REPUBLIC OF ARMENIA
CENTRAL BANK

FINANCIAL SYSTEM OF ARMENIA

2014

Development
Regulation
Supervision

2015

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INTRODUCTION

In 2014, the financial system of Armenia was quite active and secured increased access to and improved affordability of financial services for the real sector. During the year, assets of the financial system grew by 15% and amounted to 83.8% of gross domestic product (a 6.7 percentage points increase over 2013). As financial intermediation deepened and competition between banks grew, loan interest rates continued to decline and deposit interest rates to increase, causing the interest rate spread to shrink.

As the geopolitical problems exacerbated, the economic fundamentals caused the Armenian dram to depreciate sharply in the fourth quarter, in turn augmenting the risks undermining financial stability. In this situation, the financial system demonstrated a strong ability to absorb risks by adapting to the emerging new economic situation quite rapidly. The Central Bank responded to changes in the market situation through a flexible combination of monetary policy and supervisory tools, thus fulfilling the objective of maintaining price stability and financial system stability.

In financial system regulation and supervision, the Central Bank continued implementing measures aimed at modernizing the regulation of activities of financial institutions, improving the effectiveness of financial supervision, protecting consumer interests, and improving the financial literacy of various target groups in society. In 2014, the Central Bank undertook amendment of legal acts related to introduction of the Basel III standards and focused on implementing a risk-based supervision system for financial institutions.

FINANCIAL SYSTEM REGULATORY FRAMEWORK CHANGES IN 2014

Permanent developments in the real and financial sectors of the economy require revisions in the regulatory framework. Efforts to improve the financial system regulatory framework continued throughout 2014.

Financial System Regulatory Framework Changes

Legislative Amendments

In 2014, the Law Amending and Supplementing the Republic of Armenia Law on Insurance and Insurance Activities was adopted. Its adoption was due to the need to clarify the cases when insurance secrets may be disclosed. Under the amendments, insurance secrets may be disclosed to the authority designated by the Republic of Armenia Law on Combatting Money Laundering and Terrorism Financing, based on suspicion of money laundering or terrorism financing, or based upon a request by such authority in the cases and procedure stipulated by the mentioned Law.

In 2014, the Law Amending and Supplementing the Republic of Armenia Law on Investment Funds was adopted as well, clarifying the requirements on the calculation and publication of the book value of shares in an open fund managed by an investment fund manager, as well as the procedure by which managers prepare and publish their financial reports.

Sub-Legislative Amendments

In 2014, the Central Bank of Armenia adopted, amended and supplemented a number of legal acts, including:

1. The Central Bank Board decided to amend and supplement Regulation 2 on “Regulation of Banking; Prudential Standards for Banking” in the following manner:
   - The share of preference shares and additional statutory capital in the capital adequacy standard were limited as follows:
     a) From 1 January 2018, preference shares will be included in the calculation of additional capital of banks by the amount of at most 20 percent of the balance sheet value of core capital;
     b) When calculating the size of the core prudential standards, additional capital will be included in the calculation of total capital by the amount of at most 50 percent of core capital—from 1 January 2015 to 31 December 2015 inclusive; by the amount of at most 40 percent of core capital—from 1 January 2016 to 31 December 2016 inclusive; by the amount of at most 30 percent of core capital—from 1 January 2017 to 31 December 2017 inclusive; and by the amount of at most 20 percent of core capital—from 1 January 2018 onwards.

- The ratio of core capital to risk-weighted assets (N11 standard) shall be 10 percent as of 1 January 2018.
- In the calculation of the core prudential standards, intangible assets (computer software used in the bank's activities and their usage rights, and payments entitling use of Visa, MasterCard, American Express, SWIFT, CBANet, and ArCa systems) will be gradually reduced from capital.
- The minimum requirements on long-term subordinate debt have been tightened in the calculation of capital: the existing subordinate debt will be gradually deducted from the calculation of total capital.
- The definitions of the reporting period and actual period for calculating the mandatory reserve requirement have been revised: it is now defined that the actual reserve period starts over a month after the end of the reporting period (before it started from the following day).
- The mandatory reserve requirement is waived for funds attracted against bonds that meet the requirements stipulated by Regulation 2.
- The procedure of calculating the minimum amount of mandatory reserves held in the Central Bank has been revised: there is now a requirement that, during the actual reserve period, reserves against funds attracted in foreign currency shall be calculated on a daily basis (in the past, they were calculated on an average daily basis).
- The minimum mandatory reserve held in the Central Bank for funds attracted in foreign currency was set at 24% as of 18 December 2014, and was subsequently reduced to 20% as from 24 December 2014.
- The credit risk weight for bonds issued by credit organizations that perform refinancing has been aligned with the risk weights of securities issued by the Central Bank, i.e. 0% in case of drams and 10% in case of foreign currency.
- The minimum amount of total capital of banks has been set at:
  a) Five billion (5,000,000,000) Armenian drams before 1 January 2017;
  b) Thirty billion (30,000,000,000) Armenian drams before 1 January 2017 for newly-created banks;
  c) Thirty billion (30,000,000,000) Armenian drams as of 1 January 2017 and thereafter—for existing banks and for newly-created banks.

The amendments are expected to strengthen banking system stability and improve the effectiveness of activities of banks in the Armenian banking system and of the macroprudential tools applied by the Central Bank.

2. Regulation 3 on "Bank Reports; Submission and Publication" was amended and supplemented in the following manner:
   - The respective reports have been supplemented with fields to reflect violations of standards related to the maximum single-borrower exposure (N31), maximum exposure to large borrowers (N32), maximum exposure to a person affiliated with the bank (N41), and the maximum exposure to all persons affiliated

with the bank, for violations that occurred at the time when the right of claim originated, but were fixed by the time the report was submitted.
- To improve the effectiveness of analytical activities, the classification of transactions by fields of industry has been added to the report on the foreign currency purchase and sale operations.

3. The following amendments were added to the procedures for licensing, registering, consenting to and/or authorizing, or professional conformity testing and qualification for banks, credit organizations, payment and settlement organizations, insurance companies, investment companies, the regulated market operator, the Central Depositary, and investment fund managers and custodians:
   - Petitions of managers shall be filed to the Central Bank by submitting the data online.
   - The financial organization board chairman registration process has been replaced with a notification process.
   - The qualification certificates of managers will be issued by e-mail delivery instead of sending a paper copy by post
   - The experience requirements for internal audit officers responsible for IT systems have been changed, introducing a requirement on a minimum two-year experience in the IT sector.
   - New formats have been approved for the information presented to the Central Bank on significant participants and significant participants in foreign financial organizations.
   - The announcement about the loss of a registration certificate or license will be posted on the website of the Central Bank, instead of the previous requirement to publish the announcement in a newspaper.
   - The 24/7 security and fire alarm system of headquarters of financial organizations has to be connected to the 911 Service of the Crisis Management Center of the Ministry of Emergency Situations of the Republic of Armenia.
   - The financial organization by-laws registration process has been amended: only the amendment, and not the full text of the by-laws, will need to be submitted to the Central Bank for registration, and financial organizations will be required to publish the full text of their amended and restated by-laws on their websites.
   - The executive director (executive board chair and members), deputy executive director, chief internal auditor, and chief accountant of a bank, insurance company, insurance fund manager, investment company, credit organization, regulated market operator, the Central Depositary, and the Bureau of Car Insurers of Armenia will be qualified in the Central Bank, and other managers of these organizations will be qualified in organizations performing qualification checks, which meet the criteria established by the Central Bank, and which shall issue the relevant qualification certificates.
   - All managers (employees) of insurance brokers, exchange offices and foreign currency dealers, too, will undergo qualification checks and receive qualification certificates from the qualifying organizations.
   - The financial organization branch manager registration procedure has been further simplified: a branch manager will be considered as registered at the Central Bank when the petition is received at the Central Bank.

The amendments are expected to result in the qualification checks of financial organization managers being performed by specialized organizations. Moreover, the processes of licensing, registration, authorization, qualification checking, and conformity assessment of financial organizations operating in the Republic of Armenia will be improved and harmonized.

4. The Central Bank Board decided to approve the "Procedure of Receiving Comprehensive Data from Banks," according to which a system for receiving data from banks has been introduced, where banks will provide raw data on the whole toolkit, and the various units of the Central Bank will process the data as necessary.

   The adoption of this Procedure is expected to improve the quality of information received from the banks, to make data usage more flexible, and to reduce the existing reporting forms and ongoing data inquiries with the banks.
5. The Central Bank Board decided to amend and supplement the "Regulation on Licensing of the Pawnshop Activities in the Republic of Armenia," namely by adding a requirement to connect the security and fire alarm system of the pawnshop to the 911 Service of the Crisis Management Center of the Ministry of Emergency Situations of the Republic of Armenia.

In 2014, the following amendments were made to the insurance system regulatory framework:

1. The Central Bank Board decided to amend the "Decision on the Form, Contents, and Submission Procedure and Deadlines for Reports Presented to the Central Bank by the "Bureau of Car Insurers of Armenia" Union of Legal Entities" to repeal the provisions on the MTPL insurance coupon.
2. The Central Bank Board decided to amend and supplement Regulation 3/02 on "The Limits, Formation and Calculation Procedure of the Main Prudential Standards on Insurance Activity, and Criteria on Qualifying Reinsurers as Not Prohibited." Under this decision, the list of assets commensurate for technical reserves under the N4 standard has been supplemented with securities issued by financial organizations operating in the Republic of Armenia, which are permitted for sale in the regulated market and are market makers.
3. The Central Bank Board decided to amend and supplement Regulation 3/04 on "Reporting Forms of Insurance Companies; Information Included Therein; Submission Procedure and Deadlines." New reporting forms have been introduced for insurance companies to present information to the Central Bank about calculations performed by responsible actuaries, about professional opinions and assessments, as well as about the results of own risk and solvency assessments and fraud committed in the insurance sector. The regulation has been harmonized with the amendments made in the regulatory framework on insurance companies.
4. The Central Bank Board decided to amend and supplement Decision 197-N dated 26 June 2007 on "Insurance Broker Reporting Forms, Information Contents, and Submission Procedure and Deadlines. Instead of referring to another legal act for the procedure of filing reports by insurance brokers, new

reporting forms have been prescribed, which must be filled out in accordance with the International Financial Reporting Standards.

5. The Central Bank Board decided to amend the “Regulation on Granting Prior Consent for Transferring the Insurance Portfolio.” The Regulation now contains a provision whereby the insurance company undertaking the insurance portfolio shall undertake the electronic system of the MTPL contracts of the insurance company transferring the portfolio (the related documents) and shall maintain the MTPL electronic system, while the insurance company transferring the portfolio shall undertake to transfer the electronic system of the MTPL contracts (the related documents) to the company assuming the portfolio.
6. The Central Bank Board decided to amend and supplement Regulation 3/12 on “The Procedure of Reorganizing Insurance Company.” The Regulation now provides that a merging insurance company shall transfer to the insurance company surviving the merger the electronic system of the MTPL contracts (the related documents), while the surviving insurance company shall undertake the electronic system of the MTPL contracts of the merging insurance company (the related documents) and shall maintain the MTPL electronic system.
7. The Central Bank Board decided to amend and supplement Regulation 3/13 on “Documents and Information Required for Granting Prior Consent to Self-Liquidation of Insurance Company and Permitting Self-Liquidation, the Liquidation Commission (Liquidator) Report Forms, Procedure, Frequency and Terms of Submission, and the List of Information Published by the Liquidation Commission (Liquidator) and Procedure and Form of Publication.” For insurance companies that concluded MTPL contracts in the past but did not transfer their MTPL contract insurance portfolio to another insurance company, the list of documents for obtaining prior consent to the self-liquidation of an insurance company now contains a written undertaking to transfer to the “Bureau of Car Insurers of Armenia” Union of Legal Entities the maintenance of information entered into the MTPL electronic system, as well as the MTPL contract electronic system and all related information and documents.
8. The Central Bank Board decided to supplement the “Regulation on Creating an Information System for Mandatory Third Party Liability Insurance for Use of Automotive Vehicles, the Data Presented to the Information System, Submission Form and Deadlines, and Information System Utilization Procedure.” The Regulation now provides that companies must present information to the MTPL information system and change the information presented by them with respect to insurance contracts undertaken in case of insurance portfolio transfer or merger of insurance companies. In case of liquidation of insurance companies, the Bureau shall make changes in the MTPL information system.
9. The Central Bank Board decided to amend the Central Bank Decision on “Temporary Suspension of Regular Payments to the Guarantee Fund.” The regular payments to the guarantee fund were suspended for a one-year term.

In 2014, the following legal acts were adopted or amended or supplemented with a view to reforming the securities market regulatory framework:

1. The Central Bank Board decided to amend and supplement Regulation 10/12 on "The Composition and Maximum Amount of Expenses Financed from Assets of a Mandatory Pension Fund." According to the amended Regulation, the mandatory pension fund may pay the annual external audit fee, in which case the total audit cost shall then be distributed proportionately between the funds as per the size of assets of such funds. A maximum amount of annual external audit expenses paid for by the mandatory pension funds is set, depending on the size of the fund's assets.
2. The Central Bank Board decided to approve the "Decision Approving the Form and Submission Procedure of Applications for Redemption of Shares in the Pension Fund Acquired against Cumulative Payments Made by a Participant and Non-Cash Collection of the Respective Funds." This legal act now prescribes a procedure whereby a participant may lodge an application, during the period from 1 September to 25 December of the current year, asking the entity keeping the register of participants to redeem the pension fund shares acquired against his funded payments and to perform non-cash collection of the funds.
3. The Central Bank Board decided to approve Regulation 10/30 on "Investment Limitations for Voluntary Pension Funds." This legal act has introduced currency and quantity limitations on investments by voluntary pension funds defined by Government decree in the past, in line with the concepts laid down in the new Law on Funded Pensions.
4. The Central Bank Board decided to amend and supplement 27 legal acts regulating the activities of investment funds (including pension funds). The goal of the amendments is to harmonize these legal acts with the new arrangements for the funded pension system introduced through amendments in the Republic of Armenia Law on Funded Pensions.
5. The Central Bank Board decided to amend and supplement Regulation 5/08 with a view to clarifying certain provisions taking into consideration the amendments to the Law on Funded Pensions and the peculiarities of data provided from the AMPIS information system of the entity keeping the register of participants of the funded pillar. These amendments will consolidate the information collected by the Central Bank about the funded pillar and the results of analysis performed on the funded pension system.
6. The Central Bank Board adopted decisions approving Regulation 10/26 on "The Grounds for Suspension of the Buyback (Redemption) of Shares by a Manager of an Open or Range Investment Fund" and Regulation 10/27 on "The Grounds for Suspension of the Buyback (Redemption) and Issuance of Shares by a Pension Fund Manager." The regulations provide certain grounds for suspending the buyback (redemption, issuance) of shares in the fund, which will contain, to the extent possible, the fund managers' suspensions of buyback (redemption, issuance) of fund shares contrary to the interests of participants.

In 2014, the following amendments were made in the regulatory framework for the payment and settlement system:

1. The Central Bank Board adopted the "Decision on the Participation of Commercial Banks Operating in the Republic of Armenia in Foreign Payment and Settlement Systems for Performing Money Transfer without Opening a Bank Account." The Decision provides that commercial banks operating in the Republic of Armenia, which participate in a system for fast transfers affiliated with them or are affiliated with an operator of such a system for fast transfer shall secure their participation in at least two other systems for rapid transfers.

2. The Central Bank Board decided to repeal the "Procedure of Authorizing Participation in Foreign Payment and Settlement Systems" and approved the "Procedure of Authorizing Participation in Foreign Payment and Settlement Systems, the List of Changes in the Operational Rules of a Foreign Payment and Settlement System and the Presented Documents Subject to Notification to the Central Bank, the Criteria Characterizing the System, and Maintaining the Register." The purpose of this decision is to streamline the process of authorizing participation in foreign payment and settlement systems and to clarify the information presented to the Central Bank, namely:
   - The decision prescribes a simplified procedure for authorizing participation in a system if the system has already been assessed by the Central Bank and is included in the list of Assessed Systems posted on the website of the Central Bank.
   - As a result of amendments to the Republic of Armenia Law on Payment and Settlement Systems and Payment and Settlement Organizations, requirements on the new documents needed to receive authorization to participate in the system have been prescribed, namely:
     1. The form of the statement on the rights and obligations of an applicant;
     2. The requirement to submit the contract or draft contract between the applicant and the system operator;
     3. The form of the statement containing information provided about the system description and activities;
     4. The form of the statement containing the assessment of potential risks of participation in the system;
     5. The form of the statement about the system operator and its owners; and
     6. The list of changes about which the system participant must inform the Central Bank.

3. The Central Bank Board decided to approve the restated "Procedure of Issuing, Servicing, and Distributing Payment Cards in the Republic of Armenia, and Performing Transactions with Payment Cards," which includes:
   1) Streamlining of the types of payment cards issued in the Republic of Armenia and the possibilities of their use, namely:
      a. A payment card type not containing the "name and surname" field has been introduced, provided that it:

- ✓ Is issued for a validity term of not more than two years, and only in Armenian drams;
- ✓ Can be used only with a PIN code;
- ✓ Cannot be reissued under the name of the same person; and
- ✓ May not be used in the Internet.

b. Changes have been made in the classification of payment cards, namely the debit, settlement, and credit card types have been prescribed.

2) The form of the report issued to the cardholder about transactions performed with the payment card during the previous month has been streamlined and improved.

4. Amendments were made to Regulation 3 on "Bank Reports; Submission and Publication" with a view to streamlining the form of the report submitted to the Central Bank by commercial banks operating in the Republic of Armenia as a result of amendments in the legal act prescribing the card issuance, servicing, and distribution procedure. New rules have been prescribed on the types of payment cards issued by a reporting bank, the location where payment card servicing equipment may be installed, and the submission of reports on transactions performed in Armenia and abroad using payment cards issued by Armenian and foreign banks.

5. The Central Bank Board and the Ministry of Finance of the Republic of Armenia jointly adopted the "Procedure of Opening Accounts in Banks Operating in the Republic of Armenia for Taxpayers Registered with the Tax Authority and Submitting Electronic Information to the Tax Authority in Case of Closing Such Accounts," which prescribes the procedure of providing electronic information to the tax authority about the opening/closing of a bank account in banks for taxpayer organizations and sole entrepreneurs, as well as the information that must be provided to the tax authority about opening/closing a bank account. The goal of the decision is to improve the business environment in Armenia by means of reducing the time required for informing the tax authority about bank accounts opened for taxpayers.

In 2014, the following legal acts were amended in the regulatory framework for consumer protection and business conduct:

1. Amendments were made to Regulation 8/03 on "Information Publication by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Investment Fund Managers, the Central Depositary, and Payment and Settlement Organizations Performing Money Transfers." The amendments are aimed at improving the transparency requirements and introducing effective means for consumers to compare the financial services. Financial organizations are now required to have general leaflets on consumer loans; the new general leaflet will replace the existing information bulletin and will present the material terms of the consumer loans to consumers in a standard form.

2. Amendments were made to Regulation 8/05 on "Procedure, Terms, Forms, and Minimum Requirements of Communication between a Bank and a Depositor, and between a Lender and a Consumer." Under these amendments, financial organizations shall provide individual leaflets to consumers for consumer

loans prior to concluding contracts, and the individual leaflets shall contain the material terms of the consumer loan based on which the loan contract will be concluded. The goal of these amendments is to make consumers aware of the material terms of consumer loans before concluding the contract, which will enable them to compare these terms with the terms of other similar services and have affordable information about the material terms that will be reflected in the contract.

3. Amendments were made to Regulation 8/05.1 on “General Requirements on Information Provided to Participants about Choice of a Pension Fund and Pension Fund Manager by the Entity Keeping the Register of Participants of the Mandatory Funded Pension Pillar on Behalf of the Participants in the Mandatory Funded Pension Pillar” and Regulation 8/03 on “Information Publication by Banks, Credit Organizations, Insurance Companies, Insurance Brokers, Investment Companies, Investment Fund Managers, the Central Depositary, and Payment and Settlement Organizations Performing Money Transfers.” These amendments were mostly necessitated by the adoption on 21 June 2014 of the Republic of Armenia Law Amending the Republic of Armenia Law on Funded Pensions.

FINANCIAL SYSTEM SUPERVISION AND PROTECTION OF CONSUMER RIGHTS IN 2014

The Central Bank performs off-site and on-site inspections for purposes of determining the legal compliance of the activities of financial institutions, disclosing the risks, combatting money laundering and terrorism financing, protecting the interests of financial system consumers, and other purposes.

Off-site and on-site inspections performed in financial institutions by the Central Bank mostly focus on:

- Asset quality assessment;
- The internal control system;
- Legal compliance;
- The risk management system;
- Respect for the principles of corporate governance;
- Compliance with the requirements related to security and sustainability of business operations;
- Information technologies;
- Transparency;
- Adaptation to make the activities of companies comply with changes in the regulatory framework;
- Level of reinsurance risk;
- The organization and control of prospectus and/or trade prospectus registration procedures;
- Control over the transparency, integrity, and credibility of information subject to disclosure by reporting issuers;
- Control over the legal compliance of the business operations carried out by persons making public offerings of securities;
- Combatting money laundering and terrorism financing;
- Protection of consumer interests; and
- Assessment of the quality of services.

Supervision

In 2014, the Financial Supervision Department of the Central Bank performed both off-site inspections and 369 on-site inspections.

Table 1. On-Site Inspections and Supervisor Workload

Indicator	2011	2012	2013	2014
Employees of the Financial Supervision Department	84	84	86	86
Total assets of banks, credit organizations, insurance companies, securities market participants, and pawnshops (annual average)	AMD 2.047 trillion	AMD 2.457 trillion	AMD 2.985 trillion	AMD 3.790 trillion
Average workload of an employee of the Financial Supervision Department	AMD 24.4 billion	AMD 25.3 billion	AMD 34.7 billion	AMD 44.1 billion
Number of inspections performed during the year, of which:	235	241	211	369
Comprehensive inspections in banks	7	5	5	4
Targeted inspections in banks	13	8	37	36
Comprehensive inspections in credit organizations	6	5	7	5
Targeted inspections in credit organizations	1	1	-	-
Comprehensive inspections in insurance companies	3	3	2	2
Targeted inspections in insurance companies	-	12	11	19
Insurance brokerage companies	-	-	2	-
Insurance agents	38	-	-	-
Investment companies	4	2	4	4
Other participants of the financial market (exchange offices, pawnshops, payment and settlement organizations, etc.)	163	205	143	299

Compared to 2013, the inspections revealed an increase in the number of infringements by banks in 2014. The number of sanctions imposed grew, as well.

Table 2. Sanctions Imposed in 2014 for Infringements by Financial Organizations

Indicator	Commercial Banks	Credit Organizations	Insurance Companies	Pawnshops	Payment and Settlement Organizations*
Sanction					
License revoked	-	-	-	3	-
Fine on the organization	299	107	128	95	13
Fine on a manager	-	-	-	-	-
Penalty	3	-	-	-	-
Warning	230	58	60	25	5
Revocation of manager's professional qualification certificate	-	-	-	-	-
Temporary suspension of license	-	-	-	5	-
Discontinued	1	-	-	-	-

** Organizations applying payment instruments and performing money transfers and processing and clearing of payment and settlement documents.*

Consumer Protection

- The Central Bank continued activities aimed at consumer protection and raising financial awareness in the financial sector, with a focus on regulation and supervision of business conduct, as well as improving the financial literacy of the public. Handbooks for the ***supervision of business conduct*** were developed or improved: in particular, the Handbook for On-Site Inspection of Business Conduct in Financial Organizations was revised.
- The Handbook for Performing Inspection Transactions was developed with a view to defining clear procedures for the performance of inspection transactions, which would enable the Central Bank to study the market, to identify business practices, to inspect the legal compliance of the customer service process in financial organizations, and if necessary, to implement supervisory activities.
- The Operating Procedure for the Hotline for Consumer Protection and Financial Literacy and Responding to Calls Received through the Hotline was developed. The application of the prescribed rules, principles, and procedures will improve the effectiveness of activities performed through the hotline, as well as the speed of information review and response actions, and the impartial protection of the rights and interests of consumers calling the hotline.

On-site and off-site inspections of business conduct in financial organizations continued with a focus on:

- Services provided;
- Customer service;
- Appeal and dispute resolution process; and
- Advertisement and other publications.

On-site inspections also addressed the existence of and adherence to proper procedures of internal control in financial organizations.

Off-site inspections of business conduct in financial organizations addressed:

- Television advertisement of organizations;
- Information published on the websites of organizations;
- Various types of published information (radio advertisement, billboards, information leaflets, and the like), as necessary.

Complaints received from consumers orally or through the hotline were reviewed, and measures were taken to respond. In 2014, about 1,000 inquiries and complaints were received through the hotline.

To increase financial awareness, a number of activities were implemented, including the approval by the Government of the Republic of Armenia of the National Strategy for Financial Literacy in the Republic of Armenia, alongside with the 2014-2019 Action Plan for the Strategy, which view financial literacy as a comprehensive national program. It is a cornerstone for mobilizing the efforts of the state, society, and the private sector for improving financial literacy and for implementing effective steps in the future. Also, efforts continued for raising public awareness and appreciation of personal finance. In October 2014, the *My Finance*

Month campaign was carried out again, which included a number of activities co-organized by financial organizations, international donors, and non-governmental organizations active in the sector, such as financial tours, contests on finance topics, a university quiz competition and debate tournament, the *My Dream Tree* event, seminars in a number of universities and schools, open-air exhibitions in Yerevan and all the regions of Armenia, and others. More efforst were spent to improve the *Finance for All* website (www.abcfinance.am), raising awareness of the pension system reform, and joint programs of financial literacy for schoolchildren and students in cooperation with a number of non-governmental organizations (Youth Achievements, ISEC Armenia, and the Civitas Armenian Center for Democratic Education). There was a continued focus on responding to consumer complaints received orally and through the hotline. New efforts were undertaken to prevent the issuance of false MTPL certificates to the public. For certain target groups, such as the military servicemen and rural residents, seminars on personal finance management were organized.

STAFF TRAINING AND COOPEATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2014

Permanent international developments require knowledge improvement and comprehension and implementation of the foreign experience. In 2014, the Central Bank continued implementing policies aimed at enhancing the professional qualification of its staff.

To improve the effectiveness of the financial system regulation and supervision functions, the relevant staff participated in a number of local and foreign training courses, business trips, and conferences during 2014. The trained staff presented reports upon their return and evaluated the effectiveness of the courses through a special questionnaire. They also made recommendations on the implementation of the best practices and conveyed the knowledge they acquired in training courses to the staff of the relevant units.

In 2014, the Central Bank continued cooperating with the International Monetary Fund, the Financial Stability Institute, Bank for International Settlements, the Joint Vienna Institute, the Bank for International Settlements, the national and central banks of Germany, France, Switzerland, Italy, the Netherlands, Poland, the Czech Republic, and Austria, central bankers training center at the Bank of England, the Financial Technology Transfer Agency of Luxembourg, the countries of the Eurasian Economic Community, the International Organization of Securities Commissions, and other institutions. The topics covered in training courses, conferences and seminars conducted by the above-mentioned institutions were mainly related to financial stability and contemporary issues related to banking, insurance, and securities market regulation and supervision. Several specialists of the Central Bank attended online training courses organized by the Financial Stability Institute (FSI) on the topic of financial supervision. During 2014, the Central Bank staff further participated in international professional qualification exams in finance, accounting, audit, insurance, and IT.

In 2014, the culture of highly-qualified staff of the Central Bank organizing training courses for the younger specialists was further secured the transfer of knowledge, expertise, and important professional skills. Job rotation was performed to facilitate the professional development of staff and the broadening of knowledge even among experienced staff.

The Central Bank actively cooperated with universities, participated in meetings with students, and hosted academic and job internships.

The Central Bank remained engaged in multilateral and bilateral cooperation with international financial institutions.

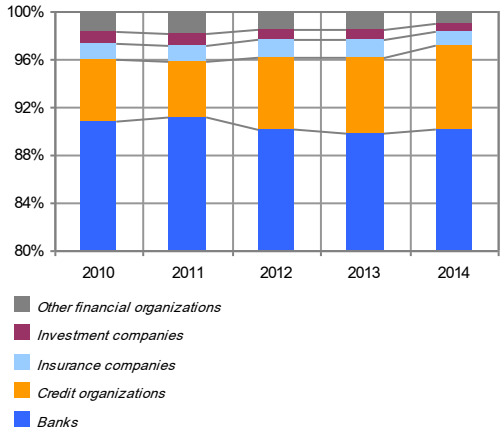
During 2014, the Central Bank hosted a delegation of the International Monetary Fund and a pension reform technical assistance mission of the World Bank. To expand business ties, to learn about the macroeconomic situation of the country, and to conduct negotiations, delegations of the European Bank for Reconstruction and Development, the Asian Development Bank, and the Black Sea Trade and Development Bank visited the Central Bank of Armenia in 2014.

The Central Bank organized a number of workshops, meetings, round tables, and conferences. In 2014, the following events took place: session of the Interstate Steering Board of Heads of Insurance Supervision Authorities of the CIS Countries, the annual conference of the European Fund for South Eastern Europe, the annual conference of the BSCEE (Banking Supervisors from Central and Eastern Europe), and a regional seminar co-organized by the Financial Stability Institute, the International Association of Insurance Supervisors, and the Central Bank of Armenia.

Efforts aimed at signing agreements and memoranda of understanding with foreign central banks continued both in a bilateral context and in the framework of inter-governmental commissions.

Figure 1.

Structure of Financial System Assets by Financial Institutions



Source: Central Bank of Armenia.

In 2014, the financial system of Armenia was quite active and ensured that the key indicators of the balance sheet grew faster than the nominal GDP. During the year, the ratio of financial system loans to the GDP grew by 6.3 percentage points to reach 49.1%, while the ratio of assets to the GDP grew by 6.7 percentage points to reach 83.8%.

The banking system remains the largest participant in the financial system with a 90% share in total financial system assets. In 2014, too, the key balance sheet indicators of the banking system grew considerably, while the interest rate spread shrunk on the backdrop of a further increase in competition.

OVERVIEW

Banks Operating in the Republic of Armenia

On 31 December 2014, 21 commercial banks and one development bank (the "Pan-Armenian Bank" OJSC) operated in the Republic of Armenia. With the key balance sheet indicators of the banking system growing faster than nominal GDP in 2014, the financial intermediation indicators grew considerably. The ratio of banking system assets to the GDP and the ratio of loans to the GDP grew by 6.4 and 5.7 percentage points to reach 75.4% and 45.8%, respectively. The ratio of deposits to the GDP shrunk by 0.2 percentage points to reach 35.5%.

In 2014, the financial services access indicators improved considerably. The number of bank branches grew by 24 to reach 509 at the end of the year. As a result, the number of bank branches per 100,000 adult population grew by 3 percentage points to reach 22.8.

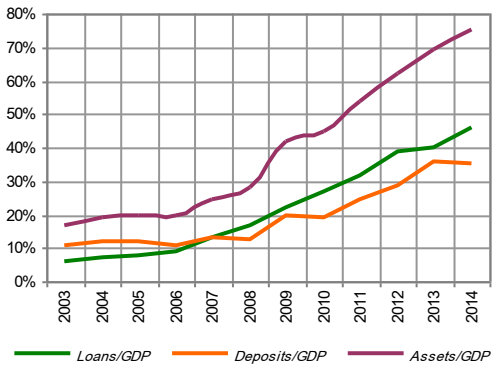
Table 3. Access to Financial Services

	2012	2013	2014
Number of branches per 100,000 adult population	18.9	19.8	22.8
Number of ATMs per 100,000 adult population	44.8	51.1	62.1

The number of banking system staff (including support staff) grew by 2.9% to reach 11,792 at the end of the year. The share of management in the total number of staff fell by 0.5 percentage points to reach 16.6% at the end of the year.

Figure 2.

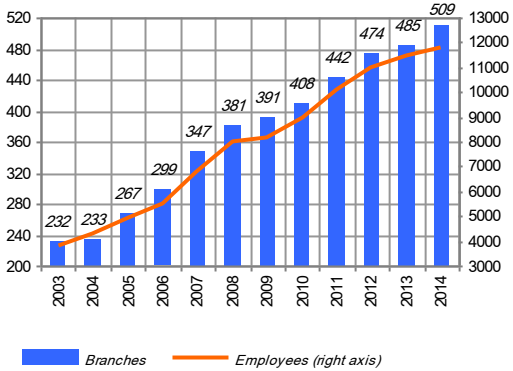
Banking System Financial Intermediation Indicators



Source: Central Bank of Armenia.

Figure 3.

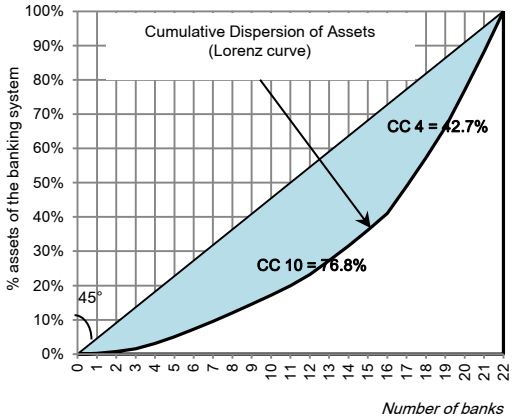
Number of Bank Branches and Employees



Source: Central Bank of Armenia.

Figure 4.

Cumulative Dispersion of Banks by Assets[1]



Source: Central Bank of Armenia.

Concentration in Armenian Banking System

In 2014, the Herfindahl-Hirschman Index of Concentration increased for virtually all of the key balance sheet indicators, save for demand deposits and time deposits of individuals and legal entities. Nevertheless, the index remained within a range of 0.06 to 0.1, reflecting a low level of concentration in the banking system.

Table 4. Herfindahl-Hirschman Index of Concentration

Indicator	31.12.12	31.12.13	31.12.14
Total assets	0.0683	0.0699	0.0727
Total liabilities	0.0705	0.0727	0.0751
Total capital	0.0618	0.614	0.0627
Loans to the economy	0.0740	0.0724	0.0754
Time deposits of individuals and legal entities	0.0745	0.0760	0.750
Demand deposits (including bank accounts) of individuals and legal entities	0.0967	0.1169	0.0926

Polarization between large and small banks, too, grew with respect to virtually all of the key balance sheet indicators, save for demand and time deposits of individuals and legal entities. A slight increase in polarization is confirmed by the increase in the Gini coefficient for assets, which grew by 1 percentage point in 2014 to reach 37%.

[1] *The cumulative disperson of bank assets (Lorenz curve) was used to calculate the Gini coefficient as the difference of areas under the 45-degree line and the Lorenz curve.*

Table 5. Banking Sector Concentration

Indicator	31.12.12	31.12.13	31.12.14
Total assets			
CC 4 (share of the largest four banks in the system)	39%	39%	43%
CC 10 (share of the largest 10 banks in the system)	75%	77%	77%
Total liabilities			
CC 4	40%	40%	43%
CC 10	77%	79%	78%
Total capital			
CC 4	37%	37%	37%
CC 10	68%	69%	71%
Loans to the economy			
CC 4	42%	42%	44%
CC 10	78%	78%	78%
Time deposits of individuals and legal entities			
CC 4	42%	44%	43%
CC 10	79%	80%	79%
Demand liabilities to individuals and legal entities (including bank accounts)			
CC 4	52%	59%	52%
CC 10	83%	86%	83%

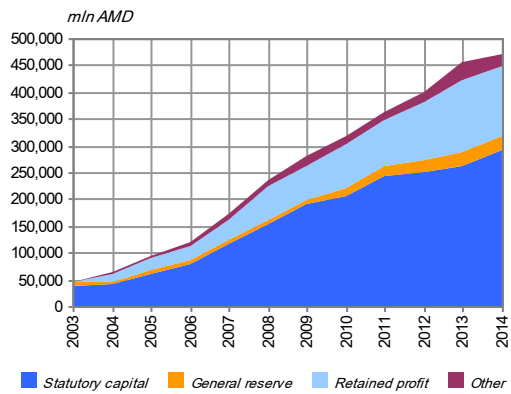
BANKING SYSTEM CAPITAL

Banking System Capital Growth Trends

Total capital of the banking system grew by 2.9% (AMD 13.1 billion) to reach AMD 469.1 billion. Total capital growth was mostly due to the AMD 21.2 billion increase in net profit in 2014. During the year, eight banks replenished statutory capital by a total of AMD 27.1 billion, of which AMD 10.1 billion was from external sources.

Figure 5.

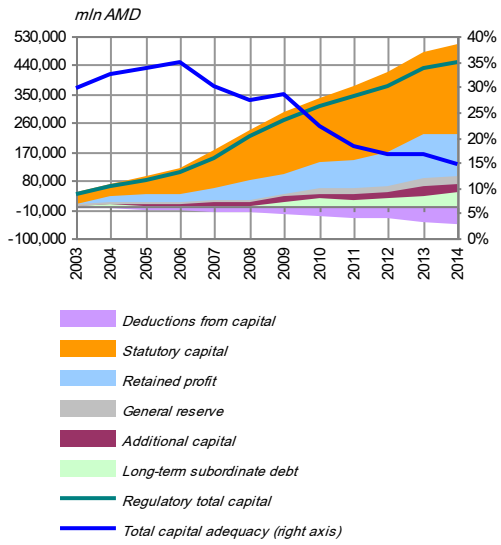
Structure of Total Banking System Capital



Source: Central Bank of Armenia.

Figure 6.

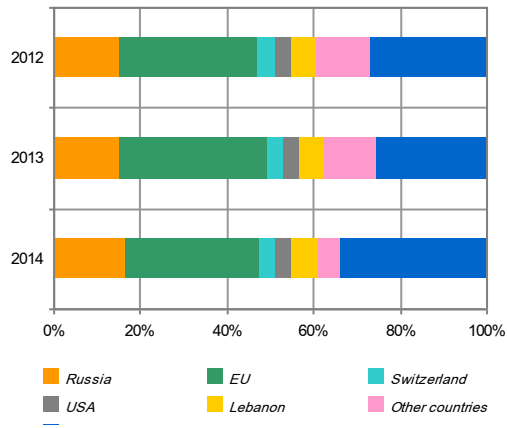
Commercial Bank Total Regulatory Capital Structure; Capital Adequacy Trends



Source: Central Bank of Armenia.

Figure 7.

Banking System Statutory Capital Structure by Residency



Source: Central Bank of Armenia.

In 2014, the share of non-residents in total statutory capital of the banking system fell by 8.1 percentage points to 66.5% at yearend, mostly due to the residency status of a shareholder of one bank because of a change in the shareholder's center of business interests.

During 2014, total assets continued growing faster than total capital, which resulted in the ratio of total capital to total assets fallen by 1.7 percentage points to 13.8% at yearend.

Capital Adequacy of the Banking System

In 2014, as banking system loan portfolio grew rapidly and the rate of repayment declined, commercial bank total capital adequacy fell by 2.2 percentage points relative to the start of the year and reached 14.5% at yearend (the required minimum is 12%). Total capital adequacy of individual commercial banks, too, was above the minimum standard, and no bank violated the capital adequacy requirement during the year.

Total regulatory capital of commercial banks grew by 5.6% (AMD 23.9 billion) to reach AMD 452.4 billion. The share of tier-one capital in total regulatory capital grew by 0.9 percentage points to reach 87.5%.

As to the structure of risk-weighted assets, the shares of credit risk, market risk, and operational risk were 89.9%, 7.2%, and 2.9%, respectively (compared to 91.1%, 5.9%, and 3.0% at yearend 2014). In this context, credit risk continues to be considered the most important risk in terms of financial stability of the banking system of Armenia.

Owners of Banks

In terms of organizational-legal types, 1 of the 22 banks operating in Armenia is a limited liability company, 4 are open joint-stock companies, and 17 are closed joint-stock companies.

The banking system participants (shareholders and equity holders) are 1,646 individuals and legal entities, 84 of which are non-residents. Without the four banks that have open joint-stock

company status, the participants (shareholders and equity holders) in the remaining 18 banks are 61 individuals and legal entities, 32 of which are non-residents. In nine banks, 100% of the shares belong to one person (eight non-resident legal entities and one resident individual), and in 15 banks, one shareholder owns over 50% of the shares.

As to the regional breakdown of banking system participants, participants registered in the EU and Russia have large shares in statutory capital - 30.8 and 16.6 percent, respectively (compared to 33.8 and 15.4 percent at yearend 2013).

BANKING SYSTEM LIABILITIES

Funds Attracted by the Banking System

In 2014, total liabilities of the banking system grew by 18.3% (AMD 454.1 billion) to reach AMD 2 trillion 941 billion at yearend.

In terms of the currency structure, dram liabilities grew by 13.6%, while foreign currency liabilities grew by 20.9%. As a result, the share of foreign currency liabilities grew by 1.4 percentage points to reach 65.3% at yearend.

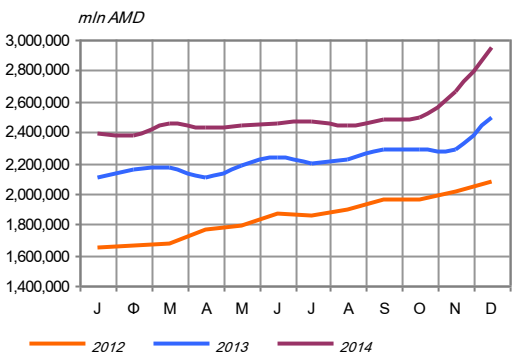
Total liabilities grew mostly due to increase of liabilities to banks (including the Central Bank) and other financial organizations, as well as increase of deposits from individuals and legal entities.

Liabilities to banks grew by 45.4% (AMD 193.7 billion) to reach AMD 620.2 billion, while liabilities to other financial organizations grew by 44.4% (AMD 150.6 billion) to reach AMD 490 billion.

Demand and time deposits of individuals and legal entities grew by 5.5% (AMD 82.9 billion) and reached AMD 1 trillion 604.2 billion at yearend. In terms of the currency structure, dram deposits shrunk by 0.5%, while foreign currency deposits grew by 7.9%. As a result, the share of foreign currency deposits in total deposits grew by 1.7 percentage points to reach 72.6%.

Figure 8.

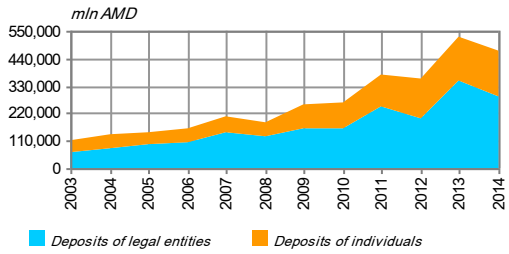
Total Liabilities of the Banking System



Source: Central Bank of Armenia.

Figure 9.

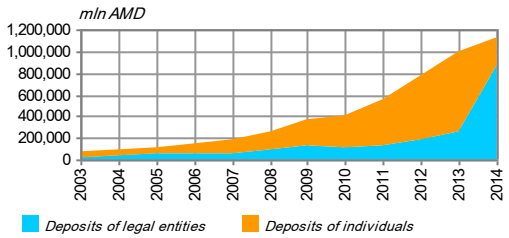
Demand Deposits of the Banking System



Source: Central Bank of Armenia.

Figure 10.

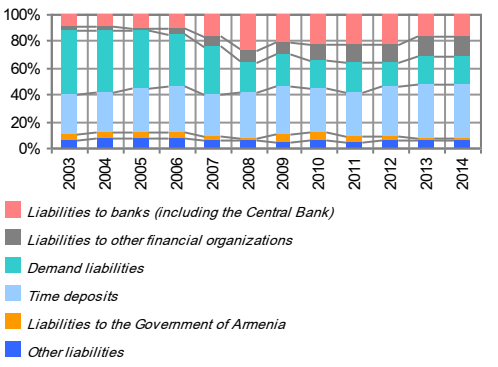
Time Deposits of the Banking System



Source: Central Bank of Armenia.

Figure 11.

Structure of Total Liabilities of the Banking System



Source: Central Bank of Armenia.

Demand liabilities of legal entities shrunk by 18% (AMD 63.2 billion), while demand liabilities of individuals grew by 8% (AMD 13.6 billion), reaching AMD 288.1 and 184.4 billion, respectively, at yearend.

Time deposits of legal entities grew by 5.8% to reach AMD 272.4 billion, while time deposits of individuals grew by 15.9% to reach AMD 859.3 billion.

Structure of Funds Attracted by the Banking System

On 31 December 2014, the share of expense-bearing liabilities in total liabilities of the banking system was 95.2% (compared to 94.7% in 2013). Without the low-cost demand liabilities, the share of expense-bearing term liabilities was 78.3% (compared to 72.9% in 2013).

The structure of total liabilities of the banking system changed considerably in terms of liabilities to banks (including the Central Bank) and other financial organizations, as well as demand and time deposits: the shares of liabilities to banks (including the Central Bank) and other financial organizations grew by 3.9 and 3.0 percentage points, respectively, while those of demand and time deposits shrunk by 4.9 and 1.7 percentage points, respectively.

As at yearend, 18% of the attracted funds were demand funds (deposits, bank accounts, and correspondent accounts), while 59% had a maturity of less than one year, and 24% had a maturity of over one year (compared to 23%, 52%, and 25%, respectively, at yearend 2013).

Customers of Commercial Banks

The number of customers served in the commercial banks of Armenia grew by 19.4% in 2014 to reach 2,267,000 at yearend, mostly due to an increase in the number of natural person customers by 20% relative to 2013 (reaching 2,187,000 at yearend 2014). The number of legal entity customers grew by 4.4% and reached 79,600 at yearend 2014.

During the year, the number of bank accounts (current and savings) grew by 21% and reached 3,031,000.[2] The number of legal entity accounts grew by 5.8% and reached 148,000 at yearend. The number of bank accounts (current and savings) of individuals grew by 21.9% and reached 2,883,000 at yearend 2014.

BANKING SYSTEM ASSETS

Growth Trends of Funds Allocated by the Banking System

In 2014, total assets of the banking system grew by 15.9% (AMD 467 billion) to reach AMD 3 trillion 411 billion at yearend, mostly due to higher lending to the economy.

Lending to the economy grew by 21.3% to reach AMD 2 trillion 73.4 billion. Loans to legal entities and individuals grew by 22.2% and 20.2%, respectively, to reach AMD 1 trillion 223 billion and AMD 851 billion at yearend.

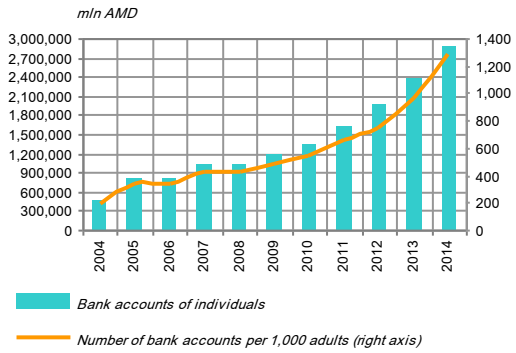
Correspondent accounts with and other claims on the Central Bank grew by 1.8% to reach AMD 470.3 billion. Investments in government securities grew by 5.8% to reach AMD 238.9 billion.

Table 6. Structure of Correspondent Accounts in Non-Resident Banks, by Countries

	31.12.14	31.12.13	Change
EU	38.6%	38.7%	-0.1%
Germany	23.7%	17.8%	+5.9%
Austria	9.0%	7.7%	+1.3%
Great Britain	2.2%	5.4%	-3.2%
France	2.0%	5.3%	-3.3%
Other EU Member States	1.7%	2.5%	-0.8%
USA	49.6%	49.0%	+0.6%
Russia	8.5%	10.6%	-2.1%
Other countries	3.3%	1.7%	+1.6%

Figure 12.

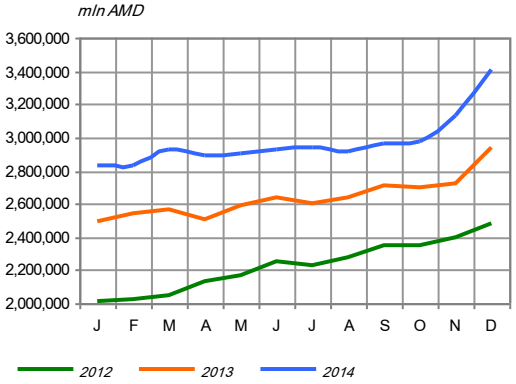
Bank Accounts of Individuals in the Banking System



Source: Central Bank of Armenia; National Statistics Service.

Figure 13.

Change in Banking System Assets

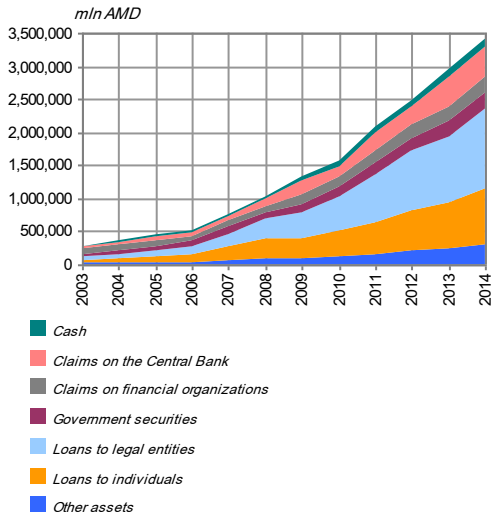


Source: Central Bank of Armenia.

[2] *Bank accounts do not include loan accounts.*

Figure 14.

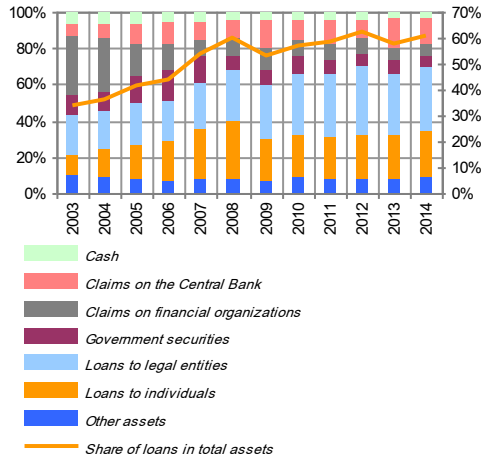
Structure of Banking System Assets



Source: Central Bank of Armenia.

Figure 15.

Structure of Banking System Assets



Source: Central Bank of Armenia.

Correspondent accounts in banks declined by 5.5% to reach AMD 105.7 billion. They are highly concentrated in terms of residency: on 31 December 2014, 98.9% of the correspondent accounts were in non-resident banks (compared to 99.6% at yearend 2013).

The Herfindahl-Hirschman Index of concentration of correspondent account balances by countries virtually did not change (0.3 at yearend).

Structure of Funds Allocated by the Banking System

In 2014, the share of earning assets in total assets grew by 2.4 percentage points and reached 74.9%. Excluding low-return correspondent accounts, the share of other income-bearing assets grew by 2.3 percentage points to reach 73.1%.

Within the structure of assets, significant changes occurred in loans to the economy and claims on the Central Bank: the former grew by 2.7 and the latter shrunk by 1.9 percentage points.

At yearend, 22.0% of the funds allocated were demand funds, while 36.5% had a maturity of less than one year, and 41.5% had a maturity of over one year or were had no specific term (compared to 20.5%, 38.0%, and 41.5%, respectively, at yearend 2013.).

Credit Investments of the Banking System (general loans, leasing, factoring, and loans and deposits placed with financial organizations)

In 2014, credit investments of the banking system (general loans, leasing, factoring, and loans and deposits placed with financial organizations) grew by 22.4% (AMD 415 billion) to reach AMD 2 trillion 272 billion. AMD credit investments grew by 5.8% (AMD 41.3 billion) to reach AMD 747 billion, while FX credit investments grew by 32.5% (AMD 373.9 billion) to reach AMD 1 trillion 151 billion. As a result, the share of FX credit investments in total rose by 5.1 percentage points and reached 67.1%.

Credit investments to non-residents grew by 73.2% to reach AMD 102.5 billion, while credit investments to residents grew by 20.7% to reach AMD 2 trillion 169.3 billion. As a result, the share of credit investments to non-residents rose by 1.3 percentage points and reached 4.5%.

In terms of the maturity structure, the share of long-term credit investments (maturity of 1 year or more) in total grew by 3.5 percentage points and reached 82.7%. The share of long-term credit investments in total credit investments grew on account of a higher share of FX long-term credit investments.

Credit investments to residents grew in virtually all sectors of the economy, save for transport and communications. At yearend, consumer loans, industry loans, and trade loans had larger shares in the credit portfolio (21.2%, 20.3%, and 18.2%, respectively).

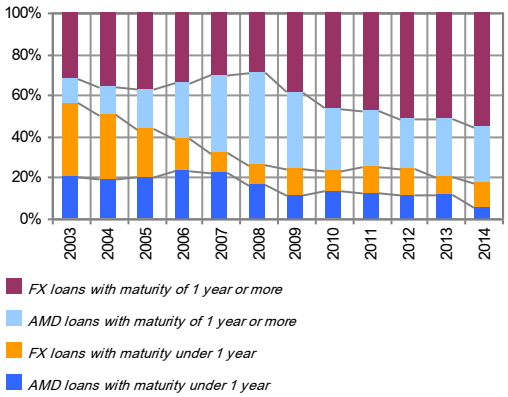
The Herfindahl-Hirschman Index of concentration of banking system lending by sectors of the economy fell by 0.01 percentage points and reached 0.11. The Index average for banks grew by 0.1 percentage points and reached 0.18, indicating a relatively high level of sector-specific concentration of lending in some banks.

Increased activity of lending to the economy is greatly facilitated by loans on-lent by banks under programs of international financial institutions, which are mostly long-term loans. On 31 December 2014, 19 banks and 12 credit organizations operating in Armenia served programs of:

- Mortgage lending (KFW);
- SME lending (KFW);
- The European Bank for Reconstruction and Development (EBRD);
- The European Fund for Southeast Europe (EFSE);
- The Asian Development Bank (ADB);
- The Black Sea Trade and Development Bank (BSTDB);
- The World Bank (WB);
- The Eurasian Development Bank (EDB);
- The International Finance Corporation (IFC);
- International Fund for Agricultural Development (IFAD);

Figure 16.

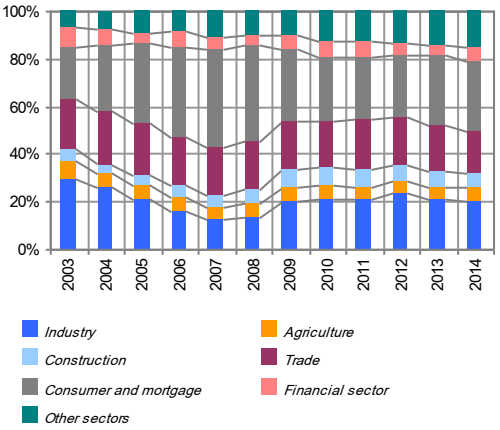
Term Structure of Credit Investments to Residents



Source: Central Bank of Armenia.

Figure 17.

Structure of Credit Investments to Residents by Sectors of the Economy



Source: Central Bank of Armenia.

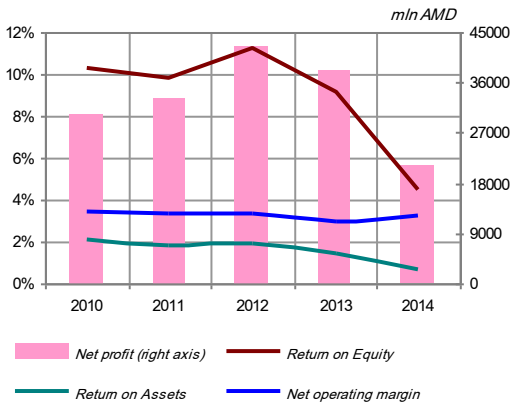
- The OPEC International Development Fund;
- The German Investment Corporation (DEG);
- The Austrian Development Bank (OeEB);
- The Millennium Challenge Fund (MCH);
- The Atlantic Trade Facilitation Program (AFA);
- The European Investment Bank (EIB);
- Commerzbank; and
- Lending programs implemented by other international financial institutions.

Loans disbursed by banks and credit organizations under international programs grew by 13.4% in 2014 to reach AMD 382.5 billion at yearend. In loans made under international programs, the share of overdue loans was 1.1% at yearend 2014. The shares of loans with a maturity of less than six months, from six months to one year, and one year and more in the total loan portfolio were 3.9%, 6.3%, and 89.8%, respectively.

On 31 December 2014, the international lending programs mostly lent to trade, agriculture, and the processing industry (27.1%, 23.0%, and 12.8%, respectively).

Figure 18.

Indicators of Profitability



Source: Central Bank of Armenia.

FINANCIAL PERFORMANCE OF THE BANKING SYSTEM

Banking System Profitability

In 2014, net profit of the banking system, calculated on the basis of Central Bank supervisory reports, was AMD 21.2 billion.[3] 16 banks were profitable, while 6 incurred a loss.

The Herfindahl-Hirschman Index of concentration of the 16 profitable banks grew by 0.02 to reach 0.127, which shows a low level of profit concentration among the profitable banks.

[3] *According to reports to the Central Bank and the IFRS, the large difference in profit amounts is mostly due to the allocation of 1% of the standard assets to the reserve fund for possible asset losses, because banks treat this amount as an expense.*

In 2014, the banking system return indicators declined: return on assets (RoA) and return on equity (RoE) shrunk by 0.7 and 4.6 percentage point and reached 0.7% and 4.5%, respectively.[4] Net operating margin grew by 0.2 percentage points to reach 3.2%.[5]

Banking system profit as per the International Financial Reporting Standards (hereinafter, "IFRS") was AMD 25.8 billion in 2014, while RoA and RoE under the IFRS were 0.8% and 5.2%, respectively.

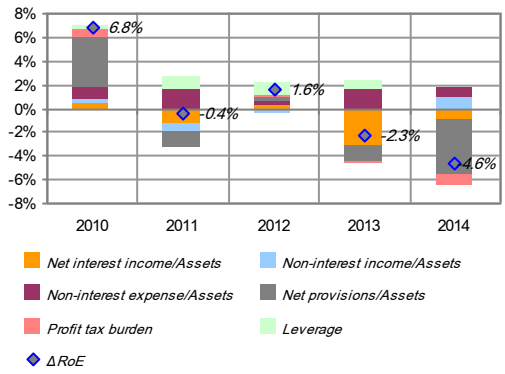
The analysis of RoE components shows that it declined because of lower RoA, while leverage did not affect RoE. The decline in RoA was due to the higher ratio of net provisions to assets caused by a higher share of non-performing loans, as well as a lower net interest margin caused by a shrinking spread of returns. During 2014, the ratio of net provisions to assets grew by 1 percentage point to reach 2.2%, while net interest margin shrunk by 0.2 percentage points to reach 4.3%.

RoA was positively influenced by the 0.4 percentage points decline in the ratio of net non-interest expense to assets.

The RoA quartile analysis shows that, compared to 2013, RoA dispersion between banks declined. The RoA interquartile range shrunk by 0.5 percentage points to reach 1.7%. The interquartile range shrunk on account of the 0.5 percentage points decline in the difference between the 3rd quartile and the median. As a result, the difference between the 3rd quartile and the median was 0.6% and the difference between the median and the 1st quartile was 1.1% (compared to 1.1% and 1.1%, respectively, in 2013).

Figure 19.

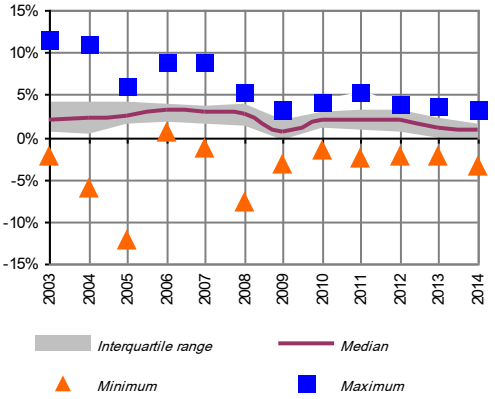
Contribution of RoE Change Factors to Total Change



Source: Central Bank of Armenia.

Figure 20.

RoA of the Banking System



Source: Central Bank of Armenia.

Banking System Income and Expense Structure

In 2014, gross income of the banking system grew by 17.4% and gross expense by 23.5%. Within gross income, interest income grew by 9.4%, non-interest income grew by 21.8%, and

[4] *For purposes of this analysis, RoE of banks is presented through the following components:*

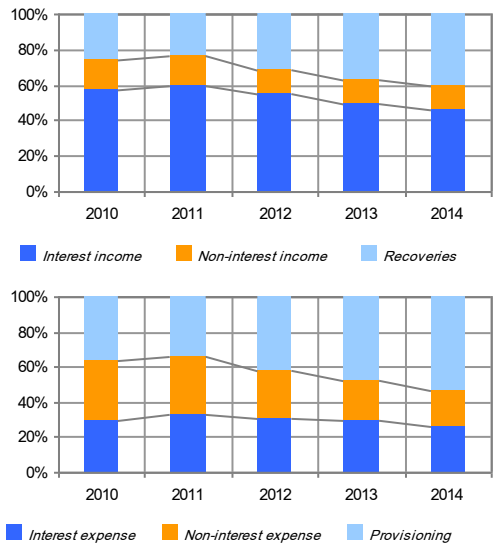
$$RoE = \frac{P}{E} = \frac{P}{A} x \frac{A}{E} = L \, x \, RoA = L \, x \left(\frac{II}{A} + \frac{NII}{A} + \frac{IE}{A} + \frac{NIE}{A} + \frac{NLLP}{A}) + \frac{PT}{A}\right)$$

where P is net profit, E is average equity, A is average assets, II is interest income, NII is non-interest income, IE is interest expense, NIE is non-interest expense, NLLP is net provisions, and PT is profit tax.

[5] *Net operating margin is the ratio of the sum of net interest income and net non-interest income to average annual total assets.*

Figure 21.

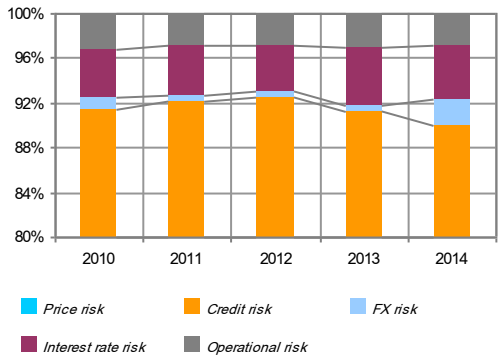
Banking System Income and Expense Structure



Source: Central Bank of Armenia.

Figure 22.

Structure of Risk-Weighted Assets of Commercial Banks



Source: Central Bank of Armenia.

recoveries from the reserve fund for potential asset losses grew by 26.6%.

As to expenses, interest expense grew by 10.9% over 2013, while non-interest expense grew by 7.5%, and provisions for the reserve fund for potential asset losses grew by 38.8%.

As a result of the aforementioned increase in income and expense, the share of interest income in gross income shrunk by 3.4 percentage points, while the shares of non-interest income and recoveries from the reserve fund for potential asset losses grew by 0.5 and 2.9 percentage points, respectively. The shares of interest and non-interest expense in gross expense shrank by 3 percentage points each, while the share of provisions for the reserve fund for potential asset losses grew by 6.0 percentage points. The income and expense structure changes were mostly due to an increase in the share of non-performing loans and quite high volatility in the course of the year.

Banking system interest income grew mostly on account of higher income from loans to the economy (including overdraft, credit lines, and credit cards): their share in total interest income was 84.7% (compared to 83.9% in 2013).

As to the structure of non-interest income, the main components to grow were income from commissions and net income from foreign exchange trading. Income from commissions and foreign exchange trading were the largest components of non-interest income, with shares of 45.1% and 22.2%, respectively (compared to 45.9% and 22.0% in 2013).

Interest expense grew mostly on account of time deposit interest payments. The largest components of total interest expense were interest expense against time deposits and interest expense against funds borrowed from other financial organizations—57.1% and 18.4%, respectively (compared to 54% and 18.6% in 2013).

Non-interest expense grew mostly on account of higher wages and related payments, which together accounted for 48.8% of non-interest expense (compared to 47.7% in 2013).

FINANCIAL RISKS OF THE BANKING SYSTEM

In 2014, the banking system risks remained manageable. No risks to financial stability were observed. During the year, the prudential ratio of total capital adequacy was constantly above the required minimum. The prudential ratios of general and current liquidity of commercial banks remained consistent with the prudential thresholds.

Table 7. Prudential Ratios of Commercial Banks

Prudential Ratio	31.12.13	31.12.14	Change	Prudential Threshold
Total regulatory capital adequacy	16.7%	14.5%	-2.2%	≥ 12%
General liquidity	29.1%	25.1%	-4.0%	≥ 15%
Current liquidity	142.3%	129.4%	-12.9%	≥ 60%
Single large borrower risk	16.1%	19.1%	+3.0%	≤ 20%
All large borrowers risk	157.0%	183.2%	+26.2%	≤ 500%
Single bank-affiliated party risk	2.8%	3.9%	+1.1%	≤ 5%
All bank-affiliated parties risk	9.2%	11.4%	+2.2%	≤ 20%

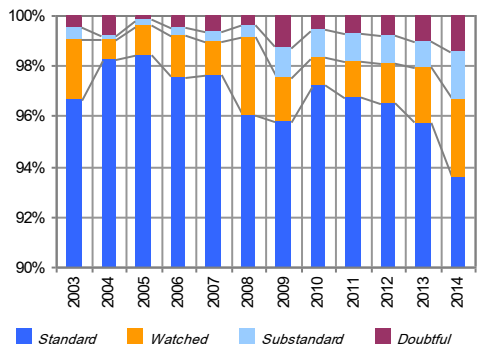
Credit Risk

Credit risk continues to be seen as a key risk for the banking system of Armenia. The share of credit risk in risk-weighted assets of commercial banks was 89.9% (compared to 91.2% in 2013). In this context, prudent management of credit risk is highly important for the stability of the banking system.

As to the risks of the loan portfolio, non-performing loans and accounts receivable grew by 86.2% (AMD 70.1 billion) in 2014 to reach AMD 151.5 billion, while standard loans and accounts receivable grew by 20.3% (AMD 372.8 billion) to reach AMD 2 trillion 204.9 billion. As a result, the share of non-performing loans and accounts receivable (loans and accounts receivable of the watched, substandard, and doubtful credit risk classes) in total loans and accounts receivable grew by 2.2 percentage points during 2014 and reached 6.4% at yearend.

Figure 23.

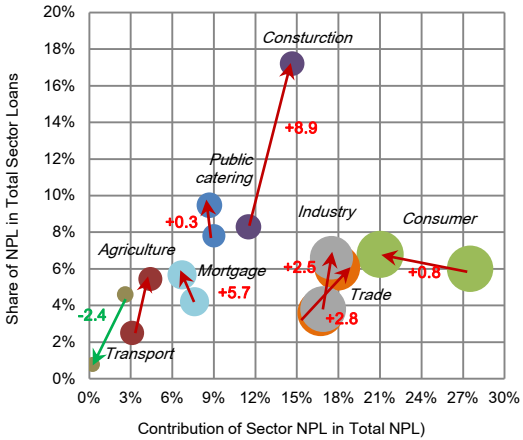
Structure of Loans and Accounts Receivable by Risk Class



Source: Central Bank of Armenia.

Figure 24.

Changes in Loan Portfolio Quality by Sectors, 2013-2014 [6]



Source: Central Bank of Armenia.

As to risk classes, the shares of watched, substandard, and doubtful loans and accounts receivable in total loans and accounts receivable were 3.1%, 1.9%, and 1.4%, respectively (compared to 2.2%, 1.1%, and 1.0% at yearend 2013).

In terms of the sectors of the economy, the share of non-performing loans increased considerably in the construction, agriculture, and trade sectors. In these sectors, the shares of non-performing loans grew by 8.9, 3.0, and 2.8 percentage points, respectively, and reached 17.2%, 5.5%, and 6.6%. As a result, the shares of the non-performing loans of these sectors in total non-performing loans grew by 3.2, 1.3, and 0.6 percentage points, respectively.

In terms of residency, 96.7% of the non-performing loans and accounts receivable at yearend were related to residents, and 3.3% to non-residents (compared to 97% and 3%, respectively, at yearend 2013).

In 2014, the ratio of net provisions to the reserve for possible asset losses to average total assets grew by 1 percentage points and reached 2.2%.

The ratio of net non-performing loans and accounts receivable to total regulatory capital grew by 10 percentage points in 2014 over 2013 and reached 19.3%.[7] In case of even a complete writeoff of net non-performing loans and accounts receivable (disregarding the value of collateral), the prudential ratio of total capital adequacy of the banking system would be 12.03%—still above the required minimum.[8]

[6] *The figure does not include assets in the 'loss' class of credit risk and the reserve for possible losses related to them. For assets recognized as a 'loss,', banks create a provision equal to 100% of the possible loss and write them off the balance sheet.*

[7] *Net non-performing loans and accounts receivable were calculated as the difference between the gross book value of non-performing loans and accounts receivable and the reserve for possible asset losses.*

[8] *Unsecured non-performing loans and accounts receivable are defined as the difference between non-performing loans and accounts receivable and the reserve for possible asset losses.*

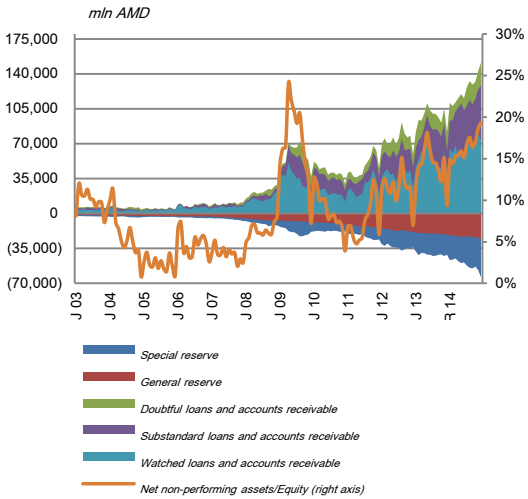
Table 8. Credit Risk Stress Tests[9]

31 December 2014	Stress Scenarios		
	25% of the watched, substandard, and doubtful loans are simultaneously classified as loss loans	75% of the doubtful loans are classified as loss loans	30% of the standard loans are classified as watched loans
Loss of the banking system	AMD 28 billion, or 6.2% of system regulatory capital	AMD 10.4 billion or 2.3% of system regulatory capital	AMD 62.8 billion or 13.9% of system regulatory capital
Total capital adequacy of the banking system under the stress scenario	13.7%	14.2%	12.7%

According to the results of the credit risk stress tests,[10] the possible loss of the banking system grew compared to the results of the same stress tests performed at the beginning of the year, mostly due to a higher share of non-performing loans and accounts receivable in total loans and accounts receivable.

Figure 25.

Provisions for Possible Losses related to Non-Performing Loans and Accounts Receivable[7]



Source: Central Bank of Armenia.

Foreign Exchange Risk

In 2014, the AMD/USD average annual exchange rate depreciated by 1.5%, while depreciation relative to the beginning of the year was 14.6%. As a consequence of fluctuations of the AMD exchange rate to foreign currencies, the banking system had a currency revaluation gain of AMD 3.9 billion (compared to an AMD 477 billion loss in 2013): 13 banks suffered a currency revaluation loss, and nine banks gained from currency revaluation. FX trading operations generated a net income of AMD 18.2 billion for the banking system in 2014 (compared to AMD 14.8 billion in 2013). The FX value-at-risk (VAR) calculation shows, with a 95% confidence interval, that the possible 10-day loss of the banking system due to FX revaluation on 31 December 2014 would not exceed AMD 731 million (compared to AMD 93 million on 31 December 2013).

[9] *These and other stress scenarios presented in this Report do not forecast the emergence of any risks; rather, they aim at identifying the weaknesses of the financial system and assessing its ability to absorb such risks.*

[10] *The stress scenarios are based on the assumption that the bank lending volume is unchanged and that property collateral is disregarded (i.e. no possibility of foreclosing the real estate pledged against loans under the scenario of loans being classified as a loss).*

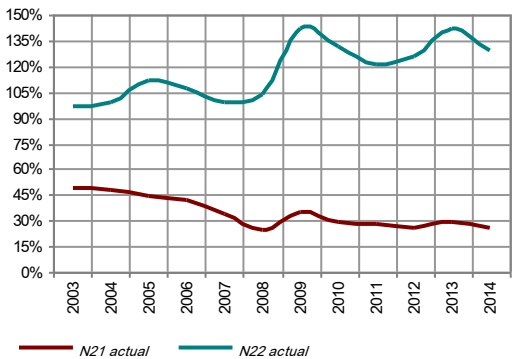
The FX risk stress tests show that the banking system would not have significant losses due to fluctuations of the exchange rate, which is due to the prudent management of FX risk by the banks. On 31 December 2014, the net FX short position of the banking system (including derivatives) was AMD 25.8 billion or 5.7% of total regulatory capital (compared to a negative AMD 370 million or 0.1% of total regulatory capital on 31 December 2013).

Table 9. FX Risk Stress Tests

31 December 2014	Stress Scenario		
	Gain (loss) when AMD depreciates (appreciates) by 5% against USD	Gain (loss) when AMD depreciates (appreciates) by 5% against EUR	Maximum possible 10-day loss under the VaR model
Gain/loss of the banking system due to revaluation of foreign currency	AMD 1.4 billion, or 0.3% of system regulatory capital	AMD 49.6 million, or 0.01% of system regulatory capital	AMD 730.5 million, or 0.2% of system regulatory capital

Figure 26.

Change in General and Current Liquidity Prudential Ratios of Commercial Banks



Source: Central Bank of Armenia.

Liquidity Risk

In 2014, with financial intermediation deepening, banking system liquidity declined. Compared to the start of the year, highly-liquid assets of commercial banks grew by 2.3%, while total assets used to calculate the prudential ratio of liquidity grew by 18.6%, as a result, demand liabilities grew by 12.5%, the commercial bank general and current liquidity ratios fell by 4.0 and 12.9 percentage points to reach 25.1% and 129.4% at yearend (the minimum ratios are 15% and 60%, respectively).

As to the concentration of banking system liabilities, the share of large liabilities shrank by 1.7 percentage points in 2014 to reach 24.5%.[11]

As to the stability of bank financing, the ratio of loans to deposits grew by 16.9% and reached 129.4%.

[11] *The sum of all funds that individually exceed 5% of the bank's total liabilities, excluding related parties.*

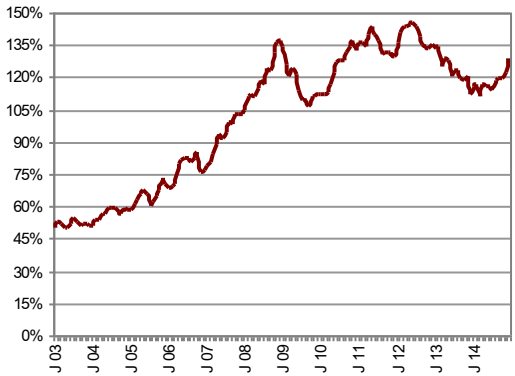
Table 10. Liquidity Risk Stress Tests

31 December 2014	Stress Scenarios		
	Withdrawal of 25% of time deposits of individuals	Withdrawal of 25% of demand funds	Withdrawal of 25% of demand funds and 25% of time deposits of individuals
Banking system highly-liquid assets to total assets	19.5%	21.3%	15.0%
Banking system highly liquid assets to demand liabilities	93.0%	138.7%	90.7%

According to the liquidity risk stress tests, the prudential ratios of general and current liquidity deteriorated relative to the stress tests performed at the beginning of 2014, which was due to a certain decline in banking system liquidity in 2014. Under the worst test scenario, some banks would breach the general and current liquidity prudential ratios, but their volume of highly-liquid assets would be fully sufficient to cover the presumed outflow of liabilities under such scenarios.

Figure 27.

Change in Ratio of Loans to Deposits, Commercial Banks



Source: Central Bank of Armenia.

Price Risk

Price risk in Armenia's banking system continues to be assessed as quite low. Compared to the start of the year, the share of financial assets available for sale and measured at fair value through gain/loss in total assets declined by 0.8 percentage points and reached 6.0% at yearend.

In 2014, the banking system had a net gain of AMD 704 million (0.2% of total regulatory capital) from the revaluation of financial assets available for sale and measured at fair value through gain/loss.

Table 11. Real Estate Price Change Stress Tests

Real estate 30% depreciation scenario	31 December 2014
Banking system loss due to revaluation of bank-owned real estate (*price risk*)	AMD 13.3 billion (3% of banking system capital)
Banking system loss due to non-repayment of 30% of the loan portfolio vulnerable under the stress scenario[12] (assuming that the respective collateral against such loans is sold at depreciated price) *(credit risk)*	11.6 billion (2.6% of banking system capital)
Banking system loss due to non-repayment of 100% of the loan portfolio vulnerable under the stress scenario (assuming that the respective collateral against such loans is sold at depreciated price) *(credit risk)*	AMD 38.6 billion (8.5% of banking system capital)

According to the price risk stress test results, the possible losses of the banking system under the worst scenario would not be significant. In this context, the possible negative impact of credit risk and price risk arising out of real estate price volatility on the financial stability of the banking system is assessed as quite small.

Interest Rate Risk

In 2014, deposit interest rates continued to rise slowly, with loan interest rates slowly declining. The weighted average interest rate of loans to the economy fell by 0.1 percentage points in 2014, while the weighted average interest rate of deposits from legal entities and individuals grew by 0.2 percentage points. As a result, the loan and deposit interest rate spread shrank by 0.3 percentage points to reach 6.1%

The weighted average maturity gap of banking system assets and liabilities has virtually not changed in recent years: it has remained at around six months. Under these conditions, banks can respond rather swiftly and revise interest rates whenever market interest rates fluctuate.

[12] *Vulnerable loan portfolio is the sum of outstanding balances of the bank's loans, the outstanding balances of which exceed the 30%-depreciated values of the real estate pledged against such loans.*

Table 12. Interest Rate Risk Stress Tests

31 December 2014	Stress Scenario	
	Impact of a 2 percentage points decrease (increase) in market interest rates on the economic value of capital assessed using the "*duration method*"	Deviation from the expectation of net interest income in the next three months when market interest rates decrease (increase) by 2 percentage points, assessed using the "*interest rate sensitive asset and liability gap method*"
Banking system gain/loss	AMD -11.6 billion or 2.6% of banking system capital (AMD 11.6 billion or 2.6% of banking system capital)	AMD -1.2 billion or 0.2% of banking system capital (AMD 1.2 billion or 0.2% of banking system capital)

According to the results of the interest rate stress tests, the possible losses of individual banks caused by market interest rate fluctuations would vary around an average of 4.2% of total regulatory capital. In this sense, interest rate risk is at a manageable level.

CREDIT ORGANIZATIONS

OVERVIEW

Credit Organizations Operating in the Republic of Armenia

On 31 December 2014, 32 credit organizations operated in the Republic of Armenia, including three leasing organizations, one credit union, 26 universal credit organizations, and two refinancing credit organizations. The number of credit organization branches grew by 23 during the year and reached 149 at yearend.

Concentration among Credit Organizations in Armenia

Table 13. Concentration among Credit Organizations (%)

Prudential Ratio	31.12.14	31.12.13	Change
Total assets			
CC 4	45.3	44.2	1.1
CC 10	74.8	74.4	0.4
Total liabilities			
CC 4	35.6	48.3	-12.7
CC 10	68.6	77.4	-8.8
Total capital			
CC 4	59.4	57.5	1.9
CC 10	83.8	80.4	3.4
Loans to the economy (including leasing)			
CC 4	24.1	44.8	-20.7
CC 10	64.2	73.6	-9.4

The asset concentration of credit organizations virtually did not change in 2014, while the concentration of liabilities and loans to the economy (including leasing) declined. The shares of liabilities and loans of the largest four credit organizations shrank by 12.7% and 20.7%, respectively, and reached 35.6% and 24.1%.

The Herfindahl-Hirschman index of concentration for various aggregate indicators fluctuated between 0.07 and 0.1, reflecting a low level of concentration in the system.

The polarization of virtually all indicators (save for total liabilities) between large and small credit organizations declined during 2014.

ASSETS, LIABILITIES, CAPITAL, AND FINANCIAL PERFORMANCE OF CREDIT ORGANIZATIONS

Capital of Credit Organizations

In 2014, the total capital of credit organizations grew by 41% due to replenishment of statutory capital and profit from current activities.

The share of non-residents in the statutory capital of credit organizations shrank by 0.5 percentage points in 2014 and reached 22.3% at yearend. Six of the 14 credit organizations in which non-residents have a share are fully foreign-owned companies. The share of assets of fully foreign-owned companies in total assets of credit organizations was 28.5% (compared to 22.5% at yearend 2013).

Liabilities of Credit Organizations

The liabilities of credit organizations grew by 20.6% and reached AMD 159.5 billion. The key items to grow were liabilities to other financial organizations (by 37.4%), funds attracted through repo agreements (by 68%), and liabilities to individuals (by 107.9%).

Liabilities to legal entities declined by 7.4% to reach AMD 17.4 billion at yearend. In terms of the currency structure, the share of dram liabilities in liabilities to individuals grew by 26.5%, and for legal entities by 1%.

In 2014, the share of liabilities to the Government of Armenia in total liabilities of credit organizations grew by 11.2% and that of other liabilities grew by 53.7% (AMD 2.6 billion).

Assets of Credit Organizations

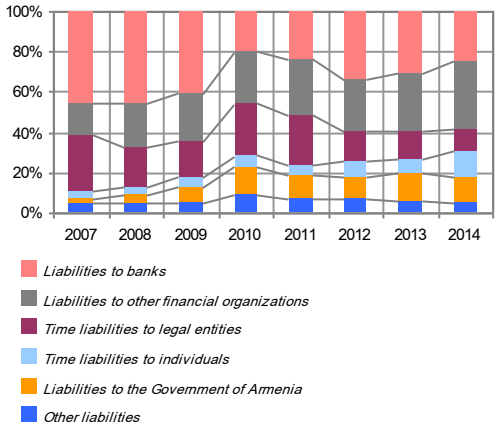
During 2014, total assets of credit organizations grew by 28.3% and reached AMD 269.1 billion at yearend. Assets grew in 22 and shrank in 10 of the credit organizations operating in Armenia.

Claims on banks grew by 41.6% and loans to the economy (including leasing) by 22.2%, reaching AMD 75.3 and 165.8 billion, respectively.

Lending to virtually all sectors of the economy grew, with the exception of lending for hotels and public catering and mortgage lending.

Figure 28.

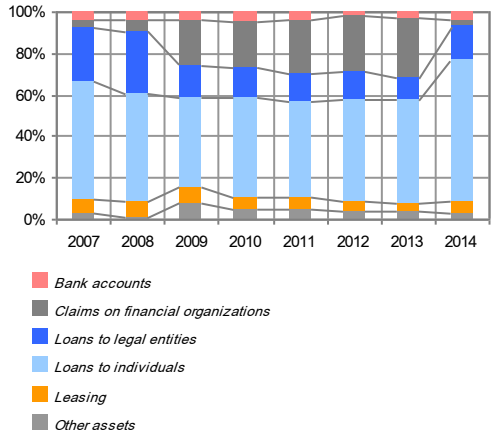
Structure of Liabilities of Credit Organizations



Source: Central Bank of Armenia.

Figure 29.

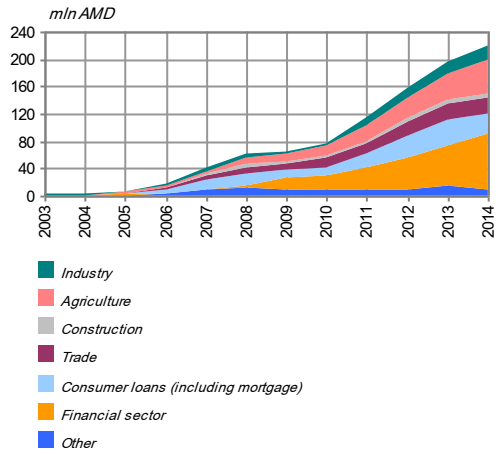
Structure of Assets of Credit Organizations



Source: Central Bank of Armenia.

Figure 30.

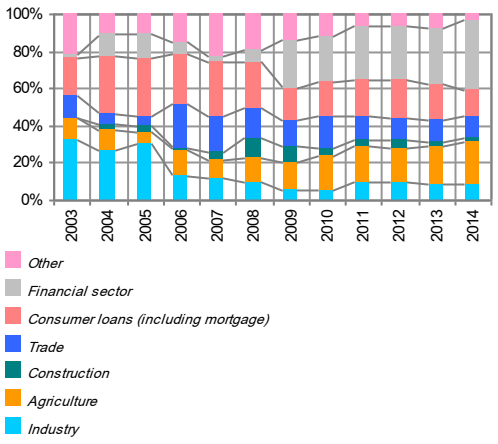
Change in Credit Investments of Credit Organizations



Source: Central Bank of Armenia.

Figure 31.

Structure of Credit Investments of Credit Organizations



Source: Central Bank of Armenia.

The fastest-growing items were lending to the financial sector, agriculture lending, and consumer lending, which grew by 40%, 29.4%, and 55.6%, respectively. Lending to the financial sector and agriculture and consumer lending (including mortgages) had the largest shares in credit investments (33.3%, 20.5%, and 11.7%, respectively).

The shares of non-performing loans (watched, substandard, and doubtful loans) of credit organizations grew by 1.1 percentage points in 2014 and reached 4.9% at yearend. The share of non-performing loans is higher in loans to agriculture, transport, hotels, public catering, and trade 24.9%, 7.9%, 6.2%, and 5.8%, respectively.

The structure of total assets of credit organizations changed considerably in terms of claims on banks and loans to legal entities and individuals: the shares of loans to legal entities and loans to individuals shrank by 1.2 and 1.0 percentage points, respectively, while the share of claims on banks grew by 2.6 percentage points.

Financial Outturn of Credit Organizations

The net profit of credit organizations according to supervisory reports was AMD 9.8 billion in 2014: 29 of the credit organizations were profitable, while three incurred a loss. Total net profit of credit organizations was AMD 9.8 billion.

RoA and RoE of credit organizations declined by 1.1 and 2.2 percentage points, respectively, in 2014 over 2013, and reached 4.1% and 10.3%.

In 2014, the net profit of credit organizations according to the IFRS[13] was AMD 7.9 billion, while RoA was 3.1% and RoE was 7.6%.

Interest income of credit organizations grew by 29.2%. The share of loans to the economy in total interest income grew by 0.2% and reached 75.2%.

[13] *According to reports to the Central Bank and the IFRS, the large difference in profit amounts is mostly due to the allocation of 1% of the standard assets to the reserve fund for possible asset losses, as organizations treat this amount as an expense.*

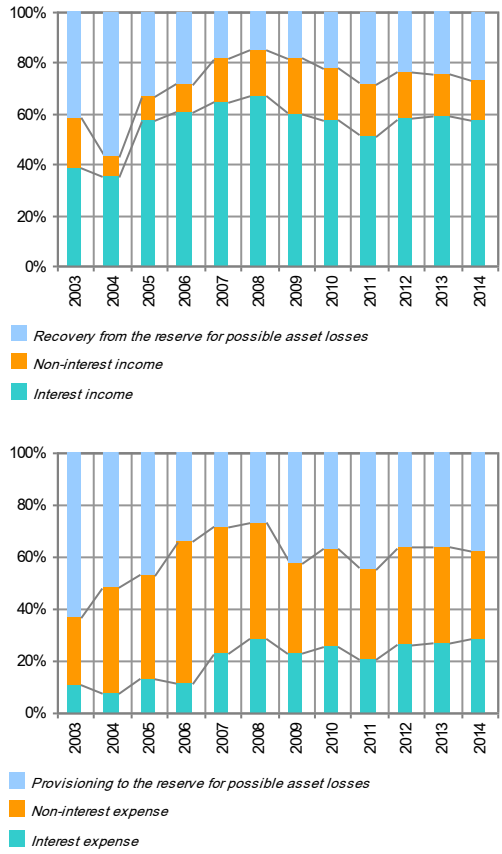
Non-interest income grew by 22.5% mostly due to the AMD 1.2 billion gain from the revaluation of foreign exchange. The share of the latter in total non-interest income grew by 13.6 percentage points and reached 13.3%.

Interest expense grew by 30.5% mostly due to higher interest payments against time debt and higher interest expense against funds attracted from commercial banks and other financial organizations. The larger components of interest expense are interest payable against time debt and interest payable against funds attracted from commercial banks and other financial organizations—45.2% and 28.6%, respectively (compared to 47.6% and 28.1% in 2013).

Non-interest income grew by 23.2% mostly due to higher wages and related payments, which together accounted for 58.7% of non-interest expense (compared to 60.5% in 2013).

Figure 32.

Income and Expense Structure of Credit Organizations



Source: Central Bank of Armenia.

INSURANCE MARKET OF ARMENIA

OVERVIEW

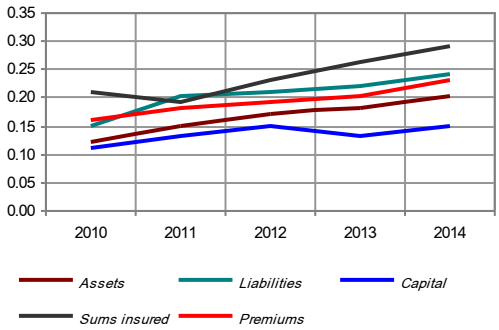
Insurance Companies Operating in Armenia

On 31 December 2014, eight insurance companies (with a total of 25 branches) had insurance licenses in the Republic of Armenia.[14] The license of "Grant-Limens" was revoked. All of the insurance companies provided only non-life insurance.

[14] *The yearend-2014 data includes only seven insurance companies that actually operate and file reports, because one company had an insurance license but did not operate.*

Figure 33.

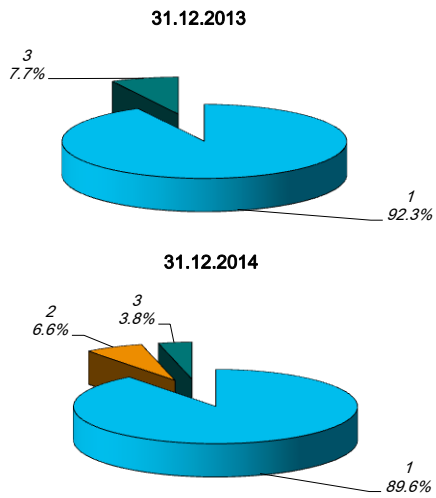
Herfindahl-Hirschman Index of Concentration for Key Indicators



Source: Central Bank of Armenia.

Figure 34.

Structure of Total Capital of the Insurance System



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

Source: Central Bank of Armenia.

Concentration in the Insurance System of Armenia

The Herfindahl-Hirschman Index of Concentration for the key indicators of the insurance system grew in 2014.

Table 14. Herfindahl-Hirschman Index of Concentration

	31.12.12	31.12.13	31.12.14
Assets	0.17	0.18	0.20
Liabilities	0.21	0.22	0.24
Capital	0.15	0.13	0.15
Sums insured	0.23	0.26	0.29
Premiums	0.19	0.20	0.23

Table 15. Concentration in the Insurance System (%)

	31.12.12	31.12.13	31.12.14
Assets			
CC 2 (share of assets of the largest two companies in total assets of the system)	49	50	55
CC 5 (share of assets of the largest five companies in total assets of the system)	84	85	87
Liabilities			
CC 2	57	58	64
CC 5	91	93	96
Capital			
CC 2	36	32	41
CC 5	76	73	83
Sums insured			
CC 2	62	66	71
CC 5	89	94	94
Premiums			
CC 2	54	52	60
CC 5	90	91	94

Polarization between insurance companies grew in 2014 relative to 2013. The concentration of all the indicators presented in Table 15 increased, except for sums insured.

CAPITAL OF THE INSURANCE SYSTEM

Total capital of the insurance system shrank by 1.3% in 2014 and reached AMD 15.8 billion. Statutory capital decreased by 4.2% and reached AMD 14.1 billion.

The prudential ratio of capital adequacy of insurance companies was 193.3%, which exceeded the required threshold by 93.3 percentage points (the prudential standard of capital adequacy is 100%).

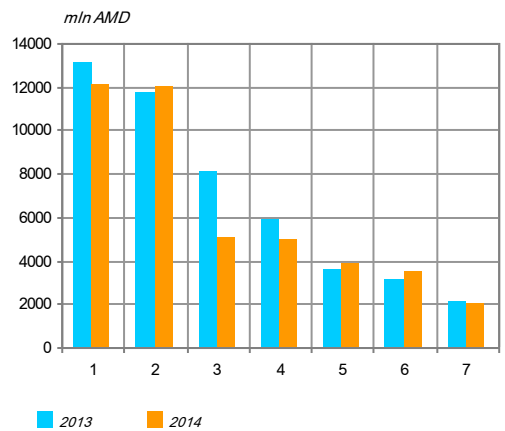
On 31 December 2014, the share of non-residents in the capital of insurance companies was 51.6%. In one of the three insurance companies in which non-residents have a share, the share of non-residents was 100%.

ASSETS OF THE INSURANCE SYSTEM

The assets of insurance companies reduced by 13.2% in 2014 and reached AMD 43.4 billion at yearend 2014.

Figure 36.

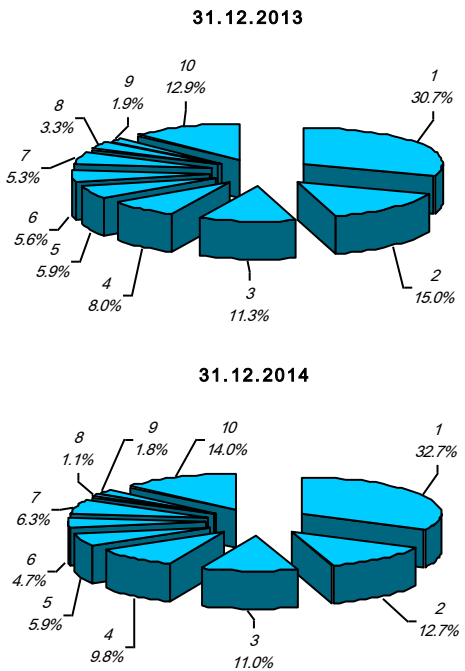
Change in Assets of Insurance Companies



Source: Central Bank of Armenia.

Figure 35.

Structure of Assets of Insurance Companies



1. Deposits in banks, 2. Amounts receivable for direct insurance, 3. Securities sold under repo agreements, 4. Government and other securities, 5. Fixed assets, 6. Future expense and insurance prepayments, 7. Share of reinsurer in insurance reserves, 8. Lending, 9. Bank accounts, 10. Other assets

Source: Central Bank of Armenia.

In 2014, deposits in banks declined by 7.4% and reached AMD 14.2 billion. At yearend, the largest components of insurance system assets were deposits in banks (32.7%), amounts receivable from policyholders for direct insurance (12.7%), and government securities (9.3%). 83.2% of the deposits were current deposits in resident banks, and 16.8% were deposits in non-resident banks.

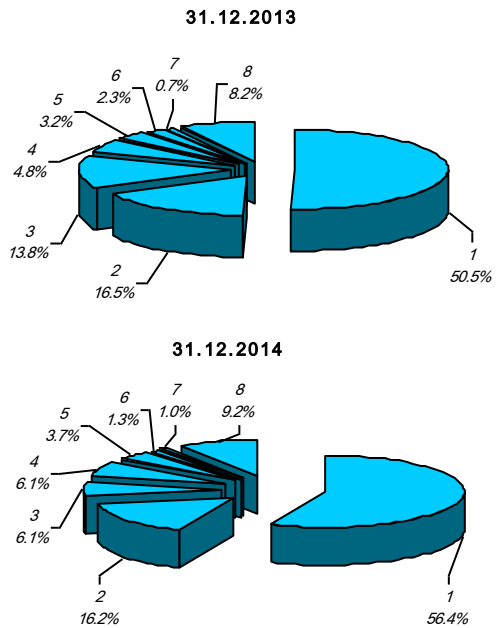
The assets of the insurance system are mostly placed in highly-liquid assets, which shows that insurance companies do not have liquidity problems. In 2014, no insurance company violated the prudential requirements on liquidity.

LIABILITIES OF THE INSURANCE SYSTEM

The liabilities of insurance companies declined by 18.7% in 2014 and reached AMD 27.7 billion.

Figure 38.

Structure of Liabilities of Insurance Companies

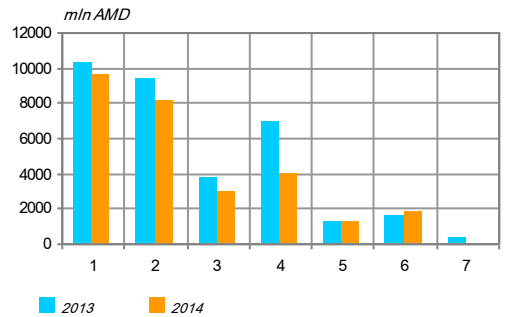


1. Technical reserves, 2. Repo agreements, 3. Borrowings, 4. Premiums transferable to reinsurers, 5. Insurance prepayments received, 6. Amounts payable to intermediaries, 7. Compensations payable for direct insurance, 8. Other liabilities

Source: Central Bank of Armenia.

Figure 37.

Change in Liabilities of Insurance Companies



Source: Central Bank of Armenia.

On 31 December 2014, the largest components of liabilities were technical reserves (56.4% or AMD 15.6 billion) and repo agreements (16.2% or AMD 4.5 billion). In 2014, technical reserves declined by 9.4% and reached AMD 15.6 billion. The bulk of the technical reserves (69.4% or AMD 10.8 billion) were unearned premiums.

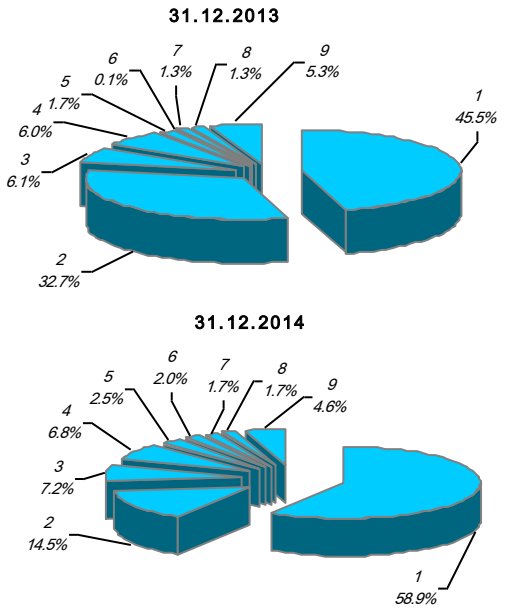
The decline in the technical reserves in 2014 was due to insurance companies discontinuing the health insurance of public servants. The health insurance premiums of public servants for 2014 were transferred by the Ministry of Finance to the Ministry of Health, and the latter served these customers.

FINANCIAL PERFORMANCE OF THE INSURANCE SYSTEM

The net profit of the insurance companies as per the supervisory reports was AMD 1.9 billion in 2014. Return on assets was 4.0% and return on equity 10.9%. Seven of the insurance companies were profitable, and one incurred a loss. The profit of the profit-making companies was AMD 2.1 billion, and the loss of the losing company was AMD 186.1 million. Insurance compensations and net technical reserves had a high share (51.8%). Net interest income of the insurance companies was AMD 814.7 million. 52.6% of the interest income (around AMD 1.5 billion) was interest income against current deposits in banks and current loans to banks. In 2014, net non-interest income of insurance companies was AMD -6.9 billion. 50.3% of the non-interest expense (AMD 4 billion) was the staffing cost of insurance companies. The insurance system loss ratio was 53.7%,[15] representing an 8.5 percentage points increase over 2013. The expense ratio fell by 0.9 percentage points and reached 29.4% at yearend 2014.[16]

Figure 39.

Structure of Insurance Premiums Accrued by Insurance Compaies



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

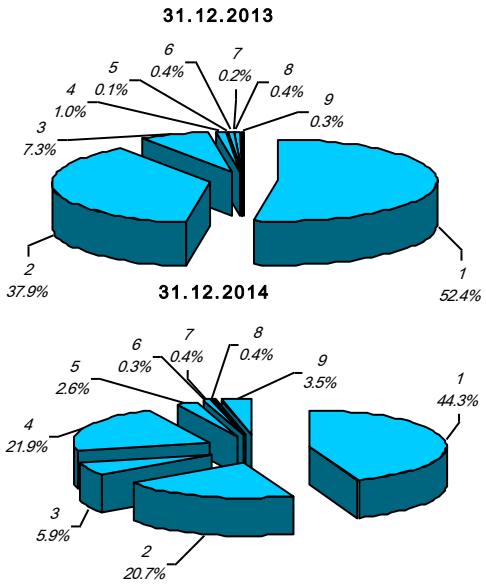
Source: Central Bank of Armenia.

[15] *The loss ratio was calculated using the following formula: (net accrued compensations + net provisions to technical reserves (except UPR) + other operational expenses for insurance) / (net premiums earned – amounts returned for terminated policies).*

[16] *The expense ratio was calculated using the following formula: non-interest expense / (net premiums earned – amounts returned for terminated policies).*

Figure 40.

Structure of Accrued Compensations of the Insurance System



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

Source: Central Bank of Armenia.

Net profit of the insurance companies according to the IFRS was AMD 2.4 billion. RoA was 5.3% and RoE was 13.6%.

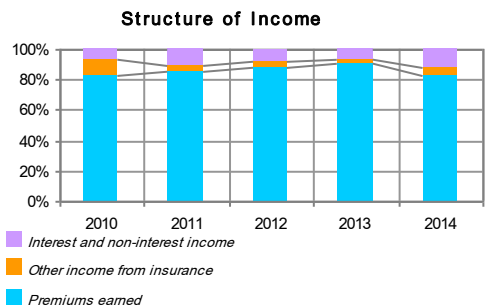
Premiums accrued by insurance companies in 2014 reached AMD 30.1 billion (compared to AMD 35.8 billion in 2013). 59.1% of accrued premiums were related to mandatory third party liability insurance (MTPL) insurance, and 14.6% to health insurance.

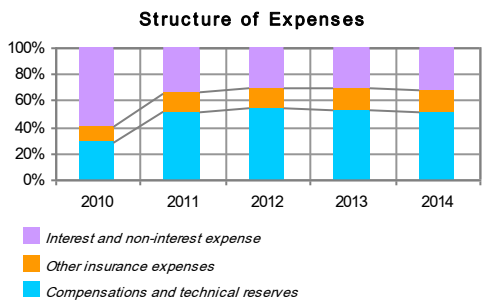
Insurance companies accrued compensations of AMD 22.1 billion in 2014 (compared to AMD 19.7 billion in 2013). 44.3% of the accrued insurance compensations were related to MTPL insurance, and 20.7% to health insurance.

Earned premiums continued to account for a large share of the income of insurance companies (86.8%). Insurance compensations and net technical reserves accounted for a significant share (51.8%) of expenses.

Figure 41.

Structure of Income and Expenses of the Insurance System





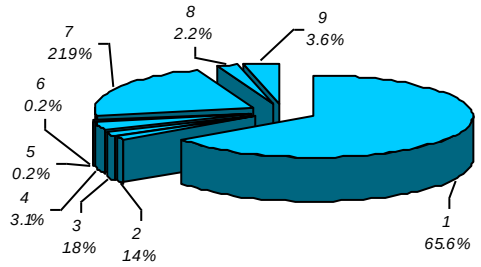
Source: Central Bank of Armenia.

INSURANCE POLICIES AND COVERAGE

The number insurance policies in force at yearend 2014 was 594,900, representing a 5.6% increase compared to yearend 2013. Coverage reached AMD 9.5 trillion at yearend 2014, which was 16.9% higher than coverage at yearend 2013. The increase in the number and coverage of policies was mostly due to the increase at yearend of MTPL insurance policies. Liability coverage under policies for aircraft and aircraft operation increased and reached AMD 465.4 billion at yearend 2014. Health insurance coverage declined by AMD 458 billion due to the Government decision to eliminate mandatory health insurance under the social package defined by insurance companies.

Figure 42.

Structure of Insurance Contracts in Force on 31 December 2014



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

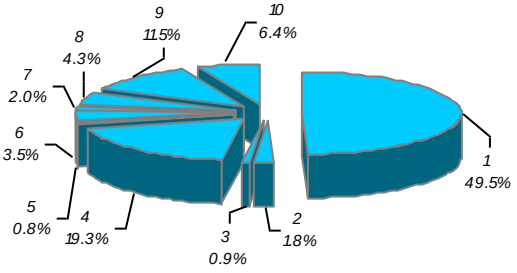
Source: Central Bank of Armenia.

REINSURANCE OF RISKS UNDERTAKEN BY INSURANCE COMPANIES

The amount of reinsured sums reached AMD 3.3 trillion (34.1% of the risks undertaken by insurance companies) at yearend 2014. Insurance premiums transferred to reinsurers in 2014 was AMD 3.6 billion or 12% of insurance premiums, while insurance compensations received from reinsurers were AMD 6.6 billion or 42.2% of the compensations accrued during 2014.

Figure 43.

Structure of Coverage under Policies in Force on 31 December 2014



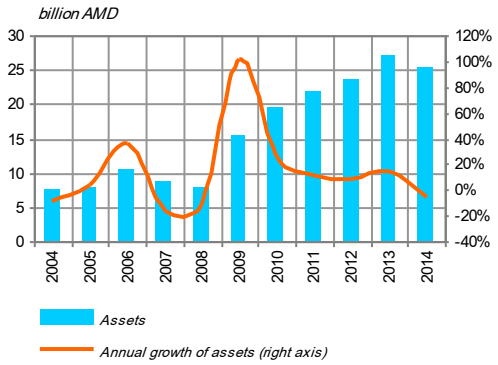
1. MTPL, 2. Health, 3. Ground transport, 4. Fire and natural disasters, 5. Cargo, 6. General liability, 7. Accidents, 8. Support, 9. Aircraft and aircraft operation liability, 10. Other classes of insurance

Source: Central Bank of Armenia.

SECURITIES MARKET PARTICIPANTS

Figure 44.

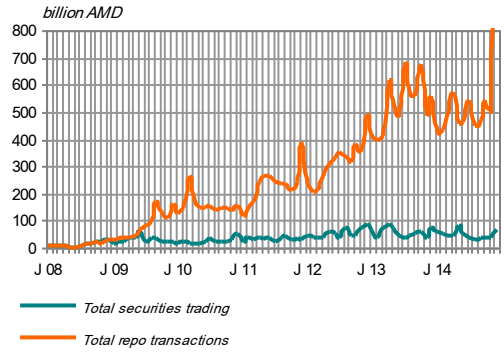
Assets of Investment Companies; Growth Pace in 2004-2014



Source: Central Bank of Armenia.

Figure 45.

Securities Trading and Repo Transactions by Insurance Companies during 2008-2014



Source: Central Bank of Armenia.

On 31 December 2014, 21 commercial banks and eight insurance companies were delivering investment services in the securities market of Armenia. Seven of the insurance companies may carry out securities transactions on their behalf or on behalf of customers on account of customers. Six may carry out securities transactions on their behalf and account. Six may accept and forward securities transaction instructions from customers. Five may provide consulting services related to investments in securities. Six may perform allocation of securities. Three may manage securities portfolios.

At yearend 2014, four managers of investment funds were registered in Armenia's financial market. The Central Bank had also registered one venture fund with the status of a corporate fund.

Asset and liability concentration of investment companies increased in the course of 2014. Capital concentration was unchanged.

Table 16. Herfindahl-Hirschman Index of Concentration

Indicator	31.12.2012	31.12.2013	31.12.2014
Total assets	0.19	0.19	0.20
Total liabilities	0.20	0.19	0.21
Total capital	0.17	0.19	0.19

The assets of investment companies declined by 6.0% in 2014 over 2013 and reached AMD 25.4 billion. Total capital shrank by 4.6% to reach AMD 4.9 billion at yearend. In 2014, the net profit of investment companies was AMD 1.1 billion. Six of the companies were profitable, and two incurred a loss.

The total investment turnover in the securities market of Armenia (including repo transactions, excluding transactions with the Central Bank) grew by 36.4% and reached AMD 3 trillion 350 billion.

The volume of repo transactions carried out in the securities market of Armenia (excluding transactions with the Central Bank) accounted for 83.3% of the total turnover of the securities market: it increased by 58.2% in 2014 over 2013 and reached AMD 2 trillion 791 billion.

Virtually all (99.8%) of the repo transactions were transactions with government securities. The bulk (61.9%) of these transactions continued to involve medium-term government bonds, while 38.0% were long-term bonds and 0.1% short-term bonds.

Government securities also accounted for the bulk of securities traded by entities providing investment services in the securities market: their value was AMD 333.0 billion or 59.5% of the total turnover.

The corporate bonds trading turnover declined by 60.7% in 2014 over 2013 and reached AMD 99.3 billion or 17.8% of the total turnover. The volume of transactions with shares increased about six-fold (AMD 106.3 billion) to reach AMD 126.9 billion or 22.7% of the total volume of securities transactions.

The share of stock exchange trading in total securities trading by entities providing investment services was 13.1%.

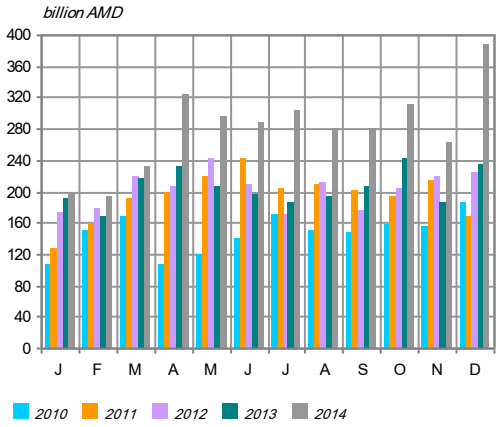
In 2014, the volume of securities transactions in the regulated market more than tripled (growing by AMD 51.6 billion) and reached AMD 73.3 billion.

Securities repo transactions in the regulated market accounted for 2.9% of the total turnover (compared to 7.5% in 2013). Virtually all the repo transactions were performed with corporate bonds. Transactions in government securities accounted for 45% of total regulated market transactions, while transactions with corporate securities and shares were 16.9% and 38.1%, respectively.

On 31 December 2014, compared to yearend 2013, funds under asset management of securities portfolio by entities providing investment services declined by 88.3% and reached AMD 181 million.

Figure 46.

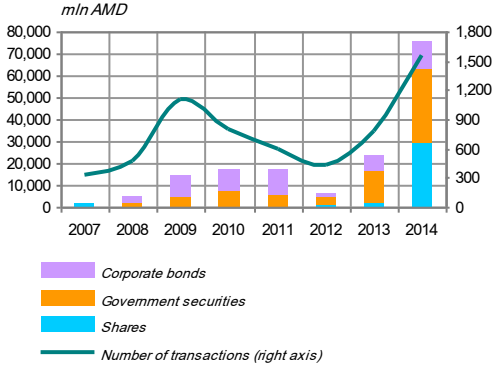
Securities Transactions by Entities Providing Investment Servies (excluding transactions of the Central Bank) during 2008-2014



Source: Central Bank of Armenia.

Figure 47.

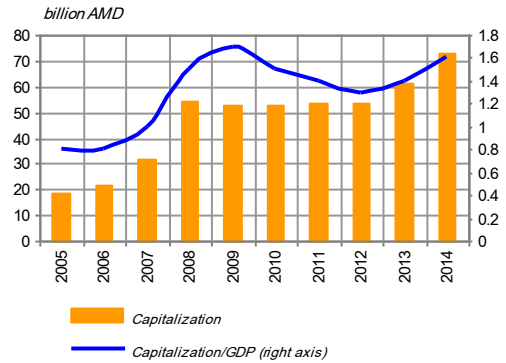
Structure of Transactions in the Regulated Market in 2007-2014



Source: Central Bank of Armenia.

Figure 48.

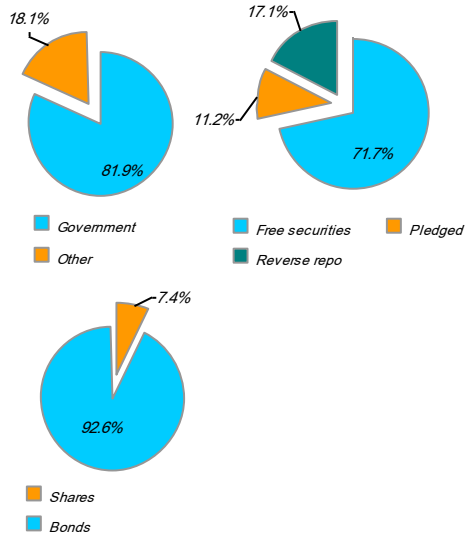
Armenia Securities Market Capitalization and Ratio of Capitalization to GDP



Source: Central Bank of Armenia.

Figure 49.

Structure of Securities Portfolio of Entities Providing Investment Services on 31 December 2014



Source: Central Bank of Armenia.

As for 31 December 2014, 87.7% of the securities portfolio of investment companies were non-share securities. In terms of the status of securities, 71.6% of the portfolio were free-status securities, 11.2% were securities acquired under reverse repo, and 17.1% were pledged securities.

Capitalization of Armenia's securities market was AMD 73 billion, and capitalization to GDP[17] was 1.6%, representing a 0.2 percentage points increase over 2013.

On 31 December 2014, the Central Depositary of Armenia maintained 2,190 registers of owners of nominal securities. 105,222 owners of securities had securities accounts in the Central Depositary of Armenia. At yearend, 24 classes/issues of securities of 15 reporting issuers were authorized for trading in the regulated securities market of Armenia: two of the issuers issued both shares and bonds. 11 of the reporting issuers issued 12 classes of shares, and six issued 12 classes of bonds. Five of the issued bonds were in FX, and their share in the total volume was 42%.

On 31 December 2014, the total volume of shares issued by reporting issuers was AMD 39 billion, and that of bonds was AMD 14.6 billion. 67.4% of the debt securities had been issued by four financial organizations. Three financial organizations were the issuers of 34% of the total share securities.

PAYMENT AND SETTLEMENT ORGANIZATIONS

On 31 December 2014, eight payment and settlement organizations operated in the Republic of Armenia. Three of them had a license to provide only money transfer services, and four had a license to provide money transfer services and services of processing/clearing payment instruments and payment documents. One organization had a license to provide only services of processing/clearing. Three companies had been authorized to issue e-money.

[17] *Product of the number of ordinary nominal shares issued by reporting issuers and their latest transaction price.*

In 2014, the assets of companies holding a license to perform processing/clearing and money transfers grew by 34% to reach AMD 4.5 billion at yearend, while their liabilities grew by 40% to reach AMD 3 billion, and capital grew by 23% to reach AMD 1.5 billion.

The assets and capital of organizations performing only money transfers grew by 11% and 38%, respectively, to reach AMD 22.2 and 15.8 billion at yearend, while their liabilities declined by 24% to reach AMD 6.8 billion.

Companies holding a license to perform processing/clearing and money transfers had a profit of AMD 894 million in 2014, while the profit of organizations performing only money transfers was AMD 800 million.

At yearend 2014, five payment and settlement organizations accepted utilities payments, payments for telephone and mobile telecommunications, loan repayments, penalties and stamp duties collected in the state budget, and payments for internet services through automated self-service terminals and registered branches. The value of transactions performed by payment and settlement organizations grew by 15% over 2013 and reached AMD 431.7 billion at yearend 2014.

Payment and settlement organizations provided processing services to a number of commercial banks and organizations performing money transfers. Payment and settlement organizations delivered processing/clearing services to a number of commercial banks: utilities services collected through them grew by 6% over 2013 and reached AMD 5.6 billion (1.7 million transactions).

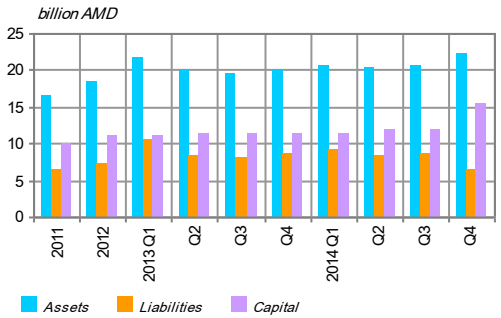
Inbound money transfers to the Republic of Armenia are performed through commercial banks and organizations performing money transfers. In 2014, about AMD 19.8 billion were transferred to Armenia through organizations performing money transfers (approximately a 9-fold increase over 2013).

At the same time, they made outbound transfers worth about AMD 2.1 billion (a 15-fold increase over 2013).

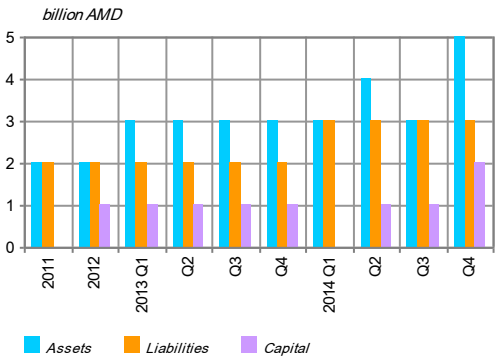
Figure 50.

Financial Standing of Payment and Settlement Organizations in 2014

Organizations Providing Only Money Transfer Services



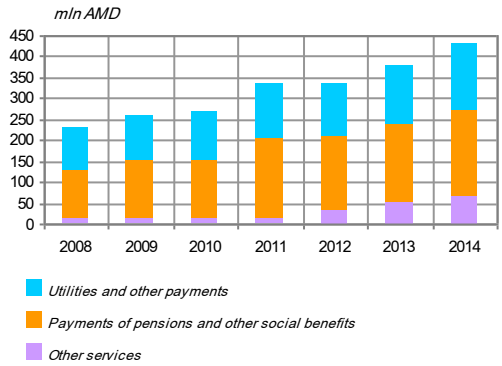
Organizations Providing Processing/Clearing and Money Transfer Services



Source: Central Bank of Armenia.

Figure 51.

Volume of Services Provided by Payment and Settlement Organizations

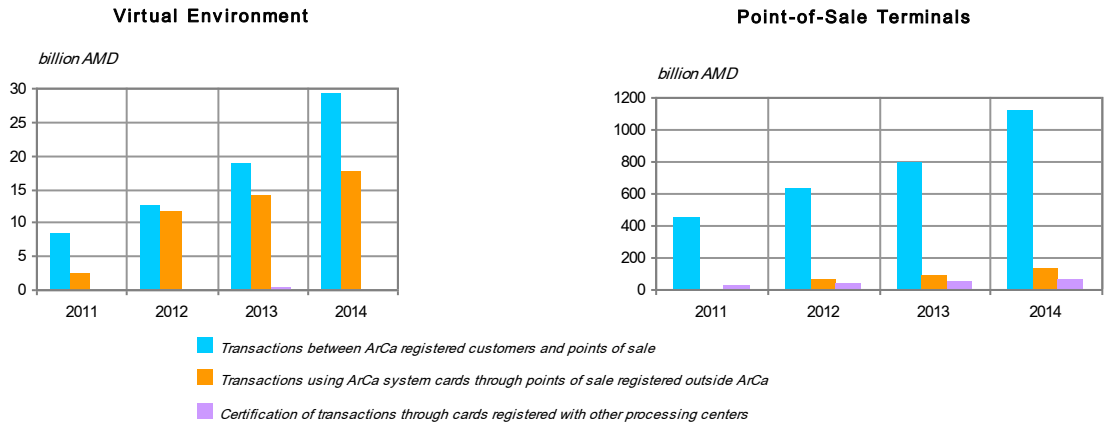


Source: Central Bank of Armenia.

During 2014, the ArCa processing center performed card transactions of AMD 1 trillion 344.9 billion (a 40% increase over 2013). The value of certifications of transactions using cards registered with another processing center reached AMD 66.2 billion (a 22% increase over 2013). The value of transactions using payment cards registered in the ArCa processing center through points of sale registered outside ArCa (including abroad) reached AMD 140.6 billion (a 36% increase).

Figure 52.

Payment Services Provided by the ArCa System through Cards and E-Money



Source: Central Bank of Armenia.

THE PAYMENT AND SETTLEMENT SYSTEM

Key Indicators of the Payment and Settlement Sector of the Republic of Armenia

At yearend 2014, the number of banking system clients grew by 19% relative to 2013 and reached 2.3 million. The increase was almost fully due to the higher number of natural person clients, which reached 2.2 million at yearend. The number of banking system client accounts grew by 22% to reach 3.9 million (including 2.8 million current accounts, 165,000 time accounts, and 879,000 credit accounts).

In 2014, payment card transactions of AMD 1 trillion 352.6 billion were performed in the territory of Armenia using payment cards. The number of non-cash payments using cards grew by 32% and reached about AMD 140 billion. In this volume of non-cash transactions, the value of internet transitions was AMD 26.5 billion (including AMD 5.5 billion in e-commerce and AMD 21 billion in card-to-card transfers). Compared to 2013, the total number of cards in circulation grew by 4.7% and reached 1.6 million: the share of non-cash payments made using cards (including internet transactions) in total card transactions grew by 0.9 percentage points in 2014 over 2013 and reached 10.4%.

The number of money transfers to individuals through organizations performing money transfers and through commercial banks declined by 6% in 2014 over 2013 and reached AMD 884.9 billion (including through SWIFT), while the value of outbound transfers abroad grew by 9% and reached AMD 364.6 billion. The resulting new inflow was AMD 520.3 billion, which is 14% lower than the 2013 figure.

The average daily value of non-cash payments within Armenia was AMD 102.1 billion (a total of 71,000 payments). The value of non-cash payments made through the Central Bank's payment systems declined by 43% to reach AMD 66.1 billion, while their number grew by 36% and reached 14,000.

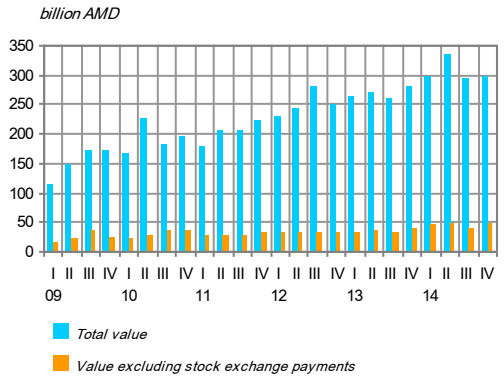
PAYMENT SYSTEMS OF THE CENTRAL BANK OF ARMENIA

The average daily value of money transfers made through the e-payment system grew by 31% to reach AMD 43.9 billion, while the number of transfers declined by 35% to reach 14,000. As a result, the average value of one electronic transfer was about AMD 3.2 million (a more than double increase).

Average daily transfers related to stock exchange transactions using the e-payment system grew by 12% in 2014 to reach AMD 260.4 billion. The average value of transfers made by commercial banks in relation to stock exchange transactions grew by 7% to reach AMD 2.9 billion.

Figure 53.

Average Daily Payments Made through the Electronic Payments System



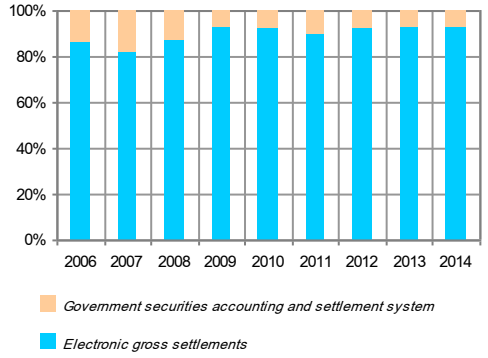
Source: Central Bank of Armenia.

Accounting and Settlement System for Government Securities

At yearend 2014, 22 banks and two investment companies operating in Armenia, the Deposit Guarantee Fund, the Pension Guarantee Fund Management Foundation, the Central Depositary of Armenia, the "NASDAQ-OMX Armenia" stock exchange, the Ministry of Finance of Armenia (as the issuer of government securities), Treasury Direct, and the Central Bank of Armenia (as the central custodian, account-holder, and issuer of Central Bank bonds) participated in the Government Securities Accounting and Settlement System.

Figure 54.

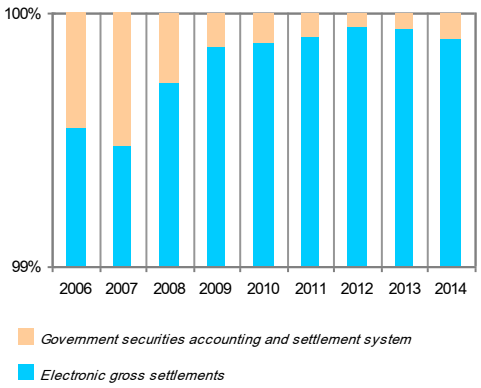
Structure of the Value of Payments Made through the Payment Systems of the Central Bank (excluding stock exchange payments)



Source: Central Bank of Armenia.

Figure 55.

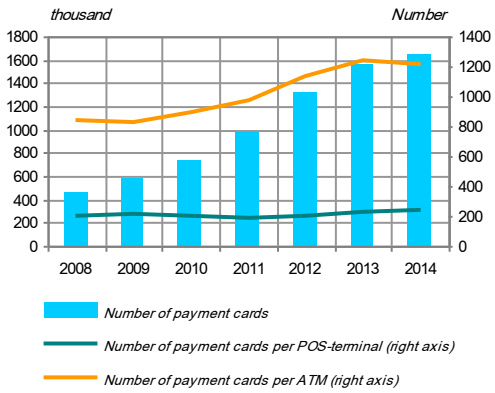
Structure of the Value of Payments Made through the Payment Systems of the Central Bank (excluding stock exchange payments)



Source: Central Bank of Armenia.

Figure 56.

Issued Payment Cards, Technical Profile



Source: Central Bank of Armenia.

On 31 December 2014, 19 commercial banks operating in Armenia were issuing or serving payment cards for clients. All of those banks participated in the ArCa unified system for card payments.

In 2014, 102 new ATMs were installed to serve cards, bringing the total yearend number to 1,357. Commercial banks installed 68 POS-terminals, the number of which reached 6,902 at yearend (including 726 POS-terminals installed in commercial banks).

The number of payment cards increased by 4.7% in 2014 to reach 1.6 million. The number of active ArCa cards declined by 3% in 2014 over 2013 and reached 547,000. The number of cards of international card systems grew by 9%: the number of VISA cards grew by 9% and reached 712,000, while number of MasterCard cards grew by 7% and reached 321,000. The number of other international cards grew by 23% and reached 59,000.

Table 17. Transactions Carried out with Card-Servicing Equipment, 2014

Equipment	Transactions			
	Value (AMD million)	*Number*	*of which: ArCa cards*	
			Value (AMD million)	*Number*
ATMs	1032454	21121250	290244	6610793
of which: non-cash	5744	514647	496	165137
POS-terminals/imprinters	293658	3129089	72921	745283
of which: non-cash	107902	2617330	34599	507233
Internet	26476	1630380	6465	414917
Total	1352587	25880719	369630	7770993
of which: non-cash	140122	192021	41561	1087287

The shares of ArCa, VISA, and MasterCard cards in the total number of cards issued by banks (cards in circulation) were 33%, 43%, and 20%, respectively, while the other 4% were cards of other international card systems (including HSBC debit cards and AmEx cards).

The total value of transactions carried out with payment cards in Armenia (including cards issued by foreign banks) grew by 33% and reached AMD 1.4 trillion, while their number grew by 25% and reached 26 million. 27% of the total value of transactions were carried out with ArCa cards, 47% with VISA cards, 6% with MasterCard cards, and 6% with other cards. In 2014, the value of transactions carried out with ArCa payment cards grew by 31% and reached AMD 369.6 billion, while the value of transactions with VISA and MasterCard cards grew by 33% and 42%, respectively, and reached AMD 632.4 and 264.6 billion, respectively. The value of transactions carried out with other international cards grew by 13% and reached AMD 85.9 billion.

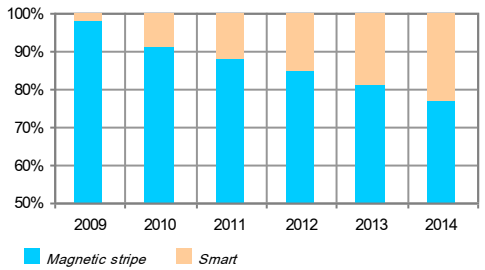
The value of transactions carried out abroad using VISA cards issued by commercial banks operating in Armenia grew by 24% and reached AMD 46.6 billion (their number grew by 47% and reached 1.1 million), while the value of MasterCard transactions grew by 22% and reached AMD 28.1 billion (the number grew by 51% and reached 661,000), and the value of transactions with other international cards grew by 21% and reached AMD 10 billion.

The monthly value of cash withdrawal transactions carried out in Armenia with a payment card grew by 8% and reached AMD 57,000, while the non-cash value declined by 3% and reached AMD 29,000.

Concentration in the issuance and servicing of payment cards declined in 2014. The top five banks in terms of ATM encashment, POS-terminal operations, and the issuance of magnetic stripe cards account for more than half of the system. The concentration in terms of the number of ATM encashment operations and the issuance of smart cards declined: the shares of the top two banks fell by 8 and 11 percentage points, respectively, to reach 46% and 29% of the system.

Figure 57.

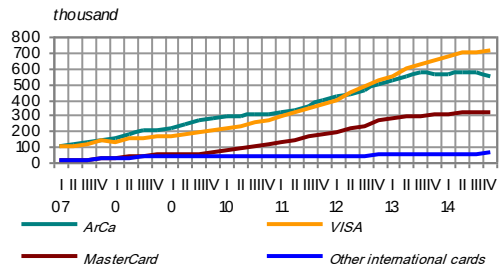
Payment Cards in Circulation, Technical Features



Source: Central Bank of Armenia.

Figure 58.

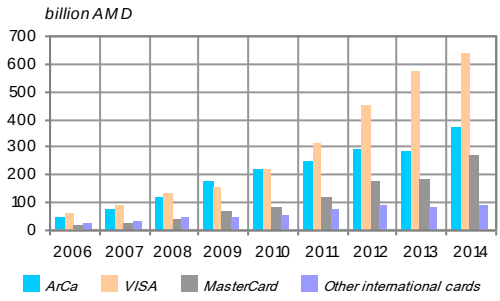
Payment Cards Issued by Banks



Source: Central Bank of Armenia.

Figure 59.

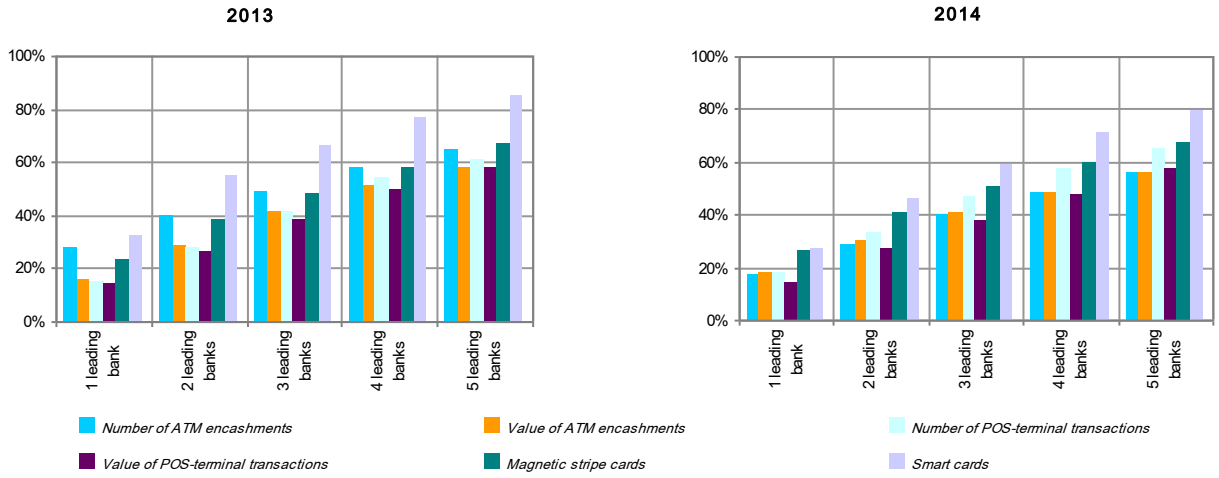
Transactions Made in Armenia Using Payment Cards, 2006 - 2014



Source: Central Bank of Armenia.

Figure 60.

Share of Leading Banks Issuing Payment Banks and Performing Payment Card Transactions in Armenia, 2013 and 2014



Source: Central Bank of Armenia.

INTERNATIONAL MONEY TRANSFER SYSTEMS

Remittances of individuals without opening a bank account are executed through commercial banks operating in Armenia and organizations licensed by the Central Bank of Armenia to perform money transfers.

On 31 December 2014, commercial banks operating in Armenia participated in 13 international and two domestic Armenian systems for delivering money transfer services to customers.

In 2014, the value of remittances to Armenia through commercial banks participating in international money transfer systems and payment and settlement organizations performing

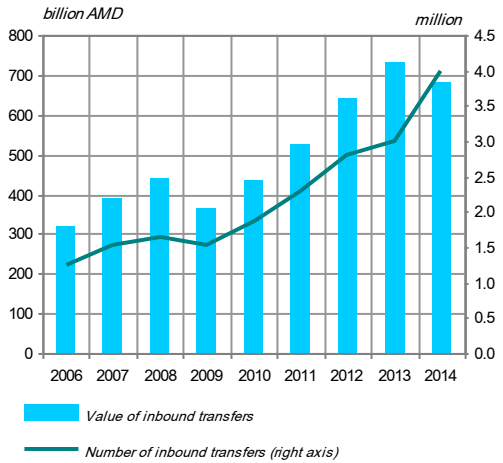
money transfers was AMD 678.2 billion, which is a 7.1% decline over 2013. The average value of a remittance to the Republic of Armenia through these systems was AMD 184,000, which was a 16% decline over 2013.

The net inflow of funds through international transfer systems shrank by 10% in 2014 over 2013 and reached AMD 577.2 billion.

Transfers to individuals through correspondent accounts of commercial banks fell by 2.2% and reached AMD 206.8 billion: the average value of a transfer declined by 7% over 2013 and reached AMD 3.6 million. Outbound transfers of individuals through correspondent accounts of commercial banks grew by 6.7% and reached AMD 263.6 billion. As a result, an AMD 56.9 billion net outflow of funds of individuals was reported in remittances through correspondent accounts of commercial banks.

Figure 61.

Inbound Transfers to Individuals through International Money Transfer Systems



Source: Central Bank of Armenia.

REMOTE SERVICE SYSTEMS

Commercial banks have expanded and improved the services provided to their customers by means of implementing modern technologies. A number of commercial banks introduced remote service systems enabling their customers to manage their bank accounts remotely. Customers can present instructions, obtain information about bank account balances, and perform other banking operations.

In 2014, total payments initiated by customers through remote service systems increased by 48% and reached AMD 8.8 trillion, while their number grew by 34% and reached 7.3 million. These payments were made by clients using bank-client systems (payments value totaled AMD 4.7 trillion), internet banking services (AMD 3.9 trillion), and telephone banking services (AMD 199 billion). The average value of a payment made by clients using bank-client and internet banking services was AMD 0.9 million and AMD 2 million, respectively, while the average value of a payment made through telephone banking was AMD 2.5 million.

SUPERVISION DEVELOPMENT PROSPECTS

As a policy of ensuring the stability and development of the financial system and improving the payment and settlement system, the Central Bank will continue reforms aimed at regulation and supervision throughout 2015.

Financial System Regulation Prospects

With a view to improving the effectiveness of risk management in banks, the Central Bank continued the implementation of Basel III principles in 2014: in particular, the Central Bank Board decided to establish new standards on the composition and structure of regulatory capital, which will aim at improving the quality of capital as the main absorber of risk. The feasibility of implementing a new approach to liquidity risk management was assessed. Efforts of implementing Basel III will continue in 2015.

In 2015, the Central Bank will continue implementing Basel III principles, as a result of which the banking system regulatory framework will be harmonized with the international principles applicable to this field.

Efforts to elaborate the ***financial system development strategy of Armenia*** continued in 2014 with the aim of outlining the longer-term prospects of financial system development and proposing necessary measures. International experts were engaged in the strategy development; they helped to study the real sector development outlook and the role of the financial system in serving the economy.

Efforts of developing the mandatory third party liability (MTPL) system continued. The ***Malus component of the Bonus-Malus system*** entered into effect, requiring higher premiums for higher-risk drivers. In 2014, the MTPL Information System worked towards receiving data on individuals from the information-search system of the Passport and Visa Department of the Police. Obtaining this data will help to compile accurate insurance history of individuals and improve the effectiveness of the MTPL register. Efforts were made to ensure electronic delivery of data on individuals to financial organizations and a number of infrastructures entities from the information-search system of the Police.

The implementation of a ***One-Stop Shop for Auto Insurance (OSSAI)*** began in 2014 and is planned to complete in 2015. The OSSAI is a trilingual (Armenian, English, and Russian) web-based platform with public or private access, which provides system users a common electronic environment for the whole process of concluding MTPL contracts and managing incidents and compensations. The OSSAI implementation purpose is to enable online conclusion of MTPL contracts and to improve the management of compensation and damage assessment by insurance companies through a common platform. The OSSAI is being implemented jointly with Bureau Veritas, which is a world leader in managing one-stop-shops and conformity assessment.

In 2014, efforts continued for developing other types of insurance, as well, including in particular ***feasibility assessment for implementing life insurance***, as well as performing analysis aimed at sector development. In addition to the life insurance implementation efforts, measures were initiated in 2014 for implementing an

insurance system for agriculture risks; as a result, feasibility assessment and concept development are expected during 2015.

In 2014, in cooperation with the French Development Agency, the National Mortgage Company launched a *program for improving energy efficiency of houses and microcredit financing*. In 2014, the company continued issuing short-term corporate bonds. During the year, bonds with maturity of up to five years were issued. To develop the mortgage market and expand access to mortgage credit, issuance of bonds and mortgage-backed bonds with up to 10 years of maturity is planned in the upcoming years. A model is being developed for this purpose based on the international best practice, as well as the Armenian market peculiarities and limitations.

Special targeted programs for developing the mortgage market of Armenia continued in 2015; in particular, the *Affordable Apartments for Young Families* targeted social program of the government continued along with the refinancing of mortgage loans under social programs for other target groups. In the last quarter, the *Program to Provide Affordable Housing to Public Servants* was launched: according to the relevant decree of the Government, this program will provide mortgage loans to public servants for the purpose of acquiring an apartment from a multi-apartment complex under construction. These programs are continuous, and other similar programs are planned for the upcoming years.

In 2014, the Central Bank continued social programs launched in 2013 (subsidized social programs) to support academic loans for students or consumer electronic appliances loans for the junior, middle, and senior staff of the Ministry of Defense and the National Security Service, as well as the middle, senior, top, and officer staff of the Police of the Republic of Armenia.

In 2015, the Central Bank will actively continue improving the regulatory framework for securities market participants, financial organizations in the funded pension system, and funds, including the implementation of the leading supervision principles and standards defined by the International Organization of Securities Commissions (IOSCO) and the International Organization of Pension Supervisors (IOPS).

In 2015, the Central Bank will continue implementing efforts arising out of the contract for implementing software and hardware for the infrastructure of the required funded pension component, as well as developing a centralized system for opening and serving the pension accounts of participants. In a centralized manner and for a lower service fee, this system will enable maintaining the register of participants, administering the pension funds (issuing shares for the funded contributions, exchanging shares, making lump-sum payments, organizing program payments, and the like), serving fund managers in information sharing required for managing funds, and granting the fund participants online access to their pension accounts and other information.

During 2015, the Central Bank will work towards creating new high-quality tools for the securities market; in particular, it will make efforts to expand the schemes for collective investments and making them more attractive for foreign investors, promoting and facilitating the issuance of shares and bonds by large reputable companies operating in Armenia, creating institutions for securitization, and promoting the implementation of securitization projects. These activities will help the creation of new financial institutions, infrastructure, tools, and services, which in turn will increase the level of financial intermediation. To develop the securities market,

the Central Bank will continue improving the securities market infrastructure and implementing the best practices and standards for securities trading and settlements throughout 2015.

Development Prospects for Financial System Supervision and Consumer Protection in Armenia

In 2014, the Central Bank carried out a financial crisis simulation exercise with the involvement of the Deposit Guarantee Fund and the Ministry of Finance. The aim was to identify the potential issues in crisis management and the ways of addressing them, as well as improving the decision-making preparedness of participants for crisis situations. In future years, too, similar simulation exercises will be conducted with a view to identifying potential risks to the stability of the financial system and developing scenarios for overcoming crises.

In 2015, the introduction of risk-based supervision will be finalized, enabling improvement of the supervision of financial organizations through an optimal distribution of scarce resources.

The consumer protection programs will be continued in 2015: the regulation and supervision activities aimed at business conduct will be strengthened, and the public awareness-raising activities will be sustained.

Once the National Assembly adopts the amendments to the Law on Banks and Banking, the Law on Credit Organizations, and the Law on Insurance and Insurance Activities, the Central Bank will be able to define unified and comprehensive principles and requirements to the business conduct of banks, credit organizations, and insurance companies.

According to the business conduct supervision handbooks, clear statistics will be compiled from 2015 on about oral and written applications of citizens to the Central Bank (including applications made through the hotline) and the measures taken in response. In accordance with the procedure defined by the Handbook for Performing Inspection Transactions (approved in 2014), financial market surveys will be performed in 2015: among other things, the customer services process in various financial organizations will be monitored.

The public awareness activities of the previous years will be sustained. The measures stipulated by the National Strategy for Financial Literacy in the Republic of Armenia will be implemented.

In 2015, the Central Bank will finalize the process of joining the Multilateral Memorandum of Understanding (MOU) concerning “Consultation, Cooperation and Exchange of Information” of the International Organization of Securities Commissions (IOSCO). As a result of joining the MoU, the Central Bank will be able to receive full support and information from the securities markets regulators that have signed the MoU, which will facilitate effective supervision of the securities market participants by the Central Bank. Moreover, taking into account that joining the MoU is possible only in case of a high degree of compliance with the IOSCO’s securities market regulation principles, accession to the MoU will internationally secure the transparency and high level of regulation of the securities market of Armenia.

APPENDIX

Appendix 1. Survey Balance Sheet Indicators of Banks Operating in Armenia

Assets *AMD thousand*

Indicators	Currency	31.12.11	31.12.12[1]	31.12.13[1]	Change 31.12.13-31.12.12	31.03.14[1]	Change 31.03.14-31.12.13	30.06.14[1]	Change 30.06.14-31.03.14
Cash	D	49186976	55804033	61942108	11.0%	53367238	-13.8%	54926880	2.9%
	FX	39977271	43236865	48063349	11.2%	51708807	7.6%	49309612	-4.6%
Correspondent accounts with the CBA and other claims on the CBA	D	163077744	179468343	223349685	24.5%	182261515	-18.4%	171439000	-5.9%
	FX	110207257	85508263	238814033	179.3%	209461592	-12.3%	133776294	-36.1%
Correspondent accounts with banks and other claims on banks	D	32552193	17783838	18901750	6.3%	27069948	43.2%	32915313	21.6%
	FX	116484718	147226432	149589222	1.6%	156434455	4.6%	169741425	8.5%
Claims on other financial organizations	D	19217784	23393825	32306847	38.1%	32943619	2.0%	33284292	1.0%
	FX	8949708	11605097	9065648	-21.9%	10879015	20.0%	12466510	14.6%
Government securities		167502233	181248427	225674419	24.5%	221973955	-1.6%	223793825	0.8%
Repos (excluding interbank repos)	D	13118412	13350485	14879345	11.5%	16632692	11.8%	15920692	-4.3%
	FX	11059651	3561	361907	10063.1%	3653	-99.0%	4131	13.1%
Loans to legal entities	D	150968994	153960455	181757349	18.1%	163659340	-10.0%	166823018	1.9%
	FX	575572682	778448408	819290251	5.2%	833001517	1.7%	851891130	2.3%
Loans to individuals	D	281892775	353173803	418961966	18.6%	438474299	4.7%	455752020	3.9%
	FX	142933367	186904734	219877460	17.6%	229664396	4.5%	238059617	3.7%
Loans to the bank's related parties and staff	D	18318595	21312122	20436487	-4.1%	21735370	6.4%	20914409	-3.8%
	FX	40808182	42537512	48557139	14.2%	51590764	6.2%	52844830	2.4%
Asset loss reserves		-26088877	-34530972	-42985763	24.5%	-46514209	8.2%	-50474723	8.5%
Accrued interest receivable	D	8319695	8197772	11032398	34.6%	13529152	22.6%	14557880	7.6%
	FX	7786886	19629901	23623843	20.3%	27882433	18.0%	29710758	6.6%
Fixed assets		71873609	80130403	83328760	4.0%	84018198	0.8%	83934008	-0.1%
Other securities	D	4906770	5450458	13776072	152.8%	17029098	23.6%	19003187	11.6%
	FX	53195	230685	3286275	1324.6%	3701302	12.6%	3573763	-3.4%
Leasing and factoring (excluding interbank)	D	14169433	8318066	10736554	29.1%	11345214	5.7%	13879281	22.3%
	FX	9654628	3902863	7580015	94.2%	7654118	1.0%	7003996	-8.5%
Other assets		34218880	91530634	101527272	10.9%	106660398	5.1%	118026174	10.7%
Total balance sheet assets		**1560472467**	**2066722761**	**2943734392**	**42.4%**	**2926167878**	**-0.6%**	**2923077322**	**-0.1%**

Assets *AMD thousand*

Indicators	Currency	30.09.14[1]	Change 30.09.14-30.06.14	31.12.14[1]	Change 31.12.14-30.09.14	Change 31.12.14-31.12.13	
Cash	D	55437148	0.9%	63129297	13.9%	1187190	1.9%
	FX	50037282	1.5%	50156380	0.2%	2093031	4.4%
Correspondent accounts with the CBA and other claims on the CBA	D	177085420	3.3%	334324590	88.8%	110974905	49.7%
	FX	120980928	-9.6%	135944281	12.4%	-102869753	-43.1%
Correspondent accounts with banks and other claims on banks	D	48847570	48.4%	2827424	-94.2%	-16074326	-85.0%
	FX	145025148	-14.6%	179414351	23.7%	29825128	19.9%
Claims on other financial organizations	D	33394774	0.3%	26773547	-19.8%	-5533300	-17.1%
	FX	8906592	-28.6%	14718317	65.3%	5652669	62.4%
Government securities		228339869	2.0%	238875710	4.6%	13201291	5.8%
Repos (excluding interbank repos)	D	16681958	4.8%	15222444	-8.7%	343099	2.3%
	FX	3478	-15.8%	8566	146.3%	-353341	-97.6%
Loans to legal entities	D	180314917	8.1%	179594561	-0.4%	-2162788	-1.2%
	FX	860290678	1.0%	1043240653	21.3%	223950403	27.3%
Loans to individuals	D	460103939	1.0%	474835742	3.2%	55873776	13.3%
	FX	243729219	2.4%	296696349	21.7%	76818889	34.9%
Loans to the bank's related parties and staff	D	21928249	4.8%	22316703	1.8%	1880216	9.2%
	FX	54517843	3.2%	56743268	4.1%	8186129	16.9%
Asset loss reserves		-56295032	11.5%	-66765866	18.6%	-23780103	55.3%
Accrued interest receivable	D	14621507	0.4%	13219065	-9.6%	2186668	19.8%
	FX	32060127	7.9%	39136645	22.1%	15512801	65.7%
Fixed assets		83686531	-0.3%	88068668	5.2%	4739908	5.7%
Other securities	D	19073981	0.4%	23097052	21.1%	9320980	67.7%
	FX	2734664	-23.5%	2171328	-20.6%	-1114948	-33.9%
Leasing and factoring (excluding interbank)	D	14786748	6.5%	14136326	-4.4%	3399772	31.7%
	FX	8314755	18.7%	12900283	55.1%	5320268	70.2%
Other assets		134499080	14.0%	150137056	11.6%	48609783	47.9%
Total balance sheet assets		**2959107371**	**1.2%**	**3410922738**	**15.3%**	**467188346**	**15.9%**

Appendix 1. *(continued)*

Liabilities

AMD thousand

Indicators	Currency	31.12.11	31.12.12[1]	31.12.13[1]	Change 31.12.13-31.12.12	31.03.14[1]	Change 31.03.14-31.12.13	30.06.14[1]	Change 30.06.14-31.03.14
Correspondent accounts of banks	D	1738927	2922585	1369146	-53.2%	1152512	-15.8%	2658053	130.6%
	FX	6926903	4369337	9034957	106.8%	4889749	-45.9%	6240710	27.6%
Other liabilities to banks (including the CBA) and other financial organizations	D	206196946	249961443	309201582	23.7%	265214407	-14.2%	285966235	7.8%
	FX	399768255	492412214	446330699	-9.4%	438346073	-1.8%	430136530	-1.9%
Demand liabilities to legal entities	D	107808701	95693645	117352041	22.6%	109496838	-6.7%	113724062	3.9%
	FX	138506666	106585451	233992849	119.5%	242415233	3.6%	205635658	-15.2%
Demand liabilities to individuals	D	54285133	65659334	80700124	22.9%	69650575	-13.7%	79168800	13.7%
	FX	75159889	87660435	90092068	2.8%	98217743	9.0%	109195554	11.2%
Time deposits of legal entities	D	35178714	31988981	48618069	52.0%	57259617	17.8%	48908345	-14.6%
	FX	93763788	153791344	208802452	35.8%	210187612	0.7%	196711556	-6.4%
Time deposits of individuals	D	95163543	143423553	194810556	35.8%	200922358	3.1%	215167536	7.1%
	FX	334353985	447644009	546886730	22.2%	570096471	4.2%	569022460	-0.2%
Liabilities to the Government of Armenia	D	71419471	58306016	52850527	-9.4%	51958740	-1.7%	54098893	4.1%
	FX	10509120	9703040	6595958	-32.0%	6283403	-4.7%	6038995	-3.9%
Accrued interest payable	D	5079483	7425843	10136406	36.5%	10902517	7.6%	11765734	7.9%
	FX	10669306	15327712	14951471	-2.5%	15541987	3.9%	15781681	1.5%
Other liabilities	D	50209132	72861914	82055916	12.6%	73229763	-10.8%	55566246	-24.1%
	FX	14058832	31372442	33920318	8.1%	34363959	1.3%	44152096	28.5%
Total balance sheet liabilities		**1710796794**	**2077109299**	**2487701871**	**19.8%**	**2460129556**	**-1.1%**	**2449939144**	**-0.4%**
Paid-in statutory capital fund		233945230	251626537	263029751	4.5%	270029749	2.7%	282843118	4.7%
General reserve		18642380	20033433	22655318	13.1%	22696234	0.2%	26866518	18.4%
Own shares repurchased by bank				0		0		0	
Retained profit (loss)	Current period	31424467	42727017	37928881	-11.2%	7781218	-79.5%	18509468	137.9%
	Previous period	53950173	65913197	98209091	49.0%	134813891	37.3%	114637141	-15.0%
Total balance sheet capital		**355925967**	**400716716**	**456032521**	**13.8%**	**466038323**	**2.2%**	**473138178**	**1.5%**
Collateral received		2744589328	3351892668	3825638311	14.1%	3858975004	0.9%	4053148838	5.0%
of which: government securities		3632040	1721292	627449	-63.5%	1656247	164.0%	2028530	22.5%
Guarantees received		1901547561	2325723208	3376097555	45.2%	3468142332	2.7%	3655530247	5.4%
Written off the balance sheet	loans	41627201	49610233	66590669	34.2%	73772866	10.8%	76157597	3.2%
	Receivables and other assets	3616435	4595170	5643898	22.8%	5814325	3.0%	6281124	8.0%
	Interest	12115595	23906731	35718086	49.4%	40300999	12.8%	42026910	4.3%
Guarantees issued		46232449	7280524	10090738	38.6%	3454292	-65.8%	3237124	-6.3%
Collateral pledged	Total	3622574	2360597	2069188	-12.3%	2088587	0.9%	2071794	-0.8%
	Of which: government securities	1200050	230000		-100.0%				

Liabilities *AMD thousand*

Indicators		Currency	30.09.14[1]	Change 30.09.14-30.06.14	31.12.14[1]	Change 31.12.14-30.09.14	Change 31.12.14-31.12.13	
Correspondent accounts of banks		D	1604276	-39.6%	2064130	28.7%	694984	50.8%
		FX	2956742	-52.6%	7291487	146.6%	-1743470	-19.3%
Other liabilities to banks (including the CBA) and other financial organizations		D	305527927	6.8%	440243291	44.1%	131041708	42.4%
		FX	446463940	3.8%	660639677	48.0%	214308978	48.0%
Demand liabilities to legal entities		D	123644179	8.7%	106655816	-13.7%	-10696225	-9.1%
		FX	183936175	-10.6%	181473699	-1.3%	-52519150	-22.4%
Demand liabilities to individuals		D	80845465	2.1%	74461286	-7.9%	-6238838	-7.7%
		FX	103666613	-5.1%	109970677	6.1%	19878608	22.1%
Time deposits of legal entities		D	47148865	-3.6%	60004517	27.3%	11386448	23.4%
		FX	179161491	-8.9%	212413365	18.6%	3610913	1.7%
Time deposits of individuals		D	223074435	3.7%	197932350	-11.3%	3121794	1.6%
		FX	575937489	1.2%	661335644	14.8%	114448913	20.9%
Liabilities to the Government of Armenia		D	55773750	3.1%	48584207	-12.9%	-4266320	-8.1%
		FX	5583677	-7.5%	6386159	14.4%	-209799	-3.2%
Accrued interest payable		D	12404697	5.4%	11836223	-4.6%	1699817	16.8%
		FX	16760403	6.2%	18497078	10.4%	3545606	23.7%
Other liabilities		D	52367258	-5.8%	77577912	48.1%	-4478004	-5.5%
		FX	60703490	37.5%	64435402	6.1%	30515084	90.0%
Total balance sheet liabilities			**2477560873**	**1.1%**	**2941802920**	**18.7%**	**454101048**	**18.3%**
Paid-in statutory capital fund			285985117	1.1%	290107914	1.4%	27078163	10.3%
General reserve			26961466	0.4%	27335184	1.4%	4679866	20.7%
Own shares repurchased by bank			0		0			
Retained profit (loss)	Current period		25133865	35.8%	21195062	-15.7%	-16733820	-44.1%
	Previous period		112492187	-1.9%	108335132	-3.7%	10126041	10.3%
Total balance sheet capital			**481546499**	**1.8%**	**469119818**	**-2.6%**	**13087298**	**2.9%**
Collateral received			4096958556	1.1%	4366974222	6.6%	541335910	14.2%
of which: government securities			3493492	72.2%	3635784	4.1%	3008335	479.5%
Guarantees received			3810784656	4.2%	4403568003	15.6%	1027470448	30.4%
Written off the balance sheet	loans		84045816	10.4%	109067725	29.8%	42477056	63.8%
	Receivables and other assets		6922442	10.2%	9092870	31.4%	3448972	61.1%
	Interest		45883303	9.2%	55313693	20.6%	19595607	54.9%
Guarantees issued			6187113	91.1%	6239810	0.9%	-3850928	-38.2%
Collateral pledged	Total		1223322	-41.0%	1280478	4.7%	-788710	-38.1%
	Of which: government securities						0	#DIV/0!

D – Armenian dram *FX – foreign currency*

[1] *Including the "Pan-Armenian Bank" OJSC.*

Appendix 2. Trends in the Structure of Survey Balance Sheet Indicators of Commercial Banks Operating in Armenia *(in %)*

Assets

Indicators	Currency	31.12.11	31.12.12[1]	31.12.13[1]	Change 31.12.13-31.12.12	31.03.14[1]	Change 31.03.14-31.12.13	30.06.14[1]	Change 30.06.14-31.03.14	30.09.14[1]	Change 30.09.14-30.06.14	31.12.14[1]	Change 31.12.14-30.09.14	Change 31.12.14-31.12.13
Cash	D	-0.6	1.8	-0.3	1.9	0.1	1.9	0.0	1.9	0.0	-0.3	-0.6	1.8	-0.3
	FX	-0.5	1.8	0.1	1.7	-0.1	1.7	0.0	1.5	-0.2	-0.2	-0.5	1.8	0.1
Correspondent accounts with the CBA and other claims on the CBA	D	-1.1	6.2	-1.4	5.9	-0.4	6.0	0.1	9.8	3.8	2.2	-1.1	6.2	-1.4
	FX	4.0	7.2	-1.0	4.6	-2.6	4.1	-0.5	4.0	-0.1	-4.1	4.0	7.2	-1.0
Correspondent accounts with banks and other claims on banks	D	-0.2	0.9	0.3	1.1	0.2	1.7	0.5	0.1	-1.6	-0.6	-0.2	0.9	0.3
	FX	-2.0	5.3	0.3	5.8	0.5	4.9	-0.9	5.3	0.4	0.2	-2.0	5.3	0.3
Claims on other financial organizations	D	0.0	1.1	0.0	1.1	0.0	1.1	0.0	0.8	-0.3	-0.3	0.0	1.1	0.0
	FX	-0.3	0.4	0.1	0.4	0.1	0.3	-0.1	0.4	0.1	0.1	-0.3	0.4	0.1
Government securities		-1.1	7.6	-0.1	7.7	0.1	7.7	0.1	7.0	-0.7	-0.7	-1.1	7.6	-0.1
Repos (excluding interbank repos)	D	-0.1	0.6	0.1	0.5	0.0	0.6	0.0	0.4	-0.1	-0.1	-0.1	0.6	0.1
	FX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to legal entities	D	-1.3	5.6	-0.6	5.7	0.1	6.1	0.4	5.3	-0.8	-0.9	-1.3	5.6	-0.6
	FX	-9.8	28.5	0.6	29.1	0.7	29.1	-0.1	30.6	1.5	2.8	-9.8	28.5	0.6
Loans to individuals	D	-2.9	15.0	0.8	15.6	0.6	15.5	0.0	13.9	-1.6	-0.3	-2.9	15.0	0.8
	FX	-1.6	7.8	0.4	8.1	0.3	8.2	0.1	8.7	0.5	1.2	-1.6	7.8	0.4
Loans to the bank's related parties and staff	D	-0.3	0.7	0.0	0.7	0.0	0.7	0.0	0.7	-0.1	0.0	-0.3	0.7	0.0
	FX	-0.4	1.8	0.1	1.8	0.0	1.8	0.0	1.7	-0.2	0.0	-0.4	1.8	0.1
Asset loss reserves		0.2	-1.6	-0.1	-1.7	-0.1	-1.9	-0.2	-2.0	-0.1	-0.5	0.2	-1.6	-0.1
Accrued interest receivable	D	0.0	0.5	0.1	0.5	0.0	0.5	0.0	0.4	-0.1	0.0	0.0	0.5	0.1
	FX	-0.1	1.0	0.2	1.0	0.1	1.1	0.1	1.1	0.1	0.3	-0.1	1.0	0.2
Fixed assets		-1.0	2.9	0.0	2.9	0.0	2.8	0.0	2.6	-0.2	-0.2	-1.0	2.9	0.0
Other securities	D	0.2	0.6	0.1	0.7	0.1	0.6	0.0	0.7	0.0	0.2	0.2	0.6	0.1
	FX	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.1	0.0
Leasing and factoring (excluding interbank)	D	0.0	0.4	0.0	0.5	0.1	0.5	0.0	0.4	-0.1	0.0	0.0	0.4	0.0
	FX	0.1	0.3	0.0	0.2	0.0	0.3	0.0	0.4	0.1	0.1	0.1	0.3	0.0
Other assets		-1.0	3.6	0.2	4.0	0.4	4.5	0.5	4.4	-0.1	1.0	-1.0	3.6	0.2
Total balance sheet assets		**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**	**x**	**100.0**	**x**

Liabilities

Indicators		Currency	31.12.11	31.12.12[1]	31.12.13[1]	Change 31.12.13-31.12.12	31.03.14[1]	Change 31.03.14-31.12.13	30.06.14[1]	Change 30.06.14-31.03.14	30.09.14[1]	Change 30.09.14-30.06.14	31.12.14[1]	Change 31.12.14-30.09.14	Change 31.12.14-31.12.13
Correspondent accounts of banks		D	-0.1	0.0	0.0	0.1	0.1	0.1	0.0	0.1	0.0	0.0	-0.1	0.0	0.0
		FX	0.2	0.2	-0.2	0.3	0.1	0.1	-0.1	0.2	0.1	-0.1	0.2	0.2	-0.2
Other liabilities to banks (including the CBA) and other financial organizations		D	0.4	10.8	-1.6	11.7	0.9	12.3	0.7	15.0	2.6	2.5	0.4	10.8	-1.6
		FX	-5.8	17.8	-0.1	17.6	-0.3	18.0	0.5	22.5	4.4	4.5	-5.8	17.8	-0.1
Demand liabilities to legal entities		D	0.1	4.5	-0.3	4.6	0.2	5.0	0.3	3.6	-1.4	-1.1	0.1	4.5	-0.3
		FX	4.3	9.9	0.4	8.4	-1.5	7.4	-1.0	6.2	-1.3	-3.2	4.3	9.9	0.4
Demand liabilities to individuals		D	0.1	2.8	-0.4	3.2	0.4	3.3	0.0	2.5	-0.7	-0.7	0.1	2.8	-0.4
		FX	-0.6	4.0	0.4	4.5	0.5	4.2	-0.3	3.7	-0.4	0.1	-0.6	4.0	0.4
Time deposits of legal entities		D	0.4	2.3	0.4	2.0	-0.3	1.9	-0.1	2.0	0.1	0.1	0.4	2.3	0.4
		FX	1.0	8.5	0.2	8.0	-0.5	7.2	-0.8	7.2	0.0	-1.2	1.0	8.5	0.2
Time deposits of individuals		D	0.9	8.2	0.3	8.8	0.6	9.0	0.2	6.7	-2.3	-1.1	0.9	8.2	0.3
		FX	0.4	23.2	1.2	23.2	0.1	23.2	0.0	22.5	-0.8	0.5	0.4	23.2	1.2
Liabilities to the Government of Armenia		D	-0.7	2.1	0.0	2.2	0.1	2.3	0.0	1.7	-0.6	-0.5	-0.7	2.1	0.0
		FX	-0.2	0.3	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0	-0.2	0.3	0.0
Accrued interest payable		D	0.0	0.4	0.0	0.5	0.0	0.5	0.0	0.4	-0.1	0.0	0.0	0.4	0.0
		FX	-0.1	0.6	0.0	0.6	0.0	0.7	0.0	0.6	0.0	0.0	-0.1	0.6	0.0
Other liabilities		D	-0.2	3.0	-0.3	2.3	-0.7	2.1	-0.2	2.6	0.5	-0.7	-0.2	3.0	-0.3
		FX	-0.1	1.4	0.0	1.8	0.4	2.5	0.6	2.2	-0.3	0.8	-0.1	1.4	0.0
Total balance sheet liabilities			**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**	**x**	**100.0**	**x**
Paid-in statutory capital fund			-5.1	57.9	0.3	59.8	1.8	59.4	-0.4	61.8	2.5	4.2	-5.1	57.9	0.3
General reserve			0.0	4.9	-0.1	5.7	0.8	5.6	-0.1	5.8	0.2	0.9	0.0	4.9	-0.1
Own shares repurchased by bank			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained profit (loss)	Current period		-2.3	1.7	-6.6	3.9	2.2	5.2	1.3	4.5	-0.7	-3.8	-2.3	1.7	-6.6
	Previous period		5.1	28.9	7.4	24.2	-4.7	23.4	-0.9	23.1	-0.3	1.6	5.1	28.9	7.4%
Total balance sheet capital			**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**	**x**	**100.0**	**x**

D – Armenian dram FX – foreign currency
[1] Including the "Pan-Armenian Bank" OJSC.

Appendix 3. Change in the Regulatory Capital Accounts of Commercial Banks Operating in Armenia

AMD thousand

Indicators	At the start of the period	Change during the period	At the end of the period
Total capital	430780822	18416567	449197388
Tier-one capital	374088282	13898484	387986766
Statutory capital	255529750	27078163	282607914
Note: number of shares sold	6356868	675288	7032156
General reserve	22655318	4679866	27335185
Retained profit	136427832	-6655101	129772731
Deductions from tier-one capital, of which:	40524619	11204445	51729063
Long-term subordinate lending	0	0	0
Repurchased own shares of bank	0	0	0
Shares transferred to the bank's ownership as a result of collateral foreclosure under sub-paragraph 2(e) of paragraph 28.1 of Regulation 2	0	1256072	1256072
Intangible assets, "subject to the exceptions stipulated by Regulation 2"	1639579	-101236	1538343
Investments in the statutory capital of other banks, credit organizations, and "other entities stipulated by Regulation 2"	982073	392000	1374073
Tangible assets not used for banking and capital investments therein	25870194	11943516	37813709
Amount of balance sheet value of tier-one capital and balance sheet value of tangible assets used for banking and of capital investments therein, which exceed the limit stipulated by Regulation 2	5422375	-1590182	3832193
Capital investments in fixed assets leased by the bank	5757344	97795	5855139
Investments in the statutory capital of other commercial entities as per Paragraph 28.1 of Regulation 2	489715	-430181	59534
Supplementary capital	57911209	3299413	61210622
Revaluation reserve for buildings and premises necessary for the bank's operations	12777967	1758447	14536415
Reserve generated from the FX difference due to balance sheet consolidation	0	0	0
Long-term subordinate debt borrowed by the bank	29074287	16576221	45650508
Other reserves, "subject to the exceptions stipulated by Regulation 2"	16058955	-15035255	1023700

Appendix 4. Participation of Non-Residents in the Statutory Capital of the Armenian Banking System

Indicators	31.12.11	Change 31.12.12-31.12.11	31.12.12	Change 31.12.13-31.12.12	31.12.13[1]	Change 31.12.14-31.12.13	31.12.14[1]
Statutory capital *(AMD thousand)*	226085105	34713225	243005933	10055691	253061623	27078165	280139788
Of which: non-residents *(AMD thousand)*	169760826	18747478	178241995	10629101	188871096	-2515685	186355411
share of non-residents *(%)*	75.09%	-3.82%	73.35%	1.29%	74.63%	-8.11%	66.52%

[1] *Including the "Pan-Armenian Bank" OJSC.*

Appendix 5. Income and Expense of Banks Operating in Armenia

AMD thousand

Indicators	31.12.11	31.12.12	31.12.13	Change 31.12.13-31.12.12	31.03.14	30.06.14	30.09.14	31.12.14 [1]	Change 31.12.14-31.12.13
	1	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**
From correspondent accounts	133670	150398	212569	41.3%	28775	61797	94904	148877	-30.0%
From funds held with the Central Bank of Armenia	699027	1322218	576989	-56.4%	166766	356300	422864	443618	-23.1%
Interest from funds held with commercial banks and other financial organizations	3198372	5039993	4805082	-4.7%	812682	1759383	2686802	3930742	-18.2%
From loans to the economy	137026369	156561502	171084589	9.3%	45148400	92250927	139961343	190308915	11.2%
Interest from overdraft	2248059	22202644	28075331	26.5%	6443696	13110882	19769639	26366947	-6.1%
Interest from credit cards	6960846	10435562	16274242	55.9%	4691512	9530445	14634485	20387398	25.3%
Interest from government securities	13370230	17060909	20922268	22.6%	5604338	11198027	16734436	22483404	7.5%
From repos	3641804	4133907	4110361	-0.6%	1014552	2155649	3275327	4618302	12.4%
Other interest income	8205410	9109733	8894997	-2.4%	2202662	4691809	7263382	10124358	13.8%
Total interest income	**175483787**	**226016866**	**254956428**	**12.8%**	**66113383**	**135115219**	**204843182**	**278812561**	**9.4%**

[1] *Including the "Pan-Armenian Bank" OJSC.*

	1	2	3	4	5	6	7	8	9
Interest paid against correspondent accounts	84151	1023847	71305	-93.0%	3475	64485	85650	108472	52.1%
Interest paid against bank accounts and demand deposits	3496244	4094127	4379589	7.0%	1261018	2474593	3689067	5071225	15.8%
Interest paid against funds attracted from the Central Bank of Armenia	6513908	9434663	12568876	33.2%	2896907	5379226	7648234	12127587	-3.5%
Repos	1002955	960661	276904	-71.2%	79438	316909	530452	715111	158.3%
Interest paid against funds attracted from commercial banks and other financial organizations	16732500	23893853	25178013	5.4%	6049292	12696620	19103935	27578902	9.5%
Interest paid against time deposits	36931825	53693135	73009943	36.0%	20725371	42227256	63765352	85514302	17.1%
Interest paid against funds attracted from international financial institutions	5374980	8374721	9589359	14.5%	2356518	4621641	6868603	9522515	-0.7%
Interest expense on deposit insurance	968713	1165338	1485617	27.5%	414524	849477	1293696	1757274	18.3%
Other interest expense	10357372	8524956	8560061	0.4%	1710261	3479024	5346378	7450893	-13.0%
Total interest expense	**81462648**	**111165301**	**135119667**	**21.5%**	**35496804**	**72109231**	**108331367**	**149846281**	**10.9%**
Net interest income	***94021139***	***114851565***	***119836761***	***4.3%***	***30616579***	***63005988***	***96511815***	***128966280***	***7.6%***
Commissions received	23011093	25344952	30934726	22.1%	8078188	16957990	26447720	37010981	19.6%
Income from guarantees, acceptance and L/C operations, and trust management	1478961	1425614	1477896	3.7%	384068	758340	1239072	1816802	22.9%
Net income from derivatives	-315863	794039	1004975	26.6%	366635	1096056	139104	-3643547	-462.6%
Net income from factoring	3218649	910729	1633271	79.3%	662595	1433905	2298297	3256751	99.4%
Income from investments in other organizations	419402	22574	16310	-27.7%	1923	3843	6871	9350	-42.7%
Net income from sale of securities	2197732	5362621	1041462	-80.6%	1132688	1571202	2137094	2626560	152.2%
Net income from sale of FX purchase and sale	13685861	14573091	14812439	1.6%	3119316	6475880	10264805	18170015	22.7%
Positive (negative) exchange rate difference from FX revaluation	51866	-1702457	-477368	-72.0%	-423839	-1161033	141781	3892454	-915.4%
Net income from sale of fixed assets	83838	-394459	-586035	48.6%	2770	-90303	-109226	-285216	-51.3%
Net income from revaluation of fixed assets	-309351	-1082	-11299	944.3%	-25449	-25449	-28936	-56114	396.6%
Fines and penalties received	4622126	9663900	13525483	40.0%	3959127	8227715	11087900	15545798	14.9%
Other non-interest income	441164	651054	4013318	516.4%	947807	1825736	2627364	3701689	-7.8%
Total non-interest income	**48585478**	**56650576**	**67385178**	**18.9%**	**18205829**	**37073882**	**56251846**	**82045523**	**21.8%**
Accrued wages and related payments (other reimbursement paid and financing of social requirements)	35182735	40487542	50885134	25.7%	13342604	28179248	41744682	56016867	10.1%
Costs of business travel	777202	772278	720805	-6.7%	102187	300082	467265	708610	-1.7%
Contributions to the Republic of Armenia State Fund for Social Insurance	3286875	3713775	249544	-93.3%	3613	5626	7889	10715	-95.7%
Taxes, duties, and other mandatory payments	2315297	2803004	3445912	22.9%	721567	1581124	2474490	3420416	-0.7%
Depreciations provisions	9370246	10947372	11812655	7.9%	2945864	5922923	9055858	12157203	2.9%
Leasing of bank premises and other fixed assets	4530357	5422979	6127521	13.0%	1626883	3300636	4968069	6708680	9.5%
Advertisement and representation expense	3923117	4195149	4426527	5.5%	1074893	2122769	3076295	4538785	2.5%
Office and printing expense	1028696	1135304	1145566	0.9%	272210	570589	822987	1160953	1.3%
Audit and consulting services expense	1085636	1107752	1254944	13.3%	312562	558180	826926	1263534	0.7%
Bank hardware O&M expense	1144741	1362246	1606289	17.9%	420086	863188	1312350	1817746	13.2%

	1	2	3	4	5	6	7	8	9
Transport expense	648485	758748	744333	-1.9%	164296	330861	497177	702603	-5.6%
Transport and communications expense	2130966	2149034	2151365	0.1%	489593	1017152	1525222	2059874	-4.3%
Fines and penalties paid	61041	66744	137681	106.3%	10761	22142	45688	97167	-29.4%
Training expense	455537	463375	410614	-11.4%	78477	182208	281371	447066	8.9%
Other non-interest expense	15651025	21800507	21607984	-0.9%	5575243	10985279	16977405	23579650	9.1%
Total non-interest expense	**81591956**	**97145781**	**106726874**	**9.9%**	**27140839**	**55942007**	**84083674**	**114689869**	**7.5%**
Net non-interest expense	***-33006478***	***-40495205***	***-39341696***	***-2.8%***	***-8935010***	***-18868125***	***-27831828***	***-32644346***	***-17.0%***
General reserve for possible losses of loans and receivables	22682915	26274761	29986311	14.1%	7675502	14845300	27213957	42611434	42.1%
Special reserve for possible losses of loans and receivables	56614484	117128015	176926241	51.1%	54784643	112407344	176137189	259306538	46.6%
Reserve for possible securities losses	2965	1127	9425	736.3%	1105	1105	41366	45195	379.5%
Reserves for bank guarantees and other contingent liabilities	7082870	6475770	16077458	148.3%	1306296	2831666	5016142	7593758	-52.8%
Total provisions	**86383234**	**149879673**	**222999435**	**48.8%**	**63767546**	**130085415**	**208408654**	**309556925**	**38.8%**
From the general reserve for possible losses of loans and receivables	19427960	20948954	28770603	37.3%	6857298	14351009	27893149	59408025	106.5%
From the special reserve for possible losses of loans and receivables	42116618	102382190	147215698	43.8%	44105101	92643476	139475062	176227477	19.7%
From the reserve for possible securities losses	21175	25125	14697	-41.5%	75	1560	25533	61331	317.3%
From reserves for bank guarantees and other contingent liabilities	6663042	6656016	15841747	138.0%	1418403	2798163	4846094	7141123	-54.9%
Total recoveries	**68228795**	**130012285**	**191842745**	**47.6%**	**52380877**	**109794208**	**172239838**	**242837956**	**26.6%**
Net provisions	***18154439***	***19867388***	***31156690***	***56.8%***	***11386669***	***20291207***	***36168816***	***66718969***	***114.1%***
Pre-tax profit	**42851751**	**54488972**	**49338375**	**-9.5%**	**10294900**	**23846656**	**32511171**	**29602965**	**-40.0%**
Profit tax	9668299	12064810	11157087	-7.5%	2611316	5521898	7668135	8417381	-24.6%
Net profit	**33183452**	**42424162**	**38181288**	**-10.0%**	**7683584**	**18324758**	**24843036**	**21185584**	**-44.5%**
Accrued dividends	196070	0	340460	0.0%	0	0	0	0	100.0%
Retained profit	**32987382**	**42424162**	**37840828**	**-10.8%**	**7683584**	**18324758**	**24843036**	**21185584**	**-44.0%**

Appendix 6. Armenian Banking System: Return on Assets and Return on Equity

%

Indicators	2010	2011	2012	2013	2014
Return on Assets					
Banking system	2.10	1.80	1.90	1.44	0.71
Minimum (profitable banks)	0.42	0.26	0.18	0.27	0.48
Maximum (profitable banks)	4.24	5.16	3.82	3.71	3.10
Return on equity					
Banking system	10.30	9.79	11.40	9.07	4.47
Minimum (profitable banks)	2.64	0.91	0.86	1.14	0.65
Maximum (profitable banks)	24.30	24.34	25.87	22.84	18.73

Appendix 7. Loan Investments by the Armenian Banking System

AMD thousand

Indicators	2012					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	208813062	255877525	377459448	813554966	586272509	1069432491
1.1. Time assets	177013000	224982866	377043584	806508018	554056584	1031490883
of which: loans	142681543	186454930	374472155	793412701	517153698	979867630
deposits, factoring, leasing, and repos	8930472	37173834	900000	9510139	9830472	46683973
1.2. Prolonged asses	27945287	26300573	239075	7046948	28184361	33347521
of which: loans	11330006	21847472	239075	7046948	11569080	28894420
deposits, factoring, leasing, and repos	2738215	4439380	0	0	2738215	4439380
1.3. Overdue assets	3854775	4594086	176789	0	4031564	4594086
of which: loans	3715412	4594086	176789	0	3892201	4594086
deposits, factoring, leasing, and repos	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, and repos with non-residents	11973289	23369934	701606	20038310	12674895	43408244
2.1. Time assets	11951755	23213295	690506	20038310	12642261	43251605
2.2. Prolonged asses	11428	13721	11100	0	22528	13721
2.3. Overdue assets	10106	142918	0	0	10106	142918
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	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	3182162	16206830	23239013	63668182	26421176	79875012
Light industry	236116	1275786	3661015	7647144	3897131	8922930
Chemical	163722	107951	600021	7394025	763743	7501976
Construction materials	715054	1954808	5634386	21934541	6349440	23889349
Precious items	16848	353054	243567	3470440	260415	3823494
Metal industry	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 the economy	4174210	23310860	8435842	49114490	12610051	72425350

Appendix 7. *(continued)*

AMD thousand

Indicators	2013					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	229351789	227553533	464247374	900519915	693599163	1128073448
1.1. Time assets	185774004	183620866	458543054	872756025	644317059	1056376891
of which: loans	136639575	158978600	451253846	863891284	587893421	1022869884
deposits, factoring, leasing, and repos	15488038	19748749	1000000	5729665	16488038	25478414
1.2. Prolonged asses	37417264	29862398	5238897	27140437	42656161	57002835
of which: loans	24111474	27225737	5238897	27140437	29350371	54366174
deposits, factoring, leasing, and repos	498299	2636660	0	0	498299	2636660
1.3. Overdue assets	6160520	14070270	465423	623453	6625943	14693723
of which: loans	6098758	14069807	465423	623453	6564181	14693260
deposits, factoring, leasing, and repos	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, and repos with non-residents	12740283	23144260	609434	22779254	13349717	45923514
2.1. Time assets	9819208	21294897	600262	22779254	10419470	44074151
2.2. Prolonged asses	2886989	770645	9171	0	2896160	770645
2.3. Overdue assets	34086	1078718	0	0	34086	1078718
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	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	2185194	15175121	20252077	67633402	22437270	82808523
Light industry	230247	732403	2915336	13364603	3145583	14097006
Chemical	13192	200464	634228	7088453	647420	7288917
Construction materials	611846	1410062	5284584	23074585	5896430	24484647
Precious items	4590	535312	267562	1360110	272152	1895422
Metal industry	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 the economy	3457226	9172791	12097589	83569787	15554815	92742578

Appendix 7. *(continued)*

AMD thousand

Indicators	2014					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	159671504	324378464	577477446	1163783094	737148950	1488161558
1.1. Time assets	119786176	290379522	552589630	1106346365	672375806	1396725887
of which: loans	102539538	215104711	542506721	1101188312	645046259	1316293023
deposits, factoring, leasing, and repos	1363309	66411818	750000	1899880	2113309	68311698
1.2. Prolonged asses	32672106	20845172	24022936	46137475	56695042	66982647
of which: loans	4851273	20845172	24022936	46137475	28874209	66982647
deposits, factoring, leasing, and repos	407711	0	0	0	407711	0
1.3. Overdue assets	7213222	13153770	864880	11299253	8078102	24453023
of which: loans	7165673	13152806	864880	11299253	8030553	24452059
deposits, factoring, leasing, and repos	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, and repos with non-residents	14891684	54519384	985821	28726322	15877505	83245706
2.1. Time assets	115036	50609357	976458	27543087	1091494	78152444
2.2. Prolonged asses	14769257	3324790	9363	0	14778620	3324790
2.3. Overdue assets	7391	585237	0	1183235	7391	1768472
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	132932648	235214624	588338797	1169701228	721271445	1404915852
3.1. Industry	12392799	66544888	58369033	293425874	70761832	359970762
Mining	2148205	22838280	5051235	34989617	7199440	57827897
Energy	7260317	22594207	20697850	98250788	27958167	120844995
Food	1425747	12851389	20325937	88560325	21751684	101411715
Light industry	32252	495713	3286481	15068409	3318733	15564123
Chemical	67680	63452	1028323	8376549	1096003	8440001
Construction materials	1012771	1160125	4288016	21939632	5300787	23099758
Precious items	0	102406	185152	3483127	185152	3585533
Metal industry	0	3807946	118	4062105	118	7870051
Machine-building and electrical	193072	171853	685357	4515113	878428	4686966
Other branches of industry	252756	2459517	2820565	14180208	3073321	16639725
3.2. Agriculture	265312	12298893	47728176	67973375	47993488	80272268
3.3. Construction	1832255	2948246	23617100	95796695	25449355	98744941
3.4. Transport and communications	855480	1930368	9187914	32884371	10043394	34814739
3.5. Trade	12942789	54236105	64417653	254671715	77360443	308907819
3.6. Public catering and other services	1011330	2087307	14928573	116705662	15939903	118792969
3.7. Financial sector	25605261	72638304	3640729	9949201	29245990	82587505
3.8. Consumer loans	74673040	5596556	278710742	92539586	353383783	98136142
3.9. Mortgage loans	10500	15386	72108818	100297646	72119318	100313032
3.10. Other sectors of the economy	3343881	16918571	15630058	105457105	18973939	122375676

Appendix 8. Loan Investments by the Armenian Banking System

%

Indicators	2012					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (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
of which: loans	8.3	7.7	27.5	41.7	35.8	49.3
deposits, factoring, leasing, and repos	1.7	4.8	0.0	1.0	1.7	5.8
1.2. Prolonged asses	2.7	1.8	0.0	0.5	2.7	2.4
of which: loans	0.2	1.0	0.0	0.5	0.2	1.5
deposits, factoring, leasing, and repos	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
of which: loans	0.2	0.2	0.0	0.0	0.2	0.2
deposits, factoring, leasing, and repos	0.0	0.0	0.0	0.0	0.0	0.0
2. Loans, deposits, factoring, leasing, and repos 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 asses	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, and repos with residents, of which:	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	0.2	0.7	1.9	4.9	2.1	5.6
Light industry	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
Construction 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
Metal industry	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 the economy	0.4	0.5	1.1	3.0	1.5	3.5

Appendix 8. *(continued)*

%

Indicators	2013					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (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
of which: loans	8.6	11.3	22.6	47.9	31.2	59.2
deposits, factoring, leasing, and repos	0.5	2.2	0.1	0.6	0.6	2.8
1.2. Prolonged asses	1.7	1.6	0.0	0.4	1.7	2.0
of which: loans	0.7	1.3	0.0	0.4	0.7	1.7
deposits, factoring, leasing, and repos	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
of which: loans	0.2	0.3	0.0	0.0	0.2	0.3
deposits, factoring, leasing, and repos	0.0	0.0	0.0	0.0	0.0	0.0
2. Loans, deposits, factoring, leasing, and repos 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 asses	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, and repos with residents, of which:	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	0.2	1.0	1.4	3.8	1.6	4.8
Light industry	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
Construction 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
Metal industry	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 the economy	0.3	1.4	0.5	3.0	0.8	4.4

Appendix 8. *(continued)*

%

Indicators	2014					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	7.2	14.6	26.0	52.3	33.1	66.9
1.1. Time assets	5.4	13.0	24.8	49.7	30.2	62.8
of which: loans	4.6	9.7	24.4	49.5	29.0	59.2
deposits, factoring, leasing, and repos	0.1	3.0	0.0	0.1	0.1	3.1
1.2. Prolonged asses	1.5	0.9	1.1	2.1	2.5	3.0
of which: loans	0.2	0.9	1.1	2.1	1.3	3.0
deposits, factoring, leasing, and repos	0.0	0.0	0.0	0.0	0.0	0.0
1.3. Overdue assets	0.3	0.6	0.0	0.5	0.4	1.1
of which: loans	0.3	0.6	0.0	0.5	0.4	1.1
deposits, factoring, leasing, and repos	0.0	0.0	0.0	0.0	0.0	0.0
2. Loans, deposits, factoring, leasing, and repos with non-residents	0.7	2.4	0.0	1.3	0.7	3.7
2.1. Time assets	0.0	2.3	0.0	1.2	0.0	3.5
2.2. Prolonged asses	0.7	0.1	0.0	0.0	0.7	0.1
2.3. Overdue assets	0.0	0.0	0.0	0.1	0.0	0.1
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	6.0	10.6	26.4	52.6	32.4	63.1
3.1. Industry	0.6	3.0	2.6	13.2	3.2	16.2
Mining	0.1	1.0	0.2	1.6	0.3	2.6
Energy	0.3	1.0	0.9	4.4	1.3	5.4
Food	0.1	0.6	0.9	4.0	1.0	4.6
Light industry	0.0	0.0	0.1	0.7	0.1	0.7
Chemical	0.0	0.0	0.0	0.4	0.0	0.4
Construction materials	0.0	0.1	0.2	1.0	0.2	1.0
Precious items	0.0	0.0	0.0	0.2	0.0	0.2
Metal industry	0.0	0.2	0.0	0.2	0.0	0.4
Machine-building and electrical	0.0	0.0	0.0	0.2	0.0	0.2
Other branches of industry	0.0	0.1	0.1	0.6	0.1	0.7
3.2. Agriculture	0.0	0.6	2.1	3.1	2.2	3.6
3.3. Construction	0.1	0.1	1.1	4.3	1.1	4.4
3.4. Transport and communications	0.0	0.1	0.4	1.5	0.5	1.6
3.5. Trade	0.6	2.4	2.9	11.4	3.5	13.9
3.6. Public catering and other services	0.0	0.1	0.7	5.2	0.7	5.3
3.7. Financial sector	1.2	3.3	0.2	0.4	1.3	3.7
3.8. Consumer loans	3.4	0.3	12.5	4.2	15.9	4.4
3.9. Mortgage loans	0.0	0.0	3.2	4.5	3.2	4.5
3.10. Other sectors of the economy	0.2	0.8	0.7	4.7	0.9	5.5

Appendix 9. Distribution of Loan Investments of Commercial Banks

%

On 31.12.2014	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9	Bank 10	Bank 11
Commercial bank lending, by sectors of the 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	4.7	8.0	3.3	7.7	1.8	4.1	19.1	0.9	2.8	1.8	6.7
Light industry	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
Construction materials	0.9	0.7	1.0	6.7	1.5	1.1	1.2	0.9	1.0	0.3	1.5
Precious items	0.0	0.4	0.7	0.0	0.0	0.0	2.2	0.4	0.0	0.3	0.2
Metal industry	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
Livestock	2.2	0.6	0.1	0.1	1.2	1.3	0.1	0.0	0.7	0.8	0.5
Plant cultivation	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 communications	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. Public 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
Of which: 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 loans	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 the 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 commercial banks in lending, by sectors											
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	4.6	2.9	2.0	12.9	3.7	1.6	6.1	0.1	1.2	1.3	5.6
Light industry	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
Construction materials	3.0	0.8	2.1	39.0	10.7	1.6	1.4	0.2	1.5	0.8	4.4
Precious items	0.0	6.5	20.1	0.0	0.0	0.0	34.4	1.4	0.2	12.0	9.8
Metal industry	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
Livestock	4.9	0.5	0.2	0.4	5.8	1.2	0.1	0.0	0.6	1.3	1.0
Plant cultivation	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 communications	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. Public 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
Of which: 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 loans	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 the 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**

%

On 31.12.2014	Bank 12	Bank 13	Bank 14	Bank 15	Bank 16	Bank 17	Bank 18	Bank 19	Bank 20	Bank 21	Total, by sectors
Commercial bank lending, by sectors of the 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	0.0	5.7	16.1	9.6	2.5	6.0	5.4	1.7	7.3	1.4	6.0
Light industry	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
Construction materials	2.5	0.3	0.0	1.6	0.4	4.6	0.5	0.2	2.2	3.3	1.7
Precious items	0.0	0.0	0.0	0.1	0.0	0.1	0.0	0.0	0.1	0.2	0.1
Metal industry	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
Livestock	0.9	3.9	0.0	14.7	1.8	6.0	0.4	0.8	1.8	8.2	2.6
Plant cultivation	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 communications	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. Public 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
Of which: 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 loans	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 the 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 commercial banks in lending, by sectors											
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	0.0	1.6	22.8	15.5	1.6	5.3	5.7	2.9	2.0	0.6	100.0
Light industry	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
Construction materials	0.5	0.3	0.0	9.0	0.8	14.0	1.7	1.3	2.1	4.9	100.0
Precious items	0.0	0.0	0.0	6.7	0.1	2.9	0.9	0.0	1.3	3.7	100.0
Metal industry	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
Livestock	0.1	2.5	0.1	53.8	2.6	11.9	1.0	3.2	1.1	7.8	100.0
Plant cultivation	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 communications	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. Public 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
Of which: 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 loans	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 the 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**

Appendix 10. Non-Performing and Written-off Loans and Receivables of Commercial Banks Operating in Armenia

AMD thousand

Indicators	Non-Performing Assets		Off-Balance Sheet	
	AMD	FX	AMD	FX
2012				
Non-performing assets and off-balance sheet assets (total)	17814975	41462044	32577752	44773477
1. Non-performing assets and off-balance sheet assets of residents (total)	17772829	41242623	32302272	44383993
1.1. Industry	800156	13633986	2703626	8794769
Mining	7540	341191	82238	115626
Energy	15953	1475009	0	94199
Food	325157	9566312	1663656	4296065
Light industry	60037	49857	445990	900618
Chemical	29619	0	20748	36987
Construction materials	185738	760536	169266	497964
Precious items	58731	1114675	20533	770386
Metal industry	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 communications	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 the economy	629591	2125803	3765490	3263292
2. Non-performing assets and off-balance sheet assets of non-residents (total)	42146	219421	275480	389484
2013				
Non-performing assets and off-balance sheet assets (total)	29525974	51830635	40633039	67332186
1. Non-performing assets and off-balance sheet assets of residents (total)	29452169	50314534	40279471	66858922
1.1. Industry	1034536	12207015	2890834	12973343
Mining	112186	104367	78707	250996
Energy	8148	635985	0	94097
Food	230397	9037624	1766794	7382821
Light industry	437529	229301	475766	801415
Chemical	2188	0	22030	37176

Construction materials	67353	602913	180378	1033872
Precious items	1848	68241	90615	1607233
Metal industry	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 communications	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 the economy	977584	2879025	4411667	5301917
2. Non-performing assets and off-balance sheet assets of non-residents (total)	73805	1516101	353568	473264
2014				
Non-performing assets and off-balance sheet assets (total)	37918528	113540504	61270819	112173840
1. Non-performing assets and off-balance sheet assets of residents (total)	37864417	108566237	61074566	111024605
1.1. Industry	1256386	24877531	3783890	28712559
Mining	71893	442137	78735	196985
Energy	15026	3502537	5291	2246866
Food	364651	18508392	2525794	12400949
Light industry	463916	781231	481530	1328486
Chemical	39269	44227	56534	0
Construction materials	98801	1100742	197950	2281300
Precious items	520	5112	113410	1328606
Metal industry	0	0	0	0
Machine-building and electrical	21374	203597	21642	3106245
Other branches of industry	180937	289557	303005	5823121
1.2. Agriculture	1904601	5046182	1159945	19954788
1.3. Construction	1088855	20289040	1419488	6236455
1.4. Transport and communications	54247	293632	334480	3630864
1.5. Trade	2716998	23320820	6287805	23107260
1.6. Public catering and other services	3032243	9628060	1004754	2918685
1.7. Financial sector	212664	0	65339	695908
1.8. Consumer loans	23599974	7050561	34762919	11058102
1.9. Mortgage loans	2617470	7152918	6082987	6453757
1.10. Other sectors of the economy	1380978	10907492	6172958	8256228
2. Non-performing assets and off-balance sheet assets of non-residents (total)	54111	4974267	196253	1149235

Appendix 11. Accrued Provisions against Loans, Receivables, and Off-Balance Sheet Risk Items *(AMD thousand)*

Loans	Loan Investments	Share	Provision for loans made	
			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	Provision for loans made	
			Balance	% of total
31.12.13				
1. Standard	1712712238	95.6%	19736063	1.15%
2. Watched	41364295	2.3%	4684593	11.33%
3. Sub-standard	19533781	1.1%	4437335	22.72%
4. Doubtful	18787163	1.0%	10594634	56.39%
Total	**1792397477**	**100.0%**	**39452625**	**2.20%**

Loans	Loan Investments	Share	Provision for loans made	
			Balance	% of total
31.12.14				
1. Standard	2055986812	93.21%	24009434	1.17%
2. Watched	72683430	3.30%	8452878	11.63%
3. Sub-standard	44337438	2.01%	10449209	23.57%
4. Doubtful	32851515	1.49%	18996554	57.83%
Total	**2205859194**	**100%**	**61908075**	**2.81%**

Receivables	Receivables	Share	Provision for 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	Provision for 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%**

Receivables	Receivables	Share	Provision for receivables	
			Balance	% of total
31.12.14				
1. Standard	148927972	98.95%	1751432	1.18%
2. Watched	648753	0.43%	65959	10.17%
3. Sub-standard	723871	0.48%	146846	20.29%
4. Doubtful	215070	0.14%	109523	50.92%
Total	**150515666**	**100%**	**2073760**	**1.38%**

Off-balance sheet items	Off-balance sheet items	Share	Provision for off-balance sheet items	
			Balance	% of total
31.12.12				
1. Standard	212976319	99.61%	1788537	0.84%
2. Watched	632309	0.30%	66825	10.57%
3. 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	Provision for off-balance sheet 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%**

Off-balance sheet items	Off-balance sheet items	Share	Provision for off-balance sheet items	
			Balance	% of total
31.12.14				
1. Standard	219580683	99.10%	2262251	1.03%
2. Watched	1516461	0.68%	224056	14.77%
3. Sub-standard	302320	0.14%	69428	22.97%
4. Doubtful	59655	0.03%	30294	50.78%
5. Written-off	109606	0.05%	109606	100.00%
Total	**221568724**	**100%**	**2695635**	**1.22%**

Appendix 12. Main Prudential Indicators of Commercial Banks Operating in Armenia

Indicators	31.12.13	31.03.14	30.06.14	30.09.14	31.12.14
Total capital adequacy	16.7%	16.4%	16.2%	16.3%	14.5%
Total liquidity	29.4%	29.6%	27.5%	26.7%	25.1%
Current liquidity	143.1%	145.6%	135.1%	133.2%	129.4%
Single borrower exposure[1]	17.1%	16.9%	16.0%	15.2%	16.8%
Large borrowers exposure[1]	113.4%	106.6%	94.0%	98.5%	126.0%
Maximum exposure to a single bank-related party[1]	2.7%	3.2%	2.8%	2.6%	2.3%
Maximum exposure to all bank-related parties[1]	9.0%	9.6%	8.7%	8.2%	10.1%

[1] *Median.*

Appendix 13. Survey Balance Sheet Indicators of Credit Organizations Operating in Armenia

Indicators			31.12.2011	31.12.2012	31.12.2013	Change 31.12.13-31.12.12	31.03.2014	Change 31.03.14-31.12.13
Assets	Cash		1192897	312354	830360	165.8%	977443	17.7%
	Current accounts with banks		4702861	3770851	7058990	87.2%	5561264	-21.2%
	Claims on banks and other financial organizations		31910202	44684212	58724075	31.4%	61507681	4.7%
	Government securities		1751616	2502413	3506126	40.1%	3310055	-5.6%
	Loans to legal entities		16575147	23551649	23859349	1.3%	27410290	14.9%
	Loans to individuals		55836609	77864195	98981067	27.1%	105507749	6.6%
	Loans to related parties and employees		2254304	3495946	4156192	18.9%	4042904	-2.7%
	Fixed assets		3259486	2711286	3296802	21.6%	3329705	1.0%
	Leasing and factoring		6121636	8331996	8677821	4.2%	8768589	1.0%
	Other securities		114876	29865	124341	316.3%	5006434	3926.4%
	Other assets		3527589	5755477	626476	-89.1%	6163927	883.9%
	Accrued interest receivable		795033	1193396	1634827	37.0%	1984109	21.4%
	Reserve for possible asset losses		-4191281	-5672867	-6817310	20.2%	-7498045	10.0%
	Total assets		**123850974**	**168530773**	**209841599**	**24.5%**	**226072105**	**7.7%**
Liabilities	Demand liabilities		315542	680804	877356	28.9%	553420	-36.9%
	Liabilities to banks and other financial organizations		39492154	62489606	78392713	25.4%	83329155	6.3%
	Time liabilities of individuals		4029012	7989836	10033564	25.6%	10562001	5.3%
	Time liabilities of legal entities[1]		28084080	27833807	36019155	29.4%	38156904	5.9%
	Interest payable		1051203	2218664	2042968	-7.9%	2220359	8.7%
	Other liabilities		4034466	4441113	4877411	9.8%	4990083	2.3%
	Total liabilities		**77006457**	**105653830**	**132243167**	**25.2%**	**139811922**	**5.7%**
Capital	Paid-in statutory capital		37092773	50300238	60782552	21%	68329411	12.4%
	of which: share of non-residents		13704211	16053990	18230530	14%	18422342	1.1%
	General reserve		982613	1485912	1840361	24%	1850101	0.5%
	Capital bought back by credit organizations		0	0	0		0	
	Retained profit (loss)	Current period	2766763	4645344	5746469	24%	2998820	-47.8%
		Previous period	5904156	6336255	8419572	33%	12437901	47.7%
	Total balance sheet capital		**46844518**	**62877084**	**77598432**	**23.4%**	**86260182**	**11.2%**
	NB: total number of credit organizations		**32**	**32**	**33**		**33**	

Indicators			30.06.2013	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		1195607	22.3%	1426932	19.3%	1601651	12.2%	92.9%
	Current accounts with banks		7192785	29.3%	6973742	-3.0%	6249108	-10.4%	-11.5%
	Claims on banks and other financial organizations		69782679	13.5%	76054775	9.0%	81981836	7.8%	39.6%
	Government securities		3817539	15.3%	3478586	-8.9%	2636979	-24.2%	-24.8%
	Loans to legal entities		26826150	-2.1%	26691275	-0.5%	27971306	4.8%	17.2%
	Loans to individuals		109123700	3.4%	111485853	2.2%	123789453	11.0%	25.1%
	Loans to related parties and employees		3177861	-21.4%	3402111	7.1%	4029154	18.4%	-3.1%
	Fixed assets		4213283	26.5%	4539685	7.7%	4616986	1.7%	40.0%
	Leasing and factoring		8719719	-0.6%	8731461	0.1%	10053994	15.1%	15.9%
	Other securities		6464185	29.1%	6045945	-6.5%	5567236	-7.9%	4377.4%
	Other assets		7072822	14.7%	6252963	-11.6%	5707418	-8.7%	811.0%
	Accrued interest receivable		2180818	9.9%	2111685	-3.2%	2111685	0.0%	29.2%
	Reserve for possible asset losses		-7583635	1.1%	-6991046	-7.8%	-7159927	2.4%	5.0%
	Total assets		**242183513**	**7.1%**	**250228862**	**3.3%**	**269156880**	**7.6%**	**28.3%**
Liabilities	Demand liabilities		551624	-0.3%	553397	0.3%	520731	-5.9%	-40.6%
	Liabilities to banks and other financial organizations		85510954	2.6%	83979774	-1.8%	90721813	8.0%	15.7%
	Time liabilities of individuals		14769218	39.8%	18320111	24.0%	20935073	14.3%	108.7%
	Time liabilities of legal entities[1]		35359223	-7.3%	34944399	-1.2%	36989793	5.9%	2.7%
	Interest payable		2044804	-7.9%	2886206	41.1%	2843221	-1.5%	39.2%
	Other liabilities		7583362	52.0%	7740850	2.1%	7498109	-3.1%	53.7%
	Total liabilities		**145819185**	**4.3%**	**148424737**	**1.8%**	**159508741**	**7.5%**	**20.6%**
Capital	Paid-in statutory capital		77835041	13.9%	80779127	3.8%	86178554	6.7%	41.8%
	of which: share of non-residents		18846592		19149741	1.6%	19169490		5.2%
	General reserve		2185647	18.1%	2190618	0.2%	2190620	0.0%	19.0%
	Capital bought back by credit organizations		0		0		0		
	Retained profit (loss)	Current period	3878707	29.3%	6578463	69.6%	9861001	49.9%	71.6%
		Previous period	11797463	-5.1%	11592535	-1.7%	11580066	-0.1%	37.5%
	Total balance sheet capital		**96364328**	**11.7%**	**101804126**	**5.6%**	**109648139**	**7.7%**	**41.3%**
	NB: total number of credit organizations		**33**		**32**		**32**		

[1] *Including liabilities to the Government.*

Appendix 14. Structure of Survey Balance Sheet Indicators of Credit Organizations Operating in Armenia

Indicators			31.12.2011	31.12.2012	31.12.2013	Change 31.12.13-31.12.12	31.03.2014	Change 31.03.14-31.12.13
Assets	Cash		1.0%	0.2%	0.4%	0.2%	0.4%	0.0%
	Current accounts with banks		3.8%	2.2%	3.4%	1.1%	2.5%	-0.9%
	Claims on banks and other financial organizations		25.8%	26.5%	28.0%	1.5%	27.2%	-0.8%
	Government securities		1.4%	1.5%	1.7%	0.2%	1.5%	-0.2%
	Loans to legal entities		13.4%	14.0%	11.4%	-2.6%	12.1%	0.8%
	Loans to individuals		45.1%	46.2%	47.2%	1.0%	46.7%	-0.5%
	Loans to related parties and employees		1.8%	2.1%	2.0%	-0.1%	1.8%	-0.2%
	Fixed assets		2.6%	1.6%	1.6%	0.0%	1.5%	-0.1%
	Leasing and factoring		4.9%	4.9%	4.1%	-0.8%	3.9%	-0.3%
	Other securities		0.1%	0.0%	0.1%	0.0%	2.2%	2.2%
	Other assets		2.8%	3.4%	0.3%	-3.1%	2.7%	2.4%
	Accrued interest receivable		0.6%	0.7%	0.8%	0.1%	0.9%	0.1%
	Reserve for possible asset losses		-3.4%	-3.4%	-3.2%	0.1%	-3.3%	-0.1%
	Total assets		**100.0%**	**100.0%**	**100.0%**	**x**	**100.0%**	**x**
Liabilities	Demand liabilities		0.4%	0.6%	0.7%	0.0%	0.4%	-0.3%
	Liabilities to banks and other financial organizations		51.3%	59.1%	59.3%	0.1%	59.6%	0.3%
	Time liabilities of individuals		5.2%	7.6%	7.6%	0.0%	7.6%	0.0%
	Time liabilities of legal entities[1]		36.5%	26.3%	27.2%	0.9%	27.3%	0.1%
	Interest payable		1.4%	2.1%	1.5%	-0.6%	1.6%	0.0%
	Other liabilities		5.2%	4.2%	3.7%	-0.5%	3.6%	-0.1%
	Total liabilities		**100.0%**	**100.0%**	**100.0%**	**x**	**100.0%**	**x**
Capital	Paid-in statutory capital		79.2%	80.0%	78.3%	-1.7%	79.2%	0.9%
	of which: share of non-residents		29.3%	25.5%	23.5%	-2.0%	21.4%	-2.1%
	General reserve		2.1%	2.4%	2.4%	0.0%	2.1%	-0.2%
	Capital bought back by credit organizations		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Retained profit (loss)	Current period	5.9%	7.4%	7.4%	0.0%	3.5%	-3.9%
		Previous period	12.6%	10.1%	10.9%	0.8%	14.4%	3.6%
	Total balance sheet capital		**100.0%**	**100.0%**	**100.0%**	**x**	**100.0%**	**x**

Indicators			30.06.14	Change 30.06.14 -31.03.14	30.09.2014	Change 30.09.14 -30.06.14	31.12.2014	Change 31.12.14 -30.09.14	Change 31.12.14 -31.12.13
Assets	Cash		0.5%	0.1%	0.6%	0.1%	0.6%	0.0%	0.2%
	Current accounts with banks		3.0%	0.5%	2.8%	-0.2%	2.3%	-0.5%	-1.0%
	Claims on banks and other financial organizations		28.8%	1.6%	30.4%	1.6%	30.5%	0.1%	2.5%
	Government securities		1.6%	0.1%	1.4%	-0.2%	1.0%	-0.4%	-0.7%
	Loans to legal entities		11.1%	-1.0%	10.7%	-0.4%	10.4%	-0.3%	-1.0%
	Loans to individuals		45.1%	-1.6%	44.6%	-0.5%	46.0%	1.4%	-1.2%
	Loans to related parties and employees		1.3%	-0.5%	1.4%	0.0%	1.5%	0.1%	-0.5%
	Fixed assets		1.7%	0.3%	1.8%	0.1%	1.7%	-0.1%	0.1%
	Leasing and factoring		3.6%	-0.3%	3.5%	-0.1%	3.7%	0.2%	-0.4%
	Other securities		2.7%	0.5%	2.4%	-0.3%	2.1%	-0.3%	2.0%
	Other assets		2.9%	0.2%	2.5%	-0.4%	2.1%	-0.4%	1.8%
	Accrued interest receivable		0.9%	0.0%	0.8%	-0.1%	0.8%	-0.1%	0.0%
	Reserve for possible asset losses		-3.1%	0.2%	-2.8%	0.3%	-2.7%	0.1%	0.6%
	Total assets		**100.0%**	**x**	**100.0%**	**x**	**100.0%**	**x**	**x**
Liabilities	Demand liabilities		0.4%	0.0%	0.4%	0.0%	0.3%	0.0%	-0.3%
	Liabilities to banks and other financial organizations		58.6%	-1.0%	56.6%	-2.1%	56.9%	0.3%	-2.4%
	Time liabilities of individuals		10.1%	2.6%	12.3%	2.2%	13.1%	0.8%	5.5%
	Time liabilities of legal entities[1]		24.2%	-3.0%	23.5%	-0.7%	23.2%	-0.4%	-4.0%
	Interest payable		1.4%	-0.2%	1.9%	0.5%	1.8%	-0.2%	0.2%
	Other liabilities		5.2%	1.6%	5.2%	0.0%	4.7%	-0.5%	1.0%
	Total liabilities		**100.0%**	**x**	**100.0%**	**x**	**100.0%**	**x**	**x**
Capital	Paid-in statutory capital		80.8%	1.6%	79.3%	-1.4%	78.6%	-0.8%	0.3%
	of which: share of non-residents		19.6%	-1.8%	18.8%	-0.7%	17.5%	-1.3%	-6.0%
	General reserve		2.3%	0.1%	2.2%	-0.1%	2.0%	-0.2%	-0.4%
	Capital bought back by credit organizations		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Retained profit (loss)	Current period	4.0%	0.5%	6.5%	2.4%	9.0%	2.5%	1.6%
		Previous period	12.2%	-2.2%	11.4%	-0.9%	10.6%	-0.8%	-0.3%
	Total balance sheet capital		**100.0%**	**x**	**100.0%**	**x**	**100.0%**	**x**	**x**

[1] *Including liabilities to the Government.*

Appendix 15. Income and Expense of Credit Organizations Operating in Armenia

Indicators	31.12.11	31.12.12	31.12.13	Change 31.12.13 - 31.12.12	31.03.14	30.06.14	30.09.14	31.12.14	Change 31.12.14 - 31.12.13
Interest income	14961885	20348604	25553892	25.6%	7332213	15582621	24201637	33023081	29.2%
Interest expense	4820894	7503681	9872513	31.6%	2901398	6092783	9369597	12882159	30.5%
Net interest income	10140991	12844923	15681379	22.1%	4430815	9489838	14832040	20140922	28.4%
Non-interest income	6184429	6306889	7176348	13.8%	1817275	3589828	5448072	8793779	22.5%
Non-interest expense	8060057	10865806	13384680	23.2%	3675015	7147360	11058694	15400802	15.1%
Net non-interest income	-1875628	-4558917	-6208332	36.2%	-1857740	-3557532	-5610622	-6607023	6.4%
Provisions to the reserve for possible losses	10444282	10422763	12969718	24.4%	3586152	7506865	11565199	16866807	30.0%
Recoveries from the reserve for possible losses	8301254	8364768	10786593	29.0%	2771960	6137992	10241586	15478059	43.5%
Net provisions	2143028	2057995	2183125	6.1%	814192	1368873	1323613	1388748	-36.4%
Gross income	29447568	35020261	43516833	24.3%	11921448	25310442	39891295	57294918	31.7%
Gross expense	23325233	28792250	36226911	25.8%	10162565	20747008	31993491	45149768	24.6%
Pre-tax profit	6122334	6228011	7289922	17.1%	1758883	4563434	7897804	12145150	66.6%
Net profit	4930540	4847791	5852591	20.7%	1469272	3872024	6570081	9861000	68.5%
Retained profit	2801819	4809541	5746591	19.5%	1469272	3822999	6570081	9861000	71.6%

Appendix 16. Loans Investments of Credit Organizations Operating in Armenia

Sector	31.12.11	31.12.12	31.12.13	Change 31.12.13 - 31.12.12	31.03.14	30.06.14	30.09.14	31.12.14	Change 31.12.14 - 31.12.13
Industry	10844891	14958716	17110576	14.4%	16756169	16792253	16550549	18440273	7.8%
Agriculture	22345799	29288596	39010362	33.2%	44542806	45739706	43796521	50421744	29.3%
Construction	3306975	5798321	5690585	-1.9%	5595169	5539109	5250457	5054617	-11.2%
Transport and communications	793879	1059020	1594301	50.5%	5421261	5289296	6184468	7122593	346.8%
Trade	14804062	19381117	22234666	14.7%	22612373	22763962	22569201	25135710	13.0%
Public catering and other services	4067043	5735000	6070214	5.8%	6257841	5524457	5542329	4813917	-20.7%
Financial sector	33102937	45471539	58972155	29.7%	61743473	70202712	76419419	82575861	40.0%
Consumer loans (including mortgage)	8692986	14954308	18803401	25.7%	19187946	18599585	25974020	28870603	53.5%
Mortgage (housing) loans	12187519	17406315	19964642	14.7%	19967255	18709643	18226708	19008345	-4.8%
Other sectors	2621407	3517739	6273514	78.3%	6409723	6233434	6582383	7471948	19.1%
Total	**112767498**	**157570671**	**195724416**	**24.2%**	**208494016**	**215394157**	**227096054**	**248915612**	**27.2%**

Appendix 17. Structure of Loan Investments of Credit Organizations Operating in Armenia, by Sectors

Sector	31.12.11	31.12.12	31.12.13	Change 31.12.13-31.12.12	31.03.14	30.06.14	30.09.14	31.12.14	Change 31.12.14-31.12.13
Industry	9.6%	9.5%	8.7%	-0.8%	8.0%	7.8%	7.3%	7.4%	-1.3%
Agriculture	19.8%	18.6%	19.9%	1.3%	21.4%	21.2%	19.3%	20.3%	0.3%
Construction	2.9%	3.7%	2.9%	-0.8%	2.7%	2.6%	2.3%	2.0%	-0.9%
Transport and communications	0.7%	0.7%	0.8%	0.1%	2.6%	2.5%	2.7%	2.9%	2.0%
Trade	13.1%	12.3%	11.4%	-0.9%	10.8%	10.6%	9.9%	10.1%	-1.3%
Public catering and other services	3.6%	3.6%	3.1%	-0.5%	3.0%	2.6%	2.4%	1.9%	-1.2%
Financial sector	29.4%	28.9%	30.1%	1.3%	29.6%	32.6%	33.7%	33.2%	3.0%
Consumer loans (including mortgage)	7.7%	9.5%	9.6%	0.1%	9.2%	8.6%	11.4%	11.6%	2.0%
Mortgage (housing) loans	10.8%	11.0%	10.2%	-0.8%	9.6%	8.7%	8.0%	7.6%	-2.6%
Other sectors	2.3%	2.2%	3.2%	1.0%	3.1%	2.9%	2.9%	3.0%	-0.2%
Total	**100.0%**	**100.0%**	**100.0%**	**x**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**x**

Appendix 18. Structure of Loans and Receivables of Credit Organizations Operating in Armenia, by Sectors by Risk Class

Class	31.12.12	Share in total	31.12.13	Share in total	31.03.14	Share in total	30.06.14	Share in total	30.09.14	Share in total	31.12.14	Share in total
Standard	112196787	97.3%	154620496	96.3%	200155775	95.3%	208624908	95.7%	217942878	94.8%	238167863	94.9%
Watched	2034084	1.8%	3390690	2.1%	5376482	2.6%	5829558	2.7%	7238381	3.1%	8192303	3.3%
Sub-standard	747017	0.6%	1467986	0.9%	2913079	1.4%	1941964	0.9%	2824098	1.2%	2953898	1.2%
Doubtful	291633	0.3%	1020592	0.6%	1617545	0.8%	1657070	0.8%	1814063	0.8%	1649738	0.7%
Total	**115269521**	**100.0%**	**160499764**	**100.0%**	**210062881**	**100%**	**218053500**	**100%**	**229819419**	**100%**	**250963801**	**100%**

Appendix 19. Investment Companies, 31.12.2014

1	Alpha Securities LLC
2	Armenbrok OJSC
3	Prime Capital LLC
4	Renessa CJSC
5	Capital Investments CJSC
6	Tonton LLC
7	Future Capital Market LLC
8	Laboratory of Financial Technologies CJSC

Appendix 20. Financial Indicators of Investment Companies (professional participants of the securities market)[1]

AMD million

Indicators	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Total assets, of which:	7471	7726	10530	8754	7728	15572	19556	21827	23609	27039	25411
Non-current financial investments	514	1215	1603	2667	1786						
Current financial investments	5636	5656	5426	4353	4925						
Total liabilities, of which:	6090	6694	9282	6668	4900	12637	16359	18597	19811	21871	20482
Short-term debt	2024	4523	7964	6057	4076						
Total capital	1382	1032	1248	2086	2721	2935	3196	3230	3798	5168	4929
Accrued profit	908	543	629	737	146						
Net profit	970	672	667	594	16	202	301	580	349	874	1083

[1] *The presented data before 2008 refers to the professional participants of the securities market, and the data starting from 2008—to investment companies.*

Appendix 21. Turnover of Transactions Carried out by Entities Providing Investment Services in the Securities Market[1]

AMD million

Securities	2013	2014												2014
		J	F	M	A	M	J	J	A	S	O	N	D	
Shares	20571	1467	5100	1529	1695	54618	7557	12761	7418	4331	5840	7618	16981	126916
o/w: in the regulated market	1494	2	1476	3	4	26780	28	41	20	417	2	0	0	28772
Government bonds	418377	27395	26818	20453	19462	27395	41083	23523	22490	30842	26048	25564	41918	332991
Government short-term bonds	35741	436	435	1724	1815	2679	3020	1786	2033	2954	3581	2656	0	23118
o/w: in the regulated market	449	0	0	0	0	0	0	0	0	0	285	1281	0	1565
Government medium-term bonds	199673	23108	16092	8292	14871	15113	18741	17636	12729	8890	9744	5634	18281	169129
o/w: in the regulated market	8031	643	4134	1511	1655	1746	2118	87	684	478	390	1089	1351	15885
Government long-term bonds	182962	3851	10291	10438	2776	9604	19322	4101	7728	18998	12723	17274	23637	140744
o/w: in the regulated market	6621	268	2346	1186	98	1402	761	313	835	714	2495	1120	4778	16316
Corporate bonds	252522	26511	18003	19729	19522	999	1933	2747	2600	275	1187	563	5234	99304
o/w: in the regulated market	5131	2133	815	860	1252	384	1494	1135	191	138	1075	281	1019	10777
Total securities trading	691470	55373	49921	41711	40680	83012	50574	39030	32508	35449	33075	33744	64133	559211
o/w: in the regulated market	21727	3046	8770	3560	3010	30312	4401	1576	1730	1746	4247	3771	7147	73316
Repos (excluding operations with the Central Bank)	1764673	140463	144536	190655	282225	212313	237445	264871	246481	243996	276497	227444	324104	2791030
o/w: in the regulated market	1773	61	123	124	187	253	272	110	0	331	338	245	134	2178
Entities providing investment services in the securities market	32	33	33	33	33	33	33	33	33	33	33	33	33	33
o/w: banks providing investment services	21	21	21	21	21	21	21	21	21	21	21	21	21	21
investment companies	8	9	9	9	8	8	8	8	8	8	8	8	8	8
investment fund managers	3	3	3	3	4	4	4	4	4	4	4	4	4	4

[1] The indicators are calculated by aggregating the data on entities providing investment services, which is the reason why the regulated market turnover differs from the data presented in the data presented in the "Securities Operations in the Regulated Market" table.

Appendix 22. Transactions in the Regulated Market, Structure by Instruments

AMD million

Period	Number of Transactions	Securities Trading Transactions in the 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
2014	1531	28772	33766	10777	73316
January	67	2	911	2133	3046
February	215	1476	6480	815	3046
March	156	3	2697	860	3046
April	92	4	1753	1252	3046
May	69	26780	3148	384	3046
June	110	28	2878	1494	3046
July	83	41	400	1135	3046
August	77	20	1519	191	3046
September	88	417	1192	138	3046
October	100	2	3170	1075	3046
November	101	0	3490	281	3046
December	373	0	6128	1019	3046

Appendix 23. Issuers Maintaining a Register at the Central Depository of Armenia and Number of Securities Owners

Period	Number of owners		
	Registered securities	Unregistered 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
2014	2255	102967	105222

Appendix 24. Insurance Companies, 31.12.2014

1	ISG Insurance LLC
2	Armenia Insurance LLC
3	Ingo Armenia Insurance CJSC
4	Armenian Export Insurance Agency CJSC
5	Nairi Insurance LLC
6	Resso Insurance CJSC
7	Rosgosstrakh-Armenia Insurance CJSC
8	Sil Insurance CJSC

Appendix 25. Balance Sheet Indicators of Insurance Companies

AMD thousand

Indicators		31.12.2012	31.12.2013	31.12.2014
Assets	Cash and cash equivalents	212377	214571	110288
	Bank accounts	1316542	967063	771337
	Receivables on direct insurance, of which:	5179325	7503868	5514751
	Insurance premiums	4095105	5517768	4486108
	Other amounts	1084220	1986100	1028643
	Receivables from co-insurers	29	92	92
	Receivables from reinsurers	87344	114785	119293
	Compensation claims, of which:	587901	516078	454007
	Claims on co-insurers			
	Claims on reinsurers	587901	516078	454007
	Claims on other entities			
	Claims due to subrogation	296356	537883	772481
	Deposits in banks	13813532	15326038	14200161
	Loans to financial organizations	361722	1339996	100000
	Loans to individuals and sole entrepreneurs	58607	53197	50969
	Loans to legal entities	275683	278490	324201
	Securities sold under repos	2227266	5656541	4796667
	Government securities (including securities issued by the Central Bank)	3533138	3707463	4056399
	Corporate securities	362360	301115	219673
	Depreciation reserves for securities held till maturity	-406	-817	
	Non-current investments in the statutory capital of other entities and other non-current claims on them		2275196	731070
	Reserves for possible losses related to investments, loans, and receivables from direct insurance, co-insurance, or reinsurance	-492173	-571489	-699922
	Share of reinsurer in insurance reserves	1933089	2661942	2727265
	Accrued interest receivable	513861	638886	539564
	Future expenses and insurance prepayments	2792895	2820967	2025416
	Fixed assets	2842869	2950753	2571950
	Other assets	2467107	2714104	4034881
	Total assets	**38369424**	**50006723**	**43420543**

Liabilities	Compensations payable, of which:	213126	231660	285343
	For direct insurance	213126	231660	285343
	For co-insurance			
	For risks assumed under reinsurance			
	Payables to intermediaries	522457	779935	366667
	Refundable insurance premiums	167957	109237	235826
	Insurance premiums transferable to co-insurers			
	Insurance premiums transferable to reinsurers	1415501	1624927	1694919
	Loans and borrowings from financial organizations	197280	4708196	1674940
	Accrued interest payable	6544	186280	72196
	Insurance reserves, of which:	16030077	17219349	15605013
	Reserve for unearned premiums	10833365	12195504	10824187
	Reserve for losses claimed from insurer, but not settled yet	3005590	3196732	2223323
	Reserve for loss incurred, but not claimed from insurer yet	1005211	1270100	1306353
	Mathematical reserve			
	Other reserves	1185912	557013	1251151
	Repos	2159697	5611934	4489575
	Other liabilities	1875026	1084914	1014095
	Total liabilities	**2055948**	**2481935**	**2223802**
Capital	Statutory capital	11430006	14732372	14107606
	General reserve	318630	794418	772510
	Retained profit/loss of the current period	369402	-894009	1560373
	Retained profit/loss of previous periods	1261480	845573	-515918
	Other elements of capital	346292	490000	-166404
	Total capital	**13725811**	**15968354**	**15758167**

Appendix 26. Income and Expense of Insurance Companies

AMD thousand

Indicators	From beginning of the year to 31.12.2012	From beginning of the year to 31.12.2013	From beginning of the year to 31.12.2014
Insurance premiums earned	**25795887**	**30325829**	**26711670**
Net accrued insurance premiums	31713554	31509276	25361889
Accrued insurance premiums	35524775	35753284	30105077
Insurance premiums returned under terminated contracts	689382	1036628	1282252
Accrued reinsurance premiums	-3171885	-3250858	-3599359
Reinsurance premiums receivable under terminated contracts	50045	43479	138423
Net change in the reserve for unearned insurance premiums	5917667	1183448	-1349781
Change in the reserve for unearned insurance premiums	6604584	1362147	-1371316
Change in reinsurer's share in the reserve for insurance premiums	-686917	-178699	21535
Other income from insurance activities	**1258245**	**1123711**	**1234899**
Net bonuses from reinsurers	983844	838344	1085050
Other income	274401	285368	149849
Insurance compensations	**13702768**	**18899128**	**15571296**
Gross	14487034	19718688	22149731
Reinsurer's share	-784267	-819560	-6578435
Provisions to the technical reserves	**-11554322**	**-12482201**	**-8987584**
Reserve for claims presented but not paid yet	-9428512	-11211541	-7909626
Gross	-10492524	-13431597	-9832830
Reinsurer's share	1064012	2220056	1923205
Other reserves	-2125810	-1270661	-1077958
Gross	-2152246	-1367905	-1418876
Reinsurer's share	26436	97244	340918
Recoveries from technical reserves	**9956056**	**13123889**	**9569246**
Reserve for claims presented but not paid yet	8343010	11476871	8754537
Gross	9503962	13212837	10865150
Reinsurer's share	-1160952	-1735966	-2110613
Other reserves	1613046	1647019	814709
Gross	1642485	1678203	883945
Reinsurer's share	-29439	-31184	-69236
Other insurance expense	**4309696**	**5781037**	**4777461**

Intermediary fee expense	3278663	4409167	3822657
Net expense for intermediary fees paid to intermediaries for risks transferred to reinsurance	92976	105860	57199
Regulation expense	185190	218419	166916
Other operating expense	752867	1047592	730689
Interest income	**2040177**	**2449567**	**2826562**
Interest income from deposits placed with, loans to, and repos with financial organizations	1436036	1649221	1819097
Interest income from loans to individuals	4828	4264	5722
Interest income from loans to legal entities	44695	23364	22861
Interest income from government securities	261851	425631	582495
Interest income from corporate securities	11212	24925	26790
Interest income from securities sold under repos	270275	300955	350018
Other interest income	11280	21207	19579
Interest expense	**297848**	**898478**	**769159**
Interest expense for loans and borrowings from and repos with financial organizations	296923	723653	769126
Other interest expense	925	174825	33
Non-interest income	**546958**	**526988**	**970783**
Net income from asset sale	24641	204949	336865
Net income from financial asset revaluation	20239	243190	-112605
Net income from currency revaluation	477544	19898	370662
Other non-interest income	24534	58950	375861
Non-interest expense	**8344253**	**9175190**	**7838787**
Management expense	6208005	6956606	5957929
Training expense	31791	21708	13706
PR expense	1063077	718253	862551
Other non-interest expense	1041380	1478623	1004601
Provisions to (recoveries from) the reserve for possible asset losses (non-collectability)	**446055**	**979195**	**959227**
Profit before deduction of profit tax expense	**942381**	**-665244**	**2409645**
Profit tax expense	**180179**	**91418**	**515412**
Profit after deduction of profit tax expense	**762202**	**-756663**	**1894234**
Dividends	**52000**	**125820**	**41940**
Retained profit	**710202**	**-882483**	**1852294**

Appendix 27. Main Indicators of Insurance Companies, by Classes of Insurance

AMD thousand

	Non-life insurance	Number of insurance policies active on 31/12/2014	Insurance coverage of policies active on 31/12/2014	Reinsurance coverage of policies active on 31/12/2014	Insurance premiums accrued from the beginning of the year to 31/12/2014	Reinsurance premiums accrued from the beginning of the year to 31/12/2014	Insurance compensations accrued in 2014	Share of reinsurers in insurance compensations accrued in 2014
1	Accident insurance	130142	193192536	19383105	525193	29130	79228	-
2	Health insurance	8261	172791513		4380448	-	4640628	-
3	Land transport insurance	10798	85740340	38132744	2182714	561647	1309129	458779
4	Rail transport insurance	-	-		-	-	-	-
5	Aircraft insurance	9	71790037	71790036	333075	258669	-	-
6	Water transport insurance	-	-		-	-	-	-
7	Cargo insurance	1144	75736961	69347030	678492	364308	567598	542118
8	Fire and natural disaster insurance	18606	1838870506	1280681460	2054959	1161372	4829037	4758401
9	Other property damage insurance	4581	158314779	78113555	286460	192145	6595	696
10	Voluntary insurance for liability arising out of the use of land motor transport	16636	337507523	20973621	133392	15731	22311	4646
11	Insurance for liability arising out of the use of aircraft (including cargo)	10	1095568168	1095568168	347400	267767	-	-
12	Insurance for liability arising out of the use of water transport	-	-		-	-	-	-
13	General liability insurance	1221	330277659	308924608	604528	378760	76576	55906
14	Loan insurance	1	2513087		5025	-	-	-
15	Guarantees	-	-		-	-	-	-
16	Financial loss insurance	37	40798540	34271643	285963	262876	738246	728218
17	Insurance for court and out-of-court expense	-	-		-	-	-	-
18	Support insurance	13253	408840445	233314738	504401	106952	88855	29462
19	Mandatory insurance for liability arising out of the use of land motor transport	390194	4724141495	-	17783173	-	9791527	-
	TOTAL	**594893**	**9536083589**	**3250500709**	**30105222**	**3599357**	**22149730**	**6578227**

Appendix 27. Main Indicators of Insurance Companies, by Classes of Insurance *(continued)*

%

	Non-life insurance	Number of insurance policies active on 31/12/2014	Insurance coverage of policies active on 31/12/2014	Reinsurance coverage of policies active on 31/12/2014	Insurance premiums accrued from the beginning of the year to 31/12/2014	Reinsurance premiums accrued from the beginning of the year to 31/12/2014	Insurance compensations accrued in 2014	Share of reinsurers in insurance compensations accrued in 2014
1	Accident insurance	21.9%	2.0%	0.6%	1.7%	0.8%	0.4%	0.0%
2	Health insurance	1.4%	1.8%	0.0%	14.6%	0.0%	21.0%	0.0%
3	Land transport insurance	1.8%	0.9%	1.2%	7.3%	15.6%	5.9%	7.0%
4	Rail transport insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
5	Aircraft insurance	0.0%	0.8%	2.2%	1.1%	7.2%	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%	0.8%	2.1%	2.3%	10.1%	2.6%	8.2%
8	Fire and natural disaster insurance	3.1%	19.3%	39.4%	6.8%	32.3%	21.8%	72.3%
9	Other property damage insurance	0.8%	1.7%	2.4%	1.0%	5.3%	0.0%	0.0%
10	Voluntary insurance for liability arising out of the use of land motor transport	2.8%	3.5%	0.6%	0.4%	0.4%	0.1%	0.1%
11	Insurance for liability arising out of the use of aircraft (including cargo)	0.0%	11.5%	33.7%	1.2%	7.4%	0.0%	0.0%
12	Insurance for liability arising out of the use of water transport	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
13	General liability insurance	0.2%	3.5%	9.5%	2.0%	10.5%	0.3%	0.8%
14	Loan insurance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
15	Guarantees	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
16	Financial loss insurance	0.0%	0.4%	1.1%	0.9%	7.3%	3.3%	11.1%
17	Insurance for court and out-of-court expense	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
18	Support insurance	2.2%	4.3%	7.2%	1.7%	3.0%	0.4%	0.4%
19	Mandatory insurance for liability arising out of the use of land motor transport	65.6%	49.5%	0.0%	59.1%	0.0%	44.2%	0.0%
	TOTAL		**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Appendix 28. Pawnshops

AMD million

Indicators	Loans disbursed	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	12954	9063	138
31.12.2009	15103	9193	143
31.12.2010	14151	12209	148
31.12.2011	8389	10522	142
31.12.2012	3921	2433	68
31.12.2013	5147	3312	103
31.12.2014	9930	6625	116

Appendix 29. Payment and Settlement Organizations Registered on 31.12.2014

1	Haipost CJSC
2	E-Dram LLC
3	Mobi Dram CJSC
4	Money Tun LLC
5	Tell-Cell CJSC
6	TanDem Payments LLC
7	Armenian Card CJSC
8	Easy Pay LLC

Appendix 30. Value of Transfers Made in the Banking System Using Non-Cash Payment Instruments

AMD million

Transfers	2006	2007	2008	2009	2010	2011	2012	2013	2014
Paper-based payment orders[1]	2076422	3384516	4804497	6806481	6878130	1558323	1947556	2280818	2465454
Electronic payment orders[1]	3394735	5852703	10289081	7793560	10141239	10054213	10568616	12103431	18297163
Checks	7571	5954	17286	23744	19355	22507	30292	24276	6994
Other debit instruments[2]	4416	2466	693	866	260	264	0	0	0
Non-cash transactions using cards	11322	17035	24109	30750	40202	63359	89745	105786	132217
Total	5494466	9262675	15135666	14655401	17079186	11698665	12636209	14514310	20901828

Appendix 31. Number of Transfers Made in the Banking System Using Non-Cash Payment Instruments

Transfers	2006	2007	2008	2009	2010	2011	2012	2013	2014
Paper-based payment orders[1]	988964	1197760	1418090	1803287	1907845	3369279	3644266	4025991	4931024
Electronic payment orders[1]	1412116	1933016	2972924	3943374	4934316	5994470	8710110	9479553	9754949
Checks	8931	7152	11790	14174	10562	11327	12042	10750	3923
Other debit instruments[2]	5318	3195	2014	2512	2145	2429	0	0	0
Non-cash transactions using cards	212387	442100	638753	916178	1203498	1850159	2805023	3496610	4565205
Total	2627716	3583223	5043571	6679525	8058366	11227664	15171441	17012904	19255101

[1] Orders made to the beneficiary's bank/branch; do not include intrabank transfers of commercial banks, save for transfers between their customers.

[2] Debit orders and other debit transfers.

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

Sistems		2006	2007	2008	2009	2010	2011	2012	2013	2014
Total transfers sent	Value (AMD million)	38513	39224	38945	41759	51779	62402	79048	87164	100935
	Quantity	95460	81563	88778	107088	124911	144473	172868	188700	227135
Total transfers received	Value (AMD million)	315469	383860	439499	362703	430467	523739	641427	729736	678153
	Quantity	1253637	1522420	1636683	1539255	1865449	2268758	2797158	3309165	3676625
Turnover	Value (AMD million)	353981	423084	478444	404462	482246	586142	720475	816900	779088
	Quantity	1349097	1603983	1725461	1646343	1990360	2413231	2970026	3497865	3903760

Appendix 33. Number of Cards in Circulation

Plastic Cards	2006	2007	2008	2009	2010	2011	2012	2013	2014
ArCa cards	92283	142482	200190	282164	306070	391936	492126	564503	546509
VISA	90733	139280	165894	201589	269771	363691	520703	652398	712211
MasterCard	11817	23665	47769	61108	115943	181455	264539	299815	320653
Other international cards[1]	14280	22425	40504	34570	37514	40666	45581	47813	58599
Total	209113	327852	454357	579431	729298	977748	1322949	1564529	1637972

Appendix 34. Value of Card Transactions Carried out in Armenia

AMD million

Plastic cards	2006	2007	2008	2009	2010	2011	2012	2013	2014
ArCa cards	45471	74889	117550	173445	212886	247255	290960	281344	369630
VISA	60511	90234	127129	151623	219144	308579	450472	473840	632435
MasterCard	12664	19904	39164	62331	77338	113742	174090	186681	264593
Other international cards[1]	19598	28608	42528	40849	48982	69163	84249	75962	85929
Total	138245	213634	326371	428248	558350	738739	999771	1017826	1352587

Appendix 35. Number of Card Transactions Carried out in Armenia

Plastic cards	2006	2007	2008	2009	2010	2011	2012	2013	2014
ArCa cards	1408879	2081054	2915892	4177660	5261125	6089528	7031742	6607540	7770993
VISA	1008054	1436478	2090858	2602572	3577094	5072749	7244453	8942737	11398710
MasterCard	169523	319341	653957	1158843	1519906	2329923	3450684	4043194	5315173
Other international cards[1]	443113	591677	925427	908977	934806	1068791	1140836	1118507	1395843
Total	3029569	4428550	6586134	8848052	11292931	14560991	18867715	20711978	25880719

[1] *Including HSBC debit, AmEx, and other cards.*