CENTRAL BANK OF ARMENIA

MAIN INDICATORS OF FINANCIAL STABILITY

3-rd quarter 2022

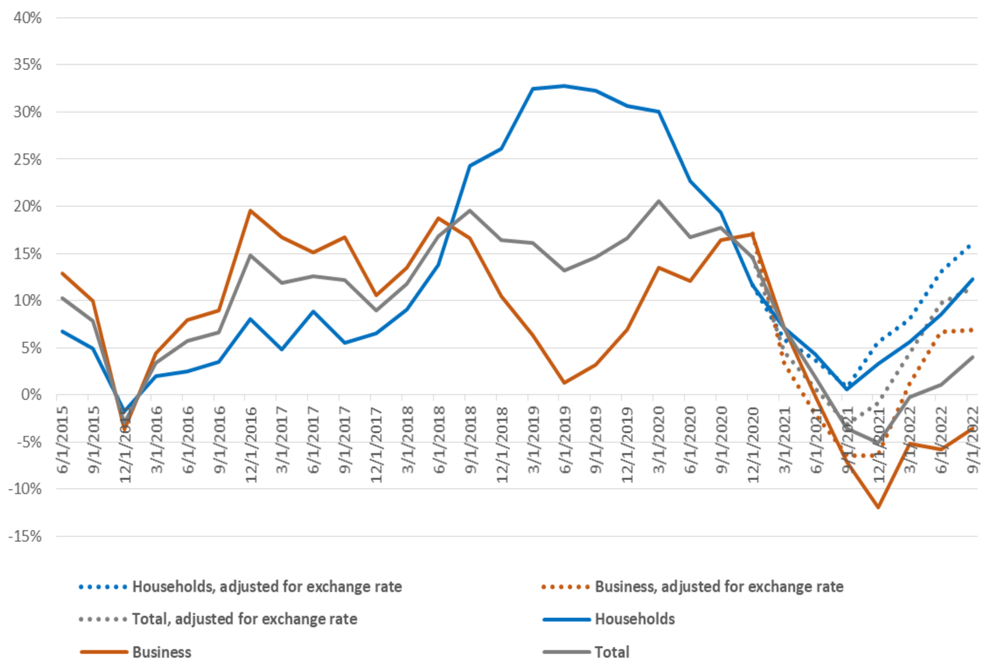
MAIN INDICATORS OF BANKING SYSTEM*

	Indicator value as of Aug 2022	12-month change
ASSETS	7.62 trillion AMD	10.37%
Loans	3.84 trillion AMD	3.93%
Non-performing loan ratio	4.38%	-0.95 p.p
LIABILITIES	6.44 trillion AMD	7.01%
Attracted deposits	4.04 trillion AMD	16.74%
EQUITY	1.18 trillion AMD	33.30%
Total capital adequacy ratio	19.93%	2.79 p.p
Total liquidity ratio	34.88%	3.21 p.p
Return on equity	19.76%	15.33 p.p
Return on assets	2.80%	2.2 p.p

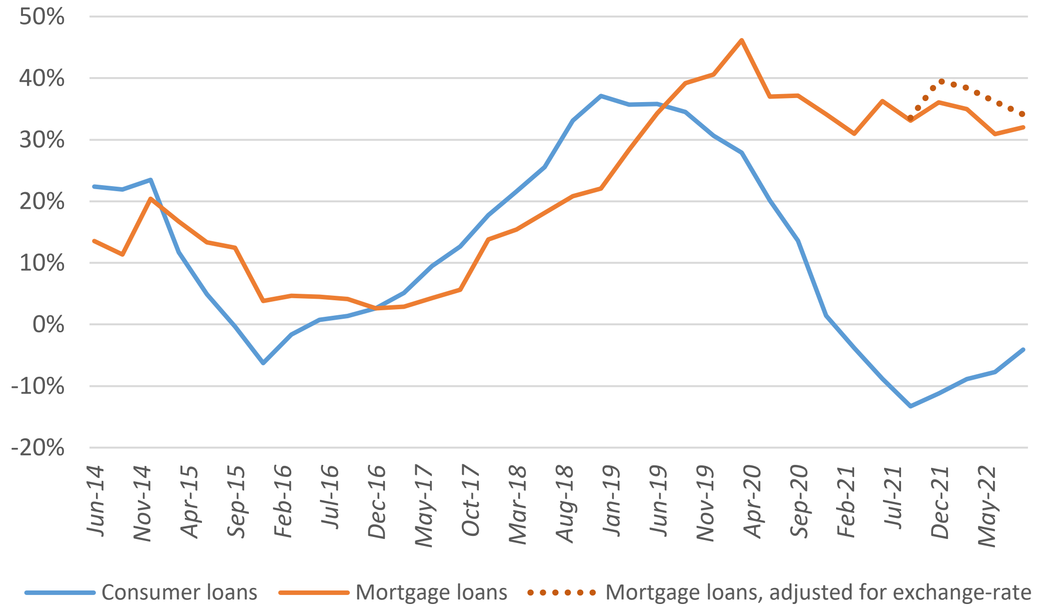
* The data is as of Aug 2022, except for loan flows and balance sheet data for banking system, which are as of 18 September 2022. 3-rd quarter data for Credit to GDP ratio and Financial Cycle index is an estimate, not actual data.

Lending keeps on growing

YoY growth in the stock indicator of loans, by sectors

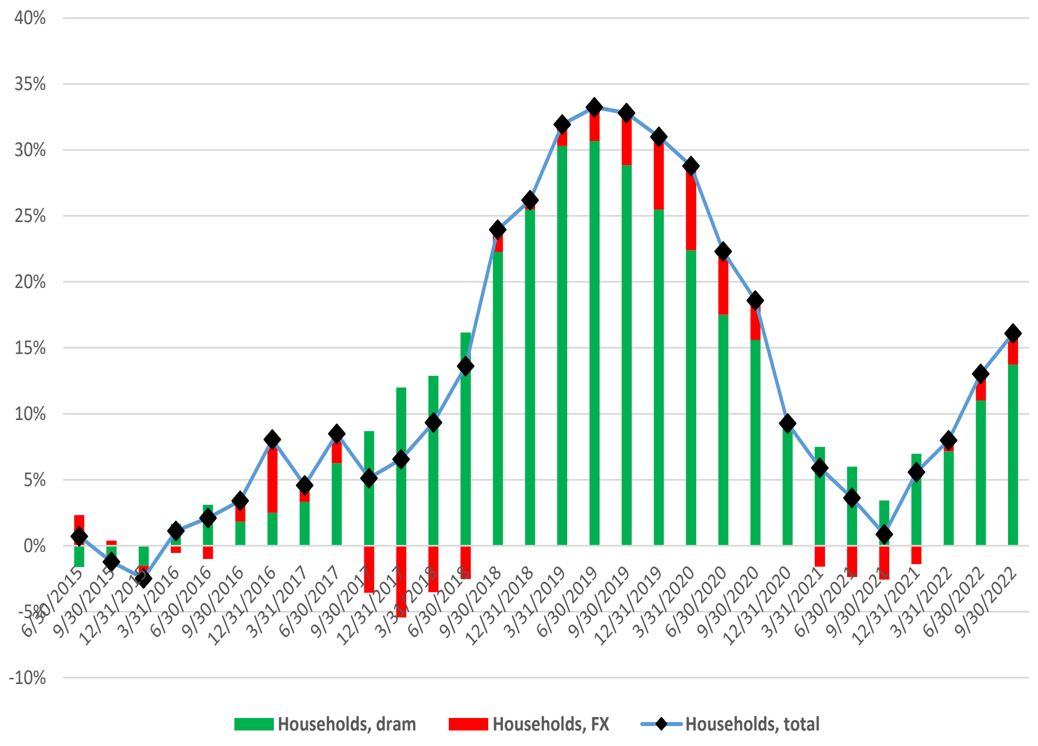


YoY growth in the stock indicator of household loans

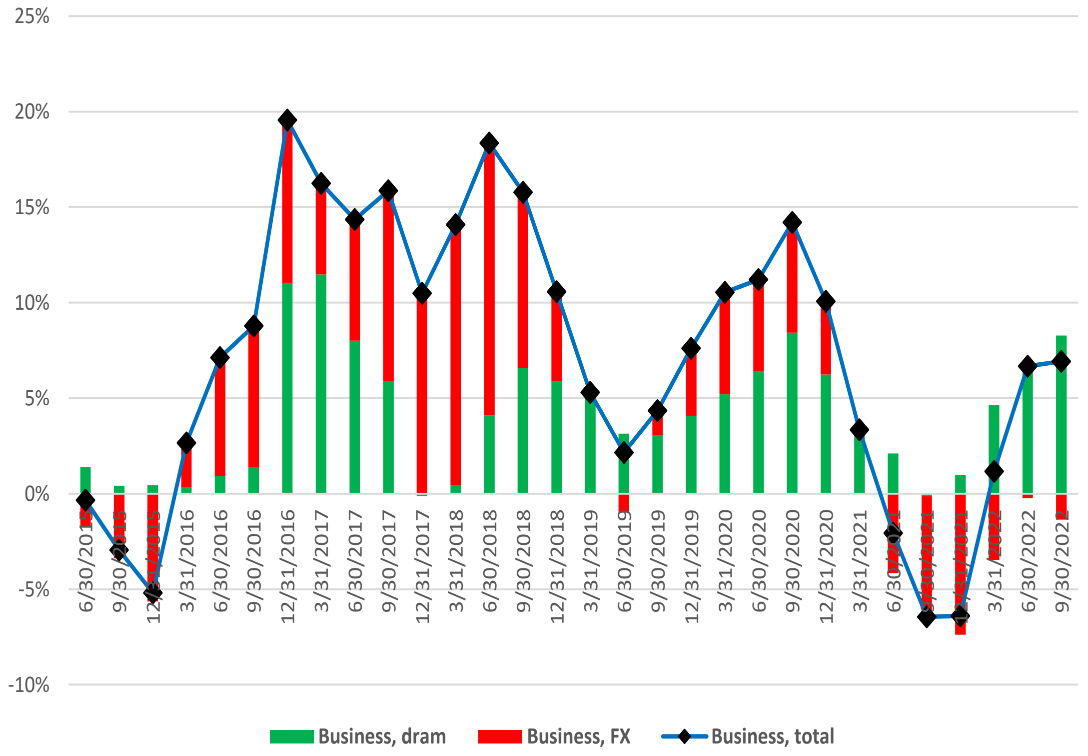


Primarily, it is the local currency loans that have increased

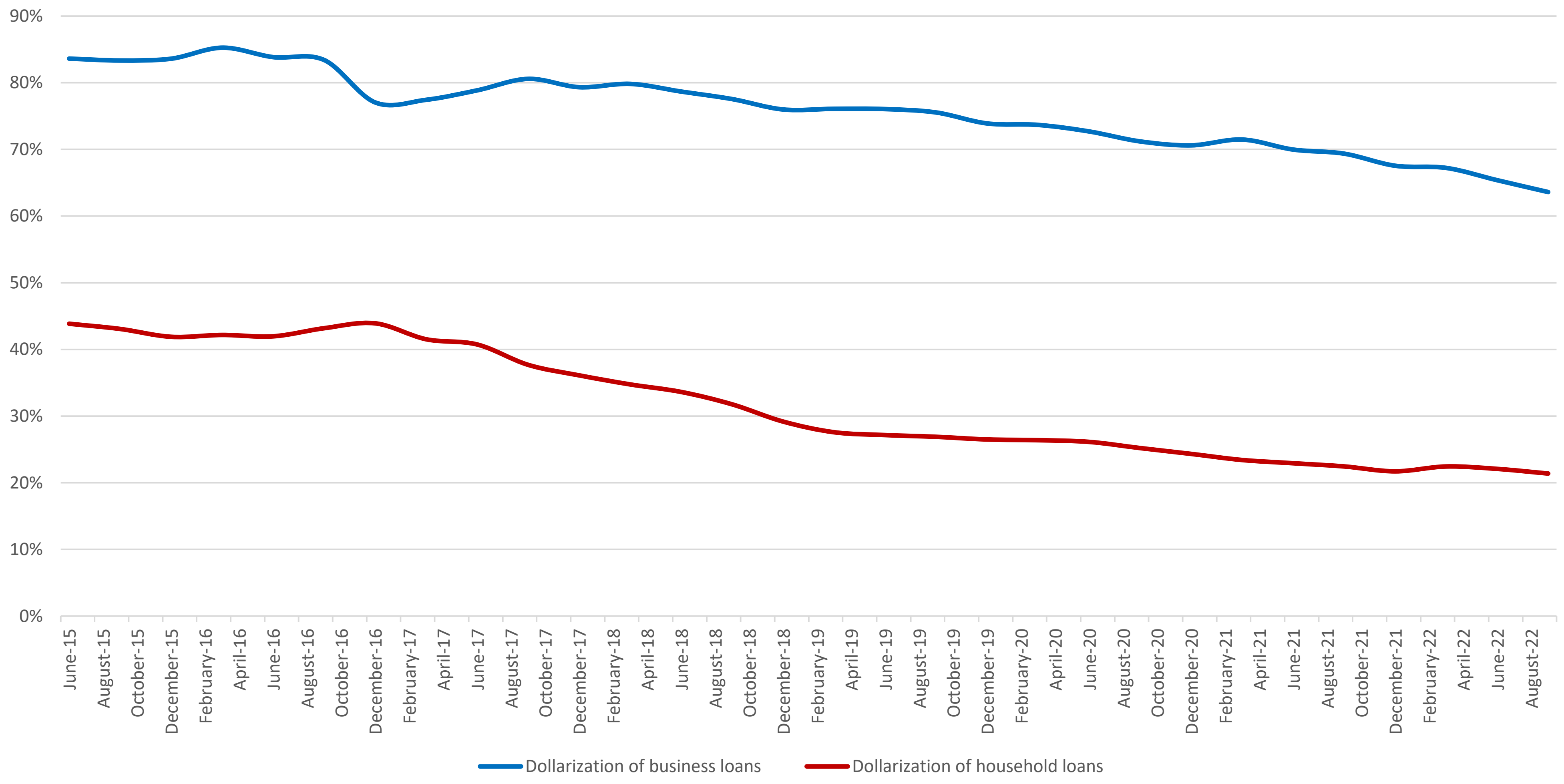
Decomposition of the growth rates of household loans by currency



Decomposition of the growth rates of business loans by currency

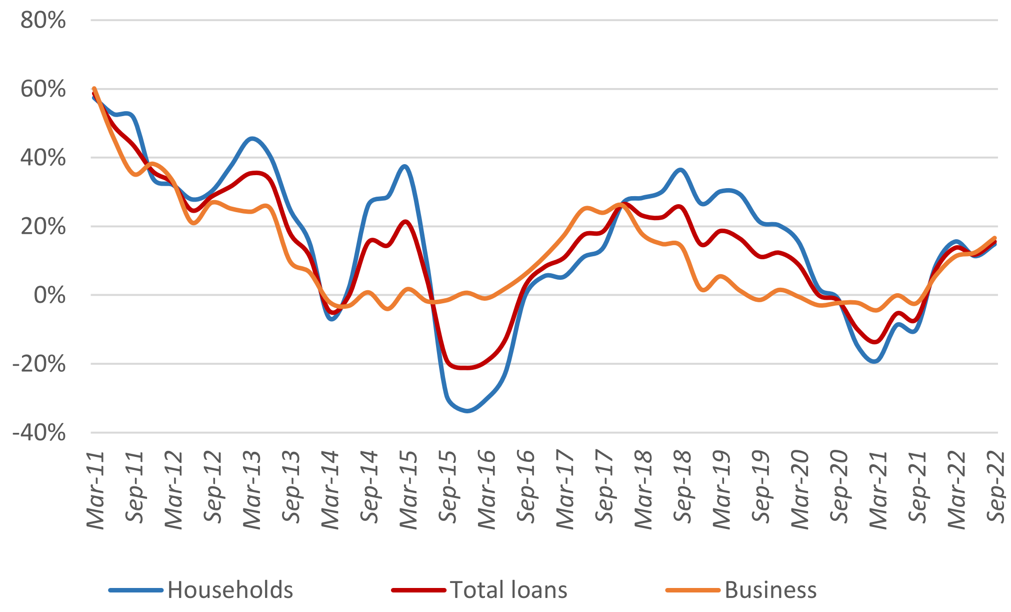


Dollarization of loans has gone down

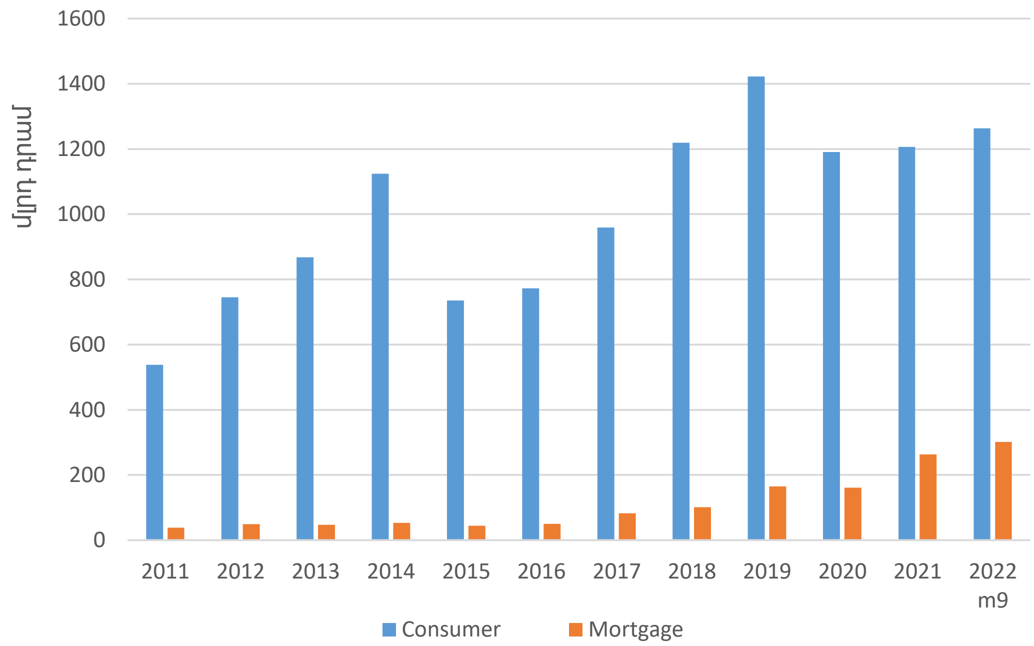


Flow indicators of loans have increased as well…

YoY growth in flow indicators of loans

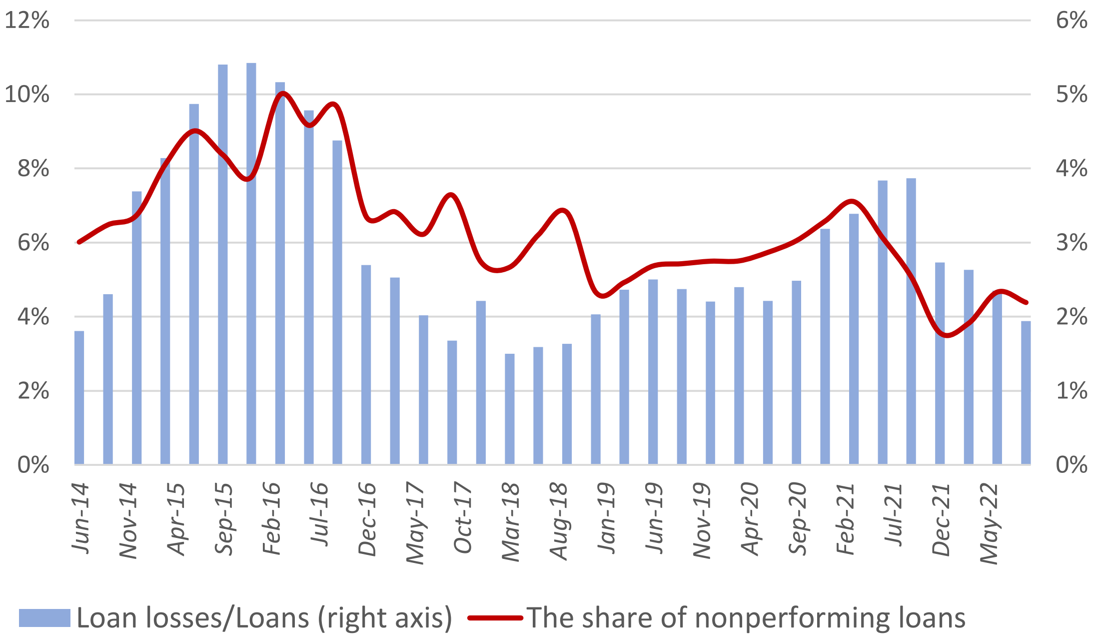


Yearly flows of consumer and mortgage loans



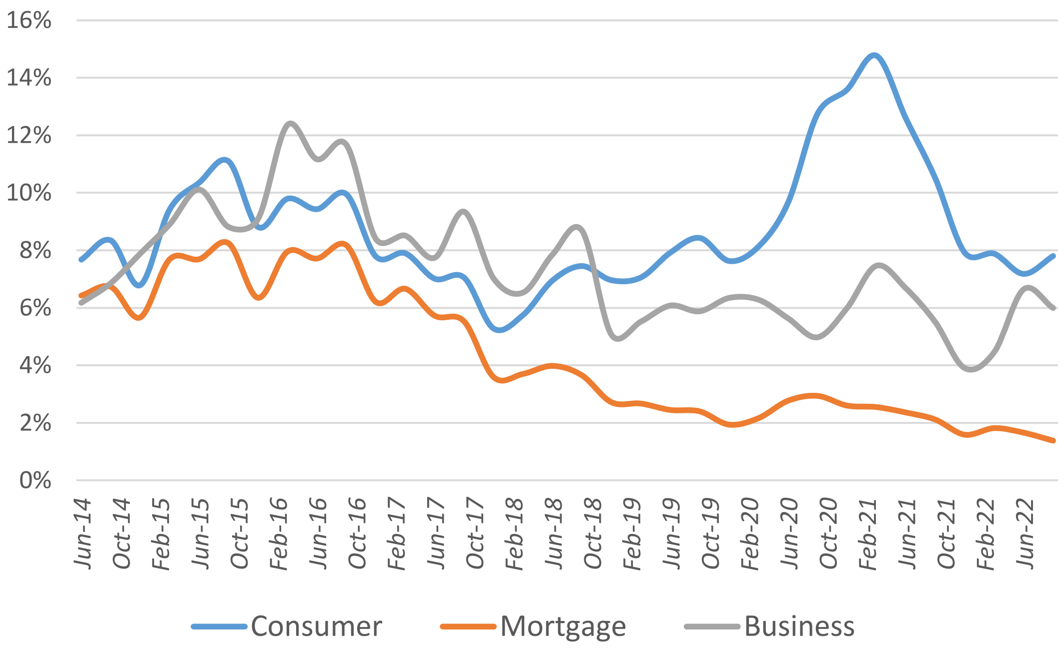
Loan losses have gone down

The share of non-performing loans և loan losses*



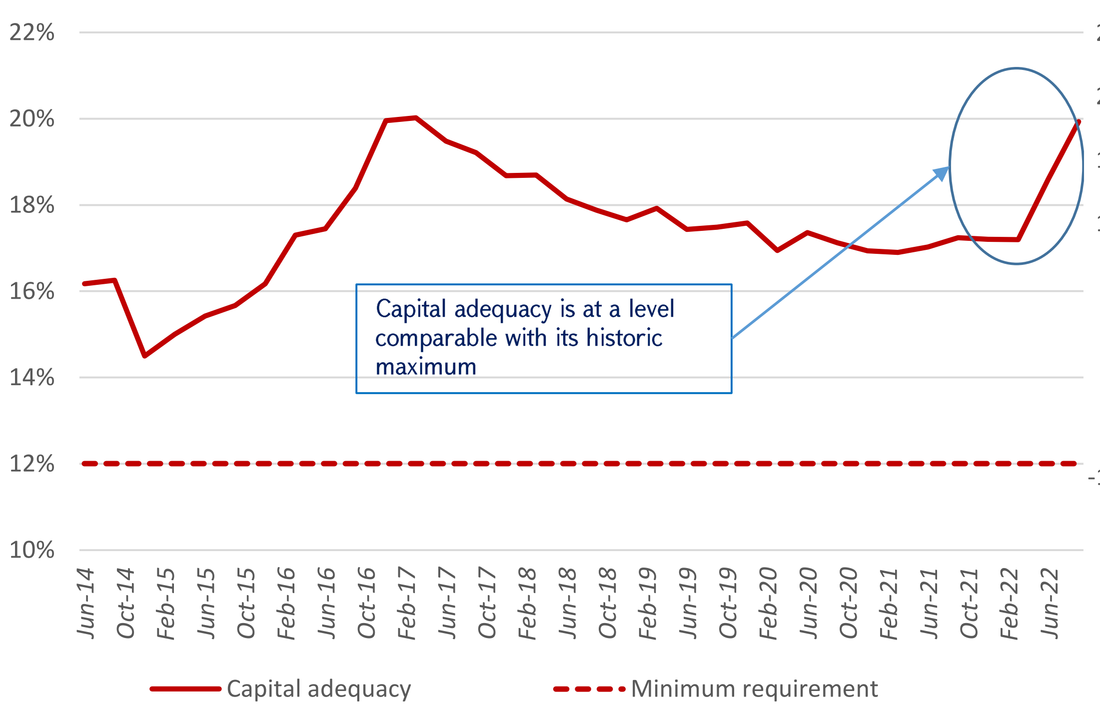
** Including the loans classified as watch*

The share of non-performing loans by loan type

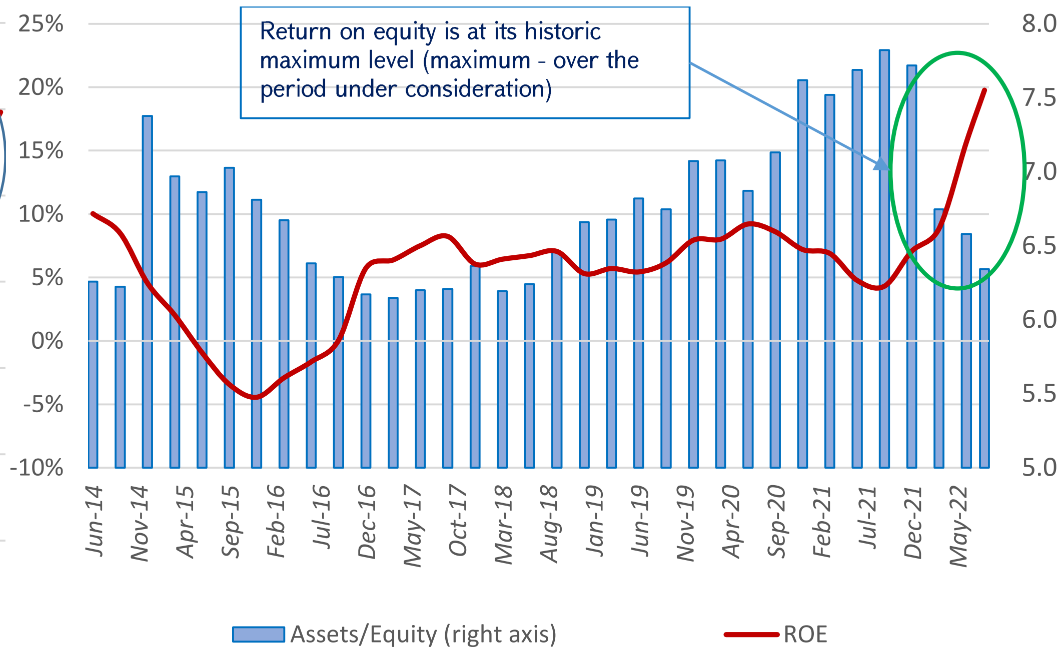


Loss absorbing capacity has improved considerably

Capital adequacy

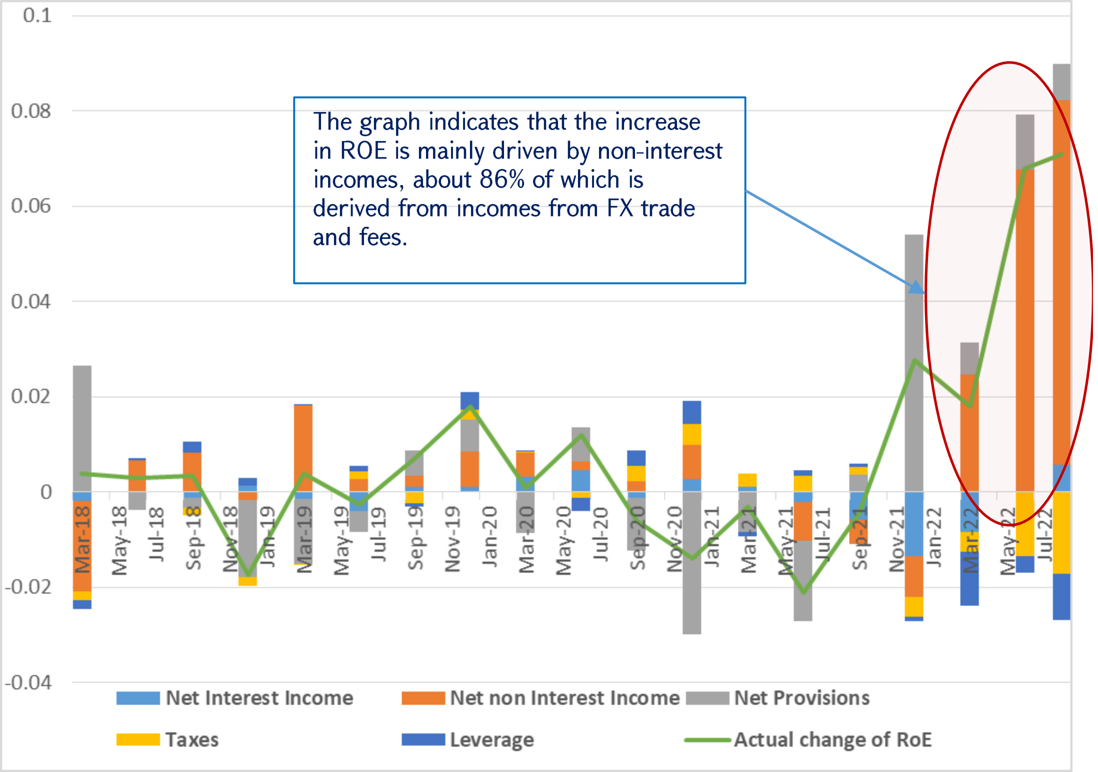


Return on equity and leverage

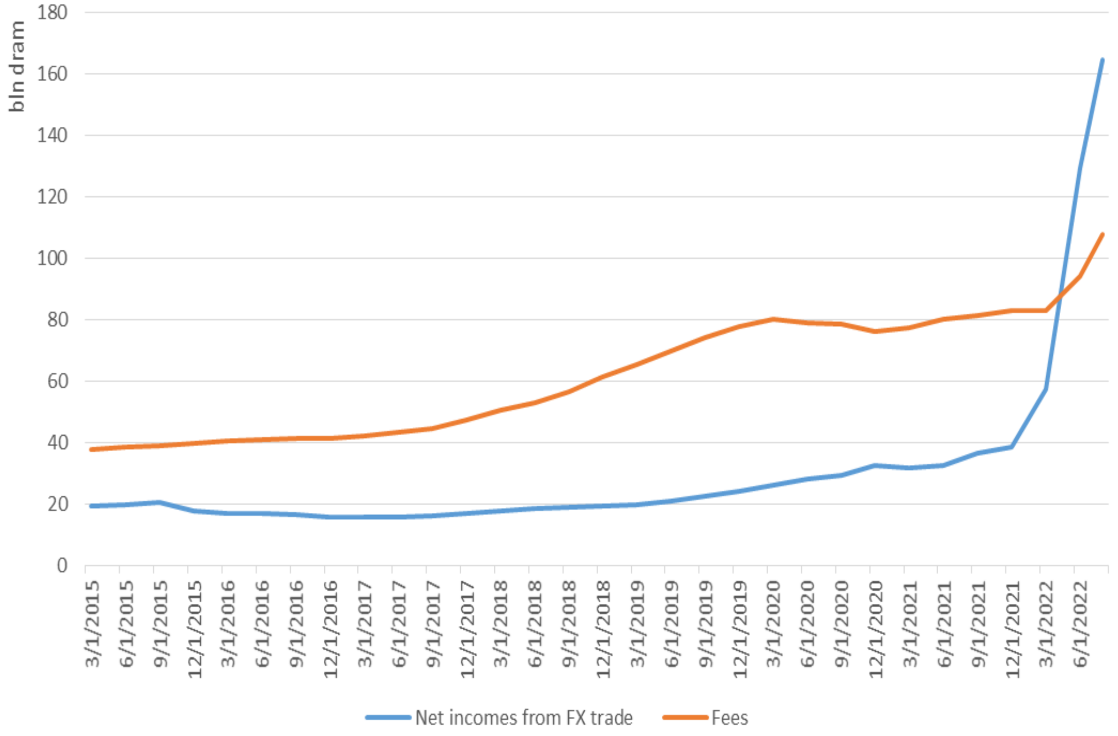


Higher returns are primarily driven by rising non-interest income

Decomposition of return on equity



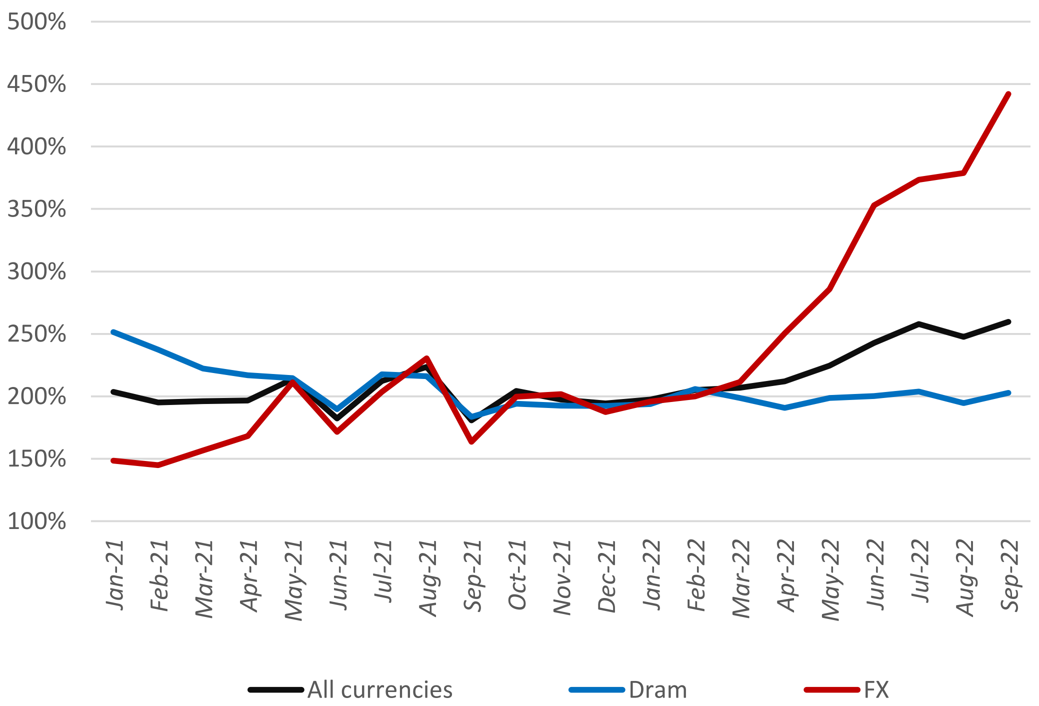
Incomes from FX trade and fees



FX liquidity is at its historic maximum level

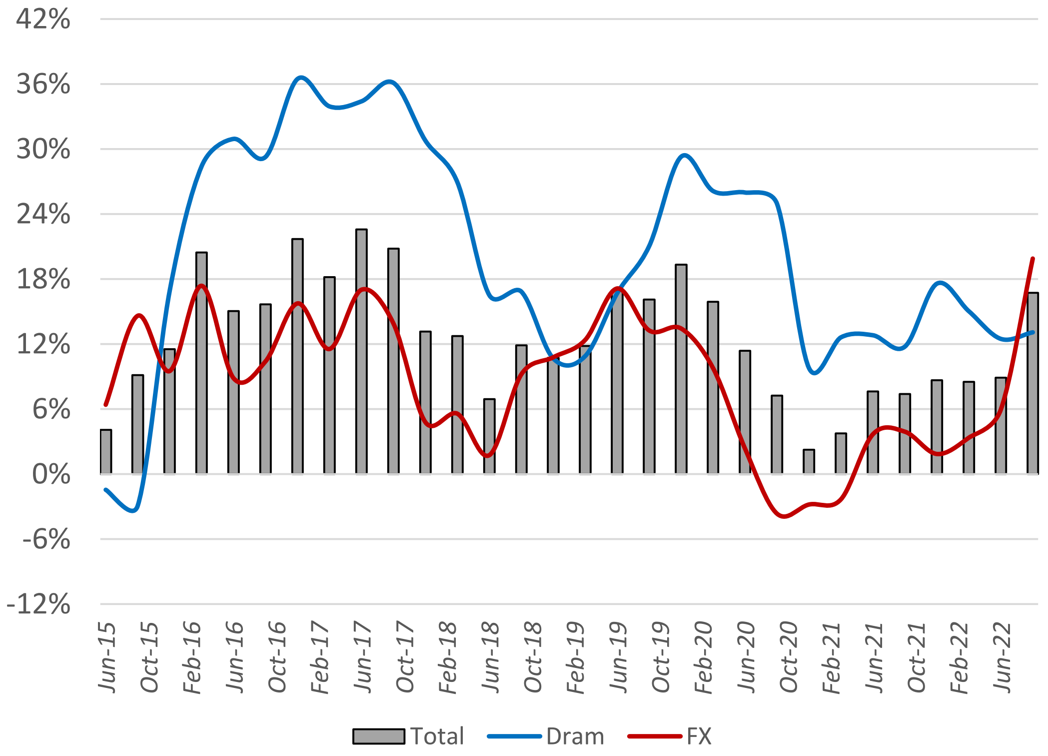
Liquidity requirements of banks and loans/deposits ratio

Liquidity coverage ratio

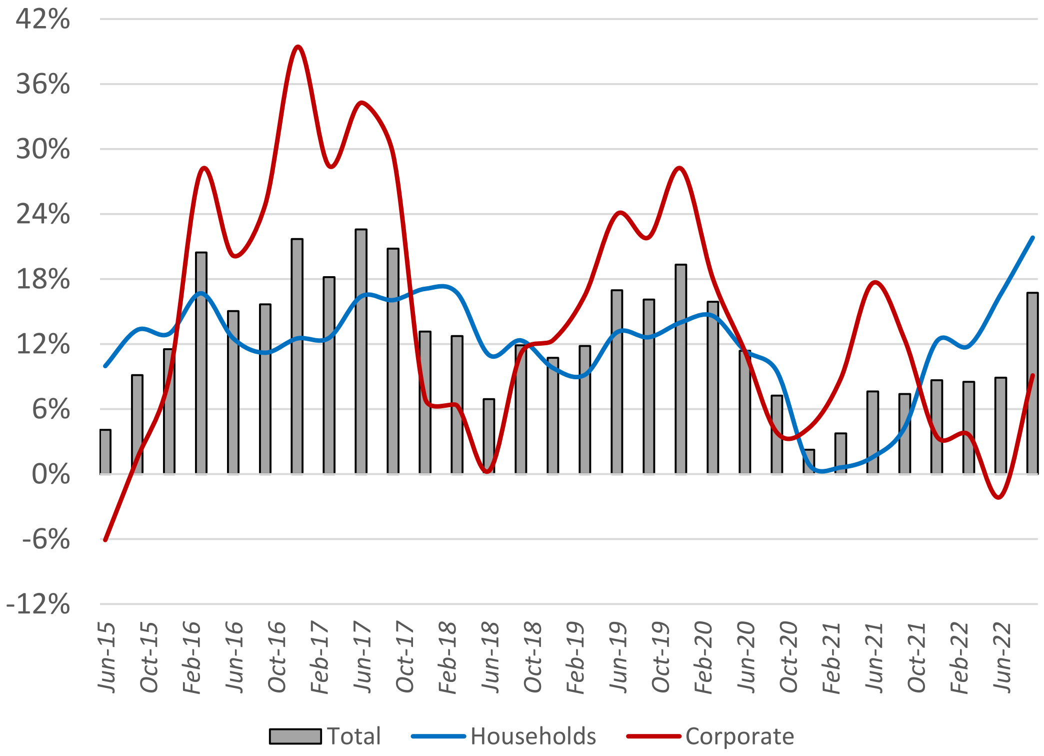


Deposits are growing as well

12-month growth rates of deposits, total and by currency

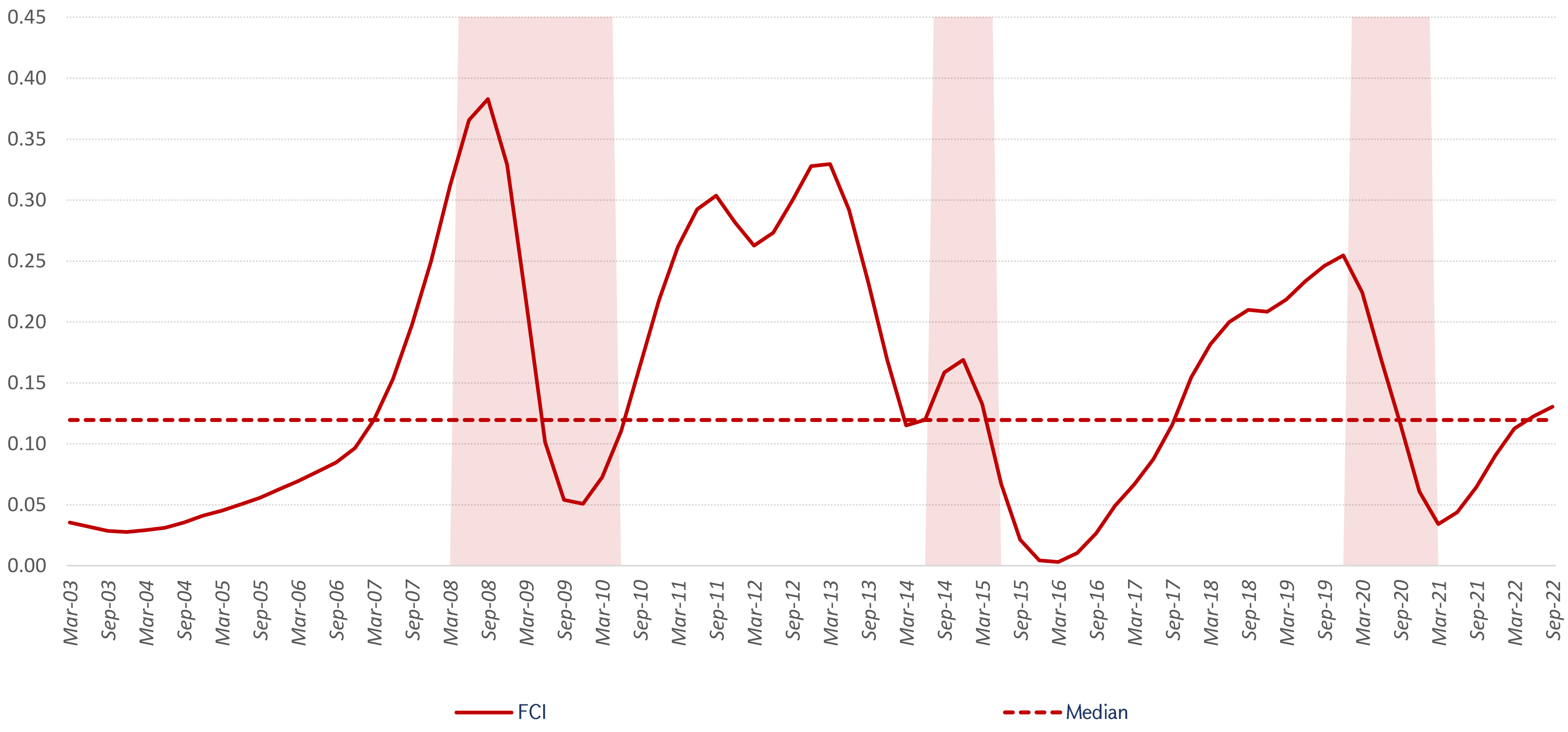


12-month growth rates of household and corporate deposits



Financial cycle index is at its expansionary phase

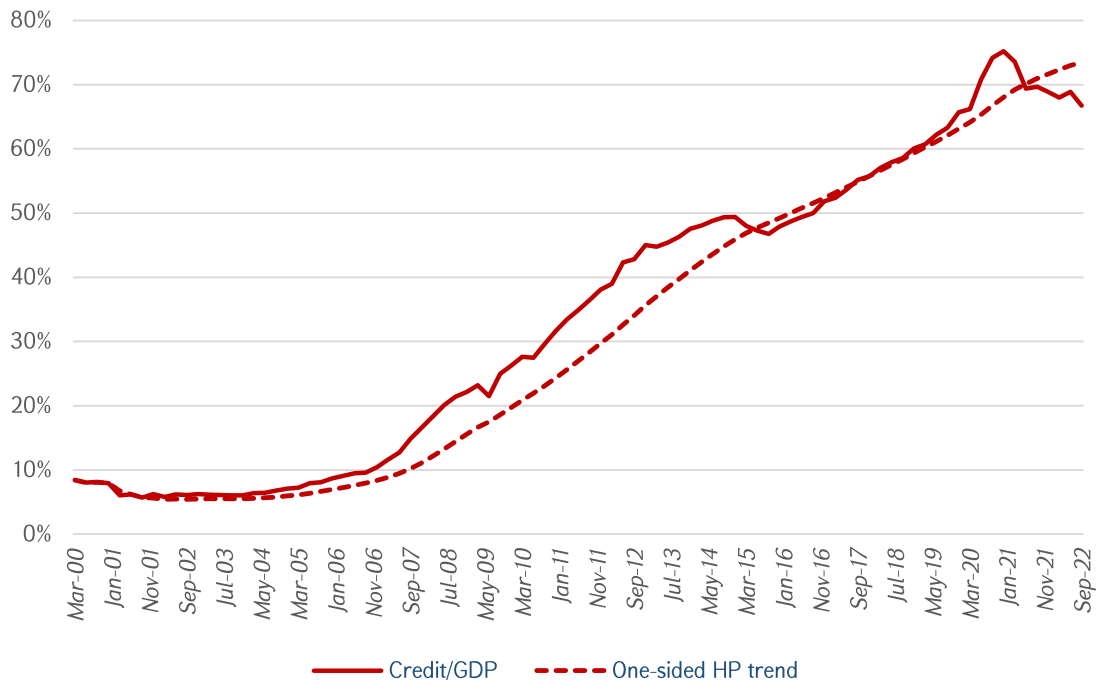
*Financial cycle index**



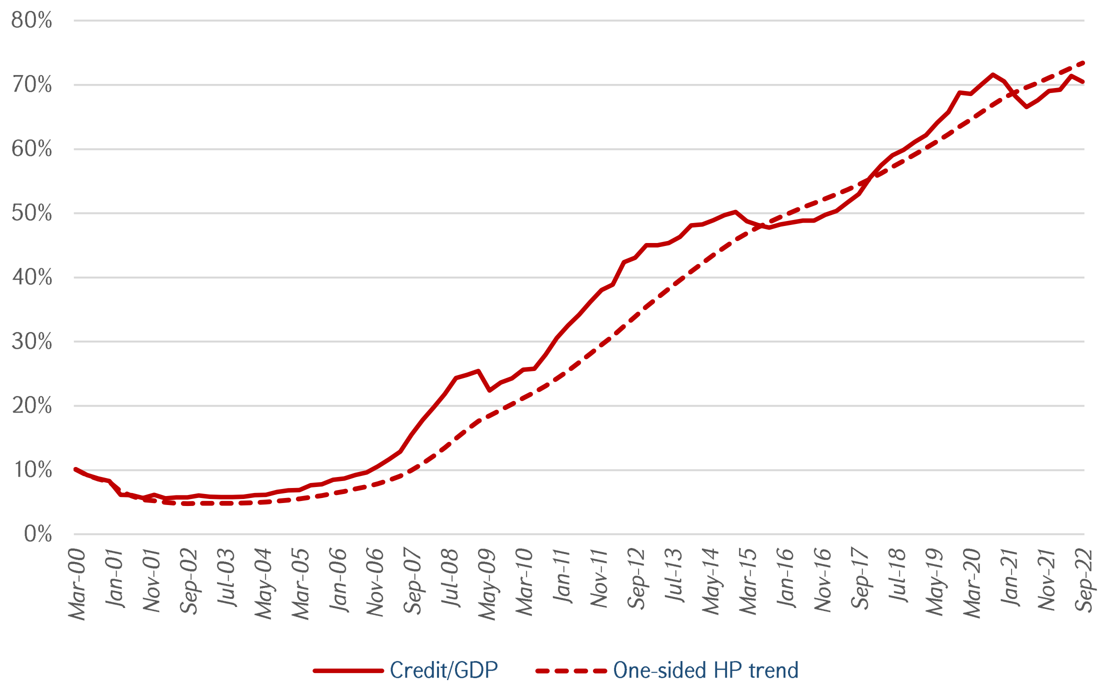
**2002 Q3 values of this indicator are based on estimates of the indicators making up the index (GDP, loans and so on) and in the future may be subject to changes upon the arrival of actual data.*

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*

We suggest to set CCyB at 1% (to be in effect from May 2023)

Justifications:

- ✓Financial Cycle is in its expansionary phase (emphasis on counter-cyclical macro-prudential policy)
- ✓Under geopolitical uncertainties an increase in the probability of materializing tail risk scenarios
- ✓High capital adequacy and profitability, which is more than enough to sustain average normal growth rates of lending
- ✓An improvement in shock absorbing capacity (resilience)