CENTRAL BANK OF
THE REPUBLIC OF ARMENIA

ARMENIAN FINANCIAL SYSTEM

2013

Development
Regulation
Supervision

2014

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INTRODUCTION

Over 2013, financial system of Armenia reported a dynamic growth trend contributing to the availability of the financial resources and services for the real sector of economy. Assets of financial system increased by around 20 percent and accounted for 77.1 percent of gross domestic product registering an 8.5 percentage point growth over previous year. Parallel to the deepening financial intermediation and in terms of increasing competition among the banks, persistent decreasing trend of credit interest rates and increasing trend of deposit interest rates led to the decrease of interest rate spread.

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 2013, the Central Bank initiated large-scale legislative and regulatory reforms aimed at the implementation of Basel III standards. The Central Bank started developing ground for implementing a risk based supervision system for the financial institutions.

Over 2013, the participants of Armenian financial system continued to deliver sustainable growth of main financial indicators (assets, loans, liabilities, deposits, capital and etc.).

CHANGES IN FINANCIAL SYSTEM REGULATORY FRAMEWORK IN 2013

Ongoing developments in real and financial sectors suppose also corresponding adjustments in regulatory framework. In 2013, enhancements of regulatory framework of financial sector were continued.

Changes in the financial system regulatory framework

Legislative changes

In 2013, three amendments and addenda were introduced to the Law on ***"Funded Pensions"***. These changes were driven by the fact that until the changes to the law it did not regulate number of issues related to the accounting of the mandatory pension contributions. These issues were discovered during the development of the corresponding IT solutions. The introduced changes covered the following:

- Accounting of contributions through personified accounts opened in authorized state body,
- Procedure of redemption of pension units,
- Procedure of return or offset of the excess payments for mandatory pension liabilities,
- Procedure of calculation of fines within the scope of funded pension system.

Regulatory changes

In 2013 the Central Bank developed and revised the following legal acts:

1. According to the decree of the Central Bank Board amendments and addenda were introduced in ***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"*** as follows
   - Bank dealers are considered as managerial positions within the bank; therefore, they must have higher education and hold a professional qualification dealer certificate issued by the Central Bank. Furthermore, those employees of the bank can be considered as dealers, who set the terms (price, volume, quantity, interest rate, timing of execution, performance, maturity and other terms and/or other requirements) of purchase, sale or exchange of foreign currency and securities, as specified under the Republic of Armenia Law on Securities Market (except for own securities or payment securities).

- Qualification certificate is issued to the dealer on the basis of:
  1. a document certifying the fact of having passed at least the first level CFA (Chartered Financial Analyst) exam, or
  2. an ACI Dealing Certificate, issued by ACI ("The Financial Markets Association").
- Qualification certificate is issued to a dealer for an unspecified period.
- In case of changes in the structure of dealers, the bank shall make a due notice to the Central Bank.

The abovementioned decree is expected to improve the skills and professionalism of decision-makers engaged in dealing with securities, currencies, derivatives and money market instruments in Armenian banking system.

2. According to the decree of the Central Bank Board, ***Regulation No 4 "On Minimum Requirements to Bank Internal Control Procedure"*** was adopted, whereby:
   - banks should have an effective risk management mechanism in place as part of internal control; it should include a risk management strategy as well as "risk appetite" and specific risk management policies;
   - with the view of avoiding misinterpretations of main bank related financial and non-financial risks, these risks were described;
   - requirements to the introduction and effective implementation of internal capital adequacy assessment process (ICAAP) were stipulated; as well as general approaches to risk management, not covered by the Central Bank prudential regulatory standards were described;
   - banks should have risk management and compliance functions in place, and persons in charge of such functions are designated by CEO with the agreement of board;
   - new requirements to remuneration policy of the bank were specified in pursuit of limiting the incentive to excessive risk performance by those in charge for risk management;
   - it was defined that banks should have business continuity management processes in place.

   It is expected that this regulation would raise the effectiveness in the bank's internal control and risk management mechanisms.

3. Amendments were introduced **to the procedure on selecting an independent auditor by commercial banks operating in the territory of the Republic of Armenia**. Amendment covered the list of sources, which the banks should use, when selecting auditor, which does not have five years of experience, but according to the sources mentioned in the list the auditor is full member of top ten auditor networks.

   It is expected that the amendments will clarify the procedure on selecting an auditor by the banks.

4. According to the decree of the Central Bank Board amendments and addenda were introduced in ***Regulation No 2 "On Regulation of Banking; Prudential Requirements for Banking"***. The

amendments were aimed at the enhancement of the regulatory prudential framework of banking activities and compliance with the level of risks taken by the banks. According to changes:

- for calculation of N3 and N4 prudential standards, persons will not be considered affiliated if the government, the International Finance Corporation, the European Bank for Reconstruction and Development and/or the Asian Development Bank hold more than 20 percent of voting shares (equity, shares) of such persons or have the right to influence their decisions in the manner not prohibited by law;
- for calculation of foreign currency position, the foreign currency assets shall be included at book value, except for foreign currency assets categorized as standard and watched, which are included in the calculation at book value plus the amount of the asset loss provisions;
- the shares owned by the bank as a result of disposition of collateral may remain non- reduced from regulatory capital within six months after having been treated as property of the bank in accordance with the law;
- non-government bonds issued by a number of international organizations have been included in the structure of highly liquid assets;
- back-to-back derivatives may be included in the calculation of foreign currency position with derivative instruments.

5. According to the decree of the Central Bank Board amendments and addenda were introduced to ***Regulation No 3 "On Banks' Reports; Submission and Publication of Banks' Reports"*** in order to comply with the shifts in regulatory framework.

6. Changes have been made to the procedure ***"On Creation of Credit Registry of Banks, Credit Organizations, Foreign Bank Branches Offices operating in the territory of the Republic of Armenia and Participation in the Credit Registry"***, whereby:
   - the Credit Registry data can only be used for supervisory and analytical purposes;
   - for the assessment of credit portfolio quality banks and credit organizations can only obtain periodic reports from Credit Registry;
   - individuals can only receive information from the Credit Registry once a year;
   - a uniform reporting form was established for the Credit Registry and ACRA Credit Bureau.

   The amendment implies that the Credit Registry will only be used for supervisory and analytical purposes.

In 2013 following changes were implemented in regulations relating to insurance activities:

1. 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". Some elements, which are included in calculation of main prudential standards were clarified. Specifically:

- In the calculation of concentration prudential standard those parties are considered as not affiliated, which have an international organization as a common major owner. The list of highly liquid assets was increased and bonds issued by highly ranked international organizations were included in the list of highly liquid assets.
- It was defined that until January 1 2015 in the calculation of N3 prudential standard reinsurer can be reduced by 100 percent for the cases described in Regulation No 3/02.

2. According to decree 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".*** The regulation was brought in line with the changes in the regulatory framework.

3. According to decree of Central Bank Board, amendments and addenda were introduced to ***Regulation No 3/11 "On Requirements to Firms in charge of Auditing Financial Performance of Insurance Companies".*** Amendment covered the list of sources, which the insurance companies should use when selecting auditor, which does not have five years of experience, but according to the sources mentioned in the list the auditor is full member of top ten auditor networks.

4. According to decree of Central Bank Board, new edition of ***Regulation No 3/10 "On Minimum Requirements to Internal Control System of Insurance Companies"*** was approved, whereby:
   - requirements were defined to insurance companies with regard to their risk management systems, including a requirement for the defining risk management strategy, "risk appetite" and specific risk management policies;
   - based on Solvency II requirements as well as the principles defined by International Association of Insurance Supervisors, requirements to the introduction and implementation of own risk and solvency assessment systems (ORSA) were established. As part of own risk and solvency assessment a requirement for stress testing was defined;
   - the regulation defined that insurance companies should have risk management and compliance functions in place, and persons in charge of such functions are designated by CEO with the agreement of board;
   - new requirements to remuneration policy of the insurance company were defined in pursuit of limiting the incentive to excessive risk performance by those in charge for risk management;
   - new requirements for having business continuity management processes in place as well as establishing framework to combat insurance fraud were defined for insurance companies;
   - new requirements for investment activities, business conduct and consumer rights protection were established for insurance companies, stipulating that these requirements should be aligned with the principles established by International Association of Insurance Supervisors;
   - a set of requirements for implementing international standards for internal audit was specified.

5. According to decree of Central Bank Board, regulations ***"On Inheritance of Mandatory Annuity from Insurance Companies and the Application form on Inheriting Annuity", "On Significant Terms of the Funded Pension Annuity Contract", "On Calculation of Residual Annuity and its Transfer to other Insurance Company"*** were adopted. The decree defines the mandatory requirements imposed on pension annuity contract, the procedure of inheriting mandatory annuity, application form, procedure of calculating residual annuity and its transfer to other insurance company.

In 2013, following changes were implemented in regulations relating to securities market:

1. According to decree of Central Bank Board ***Regulation No 5/08 "On Reports, Submitted to the Central Bank by the Registrar of Fund Participants of Mandatory Funded Pension Component, Procedure of Submission, Content and Periodicity thereof"*** was adopted, which defines that the registrar submits six periodic reports to the Central Bank. Also an early warning mechanism was defined for reporting the cases when the fund manager's share in the funds under its management is less than 1 percent. Regulation 5/08 allows the designated supervisors to conduct real-time monitoring on issuance and redemption of pension units in information system of the registrar of participants. In addition to standard reports, this tool improves the supervision capacity of the Central Bank.
2. Amendments were introduced to ***Regulation No 10/01 "On Registration and Licensing of Investment Fund Management Companies and Branches of Foreign Investment Fund Management Companies, Registration of Branches of Investment Fund Management Companies and Representative Offices of Investment Fund Management Companies and Foreign Investment Fund Management Companies, Re-Registration and Re-Licensing of Investment Companies as Investment Fund Management Companies, Acquisition of Qualified Holding in Statutory Fund of Investment Fund Management Companies, Procedure, Forms and Periods of Submission of Business Plans, Reports on Their Amendments and Execution by Investment Fund Management Companies, Their Branches and Branches of Foreign Investment Fund Management Companies".*** According to amendments, all investment fund management companies will be allowed to carry out custody activities described in the law on "Investment funds". As a result, the provisions concerning the custody of units or shares of the fund described in the regulation will be applied only to units or shares of funds of other parties under the custody by the fund management company.
3. Amendments were introduced to ***Regulation No 10/02 "On Prudential Standards of Management Company, Sizes Thereof (Including Minimum Size Of Mandatory Participation of Management Company in Each Investment Fund Under Management of Management Company), the Minimum Size of Infringement of Prudential Standards, Which is a Basis for Revocation of License***

(Permission) of Management Company". As a result of amendments, an upper limit of the mandatory participation of management companies in the pension funds under management was set, i.e. the mandatory participation of the management companies in the funds under management will be predictable (up to AMD 1 billion).

4. Amendments were introduced respectively to ***Regulation No 4/11 "On Requirements to the Entity Implementing Audit of Financial and Economic Activities of the Investment Company"*** *and* ***Regulation No 4/09 "On Criteria Presented to the Person Conducting Audit of Financial and Economic Activities of the Reporting Issuer".*** The mentioned amendments are aimed at adjusting the list of sources, according to which the investment companies and reporting issuers select the audit company.

5. The ***Regulation No 4/15 "On Procedure for the Notification and Disclosure about the Acquisition, Replenishment and Reduction of the participation in the Statutory Capital of the Reporting Issuer"*** was adopted. Aimed at providing transparency for investment decisions, the regulation defines the provision, according to which the shareholders of the reporting issuers will publish information about their major acquisitions.

6. The ***Regulation No 5/15 "On Procedure for Registry Maintenance of Mandatory Pension Funds Participants and Account Operators Activity"*** was adopted. The regulation is aimed at defining the rules of registrar, which will allow the funded pension funds' participants to receive timely and high-quality service and will mitigate the operational risks of the registrar. The regulation also defines the procedure of archiving the documents related to the operation of the registrar. The archiving procedure was brought in line with the archiving rules used for centralized securities registrar and custody system.

7. The reference ***"On Mandatory Pension Fund Units, their Total Book Value, and Monthly Payments"*** was adopted, which defines the report that registrar should provide to the participant when the participants reaching pension age wish to be informed about the units in their account, the book value of units and the monthly average payments in case the redeemed units are converted to linear monthly payments. This allows the participant to choose the method of receiving the pension according to the provisions of the law.

8. Amendments and addenda were introduced to ***Regulation No 10/07 "On Application Forms for Mandatory Pension Fund and Fund Manager Selection , Pension Fund Units Exchange, Receiving Pension Account Balance for Choosing Pension Program, Choosing Pension Program Receiving Lump Sum Payment before Pension Age, Transferring Participant's Funds to Foreign Pension System, Pension Units Inheritance and Submission Procedure thereof",*** which defines the procedure and application forms for the selection of mandatory pension fund, exchange of units, receiving information on pension account, selection of method of receiving pension, before

pension age retirement, transfer to foreign pension system, inheritance of units for the mandatory and voluntary participants of funded pension system.

9. Amendments and addenda were introduced to ***Regulation No 10/09 "On Requirements to Procedure for Issue of Units of Mandatory Pension Funds, Rules for Acquisition of Participation and Redemption of units in Mandatory Pension Fund by the Pension Management Company",*** which was mainly conditioned by the changes in the laws on "Investment Funds" and on "Funded Pensions". According to the changes in the mentioned laws the transaction with the units are executed with last known prices and not by the prices that were calculated and published after the request for the transaction (issuing, exchange, redemption) with the units.

10. Amendments and addenda were introduced to ***Regulation No 5/10 "On Centralized Registry and Custody".*** According to amendments, the power of attorney for orders and inquires to the registry do not need to be verified by the notary. However, in these cases the account operator should take reasonable efforts for verifying the authenticity of the documents. In addition, the requirements for terminating the custody and registry contracts were defined.

11. Amendments were introduced to ***Regulation No 4/04 "On Prospectus and Reports of Reporting Issuers".*** The amendments are mainly aimed at reducing the transparency requirements for international organizations, which will attract the latter to Armenian securities market.

12. The ***Regulation No 10/13 "On Documents and their Submission Procedure for Receiving Preliminary Consent for Delegating Functions of Investment Fund Manager and Custodian, Procedure and Requirements for Granting Preliminary Consent"*** was adopted. The regulation defines such procedures and requirements for delegating functions of the investment fund manager and the custodian that would mitigate the risks related with the delegation of functions.

13. The ***Regulation No 10/03 "On Content, Submission Procedure, Terms and Periods of Reports that the Investment Fund Manager Submits to the Central Bank for itself and Funds under its Management and on Additional Information Submitted by the Fund Manager in Cases of Specific Decisions"*** was adopted. The regulation defines the reports that the fund managers submit to the Central Bank for themselves and the funds under their management. The reports defined by the regulation will provide required information for efficient supervision over the funds and fund managers.

14. The ***Regulation No 10/12 "On Structure and Maximum Limits of the Expenses on Behalf of Mandatory Pension Fund's Assets"*** was adopted. The regulation is aimed at assuring the efficiency, transparency and supervision of expenditures on behalf of mandatory pension fund's assets. The regulation also provides comparability between the fund managers.

15. The *regulation* ***"On Procedure of Distributing the Participants that did not Select Mandatory Pension Fund between the Fund Managers"*** was adopted. The regulation is aimed at ensuring

sufficient competition and stability in funded pension system and at the same time, it reduces the fund management costs during the initial period.

16. The ***Regulation No 10/25 "On Directions and Maximum Limits of the Expenses on Behalf of Voluntary Pension Fund's Assets"*** was adopted, which is aimed at assuring efficiency and transparency of expenditures on behalf of voluntary pension fund's assets.

17. The ***Regulation No 10/08 "On Procedure of Lump Sum Payment of Pension by the Registrar in Cases of Getting Pension as a Lump Sum Payment"*** was adopted. The regulation clarifies the procedure of lump sum payments of the pension by the Registrar.

18. The regulation ***"On Procedure and Requirements for Receiving Preliminary Consent of the Central Bank for Revoking the Permission for Mandatory or Voluntary Pension Fund Management and on Procedure of Tender for Selecting Fund Manager to which Mandatory Pension Fund is Transferred"*** was adopted. The legal act defines the procedure and requirements for receiving preliminary consent of the Central Bank for revoking the permission for mandatory or voluntary pension fund management and also the procedure of issuing preliminary consent by the Central Bank. The procedure also defines the procedure of selecting a new fund manager, to which the mandatory pension fund should be transferred. The regulation aims at protecting the rights and interests of mandatory pension fund participants, in case the permission is revoked or it is transferred to another fund manager. The regulation also ensures the efficient supervision of the risks associated with the procedure by the Central Bank.

19. The regulation ***"On the Procedure of Receiving Preliminary Consent of the Central Bank for Terminating Fund Custody Contract"*** was adopted, which defines the procedure of submitting information and documents necessary for receiving preliminary consent of the Central Bank Board for terminating fund custody contract. The regulation also defines the procedure of issuing preliminary consent by the Central Bank. The regulation is aimed at protecting the rights and interests of the participants of the pension fund the custody contract of which was terminated. The legal act also ensures the efficient supervision of the risks associated with the custody by the Central Bank.

20. The ***"Maximum Size of the Fees Charged by the Bank for the Transfer of Pension Deposit to Pension Deposit Account Opened in other Bank"*** was defined, which will ensure efficient management of voluntary pension savings.

21. The ***Regulation No 10/18 "On the Procedure of Selecting Auditor for Investment Fund and Investment Fund Manager"*** was adopted. The regulation is aimed at ensuring the transparency of the Investment Fund's and Manager's operations and accuracy of the information published by the latter.

22. Regulation ***"On the Compilation and Publication of Reports Published and Presented to the Participants by the Pension Fund Managers"*** was adopted. With the view of clarifying the rules for public reporting, the regulation defines that the reports presented to the participants should be compiled according to international financial reporting standards (IFRS).

23. ***The minimum net asset value of investment fund and each sub-fund*** was defined. This was aimed at ensuring the financial stability of the investment funds.

24. The ***Regulation No 10/06 "On Minimum Requirements of Internal Control and Risk Management System for Investment Fund Manager"*** was adopted. The regulation defined general requirements for investment fund managers of public funds (including mandatory and voluntary pension funds) taking into consideration internal control, monitoring, reporting and communication procedures. The regulation is aimed at ensuring mechanisms for investment fund managers that mitigate the risks of manager's activities and will enhance the fund management efficiency.

25. The ***Regulation No 10/20 "On the Form and Procedure of Data Exchange between the Guarantee Fund Manager and the Central Bank of the Republic of Armenia"*** was adopted. The regulation defined the procedure and form of data exchange between the Central Bank and the manager of guarantee fund established with the view of guaranteeing the return of pension contributions. The regulation is aimed at providing necessary information for efficient operation of guarantee fund.

26. The ***Regulation No 10/21 "On Procedure of Providing Information containing Pension Secret to the Guarantee Fund Manager"*** was adopted. The regulation defined the procedure of providing information that contains pension secret to the guarantee fund manager by the Central Bank or other authorized bodies. The regulation was aimed at enhancing the effectiveness of operation of the guarantee fund manager.

27. The ***Regulation No 10/22 "On Merger of Investment Fund Managers"*** was adopted. Particularly the regulation defined the scope of documents, submission terms and procedures thereof that the investment fund managers should submit to the Central Bank for receiving preliminary consent for signing the merger agreement. The regulation is aimed at ensuring the completeness of the merger process, as well as the efficient supervision of this process by the Central Bank.

28. The ***Regulation No 10/23 "On Documents and Information Needed for Issuing Preliminary Consent and Permission for Self-Liquidation of the Investment Fund Manager, on Reports of the Liquidation Commission, the Procedure, Frequency and Terms of Their Submission, the Types of Information to be Published by the Liquidation Commission, the Order and Form of Their Publication"*** was adopted. The regulation defined the documents and information needed for issuing preliminary consent and permission for self-liquidation of the investment fund manager.

The regulation also defined the reports that the liquidation commission should submit to the Central Bank, as well as the scope of the information that the liquidation commission should publicly disseminate and the publication procedure thereof. The regulation is aimed at protecting the rights and interests of the lenders (participants) during the process of self-liquidation (liquidation) of the investment fund manager. The regulation also ensures the efficient supervision of associated risks by the Central Bank.

29. The ***Regulation No 10/24 "On Procedure of Issuing Preliminary Consent for Transferring the Management of Investment Fund to Other Investment Fund Manager, Form and Procedure of Submitting Documents and Information for Receiving Preliminary Consent"*** was adopted. The regulation defined the procedure of transferring the management of investment fund to other fund management company with the view of ensuring the efficiency of the process.

30. ***General rules for the custody of the mandatory pension fund's assets*** were defined with the view of minimizing the risks associated with the custody of the mandatory pension funds' assets.

In 2013, following changes were implemented in regulations relating to payment and settlement system:

1. According to decree of Central Bank Board, regulation ***"On Establishing Minimum Requirements to Information Security"*** was adopted, which defined the minimum requirements for management and mitigation of risks associated with the information technologies in the organizations licensed and/or registered at the Central Bank. The regulation was aimed at bringing the information security management system in line with international standards applicable in the field of information security.

2. According to decree of Central Bank Board, regulation ***"On Defining the Coding of the Participants of Payment and Settlement or Information Systems of Armenia and on Defining the Structure of the Client Accounts"*** was adopted. The new regulation rescinded the previous legal act regulating the process. The regulation is aimed at clarifying the code ranges that are granted to new financial institutions licensed by the Central Bank.

3. Amendments and addenda were introduced to guideline ***"On Potential Threats to Financial Stability and/or Liquidity and/or Solvency of the Republic of Armenia as a result of Participation in Foreign Payment and Settlement System".*** Changes aim to reduce the risks threatening the stability of the financial system of Armenia. Specifically, limits of transfers are defined for each separate money transfer systems. In addition, other risk mitigation mechanisms are set for ensuring the financial stability of Armenian financial system.

4. New edition of regulations ***"On Primary Placement, Buyback and Redemption of Short-Term, Medium-Term and Long-Term Coupon Bonds of the Government of the Republic of Armenia", "On Custody of Government Bonds of Republic of Armenia", "On Execution of Securities Pledging Transactions with Government Bonds of Republic of Armenia", "On Coding of Accounts used in Government Securities Accounting and Settlement System", "On Secondary Market Turnover of Government Bonds of Republic of Armenia" and "On Minimum Requisites of Documents used in Transactions with Government Bonds"*** were adopted. The changes are aimed at promoting the development of government bonds' market and related infrastructures.

In 2013, following changes were implemented in regulations relating to consumer rights protection:

1. According to a decree of the Central Bank Board, amendments 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 defined the minimum information presented by the Central Depository on its website and information bulletins.
2. The ***Regulation No 8/05.1 "On General Requirements on the Information provided by the Registrar of Mandatory Pension System to the Participants of Mandatory Pension system concerning the Selection of Pension Fund on behalf of Participant"*** was adopted. The regulation defined the general requirements on the information provided by the registrar of pension system to the participants in case the latter did not select pension fund. The regulation also defined the template of the letter to be sent to the participants, which did not select pension fund.

SUPERVISION AND CONSUMER RIGHTS PROTECTION IN 2013

The Central Bank performs off-site and on-site inspections of the financial institutions aimed at the disclosure of potential risk, legal compliance, combating money laundering and terrorism financing, protection of financial system consumer rights and other.

On-site and offsite inspections of the Central Bank in the financial institutions were focused on the following areas:

- legal compliance
- risk management system,
- asset quality assessment,
- internal control system,
- integrity of corporate management principles,
- compliance with the requirements relating to security and sustainability of business operations,
- IT area,
- transparency,
- compliance of organizations to the changes of regulatory framework,
- risk level of reinsurance,
- organization and control of prospectus and/or trade prospectus registration procedures,
- control over transparency, integrity and consistency of information subject to dissemination by reporting issuers,
- control over legal compliance of the business operations carried out by persons making public offerings of securities,
- combat against money laundering and terrorism financing,
- consumer rights protection,
- prevention of operations by non-licensed entities,
- quality control of services.

Supervision

In 2013, the Financial Supervision Department of the Central Bank performed off-site and 211 on-site inspections.

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

Indicators	2010	2011	2012	2013
Number of Supervisors in the Financial Supervision Department	83	84	84	86
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	AMD 2.985 trillion
Average work load per supervisor of the Financial Supervision Department	AMD 19.0 billion	AMD 24.4 billion	AMD 25.3 billion	AMD 34.7 billion
Number of inspections performed during the year, including:	380	235	241	211
Comprehensive inspections in banks	7	7	5	5
Targeted inspections in banks	24	13	8	37
Comprehensive inspections in credit organizations	6	6	5	7
Targeted inspections in credit organizations	2	1	1	-
Comprehensive inspections in insurance companies	3	3	3	2
Targeted inspections in insurance companies	8	-	12	11
Insurance broker companies	1	-	-	2
Insurance agents	-	38	-	-
Investment companies	4	4	2	4
Other participants of financial market(exchange offices, pawnshops, payments system organizations and other)	325	163	205	143

Compared with previous year, in 2013 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's Financial Supervision Department. Compared with the previous year, the number of penalties also decreased.

Table 2. Infringements of Financial Institutions and Penalties in 2013

Indicators	Commercial banks	Credit organizations	Insurance companies	Pawnshops	Payment system Companies*
Area of Violation					
Accounting	6	4	4		
Asset classification norms		1	4		
Legislation	242	75	56	63	4
Prudential standards	14	1	86		
Incompliance with instructions			4		
Reporting delays			8	2	
Inconsistent data	30	6	77	40	
Total regulatory capital		1	8		
Credit register	8	5			
Penalties					
Revocation of License					
Fines imposed on organization	126	58	148	85	
Fines imposed on managers			16		
Penalty	1				
Warning	173	35	76	12	4
Revocation of manager's professional qualification license					
Temporary suspension of license				7	
Cessation			7	1	

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

Consumer rights protection

In 2013, the Central Bank carried out a number of activities, which promoted financial education of the public on the one hand and improved the financial management on their side on the other hand; those activities were aimed at strengthening the regulation and supervision of the financial institutions serving the public.

Those two groups of activities were aimed at adjusting the information asymmetry between the market participants.

In consumer rights protection area, the inspections in financial organizations aimed at business conduct and public information dissemination issues were continued. Compared with previous year the number of inspections related to consumer rights protection doubled.

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

- Interagency committee developed and adopted national strategy of financial education, which is an important cornerstone for the enhancement of financial education, public-private partnership and development of plans.
- In 2013, activities aimed at development of "Finance for all" internet website (www.abcfinance.am) were continued. The website was enhanced with new sections and sub-sections. A new pension calculator was developed. The objective of the website is to educate everyone about the financial services 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.
- Activities intended for highlighting and promoting the role of personal finances were continued. For the first time in Republic of Armenia from October 1st to 31st *"My Financial Month"* campaign was launched, which was aimed at emphasizing the importance of personal finances both for financial institutions and for public. Within the scope of this campaign, a number of initiatives were carried out in cooperation with financial institutions, international donor organizations and NGOs.
- In the context of financial education, large-scale public awareness programs concerning the funded pension system were continued. Informational and behavioral television advertisements were aired through various channels. In addition, radio advertisements and other informational and educational efforts were disseminated through public channels.
- Informational television advertisements concerning state subsidized *loans to students and military* were aired.
- Complaints received through "Hot Line" operating in the Central Bank and complaint letters addressed to the Central Bank were investigated, which helped to disclose and find efficient solution to the issues in consumer rights protection area. In May 2013, a special emergency hot line was launched for couple of months for the farmers, which were affected by devastating hail. In cooperation with banks, the complaints and questions from farmers related to the lending policies of the banks were addressed.

Within the context of ***strengthening business conduct,*** the Central Bank continued to revise and enhance the regulatory framework. With the view of enhancement of market transparency, the Central Bank regulated the minimum information published by the Central Depository on its website and bulletins. In addition, the template of the letter sent to the funded pension system participants, in case the latter did not select pension fund, was adopted.

STAFF TRAINING AND COOPERATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2013

Modern developments require ongoing development of the knowledge base and absorption of international best practices. The Central Bank continued implementation of the policy aimed at enhancing the professional qualification of human resource.

For the purpose of enhancing regulatory and supervision functions, employees related to those functions took part in a number of local and foreign courses, on-job meetings and conferences. The trained employees presented report upon return, filled-in a questionnaire, through which they assessed the efficiency of the courses, made suggestions concerning implementation of learned material and shared their experience with other departments within the Central Bank.

In 2013, in the context of participation in foreign seminars the Central Bank continued cooperation with International Monetary Fund, Financial Stability Institute, Bank for International Settlements, Joint Vienna Institute, central banks of member countries of Switzerland, Germany, France, Italy, Netherlands, Poland, Czech Republic, Austria, central bankers training center at Bank of England, member countries of Eurasian Economic Community, 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 contemporary issues related to banking, insurance, securities market regulation and supervision. Several specialists from the Central Bank attended online training courses arranged by the Financial Stability Institute (FSI).

In 2013, highly experienced supervision specialists of the Central Bank continued to organize training courses for younger colleagues for sharing their experience and knowledge.

In 2013, the 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 IMF missions on banking supervision and financial operations, accounting, monetary policy and statistics. In March 2013, the Central Bank hosted a World Bank private sector development mission headed by Marcin Piatkowski, and in April a delegation headed by Peter Holzer visited Armenia within the Pension Reform program.

The Central Bank organized a number of business meetings, working sessions, "round tables" and conferences. The Central Bank, in cooperation with Financial Stability Institute and Banking Supervisors from Central and Eastern Europe group, organized a regional seminar on Revised Core Principles and Basel III.

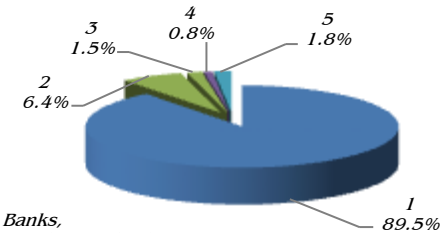
The following events are worth mentioning:

Annual meeting of European Fund for Southeast Europe group, meeting of the Board of Governors and Audit Committee of the Black Sea Trade and Development Bank, management board meeting of

the Pension Reserve Fund, annual meeting of Financial Consumer Protection Network, meeting of advisory group of Financial Stability Board in CIS, global forum on private pension systems organized by Organization of Economic Co-operation and Development and International Organization of Pension Supervisors, 16th meeting of the council of heads of securities market state regulatory bodies of the CIS countries and 17th meeting of the council of heads of securities market state regulatory bodies of the EurAsEC member countries, GITEX week conference exhibition, annual meeting of the Boards of Governors of the IMF and the World Bank Group, 38th annual conference of International Organization of Securities Commission, 83rd annual general meeting of Bank of International Settlements, 26th Banking Supervisors from Central and Eastern Europe annual conference, annual meeting of Dutch Group of WB/IMF, meeting of supervisory board of German-Armenian fund.

Chart 1.

The Structure of Financial System Assets by Financial Institutions (31.12.2013)

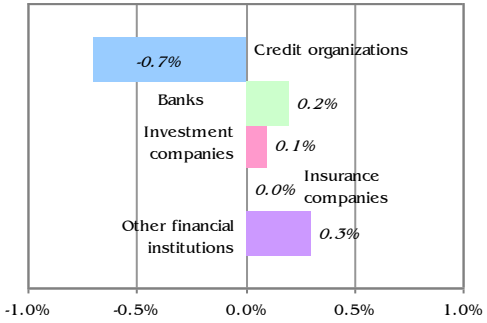


1. Banks,
2. Credit organizations,
3. Insurance companies,
4. Investment companies,
5. Other financial institutions

Source: Central Bank of Armenia.

Chart 2.

The Dynamics of Shares of Financial Institutions in Financial System Assets 2012-2013



Source: Central Bank of Armenia.

In 2013, Armenian financial system was rather active, with a higher growth rate of main balance indicators compared with the GDP growth rate. During the year, the ratio of the financial system assets to the GDP increased by 9.1 percentage points and totaled 77.1 percent. Despite rapid growth of financial intermediation in recent years, it still lags the same indicator of some Eastern European countries.

The banking system remains a major player in the financial system and accounts for 89.5 percent of the total assets of the financial system. In 2013 too, the banking system achieved high growth rates of main balance indicators, whereas credit interest rates and spread decreased because of deepening competition.

GENERAL PROVISIONS

Banks operating in the territory of Armenia

As of 31.12.2013, there were 21 commercial and one development banks (Panarmenian Bank OJSC) operating in Armenia. In 2013, in terms of higher growth rate of assets, loans and deposits compared with growth rate of GDP growth of financial intermediation indicators was observed. In 2013, banking system assets to GDP ratio and loans to GDP ratio increased respectively by 6.8 and 1.5 percentage points totaling 69.0 and 40.1 percent, respectively.

During the current year, significant growth of financial access was observed. The number of bank branches increased by 11 and at year-end reached 485. As a result, the number of bank branches per 100 000 adult population increased by 0.9 percentage point and totaled 19.8 percent.

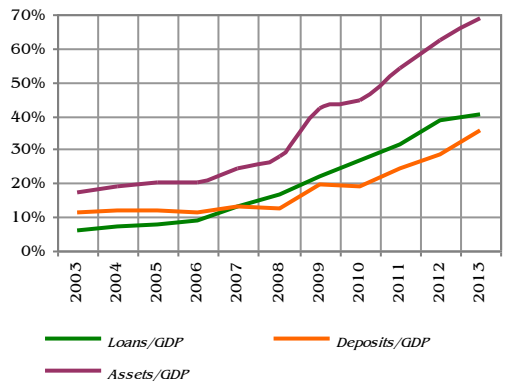
Table 3. Accessibility of financial services

	2011	2012	2013
Per 100,000 adult population	18.7	18.9	19.8
Number of ATMs per 100,000 adult population	40.9	44.8	51.1

The number of bank employees (including service personnel) increased by 4.2 percent and reached 11 438 at year-end. Compared with previous year, the share of managerial staff in total number of employees decreased by 0.4 percentage point and at year-end amounted to 16.1 percent.

Chart 3.

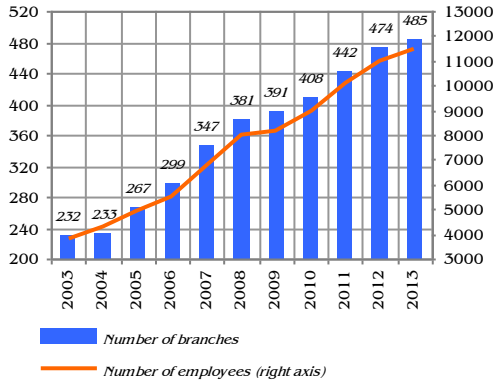
Financial Intermediation Indicators



Source: Central Bank of Armenia.

Chart 4.

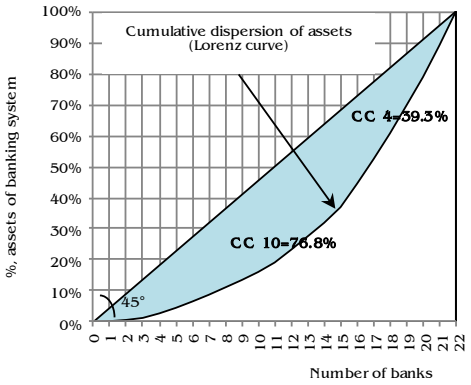
Number of Bank Branches and Employees



Source: Central Bank of Armenia.

Chart 5.

Cumulative Dispersion of Banks by Assets [1]



Source: Central Bank of Armenia.

Concentration among banks

The Herfindahl-Hirschman Index of Concentration increased almost for all main aggregate indicators except for loans to economy and total capital. Nevertheless, the index was within 0.06-0.1 range, reflecting a low level of concentration in the banking system.

Table 4. The Herfindahl-Hirschman Index of Concentration

Indicators	31.12.11	31.12.12	31.12.13
Total assets	0.0670	0.0683	0.0699
Total liabilities	0.0692	0.0705	0.0727
Total capital	0.0622	0.0618	0.614
Loans to economy	0.0721	0.0740	0.0724
Time deposits of individuals and legal persons	0.0742	0.0745	0.0760
Demand deposits of individuals and legal persons (including bank accounts)	0.1044	0.0967	0.1169

The polarization among large and small banks increased a little. At the end of the year, the share of the four and ten largest banks in the total assets of the banking system was 39 and 77 percent, respectively (as of 31.12.2012 the indicators were respectively 39 and 75 percent). The slight growth of polarization was also reflected by the growth of the Gini coefficient, which compared with the previous year, increased by 1.3 percentage points and totaled 36 percent.

[1] *The cumulative dispersion of banks' assets (Lorenz curve) was used for the calculation of Gini coefficient as the difference of areas under 45 degree line and Lorenz curve.*

Table 5. Banking Sector Concentration Level

Indicators	31.12.11	31.12.12	31.12.13
Total Assets			
CC 4 (share of assets of the 4 largest banks' assets within total assets of the banking system)	38%	39%	39%
CC 10 (share of assets of the 10 largest banks' assets within total assets of the banking system)	75%	75%	77%
Total Liabilities			
CC 4	38%	40%	40%
CC 10	77%	77%	79%
Total Capital			
CC 4	38%	37%	37%
CC 10	69%	68%	69%
Loans to economy			
CC 4	41%	42%	42%
CC 10	78%	78%	78%
Time deposits of individuals and legal persons			
CC 4	42%	42%	44%
CC 10	79%	79%	80%
Demand deposits of individuals and legal persons (including bank accounts)			
CC 4	55%	52%	59%
CC 10	86%	83%	86%

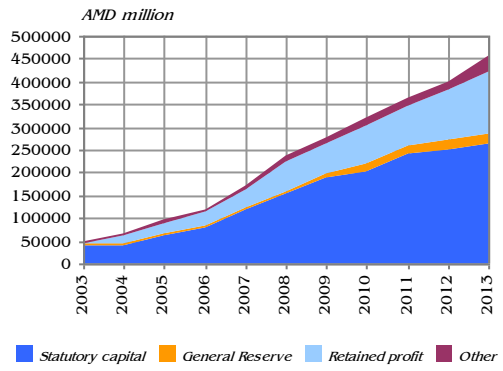
BANKING SYSTEM CAPITAL

Capital Growth Trends

Over the reporting year, total capital of the banking system grew by 13.8 percent (AMD 55.3 billion), and totaled AMD 456.0 billion. Growth of the total capital was mainly driven by the growth of net profit and statutory capital. Banking system reported AMD 38.2 billion net profit during 2013.

Chart 6.

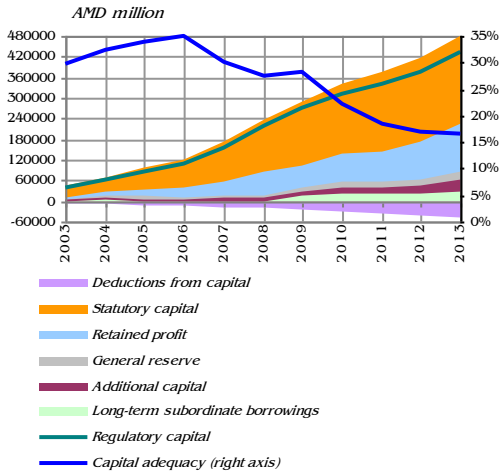
The Structure of the Banking System Total Capital



Source: Central Bank of Armenia.

Chart 7.

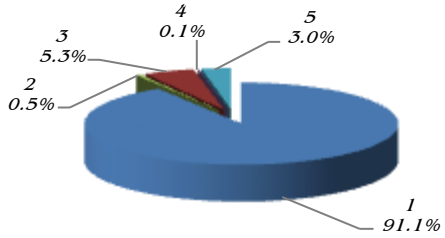
The Structure of Regulatory Capital and Dynamics of Capital Adequacy



Source: Central Bank of Armenia.

Chart 8.

Structure of Risk Weighted Assets 31.12.2013



1. Credit risk,
2. Foreign exchange risk,
3. Interest rate risk,
4. Price risk,
5. Operational risk.

Source: Central Bank of Armenia.

During 2013, 4 banks replenished statutory capital by AMD 11.4 billion from foreign sources. As a result, the share of non-residents within the total statutory capital of the banking system increased by 1.3 percentage points and totaled 74.6 percent.

Higher growth rate of total assets compared with growth rate of total capital was preserved. As a result, total capital to total assets ratio dropped by 0.7 percentage point to 15.5 percent at the end of the year.

Capital adequacy of banking system

In terms of slowing lending growth rate, the capital adequacy ratio did not change much totaling 16.7 percent at year-end (the 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.

Total regulatory capital of commercial banks increased by 16.2 percent (AMD 59.9 billion) and totaled AMD 428.5 billion. The share of Tier 1 capital decreased by 4.1 percentage points and totaled 86.6 percent.

The share of credit, market and operational risks in the structure of risk-weighted assets was respectively 91.1, 5.9 and 3.0 percent (as of 31.12.2012, the indicators were, respectively, 92.4, 4.8 and 2.8 percent). In this context, the credit risk is still considered as a major risk factor for the banking system.

Shareholders of banks

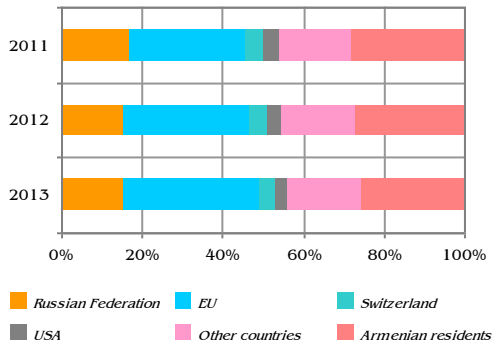
Out of 22 banks operating in Armenia, only one was a limited liability company, four were open joint-stock companies and 17 were closed joint-stock companies.

Participants (shareholders, equity holders) of the Armenian banking system numbered 1,645 individuals and legal persons, of which 93 were non-residents. With an exclusion of 4 banks, which were open joint-stock companies, participants (shareholders, equity holders) of the remaining 18 banks were 62 individuals and legal persons, out of which 41 were non-residents. In eight banks, 100 percent of shares were owned by a single party (eight non-resident legal persons); while in 15 banks a single shareholder owned more than 50 percent of the shares.

In the regional breakdown of the statutory capital, major share belonged to shareholders from EU, Russian Federation and Switzerland with respective share of 33.8, 15.4 and 4.0 percent (as of 31.12.2012 – 31.6, 15.3, and 4.2 percent).

Chart 9.

The Structure of Banking System Capital by Residency



Source: Central Bank of Armenia.

BANKING SYSTEM LIABILITIES

Attracted funds

In 2013, total liabilities of the banking system increased by 19.8 percent (AMD 410.6 billion) and at the end of the year it totaled AMD 2 trillion 488 billion.

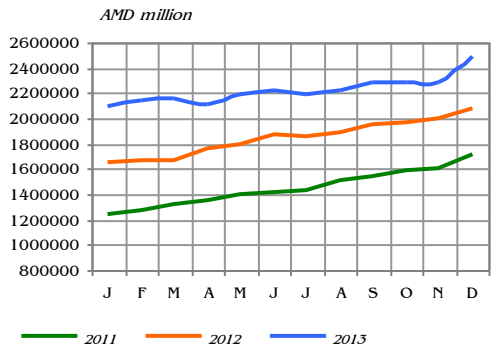
Dram liabilities increased by 23.2 percent and foreign exchange liabilities by 17.9 percent. As a result, the share of foreign exchange liabilities decreased by 1.0 percentage points and at the end of the year it reached 63.9 percent.

The growth of liabilities was mainly driven by the growth of deposits from individuals and legal persons.

The attracted total deposits (demand and term liabilities) from individuals and legal persons increased by 34.3 percent and totaled AMD 1 trillion 521.3 billion at the end of the year. The dram deposits increased by 31.1 percent, while foreign exchange deposits increased by 35.7 percent.

Chart 10.

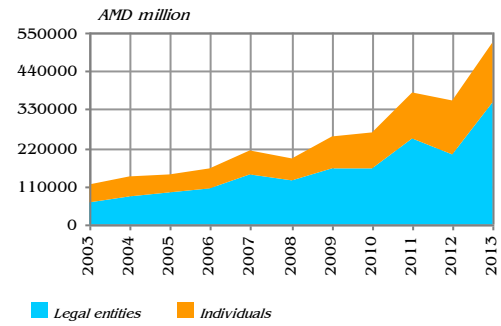
Banking System Liabilities



Source: Central Bank of Armenia.

Chart 11.

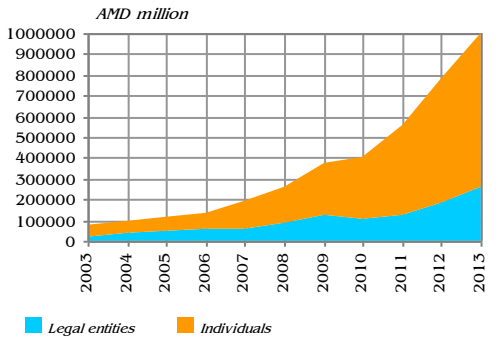
Banking system Demand Deposits



Source: Central Bank of Armenia.

Chart 12.

Banking System Time Deposits



Source: Central Bank of Armenia.

As a result, the share of foreign exchange deposits in total deposits increased by 0.7 percent and totaled 71.0 percent at year-end.

Over the reporting year, demand liabilities of legal entities increased by 73.7 percent (by AMD 149.1 billion), while demand liabilities of individuals increased by 11.4 percent (AMD 17.5 billion) totaling respectively AMD 351.3 and AMD 170.8 billion at year-end.

The number of current accounts held by the individuals and legal persons grew respectively by 7.0 and 20.5 percent.

The amount of legal entities' time deposits grew by 38.6 percent and totaled AMD 257.4 billion at year-end , while the number of time accounts increased by 5.5 percent, reflecting certain trend of the enlargement of time deposits of legal entities.

The same trend was observed also for the time deposits of individuals. The total amount of time deposits of individuals increased by 25.5 percent (totaling AMD 741.7 billion at year-end) and the number of time accounts increased by 16.2 percent.

Structure of attracted funds of banking system

As of December 31, 2013, the share of the expense-bearing liabilities in the total liabilities of the banking system totaled 94.7 percent (compared with 93.5 percent in previous year). Excluding low cost demand deposits, the share of cost incurring time deposits was 72.9 percent (compared with 70.9 in previous year).

Significant shifts were observed in the structure of Armenian banking system's total liabilities driven by changes of liabilities to banks (including to the Central Bank) and time deposits. The share of liabilities to banks (including to the Central Bank) increased by 5.0 percentage points, while the share of demand and time deposits decreased respectively by 3.9 and 2.8 percentage points.

At the end of 2013, 23 percent of the attracted funds were demand (deposits, bank accounts, correspondent accounts and etc.), 52 percent were time deposits with a maturity of up to 1 year, and 25 percent were time deposits with a maturity of over 1 year (as of 31.12.2012 respectively 20,52,28 percent).

Customers of commercial banks

During 2013, the number of customers serviced by commercial banks increased by 17.7 percent and by the end of the year totaled 1 million 899 thousand, mainly driven by growth of natural person customers. Compared with the previous year, the number of natural person customers increased by 18.3 percent and totaled 1 million 823 thousand, while the number of legal entity customers increased by 5.1 percent and totaled 76.2 thousand.

Over the year, the number of bank accounts (current and savings) grew by 19.4 percent and totaled 2 million 505 thousand[2]. The number of accounts of legal entities grew by 7.0 percent and totaled 140 thousand by the end of the year. The number of accounts (current and savings) of individuals grew by 20.2 percent and by the end of the year totaled 2 million 364 thousand.

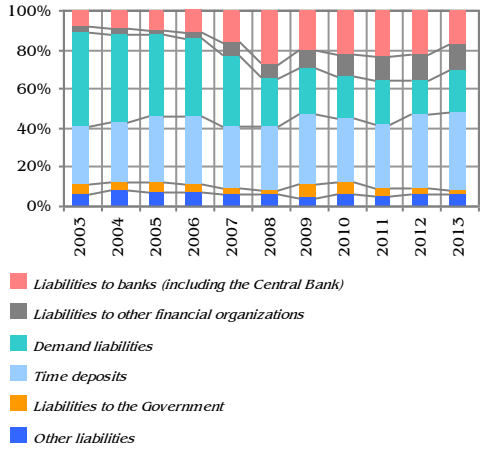
BANKING SYSTEM ASSETS

Growth trend of funds allocated by the banking system

Over 2013, total assets of the banking system increased by 18.8 percent (by AMD 466 billion) and totaled AMD 2 trillion 944 billion at the end of the year. Growth of assets was mainly driven by the growth of loans to economy and increase of correspondent accounts held at the Central Bank.

Chart 13.

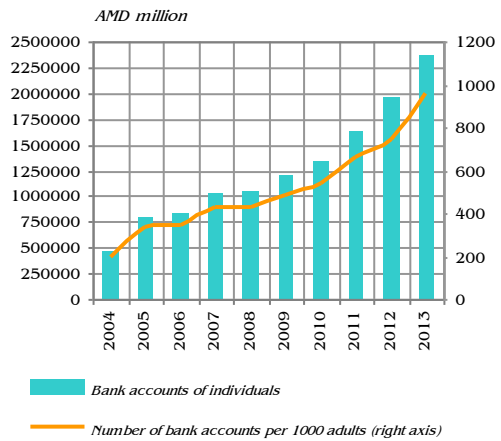
Structure of the Banking System Total Liabilities



Source: Central Bank of Armenia.

Chart 14.

Accounts of Individuals in Banking System

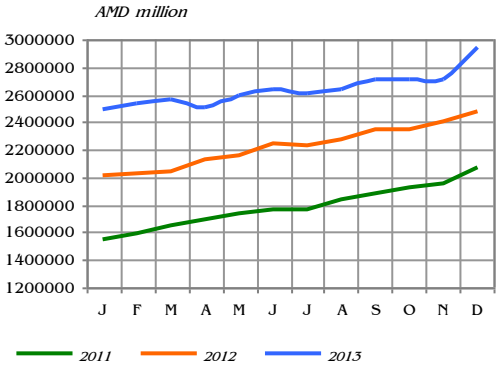


Source: Central Bank of Armenia.

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

Chart 15.

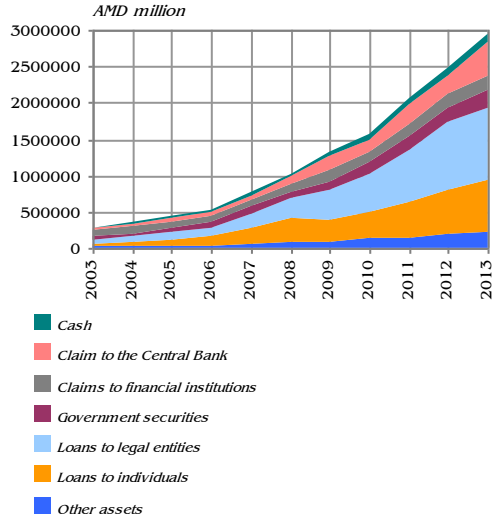
Dynamics of Banking System Assets



Source: Central Bank of Armenia.

Chart 16.

Structure of Banking System Assets



Source: Central Bank of Armenia.

Compared with the previous year the loans to economy increased by 11.2 percent and totaled AMD 1 trillion 709 billion. Loans to legal entities and individuals grew respectively by 7.4 and 17.2 percent totaling AMD 1 trillion and 708 billion at the year-end.

Correspondent accounts held at the Central Bank and other claims to the Central Bank increased by 74.4 percent and totaled AMD 462.2 billion by the end of year. Investments in government bonds increased by 24.5 percent and totaled AMD 225.7 billion by the end of year.

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

	31.12.12	31.12.13	Change
EU	51.5%	38.7%	-12.8
Germany	22.7%	17.8%	-4.9
United Kingdom	8.6%	5.4%	-3.2
Austria	8.2%	7.7%	-0.5
France	7.1%	5.3%	-1.8
Other EU countries	5.0%	2.5%	-2.5
USA	32.9%	49.0%	+16.1
Russia	13.5%	10.6%	-2.9
Other countries	2.1%	1.7%	-0.4

Correspondent accounts held at banks increased by 35.1 percent and totaled AMD 111.8 billion. The correspondent accounts are prone to concentration by residency. As of 31 December 2013, 99.6 percent of correspondent accounts were abroad (in 2012 95.8 percent). The share of correspondent accounts held at foreign banks was 49.0 percent in US banks, 17.8 percent in German banks, 10.6 percent in Russian Federation banks, and 22.6 percent in banks of other countries (31.12.2012 USA – 32.9 percent, Germany – 22.7 percent, Russian Federation – 13.5 percent, other countries 30.9 percent).

The Herfindahl-Hirschman Index for the correspondent accounts in terms of geographic breakdown was 0.3(0.2 in 2012).

Structure of allocated funds by the banking system

During 2013, the share of income-bearing assets within total assets shrank by 2.8 percentage points and totaled 72.5 percent at year-end. Excluding correspondent accounts with low return, the share of other income-bearing assets increased by 3.0 percentage points and totaled 70.8 percent.

In the structure of assets, significant shifts were observed for claims to the Central Bank and loans to the economy. The share of loans to the economy decreased by 4.0 percentage points, while claims to the Central Bank increased by 5.0 percentage points.

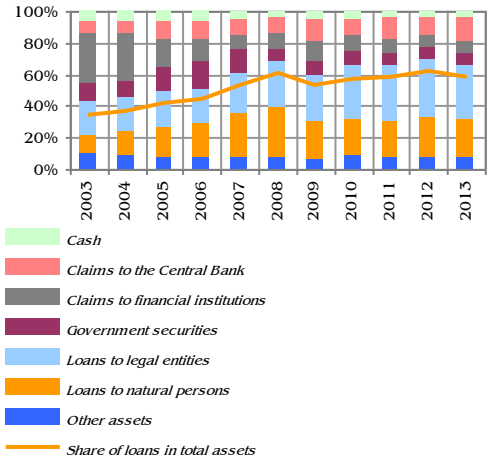
As of December 31, 2013, 20.5 percent of the allocated funds were demand, 38.0 percent had a maturity of 1 to 12 months, and 41.5 percent had a maturity over 1 year, or were no term (compared with 20.8, 39.4 and 39.9 percent in previous year).

Credit investments of banking system (total loans, leasing, factoring, loans, and deposits in financial organizations)

Banking system credit investments (total loans, leasing, factoring, loans and deposits to financial institutions) increased by 10.5 percent (AMD 177 billion) and totaled AMD 1 trillion 857 billion. Dram credit investments increased by 19.2 percent (AMD 113.9 billion) totaling AMD 706 billion at year-end. Foreign exchange credit investments increased by 5.8 percent (AMD 62.8 billion) and at year-end totaled AMD 1 trillion 151 billion. As a result, the share of foreign exchange credit investments within total credit investments decreased by 2.8 percentage points reaching 62.0 percent.

Chart 17.

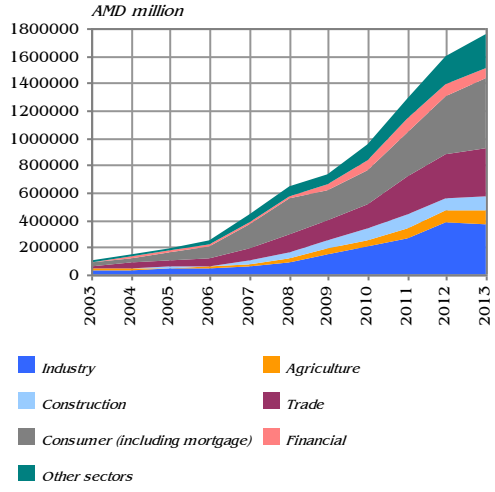
Structure of Banking System Assets



Source: Central Bank of Armenia.

Chart 18.

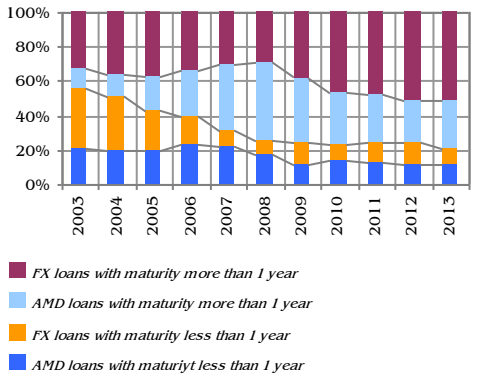
Outstanding Credit Investments to Residents



Source: Central Bank of Armenia.

Chart 19.

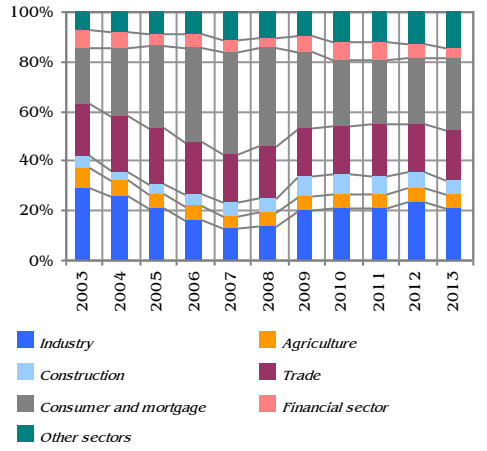
Structure of Credit Investments to Residents by Maturity



Source: Central Bank of Armenia.

Chart 20.

Structure of Credit Investments to Residents by Sectors of Economy



Source: Central Bank of Armenia.

Credit investments to non-residents increased by 1.9 percent and totaled AMD 59.2 billion, while credit investments to residents grew by 10.8 percent and totaled AMD 1 trillion 797.4 billion. As a result, the share of non-residents in total credit investments decreased by 0.3 percentage points totaling 3.2 percent.

During 2013, the share of long-term loan investments (with maturity of 1 year and more) increased by 3.6 percentage points and totaled 79.2 percent mainly driven by long-term dram lending growth.

During 2013, growth of credit investments to residents was observed almost in all sectors except financial and industry[3] sectors. Rather high growth of lending was observed in consumer, transport and communication and mortgage sectors with respective growth rate of 23.7, 14.6, and 12.4 percent. As of year-end, the major share belonged to industry, trade and consumer sector lending with 20.7, 20.7 and 20.0 percent shares.

The Herfindahl-Hirschman sectorial concentration coefficient of banking lending to the economy increased by 0.01 and reached 0.12 level. The average concentration by banks did not change - 0.17, which indicates a relatively high level of the sectorial concentration of lending in number of banks.

The enlargement of lending to economy was greatly driven by the loans (mainly long-term) issued by the banks within the framework of programs carried out by international financial organizations. As of 31.12.2013, 17 banks and 11 credit organizations operating in Armenia serviced:

- Mortgage lending (KFW),
- SME lending (KFW),
- European Reconstruction and Development Bank,

[3] The decline of loans to industry sector was mainly conditioned by the change of accounting principles of major loans in one of the banks. As a result, standard loans were excluded from the balance of the bank (although stayed in economy) and were included in the balance sheet of the parent bank. If we exclude this change from the calculation the growth rate of credit investments in industry sector would total 13.6 percent, and the share of industry sector in credit portfolio would be 23.3 percent.

- World Bank,
- International Finance Corporation,
- Millennium Challenges Fund,
- Asian Development Bank,
- OPEK International Development Fund,
- Black Sea Trade and Development Bank,
- International Fund of Agricultural Development,
- Armenia Renewable Resources and Energy Efficiency Fund (AEE),
- European Fund for Southeast Europe,
- and loan projects of other financial institutions.

In 2013, loans provided by the banks and credit organizations within the framework of the projects supported by international financial institutions increased by 18.6 percent and at the end of the year totaled AMD 337.4 billion. As of December 31, 2013, the share of the overdue loans within above-mentioned loans issued by banks was 0.5 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 5.8, 7.5 and 86.7 percent.

As of December 31, 2013, the main lending sectors were industry, trade and agriculture sectors with 28.8, 26.2 and 19.0 percent shares.

BANKING SYSTEM FINANCIAL PERFORMANCE

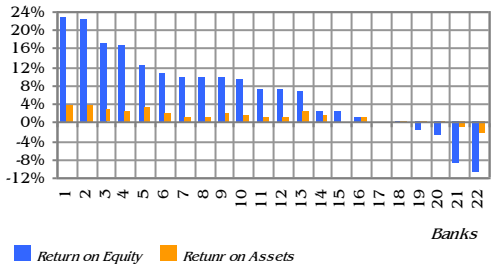
Banking System Profitability

In 2013, net profit of the banking sector according to supervision reports totaled AMD 38.2[4] billion. During the year, 16 banks operated with profit and 6 banks with loss.

[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.

Chart 21.

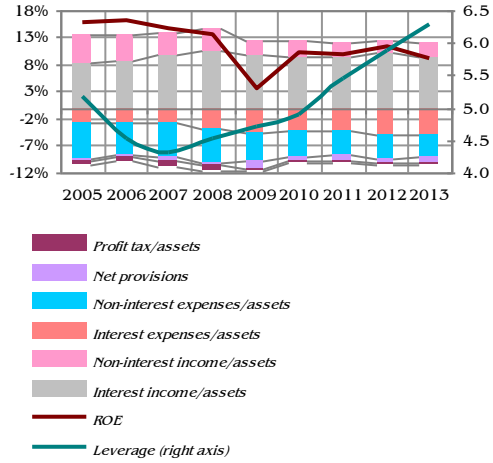
Return on Assets and Return on Equity



Source: Central Bank of Armenia.

Chart 22.

Structure of Return on Assets



Source: Central Bank of Armenia.

The Herfindahl-Hirschman concentration index for 16 profitable banks increased by 0.02 and totaled 0.108, reflecting a low level of concentration in the banking sector in regard to profit.

During the year, the profitability indicators of banking sector slightly deteriorated: Return on Assets (RoA)[5] and Return on Equity (RoE) decreased respectively by 0.5 and 2.2 percentage points and totaled 1.4 and 9.2 percent. Net operational margin[6] of the banks decreased by 0.3 percentage points and totaled 3.0 percent.

According to IFRS, profit was AMD 48.1 billion; Return on Assets (RoA) was 1.6 percent and Return on Equity (RoE) 10.0 percent.

According to the decomposition of profitability, the decrease of RoE was mainly conditioned by the decrease of RoA, while the growth of leverage had a positive impact on RoE. Decrease of RoA was mainly driven by the reduction of net interest margin due to declining interest rate spread. The decrease of RoA was also negatively affected by the growth of net loan loss provisions to total assets ratio, which in turn was affected by the growth of the non-performing loans. During the year, net interest margin decreased by 0.6 percentage points and totaled 4.5 percent. "Net provisions/assets" ratio increased by 0.3 percentage points and reached 1.2 percent. RoA was positively influenced by 0.3 percentage points drop of "non-interest expenses/assets" ratio.

Quartile analysis of RoA shows that compared with the previous year, the dispersion level of RoA between banks decreased. Interquartile range of RoA decreased by 0.2 percentage points and totaled 2.2 percent. The decrease of

[5] *In this document the return on equity is presented through the following components:*

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

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

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

interquartile range was conditioned by 0.2 percentage drop of the difference of median and 1st quartile. As a result, the difference of "3rd quartile" and "median" and the difference of "median" and "1st quartile" were respectively 1.1 and 1.1 percent (in 2012, 1.1 and 1.3 percent, respectively).

Structure of Income and Expenses

In 2013, the gross income of the banking system increased by 24.7 percent, while gross expenses increased by 30.0 percent. In the structure of gross income, the interest income increased by 12.8 percent, non-interest income by 18.9 percent and recoveries on the asset loss provisions by 47.6 percent.

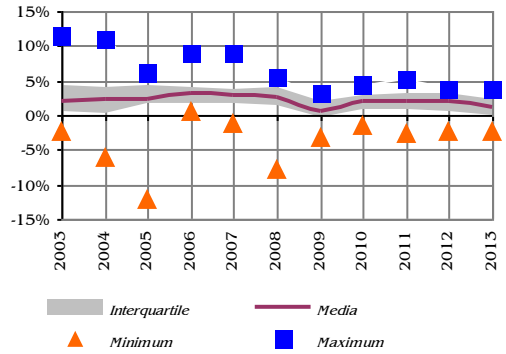
Compared with the previous year, in the structure of expenses the interest expenses increased by 21.5 percent, non-interest expenses by 9.9 percent and asset loss provisions by 48.8 percent.

As a result of the mentioned growth of the income and expenses, the shares of interest and non-interest income in gross income decreased by 5.2 and 0.6 percentage points, respectively, while the share of recoveries from the asset loss provisions increased by 5.8 percentage points. In expense structure, the shares of interest and non-interest expenses respectively decreased by 2.0 and 4.2 percentage points, while the share of asset loss provisions increased by 6.2 percentage points. The shifts in the structure of income and expenses were mainly conditioned by the comparatively high volatility of the non-performing loans over the year.

The growth of the interest income was mainly driven by growth of income on loans to economy (including overdrafts, credit lines and credit cards). The share of the latter in total interest income was 83.9 percent (83.6 percent in 2012).

Chart 23.

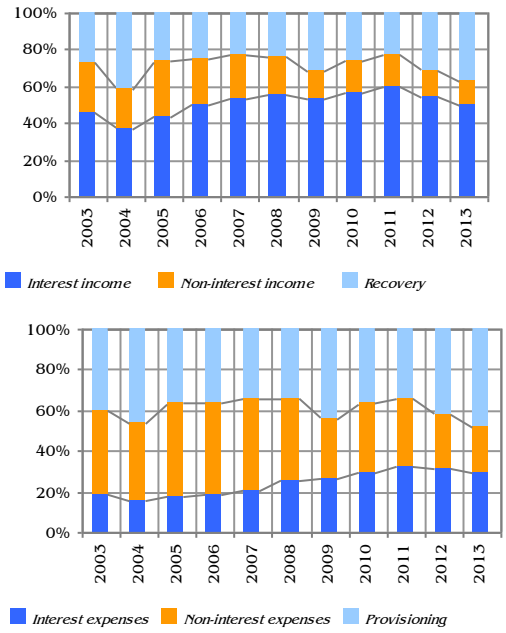
Return on Assets Breakdown



Source: Central Bank of Armenia.

Chart 24.

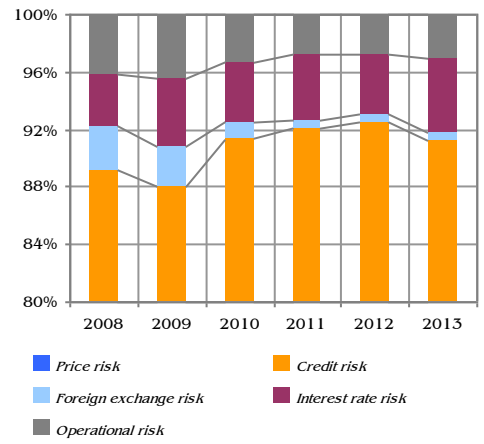
Structure of Banking System Income and Expenses



Source: Central Bank of Armenia.

Chart 25.

Structure of Risk Weighted Assets of Commercial Banks



Source: Central Bank of Armenia.

In the structure of non-interest income the growth of income from commission fees and net profit from revaluation of securities measured at fair value through profit/loss and available for sale increased. In the structure of non-interest income, the share of income from commission fees and foreign exchange trading income prevailed with respective shares of45.9 and 22.0 percent (44.7 and 25.7 percent in 2012).

The growth of interest expenses was mainly driven by expenses associated with time deposits. The share of expenses associated with time deposits and attracted funds from commercial banks and other financial institutions in total interest expenses prevailed with 54.0 and 18.6 percent (compared with 48.3 and 21.5 percent in previous year).

The growth of non-interest expenses was mainly driven by the growth of salaries and other payments deemed thereto, with 47.7 percent share in non-interest expenses at year-end. (41.7 percent in 2012).

BANKING SECTOR FINANCIAL RISKS

Over 2013, main banking indicators registered significant growth. Nevertheless, compared with the previous year, the growth rate of the loans slowed down, which in terms of slumping growth rate of deposits led to the increased liquidity in the banking system. The abovementioned developments had an overall positive impact on the mitigation of risks in the banking system.

In 2013, all commercial banks operated within the framework of prudential requirements. The capital adequacy and liquidity prudential ratios of the banking system were noticeably higher than required level.

Table 7. Prudential Ratios of Banking System

Prudential ratio	31.12.12	31.12.13	Change	Prudential threshold
Capital Adequacy	16.8%	16.7%	-0.1	≥ 12%
General liquidity	25.6%	29.1%	+3.5	≥ 15%
Current liquidity	126.1%	142.3%	+16.2	≥ 60%
Single borrower's risk	16.7%	16.1%	-0.6	≤ 20%
Major borrowers' risk	164.3%	157.0%	-7.3	≤ 500%
Bank's single affiliated party's risk	2.9%	2.8%	-0.1	≤ 5%
Bank's all affiliated parties' risk	10.1%	9.2%	-0.9	≤ 20%

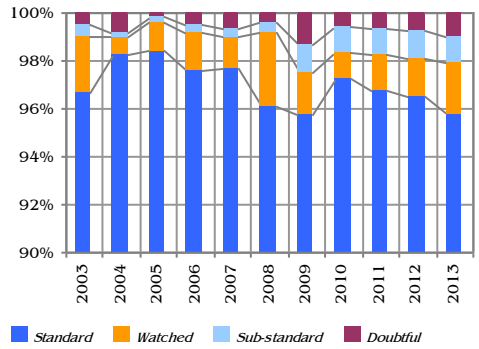
Credit risk

In Armenian banking system credit risk continues to be considered the most important risk. The share of credit risk in risk-weighted assets of commercial banks was 91.1 percent (92.4 percent in 2012). In this context, proper management of credit risk is emphasized for ensuring financial stability of the whole banking system.

The amount of non-performing loans and accounts receivable increased by 37.3 percent (AMD 22.1 billion) and reached AMD 81.4 billion, while the amount of standard loans and accounts receivable increased by 11.2 percent (AMD 184.6 billion) and reached AMD 1 trillion 832.1 billion. As a result, compared with 2012, the share of non-performing loans and accounts receivable ("watched", "sub-standard" and "doubtful" loans and accounts receivable) increased by 0.8 percentage points and totaled 4.3 percent. It is notable that the share of non-performing loans and accounts receivable was mainly driven by the growth of relatively lower risk "watched" loans and accounts receivable mainly due to rapid growth rate of loans over last 3 years (on average 30 percent per year). In this context, it is worth mentioning that the slumping growth rate of loans in 2013 is considered as a positive factor for mitigating credit risk.

Chart 26.

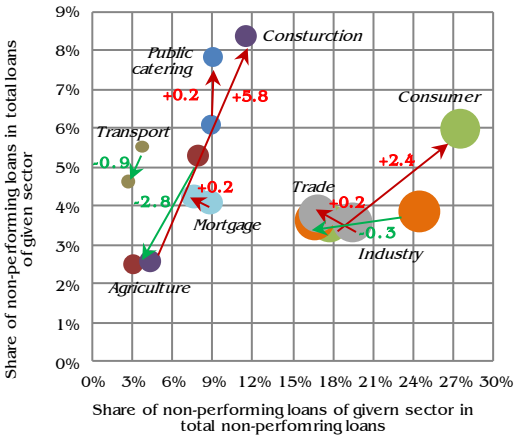
Breakdown of Loans and Accounts Receivable by Risk Classes



Source: Central Bank of Armenia.

Chart 27.

Changes of Credit Portfolio Quality by Sectors of Economy 2012 -2013 [7]

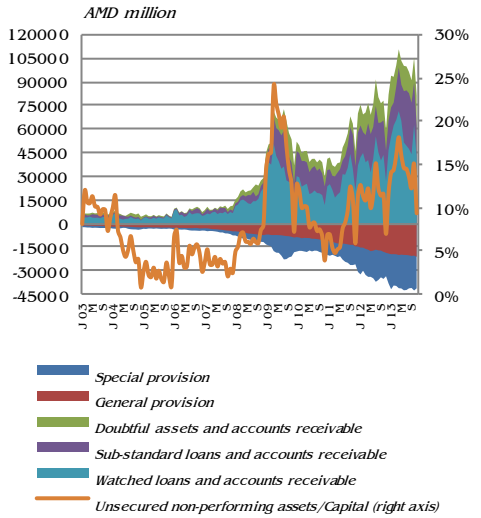


Source: Central Bank of Armenia.

[7] *The diameter of the circles in the chart is directly proportional to the share of the sector in total credit portfolio. The direction and the size of the arrows between the circles presents the change of non-performing loans in the sector over 2012-2013.*

Chart 28.

Asset Loss Provisioning[8]



Source: Central Bank of Armenia.

Over the year, significant increase of the share of non-performing loans was registered for construction and consumer loans with respective increase of 5.8 and 2.4 percentage points reaching 8.3 and 6.0 percent.

In residency breakdown of non-performing loans, the share of non-performing loans and accounts receivable of non-residents was 3 percent, while the share of residents was 97 percent (as of 31.12.2012, 0.4 and 99.6, respectively).

In risk level breakdown of non-performing loans and accounts receivable, the share of watched, sub-standard and doubtful loans and accounts receivable was respectively 2.2, 1.1 and 1.0 percent (1.6, 1.1 and 0.8 percent, as of 31.12.2012).

During 2013, the share of net asset loss provisions in average total assets increased by 0.3 percentage points and totaled 1.2 percent.

Compared with the previous year, the ratio of unsecured, non-performing loans and accounts receivable to regulatory total capital increased by 2.0 percent points and reached 9.4 percent. This was mainly due to the growth of loans in "watched" category. In case of total write-off (not taking into consideration pledge) of unsecured part of loans and accounts receivable[9], the total capital adequacy of commercial banks will be higher than the prudential requirement (15.4 percent).

According to credit risk stress tests[10], the possible losses of commercial banks increased compared with the beginning of the year mainly due to the growth of the share of non-performing loans and accounts receivable in total loans and accounts receivable.

[8] The written-off assets and their provisioning is not presented in the chart. The written-off assets form 100% provision and write off the balance.

[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 8. Credit Risk Stress Tests[11]

31.12.2013	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 15.0 billion or 3.5 percent of regulatory capital of commercial banks	AMD 6.1 billion or 1.4 percent of regulatory capital of commercial banks	AMD 51.9 billion or 12.1 percent of regulatory capital of commercial banks
Total capital adequacy of commercial banks in case of stress-scenario	16.2%	16.5%	15.0%

Foreign exchange risk

During 2013, Armenian dram/U.S. dollar exchange rate depreciated by 1.9 percent and amounted 409.6. Reflecting the fluctuations of the dram exchange rate against other currencies, the commercial banks incurred AMD 477 million currency revaluation loss (AMD 1.7 billion loss in 2012). 15 banks registered loss, while 7 banks registered profit. The banking system registered AMD 14.8 billion net income from foreign exchange trade (AMD 14.6 billion in theprevious year). The foreign exchange risk assessment by VaR (Value at Risk) methodology show with 95 percent confidence interval that possible daily losses of commercial banks on currency revaluation will not exceed AMD 92.7 million, as of December 31, 2013 (AMD 51 million as of 31.12.2012).

Table 9. Foreign Exchange Stress Tests

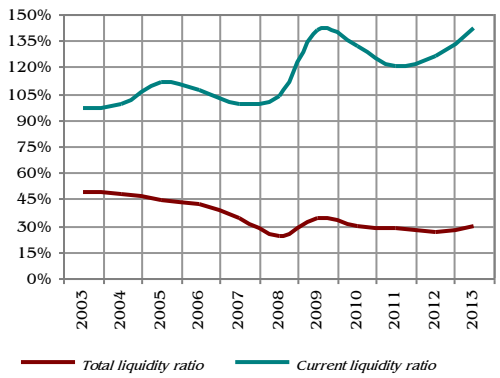
31.12.2013	Stress Scenarios		
	Profit(loss) in case of 5 percent appreciation(depreciation) of dram against dollar	Profit(loss) in case of 5 percent appreciation(depreciation) of dram against euro	Possible maximum 10 day loss according to VaR Model
Profit/Loss of commercial banks in case of foreign exchange revaluation	AMD 189.9 million or 0.04 percent of regulatory capital (AMD -189.9 million)	AMD 56.0 million or 0.01 percent of regulatory capital (AMD -56.0 million)	AMD 92.7 million or 0.07 percent of regulatory capital

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

According to foreign exchange risk stress tests, commercial banks will not incur significant losses from foreign exchange fluctuations, which are conditioned by proper foreign exchange risk management in banks. As of 31.12.2013, net foreign exchange short position (including derivatives) of the banking system was AMD 370 million or 0.1 percent of regulatory capital (as of 31.12.2012 AMD 5.9 billion positive position or 1.6 percent of regulatory capital).

Chart 29.

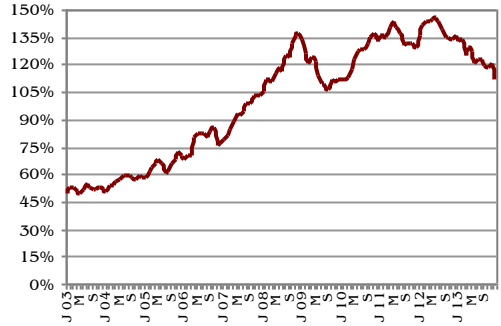
Dynamics of Liquidity Prudential Ratios



Source: Central Bank of Armenia.

Chart 30.

Dynamics of Loans to Deposits Ratio



Source: Central Bank of Armenia.

Liquidity risk

Over the year, parallel with declining growth rate of credit portfolio liquidity level increased. The volume of highly liquid assets of commercial banks increased by 33.6 percent, while the total assets used for calculating liquidity prudential increased by 17.3 percent and demand liabilities by 18.3 percent. As a result, total liquidity ratio (highly liquid assets to total assets ratio) increased by 3.5 percentage points and totaled 29.1 (prudential minimum requirement is15 percent). The current liquidity ratio (highly liquid assets to demand liabilities ratio) increased by 16.3 percentage points and totaled 142.3 percent (prudential minimum requirement is 60 percent).

From the viewpoint of liability concentration, in 2013 the share of "large" liabilities[12] stayed unchanged at 26.2 percent level.

From the prospective of the stability of financing resources of loans in 2013, the declining trend of loans to deposits ratio persisted. Over 2013, the loans to deposits ratio declined by 23.3 percentage points and totaled 112.3 percent. While improving of the ratio was mainly conditioned by higher growth rate of time deposits from individuals compared with the growth rate of the loans. The observed developments have a positive impact from the viewpoint of improvement of the stability of financing resources of loan portfolio.

[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.

Table 10. Liquidity Stress Tests

31.12.2013	Stress Scenarios		
	Withdrawal of 25 percent of the time deposits of individuals	Withdrawal of 25 percent of the demand deposits of individuals	Withdrawal of 25 percent of the time and demand deposits of individuals
Ratio of highly liquid assets to total assets of commercial banks	23.6%	25.3%	19.2%
Ratio of highly liquid assets to demand liabilities of commercial banks	107.0%	156.0%	109.3%

According to liquidity stress tests, the improvement of total and current liquidity ratios over the year was mainly conditioned by the increased liquidity in the system. In case of the worst scenario, some banks breach total and current liquidity prudential requirements. Nevertheless, the highly liquid assets in those banks totally cover liability run-offs.

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 increased by 1.9 percentage points and totaled 6.8 percent at year-end. Nevertheless, price risk of Armenian banking system continues to be assessed rather low.

In 2013, the banking system incurred AMD 2.4 billion gain (0.5 percent of regulatory capital) from revaluation of assets available for sale and measured at fair value through profit/loss.

Table 11. Real estate price stress tests

In case of 30 percent depreciation of real estate	31.12.2013
Commercial banks' loss due to revaluation of own property (price risk)	AMD 12.9 billion (or 3.0 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 6.1 billion (or 1.4 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 20.3 billion (or 4.7 percent of regulatory capital)

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.

Interest rate risk

Over the year, the trend of deposit interest rate growth and declining trend of loan interest rate preserved. Over 2013, the weighted average interest rate of new loans decreased by 0.25 percentage points, while weighted average interest rate of deposits attracted from individuals and legal entities increased by 0.35 percentage point. As a result, the spread between interest rates of loans and deposits narrowed by 0.6 percentage point and totaled 6.4 percent.

Table 12. Interest rate risk stress scenarios

31.12.2013	Stress scenarios	
	Impact of 2 percentage point increase (decrease) of market interest rates on total portfolio, estimated through the "Duration Method"	Impact of 2 percentage point increase (decrease) of market interest rates on total portfolio, estimated through the "Duration Method"
Profit/loss of commercial banks	AMD 3.5 billion or 0.8 percent of regulatory capital of commercial banks (AMD -3.5 billion or 0.8 percent of regulatory capital)	AMD 383.6 million or 0.1 percent of regulatory capital of commercial banks (AMD -383.6 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.*

The weighted average maturity gap of the banking system assets and liabilities almost did not change, remaining around a 6-month range. Under those circumstances, banks can easily react to fluctuations of the interest rates by revising the asset and liability structure.

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 on average 2.1 percent. In this respect, the interest rate risk is at manageable level.

CREDIT ORGANIZATIONS

GENERAL PROVISIONS

Domestic credit organizations

As of December 31, 2013, there were 33 credit organizations operating in Armenia, of which 3 were leasing companies, 1 credit union, 27 universal credit companies and 2 refinancing credit organizations. During 2013, the number of credit organizations' branches increased by 5 and totaled 126.

Concentration among credit organizations

Table 13. Concentration Level of Credit Organizations

Indicator	31.12.13	31.12.12	Change
Total Assets			
CC 4	44.2	45.6	-1.4
CC 10	74.4	75.0	-0.6
Total Liabilities			
CC 4	48.3	50.0	-1.7
CC 10	77.4	78.0	-0.6
Total Capital			
CC 4	57.5	56.6	+0.9
CC 10	80.4	81.1	-0.7
Loans to Economy (including Leasing)			
CC 4	44.8	46.5	-1.7
CC 10	73.6	75.2	-1.6

During 2013, 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 for total liabilities.

ASSETS, LIABILITIES, CAPITAL AND FINANCIAL RESULTS OF CREDIT ORGANIZATIONS

Capital of credit organizations

During 2013, total capital of credit organizations grew by 23.4 percent mainly conditioned by the growth of statutory capital.

During 2013, the share of non-resident in statutory capital of credit organizations decreased by 10.1 percentage points and totaled 22.8 percent at year-end. In 6 out of 14 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 22.5 percent (35.2 percent as of 31.12.2012).

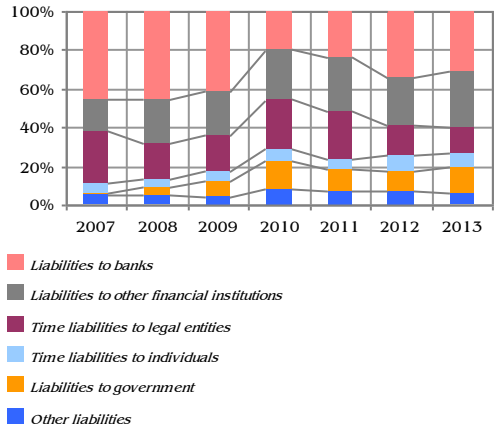
Liabilities of credit organizations

Liabilities of credit organizations increased by 25.2 percent and totaled AMD 132.2 billion. Major source for the liability growth was the increase of liabilities to Government- 55.1 percent (AMD 6.4 billion) and to banks and other financial organizations- 43.3 percent (AMD 11.5 billion).

The liabilities to legal entities and individuals increased by 16.2 percent (AMD 4.0 billion) and reached AMD 28.9 billion at year-end. In maturity structure of liabilities to

Chart 31.

Liability Structure of Credit Organizations



Source: Central Bank of Armenia.

legal entities and individuals, the demand and term liabilities increased respectively by 28.9 and 15.8 percent totaling AMD 877.4 million and AMD 28.0 billion. In foreign exchange structure of liabilities to legal entities and individuals, the foreign exchange liabilities increased by 12.1 percent, while dram liabilities increased by 19.2 percent.

In 2013, the share of liabilities to banks decreased by 3.5 percentage points, while share of term liabilities to Government and other financial organizations increased respectively by 3.6 and 2.6 percentage points.

Assets of credit organizations

Over 2013, total assets of credit organizations grew by 24.5 percent and totaled AMD 209.8 billion (7.1 percent of the banking system assets). At the end of 2013, asset growth was observed in 28 credit organizations, while for 5 credit organizations a decline in assets was observed.

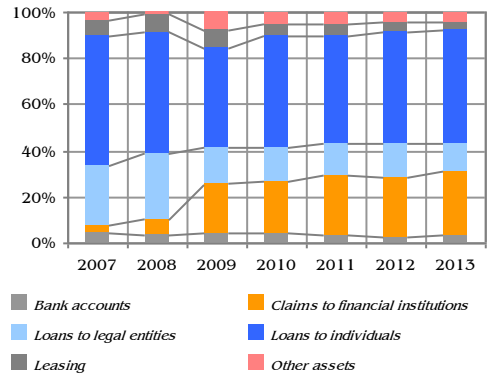
Within the structure of assets loans to economy increased (including leasing) by 19.8 percent and totaled AMD 135.7 billion, while claims to banks increased by 31.1 percent and totaled AMD 53.2 billion.

Lending to almost all sectors of economy increased except for construction sector. High growth rate lending to agriculture, financial and consumer sectors was observed with respective growth rates of 34.5, 28.3 and 21.3 percent. In sectorial breakdown of loans, major share belonged to financial, agriculture and consumer sectors with respective shares of 30.1, 19.9 and 19.8 percent.

Over 2013, the share of non-performing assets of credit organizations ("watched", "sub-standard" and "doubtful" loans) increased by 0.2 percentage points and at the end of the year reached 3.9 percent. The largest share of non-performing loans was in public catering and other services, construction and consumer (including mortgage) sectors with 14.4, 7.7 and 7.6 percent NPLs.

Chart 32.

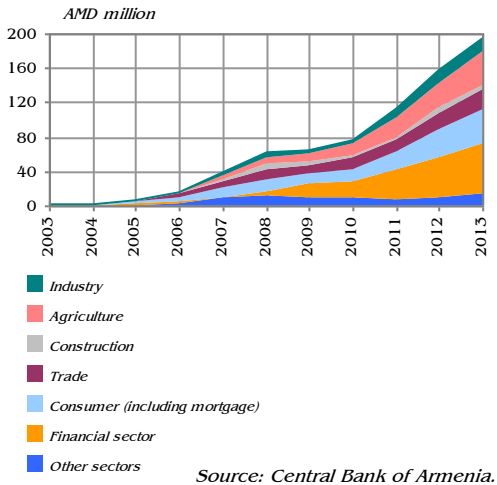
Asset Structure of Credit Organizations



Source: Central Bank of Armenia.

Chart 33.

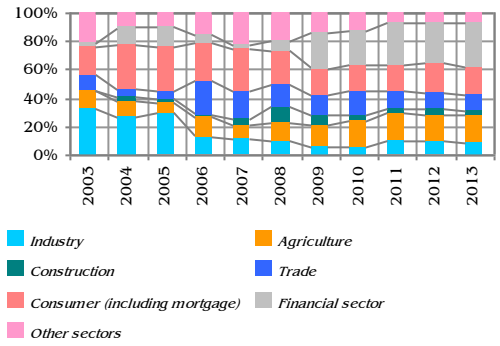
Dynamics of Credit Investments of Credit Organizations



Source: Central Bank of Armenia.

Chart 34.

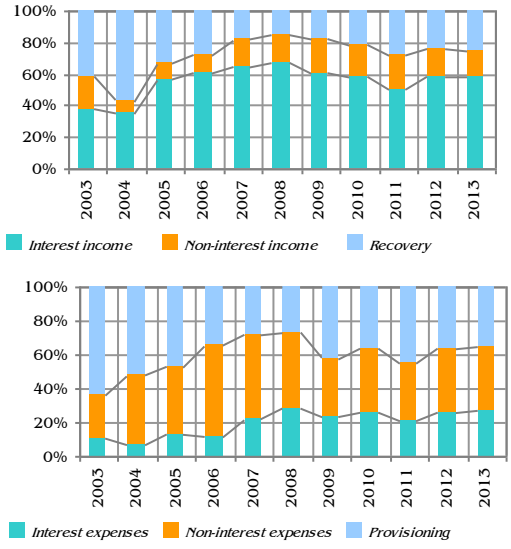
Sectoral Structure of Credit Investments of Credit Organizations



Source: Central Bank of Armenia.

Chart 35.

Income and Expense Structure of Credit Organizations



Source: Central Bank of Armenia.

Shifts were observed in the structure of total assets of credit organizations for bank accounts and claims to banks and loans to legal persons. The share of loans to legal persons decreased by 2.6 percentage points, while the share of claims to banks and bank accounts increased respectively by 1.3 and 1.1 percentage points.

Financial results of credit organizations

In 2013, net profit of credit organizations according to supervision reports reached AMD 5.9 billion. 30 credit organizations were profitable, while 3 credit organizations incurred losses. Net profit of profitable credit organizations was AMD 5.9 billion.

Compared with 2012, the return on assets (RoA) and return on equity (RoE) of credit organizations decreased respectively by 0.2 and 0.7 percentage points totaling 3.1 and 8.1 percent.

The net profit of credit organizations according to IFRS[14] was AMD 6.2 billion; RoA was 3.2 percent and RoE- 8.6 percent.

The interest income of credit organizations increased by 25.6 percent mainly conditioned by increased interest income from allocated funds in banks and other financial organizations. The share of interest income from loans within total interest income stayed unchanged at 76.3 percent level. The share of interest income from allocated funds in banks and other financial organizations in total interest income increased by 1.4 percentage points and totaled 16.1 percent.

The non-interest income increased by 13.8 percent mainly conditioned by increase of commission fees. The share of latter in total non-interest income increased by 3.4 percentage points and totaled 76.1 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 increased by 31.6 percent, mainly driven by the increase of interest payments for financial resources attracted from banks and other financial institutions and by the increase of the payments for term borrowings. 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 47.6 and 28.1 percent shares (46.1 and 29.7 percent in 2012).

Non-interest expenses increased by 23.2 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 60.5 percent (55.3 percent in 2012).

ARMENIAN INSURANCE MARKET

GENERAL PROVISIONS

Insurance companies operating in Armenia

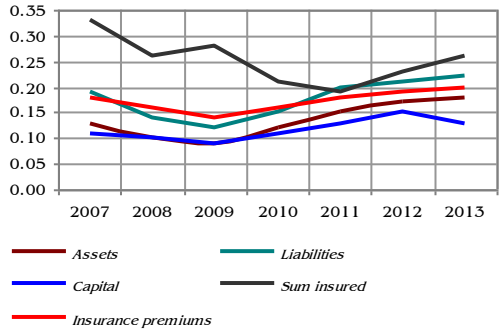
As of 31.12.2013, nine insurance companies[15] with 23 branches had licenses for insurance activities in Armenia. During the year "Armenian export insurance agency" obtained license and the license of "Cascade Insurance" was revoked. All insurance companies carried out only non-life insurance activities.

Concentration among insurance companies

In 2013, Herfindahl-Hirschman concentration index of main financial indicators of the insurance market had a growth trend except for capital.

Chart 36.

Herfindahl-Hirschman Concentration Index of Main Financial Indicators



Source: Central Bank of Armenia.

[15] *As of 31.12.2013, only 8 de facto operating and reporting insurance companies are included into calculations, as one company holding license is not operating.*

Table 14. Herfindahl-Hirschman Concentration Index

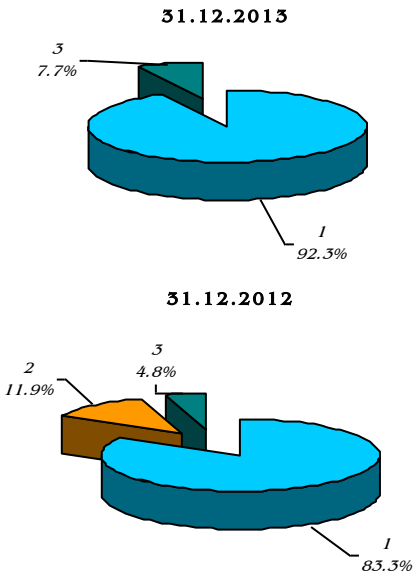
	31.12.11	31.12.12	31.12.13
Assets	0.15	0.17	0.18
Liabilities	0.20	0.21	0.22
Capital	0.13	0.15	0.13
Insurance coverage	0.19	0.23	0.26
Insurance premiums	0.18	0.19	0.20

Table 15. Insurance System Concentration Level (%)

	31.12.11	31.12.12	31.12.13
Assets			
CC 2 (the share of assets of **two** largest insurance companies within insurance system total assets)	43	49	50
CC 5 (the share of assets of **five** largest insurance companies within insurance system total assets)	76	84	85
Liabilities			
CC 2	57	57	58
CC 5	87	91	93
Capital			
CC 2	29	36	32
CC 5	66	76	73
Insurance coverage			
CC 2	53	62	66
CC 5	86	89	94
Insurance Premiums			
CC 2	51	54	52
CC 5	83	90	91

Chart 37.

Structure of Insurance Companies' Total Capital



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

Source: Central Bank of Armenia.

Polarization between insurance companies increased over the year. For the main financial indicators of insurance market, except for the capital, increase of polarization was observed.

INSURANCE MARKET CAPITAL

In 2013, total capital of insurance system increased by 16.3 percent totaling AMD 16.0 billion. The statutory capital increased by 28.9 percent reaching AMD 14.7 billion.

The capital adequacy ratio of insurance companies was 139.4 percent, exceeding the prudential requirement by 39.4 percentage points (the prudential minimum requirement of capital adequacy is 100 percent).

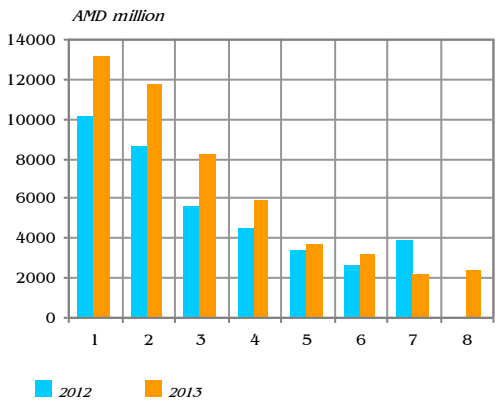
As of 31.12.2013, the share of non-residents in the statutory capital of insurance companies was 42.6 percent. In one of three insurance companies with foreign participation the share of non-resident was 100 percent.

INSURANCE MARKET ASSETS

Over 2013, the assets of the insurance companies increased by 30.3 percent and as of 31.12.2013 totaled AMD 50.0 billion.

Chart 39.

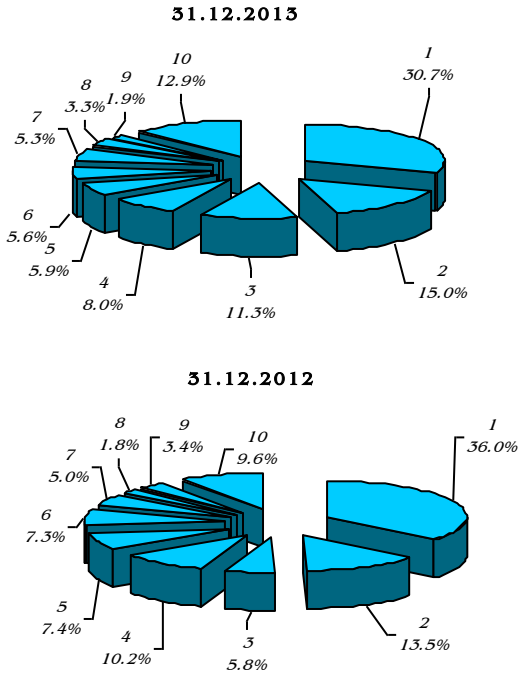
Total Assets of Insurance Companies



Source: Central Bank of Armenia.

Chart 38.

Structure of Insurance Companies' Total Assets



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

Source: Central Bank of Armenia.

Over 2013, the deposits in banks increased by 10.9 percent totaling AMD 15.3 billion. By the end of the year, in the structure of assets of insurance companies the major share belonged to deposits in banks –30.6 percent, receivables from policyholders for direct insurance – 15.0 percent and government securities – 7.4 percent. 87.6 percent of deposits were current deposits in domestic banks, and 12.4 percent were time deposits in domestic banks.

The assets of the insurance system were mainly allocated in highly liquid assets demonstrating that insurance companies do not have liquidity problems. During the current year, insurance companies did not breach liquidity prudential.

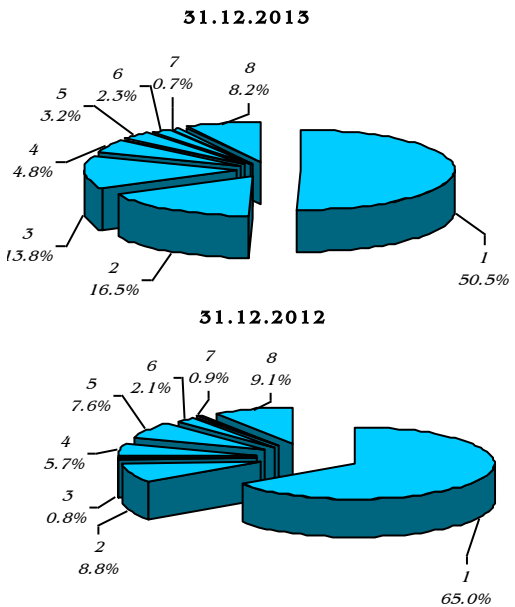
INSURANCE MARKET LIABILITIES

In 2013, liabilities of insurance companies grew by 38.1 percent and totaled AMD 34.0 billion at year-end.

As of 31.12.2013, the technical reserves had a large share in total liabilities – 50.6 percent, the share of repo agreements was 16.5 and the share of borrowings from financial organizations was 13.8 percent.

Chart 41.

Structure of Insurance Companies' Total Liabilities

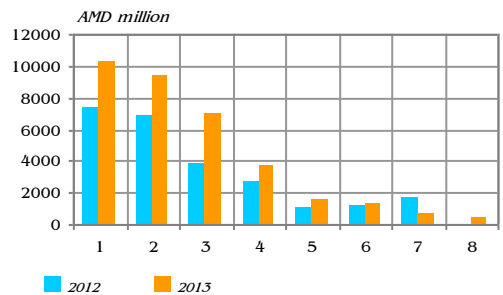


1. Technical reserves, 2. Repo agreements, 3. Borrowings, 4. Premiums transferred to reinsurers 5. Received prepayments for insurance, 6. Payables to intermediaries, 7. Payable compensation for direct insurance, 8. Other liabilities

Source: Central Bank of Armenia.

Chart 40.

Liabilities of Insurance Companies



Source: Central Bank of Armenia.

INSURANCE SYSTEM FINANCIAL PERFORMANCE

During 2013, according to supervision reports, insurance companies operated with AMD 758.4 million net loss. During the current year, return on assets (RoA) for insurance system was -1.6 percent and the return on equity (RoE) was -3.0 percent. Four insurance companies operated with profit and four with loss. The net profit of profitable insurance companies totaled AMD 710 million, while the losses of not profitable companies totaled AMD 1.5 billion.

In 2013, net loss of insurance companies according to IFRS was AMD 927.6 million, RoA -2.0 percent and RoE -6.2 percent.

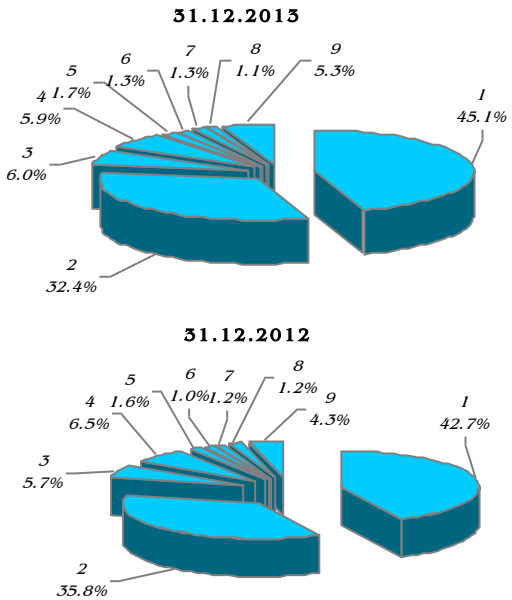
Insurance premiums accrued by insurance companies in 2013 totaled AMD 35.8 billion (compared with AMD 35.5 billion in 2012). 45.1 percent of total accrued premiums were for MTPL insurance and 32.4 percent was for health insurance premiums.

During 2013, insurance companies accrued 19.7 billion insurance compensations (AMD 14.5 billion in 2012). 52.5 percent of total compensations accrued during 2013 were for MTPL insurance, while 37.9 percent was for health insurance. In 2013, the growth of health insurance compensations increased 2.5 times compared with previous year reaching AMD 7.5 billion.

In the structure of income the share of earned premiums prevailed- 90.7 percent. In the structure of expenses major share belonged to insurance compensations and net technical reserves-53.4 percent. The share of interest income on current deposits in banks and current lending to banks in total interest income amounted to 62.4 percent (or AMD 1.5 billion). Over the year, the non-interest expenses exceeded the non-interest income of the insurance companies by AMD 8.6 billion. The share of salaries and human resource expenses in non-interest expenses was 50.9 percent (or AMD 4.7 billion). Loss ratio of the

Chart 42.

Structure of Insurance Companies' Accrued Premiums



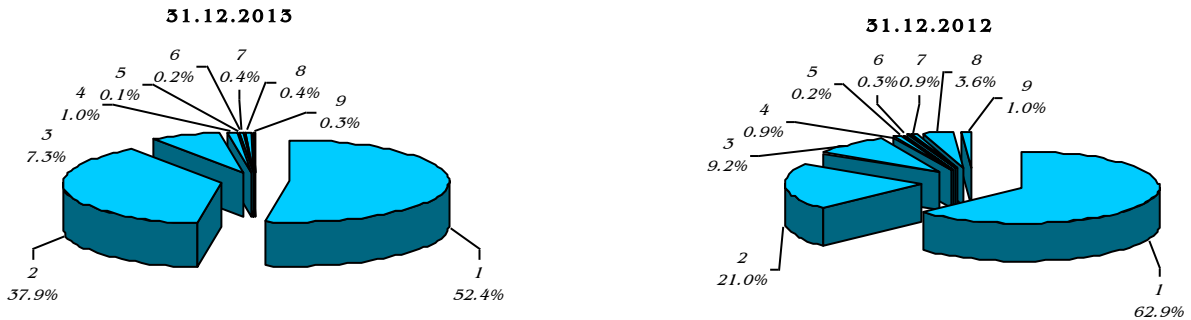
1. MTPL, 2. Health, 3. Ground transport, 4. Fire and natural disaster, 5.Cargo, 6. Accident, 7. Support, 8.General liability, 9. Other types of insurance

Source: Central Bank of Armenia.

insurance system was 62.2 percent[16] increasing by 3.0 percentage points, while expense ratio decreased by 2.0 percentage points and totaled 30.3[17] percent.

Chart 43.

Structure of Insurance Companies' Accrued Compensations

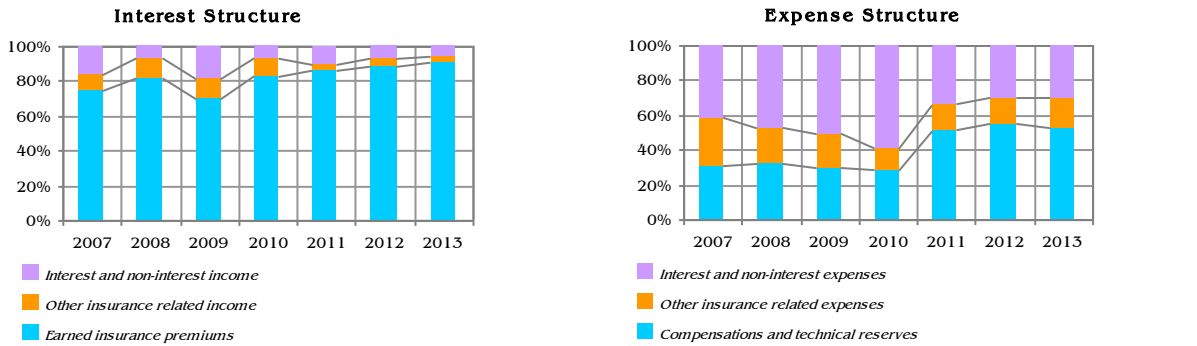


1. MTPL, 2. Health, 3. Ground transport, 4. Fire and natural disasters, 5. Cargo, 6. Accidents, 7. Support, 8. General liability, 9. Other types of insurance

Source: Central Bank of Armenia.

Chart 44.

Income and Expense Structure of Insurance Companies



Source: Central Bank of Armenia.

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

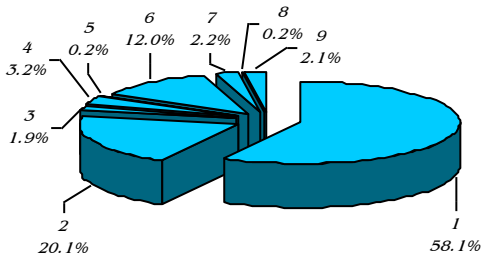
[17] Expense ratio is calculated as non-interest expenses/(net earned premiums-returns on cancelled policies)

INSURANCE POLICIES

As of year-end 2013, total number of insurance policies was 563.1 thousand, which was 28.3 percent higher than the number of contracts as of 31.12.2012. As of year-end 2013, coverage of insurance policies totaled AMD 8.2 trillion, which was 29.6 percent higher than in 2012 year-end. The growth of number of contracts and their coverage was conditioned growth of MTPL policies at the end of 2013. Over the current year, sharp increase of aircraft and aircraft operation insurance coverage was registered reaching AMD 701.9 billion as of 31.12.2013.

Chart 45.

Structure of Insurance Contracts in Force as of 31.12.2013



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

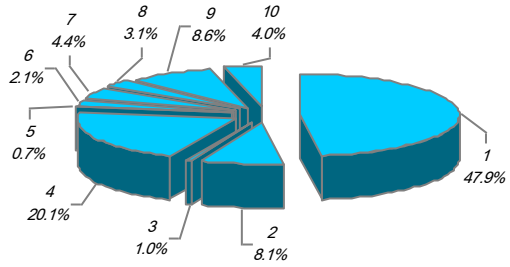
Source: Central Bank of Armenia.

REINSURANCE OF INSURANCE RISKS

As of year-end 2013, the amount of reinsured risks totaled AMD 2.5 trillion, or 30.4 percent of risks taken by insurance companies. During 2013, the amount of insurance premiums transferred to reinsurers totaled AMD 3.3 billion or 9.1 percent of total insurance premiums. The amount of insurance compensations received from reinsurers totaled AMD 819.6 million or 4.2 percent of total compensations accrued during 2013.

Chart 46.

Structure of Insurance Coverage for Policies in Force as of 31.12.2013



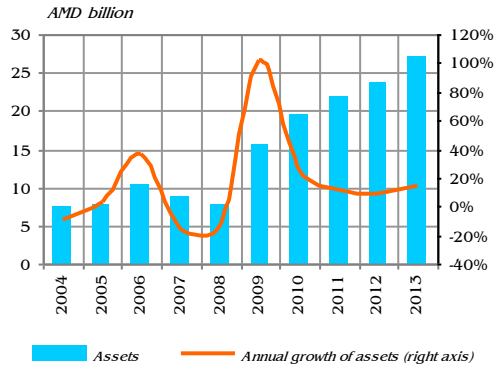
1. MTPL, 2. Health, 3. Ground transport, 4. Fire and natural disaster, 5. Cargo, 6. Accidents, 7. Support, 8. General liability, 9. Aircraft and aircraft operation, 10. Other types of insurance

Source: Central Bank of Armenia.

SECURITIES MARKET PARTICIPANTS

Chart 47.

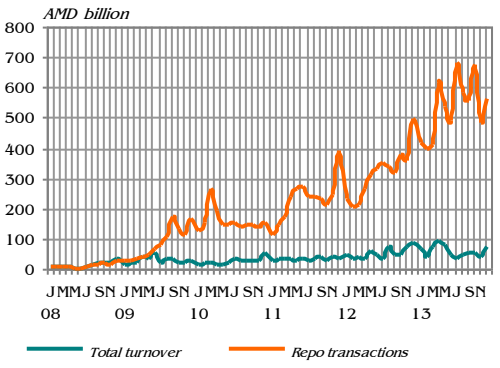
Assets and Asset Growth of Investment Companies



Source: Central Bank of Armenia.

Chart 48.

Securities Turnover and Volumes of Repo Transaction of Investment Companies



Source: Central Bank of Armenia.

As of 31.12.2013, 21 commercial banks and 8 investment companies rendered investment services. All investment companies were eligible to carry out securities transactions on behalf of themselves or on customers' behalf and account, at the same time six of them were eligible to carry out securities transactions on behalf of themselves and their account. Seven of them were authorized to accept and further forward customer instructions concerning securities transactions. Six companies could also carry out consulting services covering investments in securities; six companies were authorized to carry out securities allocations, and three companies carried out securities portfolio management.

At the end of 2013, three investment fund managers were registered, out of which two had mandatory pension fund management license, while one had a license for the management of voluntary pension fund. The mentioned fund managers run nine contractual investment funds out of which:

- Six as a mandatory pension fund,
- Two as a voluntary pension fund,
- One as an investment fund.

Besides the mentioned funds, the Central Bank registered also one venture fund as a corporate fund.

During 2013, concentration level of investment companies' assets stayed unchanged, while concentration for liabilities decreased and concentration of capital increased.

Table 16. Herfindahl-Hirschman Concentration Index

Indicator	31.12.2011	31.12.2012	31.12.2013
Assets	0.19	0.19	0.19
Liabilities	0.20	0.20	0.19
Capital	0.18	0.17	0.19

Assets of investment companies increased by 14.5 percent and totaled AMD 27.0 billion, while total capital grew by 36.1 percent and totaled AMD 5.2 billion. Over 2013, three companies replenished statutory capital by AMD 285 million. During the year, net profit of investment companies reached AMD 874 million. Six companies operated with profit, while two companies finished the year with loss.

Armenian securities market turnover (including repo transaction excluding transactions with the Central Bank) during the year grew by 0.9 percent and totaled AMD 2 trillion 456 billion.

Repo transactions (excluding transactions with the Central Bank) accounted for 71.8 percent of total turnover of Armenian securities market. Compared with 2012, the amount of repo transactions decreased by 2.8 percent and totaled AMD 1 trillion 765 billion.

99.8 percent of repo agreements signed involved government securities. 75.3 percent of the securities were mid-term government securities; 24.5 percent were long-term and 0.1 percent were short-term securities.

Transactions with government securities predominated also in total number of trade transactions of security market participants rendering investment services and totaled AMD 418.4 billion or 60.5 percent of total turnover.

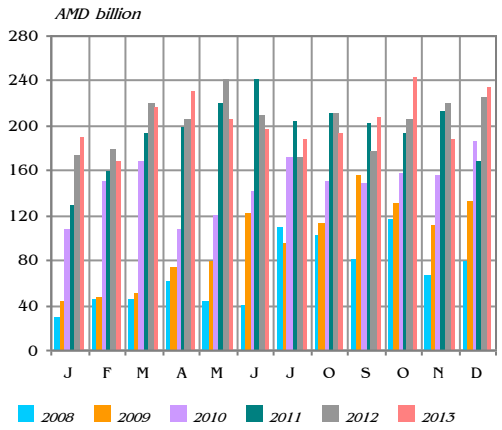
Compared with 2012, the volume of trade transactions with corporate bonds increased by 23.5 percent and totaled AMD 252.5 billion or 36.5 percent of total turnover. Transactions with equity almost doubled (by AMD 9.9 billion) totaling AMD 20.5 billion or 3.0 percent of total securities turnover.

In 2013, the share of securities trade transaction in regulated market in total turnover of securities trading was 3.1 percent.

Securities transactions conducted in regulated market in 2013 increased almost four times (or by AMD 17.6 billion).

Chart 49.

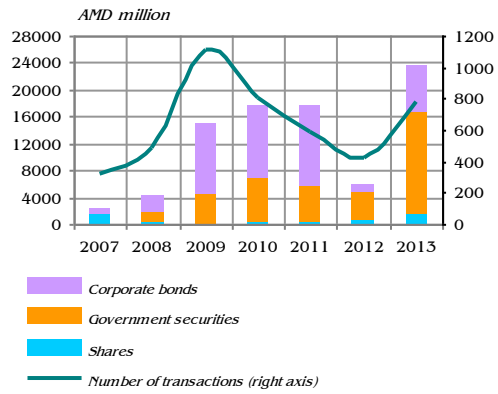
Securities transactions by Investment Service Providers (excluding transactions with the Central Bank)



Source: Central Bank of Armenia.

Chart 50.

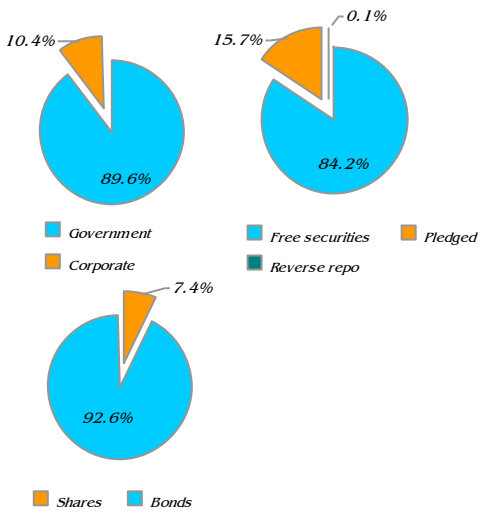
Structure of Stock Exchange Turnover



Source: Central Bank of Armenia.

Chart 51.

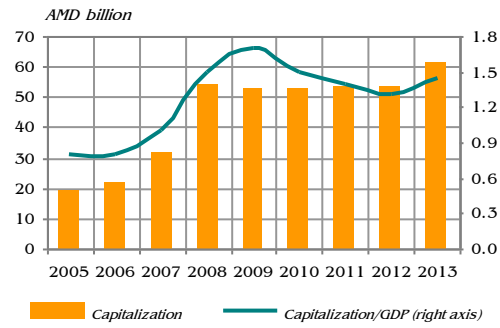
Securities Portfolio of Investment Service Providers as of 31.12.2013



Source: Central Bank of Armenia.

Chart 52.

Capitalization and Capitalization/GDP Ratio of Armenian Securities Market



Source: Central Bank of Armenia.

In the regulated market repo transactions accounted for 7.5 percent, while in 2012 the share of repo transactions was 15.7 percent. Almost all repo transactions were carried out with corporate bonds. The share of transactions with government bonds was 64.4 percent, corporate bonds- 29.2 percent and shares-6.4 percent.

As of 31.12.2013, the volume of resources under asset management contracts decreased by 43.0 percent compared with previous year and totaled AMD 1.5 billion.

As of 31.12.2013, 92.6 percent of securities portfolios of investment companies were bonds (89.6 percent of portfolio were government securities). The 84.2 percent of securities portfolio were securities with free status, 15.7 percent were securities obtained through repo agreements and 0.1 percent were securities under pledge.

In the end of 2013, the capitalization[18] of Armenian securities market was AMD 61.7 billion and capitalization/GDP ratio was 1.5 percent increasing by 0.2 percentage point over the year. The increase was conditioned by higher growth rate of capitalization compared with GDP growth rate.

As of end 2013, there were 2,046 register running issuers in the Central Depository and 107,001 holders of securities in the Central Depository.

As of end 2013, 21 securities of fourteen reporting issuers were circulating in market and two of the issuers were reporting for both shares and bonds. Eleven of reporting issuers issued 12 shares and five issuers issued 9 bonds. Five of the issued bonds were in foreign exchange with 74 percent share.

As of 31.12.2013, the total value of issued shares of reporting issuers was AMD 53.4 billion, while the total value of issued bonds was AMD 10.5 billion. 34.0 percent of issued bonds accounted for two financial organizations, while share of three financial organizations in shares was 25 percent.

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

PAYMENT AND SETTLEMENT COMPANIES

As of 31.12.2013, seven payment and settlement companies were registered in Armenia. Among them, 4 companies had the license only for money transfer operations, 2 companies had licenses for money transfer and for processing and clearing of payment instruments and documents (hereinafter processing and clearing companies), and one company had a license only for processing and clearing of payment instruments and payment documents.

Total assets of processing and clearing companies increased by 38 percent and totaled AMD 3.4 billion by the end of year. The liabilities increased by 21 percent totaling AMD 2.1 billion, while the capital increased by 81 percent reaching AMD 1.3 billion.

The assets, liabilities and capital of companies with only money transfer licenses increased respectively by 8, 18 and 1 percent totaling respectively AMD 20.0, 8.6 and 11.4 billion.

Over the year, processing and clearing companies reported AMD 913 million profit, while companies with only money transfer licenses reported AMD 615 million profit.

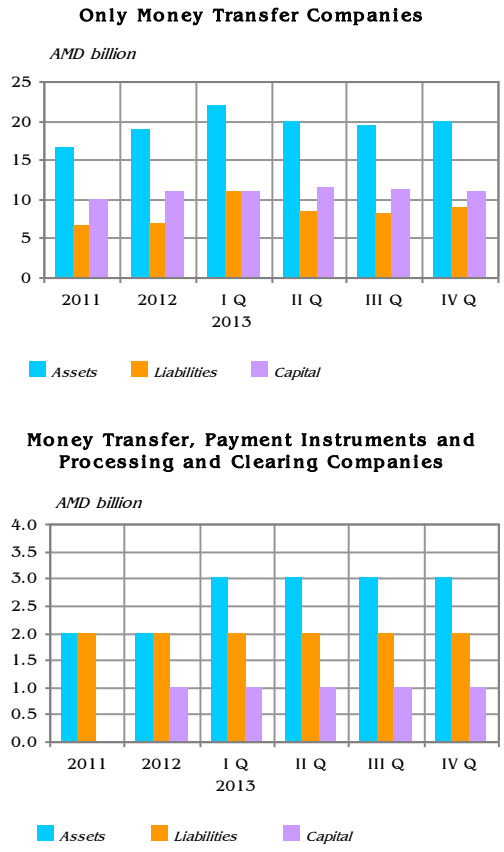
Five payment and settlement companies provided cash payment collection services through self-service terminals and branches for payments for utilities, fixed and cellular phones, loans, budget penalties and fees, internet services and other. Amount of transactions carried out through payment and settlement companies increased by 12 percent reaching AMD 375.5 billion.

During 2013, number of self-service terminals operated by the payment and settlement companies increased by 285 and totaled 1108. AMD 59.5 billion payments (23.1 million transactions) were collected through self-service terminals increasing by 31 percent compared with 2012.

Payment and settlement companies provided processing services to number of commercial banks and money

Chart 53.

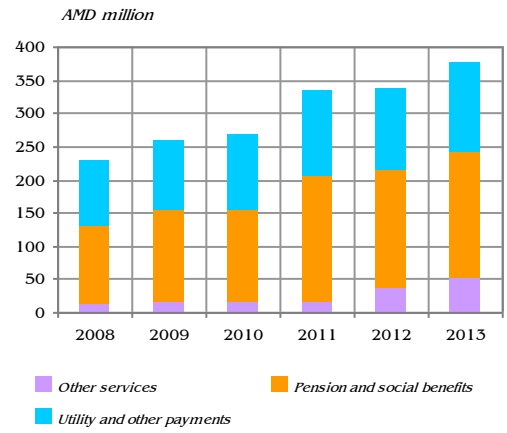
Financial Standing of Payment and Settlement Companies



Source: Central Bank of Armenia.

Chart 54.

Total Amount of Services Provided by Payment and Settlement Companies



Source: Central Bank of Armenia.

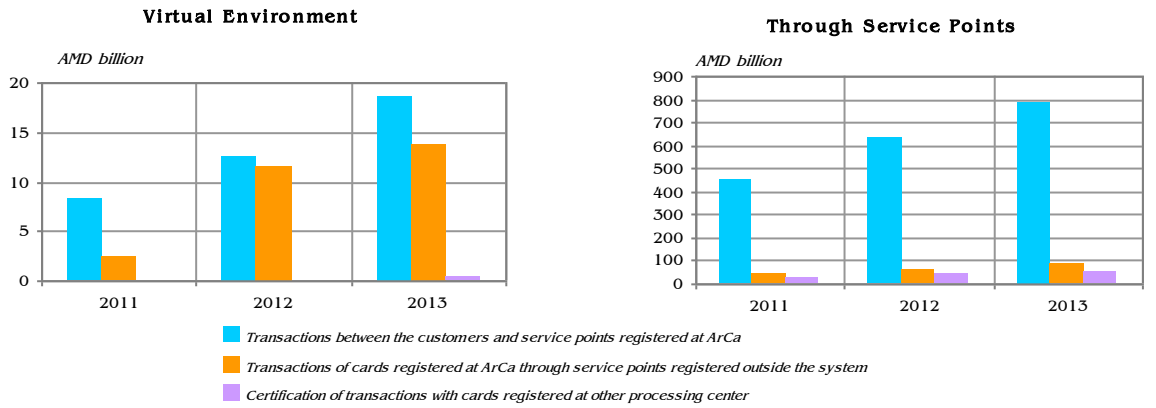
transfer companies. During the year, payment and settlement companies provided processing/clearing services to several banks, through which AMD 5.3 billion (1.6 million transactions) utility payments were collected, which was 18 percent higher than in 2012.

Inbound money transfers to Armenia are carried out through commercial banks and money transfer companies. During 2013, AMD 2.0 billion inbound payments were carried out through money transfer companies, which was 22 percent less than in 2012. At the same time, the volume of outbound transfers through the same companies decreased by 6 percent totaling AMD 132 million.

During 2013, the processing center "ArCa" processed AMD 962.6 billion card transactions (28 percent more than in previous year). AMD 54.6 billion transactions were certified for the cards issued by other processing centers (31 percent more than in 2012). The amount of operations with cards registered at "ArCa" processing center and processed through non-ArCa (including foreign) processing centers totaled AMD 103.7 billion (50 percent growth).

Chart 55.

Payment Services Provided by ArCa System through Cards and Electronic Money



Source: Central Bank of Armenia.

PAYMENT AND SETTLEMENT SYSTEM

In 2013, 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 of payment and settlement system.

Basic Indicators of the Payment and Settlement System

As of end of 2013, the number of clients of the banking system increased by 18 percent reaching 1.9 million clients, out of which 1.8 million were natural person clients. The number of client bank accounts increased by 20 percent reaching 3.2 million bank accounts out of which 2.3 million were current accounts, 165 thousand time accounts and 697 were credit accounts.

In 2013, 108.0 million payment cards transactions were carried out in Armenia with a total amount of AMD 1 trillion. Non-cash payments through cards increased by 16 percent and totaled AMD 105.8 billion. Out of those mentioned transactions AMD 24.3 billion were internet transactions (AMD 2.9 billion on e-commerce, AMD 21.4 billion card-to-card payments). Compared with the previous year, the total number of cards in circulation increased by 18 percent and reached 1.6 million. The share of non-cash payments by cards (including operations in Internet) in total number of card transactions increased by 0.4 percentage points and totaled 9.5 percent.

Compared with 2012, money transfers to individuals by banks and money transfer organizations increased by 5 percent and totaled AMD 941.2 billion (including SWIFT payments), while the amount of outbound transfers increased by 1 percent and totaled AMD 334.3 billion. As a result, net inflow totaled AMD 607.0 billion, which was 8 percent higher than in 2012.

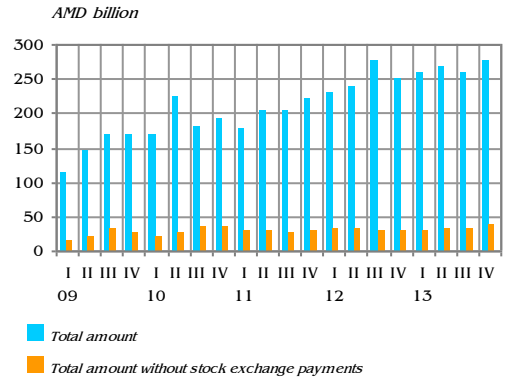
In 2013, the growth rate of non-cash payments was higher than the growth rate of GDP; as a result, compared with 2012, the daily average[19] non-cash payments/GDP ratio increased by 0.3 percentage points and totaled 3.2 percent at year-end.

In 2013, the average daily non-cash payments in Armenia were AMD 138.0 billion (64 thousand). Compared with 2012, the daily average amount of non-cash payments carried out through the Central Bank's payment and settlement systems increased by 10 percent, while the number of transactions decreased by 9 percent and totaled respectively AMD 116.2 billion and 22 thousand.

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

Chart 56.

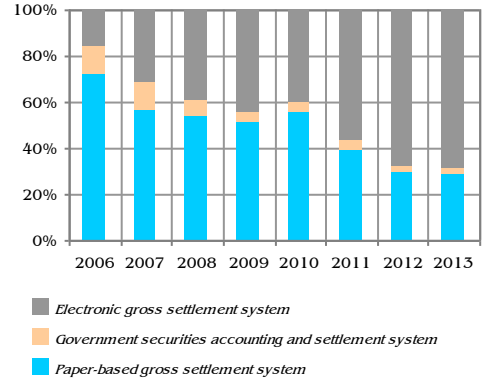
Daily Average Payments through EPS



Source: Central Bank of Armenia.

Chart 57.

Structure of Amount of Payments through Central Bank Payment Systems (without stock exchange transactions)



Source: Central Bank of Armenia.

The average daily amount of transfers through electronic payments system increased by 9 percent and totaled AMD 33.6 billion, while the number of transactions decreased by 9 percent totaling 21 thousand. As a result, the average amount of single transaction was AMD 1.6 million increasing 20 percent.

Daily average transfers for stock exchange transactions increased by 7 percent totaling AMD 233.2 billion. The average amount of transfers of commercial banks for stock exchange transactions through electronic payments system increased by 6 percent totaling AMD 2.7 billion.

Paper-based Gross Settlement System

The average daily amount of paper-based transfers increased by 12 percent totaling AMD 80.3 billion. Theses transfers mainly related to deposit and repo transactions and to overnight credit transactions related to operations in credit platform (overnight credits are returned to the correspondent accounts of the issuer banks on the next morning).

Government Securities Accounting and Settlement System

As of year-end 2013, members of the government securities accounting and settlements system were 7 agent and 14 dealer banks, Deposit Guarantee Fund, Central Depository of Armenia, "NASDAQ-OMX Armenia" stock Exchange, on one non-bank dealer, Ministry of Finance (as the issuer of government bonds), Treasury Direct, as well as the Central Bank (as the central custodian and the issuer of the Central Bank bonds).

PAYMENT CARDS

As of 31.12.2013, 19 commercial banks provided and serviced payment cards. All those banks also participated in the "ArCa" unified card payment system.

In 2013, 85 new automated teller machines (ATMs) were installed, and subsequently their total number by year-end reached 1255. Commercial banks also installed 160 POS-terminals, bringing the total number to 6834, of which 670 were installed in bank branches.

Over 2013, the number of payment cards increased by 18 percent reaching 1.6 million. Compared with 2012, the number of active "ArCa" cards grew by 15 percent and reached 565 thousand. The number of international cards grew by 20 percent of which: "Visa" 25 percent totaling 652 thousand, "Master Card" 13 percent totaling 300 thousand. Number of other international cards increased 5 percent reaching 48 thousand.

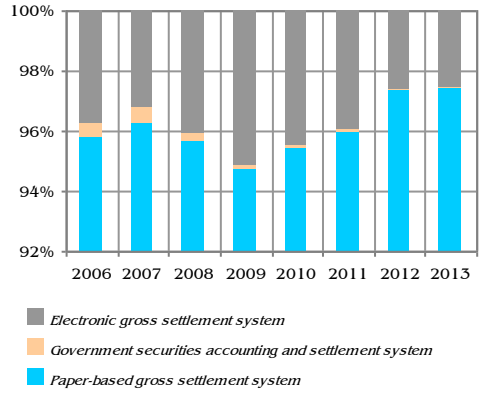
The share of "ArCa", "Visa" and "Master Card" cards within the number of total cards issued by banking system (in circulation) was respectively 36, 42 and 19 percent, while the remaining 3 percent were other international cards, including "HSBC Debit" and "AmEx" cards.

Table 17. Transactions with card processing equipment (2013)

Equipment	Transactions			
	value(AMD million)	number	of which: ArCa cards	
			value(AMD million)	number
Automated teller machines	868714	16913948	220453	5589142
o/w: non-cash	1811	332674	180	137617
POS–terminals/imprinters	214986	2415769	57300	672063
o/w: non-cash	79643	1952785	27823	464128
Internet	24332	1211151	3909	354729
Total	1108032	20540868	281662	6615934
o/w: non-cash	105786	3496610	31912	956474

Chart 58.

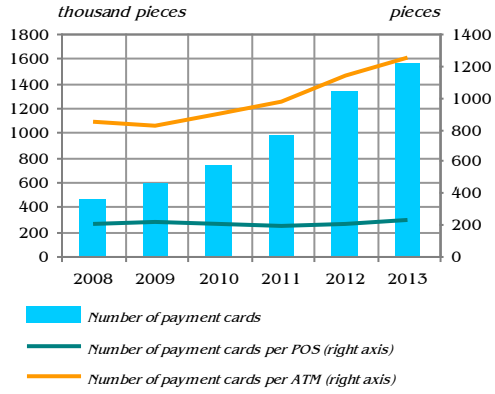
Structure of Number of Payments through Central Bank Payment Systems (without stock exchange transactions)



Source: Central Bank of Armenia.

Chart 59.

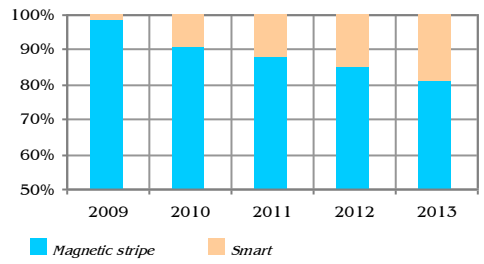
Servicing of Cards through ATMs and POSs



Source: Central Bank of Armenia.

Chart 60.

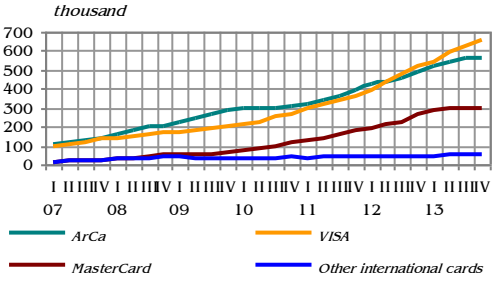
Breakdown of Payment Cards in Circulation by Technical Characteristics



Source: Central Bank of Armenia.

Chart 61.

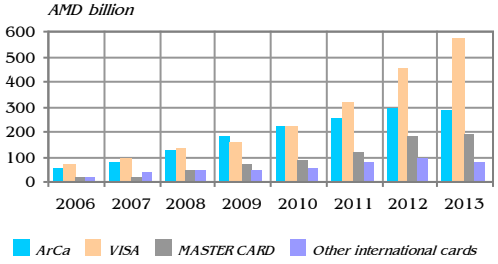
Payment Cards Issued by Banks



Source: Central Bank of Armenia.

Chart 62.

Transactions with Payment Cards in Republic of Armenia



Source: Central Bank of Armenia.

Compared with 2012, the amount of card operations on the territory of Armenia (including cards issued by foreign banks) increased by 11 percent totaling AMD 1.1 trillion and the number of transactions increased by 9 percent totaling 21 million. In the total amount of card operations ArCa accounted 25 percent, Visa- 51, "Master Card" -7 and other cards accounted for 7 percent. In 2013, the amount of transactions with ArCa cards decreased by 3 percent totaling AMD 281.7 billion, while transactions with Visa and MasterCard payment cards increased respectively by 27 and 3 percent and totaled respectively AMD 570.4 and AMD 180.1 billion. The amount of transactions with other international cards decreased by 10 percent and totaled AMD 75.9 billion.

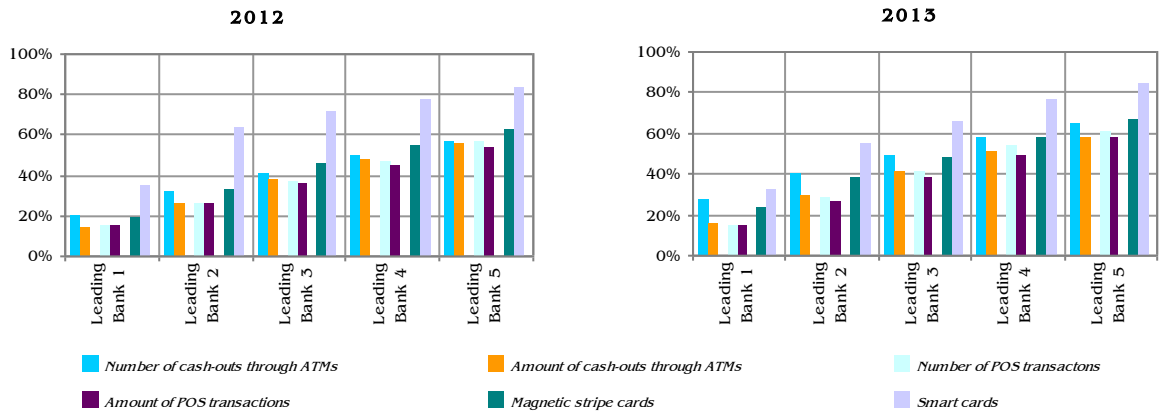
In 2013, the amount of transactions abroad through Visa cards issued by Armenian commercial banks increased by 17 percent totaling AMD 37.1 billion (the number of transactions increased by 32 percent totaling 726 thousand) the amount of MasterCard transactions decreased by 30 percent totaling AMD 22.2 billion (the number of transaction decreased by 30 percent totaling 414 thousand), while the amount of transactions with other international cards increased by 31 percent totaling AMD 5.4 billion.

The monthly cash operations in the territory of Armenia with single card decreased by 5 percent, while non-cash operations stayed unchanged. Number of cash operations decreased by 10 percent, while number of non-cash operations increased by 5 percent.

The concentration in the area of issuing and servicing payments cards stayed almost unchanged. 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 8 percentage points totaling 55 percent.

Chart 63.

Share of Leading Banks in Payment Card Issuing and Servicing in 2012 and 2013



Source: Central Bank of Armenia.

INTERNATIONAL MONEY TRANSFER SYSTEMS

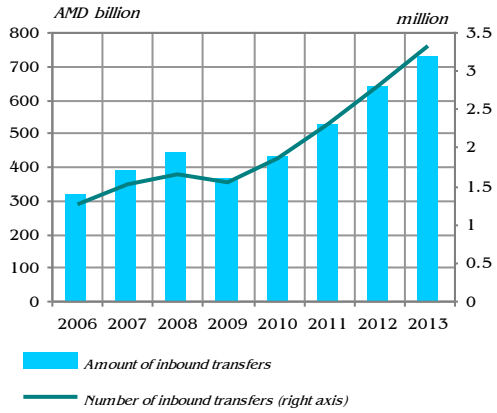
Remittances of individuals without opening a banking account are executed through commercial banks and money transfer organizations licensed by the Central Bank.

As of 31.12.2013, commercial banks operating in Armenia participated in 15 international money transfer systems.

In 2013, inbound transfers to Armenia through the banks participating in money transfer systems increased by 14 percent totaling AMD 729.7 billion, while average amount of single transfer trough those systems was AMD 221 thousand decreasing by 4 percent compared with the previous year.

Chart 64.

Inbound Transfers to Individuals throgh International Money Transfer Systems



Source: Central Bank of Armenia.

Compared with 2012, net money inflow through commercial banks by international money transfer systems increased by 14 percent and totaled AMD 642.6 billion.

The amount of inbound transfers to individuals through correspondent accounts of commercial banks decreased by 17 percent totaling AMD 211.5 billion. The average amount of single payment increased by 23 percent totaling AMD 3.8 million. At the same time, the outbound transfers of individuals through correspondent accounts of commercial banks decreased by 2 percent totaling AMD 247.1 billion. As a result, AMD 35.6 billion net outflow was registered for individuals' transfers through correspondent accounts of commercial banks.

DISTANCE BANKING SYSTEMS

Banks improved and expanded their services through implementation of high-tech technologies. Several banks implemented distance-banking systems allowing their customers to manage their accounts in distance. Those systems allow putting orders, receiving information concerning account and performing other various operations.

In 2013, the total amount of payments carried out through distance banking systems increased by 47 percent and totaled AMD 6.0 trillion, while the number of payments increased by 47 percent totaling 5.5 million. The mentioned payments were carried out through bank-client services (amount of payments- AMD 4.6 trillion), internet-banking (amount of payments- AMD 1.4 trillion) and telephone banking (amount of payments- AMD 3.9 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 152 thousand.

SUPERVISION DEVELOPMENT OUTLOOKS

Within the framework of financial stability and development, enhancement of payment and settlement system in 2014, the Central Bank will continue reforms aimed at enhancement of regulation and supervision.

Financial system regulation prospects

In 2014, the Central Bank will continue the implementation of BASEL III principles; in particular, assessment of possible implementation of new techniques for liquidity and systemic risk management will be in the center of attention. 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 2014, the activities aimed at the increasing the financial inclusion in Armenia will be continued. Those activities are directed at the improvement of financial access in Armenia and the improvement of the quality of services.

In 2013, development of strategy paper on "Armenian financial system development" was started, which was aimed at shaping the prospective development directions of Armenian financial system and purposing required measures. For developing the strategy international experts were also invited, the collaboration with which will be continued also in 2014.

Reforms for the development of MTPL system continued. Particularly, as a part of reforms, starting January 1 2014, the Malus component (which defines higher insurance premiums for drivers with higher risk) of Bonus-Malus system will be in force. In 2013, the synchronization of data of Police motor vehicle database with MTPL information system was arranged, which will allow to disclose vehicles without MTPL policy in electronic environment.

Activities aimed at the development of other types of insurance products will continue, particularly research will be carried out on possible implementation of life insurance.

In 2013, the Central Bank carried out number of initiatives aimed at the development of the mortgage market and those initiatives will be continued the next year. Over 2013, "National Mortgage Company" (NMC) cooperated with French development agency with the view of launching joint program on raising energy efficiency of Armenian households and increase micro-financing. The program is intended to be launched in 2014. In 2013, NMC continued issuing mid-term corporate bonds, while in 2014 NMC intends to issue longer term bonds. The attracted funds are intended to be directed to the refinancing of the mortgage loans issued by the partner organizations of NMC.

In 2014, the Central Bank will actively continue designing the regulatory framework for the investment and pension funds.

Over 2014, the Central Bank will continue its participation in the activities related to the implementation of funded pension information system. This will allow a 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.

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 2013, the Central Bank organized a simulation game on financial crisis, which was attended by the representatives of the Deposit Guarantee fund and two commercial banks. The game was aimed at revealing potential problems and their solutions in crisis management process and improving the ability of taking prompt decisions by the participants. In the coming years, plans will include carrying out simulation games in different formats, which will allow disclosing possible vulnerabilities of financial stability and developing crisis management scenarios.

In 2014, the Central Bank will continue developing required methodology for the implementation of risk based supervision of financial organizations. In particular, it is intended to develop unified supervision manuals and guidebooks, which will create preconditions for implementing efficient supervision with minimal resources. Complete implementation of risk-based supervision will result in increased efficiency of supervision over financial organizations with minimum resources.

Recognizing the importance of the consumer rights protection and financial literacy in 2014 center of "Consumer rights protection and financial education" will be established in the Central Bank, which will raise the institutional capacity of the Central Bank. In 2014, 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. The efficiency of the supervision tools aimed at consumer rights protection will be improved.

In 2014, the Central Bank will carry out final works on joining the Multilateral Memorandum of Understanding (MOU) concerning "Consultation, Cooperation and 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.

APPENDICES

Annex 1. Survey Balance Sheet Indicators of Commercial Banks

Assets *AMD thousand*

Indictors	Currency	31.12.11	31.12.12[1]	Change 31.12.12-31.12.11	31.03.13[1]	Change 31.03.13-31.12.12	30.06.13[1]	Change 30.06.13-31.03.13
Cash	D	49186976	55804033	13.5%	51243035	-8.2%	51866478	1.2%
	Fx	39977271	43236865	8.2%	45914671	6.2%	42442765	-7.6%
Correspondent accounts with the CBA and other claims on the CBA	D	163077744	179468343	10.1%	182879369	1.9%	170631268	-6.7%
	Fx	110207257	85508263	-22.4%	84366100	-1.3%	104551249	23.9%
Correspondent accounts with banks and other claims on banks	D	32552193	17783838	-45.4%	15045766	-15.4%	16879159	12.2%
	Fx	116484718	147226432	26.4%	191335961	30.0%	220734197	15.4%
Claims on other financial institutions	D	19217784	23393825	21.7%	27317114	16.8%	30403552	11.3%
	Fx	8949708	11605097	29.7%	10044952	-13.4%	11848200	18.0%
Government securities		167502233	181248427	8.2%	176194225	-2.8%	186919252	6.1%
Repos (excluding interbank repos)	D	13118412	13350485	1.8%	13657285	2.3%	15070974	10.4%
	Fx	11059651	3561	-100.0%	4039	13.4%	148647	3580.3%
Loans to legal entities	D	150968994	153960455	2.0%	148692004	-3.4%	153904861	3.5%
	Fx	575572682	778448408	35.2%	788269723	1.3%	783958079	-0.5%
Loans to individuals	D	281892775	353173803	25.3%	368300037	4.3%	388786654	5.6%
	Fx	142933367	186904734	30.8%	202942503	8.6%	207721039	2.4%
Loans to related parties and staff	D	18318595	21312122	16.3%	21014474	-1.4%	21663722	3.1%
	Fx	40808182	42537512	4.2%	49248462	15.8%	53977244	9.6%
Asset loss reserves		-26088877	-34530972	32.4%	-40831603	18.2%	-42938259	5.2%
Interest receivable	D	8319695	8197772	-1.5%	9884419	20.6%	10418536	5.4%
	Fx	7786886	19629901	152.1%	20130443	2.5%	23070940	14.6%
Fixed assets		71873609	80130403	11.5%	79797971	-0.4%	79371581	-0.5%
Other securities	D	4906770	5450458	11.1%	5135515	-5.8%	5083002	-1.0%
	Fx	53195	230685	333.7%	1313850	469.5%	1535121	16.8%
Leasing, factoring (excluding interbank leasing and factoring)	D	14169433	8318066	-41.3%	8615557	3.6%	7435408	-13.7%
	Fx	9654628	3902863	-59.6%	4617452	18.3%	6913140	49.7%
Other securities		34218880	91530634	167.5%	104880911	14.6%	88333992	-15.8%
Total assets		**2066722761**	**2477826015**	**19.9%**	**2570014235**	**3.7%**	**2640730800**	**2.8%**

Assets *AMD thousand*

Indictors	Currency	30.09.13[1]	Change 30.09.13-30.06.13	31.12.13[1]	Change 31.12.13-30.09.13	Change 31.12.13-31.12.12	
Cash	D	52247027	0.7%	61942108	18.6%	6138074	11.0%
	Fx	46069930	8.5%	48063349	4.3%	4826484	11.2%
Correspondent accounts with the CBA and other claims on the CBA	D	181922516	6.6%	223349685	22.8%	43881342	24.5%
	Fx	128469513	22.9%	238814033	85.9%	153305771	179.3%
Correspondent accounts with banks and other claims on banks	D	24352714	44.3%	18901750	-22.4%	1117912	6.3%
	Fx	201951125	-8.5%	149589222	-25.9%	2362790	1.6%
Claims on other financial institutions	D	30808031	1.3%	32306847	4.9%	8913022	38.1%
	Fx	8830990	-25.5%	9065648	2.7%	-2539449	-21.9%
Government securities		201322813	7.7%	225674419	12.1%	44425992	24.5%
Repos (excluding interbank repos)	D	15196827	0.8%	14879345	-2.1%	1528860	11.5%
	Fx	226671	52.5%	361907	59.7%	358346	10063.1%
Loans to legal entities	D	162910016	5.9%	181757349	11.6%	27796895	18.1%
	Fx	792875079	1.1%	819290251	3.3%	40841842	5.2%
Loans to individuals	D	394464897	1.5%	418961966	6.2%	65788163	18.6%
	Fx	214166880	3.1%	219877460	2.7%	32972725	17.6%
Loans to related parties and staff	D	21697316	0.2%	20436487	-5.8%	-875635	-4.1%
	Fx	45952592	-14.9%	48557139	5.7%	6019626	14.2%
Asset loss reserves		-42684920	-0.6%	-42985763	0.7%	-8454790	24.5%
Interest receivable	D	11134035	6.9%	11032398	-0.9%	2834626	34.6%
	Fx	20887235	-9.5%	23623843	13.1%	3993942	20.3%
Fixed assets		80076807	0.9%	83328760	4.1%	3198357	4.0%
Other securities	D	13311535	161.9%	13776072	3.5%	8325614	152.8%
	Fx	1552556	1.1%	3286275	111.7%	3055590	1324.6%
Leasing, factoring (excluding interbank leasing and factoring)	D	7968243	7.2%	10736554	34.7%	2418488	29.1%
	Fx	6850257	-0.9%	7580015	10.7%	3677152	94.2%
Other assets		95599447	8.2%	101527272	6.2%	9996638	10.9%
Total assets		**2718160132**	**2.9%**	**2943734392**	**8.3%**	**465908378**	**18.8%**

Annex 1. *(continued)*

Liabilities

AMD thousand

Indictors		Currency	31.12.11	31.12.12[1]	Change 31.12.12-31.12.11	31.03.13[1]	Change 31.03.13-31.12.12	30.06.13[1]	Change 30.06.13-31.03.13
Correspondent accounts of banks		D	1738927	2922585	68.1%	2077207	-28.9%	1784266	-14.1%
		Fx	6926903	4369337	-36.9%	4110855	-5.9%	5796944	41.0%
Other liabilities to banks (including the CBA) and other financial organizations		D	206196946	249961443	21.2%	248197789	-0.7%	266775453	7.5%
		Fx	399768255	492412214	23.2%	457057826	-7.2%	440049699	-3.7%
Demand liabilities to legal entities		D	107808701	95693645	-11.2%	93614423	-2.2%	92620750	-1.1%
		Fx	138506666	106585451	-23.0%	161508943	51.5%	229283156	42.0%
Demand liabilities to individuals		D	54285133	65659334	21.0%	63686376	-3.0%	69692391	9.4%
		Fx	75159889	87660435	16.6%	89939879	2.6%	90659338	0.8%
Time deposits of legal entities		D	35178714	31988981	-9.1%	37278503	16.5%	34438315	-7.6%
		Fx	93763788	153791344	64.0%	173472549	12.8%	162110973	-6.5%
Time deposits of individuals		D	95163543	143423553	50.7%	156413983	9.1%	166012176	6.1%
		Fx	334353985	447644009	33.9%	488464011	9.1%	493646156	1.1%
Liabilities to the Government		D	71419471	58306016	-18.4%	57529198	-1.3%	62148735	8.0%
		Fx	10509120	9703040	-7.7%	8199821	-15.5%	7483917	-8.7%
Interest payable		D	5079483	7425843	46.2%	8587278	15.6%	9385283	9.3%
		Fx	10669306	15327712	43.7%	15103345	-1.5%	14073025	-6.8%
Other liabilities		D	50209132	72861914	45.1%	60274846	-17.3%	54184536	-10.1%
		Fx	14058832	31372442	123.2%	39063001	24.5%	27396385	-29.9%
Total liabilities			**1710796794**	**2077109299**	**21.4%**	**2164579835**	**4.2%**	**2227541500**	**2.9%**
Actually paid in statutory capital			233945230	251626537	7.6%	251626818	0.0%	251626818	0.0%
General reserve			18642380	20033433	7.5%	20100930	0.3%	22012718	9.5%
Own shares repurchased by bank						-280		-280	
Retained profit (loss)	Current period		31424467	42727017	36.0%	4104536	-90.4%	12382498	201.7%
	Previous period		53950173	65913197	22.2%	108399309	64.5%	105665172	-2.5%
Total capital			**355925967**	**400716716**	**12.6%**	**405434400**	**1.2%**	**413189300**	**1.9%**
Received collateral			2744589328	3351892668	22.1%	2881454259	-14.0%	3023621522	4.9%
including government securities			3632040	1721292	-52.6%	2692169	56.4%	2880500	7.0%
Guarantees received			1901547561	2325723208	22.3%	1843019483	-20.8%	2048945455	11.2%
Off-balance sheet	loans		41627201	49610233	19.2%	46751264	-5.8%	51478841	10.1%
	receivables and other assets		3616435	4595170	27.1%	3677523	-20.0%	3739258	1.7%
	interest		12115595	23906731	97.3%	18773362	-21.5%	21844671	16.4%
Guarantees issued			46232449	7280524	-84.3%	5218597	-28.3%	5584005	7.0%
Issued collateral	total		3622574	2360597	-34.8%	2100048	-11.0%	2132993	1.6%
	including government securities		1200050	230000	-80.8%				

Liabilities

AMD thousand

Indictors		Currency	30.09.13[1]	Change 30.09.13-30.06.13	31.12.13[1]	Change 31.12.13-30.09.13	Change 31.12.13-31.12.12	
Correspondent accounts of banks		D	1468465	-17.7%	1369146	-6.8%	-1553439	-53.2%
		Fx	9409775	62.3%	9034957	-4.0%	4665620	106.8%
Other liabilities to banks (including the CBA) and other financial organizations		D	297120855	11.4%	309201582	4.1%	59240139	23.7%
		Fx	439705501	-0.1%	446330699	1.5%	-46081515	-9.4%
Demand liabilities to legal entities		D	108614101	17.3%	117352041	8.0%	21658397	22.6%
		Fx	173544724	-24.3%	233992849	34.8%	127407398	119.5%
Demand liabilities to individuals		D	71650181	2.8%	80700124	12.6%	15040790	22.9%
		Fx	88642014	-2.2%	90092068	1.6%	2431633	2.8%
Time deposits of legal entities		D	33249279	-3.5%	48618069	46.2%	16629089	52.0%
		Fx	194694370	20.1%	208802452	7.2%	55011108	35.8%
Time deposits of individuals		D	173875484	4.7%	194810556	12.0%	51387003	35.8%
		Fx	519422617	5.2%	546886730	5.3%	99242721	22.2%
Liabilities to the Government		D	63070124	1.5%	52850527	-16.2%	-5455490	-9.4%
		Fx	7072823	-5.5%	6595958	-6.7%	-3107081	-32.0%
Interest payable		D	10062192	7.2%	10136406	0.7%	2710563	36.5%
		Fx	16106341	14.4%	14951471	-7.2%	-376241	-2.5%
Other liabilities		D	48877077	-9.8%	82055916	67.9%	9194002	12.6%
		Fx	32841079	19.9%	33920318	3.3%	2547876	8.1%
Total liabilities			**2289427000**	**2.8%**	**2487701871**	**8.7%**	**410592572**	**19.8%**
Actually paid in statutory capital			258231709	2.6%	263029751	1.9%	11403214	4.5%
General reserve			22077579	0.3%	22655318	2.6%	2621885	13.1%
Own shares repurchased by bank			0		0			
Retained profit (loss)	Current period		24744635	99.8%	37928881	53.3%	-4798136	-11.2%
	Previous period		102578942	-2.9%	98209091	-4.3%	32295894	49.0%
Total capital			**428733132**	**3.8%**	**456032521**	**6.4%**	**55315805**	**13.8%**
Received collateral			3157951728	4.4%	3825638311	21.1%	473745643	14.1%
including government securities			1883646	-34.6%	627449	-66.7%	-1093843	-63.5%
Guarantees received			2128432643	3.9%	3376097555	58.6%	1050374347	45.2%
Off-balance sheet	loans		48036488	-6.7%	66590669	38.6%	16980436	34.2%
	receivables and other assets		4998177	33.7%	5643898	12.9%	1048727	22.8%
	interest		21614938	-1.1%	35718086	65.2%	11811355	49.4%
Guarantees issued			6105953	9.3%	10090738	65.3%	2810214	38.6%
Issued collateral	total		2010888	-5.7%	2069188	2.9%	-291409	-12.3%
	including government securities						-230000	-100.0%

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	31.12.11	31.12.12[1]	Change 31.12.12 - 31.12.11	31.03.13[1]	Change 31.03.13 - 31.12.12	30.06.13[1]	Change 30.06.12 - 31.03.12	30.09.13[1]	Change 30.09.13 - 30.06.13	31.12.13 [1]	Change 31.12.13 - 30.09.13	Change 31.12.13 - 31.12.12
Cash	D	2.4	2.3	-0.1	2.0	-0.3	2.0	0.0	1.9	0.0	2.1	0.2	-0.1
	Fx	1.9	1.7	-0.2	1.8	0.0	1.6	-0.2	1.7	0.1	1.6	-0.1	-0.1
Correspondent accounts with the CBA and other claims on the CBA	D	7.9	7.2	-0.6	7.1	-0.1	6.5	-0.7	6.7	0.2	7.6	0.9	0.3
	Fx	5.3	3.5	-1.9	3.3	-0.2	4.0	0.7	4.7	0.8	8.1	3.4	4.7
Correspondent accounts with banks and other claims on banks	D	1.6	0.7	-0.9	0.6	-0.1	0.6	0.1	0.9	0.3	0.6	-0.3	-0.1
	Fx	5.6	5.9	0.3	7.4	1.5	8.4	0.9	7.4	-0.9	5.1	-2.3	-0.9
Claims on other financial institutions	D	0.9	0.9	0.0	1.1	0.1	1.2	0.1	1.1	0.0	1.1	0.0	0.2
	Fx	0.4	0.5	0.0	0.4	-0.1	0.4	0.1	0.3	-0.1	0.3	0.0	-0.2
Government securities		8.1	7.3	-0.8	6.9	-0.5	7.1	0.2	7.4	0.3	7.7	0.3	0.4
Repos (excluding interbank repos)	D	0.6	0.5	-0.1	0.5	0.0	0.6	0.0	0.6	0.0	0.5	-0.1	0.0
	Fx	0.5	0.0	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to legal entities	D	7.3	6.2	-1.1	5.8	-0.4	5.8	0.0	6.0	0.2	6.2	0.2	0.0
	Fx	27.8	31.4	3.6	30.7	-0.7	29.7	-1.0	29.2	-0.5	27.8	-1.3	-3.6
Loans to individuals	D	13.6	14.3	0.6	14.3	0.1	14.7	0.4	14.5	-0.2	14.2	-0.3	0.0
	Fx	6.9	7.5	0.6	7.9	0.4	7.9	0.0	7.9	0.0	7.5	-0.4	-0.1
Loans to related parties and staff	D	0.9	0.9	0.0	0.8	0.0	0.8	0.0	0.8	0.0	0.7	-0.1	-0.2
	Fx	2.0	1.7	-0.3	1.9	0.2	2.0	0.1	1.7	-0.4	1.6	0.0	-0.1
Asset loss reserves		-1.3	-1.4	-0.1	-1.6	-0.2	-1.6	0.0	-1.6	0.1	-1.5	0.1	-0.1
Interest receivable	D	0.4	0.3	-0.1	0.4	0.1	0.4	0.0	0.4	0.0	0.4	0.0	0.0
	Fx	0.4	0.8	0.4	0.8	0.0	0.9	0.1	0.8	-0.1	0.8	0.0	0.0
Fixed assets		3.5	3.2	-0.2	3.1	-0.1	3.0	-0.1	2.9	-0.1	2.8	-0.1	-0.4
Other securities	D	0.2	0.2	0.0	0.2	0.0	0.2	0.0	0.5	0.3	0.5	0.0	0.2
	Fx	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.1	0.1
Leasing, factoring (excluding interbank leasing and factoring)	D	0.7	0.3	-0.3	0.3	0.0	0.3	-0.1	0.3	0.0	0.4	0.1	0.0
	Fx	0.5	0.2	-0.3	0.2	0.0	0.3	0.1	0.3	0.0	0.3	0.0	0.1
Other assets		1.7	3.7	2.0	4.1	0.4	3.3	-0.7	3.5	0.2	3.4	-0.1	-0.2
Total assets		**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**

Liabilities

Indictors		Currency	31.12.11	31.12.12[1]	Change 31.12.12 - 31.12.11	31.03.13[1]	Change 31.03.13 - 31.12.12	30.06.13[1]	Change 30.06.12 - 31.03.12	30.09.13[1]	Change 30.09.13 - 30.06.13	31.12.13 [1]	Change 31.12.13 - 30.09.13	Change 31.12.13 - 31.12.12
Correspondent accounts of banks		D	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	-0.1
		Fx	0.4	0.2	-0.2	0.2	0.0	0.3	0.1	0.4	0.2	0.4	0.0	0.2
Other liabilities to banks (including the CBA) and other financial organizations		D	12.1	12.0	0.0	11.5	-0.6	12.0	0.5	13.0	1.0	12.4	-0.5	0.4
		Fx	23.4	23.7	0.3	21.1	-2.6	19.8	-1.4	19.2	-0.5	17.9	-1.3	-5.8
Demand liabilities to legal entities		D	6.3	4.6	-1.7	4.3	-0.3	4.2	-0.2	4.7	0.6	4.7	0.0	0.1
		Fx	8.1	5.1	-3.0	7.5	2.3	10.3	2.8	7.6	-2.7	9.4	1.8	4.3
Demand liabilities to individuals		D	3.2	3.2	0.0	2.9	-0.2	3.1	0.2	3.1	0.0	3.2	0.1	0.1
		Fx	4.4	4.2	-0.2	4.2	-0.1	4.1	-0.1	3.9	-0.2	3.6	-0.3	-0.6
Time deposits of legal entities		D	2.1	1.5	-0.5	1.7	0.2	1.5	-0.2	1.5	-0.1	2.0	0.5	0.4
		Fx	5.5	7.4	1.9	8.0	0.6	7.3	-0.7	8.5	1.2	8.4	-0.1	1.0
Time deposits of individuals		D	5.6	6.9	1.3	7.2	0.3	7.5	0.2	7.6	0.1	7.8	0.2	0.9
		Fx	19.5	21.6	2.0	22.6	1.0	22.2	-0.4	22.7	0.5	22.0	-0.7	0.4
Liabilities to the Government		D	4.2	2.8	-1.4	2.7	-0.1	2.8	0.1	2.8	0.0	2.1	-0.6	-0.7
		Fx	0.6	0.5	-0.1	0.4	-0.1	0.3	0.0	0.3	0.0	0.3	0.0	-0.2
Interest payable		D	0.3	0.4	0.1	0.4	0.0	0.4	0.0	0.4	0.0	0.4	0.0	0.0
		Fx	0.6	0.7	0.1	0.7	0.0	0.6	-0.1	0.7	0.1	0.6	-0.1	-0.1
Other liabilities		D	2.9	3.5	0.6	2.8	-0.7	2.4	-0.4	2.1	-0.3	3.3	1.2	-0.2
		Fx	0.8	1.5	0.7	1.8	0.3	1.2	-0.6	1.4	0.2	1.4	-0.1	-0.1
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			65.7	62.8	-2.9	62.1	-0.7	60.9	-1.2	60.2	-0.7	57.7	-2.6	-5.1
General reserve			5.2	5.0	-0.2	5.0	0.0	5.3	0.4	5.1	-0.2	5.0	-0.2	0.0
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		8.8	10.7	1.8	1.0	-9.7	3.0	2.0	5.8	2.8	8.3	2.5	-2.3%
	Previous period		15.2	16.4	1.3	26.7	10.3	25.6	-1.2	23.9	-1.6	21.5	-2.4	5.1%
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	375401623	55379199	430780822
Tier 1 capital	338877312	35210971	374088282
Statutory capital	244126537	11403213	255529750
Note: number of shares sold (pcs)	6829217	-472349	6356868
General reserve	20033433	2621885	22655318
Undistributed profit	109012521	27415311	136427832
Amounts deducted from Tier 1 capital, o/w:	34295179	6229439	40524619
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)	782987	856592	1639579
Investments in statutory capital of other banks, credit organizations, and "Other organizations" according to Regulation 2	982073	0	982073
Tangible assets not in use and capital investments in them	22161788	3708405	25870194
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	5274747	147628	5422375
Capital investments in bank's leased fixed assets	4508838	1248506	5757344
Capital investments in statutory capital of other commercial organization according to 28.1 article of Regulation 2	584746	-95031	489715
Tier 2 capital	36524311	21386898	57911209
Revaluation reserve for bank premises and buildings	12517919	260048	12777967
Reserve generated from FX differences due to balance sheet consolidation	0	0	0
Subordinated long-term borrowings attracted by bank	21785203	7289084	29074287
Other reserves (excluding Regulation 2 exceptions)	2221188	13837767	16058955

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

Indicators	31.12.10	Change 31.12.11 - 31.12.10	31.12.11	Change 31.12.12 - 31.12.11	31.12.121	Change 31.12.13 - 31.12.12	31.12.131
Statutory capital	191371880	34713225	226085105	16920828	243005933	10055691	253061623
of which: non-residents	151013348	18747478	169760826	8481169	178241995	10629101	188871096
share of non-residents	78.91	-3.82	75.09	-1.74	73.35	1.29	74.63

[1] *Including "Panarmenian Bank".*

Annex 5. Commercial Banks: Income and Expense

AMD thousand

Indicators	31.12.11	31.12.12	Change 31.12.12 - 31.12.11	31.03.13	30.06.13	30.09.13	31.12.13 [1]	Change 31.12.13 - 31.12.12
	1	2	3	4	5	6	7	8
From correspondent accounts	133670	150398	12.5%	47973	90159	170616	212569	41.3%
From funds allocated in the CBA	699027	1322218	89.2%	296726	428817	481095	576989	-56.4%
Interest received from funds allocated in commercial banks and other financial institutions	3198372	5039993	57.6%	1070857	2338051	3665490	4805082	-4.7%
From loans to economy	137026369	156561502	14.3%	39998401	83072344	126428499	171084589	9.3%
Interest from overdraft	2248059	22202644	887.6%	7096789	14120171	21176080	28075331	26.5%
Interest from credit cards	6960846	10435562	49.9%	3514404	7472361	11789185	16274242	55.9%
Interest from government securities	13370230	17060909	27.6%	4802432	9764845	15186235	20922268	22.6%
From repos	3641804	4133907	13.5%	934979	1953053	3056033	4110361	-0.6%
Other interest income	8205410	9109733	11.0%	2177031	4479769	6678781	8894997	-2.4%
Total interest income	**175483787**	**226016866**	**28.8%**	**59939592**	**123719570**	**188632014**	**254956428**	**12.8%**

[1] *Including "Panarmenian Bank".*

	1	2	3	4	5	6	7	8
Interest paid on correspondent accounts	84151	1023847	1116.7%	15285	30534	58735	71305	-93.0%
Interest paid on bank accounts and demand deposits	3496244	4094127	17.1%	1070014	2156953	3163121	4379589	7.0%
Interest paid on funds attracted from the CB	6513908	9434663	44.8%	2997767	6128064	9491228	12568876	33.2%
On repos	1002955	960661	-4.2%	76441	161411	218295	276904	-71.2%
Interest paid on funds attracted from commercial banks and other financial institutions	16732500	23893853	42.8%	7353047	12813137	19099693	25178013	5.4%
Interest paid on time deposits	36931825	53693135	45.4%	16532361	34495026	53135802	73009943	36.0%
Interest paid on funds attracted from international financial organizations	5374980	8374721	55.8%	2345422	4706746	7180502	9589359	14.5%
Interest expenses on deposit insurance	968713	1165338	20.3%	344409	710181	1091152	1485617	27.5%
Other interest expenses	10357372	8524956	-17.7%	1986379	4256551	6444290	8560061	0.4%
Total interest expenses	**81462648**	**111165301**	**36.5%**	**32721125**	**65458603**	**99882818**	**135119667**	**21.5%**
Net interest income	***94021139***	***114851565***	***22.2%***	***27218467***	***58260967***	***88749196***	***119836761***	***4.3%***
Commissions received	23011093	25344952	10.1%	7051931	13620168	21709626	30934726	22.1%
Income from guarantees, acceptance and L/C operations, trust management	1478961	1425614	-3.6%	351966	691406	1067854	1477896	3.7%
Net income from hedging derivatives	-315863	794039	-351.4%	906947	6307	1016039	1004975	26.6%
Net income from factoring	3218649	910729	-71.7%	277317	638938	1079429	1633271	79.3%
Income from investments in other organizations	419402	22574	-94.6%	1815	3769	14818	16310	-27.7%
Net income from sale of securities	2197732	5362621	144.0%	18085	-225955	27592	1041462	-80.6%
Net income from FX purchase and sale	13685861	14573091	6.5%	2794516	6768001	10604628	14812439	1.6%
Positive (negative) exchange rate difference from FX revaluation	51866	-1702457	-3382.4%	-695486	-112223	-496025	-477368	-72.0%
Net income from sale of fixed assets	83838	-394459	-570.5%	-185244	-392131	-381008	-586035	48.6%
Net income from revaluation of fixed assets	-309351	-1082	-99.7%	0	0	0	-11299	944.3%
Fines and penalties received	4622126	9663900	109.1%	3346449	7529346	9801064	13525483	40.0%
Other non-interest income	441164	651054	47.6%	669893	1505514	2333674	4013318	516.4%
Total non-interest income	**48585478**	**56650576**	**16.6%**	**14538189**	**30033140**	**46777691**	**67385178**	**18.9%**
Salary and salary-equivalent pays (other remuneration and financing of social requirements)	35182735	40487542	15.1%	11721205	24728122	36879767	50885134	25.7%
Business trip costs	777202	772278	-0.6%	98159	303387	469036	720805	-6.7%
Contribution to State Fund of Social Insurance of RA	3286875	3713775	13.0%	56166	118117	183254	249544	-93.3%
Taxes, duties, other mandatory payments	2315297	2803004	21.1%	764729	1610742	2512394	3445912	22.9%
Depreciation	9370246	10947372	16.8%	2832113	5787404	8747485	11812655	7.9%
Leasing charge for bank premises and other fixed assets	4530357	5422979	19.7%	1516837	3061369	4536892	6127521	13.0%
Advertisement and representative costs	3923117	4195149	6.9%	953438	2012921	2910637	4426527	5.5%

	1	2	3	4	5	6	7	8
Office and printing costs	1028696	1135304	10.4%	258289	538693	789530	1145566	0.9%
Audit and consultation services costs	1085636	1107752	2.0%	268938	603946	871914	1254944	13.3%
Bank equipment maintenance costs	1144741	1362246	19.0%	356761	755202	1146840	1606289	17.9%
Transport costs	648485	758748	17.0%	169758	349992	535203	744333	-1.9%
Communication costs	2130966	2149034	0.8%	524566	1061819	1604788	2151365	0.1%
Fines and penalties paid	61041	66744	9.3%	31324	45593	89240	137681	106.3%
Training costs	455537	463375	1.7%	62217	151712	254360	410614	-11.4%
Other non-interest expenses	15651025	21800507	39.3%	4765961	10036583	15532742	21607984	-0.9%
Total non-interest expenses	**81591956**	**97145781**	**19.1%**	**24380461**	**51165602**	**77064082**	**106726874**	**9.9%**
Net non-interest expenses	***-33006478***	***-40495205***	***22.7%***	***-9842272***	***-21132462***	***-30286391***	***-39341696***	***-2.8%***
Provisions to general reserve on loans and receivables loss	22682915	26274761	15.8%	7358344	15101683	22004342	29986311	14.1%
Provisions to special reserve on loans and receivables loss	56614484	117128015	106.9%	47768545	117354856	140650586	176926241	51.1%
Provisions to reserve on securities loss	2965	1127	-62.0%	20	27	7343	9425	736.3%
Provisions to reserve on bank guarantees and other contingent liabilities	7082870	6475770	-8.6%	1222340	13393026	14520132	16077458	148.3%
Total provisions	**86383234**	**149879673**	**73.5%**	**56349249**	**145849592**	**177182403**	**222999435**	**48.8%**
Recoveries from general reserve on loans and receivables loss	19427960	20948954	7.8%	6177033	15000653	21465079	28770603	37.3%
Recoveries from special reserve on loans and receivables loss	42116618	102382190	143.1%	36826362	96496474	113858125	147215698	43.8%
Recoveries from reserve on securities loss	21175	25125	18.7%	0	11191	12707	14697	-41.5%
Recoveries from reserve on bank guarantees and other contingent liabilities	6663042	6656016	-0.1%	1454792	13470345	14556143	15841747	138.0%
Total recoveries	**68228795**	**130012285**	**90.6%**	**44458187**	**124978663**	**149892054**	**191842745**	**47.6%**
Net deductions	***18154439***	***19867388***	***9.4%***	***11891062***	***20870929***	***27290349***	***31156690***	***56.8%***
Pre-tax profit	**42851751**	**54488972**	**27.2%**	**5485133**	**16257576**	**31172456**	**49338375**	**-9.5%**
Profit tax	9668299	12064810	24.8%	1492413	4112617	6816639	11157087	-7.5%
Net profit	**33183452**	**42424162**	**27.8%**	**3992720**	**12144959**	**24355817**	**38181288**	**-10.0%**
Dividends accrued	196070	0	0.0%	0	0	0	340460	100.0%
Undistributed profit	**32987382**	**42424162**	**28.6%**	**3992720**	**12144959**	**24355817**	**37840828**	**-10.8%**

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

Indicators	2009	2010	2011	2012	2013
Return on assets					
Banking system	0.74%	2.10%	1.80%	1.90%	1.44%
Minimum (on profitable banks)	0.10%	0.42%	0.26%	0.18%	0.27%
Maximum (on profitable banks)	3.20%	4.24%	5.16%	3.82%	3.71%
Return on equity					
Banking system	3.43%	10.30%	9.79%	11.40%	9.07%
Minimum (on profitable banks)	0.20%	2.64%	0.91%	0.86%	1.14%
Maximum (on profitable banks)	19.80%	24.30%	24.34%	25.87%	22.84%

Annex 7. Loan Investments of Commercial Banks

AMD thousand

Indicators	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

Indicators	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 7. *(continued)*

AMD thousand

Indicators	2013					
	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)	229351789	227553533	464247374	900519915	693599163	1128073448
1.1 Time assets	185774004	183620866	458543054	872756025	644317059	1056376891
o/w: loans	136639575	158978600	451253846	863891284	587893421	1022869884
interbank loans, deposits, factoring, leasing, repo agreements	15488038	19748749	1000000	5729665	16488038	25478414
1.2 Prolonged assets	37417264	29862398	5238897	27140437	42656161	57002835
o/w: loans	24111474	27225737	5238897	27140437	29350371	54366174
interbank loans, deposits, factoring, leasing, repo agreements	498299	2636660	0	0	498299	2636660
1.3 Overdue assets	6160520	14070270	465423	623453	6625943	14693723
o/w: loans	6098758	14069807	465423	623453	6564181	14693260
interbank loans, deposits, factoring, leasing, repo agreements	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, repo agreements with non-residents	12740283	23144260	609434	22779254	13349717	45923514
2.1 Time assets	9819208	21294897	600262	22779254	10419470	44074151
2.2 Prolonged assets	2886989	770645	9171	0	2896160	770645
2.3 Overdue assets	34086	1078718	0	0	34086	1078718
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	212470502	219299481	538589118	1157011511	751059620	1376310993
3.1 Industry	15634132	49556720	55176041	244604339	70810173	294161058
mining	83030	13305111	4297411	21510604	4380441	34815715
energy	12016677	11921553	18002792	88360870	30019470	100282423
food products	2185194	15175121	20252077	67633402	22437270	82808523
light	230247	732403	2915336	13364603	3145583	14097006
chemical	13192	200464	634228	7088453	647420	7288917
building materials	611846	1410062	5284584	23074585	5896430	24484647
precious items	4590	535312	267562	1360110	272152	1895422
metallurgy	1107	2352712	3119	3531448	4226	5884160
machine-building and electrical	182557	70938	371464	6481394	554021	6552332
other branches of industry	305694	3853043	3147467	12198870	3453161	16051913
3.2 Agriculture	664858	10003521	42539599	50014487	43204458	60018008
3.3 Construction	10863071	12507602	10704101	75332957	21567172	87840559
3.4 Transport and Communications	4481383	9996615	5729300	25223222	10210683	35219837
3.5 Trade	24080811	48615079	61302525	218325986	85383336	266941065
3.6 Public Catering and Other Services	398331	3597216	15600959	72203984	15999291	75801200
3.7 Financial Sector	46832044	16451553	3056139	11816543	49888183	28268096
3.8 Consumer Loans	90068187	9176790	209971117	56375527	300039305	65552317
3.9 Mortgage loans	356325	664875	67235707	74940340	67592032	75605215
3.10 Other Sectors of Economy	3457226	9172791	12097589	83569787	15554815	92742578

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

Indicators	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)	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)*

Indicators	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 8. *(continued)*

Indicators	2013					
	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%	12.5%	25.5%	49.4%	38.1%	61.9%
1.1 Time assets	10.2%	10.1%	25.2%	47.9%	35.4%	58.0%
o/w: loans	7.5%	8.7%	24.8%	47.4%	32.3%	56.2%
interbank loans, deposits, factoring, leasing, repo agreements	0.9%	1.1%	0.1%	0.3%	0.9%	1.4%
1.2 Prolonged assets	2.1%	1.6%	0.3%	1.5%	2.3%	3.1%
o/w: loans	1.3%	1.5%	0.3%	1.5%	1.6%	3.0%
interbank loans, deposits, factoring, leasing, repo agreements	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%
1.3 Overdue assets	0.3%	0.8%	0.0%	0.0%	0.4%	0.8%
o/w: loans	0.3%	0.8%	0.0%	0.0%	0.4%	0.8%
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%	1.3%	0.0%	1.3%	0.7%	2.5%
2.1 Time assets	0.5%	1.2%	0.0%	1.3%	0.6%	2.4%
2.2 Prolonged assets	0.2%	0.0%	0.0%	0.0%	0.2%	0.0%
2.3 Overdue assets	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%
3. Loans, deposits, factoring, leasing, repo agreements with residents by sectors, o/w:	11.7%	12.0%	29.6%	63.5%	41.2%	75.6%
3.1 Industry	0.9%	2.7%	3.0%	13.4%	3.9%	16.1%
mining	0.0%	0.7%	0.2%	1.2%	0.2%	1.9%
energy	0.7%	0.7%	1.0%	4.9%	1.6%	5.5%
food products	0.1%	0.8%	1.1%	3.7%	1.2%	4.5%
light	0.0%	0.0%	0.2%	0.7%	0.2%	0.8%
chemical	0.0%	0.0%	0.0%	0.4%	0.0%	0.4%
building materials	0.0%	0.1%	0.3%	1.3%	0.3%	1.3%
precious items	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%
metallurgy	0.0%	0.1%	0.0%	0.2%	0.0%	0.3%
machine-building and electrical	0.0%	0.0%	0.0%	0.4%	0.0%	0.4%
other branches of industry	0.0%	0.2%	0.2%	0.7%	0.2%	0.9%
3.2 Agriculture	0.0%	0.5%	2.3%	2.7%	2.4%	3.3%
3.3 Construction	0.6%	0.7%	0.6%	4.1%	1.2%	4.8%
3.4 Transport and Communications	0.2%	0.5%	0.3%	1.4%	0.6%	1.9%
3.5 Trade	1.3%	2.7%	3.4%	12.0%	4.7%	14.7%
3.6 Public Catering and Other Services	0.0%	0.2%	0.9%	4.0%	0.9%	4.2%
3.7 Financial Sector	2.6%	0.9%	0.2%	0.6%	2.7%	1.6%
3.8 Consumer Loans	4.9%	0.5%	11.5%	3.1%	16.5%	3.6%
3.9 Mortgage loans	0.0%	0.0%	3.7%	4.1%	3.7%	4.2%
3.10 Other Sectors of Economy	0.2%	0.5%	0.7%	4.6%	0.9%	5.1%

Annex 9. Distribution of Loan Investments of Commercial Banks

31.12.2013	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	22.2%	25.2%	9.0%	28.1%	13.4%	17.8%	28.7%	3.5%	8.8%	7.6%	15.5%
mining	8.5%	0.8%	0.2%	4.1%	5.8%	0.0%	0.0%	0.0%	0.0%	1.2%	0.0%
energy	2.6%	3.6%	1.6%	8.3%	4.3%	6.2%	4.9%	0.2%	3.0%	3.3%	3.4%
food products	4.7%	8.0%	3.3%	7.7%	1.8%	4.1%	19.1%	0.9%	2.8%	1.8%	6.7%
light	0.4%	9.6%	1.4%	0.3%	0.0%	1.5%	0.8%	0.4%	1.1%	0.3%	2.5%
chemical	2.0%	0.1%	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
building materials	0.9%	0.7%	1.0%	6.7%	1.5%	1.1%	1.2%	0.9%	1.0%	0.3%	1.5%
precious metals	0.0%	0.4%	0.7%	0.0%	0.0%	0.0%	2.2%	0.4%	0.0%	0.3%	0.2%
metallurgy	3.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
machine-building and electrical	0.0%	0.4%	0.2%	0.1%	0.0%	0.0%	0.0%	0.2%	0.1%	0.0%	0.2%
other branches of industry	0.0%	1.7%	0.0%	0.8%	0.0%	4.8%	0.4%	0.4%	0.7%	0.2%	0.8%
2. Agriculture	3.3%	1.3%	0.4%	1.8%	4.6%	4.8%	0.2%	0.0%	0.8%	1.9%	1.4%
cattle breeding	2.2%	0.6%	0.1%	0.1%	1.2%	1.3%	0.1%	0.0%	0.7%	0.8%	0.5%
plant growing	1.1%	0.7%	0.3%	1.7%	3.4%	3.4%	0.2%	0.0%	0.1%	1.1%	0.9%
3. Construction	13.3%	0.6%	3.6%	6.0%	6.3%	1.8%	10.8%	0.2%	3.7%	10.7%	2.9%
4. Transport and communication	6.9%	0.5%	1.2%	6.7%	0.7%	0.4%	4.0%	13.8%	2.6%	4.6%	2.3%
5. Trade	8.9%	18.2%	42.4%	24.8%	18.0%	20.5%	20.4%	21.3%	15.4%	9.9%	32.8%
wholesale	5.8%	10.4%	13.3%	15.6%	11.7%	6.5%	7.8%	10.2%	8.9%	4.9%	22.5%
retail	2.8%	7.2%	28.5%	8.0%	6.2%	13.7%	12.6%	11.1%	6.5%	4.6%	10.3%
6. Catering and other services	7.5%	14.7%	10.7%	9.4%	0.7%	10.2%	7.2%	2.0%	4.9%	3.5%	4.3%
7. Financial sector	1.4%	0.9%	5.2%	5.7%	2.4%	3.8%	11.5%	18.9%	8.7%	1.8%	5.4%
o/w: resident banks	0.0%	0.0%	0.0%	1.7%	0.0%	0.0%	5.4%	5.3%	6.4%	0.0%	4.4%
8. Consumer loans	19.0%	26.1%	17.1%	9.1%	28.9%	30.9%	11.1%	32.6%	34.0%	34.9%	29.8%
9. Mortgage lending	11.8%	6.5%	5.0%	5.6%	6.9%	7.5%	5.6%	7.0%	14.1%	20.9%	4.8%
10. Other sectors of economy	5.7%	6.0%	5.3%	2.8%	18.2%	2.6%	0.6%	0.8%	6.9%	4.1%	0.7%
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	6.2%	2.7%	1.6%	13.5%	7.9%	2.1%	2.6%	0.1%	1.1%	1.6%	3.7%
mining	22.1%	0.8%	0.3%	18.6%	31.8%	0.0%	0.0%	0.0%	0.0%	2.4%	0.0%
energy	2.0%	1.1%	0.8%	11.2%	7.1%	2.0%	1.3%	0.0%	1.0%	1.9%	2.3%
food products	4.6%	2.9%	2.0%	12.9%	3.7%	1.6%	6.1%	0.1%	1.2%	1.3%	5.6%
light	2.2%	21.5%	5.3%	3.0%	0.0%	3.8%	1.6%	0.2%	2.7%	1.2%	12.7%
chemical	26.2%	0.3%	4.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.6%	0.0%	0.1%
building materials	3.0%	0.8%	2.1%	39.0%	10.7%	1.6%	1.4%	0.2%	1.5%	0.8%	4.4%
precious metals	0.0%	6.5%	20.1%	0.0%	0.0%	0.0%	34.4%	1.4%	0.2%	12.0%	9.8%
metallurgy	54.3%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
machine-building and electrical	0.3%	2.3%	1.7%	1.9%	0.9%	0.3%	0.0%	0.2%	0.8%	0.1%	3.0%
other branches of industry	0.1%	3.5%	0.1%	7.2%	0.2%	10.4%	0.7%	0.2%	1.7%	1.0%	3.7%
2. Agriculture	3.5%	0.5%	0.3%	3.2%	10.2%	2.0%	0.1%	0.0%	0.4%	1.5%	1.3%
cattle breeding	4.9%	0.5%	0.2%	0.4%	5.8%	1.2%	0.1%	0.0%	0.6%	1.3%	1.0%
plant growing	2.2%	0.5%	0.4%	5.7%	14.1%	2.8%	0.1%	0.0%	0.1%	1.7%	1.5%
3. Construction	12.5%	0.2%	2.1%	9.7%	12.4%	0.7%	3.3%	0.0%	1.5%	7.5%	2.3%
4. Transport and communication	15.6%	0.5%	1.7%	26.1%	3.4%	0.3%	2.9%	2.3%	2.5%	7.7%	4.3%
5. Trade	2.6%	2.0%	7.6%	12.4%	11.0%	2.5%	1.9%	0.5%	1.9%	2.2%	8.1%
wholesale	3.2%	2.2%	4.5%	14.8%	13.6%	1.5%	1.4%	0.4%	2.1%	2.0%	10.5%
retail	1.9%	1.8%	11.6%	9.0%	8.6%	3.7%	2.7%	0.5%	1.8%	2.3%	5.7%
6. Catering and other services	8.4%	6.2%	7.4%	18.0%	1.7%	4.7%	2.6%	0.2%	2.4%	2.9%	4.1%
7. Financial sector	1.8%	0.4%	4.2%	12.9%	6.6%	2.0%	4.9%	1.8%	4.9%	1.8%	6.0%
o/w: resident banks	0.0%	0.0%	0.0%	9.6%	0.0%	0.0%	5.7%	1.3%	8.9%	0.0%	12.2%
8. Consumer loans	5.3%	2.8%	3.0%	4.4%	17.1%	3.6%	1.0%	0.7%	4.1%	7.3%	7.1%
9. Mortgage lending	8.4%	1.8%	2.2%	6.9%	10.4%	2.2%	1.3%	0.4%	4.3%	11.2%	2.9%
10. Other sectors of economy	5.1%	2.0%	3.0%	4.4%	34.8%	1.0%	0.2%	0.1%	2.7%	2.8%	0.6%
Total by banks	**5.8%**	**2.2%**	**3.6%**	**10.0%**	**12.3%**	**2.4%**	**1.9%**	**0.4%**	**2.5%**	**4.4%**	**4.9%**

31.12.2013	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	3.7%	20.8%	30.7%	18.9%	7.5%	38.7%	9.9%	30.4%	38.1%	16.1%	20.7%
mining	0.0%	0.0%	0.2%	0.1%	0.9%	1.3%	0.4%	3.2%	3.6%	0.3%	2.2%
energy	0.0%	10.7%	5.5%	4.7%	0.4%	25.7%	1.3%	22.3%	20.5%	0.5%	7.4%
food products	0.0%	5.7%	16.1%	9.6%	2.5%	6.0%	5.4%	1.7%	7.3%	1.4%	6.0%
light	0.6%	0.4%	0.6%	0.6%	1.1%	0.2%	1.6%	0.3%	2.5%	4.2%	1.0%
chemical	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	2.6%	0.2%	1.3%	0.5%
building materials	2.5%	0.3%	0.0%	1.6%	0.4%	4.6%	0.5%	0.2%	2.2%	3.3%	1.7%
precious metals	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.1%	0.2%	0.1%
metallurgy	0.0%	0.0%	1.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
machine-building and electrical	0.6%	3.4%	0.8%	1.6%	0.1%	0.9%	0.2%	0.0%	0.0%	0.2%	0.4%
other branches of industry	0.0%	0.2%	5.6%	0.5%	2.1%	0.0%	0.5%	0.1%	1.6%	4.6%	1.1%
2. Agriculture	0.9%	7.3%	3.1%	29.9%	2.3%	6.9%	0.5%	2.1%	1.8%	13.2%	5.6%
cattle breeding	0.9%	3.9%	0.0%	14.7%	1.8%	6.0%	0.4%	0.8%	1.8%	8.2%	2.6%
plant growing	0.0%	3.4%	3.1%	15.2%	0.5%	0.9%	0.1%	1.2%	0.0%	4.9%	3.0%
3. Construction	6.8%	0.0%	9.8%	1.6%	10.4%	12.2%	4.5%	5.0%	7.0%	1.2%	6.2%
4. Transport and communication	0.1%	5.4%	1.2%	0.7%	0.1%	0.3%	2.8%	3.2%	0.1%	2.6%	2.6%
5. Trade	33.6%	18.2%	23.9%	11.6%	7.9%	15.9%	24.0%	19.9%	12.5%	42.1%	20.0%
wholesale	30.4%	16.6%	13.0%	2.5%	0.7%	7.4%	6.0%	17.1%	8.5%	9.4%	10.5%
retail	3.2%	1.6%	10.9%	9.2%	6.9%	8.5%	16.2%	2.6%	4.0%	22.2%	8.8%
6. Catering and other services	0.4%	0.3%	9.9%	3.1%	2.6%	5.0%	6.6%	0.5%	2.4%	6.2%	5.2%
7. Financial sector	26.3%	16.2%	5.0%	4.0%	6.2%	1.7%	0.0%	7.0%	1.2%	4.5%	4.4%
o/w: resident banks	26.3%	14.9%	3.0%	2.0%	0.0%	1.7%	0.0%	1.3%	0.0%	3.9%	1.8%
8. Consumer loans	1.8%	9.6%	4.1%	26.1%	21.9%	13.5%	30.9%	23.4%	11.0%	1.8%	20.7%
9. Mortgage lending	22.6%	22.2%	9.3%	3.3%	16.5%	2.5%	13.2%	3.6%	10.5%	8.3%	8.1%
10. Other sectors of economy	3.8%	0.1%	3.1%	0.9%	24.6%	3.2%	7.6%	5.0%	15.3%	4.1%	6.4%
Total by banks	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Share of sectors of economy in banks' loans											
1. Industry	0.1%	1.7%	12.5%	8.8%	1.4%	9.9%	3.0%	14.7%	2.9%	1.9%	100.0%
mining	0.0%	0.0%	0.7%	0.5%	1.5%	3.0%	1.0%	14.3%	2.6%	0.3%	100.0%
energy	0.0%	2.5%	6.3%	6.1%	0.2%	18.3%	1.1%	30.2%	4.4%	0.2%	100.0%
food products	0.0%	1.6%	22.8%	15.5%	1.6%	5.3%	5.7%	2.9%	2.0%	0.6%	100.0%
light	0.2%	0.7%	5.3%	5.9%	4.3%	1.0%	10.6%	2.9%	4.0%	10.9%	100.0%
chemical	0.0%	0.0%	2.6%	0.0%	0.1%	0.0%	0.6%	57.1%	0.6%	7.2%	100.0%
building materials	0.5%	0.3%	0.0%	9.0%	0.8%	14.0%	1.7%	1.3%	2.1%	4.9%	100.0%
precious metals	0.0%	0.0%	0.0%	6.7%	0.1%	2.9%	0.9%	0.0%	1.3%	3.7%	100.0%
metallurgy	0.0%	0.0%	45.4%	0.0%	0.0%	0.0%	0.2%	0.0%	0.0%	0.0%	100.0%
machine-building and electrical	0.5%	14.3%	16.5%	38.9%	1.2%	12.2%	3.6%	0.0%	0.1%	1.3%	100.0%
other branches of industry	0.0%	0.3%	42.5%	4.6%	7.2%	0.0%	2.8%	1.1%	2.4%	10.5%	100.0%
2. Agriculture	0.1%	2.2%	4.7%	51.4%	1.6%	6.5%	0.6%	3.7%	0.5%	5.9%	100.0%
cattle breeding	0.1%	2.5%	0.1%	53.8%	2.6%	11.9%	1.0%	3.2%	1.1%	7.8%	100.0%
plant growing	0.0%	1.9%	8.7%	49.3%	0.6%	1.7%	0.3%	4.2%	0.0%	4.2%	100.0%
3. Construction	0.4%	0.0%	13.3%	2.5%	6.4%	10.3%	4.6%	8.0%	1.8%	0.5%	100.0%
4. Transport and communication	0.0%	3.6%	3.8%	2.7%	0.1%	0.6%	6.8%	12.5%	0.1%	2.5%	100.0%
5. Trade	0.6%	1.5%	10.1%	5.6%	1.5%	4.2%	7.5%	9.9%	1.0%	5.3%	100.0%
wholesale	1.0%	2.7%	10.4%	2.2%	0.2%	3.7%	3.6%	16.2%	1.3%	2.2%	100.0%
retail	0.1%	0.3%	10.4%	10.0%	2.9%	5.1%	11.5%	2.9%	0.7%	6.3%	100.0%
6. Catering and other services	0.0%	0.1%	16.0%	5.7%	1.9%	5.1%	7.9%	1.0%	0.7%	3.0%	100.0%
7. Financial sector	2.1%	6.2%	9.5%	8.6%	5.3%	2.1%	0.0%	15.8%	0.5%	2.5%	100.0%
o/w: resident banks	5.1%	14.1%	14.1%	10.9%	0.0%	5.1%	0.0%	7.2%	0.0%	5.5%	100.0%
8. Consumer loans	0.0%	0.8%	1.7%	12.1%	4.0%	3.4%	9.4%	11.3%	0.9%	0.2%	100.0%
9. Mortgage lending	1.0%	4.6%	9.7%	3.9%	7.7%	1.6%	10.2%	4.5%	2.1%	2.6%	100.0%
10. Other sectors of economy	0.2%	0.0%	4.0%	1.3%	14.5%	2.6%	7.5%	7.7%	3.8%	1.6%	100.0%
Total by banks	**0.4%**	**1.7%**	**8.5%**	**9.6%**	**3.8%**	**5.3%**	**6.3%**	**10.0%**	**1.6%**	**2.5%**	**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
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
2013				
Non-performing and off-balance sheet assets (total)	29525974	51830635	40633039	67332186
1. Residents' non-performing and off-balance sheet assets (total)	29452169	50314534	40279471	66858922
1.1 Industry	1034536	12207015	2890834	12973343
mining	112186	104367	78707	250996
energy	8148	635985	0	94097
food products	230397	9037624	1766794	7382821
light	437529	229301	475766	801415
chemical	2188	0	22030	37176
building materials	67353	602913	180378	1033872
precious items	1848	68241	90615	1607233
metallurgy	0	0	0	0
machine-building and electrical	19625	1097888	4337	341077
other branches of industry	155261	430696	272208	1424655
1.2 Agriculture	809953	1777937	995095	14372141
1.3 Construction	1252106	7883212	755327	4511569
1.4 Transport and communication	346443	1741278	189131	704830
1.5 Trade	1906819	11825781	6801104	14245402
1.6 Public catering and other services	2944047	4243017	667345	3022551
1.7 Financial sector	0	35656	55303	550623
1.8 Consumer loans	17167364	4686251	18169296	6420754
1.9 Mortgage loans	3013317	3035361	5344370	4755792
1.10 Other Sectors of Economy	977584	2879025	4411667	5301917
2. Non-residents' non-performing and off-balance sheet assets (total)	73805	1516101	353568	473264

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

Loans	Loan Investments	Share	Provisions on loans	
			balance	% of total
31.12.11				
1. Standard	1229980313	96.6	13162306	1.07
2. Watched	18774073	1.5	2109546	11.24
3. Sub-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	Provisions on loans	
			balance	% of total
31.12.12				
1. Standard	1569215822	96.4	17424867	1.11
2. Watched	26525293	1.6	3011251	11.35
3. Sub-standard	18997649	1.2	4409892	23.21
4. Doubtful	12849453	0.8	7316699	56.94
Total	**1627588217**	**100.0**	**32162710**	**1.98**

Loans	Loan Investments	Share	Provisions on loans	
			balance	% of total
31.12.13				
1. Standard	1712712238	95.55	19736063	1.15
2. Watched	41364295	2.31	4684593	11.33
3. Sub-standard	19533781	1.09	4437335	22.72
4. Doubtful	18787163	1.05	10594634	56.39
Total	**1792397477**	**100**	**39452625**	**2.20**

Receivables	Receivables	Share	Provisions 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. Sub-standard	115053	0.08	23231	20.19
4. Doubtful	208798	0.15	107055	51.27
Total	**137823178**	**100**	**1778906**	**1.29**

Receivables	Receivables	Share	Provisions on receivables	
			balance	% of total
31.12.12				
1. Standard	83914150	98.94	2088963	2.49
2. Watched	396138	0.47	39746	10.03
3. Sub-standard	385893	0.45	82773	21.45
4. Doubtful	117695	0.14	60692	51.57
Total	**84813876**	**100**	**2272174**	**2.68**

Receivables	Receivables	Share	Provisions on receivables	
			balance	% of total
31.12.13				
1. Standard	119387884	98.62	1528154	1.28
2. Watched	835990	0.69	87133	10.42
3. Sub-standard	623630	0.52	126687	20.31
4. Doubtful	212399	0.18	106524	50.15
Total	**121059903**	**100**	**1848498**	**1.53**

Off-balance sheet items	Off-balance sheet items	Share	Provisions on off-balance items	
			balance	% of total
31.12.11				
1. Standard	263638969	99.69	1698805	0.64
2. Watched	176871	0.07	18880	10.67
3. Sub-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	Provisions on off-balance items	
			balance	% of total
31.12.12				
1. Standard	212976319	99.61	1788537	0.84
2. Watched	632309	0.30	66825	10.57
3. Sub-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**

Off-balance sheet items	Off-balance sheet items	Share	Provisions on off-balance items	
			balance	% of total
31.12.13				
1. Standard	200387604	99.60	2045283	1.02
2. Watched	510913	0.25	56618	11.08
3. Sub-standard	135247	0.07	31473	23.27
4. Doubtful	77429	0.04	40914	52.84
5. Written-off	74360	0.04	74360	100.00
Total	201185552	100	2248647	1.12

Annex 12. Main Prudential Indicators of Commercial Banks

Indicators	31.12.12	31.03.13	30.06.13	30.09.13	31.12.13
Total capital adequacy	16.8%	16.4%	16.3%	16.5%	16.7%
Total liquidity	25.6%	26.1%	26.1%	26.3%	29.4%
Current liquidity	126.1%	136.1%	127.1%	136.9%	143.1%
Maximum risk on a single borrower[1]	17.2%	17.9%	17.6%	17.6%	17.1%
Maximum risk on major borrowers[1]	142.2%	132.7%	118.6%	124.4%	113.4%
Maximum risk on a bank related single borrower[1]	3.1%	2.5%	3.4%	3.0%	2.7%
Maximum risk on a bank related party[1]	9.7%	10.5%	11.3%	8.6%	9.0%

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

Annex 13. Survey Balance Sheet Indicators of Credit Organizations

Indicators			31.12.2011	31.12.2012	Change 31.12.12-31.12.11	31.03.2013	Change 31.03.13-31.12.12	30.06.2013
Assets	Cash		1192897	312354	-73.8%	496069	58.8%	631357
	Current accounts with banks		4702861	3770851	-19.8%	4454483	18.1%	6648777
	Claims on banks and other financial organizations		31910202	44684212	40.0%	44896930	0.5%	48110308
	Government securities		1751616	2502413	42.9%	2880561	15.1%	3396060
	Loans to legal entities		16575147	23551649	42.1%	25193996	7.0%	26486671
	Loans to individuals		55836609	77864195	39.5%	84224654	8.2%	87550050
	Loans to interrelated parties and employees		2254304	3495946	55.1%	3563157	1.9%	3743504
	Fixed assets		3259486	2711286	-16.8%	3051511	12.5%	3024101
	Leasing, factoring		6121636	8331996	36.1%	9315622	11.8%	9238305
	Other securities		114876	29865	-74.0%	445807	1392.7%	135518
	Other assets		3527589	5755477	63.2%	1320001	-77.1%	625451
	Interest receivable		795033	1193396	50.1%	1433397	20.1%	1464420
	Asset loss reserves		-4191281	-5672867	35.3%	-6172990	8.8%	-6634381
	Total assets		**123850974**	**168530773**	**36.1%**	**179842791**	**6.7%**	**189590102**
Liabilities	Demand liabilities		315542	680804	115.8%	731636	7.5%	781013
	Liabilities to banks and other financial organizations		39492154	62489606	58.2%	63596676	1.8%	71999625
	Time liabilities to individuals		4029012	7989836	98.3%	8504360	6.4%	9051243
	Time liabilities to legal entities*		28084080	27833807	-0.9%	30594986	9.9%	29987858
	Interest payable		1051203	2218664	111.1%	2744488	23.7%	1774698
	Other liabilities		4034466	4441113	10.1%	4552910	2.5%	3540937
	Total liabilities		**77006457**	**105653830**	**37.2%**	**110725056**	**4.8%**	**117135374**
Capital	Paid-in statutory capital		37092773	50300238	36%	54816486	9.0%	57977998
	o/w: non-residents' participation		13704211	16053990	17%		-100.0%	
	General reserve		982613	1485912	51%	1663103	11.9%	1806054
	Repurchased capital by credit organizations		0	0		0		0
	Undistributed profit (loss)	Current period	2,766,763	4,645,344	68%	2,634,850	-43.3%	3,155,917
		Previous period	5,904,156	6,336,255	7%	9,704,529	53.2%	9,161,081
	Total balance sheet capital		**46844518**	**62877084**	**34.2%**	**69118245**	**9.9%**	**72454728**
	Total number of credit organizations.		**32**	**32**		**33**	**0**	**33**

Indicators			Change 30.06.13-31.03.13	30.09.2013	Change 30.09.13-30.06.13	31.12.2013	Change 31.12.13-30.09.13	Change 31.12.13-31.12.12
Assets	Cash		27.3%	854880	35.4%	830360	-2.9%	165.8%
	Current accounts with banks		49.3%	7675999	15.4%	7058990	-8.0%	87.2%
	Claims on banks and other financial organizations		7.2%	51909221	7.9%	58724075	13.1%	31.4%
	Government securities		17.9%	3126468	-7.9%	3506126	12.1%	40.1%
	Loans to legal entities		5.1%	25962307	-2.0%	23859349	-8.1%	1.3%
	Loans to individuals		3.9%	89445630	2.2%	98981067	10.7%	27.1%
	Loans to interrelated parties and employees		5.1%	4143990	10.7%	4156192	0.3%	18.9%
	Fixed assets		-0.9%	3231144	6.8%	3296802	2.0%	21.6%
	Leasing, factoring		-0.8%	8904535	-3.6%	8677821	-2.5%	4.2%
	Other securities		-69.6%	127058	-6.2%	124341	-2.1%	316.3%
	Other assets		-52.6%	1023897	63.7%	626476	-38.8%	-89.1%
	Interest receivable		2.2%	1527906	4.3%	1634827	7.0%	37.0%
	Asset loss reserves		7.5%	-6679067	0.7%	-6817310	2.1%	20.2%
	Total assets		**5.4%**	**196405129**	**3.6%**	**209841599**	**6.8%**	**24.5%**
Liabilities	Demand liabilities		6.7%	826931	5.9%	877356	6.1%	28.9%
	Liabilities to banks and other financial organizations		13.2%	73903102	2.6%	78392713	6.1%	25.4%
	Time liabilities to individuals		6.4%	9058145	0.1%	10033564	10.8%	25.6%
	Time liabilities to legal entities*		-2.0%	31671889	5.6%	36019155	13.7%	29.4%
	Interest payable		-35.3%	2329603	31.3%	2042968	-12.3%	-7.9%
	Other liabilities		-22.2%	4806567	35.7%	4877411	1.5%	9.8%
	Total liabilities		**5.8%**	**122596238**	**4.7%**	**132243167**	**7.9%**	**25.2%**
Capital	Paid-in statutory capital		5.8%	58649408	1.2%	60782552	3.6%	20.8%
	o/w: non-residents' participation							-100.0%
	General reserve		8.6%	1840359	1.9%	1840361	0.0%	23.9%
	Repurchased capital by credit organizations			0		0		
	Undistributed profit (loss)	Current period	19.8%	4362798	38.2%	5746469	31.7%	23.7%
		Previous period	-5.6%	8613126	-6.0%	8419572	-2.2%	32.9%
	Total balance sheet capital		**4.8%**	**73808891**	**1.9%**	**77598432**	**5.1%**	**23.4%**
	Total number of credit organizations.		**0**	**33**	**0**	**33**	**0.0%**	**3.1%**

[1] *Includes also liabilities to the Government.*

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

Indicators			31.12.2011	31.12.2012	Change 31.12.12-31.12.11	31.03.2013	Change 31.03.13-31.12.12	30.06.2013
Assets	Cash		1.0%	0.2%	-0.8%	0.3%	0.1%	0.3%
	Current accounts with banks		3.8%	2.2%	-1.6%	2.5%	0.2%	3.5%
	Claims on banks and other financial organizations		25.8%	26.5%	0.7%	25.0%	-1.5%	25.4%
	Government securities		1.4%	1.5%	0.1%	1.6%	0.1%	1.8%
	Loans to legal entities		13.4%	14.0%	0.6%	14.0%	0.0%	14.0%
	Loans to individuals		45.1%	46.2%	1.1%	46.8%	0.6%	46.2%
	Loans to interrelated parties and employees		1.8%	2.1%	0.3%	2.0%	-0.1%	2.0%
	Fixed assets		2.6%	1.6%	-1.0%	1.7%	0.1%	1.6%
	Leasing, factoring		4.9%	4.9%	0.0%	5.2%	0.2%	4.9%
	Other securities		0.1%	0.0%	-0.1%	0.2%	0.2%	0.1%
	Other assets		2.8%	3.4%	0.6%	0.7%	-2.7%	0.3%
	Interest receivable		0.6%	0.7%	0.1%	0.8%	0.1%	0.8%
	Asset loss reserves		-3.4%	-3.4%	0.0%	-3.4%	-0.1%	-3.5%
	Total assets		**100.0%**	**100.0%**	**x**	**97.4%**	**x**	**97.3%**
Liabilities	Demand liabilities		0.4%	0.6%	0.2%	0.7%	0.0%	0.7%
	Liabilities to banks and other financial organizations		51.3%	59.1%	7.9%	57.4%	-1.7%	61.5%
	Time liabilities to individuals		5.2%	7.6%	2.3%	7.7%	0.1%	7.7%
	Time liabilities to legal entities*		36.5%	26.3%	-10.1%	27.6%	1.3%	25.6%
	Interest payable		1.4%	2.1%	0.7%	2.5%	0.4%	1.5%
	Other liabilities		5.2%	4.2%	-1.0%	4.1%	-0.1%	3.0%
	Total liabilities		**100.0%**	**100.0%**	**x**	**100.0%**	**x**	**100.0%**
Capital	Paid-in statutory capital		79.2%	80.0%	0.8%	79.3%	-0.7%	80.0%
	o/w: non-residents' participation		29.3%	25.5%	-3.7%	0.0%	-25.5%	0.0%
	General reserve		2.1%	2.4%	0.3%	2.4%	0.0%	2.5%
	Repurchased capital by credit organizations		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Undistributed profit (loss)	Current period	5.9%	7.4%	1.5%	3.8%	-3.6%	4.4%
		Previous period	12.6%	10.1%	-2.5%	14.0%	4.0%	12.6%
	Total balance sheet capital		**100.0%**	**100.0%**	**x**	**100.0%**	**x**	**100.0%**

Indicators			Change 30.06.13 -31.03.13	30.09.2013	Change 30.09.13 -30.06.13	31.12.2013	Change 31.12.13 -30.09.13	Change 31.12.13 -31.12.12
Assets	Cash		0.1%	0.4%	0.1%	0.4%	0.0%	0.2%
	Current accounts with banks		1.0%	3.9%	0.4%	3.4%	-0.5%	1.1%
	Claims on banks and other financial organizations		0.4%	26.4%	1.1%	28.0%	1.6%	1.5%
	Government securities		0.2%	1.6%	-0.2%	1.7%	0.1%	0.2%
	Loans to legal entities		0.0%	13.2%	-0.8%	11.4%	-1.8%	-2.6%
	Loans to individuals		-0.7%	45.5%	-0.6%	47.2%	1.6%	1.0%
	Loans to interrelated parties and employees		0.0%	2.1%	0.1%	2.0%	-0.1%	-0.1%
	Fixed assets		-0.1%	1.6%	0.1%	1.6%	-0.1%	0.0%
	Leasing, factoring		-0.3%	4.5%	-0.3%	4.1%	-0.4%	-0.8%
	Other securities		-0.2%	0.1%	0.0%	0.1%	0.0%	0.0%
	Other assets		-0.4%	0.5%	0.2%	0.3%	-0.2%	-3.1%
	Interest receivable		0.0%	0.8%	0.0%	0.8%	0.0%	0.1%
	Asset loss reserves		-0.1%	-3.4%	0.1%	-3.2%	0.2%	0.1%
	Total assets		**x**	**97.4%**	**x**	**97.5%**	**x**	**x**
Liabilities	Demand liabilities		0.0%	0.7%	0.0%	0.7%	0.0%	0.0%
	Liabilities to banks and other financial organizations		4.0%	60.3%	-1.2%	59.3%	-1.0%	0.1%
	Time liabilities to individuals		0.0%	7.4%	-0.3%	7.6%	0.2%	0.0%
	Time liabilities to legal entities*		-2.0%	25.8%	0.2%	27.2%	1.4%	0.9%
	Interest payable		-1.0%	1.9%	0.4%	1.5%	-0.4%	-0.6%
	Other liabilities		-1.1%	3.9%	0.9%	3.7%	-0.2%	-0.5%
	Total liabilities		**x**	**100.0%**	**x**	**100.0%**	**x**	**x**
Capital	Paid-in statutory capital		0.7%	79.5%	-0.6%	78.3%	-1.1%	-1.7%
	o/w: non-residents' participation		0.0%	0.0%	0.0%	0.0%	0.0%	-25.5%
	General reserve		0.1%	2.5%	0.0%	2.4%	-0.1%	0.0%
	Repurchased capital by credit organizations		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Undistributed profit (loss)	Current period	0.5%	5.9%	1.6%	7.4%	1.5%	0.0%
		Previous period	-1.4%	11.7%	-1.0%	10.9%	-0.8%	0.8%
	Total balance sheet capital		**x**	**100.0%**	**x**	**100.0%**	**x**	**x**

[1] *Includes also liabilities to the Government.*

Annex 15. Credit Organizations: Income and Expense

Indicators	31.12.11	31.12.12	Change 31.12.12 - 31.12.11	31.03.13	30.06.13	30.09.13	31.12.13	Change 31.12.13 - 31.12.12
Interest income	14961885	20348604	36.0%	5765429	12091583	18818606	25553892	25.6%
Interest expense	4820894	7503681	55.6%	2200128	4549942	7136673	9872513	31.6%
Net interest income	10140991	12844923	26.7%	3565301	7541641	11681933	15681379	22.1%
Non-interest income	6184429	6306889	2.0%	1774754	3450800	5078938	7176348	13.8%
Non-interest expense	8060057	10865806	34.8%	2883636	6172527	9523212	13384680	23.2%
Net non-interest income	-1875628	-4558917	143.1%	-1108882	-2721727	-4444274	-6208332	36.2%
Loss provision	10444282	10422763	-0.2%	2939750	6026706	9562535	12969718	24.4%
Recovery from loss reserve	8301254	8364768	0.8%	2360828	4962554	7602655	10786593	29.0%
Net provision	2143028	2057995	-4.0%	578922	1064152	1959880	2183125	6.1%
Gross income	29447568	35020261	18.9%	9901011	20504937	31500199	43516833	24.3%
Gross expense	23325233	28792250	23.4%	8023514	16749175	26222420	36226911	25.8%
Pre-tax profit	6122334	6228011	1.7%	1877497	3755762	5277779	7289922	17.1%
Net profit	4930540	4847791	-1.7%	1638960	3231719	4434047	5852591	20.7%
Undistributed profit	2801819	4809541	71.7%	1638960	3195719	4398047	5746591	19.5%

Annex 16. Loan Investments of Credit Organizations

Sectors	31.12.11	31.12.12	Change 31.12.12 - 31.12.11	31.03.13	30.06.13	30.09.13	31.12.13	Change 31.12.13 - 31.12.12
Industry	10844891	14958716	37.9%	18474151	19501398	19222944	17110576	14.4%
Agriculture	22345799	29288596	31.1%	33923970	35135765	34327450	39010362	33.2%
Construction	3306975	5798321	75.3%	4906700	6028540	5576713	5690585	-1.9%
Transport and communications	793879	1059020	33.4%	1453255	1442433	1480511	1594301	50.5%
Trade	14804062	19381117	30.9%	20316988	20964079	20955709	22234666	14.7%
Public catering and other services	4067043	5735000	41.0%	6071656	5893266	6039002	6070214	5.8%
Financial sector	33102937	45471539	37.4%	45301012	48380058	52192584	58972155	29.7%
Consumer loans (including mortgage loans)	8692986	14954308	72.0%	15525111	16500084	17279636	18803401	25.7%
Mortgage loans	12187519	17406315	42.8%	17689253	17650566	18979872	19964642	14.7%
Other sectors	2621407	3517739	34.2%	3949423	4253900	5094381	6273514	78.3%
Total	**112767498**	**157570671**	**39.7%**	**167611519**	**175750089**	**181148802**	**195724416**	**24.2%**

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

Sectors	31.12.11	31.12.12	Change 31.12.12 - 31.12.11	31.03.13	30.06.13	30.09.13	31.12.13	Change 31.12.13 - 31.12.12
Industry	9.6%	9.5%	-0.1%	11.0%	11.1%	10.6%	8.7%	-0.8%
Agriculture	19.8%	18.6%	-1.2%	20.2%	20.0%	18.9%	19.9%	1.3%
Construction	2.9%	3.7%	0.7%	2.9%	3.4%	3.1%	2.9%	-0.8%
Transport and communications	0.7%	0.7%	0.0%	0.9%	0.8%	0.8%	0.8%	0.1%
Trade	13.1%	12.3%	-0.8%	12.1%	11.9%	11.6%	11.4%	-0.9%
Public catering and other services	3.6%	3.6%	0.0%	3.6%	3.4%	3.3%	3.1%	-0.5%
Financial sector	29.4%	28.9%	-0.5%	27.0%	27.5%	28.8%	30.1%	1.3%
Consumer loans (including mortgage loans)	7.7%	9.5%	1.8%	9.3%	9.4%	9.5%	9.6%	0.1%
Mortgage loans	10.8%	11.0%	0.2%	10.6%	10.0%	10.5%	10.2%	-0.8%
Other sectors	2.3%	2.2%	-0.1%	2.4%	2.4%	2.8%	3.2%	1.0%
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

Risk class	31.12.11	Share in total	31.12.12	Share in total	31.03.13	Share in total	30.06.13	Share in total	30.09.13	Share in total	31.12.13	Share in total
Standard	112196787	97.3%	154620496	96.3%	163565673	96.1%	169894659	95.5%	175289773	95.8%	189326739	96.2%
Watched	2034084	1.8%	3390690	2.1%	3752123	2.2%	4470342	2.5%	3944725	2.2%	4544614	2.3%
Sub-standard	747017	0.6%	1467986	0.9%	1634096	1.0%	1900501	1.1%	2101900	1.1%	1600411	0.8%
Doubtful	291633	0.3%	1020592	0.6%	1296306	0.8%	1544971	0.9%	1555135	0.9%	1410966	0.7%
Total	**115269521**	**100.0%**	**160499764**	**100%**	**170248199**	**100%**	**177810472**	**100%**	**182891533**	**100%**	**196882730**	**100%**

Annex 19. Investment companies as of 31.12.2013

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

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

AMD million

Indicators	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total assets, including:	8239	7471	7726	10530	8754	7728	15572	19556	21827	23609	27039
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	21871
Short-term borrowings	3114	2024	4523	7964	6057	4076					
Equity capital	607	1382	1032	1248	2086	2721	2935	3196	3230	3798	5168
Accrued profit	217	908	543	629	737	146					
Net profit	344	970	672	667	594	16	202	301	580	349	874

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

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

AMD million

Securities	Over 2012	2013												Over 2013
		J	F	M	A	M	J	J	A	S	O	N	D	
Shares	11349	2435	416	408	1304	4695	822	1180	2209	2644	2521	828	1109	20571
o/w: traded on stock exchange	471	794	0	0	431	35	158	0	0	58	1	5	12	1494
Government bonds	401498	36461	24269	33703	49942	28876	29318	22989	21986	34970	30310	36868	68683	418377
Government short-term bonds	50751	3059	4542	4735	4243	3359	2934	1831	2527	3204	2783	1526	998	35741
o/w: traded on stock exchange	473	0	92	0	0	141	0	216	0	0	0	0	0	449
Government medium-term bonds	172181	18266	8929	11016	17013	9478	8903	15787	10365	19141	22429	26377	31969	199673
o/w: traded on stock exchange	2701	186	24	0	418	331	209	435	36	335	1186	851	4019	8031
Government long-term bonds	178565	15136	10799	17952	28687	16039	17481	5370	9094	12625	5098	8965	35716	182962
o/w: traded on stock exchange	1010	16	1	0	0	257	407	217	895	11	115	1018	3686	6621
Corporate bonds	204534	26185	14675	36321	40135	42706	17452	10277	23000	13899	22479	2497	2895	252522
o/w: traded on stock exchange	1295	62	545	16	1298	34	16	864	57	100	1052	449	639	5131
Repo agreements	617395	65081	39361	70431	91381	76278	47593	34446	47195	51514	55311	40193	72686	691470
o/w: traded on stock exchange	5013	1058	662	16	2148	797	789	1732	987	504	2354	2323	8356	21727
Shares	1815823	124773	128050	146201	139358	128827	148754	152029	145665	155835	187529	146281	161374	1764673
o/w: traded on stock exchange	936	0	0	9	111	0	252	228	127	226	226	127	467	1773
Number of Investment service providers	31	31	31	31	31	31	31	31	31	30	30	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	9	9	9	9	9	9	9	9	9	8	8	8	8	8
o/w investment fund managers	1	1	1	1	1	1	1	1	1	1	1	3	3	3

[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	Amount 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
2013	765	1494	15101	5131	21727
January	22	794	202	62	1058
February	16	0	117	545	662
March	7	0	0	16	16
April	44	431	418	1298	2148
May	39	35	729	34	797
June	36	158	616	16	789
July	49	0	868	864	1732
August	53	0	930	57	987
September	27	58	346	100	504
October	78	1	1301	1052	2354
November	109	5	1869	449	2323
December	285	12	7705	639	8356

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

Period	Number of owners		
	Registered securities	Not registered securities	Total
2004	97725	37210	134935
2005	94949	39550	134499
2006	28316	102584	130900
2007	24928	102559	127487
2008	6627	121702	128329
2009	7807	119901	127708
2010	7791	103885	111676
2011	7920	84558	92478
2012	7862	81085	88947
2013	2268	104733	107001

Annex 24. Insurance Companies in Armenia as of 31.12.2013

1	"ISG, Ltd."
2	CJSC "Armenia Insurance"
3	CJSC "Guarant-Insurance"
4	CJSC "Ingo Armenia"
5	CJSC "Armenian Export Insurance Agency"
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		31.12.2011	31.12.2012	31.12.2013
Assets	Cash and cash equivalents	192927	212377	214571
	Bank accounts	1426419	1316542	967063
	Receivables on direct insurance, o/w:	2492669	5179325	7503868
	from co-insurers	1957	29	92
	from reinsurers	14535	87344	114785
	Claims on compensations, o/w:	1726940	587901	516078
	on co-insurers			
	on reinsurers	1726761	587901	516078
	on other persons	179		
	Claims due to subrogation	164173	296356	537883
	Deposits in banks	14594498	13813532	15326038
	Lending to financial organizations	379733	361722	1339996
	Lending to individuals and sole entrepreneurs	208307	58607	53197
	Lending to legal entities	506567	275683	278490
	Securities sold under Repo agreements	2651037	2227266	5656541
	Government securities (including CBA-issued securities)	2081315	3533138	3707463
	Corporate securities	364851	362360	301115
	Depreciation reserves for securities held till maturity		-406	-817
	Non-current investments in other parties statutory capital and other non-current claims on them			2275196
	Reserves for receivables on direct insurance, co-insurance, reinsurance, on investments and borrowings	-396822	-492173	-571489
	Share of reinsurers in reserves	567812	1933089	2661942
	Interest receivable	494875	513861	638886
	Fixed assets	1578689	2842869	2950753
	Other assets	2391880	5260002	5535071
	Total assets	**31442363**	**38369424**	**50006723**

Liabilities	Compensations payable, o/w:	145456	213126	231660
	on direct insurance	145456	213126	231660
	on co-insurance			
	on reinsurance risks			
	Payables to intermediaries	271491	522457	779935
	Refundable insurance premiums	61031	167957	109237
	Insurance premiums transferable to co-insurers	0		
	Insurance premiums transferable to reinsurers	1377566	1415501	1624927
	Borrowings and loans from financial organizations	256573	197280	4708196
	Interest payable	5483	6544	186280
	Insurance reserves, o/w:	8618547	16030077	17219349
	reserve for unearned premiums	5004574	10833365	12195504
	reserve for loss presented to the insurer yet unregulated	2175441	3005590	3196732
	reserve for loss occurred yet not presented to the insurer	548387	1005211	1270100
	mathematical reserve			
	other reserves	890145	1185912	557013
	Repo agreements	2623084	2159697	5611934
	Other liabilities	4126907	3930974	3566850
	Total liabilities	**17486140**	**24643613**	**34038369**
Capital	Statutory capital	11933178	11430006	14732372
	General reserve	284118	318630	794418
	Current period undistributed profit/loss	1683030	369402	-894009
	Previous period undistributed profit/loss	-114740	1261480	845573
	Other capital elements	170638	346292	490000
	Total capital	**13956224**	**13725811**	**15968354**

Annex 26. Income and Expenditure of Insurance Companies

AMD thousand

Indicators	From the year beginning up to 31.12.2011	From the year beginning up to 31.12.2012	From the year beginning up to 31.12.2013
Earned insurance premiums	**17860334**	**26435224**	**31318978**
Accrued insurance premiums	19569337	32352891	32502426
Gross total	22371982	35524775	35753284
Premiums transferred to reinsurer	-2802645	-3171885	-3250858
Change in reserve for unearned insurance premiums	1709004	5917667	1183448
Other income on insurance	**700391**	**1258245**	**1123711**
Compensations from coinsurers	0	0	0
Mediator fees	320919	262193	322870
Other income	379472	996051	800842
Insurance compensations	**7454355**	**13702768**	**18899128**
Non-life insurance	7454355	13702768	18899128
Gross value	8140853	14487034	19718688
Share of insurer	-686499	-784267	-819560
Technical reserves	**-8936347**	**-11905104**	**-12482201**
Claimed, but not yet paid claim reserve	-7451483	-9428512	-11211541
Gross value	-8484857	-10492524	-13431597
Share of reinsurer	1033375	1064012	2220056
Other reserves	-1484864	-2476592	-1270661
Gross value	-1534110	-2503028	-1367905
Share of insurer	49246.00	26436	97244
Returns from technical reserves	**6769799**	**9956056**	**13123889**
Claimed, but not yet paid claim reserve	6160863	8343010	11476871
Gross value	6960267	9503962	13212837
Share of reinsurer	-799404	-1160952	-1735966
Other reserves	608936	1613046	1647019
Gross value	621458	1642485	1678203
Share of insurer	-12522	-29439	-31184
Other insurance expenses	**2821715**	**4949032**	**6774187**
Premium return on suspended agreements	559346	639337	993150
Expenses on mediator fees	2127123	3278663	4515027
Other operational expenses	135247	1031033	1266011
Interest income	**1864763**	**2040177**	**2449567**

Interest income on deposits of financial organizations and borrowings to them	1402057	1706311	1649221
Interest income on borrowings to individuals	3730	4828	4264
Interest income on borrowings to legal entities	35682	44695	23364
Interest income on government securities	399429	261851	726587
Interest income on non-government securities	18089	11212	24925
Other interest income	5776	11280	21207
Expenses on interest	**104059**	**297848**	**898478**
Interest expenses on loans from financial organizations and borrowings	103359	296923	723653
Other interest expenses	700	925	174825
Non-interest income	**693629**	**546958**	**526988**
Net income on assets disposal (selling)	26183	24641	204949
Net income on revaluation of financial assets	10228	20239	243190
Net income from currency revaluation	485844	477544	19898
Other non-interest income	171374	24534	58950
Non-interest expenses	**6252092**	**8344253**	**9176923**
Management expenses	4071008	6208005	6957879
Educational expenses	24011	31791	21708
PR expenses	831662	1063077	718713
Other non-interest expenses	1325411	1041380	1478623
Allocation to reserve for assets loss (non-collectability)	**307175**	**446055**	**979195**
Profit/loss on usual activity	**2013172**	**591599**	**-666977**
Profit before profit tax	**2013172**	**591599**	**-666977**
Profit tax	**311957**	**180179**	**91418**
Profit after profit tax	**1701215**	**411420**	**-758396**
Dividends	**9822**	**52000**	**125820**
Undistributed profit	**1691393**	**359420**	**-884216**

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

AMD thousand

	Non-life insurance classes	Number of insurance policies in force as of 31/12/2013	Insurance coverage of insurance policies in force as of 31/12/2013	Reinsurance coverage of insurance policies in force as of 31/12/2013	Accrued insurance premiums from the beginning of the year up to 31/12/2013	Accrued reinsurance premiums from the beginning of the year up to 31/12/2013	Accrued insurance compensations in 2013	Share of reinsurers in accrued compensations in 2013
1	Accident insurance	67336	169533295	18791707	451929	37392	33218	65
2	Health insurance	113129	660844336	-	11581607	-	7469590	-
3	Motor transport insurance	10846	80192557	33108948	2141046	554503	1431069	488587
4	Rail transport insurance	-	-	-	-	-	-	-
5	Air transport insurance	10	64369303	64369302	247291	229712	-	-
6	Water transport insurance	-	-	-	-	-	-	-
7	Cargo insurance	1017	56751850	51157633	603854	322172	17691	12696
8	Fire and natural disaster insurance	17875	1642545998	1164729400	2121068	1169731	199841	168782
9	Property damage insurance	4249	121679733	56686712	244221	135643	3884	225
10	Responsibility for use of motor transport insurance	7511	160601240	13110446	81911	15710	16571	204
11	Responsibility for use of air transport insurance	9	637544388	637544387	140134	133824	-	-
12	Responsibility for use of water transport insurance	-	-	-	-	-	-	-
13	General liability insurance	1160	251629807	236581542	406099	311394	80838	80557
14	Loan insurance	1	15048707	-	893277	-	-	-
15	Guarantee insurance	1	16300	-	-	-	-	-
16	Financial loss insurance	70	28863849	21676836	285147	243536	40041	40041
17	Judicial and extrajudicial costs insurance	-	-		-	-	-	-
18	Assistance insurance	12572	358943563	186396535	454343	97242	72261	28405
19	MTPL	327350	3911950597	-	16133040	-	10353683	-
	Total	**563136**	**8160515523**	**2484153447**	**35784969**	**3250858**	**19718687**	**819561**

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

%

	Non-life insurance classes	Number of insurance policies in force as of 31/12/2013	Insurance coverage of insurance policies in force as of 31/12/2013	Reinsurance coverage of insurance policies in force as of 31/12/2013	Accrued insurance premiums from the beginning of the year up to 31/12/2013	Accrued reinsurance premiums from the beginning of the year up to 31/12/2013	Accrued insurance compensations in 2013	Share of reinsurers in accrued compensations in 2013
1	Accident insurance	12.0	2.1	0.8	1.3	1.2	0.2	0.0
2	Health insurance	20.1	8.1	0.0	32.4	0.0	37.9	0.0
3	Motor transport insurance	1.9	1.0	1.3	6.0	17.1	7.3	59.6
4	Rail transport insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
5	Air transport insurance	0.0	0.8	2.6	0.7	7.1	0.0	0.0
6	Water transport insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
7	Cargo insurance	0.2	0.7	2.1	1.7	9.9	0.1	1.5
8	Fire and natural disaster insurance	3.2	20.1	46.9	5.9	36.0	1.0	20.6
9	Property damage insurance	0.8	1.5	2.3	0.7	4.2	0.0	0.0
10	Responsibility for use of motor transport insurance	1.3	2.0	0.5	0.2	0.5	0.1	0.0
11	Responsibility for use of air transport insurance	0.0	7.8	25.7	0.4	4.1	0.0	0.0
12	Responsibility for use of water transport insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
13	General liability insurance	0.2	3.1	9.5	1.1	9.6	0.4	9.8
14	Loan insurance	0.0	0.2	0.0	2.5	0.0	0.0	0.0
15	Guarantee insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
16	Financial loss insurance	0.0	0.4	0.9	0.8	7.5	0.2	4.9
17	Judicial and extrajudicial costs insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
18	Assistance insurance	2.2	4.4	7.5	1.3	3.0	0.4	3.5
19	MTPL	58.1	47.9	0.0	45.1	0.0	52.5	0.0
Total		**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

Annex 28. Pawnshops

AMD million

Indicators	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	14095	12122	139
31.12.2011	3921	2433	68
31.12.2012	5147	3312	103
31.12.2013	9930	6625	116

Annex 29. Registered Payment and Settlement Organizations as of 31.12.2013

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

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

AMD million

Transfers	2009	2010	2011	2012	2013	2013			
						QI	QII	QIII	QIV
Paper based payment orders[1]	6806481	6878130	11907748	20208291	22427693	5134975	5609179	5325748	6357791
Electronic payment orders[1]	7793560	10178918	10054213	10568616	12103431	2378866	2899370	3127473	3697722
Checks	23744	19355	22507	30292	24276	5915	6083	6283	5995
Other debit instruments [2]	866	260	264	0	0	0	0	0	0
Non-cash transactions by cards	30750	40202	63359	89745	105786	20637	26207	28221	30721
Total	14655401	17116866	22048090	30896945	34661186	7540393	8540839	8487725	10092229

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

Transfers	2009	2010	2011	2012	2013	2013			
						QI	QII	QIII	QIV
Paper based payment orders[1]	1803287	1907845	3529426	3804931	4165785	875663	1065897	1058459	1165766
Electronic payment orders[1]	3943374	4934399	5994470	8710110	9479553	1931726	2225524	2555940	2766363
Checks	14174	10562	11327	12042	10750	2256	2979	2624	2891
Other debit instruments [2]	2512	2145	2429	0	0	0	0	0	0
Non-cash transactions by cards	916178	1203498	1850159	2805023	3496610	739435	838907	932670	985598
Total	6679525	8058449	11387811	15332106	17152698	3549080	4133307	4549693	4920618

[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

Sistems		2009	2010	2011	2012	2013	2013			
							QI	QII	QIII	QIV
Transfers sent	Amount (million drams)	41759	51779	62402	79048	87164	18774	22772	21335	24283
	Number of transfers	107088	124911	144473	172868	188700	43123	46208	45494	53875
Transfers received	Amount (million drams)	362703	430467	523739	641427	729736	116706	170278	228477	214275
	Number of transfers	1539255	1865449	2268758	2797158	3309165	570750	820780	997359	920276
Turnover	Amount (million drams)	404462	482246	586142	720475	816900	135480	193050	249812	238558
	Number of transfers	1646343	1990360	2413231	2970026	3497865	613873	866988	1042853	974151

Annex 33. Number of Cards in Circulation

Plastic Card	2009	2010	2011	2012	2013	2013			
						QI	QII	QIII	QIV
ArCa	282164	306070	391936	492126	564503	518392	545469	566522	564503
VISA	201589	269771	363691	520703	652398	543498	594087	625170	652398
MASTER Card	61108	115943	181455	264539	299815	282555	295939	294105	299815
Other international cards[1]	34570	37514	40666	45581	47813	46766	47907	48273	47813
Total	579431	729298	977748	1322949	1564529	1391211	1483402	1534070	1564529

Annex 34. Amount of Transactions by Cards in Armenia

AMD million

Plastic Card	2009	2010	2011	2012	2013	2013			
						QI	QII	QIII	QIV
ArCa	173445	212886	247255	290960	281662	56026	67631	73041	84963
VISA	151623	219144	308579	450472	570365	117670	137059	155031	160605
MASTER Card	62331	77338	113742	174090	180117	35855	41432	48575	54255
Other international cards[1]	40849	48982	69163	84249	75888	16020	19150	19624	21094
Total	428248	558350	738739	999771	1108032	225571	265273	296270	320918

Annex 35. Number of Transactions by Cards

Plastic Card	2009	2010	2011	2012	2013	2013			
						QI	QII	QIII	QIV
ArCa	4177660	5261125	6089528	7031742	6615934	1442884	1642099	1683450	1847501
VISA	2602572	3577094	5072749	7244453	8948655	1835536	2159630	2387847	2565642
MASTER Card	1158843	1519906	2329923	3450684	3859421	830301	893247	1035713	1100160
Other international cards[1]	908977	934806	1068791	1140836	1116940	254297	292445	282378	287820
Total	8848052	11292931	14560991	18867715	20540950	4363018	4987421	5389388	5801123

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

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