CENTRAL BANK OF
THE REPUBLIC OF ARMENIA

ARMENIAN FINANCIAL SYSTEM

2012 DEVELOPMENT REGULATION SUPERVISION

2013

TABLE OF CONTENTS

Introduction 5

Changes in Financial System Regulatory Framework in 2012 6

Supervision and Consumer Rights Protection in 2012 17

Staff Training and Cooperation with Supervisors of other Countries in 2012 21

Armenian Financial System in 2012 23

Banks 24

General Provisions 24

Banking System Capital 27

Banking System Liabilities 28

Banking System Assets 30

Banking System Financial Performance 35

Banking Sector Financial Risks 37

Credit Organiziations 44

Armenian Insurance Market 48

Securities Market Participants 54

Payment and Settlement Companies 57

Payment and Settlement System 60

Supervision Development Outlooks 65

Appendix 69

INTRODUCTION

In 2012 world economy did not wholly leave the dangerous crisis zone. Nevertheless, macroeconomic stability in Armenia in 2012 was maintained to ensure favorable environment for positive economic developments in coming years. The Central Bank succeeded in stabilizing the inflation within target range through targeted policy and creation of positive public expectations on inflation. In 2012 the inflation was 3.2 percent.

Stabilization of macroeconomic environment had positive impact also on strengthening of financial stability. One of the distinctive developments of the current year was high growth rate both of real and financial sectors. The share of financial system assets was 68.7 percent of gross domestic product, while the share of loans was 41.3 percent, which have increased around 9 percent each compared with 2011.

Armenian financial system, which back at a deep crisis stage proved its ability to withstand shocks, continued sustainable development trend in 2012 and ended the year with positive results. The stability of Armenian financial system was also assessed by International Monetary Fund and World Bank Financial Sector Assessment Program. The mission summed up the financial stability assessment and provided valuable recommendations significant part of which is already realized. Generally, the mission assessed Armenian financial system and financial stability instruments as rather satisfactory (according to assessment Armenian banking system is rather stable and able to withstand shocks, and in the Central Bank efficient supervision system and crisis management mechanisms are implemented[1]).

The World Bank also carried out research on consumer rights protection in financial system as a result of which the level of consumer rights protection and financial education were assessed. Based on the research Financial Consumer Rights Protection and Financial Literacy Enhancement strategies were developed. With the view of developing and implementing national strategy of financial education, an interagency committee was established and a number of governmental, non-governmental and private institutions are members of that commitee. In the context of financial education public awareness programs concerning pension reform were continued. In 2012 the Central Bank was focused on pension reform, particularly, parallel to the development of regulatory framework the Central Bank also actively negotiated with foreign reputable asset managers with the view of involving the latter in the management of mandatory pension funds.

In general, in 2012 the Central Bank 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.

In 2012 too, the participants of Armenian financial system followed a stable path for growth trend in main financial indicators (assets, loans, liabilities, deposits, capital and etc.).

[1] *http://lnweb90.worldbank.org/FPS/fsapcountrydb.nsf/(attachmentwebFSA)/Armenia_Update_FSA.pdf/$FILE/Armenia_Update_FSA.pdf:*

CHANGES IN FINANCIAL SYSTEM REGULATORY FRAMEWORK IN 2012

Ongoing developments in real and financial sectors involve making adjustments to the regulatory framework, accordingly. In 2012, enhancements of regulatory framework of financial sector were continued.

Changes in the financial system regulatory framework

Legislative changes

In 2012, the Central Bank introduced amendments and addenda to the following laws:

- Law on "Funded Pensions",
- Law on "Investment Funds",
- Law on "Securities Market",
- Law on "Banks and Banking Activities",
- Law on "Guaranteeing Compensation of Bank Deposits",
- Civil Code,
- Law on "State Registration of Rights to the Property",
- Law on "Profit Tax",
- Law on "Personified Record Keeping of Income Tax and Mandatory Funded Contributions",
- Law on "State Fees",
- Law on "Value Added Tax",
- Law on "Income Tax",
- Law on "Limited Liability Companies".

Abovementioned legislative changes were aimed at solving a number of issues raised during the implementation of new funded pension system and stimulating further development of this area. The following can be distinguished from the implemented amendments. The information concerning pension funds considered as advertisement shall not be approved by the Central Bank and will be presented to the Central Bank as notification. Management fees of pension funds will be calculated based on net asset value instead of market price of assets, which will allow preventing asset bubbles. As a result of amendments the participants of voluntary pension funds will be allowed to receive their accumulated funds ahead of time (before reaching pension age) applying certain restrictions. According to amendments both voluntary and mandatory pension funds can only be open-ended allowing the participants to apply for exchange of their units at any time. In the view of increasing efficiency of fund managers it was defined that the rules of the fund managers shall not be registered

in the Central Bank but will be taken into consideration. It was also defined that the property acquired with the assets of the fund shall be registered on behalf of the fund manager, which represents the participants of the fund and the changes in the participants of the fund shall not result in changes of property registration certificate. It was clarified that the payments for the transactions of the issuance or buy-back of the investment fund securities issued by the investment fund manager are not taxed with VAT[2].

Regulatory changes

In 2012, the Central Bank developed and revised the following regulations concerning banks and credit organizations:

1. According to the decree of the Central Bank Board amendments and addenda were introduced in Regulation No 2 "Regulation of Banking; Prudential Requirements for Banking", which will allow to enhance the calculation methodology of main prudential requirements making it more responsive to the risks. According to changes:
   - The minimum ratio of banks highly liquid assets expressed in I group currencies to total assets of Group I currencies is defined 4 percent, while the minimum ratio of banks highly liquid assets expressed in Group I currencies to demand liabilities expressed in Group I currencies is defined 10 percent.
   - In case when during a month liabilities expressed in any Group II currency on daily average basis exceed 5 percent of banks total liabilities then for the month following relevant month
     - The minimum ratio of banks highly liquid assets expressed in US dollar, Euro and this Group II currency to total assets expressed in US dollar, Euro and this Group II currency assets is defined 4 percent.
     - The minimum ratio of banks' highly liquid assets expressed in US dollar, Euro and this Group II currency to demand liabilities expressed in US dollar, Euro and this Group II currency assets is defined 4 percent.
   - Additional requirements concerning attracting deposits were imposed on foreign bank branches. Particularly:
     - It was defined that minimum ratio of foreign bank branches' (FBB) operational capital to risk weighted assets should be 12 percent. The operational capital was defined as total amount of deposit of FBB founder bank in the Central Bank or in commercial bank (with consent from the Central Bank) and amount of unallocated profit of FBB.
     - For FBBs liquidity requirements were defined, which were differentiated not only by currencies but also by the amount of attracted deposits. In particular for the FBBs attracting deposits, which don't exceed AMD 30 million threshold, stricter liquidity requirements were set.

[2] *For further details on these legislative changes see CBA quarterly review periodical for IV quarter at www.cba.am.*

- Additional requirements were defined for mitigating risks of single borrower, major borrowers and also of FBB related single/all parties.
- Requirements were defined for foreign currency disposition both for gross position and for individual currencies.
- Requirements were defined to restrict outflow of funds attracted from Armenian residents.
- The calculation methodology of requirements for FBBs was harmonized with the calculation methodology of economic prudential requirements defined for local commercial banks.

- It was defined that the overnights issued to foreign banks can be included in the calculation of liquid assets if the credit rating of foreign bank is higher than BBB+ (Baa1). At the same time those overnights can be included in the liquid assets not more than as 15 percent of total liquid assets.
- In the credit risk structure the risk weight for other assets expressed in Group II currencies (except Russian ruble) was set 150 percent.
- The risk weights were defined for the claims to investment funds.
- Foreign exchange swaps were included in the calculation of credit risk.
- It was defined that claims backed by the guarantees issued by certain international organizations can be weighted by 0 percent.
- New approach was introduced in credit risk calculation for repo agreements and securities sold by repo agreements.
- In calculation methodology of N3 and N4 prudential requirements new approach was introduced concerning repos, securities sold by repo agreements and derivative.

2. According to the decree of the Central Bank Board addenda were introduced to "Minimum Requirements for Implementation of Internal Control System of Banks" according to which the banks should periodically carry out stress tests at least for following risk types:
   - Credit risk
   - Foreign exchange risk
   - Interest rate risk
   - Price risk
   - Liquidity risk
   - Contagion risk

   Credit, interest, price and contagion risks should be stress tested at least on quarterly basis, while foreign exchange and liquidity risks should be stress tested at least on monthly basis (for upcoming one year).

   At the same time new reporting form was defined "Report on Stress Tests", which is submitted to the Central Bank until the 12th business day following the reporting period.

   Mentioned addenda will allow implementing stress testing in the banks as risk mitigation tool and ensuring its efficiency and effectiveness and also will allow analyzing the results of stress tests in the Central Bank.

3. According to the decree of the Central Bank Board amendments and addenda were introduced to "Procedure on Classification of Loans and Receivables and Creation of Possible Loss Reserves for Banks Operating in the Territory of the Republic of Armenia". According to amendments
   - It was clarified that repo agreements, overnights and also interests, fines and penalties relating to the assets are included in the structure of assets subject to reserve requirement.
   - The methods of writing off assets from balance sheet, recovery of assets from off-balance, reflection of written off assets were clarified. Also the procedure of determination of profit tax base was clarified.
   - It was defined that the assets in off-balance can be written off from off-balance if the borrower individual is dead or bankrupt.
   - It was defined that in case when insufficient amount for current payment of the asset is less than AMD 1000, it is not reason to classify the asset (downgrade the asset class).
   - The peculiarities concerning classification of the group borrowers were clarified.

4. The Central Bank Board approved regulation "On Additional Provisioning without Classification of the Assets". The regulation defines:
   - Cases for additional provisioning, namely:
     - Deterioration of macroeconomic environment,
     - When the actual usage of assets by the borrower differs from the purpose defined in the loan contract,
     - Detection of internal control issues,
     - Detection of issues concerning overpriced pledge,
     - Detection of issues concerning any group of loans under inspection, which resulted in downgrading the inspected loans' classification on subjective basis.
   - The maximum size of additional provisioning for all cases was defined as 25 percent of net balance value of the loans.

   Mentioned regulation will clarify the cases of additional provisioning enforced by the Central Bank and will enhance the efficiency of this supervision tool.

5. According to the decree of Central Bank Board amendments and addenda were introduced to 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", and 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 amendments:

- For the registration of banks' and credit organizations' managers two types of registration procedures (simple and complex) are defined based on risk level of the position held by managers and level of responsibilities taken by managers.
- The list of positions that are eligible for simple registration procedure was defined.
- It was defined that the banks and credit organizations should have internal legal acts, which will describe the processes of verifying the eligibility of the candidates for simple registration procedure.
- The exceptional cases were defined, when the Central Bank can require banks and credit organizations to register all their managers in accordance with complex registration procedure.
- Some exceptions for written examinations were defined for the managers of banks and credit organizations. Particularly, if the managers have international certificates and diplomas or if the managers worked in international organizations and held similar positions.
- For some cases the Central Bank can also make exceptions for the interview of the managers of banks and credit organizations.
- It was defined that in case of replenishment of statutory capital of credit organization or in case of changing the type of credit organization the Central Bank can make an exception for the statement concerning the availability of funds in the account intended for the replenishment of statutory capital, when the statutory capital is replenished with funds available in the liabilities of the credit organization (e.g. lending provided by the shareholders of the credit organizations). At the same time a provision was defined that the statutory capital can be replenished with the funds available in the liabilities of the credit organization only with no objection from supervision division of the Central Bank. These amendments will allow enhancing the process of replenishment of the statutory capital by the credit organizations.

6. According to the decree of the Central Bank Board the candidates for managerial positions at financial organizations can register for the qualification tests through the Central Bank website eliminating the need for registeration by phone.

   The decree was aimed at making the procedure of registration for qualification tests more efficient and consistent.

7. According to the decree of the Central Bank Board amendments and addenda were introduced to Regulation No 3 "Banks' Reports; Submission and Publication of Banks' Reports" and Regulation No 15 "Reporting Forms of Credit Organizations, Their Submission and Publishing". In particular:
   - A new reporting form was defined for the banks covering significant changes and negative developments in banks.
   - New edition of reporting form 32 was introduced aimed at the unification of information collected from financial organizations concerning repo agreements and securities trading.
   - In the reporting forms it was clarified whether amortized, fair or nominal values should be presented.

- The scope of data presented through the reports submitted by the banks and credit organizations was enlarged aimed at enhancing analysis and supervision processes.

8. According to the decree of the Central Bank Board amendments were introduced to regulation on "Consolidated Reports Submitted to the Central Bank of Armenia by the Banks Operating in the Territory of Republic of Armenia". In particular, the consolidated balance sheet structure was brought into compliance with the new chart of accounts. Accounting procedures were also brought into compliance with International Financial Reporting Standards (IFRS). According to other decreed of the Central Bank Board the public reports of the banks were brought into compliance with IFRS and new chart of accounts.

9. The Central Bank Board adopted Regulation 2/01 on "Regulation of Panarmenian Bank and It's Economic Prudential Requirements", which defines prudential requirements of Panarmenian Bank, in particular:
   - All prudential requirements applicable to the commercial banks were defined for the Panarmenian Bank except liquidity (N21, N22) and reserve requirement. Limits and calculation methodology of N1, N32 and foreign exchange prudential requirements totally comply with Regulation 2 requirements, while N31 prudential threshold was defined 25 percent.
   - It was defined that Panarmenian bank cannot have claims to the related parties, except the following cases:
     - Republic of Armenia, the Central Bank and those entities that are related only on basis that Republic of Armenia or the Central Bank can affect the decisions of the borrower due to its participation or other force, and
     - To those banks that are related with Panarmenian Bank on basis of relations only with international financial institutions defined by the regulations.
   - The maximum risk level for the parties related to the Panarmenian Bank on basis of equity financing or are related on basis of relations with international financial institutions was set 15 percent (for single party) and 30 percent (for all parties).
   - Panarmenian bank cannot bear risk for its employees with the exception of cash amounts given to employees, which should not exceed 5 million AMD.
   - Taking into consideration the specifications of Panarmenian Bank special liquidity prudential standards were defined. The latter is ratio of highly liquid assets to liabilities (including off-balance). Moreover, the liabilities are included into the calculation of prudential standard with different weights depending on the maturity. The minimum threshold of the prudential standard was set 100 percent.

10. The Central Bank Board adopted Regulation No 01/04 "Panarmenian Bank's Reports; Submission and Publication of Panarmenian Bank's Reports". For Panarmenian Bank 18 reports were defined out of which 3 are submitted upon availability and one of the reports is submitted annually.

In 2012, following changes were implemented in regulations relating to insurance activities

1. According to a decree of Central Bank Board amendments were introduced to the decree on "Car Insurers Bureau of Armenia Reporting Forms, Content and Submission Terms and Conditions of Reports Submitted to the Central Bank" widening the scope of used information.
2. According to a decree of Central Bank Board amendments and addenda were introduced to Regulation No 3/01 "On Licensing, Registration, Granting of Consent and Permission, Professional Competency and Qualification in Insurance Area" aimed at optimizing insurance company manager registration. The brand name registration procedures for insurance companies were regulated.
3. According to a decree of Central Bank Board 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". The calculation of some elements in main economic prudentials was clarified.
4. According to decrees of Central Bank Board 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", where for each reporting form it was clarified whether amortized, fair or nominal values should be presented, also the reporting forms were brought in accordance with changes in prudential regulation of insurance system.
5. According to a decree of Central Bank Board 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 some provisions concerning the definition of value eligible for classifications were clarified. Also the methods of writing-off, recoveries and accounting of written-off assets were clarified.
6. According to a decree of Central Bank Board amendments to No. 197-N decree "On Procedure and Periods of Submitting Reporting Forms by Insurance Brokers". A reporting form on annual state duty payment was rescinded due to non-applicability.

In 2012, following changes were implemented in regulations relating to securities market.

1. Regulation No 10/17 on "Criteria for Methodology of Calculation and Yield of Pension Fund Assets" was adopted. The regulation covers the methodology for calculating yield of voluntary and mandatory pension funds and also criteria for availability of public information on yield. The regulation is aimed at establishing common criteria for the assessment and comparison of the pension funds' performance by the investors.
2. Amendments and addenda were introduced to Regulation 8/03 on "Publication of Information by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Funds,

Investment Fund Managers, Central Depositary and Money Transfer Organizations" defining the publications rules of performance indicators for investment and pension funds.

3. Amendments and addenda were introduced to Regulation 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), Minimum Size of Infringement of Prudential Standards, which are Grounds for Revocation of License (Permission) of Management Company" aimed at making appropriate adjustment to the calculation of main prudential standards in order to comply with the altered chart of accounts for investment fund managers;

4. Amendments and addenda were introduced to Regulation 4/02 on "Prudential Standards, their Limits, Calculation, Composition of Elements in Calculation, the Extent of Breaches of Stated Prudential Standards of Investment Companies". In particular:
   - appropriate adjustment to the calculation of main prudential standards were made in order to comply with the new chart of accounts for investment companies,
   - introduce a special regulatory arrangement was defined in respect of bonds issued by credit organizations with refinancing capacity, in order to raise attractiveness of such securities,
   - a special regulatory framework was provided for investment companies' unallocated metal accounts, standardized bars of precious metals and assets and liabilities expressed in them,
   - differentiated weights were defined for credit risk to which investment funds are exposed taking into consideration that investments in different investment funds suppose different risk level,
   - with the view of making the prudential requirements more sensitive to the risks a new approach was implemented in credit risk calculation for calculating repo agreements and securities sold under repo agreements; foreign exchange swaps were included in the structure of credit risk and it was established that claims issued under guarantee of certain international institutions can have 0 percent risk weight:

5. Decree was adopted by the Central Bank Board on "Establishing a Minimum Value Threshold for Participation of Non-qualifying Investors in the Fund of Qualifying Investors", which is aimed at defining the minimum threshold for participation of non-qualifying investors in the fund of qualifying investors. This will enable non-qualifying investors with sufficient funds and knowledge and ability to determine own risk exposure to participate in funds that operate under relatively easy regulatory/supervisory regime (including not differentiated funds, funds with extra risk, private equity funds and venture funds).

6. Regulation No 10/15 "Terms and Conditions of Reports submitted by Funded Pension System Registrar to Guaranty Fund Manager" was adopted. The regulation defines the scope and procedure of submitting information on contributions of mandatory funds' participants and their account balances by the funded pension system registrar to the guaranty fund manager. The regulation is

aimed to help the guaranty fund manager to foresee any occurrence of guarantee cases and accordingly reduce adverse liquidity risk consequences.

7. Amendments and addenda were introduced to Regulation No 4/03 "Procedure, Form and Periods of Filing Reporting Forms Submitted to the CBA by Investment Service Providers" according to which the format, terms and conditions of reports were brought in compliance with the amendment in investment companies' accounting policies. A new page was added in reporting form of prudential standards for covering the risks associated with investment funds.

8. Amendments and addenda were introduced to Regulation No 5/03 "Reports to the Central Bank by the Operator of a Regulated Market, the Order Form and Timing of Reports". The purpose of amendments is to provide information to the Central Bank of the new transactions made in the regulated market (transactions executed on the loan resources platform and transactions with foreign currency bonds). In particular, according to the amendments made to the Regulation, the operator of the regulated market should also submit to the Central Bank the following information:
   - information about transactions with foreign currency bonds (the established regulation provided reporting of transactions with bonds quoted only in AMD),
   - information about transactions executed on the loan resources platform (the established regulation covered only transactions carried out in overnight platform).

9. The following amendments and addenda were introduced to Regulation 4/03, Regulation 5/03 and Regulation 5/04 "On Reports of Central Depository to be Submitted to the Central Bank, Submission Procedure, Forms and Terms".
   - The reporting fee for annual state tax was excluded from regulations, as the Central Bank has access to Client-Treasury system, which allows to retrieve information on payment of state tax (Regulation 4/03, 5/03, 5/04).
   - Appropriate changes were introduce in forms submitted by Central Depository and investment service providers according to which the reports will also include data on foreign exchange securities (securities transactions, issuance) as the former reporting form allowed reporting only for AMD denominated securities (Regulations 4/03,5/04).
   - With the view of calculating yield curve of government bonds a new reporting form was introduced for regulated market operator according to which the daily average price quotation on traded government bonds should be submitted to the Central Bank (Regulation 5/03).

10. Regulation No 5/09 "Subsidiary Activities of the Central Depository, the Procedure and Terms for their Implementation" was adopted. The purpose of the Regulation is to enable the Central Depository of Armenia to provide additional services that are directly related to its activities, to stimulate growth in the number and volume of services provided by the Central Depository of Armenia and to mitigate the possible risks associated with those services. In particular, the Regulation provides:

- the minimum criteria for the services provided by the Central Depository of Armenia to be considered additional,
- requirement for the implementation of the internal risk management procedures in order to manage and mitigate risks arising from the provision of additional services.

11. 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". The purpose of those amendments and addenda was to increase the efficiency of the pension fund management providing that only pension fund managers meeting minimum financial, technical and organizational requirements, with high professional qualification and understanding of fiduciary obligations will enter the market. The main amendments were the following:
    - It was defined that only those mandatory pension fund managers can operate that have at least one participant (shareholder), which is international organization or reputable foreign investment fund manager. Moreover, the share of those participants should be more than 50 percent and those participants must have decisive voice in defining pension fund manager's strategy as well as in forming manager's executive body and internal control system.
    - It was defined that branches of a foreign manager may receive permission for management of mandatory pension fund provided that the respective manager is a foreign reputable organization specialized in fund management.
    - The regulation also defines the assessment criteria for reputability of organizations specialized in fund management.
12. The regulation "On Requirements Imposed on Registration Petition of Brand Names of Financial Organizations Registered by the Central Bank, the List of Documents Attached to Petition, Examination of Petition, on Brand Names and Registration of Changes of Brand Names" was adopted, which was aimed at regulating procedure of brand names of investment companies, investment fund managers, regulated market operator and Central depository.
13. Amendments and addenda were introduced to "Procedure on Exclusion from Requirements set forth in Article 129, Clause 3 of the Republic of Armenia Law on Securities Market". The amendments were aimed at abolishing some restrictions applied to securities transactions carried out in OTC (over the counter) market, which do not threaten interests of investors.
14. Decree was adopted on "Permission of Auxiliary Types of Activities for Investment Companies and Requirements for Carrying those out", which will allow the investment companies to implement programs aimed at promotion of financial education.

15. Amendment 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" and 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 the registration procedures of managers was optimized through defining simple and complex procedures.
16. Regulation 5/10 "On Centralized Registry and Custody", which is aimed at providing accessibility to the services of the Central depository throughout Armenia through account operator institute and also mitigating operational risks related with registration of rights associated with securities: The mentioned legal act rescinded the Central Bank decree No. 44 of March 1, 2011 and provided amendments in Regulation 33 "On Custody of Securities" and in "Codebook of Securities Market Regulation"

In 2012, following changes were implemented in regulations relating to payment and settlement system.

1. According to Central Bank Board decree amendments and addenda were introduced in regulation "Custody of Government Bonds" and "Coding Account Numbers in GSASS". Those amendments were aimed at providing legal framework for sub-custodian activities in financial markets and also implementation of settlement of transactions in newly implemented "Repo/Reverse Repo" system.
2. According to Central Bank Chairman decree amendments were introduced to the document "Electronic Formats of Financial Messages". New message types were approved, which allows the beneficiary to provide detailed information on payer and documents related with payments. Also appropriate message types were defined through which financial organizations immediately receive notifications concerning specified transactions through their correspondent accounts.

In 2012, following changes were implemented in regulations relating to consumer rights protection.

- According to a decree of the Central Bank Board amendments and addenda were introduced to Regulation No 8/03 "Information Dissemination by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Central Depository and Money Transfer Payment and Settlement Companies". The amendments were aimed at establishing common criteria for the assessment and comparison of the pension funds' performance and provide comparability with Regulation No 10/17. The amendments also defined the rules for using and entering data on financial services provided by the participants of the financial system in "Financial Assistant" system, which is under development.

SUPERVISION AND CONSUMER RIGHTS PROTECTION IN 2012

Individual departments (mainly Financial Supervision Department, Financial Monitoring Centre, Financial Stability and Development Department) of the Central Bank perform off-site and on-site inspections 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 and compliance of financial system's activities to the regulatory framework.

Supervision

In 2012, on-site and offsite inspections of the Central Bank Financial Supervision Department focused on the following areas:

- risk management system,
- assessment of asset quality,
- transparency,
- internal control system,
- integrity of corporate management principles,
- IT area,
- compliance with the requirements relating to security and sustainability of business operations,
- risk level of reinsurance,
- compliance of organizations to the changes of regulatory framework,
- 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,
- combat against money laundering and terrorism financing,
- quality control of rendered services,
- consumer rights protection,
- prevention of operations by non-licensed entities,
- other.

In 2012, the Financial Supervision Department performed 241 on-site inspections.

Table 1. On-Site Inspections and Workload of the Supervisors

Indicators	2010	2011	2012
Number of Supervisors in the Financial Supervision Department	83	84	84
Total assets of commercial banks, credit organizations, insurance companies, securities market participants and pawn shops (annual average)	AMD 1.580 trillion	AMD 2.047 trillion	AMD 2.457 trillion
Average work load per supervisor of the Financial Supervision Department	AMD 19.0 billion	AMD 24.4 billion	AMD 25.3 billion
Number of inspections performed during the year, including:	380	235	241
Comprehensive inspections in banks	7	7	5
Targeted inspections in banks	24	13	8
Comprehensive inspections in credit organizations	6	6	5
Targeted inspections in credit organizations	2	1	1
Comprehensive inspections in insurance companies	3	3	3
Targeted inspections in insurance companies	8	-	12
Insurance broker companies	1	-	-
Insurance agents	-	38	-
Investment companies	4	4	2
Other participants of financial market(exchange offices, pawnshops, payments system organizations and other)	325	163	205

Compared with previous year in 2012 the number of infringements of banks dropped in total number of infringements identified during on-site and off-site inspections performed by the Central Bank Financial Supervision Department. Compared with previous year the number of penalties also decreased.

Table 2. Infringements of Financial Institutions and Penalties in 2012

Indicators	Commercial banks	Credit organizations	Insurance companies	Pawnshops	Payment system Companies*
Area of Violation					
Accounting	23	22	24		
Asset classification norms	2	1	9		
Legislation	313	135	254	235	5
Prudential standards	6	1	26		
Incompliance with instructions			3		
Reporting delays	1		47	3	
Inconsistent data	20	7	181	81	
Total regulatory capital					
Credit register	31	3			

Indicators	Commercial banks	Credit organizations	Insurance companies	Pawnshops	Payment system Companies*
Penalties					
Revocation of License			1	3	
Fines imposed on organization	177	122	282	248	2
Fines imposed on managers			5		
Penalty					
Warning	325	47	256	39	3
Revocation of manager's professional qualification license					
Termination of license				28	
Cessation				3	

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

Consumer rights protection

From the view point of consumer rights protection the current year can be considered as one for reevaluating the strategy and preparing new development directions. Upon the Central Bank's request the World Bank has assessed the consumer rights protection and financial literacy level of the consumers in Armenia. Based on the research Financial Consumer Rights Protection and Financial Literacy Enhancement strategies were developed.

A number of activities aimed at enhancing financial literacy were carried out, namely:

- Interagency committee was established for developing and implementing national strategy of financial education. Members of this committee are a number of governmental, non-governmental and private institutions.
- In 2012, activities aimed at development of "Finance for all" internet website (www.abcfinance.am) were continued. The website was updated 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.
- Planning and design of new game (Finansist) of financial education was initiated. The aim of initiative is to provide the general public with appropriate knowledge for practical usage of financial instruments through a game. The launch of the initiative is planned for 2013.
- In the context of financial education large-scale public awareness programs concerning the funded pension system were continued.
- With the view of enhancing the financial education process the Central Bank cooperated with a number of organizations implementing educational programs. In particular, in cooperation with

NGO "Junior Achievement", once again organized "Economics and finance" game-competition for senior students of schools. Projects were implemented with "Civil Education Center" within the scope of "Citizen" initiative, in cooperation with "AIESEC" international association: educational events were carried out in schools and universities.

With the view of consumer rights protection:

- On-site inspections of business conduct in financial organizations were continued, while within the framework of off-site supervision quarterly monitoring of information dissemination (website, press, advertisements and etc.) was carried out. Internal legal acts of the financial institutions were assessed aimed at discovering the risks and problems associated with consumer rights protection in the financial system. 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.
- The "Financial Assistant" system was initiated, which is aimed at creating financial tool through which the consumers can quickly and comprehensively receive information on consumer and mortgage loans, deposits and payment cards offered by the financial institutions. In the future, it is planned that other financial products will be available in the system.

The experience of the Central Bank in the area of consumer rights protection was promoted in international arena. In 2012 the Central Bank had active participation in a number of international organizations including Alliance for Financial Inclusion (AFI) as co-chairman of "Increasing consumer opportunities and market conduct" group, Network of National Financial Consumer Protection Bodies (FinCoNet) as co-chairman of "Systemic reforms" group, International Network of Financial Education (INFE) as member of "National financial education strategy" group.

In 2012, the Central Bank hosted and presented its experience in consumer rights protection area to the delegation of Tajikistan Central Bank. Also a seminar on "Consumer rights protection and financial education" topic was held for the representatives of member countries of Eurasian Economic Community.

The Central Bank closely cooperated with World Bank and a number of other international institutions. In particular, with the view of enhancing financial education the Central Bank cooperated with "Children & Youth Finance International" international organizations and Aflatoun child social and financial education organization.

Cooperation with abovementioned organizations will be continuous and constructive.

STAFF TRAINING AND COOPERATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2012

The Central Bank continued implementing policy aimed at enhancing the professional qualification of human resources, which inter alia is directed at raising the efficiency of regulatory and supervision functions. Modern developments require ongoing development of the knowledge base and absorption of international best practices. For the purpose of enhancing staff qualifications and studying best international practices, in 2012 the employees taking part in financial system regulation and supervision participated in a number of local and foreign courses, on-job meetings and conferences. The trained employees present report upon return, fill-in a questionnaire, through which they are assessing the efficiency of the courses, make suggestions concerning implementation of learned material and share their experience with other departments within the Central Bank.

In 2012, the Central Bank continued cooperation with International Monetary Fund, Bank for International Settlements, Financial Stability Institute, Joint Vienna Institute, central banks of member countries of Eurasian Economic Community, Switzerland, Italy, Lithuania, France, Germany, Netherlands, 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 conducted by the above mentioned institutions are mainly related to financial stability and present issues related to banking, insurance, securities market participant regulation and supervision.

Several specialists from the Central Bank attended online training courses arranged by the Financial Stability Institute (FSI). Highly experienced supervision specialists of the Central Bank continued to organize training courses for younger colleagues for sharing their experience and knowledge with the latter.

In 2012, Central Bank continued multilateral and bilateral cooperation with international and foreign organizations.

Within the framework of the technical assistance by the International Monetary Fund and World Bank the Central Bank hosted a number of missions on banking supervision and financial operations, monetary policy and statistics. On February 1-14 2012 the Central Bank hosted Financial Sector Assessment Program IMF/WB mission headed by Jennifer Eliot and John Pollner. On March 11-14, 2012, the International Monetary Fund executive director Menno Snel (responsible for activities with Armenia) visited the Central Bank.

With the view of expanding business connections, becoming acquainted with macroeconomic condition of Armenia and conducting negotiations, the Central Bank hosted experts from Japan International Cooperation Agency, business mission from Chinese Sinocop Resources Holdings and China Sports Development Ltd. headed by deputy-director of China State Development Bank Gao Jian, delegation from European Bank for Reconstruction and Development headed by managing director of

Eastern Europe and Caucasus regions Olivier Decamps, delegation from Italian investment company FINEST S.p.A. headed by the president of the company Renato Pujatti, delegation from Polish National Bank headed by the chairman of the bank Marek Belka, delegation from State Commission for Securities and Stock Market of Ukraine headed by the chairman of committee Dmitriy Tevelyev.

The Central Bank organized a number of business meetings, working sessions, a "round table" and a conference, of which the following are worth mentioning:

On 21-24 of July 2012, the 14th annual meeting of the Board of Governors of the Black Sea Trade and Development Bank and Business Forum "Armenia: Opportunities for Growth and International Experiences was held. 10 out of 11 member countries (Albania, Armenia, Bulgaria, Georgia, Greece, Moldova, Romania, Russian Federation, Turkey and Ukraine) of Black Sea Trade and Development Bank were presented at the annual meeting by chairmen, directors and delegations.

On 3-4 September former Minister of Labor and Social Security of Chile Jose Picera visited Yerevan at the Central Bank Chairman's invitation for steering round table on "Process of Pension Reforms in Armenia" and reading a lecture on pension reforms.

In 2012, the Central Bank continued the process of signing agreements and memoranda of understanding (MOUs) with other central banks within the framework of the bilateral and intergovernmental committees.

On the 24th of February 2012 the Central Bank of Armenia and Financial Supervision Agency of Poland signed memorandum of understanding on "Cooperation in the Area of Banking Supervision".

On the 25th of May in Yerevan and on the 5th of June in Kiev the Central Bank of Armenia and State Commission for Securities and Stock Market of Ukraine signed memorandum of understanding.

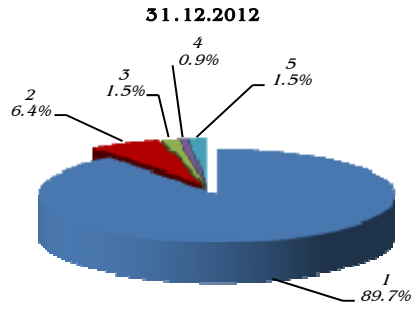
On the 13th of November 2012 in Yerevan the Central Bank of Armenia and KfW Bank of Federal Republic of Germany signed a credit contract concerning the program for the promotion of renewable energy (Phase III).

On the 29th of June 2012 Ministry of Education and Science, the Central Bank of Armenia and Pension System Awareness Center signed memorandum of intend.

On the 24th of April in Vienna, Austria the Central Bank of Armenia was officially admitted into the group of Banking Supervisors from Central and Eastern Europe as its 23rd member.

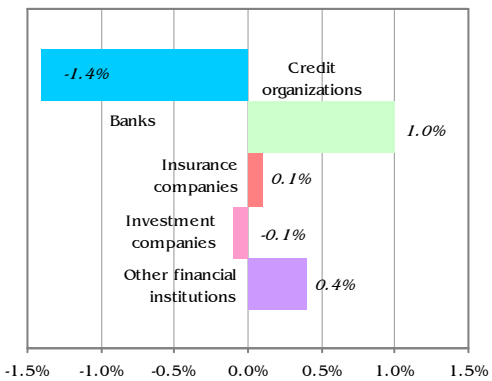
ARMENIAN FINANCIAL SYSTEM IN 2012

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



1. Banks,
2. Credit organizations,
3. Insurance companies,
4. Investment companies,
5. Other financial institutions

Chart 2. The Dynamics of Shares of Financial Institutions in Financial System Assets 2011-2012



In 2012, Armenian financial system was rather active. During year the ratio of the financial system assets to the GDP considerably increased indicating about deepening financial intermediation. Compared with previous year ratio of the financial system assets to the GDP increased by 8.7 percentage points and totaled 68.7 percent. Despite the rapid growth of financial intermediation indicator in recent years, it lags the same indicator of Eastern European and some CIS countries.

The major player in the financial system remains banking system, which accounts for 89.7 percent of the total assets of the financial system. In 2012, banking system was active in credit market and as a result of deepening competition continuing decrease of credit interests was registered.

In 2012, the mandatory health insurance of the state employees in the framework of social welfare package was implemented stimulating the development of insurance system.

BANKS

GENERAL PROVISIONS

Banks operating in the territory of Armenia

As of 31.12.2012 21 commercial and one development banks (Panarmenian Bank OJSC) operated in Armenia. In 2012 too considerable growth of financial intermediation in banking system was observed. In 2012, banking system assets to GDP ratio increased by 8.2 percentage points and totaled 62.2 percent, while banking system loans to GDP ratio increased by 7.0 percentage points and totaled 38.6 percent.

The number of bank branches increased by 32 and at year end was 474. As a result, the number of bank branches per 100 000 adult population increased by 0.2 point and totaled 18.9 percent. Other indicators describing the financial accessibility also increased.

Chart 3. The Level of Financial Intermediaton

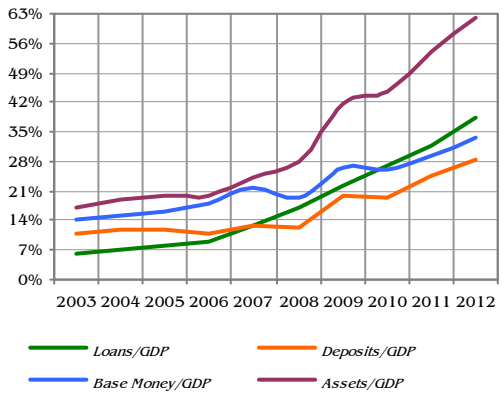
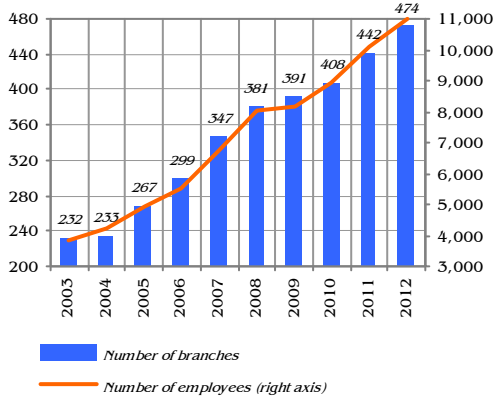


Table 3. Accessibility of financial services

Indicators	2010	2011	2012
Number of branches			
Per 100,000 adult population	17.4	18.7	18.9
Per 1000 square kilometer	15.1	16.3	16.7
Number of ATMs per 100,000 adult population	32.0	40.9	44.8

Chart 4. Number of Bank Branches and Employees



The number of bank employees (including service personnel) increased by 8.7 percent and at year-end reached 10 981. Compared with previous year the share of managerial staff in total number of employees decreased by 0.6 percentage points and at year-end amounted 16.5 percent.

Banking system concentration

The Herfindahl-Hirschman Index of Concentration for different aggregate indicators stayed unchanged. According to Table 4, Herfindahl-Hirschman Index of Concentration was within 0.06-0.1 range, reflecting low level of concentration in the banking system.

Table 4. The Herfindahl-Hirschman Index of Concentration

Indicators	31.12.10	31.12.11	31.12.12
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	0.07
Demand deposits of natural and legal persons (including bank accounts)	0.10	0.10	0.10

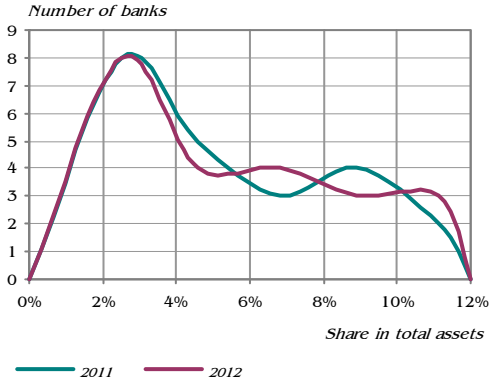
The polarization among large and small banks increased a little. At the end of the year the share of the 10 largest banks in the total assets of the banking system was 75 percent and the share of the 4 largest banks within total assets of banking system was 39 percent.

Table 5. Banking Sector Concentration Level

Indicators	31.12.10	31.12.11	31.12.12
Total Assets			
CC 4 (share of assets of the 4 largest banks' assets within total assets of the banking system)	38	38	39
CC 10 (share of assets of the 10 largest banks' assets within total assets of the banking system)	75	75	75
Total Liabilities			
CC 4	38	38	40
CC 10	76	77	77

Indicators	31.12.10	31.12.11	31.12.12
Total Capital			
CC 4	40	38	37
CC 10	70	69	68
Loans to economy			
CC 4	39	41	42
CC 10	77	78	78
Time deposits of natural and legal persons			
CC 4	43	42	42
CC 10	79	79	79
Demand deposits of natural and legal persons (including bank accounts)			
CC 4	49	55	52
CC 10	82	86	83

Chart 5. Distribution of the Asset Shares of the Banks



Growth of polarization was observed almost for all indicators except for total capital and demand deposits of natural persons and legal entities (including bank accounts). The increase of standard deviation and asymmetry coefficient of the banking assets' distribution points out to the slight increase of the concentration in banking system.

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

	Standard Deviation	Asymmetry Coefficient	Excess Coefficient	Herfindahl-Hirschman Index
2011	0.032	0.508	-1.108	0.067
2012	0.033	0.626	-0.777	0.068

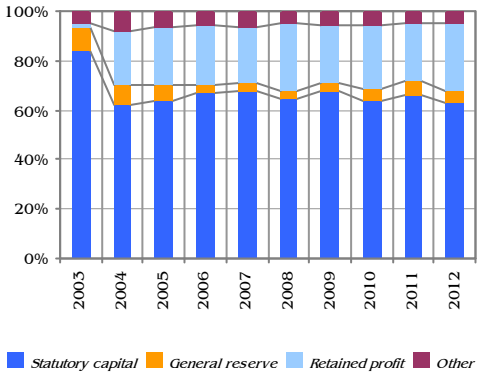
Capital Growth Trends

Over the reporting year, total capital of the banking system grew by 10.3 percent (AMD 37.6 billion), and totaled AMD 400.7 billion. Growth of the total capital was mainly driven by the growth of net profit and statutory capital.

During 2012 3 banks replenished statutory capital by AMD 10.2 billion, out of which AMD 9.0 billion were foreign funds. As a result, the share of non-residents within the total statutory capital of the banking system increased by 0.8 percentage points and totaled 73.1 percent.

The growth of total assets was 9.1 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 1.3 percentage points totaling 16.2 percent at the end of the year.

Chart 6. The Structure of the Banking System Total Capital

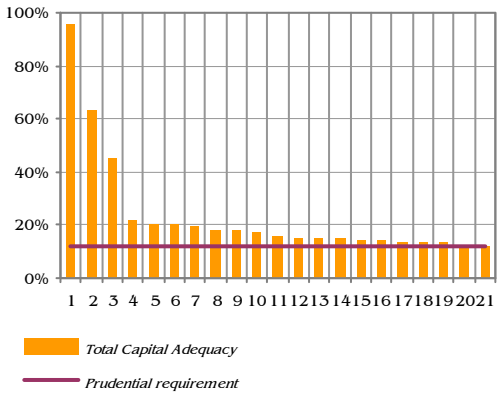


Banking system capital adequacy

As a result of active lending policy the growth rate of risk weighted assets of commercial banks exceeded growth rate of regulatory capital by 9.9 percentage points, which resulted 1.5 percentage points lower capital adequacy ratio, which at year end was 16.8 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.

Commercial banks continued to allocate attracted funds into credit investments. Accordingly the credit risk is considered as major risk factor accounting 92.3 percent of risk weighted assets (as of 31.12.2011-92.0 percent).

Chart 7. Capital Adequacy of Commercial Banks



Shareholders of banks

Out of 22 banks operating in Armenia, only one bank is a limited liability company, 4 are open joint-stock companies and 17 are closed joint-stock companies.

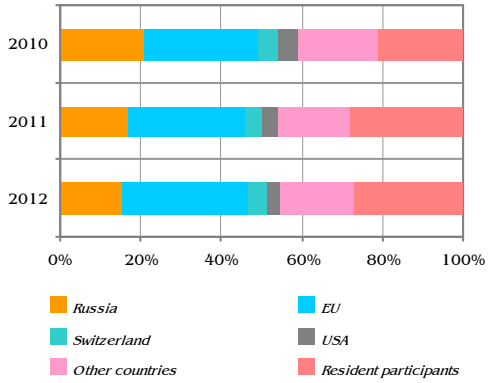
Participants (shareholders, equity holders) of the Armenian banking system are 1,644 natural and legal persons, of which 86 are non-residents.

With an exclusion of 4 banks, which are open joint-stock companies, participants (shareholders, equity holders) of the remaining 18 banks are 65 natural and legal persons, out of which 33 are non-residents.

In seven banks, 100 percent of shares are owned by a single party (five non-resident legal persons and one non-resident natural person); while in 11 of the rest banks a single shareholder owns more than 50 percent of the shares.

In the regional breakdown of the statutory capital major share belongs to shareholders from EU, Russian Federation and Switzerland with respective share of 31.6, 15.3 and 4.2 percent (as of 31.12.2011 – 29.0, 16.8, and 4.4 percent).

Chart 8. The Structure of Banking System Capital by Residency



BANKING SYSTEM LIABILITIES

Attracted funds

In 2012, total liabilities of the banking system increased by 21.4 percent (AMD 366.3 billion) and at the end of the year totaled AMD 2 trillion 77.1 billion. Dram liabilities increased by 16.1 percent and foreign exchange liabilities increased by 24.5 percent. As a result, the share of foreign exchange liabilities increased by 1.6 percentage points and at the end of the year totaled 64.9 percent.

The growth of liabilities was mainly driven by the growth of total deposits (AMD 198.2 billion), loro correspondent accounts and other liabilities of the banks (AMD 67.5 billion growth) and liabilities to other non-bank financial organizations (AMD 67.5 billion growth).

Chart 9. Banking System Liabilities

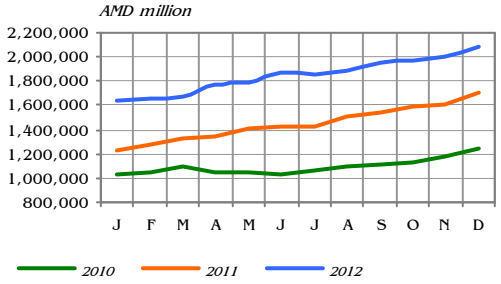


Chart 10. Banking System Demand Deposits

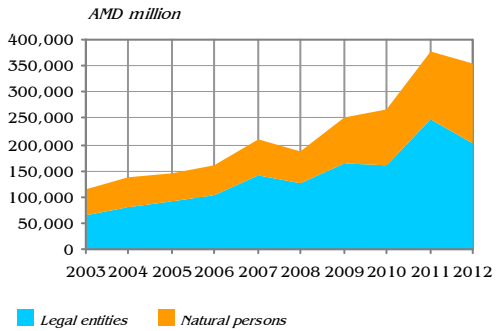


Chart 11. Banking System Time Deposits

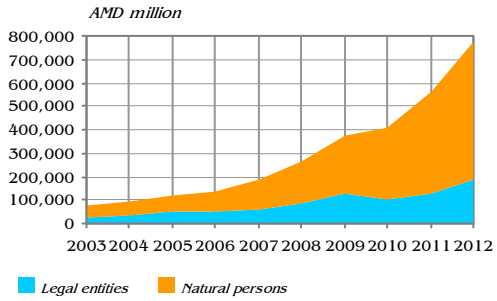
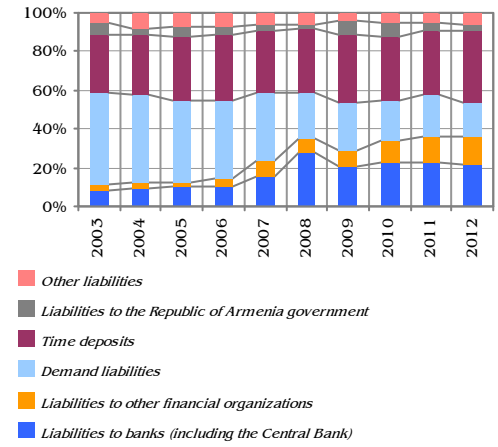


Chart 12. Structure of the Banking System Total Liabilities



Total deposits (time and demand), attracted from natural and legal persons, increased by 21.2 percent and at the end of the year totaled AMD 1 trillion 132.4 billion. Dram deposits increased by 15.2 percent, and foreign exchange deposits increased by 24.0 percent. As a result the share of foreign exchange deposits in total deposits increased by 1.6 percentage points and totaled 70.3 percent at yearend.

Over the reporting year, demand liabilities of legal entities decreased by 17.9 percent (by AMD 44.0 billion), while demand liabilities of natural persons increased 18.4 percent (AMD 23.8 billion) totaling respectively AMD 202.2 and AMD 153.3 billion at yearend.

The number of current accounts held by the legal and natural persons grew respectively by 7.9 and 19.8 percent.

The value of legal entities' time deposits grew by 44.1 percent and totaled AMD 185.8 billion at yearend, while the number of time accounts increased by 9.9 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 37.6 percent (totaling AMD 591.1 billion at yearend) and the number of time accounts increased by 28.7 percent.

Structure attracted funds of banking system

As of December 31, 2012, the share of the expense-bearing liabilities in the total liabilities of the banking system totaled 93.5 percent (compared with 94.9 percent in previous year). Excluding low cost demand deposits, the share of cost incurring time deposits was 70.9 percent (compared with 72.3 in previous year).

In the structure of Armenian banking system's total liabilities, mainly the share of time deposits and liabilities to non-bank financial institutions increased, while the share of demand liabilities and liabilities to Government shrunk.

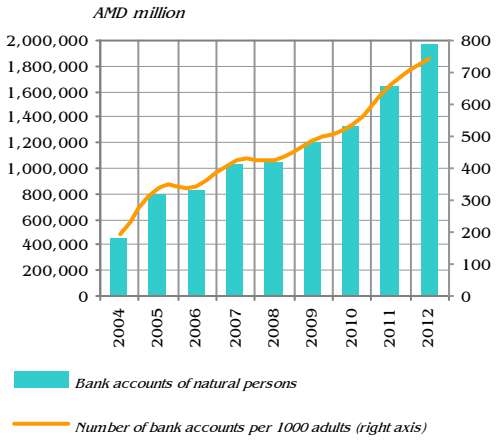
At the end of 2012, 20 percent of the attracted funds were demand (deposits, banking accounts, correspondent accounts and etc.), 52 percent were time deposits with a maturity of up to 1 year, and 28 percent were time deposits with a maturity of over 1 year (as of 31.12.2011, 24,51,25 percent respectively).

Customers of commercial banks

During 2012, the number of customers serviced by commercial banks increased by 18.8 percent and by the end of the year totaled 1 million 613.6 thousand mainly driven by growth of natural person customers. Compared with previous year the number of natural person customers increased by 19.6 percent and totaled 1 million 541 thousand, while the number of legal entity customers increased by 4.2 percent and totaled 72.5 thousand.

Over the year, the number of bank accounts (current and savings) grew by 19.5 percent and totaled 2 million 98 thousand[3]. The number of accounts of legal entities grew by 7.8 percent and totaled 131 thousand by the end of the year. The number of accounts (current and savings) of natural persons grew by 20.4 percent and by the end of the year totaled 1 million 967 thousand.

Chart 13. Deposits of Natural Persons in Banking System

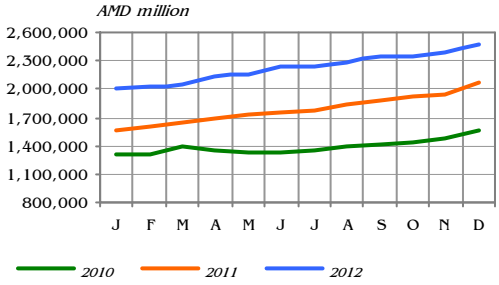


BANKING SYSTEM ASSETS

Growth trends of financing provided by the banking system

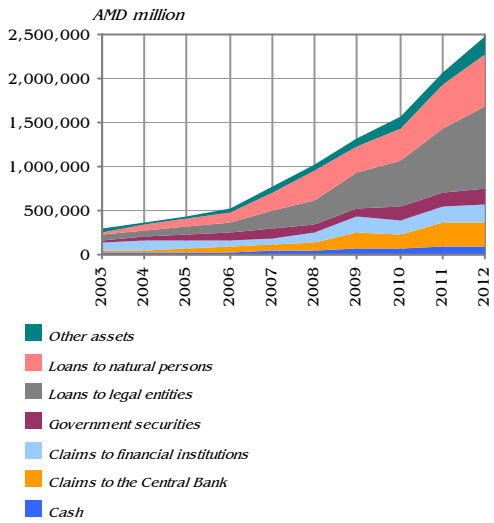
Over 2012, total assets of the banking system increased by 19.5 percent (by AMD 404 billion), and totaled AMD 2 trillion 478 billion at the end of the year. Growth of assets was mainly driven by the growth of loans to economy.

Chart 14. Total Assets of Banking System



[3] *Banking accounts do not include credit accounts.*

Chart 15. Banking System Assets



Compared with previous year the loans to economy increased by 26.9 percent and totaled AMD 1 trillion 536 billion. Loans to legal entities and natural persons grew respectively by 28.3 and 34.8 percent totaling AMD 932.4 and 603.9 billion at the yearend.

Correspondent accounts held in the Central Bank and other claims on the Central Bank reduced by 4.2 percent and totaled AMD 265 billion by the end of year. Investments in government securities increased by 6.1 percent and totaled AMD 181.2 billion by the end of year. Correspondent accounts in banks and other claims to banks increased by 10.7 percent and totaled AMD 165 billion. The correspondent accounts are prone to concentration by residency. As of 31 December 2012 95.8 percent of correspondent accounts were abroad (in 2011 96.8 percent).

Compared with previous year the concentration of correspondent accounts in terms of geographic breakdown considerably decreased. The Herfindahl-Hirschman Index for the correspondent accounts in terms of geographic breakdown reduced by 0.1 and totaled 0.2. Despite to this the concentration of correspondent accounts in terms of geographic breakdown still remains high.

Table 7. The Breakdown of Correspondent Accounts in Foreign Banks by Countries

	31.12.12	31.12.11	Change
EU	51.5%	38.7%	+12.8%
Germany	22.7%	22.3%	+0.3%
United Kingdom	8.6%	3.5%	+5.0%
Austria	8.2%	3.0%	+5.2%
France	7.1%	6.3%	+0.8%
Other EU countries	5.0%	3.4%	+1.6%
USA	32.9%	44.1%	-11.2%
Russia	13.5%	12.0%	+1.6%
Other countries	2.1%	5.3%	-3.2%

The shares of correspondent accounts held in foreign banks was 32.9 percent in US banks, 22.7 percent in German banks, 13.5 percent in Russian Federation banks, and 21.6 percent in banks of other countries(31.12.2011 USA – 44.1 percent, Germany – 22.3 percent, Russian Federation – 12 percent, other countries 21.6 percent).

Structure of allocated funds by the banking system

During 2012 the share of income-bearing assets within total assets increased by 2.2 percentage points and totaled 75.2 percent at yearend.

Excluding correspondent accounts with low return the share of other income-bearing assets increased by 2.9 percentage points and totaled 75.5 percent.

In the structure of assets, shifts were observed for the claims to the Central Bank and loans to economy. The share of loans to economy increased by 3.6 percentage points, while the claims to the Central Bank decreased by 2.6 percentage points.

As of December 31, 2012, 20.8 percent of the allocated funds were demand, 39.3 percent had a maturity of 1 to 12 months, and 39.8 percent had a maturity over 1 year, or were with no term (compared with 20.6, 39.4 and 40.0 percent, respectively in previous year).

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

Over 2012 the banks carried out active lending policy. The decreasing lending interest rate trend persisted. Compared with previous year, in 2012 weighted average interest rate of dram loans dropped by 0.2 percentage points and the weighted average interest rate of foreign exchange loans dropped by 0.4 percentage points.

Banking system credit investments (total loans, leasing, factoring, loans and deposits to financial institutions)

Chart 16. Structure of the Banking System Assets

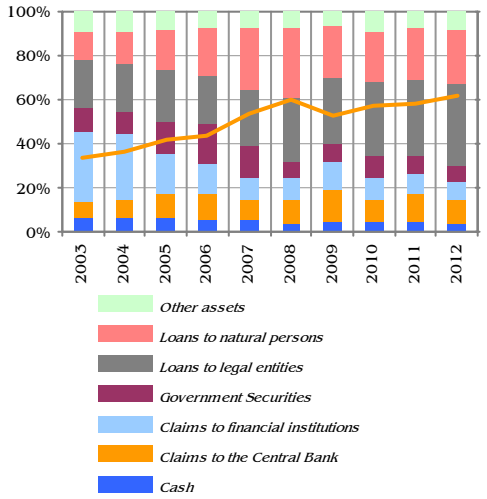


Chart 17. Outstanding Amount of Credit Investments by Sectors

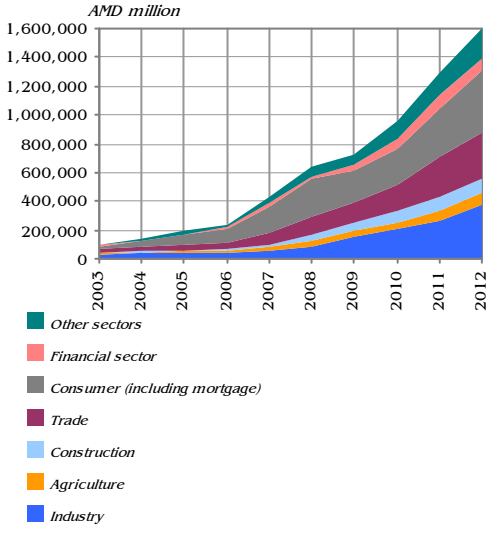


Chart 18. Structure of Credit Investments by Maturity

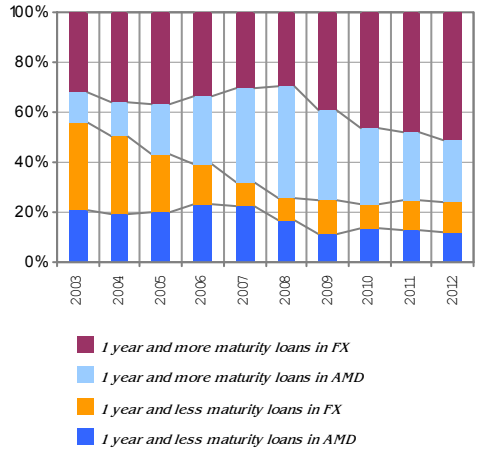
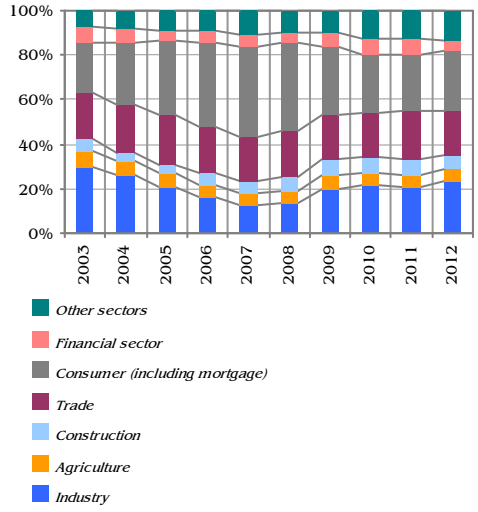


Chart 19. Structure of Credit Investments by Sectors of Economy



grew by 21.6 percent (AMD 294 billion) and totaled AMD 1 trillion 656 billion. Dram credit investments increased by 10.9 percent (AMD 57.5 billion) totaling AMD 586.2 billion at year-end. Foreign exchange credit investments increased by 28.3 percent (AMD 236.2 billion) and at year-end totaled AMD 1 trillion 69.4 billion. As a result, the share of foreign exchange credit investments within total credit investments increased by 3.4 percentage points reaching 64.6 percent.

Credit investments to non-residents decreased by 17.5 percent and totaled AMD 56.1 billion, while credit investments to residents grew by 23.6 percent and totaled AMD 1 trillion 599.6 billion.

During 2012, the share of long-term loan investments (with maturity of 1 year and more) went up by 0.6 percentage points and reached 75.6 percent mainly driven by recovering long-term business lending.

During 2012, growth of credit investments to residents was observed almost in all sectors except financial sector. Rather high growth was observed in industry, consumer, public catering and public services lending with respective growth rate of 39.1, 35.9, 32.9 growth rates. The lending to financial sector decreased by 14.7 percent.

As of 31.12.2012, banking system lending was mainly channneled to industry, trade and consumer sectors. The share of latter in total credit investments was respectively 23.4, 20.1 and 18.5 percent.

Compared with the previous year the Herfindahl-Hirschman concentration coefficient of banking lending to the economy stayed unchanged, at a 0.11 level. The average concentration by banks didn't change either - 0.17, which indicates a relatively high level of the sectorial concentration of lending in a number of banks.

The recovery of lending was considerably boosted by the loan projects of international financial institutions provided by the mediation of the banks. Those loans are mainly long-term. As of 31.12.2012, 17 banks and 11 credit organizations operating in Armenia serviced:

- World Bank,
- German-Armenian Fund
- Mortgage lending (KFW),
- SME lending (KFW),
- Armenia renewable resources and energy efficiency fund (AEE),
- National mortgage fund (NMC),
- Asian Development Bank,
- European Bank for Reconstruction and Development,
- Black Sea Trade and Development Bank,
- Economic stability program within the framework of RF loan,
- International Fund of Agricultural Development,
- OPEC International Development Fund,
- International Finance Corporation,
- Millennium Challenges Fund,
- International Migration Organization,
- Euroasian Development Bank,
- And loan projects of other financial institutions.

It is remarkable this covers almost all sectors of the economy.

In 2012, loans provided by the banks and credit organizations within the framework of the projects supported by international financial institutions increased by 30.2 percent and at the end of the year totaled AMD 244.8 billion. As of December 31, 2012, the share of the overdue loans within above mentioned loans issued by banks was 2.7 percent. The share of loans with maturity up to six months, from six months to a year and over one year in above mentioned loans was respectively 5.0, 5.2 and 89.2 percent.

As of December 31, 2012, the main lending sectors were trade (29 percent), industry sector (27 percent) and agriculture (16 percent).

Chart 20. Profitability for 18 Profitable Banks (2012 annual)

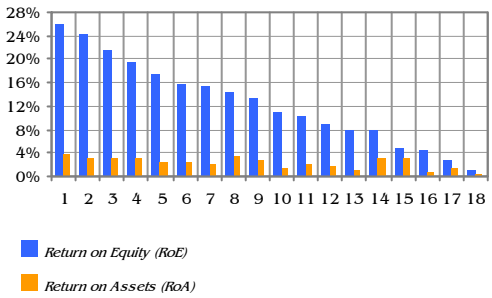
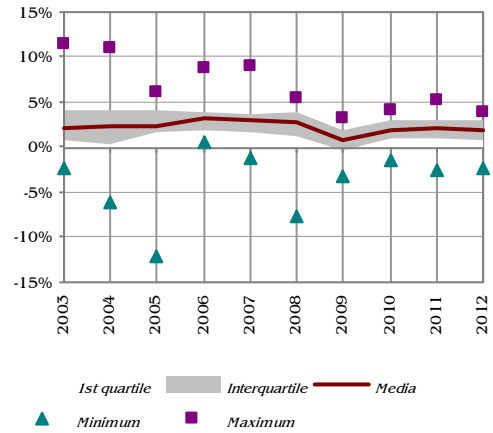


Chart 21. Return on Assets (RoA) of Commercial Banks



Banking System Profitability

In 2012, net profit of the banking sector according to supervision reports totaled AMD 42.4[4] billion. During the year, 18 banks operated with profit.

Compared with 2011 the Return on Assets (RoA) and Return on Equity (RoE) respectively increased by 0.1 and 1.4 percent amounting 1.9 and 11.2 percent.

Over the year, banking system net operational margin[5] stayed unchanged, at a 3.3 percent level.

According to IFRS net profit was AMD 42.5 billion, RoA was 1.9 percent and RoE 10.8 percent.

The Herfindahl-Hirschman index of concentration for 18 profitable banks totaled 0.09 reflecting a low level of concentration in the banking sector in regard to profit.

In 2012, compared with 2011 the interquartile range of banks' RoA increased by 0.2 percentage points and totaled 2.4 percent, which demonstrates slightly increasing dispersion level of banks' RoA. The growth of interquartile range was conditioned both by the growing difference of 3rd quartile to median and median to 1st quartile.

In 2012 (3rd quartile minus median) and (median minus 1st quartile) were respectively 1.1 and 1.3 percent (1.0 and 1.2 percent in 2011).

According to the analysis of RoE[6] components the growth of RoE was mainly conditioned by the increase of interest income/total assets ratio derived from growing share of income bearing assets in total assets and also by increased leverage (annual average assets/ annual average capital).

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[4] The difference between profit according to supervision reports and IFRS is mainly conditioned with the fact of 1 percent provisions to asset loss reserves for standard assets, as the banks incur expenses of that size.

[5] Net operational margin is equal to the net interest and net non-interest income to average annual total assets.

[6] In the context of this analysis the RoE of banks is presented through the following components:

$$RoE = \frac{P}{E} = \frac{P}{A} x \frac{A}{E} = L x \left(\frac{II}{A} + \frac{NII}{A} + \frac{IE}{A} + \frac{NIE}{A} + \frac{NLLP}{A} + \frac{PT}{A} \right)$$

where P-Net profit, E-Average capital, A-Average assets, II-Interest income, NII- Non-interest income, IE- Interest expense, NIE- Non-interest expenses, NLLP-Net loans loss provisions, PT- Profit tax.

Compared with previous year the interest income/total assets ratio and leverage respectively increased by 0.6 percentage points and 0.5 points and reached 10.1 percent and 6.0.

The profitability of the banking system was also positively affected by 0.1 percent drop of both non interest expenses/total assets ratio and provisions/total assets ratio.

The profitability was negatively affected by 0.6 percentage point growth of interest expenses/total assets ratio due to increased deposit rates and also by 1.9 percentage point drop of non-interest income/total assets ratio.

Structure of Income and Expenses

In 2012, the gross income of the banking system increased by 41.0 percent, while gross expenses increased by 43.4 percent. In the structure of gross income interest income increased by 28.8 percent, non-interest income increased by 16.6 percent and recoveries on the reserve for possible asset loss increased by 90.6 percent.

In expense structure compared with previous year the interest expenses increased by 36.5 percent, non-interest expenses by 19.1 percent and provisions to the reserve for possible asset losses by 73.5 percent.

As a result of the mentioned growth of the income and expenses, the shares of interest and non-interest income in gross income respectively decreased by 5.3 and 2.9 percentage points, while the share of recoveries from the possible asset losses reserve increased by 8.2 percentage points.

In expense structure the shares of interest and non-interest expenses respectively decreased by 1.6 and 5.6 percentage points, while the share of provisions to the possible asset losses reserve increased by 7.2 percentage points.

The growth of the banking sector interest income was mainly driven by growth of income on loans to economy (including overdrafts, credit lines and credit cards). The share of latter in total interest income was 83.6 percent (83.3 percent as of 31.12.2011).

Chart 22. Dyamics of RoE Components

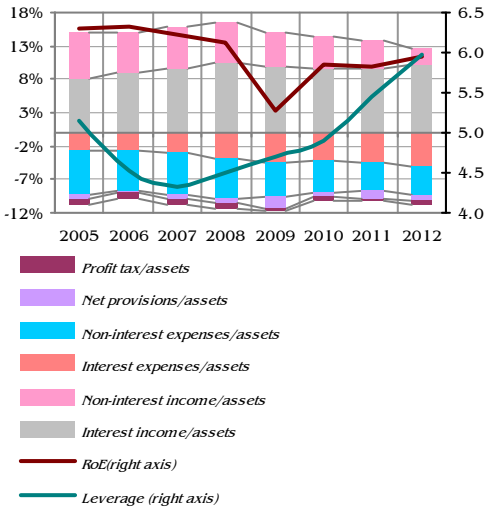


Chart 23. Banking System Income and Expenses

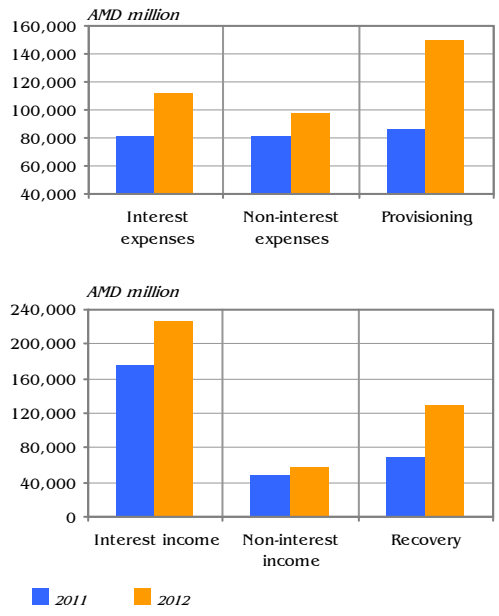
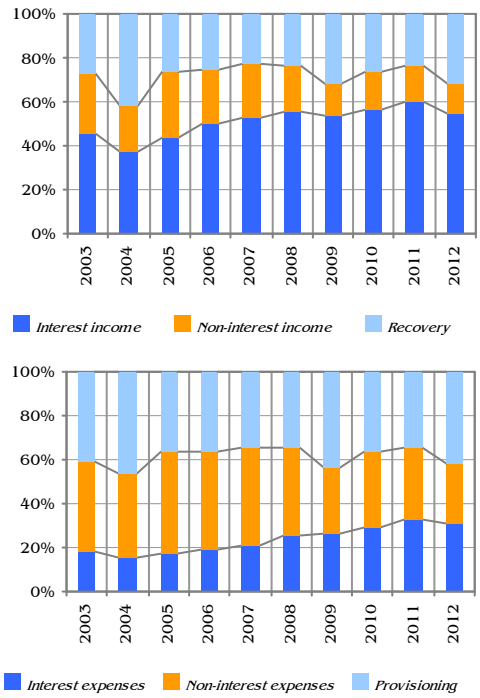


Chart 24. Structure of Banking System Income and Expenses



In the structure of non-interest income growth of income from commission fees 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 44.7 and 25.7 percent shares (47.4 and 28.2 percent as of 31.12.2011).

The growth of interest expenses was mainly driven by expenses associated with time deposits, attracted funds from commercial banks and other financial institutions. The share of abovementioned components in total interest expenses was respectively 48.3 and 21.5 percent (compared with 45.3 and 20.5 percent in previous year).

The growth of non-interest income was mainly driven by the growth of salaries and other payments deemed thereto, while the share of which in non-interest expenses decreased by 1.4 percentage points, totaling 41.7 percent at year-end.

BANKING SECTOR FINANCIAL RISKS

Over 2012 low inflation pressure and high economic growth created favorable conditions for operation of banking system. As a result significant growth of banking risks was not observed and the risks stayed within manageable limits.

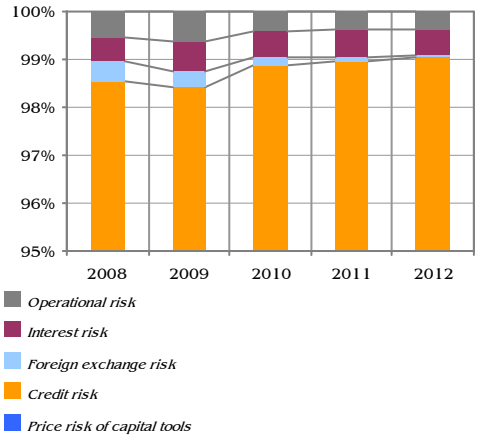
Due to active lending policy of the commercial banks decreasing liquidity trend was continued. As a result of higher growth rate of loans compared to growth rate of capital the indicators assessing level of credit risk in banking system also increased. Abovementioned developments are logical consequence of the deepening financial intermediation.

In 2012, all commercial banks operated within the framework of prudential requirements and the capital adequacy and liquidity prudential ratios of the banking system were noticeably higher than required level.

Table 8. Prudential Ratios of Banking System

Indicators	31.12.12	31.12.11	Change	Prudential thresholds
Capital Adequacy	16.8%	18.3%	-1.5%	≥12%
General liquidity	25.6%	27.9%	-2.3%	≥15%
Current liquidity	126.1%	120.8%	5.3%	≥60%
Single borrower's risk	16.7%	16.0%	0.7%	≤20%
Major borrowers' risk	164.3%	143.7%	20.6%	≤500%
Bank's single affiliated party's risk	2.9%	2.8%	0.1%	≤5%
Bank's all affiliated parties' risk	10.1%	9.0%	1.1%	≤20%

Chart 25. Structure of Risk Weighted Assets of Commercial Banks



Credit risk

In Armenian banking system credit risk is continued to be considered as main risk. The share of credit risk in risk weighted assets of commercial banks was 92.4 percent (92.0 percent as of 31.12.2011). In this context the proper management of credit risk is emphasized for ensuring financial stability of whole banking system.

Parallel to the growth of credit portfolio slight deterioration of loan quality was observed. The amount of non-performing loans and accounts receivables increased by 29.1 percent (AMD 13.4 billion) and reached AMD 59.3 billion, while the amount of standard assets increased by 21.1 percent (AMD 288.7 billion) and reached AMD 1 trillion 570.4 billion. As a result, compared with 2011, the share of non-performing loans and accounts receivable ("watched", "sub-standard" and "doubtful" loans and accounts receivable) increased by 0.2 percentage points and totaled 3.5 percent. The share of non-performing loans was relatively higher in public catering and public services, transport and communication and agriculture sectors with respective 6.1, 5.5, 5.3 percent NPLs.

Chart 26. Breakdown of loans and accounts receivable by risk classes

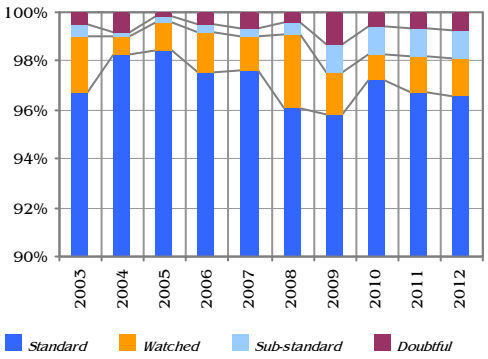


Chart 27. Dynamics of Loans and Accounts Receivable

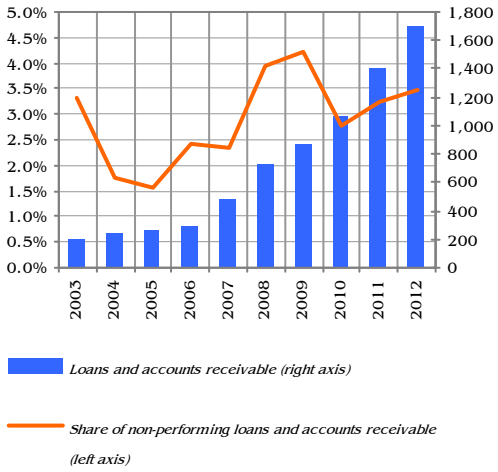


Chart 28. Ratio of Unsecured Assets to Regulatory Total Capital



According to IMF[7] methodology the share of non-performing loans and accounts receivable in total amount of loans and accounts receivable increased by 1.3 percentage points and at year-end totaled 6.1 percent.

In risk level breakdown of non-performing loans and accounts receivable the share of watched, sub-standard and doubtful loans and accounts receivables was respectively 1.6, 1.1 and 0.8 percent (1.5, 1.1 and 0.7 percent as of 31.12.2011).

In residency breakdown of non-performing loans the share of non-performing loans and accounts receivables of non-residents was 0.4 percent while the share of residents was 99.6 percent.

Compared with previous year the ratio of unsecured loans and accounts receivables to regulatory capital increased by 1.8 percent and reached 12.0 percent. In case[8] of total write-off of unsecured part of loans and accounts receivables[9] the total capital adequacy of commercial banks will be higher than prudential requirement (15.0 percent), which allows concluding that the credit risk is within manageable level.

During 2012, the share of net provisions in total assets decreased by 0.2 percentage points and totaled 0.9 percent.

According to credit risk stress tests[10] the possible losses of commercial banks grew compared with the beginning of the year mainly due to higher growth rate of loan portfolio compared to the growth rate of total capital.

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*[7] According to IMF methodology the share of **non-performing** loans and accounts receivable in **total** loans and accounts receivable is calculated as ratio of **sub-standard, doubtful and loss** loans and accounts receivable to **total** loans and accounts receivable.*

[8] The loss level is calculated as ratio of net provisions to loan and accounts receivable loss reserve to total assets.

[9] The unsecured non-performing loans and accounts receivables are defined as difference of non-performing loans and accounts receivable and asset loss reserves.

[10] Stress-scenarios are built on an assumption of unchanged bank loan volumes and ignoring of property pledges, whereby loans categorized as "loss" will not lead to the possibility to sell off the real estate pledged.

Table 9. Credit Risk Stress Tests [11]

31.12.2012	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 commercial banks	AMD 10.9 billion or 3.0 percent of regulatory capital of commercial banks	AMD 4.1 billion or 1.1 percent of regulatory capital of commercial banks	AMD 48.1 billion or 13.0 percent of regulatory capital of commercial banks
Total capital adequacy of commercial banks in case of stress-scenario	16.3%	16.6%	14.9%

Foreign exchange risk

During 2012 Armenian dram/U.S. dollar exchange rate depreciated by 7.3 percent and amounted to 401.77. Reflecting the fluctuations of the dram exchange rate against other currencies, the commercial banks incurred AMD 1.7 billion currency revaluation loss (AMD 52 million of income in 2011). Loss from revaluation of currency was observed in 15 banks, while 7 banks posted revaluation profit. The banking system had AMD 14.6 billion income from foreign exchange transactions (AMD 13.7 billion in previous year). Calculations in accordance with the foreign exchange risk assessment VaR (Value at Risk) methodology as of December 31, 2012 show with 95 percent confidence interval that possible daily losses of commercial banks on currency revaluation will not exceed AMD 51 million (AMD 52 million as of 31.12.2011).

According to foreign exchange risk stress tests commercial banks will not incur significant losses from foreign exchange fluctuations, which is conditioned by proper foreign exchange risk management in banks. As of 31.12.2012 net foreign exchange positive position of the

[11] *This and other stress scenarios presented in report don't forecast emergence of any risks, but rather aimed to reveal the weaknesses of the financial system, as well as assess its ability to absorb such risks.*

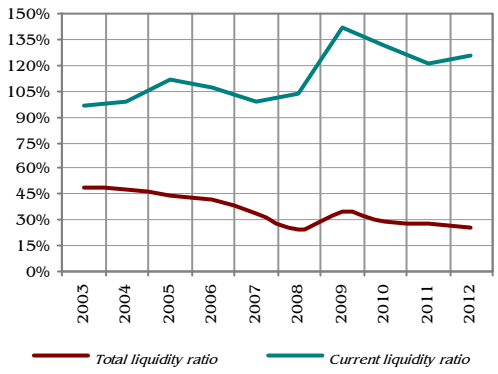
banking system was AMD 3.4 billion or 0.9 percent of regulatory capital (as of 31.12.2011 AMD 3.1 billion negative position or 0.9 percent of regulatory capital).

Table 10. Foreign Exchange Stress Tests

31.12.2012	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	Possible maximum 10 day loss according to VaR Model
Profit/Loss of commercial banks in case of foreign exchange revaluation	AMD 10.6 million or 0.003 percent of regulatory capital (AMD -10.6 million)	AMD 1.4 million or 0.0004 percent of regulatory capital (AMD -0.9 million)	AMD 162.3 million or 0.04 percent of regulatory capital

Liquidity risk

Chart 29. Dynamics of Liquidity Prudential Ratios



Over the year, the banking system conducted active lending policy as a result of which decreasing liquidity trend was observed. The volume of highly liquid assets of commercial banks increased by 6.2 percent, while the total assets used for calculating liquidity prudentials increased by 16 percent and demand liabilities by 1.8 percent. As a result, total liquidity ratio (highly liquid assets to total assets ratio) decreased by 2.4 percentage points and totaled 25.6 (prudential minimum requirement-15 percent). The current liquidity ratio (highly liquid assets to demand liabilities ratio) decreased by 5.3 percentage points and totaled 126.1 percent (prudential minimum requirement- 60 percent). Nevertheless, total and current liquidity ratios were almost twice higher than prudential minimum requirement.

From the viewpoint of liability concentration lower risks were observed in 2012 compared with previous year. The share of "large" liabilities[12] decreased by 1.1 percent and totaled 26.2 percent.

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

According to liquidity stress tests in case of the worst scenario some banks breach total and current prudential requirements. Nevertheless the volume of highly liquid assets in those banks totally covers liability run-offs. In this context, probability of liquidity issues in banking system stays low.

Table 11. Liquidity Stress Tests

31.12.2012	Stress Scenarios		
	Withdrawal of 25 percent of the time deposits of physical entities	Withdrawal of 25 percent of demand liabilities	Withdrawal 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 commercial banks	20.2%	21.6%	15.6%
Ratio of highly liquid assets to demand liabilities of commercial banks	92.8%	134.5%	90.4%

Price risk

According to assessment the price risk in Armenian banking system is at a low level. Compared with beginning of the year the share of assets available for sale and measured at fair value through profit/loss in total assets decreased by 1.3 percentage points and totaled 4.9 percent at year-end.

In 2012, the banking system incurred AMD 4.3 billion loss (1.2 percent of regulatory capital) from revaluation of assets available for sale and measured at fair value through profit/loss and AMD 395 million loss (0.1 percent of regulatory capital) from revaluation of real estate.

According to price risk stress tests, in case of the worst scenario the possible losses in banking system are not significant. In this context, the possible negative impact from credit and price risks derived from fluctuations of real estate prices is considered rather weak.

Table 12. Real estate price stress tests

In case of 30 percent depreciation of real estate	31.12.2012
Commercial banks' loss due to revaluation of own property (price risk)	AMD 10.3 billion (or 2.8 percent of regulatory capital)
Commercial banks' loss due to a 30 percent loss of vulnerable credit portfolio[13] (taking into consideration that the collateral involved has been sold at a depreciated cost), if a stress-scenario occurs (credit risk)	AMD 3.8 billion (or 1.0 percent of regulatory capital)
Commercial banks' loss due to a 100 percent loss of vulnerable credit portfolio (taking into consideration that the collateral involved has been sold at a depreciated price), if a stress-scenario occurs (credit risk)	AMD 12.7 billion (or 3.4 percent of regulatory capital)

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.

Table 13. Interest rate risk stress scenarios

	Stress scenarios	
31.12.2012	Impact of 2 percentage point increase (decrease) of market interest rates on total portfolio, estimated through the "Duration Method"	Where market interest rates decrease (increase) by 2 percentage point, there will be deviation of net interest income from expected income of the three months ahead, estimated through the Gap Method (a method of interest rate-sensitive assets and liabilities gap)
Profit/loss of commercial banks	AMD 275.2 million or 0.1 percent of regulatory capital of commercial banks (AMD -275.2 million or 0.1 percent of regulatory capital)	AMD 221.1 million or 0.1 percent of regulatory capital of commercial banks (AMD -221.1 million or 0.1 percent of regulatory capital of banking system)

[13] *A vulnerable credit portfolio involves the sum of loan residuals for which the residual value exceeds the 30 percent depreciated collateral value.*

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 manageable, so in case of changes in market interest rates, the banking system can quickly respond and adjust interest rates.

According to interest rate risk stress tests, as a result of fluctuations of interest rates the losses of individual banks compared with regulatory capital are around 2.5 percent range. In this respect the interest rate risk is at a manageable level.

CREDIT ORGANIZIATIONS

GENERAL PROVISIONS

Domestic credit organizations

As of December 31, 2012, there were 32 credit organizations operating in Armenia, of which 3 were leasing companies, 1 credit union, 26 universal credit companies and 2 refinancing credit organizations. During 2012, the number of credit organizations' branches increased by 43 and totaled 121.

Table 14. Concentration Level of Credit Organizations

Indicator	31.12.12	31.12.11	Change
Total Assets			
CC 4	45.6	45.7	-0.1
CC 10	75.0	75.3	-0.3
Total Liabilities			
CC 4	50.0	47.5	+2.5
CC 10	78.0	78.0	-

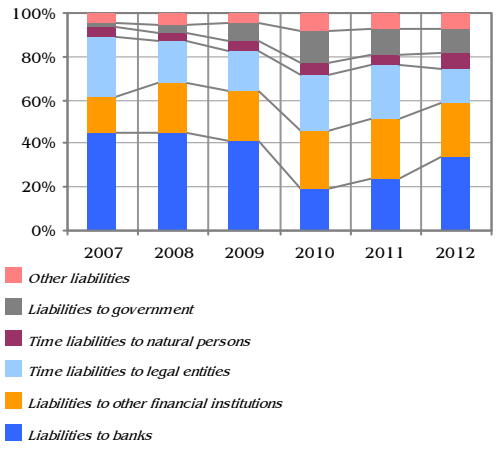
Indicator	31.12.12	31.12.11	Change
Total Capital			
CC 4	56.6	57.2	-0.6
CC 10	81.1	80.1	-1.0
Loans to Economy (including Leasing)			
CC 4	46.5	45.7	0.8
CC 10	75.2	77.2	-2.0

Credit organizations concentration

During 2012, 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.

During current year the polarization between large and small credit organizations decreased for almost all indicators except total liabilities.

Chart 30. Liability Structure of Credit Organizations



ASSETS, LIABILITIES, CAPITAL AND FINANCIAL RESULTS OF CREDIT ORGANIZATIONS

Capital of credit organizations

During 2012, total capital of credit organizations grew by 34.2 percent mainly conditioned by the growth of statutory capital.

During 2012, the share of non-resident in statutory capital of credit organizations decreased by 6.0 percentage points and totaled 33.3 percent at year-end. In 5 out of 13 credit organizations with foreign participation, 100 percent of shares were owned by non-residents. The share of assets of credit organizations with foreign participation in total assets of credit organizations was 35.2 percent (36.6 percent as of 31.12.2011).

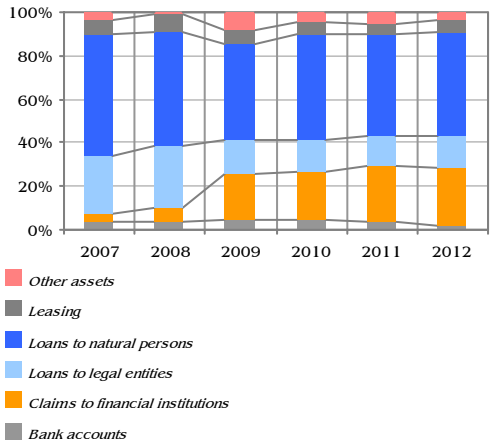
Liabilities of credit organizations

Liabilities increased by 37.2 percent and totaled AMD 105.7 billion. Major source for the liability growth was the increase of liabilities to banks and other financial organizations- 58.2 percent (AMD 23.0 billion) and increase of liabilities toward Armenian government – 26.8 percent (AMD 9.2 billion).

The liabilities to legal entities and natural persons increased by 7.0 percent (AMD 1.7 billion) and reached AMD 24.9 billion at year-end. In maturity structure of liabilities toward legal entities and natural persons the demand and term liabilities increased respectively by 115.8 and 5.5 percent totaling AMD 680 million and AMD 24.2 billion. In foreign exchange structure of liabilities toward legal entities and natural persons the foreign exchange liabilities increased by 36.6 percent, while dram liabilities decreased by 8.0 percent.

In 2012, the share of liabilities to banks increased by 10.6 percentage points, while share of term liabilities to legal entities decreased by 9.2 percentage points.

Chart 31. Asset Structure of Credit Organizations



Assets of credit organizations

Over 2012, total assets of credit organizations grew by 36.1 percent and totaled AMD 168.5 billion (6.8 percent of the banking system assets). At the end of 2012 asset growth was observed in 30 credit organizations, while for 2 credit organizations a decline in assets was observed.

Within the structure of assets loans to economy increased (including leasing) by 40.2 percent and totaled AMD 113.2 billion, while claims to banks increased by 29.8 percent and totaled AMD 44.3 billion.

Lending to all sectors of economy increased. Mainly lending to consumer, financial and agriculture sectors reported increases with respective growth rates of 72.0, 37.5 and 30.8 percent. In sectorial breakdown of loans, major share belongs to financial, consumer and agriculture sectors with respective shares of 28.9, 20.5 and 18.6 percent.

Chart 32. Dynamics of Credit Investments of Credit Organizations

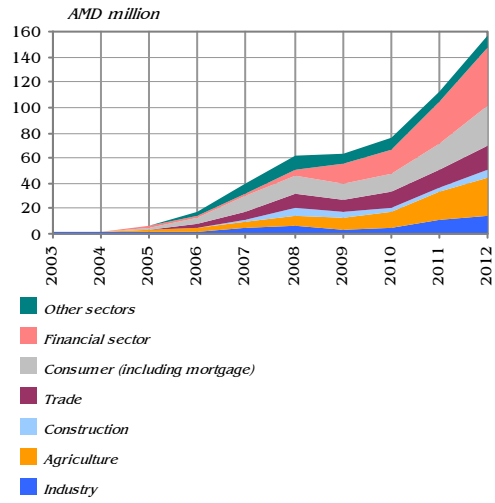
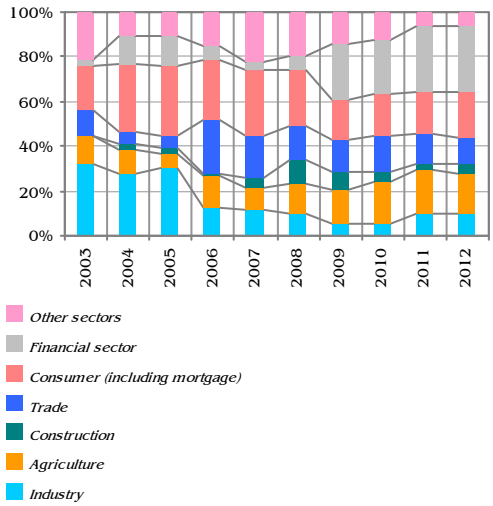


Chart 33. Sectoral Structure of Credit Investments of Credit Organizations



Over 2012, the share of non-performing assets of credit organizations ("watched", "sub-standard" and "doubtful" loans) increased by 1.0 percentage points and at the end of the year reached 3.7 percent. The largest share of non-performing loans was in public catering and other services, transport and telecommunication and construction sectors with 12.4, 8.3 and 8.1 percent NPLs.

Shifts were observed in the structure of total assets of credit organizations for deposits in banks and loans to natural persons. The share of deposits in banks reduced by 1.6 percentage points, while the share of loans to natural persons increased by 1.4 percentage points.

Financial results of credit organizations

In 2012, net profit of credit organizations according to supervision reports reached AMD 4.8 billion. 26 credit organizations were profitable, while 6 credit organizations incurred losses. Net profit of profitable credit organizations was AMD 5.2 billion.

Compared with 2011, the return on assets (RoA) and return on equity (RoE) of credit organizations decreased respectively by 0.8 and 1.7 percentage points totaling 3.3 and 8.8 percent.

The net profit of credit organizations according to IFRS[14] was AMD 5.8 billion; RoA was 3.9 percent and RoE- 10.5 percent.

The interest income of credit organizations increased by 36 percent mainly conditioned by increased income from loans to economy. The share of interest income from loans within total interest income decreased by 1.2 percentage point and totaled 76.3 percent at year-end.

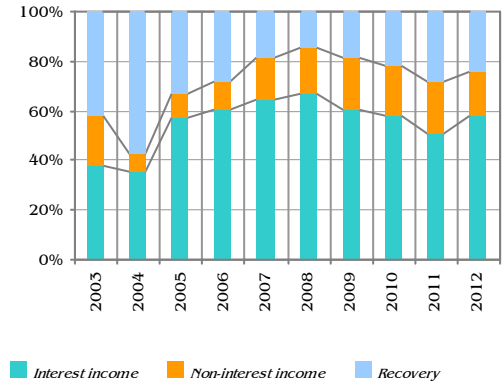
The non-interest income increased by 2.0 percent mainly conditioned by increase of commission fees. The share of latter in total non-interest income increased by 12.3 percentage points and totaled 72.7 percent at the year-end.

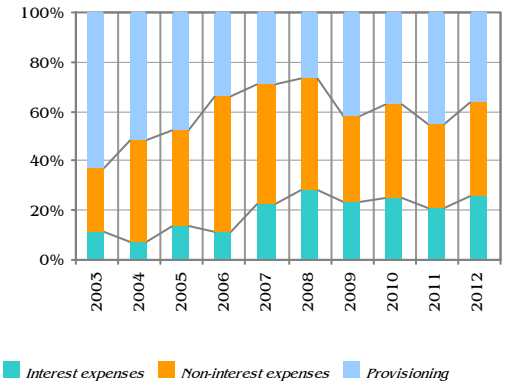
[14] *The main difference between net profit in supervision reports and IFRS is mainly due to the fact that according to IFRS 1% allocations to reserve for possible asset losses for standards loans are not considered as an expense.*

The interest expenses grew by 55.6 percent, mainly driven by increase of interest payments for resources attracted from banks and other financial institutions. In the structure of interest expenses major share belongs to interest payments for resources attracted from banks and other financial institutions and interest payments for term borrowings with respective 46.1 and 29.7 percent shares (39.4 and 38.2 percent in 2011).

Non-interest expenses grew by 34.8 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 55.3 percent (56.3 percent in 2011).

Chart 34. Income and Expense Structure of Credit Organizations





ARMENIAN INSURANCE MARKET

GENERAL PROVISIONS

Insurance companies operating in Armenia

As of 31.12.2012 nine insurance companies[15] (with 23 branches) had licenses for insurance activities in Armenia. All insurance companies carried out only non-life insurance activities.

Concentration in the insurance system

In 2012, Herfindahl-Hirschman concentration index of main financial indicators of the insurance system increased. The growth was mainly conditioned by decreased number of de facto market participants.

[15] *31.12.2012 the indicators of de facto operating and reporting 7 insurance companies are presented.*

Chart 35. Herfindahl-Hirschman Concentration Index of Main Financial Indicators

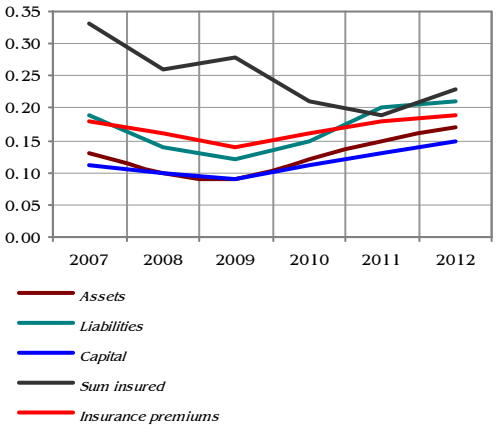
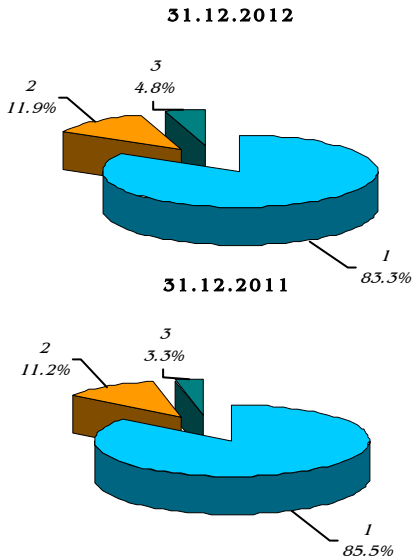


Chart 36. Structure of Insurance Companies' Total Capital



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

Table 15. Herfindahl-Hirschman Concentration Index

	31.12.10	31.12.11	31.12.12
Assets	0.12	0.15	0.17
Liabilities	0.15	0.20	0.21
Capital	0.11	0.13	0.15
Sums insured	0.21	0.19	0.23
Insurance premiums	0.16	0.18	0.19

Table 16. Insurance System Concentration Level (%)

	31.12.10	31.12.11	31.12.12
Assets			
CC 2 (the share of assets of **two** largest insurance companies within insurance system total assets)	34	43	49
CC 5 (the share of assets of **five** largest insurance companies within insurance system total assets)	69	76	84
Liabilities			
CC 2	42	57	57
CC 5	79	87	91
Capital			
CC 2	27	29	36
CC 5	63	66	76
Sums Insured			
CC 2	57	53	62
CC 5	88	86	89
Insurance Premiums			
CC 2	46	51	54
CC 5	83	83	90

Compared with previous year the polarization between insurance companies increased.

INSURANCE SYSTEM CAPITAL

In 2012, total capital of insurance system decreased by 1.7 percent and totaled AMD 13.7 billion. The statutory capital decreased by 4.2 percent due to fewer number of reporting companies. In the structure of capital the share of statutory capital still prevailed.

The capital adequacy ratio of insurance companies was 131.3 percent exceeding prudential requirement by 31.3 percentage points (the prudential minimum requirement of capital adequacy is 100 percent).

As of 31.12.2012 the share of non-residents in the statutory capital of insurance companies was 41.6 percent. In one of four insurance companies with foreign participation, the non-resident share was 100 percent.

INSURANCE SYSTEM ASSETS

Over 2012, assets of the insurance companies increased by 22.0 percent and as of 31.12.2012 totaled AMD 38.4 billion.

It is worth mentioning that government securities increased by 33.3 percent reaching AMD 3.5 billion. By the end of the year, in the structure of assets of insurance companies the major share belonged to deposits in banks – 36.4 percent, amount receivables from policyholders for direct insurance – 13.1 percent and government and non-government securities – 10.1 percent. 84.4 percent of deposits are current deposits in domestic banks, and 15.6 percent are time deposits in domestic banks.

Chart 38. Total Assets of Insurance Companies

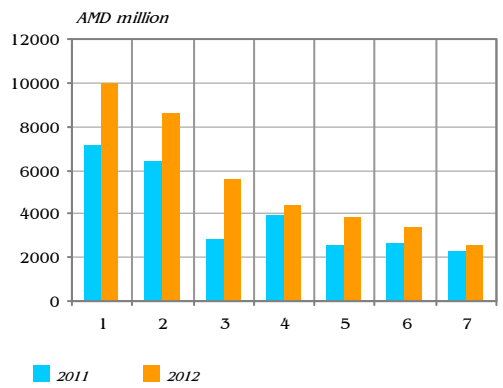
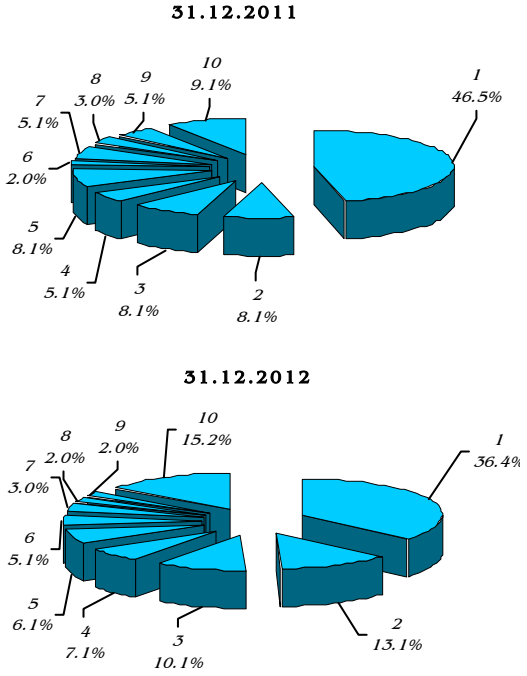
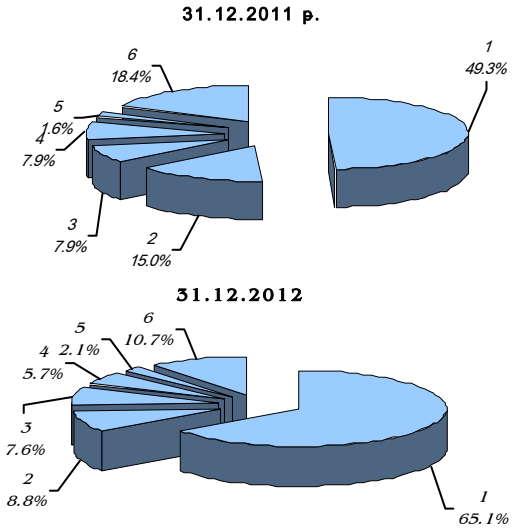


Chart 37. Structure of Insurance Companies' Total Assets



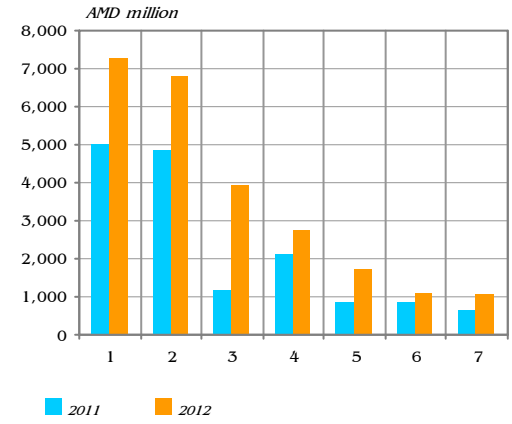
1. Deposits in banks, 2. Amounts receivable from policyholders for direct insurance, 3. Securities, 4. Fixed assets, 5. Securities sold under Repo agreement, 6. Share of reinsurers in insurance reserves, 7. Bank accounts,8. Lending, 9. Claims on reinsurers on compensations, 10. Other assets

Chart 39. Structure of Insurance Companies' Total Liabilities



1. Technical reserves,2. Repo agreements, 3. Received prepayments for insurance, 4. Premiums transferred to reinsurers, 5. Payables to intermediaries,6. Other liabilities

Chart 40. Liabilities of Insurance Companies



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 2012, liabilities of insurance companies grew by 40.9 percent and totaled AMD 24.7 billion at year-end. The growth was mainly driven by 86.0 percent growth of technical reserves.

As of 31.12.2012, the technical reserves had a large share in total liabilities – 65.0 percent, the share of insurance prepayments was 7.6 percent and the share of insurance premiums payable to reinsurers was 5.7 percent.

INSURANCE SYSTEM FINANCIAL PERFORMANCE

During 2012, according to supervision reports insurance companies operated with a total AMD 411.4 million of profit. During current year return on assets (RoA) for insurance system was 1.2 percent and the return on equity (RoE) was 3.0 percent. Three insurance companies operated with profit and four with loss. The net profit of profitable insurance companies totaled AMD 840 million, while the losses of not profitable companies totaled AMD 429 million.

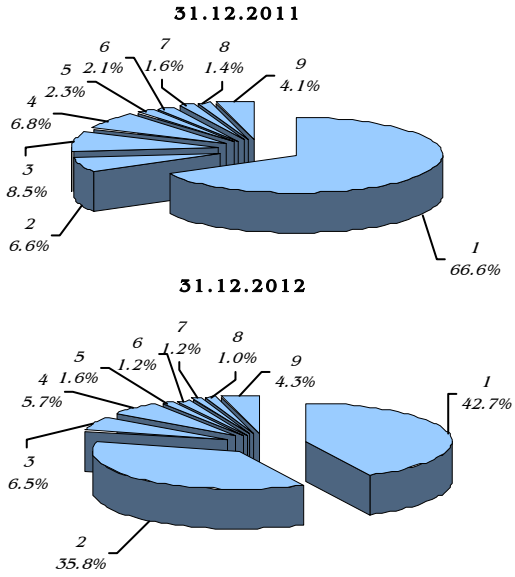
In 2012, profit of insurance companies according to IFRS was AMD 961.1 million, RoA 2.8 percent and RoE 6.5 percent.

Insurance premiums accrued by insurance companies in 2012 totaled AMD 35.5 billion drams (compared with AMD 22.4 billion in 2011). 42.7 percent of total accrued premiums was for MTPL insurance and 35.8 percent was for

health insurance premiums which increased 8 times. Sharp increase of health insurance was conditioned by the implementation of health insurance system of social welfare package. The system is specifically designed for state employees and is financed by the government. In 2012, significant growth of insurance premiums was registered also for ground transport insurance, which increased by 33 percent compared with 2011. Sharp increase of accrued insurance premiums was also registered for credit insurance. In 2012, the latter increased 8.5 times and totaled AMD 809.7 million.

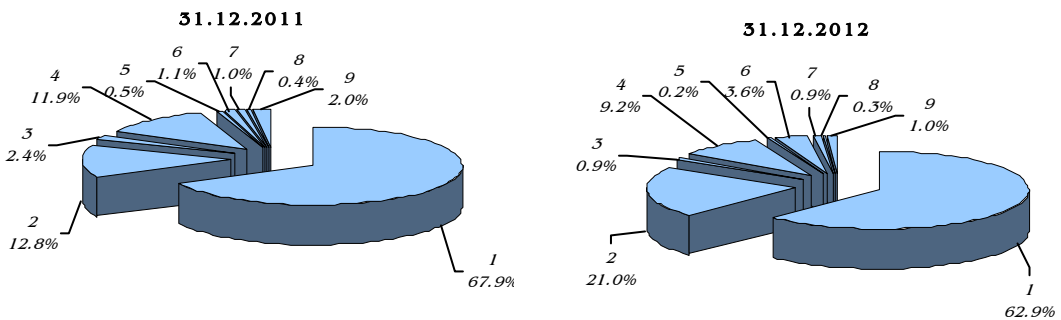
During 2012 insurance companies accrued 14.5 billion insurance compensations (AMD 8.1 billion in 2011). 62.9 percent of total compensations accrued during 2012 was for MTPL insurance. In 2012, the growth of health insurance compensations increased 2.9 times compares with previous year. Ground transportation insurance compensations increased by 38 percent.

Chart 41. Structure of Insurance Companies' Accrued Premiums



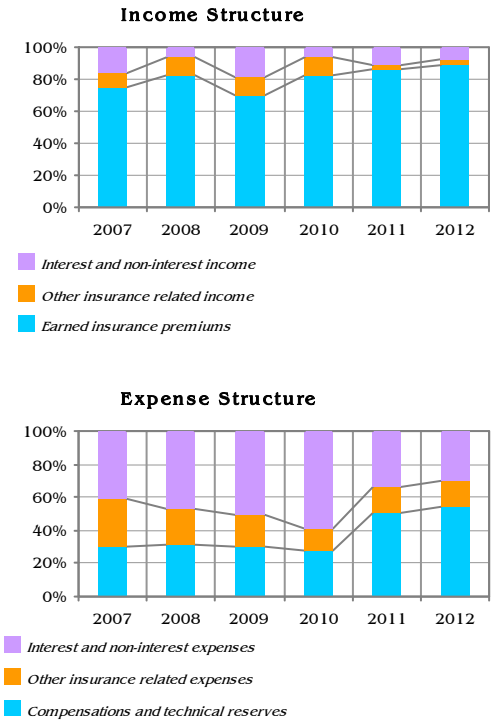
1. MTPL, 2. Health, 3. Fire and natural disaster, 4. Ground transport, 5. Cargo, 6. General liability, 7. Support, 8. Accident, 9. Other insurance types

Chart 42. Structure of Insurance Companies' Accrued Conesations



1. MTPL, 2. Health, 3. Fire and natural disasters, 4. Ground transport, 5.Cargo, 6. General liability, 7. Support, 8. Accidents, 9. Other types of insurance

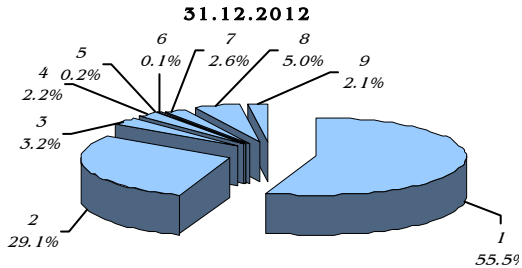
Chart 43. Income and Expense Structure of Insurance Companies



In the structure of income of insurance companies, the share of earned premiums prevailed with 88.5 percent share. Compared with previous years in the structure of expenses insurance compensations and net technical reserves (54.7 percent) had large share demonstrating increasing efficiency of insurance companies. Loss ratio of the insurance system totaled 59.2 percent[16].

In 2012, net interest income of insurance companies totaled AMD 1.7 billion. The share of interest income on current deposits in banks and current lending to banks in total interest income amounted 65.8 percent (or AMD 1.3 billion). As of 31.12.2012 the net non-interest income of insurance companies totaled AMD -7.8 billion. 51.7 percent (or AMD 4.3 billion) of non-interest income was salaries and other payments to staff.

Chart 44. Structure of Insurance Contracts in Force as of 31.12.2012



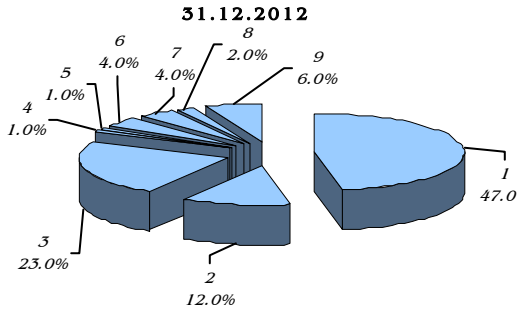
1. MTPL, 2. Health, 3. Fire and natural disasters, 4. Ground transport, 5. Cargo, 6. General liability, 7. Support, 8. Accidents, 9. Other types of insurance

[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).*

INSURANCE CONTRACTS IN FORCE AND SUM INSURED

As of year-end 2012 total number of insurance contracts was 439.0 thousand, which is twice higher compared with the number of contracts as of 31.12.2011. As of yearend 2012 sums insured for insurance contracts totaled AMD 6.3 trillion, which is twice higher than in 2011 year-end. The growth of sums insured was mainly conditioned by implementation of health insurance component within the framework of social welfarepackage. 28 percent increase of fire and natural disaster insurance sums insured was registered.

Chart 45. Structure of Sum Insured for Insurance Contracts in Force as of 31.12.2012

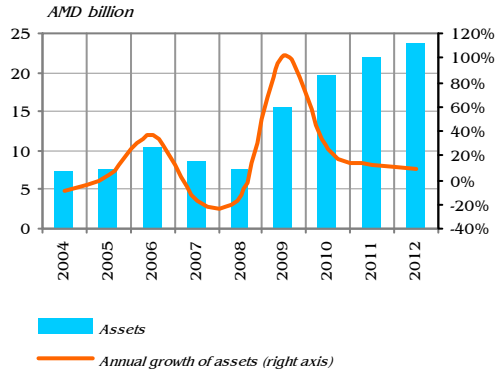


1. MTPL, 2. Health, 3. Fire and natural disaster, 4. Ground transport, 5. Cargo, 6. General liability, 7. Support, 8. Accidents, 9. Other types of insurance

REINSURANCE OF INSURANCE RISKS

As of yearend 2012 sums reinsured totaled AMD 1.9 trillion, or 30.0 percent of risks taken by insurance companies. During 2012 the amount of insurance premiums transferred to reinsurers totaled AMD 3.2 billion or 8.9 percent of total insurance premiums. The amount of insurance compensations received from reinsurers totaled AMD 784.3 million or 5.4 percent of total compensations accrued during 2012.

Chart 46. Assets and Asset Growth of Investment Companies



SECURITIES MARKET PARTICIPANTS

At the end of 2012, 21 commercial banks, 9 investment companies and one investment fund manager rendered investment services. Eight companies rendering investment services were eligible to carry out securities transactions on behalf of themselves or on customers' behalf and account,

Chart 47. Securities Turnover and Volumes of Repo Transaction by Investment Service Providers

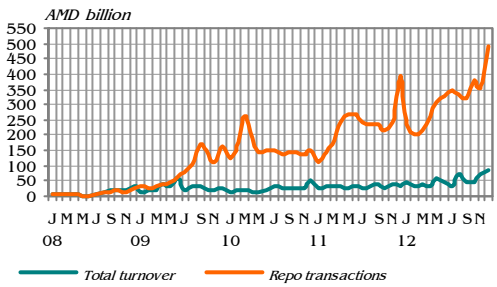


Chart 48. Securities transactions by Investment Service Providers (excluding transactions with the Central Bank)

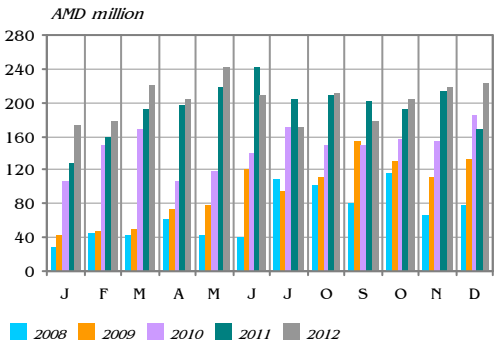
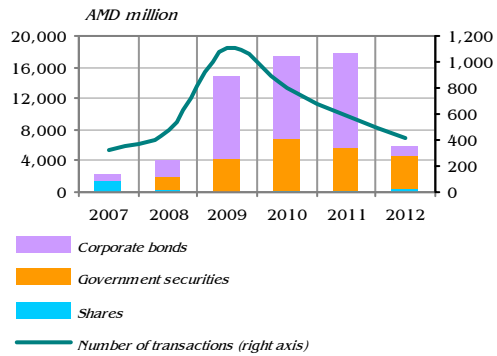


Chart 49. Structure of the Stock Exchange Turnover



and on behalf of themselves and their account. Seven of them are authorized for accepting and further messaging customer instructions concerning securities transactions. Seven companies could also carry out consulting services covering investments in securities; seven companies were authorized to carry out securities allocations, and four companies carried out securities portfolio management.

During 2012, concentration level of investment companies' assets and liabilities stayed unchanged, while concentration for capital continued decreasing.

Table 17. Herfindahl-Hirschman Concentration Index

Indicators	31.12.2010	31.12.2011	31.12.2012
Assets	0.20	0.19	0.19
Liabilities	0.20	0.20	0.20
Capital	0.21	0.18	0.17

Assets of investment companies increased by 8.2 percent and totaled AMD 23.6 billion, while total capital grew by 17.6 percent and totaled AMD 3.8 billion. During the year, net profit of investment companies reached AMD 349 million. Six companies operated with profit, while three companies finished the year with loss.

Armenian securities market turnover (including repo transaction excluding transactions with the Central Bank) during the year grew by 4.5 percent and totaled AMD 2 trillion 433 billion.

In 2012, 98.6 percent of signed repo agreements involved government securities. Notably, the 68.8 percent of the securities were mid-term government securities; 29.9 percent- long-term and 1.3 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 401.5 billion or 65.0 percent of total turnover.

Compared with 2011 the volume of trade transactions with corporate bonds increased significantly and totaled AMD 204.5 billion or 33.1 percent of total turnover. Transactions with shares decreased by AMD 9.8 billion and totaled AMD 11.3 billion or 1.8 percent of total securities turnover.

In 2012, the share of securities trade transaction in regulated market totaled 0.8 percent.

Securities transactions conducted in regulated market[17] in 2012 decreased by AMD 11.7 billion mainly conditioned by sharp decrease of repo transactions. In the regulated market repo transactions accounted for 15.7 percent, while in 2011 the share of repo transactions was 64.5 percent. The share of transactions with corporate bonds was 21.8 percent, government securities- 70.3 percent and shares-7.9 percent.

As of December 31, 2012, the volume of resources attracted by investment service providers under asset management contracts decreased by 34.6 percent compared with previous year and totaled AMD 2.7 billion.

As of 31.12.2012, bonds constituted 96.7 percent of securities portfolio (95.1 percent of portfolio were government securities). The 82.7 percent of securities portfolio were securities with free status, 16.2 percent were securities obtained through repo agreements and 1.0 percent were securities under pledge.

In the end of 2012 the capitalization[18] of Armenian securities market amounted AMD 53.3 billion and capitalization/GDP ratio was 1.3 percent decreasing by 0.1 percentage point compared with previous year. The decrease was conditioned by decrease of capitalization of one of the leading issuers.

As of end 2012, there were 1,681 register running issuers and 88,947 holders of nominal securities in the Central Depository.

Besides Central Depository, two investment companies also rendered registry running services for 408 companies with 29,435 participants.

Chart 50. Securities Portfolio of Investment Service Providers as of 31.12.2012

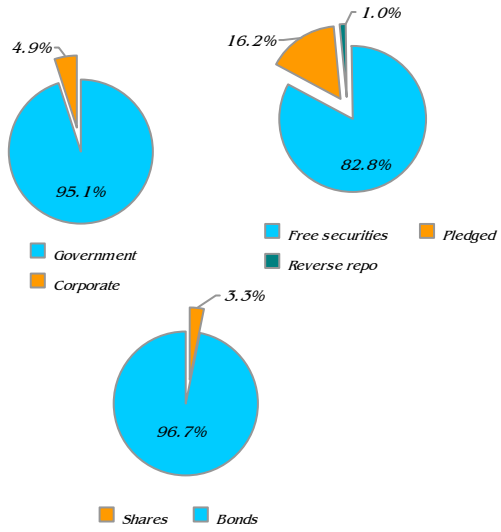
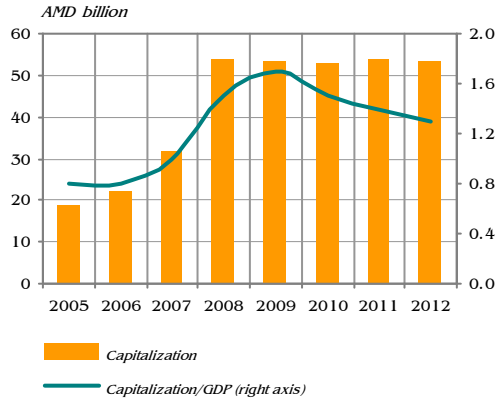
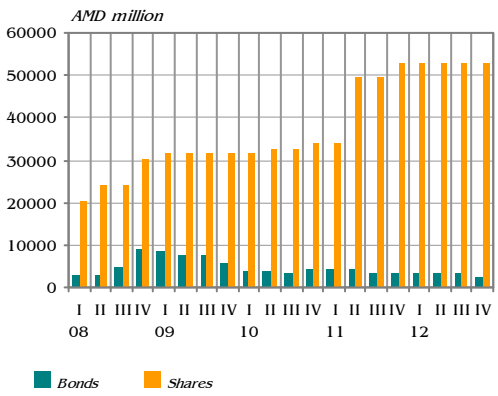


Chart 51. Capitalization and Capitalization/GDP Ratio of Armenian Securities Market



[17] *As of 31.12.2012, the only registered and licensed stock exchange in Armenia was NASDAQ-OMX Armenia OJSC.*
[18] *Product of number of issued ordinary shares by reporting issuers and their last prices.*

Chart 52. Total Amount of Corporate IPOs



As of end 2012, 17 securities of 14 reporting issuers were circulating in regulated market. Four of reporting issuers were financial institutions. 11 of reporting issuers issued shares and 4 allocated bonds. One of the reporting issuers issued both shares and bonds. In 2012, four companies issued bonds for AMD 2.5 billion and USD 14 million. AMD 2.5 billion of latter were allocated on issuance platform of "Nasdaq OMX Armenia".

As of 31.12.2012 the total value of issued shares of reporting issuers was AMD 52.9 billion, while the total value of issued bonds was AMD 2.9 billion. The shares of financial institutions in total number of issued shares and bonds were 24.2 and 65.0 percent respectively.

PAYMENT AND SETTLEMENT COMPANIES

As of end-December 2012, 7 payment and settlement companies were registered in Armenia. Among them, 3 companies had the license only for money transfer operations, 3 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 2012, 3 payment and settlement companies stopped operation.

Although during 2012, two companies with money transfer, payment instruments and processing and clearing licenses stopped operation the total assets of payment and settlement companies increased by 8 percent and totaled AMD 2.4 billion by the end of year.

The liabilities decreased by 14 percent totaling AMD 1.7 billion, while the capital increased 2.2 times totaling AMD 694 million.

The assets and liabilities of companies with only money transfer licenses increased by 12 percent totaling respectively AMD18.6 and 7.3 billion, while the capital increased by 13 percent totaling AMD 11.3 percent.

During 2012, companies with money transfer, payment instruments and processing and clearing licenses generated AMD 586 million profit, while companies with only money transfer licenses generated AMD 1.1 billion profit.

Five companies, dealing with processing and clearing of payment instruments and executing money transfers, provided cash payment collection services through self-service terminals and branches for payments for utilities, fixed and cellular phones, loans, budget penalties and fees, internet services and other. Amount of transactions carried out through payment and settlement companies stayed unchanged at AMD 335.9 billion level. This was conditioned by the exit of two of payment and settlement companies during 2012.

As of the end of 2012, the clearing companies operated 823 self-service terminals through which AMD 45.6 billion dram payments (19.5 million transactions) were collected (total amount of these payments increased by 26 percent compared with 2011).

As of December 2012, payment and settlement companies provided processing services to a number of commercial banks and money transfer companies. During the year payment and settlement companies provided processing/clearing services to 7 banks, through which AMD 4.4 billion (1.2 million transactions) utility payments were collected.

Incoming money transfers to Armenia are carried out through commercial banks and money transfer companies. During 2012 AMD 2.6 billion incoming payments were carried out through money transfer companies, which is 31 percent less than in 2011. At the same time the volume of outgoing transfers through the same companies decreased by 53 percent totaling AMD 140 million.

Chart 53. Financial Standings of Payment and Settlement Companies over 2012

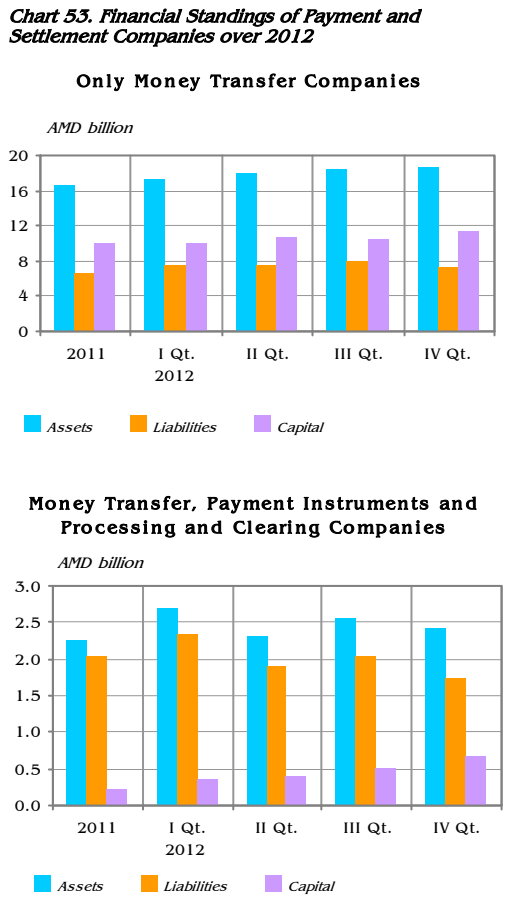
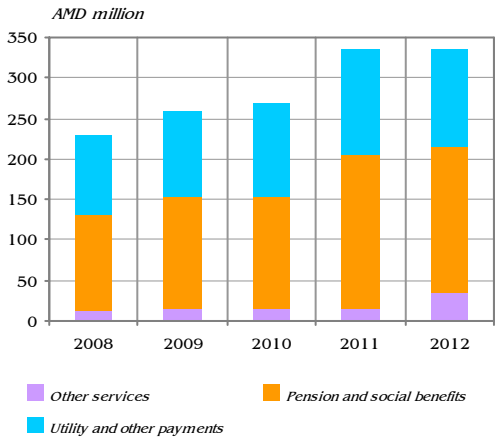


Chart 54. Total Amount of Services Rendered by Payment and Settlement Companies



During 2012, the processing center "ArCa" performed processing of AMD 750.6 billion card operations (by 42 percent more than in previous year). AMD 41.3 billion transactions were certified for the cards issued by foreign banks (65 percent more than in 2011). The amount of operations with cards issued by the Armenian banks and processed through non-ArCa (including foreign) processing centers totaled AMD 69.1 billion (45 percent growth).

PAYMENT AND SETTLEMENT SYSTEM

In 2012, the Central Bank continued further efforts on development and regulation 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 improving payment tools (payment order, payment claim) used for payments in Armenia corresponding researches and studies were carried out.

Basic Indicators of the Payment and Settlement System

In 2012, the average daily non-cash payments in Armenia were AMD 121.1 billion (57 thousand). Compared with 2011 the daily average amount of non-cash payments carried out through the Central Bank's payment and settlement systems increased by 45 percent, while the number of transactions increased by 50 percent and totaled AMD 105.2 billion and 24 thousand respectively.

Compared with 2011 the daily average amount of payments through electronic payment system increased by 8 percent totaling AMD 30.9 billion, while the number of transactions decreased by 28 percent totaling 23 thousand transactions. As a result, average amount of single transfer decreased by 28 percent amounting AMD 1.3 million.

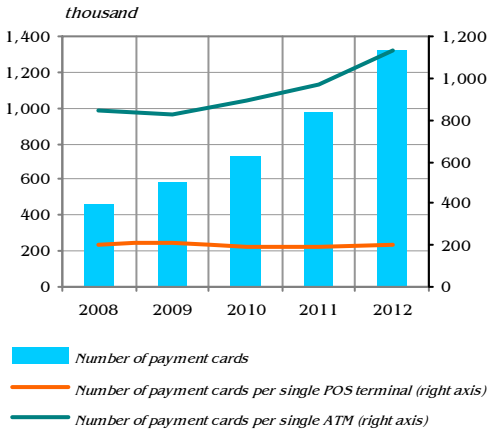
In 2012, the growth rate of non-cash payments was higher than the growth rate of GDP, and as a result, compared with 2011 the daily average[19] non-cash payments/GDP ratio increased by 0.6 percentage points and totaled 2.9 percent at yearend.

In 2012, 18.9 million transactions were conducted with payment cards totaling AMD 1 trillion. The amount of non-cash payments by cards increased by 55 percent and totaled AMD 91.4 billion. Within those non-cash transactions through payment cards, Internet payments totaled AMD 18.4 billion (of which, electronic commerce AMD 4.4 billion and card-to-card transfers AMD 14.0 billion). Compared with previous year, total number of cards in circulation increased by 35 percent and totaled 1.3 million. The share of non-cash payments by cards (including operations through Internet) in total number of card transactions increased by 0.5 percentage points and totaled 9.1 percent.

Compared with 2011 money transfers to individuals by banks and money transfer organizations increased by 27 percent and totaled AMD 896.5 billion (including SWIFT payments), while the amount of outgoing transfers increased by 13 percent and totaled AMD 332.2 billion. As a result, net inflow totaled AMD 564.3 billion, which is 37 percent higher than in 2011.

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

Chart 55. Card Payment Services through ATMs and POS terminals



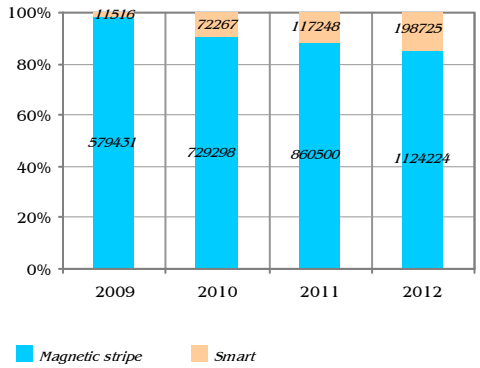
As of end-2012, 19 commercial banks provided and serviced payment cards. All those banks also participated in the "ArCa" unified card payment system.

In 2012, 161 new automated teller machines (ATMs) were installed, and subsequently their total number by year-end reached 1170. Commercial banks also installed 1519 POS-terminals, bringing the total number to 6674, of which 623 were installed in bank branches. Compared with 2011 the number of active "ArCa" cards grew by 26 percent and reached 492 thousand. The number of international cards of grew by 42 percent of which: "Visa" 43 percent totaling 521 thousand, "Master Card" 46 percent totaling 265 thousand. Number of other international cards increased 8.4 percent reaching 46 thousand.

Table 18. Transactions with card processing equipment (2012)

Equipment	Transactions			
	amount (AMD million)	quantity	*of which: ArCa cards*	
			amount (AMD million)	*quantity*
Automated teller machines	767575	15834347	232623	6034519
o/w: non-cash	1791	333974	250	169000
POS–terminals/imprinters	213775	2207507	54047	712489
o/w: non-cash	71142	1670250	28208	491699
Internet environment	18420	825861	4290	284734
Total	999771	18867715	290960	7031742
o/w: non-cash	91353	2830085	32748	945433

Chart 56. Breakdown of Payment Cards in Circulation by Technical Characteristics



The share of "ArCa", "Visa" and "Master Card" cards within total cards issued by banking system (in circulation) was respectively 37, 39 and 20 percent, while the remaining 3 percent were other international cards, including "HSBC Debit" and "AmEx" cards.

Compared with 2011 the amount of card operations (including cards issued by foreign banks) increased by 35 percent totaling AMD 1 trillion and the number of transactions increased by 30 percent totaling 19 million.

In the total amount of card operations ArCa accounted 29 percent, Visa- 45 and other cards accounted for 20 percent. In 2012, the amount of transactions with ArCa, Visa and MasterCard payment cards increased respectively by 18, 46 and 53 percent and totaled respectively AMD 291.0, AMD 450.5 and AMD 174.1 billion. The amount of transactions with other international cards increased by 22 percent and totaled AMD 84.2 billion.

In 2012, the amount of transaction abroad through Visa cards issued by Armenian commercial banks increased by 21 percent totaling AMD 34.3 billion (the number of transactions increased by 37 percent totaling 595 thousand), the amount of MasterCard transactions increased by 43 percent totaling AMD 28.8 billion (the number of transaction increased by 63 percent totaling 540 thousand), while the amount of transactions with other international cards decreased by 14 percent totaling AMD 4.5 billion.

The monthly cash operations in the territory of Armenia with single card totaled around 57 thousand drams, while non-cash operations totaled 6 thousand drams (quantity totaled respectively 1.0 and 0.2). The mentioned indicators, compared with previous year, stayed almost at the same level.

Chart 57. Payment Cards Issued by Banks

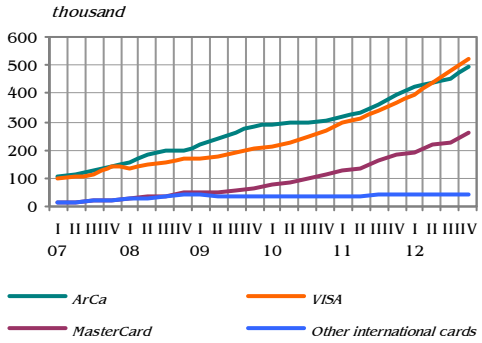


Chart 58. Transactions with Payment Cards in Republic of Armenia 2006-2012

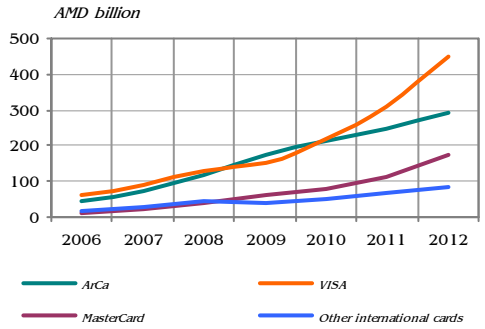
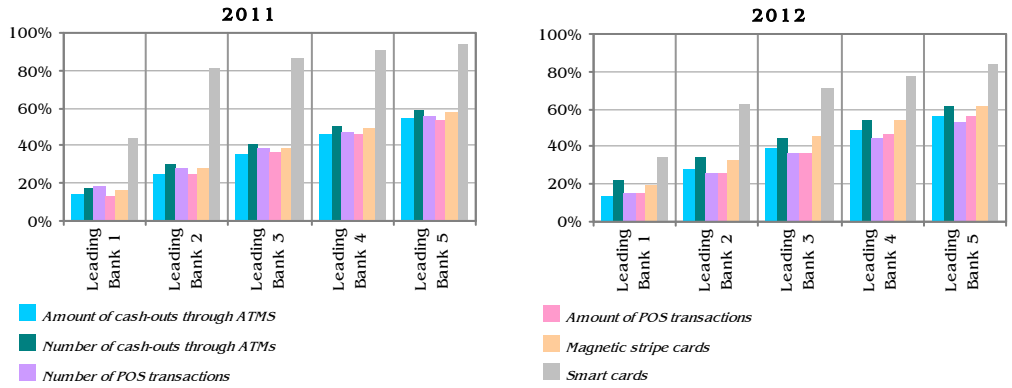


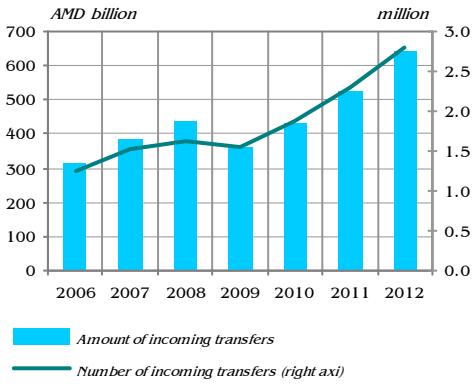
Chart 59. Share of Leading Banks in Payment Card Issuing and Servicing



The concentration in the area of issuing and servicing payments cards is rather high. The first five banks in cash-outs through ATMs, POS transactions and issued magnetic cards account more than half of the system. The concentration of issuing smart card decreased, where the share of two leading banks decreased by 20 percentage points totaling 63 percent.

INTERNATIONAL MONEY TRANSFER SYSTEMS

Chart 60. Incoming Transfers to Natural Persons throgh International Money Transfer Systems



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

To provide money transfer services to customers the commercial banks operating in Armenia participate in 15 international money transfer systems.

In 2012, transfers to Armenia through the banks participating in money transfer systems increased by 22 percent totaling AMD 641.4 billion, while amount of single transfer through those systems was AMD 229 thousand staying almost the same compared with previous year.

Compared with 2011 net money inflow through commercial banks by international money transfer systems increased by 22 percent and totaled AMD 562.4 billion.

The amount of inbound transfers through correspondent accounts of commercial banks (through SWIFT, Telex, Fax) increased by 15 percent totaling AMD 3.4 trillion. Compared with 2011 the average amount of single transfer decreased by 5 percent and reached AMD 1.1 million.

The amount of transfers to natural persons through correspondent accounts of commercial banks increased by 40 percent totaling AMD 255.1 billion. The amount of single transfer was AMD 3.1 million increasing by 7 percent. At the same time the outbound transfers of natural persons through correspondent accounts of commercial banks increased by 10 percent totaling AMD 253.2 billion. As a result AMD 1.9

billion net inflow was registered for natural persons' transfers through correspondent accounts of commercial banks.

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 2012, the total amount of payments carried out through distance banking systems increased by 27 percent and totaled AMD 4.18 trillion, while the number of payments increased by 68 percent totaling 3.7 million. The mentioned payments were carried out through bank-client services (amount of payments- AMD 3.2 trillion), internet-banking (amount of payments- AMD 929 billion) and telephone banking (amount of payments- AMD 4.3 billion). The amount of single payment through bank-client services and internet banking was AMD 1.1 million for each, while the single payment through telephone banking was AMD 435 thousand.

SUPERVISION DEVELOPMENT OUTLOOKS

Within the framework of financial stability, development, enhancement of payment and settlement system in 2013 the Central Bank will continue reforms aimed at enhancement of regulation and supervision.

Financial system regulation prospects

Within the framework of financial stability in 2013 the Central Bank will continue developing crisis management guide, which defines the actions of Central Bank divisions in case of crisis. The guide will be applicable for crisis prevention, problem analysis and economic recovery stages. The guide defines possible actions of different divisions during pre-crisis and crisis stages and also the cooperation framework between responsible divisions.

In 2013, the Central Bank will continue implementation of BASEL III principles, in particular, improvement of capital quality, implementation of new approaches in liquidity risk management, increase of corporate government efficiency. As a result of those activities the regulatory framework of Armenian banking system will be brought in accordance with best international principles exercised in this area.

In 2012, the Central Bank continued its efforts for further development of Armenian mortgage market. In 2012, "Affordable housing for young families" state-supported targeted social program continued its successful operation, while starting march 2012 "Affordable housing for young journalists, doctors, sportsmen and pedagogues unions" program was launched.

In 2012, the "National Mortgage Company" (NMC) issued additional corporate bonds, while in 2013 issuance of mortgage backed securities is planned to be prepared. With the view of increasing accessibility of mortgage loans in cooperation with the Union of Mortgage Market Participants the activities concerning development of mortgage down payments insurance product were carried out. For this purpose international experts were invited and in 2013 the activities aimed at implementation of mentioned product will be continued.

In 2012, the Central Bank developed and presented to Government time schedule and calculation of financial resources arising from concept paper on the implementation of mortgage certificates and on reform of mortgage loan transfer through implementation electronic registration. 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.

In 2012, reforms of MTPL system were continued. Within the framework of activities aimed at the development of necessary infrastructures for efficient operation of insurance market in 2012 activities were carried out aimed ad development of MTPL information system. 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, and in future provide synchronized data to insurance companies, which will raise the quality of provided insurance services.

In 2012, international best practices concerning other types of insurance products, particularly life insurance, were researched and in 2013 the research will be continued.

In 2012, with the view of increasing financial inclusion in Armenian financial system international best practices were researched and in 2013 it is planned to develop a concept paper on this issue.

In 2013, the Central Bank will continue actively take participation in the development of regulatory framework for the mandatory pension and investment funds.

In 2013, Central Bank intends to participate in the implementation of centralized registrar system DEPEND. The latter will allow wholly automate 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 restrictions.

Over 2013, the Central Bank will continue its participation in works related to the implementation of funded pension information system. This will allow development of centralized system management for the participants of mandatory funded pension system. 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 and etc.), ensure data dissemination with fund managers for sound management of pension funds, and also will allow the pension fund participants to have on-line access to their accounts.

In 2013, 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, interested divisions of the Central Bank and randomly selected banks participated in crisis management simulation games held in the Central Bank. For improving quick response skills in crisis situations and for assessing professional knowledge of employees in 2013 it is intended to hold these games once again with more comprehensive scenario and longer duration. This will allow to have full understanding of possible outcomes of financial crisis, analyze the situation from different aspects and be prepared for taking swift actions and necessary steps.

In 2013, the activities aimed at consumer rights protection carried out in previous years, like on-site and off-site inspections, improvement of regulatory framework, implementation of various educational programs, will be continued. In 2013, in general, the main emphasis will be on:

- Carrying out public awareness and educational activities concerning funded pension reform aimed at raising public awareness and educating the population through various informational and educational channels.
- Development and enhancement of regulatory framework concerning consumer rights protection.
- Implementation of the national strategy of financial education.

In 2013, the Central Bank will carry out final 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). 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.

The Central Bank carries out works aimed at bringing risk based supervision of financial organizations in accordance with international best practices and implementation and efficient application of new tools for the assessment of risks in financial organizations. With the view of implementing the requirements of risk based supervision in 2012 number of specialized working groups were created for different risks types- credit and capital adequacy, operational, liquidity and market and also for accounting. The groups were aimed at deeper specialization in specific area and providing unified and similar solutions to the issues in those areas across different financial organizations.

In the Central Bank activities aimed at the development of consolidated supervision over financial groups/conglomerates were continued, which will allow to assess the financial risks of financial groups/conglomerates as a whole and also will allow to mitigate the negative impact of risky intergroup transaction on the financial standing of member companies of the group.

APPENDIX

Annex 1. Survey Balance Sheet Indicators of Commercial Banks

Assets *AMD thousand*

Indictors	Currency	31.12.10	31.12.11	Change 31.12.11-31.12.10	31.03.12	Change 31.03.12-31.12.11	30.06.12	Change 30.06.12-31.03.12
Cash	D	43621525	49186976	12.8%	40061819	-18.6%	44848760	11.9%
	Fx	31278419	39977271	27.8%	37231573	-6.9%	37676353	1.2%
Correspondent accounts with the CBA and other claims on the CBA	D	69592104	163077744	134.3%	159819526	-2.0%	167591227	4.9%
	Fx	88236486	110207257	24.9%	31907716	-71.0%	39110522	22.6%
Correspondent accounts with banks and other claims on banks	D	26538429	32552193	22.7%	21045957	-35.3%	12716043	-39.6%
	Fx	105607753	116484718	10.3%	118345342	1.6%	145727405	23.1%
Claims on other financial institutions	D	15895880	19217784	20.9%	19288601	0.4%	20169015	4.6%
	Fx	4665502	8949708	91.8%	10488317	17.2%	11761006	12.1%
Government securities		151297921	167502233	10.7%	148457495	-11.4%	146251062	-1.5%
Repos (excluding interbank repos)	D	12856911	13118412	2.0%	9140382	-30.3%	12715613	39.1%
	Fx	8595881	11059651	28.7%	10060	-99.9%	7977	-20.7%
Loans to legal entities	D	138671019	150968994	8.9%	148458241	-1.7%	150934683	1.7%
	Fx	382486163	575572682	50.5%	628954932	9.3%	709799125	12.9%
Loans to natural persons	D	215641862	281892775	30.7%	305502280	8.4%	324501773	6.2%
	Fx	110647012	142933367	29.2%	155869879	9.1%	177666565	14.0%
Loans to related parties and staff	D	14098871	18318595	29.9%	18992969	3.7%	19581725	3.1%
	Fx	27067035	40808182	50.8%	44768709	9.7%	54917137	22.7%
Asset loss reserves		-17819227	-26088877	46.4%	-30104623	15.4%	-34031927	13.0%
Interest receivable	D	7604951	8319695	9.4%	7619719	-8.4%	8226819	8.0%
Fixed assets	Fx	7891043	7786886	-1.3%	13067190	67.8%	16099306	23.2%
Other securities		67031371	71873609	7.2%	72631918	1.1%	77618482	6.9%
Leasing, factoring (excluding interbank leasing and factoring)	D	5684370	4906770	-13.7%	4513356	-8.0%	4472245	-0.9%
	Fx	10946	53195	386.0%	30570	-42.5%	29936	-2.1%
Interest receivable	D	9852759	14169433	43.8%	5164490	-63.6%	6781519	31.3%
Fixed assets	Fx	22494344	9654628	-57.1%	3802830	-60.6%	4047138	6.4%
Other securities		10923137	34218880	213.3%	62034968	81.3%	81758103	31.8%
Total assets		**1560472467**	**2066722761**	**32.4%**	**2037104215**	**-1.4%**	**2240977612**	**10.0%**

Assets *AMD thousand*

Indictors	Currency	30.09.12	Change 30.09.12-30.06.12	31.12.12 [1]	Change 31.12.12-30.09.12	Change 31.12.12-31.12.11	
Cash	D	44717908	-0.3%	55804033	24.8%	6617057	13.5%
	Fx	47749161	26.7%	43236865	-9.4%	3259594	8.2%
Correspondent accounts with the CBA and other claims on the CBA	D	170854482	1.9%	179468343	5.0%	16390599	10.1%
	Fx	44148918	12.9%	85508263	93.7%	-24698994	-22.4%
Correspondent accounts with banks and other claims on banks	D	16741936	31.7%	17783838	6.2%	-14768355	-45.4%
	Fx	169941740	16.6%	147226432	-13.4%	30741714	26.4%
Claims on other financial institutions	D	22872573	13.4%	23393825	2.3%	4176041	21.7%
	Fx	11866250	0.9%	11605097	-2.2%	2655389	29.7%
Government securities		155374647	6.2%	181248427	16.7%	13746194	8.2%
Repos (excluding interbank repos)	D	13973894	9.9%	13350485	-4.5%	232073	1.8%
	Fx	7019	-12.0%	3561	-49.3%	-11056090	-100.0%
Loans to legal entities	D	155838473	3.2%	153960455	-1.2%	2991461	2.0%
	Fx	725546738	2.2%	778448408	7.3%	202875726	35.2%
Loans to natural persons	D	328267154	1.2%	353173803	7.6%	71281028	25.3%
	Fx	181578947	2.2%	186904734	2.9%	43971367	30.8%
Loans to related parties and staff	D	20161818	3.0%	21312122	5.7%	2993527	16.3%
	Fx	56001860	2.0%	42537512	-24.0%	1729330	4.2%
Asset loss reserves		-37030176	8.8%	-34530972	-6.7%	-8442095	32.4%
Interest receivable	D	8367575	1.7%	8197772	-2.0%	-121923	-1.5%
Fixed assets	Fx	18396480	14.3%	19629901	6.7%	11843015	152.1%
Other securities		77655665	0.0%	80130403	3.2%	8256794	11.5%
Leasing, factoring (excluding interbank leasing and factoring)	D	5137154	14.9%	5450458	6.1%	543688	11.1%
	Fx	26907	-10.1%	230685	757.3%	177490	333.7%
Interest receivable	D	6015181	-11.3%	8318066	38.3%	-5851367	-41.3%
Fixed assets	Fx	4242307	4.8%	3902863	-8.0%	-5751765	-59.6%
Other securities		88101423	7.8%	91530634	3.9%	57311754	167.5%
Total assets		**2336556032**	**4.3%**	**2477826015**	**6.0%**	**411103254**	**19.9%**

Annex 1. *(continued)*

Liabilities

AMD thousand

Indictors		Currency	31.12.10	31.12.11	Change 31.12.11-31.12.10	31.03.12	Change 31.03.12-31.12.11	30.06.12	Change 30.06.12-31.05.12
Correspondent accounts of banks		D	2279773	1738927	-23.7%	2239893	28.8%	1273497	-43.1%
		Fx	9259253	6926903	-25.2%	34914755	404.0%	6589405	-81.1%
Other liabilities to banks (including the CBA) and other financial organizations		D	118448941	206196946	74.1%	156041974	-24.3%	190232538	21.9%
		Fx	287640560	399768255	39.0%	388181619	-2.9%	483871851	24.7%
Demand liabilities to legal entities		D	85607927	107808701	25.9%	98082214	-9.0%	84183073	-14.2%
		Fx	75491551	138506666	83.5%	75018405	-45.8%	98481876	31.3%
Demand liabilities to natural persons		D	40050189	54285133	35.5%	53878849	-0.7%	56654378	5.2%
		Fx	63895196	75159889	17.6%	78836320	4.9%	89973150	14.1%
Time deposits of legal entities		D	20471440	35178714	71.8%	45373674	29.0%	39728715	-12.4%
		Fx	84367236	93763788	11.1%	100897352	7.6%	115808436	14.8%
Time deposits of natural persons		D	58166076	95163543	63.6%	112842559	18.6%	116939549	3.6%
		Fx	245012246	334353985	36.5%	343891010	2.9%	385083048	12.0%
Liabilities to the Government		D	69613314	71419471	2.6%	69037769	-3.3%	74428358	7.8%
		Fx	11267571	10509120	-6.7%	10661977	1.5%	11290180	5.9%
Interest payable		D	3193897	5079483	59.0%	6322975	24.5%	6447955	2.0%
		Fx	8460191	10669306	26.1%	10914210	2.3%	12226826	12.0%
Other liabilities		D	38155708	50209132	31.6%	69446522	38.3%	73332470	5.6%
		Fx	20139937	14058832	-30.2%	17562298	24.9%	24668576	40.5%
Total liabilities			**1241521006**	**1710796794**	**37.8%**	**1674144376**	**-2.1%**	**1871213880**	**11.8%**
Actually paid in statutory capital			203799175	233945230	14.8%	233945230	0.0%	233945231	0.0%
General reserve			15079172	18642380	23.6%	18787486	0.8%	20033433	6.6%
Own shares repurchased by bank									
Retained profit (loss)	Current period		30468438	31424467	3.1%	7855556	-75.0%	15535945	97.8%
	Previous period		51481736	53950173	4.8%	84193451	56.1%	80744945	-4.1%
Total capital			**318951461**	**355925967**	**11.6%**	**362959839**	**2.0%**	**369763732**	**1.9%**
Received collateral			2288094433	2744589328	20.0%	2876334375	4.8%	3017926454	4.9%
including government securities			2783363	3632040	30.5%	2692169	-25.9%	2880500	7.0%
Guarantees received			1098535975	1901547561	73.1%	1843019483	-3.1%	2048945455	11.2%
Off-balance sheet	loans		31564198	41627201	31.9%	46751264	12.3%	51478841	10.1%
	receivables and other assets		3064447	3616435	18.0%	3677523	1.7%	3739258	1.7%
	interest		8943497	12115595	35.5%	18773362	55.0%	21844671	16.4%
Guarantees issued			51683666	46232449	-10.5%	5218597	-88.7%	5584005	7.0%
Issued collateral	total		4096549	3622574	-11.6%	2100048	-42.0%	2132993	1.6%
	including government securities		1523906	1200050	-21.3%		-100.0%		

Liabilities *AMD thousand*

Indictors		Currency	30.09.12	Change 30.09.12-30.06.12	31.12.12 [1]	Change 31.12.12-30.09.12	Change 31.12.12-31.12.11	
Correspondent accounts of banks		D	1958290	53.8%	2922585	49.2%	1183658	68.1%
		Fx	6298434	-4.4%	4369337	-30.6%	-2557566	-36.9%
Other liabilities to banks (including the CBA) and other financial organizations		D	211222309	11.0%	249961443	18.3%	43764497	21.2%
		Fx	457174492	-5.5%	492412214	7.7%	92643959	23.2%
Demand liabilities to legal entities		D	97592778	15.9%	95693645	-1.9%	-12115056	-11.2%
		Fx	124887533	26.8%	106585451	-14.7%	-31921215	-23.0%
Demand liabilities to natural persons		D	58733125	3.7%	65659334	11.8%	11374201	21.0%
		Fx	89323288	-0.7%	87660435	-1.9%	12500546	16.6%
Time deposits of legal entities		D	31889189	-19.7%	31988981	0.3%	-3189733	-9.1%
		Fx	147480221	27.3%	153791344	4.3%	60027556	64.0%
Time deposits of natural persons		D	125250732	7.1%	143423553	14.5%	48260010	50.7%
		Fx	410905333	6.7%	447644009	8.9%	113290024	33.9%
Liabilities to the Government		D	72691407	-2.3%	58306016	-19.8%	-13113455	-18.4%
		Fx	10970789	-2.8%	9703040	-11.6%	-806080	-7.7%
Interest payable		D	7464612	15.8%	7425843	-0.5%	2346360	46.2%
		Fx	15685078	28.3%	15327712	-2.3%	4658406	43.7%
Other liabilities		D	60414800	-17.6%	72861914	20.6%	22652782	45.1%
		Fx	25357731	2.8%	31372442	23.7%	17313610	123.2%
Total liabilities			**1955300139**	**4.5%**	**2077109299**	**6.2%**	**366312505**	**21.4%**
Actually paid in statutory capital			242940556	3.8%	251626537	3.6%	17681307	7.6%
General reserve			20033435	0.0%	20033433	0.0%	1391053	7.5%
Own shares repurchased by bank								
Retained profit (loss)	Current period		31415999	102.2%	42727017	36.0%	11302550	36.0%
	Previous period		68145890	-15.6%	65913197	-3.3%	11963024	22.2%
Total capital			**381255893**	**3.1%**	**400716716**	**5.1%**	**44790749**	**12.6%**
Received collateral			3154713144	4.5%	3346772784	6.1%	602183456	21.9%
including government securities			1883646	-34.6%	1721292	-8.6%	-1910748	-52.6%
Guarantees received			2128432643	3.9%	2325723208	9.3%	424175647	22.3%
Off-balance sheet	loans		48036488	-6.7%	49610233	3.3%	7983032	19.2%
	receivables and other assets		4998177	33.7%	4595170	-8.1%	978735	27.1%
	interest		21614938	-1.1%	23906731	10.6%	11791136	97.3%
Guarantees issued			6105953	9.3%	7280524	19.2%	-38951925	-84.3%
total	total		2010888	-5.7%	2360597	17.4%	-1261977	-34.8%
	including government securities				230000	100.0%	-970050	-80.8%

D – Armenian Dram, Fx– Foreign currency

[1] Including "Panarmenian Bank":

Annex 2. Structural Trends of Survey Balance Sheet Indicators of Commercial Banks (%)

Assets

Indictors	Currency	31.12.10	31.12.11	Change 31.12.11-31.12.10	31.03.12	Change 31.03.12-31.12.11	30.06.12	Change 30.06.12-31.03.12	30.09.12	Change 30.09.12-30.06.12	31.12.12 [1]	Change 31.12.12-30.09.12	Change 31.12.12-31.12.11
Cash	D	2.8	2.4	-0.4	2.0	-0.4	2.0	0.0	1.9	-0.1	2.3	0.3	-0.1
	Fx	2.0	1.9	-0.1	1.8	-0.1	1.7	-0.1	2.0	0.4	1.7	-0.3	-0.2
Correspondent accounts with the CBA and other claims on the CBA	D	4.5	7.9	3.4	7.8	0.0	7.5	-0.4	7.3	-0.2	7.2	-0.1	-0.6
	Fx	5.7	5.3	-0.3	1.6	-3.8	1.7	0.2	1.9	0.1	3.5	1.6	-1.9
Correspondent accounts with banks and other claims on banks	D	1.7	1.6	-0.1	1.0	-0.5	0.6	-0.5	0.7	0.1	0.7	0.0	-0.9
	Fx	6.8	5.6	-1.1	5.8	0.2	6.5	0.7	7.3	0.8	5.9	-1.3	0.3
Claims on other financial institutions	D	1.0	0.9	-0.1	0.9	0.0	0.9	0.0	1.0	0.1	0.9	0.0	0.0
	Fx	0.3	0.4	0.1	0.5	0.1	0.5	0.0	0.5	0.0	0.5	0.0	0.0
Government securities		9.7	8.1	-1.6	7.3	-0.8	6.5	-0.8	6.6	0.1	7.3	0.7	-0.8
Repos (excluding interbank repos)	D	0.8	0.6	-0.2	0.4	-0.2	0.6	0.1	0.6	0.0	0.5	-0.1	-0.1
	Fx	0.6	0.5	0.0	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	-0.5
Loans to legal entities	D	8.9	7.3	-1.6	7.3	0.0	6.7	-0.6	6.7	-0.1	6.2	-0.5	-1.1
	Fx	24.5	27.8	3.3	30.9	3.0	31.7	0.8	31.1	-0.6	31.4	0.4	3.6
Loans to natural persons	D	13.8	13.6	-0.2	15.0	1.4	14.5	-0.5	14.0	-0.4	14.3	0.2	0.6
	Fx	7.1	6.9	-0.2	7.7	0.7	7.9	0.3	7.8	-0.2	7.5	-0.2	0.6
Loans to related parties and staff	D	0.9	0.9	0.0	0.9	0.0	0.9	-0.1	0.9	0.0	0.9	0.0	0.0
	Fx	1.7	2.0	0.2	2.2	0.2	2.5	0.3	2.4	-0.1	1.7	-0.7	-0.3
Asset loss reserves		-1.1	-1.3	-0.1	-1.5	-0.2	-1.5	0.0	-1.6	-0.1	-1.4	0.2	-0.1
Interest receivable	D	0.5	0.4	-0.1	0.4	0.0	0.4	0.0	0.4	0.0	0.3	0.0	-0.1
Fixed assets	Fx	0.5	0.4	-0.1	0.6	0.3	0.7	0.1	0.8	0.1	0.8	0.0	0.4
Other securities		4.3	3.5	-0.8	3.6	0.1	3.5	-0.1	3.3	-0.1	3.2	-0.1	-0.2
Leasing, factoring (excluding interbank leasing and factoring)	D	0.4	0.2	-0.1	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0
	Fx	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest receivable	D	0.6	0.7	0.1	0.3	-0.4	0.3	0.0	0.3	0.0	0.3	0.1	-0.3
Fixed assets	Fx	1.4	0.5	-1.0	0.2	-0.3	0.2	0.0	0.2	0.0	0.2	0.0	-0.3
Other securities		0.7	1.7	1.0	3.0	1.4	3.6	0.6	3.8	0.1	3.7	-0.1	2.0
Total assets		**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**

Liabilities

Indictors		Currency	31.12.10	31.12.11	Change 31.12.11-31.12.10	31.03.12	Change 31.03.12-31.12.11	30.06.12	Change 30.06.12-31.03.12	30.09.12	Change 30.09.12-30.06.12	31.12.12 [1]	Change 31.12.12-30.09.12	Change 31.12.12-31.12.11
Correspondent accounts of banks		D	0.2	0.1	-0.1	0.1	0.0	0.1	-0.1	0.1	0.0	0.1	0.0	0.0
		Fx	0.7	0.4	-0.3	2.1	1.7	0.4	-1.7	0.3	0.0	0.2	-0.1	-0.2
Other liabilities to banks (including the CBA) and other financial organizations		D	9.5	12.1	2.5	9.3	-2.7	10.2	0.8	10.8	0.6	12.0	1.2	0.0
		Fx	23.2	23.4	0.2	23.2	-0.2	25.9	2.7	23.4	-2.5	23.7	0.3	0.3
Demand liabilities to legal entities		D	6.9	6.3	-0.6	5.9	-0.4	4.5	-1.4	5.0	0.5	4.6	-0.4	-1.7
		Fx	6.1	8.1	2.0	4.5	-3.6	5.3	0.8	6.4	1.1	5.1	-1.3	-3.0
Demand liabilities to natural persons		D	3.2	3.2	-0.1	3.2	0.0	3.0	-0.2	3.0	0.0	3.2	0.2	0.0
		Fx	5.1	4.4	-0.8	4.7	0.3	4.8	0.1	4.6	-0.2	4.2	-0.3	-0.2
Time deposits of legal entities		D	1.6	2.1	0.4	2.7	0.7	2.1	-0.6	1.6	-0.5	1.5	-0.1	-0.5
		Fx	6.8	5.5	-1.3	6.0	0.5	6.2	0.2	7.5	1.4	7.4	-0.1	1.9
Time deposits of natural persons		D	4.7	5.6	0.9	6.7	1.2	6.2	-0.5	6.4	0.2	6.9	0.5	1.3
		Fx	19.7	19.5	-0.2	20.5	1.0	20.6	0.0	21.0	0.4	21.6	0.5	2.0
Liabilities to the Government		D	5.6	4.2	-1.4	4.1	-0.1	4.0	-0.1	3.7	-0.3	2.8	-0.9	-1.4
		Fx	0.9	0.6	-0.3	0.6	0.0	0.6	0.0	0.6	0.0	0.5	-0.1	-0.1
Interest payable		D	0.3	0.3	0.0	0.4	0.1	0.3	0.0	0.4	0.0	0.4	0.0	0.1
		Fx	0.7	0.6	-0.1	0.7	0.0	0.7	0.0	0.8	0.1	0.7	-0.1	0.1
Other liabilities		D	3.1	2.9	-0.1	4.1	1.2	3.9	-0.2	3.1	-0.8	3.5	0.4	0.6
		Fx	1.6	0.8	-0.8	1.0	0.2	1.3	0.3	1.3	0.0	1.5	0.2	0.7
Total liabilities			**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**
Actually paid in statutory capital			63.9	65.7	1.8	64.5	-1.3	63.3	-1.2	63.7	0.5	62.8	-0.9	-2.9
General reserve			4.7	5.2	0.5	5.2	-0.1	5.4	0.2	5.3	-0.2	5.0	-0.3	-0.2
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
Retained profit (loss)	Current period		9.6	8.8	-0.7	2.2	-6.7	4.2	2.0	8.2	4.0	10.7	2.4	1.8%
	Previous period		16.1	15.2	-1.0	23.2	8.0	21.8	-1.4	17.9	-4.0	16.4	-1.4	1.3%
Total capital			**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**

D – Armenian Dram, Fx– Foreign currency

[1] Including "Panarmenian Bank":

Annex 3. Change in Commercial Banks' Regulatory Capital Account

AMD thousand

Indicators	At the beginning of period	Change within the period	At the end of period
Total capital	342252431	33149191	375401623
Tier 1 capital	311664020	27213292	338877312
Statutory capital	233945230	10181307	244126537
Note: number of shares sold (pcs)	6749637	79580	6829217
General reserve	18642380	1391053	20033433
Undistributed profit	85374413	23638108	109012521
Amounts deducted from Tier 1 capital, o/w:	26298003	7997176	34295179
Long-term subordinate loans	0	0	0
Repurchased own shares of bank	0	0	0
Intangible assets (except for assets set forth in Regulation 2)	311779	471208	782987
Investments in statutory capital of other banks, credit organizations, and "Other organizations" according to regulation 2	2115626	-1133553	982073
Tangible assets not in use and capital investments in them	16243353	5918435	22161788
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	3177542	2097205	5274747
Capital investments in bank's own and leased fixed assets	4351988	156850	4508838
Capital investments in statutory capital of other commercial organization according to 28.1 article of Regulation 2	97715	487031	584746
Tier 2 capital	30588411	5935900	36524311
Revaluation reserve for bank premises and buildings	8198706	4319213	12517919
Reserve generated from FX differences due to balance sheet consolidation	0	0	0
Subordinated long-term borrowings attracted by bank	21174280	610923	21785203
Other reserves (excluding Regulation 2 exceptions)	1215425	1005763	2221188

Annex 4. Non-Resident Participation in Statutory Capital of Commercial Banks

Indicators	31.12.09	Change within 31.12.10-31.12.09	31.12.10	Change within 31.12.11-31.12.10	31.12.11	Change within 31.12.12-31.12.11	31.12.12
Statutory capital	176633550	14738330	191371880	34713225	226085105	9420828	235505933
of which: non-residents	130658699	20354649	151013348	18747478	169760826	8481169	178241995
S share of non-residents %	73.97	4.94	78.91	-3.82	75.09	0.60	75.68

Annex 5. Commercial Banks: Income and Expense

AMD thousand

Indicators	31.12.10	31.12.11	Change 31.12.11-31.12.10	31.03.12	30.06.12	30.09.12	31.12.12 [1]	Change 31.12.12-31.12.11
	1	2	3	4	5	6	7	8
From correspondent accounts	92430	133670	44.6%	40914	74946	107159	150398	12.5%
From funds allocated in the CBA	304906	699027	129.3 %	242808	617436	959382	1322218	89.2%
Interest received from funds allocated in commercial banks and other financial institutions	1350885	3198372	136.8 %	1189691	2627340	3889130	5039993	57.6%
From loans to economy	109387583	137026369	25.3%	40371491	79728986	117618044	156561502	14.3%
Interest from overdraft	1564501	2248059	43.7%	2877137	5759209	14363515	22202644	887.6%
Interest from credit cards	5281194	6960846	31.8%	2364181	5065463	7170530	10435562	49.9%
Interest from government securities	9345916	13370230	43.1%	3944514	7878860	12366123	17060909	27.6%
From repos	2533969	3641804	43.7%	1074207	2147017	3135654	4133907	13.5%
Other interest income	6299496	8205410	30.3%	2106104	4361153	6680365	9109733	11.0%
Total interest income	**136160880**	**175483787**	**28.9%**	**54211047**	**108260410**	**166289902**	**226016866**	**28.8%**

[1] *Including "Panarmenian Bank":*

	1	2	3	4	5	6	7	8
Interest paid on correspondent accounts	50444	84151	66.8%	439896	986807	1002477	1023847	1116.7%
Interest paid on bank accounts and demand deposits	2397698	3496244	45.8%	1027789	2059003	3019670	4094127	17.1%
Interest paid on funds attracted from the CB	4722520	6513908	37.9%	2038914	4119886	6681246	9434663	44.8%
On repos	536443	1002955	87.0%	273263	654653	834007	960661	-4.2%
Interest paid on funds attracted from commercial banks and other financial institutions	9769391	16732500	71.3%	4992798	10391853	16756491	23893853	42.8%
Interest paid on time deposits	29026280	36931825	27.2%	11541768	24373777	38428146	53693135	45.4%
Interest paid on funds attracted from international financial organizations	2864439	5374980	87.6%	1842147	3930509	6168877	8374721	55.8%
Interest expenses on deposit insurance	727819	968713	33.1%	257721	539068	841169	1165338	20.3%
Other interest expenses	8571917	10357372	20.8%	1986686	4057204	6198415	8524956	-17.7%
Total interest expenses	**58666951**	**81462648**	**38.9%**	**24400982**	**51112760**	**79930498**	**111165301**	**36.5%**
Net interest income	***77493929***	***94021139***	***21.3%***	***29810065***	***57147650***	***86359404***	***114851565***	***22.2%***
Commissions received	19276336	23011093	19.4%	5264438	11353272	17798537	25344952	10.1%
Income from guarantees, acceptance and L/C operations, trust management	1484814	1478961	-0.4%	350376	756824	1055126	1425614	-3.6%
Net income from hedging derivatives	135589	-315863	-333.0%	774019	1786263	1167449	794039	-351.4%
Net income from factoring	1365130	3218649	135.8%	218580	411864	629528	910729	-71.7%
Income from investments in other organizations	207222	419402	102.4%	377	19328	20487	22574	-94.6%
Net income from sale of securities	587189	2197732	274.3%	2388207	4309052	5259583	5362621	144.0%
Net income from FX purchase and sale	13515924	13685861	1.3%	2806041	5878707	10125193	14573091	6.5%
Positive (negative) exchange rate difference from FX revaluation	-1138022	51866	-104.6%	-795034	-1914101	-1607663	-1702457	-3382.4%
Net income from sale of fixed assets	-54549	83838	-253.7%	-254	-3427	-2350	-394459	-570.5%
Net income from revaluation of fixed assets	11554	-309351	-2777.4%	0	-51	811	-1082	-99.7%
Fines and penalties received	4088017	4622126	13.1%	1507015	3828217	6609811	9663900	109.1%
Other non-interest income	1174782	441164	-62.4%	-1205792	-1977893	-1693507	651054	47.6%
Total non-interest income	**40653986**	**48585478**	**19.5%**	**11307973**	**24448055**	**39363005**	**56650576**	**16.6%**
Salary and salary-equivalent pays (other remuneration and financing of social requirements)	29583014	35182735	18.9%	9290744	19056336	28385576	40487542	15.1%
Business trip costs	637935	777202	21.8%	103024	346008	500620	772278	-0.6%
Contribution to State Fund of Social Insurance of RA	2752590	3286875	19.4%	873018	1780175	2691184	3713775	13.0%
Taxes, duties, other mandatory payments	2087830	2315297	10.9%	553176	1222699	1855434	2803004	21.1%
Depreciation	8149925	9370246	15.0%	2508459	5183731	7933727	10947372	16.8%
Leasing charge for bank premises and other fixed assets	3736676	4530357	21.2%	1282824	2604829	3972568	5422979	19.7%
Advertisement and representative costs	2994581	3923117	31.0%	906840	1838194	2715473	4195149	6.9%
Office and printing costs	825208	1028696	24.7%	257417	534272	792455	1135304	10.4%
Audit and consultation services costs	1229469	1085636	-11.7%	234113	467629	716782	1107752	2.0%

	1	2	3	4	5	6	7	8
Bank equipment maintenance costs	986442	1144741	16.0%	277038	599196	935908	1362246	19.0%
Transport costs	543449	648485	19.3%	154725	350685	539345	758748	17.0%
Communication costs	2023180	2130966	5.3%	531625	1042351	1599461	2149034	0.8%
Fines and penalties paid	112196	61041	-45.6%	6519	8529	22764	66744	9.3%
Training costs	363724	455537	25.2%	64541	216979	315344	463375	1.7%
Other non-interest expenses	13308511	15651025	17.6%	4895811	9945574	15459361	21800507	39.3%
Total non-interest expenses	**69334730**	**81591956**	**17.7%**	**21939874**	**45197187**	**68436002**	**97145781**	**19.1%**
Net non-interest expenses	***-28680744***	***-33006478***	***15.1%***	***-10631901***	***-20749132***	***-29072997***	***-40495205***	***22.7%***
Provisions to general reserve on loans and receivables loss	20834080	22682915	8.9%	6009495	13226584	19251124	26274761	15.8%
Provisions to special reserve on loans and receivables loss	48109308	56614484	17.7%	20100745	41863186	71875204	117128015	106.9%
Provisions to reserve on securities loss	8683	2965	-65.9%	4569	5730	1114	1127	-62.0%
Provisions to reserve on bank guarantees and other contingent liabilities	3783293	7082870	87.2%	3114899	4120261	5155523	6475770	-8.6%
Total provisions	72735364	86383234	18.8%	29229708	59215761	96282965	149879673	73.5%
Recoveries from general reserve on loans and receivables loss	19140110	19427960	1.5%	5022238	9683778	14999500	20948954	7.8%
Recoveries from special reserve on loans and receivables loss	40359217	42116618	4.4%	11792665	29012195	58676363	102382190	143.1%
Recoveries from reserve on securities loss	8500	21175	149.1%	8	9590	9590	25125	18.7%
Recoveries from reserve on bank guarantees and other contingent liabilities	3324001	6663042	100.5%	2883385	4108222	5062617	6656016	-0.1%
Total recoveries	**62831828**	**68228795**	**8.6%**	**19698296**	**42813785**	**78748070**	**130012285**	**90.6%**
Net deductions	***9903536***	***18154439***	***83.3%***	***9531412***	***16401976***	***17534895***	***19867388***	***9.4%***
Pre-tax profit	**38907865**	**42851751**	**10.1%**	**9646752**	**19996542**	**39751512**	**54488972**	**27.2%**
Profit tax	8710306	9668299	11.0%	1866259	4610872	8567675	12064810	24.8%
Net profit	**30197559**	**33183452**	**9.9%**	**7780493**	**15385670**	**31183837**	**42424162**	**27.8%**
Dividends accrued	152021	196070		0	0	0	0	-100.0%
Undistributed profit	**30045538**	**32987382**	**9.8%**	**7780493**	**15385670**	**31183837**	**42424162**	**28.6%**

Annex 6. Armenian Banking System: Return on Assets and Return on Capital

Indicators	2009	2010	2011	2012
Return on assets				
Banking system	0.74%	2.10%	1.80%	1.90%
Minimum (on profitable banks)	0.10%	0.42%	0.26%	0.18%
Maximum (on profitable banks)	3.20%	4.24%	5.16%	3.82%
Return on equity				
Banking system	3.43%	10.30%	9.79%	11.20%
Minimum (on profitable banks)	0.20%	2.64%	0.91%	0.86%
Maximum (on profitable banks)	19.80%	24.30%	24.34%	25.87%

Annex 7. Loan Investments of Commercial Banks

AMD thousand

Indicator	2010					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	143035664	149383903	287050550	444476837	430086214	593860740
1.1 Time assets	113847350	128505721	286782356	438863705	400629706	567369426
o/w: loans	84527655	78410234	282043243	426738319	366570898	505148553
interbank loans, deposits, factoring, leasing, repo agreements	17218592	49120995	0	9809246	17218592	58930241
1.2 Prolonged assets	27550694	18766504	262469	5613132	27813163	24379636
o/w: loans	1929610	10121959	262469	5613132	2192079	15735091
interbank loans, deposits, factoring, leasing, repo agreements	5741968	565273	0	0	5741968	565273
1.3 Overdue assets	1637619	2111677	5725	0	1643345	2111677
o/w: loans	1593205	2111677	5725	0	1598931	2111677
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	11946484	44043999	525635	11574479	12472119	55618478
2.1 Time assets	937964	35958451	525635	11574479	1463599	47532930
2.2 Prolonged assets	11006790	8080316	0	0	11006790	8080316
2.3 Overdue assets	1730	5232	0	0	1730	5232
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	128146695	95384293	289467401	442857968	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 7. *(continued)*

AMD thousand

Indicator	2011					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	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 7. *(continued)*

AMD thousand

Indicator	2012					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	208813062	255877525	377459448	813554966	586272509	1069432491
1.1 Time assets	177013000	224982866	377043584	806508018	554056584	1031490883
o/w: loans	142681543	186454930	374472155	793412701	517153698	979867630
interbank loans, deposits, factoring, leasing, repo agreements	8930472	37173834	900000	9510139	9830472	46683973
1.2 Prolonged assets	27945287	26300573	239075	7046948	28184361	33347521
o/w: loans	11330006	21847472	239075	7046948	11569080	28894420
interbank loans, deposits, factoring, leasing, repo agreements	2738215	4439380	0	0	2738215	4439380
1.3 Overdue assets	3854775	4594086	176789	0	4031564	4594086
o/w: loans	3715412	4594086	176789	0	3892201	4594086
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	11973289	23369934	701606	20038310	12674895	43408244
2.1 Time assets	11951755	23213295	690506	20038310	12642261	43251605
2.2 Prolonged assets	11428	13721	11100	0	22528	13721
2.3 Overdue assets	10106	142918	0	0	10106	142918
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	187399145	202376658	386198469	823647589	573597614	1026024247
3.1 Industry	17955097	44627958	48711078	262369787	66666174	306997744
mining	438831	10665402	2264506	67718804	2703337	78384206
energy	12437477	11597905	9301440	76357063	21738917	87954968
food products	3182162	16206830	23239013	63668182	26421176	79875012
light	236116	1275786	3661015	7647144	3897131	8922930
chemical	163722	107951	600021	7394025	763743	7501976
building materials	715054	1954808	5634386	21934541	6349440	23889349
precious items	16848	353054	243567	3470440	260415	3823494
metallurgy	76	416334	4140	4009579	4216	4425913
machine-building and electrical	260025	254650	434053	3189148	694078	3443798
other branches of industry	504785	1795238	3328936	6980861	3833721	8776098
3.2 Agriculture	3370216	12313776	27172370	45105797	30542586	57419573
3.3 Construction	3176830	12837833	13410311	70668374	16587141	83506207
3.4 Transport and Communications	874865	5075530	5752251	27944576	6627116	33020107
3.5 Trade	13502901	52728132	61650582	193099291	75153482	245827423
3.6 Public Catering and Other Services	995595	4804849	21006382	60130754	22001977	64935603
3.7 Financial Sector	31632128	35917966	2634986	12246414	34267114	48164380
3.8 Consumer Loans	111104294	9813508	133712688	40855334	244816982	50668842
3.9 Mortgage loans	613009	946246	63711980	62112772	64324990	63059018
3.10 Other Sectors of Economy	4174210	23310860	8435842	49114490	12610051	72425350

Annex 8. Banking System: Loans Investments by Sectors of Economy and Maturity

Indicator	2010					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	13.7%	13.6%	28.3%	44.4%	42.0%	58.0%
1.1 Time assets	11.1%	12.6%	28.0%	42.9%	39.1%	55.4%
o/w: loans	8.3%	7.7%	27.5%	41.7%	35.8%	49.3%
interbank loans, deposits, factoring, leasing, repo agreements	1.7%	4.8%	0.0%	1.0%	1.7%	5.8%
1.2 Prolonged assets	2.7%	1.8%	0.0%	0.5%	2.7%	2.4%
o/w: loans	0.2%	1.0%	0.0%	0.5%	0.2%	1.5%
interbank loans, deposits, factoring, leasing, repo agreements	0.6%	0.1%	0.0%	0.0%	0.6%	0.1%
1.3 Overdue assets	0.2%	0.2%	0.0%	0.0%	0.2%	0.2%
o/w: loans	0.2%	0.2%	0.0%	0.0%	0.2%	0.2%
interbank loans, deposits, factoring, leasing, repo agreements	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	1.2%	4.3%	0.1%	1.1%	1.2%	5.4%
2.1 Time assets	0.1%	3.5%	0.1%	1.1%	0.1%	4.6%
2.2 Prolonged assets	1.1%	0.8%	0.0%	0.0%	1.1%	0.8%
2.3 Overdue assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	12.5%	9.3%	28.3%	43.3%	40.8%	52.6%
3.1 Industry	0.6%	1.6%	4.5%	13.3%	5.0%	14.9%
mining	0.0%	0.1%	0.4%	0.9%	0.4%	1.0%
energy	0.2%	0.1%	0.8%	3.6%	1.0%	3.6%
food products	0.2%	0.7%	1.9%	4.9%	2.1%	5.6%
light	0.0%	0.1%	0.2%	0.3%	0.2%	0.4%
chemical	0.0%	0.1%	0.0%	0.5%	0.0%	0.6%
building materials	0.1%	0.1%	0.4%	1.3%	0.6%	1.3%
precious items	0.0%	0.0%	0.3%	0.4%	0.3%	0.4%
metallurgy	0.0%	0.2%	0.0%	0.7%	0.0%	0.9%
machine-building and electrical	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
other branches of industry	0.0%	0.1%	0.4%	0.7%	0.4%	0.9%
3.2 Agriculture	0.0%	1.0%	0.7%	3.4%	0.7%	4.4%
3.3 Construction	0.3%	0.6%	1.5%	4.9%	1.8%	5.5%
3.4 Transport and Communications	0.1%	0.2%	0.8%	1.4%	0.9%	1.6%
3.5 Trade	0.8%	2.6%	5.3%	9.3%	6.1%	11.9%
3.6 Public Catering and Other Services	0.1%	0.2%	1.3%	2.3%	1.4%	2.6%
3.7 Financial Sector	3.9%	2.3%	0.1%	0.6%	3.9%	2.9%
3.8 Consumer Loans	6.2%	0.3%	8.0%	1.5%	14.2%	1.8%
3.9 Mortgage loans	0.1%	0.1%	5.1%	3.3%	5.2%	3.4%
3.10 Other Sectors of Economy	0.4%	0.5%	1.1%	3.0%	1.5%	3.5%

Annex 8. *(continued)*

Indicator	2011					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	12.6%	15.5%	22.8%	49.1%	35.4%	64.6%
1.1 Time assets	10.7%	13.6%	22.8%	48.7%	33.5%	62.3%
o/w: loans	8.6%	11.3%	22.6%	47.9%	31.2%	59.2%
interbank loans, deposits, factoring, leasing, repo agreements	0.5%	2.2%	0.1%	0.6%	0.6%	2.8%
1.2 Prolonged assets	1.7%	1.6%	0.0%	0.4%	1.7%	2.0%
o/w: loans	0.7%	1.3%	0.0%	0.4%	0.7%	1.7%
interbank loans, deposits, factoring, leasing, repo agreements	0.2%	0.3%	0.0%	0.0%	0.2%	0.3%
1.3 Overdue assets	0.2%	0.3%	0.0%	0.0%	0.2%	0.3%
o/w: loans	0.2%	0.3%	0.0%	0.0%	0.2%	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	0.7%	1.4%	0.0%	1.2%	0.8%	2.6%
2.1 Time assets	0.7%	1.4%	0.0%	1.2%	0.8%	2.6%
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:	11.3%	12.2%	23.3%	49.7%	34.6%	62.0%
3.1 Industry	1.1%	2.7%	2.9%	15.8%	4.0%	18.5%
mining	0.0%	0.6%	0.1%	4.1%	0.2%	4.7%
energy	0.8%	0.7%	0.6%	4.6%	1.3%	5.3%
food products	0.2%	1.0%	1.4%	3.8%	1.6%	4.8%
light	0.0%	0.1%	0.2%	0.5%	0.2%	0.5%
chemical	0.0%	0.0%	0.0%	0.4%	0.0%	0.5%
building materials	0.0%	0.1%	0.3%	1.3%	0.4%	1.4%
precious items	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%
metallurgy	0.0%	0.0%	0.0%	0.2%	0.0%	0.3%
machine-building and electrical	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%
other branches of industry	0.0%	0.1%	0.2%	0.4%	0.2%	0.5%
3.2 Agriculture	0.2%	0.7%	1.6%	2.7%	1.8%	3.5%
3.3 Construction	0.2%	0.8%	0.8%	4.3%	1.0%	5.0%
3.4 Transport and Communications	0.1%	0.3%	0.3%	1.7%	0.4%	2.0%
3.5 Trade	0.8%	3.2%	3.7%	11.7%	4.5%	14.8%
3.6 Public Catering and Other Services	0.1%	0.3%	1.3%	3.6%	1.3%	3.9%
3.7 Financial Sector	1.9%	2.2%	0.2%	0.7%	2.1%	2.9%
3.8 Consumer Loans	6.7%	0.6%	8.1%	2.5%	14.8%	3.1%
3.9 Mortgage loans	0.0%	0.1%	3.8%	3.8%	3.9%	3.8%
3.10 Other Sectors of Economy	0.3%	1.4%	0.5%	3.0%	0.8%	4.4%

Annex 8. *(continued)*

Indicator	2012					
	Up to 1 year		1 year and more		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, repo agreements (2+3)	12.6%	15.5%	22.8%	49.1%	35.4%	64.6%
1.1 Time assets	10.7%	13.6%	22.8%	48.7%	33.5%	62.3%
o/w: loans	8.6%	11.3%	22.6%	47.9%	31.2%	59.2%
interbank loans, deposits, factoring, leasing, repo agreements	0.5%	2.2%	0.1%	0.6%	0.6%	2.8%
1.2 Prolonged assets	1.7%	1.6%	0.0%	0.4%	1.7%	2.0%
o/w: loans	0.7%	1.3%	0.0%	0.4%	0.7%	1.7%
interbank loans, deposits, factoring, leasing, repo agreements	0.2%	0.3%	0.0%	0.0%	0.2%	0.3%
1.3 Overdue assets	0.2%	0.3%	0.0%	0.0%	0.2%	0.3%
o/w: loans	0.2%	0.3%	0.0%	0.0%	0.2%	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	0.7%	1.4%	0.0%	1.2%	0.8%	2.6%
2.1 Time assets	0.7%	1.4%	0.0%	1.2%	0.8%	2.6%
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:	11.3%	12.2%	23.3%	49.7%	34.6%	62.0%
3.1 Industry	1.1%	2.7%	2.9%	15.8%	4.0%	18.5%
mining	0.0%	0.6%	0.1%	4.1%	0.2%	4.7%
energy	0.8%	0.7%	0.6%	4.6%	1.3%	5.3%
food products	0.2%	1.0%	1.4%	3.8%	1.6%	4.8%
light	0.0%	0.1%	0.2%	0.5%	0.2%	0.5%
chemical	0.0%	0.0%	0.0%	0.4%	0.0%	0.5%
building materials	0.0%	0.1%	0.3%	1.3%	0.4%	1.4%
precious items	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%
metallurgy	0.0%	0.0%	0.0%	0.2%	0.0%	0.3%
machine-building and electrical	0.0%	0.0%	0.0%	0.2%	0.0%	0.2%
other branches of industry	0.0%	0.1%	0.2%	0.4%	0.2%	0.5%
3.2 Agriculture	0.2%	0.7%	1.6%	2.7%	1.8%	3.5%
3.3 Construction	0.2%	0.8%	0.8%	4.3%	1.0%	5.0%
3.4 Transport and Communications	0.1%	0.3%	0.3%	1.7%	0.4%	2.0%
3.5 Trade	0.8%	3.2%	3.7%	11.7%	4.5%	14.8%
3.6 Public Catering and Other Services	0.1%	0.3%	1.3%	3.6%	1.3%	3.9%
3.7 Financial Sector	1.9%	2.2%	0.2%	0.7%	2.1%	2.9%
3.8 Consumer Loans	6.7%	0.6%	8.1%	2.5%	14.8%	3.1%
3.9 Mortgage loans	0.0%	0.1%	3.8%	3.8%	3.9%	3.8%
3.10 Other Sectors of Economy	0.3%	1.4%	0.5%	3.0%	0.8%	4.4%

Annex 9. Distribution of Loan Investments of Commercial Banks

31.12.2012	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	23.8%	20.8%	13.3%	29.4%	37.3%	17.2%	26.3%	2.1%	13.8%	6.0%	15.8%
mining	6.0%	0.2%	0.1%	4.4%	28.9%	0.0%	0.0%	0.0%	0.0%	0.3%	0.0%
energy	2.4%	3.7%	2.0%	7.5%	3.7%	7.6%	0.0%	0.1%	4.3%	2.0%	4.6%
food products	7.4%	9.0%	4.8%	7.5%	4.5%	4.4%	21.8%	0.6%	6.4%	2.0%	6.9%
light	0.4%	2.8%	1.6%	0.0%	0.0%	1.0%	0.5%	0.1%	1.2%	0.4%	1.6%
chemical	2.5%	0.0%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
building materials	0.9%	1.0%	1.1%	9.0%	0.0%	1.7%	2.3%	0.5%	1.0%	0.8%	1.5%
precious metals	0.8%	0.4%	0.8%	0.7%	0.0%	0.0%	1.4%	0.3%	0.0%	0.2%	0.3%
metallurgy	3.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
machine-building and electrical	0.1%	0.3%	0.2%	0.0%	0.1%	0.0%	0.0%	0.2%	0.1%	0.0%	0.1%
other branches of industry	0.0%	3.3%	2.3%	0.2%	0.1%	2.4%	0.3%	0.2%	0.8%	0.3%	0.6%
2. Agriculture	4.2%	2.0%	0.5%	0.8%	4.7%	9.2%	0.2%	0.0%	1.3%	2.4%	1.5%
cattle breeding	2.8%	0.8%	0.1%	0.0%	1.3%	2.3%	0.1%	0.0%	1.2%	1.0%	0.6%
plant growing	1.4%	1.2%	0.5%	0.8%	3.4%	6.9%	0.1%	0.0%	0.1%	1.4%	0.9%
3. Construction	14.1%	6.0%	3.6%	5.7%	2.8%	0.9%	17.3%	0.0%	7.0%	9.8%	4.0%
4. Transport and communication	3.8%	0.7%	0.7%	6.5%	2.0%	0.4%	2.8%	12.4%	3.6%	2.9%	4.2%
5. Trade	11.4%	17.3%	36.3%	23.4%	14.0%	22.5%	21.2%	18.1%	17.7%	12.8%	34.8%
wholesale	6.1%	7.6%	12.6%	15.4%	7.6%	7.9%	9.1%	9.1%	11.7%	7.5%	24.6%
retail	5.0%	9.5%	23.6%	7.4%	6.5%	14.3%	12.1%	9.0%	6.0%	5.3%	10.2%
6. Catering and other services	7.4%	13.6%	9.1%	10.3%	1.4%	5.6%	7.3%	2.0%	4.6%	2.9%	3.0%
7. Financial sector	1.3%	0.9%	11.1%	4.4%	2.9%	10.1%	10.1%	24.7%	1.6%	5.3%	6.7%
o/w: resident banks	0.0%	0.0%	4.0%	3.5%	0.6%	3.5%	3.2%	7.3%	0.6%	3.9%	4.8%
8. Consumer loans	17.5%	25.6%	17.3%	8.0%	20.0%	23.2%	8.7%	33.5%	30.2%	35.1%	24.8%
9. Mortgage lending	13.4%	6.8%	5.3%	5.9%	5.9%	8.4%	5.4%	6.8%	12.7%	19.6%	4.7%
10. Other sectors of economy	3.1%	6.2%	2.8%	5.5%	9.1%	2.5%	0.7%	0.3%	7.5%	3.1%	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	6.6%	2.0%	2.2%	11.2%	21.7%	1.7%	2.2%	0.0%	1.3%	1.0%	3.5%
mining	7.6%	0.1%	0.1%	7.8%	77.4%	0.0%	0.0%	0.0%	0.0%	0.2%	0.0%
energy	2.2%	1.2%	1.1%	9.8%	7.3%	2.6%	0.0%	0.0%	1.4%	1.1%	3.4%
food products	7.1%	3.0%	2.8%	10.1%	9.1%	1.5%	6.5%	0.0%	2.1%	1.2%	5.3%
light	3.1%	7.7%	7.6%	0.5%	0.4%	2.9%	1.2%	0.1%	3.4%	1.8%	10.4%
chemical	31.5%	0.1%	2.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	2.8%
building materials	3.2%	1.1%	2.2%	42.5%	0.1%	2.1%	2.4%	0.1%	1.1%	1.7%	4.0%
precious metals	19.8%	3.6%	11.8%	24.2%	0.1%	0.0%	10.7%	0.6%	0.1%	2.7%	5.2%
metallurgy	80.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
machine-building and electrical	1.3%	2.7%	3.2%	0.6%	5.2%	0.3%	0.0%	0.5%	1.3%	0.4%	1.3%
other branches of industry	0.1%	9.3%	11.3%	2.6%	1.2%	7.2%	0.9%	0.2%	2.2%	1.7%	4.0%
2. Agriculture	4.9%	0.8%	0.4%	1.4%	11.5%	3.9%	0.1%	0.0%	0.5%	1.7%	1.4%
cattle breeding	6.4%	0.6%	0.1%	0.0%	6.0%	1.9%	0.1%	0.0%	0.9%	1.3%	1.1%
plant growing	3.4%	1.0%	0.6%	2.8%	17.4%	6.0%	0.1%	0.0%	0.1%	2.1%	1.7%
3. Construction	14.5%	2.1%	2.2%	8.2%	6.0%	0.3%	5.5%	0.0%	2.4%	6.2%	3.3%
4. Transport and communication	9.9%	0.6%	1.0%	23.6%	11.0%	0.4%	2.2%	2.6%	3.2%	4.6%	8.6%
5. Trade	3.7%	1.9%	6.9%	10.4%	9.5%	2.6%	2.1%	0.5%	1.9%	2.5%	8.9%
wholesale	3.8%	1.6%	4.7%	13.3%	10.0%	1.8%	1.7%	0.5%	2.5%	2.8%	12.2%
retail	3.5%	2.2%	9.7%	7.1%	9.4%	3.6%	2.6%	0.5%	1.4%	2.2%	5.7%
6. Catering and other services	8.9%	5.6%	6.5%	17.1%	3.6%	2.4%	2.7%	0.2%	1.9%	2.1%	2.8%
7. Financial sector	1.6%	0.4%	8.3%	7.6%	7.6%	4.6%	3.9%	2.5%	0.7%	4.0%	6.7%
o/w: resident banks	0.0%	0.0%	4.9%	10.1%	2.4%	2.6%	2.0%	1.2%	0.4%	4.8%	7.8%
8. Consumer loans	6.1%	3.0%	3.6%	3.8%	14.7%	2.9%	0.9%	0.9%	3.6%	7.4%	6.9%
9. Mortgage lending	10.9%	1.9%	2.5%	6.7%	10.0%	2.5%	1.3%	0.4%	3.5%	9.6%	3.0%
10. Other sectors of economy	3.7%	2.5%	2.1%	9.3%	23.2%	1.1%	0.3%	0.0%	3.1%	2.3%	0.6%
Total by banks	**6.4%**	**2.2%**	**3.8%**	**8.9%**	**13.6%**	**2.3%**	**2.0%**	**0.5%**	**2.2%**	**3.9%**	**5.1%**

Annex 9. *(continued)*

31.12.2012	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 loans by sectors of economy											
1. Industry	5.5%	14.4%	19.8%	19.8%	8.5%	40.3%	14.4%	27.9%	39.9%	17.6%	100.0%
mining	0.0%	0.0%	0.1%	0.2%	0.1%	1.4%	1.9%	1.0%	1.5%	0.3%	100.0%
energy	0.0%	4.5%	4.2%	5.9%	0.6%	26.3%	1.6%	20.6%	20.7%	0.0%	100.0%
food products	0.0%	6.6%	11.8%	10.3%	3.3%	6.0%	8.3%	1.2%	9.8%	2.2%	100.0%
light	1.4%	0.3%	0.4%	0.8%	1.4%	0.1%	1.4%	0.6%	3.2%	5.0%	100.0%
chemical	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	3.3%	0.0%	1.2%	100.0%
building materials	3.4%	0.3%	0.0%	1.9%	0.6%	5.2%	0.5%	0.7%	2.6%	2.8%	100.0%
precious metals	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.2%	0.1%	0.3%	100.0%
metallurgy	0.0%	0.0%	0.7%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	100.0%
machine-building and electrical	0.7%	2.5%	0.8%	0.0%	0.3%	1.2%	0.2%	0.0%	0.0%	0.0%	100.0%
other branches of industry	0.0%	0.2%	1.6%	0.5%	2.2%	0.0%	0.4%	0.2%	1.9%	5.8%	100.0%
2. Agriculture	1.1%	7.6%	2.2%	23.2%	4.0%	4.8%	0.5%	5.9%	2.2%	11.8%	100.0%
cattle breeding	1.1%	4.8%	0.0%	11.9%	3.5%	4.1%	0.4%	4.1%	1.6%	7.6%	100.0%
plant growing	0.0%	2.8%	2.2%	11.3%	0.5%	0.7%	0.1%	1.7%	0.6%	4.2%	100.0%
3. Construction	5.5%	0.0%	9.6%	2.1%	12.6%	12.5%	4.0%	6.4%	4.2%	1.0%	100.0%
4. Transport and communication	0.2%	4.7%	2.1%	0.6%	0.1%	0.4%	4.3%	1.7%	0.2%	2.2%	100.0%
5. Trade	25.4%	17.7%	31.0%	16.2%	8.7%	17.4%	24.9%	14.4%	17.0%	44.5%	100.0%
wholesale	21.7%	16.6%	14.8%	5.6%	1.0%	8.3%	8.8%	11.4%	10.6%	13.4%	100.0%
retail	3.7%	1.1%	16.2%	10.5%	7.4%	9.2%	14.1%	1.6%	6.4%	25.9%	100.0%
6. Catering and other services	0.6%	0.9%	10.8%	3.4%	2.9%	6.2%	7.2%	1.4%	5.3%	8.1%	100.0%
7. Financial sector	42.4%	33.4%	2.3%	8.8%	4.4%	0.0%	0.0%	4.7%	1.3%	2.5%	100.0%
o/w: resident banks	42.4%	33.4%	1.6%	6.7%	0.0%	0.0%	0.0%	2.4%	0.0%	2.4%	100.0%
8. Consumer loans	1.3%	7.7%	4.6%	21.6%	23.2%	13.8%	23.1%	28.7%	6.2%	1.5%	100.0%
9. Mortgage lending	17.4%	13.4%	11.8%	3.3%	15.9%	2.6%	13.9%	3.0%	10.0%	6.6%	100.0%
10. Other sectors of economy	0.7%	0.0%	5.7%	0.9%	19.7%	2.0%	7.8%	6.1%	13.7%	4.1%	100.0%
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	0.1%	1.4%	6.5%	8.9%	1.5%	9.9%	3.6%	10.2%	2.9%	1.6%	100.0%
mining	0.0%	0.0%	0.2%	0.4%	0.1%	1.6%	2.2%	1.8%	0.5%	0.1%	100.0%
energy	0.0%	1.5%	4.7%	9.0%	0.4%	22.1%	1.3%	25.8%	5.1%	0.0%	100.0%
food products	0.0%	2.2%	13.5%	16.2%	2.0%	5.2%	7.3%	1.5%	2.5%	0.7%	100.0%
light	0.7%	0.9%	4.2%	10.7%	7.1%	0.6%	10.5%	6.4%	6.8%	13.1%	100.0%
chemical	0.0%	0.0%	2.2%	0.0%	0.4%	0.0%	0.1%	55.1%	0.0%	5.0%	100.0%
building materials	0.7%	0.3%	0.2%	10.8%	1.3%	16.0%	1.7%	3.0%	2.3%	3.1%	100.0%
precious metals	0.0%	0.0%	0.0%	4.9%	0.0%	2.8%	2.5%	8.3%	0.7%	2.1%	100.0%
metallurgy	0.0%	0.0%	19.4%	0.0%	0.0%	0.0%	0.3%	0.0%	0.0%	0.0%	100.0%
machine-building and electrical	1.1%	21.5%	22.8%	2.0%	4.4%	26.1%	3.7%	1.0%	0.3%	0.3%	100.0%
other branches of industry	0.0%	0.7%	15.8%	6.5%	11.4%	0.0%	2.9%	2.3%	4.2%	15.6%	100.0%
2. Agriculture	0.1%	3.1%	3.1%	44.3%	3.0%	5.0%	0.5%	9.2%	0.7%	4.5%	100.0%
cattle breeding	0.1%	3.8%	0.1%	44.2%	5.1%	8.3%	0.9%	12.5%	1.0%	5.7%	100.0%
plant growing	0.0%	2.4%	6.3%	44.3%	0.8%	1.5%	0.1%	5.6%	0.4%	3.3%	100.0%
3. Construction	0.3%	0.0%	11.7%	3.5%	8.2%	11.6%	3.7%	8.8%	1.1%	0.4%	100.0%
4. Transport and communication	0.0%	4.2%	6.4%	2.6%	0.2%	0.9%	10.1%	5.8%	0.1%	1.9%	100.0%
5. Trade	0.5%	2.0%	11.8%	8.4%	1.8%	5.0%	7.3%	6.1%	1.4%	4.7%	100.0%
wholesale	0.8%	3.6%	11.0%	5.7%	0.4%	4.6%	5.0%	9.5%	1.7%	2.7%	100.0%
retail	0.2%	0.3%	13.3%	11.9%	3.2%	5.7%	8.9%	1.5%	1.2%	5.9%	100.0%
6. Catering and other services	0.0%	0.4%	15.4%	6.7%	2.2%	6.6%	7.8%	2.2%	1.7%	3.2%	100.0%
7. Financial sector	3.2%	14.5%	3.5%	18.0%	3.5%	0.0%	0.0%	7.8%	0.4%	1.0%	100.0%
o/w: resident banks	5.2%	23.8%	4.0%	22.5%	0.0%	0.0%	0.0%	6.6%	0.0%	1.6%	100.0%
8. Consumer loans	0.0%	0.9%	1.9%	12.3%	5.1%	4.3%	7.3%	13.3%	0.6%	0.2%	100.0%
9. Mortgage lending	0.8%	3.7%	11.4%	4.4%	8.2%	1.9%	10.2%	3.2%	2.1%	1.7%	100.0%
10. Other sectors of economy	0.0%	0.0%	8.3%	1.8%	15.1%	2.2%	8.7%	9.8%	4.3%	1.6%	100.0%
Total by banks	**0.4%**	**2.2%**	**7.7%**	**10.5%**	**4.1%**	**5.8%**	**5.9%**	**8.6%**	**1.7%**	**2.1%**	**100.0%**

Annex 10. Non-Performing and Written-Off Loans and Receivables of Commercial Banks

AMD thousand

Indicators	Non-performing assets		Off-balance sheet	
	AMD	FX	AMD	FX
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
2012				
Non-performing and off-balance sheet assets (total)	17814975	41462044	32577752	44773477
1. Residents' non-performing and off-balance sheet assets (total)	17772829	41242623	32302272	44383993
1.1 Industry	800156	13633986	2703626	8794769
mining	7540	341191	82238	115626
energy	15953	1475009	0	94199
food products	325157	9566312	1663656	4296065
light	60037	49857	445990	900618
chemical	29619	0	20748	36987
building materials	185738	760536	169266	497964
precious items	58731	1114675	20533	770386
metallurgy	0	0	0	0
machine-building and electrical	0	84206	42711	317385
other branches of industry	117380	242200	258484	1765539
1.2 Agriculture	531567	4116850	956965	7056420
1.3 Construction	473485	2079583	532255	3818478
1.4 Transport and communication	348848	1838516	164637	327483
1.5 Trade	2224552	9366447	5877192	10118050
1.6 Public catering and other services	2502496	2727794	536786	1907081
1.7 Financial sector	0	0	62384	547825
1.8 Consumer loans	8267237	2174082	12548246	4875353
1.9 Mortgage loans	1994897	3179562	5154692	3675243
1.10 Other Sectors of Economy	629591	2125803	3765490	3263292
2. Non-residents' non-performing and off-balance sheet assets (total)	42146	219421	275480	389484

Annex 11. Accrued Allowances on Loans, Receivables and Off-Balance Sheet Items *(AMD thousand)*

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	% of total
31.12.10				
1. Standard	905748416	96.9%	9758165	1.08%
2. Watched	11319857	1.2%	1138139	10.05%
3. Non-standard	11257396	1.2%	2258749	20.06%
4. Doubtful	6057357	0.6%	3068672	50.66%
Total	**934383026**	**100.0%**	**16223725**	**1.74%**

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	% of total
31.12.11				
1. Standard	1229980313	96.6%	13162306	1.07%
2. Watched	18774073	1.5%	2109546	11.24%
3. Non-standard	15609789	1.2%	3614822	23.16%
4. Doubtful	9313812	0.7%	5343356	57.37%
Total	**1273677988**	**100.0%**	**24230031**	**1.90%**

Loans	Loan Investments	Share	Reserve on loans issued	
			balance	% of total
31.12.12				
1. Standard	1569215822	96.41%	17424867	1.11%
2. Watched	26525293	1.63%	3011251	11.35%
3. Non-standard	18997649	1.17%	4409892	23.21%
4. Doubtful	12849453	0.79%	7316699	56.94%
Total	**1627588217**	**100%**	**32162710**	**1.98%**

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%**	**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%**

Receivables	Receivables	Share	Reserve on Receivables	
			balance	% of total
31.12.12				
1. Standard	78291605	98.94%	1249825	1.60%
2. Watched	396138	0.47%	39746	10.03%
3. Non-standard	385893	0.45%	82773	21.45%
4. Doubtful	117695	0.14%	60692	51.57%
Total	**79191332**	**100%**	**1433036**	**1.81%**

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%**

Off-balance sheet items	Off-balance sheet items	Share	Reserve on Off-balance sheet items	
			balance	% of total
31.12.12				
1. Standard	212976319	99.61%	1788537	0.84%
2. Watched	632309	0.30%	66825	10.57%
3. Non-standard	78764	0.04%	18450	23.42%
4. Doubtful	18542	0.01%	10046	54.18%
5. Written-off	98921	0.05%	98921	100.00%
Total	**213804854**	**100%**	**1982778**	**0.93%**

Annex 12. Main Prudential Indicators of Commercial Banks

Indicators	31.12.11	31.03.12	30.06.12	30.09.12	31.12.12
Total capital adequacy	18.3%	17.8%	16.8%	17.2%	16.8%
Total liquidity	27.9%	26.6%	24.4%	25.3%	25.6%
Current liquidity	120.8%	126.4%	118.1%	127.6%	126.1%
Maximum risk on a single borrower[1]	16.6%	17.5%	18.3%	17.6%	17.2%
Maximum risk on major borrowers[1]	121.0%	127.6%	130.8%	114.4%	142.2%
Maximum risk on a bank related single borrower[1]	2.8%	2.5%	2.7%	3.2%	3.1%
Maximum risk on a bank related party[1]	8.5%	8.6%	9.3%	9.1%	9.7%

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

Annex 13. Survey Balance Sheet Indicators of Credit Organizations

AMD thousand

Indicators			31.12.2010	31.12.2011	Change 31.12.11-31.12.10	31.03.2012	Change 31.03.12-31.12.11	30.06.2012
Assets	Cash		246870	1192897	383.2%	303392	-74.6%	337413
	Current accounts with banks		4078225	4702861	15.3%	5704475	21.3%	6499292
	Claims on banks and other financial organizations		19097128	31910202	67.1%	32380991	1.5%	36993510
	Government securities		744211	1751616	135.4%	1716995	-2.0%	2098981
	Loans to legal entities		12544962	16575147	32.1%	18634908	12.4%	21933081
	Loans to natural persons		40764499	55836609	37.0%	63420382	13.6%	68761255
	Loans to interrelated parties and employees		1766883	2254304	27.6%	1218313	-46.0%	3452060
	Fixed assets		2006634	3259486	62.4%	2417114	-25.8%	2606142
	Leasing, factoring		4577687	6121636	33.7%	6451101	5.4%	7249896
	Other securities		3680	114876	3021.6%	18649	-83.8%	25718
	Other assets		2994110	3527589	17.8%	4672828	32.5%	5485090
	Interest receivable		551440	795033	44.2%	1075464	35.3%	1185930
	Asset loss reserves		-2181440	-4191281	92.1%	-4773185	13.9%	-5503822
	Total assets		**87194889**	**123850974**	**42.0%**	**133241427**	**7.6%**	**151124546**
Liabilities	Demand liabilities		211470	315542	49.2%	684558	116.9%	707670
	Liabilities to banks and other financial organizations		23481195	39492154	68.2%	47269570	19.7%	58041187
	Time liabilities to natural persons		3189618	4029012	26.3%	4657983	15.6%	6407796
	Time liabilities to legal entities*		20140216	28084080	39.4%	26940069	-4.1%	26874006
	Interest payable		744531	1051203	41.2%	1351341	28.6%	1567234
	Other liabilities		3462640	4034466	16.5%	3712680	-8.0%	6092145
	Total liabilities		**51229670**	**77006457**	**50.3%**	**84616201**	**9.9%**	**99690038**
Capital	Paid-in statutory capital		25942476	37092773	43%	37392307	0.8%	40320609
	o/w: non-residents' participation		9426357	13704211	45%	14003746	2.2%	14131006
	General reserve		545732	982613	80%	999600	1.7%	1484947
	Repurchased capital by credit organizations		-180703	0		0		0
	Undistributed profit (loss)	Current period	4254959	2766763	-35%	1699239	-38.6%	1,156,935
		Previous period	5314287	5904156	11%	8397445	42.2%	8,388,318
	Total balance sheet capital			**46844518**	**30.2%**	**48625230**	**3.8%**	**51434508**
	Total number of credit organizations.		**31**	**32**		**32**		**32**

Indicators			Change 30.06.12-31.03.12	30.09.2012	Change 30.09.12-30.06.12	31.12.2012	Change 31.12.12-30.09.12	Change 31.12.12-31.12.11
Assets	Cash		11.2%	442975	31.3%	312354	-29.5%	-73.8%
	Current accounts with banks		13.9%	5816685	-10.5%	3770851	-35.2%	-19.8%
	Claims on banks and other financial organizations		14.2%	41306850	11.7%	44684212	8.2%	40.0%
	Government securities		22.2%	2610470	24.4%	2502413	-4.1%	42.9%
	Loans to legal entities		17.7%	22114530	0.8%	23551649	6.5%	42.1%
	Loans to natural persons		8.4%	69415206	1.0%	77864195	12.2%	39.5%
	Loans to interrelated parties and employees		183.3%	3522021	2.0%	3495946	-0.7%	55.1%
	Fixed assets		7.8%	2621895	0.6%	2711286	3.4%	-16.8%
	Leasing, factoring		12.4%	8279438	14.2%	8331996	0.6%	36.1%
	Other securities		37.9%	25264	-1.8%	29865	18.2%	-74.0%
	Other assets		17.4%	5464694	-0.4%	5755477	5.3%	63.2%
	Interest receivable		10.3%	1282390	8.1%	1193396	-6.9%	50.1%
	Asset loss reserves		15.3%	-5422463	-1.5%	-5672867	4.6%	35.3%
	Total assets		**13.4%**	**157479955**	**4.2%**	**168530773**	**7.0%**	**36.1%**
Liabilities	Demand liabilities		3.4%	666750	-5.8%	680804	2.1%	115.8%
	Liabilities to banks and other financial organizations		22.8%	57424669	-1.1%	62489606	8.8%	58.2%
	Time liabilities to natural persons		37.6%	6831790	6.6%	7989836	17.0%	98.3%
	Time liabilities to legal entities*		-0.2%	26911727	0.1%	27833807	3.4%	-0.9%
	Interest payable		16.0%	2092881	33.5%	2218664	6.0%	111.1%
	Other liabilities		64.1%	4298578	-29.4%	4441113	3.3%	10.1%
	Total liabilities		**17.8%**	**98226395**	**-1.5%**	**105653830**	**7.6%**	**37.2%**
Capital	Paid-in statutory capital		7.8%	47509822	17.8%	50300238	5.9%	35.6%
	o/w: non-residents' participation		0.9%	16062246	13.7%	16053990	-0.1%	17.1%
	General reserve		48.6%	1484947	0.0%	1485912	0.1%	51.2%
	Repurchased capital by credit organizations			0		0		
	Undistributed profit (loss)	Current period	-31.9%	3809479	229.3%	4645344	21.9%	67.9%
		Previous period	-0.1%	6338138	-24.4%	6336255	0.0%	7.3%
	Total balance sheet capital			**59253637**	**15.2%**	**62877084**	**6.1%**	**34.2%**
	Total number of credit organizations.			**32**		**32**		

* *Includes also liabilities to the Government:*

Annex 14. Structure of Survey Balance Sheet Indicators of Credit Organizations

Indicators			31.12.2010	31.12.2011	Change 31.12.11 - 31.12.10	31.03.2012	Change 31.03.12 - 31.12.11	30.06.2012
Assets	Cash		0.3%	1.0%	0.7%	0.2%	-0.7%	0.2%
	Current accounts with banks		4.7%	3.8%	-0.9%	4.3%	0.5%	4.3%
	Claims on banks and other financial organizations		21.9%	25.8%	3.9%	24.3%	-1.5%	24.5%
	Government securities		0.9%	1.4%	0.6%	1.3%	-0.1%	1.4%
	Loans to legal entities		14.4%	13.4%	-1.0%	14.0%	0.6%	14.5%
	Loans to natural persons		46.8%	45.1%	-1.7%	47.6%	2.5%	45.5%
	Loans to interrelated parties and employees		2.0%	1.8%	-0.2%	0.9%	-0.9%	2.3%
	Fixed assets		2.3%	2.6%	0.3%	1.8%	-0.8%	1.7%
	Leasing, factoring		5.2%	4.9%	-0.3%	4.8%	-0.1%	4.8%
	Other securities		0.0%	0.1%	0.1%	0.0%	-0.1%	0.0%
	Other assets		3.4%	2.8%	-0.6%	3.5%	0.7%	3.6%
	Interest receivable		0.6%	0.6%	0.0%	0.8%	0.2%	0.8%
	Asset loss reserves		-2.5%	-3.4%	-0.9%	-3.6%	-0.2%	-3.6%
	Total assets		**100.0%**	**100.0%**	**x**	**100.0%**	**x**	**100.0%**
Liabilities	Demand liabilities		0.4%	0.4%	0.0%	0.8%	0.4%	0.7%
	Liabilities to banks and other financial organizations		45.8%	51.3%	5.4%	55.9%	4.6%	58.2%
	Time liabilities to natural persons		6.2%	5.2%	-1.0%	5.5%	0.3%	6.4%
	Time liabilities to legal entities*		39.3%	36.5%	-2.8%	31.8%	-4.6%	27.0%
	Interest payable		1.5%	1.4%	-0.1%	1.6%	0.2%	1.6%
	Other liabilities		6.8%	5.2%	-1.5%	4.4%	-0.9%	6.1%
	Total liabilities		**100.0%**	**100.0%**	**x**	**100.0%**	**x**	**100.0%**
Capital	Paid-in statutory capital		72.1%	79.2%	7.1%	76.9%	-2.3%	78.4%
	o/w: non-residents' participation		26.2%	29.3%	3.0%	28.8%	-0.5%	27.5%
	General reserve		1.5%	2.1%	0.6%	2.1%	0.0%	2.9%
	Repurchased capital by credit organizations		-0.5%	0.0%	0.5%	0.0%	0.0%	0.0%
	Undistributed profit (loss)	Current period	11.8%	5.9%	-5.9%	3.5%	-2.4%	2.2%
		Previous period	14.8%	12.6%	-2.2%	17.3%	4.7%	16.3%
	Total balance sheet capital			**100.0%**	**x**	**100.0%**	**x**	**100.0%**

Indicator			Change 30.06.12 -31.03.12	30.09.2012	Change 30.09.12 -30.06.12	31.12.2012	Change 31.12.12 -30.09.12	Change 31.12.12 -31.12.11
Assets	Cash		0.0%	0.3%	0.1%	0.2%	-0.1%	-0.8%
	Current accounts with banks		0.0%	3.7%	-0.6%	2.2%	-1.5%	-1.6%
	Claims on banks and other financial organizations		0.2%	26.2%	1.8%	26.5%	0.3%	0.7%
	Government securities		0.1%	1.7%	0.3%	1.5%	-0.2%	0.1%
	Loans to legal entities		0.5%	14.0%	-0.5%	14.0%	-0.1%	0.6%
	Loans to natural persons		-2.1%	44.1%	-1.4%	46.2%	2.1%	1.1%
	Loans to interrelated parties and employees		1.4%	2.2%	0.0%	2.1%	-0.2%	0.3%
	Fixed assets		-0.1%	1.7%	-0.1%	1.6%	-0.1%	-1.0%
	Leasing, factoring		0.0%	5.3%	0.5%	4.9%	-0.3%	0.0%
	Other securities		0.0%	0.0%	0.0%	0.0%	0.0%	-0.1%
	Other assets		0.1%	3.5%	-0.2%	3.4%	-0.1%	0.6%
	Interest receivable		0.0%	0.8%	0.0%	0.7%	-0.1%	0.1%
	Asset loss reserves		-0.1%	-3.4%	0.2%	-3.4%	0.1%	0.0%
	Total assets		**x**	**100.0%**	**x**	**100.0%**	**x**	**x**
Liabilities	Demand liabilities		-0.1%	0.7%	0.0%	0.6%	0.0%	0.2%
	Liabilities to banks and other financial organizations		2.4%	58.5%	0.2%	59.1%	0.7%	7.9%
	Time liabilities to natural persons		0.9%	7.0%	0.5%	7.6%	0.6%	2.3%
	Time liabilities to legal entities*		-4.9%	27.4%	0.4%	26.3%	-1.1%	-10.1%
	Interest payable		0.0%	2.1%	0.6%	2.1%	0.0%	0.7%
	Other liabilities		1.7%	4.4%	-1.7%	4.2%	-0.2%	-1.0%
	Total liabilities		**x**	**100.0%**	**x**	**100.0%**	**x**	**x**
Capital	Paid-in statutory capital		1.5%	80.2%	1.8%	80.0%	-0.2%	0.8%
	o/w: non-residents' participation		-1.3%	27.1%	-0.4%	25.5%	-1.6%	-3.7%
	General reserve		0.8%	2.5%	-0.4%	2.4%	-0.1%	0.3%
	Repurchased capital by credit organizations		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Undistributed profit (loss)	Current period	-1.2%	6.4%	4.2%	7.4%	1.0%	1.5%
		Previous period	-1.0%	10.7%	-5.6%	10.1%	-0.6%	-2.5%
	Total balance sheet capital			**100.0%**	**x**	**100.0%**	**x**	**x**

* *Includes also liabilities to the Government:*

Annex 15. Credit Organizations: Income and Expense

AMD thousand

Indicator	31.12.10	31.12.11	Change 31.12.11-31.12.10	31.03.12	30.06.12	30.09.12	31.12.12	Change 31.12.12-31.12.11
Interest income	11952365	14961885	25.2%	4728958	9621633	15033254	20348604	36.0%
Interest expense	3881435	4820894	24.2%	1519497	3357297	5385723	7503681	55.6%
Net interest income	8070930	10140991	25.6%	3209461	6264336	9647531	12844923	26.7%
Non-interest income	4148820	6184429	49.1%	1571811	3255360	4495611	6306889	2.0%
Non-interest expense	5791563	8060057	39.2%	2252555	4893058	7574777	10865806	34.8%
Net non-interest income	-1642743	-1875628	14.2%	-680744	-1637698	-3079166	-4558917	143.1%
Loss provision	5633549	10444282	85.4%	2372380	5332040	7537402	10422763	-0.2%
Recovery from loss reserve	4563882	8301254	81.9%	1645661	3557874	5717147	8364768	0.8%
Net provision	1069667	2143028	100.3%	726719	1774166	1820255	2057995	-4.0%
Gross income	20665066	29447568	42.5%	7946429	16434867	25246012	35020261	18.9%
Gross expense	15306547	23325233	52.4%	6144432	13582395	20497902	28792250	23.4%
Pre-tax profit	5358519	6122334	14.3%	1801998	2852472	4748110	6228011	1.7%
Net profit	4308688	4930540	14.4%	1486014	2321291	3901946	4847791	-1.7%
Undistributed profit	4300963	2801819	-34.9%	1486014	2283041	3863696	4809541	71.7%

Annex 16. Loan Investments of Credit Organizations

AMD thousand

Sectors	31.12.10	31.12.11	Change 31.12.11-31.12.10	31.03.12	30.06.12	30.09.12	31.12.12	Change 31.12.12-31.12.11
Industry	4246400	10844891	155.4%	11207652	12779785	13265953	14958716	37.9%
Agriculture	14214867	22345799	57.2%	26011603	27235954	25370458	29288596	31.1%
Construction	3425286	3306975	-3.5%	4928215	5099590	5669332	5798321	75.3%
Transport and communications	2302936	793879	-65.5%	830559	980717	1105525	1059020	33.4%
Trade	12597594	14804062	17.5%	15398296	18692251	18555169	19381117	30.9%
Public catering and other services	2414152	4067043	68.5%	3801404	5417334	5433086	5735000	41.0%
Financial sector	19134871	33102937	73.0%	33643534	38411373	42799489	45471539	37.4%
Consumer loans (including mortgage loans)	4734853	8692986	83.6%	10301090	11388974	12669795	14954308	72.0%
Mortgage loans	9545019	12187519	27.7%	12855427	15392756	16497205	17406315	42.8%
Other sectors	4647076	2621407	-43.6%	2729866	2798966	3068004	3517739	34.2%
Total	**77263054**	**112767498**	**46.0%**	**121707646**	**138197700**	**144434016**	**157570671**	**39.7%**

Annex 17. Structure of Loan Investment of Credit Organizations by Sectors of Economy

Sectors	31.12.10	31.12.11	Change 31.12.11 - 31.12.10	31.03.12	30.06.12	30.09.12	31.12.12	Change 31.12.12- 31.12.11
Industry	5.5%	9.6%	4.1%	9.2%	9.2%	9.2%	9.5%	-0.1%
Agriculture	18.4%	19.8%	1.4%	21.4%	19.7%	17.6%	18.6%	-1.2%
Construction	4.4%	2.9%	-1.5%	4.0%	3.7%	3.9%	3.7%	0.7%
Transport and communications	3.0%	0.7%	-2.3%	0.7%	0.7%	0.8%	0.7%	0.0%
Trade	16.3%	13.1%	-3.2%	12.7%	13.5%	12.8%	12.3%	-0.8%
Public catering and other services	3.1%	3.6%	0.5%	3.1%	3.9%	3.8%	3.6%	0.0%
Financial sector	24.8%	29.4%	4.6%	27.6%	27.8%	29.6%	28.9%	-0.5%
Consumer loans (including mortgage loans)	6.1%	7.7%	1.6%	8.5%	8.2%	8.8%	9.5%	1.8%
Mortgage loans	12.4%	10.8%	-1.5%	10.6%	11.1%	11.4%	11.0%	0.2%
Other sectors	6.0%	2.3%	-3.7%	2.2%	2.0%	2.1%	2.2%	-0.1%
Total	**100.0%**	**100.0%**	**x**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**x**

Annex 18. Structure of Loans and Receivables of Credit Organizations by Risk Categories

AMD thousand

Risk class	31.12.10	Share in total	31.12.11	Share in total	31.03.12	Share in total	30.06.12	Share in total	30.09.12	Share in total	31.12.12	Share in total
Standard	77560431	97.0%	112196787	97.3%	4344083	98.6%	131619422	96.6%	141028946	95.9%	154620496	96.3%
Watched	1204466	1.5%	2034084	1.8%	59126	1.3%	2101323	1.5%	3607551	2.5%	3390690	2.1%
Non-standard	537454	0.7%	747017	0.6%	944	0.0%	1214195	0.9%	1179445	0.8%	1467986	0.9%
Doubtful	644144	0.8%	291633	0.3%	2573	0.1%	1250916	0.9%	1240408	0.8%	1020592	0.6%
Total	**79946494**	**100.0%**	**115269521**	**100%**	**4406726**	**100%**	**136185856**	**100%**	**147056349**	**100%**	**160499764**	**100%**

Annex 19. Investment companies as of 31.12.2012

1	"Alfa Securities, Ltd."
2	CJSC "Armenbrok"
3	CJSC "Ameria Invest"
4	CJSC "Renessa"
5	CJSC "Capital Investments"
6	CJSC "Cascade investments, Ltd"
7	"Tonton, Ltd."
8	"Future Capital Market, Ltd."
9	CJSC "Laboratory of Financial Technologies"
10	CJSC "Capital Asset Management"

Annex 20. Financial Indicators of Securities Market Professional Participants[1]

AMD million

Indicator	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Total assets, including:	8239	7471	7726	10530	8754	7728	15572	19556	21827	23609
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	19811
Short-term borrowings	3114	2024	4523	7964	6057	4076				
Equity capital	607	1382	1032	1248	2086	2721	2935	3196	3230	3798
Accrued profit	217	908	543	629	737	146				
Net profit	344	970	672	667	594	16	202	301	580	349

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

Annex 21. Turnover of Transactions Carried out by the Investment Service Providers in Securities Market[1]

AMD million

	Over 2011	2012												Over 2012
		J	F	M	A	M	J	J	A	S	O	N	D	
Shares	21107	317	1458	2283	895	1263	762	677	586	777	786	662	882	11349
o/w: traded on stock exchange	353	0	152	0	52	0	0	0	28	7	7	11	214	471
Government bonds	353614	26015	31394	35422	32546	29919	22631	32327	30647	35327	30449	42645	52176	401498
Government short-term bonds	73040	2501	1683	6360	2127	4169	3961	2812	3460	5135	6908	5069	6567	50751
o/w: traded on stock exchange	2105	0	0	0	0	0	0	0	0	0	289	184	0	473
Government medium-term bonds	157538	12486	13377	3463	18551	17788	7602	17215	13056	7557	17563	20738	22785	172181
o/w: traded on stock exchange	1714	43	47	609	27	355	14	333	5	335	399	0	534	2701
Government long-term bonds	123036	11029	16334	25598	11868	7962	11067	12299	14132	22635	5978	16838	22825	178565
o/w: traded on stock exchange	1555	0	259	0	230	0	130	109	38	117	96	0	31	1010
Corporate bonds	4159	21273	1122	61	254	28400	25077	32	41920	10074	14194	28331	33796	204534
o/w: traded on stock exchange	0	90	91	217	179	66	85	100	239	152	0	0	78	1295
Repo agreements	378898	47605	33974	37766	33695	59582	48469	33036	73153	46179	45430	71651	86854	617395
o/w: traded on stock exchange	6283	44	400	640	436	357	160	457	119	560	790	194	856	5013
Shares	2762784	234443	203671	213774	261608	308776	329323	348785	335746	317650	379940	354422	493120	3781258
o/w: traded on stock exchange	11959	89	149	186	53	64	69	83	190	52	0	0	0	936
Number of Investment service providers	29	29	29	29	29	29	29	30	30	30	32	32	32	32
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	9	9	9	9	9	9	9
o/w investment fund managers	0	0	0	0	0	0	0	0	0	0	1	1	1	1

[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 22. Armenian Stock Exchange Transactions and their Structure by Instruments

AMD million

Period	Number of transactions	Value of Trade Transactions in Stock Exchange			
		Shares	Government bonds	Corporate bonds	Total
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
2012	420	412	4183	417	5013
January	8	0	43	1	44
February	24	93	306	0	400
March	14	0	609	31	640
April	23	52	257	127	436
May	17	0	355	2	357
June	30	0	145	15	160
July	17	0	441	16	457
August	16	28	43	48	119
September	40	7	453	100	560
October	51	7	783	0	790
November	91	11	184	0	194
December	89	214	565	78	856

Annex 23. Number of Register Running Issuers and Holders of Securities in the Central Depository

Period	Number of holders of securities (persons)			Number of Register running issuers		
	Registered securities	Non-registered securities	Total	Registered securities	Non-registered securities	Total
2004	97725	37210	134935	212	436	648
2005	94949	39550	134499	210	458	668
2006	28316	102584	130900	36	674	710
2007	24928	102559	127487	33	701	734
2008	6627	121702	128329	20	1182	1202
2009	7807	119901	127708	19	1508	1527
2010	7791	103885	111676	19	1556	1575
2011	7920	84558	92478	13	1601	1614
2012	7862	81085	88947	12	1667	1681

Annex 24. Insurance Companies in Armenia as of 31.12.2012

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

Annex 25. Balance Sheet Indicators of Insurance Companies

AMD thousand

Indicators		31.12.2010	31.12.2011	31.12.2012
Assets	Cash and cash equivalents	331351	192927	212377
	Bank accounts	3320383	1426419	1316542
	Receivables on direct insurance, o/w:	2306212	2492669	5179325
	from co-insurers	7313	1957	29
	from reinsurers	5603	14535	87344
	Claims on compensations, o/w:	221835	1726940	587901
	on co-insurers			
	on reinsurers	221835	1726761	587901
	on other persons		179	
	Claims due to subrogation	84282	164173	296356
	Deposits with banks	13332374	14594498	13813532
	Lending to financial organizations	201917	379733	361722
	Lending to natural persons and private entrepreneurs	214096	208307	58607
	Lending to legal entities	282926	506567	275683
	Securities sold under Repo agreements		2651037	2227266
	Government securities (including CBA-issued securities)	2184858	2081315	3533138
	Non-government securities	387200	364851	362360
	Reserves for securities depreciation held till maturity			-406
	Non-current investments in other parties statutory capital and other non-current claims on them			
	Reserves for receivables on direct insurance, co-insurance, reinsurance, on investments and borrowings	-340115	-396822	-492173
	Share of reinsurers in reserves		567812	1933089
	Interest receivable	317371	494875	513861
	Fixed assets	1122951	1578689	2842869
	Other assets	1633394	2391880	5260002
	Total assets	**25613952**	**31442363**	**38369424**

	Indicators	31.12.2010	31.12.2011	31.12.2012
Liabilities	Compensations payable, o/w:	91396	145456	213126
	on direct insurance	91396	145456	213126
	on co-insurance			
	on reinsurance risks			
	Payables to intermediaries	104154	271491	522457
	Refundable insurance premiums	10898	61031	167957
	Insurance premiums transferable to co-insurers	395	0	-
	Insurance premiums transferable to reinsurers	1818490	1377566	1415501
	Borrowings and loans from financial organizations	102770	256573	197280
	Interest payable	264	5483	6544
	Insurance reserves, o/w:	2870685	8618547	16030077
	reserve for unearned premiums	1997212	5004574	10833365
	reserve for loss presented to the insurer yet unregulated	374051	2175441	3005590
	reserve for loss occurred yet not presented to the insurer	187016	548387	1005211
	mathematical reserve			
	other reserves	312406	890145	1185912
	Repo agreements		2623084	2159697
	Other liabilities	8108702	4126907	3930974
	Total liabilities	**13107755**	**17486140**	**24643613**
Capital	Statutory capital	12116468	11933178	11430006
	General reserve	275757	284118	318630
	Current period undistributed profit/loss	-978940	1683030	369402
	Previous period undistributed profit/loss	873013	-114740	1261480
	Other capital elements	219900	170638	346292
	Total capital	**12506198**	**13956224**	**13725811**

Annex 26. Income and Expenditure of Insurance Companies

AMD thousand

Indicator	From the year beginning up to 31.12.2010	From the year beginning up to 31.12.2011	From the year beginning up to 31.12.2012
Earned insurance premiums	**3887898**	**17860334**	**26435224**
Accrued insurance premiums	4242904	19569337	32352891
Gross total	8253415	22371982	35524775
Premiums transferred to reinsurer	-4010512	-2802645	-3171885
Change in reserve for unearned insurance premiums	355005	1709004	5917667
Other income on insurance	**493133**	**700391**	**1258245**
Compensations from coinsurers	361	0	0
Mediator fees	254476	320919	262193
Other income	246546	379472	996051
Insurance compensations	**1210498**	**7454355**	**13702768**
Non-life insurance	1210498	7454355	13702768
Gross value	1745567	8140853	14487034
Share of insurer	-535069	-686499	-784267
Technical reserves	**-2360832**	**-8936347**	**-11905104**
Claimed, but not yet paid claim reserve	-1470486	-7451483	-9428512
Gross value	-2390258	-8484857	-10492524
Share of reinsurer	919772	1033375	1064012
Other reserves	-890346	-1484864	-2476592
Gross value	-890484	-1534110	-2503028
Share of insurer	138.00	49246	26436
Returns from technical reserves	**1973963**	**6769799**	**9956056**
Claimed, but not yet paid claim reserve	1310745	6160863	8343010
Gross value	1354980	6960267	9503962
Share of reinsurer	-44235	-799404	-1160952
Other reserves	663218	608936	1613046
Gross value	663218	621458	1642485
Share of insurer	-	-12522	-29439
Other insurance expenses	**732235**	**2821715**	**4949032**
Premium return on suspended agreements	195406	559346	639337
Expenses on mediator fees	444876	2127123	3278663
Other operational expenses	91953	135247	1031033
Interest income	**941087**	**1864763**	**2040177**

Indicator	From the year beginning up to 31.12.2010	From the year beginning up to 31.12.2011	From the year beginning up to 31.12.2012
Interest income on deposits of financial organizations and borrowings to them	818751	1402057	1706311
Interest income on borrowings to natural persons	3867	3730	4828
Interest income on borrowings to legal entities	4539	35682	44695
Interest income on government securities	85546	399429	261851
Interest income on non-government securities	22884	18089	11212
Other interest income	5500	5776	11280
Expenses on interest	**7862**	**104059**	**297848**
Interest expenses on loans from financial organizations and borrowings	7614	103359	296923
Other interest expenses	248	700	925
Non-interest income	**-464437**	**693629**	**546958**
Net income on assets disposal (selling)	-20030	26183	24641
Net income on revaluation of financial assets	3886	10228	20239
Net income from currency revaluation	-443969	485844	477544
Other non-interest income	-4324	171374	24534
Non-interest expenses	**3320628**	**6252092**	**8344253**
Management expenses	2095211	4071008	6208005
Educational expenses	5776	24011	31791
PR expenses	703373	831662	1063077
Other non-interest expenses	516268	1325411	1041380
Allocation to reserve for assets loss (non-collectability)	**172357**	**307175**	**446055**
Profit/loss on usual activity	**-972769**	**2013172**	**591599**
Profit before profit tax	**-972769**	**2013172**	**591599**
Profit tax	**3102**	**311957**	**180179**
Profit after profit tax	**-975871**	**1701215**	**411420**
Dividends	**0**	**9822**	**52000**
Undistributed profit	**-975871**	**1691393**	**359420**

Annex 27. Main Indicators of Insurance Companies by Types of Insurance

AMD thousand

	Non-life insurance classes	Number of insurance contracts in force as of 31/12/2012	Insurance amount of insurance contracts in force as of 31/12/2012	Reinsurance amounts of insurance contracts in force as of 31/12/2012	Insurance premiums from the beginning of the year up to 31/12/2012	Reinsurance premiums from the beginning of the year up to 31/12/2012	Accrued insurance compensations in 2012	Share of reinsurers in accrued compensations in 2012
1	Accident insurance	22144	117287924	17838869	354848	34172	50233	138
2	Health insurance	127579	760076989	-	12725387	-	3042186	-
3	Motor transport insurance	9682	77766679	27946156	2034194	492511	1333599	419623
4	Rail transport insurance	-	-	-	-	-	-	-
5	Air transport insurance	2	511535	511535	20225	12745	-	-
6	Water transport insurance	-	-	-	-	-	-	-
7	Freight insurance	784	55378861	49567223	553372	306862	23014	20261
8	Fire and natural disaster insurance	13880	1476463371	1206415644	2317616	1544629	133412	130008
9	Property damage insurance	4761	206317453	153180017	298889	133264	2294	-
10	Responsibility for use of motor transport insurance	4232	94201875	14661692	58232	14003	9508	163
11	Responsibility for use of air transport insurance	1	20179000	20179000	13488	8101	-	-
12	Responsibility for use of water transport insurance	-	-	-	-	-	-	-
13	General liability insurance	526	246373578	237306836	438652	300857	526499	183505
14	Loan insurance	1	6291090	-	809692	-	121080	-
15	Guarantee insurance	2	255808	214981	-	-	-	-
16	Financial loss insurance	126	39382641	35617861	313654	233473	5667	-
17	Judicial and extrajudicial costs insurance	-	-	-	-	-	-	-
18	Assistance insurance	11361	264978018	124610185	418320	91270	132689	30567
19	MTPL	243963	2930523251	-	15168207	-	9106546	-
	Total	**439044**	**6295988074**	**1888049999**	**35524774**	**3171887**	**14486727**	**784266**

Annex 28. Pawnshops

AMD million

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	15160	9140	135
31.12.2010	2410	1673	63
31.12.2011	3921	2433	68
31.12.2012	5147	3312	103

Annex 29. Registered Payment and Settlement Organizations as of 31.12.2012

1	"Haypost" CJSC
2	"E-Dram" Ltd.
3	"Mobi Dram" Ltd.
4	"Tel-Cell" CJSC
5	"Tandem Payments" Ltd.
6	"OSMP" Ltd.
7	"ArCa" CJSC

Annex 30. Amount of Transfers by Non-Cash Payment Instruments in Banking System

AMD million

Transfers	2008	2009	2010	2011	2012	2012			
						QI	QII	QIII	QIV
Paper based payment orders[1]	4804497	6806481	6878130	11907748	20208291	4155408	5528267	5702529	4822087
Electronic payment orders[1]	10289081	7793560	10178918	10054213	9508259	2186682	2121230	2439458	2760890
Checks	17286	23744	19355	22507	30292	6360	7093	9340	7499
Other debit instruments [2]	693	866	260	264	0	0		0	0
Non-cash transactions by cards	24109	30750	40202	63359	89745	17887	21966	23133	26759
Total	15135666	14655401	17116866	22048090	29836587	6366337	7678556	8174460	7617235

Annex 31. Number of Transfers by Non-Cash Payment Instruments in Banking System

Transfers	2008	2009	2010	2011	2012	2012			
						QI	QII	QIII	QIV
Paper based payment orders[1]	1418090	1803287	1907845	3529426	3804931	797909	964394	938264	1104364
Electronic payment orders[1]	2972924	3943374	4934399	5994470	7728899	1406277	1464422	2193384	2664816
Checks	11790	14174	10562	11327	12042	2278	2727	3944	3093
Other debit instruments [2]	2014	2512	2145	2429	0	0		0	0
Non-cash transactions by cards	638753	916178	1203498	1850159	2805023	589388	668455	732279	814901
Total	5043571	6679525	8058449	11387811	14350895	2795852	3099998	3867871	4587174

[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 32. Transfers Sent and Received via International Money Transfer Systems

		2008	2009	2010	2011	2012	2012			
							QI	QII	QIII	QIV
Transfers sent	Amount (million drams)	38945	41759	51779	62402	79048	15895	19864	18645	24644
	Number of transfers	88778	107088	124911	144473	172868	38437	43857	39996	50578
Transfers received	Amount (million drams)	439499	362703	430467	523739	641427	100522	147981	201543	191381
	Number of transfers	1636683	1539255	1865449	2268758	2797158	496345	712651	833553	754609
Turnover	Amount (million drams)	478444	404462	482246	586142	720475	116417	167844	220188	216025
	Number of transfers	1725461	1646343	1990360	2413231	2970026	534782	756508	873549	805187

Annex 33. Number of Cards in Circulation

Plastic Card	2008	2009	2010	2011	2012	2012			
						QI	QII	QIII	QIV
ArCa	200190	282164	306070	391936	492126	421926	435373	453746	492126
VISA	165894	201589	269771	363691	520703	395614	438896	479717	520703
MASTER Card	47769	61108	115943	181455	264539	193972	217332	226639	264539
Other international cards[1]	40504	34570	37514	40666	45581	40958	41785	43736	45581
Total	454357	579431	729298	977748	1322949	1052470	1133386	1203838	1322949

Annex 34. Amount of Transactions by Cards in Armenia

AMD million

Plastic Card	2008	2009	2010	2011	2012	2012			
						QI	QII	QIII	QIV
ArCa	117550	173445	212886	247255	290960	59178	71836	72725	87220
VISA	127129	151623	219144	308579	450472	75907	107063	128555	138947
MASTER Card	39164	62331	77338	113742	174090	30613	37133	43636	62708
Other international cards[1]	42528	40849	48982	69163	84249	14382	17239	18208	34420
Total	326371	428248	558350	738739	999771	180079	233272	263124	323296

Annex 35. Number of Transactions by Cards

Plastic Card	2008	2009	2010	2011	2012	2012			
						QI	QII	QIII	QIV
ArCa	2915892	4177660	5261125	6089528	7031742	1529221	1815789	1745716	1941016
VISA	2090858	2602572	3577094	5072749	7244453	1393187	1687361	2042084	2121821
MASTER Card	653957	1158843	1519906	2329923	3450684	707867	825740	874553	1042524
Other international cards[1]	925427	908977	934806	1068791	1140836	235935	273056	271557	360288
Total	6586134	8848052	11292931	14560991	18867715	3866210	4601946	4933910	5465649

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

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