) is directed to the replenishment of statutory capital.
   - As a result of changes in the accounting some of the articles of the "Chart of Accounts of Banks, Credit Organizations, Investment Companies, Investment Funds and Investment Fund Managers" (new chart of accounts) it was necessary to adjust the structure of the components of economic prudential ratios, which resulted in following changes:
     - In the structure of N1 prudential requirement from credit risk were excluded the securities obtained through repo agreements and differences of foreign exchange swaps, and were included securities sold through repo agreements, the interests receivable from foreign exchange swaps and differences from revaluation. The securities obtained through repo

agreements and liabilities for capital tools obtained through repo agreements were included in interest and capital risks.

- The securities obtained through repo agreements, which according to chart of accounts will be accounted in off-balance, will continue to be included in the highly liquid assets for the calculation of N2 prudential requirement. The repo agreements are not excluded from the total assets any more.
- For the calculation of the foreign exchange prudential in the structure of foreign exchange position without derivatives the off-balance (forward) part of foreign exchange swap will be included.

The purpose of those changes was to regulate the calculation of capital adequacy, liquidity and reserve prudential requirements, issues related to leasing activities, when the leasing contract is solved prematurely and the bank has to find a new leaser. The mentioned changes will allow increasing the efficiency of risk assessment and mitigation and supervision of financial institutions.

3. Amendments and addenda were introduced in Regulation No 3 "Banks' Reports; Submission and Publication of Banks' Reports", according to which the reporting forms and guidelines for filling them in were brought in compliance with the changes in Regulation No 2 "Regulation of Banking; Prudential Requirements for Banking". The sectoral structure of the indicators included in reporting Form No 6 "Report on credit investments, accounts receivables and investment securities" was changed. The purposed structure is necessary for the precise calculation of financial intermediation in the GDP with FISIM method (Financial Intermediation Services Indirectly Measured). The sectoral breakdown used in the report was performed according to second edition of "Statistical Classification of Economic Activities".

4. The regulation "On Opening and Running of Unallocated Metal Accounts" was adopted by the Central Bank Board, which is aimed at defining the procedures of opening and running unallocated metal accounts, the allowed transactions with unallocated metal accounts and restrictions on such transactions. Particularly it was defined that:
   - The unallocated metal account is a demand or term account, which can be opened for individuals and legal persons. It is intended for accounting non-cash gold (only 999.5 and 999.9 proof), at the same time only the weight and proof of are stated.
   - The metal accounts are not considered as bank deposits and are not guaranteed.
   - For opening and running unallocated metal accounts the banks should obtain consent of the Central Bank through presenting appropriate internal legal acts and other documents.
   - The banks can withdraw or add funds to metal accounts through non-cash transfer of gold from metal account in the same bank or in other bank or through buying (selling) gold from bank. No other transactions can be carried out through metal accounts except those stated above, including lending on metal accounts, withdrawal or adding of non-financial funds from/to metal accounts.

5. In the regulation "On the Minimum Requirements Imposed on Financial Institutions in the Field of Combating Money Laundering and Terrorism Financing" amendments were introduced according to which the responsibilities of the head (employee) of the bank's financial intelligence unit cannot be delegated to the head (employee) of bank's internal audit.
6. New edition of Resolution N-39 "On Approval of the Procedure of Election of Independent Audit Company by Banks Operating in Republic of Armenia" was approved, which clarified the requirements imposed on the party conducting audit of financial and economic activity. In particular it was defined:
   - At least 5 years of experience in auditing of banks or insurance companies. Moreover, the requirement of the experience in auditing of banks or insurance companies does not apply to internationally recognized audit companies (10 best audit companies).
   - The audit company agrees to take part in trilateral meeting between bank, audit company and Central Bank for the discussion of the results of the external audit with the invitation of the Central Bank and by the agreement signed with the bank.
   - The same responsible auditor cannot conduct the audit of the financial and economic activity of the same bank, if he continually conducted the audit of financial and economic activity of that bank during the 3 financial years preceding the given financial year.
7. The regulation "On Providing State Registration Information of the Organizations Registered by the Central Bank to the State Revenue Committee", the purpose of which is to implement "one window" principle and also regulate the process of the providing of information to the State Revenue Committee (SRC) by the Central Bank. The main principles of the regulation are:
   - For issuing tax identification number (TIN) the Central Bank provides online the following information to SRC: the complete name of the organization, the legal type of the organizations, number of registration certificate, date of registration, location of registration, types of activities, the addresses of the locations of operation, the passport data and telephone numbers of the director and chief accountant, the method of the creation of the organization (through founding or reorganizing).
   - After receiving the mentioned information SRC provides online to the Central Bank TIN of the organization and the name of tax office serving the organization.
   - The Central Bank also provides to SRC information on giving consent of termination of the activity or liquidation of financial organization.
8. The Central Bank Board adopted regulation "On Accession of Banks", the purpose of which is to enable the Central Bank to assess the impact of the accession on the financial standing of the preserved organization and also to disclose possible risks and efficiently supervise the process. The regulation "On Accession of Banks" defines:
   - The scope of information, the terms, forms and procedures of its submission to the Central Bank for receiving preliminary consent for accession contract.

- The documents and information presented for the approval of accession contract.
- The procedure of presenting approved transfer deed and documents to the Central Bank for registering newly approved charter or the amendments and addenda to charter of preserved organization.
- The procedure of publishing the accession announcement.

9. The "Requirements for the Voluntary Funded Pension Deposit's Contract" were approved by the Central Bank Board, the purpose of which is to ensure efficient operation of "voluntary funded pension deposit" pension scheme and the protection of depositors' rights in this field. The decree defines the minimum requirements for voluntary funded pension deposit's contract, in particular:
   - The bank stipulates in the contract the procedures and conditions of the deposit, the terms, conditions, maturity, taxing principles of calculation and payment of pensions/interests, and also procedure of the transfer of pension funds or part of them to insurance company with the view of signing an annuity contract.
   - Non-payment of periodical payments by depositors is not considered as violation of contract and cannot lead to penalties, fines or any other consequence for the depositor.
   - The transactions with pension deposit are carried out in Armenian dram.
   - The pension deposit cannot be pledged as a guarantee for the execution of a liability.

10. The Central Bank Board approved the regulation "On the Forms, Submission Terms and Periodicity of the Reports Submitted to the Central Bank by the Banks in Liquidation Process", amendments and addenda were introduced to regulation "On Publishing Information on Activities of Liquidation Commission of the Banks and Credit Organizations in Liquidation Process" and to the "List of Documents Presented to the Central Bank for Receiving Preliminary Consent for Liquidation of a Bank by the Decision of the Board and Liquidation Permission".
    - The list of documents and information required for the preliminary consent for self-liquidation of banks and for permission for self-liquidation was clarified.
    - The terms, procedures and forms of the reports submitted to the Central Bank by the liquidation commission (trustee) on the process of self-liquidation (liquidation).
    - The list, publishing procedures and forms of the information published by liquidation commission on liquidation process were amended.

The above mentioned decrees ensure the completeness of the self-liquidation (liquidation) processes of the banks, which will contribute to the protection of rights and legal interest of the debtors as a result of self-liquidation (liquidation) process, disclosure of possible risks and their efficient supervision, and also to the transparency of the self-liquidation (liquidation) process carried out by liquidation commission.

11. The Central Bank Board approved "The Chart of Accounts for the Banks, Credit Organizations, Investment Funds and Investment Fund Managers operating in the territory of Republic of Armenia" and "The Application Instruction of the Chart of Accounts for the Banks, Credit

Organizations, Investment Funds and Investment Fund Managers operating in Republic of Armenia", as a result of which:

- Instead of separate chart of accounts for banks, credit organizations and investment companies a unified chart of accounts was implemented.
- With the view of ensuring more precise and comprehensive classification of the accounts in banks' and credit organizations' chart of accounts the four digit accounts were substituted with five digit accounts.
- The securities obtained through repo agreements were moved to off-balance, as the risks and benefits of the securities obtained through repo agreement are not transferred to the party obtaining the securities, and according to IFRS the asset cannot be accounted in balance sheet, if the transfer of the risks and benefits of the asset did not occur.
- The foreign exchange swaps should be accounted in off-balance in accordance to the accounting principles of other derivative instruments.
- "Unrecognized interest income" was excluded, as according to IFRS the interest of the assets accounted in balance sheet should be accrued and recognized as income regardless whether the asset becomes classified or not.
- Following the requirements of IFRS that non-current assets for trade should be accounted separately from other assets, for those assets separate accounts were implemented in the chart of accounts.
- The accounting methods were changed for all those accounts that should be measured at amortized cost using effective interest rate method.
- Number of accounts were added, which lacked in charts of accounts in force, due to number of issues revealed in current chart of account.

Based on the fact that the charts of accounts of banks and credit organizations did not comply with the IFRS requirements new chart of accounts was introduced to address those incompliances. It is expected that as a result of changes the comprehensive implementation of IFRS compliant accounting at financial organizations will be ensured.

12. As a result of adoption of "The Chart of Accounts for the Banks, Credit Organizations, Investment Funds and Investment Fund Managers operating in Republic of Armenia" and "The Application Instruction of the Chart of Accounts for the Banks, Credit Organizations, Investment Funds and Investment Fund Managers operating in the territory of Republic of Armenia" number of legal acts were adjusted:

- **Regulation No 3** "Banks' Reports; Submission and Publication of Banks' Reports", **Regulation No 15** "Reporting Forms of Credit Organizations, Their Submission and Publishing", **Regulation No 2** "Regulation of Banking; Prudential Requirements for Banking", **Regulation No. 14** "Regulation of Activities of Credit organizations; Prudential Standards for Activities of Credit Organizations". The guideline tables were excluded from Regulation No 3.

- Regulation on "Classification of Loans and Receivables, and Loan Loss Provisioning in Banks operating in Republic of Armenia", which "Unrecognized interest income" was excluded from, as interest from non-performing assets should continue to be accrued and recognized as income, according to IFRS.

13. With the view of defining and regulating the process of changing the type of activities carried out credit organization (to be registered and licensed as a bank) arising from the provisions of the law "On Credit Organizations" the Central Bank introduced amendments and addenda to number of legal acts.
    - Regulation No 1 "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",
        - For receiving preliminary consent for changing the type of activities the credit organization parallel to business plan should present to the Central Bank the calculation of prudential ratios for the last two months in accordance with Regulation No 2 and documents about the participants.
        - The preliminary consent of the Central Bank to the request assumes preliminary consent for receiving banking activity license and consent for significant participation in newly established bank.
        - For licensing purposes the credit organization should present to the Central Bank all documents indicated in Regulation No 1 required for licensing and registration, and all needed documents for branches and representative offices.
        - In case of sufficient statutory and total capital the presence of funds in accumulative account at Central Bank is not required.
    - Regulation No 8/03 "Information Dissemination by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Central Depository and Money Transfer Clearing Companies":
        - The credit organization is required to publish information about the decision of changing the type of activities, on the date of receiving preliminary consent of the Central Bank and also publish the approximate date for applying for banking license.
        - The credit organization should publish this information in its own website, media, at own premises and through e-mail.

In 2011 following changes were implemented in regulations relating to insurance activities.

1. The Central Bank Board approved Regulation No 3/11 on "Criteria Presented to the Person Conducting Audit of Financial-economic Activities of Insurance Companies", according to which minimum requirements were imposed on the parties conducting external audit of the financial activities of insurance companies with the view of insuring efficient and proper audit of insurance companies.

2. Amendments were introduced to decree of the Central Bank Board "On Approval of the Reporting Forms of Insurance Brokers, Content of Reports, Terms and Conditions of Submission", according to which, with the view of eliminating of unnecessary double reporting, the insurance are not obliged to present to Central Bank the report on the mandatory payments to the office of the financial ombudsman.
3. Amendments and addenda were introduced to the Central Bank Board decree "On Reporting Forms of "Armenian Motor Insurers' Bureau" Legal Persons' Union, Content of Reports, Terms and Conditions of Submission". With the view of improving the supervision of activities in MTPL insurance by the member insurance companies a new reporting form was designed concerning the disclosed violations and imposed penalties by the Bureau.
4. Amendments and addenda were introduced to Regulation No 3/01 " On Licensing, Registration, Granting of Consent and Permission, Professional Competency and Qualification in Insurance Field", as a result of which:
    - In compliance with the law "On Tax Registration and De-registration of Organizations and Natural Persons" issuance of TIN to insurance companies will be ensured by the Central Bank.
    - A procedure was defined for ensuring continuous level of qualification of the head and members of the board of insurance company or foreign insurance company branch.
    - The list of topics was expanded, which natural persons conducting insurance agent activities are required to be acquainted with.
    - A requirement was defined, according to which the insurance company, when registering insurance agents, is required to present an internal regulation on testing the qualifications of the natural persons conducting insurance agent activities and on mechanisms aimed at improving their professional skills.
    - With the view of enhancing the process of the registration of insurance agents it was intended that the respective insurance company should present a request to the Central Bank for enrolling a person in insurance agents' register.
    - The procedures related to the registration of agents and changes of the information in register were clarified.
    - The procedure of receiving a preliminary consent for carrying out investment transactions and functions was defined.
    - For the cases when the functions of the insurance company are delegated, a qualification requirement is imposed on the party responsible for the execution of the delegated functions.
    - Qualification requirements were defined for the head and members of the liquidation commission of insurance companies.
    - The list of documents and information that insurance companies are required to periodically present to the Central Bank was defined.
    - Changes were introduced to the form of the business plan and in the procedure of presenting the business plan and the modifications made in it.

5. Amendments and addenda were introduced to Regulation No 3/08 "On Methodology for Computing the Composite Ratings of Activity Indicators (CARAMELS) of Insurance Companies Operating in Republic of Armenia", the purpose of which is to harmonize Regulation No 3/08 with other legal acts related to the matter ensuring the efficient calculation of "CARAMELS" indicators by the Central Bank.
6. The Central Bank Board approved Regulation No 3/12 "On the Procedure of Reorganization of Insurance Company", which is aimed at defining the procedure of accession and reorganization of insurance companies.
7. The Regulation 3/13 on "Documents and Information Required for Granting Preliminary Consent of Self-Liquidation of Insurance Company, for Permission for Self-Liquidation, Liquidation Commission (Liquidator) Report Forms, Procedure, Frequency and Terms for Submission, List of Information Published by the Liquidation Commission (Liquidator), Procedure and Form of Publishing" was approved, according to which:
   - The list of documents and information required for granting preliminary consent of self-liquidation and permission for self-liquidation.
   - The liquidation commission (liquidator) report forms, procedure, frequency and terms for submission and also list of information published by the liquidation commission, procedure and form of publishing were defined.
8. The Central Bank Board approved "Chart of Accounts of Insurance Companies" and "The Application Instruction of the Chart of Accounts for Insurance Companies", according to which the accounting standards of the insurance companies was brought in compliance with IFRS.
9. Amendments and addenda were introduced to Regulation No 3/02 "On Limits of Main Prudential Standards of Insurance Activity, Procedure of Formation and Calculation, Criteria for Qualifying Reinsurers as not Prohibited":
   - Foreign exchange prudential was defined for foreign exchange position and for positions of each currency.
   - The bonds issued by refinancing credit organizations were included in highly liquid assets and in the structure of assets equivalent to technical reserves.
   - As a result of the changes in chart of accounts the calculation of main economic prudentials was adjusted.
   - Appropriate legal framework was defined for the insurance companies concerning the unallocated metal accounts, standardized bars of precious metals and assets and liabilities represented.
10. Amendments and addenda were introduced to Regulation No 3/04 "On Procedure and Periods of Filling Out Reporting Forms by Insurance Companies; Information to be Included in the Forms", according to which the reporting forms were brought in compliance with changes in chart of accounts and in Regulation No 3/02, in particular:
    - Connected with the introduction of new chart of accounts the balance and income reports were adjusted.

- Report for the foreign exchange prudential was defined.
- With the view of enhancing analysis and supervision processes some indicators were added in current reports.
- New reporting forms were defined, particularly on contracts signed through insurance agents and on the staff of insurance company.

11. Amendments and addenda were introduced to Regulation No 3/09 "On Order of Classification of Assets of Insurance Companies and Formation and Use of Reserves of Possible Losses", as a result of which:
    - Unrecognized interest income was excluded as according to IFRS, interest from non-performing assets should continue to be accrued and recognized as income.
    - The share of reinsurers in technical reserves was included into the assets subject to classification with the view of mitigating the risks connected with credit risk of those claims.
12. Amendments and addenda were introduced to Regulation No 3/07 "On Functions Subject to Delegation by the Contract of Delegating Insurance Functions, Documents and Information Presented to the Central Bank for Receiving Preliminary Permission for Delegating Insurance Functions, Their Contents, Order and Form of Presentation and the Order and Conditions of Receiving Preliminary Permission" conditioned by the decree of the Government of Armenia to create an unified database by all the state agencies, which are registering legal entities.

In 2011 following changes were implemented in regulations relating to securities market.

1. Amendments and addenda were introduced to Regulation No 4/05 "On the Qualification of Managers of Persons Providing Investment Services, the Operator and the Central Depositary and Natural Persons Providing Investment Services, Their Professional Compliance Criteria and the List of Topics for Qualification Test". The main amendments and addenda were the following:
    - As the law "On Investment Funds" provides for existence of new managers and employees (managers and employees of investment fund managers and custodians), subject to registration at the Central Bank, in all the request forms for the registration of managers and employees all above mentioned managers and employees were included with the view of ensuring one unified form for the registration for all managers and employees registered by the Central Bank.
    - Qualification requirements were defined for the head and members of liquidation commission with the view of ensuring appropriate level of qualification of latter.
2. The Central Bank Board approved Regulation No 4/11 "On Requirements for the Entity Implementing Audit of Financial and Economic Activity of Investment Firms", the purpose of which is to set such minimum requirements for the entities auditing investment firms that would ensure appropriate and proper audit of investment firms.

3. The Central Bank Board approved new edition of Regulation No 4/09 "On Criteria Presented to The Person Conducting Audit of Financial-Economic Activities of Reporting Issuer", the purpose of which is to set such minimum requirements for the entities auditing financial-economic activities of reporting issuers that would comply with requirements imposed to the entities auditing non-issuer financial organizations (including investment firms).
4. The Central Bank Board approved Regulation No 4/13 "On Documents and Information Required for Granting Prior Consent of Self-Liquidation of Investment Firm, for Permission for Self-Liquidation, Liquidation Commission (Liquidator) Report Forms, Procedure, Frequency and Terms for Submission, List of Information Published by the Liquidation Commission (Liquidator), Procedure and Form of Publishing". The regulation defines the liquidation commission (liquidator) report forms, procedure, frequency and terms for submission, which are aimed at ensuring the completeness of the self-liquidation (liquidation) processes of the investment firms, which will contribute to the protection of rights and legal interest of the debtors as a result of self-liquidation (liquidation) process, disclosure of possible risks and their efficient supervision by the Central Bank, and also to the transparency of the self-liquidation (liquidation) process carried out by liquidation commission.
5. The Central Bank Board approved Regulation No 4/14 "On Accession of Investment Firms". The regulation clearly defines provisions of the accession regime for investment firms aimed at ensuring comprehensiveness of the accession process and enabling the Central Bank to assess the impact of the accession on the financial standing of the preserved organization and also to disclose possible risks and efficiently supervise the process.
6. Amendments were introduced to the following regulations:
   - Regulation No 4/01 "On Registration and Licensing of Investment Companies, Registration of Branches and Representative Offices of Investment Companies and Foreign Investment Companies, Procedure of Obtaining Preliminary Consent for holding Significant Participation in Statutory Capital of Investment Companies, Procedure, Form and Time Limits for Submission of a Business Plan by Investment Companies, Informing about providing Investment Services by Banks and Credit Organizations",
   - Regulation No 5/01 "On Registration and Licensing of the Regulated Market Operator, the Rules for Obtaining a Preliminary Consent to Acquire Significant Participation in Statutory Capital of the Regulated Market Operator, the Rules, Forms and Terms for Submitting the Business Plan",
   - Regulation No 5/02 "On Registration and Licensing of Central Depository, Procedure of Obtaining Preliminary Consent for Holding Significant Participation in Statutory Capital of Central Depository, Procedure, Form and Time Limits for Submission of a Business Plan".

   The main changes in the regulations were:
   - Provisions were defined that would ensure issuance of TIN to investment companies, regulated market operator and Central Depository in compliance with the law "On Tax Registration and De-registration of Organizations and Natural Persons".

- The law "On Investment Funds" provides for existence of new managers and employees (managers and employees of investment fund managers and custodians), subject to registration at the Central Bank, in all the request forms for the registration of managers and employees all above mentioned managers and employees were included with the view of ensuring one unified form for the registration for all managers and employees registered by the Central Bank.
- Appropriate amendments were introduced as a result of decree of Government of Armenia on improvement of business environment, which intends to create unified electronic database by appropriate state bodies responsible for the registration of charters of legal entities (including Central Bank), which can be used by all interested parties.
- A requirement was defined, according to which after the registration the investment companies, the regulated market operator and Central Depository will submit updates of some reports (information) required for licensing, which will ensure efficient supervision (including consolidated supervision) by the Central Bank. Implementation of those requirements was also conditioned by the necessity of complying with IOSCO principles.
- The requirements for the registration of branches by the international investment companies in Armenia were tightened bringing to compliance with principles used in banking system. The purpose of mentioned changes is to ensure that reputable foreign investment companies would establish branches in Armenia.

7. Amendments were introduced to Regulation No 33 "On Custodial Activities of Securities", the purpose of which is to allow the persons providing investment services to separately register the foreign securities of their clients without opening a nominee account at foreign custodian, in case when the foreign legislation doesn't allow persons providing investment services to have nominee accounts at the custodian of that country.
8. The Central Bank Board approved Regulation No 5/07 "On Additional Requirements on Handling Nominees' Accounts", the purpose of which is to ensure such scheme of securities registration that the information of the real owners of the securities registered under nominee accounts should be available to Armenian custodian.
9. The Central Bank Board approved Regulation No 10/01 "On Registration and Licensing of Investment Fund Managers and Branches of Foreign Investment Fund Manager; Registration of Branches of Investment Fund Manager and Representative Offices of Investment Fund Manager and Foreign Investment Fund Manager; Re-Registration and Re-Licensing of Investment Companies as Investment Fund Managers; Acquisition of Qualified Holding in Statutory Fund of Investment Fund Manager; Procedure, Forms and Periods of Submission of Business Plans, Reports on their Amendments and Execution by Investment Fund Managers, their Branches and Branches of Foreign Investment Fund Manager". The regulation is aimed at defining such entry requirements for new financial institutions defined by the laws "On Investment Funds" and "On Funded Pensions" i.e. investment fund managers that only companies meeting minimum financial,

technical and organizational requirements, with high professional qualification and understanding of fiduciary obligations will enter the market. The regulation mainly defines:

- The registration and licensing of fund managers, issuance of permission for fund management and for providing investment services defined by the law "On Investment Funds".
- Re-registration and re-licensing of investment companies as fund managers.
- The procedure of preliminary consent for obtaining significant participation in the statutory capital of the fund manager.
- Forms and periods of submission of business plan by the fund manager.
- Requirements for technical facilities and for premises of the fund manager.

10. Amendments and addenda were introduced to Regulation No 10/01 "On Registration and Licensing of Investment Fund Managers and Branches of Foreign Investment Fund Manager; Registration of Branches of Investment Fund Manager and Representative Offices of Investment Fund Manager and Foreign Investment Fund Manager; Re-Registration and Re-Licensing of Investment Companies as Investment Fund Managers; Acquisition of Qualified Holding in Statutory Fund of Investment Fund Manager; Procedure, Forms and Periods of Submission of Business Plans, Reports on their Amendments and Execution by Investment Fund Managers, their Branches and Branches of Foreign Investment Fund Manager". In particular:
    - Appropriate amendments were introduced as a result of decree of Government of Armenia on improvement of business environment, which intends to create unified electronic database by appropriate state bodies responsible for the registration of charters of legal entities (including the Central Bank), which can be used by all interested parties .
    - A requirement was defined, according to which after the registration the investment fund managers will submit updates of some reports (information) required for licensing, which will ensure efficient supervision (including consolidated supervision) by the Central Bank. Implementation of those requirements was also conditioned by the necessity to comply with IOSCO principles.
    - The requirements for the registration of branches by the international investment fund managers in Armenia were tightened bringing to compliance with principles used in banking system. The purpose of mentioned changes is to ensure that only reputable foreign investment fund managers can establish branches in Armenia.
11. The Central Bank Board approved Regulation No 10/02 "On Prudential Standards of Management Company, Sizes Thereof (Including Minimum Size of Mandatory Holding of Management Company in Each Investment Fund Under Management of Management Company), and Minimum Size of Infringement of Prudential Standards, Which are Grounds for Revocation of License (Permission) of Management Company". The regulation defines:
    - The minimum requirements for the statutory and total capital of investment fund managers.
    - The minimum mandatory participation of the fund manager in every managed fund.

- The minimum size of the violation of the prudential requirements (including the minimum mandatory participation of the fund manager in every managed fund), in case of which the license of investment fund manager or the permission of providing investment services defined by the law "On Investment Funds" can be revoked.

The definition of mentioned provision is aimed at strengthening the financial stability of investment fund managers, increasing the efficiency of investment fund management and also raising the confidence of the investors in investment fund managers and overall contributing to the stability of financial system.

12. The Central Bank Board approved Regulation No 10/04 "On Calculation of Net Asset Value of Investment Funds". The regulation defines the rules of valuation of the assets of investment and pension funds and the calculation procedures of the NAV. This is aimed at ensuring the calculation of NAV of the funds and the real value of the investments of the fund participants, which will improve inter-comparability of the indicators recorded by the funds, enhance the supervision over investment funds and will reduce market manipulation risks.
13. The Central Bank Board approved Regulation No 10/05 "On the Qualification of Investment Fund Managers and Managers of Custodians and of Persons Managing Investment Funds and Carrying out Custody of Investment Funds, Their Professional Compliance Criteria and the List of Topics for Qualification Test". The regulation defines the qualification and registration procedures for the managers of the investment fund managers and the natural persons carrying out fund management activities in the name or in the structure of fund manager, and also for the fund custodians, heads and employees of the departments responsible for the custody of the assets. This regulation is aimed at ensuring competent staff for the fund managers and custodians.
14. Amendments were introduced to Regulation No 10/05 "On The Qualification of Investment Fund Managers and Managers of Custodians and of Persons Managing Investment Funds and Carrying Out Custody of Investment Funds, Their Professional Compliance Criteria and the List of Topics for Qualification Test", according to which qualification requirements were imposed on the head and members of the liquidation commission of the investment fund manager with the view of ensuring proficiency of the latter.
15. The Central Bank Board approved Regulation No 10/07 "On Mandatory Pension Fund Selection Application and Its Submission". The regulation defines the selection application form presented to the registrar of the participants through website or through account operators for the mandatory participants of mandatory funded pension system component and also for the persons who are eligible to join the mandatory component on voluntary basis. The regulation is aimed at simplifying the process of the submission of the selection application and also reducing the ambiguity of the selection process through defining unified forms and submission procedures for the applications.

16. Amendments were introduced to Regulation No 10/07 "On Mandatory Pension Fund Selection and Exchange Application and Their Submission". In addition of the selection application the amendments define also exchange application of the mandatory pension fund, its submission procedure and filling in guidelines.
17. The Central Bank Board approved Regulation No 10/09 "On Requirements on Issuance Procedures of Mandatory Pension Funds' Units, Issuance and Redemption of Units Issued on the Own Investments of the Asset Managers". The regulation defines the requirements on the issuance procedures of mandatory pension fund units, and also issuance and redemption of units issued on behalf of the asset manager, which is aimed at ensuring unified procedures for issuing units of mandatory pension funds and the issuance and redemption of units issued on behalf of the asset managers.
18. The Central Bank Board approved Regulation No 10/10 "On Investment Restrictions of Investment Funds". The regulation is aimed at defining diversification rules for the investments of investment funds with the view of ensuring efficient diversification of the risks rising from the investments in different financial instruments.
19. The Central Bank Board approved Regulation No 10/11 "On Registration of Investment Fund (Fund's Rules), Terms and Conditions for Providing Preliminary Consent for Selling Securities of Foreign Investment Fund in Republic of Armenia". The regulation defines such registration rules and requirements for the corporate and contractual funds and also for providing preliminary consent for selling securities of foreign public funds in Armenia that would in the best way protect the interest of the investors.
20. The Central Bank board approved Regulation No 10/14 "On Calculation of the Net Asset Value of the Investment Fund for Determining Taxable Profit", the purpose of which is to define unified principles for the calculation of net assets and payable profit tax.
21. The Central Bank Board approved "Sample Forms of Public Reports of Investment Companies" and "Guidelines of filling in Sample Forms of Public Reports of Investment Companies", which regulate the sample forms of public reports of investment companies and form completing guidelines in accordance with IFRS.

In 2011 following changes were implemented in regulations relating to payment and settlement system.

1. The Central Bank board approved Regulation No 17/02 "On Activities of Payment and Settlement Companies; Prudential Standards and Their Calculation for Payment and Settlement Companies", the purpose of which is the regulation of the activities of payment and settlement companies and definition of the calculation and components of the main economic prudential standards. The regulation defines main economic prudential standards of payment and settlement companies, in particular:
   - The minimum prudential requirement of total capital.

- Liquidity prudential requirement- the marginal ratio between highly liquid assets and demand liabilities of payment and settlement company.

The minimum ratio between highly liquid assets and demand liabilities (N2 prudential) of the payment and settlement companies is set 100 percent in case the demand liabilities are less than AMD 100 million and in case when the demand liabilities are more than AMD 100 million the prudential is set 70 percent for the amount exceeding AMD 100 million.

For newly established and also for operating payment and settlement companies the minimum total capital can be replenished solely on behalf of funds present at account(s) opened in one of the commercial banks operating in the territory of Republic of Armenia.

2. The Central Bank Board approved Regulation No 17/01 "On Licensing of Payment and Settlement companies, Registration of Their Branches and Representative Offices, Manager Qualification, Requirements of Technical Facilities Present at Payment and Settlement Companies' Location, Premises, Software, Security and also on Registry of Payment and Settlement Companies' Licenses, the Procedure of its Recordkeeping and its Content", the purpose of which is to define the procedures of licensing, regulation and supervision, suspension and revocation of licenses, registration of branches, qualification of the payment and settlement companies operating in the territory of Republic of Armenia and also define the technical, IT and security requirements.
3. The Central Bank Board approved Regulation No 17/03 "On Public and Other Reports of Payment and Settlement Companies, their Submission and Publication", which is aimed to define the forms and filling in guidelines for the reports the payment and settlement companies submit to the Central Bank, which will enable the Central Bank to have full understanding of the activities of the payment and settlement companies and will contribute to the off-site supervision. The regulation also defines the terms and periods of the submission of the reports, and also the publication of the information by the payment and settlement companies on their activities.
4. The Central Bank Board approved a resolution "On Installation, Operation of Automated Self-Service Terminals and Procedures of Carrying Out Financial Transactions through them", which is aimed at regulating the financial transactions carried out through automated self-service terminals and defining other necessary requirements for the installation and servicing of those terminals.

In 2011 following changes were implemented in regulations relating to credit organizations and other financial institutions.

1. Amendments were introduced to 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", according to which in the standard form of the request for the registration of managers and employees were included managers and employees of investment fund managers

and custodians subject to registration under the law "On Investment Funds". As a result of amendments it will be possible to ensure the fulfillment of the requirements of the law "On Investment Funds" and unify the procedure of registration of managers and employees subject to registration by the Central Bank through introduction of single request form.

2. According to amendments to Regulation No 14 "Regulation of Activities of Credit organizations; Prudential Standards for Activities of Credit Organizations" it was defined that the tangible assets, which were obtained for financial leasing or came into the ownership of the credit organization as a result of solution or ending of leasing contract, are reduced from the core capital of the credit organization in one year after the day of their registration in the balance sheet (formerly the period was six months). The amendments are aimed at regulating the issues related to the leasing activities, when the leasing contract is solved prematurely and the credit organization has to find a new leaser.
3. According to amendments to Regulation No 14 "Regulation of Activities of Credit organizations; Prudential Standards for Activities of Credit Organizations" it was defined that the credit organization changing the type of activities for receiving bank license should comply to the prudential requirements defined by Regulation No 2 for the last six months (except the prudential standards of bank's statutory and total capital and reserve requirement).
4. According to the decree of the Central Bank Board, amendments were endorsed to Regulation No 15 "Reporting Forms of Credit Organizations, Their Submission and Publishing", according to which the credit organizations changing the type of activities should submit to the Central Bank the Reporting form 3 and 7 of Regulation No 3 for the calculation of prudential ratios.
5. With the view of improving business environment through simplifying the process of providing the charters to different parties by the legal entities amendments and addenda were introduced to the following legal acts.
   I. The following amendments were introduced to 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 is intended to create unified electronic database by appropriate state bodies responsible for the registration of charters of legal entities, which can be used by all interested parties.
      - Appropriate form was defined for opening accumulative account in the Central Bank intended for replenishment of the statutory capital.

   II. The following amendments were introduced to Regulation No 10 "On Licensing and Regulation of Foreign Currency Purchase and Sale Operations", Regulation No 12 "On Licensing and Regulation of Foreign Currency Dealer/Broker Activities", "Licensing Procedure of Pawnshop Activities in Republic of Armenia" and "License Forms of Pawnshop Activities":

- The pawnshops, foreign exchange offices, foreign currency dealer/brokers are not required to present copies of charter and state registration certificate.
- In case of changing an employee of foreign exchange office or foreign currency dealer/broker the documents and procedures for the re-registration of the license were updated.
- Loosened requirements for technical facilities and for the documents needed for licensing were defined.
- Elimination of the requirement for presenting report on the payment of state fees for the foreign exchange offices and currency dealer/brokers.

In 2011 following changes were implemented in regulations relating to consumer rights protection.

1. 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 Money Transfer Clearing Companies", according to which the content and structure of the information that the investment fund managers, including pension fund managers need to disseminate through websites, press, mass media or through other channels (advertisements, posters).
2. Amendments and addenda were indorsed to Regulation No 8/03 "Information Dissemination by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Central Depository and Money Transfer Clearing Companies". Requirement was defined for the credit organizations changing the type of activities to publish information on their decision.

SUPERVISION AND CONSUMER RIGHTS PROTECTION IN 2011

Individual departments (mainly Financial Supervision Department) of the Central Bank perform off-site and on-site inspections[2] of the financial institutions aimed at identification of acceptable risk level for the financial system participants, combating money laundering and terrorism financing, protection of financial system consumer rights, compliance of financial system performance to regulatory framework and etc.

Supervision

In 2011 on-site and offsite inspections of the Central Bank Financial Supervision Department focused on the following areas:

- internal control system,
- risk management system,
- integrity of corporate management principles,
- assessment of asset quality,
- transparency,
- IT sector,
- compliance with the requirements relating to safe and sustainable business operation,
- 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 prevention of operations by non-licensed entities,
- combat against money laundering and terrorism financing,
- quality of rendered services,
- consumer rights protection,
- other.

In 2011, the Financial Supervision Department performed 235 on-site inspections.

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

Table1. On-Site Inspections and Workload of the Supervisors

Indicators	2009	2010	2011
Number of Supervisors in the Financial Supervision Department	82	83	84
Total assets of commercial banks, credit organizations, insurance companies, securities market participants and pawn shops (annual average)	AMD 1.250 trillion	AMD 1.580 trillion	AMD 2.047 trillion
Average work load per supervisor of the Financial Supervision Department	AMD 15.2 billion	AMD 19.0 billion	AMD 24.4 billion
Number of inspections performed during the year, including:	539	380	235
Comprehensive inspections in banks	5	7	7
Targeted inspections in banks	29	24	13
Comprehensive inspections in credit organizations	3	6	6
Targeted inspections in credit organizations	3	2	1
Comprehensive inspections in insurance companies	4	3	3
Targeted inspections in insurance companies	4	8	-
Insurance broker companies	1	1	-
Insurance agents	-	-	38
Investment companies	8	4	4
Other participants of financial market(exchange offices, pawnshops, payments system organizations and other)	490	325	163

Compared with previous year, in 2011 the number of infringements relating to legislative issues dropped in total number of infringements identified during on-site and off-site inspections performed by the Central Bank Financial Supervision Department. Compared to the previous year, the number of penalties also decreased.

Table 2. Infringements of Financial Institutions and Penalties in 2011

Indicators	Commercial banks	Credit organizations	Insurance companies	Pawnshops	Payment system Companies*
Area of Violation					
Accounting	36	18	3		
Asset classification norms	20	9	4		
Legislation	364	133	191	76	2
Prudential standards	2	3	14		
Incompliance with instructions					
Reporting delays	5		4	7	
Inconsistent data	53	6	146	54	
Total regulatory capital		1	6		
Credit register	51	18			

Indicators	Commercial banks	Credit organizations	Insurance companies	Pawnshops	Payment system Companies*
Penalties					
Revocation of License				2	
Fines imposed on organization	238	13	215	43	
Fines imposed on managers			5		
Penalty	1				
Warning	404	21	192	19	2
Revocation of manager's professional qualification license					
Termination of license				15	
Cessation					

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

Consumer rights protection

In 2011 the Central Bank continued implementation of wide range of activities aimed at consumer rights protection and strengthening financial and economic awareness of various target groups.

- Activities aimed at development of "Finance for all" internet website (www.abcfinance.am) were continued. The website was enhanced with new materials, new economic games 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 Central Bank will continuously develop, update and improve the website.
- In 2011 the Central Bank, in cooperation with NGO "Junior Achievement", once again organized "Economics and finance" game-competition for senior pupils of schools aimed at promotion of financial and economic education at schools.
- As a result of cooperation with "Civil Education Center" the latter for the first time included financial system issues in its annual "Citizen" initiative. Particularly, participant pupils in accordance with predefined criteria revealed issues relating to the financial system in their communities proposing alternative solutions to those issues.
- Stressing the importance of effective financial and economic education in schools the Central Bank initiated pilot training course for high-school teachers in Yerevan responsible for "Economics" component of "Social Sciences" subject. The initiative will be continuous.
- Within the framework of pension reforms in Armenia the Central Bank developed informative booklet tailored for general public. In cooperation with the newly established Pension System Awareness Center activities were carried out aimed at raising public awareness concerning pension reform.

- In 2011 supervision activities were carried out aimed at consumer rights protection, particularly on-site inspections of business conduct in financial organizations, while within the framework of off-site supervision quarterly monitoring of information dissemination (website, press, advertisements and etc.) by financial institutions was carried out. The monitoring is intended to ensure trustworthiness, consistency and accessibility of the information, which financial organizations are providing to customers. Within the scope of supervision activities the internal legal acts of financial organizations (banks and insurance companies) were assessed aimed at disclosure of existing risks and issues from the viewpoint of consumer protection.
- Complaints received through "Hot Line" operating in the Central Bank and complaint letters addressed to the Central Bank were investigated enhancing disclosure and efficient solution of the systemic issues in consumer rights protection area.
- With the view of conforming of consumer rights protection in Armenian financial system to the international standards the Central Bank cooperated with leading international organizations in this field. Particularly active cooperation was registered with Alliance for Financial Inclusion (AFI), Organization for Economic Co-operation and Development (OECD) and with Network of National Financial Consumer Protection Bodies (FinCoNet).

STAFF TRAINING AND COOPERATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2011

Human resource development policy has always been the Central Bank's focus, as new developments and challenges in financial world require perception of international best practices and professional excellence. In 2011 the Central Bank continued carrying out 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 and studying best international practices, in 2011 the employees taking part in financial system regulation and supervision participated in a number of local and foreign courses, on-job meetings and conferences. In 2011 the Central Bank continued cooperation with International Monetary Fund, Bank for International Settlements, Financial Stability Institute, Joint Vienna Institute, central banks of Switzerland, Russian Federation, Italy, Lithuania, France, Germany, Netherlands, Kazakhstan, Poland, Czech Republic, Austria, central bankers training center at Bank of England, International Organization of Securities Commissions and other institutions. Topics covered in training courses, conferences and seminars on exchange of work experience, conducted by the above mentioned institutions, related to financial stability and actual issues related to banking, insurance, securities market participant regulation and supervision. The Central Bank employees also visited central banks of other countries, in order to get acquainted with their experience.

In 2011 several specialists from the Central Bank attended online training courses named "FSI connect", arranged by the Swiss Financial Stability Institute (FSI). Highly experienced supervision specialists of the Central Bank arranged training courses for younger colleagues for sharing their experience and knowledge with latter.

In 2011 Central Bank continued multilateral and bilateral cooperation with international and foreign organizations.

The Central Bank in cooperation with Federal Reserve System of USA, central banks of Netherlands and France, German Bundesbank, Toronto Center of Canada, National Bank of Poland and also with Eurasian Economic Community organized 10 courses in Armenia including 6 regional courses, which were attended both by Armenian and foreign specialists. Within the scope of Eurasian Economic Community 4 courses were conducted on "Company ratings and credit register at central banks", "Accounting of capital investments and fixed asset renovation", "Study of money laundering and terrorism financing combating system" and "Internal audit and control in Central bank". USA Federal Reserve System conducted "Consolidated supervision" training and Toronto Center organized "Leadership" course.

The Central Bank 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.

It is worthwhile to mention the EGMONT group committee and working group meeting(Oranjestad, Aruba), European banking and financial forum (Prague, Czech Republic), "Mandatory private pension system reforms" international conference held by NASDAQ-OMX (Tallinn, Estonia), German-Armenian Fund's board meeting (Frankfurt, Germany), conference of members of Financial consumer protection and financial education network (Toronto, Canada), Meeting of the Central Bank Governors' Club of the Central Asia, Black Sea Region, and Balkan Countries (Istanbul, Turkey), meeting of European Council Anti-Money Laundering and Combat Against Terrorism Financing MONEYVAL committee (Strasburg, France),annual meeting of Governors and Deputy Governors of IMF and WB Netherlands subgroup countries (Limassol, Cyprus), board meeting of Interstate Bank (Moscow, RF), 11th board meeting of heads of securities supervision bodies of CIS countries (St. Petersburg, RF), 14th plenary session of Eurasian Anti-Money Laundering and Combat Against Terrorism Financing group (Moscow, RF), conference on "Corporate Governance of South-European banks" held by European Reconstruction and Development Bank (London, UK), annual meeting of the Bank of International Settlements (Basel, Switzerland), seminar discussion on "Financial Inclusion for Central Asia, the Caucasus, and South Asia" held by Asian Development Bank (Urumqi, PRC), discussion organized by Georgian National Bank on "Capital Market Development" (Tbilisi, Georgia), annual meeting of the International Monetary Fund and the World Bank Board of Governors (Washington DC, USA), Annual meeting of central banks (Madrid, Spain), global forum of pension systems organized by International Organization of Pension Supervisors and Organization for Economic Co-operation and Development (Cape Town, South African Republic).

During 2011 within the scope of technical assistance by IMF and World Bank the Central Bank hosted number of missions on supervision and financial issues, monetary policy and statistics.

With the view of expanding business connections and negotiations the Central Bank hosted World Bank independent assessment group, Fitch Ratings experts, EBRD delegation, delegation of Chinese Development Bank for discussing possible directions of Chinese-Armenian cooperation and joint investment programs, delegation of Black Sea Trade and Development Bank for presenting 2011-2014 midterm strategy and business plan, delegation of French development agency led by South Caucasian regional manager Pascal Grangereau and other delegations.

During 2011 the Central Bank organized number of business meetings, working sessions, a "round table" and a conference. On 11-15 of July 2011 19th Plenary session of Egmont Group of Financial Intelligence Units was held in Yerevan. 290 delegates from 99 countries attended the session. On 20-23 of April 2011 President of the De Nederlandsche Bank Nout Wellink visited Yerevan, where he had a lecture on "Modern trends of supervision architecture within or outside the

structure of the central banks". On 24th of May former Minister of Labor and Social Security of Chile Jose Piñera visited Central Bank with a lecture on pension reforms.

In 2011 the Central Bank continued the process of signing agreements and memorandums of understanding (MOUs) with other central banks within the framework of the intergovernmental committees.

On 4th of October 2011 Central Bank and German Federal Financial Supervisory Authority (BaFin) signed memorandum of understanding on "Cooperation in Banking Supervision".

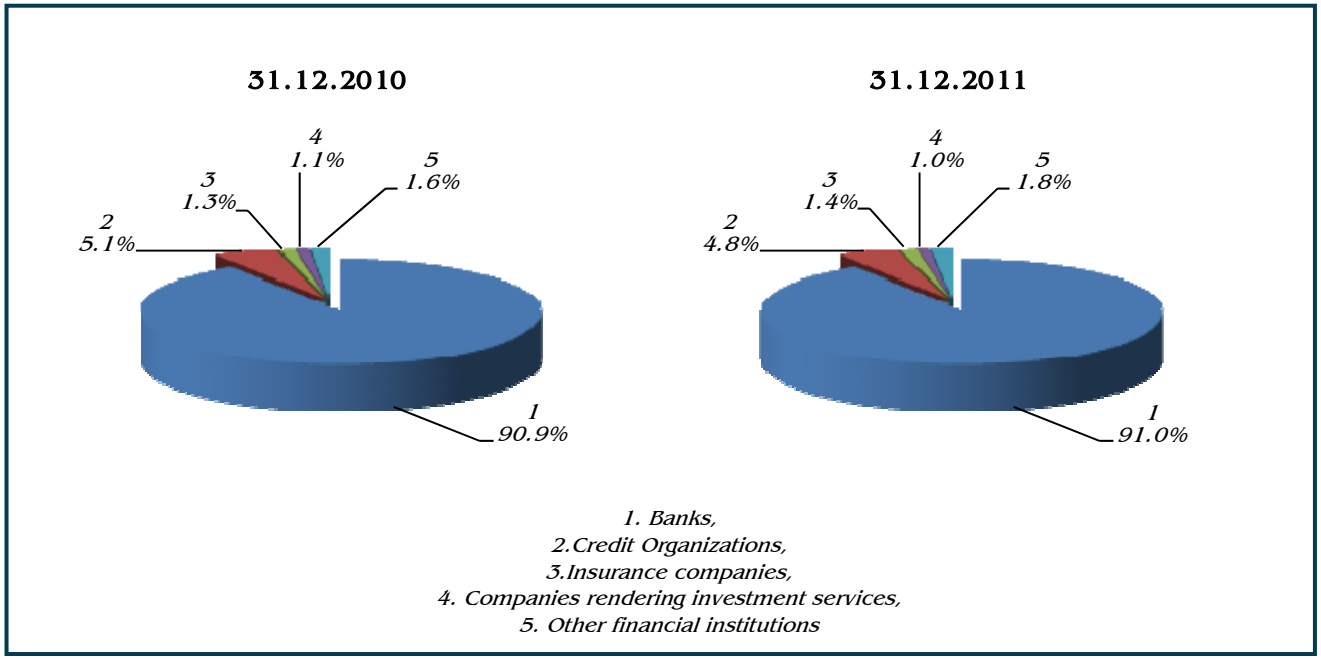
On 18th of October in St. Petersburg, Russian Federation agreement on "Main principles of foreign currency regulation and foreign currency policy in CIS countries" was signed.

In 2011 preliminary works were carried out for signing memorandum of understanding between the Central Bank of Armenia and Financial Supervision Agency of Poland.

ARMENIAN FINANCIAL SYSTEM IN 2011

In 2011 Armenian financial system was rather active. The banking system is the major participant of the Armenian financial system, accounting for 91.1 percent of total assets of financial system. In 2011 banking system was active in credit market and as a result of deepening competition decrease of credit interests was registered. Implementation of MTPL system was rather important for the development of insurance market, which has a social importance.

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



COMMERCIAL BANKS

General Provisions

As of end of December 2011, Armenian banking system included 21 commercial banks. The level of financial intermediation of banking sector increased during year, although it lags the same indicator of Eastern European countries. In 2011 banking system assets to GDP ratio increased by 9.6 percentage points and totaled 54.1 percent, while banking system loans to GDP ratio increased by 6.3 percentage points and totaled 31.6 percent.

During 2011 other indicators representing financial intermediation like deposits to GDP and broad money to GDP also improved increasing by 5.3 and 3.5 percentage points and respectively amounting 24.5 and 29.5 percent.

During the year "Pan Armenian Bank" OJSC was licensed and representative office of Latvian Rietumu Bank (Rietumu Banka A. S.) was registered. During the year the number of bank branches increased by 34 and at year-end totaled 442. As a result number of population per branch decreased by 5.2 percent and totaled 7398 at year-end.

Chart 2. Number of Bank Branches and Employees



The number of bank employees (including service personnel) increased by 12.7 percent and at year-end reached 10 098 (staff increased almost in all banks). Compared to previous year the share of managerial staff in total number of employees increased by 0.1 percentage points and at year-end amounted 17.1 percent.

Table 3. Number of Banks and their Branches

Indicators	2009	2010	2011
Number of commercial banks	22	21	21
Population per			
1 bank (thousand)	145.5	152.4	155.7
1 branch (thousand)	8.2	7.8	7.4
1 employee	390	357	324

Banking system concentration

The Herfindahl-Hirschman Index of Concentration stayed unchanged. According to Table 4, Herfindahl-Hirschman Index of Concentration is 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	31.12.09	31.12.10	31.12.11
Total assets	0.07	0.07	0.07
Total liabilities	0.07	0.07	0.07
Total capital	0.06	0.06	0.06
Loans to economy	0.07	0.07	0.07
Time deposits of natural and legal persons	0.08	0.08	0.08
Demand deposits of natural and legal persons (including bank accounts)	0.10	0.10	0.10

Throughout the year, the polarization among large and small banks contracted a little. At the end of the year the share of the 10 largest banks in the total assets of the banking system was 75 percent and the share of the 4 largest banks within total assets of banking system was 38 percent. Polarization level for 4 and 10 largest banks did not change considerably during the year.

Table 5. Banking Sector Concentration Level (in %)

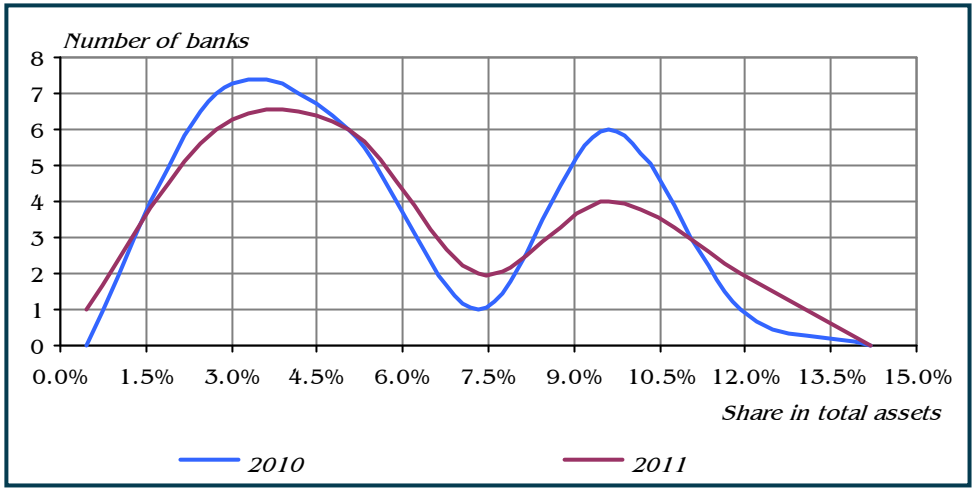
Indicators	31.12.09	31.12.10	31.12.11
Total Assets			
CC 4 (share of assets of the 4 largest banks' assets within total assets of the banking system)	40	38	38
CC 10 (share of assets of the 10 largest banks' assets within total assets of the banking system)	76	75	75
Total Liabilities			
CC 4	41	38	38
CC 10	80	76	77
Total Capital			
CC 4	36	40	38
CC 10	64	70	70
Loans to economy			
CC 4	39	39	41
CC 10	76	77	78
Time deposits of natural and legal persons			
CC 4	37	43	42
CC 10	81	79	79
Demand deposits of natural and legal persons (including bank accounts)			
CC 4	47	49	55
CC 10	82	82	86

The relative smoothening of the distribution of banks by asset shares also points out to the slightly decreasing concentration in banking system. Compared to the previous year, the excess coefficient of asset shares decreased by 0.3 points. 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

Year	Standard Deviation	Asymmetry Coefficient	Excess Coefficient	Herfindahl-Hirschman Index
2010	0.033	0.657	-0.803	0.069
2011	0.032	0.489	-1.137	0.067

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[3], which is used to assess the impact of expense factors on interest income. Based on the banking system data for 2003-2011, the value of H-statistic indicator was 0.6. Although the calculated indicator shows existence of some oligopolic competition elements, still growth of competition was observed compared to the previous year (compared to 2010 the H-statistic increased by 0.27 points).

BANKING SYSTEM CAPITAL

Capital Growth Trends

Over the reporting year, total capital of the banking system grew by 11.6 percent (AMD 36.9 billion), and totaled AMD 355.9 billion. Growth of the total capital was mainly driven by the growth of the banking system profit[4] and statutory capital.

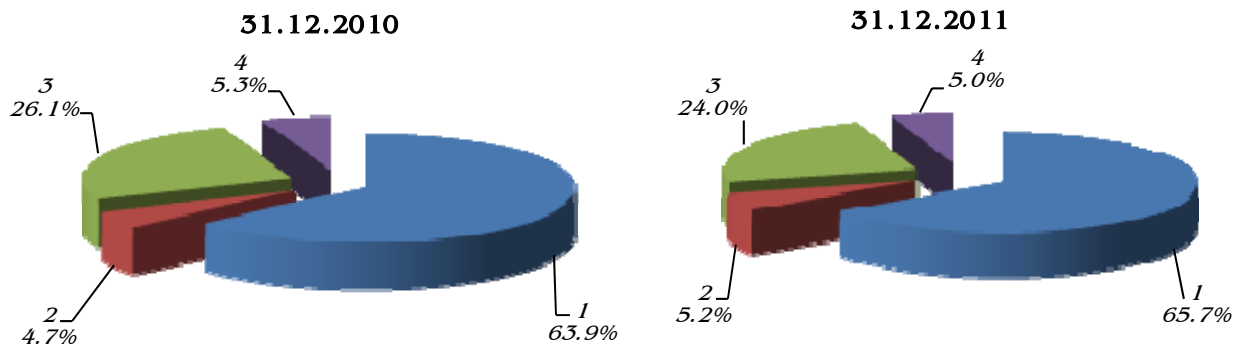
[3] According to Panzar and Ross model H-statistic is calculated, which illustrates the competitiveness: In case H-statistics is close to 1 then the market is considered as perfectly competitive, 0<H<1 range describes oligopolic competition, and markets with H-statistic less than 0 are considered monopoly.

[4] The profit is calculated based on the supervisory reports submitted to the Central Bank by the commercial banks, unless otherwise indicated that the profit is calculated according to IFRS.

During 2011 4 banks replenished statutory capital by AMD 34.7 billion, out of which AMD 11.2 billion were foreign funds. As a result, the share of non-residents within the total statutory capital of the banking system decreased by 3.8 percentage points and totaled 75.1 percent.

According to supervision reports in 2011, net profit of the banking sector totaled AMD 33.2 billion 9.9 percent more than in previous year.

Chart 4. The Structure of the Banking System Total Capital



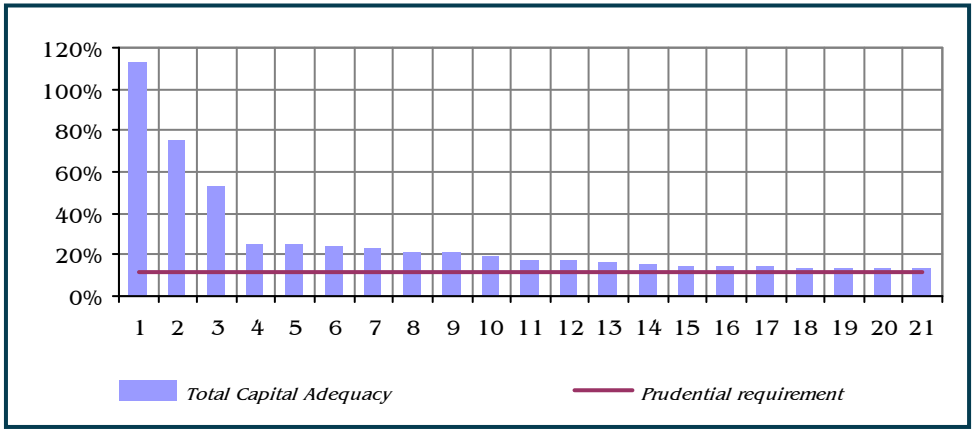
1. Statutory capital, 2.General reserve, 3.Retained profit (current and previous periods), 4.Other

The growth of total assets was 20.8 percentage points higher than the growth of total capital due to active lending policy in banks. As a result, total capital to total assets ratio dropped by 3.2 percentage points totaling 17.2 percent at the end of the year.

Banking system capital adequacy

As a result of active lending policy the growth rate of risk weighted assets of banking sector exceeded growth rate of regulatory capital by 24.1 percentage points, which resulted 4.0 percentage points lower capital adequacy ratio, which at year end was 18.3 percent (prudential minimum requirement is 12 percent). Capital adequacy ratio was higher than the prudential requirement also for individual banks and none of the banks breached the prudential requirement during the year. Despite substantial decrease of capital adequacy, it was still higher than in number of countries. High level of capital adequacy also indicates that the banking system is ready to absorb different losses due to various risks using its 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.

Chart 5.
Capital Adequacy of the Banks

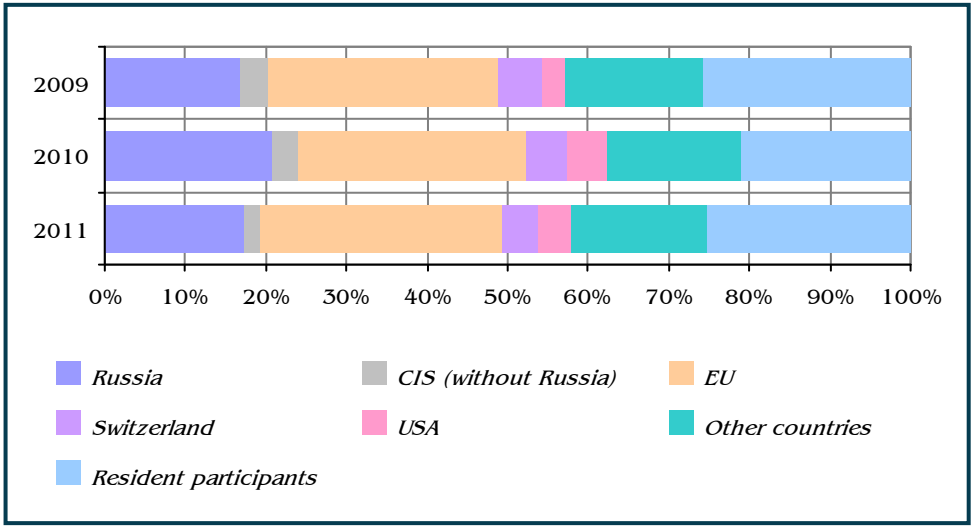


Shareholders of commercial banks

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 1,647 natural and legal persons, of which 92 are non-residents.

Chart 6.
Structure of Banking System Capital by Residency



With an exclusion of 3 banks, which are open joint-stock companies, participants (shareholders, equity holders) of the remaining 18 banks are 71 natural and legal persons, out of which 39 are non-residents.

In six banks, 100 percent of shares are owned by a single party (five non-resident legal persons and one non-resident natural person); while in 14 other banks a single shareholder owns more than 50 percent of the shares.

BANKING SYSTEM LIABILITIES

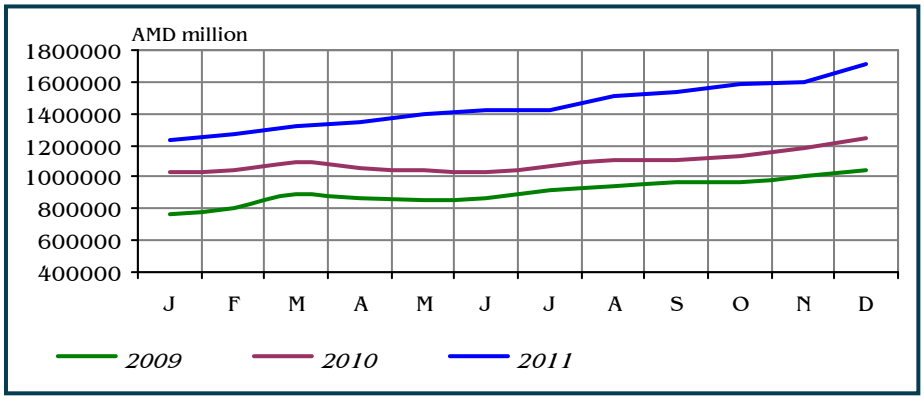
Attracted funds

In 2011, total liabilities of the banking system increased by 37.8 percent (AMD 469.3 billion) and at the end of the year totaled AMD 1 trillion 710.8 billion. Dram liabilities increased by 43.8 percent and foreign exchange liabilities increased by 34.5 percent. As a result, the share of dram liabilities at the end of the year increased by 1.5 percentage points and totaled 36.7 percent.

The growth of liabilities was mainly driven by the growth of total deposits (AMD 261.2 billion), loro correspondent accounts and other liabilities of the banks (AMD 113.4 billion growth) and liabilities to other non-bank financial organizations (AMD 83.6 billion growth).

Total deposits (time and demand), attracted from natural and legal persons, increased by 38.8 percent and at the end of the year totaled AMD 934.2 billion. Dram deposits increased by 43.1 percent, while foreign exchange deposits increased by 36.9 percent. As a result the share of dram deposits in total deposits increased by 0.9 percentage points and totaled 31.3 percent at yearend.

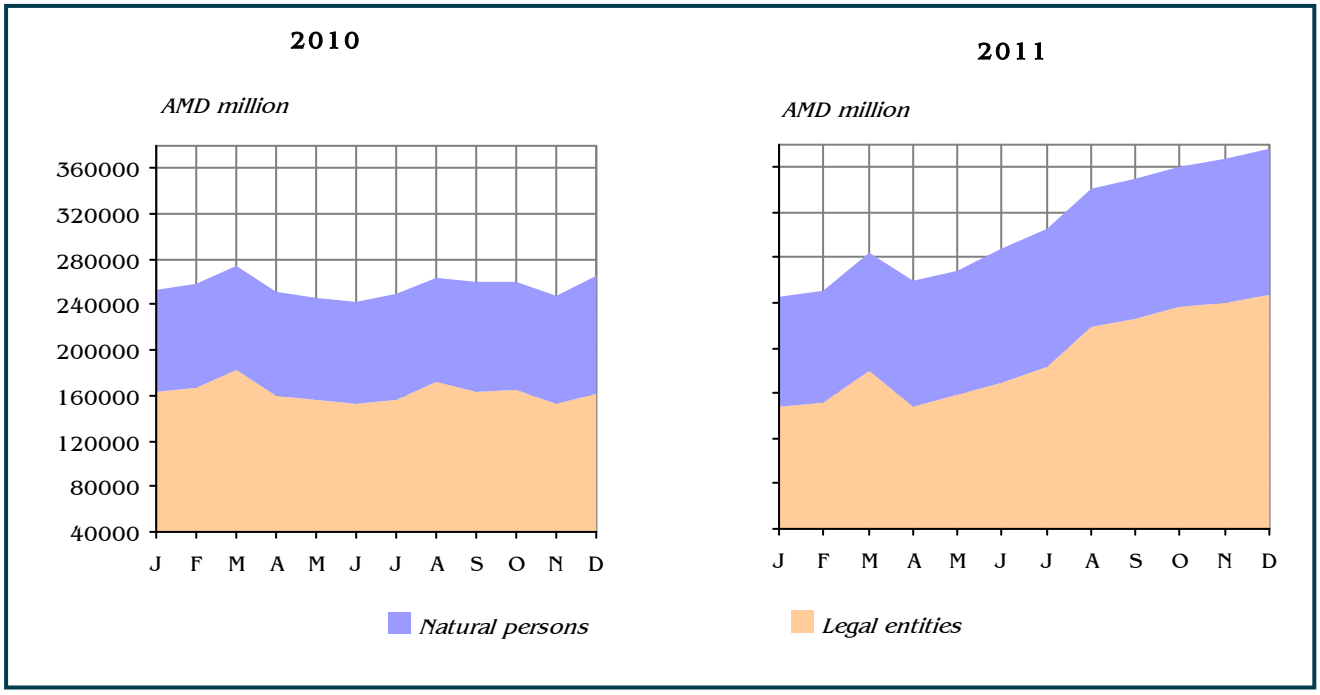
Chart 7.
Banking System Liabilities



Over the reporting year, demand liabilities of legal entities increased by 52.9 percent (by AMD 85.2 billion), while demand liabilities of natural persons increased 24.5 percent (AMD 25.5 billion) totaling respectively AMD 246.3 and AMD 129.4 billion at yearend. It was remarkable that growth rates of amount of demand deposits of both legal and natural persons were higher than the growth rate of number of current accounts indicating about certain enlargement trends of bank deposits.

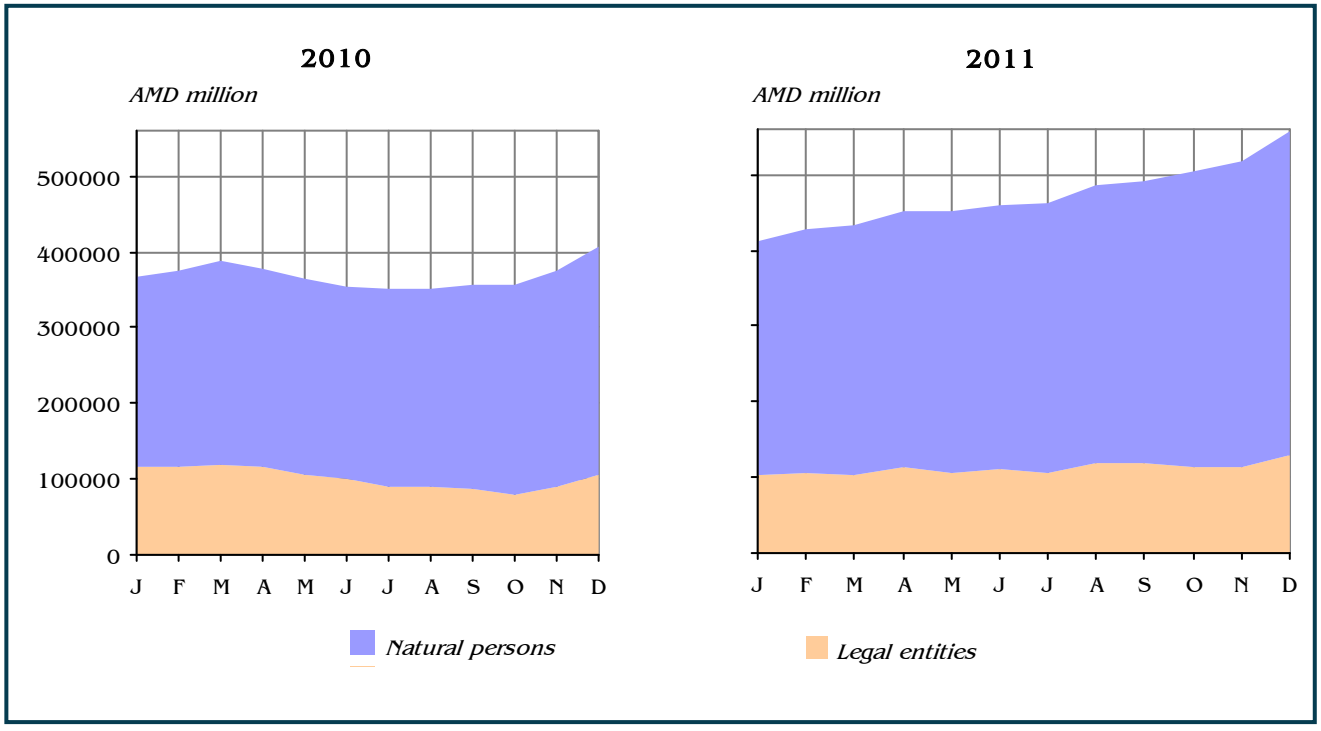
The number of current accounts held by the legal and natural persons grew respectively by 5.8 and 22.5 percent.

Chart 8. Demand Deposits



The value of legal entities' time deposits grew by 23.0 percent and totaled AMD 128.9 billion at yearend, while the number of time accounts grew by 19.3 percent, reflecting certain trend of the enlargement of time deposits of legal entities. The same trend was observed also for the time deposits of natural persons. The total amount of natural persons' time deposits increased by 41.7 percent (totaling AMD 429.5 billion at yearend) and the number of time accounts increased by 26.0 percent.

Chart 9. Time Deposits



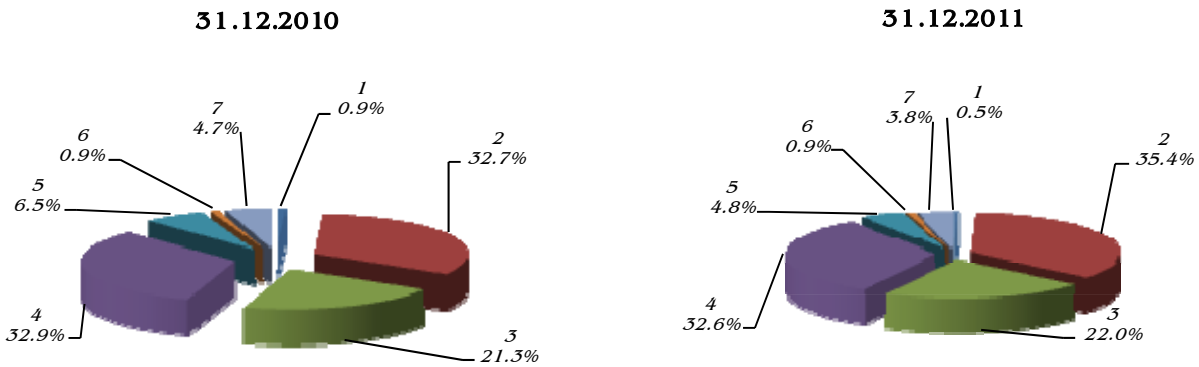
Structure of banking system attracted funds

As of December 31, 2011, the share of the expense-bearing liabilities in the total liabilities of the banking system totaled 94.9 percent (compared with 94.3 percent in the previous year). Excluding low cost demand deposits, the share of cost incurring time deposits increased 0.7 percentage points compared to the previous year, reaching 72.3 percent.

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 liabilities to Government shrunk.

At the end of 2011, 24 percent of the attracted funds were on demand (deposits, banking accounts, correspondent accounts and etc.), 51 percent were time deposits with a maturity of up to 1 year, and 25 percent were time deposits with a maturity of over 1 year (as of 31.12.2010 respectively 24,48,28 percent).

Chart 10. Structure of the Banking System Total Liabilities



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

Commercial banks' customers

During 2011, the number of customers serviced by commercial banks increased by 19.3 percent and by the end of the year totaled 1 million 357.8 thousand mainly driven by growth of natural person customers. Compared to the previous year, the number of natural person customers increased by 20.5 percent and totaled 1 million 68.6 thousand, while the number of legal entity customers increased by 0.6 percent and totaled 69.6 thousand.

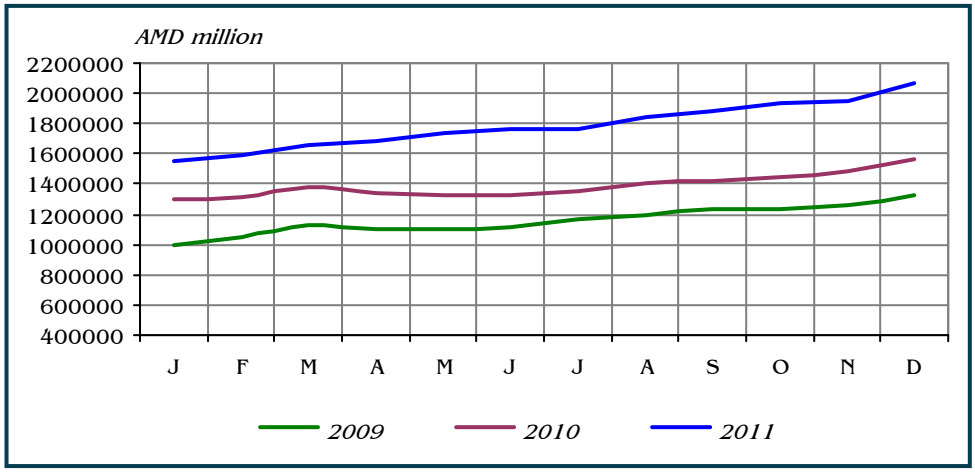
Over the year, the number of bank accounts (current and term) grew by 22.4 percent and totaled 2 million 214 thousand. The number of accounts of legal entities grew by 7.5 percent and totaled 145 thousand by the end of the year. The number of accounts (current and time) of natural persons grew by 23.9 percent and by the end of the year totaled 2 million 69 thousand.

BANKING SYSTEM ASSETS

Growth trends of financing provided by the banking system

Over 2011, total assets of the banking system increased by 32.4 percent (by AMD 506 billion), and totaled AMD 2 trillion 67 billion at the end of the year.

Chart 11.
Total Assets of the Banking System

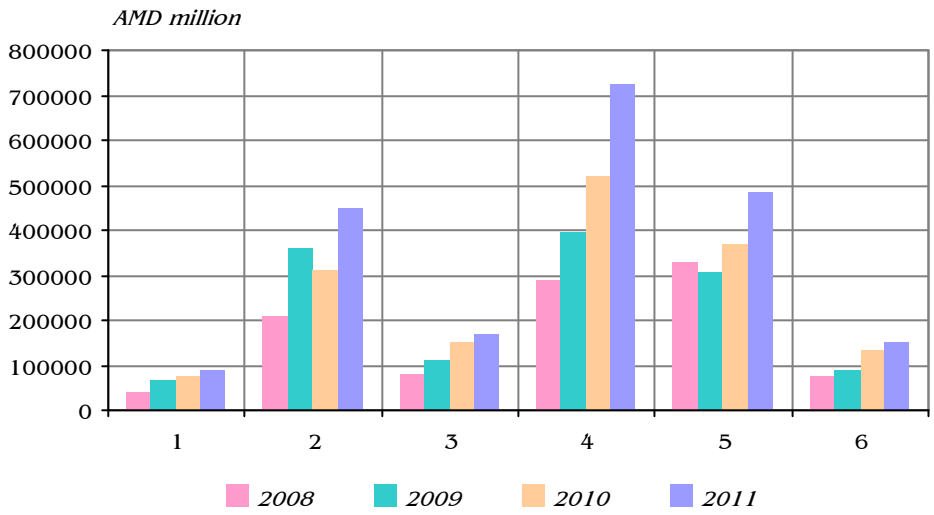


Growth of assets was mainly driven by the growth of loans to economy (AMD 321.9 billion), correspondent accounts in the Central Bank and other claims to the Central Bank (AMD 115.5 billion). During 2011, loans to economy increased by 36.2 percent and totaled AMD 1 trillion 211 billion. Growth was driven both by growth of loans to legal entities and natural persons (the growth rate was respectively 39.4 and 31.7 percent).

Correspondent accounts held in the Central Bank and other claims to Central Bank increased by 73.2 percent and totaled AMD 273.3 billion by the end of year. Investments in government securities increased by 10.7 percent and totaled AMD 167.5 billion by the end of year. Correspondent accounts in banks decreased by 1.5 percent and totaled AMD 58.4 billion. The latter are prone to concentration by residency. As of 31 December 2011 96.8 percent of correspondent accounts were abroad (in 2010 84.8 percent).

Compared to previous year, the concentration of correspondent accounts in terms of geographic breakdown increased. The shares of correspondent accounts held in US banks was 44 percent, in German banks – 22 percent, in Russian banks – 12 percent, and in banks of other countries – 12 percent (31.12.2010 USA – 30 percent, Germany – 24 percent, Russian Federation – 12 percent, other countries 34 percent).

Chart 12.
Banking System Assets



1. Cash, 2. Claims to financial institutions (including commercial banks and the Central Bank), 3. Government securities, 4.Loans to legal entities, 5. Loans to natural persons, 6. Other assets

Structure of allocated funds by the banking system

During 2011 the share of interest-bearing assets within total assets decreased by 1.6 percentage points and totaled 74.4 percent at yearend. If correspondent accounts with low return are excluded, the share of other interest-bearing assets would be 73.0 percent (compared with 74.6 percent as of 31.12.2010).

In the structure of assets, the share of claims to the Central Bank (including correspondent accounts at the Central Bank) and loans to economy increased by 3.1 and 1.6 percentage points. While share of claims to the banks (including correspondent accounts) and governmental securities decreased respectively by 1.3 and 1.6 percentage points.

In 2011, the share of demand funds increased. As of December 31, 2011, 20.6 percent of the allocated funds were demand, 39.4 percent had a maturity of 1 to 12 months, and 40.0 percent had a maturity over 1 year, or were with no term (compared with 18, 40 and 42 percent, respectively in the previous year).

Chart 13. Structure of the Banking System Assets

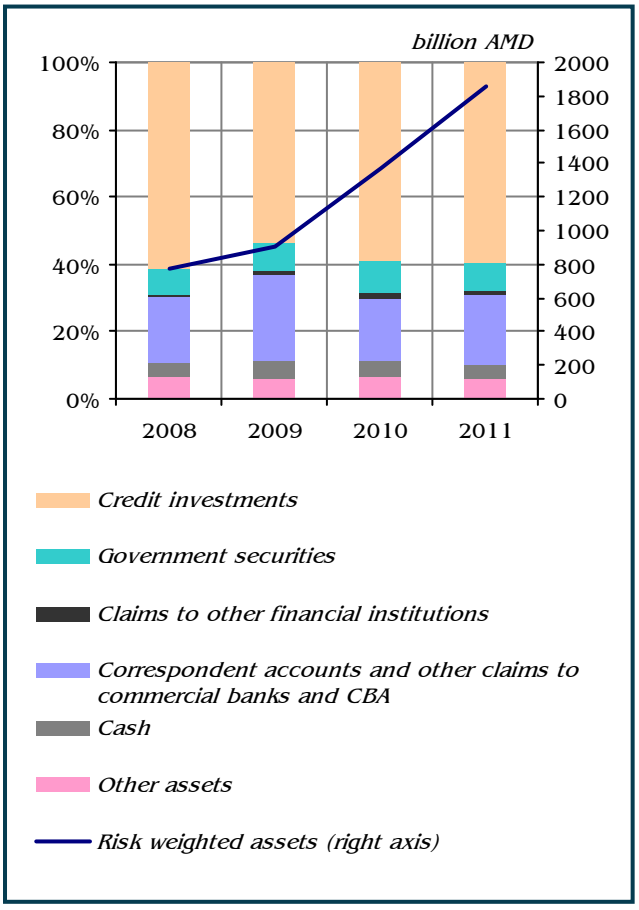
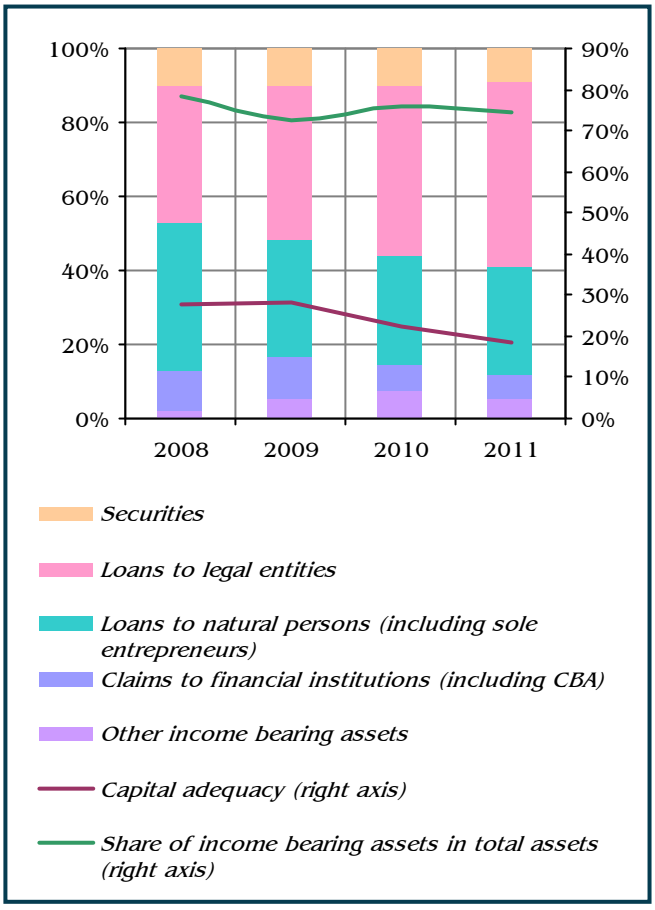


Chart 14. Structure of Interest-Bearing Assets



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

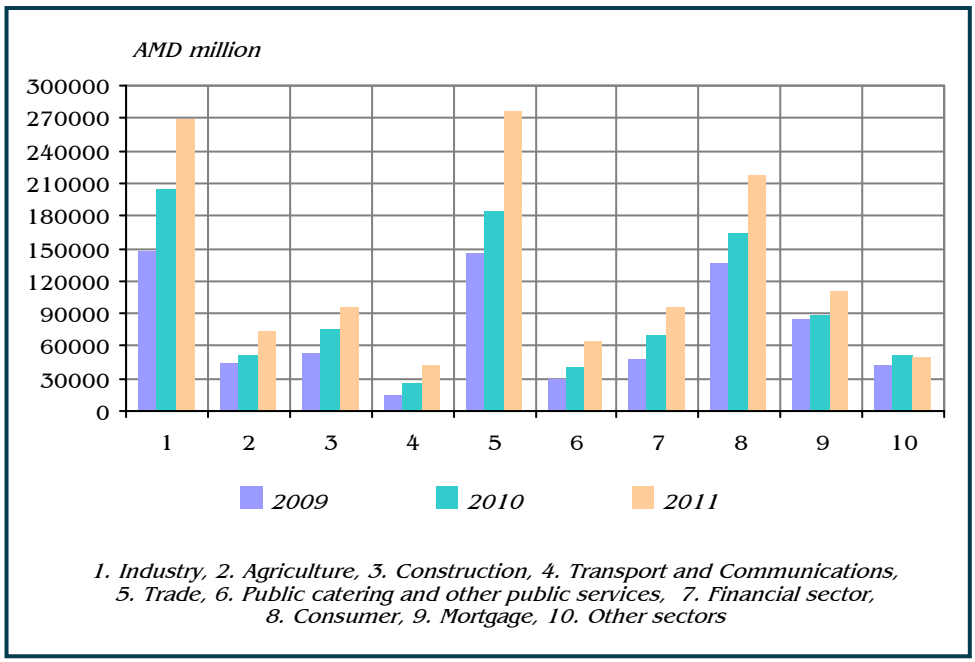
Over 2011 the banks remained active in their lending policy. The decreasing interest rate trend for both dram and foreign exchange loans persisted. Remarkably the decrease of interest rates was more noticeable for foreign exchange loans.

Compared to previous year, banking system credit investments (total loans, leasing, factoring, loans and deposits to financial institutions) increased by 33 percent (AMD 338.1 billion) and totaled AMD 1 trillion 362 billion. Dram credit investments increased by 22.9 percent (AMD 98.7 billion) totaling AMD 528.8 billion at year-end. Foreign exchange credit investments increased by 40.3 percent (AMD 239.4 billion) and at year-end totaled AMD 833.3 billion. As a result, the share of foreign exchange credit investments within total credit investments increased by 3.2 percentage points reaching 61.2 percent.

Credit investments to non-residents decreased by 0.2 percent and totaled AMD 68.0 billion, while credit investments to residents grew by 35.4 percent and totaled AMD 1 trillion 294.1 billion.

During 20110, growth of credit investments was observed almost in all sectors. Industry lending grew by 31.8 percent, agriculture - 40.2 percent, construction - 28.3 percent, transport and communications - 65.7 percent, trade - 49.2 percent, public catering and other public services - 59.9 percent, financial sector - 37.4 percent, consumer loans - 32.8 percent, mortgage loans - 25.2 percent, while other sectors decreased by 5.3 percent.

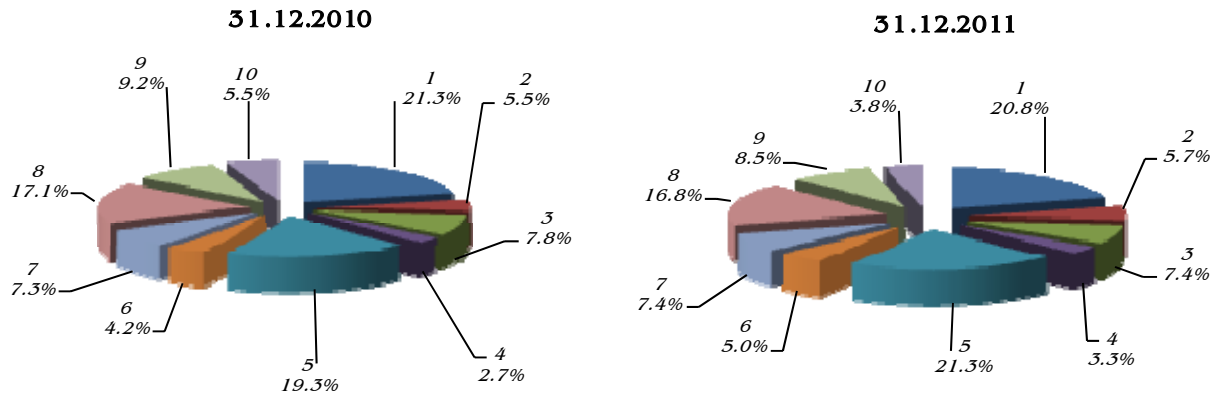
Chart 15. Loans Issued to Residents and Debts Receivable



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

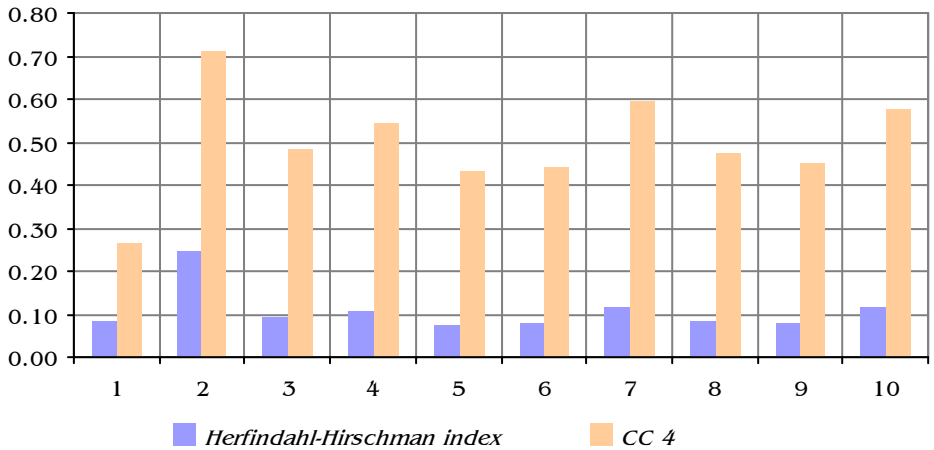
As of 31.12.2011, banking system lending was mainly directed to trade, industrial and consumer sectors.

Chart 16. Structure of Loans Extended to Residents and Debts Receivable 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 17. Concentration of Loan Portfolio 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 stayed unchanged at 0.11 level. The average concentration by banks didn't change either - 0.167, which indicates a relatively high level of the sectoral concentration of lending in a number of banks.

During 2011, the share of long-term loans (with the maturity of 1 year and more) increased by 0.7 percentage points and totaled 72.1 percent.

The recovery of lending was considerably boosted by the loan projects of international organizations provided by the mediation of the banks. Those loans are mainly long-term. As of 31.12.2011, 18 banks and 11 credit organizations operating in Armenia serviced nearly all the credit projects supported by the following international financial institutions:

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

In 2011, loans provided by the banks and credit organizations within the framework of the projects supported by foreign institutions grew by 22.7 percent and at the end of the year totaled AMD 206.8 billion. As of December 31, 2011, the share of the overdue loans within above mentioned loans was 0.7 percent. 92.2 percent of the loans had a maturity over one year, 3.3 percent had a maturity from 6 months to one year and 4.5 percent up to 6 months. As of December 31, 2011, the major sectors that received loans were the industry sector (29.2 percent), trade (27.8 percent) and agriculture (10.8 percent).

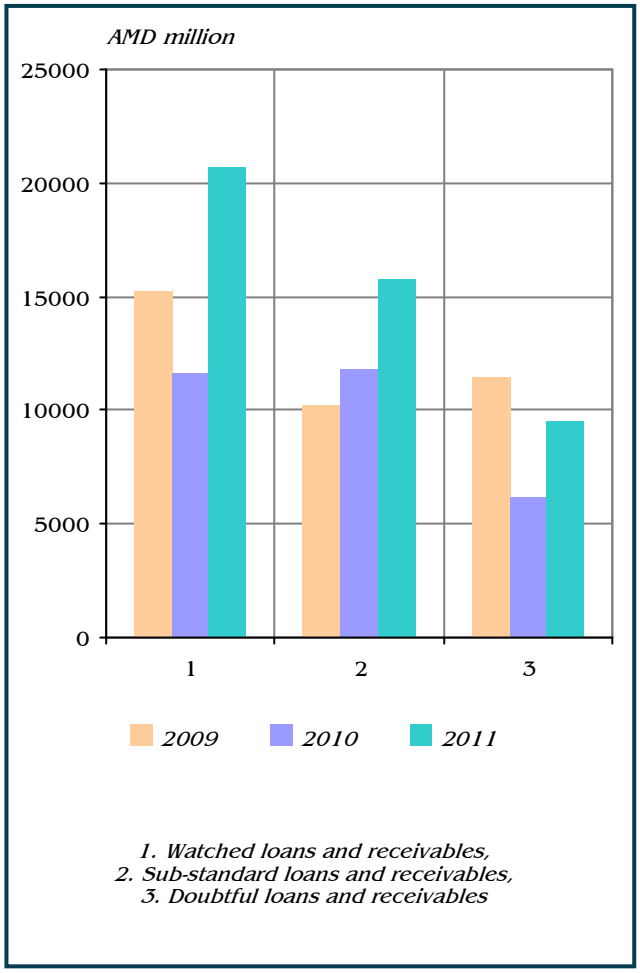
Quality of credit portfolio

During 2011, the share of non-performing loans (watched, sub-standard and doubtful) increased by 0.3 percentage points and totaled 3.4 percent and the share of non-performing assets (loans and receivables) increased by 0.5 percentage points and totaled 3.3 percent at year-end.

The amount of non-performing loans and receivables increased by AMD 16.3 billion and totaled AMD 45.9 billion, while the amount of standard assets grew by AMD 333.5 billion and totaled AMD 1 trillion 365.6 billion. At the end of the year, 0.3 percent of the non-performing assets belonged to non-residents, while 99.7 percent belonged to residents.

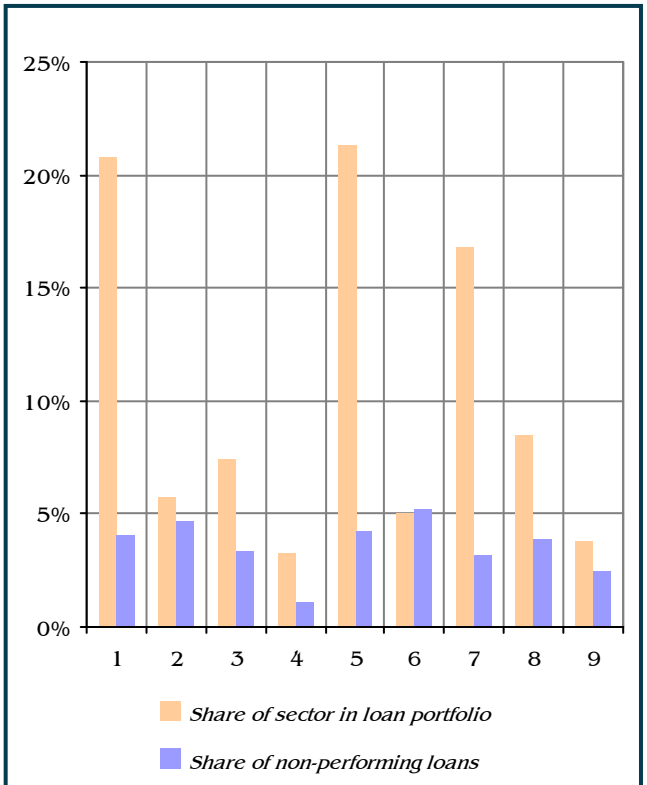
Relatively high NPL ratio was observed in public catering and other public services, agriculture and trade sectors with respective 5.2, 4.7 and 4.2 percent NPLs.

Chart 18. Banking system Non-Performing assets



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

Chart 19. 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 FINANCIAL PERFORMANCE[5]

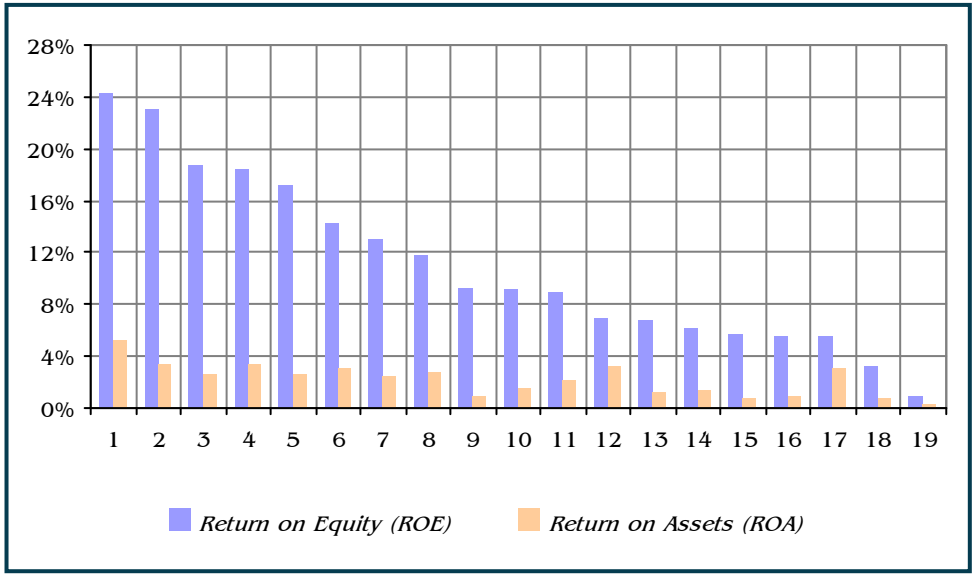
Banking System Profitability

In 2011, profit of the banking sector according to supervision reports totaled AMD 33.2 billion[6]. During the year, 19 banks operated with profit.

According to IFRS net profit totaled AMD 43.1 billion, Return on Assets (ROA) totaled 2.3 percent and Return on Equity (ROE) 12.7 percent.

Compared to 2010, the ROA and ROE (based on supervision reports) slightly decreased by 1.8 and 9.8 percent, respectively (compared with 2.2 and 10.7 percent in 2010). Over the year, banking system net operational margin[7] decreased by 0.1 percentage points and totaled 3.3 percent.

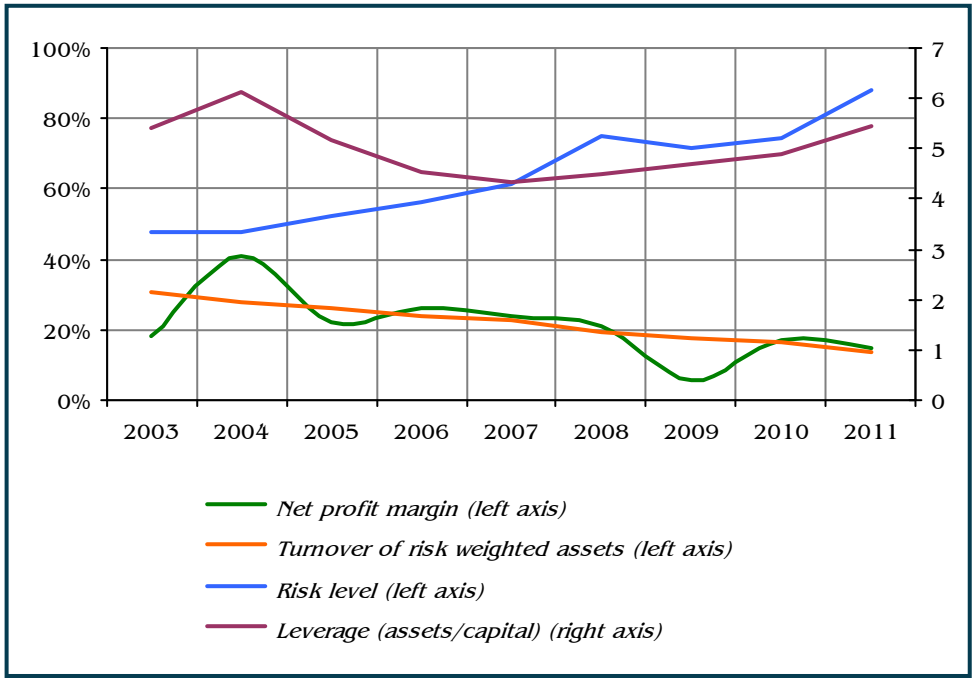
Chart 20. Profitability for 19 Profitable Banks (2011 annual)



The Herfindahl-Hirschman index of concentration for 19 profitable banks totaled 0.09 reflecting a low level of concentration in the banking sector in regard to profit.

[5] Except when it is mentioned that profit was calculated according to IFRS in all other cases the profit, income and expense components are calculated based on supervisory reports submitted to the Central Bank.
[6] 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.
[7] Net operational margin is equal to the net interest and net non-interest income to average annual total assets.

Chart 21.
Dynamics of ROE Components



The ROE[8] decrease was mainly conditioned by the decreases of net profit margin and risk weighted asset turnover. Risk weighted asset turnover decreased by 0.5 percentage points and totaled 13.8 percent. The latter is conditioned by decreasing interest rates as a result of growing competition and active lending policy. As a result the growth rate of risk weighted assets exceeded the growth rate of gross operational income (the annual average growth rates of operational income and risk weighted assets were respectively 26.7 and 52.6 percent).

Net profit margin decreased by 6.6 percentage points and totaled 14.8 conditioned by 16.8 higher growth rate of gross operational income over net profit.

ROE was positively impacted by growth of risk coefficient and leverage. In 2011 the risk coefficient increased by 13.7 percentage points amounting 88.2 percent, while leverage (average assets to average capital ratio) increased by 0.5 points and totaled 5.44.

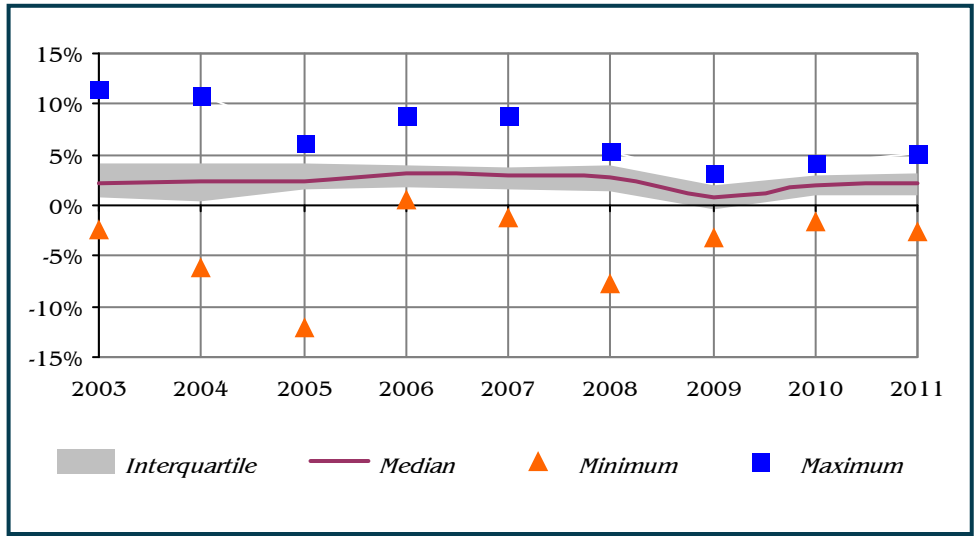
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[8] *In this analysis ROE of banks is calculated through following components:*

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

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 and RBA ratio is risk factor.

Chart 22. Return on Assets (ROA) of Banking System



In 2011, compared to 2010, the interquartile range of banks' ROA increased by 0.2 percentage points and totaled 2.2 percent, which demonstrates slightly increasing dispersion level of banks' ROA. The growth of interquartile range was conditioned by the growing difference of median and 1st quartile. In 2011 (3rd quartile minus median) and (median minus 1st quartile) were respectively 0.9 and 1.3 percent (0.9 and 1.1 percent in 2010).

Structure of Income and Expenses

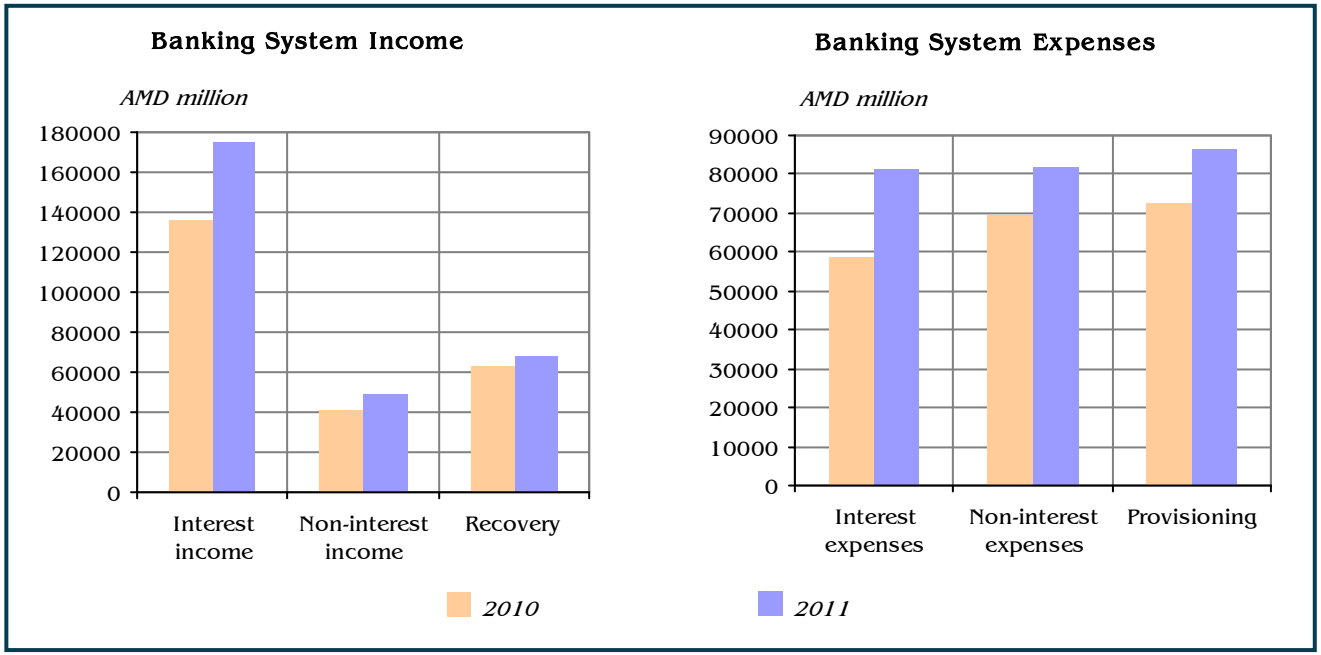
In 2011 the share of interest income in total gross income and the share of interest expenses in total gross expenses increased.

Compared with the previous year, gross income grew by 22.0 percent, while gross expenses increased by 24.3 percent. Within gross income, interest income grew by 28.9 percent; non-interest income by 19.5 percent, while recoveries on the reserve for possible asset losses increased by 8.6 percent.

Compared with the previous year, interest expenses grew by 38.9 percent, non-interest expenses by 17.7 percent, while the provisions to the possible asset losses reserve increased by 18.8 percent.

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 2.9 percentage points, while the share of provisions to the possible asset losses reserve in total expenses decreased by 1.6 percentage points.

Chart 23. Banking System Income and Expenses



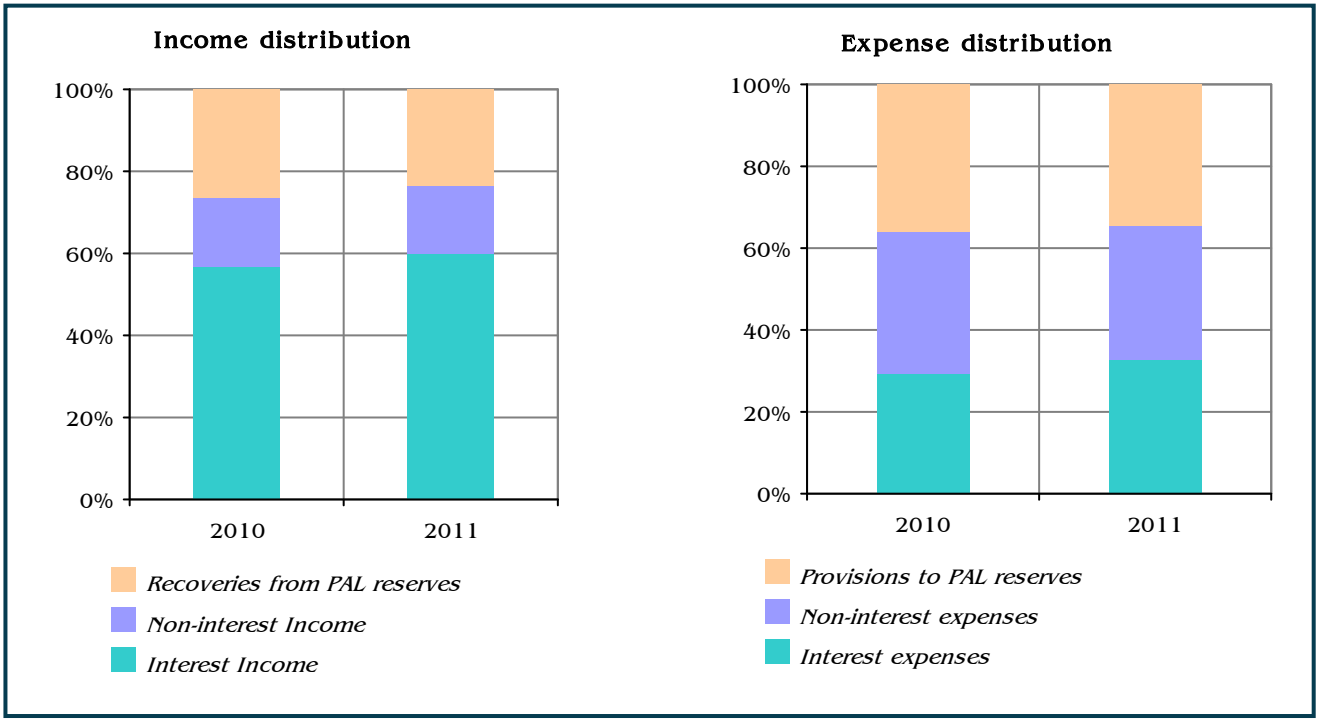
The growth of the banking sector interest income was mainly driven by growth of income on loans provided to economy. The share of latter in total interest income was 78.1 percent (80.3 percent as of 31.12.2010).

In the structure of non-interest income growth of income from commission fees, net factoring income and net profit from securities trading was registered. In the structure of non-interest income the share of income from commission fees and foreign exchange trading income prevail with respective 47.4 and 28.2 percent (47.4 and 33.6 percent as of 31.12.2010).

The growth of interest expenses was mainly driven by expenses associated with time deposits, attracted funds from commercial banks and other financial institutions and attracted funds from international financial organizations. The share of abovementioned components in total interest expenses was respectively 45.3, 20.5 and 6.6 percent (compared with 49.5, 16.7 and 4.9 percent in previous year).

The 45.7 percent of the growth of non-interest expenses was driven by the growth of salaries and other payments deemed thereto, the share of which in non-interest expenses increased by 0.4 percentage points, totaling 43.1 percent at year-end.

Chart 24. Structure of Banking Sector Income and Expenses



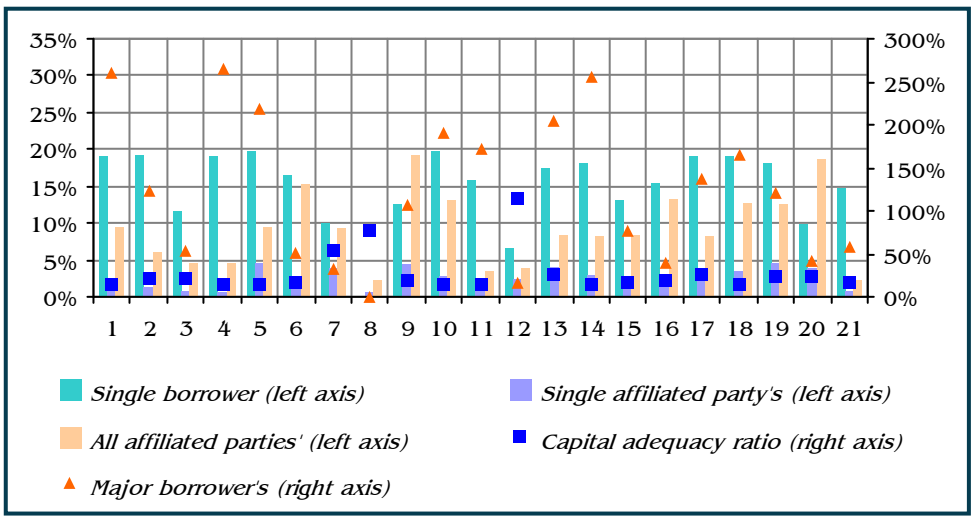
BANKING SECTOR FINANCIAL RISKS

In 2011, the risks of the Armenian commercial banks were at a manageable level and threats to the financial stability were not observed. As a result of growth in banking sector and improving efficiency, during 2011 the indicators characterizing risks in banking system slightly weakened. But it is worth mentioning that the commercial banks operated generally within the framework of prudential requirements and the capital adequacy and liquidity prudential ratios of the banking system were higher than required level.

Table 7. Prudential Ratios of Banking System

Indicators	31.12.2010	31.12.2011	Prudential thresholds
Capital adequacy ratio	22.2%	18.3%	12%
General liquidity ratio	29.5%	27.9%	15%
Current liquidity ratio	131.5%	120.8%	60%
Single borrower's maximum ratio (median)	14.5%	16.6%	20%
Major borrower's maximum ratio (median)	81.3%	121.0%	500%
Bank's single affiliated party's maximum ratio (median)	2.8%	2.8%	5%
Bank's all affiliated parties' maximum ratio (median)	8.3%	8.5%	20%

Chart 25.
Prudential ratios of Banks
(as of 31.12.2011)



Credit risk

In banking system the importance of proper credit risk management is emphasized as it is the biggest risk in quantitative aspect.

Parallel to the growth of credit portfolio, in 2011 the share of non-performing loans ("watched", "sub-standard" and "doubtful" loans) slightly increased (by 0.3 percent compared to 2010 year-end) and at year-end totaled only 3.4 percent of total loans.

Chart 26. Dynamics of Loans to Economy and Non-performing Assets by quarters

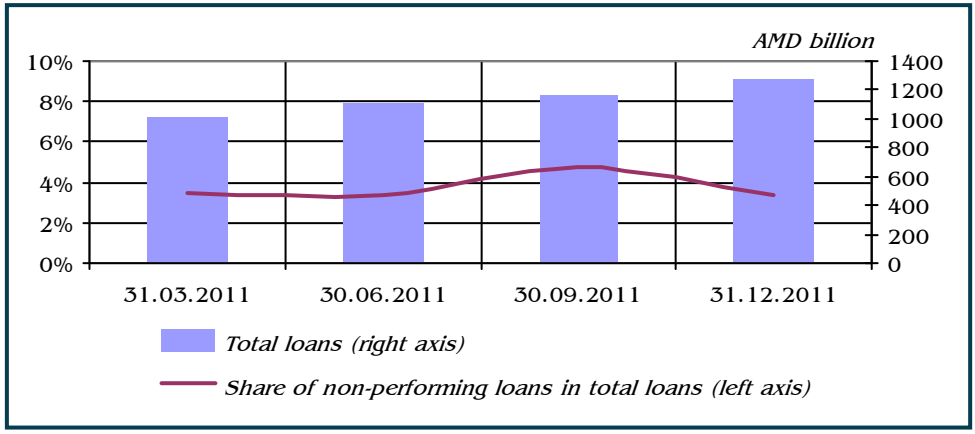


Chart 27. Dynamics of Loans to Economy and Non-performing Assets by years

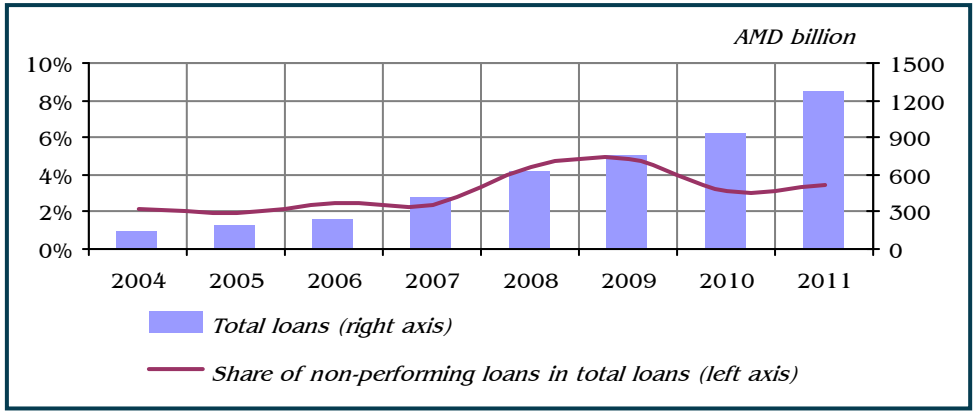
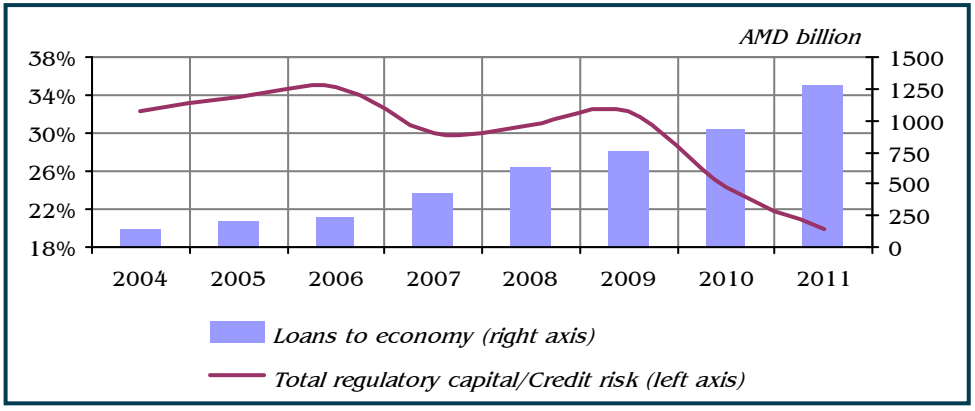
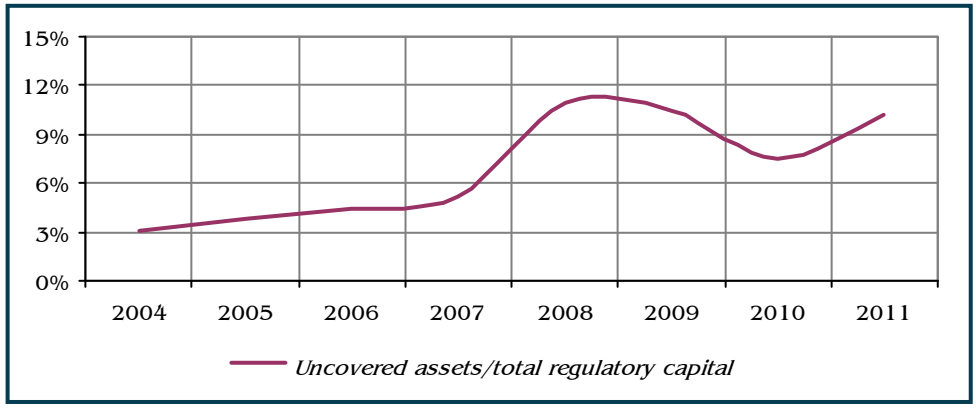


Chart 28. Dynamics of Loans to Economy and Credit Risk



At year-end 2011, non-performing assets (loans and payables) amounted 13.5 percent of total capital (9.7 percent in the previous year). Assuming the exclusion of AMD 11.4 billion possible asset losses reserve from AMD 45.9 billion non-performing assets, the remaining part of the non-covered non-performing assets will be equal to 10.2 percent (in 2010 7.5 percent) of the regulatory capital, which means that in case, 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 29. Dynamics 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



During 2011, the share of net provisions in total assets increased by 0.3 percentage points and totaled 0.9 percent.

Table 8. Credit Risk Stress Tests

31.12.2011	Stress Scenarios		
	25 percent of loans in watched, substandard and doubtful categories classified into loss loans	75 percent of loans in doubtful category classified into loss loans	30 percent of loans in standard category classified into watched loans
Loss of the banking system	AMD 8.2 billion or 2.4 percent of regulatory capital of the banking system	AMD 3.0 billion or 0.9 percent of regulatory capital of the banking system	AMD 37.6 billion or 12.5 percent of regulatory capital of the banking system
Total capital adequacy of the banking system in case of stress-scenario	17.9%	18.1%	16.6%

According to credit risk stress tests the credit risk was at manageable level. In case of worst scenarios the possible losses don't significantly undermine solvency of banking system and the capital adequacy stays higher than prudential requirement.

Foreign exchange risk

Though the U.S. dollar/Armenian dram exchange rate fluctuated in 2011, on an average annual basis it stayed almost at the same level. The annual average appreciation of Armenian dram against U.S. dollar was 0.3 percent, while depreciation compared to 2010 year-end totaled 5.8 percent. Reflecting the fluctuations of the dram exchange rate against other currencies, the banking system generated 52 million dram currency revaluation income (AMD 1.1 billion loss in 2010). Loss from revaluation of currency was observed in 13 banks, while 8 banks had revaluation profit. The banking system had AMD 13.7 billion income from foreign exchange trade (AMD 13.5 billion in the previous year). Calculations in accordance with the foreign exchange risk assessment VaR (Value at Risk) methodology as of December 31, 2011 show with 95 percent confidence interval that possible daily losses on currency revaluation will not exceed AMD 52 million (AMD 35 million as of 31.12.2010).

Table 9. Foreign Exchange Stress Tests

31.12.2011	Stress Scenarios	
	Profit(loss) in case of 1 percent appreciation(depreciation) of dram against dollar	Profit(loss) in case of 1 percent appreciation(depreciation) of dram against euro
Profit/Loss of the banking system in case of foreign exchange revaluation	AMD 41.6 million or 0.01 percent of regulatory capital (AMD -41.6 million)	AMD 0.9 million or 0.0003 percent of regulatory capital (AMD -0.9 million)

According to foreign exchange risk stress tests the banking system will not incur significant losses from foreign exchange fluctuations, which is conditioned by proper foreign exchange risk management in banks.

Liquidity risk

Over the year, the volume of highly liquid assets of the banking system increased by 26 percent (0.1 percent growth in 2010), while the total assets increased by 32 percent and the demand liabilities increased by 37 percent. Subsequently, the banking system total liquidity ratio (highly liquid assets to total assets ratio) and current liquidity ratio (highly liquid assets to demand liabilities ratio) decreased by 1.5 and 10.7 percentage points respectively and totaled 27.9 and 120.8 percent. Total and current liquidity indicators were above the prudential minimum requirements and did not pose liquidity risks.

From the liquidity point of view, the level of dependence of the banking system liabilities on large depositors is emphasized. In 2011, the share of "large" liabilities[9] was 28.3 percent (27.6 percent in 2010).

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

Chart 30.
Liquidity Prudential Ratios by Banks (as of 31.12.2011)

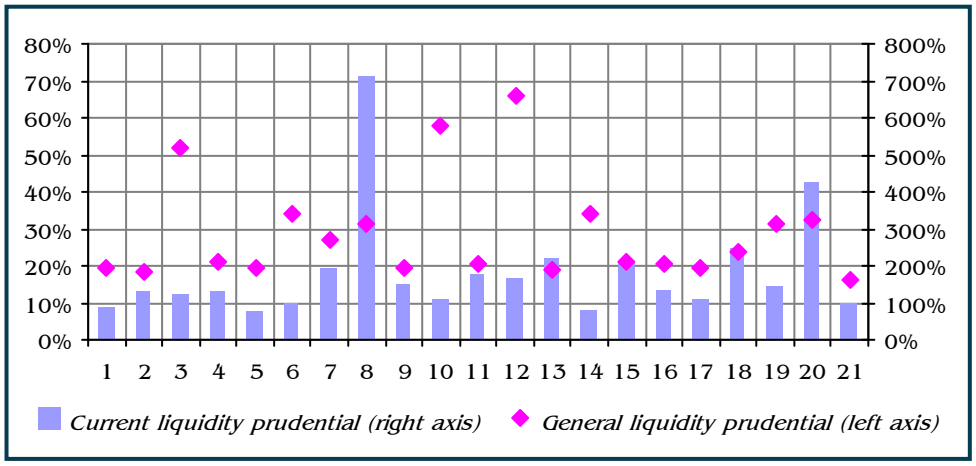


Table 10. Liquidity Stress Tests

31.12.2011	Stress Scenarios		
	Repayment of 25 percent of the time deposits of physical entities	Repayment of 25 percent of demand liabilities	Repayment of 25 percent of demand liabilities and repayment of 25 percent of time deposits of physical entities
Ratio of highly liquid assets to total assets of the banking system	23.6%	23.5%	18.6%
Ratio of highly liquid assets to demand liabilities of the banking system	96.0%	127.3%	94.7%

According to liquidity stress tests in case of the worst scenario the probability of liquidity issues in banking system stays low.

Price risk

In the Armenian banking system price risk is at a low level. At the end of the year, banking system investments in relatively risky non-government securities totaled AMD 5.0 billion, or 1.5 percent of the regulatory capital (1.9 percent in 2010), and therefore even sharp fluctuations of prices on these securities would not be a big threat for the stability of 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 to be quite low. In 2011, revaluation of the financial assets kept for trade and available for sale resulted in AMD 856 million loss (0.3 percent of capital) and revaluation of the fixed assets resulted in AMD 309 million loss (0.1 percent of regulatory capital, proving that minor fluctuations of prices on the fixed assets would not lead to high losses either). The results of stress tests show that even if market

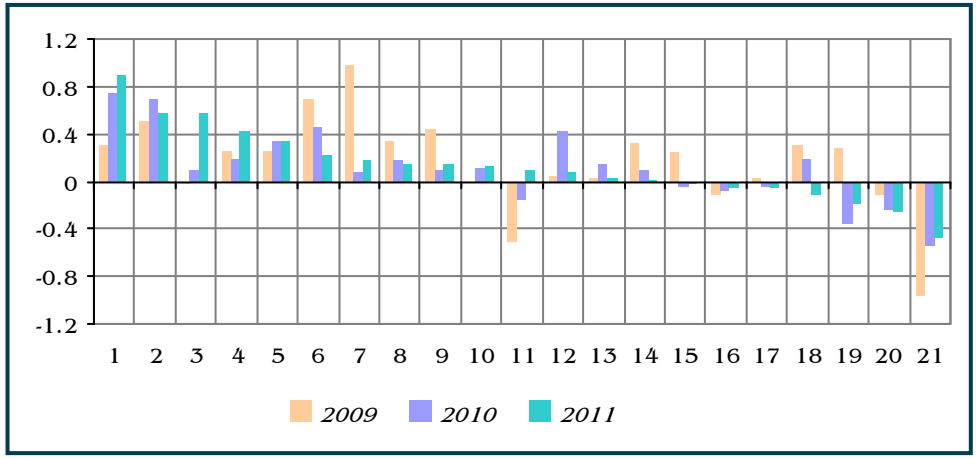
prices on the fixed assets drop by 30 percent, the real estate revaluation losses of the banking system would be equal to 6.4 percent of regulatory capital(as of end-December 2011, the value of the fixed assets totaled AMD 71.9 billion. The impact of real estate price drop on credit portfolio was also assessed from credit risk point of view. According to stress tests, a failure to recover 100 percent of vulnerable credit portfolio[10], given 30 percent devaluation of market prices on real estate, could lead to 6.4 percent loss (5.3 percent in 2010) of the total banking system regulatory capital(taking into consideration selling off collateralized fixed assets at depreciated price).

Interest rate risk

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.

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.

Chart 31. Duration Gap of Banking System Assets and Liabilities (as of 31.12.2011)



According to the calculations of interest rate risk based on duration methodology, 2 percentage points growth of total market interest rate (both assets and liabilities), would narrow economic value[11] of the banking system capital by AMD 2.3 billion or by 0.7 percent of regulatory capital.

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

[11] Economic value of capital is the difference between of asset cash flow's present value and liability cash flow's present value.

CREDIT ORGANIZATIONS

Domestic credit organizations

As of December 31, 2011, there were 32 credit organizations operating in Armenia (with 78 branches), of which 3 were leasing companies, 1 credit union, 26 universal credit companies and 2 refinancing credit organizations. During 2011, the number of credit organizations' branches grew by 18.

In 2011, only one company was granted license for carrying out credit organization business activities, namely "Fast Credit" CJSC universal credit organization.

Credit organizations concentration

During 2011, concentration level of credit organizations mainly stayed at the same level. The Herfindahl-Hirschman Index by various aggregate indicators was within 0.07-0.1 range, reflecting low level of concentration in the credit organization system.

Table 11. The Herfindahl-Hirschman Index of concentration

Indicators	31.12.07	31.12.08	31.12.09	31.12.10	31.12.11
Total assets	0.14	0.14	0.10	0.07	0.07
Total liabilities	0.20	0.17	0.12	0.08	0.08
Total capital	0.09	0.09	0.11	0.09	0.10
Loans to economy, leasing, factoring	0.16	0.15	0.11	0.08	0.08

Chart 32. The Herfindahl-Hirschman Index of Concentration for Different Indicators

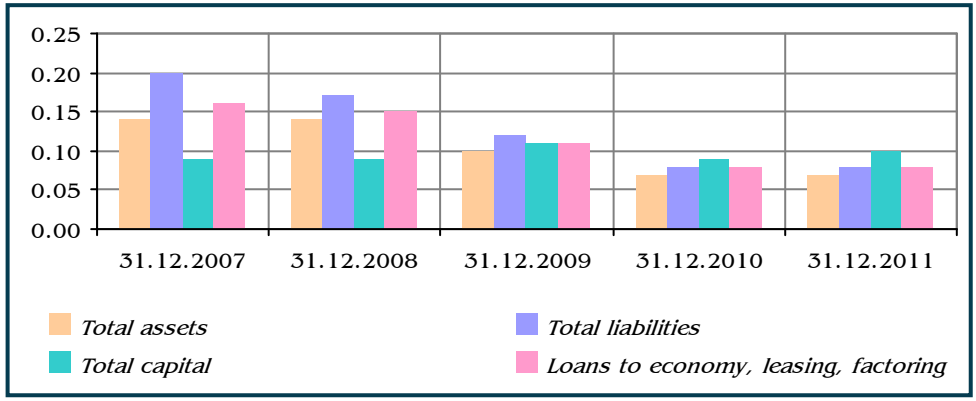
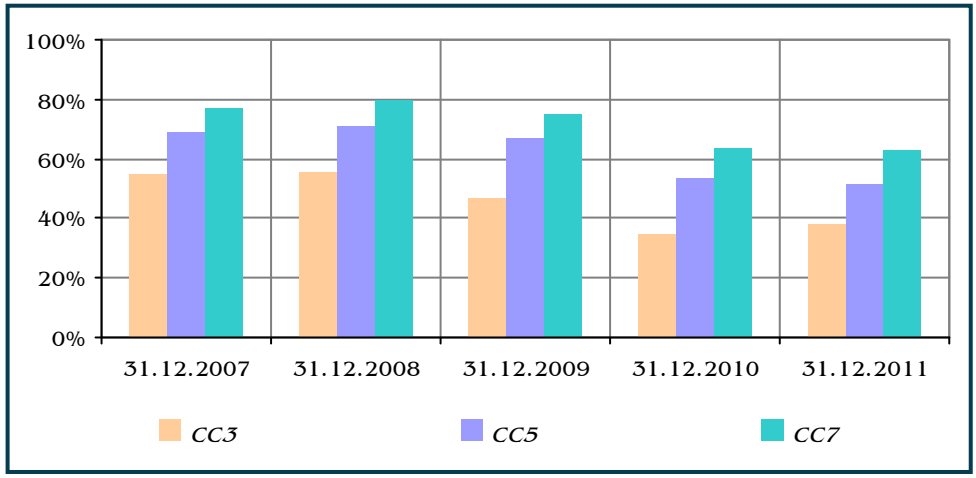


Chart 33. Concentration Coefficient of 3,5 and 7 Major Credit Organization for Assets (share in total)



ASSETS, LIABILITIES, CAPITAL AND FINANCIAL RESULTS OF CREDIT ORGANIZATIONS

Capital of credit organizations

During 2011, total capital of credit organizations grew by 30.2 percent mainly conditioned by the growth of statutory capital and totaled AMD 46.8 billion.

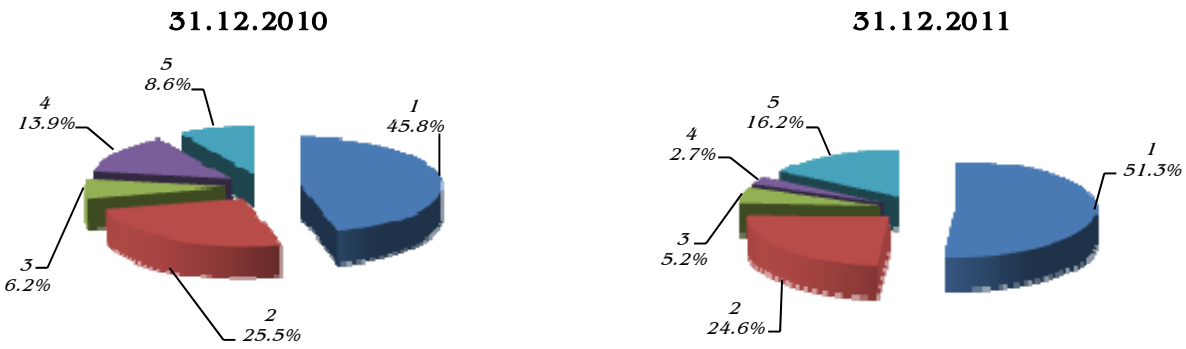
During 2011, the share of non-resident in statutory capital of credit organizations increased by 2.9 percentage points and totaled 39.2 percent at year-end. In 5 out of 13 credit organizations with foreign participation, 100 percent of shares were owned by non-residents.

Liabilities of credit organizations

Liabilities increased by 50.3 percent and totaled AMD 77.0 billion. Major source for the liability growth was the increase of liabilities to banks and other financial organizations- 68.2 percent, time and demand liabilities to natural persons and legal entities – 41.5 percent and increase of liabilities toward Armenian government – 29.0 percent.

In 2011, the demand liabilities towards legal and natural persons increased by 49.2 percent, and the time liabilities increased respectively by 41.4.

Chart 34. Liability Structure of Credit Organizations



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

In the structure of time and demand liabilities towards natural and legal entities dram liabilities increased by 41.8 percent, while foreign exchange liabilities increased by 40.9.

Assets of credit organizations

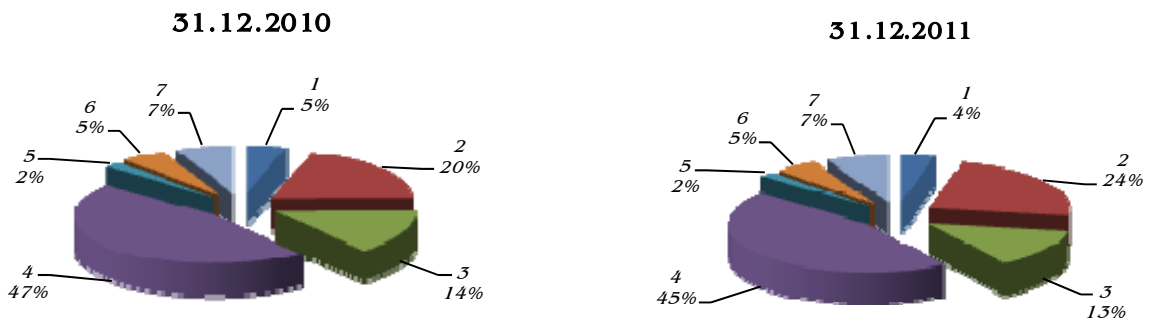
Over 2011, total assets of credit organizations grew by 42.0 percent and totaled AMD 123.9 billion (6 percent of the banking system assets). At the end of 2011 asset growth was observed in 30 credit organizations, while for 2 credit organizations a decline in assets was observed.

Within the structure of assets mainly loans to economy increased (including leasing) by 35.4 percent and totaled AMD 80.8 billion, while claims to banks increased by 67.8 percent and totaled AMD 29.5 billion.

In the sectoral breakdown of lending, growth was observed in lending to financial sector - 73 percent (AMD 14.0 billion), agricultural sector – 57 percent (AMD 8.1 billion) and industrial sector – 155 percent (AMD 6.6 billion).

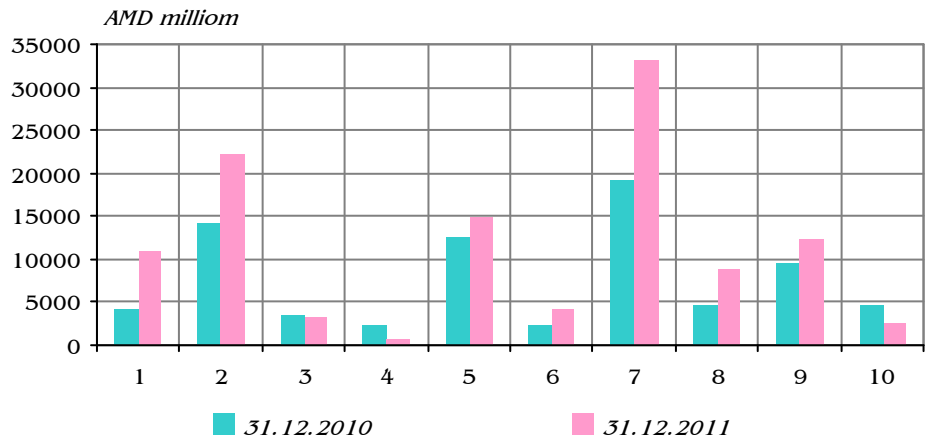
The share of loans to industry, agriculture, financial sector and consumers in total loans increased.

Chart 35. Asset Structure of Credit Organizations



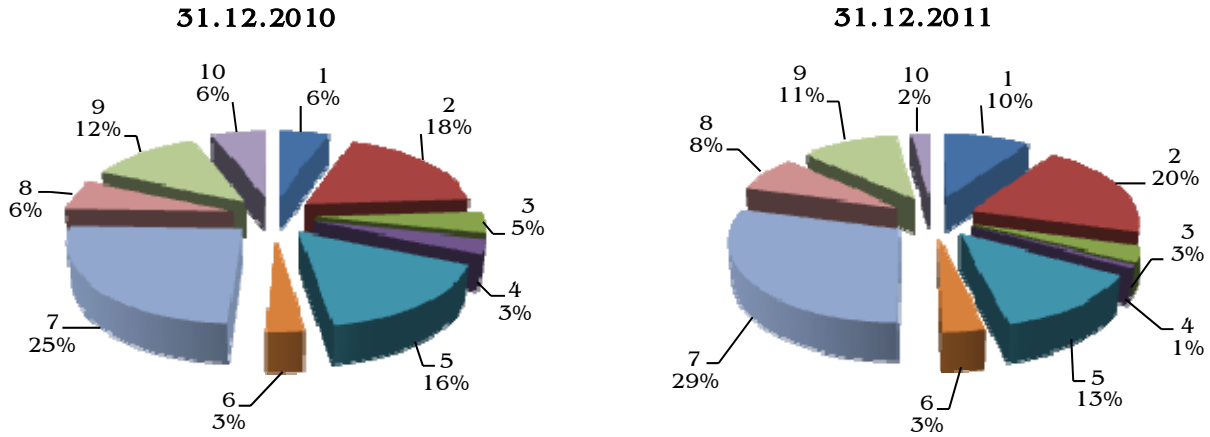
1.Bank accounts, 2.Claims to banks, 3.Loans to legal entities, 4.Loans to natural persons, 5.Loans to affiliated parties and employees, 6.Leasing, 7.Other assets

Chart 36. 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 37. 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 2011, the share of non-performing assets of credit organizations ("watched", "sub-standard" and "doubtful" loans) decreased by 0.3 percentage points and at the end of the year reached 2.7 percent. The largest share of non-performing loans within the sectors of economy was mortgage sector (6.4 percent of the loans). The smallest share of non-performing loans was construction sector (1.1 percent of the loans).

Financial results of credit organizations[12]

In 2011 net profit of credit organizations according to supervision reports reached AMD 4.9 billion. 30 credit organizations out of all companies operating by the end of 2011 were profitable with net profit of AMD 5.0 billion. In 2011, the return on assets (ROA) of credit organizations was 4.6 percent, and return on equity (ROE) was 12.0 percent.

[12] *Except when it is mentioned that profit was calculated according to IFRS in all other cases the profit, income and expense components are calculated based on supervisory reports submitted to the Central Bank.*

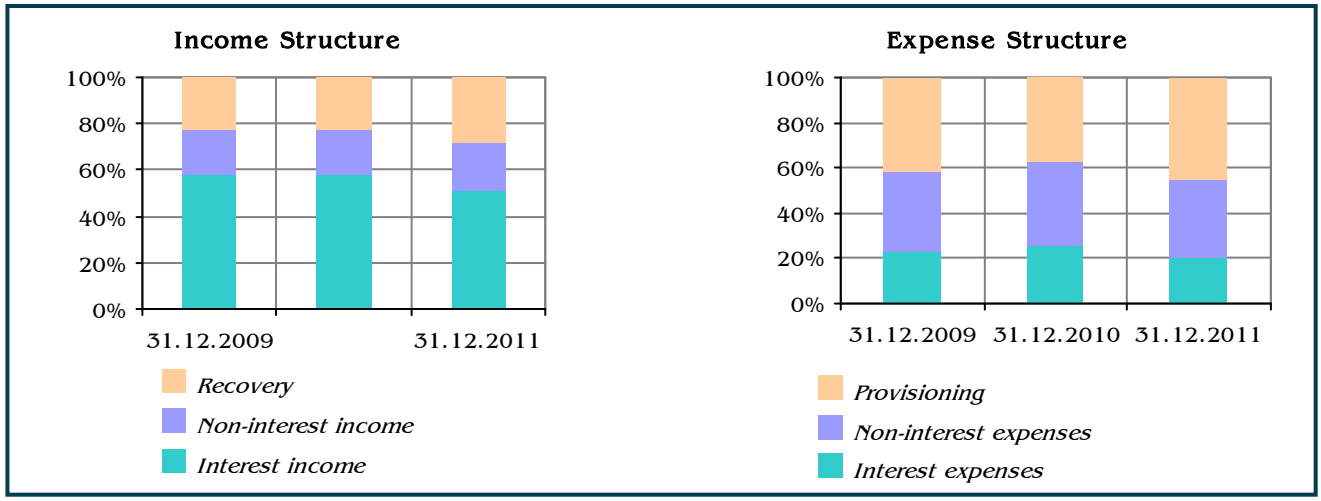
The net profit of credit organizations according to IFRS[13] was AMD 7.1 billion; ROA was 6.7 percent and ROE- 17.3 percent.

The interest income of credit organizations increased by 25 percent 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 remained almost the same and totaled 78 percent at year-end.

The non-interest income growth was mainly conditioned by increase of commission fees. Though the commission fees had biggest absolute growth, nevertheless their growth rate was lower than the growth rate of other non-interest income components. As a result the share of commission fees dropped by 5 percentage points during the year and totaled 60 percent at the year-end.

The interest expenses increased by 24 percent, mainly driven by increase of interest payments for time borrowings. The share of latter in total interest expenses was 38 percent (39 in 2010), while the interest payments for loans from banks and other financial organizations accounted for 39 percent (41 in 2010) of total interest expenses.

Chart 38. Income and Expense Structure of Credit Organizations



The non-interest expenses increased by 39 percent, mainly conditioned by the growth of salaries and other payables to staff. The share of the latter in total non-interest expenses accounted for 56 percent (57 percent in 2010).

[13] *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.*

Insurance companies operating in Armenia

As of 2011 December, 9 insurance companies[14] (with 5 branches) had licenses for insurance activities in Armenia. All insurance companies carried out only non-life insurance activities.

Concentration in the insurance system

In 2011, Herfindahl-Hirschman concentration index of main financial indicators of the insurance system (except sums insured) increased. The growth was mainly conditioned by decreased number of market participants.

Chart 39. Herfindahl-Hirschman concentration index of main financial indicators

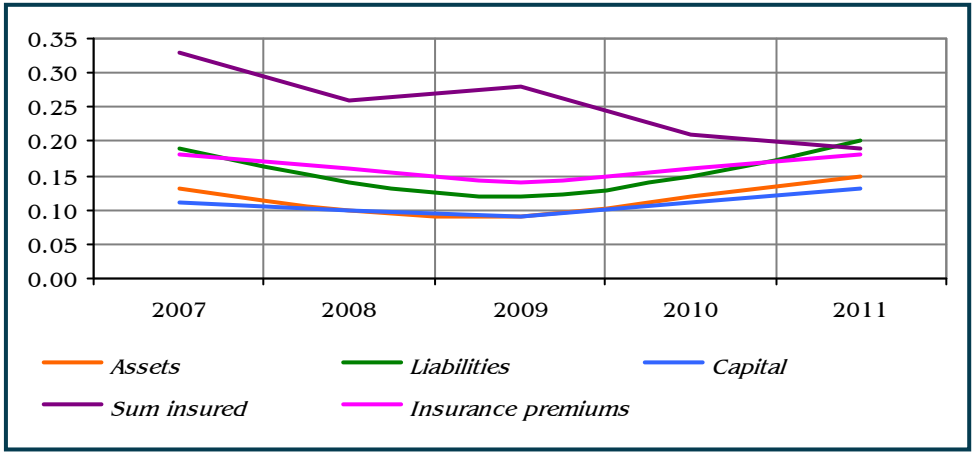


Table 12. Herfindahl-Hirschman Concentration Index

Indicators	31.12.09	31.12.10	31.12.11
Assets	0.09	0.12	0.15
Liabilities	0.12	0.15	0.20
Capital	0.09	0.11	0.13
Insurance amounts	0.28	0.21	0.19
Insurance premiums	0.14	0.16	0.18

[14] *As one insurance company was in self-liquidation process and did not submit reports for the last quarter of 2011, presented data includes indicators of 8 insurance companies.*

Table 13. Insurance System Concentration Level (%)

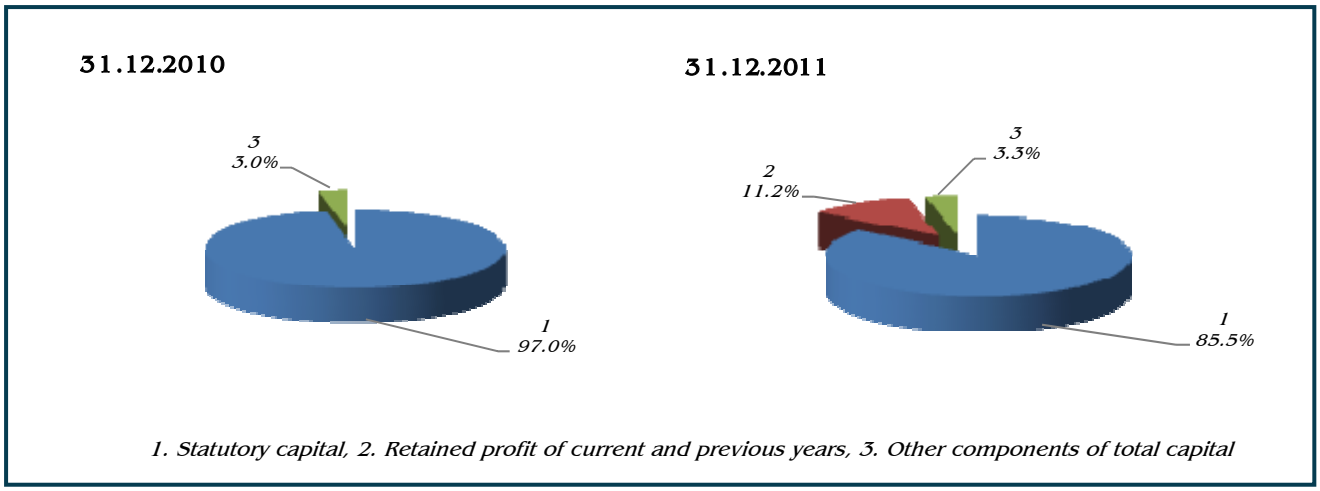
Indicators	31.12.08	31.12.09	31.12.10	31.12.11
Assets				
CC 2 (the share of assets of **two** largest insurance companies within insurance system total assets)	28	24	34	43
CC 5 (the share of assets of **five** largest insurance companies within insurance system total assets)	57	55	69	76
Liabilities				
CC 2	40	34	42	57
CC 5	78	71	79	87
Capital				
CC 2	27	25	27	29
CC 5	55	53	63	66
Sums Insured				
CC 2	65	70	57	54
CC 5	95	89	88	86
Insurance Premiums				
CC 2	44	41	46	51
CC 5	82	75	83	83

INSURANCE SYSTEM CAPITAL

In 2011, total capital of insurance system grew by 11.6 percent and totaled AMD 14.0 billion. The statutory capital decreased by 1.5 percent due to fewer number of reporting companies. In the structure of capital the share of statutory capital still prevailed.

As of 31.12.2011 the share of non-residents in the statutory capital of insurance companies was 36.7 percent. One of five insurance companies with foreign participations was wholly owned by non-resident.

Chart 40. Structure of Insurance Companies Total Capital

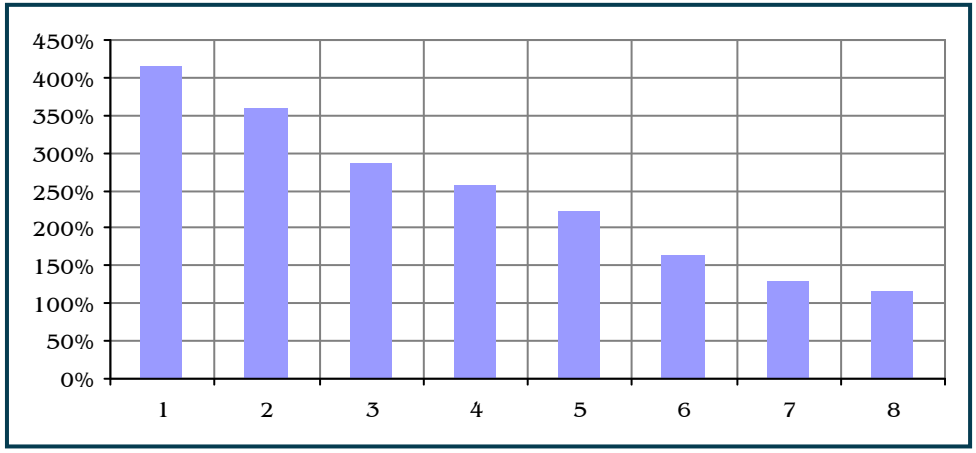


1. Statutory capital, 2. Retained profit of current and previous years, 3. Other components of total capital

Capital Adequacy of Insurance Companies

The capital adequacy ratio of insurance companies was 195.0 percent as of December 2011. The mentioned level of adequacy proves the credibility of the insurance system exceeding the required threshold almost twofold (the prudential minimum requirement of capital adequacy is 100 percent).

Chart 41. Capital Adequacy of Insurance Companies (as of 31.12.2011)



INSURANCE SYSTEM ASSETS

In 2011, the assets of the insurance companies increased by 22.8 percent and as of 31.12.2011 totaled AMD 31.4 billion.

By the end of the year, in the structure of assets of insurance companies the major share belonged to deposits in banks – 46.4 percent, government securities (including` securities issued by the Central Bank) - 6.6 percent, amount receivables from policyholders for direct insurance - 6.0 percent and bank accounts – 4.5 percent. It is worth mentioning that 94.5 percent of deposits are current deposits in domestic banks, and 5.5 percent are time deposits in domestic banks.

Chart 42. Assets of Insurance Companies

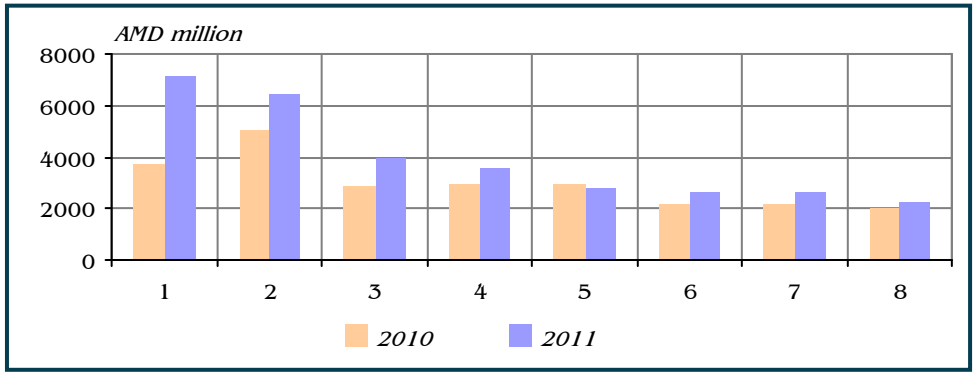
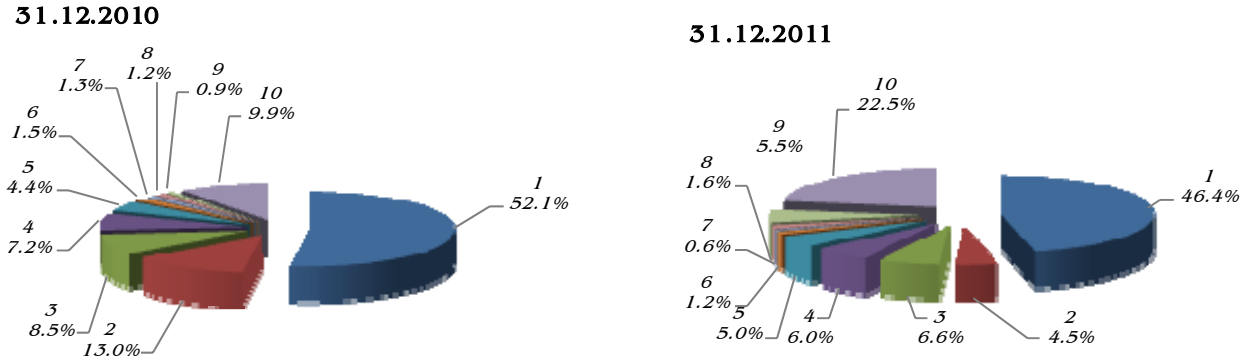


Chart 43. Structure of Insurance Companies Total Assets



1. Deposits in banks, 2.Bank accounts, 3. Government securities, 4. Amounts receivables from policyholders 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

The assets of the insurance system were mainly allocated in highly liquid assets demonstrating that insurance companies don't have liquidity problems. During the current year insurance companies didn't breach liquidity prudential.

INSURANCE SYSTEM LIABILITIES

In 2011, liabilities of insurance companies grew by 33.4 percent and totaled AMD 17.5 billion at year-end. The growth was mainly driven by the sharp growth of insurance prepayments.

As of 31.12.2011, the technical reserves had large share in total liabilities - 49.3 percent, the share of insurance prepayments was 17.8 percent and the share of insurance premiums payable to reinsurers was 7.9 percent.

Chart 44. Liabilities of Insurance Companies

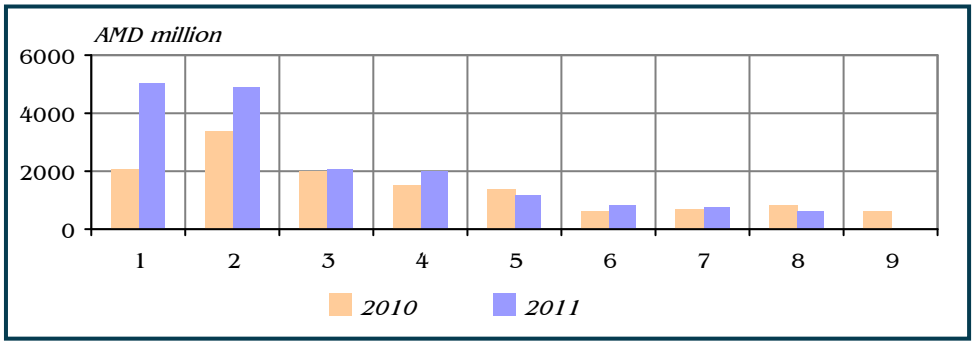
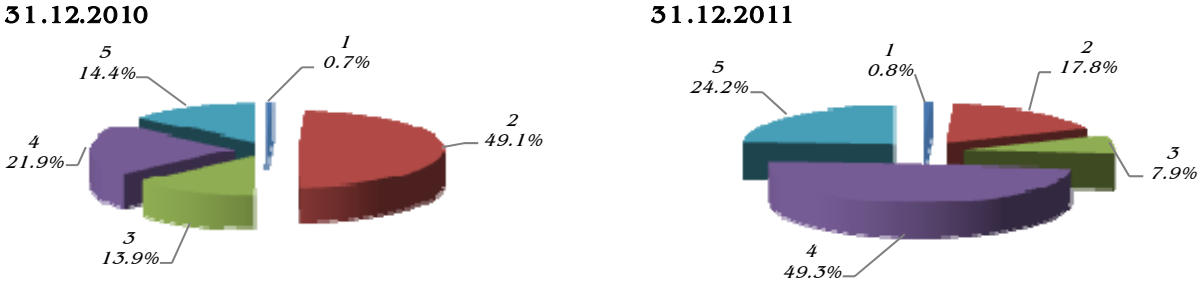


Chart 45. The Structure of Insurance System Total Liabilities



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

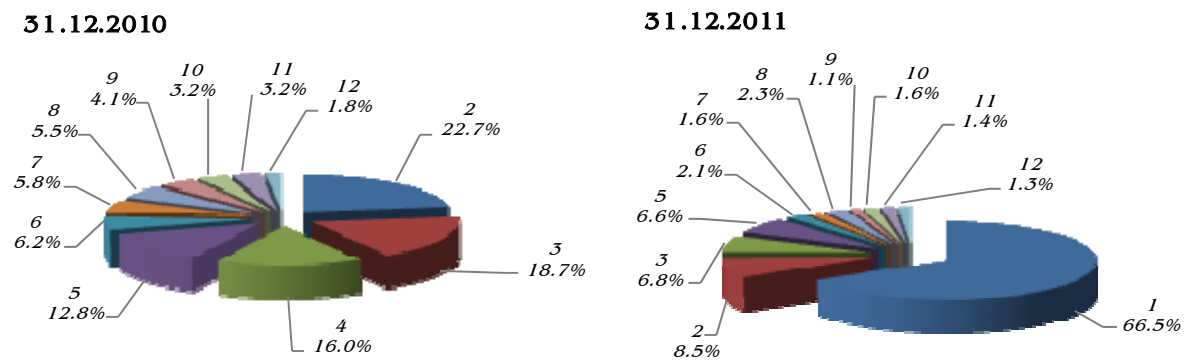
INSURANCE SYSTEM FINANCIAL PERFORMANCE[15]

During 2011, the insurance companies operated with a total AMD 1.7 billion profit. During current year return on assets (ROA) for insurance system was 5.8 percent and the return on equity (ROE) was 12.1 percent. Seven insurance companies operated with profit and one with loss. The net profit of profitable insurance companies totaled AMD 1.83 billion, while the losses of not profitable company totaled AMD 127 million.

In 2011, profit of insurance companies according to IFRS totaled AMD 2.4 billion.

Insurance premiums accrued by insurance companies in 2011 totaled 22.4 billion drams (compared with AMD 8.3 billion in 2010). 66.5 percent of total accrued premiums was for MTPL insurance. In 2011, significant growth of insurance premiums was registered mainly for health (46 percent growth), support (42 percent growth) and accident insurance (26 percent growth) classes.

Chart 46. The Structure of Insurance System Accrued Premiums

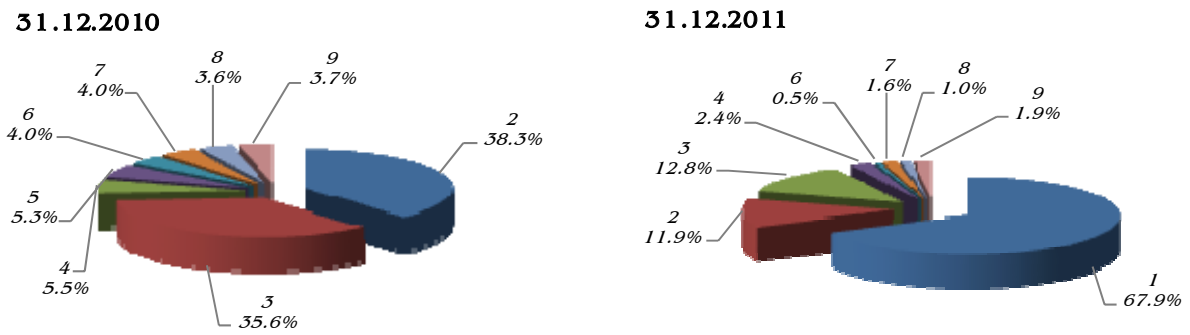


1. MTPL, 2. Fire and natural disaster insurance, 3. Ground transport, 4. Aircraft (including cargo aircraft) operation responsibility insurance, 5. Health insurance, 6. General liability insurance, 7. Financial loss insurance, 8. Cargo insurance, 9. Property damage insurance, 10. Support insurance, 11. Accident insurance, 12. Other insurance classes

During 2011 insurance companies accrued 8.1 billion insurance compensations (AMD 1.7 billion in 2010). 67.9 percent of total compensations accrued during 2011 was for MTPL insurance. In 2011, the growth of health and ground transportation insurance compensations increased respectively by 68 and 45 percent compared to 2010.

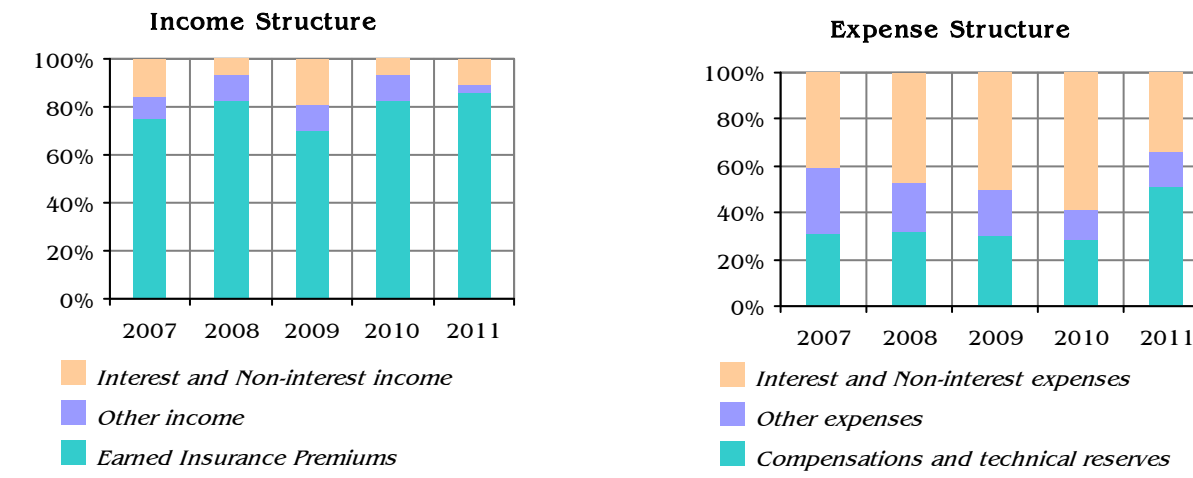
[15] *Except when it is mentioned that profit was calculated according to IFRS in all other cases the profit, income and expense components are calculated based on supervisory reports submitted to the Central Bank.*

Chart 47. The Structure of Insurance System Accrued Compensations



1. MTPL 2. Ground transport, 3 Health insurance, 4. Fire and natural disaster insurance, 5. Motor vehicle liability insurance, 6. Cargo insurance, 7. Financial loss insurance, 8. Support insurance, 9. Other insurance classes

Chart 48. Income and Expense Structure of Insurance Companies



In the structure of income of insurance companies the share of earned premiums still prevailed with 85.8 percent share. Compared to previous years in the structure of expenses insurance

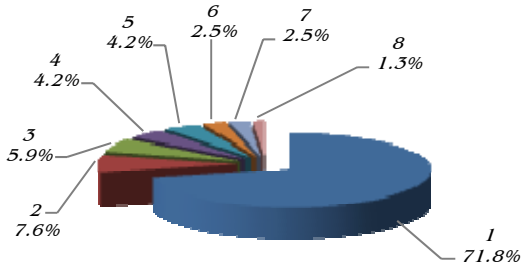
compensations and net technical reserves (53.5 percent) had large share demonstrating increasing efficiency of insurance companies. Loss ratio[16] of the insurance system totaled 56.4 percent.

In 2011, net interest income of insurance companies totaled AMD 1.8 billion. The share of interest income on current deposits in banks and current lending to banks in total interest income amounted 69.9 percent (or AMD 1.3 billion). As of 31.12.2011 the net non-interest income of insurance companies totaled AMD 5.6 billion. 65.1 percent (or AMD 4.1 billion) of non-interest income was administrative and public relation expenses.

INSURANCE CONTRACTS IN FORCE AND SUM INSURED

As of yearend 2011 total number of insurance contracts was 207.2 thousand, which is four times more compared to the number of contracts as of 31.12.2010. As of yearend 2011 sums insured for insurance contracts totaled AMD 3.7 trillion, which is 20.4 percent more than in 2010 year-end. The growth of sums insured was mainly conditioned by MTPL contracts at 2011 year-end. Compared to previous year, sharp decrease of aircraft and aircraft (including cargo aircrafts) operation sums insured was registered.

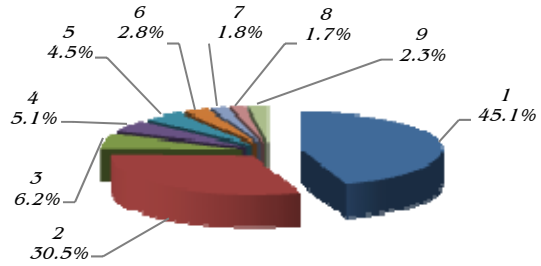
Chart 49.
The Structure of Insurance Contracts in Force as of 31.12.2011.



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

[16] *Loss ratio was calculated with following formula (net accrued compensations + net provisions to technical reserves (except UPR) + other operational insurance expenses)/(earned premiums-returned amounts for terminated contracts).*

Chart 50.
The Structure of Sum Insured for Insurance Contracts in Force as of 31.12.2011.



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

REINSURANCE OF INSURANCE RISKS

As of yearend 2011 sums reinsured totaled AMD 2.3 trillion, or 61.7 percent of risks taken by insurance companies. During 2011 the amount of insurance premiums transferred to reinsurers totaled AMD 2.8 billion or 12.6 percent of total insurance premiums. The amount of insurance compensations received from reinsurers totaled AMD 685.5 million or 8.4 percent of total compensations accrued during 2011.

SECURITIES MARKET PARTICIPANTS

At the end of 2011, 21 banks and 8 investment companies rendered investment services. Seven 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. Six of them are authorized for accepting and further messaging customer instructions concerning securities transactions. Six companies could also carry out consulting services covering investment in securities; six companies were authorized to carry out securities allocations, and four companies carried out securities portfolio management.

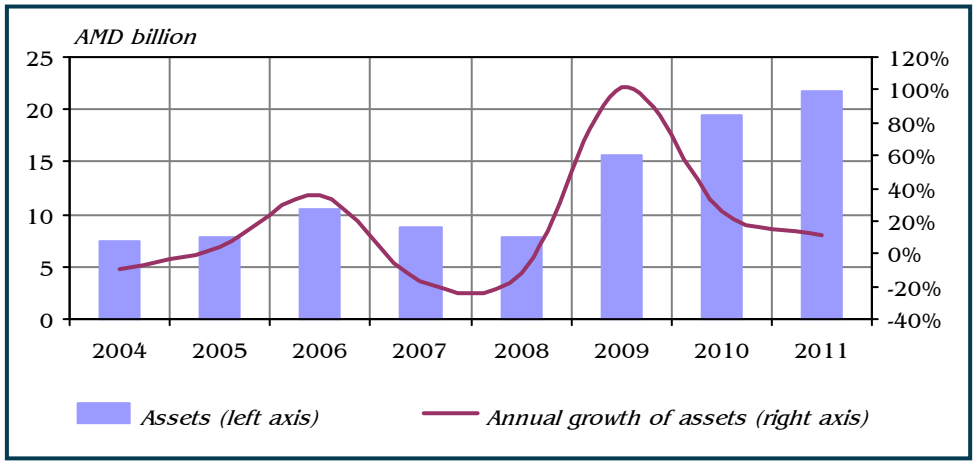
During 2011, concentration level of investment companies decreased, which is rather notable for total capital.

Table 14. Herfindahl-Hirschman Concentration Index

Indicators	31.12.2008	31.12.2009	31.12.2010	31.12.2011
Assets	0.17	0.17	0.20	0.19
Liabilities	0.20	0.18	0.20	0.20
Capital	0.26	0.25	0.21	0.18

Investment companies' assets increased by 11.6 percent and totaled AMD 21.8 billion, while total capital grew by 1.1 percent and totaled AMD 3.2 billion. During the year, net profit of investment companies reached AMD 580 million. Six companies worked with profit, while two companies finished the year with loss.

Chart 51. Assets and Asset Growth of Investment Companies for 2004-2011 .



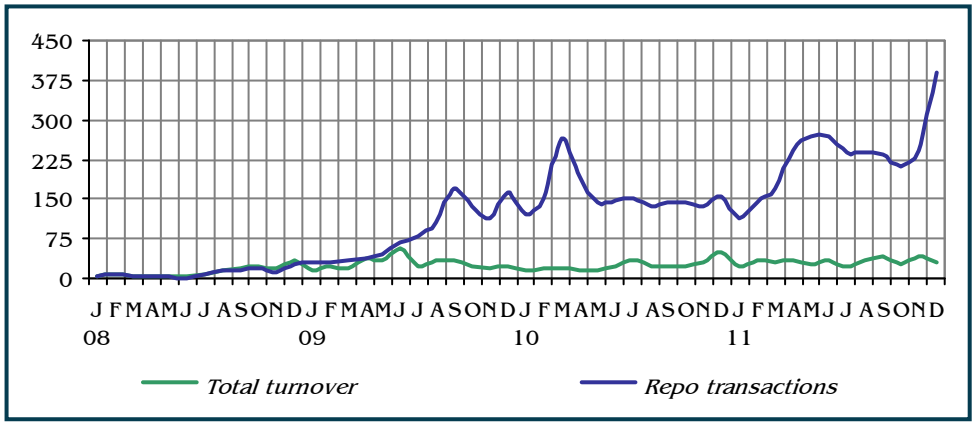
Armenian securities market turnover (including repo transaction excluding transactions with the Central Bank) during the year grew by 32 percent and totaled AMD 2 trillion 328 billion.

Compared to 2010, the volume of repo transactions (excluding transactions with Central Bank) in Armenian securities market accounted for 83.7 percent of total turnover of securities market and increased by 32 percent totaling AMD 1 trillion 949 billion.

In 2011, 98.6 percent of the repo agreements signed involved government securities. Notably, the 74.9 percent of the securities were mid-term government securities; 22.7 percent- long-term and 1.0 percent were short-term government securities.

Transactions with government securities predominated also in total number of trade transactions of security market participants rendering investment services and totaled AMD 353.6 billion or 93.3 percent of total turnover.

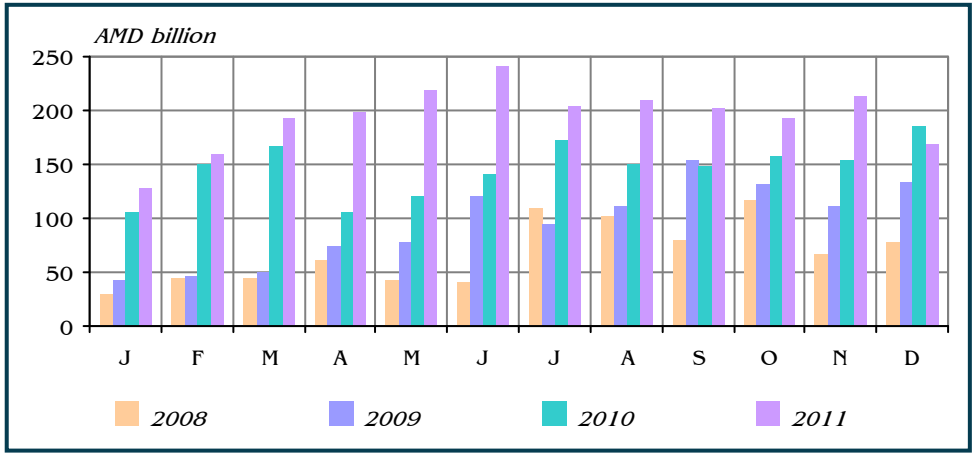
Chart 52. Securities Turnover and Volumes of Repo Transactions by Investment Service Providers in 2008-2011



As of December 31, 2011, the volume of resources attracted by investment service providers under asset management contracts increased almost threefold compared with previous year and totaled AMD 4.1 billion.

Transactions with shares also decreased by AMD 12.2 billion, totaling AMD 21.1 billion or 5.6 percent of total number of trade transactions.

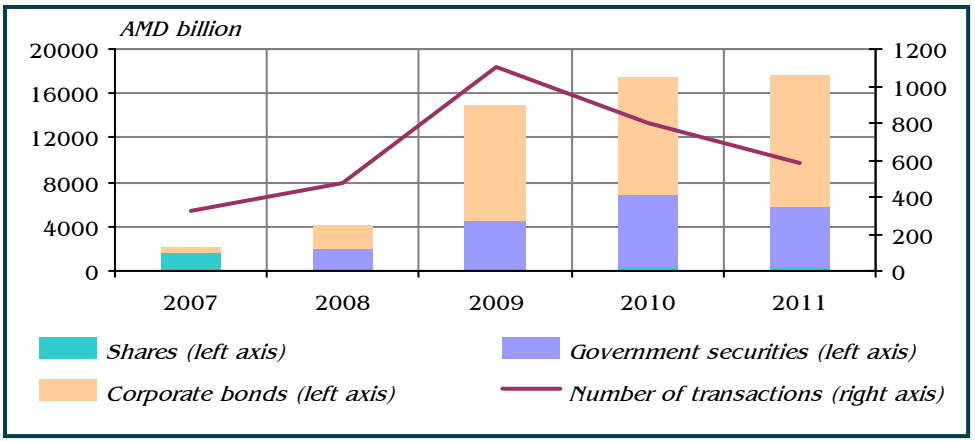
Chart 53. Securities Transactions Conducted by Investment Services Providers (excluding transactions with the Central Bank)



In 2010 the share of securities trade transaction in regulated and over the counter market totaled, respectively, 1.7 and 98.3 percent.

Securities transactions conducted in regulated market in 2011[17] grew by 8.1 percent and totaled 17.7 billion. In the regulated market dominated repo transactions with 64.5 percent. The major part of transactions (67.6 percent) in regulated market was with corporate bonds, 20.4 percent with government securities and 2.0 percent with shares.

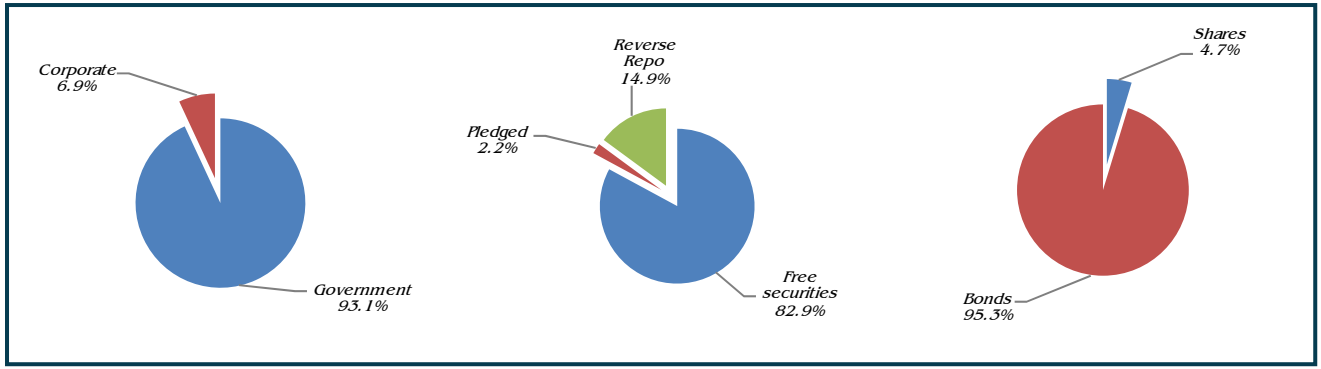
Chart 54. Structure of the Stock Exchange Turnover 2007-2011



In the end of 2011, in the structure of securities held by investment service providers the share of non-resident issuers was only 2.1 percent.

As of 31.12.2011 95.3 percent of securities portfolio were bonds (93.1 percent were government securities). The 82.9 percent of securities portfolio were securities with free status.

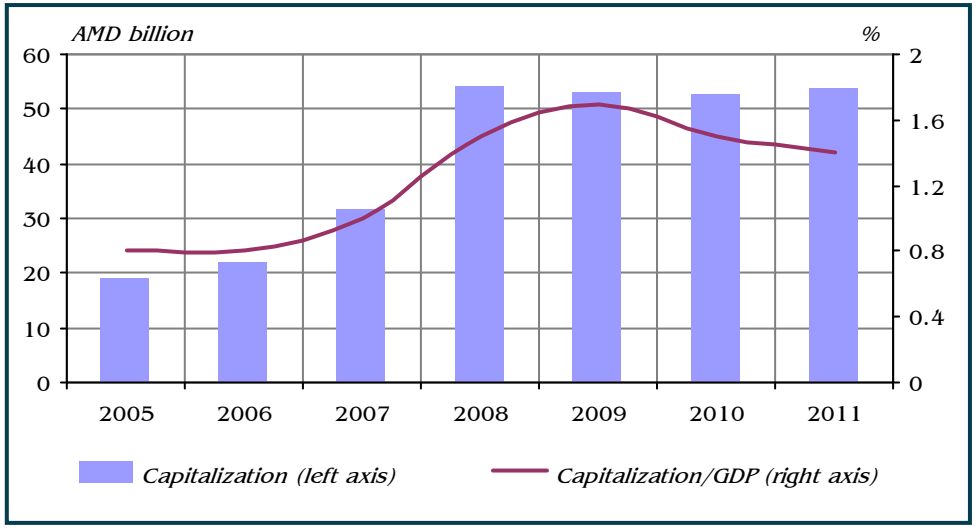
Chart 55. Securities Portfolio of Investment Service Providers as of 31.12.2011



[17] *As of 31.12.2011, the only registered and licensed stock exchange in Armenia was NASDAQ-OMX Armenia OJSC.*

In the end of 2011 the capitalization[18] of Armenian securities market was AMD 53.8 billion and capitalization/GDP ratio was 1.4 percent decreasing by 0.1 percentage point compared with previous year. The decrease was conditioned with higher growth rate of GDP compared with growth rate of capitalization.

Chart 56. Capitalization and Capitalization/GDP Ratio of Armenian Securities Market 2005-2011



As of end-2011, there were 1,614 register running issuers in the Central Depository and 92,478 holders of nominal securities in the Central Depository. Besides Central Depository two investment companies also rendered registry running services for 354 companies with 29,564 participants.

As of end-December 2011, 17 securities of 14 reporting issuers were circulating in market. Four of reporting issuers were financial institutions. 11 of reporting issuers issued shares and 4 issued bonds. One of the reporting issuers issued both shares and bonds.

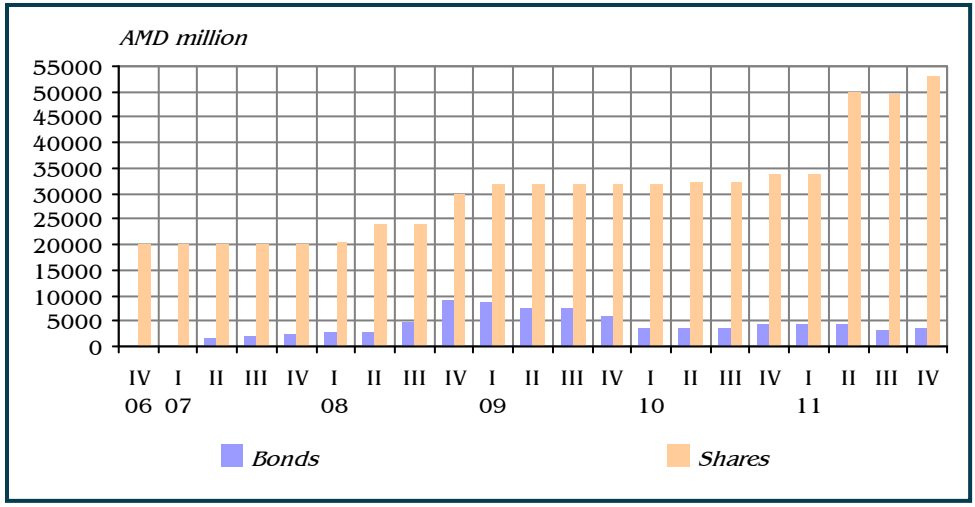
In 2011 one company issued ordinary share with AMD 3.2 billion total value, and another two financial companies issued corporate bonds with AMD 1.3 billion total value. One of the latter issuances with total value of AMD 1.0 billion was carried out on Nasdaq OMX trading platform.

As of 31.12.2011 the total value of issued shares of reporting issuers was AMD 52.9 billion, while the total value of issued bonds was AMD 3.5 billion. The shares of financial institutions in total number of issued shares and bonds were respectively 24.2 and 35.6 percent.

The number of owners of issued securities was 7930, of which 91 were non-resident and 54 owned 5 percent and more of issued volume.

[18] *Product of number of issued ordinary shares and their last prices.*

Chart 57.
Total Amount of Corporate IPOs



PAWNSHOPS

As of end-December 2011, 138 pawnshops (excluding branches) operated in Armenia. During the year, total attracted funds of pawnshops grew by 40 percent, and loans provided by pawnshops grew by 49 percent(as of end-December 2011, the total attracted funds of pawnshops totaled AMD 9.2 billion, total loans provided by pawnshops – AMD 13.0 billion).

EXCHANGE OFFICES AND DEALERS

As of end-December 2011, 298 exchange offices (excluding branches - 232) had licenses for currency trade operations. During 2011, the volumes of the US dollar trade transactions totaled US$ 474.8 million and US$ 466.3 million respectively (compared with US$ 437.6 million and US$ 432.0 million in 2010). During 2011, the volumes of the Euro trade transactions totaled Euro 54.1 million and Euro 53.1 million respectively (compared with Euro 51.0 million and Euro 49.9 million in 2010). The volume of Russian ruble trade transactions totaled RR 5.2 billion and RR 5.1 billion respectively.

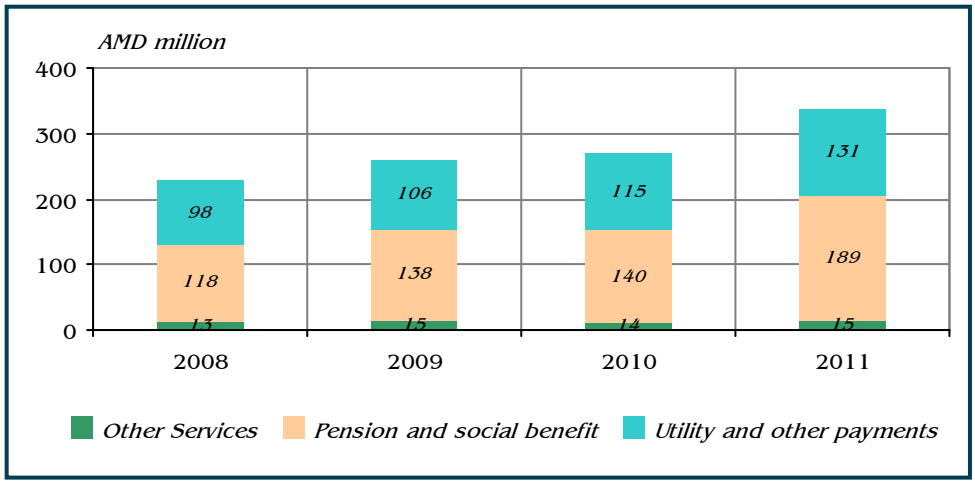
As of end-December 2011, 1 legal entity had a foreign exchange dealer license.

CLEARING COMPANIES

As of end-December 2011, 10 clearing companies were registered in Armenia. Among them, 4 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 2011, 1 clearing company stopped its operation.

During 2011, total amount of transactions carried out by clearing companies increased by 24.5 percent totaling AMD 335 billion.

Chart 58. Total Amount of Services Rendered by Clearing Companies



Incoming transfers are executed by both banks and money transfer companies. In 2011, AMD 3.8 billion was transferred to Armenia through money transfer companies, which is 20.7 percent less than in previous year. At the same period the same companies transferred abroad AMD 297 million, which is 27.8 percent less than in 2010.

Five companies, dealing with processing and clearing of payment instruments and executing money transfers, provided cash payment collection services. As of the end of 2011, the clearing companies cooperated with 38 companies. In general, the clearing companies collect payments for utility payments, fixed and cellular phones, loans, budget penalties and fees, internet services and other. The payments are collected through the ATMs and registered branches.

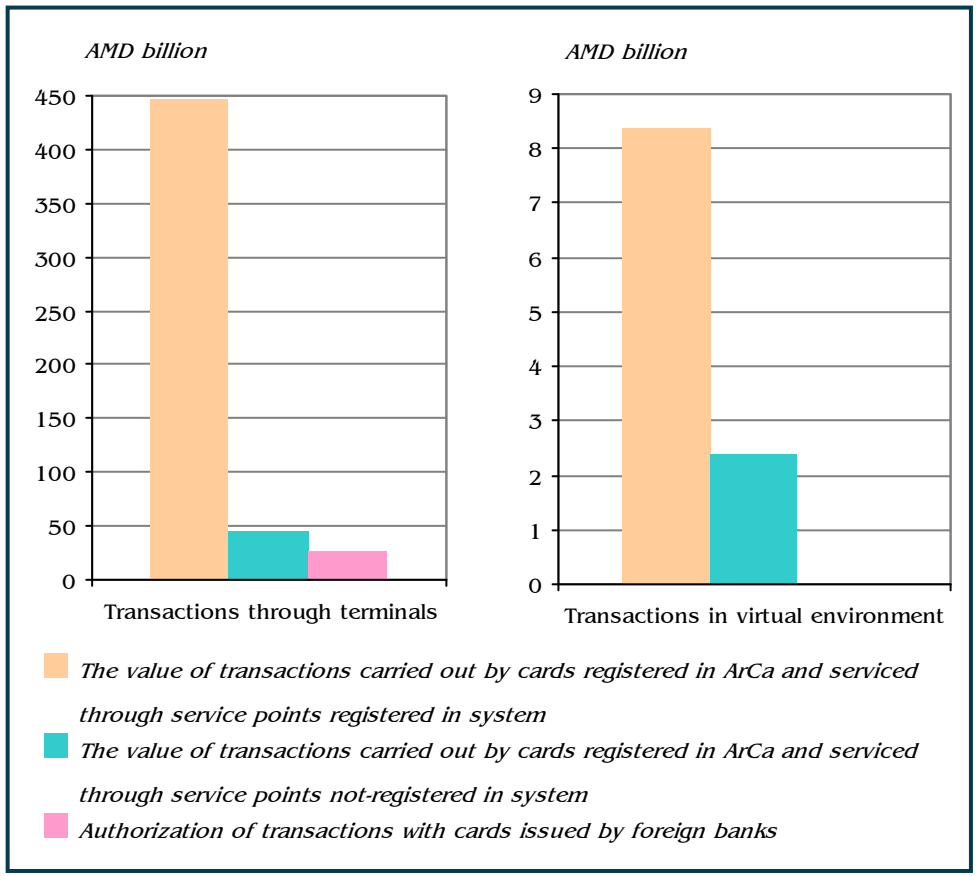
As of the end of 2011, the clearing companies operated 804 self-service terminals through which AMD 33 billion dram payments (16.9 million transactions) were collected. Total amount of these payments increased for 56 percent in comparison with 2010.

As of end of 2011, 63 branches of clearing companies were registered (of which only 22 actually operated), through which services are provided both in Yerevan and in regions. The branches of clearing companies committed 1.5 million transactions with total value of AMD 7.8 billon.

As of December 2011, clearing companies provided processing and clearing services to 12 commercial banks and money transfer companies. The volume of utility payments through commercial banks totaled AMD 2.1 billion (438 thousand transactions).

During 2011, the processing center "ArCa" performed AMD 528 billion processing of card operations (by 19 percent more than in the previous year), including AMD 25 billion for cards issued by foreign banks (17 percent more than in 2010), while the amount of operations with cards issued by the Armenian banks and processed through non-ArCa (including foreign) processing centers increased by AMD 9.3 billion (24 percent growth) and totaled AMD 48 billion.

Chart 59.
Card Payment Services Rendered by ArCa System



PAYMENT AND SETTLEMENT SYSTEM

In 2011, the Central Bank continued further efforts on development and regulation[19] of payment and settlement system, payment instruments and non-cash payments aimed at sustainable development and improved reliability of payment and settlement system.

With the view of assuring accessibility and reliability of non-cash operations through self-service terminals, minimum requirements were defined for those terminals. The ways of possible improvement of payment tools used for payments in Armenia were researched and studied.

Development of payment system infrastructure

During 2011 Central Bank continued to implement new payment systems and to improve already operating systems, which was aimed at assuring provision of payment and settlement services and flexible tools for monetary policy.

The Central Bank granted permission to number of banks and payment system organizations for participating in various international payment systems.

Implementation and testing of "Repo/reverse repo" system was continued. The implementation of the mentioned system will ensure full automation of monetary policy tools. As a result of the implementation of the system the commercial banks will be provided with an access to short-term liquidity through intraday repo. The system will ensure the announcement of auctions, signing, execution and redemption of transactions between Central Bank and other participants, calculation of penalties, termination of the transactions, management of repo basket and other auxiliary functions related to transactions through the system.

The development of "Hybrid payment system" entered a new phase. The new system will combine the components of both gross and net payment systems and will ensure real-time execution of payments and efficient management of liquidity, where the netting reciprocal payments will be taken into account. The system will also allow using queue management mechanisms.

Basic Indicators of the Payment and Settlement System

In the current phase of the development of non-cash payments the expansion of public involvement is still one of the major preconditions for the development of payment and settlement system. As of end of 2011, the number of banking system customers increased by 19.3 percent

[19] *For more details see "CHANGES IN FINANCIAL SYSTEM REGULATORY FRAMEWORK" section.*

totaling 1.36 million. This growth was almost entirely driven by the growth of natural person customers, number of which totaled 1.29 million. The number of banking accounts increased by 22.7 percent reaching 2.2 million (out of which 1.65 million current accounts, 111 thousand time deposits and 458 thousand credit accounts).

In 2011, 14.6 million transactions were conducted with payment cards totaling AMD 740 billion. The value of non-cash payments by cards increased by 58 percent and totaled AMD 63 billion. Within those non-cash transactions with payment cards, Internet payments totaled AMD 12.9 billion (of which, electronic commerce AMD 3.1 billion and card-to-card transfers AMD 9.8 billion). Compared to previous year, total number of cards in circulation increased by 34 percent and totaled 978 thousand. The share of non-cash payments by cards (including operations through Internet) in total number of card transactions increased by 1.4 percentage points and totaled 8.6 percent).

Compared to 2010, money transfers to individuals by banks and money transfer organizations increased by 17 percent and totaled AMD 710 billion (including SWIFT payments), while the value of outgoing transfers increased by 10 percent and totaled AMD 293 billion. As a result, net inflow totaled AMD 417 billion, which is 23 percent higher than in 2010.

In 2011, the growth rate of non-cash payments was higher than the growth rate of GDP, as a result, compared to 2010, the daily average[20] non-cash payments/GDP ratio increased by 0.3 percentage points and totaled 2.3 percent at yearend.

In 2011, the value of non-cash payments in Armenia increased by 28.8 percent and totaled AMD 22 trillion 48 billion (11.4 million transactions). Transfers through the Central Bank payment systems increased by 36 percent and totaled AMD 18.4 trillion, while the number of transactions increased by 22 percent and totaled 4.1 million.

The daily average value of the transfers through the Central Bank payment systems (excluding transfers on stock exchange transactions) increased by 38 percent and totaled AMD 72 billion, while the number of transfers increased by 22 percent totaling 16 thousand.

CENTRAL BANK PAYMENT SYSTEMS

During 2011, the share of payments through paper-based gross settlement system[21] in total value of payments executed through the Central Bank payment systems[22] increased. As a result the share of transactions through electronic payment systems in total value of payments decreased by 16 percentage points and totaled 39 percent, while the volume indicator stayed almost unchanged at 96 percent level.

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[20] The ratio between non-cash payments during the year and number of operational days.

[21] The Processes in Paper-based settlement system are entirely electronic, but in contrast to electronic payment system are not automated.

[22] Transfers connected with transactions in stock exchange through electronic payment system are not included and are discussed separately.

Chart 60.
The Structure of the Value of Payments through Central Bank Payment Systems (without stock exchange transactions)

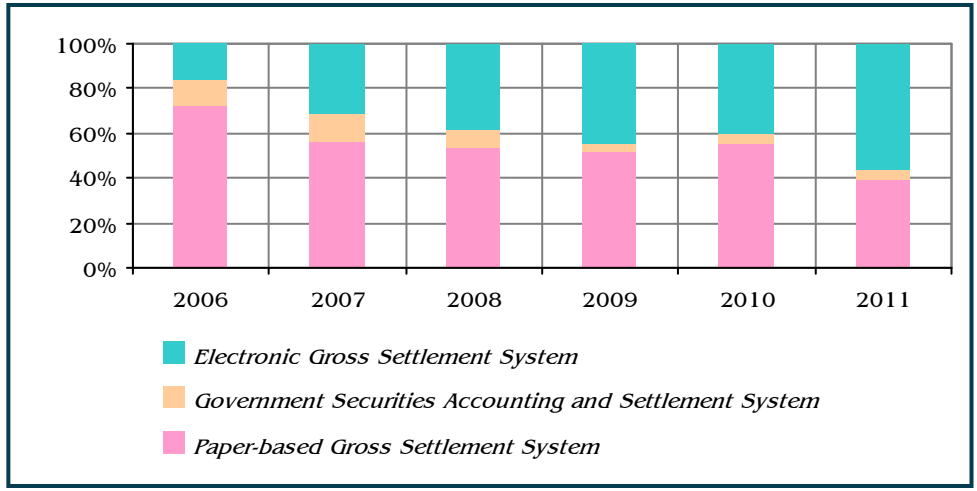
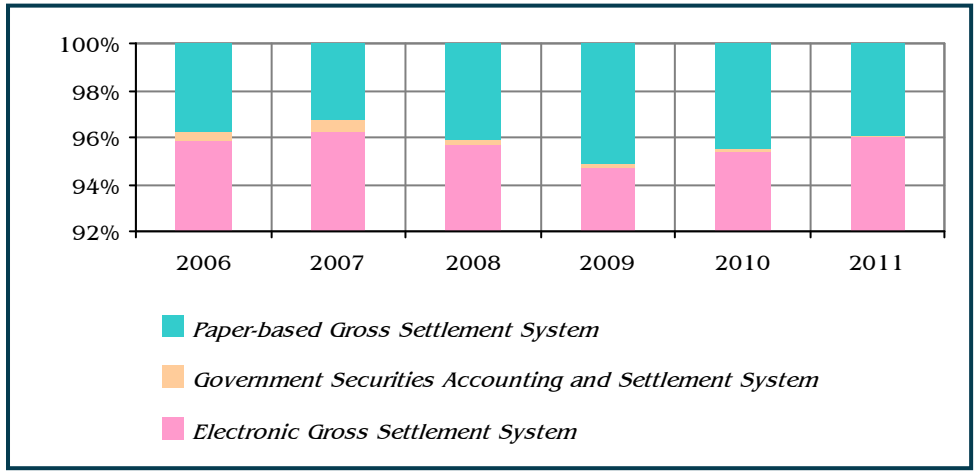


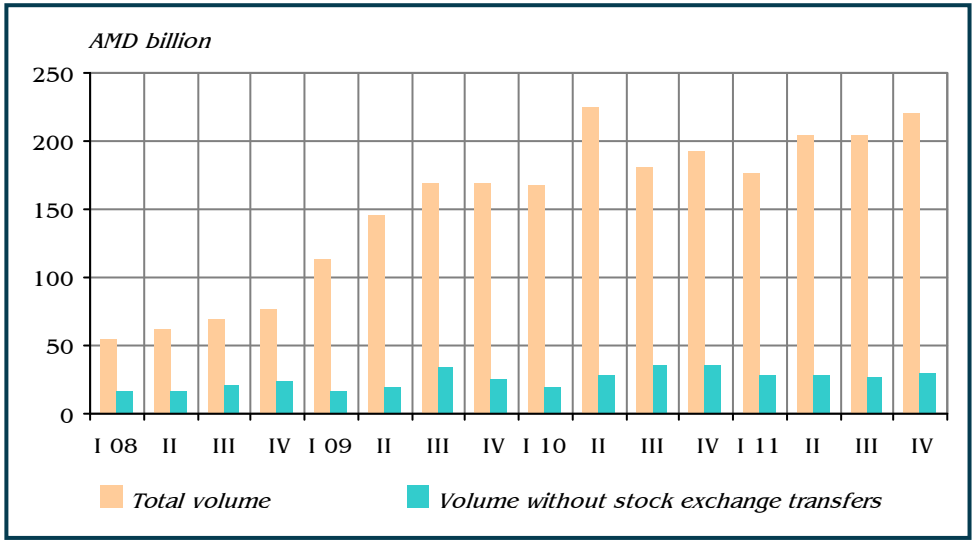
Chart 61.
The Structure of the Volume of Payments through Central Bank Payment Systems (without stock exchange transactions)



Electronic Gross Settlement System

During 2011, the total value of electronic payments decreased by 4.1 percent while the volume of transactions increased by 23 percent. The daily average volume of payments through electronic payment system increased by 22.6 percent reaching 15,350, while the value decreased by 4.1 percent totaling AMD 28.2 billion.

Chart 62.
Electronic Payments System Average Daily Payments



During 2011, the total value of electronic transfers on stock exchange transactions amounted AMD 44 trillion 403 billion. Daily average transfers increased by 7 percent and totaled AMD 173 billion drams. The average value of transfers of commercial banks' stock exchange transactions through electronic payments system increased by 7 percent and totaled AMD 1.9 billion.

Paper-based Gross Settlement System

The average daily value of payments through paper based settlement system of Central Bank increased by 91 percent totaling AMD 40.4 billon, while the average value of single paper payment increased by 80 percent totaling AMD 65 million. Most of the paper transfers related to deposit and Repo operations, and also reverse payments of credit resource overnights to the correspondent accounts.

Government Securities Accounting and Settlement System

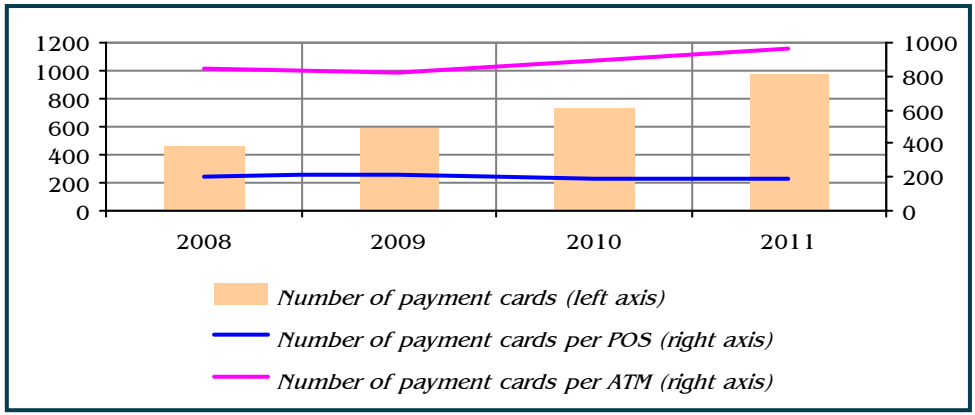
As of yearend 2011, members of the government securities accounting and settlement system included 7 agent and 14 dealer banks, Deposit Compensation Guarantee Fund, the Armenian Central Depository, "NASDAQ-OMX Armenia" stock exchange, one non-bank dealer, Ministry of Finance (as the issuer of government bonds), Treasury Direct, as well as the Central Bank (as the central custodian and the issuer of the Central Bank bills).

PAYMENT CARDS

As of end-2011, 20 commercial banks provided and serviced payment cards. All those banks also participated in the "ArCa" unified card payment system.

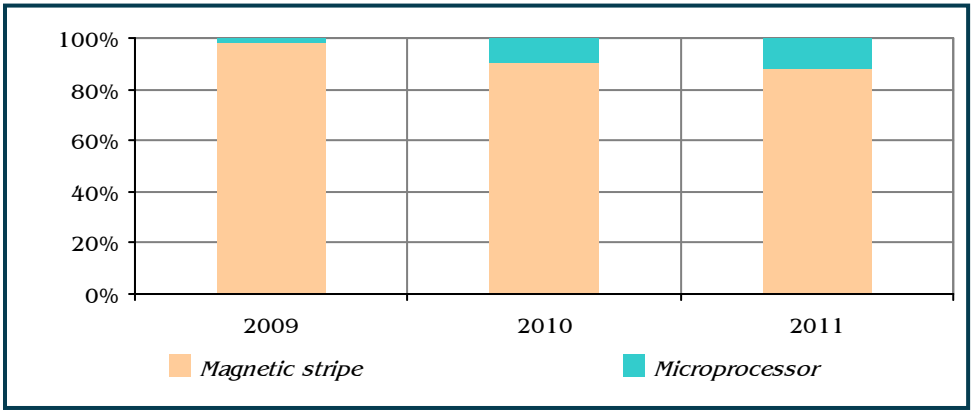
In 2011, 190 new automated teller machines (ATMs) were installed, and subsequently their total number by end-year reached 1009, including 998 "ArCa" card servicing automated teller machines. Commercial banks also installed 1425 POS-terminals, bringing the total number to 5,155, of which 554 were installed in bank branches.

Chart 62.
Servicing of Cards through ATMs and POSs (thousand)



Compared to 2010, the number of "ArCa" cards grew by 28.1 percent, while the number of cards of international card system grew by 38.4 percent (of which: "Visa" 34.8 percent, "Master Card" 56.5 percent, and other international cards 8.4 percent).

Chart 63.
Issued Payment Cards by Technical Characteristics



The share of "ArCa", "Visa" and "Master Card" cards within total cards issued by banking system (in circulation) was respectively 40.1, 37.2 and 18.6 percent, while the remaining 4.2 percent were other international cards, including "HSBC Debit" and "AmEx" cards.

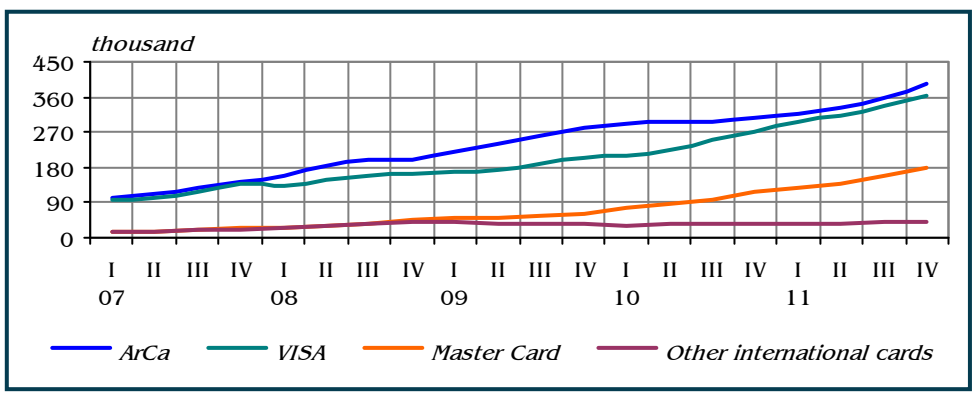
Table 15. Transactions with card processing equipment (2011)

Equipment	Transactions			
	amount (AMD million)	quantity	*of which: ArCa cards*	
			amount (AMD million)	*quantity*
Automated teller machines	569733	12438988	197181	5165239
o/w: non-cash	1782	206231	186	109458
POS–terminals/imprinters	156133	1573970	36687	525913
o/w: non-cash	48703	1095895	19345	334684
Internet environment	12896	548768	3158	203620
Total	738762	14561726	237025	5894772
o/w: non-cash	63381	1850894	22690	647762

Compared to 2010, the value of card operations increased by 32.5 percent and the volume by 29 percent. In the total value of card operations ArCa accounted 33.5 percent, Visa- 41.8 and other cards accounted for 24.8 percent. In 2011, the value of transactions with ArCa, Visa and MasterCard payment cards increased respectively by 16.1, 40.8 and 47.1 percent and totaled respectively AMD 247.3, AMD 308.6 and AMD 113.7 billion. The value of transactions with other international cards increased by 41.2 percent and totaled AMD 69.2 billion.

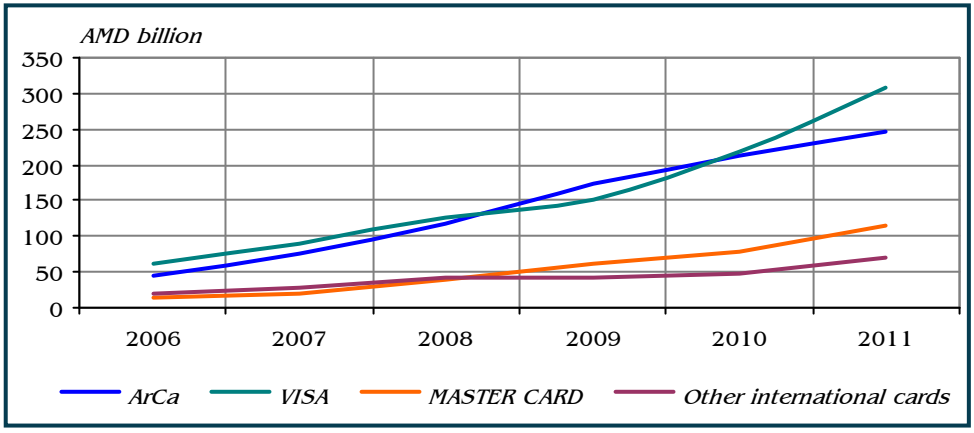
In 2011, the average daily value of card transactions grew by 32.3 percent and the average daily volume of card transactions increased by 28.9 percent:

Chart 65. Payment Cards Issued by Banks



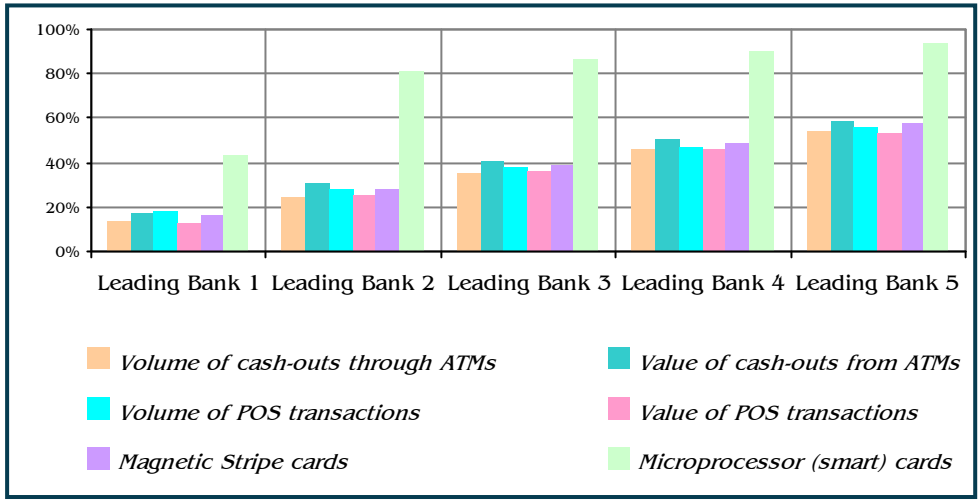
The monthly cash operations in the territory of Armenia with single card totaled around 58 thousand drams, while non-cash operations totaled 5 thousand drams (quantity totaled respectively 1.1 and 0.2). The mentioned indicators, in comparison with previous year, stayed almost at the same level.

Chart 66. Transactions with Payment Cards in Republic of Armenia 2006-2011



In terms of concentration in the field of issuing and servicing payments cards, it is notable that the share of first five banks in cash-outs through ATMs, POS transactions and issued magnetic cards is more than fifty percent. Two leading banks issue more than 80 percent of smart cards.

Chart 67. The Share of Leading Banks in Payment Card Issuing and Servicing in 2011

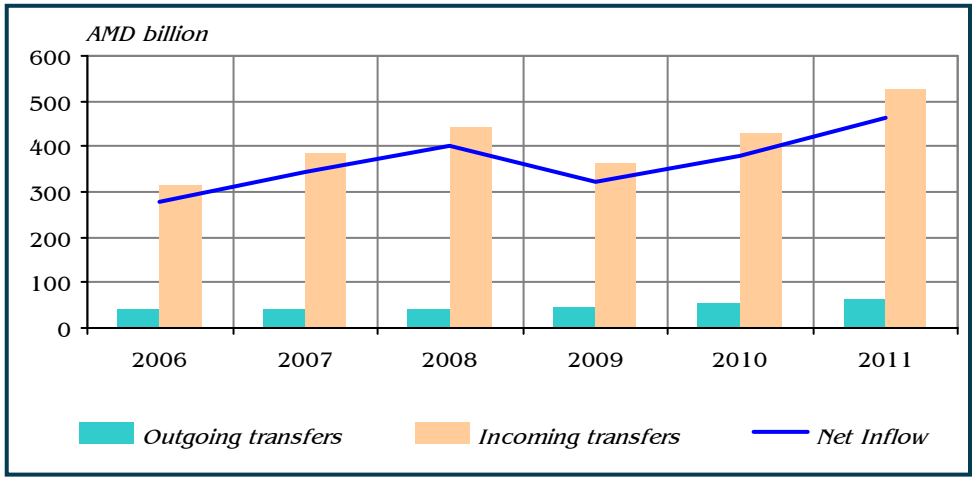


INTERNATIONAL MONEY TRANSFER SYSTEMS

Remittances of individuals without opening a banking account are executed by commercial banks and money remittance organizations licensed by the Central Bank.

To provide money transfer services to customers the commercial banks operating in Armenia participated in 16 international money transfer systems.

Chart 68. Incoming Transfers to Natural Persons through International Money Transfer Systems in 2011



In 2011, transfers to Armenia through the banks participating in money transfer systems increased by 22 percent totaling AMD 524.3 billion. Compared to 2010, net money inflow through commercial banks by international money transfer systems increased by 22 percent and totaled AMD 462.1 billion.

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 putting orders, receiving information concerning account and performing other various operations.

In 2011 the total value of payments carried out through distance banking systems increased by 6.9 percent and totaled AMD 3.29 trillion, while the volume increased by 68.8 percent totaling 2 million 203 thousand. The mentioned payments were carried out through:

a) bank-client services, where the total value of payments was AMD 2.99 trillion, with AMD 1.6 million average value of single payment.
b) internet-banking services, where total value of payments was AMD 290 billion, with AMD 1 million average value of single payment.
c) telephone-banking services, where total value of payments was AMD 4.2 billion, with AMD 971 thousand average value of single payment.

SUPERVISION DEVELOPMENT OUTLOOKS

In the context of stability of Armenian financial system, consistent development of banking, insurance and securities markets and enhancement of payment and settlement system, in 2012 the Central Bank will continue reforms aimed at enhancement of regulation and supervision.

Financial system regulation prospects

Within the framework of financial stability the Central Bank will continue the development of crisis management concept paper. The concept paper will be applicable for crisis prevention and economic recovery stage. The 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.

With the view of ensuring financial stability, in 2012 the Central Bank will continue implementation of BASEL III (internationally adopted requirements for capital adequacy, liquidity and other supervision fields) principles, which was already started in 2011. The main purpose of BASEL III is to improve the quality of capital and liquidity management at banks.

In 2012, the Central Bank will continue the implementation of new risk assessment system, which will allow development of aggregate evaluation. The evaluation results are based on analysis results of separation, assessment and management of the risks associated with distinctive business processes and will allow comprehensively asses banking risk system and evaluate each type of the risks.

In 2012, with the view of regulating the competition in financial market, the Central Bank is intending to develop methodology for defining the boundaries (services, geographical) of the market and also define standards for dominant position for financial institutions and adopt appropriate regulation on the matter.

In 2011, the Central Bank registered the Pan Armenian Bank. On 23rd of June 2011, the National Assembly adopted law on "Amendments and addenda to the law "On Pan Armenian Bank"". According to this law the mandate of Pan Armenian Bank is clarified, the independence of Pan Armenian Bank from the state is ensured. Autonomy of Pan Armenian Bank is ensured for lending and investment decisions, which are solely guided by market principles and are based on economic analysis. In 2012, it is intended to define the economic prudential requirements for Pan Armenian Bank and develop appropriate reporting regulation for Pan Armenian Bank.

In 2012, the Central Bank will continue its efforts to further develop the Armenian mortgage market. In 2011, "Affordable housing for young families" state-supported targeted social program continued to successfully operate, while starting march 2011 "Affordable housing for young scientists and members of artistic unions" program was launched. In 2012, it is intended that similar housing projects will be initiated for other social groups (doctors, sportsmen, pedagogues and etc.).

In 2011, the "National Mortgage Company" (NMC) refinancing credit organization issued corporate bonds. The works are carried out to have NMC issue mortgage backed securities in 2012. In 2011,

with the view of increasing accessibility of mortgage loans in cooperation with the Union of Mortgage Market Participants the issues concerning insurance of mortgage down payments were discussed, which will allow mortgage debtors to receive mortgage loans with lower down payments (15 percent of the housing). It is intended that refinancing regulation of NMC will include clauses and criteria, concerning the insurance of down payments of mortgage loans, which would allow NMC to refinance the mortgage loans that comply with above mentioned criteria.

In 2011, the Central Bank developed and presented to Government concept paper on the implementation of mortgage certificates and on reform of mortgage loan transfer through implementation electronic registration. It is intended that by the second half of the 2012 the schedule of actions resultant from the concept paper, bodies responsible for implementation and calculation of financial resources for the setup of mentioned institute will be presented to Government. Those activities are intended to carry out in active collaboration with State Committee of the Real Estate Cadaster. The implementation of the mentioned project 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 securitization of mortgage loans.

Starting January 1st 2011 the law *"On Compulsory Motor Third Party Liability Insurance"* came into force. The first year of the implantation of MTPL system indicates that the implantation was sound. Within the framework of the development of necessary infrastructures for insurance market in January 2011 MTPL information system was launched. The purpose of this system is to disclose vehicles without MTPL policy through synchronization of data of Police motor vehicle database with MTPL information system. In 2012 the Central Bank will continue to provide the insurance companies with data from MTPL information system and Police motor vehicle database, which will significantly enhance the performance of insurance companies.

In the end of 2011 the Central Bank presented the final revised version of concept paper on "Implementation of Bonus-Malus system for MTPL insurance" to Auto Insurers' Bureau. It is intended that in 2012 the Bureau will develop appropriate legal acts based on concept paper, which will serve ground for implementation and launch of Bonus-Malus system in future.

In 2011, the Central Bank developed and presented to Government the concept paper on "Development of medical insurance in Armenia". The proposals and comments of interested parties were presented concerning the paper. The paper includes international practice of medical insurance, the purposed model for Armenia and number of calculation and analyses.

In 2011, the Central Bank developed and presented to Government the concept paper on "Implementation of mandatory insurance of workers' compensation". For this purpose, during the year the international best practices were researched, calculations and analyses were carried out. In 2012 it is intended to finish those works.

In 2012, the Central Bank continued reforms of legal framework of payment and settlement system. With the view of development of electronic commerce the Central Bank collaborated with various Armenian state agencies and international organizations. Parallel to continuous growth of

number of transactions with payment cards and expanding the usage of new technologies, efforts will be put aimed at disclosure and prevention of scams through non-cash payment tools.

In 2012, the Central Bank will take active participation in the development of regulatory framework for the mandatory pension and investment funds. Particularly close attention will be paid to investment funds, management of thereof and to sound operation of mandatory and voluntary pension components. Those activities will boost the development of capital market in Armenia.

In 2012, Central Bank intends to develop regulatory legal acts concerning the implementation of centralized registrar system DEPEND. The existence of legal bases will allow wholly automating the functions of centralized securities registrar, custody, and clearing and settlement of securities transactions. It will also allow to make the system more cost-efficient and minimize the risks. The investors will also be able to manage their securities accounts without any geographical restriction.

In 2012, the Central Bank will continue its participation in works related to the implementation of funded pension information system. This will allow launching centralized system of account opening and management for the participants of mandatory funded pension system by the third quarter of 2013. The mentioned information system will allow for less service fee and centrally keep the registrar of the participants, carry out management of pension funds (issuance of units for the contributions, exchange of units, lump-sum payments, program withdrawals), ensure data dissemination with asset managers for sound management of pension funds, and also will allow the pension fund participants to have on-line access to their accounts.

In 2012, the Central Bank will be implementing activities stipulated in NASDAQ-OMX "Capital Market Review and Design Study" and in the cooperation agreement signed between NASDAQ-OMX and Government of Armenia with the view of ensuring sound and efficient operation of registrar and clearing and settlement systems and assisting pension reforms and development of capital market.

Financial system supervision prospects

In 2012, the activities aimed at consumer rights protection, like on-site and off-site inspections, improvement of regulatory framework, implementation of various educational programs, will be continued. Parallel to ongoing operation in 2012 the main emphasis will be on:

- The development of the national strategy of financial education, which will allow combining and coordinating the efforts of all interested parties and hence increase the efficiency of various educational activities.
- The development of the strategy of business conduct supervision, which will clarify and regulate the Central Bank functions in this field increasing the efficiency of the latter.
- Creation of special shopping tool with the view of providing standardized and comparable information on financial services. The shopping tool will allow the consumers to have all needed financial information in one place, compare it and make the best decision.

In 2012, it is intended to stipulate the legal provisions regarding consolidated 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.

Parallel to the legal stipulation of the fundamental principles of consolidated supervision, the Central Bank intends to introduce regulations (which 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), changes in supervision handbook, handbook of consolidated supervision of financial group.

In 2012, different interested departments took part in crisis management simulation games held in the Central Bank . For improving quick response skills in crisis situations in 2012 it is intended to hold these games once again (this time relevant representatives of commercial banks will also take part), which will help the participants to have full understanding of possible outcomes of financial crisis and will prepare them to take quick decisions and necessary steps in emergency situations.

In 2012, the Central Bank will continue cooperation with securities supervision bodies of CIS countries, which is aimed at:

- Ensuring cooperation in line with international standards of regulation assisting to the development of efficient and transparent securities market.
- Ensuring free movement of capital between CIS countries.
- Protection of investors in securities market.
- Implementation of efficient supervision system of securities market
- Integration of securities markets of CIS countries.

In 2012, 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. In case of joining the MOU, the Central Bank will have a tool to receive full support of supervisory counterparts, including receiving necessary information, which will enhance the process of securities market participants' supervision. Taking also into consideration that joining the MOU is possible only in case of full compliance to IOSOCO's supervision principles, joining the MOU will highlight the high level of securities market supervision and transparency in Armenia for other participants in international financial community.

APPENDIX

Appendix 1

FINANCIAL MARKET SUPERVISION AND REGULATION

In the supervision and regulation framework stipulated by the law the Central Bank 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 Central Bank

Financial system supervision and regulation in the Central Bank 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[25],
   - ✓ Standing committees: Implementation of the financial system supervision and regulation functions is supported by the Central Bank Council and Licensing and Supervision Committee.
   - ✓ The Central Bank Council is a consulting body under the Central Bank Chairman, members of which are the Central Bank Chairman, the Central Bank 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 Central Bank Board members. The issues that will be discussed by the Council members during the session are in advance shared with the Central Bank Council.
2. Members of the Licensing and Supervision Committee are the Central Bank Chairman (Committee Chairman), the Central Bank Deputy Chairman (Committee Deputy Chairman), Head of the Central Bank Financial Supervision Department, Head of the Central Bank Financial System Stability and Development Department, Head of the Central Bank Financial System Regulation Department and Head of the Central Bank 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 Central Bank Chairman is the highest rank official of the Central Bank. The Chairman is responsible for the fulfillment of the objectives of the Central Bank set forth by "Central Bank Law".

[23] *For details of objectives and functions of departments responsible for financial supervision and regulation please visit the Central Bank website www.cba.am.*

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 Central Bank is responsible for carrying out duties reserved for him/her in the areas specified by the Central Bank Board. Sessions of the Central Bank Board shall be convened as a rule once two weeks, but, no less than once a month.

Upon necessity working groups can be established within Central Bank.

Processes of Licensing, Supervision and Regulation of Financial Institutions

Licensing

Licensing of financial organizations by the Central Bank 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 Central Bank 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 Central Bank 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 Central Bank, 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 Central Bank 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 Central Bank)
- 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 inspection 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 Central Bank and etc.).

Based on inspection results, an inspection report is composed, where 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 Central Bank.
- Analyzing the financial standing of regulated market operator and Central Depository.
- Verifying the implementation and outcomes of the Central Bank 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 Central Bank 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 Central Bank.

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 Central Bank Licensing and Supervision Committee. At the end of each inspection, the group of supervisors must compile the inspection report and submit it to the Central Bank Board.

Annex 2. Commercial Banks and Branches

	Commercial banks	Branches	
		31.12.2010	31.12.2011
1	VTB Bank (Armenia)	68	68
2	Ardshininvestbank	55	55
3	ACBA-Credit Agricole Bank	40	42
4	Armeconombank	36	39
5	Unibank	34	39
6	Araratbank	33	38
7	Converse Bank	28	27
8	Armbusinessbank	25	29
9	Artsakhbank	17	18
10	AREXIMBANK-GazPromBank Group	15	16
11	Inecobank	11	14
12	Bank Anelik	10	12
13	ProCredit Bank	9	11
14	Ameriabank	6	8
15	HSBC Bank Armenia	6	7
16	BTA Investbank	5	5
17	Prometey Bank	4	6
18	Armenian Development Bank	3	5
19	Byblos Bank Armenia	3	3
20	Mellat Bank		
21	Armswissbank		
Total		**408**	**442**

Annex 3. Survey Balance Sheet Indicators of Commercial Banks

thousand drams

Indicators	Currency	31.12.09	31.12.10	Change 31.12.10-31.12.09	31.03.11	Change 31.03.11-31.12.10	30.06.11	Change 30.06.11-31.03.11
Cash	D	37996090	43621525	12.8%	33964855	-22.1%	36808254	8.4%
	Fx	26677242	31278419	27.8%	36425703	16.5%	32017087	-12.1%
Correspondent accounts with the CBA and other claims on the CBA	D	44128365	69592104	134.3%	96000586	37.9%	89941232	-6.3%
	Fx	148624060	88236486	24.9%	82261180	-6.8%	83795028	1.9%
Correspondent accounts with banks and other claims on banks	D	7917917	26538429	22.7%	31037371	17.0%	32042800	3.2%
	Fx	141790353	105607753	10.3%	95401974	-9.7%	118883498	24.6%
Claims on other financial institutions	D	14513224	15895880	20.9%	14507299	-8.7%	18362565	26.6%
	Fx	2085087	4665502	91.8%	4494425	-3.7%	6288631	39.9%
Government securities		109191067	151297921	10.7%	150803159	-0.3%	146021880	-3.2%
Liabilities for securities through repos and currency through currency swap	D	-33429477	-45139332	-1.5%	-44444408	-1.5%	-47186809	6.2%
	Fx	-12586654	-12273346	38.1%	-12931117	5.4%	-13456138	4.1%
Repos (excluding interbank repos)	D	11494620	12856911	2.0%	11432226	-11.1%	15590829	36.4%
	Fx	9485661	8595881	28.7%	8924927	3.8%	9610735	7.7%
Loans to legal entities	D	123864354	138671019	8.9%	140827337	1.6%	148094983	5.2%
	Fx	272064880	382486163	50.5%	453147929	18.5%	497826720	9.9%
Loans to natural persons	D	194193234	215641862	30.7%	228441671	5.9%	248741264	8.9%
	Fx	91713712	110647012	29.2%	117405526	6.1%	124092617	5.7%
Loans to related parties and staff	D	13222181	14098871	29.9%	15284068	8.4%	16409962	7.4%
	Fx	8307450	27067035	50.8%	11496304	-57.5%	13065260	13.6%
Asset loss reserves		-18406948	-17819227	46.4%	-20032087	12.4%	-20959021	4.6%
Interest receivable		9032156	15495994	3.9%	15619092	0.8%	16890124	8.1%
Fixed assets		61279249	67031371	7.2%	67107774	0.1%	68908791	2.7%
Other securities		4330676	5695316	-12.9%	6473077	13.7%	7110227	9.8%
Leasing, factoring (excluding interbank leasing and factoring)		7239913	32347103	-26.3%	45574458	40.9%	39785160	-12.7%
Other assets		51235076	68335815	40.0%	67711371	-0.9%	70569949	4.2%
Total assets		**1325963488**	**1560472467**	**32.4%**	**1656934700**	**6.2%**	**1759255628**	**6.2%**

thousand drams

Indicators	Currency	30.09.11	Change 30.09.11-30.06.11	31.12.11	Change 31.12.11-30.09.11	2011 annual	Change 31.12.11-31.12.10	
Cash	D	39087243	6.2%	49186976	25.8%	49186976	5565451	12.8%
	Fx	31359055	-2.1%	39977271	27.5%	39977271	8698852	27.8%
Correspondent accounts with the CBA and other claims on the CBA	D	106487792	18.4%	163077744	53.1%	163077887	93485783	134.3%
	Fx	112040114	33.7%	110207257	-1.6%	110207257	21970771	24.9%
Correspondent accounts with banks and other claims on banks	D	33000156	3.0%	32552193	-1.4%	32552193	6013764	22.7%
	Fx	118554854	-0.3%	116484718	-1.7%	116484718	10876965	10.3%
Claims on other financial institutions	D	18520766	0.9%	19217784	3.8%	19217784	3321904	20.9%
	Fx	6288936	0.0%	8949708	42.3%	8949708	4284206	91.8%
Government securities		165805105	13.5%	167502233	1.0%	167502233	16204312	10.7%
Liabilities for securities through repos and currency through currency swap	D	-60527664	28.3%	-44471223	-26.5%	-44471223	668109	-1.5%
	Fx	-12506704	-7.1%	-16946244	35.5%	-16946244	-4672898	38.1%
Repos (excluding interbank repos)	D	15043827	-3.5%	13118412	-12.8%	13118412	261501	2.0%
	Fx	10663513	11.0%	11059651	3.7%	11059651	2463770	28.7%
Loans to legal entities	D	151491599	2.3%	150968994	-0.3%	150968994	12297975	8.9%
	Fx	538932364	8.3%	575572682	6.8%	575572682	193086519	50.5%
Loans to natural persons	D	258272289	3.8%	281892775	9.1%	281892775	66250913	30.7%
	Fx	128254275	3.4%	142933367	11.4%	142933367	32286355	29.2%
Loans to related parties and staff	D	17030817	3.8%	18318595	7.6%	18318595	4219724	29.9%
	Fx	13056513	-0.1%	40808182	212.6%	40808182	13741147	50.8%
Asset loss reserves		-25103846	19.8%	-26088877	3.9%	-26088877	-8269650	46.4%
Interest receivable		16706539	-1.1%	16106581	-3.6%	16106581	610587	3.9%
Fixed assets		70663565	2.5%	71873609	1.7%	71873609	4842238	7.2%
Other securities		6076615	-14.5%	4959965	-18.4%	4959965	-735351	-12.9%
Leasing, factoring (excluding interbank leasing and factoring)		35936525	-9.7%	23824061	-33.7%	23824061	-8523042	-26.3%
Other assets		89004238	26.1%	95636347	7.5%	95370482	27034667	39.6%
Total assets		**1884138486**	**7.1%**	**2066722761**	**9.7%**	**2066457039**	**505984572**	**32.4%**

Annex 3 *(continued)*

thousand drams

Indicators	Currency	31.12.09	31.12.10	Change 31.12.10-31.12.09	31.03.11	Change 31.03.11-31.12.10	30.06.11	Change 30.06.11-31.03.11
Correspondent accounts of banks	D	2175587	2279773	-23.7%	1055756	-53.7%	1175396	11.3%
	Fx	4355481	9259253	-25.2%	6281578	-32.2%	1655802	-73.6%
Other liabilities to banks (including the CBA) and other financial organizations	D	97314211	118448941	44.1%	126448266	6.8%	120712902	-4.5%
	Fx	201302878	287640560	-25.8%	315290256	9.6%	202847494	-35.7%
Demand liabilities to legal entities	D	72248369	85607927	140.9%	86864450	1.5%	149952548	72.6%
	Fx	89710479	75491551	429.6%	93408233	23.7%	362087543	287.6%
Demand liabilities to natural persons	D	30945052	40050189	35.5%	36744666	-8.3%	44225129	20.4%
	Fx	59575814	63895196	17.6%	66979538	4.8%	74671966	11.5%
Time deposits of legal entities	D	20397548	20471440	71.8%	22099258	8.0%	21651197	-2.0%
	Fx	106068383	84367236	11.1%	82027839	-2.8%	88049972	7.3%
Time deposits of natural persons	D	40426112	58166076	63.6%	65283178	12.2%	72829836	11.6%
	Fx	207420550	245012246	36.5%	263928878	7.7%	277474971	5.1%
Liabilities to the Government		67583103	80880885	1.3%	83783593	3.6%	85666721	2.2%
Interest payable		10184797	11654088	35.1%	14056961	20.6%	13650466	-2.9%
Other liabilities		37871602	58295645	10.2%	57602229	-1.2%	56731275	-1.5%
Total liabilities		**1047579966**	**1241521006**	**37.8%**	**1321854679**	**6.5%**	**1419561463**	**7.4%**
Actually paid in statutory capital		188640844	203799175	14.8%	210999176	3.5%	226432005	7.3%
General reserve		8208307	15079172	23.6%	15322204	1.6%	17676546	15.4%
Own shares repurchased by bank		0			0		0	
Retained profit (loss) — Current period		8969666	30468438	3.1%	8204532	-73.1%	19521629	137.9%
Retained profit (loss) — Previous period		55768602	51481736	4.8%	81796851	58.9%	56974062	-30.3%
Total capital		**278383522**	**318951461**	**11.6%**	**335080021**	**5.1%**	**339694165**	**1.4%**
Received collateral		1771046028	2288094433	20.0%	2317740891	1.3%	2460028958	6.1%
including government securities		828696	2783363	30.5%	1504306	-46.0%	3445584	129.0%
Guarantees received		709258935	1098535975	73.1%	1276772903	16.2%	1459116654	14.3%
Off-balance sheet — loans		22666741	31564198	31.9%	33288765	5.5%	33391064	0.3%
Off-balance sheet — receivables and other assets		3495283	3064447	18.0%	3132281	2.2%	3174105	1.3%
Off-balance sheet — interest		6114772	8943497	35.5%	9369995	4.8%	9753274	4.1%
Guarantees issued		32485326	51683666	-10.5%	45156664	-12.6%	45865694	1.6%
Issued collateral — total		4770903	4096549	-11.6%	2598695	-36.6%	3613462	39.0%
Issued collateral — including government securities		429000	1523906	-21.3%	0	-100.0%	925997	100%

D – Armenian Dram, Fx– Foreign currency

thousand drams

Indicators		Currency	30.09.11	Change 30.09.11-30.06.11	31.12.11	Change 31.12.11-30.09.11	2011 annual	Change 31.12.11-31.12.10	
Correspondent accounts of banks		D	1351912	15.0%	1738927	28.6%	1738927	-540846	-23.7%
		Fx	8272206	399.6%	6926903	-16.3%	6926903	-2332350	-25.2%
Other liabilities to banks (including the CBA) and other financial organizations		D	129219408	7.0%	170697909	32.1%	206196946	87748005	74.1%
		Fx	221429553	9.2%	213431073	-3.6%	399768255	112127695	39.0%
Demand liabilities to legal entities		D	160663466	7.1%	206196946	28.3%	107808701	22200774	25.9%
		Fx	381899198	5.5%	399768255	4.7%	138506666	63015115	83.5%
Demand liabilities to natural persons		D	46662134	5.5%	54285133	16.3%	54285133	14234944	35.5%
		Fx	77478114	3.8%	75159889	-3.0%	75159889	11264693	17.6%
Time deposits of legal entities		D	27431292	26.7%	35178714	28.2%	35178714	14707274	71.8%
		Fx	92264576	4.8%	93763788	1.6%	93763788	9396552	11.1%
Time deposits of natural persons		D	82248933	12.9%	95163543	15.7%	95163543	36997467	63.6%
		Fx	289603831	4.4%	334353985	15.5%	334353985	89341739	36.5%
Liabilities to the Government			79537324	-7.2%	81928591	3.0%	81928591	1047706	1.3%
Interest payable			16099498	17.9%	15748789	-2.2%	15748789	4094701	35.1%
Other liabilities			51693117	-8.9%	64267964	24.3%	64006369	5710724	9.8%
Total liabilities			**1541040858**	**8.6%**	**1710796794**	**11.0%**	**1710535199**	**469014193**	**37.8%**
Actually paid in statutory capital			226432006	0.0%	233945230	3.3%	233945230	30146055	14.8%
General reserve			17743868	0.4%	18642380	5.1%	18642380	3563208	23.6%
Own shares repurchased by bank			0		0		0	0	
Retained profit (loss)	Current period		24812457	27.1%	31424467	26.6%	31420340	951902	3.1%
	Previous period		56795879	-0.3%	53950173	-5.0%	53950173	2468437	4.8%
Total capital			**343097628**	**1.0%**	**355925967**	**3.7%**	**355921840**	**36970379**	**11.6%**
Received collateral			2568046702	4.4%	2744589328	6.9%	2744286142	456191709	19.9%
including government securities			1509797	-56.2%	3632040	140.6%	3632040	848677	30.5%
Guarantees received			1640213550	12.4%	1901547561	15.9%	1901547561	803011586	73.1%
Off-balance sheet	loans		38807273	16.2%	41627201	7.3%	41627201	10063003	31.9%
	receivables and other assets		3443386	8.5%	3616435	5.0%	3616435	551988	18.0%
	interest		11377662	16.7%	12115595	6.5%	12115595	3172098	35.5%
Guarantees issued			42840092	-6.6%	46232449	7.9%	46232449	-5451217	-10.5%
Issued collateral	total		3179593	-12.0%	3622574	13.9%	3622574	-473975	-11.6%
	including government securities		800746	-13.5%	1200050	49.9%	1200050	-323856	-21.3%

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

Indicators	Currency	31.12.09	31.12.10	Change 31.12.10-31.12.09	31.03.11	Change 31.03.11-31.12.10	30.06.11	Change 30.06.11-31.03.11	30.09.11	Change 30.09.11-30.06.11	31.12.11	Change 31.12.11-30.09.11	2011 annual	Change 31.12.11-31.12.10
Cash	D	2.9	2.8	-0.1	2.0	-0.7	2.1	0.0	2.1	0.0	2.4	0.3	2.4	-0.4
	Fx	2.0	2.0	0.0	2.2	0.2	1.8	-0.4	1.7	-0.2	1.9	0.3	1.9	-0.1
Correspondent accounts with the CBA and other claims on the CBA	D	3.3	4.5	1.1	5.8	1.3	5.1	-0.7	5.7	0.5	7.9	2.2	7.9	3.4
	Fx	11.2	5.7	-5.6	5.0	-0.7	4.8	-0.2	5.9	1.2	5.3	-0.6	5.3	-0.3
Correspondent accounts with banks and other claims on banks	D	0.6	1.7	1.1	1.9	0.2	1.8	-0.1	1.8	-0.1	1.6	-0.2	1.6	-0.1
	Fx	10.7	6.8	-3.9	5.8	-1.0	6.8	1.0	6.3	-0.5	5.6	-0.7	5.6	-1.1
Claims on other financial institutions	D	1.1	1.0	-0.1	0.9	-0.1	1.0	0.2	1.0	-0.1	0.9	-0.1	0.9	-0.1
	Fx	0.2	0.3	0.1	0.3	0.0	0.4	0.1	0.3	0.0	0.4	0.1	0.4	0.1
Government securities		8.2	9.7	1.5	9.1	-0.6	8.3	-0.8	8.8	0.5	8.1	-0.7	8.1	-1.6
Liabilities for securities through repos and currency through currency swap	D	-2.5	-2.9	-0.4	-2.7	0.2	-2.7	0.0	-3.2	-0.5	-2.2	1.1	-2.2	0.7
	Fx	-0.9	-0.8	0.2	-0.8	0.0	-0.8	0.0	-0.7	0.1	-0.8	-0.2	-0.8	0.0
Repos (excluding interbank repos)	D	0.9	0.8	0.0	0.7	-0.1	0.9	0.2	0.8	-0.1	0.6	-0.2	0.6	-0.2
	Fx	0.7	0.6	-0.2	0.5	0.0	0.5	0.0	0.6	0.0	0.5	0.0	0.5	0.0
Loans to legal entities	D	9.3	8.9	-0.5	8.5	-0.4	8.4	-0.1	8.0	-0.4	7.3	-0.7	7.3	-1.6
	Fx	20.5	24.5	4.0	27.3	2.8	28.3	0.9	28.6	0.3	27.8	-0.8	27.9	3.3
Loans to natural persons	D	14.6	13.8	-0.8	13.8	0.0	14.1	0.4	13.7	-0.4	13.6	-0.1	13.6	-0.2
	Fx	6.9	7.1	0.2	7.1	0.0	7.1	0.0	6.8	-0.2	6.9	0.1	6.9	-0.2
Loans to related parties and staff	D	1.0	0.9	-0.1	0.9	0.0	0.9	0.0	0.9	0.0	0.9	0.0	0.9	0.0
	Fx	0.6	1.7	1.1	0.7	-1.0	0.7	0.0	0.7	0.0	2.0	1.3	2.0	0.2
Asset loss reserves		-1.4	-1.1	0.2	-1.2	-0.1	-1.2	0.0	-1.3	-0.1	-1.3	0.1	-1.3	-0.1
Interest receivable		0.7	1.0	0.3	0.9	-0.1	1.0	0.0	0.9	-0.1	0.8	-0.1	0.8	-0.2
Fixed assets		4.6	4.3	-0.3	4.1	-0.2	3.9	-0.1	3.8	-0.2	3.5	-0.3	3.5	-0.8
Other securities		0.3	0.4	0.0	0.4	0.0	0.4	0.0	0.3	-0.1	0.2	-0.1	0.2	-0.1
Leasing, factoring (excluding interbank leasing and factoring)		0.5	2.1	1.5	2.8	0.7	2.3	-0.5	1.9	-0.4	1.2	-0.8	1.2	-0.9
Other assets		3.9	4.4	0.5	4.1	-0.3	4.0	-0.1	4.7	0.7	4.6	-0.1	4.6	0.2
Total assets		100.0	100.0		100.0		100.0		100.0		100.0		100.0	

Indicators	Currency	31.12.09	31.12.10	Change 31.12.10-31.12.09	31.03.11	Change 31.03.11-31.12.10	30.06.11	Change 30.06.11-31.03.11	30.09.11	Change 30.09.11-30.06.11	31.12.11	Change 31.12.11-30.09.11	2011 annual	Change 31.12.11-31.12.10
Correspondent accounts of banks	D	0.2	0.2	0.0	0.1	-0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	-0.1
	Fx	0.4	0.7	0.3	0.5	-0.3	0.1	-0.4	0.5	0.4	0.4	-0.1	0.4	-0.3
Other liabilities to banks (including the CBA) and other financial organizations	D	9.3	9.5	0.3	9.6	0.0	8.5	-1.1	8.4	-0.1	10.0	1.6	12.1	2.5
	Fx	19.2	23.2	4.0	23.9	0.7	14.3	-9.6	14.4	0.1	12.5	-1.9	23.4	0.2
Demand liabilities to legal entities	D	6.9	6.9	0.0	6.6	-0.3	10.6	4.0	10.4	-0.1	12.1	1.6	6.3	-0.6
	Fx	8.6	6.1	-2.5	7.1	1.0	25.5	18.4	24.8	-0.7	23.4	-1.4	8.1	2.0
Demand liabilities to natural persons	D	3.0	3.2	0.3	2.8	-0.4	3.1	0.3	3.0	-0.1	3.2	0.1	3.2	-0.1
	Fx	5.7	5.1	-0.5	5.1	-0.1	5.3	0.2	5.0	-0.2	4.4	-0.6	4.4	-0.8
Time deposits of legal entities	D	1.9	1.6	-0.3	1.7	0.0	1.5	-0.1	1.8	0.3	2.1	0.3	2.1	0.4
	Fx	10.1	6.8	-3.3	6.2	-0.6	6.2	0.0	6.0	-0.2	5.5	-0.5	5.5	-1.3
Time deposits of natural persons	D	3.9	4.7	0.8	4.9	0.3	5.1	0.2	5.3	0.2	5.6	0.2	5.6	0.9
	Fx	19.8	19.7	-0.1	20.0	0.2	19.5	-0.4	18.8	-0.8	19.5	0.8	19.5	-0.2
Liabilities to the Government		6.5	6.5	0.1	6.3	-0.2	6.0	-0.3	5.2	-0.9	4.8	-0.4	4.8	-1.7
Interest payable		1.0	0.9	0.0	1.1	0.1	1.0	-0.1	1.0	0.1	0.9	-0.1	0.9	0.0
Other liabilities		3.6	4.7	1.1	4.4	-0.3	4.0	-0.4	3.4	-0.6	3.8	0.4	3.7	-1.0
Total liabilities		**100.0**	**100.0**		**100.0**		**100.0**		**100.0**		**100.0**		**100.0**	
Actually paid in statutory capital		67.8	63.9	-3.9	63.0	-0.9	66.7	3.7	66.0	-0.7	65.7	-0.3	65.7	1.8
General reserve		2.9	4.7	1.8	4.6	-0.2	5.2	0.6	5.2	0.0	5.2	0.1	5.2	0.5
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	3.2	9.6	6.3	2.4	-7.1	5.7	3.3	7.2	1.5	8.8	1.6	8.8	-0.7
	Previous period	20.0	16.1	-3.9	24.4	8.3	16.8	-7.6	16.6	-0.2	15.2	-1.4	15.2	-1.0
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 Account

thousand drams

Indicators	At the beginning of period	Change within the period	At the end of period
Total capital	309407343	32845088	342252431
Tier 1 capital	276558040	35105980	311664020
Statutory capital	203799175	30146055	233945230
Note: number of shares sold (pcs)	6741537	8100	6749637
General reserve	15279711	3362669	18642380
Undistributed profit	79881961	5492452	85374413
Amounts deducted from Tier 1 capital, o/w:	22402806	3895197	26298003
Long-term subordinate loans	800400	-800400	0
Repurchased own shares of bank	0	0	0
Intangible assets (except for assets set forth in Regulation 2)	1093310	-781531	311779
Investments in statutory capital of other banks, credit organizations, and "Other organizations" according to regulation 2	1874182	241444	2115626
Tangible assets not in use and capital investments in them	12026663	4216690	16243353
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	2715715	461827	3177542
Capital investments in bank's own and leased fixed assets	3794821	557167	4351988
Capital investments in statutory capital of other commercial organization according to 28.1 article of Regulation 2	97715	0	97715
Tier 2 capital	33080595	-2492184	30588411
Revaluation reserve for bank premises and buildings	8971893	-773187	8198706
Reserve generated from FX differences due to balance sheet consolidation	0	0	0
Other reserves	1199219	16206	1215425
Subordinated long-term borrowings attracted by bank	22909483	-1735203	21174280

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

Indicators	31.12.09	31.12.10	Change within 31.12.10-31.12.09	31.12.11	Change within 31.12.11-31.12.10
Statutory capital	176633550	191371880	14738330	226085105	34713225
of which: non-residents	130658699	151013348	20354649	169760826	18747478
share of non-residents %	73.97	78.91	4.94	75.09	-3.82

Annex 7.Commercial Banks: Income and Expense

thousand drams

Indicators	31.12.09	31.12.10	Change 31.12.10-31.12.09	31.03.11	30.06.11	30.09.11	31.12.11	Change 31.12.11-31.12.10
	1	2	3	4	5	6	7	8
From correspondent accounts	227228	92430	-59.3%	38585	79494	101149	133670	44.6%
From funds allocated in the CBA	172270	304906	77.0%	108615	273490	497024	699027	129.3%
Interest received from funds allocated in commercial banks and other financial institutions	1421191	1350885	-4.9%	567900	1425930	2239615	3198372	136.8%
From loans to economy	96146225	109387583	13.8%	30301222	64298273	99635842	137026369	25.3%
Interest from overdraft	982362	1564501	59.3%	464113	1011467	1598880	2248059	43.7%
Interest from credit cards	4453312	5281194	18.6%	1568230	3177398	4916689	6960846	31.8%
Interest from government securities	6017045	9345916	55.3%	3020805	6228344	9622158	13370230	43.1%
From repos	974448	2533969	160.0%	733676	1673642	2649121	3641804	43.7%
Other interest income	4330400	6299496	45.5%	1861502	3777192	5911847	8205410	30.3%
Total interest income	**114724481**	**136160880**	**18.7%**	**38664648**	**81945230**	**127172325**	**175483787**	**28.9%**
Interest paid on correspondent accounts	81890	50444	-38.4%	26779	57602	67926	84151	66.8%
Interest paid on bank accounts and demand deposits	1724813	2397698	39.0%	647448	1412836	2390816	3496244	45.8%
Interest paid on funds attracted from the CB	4501646	4722520	4.9%	1269137	2797392	4533168	6513908	37.9%
On repos	166253	536443	222.7%	207157	523342	769497	1002955	87.0%
Interest paid on funds attracted from commercial banks and other financial institutions	9690575	9769391	0.8%	3615493	7873085	12136751	16732500	71.3%
Interest paid on time deposits	27062715	29026280	7.3%	8195573	17143032	26629393	36931825	27.2%
Interest paid on funds attracted from international financial organizations	2565031	2864439	11.7%	1029827	2312778	3747358	5374980	87.6%
Interest expenses on deposit insurance	588243	727819	23.7%	212368	445779	699632	968713	33.1%
Expenses for accrued and not collected interest on non-performing assets	2968058	1923241	-35.2%	392976	835769	2071112	2994031	55.7%
Other interest expenses	3575834	6648676	85.9%	1683568	3492501	5365865	7363341	10.7%
Total interest expenses	**52925058**	**58666951**	**10.8%**	**17280326**	**36894116**	**58411518**	**81462648**	**38.9%**
Net interest income	**61799423**	**77493929**	**25.4%**	**21384322**	**45051114**	**68760807**	**94021139**	**21.3%**
Commissions received	15469722	19276336	24.6%	4581122	9994123	16016586	23011093	19.4%
Income from guarantees, acceptance and L/C operations, trust management	978851	1484814	51.7%	335615	682269	1022633	1478961	-0.4%
Net income from hedging derivatives	559162	135589	-75.8%	285703	244111	160640	-315863	-333.0%
Net income from factoring	490698	1365130	178.2%	839882	1752043	2550736	3218649	135.8%
Income from investments in other organizations	233076	207222	-11.1%	-35201	78771	242000	419402	102.4%
Net income from sale of securities	1333152	587189	-56.0%	224680	747068	2237943	2197732	274.3%
Net income from FX purchase and sale	13830812	13515924	-2.3%	2905061	6279248	9673661	13685861	1.3%
Positive (negative) exchange rate difference from FX revaluation	-5711780	-1138022	-80.1%	-363915	-571672	-307840	51866	-104.6%
Net income from sale of fixed assets	-26255	-54549	107.8%	-2083	66569	55658	83838	-253.7%

	1	2	3	4	5	6	7	8
Net income from revaluation of fixed assets	-288305	11554	-104.0%	0	0	0	-309351	-2777.4%
Fines and penalties received	3685968	4088017	10.9%	1018097	1982709	3225655	4622126	13.1%
Other non-interest income	1191175	1174782	-1.4%	559191	676365	5065	441164	-62.4%
Total non-interest income	**31746276**	**40653986**	**28.1%**	**10348152**	**21931604**	**34882737**	**48585478**	**19.5%**
Salary and salary-equivalent pays (other remuneration and financing of social requirements)	25779216	29583014	14.8%	8014747	16706718	24976255	35182735	18.9%
Business trip costs	496355	637935	28.5%	116933	296902	525140	777202	21.8%
Contribution to State Fund of Social Insurance of RA	2475245	2752590	11.2%	727575	1534536	2349612	3286875	19.4%
Taxes, duties, other mandatory payments	1874674	2087830	11.4%	507118	1110523	1604687	2315297	10.9%
Depreciation	7287667	8149925	11.8%	2210008	4449527	6816648	9370246	15.0%
Leasing charge for bank premises and other fixed assets	3282575	3736676	13.8%	960856	2062683	3220693	4530357	21.2%
Advertisement and representative costs	2352783	2994581	27.3%	588450	1535338	2426224	3923117	31.0%
Office and printing costs	677795	825208	21.7%	250613	479805	710976	1028696	24.7%
Audit and consultation services costs	933763	1229469	31.7%	265700	575872	792877	1085636	-11.7%
Bank equipment maintenance costs	872948	986442	13.0%	228334	514734	800271	1144741	16.0%
Transport costs	426265	543449	27.5%	133328	295734	462602	648485	19.3%
Communication costs	2004657	2023180	0.9%	482805	1016296	1563852	2130966	5.3%
Fines and penalties paid	67791	112196	65.5%	10463	20440	51051	61041	-45.6%
Training costs	351827	363724	3.4%	57110	160020	268067	455537	25.2%
Other non-interest expenses	10718142	13308511	24.2%	3547631	7213359	11198152	15651025	17.6%
Total non-interest expenses	**59601703**	**69334730**	**16.3%**	**18101671**	**37972487**	**57767107**	**81591956**	**17.7%**
Net non-interest expenses	**-27855427**	**-28680744**	**3.0%**	**-7753519**	**-16040883**	**-22884370**	**-33006478**	**15.1%**
Provisions to general reserve on loans and receivables loss	15017665	20834080	38.7%	4703607	10017640	15565000	22682915	8.9%
Provisions to special reserve on loans and receivables loss	70022792	48109308	-31.3%	12415510	23704321	40528658	56614484	17.7%
Provisions to reserve on securities loss	26100	8683	-66.7%	5	94	95	2965	-65.9%
Provisions to reserve on bank guarantees and other contingent liabilities	3627396	3783293	4.3%	924464	2147961	3349014	7082870	87.2%
Total provisions	**88693953**	**72735364**	**-18.0%**	**18043586**	**35870016**	**59442767**	**86383234**	**18.8%**
Recoveries from general reserve on loans and receivables loss	13265563	19140110	44.3%	4298329	8892423	13951538	19427960	1.5%
Recoveries from special reserve on loans and receivables loss	50774464	40359217	-20.5%	9198299	20085970	27719916	42116618	4.4%
Recoveries from reserve on securities loss	15753	8500	-46.0%	0	1498	16655	21175	149.1%
Recoveries from reserve on bank guarantees and other contingent liabilities	3614477	3324001	-8.0%	1015674	2087771	3245836	6663042	100.5%
Total recoveries	**67670257**	**62831828**	**-7.2%**	**14512302**	**31067662**	**44933945**	**68228795**	**8.6%**
Net deductions	**21023696**	**9903536**	**-52.9%**	**3531284**	**4802354**	**14508822**	**18154439**	**83.3%**
Pre-tax profit	**12949268**	**38907865**	**200.5%**	**10098320**	**24206749**	**31365460**	**42851751**	**10.1%**
Profit tax	4372413	8710306	99.2%	1990414	4917565	6893617	9668299	11.0%
Net profit	**8576855**	**30197559**	**252.1%**	**8107906**	**19289184**	**24471843**	**33183452**	**9.9%**
Dividends accrued	0	152021		0	0	0	196070	29.0%
Undistributed profit	**8576855**	**30045538**	**250.3%**	**8107906**	**19289184**	**24471843**	**32987382**	**9.8%**

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

Indicators	2009	2010	2011
Return on assets			
Banking system	0.74%	2.10%	1.80%
Minimum (on profitable banks)	0.10%	0.42%	0.26%
Maximum (on profitable banks)	3.20%	4.24%	5.16%
Return on equity			
Banking system	3.43%	10.30%	9.79%
Minimum (on profitable banks)	0.20%	2.64%	0.91%
Maximum (on profitable banks)	19.80%	24.30%	24.34%

Annex 9. Loan Investments of Commercial Banks

thousand drams

Indicator	2009					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	AMD	FX	AMD
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	AMD	FX	AMD
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:	0	0	0	0	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 9 (continued)

thousand drams

Indicator	2011					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	AMD	FX	AMD
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	178905331	200796570	349875220	632480788	528780551	833277357
1.1 Time assets	159760380	194623561	347737066	626991165	507497446	821614726
o/w: loans	107203236	137460959	329901944	603749355	437105180	741210314
interbank loans, deposits, factoring, leasing, repo agreements	25162353	43172706	0	10373355	25162353	53546061
1.2 Prolonged assets	16663515	2863966	2127652	5484370	18791167	8348336
o/w: loans	66468	2863967	196952	5484370	263420	8348337
interbank loans, deposits, factoring, leasing, repo agreements	6047369	0	0	0	6047369	0
1.3 Overdue assets	2481436	3309043	10502	5252	2491938	3314295
o/w: loans	2076972	3118781	10502	0	2087474	3118781
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	10844441	38446697	2456797	16203503	13301238	54650200
2.1 Time assets	10799046	38439243	511297	16203503	11310343	54642746
2.2 Prolonged assets	0	0	1945500	0	1945500	0
2.3 Overdue assets	45395	7454	0	0	45395	7454
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	165960213	157162850	349519100	621464307	515479313	778627157
3.1 Industry	9160887	43465906	52916766	163026373	62077653	206492279
mining	1227557	13193385	2602309	6526669	3829866	19720054
energy	3101959	6620794	12362533	55429535	15464491	62050329
food products	2910195	9862664	22716523	54540674	25626719	64403338
light	239921	706217	3569113	8250201	3809034	8956418
chemical	11202	613832	186666	6360250	197868	6974082
building materials	733441	6309453	6068588	18170915	6802029	24480368
precious items	21761	335021	1444947	3424777	1466708	3759798
metallurgy	0	3587887	0	1109085	0	4696972
machine-building and electrical	418863	358883	573198	3847234	992061	4206117
other branches of industry	495988	1877770	3392889	5367033	3888877	7244802
3.2 Agriculture	2806181	9961284	19975166	40697207	22781347	50658491
3.3 Construction	3700584	9656626	15590750	67026116	19291333	76682742
3.4 Transport and Communications	529999	9608571	5467046	26920645	5997045	36529216
3.5 Trade	9881734	35343451	62267269	168227579	72149004	203571030
3.6 Public Catering and Other Services	1272708	4856931	20660915	37908600	21933622	42765531
3.7 Financial Sector	50828669	35199848	423820	9681242	51252489	44881090
3.8 Consumer Loans	84572817	3780521	103301057	25722335	187873874	29502856
3.9 Mortgage loans	782193	1007218	60246744	48263398	61028937	49270616
3.10 Other Sectors of Economy	2424441	4282494	8669568	33990813	11094008	38273307

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

Indicator	2009					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	AMD	FX	AMD
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	AMD	FX	AMD
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	14.0%	14.6%	28.0%	43.4%	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 10 *(continued)*

Indicator	2011					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	AMD	FX	AMD
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	13.1%	14.7%	25.7%	46.4%	38.8%	61.2%
1.1 Time assets	11.7%	14.3%	25.5%	46.0%	37.3%	60.3%
o/w: loans	7.9%	10.1%	24.2%	44.3%	32.1%	54.4%
interbank loans, deposits, factoring, leasing, repo agreements	1.8%	3.2%	0.0%	0.8%	1.8%	3.9%
1.2 Prolonged assets	1.2%	0.2%	0.2%	0.4%	1.4%	0.6%
o/w: loans	0.0%	0.2%	0.0%	0.4%	0.0%	0.6%
interbank loans, deposits, factoring, leasing, repo agreements	0.4%	0.0%	0.0%	0.0%	0.4%	0.0%
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	0.8%	2.8%	0.2%	1.2%	1.0%	4.0%
2.1 Time assets	0.8%	2.8%	0.0%	1.2%	0.8%	4.0%
2.2 Prolonged assets	0.0%	0.0%	0.1%	0.0%	0.1%	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:	12.2%	11.5%	25.7%	45.6%	37.8%	57.2%
3.1 Industry	0.7%	3.2%	3.9%	12.0%	4.6%	15.2%
mining	0.1%	1.0%	0.2%	0.5%	0.3%	1.4%
energy	0.2%	0.5%	0.9%	4.1%	1.1%	4.6%
food products	0.2%	0.7%	1.7%	4.0%	1.9%	4.7%
light	0.0%	0.1%	0.3%	0.6%	0.3%	0.7%
chemical	0.0%	0.0%	0.0%	0.5%	0.0%	0.5%
building materials	0.1%	0.5%	0.4%	1.3%	0.5%	1.8%
precious items	0.0%	0.0%	0.1%	0.3%	0.1%	0.3%
metallurgy	0.0%	0.3%	0.0%	0.1%	0.0%	0.3%
machine-building and electrical	0.0%	0.0%	0.0%	0.3%	0.1%	0.3%
other branches of industry	0.0%	0.1%	0.2%	0.4%	0.3%	0.5%
3.2 Agriculture	0.2%	0.7%	1.5%	3.0%	1.7%	3.7%
3.3 Construction	0.3%	0.7%	1.1%	4.9%	1.4%	5.6%
3.4 Transport and Communications	0.0%	0.7%	0.4%	2.0%	0.4%	2.7%
3.5 Trade	0.7%	2.6%	4.6%	12.4%	5.3%	14.9%
3.6 Public Catering and Other Services	0.1%	0.4%	1.5%	2.8%	1.6%	3.1%
3.7 Financial Sector	3.7%	2.6%	0.0%	0.7%	3.8%	3.3%
3.8 Consumer Loans	6.2%	0.3%	7.6%	1.9%	13.8%	2.2%
3.9 Mortgage loans	0.1%	0.1%	4.4%	3.5%	4.5%	3.6%
3.10 Other Sectors of Economy	0.2%	0.3%	0.6%	2.5%	0.8%	2.8%

Annex 11. Distribution of Bank Loan Investments

31.12.2011	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9	Bank 10	Bank 11
Allocation of loans by sectors of economy											
1. Industry	19.4%	24.8%	7.4%	31.0%	17.0%	12.0%	24.6%	2.7%	10.6%	4.9%	15.9%
mining	2.1%	0.0%	0.0%	7.3%	4.9%	0.3%	0.0%	0.0%	0.0%	0.0%	0.0%
energy	1.0%	1.9%	0.5%	8.1%	5.1%	1.1%	0.0%	0.0%	0.2%	0.7%	5.0%
food products	6.4%	10.1%	4.3%	5.6%	6.3%	4.6%	14.9%	0.3%	6.3%	2.4%	7.2%
light	0.4%	7.2%	0.8%	0.1%	0.0%	1.0%	0.5%	0.2%	1.2%	0.4%	1.3%
chemical	2.8%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
building materials	2.3%	0.7%	0.9%	8.2%	0.0%	1.3%	3.6%	0.5%	1.9%	1.0%	1.3%
precious metals	0.0%	0.4%	0.7%	1.7%	0.0%	0.0%	5.5%	0.5%	0.1%	0.1%	0.2%
metallurgy	4.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
machine-building and electrical	0.1%	0.4%	0.2%	0.0%	0.3%	0.0%	0.0%	0.8%	0.1%	0.1%	0.2%
other branches of industry	0.0%	4.1%	0.0%	0.0%	0.4%	3.6%	0.2%	0.4%	0.8%	0.1%	0.5%
2. Agriculture	7.9%	2.3%	0.1%	1.3%	2.3%	13.4%	0.3%	0.0%	1.5%	2.4%	1.1%
cattle breeding	5.8%	0.9%	0.1%	0.0%	1.7%	3.3%	0.1%	0.0%	1.4%	1.0%	0.4%
plant growing	2.2%	1.5%	0.0%	1.3%	0.7%	10.1%	0.2%	0.0%	0.1%	1.5%	0.7%
3. Construction	19.1%	12.3%	2.5%	6.2%	6.4%	0.6%	19.4%	0.0%	9.8%	4.1%	5.8%
4. Transport and communication	4.2%	0.8%	1.3%	7.0%	3.4%	3.0%	5.9%	0.6%	6.1%	1.6%	5.2%
5. Trade	15.2%	20.5%	26.2%	28.6%	17.2%	22.2%	24.1%	12.0%	23.7%	14.5%	35.4%
wholesale	8.2%	9.5%	9.4%	22.9%	9.5%	6.9%	10.2%	1.6%	15.4%	8.3%	28.6%
retail	6.9%	10.9%	16.8%	5.7%	7.7%	15.0%	13.9%	10.3%	8.3%	6.1%	6.8%
6. Catering and other services	6.6%	11.2%	9.7%	7.0%	0.8%	7.2%	7.6%	2.7%	5.4%	2.8%	2.0%
7. Financial sector	0.1%	1.0%	31.7%	1.1%	14.9%	13.0%	5.1%	21.7%	1.8%	10.3%	2.9%
o/w: resident banks	0.0%	0.0%	21.0%	0.3%	11.6%	10.6%	0.0%	0.0%	0.0%	8.3%	0.8%
8. Consumer loans	12.3%	18.0%	14.5%	7.9%	21.0%	15.8%	7.1%	47.2%	23.7%	35.9%	26.0%
9. Mortgage lending	14.2%	6.0%	4.8%	5.2%	8.2%	9.6%	4.1%	12.5%	15.4%	19.8%	5.0%
10. Other sectors of economy	0.9%	3.2%	1.6%	4.6%	8.7%	3.1%	1.8%	0.6%	1.9%	3.6%	0.6%
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' loans											
1. Industry	6.3%	3.5%	1.6%	15.2%	8.7%	1.5%	2.5%	0.1%	1.0%	0.9%	3.8%
mining	7.7%	0.0%	0.1%	40.8%	28.6%	0.4%	0.0%	0.0%	0.0%	0.0%	0.1%
energy	1.2%	0.9%	0.4%	13.7%	8.9%	0.5%	0.0%	0.0%	0.1%	0.4%	4.1%
food products	6.2%	4.3%	2.7%	8.2%	9.5%	1.7%	4.5%	0.0%	1.7%	1.2%	5.1%
light	3.0%	21.4%	3.4%	0.8%	0.1%	2.7%	1.1%	0.1%	2.4%	1.6%	6.4%
chemical	34.3%	0.2%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	2.5%
building materials	6.5%	0.9%	1.6%	34.4%	0.1%	1.4%	3.1%	0.1%	1.5%	1.5%	2.6%
precious metals	0.0%	2.7%	7.3%	43.2%	0.6%	0.0%	28.2%	0.5%	0.3%	1.3%	1.9%
metallurgy	77.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
machine-building and electrical	1.9%	2.7%	2.0%	0.4%	6.9%	0.3%	0.0%	0.9%	0.7%	0.9%	2.6%
other branches of industry	0.1%	13.9%	0.1%	0.0%	5.4%	11.0%	0.4%	0.2%	1.8%	0.3%	3.1%
2. Agriculture	9.6%	1.2%	0.1%	2.4%	4.4%	6.3%	0.1%	0.0%	0.5%	1.6%	1.0%
cattle breeding	11.1%	0.7%	0.1%	0.1%	5.1%	2.4%	0.1%	0.0%	0.8%	1.0%	0.6%
plant growing	7.1%	2.1%	0.1%	6.5%	3.4%	12.9%	0.2%	0.0%	0.1%	2.6%	1.8%
3. Construction	17.4%	4.9%	1.5%	8.5%	9.1%	0.2%	5.4%	0.0%	2.5%	2.0%	3.8%
4. Transport and communication	8.7%	0.7%	1.8%	21.5%	10.8%	2.4%	3.7%	0.1%	3.6%	1.7%	7.8%
5. Trade	4.8%	2.8%	5.4%	13.6%	8.5%	2.7%	2.4%	0.3%	2.1%	2.5%	8.2%
wholesale	4.7%	2.4%	3.5%	19.8%	8.5%	1.5%	1.8%	0.1%	2.5%	2.6%	12.0%
retail	4.9%	3.4%	7.8%	6.1%	8.6%	4.1%	3.1%	0.5%	1.7%	2.3%	3.5%
6. Catering and other services	8.9%	6.6%	8.5%	14.2%	1.7%	3.8%	3.2%	0.2%	2.1%	2.0%	2.0%
7. Financial sector	0.1%	0.4%	18.7%	1.6%	21.1%	4.6%	1.4%	1.3%	0.5%	5.1%	1.9%
o/w: resident banks	0.0%	0.0%	19.0%	0.6%	25.2%	5.7%	0.0%	0.0%	0.0%	6.3%	0.8%
8. Consumer loans	4.9%	3.2%	3.8%	4.8%	13.2%	2.5%	0.9%	1.3%	2.7%	7.8%	7.6%
9. Mortgage lending	11.2%	2.1%	2.5%	6.2%	10.1%	2.9%	1.0%	0.7%	3.5%	8.5%	2.9%
10. Other sectors of economy	1.6%	2.4%	1.8%	11.9%	23.3%	2.1%	0.9%	0.1%	0.9%	3.4%	0.7%
Total by banks	**6.7%**	**2.9%**	**4.4%**	**10.1%**	**10.5%**	**2.6%**	**2.1%**	**0.4%**	**1.9%**	**3.6%**	**4.9%**

31.12.2011	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	5.1%	11.5%	19.7%	19.8%	10.6%	38.4%	19.0%	30.8%	34.9%	22.1%	20.8%
mining	0.0%	0.0%	0.0%	0.3%	0.1%	0.1%	3.7%	0.9%	3.3%	0.1%	1.8%
energy	0.0%	1.9%	4.7%	4.2%	1.4%	24.7%	0.6%	18.7%	17.7%	0.0%	6.0%
food products	0.4%	6.3%	11.3%	10.9%	5.1%	7.6%	6.8%	3.2%	6.1%	1.6%	7.0%
light	0.0%	0.3%	0.4%	1.1%	0.9%	0.1%	1.5%	1.3%	3.2%	6.0%	1.0%
chemical	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	4.1%	0.0%	1.6%	0.6%
building materials	4.2%	0.1%	0.0%	2.4%	0.9%	4.4%	5.9%	0.3%	2.9%	4.0%	2.4%
precious metals	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	0.4%	0.1%	0.4%	0.4%
metallurgy	0.0%	0.0%	1.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%
machine-building and electrical	0.6%	2.9%	0.5%	0.1%	0.4%	1.5%	0.3%	1.1%	0.1%	0.2%	0.4%
other branches of industry	0.0%	0.0%	1.9%	0.7%	1.6%	0.0%	0.2%	0.8%	1.4%	8.2%	0.9%
2. Agriculture	0.0%	4.7%	1.7%	22.5%	5.9%	3.4%	0.7%	6.7%	2.3%	10.5%	5.6%
cattle breeding	0.0%	4.7%	1.7%	12.6%	5.1%	3.3%	0.5%	6.4%	2.2%	6.1%	3.5%
plant growing	0.0%	0.0%	0.0%	9.9%	0.9%	0.1%	0.2%	0.3%	0.1%	4.4%	2.0%
3. Construction	4.2%	0.0%	11.0%	2.1%	16.7%	11.7%	5.9%	4.2%	4.6%	0.6%	7.4%
4. Transport and communication	0.0%	8.6%	2.1%	0.5%	0.2%	0.1%	4.5%	6.0%	1.1%	1.7%	3.3%
5. Trade	29.7%	23.2%	28.5%	18.3%	11.7%	18.3%	25.1%	8.4%	14.2%	45.0%	21.3%
wholesale	21.2%	20.8%	12.6%	7.7%	2.6%	7.0%	13.8%	5.9%	8.4%	16.7%	11.7%
retail	8.6%	2.4%	15.9%	10.6%	8.8%	11.3%	10.7%	2.1%	5.9%	28.1%	9.5%
6. Catering and other services	0.3%	0.6%	7.2%	3.9%	4.2%	5.2%	6.2%	2.4%	4.1%	7.8%	5.0%
7. Financial sector	20.4%	32.6%	6.8%	6.2%	2.4%	5.1%	0.4%	5.1%	18.5%	0.0%	7.4%
o/w: resident banks	20.4%	32.6%	1.7%	6.0%	0.0%	4.9%	0.4%	0.0%	5.3%	0.0%	4.8%
8. Consumer loans	2.0%	8.1%	3.8%	21.2%	24.0%	13.3%	17.6%	28.3%	5.2%	1.5%	16.8%
9. Mortgage lending	37.0%	10.6%	14.1%	3.9%	16.5%	2.8%	13.3%	3.5%	8.0%	7.2%	8.5%
10. Other sectors of economy	1.1%	0.1%	5.0%	1.5%	7.8%	1.7%	7.4%	4.5%	7.1%	3.7%	3.9%
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	0.0%	1.3%	8.0%	11.0%	2.0%	11.2%	5.9%	10.7%	3.2%	2.0%	100.0%
mining	0.0%	0.0%	0.0%	1.8%	0.2%	0.4%	12.9%	3.5%	3.4%	0.1%	100.0%
energy	0.0%	0.7%	6.6%	8.0%	0.9%	24.9%	0.7%	22.5%	5.5%	0.0%	100.0%
food products	0.0%	2.1%	13.6%	18.1%	2.8%	6.6%	6.2%	3.3%	1.6%	0.4%	100.0%
light	0.0%	0.6%	3.1%	12.4%	3.6%	0.8%	9.7%	9.5%	6.2%	11.2%	100.0%
chemical	0.0%	0.0%	1.8%	0.0%	0.7%	0.0%	0.5%	53.6%	0.0%	5.5%	100.0%
building materials	0.3%	0.1%	0.0%	11.6%	1.5%	11.1%	15.6%	1.0%	2.2%	3.1%	100.0%
precious metals	0.0%	0.0%	0.0%	4.3%	0.4%	0.0%	0.2%	6.7%	0.6%	1.7%	100.0%
metallurgy	0.0%	0.0%	22.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
machine-building and electrical	0.3%	16.7%	9.8%	1.7%	3.4%	22.1%	5.3%	20.3%	0.6%	0.8%	100.0%
other branches of industry	0.0%	0.0%	18.1%	9.5%	7.3%	0.1%	1.4%	6.5%	3.1%	17.7%	100.0%
2. Agriculture	0.0%	1.9%	2.6%	46.6%	4.1%	3.7%	0.8%	8.7%	0.8%	3.5%	100.0%
cattle breeding	0.0%	3.1%	4.2%	41.3%	5.5%	5.7%	0.8%	13.2%	1.2%	3.2%	100.0%
plant growing	0.0%	0.0%	0.0%	55.9%	1.6%	0.2%	0.6%	1.0%	0.1%	3.9%	100.0%
3. Construction	0.1%	0.0%	12.5%	3.3%	8.6%	9.6%	5.1%	4.1%	1.2%	0.1%	100.0%
4. Transport and communication	0.0%	6.0%	5.3%	1.9%	0.3%	0.1%	8.8%	13.1%	0.7%	0.9%	100.0%
5. Trade	0.3%	2.5%	11.2%	9.9%	2.1%	5.2%	7.5%	2.8%	1.3%	3.9%	100.0%
wholesale	0.3%	4.1%	9.0%	7.5%	0.9%	3.6%	7.5%	3.6%	1.3%	2.6%	100.0%
retail	0.2%	0.6%	14.0%	12.9%	3.6%	7.2%	7.3%	1.6%	1.2%	5.5%	100.0%
6. Catering and other services	0.0%	0.3%	12.1%	9.1%	3.2%	6.4%	8.0%	3.4%	1.5%	2.9%	100.0%
7. Financial sector	0.5%	10.2%	7.7%	9.6%	1.2%	4.2%	0.3%	5.0%	4.7%	0.0%	100.0%
o/w: resident banks	0.8%	15.7%	2.9%	14.2%	0.0%	6.2%	0.5%	0.0%	2.1%	0.0%	100.0%
8. Consumer loans	0.0%	1.1%	1.9%	14.5%	5.5%	4.8%	6.7%	12.1%	0.6%	0.2%	100.0%
9. Mortgage lending	0.8%	2.9%	13.9%	5.2%	7.4%	2.0%	10.0%	3.0%	1.8%	1.6%	100.0%
10. Other sectors of economy	0.1%	0.1%	10.6%	4.5%	7.6%	2.6%	12.0%	8.3%	3.4%	1.7%	100.0%
Total by banks	**0.2%**	**2.3%**	**8.4%**	**11.5%**	**3.8%**	**6.1%**	**6.4%**	**7.2%**	**1.9%**	**1.8%**	**100.0%**

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

thousand drams

Indicators	Non-performing assets		Off-balance sheet	
	AMD	FX	AMD	FX
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
2011				
Non-performing and off-balance sheet assets (total)	14523755	31393824	18958138	26285492
1. Residents' non-performing and off-balance sheet assets (total)	14424144	31357096	18741657	25816433
1.1 Industry	1653891	9412009	2327545	5654097
mining	36865	180124	31317	25016
energy	0	327368	0	93345
food products	1057399	6576428	1768679	3337990
light	121436	221452	369496	510338
chemical	0	113	7236	22933
building materials	122028	564237	76528	207786
precious items	10187	0	9904	485469
metallurgy	0	0	547	6614
machine-building and electrical	33612	1023356	3679	161761
other branches of industry	272364	518932	60159	802845
1.2 Agriculture	263295	3176107	631019	2045911
1.3 Construction	679789	2591063	434376	4803427
1.4 Transport and communication	341543	119430	93585	73671
1.5 Trade	2026142	9478695	2643943	5491864
1.6 Public catering and other services	1633067	1732323	478454	951419
1.7 Financial sector	27396	17016	33462	512704
1.8 Consumer loans	5068281	1988705	7262913	1627083
1.9 Mortgage loans	2094628	2231531	2974639	2562761
1.10 Other Sectors of Economy	636112	610217	1861722	2093495
2. Non-residents' non-performing and off-balance sheet assets (total)	99611	36728	216481	469060

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

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	balance
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	balance
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%**

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	balance
31.12.11				
1. Standard	1229980313	96.57%	13162306	1.07%
2. Watched	18774073	1.47%	2109546	11.24%
3. Non-standard	15609789	1.23%	3614822	23.16%
4. Doubtful	9313812	0.73%	5343356	57.37%
Total	**1273677988**	**100.00%**	**24230031**	**1.90%**

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%**

Receivables	Receivables	Share	Reserve on Receivables	
			balance	% of total
		31.12.11		
1. Standard	135603274	98.39%	1438510	1.06%
2. Watched	1896053	1.38%	210110	11.08%
3. Non-standard	115053	0.08%	23231	20.19%
4. Doubtful	208798	0.15%	107055	51.27%
Total	**137823178**	**100%**	**1778906**	**1.29%**

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. Written-off	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. Written-off	89712	0.07%	89712	100.00%
Total	**136791907**	**100%**	**1539532**	**1.13%**

Off-balance sheet items	Off-balance sheet items	Share	Reserve on Off-balance sheet items	
			balance	% of total
		31.12.11		
1. Standard	263638969	99.69%	1698805	0.64%
2. Watched	176871	0.07%	18880	10.67%
3. Non-standard	470954	0.18%	110695	23.50%
4. Doubtful	58259	0.02%	29428	50.51%
5. Written-off	104839	0.04%	104839	100.00%
Total	**264449891**	**100%**	**1962648**	**0.74%**

Annex 14. Main Prudential Indicators of Commercial Banks

Indicators	31.12.09	31.12.10	31.03.11	30.06.11	30.09.11	31.12.11
Total capital adequacy	28.4%	22.2%	21.3%	20.0%	19.6%	18.3%
Total liquidity	34.4%	29.5%	28.9%	26.8%	28.3%	27.9%
Current liquidity	140.8%	131.5%	137.2%	132.0%	125.0%	120.8%
Maximum risk on a single borrower[1]	14.0%	14.5%	14.3%	16.6%	15.6%	16.6%
Maximum risk on major borrowers[1]	60.6%	81.3%	82.5%	93.3%	97.8%	121.0%
Maximum risk on a bank related party[1]	3.0%	2.8%	2.2%	2.2%	2.5%	2.8%
Maximum risk on bank related all parties[1]	8.0%	8.3%	8.2%	7.7%	7.0%	8.5%

[1] *For mentioned indicators median is presented.*

Annex 15. Credit Organizations Operating in Armenia and their branches

	Credit Organizations	Branches	
		31.12.2010	31.12.2011
1	Universal Credit Company "Aregak"	26	26
2	Universal Credit Company 'Finca"	12	18
3	Universal Credit Company "Malatia"	13	14
4	Universal Credit Company "SEF International"	4	6
5	Universal Credit Company "New Horizon"	4	4
6	Universal Credit Company "Kamurj"	0	3
7	Universal Credit Company "Gladzor"	0	2
8	Universal Credit Company "G and A"	0	2
9	Universal Credit Company "Bless"	0	1
10	UCC commercial cooperative "Farm Credit Armenia"	1	1
11	Credit Union "Arfin"	0	0
12	Leasing Credit Company "Agroleasing"	0	0
13	Credit Company "AGBA Leasing"	0	0
14	Universal Credit Company "Express credit"	0	0
15	Universal Credit Company "First Mortgage Company"	0	0
16	Universal Credit Company "Garni Invest"	0	0
17	Universal Credit Company "Norvik"	0	0
18	Universal Credit Company "Ecumenical Church Lending Fund"	0	0
19	Universal Credit Company "GFC General Financial and Credit Company"	0	0
20	Universal Credit Company "Good Credit"	0	0
21	Universal Credit Company "Card Agrocredit"	0	0
22	Credit Company "Uni Leasing"	0	0
23	Universal Credit Company "Aniv"	0	0
24	Universal Credit Company "Global Credit"	0	0
25	Universal Credit Company "Kilikia"	0	0
26	Universal Credit Company "National Mortgage Company"	0	0
27	Universal Credit Company "Housing for Young Families"	0	0
28	Universal Credit Company "Credit Corp"	0	0
29	Universal Credit Company "SME Investments"	0	0
30	Universal Credit Company "F.I.K.O."	0	0
31	Universal Credit Company "Fast Credit"	0	0
32	Universal Credit Company "Fides Mortgage Company"	0	0
TOTAL		60	77

Annex 16. Credit Organizations Operating in Armenia and their branches

thousand drams

	Indicators		31.12.2009	31.12.2010	Change 31.12.10-31.12.09	31.03.2011	Change 31.03.11-31.12.10	30.06.2011
Assets	Cash		663692	246870	-62.8%	276507	12.0%	284768
	Current accounts with banks		3146922	4078225	29.6%	6347067	55.6%	5323345
	Claims on banks and other financial organizations		16193255	19097128	17.9%	25155712	31.7%	27450486
	Government securities		2131215	744211	-65.1%	451070	-39.4%	402053
	Loans to legal entities		11973875	12544962	4.8%	12814598	2.1%	12796530
	Loans to natural persons		31981339	40764499	27.5%	44182534	8.4%	47274452
	Loans to interrelated parties and employees		1055931	1766883	67.3%	2002123	13.3%	2116027
	Fixed assets		1172148	2006634	71.2%	2506544	24.9%	2483356
	Leasing, factoring		5285189	4577687	-13.4%	4592165	0.3%	4726505
	Other securities		3680	3680	0.0%	3680	0.0%	853688
	Other assets		3016791	2994110	-0.8%	4398004	46.9%	3175038
	Interest receivable		446576	551440	23.5%	632464	14.7%	724295
	Asset loss reserves		-1258546	-2181440	73.3%	-1610779	-26.2%	-4106622
	Total assets		**75812066**	**87194889**	**15.0%**	**101751690**	**16.7%**	**103503921**
Liabilities	Demand liabilities		147415	211470	43.5%	214212	1.3%	266634
	Liabilities to banks and other financial organizations		31892643	23481195	-26.4%	29968684	27.6%	32294280
	Time liabilities to natural persons		2348888	3189618	35.8%	3718871	16.6%	3783215
	Time liabilities to legal entities*		13046566	20140216	54.4%	23147470	14.9%	23990224
	Interest payable		612307	744531	21.6%	865308	16.2%	958333
	Other liabilities		1517192	3462640	128.2%	2396207	-30.8%	2172067
	Total liabilities		**49565011**	**51229670**	**3.4%**	**60310751**	**17.7%**	**63464753**
Capital	Paid-in statutory capital		19799650	25942476	31%	28349806	9.3%	33782071
	o/w: non-residents' participation		9225121	9426357	2%	9050152	-4.0%	13350141
	General reserve		455854	545732	20%	555268	1.7%	943570
	Repurchased capital by credit organizations		0	-180703		-90703	-49.8%	-703
	Undistributed profit (loss)	Current period	2583136	4254959	65%	4942046	16.1%	-1,042,931
		Previous period	3318765	5314287	60%	7600661	43.0%	6,273,906
	Total balance sheet capital		**26247055**	**35965132**	**37.0%**	**41440939**	**15.2%**	**40039167**
	Note: total number of credit organizations		**27**	**31**		**31**		**31**

Indicators			Change 30.06.11-31.03.11	30.09.2011	Change 30.09.11-30.06.11	31.12.2011	Change 31.12.11-30.09.11	Change 31.12.11-31.12.10
Assets	Cash		3.0%	324252	13.9%	1192897	267.9%	383.2%
	Current accounts with banks		-16.1%	4864171	-8.6%	4702861	-3.3%	15.3%
	Claims on banks and other financial organizations		9.1%	29742791	8.4%	31910202	7.3%	67.1%
	Government securities		-10.9%	650705	61.8%	1751616	169.2%	135.4%
	Loans to legal entities		-0.1%	14486305	13.2%	16575147	14.4%	32.1%
	Loans to natural persons		7.0%	47885114	1.3%	55836609	16.6%	37.0%
	Loans to interrelated parties and employees		5.7%	2470970	16.8%	2254304	-8.8%	27.6%
	Fixed assets		-0.9%	3058362	23.2%	3259486	6.6%	62.4%
	Leasing, factoring		2.9%	5344612	13.1%	6121636	14.5%	33.7%
	Other securities		23098.0%	847218	-0.8%	114876	-86.4%	3021.6%
	Other assets		-27.8%	3398971	7.1%	3527589	3.8%	17.8%
	Interest receivable		14.5%	719254	-0.7%	795033	10.5%	44.2%
	Asset loss reserves		154.9%	-4132350	0.6%	-4191281	1.4%	92.1%
	Total assets		**1.7%**	**109660375**	**5.9%**	**123850974**	**12.9%**	**42.0%**
Liabilities	Demand liabilities		24.5%	264037	-1.0%	315542	19.5%	49.2%
	Liabilities to banks and other financial organizations		7.8%	34660778	7.3%	39492154	13.9%	68.2%
	Time liabilities to natural persons		1.7%	4031635	6.6%	4029012	-0.1%	26.3%
	Time liabilities to legal entities*		3.6%	24920101	3.9%	28084080	12.7%	39.4%
	Interest payable		10.8%	1120842	17.0%	1051203	-6.2%	41.2%
	Other liabilities		-9.4%	2195057	1.1%	4034466	83.8%	16.5%
	Total liabilities		**5.2%**	**67192450**	**5.9%**	**77006457**	**14.6%**	**50.3%**
Capital	Paid-in statutory capital		19.2%	34310621	1.6%	37092773	8.1%	43.0%
	o/w: non-residents' participation		47.5%	13541201	1.4%	13704211	1.2%	45.4%
	General reserve		69.9%	982613	4.1%	982613	0.0%	80.1%
	Repurchased capital by credit organizations		-99.2%	-703	0.0%	0	-100.0%	-100.0%
	Undistributed profit (loss) Current period	Current period	-121.1%	1158674	-211.1%	2766763	138.8%	-35.0%
		Previous period	-17.5%	5943552	-5.3%	5904156	-0.7%	11.1%
	Total balance sheet capital		**-3.4%**	**42467925**	**6.1%**	**46844518**	**10.3%**	**30.2%**
	Note: total number of credit organizations			**31**		**32**		

* ** Including liabilities to government.*

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

thousand drams

	Indicators		31.12.2009	31.12.2010	Change 31.12.10-31.12.09	31.03.2011	Change 31.03.11-31.12.10	30.06.2011
Assets	Cash		0.9%	0.3%	-0.6%	0.3%	0.0%	0.3%
	Current accounts with banks		4.2%	4.7%	0.5%	6.2%	1.6%	5.1%
	Claims on banks and other financial organizations		21.4%	21.9%	0.5%	24.7%	2.8%	26.5%
	Government securities		2.8%	0.9%	-2.0%	0.4%	-0.4%	0.4%
	Loans to legal entities		15.8%	14.4%	-1.4%	12.6%	-1.8%	12.4%
	Loans to natural persons		42.2%	46.8%	4.6%	43.4%	-3.3%	45.7%
	Loans to interrelated parties and employees		1.4%	2.0%	0.6%	2.0%	-0.1%	2.0%
	Fixed assets		1.5%	2.3%	0.8%	2.5%	0.2%	2.4%
	Leasing, factoring		7.0%	5.2%	-1.7%	4.5%	-0.7%	4.6%
	Other securities		0.0%	0.0%	0.0%	0.0%	0.0%	0.8%
	Other assets		4.0%	3.4%	-0.5%	4.3%	0.9%	3.1%
	Interest receivable		0.6%	0.6%	0.0%	0.6%	0.0%	0.7%
	Asset loss reserves		-1.7%	-2.5%	-0.8%	-1.6%	0.9%	-4.0%
	Total assets		**100.0%**	**100.0%**		**100.0%**		**100.0%**
Liabilities	Demand liabilities		0.3%	0.4%	0.1%	0.4%	-0.1%	0.4%
	Liabilities to banks and other financial organizations		64.3%	45.8%	-18.5%	49.7%	3.9%	50.9%
	Time liabilities to natural persons		4.7%	6.2%	1.5%	6.2%	-0.1%	6.0%
	Time liabilities to legal entities*		26.3%	39.3%	13.0%	38.4%	-0.9%	37.8%
	Interest payable		1.2%	1.5%	0.2%	1.4%	0.0%	1.5%
	Other liabilities		3.1%	6.8%	3.7%	4.0%	-2.8%	3.4%
	Total liabilities		**100.0%**	**100.0%**		**100.0%**		**100.0%**
Capital	Paid-in statutory capital		75.4%	72.1%	-3.3%	68.4%	-3.7%	84.4%
	o/w: non-residents' participation		35.1%	26.2%	-8.9%	21.8%	-4.4%	33.3%
	General reserve		1.7%	1.5%	-0.2%	1.3%	-0.2%	2.4%
	Repurchased capital by credit organizations		0.0%	-0.5%	-0.5%	-0.2%	0.3%	0.0%
	Undistributed profit (loss)	Current period	9.8%	11.8%	2.0%	11.9%	0.1%	-2.6%
		Previous period	12.6%	14.8%	2.1%	18.3%	3.6%	15.7%
	Total balance sheet capital			**100.0%**		**100.0%**		**100.0%**

	Indicator		Change 30.06.11 - 31.03.11	30.09.2011	Change 30.09.11 - 30.06.11	31.12.2011	Change 31.12.11 - 30.09.11	Change 31.12.11 - 31.12.10
Assets	Cash		0.0%	0.3%	0.0%	1.0%	0.7%	0.7%
	Current accounts with banks		-1.1%	4.4%	-0.7%	3.8%	-0.6%	-0.9%
	Claims on banks and other financial organizations		1.8%	27.1%	0.6%	25.8%	-1.4%	3.9%
	Government securities		-0.1%	0.6%	0.2%	1.4%	0.8%	0.6%
	Loans to legal entities		-0.2%	13.2%	0.8%	13.4%	0.2%	-1.0%
	Loans to natural persons		2.3%	43.7%	-2.0%	45.1%	1.4%	-1.7%
	Loans to interrelated parties and employees		0.1%	2.3%	0.2%	1.8%	-0.4%	-0.2%
	Fixed assets		-0.1%	2.8%	0.4%	2.6%	-0.2%	0.3%
	Leasing, factoring		0.1%	4.9%	0.3%	4.9%	0.1%	-0.3%
	Other securities		0.8%	0.8%	-0.1%	0.1%	-0.7%	0.1%
	Other assets		-1.3%	3.1%	0.0%	2.8%	-0.3%	-0.6%
	Interest receivable		0.1%	0.7%	0.0%	0.6%	0.0%	0.0%
	Asset loss reserves		-2.4%	-3.8%	0.2%	-3.4%	0.4%	-0.9%
	Total assets			**100.0%**		**100.0%**		
Liabilities	Demand liabilities		0.1%	0.4%	0.0%	0.4%	0.0%	0.0%
	Liabilities to banks and other financial organizations		1.2%	51.6%	0.7%	51.3%	-0.3%	5.4%
	Time liabilities to natural persons		-0.2%	6.0%	0.0%	5.2%	-0.8%	-1.0%
	Time liabilities to legal entities*		-0.6%	37.1%	-0.7%	36.5%	-0.6%	-2.8%
	Interest payable		0.1%	1.7%	0.2%	1.4%	-0.3%	-0.1%
	Other liabilities		-0.6%	3.3%	-0.2%	5.2%	2.0%	-1.5%
	Total liabilities			**100.0%**		**100.0%**		
Capital	Paid-in statutory capital		16.0%	80.8%	-3.6%	79.2%	-1.6%	7.1%
	o/w: non-residents' participation		11.5%	31.9%	-1.5%	29.3%	-2.6%	3.0%
	General reserve		1.0%	2.3%	0.0%	2.1%	-0.2%	0.6%
	Repurchased capital by credit organizations		0.2%	0.0%	0.0%	0.0%	0.0%	0.5%
	Undistributed profit (loss)	Current period	-14.5%	2.7%	5.3%	5.9%	3.2%	-5.9%
		Previous period	-2.7%	14.0%	-1.7%	12.6%	-1.4%	-2.2%
	Total balance sheet capital			**100.0%**		**100.0%**		

** Including liabilities to government.*

Annex 18. Credit Organizations: Income and Expense

thousand drams

Indicator	31.12.09	31.12.10	Change 31.12.10-31.12.09	31.03.11	30.06.11	30.09.11	31.12.11	Change 31.12.11-31.12.10
Interest income	2761852	11952365	-70.9%	3475962	6939441	10825636	14961885	25.2%
Interest expense	828688	3881435	-74.2%	1003329	2246390	3448264	4820894	24.2%
Net interest income	1933164	8070930	-69.4%	2472633	4693051	7377372	10140991	25.6%
Non-interest income	1072290	4148820	-67.8%	1335074	2445165	4150498	6184429	49.1%
Non-interest expense	1267684	5791563	-69.7%	1753282	3544424	5548778	8060057	39.2%
Net non-interest income	-195393	-1642743	-74.5%	-418208	-1099259	-1398280	-1875628	14.2%
Loss provision	1143270	5633549	-72.7%	1540193	6029333	8039025	10444282	85.4%
Recovery from loss reserve	681383	4563882	-39.4%	2766437	3833760	5849542	8301254	81.9%
Net provision	461887	1069667	-214.6%	-1226244	2195573	2189483	2143028	100.3%
Gross income	4515526	20665066	-63.3%	7577473	13218366	20825676	29447568	42.5%
Gross expense	3239642	15306547	-71.9%	4296804	11820147	17036067	23325233	52.4%
Pre-tax profit	1275884	5358519	-38.8%	3280669	1398219	3789609	6122334	14.3%
Net profit	1107858	4308688	-27.9%	3106169	1095472	3294156	4930540	14.4%
Undistributed profit	1107858	4300963	-27.8%	3106169	1095472	1193985	2801819	-34.9%

Annex 19. Loan Investments of Credit Organizations

thousand drams

Sectors	31.12.09	31.12.10	Change 31.12.10-31.12.09	31.03.11	30.06.11	30.09.11	31.12.11	Change 31.12.11-31.12.10
Industry	3339535	4246400	27.2%	4317814	4817182	6892263	10844891	155.4%
Agriculture	10159519	14214867	39.9%	17891315	19213184	18535321	22345799	57.2%
Construction	5178975	3425286	-33.9%	3031368	2624661	2907099	3306975	-3.5%
Transport and communications	2709392	2302936	-15.0%	2113370	2223244	608210	793879	-65.5%
Trade	9329382	12597594	35.0%	13442746	13181374	14197433	14804062	17.5%
Public catering and other services	1979228	2414152	22.0%	2439783	2772731	4612402	4067043	68.5%
Financial sector	16370619	19134871	16.9%	25166649	27217546	29722686	33102937	73.0%
Consumer loans (including mortgage loans)	4416498	4734853	7.2%	5060009	5447386	7029984	8692986	83.6%
Mortgage loans	7777295	9545019	22.7%	9777367	10704942	12016915	12187519	27.7%
Other sectors	4667416	4647076	-0.4%	5313251	5677579	2293166	2621407	-43.6%
Total	**65927859**	**77263054**	**17.2%**	**88553672**	**93879829**	**98815479**	**112767498**	**46.0%**

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

Sectors	31.12.09	31.12.10	Change 31.12.10 - 31.12.09	31.03.11	30.06.11	30.09.11	31.12.11	Change 31.12.11- 31.12.10
Industry	5.1%	5.5%	0.4%	4.9%	5.1%	7.0%	9.6%	4.1%
Agriculture	15.4%	18.4%	3.0%	20.2%	20.5%	18.8%	19.8%	1.4%
Construction	7.9%	4.4%	-3.4%	3.4%	2.8%	2.9%	2.9%	-1.5%
Transport and communications	4.1%	3.0%	-1.1%	2.4%	2.4%	0.6%	0.7%	-2.3%
Trade	14.2%	16.3%	2.2%	15.2%	14.0%	14.4%	13.1%	-3.2%
Public catering and other services	3.0%	3.1%	0.1%	2.8%	3.0%	4.7%	3.6%	0.5%
Financial sector	24.8%	24.8%	-0.1%	28.4%	29.0%	30.1%	29.4%	4.6%
Consumer loans (including mortgage loans)	6.7%	6.1%	-0.6%	5.7%	5.8%	7.1%	7.7%	1.6%
Mortgage loans	11.8%	12.4%	0.6%	11.0%	11.4%	12.2%	10.8%	-1.5%
Other sectors	7.1%	6.0%	-1.1%	6.0%	6.0%	2.3%	2.3%	-3.7%
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	31.12.09	Share in total	31.12.10	Share in total	31.03.11	Share in total	30.06.11	Share in total	30.09.11	Share in total	31.12.11	Share in total
Standard	65995550	95.9%	77559044	97.0%	91136472	96.4%	93519914	96.8%	100612676	96.9%	112604057	97.3%
Watched	1567416	2.3%	1204466	1.5%	2264763	2.4%	1881852	1.9%	1870448	1.8%	2050086	1.8%
Non-standard	601350	0.9%	537454	0.7%	598489	0.6%	660330	0.7%	782221	0.8%	750328	0.6%
Doubtful	637646	0.9%	644144	0.8%	523984	0.6%	574718	0.6%	531483	0.5%	291633	0.3%
Bad	x	x	x	x	x	x	x	x	x	x	x	x
Total	**68801961**	**100%**	**79945107**	**100%**	**94523709**	**100%**	**96636814**	**100%**	**103796827**	**100%**	**115696104**	**100%**

Annex 22. Investment companies as of 31.12.2011

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	2011
Total assets, including:	8239	7471	7726	10530	8754	7728	15572	19556	21827
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	18597
Short-term borrowings	3114	2024	4523	7964	6057	4076			
Equity capital	607	1382	1032	1248	2086	2721	2935	3196	3230
Accrued profit	217	908	543	629	737	146			
Net profit	344	970	672	667	594	16	202	301	580

[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]

million drams

Securities	2010	2011												2011
		J	F	M	A	M	J	J	A	S	O	N	D	
Shares	8872	748	773	1680	1641	2016	2872	2985	2628	1587	1689	1574	913	21107
o/w: traded on stock exchange	128	3	4	80	0	29	97	47	1	34	2	4	52	353
Government bonds	270528	23232	34141	30238	31157	23639	30892	20463	31144	39068	24150	36726	28763	353614
Government short-term bonds	83556	8207	10241	10087	4722	3952	3987	3751	2937	7100	8041	4846	5170	73040
o/w: traded on stock exchange	0	0	0	0	0	9	0	0	0	1407	0	196	493	2105
Government medium-term bonds	159015	14134	14222	6551	22774	13394	6199	13856	17564	6257	11366	22982	8238	157538
o/w: traded on stock exchange	4225	33	1127	136	49	37	2	29	44	113	30	101	13	1714
Government long-term bonds	27957	892	9679	13600	3661	6293	20706	2856	10643	25711	4742	8899	15355	123036
o/w: traded on stock exchange	1267	78	0	441	140	76	22	0	136	176	0	230	257	1555
Corporate bonds	8008	51	31	146	522	463	162	306	286	42	439	1566	145	4159
o/w: traded on stock exchange	2816													0
Repo agreements	1885809	113867	142252	171699	241202	266726	267840	239684	238428	233112	213536	243566	390871	2762784
o/w: traded on stock exchange	7923	15	762	1503	253	1893	1530	848	870	1463	1045	1443	334	11403
Total	**287408**	**24032**	**34946**	**32064**	**33320**	**26118**	**33928**	**23754**	**34058**	**40713**	**26277**	**39866**	**29821**	**378898**
o/w: traded on stock exchange	8436	130	1146	729	194	160	170	134	279	1721	56	741	822	6283
Investment service providers	29	29	29	29	29	29	29	29	29	29	29	29	29	29
o/w banks providing investment services	21	21	21	21	21	21	21	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".

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			
		Government bonds	Government bonds	Government bonds	Government bonds
2005	1596	605	0	0	605
2006	1181	2150	0	477	2627
2007	319	1539	0	703	2242
2008	480	262	1662	2222	4146
2009	1108	98	4331	10545	14975
2010	805	128	5493	2816	8436
2011	587	200	5374	709	6283
January	17	3	112	15	130
February	53	4	1127	16	1146
March	83	80	577	73	729
April	28	0	189	5	194
May	78	0	122	38	160
June	41	97	24	49	170
July	44	2	29	103	134
August	45	1	179	99	279
September	85	4	1696	21	1721
October	35	2	30	25	56
November	31	4	526	211	741
December	47	4	762	56	822

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	Registered securities	Non-registered securities	Registered securities	Non-registered securities
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	1575
2011	7920	84558	92478	14	1600	1614

Annex 27. Insurance Companies in Armenia as of 31.12.2011

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	31.12.2009	31.12.2010	31.12.2011
Assets	Cash and cash equivalents	237750	331351	192927
	Bank accounts	1774950	3320383	1426419
	Receivables on direct insurance, o/w:	1761958	2306212	2492669
	from insurers	1751183	1849021	1899172
	from intermediaries	691	423142	581625
	from other persons	10084	34050	11872
	Insurance premiums from co-insurers	3352	7313	1957
	Claims on indemnity, o/w:	165061	221835	1726940
	on co-insurers	266		
	on reinsurers	164795	221835	1726761
	on other persons			179
	Claims due to subrogation	43922	84282	164173
	Deposits with banks	10351503	13332374	14594498
	Lending to financial organizations		201917	379733
	Lending to natural persons and private entrepreneurs	5398	214096	208307
	Lending to legal entities	127000	282926	506567
	Government securities (including CBA-issued securities)			2651037
	Non-government securities	812473	2184858	2081315
	Reserves for securities depreciation held till maturity	418989	387200	364851
	Non-current investments in other parties statutory capital and other non-current claims on them	-103		
	Reserves for receivables on direct insurance, co-insurance, reinsurance, on investments and borrowings	4		
	Interest receivable	-313536	-340115	-396822
	Fixed assets			567812
	Other assets	214230	317371	494875
	Total assets	624126	1122951	1578689
	Compensations payable, o/w:	744815	1638997	2406415
	on direct insurance	**16971375**	**25613952**	**31442363**

Liabilities	*on co-insurance*	20149	91396	145456
	on reinsurance risks	20149	91396	145456
	Payables to intermediaries			
	Refundable insurance premiums			
	Insurance premiums transferable to co-insurers	11946	104154	271491
	Insurance premiums transferable to reinsurers	4130	10898	61031
	Borrowings and loans from financial organizations	650	395	0
	Interest payable	1579012	1818490	1377566
	Insurance reserves, o/w:		102770	256573
	unearned insurance premium reserve		264	5483
	reserve for loss presented to the insurer yet unregulated	2723326	2870685	8618547
	reserve for loss occurred yet not presented to the insurer	2050887	1997212	5004574
	mathematical reserve	306001	374051	2175441
	other reserves	232994	187016	548387
	Other liabilities			
	Total liabilities	133444	312406	890145
Capital	Statutory capital			2623084
	General reserve	338988	8108702	4126907
	Current period undistributed profit/loss	**4678202**	**13107755**	**17486140**
	Previous period undistributed profit/loss	10938236	12116468	11933178
	Total capital	197137	275757	284118
	Cash and cash equivalents	783589	-978940	1683030
	Bank accounts	336133	873013	-114740
	Receivables on direct insurance, o/w:	**12293174**	**12506198**	**13956224**

Annex 29. Income and Expenditure of Insurance Companies

thousand drams

Indicator	From the year beginning up to 31.12.2009	From the year beginning up to 31.12.2010	From the year beginning up to 31.12.2011
Earned insurance premiums	**3769849**	**3887898**	**17860334**
Accrued insurance premiums	4069289	4242904	19569337
Gross total	8105345	8253415	22371982
Premiums transferred to reinsurer	-4036056	-4010512	-2802645
Change in reserve for unearned insurance premiums	299440	355005	1709004
Other income on insurance	**577453**	**493133**	**700391**
Indemnity from coinsurers	358	361	0
Mediator fees	224860	254476	320919
Other income	352235	246546	379472
Insurance compensations	**1009986**	**1210498**	**7454355**
Non-life insurance	1009986	1210498	7454355
Gross value	1900596	1745567	8140853
Share of insurer	-890610	-535069	-686499
Technical reserves	**-2175839**	**-2360832**	**-8936347**
Claimed, but not yet paid claim reserve	-1830484	-1470486	-7451483
Gross value	-4423314	-2390258	-8484857
Share of reinsurer	2592830	919772	1033375
Other reserves	-345356	-890346	-1484864
Gross value	-345356	-890484	-1534110
Share of insurer	-	138	49246
Returns from technical reserves	**1893949**	**1973963**	**6769799**
Claimed, but not yet paid claim reserve	1761996	1310745	6160863
Gross value	2246025	1354980	6960267
Share of reinsurer	-484030	-44235	-799404
Other reserves	131954	663218	608936
Gross value	131954	663218	621458
Share of insurer	-	-	-12522
Other insurance expenses	**844407**	**732235**	**2821715**
Premium return on suspended agreements	314462	195406	559346
Expenses on mediator fees	476594	444876	2127123
Other operational expenses	53351	91953	135247
Interest income	**710790**	**941087**	**1864763**

Interest income on deposits of financial organizations and borrowings to them	589152	818751	1402057
Interest income on borrowings to natural persons	22.00	3867	3730
Interest income on borrowings to legal entities	6698.27	4539	35682
Interest income on government securities	79722	85546	399429
Interest income on non-government securities	32382	22884	18089
Other interest income	2813	5500	5776
Expenses on interest	**11328**	**7862**	**104059**
Interest expenses on loans from financial organizations and borrowings	1748	7614	103359
Other interest expenses	9580	248	700
Non-interest income	**1069316**	**-464437**	**693629**
Net income on assets disposal (selling)	-6567	-20030	26183
Net income on revaluation of financial assets	9182	3886	10228
Net income from currency revaluation	1040446	-443969	485844
Other non-interest income	26254	-4324	171374
Non-interest expenses	**2122263**	**3320628**	**6252092**
Management expenses	1505706	2095211	4071008
Educational expenses	8073	5776	24011
PR expenses	143141	703373	831662
Other non-interest expenses	465343	516268	1325411
Allocation to reserve for assets loss (non-collectability)	**758403**	**172357**	**307175**
Profit/loss on usual activity	**1099132**	**-972769**	**2013172**
Profit before profit tax	**1099132**	**-972769**	**2013172**
Profit tax	**194432**	**3102**	**311957**
Profit after profit tax	**904700**	**-975871**	**1701215**
Dividends	**121111**	**0**	**9822**
Undistributed profit	**783589**	**-975871**	**1691393**

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

thousand dram

	Non-life insurance classes	Number of insurance contracts in force as of 31/12/2011	Insurance amount of insurance contracts in force as of 31/12/2011	Reinsurance amounts of insurance contracts in force as of 31/12/2011	Insurance premiums from the beginning of the year up to 31/12/2011	Reinsurance premiums from the beginning of the year up to 31/12/2011	Accrued insurance compensations in 2011	Share of reinsurers in accrued compensations in 2011
1	Accident insurance	15829	102739984	35155244	315670	36359	29419	6849
2	Health insurance	5096	64424836		1482172	590	1041965	
3	Motor transport insurance	8735	65905595	28540238	1526359	396729	966348	379658
4	Rail transport insurance							
5	Air transport insurance	4	4848162	4848162	43499	30900		
6	Water transport insurance							
7	Freight insurance	824	34221562	79846486	518528	277187	43454	32615
8	Fire and natural disaster insurance	12217	1126871501	1441767907	1902769	1318663	195763	155889
9	Property damage insurance	5094	187755672	174416866	247190	74308	1899	391
10	Responsibility for use of motor transport insurance	723	17004287	12421973	36155	18486	12489	5350
11	Responsibility for use of air transport insurance	1	848694	848694	136920	133559		
12	Responsibility for use of water transport insurance							
13	General liability insurance	1069	230258560	384256290	477330	226568	91011	6523
14	Loan insurance	1	1709140		85457		15015	
15	Guarantee insurance	15	860237	487327			4875	
16	Financial loss insurance	24	25575497	48216977	364724	215442	126535	83687
17	Judicial and extrajudicial costs insurance							
18	Assistance insurance	8789	165552533	69138737	361428	70614	81110	14537
19	MTPL	148825	1667495700		14870357		5530969	
	Total	**207246**	**3696071960**	**2279944901**	**22368558**	**2799406**	**8140851**	**685499**

Annex 31. Pawnshops

million dram

Indicator	Loans provided	Funds attracted	Number of pawnshops
31.12.2007	2410	1673	63
31.03.2008	3921	2433	68
30.06.2008	5147	3312	103
30.09.2008	9930	6625	116
31.12.2008	12972	9233	138
31.12.2009	2410	1673	63
31.12.2010	3921	2433	68
31.12.2011	5147	3312	103

Annex 32. Payment System Organizations as of 31.12.2011

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

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

million drams

Transfers	2007	2008	2009	2010	2011	2011			
						QI	QII	QIII	QIV
Paper based payment orders[1]	3384516	4804497	6806481	6878130	11907748	2251470	2933172	3109689	3613418
Electronic payment orders[1]	5852703	10289081	7793560	10178918	10054213	2369757	2592627	2364186	2727643
Checks	5954	17286	23744	19355	22507	4591	5818	5730	6368
Other debit instruments [2]	2466	693	866	260	264	77	63	62	62
Non-cash transactions by cards	17035	24109	30750	40202	63359	11644	14620	16712	20382
Total	9262675	15135666	14655401	17116866	22048090	4637540	5546299	5496380	6367872

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

Transfers	2007	2008	2009	2010	2011	2011			
						QI	QII	QIII	QIV
Paper based payment orders[1]	1197760	1418090	1803287	1907845	3529426	443799	984020	958660	1142947
Electronic payment orders[1]	1933016	2972924	3943374	4934399	5994470	1230636	1452199	1549888	1761747
Checks	7152	11790	14174	10562	11327	2176	3138	3015	2998
Other debit instruments [2]	3195	2014	2512	2145	2429	736	608	591	494
Non-cash operations by cards	442100	638753	916178	1203498	1850159	377907	445522	474318	552412
Total	3583223	5043571	6679525	8058449	11387811	2055254	2885487	2986472	3460598
Cards in circulation	1197760	1418090	1803287	1907845	3529426	443799	984020	958660	1142947

[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

		2007	2008	2009	2010	2011	2011			
							QI	QII	QIII	QIV
Transfers sent	Value(million drams)	39224	38945	41759	51779	62402	12486	14949	16908	18060
	Volume	81563	88778	107088	124911	144473	32571	34911	36028	40963
Transfers received	Value(million drams)	383860	439499	362703	430467	523739	81938	117861	166901	157040
	Volume	1522420	1636683	1539255	1865449	2268758	402878	533326	689965	642589
Turnover	Value(million drams)	423084	478444	404462	482246	586142	94424	132810	183808	175100
	Volume	1603983	1725461	1646343	1990360	2413231	435449	568237	725993	683552

Annex 36. Number of Cards in Circulation

Plastic Card	2007	2008	2009	2010	2011	2011			
						QI	QII	QIII	QIV
ArCa	142482	200190	282164	306070	391936	318216	334328	357303	391936
VISA	139280	165894	201589	269771	363691	296867	313688	336905	363691
MASTER Card	23665	47769	61108	115943	181455	126785	136110	159062	181455
Other international cards[1]	22425	40504	34570	37514	40666	35468	37154	38854	40666
Total	327852	454357	579431	729298	977748	777336	821280	892124	977748

Annex 37. Value of Transactions by Cards

million drams

Plastic Card	2007	2008	2009	2010	2011	2011			
						QI	QII	QIII	QIV
ArCa	74889	117550	173445	212886	247255	47603	58963	62853	77836
VISA	90234	127129	151623	219144	308579	60245	80422	77361	90551
MASTER Card	19904	39164	62331	77338	113742	21510	26081	29985	36167
Other international cards[1]	28608	42528	40849	48982	69163	16323	16730	17489	18620
Total	213634	326371	428248	558350	738739	145681	182196	187687	223175

[1] "HSBC Debit", AmEx and other international cards.

Annex 38. Number of Transactions by Cards

Plastic Card	2007	2008	2009	2010	2011	2011			
						QI	QII	QIII	QIV
ArCa	2081054	2915892	4177660	5261125	6089528	1227235	1516616	1538909	1806768
VISA	1436478	2090858	2602572	3577094	5072749	955134	1257119	1335376	1525120
MASTER Card	319341	653957	1158843	1519906	2329923	453269	544949	608120	723585
Other international cards[1]	591677	925427	908977	934806	1068791	258189	272550	265404	272648
Total	4428550	6586134	8848052	11292931	14560991	2893827	3591234	3747809	4328121

[1] "HSBC Debit", AmEx and other international cards.

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