REPUBLIC OF ARMENIA
CENTRAL BANK

FINANCIAL SYSTEM OF ARMENIA

2017

Development
Regulation
Supervision

2018

CONTENT

Introduction 3

Financial System Regulatory Framework Changes in 2017 4

Financial System Supervision and Protection of Consumer Interests in 2017 9

Staff Training and Cooperation with Supervisors of other Countries in 2017 13

The Financial System of Armenia in 2017 14

Banks 14

Overview 14

Banking System Capital 16

Banking System Liabilities 17

Banking System Assets 18

Financial Performance of the Banking System 21

Financial Risks of the Banking System 23

Credit Organizations 29

Insurance Market of Armenia 32

Securities Market Participants 40

Mandatory Funded Pension System of Armenia 42

Payment and Settlement Organizations 44

The Settlement System 46

Supervision Development Prospects 52

Appendices 54

INTRODUCTION

The financial system expanded the volume and scope of financial intermediation in 2017 in light of emerging trends of economic recovery and external sector income stabilization. The financial system intermediation indicators - the asset-to-GDP and the loan-to-GDP ratios - were 89.1% and 49.8%, respectively.

The largest player within the financial system - the banking system - achieved significant growth in the key balance sheet indicators. The aggregate indicators of credit organizations, insurance companies, and other players within the financial system, too, grew steadily. By contrast, accumulations in mandatory pension funds grew more rapidly.

Capital adequacy and liquidity - both indicators of banking system stability—remain above the required prudential minimums. At yearend 2017, total capital adequacy was 18.6%,[1] while total and current liquidity prudential ratios were 32.1% and 141.7%, respectively.[2]

In line with its financial system stability objective, the Central Bank continued efforts aimed at improving regulation and supervision. The regulatory framework amendments were driven mostly by needs of harmonization with the new Constitution and international best practices. In view of the importance attached to protecting consumer rights and lawful interests 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 to supervise the conduct of financial institutions.

[1] *The prudential minimum is 12%.*
[2] *The prudential minimums are 15% and 60%, respectively.*

FINANCIAL SYSTEM REGULATORY FRAMEWORK CHANGES IN 2017

Efforts to improve the financial system regulatory framework continued throughout 2017 in the context of permanent developments in the real and financial sectors of the economy.

Financial System Regulatory Framework Changes

Legislative Amendments

The following codes and laws of the Republic of Armenia were amended and supplemented in 2017: ***the Law on the Central Bank, the Law on Legal Acts, the Law on the Budgetary System, the Law on Housing Mortgage Lending, the Law on Consumer Credits, the Law on Banks and Banking, the Law on Insurance and Insurance Activities, the Law on Bankruptcy of Banks, Credit Organizations, Investment Companies, Investment Fund Managers, and Insurance Companies, the Law on Public Auctions, and the Civil Procedure Code.***

The amendments to the aforementioned laws are aimed at:

1. Harmonizing the regulatory framework with the new Constitution;
2. To streamline procedures of information sharing between supervision authorities;
3. To enhance consumer protections in mortgage lending and to improve the mortgage loan extension and servicing procedures;
4. To implement the newest banking regulation requirements under Basel III; and
5. To harmonize insurance system regulation and supervision with the international standards.[3]

Sub-Legislative Amendments

The following amendments were made in 2017 with respect to the regulation of banking system activities:

1. To facilitate the bank branch manager registration process, amendments were made to Regulation 1 on the Procedures of Banking System Licensing, Registration, Consent, and Permission, and Procedures of Professional Conformity Checking and Qualification.

[3] *Recommendations of the IMF, the World Bank, and the FSAP mission.*

2. Amendments were made to the procedure on the registration of foreign branches of Armenian banks and their managers. In view of the international developments, the chart of accounts was changed and harmonized with the international standards.

The following amendments were made in 2017 with respect to the regulation of insurance system activities:

1. In Regulation 3/02 on the Thresholds, Procedure of Formation and Calculation of Main Prudential Standards for Insurance Activities, and Criteria for Qualifying Reinsurers as not Prohibited, the list of assets adequate for technical reserves was expanded. Shares in investment funds were added to the list in order to promote investments by insurance companies.
2. Regulation 3/03 on the Technical Reserves Types and Formation Procedure was amended with a view to improving the accuracy of technical reserves formed by insurance companies.
3. To regulate the accounting of direct compensations in the mandatory third party liability insurance (MTPL) system, amendments were made to the Chart of Accounts of Insurance Companies and the Instruction on Implementation of the Chart of Accounts of Insurance Companies.
4. In connection with the implementation of direct compensations in the MTPL system, amendments were made also to Regulation 3/04 on the Insurance Company Report Forms, Information Included Therein, and Presentation Procedure and Timeframe.

The following amendments were made in 2017 with respect to the regulation of the securities market:

1. Regulation 4/20 on the Financial Derivatives Registration Procedure and Timeframe, Register Compilation, Information Presentation, Storage, and Provision Procedure and Conditions, Regulation 4/18 on the Regulations of Financial Derivatives, and Regulation 4/19 on the Procedure, Timeframe, and Scope of Information Provision to the Tax Authority from the Common Register of Financial Derivatives were approved, and amendments were made to the regulations on reports presented to the Central Bank by financial organizations (entities providing investment services, banks, credit organizations, insurance companies, and insurance fund managers). The adoption of the package of new regulations created prerequisites for the smooth development of the derivatives market. It is of particular importance to prescribe detailed legal rules on the creation and functioning of a Trade Repository for financial derivatives, which can promote further transparency in this market, ensure access to comprehensive information for the supervisor for purposes of ensuring financial stability, curbing abuse, including tax abuse, and put in place an effective tax framework.
2. Amendments were made to Regulation 5/03 on Reports Presented by the Regulated Market Operator to the Central Bank, Their Presentation Procedure, Form, and Timeframe, and Regulation 5/04 on

Reports Presented by the Central Depositary to the Central Bank, Their Presentation Procedure, Form, and Timeframe. These amendments were initiated due to the transfer from the Central Bank to "NASDAQ-OMX Armenia" stock exchange of the function of organizing primary auctions of government bonds. Considering that, as a result of the transfer of the function, the Central Bank no longer had comprehensive information on primary auctions of government bonds, it became necessary to amend the reporting forms presented to the Central Bank by NASDAQ-OMX Armenia and the Central Depositary, whereby they would provide supervisory and statistical information necessary to the Central Bank about auctions of government bonds.

3. The Central Bank Board approved the Procedure of Defining Sample Agreements on Financial Derivatives Widely Used in International Markets and on Transactions with Financial Derivatives and Defining the Requirements on Master Agreements. This decision of the Board defines legal terms that enable the application of foreign law to ISDA Master Agreements (GMRA) used in international practice. This possibility is aimed at boosting derivatives and repo markets and attracting foreign players into the financial market of Armenia.
4. Regulation 6/02 on the Cover Register of Covered Mortgage Bonds and the Procedure of Presentation to the Central Bank of Information Contained in the Register, Regulation 6/03 on the Procedure and Methods of Calculating the Net Present Value of Covered Mortgage Bonds' Cover Assets and Liabilities, and the Regulation on Qualification and Professional Adequacy Criteria of the Covered Mortgage Bonds' Cover Pool Controller were approved. These decisions created a legal foundation for banks and credit organizations to issue secured mortgage bonds.
5. Amendments were made to Regulation 5/09 on the Types of Additional Activities by the Central Depositary, and the Procedure and Terms Thereof, and Regulation 5/10 on the Procedure of Centralized Registration and Custody of Securities. With the adoption of these amendments, the Central Depositary can now fully exercise its functions of the fund custodian and compete with other institutions without incurring additional costs related to the custody or registration of funds, The Central Depositary is now able to grant exceptions to the requirement to use it services with the account operator's mediation for certain financial organizations, subject to its own rules. Moreover, the Central Depositary can open cash accounts for investment funds, as well.
6. Regulation 10/09 on the Requirements on Mandatory Pension Fund Units Issuance Procedures and the Procedure of Units Acquisition by Mandatory Pension Fund Managers was amended. The amendments streamline the single procedure for pension fund managers to disclose prices of pension funds units. The regulation now provides that fund managers shall be deemed to have complied with the disclosure requirement as soon as the Central Depositary discloses the units share prices provided to it
7. The Procedure of Distributing Participants that have not Selected a Mandatory Pension Fund between Fund Managers was amended: its effective term has been extended by another year in connection with postponing a full implementation of the cumulative pension system by another year (by 1 July 2018).

8. Regulation 10/11 on the Registration of an Investment Fund (Fund Rules) and Procedure and Terms of Granting Prior Authorization to Sell in Armenia the Securities of a Foreign Investment Fund, and Regulation 10/29 on the Online Registration Procedure of Non-Public Contractual Investment Fund Rules were amended to prescribe the certificate form for registration of contractual investment fund rules.
9. Regulation 10/04 on the Procedure of Calculating the Net Assets Values of Investment Funds was amended. The amendments prescribe the mandatory pension fund asset valuation peculiarities, as well as the fund net asset valuation error materiality criteria and the procedure for error corrections and material error compensations.

In 2017, the following amendments and additions were made to the regulatory framework on the payment and settlement system:

1. The Procedure of Installing and Servicing Automated Self-Service Terminals and Performing Financial Operations through Them was amended to:
   - Authorize round-the-clock customer service through automated self-service terminals;
   - Authorize operation of the cash recycling module in automated self-service terminals;
   - Authorize financial organizations to delegate the automated self-service terminal cash filling and/or emptying functions and the payment instrument extraction function to organizations specialized in the transportation of cash, provided that the cash in the automated self-service terminal is insured; and
   - Introduce more rigorous security and reliability requirements for automated self-service terminals, including a requirement for ATMs to have a safety system of boxes filled with special paint.
2. The Procedure of Issuing, Servicing, and Performing Operations with Payment Cards in the Territory of Armenia was amended to allow sending to a cardholder a one-time activation code through a text message or e-mail instead of sending the PIN code to the cardholder in a sealed envelope.
3. The Procedure of Central Bank Final Settlement as a Result of Placement and Buyback of Government Bonds through the Auction System Operator was approved, allowing the auction system operator to administer the bonds placement and buyback operations and regulating the resulting final settlement by the Central Bank.
4. The Central Bank Board Decision Defining the Time of Entry of Payment and Settlement Documents into the Payment and Settlement System and the Time of Irrevocability was amended with a view to facilitating foreign entities' entry into Armenia's capital market, enhancing the conditions for development of the derivatives and repo instruments markets, and enhancing the ability to control FX and other risks.

In 2017, the following legal acts were amended and supplemented in the regulatory framework for consumer protection and business conduct:

Regulation 8/06 on Requirements on the Methods and Procedures for Applying Rules of Business Conduct with Guarantors by Banks and Credit Organizations was amended to prescribe rules of business conduct during communication with guarantors. The regulation provides that, prior to signing an agreement, the rights and obligations of the guarantor shall be presented to the guarantor, and one copy of each of the loan and guarantee agreements shall be provided. The guarantor shall make a handwritten note on the guaranteed sum and the fact that the guarantor understands the consequences of assuming the guarantee. Another requirement is that the guarantor shall be notified at least one day prior to the date of fulfilling the loan obligation, or on the following day in case loan repayment is delayed. The regulation provides that the lending organization shall inform the guarantor of any material changes in the terms of the agreement.

FINANCIAL SYSTEM SUPERVISION AND PROTECTION OF CONSUMER INTERESTS IN 2017

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;
- Consumer rights protection;
- 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 2017, the Financial Supervision Department of the Central Bank performed 186 on-site inspections.

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

Indicator	2014	2015	2016	2017
Employees of the Financial Supervision Department	86	81	76	74
Total assets of banks, credit organizations, insurance companies, securities market participants, and pawnshops	AMD 3.790 trillion	AMD 3.712 trillion	AMD 4.516 trillion	AMD 4.997 trillion
Average workload per employee of the Financial Supervision Department	AMD 44.1 billion	AMD 45.8 billion	AMD 59.4 billion	AMD 67.5 billion
Number of inspections performed during the year, of which:	369	129	190	186
Banks	40	16	11	41
Credit organizations	5	6	4	7
Insurance companies	21	3	8	30
Investment companies	4	3	4	1
Other participants of the financial market (exchange offices, pawnshops, payment and settlement organizations, etc.)	299	101	163	107

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 2017, 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 “Your Financial Informer” system was monitored at a quarterly frequency, and the television and radio advertisement of financial organizations was monitored at a monthly frequency.
- To evaluate the service delivery process by financial organizations in kiosks located in trade centers and the information provided to consumers about the provided services, the CRPFE (Consumer Rights Protection and Financial Education) Center studied the market through controlled transactions.

Through the hotline and written applications, circumstances undermining consumer interests and risk to consumers were identified, analyzed, and discussed with the financial institutions. Whenever necessary, supervisory activities were implemented.

To improve financial literacy, the Central Bank continued implementing numerous programs of financial education in 2017.

- The implementation of the *Financial Education in School* program under the Action Plan of the National Strategy on Financial Education continued in cooperation with the Ministry of Education and Science and other stakeholders. With a view to integrating the financial education component in four subject curricula in grades 2 to 11 in schools, working groups continued to develop the education program and curricula. Besides, since September 2017, the project was piloted in 14 schools with the involvement of 46 trained teachers and 1,725 students. It is planned to comprehensively implement the projects in all schools of Armenia from September 2018.
- The *Financial Education in Rural Communities* program under the Action Plan of the National Strategy on Financial Education continued in cooperation with the Ministry of Territorial Administration and Development and the Ministry of Education and Science. Program impact assessment activities continued in 2017. Besides, in cooperation with CGAP (the Consultative Group to Assist the Poor), 21 various activities of financial education are planned based on behavior surveys in order to improve the financial conduct of rural residents. It is planned to carry out the impact assessment of these activities in 2018.
- In April and May, for the fourth time now, the *My Finance Month* program was implemented, with a view to imparting knowledge and skills, as well as positive attitudes towards personal finance management that will help the general public to make efficient savings, to plan income and expenses, 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 has had 9,837 participants, 55 collaborating organizations, and 19 groups of activities.
- In September 2017, the *Money Circulation in Armenia: Finance for All circulating* exhibition was held in Kapan. During 30 interactive and awareness-raising seminars, around 4,500 participants acquired knowledge and skills of effective management of their personal finance.
- The *Seminar for Military Personnel* program continued with a view to providing hands-on knowledge and skills on personal finance management to military personnel. 165 military personnel participated in the program in 2017.
- In 2017, the development of the Finance for All **www.abcfinance.am** website continued. Simultaneously, a new website was being designed.
- The number of Facebook followers of abcfinance.am reached 28,100. In 2017, the **www.abcfinance.am** website was featured in 16 print and 30 digital media. The CRPFE Center developed and published educational and informational articles in various weeklies.
- To discover, explore, and propose solutions to the financial problems of the communities, the Central Bank, in cooperation with the Armenian Center for Democratic Education, continued the *Citizen initiative* in 2017. The project covered three regions, 60 schools, 60 teaches, and 1,200 pupils.

- In July and August, the ***Camp of Mediation*** educational project was launched for 1,600 children of ages 7 to 13 in various summer camps of Armenia. In the camps, theme booths were installed, where children learned about the financial system, various financial services, and concepts through creative and interactive activities and games.
- In the scope of the ***Brainiest*** project, CRPFE cooperated with Armenia TV station in 2017. This is a unique television project, which has a very high rating. The 5th season hosted around 400 university students from Armenia and Artsakh. The cooperation resulted in the creation of the *Finance* cluster with the respective prize. The best performer had the opportunity to undertake a month-long internship in the Central Bank.
- Various television stations broadcast educational and informational videos dedicated to the pension reforms, state-subsidized student loans, and various financial services. Awareness raising and educational seminars on the pension reforms were conducted for various organizations.
- The cooperation was deepened and strengthened with international organizations active in the field of consumer protection and financial education, 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.

STAFF TRAINING AND COOPERATION WITH SUPERVISORS OF OTHER COUNTRIES IN 2017

The Central Bank continued implementing policies aimed at enhancing the professional qualification of its staff in 2017, which has aimed, among other things, at improving the effectiveness of the financial system regulation and supervision functions.

For the purposes of becoming familiar with the international best practices and professional knowledge improvement, the staff involved in financial system regulation and supervision participated in a number of domestic and foreign training courses, business trips, and conferences during 2017. 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 2017, the Central Bank 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. The training courses, conferences, workshops, and study tours organized by the aforementioned organizations were mostly focused on financial stability and banking, insurance, and securities market supervision and regulation.

In 2017, 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 2017.

During 2017, the Central Bank organized a number of workshops, meetings, round tables, and conferences. The Central Bank hosted delegations of the International Monetary Fund (IMF). For the purpose of achieving closer ties, learning about the country's macroeconomic situation, and conducting negotiations on the banking sector, the Central Bank of Armenia was visited by delegations of the National Bank of Kyrgyzstan, the Central Insurance Organization of the Islamic Republic of Iran, the Eurasian Development Bank, the Inter-State Bank, Bank of America Merrill Lynch, the Black Sea Trade and Development Bank, and other delegations and representatives.

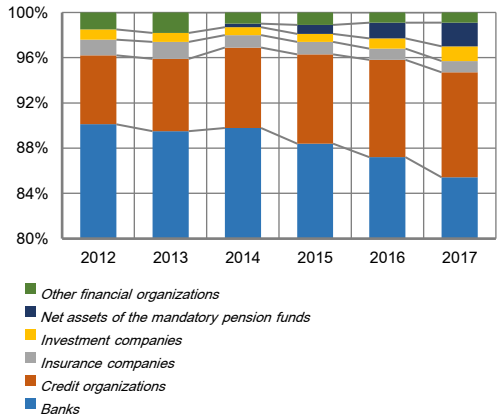
THE FINANCIAL SYSTEM OF ARMENIA IN 2017

The financial system participants expanded financial intermediation in 2017 in light of emerging trends of economic recovery and external sector income stabilization. The financial system asset-to-GDP ratio and the loan-to-GDP ratio were 91.4% and 49.8%, respectively.

The banking system remains the largest player in the financial system, accounting for about 85.5% of the financial system assets.

Figure 1

Structure of Financial System Assets by Financial Institutions



Source: Central Bank of Armenia.

BANKS

OVERVIEW

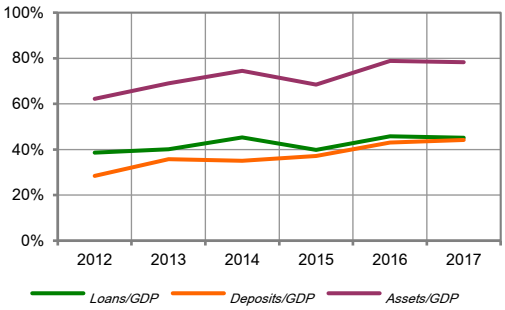
Banks Operating in the Republic of Armenia

As of 31 December 2017, 17 commercial banks operated in the Republic of Armenia.

During the year, the growth rate of nominal GDP was in line with the growth rate of banking intermediation, which resulted in the level of banking intermediation remaining virtually unchanged. The ratio of banking system assets-to-GDP and the ratio of loans-to-GDP were 78.2% and 45.1%, respectively.

Figure 2

Banking System Financial Intermediation Indicators



Source: Central Bank of Armenia.

Table 2. Access to Financial Services

	2015	2016	2017
Number of branches per 100,000 adult population	23.3	23.5	23.7
Number of ATMs per 100,000 adult population	65.2	64.2	65.4

The number of banking system employees (including support staff) increased by 0.5% and reached 11,267 at yearend. The share of management in the total number of staff declined by 1.7 percentage points to reach 16.1% at yearend.

Concentration in the Armenian Banking System

In 2017, the Herfindahl-Hirschman Index of Concentration increased for virtually all of the key balance sheet indicators. Nevertheless, the index broadly remained within a range of 600 to 1,000, reflecting a low level of concentration in the banking system.

Table 3. Herfindahl-Hirschman Index of Concentration

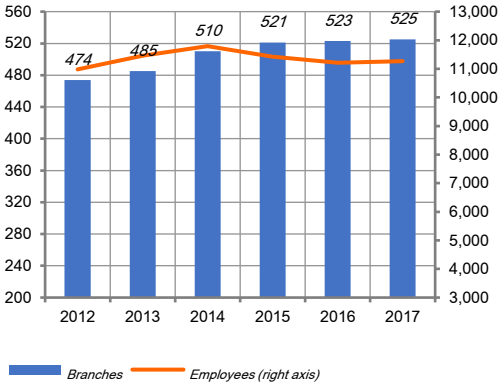
Indicator	31.12.15	31.12.16	31.12.17
Total assets	764	859	868
Total liabilities	800	953	938
Total capital	630	580	655
Loans to the economy	803	1014	990
Time deposits of individuals and legal entities	813	825	937
Demand liabilities to individuals and legal entities (including bank accounts)	925	1222	972

Table 4. Banking Sector Concentration

Indicator	31.12.15	31.12.16	31.12.17
Total assets			
CC 4 (share of the largest four banks in the system)	44%	48%	49%
CC 10 (share of the largest 10 banks in the system)	78%	79%	80%
Total liabilities			
CC 4	46%	51%	51%
CC 10	79%	83%	83%
Total capital			
CC 4	37%	31%	35%
CC 10	70%	64%	69%

Figure 3

Number of Bank Branches and Employees



Source: Central Bank of Armenia.

Indicator	31.12.15	31.12.16	31.12.17
Loans to the economy			
CC 4	45%	52%	53%
CC 10	79%	84%	85%
Time deposits of individuals and legal entities			
CC 4	47%	47%	51%
CC 10	79%	80%	83%
Demand liabilities to individuals and legal entities (including bank accounts)			
CC 4	52%	55%	51%
CC 10	85%	89%	87%

BANKING SYSTEM CAPITAL

Banking System Capital Growth Trends

Total capital of the banking system grew by 4.9% to reach AMD 685.5 billion. Total capital growth was due to higher statutory capital and retained profit. During the year, two banks replenished statutory capital.

In 2017, the share of non-residents in total statutory capital of the banking system decreased by 0.2 percentage points to 61.8% at yearend.

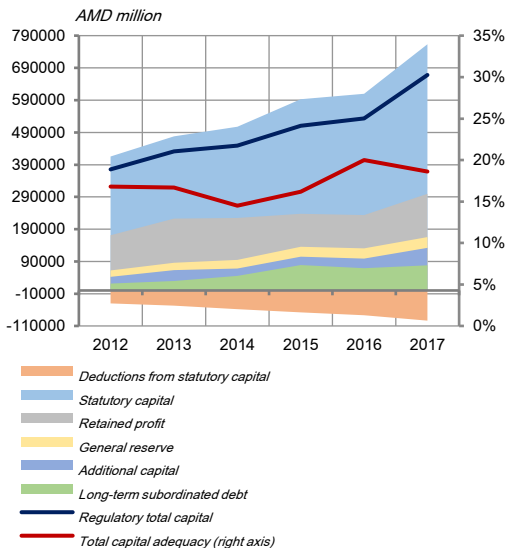
During 2017, as total assets continued to grow faster than total capital, the ratio of total capital to total assets declined by 0.5 percentage points to 15.7% at yearend.

Capital Adequacy of the Banking System

In 2017, capital adequacy - a prudential standard that characterizes banking system stability - continued to remain above the required minimum, reaching 18.6% at yearend (the prudential minimum is 12%). Total capital adequacy of individual commercial banks, as well, was above the minimum threshold, and no bank

Figure 4

Commercial Bank Total Regulatory Capital Structure, Capital Adequacy Trends



Source: Central Bank of Armenia.

violated the capital adequacy requirement during the year. In the course of the year, no bank violated the prudential standard on capital adequacy.

Commercial banks operating in Armenia continued to place most of their attracted funds in the loan portfolio. Credit risk thus continues to be viewed as a key risk: it accounts for 85.8% of risk-weighted assets (compared to 86.8% in 2016). The shares of market risk and operational risk were 11.1% and 3.1%, respectively (compared to 9.7% and 3.4% at yearend 2016).

BANKING SYSTEM LIABILITIES

Funds Attracted by the Banking System

In 2017, total liabilities of the banking system increased by 10.1% to AMD 3 trillion 679 billion at yearend.

In terms of the currency structure, dram liabilities grew by 17.7%, and foreign currency liabilities by 5.6%. As a result, the share of foreign currency liabilities fell by 3.1 percentage points to reach 60.0% at yearend.

Demand and time deposits of individuals and legal entities grew by 13.2% and reached AMD 2 trillion 464 billion at yearend. Demand liabilities of legal entities grew by 7.0%, while demand liabilities of individuals grew by 17.1%, reaching AMD 910.9 billion and AMD 1 trillion 553.4 billion, respectively, at yearend.

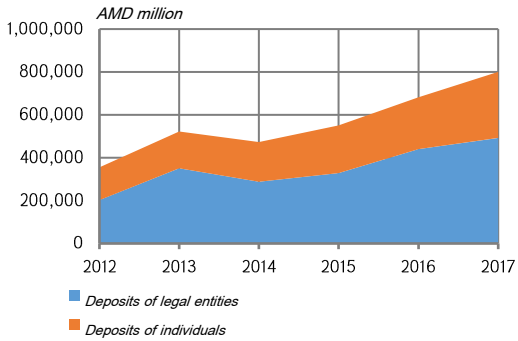
In terms of the currency structure, dram deposits grew by 30.8%, and foreign currency deposits by 4.8%. As a result, the share of foreign currency deposits in total assets fell by 5.0 percentage points to reach 62.8%.

Structure of Funds Attracted by the Banking System

As of 31 December 2017, the share of interest-bearing liabilities in total liabilities of the banking system was 96.1% (95.1% in 2016). Without the low-cost demand liabilities, the share of interest-bearing term liabilities was 73.6% (74.0% in 2016).

Figure 5

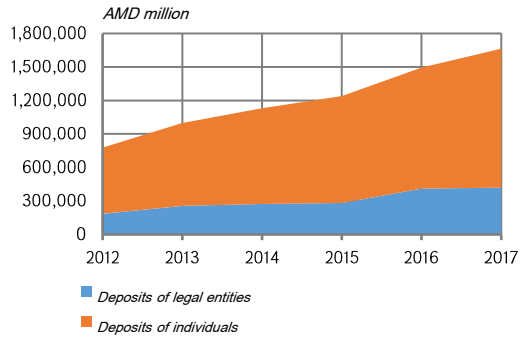
Demand Deposits of the Banking System



Source: Central Bank of Armenia.

Figure 6

Time Deposits of the Banking System



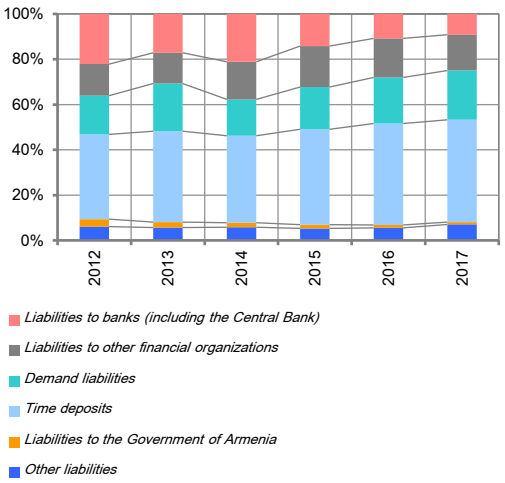
Source: Central Bank of Armenia.

The structure of total liabilities of the banking system changed considerably in terms of liabilities of banks (including the Central Bank), liabilities to other financial organizations (1.6 percentage points), and time deposits (1.4 percentage points), while the share of demand deposits grew (by 1.3 percentage points).

At yearend, the share of demand funds and funds with a maturity of more than one year in total attracted funds grew. As at 31 December 2017, 23% of the attracted funds were demand funds (deposits, bank accounts, and correspondent accounts), 49% had a maturity of under one year, and 28% had a maturity of over one year (compared to 21%, 53%, and 26%, respectively, at yearend 2016).

Figure 7

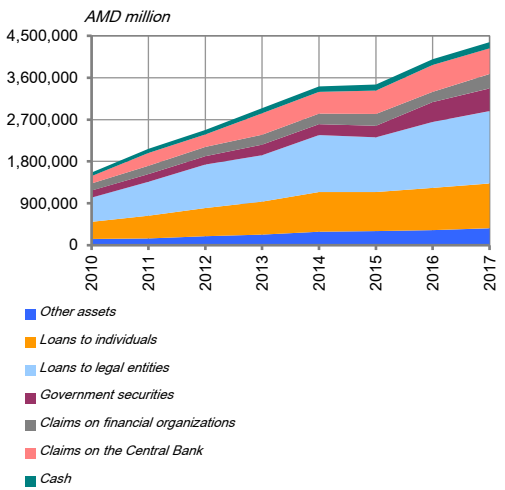
Banking System Total Liabilities



Source: Central Bank of Armenia.

Figure 8

Banking System Assets



Source: Central Bank of Armenia.

BANKING SYSTEM ASSETS

Growth Trends of Funds Allocated by the Banking System

In 2017, total assets of the banking system grew by 9.2% to reach AMD 4 trillion 364 billion at yearend, mostly due to higher lending to the economy and claims on other financial organizations.

Lending to the economy grew by 8.5% to reach AMD 2 trillion 517 billion. Loans to legal entities and loans to individuals grew by 9.8% and 6.5%, respectively, to reach AMD 1 trillion 555 billion and AMD 962 billion at yearend.

Investments in government securities grew by 14.1% to reach AMD 488 billion.

Table 5. Structure of Correspondent Accounts in Non-Resident Banks, by Countries

	31.12.16	31.12.17	Change
EU	29.74%	28.68%	-1.06%
Germany	14.25%	6.83%	-7.43%
Austria	11.01%	12.64%	1.63%
France	0.21%	0.32%	-0.11%
Great Britain	3.48%	7.77%	4.29%
Other EU Member States	4.27%	1.13%	-3.14%
USA	43.66%	51.58%	-7.92%
Russia	20.53%	16.02%	-4.51%
Other countries	2.58%	3.72%	1.14%

Correspondent accounts in banks decreased by 23.4% to reach AMD 79.8 billion. As of 31 December 2017, 99.1% of the correspondent accounts were in non-resident banks (compared to 76.6% at yearend 2016).

Structure of Funds Allocated by the Banking System

In 2017, the share of interest earning assets in total assets grew by 3.1 percentage points and reached 77.9%. Excluding low-return correspondent accounts, the share of other income-bearing assets grew by 2.9 percentage points to reach 77.2%.

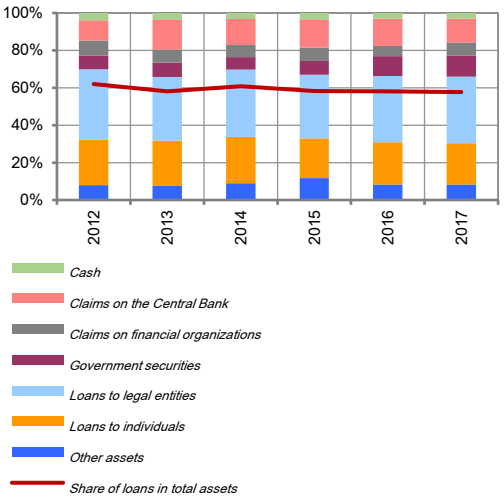
The average maturity of loans grew. At yearend, 17% of the funds allocated were demand funds, while 34% had a maturity of less than one year, and 49% had a maturity of over one year (21%, 34%, and 45%, respectively, at yearend 2016).

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

In 2017, credit investments of the banking system[4] grew by 12.2% to reach AMD 2 trillion 840 billion. AMD credit investments

Figure 9

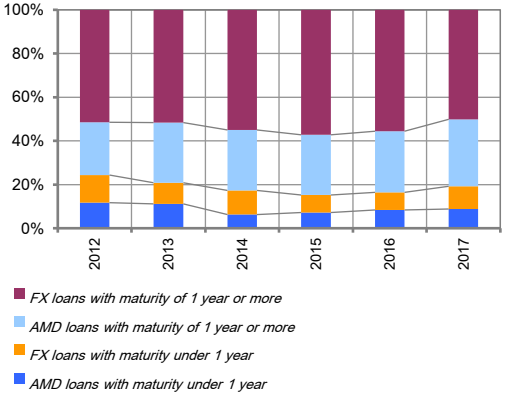
Structure of Banking System Assets



Source: Central Bank of Armenia.

Figure 10

Term Structure of Credit Investments to Residents



Source: Central Bank of Armenia.

[4] *This is different from "lending to the economy" and includes deposits, factoring, leasing, currency swaps, repo agreements, and loans allocated by financial organizations.*

grew by 15.6% to reach AMD 1 trillion 100.1 billion, while FX credit investments grew by 10.2% to reach AMD 1 trillion 739.9 billion. As a result, the share of FX credit investments in total decreased by 1.1 percentage points and reached 61.3%.

Credit investments to non-residents declined by 35.2% to reach AMD 212 billion, while credit investments to residents grew by 19.3% to reach AMD 2 trillion 628 billion. As a result, the share of credit investments to non-residents decreased by 5.5 percentage points and reached 7.5%.

At yearend, consumer loans, industry loans, and trade loans had larger shares in the portfolio of credit investments to residents (19.9%, 17.7%, and 16.3%, respectively).

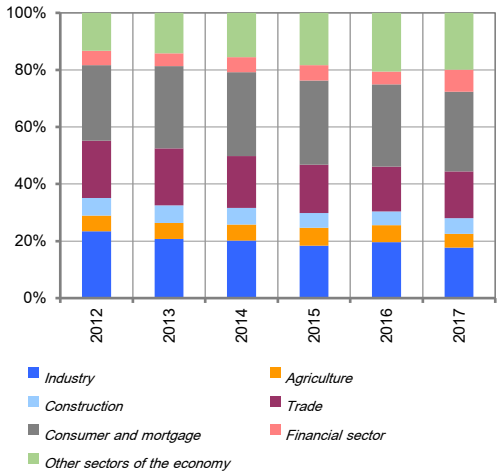
The Herfindahl-Hirschman Index of concentration of banking system lending by sectors of the economy remained unchanged at 1,080. The Index average for banks remained unchanged at 1,876, indicating a certain level of sector-specific concentration of lending investments in some banks.

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 2017, nine banks and 14 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 European Investment Bank (EIB);
- The Eurasian Development Bank (EDB);
- The International Finance Corporation (IFC);
- International Fund for Agricultural Development (IFAD); and
- Lending programs implemented by other international financial institutions.

Figure 11

Structure of Credit Investments to Residents by Sectors of the Economy



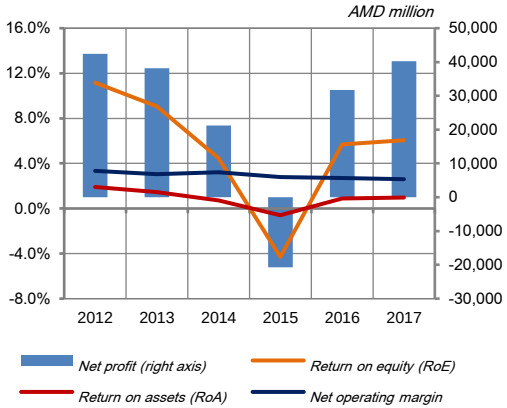
Source: Central Bank of Armenia.

Loans disbursed by banks and credit organizations under international programs decreased by 4.7% in 2017 to reach AMD 289 billion at yearend. Loans made under international programs have a high rate of repayment and relatively long maturity. As at 31 December 2017, in loans made under such programs, the share of overdue loans of banks was 0.8%. The shares of loans with a maturity of less than six months, from six months to one year, and one year and more were 3.6%, 5.6%, and 90.7%, respectively.

As of 31 December 2017, the main lending sectors under international programs were trade, agriculture, and energy (22.4%, 17.0%, and 12.5%, respectively).

Figure 12

Indicators of Probitability



Source: Central Bank of Armenia.

FINANCIAL PERFORMANCE OF THE BANKING SYSTEM

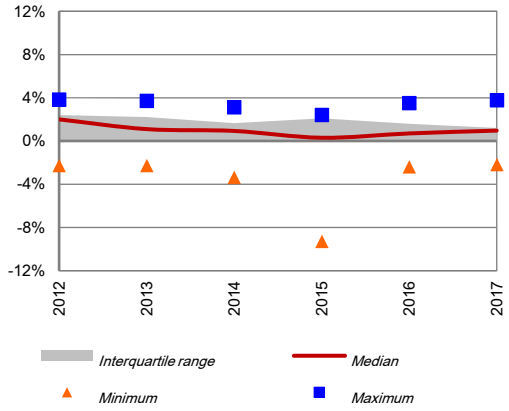
Banking System Profitability

In 2017, net profit of the banking system was AMD 37.7 billion.[5] During the year, 15 banks were profitable, and two incurred losses. Banking system RoA and RoE were 1.0% and 6.0%, respectively (compared to 0.9% and 5.8%, respectively, at yearend 2016). RoE grew owing to higher RoA, while lower leverage contributed negatively. RoA grew as a result of lower net provisions for possible asset losses and relative savings in non-interest expense. Compared to 2016, the ratio of net provisions to total assets declined by 0.3 percentage points, while the ratio of non-interest expense to total assets fell by 0.2 percentage points.

The RoA quartile analysis shows that, compared to 2016, RoA dispersion between banks declined. The RoA interquartile range decreased by 0.4 percentage points to reach 1.2%. The interquartile range decreased mostly due to the 0.3 percentage points decline in the difference between the 3rd quartile and the

Figure 13

Banking System RoA



Source: Central Bank of Armenia.

[5] Under the IFRS, banking system profit in 2017 was AMD 38.2 billion. The main difference between the reporting to the CBA and the IFRS is the 1% allocation to the reserve fund for possible asset losses made for standard assets.

median and the 0.1 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 0.8% and the difference between the median and the 1st quartile was 0.4% (compared to 1.1% and 0.5%, respectively, in 2016).

Banking System Income and Expense Structure

In 2017, gross income of the banking system grew by 16.1% and gross expense by 15.2%. Within gross income, interest income grew by 9.0%, non-interest income by 5.6%, and asset loss provision recoveries by 24.9%. Within gross expense, interest expense grew by 6.6%, non-interest expense by 10.6%, and asset loss provisions by 20.4%.

Banking system interest income grew mostly due to an increase in income from loans to the economy: their share in total interest income was 78.8% (80.8% in 2016).

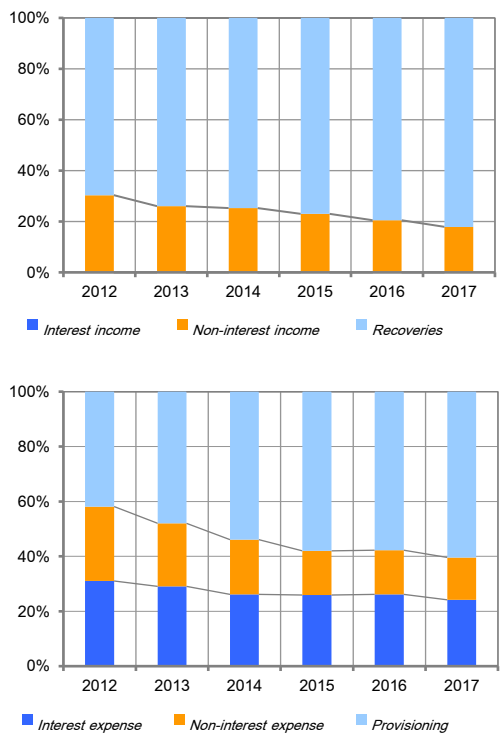
As to the structure of non-interest income, the main components to grow were income from commissions and income from state treasury bonds of the Republic of Armenia. The largest components of non-interest income were income from commissions and fines and penalties, as well as income from foreign exchange trading, with shares of 47.3%, 18.6%, and 17.0%, respectively (43.6%, 24.8%, and 16.7%, respectively, in 2016).

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—57.7% and 21.5%, respectively (55.8% and 21.8% in 2016).

Within non-interest expense, wage expense had the largest share - 46.2% (47.4% in 2016).

Figure 14

Banking System Income and Expense Structure



Source: Central Bank of Armenia.

FINANCIAL RISKS OF THE BANKING SYSTEM

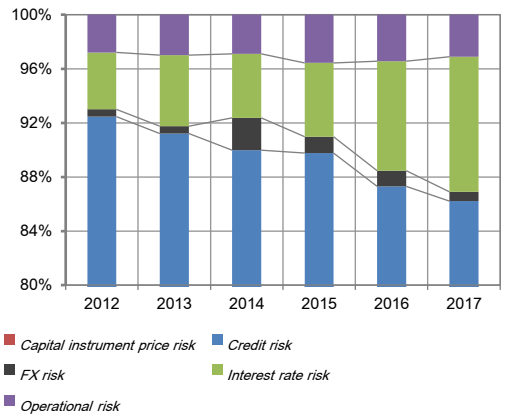
In 2017, the banking system risks remained manageable. No threats to financial stability were observed. During the year, the prudential ratio of total capital adequacy and the prudential ratio of liquidity of commercial banks were twice higher than the required minimums.

Table 6. Prudential Ratios of Commercial Banks

Prudential Ratio	31.12.16	31.12.17	Change	Prudential Threshold
Total regulatory capital adequacy	20.0%	18.6%	-1.4%	≥ 12%
Total liquidity	32.5%	32.1%	-0.4%	≥ 15%
Current liquidity	170.8%	141.7%	-29.1%	≥ 60%
Single large borrower risk	19.9%	18.7%	-1.2%	≤ 20%
All large borrowers risk	129.0%	141.7%	+12.7%	≤ 500%
Single bank-affiliated party risk	4.0%	3.3%	-0.7%	≤ 5%
All bank-affiliated parties risk	11.2%	9.2%	-2.0%	≤ 20%

Figure 15

Structure of Risk-Weighted Assets of Commercial Banks



Source: Central Bank of Armenia.

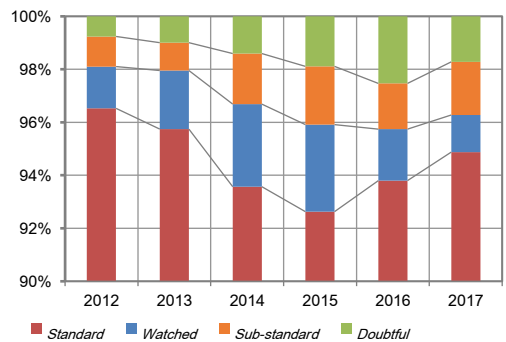
Credit Risk

Credit risk continues to be seen as a key risk for Armenia's banking system. The share of credit risk in risk-weighted assets of commercial banks was 85.8% (86.8% in 2016). In this context, prudent management of credit risk is highly important for the financial stability of the banking system.

The repayment rate of the loan portfolio improved in 2017. In terms of risks of the loan investments, non-performing loans and accounts receivable fell by 8.8% (AMD 14.5 billion) in 2017 to reach AMD 151.2 billion, while standard loans and accounts receivable grew by 11.7% (AMD 292.4 billion) to reach AMD 2 trillion 801.6 billion.

Figure 16

Structure of Loans and Account Receivable by Risk Class



Source: Central Bank of Armenia.

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 1.1 percentage points and reached 5.1% at yearend.[6]

As to risk classes, the shares of the watched, substandard, and doubtful loans and accounts receivable were 1.4%, 2.0%, and 1.7%, respectively (1.9%, 1.8%, and 2.5% at yearend 2016).

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, and agriculture (10.6% and 6.9%, respectively).

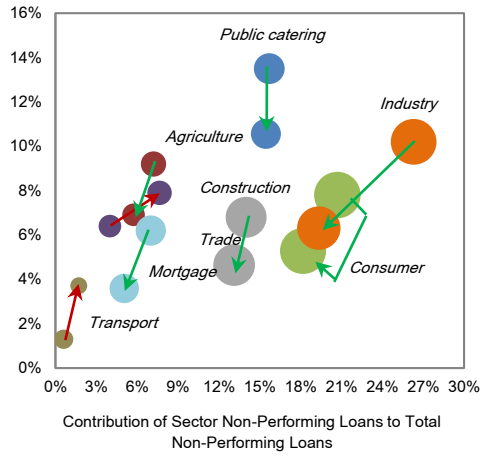
In terms of residency, 98.3% of the non-performing loans and accounts receivable at yearend were related to residents, and 1.7% to non-residents (98.5% and 1.5%, respectively, at yearend 2016).

The ratio of net non-performing loans and accounts receivable to total regulatory capital fell by 1.8 percentage points in 2017 over 2016 and reached 10.3%.[7]

In case of even a complete write-off 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 16.2% - still above the required minimum.[8]

Figure 17

Changes in Loan Portfolio Quality by Sectors, 2016-2017[6]



Source: Central Bank of Armenia.

[6] In the Figure, the diameter of the circles is directly proportional to the share of loan investments in the respective sector of the economy in the total loan portfolio. The direction and size of the arrow between the circles denote the change in the share of non-performing loans in the sector in 2016-2017.

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

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

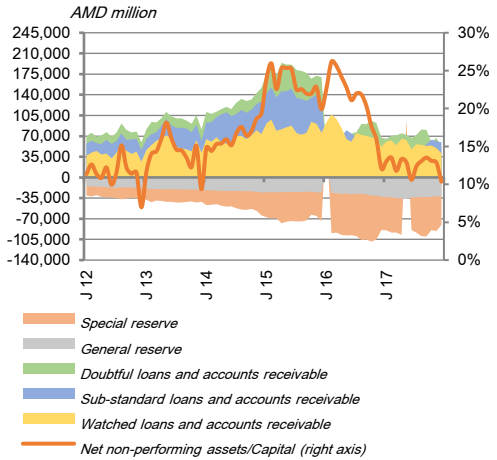
Table 7. Credit Risk Stress Tests [9]

31.12.2017	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 25.2 billion, or 3.7% of system regulatory capital	AMD 14.8 billion, or 2.2% of system regulatory capital	AMD 76.6 billion, or 11.2% of system regulatory capital
Total capital adequacy of the banking system under the stress scenario	18.0%	18.2%	16.8%

The results of the credit risk stress test[10] improved somewhat compared to the results of the same stress tests performed at the beginning of the year, due to the lower share of non-performing loans and accounts receivable in the loan portfolio.

Figure 18

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



Source: Central Bank of Armenia.

Foreign Exchange Risk

In 2017, the AMD/USD average annual exchange rate depreciated by 0.46%, while depreciation relative to the beginning of the year was close to zero. As a result of FX revaluation due to fluctuations of the AMD exchange rate against FX, the banking system had a gain of AMD 2.6 billion, while net income from FX trading operations and transactions in derivatives was AMD 15.4 billion. The FX value-at-risk (VAR) calculation shows that, within a 95% confidence interval, the possible 10-day loss of the banking system due to FX revaluation would not exceed AMD 278 million.

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

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

Table 8. FX Risk Stress Tests

31.12.2017	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 536 million, or 0.08% of system regulatory capital (AMD 536 million)	AMD 29 million, or 0.004% of system regulatory capital (AMD 29 million)	AMD 278 million, or 0.04% of system regulatory capital

The FX risk stress tests show[11] 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.

Liquidity Risk

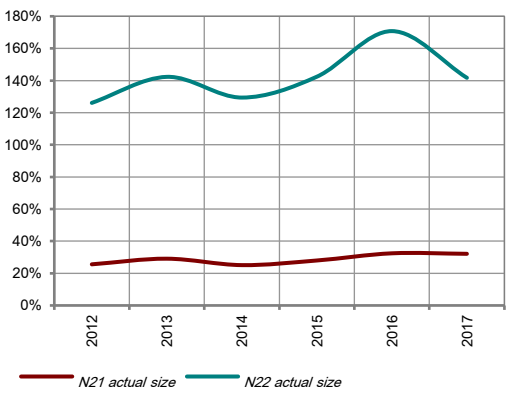
In 2017, banking system liquidity remained high: in all the banks, it is considerably above the required prudential minimum, which is an indication of high liquidity of the banking system. In 2017, total and current prudential liquidity ratios of commercial banks were 32.1% and 141.7%, respectively (the minimum ratios are 15% and 60%, respectively).

As to the concentration of banking system liabilities, the share of large liabilities decreased by 6.0 percentage points in 2017 to reach 12.9%.[12]

As to the stability of deposit sources to finance the credit portfolio, risks have somewhat declined: the ratio of loans to deposits fell by 4.2 percentage points to reach 102.1%.[13]

Figure 19

Change in Total and Current Liquidity Prudential Ratios of Commercial Banks



Source: Central Bank of Armenia.

[11] Losses estimated in the stress scenarios and the VaR model (VaR model is not considered a stress scenario, because the VaR calculation takes into account the FX exchange rate time series) are based on the banks' FX positions as at 30 June 2017.

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

[13] In the calculation of the ratio of loans to deposits, "loans" include loans to the real sector of the economy, and "deposits" are funds attracted from individuals and legal entities.

Table 9. Liquidity Risk Stress Tests

31.12.2017	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	26.6%	28.1%	21.8%
Banking system highly-liquid assets to demand liabilities	108.1%	155.4%	110.8%

The yearend stress test results virtually did not change relative to the results of the liquidity stress test carried out in the beginning of 2017. 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. To this end, the likelihood of liquidity risk undermining financial stability is assessed as quite low.

Price Risk

Price risk in Armenia's banking system continues to be assessed as quite low. Compared to the beginning of the year, the share of financial assets available for sale and measured ad fair rate through gain/loss in total assets grew by 1.0 percentage points and reached 9.7% at yearend.

The banking system had a net gain of AMD 5.7 billion (0.8% of total regulatory capital) from the revaluation of financial assets available for sale and measured at fair value through gain/loss.

Table 10. Real Estate Price Change Stress Tests

Real Estate 30% Depreciation Scenario	31.12.2017
Banking system loss due to revaluation of bank-owned real estate (*price risk*)	AMD 9.4 billion (1.4% of banking system capital)
Banking system loss due to non-repayment of 30% of the loan portfolio vulnerable under the stress scenario[14] (assuming that the respective collateral against such loans is sold at depreciated price) *(credit risk)*	AMD 28.3 billion (4.2% 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 94.4 billion (13.0% of banking system capital)

Figure 20

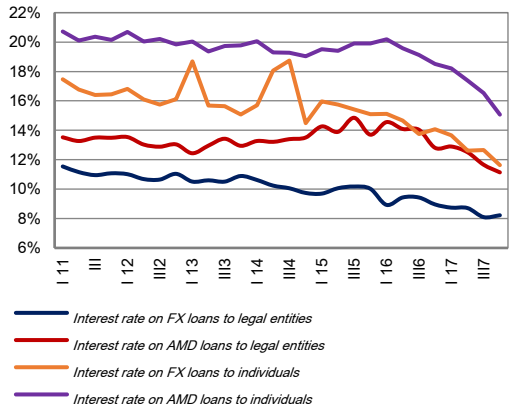
Change in Ratio of Loans to Deposits, Commercial Banks



Source: Central Bank of Armenia.

Figure 21

Interest Rates on Loans to Legal Entities and Individuals



Source: Central Bank of Armenia.

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

Under the real estate 30% depreciation stress test scenario, the maximum possible losses of banks due to credit risk arising out of real estate prices grew compared to the beginning of the year, mostly due to the increase in the part of the banking system credit portfolio secured with real estate collateral. Nevertheless, given moderate volatility of real estate prices in recent years, the impact on financial stability of credit risk arising out of real estate prices is assessed as quite small.

Interest Rate Risk

The expansionary monetary policy of the Central Bank, competition between financial organizations, and liquidity in the banking system continued to facilitate lowering of interest rates on funds provided by commercial banks. The sharpest decline was observed in interest rates on AMD loans.

In 2017, 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.

Table 11. Interest Rate Risk Stress Tests

31.12.2017	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 -22.5 billion, or 3.3% of banking system capital (AMD 22.5 billion or 3.3% of banking system capital)	AMD -92 million or 0.01% of banking system capital (AMD 92 million or 0.01% of banking system capital)

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 3.25% of total regulatory capital. In this context, possible losses in the banking system due to market interest rate fluctuations are not significant, and their impact on financial stability is assesses as quite low.

CREDIT ORGANIZATIONS

OVERVIEW

Credit Companies Operating in Armenia

As of 31 December 2017, 35 credit organizations operated in the Republic of Armenia, including three leasing organizations, one credit union, 29 universal credit organizations, and two refinancing credit organizations. The number of credit organization branches grew by 36 during the year and reached 205 at yearend.

Concentration among Credit Organizations in Armenia

Table 12. Concentration among Credit Organizations (%)

Prudential ratio	31.12.16	31.12.17
Total assets		
CC 4	57.1	56.9
CC 10	80.5	80.0
Total liabilities		
CC 4	51.8	45.7
CC 10	79.9	76.2
Total capital		
CC 4	75.9	78.5
CC 10	89.4	91.4
Loans to the economy (including leasing and factoring)		
CC 4	54.4	50.9
CC 10	84.6	77.9

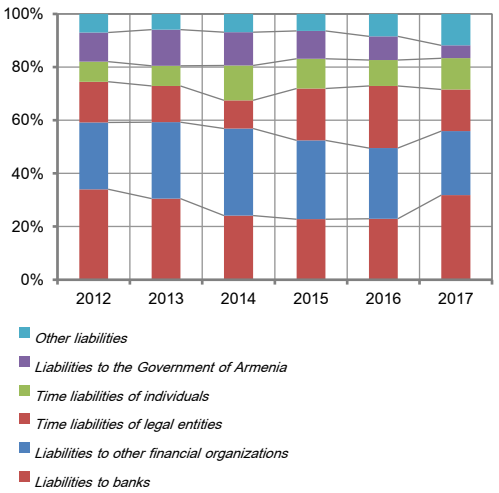
Concentration among credit organizations increased for virtually all the balance sheet indicators, except for total capital.

The Herfindahl-Hirschman Index of Concentration for various aggregate indicators mostly fluctuated between 700 and 1,000, with the exception of total capital. It is an indication of weak concentration.

The polarization of virtually all indicators between large and small credit organizations declined during 2017.

Figure 22

Structure of Liabilities of Credit Organizations



Source: Central Bank of Armenia.

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

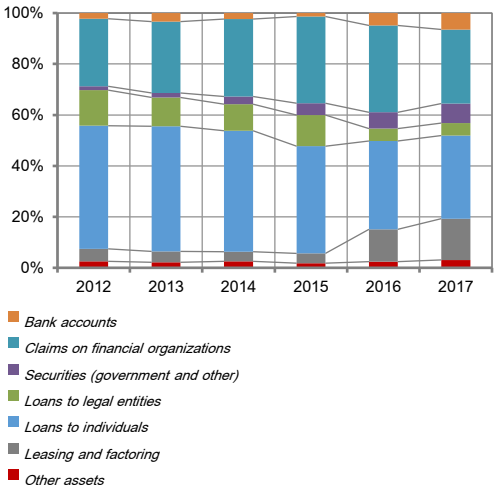
Capital of Credit Organizations

In 2017, total capital of credit organizations grew by 41.4% and reached AMD 257.4 billion. This growth was mostly due to an increase in current period profit and an increase in the statutory capital.

The share of non-residents in the statutory capital of credit organizations decreased by 1.3 percentage points in 2017 and reached 6.7% at yearend. Six of the 13 credit organizations in which non-residents have a share are fully foreign-owned companies, the share of which in total assets of credit organizations was 12.1% (compared to 13.1% at yearend 2016).

Figure 23

Structure of Assets of Credit Organizations



Source: Central Bank of Armenia.

Liabilities of Credit Organizations

Liabilities of credit organizations grew by 3.5% and reached AMD 217.4 billion.

Liabilities to legal entities decreased by 30.8% and reached AMD 34.0 billion, while liabilities to individuals increased by 25.0% and reached AMD 25.6 billion.

Assets of Credit Organizations

During 2017, total assets of credit organizations grew by 21.1% and reached AMD 474.8 billion at yearend. Assets grew in 27 of the credit organizations operating in Armenia.

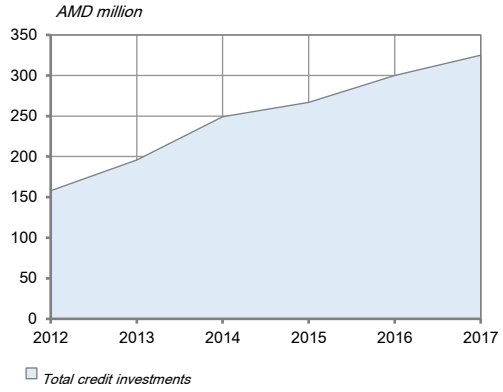
Within assets, the main components to grow were bank accounts (grew by 60.8% and reached AMD 30.6 billion), securities (government and other, grew by 45.7% and reached AMD 36.5 billion), leasing and factoring (grew by 54.7% and reached AMD 76.9 billion), and loans to the economy (grew by 14.8% and reached AMD 178.0 billion).

Lending to virtually all sectors of the economy grew, with the exception of lending to the industry sector.

The shares of non-performing loans (watched, substandard, and doubtful loans) of credit organizations decreased by 1.4 percentage points in 2017 and reached 3.2% at yearend. The share of non-performing assets is relatively higher in consumer credits, lending to agriculture, and lending to transport and communications (13.5%, 9.3%, and 5.9%, respectively).

Figure 24

Change in Credit Investments of Credit Organizations



Source: Central Bank of Armenia.

Financial Outturn of Credit Organizations

The net profit of credit organizations according to supervisory reports was AMD 52.5 billion in 2017 [15]: 31 of the credit organizations were profitable, while four incurred a loss. Total net profit of the profitable credit organizations was AMD 52.7 billion.

RoA and RoE of credit organizations were 12.1% and 24.6%, respectively, in 2017.

In 2017, the net profit of credit organizations under the IFRS was AMD 51.7 billion, while RoA was 10.7% and RoE was 21.3%.

Interest income of credit organizations grew by 1.8%, mostly due to higher net income from funds placed in commercial banks and other financial organizations. Income from loans to the

[15] *Under the IFRS, credit organizations' profit in 2017 was AMD 51.7 billion. The main difference between the reporting to the CBA and the IFRS is the 1% allocation to the reserve fund for possible asset losses made for standard assets.*

economy and income from funds placed in commercial banks and other financial organizations account for the largest percentage of total interest income - 65.9% and 24.0%, respectively (compared to 68.2% and 22.7% in 2016).

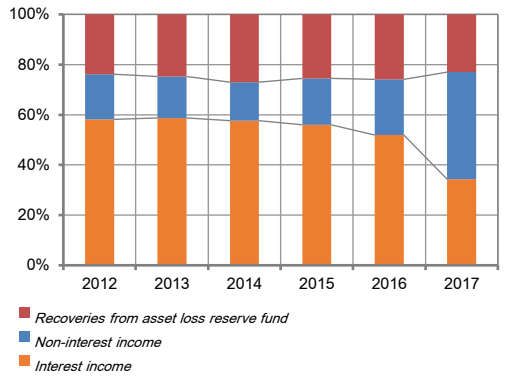
Non-interest income grew by 197.9% mostly due to higher net income from factoring. Income from factoring accounts for the largest share in total non-interest income - 73.1% (compared to 32.7% in 2016).

Interest expense grew by 0.7% mostly due to higher interest expense paid against securities issued by credit 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 - 41.9% and 30.5%, respectively (compared to 44.6% and 30.6% in 2016).

Non-interest expense grew by 12.7% mostly due to higher accrued wages and related payments and higher other non-interest expense. The largest components of non-interest expense are accrued wages and related payments, as well as interest payable against other non-interest expense, which accounted for 54.3% and 13.8%, respectively (compared to 57.1% and 11.4% in 2016).

Figure 25

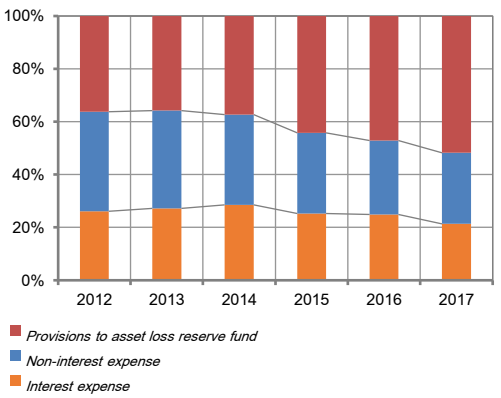
Income and Expense Structure of Credit Organizations



Source: Central Bank of Armenia.

Figure 26

Income and Expense Structure of Credit Organizations



Source: Central Bank of Armenia.

INSURANCE MARKET OF ARMENIA

OVERVIEW

Insurance Companies Operating in Armenia

As of 31 December 2017, 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 0.63% on 31 December 2017, which was 0.02 percentage points lower than the figure at yearend 2016.[16] Per capita premiums were AMD 11,800 in 2017 (AMD 11,100 in 2016).

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 2017, with the exception of concentration by insured sums and liabilities, which declined, and concentration by capital, which increased.

Table 13. Herfindahl-Hirschman Index of Concentration

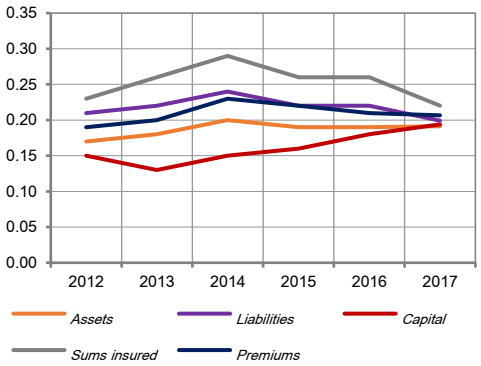
	31.12.15	31.12.16	31.12.17
Assets	0.19	0.19	0.19
Liabilities	0.22	0.22	0.20
Capital	0.16	0.18	0.19
Sums insured	0.26	0.26	0.22
Premiums	0.22	0.21	0.21

Table 14. Concentration in the Insurance System (%)

	31.12.15	31.12.16	31.12.17
Assets			
CC 2 (share of assets of the largest two companies in total assets of the system)	53	55	54
CC 5 (share of assets of the largest five companies in total assets of the system)	86	86	86
Liabilities			
CC 2	60	59	55
CC 5	94	93	91
Capital			
CC 2	44	49	52
CC 5	83	85	85
Sums insured			
CC 2	68	68	59
CC 5	95	95	94
Premiums			
CC 2	59	56	54
CC 5	94	95	94

Figure 27

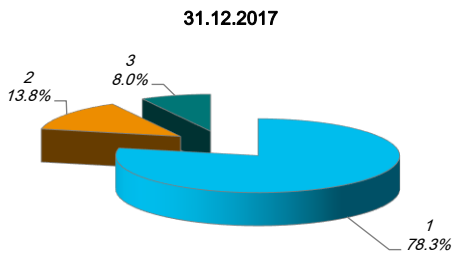
Herfindahl-Hirschman Index of Concentration for Key Indicators



Source: Central Bank of Armenia.

Figure 28

Structure of Total Capital of Insurance System



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

Source: Central Bank of Armenia.

[16] *In 2016, the ratio of premiums to GDP for non-life insurance averaged 3.6% in developed industrial countries and 1.5% in developing countries (source: Swiss Re, Sigma No 3/2017, May 2017).*

Polarization between insurance companies presented in Table 14 mostly declined in 2017 relative to 2016. Concentration of liabilities, sums insured, and premiums of the largest two (CC 2) and the largest five (CC 5) companies declined. The polarization of capital of the largest two (CC 2) companies grew in 2017 relative to 2016.

INSURANCE SYSTEM CAPITAL

Total capital of the insurance system decreased by 1.1% in 2017 and reached AMD 19.2 billion. Statutory capital remained unchanged (AMD 15.1 billion). The capital decline was mostly due to a decrease in retained profits (by AMD 653.8 million).

The share of risk-weighted assets and the share of the solvency ratio in the capital adequacy ratio of the insurance system were 38.0% and 62.0%, respectively, at yearend 2017. The prudential ratio of capital adequacy of insurance companies was 183.3% (the prudential standard of capital adequacy is 100.0%).

As of 31 December 2017, the share of non-residents in the statutory 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%.

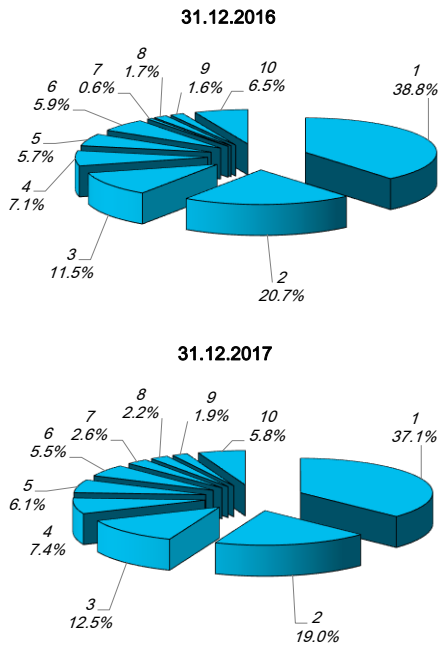
INSURANCE SYSTEM ASSETS

In 2017, the assets of insurance companies grew by 6.1% (AMD 2.8 billion) and reached AMD 49.5 billion at yearend 2017.

The main items to grow were claims arising from subrogation (by AMD 1.0 billion drams, of which AMD 829.9 million were claims for direct subrogation). In 2017, amounts receivable for direct insurance grew considerably, too (by 15.0%, or AMD 806.3 million).

Figure 29

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

Source: Central Bank of Armenia.

At yearend, the largest components of insurance system assets were deposits in banks (37.1%), government securities (12.7%), and amounts receivable from the insured for direct insurance (12.5%). 90.5% of the deposits were current deposits in resident banks, and 9.5% 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 0.6 years, and the average maturity of government securities is 3.5 years.

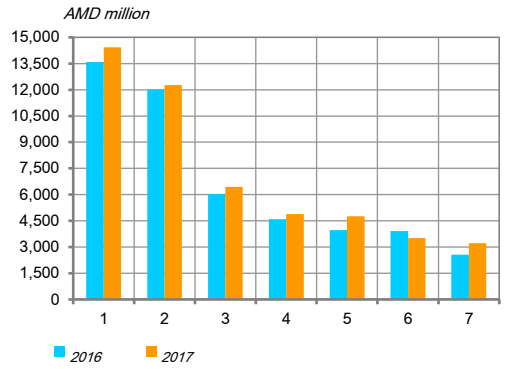
The assets of insurance companies are mostly placed in Armenian drams. As at 31 December 2017, foreign currency assets were 2.6% (AMD 1.3 billion) of total assets. Foreign currency assets were mostly deposits in Armenia's banks, totaling AMD 1.0 billion (5.3% of total assets) at yearend 2017.

The assets of insurance companies are mostly placed in highly-liquid assets. In 2017, no insurance company violated the prudential requirement on liquidity.

Assets matching the technical reserves exceeded the amount of net technical reserves[17] by 61.3 percentage points as of 31 December 2017.

Figure 30

Change in Assets of Insurance Companies



Source: Central Bank of Armenia.

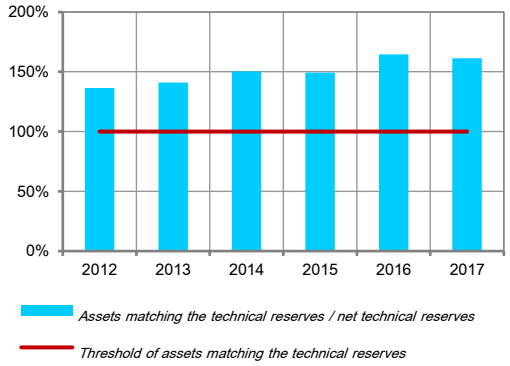
INSURANCE SYSTEM LIABILITIES

The liabilities of insurance companies grew by 11.2% in 2017 (by AMD 3.1 billion) and reached AMD 30.3 billion at yearend. The main items to grow were technical reserves (11.0% growth in 2017) and compensations payable under direct insurance (grew by AMD 586.1 million). The bulk of the technical reserves (68.9%) was the reserve for unearned premiums.

As of 31 December 2017, the largest components of liabilities were technical reserves (65.7%) and repo agreements (8.2%).

Figure 31

Change in Assets Matching the Technical Reseves of Insurance Companies



Source: Central Bank of Armenia.

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

FINANCIAL PERFORMANCE OF THE INSURANCE SYSTEM

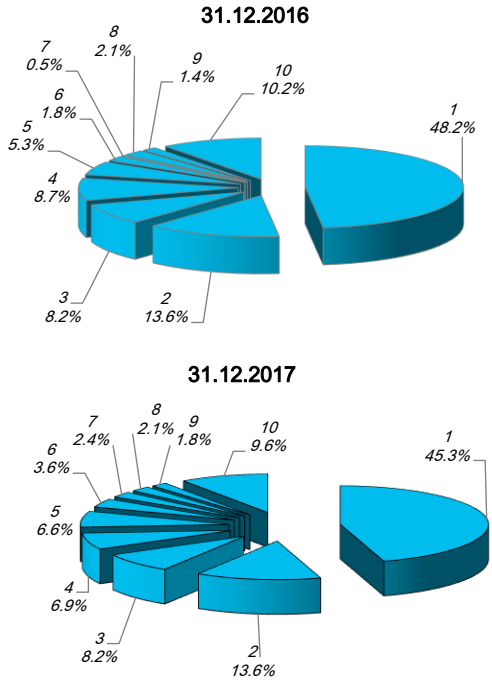
Net profit of the insurance companies as per supervisory reports was AMD 2.0 billion in 2017.[18] Return on assets was 4.2%, and return on equity was 9.9%. Six of the insurance companies were profitable, while one incurred a loss.

Net profit of the insurance companies under the IFRS was AMD 1.6 billion in 2017. RoA was 3.4% and RoE was 7.1%.

Premiums written by insurance companies in 2017 reached AMD 35.3 billion (compared to AMD 33.1 billion in 2016). 54.4% of the premiums written were related to compulsory motor third party liability insurance (CMTPL), and 10.2% to health insurance.

Figure 32

Structure of Liabilities of Insurance Companies

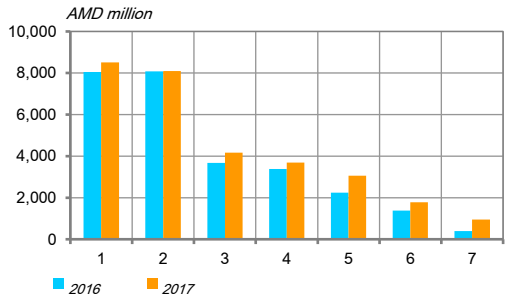


1. Reserve for unearned premiums, 2. Reserve for claims, 3. Repo agreements, 4. Other technical reserves, 5. Premiums transferable to reinsurers, 6. Loans and borrowings, 7. Compensations payable, 8. Insurance prepayments received, 8. Loans and borrowings, 9. Amounts payable to intermediaries, 10. Other liabilities

Source: Central Bank of Armenia.

Figure 33

Change in Liabilities of Insurance Companies



Source: Central Bank of Armenia.

[18] *Under the IFRS, insurance companies' profit in 2017 was AMD 1.6 billion. The main difference between the reporting to the CBA and the IFRS is income from reversal of the reserve for balancing.*

Premiums written during the year grew mostly on account of health, CMTPL, and accident insurance (by AMD 1.5 billion or 26.5%, AMD 848.7 million or 4.6%, and AMD 332.6 million or 57.9%, respectively). Premiums written for loan insurance grew considerably, too (by AMD 26.8 million or 218.1%). Premiums written for fire and natural disaster insurance declined (by 17.0% or AMD 564.5 million); so did premiums written for liability insurance (by 31.5% or AMD 243.9 million).

Insurance companies wrote compensations of AMD 18.0 billion in 2017 (compared to AMD 14.2 billion in 2016). 64.9% of the written insurance compensations were related to CMTPL insurance, and 22.4% to health insurance.

Compensations written during the year grew mostly on account of CMTPL and health insurance (by AMD 2.9 billion or 32.7% and by AMD 609.3 million or 17.8%, respectively). Compensations written for loan insurance grew considerably, too (by AMD 240.0 million). Compensations written for insurance of financial losses declined by 42.5% or AMD 178.1 million.

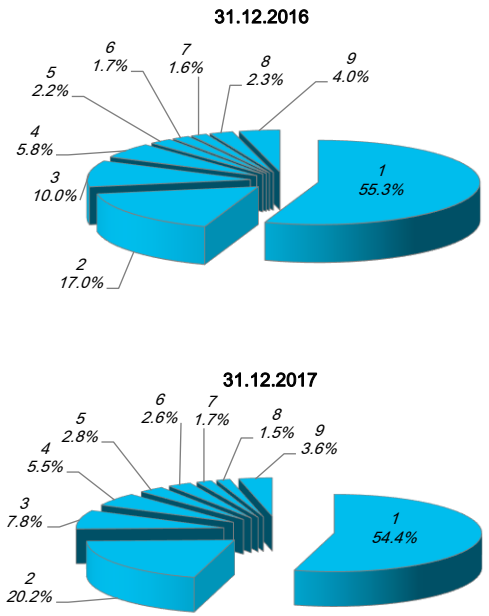
Earned premiums continued to account for a large share of the income of insurance companies (84.2%). Interest and non-interest income accounted for 9.7% of the total income. Other insurance income accounted for 6.1% of total income. Claims arising out of subrogation accounted for the bulk of other insurance income.

Insurance compensations and net technical reserves accounted for a large share (52.4%) of expenses. Interest and non-interest expense accounted for 28.1% of total expense. Other insurance expense was 19.6%. 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. 64.0% of the interest income was due to interest income from current deposits in banks and from current loans to banks. 30.6% of the interest income was due to interest income from current and non-current securities. During 2017, non-interest expense of insurance companies was AMD 8.5 billion - a 7.5% increase

Figure 34

Structure of Insurance Premium Accured by Insurance Companies



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

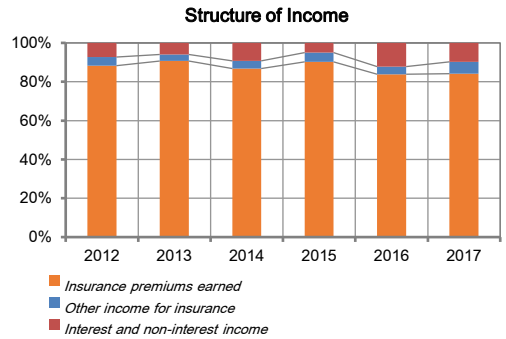
Source: Central Bank of Armenia.

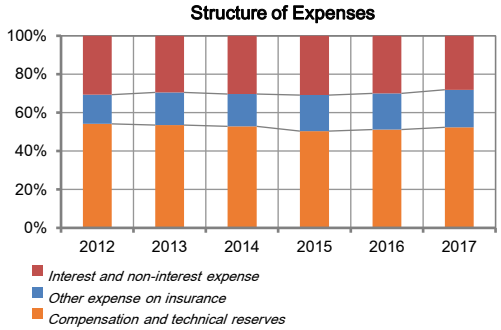
compared to 2016. 53.3% of the non-interest expense was due to the administrative expenses of insurance companies.

The insurance system loss ratio was 58.5% [19] - a 7.6 percentage point increase compared to 2016. The expense ratio grew by 0.1 percentage points compared to 2016 and reached 29.9% at yearend 2017.[20]

Figure 36

Structure of Income and Expense of the Insurance System

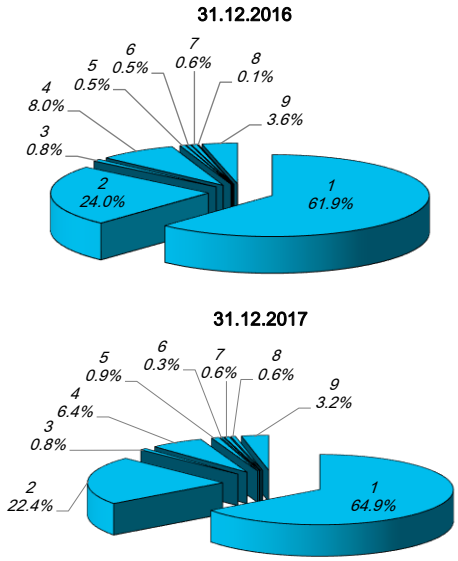




Source: Central Bank of Armenia.

Figure 35

Structure of Accured Compensations of the Insurance System



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

Source: Central Bank of Armenia.

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

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

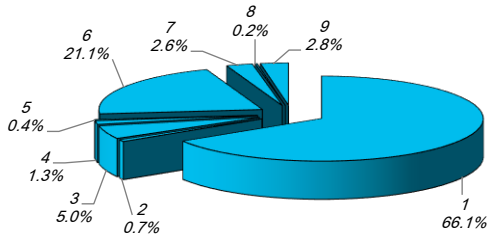
INSURANCE POLICIES AND COVERAGE

The number of insurance policies in force at yearend 2017 was 693,700, representing a 9.5% increase over yearend 2016. This increase in the number of policies was mostly due to the 26.2% (30,400) increase at yearend of accident insurance policies and the 8.4% (35,500) increase in CMTPL insurance policies. The number of fire and natural disaster policies grew, as well (by 27.6% or 7,500). The number of health insurance and ground transport insurance policies declined by 50.4% (4,900) and 51.0% (9,300), respectively.

At yearend 2017, insurance coverage reached AMD 28.7 trillion, which is about three-fold higher than the 2016 yearend figure. This sharp increase in coverage was mostly due to the CMTPL threshold increase, which caused the CMTPL coverage to reach AMD 21.7 trillion at yearend 2017 (compared to AMD 5.0 trillion at yearend 2016). The increase in coverage was also due to an increase (by AMD 496.7 billion, or 50.0%) in policies for aircraft (including cargo) operation. The fire and natural disaster coverage grew by AMD 171.2 billion (6.9%).

Figure 37

Structure of Insurance Contracts in Force as of 31 December 2017

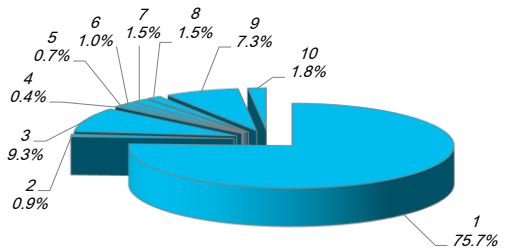


1. CMTPL, 2. Health, 3. Fire and natural disasters, 4. Ground transport, 5. Cargo, 6. Accidents, 7. Support, 8. General liability, 9. Other classes of insurance

Source: Central Bank of Armenia.

Figure 38

Structure of Coverage under Policies in Force as of 31 December 2017



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

Source: Central Bank of Armenia.

REINSURANCE OF RISKS UNDERTAKEN BY INSURANCE COMPANIES

The amount of reinsured sums reached AMD 5.3 trillion (18.6% of the risks undertaken by insurance companies) at yearend 2017. Insurance premiums transferred to reinsurers in 2017 were AMD 4.8 billion (13.5% of insurance premiums). Insurance compensations received from reinsurers during 2017 were AMD 1.2 billion (7.2% of the compensations written in 2017).

As of 31 December 2017, 17 commercial banks and 9 investment companies have been delivering investment services in the securities market of Armenia.

The level of liabilities and capital concentration of investment companies decreased in the course of 2017.

Table 15. Herfindahl-Hirschman Index of Concentration

Indicator	31.12.2013	31.12.2014	31.12.2015	31.12.2016	31.12.2017
Total assets	1900	2000	2100	1800	1800
Total liabilities	1900	2100	2200	1800	1700
Total capital	1900	1900	1800	1900	1700

The assets of investment companies grew by 54.8% in 2017 over 2016 and reached AMD 64.3 billion. Total capital grew by 51.9% to reach AMD 9.8 billion at yearend. In 2017, net profit of insurance companies was AMD 2.5 billion. All of the companies were profitable in 2017.

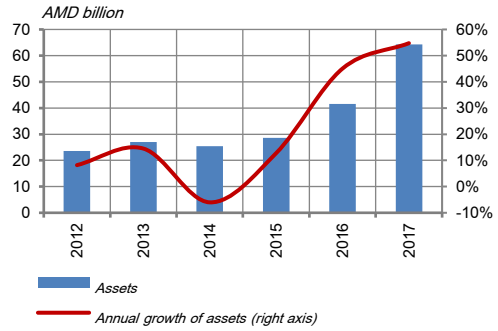
The total investment turnover in the securities market of Armenia (including repo transactions, excluding transactions with the Central Bank) grew by 1.1% and reached AMD 7 trillion 716 billion.

The volume of repo transactions carried out in the securities market of Armenia (excluding transactions with the Central Bank) accounted for 89.6% of the total turnover of the securities market: it increased by 23% in 2017 over 2016 and reached AMD 8 trillion 508 billion. Repo transactions with the Central Bank decreased in 2017 relative to 2016.

The repo transactions were transactions with government securities: 49.0% of them were transactions with medium-term government bonds, 50.9% with long-term bonds, and 0.1% with short-term bonds.

Figure 39

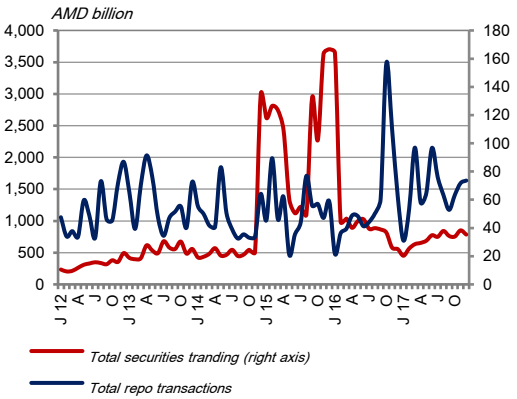
Assets of Investment Companies, Growth Pace in 2012-2017



Source: Central Bank of Armenia.

Figure 40

Securities Trading and Repo Transactions by Insurance Companies during 2012-2017



Source: Central Bank of Armenia.

Government securities also accounted for the bulk of securities traded by entities providing investment services in the securities market: their value was AMD 627 billion or 78% of the total turnover.

The corporate bonds trading turnover grew by AMD 63.6 billion in 2017 over 2016 and reached AMD 99.6 billion or 12.4% of the total turnover. The volume of transactions with shares decreased by AMD 81.7 billion to reach AMD 75.8 billion or 9.5% of the total volume of securities transactions.

The share of stock exchange trading in total securities trading by entities providing investment services was 12.3%.

In 2017, the volume of securities transactions in the regulated market grew by 1.4% (AMD 1.4 billion) and reached AMD 98.6 billion.

Transactions in government securities accounted for 66% of the total turnover, while transactions with corporate securities and shares were 19% and 12%, respectively.

On 31 December 2017, compared to yearend 2016, funds under asset management of securities portfolio by entities providing investment services grew by 26.8% and reached AMD 1 billion 180 million.

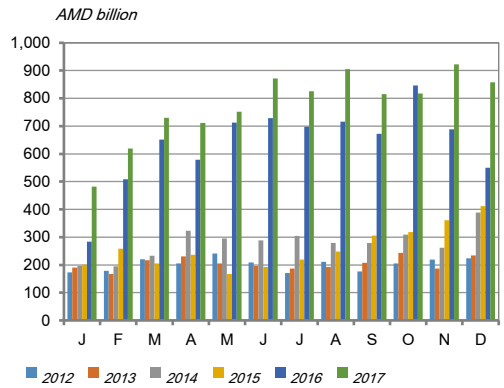
As of 31 December 2017, 97.7% of the securities portfolio of investment companies were non-equity securities. As for the status of the purchased securities, 63.7% of the portfolio were unencumbered securities, 19.2% were securities purchased under repo, and 16.5% were securities purchased under reverse repo and pledged.

Capitalization of Armenia's securities market was AMD 143.8 billion, and the capitalization to GDP [21] ratio was 2.5% (representing a 0.2 percentage point decrease over 2016).

As of 31 December 2017, the Central Depositary of Armenia maintained 2,444 registers of owners of nominal securities. 105,474 owners of securities had securities accounts in the Central Depositary of Armenia.

Figure 41

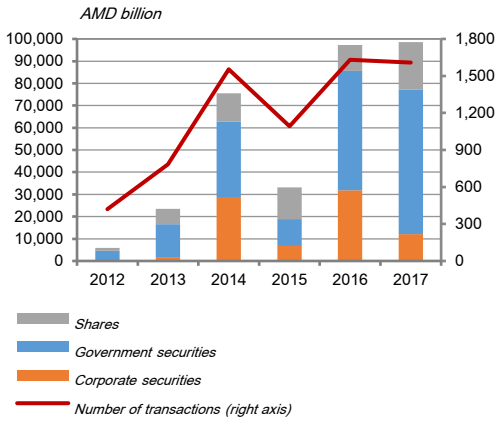
Securities Transactions by Entities Providing Investment Services (Excluding Transactions Of the Central Bank) during 2012-2017



Source: Central Bank of Armenia.

Figure 42

Structure of Transactions in the Regulated Market in 2012-2017



Source: Central Bank of Armenia.

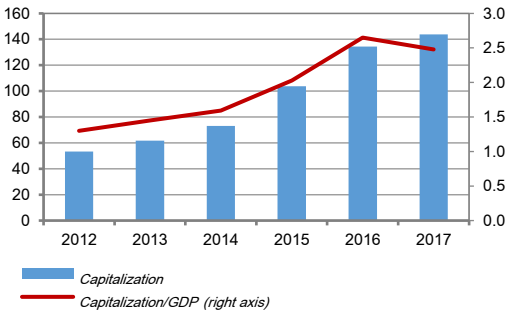
[21] *Product of the number of ordinary nominal shares issued by reporting issuers and their latest transaction price.*

At yearend, 58 classes/issues of securities of 20 reporting issuers were admitted to trading in the regulated market of Armenia: two of the issuers issued both shares and bonds. 10 of the reporting issuers issued 10 classes of shares, and 13 issued 48 bonds. 13 of the issued bonds were in FX, and their share in the total volume was 67%.

As of 31 December 2017, the total face value of shares issued by reporting issuers was AMD 57.7 billion, while the total volume of bonds was AMD 92.2 billion. Eight banks accounted for 92% of the issued debt securities. The holdings of share securities of three banks accounted for 69%.

Figure 43

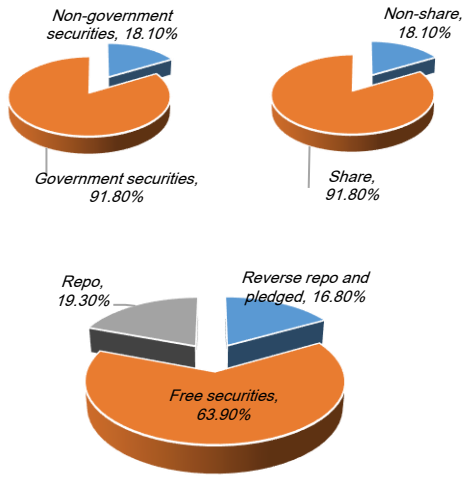
Armenia Securities Market Capitalization and Ratio of Capitalization to GDP



Source: Central Bank of Armenia.

Figure 44

Structure of Securities Portfolio of Entities Providing Investment Services, as of 31 December 2017



Source: Central Bank of Armenia.

MANDATORY FUNDED PENSION SYSTEM OF ARMENIA

Mandatory Pension Funds Operating in Armenia

As of 31 December 2017, 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 2017, the pension fund net assets were AMD 105.7 billion. Net assets to GDP were 1.9%. The Herfindahl-Hirschman Index of Concentration for the investments of the pension funds decreased in 2017 relative to 2016 and was 0.28 as of 31 December 2017.

The number of pension fund active participants was 193,000 at yearend 2017, representing a 23,000 increase over 2016.

Table 16. Net Asset Value (NAV) of Mandatory Pension Funds as of 31 December 2017

Manager	Pension Fund	NAV
Amundi-ACBA Asset Management Armenia CJSC	*Balanced fund*	AMD 1.3 billion
	Conservative fund	AMD 51.9 billion
	Fixed income fund	AMD 722 million
C-QUADRAT Ampega Asset Management Armenia LLC	*Balanced fund*	AMD 708 million
	Conservative fund	AMD 50.8 billion
	Fixed income fund	AMD 342 million

Pension Fund Investments

Within the structure of fund investments, investments in non-government bonds grew by 2 percentage points in 2017 over 2016 and reached 9% of total assets. Investments in cash and deposits grew by 3 percentage points and reached 30% of total assets. During the same period, investments in securities of foreign investment funds grew by 1 percentage point. The share of government bonds decreased by 7 percentage points.

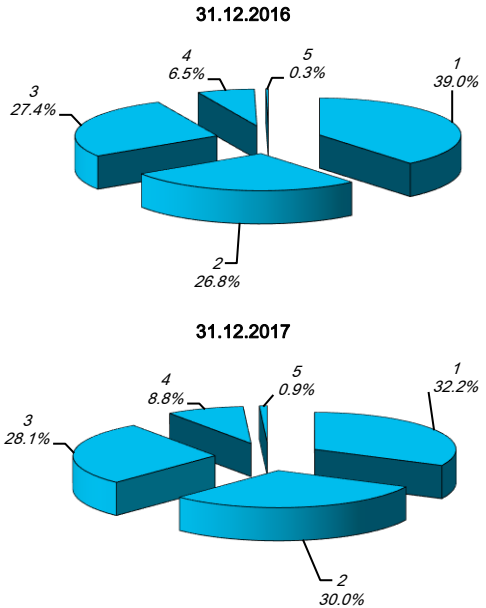
32.1% of the funds' assets (AMD 33.9 billion) were investments in government bonds of Armenia. Investments in Armenia's government Eurobonds were AMD 406 million. The weighted average maturity of government bonds in which funds invest is 8.8 years, and their weighted average yield (to maturity) is 8.7%.

The share of FX assets of the funds is 33.3% (AMD 35.2 billion), the bulk of which (AMD 29.7 billion) are securities of foreign investment funds.

The average yield of the funds was 13.7% in 2017. Four-year incremental average yield as from early 2014 was 42.2% (the average price of one share of six funds, which was AMD 1,000 at the time of inception, grew by AMD 422 and reached AMD 1,422 as of 31 December 2017).

Figure 45

Pension Funds Investment Structure



1. Government bonds of Armenia, 2. Cash and deposits, 3. Securities of foreign investment funds, 4. Other bonds, 5. Other assets

Source: Central Bank of Armenia.

Voluntary Pension Funds in Armenia as of 31 December 2017

As of 31 December 2017, one investment fund manager have had a license of a voluntary pension funds manager in Armenia and was managing two voluntary pension funds and one investment fund.

As of 31 December 2017, the net assets of the voluntary pension funds were AMD 110.3 million, while the net assets of the investment fund were AMD 1 billion.

PAYMENT AND SETTLEMENT ORGANIZATIONS

As of 31 December 2017, seven payment and settlement organizations operated in the Republic of Armenia. Two of them had a license to provide only money transfer services, and four had a license to provide money transfer services and services of processing/clearing payment instruments and payment documents. One organization had a license to provide only services of processing/clearing. Four companies had been authorized to issue e-money.

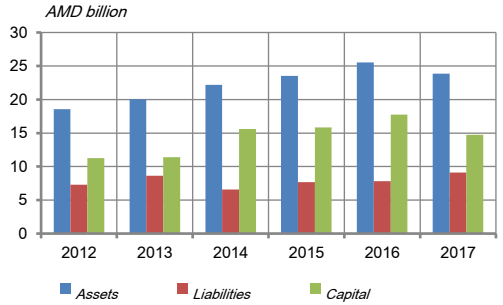
In 2017, the assets of companies holding a license to perform processing/clearing and money transfers grew by 101.7% to reach AMD 7.2 billion at yearend, and their capital grew by 80.8% to reach AMD 2.2 billion. The assets and capital of organizations holding a license to perform only money transfers decreased by 13.6% and 19.5%, respectively, while their liabilities grew by 0.03% to reach AMD 22.1 billion, 14.3 billion, and 7.8 billion, respectively.

Companies holding a license to perform processing/clearing and money transfers had a profit of AMD 671 million in 2017, while the profit of organizations performing only money transfers was AMD 1.6 billion.

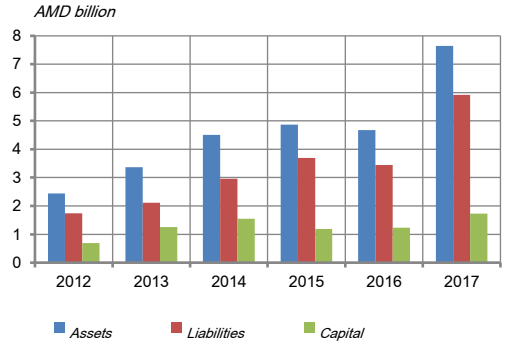
Figure 46

Financial standing of payment and settlement organizations over 2017

Organizations Performing Money Transfers Only



Organizations Performing Processing/Clearing of Payment Instruments and Money Transfers



Source: Central Bank of Armenia.

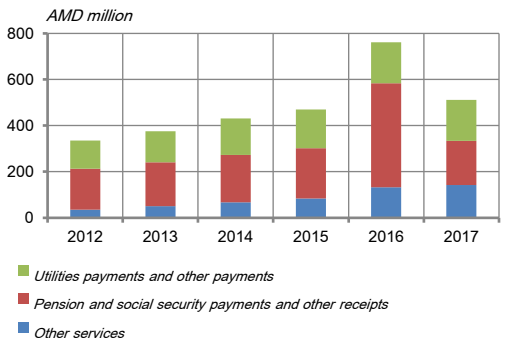
At yearend 2017, six payment and settlement organizations accepted utilities payments, payments for telephone and mobile telecommunications, loan repayments, penalties and stamp duties collected in the state budget, and payments for internet and other services through automated self-service terminals and registered branches. The value of transactions performed by payment and settlement organizations decreased 33% compared to 2016 and reached AMD 511.9 billion at yearend 2017.

Inbound money transfers to the Republic of Armenia are performed through commercial banks and organizations performing money transfers. In 2017, about AMD 14.5 billion were transferred to Armenia through organizations performing money transfers (AMD 4.7 billion more than in 2016). The same organizations transferred AMD 1.9 billion abroad from Armenia.

During 2017, the ArCa processing center performed card transactions of AMD 1 trillion 954.1 billion (a 45.3% increase over 2016). The value of certifications of transactions using cards registered with another processing center reached AMD 133.5 billion (a 49% increase over 2016). The value of transactions using payment cards registered in the ArCa processing center through points of sale registered outside ArCa (including abroad) reached AMD 194.1 billion (a 6.2% increase).

Figure 47

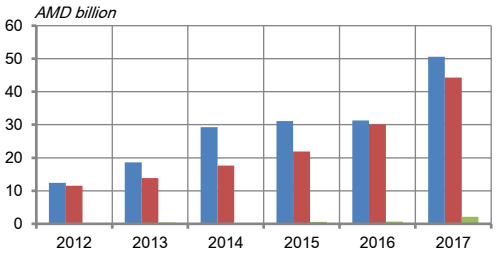
Volume of Services Provided by Payment and Settlement Organizations



Source: Central Bank of Armenia.

Figure 48

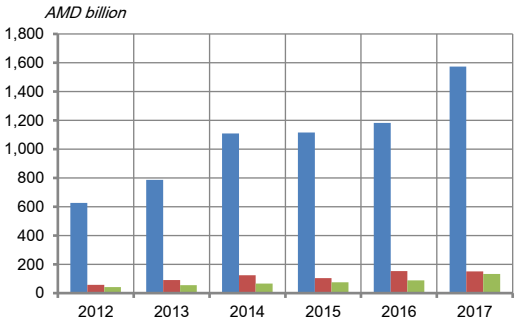
Payment Service Provided by the ARCA System through Cards and E-Money



Source: Central Bank of Armenia.

Figure 49

Machines in Service Outlets



Source: Central Bank of Armenia.

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

In 2017, 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 AMD 288 billion. In this volume of non-cash transactions, the value of internet transactions was AMD 145.6 billion (including AMD 87.6 billion in e-commerce and AMD 41.8 billion in card-to-card transfers). Compared to 2016, the total number of cards in circulation grew by 9.2% and reached 1.7 million. The share of non-cash payments made using cards (including internet transactions) in total card transactions grew by 3.6 percentage points in 2017 over 2016 and reached 18.5%.

The value of money transfers to individuals through commercial banks and through organizations performing money transfers declined by 17% and reached AMD 854.3 billion (including through SWIFT), while the value of transfers abroad grew by 25.1% and reached AMD 467.7 billion. The resulting net inflow remained unchanged at AMD 358.1 billion.

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 grew by 3.7% to reach AMD 61.4 billion, while the number of transfers shrank by 18.8% to reach 12,800. As a result, the average value of one electronic transfer grew and reached about AMD 4.8 million.

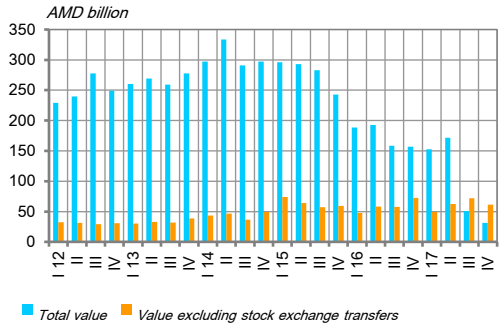
Average daily transfers related to stock exchange transactions using the e-payment system declined by 42.5% in 2017 to reach AMD 99.9 billion. The average value of transfers made by commercial banks in relation to stock exchange transactions declined by 20.6% to reach AMD 2.2 billion.

Government Securities Accounting and Settlement System

At yearend 2017, 17 commercial banks, two investment companies, the Deposit Guarantee Fund, the Pension Guarantee Fund Management Foundation, the Military Personnel Life or Health Damage Compensation Fund, the Central Depositary of Armenia, the “NASDAQ-OMX Armenia” stock exchange, the Ministry of Finance of Armenia (as the issuer of government securities), and the Central Bank of Armenia participated in the Government Securities Accounting and Settlement System.

Figure 50

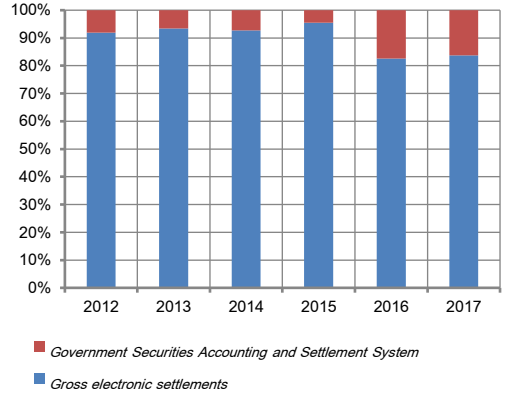
Average Daily Transfers via the Electronic Payments System



Source: Central Bank of Armenia.

Figure 51

Structure of the Values of Payments via the Payment Systems of the Central Bank (excluding stock exchange payment)



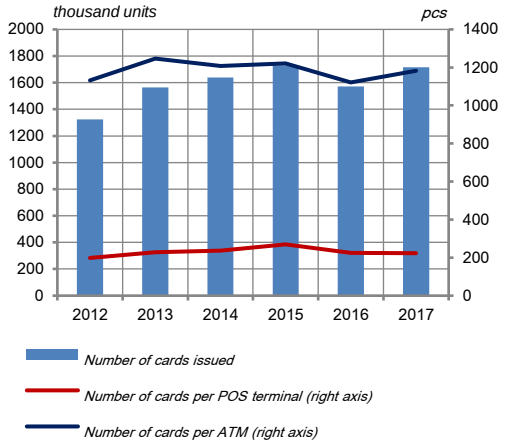
Source: Central Bank of Armenia.

PAYMENT INSTRUMENTS

Non-cash payments are made in the Republic of Armenia through payment orders, requests, checks, payment cards, and e-money. In 2017, the value of non-cash payments was AMD 24.5 trillion, and their number was 26.7 million. The bulk (98.9%) of the value of payments were payment orders, while 1.1% were non-cash card transactions, and the remainder were checks, requests, and e-money. Cards are the most prevalent payment instrument: non-cash payments using cards accounted for 41% of the total number of non-cash payments.

Figure 52

Payment Cards Issued



Source: Central Bank of Armenia.

PAYMENT CARDS

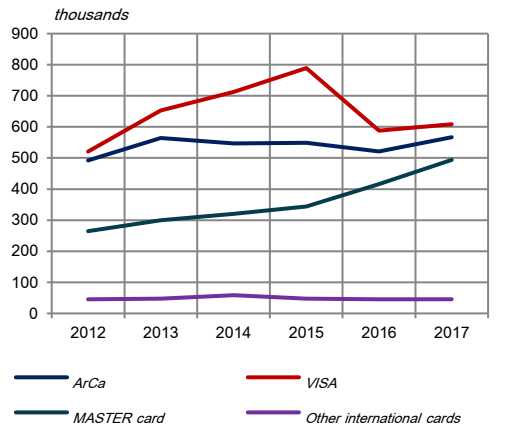
As of 31 December 2017, 15 commercial banks operating in Armenia were issuing or serving payment cards for clients. All of those banks are members of the ArCa unified system of card payments.

In 2017, the number of ATMs installed to serve cards increased by 50, bringing the total yearend number to 1,451. The number of POS-terminals installed by commercial banks grew by 699 to reach 7,670 at yearend (784 of the POS-terminals are installed in offices of commercial banks).

The number of payment cards grew by 9.2% in 2017 to reach 1.7 million. The number of active ArCa cards grew by 8.7% in 2017 over 2016 and reached 567,000. The number of cards of international card systems grew by 9.2%: the number of VISA cards grew by 3.7% and reached 610,000, while the number of MasterCard cards grew by 18.7% and reached 494,000. The number of other international cards increased by 2.7% and reached 46,000.

Figure 53

Growth of Payment Cards Issued by Banks in Armenia



Source: Central Bank of Armenia.

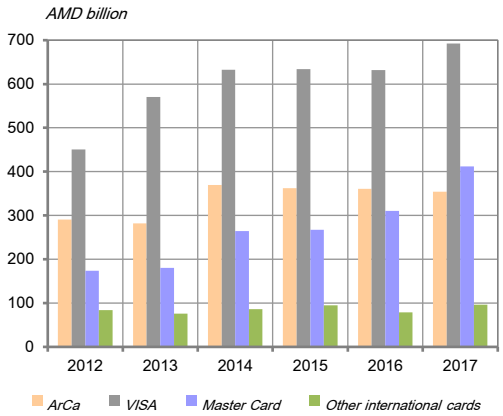
Table 17. Transactions Carried out with Card-Servicing Equipment (2017)

Equipment	Transactions			
	Value (AMD million)	Number	Of which: ArCa cards	
			Value (AMD million)	Number
ATMs	1,137,832	23,109,613	282,397	6,277,661
of which: non-cash	3,735	676,325	395	76,707
POS-terminals/imprinters	275,421	5,692,109	56,399	770,528
of which: non-cash	148,962	5,276,890	37,127	604,692
Internet	145,619	6,236,195	12,644	1,070,581
Total	1,558,871	35,037,917	351,440	8,118,770
of which: non-cash	298,315	12,189,410	50,166	1,751,980

The shares of ArCa, VISA, and MasterCard cards in the total number of cards issued by commercial banks (cards in circulation) were 33%, 35%, and 29%, respectively, while the other 3% were cards of other international card systems (including HSBC debit cards and AmEx cards).

Figure 54

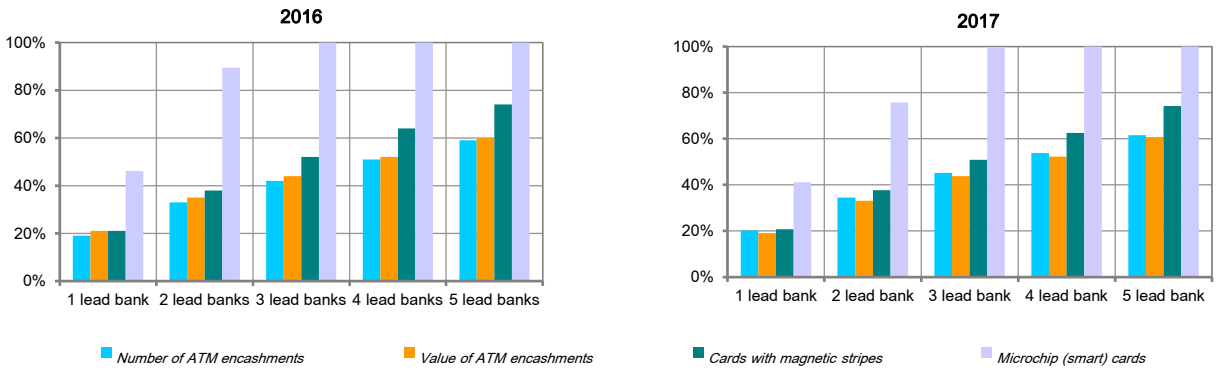
Transactions Made in Armenia Using Payment Cards, 2012-2017



Source: Central Bank of Armenia.

Figure 55

The share of leader banks having executed transactions with payment cards and issued cards, 2016-2017



Source: Central Bank of Armenia.

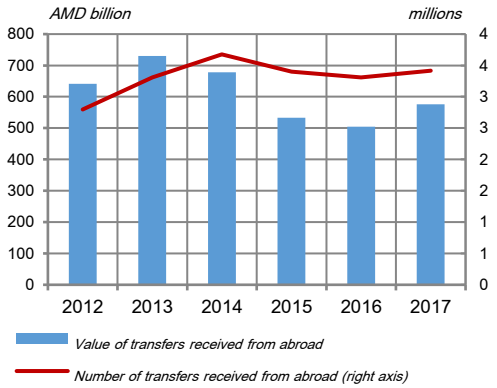
The total value of transactions carried out with payment cards in Armenia (including cards issued by foreign banks) grew by 13.1% and reached AMD 1.6 trillion, while their number grew by 17.2% and reached 35 million. 23% of the total value of transactions were carried out with ArCa cards, 45% with VISA cards, 26% with MasterCard cards, and 6% with other cards. In 2017, the value of transactions carried out with ArCa payment cards declined by 0.3% and reached AMD 354.4 billion, while the value of transactions with VISA and MasterCard cards grew by 9.6% and 32.6%, respectively, and reached AMD 692.4 billion and AMD 411.6 billion, respectively. The value of transactions carried out with other international cards grew by 23% and reached AMD 96.6 billion.

The value of transactions carried out abroad using VISA cards issued by commercial banks operating in Armenia grew by 35.9% and reached AMD 73.8 billion (their number grew by 54.9% and reached 1.4 million), while the value of MasterCard transactions grew by 30.1% and reached AMD 47.9 billion (the number grew by 48.1% and reached 1.1 million), and the value of transactions with other international cards grew by 42% and reached AMD 6.8 billion.

Concentration in the issuance of microchip cards declined in 2017: the share of the two lead banks declined by 14 percentage points to reach 76% of the system total. The five lead banks account for over 60% of the system in ATM encashments and the issuance of magnetic stripe cards.

Figure 56

Transfers from abroad by individuals via international money transfer systems



Source: Central Bank of Armenia.

INTERNATIONAL MONEY TRANSFER SYSTEMS

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

As of 31 December 2017, commercial banks operating in Armenia participated in 1 international and two domestic Armenian systems for delivering money transfer services to customers.

In 2017, 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 590.2 billion (which is 14.7% higher than in 2016). The average value of a remittance to the Republic of Armenia through these systems was AMD 161,000, which was a 10% increase relative to 2016.

The net inflow of funds through international transfer systems grew by 19% in 2017 over 2016 and reached AMD 479.7 billion.

Transfers to individuals through correspondent accounts of commercial banks grew by 16.1% and reached AMD 264.0 billion: the average value of one transfer grew by 7.9% relative to 2016 and reached AMD 3.6 million. Outbound transfers of individuals through correspondent accounts of commercial banks grew by 34.8% and reached AMD 357.2 billion. As a result, an AMD 93.1 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 means of implementing modern technologies. A number of commercial banks introduced remote service systems enabling their customers to manager their bank accounts remotely. Customers can issue instructions, obtain information about bank account balances, and perform other banking operations without visiting the bank.

In 2017, total payments initiated by customers through remote service systems grew by 36% and reached AMD 11.3 trillion, while their number grew by 31% and reached 12.1 million. These payments were made by clients using bank-client systems (payments value totaled AMD 4.4 trillion), internet banking services (AMD 6.6 trillion), and telephone banking services (AMD 10.6 billion). The average value of a payment made by clients using bank-client and internet banking services was AMD 0.8 million and AMD 1.1 million, respectively, while the average value of a payment made through telephone banking was AMD 0.1 million.

SUPERVISION DEVELOPMENT PROSPECTS

As a policy of ensuring the stability and development of the financial system and bettering the payment and settlement system of Armenia, the Central bank continuously modernizes and improves the financial system regulation and supervision toolkit.

Development Prospects in the Regulation and Supervision of Armenia's Financial System

With a view to implementing a number of requirements under Basel III in banking regulation, the Republic of Armenia Law on Banks and Banking was amended in 2017. The amendments provide the possibility of adopting prudential requirements on buffers and leverage, as well as more stringent prudential requirements on systemic banks, as well as the possibility of defining ratios for customer debt-to-income (DTI) and loan-to-value (LTV) ratios. Sub-legislative acts will be developed in order to ensure the application of those instruments. Work is underway to introduce LCR and NSFR prudential requirements under Basel III.

In 2017, the Central Bank continued efforts to boost lending programs for sectors and for program with a social impact. Active efforts to develop the mortgage market continued. The refinancing of loans for purchasing real estate, improving energy efficiency of houses, and microcredit financing will continue. To develop the mortgage market further and to expand access to mortgage credit, the issuance of mortgage-backed bonds continued.

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 reform, continuous steps will be taken to develop the mandatory third party liability (MTPL) system and other types of insurance, including in particular feasibility assessments for implementing life insurance, health insurance, and insurance of agricultural risks.

Efforts will continue to study the international experience in financial technologies and to identify the potential developments and risks.

The Central Bank will continue efforts to develop the capital market. Next year, a package of legislative reforms on asset securitization and development of the secured mortgage bonds market will be discussed and approved.

Financial market developments have led to a transition from the rule-based supervision model to a risk-based and future-focused one. The ongoing reforms are aimed at achieving more optimal distribution of supervision resources and greater efficiency of the supervision processes.

Development Prospects for Consumer Protection and Supervision in This Field

Regulatory framework changes supporting the development of consumer protection continued in 2017.

Based on the review of practical communication skills of financial organizations and individual consumers, as well as the experience of developed and developing countries, efforts will be made in the course of 2018 to improve access to online services, to implement electronic methods of service delivery, and to fine-tune the existing regulations.

Analysis will be carried out on digital financial services (internet/mobile banking and the like) and personal data protection.

In 2018, the effectiveness of various regulatory tools in consumer protection will be assessed, and adjustments will be made based on the outcomes.

Regulations arising out of the Republic of Armenia Law on Housing Mortgage Lending will be elaborated, and amendments will be made to the existing legislation on consumer protection.

The implementation of risk-based supervision of business conduct will continue in 2018.

The activities launched in earlier years under the National Strategy for Financial Literacy in the Republic of Armenia will be sustained in 2018 and beyond, including the integration of the financial education component in schools, financial education in rural communities, and awareness-raising of university students and young people on effective management of personal finance. New programs of financial education will be developed and implemented for new target groups under the Strategy. 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	31.12.14	31.12.15	31.12.16	Change 31.12.16-31.12.15	31.03.17	Change 31.03.17-31.12.16	30.06.17	Change 30.06.17-31.03.17
Cash	D	63129297	66704719	62927868	-5.7%	52993062	-15.8%	56635993	6.9%
	FX	50156380	63960449	57483961	-10.1%	66662133	16.0%	64972484	-2.5%
Correspondent accounts with the CBA and other claims on the CBA	D	334324590	324225627	325942801	0.5%	324824059	-0.3%	325657377	0.3%
	FX	135944281	182845238	255785015	39.9%	204332323	-20.1%	170613287	-16.5%
Correspondent accounts with banks and other claims on banks	D	2827424	26456542	41354673	56.3%	56086834	35.6%	72639798	29.5%
	FX	179414351	181144654	120944233	-33.2%	123028238	1.7%	164426910	33.6%
Claims on other financial organizations	D	26773547	32468204	39730887	22.4%	50802124	27.9%	56722475	11.7%
	FX	14718317	9951280	15464146	55.4%	16041990	3.7%	18262725	13.8%
Government securities		238875710	253329656	427552994	68.8%	432062873	1.1%	439939122	1.8%
Repos (excluding interbank repos)	D	15222444	15495296	23391339	51.0%	30773982	31.6%	32266465	4.8%
	FX	8566	2736	3064	12.0%	3620	18.1%		
Loans to legal entities	D	179594561	188179078	318069245	69.0%	314375343	-1.2%	298911712	-4.9%
	FX	1043240653	986798916	1097988400	11.3%	1109219493	1.0%	1140350358	2.8%
Loans to individuals	D	474835742	434705440	451700598	3.9%	466603397	3.3%	487522594	4.5%
	FX	296696349	302813167	285311011	-5.8%	282821834	-0.9%	283834114	0.4%
Loans to the bank's related parties and staff	D	22316703	49489002	53278488	7.7%	52736168	-1.0%	54262437	2.9%
	FX	56743268	48823246	113152354	131.8%	88462980	-21.8%	88855261	0.4%
Asset loss reserves		-66765866	-75727235	-90375463	19.3%	-94707802	4.8%	-90932142	-4.0%
Accrued interest receivable	D	13219065	18407180	21519788	16.9%	26749722	24.3%	27542137	3.0%
	FX	39136645	48230560	55868810	15.8%	56278595	0.7%	57814681	2.7%
Fixed assets		88068668	87566810	95130809	8.6%	93835393	-1.4%	93337319	-0.5%
Other securities	D	23097052	27548444	27351688	-0.7%	27862660	1.9%	30252598	8.6%
	FX	2171328	6156816	12451328	102.2%	10021604	-19.5%	12083860	20.6%
Leasing and factoring (excluding interbank)	D	14136326	11782909	12538244	6.4%	11667031	-6.9%	11421198	-2.1%
	FX	12900283	16232697	7502210	-53.8%	6430258	-14.3%	6083800	-5.4%
Other assets		150137056	149489380	162458658	8.7%	158311795	-2.6%	156973271	-0.8%
Total balance sheet assets		**3410922738**	**3457080811**	**3994527150**	**15.5%**	**3968279710**	**-0.7%**	**4060449833**	**2.3%**

Assets *AMD thousand*

Indicator	Currency	30.09.17	Change 30.09.17-30.06.17	31.12.17	Change 31.12.17-30.09.17	Change 31.12.17-31.12.16	
Cash	D	53837690	-4.9%	69267383	28.7%	6339514	10.1%
	FX	76376037	17.6%	62361373	-18.3%	4877411	8.5%
Correspondent accounts with the CBA and other claims on the CBA	D	340153348	4.5%	377683029	11.0%	51740228	15.9%
	FX	156028277	-8.5%	177022473	13.5%	-78762542	-30.8%
Correspondent accounts with banks and other claims on banks	D	80060187	10.2%	54784329	-31.6%	13429656	32.5%
	FX	193082023	17.4%	167516944	-13.2%	46572711	38.5%
Claims on other financial organizations	D	60491733	6.6%	62585677	3.5%	22854790	57.5%
	FX	20174293	10.5%	24107243	19.5%	8643097	55.9%
Government securities		464830366	5.7%	487979686	5.0%	60426692	14.1%
Repos (excluding interbank repos)	D	25736804	-20.2%	24291856	-5.6%	900517	3.8%
	FX			13220344		13217280	431373.4%
Loans to legal entities	D	277209322	-7.3%	305098200	10.1%	-12971044	-4.1%
	FX	1186627523	4.1%	1249632886	5.3%	151644486	13.8%
Loans to individuals	D	501334157	2.8%	555489846	10.8%	103789248	23.0%
	FX	278637883	-1.8%	285023914	2.3%	-287098	-0.1%
Loans to the bank's related parties and staff	D	56239116	3.6%	57407467	2.1%	4128979	7.7%
	FX	57321585	-35.5%	64184969	12.0%	-48967385	-43.3%
Asset loss reserves		-101447679	11.6%	-82004610	-19.2%	8370853	-9.3%
Accrued interest receivable	D	28197796	2.4%	28154579	-0.2%	6634791	30.8%
	FX	55570045	-3.9%	48225308	-13.2%	-7643502	-13.7%
Fixed assets		94202712	0.9%	98354475	4.4%	3223665	3.4%
Other securities	D	39335420	30.0%	38121336	-3.1%	10769648	39.4%
	FX	11738830	-2.9%	12504201	6.5%	52873	0.4%
Leasing and factoring (excluding interbank)	D	11305236	-1.0%	20066713	77.5%	7528469	60.0%
	FX	6134005	0.8%	8437703	37.6%	935493	12.5%
Other assets		151035932	-3.8%	154474134	2.3%	-7984524	-4.9%
Total balance sheet assets		**4124212642**	**1.6%**	**4363991458**	**5.8%**	**369464308**	**9.2%**

Appendix 1 *(continued)*

Liabilities

AMD thousand

Indicator		Currency	31.12.14	31.12.15	31.12.16	Change 31.12.16-31.12.15	31.03.17	Change 31.03.17-31.12.16	30.06.17	Change 30.06.17-31.03.17
Correspondent accounts of banks		D	2064130	2626454	8440341	221.4%	1873958	-77.8%	6669851	255.9%
		FX	7291487	12466336	24145523	93.7%	11187175	-53.7%	4075423	-63.6%
Other liabilities to banks (including the CBA) and other financial organizations		D	440243291	384250266	408535074	6.3%	368066049	-9.9%	367372626	-0.2%
		FX	660639677	551584126	494640562	-10.3%	541969176	9.6%	476786966	-12.0%
Demand liabilities to legal entities		D	106655816	121027717	149711930	23.7%	118980367	-20.5%	122823186	3.2%
		FX	181473699	207121949	290016447	40.0%	217349313	-25.1%	176755089	-18.7%
Demand liabilities to individuals		D	74461286	87644084	108067591	23.3%	80949037	-25.1%	90672047	12.0%
		FX	109970677	134169937	134366873	0.1%	126337265	-6.0%	138942708	10.0%
Time deposits of legal entities		D	60004517	88871613	159645174	79.6%	124789668	-21.8%	143939543	15.3%
		FX	212413365	193300401	251547964	30.1%	192220891	-23.6%	194009918	0.9%
Time deposits of individuals		D	197932350	215736211	283050858	31.2%	223193794	-21.1%	232228599	4.0%
		FX	661335644	741403154	801053009	8.0%	767662091	-4.2%	741709185	-3.4%
Liabilities to the Government of Armenia		D	48584207	42013865	38852734	-7.5%	38052061	-2.1%	41330909	8.6%
		FX	6386159	4947020	4497586	-9.1%	4776847	6.2%	5129820	7.4%
Accrued interest payable		D	11836223	14255867	17432083	22.3%	16312569	-6.4%	17413925	6.8%
		FX	18497078	20030336	24093966	20.3%	19783809	-17.9%	22460735	13.5%
Other liabilities		D	77577912	54079492	77059021	42.5%	47290872	-38.6%	48606089	2.8%
		FX	64435402	67502141	65797417	-2.5%	62279477	-5.3%	76894606	23.5%
Total balance sheet liabilities			**2941802920**	**2943030970**	**3340954154**	**13.5%**	**2963074419**	**-11.3%**	**2907821225**	**-1.9%**
Paid-in statutory capital fund			290107914	364121379	458005247	25.8%	366698639	-19.9%	382620883	4.3%
General reserve			27335184	30671613	31927022	4.1%	30679419	-3.9%	32211387	5.0%
Own shares repurchased by the bank			0	0	0		0		-2568	
Retained profit (loss)	Current period		21195062	-20356731	31659531	-255.5%	2903174	-90.8%	5704138	96.5%
	Previous period		108335132	122137908	87913386	-28.0%	102214512	16.3%	97607284	-4.5%
Total balance sheet capital			**469119818**	**514049841**	**653590549**	**27.1%**	**529928154**	**-18.9%**	**547980660**	**3.4%**

Liabilities *AMD thousand*

Indicator		Currency	30.09.17	Change 30.09.17-30.06.17	31.12.17	Change 31.12.17-30.09.17	Change 31.12.17-31.12.16	
Correspondent accounts of banks		D	12099873	81.4%	2845202	-76.5%	-5595139	-66.3%
		FX	9707523	138.2%	6633064	-31.7%	-17512459	-72.5%
Other liabilities to banks (including the CBA) and other financial organizations		D	356166334	-3.1%	408786262	14.8%	251189	0.1%
		FX	482733397	1.2%	501416502	3.9%	6775940	1.4%
Demand liabilities to legal entities		D	126359728	2.9%	192412677	52.3%	42700823	28.5%
		FX	202387272	14.5%	299515471	48.0%	9514845	3.3%
Demand liabilities to individuals		D	93502584	3.1%	140115811	49.9%	32048226	29.7%
		FX	128575013	-7.5%	168454022	31.0%	34087149	25.4%
Time deposits of legal entities		D	121905211	-15.3%	189203673	55.2%	29558498	18.5%
		FX	225410817	16.2%	229765566	1.9%	-21782398	-8.7%
Time deposits of individuals		D	254006931	9.4%	394555152	55.3%	111504294	39.4%
		FX	763091317	2.9%	850231154	11.4%	49178145	6.1%
Liabilities to the Government of Armenia		D	40360157	-2.3%	32032952	-20.6%	-6819782	-17.6%
		FX	4510905	-12.1%	3785570	-16.1%	-712016	-15.8%
Accrued interest payable		D	16523954	-5.1%	23194587	40.4%	5762504	33.1%
		FX	19720688	-12.2%	21127431	7.1%	-2966535	-12.3%
Other liabilities		D	55036308	13.2%	88459718	60.7%	11392162	14.8%
		FX	70540074	-8.3%	125989806	78.6%	60186855	91.5%
Total balance sheet liabilities			**2982638088**	**2.6%**	**3678524620**	**23.3%**	**337572301**	**10.1%**
Paid-in statutory capital fund			391192740	2.2%	463716670	18.5%	5711423	1.2%
General reserve			32210655	0.0%	33386620	3.7%	1459598	4.6%
Own shares repurchased by the bank			0		0			
Retained profit (loss)	Current period		8429537	47.8%	40412056	379.4%	8752525	27.6%
	Previous period		98722602	1.1%	93719676	-5.1%	5806290	6.6%
Total balance sheet capital			**570968010**	**4.2%**	**685466839**	**20.1%**	**31876289**	**4.9%**

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	31.12.14	31.12.15	31.12.16	Change 31.12.16-31.12.15	31.03.17	Change 31.03.17-31.12.16	30.06.17	Change 30.06.17-31.03.17	30.09.17	Change 30.09.17-30.06.17	31.12.17	Change 31.12.17-30.09.17	Change 31.12.17-31.12.16
Cash	D	1.9	1.6	-0.4	1.3	-0.2	1.4	0.1	1.3	-0.1	1.6	0.3	0.0	1.9
	FX	1.9	1.4	-0.4	1.7	0.2	1.6	-0.1	1.9	0.3	1.4	-0.4	0.0	1.9
Correspondent accounts with the CBA and other claims on the CBA	D	9.4	8.2	-1.2	8.2	0.0	8.0	-0.2	8.2	0.2	8.7	0.4	0.5	9.4
	FX	5.3	6.4	1.1	5.1	-1.3	4.2	-0.9	3.8	-0.4	4.1	0.3	-2.3	5.3
Correspondent accounts with banks and other claims on banks	D	0.8	1.0	0.3	1.4	0.4	1.8	0.4	1.9	0.2	1.3	-0.7	0.2	0.8
	FX	5.2	3.0	-2.2	3.1	0.1	4.0	0.9	4.7	0.6	3.8	-0.8	0.8	5.2
Claims on other financial organizations	D	0.9	1.0	0.1	1.3	0.3	1.4	0.1	1.5	0.1	1.4	0.0	0.4	0.9
	FX	0.3	0.4	0.1	0.4	0.0	0.4	0.0	0.5	0.0	0.6	0.1	0.2	0.3
Government securities		7.3	10.7	3.4	10.9	0.2	10.8	-0.1	11.3	0.4	11.2	-0.1	0.5	7.3
Repos (excluding interbank repos)	D	0.4	0.6	0.1	0.8	0.2	0.8	0.0	0.6	-0.2	0.6	-0.1	0.0	0.4
	FX	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.0
Loans to legal entities	D	5.4	8.0	2.5	7.9	0.0	7.4	-0.6	6.7	-0.6	7.0	0.3	-1.0	5.4
	FX	28.5	27.5	-1.1	28.0	0.5	28.1	0.1	28.8	0.7	28.6	-0.1	1.1	28.5
Loans to individuals	D	12.6	11.3	-1.3	11.8	0.5	12.0	0.2	12.2	0.1	12.7	0.6	1.4	12.6
	FX	8.8	7.1	-1.6	7.1	0.0	7.0	-0.1	6.8	-0.2	6.5	-0.2	-0.6	8.8
Loans to the bank's related parties and staff	D	1.4	1.3	-0.1	1.3	0.0	1.3	0.0	1.4	0.0	1.3	0.0	0.0	1.4
	FX	1.4	2.8	1.4	2.2	-0.6	2.2	0.0	1.4	-0.8	1.5	0.1	-1.4	1.4
Asset loss reserves		-2.2	-2.3	-0.1	-2.4	-0.1	-2.2	0.1	-2.5	-0.2	-1.9	0.6	0.4	-2.2
Accrued interest receivable	D	0.5	0.5	0.0	0.7	0.1	0.7	0.0	0.7	0.0	0.6	0.0	0.1	0.5
	FX	1.4	1.4	0.0	1.4	0.0	1.4	0.0	1.3	-0.1	1.1	-0.2	-0.3	1.4
Fixed assets		2.5	2.4	-0.2	2.4	0.0	2.3	-0.1	2.3	0.0	2.3	0.0	-0.1	2.5
Other securities	D	0.8	0.7	-0.1	0.7	0.0	0.7	0.0	1.0	0.2	0.9	-0.1	0.2	0.8
	FX	0.2	0.3	0.1	0.3	-0.1	0.3	0.0	0.3	0.0	0.3	0.0	0.0	0.2
Leasing and factoring (excluding interbank)	D	0.3	0.3	0.0	0.3	0.0	0.3	0.0	0.3	0.0	0.5	0.2	0.1	0.3
	FX	0.5	0.2	-0.3	0.2	0.0	0.1	0.0	0.1	0.0	0.2	0.0	0.0	0.5
Other assets		4.3	4.1	-0.3	4.0	-0.1	3.9	-0.1	3.7	-0.2	3.5	-0.1	-0.5	4.3
Total balance sheet assets		**100.0**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**100.0**	**x**	**0.0**	**100.0**

Liabilities

Indicator		Currency	31.12.14	31.12.15	31.12.16	Change 31.12.16-31.12.15	31.03.17	Change 31.03.17-31.12.16	30.06.17	Change 30.06.17-31.03.17	30.09.17	Change 30.09.17-30.06.17	31.12.17	Change 31.12.17-30.09.17	Change 31.12.17-31.12.16
Correspondent accounts of banks		D	0.1	0.1	0.3	0.2	0.1	-0.2	0.2	0.2	0.4	0.2	0.3	-0.2	0.0
		FX	0.2	0.4	0.7	0.3	0.4	-0.3	0.1	-0.2	0.3	0.2	0.7	0.4	0.0
Other liabilities to banks (including the CBA) and other financial organizations		D	15.0	13.1	12.2	-0.8	12.4	0.2	12.6	0.2	11.9	-0.7	12.2	0.3	0.0
		FX	22.5	18.7	14.8	-3.9	18.3	3.5	16.4	-1.9	16.2	-0.2	14.8	-1.4	0.0
Demand liabilities to legal entities		D	3.6	4.1	4.5	0.4	4.0	-0.5	4.2	0.2	4.2	0.0	4.5	0.2	0.0
		FX	6.2	7.0	8.7	1.6	7.3	-1.3	6.1	-1.3	6.8	0.7	8.7	1.9	0.0
Demand liabilities to individuals		D	2.5	3.0	3.2	0.3	2.7	-0.5	3.1	0.4	3.1	0.0	3.2	0.1	0.0
		FX	3.7	4.6	4.0	-0.5	4.3	0.2	4.8	0.5	4.3	-0.5	4.0	-0.3	0.0
Time deposits of legal entities		D	2.0	3.0	4.8	1.8	4.2	-0.6	5.0	0.7	4.1	-0.9	4.8	0.7	0.0
		FX	7.2	6.6	7.5	1.0	6.5	-1.0	6.7	0.2	7.6	0.9	7.5	0.0	0.0
Time deposits of individuals		D	6.7	7.3	8.5	1.1	7.5	-0.9	8.0	0.5	8.5	0.5	8.5	0.0	0.0
		FX	22.5	25.2	24.0	-1.2	25.9	1.9	25.5	-0.4	25.6	0.1	24.0	-1.6	0.0
Liabilities to the Government of Armenia		D	1.7	1.4	1.2	-0.3	1.3	0.1	1.4	0.1	1.4	-0.1	1.2	-0.2	0.0
		FX	0.2	0.2	0.1	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	0.5	0.5	0.0	0.6	0.0	0.6	0.0	0.6	0.0	0.5	0.0	0.0
		FX	0.6	0.7	0.7	0.0	0.7	-0.1	0.8	0.1	0.7	-0.1	0.7	0.1	0.0
Other liabilities		D	2.6	1.8	2.3	0.5	1.6	-0.7	1.7	0.1	1.8	0.2	2.3	0.5	0.0
		FX	2.2	2.3	2.0	-0.3	2.1	0.1	2.6	0.5	2.4	-0.3	2.0	-0.4	0.0
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			61.8	70.8	70.1	-0.8	69.2	-0.9	69.8	0.6	68.5	-1.3	70.1	1.6	0.0
General reserve			5.8	6.0	4.9	-1.1	5.8	0.9	5.9	0.1	5.6	-0.2	4.9	-0.8	0.0
Own shares repurchased by bank			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Retained profit (loss)	Current period		4.5	-4.0	4.8	8.8	0.5	-4.3	1.0	0.5	1.5	0.4	4.8	3.4	0.0%
	Previous period		23.1	23.8	13.5	-10.3	19.3	5.8	17.8	-1.5	17.3	-0.5	13.5	-3.8	0.0%
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	666514438	17632904	684147342
Tier-one capital	548397380	15854240	564251620
Statutory capital	451254213	5711424	456965637
Note: number of shares sold	201468369	14498702	215967071
General reserve	31927024	1459595	33386619
Retained profit	119474428	15463655	134938084
Deductions from tier-one capital, of which:	61009318	6780434	67789753
Long-term subordinate lending	-	-	-
Repurchased own shares of bank	-	-	-
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	649378	-	649378
Intangible assets, "subject to the exceptions stipulated by Regulation 2"	7573013	2048898	9621911
Investments in the statutory capital of other banks, credit organizations, and "other entities stipulated by Regulation 2"	1184361	1602693	2787054
Tangible assets not used for banking and capital investments therein	45150046	1354028	46504075
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	-	-	-
Capital investments in fixed assets leased by the bank	4946376	1608596	6554972
Investments in the statutory capital of other commercial entities as per Paragraph 28.1 of Regulation 2	50210	-	50210
Deferred tax assets minus deferred tax liabilities (positive figure)	1455934	166219	1622153
Supplementary capital	118117058	1778664	119895722
Revaluation reserve for buildings and premises necessary for the bank's operations	24373977	-247420	24126557
Reserve generated from the FX difference due to balance sheet consolidation	-	-	-
Long-term subordinate debt borrowed by the bank	89123055	-11224161	77898894
Other reserves, "subject to the exceptions stipulated by Regulation 2"	17319631	10533058	27852689

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

Indicator	31.12.14	Change 31.12.15-31.12.14	31.12.15	Change 31.12.16-31.12.15	31.12.16	Change 31.12.17-31.12.16	31.12.17
Statutory capital *(AMD thousand)*	280139788	56689028	336828816	72210796	409039612	14684802	423724414
Of which: non-residents *(AMD thousand)*	186355411	41575942	227931352	25819212	253750565	8034872	261785437
share of non-residents (%)	66.52	1.1	67.67	-5.63	62.04	-0.25	61.78

Appendix 5. Income and Expense of Banks Operating in Armenia

AMD thousand

Indicator	31.12.14	31.12.15	31.12.16	Change 31.12.16-31.12.15	31.03.17	30.06.17	30.09.17	31.12.17	Change 31.12.17-31.12.16
	1	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*
From correspondent accounts	148877	180034	107191	-40.5%	40579	93774	164831	237187	121.3%
From funds held with the Central Bank of Armenia	443618	232405	742260	219.4%	357930	575393	904758	1171677	57.9%
Interest from funds held with commercial banks and other financial organizations	3930742	4090447	2951806	-27.8%	379535	842228	1468861	2233260	-24.3%
From loans to the economy	190308915	200647592	197863759	-1.4%	54099350	108187324	161675723	211971276	7.1%
Interest from overdraft	26366947	33711040	33878646	0.5%	8160242	16447454	24785050	33614416	-0.8%
Interest from credit cards	20387398	22595886	20269021	-10.3%	5608430	10888893	16589290	22478081	10.9%
Interest from government securities	22483404	24767996	32115374	29.7%	10320913	20593078	31395458	42545729	32.5%
From repos	4618302	5242927	7394325	41.0%	1596577	3463497	5494017	7561837	2.3%
Other interest income	10124358	12406916	16714652	34.7%	4688858	9666565	14087862	18354722	9.8%
Total interest income	**278812561**	**303875243**	**312037035**	**2.7%**	**85252414**	**170758206**	**256565851**	**340168185**	**9.0%**
Interest paid against correspondent accounts	108472	174918	234528	34.1%	12150	32521	76752	148939	-36.5%
Interest paid against bank accounts and demand deposits	5071225	5028661	5184548	3.1%	1349499	2733887	4575226	6313237	21.8%

	1	2	3	4	5	6	7	8	9
Interest paid against funds attracted from the Central Bank of Armenia	12127587	25332772	10461283	-58.7%	1867249	3634540	5444708	7414642	-29.1%
Repos	715111	615739	2846457	362.3%	556585	1247621	2015798	2824614	-0.8%
Interest paid against funds attracted from commercial banks and other financial organizations	27578902	41824858	42026954	0.5%	12606936	24071672	34382510	44126739	5.0%
Interest paid against time deposits	85514302	95608944	107650612	12.6%	30225435	60548455	90532532	118606200	10.2%
Interest paid against funds attracted from international financial institutions	9522515	11432956	13328086	16.6%	3041244	6054830	8829676	12007156	-9.9%
Interest expense on deposit insurance	1757274	1956592	2701700	38.1%	840724	1886945	2882729	3930896	45.5%
Other interest expense	7450893	6697193	8394222	25.3%	2348583	4966742	7449984	10127457	20.6%
Total interest expense	**149846281**	**188672633**	**192828390**	**2.2%**	**52848405**	**105177213**	**156189916**	**205499880**	**6.6%**
Net interest income	***128966280***	***115202610***	***119208644***	***3.5%***	***32404009***	***65580993***	***100375935***	***134668305***	***13.0%***
Commissions received	37010981	39714112	41417659	4.3%	9904013	21260812	33376203	47446526	14.6%
Income from guarantees, acceptance and L/C operations, and trust management	1816802	2259269	2201813	-2.5%	588380	1175765	1653343	2321837	5.5%
Net income from derivatives	-3643547	-1794400	302894	-116.9%	890991	-698197	-1496273	-1720884	-668.1%
Net income from factoring	3256751	3764833	4210941	11.8%	822831	1560397	2266591	3026749	-28.1%
Income from investments in other organizations	9350	99045	15382	-84.5%	5055	26445	30953	88808	477.4%
Net income from sale of securities	2626560	244654	661427	170.4%	-234282	79143	343186	1597733	141.6%
Net income from FX purchase and sale	18170015	17580074	15884150	-9.6%	3410855	7214982	11782388	17090159	7.6%
Positive (negative) exchange rate difference from FX revaluation	3892454	2033954	648457	-68.1%	-385987	821671	1855419	2671720	312.0%
Net income from sale of fixed assets	-285216	72753	196321	169.8%	26186	-232748	-318377	-504284	-356.9%
Net income from revaluation of fixed assets	-56114	14132	-127075	-999.2%	-	41811	41811	77181	-160.7%
Fines and penalties received	15545798	23493079	23547814	0.2%	4530847	9281587	13921637	18670326	-20.7%
Other non-interest income	3701689	5897148	6140557	4.1%	3222476	5325481	7011390	9702140	58.0%
Total non-interest income	**82045523**	**93378653**	**95100339**	**1.8%**	**22781365**	**45857149**	**70468270**	**100468011**	**5.6%**
Accrued wages and related payments (other reimbursement paid and financing of social requirements)	56016867	55505831	56303359	1.4%	14378177	29619132	43276119	60640754	7.7%
Costs of business travel	708610	637280	718085	12.7%	125456	389832	604299	935700	30.3%
Contributions to the Republic of Armenia State Fund for Social Insurance	10715	17682	18965	7.3%	4626	8633	12403	16502	-13.0%
Taxes, duties, and other mandatory payments	3420416	3559408	3122843	-12.3%	675417	1488388	2198091	3092119	-1.0%
Depreciations provisions	12157203	12540579	12086749	-3.6%	3056055	5973835	8826120	12672385	4.8%
Leasing of bank premises and other fixed assets	6708680	7250151	7488552	3.3%	1802785	3681210	5379122	7141476	-4.6%
Advertisement and representation expense	4538785	4111988	4114002	0.0%	816241	1896699	2897204	4519060	9.8%
Office and printing expense	1160953	1177061	1063386	-9.7%	213399	454262	690022	1010904	-4.9%
Audit and consulting services expense	1263534	1453101	1249550	-14.0%	287401	563770	816893	1300827	4.1%
Bank hardware O&M expense	1817746	2142987	2140509	-0.1%	479841	1081098	1691287	2346001	9.6%
Transport expense	702603	594379	532033	-10.5%	121861	263943	401459	564385	6.1%
Transport and communications expense	2059874	2029718	1878332	-7.5%	436889	918405	1366939	1882989	0.2%
Fines and penalties paid	97167	347392	89645	-74.2%	11466	37017	56764	125250	39.7%

	1	2	3	4	5	6	7	8	9
Training expense	447066	234039	172739	-26.2%	24494	140201	189039	290907	68.4%
Other non-interest expense	23579650	25417847	27685549	8.9%	6535925	14629712	25500582	34683403	25.3%
Total non-interest expense	**114689869**	**117019443**	**118664297**	**1.4%**	**28970033**	**61146137**	**93906344**	**131222662**	**10.6%**
Net non-interest expense	***-32644346***	***-23640790***	***-23563958***	***-0.3%***	***-6188668***	***-15288988***	***-23438074***	***-30754651***	***30.5%***
General reserve for possible losses of loans and receivables	42611434	40000220	55018286	37.5%	25321135	51621456	71532660	89922959	63.4%
Special reserve for possible losses of loans and receivables	259306538	373179588	363148909	-2.7%	119914528	222415780	317286609	411577302	13.3%
Reserve for possible securities losses	45195	118504	265048	123.7%	149448	187985	468764	770588	190.7%
Reserves for bank guarantees and other contingent liabilities	7593758	7738212	7983534	3.2%	1766605	4696454	7513300	11064117	38.6%
Total provisions	**309556925**	**421036524**	**426415776**	**1.3%**	**147151716**	**278921675**	**396801333**	**513334966**	**20.4%**
From the general reserve for possible losses of loans and receivables	59408025	47201958	58232230	23.4%	23696539	51151371	72255980	91875479	57.8%
From the special reserve for possible losses of loans and receivables	176227477	258173626	303704374	17.6%	105513301	199053998	278731998	358844408	18.2%
From the reserve for possible securities losses	61331	65816	46889	-28.8%	81155	99676	152164	596916	1173.0%
From reserves for bank guarantees and other contingent liabilities	7141123	7815686	7363280	-5.8%	1886049	3700218	5769825	9814030	33.3%
Total recoveries	**242837956**	**313257086**	**369346773**	**17.9%**	**131177044**	**254005263**	**356909967**	**461130833**	**24.9%**
Net provisions	***66718969***	***107779438***	***57069003***	***-47.1%***	***15974672***	***24916412***	***39891366***	***52204133***	***-8.5%***
Pre-tax profit	**29602965**	**-16217618**	**38575683**	**-337.9%**	**10240669**	**25375593**	**37046495**	**51709521**	**34.0%**
Profit tax	8417381	4491227	6904856	53.7%	1700301	5260208	6930241	11490688	66.4%
Net profit	**21185584**	**-20708845**	**31670827**	**-252.9%**	**8540368**	**20115385**	**30116254**	**40218833**	**27.0%**
Accrued dividends	-	-	160050	-	-	-	-	-	100.0%
Retained profit	**21185584**	**-20708845**	**31510777**	**-252.2%**	**8540368**	**20115385**	**30116254**	**40218833**	**27.6%**

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

%

Indicator	2013	2014	2015	2016	2017
Return on Assets					
Banking system	1.4	0.7	-0.6	0.9	1.0
Minimum (profitable banks)	0.3	0.5	0.0	0.2	0.1
Maximum (profitable banks)	3.7	3.1	2.4	3.5	3.8
Return on equity					
Banking system	9.1	4.5	-4.3	5.7	6.0
Minimum (profitable banks)	1.1	0.7	0.1	0.2	0.9
Maximum (profitable banks)	22.8	18.7	14.9	20.3	16.1

Appendix 7. Loan Investments by the Armenian Banking System

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
interbank loans, deposits, factoring, leasing, and repos	25470421	35196031	500772	2418750	25971193	37614781
1.2. Prolonged assets	13730353	12813149	37058749	51608968	50789102	64422117
of which: loans	6390843	8167746	22294089	51608968	28684932	59776714
interbank loans, deposits, factoring, leasing, and repos	-	4645403	-	-	-	4645403
1.3. Overdue assets	8754507	12566600		15369024	9927766	27935624
of which: loans	8692857	12543355	1173259	15369024	9866116	27912379
interbank loans, deposits, factoring, leasing, and repos	-	-	-	-	-	-
2. Loans, deposits, factoring, leasing, and repos with non-residents	46610975	66357493	-	-	46610975	66357493
2.1. Time assets	101246	25594591	31724199	35892499	31825445	61487090
2.2. Prolonged assets	4400	269183	14778080	3386250	14782480	3655433
2.3. Overdue assets	3051	9863	-	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	-	77399	680307	7782117	680307	7859516
Construction materials	190501	1321711	3792049	19830419	3982550	21152130
Precious items	-	14022	1445289	2555234	1445289	2569256
Metal industry	-	1635827	-	4641578	-	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
interbank loans, deposits, factoring, leasing, and repos	23456608	5223210	249993	-	23706601	5223210
1.2. Prolonged assets	37413231	7604319	37840341	32464978	75253572	40069297
of which: loans	3690237	2241489	23076226	31981038	26766463	34222527
interbank loans, deposits, factoring, leasing, and repos	10831529	4166723	-	483940	10831529	4650663
1.3. Overdue assets	5483673	10731173	1556721	14182287	7040394	24913460
of which: loans	5421805	10728579	1556721	14182287	6978526	24910866
interbank loans, deposits, factoring, leasing, and repos	-	-	-	-	-	-
2. Loans, deposits, factoring, leasing, and repos with non-residents	44678889	132425382	109577383	30090197	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	-	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	-	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	-	-	302975	13912892	302975	13912892
Construction materials	444677	730624	3347079	20686236	3791756	21416860
Precious items	-	12098	1371222	1963093	1371222	1975191
Metal industry	-	1847683	-	4423401	-	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	31052827	20228083	23156823	101871723	54209650	122099806

Appendix 7 *(continued)*

AMD thousand

Indicator	2017					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	245739652	369731513	832460218	1325815444	1078199870	1695546957
1.1. Time assets	179518411	333080319	812030894	1294862050	991549305	1627942369
of which: loans	102971733	269918203	799018428	1293083732	901990161	1563001935
interbank loans, deposits, factoring, leasing, and repos	30418530	42460664	2200000	-	32618530	42460664
1.2. Prolonged assets	61147816	30196717	18553583	11356735	79701399	41553452
of which: loans	13113719	17711539	11594781	10340125	24708500	28051664
interbank loans, deposits, factoring, leasing, and repos	9008140	11594668	-	1016610	9008140	12611278
1.3. Overdue assets	5073425	6454477	1875741	19596659	6949166	26051136
of which: loans	5032445	6433839	1875741	19596659	6908186	26030498
interbank loans, deposits, factoring, leasing, and repos	-	-	-	-	-	-
2. Loans, deposits, factoring, leasing, and repos with non-residents	20519807	100663142	43865482	36532227	64385289	137195369
2.1. Time assets	62055	70888356	64284614	50924728	64346669	121813084
2.2. Prolonged assets	32917	11855609	225	2193636	33142	14049245
2.3. Overdue assets	5478	127061	-	1205979	5478	1333040
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	225219845	269068371	788594736	1289283217	1013814581	1558351588
3.1. Industry	9494106	59181483	71048218	315485920	80542324	374667403
Mining	-	3686676	148701	62904210	148701	66590886
Energy	4233393	44393360	27311234	115469146	31544627	159862506
Food	3230616	8176995	18212992	82201712	21443608	90378707
Light industry	1047012	201714	3126582	8105593	4173594	8307307
Chemical	1739	-	11309121	2263180	11310860	2263180
Construction materials	469291	1407345	4445051	20819413	4914342	22226758
Precious items	1389	16154	1313976	1575964	1315365	1592118
Metal industry	-	354845	10459	1090908	10459	1445753
Machine-building and electrical	24860	33888	1768451	1425404	1793311	1459292
Other branches of industry	485806	910506	3401651	19630390	3887457	20540896
3.2. Agriculture	1025656	6447593	52457001	63382215	53482657	69829808
3.3. Construction	13058899	24432452	13061489	93225047	26120388	117657499
3.4. Transport and communications	3044133	1026876	10328334	54245722	13372467	55272598
3.5. Trade	7869300	77712095	58557611	275437261	66426911	353149356
3.6. Public catering and other services	515435	1189359	46072202	169623484	46587637	170812843
3.7. Financial sector	111600628	69921502	5723640	11350955	117324268	81272457
3.8. Consumer loans	53986450	4084076	353817290	99503544	407803740	103587620
3.9. Mortgage loans	17273	44824	111158067	97817028	111175340	97861852
3.10. Other sectors of the economy	24607965	25028111	66370884	109212041	90978849	134240152

Appendix 8. Loan Investments by the Armenian Banking System

%

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 8 *(continued)*

%

Indicator	2017					
	Under 1 year		Over 1 year		Total	
	AMD	FX	AMD	FX	AMD	FX
1. Total loans, deposits, factoring, leasing, and repos (2+3)	8.9	13.3	30.0	47.8	38.9	61.1
1.1. Time assets	6.5	12.0	29.3	46.7	35.7	58.7
of which: loans	3.7	9.7	28.8	46.6	32.5	56.3
interbank loans, deposits, factoring, leasing, and repos	1.1	1.5	0.1	0.0	1.2	1.5
1.2. Prolonged assets	2.2	1.1	0.7	0.4	2.9	1.5
of which: loans	0.5	0.6	0.4	0.4	0.9	1.0
interbank loans, deposits, factoring, leasing, and repos	0.3	0.4	0.0	0.0	0.3	0.5
1.3. Overdue assets	0.2	0.2	0.1	0.7	0.3	0.9
of which: loans	0.2	0.2	0.1	0.7	0.2	0.9
interbank loans, deposits, factoring, leasing, and repos	0.0	0.0	0.0	0.0	0.0	0.0
2. Loans, deposits, factoring, leasing, and repos with non-residents	0.7	3.6	1.6	1.3	2.3	4.9
2.1. Time assets	0.0	2.6	2.3	1.8	2.3	4.4
2.2. Prolonged assets	0.0	0.4	0.0	0.1	0.0	0.5
2.3. Overdue assets	0.0	0.0	0.0	0.0	0.0	0.0
3. Loans, deposits, factoring, leasing, and repos with residents, of which:	8.1	9.7	28.4	46.5	36.6	56.2
3.1. Industry	0.3	2.1	2.6	11.4	2.9	13.5
Mining	0.0	0.1	0.0	2.3	0.0	2.4
Energy	0.2	1.6	1.0	4.2	1.1	5.8
Food	0.1	0.3	0.7	3.0	0.8	3.3
Light industry	0.0	0.0	0.1	0.3	0.2	0.3
Chemical	0.0	0.0	0.4	0.1	0.4	0.1
Construction materials	0.0	0.1	0.2	0.8	0.2	0.8
Precious items	0.0	0.0	0.0	0.1	0.0	0.1
Metal industry	0.0	0.0	0.0	0.0	0.0	0.1
Machine-building and electrical	0.0	0.0	0.1	0.1	0.1	0.1
Other branches of industry	0.0	0.0	0.1	0.7	0.1	0.7
3.2. Agriculture	0.0	0.2	1.9	2.3	1.9	2.5
3.3. Construction	0.5	0.9	0.5	3.4	0.9	4.2
3.4. Transport and communications	0.1	0.0	0.4	2.0	0.5	2.0
3.5. Trade	0.3	2.8	2.1	9.9	2.4	12.7
3.6. Public catering and other services	0.0	0.0	1.7	6.1	1.7	6.2
3.7. Financial sector	4.0	2.5	0.2	0.4	4.2	2.9
3.8. Consumer loans	1.9	0.1	12.8	3.6	14.7	3.7
3.9. Mortgage loans	0.0	0.0	4.0	3.5	4.0	3.5
3.10. Other sectors of the economy	0.9	0.9	2.4	3.9	3.3	4.8

Appendix 9. Distribution of Loan Investments of Commercial Banks

%

On 31.12.2017	Bank1	Bank2	Bank 3	Bank 4	Bank 5	Bank 6	Bank 7	Bank 8	Bank 9
Commercial bank lending, by sectors of the economy									
1. Industry	14.37	12.46	15.20	23.12	3.00	14.71	20.96	9.10	16.67
Mining	0.66	0.15	1.86	12.38	-	0.00	0.00	0.16	0.00
Energy	6.73	9.90	7.41	4.73	-	7.48	8.99	5.19	2.54
Food	5.36	0.35	1.41	3.31	3.00	2.44	10.04	2.95	7.69
Light industry	0.05	1.77	0.59	0.40	-	0.65	0.55	0.25	1.95
Chemical	0.63	0.02	0.04	-	-	-	-	0.02	0.09
Construction materials	0.90	0.12	3.16	2.17	-	0.07	0.57	0.44	2.21
Precious items	-	-	0.29	0.01	-	0.01	0.44	0.03	0.27
Metal industry	0.03	-	-	-	-	-	-	-	-
Machine-building and electrical	-		0.31	0.07	-	0.04	0.04	0.04	0.37
Other branches of industry	0.02	0.14	0.14	0.05	0.00	4.03	0.34	0.02	1.54
2. Agriculture	2.16	0.35	0.81	5.32	7.56	0.80	1.02	4.03	1.48
Livestock	0.89	0.24	0.28	0.07	1.42	0.35		0.11	0.80
Plant cultivation	1.27	0.11	0.53	5.25	6.14	0.45	1.02	3.92	0.69
3. Construction	13.91	0.29	6.42	5.50	-	5.52	3.41	3.42	1.62
4. Transport and communications	5.39	0.24	2.82	5.05	-	0.27	1.56	0.42	2.95
5. Trade	17.83	3.28	19.30	22.58	12.02	13.74	23.14	13.00	30.07
Wholesale	14.55	0.52	10.31	17.43	8.92	3.25	14.76	7.16	19.86
Retail	3.28	2.76	8.99	5.15	3.11	10.50	8.38	5.84	10.21
6. Public catering and other services	10.22	0.91	9.10	14.28	5.81	9.79	11.62	6.91	5.77
7. Financial sector	2.65	21.95	8.69	5.43	3.70	12.79	12.15	8.77	7.59
Of which: resident banks	0.63	12.76	4.18	3.02	0.52	5.38	-	5.25	6.70
8. Consumer loans	12.18	30.42	17.66	7.65	53.00	33.83	12.64	28.58	28.46
9. Mortgage loans	3.30	3.99	12.71	7.00	8.04	5.46	9.60	18.16	4.37
10. Other sectors of the economy	17.98	26.10	7.28	4.07	6.86	3.10	3.90	7.60	1.01
Total, by banks	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**
Share of commercial banks in lending, by sectors									
1. Industry	10.16	2.01	4.40	19.75	0.90	3.81	3.01	2.96	6.76
Mining	3.18	0.17	3.68	72.13	-	-	-	0.36	-
Energy	11.31	3.80	5.09	9.61	-	4.61	3.07	4.01	2.45
Food	15.41	0.23	1.66	11.49	3.65	2.57	5.87	3.90	12.70
Light industry	1.21	10.43	6.22	12.40	-	6.11	2.87	3.02	28.79
Chemical	14.94	0.13	0.42	-	-	-	-	0.23	1.16
Construction materials	10.62	0.33	15.30	31.11	-	0.29	1.37	2.38	15.06
Precious items	0.05	0.04	13.12	1.99	-	0.32	9.81	1.77	16.93
Metal industry	5.72	-	-	0.72	-	-	-	-	-
Machine-building and electrical	0.09	-	12.38	8.11	-	1.41	0.75	1.60	21.24
Other branches of industry	0.30	0.44	0.74	0.74	-	19.46	0.91	0.12	11.62
2. Agriculture	5.62	0.21	0.87	16.78	8.34	0.76	0.54	4.84	2.22
Livestock	7.12	0.44	0.92	0.65	4.82	1.03	-	0.41	3.67
Plant cultivation	4.91	0.10	0.84	24.54	10.03	0.63	0.80	6.98	1.52
3. Construction	31.11	0.15	5.88	14.86	-	4.52	1.55	3.52	2.08
4. Transport and communications	25.27	0.25	5.41	28.59	-	0.46	1.49	0.90	7.94
5. Trade	13.66	0.58	6.05	20.92	3.90	3.86	3.60	4.59	13.23
Wholesale	17.81	0.15	5.17	25.79	4.62	1.46	3.67	4.04	13.96
Retail	6.72	1.30	7.54	12.77	2.69	7.89	3.49	5.51	12.01
6. Public catering and other services	15.11	0.31	5.51	25.54	3.64	5.31	3.49	4.71	4.89
7. Financial sector	4.29	8.13	5.76	10.64	2.53	7.59	4.00	6.53	7.06
Of which: resident banks	2.03	9.45	5.54	11.82	0.72	6.39	-	7.83	12.46
8. Consumer loans	7.66	4.37	4.55	5.82	14.10	7.80	1.61	8.27	10.27
9. Mortgage loans	5.08	1.40	8.00	13.02	5.23	3.08	3.00	12.86	3.86
10. Other sectors of the economy	25.68	8.52	4.25	7.02	4.15	1.62	1.13	5.00	0.83
Total, by banks	**12.50**	**2.86**	**5.12**	**15.11**	**5.29**	**4.58**	**2.54**	**5.76**	**7.17**

%

On 31.12.2017	Bank10	Bank 11	Bank 12	Bank 13	Bank 14	Bank 15	Bank 16	Bank 17	Total, by sectors
Commercial bank lending, by sectors of the economy									
1. Industry	3.24	13.86	27.40	12.98	4.33	5.88	29.04	42.03	17.7
Mining	-	0.00	0.00	0.02	0.01	0.38	3.34	0.00	2.6
Energy	-	13.79	3.23	5.67	2.06	0.01	19.53	11.67	7.4
Food	0.28	0.00	18.71	4.99	0.64	2.24	0.90	20.54	4.3
Light industry	1.22	0.01	0.20	0.38	0.54	0.64	0.03	2.08	0.5
Chemical	-	-	-	0.01	0.01	0.02	2.84	-	0.5
Construction materials	1.13	0.02	-	1.31	0.03	0.23	0.02	5.57	1.1
Precious items	-	-	-	0.06	-	1.27	-	0.09	0.1
Metal industry	-	-	1.37	-	-	-	-	-	0.1
Machine-building and electrical	0.61	0.03	-	0.11	-	0.02	0.35	0.18	0.1
Other branches of industry	0.00	0.00	3.89	0.45	1.04	1.07	2.03	1.90	0.9
2. Agriculture	1.24	4.77	1.77	29.26	0.94	0.22	3.09	1.69	4.8
Livestock	1.24	2.89	0.01	14.83	0.60	0.13	0.42	0.98	1.6
Plant cultivation	-	1.87	1.76	14.44	0.34	0.09	2.67	0.71	3.2
3. Construction	4.71	1.64	5.74	1.27	1.42	7.88	7.26	6.30	5.6
4. Transport and communications	2.67	3.33	0.00	0.47	0.01	2.63	3.61	0.40	2.7
5. Trade	20.90	6.00	25.14	11.28	1.01	19.02	11.52	7.97	16.3
Wholesale	15.20	5.69	19.12	3.95	0.07	2.20	5.97	7.35	10.2
Retail	5.70	0.31	6.02	7.33	0.94	16.82	5.55	0.62	6.1
6. Public catering and other services	2.07	6.64	7.46	2.60	0.09	4.31	10.96	6.70	8.5
7. Financial sector	28.01	40.79	5.39	5.99	18.44	0.05	7.69	0.66	7.7
Of which: resident banks	27.34	40.79	3.29	2.80	12.74	-	0.25	-	3.9
8. Consumer loans	7.23	3.36	7.21	28.52	8.25	45.71	14.34	3.54	19.9
9. Mortgage loans	28.41	19.54	13.48	6.13	9.93	8.94	7.79	10.08	8.1
10. Other sectors of the economy	1.51	0.08	6.40	1.49	55.57	5.34	4.69	20.64	8.8
Total, by banks	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.00**	**100.0**
Share of commercial banks in lending, by sectors									
1. Industry	0.05	1.57	6.00	5.37	0.81	1.49	25.22	5.74	100.0
Mining	-	-	-	0.06	0.01	0.65	19.77	-	100.0
Energy		3.73	1.68	5.58	0.91	0.01	40.34	3.79	100.0
Food	0.02	-	16.68	8.41	0.49	2.31	3.18	11.43	100.0
Light industry	0.70	0.05	1.56	5.68	3.68	5.95	0.95	10.38	100.0
Chemical	-	-	-	0.11	0.09	0.15	82.77	-	100.0
Construction materials	0.30	0.04	-	9.07	0.10	0.99	0.27	12.78	100.0
Precious items	-	-	-	3.82	-	50.28	-	1.86	100.0
Metal industry	-	-	93.57	-	-	-	-	-	100.0
Machine-building and electrical	1.35	0.48	-	6.42	-	0.62	42.16	3.39	100.0
Other branches of industry	-	-	15.85	3.43	3.63	5.06	32.87	4.84	100.0
2. Agriculture	0.07	2.00	1.43	44.72	0.65	0.21	9.89	0.85	100.0
Livestock	0.22	3.73	0.03	69.67	1.27	0.38	4.11	1.53	100.0
Plant cultivation	-	1.16	2.11	32.69	0.34	0.13	12.68	0.53	100.0
3. Construction	0.23	0.59	3.98	1.66	0.84	6.32	19.97	2.73	100.0
4. Transport and communications	0.28	2.50	0.01	1.28	0.01	4.43	20.81	0.36	100.0
5. Trade	0.36	0.74	5.97	5.06	0.21	5.23	10.85	1.18	100.0
Wholesale	0.41	1.12	7.26	2.83	0.02	0.97	8.99	1.74	100.0
Retail	0.26	0.10	3.82	8.80	0.51	12.36	13.98	0.25	100.0
6. Public catering and other services	0.07	1.58	3.42	2.25	0.04	2.29	19.93	1.92	100.0
7. Financial sector	1.01	10.62	2.71	5.69	7.90	0.03	15.31	0.21	100.0
Of which: resident banks	1.97	21.24	3.31	5.32	10.92	-	0.99	-	100.0
8. Consumer loans	0.10	0.34	1.40	10.51	1.37	10.31	11.09	0.43	100.0
9. Mortgage loans	0.97	4.83	6.42	5.53	4.04	4.93	14.74	3.00	100.0
10. Other sectors of the economy	0.05	0.02	2.83	1.25	20.99	2.73	8.22	5.70	100.0
Total, by banks	**0.28**	**2.01**	**3.87**	**7.33**	**3.31**	**4.48**	**15.37**	**2.42**	**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
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	-	-	-	-
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	-	-	-	-
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
2017				
Non-performing assets and off-balance sheet assets (total)	47279432	103933147	146095591	296414371
1. Non-performing assets and off-balance sheet assets of residents (total)	47222983	101417400	145797894	287309831
1.1. Industry	3668735	25056990	4373867	73656285
Mining	-	3171393	141111	560860
Energy	103202	653069	337804	4544056
Food	3443275	15328899	2143968	40166420
Light industry	38955	424378	789480	3524495
Chemical	-	25054	41522	654596
Construction materials	65033	2204974	409611	12301305
Precious items	9340	20438	175309	1372775
Metal industry	-	-	-	-
Machine-building and electrical	-	6001	31702	2014102
Other branches of industry	8930	3222785	303360	8517676
1.2. Agriculture	1201730	7319678	4854671	33831038
1.3. Construction	1541472	9816660	2435402	24057011
1.4. Transport and communications	134261	2415248	466124	6205622
1.5. Trade	1484007	18007786	8290645	63534355
1.6. Public catering and other services	2565031	20391022	1682038	13024056
1.7. Financial sector	595231	-	369563	765085
1.8. Consumer loans	20011075	6994737	101146047	29217927
1.9. Mortgage loans	2292643	5213937	8330061	18252972
1.10. Other sectors of the economy	13728797	6201342	13849475	24765480
2. Non-performing assets and off-balance sheet assets of non-residents (total)	56449	2515747	297697	9104540

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
31.12.15				
1. Standard	1974588819	92.24	23830092	1.21
2. Watched	74967899	3.50	8549024	11.40
3. Sub-standard	48019755	2.24	11087687	23.09
4. Doubtful	43015768	2.01	27805250	64.64
Total	**2140592241**	**100.00**	**71272054**	**3.33**

Loans	Loan Investments	Share	Provision for loans made	
			Balance	% of total
31.12.16				
1. Standard	2261716532	93.31	29215745	1.29
2. Watched	50774484	2.09	5714859	11.26
3. Sub-standard	45034068	1.86	10385212	23.06
4. Doubtful	66411023	2.74	39150704	58.95
Total	**2423936107**	**100.00**	**84466520**	**3.48**

Loans	Loan Investments	Share	Provision for loans made	
			Balance	% of total
31.12.17				
1. Standard	2530790322	94.52	29787932	1.18
2. Watched	40706632	1.52	4778129	11.74
3. Sub-standard	58286013	2.18	13061135	22.41
4. Doubtful	47674633	1.78	27939416	58.60
Total	**2677457601**	**100.00**	**75566612**	**2.82**

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**	**100.00**	**4554989**	**1.82**

Receivables	Receivables	Share	Provision for receivables	
			Balance	% of total
31.12.17				
1. Standard	270771165	98.35	3105165	1.15
2. Watched	437683	0.16	47642	10.88
3. Sub-standard	1214182	0.44	254202	20.94
4. Doubtful	2893426	1.05	1704806	58.92
Total	**275316456**	**100.00**	**5111815**	**1.86**

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**	**100.00**	**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**	**100.00**	**3230544**	**1.23**

Off-balance sheet items	Off-balance sheet items	Share	Provision for off-balance sheet items	
			Balance	% of total
31.12.17				
1. Standard	340748786	99.45	3489939	1.02
2. Watched	300865	0.09	32854	10.92
3. Sub-standard	289399	0.08	67189	23.22
4. Doubtful	1027764	0.30	613548	59.70
5. Written-off	277975	0.08	277975	100.00
Total	**342644788**	**100.00**	**4481505**	**1.31**

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

%

Indicator	31.12.16	31.03.17	30.06.17	30.09.17	31.12.17
Total capital adequacy	20.0	20.0	19.5	19.1	18.5
Total liquidity	32.5	32.0	32.2	32.2	32.1
Current liquidity	170.8	164.6	157.1	144.5	141.7
Single borrower exposure[1]	16.2	15.7	16.6	16.6	17.3
Large borrowers exposure[1]	64.2	63.7	74.0	80.3	87.2
Maximum exposure to a single bank-related party[1]	3.5	3.2	3.1	3.6	3.2
Maximum exposure to all bank-related parties[1]	10.0	7.7	7.8	9.0	9.4

[1] *Median.*

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

Indicator			31.12.2014	31.12.2015	31.12.2016	Change 31.12.16-31.12.15	31.03.2017	Change 31.03.17-31.12.16
Assets	Cash		1601651	2259945	2226128	-1.5%	2462557	10.6%
	Current accounts with banks		6249108	4193261	19061932	354.6%	19937842	4.6%
	Claims on banks and other financial organizations		81981836	105012660	133695346	27.3%	134986038	1.0%
	Government securities		2636979	5051455	5341476	5.7%	6143508	15.0%
	Loans to legal entities		27971306	37655260	18900748	-49.8%	18793954	-0.6%
	Loans to individuals		123789453	126797541	132251853	4.3%	135905337	2.8%
	Loans to related parties and employees		4029154	3038961	3911907	28.7%	4617211	18.0%
	Fixed assets		10053994	11831886	49692414	320.0%	70669266	42.2%
	Leasing and factoring		4616986	4218105	4017355	-4.8%	3936147	-2.0%
	Other securities		5567236	9432176	19685799	108.7%	19889384	1.0%
	Other assets		5707418	5186874	5256070	1.3%	5735369	9.1%
	Accrued interest receivable		2111685	2744195	6976131	154.2%	12351818	77.1%
	Reserve for possible asset losses		-7159927	-8794449	-9038460	2.8%	-9581787	6.0%
	Total assets		**269156880**	**308627870**	**391978700**	**27.0%**	**425846642**	**8.6%**
Liabilities	Demand liabilities		520731	29891	85999	187.7%	119068	38.5%
	Liabilities to banks and other financial organizations		90721813	92436374	104013903	12.5%	104283881	0.3%
	Time liabilities of individuals		20935073	19890190	20403270	2.6%	20659583	1.3%
	Time liabilities of legal entities[1]		36989793	52900100	67752424	28.1%	86807511	28.1%
	Interest payable		2843221	2918031	3231997	10.8%	2644604	-18.2%
	Other liabilities		7498109	8246187	14452395	75.3%	17930460	24.1%
	Total liabilities		**159508741**	**176420773**	**209939988**	**19.0%**	**232445108**	**10.7%**
Capital	Paid-in statutory capital		86178554	104290268	136105889	30.5%	135760889	-0.3%
	of which: share of non-residents		19169490	10167970	10547228	4%	10802228	2%
	General reserve		2190620	2488214	3122434	25.5%	3133347	0.3%
	Capital bought back by credit organizations		-	-	-		-	
	Retained profit (loss)	Current period	9861001	10318374	19239495	86.5%	11876609	-38.3%
		Previous period	11580066	18114209	23014054	27.0%	42028964	82.6%
	Total balance sheet capital		**109648139**	**132207097**	**182038712**	**37.7%**	**193401534**	**6.2%**
	NB: total number of credit organizations		**32**	**32**	**34**		**33**	

Indicator			30.06.2017	Change 30.06.17-31.03.17	30.09.2017	Change 30.09.17-30.06.17	31.12.2017	Change 31.12.17-30.09.17	Change 31.12.17-31.12.16
Assets	Cash		2597843	5.5%	2841372	9.4%	2575576	-9.4%	15.7%
	Current accounts with banks		19852449	-0.4%	25415052	28.0%	30642993	20.6%	60.8%
	Claims on banks and other financial organizations		133946762	-0.8%	136213143	1.7%	138042978	1.3%	3.3%
	Government securities		7060470	14.9%	7343148	4.0%	10503106	43.0%	96.6%
	Loans to legal entities		18353705	-2.3%	24705826	34.6%	23264553	-5.8%	23.1%
	Loans to individuals		138079656	1.6%	137984232	-0.1%	150863265	9.3%	14.1%
	Loans to related parties and employees		3801379	-17.7%	3314560	-12.8%	3889838	17.4%	-0.6%
	Fixed assets		71867344	1.7%	65274635	-9.2%	76871702	17.8%	54.7%
	Leasing and factoring		4107145	4.3%	4157214	1.2%	4341047	4.4%	8.1%
	Other securities		20245507	1.8%	21028876	3.9%	25952584	23.4%	31.8%
	Other assets		7411251	29.2%	11557306	55.9%	7581584	-34.4%	44.2%
	Accrued interest receivable		12958311	4.9%	10567653	-18.4%	8975188	-15.1%	28.7%
	Reserve for possible asset losses		-9299055	-3.0%	-9261315	-0.4%	-8753751	-5.5%	-3.1%
	Total assets		**430982766**	**1.2%**	**441141702**	**2.4%**	**474750664**	**7.6%**	**21.1%**
Liabilities	Demand liabilities		112181	-5.8%	125795	12.1%	129074	2.6%	50.1%
	Liabilities to banks and other financial organizations		104926991	0.6%	109103909	4.0%	121670881	11.5%	17.0%
	Time liabilities of individuals		21653967	4.8%	23966773	10.7%	25479952	6.3%	24.9%
	Time liabilities of legal entities[1]		77165611	-11.1%	54349395	-29.6%	44523995	-18.1%	-34.3%
	Interest payable		2490726	-5.8%	3412338	37.0%	3367390	-1.3%	4.2%
	Other liabilities		17298880	-3.5%	22972622	32.8%	22218496	-3.3%	53.7%
	Total liabilities		**223648356**	**-3.8%**	**213930831**	**-4.3%**	**217389789**	**1.6%**	**3.5%**
Capital	Paid-in statutory capital		140961193	3.8%	150514713	6.8%	164623573	9.4%	21.0%
	of which: share of non-residents		10753160	0%	10601579	-1%	10601579	0%	1%
	General reserve		3769949	20.3%	3953687	4.9%	4006688	1.3%	28.3%
	Capital bought back by credit organizations		0		0		0		
	Retained profit (loss)	Current period	21685908	82.6%	35342515	63.0%	51324079	45.2%	166.8%
		Previous period	40112501	-4.6%	36601902	-8.8%	36412918	-0.5%	58.2%
	Total balance sheet capital		**207334410**	**7.2%**	**227210870**	**9.6%**	**257360874**	**13.3%**	**41.4%**
	NB: total number of credit organizations		**33**		**35**		**35**		

[1] *Including liabilities to the Government.*

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

%

	Indicator		31.12.2014	31.12.2015	31.12.2016	Change 31.12.16-31.12.15	31.03.2017	Change 31.03.17-31.12.16
Assets	Cash		0.6	0.7	0.6	-0.2	0.6	0.0
	Current accounts with banks		2.3	1.4	4.9	3.5	4.7	-0.2
	Claims on banks and other financial organizations		30.5	34.0	34.1	0.1	31.7	-2.4
	Government securities		1.0	1.6	1.4	-0.3	1.4	0.1
	Loans to legal entities		10.4	12.2	4.8	-7.4	4.4	-0.4
	Loans to individuals		46.0	41.1	33.7	-7.3	31.9	-1.8
	Loans to related parties and employees		1.5	1.0	1.0	0.0	1.1	0.1
	Fixed assets		3.7	3.8	12.7	8.8	16.6	3.9
	Leasing and factoring		1.7	1.4	1.0	-0.3	0.9	-0.1
	Other securities		2.1	3.1	5.0	2.0	4.7	-0.4
	Other assets		2.1	1.7	1.3	-0.3	1.3	0.0
	Accrued interest receivable		0.8	0.9	1.8	0.9	2.9	1.1
	Reserve for possible asset losses		-2.7	-2.8	-2.3	0.5	-2.3	0.1
	Total assets		**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**
Liabilities	Demand liabilities		0.3	0.0	0.0	0.0	0.1	0.0
	Liabilities to banks and other financial organizations		56.9	52.4	49.5	-2.9	44.9	-4.7
	Time liabilities of individuals		13.1	11.3	9.7	-1.6	8.9	-0.8
	Time liabilities of legal entities[1]		23.2	30.0	32.3	2.3	37.3	5.1
	Interest payable		1.8	1.7	1.5	-0.1	1.1	-0.4
	Other liabilities		4.7	4.7	6.9	2.2	7.7	0.8
	Total liabilities		**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**
Capital	Paid-in statutory capital		78.6	78.9	74.8	-4.1	70.2	-4.6
	of which: share of non-residents		17.5	7.7	5.8	-1.9	5.6	-0.2
	General reserve		2.0	1.9	1.7	-0.2	1.6	-0.1
	Capital bought back by credit organizations		0.0	0.0	0.0	0.0	0.0	0.0
	Retained profit (loss)	Current period	9.0	7.8	10.6	2.8	6.1	-4.4%
		Previous period	10.6	13.7	12.6	-1.1	21.7	9.1%
	Total balance sheet capital		**100.0**	**100.0**	**100.0**	**x**	**100.0**	**x**

%

Indicator			30.06.17	Change 30.06.17-31.03.17	30.09.2017	Change 30.09.17-30.06.17	31.12.2017	Change 31.12.17-31.12.16
Assets	Cash		0.6	0.0	0.6	0.0	0.5	-0.1
	Current accounts with banks		4.6	-0.1	5.8	1.2	6.5	0.7
	Claims on banks and other financial organizations		31.1	-0.6	30.9	-0.2	29.1	-1.8
	Government securities		1.6	0.2	1.7	0.0	2.2	0.5
	Loans to legal entities		4.3	-0.2	5.6	1.3	4.9	-0.7
	Loans to individuals		32.0	0.1	31.3	-0.8	31.8	0.5
	Loans to related parties and employees		0.9	-0.2	0.8	-0.1	0.8	0.1
	Fixed assets		16.7	0.1	14.8	-1.9	16.2	1.4
	Leasing and factoring		1.0	0.0	0.9	0.0	0.9	0.0
	Other securities		4.7	0.0	4.8	0.1	5.5	0.7
	Other assets		1.7	0.4	2.6	0.9	1.6	-1.0
	Accrued interest receivable		3.0	0.1	2.4	-0.6	1.9	-0.5
	Reserve for possible asset losses		-2.2	0.1	-2.1	0.1	-1.8	0.3
	Total assets		**100.0**	**x**	**100.0**	**x**	**100.0**	**x**
Liabilities	Demand liabilities		0.1	0.0	0.1	0.0	0.1	0.0
	Liabilities to banks and other financial organizations		46.9	2.1	51.0	4.1	56.0	5.0
	Time liabilities of individuals		9.7	0.8	11.2	1.5	11.7	0.5
	Time liabilities of legal entities[1]		34.5	-2.8	25.4	-9.1	20.5	-4.9
	Interest payable		1.1	0.0	1.6	0.5	1.5	0.0
	Other liabilities		7.7	0.0	10.7	3.0	10.2	-0.5
	Total liabilities		**100.0**	**x**	**100.0**	**x**	**100.0**	**x**
Capital	Paid-in statutory capital		68.0	-2.2	66.2	-1.7	64.0	-2.3
	of which: share of non-residents		5.2	-0.4	4.7	-0.5	4.1	-0.5
	General reserve		1.8	0.2	1.7	-0.1	1.6	-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	10.5	4.3	15.6	5.1	19.9	4.4%
		Previous period	19.3	-2.4	16.1	-3.2	14.1	-2.0%
	Total balance sheet capital		**100.0**	**x**	**100.0**	**x**	**100.0**	**x**

[1] *Including liabilities to the Government.*

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

AMD thousand

Indicator	31.12.14	31.12.15	31.12.16	Change 31.12.16 - 31.12.15	31.03.17	30.06.17	30.09.17	31.12.17	Change 31.12.17 - 31.12.16
Interest income	33023081	38429053	42710685	11%	10426590	21239245	32479480	43470697	1.8%
Interest expense	12882159	14184587	14867624	5%	3605654	7285221	11113477	14966030	0.7%
Net interest income	20140922	24244466	27843062	15%	6820936	13954024	21366003	28504667	2.4%
Non-interest income	8793779	12628521	18169967	44%	12048990	24256522	39340031	54128192	197.9%
Non-interest expense	15400802	17111068	16739774	-2%	4118982	8595225	13305578	18871037	12.7%
Net non-interest income	-6607023	-4482547	1430193	-132%	7930007	15661297	26034453	35257154	2365.2%
Provisions to the reserve for possible losses	16866807	24779238	28169984	14%	6843776	16840067	26325896	36313639	28.9%
Recoveries from the reserve for possible losses	15478059	17538511	21329929	22%	4708536	10553045	16974587	29195684	36.9%
Net provisions	1388748	7240726	6840055	-6%	2135241	6287022	9351309	7117955	4.1%
Gross income	57294918	68596085	100271246	46%	27184115	56048812	87930827	126794573	26.5%
Gross expense	45149768	56074893	59777382	7%	14568412	32720513	49979595	70150706	17.4%
Pre-tax profit	12145150	12521192	22433200	79%	12615703	23328299	38049148	56643866	152.5%
Net profit	9861000	10331546	19231554	86%	11873074	21678314	35333830	52475736	172.9%

Appendix 16. Loan Investments of Credit Organizations Operating in Armenia

AMD thousand

Sector	31.12.14	31.12.15	31.12.16	Change 31.12.16 - 31.12.15	31.03.17	30.06.17	30.09.17	31.12.17	Change 31.12.17 - 31.12.16
Industry	18440273	16818393	14020174	-16.6%	13111919	11836207	11688845	12463691	-11.1%
Agriculture	50421744	53393140	51103664	-4.3%	53139325	51989093	48682141	52436608	2.6%
Construction	5054617	3493108	3012628	-13.8%	2978506	4473734	4190322	4218685	40.0%
Transport and communications	7122593	1930353	1767866	-8.4%	1712851	1719592	1803756	1841487	4.2%
Trade	25135710	22850822	20042883	-12.3%	19377805	19465835	19567516	21471429	7.1%
Public catering and other services	4813917	4903110	4711345	-3.9%	4756782	4527119	4772684	4904985	4.1%
Financial sector	82575861	105496820	133909111	26.9%	135100330	133936863	136088500	137950768	3.0%
Consumer loans (including mortgage)	28870603	30198660	38758707	28.3%	41248534	44219613	47355275	53864171	39.0%
Mortgage (housing) loans	19008345	20567789	24154364	17.4%	24324463	25392526	26364551	28792639	19.2%
Other sectors	7471948	7625961	8807374	15.5%	9276317	7923331	7129439	7438004	-15.5%
Total	**248915612**	**267278155**	**300288117**	**12.4%**	**305026832**	**305483912**	**307643029**	**325382467**	**8.4%**

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

%

Sector	31.12.14	31.12.15	31.12.16	Change 31.12.16 - 31.12.15	31.03.17	30.06.17	30.09.17	31.12.17	Change 31.12.17 - 31.12.16
Industry	7.4	6.3	4.7	-1.6	4.3	3.9	3.8	3.8	-0.8
Agriculture	20.3	20.0	17.0	-3.0	17.4	17.0	15.8	16.1	-0.9
Construction	2.0	1.3	1.0	-0.3	1.0	1.5	1.4	1.3	0.3
Transport and communications	2.9	0.7	0.6	-0.1	0.6	0.6	0.6	0.6	0.0
Trade	10.1	8.5	6.7	-1.9	6.4	6.4	6.4	6.6	-0.1
Public catering and other services	1.9	1.8	1.6	-0.3	1.6	1.5	1.6	1.5	-0.1
Financial sector	33.2	39.5	44.6	5.1	44.3	43.8	44.2	42.4	-2.2
Consumer loans (including mortgage)	11.6	11.3	12.9	1.6	13.5	14.5	15.4	16.6	3.6
Mortgage (housing) loans	7.6	7.7	8.0	0.3	8.0	8.3	8.6	8.8	0.8
Other sectors	3.0	2.9	2.9	0.1	3.0	2.6	2.3	2.3	-0.6
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

AMD thousand

Class	31.12.15	Share in total	31.12.16	Share in total	31.03.17	Share in total	30.06.17	Share in total	30.09.17	Share in total	31.12.17	Share in total
Standard	238167863	94.9%	331053210	95.4%	362279211	95.6%	364926755	95.9%	364707412	95.9%	390390859	96.8%
Watched	8192303	3.3%	8641292	2.5%	9741747	2.6%	8918027	2.3%	9535189	2.5%	7900039	2.0%
Sub-standard	2953898	1.2%	4383819	1.3%	4055653	1.1%	4373401	1.1%	3532736	0.9%	3104691	0.8%
Doubtful	1649738	0.7%	2808997	0.8%	2791053	0.7%	2348901	0.6%	2577163	0.7%	1908725	0.5%
Total	**250963801**	**100%**	**346887319**	**100%**	**378867664**	**100%**	**380567084**	**100%**	**380352500**	**100%**	**403304314**	**100%**

Appendix 19. Investment Companies, 31.12.2017

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
9	Cube Invest CJSC

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

AMD million

Indicator	2012	2013	2014	2015	2016	2017
Total assets	23609	27039	25411	28655	41571	64335
Total liabilities	19811	21871	20482	24524	35101	54505
Total capital	3798	5168	4929	4131	6470	9830
Net profit	349	874	1083	164	1455	2538

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

AMD million

Securities	2016	2017												2017
		J	F	M	A	M	J	J	A	S	O	N	D	
Shares	157514	2720	2835	1899	3248	4654	4731	5917	24477	6290	7807	2377	8859	75814
o/w: in the regulated market	31839	2	558	486	813	273	61	12	7573	12	440	6	1820	12057
Government bonds	526664	25020	44224	91851	50746	58284	80968	59177	26529	33121	44259	57741	54681	626602
Government short-term bonds	73560	1618	582	48	1921	5966	1697	2131	813	96	47	0	0	14919
o/w: in the regulated market	9021	0	0	0	0	2191	0	0	0	0	0	0	0	2191
Government medium-term bonds	213001	19313	6287	48343	17236	30356	17244	17447	9124	29921	18901	10142	13643	237957
o/w: in the regulated market	20328	206	72	9469	2169	1547	4385	575	3274	8688	841	989	1248	33461
Government long-term bonds	240103	4089	37355	43459	31590	21962	62026	39599	16592	3105	25310	47600	41038	373726
o/w: in the regulated market	24449	0	245	3395	2991	783	2678	985	970	58	3093	9302	4947	29449
Corporate bonds	35981	3294	6530	3194	4168	1635	11046	10906	12383	13422	11374	11620	10058	99630
o/w: in the regulated market	11482	298	3010	508	2307	716	2693	2574	2942	1401	332	1226	990	18996
Total securities trading	720159	31035	53589	96943	58163	64573	96745	76001	63389	52833	63439	71738	73599	802046
o/w: in the regulated market	97239	507	3885	13858	8319	5549	9832	4225	14760	10489	5586	12081	9534	98623
Repos (excluding operations with the Central Bank)	6913800	451383	565053	633254	653339	687747	774532	749406	841652	762593	754336	850658	784312	8508265
o/w: in the regulated market	0	0	0	0	39	39	15	79	0	329	880	558	528	2468
Entities providing investment services in the securities market	28	28	29	29	29	29	29	29	29	29	29	29	29	29
o/w: banks providing investment services	17	17	17	17	17	17	17	17	17	17	17	17	17	17
investment companies	8	8	9	9	9	9	9	9	9	9	9	9	9	9
investment fund managers	3	3	3	3	3	3	3	3	3	3	3	3	3	3

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

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

AMD million

Period	Number of Transactions	Securities Trading Transactions in the Stock Exchange			
		Shares	Government bonds	Corporate bonds	Total
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
2017	1537	12057	65101	18996	96155
January	46	2	206	298	507
February	71	558	317	3010	3885
March	203	486	12864	508	13858
April	132	813	5160	2307	8279
May	115	273	4521	716	5510
June	143	61	7063	2693	9817
July	82	12	1560	2574	4146
August	166	7573	4245	2942	14760
September	179	12	8746	1401	10160
October	88	440	3934	332	4706
November	139	6	10291	1226	11523
December	173	1820	6195	990	9005

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

Period	Number of owners (persons)
2012	88947
2013	107001
2014	105222
2015	105663
2016	108121
2017	105474

Appendix 24. Insurance Companies, 31.12.2017

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		31.12.2015	31.12.2016	31.12.2017
ASSETS	Cash and cash equivalents	38321	30792	81037
	Bank accounts	957856	745329	1011738
	Receivables on direct insurance, of which:	4157786	5361908	6168218
	Insurance premiums	2858486	3956456	4937529
	Other amounts	1299300	1405452	1230689
	Receivables from co-insurers	-	-	-
	Receivables from reinsurers	68504	113696	259073
	Compensation claims, of which:	229662	271307	1296981
	Claims on co-insurers	-	-	829861
	Claims on reinsurers	229662	271307	467120
	Claims due to subrogation	575652	573253	788811
	Deposits in banks	14350607	18119615	18385516
	Loans to financial organizations	-	50000	50000
	Loans to individuals and sole entrepreneurs	210921	236009	35869
	Loans to legal entities	406309	61471	25750
	Securities sold under repos	1539131	2374879	2648876
	Government securities (including securities issued by the Central Bank)	6000748	7114822	6276348
	Corporate securities	220674	153676	471453
	Depreciation reserves for securities held till maturity	-	-1511	-1511
	Non-current investments in the statutory capital of other entities and other non-current claims on them	-	-	-
	Reserves for possible losses related to investments, loans, and receivables from direct insurance, co-insurance, or reinsurance	-619785	-680910	-763575
	Share of reinsurer in insurance reserves	2845052	3291022	3641744
	Accrued interest receivable	488967	764863	930299
	Future expenses and insurance prepayments	2582758	2639345	3002628
	Fixed assets	2882399	2758451	2733114
	Other assets	4194685	2696908	2467995
	Total assets	**41130248**	**46674924**	**49510364**

	Indicator	31.12.2015	31.12.2016	31.12.2017
LIABILITIES	Compensations payable, of which:	113311	131429	717545
	For direct insurance	113311	131429	717545
	For co-insurance	-	-	-
	For risks assumed under reinsurance	-	-	-
	Payables to intermediaries	340258	393928	535809
	Refundable insurance premiums	54531	80649	66548
	Insurance premiums transferable to co-insurers	-	-	-
	Insurance premiums transferable to reinsurers	1167001	1436635	2004985
	Loans and borrowings from financial organizations	683750	483940	784100
	Accrued interest payable	34312	31045	64356
	Insurance reserves, of which:	17278387	19185886	19895990
	Reserve for unearned premiums	11964722	13116472	13701701
	Reserve for losses claimed from insurer, but not settled yet	2406353	2819028	3130147
	Reserve for loss incurred, but not claimed from insurer yet	888579	888592	988894
	Mathematical reserve	-	-	-
	Other reserves	2018732	2361794	2075248
	Repos	1457025	2219164	2471115
	Insurance advances received	727477	577296	649033
	Other liabilities	2491716	2669603	3076808
	Total liabilities	**24347768**	**27209575**	**30266289**
CAPITAL	Statutory capital	15063606	15063606	15063606
	General reserve	808344	849911	965651
	Retained profit/loss of the current period	1141562	3349961	1934194
	Retained profit/loss of previous periods	-131086	-48005	713943
	Other elements of capital	-99946	249875	566681
	Total capital	**16782481**	**19465349**	**19244075**

Appendix 26. Income and Expense of Insurance Companies

AMD thousand

Indicator	2015	2016	2017
Insurance premiums earned	**25556458**	**26708373**	**28565819**
Net accrued insurance premiums	26512029	27223725	29224746
Accrued insurance premiums	31424518	33141215	35262809
Insurance premiums returned under terminated contracts	1466151	1206413	1605974
Accrued reinsurance premiums	-3920602	-4790607	-4750807
Reinsurance premiums receivable under terminated contracts	474264	79530	318719
Net change in the reserve for unearned insurance premiums	955571	515352	658927
Change in the reserve for unearned insurance premiums	1140537	1151751	585231
Change in reinsurer's share in the reserve for insurance premiums	-184966	-636399	73697
Other income from insurance activities	**1333202**	**1254402**	**2056810**
Net bonuses from reinsurers	367463	443678	467671
Other income	965738	810724	1589139
Insurance compensations	**12671057**	**12997741**	**16708373**
Gross	13563805	14222355	18002653
Reinsurer's share	-892748	-1224613	-1294280
Provisions to the technical reserves	**-7819964**	**-8780867**	**-12764795**
Reserve for claims presented but not paid yet	-6693047	-8032716	-12352073
Gross	-8175314	-9809634	-15091146
Reinsurer's share	1482266	1776917	2739072
Reserve for claims incurred, but not presented yet	-231810	-295726	-263932
Gross	-326224	-350672	-328389
Reinsurer's share	94415	54946	64456
Other reserves	-895107	-452425	-148790
Gross	-900538	-463464	-161849
Reinsurer's share	5431	11039	13060
Recoveries from technical reserves	**7231909**	**7838193**	**13067950**
Reserve for claims presented but not paid yet	6682169	7452372	12449648
Gross	7992226	9400710	14784704
Reinsurer's share	-1310057	-1948337	-2335055
Reserve for claims incurred, but not presented yet	416895	271040	173911
Gross	743998	350686	235760
Reinsurer's share	-327103	-79645	-61848

Indicator	2015	2016	2017
Other reserves	132844	114781	444391
Gross	184891	124236	449392
Reinsurer's share	-52047	-9456	-5001
Other insurance expense	**4932502**	**5102358**	**6131368**
Intermediary fee expense	4222378	4328985	4418297
Net expense for intermediary fees paid to intermediaries for risks transferred to reinsurance	69214	101197	113871
Regulation expense	236034	252586	353683
Other operating expense	404877	419591	1245517
Interest income	**3038617**	**3326389**	**3126496**
Interest income from deposits placed with, loans to, and repos with financial organizations	1980117	2322168	2158626
Interest income from loans to individuals	3457	4561	3821
Interest income from loans to legal entities	51708	25415	1867
Interest income from government securities	685291	786653	805428
Interest income from corporate securities	23485	19335	33260
Interest income from securities sold under repos	271976	155890	117491
Other interest income	22583	12368	6002
Interest expense	**507733**	**228170**	**246701**
Interest expense for loans and borrowings from and repos with financial organizations	507699	228170	246701
Other interest expense	34	0	0
Non-interest income	**-56058**	**905760**	**480894**
Net income from asset sale	-100757	396416	241179
Net income from financial asset revaluation	-35232	515830	201932
Net income from currency revaluation	38975	-29031	-11352
Other non-interest income	40956	22545	49135
Non-interest expense	**7614203**	**7949736**	**8548294**
Management expense	6107370	6327069	7069359
Training expense	22910	29912	31658
PR expense	644881	761803	678528
Other non-interest expense	839042	830952	768749
Provisions to (recoveries from) the reserve for possible asset losses (non-collectability)	**1571234**	**352196**	**301306**
Profit before deduction of profit tax expense	**1987434**	**4622049**	**2597132**
Profit tax expense	**585712**	**855628**	**575038**
Profit after deduction of profit tax expense	**1401723**	**3766421**	**2022093**
Dividends	**260163**	**416460**	**87900**
Retained profit	**1141560**	**3349961**	**1934193**

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

AMD thousand

Non-life insurance		Insurance contracts in force, as of 31/12/2017 (pcs)	Sums of insurance under insurance contracts, as of 31/12/2017	Sums of reinsurance under insurance contracts, as of 31/12/2017	Insurance premium accrued, from the start of the year until 31/12/2017	Reinsurance premium accrued, from the start of the year until 31/12/2017	Insurance compensation accrued over 2017	Share of reinsurers in insurance compensations accrued over 2017
1	Accident insurance	146288	276862892	103594355	906989	235432	51848	-
2	Health insurance	4818	264139609	69107517	7112600	232770	4025142	8908
3	Land transport insurance	8959	102941321	52076443	1925602	620652	1155358	565825
4	Rail transport insurance	-	-	-	-	-	-	-
5	Aircraft insurance	8	610146265	610431850	223662	156914	-	-
6	Water transport insurance	-	-	-	-	-	-	-
7	Cargo insurance	2521	194723281	173737185	979239	584052	162052	114102
8	Fire and natural disaster insurance	34432	2655287143	2023745953	2763361	1854840	141213	57358
9	Other property damage insurance	6728	246206447	154846137	374254	133337	68293	60433
10	Voluntary insurance for liability arising out of the use of land motor transport	12241	206610341	5653231	93300	8765	34279	305
11	Insurance for liability arising out of the use of aircraft (including cargo)	6	1490912300	1490912300	91418	52702	-	-
12	Insurance for liability arising out of the use of water transport	-	-	-	-	-	-	-
13	General liability insurance	1350	415910913	396764269	529612	282161	99178	6631
14	Loan insurance	121	2111021	1899919	39095	35185	240002	216001
15	Guarantees	-	-	-	-	-	-	-
16	Financial loss insurance	25	68332343	67436145	462833	436341	241225	243412
17	Insurance for court and out-of-court expense	-	-	-	-	-	-	-
18	Support insurance	17936	432133061	178466764	590383	117656	103724	21301
19	Mandatory insurance for liability arising out of the use of land motor transport	458295	21716905610	-	19170458	-	11680336	-
TOTAL		**693728**	**28683222547**	**5328672067**	**35262805**	**4750806**	**18002650**	**1294278**

Appendix 28. Pawnshops

AMD million

Indicator	Loans disbursed	Funds attracted	Number of pawnshops
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	147
31.12.2017	7857	7534	133

Appendix 29. Payment and Settlement Organizations Registered on 31.12.2017

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	2012	2013	2014	2015	2016	2017
Paper-based payment orders[1]	10568616	12103431	18297163	19605411	21961715	24193329
Electronic payment orders[1]	30292	24276	6994	11771	4622	8859
Checks	0	0	0	0	0	0
Other debit instruments[2]	89745	105786	132217	165139	218525	298315
Non-cash transactions using cards	12636209	14514310	20901828	22145375	22184862	24500503
Total	**10568616**	**12103431**	**18297163**	**19605411**	**21961715**	**24193329**

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

Transfers	2012	2013	2014	2015	2016	2017
Paper-based payment orders[1]	8710110	9479553	9754949	11755269	13996725	15709378
Electronic payment orders[1]	12042	10750	3923	6434	2059	4558
Checks	0	0	0	0	0	0
Other debit instruments[2]	2805023	3496610	4565205	6104910	8195997	12189410
Non-cash transactions using cards	15171441	17012904	19255101	23130266	22194781	27903346
Total	**8710110**	**9479553**	**9754949**	**11755269**	**13996725**	**15709378**

[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

System		2012	2013	2014	2015	2016	2017
Total transfers sent	Value (AMD million)	79048	87164	100935	107220	109101	108581
	Quantity	172868	188700	227135	281243	328145	320576
Total transfers received	Value (AMD million)	641427	729736	678153	532650	504572	575777
	Quantity	2797158	3309165	3676625	3400193	3308932	3417497
Turnover	Value (AMD million)	720475	816900	779088	639870	613673	684357
	Quantity	2970026	3497865	3903760	3681436	3637077	3738073

Appendix 33. Number of Cards in Circulation

Plastic cards	2012	2013	2014	2015	2016	2017
ArCa cards	492126	564503	546509	548521	521273	566768
VISA	520703	652398	712211	789150	587671	609578
MasterCard	264539	299815	320653	344365	416147	493799
Other international cards[1]	45581	47813	58599	47321	45673	45532
Total	1322949	1564529	1637972	1729357	1570764	1715677

Appendix 34. Value of Card Transactions Carried out in Armenia

AMD million

Plastic cards	2012	2013	2014	2015	2016	2017
ArCa cards	290960	281344	369630	362068	360868	354393
VISA	450472	473840	632435	633849	631756	692430
MasterCard	174090	186681	264593	267030	310369	411596
Other international cards[1]	84249	75962	85929	95181	78848	96591
Total	999771	1017826	1352587	1358128	1381841	1555010

Appendix 35. Number of Card Transactions Carried out in Armenia

Plastic cards	2012	2013	2014	2015	2016	2017
ArCa cards	7031742	6607540	7770993	7994133	8129826	8168824
VISA	7244453	8942737	11398710	12520535	13165130	14931979
MasterCard	3450684	4043194	5315173	5750788	7304027	9834129
Other international cards[1]	1140836	1118507	1395843	1561457	1395641	1709432
Total	18867715	20711978	25880719	27826913	29994624	34644364

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