

PART – 2

**LOAN PORTFOLIO ANALYSIS OF
ARMENIAN BANKING SECTOR 2019-2020**

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Executive summary

The purpose of this article is to analyze the loan portfolio of Armenian banking sector for 2019 and 2020, by banks and by business lines (corporate and retail). Also a mortgage loan portfolio was analyzed.

Total loan portfolio is analysis based on book (net) values (included loan loss allowances). Corporate, retail and mortgage loan portfolio analysis are presented based on gross values (excluded loan loss allowances). Corporate loan portfolio includes factoring and finance lease.

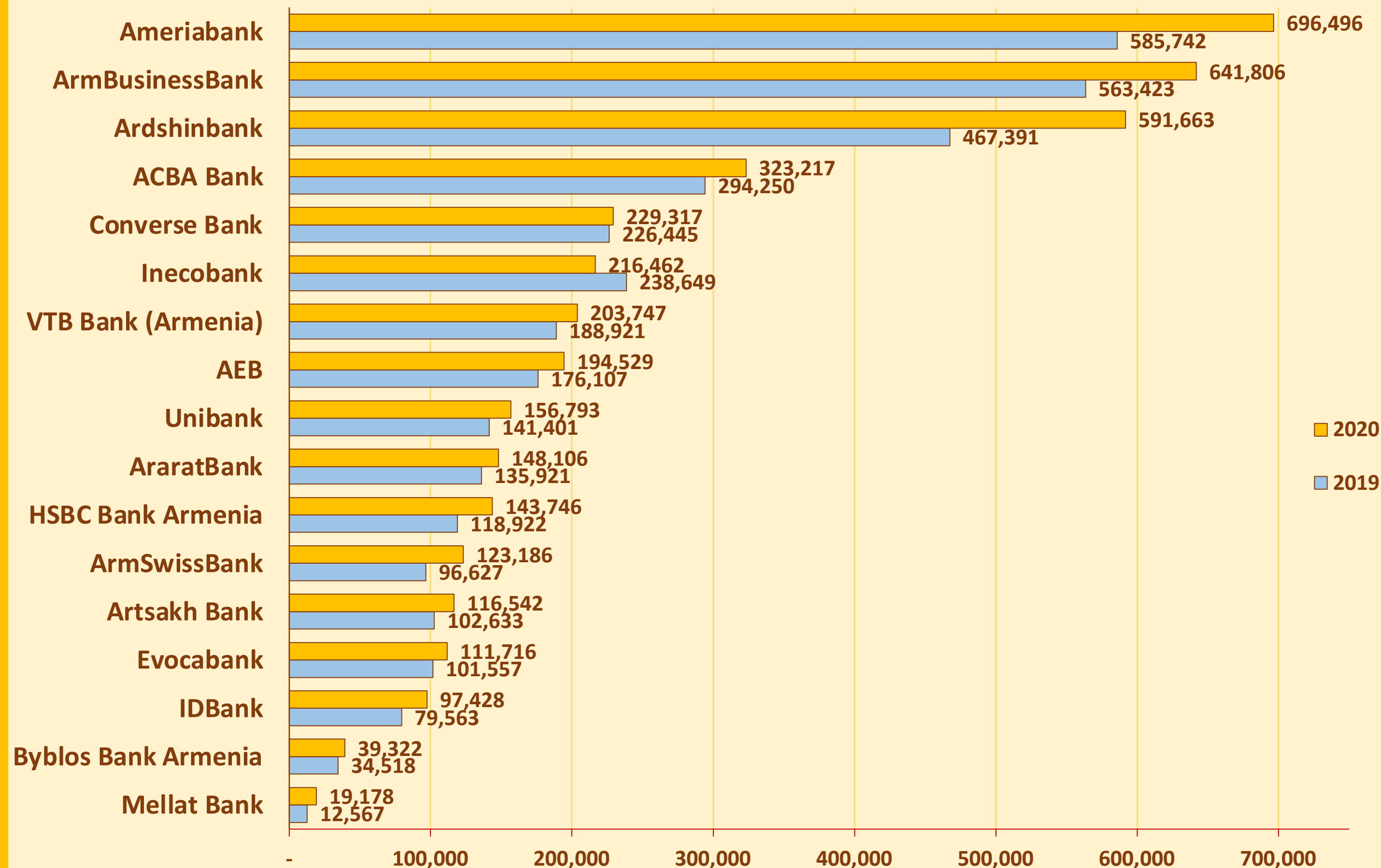
While reviewing the quality of loan portfolios, dynamics of loan loss allowances were analyzed.

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

Total loan portfolio

- Total loan portfolio of banking sector was increased in 2020, by **489 bln AMD**, or **13.7%**.
- As of 31.12.2020, total loan portfolio was amounting to **4.053 bln AMD** and its share in total assets was **61%**.
- Following banks recorded the largest relative (%) increase of total loan portfolio in 2020
 - Mellat bank (**53%**),
 - ArmSwissBank (**27.5%**) and
 - Ardshinbank (**26.6%**).

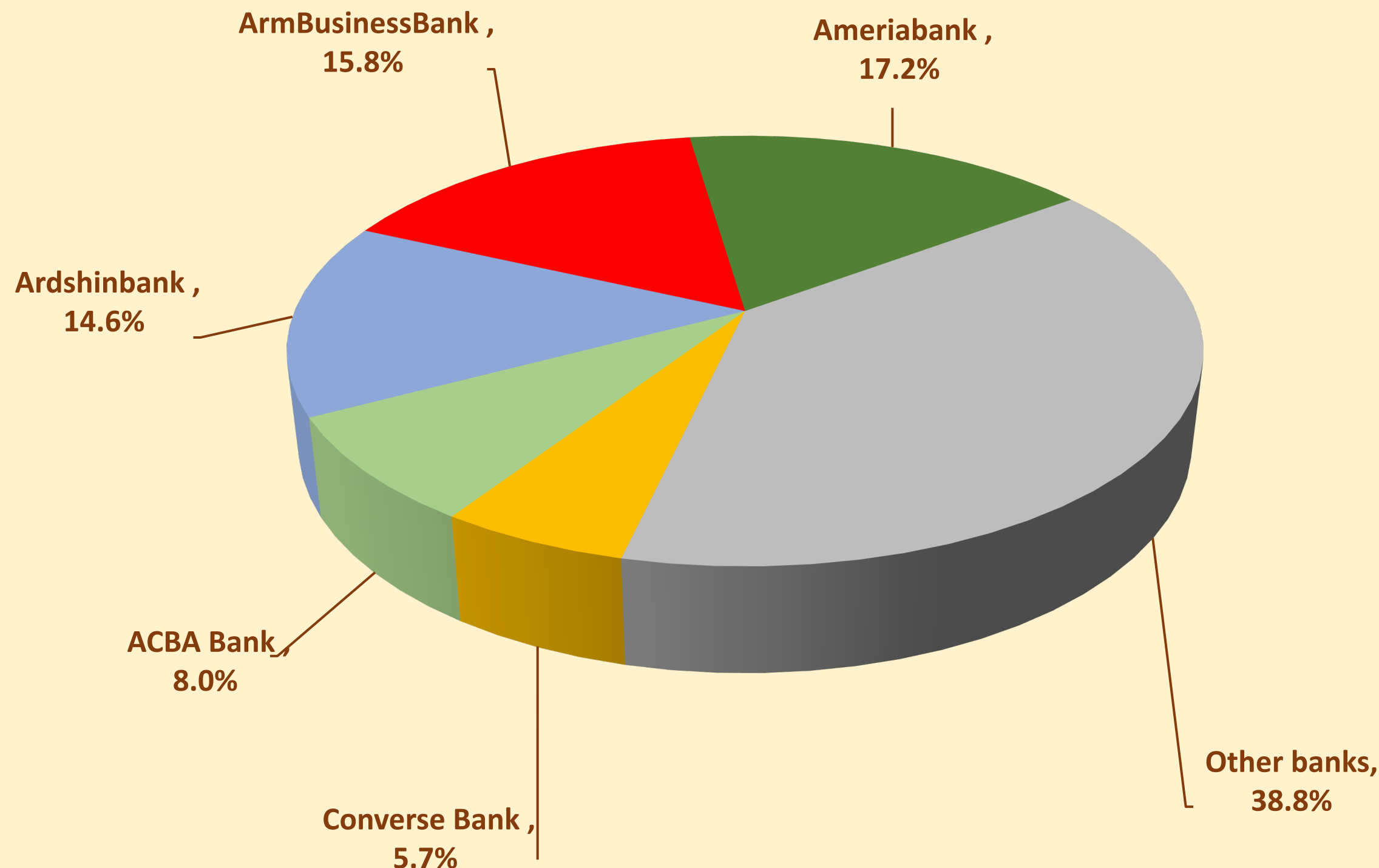
Comparison of banks' total loan portfolios 2019 vs 2020 (in mln AMD)



Total loan portfolio

- Market share of largest 5 banks (Ameriabank, ArmBusinessBank, Ardshinbank, ACBA Bank and Converse Bank) by total loan portfolio, was **61.2%**.
- Market share of largest 3 banks (Ameriabank, ArmBusinessBank and Ardshinbank) by total loan portfolio, was **47.6%**.
- Ameriabank had the largest market share – **17.2%**.

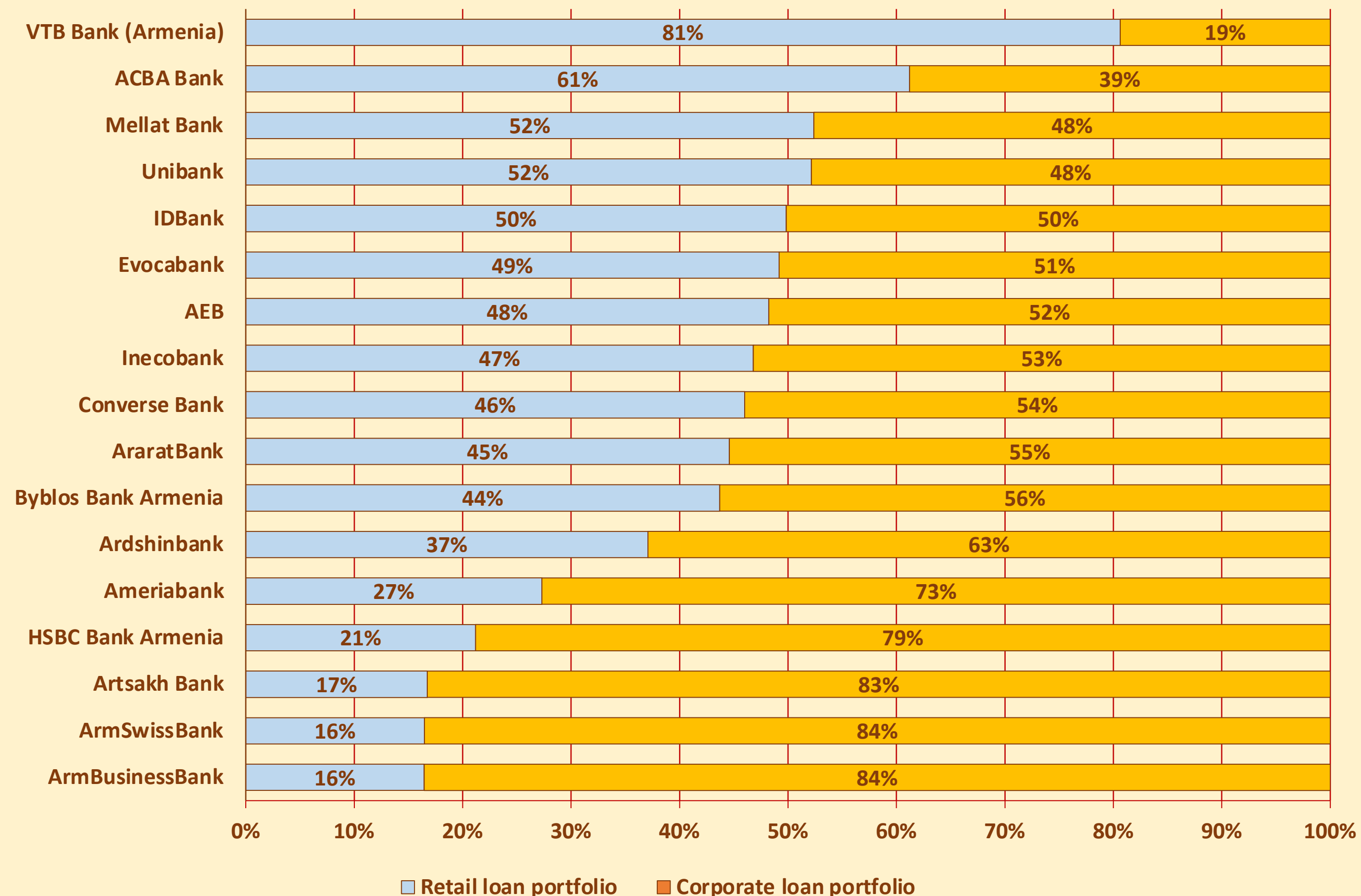
Total loan portfolio concentration as of 31.12.2020 (in %)



Total loan portfolio

- As of 31.12.2020, the total loan portfolio structure of Armenian banking sector was following – corporate loan portfolio (62.1%) and retail loan portfolio (37.9%).
- Following banks had the lowest retail loan portfolio share (%) in total loan portfolio (*ArmBusinessBank-16%, ArmSwissBank-16%, Artsakh Bank-17%, HSBC Bank Armenia-21% and Ameriabank-27%*).
- *The highest share of retail loan portfolio in total loan portfolio had VTB Bank (Armenia) (81%).*

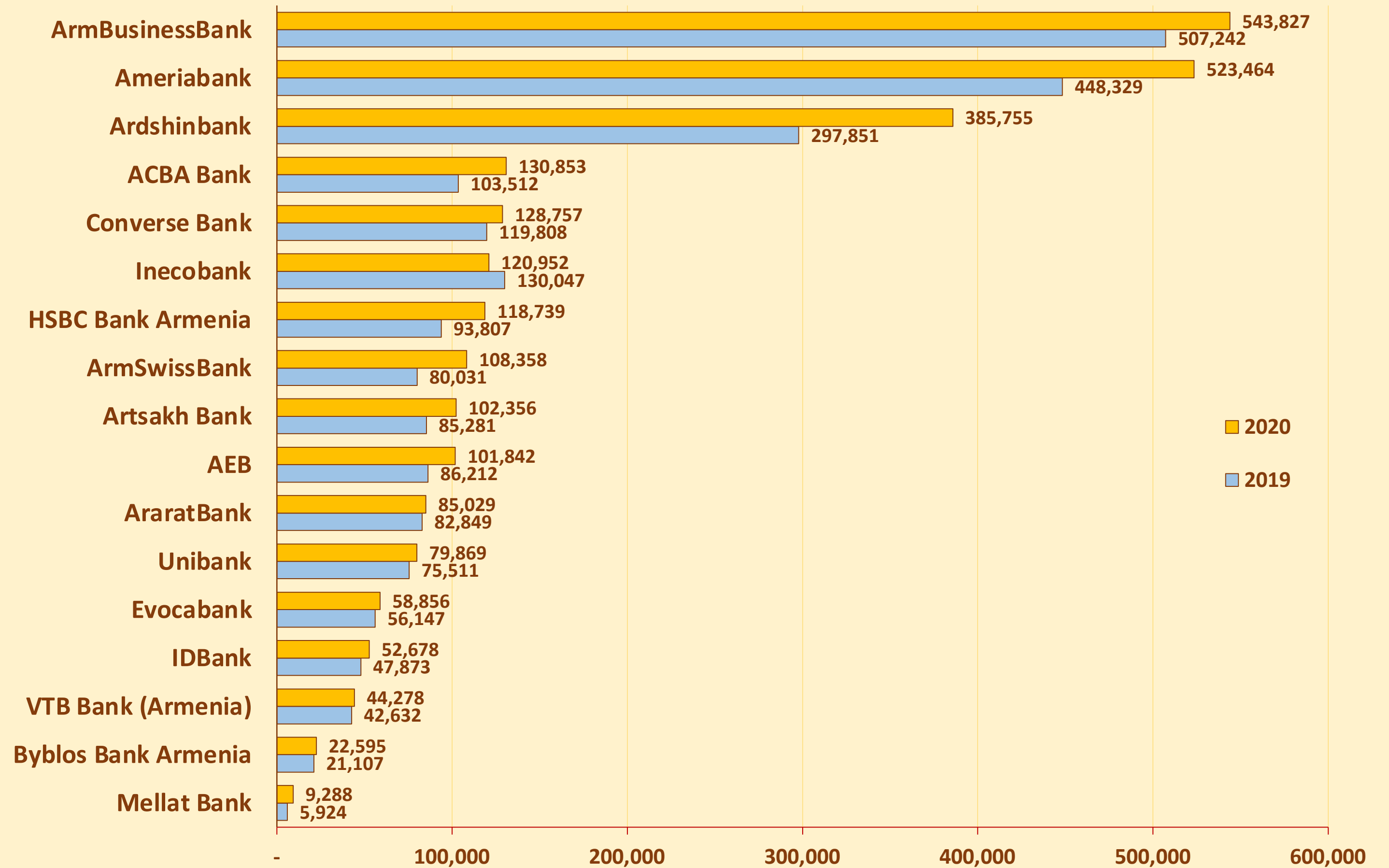
Structure of banks' loan portfolio by business lines as of 31.12.2020 (%)



Corporate loan portfolio

- Corporate loan portfolio of banking sector was increased in 2020, by **333 bln AMD**, or **14.6%**.
- As of 31.12.2020, corporate loan portfolio was amounting to **2.617 bln AMD** and its share in total loan portfolio was **62.1%**.
- Following banks recorded the largest relative (%) increase of corporate loan portfolio in 2020 - Mellat bank (**57%**), ArmSwissBank (**35%**) and Ardshinbank (**30%**).

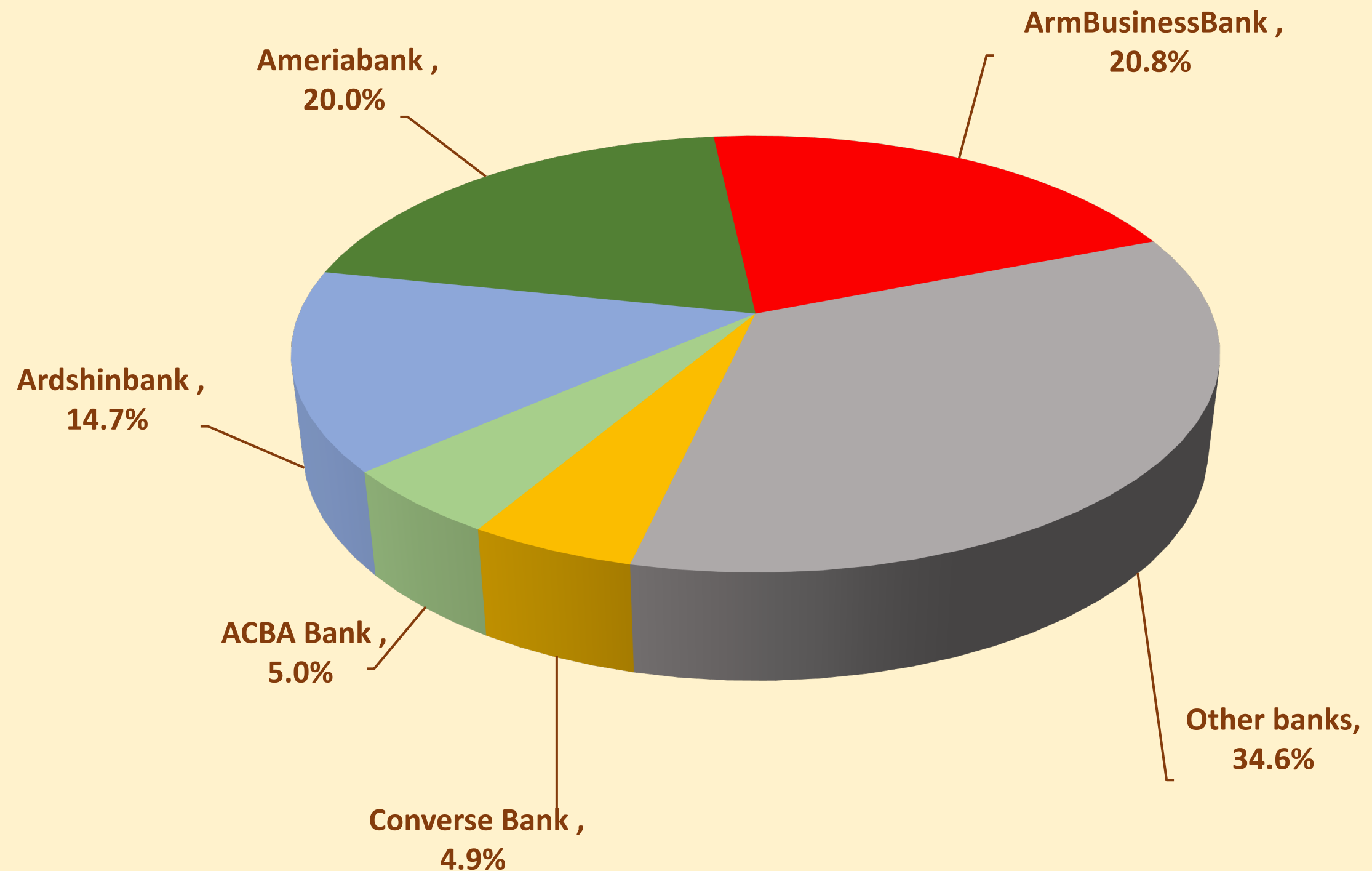
Comparison of banks' corporate loan portfolios 2019 vs 2020 (in mln AMD)



Corporate loan portfolio

- Market share of largest 5 banks (*ArmBusinessBank, Ameriabank, Ardshinbank, ACBA Bank and Converse Bank*) by corporate loan portfolio, was **65.4%**.
- Market share of largest 3 banks (*ArmBusinessBank, Ameriabank and Ardshinbank*) by corporate loan portfolio, was **55.5%**.
- ArmBusinessBank had the largest market share – **20.8%**.

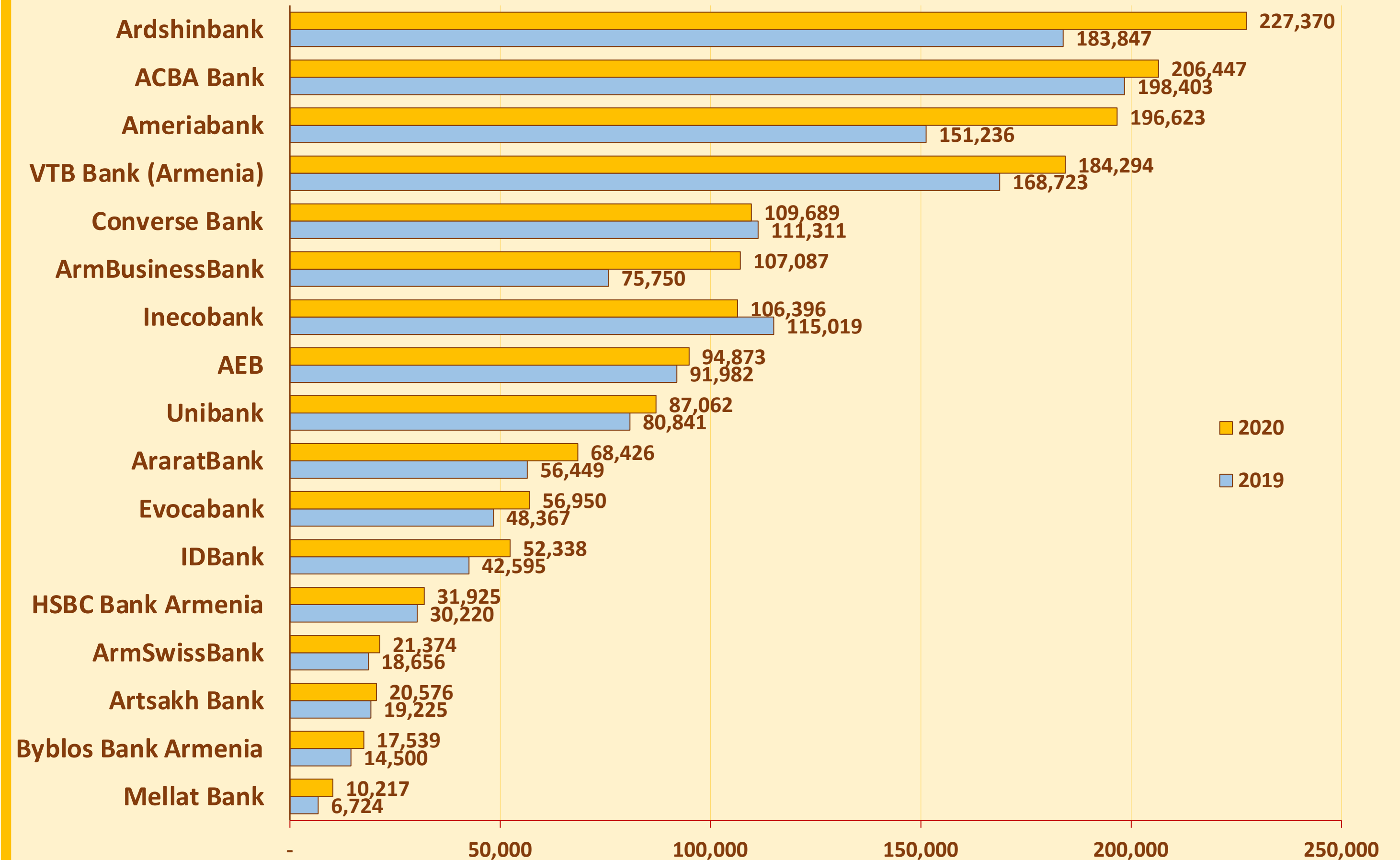
Corporate loan portfolio concentration as of 31.12.2020 (in %)



Retail loan portfolio

- Retail loan portfolio of banking sector was increased in 2020, by **185 bln AMD**, or **13.1%**.
- As of 31.12.2020, retail loan portfolio was amounting to **1.599 bln AMD** and its share in total loan portfolio was **37.9%**.
- Following banks recorded the largest relative (%) increase of retail loan portfolio in 2020 - Mellat bank (**52%**), ArmBusinessBank (**41%**) and Ameriabank (**30%**).

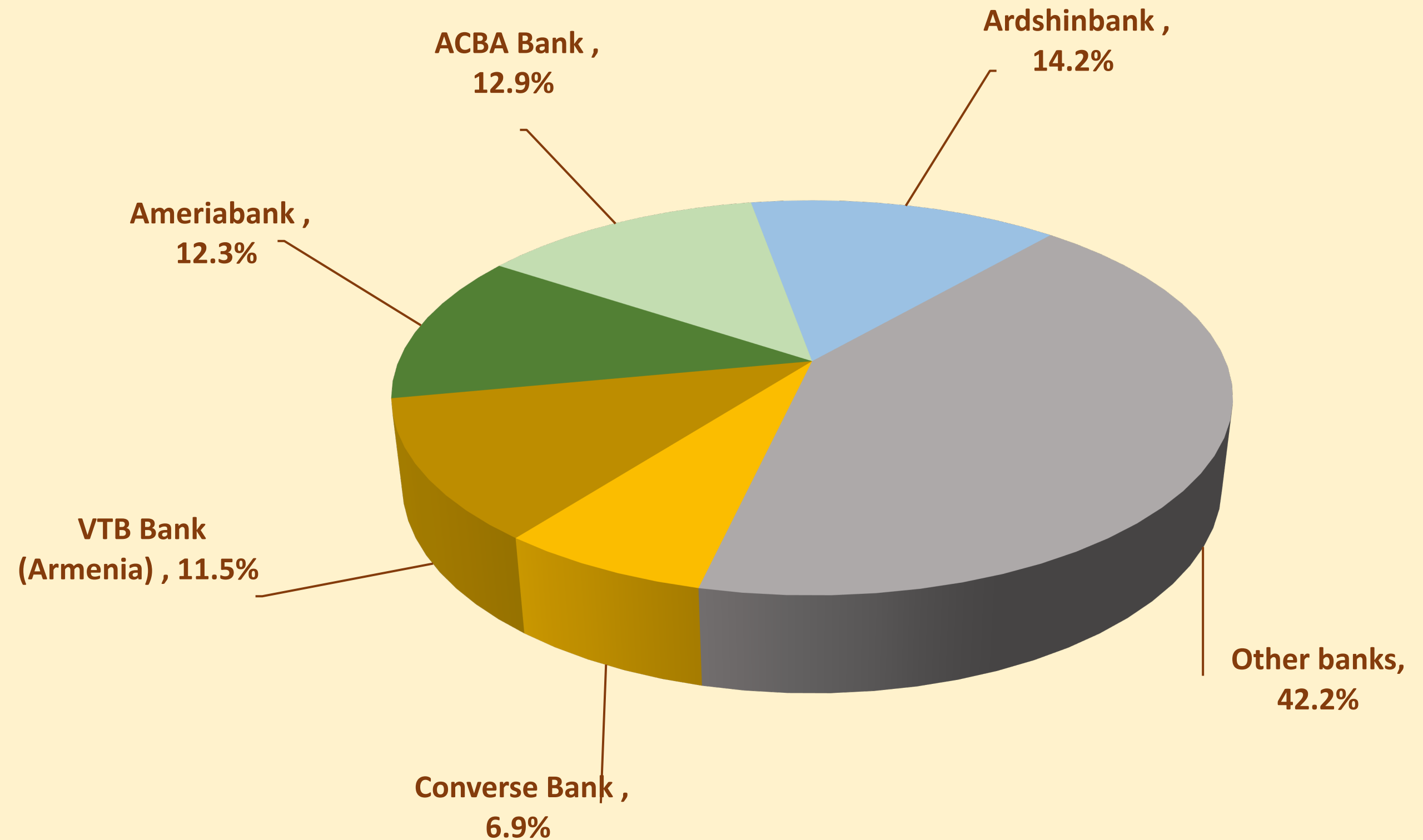
Comparison of banks' retail loan portfolios 2019 vs 2020 (in mln AMD)



Retail loan portfolio

- Market share of largest **5** banks (*Ardshinbank, ACBA Bank, Ameriabank, VTB Bank (Armenia) and Converse bank*) by retail loan portfolio, was **57.8%**.
- Market share of largest **3** banks (*Ardshinbank, ACBA Bank and Ameriabank*) by retail loan portfolio, was **39.4%**.
- Ardshinbank bank had the largest market share – **14.2%**.

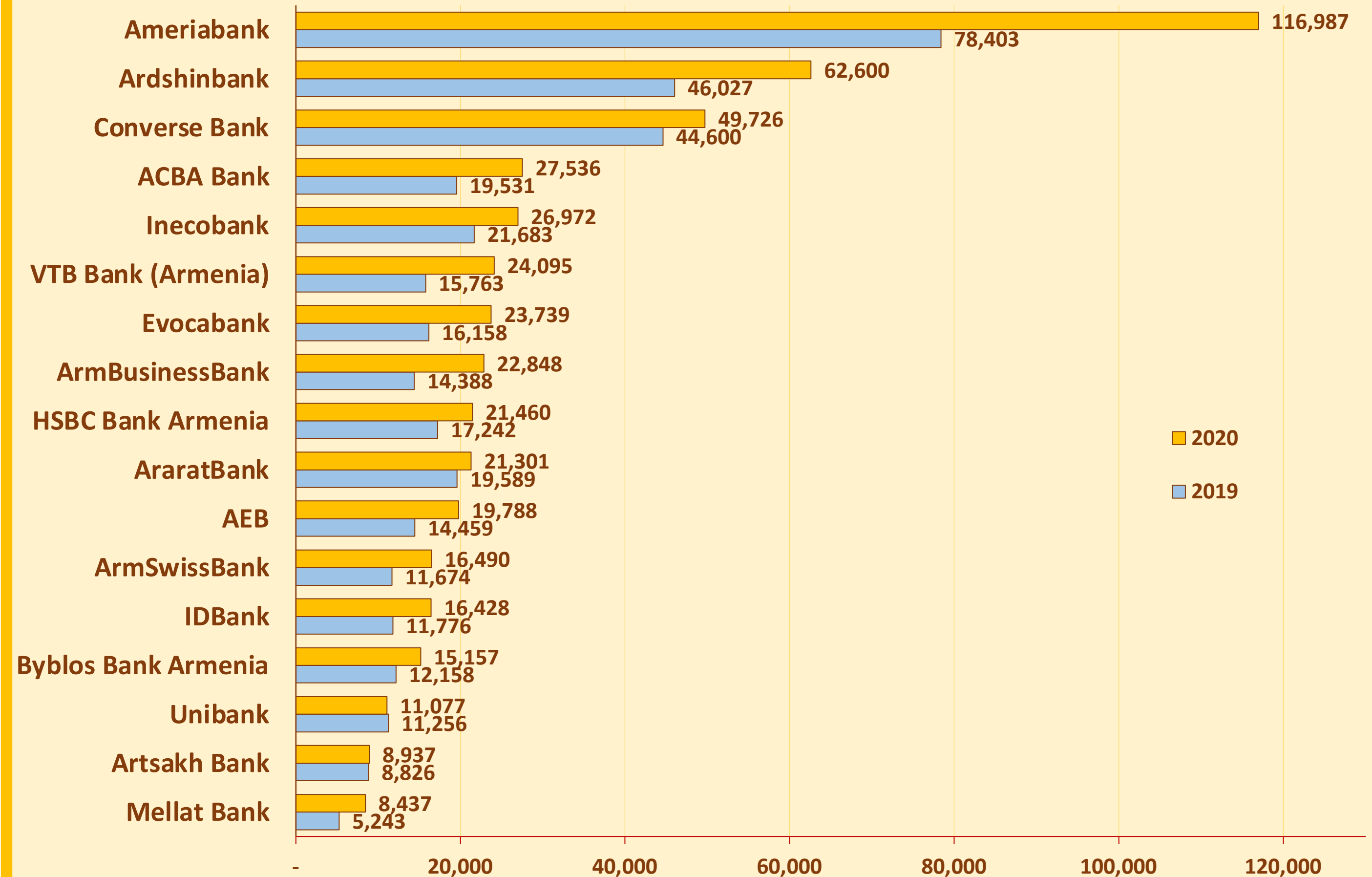
Retail loan portfolio concentration as of 31.12.2020 (in %)



Mortgage loan portfolio

- Mortgage loan portfolio of banking sector was increased in 2020, by **125 bln AMD**, or **33.8%**.
- As of 31.12.2020, mortgage loan portfolio was amounting to **494 bln AMD** and its share in retail loan portfolio was **31%**.
- Following banks recorded the largest relative (%) increase of mortgage loan portfolio in 2020 - Mellat bank (**61%**), ArmBusinessBank (**59%**) and *VTB Bank (Armenia)* (**53%**).

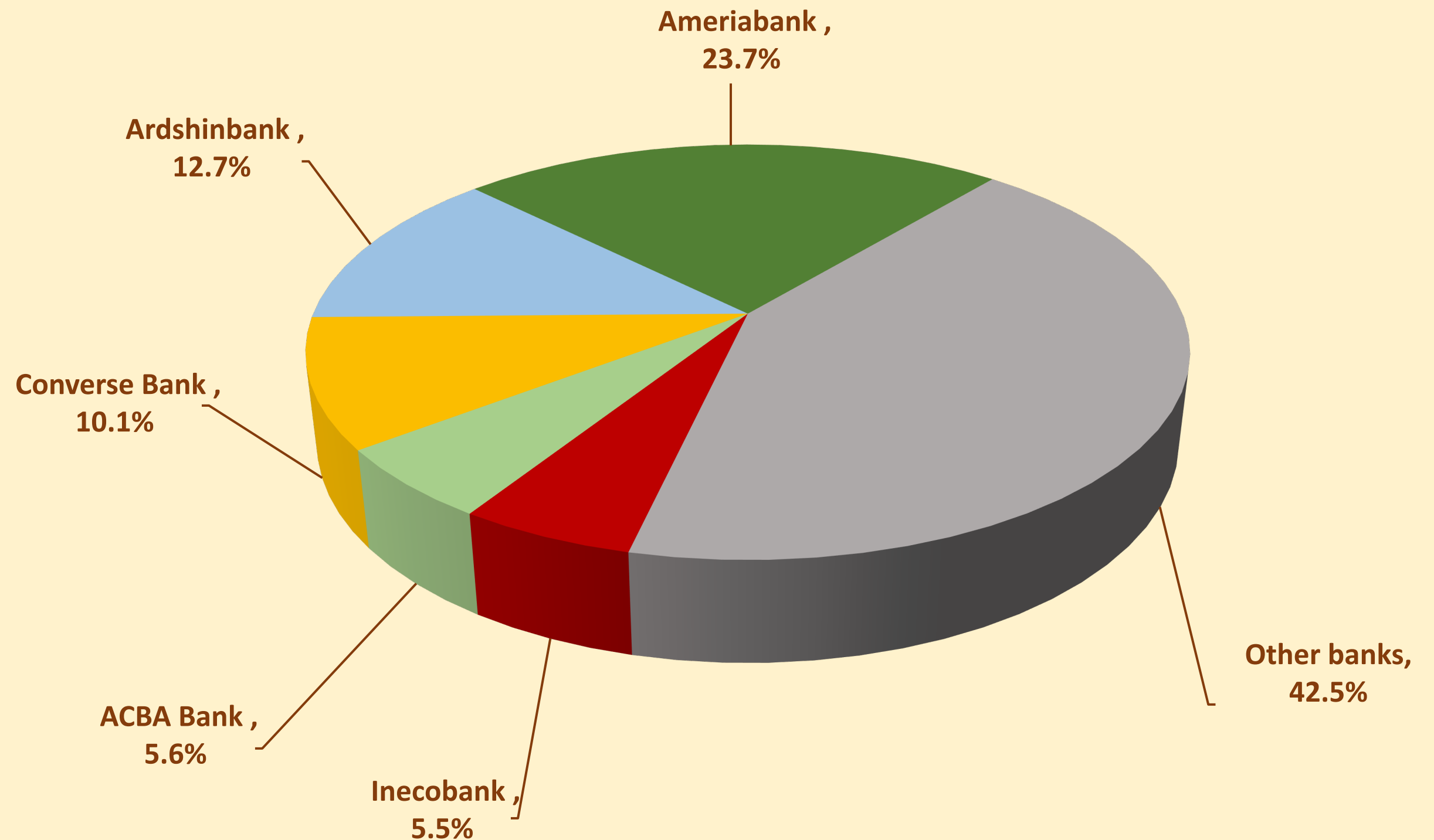
Comparison of banks' mortgage loan portfolios 2019 vs 2020 (in mln AMD)



Mortgage loan portfolio

- Market share of largest 5 banks (Ameriabank, Ardshinbank, Converse bank, ACBA Bank and Inecobank) by mortgage loan portfolio, was **57.5%**.
- Market share of largest 3 banks (Ameriabank, Ardshinbank and Converse bank) by mortgage loan portfolio, was **46.5%**.
- Ameriabank bank has the largest market share – **23.7%**.

Mortgage loan portfolio concentration as of 31.12.2020 (in %)



Loan portfolio quality analysis

- During 2020, Armenian banking sector expensed for loan loss allowances **114.2 bln AMD**, which is two times more, than was expensed in 2019.
- All banks, except for *VTB Bank (Armenia)*, in 2020 expensed for loan loss allowances more than in 2019.
- This significant increase of expenses for loan loss allowances during 2020, was the major reason for significant (by 19%) decrease of net profit of Armenian banking sector.

Loan loss allowances 2019 vs 2020 (in mln AMD)

BANKS	Loan loss allowances 2019	Loan loss allowances 2020	Difference
Ameriabank	(7,201)	(17,883)	(10,682)
ArmBusinessBank	(11,344)	(17,781)	(6,437)
Ardshinbank	(10,614)	(13,273)	(2,659)
ACBA Bank	(948)	(11,819)	(10,871)
Inecobank	(5,578)	(10,246)	(4,668)
VTB Bank (Armenia)	(13,042)	(9,542)	3,500
Converse Bank	(1,204)	(6,391)	(5,187)
Unibank	(3,704)	(5,449)	(1,745)
Artsakh Bank	614	(5,332)	(5,946)
ArmSwissBank	(769)	(4,709)	(3,940)
Evocabank	(1,998)	(3,515)	(1,517)
IDBank	(137)	(2,727)	(2,590)
AraratBank	(40)	(2,355)	(2,315)
HSBC Bank Armenia	(494)	(1,750)	(1,257)
AEB	(360)	(649)	(289)
Mellat Bank	78	(465)	(542)
Byblos Bank Armenia	44	(329)	(372)
TOTAL	(56,696)	(114,214)	(57,518)
			101%

Loan portfolio quality analysis

- The balance of loan loss allowance was increased during 2020 by **25.3 bln AMD**, or **19%**.
- Ratio of loan loss allowance to total loan portfolio of Armenian banking sector was increase by 4% during 2020 and totaling **3.82%**.
- It is assumed, that financial statements used for preparation of the analysis were prepared in accordance with IFRS.

Changes of balance of loan loss allowances 2019 vs 2020 (in mln AMD)

BANKS	Balance of loan loss allowances 31.12.2019	Balance of loan loss allowances 31.12.2020	Difference	% - Loan loss allowance balance to total loan portfolio as of 31.12.2019	% - Loan loss allowance balance to total loan portfolio as of 31.12.2020
Artsakh Bank	(1,873)	(6,390)	(4,517)	-1.8%	-5.2%
VTB Bank (Armenia)	(24,825)	(22,435)	2,389	-11.7%	-9.8%
Evocabank	(2,957)	(4,090)	(1,133)	-2.8%	-3.5%
Inecobank	(6,417)	(10,885)	(4,469)	-2.6%	-4.8%
IDBank	(10,906)	(7,588)	3,318	-12.1%	-7.2%
Byblos Bank Armenia	(1,089)	(812)	277	-3.1%	-2.0%
ArmSwissBank	(2,060)	(6,546)	(4,485)	-2.1%	-5.0%
Ardshinbank	(14,307)	(21,462)	(7,155)	-3.0%	-3.5%
AraratBank	(3,377)	(5,349)	(1,972)	-2.4%	-3.5%
ACBA Bank	(7,666)	(14,083)	(6,417)	-2.5%	-4.2%
HSBC Bank Armenia	(5,106)	(6,918)	(1,813)	-4.1%	-4.6%
Unibank	(14,951)	(10,138)	4,813	-9.6%	-6.1%
ArmBusinessBank	(19,570)	(9,108)	10,462	-3.4%	-1.4%
Converse Bank	(4,674)	(9,129)	(4,455)	-2.0%	-3.8%
Ameriabank	(13,823)	(23,592)	(9,769)	-2.3%	-3.3%
AEB	(2,087)	(2,185)	(98)	-1.2%	-1.1%
Mellat Bank	(80)	(328)	(247)	-0.6%	-1.7%
TOTAL	(135,768)	(161,038)	(25,271)	-3.67%	-3.82%
			19%		4%

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