
Banks As Movers Of Corporate Management System With Entry In IPO Promotes Development Of Country's Economic System : Most Of Participants Of Armenian's Financial Market Believe

Arminfo - 16/10/2007

Most of the financial analysts, representatives of the banking sector, Heads of investment companies and experts of Armenia believe that entry of the Armenian banks in IPO as a main source of capital is one of the ways of development of the banking sphere and the whole economic system of the country. That is the result of voting of the "British debates" held in the "Marriott Armenia" Hotel on October 25, organized by the "AmRating" independent Rating Agency, a member of the international Global Rating Group. The debates, in which about 40 banks, Heads of investment companies and experts took part, were dedicated to the topic "Armenian banks: from closed model to IPO as the key source of capital. Is that the way of development?". The event was held under support of the Union of Banks of Armenia. Member of the Council of RA Central Bank Vache Gabrielyan expressed an opinion that only the "ACBA Credit Agricole", among the Armenian banks, has a chance today to enter the external IPO.

To note, the biggest European banking group, the "Credit Agricole" owns 28% block of stock of this bank. Head of the ARARATBANK's Dealing Center David Harutyunyan considers it apparent that the banking system of Armenia needs an additional capital as RA financial market is at an early stage of development that makes the process of attraction of long-term resources difficult, while the foreign capital will give the banks an access to such funds that will allow them to reduce the financial risks in general. He paid attention to the growing competition and said that it is difficult for the banks with the Armenian shareholders to compete with the banks with a foreign capital, among which are the "HSBC Bank Armenia", "VTB-Armenia" and Moscow's Gazprombank, which intends to enter the Armenian banking market soon, the international microcredit bank ProCredit, "Raiffeisen bank Austria". It is difficult to compete with such financial structures not only materially but on the banking technologies as well, D. Harutyunyan said.

As for the demand for the Armenian banks' capital, the latest events in this market confirm this, which is promoted by quick rates of the country's banking system development: the total assets of banks in 2006 grew by 19%, the profit - by 16%. In addition, the demand for the banking capital is presented not only by foreign investors but the Armenian businessmen as well. He thinks that is hindered by a psychological barrier of the main shareholder, wishing to keep control over the bank in every way. However, "it is better to have a small share in a big capital than a big share in a small capital". D. Harutyunyan thinks that IPO may be considered as the most attractive version of opening for the Armenian banks as it will enable the main shareholder to keep the control. Placement of the shares at foreign exchanges shows the real price of the share to the shareholder. "The bank's entry the IPO as a main source of capital is our future", D. Harutyunyan said.

Head of the Department of Strategic Planning, Methodology and Risk Assessment of the ARARATBANK Hovhannes Mandakuni emphasized that transparency should be meant under IPO, in view of which he expressed confidence that such readiness

will be evident in the whole banking community of Armenia within several months.

"Implementation of the corporate management principles will enable to solve this. For his part, USAID Financial Sector Deepening Project Intermediation Team Leader Tigran Davtyan thinks that this aspect will have some difficulties in Armenia for several reasons one of which is unwillingness of the bank's main shareholder to share with someone. "The matter concerns the international organizations which are present in the Armenian banks' capital. There will hardly be an investor who will express readiness to buy 25% of the capital. Neither our shareholders or the society are ready for that. However, the best should be done to prepare them", T. Davtyan said. He thinks that the Armenian banks are not yet ready to enter the foreign IPO, especially as this is connected with definite preparation and additional expenses, however, the IPO can be also made in the internal market, for which some banks are ready. This will be a kind of training.

Co-Director of AEPLAC (Armenian-European Policy and Legal Advice Center) Tigran Jrbashyan thinks that Armenia's banking system has entered a development stage, when inertia changes by a definite jump. This is determined only from the position that the banking sphere, by its level of capitalization and abilities to work with a real sector, is very small but rather "pleasantly completed" and shown off. He thinks that sale of banks via IPO is more profitable than to strategic investors as the price will be much higher, and only this fact may promote the banks to IPO realization.

Under the growing competition, the own funds of the banks and their owners will be insufficient to withstand it. "The real IPO in the inner market is possible only in case if the Armenian capital market is able to give this price, otherwise, it may turn out in a situation in which several eastern-European countries turned out to be. The whole banking system there turned out to be "captured" by strategic investors in the name of the western, Kazakh and Russian banks", he said.

For his part, President of the Global Rating Group Richard Hainsworth emphasized that the banks should be maximum open and transparent to enter the IPO. He thinks that there are potential partners in Armenia, ready to make investments in the banks' capitals. However, the point is that this structure is engaged in its real business of a final mediator, or it is a shell for financial manipulations. In the first case, the investments in the bank will be made, while in the second case, no partner will desire to be engaged in such a business. R. Hainsworth thinks the preparatory work for the banks' entry the IPO should be started right now.

Head of the leading Armenian Consulting Company, the Ameria, Andrey Mkrtchyan thinks that the first IPO (there should be no serious placement in Armenia) are very important for creation of tradition, culture and for a reverse communication with investors both inside and outside the country.

"Globally, absence of transparency, availability of protectionism and corruption are the most fundamental problems. The reporting should be opened to the maximum for entry in the capital market and for access to the resources of this market", he said.

To note, AmRating - is an independent national rating agency, a member of GlobalRating group that comprises also RusRating (Russia) and KzRating

(Kazakhstan) agencies. It provides bank credit ratings and analytical reviews of different segments in the Armenian financial market.
