

**PART – 3**

**ANALYSIS OF ON-DEMAND ACCOUNTS,  
TERM-DEPOSITS AND BONDS OF  
ARMENIAN BANKING SECTOR 2019-2020**

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# Executive summary

The purpose of this article is to analyze the balances of on-demand accounts (incl. current accounts), term-deposits and issued bonds of Armenian banking sector for 2019 and 2020.

Analysis is performed separately for funds attracted from individuals (RETAIL) and legal entities (CORPORATE).

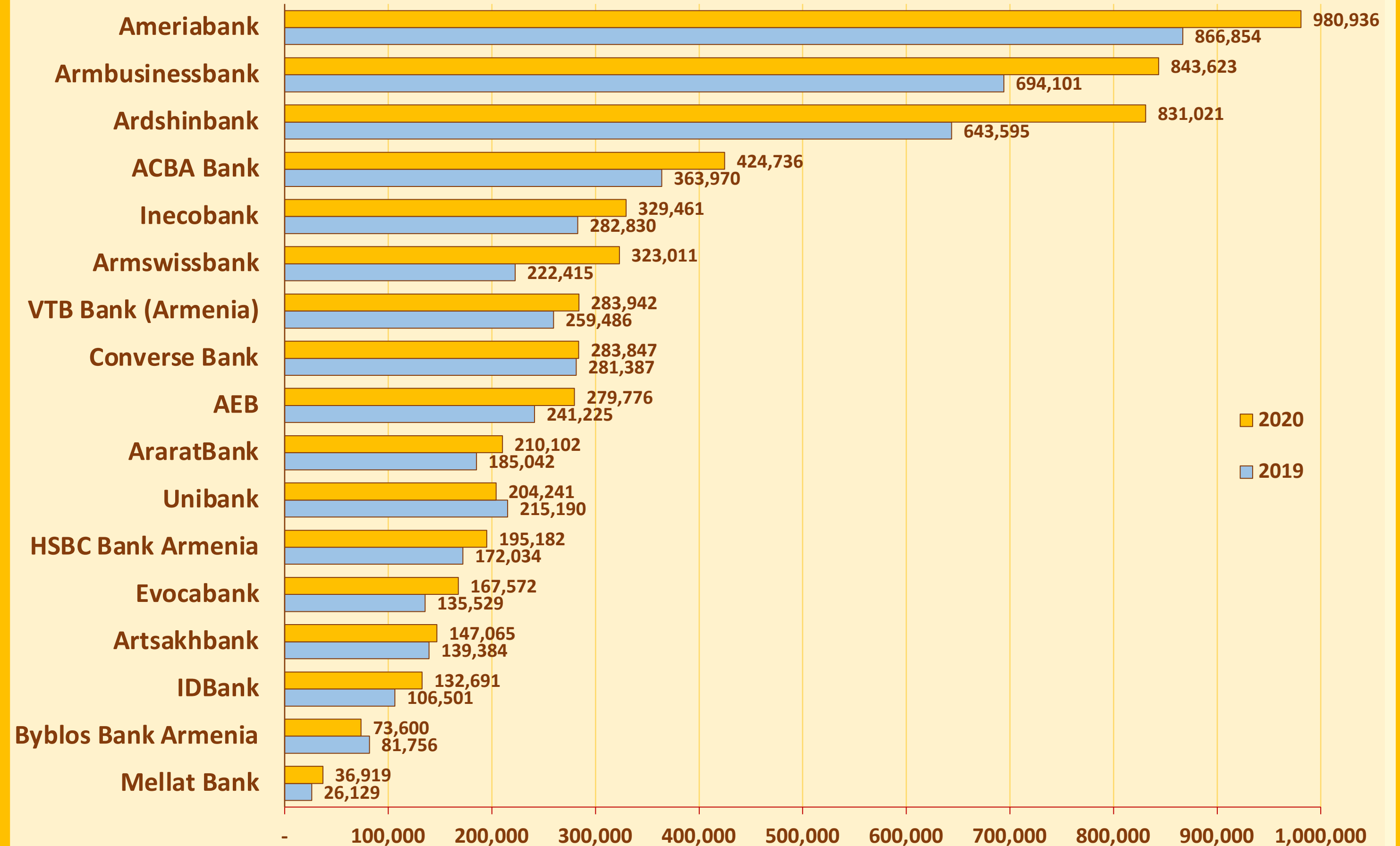
Funds attracted from Banks, Government of Armenia, Central Bank of Armenia, subordinated and other debts are excluded from this analysis.

Published financial statements of Armenian banks were used for the preparation of the article.

## Total liabilities

- During 2020, total liabilities of banking sector were increased by **830 bln AMD**, or **16.9%**.
- As of 31.12.2020, total liabilities were amounting to **5,748 bln AMD**.
- **15** from total **17** banks, recorded increase of total liabilities in 2020.
- Following banks recorded the largest relative (%) increase of total liabilities in 2020 – Armswissbank (**45%**), Mellat Bank (**41%**) and Ardshinbank (**29%**).

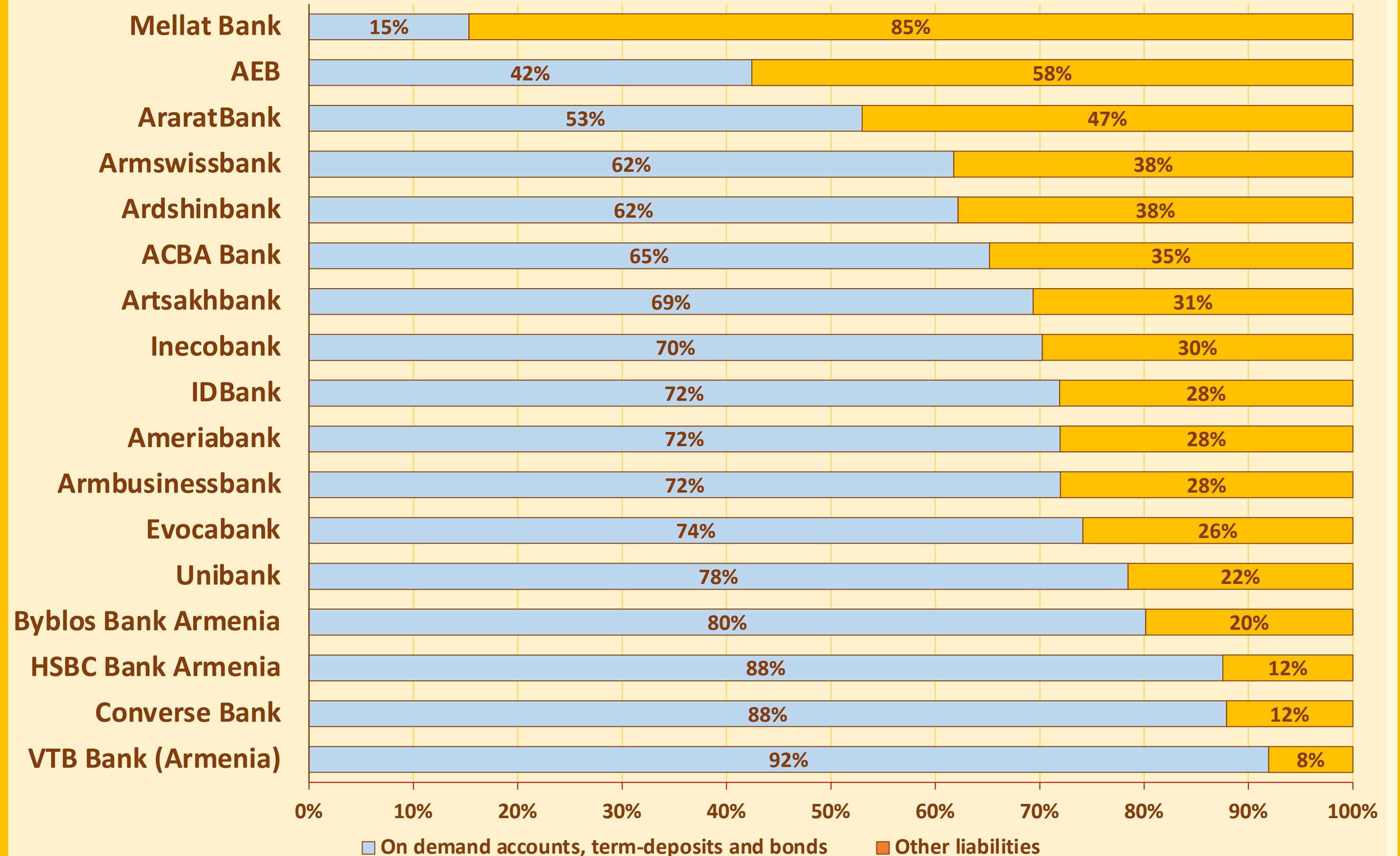
Comparison of total liabilities - 2019 vs 2020 (in mln AMD)



## Total liabilities

- Total liabilities of banking sector by **70%** consists of on-demand account, term-deposits and issued bonds.
- Banks have different structure of total liabilities. The lowest proportion is by Mellat Bank (**15%**) and the highest one is by VTB Bank (Armenia) (**92%**).
- **Other liabilities** mainly, consists of intra-bank borrowings, sub-debt, borrowings received from the government and Central Bank.

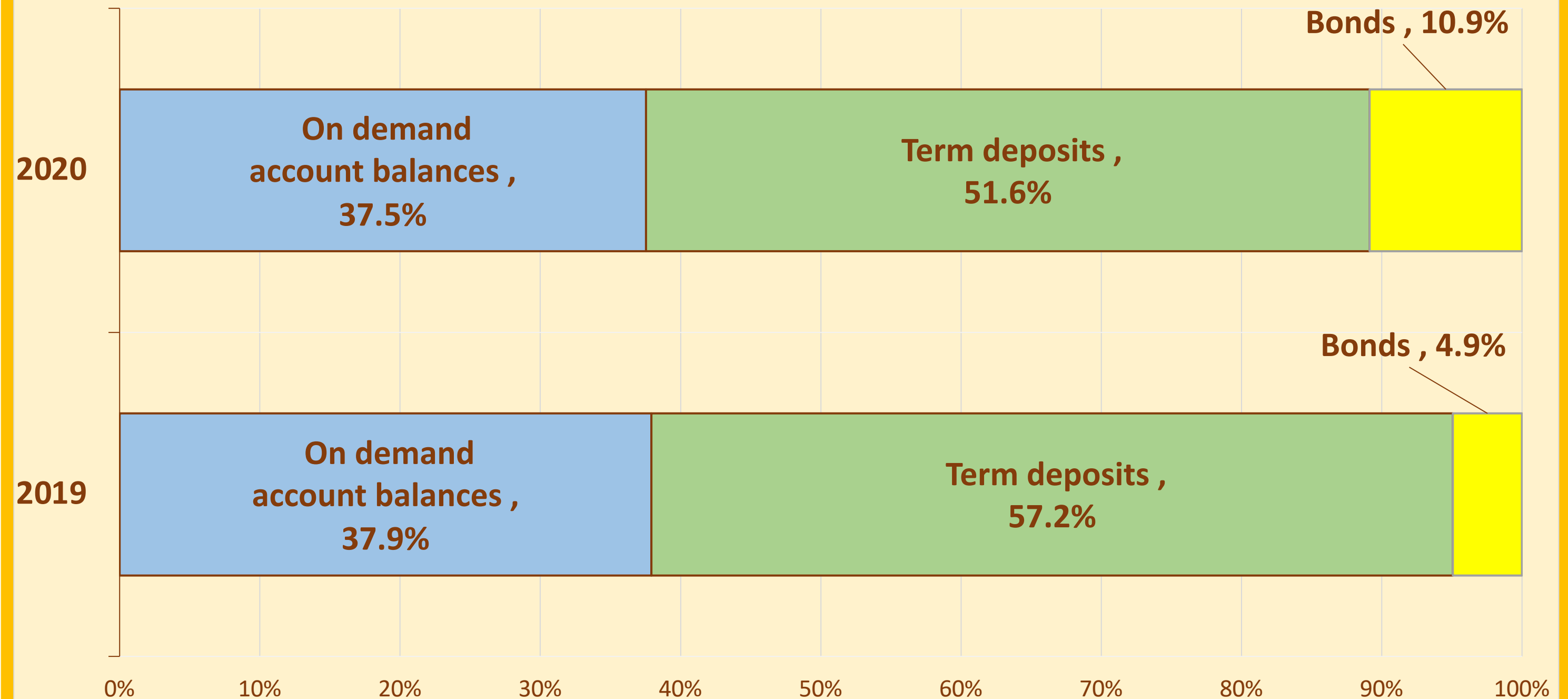
*Structure of total liabilities as of 31.12.2020 (%)*



## Total liabilities

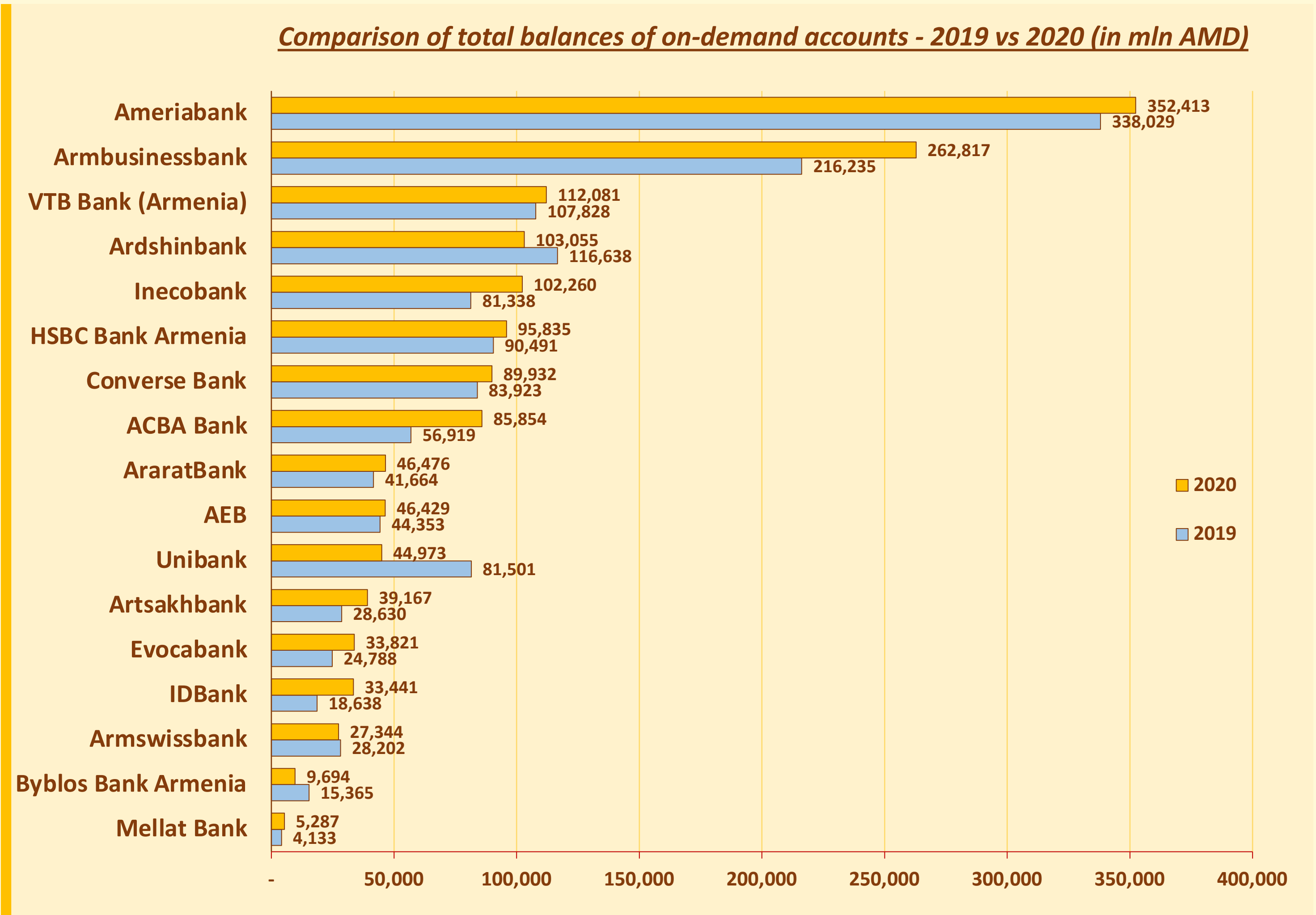
- Share of on demand accounts remains almost unchanged during 2020 and was equal to **37-38%**.
- Share of issued bonds is increased from **4.9%** to **10.9%** during 2020.
- Last year, changes were made in the law on income tax, in result of which, interest income received from bonds are exempt from income taxation.
- It is expected, that investments in bonds will still remain very attractive, especially for individuals.

### Structure of funds attracted from clients 2019-2020



## On demand accounts

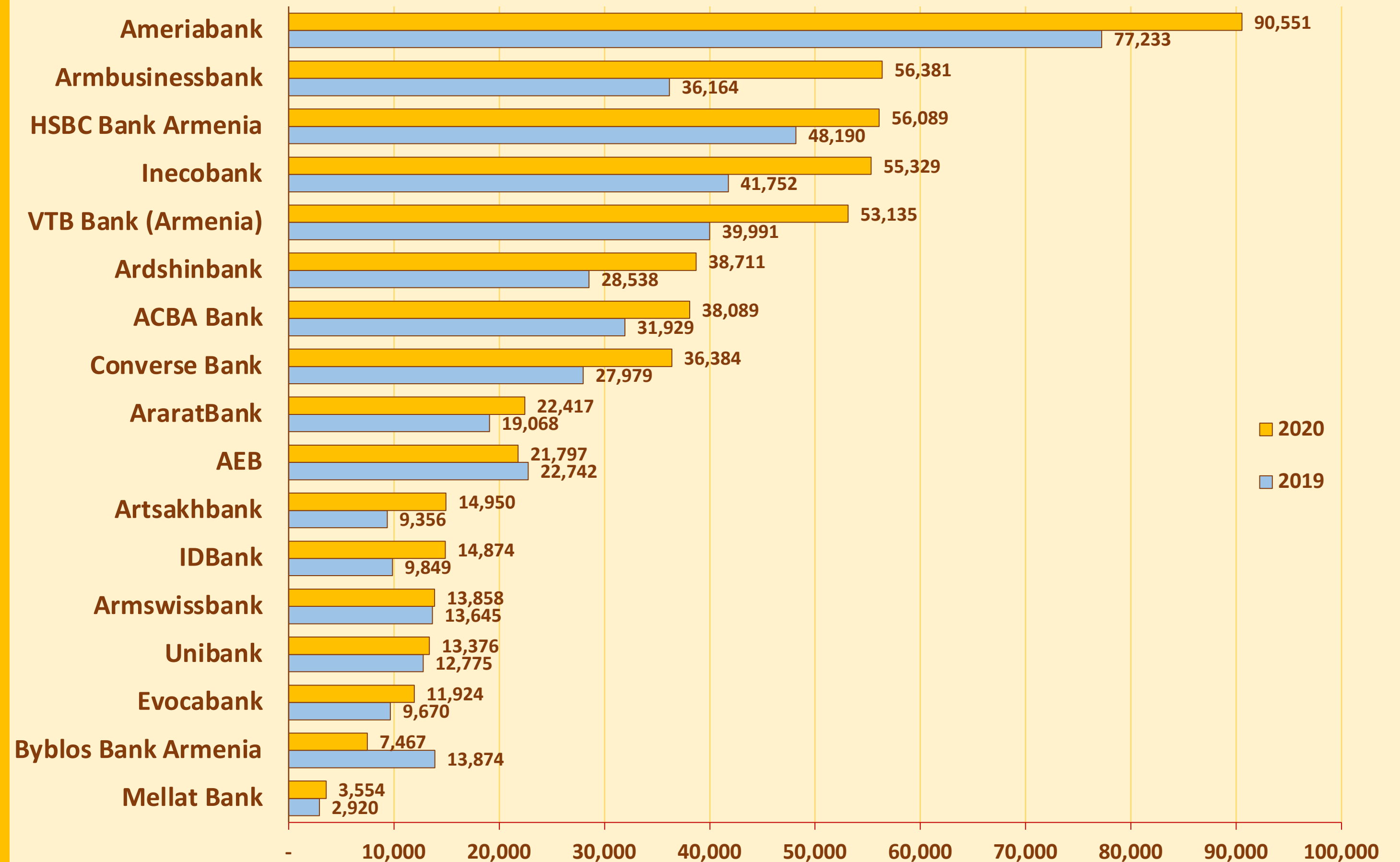
- Mentioned on demand accounts includes on demand deposits, current accounts and balances of card accounts.
- During 2020, total balance of on demand accounts of banking sector was increased by **112 bln AMD**, or **8.1%**.
- **13** from total **17** banks, recorded increase of balance of on demand accounts in 2020.
- Following banks recorded the largest relative (%) increase of balances of on demand accounts in 2020 – IDBank (**79%**), ACBA Bank (**51%**) and Artsakhbank (**37%**).



## On demand accounts

- During 2020, total balance of on demand accounts of individuals (RETAIL) of banking sector was increased by **103 bln AMD**, or **23.2%**.
- **15** from total **17** banks, recorded increase of balance of on demand accounts of individuals (RETAIL) in 2020.
- Following banks recorded the largest relative (%) increase of balances of on demand accounts of individuals (RETAIL) in 2020 – Artsakhbank (**60%**), Armbusinessbank (**56%**) and IDBank (**51%**).

*Comparison of balances of RETAIL on-demand accounts - 2019 vs 2020 (in mln AMD)*

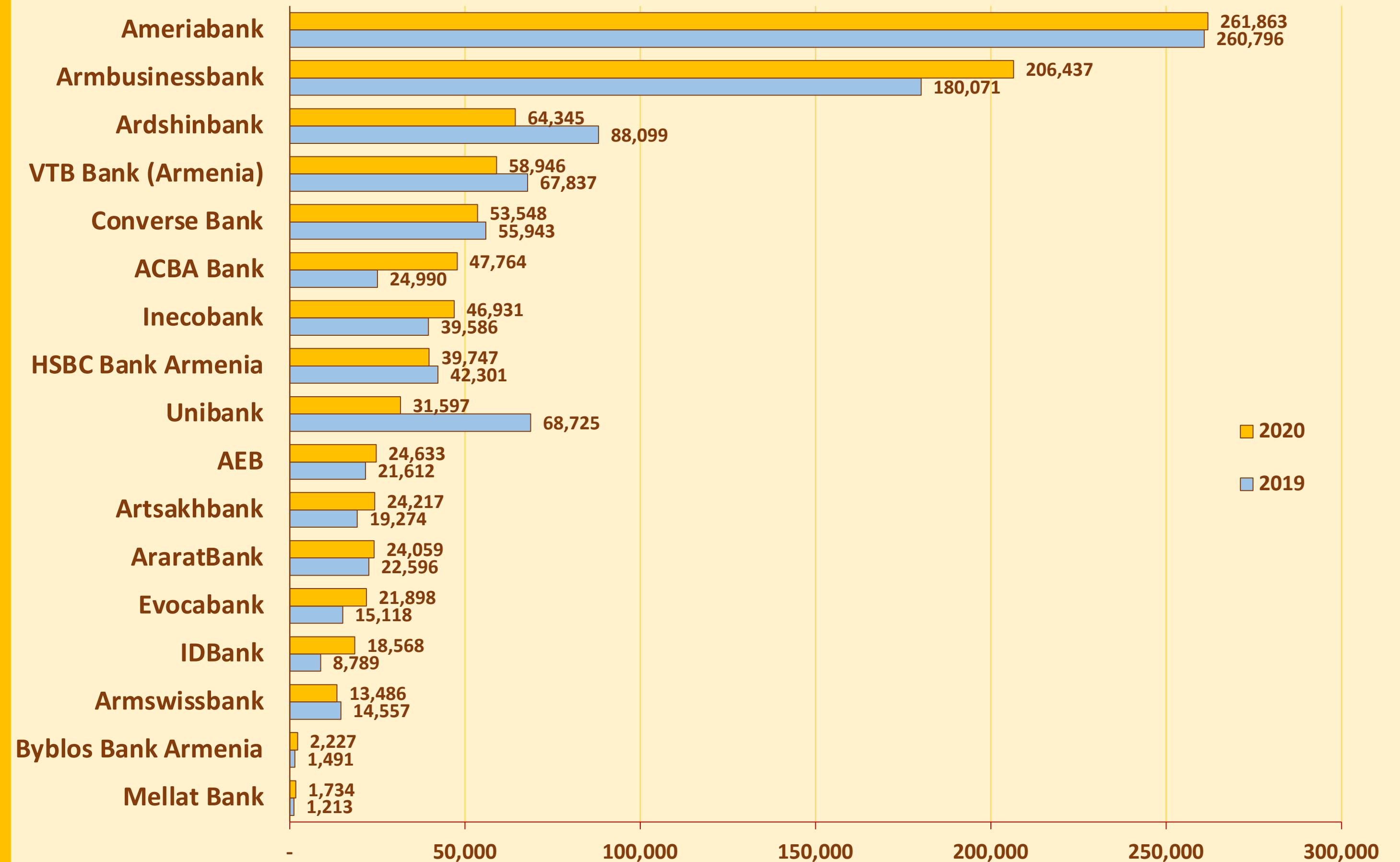




## On demand accounts

- During 2020, total balance of on demand accounts of legal entities (CORPORATE) of banking sector was increased by **9 bln AMD**, or **1%**.
- Following banks recorded the largest relative (%) increase of balances of on demand accounts of legal entities (CORPORATE) in 2020 – IDBank (**111%**), ACBA Bank (**91%**) and Byblos Bank (**49%**).
- 57% of balances of on demand accounts of legal entities (CORPORATE) are concentrated by three banks.

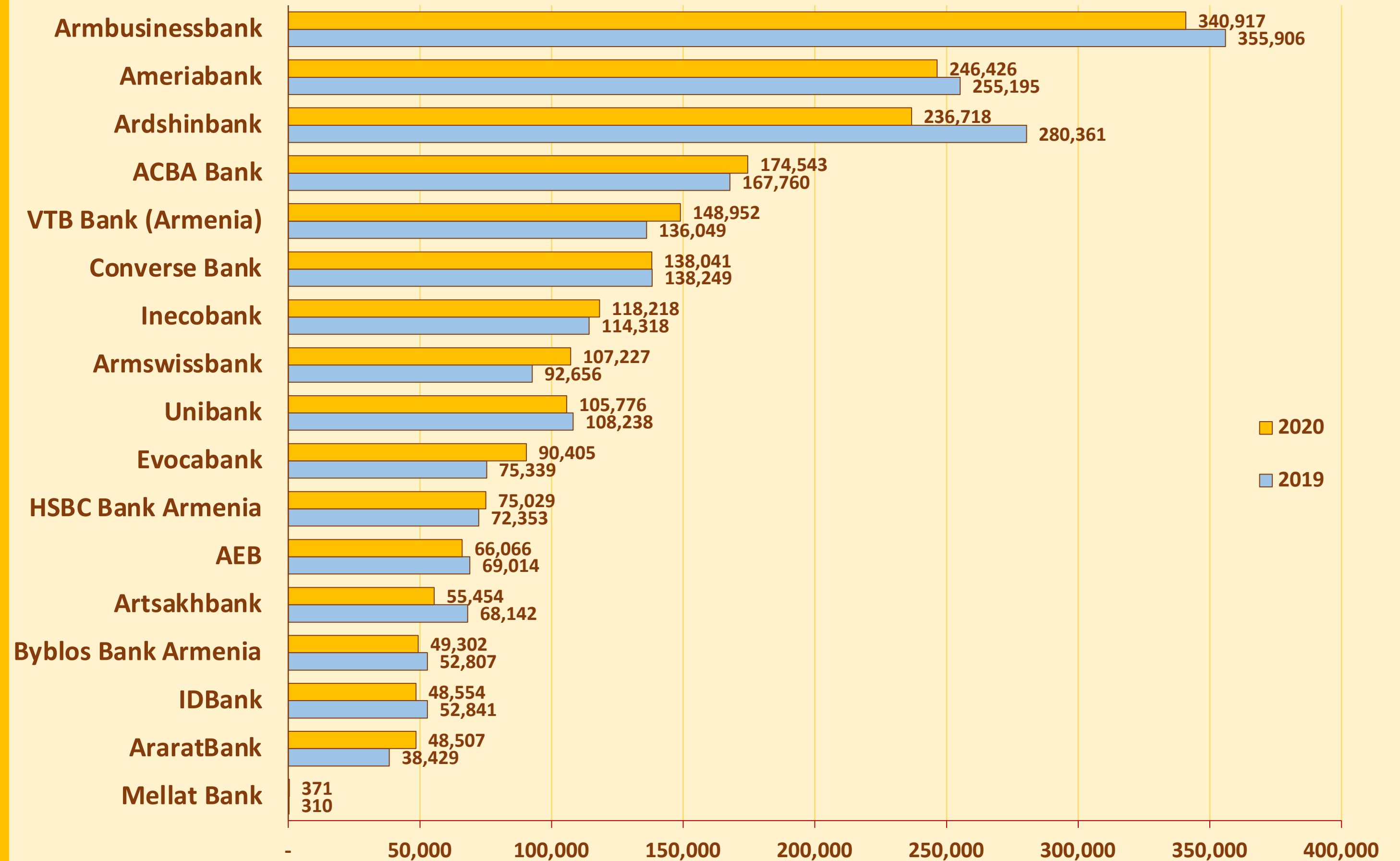
*Comparison of balances of CORPORATE on-demand accounts - 2019 vs 2020 (in mln AMD)*



## Term deposits

- During 2020, total balance of banking sector deposits was decreased by **27 bln AMD**, or **1.3%**.
- In the same period, the balance of issued bonds by the banks was increased significantly by **252 bln AMD**. Thus, it is vital to review changes of deposit balances together with the changes of balances of issued bonds, as deposit holders might transform their deposits into bonds.

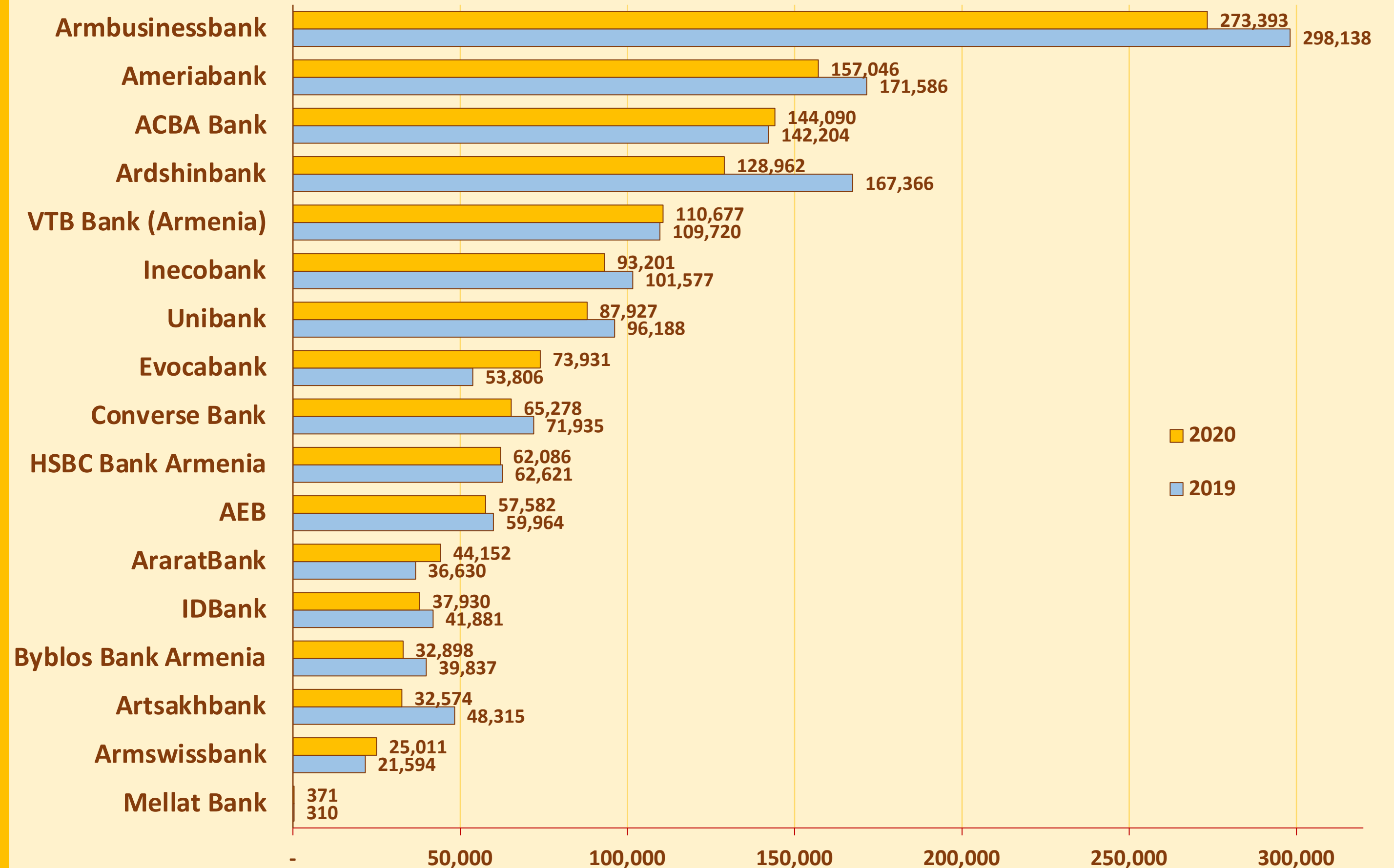
*Comparison of total balances of term-deposits- 2019 vs 2020 (in mln AMD)*



## Term deposits

- During 2020, deposit balances of individuals (RETAIL) of banking sector were decreased by **97 bln AMD**, or **6.3%** (if AMD depreciation during 2020 (8.9%) will not be accounted for, then the real decrease was by about **192 bln AMD**, or **12.5%**).
- However, deposit balance changes should be reviewed with the changes of balance of issued bonds. During 2020, total balance of bonds issued by Armenian banks was increased by 252 bln AMD or by **52 bln AMD**, without taking into account AMD depreciation and two issuances of bonds in foreign countries, organized by Ardshinbank (300 mln USD) and Ameriabank (50 mln USD).
- Information, regarding investments of individuals in bonds issued by the banks is not disclosed in the financial statements.

*Comparison of balances of RETAIL term-deposits- 2019 vs 2020 (in mln AMD)*



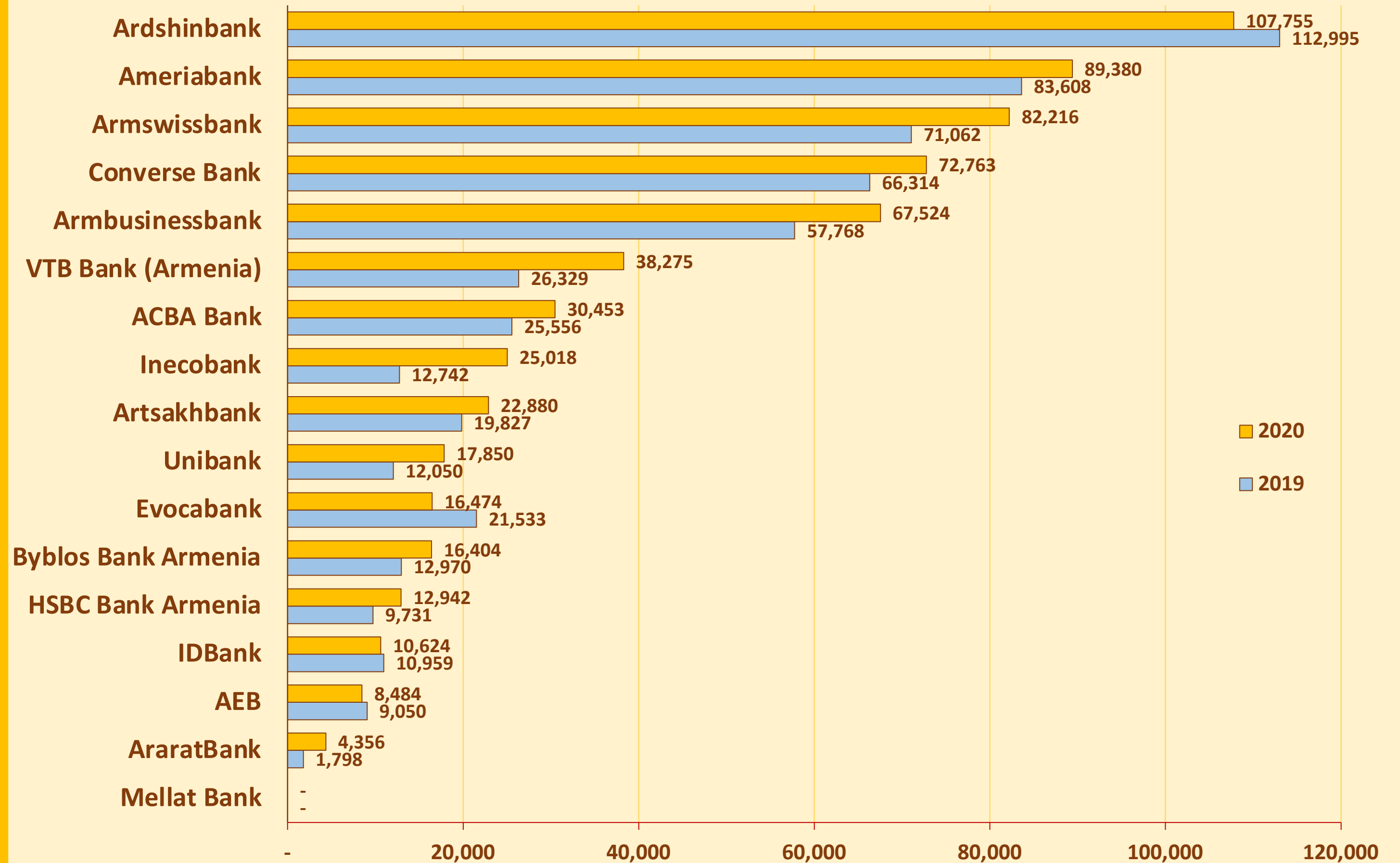
## Term deposits

- During 2020, deposit balances of legal entities (CORPORATE) of banking sector were increased by **69 bln AMD**, or **12.5%**.

- **57%** of deposit balances of legal entities (CORPORATE) are concentrated by four banks (Ardshinbank, Ameriabank, Armswissbank and Converse Bank).

- Following banks recorded the largest relative (%) increase of deposit balances of legal entities (CORPORATE) in 2020 – AraratBank (**142%**), Inecobank (**96%**) and Unibank (**48%**).

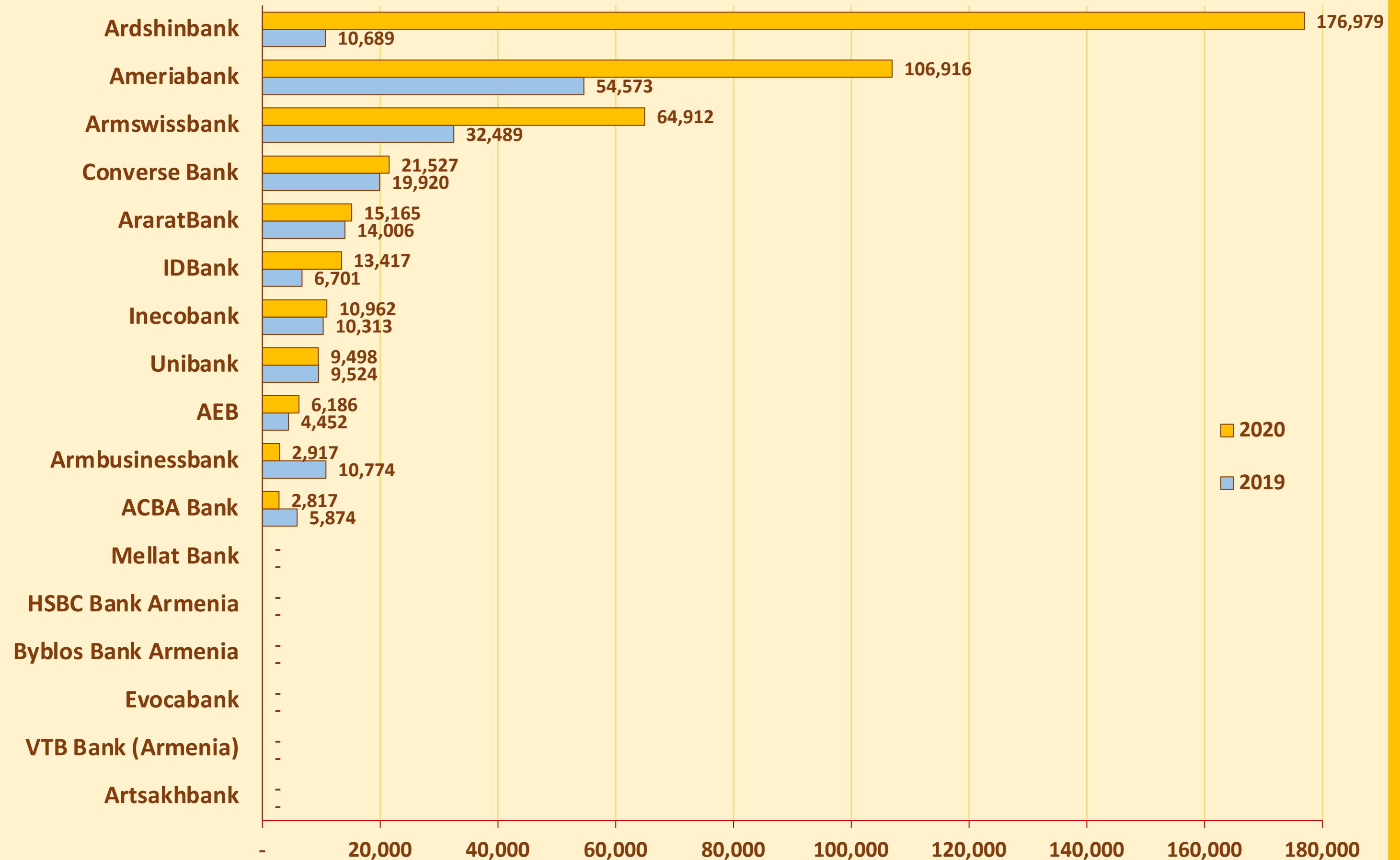
*Comparison of balances of CORPORATE term-deposits- 2019 vs 2020 (in mln AMD)*



## Bonds

- During 2020, total balance of bonds issued by Armenian banks was increased by **252 bln AMD**, or **140%**. This huge increase is mainly explained by issuances of bonds in foreign countries by Ardshinbank (300 mln USD) and Ameriabank (50 mln USD).
- **11** from total **17** banks, have issued bonds. Majority of bonds are listed on Armenian Stock Exchange.
- Issuance of bonds by the banks, is encouraged by the Central Bank of Armenia. Mandatory reservation normative for issued bonds is by 8 times lower, than for attracted deposits.

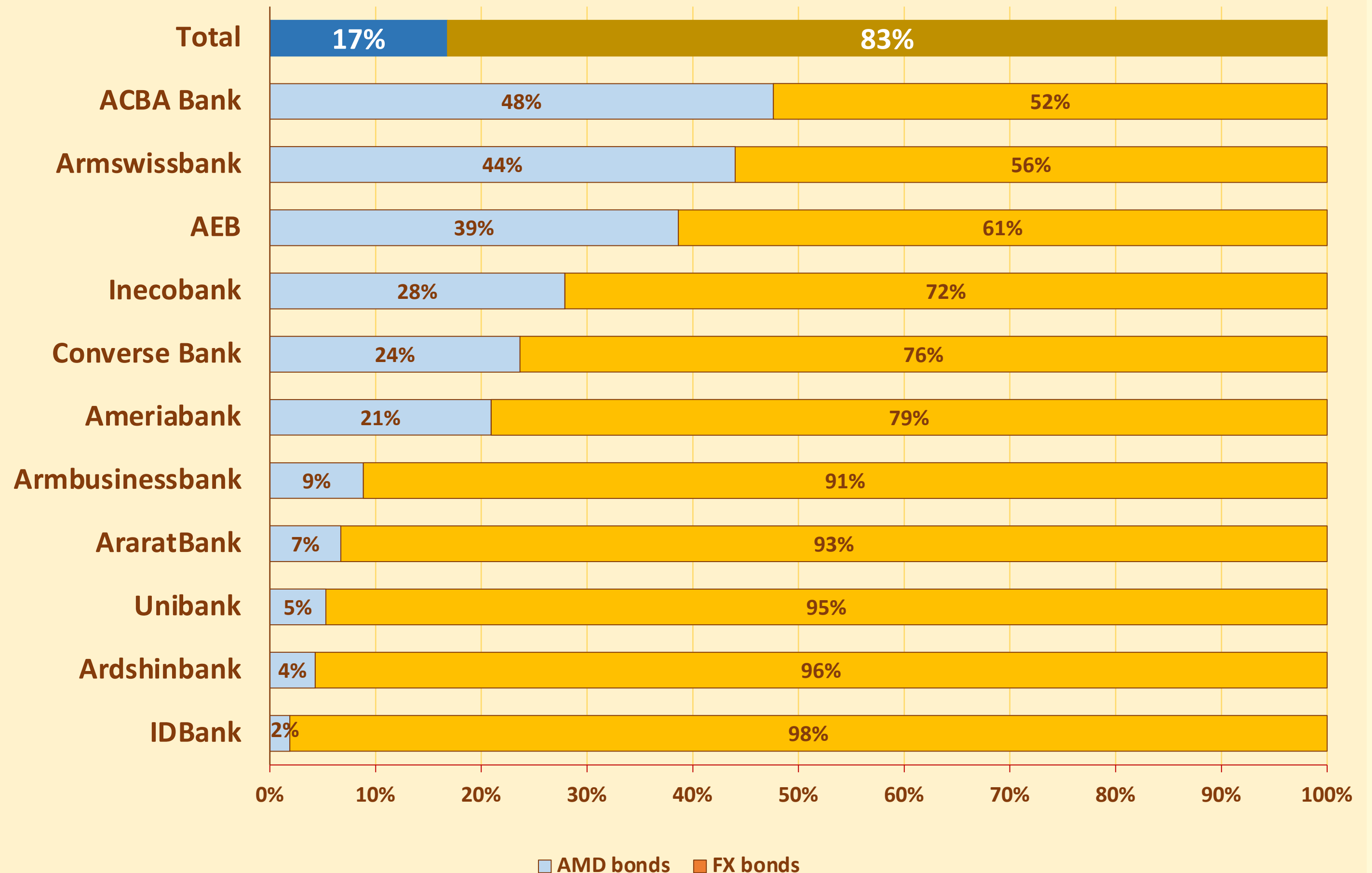
***Comparison of balances of bonds - 2019 vs 2020 (in mln AMD)***



## Bonds

- Only 17% of issued bonds are denominated in local currency (AMD).
- It is explained by demand and also by the effect, that special mandatory reservation normative, stipulated by the Central Bank of Armenia has much more effect on bonds denominated in foreign currencies, than on bonds denominated in AMD.

*Currency structure of issued bonds as of 31.12.20 (%)*



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