CENTRAL BANK OF ARMENIA

MAIN INDICATORS OF FINANCIAL STABILITY

4-th quarter 2022
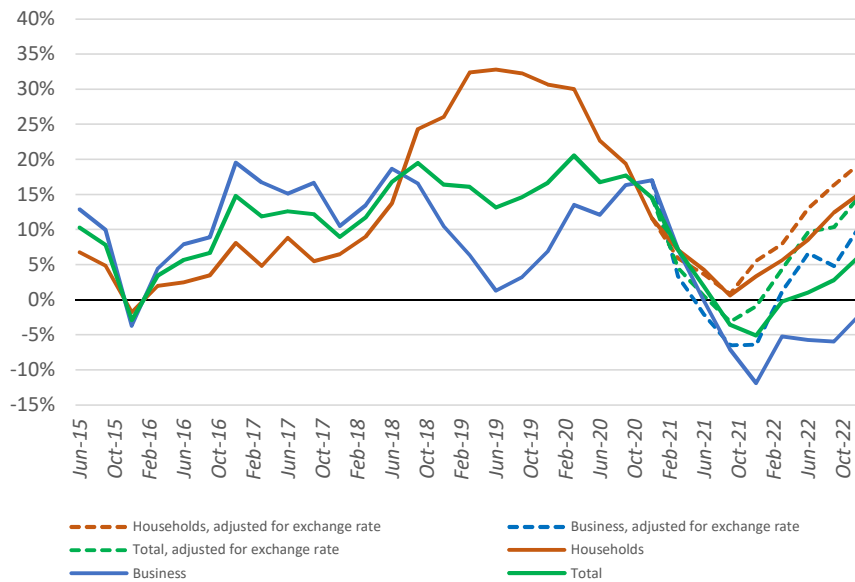
MAIN INDICATORS OF BANKING SYSTEM*

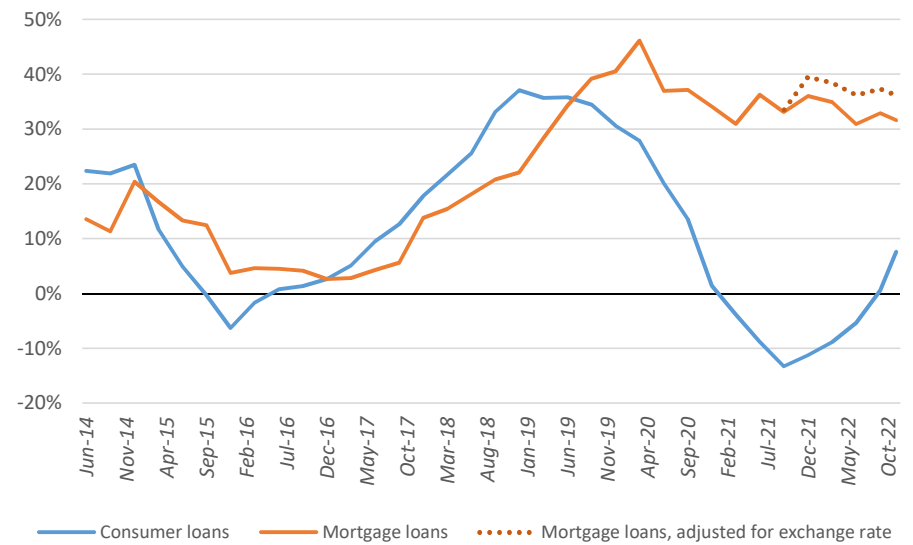|	Indicator value as of December/November	12-month change
ASSETS	8.23 trillion AMD	16.09%
Loans	4 trillion AMD	6.34%
Non-performing loan ratio	4.8%	0.07 p.p
LIABILITIES	6.97 trillion AMD	12.96%
Attracted deposits	4.58 trillion AMD	26.69%
EQUITY	1.26 trillion AMD	37.12%
Total capital adequacy ratio	19.68%	2.1 p.p
Total liquidity ratio	37.86%	6.1 p.p
Return on equity	22.35%	17.69 p.p
Return on assets	3.28%	2.66 p.p

* The data is as of November 2022, except for loan flows and balance sheet data for banking system, which are as of 25th December 2022. Credit to GDP indicator related to the Financial Cycle Index are presented as of December 2022.

Lending keeps on growing

YoY growth of loan stocks, by sectors

Legend:
- Households, adjusted for exchange rate
- Business, adjusted for exchange rate
- Total, adjusted for exchange rate
- Households
- Business
- Total

YoY growth of stocks of household loans

Legend:
- Consumer loans
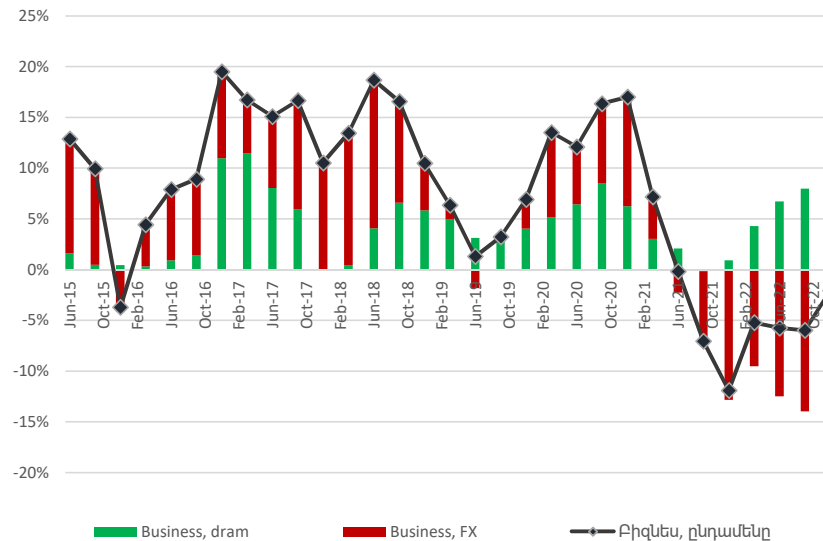- Mortgage loans
- Mortgage loans, adjusted for exchange rate

Primarily, it is the local currency loans that have increased

Decomposition of the growth rates of household loans by currency

Legend: Households, dram | Households, FX | Households, total
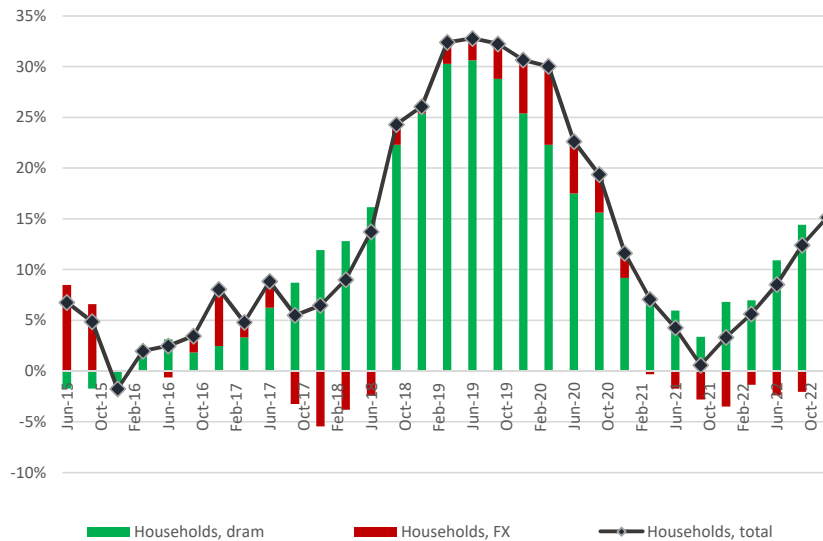
Decomposition of the growth rates of business loans by currency
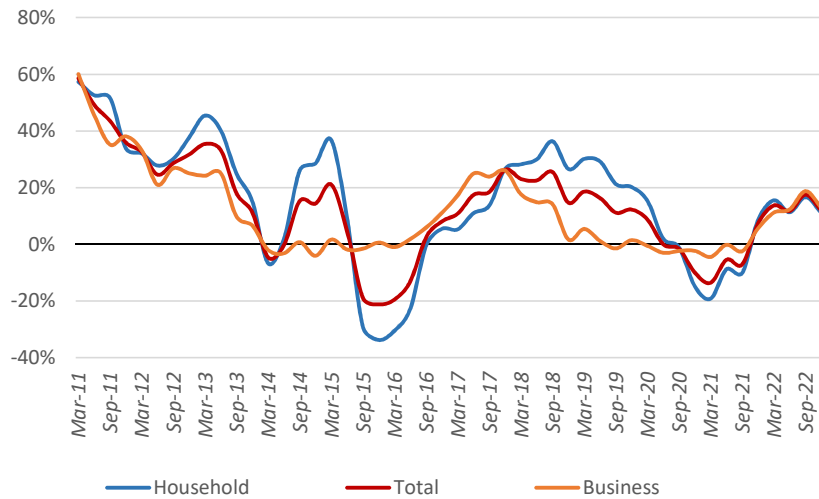

Legend: Business, dram | Business, FX | Բիզնես, ընդամենը

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Dollarization of loans has further gone down
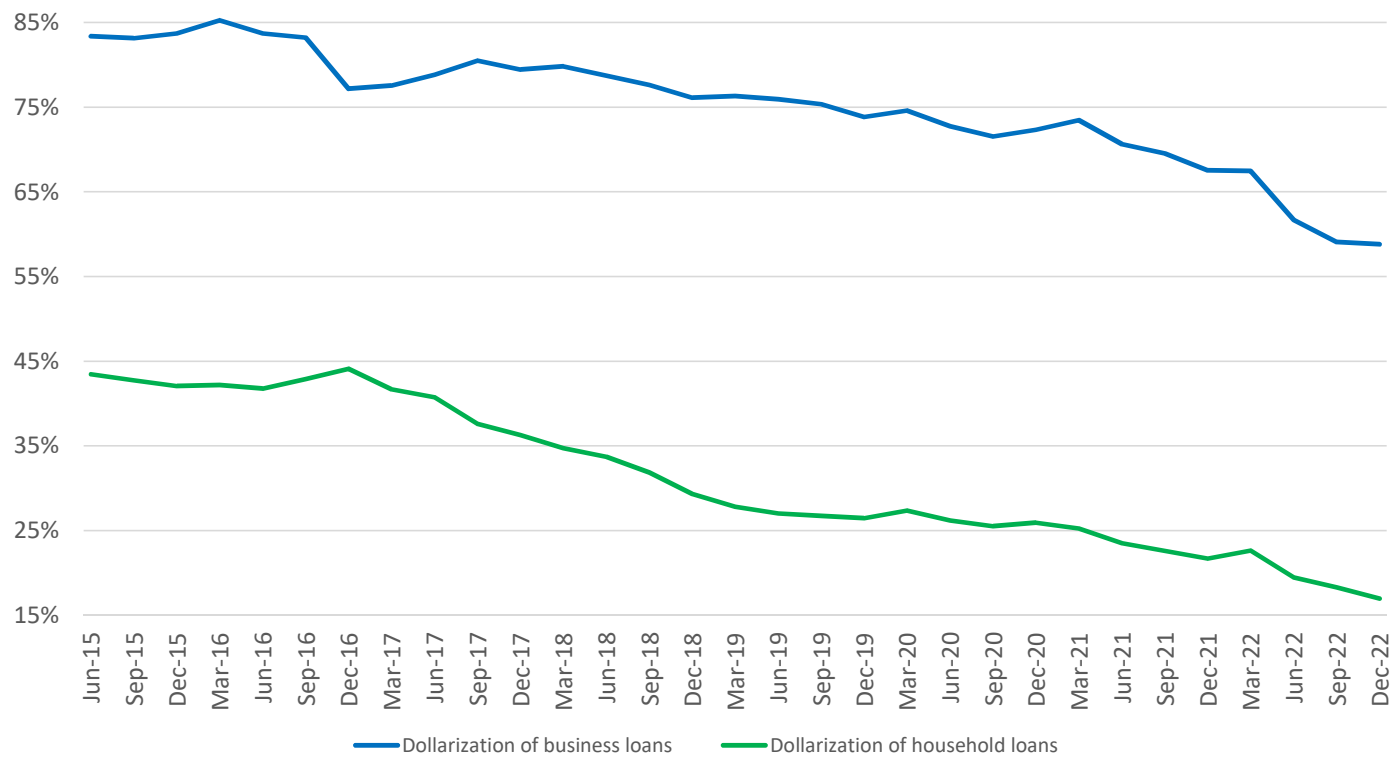
Flow indicators of loans have increased as well...

YoY growth of loan flows

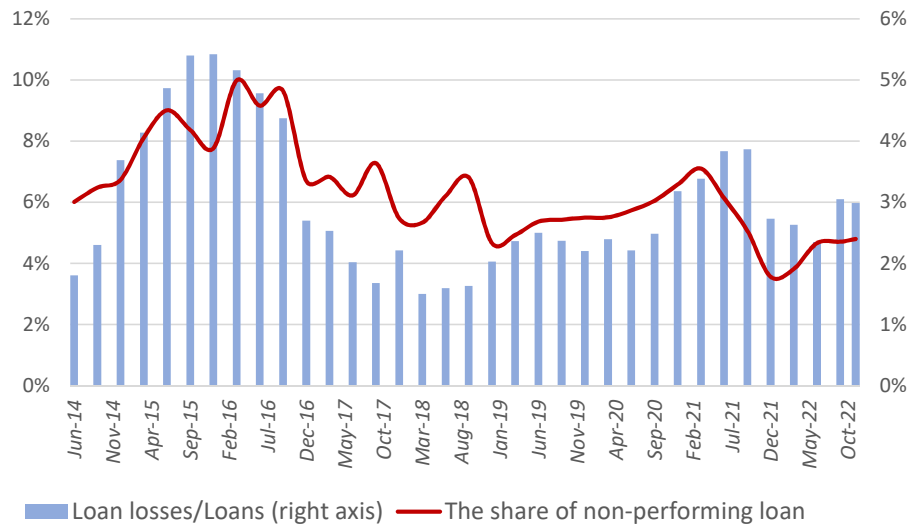Household — Total — Business

Yearly flows of consumer and mortgage loans
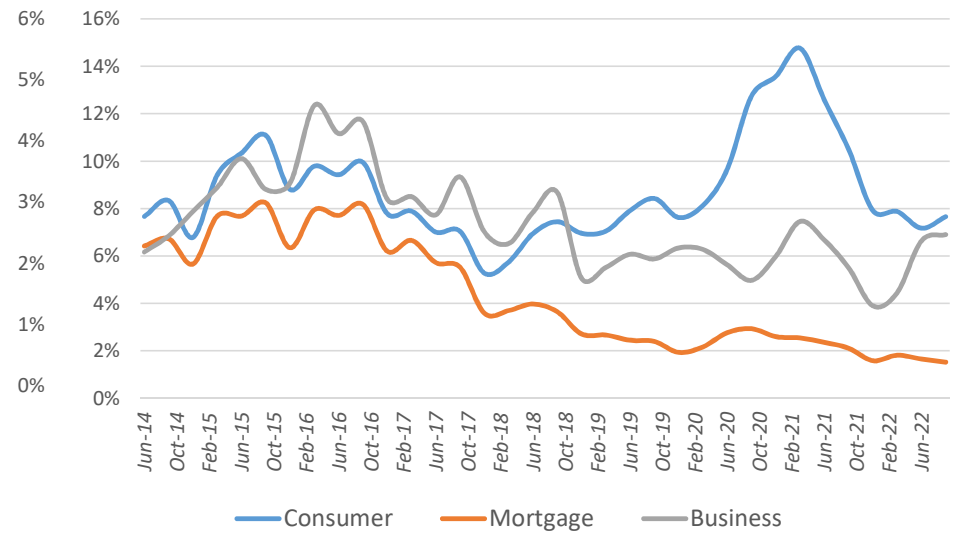

Consumer loans ■ Mortgage loans
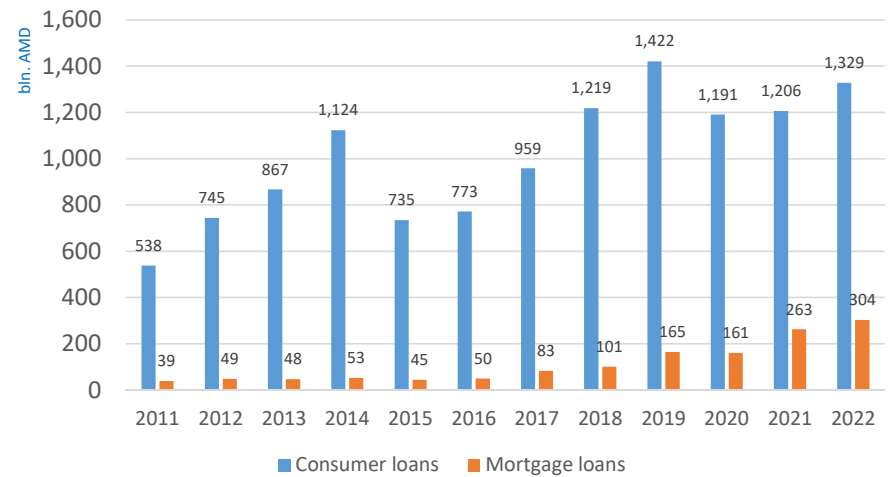
The weight of non-performing loans has not changed

The share of non-performing loans* и loan losses

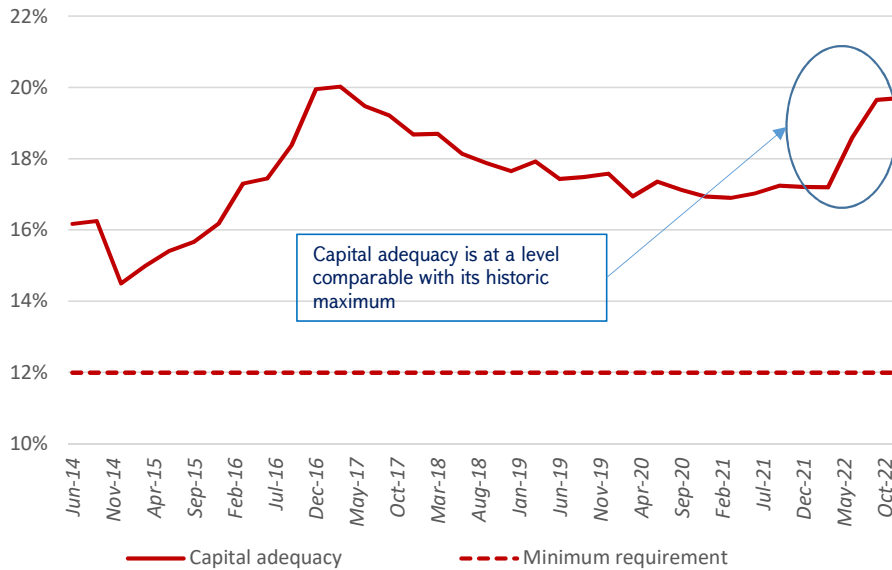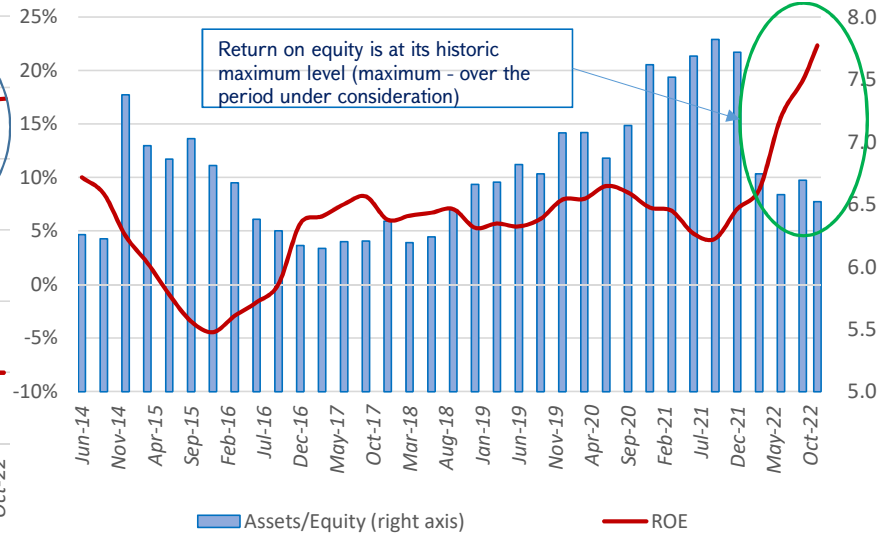The share of non-performing loans by loan type

Loan losses/Loans (right axis) — The share of non-performing loan

Consumer — Mortgage — Business

* Including the loans classified as watched

Loss absorbing capacity has improved considerably

Capital adequacy

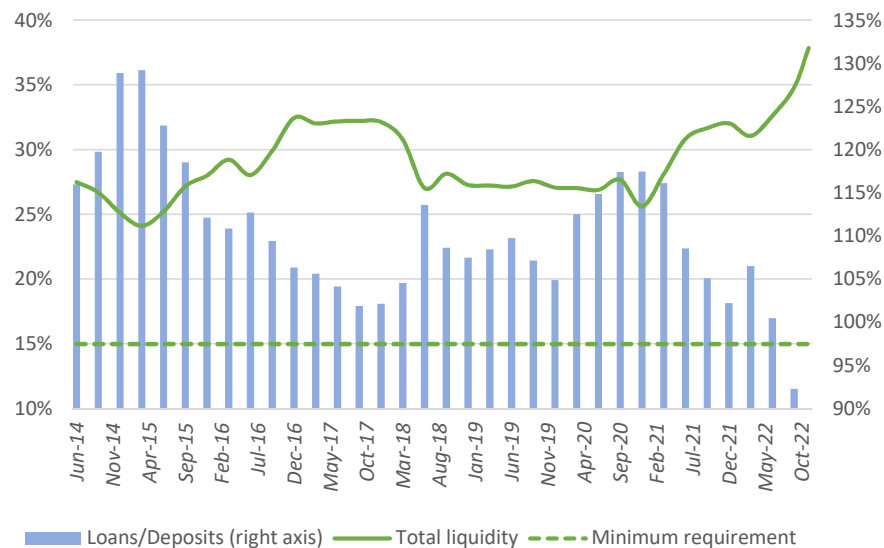Capital adequacy is at a level comparable with its historic maximum

Legend: Capital adequacy — Minimum requirement

Return on equity and leverage

Return on equity is at its historic maximum level (maximum - over the period under consideration)

Legend: Assets/Equity (right axis) — ROE

Higher returns are primarily driven by non-interest income

Decomposition of return on equity

Legend: ■ Net Interest Income ■ Net non Interest Income ■ Net Provisions ■ Taxes ■ Leverage
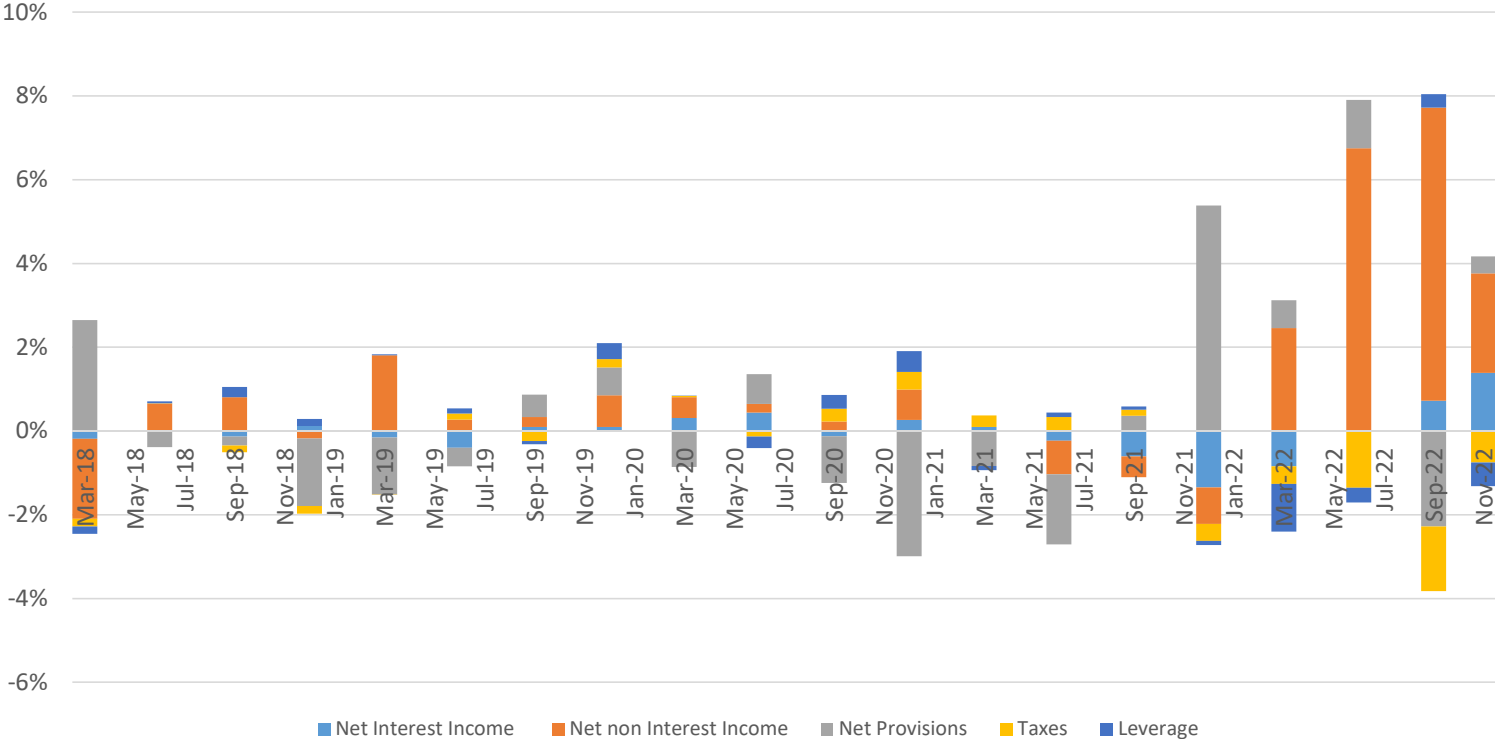
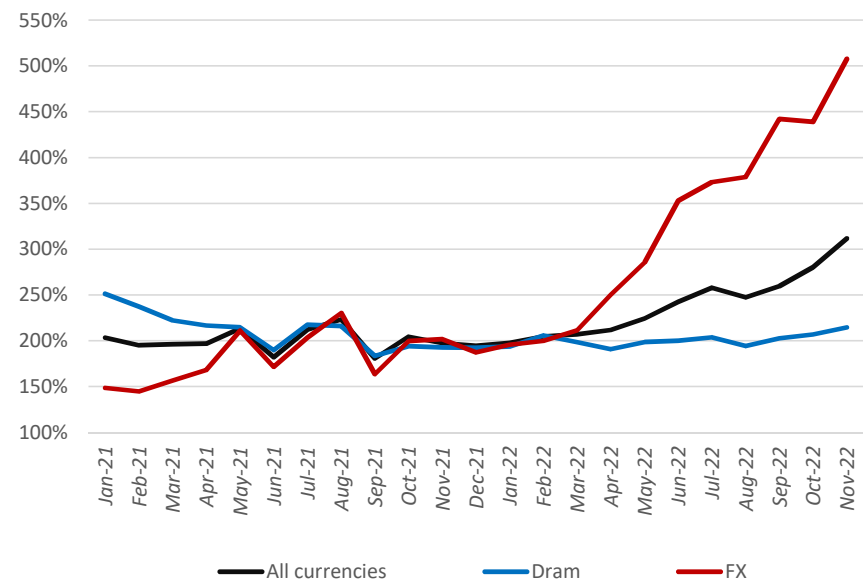# FX liquidity is at its historic maximum level

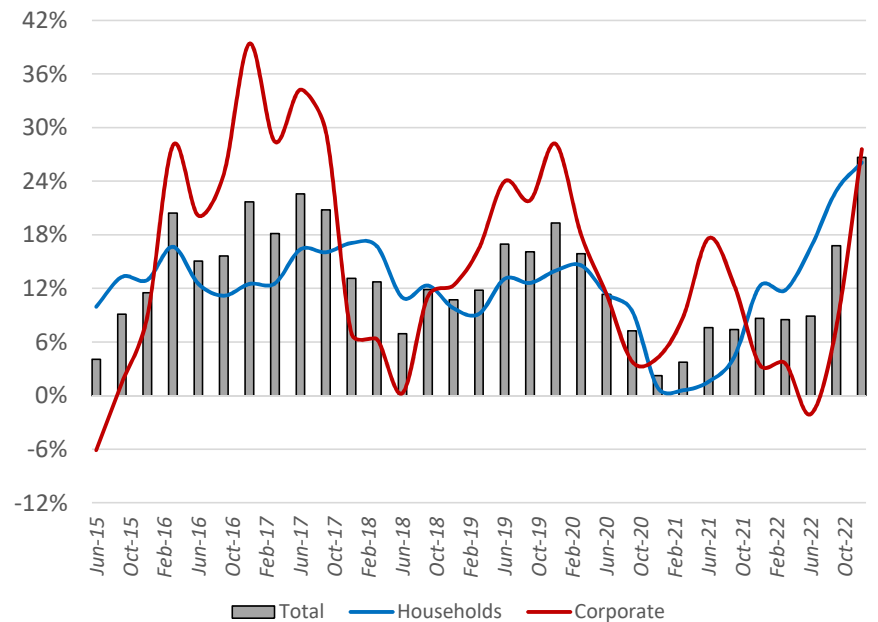Liquidity requirements of banks and loans/deposits ratio

Liquidity coverage ratio

Loans/Deposits (right axis) — Total liquidity --- Minimum requirement

All currencies — Dram — FX

Deposits are growing as well

Financial cycle index is growing

Financial cycle index*

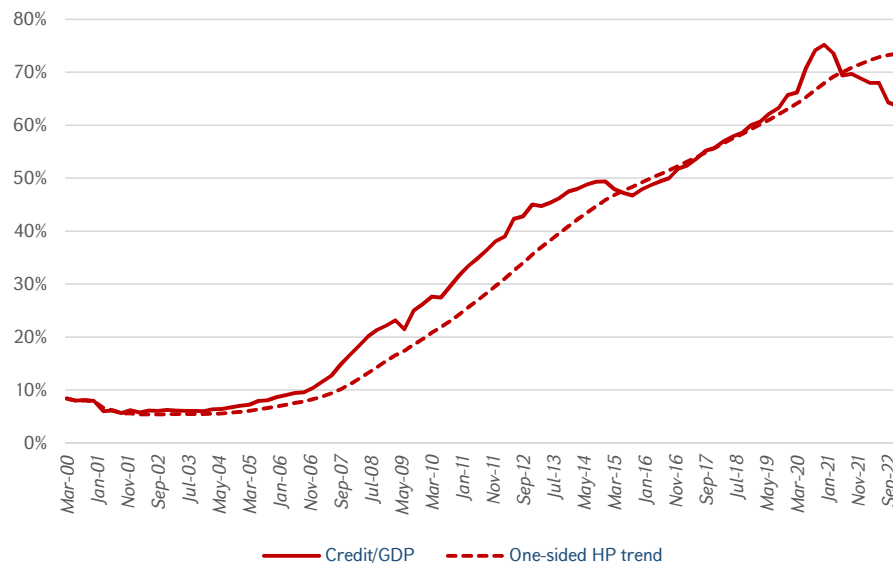Legend: FCI (solid red), FCI without mortgage and real estate price allowance (dashed blue)
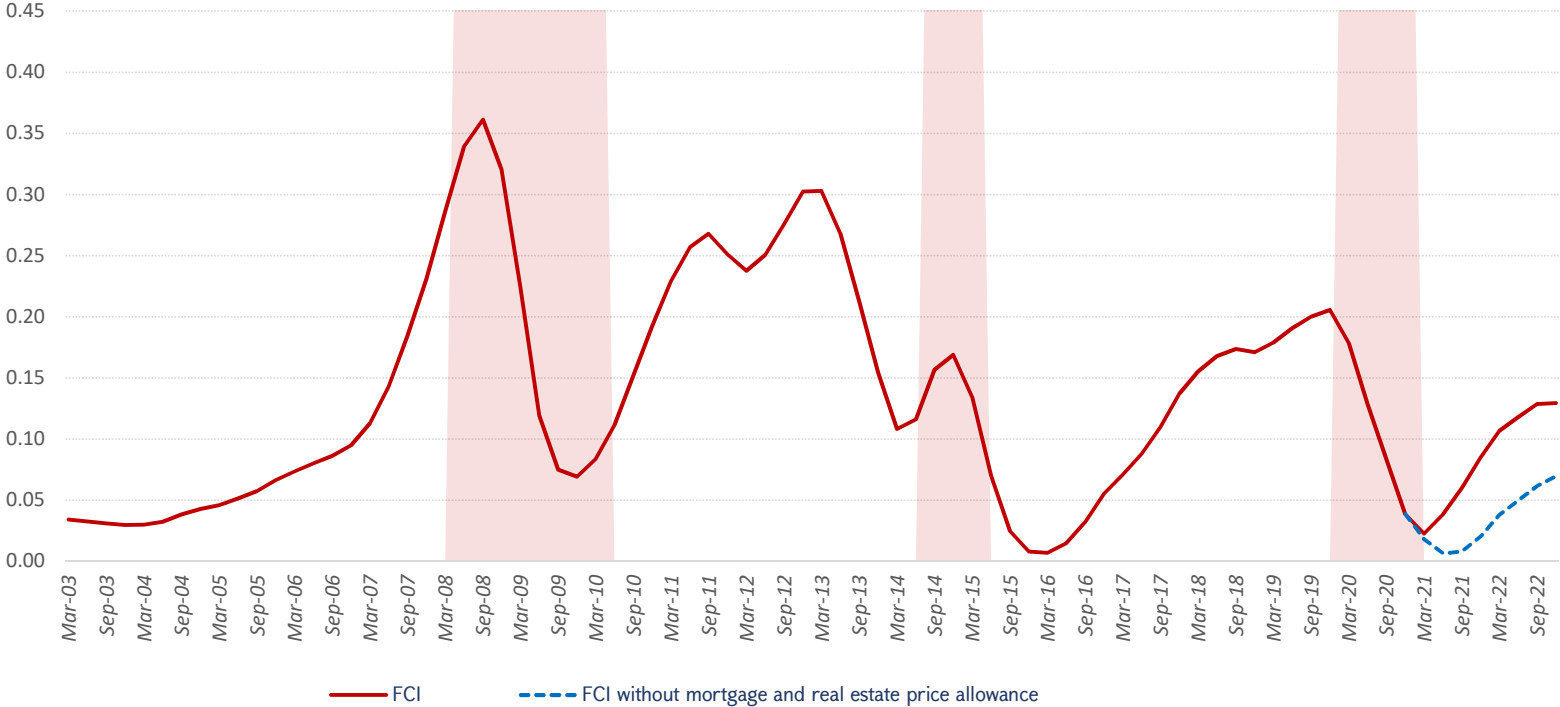
*2022 Q4 values of this indicator are based on estimates of the indicators making up the index (GDP, loans and so on) and in the future may be subject to changes upon the arrival of actual data.

Credit to GDP gap is negative

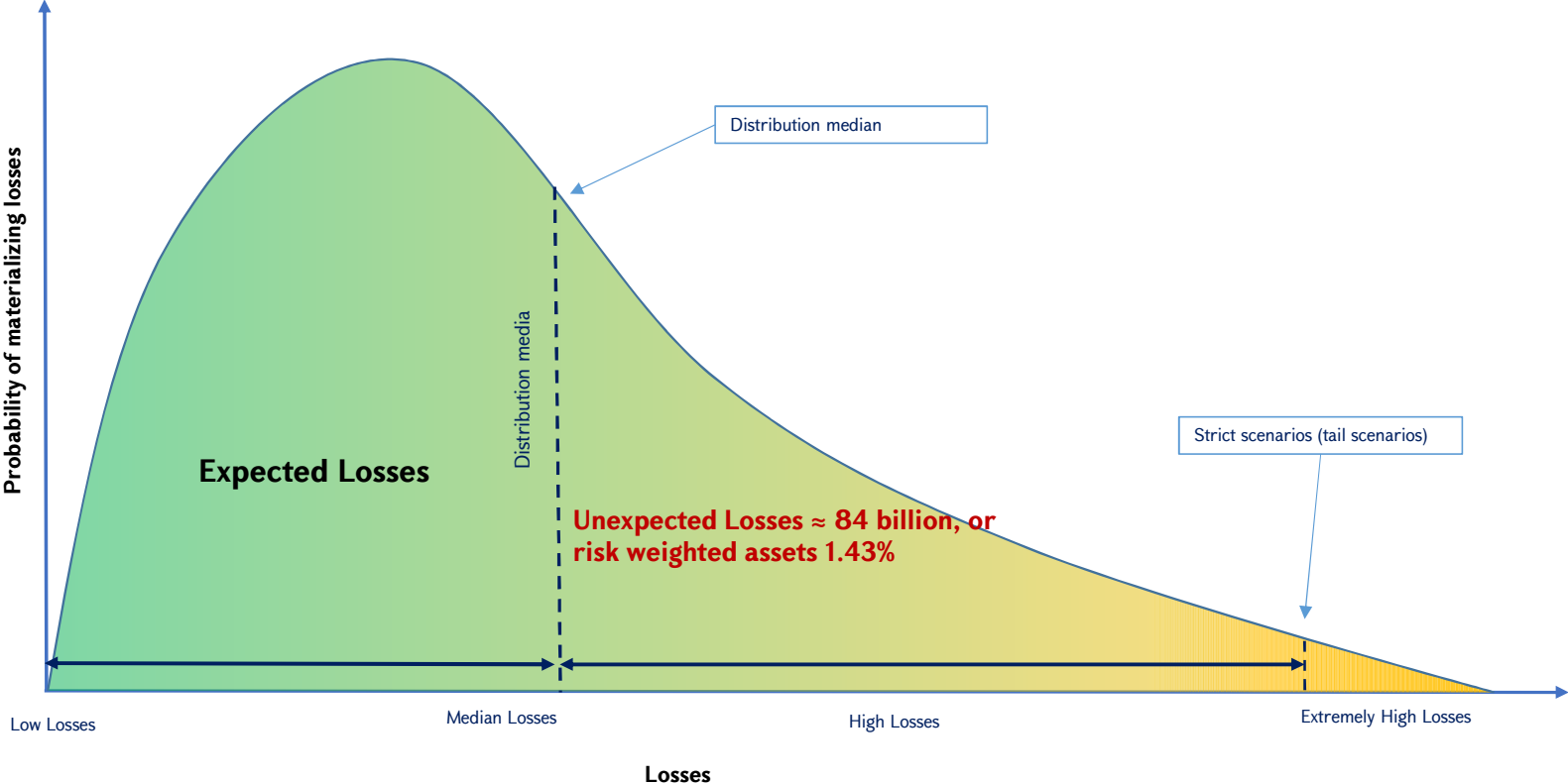### Credit/GDP and its long-run trend

Credit/smoothed GDP and its long-run trend**
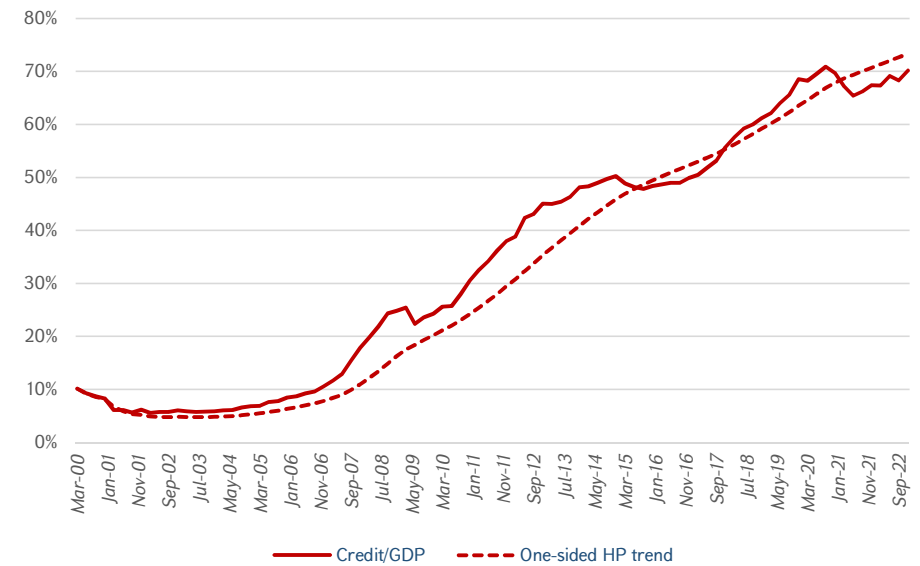
** The indicator is calculated based on the smoothed series of GDP

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Losses as a result of shock scenarios amount to 1.43% of RWA*

Distribution median

Strict scenarios (tail scenarios)

Probability of materializing losses

Distribution media

Expected Losses

Unexpected Losses ≈ 84 billion, or risk weighted assets 1.43%

Low Losses

Median Losses

High Losses

Extremely High Losses

Losses

* Risk Weighted Assets

Overheating trends persist in the real estate market
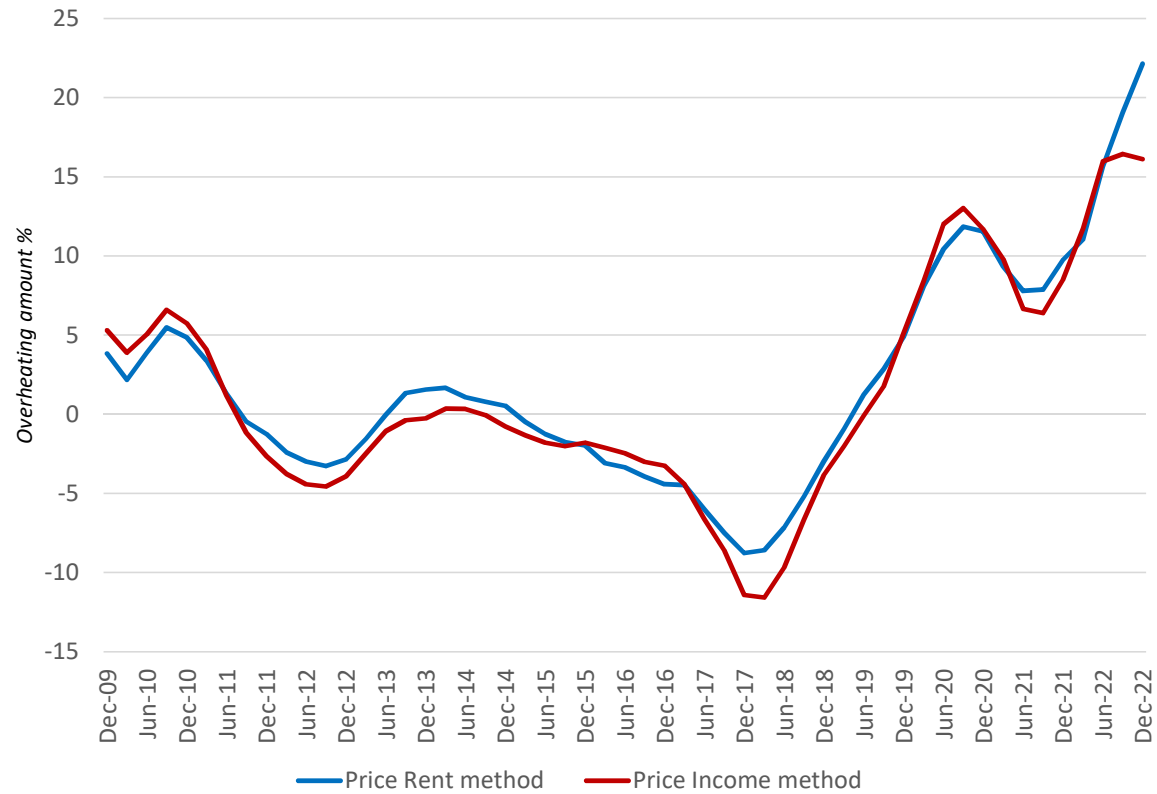
✓ According to the assessment of different methods, the amount of overvaluation is 16-22%

Conclusion

Justifications:

- ✓ the Financial Cycle Index continued to increase in comparison with previous quarter,

- ✓ in the 4th quarter of 2022, an increase in the activity of the credit market was recorded, which was noticeable in all lending directions,

- ✓ risks of overheating persist in the mortgage lending and the real estate market,

- ✓ according to the macro stress-testing results, the amount of additional capital needed to absorb the unexpected losses amounted 1.43% of risk-weighted assets

- ✓ in the context of the ongoing geopolitical uncertainties, the probability of materialization of systemic (cyclical) risks remains high

The CCyB rate was raised by 0.5 percentage points to 1.5% (effective from August 1).