



CENTRAL BANK OF THE REPUBLIC OF ARMENIA

SELECTED INDICATORS OF FINANCIAL STABILITY

Q4, 2021

MAIN DEVELOPMENTS

The banking system's ability to absorb risks remains high

As of December 2021:

- ✓ Total capital adequacy was 17.2% (minimum set at 12%)
- ✓ Total liquidity level was 32% (minimum set at 15%).

As of the current quarter, the trends recorded since the beginning of the year continued, in particular:

- ✓ 2021 During the fourth quarter, certain improvement trends were noted in the lending market. The growth rate of mortgage loans remains high.
- ✓ Credit losses have begun to show a downward trend, however, their level remains high.
- ✓ As of the beginning of the year, the growth trends in deposits continued.

Counter-cyclical regulation of capital requirements

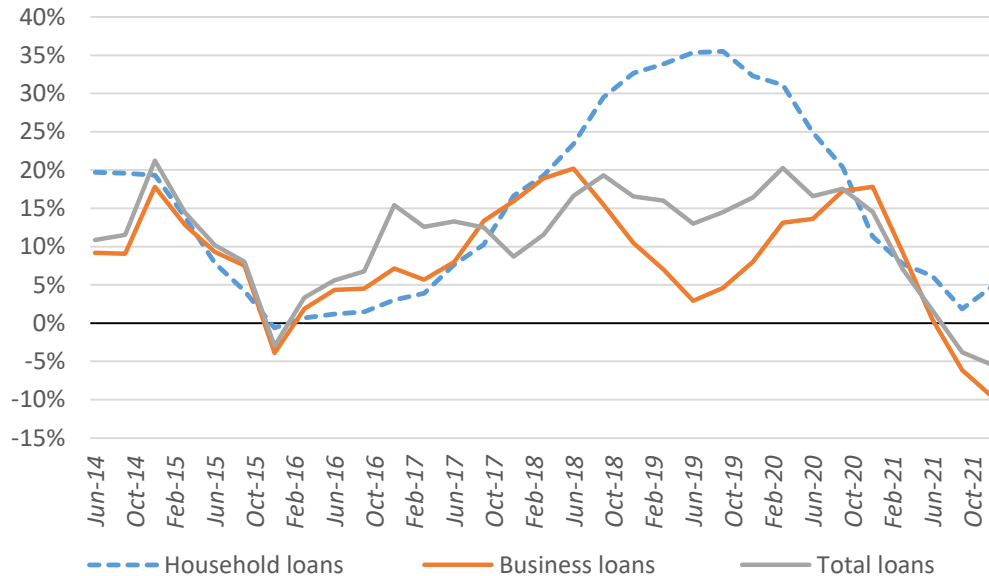
Given the situation described above, the counter-cyclical capital buffer was left unchanged at 0% level.

PRUDENTIAL INDICATORS OF BANKING SYSTEM

		12-month change
ASSETS	7.1 trillion drams	+ 5.9%
Loans provided	3.7 trillion drams	- 5.5%
Share of bad loans	3.5%	- 3.0 pp
LIABILITIES	6.2 trillion drams	+ 6.1%
Deposits attracted	3.6 trillion drams	+ 8.6%
BALANCE SHEET CAPITAL	0.9 trillion drams	+ 4.5%
Total capital adequacy	17.2%	+ 0.3 pp
Total liquidity	32.0%	+ 6.4 pp
Return on equity	6.8%	- 0.3 pp
Return on assets	0.9%	- 0.1 pp

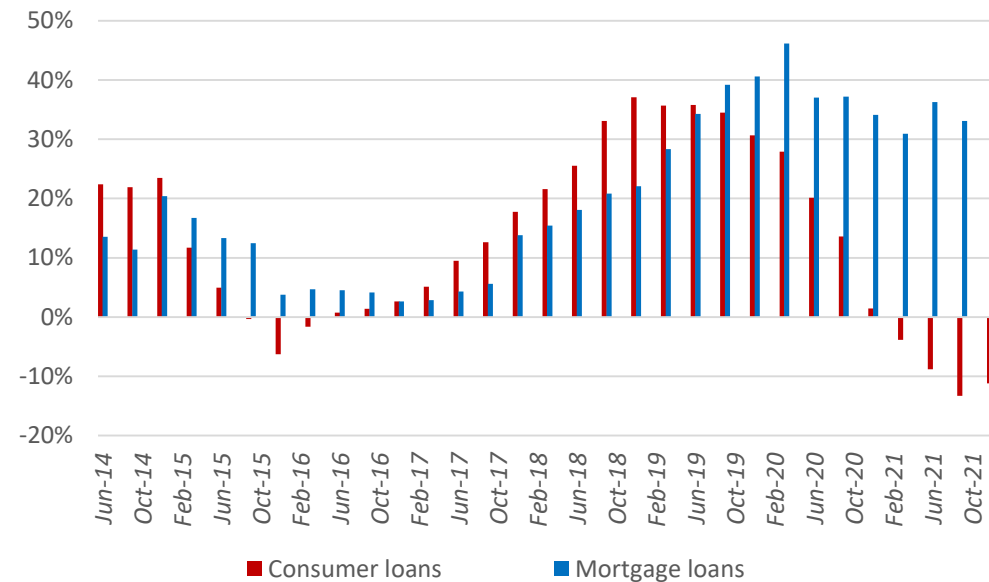
Developments in loan market

Credit stock index growth y/y, by sector



The annual growth rate of the total loan portfolio has declined; as of December 2021 it was about -5.5%. The growth of households and business loans totaled 4.8% and - 9.6%, respectively.

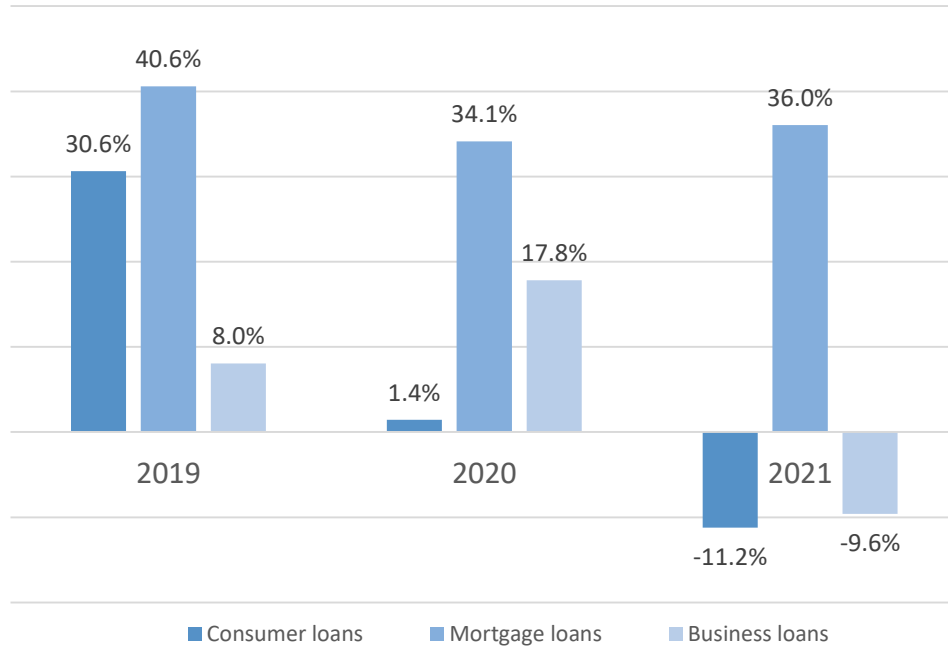
Household loan stock index growth y/y



The positive growth of household loans continues to be conditioned by the growth of mortgage loans. Despite some improvement from the previous quarter, the growth rate of consumer loans is still negative.

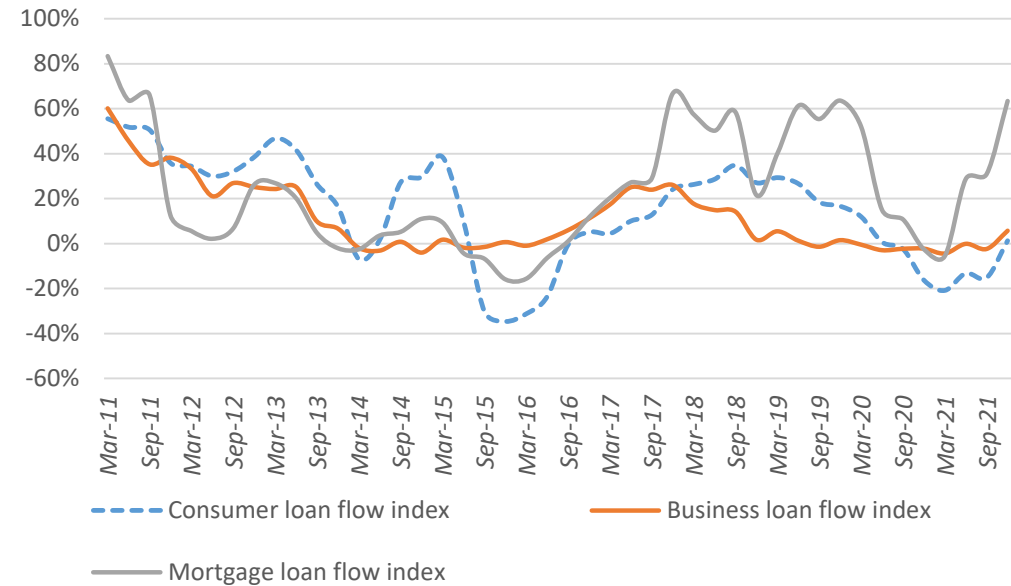
Developments in loan market

January-May growth rates of business, consumer and mortgage loan during 2019-2021



As of December 2021, compared to previous years, positive growth was reported in mortgage loans.

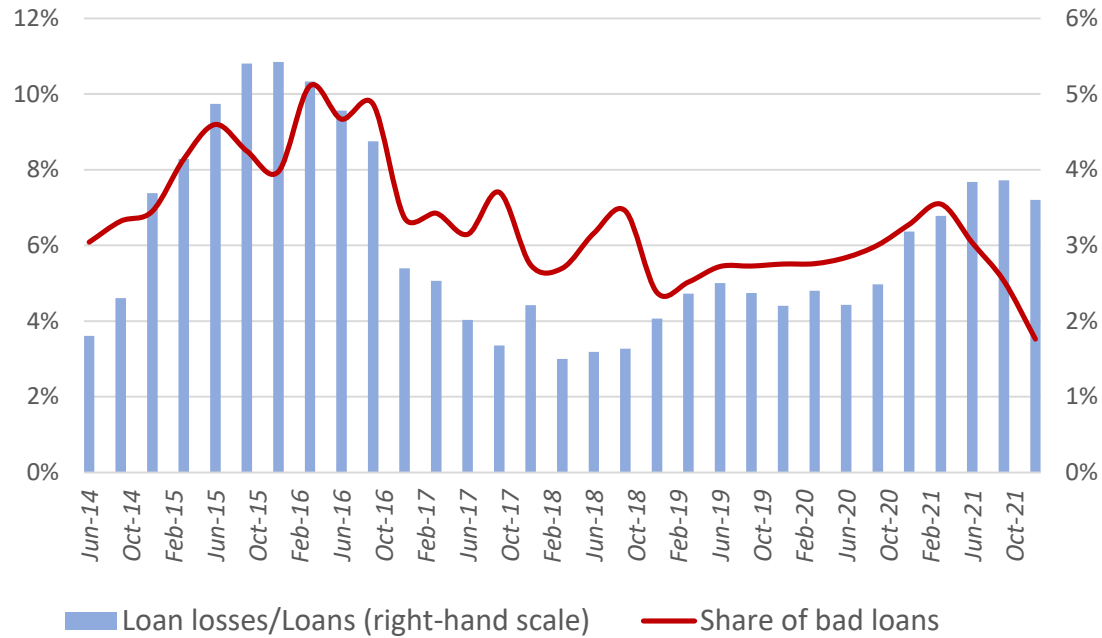
Annual growth rates of consumer, mortgage and business loan flows



As of December 2021, positive growth rates of new consumer and business loans have been registered. Mortgage loans continued to grow at a high rate.

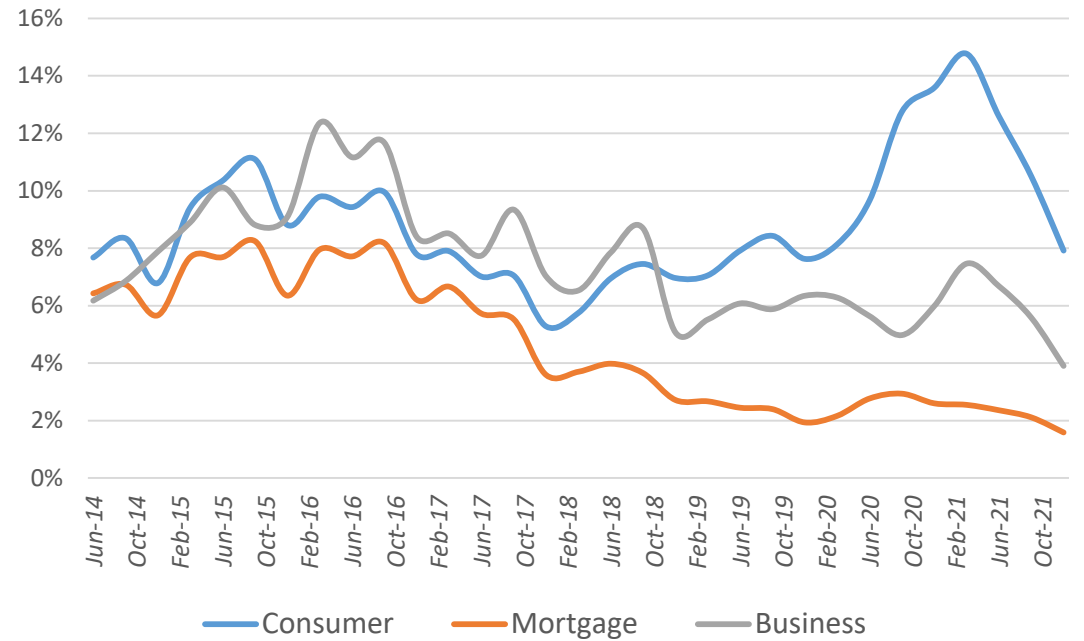
Quality of Loans

Share of nonperforming loans and losses from loans



Although the share of NPLs decreased, as of the beginning of 2021, the average amount of the loan loss to credit ratio still exceeds the pre-crisis level.

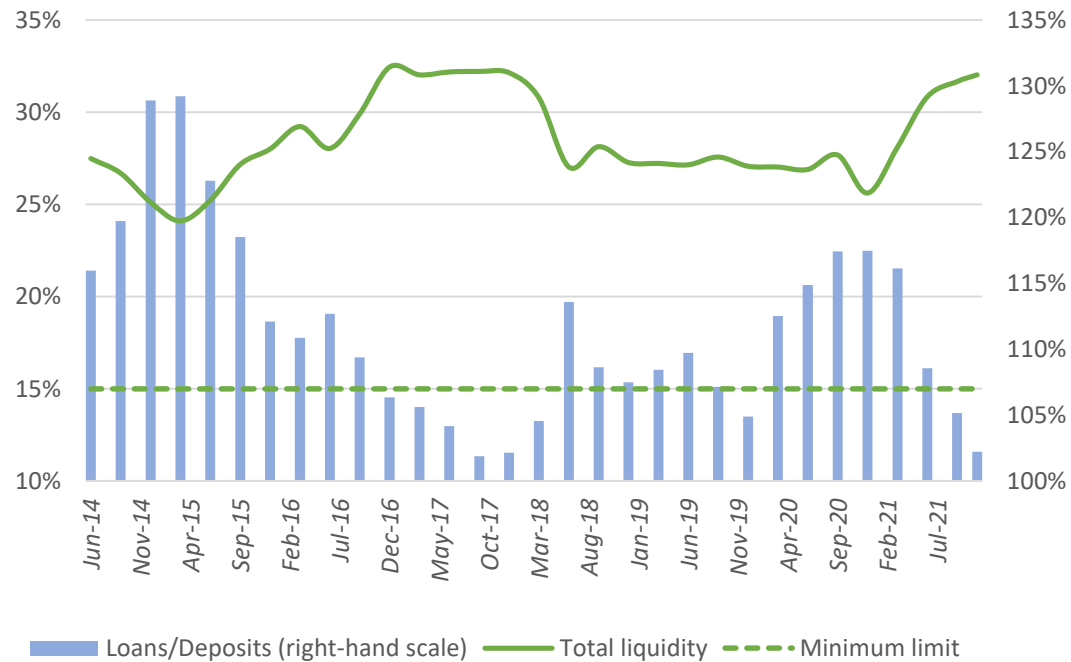
Sectoral NPLs



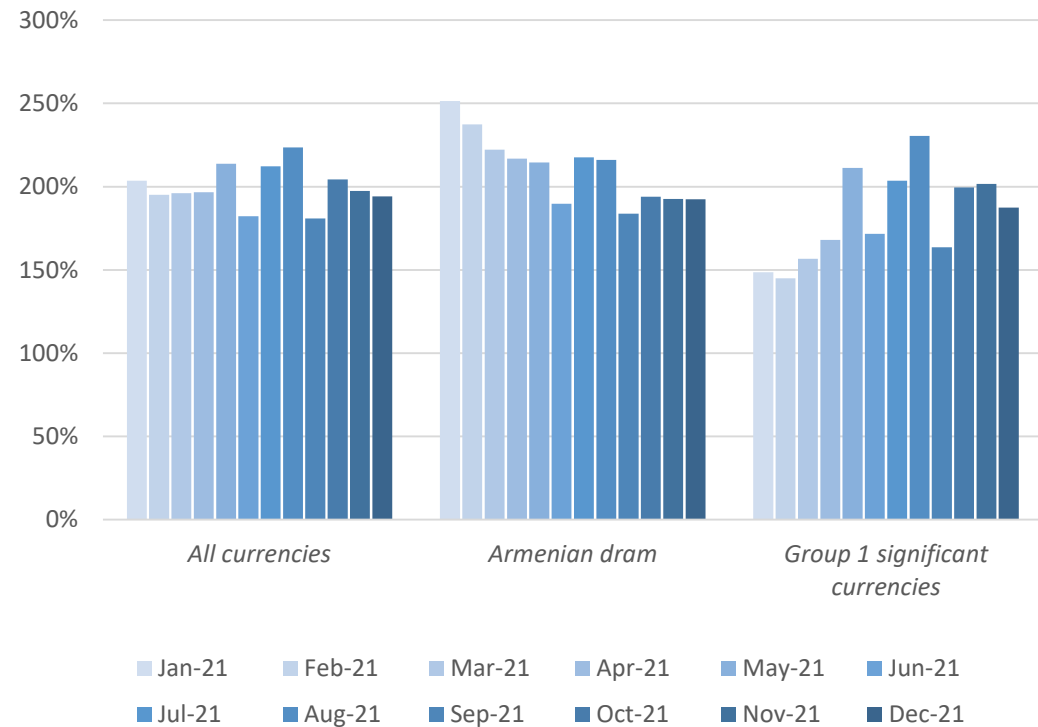
The share of non-performing loans in all sectors has been trending to decrease.

Risk absorbing capacity

Banks' liquidity indicators and loan to deposit ratio



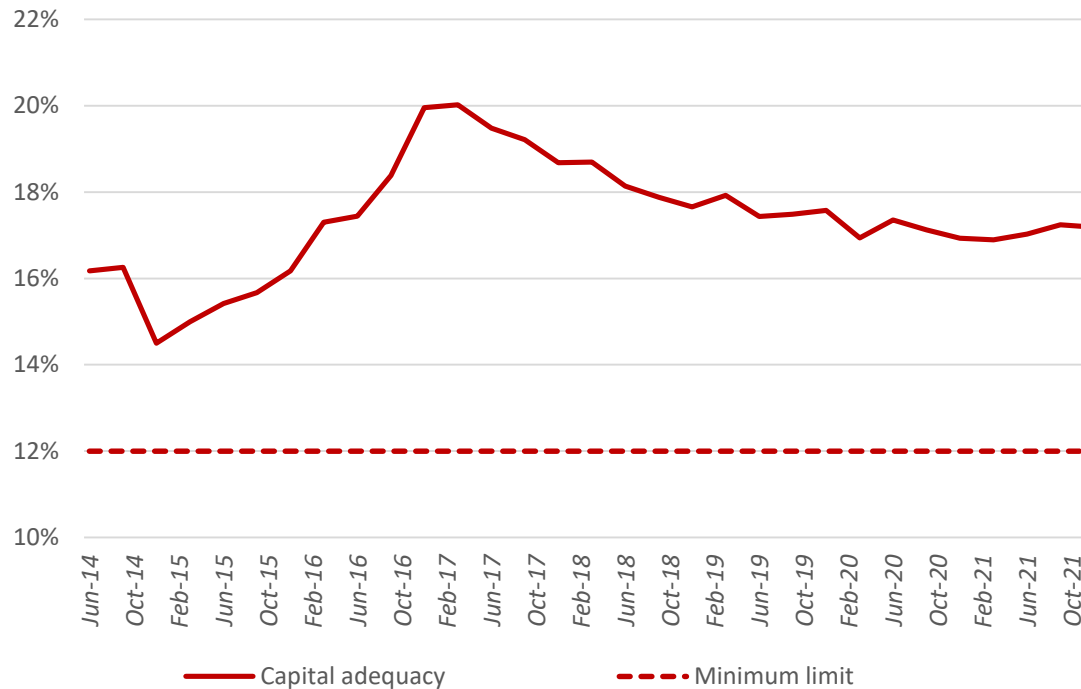
Liquidity coverage ratio



The overall liquidity and capital adequacy ratio remain above the required minimum limits. The loans-to-deposit ratio decreased, indicating an improvement in the liquidity position.

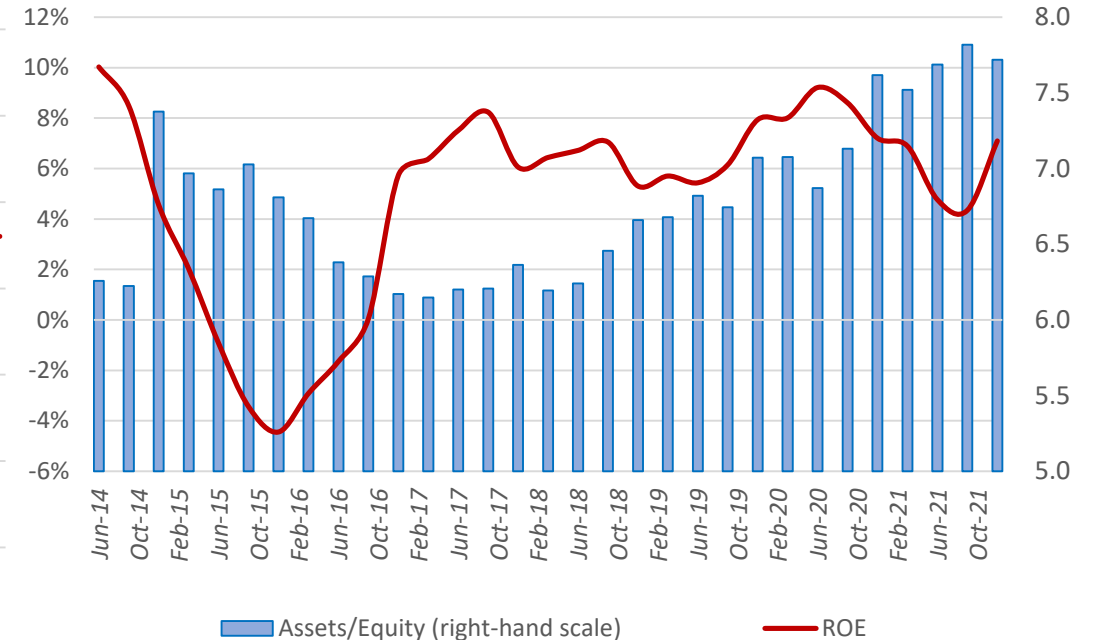
Risk absorbing capacity

Capital adequacy



Capital adequacy ratio remains above the minimum required Level.

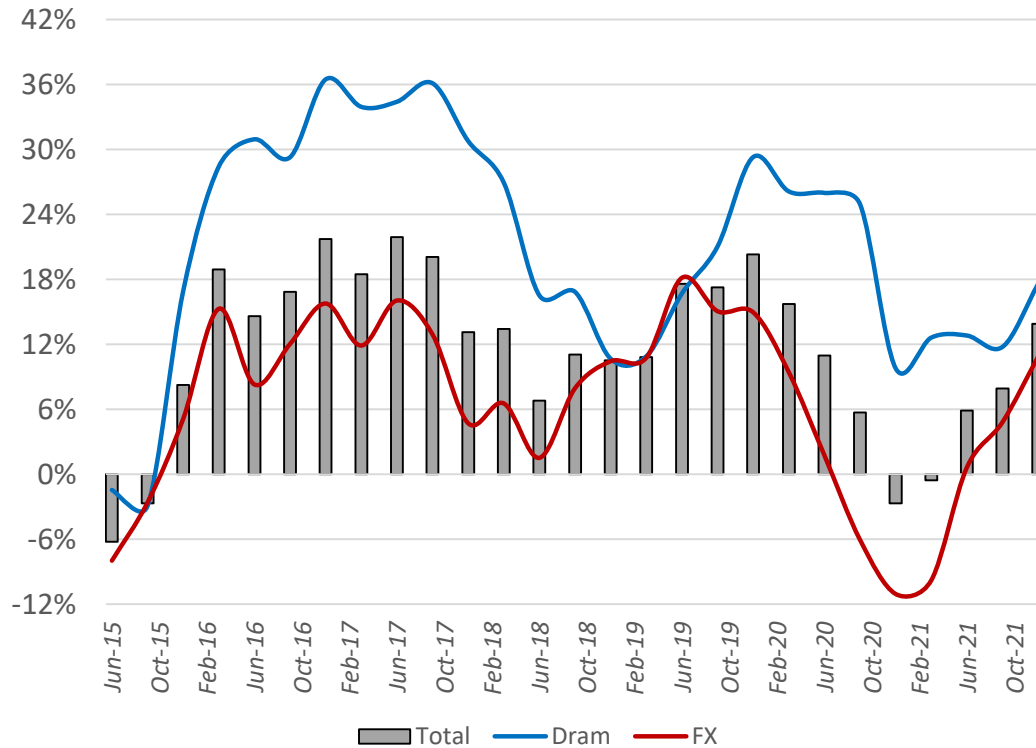
Return on equity and leverage



Compared to the previous quarter, there is some increase in RoE, despite a slight decrease in the leverage ratio, which indicates a tendency to restore the profitability of the banking system.

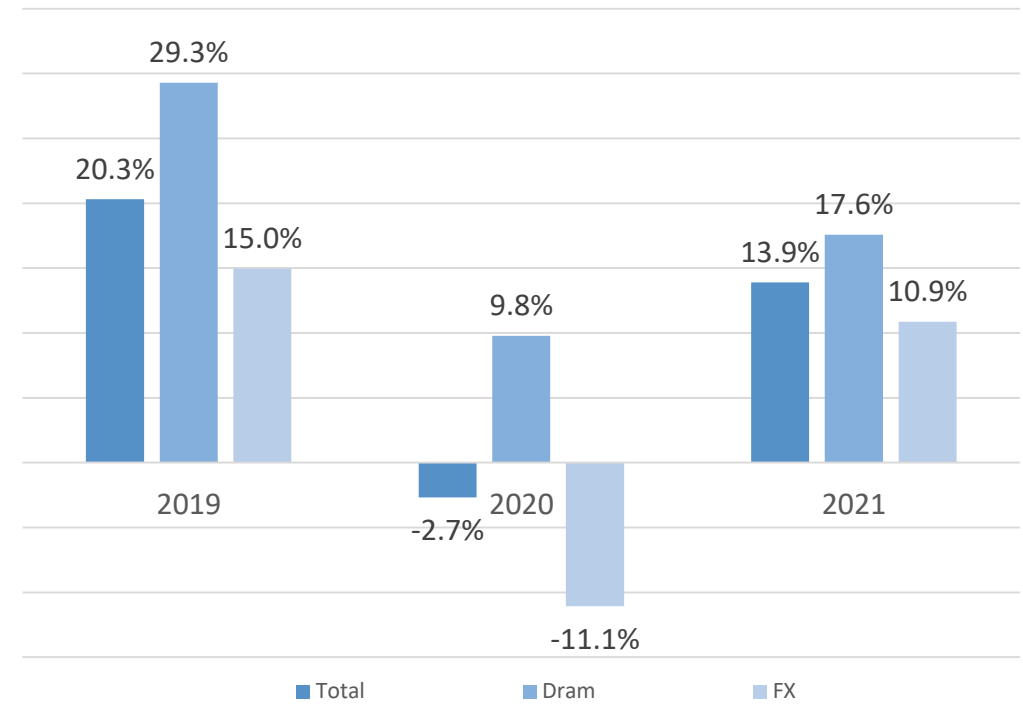
Deposits

12-month growth rate of deposits and deposits by currency*



* Adjusted to USD/AMD exchange rate as of December 2021

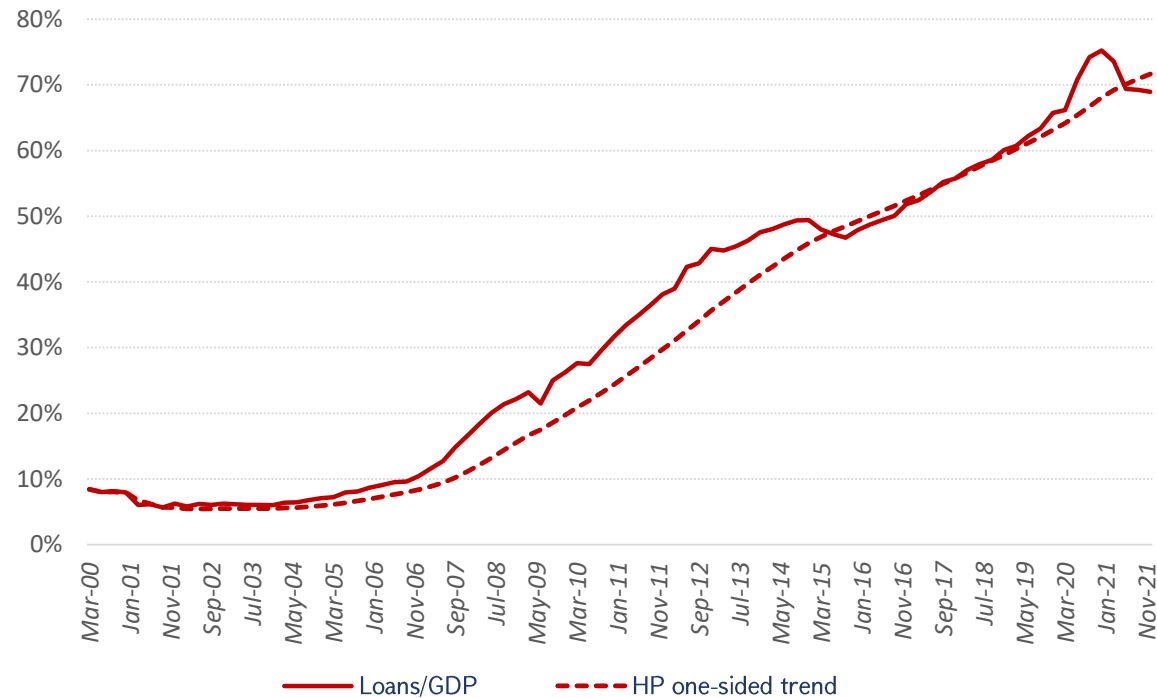
Growth rates of Dram and FX deposits in the period January-December*



As of December 2021, trends of deposit growth have persisted.

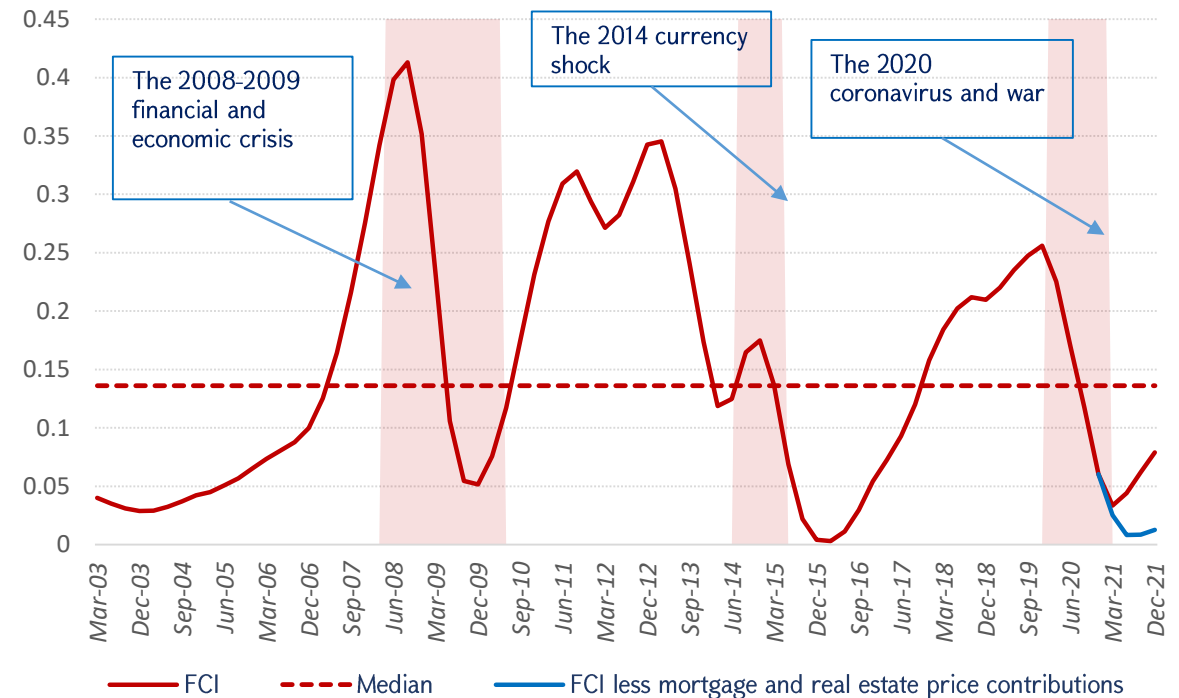
Credit cycle

Credit to GDP ratio and its long-term trend



Compared to the previous quarter, the estimated credit-to-GDP ratio is still below its long-term trend.

Financial Cycle Index



Although the growth trends of the Financial Cycle Index continued, they were mainly driven by the raise of mortgages and real estate prices.