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UNION OF BANKS OF ARMENIA СОЮЗ БАНКОВ АРМЕНИИ

# Armenian Banking System

## *Developments and Trends*

As of December 31, 2018

**Union of Banks of Armenia**  
March 2019

# General Information

- **Population:** 2 965,1 mln
- **Area:** 29 743 km<sup>2</sup>
- **National Currency:** Armenian Dram (AMD) ₴
- **GDP:** \$12.31 bln.
- **GDP per capita:** \$4 151

## Soverign Ratings on Armenia

- **Fitch Ratings** “B+”
- **Moody's** “B1”

# Things to Underline

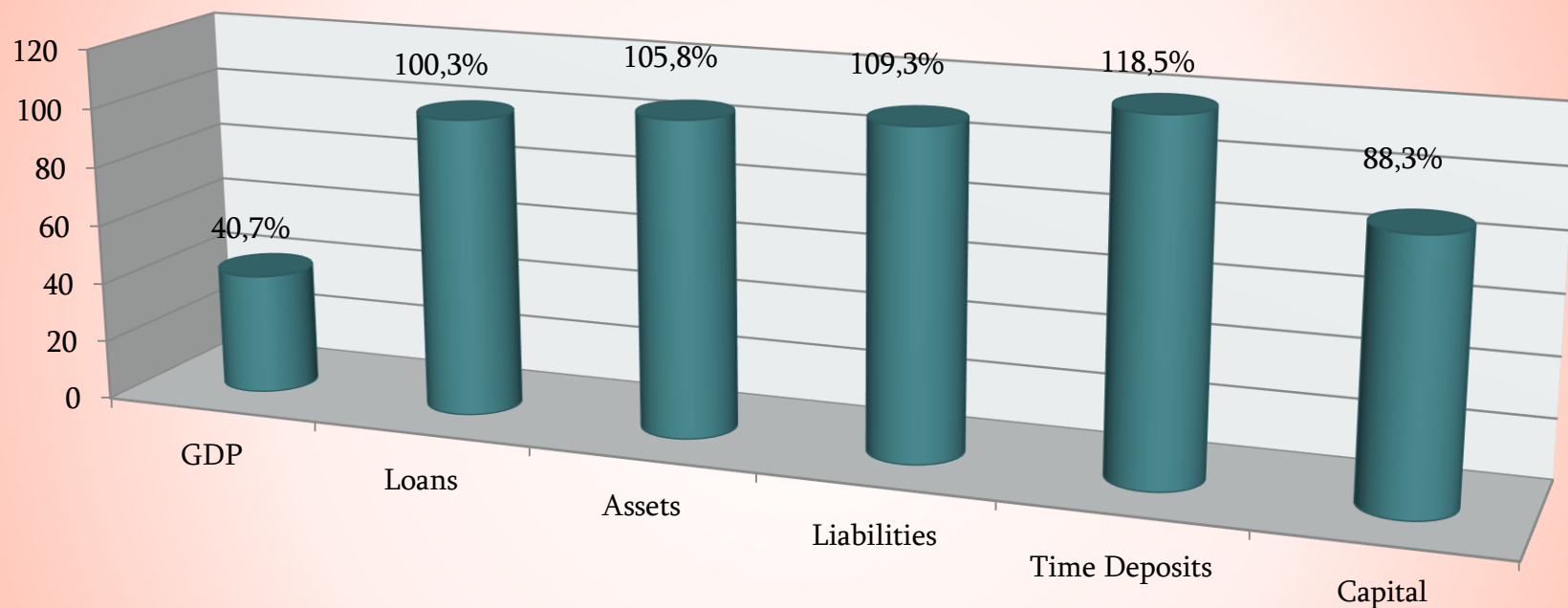
- Being a member of WTO Armenia is an open economy with no restrictions on capital movements
- Armenia has a strong and stable financial system with banks dominating the system
- Armenian banking system has low concentration and is highly competitive with decreasing interest rate margins

# General Figures of Banking Sector (2018)

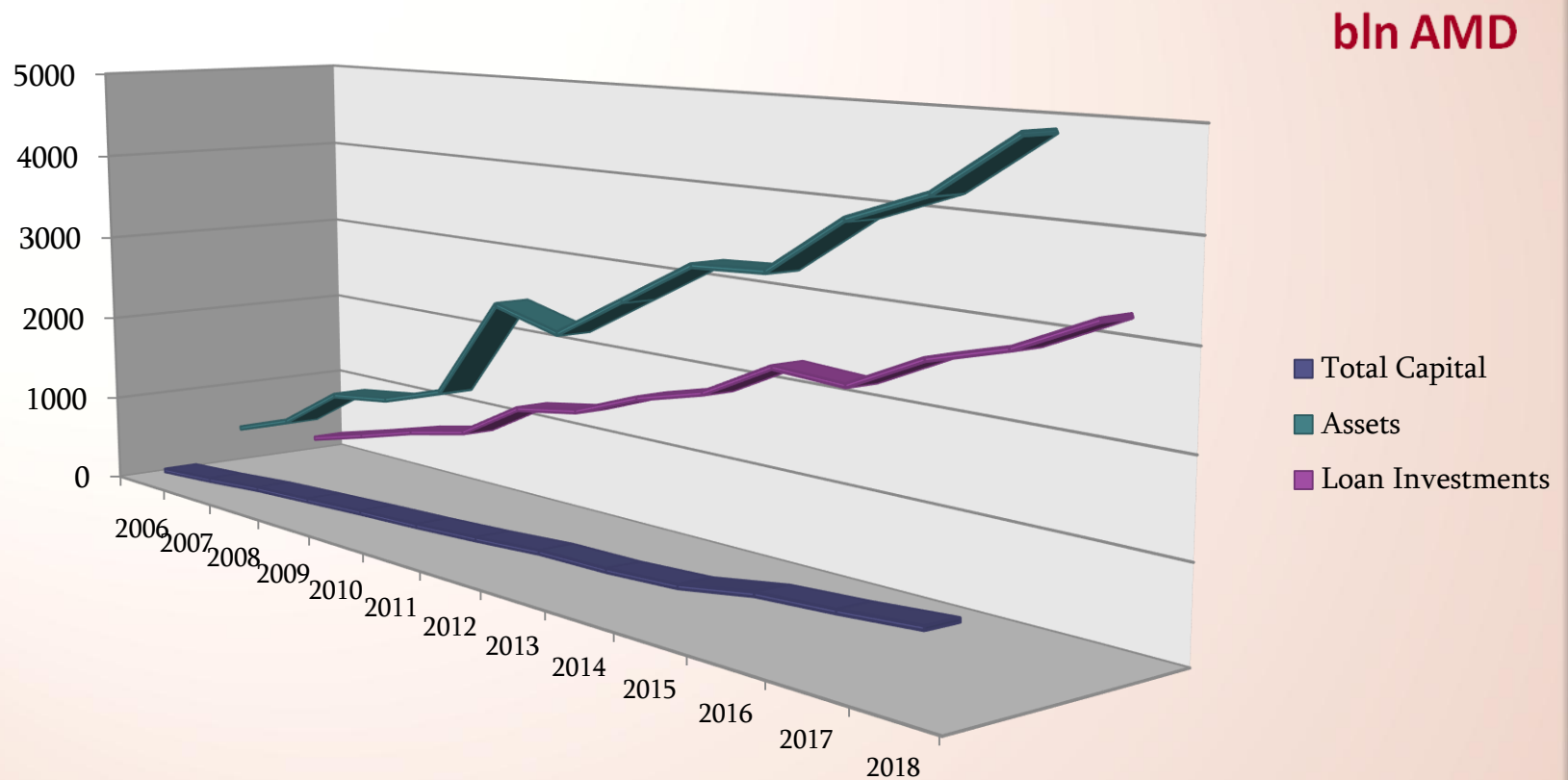
- Total capital – \$ 1.58 bln
- Total assets - \$ 10.15 bln
- Total loans - \$ 6.34 bln
- Total liabilities - \$ 8.57 bln
  
- Number of banks – 17
- Number of branches – 537
- Number of employees – 11 773
  
- 18,1 bank branches are available for every 100 000 people
- 0,57 banks are available for every 100 000 people

# Armenian Banking Sector Development in Comparative Background

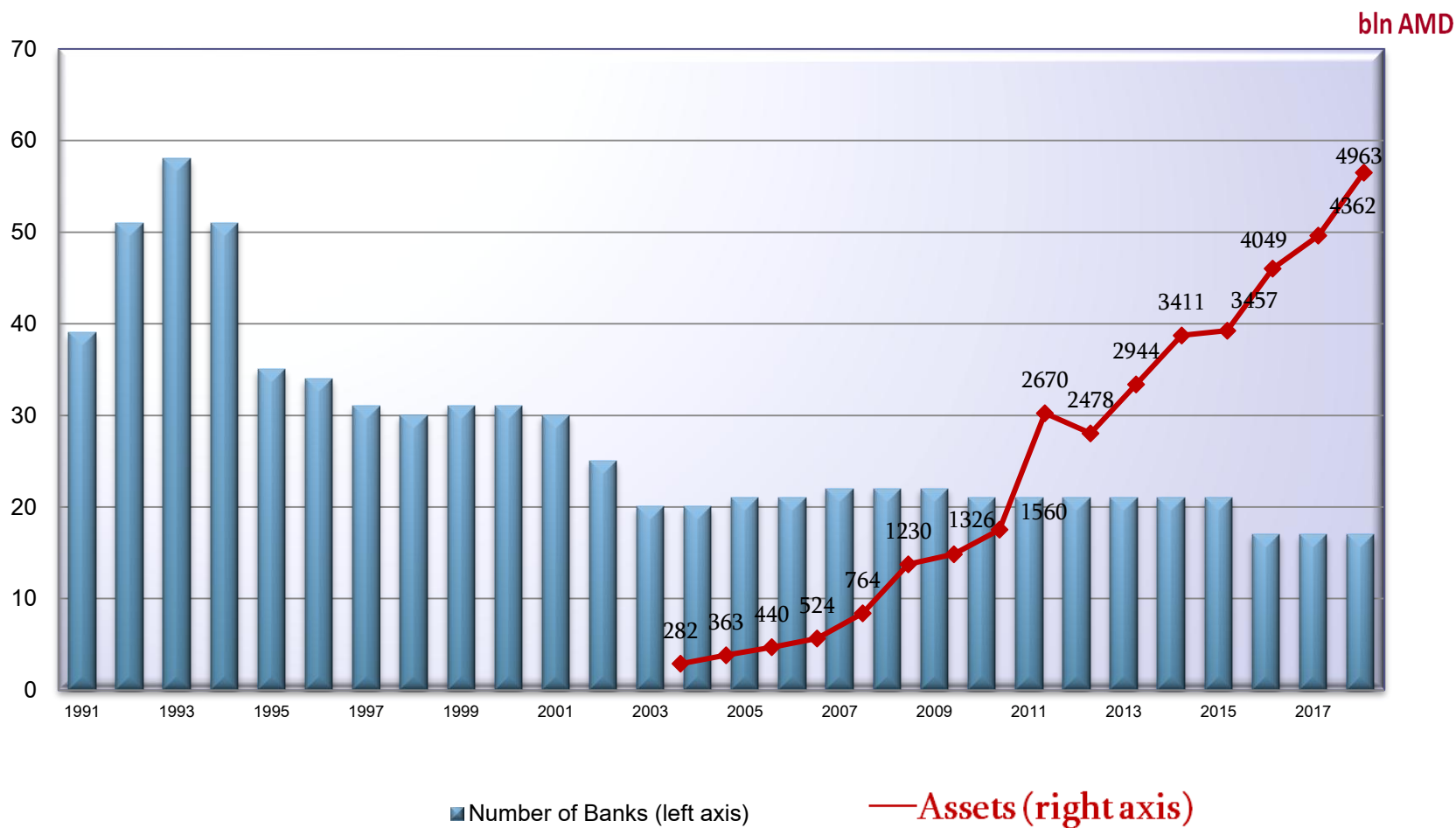
Changes in %: 2012-2018



# Banking System Development Chart



## Number of Banks vs Banking Assets



# Key Ratios 2018

## Profitability Ratios

- ✓ Return on Assets (**ROA**) – 1,34%
- ✓ Return on Equity(**ROE**) – 8,36%

## Capitalization Ratios

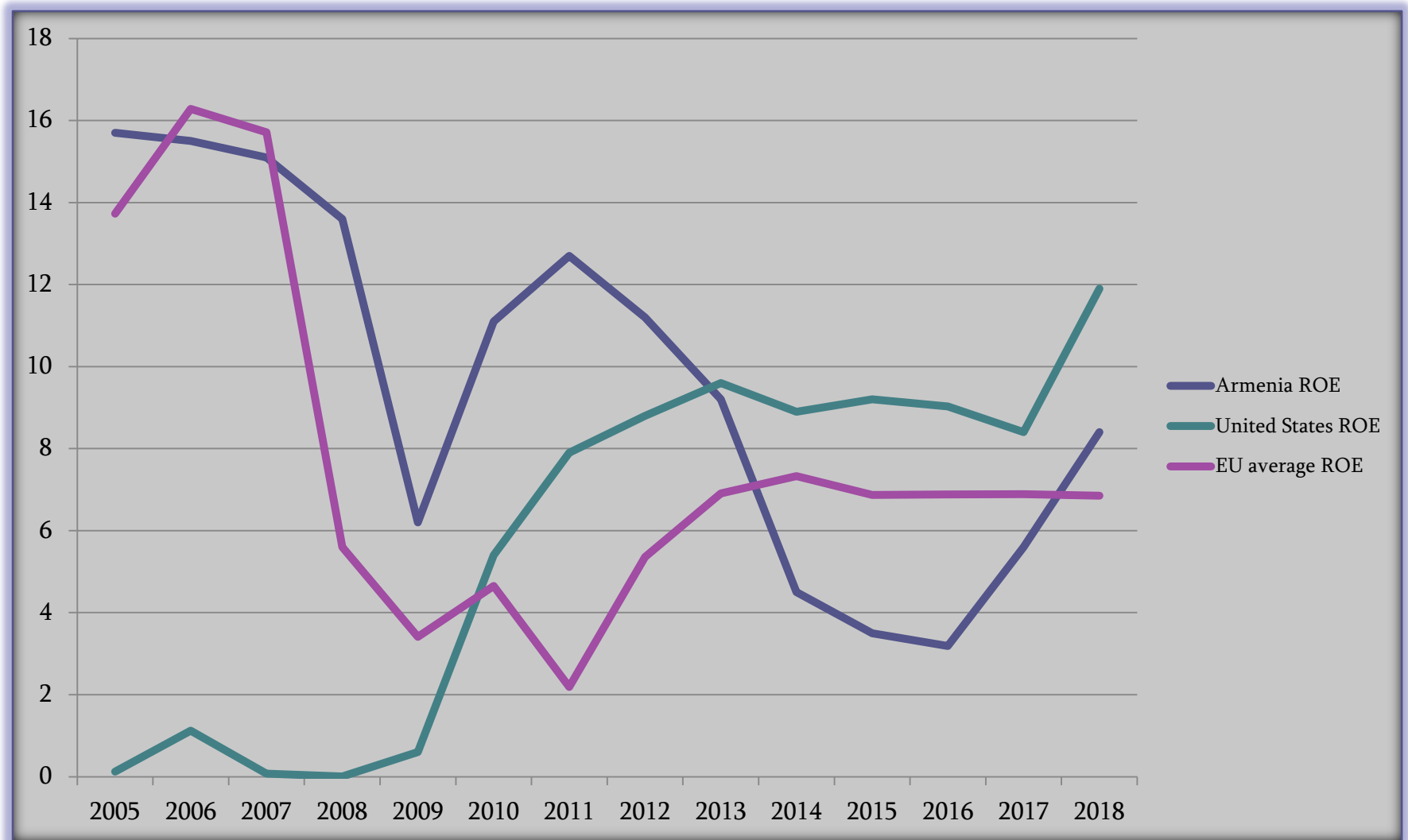
- ✓ Total Capital/Total Assets – 15,5%
- ✓ Total Capital/Liabilities – 18,4%



# Total Loans/GDP and Total Deposits/GDP 2011-2018

	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total Loans/GDP</b>	35.4%	37.9%	40.7%	47.1%	45.3%	51.7%	51.2%	54,1%
<b>Total Deposits/GDP</b>	25.7%	29.6%	35.3%	35.2%	37.8%	45.2%	47%	47,7%

# Banking System Return On Equity (ROE)



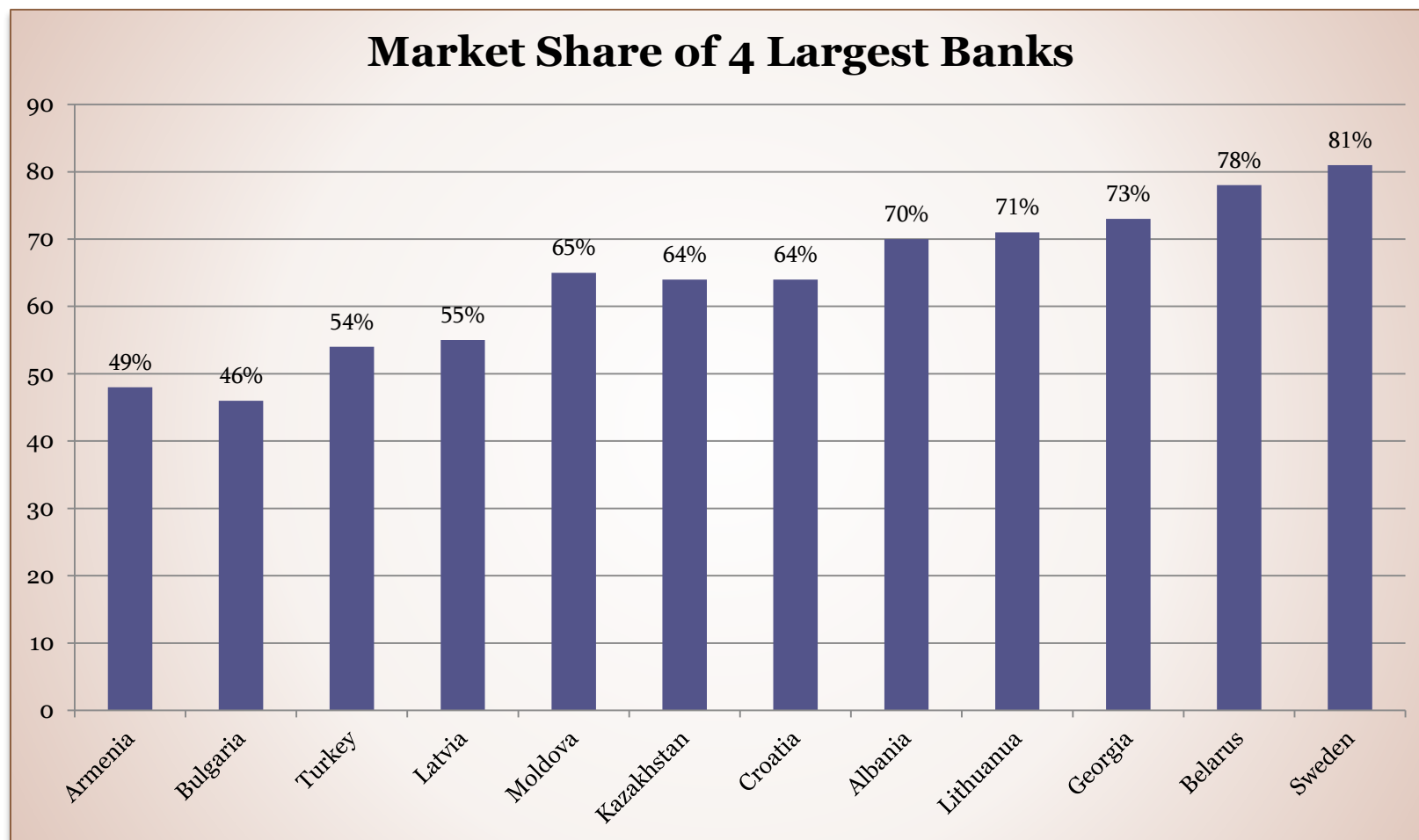
# General Descriptives of the Commercial Banks

- No centralization in the banking sector
  - No certain bank is dominant in the market in respect of different indices
- There is no bank with government share
- 3 of 17 Armenian banks are open joint stock companies
- 65% of adult population has banking accounts
  - In 2006 – 30%
  - In 2000 - 13%
- Circulating credit cards
  - VISA, MasterCard, American Express, Diners Club, ArCa and etc.

# Market Share of the Largest Banks

	2011	2012	2013	2014	2015	2016	2017	2018
<i>Total assets</i>								
<b>4 largest banks</b>	37%	38%	39%	43%	43%	47%	48%	49%
<b>10 largest banks</b>	75%	75%	77%	77%	78%	71%	84%	80%
<i>Total liabilities</i>								
<b>4 largest banks</b>	38%	38%	40%	44%	45%	50%	52%	52%
<b>10 largest banks</b>	76%	71%	79%	78%	80%	83%	83%	83%
<i>Total capital</i>								
<b>4 largest banks</b>	38%	39%	38%	39%	39%	34%	34%	36%
<b>10 largest banks</b>	71%	70%	70%	72%	73%	76%	68%	70%
<i>Total loans</i>								
<b>4 largest banks</b>	41%	47%	41%	44%	45%	51%	53%	51%
<b>10 largest banks</b>	77%	77%	79%	79%	80%	85%	80%	84%
<i>Term and Demand deposits of individuals and enterprises</i>								
<b>4 largest banks</b>	43%	42%	40%	40%	40%	44%	51%	50%
<b>10 largest banks</b>	79%	79%	78%	77%	77%	84%	83%	84%

# Market Share of the Largest Banks



# General Descriptives of the Commercial Banks

- There are non resident shares in all Armenian banks
  - in total 65% of shares belong to non residents
    - 100% shares belong to non residents in 8 banks
      - *In 6 of 8 banks shareholders are legal entities*
    - In 10 banks the share of non residents is more than 50%
  
- Shares of International Organizations in Armenian banks
  - EBRD has 2,52% - 22,7% shares in 3 banks
  - ADB has share in 1 bank: 13,9%

# International Investments in Armenia

- Foreign investments to Armenian banking sector
  - From International organizations - \$5 221 bln.
- World Bank (2011-2018)
  - 127 projects – \$2 543 mln.
- EBRD (31 January 2019)
  - 172 projects - \$1 398 mln.
  - Around 49% through Armenian banks
- Black Sea Trade and Development Bank (by 28 Feb 2019)
  - 36 projects – \$296 mln
  - 62,8% through Armenian banks
- IFC
  - 49 projects – \$480 mln
- KFW
  - 16 projects - \$504 mln.

# Incoming Transfers of Physical Persons Through RA Banks

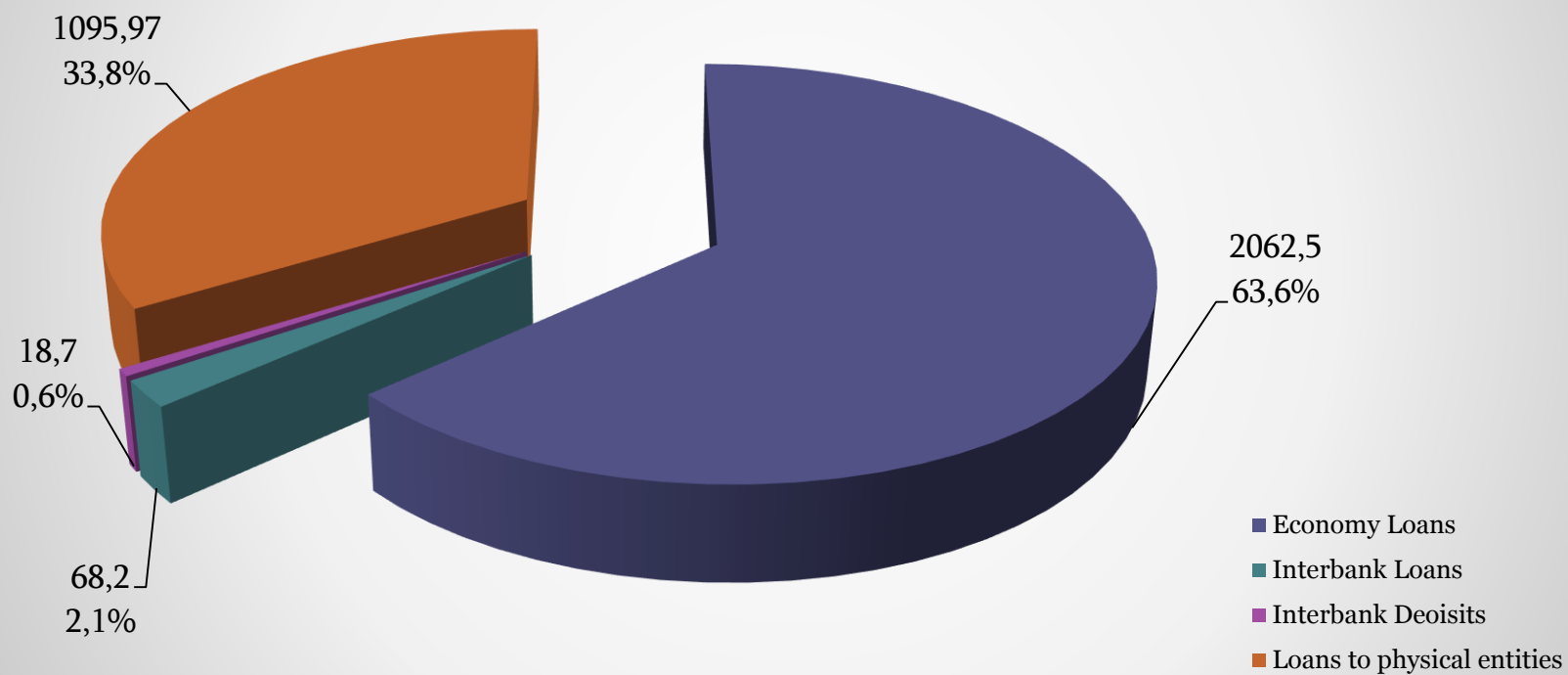
- In 2018 - \$1 780 mln
  - Russia – \$1 049 mln
    - In last 3 years – \$3 009 mln
  - USA - \$224 mln
    - In last 3 years - \$583 mln
- Since 2013 - \$ 11 090 mln



# Loan Investment Structure of the Banking System of Armenia

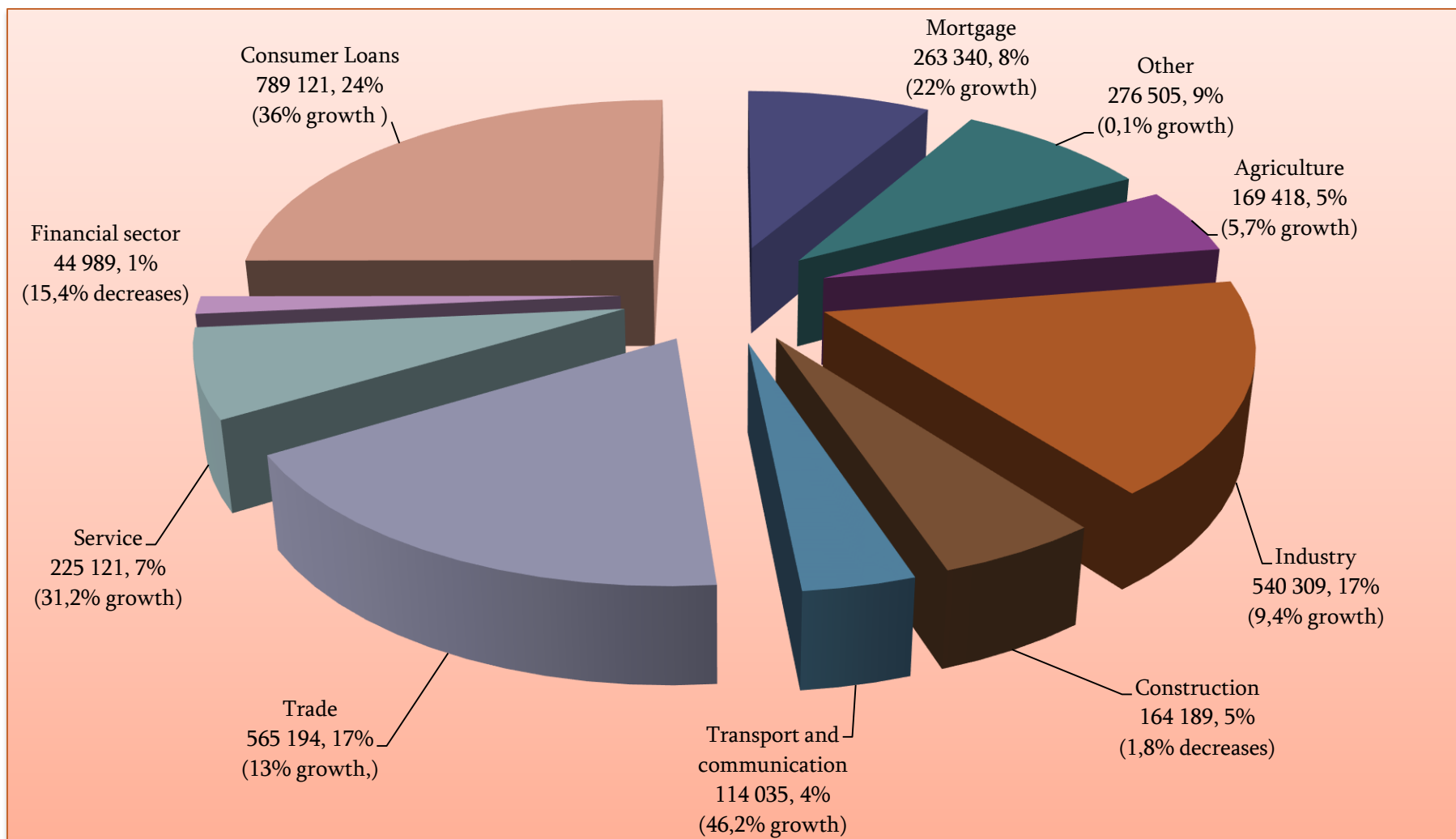
bln AMD

2018



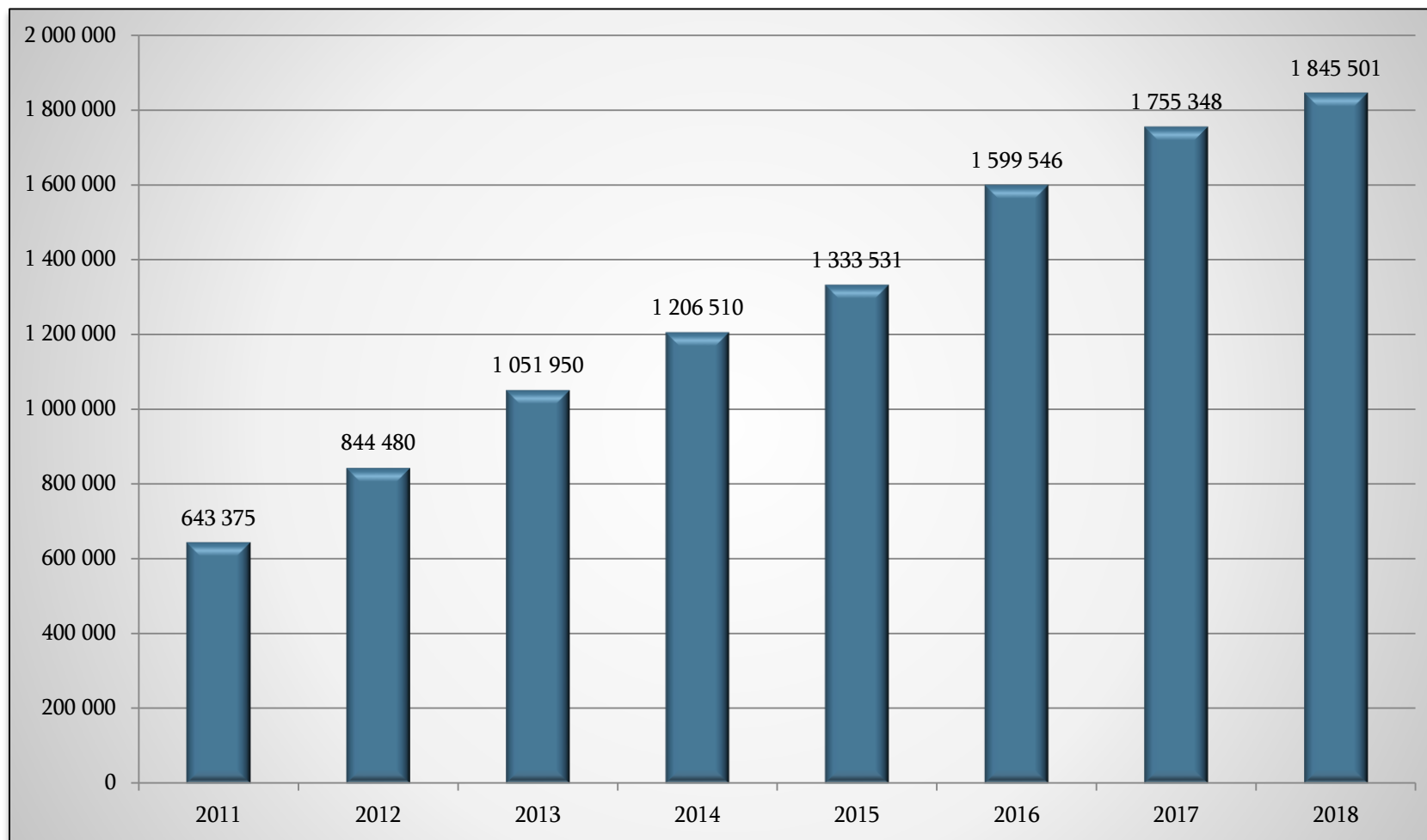
# Loans to Different Sectors of the Economy 2018

mln AMD

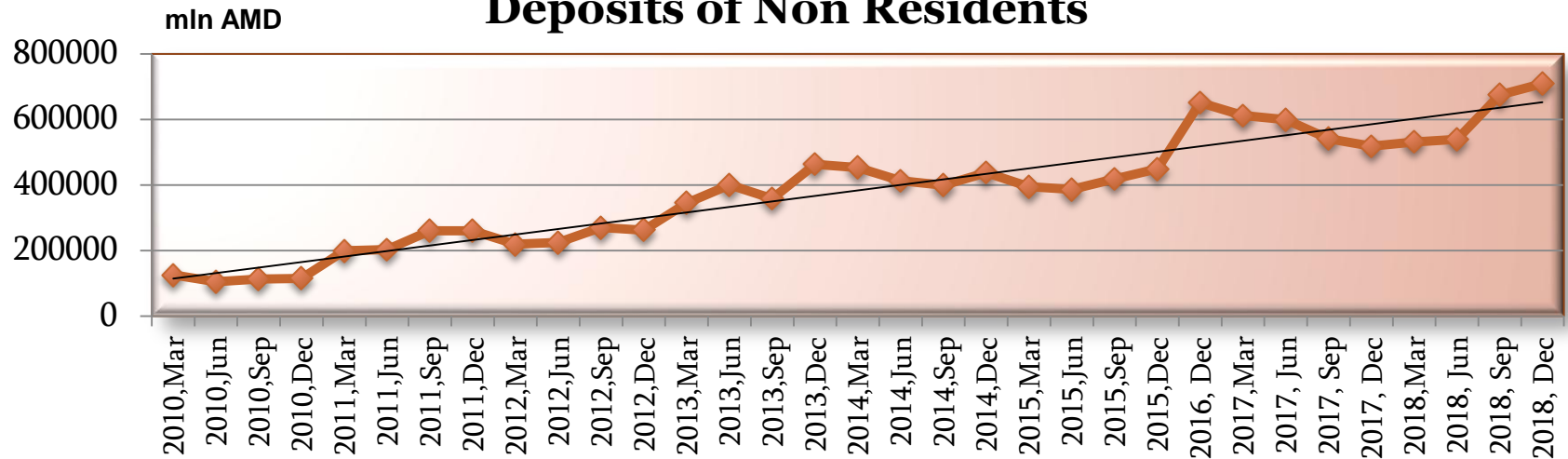


# Time Deposits

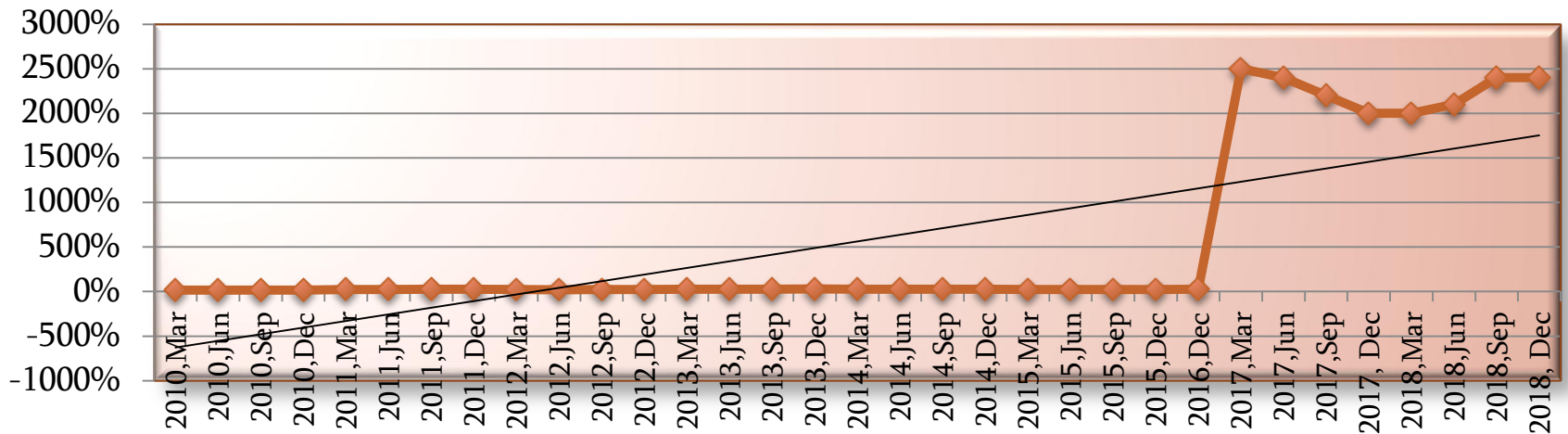
mln AMD



## Deposits of Non Residents



## The Percentage of the Deposits of Non Residents in Total Deposits



# Institutions Through Banking Cooperation

- ✓ **Union of Banks of Armenia**
- ✓ **Financial Arbitration**
- ✓ **Financial System Mediator**
- ✓ **Deposit Guarantee Fund**
- ✓ **ACRA Credit Reporting Agency**
- ✓ **ArCa-Unified Payment System**

# How did the Armenian Banking System Overcome the Crisis?

- ✓ Tailored policy by the Government and CBA
- ✓ High capital adequacy in all banks
- ✓ Low external indebtedness ratio
- ✓ Tight regulation and supervision
- ✓ No investment in “toxic” assets
- ✓ No deposit run and short-term “hot ” money

# Armenian Banking Sector Competative Advantages

- ✓ Sustainability
- ✓ Strict and well regulated supervision
- ✓ Transparency
- ✓ Intensive growth
- ✓ High profitability
- ✓ Sound grounds for Corporate Governance
- ✓ High liquidity of banking assets and favorable conditions for moving/transferring the investments to other markets
- ✓ Sound bases for rapid development of macroeconomic indicators



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# THANK YOU

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