REPUBLIC OF ARMENIA
CENTRAL BANK

FINANCIAL SYSTEM OF ARMENIA

2015

Development
Regulation
Supervision

2016

CONTENT

Introduction *3*

Financial system regulatory framework changes in 2016 ..... *4*

Financial system supervision and protection of consumer interests in 2015 ..... *11*

Staff training and cooperation with supervisors of other countries in 2015 ..... *15*

The financial system of Armenia in 2015 ..... *17*

Banks *18*

Overview *18*

Banking system capital *20*

Banking system liabilities *21*

Banking system assets *23*

Financial performance of the banking system *26*

Financial risks of the banking system *28*

Credit organizations *34*

Insurance market of Armenia *39*

Securities market participants *46*

Mandatory pension system of Armenia *49*

Payment and settlement organizations *51*

Settlement system *54*

Supervision development prospects *60*

Appendix *63*

INTRODUCTION

Amidst uncertainties caused by the regional economic developments and. lower domestic demand for credit, in 2015 the financial intermediation slightly declined Financial system asset-to-GDP and loan-to GDP ratios shrunk by 7 and 5.7 percentage points, respectively, to 76.8% and 43.4%. In line with the expectations of the financial institutions, external sector risks increased, but the impact was timely mitigated through both banks' rapid reaction to reduce the impact of higher risks and the maintenance of sufficient capital adequacy and liquidity buffers. Therefore, risks undermining financial stability did not emerge in the course of 2015.

In the first half of 2015, over this transition period of adapting to the new economic situation borrower financial difficulties somewhat lowered the banking system loan portfolio quality; however, an improvement trend was noted in the second half. On the background of these developments, statutory capital replenishment by banks ensured a significant increase in the banking sector capital adequacy. The deposit growth pace, was sustained in 2015 as well, which, together with credit contraction, improved the banking system liquidity and the stability of loan portfolio financing sources.

Non-bank financial institutions considerably expanded their activities, whilst meeting the prudential standards.

In the area of financial system regulation and supervision, the Central Bank of RA continued efforts aimed at achieving more effective regulation and supervision of financial institutions, as well as protecting consumer rights and improving the financial literacy of various target groups in society. In 2015, the Central Bank initiated the implementation of the liquidity requirements under Basel III and continued the comprehensive transition from the rule-based supervision framework to a risk-based one.

FINANCIAL SYSTEM REGULATORY FRAMEWORK CHANGES IN 2015

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 2015.

Financial System Regulatory Framework Changes

Legislative Amendments

In 2015, the Republic of Armenia Law Amending and Supplementing the Republic of Armenia Law on the Central Bank was adopted, in view of the need to provide for comprehensive regulation of the activities of financial groups in the country. The law defines "financial groups," the general prudential standards on financial groups, the general rules on the activities of financial groups, and the general procedures for supervision and sanctioning of financial groups.

Amendments were also adopted to the Republic of Armenia Law on the Securities Market, in view of the need to further develop the concept of nominee in the country. The law contains detailed regulation of situations in which a company shareholder relates to the company shareholders through a nominee acting as his representative, rather than directly in person.

Amendments were also adopted to the Republic of Armenia Law on the Guaranteed Refund of Bank Deposits of Natural Persons, in view of the need to strengthen the guarantees for the protection of interests of bank depositors. The deposit amount guaranteed under the law was increased, from AMD 4 million in the past to AMD 10 million for AMD deposits, and from AMD 2 million to AMD 5 million for foreign currency deposits.

Sub-Legislative Amendments

The following amendments were made in 2015 with respect to the regulation of banking system activities.

The Central Bank Board decided to amend and supplement Regulation 2 on "Regulation of Banking; Prudential Standards for Banking" as follows:

1. The reserve requirement for dram funding attracted from reputed international organizations for a maturity of two years or more was set at 0 percent, and for foreign currency funding, within a range of 0 to 20 percent, in the following manner:
   - The reserve requirement for foreign currency borrowed through bonds issued in foreign stock exchanges is:
     - 0 percent, unless participants and related parties account for more than 50 percent of the investors; or
     - 5% and 2.5%, for any other composition of investors with maturities of 2-4 years and over 4 years respectively; and

- The reserve requirement for foreign currency borrowed through bonds issued in the local stock exchange is:
  - 5% and 2.5%, , for maturities of 2-4 years and over 4 years respectively, unless participants and related parties account for more than 50 percent of the investors; or
  - 10% and 5%, respectively, for any other composition of investors with maturities of 2-4 years and over 4 years.

2. For foreign currency attracted from international financial institutions, A- and higher-rated banks, a parent bank or banking group with a participation of 50% or more, the German-Armenian Fund, the reserve requirement is 5% and 2.5%, respectively, for maturities of 2-4 years and over 4 years.
3. A transitional provision under the prudential standard on required reserves stipulates that the new conditions shall apply to funds attracted from the day of decision, as well as funds attracted in the past, which have two years or more to repayment, i.e. these funds will be included from the privileged rate for purposes of calculation of the required reserve, irrespective of time to repayment.
4. The procedure of calculating the minimum amount of required reserves held with the Central Bank was revised to require that reserves for funds attracted in foreign currency shall be provisioned on an average bi-weekly basis, so that the average daily amount actually provisioned during two calendar weeks over the course of the actual reserve period is equal to or greater than the average daily amount of the required reserve during the reported period. For purposes of this paragraph, the bi-weekly calendar period includes the period from a Wednesday of the actual reserve period to the second Tuesday thereafter.
5. For credit risk calculation, softer risk weights are proposed with respect to the requirements on resident organizations that have international ratings. The distribution of ratings has been made dependent of the rating given to the Republic of Armenia.
6. For credit risk calculation, it has been prescribed that softer risk weights shall also apply when there is local rating given by international organizations.
7. Under the prudential standard on liquidity, it has been prescribed that the securities issued by organizations rated by the Central Bank shall not be deemed highly-liquid assets with the exception of securities issued before 1 July 2016, which shall be deemed highly liquid until the termination of the rating of such commercial organizations by the Central Bank.

The following amendments were made in 2015 with respect to the regulation of the insurance system.

1. The Central Bank Board decided to amend and supplement Regulation 3/01 on "The Procedure of Licensing, Registration, Consent, Authorization, Professional Conformity Testing, and Qualification in the Sphere of Insurance." The amended Regulation prescribes, parallel to the implementation of a One-Stop Shop for Auto Insurance (OSSAI) in the field of MTPL (mandatory third-party liability), a requirement for insurance agents (including the core users of the system) to develop the capacity to operate the OSSAI system. The Regulation also amended the required information presented to the Central Bank for licensing purposes, in view of the Central Bank's termination of process of giving ratings.

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.” The decision adjusts the calculation of risk-weighted assets and the elements of the calculation of highly-liquid assets, in view of the elimination of ratings given by the Central Bank, as well as the adoption of a policy of softening up the prudential framework for resident non-financial organizations that have rating given by international rating organizations. The regulation amended the elements of the calculation of the maximum size of one insurance risk in view of the lasting and productive cooperation between insurance companies of Armenia and reinsurers of the EEU countries. Under the amended Regulation, highly-liquid securities purchased under repo agreements are deemed highly-liquid, as well.
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.” Reporting form number 6 is amended to require information about changes in the classifier of types of economic activities and reporting by legal entities, as well as natural persons. This amendment will improve the effectiveness of analysis and statistics collection with respect to the activities of insurance companies. Under the amendments to this Regulation, it will be possibly to reflect information on floating-interest debt securities. The reporting forms have clarified the procedure of filling out the securities codes in view of the new procedure of assigning securities codes by the Central Depositary.

In 2015, 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 approve Regulation 6/01 on “The Registration and Requirements on Activities of Securitization Funds.” This Regulation prescribes the procedure of registering securitization funds in the Republic of Armenia, the procedure of appointing the boards of Director of securitization funds, the requirements on securitization fund managers and their activities, the asset pool registration procedure, the procedure for receiving permission to provide credit enhancement, the criteria for independent audit organization selection by the securitization fund, the procedure of registering amendments to the securitization fund by-laws, and the procedure of presenting other amendments.
2. The Central Bank Board decided to amend and supplement Regulation 10/11 on “The Registration of Investment Funds (Fund Rules), and the Procedure and Terms of Prior Authorization of the Sale of Securities of a Foreign Investment Fund in the Republic of Armenia.” The amendments clarified the procedures of presenting by-laws of corporate investment funds and the rules of contract investment funds.
3. The Central Bank Board decided to amend and supplement Regulation 4/01 on “The Registration and Licensing of Investment Companies, the Registration of Branches and Representations of Investment Companies and Foreign Investment Companies, the Procedure of Obtaining Prior Consent to Having Significant Participation in the Statutory Capital of Investment Companies, the Procedure, Form, and Time Period of Business Plan Presentation by Investment Companies, and Notification about the Provision of Investment Services by a Bank,” Regulation 5/01 on “The Registration and Licensing of the Regulated

Market Operator, the Procedure of Obtaining Prior Consent to Having Significant Participation in the Statutory Capital of the Regulated Market Operator, and the Procedure, Form, and Time Period of Business Plan Presentation," Regulation 5/02 on "The Registration and Licensing of the Central Depositary, the Procedure of Obtaining Prior Consent to Having Significant Participation in the Statutory Capital of the Central Depositary, and the Procedure, Form, and Time Period of Business Plan Presentation," and Regulation 10/01 on "The Registration and Licensing of Branches of Investment Fund Managers and Foreign Investment Fund Managers, the Registration of Branches of Investment Fund Managers and Representations of Investment Fund Managers and Foreign Investment Fund Managers, the Reregistration and Relicensing of an Investment Company as an Investment Fund Manager, the Acquisition of Significant Participation in the Statutory Capital of an Investment Fund Manager, and the Procedure, Form, and Time Periods of Presenting Business Plans, Amendments Therein, and Their Execution Reports by Investment Fund Managers, Their Branches, and Branches of Foreign Investment Fund Managers." The amendments and additions are aimed at clarifying the information presented to the Central Bank in the licensing process, in view of the termination of the process of rating by the Central Bank.

4. The Central Bank Board decided to approve "The Procedure and Terms of Obtaining Prior Consent of the Central Bank Board to Termination of a Public Contract Investment Fund, the List of Documents Presented for Registering the Fund Termination, and the Form and Procedure of Publishing Information on Fund Termination." This legal act will enable the Central Bank to effectively perform its functions in the fund termination process, whilst protecting the interests of the participants of the terminated fund. As a result, a toolkit will be available for properly conducting the fund termination process, and the collective investment institutions will be comprehensively regulated.
5. The Central Bank Board decided to amend and supplement Regulation 4/02 on "The Main Prudential Standards for Investment Companies, Their Limits, the Calculation Procedure, the Elements of the Calculation, and the Magnitude of Violations of the Established Prudential Standards." The amendments and additions are aimed at clarifying the risk weights of assets included in the credit risk calculation in view of the policy of terminating the rating by the Central Bank.
6. The Central Bank Board decided to amend Regulation 4/04 on "The Prospectus and Reports of Reporting Issuers." The amendments are aimed at harmonizing the international stock exchange titles with the titles currently in use.
7. The Central Bank Board decided to amend and supplement Regulation 10/20 on "The Procedure and Form of Information Sharing between a Guarantee Fund Manager and the Central Bank of the Republic of Armenia." The amendments and additions are aimed at defining a procedure under which the mandatory pension fund managers will not make payment to the guarantee fund in case of accumulating sufficient resources in the guarantee fund.
8. The Central Bank Board decided to amend and supplement Regulation 4/03 on "The Reports Submitted to the Central Bank by Entities Providing Investment Services, and the Procedure, Form, and Terms of Submission of Such Reports," Regulation 5/03 on "The Reports Submitted to the Central Bank by the Regulated Market Operator, and the Procedure, Form, and Terms of Submission of Such Reports,"

Regulation 5/04 on "The Reports Submitted to the Central Bank by the Central Depositary, and the Procedure, Form, and Terms of Submission of Such Reports," Regulation 3 on "Bank Reports, Their Presentation and Publication," and Regulation 15 on "Reports of Credit Organizations, Presentation and Publication." The amendments to the Regulations are aimed at establishing a procedure whereby the entities supervised by the Central Bank will reflect information on floating-interest debt securities in reports submitted to the Central Bank on securities transactions, including repo/reverse repo transactions. Another goal of the amendments is to harmonize the report content on registry compilation and custody with changes made in the securities calculation and registration system due to the implementation of the DEPEND system. The reports submitted to the Central Bank by the Central Depositary have been amended, as well, to provide that the Central Depositary will now also submit to the Central Bank information on the securities accounts of government bonds.

9. The Central Bank Board decided to amend and supplement Regulation 5/06 on "The Scope and Publication Procedure of Information Posted by the Regulated Market Operator on Its Website" with a view to defining the peculiarities of publishing information on transactions with floating-interest debt securities.

In 2015, the following amendments and additions were made to the regulatory framework on the payment and settlement system:

1. The Central Bank Board amended Regulation 16.02 on "The Procedure and Terms of E-Money Issuance and Service (Circulation), and the Requirements on E-Money Transactions" and other related legal acts, namely:
   - The maximum amount held in accounts of e-money users was revised, and a requirement of holding a maximum of AMD 1 million was established for users that passed due diligence;
   - E-money issuers were allowed to register also legal entities as users in their system;
   - Performing user due diligence through payment cards issued by commercial banks has been allowed;
   - Users have been allowed to acquire single-use non-refilled e-money not exceeding a maximum of AMD 200,000;
   - The conditions of delegating the e-money conversion function by the e-money issuer have been prescribed; and
   - The form of the report submitted to the Central Bank by e-money issuers has been clarified and streamlined.
2. The Central Bank Board and the Minister of Finance of the Republic of Armenia jointly adopted the "Procedure and Terms of the E-System for Seizing Funds in Bank Accounts," which prescribes, in particular:
   - The process of seizing the available balance of bank accounts of a taxpayer in the amount established by decision of the tax authority;
   - The procedure of managing seized amounts by a taxpayer; and
   - The procedure of lifting seizure from funds.

3. The Central Bank Board adopted "The Procedure and Conditions of Receiving Data from the Republic of Armenia Road Police Information System on Penalties and Fines and Mandatory Checks of Such Data for Making Payments," which prescribe the rules of receiving information on administrative penalties of financial organizations from the Road Police Information System on Penalties and Fines and the requirements on financial organizations with respect to the Road Police accepting payment of fines and penalties.
4. The Central Bank approved the restated "Procedure on the Maximum Time of Making Money Transfers in the Territory of the Republic of Armenia," which is aimed at prescribing the maximum time of making transfers by payment and settlement organizations making money transfers and reducing the maximum time of transfers made through banks in the territory of the Republic of Armenia.
5. The Central Bank Board adopted a decision amending Regulation 17/02 on "The Regulation of Activities of Payment and Settlement Organizations, Prudential Standards for Payment and Settlement Organizations, and the Procedure of Their Calculation," whereby the liquidity standard for e-money issuing organizations must be at least 100 percent at any given time. The elements of the liquidity standard of payment and settlement organizations have been clarified and streamlined as follows:
   - The notion of "demand liabilities" has been replaced with "current liabilities," resulting in adjustment of the liquidity standard calculation to include also the current liabilities of the payment and settlement organization;
   - The calculation of highly-liquid assets has been allowed to include also time deposits of payment and settlement organization, provided that the deposit agreement clearly prescribes the possibility of early termination of the bank deposit agreement by the depositor without any fines and penalties.
6. The Central Bank Board adopted a decision amending "The Procedure of Issuing, Servicing, and Distributing Payment Cards in the Republic of Armenia and Performing Transactions with Payment Cards" and Regulation 4 on "The Minimum Conditions of Internal Control in Banks." To enhance cardholder confidence in payment cards transactions, the amendments prescribed a number of requirements preventing card fraud and enhancing security, provisions protecting cardholder interests, and clear rules of performing card transactions with new technologies with a view to improving payment card service effectiveness and speed.
7. The Central Bank Board adopted a decision amending prescribing "The Special Procedure of Participation of Commercial Banks and Payment and Settlement Organizations Operating in the Republic of Armenia in the Armenian Payment and Settlement System, namely:
   - The share of any Armenian payment and settlement system in the total volume of money transfers from abroad shall not exceed 30 percent;
   - The processing and clearing functions related to money transfers through the Armenian payment and settlement system shall be performed by the operator of the Armenian payment and settlement system or a system participant authorized to perform processing/clearing in the Republic of Armenia territory.

In 2015, the following legal acts were amended and supplemented in the regulatory framework for consumer protection and business conduct:

Amendments and additions 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. As a result of the amendments, two new services (agricultural loans services and money transfer services) were added to the "Financial Assistant" system on the Finance for All (www.abcfinance.am) website, which provide consumers complete and comparable information on services in order to make correct financial decisions.***

FINANCIAL SYSTEM SUPERVISION AND PROTECTION OF CONSUMER INTERESTS IN 2015

Supervision of financial institutions is performed through off-site supervision and on-site inspections.

The supervision of financial institutions by the Central Bank mostly focuses on:

- Asset quality assessment;
- Legal compliance;
- The internal control system;
- The risk management system;
- Respect for the principles of corporate governance;
- Compliance with the requirements related to security and sustainability of business operations;
- Transparency;
- Information technologies;
- Adaptation to make the activities of companies comply with changes in the regulatory framework;
- Level of reinsurance risks;
- Credibility of insurance compensations;
- Correct calculation of technical reserves;
- 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.

The Central Bank has initiated efforts to improve the supervision of financial institutions with a view to making a comprehensive transition to the risk-based supervision (RBS) model. The Central Bank has already initiated RBS implementation with the support of experts of the Toronto Center and De Nederlandsche Bank. In 2015, after elaborating the descriptive handbooks and guidelines for the new supervision model, the Central Bank drafted an RBS introduction plan for the next three years, and piloting of the plan started in three banks.

Supervision

In 2015, the Financial Supervision Department of the Central Bank performed 129 on-site inspections.

Table 1. Number of on-Site Inspections and Supervisor Workload

Indicator	2012	2013	2014	2015
Employees of the Financial Supervision Department	84	86	86	81
Total assets of banks, credit organizations, insurance companies, securities market participants, and pawnshops	AMD 2.457 trillion	AMD 2.985 trillion	AMD 3.790 trillion	AMD 3.712 trillion
Average workload per employee of the Financial Supervision Department	AMD 25.3 billion	AMD 37.7 billion	AMD 44.1 billion	AMD 45.8 billion
Number of inspections performed during the year, of which:	241	211	369	129
Comprehensive inspections in banks	5	5	4	3
Targeted inspections in banks	8	37	36	10
Related to implementation of RBS	-	-	-	3
Comprehensive inspections in credit organizations	5	7	5	4
Targeted inspections in credit organizations	1	-	-	2
Comprehensive inspections in insurance companies	3	2	2	3
Targeted inspections in insurance companies	12	11	19	-
Insurance brokerage companies	-	2	-	-
Insurance agents	-	-	-	-
Investment companies	2	4	4	3
Other participants of the financial market (exchange offices, pawnshops, payment and settlement organizations, etc.)	205	143	299	101

Table 2. Sanctions Imposed in 2015 for Infringements by Financial Organizations

Indicator	Commercial Banks	Credit Organizations	Insurance Companies	Pawnshops	Payment and Settlement Organizations *
License revoked	-	-	-	-	1
Fine on the organization	133	36	114	91	20
Fine on a manager	-	-	-	-	-
Penalty	21	-	-	-	-
Warning	185	22	75	14	3
Revocation of manager's professional qualification certificate	-	-	-	-	-
Temporary suspension of license	-	-	-	5	-

** Organizations holding a license for money transfer and/or a license for processing and clearing of payment instruments and 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.

Supervision of Business Conduct

- The information posed by financial institutions on websites and on the "Financial Assistant" system was monitored at a quarterly frequency, and the television advertisement of financial organizations was monitored at a monthly frequency.
- In the framework of off-site inspections, the Central Bank started monthly monitoring of radio advertisement broadcast by financial institutions in 2015.
- To evaluate the bank lending process and the loan information provided to consumers in banks, the Î CRPFL Center studied the market through controlled transactions.
- In order to regulate the process of accepting and reviewing consumer applications to the Central Bank, the Central Bank developed and approved the Handbook on Accepting, Reviewing, and Responding to Applications Submitted to the Central Bank by Natural Persons.
- A total of over 1,000 calls through the hotline and over 200 written applications were received in 2015, most of which concerned banking.

To increase financial awareness, a number of activities were implemented, including the finalization of the Evaluation of the Financial Competence of the Population of Armenia, which were presented at a session of the Commission Developing and Implementing the National Strategy for Financial Literacy. The evaluation had begun in 2013 together with the International Alliance for Financial Inclusion. In 2014, the Financial Competence Evaluation Methodology was developed. Subsequently, surveys were carried out throughout Armenia, covering a total of 1,536 respondents (95% credibility and a confidence interval of 2.5%).

With a view to integrating the financial literacy component in schools, the Central Bank, together with the Ministry of Education and Science and the National Institutes of Education, developed the Student Financial Awareness Matrix and identified the school subjects that will incorporate the financial literacy module under the said Matrix. Future efforts will focus on developing other content.

Considering that the rural population are a key target group of the National Strategy for Financial Literacy, the Central Bank, together with the German Savings Banks Association, developed a special curriculum in 2015. The curriculum is aimed at introducing a continuing program of financial education throughout the regions of Armenia and, through a two-day training course, raise the awareness of the rural population about matters related to personal finance management, which will subsequently help them in effective financial decision-making. In 2015, 11 trainers in six regions were trained, and pilot training has already been conducted in eight villages.

In 2015, the Central Bank piloted a series of open seminars conducted by representatives of the Central Bank of Armenia and other representatives of the financial sector. The seminars covered a wide range of topics related to personal finance management, such as debt management, loan selection, protection of rights, insurance, savings, and pensions. 20 open seminars were conducted.

The Personal Finance Management seminars conducted for military servicemen continued in the Central Bank in 2015. 34 seminars were organized in 2015. The Brain Ring economics and finance quiz competition semifinals and finals for high school students were organized in 2015, as well: the prequalified high school teams of 11 regions participated. The competition topics were related to finance and economics.

In the frameworks of the FLY project implemented jointly with the youth organization ISEC, six specialist from various countries conducted Personal Finance Management seminars in 15 schools and universities around Armenia.

The Citizen financial education program, which studies community issues, was carried out in 30 schools of the Tavush region in 2015. The aim was to equip students and teachers with a toolkit for studying the financial and economic problems of their communities and presenting recommendations and taking measures to address them.

A Healthy Lifestyle, Healthy Finance awareness campaign focusing on sound management of personal finance was organized in the framework of the Yerevan Half Marathon: the Central Bank provided financial advice on sound management of personal finance. Training booklets and materials were distributed to all the participants.

In 2015, too, an open-air exhibition with the participation of financial institutions was organized in the Northern Avenue of Yerevan jointly with the German Savings Banks Association on World Savings Day. In the framework of the Voskehask Festival, finance booklets were divided to about 400 residents of 14 villages near Vardenis; competitions were organized, financial questions were posed, and prizes were awarded to the ones giving the correct answers.

The development of the www.abcfinance.am website continued. New sections and subsections were created on credit history, expenditure planning, and open seminars. To increase youth interest in financial literacy, activities related to financial awareness were conducted in the social media: information videos and materials were published, and targeted competitions and other activities were carried out through the social platforms (abcfinance.am on Facebook, YouTube, and Twitter).

Various television stations broadcast information and behavior videos dedicated to the pension reforms. Information and educational seminars were conducted for various organizations. Cooperation was deepened with international organizations active in the field of protection of consumer interests and financial literacy, such as the Organization for Economic Co-operation and Development (OECD), the International Network on Financial Education (INFE), the Association for Financial Inclusion (AFI), and the Eurasian Economic Association.

STAFF TRAINING AND COOPEATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2015

To improve the effectiveness of the financial system regulation and supervision functions, the Central Bank continued implementing policies aimed at enhancing the professional qualification of its staff in 2015.

For knowledge improvement and comprehension of the international best practices, the staff involved in financial system regulation and supervision participated in a number of local and foreign training courses, business trips, and conferences during 2015. 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 2015, the Central Bank continued cooperating with the International Monetary Fund, the Financial Stability Institute, 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 2015, the Central Bank staff continued to participate in international professional qualification exams in finance, accounting, audit, insurance, and IT.

In 2015, the culture of highly-qualified staff of the Central Bank organizing training courses for the younger specialists was maintained and developed, securing 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 2015, the Central Bank hosted the mission of the International Monetary Fund. To expand business ties, to learn about the macroeconomic situation of the country, and to conduct negotiations, delegations of the International Finance Corporation (IFC), the European Investment Bank (EIB), the Eurasian Development Bank, the European Bank for Reconstruction and Development (EBRD), the Association for Financial Inclusion (AFI), the European Union (EU) Delegation in Armenia, the Moody's international rating agency, and others visited the Central Bank.

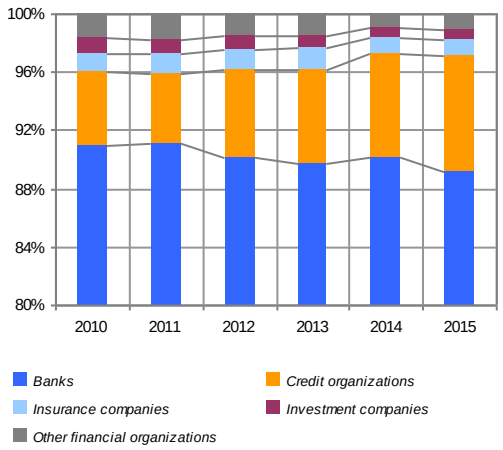
The Central Bank organized a number of workshops, meetings, round tables, and conferences. In 2015, the following events took place: session of the Financial Markets Advisory Committee of the Eurasian Economic

Union (EEU) Member States and the Eurasian Economic Commission, round table on macroeconomic policies and economic stabilization between EEU Member States, and session of the Currency Policy Advisory Body of the Central/National Banks of Member States of the Customs Union and the Common Economic Space.

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.

Financial intermediation somewhat declined in 2015 due to lower demand for credit on the backdrop of uncertainty caused by the regional economic situation.[1] The ratio of financial system assets to GDP and the ratio of loans to GDP shrunk by 7 and 5.7 percentage points, respectively, to 76.8% and 43.4%.

The banking system remains the largest participant in the financial system with an 89.2% share in total financial system assets.

[1] *The decline in financial intermediation indicators was in part due to changes in the nominal gross domestic product calculation methodology.*

BANKS

OVERVIEW

Banks Operating in the Republic of Armenia

As of 31 December 2015, 21 commercial banks and one development bank operated in the Republic of Armenia. At yearend, the significant shareholders in three banks changed considerably. The European Bank for Reconstruction and Development (EBRD) made significant investments in the statutory capital of two banks, and Inecobank CJSC acquired the shares of ProCredit Bank CJSC.

With nominal GDP growing faster than the key balance sheet indicators of the banking system in 2015, the banking intermediation indicator somewhat declined. The ratio of banking system assets to the GDP and the ratio of loans to the GDP shrunk by 6.0 and 5.5 percentage points to reach 68.5% and 39.8%, respectively.

Table 3. Access to Financial Services

	2013	2014	2015
Number of branches per 100,000 adult population	19.8	22.8	23.3
Number of ATMs per 100,000 adult population	51.1	62.1	65.2

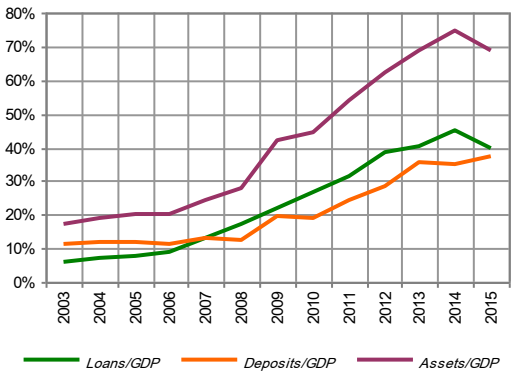
The number of banking system staff (including support staff) fell by 3.1% to reach 11,421 at yearend. The share of management in the total number of staff grew by 0.7 percentage points to reach 17.3% at yearend.

Concentration in the Armenian Banking System

In 2015, the Herfindahl-Hirschman Index of Concentration somewhat increased for the key balance sheet indicators of the banking system. Nevertheless, the index remained within a range of 0.06 to 0.1, reflecting a low level of concentration in the banking system.

Figure 2.

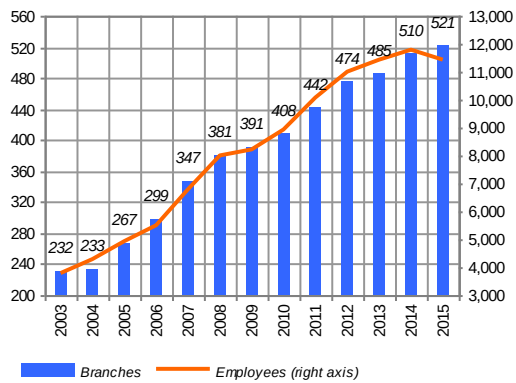
Banking System Financial Intermediation Indicators



Source: Central Bank of Armenia.

Figure 3.

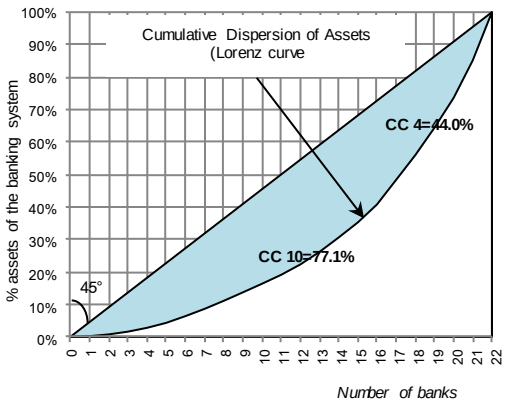
Number of Bank Branches and Employees



Source: Central Bank of Armenia.

Figure 4.

Lorentz Asset Cumulative Distribution Curve [2]



Source: Central Bank of Armenia.

Table 4. Herfindahl-Hirschman Index of Concentration

Indicator	31.12.13	31.12.14	31.12.15
Total assets	0.0699	0.0727	0.0764
Total liabilities	0.0727	0.0751	0.0800
Total capital	0.6140	0.0627	0.0630
Loans to the economy	0.0724	0.0754	0.0803
Time deposits of individuals and legal entities	0.0760	0.750	0.0813
Demand deposits (including bank accounts) of individuals and legal entities	0.1169	0.0926	0.0925

Polarization between large and small banks, too, grew slightly with respect to virtually all of the key balance sheet indicators. A slight increase in polarization is confirmed by the increase in the Gini coefficient for assets, which grew by 1.9 percentage point in 2015 over 2014 to reach 38.9%.

Table 5. Banking Sector Concentration

Indicator	31.12.13	31.12.14	31.12.15
Total assets			
CC 4 (share of the largest four banks in the system)	39%	43%	44%
CC 10 (share of the largest 10 banks in the system)	77%	77%	78%
Total liabilities			
CC 4	40%	43%	46%
CC 10	79%	78%	79%
Total capital			
CC 4	37%	37%	37%
CC 10	69%	71%	70%
Loans to the economy			
CC 4	42%	44%	45%
CC 10	78%	78%	79%
Time deposits of individuals and legal entities			
CC 4	44%	43%	47%
CC 10	80%	79%	79%
Demand liabilities to individuals and legal entities (including bank accounts)			
CC 4	59%	52%	52%
CC 10	86%	83%	85%

[2] *The cumulative distribution 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.*

BANKING SYSTEM CAPITAL

Banking System Capital Growth Trends

Total capital of the banking system grew by 9.6% (AMD 44.9 billion) to reach AMD 514.0 billion. Total capital growth was due to higher statutory capital. During the year, nine banks replenished statutory capital by a total of AMD 74.0 billion, of which AMD 68.4 billion was from external sources.

In 2015, the share of non-residents in total statutory capital of the banking system grew by 1.2 percentage points to 67.7% at yearend.

During 2015, total assets continued growing faster than total capital, which caused the ratio of total capital to total assets to fall by 1.1 percentage points to 13.9% at yearend.

Capital Adequacy of the Banking System

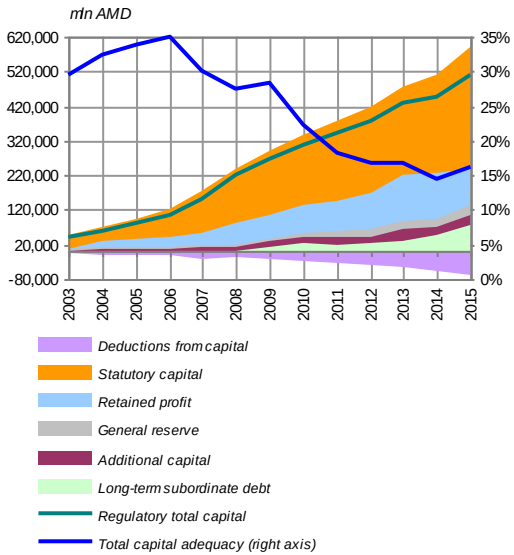
In 2015, commercial bank total capital adequacy grew by 1.7 percentage points and reached 16.2% (the prudential minimum is 12%). Total capital adequacy of individual commercial banks, too, was above the minimum threshold, and no bank violated the capital adequacy requirement during the year.

Capital adequacy of commercial banks grew due to increase in total regulatory capital. During 2015, total regulatory capital of commercial banks grew by 4.9% (AMD 22.2 billion) to reach AMD 474.5 billion. The share of tier-one capital in total regulatory capital was 86.2% (compared to 87.5% in 2014).

As to the structure of risk-weighted assets, the shares of credit risk, market risk, and operational risk were 89.1%, 7.3%, and 3.6%, respectively (compared to 89.9%, 7.2%, and 2.9% at yearend 2014).

Figure 5.

Commercial Bank Total Regulatory Capital Structure; Capital Adequacy Trends



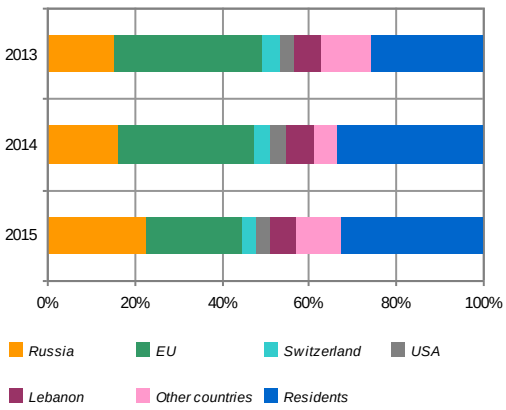
Source: Central Bank of Armenia.

Owners of Banks

In terms of organizational-legal types, 1 of the 22 banks operating in Armenia is a limited liability company, 5 are open joint-stock companies, and 16 are closed joint-stock companies.

Figure 6.

Banking System Statutory Capital Structure by Residency



Source: Central Bank of Armenia.

The banking system shareholders are 1,826 individuals and legal entities, 93 of which are non-residents. Without the five banks that have open joint-stock company status, the shareholders in the remaining 17 banks are 60 individuals and legal entities, 30 of which are non-residents. In seven banks, 100% of the shares belong to one person (two resident legal entities, four non-resident legal entities and one resident individual), and in nine banks, one shareholder owns over 50% of the shares.

As to the regional breakdown of banking system participants, participants registered in Russia and the EU have large shares in statutory capital - 23.0 and 21.9 percent, respectively (compared to 16.6 and 30.8 percent at yearend 2014).

BANKING SYSTEM LIABILITIES

Funds Attracted by the Banking System

In 2014, total liabilities of the banking system virtually did not change and were AMD 2 trillion 943 billion at yearend.

In terms of the currency structure, dram liabilities shrunk by 0.9%, while foreign currency liabilities grew by 0.5%. As a result, the share of foreign currency liabilities grew by 0.3 percentage points to reach 65.7% at yearend.

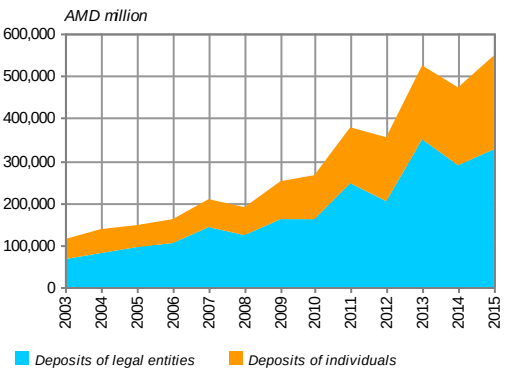
Demand and time deposits of individuals and legal entities grew by 11.5% (AMD 185 billion) and reached AMD 1 trillion 789 billion at yearend. In terms of the currency structure, dram liabilities grew by 16.9%, while foreign currency deposits grew by 9.5%. As a result, the share of foreign currency deposits in total deposits fell by 1.3 percentage points to reach 71.3%.

Demand liabilities of legal entities grew by 13.9% (AMD 40.0 billion), while demand liabilities of individuals grew by 20.3% (AMD 37.3 billion), reaching AMD 328.1 and 221.8 billion, respectively, at yearend.

Time deposits of legal entities grew by 3.6% to reach AMD 282.2 billion, while time deposits of individuals grew by 11.4% to reach AMD 957.1 billion.

Figure 7.

Demand Deposits of the Banking System



Source: Central Bank of Armenia.

Structure of Funds Attracted by the Banking System

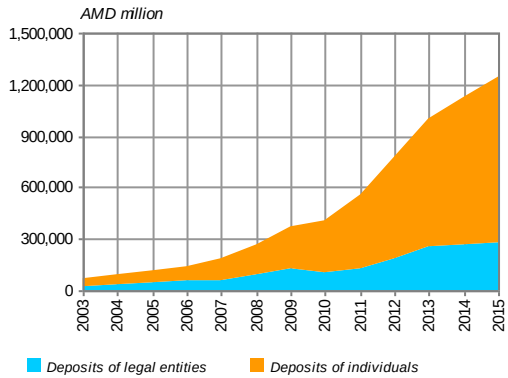
As of 31 December 2015, the share of interest-bearing liabilities in total liabilities of the banking system was 95.6% (compared to 95.2% in 2014). Without the low-cost demand liabilities, the share of interest-bearing term liabilities was 76.0% (compared to 78.3% in 2014).

The structure of total liabilities of the banking system changed considerably in terms of liabilities to banks (including the Central Bank) and demand and time deposits: the shares of liabilities to banks (including the Central Bank) shrunk by 7.0 percentage points, while the shares of demand and time deposits grew by 2.6 and 3.6 percentage points, respectively.

As at yearend, 20% of the attracted funds were demand funds (deposits, bank accounts, and correspondent accounts), while 55% had a maturity of less than one year, and 25% had a maturity of over one year (compared to 18%, 59%, and 24%, respectively, at yearend 2014).

Figure 8.

Time Deposits of the Banking System



Source: Central Bank of Armenia.

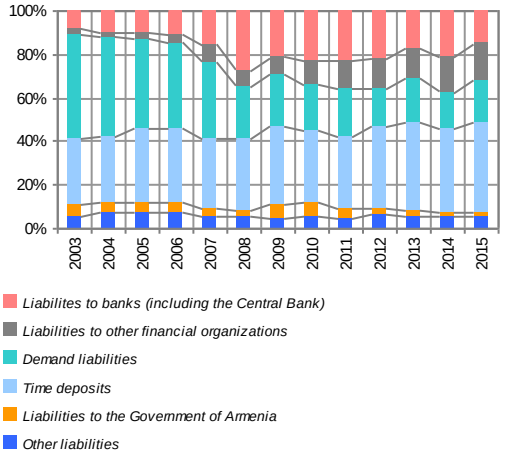
Customers of Commercial Banks

The number of customers served in the commercial banks of Armenia grew by 2.6% in 2015 to reach 2,327,000 at yearend, mostly due to an increase in the number of natural person customers by 2.9% relative to 2014 (reaching 2,251,000 at yearend 2015). The number of legal entity customers shrunk by 4.1% and reached 76,400 at yearend 2015.

During the year, the number of bank accounts (current and savings) grew by 10% and reached 3,334,000.[3] The number of legal entity accounts grew by 2.2% and reached 148,400 at yearend. The number of bank accounts (current and savings) of individuals grew by 10.4% and reached 3,183,000 at yearend 2015.

Figure 9.

Banking System Total Liabilities

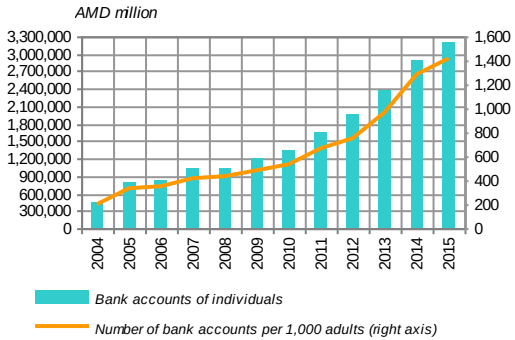


Source: Central Bank of Armenia.

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

Figure 10.

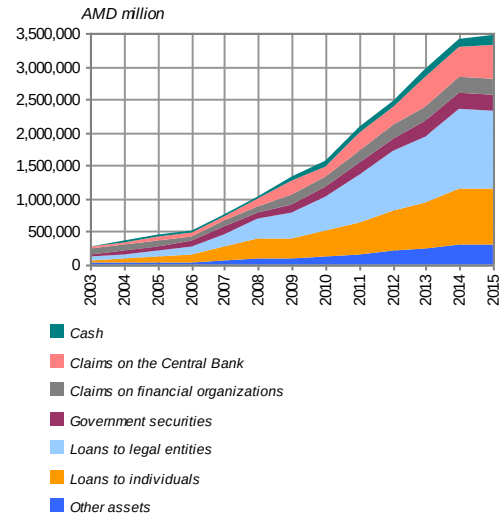
Bank Accounts of Individuals in the Banking System



Source: Central Bank of Armenia and National Statistical Service.

Figure 11.

Banking System Assets



Source: Central Bank of Armenia.

Growth Trends of Funds Allocated by the Banking System

In 2015, total assets of the banking system grew by 1.4% to reach AMD 3 trillion 457 billion at yearend, mostly due to higher claims on the Central Bank.

Correspondent accounts with and other claims on the Central Bank were the main items to grow, by 7.8%, to reach AMD 507 billion.

Lending to the economy declined by 3.0% to reach AMD 2 trillion 11.1 billion. Loans to legal entities and individuals shrunk by 3.9% and 1.7%, respectively, to reach AMD 1 trillion 175 billion and AMD 836 billion at yearend.

Investments in government securities grew by 6.1% to reach AMD 253.3 billion.

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

	31.12.14	31.12.15	Change
EU	38.6%	34.0%	-4.60%
Germany	23.7%	23.9%	0.20%
Austria	9.0%	3.2%	-5.80%
France	2.0%	3.2%	1.20%
Great Britain	2.2%	1.9%	-0.30%
Other EU Member States	1.7%	1.8%	0.10%
USA	49.6%	49.3%	-0.30%
Russia	8.5%	15.2%	6.70%
Other countries	3.3%	1.5%	-1.80%

Correspondent accounts in banks grew by 22.1% to reach AMD 129.1 billion. They are highly concentrated in terms of residency: as of 31 December 2015, 98.2% of the correspondent accounts were in non-resident banks (compared to 98.9% at yearend 2014).

Structure of Funds Allocated by the Banking System

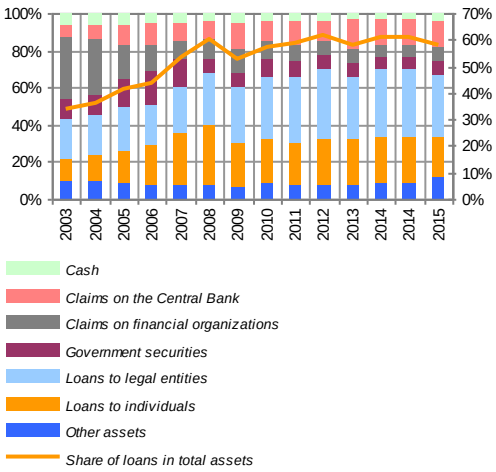
In 2015, the share of interest earning assets in total assets shrunk by 2.4 percentage points and reached 72.5%. Excluding low-return correspondent accounts, the share of other income-bearing assets shrunk by 2.0 percentage points to reach 71.3%.

Within the structure of assets, significant changes occurred in loans to the economy and claims on the Central Bank and other financial organizations: the share of loans to the economy shrunk by 3.1 percentage points, while the shares of claims on the Central Bank and other financial organizations grew by 0.9 and 0.7 percentage points, respectively.

At yearend, 25% of the funds allocated were demand funds, while 32% had a maturity of less than one year, and 43% had a maturity of over one year or were had no specific term (compared to 22%, 35%, and 42%, respectively, at yearend 2014).

Figure 12.

Structure of Banking System Assets



Source: Central Bank of Armenia.

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

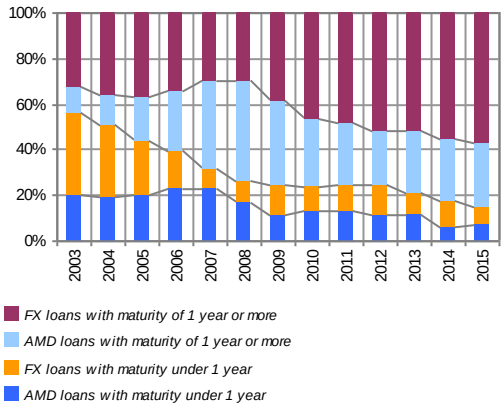
In 2015, credit investments of the banking system shrunk by 2.2% (AMD 48.9 billion) to reach AMD 2 trillion 223 billion. AMD credit investments grew by 4.2% (AMD 31.3 billion) to reach AMD 773 billion, while FX credit investments shrunk by 5.0% (AMD 75.5 billion) to reach AMD 1 trillion 449 billion. As a result, the share of FX credit investments in total shrunk by 2.1 percentage points and reached 65.2%.

Credit investments to non-residents grew by 14.3% to reach AMD 117 billion, while credit investments to residents shrunk by 2.9% to reach AMD 2 trillion 106 billion. As a result, the share of credit investments to non-residents rose by 0.8 percentage points and reached 5.3%.

In terms of the maturity structure, the share of long-term credit investments (maturity of 1 year or more) in total grew by 2.2 percentage points and reached 84.8%. The share of long-term credit investments in total credit investments grew on account of a higher share of FX long-term credit investments.

Figure 13.

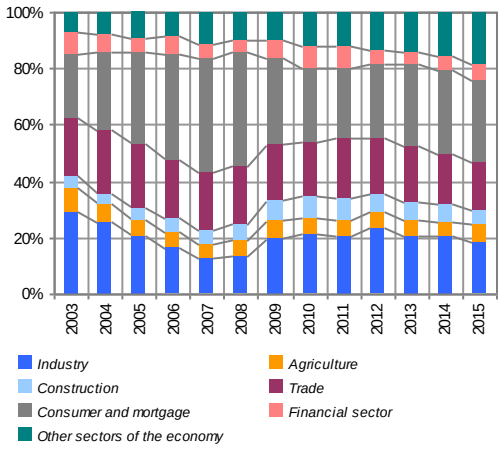
Term Structure of Credit Investments to Residents



Source: Central Bank of Armenia.

Figure 14.

Structure of Credit Investments to Residents by Sectors of the Economy



Source: Central Bank of Armenia.

At yearend, consumer loans, industry loans, and trade loans had larger shares in the portfolio of credit investments to residents (20.7%, 18.4%, and 16.9%, respectively).

The Herfindahl-Hirschman Index of concentration of banking system lending by sectors of the economy fell by 0.01 percentage points and reached 0.10. The Index average for banks did not change over 2014 and was 0.18 at yearend, indicating a relatively high level of sector-specific concentration of lending in some banks.

Financial intermediation is greatly facilitated by loans on-lent by banks under programs of international financial institutions, which are mostly long-term loans. As of 31 December 2015, 19 banks and 13 credit organizations operating in Armenia served programs of:

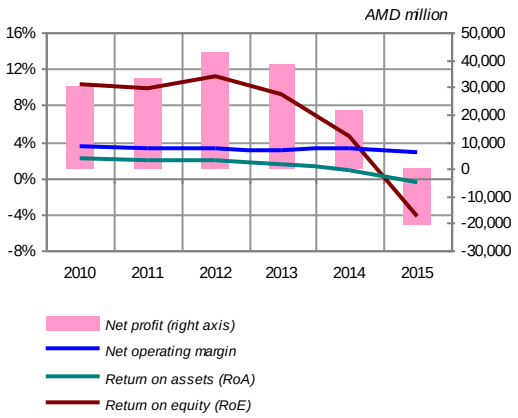
- The German KFW;
- The European Bank for Reconstruction and Development (EBRD);
- The Asian Development Bank (ADB);
- The European Fund for Southeast Europe (EFSE);
- The Black Sea Trade and Development Bank (BSTDB);
- The World Bank (WB);
- The Eurasian Development Bank (EDB);
- The International Finance Corporation (IFC);
- International Fund for Agricultural Development (IFAD);
- 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);
- TheBlueOrchard Microfinance, and lending programs implemented by other international financial institutions.

Loans disbursed by banks and credit organizations under international programs shrunk by 1.4% in 2015 to reach AMD 377 billion at yearend. In loans made under international programs, the share of overdue loans shrunk by 0.2 percentage points and was 0.9% at yearend 2015. 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 4.6%, 7.2%, and 88.3%, respectively.

On 31 December 2015, the main lending sectors were trade, agriculture, and the processing industry (27.0%, 23.0%, and 12.4%, respectively).

Figure 15.

Indicators of Profitability



Source: Central Bank of Armenia.

FINANCIAL PERFORMANCE OF THE BANKING SYSTEM

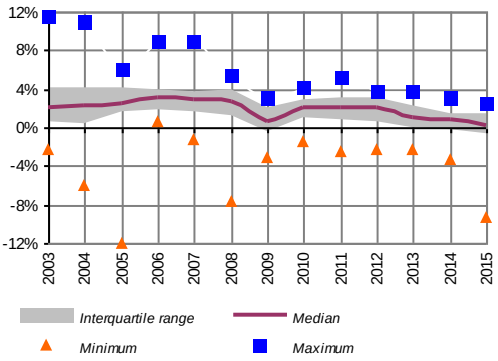
Banking System Profitability

In 2015, net loss of the banking system, calculated on the basis of supervisory reports submitted to the Central Bank, was AMD 20.7 billion.[4] Seven banks incurred losses, while 15 were profitable.

Banking system RoA and RoE were -0.6% and -4.3%, respectively. Net operating margin grew by 0.2 percentage points to reach 3.2%. The decline in profitability was due to the higher ratio of net provisions to assets caused by a increasing share of non-performing loans, as well as a lower net interest margin caused by a shrinking yield spread. 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%.[5]

Figure 16.

Banking System RoA



Source: Central Bank of Armenia.

[4] It is different from the IFRS in terms of allocations to the reserve fund for possible asset losses.

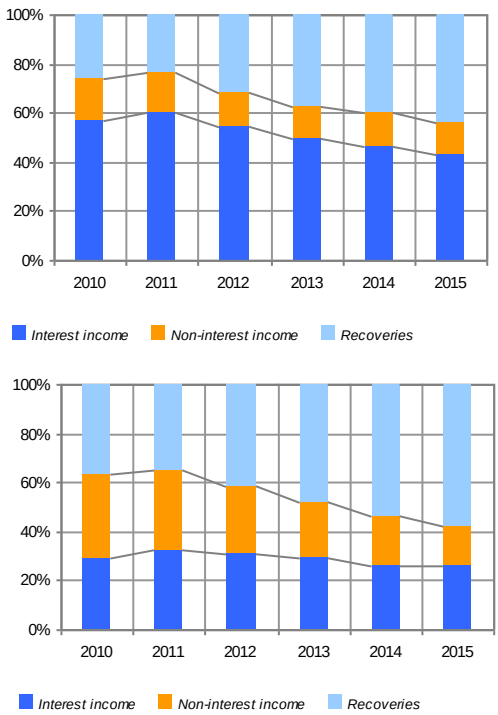
[5] For purposes of this analysis, RoE of banks is presented through the following components:

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

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.

Figure 17.

Banking System Income and Expense Structure



Source: Central Bank of Armenia.

The ratio of net provisions to assets grew by 1 percentage point to reach 3.2%, while net interest margin shrunk by 0.8 percentage points to reach 3.5%. RoA was positively influenced by the 0.4 percentage points decline in the ratio of net non-interest expense to assets.

Banking system profit as per the International Financial Reporting Standards (hereinafter, "IFRS") was AMD 17.7 billion in 2015, while RoA and RoE under the IFRS were 0.5% and 3.5%, respectively.

The RoA quartile analysis shows that, compared to 2014, RoA dispersion between banks declined. The RoA interquartile range shrunk by 0.5 percentage points to reach 1.2%. The interquartile range shrunk due to 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 0.3% and the difference between the median and the 1st quartile was 0.8% (compared to 0.6% and 1.1%, respectively, in 2014).

Banking System Income and Expense Structure

In 2015, gross income of the banking system grew by 17.7% and gross expense by 26.6%. Within gross income, interest income grew by 9.0%, non-interest income grew by 13.8%, and loan loss recoveries grew by 29.0%.

Within gross expenses, interest expense grew by 25.9% over 2014, while non-interest expense grew by 2.0%, and loan loss provisions grew by 36.0%.

As a result of the aforementioned increase in income and expense, the shares of interest and non-interest income in gross income shrunk by 3.4 and 0.5 percentage points, respectively, while the share of loan loss recoveries grew by 3.9 percentage points. The shares of interest and non-interest expense in gross expense shrunk by 0.1 and 3.9 percentage points, respectively, while the share of loan loss provisions grew by 4.0 percentage points.

Banking system interest income grew mostly due to increase in income from loans to the economy (including overdraft, credit lines, and credit cards): their share in total interest income was 84.6% (compared to 84.7% in 2014).

As to the structure of non-interest income, the main components to grow were income from commissions and fines and penalties. Income from commissions, from foreign exchange trading, and from fines and penalties were the largest components of non-interest income, with shares of 42.5%, 25.2%, and 18.8%, respectively (compared to 45.1%, 18.9%, and 22.1% in 2014).

Interest expense grew mostly due to increase in payments under repo agreements with the Central Bank and interest payments for time funds borrowed from commercial banks and other financial organizations. The largest components of total interest expense were interest expense for time deposits and interest expense for funds borrowed from commercial banks and other financial organizations—50.7% and 22.2%, respectively (compared to 57.1% and 18.4% in 2014).

FINANCIAL RISKS OF THE BANKING SYSTEM

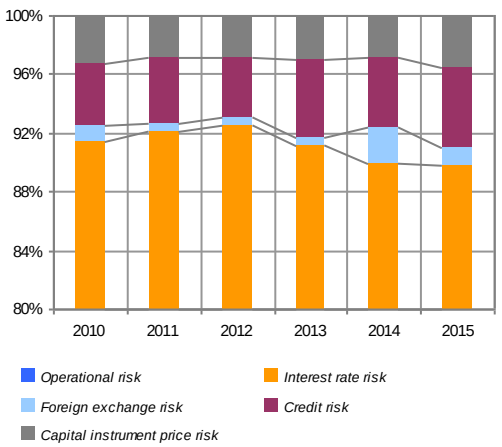
In 2015, the banking system risks remained manageable. No threats to financial stability were observed. During the year, the prudential ratio of total capital adequacy of commercial banks was constantly above the required minimum. The prudential ratios of total and current liquidity of commercial banks remained consistent with the minimum prudential thresholds.

Table 7. Prudential Ratios of Commercial Banks

Prudential Ratio	31.12.14	31.12.15	Change	Prudential Threshold
Total regulatory capital adequacy	14.5%	16.2%	+1.7%	≥ 12%
Total liquidity	25.1%	28.0%	+2.9%	≥ 15%
Current liquidity	129.4%	142.4%	+13.0%	≥ 60%
Single large borrower risk	19.1%	18.7%	-0.4%	≤ 20%
All large borrowers risk	183.2%	163.3%	-19.9%	≤ 500%
Single bank-affiliated party risk	3.9%	3.8%	-0.1%	≤ 5%
All bank-affiliated parties risk	11.4%	11.6%	+0.2%	≤ 20%

Figure 18.

Structure of Risk-Weighted Assets of Commercial Banks



Source: Central Bank of Armenia.

Credit Risk

Credit risk continues to be considered as a key risk for the banking system of Armenia. The share of credit risk in risk-weighted assets of commercial banks was 89.1% (compared to 89.9% in 2014). In this context, prudent management of credit risk is highly important for the financial stability of the banking system.

As to the risks of the loan portfolio, non-performing loans and accounts receivable grew by 12.2% (AMD 18.4 billion) in 2015 to reach AMD 170.0 billion, while standard loans and accounts receivable shrunk by 3.2% (AMD 70.2 billion) to reach AMD 2 trillion 134.7 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 1.0 percentage points during 2015 and reached 7.4% at yearend.[6]

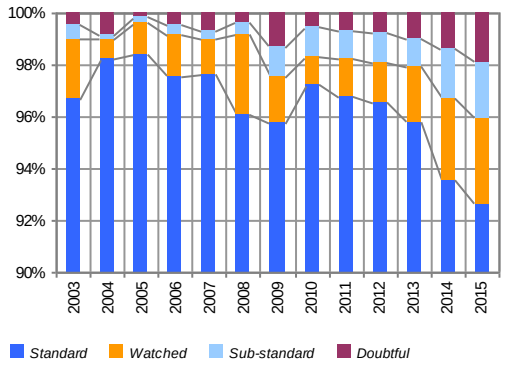
As to risk classes, the shares of watched, substandard, and doubtful loans and accounts receivable in total loans and accounts receivable were 3.3%, 2.2%, and 1.9%, respectively (compared to 3.1%, 1.9%, and 1.4% at yearend 2014).

In terms of the sectors of the economy, the share of non-performing loans increased considerably in the construction, public catering and other service sectors, and industry. In these sectors, the shares of non-performing loans grew by 5.9, 4.3, and 3.2 percentage points, respectively, and reached 11.3%, 13.8%, and 9.2%. As a result, the shares of the non-performing loans of these sectors in total non-performing loans grew by 5.1, 4.6, and 3.7 percentage points, respectively.

In terms of residency, 98.7% of the non-performing loans and accounts receivable at yearend were related to residents, and 1.3% to non-residents (compared to 96.7% and 3.3%, respectively, at yearend 2014).

Figure 19.

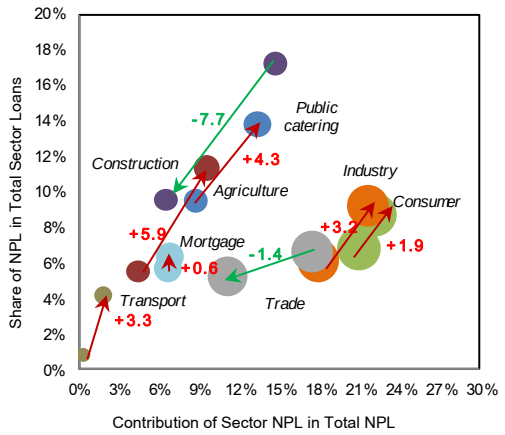
Structure of Loans and Accounts Receivable by Risk Class



Source: Central Bank of Armenia.

Figure 20.

Changes in Loan Portfolio Quality by Sectors, 2014-2015[6]



Source: Central Bank of Armenia.

[6] In Figure the circles' diameter is directly proportional to the share of loan investment in the relevant sector of the economy in total loan portfolio. The direction and size of the arrow between the circles denote the change in the share of nonperforming loans in the sector in 2014-2015.

The ratio of net non-performing loans and accounts receivable to total regulatory capital grew by 0.9 percentage points in 2015 over 2014 and reached 20.2%[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 13.3%—still above the required minimum[8].

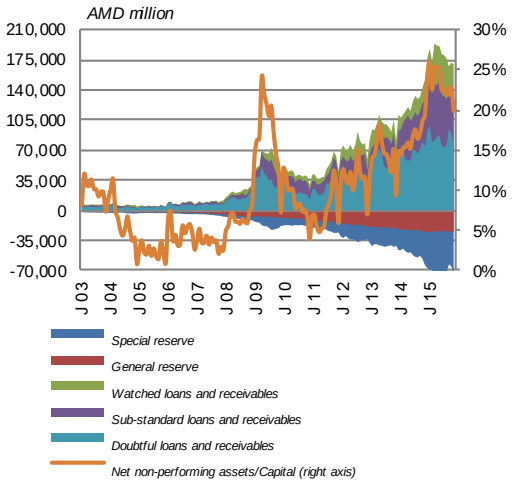
Table 8. Credit Risk Stress Tests[10]

31 December 2015	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 29.6 billion, or 6.2% of system regulatory capital	AMD 11.4 billion or 2.4% of system regulatory capital	AMD 59.8 billion or 12.6% of system regulatory capital
Total capital adequacy of the banking system under the stress scenario	15.2%	15.9%	14.4%

According to the results of the credit risk stress tests,[11] the possible loss of the banking system improved compared to the results of the same stress tests performed at the beginning of the year, due to higher total capital adequacy as a result of replenishment of statutory capital and shrinking loan portfolio.

Figure 21.

Provisions for Possible Losses related to Non-Performing Loans and Accounts Receivable[9]



Source: Central Bank of Armenia.

[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.

[9] Assets in the "bad debt" credit risk class and the provision for potential losses thereunder are not presented in the Figure. For "bad debt" assets, banks form a 100% provision for losses and write off from the balance sheet.

[10] 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.

[11] 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).

Foreign Exchange Risk

In 2015, the AMD/USD average annual exchange rate depreciated by 13%, while depreciation relative to the beginning of the year was 4.0%. As a consequence of fluctuations of the AMD exchange rate to foreign currencies, the banking system had a currency revaluation gain of AMD 2 billion (compared to an AMD 3.9 billion gain in 2014): 10 banks suffered a currency revaluation loss, and 12 banks gained from currency revaluation. FX trading operations generated a net income of AMD 17.5 billion for the banking system in 2015 (compared to AMD 18.2 billion in 2014). The FX value-at-risk (VAR) calculation shows, within 95% confidence interval, the possible 10-day loss of the banking system due to FX revaluation would not exceed AMD 731 million.

Table 9. FX Risk Stress Tests

31 December 2015	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 1.3 billion, or 0.3% of system regulatory capital	AMD 70.4 million, or 0.01% of system regulatory capital	AMD 730.9 million, or 0.2% of system regulatory capital

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. As of 31 December 2015, the net FX short position of the banking system (including derivatives) was AMD 25.4 billion or 5.4% of total regulatory capital (compared AMD 25.8 billion or 5.7% of total regulatory capital on 31 December 2014).

Liquidity Risk

In 2015, with cautious lending policy of the banks, banking system liquidity rose. Highly-liquid assets of commercial banks grew by 13.7%, while total assets used to calculate the prudential ratio of liquidity grew by 2.0%, and demand liabilities grew by

3.3%. As a result, commercial bank total and current liquidity ratios grew by 2.9 and 13.0 percentage points to reach 28% and 142.4% 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 1.3 percentage points in 2015 to reach 23%.[12]

As to the stability of bank financing, the ratio of loans to deposits fell by 16.9% and reached 112.4%.

Table 10. Liquidity Risk Stress Tests

31 December 2015	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	25.5%	25.3%	20.8%
Banking system highly liquid assets to demand liabilities	107.2%	141.0%	109.7%

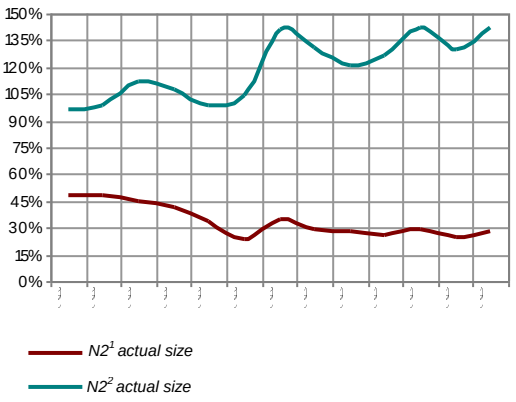
According to the liquidity risk stress tests, the prudential ratios of total and current liquidity improved relative to the stress tests performed at the beginning of 2015. Under the worst-case test scenario, some banks would breach the total and current liquidity prudential ratios, but their stock of highly-liquid assets would be fully sufficient to cover the presumed outflow of liabilities under such stress scenarios.

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 grew by 0.1 percentage point and reached 6.1% at yearend.

Figure 22.

Change in General and Current Liquidity Prudential Ratios of Commercial Banks



Source: Central Bank of Armenia.

Figure 23.

Change in Ratio of Loans to Deposits, Commercial Banks



Source: Central Bank of Armenia.

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

In 2015, the banking system had a net gain of AMD 578 million (0.1% 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 2015
Banking system loss due to revaluation of bank-owned real estate (*price risk*)	AMD 13.0 billion (2.7% of banking system capital)
Banking system loss due to non-repayment of 30% of the loan portfolio vulnerable under the stress scenario[13] (assuming that the respective collateral against such loans is sold at depreciated price) *(credit risk)*	AMD 13.0 billion (2.7% 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 43.2 billion (9.1% of banking system capital)

According to the price risk stress test results, the possible losses of the banking system under the worst-case 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 2015, the AMD deposit interest rates continued to rise, while the foreign currency deposit interest rates tended to fall. Loan interest rates rose slowly. The weighted average interest rate of AMD deposits grew by 2.8 percentage points, while that of USD deposits fell by 0.4 percentage points. The weighted average interest rates of AMD and USD loans grew by 0.4 and 0.1 percentage points, respectively. As a result, the AMD loan and deposit interest rate spread shrunk by 2.4 percentage points, while the spread of USD loan and deposit interest rates grew by 0.4 percentage points.

[13] *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 2015	Stress Scenarios	
	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 -7.7 billion or 1.6% of banking system capital (AMD 7.7 billion or 1.6% of banking system capital)	AMD -1.2 billion or 0.3% of banking system capital (AMD 1.2 billion or 0.3% of banking system capital)

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.

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 3.7% of total regulatory capital. In this sense, interest rate risk is at a manageable level.

CREDIT ORGANIZATIONS

OVERVIEW

Credit Companies Operating in Armenia

As of 31 December 2015, 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 159 at yearend.

Concentration among Credit Organizations in Armenia

The Herfindahl-Hirschman Index of Concentration increased for all the key balance sheet indicators of credit organizations.

The Herfindahl-Hirschman index of concentration for various aggregate indicators fluctuated between 0.07 and 0.1, with the exception of total capital.

Table 13. Concentration among Credit Organizations (%)

Prudential ratio	31.12.15	31.12.14	Change
Total assets			
CC 4	48.9	45.3	+3.6
CC 10	76.5	74.8	+1.7
Total liabilities			
CC 4	44.4	44.4	-
CC 10	76.4	76.2	+0.2
Total capital			
CC 4	73.8	65.8	+8.0
CC 10	87.5	84.2	+3.3
Loans to the economy (including leasing)			
CC 4	43.0	41.8	+1.2
CC 10	76.0	73.3	+2.7

The polarization of virtually all indicators (save for total liabilities) between large and small credit organizations grew during 2015.

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

Capital of Credit Organizations

In 2015 the total capital of credit organizations grew by 20.6% (AMD 22.6 billion) and reached AMD 132.3 billion. This growth was mostly due to an increase in statutory capital.

The share of non-residents in the statutory capital of credit organizations shrunk by 12.5 percentage points in 2015 and reached 9.8% at yearend. Four of the 11 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 17.2% (compared to 28.5% at yearend 2014).

Liabilities of Credit Organizations

The liabilities of credit organizations grew by 10.6% and reached AMD 176.4 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%). In terms of the maturity structure, demand and time liabilities to legal entities grew by 97.3% and reached AMD 34.4 billion (compared to AMD 17.4 billion in 2014), while demand and time liabilities to individuals shrunk by 5.0% and reached AMD 19.9 billion (compared to AMD 21.0 billion in 2014).

In terms of the currency structure, the share of AMD liabilities in liabilities to legal entities shrunk by 2.6%, and for individuals by 7.3%.

In 2015, the share of other liabilities in total liabilities of credit organizations grew by 10.0%, and that of liabilities to banks grew by 4.3%.

Assets of Credit Organizations

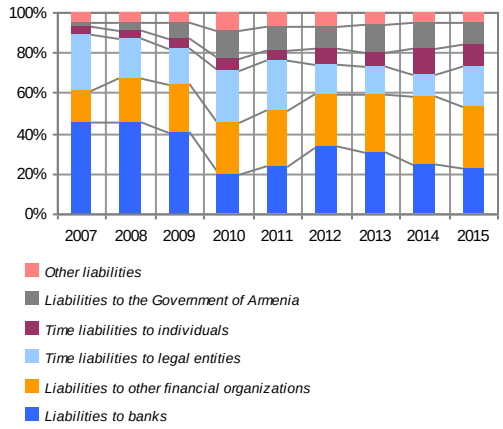
During 2015, total assets of credit organizations grew by 14.7% and reached AMD 308.6 billion at yearend. Assets grew in 20 and shrunk in 12 of the credit organizations operating in Armenia.

Claims on banks grew by 28.1% and loans to the economy (including leasing) by 7.2%, reaching AMD 96.5 and 177.7 billion, respectively.

Lending to virtually all sectors of the economy grew, with the exception of lending to trade, industry, and construction.

Figure 24.

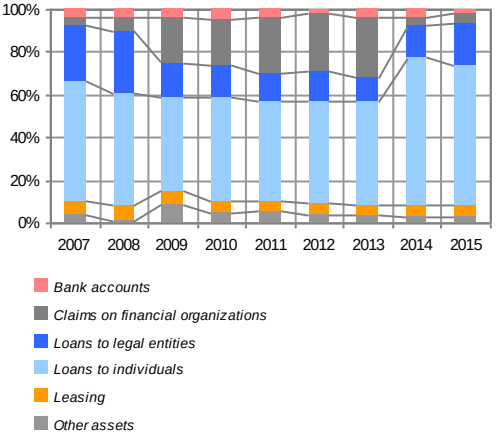
Structure of Liabilities of Credit Organizations



Source: Central Bank of Armenia.

Figure 25.

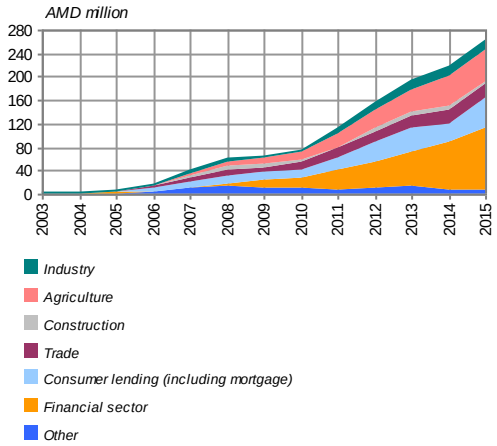
Structure of Assets of Credit Organizations



Source: Central Bank of Armenia.

Figure 26.

Change in Credit Investments of Credit Organizations



Source: Central Bank of Armenia.

The fastest-growing items were consumer lending (including mortgage), lending to the financial sector, and agriculture lending, which grew by 76.0%, 28.0%, and 6.4%, respectively. Lending to the financial sector and agriculture and consumer lending had the largest shares in credit investments (40.6%, 20.4%, and 11.4%, 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 6.2% at yearend. The share of non-performing loans is higher in consumer lending and lending to agriculture and trade (18.0%, 13.1%, and 10.2%, 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 share of claims on banks and the share of loans to legal entities grew by 3.3 and 1.8 percentage points, respectively, while the share of loans to individuals shrunk by 4.9 percentage points.

Financial Outturn of Credit Organizations

The net profit of credit organizations according to supervisory reports was AMD 10.3 billion in 2015: 24 of the credit organizations were profitable, while eight incurred a loss. Total net profit of the profitable credit organizations was AMD 11.3 billion.

RoA and RoE of credit organizations were 3.6% and 10.3%, respectively, in 2015.

In 2015, the net profit of credit organizations according to the IFRS[14] was AMD 10.2 billion, while RoA was 3.4% and RoE was 7.5%.

Interest income of credit organizations grew by 16.4%. The share of loans to the economy in total interest income shrunk by 5.2% and reached 70.3%.

[14] *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.*

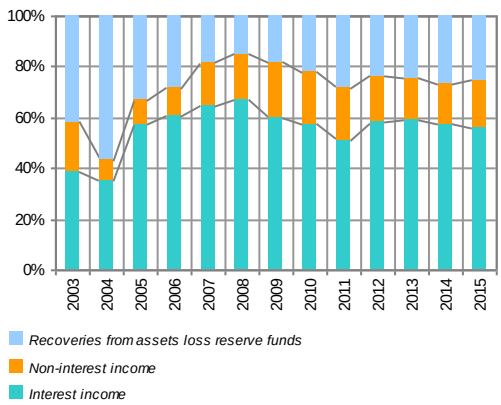
Non-interest income grew by 43.6% mostly due to higher other non-interest income. The share of the latter in total non-interest income grew by 14.6 percentage points and reached 23.3%.

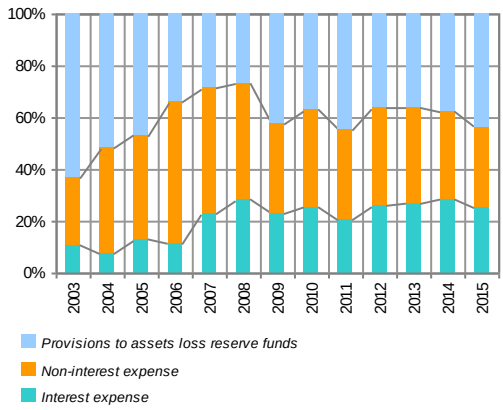
Interest expense grew by 10.1% mostly due to higher interest payments against time debt and higher interest expense against funds attracted from commercial banks and other financial organizations. The larger components of interest expense are interest payable against time debt and interest payable against funds attracted from commercial banks and other financial organizations—44.9% and 32.8%, respectively (compared to 45.2% and 28.6% in 2014).

Non-interest income grew by 11.1% mostly due to higher wages and related payments, as well as other non-interest expense, which accounted for 53.4% and 17.2%, respectively, of non-interest expense (compared to 58.7% and 10.9% in 2014).

Figure 28.

Income and Expense Structure of Credit Organizations





Source: Central Bank of Armenia.

INSURANCE MARKET OF ARMENIA

OVERVIEW

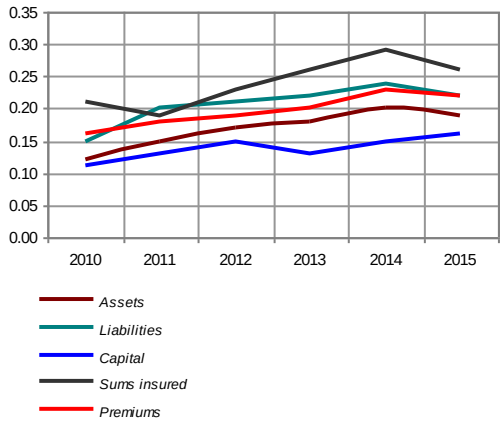
Insurance Companies Operating in Armenia

As of 31 December 2015, eight insurance companies (with a total of 26 branches) had insurance licenses in the Republic of Armenia.[15] All of the insurance companies provided only non-life insurance.

The ratio of premiums to GDP, an indicator of the activity of insurance companies, was 0.62% on 31 December 2015, down 0.03 percentage points relative to yearend 2014.[16] Per capita premiums were AMD 10,500 in 2015 (compared to AMD 10,000 in 2014).

Figure 29.

Herfindahl-Hirschman Index of Concentration for Key Indicators



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, except for capital, declined in 2015.

Table 14. Herfindahl-Hirschman Index of Concentration

	31.12.13	31.12.14	31.12.15
Assets	0.18	0.20	0.19
Liabilities	0.22	0.24	0.22
Capital	0.13	0.15	0.16
Sums insured	0.26	0.29	0.26
Premiums	0.20	0.23	0.22

[15] *The yearend-2015 data includes only seven insurance companies that actually operate and file reports, because one company had an insurance license but did not operate.*

[16] *In 2014, the ratio of premiums to GDP for non-life insurance averaged 3.51% in developed industrial countries and 1.35% in developing countries (source: Swiss Re, Sigma No 4/2015, May 2015).*

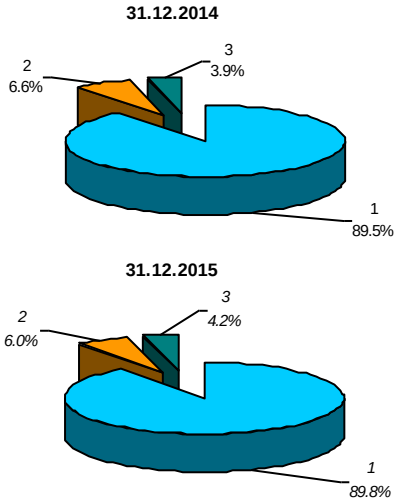
Table 15. Concentration in the Insurance System (%)

	31.12.13	31.12.14	31.12.15
Assets			
CC 2 (share of assets of the largest **two** companies in total assets of the system)	50	55	53
CC 5 (share of assets of the largest **five** companies in total assets of the system)	85	87	86
Liabilities			
CC 2	58	64	60
CC 5	93	96	94
Capital			
CC 2	32	41	44
CC 5	73	83	83
Sums insured			
CC 2	66	71	68
CC 5	94	94	95
Premiums			
CC 2	52	60	59
CC 5	91	94	94

Polarization between insurance companies declined in 2015 relative to 2014. The concentration of all the indicators presented in Table 15 declined, except for capital and the sums insured of the largest five companies (CC5).

Figure 30.

Structure of Total Capital of the Insurance System



1. Statutory capital,
2. Current and previous periods' undistributed profit,
3. Other total capital elements

Source: Central Bank of Armenia.

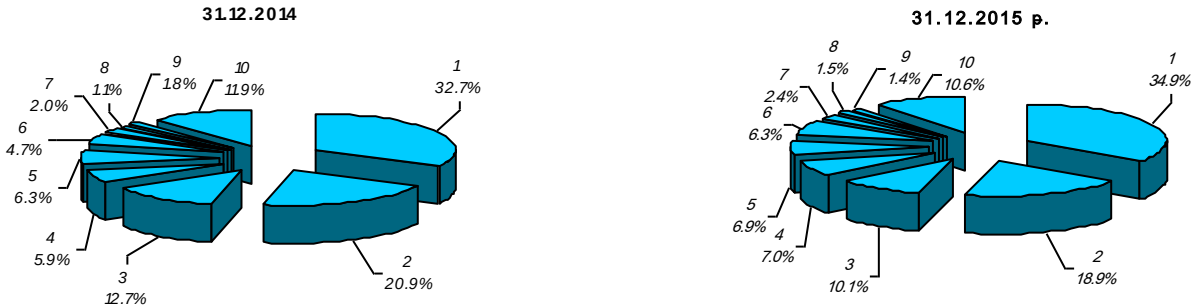
CAPITAL OF THE INSURANCE SYSTEM

Total capital of the insurance system grew by 6.5% in 2015 and reached AMD 16.8 billion. Statutory capital grew by 6.8% and reached AMD 15.1 billion.

During the year, two insurance companies replenished statutory capital (for an amount of AMD 956 million).

Figure 31.

Structure of Assets of Insurance Companies

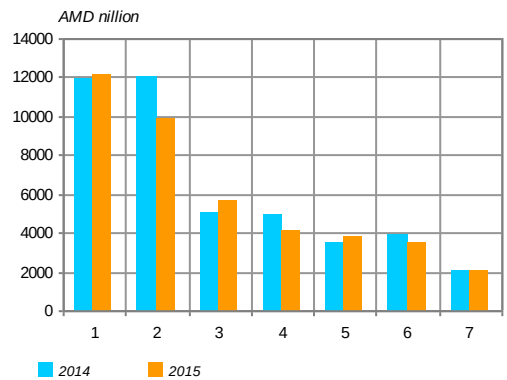


1. Deposits in banks, 2. Government and other securities (including securities sold under repo agreements), 3. Amounts receivable for direct insurance, 4. Fixed assets, 5. Share of reinsurer in insurance reserves, 6. Future expense and insurance prepayments, 7. Cash and bank accounts, 8. Lending, 9. Claims arising from subrogation, 10. Other assets

Source: Central Bank of Armenia.

Գրաֆիկ 32.

Change in Assets of Insurance Companies



Source: Central Bank of Armenia.

Risk-weighted assets and the ratio of solvency, which are calculated within the capital adequacy ratio of the insurance system, were 37.0% and 63.0%, respectively, at yearend 2015. The prudential ratio of capital adequacy of insurance companies was 185.2% (the prudential standard of capital adequacy is 100%).

As of 31 December 2015, the share of non-residents in the capital of insurance companies was 50.0%. 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 declined by 5.2% (AMD 2.3 billion) in 2015 and reached AMD 41.1 billion at yearend 2015.

The main items to shrink were securities sold under repo agreements (by AMD 3.3 billion or 67.9%) and amounts receivable for direct insurance (by AMD 1.4 billion or 24.6%).

In 2015, deposits in banks grew by 1.1% and reached AMD 14.4 billion. At yearend, the largest components of insurance system assets were deposits in banks (34.9%) and amounts receivable from policyholders for direct insurance (10.1%). 89.7% of the deposits were current deposits in resident banks, and 10.3% were non-current deposits in resident banks.

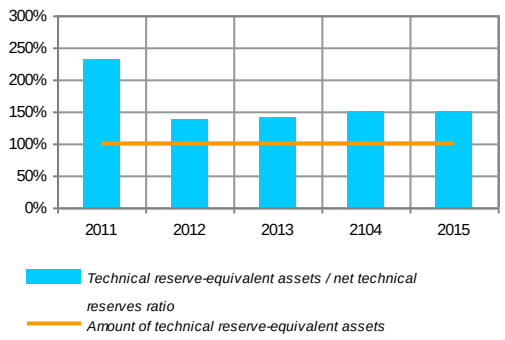
The average maturity of assets of insurance companies is one year. The average maturity of deposits, which account for the bulk of the assets, is six months, and the average maturity of government securities is three years.

The assets of the insurance system are mostly placed in Armenian drams. As of 31 December 2015, foreign currency assets were 9.8% (AMD 4.0 billion) of total assets. Foreign currency assets were mostly current and non-current deposits in Armenia's banks, totaling AMD 3.8 billion (26.5% of total deposits) at yearend 2015.

The assets of the insurance system are mostly placed in highly-liquid assets, which shows that insurance companies do not have liquidity problems. In 2015, no insurance company violated the prudential requirements on liquidity.

Figure 33.

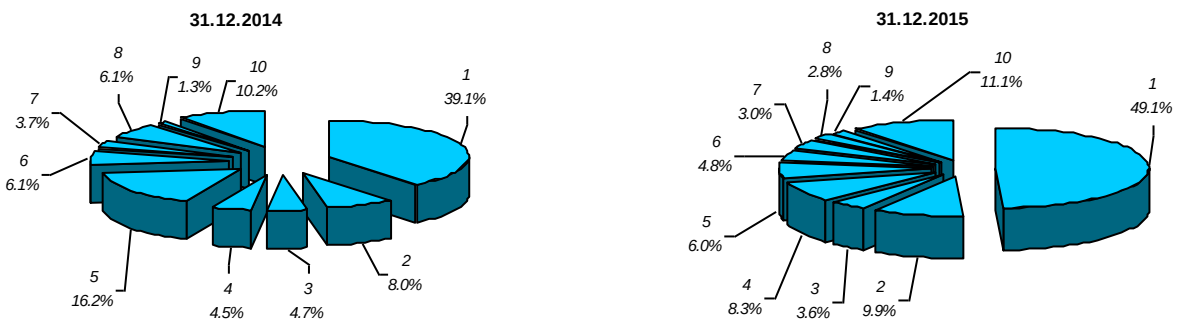
Changes in Assets Matching the Technical Reserves of Insurance Companies



Source: Central Bank of Armenia.

Figure 34.

Structure of Liabilities of Insurance Companies

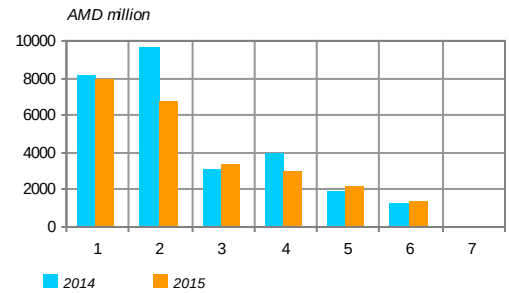


1. Reserve for unearned premiums, 2. Reserve for claims filed but not settled, 3. Reserve for claims incurred but not settled, 4. Other technical reserves, 5. Repo agreements, 6. Premiums transferable to reinsurers, 7. Insurance prepayments received, 6. Loans and borrowings, 9. Amounts payable to intermediaries, 10. Other liabilities

Source: Central Bank of Armenia.

Figure 35.

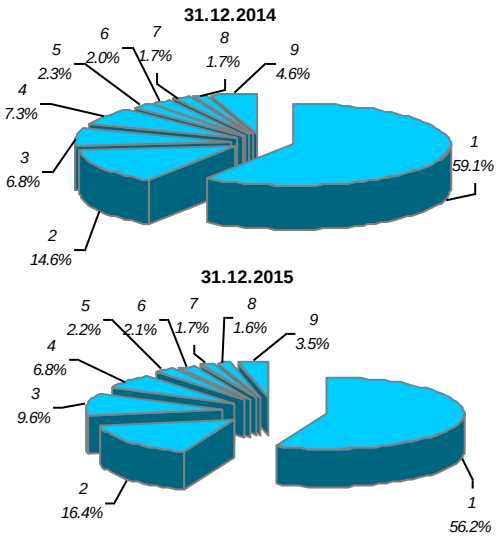
Change in Liabilities of Insurance Companies



Source: Central Bank of Armenia.

Figure 36.

Structure of Insurance Premiums Accrued by Insurance Compaies



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

Source: Central Bank of Armenia.

Assets Matching the Technical Reserves

As of 31 December 2015, assets matching the technical reserves exceeded the amount of net technical reserves[17] by 49.4%.

LIABILITIES OF THE INSURANCE SYSTEM

The liabilities of insurance companies declined by 12.0% in 2015 and reached AMD 24.3 billion. The main items to decline were repo agreements (by AMD 3.0 billion or 67.5%) and borrowings from financial organizations (by AMD 1.0 billion or 59.2%).

As of 31 December 2015, the largest components of liabilities were technical reserves (71.0% or AMD 17.3 billion) and repo agreements (6.0% or AMD 1.5 billion). In 2015, technical reserves grew by 10.7%. The bulk of the technical reserves (69.2% or AMD 12.0 billion) were unearned premiums.

FINANCIAL PERFORMANCE OF THE INSURANCE SYSTEM

The net profit of the insurance companies as per the supervisory reports was AMD 1.4 billion in 2015. Return on assets was 3.3% and return on equity 8.6%. Five of the insurance companies were profitable, and two incurred a loss. The profit of the profit-making companies was AMD 2.1 billion, and the loss of the losing companies was AMD 688.0 million.

Net profit of the insurance companies according to the IFRS was AMD 2.6 billion in 2015. RoA was 6.3% and RoE was 15.1%.

Premiums accrued by insurance companies in 2015 reached AMD 31.4 billion (compared to AMD 30.1 billion in 2014). 56.2% of accrued premiums were related to mandatory third party liability insurance (MTPL) insurance, and 16.4% to health insurance.

[17] *Net technical reserves are deducted from the technical reserves with a reinsurer share.*

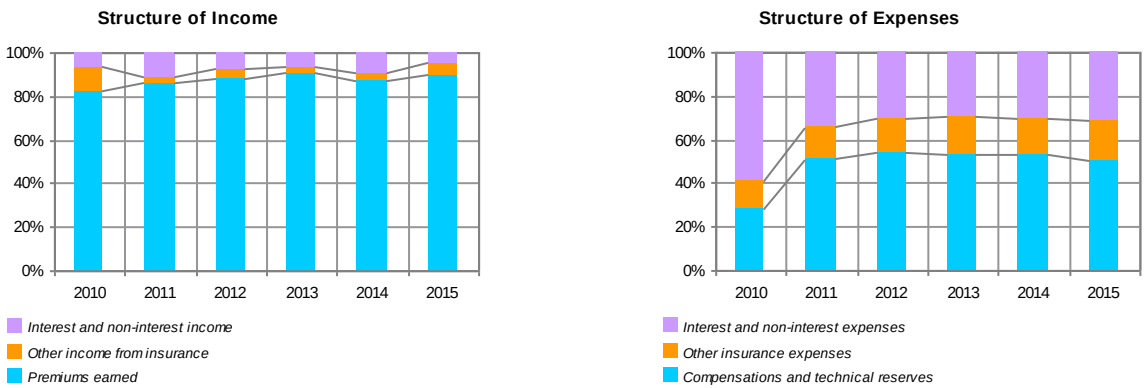
Premiums accrued during the year grew mostly on account of fire and natural disaster, as well as health insurance (by AMD 967.2 billion or 47.1%, and by AMD 759.7 million or 17.3%). Premiums accrued for insurance of liability arising out of the use of aircraft (including cargo aircraft) shrunk by AMD 314.2 million or 90.4%.

Insurance companies accrued compensations of AMD 13.6 billion in 2015 (compared to AMD 22.1 billion in 2014). 62.8% of the accrued insurance compensations were related to MTPL insurance, and 24.0% to health insurance.

Earned premiums continued to account for a large share of the income of insurance companies (90.3%). Interest and non-interest income accounted for 5.0% of the total income. Other insurance income accounted for 4.7% of total income. Claims arising out of subrogation accounted for the bulk of other insurance income. Insurance compensations and net technical reserves accounted for a significant share (50.4%) of expenses. Interest and non-interest expense accounted for 30.9% of total expense. Other insurance expense was 18.7% of total expense. The bulk of other insurance expense was due to direct commission expenses paid to insurance agents.

Figure 37.

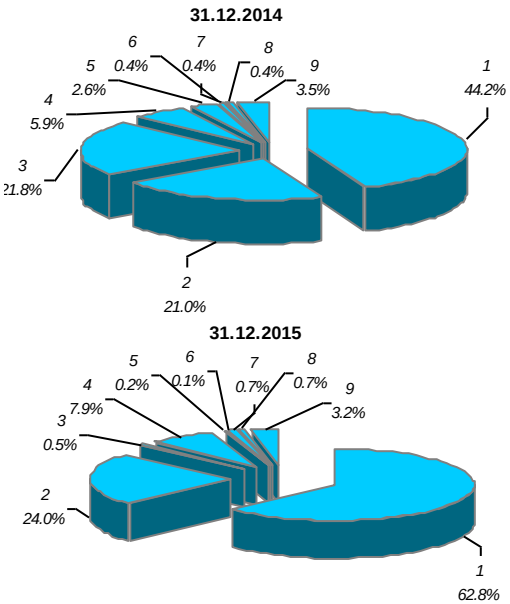
Structure of Income and Expenses of the Insurance System



Source: Central Bank of Armenia.

Figure 38.

Structure of Accrued Compensations of the Insurance System



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

Source: Central Bank of Armenia.

Interest income of insurance companies was AMD 3.0 billion. 58.4% (AMD 1.8 billion) of the interest income was due to interest income from current deposits in banks and from current loans to banks. 32.3% of the interest income (AMD 1.0 billion) was due to interest income from current and non-current securities. During 2015, non-interest expense of insurance companies was AMD 7.6 billion. 53.2% (AMD 4.1 billion) of the non-interest expense was due to the staffing expenses of insurance companies.

The insurance system loss ratio was 48.9%,[18] representing a 4.8 percentage points decline over 2014. The expense ratio grew by 0.4 percentage points over 2014 and reached 29.8% at yearend 2015.[19]

INSURANCE POLICIES AND COVERAGE

The number of insurance policies in force at yearend 2015 was 591,900, representing a 0.5% decrease compared to yearend 2014. The decrease in the number of policies was mostly due to the 27.3% (35,600) decrease at yearend of accident insurance policies. Ground transport insurance policies grew by 95.5% (10,300). MTPL insurance policies grew by 2.9% (11,100) and reached 401,400.

The number of fire and natural disaster insurance policies, too, grew by 19.4% (3,600).

At yearend 2015, coverage reached AMD 9.5 trillion, which is 0.9% lower than the 2014 yearend figure. The decline in coverage was mostly due to the AMD 1.1 trillion decrease in policies for aircraft (including cargo) operation. The aircraft insurance coverage grew by AMD 462.4 billion, while fire and natural disaster coverage grew by AMD 460.1 billion.

[18] *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).*

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

REINSURANCE OF RISKS UNDERTAKEN BY INSURANCE COMPANIES

The amount of reinsured sums reached AMD 3.0 trillion (31.8% of the risks undertaken by insurance companies) at yearend 2015. Insurance premiums transferred to reinsurers in 2015 was AMD 3.9 billion or 12.5% of insurance premiums, while insurance compensations received from reinsurers were AMD 892.7 million or 6.6% of the compensations accrued during 2015.

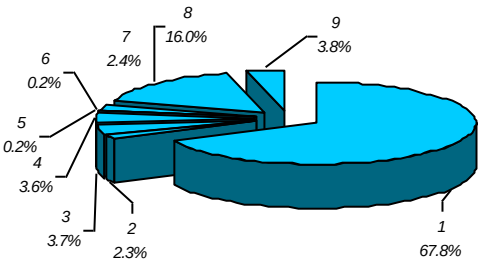
SECURITIES MARKET PARTICIPANTS

As of 31 December 2015, 21 commercial banks and eight insurance companies were delivering investment services in the securities market of Armenia.

At yearend 2015, four asset managers were registered in the financial market of the Republic of Armenia, two of which had the right to manage a mandatory pension fund, one a voluntary pension fund and an investment fund, and one only an investment fund. The Central Bank had also registered two venture funds with the status of a corporate fund.

Figure 39.

Structure of Insurance Contracts in Force as of 31 December 2015

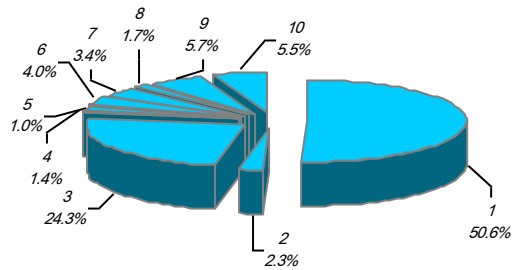


1. MTPL, 2. Health, 3. Fire and natural disasters, 4. Ground transport, 5. Cargo, 6. General liability, 7. Support, 8. Accidents, 9. Other classes of insurance

Source: Central Bank of Armenia.

Figure 40.

Structure of Coverage under Policies in Force as of 31 December 2015

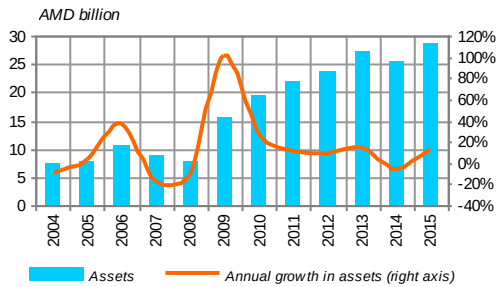


1. MTPL, 2. Health, 3. Fire and natural disasters, 4. Ground transport, 5. Cargo, 6. General liability, 7. Support, 8. Accidents, 9. Aircrafts and aircraft operation, 10. Other classes of insurance

Source: Central Bank of Armenia.

Figure 41.

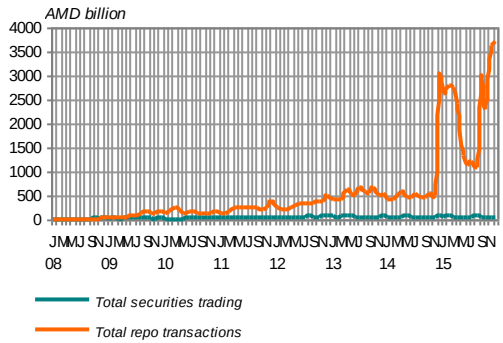
Assets of Investment Companies; Growth Pace in 2004-2015



Source: Central Bank of Armenia.

Figure 42.

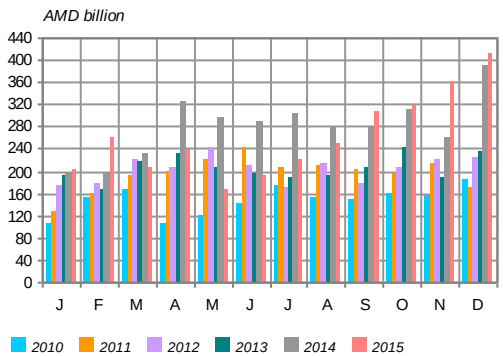
Securities Trading and Repo Transactions by Insurance Companies during 2008-2015



Source: Central Bank of Armenia.

Figure 43.

Securities Transactions by Entities Providing Investment Servies (excluding transactions of the Central Bank) during 2008-2015



Source: Central Bank of Armenia.

Asset and liability concentration of investment companies increased in the course of 2015. Capital concentration declined.

Table 16. Herfindahl-Hirschman Index of Concentration

Indicator	31.12.2013	31.12.2014	31.12.2015
Total assets	0.19	0.20	0.21
Total liabilities	0.19	0.21	0.22
Total capital	0.19	0.19	0.18

The assets of investment companies grew by 12.8% in 2015 over 2014 and reached AMD 28.7 billion. Total capital shrunk by 16.2% to reach AMD 4.1 billion at yearend. In 2015, the net profit of investment companies was AMD 164 million. Four of the companies were profitable, while four others incurred a loss.

The total investment turnover in the securities market of Armenia (including repo transactions, excluding transactions with the Central Bank) shrunk by 6.8% and reached AMD 3 trillion 123 billion.

The volume of repo transactions carried out in the securities market of Armenia [20] (excluding transactions with the Central Bank) accounted for 79.5% of the total turnover of the securities market: it increased by 11% in 2015 over 2014 and reached AMD 2 trillion 483 billion. The volume of transactions with the Central Bank grew in the course of 2015.

99.9% of virtually all the repo transactions were transactions with government securities. The bulk (63.0%) of these transactions continued to involve medium-term government bonds, while 34.4% were long-term bonds and 2.6% 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 457.8 billion or 71.6% of the total turnover.

[20] *Repo transactions include extended transactions.*

The corporate bonds trading turnover declined by 78.7% in 2015 over 2014 and reached AMD 20.6 billion or 3.2% of the total turnover. The volume of transactions with shares increased by 27.1% (AMD 34.4 billion) to reach AMD 161.3 billion or 25.2% of the total volume of securities transactions.

The share of stock exchange trading in total securities trading by entities providing investment services was 5.2%.

In 2015, the volume of securities transactions in the regulated market shrunk by 54.9% (by AMD 40.4 billion) and reached AMD 33.1 billion.[21]

Transactions in government securities accounted for 36.5% of total regulated market transactions, while transactions with corporate securities and shares were 43.0% and 20.5%, respectively.

On 31 December 2015, compared to yearend 2014, funds under asset management of securities portfolio by entities providing investment services grew eight-fold and reached AMD 1.5 billion.

As for 31 December 2015, 93.3% of the securities portfolio of investment companies were non-share securities. In terms of the status of securities, 42.8% of the portfolio were free-status securities, 42.0% were securities acquired under repo, and 15.2% were securities acquired under reverse repo and pledged.

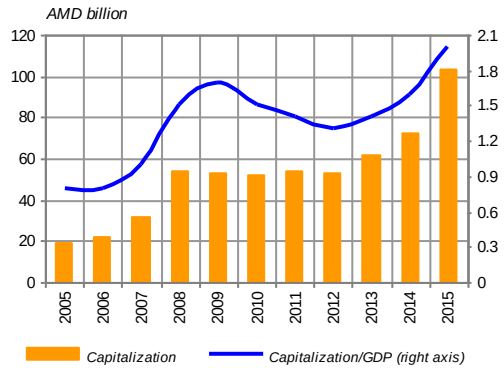
Transactions in government securities accounted for 36.5% of total regulated market transactions, while transactions with corporate securities and shares were 43.0% and 20.5%, respectively.

On 31 December 2015, compared to yearend 2014, funds under asset management of securities portfolio by entities providing investment services grew eight-fold and reached AMD 1.5 billion.

As for 31 December 2015, 93.3% of the securities portfolio of investment companies were non-share securities. In terms of the status of securities, 42.8% of the portfolio were free-status securities, 42.0% were securities acquired under repo, and 15.2% were securities acquired under reverse repo and pledged.

Figure 44.

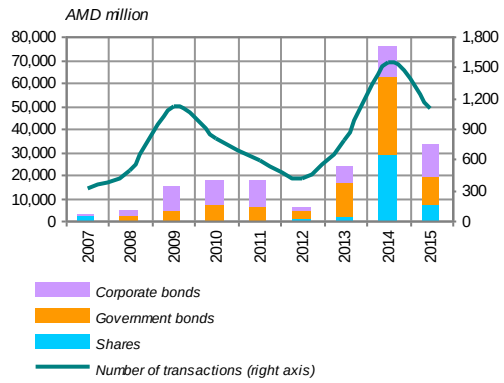
Armenia Securities Market Capitalization and Ratio of Capitalization to GDP



Source: Central Bank of Armenia.

Figure 45.

Structure of Transactions in the Regulated Market in 2007-2015

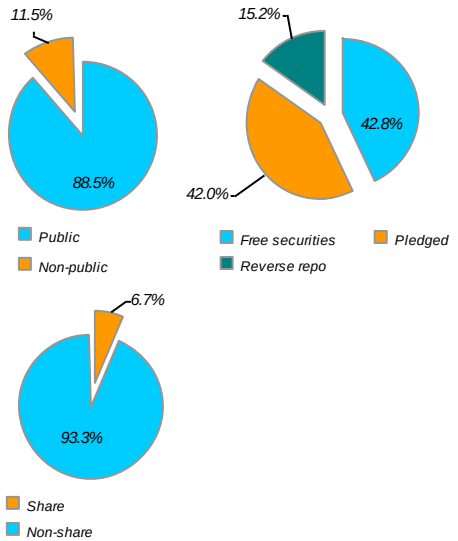


Source: Central Bank of Armenia.

[21] *Source: reports submitted to the Central Bank by the regulated market.*

Figure 46.

Structure of Securities Portfolio of Entities Providing Investment Services on 31 December 2015



Source: Central Bank of Armenia.

Capitalization of Armenia's securities market was AMD 103.8 billion, and capitalization to GDP[22] ratio was 2.0%, representing a 0.6 percentage points increase over 2014.

As of 31 December 2015, the Central Depositary of Armenia maintained 2,245 registers of owners of nominal securities. 105,663 owners of securities had securities accounts in the Central Depositary of Armenia.

At yearend, 27 classes/issues of securities of 16 reporting issuers were authorized for trading in the regulated securities market of Armenia: one of the issuers issued both shares and bonds. 10 of the reporting issuers issued 11 classes of shares, and seven issued 16 classes of bonds. Nine of the issued bonds were in FX, and their share in the total volume was 57%.

As of 31 December 2015, the total face value of shares issued by reporting issuers was AMD 31.3 billion, while the total volume of bonds was AMD 17.9 billion. Two banks accounted for 45.6% of the issued debt securities. The participation of banks in share securities was 42%. For the first time in 2015, one investment company issued asset-backed securities. The security for the issued bonds comprised an AMD 1.2 billion pool of about 600 SME, agriculture, and consumer loans acquired from five credit organizations.

MANDATORY PENSION SYSTEM OF ARMENIA

Pension Funds Operating in Armenia

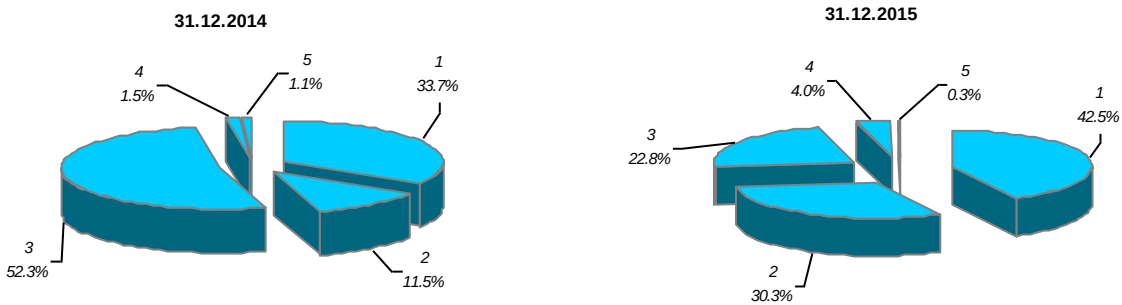
As of 31 December 2015, two investment fund managers had a mandatory pension fund manager license in the Republic of Armenia. Each one manages three mandatory pension funds.

As of 31 December 2015, the pension fund net assets were AMD 31.5 billion. Net assets to GDP were 0.62%. The number of pension fund active participants was 140,000, representing a 30,000 increase over 2014.

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

Figure 47.

Pension Fund Investment Structure



1. Government bonds, 2. Share securities, 3.Cash and deposits, 4. Other bonds, 5. Other assets

Source: Central Bank of Armenia.

Pension Fund Investments

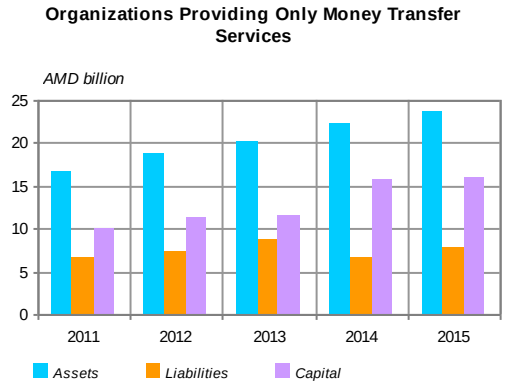
In 2014, the fund managers mostly kept the funds in more liquid and income-earning assets (cash and deposits). In 2015, the share of cash and deposits declined due to higher shares of share securities and bonds (government and other), thereby further diversifying the investments.

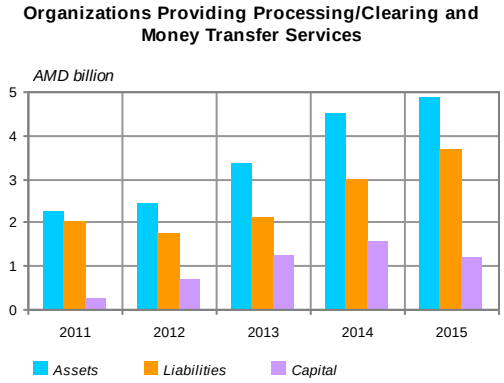
42.5% of the funds' assets (AMD 13.0 billion) were investments in government bonds. Investments in Armenia's government Eurobonds were AMD 357 million. The share of FX assets of the funds is currently 33% (AMD 10.4 billion), the bulk of which (AMD 9.6 billion) are share securities.

The yield of the funds was 5.3% in 2015. Two-year incremental yield as from early 2014 was 10%.

Figure 48.

Financial Standing of Payment and Settlement Organizations in 2015





Source: Central Bank of Armenia.

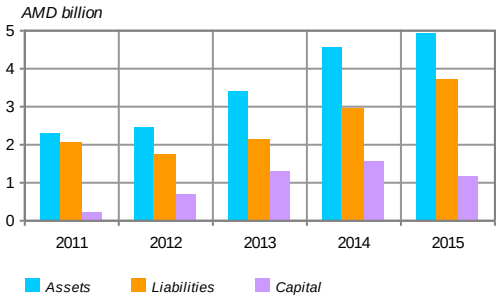
PAYMENT AND SETTLEMENT ORGANIZATIONS

As of 31 December 2014, seven payment and settlement organizations operated in the Republic of Armenia. Three of them had a license to provide only money transfer services, and three 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. Two companies had been authorized to issue e-money.

In 2015, the assets of companies holding a license to perform processing/clearing and money transfers grew by 8% to reach AMD 4.9 billion at yearend, while their liabilities grew by 25% to reach AMD 3.7 billion, and capital shrunk by 23.6% to reach AMD 1.2 billion.

Figure 49.

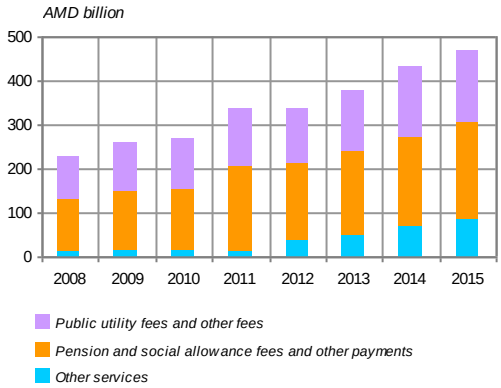
Organizations Providing Processing/Clearing and Money Transfer Services



Source: Central Bank of Armenia.

Figure 50.

Volume of Services Provided by Payment and Settlement Organizations



Source: Central Bank of Armenia.

During the year, the assets, liabilities, and capital of organizations holding only a license to perform money transfers grew by 6.1%, 12.8%, and 0.3%, respectively, to reach AMD 23.5 billion, 7.7 billion, and 15.8 billion.

Companies holding a license to perform processing/clearing and money transfers had a profit of AMD 594 million in 2015, while the profit of organizations performing only money transfers was AMD 830 million.

At yearend 2015, three payment and settlement organizations were operating a total of 1,606 terminals. At yearend 2015, six 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 and other services through automated self-service terminals and registered branches. The value of transactions performed by payment and settlement organizations grew by 9% over 2014 and reached AMD 470.1 billion at yearend 2015.

Payment and settlement organizations provided processing services to a number of commercial banks and organizations performing money transfers. Utilities services payments collected by payment and settlement organizations through commercial banks grew by 36% over 2014 and reached AMD 7.6 billion (1.5 million transactions).

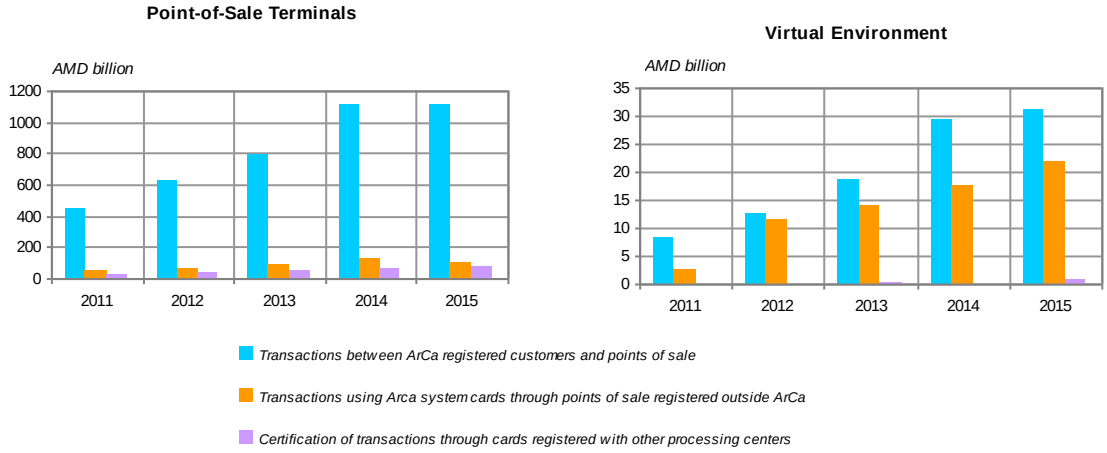
At yearend 2015, the two companies issuing e-money had 16,000 active filed accounts, of which 13,000 had been opened for individual users of e-money.

During the year, the volume of e-money transactions was AMD 2.9 billion, of which AMD 1.6 billion were payments for utility services.

Inbound money transfers to the Republic of Armenia are performed through commercial banks and organizations performing money transfers. In 2015, about AMD 10.6 billion were transferred to Armenia through organizations performing money transfers (AMD 9.2 billion less than in 2014). The same organizations transferred AMD 1.6 billion abroad (AMD 0.5 billion less than in 2014).

Figure 51.

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



Source: Central Bank of Armenia.

During 2015, the ArCa processing center performed card transactions of AMD 1 trillion 348.4 billion (a 0.3% increase over 2014). The value of certifications of transactions using cards registered with another processing center reached AMD 76.1 billion (a 15% increase over 2014). The value of transactions using payment cards registered in the ArCa processing center through points of sale registered outside ArCa (including abroad) reached AMD 126.6 billion (a 11% decline).

SETTLEMENT SYSTEM

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

At yearend 2015, the number of banking system clients grew by 3% relative to 2014 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 7% to reach 4.2 million (including 3.1 million current accounts, 185,000 time accounts, and 857,000 credit accounts).

In 2015, payment card transactions of AMD 1 trillion 358.1 billion were performed in the territory of Armenia using payment cards. The number of non-cash payments using cards grew by 14% and reached about AMD 160 billion. In this volume of non-cash transactions, the value of internet transitions was AMD 47.6 billion (including AMD 20.6 billion in e-commerce and AMD 27.0 billion in card-to-card transfers). Compared to 2014, the total number of cards in circulation grew by 5.6% and reached 1.7 million: the share of non-cash payments made using cards (including internet transactions) in total card transactions grew by 1.5 percentage points in 2015 over 2014 and reached 11.8%.

The number of money transfers to individuals through organizations performing money transfers and through commercial banks declined by 11% in 2015 over 2014 and reached AMD 790.2 billion (including through SWIFT), while the value of outbound transfers abroad grew by 0.3% and reached AMD 365.6 billion. The resulting new inflow was AMD 424.6 billion, which is 18% lower than the 2014 figure.

The average daily value of non-cash payments within Armenia was AMD 79 billion (a total of 71,000 payments). The value of non-cash payments made through the Central Bank's payment systems declined by 0.1% to reach AMD 66.0 billion, while their number grew by 2.4% and reached 14,000.

E-Payment System

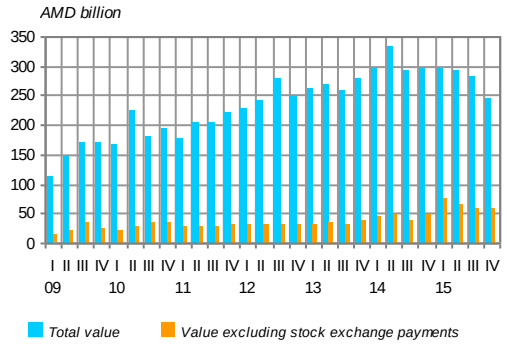
The e-payment system is used for interbank money transfers and final settlement of transactions performed through other systems (ArCa, exchange platforms, the Central Depositary of Armenia, and the Government Securities Accounting and Settlement System).

The average daily value of money transfers made through the e-payment system grew by 44% to reach AMD 63.0 billion, while the number of transfers grew by 4% to reach 15,000. As a result, the average value of one electronic transfer declined to about AMD 1.6 million.

Average daily transfers related to stock exchange transactions using the e-payment system declined by 18% in 2015 to reach AMD 214.8 billion. The average value of transfers made by commercial banks in relation to stock exchange transactions declined by 9% to reach AMD 2.6 billion.

Figure 52.

Average Daily Transfers Made Through the Electronic Payments System



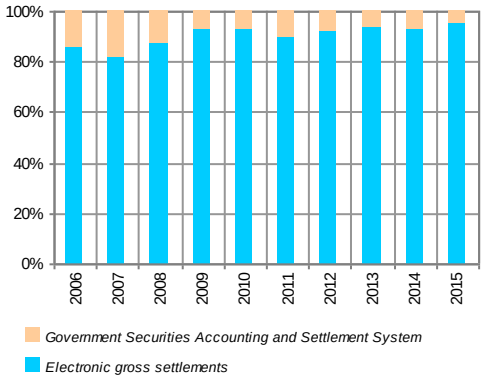
Source: Central Bank of Armenia.

Government Securities Accounting and Settlement System

At yearend 2015, 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 53.

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



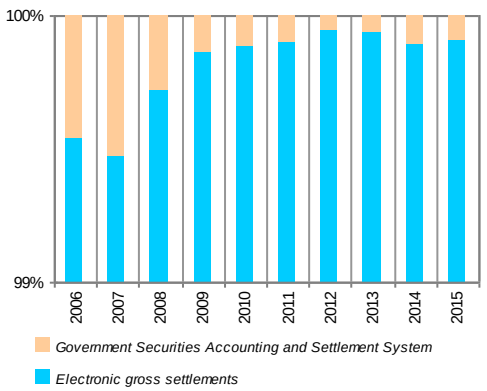
Source: Central Bank of Armenia.

PAYMENT INSTRUMENTS

Non-cash payments are made in the Republic of Armenia through payment orders, requests, checks, payment cards, and e-money. In 2015, the value of non-cash payments was AMD 19.6 trillion, and their number 11.8 million. The bulk (99.1%) of the value of payments were payment orders, while 0.8% were non-cash card transactions, and the remaining 0.1% checks, requests, and e-money. Cards are the most prevalent payment instrument: non-cash payments using cards accounted for 34% of the total number of non-cash payments.

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.

PAYMENT CARDS

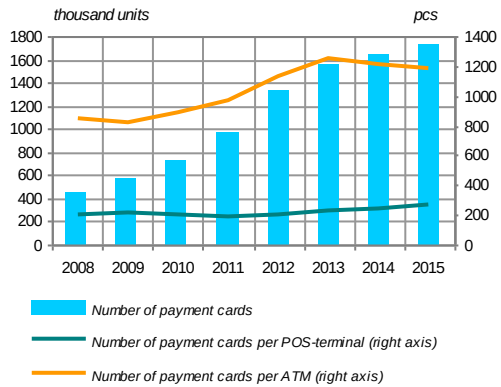
On 31 December 2015, 19 commercial banks operating in Armenia were issuing or serving payment cards for clients. All of those banks participated in the ArCa unified system for card payments.

In 2015, 59 new ATMs were installed to serve cards, bringing the total yearend number to 1,416. The number of POS-terminals installed by commercial banks declined by 488 to reach 6,414 at yearend (757 of the POS-terminals are installed in commercial banks).

The number of payment cards increased by 5.6% in 2015 to reach 1.7 million. The number of active ArCa cards grew by 0.4% in 2015 over 2014 and reached 549,000. The number of cards of international card systems grew by 8%: the number of VISA cards grew by 7% and reached 789,000, while number of MasterCard cards grew by 7% and reached 344,000. The number of other international cards declined by 19% and reached 47,000.

Figure 55.

Issued payment cards



Source: Central Bank of Armenia.

Table 17. Transactions Carried out with Card-Servicing Equipment, 2015

Equipment	Transactions			
	Value (AMD million)	*Number*	***Of which: ArCa cards***	
			Value (AMD million)	*Number*
ATMs	1045833	21806661	293172	6636010
of which: non-cash	7588	429045	528	114943
POS-terminals/imprinters	264917	3703610	61766	818998
of which: non-cash	105115.7	3200767	26758	588879
Internet	47610	2318867	7370	538966
Total	1358361	27829138	362309	7994133
of which: non-cash	160314	5948679	34657	1242947

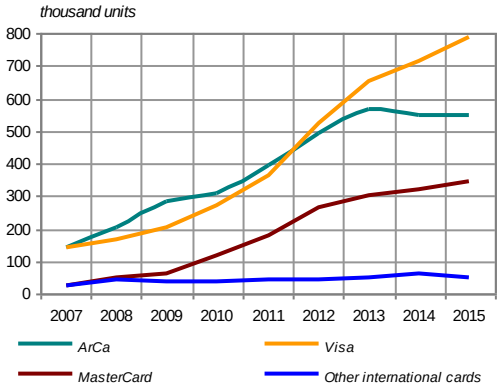
The shares of ArCa, VISA, and MasterCard cards in the total number of cards issued by banks (cards in circulation) were 32%, 46%, and 20%, respectively, while the other 3% were cards of other international card systems (including HSBC debit cards and AmEx cards).

The total value of transactions carried out with payment cards in Armenia (including cards issued by foreign banks) grew by 0.4% and reached AMD 1.4 trillion, while their number grew by 8% and reached 28 million. 29% of the total value of transactions were carried out with ArCa cards, 45% with VISA cards, 20% with MasterCard cards, and 7% with other cards. In 2015, the value of transactions carried out with ArCa payment cards declined by 2% and reached AMD 362.1 billion, while the value of transactions with VISA and MasterCard cards grew by 0.2% and 0.9%, respectively, and reached AMD 633.8 and 267.o billion, respectively. The value of transactions carried out with other international cards grew by 11% and reached AMD 95.2 billion.

The value of transactions carried out abroad using VISA cards issued by commercial banks operating in Armenia grew by 14% and reached AMD 53 billion (their number declined by 24% and reached 829 million), while the value of MasterCard transactions grew by 25% and reached AMD 35.0 billion (the number declined by 11% and reached 588,000), and the value of transactions with other international cards grew by 40% and reached AMD 20.1 billion.

Figure 56.

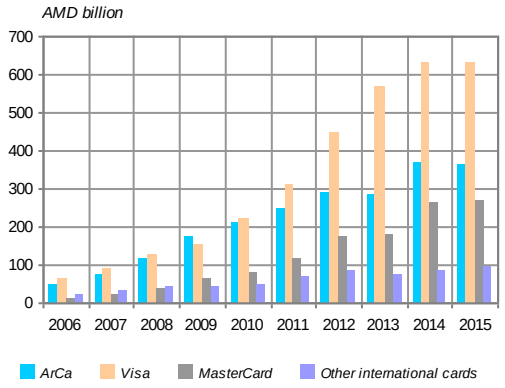
Growth of Payment Cards Issued by Banks in Armenia



Source: Central Bank of Armenia.

Figure 57.

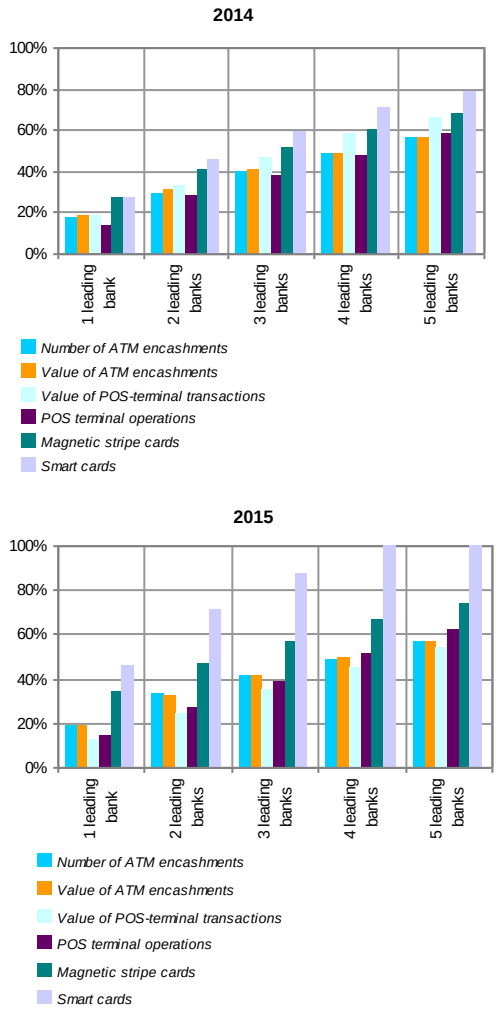
Transactions made in Armenia using payment cards, 2006 - 2015



Source: Central Bank of Armenia.

Figure 58.

Share of Leading Banks Issuing Payment Banks and Performing Payment Card Transactions in Armenia, 2014 and 2015



Source: Central Bank of Armenia.

The monthly value of cash withdrawal transactions carried out in Armenia with a payment card declined by 12% and reached AMD 51,000, while the non-cash value declined by 8% and reached AMD 27,000.

Concentration in the issuance and servicing of payment cards virtually did not change in 2015, with the exception of smart cards. Concentration in the issuance of smart cards increased, with the share of one leading bank growing by 19% to reach 46% of the system total. 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.

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.

As of 31 December 2015, commercial banks operating in Armenia participated in 11 international and one domestic Armenian systems for delivering money transfer services to customers.

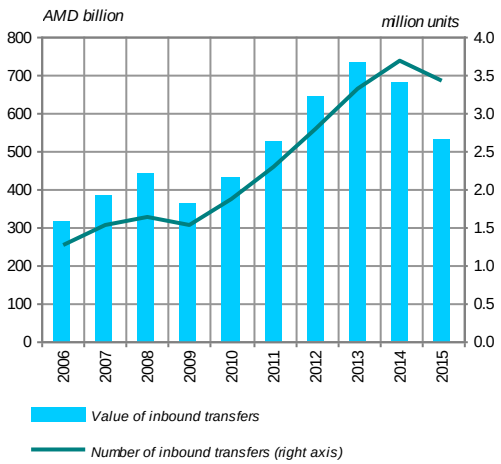
In 2015, the value of remittances to Armenia through commercial banks participating in international money transfer systems and payment and settlement organizations performing money transfers was AMD 543.2 billion, which is a 19.9% decline over 2014. The average value of a remittance to the Republic of Armenia through these systems was AMD 155,000, which was a 17% decline over 2014.

The net inflow of funds through international transfer systems shrunk by 25% in 2015 over 2014 and reached AMD 434.3 billion.

Transfers to individuals through correspondent accounts of commercial banks grew by 18.3% and reached AMD 244.6 billion: the average value of a transfer grew by 10% over 2014 and reached AMD 3.9 million. Outbound transfers of individuals through correspondent accounts of commercial banks fell by 8.4% and reached AMD 241.5 billion. As a result, an AMD 3.1 billion net inflow of funds of individuals was reported in remittances through correspondent accounts of commercial banks.

Figure 59.

Inbound Transfers to Individuals through International Money Transfer Systems, 2006-2015 ÃÃ.



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 2015, total payments initiated by customers through remote service systems declined by 25% and reached AMD 6.6 trillion, while their number grew by 5% and reached 7.7 million. These payments were made by clients using bank-client systems (payments value totaled AMD 4.5 trillion), internet banking services (AMD 2.2 trillion), and telephone banking services (AMD 9.0 billion). The average value of a payment made by clients using bank-client and internet banking services was AMD 0.8 million and AMD 0.9 million, respectively, while the average value of a payment made through telephone banking was AMD 0.1 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 2016.

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 2015, namely towards the implementation of the new Basel approach to liquidity risk management—the liquidity coverage ratio (LCR) and the net stable financing ratio (NSFR). To this end, banks have started in August 2015 to submit monthly reports to the Central Bank. They enable the Central Bank to assess the feasibility of implementing prudential ratios, to identify the problems typical of Armenia's banking system, and to propose appropriate solutions. The Basel III implementation efforts will continue in the future.

Efforts of developing the mandatory third party liability (MTPL) system continued. In 2015, 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)*** continued in 2015. The OSSAI is an electronic environment that will enable users to manage the whole process of concluding MTPL contracts and managing incidents and compensations in one common platform. 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 2015, efforts continued for developing other types of insurance, as well, including in particular ***feasibility assessment for implementing life insurance and the prospects of health insurance***, as well as performing analysis aimed at sector development. In addition to the life and health insurance implementation efforts, measures were initiated in 2015 together with international organizations for implementing an insurance system for agriculture risks; as a result, feasibility assessment and concept development are expected during 2016.

The mortgage market development efforts continued in 2015. In cooperation with the French Development Agency, the National Mortgage Company launched a ***program for improving energy efficiency of houses and microcredit financing***. 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 continued. The issuance model for this

purpose was finalized based on the international best practice, as well as the Armenian market peculiarities and limitations. The proposed amendments to the Republic of Armenia Law on Secured Mortgage Bonds have been consolidated.

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. These programs are continuous, and other similar programs are planned for the upcoming years.

In 2016, 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).

During 2016, the Central Bank will work towards creating new high-quality tools for the securities market; in particular, it will make efforts to develop derivatives and the repo market 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 2016. In order to promote the implementation of new tools and to boost demand for them, the Central Bank will continue cooperating with Clearstream, which is considered the international accounting and settlement system, in order for it to open a dram and securities account in Armenia. It can become an important means of increasing foreign investor interest in investing in financial instruments in Armenia.

In 2016, the Central Bank will work with international rating agencies for the rating of Armenian companies. This effort will improve the ability of local companies to raise low-cost funds from Armenia's and international capital markets.

In 2016, 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.

The financial market developments led to a transition from the rule-based supervision model to a risk-based one. In 2015, Armenia, too, continued efforts aimed at finalizing the implementation of risk-based supervision. It will enable, through an optimal distribution of scarce resources, to improve the effectiveness of the supervision of financial organizations.

Development Prospects for Consumer Protection in Armenia

The regulatory framework changes supporting consumer protection programs were continued in 2015: the conditions and procedures of communication between banks, credit organizations, and consumers during and after the financial service contract term will be improved. Rules of communication with guarantors and co-borrowers will be defined, ensuring proper awareness of the loan taken by the borrower.

The amendments adopted by the National Assembly in 2015 to the Law on Banks and Banking, the Law on Credit Organizations, and the Law on Insurance and Insurance Activities, the Central Bank will enable defining unified and comprehensive principles and requirements to the business conduct of banks, credit organizations, and insurance companies.

In 2016, the study of financial market proposed service terms will continue. The types and amounts of penalties imposed by organizations and the commissions for transactions will be studied. Based on the findings, new regulations will be applied as necessary.

Based on studies carried out during 2015, the internationally-recognized principles of Responsible Financing will be implemented in the area of consumer protection. Digital Financial Services will be reviewed with a view to using modern technology and other innovative tools to improve the protection of consumers of financial services, alongside improvements in the regulatory framework.

The implementation of risk-based supervision of Business Conduct will continue in 2016. The necessary institutions will be developed.

The public awareness activities of the previous years will be sustained, including he measures stipulated by the National Strategy for Financial Literacy in the Republic of Armenia will be implemented, as well as the integration of the financial education component in schools, financial education in rural communities, and awareness-raising of students and young people on effective management of personal finance. Financial education programs stipulated by the Strategy for new target groups, such as employees and women, will be developed and launched. Active cooperation with private and governmental structures will continue with a view to implementing the aforementioned programs and measures.

APPENDICES

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

Assets

AMD thousand

Indicator	Currency	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	Change 31.03.15-31.12.14	30.06.15	Change 30.06.15-31.03.15
Cash	D	55804033	61942108	63129297	1.9%	48182519	-23.7%	49402836	2.5%
	FX	43236865	48063349	50156380	4.4%	72379876	44.3%	69207894	-4.4%
Correspondent accounts with the CBA and other claims on the CBA	D	179468343	223349685	334324590	49.7%	329636297	-1.4%	322846948	-2.1%
	FX	85508263	238814033	135944281	-43.1%	110009191	-19.1%	123847694	12.6%
Correspondent accounts with banks and other claims on banks	D	17783838	18901750	2827424	-85.0%	6217428	119.9%	17241743	177.3 %
	FX	147226432	149589222	179414351	19.9%	138323042	-22.9%	130268501	-5.8%
Claims on other financial organizations	D	23393825	32306847	26773547	-17.1%	26120945	-2.4%	28912243	10.7%
	FX	11605097	9065648	14718317	62.4%	10810791	-26.5%	11362505	5.1%
Government securities		181248427	225674419	238875710	5.8%	249681688	4.5%	238463339	-4.5%
Repos (excluding interbank repos)	D	13350485	14879345	15222444	2.3%	14927428	-1.9%	15301883	2.5%
	FX	3561	361907	8566	-97.6%	2275	-73.4%	2702	18.8%
Loans to legal entities	D	153960455	181757349	179594561	-1.2%	169588863	-5.6%	187776570	10.7%
	FX	778448408	819290251	1043240653	27.3%	987982889	-5.3%	961641387	-2.7%
Loans to individuals	D	353173803	418961966	474835742	13.3%	454845273	-4.2%	441182707	-3.0%
	FX	186904734	219877460	296696349	34.9%	301726066	1.7%	305161665	1.1%
Loans to the bank's related parties and staff	D	21312122	20436487	22316703	9.2%	22266975	-0.2%	22261626	0.0%
	FX	42537512	48557139	56743268	16.9%	54167520	-4.5%	51031408	-5.8%
Asset loss reserves		-34530972	-42985763	-66765866	55.3%	-70108421	5.0%	-75010276	7.0%
Accrued interest receivable	D	8197772	11032398	13219065	19.8%	16400128	24.1%	17179286	4.8%
	FX	19629901	23623843	39136645	65.7%	44843699	14.6%	46107137	2.8%
Fixed assets		80130403	83328760	88068668	5.7%	88302848	0.3%	88262706	0.0%
Other securities	D	5450458	13776072	23097052	67.7%	19986912	-13.5%	20090514	0.5%
	FX	230685	3286275	2171328	-33.9%	1932038	-11.0%	1895599	-1.9%
Leasing and factoring (excluding interbank)	D	8318066	10736554	14136326	31.7%	12001325	-15.1%	10625045	-11.5%
	FX	3902863	7580015	12900283	70.2%	14283111	10.7%	14299479	0.1%
Other assets		91530634	101527272	150137056	47.9%	140248329	-6.6%	139828104	-0.3%
Total balance sheet assets		**2066722761**	**2943734392**	**3410922738**	**15.9%**	**3264759031**	**-4.3%**	**3239191244**	**-0.8%**

Assets *AMD thousand*

Indicator	Currency	30.09.15	Change 30.09.15-30.06.15	31.12.15	Change 31.12.15-30.09.15	Change 31.12.15-31.12.14	
Cash	D	51942524	5.1%	66704719	28.4%	3575421	5.7%
	FX	67340966	-2.7%	63960449	-5.0%	13804069	27.5%
Correspondent accounts with the CBA and other claims on the CBA	D	314825484	-2.5%	324225627	3.0%	-10098963	-3.0%
	FX	185720388	50.0%	182845238	-1.5%	46900958	34.5%
Correspondent accounts with banks and other claims on banks	D	1550001	-91.0%	26456542	1606.9%	23629118	835.7%
	FX	149830105	15.0%	181144654	20.9%	1730303	1.0%
Claims on other financial organizations	D	28360676	-1.9%	32468204	14.5%	5694657	21.3%
	FX	8856076	-22.1%	9951280	12.4%	-4767038	-32.4%
Government securities		243485487	2.1%	253329656	4.0%	14453947	6.1%
Repos (excluding interbank repos)	D	15116981	-1.2%	15495296	2.5%	272852	1.8%
	FX	2754	1.9%	2736	-0.7%	-5830	-68.1%
Loans to legal entities	D	190108278	1.2%	188179078	-1.0%	8584517	4.8%
	FX	958579628	-0.3%	986798916	2.9%	-56441738	-5.4%
Loans to individuals	D	431943763	-2.1%	434705440	0.6%	-40130302	-8.5%
	FX	299135511	-2.0%	302813167	1.2%	6116818	2.1%
Loans to the bank's related parties and staff	D	36703937	64.9%	49489002	34.8%	27172299	121.8%
	FX	50623070	-0.8%	48823246	-3.6%	-7920021	-14.0%
Asset loss reserves		-74180572	-1.1%	-75727235	2.1%	-8961369	13.4%
Accrued interest receivable	D	17819340	3.7%	18407180	3.3%	5188115	39.2%
	FX	48298073	4.8%	48230560	-0.1%	9093915	23.2%
Fixed assets		86381699	-2.1%	87566810	1.4%	-501858	-0.6%
Other securities	D	19015973	-5.3%	27548444	44.9%	4451392	19.3%
	FX	5737664	202.7%	6156816	7.3%	3985489	183.6%
Leasing and factoring (excluding interbank)	D	10726877	1.0%	11782909	9.8%	-2353417	-16.6%
	FX	10454381	-26.9%	16232697	55.3%	3332414	25.8%
Other assets		147545188	5.5%	149489380	1.3%	-647676	-0.4%
Total balance sheet assets		**3305924251**	**2.1%**	**3457080811**	**4.6%**	**46158073**	**1.4%**

Appendix 1. *(continued)*

Liabilities

AMD thousand

Indicator		Currency	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	Change 31.03.15-31.12.14	30.06.15	Change 30.06.15-31.03.15
Correspondent accounts of banks		D	2922585	1369146	2064130	50.8%	5728239	177.5%	886852	-84.5%
		FX	4369337	9034957	7291487	-19.3%	13126830	80.0%	5342664	-59.3%
Other liabilities to banks (including the CBA) and other financial organizations		D	249961443	309201582	440243291	42.4%	438063295	-0.5%	414214534	-5.4%
		FX	492412214	446330699	660639677	48.0%	586165428	-11.3%	540627420	-7.8%
Demand liabilities to legal entities		D	95693645	117352041	106655816	-9.1%	98581332	-7.6%	108547244	10.1%
		FX	106585451	233992849	181473699	-22.4%	168863866	-6.9%	175494713	3.9%
Demand liabilities to individuals		D	65659334	80700124	74461286	-7.7%	70610150	-5.2%	79072318	12.0%
		FX	87660435	90092068	109970677	22.1%	101860589	-7.4%	112762136	10.7%
Time deposits of legal entities		D	31988981	48618069	60004517	23.4%	57821156	-3.6%	55682379	-3.7%
		FX	153791344	208802452	212413365	1.7%	185163960	-12.8%	190872740	3.1%
Time deposits of individuals		D	143423553	194810556	197932350	1.6%	199660785	0.9%	207039695	3.7%
		FX	447644009	546886730	661335644	20.9%	654691835	-1.0%	670618129	2.4%
Liabilities to the Government of Armenia		D	58306016	52850527	48584207	-8.1%	46722786	-3.8%	48381035	3.5%
		FX	9703040	6595958	6386159	-3.2%	6400026	0.2%	5336510	-16.6%
Accrued interest payable		D	7425843	10136406	11836223	16.8%	13239857	11.9%	13426112	1.4%
		FX	15327712	14951471	18497078	23.7%	17466546	-5.6%	18027112	3.2%
Other liabilities		D	72861914	82055916	77577912	-5.5%	71069599	-8.4%	55682560	-21.7%
		FX	31372442	33920318	64435402	90.0%	54826069	-14.9%	58941909	7.5%
Total balance sheet liabilities			**2077109299**	**2487701871**	**2941802920**	**18.3%**	**2790062347**	**-5.2%**	**2760956063**	**-1.0%**
Paid-in statutory capital fund			251626537	263029751	290107914	10.3%	304043505	4.8%	312043505	2.6%
General reserve			20033433	22655318	27335184	20.7%	27384999	0.2%	29010515	5.9%
Own shares repurchased by bank				0	0		0		0	
Retained profit (loss)	Current period		42727017	37928881	21195062	-44.1%	-3923123	-118.5%	-6834287	74.2%
	Previous period		65913197	98209091	108335132	10.3%	128939813	19.0%	126350162	-2.0%
Total balance sheet capital			400716716	456032521	469119818	2.9%	474696684	1.2%	478235180	0.7%
Collateral received			3351892668	3825638311	4366974222	14.2%	4278071854	-2.0%	4230253843	-1.1%
of which: government securities			1721292	627449	3635784	479.5%	11458738	215.2%	2274012	-80.2%
Guarantees received			2325723208	3376097555	4403568003	30.4%	4329521746	-1.7%	4425118455	2.2%
Written off the balance sheet	loans		49610233	66590669	109067725	63.8%	122873144	12.7%	138879192	13.0%
	Receivables and other assets		4595170	5643898	9092870	61.1%	12266741	34.9%	10666736	-13.0%
	Interest		23906731	35718086	55313693	54.9%	62236955	12.5%	68127574	9.5%
Guarantees issued			7280524	10090738	6239810	-38.2%	5512277	-11.7%	4377813	-20.6%
Collateral pledged	Total		2360597	2069188	1280478	-38.1%	1073038	-16.2%	1073619	0.1%
	Of which: government securities		230000				0		0	

Liabilities *AMD thousand*

Indicator		Currency	30.09.15	Change 30.09.15-30.06.15	31.12.15	Change 31.12.15-30.09.15	Change 31.12.15-31.12.14	
Correspondent accounts of banks		D	3991764	350.1%	2626454	-34.2%	562324	27.2%
		FX	6171798	15.5%	12466336	102.0%	5174849	71.0%
Other liabilities to banks (including the CBA) and other financial organizations		D	390934431	-5.6%	384250266	-1.7%	-55993025	-12.7%
		FX	563210288	4.2%	551584126	-2.1%	-109055550	-16.5%
Demand liabilities to legal entities		D	103855742	-4.3%	121027717	16.5%	14371900	13.5%
		FX	191463814	9.1%	207121949	8.2%	25648250	14.1%
Demand liabilities to individuals		D	80758244	2.1%	87644084	8.5%	13182797	17.7%
		FX	120354870	6.7%	134169937	11.5%	24199260	22.0%
Time deposits of legal entities		D	70109227	25.9%	88871613	26.8%	28867096	48.1%
		FX	176120984	-7.7%	193300401	9.8%	-19112964	-9.0%
Time deposits of individuals		D	206122017	-0.4%	215736211	4.7%	17803861	9.0%
		FX	707113500	5.4%	741403154	4.8%	80067510	12.1%
Liabilities to the Government of Armenia		D	47761360	-1.3%	42013865	-12.0%	-6570342	-13.5%
		FX	5589769	4.7%	4947020	-11.5%	-1439139	-22.5%
Accrued interest payable		D	13818673	2.9%	14255867	3.2%	2419644	20.4%
		FX	19017181	5.5%	20030336	5.3%	1533258	8.3%
Other liabilities		D	56615979	1.7%	54079492	-4.5%	-23498419	-30.3%
		FX	66081470	12.1%	67502141	2.1%	3066739	4.8%
Total balance sheet liabilities			**2829091112**	**2.5%**	**2943030970**	**4.0%**	**1228050**	**0.0%**
Paid-in statutory capital fund			316746658	1.5%	364121379	15.0%	74013465	25.5%
General reserve			29171612	0.6%	30671613	5.1%	3336429	12.2%
Own shares repurchased by bank			0		0			
Retained profit (loss)	Current period		-11912752	74.3%	-20356731	70.9%	-41551793	-196.0%
	Previous period		126045791	-0.2%	122137908	-3.1%	13802775	12.7%
Total balance sheet capital			**476833139**	**-0.3%**	**514049841**	**7.8%**	**44930023**	**9.6%**
Collateral received			4419425926	4.5%	4519476428	2.3%	152502207	3.5%
of which: government securities			762838	-66.5%	1204256	57.9%	-2431528	-66.9%
Guarantees received			4493127539	1.5%	4612079158	2.6%	208511155	4.7%
Written off the balance sheet	loans		161855099	16.5%	184732384	14.1%	75664659	69.4%
	Receivables and other assets		10894184	2.1%	11895659	9.2%	2802790	30.8%
	Interest		76485596	12.3%	91754723	20.0%	36441030	65.9%
Guarantees issued			5382652	23.0%	5816751	8.1%	-423059	-6.8%
Collateral pledged	Total		948520	-11.7%	647744	-31.7%	-632734	-49.4%
	Of which: government securities		0		481569		481569	100.0%

D – Armenian dram *FX – foreign currency*

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

Assets

Indicator	Currency	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	Change 31.03.15-31.12.14	30.06.15	Change 30.06.15-31.03.15	30.09.15	Change 30.09.15-30.06.15	31.12.15	Change 31.12.15-30.09.15	Change 31.12.15-31.12.14
Cash	D	2.7	2.1	1.9	-0.3	1.5	-0.4	1.5	0.0	1.6	0.0	1.9	0.4	0.1
	FX	2.1	1.6	1.5	-0.2	2.2	0.7	2.1	-0.1	2.0	-0.1	1.9	-0.2	0.4
Correspondent accounts with the CBA and other claims on the CBA	D	8.7	7.6	9.8	2.2	10.1	0.3	10.0	-0.1	9.5	-0.4	9.4	-0.1	-0.4
	FX	4.1	8.1	4.0	-4.1	3.4	-0.6	3.8	0.5	5.6	1.8	5.3	-0.3	1.3
Correspondent accounts with banks and other claims on banks	D	0.9	0.6	0.1	-0.6	0.2	0.1	0.5	0.3	0.0	-0.5	0.8	0.7	0.7
	FX	7.1	5.1	5.3	0.2	4.2	-1.0	4.0	-0.2	4.5	0.5	5.2	0.7	0.0
Claims on other financial organizations	D	1.1	1.1	0.8	-0.3	0.8	0.0	0.9	0.1	0.9	0.0	0.9	0.1	0.2
	FX	0.6	0.3	0.4	0.1	0.3	-0.1	0.4	0.0	0.3	-0.1	0.3	0.0	-0.1
Government securities		8.8	7.7	7.0	-0.7	7.6	0.6	7.4	-0.3	7.4	0.0	7.3	0.0	0.3
Repos (excluding interbank repos)	D	0.6	0.5	0.4	-0.1	0.5	0.0	0.5	0.0	0.5	0.0	0.4	0.0	0.0
	FX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to legal entities	D	7.4	6.2	5.3	-0.9	5.2	-0.1	5.8	0.6	5.8	0.0	5.4	-0.3	0.2
	FX	37.7	27.8	30.6	2.8	30.3	-0.3	29.7	-0.6	29.0	-0.7	28.5	-0.5	-2.0
Loans to individuals	D	17.1	14.2	13.9	-0.3	13.9	0.0	13.6	-0.3	13.1	-0.6	12.6	-0.5	-1.3
	FX	9.0	7.5	8.7	1.2	9.2	0.5	9.4	0.2	9.0	-0.4	8.8	-0.3	0.1
Loans to the bank's related parties and staff	D	1.0	0.7	0.7	0.0	0.7	0.0	0.7	0.0	1.1	0.4	1.4	0.3	0.8
	FX	2.1	1.6	1.7	0.0	1.7	0.0	1.6	-0.1	1.5	0.0	1.4	-0.1	-0.3
Asset loss reserves		-1.7	-1.5	-2.0	-0.5	-2.1	-0.2	-2.3	-0.2	-2.2	0.1	-2.2	0.1	-0.2
Accrued interest receivable	D	0.4	0.4	0.4	0.0	0.5	0.1	0.5	0.0	0.5	0.0	0.5	0.0	0.1
	FX	0.9	0.8	1.1	0.3	1.4	0.2	1.4	0.0	1.5	0.0	1.4	-0.1	0.2
Fixed assets		3.9	2.8	2.6	-0.2	2.7	0.1	2.7	0.0	2.6	-0.1	2.5	-0.1	0.0
Other securities	D	0.3	0.5	0.7	0.2	0.6	-0.1	0.6	0.0	0.6	0.0	0.8	0.2	0.1
	FX	0.0	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.2	0.1	0.2	0.0	0.1
Leasing and factoring (excluding interbank)	D	0.4	0.4	0.4	0.0	0.4	0.0	0.3	0.0	0.3	0.0	0.3	0.0	-0.1
	FX	0.2	0.3	0.4	0.1	0.4	0.1	0.4	0.0	0.3	-0.1	0.5	0.2	0.1
Other assets		4.4	3.4	4.4	1.0	4.3	-0.1	4.3	0.0	4.5	0.1	4.3	-0.1	-0.1
Total balance sheet assets		**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**

Liabilities

Indicator		Currency	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	Change 31.03.15-31.12.14	30.06.15	Change 30.06.15-31.03.15	30.09.15	Change 30.09.15-30.06.15	31.12.15	Change 31.12.15-30.09.15	Change 31.12.15-31.12.14
Correspondent accounts of banks		D	0.1	0.1	0.1	0.0	0.2	0.1	0.0	-0.2	0.1	0.1	0.1	-0.1	0.0
		FX	0.2	0.4	0.2	-0.1	0.5	0.2	0.2	-0.3	0.2	0.0	0.4	0.2	0.2
Other liabilities to banks (including the CBA) and other financial organizations		D	12.0	12.4	15.0	2.5	15.7	0.7	15.0	-0.7	13.8	-1.2	13.1	-0.8	-1.9
		FX	23.7	17.9	22.5	4.5	21.0	-1.4	19.6	-1.4	19.9	0.3	18.7	-1.2	-3.7
Demand liabilities to legal entities		D	4.6	4.7	3.6	-1.1	3.5	-0.1	3.9	0.4	3.7	-0.3	4.1	0.4	0.5
		FX	5.1	9.4	6.2	-3.2	6.1	-0.1	6.4	0.3	6.8	0.4	7.0	0.3	0.9
Demand liabilities to individuals		D	3.2	3.2	2.5	-0.7	2.5	0.0	2.9	0.3	2.9	0.0	3.0	0.1	0.4
		FX	4.2	3.6	3.7	0.1	3.7	-0.1	4.1	0.4	4.3	0.2	4.6	0.3	0.8
Time deposits of legal entities		D	1.5	2.0	2.0	0.1	2.1	0.0	2.0	-0.1	2.5	0.5	3.0	0.5	1.0
		FX	7.4	8.4	7.2	-1.2	6.6	-0.6	6.9	0.3	6.2	-0.7	6.6	0.3	-0.7
Time deposits of individuals		D	6.9	7.8	6.7	-1.1	7.2	0.4	7.5	0.3	7.3	-0.2	7.3	0.0	0.6
		FX	21.6	22.0	22.5	0.5	23.5	1.0	24.3	0.8	25.0	0.7	25.2	0.2	2.7
Liabilities to the Government of Armenia		D	2.8	2.1	1.7	-0.5	1.7	0.0	1.8	0.1	1.7	-0.1	1.4	-0.3	-0.2
		FX	0.5	0.3	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.0
Accrued interest payable		D	0.4	0.4	0.4	0.0	0.5	0.1	0.5	0.0	0.5	0.0	0.5	0.0	0.1
		FX	0.7	0.6	0.6	0.0	0.6	0.0	0.7	0.0	0.7	0.0	0.7	0.0	0.1
Other liabilities		D	3.5	3.3	2.6	-0.7	2.5	-0.1	2.0	-0.5	2.0	0.0	1.8	-0.2	-0.8
		FX	1.5	1.4	2.2	0.8	2.0	-0.2	2.1	0.2	2.3	0.2	2.3	0.0	0.1
Total balance sheet liabilities			**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**
Paid-in statutory capital fund			62.8	57.7	61.8	4.2	64.1	2.2	65.2	1.2	66.4	1.2	70.8	4.4	9.0
General reserve			5.0	5.0	5.8	0.9	5.8	-0.1	6.1	0.3	6.1	0.1	6.0	-0.2	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		10.7	8.3	4.5	-3.8	-0.8	-5.3	-1.4	-0.6	-2.5	-1.1	-4.0	-1.5	-8.5
	Previous period		16.4	21.5	23.1	1.6	27.2	4.1	26.4	-0.7	26.4	0.0	23.8	-2.7	0.7
Total balance sheet capital			**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**

D – Armenian dram *FX – foreign currency*

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

AMD thousand

Indicator	At the start of the period	Change during the period	At the end of the period
Total capital	449197388	61464890	510662279
Tier-one capital	387986766	42477591	430464357
Statutory capital	282607914	68654779	351262693
Note: number of shares sold	7032156	143706939	150739095
General reserve	27335185	3336429	30671613
Retained profit	129772731	-28155827	101616904
Deductions from tier-one capital, of which:	51729063	5292048	57021111
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	1256072	-667831	588241
Intangible assets, "subject to the exceptions stipulated by Regulation 2"	1538343	-344867	1193476
Investments in the statutory capital of other banks, credit organizations, and "other entities stipulated by Regulation 2"	1374073	171616	1545689
Tangible assets not used for banking and capital investments therein	37813709	6536820	44350529
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	3832193	-2051180	1781013
Capital investments in fixed assets leased by the bank	5855139	-511623	5343517
Investments in the statutory capital of other commercial entities as per Paragraph 28.1 of Regulation 2	59534	0	59534
Deferred tax assets minus deferred tax liabilities (positive figure)	0	2159112	2159112
Supplementary capital	61210622	18987299	80197921
Revaluation reserve for buildings and premises necessary for the bank's operations	14536415	2609169	17145584
Reserve generated from the FX difference due to balance sheet consolidation	0	0	0
Long-term subordinate debt borrowed by the bank	45650508	33127970	78778478
Other reserves, "subject to the exceptions stipulated by Regulation 2"	1023700	-5669246	-4645546

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

Indicator	31.12.12	Change 31.12.13-31.12.12 ÀÝÄ³óùáõÙ	31.12.13	Change 31.12.14-31.12.13 ÀÝÄ³óùáõÙ	31.12.14	Change 31.12.15-31.12.14 ÀÝÄ³óùáõÙ	31.12.15
Statutory capital *(AMD thousand)*	243005933	34713225	253061623	27078165	280139788	56689028	336828816
Of which: non-residents *(AMD thousand)*	178241995	18747478	188871096	-2515685	186355411	41575942	227931352
share of non-residents (%)	73.35	-3.82	74.63	-8.11	66.52	1.15	67.67

Appendix 5. Income and Expense of Banks Operating in Armenia

AMD thousand

Indicator	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	30.06.15	30.09.15	31.12.15	Change 31.12.15-31.12.14
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
From correspondent accounts	150398	212569	148877	-30.0%	68981	112564	141478	180034	20.9%
From funds held with the Central Bank of Armenia	1322218	576989	443618	-23.1%	1509	41148	123426	232405	-47.6%
Interest from funds held with commercial banks and other financial organizations	5039993	4805082	3930742	-18.2%	1187728	2202827	3110995	4090447	4.1%
From loans to the economy	156561502	171084589	190308915	11.2%	51042384	100509736	150329133	200647592	5.4%
Interest from overdraft	22202644	28075331	26366947	-6.1%	7368953	16678900	25456080	33711040	27.9%
Interest from credit cards	10435562	16274242	20387398	25.3%	6044879	11521792	17049224	22595886	10.8%
Interest from government securities	17060909	20922268	22483404	7.5%	6060632	12120767	18333159	24767996	10.2%
From repos	4133907	4110361	4618302	12.4%	1384312	2557886	3802443	5242927	13.5%
Other interest income	9109733	8894997	10124358	13.8%	3016355	5889786	8583387	12406916	22.5%
Total interest income	**226016866**	**254956428**	**278812561**	**9.4%**	**76175733**	**151635406**	**226929325**	**303875243**	**9.0%**

	1	2	3	4	5	6	7	8	9
Interest paid against correspondent accounts	1023847	71305	108472	52.1%	51482	114091	142805	174918	61.3%
Interest paid against bank accounts and demand deposits	4094127	4379589	5071225	15.8%	1227438	2497753	3759209	5028661	-0.8%
Interest paid against funds attracted from the Central Bank of Armenia	9434663	12568876	12127587	-3.5%	9777269	15849263	20963489	25332772	108.9%
Repos	960661	276904	715111	158.3%	108692	203466	325395	615739	-13.9%
Interest paid against funds attracted from commercial banks and other financial organizations	23893853	25178013	27578902	9.5%	10272436	20683921	31443379	41824858	51.7%
Interest paid against time deposits	53693135	73009943	85514302	17.1%	22185023	45332954	69368036	95608944	11.8%
Interest paid against funds attracted from international financial institutions	8374721	9589359	9522515	-0.7%	2825145	5491906	8428483	11432956	20.1%
Interest expense on deposit insurance	1165338	1485617	1757274	18.3%	472235	943726	1445842	1956592	11.3%
Other interest expense	8524956	8560061	7450893	-13.0%	1661684	3452598	4975680	6697193	-10.1%
Total interest expense	**111165301**	**135119667**	**149846281**	**10.9%**	**48581404**	**94569678**	**140852318**	**188672633**	**25.9%**
Net interest income	***114851565***	***119836761***	***128966280***	***7.6%***	***27594329***	***57065728***	***86077007***	***115202610***	***-10.7%***
Commissions received	25344952	30934726	37010981	19.6%	8708429	18320786	28472900	39714112	7.3%
Income from guarantees, acceptance and L/C operations, and trust management	1425614	1477896	1816802	22.9%	605838	1130739	1731052	2259269	24.4%
Net income from derivatives	794039	1004975	-3643547	-462.6%	-1275038	-1564537	-1558371	-1794400	-50.8%
Net income from factoring	910729	1633271	3256751	99.4%	960290	1873735	2738308	3764833	15.6%
Income from investments in other organizations	22574	16310	9350	-42.7%	2673	91635	95872	99045	959.3%
Net income from sale of securities	5362621	1041462	2626560	152.2%	297079	194283	247179	244654	-90.7%
Net income from sale of FX purchase and sale	14573091	14812439	18170015	22.7%	4232053	8109760	12588715	17580074	-3.2%
Positive (negative) exchange rate difference from FX revaluation	-1702457	-477368	3892454	-915.4%	1223693	1751866	1996465	2033954	-47.7%
Net income from sale of fixed assets	-394459	-586035	-285216	-51.3%	-27648	-15819	185723	72753	-125.5%
Net income from revaluation of fixed assets	-1082	-11299	-56114	396.6%	0	-11900	-11900	14132	-125.2%
Fines and penalties received	9663900	13525483	15545798	14.9%	5083707	10904702	17419563	23493079	51.1%
Other non-interest income	651054	4013318	3701689	-7.8%	1415468	2342589	3161120	5897148	59.3%
Total non-interest income	**56650576**	**67385178**	**82045523**	**21.8%**	**21226544**	**43127839**	**67066626**	**93378653**	**13.8%**
Accrued wages and related payments (other reimbursement paid and financing of social requirements)	40487542	50885134	56016867	10.1%	13753474	27478757	40566475	55505831	-0.9%
Costs of business travel	772278	720805	708610	-1.7%	94272	232078	417915	637280	-10.1%
Contributions to the Republic of Armenia State Fund for Social Insurance	3713775	249544	10715	-95.7%	5372	9704	13311	17682	65.0%
Taxes, duties, and other mandatory payments	2803004	3445912	3420416	-0.7%	784520	1670214	2523053	3559408	4.1%
Depreciations provisions	10947372	11812655	12157203	2.9%	3119376	6315149	9525203	12540579	3.2%
Leasing of bank premises and other fixed assets	5422979	6127521	6708680	9.5%	1807378	3607824	5418953	7250151	8.1%
Advertisement and representation expense	4195149	4426527	4538785	2.5%	862264	1747231	2646156	4111988	-9.4%
Office and printing expense	1135304	1145566	1160953	1.3%	240891	499211	804210	1177061	1.4%
Audit and consulting services expense	1107752	1254944	1263534	0.7%	311606	644376	989446	1453101	15.0%
Bank hardware O&M expense	1362246	1606289	1817746	13.2%	484953	971078	1553672	2142987	17.9%

	1	2	3	4	5	6	7	8	9
Transport expense	758748	744333	702603	-5.6%	139492	292269	433682	594379	-15.4%
Transport and communications expense	2149034	2151365	2059874	-4.3%	515137	1006171	1517960	2029718	-1.5%
Fines and penalties paid	66744	137681	97167	-29.4%	63573	99021	279631	347392	257.5%
Training expense	463375	410614	447066	8.9%	29959	78820	128416	234039	-47.7%
Other non-interest expense	21800507	21607984	23579650	9.1%	5991054	12029680	18558096	25417847	7.8%
Total non-interest expense	**97145781**	**106726874**	**114689869**	**7.5%**	**28203321**	**56681583**	**85376179**	**117019443**	**2.0%**
Net non-interest expense	***-40495205***	***-39341696***	***-32644346***	***-17.0%***	***-6976777***	***-13553744***	***-18309553***	***-23640790***	***-27.6%***
General reserve for possible losses of loans and receivables	26274761	29986311	42611434	42.1%	8493036	17302254	27516444	40000220	-6.1%
Special reserve for possible losses of loans and receivables	117128015	176926241	259306538	46.6%	89892336	184419669	293792223	373179588	43.9%
Reserve for possible securities losses	1127	9425	45195	379.5%	31013	42999	80106	118504	162.2%
Reserves for bank guarantees and other contingent liabilities	6475770	16077458	7593758	-52.8%	1840173	3798646	5721382	7738212	1.9%
Total provisions	**149879673**	**222999435**	**309556925**	**38.8%**	**100256558**	**205563568**	**327110155**	**421036524**	**36.0%**
From the general reserve for possible losses of loans and receivables	20948954	28770603	59408025	106.5%	16651265	25980520	36430868	47201958	-20.5%
From the special reserve for possible losses of loans and receivables	102382190	147215698	176227477	19.7%	58970881	127846649	208411466	258173626	46.5%
From the reserve for possible securities losses	25125	14697	61331	317.3%	29696	30166	65264	65816	7.3%
From reserves for bank guarantees and other contingent liabilities	6656016	15841747	7141123	-54.9%	2072990	4018862	5984632	7815686	9.4%
Total recoveries	**130012285**	**191842745**	**242837956**	**26.6%**	**77724832**	**157876197**	**250892230**	**313257086**	**29.0%**
Net provisions	***19867388***	***31156690***	***66718969***	***114.1%***	***22531726***	***47687371***	***76217925***	***107779438***	***61.5%***
Pre-tax profit	**54488972**	**49338375**	**29602965**	**-40.0%**	**-1914174**	**-4175387**	**-8450471**	**-16217618**	**-154.8%**
Profit tax	12064810	11157087	8417381	-24.6%	2106194	2842144	3732479	4491227	-46.6%
Net profit	**42424162**	**38181288**	**21185584**	**-44.5%**	**-4020368**	**-7017531**	**-12182950**	**-20708845**	**-197.7%**
Accrued dividends	0	340460	0	0.0%	0	0	0	0	100.0%
Retained profit	**42424162**	**37840828**	**21185584**	**-44.0%**	**-4020368**	**-7017531**	**-12182950**	**-20708845**	**-197.7%**

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

%

Indicator	2011	2012	2013	2014	2015
Return on Assets					
Banking system	1.80	1.90	1.44	0.71	-0.63
Minimum (profitable banks)	0.26	0.18	0.27	0.48	0.01
Maximum (profitable banks)	5.16	3.82	3.71	3.10	2.44
Return on equity					
Banking system	9.79	11.40	9.07	4.47	-4.26
Minimum (profitable banks)	0.91	0.86	1.14	0.65	0.08
Maximum (profitable banks)	24.34	25.87	22.84	18.73	14.88

Appendix 7. Loan Investments by the Armenian Banking System

AMD thousand

Indicator	2013					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	227553533	464247374	900519915	693599163	1128073448	159671504
1.1. Time assets	183620866	458543054	872756025	644317059	1056376891	119786176
of which: loans	158978600	451253846	863891284	587893421	1022869884	102539538
interbank loans, deposits, factoring, leasing, and repos	19748749	1000000	5729665	16488038	25478414	1363309
1.2. Prolonged assets	29862398	5238897	27140437	42656161	57002835	32672106
of which: loans	27225737	5238897	27140437	29350371	54366174	4851273
interbank loans, deposits, factoring, leasing, and repos	2636660	0	0	498299	2636660	407711
1.3. Overdue assets	14070270	465423	623453	6625943	14693723	7213222
of which: loans	14069807	465423	623453	6564181	14693260	7165673
interbank loans, deposits, factoring, leasing, and repos	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, and repos with non-residents	23144260	609434	22779254	13349717	45923514	14891684
2.1. Time assets	21294897	600262	22779254	10419470	44074151	115036
2.2. Prolonged assets	770645	9171	0	2896160	770645	14769257
2.3. Overdue assets	1078718	0	0	34086	1078718	7391
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	219299481	538589118	1157011511	751059620	1376310993	132932648
3.1. Industry	49556720	55176041	244604339	70810173	294161058	12392799
Mining	13305111	4297411	21510604	4380441	34815715	2148205
Energy	11921553	18002792	88360870	30019470	100282423	7260317
Food	15175121	20252077	67633402	22437270	82808523	1425747
Light industry	732403	2915336	13364603	3145583	14097006	32252
Chemical	200464	634228	7088453	647420	7288917	67680
Construction materials	1410062	5284584	23074585	5896430	24484647	1012771
Precious items	535312	267562	1360110	272152	1895422	0
Metal industry	2352712	3119	3531448	4226	5884160	0
Machine-building and electrical	70938	371464	6481394	554021	6552332	193072
Other branches of industry	3853043	3147467	12198870	3453161	16051913	252756
3.2. Agriculture	10003521	42539599	50014487	43204458	60018008	265312
3.3. Construction	12507602	10704101	75332957	21567172	87840559	1832255
3.4. Transport and communications	9996615	5729300	25223222	10210683	35219837	855480
3.5. Trade	48615079	61302525	218325986	85383336	266941065	12942789
3.6. Public catering and other services	3597216	15600959	72203984	15999291	75801200	1011330
3.7. Financial sector	16451553	3056139	11816543	49888183	28268096	25605261
3.8. Consumer loans	9176790	209971117	56375527	300039305	65552317	74673040
3.9. Mortgage loans	664875	67235707	74940340	67592032	75605215	10500
3.10. Other sectors of the economy	9172791	12097589	83569787	15554815	92742578	3343881

Appendix 7. *(continued)*

AMD thousand

Indicator	2014					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	324378464	577477446	1163783094	737148950	1488161558	1128073448
1.1. Time assets	290379522	552589630	1106346365	672375806	1396725887	1056376891
of which: loans	215104711	542506721	1101188312	645046259	1316293023	1022869884
deposits, factoring, leasing, and repos	66411818	750000	1899880	2113309	68311698	25478414
1.2. Prolonged assets	20845172	24022936	46137475	56695042	66982647	57002835
1.2. Prolonged assets	20845172	24022936	46137475	28874209	66982647	54366174
of which: loans	0	0	0	407711	0	2636660
deposits, factoring, leasing, and repos	13153770	864880	11299253	8078102	24453023	14693723
1.3. Overdue assets	13152806	864880	11299253	8030553	24452059	14693260
of which: loans	0	0	0	0	0	0
deposits, factoring, leasing, and repos	54519384	985821	28726322	15877505	83245706	45923514
2. Loans, deposits, factoring, leasing, and repos with non-residents	50609357	976458	27543087	1091494	78152444	44074151
2.1. Time assets	3324790	9363	0	14778620	3324790	770645
2.2. Prolonged assets	585237	0	1183235	7391	1768472	1078718
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	235214624	588338797	1169701228	721271445	1404915852	1376310993
3.1. Industry	66544888	58369033	293425874	70761832	359970762	294161058
Mining	22838280	5051235	34989617	7199440	57827897	34815715
Energy	22594207	20697850	98250788	27958167	120844995	100282423
Food	12851389	20325937	88560325	21751684	101411715	82808523
Light industry	495713	3286481	15068409	3318733	15564123	14097006
Chemical	63452	1028323	8376549	1096003	8440001	7288917
Construction materials	1160125	4288016	21939632	5300787	23099758	24484647
Precious items	102406	185152	3483127	185152	3585533	1895422
Metal industry	3807946	118	4062105	118	7870051	5884160
Machine-building and electrical	171853	685357	4515113	878428	4686966	6552332
Other branches of industry	2459517	2820565	14180208	3073321	16639725	16051913
3.2. Agriculture	12298893	47728176	67973375	47993488	80272268	60018008
3.3. Construction	2948246	23617100	95796695	25449355	98744941	87840559
3.4. Transport and communications	1930368	9187914	32884371	10043394	34814739	35219837
3.5. Trade	54236105	64417653	254671715	77360443	308907819	266941065
3.6. Public catering and other services	2087307	14928573	116705662	15939903	118792969	75801200
3.7. Financial sector	72638304	3640729	9949201	29245990	82587505	28268096
3.8. Consumer loans	5596556	278710742	92539586	353383783	98136142	65552317
3.9. Mortgage loans	15386	72108818	100297646	72119318	100313032	75605215
3.10. Other sectors of the economy	16918571	15630058	105457105	18973939	122375676	92742578

Appendix 7. *(continued)*

AMD thousand

Indicator	2015					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	162118370	213870561	596529956	1189183517	758648326	1403054079
1.1. Time assets	139633510	188490813	558297949	1122205525	697931458	1310696338
of which: loans	89367299	139248642	547898992	1117558135	637266290	1256806777
deposits, factoring, leasing, and repos	25470421	35196031	500772	2418750	25971193	37614781
1.2. Prolonged assets	13730353	12813149	37058749	51608968	50789102	64422117
of which: loans	6390843	8167746	22294089	51608968	28684932	59776714
deposits, factoring, leasing, and repos	0	4645403	0	0	0	4645403
1.3. Overdue assets	8754507	12566600	1173259	15369024	9927766	27935624
of which: loans	8692857	12543355	1173259	15369024	9866116	27912379
deposits, factoring, leasing, and repos	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, and repos with non-residents	46610975	66357493	0	0	46610975	66357493
2.1. Time assets	101246	25594591	31724199	35892499	31825445	61487090
2.2. Prolonged assets	4400	269183	14778080	3386250	14782480	3655433
2.3. Overdue assets	3051	9863	0	1205107	3051	1214970
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	147386672	164242510	564650678	1172454076	712037350	1336696585
3.1. Industry	9054738	40822357	56885326	270749389	65940064	311571746
Mining	3714567	13266327	5668736	26257460	9383303	39523787
Energy	2358481	15748694	19303970	104213684	21662451	119962378
Food	1251849	6851791	18119670	76260683	19371519	83112474
Light industry	1296508	315690	3446342	12196188	4742850	12511878
Chemical	0	77399	680307	7782117	680307	7859516
Construction materials	190501	1321711	3792049	19830419	3982550	21152130
Precious items	0	14022	1445289	2555234	1445289	2569256
Metal industry	0	1635827	0	4641578	0	6277405
Machine-building and electrical	35092	251882	1661117	3347906	1696209	3599788
Other branches of industry	207740	1339014	2767847	13664120	2975587	15003134
3.2. Agriculture	300386	11109212	38733869	79156197	39034255	90265409
3.3. Construction	2112219	1863915	23918336	78682250	26030555	80546165
3.4. Transport and communications	8003476	605309	11928836	50531039	19932312	51136348
3.5. Trade	12909793	35405576	53898960	243271919	66808753	278677495
3.6. Public catering and other services	618981	3836139	17187301	135429064	17806282	139265203
3.7. Financial sector	55196552	43210672	1236512	11302904	56433064	54513576
3.8. Consumer loans	55726279	3176035	266398368	97777305	322124647	100953341
3.9. Mortgage loans	2352	50026	80877973	98036659	80880325	98086685
3.10. Other sectors of the economy	3461895	24163269	13585198	107517349	17047092	131680618

Appendix 8. Loan Investments by the Armenian Banking System

%

Indicator	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
interbank loans, deposits, factoring, leasing, and repos	0.5	2.2	0.1	0.6	0.6	2.8
1.2. Prolonged assets	1.7	1.6	0.0	0.4	1.7	2.0
of which: loans	0.7	1.3	0.0	0.4	0.7	1.7
interbank loans, 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
interbank loans, 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 assets	0.0	0.0	0.0	0.0	0.0	0.0
2.3. Overdue assets	0.0	0.0	0.0	0.0	0.0	0.0
3. Loans, deposits, factoring, leasing, 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)*

%

Indicator	2014					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	12.4	22.1	44.5	28.2	56.9	43.1
1.1. Time assets	11.1	21.1	42.3	25.7	53.4	40.4
of which: loans	8.2	20.7	42.1	24.7	50.3	39.1
interbank loans, deposits, factoring, leasing, and repos	2.5	0.0	0.1	0.1	2.6	1.0
1.2. Prolonged assets	0.8	0.9	1.8	2.2	2.6	2.2
of which: loans	0.8	0.9	1.8	1.1	2.6	2.1
interbank loans, deposits, factoring, leasing, and repos	0.0	0.0	0.0	0.0	0.0	0.1
1.3. Overdue assets	0.5	0.0	0.4	0.3	0.9	0.6
of which: loans	0.5	0.0	0.4	0.3	0.9	0.6
interbank loans, 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	2.1	0.0	1.1	0.6	3.2	1.8
2.1. Time assets	1.9	0.0	1.1	0.0	3.0	1.7
2.2. Prolonged assets	0.1	0.0	0.0	0.6	0.1	0.0
2.3. Overdue assets	0.0	0.0	0.0	0.0	0.1	0.0
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	9.0	22.5	44.7	27.6	53.7	52.6
3.1. Industry	2.5	2.2	11.2	2.7	13.8	11.2
Mining	0.9	0.2	1.3	0.3	2.2	1.3
Energy	0.9	0.8	3.8	1.1	4.6	3.8
Food	0.5	0.8	3.4	0.8	3.9	3.2
Light industry	0.0	0.1	0.6	0.1	0.6	0.5
Chemical	0.0	0.0	0.3	0.0	0.3	0.3
Construction materials	0.0	0.2	0.8	0.2	0.9	0.9
Precious items	0.0	0.0	0.1	0.0	0.1	0.1
Metal industry	0.1	0.0	0.2	0.0	0.3	0.2
Machine-building and electrical	0.0	0.0	0.2	0.0	0.2	0.3
Other branches of industry	0.1	0.1	0.5	0.1	0.6	0.6
3.2. Agriculture	0.5	1.8	2.6	1.8	3.1	2.3
3.3. Construction	0.1	0.9	3.7	1.0	3.8	3.4
3.4. Transport and communications	0.1	0.4	1.3	0.4	1.3	1.3
3.5. Trade	2.1	2.5	9.7	3.0	11.8	10.2
3.6. Public catering and other services	0.1	0.6	4.5	0.6	4.5	2.9
3.7. Financial sector	2.8	0.1	0.4	1.1	3.2	1.1
3.8. Consumer loans	0.2	10.7	3.5	13.5	3.8	2.5
3.9. Mortgage loans	0.0	2.8	3.8	2.8	3.8	2.9
3.10. Other sectors of the economy	0.6	0.6	4.0	0.7	4.7	3.5

Appendix 8. *(continued)*

%

Indicator	2015					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	7.5	9.9	27.6	55.0	35.1	64.9
1.1. Time assets	6.5	8.7	25.8	51.9	32.3	60.6
of which: loans	4.1	6.4	25.3	51.7	29.5	58.1
interbank loans, deposits, factoring, leasing, and repos	1.2	1.6	0.0	0.1	1.2	1.7
1.2. Prolonged assets	0.6	0.6	1.7	2.4	2.3	3.0
of which: loans	0.3	0.4	1.0	2.4	1.3	2.8
interbank loans, deposits, factoring, leasing, and repos	0.0	0.2	0.0	0.0	0.0	0.2
1.3. Overdue assets	0.4	0.6	0.1	0.7	0.5	1.3
of which: loans	0.4	0.6	0.1	0.7	0.5	1.3
interbank loans, 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	2.2	3.1	0.0	0.0	2.2	3.1
2.1. Time assets	0.0	1.2	1.5	1.7	1.5	2.8
2.2. Prolonged assets	0.0	0.0	0.7	0.2	0.7	0.2
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:	6.8	7.6	26.1	54.2	32.9	61.8
3.1. Industry	0.4	1.9	2.6	12.5	3.1	14.4
Mining	0.2	0.6	0.3	1.2	0.4	1.8
Energy	0.1	0.7	0.9	4.8	1.0	5.5
Food	0.1	0.3	0.8	3.5	0.9	3.8
Light industry	0.1	0.0	0.2	0.6	0.2	0.6
Chemical	0.0	0.0	0.0	0.4	0.0	0.4
Construction materials	0.0	0.1	0.2	0.9	0.2	1.0
Precious items	0.0	0.0	0.1	0.1	0.1	0.1
Metal industry	0.0	0.1	0.0	0.2	0.0	0.3
Machine-building and electrical	0.0	0.0	0.1	0.2	0.1	0.2
Other branches of industry	0.0	0.1	0.1	0.6	0.1	0.7
3.2. Agriculture	0.0	0.5	1.8	3.7	1.8	4.2
3.3. Construction	0.1	0.1	1.1	3.6	1.2	3.7
3.4. Transport and communications	0.4	0.0	0.6	2.3	0.9	2.4
3.5. Trade	0.6	1.6	2.5	11.3	3.1	12.9
3.6. Public catering and other services	0.0	0.2	0.8	6.3	0.8	6.4
3.7. Financial sector	2.6	2.0	0.1	0.5	2.6	2.5
3.8. Consumer loans	2.6	0.1	12.3	4.5	14.9	4.7
3.9. Mortgage loans	0.0	0.0	3.7	4.5	3.7	4.5
3.10. Other sectors of the economy	0.2	1.1	0.6	5.0	0.8	6.1

Appendix 9. Distribution of Loan Investments of Commercial Banks

%

On 31.12.2015	Bank1	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	20.9	14.6	6.8	24.2	15.2	14.5	21.7	3.3	11.1	10.6	16.3
Mining	6.2	0.9	0.1	4.1	7.3	0.0	0.0	0.0	0.0	0.0	0.0
Energy	3.6	1.6	0.2	11.8	3.0	7.8	4.2	0.3	3.3	7.7	2.6
Food	6.3	6.2	2.8	4.4	2.5	3.7	11.9	0.8	5.1	1.7	7.3
Light industry	0.3	3.7	1.7	0.5	0.0	1.7	0.7	0.6	1.2	0.3	2.1
Chemical	1.2	0.1	0.6	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0
Construction materials	0.8	0.8	0.6	2.9	2.3	0.1	2.1	0.9	0.7	0.4	1.9
Precious items	0.0	0.0	0.7	0.0	0.0	0.0	1.4	0.4	0.0	0.5	0.3
Metal industry	2.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Machine-building and electrical	0.1	0.8	0.1	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.1
Other branches of industry	0.0	0.4	0.0	0.5	0.0	1.2	1.2	0.2	0.1	0.0	1.9
2. Agriculture	2.6	0.9	0.9	5.6	5.4	3.1	0.1	0.0	0.2	3.3	0.8
Livestock	1.5	0.5	0.5	0.0	0.7	0.9	0.0	0.0	0.0	0.3	0.4
Plant cultivation	1.0	0.3	0.5	5.6	4.6	2.2	0.1	0.0	0.2	3.0	0.3
3. Construction	12.8	0.8	5.0	5.2	5.8	6.7	3.1	0.1	0.4	4.1	3.2
4. Transport and communications	6.1	0.5	6.2	9.6	0.0	0.1	3.4	5.6	0.7	0.5	2.9
5. Trade	10.1	18.8	35.1	18.0	11.4	16.8	26.1	17.5	11.6	10.2	30.8
Wholesale	7.6	8.5	11.1	11.5	5.0	6.0	16.4	6.9	4.9	6.8	19.8
Retail	2.6	10.4	24.0	6.6	6.3	10.8	9.6	10.6	6.7	3.4	11.0
6. Public catering and other services	10.6	11.6	8.8	15.9	0.7	13.1	5.8	0.8	4.0	2.5	7.3
7. Financial sector	2.9	0.2	8.0	5.2	2.1	7.4	18.1	34.5	6.8	8.4	3.7
Of which: resident banks	1.4	0.0	3.0	2.6	0.0	5.4	3.8	0.0	3.0	8.2	2.9
8. Consumer loans	20.8	42.4	17.4	7.7	34.7	30.0	12.6	31.9	33.7	34.4	29.2
9. Mortgage loans	7.0	5.1	7.5	6.3	8.5	5.1	6.9	5.4	19.5	22.4	4.8
10. Other sectors of the economy	6.3	5.1	4.2	2.4	16.2	3.2	2.3	0.8	11.9	3.7	0.9
Total, by banks	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Share of commercial banks in lending, by sectors											
1. Industry	9.0	2.4	1.3	17.3	6.7	2.4	2.6	0.1	1.4	2.4	5.1
Mining	20.6	1.1	0.1	22.2	25.0	0.0	0.0	0.0	0.0	0.0	0.0
Energy	4.2	0.7	0.1	22.3	3.5	3.5	1.3	0.0	1.1	4.6	2.2
Food	10.0	3.7	2.0	11.5	4.1	2.3	5.3	0.1	2.3	1.4	8.4
Light industry	2.7	13.3	7.5	8.7	0.0	6.3	2.0	0.4	3.4	1.4	14.8
Chemical	24.3	1.1	5.4	0.0	0.0	0.0	0.0	0.0	0.8	0.0	0.1
Construction materials	5.1	2.0	1.9	31.7	15.7	0.3	3.8	0.4	1.4	1.4	9.2
Precious items	0.0	0.6	12.5	3.2	0.0	0.0	16.2	1.1	0.0	9.6	9.5
Metal industry	60.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.4
Machine-building and electrical	1.9	10.8	1.5	1.4	0.0	0.4	0.1	0.0	5.5	0.2	1.4
Other branches of industry	0.1	1.5	0.0	7.2	0.4	4.1	3.1	0.1	0.2	0.1	12.7
2. Agriculture	3.2	0.4	0.5	11.6	7.0	1.5	0.0	0.0	0.1	2.2	0.7
Livestock	4.8	0.6	0.7	0.1	2.4	1.1	0.0	0.0	0.0	0.5	0.9
Plant cultivation	2.2	0.3	0.5	19.3	10.0	1.8	0.1	0.0	0.1	3.3	0.5
3. Construction	19.4	0.5	3.4	13.0	9.0	4.0	1.3	0.0	0.2	3.3	3.5
4. Transport and communications	14.0	0.4	6.4	36.3	0.1	0.1	2.2	0.8	0.5	0.6	4.9
5. Trade	4.8	3.3	7.4	13.9	5.5	3.1	3.4	0.5	1.6	2.5	10.5
Wholesale	6.6	2.8	4.4	16.6	4.5	2.1	4.0	0.4	1.2	3.1	12.6
Retail	2.6	4.0	10.9	10.9	6.6	4.2	2.7	0.7	2.0	1.8	8.1
6. Public catering and other services	11.0	4.6	4.1	27.3	0.7	5.3	1.7	0.1	1.2	1.4	5.5
7. Financial sector	4.2	0.1	5.3	12.5	3.2	4.2	7.4	3.1	2.9	6.5	4.0
Of which: resident banks	3.5	0.0	3.3	10.4	0.0	5.1	2.6	0.0	2.1	10.6	5.1
8. Consumer loans	8.0	6.2	3.0	4.9	13.7	4.5	1.3	0.8	3.8	6.9	8.1
9. Mortgage loans	6.3	1.7	3.1	9.4	7.9	1.8	1.7	0.3	5.1	10.6	3.1
10. Other sectors of the economy	6.9	2.1	2.1	4.2	18.2	1.3	0.7	0.1	3.8	2.1	0.7
Total, by banks	**7.9**	**3.0**	**3.6**	**13.1**	**8.2**	**3.1**	**2.2**	**0.5**	**2.3**	**4.2**	**5.8**

%

On 31.12.2015	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	2.4	6.2	29.9	12.8	4.9	30.9	9.0	23.0	33.7	18.5	18.4
Mining	0.0	0.0	0.0	0.0	0.0	0.4	0.4	4.9	1.2	0.3	2.4
Energy	0.0	4.9	6.2	3.7	1.5	27.2	1.0	15.0	14.1	0.2	6.9
Food	0.1	0.6	17.3	6.4	1.1	1.8	3.1	0.4	8.9	3.0	5.0
Light industry	0.8	0.3	0.8	0.4	0.4	0.2	1.4	0.1	2.0	4.0	0.8
Chemical	0.0	0.1	0.0	0.0	0.1	0.0	0.0	1.8	0.1	0.9	0.4
Construction materials	1.2	0.2	0.0	1.6	0.1	0.2	0.3	0.0	5.2	3.1	1.2
Precious items	0.0	0.1	0.0	0.1	0.0	0.0	1.6	0.0	0.1	0.1	0.2
Metal industry	0.0	0.0	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3
Machine-building and electrical	0.3	0.1	1.4	0.1	0.0	1.0	0.2	0.2	0.1	0.2	0.2
Other branches of industry	0.0	0.0	2.7	0.5	1.7	0.1	1.0	0.7	1.9	6.6	0.9
2. Agriculture	1.0	6.3	1.4	38.7	0.9	9.7	0.4	4.9	1.3	11.2	6.3
Livestock	0.8	3.5	0.0	19.3	0.6	9.7	0.3	1.3	0.9	6.7	2.5
Plant cultivation	0.2	2.7	1.4	19.4	0.3	0.0	0.1	3.6	0.3	4.4	3.8
3. Construction	4.0	0.0	3.6	1.3	4.6	13.5	4.3	7.6	3.0	1.3	5.2
4. Transport and communications	0.0	7.1	2.9	0.7	0.0	0.0	3.2	4.0	0.0	3.8	3.5
5. Trade	10.4	13.1	17.0	9.6	4.6	15.2	20.7	17.8	7.8	43.3	16.9
Wholesale	9.3	11.1	9.4	2.2	1.9	5.7	3.0	12.9	6.5	19.9	9.0
Retail	1.2	2.0	7.5	7.4	2.6	9.5	17.7	4.9	1.2	23.4	7.9
6. Public catering and other services	0.9	0.5	13.5	3.0	0.7	7.6	7.7	4.5	8.3	7.2	7.6
7. Financial sector	59.3	18.5	7.4	0.6	2.9	1.0	0.0	8.2	4.0	0.0	5.4
Of which: resident banks	58.7	18.5	6.5	0.0	0.0	1.0	0.0	5.2	2.2	0.0	3.2
8. Consumer loans	2.6	9.9	5.4	28.2	16.1	15.4	36.9	17.1	2.9	1.2	20.7
9. Mortgage loans	18.7	38.0	10.1	4.1	16.6	4.5	13.2	6.6	11.0	8.1	8.8
10. Other sectors of the economy	0.8	0.3	9.0	1.0	48.7	2.2	4.7	6.3	28.1	5.4	7.3
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**
Lending to sectors of the economy, by banks											
1. Industry	0.1	0.4	13.1	5.8	0.9	3.7	2.5	17.4	3.5	2.0	100.0
Mining	0.0	0.0	0.0	0.0	0.0	0.3	0.8	28.4	1.0	0.3	100.0
Energy	0.0	0.8	7.2	4.4	0.7	8.6	0.7	30.2	3.9	0.0	100.0
Food	0.0	0.1	27.8	10.5	0.7	0.8	3.1	1.1	3.4	1.2	100.0
Light industry	0.5	0.4	8.3	3.9	1.7	0.5	8.8	1.0	4.8	9.5	100.0
Chemical	0.0	0.2	0.2	0.1	0.5	0.0	0.5	61.9	0.5	4.5	100.0
Construction materials	0.6	0.1	0.1	11.3	0.2	0.4	1.2	0.0	8.3	5.1	100.0
Precious items	0.0	0.5	0.0	4.4	0.0	0.0	40.3	0.0	0.9	1.4	100.0
Metal industry	0.0	0.0	37.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Machine-building and electrical	0.7	0.4	46.6	2.5	0.2	9.3	4.8	9.4	0.8	1.9	100.0
Other branches of industry	0.0	0.0	24.4	4.7	6.1	0.2	5.7	10.5	4.3	14.7	100.0
2. Agriculture	0.1	1.1	1.8	50.8	0.5	3.4	0.3	10.9	0.4	3.5	100.0
Livestock	0.2	1.6	0.0	63.8	0.7	8.4	0.5	7.5	0.7	5.3	100.0
Plant cultivation	0.0	0.8	2.9	42.3	0.3	0.0	0.2	13.1	0.2	2.3	100.0
3. Construction	0.4	0.0	5.5	2.0	2.8	5.7	4.1	20.3	1.1	0.5	100.0
4. Transport and communications	0.0	2.4	6.7	1.7	0.0	0.0	4.6	16.2	0.0	2.2	100.0
5. Trade	0.3	0.9	8.1	4.7	0.9	2.0	6.2	14.6	0.9	5.0	100.0
Wholesale	0.6	1.4	8.4	2.0	0.7	1.4	1.6	19.8	1.4	4.3	100.0
Retail	0.1	0.3	7.7	7.8	1.1	2.6	11.3	8.6	0.3	5.8	100.0
6. Public catering and other services	0.1	0.1	14.1	3.2	0.3	2.2	5.0	8.2	2.1	1.9	100.0
7. Financial sector	6.1	3.9	11.0	0.9	1.7	0.4	0.0	21.1	1.4	0.0	100.0
Of which: resident banks	10.0	6.6	16.1	0.0	0.0	0.7	0.0	22.6	1.3	0.0	100.0
8. Consumer loans	0.1	0.6	2.1	11.3	2.5	1.6	9.0	11.5	0.3	0.1	100.0
9. Mortgage loans	1.2	5.0	9.2	3.9	6.1	1.1	7.6	10.5	2.4	1.8	100.0
10. Other sectors of the economy	0.1	0.0	10.0	1.2	21.6	0.7	3.2	12.1	7.4	1.5	100.0
Total, by banks	**0.6**	**1.1**	**8.0**	**8.3**	**3.2**	**2.2**	**5.0**	**13.9**	**1.9**	**2.0**	**100.0**

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

AMD thousand

Indicator	Non-Performing Assets		Off-Balance Sheet	
	AMD	FX	AMD	FX
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
2015				
Non-performing assets and off-balance sheet assets (total)	43982289	125890076	90973368	197384555
1. Non-performing assets and off-balance sheet assets of residents (total)	43947736	123762974	90738871	191679359
1.1. Industry	1396935	34916929	4189447	45462258
Mining	37972	102202	87187	168220
Energy	7193	7815331	16855	2487907
Food	669725	16329637	2758620	28743823
Light industry	257266	943667	601203	2443614
Chemical	38767	18202	44105	7770
Construction materials	217369	2442014	272131	2425301
Precious items	1295	116456	96245	1366796
Metal industry	0	0	0	0
Machine-building and electrical	31996	245117	30719	2199759
Other branches of industry	135352	6904302	282383	5619068
1.2. Agriculture	3278555	11266256	2292774	26214514
1.3. Construction	1101992	9776998	1734191	17775378
1.4. Transport and communications	1599627	1461794	393493	4341341
1.5. Trade	3110853	15436069	7912602	47229829
1.6. Public catering and other services	2777900	19572433	1256282	5572264
1.7. Financial sector	263683	19363	372629	732472
1.8. Consumer loans	25661206	11615470	56888532	16175082
1.9. Mortgage loans	3277853	8086868	6924843	11393383
1.10. Other sectors of the economy	1479133	11610794	8774079	16782839
2. Non-performing assets and off-balance sheet assets of non-residents (total)	34553	2127102	234497	5705196

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
31.12.13				
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	93.2	24009434	1.17
2. Watched	72683430	3.3	8452878	11.63
3. Sub-standard	44337438	2.0	10449209	23.57
4. Doubtful	32851515	1.5	18996554	57.83
Total	**2205859194**	**100.0**	**61908075**	**2.81**

Loans	Loan Investments	Share	Provision for loans made	
			Balance	% of total
31.12.15				
1. Standard	1974588819	92.2	23830092	1.21
2. Watched	74967899	3.5	8549024	11.40
3. Sub-standard	48019755	2.2	11087687	23.09
4. Doubtful	43015768	2.0	27805250	64.64
Total	**2140592241**	**100**	**71272054**	**3.33**

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**

Receivables	Receivables	Share	Provision for receivables	
			Balance	% of total
31.12.15				
1. Standard	160103744	97.64	1793283	1.12
2. Watched	754642	0.46	81176	10.76
3. Sub-standard	2564565	1.56	593863	23.16
4. Doubtful	549739	0.34	321066	58.40
Total	**163972690**	**100**	**2789388**	**1.70**

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**

Off-balance sheet items	Off-balance sheet items	Share	Provision for off-balance sheet items	
			Balance	% of total
31.12.15				
1. Standard	208402751	99.34	2125166	1.02
2. Watched	797799	0.38	88451	11.09
3. Sub-standard	165540	0.08	36995	22.35
4. Doubtful	243334	0.12	185240	76.13
5. Written-off	178914	0.09	178914	100.00
Total	**209788338**	**100**	**2614766**	**1.25**

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

%

Indicator	31.12.14	31.03.15	30.06.15	30.09.15	31.12.15
Total capital adequacy	14.5	15.1	15.4	15.7	16.2
Total liquidity	25.1	24.1	25.2	27.2	28.0
Current liquidity	129.4	137.1	138.2	147.0	142.4
Single borrower exposure[1]	16.8	15.7	16.8	16.8	17.3
Large borrowers exposure[1]	126.0	115.7	91.4	86.7	83.8
Maximum exposure to a single bank-related party[1]	2.3	3.0	2.3	1.6	2.1
Maximum exposure to all bank-related parties[1]	10.1	9.1	8.8	9.3	8.9

[1] *Median.*

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

	Indicator		31.12.2012	31.12.2013	31.12.2014	Change 31.12.14-31.12.13	31.03.2015	Change 31.03.15-31.12.14
Assets	Cash		312354	830360	1601651	92.9	2198126	37.2
	Current accounts with banks		3770851	7058990	6249108	-11.5	8200513	31.2
	Claims on banks and other financial organizations		44684212	58724075	81981836	39.6	102109259	24.6
	Government securities		2502413	3506126	2636979	-24.8	2354609	-10.7
	Loans to legal entities		23551649	23859349	27971306	17.2	24065754	-14.0
	Loans to individuals		77864195	98981067	123789453	25.1	126762568	2.4
	Loans to related parties and employees		3495946	4156192	4029154	-3.1	3603392	-10.6
	Fixed assets		2711286	3296802	4616986	40.0	4634870	0.4
	Leasing and factoring		8331996	8677821	10053994	15.9	9730159	-3.2
	Other securities		29865	124341	5567236	4377.4	5298728	-4.8
	Other assets		5755477	626476	5707418	811.0	6470149	13.4
	Accrued interest receivable		1193396	1634827	2111685	29.2	2768466	31.1
	Reserve for possible asset losses		-5672867	-6817310	-7159927	5.0	-8031546	12.2
	Total assets		**168530773**	**209841599**	**269156880**	**28.3**	**290165046**	**7.8**
ä³ñ³íáñáóÃÛáõÝÝ»ñ	Demand liabilities		680804	877356	520731	-40.6	545954	4.8
	Liabilities to banks and other financial organizations		62489606	78392713	90721813	15.7	87323002	-3.7
	Time liabilities of individuals		7989836	10033564	20935073	108.7	21185634	1.2
	Time liabilities of legal entities[1]		27833807	36019155	36989793	2.7	37213314	0.6
	Interest payable		2218664	2042968	2843221	39.2	2922184	2.8
	Other liabilities		4441113	4877411	7498109	53.7	7560547	0.8
	Total liabilities		**105653830**	**132243167**	**159508741**	**20.6**	**156750635**	**-1.7**
Î³åÇï³Ë	Paid-in statutory capital		50300238	60782552	86178554	42	108663070	26.1
	of which: share of non-residents		16053990	18230530	19169490	5	19164490	0.0
	General reserve		1485912	1840361	2190620	19	2228405	1.7
	Capital bought back by credit organizations		0	0	0		0	
	Retained profit (loss)	Current period	4645344	5746469	9861001	72	1604802	-83.7
		Previous period	6336255	8419572	11580066	38	21364993	84.5
	Total balance sheet capital		**62877084**	**77598432**	**109648139**	**41.3**	**133414411**	**21.7**
	NB: total number of credit organizations		**32**	**33**	**32**		**32**	

Indicator			30.06.2015	Change 30.06.15-31.03.15	30.09.2015	Change 30.09.15-30.06.15	31.12.2015	Change 31.12.15-30.09.15	Change 31.12.15-31.12.14
Assets	Cash		2040486	-7.2	2406464	17.9	2259945	-6.1	41.1
	Current accounts with banks		4569972	-44.3	6896097	50.9	4193261	-39.2	-32.9
	Claims on banks and other financial organizations		102810697	0.7	103000998	0.2	105012660	2.0	28.1
	Government securities		3708129	57.5	4007903	8.1	5051455	26.0	91.6
	Loans to legal entities		24196433	0.5	19141746	-20.9	37655260	96.7	34.6
	Loans to individuals		127568242	0.6	123468062	-3.2	126797541	2.7	2.4
	Loans to related parties and employees		3559263	-1.2	3082592	-13.4	3038961	-1.4	-24.6
	Fixed assets		4531688	-2.2	4440481	-2.0	4218105	-5.0	-8.6
	Leasing and factoring		10547157	8.4	10264918	-2.7	11831886	15.3	17.7
	Other securities		5472099	3.3	11871474	116.9	9432176	-20.5	69.4
	Other assets		5315732	-17.8	5577176	4.9	5186874	-7.0	-9.1
	Accrued interest receivable		2972427	7.4	2766695	-6.9	2744195	-0.8	30.0
	Reserve for possible asset losses		-8792969	9.5	-9061059	3.0	-8794449	-2.9	22.8
	Total assets		**288499355**	**-0.6**	**287863548**	**-0.2**	**308627870**	**7.2**	**14.7**
ä³ñ³íáñáóÃÛáõÝÝ»ñ	Demand liabilities		69953	-87.2	70366	0.6	29891	-57.5	-94.3
	Liabilities to banks and other financial organizations		85704323	-1.9	86331597	0.7	92436374	7.1	1.9
	Time liabilities of individuals		20572025	-2.9	20262362	-1.5	19890190	-1.8	-5.0
	Time liabilities of legal entities[1]		37122897	-0.2	36242076	-2.4	52900100	46.0	43.0
	Interest payable		2515536	-13.9	3340444	32.8	2918031	-12.6	2.6
	Other liabilities		8505411	12.5	7779959	-8.5	8246187	6.0	10.0
	Total liabilities		**154490145**	**-1.4**	**154026803**	**-0.3**	**176420773**	**14.5**	**10.6**
ÎºåÇí³É	Paid-in statutory capital		109007954	0.3	106146136	-2.6	104290268	-1.7	21.0
	of which: share of non-residents		19217079		19226999	0.1	10167970	-47.1	-47.0
	General reserve		2592881	16.4	2592880	0.0	2488214	-4.0	13.6
	Capital bought back by credit organizations		-10000		-10000		0		
	Retained profit (loss)	Current period	4476434	178.9	7185017	60.5	10318374	43.6	4.6
		Previous period	18320938	-14.2	18251730	-0.4	18114209	-0.8	56.4
	Total balance sheet capital		**134009209**	**0.4**	**133836745**	**-0.1**	**132207097**	**-1.2**	**20.6**
	NB: total number of credit organizations		**32**		**33**		**32**		

[1] *Including liabilities to the Government.*

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

%

Indicator			31.12.2012	31.12.2013	31.12.2014	Change 31.12.14-31.12.13	31.03.2015	Change 31.03.15-31.12.14
Assets	Cash		0.2	0.4	0.6	0.2	0.8	0.2
	Current accounts with banks		2.2	3.4	2.3	-1.0	2.8	0.5
	Claims on banks and other financial organizations		26.5	28.0	30.5	2.5	35.2	4.7
	Government securities		1.5	1.7	1.0	-0.7	0.8	-0.2
	Loans to legal entities		14.0	11.4	10.4	-1.0	8.3	-2.1
	Loans to individuals		46.2	47.2	46.0	-1.2	43.7	-2.3
	Loans to related parties and employees		2.1	2.0	1.5	-0.5	1.2	-0.3
	Fixed assets		1.6	1.6	1.7	0.1	1.6	-0.1
	Leasing and factoring		4.9	4.1	3.7	-0.4	3.4	-0.4
	Other securities		0.0	0.1	2.1	2.0	1.8	-0.2
	Other assets		3.4	0.3	2.1	1.8	2.2	0.1
	Accrued interest receivable		0.7	0.8	0.8	0.0	1.0	0.2
	Reserve for possible asset losses		-3.4	-3.2	-2.7	0.6	-2.8	-0.1
	Total assets		**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**
ä³ñ³ïáñáõÃÛáõÝÝ»ñ	Demand liabilities		0.6	0.7	0.3	-0.3	0.3	0.0
	Liabilities to banks and other financial organizations		59.1	59.3	56.9	-2.4	55.7	-1.2
	Time liabilities of individuals		7.6	7.6	13.1	5.5	13.5	0.4
	Time liabilities of legal entities[1]		26.3	27.2	23.2	-4.0	23.7	0.6
	Interest payable		2.1	1.5	1.8	0.2	1.9	0.1
	Other liabilities		4.2	3.7	4.7	1.0	4.8	0.1
	Total liabilities		**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**
ÎåÇÏÉ	Paid-in statutory capital		80.0	78.3	78.6	0.3	81.4	2.9
	of which: share of non-residents		25.5	23.5	17.5	-6.0	14.4	-3.1
	General reserve		2.4	2.4	2.0	-0.4	1.7	-0.3
	Capital bought back by credit organizations		0.0	0.0	0.0	0.0	0.0	0.0
	Retained profit (loss)	Current period	7.4	7.4	9.0	1.6	1.2	-7.8%
		Previous period	10.1	10.9	10.6	-0.3	16.0	5.5%
	Total balance sheet capital		**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**

%

Indicator			30.06.15	Change 30.06.15-31.03.15	30.09.2015	Change 30.09.15-30.06.15	31.12.2015	Change 31.12.15-30.09.15	Change 31.12.15-31.12.14
Assets	Cash		0.7	-0.1	0.8	0.1	0.7	-0.1	0.1
	Current accounts with banks		1.6	-1.2	2.4	0.8	1.4	-1.0	-1.0
	Claims on banks and other financial organizations		35.6	0.4	35.8	0.1	34.0	-1.8	3.6
	Government securities		1.3	0.5	1.4	0.1	1.6	0.2	0.7
	Loans to legal entities		8.4	0.1	6.6	-1.7	12.2	5.6	1.8
	Loans to individuals		44.2	0.5	42.9	-1.3	41.1	-1.8	-4.9
	Loans to related parties and employees		1.2	0.0	1.1	-0.2	1.0	-0.1	-0.5
	Fixed assets		1.6	0.0	1.5	0.0	1.4	-0.2	-0.3
	Leasing and factoring		3.7	0.3	3.6	-0.1	3.8	0.3	0.1
	Other securities		1.9	0.1	4.1	2.2	3.1	-1.1	1.0
	Other assets		1.8	-0.4	1.9	0.1	1.7	-0.3	-0.4
	Accrued interest receivable		1.0	0.1	1.0	-0.1	0.9	-0.1	0.1
	Reserve for possible asset losses		-3.0	-0.3	-3.1	-0.1	-2.8	0.3	-0.2
	Total assets		**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**x**
à³ñ³íáñáõÃÛáõÝÝ»ñ	Demand liabilities		0.0	-0.3	0.0	0.0	0.0	0.0	-0.3
	Liabilities to banks and other financial organizations		55.5	-0.2	56.0	0.6	52.4	-3.7	-4.5
	Time liabilities of individuals		13.3	-0.2	13.2	-0.2	11.3	-1.9	-1.9
	Time liabilities of legal entities[1]		24.0	0.3	23.5	-0.5	30.0	6.5	6.8
	Interest payable		1.6	-0.2	2.2	0.5	1.7	-0.5	-0.1
	Other liabilities		5.5	0.7	5.1	-0.5	4.7	-0.4	0.0
	Total liabilities		**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**x**
Ï³åÇï³ÉÉ	Paid-in statutory capital		81.3	-0.1	79.3	-2.0	78.9	-0.4	0.3
	of which: share of non-residents		14.3	0.0	14.4	0.0	7.7	-6.7	-9.8
	General reserve		1.9	0.3	1.9	0.0	1.9	-0.1	-0.1
	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	3.3	2.1	5.4	2.0	7.8	2.4	-1.2%
		Previous period	13.7	-2.3	13.6	0.0	13.7	0.1	3.1%
	Total balance sheet capital		**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**x**

[1] *Includes liabilities to the Government.*

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

Indicator	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	30.06.15	30.09.15	31.12.15	Change 31.12.15-31.12.14
Interest income	20348604	25553892	33023081	29.2%	9430433	19302632	29241064	38429053	16.4%
Interest expense	7503681	9872513	12882159	30.5%	3503132	7097683	10661536	14184587	10.1%
Net interest income	12844923	15681379	20140922	28.4%	5927300	12204949	18579527	24244466	20.4%
Non-interest income	6306889	7176348	8793779	22.5%	2380574	5259350	8014578	12628521	43.6%
Non-interest expense	10865806	13384680	15400802	15.1%	3737602	7836688	11761307	17111068	11.1%
Net non-interest income	-4558917	-6208332	-6607023	6.4%	-1357028	-2577337	-3746729	-4482547	-32.2%
Provisions to the reserve for possible losses	10422763	12969718	16866807	30.0%	5845478	11704378	18533135	24779238	46.9%
Recoveries from the reserve for possible losses	8364768	10786593	15478059	43.5%	3610536	7910882	12773065	17538511	13.3%
Net provisions	2057995	2183125	1388748	-36.4%	2234942	3793496	5760070	7240726	421.4%
Gross income	35020261	43516833	57294918	31.7%	15421543	32472864	50028706	68596085	19.7%
Gross expense	28792250	36226911	45149768	24.6%	13086212	26638748	40955978	56074893	24.2%
Pre-tax profit	6228011	7289922	12145150	66.6%	2335330	5834116	9072728	12521192	3.1%
Net profit	4847791	5852591	9861000	68.5%	1816292	4622996	7330529	10331546	4.8%

Appendix 16. Loans Investments of Credit Organizations Operating in Armenia

Sector	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	30.06.15	30.09.15	31.12.15	Change 31.12.15-31.12.14
Industry	10844891	14958716	18440273	23.3%	15866097	15801464	15910881	16897181	-8.4%
Agriculture	22345799	29288596	50421744	72.2%	53548569	54582116	51441980	53279269	5.7%
Construction	3306975	5798321	5054617	-12.8%	4897911	4562445	4045817	3509698	-30.6%
Transport and communications	793879	1059020	7122593	572.6%	7113717	7091118	1922406	1935437	-72.8%
Trade	14804062	19381117	25135710	29.7%	23249429	23257013	22484239	22938711	-8.7%
Public catering and other services	4067043	5735000	4813917	-16.1%	4522597	4785690	4411533	4893645	1.7%
Financial sector	33102937	45471539	82575861	81.6%	103373455	104083500	103958390	106178126	28.6%
Consumer loans (including mortgage)	8692986	14954308	28870603	93.1%	30362912	30018653	29407251	30691037	6.3%
Mortgage (housing) loans	12187519	17406315	19008345	9.2%	18802089	19785557	20437252	20699460	8.9%
Other sectors	2621407	3517739	7471948	112.4%	6957069	7372774	7371660	7635145	2.2%
Total	**112767498**	**157570671**	**248915612**	**58.0%**	**268693845**	**271340331**	**261391409**	**268657708**	**7.9%**

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

Sector	31.12.12	31.12.13	31.12.14	Change 31.12.14-31.12.13	31.03.15	30.06.15	30.09.15	31.12.15	Change 31.12.15-31.12.14
Industry	9.6%	9.5%	7.4%	-2.1%	5.9%	5.8%	6.1%	6.3%	-1.1%
Agriculture	19.8%	18.6%	20.3%	1.7%	19.9%	20.1%	19.7%	19.8%	-0.4%
Construction	2.9%	3.7%	2.0%	-1.6%	1.8%	1.7%	1.5%	1.3%	-0.7%
Transport and communications	0.7%	0.7%	2.9%	2.2%	2.6%	2.6%	0.7%	0.7%	-2.1%
Trade	13.1%	12.3%	10.1%	-2.2%	8.7%	8.6%	8.6%	8.5%	-1.6%
Public catering and other services	3.6%	3.6%	1.9%	-1.7%	1.7%	1.8%	1.7%	1.8%	-0.1%
Financial sector	29.4%	28.9%	33.2%	4.3%	38.5%	38.4%	39.8%	39.5%	6.3%
Consumer loans (including mortgage)	7.7%	9.5%	11.6%	2.1%	11.3%	11.1%	11.3%	11.4%	-0.2%
Mortgage (housing) loans	10.8%	11.0%	7.6%	-3.4%	7.0%	7.3%	7.8%	7.7%	0.1%
Other sectors	2.3%	2.2%	3.0%	0.8%	2.6%	2.7%	2.8%	2.8%	-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	31.12.13	Share in total	31.12.14	Share in total	31.03.15	Share in total	30.06.15	Share in total	30.09.15	Share in total	31.12.15	Share in total
Standard	189326739	96.2%	238167863	94.9%	253380932	93.7%	253182126	93.0%	242596611	92.4%	270220761	93.8%
Watched	4544614	2.3%	8192303	3.3%	11679593	4.3%	11771414	4.3%	11019741	4.2%	9460484	3.3%
Sub-standard	1600411	0.8%	2953898	1.2%	3644896	1.3%	4529229	1.7%	5143497	2.0%	5219733	1.8%
Doubtful	1410966	0.7%	1649738	0.7%	1782672	0.7%	2821758	1.0%	3693915	1.4%	3149016	1.1%
Total	**196882730**	**100%**	**250963801**	**100%**	**270488092**	**100%**	**272304527**	**100%**	**262453764**	**100%**	**288049994**	**100%**

Appendix 19. Investment Companies, 31.12.2015

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	Divisa A M CJSC

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

AMD million

Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total assets, of which:	7726	10530	8754	7728	15572	19556	21827	23609	27039	25411	28655
Non-current financial investments	1215	1603	2667	1786							0
Current financial investments	5656	5426	4353	4925							0
Total liabilities, of which:	6694	9282	6668	4900	12637	16359	18597	19811	21871	20482	24524
Short-term debt	4523	7964	6057	4076							0
Total capital	1032	1248	2086	2721	2935	3196	3230	3798	5168	4929	4131
Accrued profit	543	629	737	146							0
Net profit	672	667	594	16	202	301	580	349	874	1083	164

[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[1,2]

AMD million

Securities	2014	2015												2015
		Ð	ö	Ø	²	Ø	Ð	Ð	ú	ê	Ð	Ü	¸	
Shares	126916	11573	21545	7393	5195	2211	7910	17520	47746	26451	1763	480	11523	161310
o/w: in the regulated market	28772	2853	1090	0	0	12	0	0	0	0	306	37	2468	6768
Government bonds	332991	31190	65066	37329	52005	18423	26939	23958	28786	27597	54878	45583	46096	457848
Government short-term bonds	23118	0	24583	11004	9486	3187	3027	2627	2837	1550	4111	5999	8401	76812
o/w: in the regulated market	1565	0	0	0	773	0	98	336	0	0	0	0	321	1528
Government medium-term bonds	169129	23235	20021	16915	26430	6048	17135	19486	21090	12156	39736	11143	20711	234107
o/w: in the regulated market	15885	0	112	13	22	0	37	74	56	14	86	18	1330	1761
Government long-term bonds	140744	7955	20461	9410	16089	9188	6777	1844	4858	13891	11030	28442	16984	146930
o/w: in the regulated market	16316	0	194	756	1148	1893	528	443	82	894	231	878	1744	8793
Corporate bonds	99304	2861	2897	0	4862	289	705	2401	370	1846	389	1024	1261	18905
o/w: in the regulated market	10777	2431	2053	168	4813	76	315	2000	185	94	195	776	1125	14231
Total securities trading	559211	45624	89507	46174	62062	20923	35554	43879	76901	55894	57030	47087	58880	639515
o/w: in the regulated market	73316	5284	3449	937	6756	1982	979	2854	323	1002	818	1710	6987	33081
Repos (excluding operations with the Central Bank)	2791030	154706	168759	159017	174642	145942	156667	174834	170517	249769	261496	313848	352861	2483059
o/w: in the regulated market	2178	0	0	0	0	0	0	0	0	0	0	0	0	0
Entities providing investment services in the securities market	33	32	32	32	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	8	8	8	8	8	8	8	8	8	8	8	8	8
investment fund managers	4	3	3	3	4	4	4	4	4	4	4	4	4	4

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

[2] 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
2015	1093	6768	12082	14231	33081
January	161	2853	0	2431	5284
February	116	1090	306	2053	3449
March	58	0	769	168	937
April	58	0	1943	4813	6756
May	72	12	1893	76	1982
June	53	0	664	315	979
July	81	0	854	2000	2854
August	38	0	138	185	323
September	50	0	908	94	1002
October	50	306	317	195	818
November	71	37	896	776	1710
December	285	2468	3395	1125	6987

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
2015	2244	103419	105663

Appendix 24. Insurance Companies, 31.12.2015

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

Indicator	31.12.2013	31.12.2014	31.12.2015
Cash and cash equivalents	214571	110288	38321
Bank accounts	967063	771337	957856
Receivables on direct insurance, of which:	7503868	5514751	4157786
Insurance premiums	5517768	4486108	2858486
Other amounts	1986100	1028643	1299300
Receivables from co-insurers	92	92	
Receivables from reinsurers	114785	119293	68504
Compensation claims, of which:	516078	454007	229662
Claims on co-insurers			
Claims on reinsurers	516078	454007	229662
Claims due to subrogation	537883	772481	575652
Deposits in banks	15326038	14200161	14350607
Loans to financial organizations	1339996	100000	
Loans to individuals and sole entrepreneurs	53197	50969	210921
Loans to legal entities	278490	324201	406309
Securities sold under repos	5656541	4796667	1539131
Government securities (including securities issued by the Central Bank)	3707463	4056399	6000748
Corporate securities	301115	219673	220674
Depreciation reserves for securities held till maturity	-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	-571489	-699922	-619785
Share of reinsurer in insurance reserves	2661942	2727265	2845052
Accrued interest receivable	638886	539564	488967
Future expenses and insurance prepayments	2820967	2025416	2582758
Fixed assets	2950753	2571950	2882399
Other assets	2714104	4034881	4194685
Total assets	**50006723**	**43420543**	**41130248**
Compensations payable, of which:	231660	285343	113311

	For direct insurance	231660	285343	113311
	For co-insurance			
	For risks assumed under reinsurance			
	Payables to intermediaries	779935	366667	340258
	Refundable insurance premiums	109237	235826	54531
	Insurance premiums transferable to co-insurers			
	Insurance premiums transferable to reinsurers	1624927	1694919	1167001
	Loans and borrowings from financial organizations	4708196	1674940	683750
	Accrued interest payable	186280	72196	34312
	Insurance reserves, of which:	17219349	15605013	17278387
	Reserve for unearned premiums	12195504	10824187	11964722
	Reserve for losses claimed from insurer, but not settled yet	3196732	2223323	2406353
	Reserve for loss incurred, but not claimed from insurer yet	1270100	1306353	888579
	Mathematical reserve			
	Other reserves	557013	1251151	2018732
	Repos	5611934	4489575	1457025
	Insurance advances received	1084914	1014095	727477
	Other liabilities	2481935	2223802	2491716
	Total liabilities	**34038369**	**27662377**	**24347768**
Î²ä¸Æ Ī²È	Statutory capital	14732372	14107606	15063606
	General reserve	794418	772510	808344
	Retained profit/loss of the current period	-894009	1560373	1141562
	Retained profit/loss of previous periods	845573	-515918	-131086
	Other elements of capital	490000	-166404	-99946
	Total capital	**15968354**	**15758167**	**16782481**

Appendix 26. Income and Expense of Insurance Companies

AMD thousand

Indicator	From beginning of the year to 31.12.2013	From beginning of the year to 31.12.2014	From beginning of the year to 31.12.2015
Insurance premiums earned	**30325829**	**26711670**	**25556458**
Net accrued insurance premiums	31509276	25361889	26512029
Accrued insurance premiums	35753284	30105077	31424518
Insurance premiums returned under terminated contracts	1036628	1282252	1466151
Accrued reinsurance premiums	-3250858	-3599359	-3920602
Reinsurance premiums receivable under terminated contracts	43479	138423	474264
Net change in the reserve for unearned insurance premiums	1183448	-1349781	955571
Change in the reserve for unearned insurance premiums	1362147	-1371316	1140537
Change in reinsurer's share in the reserve for insurance premiums	-178699	21535	-184966
Other income from insurance activities	**1123711**	**1234899**	**1333202**
Net bonuses from reinsurers	838344	1085050	1130363
Other income	285368	149849	202839
Insurance compensations	**18899128**	**15571296**	**12671057**
Gross	19718688	22149731	13563805
Reinsurer's share	-819560	-6578435	-892748
Provisions to the technical reserves	**-12482201**	**-8987584**	**-7819964**
Reserve for claims presented but not paid yet	-11211541	-7909626	-6693047
Gross	-13431597	-9832830	-8175314
Reinsurer's share	2220056	1923205	1482266
Reserve for claims incurred, but not presented yet	-970875	-337791	-231810
Gross	-1062028	-663866	-326224
Reinsurer's share	91153	326075	94415
Other reserves	-299785	-740167	-895107
Gross	-305876	-755010	-900538
Reinsurer's share	6091	14843	5431
Recoveries from technical reserves	**13123889**	**9569246**	**7231909**
Reserve for claims presented but not paid yet	11476871	8754537	6682169
Gross	13212837	10865150	7992226
Reinsurer's share	-1735966	-2110613	-1310057
Reserve for claims incurred, but not presented yet	751639	730257	416895
Gross	774468	783398	743998
Reinsurer's share	-22829	-53141	-327103

Other reserves	895380	84452	132844
Gross	903735	100548	184891
Reinsurer's share	-8355	-16096	-52047
Other insurance expense	**5781037**	**4777461**	**4932502**
Intermediary fee expense	4409167	3822657	4222378
Net expense for intermediary fees paid to intermediaries for risks transferred to reinsurance	105860	57199	69214
Regulation expense	218419	166916	236034
Other operating expense	1047592	730689	404877
Interest income	**2449567**	**2826562**	**3038617**
Interest income from deposits placed with, loans to, and repos with financial organizations	1649221	1819097	1980117
Interest income from loans to individuals	4264	5722	3457
Interest income from loans to legal entities	23364	22861	51708
Interest income from government securities	425631	582495	685291
Interest income from corporate securities	24925	26790	23485
Interest income from securities sold under repos	300955	350018	271976
Other interest income	21207	19579	22583
Interest expense	**898478**	**769159**	**507733**
Interest expense for loans and borrowings from and repos with financial organizations	723653	769126	507699
Other interest expense	174825	33	34
Non-interest income	**526988**	**970783**	**-56058**
Net income from asset sale	204949	336865	-100757
Net income from financial asset revaluation	243190	-112605	-35232
Net income from currency revaluation	19898	370662	38975
Other non-interest income	58950	375861	40956
Non-interest expense	**9175190**	**7838787**	**7614203**
Management expense	6956606	5957929	6107370
Training expense	21708	13706	22910
PR expense	718253	862551	644881
Other non-interest expense	1478623	1004601	839042
Provisions to (recoveries from) the reserve for possible asset losses (non-collectability)	**979195**	**959227**	**1571234**
Profit before deduction of profit tax expense	**-665244**	**2409645**	**1987434**
Profit tax expense	**91418**	**515412**	**585712**
Profit after deduction of profit tax expense	**-756663**	**1894234**	**1401723**
Dividends	**125820**	**41940**	**260163**
Retained profit	**-882483**	**1852294**	**1141560**

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

AMD thousand

	Non-life insurance	¶ßñÍáÕ ³å³Ñáí³.ñáõÃÛ³Ý å³ÛÙ³Ý³. ñ»ñÇ ¿Ý³ï 31/12/2015 (Ñ³ï)	¶ßñÍáÕ ³å³Ñáí³.ñáõÃÛ³Ý å³ÛÙ³Ý³. ñ»ñÇ ³å³Ñáí³. ñ³Ù³ ·áõÙ³ñÝ»ñ 31/12/2015	¶ßñÍáÕ ³å³Ñáí³.ñáõÃÛ³Ý å³ÛÙ³Ý³. ñ»ñÇ (»ñ³å³Ñáí³. ñ³Ù³ ·áõÙ³ñÝ»ñ 31/12/2015	²ñï»ëï½µÇó ³é 31/12/2015 Ñ³ßí»·ñí³Í ³å³Ñáí³.ñ³Ù³×³ÝÝ»ñ	²ñï»ëï½µÇó ³é 31/12/2015 Ñ³ßí»·ñí³Í ï»ñ³å³Ñáí³.ñ³Ù³×³ÝÝ»ñ	2015 Ã¡³Ý³ÝÇ ÁÝÃ³óùáõÙ Ñ³ßí»·ñí³Í ³å³Ñáí³.ñ³Ù³Ý Ñ³ïáõóáõÙÝ»ñ	ì»ñ³å³Ñáí³.ñáõÝ»ñÇ µ³åÇÝÁ 2015 Ã¡³Ý³ÝÇ ÁÝÃ³óùáõÙ Ñ³ßí»·ñí³Í ³å³Ñáí³.ñ³Ù³Ý Ñ³ïáõóáõÙÝ»ñáõÙ
1	Accident insurance	94581	162696965	19117020	513636	27993	95912	990
2	Health insurance	13417	220642576	-	5140197	-	3252020	-
3	Land transport insurance	21114	134936567	47471581	2129006	519606	1068160	415977
4	Rail transport insurance	-	-	-	-	-	-	-
5	Aircraft insurance	9	534179707	534179707	244813	112270	-	-
6	Water transport insurance	-	-	-	-	-	-	-
7	Cargo insurance	1357	96841628	86085814	680427	349808	29059	20196
8	Fire and natural disaster insurance	22224	2298962935	1686165562	3022178	1868975	61790	15295
9	Other property damage insurance	4895	185635506	96288494	348476	201801	135843	115820
10	Voluntary insurance for liability arising out of the use of land motor transport	17580	314017867	9469756	141341	14871	27268	880
11	Insurance for liability arising out of the use of aircraft (including cargo)	6	3260475	3260475	33215	15020	-	-
12	Insurance for liability arising out of the use of water transport	-	-	-	-	-	-	-
13	General liability insurance	1172	376167548	354191954	658652	377022	17437	15551
14	Loan insurance	11	190930	151974	2968	2374	-	-
15	Guarantees	-	-	-	-	-	-	-
16	Financial loss insurance	25	17722843	16337812	329836	322577	266762	284355
17	Insurance for court and out-of-court expense	-	-	-	-	-	-	-
18	Support insurance	14117	322780402	151076124	521191	108282	95795	23685
19	Mandatory insurance for liability arising out of the use of land motor transport	401351	4782919562	-	17658579	-	8513761	-
	TOTAL	**591859**	**9450955507**	**3003796274**	**31424514**	**3920600**	**13563806**	**892747**

Appendix 28. Pawnshops

AMD million

Indicators	Loans disbursed	Funds attracted	Number of pawnshops
31.12.2007	2410	1673	63
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	8796	7636	151
31.12.2013	2410	1673	63
31.12.2014	3921	2433	68
31.12.2015	5147	3312	103

Appendix 29. Payment and Settlement Organizations Registered on 31.12.2015

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

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

AMD million

Transfers	2007	2008	2009	2010	2011	2012	2013	2014	2015
Paper-based payment orders[1]	3384516	4804497	6806481	6878130	1558323	1947556	2280818	2465454	2363053
Electronic payment orders[1]	5852703	10289081	7793560	10141239	10054213	10568616	12103431	18297163	19605411
Checks	5954	17286	23744	19355	22507	30292	24276	6994	11771
Other debit instruments[2]	2466	693	866	260	264	0	0	0	0
Non-cash transactions using cards	17035	24109	30750	40202	63359	89745	105786	132217	165139
Total	9262675	15135666	14655401	17079186	11698665	12636209	14514310	20901828	22145375

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

Transfers	2007	2008	2009	2010	2011	2012	2013	2014	2015
Paper-based payment orders[1]	1197760	1418090	1803287	1907845	3369279	3644266	4025991	4931024	5263653
Electronic payment orders[1]	1933016	2972924	3943374	4934316	5994470	8710110	9479553	9754949	11755269
Checks	7152	11790	14174	10562	11327	12042	10750	3923	6434
Other debit instruments[2]	3195	2014	2512	2145	2429	0	0	0	0
Non-cash transactions using cards	442100	638753	916178	1203498	1850159	2805023	3496610	4565205	6104910
Total	3583223	5043571	6679525	8058366	11227664	15171441	17012904	19255101	23130266

[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

		2007	2008	2009	2010	2011	2012	2013	2014	2015
Total transfers sent	Value (AMD million)	39224	38945	41759	51779	62402	79048	87164	100935	105203
	Quantity	81563	88778	107088	124911	144473	172868	188700	227135	276953
Total transfers received	Value (AMD million)	383860	439499	362703	430467	523739	641427	729736	678153	520156
	Quantity	1522420	1636683	1539255	1865449	2268758	2797158	3309165	3676625	3320575
Turnover	Value (AMD million)	423084	478444	404462	482246	586142	720475	816900	779088	625359
	Quantity	1603983	1725461	1646343	1990360	2413231	2970026	3497865	3903760	3597528

Appendix 33. Number of Cards in Circulation

Plastic cards	2007	2008	2009	2010	2011	2012	2013	2014	2015
ArCa cards	142482	200190	282164	306070	391936	492126	564503	546509	548521
VISA	139280	165894	201589	269771	363691	520703	652398	712211	789150
MasterCard	23665	47769	61108	115943	181455	264539	299815	320653	344365
Other international cards[1]	22425	40504	34570	37514	40666	45581	47813	58599	47321
Total	327852	454357	579431	729298	977748	1322949	1564529	1637972	1729357

Appendix 34. Value of Card Transactions Carried out in Armenia

AMD million

Plastic cards	2007	2008	2009	2010	2011	2012	2013	2014	2015
ArCa cards	74889	117550	173445	212886	247255	290960	281344	369630	362068
VISA	90234	127129	151623	219144	308579	450472	473840	632435	633849
MasterCard	19904	39164	62331	77338	113742	174090	186681	264593	267030
Other international cards[1]	28608	42528	40849	48982	69163	84249	75962	85929	95181
Total	213634	326371	428248	558350	738739	999771	1017826	1352587	1358128

Appendix 35. Number of Card Transactions Carried out in Armenia

Plastic cards	2007	2008	2009	2010	2011	2012	2013	2014	2015
ArCa cards	2081054	2915892	4177660	5261125	6089528	7031742	6607540	7770993	7994133
VISA	1436478	2090858	2602572	3577094	5072749	7244453	8942737	11398710	12520535
MasterCard	319341	653957	1158843	1519906	2329923	3450684	4043194	5315173	5750788
Other international cards[1]	591677	925427	908977	934806	1068791	1140836	1118507	1395843	1561457
Total	4428550	6586134	8848052	11292931	14560991	18867715	20711978	25880719	27826913

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