

FINANCIAL ANALYSIS OF ARMENIAN BANKING SECTOR 1Q 2021

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Executive summary

The purpose of this article is to analyze major financial indicators of Armenian banking sector for 1Q 2021.

Following major components are analyzed

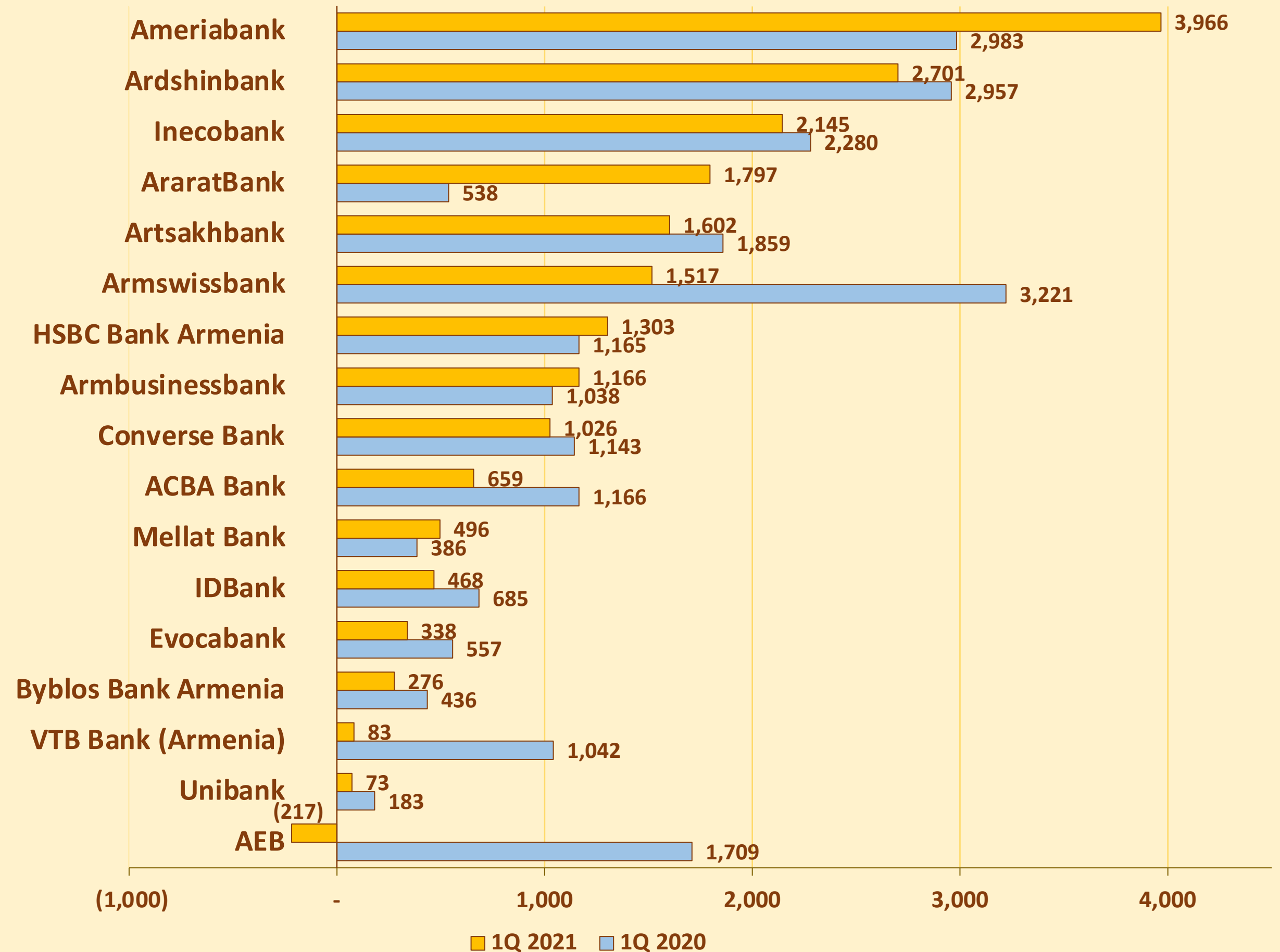
- ***Total assets, total liabilities and equity,***
- ***Total loan portfolio,***
- ***Financial resources attracted from clients (corporate and retail), including issued bonds.***

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

Net profit analysis

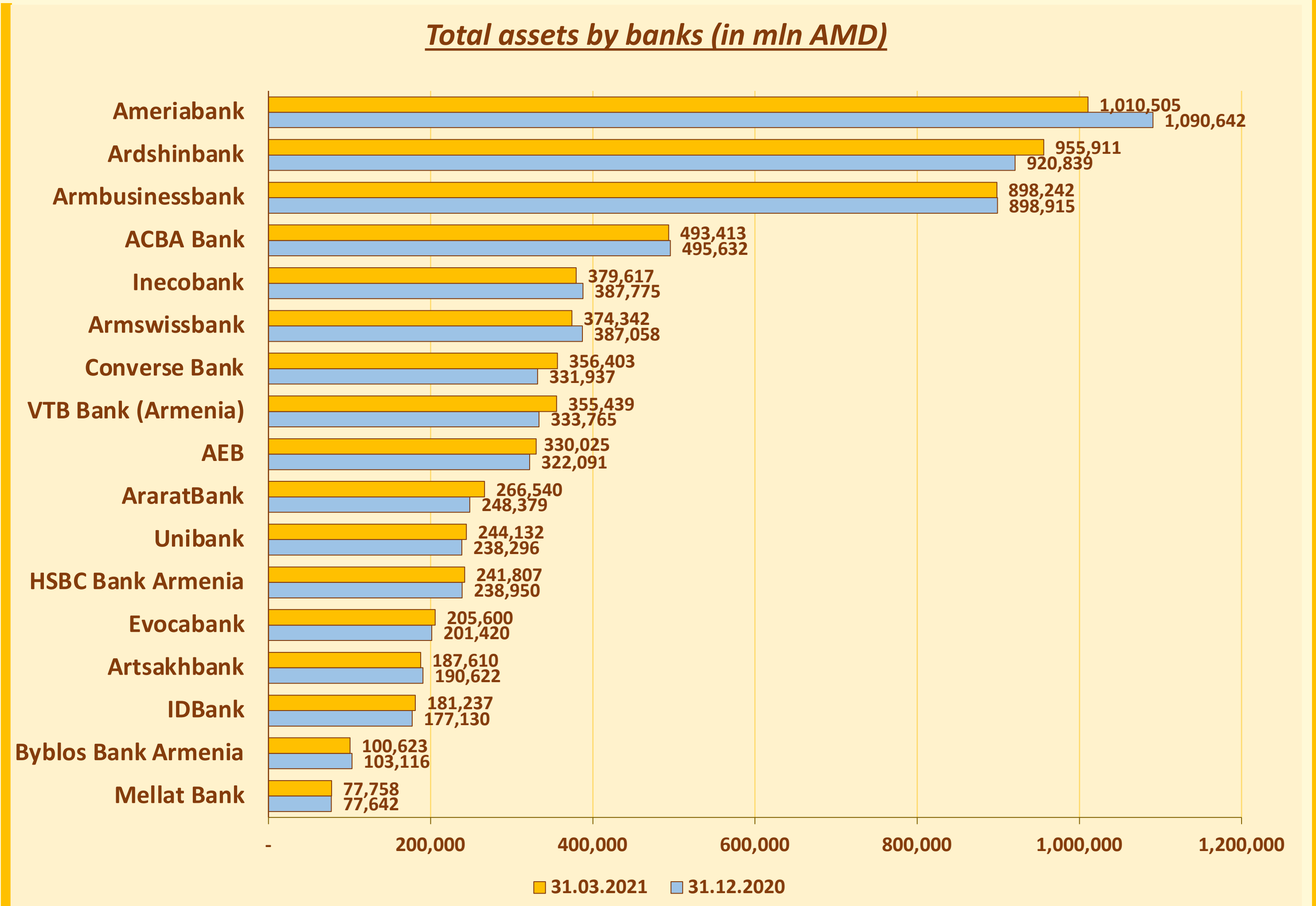
- Total net profit of all Armenian banks for 1Q-2021 is equal to **19.4 bln AMD**, which is by **4 bln AMD** (by **17%**) less, than was recorded in 1Q-2020.
- Major reason for the mentioned decrease of net profit is significant increase of expenses related to loan loss provisioning (by **7.5 bln AMD** or by **55%**).

Comparison of banks' net profits 1Q 2021 vs 1Q 2020 (in mln AMD)



Total assets

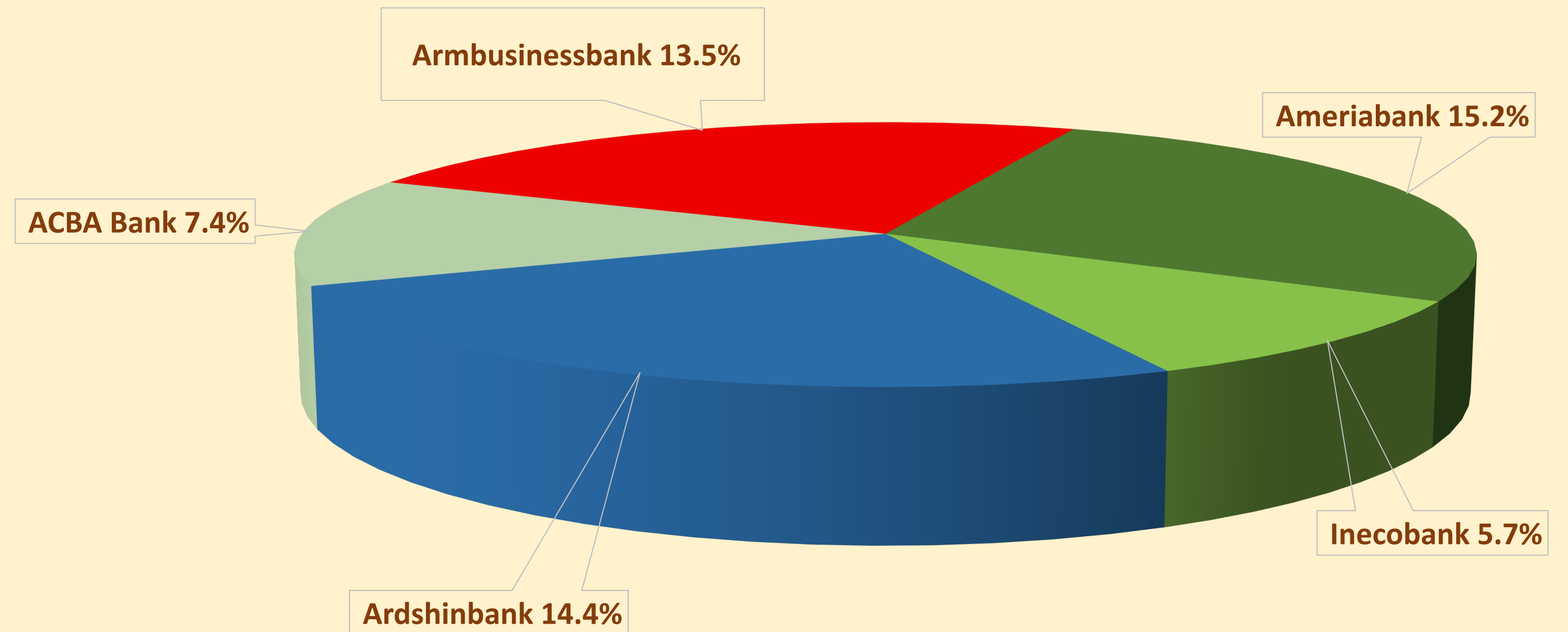
- During 1Q-2021, total assets of banking sector are increased by **0.2%**.
- As of 31.03.2021, total assets are amounting to **6,659 bln AMD**.



Total assets

- Market share of largest 5 banks (Ameriabank, ArmBusinessBank, Ardshinbank, ACBA Bank and Inecobank) by total assets, is **56%**.
- Market share of largest 3 banks (Ameriabank, ArmBusinessBank and Ardshinbank) by total assets, is **43%**.
- Ameriabank has the largest market share – 15.2%.

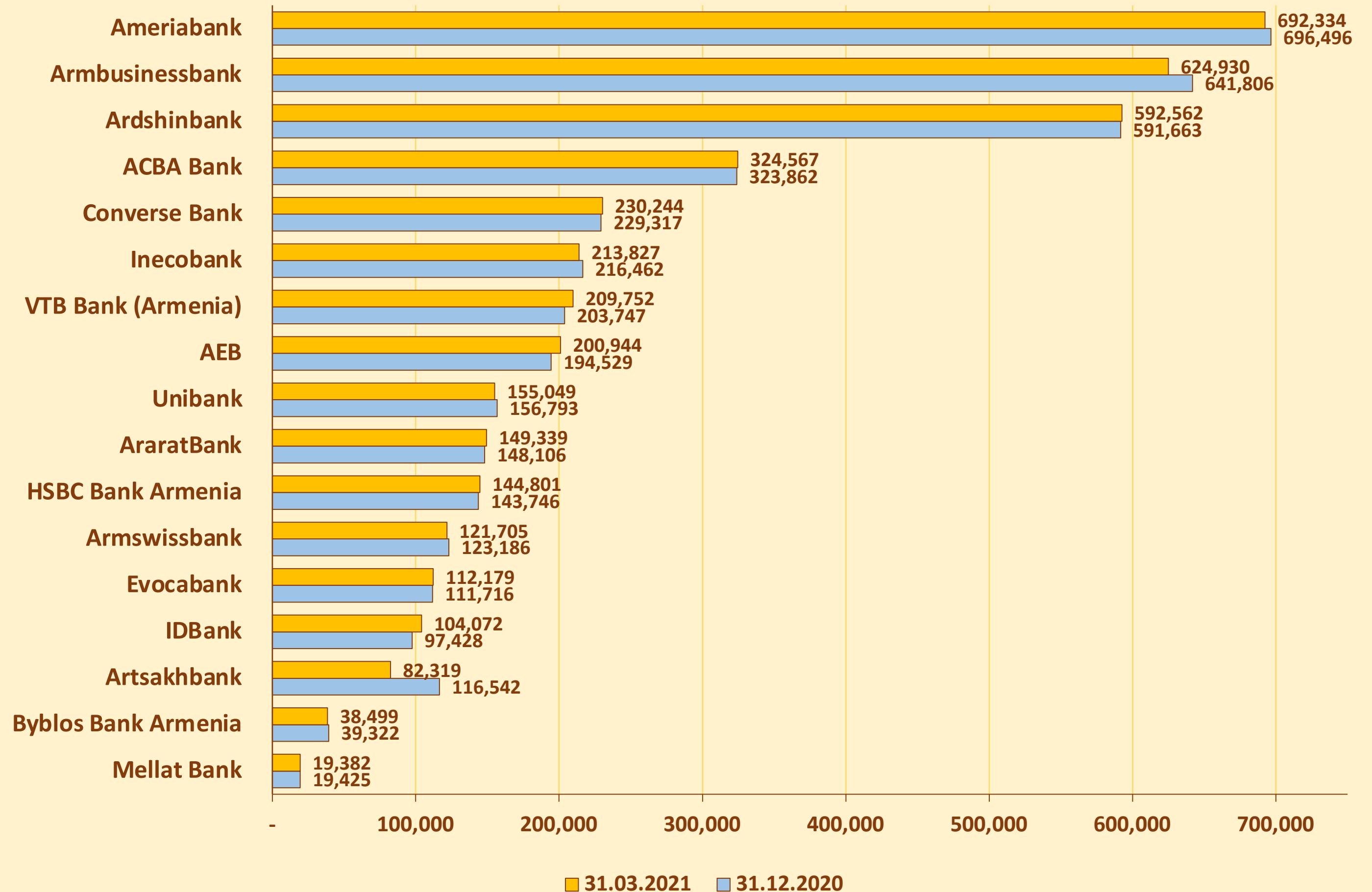
Concentration of total assets by banks as of 31.03.21 (in %)



Total loan portfolio

- Total loan portfolio of banking sector during 1Q-2021 is decreased by **0.9%**.
- As of 31.03.2021, total loan portfolio is amounting to **4.017 bln AMD** and its share in total assets is **60%**.
- Mentioned total loan portfolio includes retail and corporate loan portfolios.

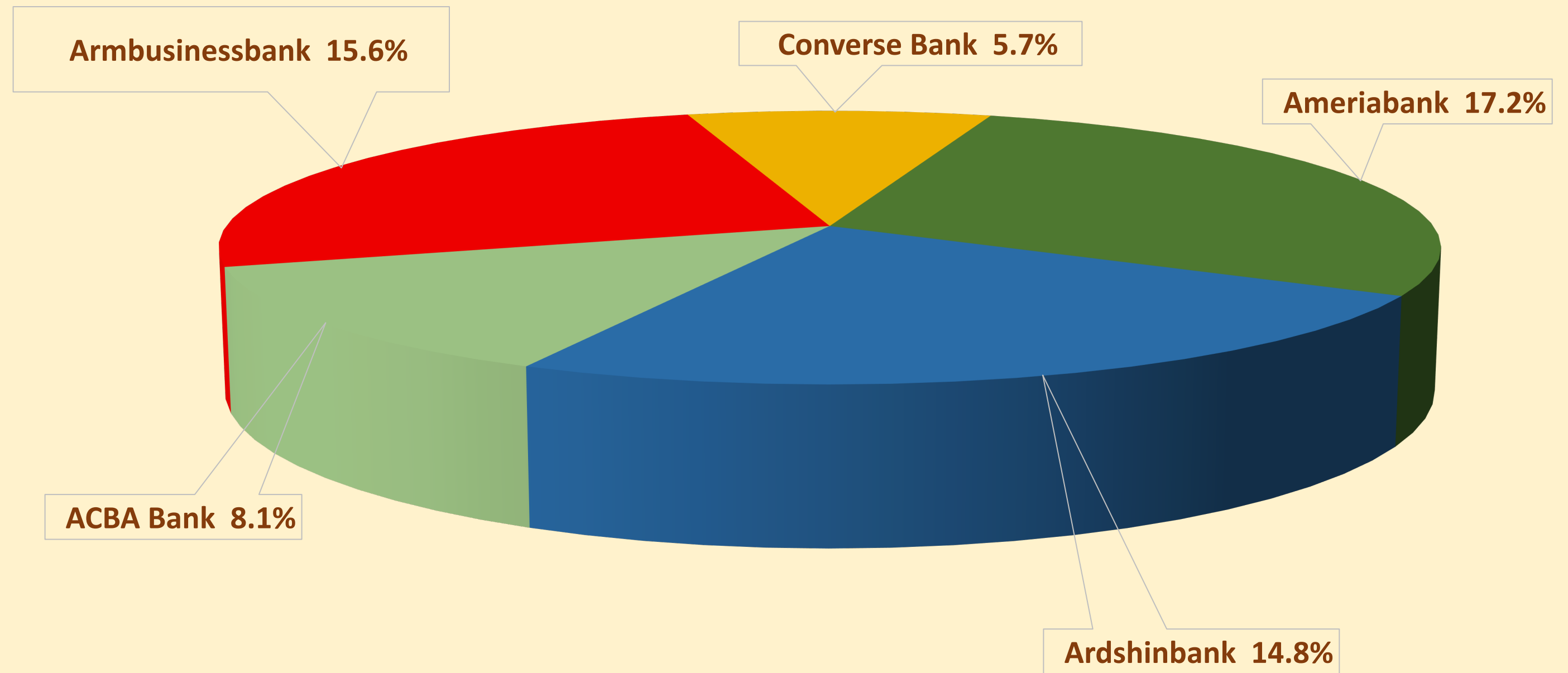
Total loan portfolio dynamics - 1Q 2021 (in mln AMD)



Total loan portfolio

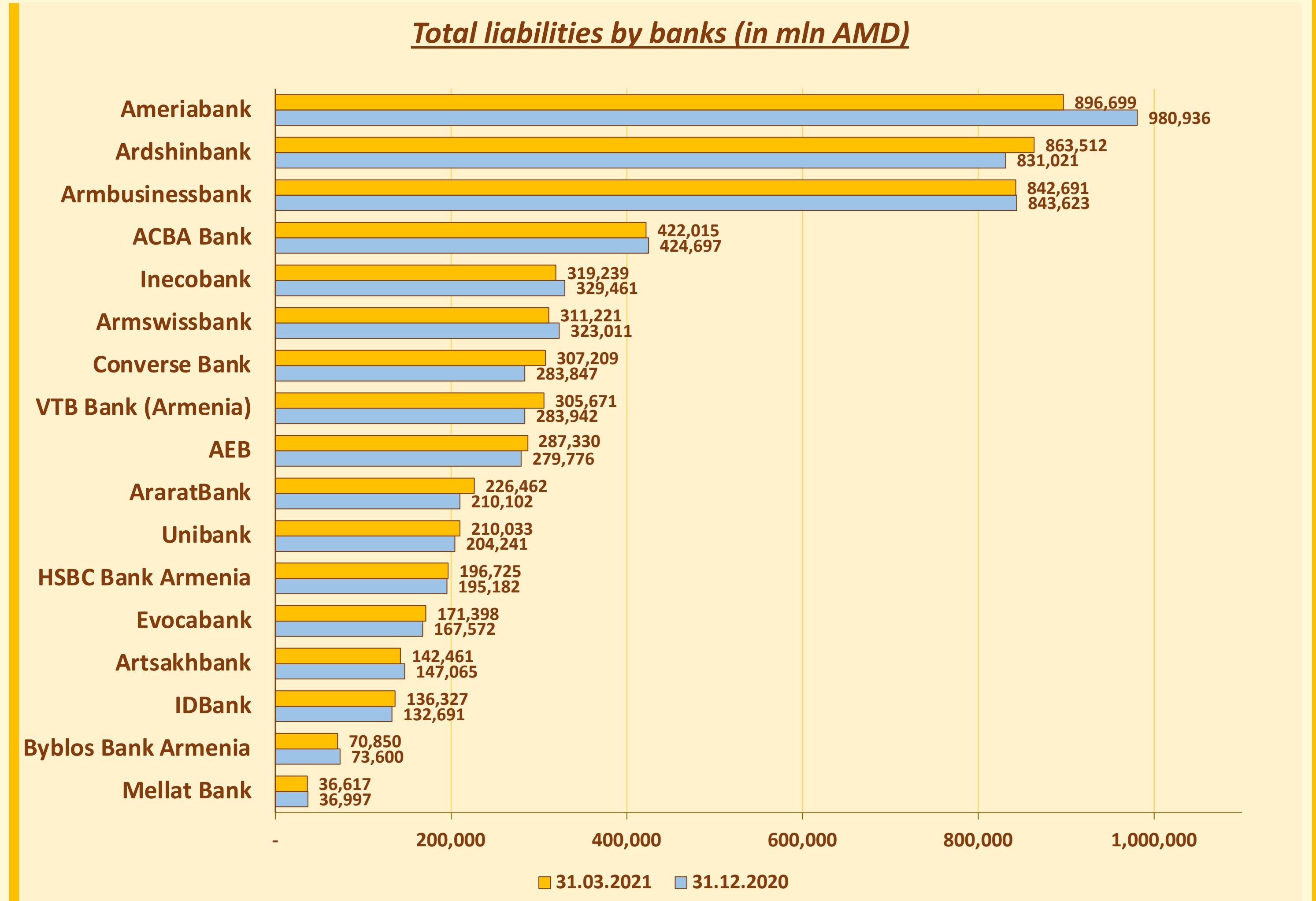
- Market share of largest 5 banks (Ameriabank, ArmBusinessBank, Ardshinbank, ACBA Bank and Converse Bank) by total loan portfolio, is **61.4%**.
- Market share of largest 3 banks (Ameriabank, ArmBusinessBank and Ardshinbank) by total loan portfolio, is **47.5%**.
- Ameriabank has the largest market share – **17.2%**.

Concentration of total loan portfolio by banks as of 31.03.2021 (in %)



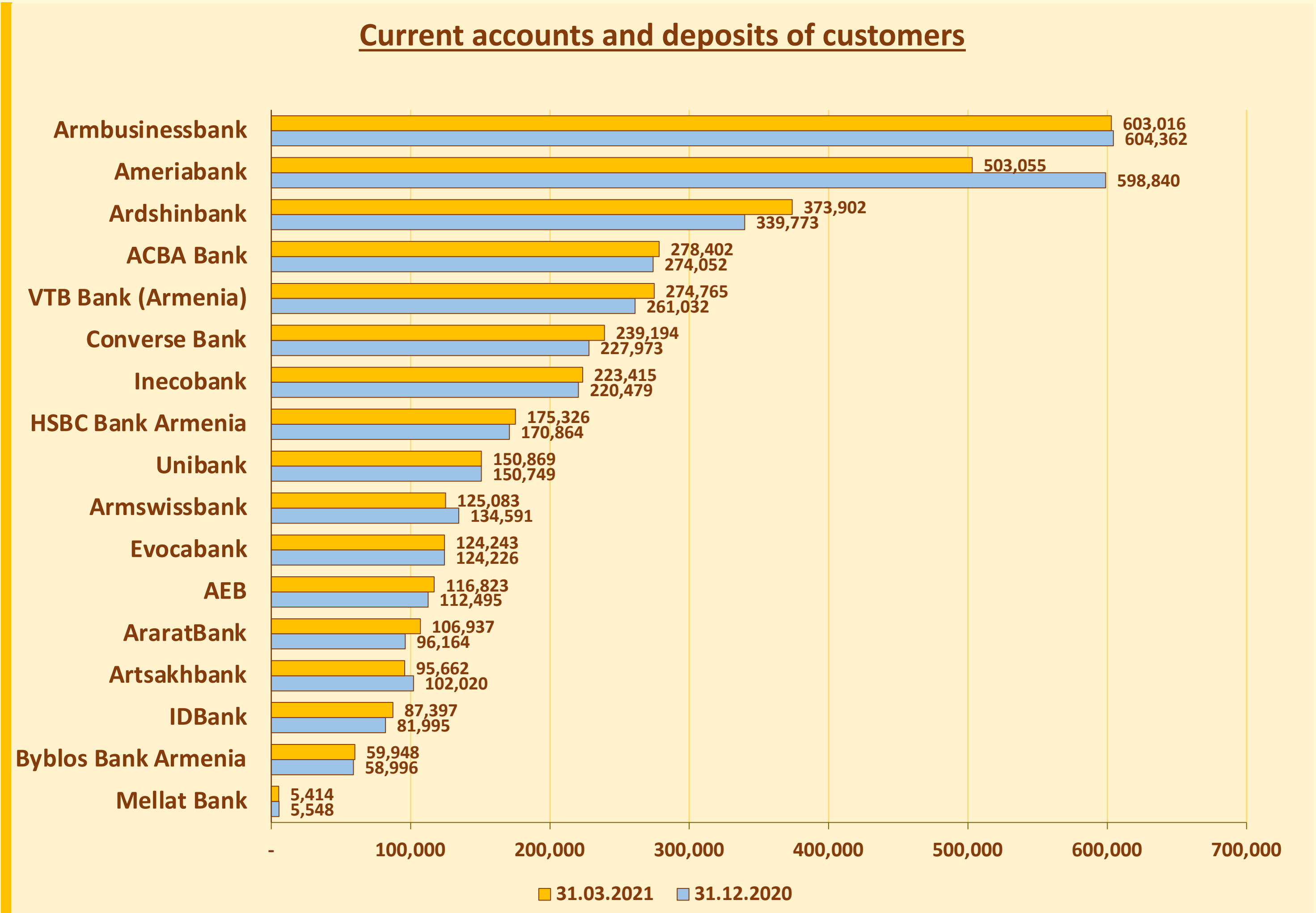
Total liabilities

- During 1Q-2021, total liabilities of banking sector are decreased by 0.02%.
- As of 31.03.2021, total liabilities are amounting to **5,746 bln AMD**.



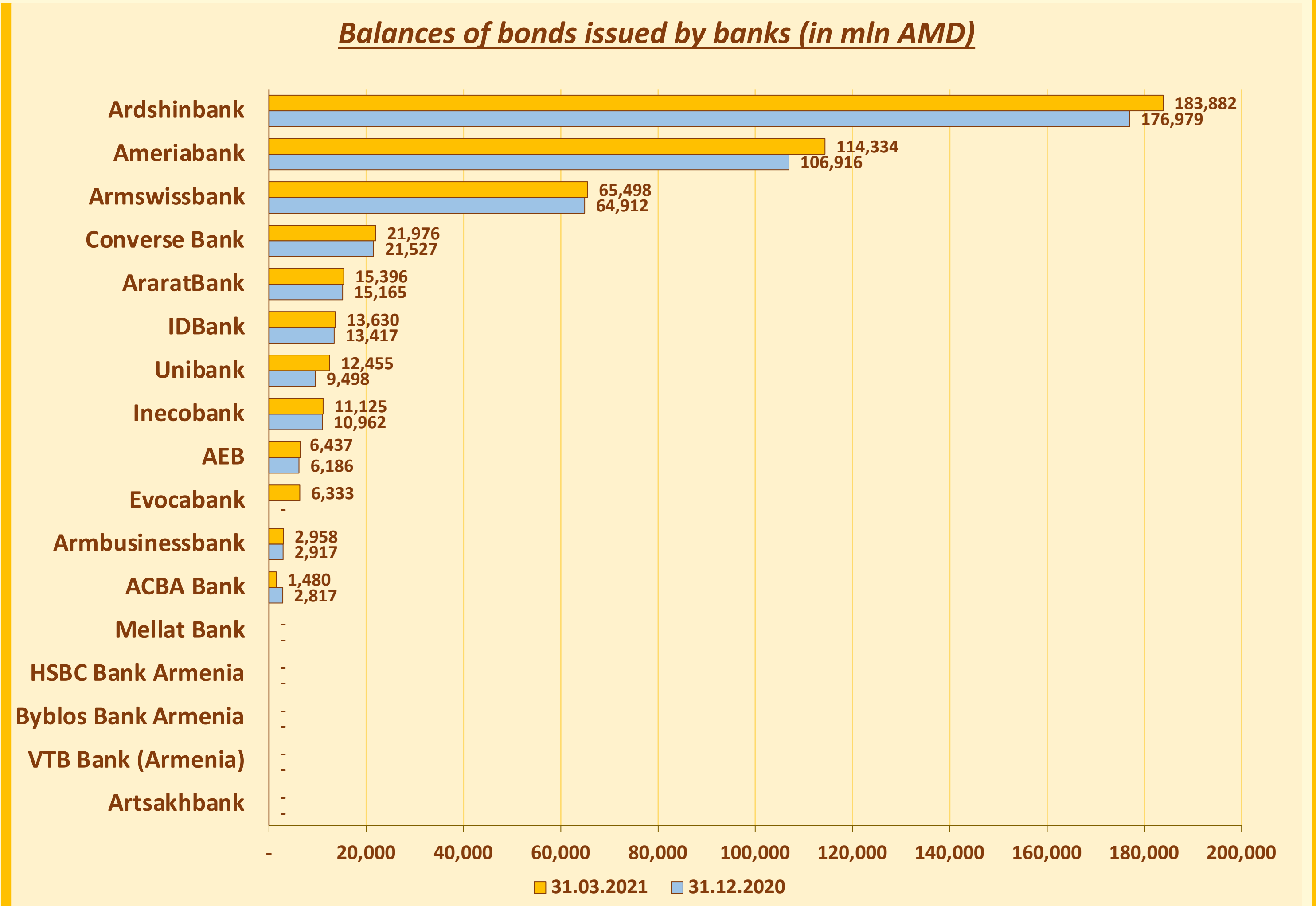
Current accounts and deposits from customers

- During 1Q-2021, total balance of current accounts and deposits of retail and corporate clients of banking sector is decreased by **0.6%**.
- As of 31.03.2021, total balance of current accounts and deposits of retail and corporate clients is amounting to **3.543 bln AMD** and its share in total liabilities is **62%**.



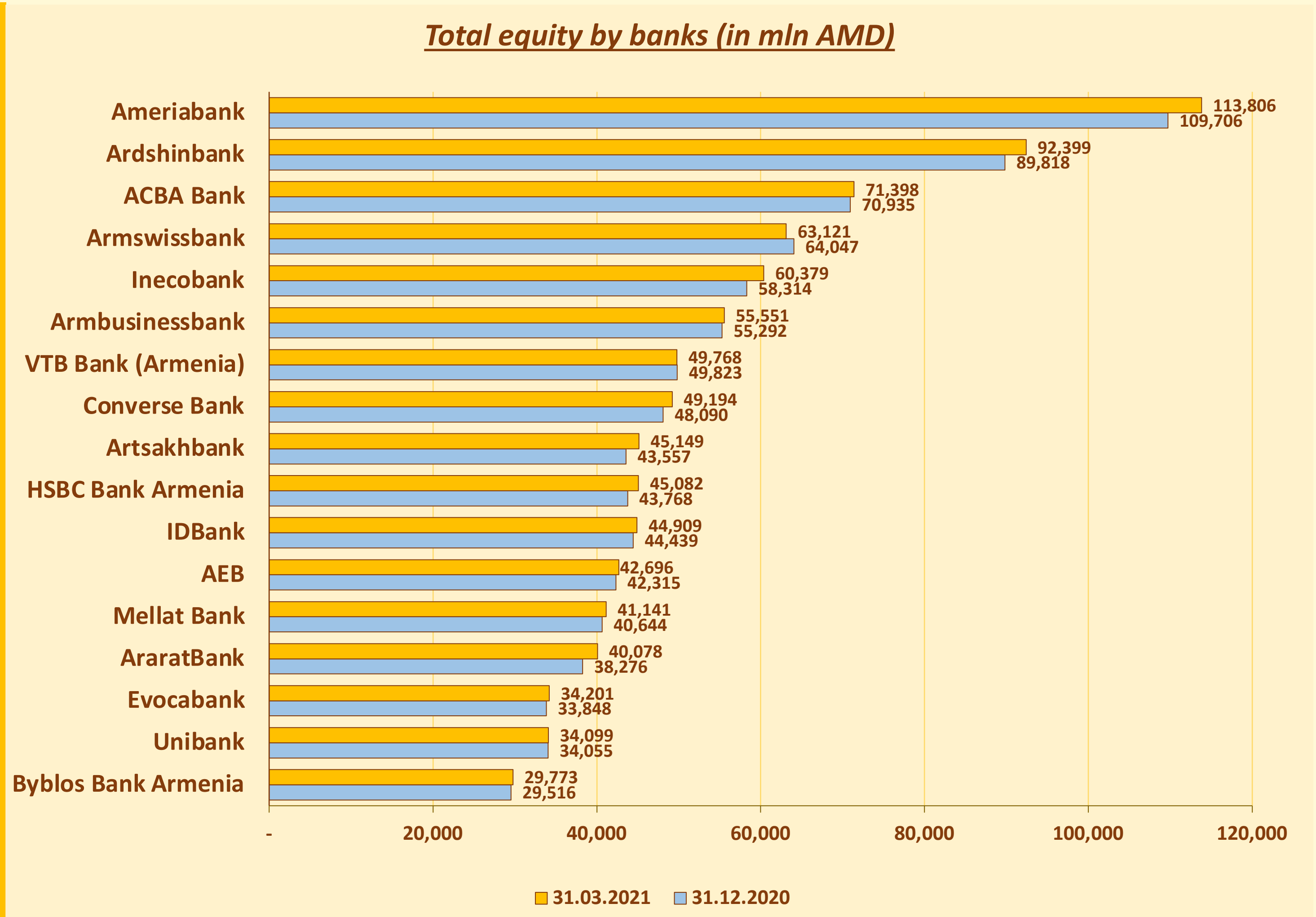
Bonds

- During 1Q-2021, total balance of bonds issued by Armenian banks is increased by **24 bln AMD**, or **6%**.
- 12 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.



Total Equity

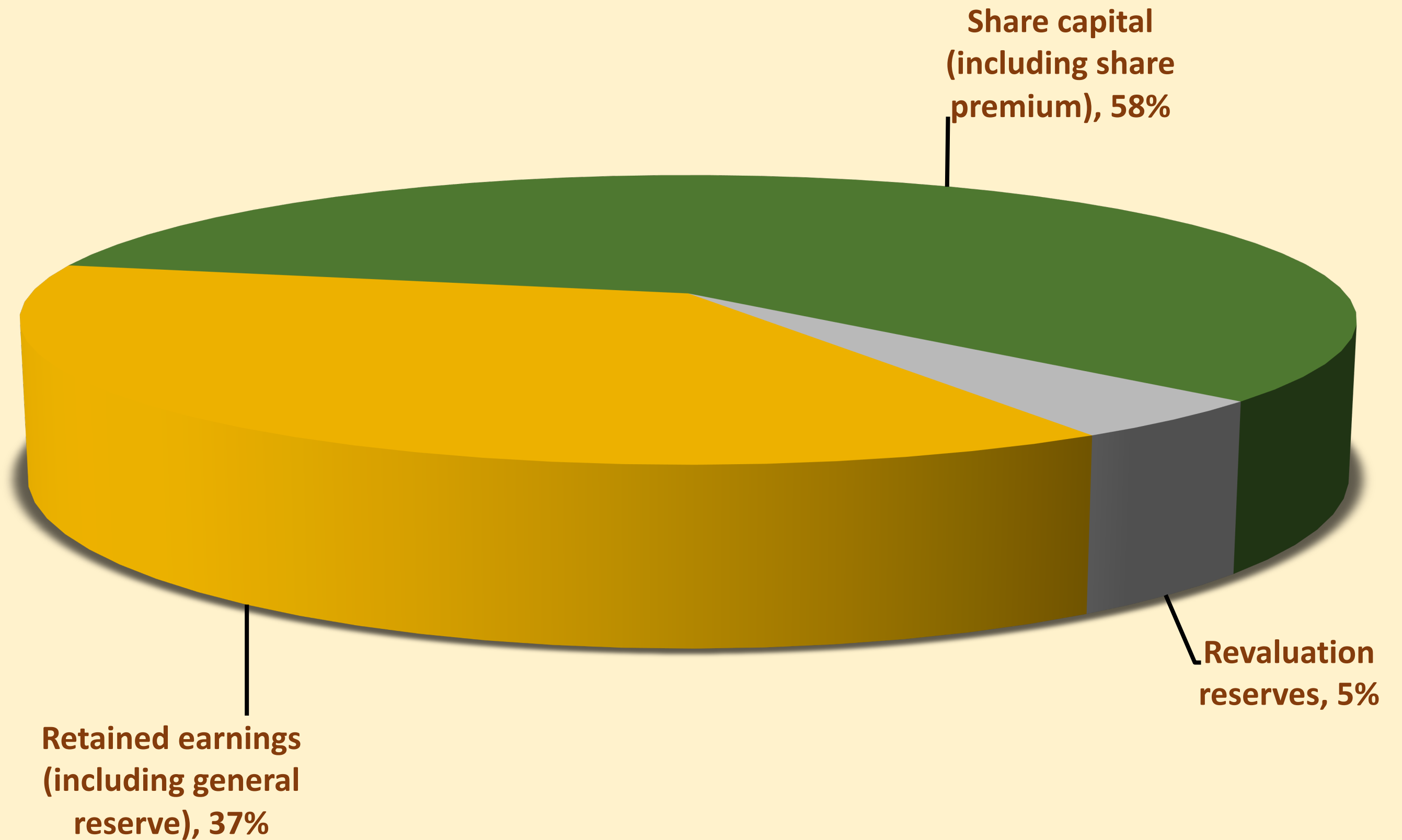
- During 1Q-2021, Total Equity of Armenian banking sector is increased by **16.3 bln AMD**, or **2%** and is amounting to **913 bln AMD**.
- Share capital (including share premium) is increased by **370 mln AMD** (AEB-261.5 mln AMD and Ameriabank-108.5 mln AMD).
- Revaluation reserves are decreased by **3.3 bln AMD** or **7%**.



Total Equity

- The major component of total equity of Armenian banking sector is **Share Capital (including share premium)**, with the share of **58%** and is amounting to **534 bln AMD** as of 31.03.2021.
- Second largest component - **Retained Earnings (including general reserve)** with the share of **37%** and is amounting to **337.7 bln AMD** as of 31.03.2021.
- **Revaluation Reserves (mainly PPE and Financial Assets revaluation reserves)** have share of **5%** and are amounting to **41 bln AMD** as of 31.03.2021.

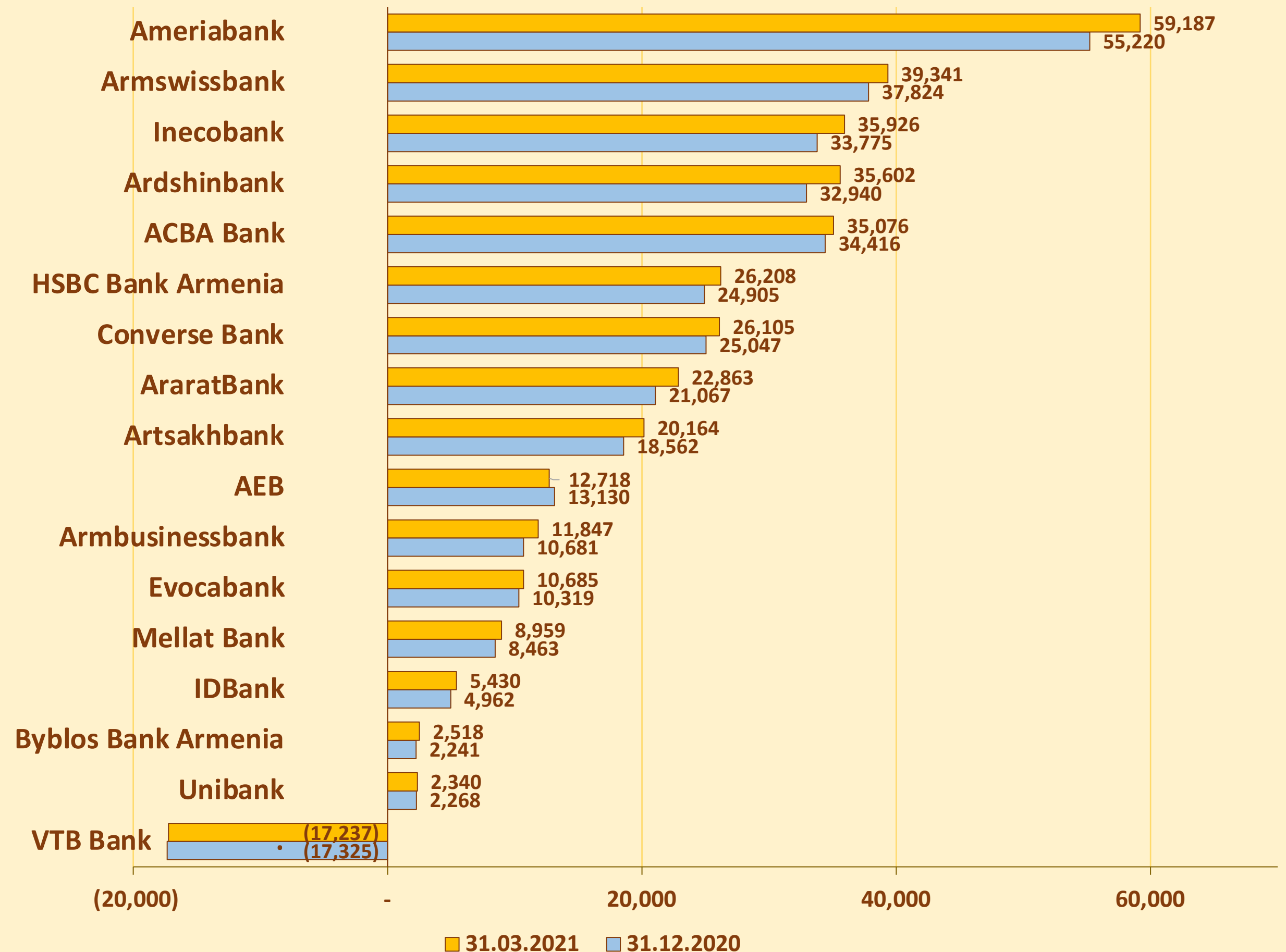
Components of Total Equity as of 31.03.21



Retained earnings

- For the purpose of this analysis, it is more reasonable to review retained earnings jointly with general reserve. A general reserve is a part of the profits which is set aside to meet any future unknown contingency or emergency.
- During 1Q-2021 retained earnings (including general reserve) of Armenian banking sector are increased by **19.2 bln AMD**, or by **6%** and are amounting to **337.7 bln AMD**.
- Except for VTB Bank (Armenia), all Armenian banks have retained earnings.
- Two banks declared dividends in 1Q-2021, amounting to **259 mln AMD** (AEB-220 mln AMD and Ameriabank-39 mln AMD).

Retained earnings (accumulated loss), included general reserve - (in mln AMD)



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