



**CENTRAL BANK OF THE REPUBLIC OF ARMENIA**

# **MAIN FINANCIAL STABILITY INDICATORS**

**3rd quarter of 2023**

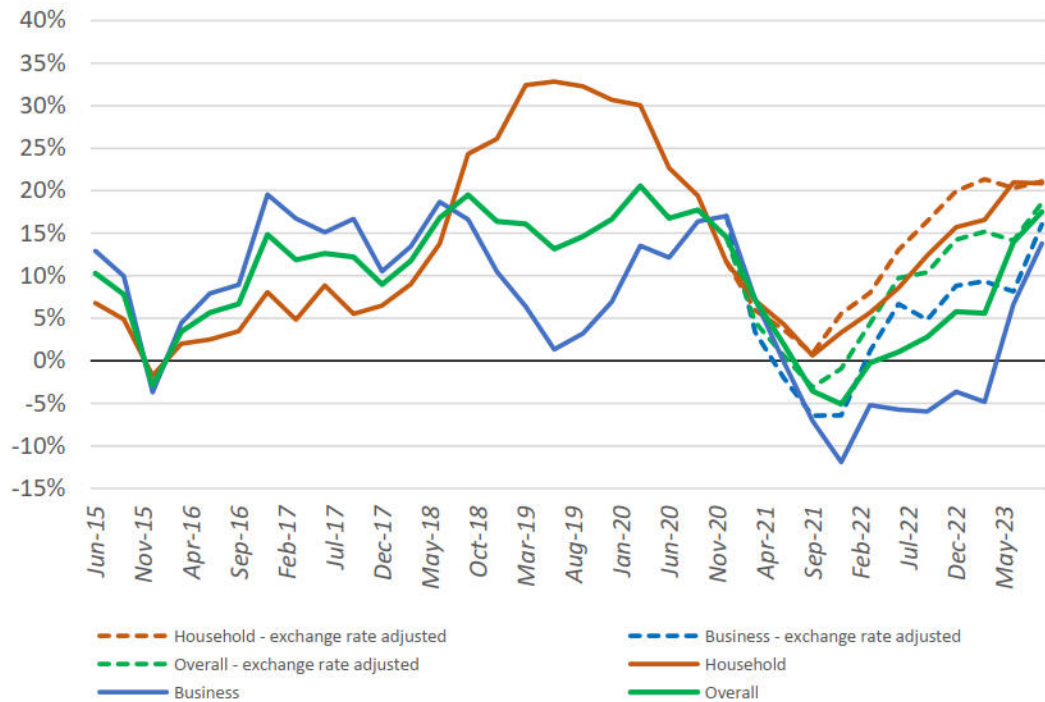
# MAIN INDICATORS OF THE BANKING SYSTEM\*

	Indicator value as of August/September	12-month change
<b>ASSETS</b>	AMD 8.6 trillion	11.53%
Loans Granted	AMD 4.37 trillion	17.03%
Non-Performing Loan Ratio <i>(excluding loans classified as watch)</i>	2.75%	-0.06 p.p.
<b>LIABILITIES</b>	AMD 7.22 trillion	10.13%
Attracted Deposits	AMD 4.82 trillion	19.06%
<b>EQUITY</b>	AMD 1.38 trillion	19.51%
Total Capital Adequacy Ratio	20.23%	+0.59 p.p.
Total Liquidity Ratio	34.92%	+0.04 p.p.
Return on Equity	17.09%	-2.67 p.p.
Return on Assets	2.62%	-0.18 p.p.

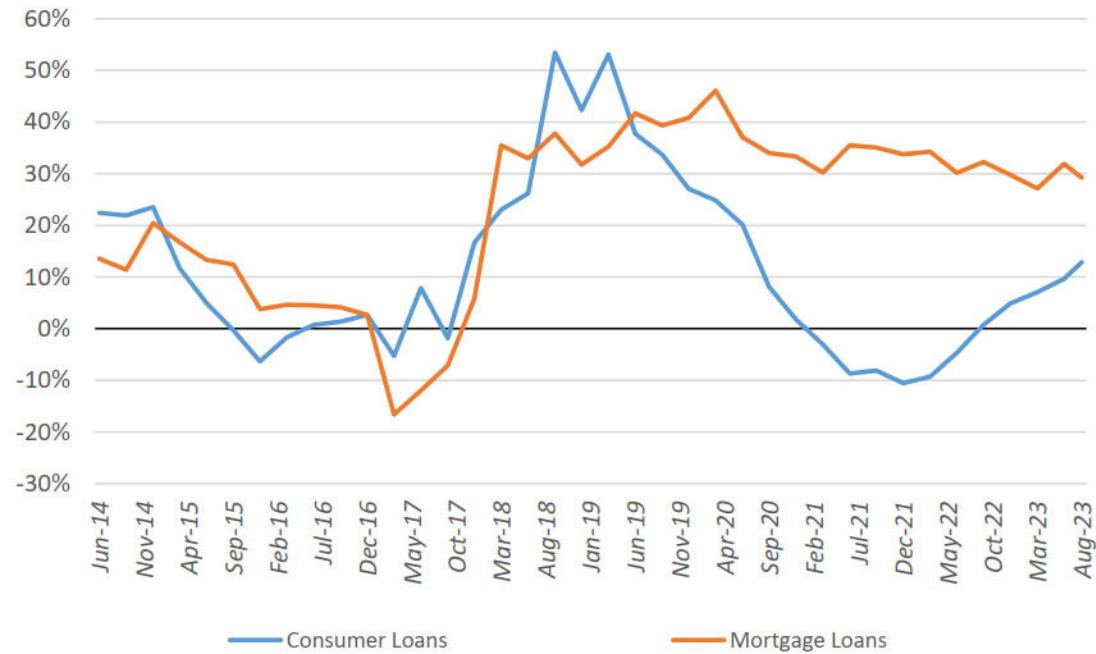
\* Data as of August 2023, with the exception of the credit flow and balance sheet indicators for the banking system, which are as of September 24, 2023. Credit-to-GDP ratio and Financial Cycle Index indicators are estimated as of September 2023.

# Increasing growth rates have been observed in the lending market

YoY Growth Rate of the Loan Stocks by Sectors

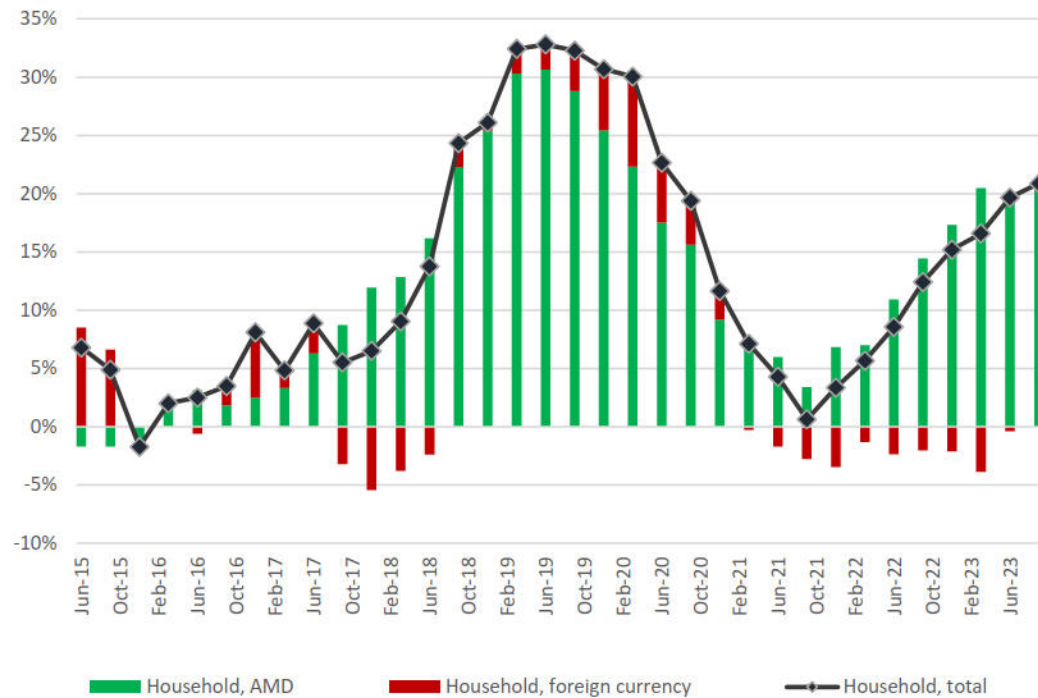


YoY Growth Rate of the Household Loan Stock

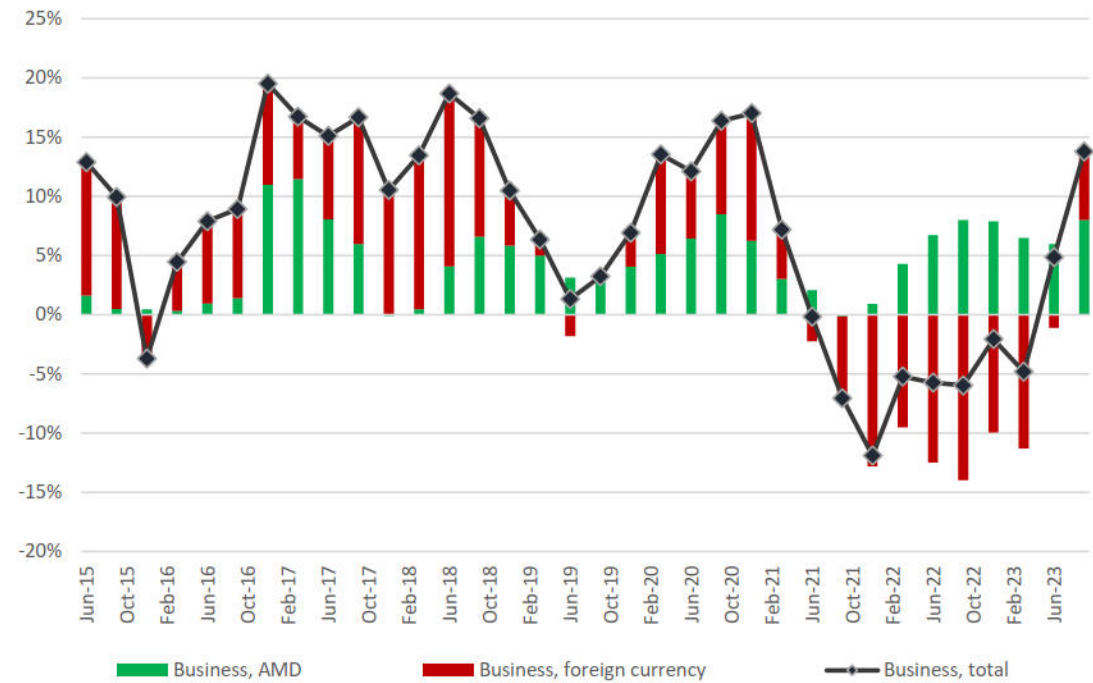


# Loan growth is primarily driven by AMD loans

*Breakdown of Household Loan Growth Rates by Currency*

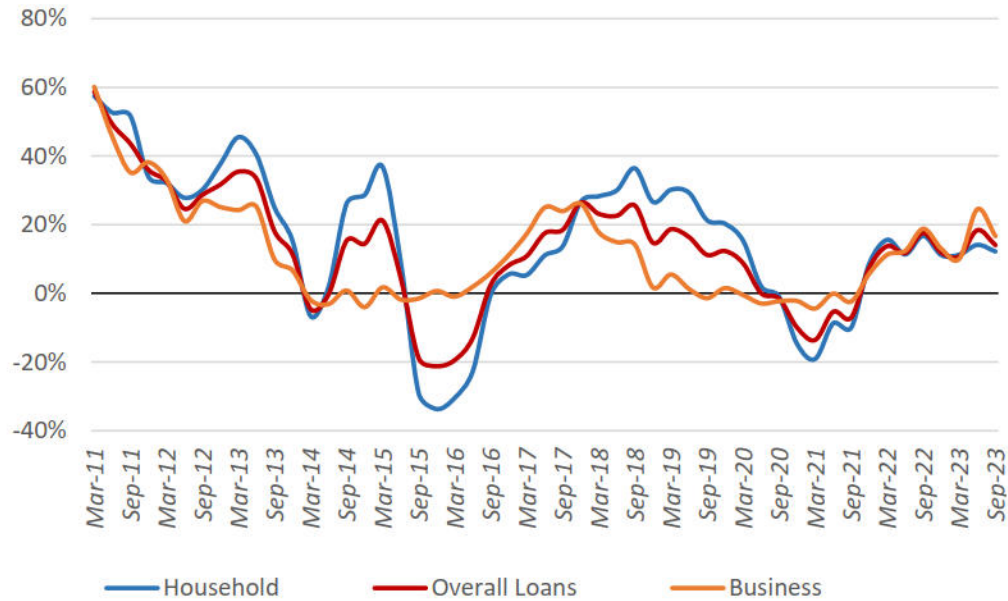


*Breakdown of Business Loan Growth Rates by Currency*

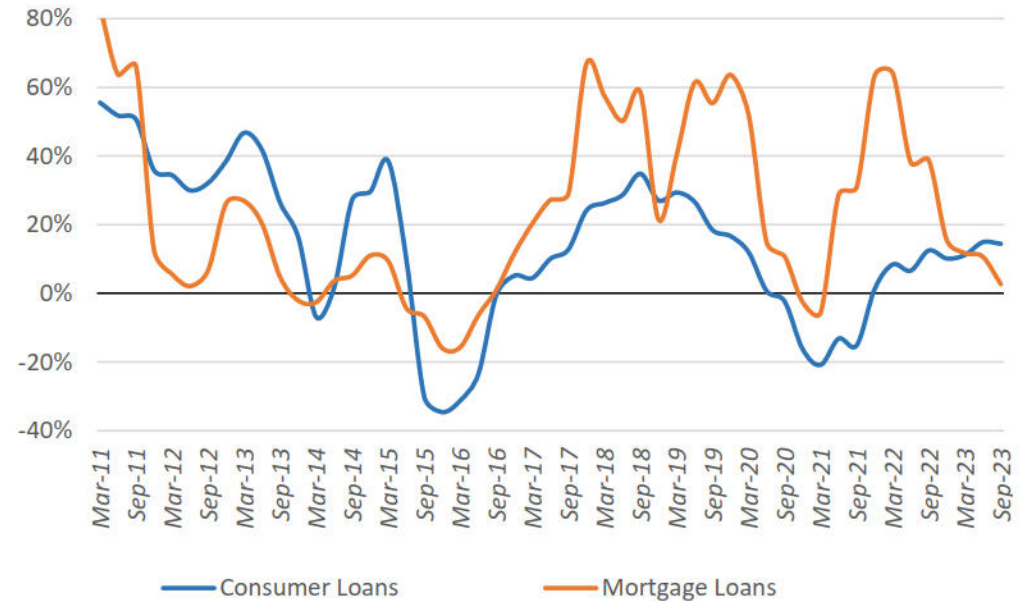


# Growth rate of mortgage loans has decreased

YoY Growth Rate of Yearly Credit Flows

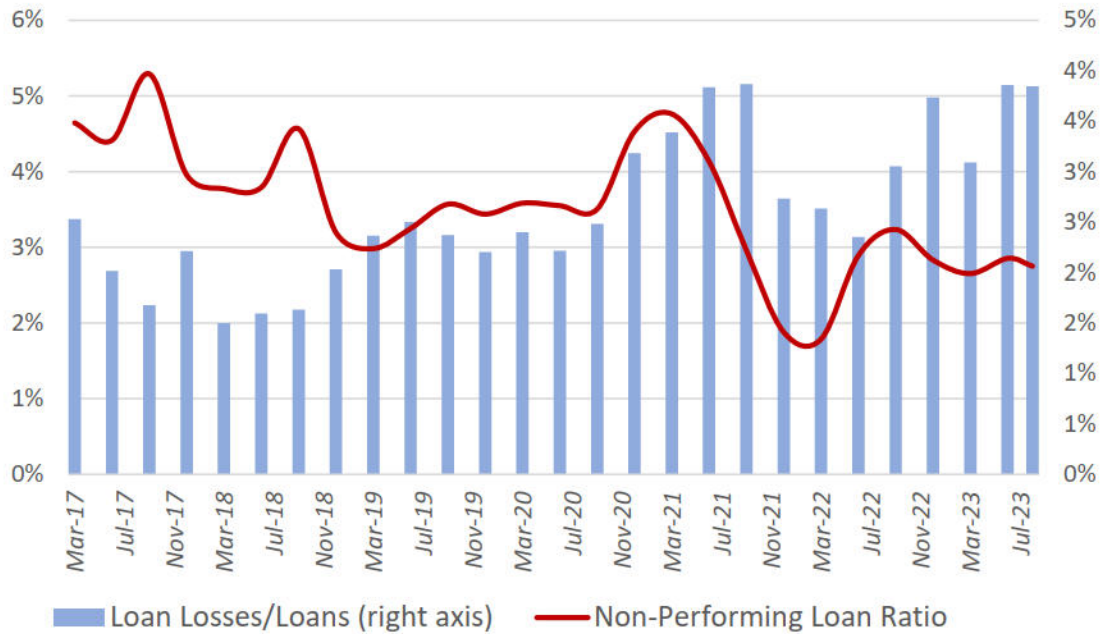


YoY Growth Rates of Yearly Flows of Consumer and Mortgage Loans

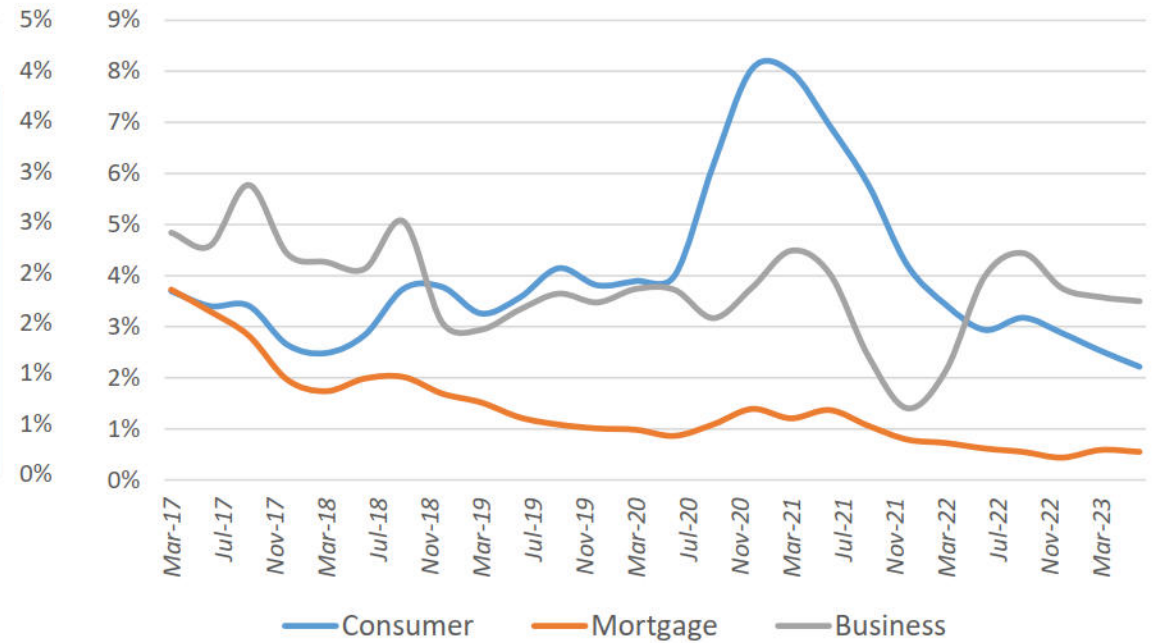


# Non-performing loan ratio is nearly unchanged

Non-Performing Loan Ratio\* and Loan Losses



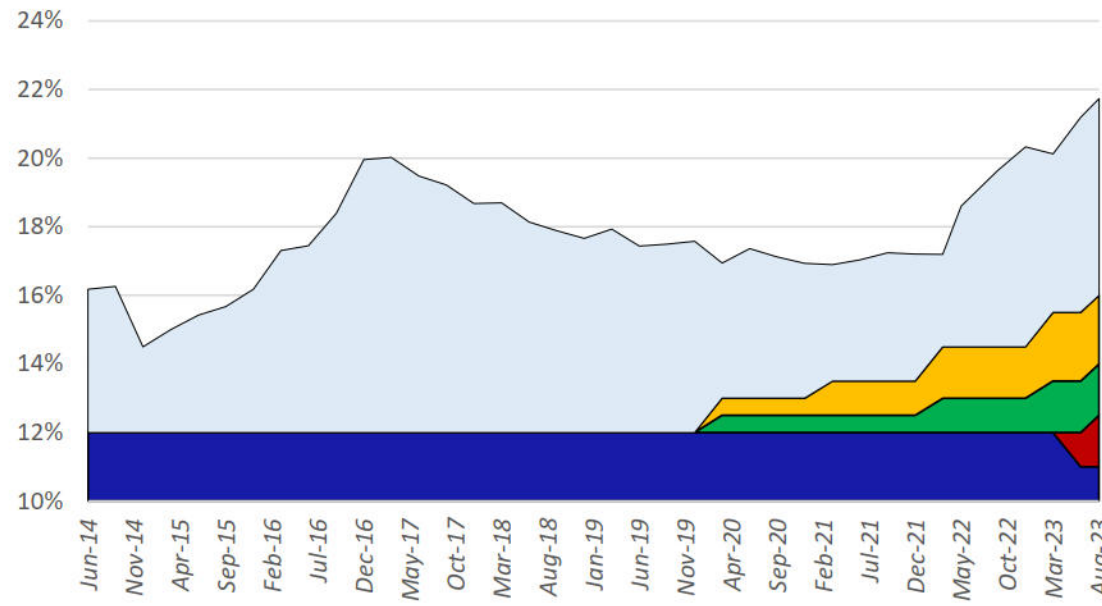
Non-Performing Loan Ratio\* by Loan Type



\* Excluding loans classified as watch

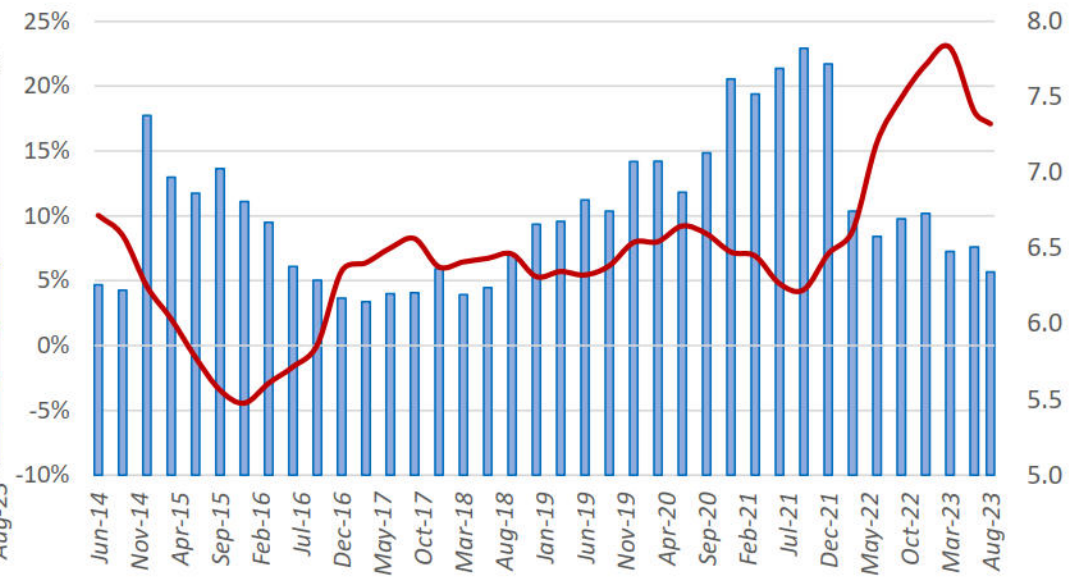
# Risk absorption capacity remains high

Capital Adequacy



■ Minimum Requirement   
 ■ Counter-Cyclical Buffer   
 ■ Systemic Bank Buffer  
■ Capital Conservation Buffer   
 ■ Surplus Capital

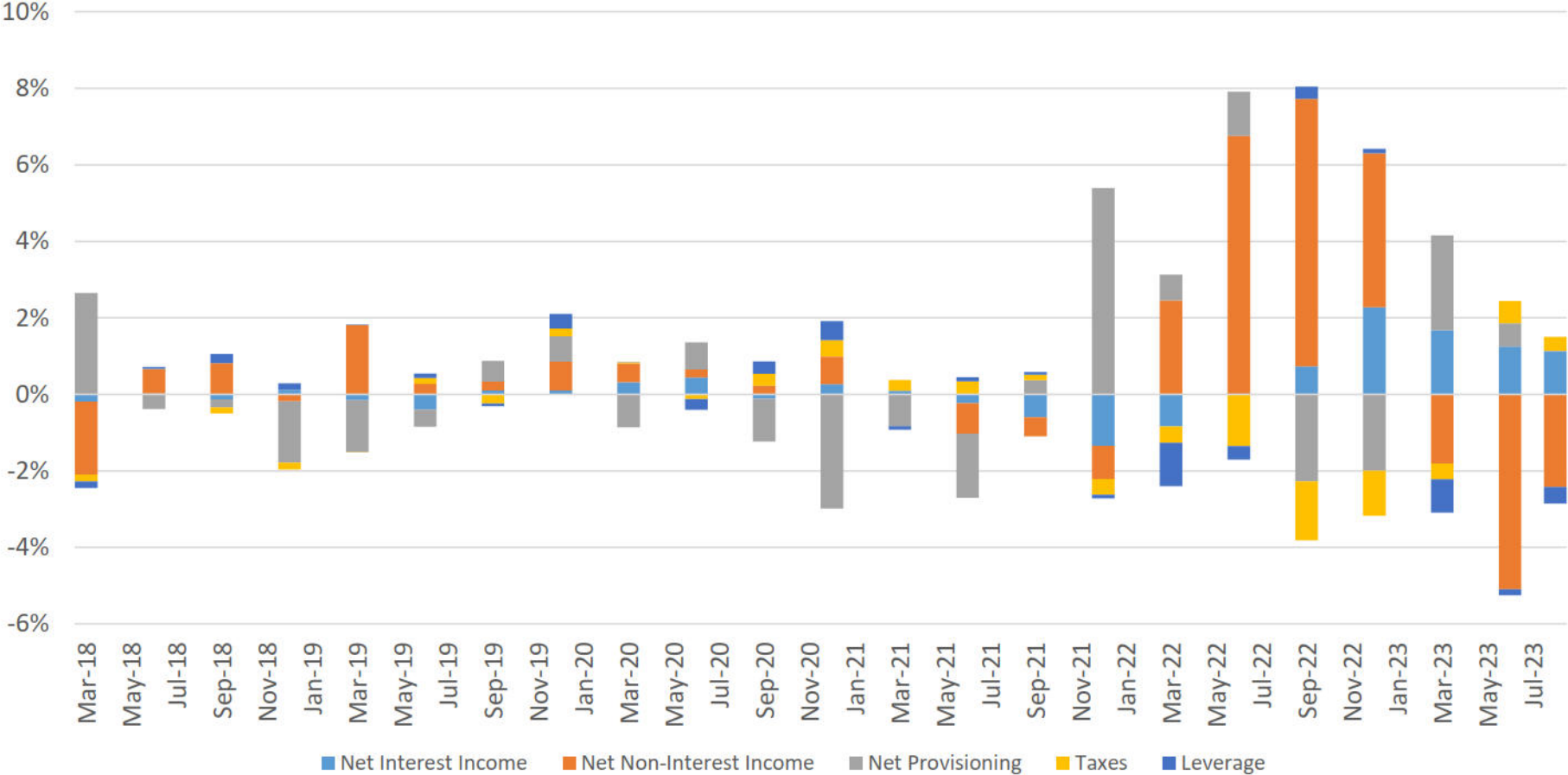
Return on Equity and Leverage



■ Assets/Equity (right axis)   
 — ROE

# Contribution of net non-interest income to profitability is negative

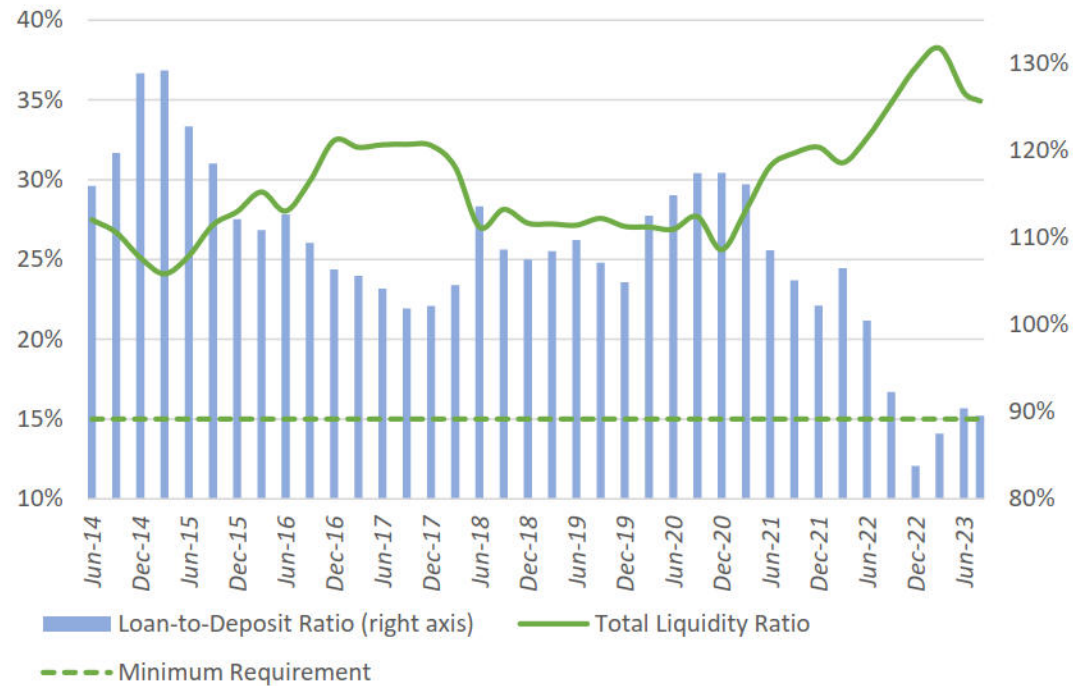
Breakdown of Changes in Return on Equity



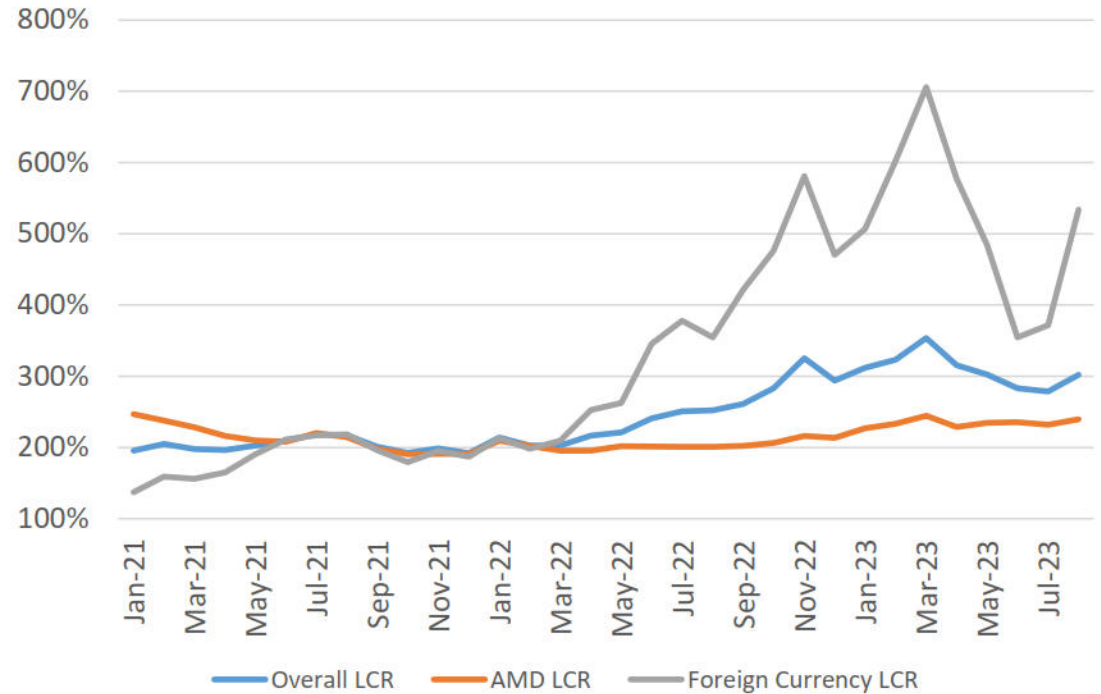


# With Some Fluctuations, Foreign Currency Liquidity Remains Above Minimum Required Level

Bank Liquidity Norms and Loan-to-Deposit Ratio

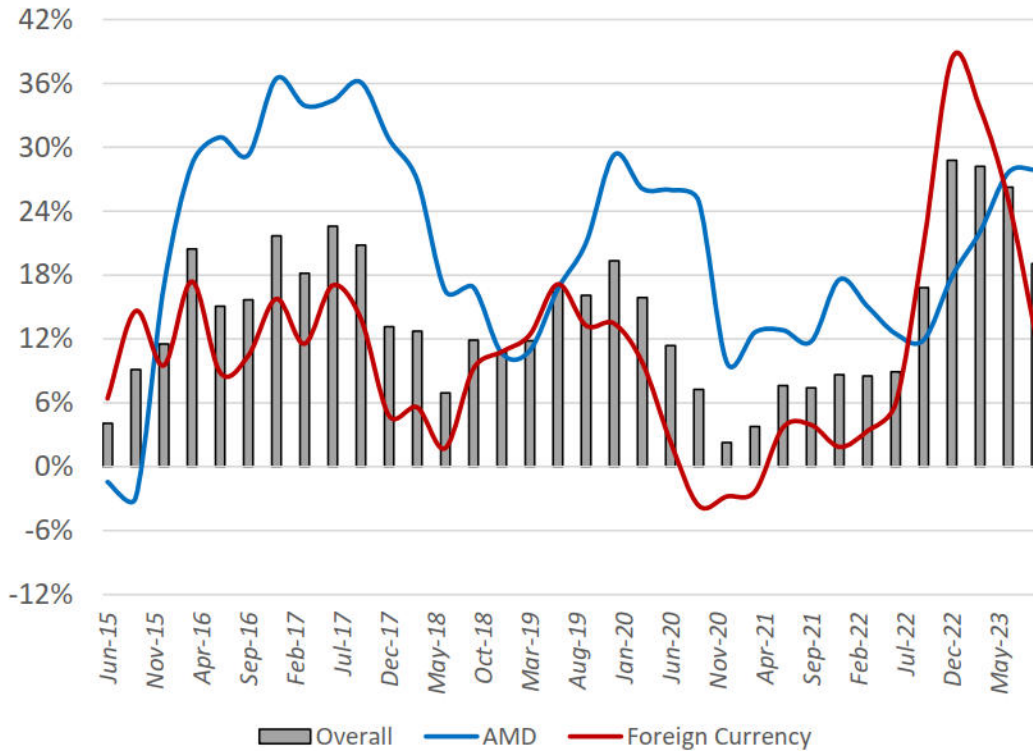


Liquidity Coverage Ratio

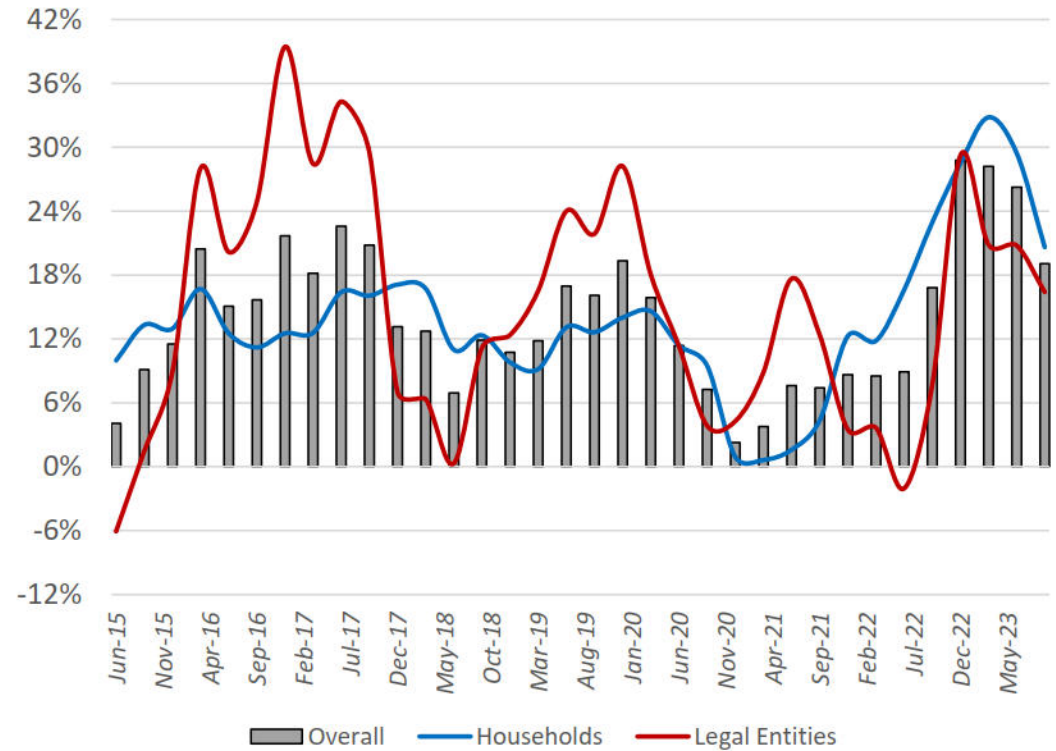


# Deposit growth is primarily attributable to AMD deposits

12-Month Growth Rates of Overall Deposits and Deposits by Currency Type

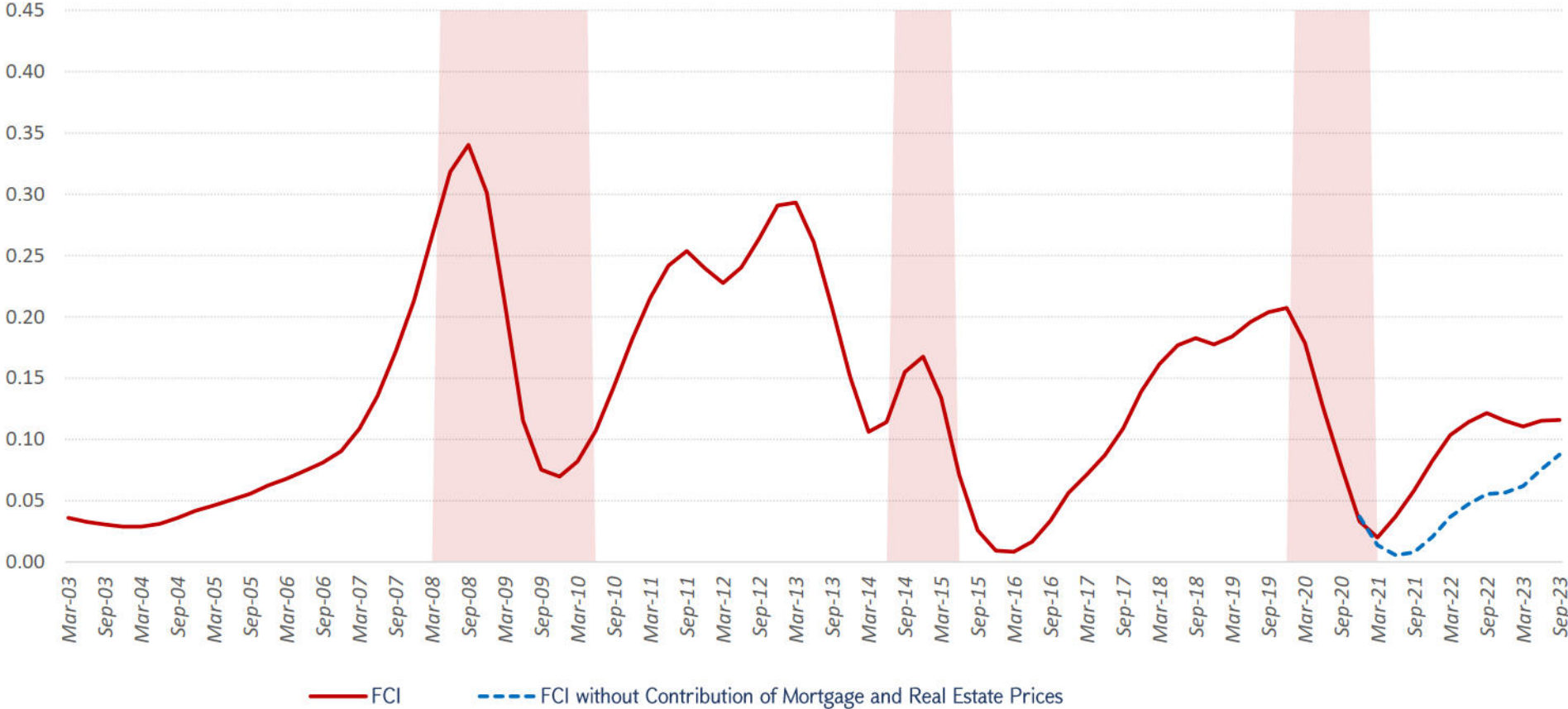


12-Month Growth Rates of Deposits from Households and Legal Entities



# Financial Cycle Index remains unchanged

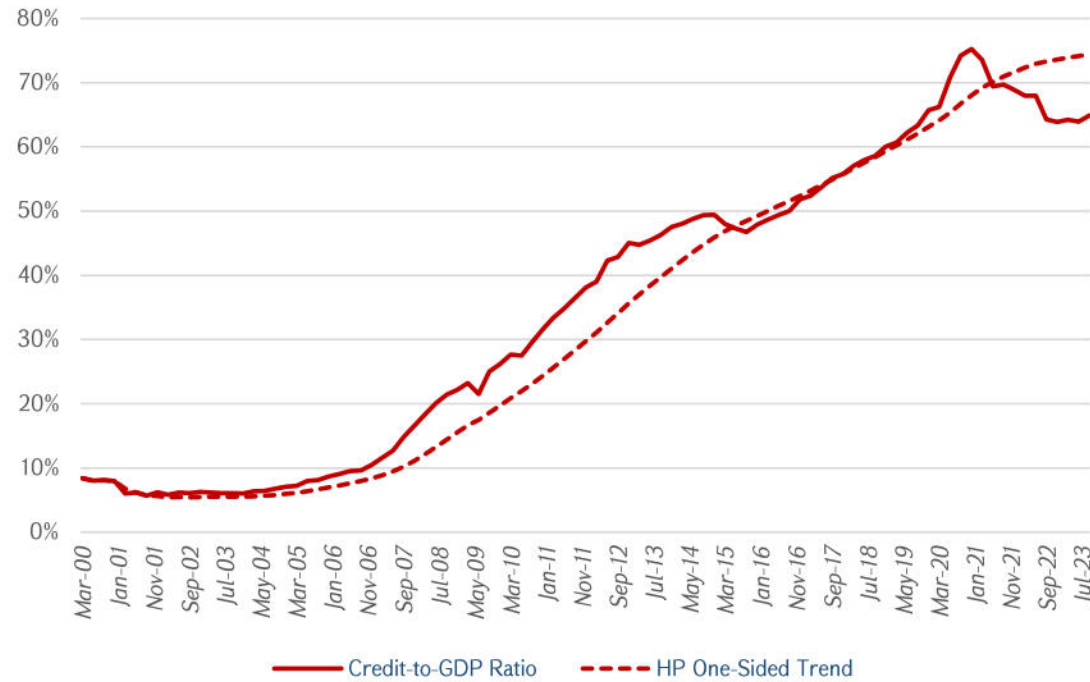
Financial Cycle Index\*



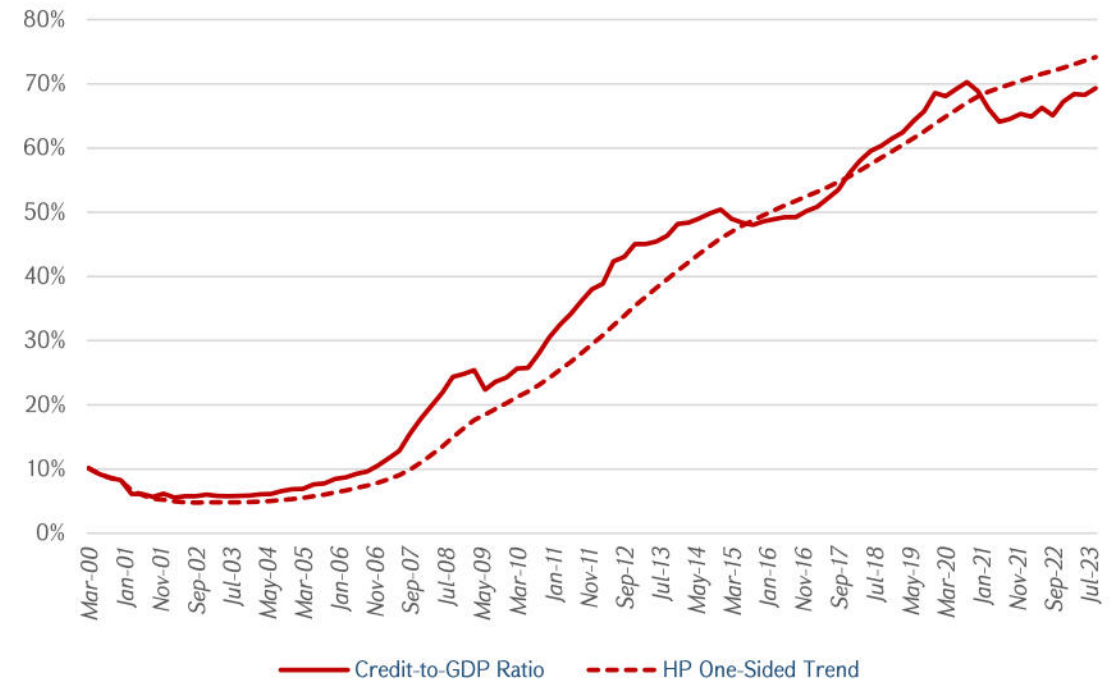
\*The values of this indicator for the third quarter of 2023 are based on estimates of the underlying indicators (GDP, Loans, etc.) and may change somewhat based on actual future data.

# Credit-to-GDP Gap remains negative

Credit-to-GDP Ratio and its Long-Term Trend



Credit-to-Smoothed GDP Ratio and its Long-Term Trend\*



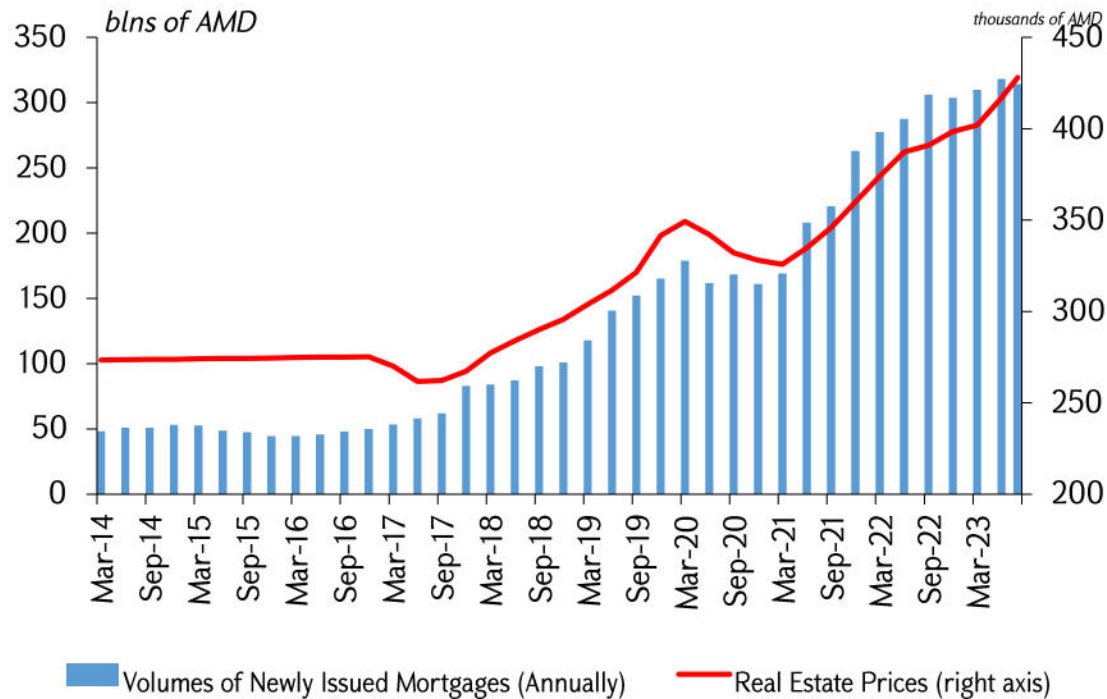
\* Indicator calculated on basis of smoothed GDP series

# Overheating risks in mortgage and real estate markets persist

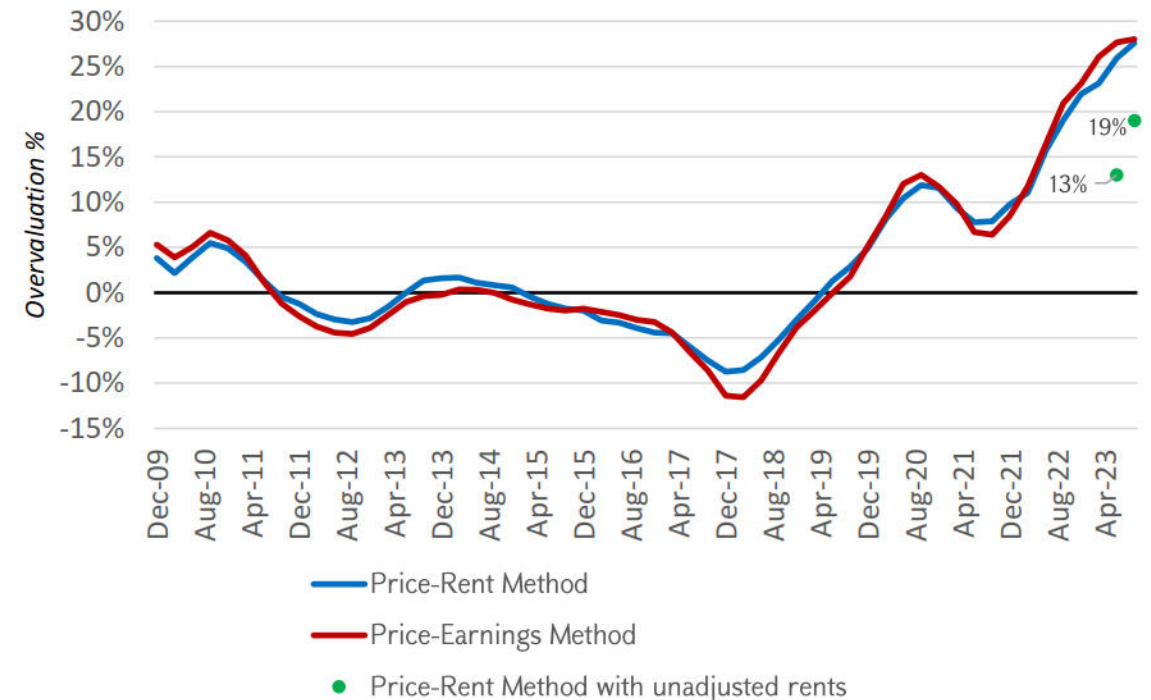
In recent years, there have been complementary high growth rates in mortgage loans and real estate prices.

The deviation of real estate market prices from their fundamental levels was about 28%.\*

Mortgage Loans and Real Estate Prices



Deviation of Real Estate Prices from Fundamental Levels



\* This estimate is based on the assumption that the unprecedentedly high growth rate of real estate rental payments recorded since last year is temporary and may not persist in the long term. The rental payment series was smoothed prior to inclusion in the calculations to exclude this effect. The chart above also shows the unadjusted version, according to which the size of overvaluation is about 19%. The methodology of price assessment based on fundamental real estate prices is presented in more detail in Box 3 of the Central Bank of Armenia's 2021 Financial Stability Report, which is available at the following link: [https://www.cba.am/AM/ppperiodicals/Stability%20report\\_2022.pdf](https://www.cba.am/AM/ppperiodicals/Stability%20report_2022.pdf)

# Conclusion

## Taking into account that:

- ✓ Overall developments of the credit market are balanced and do not contain signs of significant risk accumulation;
- ✓ Cyclical systemic risks in the financial system continue to be at a level where risks are neither excessively underestimated nor overly subdued;
- ✓ There continues to be high uncertainty caused by the geopolitical environment;

**The CCyB rate has been left unchanged at the level of 1.5%.**