REPUBLIC OF ARMENIA
CENTRAL BANK

FINANCIAL SYSTEM OF ARMENIA

2016

Development
Regulation
Supervision

2017

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INTRODUCTION

Development trends in Armenia's financial system were stable in 2016: the key balance sheet indicators grew considerably, and the indicators of financial stability improved. The asset-to-GDP ratio, an indicator of financial intermediation, grew by 12.3 percentage points to 89.1%, while the loan-to-GDP ratio increased by 6.6 percentage points to 50.0%.

In an environment of low inflation, the Central Bank gradually lowered the refinancing rate by a total of 2.5% over the course of the year, the impact of which was respectively transferred onto the government bonds market - where yields fell, as well as financing of the economy by the financial market - in terms of lower lending interest rates.

Capital replenishments, driven by the decision to increase the total capital ratio for banks, helped to strengthen bank stability. In the banking system - the largest player in the financial system - loans and deposits grew, and profitability was achieved. With higher lending, the share of non-performing loans, which characterize credit risk, fell.

Aggregate indicators of insurance companies (assets, liabilities, capital, and others) grew on a stable pattern. Pension funds doubled in the course of 2016, as a result of higher confidence in a now well-established system and effective management of resources.

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. In view of the importance attached to protecting consumer rights in the financial system, the Central Bank implemented a number of measures to improve the financial literacy of various target groups in society, as well as to regulate and supervise the conduct of financial institutions.

FINANCIAL SYSTEM REGULATORY FRAMEWORK CHANGES IN 2016

Efforts to improve the financial system regulatory framework continued throughout 2016 in the context of permanent developments in the real and financial sectors of the economy.

Financial System Regulatory Framework Changes

Legislative Amendments

In 2016, the following codes and laws of the Republic of Armenia were amended and supplemented: ***the Civil Code, the Criminal Procedure Code, the Criminal Code, the Law on the Compulsory Enforcement of Judicial Acts, the Law on State Registration of Rights over Property, the Law on the Securities Market, the Law on Commercial Arbitration, the Law on Bankruptcy, the Law on Bankruptcy of Banks, Credit Organizations, Investment Companies, Investment Fund Managers, and Insurance Companies, the Civil Procedure Code, and the Law on Bank Secrecy.***

The amendments to the aforementioned laws are aimed at:

1. Addressing the collateral-related problems that pose obstacles for financial institutions and clients;
2. Promoting the development of the derivatives and other financial instruments market in Armenia;
3. Reforming the Armenian legislation on securities market abuses, which will enable greater transparency and protection in the market, meeting foreign investors' expectations, prescribing proportionate sanctions for abuse, and ensuring effective international cooperation; and
4. Preventing the organization and management of financial pyramids and the involvement of persons therein.

Sub-Legislative Amendments

The following amendments were made in 2016 with respect to the regulation of banking system activities.

In 2016, the Central Bank drafted and adopted the sub-legislative acts necessary for consolidated supervision, which prescribe the procedures for recognition and derecognition of financial groups, the applicable prudential requirements, the minimum conditions of internal control, and their reporting forms.

In 2016, the Central Bank of Armenia continued the introduction of risk-based supervision (RBS). Complete implementation of RBS will enable, through optimal distribution of limited resources, to improve the effectiveness of supervision of financial institutions, including the possibility of risk detection and early prevention.

In 2016, 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 10/28 on "The Procedure of Providing Prior Consent to the Merger of Investment Funds, and Providing and Disclosing Information on the Merger". With Regulation 10/28, the Central Bank complemented the sub-legislative framework on investment funds, owing to which the merger of investment (pension) funds can be performed effectively, with strong protection of the interests of participants in the merging funds, and a transparent and clear merger process.
2. The Central Bank Board decided to amend and supplement Regulation 5/09 on "The Types of Additional Activities by the Central Depositary, and the Procedure and Terms Thereof." For effective settlements, the Central Depositary has been allowed to open and maintain cash accounts for the settlement system members. The Central Depositary may not utilize the cash held in such accounts for its benefit or upon its discretion. The Central Depositary must hold the drams accounted therein with the Central Bank of Armenia, and the foreign exchange - also in special bank accounts opened with international central depositaries. These amendments are aimed at improving the effectiveness of securities settlements, developing the services offered to the market participants by the Central Depositary, and creating mechanisms for managing the related risks.
3. The Central Bank Board decided to amend and supplement Regulation 4/04 on "The Prospectus and Reports of Reporting Issuers" with a view to creating legal prerequisites for issuing debt securities on the basis of a program prospectus. These amendments are aimed at streamlining the debt securities issuance process, saving resources, improving the ability to respond swiftly to market demand for debt securities, and augmenting the scope of investment instruments for investors.

In 2016, the following amendments and additions were made to the regulatory framework on the payment and settlement system:

1. The Central Bank Board approved the restated "Minimum Content of Documents Used in Payment and Settlement Operations and the Rules of Filling Them out", whereby:

- ✓ Requirements were prescribed on the content of payment and settlement documents used by payment and settlement organizations, and the requirements on the content of documents used by the banks have been revised;
- ✓ The content requirements on receipts of transactions carried out with e-money have been prescribed, together with the requirement that e-money issuers must issue e-money account statements to customers at least once a month, and the minimum content requirements for such statements have been prescribed, as well;
- ✓ The payment and settlement documents application spheres and cases have been streamlined; and
- ✓ The mandatory requirement that all payment and settlement documents contain a seal has been lifted.

2. The Central Bank Board decided to amend Regulation 17/01 on "Licensing of Payment and Settlement Organizations; Registration of Branches; Qualification of Managers of Payment and Settlement Organizations, Requirements on Hardware, Facilities, and Software of the Place of Business of Payment and Settlement Organizations; the Form, Compilation Procedure, and Information Content of the License Register of Payment and Settlement Organizations", including:
   - ✓ A list of topics was developed for the qualification and professional conformity test for candidates to become chief accountants of payment and settlement organizations;
   - ✓ A list of topics, separated by spheres, was developed for the qualification and professional conformity test for candidates to become managers of payment and settlement organizations; and
   - ✓ The requirements on automated fire alarm systems of payment and settlement organizations were optimized.
3. The Central Bank Board amended and supplemented "The Procedure and Conditions of Receiving Data from the Republic of Armenia Traffic Police Information System on Penalties and Fines and Mandatory Checks of Such Data for Making Payments", with a view to streamlining the information provided and received by financial organizations when accepting payments to the Traffic police, and the cases of protecting and using such information.
4. The Central Bank Board and the Chairman of the State Revenue Committee by the Government of the Republic of Armenia adopted a joint decree amending "The Procedure and Conditions of Operation of the Electronic System for Arresting Cash in Bank Accounts", resulting in the streamlining of the storage of messages sent and received in the tax lien process, as well as the messages relied upon between banks in case of disputes.

In 2016, the following legal acts were amended and supplemented in the regulatory framework for consumer protection and business conduct:

- ***Regulation 8/05 on "The Procedure, Conditions, Forms, and Minimum Requirements of Communication between the Bank and Depositor, Lender, and Consumer":*** the statements issued to consumers have been standardized and improved, as a result of which consumers having bank

accounts, payment cards, or consumer loans can now easily track their transactions ***through monthly statements***, and discover potential problems early and avoid possible financial losses. The Regulation prescribes requirements on communication when providing e-services, material terms of the contract, customer notification in case of non-performance of loan obligations, ***prior notice*** of commissions in case of loan or deposit encashment during the contract ***and communication with the consumer in case of contract termination.***

- ***Regulation 8/04 on "The Minimum Conditions and Principles for Internal Legal Acts Regulating the Customer Complaint and Claim Examination Process":*** the explanatory leaflets provided to consumers upon contract execution and in case of complaints (the "Complaint Resolution Explanatory Note" and the "Complaint and Claim Examination Process Overview") have become shorter and simpler. Moreover, from now on, the Credit Bureau will accept, examine, and respond to consumer complaints through a more streamlined, coordinated, and well-documented process.

FINANCIAL SYSTEM SUPERVISION AND PROTECTION OF CONSUMER INTERESTS IN 2016

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:

- Compliance of the activities of financial institutions with the existing regulatory framework;
- Adaptation to make the activities of companies comply with changes in the regulatory framework;
- Asset quality assessment;
- The risk management system;
- The internal control system;
- Respect for the principles of corporate governance;
- Compliance with the requirements related to security and sustainability of business operations;
- Information technologies;
- Combatting money laundering and terrorism financing;
- Transparency;
- Protection of consumer interests;
- Assessment of the quality of services;
- 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; and
- Control over the legal compliance of the business operations carried out by persons making public offerings of securities.

In 2016, the Financial Supervision Department of the Central Bank performed 190 on-site inspections.

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

Indicator	2013	2014	2015	2016
Employees of the Financial Supervision Department	86	86	81	76
Total assets of banks, credit organizations, insurance companies, securities market participants, and pawnshops	AMD 3.0 trillion	AMD 3.8 trillion	AMD 3.7 trillion	AMD 4.5 trillion
Average workload per employee of the Financial Supervision Department	AMD 37.7 billion	AMD 44.1 billion	AMD 45.8 billion	AMD 59.4 billion
Number of inspections performed during the year, of which:	211	369	129	190
Comprehensive inspections in banks	5	4	3	1
Targeted inspections in banks	37	36	10	9
Related to implementation of RBS	-	-	3	1
Comprehensive inspections in credit organizations	7	5	4	4
Targeted inspections in credit organizations	-	-	2	-
Comprehensive inspections in insurance companies	2	2	3	2
Targeted inspections in insurance companies	11	19	-	6
Insurance brokerage companies	2	-	-	-
Insurance agents	-	-	-	-
Investment companies	4	4	3	4
Other participants of the financial market (exchange offices, pawnshops, payment and settlement organizations, etc.)	143	299	101	163

Table 2. Sanctions Imposed in 2016 for Infringements by Financial Organizations

Sanctions	Commercial Banks	Credit Organizations	Insurance Companies	Pawnshops	Payment and Settlement Organizations *
License revoked	-	-	-	9	
Fine on the organization	62	28	116	127	
Fine on a manager	-	-	-	-	
Penalty	1	-	-	-	
Warning	51	10	39	22	5
Revocation of manager's professional qualification certificate	-	-	-	-	
Temporary suspension of license	-	-	-	9	-

** 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.

In 2016, the Central Bank continued measures for supervision of business conduct:

- On-site inspections in various financial institutions focused on proper service provision, complaint and dispute resolution and information disclosure policies, their implementation, consumer risks, and legal compliance;
- In the framework of offsite supervision, the information posed by financial institutions on websites and on the "Financial Assistant" system was monitored at a quarterly frequency, and the television and radio advertisement of financial organizations was monitored at a monthly frequency.
- The substance of outdoor advertisement (billboards, posters) by financial institutions about them and their services has been reviewed.
- To evaluate the bank lending process through third parties ("consumer credit") and the loan information provided to consumers in banks, the CRPFL Center studied the market through controlled transactions.
- A total of over 2,000 calls through the hotline were received in 2016, most of which concerned banking.
- The Central Bank received 270 written applications, most of which concerned banking.

All of these measures revealed circumstances undermining consumer interests and risk to consumers. They were analyzed and discussed with the financial institutions. Whenever necessary, supervisory activities were implemented.

To increase financial awareness, the Central Bank continued implementing a number of activities in 2016, namely:

- The implementation of measures under the Action Plan of the National Strategy for Financial Literacy continued in Armenia. With a view to integrating the financial literacy component in four subject curricula of grades 1 to 12 in schools, working groups were created in 2016 to develop the education criteria and curricula. The Ministry of Education and Science and other stakeholders are involved in the working groups.
- To raise the knowledge and skills of the rural population about matters related to personal finance management, seminars were held in 53 rural communities in the course of 2016, training and issuing qualification certificates to nine trainers from six regions, which will then continue delivering the training.
- From 1 to 30 April, for the third time now, the Month of My Finances program was implemented, with a view to imparting knowledge and skills that will help participants to make efficient savings, to plan income and expense, to avoid debt burden, to know where and to whom to turn for protecting their

rights, how to avoid financial fraud, and so on. The program had about 5,000 participants, 35 collaborating organizations, and 15 activities.

- The Personal Finance Management seminars conducted for military servicemen continued in the Central Bank's Visitors Center in 2016. 34 seminars were organized in 2015. The program goal is to impart hands-on knowledge about personal finance management. The program is continuous.
- From 3 to 13 September 2016, the Money Circulation in Armenia: Finance for All exhibition was held in Stepanakert. During 27 seminars, about 3,000 participants of interactive and training seminars acquired knowledge and skills on effective management of personal finance.
- The development of the Finance for All www.abcfinance.am website continued: new sections and subsections were created. On the website and other literacy and information sites and newspapers, a series of articles on finance topics was published, and disseminated through the social media. In 2016, the ABCFinance.am page on Facebook was liked more than thrice as much (from 5,600 to 16,000 likes). Average hits grew four-fold (from 2,000 to 8,000), with an average of about two to three posts per day (infographics and videos). In the course of one year, 15 contests were announced, and the users' responses (likes, shares, and others) grew on average three-fold (from 1,200 to 3,600).
- To discover, explore, and propose solutions to community financial problems, the Central Bank continued, in cooperation with the Armenian Center for Democratic Education, carrying out the Citizen Initiative in 2016. The project covered four regions, 33 schools, 35 teaches, and 600 students.
- On 30 October 2016, for the fifth time now, the World Savings Day was marked. In this context, three types of activities were organized jointly with the German Savings Banks Association: an open-air exhibition with the participation of financial institutions, a contest for journalists, and a savings quiz in 10 regions and Yerevan. The program aim is to urge people to think once again about making long-term safe and income-earning savings.
- Various television stations broadcast videos dedicated to the pension reforms, state-subsidized student loans, and home purchase loans extended to young families. Information and educational seminars on the pension reforms 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), the Eurasian Economic Association, and Child & Youth Finance International.

On 28 November 2016 in Sweden, Armenia, represented by her Central Bank, was ranked as the first in Europe and Central Asia in the Global Inclusion contest of Child & Youth Finance International.

STAFF TRAINING AND COOPEATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2016

The Central Bank continued implementing policies aimed at enhancing the professional qualification of its staff in 2016, which is aimed, among other things, at improving the effectiveness of financial system regulation and supervision functions.

For professional 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 2016. The trained staff presented reports upon their return and evaluated the effectiveness of the courses through a special questionnaire. They made recommendations on the implementation of the best practices and conveyed the knowledge acquired in training courses to the staff of the relevant units.

In 2016, the Central Bank continued and deepened its cooperation with the central bankers training center at the Bank of England, the Bank of Malaysia, the Eurasian Economic Union, the European Central Bank, the national and central banks of European countries such as the Netherlands, Germany, Italy, France, Austria, the Czech Republic, and Poland, the Financial Technology Transfer Agency of Luxembourg, the Financial Stability Institute, the Study Center Gerzensee of the Swiss National Bank, the Toronto Center (Canada), the US Federal Reserve System, the International Monetary Fund, and other organizations. An expert of De Nederlandsche Bank organized continuous modular training courses on Banking Supervision for the supervision staff of the Central Bank of Armenia; to improve communication skills in this sphere, De Nederlandsche Bank and the company Gooiconsult jointly organized modular training courses on Interview and Communication Skills. Experts of the National Bank of Belgium also organized a training course on “The Experience of On-Site Inspections under the European Single Supervisory Mechanism”. Regional courses organized by the Central Bank of Armenia jointly with the Toronto Center (Canada) and the US Federal Reserve System are important from the perspective of deepening regional cooperation in the finance field: they were attended by representatives of the Central Bank and foreign banks.

In 2016, the Central Bank’s staff continued to participate in international professional qualification exams in finance, accounting, audit, insurance, IT, fraud, and human resource management.

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

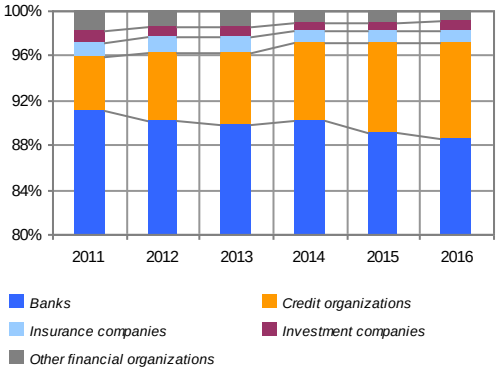
The Central Bank remained engaged in multilateral and bilateral cooperation with international financial institutions in 2016.

During 2016, the Central Bank hosted the mission of the International Monetary Fund (IMF). To expand business ties, to learn about the macroeconomic situation of the country, and to conduct negotiations on various aspects of banking, delegations of the Interstate Bank, the US State Department, the World Bank, the German KfW, the Moody's international rating agency, and others visited the Central Bank of Armenia.

The Central Bank organized a number of workshops, meetings, round tables, and conferences. For the purpose of negotiations, a delegation of the Central Bank of Lebanon paid a visit to the Central Bank of Armenia. A session of the council of Heads of Securities Market Regulatory State Bodies of the CIS and a session of the Supervisory Council of the German-Armenian Fund took place.

Figure 1.

Structure of Financial System Assets by Financial Institutions



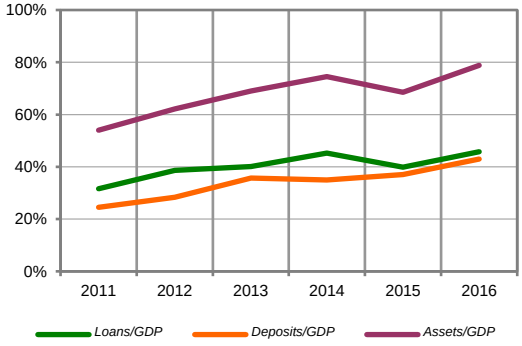
Source: Central Bank of Armenia.

Development trends in Armenia's financial system were stable in 2016: the key balance sheet indicators grew considerably. The asset-to-GDP ratio and the loan-to-GDP ratio grew by 12.3 percentage points to 89.1% and by 6.6 percentage points to 50.0%, respectively.

Armenia's banking system accounts for 88.4% of the total financial system assets

Figure 2.

Banking System Financial Intermediation Indicators



Source: Central Bank of Armenia.

BANKS

OVERVIEW

Banks Operating in the Republic of Armenia

As of 31 December 2016, 17 commercial banks and one development bank operated in the Republic of Armenia. At yearend, the significant shareholders in three banks changed considerably. In the course of the year, ArmEconomBank OJSC acquired the shares of BTA Bank CJSC, AraratBank OJSC acquired the shares of Armenian Development Bank OJSC, and ArdShinBank CJSC acquired the shares of ArExImBank CJSC.

The ratio of banking system assets to the GDP and the ratio of loans to the GDP grew by 10.3 and 6.0 percentage points to reach 78.8% and 45.8%, respectively.

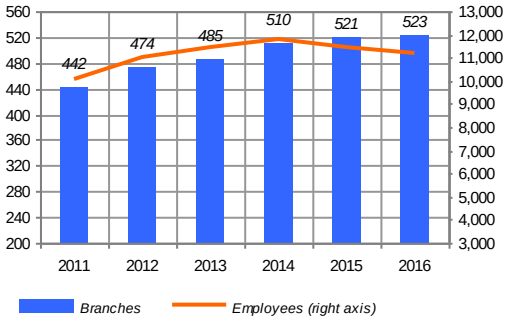
Table 3. Access to Financial Services

	2014	2015	2016
Number of branches per 100,000 adult population	22.8	23.3	23.5
Number of ATMs per 100,000 adult population	62.1	65.2	64.2

The number of banking system staff (including support staff) fell by 1.8% to reach 11,211 at yearend. The share of management in the total number of staff grew by 0.4 percentage points to reach 17.7% at yearend.

Figure 3.

Number of Bank Branches and Employees



Source: Central Bank of Armenia.

Concentration in the Armenian Banking System

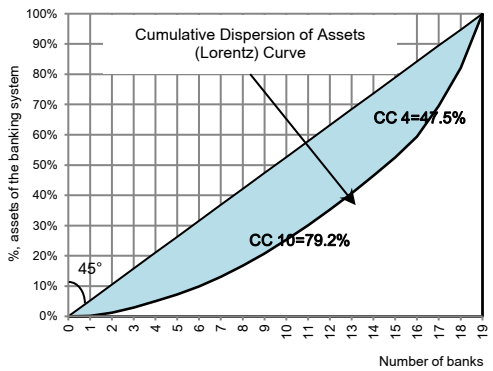
In 2016, the Herfindahl-Hirschman Index of Concentration increased for virtually all of the key balance sheet indicators of the banking system, except for total capital. Nevertheless, the index broadly remained within a range of 0.06 to 0.1, reflecting a low level of concentration in the banking system.

Table 4. Herfindahl-Hirschman Index of Concentration

Indicator	31.12.14	31.12.15	31.12.16
Total assets	0.0727	0.0764	0.0859
Total liabilities	0.0751	0.0800	0.0953
Total capital	0.0627	0.0630	0.0580
Loans to the economy	0.0754	0.0803	0.1014
Time deposits of individuals and legal entities	0.750	0.0813	0.0825
Demand deposits (including bank accounts) of individuals and legal entities	0.0926	0.0925	0.1222

Figure 4.

Lorentz Asset Cumulative Distribution Curve*



** 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.*

Source: Central Bank of Armenia.

Polarization between large and small banks 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 1.3 percentage point in 2016 over 2015 to reach 40.2%.

Table 5. Banking Sector Concentration

Indicator	31.12.14	31.12.15	31.12.16
Total assets			
CC 4 (share of the largest four banks in the system)	43%	44%	48%
CC 10 (share of the largest 10 banks in the system)	77%	78%	79%
Total liabilities			
CC 4	43%	46%	51%
CC 10	78%	79%	83%
Total capital			
CC 4	37%	37%	31%
CC 10	71%	70%	64%
Loans to the economy			
CC 4	44%	45%	52%
CC 10	78%	79%	84%
Time deposits of individuals and legal entities			
CC 4	43%	47%	47%
CC 10	79%	79%	80%
Demand liabilities to individuals and legal entities (including bank accounts)			
CC 4	52%	52%	55%
CC 10	83%	85%	89%

BANKING SYSTEM CAPITAL

Banking System Capital Growth Trends

Total capital of the banking system grew by 27.1% (AMD 139.5 billion) to reach AMD 653.6 billion. Total capital growth was due to higher statutory capital and retained profit. During the year, 10 banks replenished statutory capital by a total of AMD 115.0 billion, of which AMD 86.0 billion was from external sources.

In 2016, the share of non-residents in total statutory capital of the banking system shrunk by 5.6 percentage points to 62.0% at yearend.

During 2016, as total capital grew faster, the ratio of total capital to total assets increased by 1.5 percentage points to 16.4% at yearend.

Capital Adequacy of the Banking System

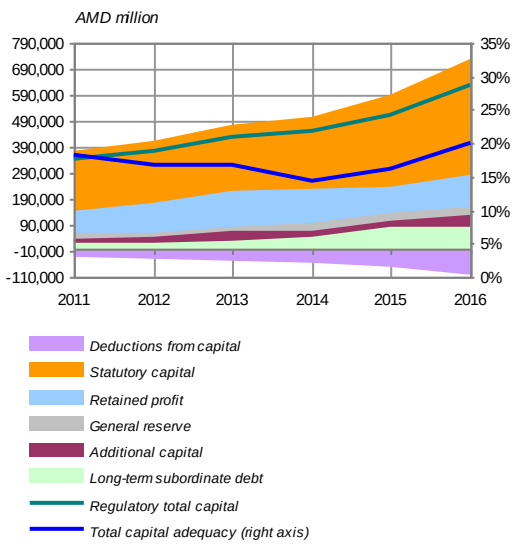
In 2016, commercial bank total capital adequacy grew by 3.8 percentage points and reached 20.0% (the prudential minimum is 12%). Total capital adequacy of individual commercial banks, too, was above the minimum prudential threshold, and no bank violated the capital adequacy requirements during the year.

Capital adequacy of commercial banks grew due to the increase in total regulatory capital. During 2016, total regulatory capital of commercial banks grew by 32.2% (AMD 152.6 billion) to reach AMD 627.1 billion. The share of tier-one capital in total regulatory capital was 82.3% (compared to 86.2% in 2015).

As to the structure of risk-weighted assets, the shares of credit risk, market risk, and operational risk were 86.8%, 9.7%, and 3.4%, respectively (compared to 89.1%, 7.3%, and 3.6% at yearend 2015).

Figure 5.

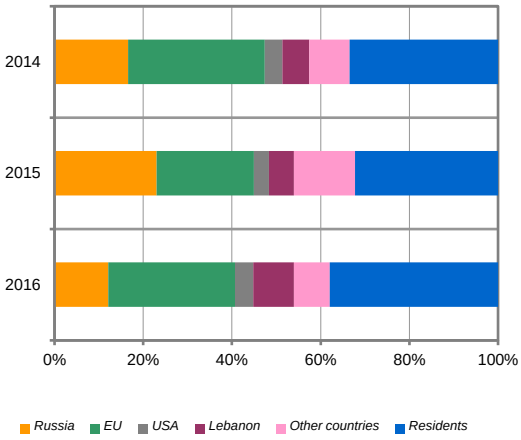
Commercial Bank Total Regulatory Capital Structure; Capital Adequacy Trends



Source: Central Bank of Armenia.

Figure 6.

Banking System Statutory Capital Structure by Residency



Source: Central Bank of Armenia.

Owners of Banks

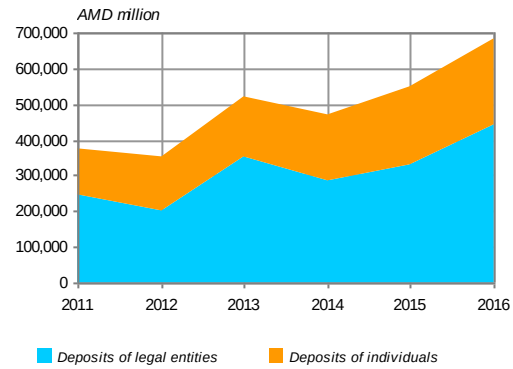
In terms of organizational-legal types, four of the 18 banks operating in Armenia are open joint-stock companies, and 14 are closed joint-stock companies.

The banking system shareholders are 3,720 individuals and legal entities, 72 of which are non-residents. Without the four banks that have open joint-stock company status, the shareholders in the remaining 14 banks are 60 individuals and legal entities, 29 of which are non-residents. In five banks, 100% of the shares belong to one person (two resident legal entities, three non-resident legal entities and one resident individual), and in seven of the banks, one shareholder owns over 50% of the shares.

As to the regional breakdown of banking system participants, participants registered in the EU and Russia have large shares in statutory capital 28.5 and 12.1 percent, respectively (compared to 21.9 and 23.0 percent at yearend 2015).

Figure 7.

Demand Deposits of the Banking System



Source: Central Bank of Armenia.

BANKING SYSTEM LIABILITIES

Funds Attracted by the Banking System

In 2016, total liabilities of the banking system increased by 13.5% (AMD 397.9 billion) to AMD 3 trillion 341 billion at yearend.

In terms of the currency structure, dram liabilities grew by 23.8%, and foreign currency liabilities by 8.2%. As a result, the share of foreign currency liabilities fell by 3.1 percentage points to reach 62.6% at yearend.

Demand and time deposits of individuals and legal entities grew by 21.7% (AMD 388.2 billion) and reached AMD 2 trillion 177 billion at yearend. In terms of the currency structure, dram deposits grew by 36.5%, and foreign currency deposits by 15.8%. As a result, the share of foreign currency deposits in total deposits fell by 3.5 percentage points to reach 67.8%.

Demand liabilities of legal entities grew by 34.0% (AMD 111.6 billion), while demand liabilities of individuals grew by 9.3% (AMD 20.6 billion), reaching AMD 439.7 and 242.4 billion, respectively, at yearend.

Time deposits of legal entities grew by 45.7% to reach AMD 411.2 billion, while time deposits of individuals grew by 13.3% to reach AMD 1 trillion 84 billion.

Structure of Funds Attracted by the Banking System

As of 31 December 2016, the share of interest-bearing liabilities in total liabilities of the banking system was 95.1% (compared to 95.6% in 2015). Without the low-cost demand liabilities, the share of interest-bearing term liabilities was 74.0% (compared to 76.0% in 2015).

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 shrunk by 3.9 percentage points, while the shares of demand and time deposits grew by 1.7 and 2.6 percentage points, respectively.

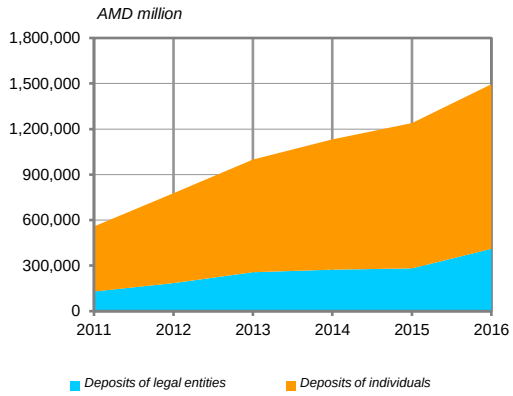
As at yearend, 21% of the attracted funds were demand funds (deposits, bank accounts, and correspondent accounts), while 53% had a maturity of less than one year, and 26% had a maturity of over one year (compared to 20%, 55%, and 25%, respectively, at yearend 2015).

Customers of Commercial Banks

The number of customers served in the commercial banks of Armenia grew by 7.2% in 2016 to reach 2,494,000 at yearend, mostly due to an increase in the number of natural person customers by 7.3% relative to 2015 (reaching 2,414,000 at yearend 2016). The number of legal entity customers increased by 4.3% and reached 79,600 at yearend 2016.

Figure 8.

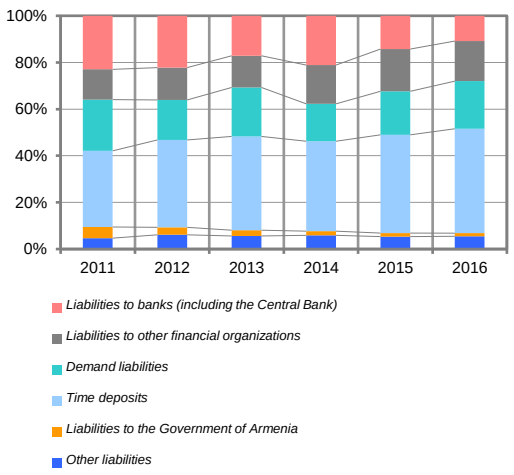
Time Deposits of the Banking System



Source: Central Bank of Armenia.

Figure 9.

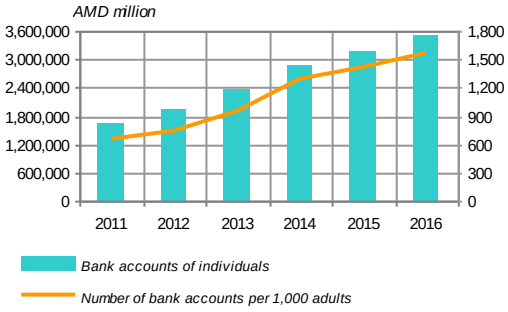
Banking System Total Liabilities



Source: Central Bank of Armenia.

Figure 10.

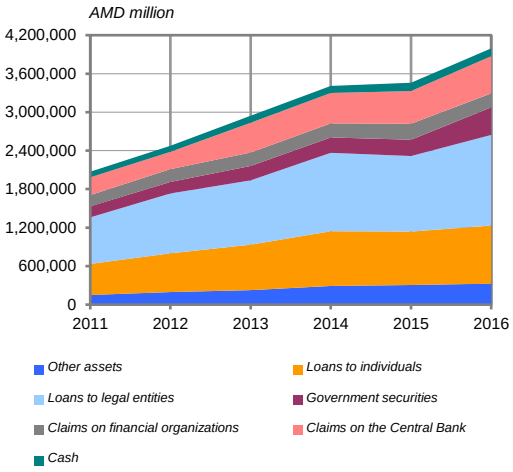
Bank Accounts of Individuals in the Banking System



Source: Central Bank of Armenia and National Statistical Service.

Figure 11.

Banking System Assets



Source: Central Bank of Armenia.

During the year, the number of bank accounts (current and savings) grew by 10% and reached 3,672,000.[1] The number of legal entity accounts grew by 7.0% and reached 162,600 at yearend. The number of bank accounts (current and savings) of individuals grew by 5.3% and reached 3,510,000 at yearend 2016.

BANKING SYSTEM ASSETS

Growth Trends of Funds Allocated by the Banking System

In 2016, total assets of the banking system grew by 15.5% to reach AMD 3 trillion 995 billion at yearend, mostly due to higher lending to the economy, government securities, and claims on the Central Bank.

Lending to the economy grew by 15.4% to reach AMD 2 trillion 320 billion. Loans to legal entities and individuals grew by 20.5% and 8.1%, respectively, to reach AMD 1 trillion 416 billion and AMD 903 billion at yearend.

Investments in government securities grew by 68.8% to reach AMD 427.6 billion. Correspondent accounts with and other claims on the Central Bank grew by 14.7% to reach AMD 581.7 billion.

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

	31.12.15	31.12.16	Change
EU	34.0%	29.74%	-4.26%
Germany	23.9%	14.25%	-9.65%
Austria	3.2%	11.01%	7.81%
France	3.2%	0.21%	-2.99%
Great Britain	1.9%	3.48%	1.58%
Other EU Member States	1.8%	4.27%	2.47%
USA	49.3%	43.66%	-5.64%
Russia	15.2%	20.53%	5.33%
Other countries	1.5%	2.58%	1.08%

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

Correspondent accounts in banks shrunk by 20.1% to reach AMD 103.1 billion. They are highly concentrated in terms of residency: as of 31 December 2016, 76.6% of the correspondent accounts were in non-resident banks (compared to 98.2% at yearend 2015).

Structure of Funds Allocated by the Banking System

In 2016, the share of interest earning assets in total assets grew by 2.5 percentage points and reached 75.0%. Excluding low-return correspondent accounts, the share of other interest-bearing assets grew by 3.0 percentage points to reach 74.3%.

Within the structure of assets, significant changes occurred in government securities and claims on other financial organizations: the share of government securities grew by 3.4 percentage points, while the shares of claims on other financial organizations declined by 1.8 percentage points.

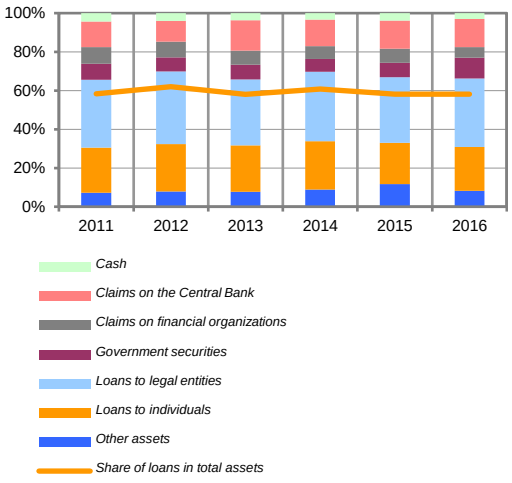
At yearend, 21% of the funds allocated were demand funds, while 34% had a maturity of less than one year, and 45% had a maturity of over one year or had no specific term (compared to 25%, 32%, and 43%, respectively, at yearend 2015).

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

In 2016, credit investments of the banking system grew by 15.4% (AMD 308.7 billion) to reach AMD 2 trillion 320 billion. AMD credit investments grew by 22.4% (AMD 150.7 billion) to reach AMD 823 billion, while FX credit investments grew by 11.8% (AMD 158.0 billion) to reach AMD 1 trillion 496.5 billion. As a result, the share of FX credit investments in total declined by 2.0 percentage points to 64.5%.

Figure 12.

Structure of Banking System Assets



Source: Central Bank of Armenia.

Figure 13.

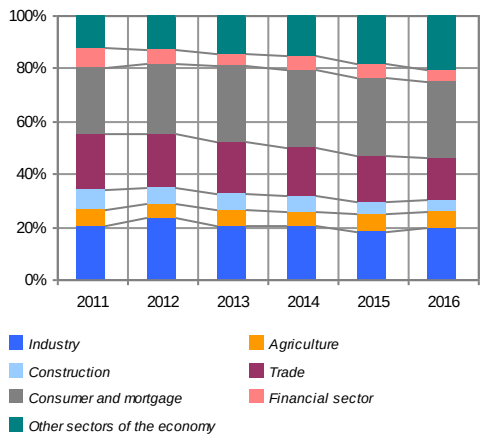
Term Structure of Credit Investments to Residents



Source: Central Bank of Armenia.

Figure 14.

Structure of Credit Investments to Residents by Sectors of the Economy



Source: Central Bank of Armenia.

Credit investments to non-residents grew by 179.6% to reach AMD 328 billion, while credit investments to residents grew by 4.6% to reach AMD 2 trillion 203 billion. As a result, the share of credit investments to non-residents rose by 7.7 percentage points to 12.9%.

In terms of the maturity structure, the share of long-term credit investments (maturity of 1 year or more) in total declined by 1.2 percentage points to 83.6%. The share of long-term credit investments in total credit investments declined on account of a smaller share of FX long-term credit investments.

At yearend, consumer loans, industry loans, and trade loans had larger shares in the portfolio of credit investments to residents (20.3%, 19.6%, and 15.7%, respectively).

The Herfindahl-Hirschman Index of concentration of banking system lending by sectors of the economy grew by 0.01 percentage points and reached 0.11. The Index average for banks grew by 0.01 percentage points and reached 0.19, 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 2016, 15 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);
- The International Fund for Agricultural Development (IFAD);
- The OPEC International Development Fund;
- The German Investment Corporation (DEG);
- The Austrian Development Bank (OeEB);

- 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 declined by 19.5% in 2016 to AMD 304 billion at yearend. In loans made under international programs, the share of overdue loans was 0.9% at yearend 2016. 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 1.5%, 5.5%, and 93.1%, respectively.

As of 31 December 2016, the main lending sectors under international programs were trade, agriculture, and electricity (23.2%, 22.8%, and 12.3%, respectively).

FINANCIAL PERFORMANCE OF THE BANKING SYSTEM

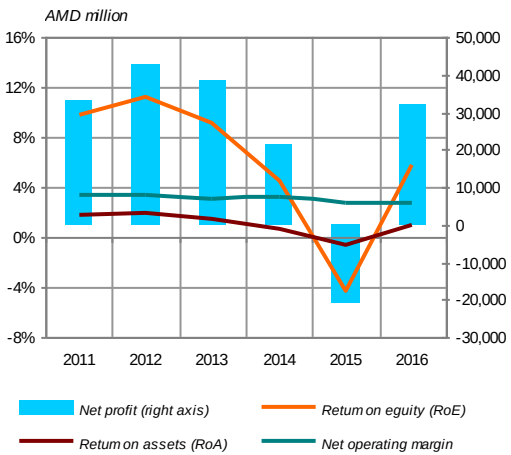
Banking System Profitability

In 2016, net loss of the banking system, calculated on the basis of supervisory reports submitted to the Central Bank, was AMD 31.7 billion.[2] 15 banks were profitable, and three incurred losses.

Banking system RoA and RoE were 0.9% and 5.7%, respectively. Net operating margin grew by 0.2 percentage points to reach 3.2%. Banking system profitability benefited from the 1.6 percentage points decline in the ratio of net provisions to total assets, resulting from a certain improvement in the quality of the loan portfolio over the preceding years.

Figure 15.

Indicators of Profitability

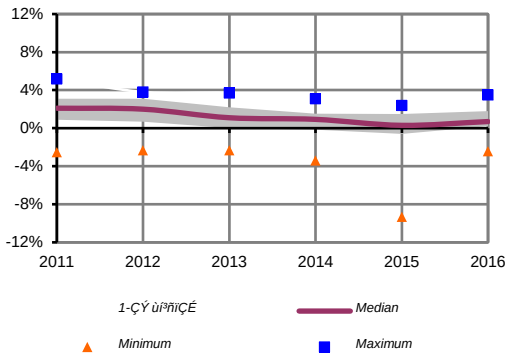


Source: Central Bank of Armenia.

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

Figure 16.

Banking System RoA



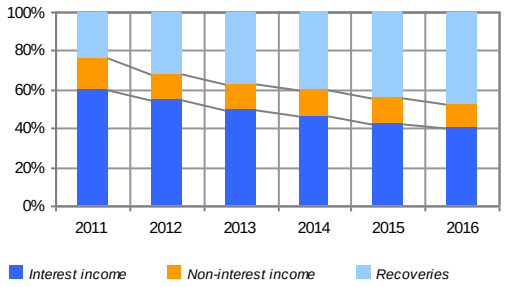
Source: Central Bank of Armenia.

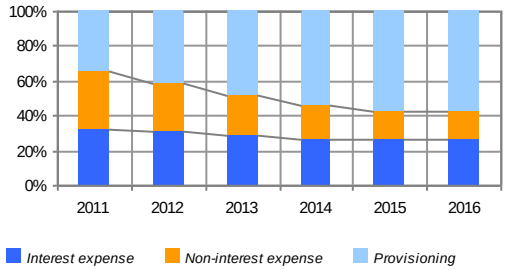
Banking system profit as per the International Financial Reporting Standards (hereinafter, "IFRS") was AMD 18.4 billion in 2016, while RoA and RoE under the IFRS were 0.5% and 3.0%, respectively.

The RoA quartile analysis shows that, compared to 2015, RoA dispersion between banks declined. The RoA interquartile range declined by 0.5 percentage points to reach 1.6%. The interquartile range declined mostly due to the 0.4 percentage points decline in the difference between the 1st quartile and the median. As a result, the difference between the 3rd quartile and the median was 1.1% and the difference between the median and the 1st quartile was 0.5% (compared to 0.3% and 1.8%, respectively, in 2015).

Figure 17.

Banking System Income and Expense Structure





Source: Central Bank of Armenia.

Banking System Income and Expense Structure

In 2016, gross income of the banking system grew by 9.3% and gross expense by 1.5%. Within gross income, interest income grew by 2.7%, non-interest income by 1.8%, and loan loss recoveries by 17.9%. Within gross expenses, interest expense grew by 2.2% over 2015, while non-interest expense grew by 1.4%, and asset loss provisions grew by 1.3%.

Banking system interest income grew mostly due to an increase in income from loans to the economy (including overdraft, credit lines, and credit cards): their share in total interest income was 80.8% (compared to 84.6% in 2015).

As to the structure of non-interest income, the main components to grow were net income from the revaluation of financial assets held for commercial purposes and available for sale, as well as income from state treasury bonds of the Republic of Armenia. The largest components of non-interest income were income from commissions and fines and penalties, as well as income from foreign exchange trading, with shares of 43.6%, 24.8%, and 18.8%, respectively.

Interest expense grew mostly due to an increase in interest payments for time deposits. 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 55.8% and 21.8%, respectively (compared to 50.7% and 22.2% in 2015).

Within non-interest expense, wage expense had the largest share 47.4% (compared to 47.4% in 2015).

FINANCIAL RISKS OF THE BANKING SYSTEM

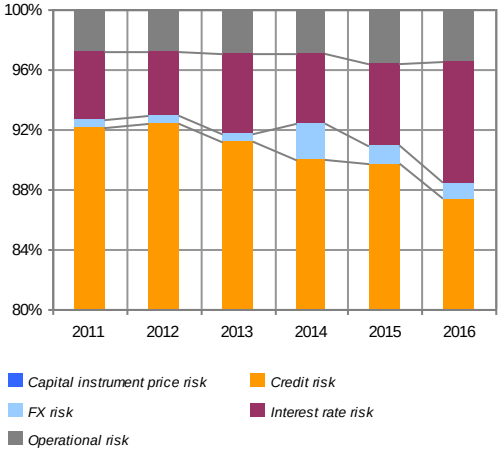
In 2016, the banking system risks remained manageable. No threats to financial stability were observed. During the year, the prudential ratio of total capital adequacy and the prudential ratio of liquidity of commercial banks were twice higher than the required minimum.

Table 7. Prudential Ratios of Commercial Banks

Prudential Ratio	31.12.15	31.12.16	Change	Prudential Threshold
Total regulatory capital adequacy	16.2%	20.0%	+3.8%	≥ 12%
Total liquidity	28.0%	32.5%	+4.5%	≥ 15%
Current liquidity	142.4%	170.8%	+28.4%	≥ 60%
Single large borrower risk	18.7%	19.9%	+1.5%	≤ 20%
All large borrowers risk	163.3%	129.0%	-34.3%	≤ 500%
Single bank-affiliated party risk	3.8%	4.0%	+0.2%	≤ 5%
All bank-affiliated parties risk	11.6%	11.2%	-0.4%	≤ 20%

Figure 18.

Structure of Risk-Weighted Assets of Commercial Banks



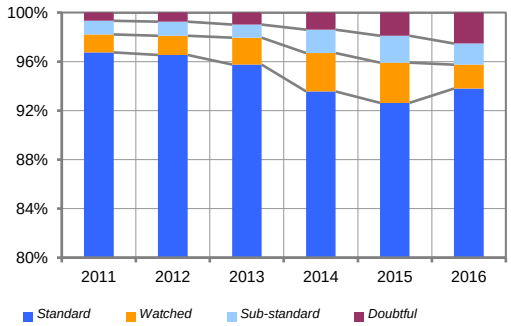
Source: Central Bank of Armenia.

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 86.8% (compared to 89.1% in 2015). In this context, prudent management of credit risk is highly important for the financial stability of the banking system.

Figure 19.

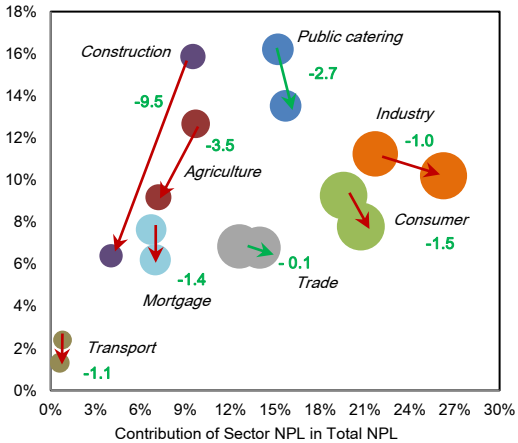
Structure of Loans and Accounts Receivable by Risk Class



Source: Central Bank of Armenia.

Figure 20.

Changes in Loan Portfolio Quality by Sectors, 2015-2016



Source: Central Bank of Armenia.

As to the risks of the loan portfolio, non-performing loans and accounts receivable fell by 2.4% (AMD 4.1 billion) in 2016 to AMD 165.7 billion, while standard loans and accounts receivable grew by 17.5% (AMD 374.4 billion) to AMD 2 trillion 509.1 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 fell by 1.2 percentage points during 2016 and reached 6.2% at yearend.[3]

As to risk classes, the shares of watched, substandard, and doubtful loans and accounts receivable in total loans and accounts receivable were 1.9%, 1.7%, and 2.5%, respectively (compared to 3.3%, 2.2%, and 1.9% at yearend 2015).

In terms of the sectors of the economy, the share of non-performing loans and accounts receivable is higher in public catering and other service sectors, industry, and construction (13.5%, 10.2%, and 9.2%, respectively).

In terms of residency, 98.5% of the non-performing loans and accounts receivable at yearend were related to residents, and 1.5% to non-residents (compared to 98.7% and 1.3%, respectively, at yearend 2015).

The ratio of net non-performing loans and accounts receivable to total regulatory capital fell by 8.1 percentage points in 2016 over 2015 and reached 12.1%.[4]

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 18.0%—still above the required minimum.[5]

[3] 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 2015-2016.

[4] 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.

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

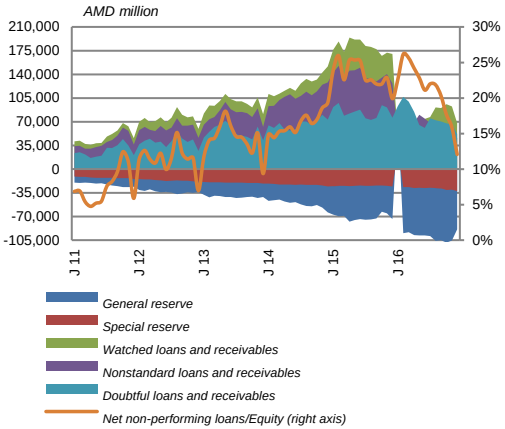
Table 8. Credit Risk Stress Tests[7]

31 December 2016	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 26.7 billion, or 6.2% of system regulatory capital	AMD 20.4 billion or 2.4% of system regulatory capital	AMD 67.7 billion or 10.8% of system regulatory capital
Total capital adequacy of the banking system under the stress scenario	19.3%	19.4%	18.2%

The results of the credit risk stress test[8] improved considerably compared to the results of the same stress tests performed at the beginning of the year, mostly due to higher bank capital adequacy and improved quality of the loan portfolio.

Figure 21.

Provisions for Possible Losses related to Non-Performing Loans and Accounts Receivable[6]



Source: Central Bank of Armenia.

Foreign Exchange Risk

In 2016, the AMD/USD average annual exchange rate depreciated by 0.5%, while depreciation relative to the beginning of the year was close to zero. The FX risk stress tests show that, under the worst-case test scenarios, banking system losses due to the open FX position would not be significant, and their impact on vulnerability in financial stability would be weak. FX trading operations generated a net income of AMD 15.9 billion for the banking system in 2016 (compared to AMD 17.5 billion in 2015). The FX value-at-risk (VAR) calculation shows, within a 95% confidence interval, the possible 10-day loss of the banking system due to FX revaluation would not exceed AMD 423 million.

[6] The assets of a loss-loan risk class and the provisioning created for such assets were not presented in the Figure. For assets of a loss-loan risk class, banks are required to set up a reserve for 100% possible losses and write off their balance sheet.
[7] 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.
[8] 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).

Table 9. FX Risk Stress Tests

31 December 2016	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 1.1 billion, or 0.18% of system regulatory capital	AMD 218 million, or 0.03% of system regulatory capital	AMD 423 million, or 0.07% of system regulatory capital

Liquidity Risk

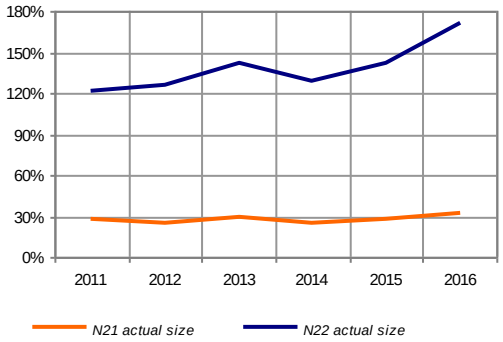
In 2016, banking system liquidity tended to rise, with the contribution of replenishments of total regulatory capital by the banks. High-liquid assets of commercial banks grew by 30.1%, exceeding the pace of growth of total assets and demand liabilities. As a result, total and current liquidity ratios grew by 4.5 and 28.4 percentage points to reach 32.5% and 170.8% 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 4.1 percentage points in 2016 to 18.0%.[9]

As to the stability of bank financing, the ratio of loans to deposits fell by 5.8% to 106.4%.

Figure 22.

Change in Total and Current Liquidity Prudential Ratios of Commercial Banks



Source: Central Bank of Armenia.

Table 10. Liquidity Risk Stress Tests

31 December 2016	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	26.8%	29.1%	22.8%
Banking system highly liquid assets to demand liabilities	129.8%	194.0%	139.8%

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

According to the liquidity risk stress tests, the prudential ratios of total and current liquidity improved considerably relative to the stress tests performed at the beginning of 2016. Under the worst-case test scenario, the stock of highly-liquid assets in all the banks 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 2.6 percentage point to 8.7% at yearend.

In 2016, the banking system had a net gain of AMD 3.2 million (0.5% of total regulatory capital) from the revaluation of financial assets available for sale and measured at fair value through gain/loss.

Figure 23.

Change in Ratio of Loans to Deposits, Commercial Banks



Source: Central Bank of Armenia.

Table 11. Real Estate Price Change Stress Tests

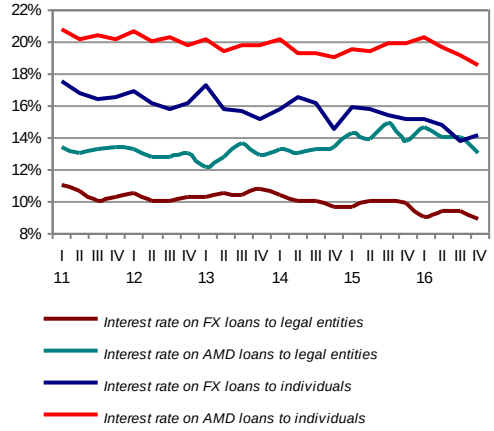
Real estate 30% depreciation scenario	31 December 2016
Banking system loss due to revaluation of bank-owned real estate (*price risk*)	AMD 13.0 billion (2.1% of banking system capital)
Banking system loss due to non-repayment of 30% of the loan portfolio vulnerable under the stress scenario[10] (assuming that the respective collateral against such loans is sold at depreciated price) *(credit risk)*	AMD 20.9 billion (3.3% 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 69.8 billion (11.1% 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.

[10] *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.*

Figure 24.

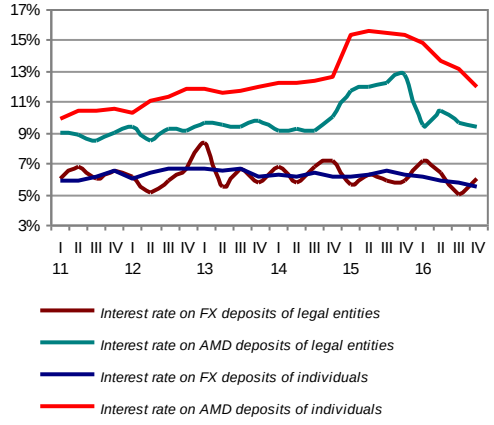
Interest Rates on Loans to Legal Entities and Individuals



Source: Central Bank of Armenia.

Figure 25.

Interest Rates on Deposits of Legal Entities and Individuals



Source: Central Bank of Armenia.

Interest Rate Risk

In an environment of low inflation in 2016, the Central Bank gradually lowered the refinancing rate by a total of 2.5% over the course of the year, which had a corresponding impact in terms of lower lending interest rates by the financial system.

The banking system loan and deposit interest rates tended to fall during 2016.

Interest rate risk in the banking system remained low. Through asset-liability management, commercial banks continued to apply strict limits for the different time-to-maturity groups. The weighted average maturity gap of the present values of banking system assets and liabilities fluctuates between six months and a year. In this context, the impact of direct losses on the financial situation of commercial banks due to possible fluctuations of market interest rates is assessed as low.

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 under the pessimistic scenario, the possible losses of individual banks caused by market interest rate fluctuations would vary around an average of 3.0% of total regulatory capital. In this sense, interest rate risk is at a manageable level.

Table 12. Interest Rate Risk Stress Tests

31 December 2016	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 -13.9 billion or 2.22% of banking system capital (AMD 13.9 billion or 2.22% of banking system capital)	AMD -926 million or 0.15% of banking system capital (AMD 926 million or 0.15% of banking system capital)

CREDIT ORGANIZATIONS

OVERVIEW

Credit Companies Operating in Armenia

As of 31 December 2016, 34 credit organizations operated in the Republic of Armenia, including three leasing organizations, one credit union, 28 universal credit organizations, and two refinancing credit organizations. The number of credit organization branches grew by 10 during the year and reached 169 at yearend.

Concentration among Credit Organizations in Armenia

Table 13. Concentration among Credit Organizations (%)

Prudential ratio	31.12.15	31.12.16
Total assets		
CC 4	48.9	57.1
CC 10	76.5	80.5
Total liabilities		
CC 4	44.4	51.8
CC 10	76.4	79.9
Total capital		
CC 4	73.8	75.9
CC 10	87.5	89.4
Loans to the economy (including leasing and factoring)		
CC 4	43.5	54.4
CC 10	76.2	84.6

Concentration among credit organizations increased for all the balance sheet indicators.

The Herfindahl-Hirschman Index of Concentration for various aggregate indicators mostly fluctuated between 0.09 and 0.1, with the exception of total capital.

The polarization of all indicators between large and small credit organizations grew during 2016.

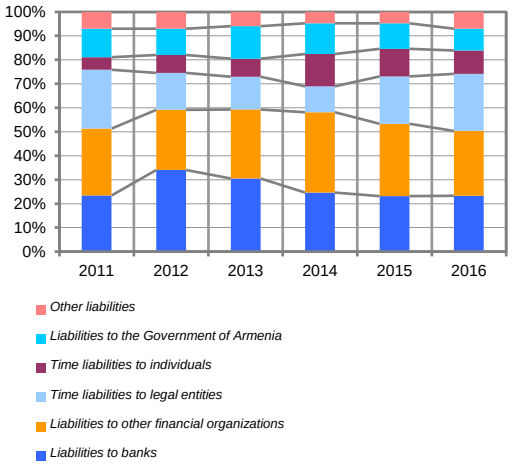
Capital of Credit Organizations

In 2016, the total capital of credit organizations grew by 37.7% (AMD 49.8 billion) to AMD 182.0 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 1.8 percentage points in 2016 to 8.0% at yearend. Five of the 13 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 13.1% (compared to 17.2% at yearend 2015).

Figure 26.

Structure of Liabilities of Credit Organizations



Source: Central Bank of Armenia.

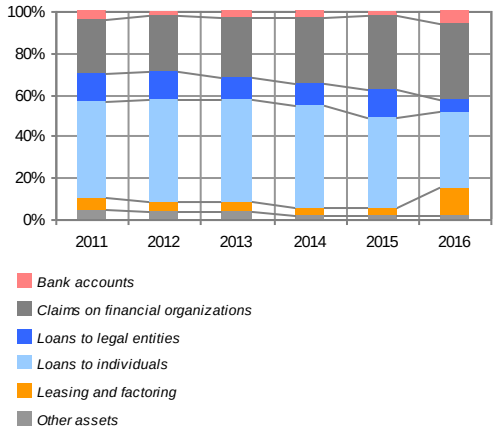
Liabilities of Credit Organizations

The liabilities of credit organizations grew by 19.0% (AMD 33.5 billion) to AMD 209.9 billion.

Liabilities to legal entities grew by 42.6% to AMD 49.1 billion (compared to AMD 34.4 billion in 2015), while liabilities to individuals increased by 2.9% to AMD 20.5 billion (compared to AMD 19.9 billion in 2015).

Figure 27.

Structure of Asset of Credit Organizations



Source: Central Bank of Armenia.

Assets of Credit Organizations

During 2016, total assets of credit organizations grew by 27.0% and reached AMD 392.0 billion at yearend. Assets grew in 23 and shrunk in 11 of the credit organizations operating in Armenia.

Claims on financial organizations grew by 26.8% to AMD 133.7 billion, and loans to the economy (including leasing and factoring) by 14.2%, reaching AMD 204.8 billion, respectively.

Lending to virtually all sectors of the economy fell, with the exception of lending to the financial sector and consumer loans and mortgage loans.

The shares of non-performing loans (watched, substandard, and doubtful loans) of credit organizations shrank by 1.6 percentage points in 2016 and reached 4.6% at yearend. The share of non-performing loans is higher in consumer lending and lending to agriculture and trade (15.6%, 8.3%, and 8.1%, respectively).

Financial Outturn of Credit Organizations

Net profit of credit organizations according to supervisory reports was AMD 19.2 billion in 2016: 23 of the credit organizations were profitable, while 11 incurred a loss. Total net profit of the profitable credit organizations was AMD 20.2 billion.

RoA and RoE of credit organizations were 5.6% and 12.2%, respectively, in 2016.

In 2016, the net profit of credit organizations according to the IFRS was AMD 19.7 billion, while RoA was 5.7% and RoE was 12.4%.

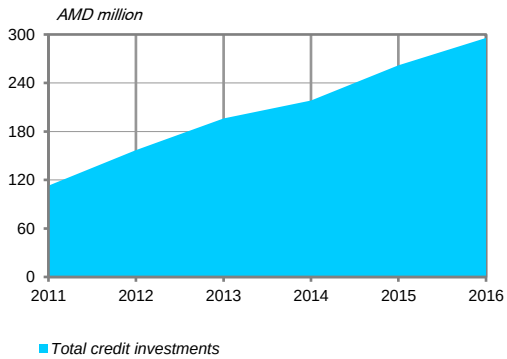
Interest income of credit organizations grew by 11.1%, mostly due to higher net income from loans to the economy. Loans to the economy account for the largest percentage of total interest income - 68.2% (compared to 70.3% in 2015).

Non-interest income grew by 43.9% mostly due to higher net income from factoring. The latter and income from commissions account for the largest shares in total non-interest income - 32.7% and 31.2%, respectively (compared to 0.8% and 42.6% in 2015).

Interest expense grew by 4.8% mostly due to higher interest expense against funds attracted from commercial banks and other financial organizations. The largest components of interest expense are interest payable against funds attracted from commercial banks and other financial organizations and interest payable against time debt - 44.6% and 30.6%, respectively (compared to 44.9% and 32.8% in 2015).

Figure 28.

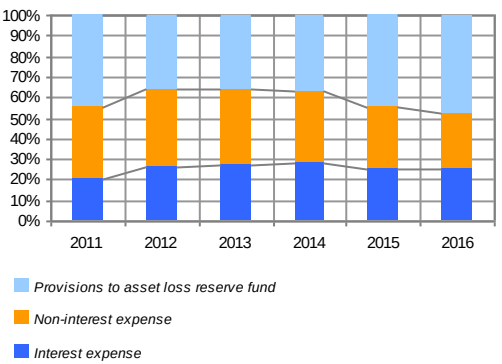
Change in Credit Investments of Credit Organizations



Source: Central Bank of Armenia.

Figure 29.

Income and Expense Structure of Credit Organizations



Source: Central Bank of Armenia.

Non-interest expense fell by 2.2% mostly due to lower other non-interest expense. The largest components of non-interest expense are accrued wages and related payments, as well as other non-interest expense, which accounted for 57.1% and 11.4%, respectively (compared to 53.4% and 17.2% in 2015).

INSURANCE MARKET OF ARMENIA

OVERVIEW

Insurance Companies Operating in Armenia

As of 31 December 2016, seven insurance companies (with a total of 29 branches) had insurance licenses in the Republic of Armenia. All of the insurance companies provided only non-life insurance.

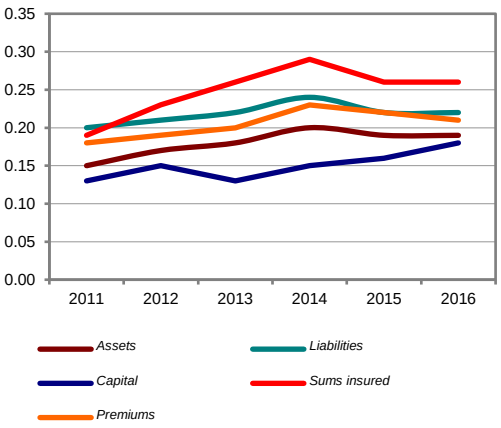
The ratio of premiums to GDP, an indicator of the activity of insurance companies, was 0.65% on 31 December 2016, up 0.03 percentage points relative to yearend 2015.[11] Per capita premiums were AMD 11,100 in 2016 (compared to AMD 10,500 in 2015).

Concentration in the Insurance System of Armenia

The Herfindahl-Hirschman Index of Concentration for the key indicators of the insurance system mostly did not change in 2016, with the exception of concentration by premiums, which has declined, and concentration by capital, which has increased.

Figure 30.

Herfindahl-Hirschman Index of Concentration for Key Indicators



Source: Central Bank of Armenia.

[11] *In 2015, 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 3/2016, May 2016).*

Table 14. Herfindahl-Hirschman Index of Concentration

	31.12.14	31.12.15	31.12.16
Assets	0.20	0.19	0.19
Liabilities	0.24	0.22	0.22
Capital	0.15	0.16	0.18
Sums insured	0.29	0.26	0.26
Premiums	0.23	0.22	0.21

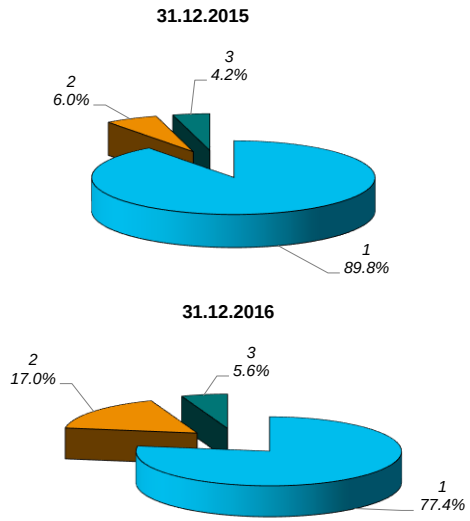
Table 15. Concentration in the Insurance System (%)

	31.12.14	31.12.15	31.12.16
Assets			
CC 2 (share of assets of the largest **two** companies in total assets of the system)	55	53	55
CC 5 (share of assets of the largest **five** companies in total assets of the system)	87	86	86
Liabilities			
CC 2	64	60	59
CC 5	96	94	93
Capital			
CC 2	41	44	49
CC 5	83	83	85
Sums insured			
CC 2	71	68	68
CC 5	94	95	95
Premiums			
CC 2	60	59	56
CC 5	94	94	95

Polarization between insurance companies presented in Table 15 did not change in 2016 relative to 2015, except for liabilities of the largest two (CC 2) and the largest five (CC 5) companies, which declined. The polarization of capital of the largest two (CC 2) and the largest five (CC 5) companies grew in 2016 relative to 2015.

Figure 31.

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 16.0% in 2016 and reached AMD 16.5 billion. Statutory capital remained unchanged (AMD 15.1 billion). The capital growth was mostly due to an increase in retained profits (by AMD 2.2 billion).

Risk-weighted assets and the ratio of solvency, which are calculated within the capital adequacy ratio of the insurance system, were 36.2% and 63.8%, respectively, at yearend 2016. The prudential ratio of capital adequacy of insurance companies was 206.5% (the prudential standard of capital adequacy is 100%).

As of 31 December 2016, 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 grew by 13.5% (AMD 5.5% billion) in 2016 and reached AMD 46.7 billion at yearend 2016.

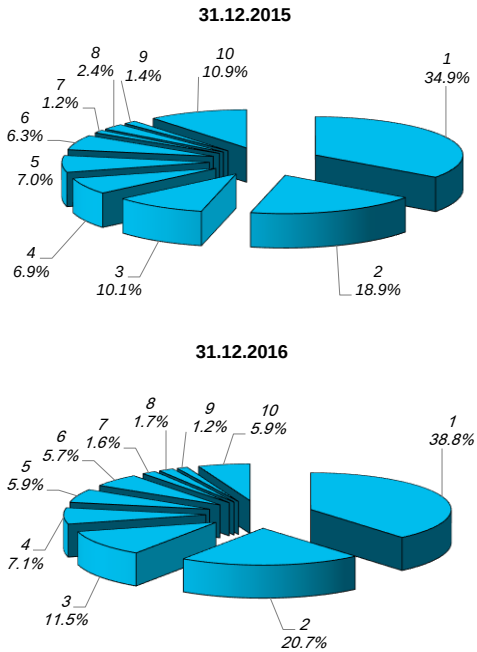
The main items to shrink were deposits in banks (by AMD 3.8 billion or 26.3%), as well as amounts receivable for direct insurance (by AMD 1.2 billion or 38.4%) and investments in government securities (by AMD 1.1 billion or 18.6%).

At yearend, the largest components of insurance system assets were deposits in banks (38.8%) and amounts receivable from policyholders for direct insurance (11.5%). 88.2% of the deposits were current deposits in resident banks, and 11.8% were non-current deposits in resident banks.

The average maturity of assets of insurance companies is 1.1 years. The average maturity of deposits, which account for the bulk of the assets, is seven months, and the average maturity of government securities is 3.6 years, with 9.9% yield to maturity.

Figure 32.

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. Share of reinsurer in insurance reserves, 5. Fixed assets, 6. Future expense and insurance prepayments, 7. Accrued interest receivable, 8. Cash and bank accounts, 9. Claims arising from subrogation, 10. Other assets

Source: Central Bank of Armenia.

The assets of the insurance system are mostly placed in Armenian drams. As of 31 December 2016, foreign currency assets were 3.0% (AMD 1.4 billion) of total assets. Foreign currency assets were mostly current and non-current deposits in Armenia's banks, totaling AMD 1.1 billion (6.3% of total deposits) at yearend 2016.

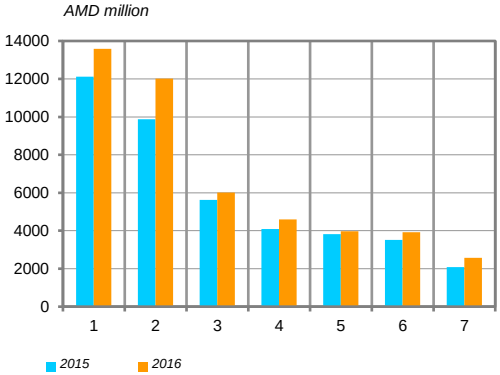
The assets of the insurance system are mostly placed in highly-liquid assets. In 2016, no insurance company violated the prudential requirements on liquidity.

Assets Matching the Technical Reserves

As of 31 December 2016, assets matching the technical reserves exceeded the amount of net technical reserves[12] by 64.4%.

Figure 33.

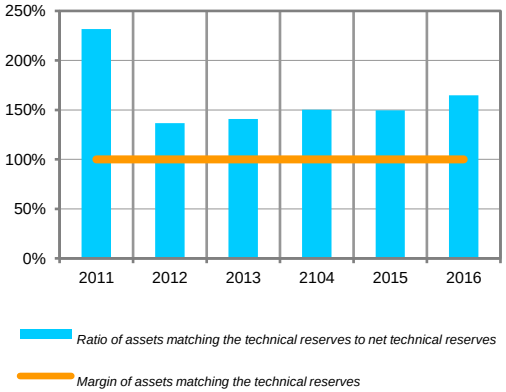
Change in Assets of Insurance Companies



Source: Central Bank of Armenia.

Figure 34.

Changes in Assets Matching the Technical Reserves of Insurance Companies



Source: Central Bank of Armenia.

LIABILITIES OF THE INSURANCE SYSTEM

The liabilities of insurance companies grew by 11.8% in 2016 and reached AMD 27.2 billion. The main items to grow were technical reserves (11% growth in 2016). The bulk of the technical reserves (68.4% or AMD 13.1 billion) is the reserve for unearned premiums. Repo agreements and premiums transferable to reinsurers grew, as well (by AMD 762 million or 52.3% and AMD 270 million or 23.3%, respectively).

As of 31 December 2016, the largest components of liabilities were technical reserves (70.5% or AMD 19.2 billion) and repo agreements (8.2% or AMD 2.2 billion).

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

Net profit of the insurance companies as per the supervisory reports was AMD 3.8 billion in 2016. Return on assets was 8.6% and return on equity 20.8%. All seven insurance companies were profitable.

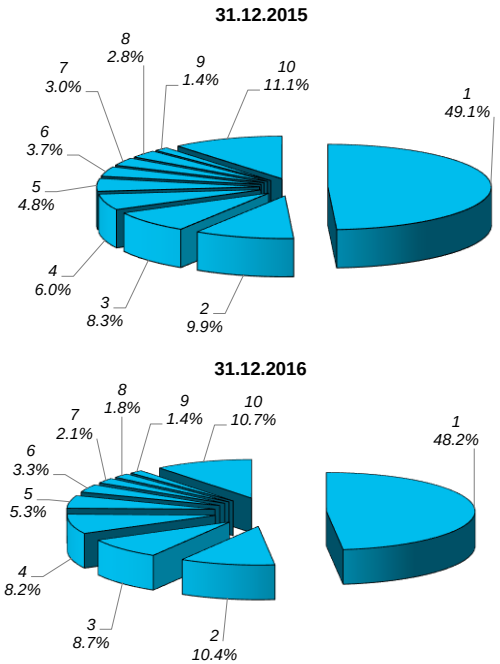
Net profit of the insurance companies according to the IFRS was AMD 4.1 billion in 2016. RoA was 9.6% and RoE was 20.4%.

Premiums accrued by insurance companies in 2016 reached AMD 33.1 billion (compared to AMD 31.4 billion in 2015). 55.4% of accrued premiums were related to mandatory third party liability insurance (MTPL) insurance, and 17.0% to health insurance.

Premiums accrued during the year grew mostly on account of MTPL, health, and fire and natural disaster insurance (by AMD 663.2 million or 3.8%, AMD 484.5 million or 9.4%, and by AMD 305.6 million or 10.1%). Premiums accrued for insurance of liability arising out of the use of aircraft (including cargo aircraft) grew considerably—by AMD 51.2 million or 154.1%. Premiums accrued for ground transport insurance declined by 9.9% (AMD 210.5 million).

Figure 35.

Structure of Liabilities of Insurance Companies

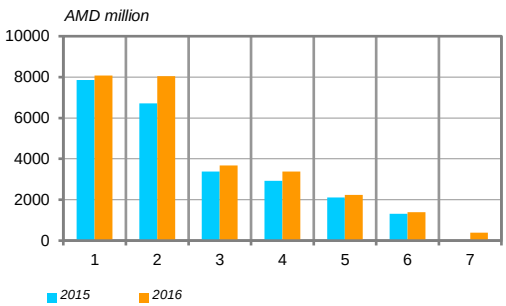


1. Reserve for unearned premiums, 2. Reserve for claims filed but not settled, 3. Reserve for claims incurred but not settled, 4. Other technical reserves, 5. Repo agreements, 6. Premiums transferable to reinsurers, 7. Insurance prepayments received, 8. Loans and borrowings, 9. Amounts payable to intermediaries, 10. Other liabilities

Source: Central Bank of Armenia.

Figure 36.

Change in Liabilities of Insurance Companies



Source: Central Bank of Armenia.

Insurance companies accrued compensations of AMD 14.2 billion in 2016 (compared to AMD 13.6 billion in 2015). 61.9% of the accrued insurance compensations were related to MTPL insurance, and 24.0% to health insurance.

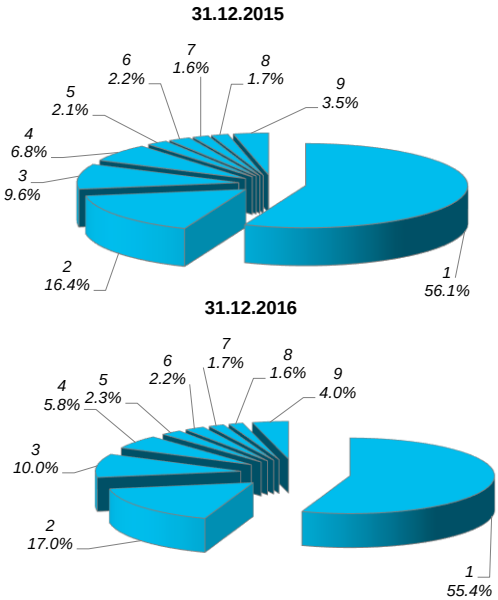
Earned premiums remained a large share of the income of insurance companies (83.9%). Interest and non-interest income accounted for 12.2% of the total income. Other insurance income accounted for 3.9% of total income. Claims arising out of subrogation accounted for the bulk of other insurance income. Insurance compensations and net technical reserves accounted for a significant share (51.2%) of expenses. Interest and non-interest expense accounted for 30.1% 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.

Interest income of insurance companies was AMD 3.3 billion; 66.0% (AMD 2.2 billion) of the interest income was due to interest income from current deposits in banks and from current loans to banks; 28.9% of the interest income (AMD 1.0 billion) was due to interest income from current and non-current securities. During 2016, non-interest expense of insurance companies was AMD 7.9 billion – a 4.4% increase over 2015; 53.8% (AMD 4.3 billion) of the non-interest expense was due to the staffing expenses of insurance companies.

The insurance system loss ratio was 50.9%,[13] representing a 2.0 percentage points increase over 2015. The expense ratio remained unchanged over 2015 at 29.8%.[14]

Figure 37.

Structure of Insurance Premiums Accrued by Insurance Companies



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

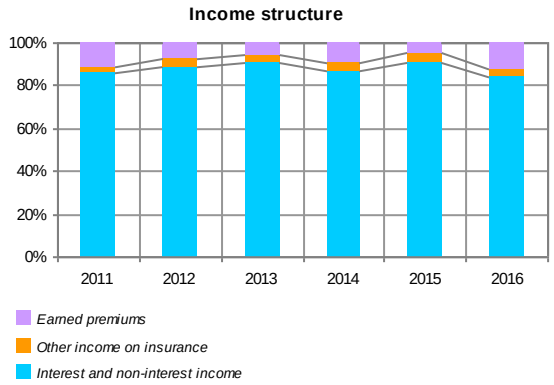
Source: Central Bank of Armenia.

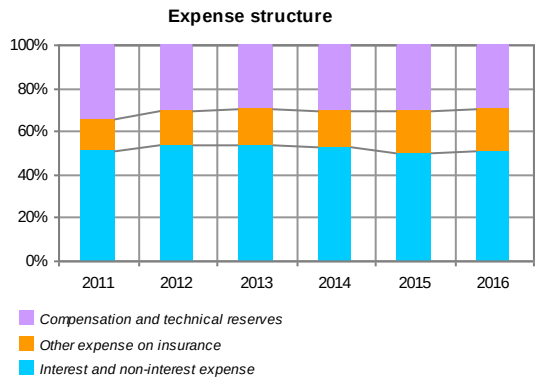
[13] *The loss ratio was calculated using the following formula: (net accrued compensations + net provisions to technical reserves (except UPR) + other operational expenses for insurance) / (net premiums earned – amounts returned for terminated policies).*

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

Figure 38.

Structure of Income and Expense of the Insurance System

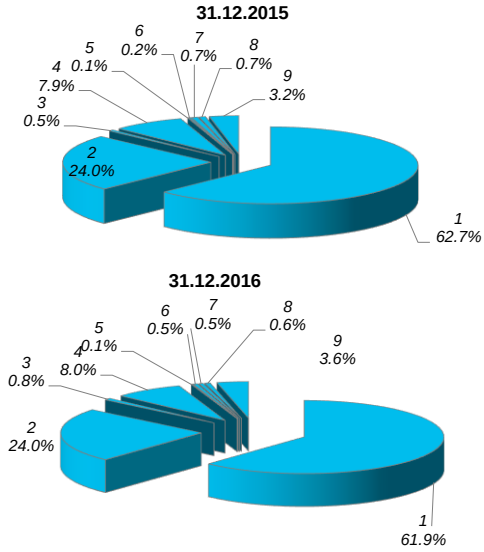




Source: Central Bank of Armenia.

Figure 39.

Structure of Accrued Compensations of the Insurance System



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

Source: Central Bank of Armenia.

INSURANCE POLICIES AND COVERAGE

The number of insurance policies in force at yearend 2016 was 633,700, representing a 7.1% increase compared to yearend 2015. This increase in the number of policies was mostly due to the 22.5% (21,300) increase at yearend of accident insurance policies and the 5.4% (21,500) increase in MTPL insurance policies.

The number of fire and natural disaster insurance policies, too, grew by 21.4% (4,800).

Health insurance and ground transport insurance policies declined by 27.6% (3,700) and 13.3% (2,800), respectively.

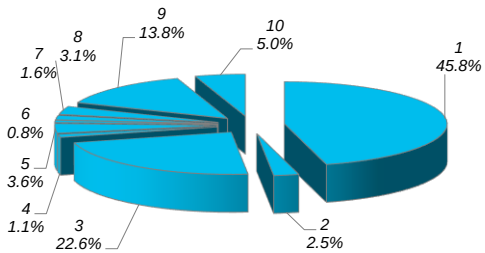
At yearend 2016, coverage reached AMD 11.0 trillion, which is 15.4% higher than the 2015 yearend figure. The increase in coverage was mostly due to the AMD 1.1 trillion increase in policies for aircraft (including cargo) operation. The fire and natural disaster coverage grew by 8.1% (AMD 185.1 billion), while MTPL coverage grew by 5.4% (AMD 260.0 billion).

REINSURANCE OF RISKS UNDERTAKEN BY INSURANCE COMPANIES

The amount of reinsured sums reached AMD 4.3 trillion (38.9% of the risks undertaken by insurance companies) at yearend 2016. Insurance premiums transferred to reinsurers in 2016 were AMD 4.8 billion or 14.5% of insurance premiums, while insurance compensations received from reinsurers were AMD 1.2 billion or 8.6% of the compensations accrued during 2016.

Figure 41.

Structure of Coverage under Policies in Force as of 31 December 2016

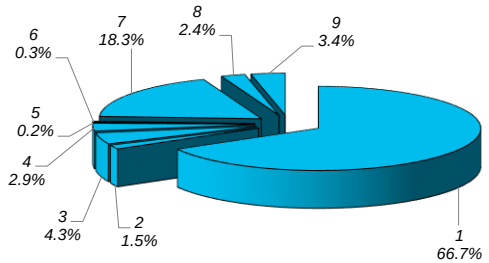


1. MTPL, 2. Health, 3. Fire and natural disasters, 4. Ground transport, 5. General liability, 6. Cargo, 7. Accidents, 8. Support, 9. Aircrafts and aircraft operation, 10. Other classes of insurance

Source: Central Bank of Armenia.

Figure 40.

Structure of Insurance Contracts in Force as of 31 December 2016

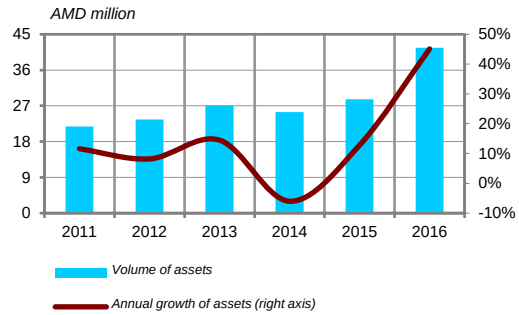


1. MTPL, 2. Health, 3. Fire and natural disasters, 4. Ground transport, 5. General liability, 6. Cargo, 7. Accidents, 8. Support, 9. Other classes of insurance

Source: Central Bank of Armenia.

Figure 42.

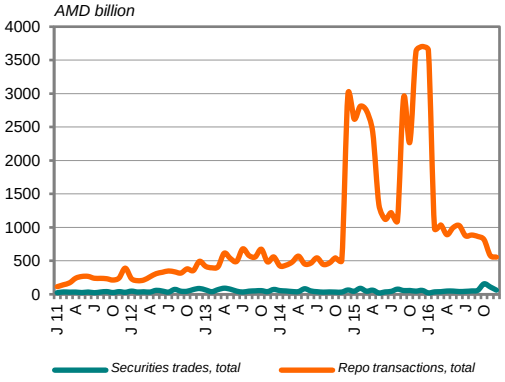
Assets of Investment Companies; Growth Pace in 2011-2016



Source: Central Bank of Armenia.

Figure 43.

Securities Trading and Repo Transactions by Insurance Companies during 2011-2016



Source: Central Bank of Armenia.

As of 31 December 2016, 17 commercial banks and 8 insurance companies were delivering investment services in the securities market of Armenia.

Asset and liability concentration of investment companies decreased in the course of 2016. Capital concentration has increased.

Table 16. Herfindahl-Hirschman Index of Concentration

Indicator	31.12.2012	31.12.2013	31.12.2014	31.12.2015	31.12.2016
Total assets	0.19	0.19	0.20	0.21	0.18
Total liabilities	0.20	0.19	0.21	0.22	0.18
Total capital	0.17	0.19	0.19	0.18	0.19

The assets of investment companies grew by 45.1% in 2016 over 2015 to AMD 41.6 billion. Total capital grew by 56.6% to reach AMD 6.5 billion at yearend. In 2016, all of the companies were profitable.

The total investment turnover in the securities market of Armenia (including repo transactions, excluding transactions with the Central Bank) grew almost 2.5 times and reached AMD 7 trillion 634 billion.

The value of repo transactions carried out in the securities market of Armenia (excluding transactions with the Central Bank) accounted for 90.6% of the total turnover of the securities market: it increased 2.8-fold in 2016 over 2015 and reached AMD 6 trillion 913 billion. The value of repo transactions with the Central Bank shrunk more than four-fold in 2016 over 2015.

The repo transactions constituted transactions with government securities. The majority (52.7%) of these transactions continued to involve medium-term government bonds, while 46.8% were long-term bonds and 0.5% 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 526.7 billion or 73.1% of the total turnover.

The corporate bonds trading turnover grew 1.7-fold in 2016 over 2015 and reached AMD 36 billion or 5.0% of the total turnover. The value of transactions with shares decreased by 2.4% (AMD 3.8 billion) to reach AMD 157.5 billion or 21.9% of the total value of securities transactions.

The share of stock exchange trading in total securities trading by entities providing investment services was 13.5%.

In 2016, the value of securities transactions in the regulated market grew by 32.6% (by AMD 23.9 billion) to AMD 97.2 billion.

Transactions in government securities accounted for 55.3% of total regulated market transactions, while transactions with corporate securities and shares were 11.9% and 32.7%, respectively.

On 31 December 2016, compared to yearend 2015, funds under asset management of securities portfolio by entities providing investment services shrunk by 39.7% to AMD 931 million.

As for 31 December 2016, 97.5% of the securities portfolio of investment companies were non-share securities.

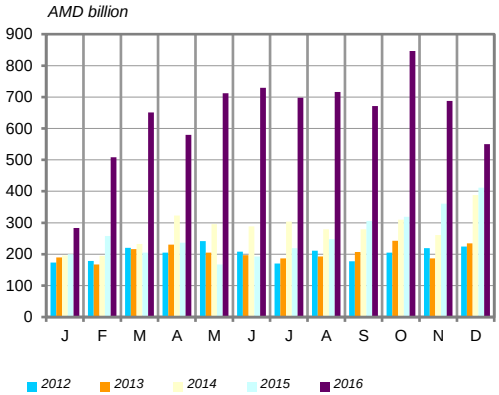
Capitalization of Armenia's securities market was AMD 134.3 billion, and the capitalization to GDP[15] ratio was 2.7%, representing a 0.7 percentage points increase over 2015.

As of 31 December 2016, the Central Depositary of Armenia maintained 2,301 registers of owners of nominal securities. 108,121 owners of securities had securities accounts in the Central Depositary of Armenia.

At yearend, 33 classes/issues of securities of 15 reporting issuers were authorized for trading in the regulated securities market of Armenia: two of the issuers issued both shares and bonds. Nine of the reporting issuers issued 10 classes of shares, and seven issued 23 classes of bonds. 13 of the issued bonds were in FX, and their share in the total value was 67%.

Figure 44.

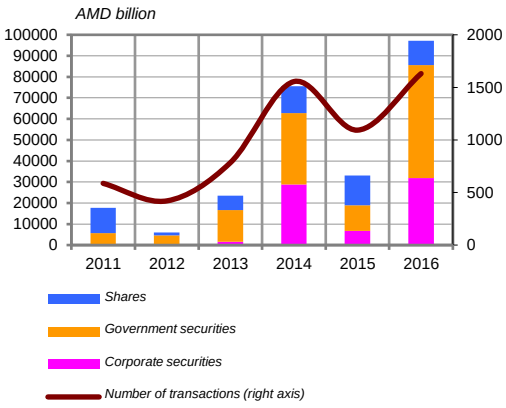
Securities Transactions by Entities Providing Investment Servies (excluding transactions of the Central Bank) during 2012-2016



Source: Central Bank of Armenia.

Figure 45.

Structure of Transactions in the Regulated Market in 2011-2016

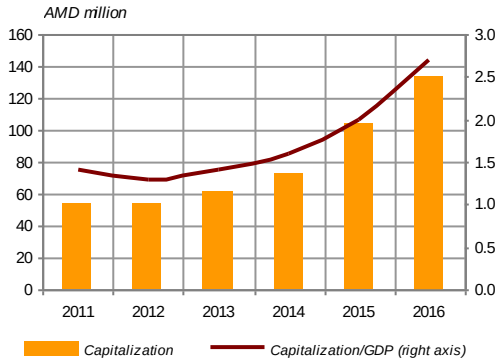


Source: Central Bank of Armenia.

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

Figure 46.

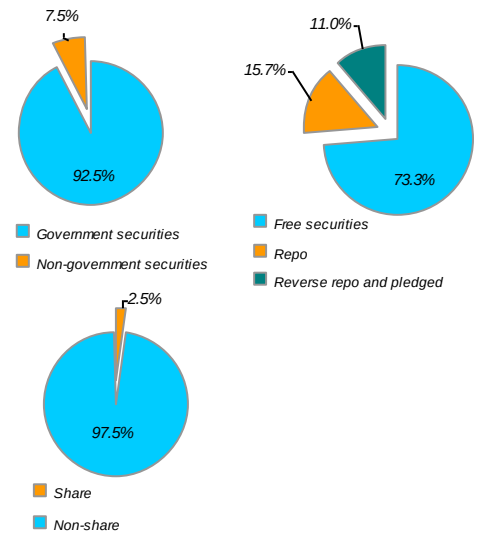
Armenia Securities Market Capitalization and Ratio of Capitalization to GDP



Source: Central Bank of Armenia.

Figure 47.

Structure of Securities Portfolio of Entities Providing Investment Services on 31 December 2016



Source: Central Bank of Armenia.

As of 31 December 2016, the total face value of shares issued by reporting issuers was AMD 44.8 billion, while the total value of bonds was AMD 28.6 billion.

MANDATORY PENSION SYSTEM OF ARMENIA

Pension Funds Operating in Armenia

As of 31 December 2016, 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 2016, the pension fund net assets were AMD 63.2 billion. Net assets to GDP were 1.24%. The Herfindahl-Hirschman Index of Concentration for the investments of the pension funds fell in 2016 relative to 2015, and was 0.30 as of 31 December 2016.

The number of pension fund active participants was 170,000 at yearend 2016, representing a 30,000 increase over 2014.

Table 17. Net Asset Value (NAV) of Mandatory Pension Funds as of 31 December 2016

Manager	Pension Fund	*NAV*
Amundi-ACBA Asset Management Armenia CJSC	*Balanced fund*	AMD 921 million
	Conservative fund	31.4 billion
	Fixed income fund	520 million
C-QUADRAT Ampega Asset Management Armenia LLC	*Balanced fund*	341 million
	Conservative fund	29.9 billion
	Fixed income fund	219 million

Pension Fund Investments

Within the structure of fund investments, investments in non-government bonds grew by 3 percentage points in 2016 over 2015 and reached 7% of total assets, which indicates that asset managers became more active in the market for non-government bonds in Armenia. Investments in cash and deposits grew by 4 percentage points and reached 27% of total assets. During the same period, the share of government bonds shrunk by 4 percentage points, and the share of investments in the securities of foreign investment funds shrunk by 56.3 percentage points.

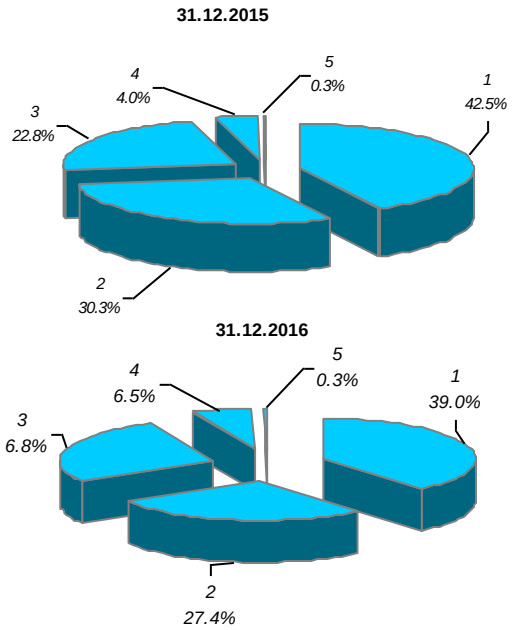
39.0% of the funds' assets (AMD 24.7 billion) were investments in government bonds of Armenia. Investments in Armenia's government Eurobonds were AMD 385 million. The weighted average maturity of government bonds in which funds invest is 6.5 years, and their weighted average yield (to maturity) is 11.0%.

The share of FX assets of the funds is 33.9% (AMD 21.4 billion), the bulk of which (AMD 17.4 billion) are securities of foreign investment funds.

The yield of the funds was 13.8% in 2016. Three-year incremental yield as from early 2014 was 25.9% (the average price of one share grew by AMD 259 from AMD 1,000 at the time of creation, and reached AMD 1,259 as of 31 December 2016).

Figure 48.

Pension Fund Investment Structure



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

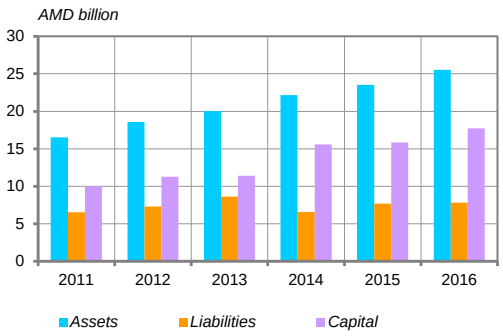
Source: Central Bank of Armenia.

PAYMENT AND SETTLEMENT ORGANIZATIONS

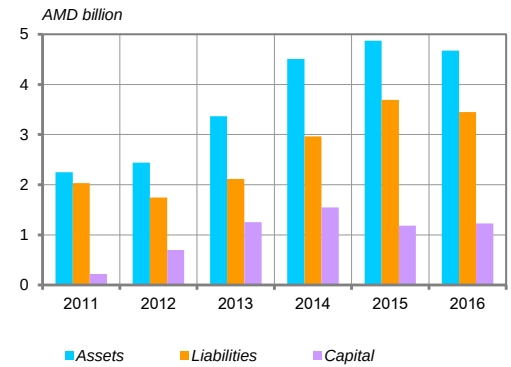
Figure 49.

Assets and Liabilities of Payment and Settlement Organizations

Only organizations performing money transfers



Organizations performing both processing/clearing of payment instructions and money transfers



Source: Central Bank of Armenia.

As of 31 December 2016, 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 2016, the assets of companies holding a license to perform processing/clearing and money transfers shrank by 4% to reach AMD 4.7 billion at yearend, and their liabilities shrank by 7% to reach AMD 3.4 billion, while capital grew by 4% to reach AMD 1.2 billion.

During the year, the assets, liabilities, and capital of organizations holding only a license to perform money transfers grew by 8.6%, 1.9%, and 11.8%, respectively, to reach AMD 23.5 billion, 7.8 billion, and 17.7 billion.

Companies holding a license to perform processing/clearing and money transfers had a profit of AMD 597 million in 2016, while the profit of organizations performing only money transfers was AMD 20 million.

At yearend 2016, 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 online and other services through automated self-service terminals and registered branches. The value of transactions performed by payment and settlement organizations grew by 62% over 2015 and reached AMD 761.8 billion at yearend 2016.

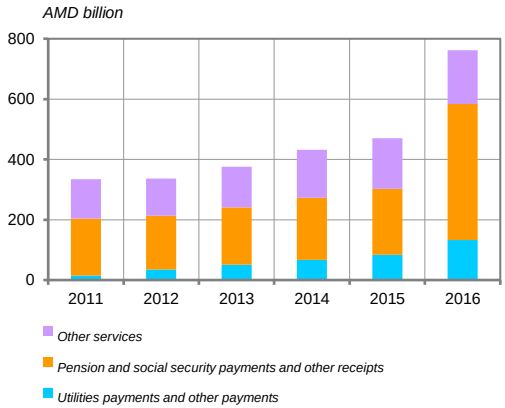
Payment and settlement organizations provided processing services to a number of commercial banks and organizations performing money transfers. Utilities services payments collected by payment and settlement organizations through commercial banks grew by 0.7% over 2015 to AMD 7.6 billion (1.7 million transactions).

Incoming money transfers to the Republic of Armenia are performed through commercial banks and organizations performing money transfers. In 2016, about AMD 9.8 billion were transferred to Armenia through organizations performing money transfers (AMD 730 million less than in 2015). The same organizations transferred AMD 2.1 billion abroad (AMD 474 million more than in 2015).

During 2016, the ArCa processing center performed card transactions of AMD 1 trillion 485.8 billion (a 10.2% increase over 2015). The value of certifications of transactions using cards registered with another processing center reached AMD 89.6 billion (an 18% increase over 2015). The value of transactions using payment cards registered in the ArCa processing center through points of sale registered outside ArCa (including abroad) reached AMD 182.7 billion (a 45% increase).

Figure 50.

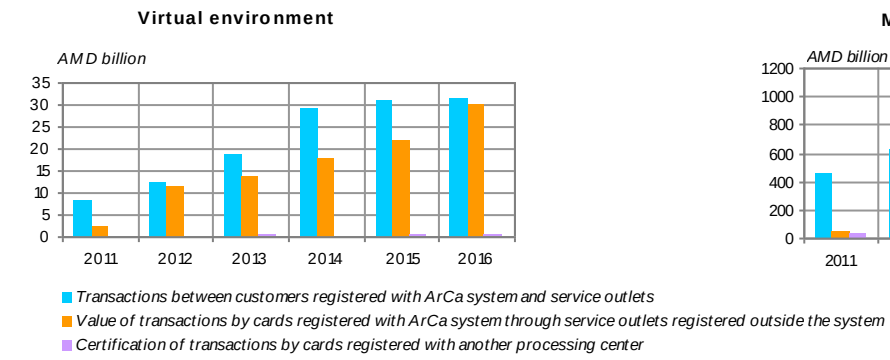
Volume of Services Provided by Payment and Settlement Organizations



Source: Central Bank of Armenia.

Figure 51.

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



Source: Central Bank of Armenia.

SETTLEMENT SYSTEM

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

At yearend 2016, the number of banking system clients grew by 7.2% relative to 2015 and reached 2.5 million. The increase was due to the increase of natural person clients, which amounted to 2.4 million at yearend. The number of banking system client accounts grew by 8.6% to reach 4.6 million (including 3.5 million current accounts, 195,000 time accounts, and 881,000 credit accounts).

In 2016, payment card transactions of AMD 1 trillion 381.8 billion were performed in the territory of Armenia using payment cards. The number of non-cash payments using cards grew by 29.6% and reached about AMD 208.1 billion. In this volume of non-cash transactions, the value of internet transactions was AMD 84.6 billion (including AMD 23.0 billion in e-commerce and AMD 59.4 billion in card-to-card transfers). Compared to 2015, the total number of cards in circulation declined by 9.2% and reached 1.6 million:[16] the share of non-cash payments made using cards (including internet transactions) in total card transactions grew by 3.3 percentage points in 2016 over 2015 and reached 15.1%.

The number of money transfers to individuals through organizations performing money transfers and through commercial banks declined by 6% in 2016 over 2015 and reached AMD 732.1 billion (including transfers through SWIFT), while the value of outbound transfers abroad grew by 7% and reached AMD 374 billion. The resulting net inflow was AMD 358.0 billion, which is 17% lower than the 2015 figure.

The average daily value of non-cash payments within Armenia was AMD 67 billion (a total of 78,000 payments). The average daily value of non-cash payments made through the Central Bank's payment systems grew by 9.6% in 2016 and reached AMD 72.3 billion, while their number grew by 11.6% and reached 16,000.

[16] *This decline is due to data adjustment by one bank.*

E-Payment System

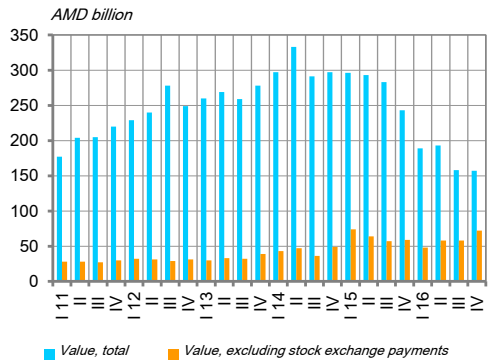
The e-payment system is used for interbank money transfers and final settlement of transactions performed through other systems (ArCa, exchange platforms, the Central Depositary of Armenia, and the Government Securities Accounting and Settlement System).

The average daily value of interbank money transfers made through the e-payment system has declined by 6.0% to reach AMD 59.3 billion, while the number of transfers has increased by 10.6% to reach 15,800. As a result, the average value of one electronic transfer declined to about AMD 3.8 million.

Average daily transfers related to stock exchange transactions using the e-payment system declined by 19.1% in 2016 to reach AMD 173.7 billion. The average value of transfers made by commercial banks in relation to stock exchange transactions has grown by 6.9% to reach AMD 2.8 billion.

Figure 52.

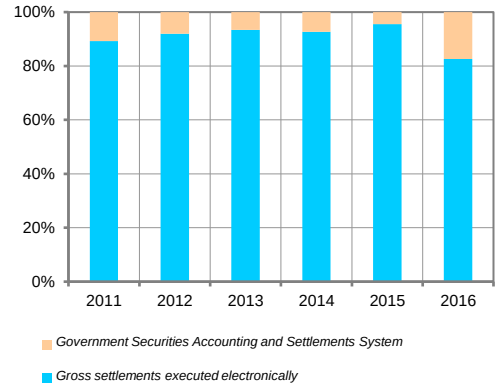
Average Daily Transfers Made Through the Electronic Payments System



Source: Central Bank of Armenia.

Figure 53.

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



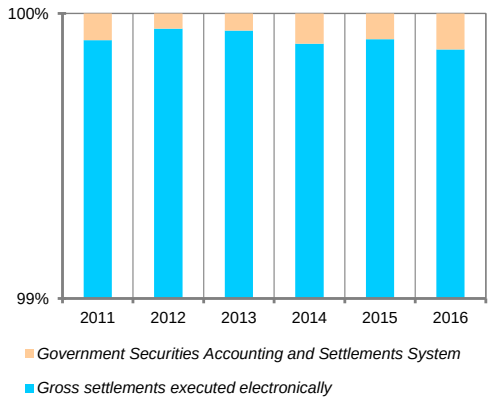
Source: Central Bank of Armenia.

Government Securities Accounting and Settlement System

At yearend 2016, 17 commercial banks, one development bank, and two investment companies operating in Armenia, the Deposit Guarantee Fund, the Pension Guarantee Fund Management Foundation, the Central Depositary of Armenia, the "NASDAQ-OMX Armenia" stock exchange, the Ministry of Finance of Armenia (as the issuer of government securities), Treasury Direct, and the Central Bank of Armenia (as the central custodian, account-holder, and issuer of Central Bank bonds) participated in the Government Securities Accounting and Settlement System.

Figure 54.

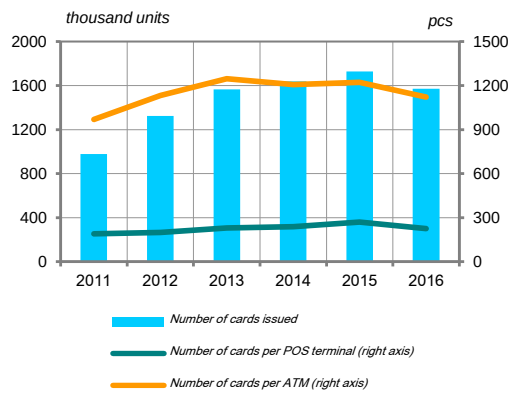
Structure of the Value of Payments Made through the Payment Systems of the Central Bank (excluding stock exchange payments)



Source: Central Bank of Armenia.

Figure 55.

Issued Payment Cards



Source: Central Bank of Armenia.

Non-cash payments are made in the Republic of Armenia through payment orders, requests, checks, payment cards, and e-money. In 2016, the value of non-cash payments was AMD 24.2 trillion, and their number 28.2 million. The bulk (99.0%) of the value of payments were payment orders, while 0.9% were non-cash card transactions, and the remainder were checks, requests, and e-money. Cards are the most common payment instrument: non-cash payments using cards accounted for 29% of the total number of non-cash payments.

Payment Cards

As of 31 December 2016, commercial banks operating in Armenia were issuing or serving payment cards for clients.

In 2016, the number of ATMs installed to serve cards declined by 16, bringing the total yearend number to 1,401. The number of POS-terminals installed by commercial banks grew by 557 to reach 6,971 at yearend (757 of the POS-terminals are installed in commercial banks).

The number of payment cards shrank by 9.2% in 2016 to reach 1.5 million. The number of active ArCa cards decreased by 5% in 2016 over 2015 and reached 521,000. The number of cards of international card systems shrank by 11%: the number of VISA cards shrank by 26%[17] and reached 588,000, while number of MasterCard cards grew by 20.8% and reached 416,000. The number of other international cards declined by 4% and reached 46,000.

[17] *This decline is due to data adjustment by one bank.*

Table 18. Transactions Carried out with Card-Servicing Equipment, 2016

Equipment	Transactions			
	Value (AMD million)	*Number*	***Of which: ArCa cards***	
			Value (AMD million)	*Number*
ATMs	1044882	22064	289153	6595
of which: non-cash	6107	391	462	607
POS-terminals/imprinters	252326	4287	57396	791
of which: non-cash	117326	3860	44816	1443
Online	84633	3643	14319	743
Total	1381841	29995	360868	8130
of which: non-cash	208066	7894	59597	2793

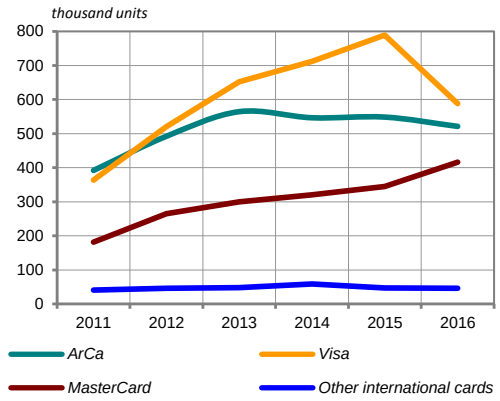
The shares of ArCa, VISA, and MasterCard cards in the total number of cards issued by banks (cards in circulation) were 33%, 37%, and 27%, respectively, while the other 3% were cards of other international card systems (including HSBC debit cards and AmEx cards).

The total value of transactions carried out with payment cards in Armenia (including cards issued by foreign banks) grew by 2.6% to AMD 1.4 trillion, while their number grew by 8% and reached 30 million. 26% of the total value of transactions were carried out with ArCa cards, 46% with VISA cards, 22% with MasterCard cards, and 6% with other cards. In 2016, the value of transactions carried out with ArCa and VISA payment cards declined by 0.3% each and reached AMD 360.9 and 631.8 billion, respectively, while the value of transactions with MasterCard cards grew by 16% to AMD 310.4 billion. The value of transactions carried out with other international cards shrank by 17% and reached AMD 78.8 billion.

The value of transactions carried out abroad using VISA cards issued by commercial banks operating in Armenia grew by 2.5% and reached AMD 54.3 billion (their number grew by 11.2% and reached 929,000), while the value of MasterCard transactions grew by 5.2% and reached AMD 36.8 billion (the number grew by 22% and reached 717,000), and the value of transactions with other international cards grew by 23% and reached AMD 4.8 billion.

Figure 56.

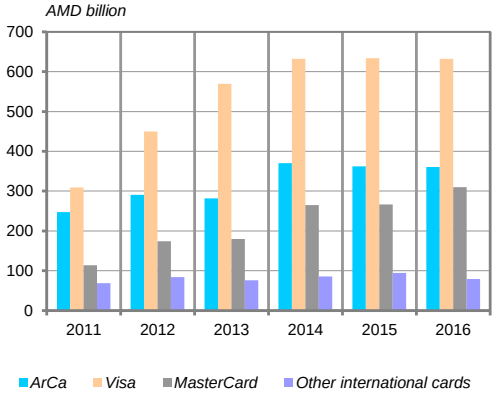
Growth of Payment Cards Issued by Banks in Armenia



Source: Central Bank of Armenia.

Figure 57.

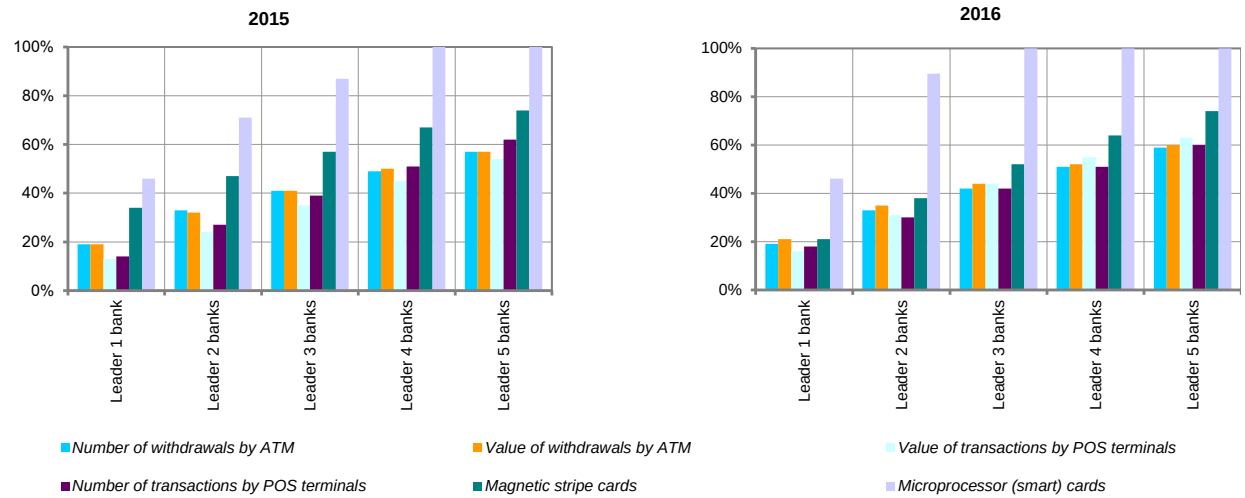
Transactions Made in Armenia Using Payment Cards, 2011 - 2016



Source: Central Bank of Armenia.

Figure 58.

The share of leader banks having executed transactions with payment cards and issued cards, 2015-2016



Source: Central Bank of Armenia.

Concentration in the issuance and servicing of payment cards increased in 2016, with the exception of magnetic stripe cards. Concentration in the issuance of smart cards increased, with the share of the two leading banks growing by 19% to reach 90% 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 60% 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 2016, commercial banks operating in Armenia participated in 12 international and two domestic Armenian systems for delivering money transfer services to customers.

In 2016, 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 514.4 billion, which is a 5.3% decline over 2015. The average value of a remittance to the Republic of Armenia through these systems was AMD 151,000, which was a 3% decline over 2015.

The net inflow of funds through international transfer systems shrunk by 7% in 2016 over 2015 and reached AMD 403.2 billion.

Transfers to individuals through correspondent accounts of commercial banks shrank by 7.0% and reached AMD 227.5 billion: the average value of a transfer shrank by 13% over 2015 and reached AMD 3.4 million. Outbound transfers of individuals through correspondent accounts of commercial banks grew by 9.7% and reached AMD 265.0 billion. As a result, an AMD 37.5 billion net outflow of funds of individuals was reported in remittances through correspondent accounts of commercial banks.

REMOTE SERVICE SYSTEMS

Commercial banks have expanded and improved the services provided to their customers by using modern technologies. A number of commercial banks introduced remote service systems enabling their customers to manage their bank accounts remotely. Customers can issue instructions, obtain information about bank account balances, and perform other banking operations without visiting the bank.

In 2016, total payments initiated by customers through remote service systems grew by 25% to AMD 8.3 trillion, while their number grew by 19% and reached 9.2 million. These payments were made by clients using bank-client systems (payments value totaled AMD 4.2 trillion), online banking services (AMD 4.1 trillion), and telephone banking services (AMD 9.0 billion). The average value of a payment made by clients using bank-client and online banking services was AMD 0.7 million and AMD 1.2 million, respectively, while the average value of a payment made through telephone banking was AMD 0.1 million.

SUPERVISION DEVELOPMENT PROSPECTS

For pursuing stability and development of the financial system and improving the payment and settlement system, the Central Bank continuously modernizes and streamlines the financial system regulation and supervision toolkit.

Development Prospects in Armenia's Financial System Regulation and Supervision

With a view to implementing a number of requirements under Basel III in banking regulation, the Central Bank of Armenia initiated legislation to amend the Republic of Armenia Law on Banks and Banking to prescribe the possibility of adopting prudential requirements under Basel III on buffers and leverage, as well as more stringent prudential requirements on systemic banks. The draft Law also stipulates the possibility for the Central Bank to define the ratios for certain tools of macroprudential policy, such as customer debt-to-income (DTI) and loan-to-value ratios.

The Central Bank continued to pay attention to the development of sector programs and programs with a social impact. In 2016, efforts to develop the mortgage market continued. The National Mortgage Company continued the loan refinancing program for improving energy efficiency of houses and microcredit financing. To develop the mortgage market and expand access to mortgage credit, mortgage-backed bonds continued to be issued. 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.

As part of the insurance sector reforms, a number of changes were made in the mandatory third party liability (MTPL) system, including the implementation of the scheme for self-resolution of accidents, centralization of the registration of all accidents (except for the agreed declaration) in the Traffic Police, standardization of the baseline data, standardization of the forensic examinations, and transition to policies with an unlimited number of authorized users. The MTPL bonus-malus system was amended, too, whereby the bonus or malus goes only to the insured person that is in possession of the vehicle.

In 2016, 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 continued in 2016 jointly with international organizations for implementing an insurance system for agriculture risks. At present, implementing a system of insurance for the plant cultivation sector is preferable in Armenia. Continuation of reforms in this sphere is planned.

In 2016, the Central Bank worked actively towards developing new financial instruments: in cooperation with the European Bank for Reconstruction and Development, reforms were implemented to develop and promote tools for containing FX and other risks—financial derivatives. On 27 October 2016, the National

Assembly of Armenia adopted the draft laws aimed at improving the derivatives market. Efforts are underway for developing the repo instruments and money market, which are essential preconditions for the effective implementation of financial derivatives.

Cooperation measures have focused also on implementing the securitization mechanism and promoting the issuance of asset-back securities and mortgage bonds. They are important for business development and promoting investments.

During the year, the pension fund assets doubled, which is the result of higher trust in a well-established system and effective management of resources. Efforts to reform the pension system will continue.

The financial market developments led to a transition from the rule-based supervision model to a risk-based and forward-looking one. In 2016, Armenia continued efforts aimed at deepening and finalizing the implementation of risk-based supervision. It will enable optimal distribution of supervision resources and greater effectiveness of the supervision processes.

Development Prospects for Consumer Protection and Supervision in This Area

In 2016, the regulatory framework further incurred changes in support of consumer protection programs.

Based on the review of practice related to commissions and penalties for services provided to individual consumers, as well as the experience of regulating commissions and penalties in developing and developed countries, efforts will be made in the course of 2017 to regulate financial system commissions and penalties, as well as the provision of “short-term expensive loans.”

Requirements on the communication between guarantors and lending organizations will be defined, including rules on loan overdue notices given to guarantors and the general communication with guarantors prior to entering into a contract.

Requirements will be prescribed on information provided to consumers orally and in writing prior to entering into a contract and during and after the contract term in the field of agriculture loans.

The effectiveness of various regulatory tools implemented for the protection of consumer interests will be assessed in 2017, and necessary adjustments will be made on the basis of the results.

Business conduct principles and requirements will be developed for insurance companies.

The implementation of risk-based supervision of Business Conduct will continue in 2017.

The public awareness activities of the previous years will be sustained in 2017 and afterwards, including the measures stipulated by the National Strategy for Financial Literacy in the Republic of Armenia and initiated in earlier years, such 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 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	31.12.13	31.12.14	31.12.15	Change 31.12.15-31.12.14	31.03.16	Change 31.03.16-31.12.15	30.06.16	Change 30.06.16-31.03.16
Cash	D	61942108	63129297	66704719	5.7%	50808654	-23.8%	53459133	5.2%
	FX	48063349	50156380	63960449	27.5%	76768733	20.0%	68868439	-10.3%
Correspondent accounts with the CBA and other claims on the CBA	D	223349685	334324590	324225627	-3.0%	337821436	4.2%	345893283	2.4%
	FX	238814033	135944281	182845238	34.5%	162620200	-11.1%	106073133	-34.8%
Correspondent accounts with banks and other claims on banks	D	18901750	2827424	26456542	835.7%	29695778	12.2%	39046502	31.5%
	FX	149589222	179414351	181144654	1.0%	169399784	-6.5%	130221820	-23.1%
Claims on other financial organizations	D	32306847	26773547	32468204	21.3%	34945938	7.6%	38302269	9.6%
	FX	9065648	14718317	9951280	-32.4%	10629374	6.8%	10738766	1.0%
Government securities		225674419	238875710	253329656	6.1%	257780861	1.8%	286869087	11.3%
Repos (excluding interbank repos)	D	14879345	15222444	15495296	1.8%	17805849	14.9%	20961708	17.7%
	FX	361907	8566	2736	-68.1%	3189	16.6%	3414	7.1%
Loans to legal entities	D	181757349	179594561	188179078	4.8%	173207719	-8.0%	197673573	14.1%
	FX	819290251	1043240653	986798916	-5.4%	1034630221	4.8%	1041726836	0.7%
Loans to individuals	D	418961966	474835742	434705440	-8.5%	441053912	1.5%	438026920	-0.7%
	FX	219877460	296696349	302813167	2.1%	298477605	-1.4%	297356747	-0.4%
Loans to the bank's related parties and staff	D	20436487	22316703	49489002	121.8%	50066966	1.2%	51028599	1.9%
	FX	48557139	56743268	48823246	-14.0%	60077166	23.1%	53707929	-10.6%
Asset loss reserves		-42985763	-66765866	-75727235	13.4%	-94459468	24.7%	-98797250	4.6%
Accrued interest receivable	D	11032398	13219065	18407180	39.2%	19794889	7.5%	20638430	4.3%
	FX	23623843	39136645	48230560	23.2%	55036269	14.1%	60187111	9.4%
Fixed assets		83328760	88068668	87566810	-0.6%	93967488	7.3%	91283323	-2.9%
Other securities	D	13776072	23097052	27548444	19.3%	27682111	0.5%	20716395	-25.2%
	FX	3286275	2171328	6156816	183.6%	6010441	-2.4%	6177475	2.8%
Leasing and factoring (excluding interbank)	D	10736554	14136326	11782909	-16.6%	12970003	10.1%	12266289	-5.4%
	FX	7580015	12900283	16232697	25.8%	16143603	-0.5%	15756674	-2.4%
Other assets		101527272	150137056	149489380	-0.4%	150063850	0.4%	147615281	-1.6%
Total balance sheet assets		**2943734392**	**3410922738**	**3457080811**	**1.4%**	**3493002573**	**1.0%**	**3455801885**	**-1.1%**

Assets *AMD thousand*

Indicator	Currency	30.09.16	Change 30.09.16-30.06.16	31.12.16	Change 31.12.16-30.09.16	Change 31.12.16-31.12.15	
Cash	D	51914428	-2.9%	62927868	21.2%	-3776850	-5.7%
	FX	59977097	-12.9%	57483961	-4.2%	-6476488	-10.1%
Correspondent accounts with the CBA and other claims on the CBA	D	296768143	-14.2%	325942801	9.8%	1717175	0.5%
	FX	188478605	77.7%	255785015	35.7%	72939777	39.9%
Correspondent accounts with banks and other claims on banks	D	54164961	38.7%	41354673	-23.7%	14898131	56.3%
	FX	115086187	-11.6%	120944233	5.1%	-60200421	-33.2%
Claims on other financial organizations	D	42842343	11.9%	39730705	-7.3%	7262501	22.4%
	FX	14443055	34.5%	15464146	7.1%	5512866	55.4%
Government securities		353811877	23.3%	427552994	20.8%	174223338	68.8%
Repos (excluding interbank repos)	D	20437528	-2.5%	23391339	14.5%	7896043	51.0%
	FX	2981	-12.7%	3064	2.8%	328	12.0%
Loans to legal entities	D	204614096	3.5%	318069245	55.4%	129890167	69.0%
	FX	1047422554	0.5%	1097988400	4.8%	111189484	11.3%
Loans to individuals	D	432475393	-1.3%	451700598	4.4%	16995157	3.9%
	FX	289672301	-2.6%	285311011	-1.5%	-17502156	-5.8%
Loans to the bank's related parties and staff	D	51198019	0.3%	53278488	4.1%	3789486	7.7%
	FX	73524353	36.9%	113152354	53.9%	64329108	131.8%
Asset loss reserves		-106033937	7.3%	-90375640	-14.8%	-14648404	19.3%
Accrued interest receivable	D	18810948	-8.9%	21519788	14.4%	3112608	16.9%
	FX	59968548	-0.4%	55868810	-6.8%	7638250	15.8%
Fixed assets		91092875	-0.2%	95130809	4.4%	7563999	8.6%
Other securities	D	19054743	-8.0%	27351688	43.5%	-196756	-0.7%
	FX	6075651	-1.6%	12451328	104.9%	6294512	102.2%
Leasing and factoring (excluding interbank)	D	11835439	-3.5%	12538244	5.9%	755335	6.4%
	FX	9316867	-40.9%	7502210	-19.5%	-8730487	-53.8%
Other assets		146651046	-0.7%	162476570	10.8%	12987190	8.7%
Total balance sheet assets		**3553606098**	**2.8%**	**3994544703**	**12.4%**	**537463892**	**15.5%**

Appendix 1. *(continued)*

Liabilities

AMD thousand

Indicator	Currency	31.12.13	31.12.14	31.12.15	Change 31.12.15-31.12.14	31.03.16	Change 31.03.16-31.12.15	30.06.16	Change 30.06.16-31.03.16
Correspondent accounts of banks	D	1369146	2064130	2626454	27.2%	1873958	-28.7%	6669851	255.9%
	FX	9034957	7291487	12466336	71.0%	11187175	-10.3%	4075423	-63.6%
Other liabilities to banks (including the CBA) and other financial organizations	D	309201582	440243291	384250266	-12.7%	368066049	-4.2%	367372626	-0.2%
	FX	446330699	660639677	551584126	-16.5%	541969176	-1.7%	476786966	-12.0%
Demand liabilities to legal entities	D	117352041	106655816	121027717	13.5%	118980367	-1.7%	122823186	3.2%
	FX	233992849	181473699	207121949	14.1%	217349313	4.9%	176755089	-18.7%
Demand liabilities to individuals	D	80700124	74461286	87644084	17.7%	80949037	-7.6%	90672047	12.0%
	FX	90092068	109970677	134169937	22.0%	126337265	-5.8%	138942708	10.0%
Time deposits of legal entities	D	48618069	60004517	88871613	48.1%	124789668	40.4%	143939543	15.3%
	FX	208802452	212413365	193300401	-9.0%	192220891	-0.6%	194009918	0.9%
Time deposits of individuals	D	194810556	197932350	215736211	9.0%	223193794	3.5%	232228599	4.0%
	FX	546886730	661335644	741403154	12.1%	767662091	3.5%	741709185	-3.4%
Liabilities to the Government of Armenia	D	52850527	48584207	42013865	-13.5%	38052061	-9.4%	41330909	8.6%
	FX	6595958	6386159	4947020	-22.5%	4776847	-3.4%	5129820	7.4%
Accrued interest payable	D	10136406	11836223	14255867	20.4%	16312569	14.4%	17413925	6.8%
	FX	14951471	18497078	20030336	8.3%	19783809	-1.2%	22460735	13.5%
Other liabilities	D	82055916	77577912	54079492	-30.3%	47290872	-12.6%	48606089	2.8%
	FX	33920318	64435402	67502141	4.8%	62279477	-7.7%	76894606	23.5%
Total balance sheet liabilities		**2487701871**	**2941802920**	**2943030970**	**0.0%**	**2963074419**	**0.7%**	**2907821225**	**-1.9%**
Paid-in statutory capital fund		263029751	290107914	364121379	25.5%	366698639	0.7%	382620883	4.3%
General reserve		22655318	27335184	30671613	12.2%	30679419	0.0%	32211387	5.0%
Own shares repurchased by bank		0	0	0		0		-2568	
Retained profit (loss)	Current period	37928881	21195062	-20356731	-196.0%	2903174	-114.3%	5704138	96.5%
	Previous period	98209091	108335132	122137908	12.7%	102214512	-16.3%	97607284	-4.5%
Total balance sheet capital		**456032521**	**469119818**	**514049841**	**9.6%**	**529928154**	**3.1%**	**547980660**	**3.4%**
Collateral received		3825638311	4366974222	4519476428	3.5%	4601120175	1.8%	4604935952	0.1%
of which: government securities		627449	3635784	1204256	-66.9%	750695	-37.7%	4143081	451.9%
Guarantees received		3376097555	4403568003	4612079158	4.7%	4611572635	0.0%	4559176125	-1.1%
Written off the balance sheet	loans	66590669	109067725	184732384	69.4%	181836496	-1.6%	190405747	4.7%
	Receivables and other assets	5643898	9092870	11895659	30.8%	12318854	3.6%	13003609	5.6%
	Interest	35718086	55313693	91754723	65.9%	98410154	7.3%	108903953	10.7%
Guarantees issued		10090738	6239810	5816751	-6.8%	5278938	-9.2%	6780195	28.4%
Collateral pledged	Total	2069188	1280478	647744	-49.4%	165169	-74.5%	3039443	1740.2%
	Of which: government securities			481569		0		2875672	

Liabilities *AMD thousand*

Indicator		Currency	30.09.16	Change 30.09.16-30.06.16	31.12.16	Change 31.12.16-30.09.16	Change 31.12.16-31.12.15	
Correspondent accounts of banks		D	12099873	81.4%	8440341	-30.2%	5813887	221.4%
		FX	9707523	138.2%	24145523	148.7%	11679187	93.7%
Other liabilities to banks (including the CBA) and other financial organizations		D	356166334	-3.1%	408535074	14.7%	24284808	6.3%
		FX	482733397	1.2%	494640562	2.5%	-56943565	-10.3%
Demand liabilities to legal entities		D	126359728	2.9%	149711930	18.5%	28684214	23.7%
		FX	202387272	14.5%	290016447	43.3%	82894497	40.0%
Demand liabilities to individuals		D	93502584	3.1%	108067591	15.6%	20423507	23.3%
		FX	128575013	-7.5%	134366873	4.5%	196936	0.1%
Time deposits of legal entities		D	121905211	-15.3%	159645174	31.0%	70773561	79.6%
		FX	225410817	16.2%	251547964	11.6%	58247563	30.1%
Time deposits of individuals		D	254006931	9.4%	283050858	11.4%	67314647	31.2%
		FX	763091317	2.9%	801053009	5.0%	59649855	8.0%
Liabilities to the Government of Armenia		D	40360157	-2.3%	38852734	-3.7%	-3161131	-7.5%
		FX	4510905	-12.1%	4497586	-0.3%	-449434	-9.1%
Accrued interest payable		D	16523954	-5.1%	17432083	5.5%	3176216	22.3%
		FX	19720688	-12.2%	24093966	22.2%	4063630	20.3%
Other liabilities		D	55036308	13.2%	77059021	40.0%	22979529	42.5%
		FX	70540074	-8.3%	65797417	-6.7%	-1704724	-2.5%
Total balance sheet liabilities			**2982638088**	**2.6%**	**3340954154**	**12.0%**	**397923184**	**13.5%**
Paid-in statutory capital fund			391192740	2.2%	458005247	17.1%	93883868	25.8%
General reserve			32210655	0.0%	31927022	-0.9%	1255409	4.1%
Own shares repurchased by bank			0		0			
Retained profit (loss)	Current period		8429537	47.8%	31659531	275.6%	52016262	-255.5%
	Previous period		98722602	1.1%	87913386	-10.9%	-34224521	-28.0%
Total balance sheet capital			570968010	4.2%	653590549	14.5%	139540708	27.1%
Collateral received			4603305154	0.0%	4899021821	6.4%	379545392	8.4%
of which: government securities			2399881	-42.1%	3251000	35.5%	2046744	170.0%
Guarantees received			4763685543	4.5%	4898335912	2.8%	286256754	6.2%
Written off the balance sheet	loans		194965166	2.4%	207746117	6.6%	23013732	12.5%
	Receivables and other assets		17309416	33.1%	17313809	0.0%	5418150	45.5%
	Interest		119133552	9.4%	129251528	8.5%	37496805	40.9%
Guarantees issued			9549857	40.8%	7943645	-16.8%	2126894	36.6%
Collateral pledged	Total		1598116	-47.4%	2588386	62.0%	1940642	299.6%
	Of which: government securities		1435100		2397039		1915470	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	31.12.13	31.12.14	31.12.15	Change 31.12.15-31.12.14	31.03.16	Change 31.03.16-31.12.15	30.06.16	Change 30.06.16-31.03.16	30.09.16	Change 30.09.16-30.06.16	31.12.16	Change 31.12.16-30.09.16	Change 31.12.16-31.12.15
Cash	D	2.1	1.9	1.9	0.1	1.5	-0.5	1.5	0.1	1.5	-0.1	1.6	0.1	-0.4
	FX	1.6	1.5	1.9	0.4	2.2	0.3	2.0	-0.2	1.7	-0.3	1.4	-0.2	-0.4
Correspondent accounts with the CBA and other claims on the CBA	D	7.6	9.8	9.4	-0.4	9.7	0.3	10.0	0.3	8.4	-1.7	8.2	-0.2	-1.2
	FX	8.1	4.0	5.3	1.3	4.7	-0.6	3.1	-1.6	5.3	2.2	6.4	1.1	1.1
Correspondent accounts with banks and other claims on banks	D	0.6	0.1	0.8	0.7	0.9	0.1	1.1	0.3	1.5	0.4	1.0	-0.5	0.3
	FX	5.1	5.3	5.2	0.0	4.8	-0.4	3.8	-1.1	3.2	-0.5	3.0	-0.2	-2.2
Claims on other financial organizations	D	1.1	0.8	0.9	0.2	1.0	0.1	1.1	0.1	1.2	0.1	1.0	-0.2	0.1
	FX	0.3	0.4	0.3	-0.1	0.3	0.0	0.3	0.0	0.4	0.1	0.4	0.0	0.1
Government securities		7.7	7.0	7.3	0.3	7.4	0.1	8.3	0.9	10.0	1.7	10.7	0.7	3.4
Repos (excluding interbank repos)	D	0.5	0.4	0.4	0.0	0.5	0.1	0.6	0.1	0.6	0.0	0.6	0.0	0.1
	FX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans to legal entities	D	6.2	5.3	5.4	0.2	5.0	-0.5	5.7	0.8	5.8	0.0	8.0	2.2	2.5
	FX	27.8	30.6	28.5	-2.0	29.6	1.1	30.1	0.5	29.5	-0.7	27.5	-2.0	-1.1
Loans to individuals	D	14.2	13.9	12.6	-1.3	12.6	0.1	12.7	0.0	12.2	-0.5	11.3	-0.9	-1.3
	FX	7.5	8.7	8.8	0.1	8.5	-0.2	8.6	0.1	8.2	-0.5	7.1	-1.0	-1.6
Loans to the bank's related parties and staff	D	0.7	0.7	1.4	0.8	1.4	0.0	1.5	0.0	1.4	0.0	1.3	-0.1	-0.1
	FX	1.6	1.7	1.4	-0.3	1.7	0.3	1.6	-0.2	2.1	0.5	2.8	0.8	1.4
Asset loss reserves		-1.5	-2.0	-2.2	-0.2	-2.7	-0.5	-2.9	-0.2	-3.0	-0.1	-2.3	0.7	-0.1
Accrued interest receivable	D	0.4	0.4	0.5	0.1	0.6	0.0	0.6	0.0	0.5	-0.1	0.5	0.0	0.0
	FX	0.8	1.1	1.4	0.2	1.6	0.2	1.7	0.2	1.7	-0.1	1.4	-0.3	0.0
Fixed assets		2.8	2.6	2.5	0.0	2.7	0.2	2.6	0.0	2.6	-0.1	2.4	-0.2	-0.2
Other securities	D	0.5	0.7	0.8	0.1	0.8	0.0	0.6	-0.2	0.5	-0.1	0.7	0.1	-0.1
	FX	0.1	0.1	0.2	0.1	0.2	0.0	0.2	0.0	0.2	0.0	0.3	0.1	0.1
Leasing and factoring (excluding interbank)	D	0.4	0.4	0.3	-0.1	0.4	0.0	0.4	0.0	0.3	0.0	0.3	0.0	0.0
	FX	0.3	0.4	0.5	0.1	0.5	0.0	0.5	0.0	0.3	-0.2	0.2	-0.1	-0.3
Other assets		3.4	4.4	4.3	-0.1	4.3	0.0	4.3	0.0	4.1	-0.1	4.1	-0.1	-0.3
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	31.12.13	31.12.14	31.12.15	Change 31.12.15-31.12.14	31.03.16	Change 31.03.16-31.12.15	30.06.16	Change 30.06.16-31.03.16	30.09.16	Change 30.09.16-30.06.16	31.12.16	Change 31.12.16-30.09.16	Change 31.12.16-31.12.15
Correspondent accounts of banks		D	0.1	0.1	0.1	0.0	0.1	0.0	0.2	0.2	0.4	0.2	0.3	-0.2	0.2
		FX	0.4	0.2	0.4	0.2	0.4	0.0	0.1	-0.2	0.3	0.2	0.7	0.4	0.3
Other liabilities to banks (including the CBA) and other financial organizations		D	12.4	15.0	13.1	-1.9	12.4	-0.6	12.6	0.2	11.9	-0.7	12.2	0.3	-0.8
		FX	17.9	22.5	18.7	-3.7	18.3	-0.5	16.4	-1.9	16.2	-0.2	14.8	-1.4	-3.9
Demand liabilities to legal entities		D	4.7	3.6	4.1	0.5	4.0	-0.1	4.2	0.2	4.2	0.0	4.5	0.2	0.4
		FX	9.4	6.2	7.0	0.9	7.3	0.3	6.1	-1.3	6.8	0.7	8.7	1.9	1.6
Demand liabilities to individuals		D	3.2	2.5	3.0	0.4	2.7	-0.2	3.1	0.4	3.1	0.0	3.2	0.1	0.3
		FX	3.6	3.7	4.6	0.8	4.3	-0.3	4.8	0.5	4.3	-0.5	4.0	-0.3	-0.5
Time deposits of legal entities		D	2.0	2.0	3.0	1.0	4.2	1.2	5.0	0.7	4.1	-0.9	4.8	0.7	1.8
		FX	8.4	7.2	6.6	-0.7	6.5	-0.1	6.7	0.2	7.6	0.9	7.5	0.0	1.0
Time deposits of individuals		D	7.8	6.7	7.3	0.6	7.5	0.2	8.0	0.5	8.5	0.5	8.5	0.0	1.1
		FX	22.0	22.5	25.2	2.7	25.9	0.7	25.5	-0.4	25.6	0.1	24.0	-1.6	-1.2
Liabilities to the Government of Armenia		D	2.1	1.7	1.4	-0.2	1.3	-0.1	1.4	0.1	1.4	-0.1	1.2	-0.2	-0.3
		FX	0.3	0.2	0.2	0.0	0.2	0.0	0.2	0.0	0.2	0.0	0.1	0.0	0.0
Accrued interest payable		D	0.4	0.4	0.5	0.1	0.6	0.1	0.6	0.0	0.6	0.0	0.5	0.0	0.0
		FX	0.6	0.6	0.7	0.1	0.7	0.0	0.8	0.1	0.7	-0.1	0.7	0.1	0.0
Other liabilities		D	3.3	2.6	1.8	-0.8	1.6	-0.2	1.7	0.1	1.8	0.2	2.3	0.5	0.5
		FX	1.4	2.2	2.3	0.1	2.1	-0.2	2.6	0.5	2.4	-0.3	2.0	-0.4	-0.3
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			57.7	61.8	70.8	9.0	69.2	-1.6	69.8	0.6	68.5	-1.3	70.1	1.6	-0.8
General reserve			5.0	5.8	6.0	0.1	5.8	-0.2	5.9	0.1	5.6	-0.2	4.9	-0.8	-1.1
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		8.3	4.5	-4.0	-8.5	0.5	4.5	1.0	0.5	1.5	0.4	4.8	3.4	8.8
	Previous period		21.5	23.1	23.8	0.7	19.3	-4.5	17.8	-1.5	17.3	-0.5	13.5	-3.8	-10.3
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	517951645	148562793	666514438
Tier-one capital	437753723	110643656	548397380
Statutory capital	358762693	92491520	451254213
Note: number of shares sold	150864095	50604274	201468369
General reserve	30671613	1255410	31927024
Retained profit	101594821	17879608	119474428
Deductions from tier-one capital, of which:	57209662	3799656	61009318
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	589996	59382	649378
Intangible assets, "subject to the exceptions stipulated by Regulation 2"	1193476	6379537	7573013
Investments in the statutory capital of other banks, credit organizations, and "other entities stipulated by Regulation 2"	1545689	-361328	1184361
Tangible assets not used for banking and capital investments therein	44350529	799517	45150046
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	1781013	-1781013	0
Capital investments in fixed assets leased by the bank	5530313	-583937	4946376
Investments in the statutory capital of other commercial entities as per paragraph 28.1 of Regulation 2	59534	-9324	50210
Deferred tax assets minus deferred tax liabilities (positive figure)	2159112	-703178	1455934
Supplementary capital	80197921	37919137	118117058
Revaluation reserve for buildings and premises necessary for the bank's operations	17145584	7228393	24373977
Reserve generated from the FX difference due to balance sheet consolidation	0	0	0
Long-term subordinate debt borrowed by the bank	78778478	10344577	89123055
Other reserves, "subject to the exceptions stipulated by Regulation 2"	-4645546	21965177	17319631

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

Indicator	31.12.13	Change 31.12.14-31.12.13	31.12.14	Change 31.12.15-31.12.14	31.12.15	Change 31.12.16-31.12.15	31.12.16
Statutory capital *(AMD thousand)*	253061623	27078165	280139788	56689028	336828816	72210796	409039612
Of which: non-residents *(AMD thousand)*	188871096	-2515685	186355411	41575942	227931352	25819212	253750565
share of non-residents (%)	74.63%	-8.1%	66.52%	1.15%	67.67%	-5.63%	62.04%

Appendix 5. Income and Expense of Banks Operating in Armenia

AMD thousand

Indicator	31.12.13	31.12.14	31.12.15	Change 31.12.15-31.12.14	31.03.16	30.06.16	30.09.16	31.12.16	Change 31.12.16-31.12.15
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
From correspondent accounts	212569	148877	180034	20.9%	42977	72621	93538	107191	-40.5%
From funds held with the Central Bank of Armenia	576989	443618	232405	-47.6%	82068	290480	447468	742260	219.4%
Interest from funds held with commercial banks and other financial organizations	4805082	3930742	4090447	4.1%	945408	1828943	2542763	2951806	-27.8%
From loans to the economy	171084589	190308915	200647592	5.4%	49890387	99827323	148954461	197863759	-1.4%
Interest from overdraft	28075331	26366947	33711040	27.9%	8270870	16579083	25251892	33878646	0.5%
Interest from credit cards	16274242	20387398	22595886	10.8%	5576907	11046536	16650245	20269021	-10.3%
Interest from government securities	20922268	22483404	24767996	10.2%	7068187	14474190	23093424	32115374	29.7%
From repos	4110361	4618302	5242927	13.5%	1702067	3674455	5614115	7394325	41.0%
Other interest income	8894997	10124358	12406916	22.5%	4015419	8054857	12060562	16714652	34.7%
Total interest income	**254956428**	**278812561**	**303875243**	**9.0%**	**77594290**	**155848487**	**234708468**	**312037035**	**2.7%**

	1	2	3	4	5	6	7	8	9
Interest paid against correspondent accounts	71305	108472	174918	61.3%	43323	94007	190619	234528	34.1%
Interest paid against bank accounts and demand deposits	4379589	5071225	5028661	-0.8%	1235618	2451088	4116732	5184548	3.1%
Interest paid against funds attracted from the Central Bank of Armenia	12568876	12127587	25332772	108.9%	3490068	6340343	8653467	10461283	-58.7%
Repos	276904	715111	615739	-13.9%	591028	1403845	2188380	2846457	362.3%
Interest paid against funds attracted from commercial banks and other financial organizations	25178013	27578902	41824858	51.7%	10814704	20857557	30739897	42026954	0.5%
Interest paid against time deposits	73009943	85514302	95608944	11.8%	26948765	54029760	81369693	107650612	12.6%
Interest paid against funds attracted from international financial institutions	9589359	9522515	11432956	20.1%	3489934	6816728	10066276	13328086	16.6%
Interest expense on deposit insurance	1485617	1757274	1956592	11.3%	538262	1076832	1745358	2701700	38.1%
Other interest expense	8560061	7450893	6697193	-10.1%	1840201	3855861	5805999	8394222	25.3%
Total interest expense	**135119667**	**149846281**	**188672633**	**25.9%**	**48991903**	**96926021**	**144876420**	**192828390**	**2.2%**
Net interest income	***119836761***	***128966280***	***115202610***	***-10.7%***	***28602387***	***58922467***	***89832048***	***119208644***	***3.5%***
Commissions received	30934726	37010981	39714112	7.3%	9337864	19497472	30087186	41417659	4.3%
Income from guarantees, acceptance and L/C operations, and trust management	1477896	1816802	2259269	24.4%	535158	1019818	1571337	2201813	-2.5%
Net income from derivatives	1004975	-3643547	-1794400	-50.8%	-88413	100404	338270	302894	-116.9%
Net income from factoring	1633271	3256751	3764833	15.6%	1175860	2337590	3331112	4210941	11.8%
Income from investments in other organizations	16310	9350	99045	959.3%	3226	6403	13291	15382	-84.5%
Net income from sale of securities	1041462	2626560	244654	-90.7%	39138	107208	664326	661427	170.4%
Net income from FX purchase and sale	14812439	18170015	17580074	-3.2%	3565418	7534567	11492449	15884150	-9.6%
Positive (negative) exchange rate difference from FX revaluation	-477368	3892454	2033954	-47.7%	82591	-636172	-694624	648457	-68.1%
Net income from sale of fixed assets	-586035	-285216	72753	-125.5%	-105598	-274780	-202534	196321	169.8%
Net income from revaluation of fixed assets	-11299	-56114	14132	-125.2%	0	-77263	-77263	-127075	-999.2%
Fines and penalties received	13525483	15545798	23493079	51.1%	5545509	11624835	17482968	23547814	0.2%
Other non-interest income	4013318	3701689	5897148	59.3%	1331511	2720983	4420510	6140557	4.1%
Total non-interest income	**67385178**	**82045523**	**93378653**	**13.8%**	**21422264**	**43961065**	**68427028**	**95100339**	**1.8%**
Accrued wages and related payments (other reimbursement paid and financing of social requirements)	50885134	56016867	55505831	-0.9%	13409623	27283849	40974646	56303359	1.4%
Costs of business travel	720805	708610	637280	-10.1%	98049	328975	503486	718085	12.7%
Contributions to the Republic of Armenia State Fund for Social Insurance	249544	10715	17682	65.0%	5336	9719	14103	18965	7.3%
Taxes, duties, and other mandatory payments	3445912	3420416	3559408	4.1%	752666	1568099	2336647	3122843	-12.3%
Depreciations provisions	11812655	12157203	12540579	3.2%	3103627	6108970	9241334	12086749	-3.6%
Leasing of bank premises and other fixed assets	6127521	6708680	7250151	8.1%	1849514	3776416	5738842	7488552	3.3%
Advertisement and representation expense	4426527	4538785	4111988	-9.4%	757686	1710115	2555049	4114002	0.0%
Office and printing expense	1145566	1160953	1177061	1.4%	246649	508414	752373	1063386	-9.7%

	1	2	3	4	5	6	7	8	9
Audit and consulting services expense	1254944	1263534	1453101	15.0%	286472	557524	804710	1249550	-14.0%
Bank hardware O&M expense	1606289	1817746	2142987	17.9%	457870	972722	1535933	2140509	-0.1%
Transport expense	744333	702603	594379	-15.4%	117868	254373	390730	532033	-10.5%
Transport and communications expense	2151365	2059874	2029718	-1.5%	470185	956977	1438013	1878332	-7.5%
Fines and penalties paid	137681	97167	347392	257.5%	14147	30484	53484	89645	-74.2%
Training expense	410614	447066	234039	-47.7%	-4960	62253	102188	172739	-26.2%
Other non-interest expense	21607984	23579650	25417847	7.8%	6793938	13702858	20832485	27685549	8.9%
Total non-interest expense	**106726874**	**114689869**	**117019443**	**2.0%**	**28358670**	**57831745**	**87274022**	**118664297**	**1.4%**
Net non-interest expense	***-39341696***	***-32644346***	***-23640790***	***-27.6%***	***-6936406***	***-13870680***	***-18846994***	***-23563958***	***-0.3%***
General reserve for possible losses of loans and receivables	29986311	42611434	40000220	-6.1%	11012516	25064820	36767770	55018286	37.5%
Special reserve for possible losses of loans and receivables	176926241	259306538	373179588	43.9%	67514922	142233773	244177711	363148909	-2.7%
Reserve for possible securities losses	9425	45195	118504	162.2%	31369	40437	42136	265048	123.7%
Reserves for bank guarantees and other contingent liabilities	16077458	7593758	7738212	1.9%	1608918	3174175	5694382	7983534	3.2%
Total provisions	**222999435**	**309556925**	**421036524**	**36.0%**	**80167725**	**170513204**	**286681999**	**426415776**	**1.3%**
From the general reserve for possible losses of loans and receivables	28770603	59408025	47201958	-20.5%	10041233	23927494	39371321	58232230	23.4%
From the special reserve for possible losses of loans and receivables	147215698	176227477	258173626	46.5%	50681721	106771955	183237440	303704374	17.6%
From the reserve for possible securities losses	14697	61331	65816	7.3%	2007	3020	26508	46889	-28.8%
From reserves for bank guarantees and other contingent liabilities	15841747	7141123	7815686	9.4%	1613292	3337273	5314871	7363280	-5.8%
Total recoveries	**191842745**	**242837956**	**313257086**	**29.0%**	**62338253**	**134039743**	**227950140**	**369346773**	**17.9%**
Net provisions	***31156690***	***66718969***	***107779438***	***61.5%***	***17829472***	***36473461***	***58731859***	***57069003***	***-47.1%***
Pre-tax profit	**49338375**	**29602965**	**-16217618**	**-154.8%**	**3836509**	**8578326**	**12253195**	**38575683**	**-337.9%**
Profit tax	11157087	8417381	4491227	-46.6%	972641	2952798	3941988	6904856	53.7%
Net profit	**38181288**	**21185584**	**-20708845**	**-197.7%**	**2863868**	**5625528**	**8311207**	**31670827**	**-252.9%**
Accrued dividends	340460	0	0	0.0%	0	0	0	160050	100.0%
Retained profit	**37840828**	**21185584**	**-20708845**	**-197.7%**	**-20708845**	**5625528**	**8311207**	**31510777**	**-252.2%**

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

%

Indicator	2012	2013	2014	2015	2016
Return on Assets					
Banking system	1.90	1.44	0.71	-0.63	0.90
Minimum (profitable banks)	0.18	0.27	0.48	0.01	0.19
Maximum (profitable banks)	3.82	3.71	3.10	2.44	3.47
Return on equity					
Banking system	11.40	9.07	4.47	-4.26	5.70
Minimum (profitable banks)	0.86	1.14	0.65	0.08	0.25
Maximum (profitable banks)	25.87	22.84	18.73	14.88	20.31

Appendix 7. Loan Investments by the Armenian Banking System

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
interbank loans, deposits, factoring, leasing, and repos	66411818	750000	1899880	2113309	68311698	25478414
1.2. Prolonged assets	20845172	24022936	46137475	56695042	66982647	57002835
of which: loans	20845172	24022936	46137475	28874209	66982647	54366174
interbank loans, deposits, factoring, leasing, and repos	0	0	0	407711	0	2636660
1.3. Overdue assets	13153770	864880	11299253	8078102	24453023	14693723
of which: loans	13152806	864880	11299253	8030553	24452059	14693260
interbank loans, deposits, factoring, leasing, and repos	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, and repos with non-residents	54519384	985821	28726322	15877505	83245706	45923514
2.1. Time assets	50609357	976458	27543087	1091494	78152444	44074151
2.2. Prolonged assets	3324790	9363	0	14778620	3324790	770645
2.3. Overdue 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
1.2. Prolonged assets	6390843	8167746	22294089	51608968	28684932	59776714
of which: loans	0	4645403	0	0	0	4645403
deposits, factoring, leasing, and repos	8754507	12566600		15369024	9927766	27935624
1.3. Overdue assets	8692857	12543355	1173259	15369024	9866116	27912379
of which: loans	0	0	0	0	0	0
deposits, factoring, leasing, and repos	46610975	66357493	0	0	46610975	66357493
2. Loans, deposits, factoring, leasing, and repos with non-residents	101246	25594591	31724199	35892499	31825445	61487090
2.1. Time assets	4400	269183	14778080	3386250	14782480	3655433
2.2. Prolonged 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 7. *(continued)*

AMD thousand

Indicator	2016					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	223877370	304298949	710981663	1222440202	934859033	1526739151
1.1. Time assets	180980466	285963457	671584601	1175792937	852565067	1461756394
of which: loans	136758141	275166219	660691978	1173813558	797450119	1448979777
deposits, factoring, leasing, and repos	23456608	5223210	249993	0	23706601	5223210
1.2. Prolonged assets	37413231	7604319	37840341	32464978	75253572	40069297
of which: loans	3690237	2241489	23076226	31981038	26766463	34222527
deposits, factoring, leasing, and repos	10831529	4166723	0	483940	10831529	4650663
1.3. Overdue assets	5483673	10731173	1556721	14182287	7040394	24913460
of which: loans	5421805	10728579	1556721	14182287	6978526	24910866
deposits, factoring, leasing, and repos	0	0	0	0	0	0
2. Loans, deposits, factoring, leasing, and repos with non-residents	29980716	111534130	124275556	50981449	154256272	162515579
2.1. Time assets	29956110	110685148	109500628	46359014	139456738	157044162
2.2. Prolonged assets	604	817730	14774928	3416854	14775532	4234584
2.3. Overdue assets	24002	31252	0	1205581	24002	1236833
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	179198481	171873567	601404280	1192350005	780602761	1364223572
3.1. Industry	4767709	68088580	58107126	290726181	62874835	358814761
Mining	0	6467533	2167765	40631810	2167765	47099343
Energy	2775030	51626582	24470145	107137314	27245175	158763896
Food	1175122	4749550	19275721	75581233	20450843	80330783
Light industry	156021	640859	3364246	8150177	3520267	8791036
Chemical	0	0	302975	13912892	302975	13912892
Construction materials	444677	730624	3347079	20686236	3791756	21416860
Precious items	0	12098	1371222	1963093	1371222	1975191
Metal industry	0	1847683	0	4423401	0	6271084
Machine-building and electrical	21608	485392	1385469	3414305	1407077	3899697
Other branches of industry	195251	1528259	2422504	14825720	2617755	16353979
3.2. Agriculture	504120	6967826	45208854	75785563	45712974	82753389
3.3. Construction	4101445	3087855	9658423	85965218	13759868	89053073
3.4. Transport and communications	5477809	1942974	15574443	51701692	21052252	53644666
3.5. Trade	3845651	52985208	50423804	228563737	54269455	281548945
3.6. Public catering and other services	1359627	146551	30552061	158237513	31911688	158384064
3.7. Financial sector	69386945	14317646	3474191	9646160	72861136	23963806
3.8. Consumer loans	58531171	4020931	276413692	95257390	334944863	99278321
3.9. Mortgage loans	171177	87913	88834863	94594828	89006040	94682741
3.10. Other sectors of the economy	54209650	122099806	54209650	122099806	54209650	122099806

Appendix 8. Loan Investments by the Armenian Banking System

%

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 8. *(continued)*

%

Indicator	2016					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	9.1	12.4	28.9	49.7	38.0	62.0
1.1. Time assets	7.4	11.6	27.3	47.8	34.6	59.4
of which: loans	5.6	11.2	26.8	47.7	32.4	58.9
interbank loans, deposits, factoring, leasing, and repos	1.0	0.2	0.0	0.0	1.0	0.2
1.2. Prolonged assets	1.5	0.3	1.5	1.3	3.1	1.6
of which: loans	0.1	0.1	0.9	1.3	1.1	1.4
interbank loans, deposits, factoring, leasing, and repos	0.4	0.2	0.0	0.0	0.4	0.2
1.3. Overdue assets	0.2	0.4	0.1	0.6	0.3	1.0
of which: loans	0.2	0.4	0.1	0.6	0.3	1.0
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	1.2	4.5	5.0	2.1	6.3	6.6
2.1. Time assets	1.2	4.5	4.4	1.9	5.7	6.4
2.2. Prolonged assets	0.0	0.0	0.6	0.1	0.6	0.2
2.3. Overdue assets	0.0	0.0	0.0	0.0	0.0	0.1
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	7.3	7.0	24.4	48.4	31.7	55.4
3.1. Industry	0.2	2.8	2.4	11.8	2.6	14.6
Mining	0.0	0.3	0.1	1.7	0.1	1.9
Energy	0.1	2.1	1.0	4.4	1.1	6.4
Food	0.0	0.2	0.8	3.1	0.8	3.3
Light industry	0.0	0.0	0.1	0.3	0.1	0.4
Chemical	0.0	0.0	0.0	0.6	0.0	0.6
Construction materials	0.0	0.0	0.1	0.8	0.2	0.9
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	0.1	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	0.3	1.8	3.1	1.9	3.4
3.3. Construction	0.2	0.1	0.4	3.5	0.6	3.6
3.4. Transport and communications	0.2	0.1	0.6	2.1	0.9	2.2
3.5. Trade	0.2	2.2	2.0	9.3	2.2	11.4
3.6. Public catering and other services	0.1	0.0	1.2	6.4	1.3	6.4
3.7. Financial sector	2.8	0.6	0.1	0.4	3.0	1.0
3.8. Consumer loans	2.4	0.2	11.2	3.9	13.6	4.0
3.9. Mortgage loans	0.0	0.0	3.6	3.8	3.6	3.8
3.10. Other sectors of the economy	2.2	5.0	2.2	5.0	2.2	5.0

Appendix 9. Distribution of Loan Investments of Commercial Banks

%

On 31.12.2016	Bank 1	Bank 2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9
Commercial bank lending, by sectors of the economy									
1. Industry	14.69	7.71	10.42	22.30	7.26	16.98	15.92	9.24	18.49
Mining	1.50	0.41	0.05	7.21		0.00	0.00	0.01	0.05
Energy	4.50	1.55	2.91	8.34	1.48	11.68	3.59	5.45	2.80
Food	5.29	1.70	3.61	3.61	2.99	3.12	9.07	2.90	7.39
Light industry	0.19	2.33	1.11	0.37		0.42	0.54	0.27	2.18
Chemical	0.97	0.15	0.52	0.00					0.19
Construction materials	0.35	0.38	1.47	2.66	2.79	0.11	1.55	0.33	1.84
Precious items		0.01	0.36	0.03		0.01	0.75	0.27	0.26
Metal industry	1.86		0.00	0.00					
Machine-building and electrical	0.02	0.72	0.38	0.07		0.02	0.03	0.02	1.40
Other branches of industry	0.02	0.48	0.01	0.00	0.00	1.62	0.40	0.00	2.38
2. Agriculture	3.36	0.85	0.68	5.41	11.24	1.72	0.96	3.87	2.52
Livestock	1.61	0.39	0.28	0.08	0.98	0.38		0.22	1.37
Plant cultivation	1.75	0.46	0.40	5.33	10.26	1.34	0.96	3.66	1.15
3. Construction	12.28	1.01	2.00	8.45	0.16	5.88	2.64	4.43	2.26
4. Transport and communications	4.75	0.19	3.77	8.87		0.32	1.71	0.45	3.37
5. Trade	18.46	8.15	20.67	15.35	13.82	13.46	34.74	11.60	31.98
Wholesale	14.09	1.44	9.80	10.09	7.97	4.73	26.99	6.98	20.60
Retail	4.37	6.71	10.87	5.26	5.85	8.73	7.75	4.62	11.38
6. Public catering and other services	11.08	4.79	10.31	16.60	7.75	12.83	8.54	3.13	6.37
7. Financial sector	2.00	12.25	10.63	3.10	4.06	11.38	12.48	1.83	1.88
Of which: resident banks		11.83	7.44	0.78	0.73	2.12	0.47		0.90
8. Consumer loans	16.96	36.92	21.44	7.63	42.70	28.57	9.72	34.12	26.85
9. Mortgage loans	5.44	5.84	13.30	6.03	9.19	5.03	7.83	20.85	4.96
10. Other sectors of the economy	10.97	22.28	6.78	6.27	3.83	3.82	5.46	10.48	1.32
Total, by banks	**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	7.19	1.17	2.96	16.94	2.39	3.33	2.03	2.00	7.07
Mining	6.25	0.53	0.13	46.72		0.00	0.00	0.01	0.18
Energy	4.98	0.53	1.87	14.31	1.10	5.17	1.03	2.66	2.42
Food	10.84	1.08	4.29	11.48	4.12	2.56	4.84	2.62	11.83
Light industry	3.27	12.22	10.89	9.63		2.85	2.37	2.00	28.86
Chemical	14.03	0.67	4.40	0.00					2.10
Construction materials	2.91	0.98	7.12	34.53	15.69	0.38	3.37	1.21	12.01
Precious items		0.12	12.72	2.83		0.24	11.94	7.23	12.50
Metal industry	60.85		0.00	0.00					
Machine-building and electrical	0.85	9.49	9.50	4.89		0.33	0.31	0.44	46.82
Other branches of industry	0.18	1.60	0.04	0.06	0.00	7.04	1.13	0.02	20.15
2. Agriculture	5.40	0.42	0.63	13.49	12.15	1.10	0.40	2.75	3.17
Livestock	7.52	0.56	0.75	0.56	3.08	0.71		0.45	5.01
Plant cultivation	4.29	0.35	0.57	20.27	16.91	1.31	0.61	3.95	2.20
3. Construction	24.57	0.63	2.32	26.21	0.21	4.72	1.38	3.91	3.53
4. Transport and communications	13.16	0.17	6.06	38.12		0.35	1.24	0.55	7.30
5. Trade	11.31	1.54	7.35	14.58	5.69	3.30	5.54	3.13	15.30
Wholesale	14.81	0.47	5.98	16.45	5.64	1.99	7.39	3.24	16.91
Retail	6.41	3.05	9.26	11.97	5.78	5.13	2.96	2.99	13.04
6. Public catering and other services	12.03	1.61	6.50	27.97	5.66	5.58	2.42	1.50	5.40
7. Financial sector	4.28	8.13	13.22	10.30	5.85	9.78	6.97	1.73	3.15
Of which: resident banks		17.47	20.60	5.80	2.34	4.05	0.58		3.37
8. Consumer loans	8.03	5.41	5.89	5.60	13.60	5.42	1.20	7.13	9.93
9. Mortgage loans	6.09	2.02	8.64	10.48	6.92	2.26	2.28	10.31	4.34
10. Other sectors of the economy	12.81	8.05	4.60	11.36	3.01	1.79	1.66	5.40	1.21
Total, by banks	**9.61**	**2.97**	**5.58**	**14.91**	**6.46**	**3.85**	**2.50**	**4.24**	**7.51**

%

On 31.12.2016	Bank 10	Bank 11	Bank 12	Bank 13	Bank 14	Bank 15	Bank 16	Bank 17	Bank 18	Total, by sectors
Commercial bank lending, by sectors of the economy										
1. Industry	5.23	18.74	31.48	13.50	3.22	15.32	7.83	39.42	35.87	19.62
Mining		0.00	0.00	0.02	0.02	0.01	0.38	6.64		2.30
Energy		18.33	4.47	5.76		9.80	0.99	27.79	13.36	8.69
Food		0.01	19.63	5.24	1.23	2.87	2.94	0.51	13.76	4.69
Light industry	1.16	0.22	0.23	0.36	0.24	0.19	0.94	0.07	1.94	0.57
Chemical				0.00	0.01		0.03	3.32		0.66
Construction materials	3.35	0.07		1.27	0.49	0.14	0.23		4.98	1.15
Precious items		0.05		0.09			1.43		0.09	0.16
Metal industry			1.94							0.29
Machine-building and electrical	0.72	0.06	0.22	0.07	0.00	2.24	0.16	0.09	0.16	0.22
Other branches of industry	0.00	0.00	5.00	0.68	1.24	0.07	0.74	0.99	1.59	0.89
2. Agriculture	1.91	10.89	1.49	34.12	0.32	0.07	0.39	3.30	1.34	5.98
Livestock	1.59	6.77		17.46	0.17	0.07	0.27	0.70	0.77	2.06
Plant cultivation	0.32	4.13	1.49	16.66	0.15		0.12	2.60	0.57	3.92
3. Construction	7.22		4.88	1.20	3.51	1.15	4.90	4.41	4.51	4.80
4. Transport and communications	1.88	6.08	1.35	0.47	0.00	0.10	2.89	5.07	0.16	3.47
5. Trade	16.76	9.59	18.77	9.50	3.09	11.62	20.44	10.39	7.67	15.69
Wholesale	14.74	8.54	11.17	2.83	1.81	4.09	3.08	6.65	7.00	9.14
Retail	2.03	1.04	7.60	6.67	1.28	7.53	17.37	3.74	0.67	6.55
6. Public catering and other services	4.38	0.63	9.94	2.99	0.37	5.74	4.97	9.21	8.19	8.85
7. Financial sector	23.43	14.02	6.82	4.34	4.06		1.88	2.47	0.77	4.48
Of which: resident banks	22.57	14.02	4.90	3.79				0.45		2.01
8. Consumer loans	7.71	7.14	6.31	27.77	10.06	39.37	41.68	13.69	4.07	20.29
9. Mortgage loans	30.57	32.74	11.42	4.94	13.68	24.48	10.20	7.02	9.93	8.58
10. Other sectors of the economy	0.91	0.18	7.55	1.16	61.69	2.14	4.82	5.02	27.48	8.23
Total, by banks	**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	0.08	1.22	9.50	5.66	0.52	0.48	2.01	31.51	3.93	100.0
Mining		0.00	0.00	0.06	0.02	0.00	0.83	45.26		100.0
Energy		2.70	3.05	5.45		0.70	0.57	50.16	3.31	100.0
Food		0.00	24.79	9.18	0.82	0.38	3.15	1.70	6.31	100.0
Light industry	0.63	0.49	2.39	5.26	1.33	0.21	8.36	1.87	7.37	100.0
Chemical				0.04	0.06		0.22	78.49		100.0
Construction materials	0.90	0.08		9.09	1.33	0.08	0.99		9.33	100.0
Precious items		0.42		4.69			46.03		1.29	100.0
Metal industry			39.15							100.0
Machine-building and electrical	0.99	0.36	5.69	2.69	0.00	6.18	3.50	6.44	1.49	100.0
Other branches of industry	0.00	0.00	33.40	6.33	4.40	0.05	4.20	17.55	3.86	100.0
2. Agriculture	0.10	2.33	1.48	46.93	0.17	0.01	0.33	8.66	0.48	100.0
Livestock	0.24	4.21		69.83	0.26	0.02	0.65	5.36	0.81	100.0
Plant cultivation	0.03	1.35	2.25	34.93	0.12		0.15	10.39	0.31	100.0
3. Construction	0.46		6.01	2.05	2.30	0.15	5.13	14.41	2.02	100.0
4. Transport and communications	0.17	2.24	2.30	1.12	0.00	0.02	4.18	22.91	0.10	100.0
5. Trade	0.33	0.78	7.09	4.98	0.62	0.46	6.55	10.39	1.05	100.0
Wholesale	0.50	1.19	7.24	2.54	0.62	0.28	1.69	11.41	1.65	100.0
Retail	0.10	0.20	6.88	8.38	0.61	0.71	13.33	8.96	0.22	100.0
6. Public catering and other services	0.15	0.09	6.66	2.77	0.13	0.40	2.82	16.32	1.99	100.0
7. Financial sector	1.62	4.00	9.01	7.97	2.85		2.11	8.66	0.37	100.0
Of which: resident banks	3.47	8.90	14.44	15.48				3.49		100.0
8. Consumer loans	0.12	0.45	1.84	11.25	1.56	1.20	10.33	10.58	0.43	100.0
9. Mortgage loans	1.10	4.88	7.89	4.73	5.02	1.77	5.97	12.82	2.49	100.0
10. Other sectors of the economy	0.03	0.03	5.44	1.16	23.59	0.16	2.94	9.58	7.19	100.0
Total, by banks	**0.31**	**1.28**	**5.93**	**8.22**	**3.15**	**0.62**	**5.03**	**15.69**	**2.15**	**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
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
2016				
Non-performing assets and off-balance sheet assets (total)	39115373	126619265	120204633	234081983
1. Non-performing assets and off-balance sheet assets of residents (total)	38812476	124408296	119977985	224827677
1.1. Industry	4107870	38731384	3666300	53633157
Mining	6663	23272	130330	485696
Energy	310476	6552535	6188	2608813
Food	3131385	20045397	1918205	35671409
Light industry	115460	2484349	778662	2536767
Chemical	574	670319	67664	21254
Construction materials	170860	3137714	406191	2039032
Precious items	37814	108174	89013	1316824
Metal industry	0	0	0	0
Machine-building and electrical	297032	424341	35279	1939453
Other branches of industry	37606	5285283	234769	7013908
1.2. Agriculture	2119537	9621624	4224968	28601910
1.3. Construction	213736	6363144	2224582	18855865
1.4. Transport and communications	150995	823838	473248	5607642
1.5. Trade	2124153	20674666	9486816	52458053
1.6. Public catering and other services	3120886	22523703	1371864	9881314
1.7. Financial sector	626920	58317	375754	732916
1.8. Consumer loans	22016344	11804292	80281627	21214947
1.9. Mortgage loans	3286214	8114882	7673793	15447763
1.10. Other sectors of the economy	1045821	5692448	10199033	18394112
2. Non-performing assets and off-balance sheet assets of non-residents (total)	302897	2210969	226648	9254306

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
31.12.14				
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**	**100.0**	**71272054**	**3.33**

Loans	Loan Investments	Share	Provision for loans made	
			Balance	% of total
31.12.16				
1. Standard	2261716532	93.3	29215745	1.29
2. Watched	50774484	2.1	5714859	11.26
3. Sub-standard	45034068	1.9	10385212	23.06
4. Doubtful	66411023	2.7	39150704	58.95
Total	**2423936107**	**100**	**84466520**	**3.48**

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**

Receivables	Receivables	Share	Provision for receivables	
			Balance	% of total
31.12.16				
1. Standard	247416905	98.60%	3375171	1.36%
2. Watched	1094673	0.44%	118331	10.81%
3. Sub-standard	1109459	0.44%	246734	22.24%
4. Doubtful	1310934	0.52%	814753	62.15%
Total	**250931971**	**100%**	**4554989**	**1.82%**

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**

Off-balance sheet items	Off-balance sheet items	Share	Provision for off-balance sheet items	
			Balance	% of total
31.12.16				
1. Standard	262392302	99.53	2809257	1.07
2. Watched	581106	0.22	63709	10.96
3. Sub-standard	315221	0.12	69813	22.15
4. Doubtful	97446	0.04	52979	54.37
5. Written-off	234786	0.09	234786	100.00
Total	**263620861**	**100**	**3230544**	**1.23**

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

%

Indicator	31.12.15	31.03.16	30.06.16	30.09.16	31.12.16
Total capital adequacy	16.2	17.3	17.4	18.4	20.0
Total liquidity	28.0	29.2	28.0	29.9	32.5
Current liquidity	142.4	157.9	153.5	159.7	170.8
Single borrower exposure[1]	17.3	16.2	15.9	15.2	16.2
Large borrowers exposure[1]	83.8	86.6	80.0	78.3	64.2
Maximum exposure to a single bank-related party[1]	2.1	1.9	2.0	3.2	3.5
Maximum exposure to all bank-related parties[1]	8.9	8.4	8.6	9.6	10.0

[1] *Median.*

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

Indicator			31.12.2013	31.12.2014	31.12.2015	Change 31.12.15-31.12.14	31.03.2016	Change 31.03.16-31.12.15
Assets	Cash		830360	1601651	2259945	41.1%	2452372	8.5%
	Current accounts with banks		7058990	6249108	4193261	-32.9%	8450556	101.5%
	Claims on banks and other financial organizations		58724075	81981836	105012660	28.1%	110731032	5.4%
	Government securities		3506126	2636979	5051455	91.6%	4574675	-9.4%
	Loans to legal entities		23859349	27971306	37655260	34.6%	34241856	-9.1%
	Loans to individuals		98981067	123789453	126797541	2.4%	130776752	3.1%
	Loans to related parties and employees		4156192	4029154	3038961	-24.6%	3103964	2.1%
	Fixed assets		8677821	10053994	11831886	17.7%	11882543	0.4%
	Leasing and factoring		3296802	4616986	4218105	-8.6%	4152635	-1.6%
	Other securities		124341	5567236	9432176	69.4%	18797681	99.3%
	Other assets		626476	5707418	5186874	-9.1%	4958645	-4.4%
	Accrued interest receivable		1634827	2111685	2744195	30.0%	3909753	42.5%
	Reserve for possible asset losses		-6817310	-7159927	-8794449	22.8%	-9213591	4.8%
	Total assets		**209841599**	**269156880**	**308627870**	**14.7%**	**328818872**	**6.5%**
Liabilities	Demand liabilities		877356	520731	29891	-94.3%	71164	138.1%
	Liabilities to banks and other financial organizations		78392713	90721813	92436374	1.9%	94805405	2.6%
	Time liabilities of individuals		10033564	20935073	19890190	-5.0%	20815481	4.7%
	Time liabilities of legal entities[1]		36019155	36989793	52900100	43.0%	50851703	-3.9%
	Interest payable		2042968	2843221	2918031	2.6%	2739387	-6.1%
	Other liabilities		4877411	7498109	8246187	10.0%	8689328	5.4%
	Total liabilities		**132243167**	**159508741**	**176420773**	**10.6%**	**177972469**	**0.9%**
Capital	Paid-in statutory capital		60782552	86178554	104290268	21%	117430750	12.6%
	of which: share of non-residents		18230530	19169490	10167970	-47%	10167970	0%
	General reserve		1840361	2190620	2488214	14%	2493131	0.2%
	Capital bought back by credit organizations		0	0	0		0	
	Retained profit (loss)	Current period	5746469	9861001	10318374	5%	3207179	-68.9%
		Previous period	8419572	11580066	18114209	56%	27716610	53.0%
	Total balance sheet capital		**77598432**	**109648139**	**132207097**	**20.6%**	**150846403**	**14.1%**
	NB: total number of credit organizations		**33**	**32**	**32**		**32**	

Indicator			30.06.2016	Change 30.06.16-31.03.16	30.09.2016	Change 30.09.16-30.06.16	31.12.2016	Change 31.12.16-30.09.16	Change 31.12.16-31.12.15
Assets	Cash		2479882	1.1%	2432318	-1.9%	2226128	-8.5%	-1.5%
	Current accounts with banks		8599280	1.8%	14883533	73.1%	19061932	28.1%	354.6%
	Claims on banks and other financial organizations		112583816	1.7%	123568723	9.8%	133695346	8.2%	27.3%
	Government securities		5527643	20.8%	6847570	23.9%	5341476	-22.0%	5.7%
	Loans to legal entities		31115695	-9.1%	24493467	-21.3%	18900748	-22.8%	-49.8%
	Loans to individuals		129861478	-0.7%	127123617	-2.1%	132251853	4.0%	4.3%
	Loans to related parties and employees		3622397	16.7%	3426077	-5.4%	3911907	14.2%	28.7%
	Fixed assets		12819861	7.9%	23920135	86.6%	49692414	107.7%	320.0%
	Leasing and factoring		4127513	-0.6%	4077200	-1.2%	4017355	-1.5%	-4.8%
	Other securities		19005585	1.1%	19038036	0.2%	19685799	3.4%	108.7%
	Other assets		5738098	15.7%	6561235	14.3%	5256070	-19.9%	1.3%
	Accrued interest receivable		3831577	-2.0%	3707324	-3.2%	6976131	88.2%	154.2%
	Reserve for possible asset losses		-9105879	-1.2%	-9371842	2.9%	-9038460	-3.6%	2.8%
	Total assets		**330206944**	**0.4%**	**350707394**	**6.2%**	**391978700**	**11.8%**	**27.0%**
Liabilities	Demand liabilities		48046	-32.5%	66079	37.5%	85999	30.1%	187.7%
	Liabilities to banks and other financial organizations		96623665	1.9%	105351868	9.0%	104013903	-1.3%	12.5%
	Time liabilities of individuals		20651279	-0.8%	21554829	4.4%	20403270	-5.3%	2.6%
	Time liabilities of legal entities[1]		45759080	-10.0%	46880746	2.5%	67752424	44.5%	28.1%
	Interest payable		2430714	-11.3%	3538448	45.6%	3231997	-8.7%	10.8%
	Other liabilities		10527264	21.2%	10957748	4.1%	14452395	31.9%	75.3%
	Total liabilities		**176040048**	**-1.1%**	**188349718**	**7.0%**	**209939988**	**11.5%**	**19.0%**
Capital	Paid-in statutory capital		117300767	-0.1%	123766468	5.5%	136105889	10.0%	30.5%
	of which: share of non-residents		10125578	0%	10543228	4%	10747228	2%	5.7%
	General reserve		3036209	21.8%	3122432	2.8%	3122434	0.0%	25.5%
	Capital bought back by credit organizations		-10000		0		0		
	Retained profit (loss)	Current period	4476434	113.6%	11634643	69.8%	19239495	65.4%	86.5%
		Previous period	18320938	-4.0%	22996536	-13.6%	23014054	0.1%	27.0%
	Total balance sheet capital		**154166896**	**2.2%**	**162357676**	**5.3%**	**182038712**	**12.1%**	**37.7%**
	NB: total number of credit organizations		**32**		**33**		**34**		

[1] *Including liabilities to the Government.*

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

%

Indicator			31.12.2013	31.12.2014	31.12.2015	Change 31.12.15-31.12.14	31.03.2016	Change 31.03.16-31.12.15
Assets	Cash		0.4%	0.6%	0.7%	0.1%	0.7%	0.0%
	Current accounts with banks		3.4%	2.3%	1.4%	-1.0%	2.6%	1.2%
	Claims on banks and other financial organizations		28.0%	30.5%	34.0%	3.6%	33.7%	-0.4%
	Government securities		1.7%	1.0%	1.6%	0.7%	1.4%	-0.2%
	Loans to legal entities		11.4%	10.4%	12.2%	1.8%	10.4%	-1.8%
	Loans to individuals		47.2%	46.0%	41.1%	-4.9%	39.8%	-1.3%
	Loans to related parties and employees		2.0%	1.5%	1.0%	-0.5%	0.9%	0.0%
	Fixed assets		4.1%	3.7%	3.8%	0.1%	3.6%	-0.2%
	Leasing and factoring		1.6%	1.7%	1.4%	-0.3%	1.3%	-0.1%
	Other securities		0.1%	2.1%	3.1%	1.0%	5.7%	2.7%
	Other assets		0.3%	2.1%	1.7%	-0.4%	1.5%	-0.2%
	Accrued interest receivable		0.8%	0.8%	0.9%	0.1%	1.2%	0.3%
	Reserve for possible asset losses		-3.2%	-2.7%	-2.8%	-0.2%	-2.8%	0.0%
	Total assets		**100.0%**	**100.0%**	**100.0%**	**x**	**100.0%**	**x**
Liabilities	Demand liabilities		0.7%	0.3%	0.0%	-0.3%	0.0%	0.0%
	Liabilities to banks and other financial organizations		59.3%	56.9%	52.4%	-4.5%	53.3%	0.9%
	Time liabilities of individuals		7.6%	13.1%	11.3%	-1.9%	11.7%	0.4%
	Time liabilities of legal entities[1]		27.2%	23.2%	30.0%	6.8%	28.6%	-1.4%
	Interest payable		1.5%	1.8%	1.7%	-0.1%	1.5%	-0.1%
	Other liabilities		3.7%	4.7%	4.7%	0.0%	4.9%	0.2%
	Total liabilities		**100.0%**	**100.0%**	**100.0%**	**x**	**100.0%**	**x**
Capital	Paid-in statutory capital		78.3%	78.6%	78.9%	0.3%	77.8%	-1.0%
	of which: share of non-residents		23.5%	17.5%	7.7%	-9.8%	6.7%	-1.0%
	General reserve		2.4%	2.0%	1.9%	-0.1%	1.7%	-0.2%
	Capital bought back by credit organizations		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Retained profit (loss)	Current period	7.4%	9.0%	7.8%	-1.2%	2.1%	-5.7%
		Previous period	10.9%	10.6%	13.7%	3.1%	18.4%	4.7%
	Total balance sheet capital		**100.0%**	**100.0%**	**100.0%**	**x**	**100.0%**	**x**

%

Indicator			30.06.16	Change 30.06.16 - 31.03.16	30.09.2016	Change 30.09.16 - 30.06.16	31.12.2016	Change 31.12.16 - 31.12.15
Assets	Cash		0.8%	0.0%	0.7%	-0.1%	0.1%	-0.6%
	Current accounts with banks		2.6%	0.0%	4.2%	1.6%	1.9%	0.6%
	Claims on banks and other financial organizations		34.1%	0.4%	35.2%	1.1%	4.8%	-29.3%
	Government securities		1.7%	0.3%	2.0%	0.3%	1.0%	-0.7%
	Loans to legal entities		9.4%	-1.0%	7.0%	-2.4%	-3.4%	-15.6%
	Loans to individuals		39.3%	-0.4%	36.2%	-3.1%	-9.7%	-50.8%
	Loans to related parties and employees		1.1%	0.2%	1.0%	-0.1%	-0.5%	-1.5%
	Fixed assets		3.9%	0.3%	6.8%	2.9%	3.1%	-0.7%
	Leasing and factoring		1.2%	0.0%	1.2%	-0.1%	-0.6%	-1.9%
	Other securities		5.8%	0.0%	5.4%	-0.3%	3.4%	0.3%
	Other assets		1.7%	0.2%	1.9%	0.1%	-0.2%	-1.9%
	Accrued interest receivable		1.2%	0.0%	1.1%	-0.1%	0.3%	-0.6%
	Reserve for possible asset losses		-2.8%	0.0%	-2.7%	0.1%	0.0%	2.8%
	Total assets		**100.0%**	**x**	**100.0%**	**x**	**x**	**x**
Liabilities	Demand liabilities		0.0%	0.0%	0.0%	0.0%	-0.3%	-0.3%
	Liabilities to banks and other financial organizations		54.9%	1.6%	55.9%	1.0%	-0.9%	-53.3%
	Time liabilities of individuals		11.7%	0.0%	11.4%	-0.3%	-1.7%	-13.0%
	Time liabilities of legal entities[1]		26.0%	-2.6%	24.9%	-1.1%	1.7%	-28.3%
	Interest payable		1.4%	-0.2%	1.9%	0.5%	0.1%	-1.6%
	Other liabilities		6.0%	1.1%	5.8%	-0.2%	1.1%	-3.6%
	Total liabilities		**100.0%**	**x**	**100.0%**	**x**	**x**	**x**
Capital	Paid-in statutory capital		76.1%	-1.8%	76.2%	0.1%	-2.4%	-81.2%
	of which: share of non-residents		6.6%	-0.2%	6.5%	-0.1%	-11.0%	-18.7%
	General reserve		2.0%	0.3%	1.9%	0.0%	-0.1%	-2.0%
	Capital bought back by credit organizations		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
	Retained profit (loss)	Current period	4.4%	2.3%	7.2%	2.7%	-1.8%	-9.6%
		Previous period	17.3%	-1.1%	14.2%	-3.1%	3.6%	-10.1%
	Total balance sheet capital		**100.0%**	**x**	**100.0%**	**x**	**x**	**x**

[1] *Including liabilities to the Government.*

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

Indicator	31.12.13	31.12.14	31.12.15	Change 31.12.15 - 31.12.14	31.03.16	30.06.16	30.09.16	31.12.16	Change 31.12.16 - 31.12.15
Interest income	25553892	33023081	38429053	16.4%	10795200	21728139	32508445	42710685	11.1%
Interest expense	9872513	12882159	14184587	10.1%	3647011	7322675	11075092	14867624	4.8%
Net interest income	15681379	20140922	24244466	20.4%	7148189	14405465	21433353	27843062	14.8%
Non-interest income	7176348	8793779	12628521	43.6%	3024727	5993872	9830331	18169967	43.9%
Non-interest expense	13384680	15400802	17111068	11.1%	4075094	8096246	11917170	16739774	-2.2%
Net non-interest income	-6208332	-6607023	-4482547	32.2%	-1050366	-2102374	-2086839	1430193	168.5%
Provisions to the reserve for possible losses	12969718	16866807	24779238	46.9%	7023698	13985198	20860437	28169984	13.7%
Recoveries from the reserve for possible losses	10786593	15478059	17538511	13.3%	4846920	9904862	15213244	21329929	21.6%
Net provisions	2183125	1388748	7240726	421.4%	2176778	4080337	5647193	6840055	-5.5%
Gross income	43516833	57294918	68596085	19.7%	18666847	37626872	57552020	100271246	46.2%
Gross expense	36226911	45149768	56074893	24.2%	14745802	29404119	43852699	59777382	6.6%
Pre-tax profit	7289922	12145150	12521192	3.1%	3921045	8222754	13699321	22433200	79.2%
Net profit	5852591	9861000	10331546	4.8%	3207182	6851578	11628555	19231554	86.1%

Appendix 16. Loan 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	14958716	18440273	16897181	-8.4%	15616865	15619025	15277050	14130181	-16.4%
Agriculture	29288596	50421744	53279269	6.2%	55684322	53629935	49411319	50997687	-4.3%
Construction	5798321	5054617	3509698	-30.6%	3191884	3205203	3195594	3043045	-13.3%
Transport and communications	1059020	7122593	1935437	6.2%	2006922	1930330	1937657	1781975	-7.9%
Trade	19381117	25135710	22938711	-8.7%	22051354	20910480	19908849	20166555	-12.1%
Public catering and other services	5735000	4813917	4893645	6.2%	4622942	4876137	4695333	4756635	-2.8%
Financial sector	45471539	82575861	106178126	28.6%	112029338	113578756	124660424	134858031	27.0%
Consumer loans (including mortgage)	14954308	28870603	30691037	6.2%	33330901	34763600	36531440	39320675	28.1%
Mortgage (housing) loans	17406315	19008345	20699460	8.9%	21367036	22211082	23018278	24234189	17.1%
Other sectors	3517739	7471948	7635145	6.2%	7545331	7986619	8347936	8906160	16.6%
Total	**157570671**	**248915612**	**268657708**	**7.9%**	**277446894**	**278711167**	**286983880**	**302195134**	**12.5%**

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

Sector	31.12.13	31.12.14	31.12.15	Change 31.12.15 - 31.12.14	31.03.16	30.06.16	30.09.16	31.12.16	Change 31.12.16 - 31.12.15
Industry	9.5%	7.4%	6.3%	-1.1%	5.6%	5.6%	5.3%	4.7%	-1.6%
Agriculture	18.6%	20.3%	19.8%	-0.4%	20.1%	19.2%	17.2%	16.9%	-3.0%
Construction	3.7%	2.0%	1.3%	-0.7%	1.2%	1.2%	1.1%	1.0%	-0.3%
Transport and communications	0.7%	2.9%	0.7%	-2.1%	0.7%	0.7%	0.7%	0.6%	-0.1%
Trade	12.3%	10.1%	8.5%	-1.6%	7.9%	7.5%	6.9%	6.7%	-1.9%
Public catering and other services	3.6%	1.9%	1.8%	-0.1%	1.7%	1.7%	1.6%	1.6%	-0.2%
Financial sector	28.9%	33.2%	39.5%	6.3%	40.4%	40.8%	43.4%	44.6%	5.1%
Consumer loans (including mortgage)	9.5%	11.6%	11.4%	-0.2%	12.0%	12.5%	12.7%	13.0%	1.6%
Mortgage (housing) loans	11.0%	7.6%	7.7%	0.1%	7.7%	8.0%	8.0%	8.0%	0.3%
Other sectors	2.2%	3.0%	2.8%	-0.2%	2.7%	2.9%	2.9%	2.9%	0.1%
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 Risk Class

Class	31.12.14	Share in total	31.12.15	Share in total	31.03.16	Share in total	30.06.16	Share in total	30.09.16	Share in total	31.12.16	Share in total
Standard	238167863	94.9%	270220761	93.8%	274848366	93.3%	275888705	93.7%	288088444	93.8%	331053210	95.4%
Watched	8192303	3.3%	9460484	3.3%	11250113	3.8%	10656393	3.6%	11068815	3.6%	8641292	2.5%
Sub-standard	2953898	1.2%	5219733	1.8%	5023913	1.7%	5058450	1.7%	4632025	1.5%	4383819	1.3%
Doubtful	1649738	0.7%	3149016	1.1%	3417021	1.2%	2907811	1.0%	3439229	1.1%	2808997	0.8%
Total	**250963801**	**100%**	**288049994**	**100%**	**294539412**	**100%**	**294513835**	**100%**	**307235132**	**100%**	**346887319**	**100%**

Appendix 19. Investment Companies, 31.12.2016

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total assets	10530	8754	7728	15572	19556	21827	23609	27039	25411	28655	41571
Total liabilities	9282	6668	4900	12637	16359	18597	19811	21871	20482	24524	35101
Total capital	1248	2086	2721	2935	3196	3230	3798	5168	4929	4131	6470
Net profit	667	594	16	202	301	580	349	874	1083	164	1455

[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	2015	2016												2016
		J	F	M	A	M	J	J	A	S	O	N	D	
Shares	161310	1204	6459	5788	11207	5826	1873	8801	8072	21288	51857	24744	10395	157514
o/w: in the regulated market	6768	0	431	15	5278	6	36	2800	24	769	15140	7328	12	31839
Government bonds	457848	20295	29019	32510	35776	40927	36433	34548	41409	37186	95322	75898	47340	526664
Government short-term bonds	76812	1885	4814	901	1952	17	1293	4432	3993	6287	13137	25267	9580	73560
o/w: in the regulated market	1528	0	0	0	0	0	49	0	83	0	2994	5896	0	9021
Government medium-term bonds	234107	14683	16686	25404	19062	26120	19544	15938	17687	11873	18980	14159	12865	213001
o/w: in the regulated market	1761	181	2096	218	1069	2431	710	2027	2836	2157	1669	3590	1345	20328
Government long-term bonds	146930	3726	7519	6205	14762	14790	15596	14178	19729	19025	63205	36473	24895	240103
o/w: in the regulated market	8793	0	136	719	398	1265	393	1315	1335	2996	7928	3790	4176	24449
Corporate bonds	18905	91	767	1077	1822	1619	2947	963	762	1931	9508	9862	4631	35981
o/w: in the regulated market	14231	46	383	538	718	606	1686	455	381	515	345	4708	1100	11482
Total securities trading	639515	21591	36245	39375	48805	48372	41254	44312	50243	60404	156687	110504	62367	720159
o/w: in the regulated market	33081	227	3165	1490	7463	4308	2874	6597	4659	6437	28076	25312	6632	97239
Repos (excluding operations with the Central Bank)	2483059	262228	472085	611915	530573	664131	687606	653449	665531	611312	689970	577381	487619	6913800
o/w: in the regulated market	0	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	32	31	31	31	30	30	30	30	28	28
o/w: banks providing investment services	21	21	21	21	21	20	20	20	19	19	19	19	17	17
investment companies	8	8	8	8	8	8	8	8	8	8	8	8	8	8
investment fund managers	4	3	3	3	3	3	3	3	3	3	3	3	3	3

[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
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
2016	1631	31839	53798	11482	97119
January	161	0	181	46	227
February	116	431	2232	383	3046
March	58	15	936	538	1490
April	58	5278	1467	718	7463
May	72	6	3695	606	4308
June	53	36	1152	1686	2874
July	81	2800	3342	455	6597
August	38	24	4253	381	4659
September	50	769	5153	515	6437
October	50	15140	12592	345	28076
November	71	7328	13276	4708	25312
December	285	12	5520	1100	6632

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
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
2016	9940	98181	108121

Appendix 24. Insurance Companies, 31.12.2016

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

Appendix 25. Balance Sheet Indicators of Insurance Companies

AMD thousand

	Indicator	31.12.2014	31.12.2015	31.12.2016
ASSETS	Cash and cash equivalents	110288	38321	30792
	Bank accounts	771337	957856	745329
	Receivables on direct insurance, of which:	5514751	4157786	5361908
	Insurance premiums	4486108	2858486	3956456
	Other amounts	1028643	1299300	1405452
	Receivables from co-insurers	92		
	Receivables from reinsurers	119293	68504	113696
	Compensation claims, of which:	454007	229662	271307
	Claims on co-insurers			-
	Claims on reinsurers	454007	229662	271307
	Claims due to subrogation	772481	575652	573253
	Deposits in banks	14200161	14350607	18119615
	Loans to financial organizations	100000		50000
	Loans to individuals and sole entrepreneurs	50969	210921	236009
	Loans to legal entities	324201	406309	61471
	Securities sold under repos	4796667	1539131	2374879
	Government securities (including securities issued by the Central Bank)	4056399	6000748	7114822
	Corporate securities	219673	220674	153676
	Depreciation reserves for securities held to maturity			-1511
	Non-current investments in the statutory capital of other entities and other non-current claims on them	731070		
	Reserves for possible losses related to investments, loans, and receivables from direct insurance, co-insurance, or reinsurance	-699922	-619785	-680910
	Share of reinsurer in insurance reserves	2727265	2845052	3291022
	Accrued interest receivable	539564	488967	764863
	Future expenses and insurance prepayments	2025416	2582758	2639345
	Fixed assets	2571950	2882399	2758451
	Other assets	4034881	4194685	2696908
	Total assets	**43420543**	**41130248**	**46674924**

LIABILITIES	Compensations payable, of which:	285343	113311	131429
	For direct insurance	285343	113311	131429
	For co-insurance			
	For risks assumed under reinsurance			
	Payables to intermediaries	366667	340258	393928
	Refundable insurance premiums	235826	54531	80649
	Insurance premiums transferable to co-insurers			
	Insurance premiums transferable to reinsurers	1694919	1167001	1436635
	Loans and borrowings from financial organizations	1674940	683750	483940
	Accrued interest payable	72196	34312	31045
	Insurance reserves, of which:	15605013	17278387	19185886
	Reserve for unearned premiums	10824187	11964722	13116472
	Reserve for losses claimed from insurer, but not settled yet	2223323	2406353	2819028
	Reserve for loss incurred, but not claimed from insurer yet	1306353	888579	888592
	Mathematical reserve			
	Other reserves	1251151	2018732	2361794
	Repos	4489575	1457025	2219164
	Insurance advances received	1014095	727477	577296
	Other liabilities	2223802	2491716	2669603
	Total liabilities	**27662377**	**24347768**	**27209575**
CAPITAL	Statutory capital	14107606	15063606	15063606
	General reserve	772510	808344	849911
	Retained profit/loss of the current period	1560373	1141562	3349961
	Retained profit/loss of previous periods	-515918	-131086	-48005
	Other elements of capital	-166404	-99946	249875
	Total capital	**15758167**	**16782481**	**19465349**

Appendix 26. Income and Expense of Insurance Companies

AMD thousand

Indicator	From beginning of the year to 31.12.2014	From beginning of the year to 31.12.2015	From beginning of the year to 31.12.2016
Insurance premiums earned	**26711670**	**25556458**	**26708373**
Net accrued insurance premiums	25361889	26512029	27223725
Accrued insurance premiums	30105077	31424518	33141215
Insurance premiums returned under terminated contracts	1282252	1466151	1206413
Accrued reinsurance premiums	-3599359	-3920602	-4790607
Reinsurance premiums receivable under terminated contracts	138423	474264	79530
Net change in the reserve for unearned insurance premiums	-1349781	955571	515352
Change in the reserve for unearned insurance premiums	-1371316	1140537	1151751
Change in reinsurer's share in the reserve for insurance premiums	21535	-184966	-636399
Other income from insurance activities	**1234899**	**1333202**	**1254402**
Net bonuses from reinsurers	303504	367463	443678
Other income	931395	965738	810724
Insurance compensations	**15571296**	**12671057**	**12997741**
Gross	22149731	13563805	14222355
Reinsurer's share	-6578435	-892748	-1224613
Provisions to the technical reserves	**-8987584**	**-7819964**	**-8780867**
Reserve for claims presented but not paid yet	-7909626	-6693047	-8032716
Gross	-9832830	-8175314	-9809634
Reinsurer's share	1923205	1482266	1776917
Reserve for claims incurred, but not presented yet	-337791	-231810	-295726
Gross	-663866	-326224	-350672
Reinsurer's share	326075	94415	54946
Other reserves	-740167	-895107	-452425
Gross	-755010	-900538	-463464
Reinsurer's share	14843	5431	11039
Recoveries from technical reserves	**9569246**	**7231909**	**7838193**
Reserve for claims presented but not paid yet	8754537	6682169	7452372
Gross	10865150	7992226	9400710
Reinsurer's share	-2110613	-1310057	-1948337
Reserve for claims incurred, but not presented yet	730257	416895	271040
Gross	783398	743998	350686
Reinsurer's share	-53141	-327103	-79645
Other reserves	84452	132844	114781

Gross	100548	184891	124236
Reinsurer's share	-16096	-52047	-9456
Other insurance expense	**4777461**	**4932502**	**5102358**
Intermediary fee expense	3822657	4222378	4328985
Net expense for intermediary fees paid to intermediaries for risks transferred to reinsurance	57199	69214	101197
Regulation expense	166916	236034	252586
Other operating expense	730689	404877	419591
Interest income	**2826562**	**3038617**	**3326389**
Interest income from deposits placed with, loans to, and repos with financial organizations	1819097	1980117	2322168
Interest income from loans to individuals	5722	3457	4561
Interest income from loans to legal entities	22861	51708	25415
Interest income from government securities	582495	685291	786653
Interest income from corporate securities	26790	23485	19335
Interest income from securities sold under repos	350018	271976	155890
Other interest income	19579	22583	12368
Interest expense	**769159**	**507733**	**228170**
Interest expense for loans and borrowings from and repos with financial organizations	769126	507699	228170
Other interest expense	33	34	0
Non-interest income	**970783**	**-56058**	**905760**
Net income from asset sale	336865	-100757	396416
Net income from financial asset revaluation	-112605	-35232	515830
Net income from currency revaluation	370662	38975	-29031
Other non-interest income	375861	40956	22545
Non-interest expense	**7838787**	**7614203**	**7949736**
Management expense	5957929	6107370	6327069
Training expense	13706	22910	29912
PR expense	862551	644881	761803
Other non-interest expense	1004601	839042	830952
Provisions to (recoveries from) the reserve for possible asset losses (non-collectability)	**959227**	**1571234**	**352196**
Profit before deduction of profit tax expense	**2409645**	**1987434**	**4622049**
Profit tax expense	**515412**	**585712**	**855628**
Profit after deduction of profit tax expense	**1894234**	**1401723**	**3766421**
Dividends	**41940**	**260163**	**416460**
Retained profit	**1852294**	**1141560**	**3349961**

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

AMD thousand

	Non-life insurance	Number of insurance contracts in force 31/12/2016 (pcs)	Insurance amounts of insurance contracts in force 31/12/2016	Reinsurance amounts of insurance contracts in force 31/12/2016	Insurance premiums accrued from beginning of the year to 31/12/2016	Reinsurance premiums accrued from beginning of the year to 31/12/2016	Insurance compensations accrued during 2016	Reinsurers' share in insurance compensations accrued during 2016
1	Accident insurance	115881	174037299	26566276	574427	96016	65440	-
2	Health insurance	9714	276074773	83139828	5624729	206977	3415814	48577
3	Land transport insurance	18299	126281941	46338227	1918498	556478	1141733	473276
4	Rail transport insurance	-	-	-	-	-	-	-
5	Aircraft insurance	7	525329640	525329640	254774	197553	5468	5477
6	Water transport insurance	-	-	-	-	-	-	-
7	Cargo insurance	1990	93228905	76019049	744343	377525	77462	52480
8	Fire and natural disaster insurance	26981	2484055235	1809536805	3327825	2148845	115988	68965
9	Other property damage insurance	5781	256920834	158813137	464217	187039	26629	19498
10	Voluntary insurance for liability arising out of the use of land motor transport	15726	269524212	7212520	123784	12790	63271	104
11	Insurance for liability arising out of the use of aircraft (including cargo)	4	994216015	994216015	84385	74908	-	-
12	Insurance for liability arising out of the use of water transport	-	-	-	-	-	-	-
13	General liability insurance	1332	401262212	377081005	773462	440542	9630	6256
14	Loan insurance	47	998606	897880	12289	11060	-	-
15	Guarantees	-	-	-	-	-	-	-
16	Financial loss insurance	19	23609688	22621292	391599	371970	419280	519558
17	Insurance for court and out-of-court expense	-	-	-	-	-	-	-
18	Support insurance	15116	336331947	148054463	525144	108899	81163	30423
19	Mandatory insurance for liability arising out of the use of land motor transport	422830	5042952239	-	18321733	-	8800475	-
TOTAL		**633727**	**11004823547**	**4275826137**	**33141211**	**4790604**	**14222352**	**1224614**

Appendix 28. Pawnshops

AMD million

Indicator	Loans disbursed	Funds attracted	Number of pawnshops
31.12.2008	3921	2433	68
31.12.2009	5147	3312	103
31.12.2010	9930	6625	116
31.12.2011	12954	9063	138
31.12.2012	15103	9193	143
31.12.2013	14151	12209	148
31.12.2014	8389	10522	142
31.12.2015	8796	7636	151
31.12.2016	8432	7374	146

Appendix 29. Payment and Settlement Organizations Registered on 31.12.2016

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	2008	2009	2010	2011	2012	2013	2014	2015	2016
Paper-based payment orders[1]	4804497	6806481	6878130	1558323	1947556	2280818	2465454	2363053	2031931
Electronic payment orders[1]	10289081	7793560	10141239	10054213	10568616	12103431	18297163	19605411	21961715
Checks	17286	23744	19355	22507	30292	24276	6994	11771	4622
Other debit instruments[2]	693	866	260	264	0	0	0	0	0
Non-cash transactions using cards	24109	30750	40202	63359	89745	105786	132217	165139	218525
Total	**15135666**	**14655401**	**17079186**	**11698665**	**12636209**	**14514310**	**20901828**	**22145375**	**24216793**

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

Transfers	2008	2009	2010	2011	2012	2013	2014	2015	2016
Paper-based payment orders[1]	1418090	1803287	1907845	3369279	3644266	4025991	4931024	5263653	5865824
Electronic payment orders[1]	2972924	3943374	4934316	5994470	8710110	9479553	9754949	11755269	13996725
Checks	11790	14174	10562	11327	12042	10750	3923	6434	2059
Other debit instruments[2]	2014	2512	2145	2429	0	0	0	0	0
Non-cash transactions using cards	638753	916178	1203498	1850159	2805023	3496610	4565205	6104910	8195997
Total	5043571	6679525	8058366	11227664	15171441	17012904	19255101	23130266	28060605

[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

		2008	2009	2010	2011	2012	2013	2014	2015	2016
Total transfers sent	Value (AMD million)	38945	41759	51779	62402	79048	87164	100935	107220	109101
	Number	88778	107088	124911	144473	172868	188700	227135	281243	328145
Total transfers received	Value (AMD million)	439499	362703	430467	523739	641427	729736	678153	532650	504572
	Number	1636683	1539255	1865449	2268758	2797158	3309165	3676625	3400193	3308932
Turnover	Value (AMD million)	478444	404462	482246	586142	720475	816900	779088	639870	613673
	Number	1725461	1646343	1990360	2413231	2970026	3497865	3903760	3681436	3637077

Appendix 33. Number of Cards in Circulation

Plastic cards	2008	2009	2010	2011	2012	2013	2014	2015	2016
ArCa cards	200190	282164	306070	391936	492126	564503	546509	548521	521273
VISA	165894	201589	269771	363691	520703	652398	712211	789150	587671
MasterCard	47769	61108	115943	181455	264539	299815	320653	344365	416147
Other international cards[1]	40504	34570	37514	40666	45581	47813	58599	47321	45673
Total	454357	579431	729298	977748	1322949	1564529	1637972	1729357	1570764

Appendix 34. Value of Card Transactions Carried out in Armenia

AMD million

Plastic cards	2008	2009	2010	2011	2012	2013	2014	2015	2016
ArCa cards	117550	173445	212886	247255	290960	281344	369630	362068	360868
VISA	127129	151623	219144	308579	450472	473840	632435	633849	631756
MasterCard	39164	62331	77338	113742	174090	186681	264593	267030	310369
Other international cards[1]	42528	40849	48982	69163	84249	75962	85929	95181	78848
Total	326371	428248	558350	738739	999771	1017826	1352587	1358128	1381841

Appendix 35. Number of Card Transactions Carried out in Armenia

Plastic cards	2008	2009	2010	2011	2012	2013	2014	2015	2016
ArCa cards	2915892	4177660	5261125	6089528	7031742	6607540	7770993	7994133	8129826
VISA	2090858	2602572	3577094	5072749	7244453	8942737	11398710	12520535	13165130
MasterCard	653957	1158843	1519906	2329923	3450684	4043194	5315173	5750788	7304027
Other international cards[1]	925427	908977	934806	1068791	1140836	1118507	1395843	1561457	1395641
Total	6586134	8848052	11292931	14560991	18867715	20711978	25880719	27826913	29994624

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