CENTRAL BANK OF THE REPUBLIC OF ARMENIA

SELECTED INDICATORS OF FINANCIAL STABILITY

Q3, 2021

MAIN DEVELOPMENTS

The banking system's ability to absorb risks remains high

As of August 2021:

- ✓ Total capital adequacy was 17.1% (minimum set at 12%)
- ✓ Total liquidity level was 31.7% (minimum set at 15%).

As of the current quarter, the financial system has not fully recovered from the shocks of 2020, in particular:

- ✓ The annual growth rates of both household and business loans continue to decline, while mortgage loans continue to rise.
- ✓ Loan losses are still high, causing banks' profitability to remain low, without significant increases in interest rates.

Counter-cyclical regulation of capital requirements

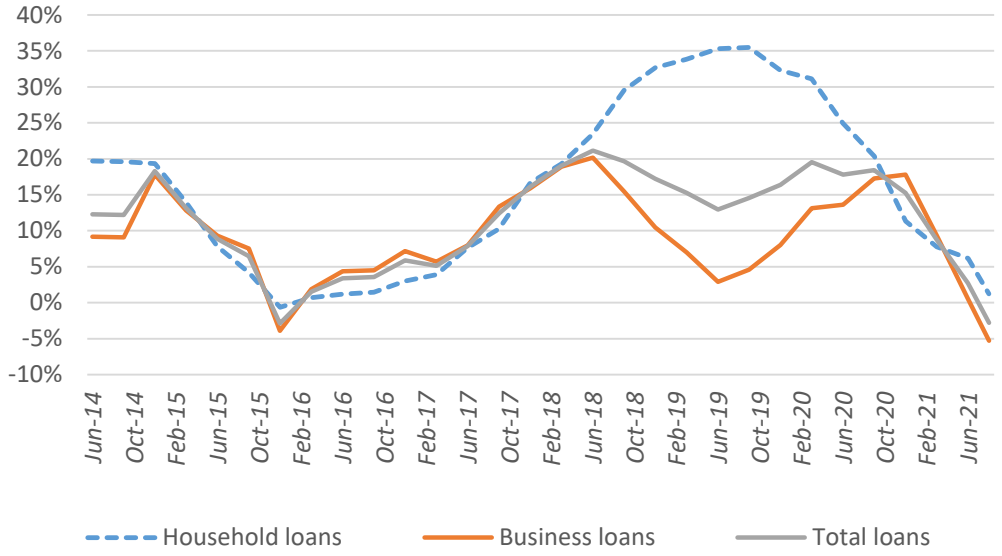
Given the situation described above, the counter-cyclical capital buffer was left unchanged at 0% level.

PRUDENTIAL INDICATORS OF BANKING SYSTEM

	Indicator as of August	12-month change
ASSETS	6.8 trillion drams	+ 8.9%
Loans provided	3.6 trillion drams	- 2.5%
Share of bad loans	5.3%	- 1.2 pp
LIABILITIES	5.9 trillion drams	+ 10.5%
Deposits attracted	3.5 trillion drams	+ 5.5%
BALANCE SHEET CAPITAL	0.9 trillion drams	- 1.1%
Total capital adequacy	17.1%	+ 0.1 pp
Total liquidity	31.7%	+ 4.3 pp
Return on equity	5.1%	- 4.2 pp
Return on assets	0.7%	- 0.7 pp

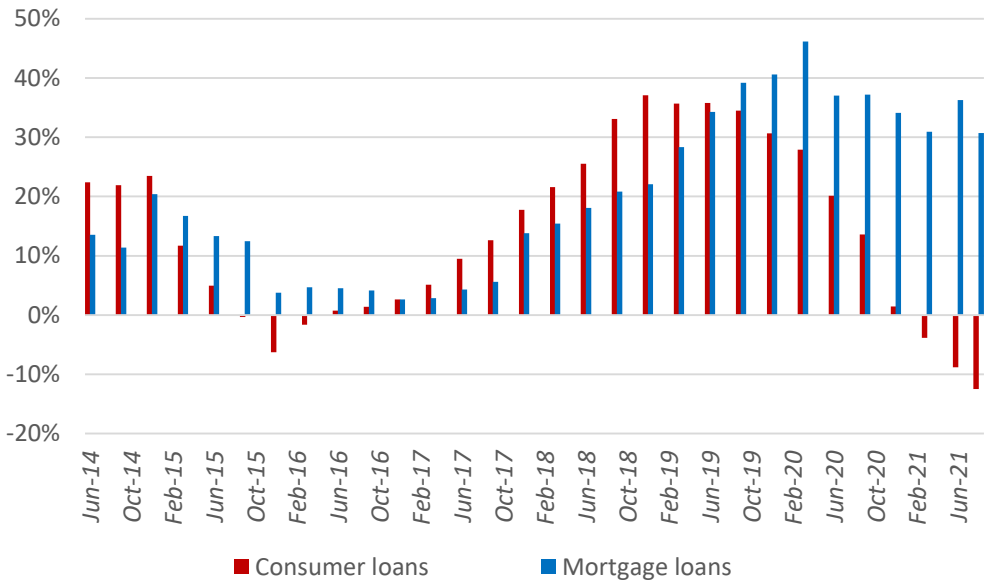
Developments in loan market

Credit stock index growth y/y, by sector



Since the beginning of the year, the growth rate of the credit stock index for both households and businesses has decreased; as of August 2021 it was 1.2% and -5.3% respectively.

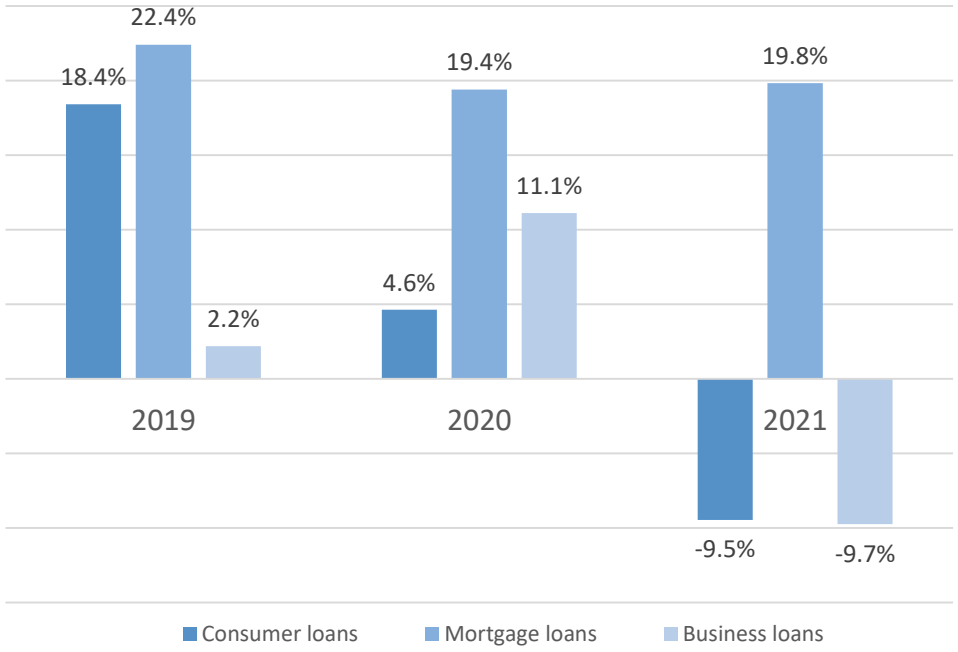
Household loan stock index growth y/y



The positive growth of household loans continues to be conditioned by the growth of mortgage loans.

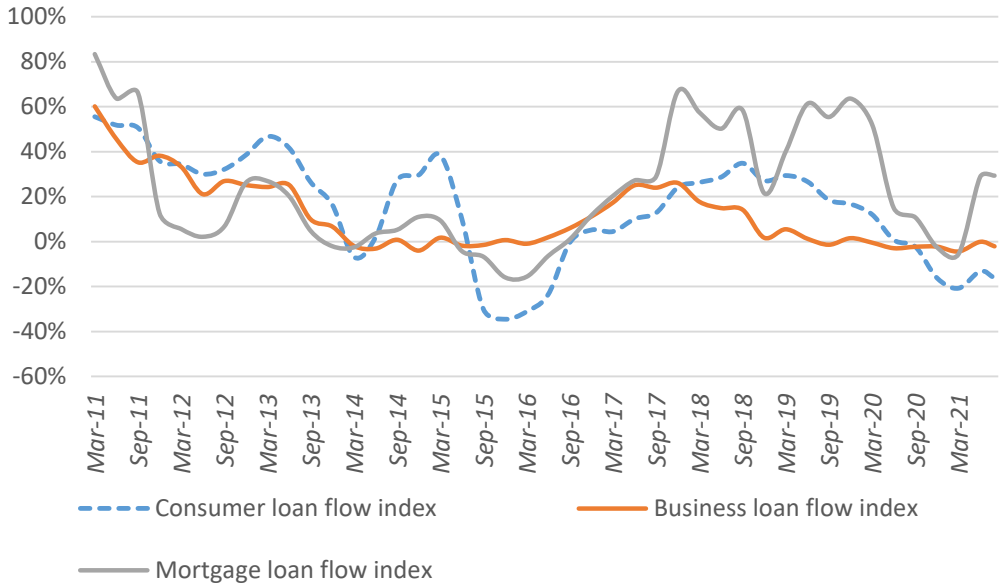
Developments in loan market

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



During the first 8 months of 2021, compared to previous years, positive growth was reported in mortgage loans.

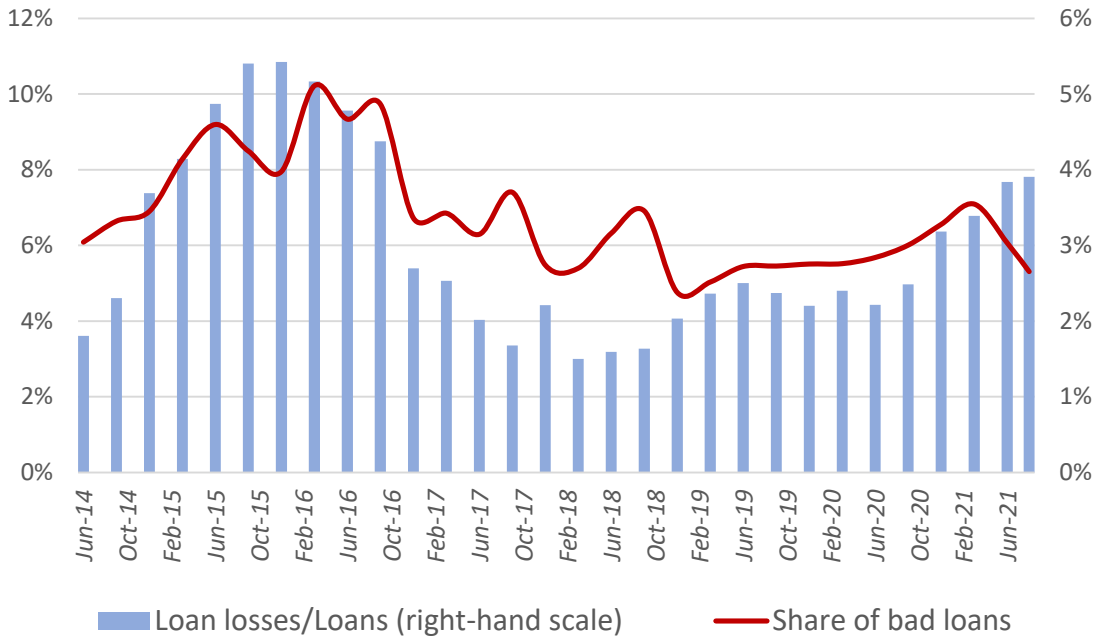
Annual growth rates of consumer, mortgage and business loan flows



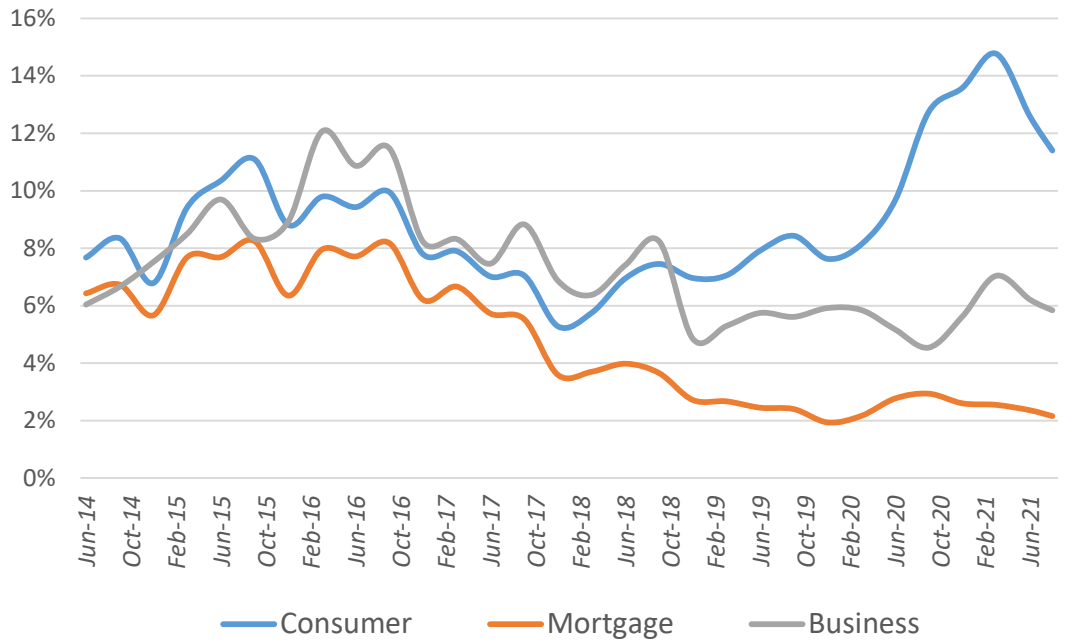
As of August 2021, the growth rate of annual flows of new consumer and business loans was negative, while the growth rate of annual flows of mortgage loans amounted nearly to 30%.

Quality of Loans

Share of nonperforming loans and losses from loans



Sectoral NPLs

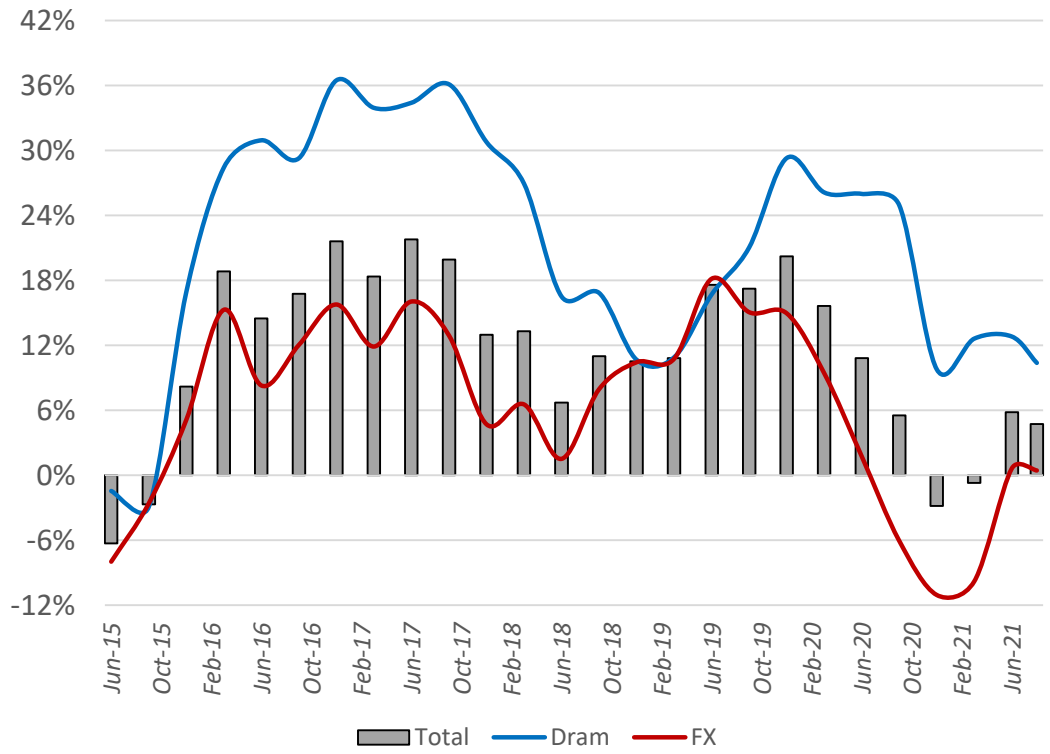


As of the first quarter of 2021, the share of NPLs decreased, however, the average amount of loan loss to credit ratio exceeds the pre-crisis level.

As of March 2021, the share of non-performing loans in all sectors has been gradually decreasing.

Deposits

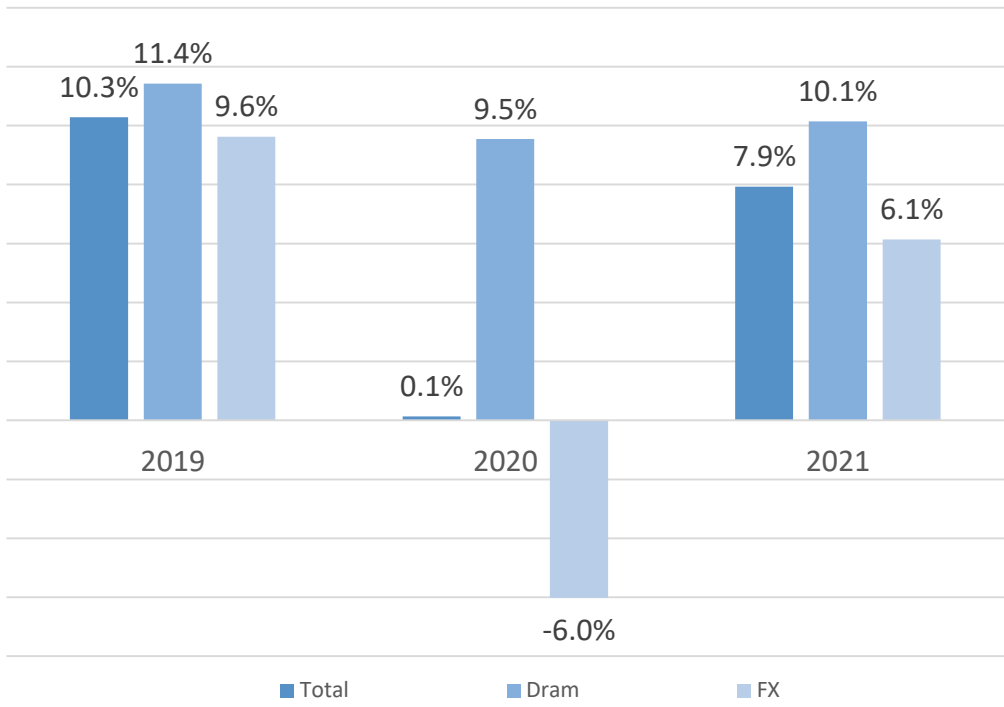
*12-month growth rate of deposits and deposits by currency**



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

As of May 2021, 12-month foreign currency deposits continue to be in a recovery phase.

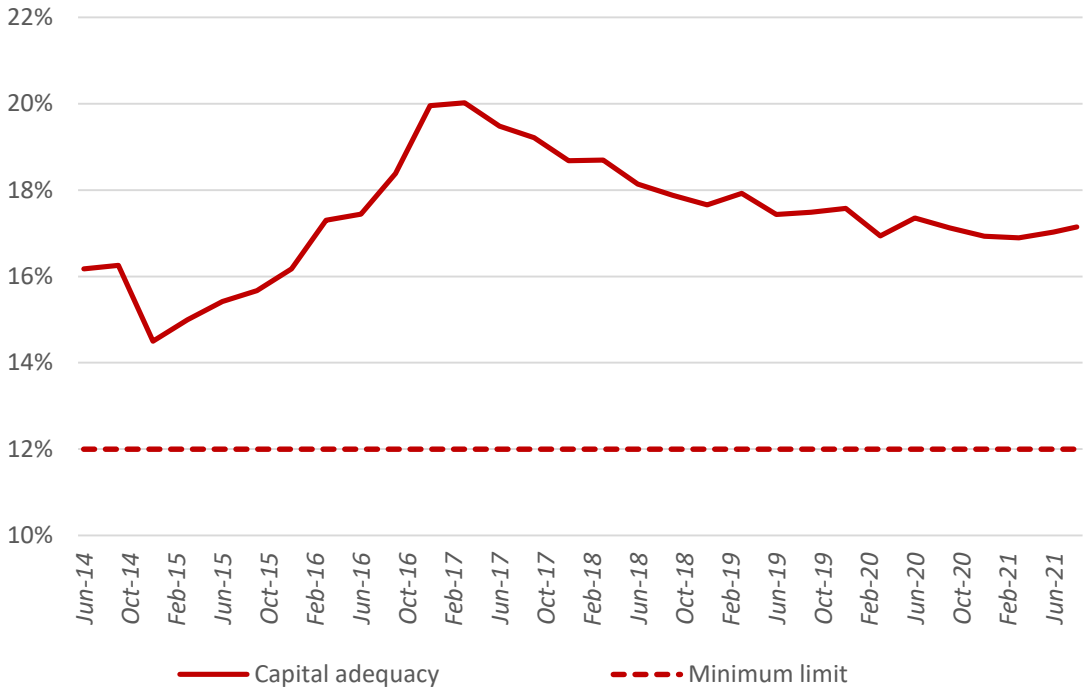
*Growth rates of Dram and FX deposits in the period January-August**



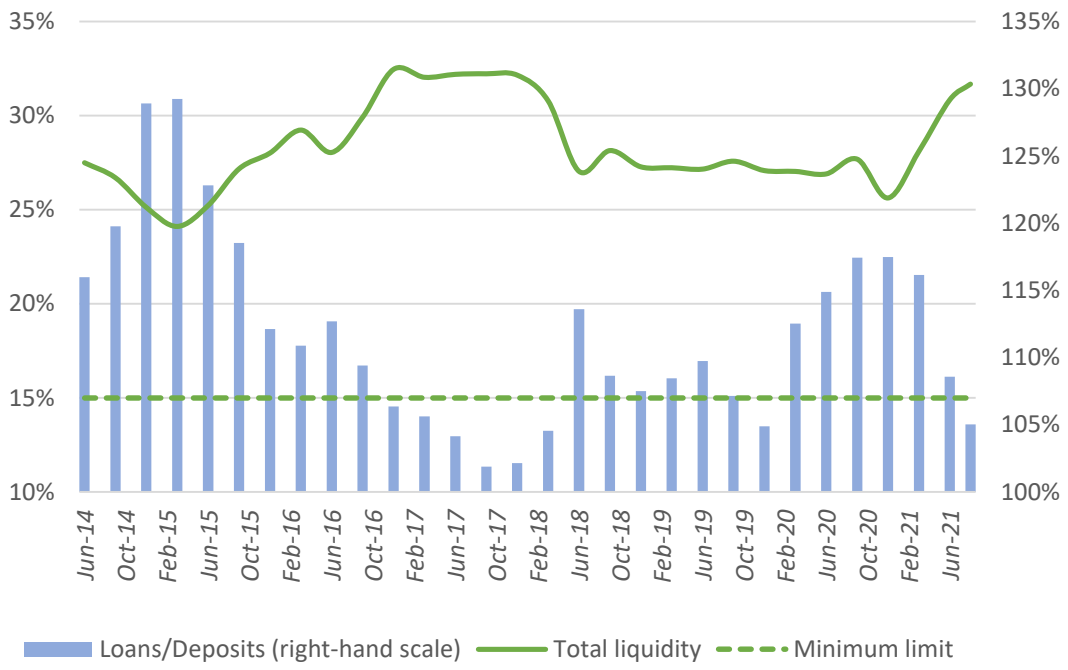
From January to August 2021, the growth of deposits in both Drams and foreign currencies (FX) exceeded the same indicators of the previous year.

Risk absorbing capacity

Capital adequacy



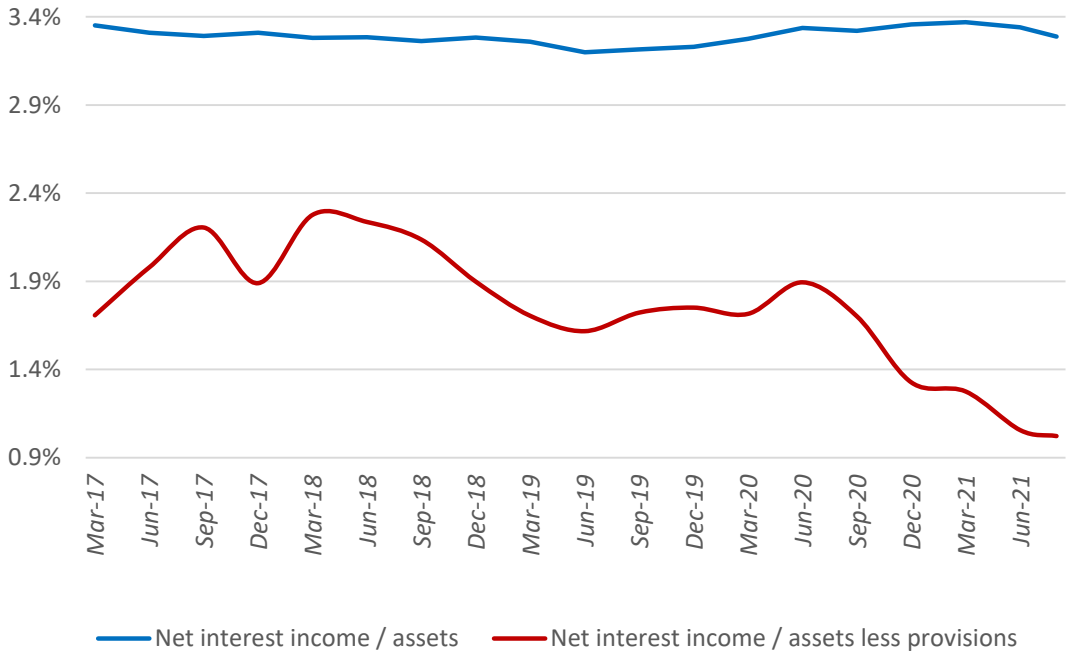
Banks' liquidity indicators and loan to deposit ratio



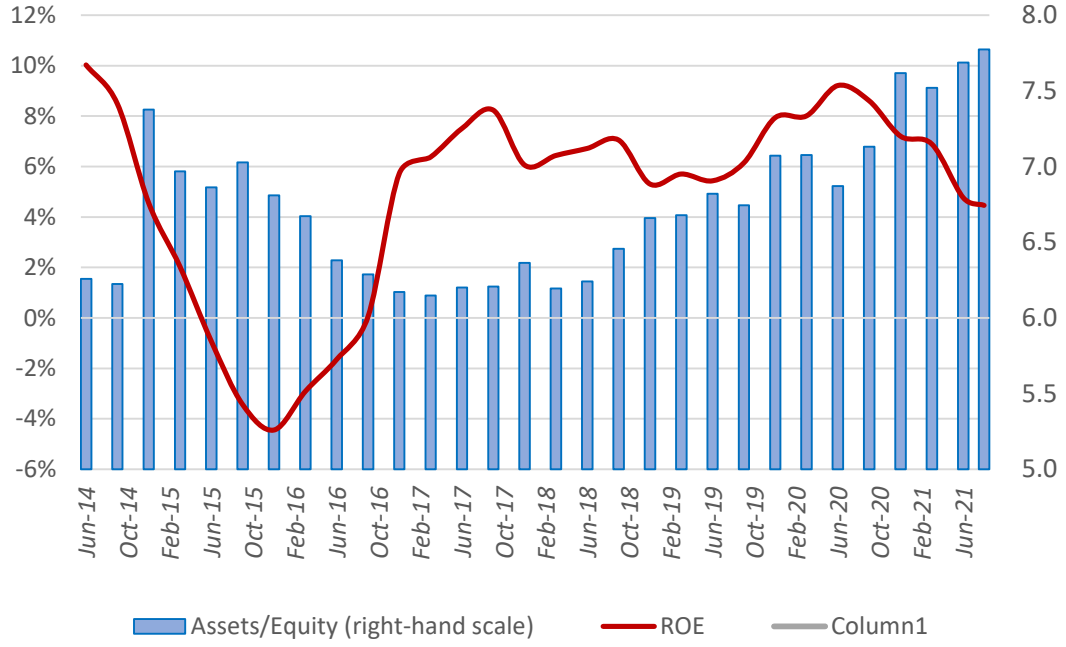
The overall liquidity and capital adequacy ratio remain above the required minimum limits. The loans-to-deposit ratio decreased, indicating an improvement in the liquidity position. As of August, LCR and NSFR liquidity ratios introduced in January 2021 are persisting above the required limit with 223% and 143%, respectively.

Profitability

Net interest margin (also on a provisions deducted/assets ratio)



Return on equity and leverage

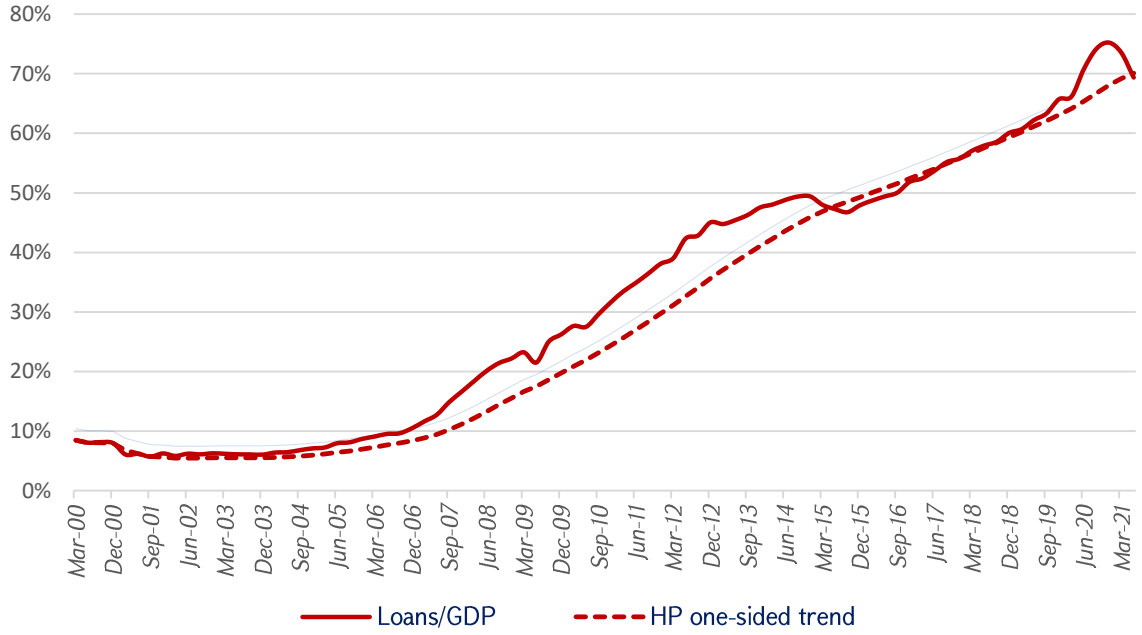


of August 2021, credit risk losses are still high, resulting in the spread between net interest margins and those adjusted for deductibles, which remains almost unchanged from the previous quarter.

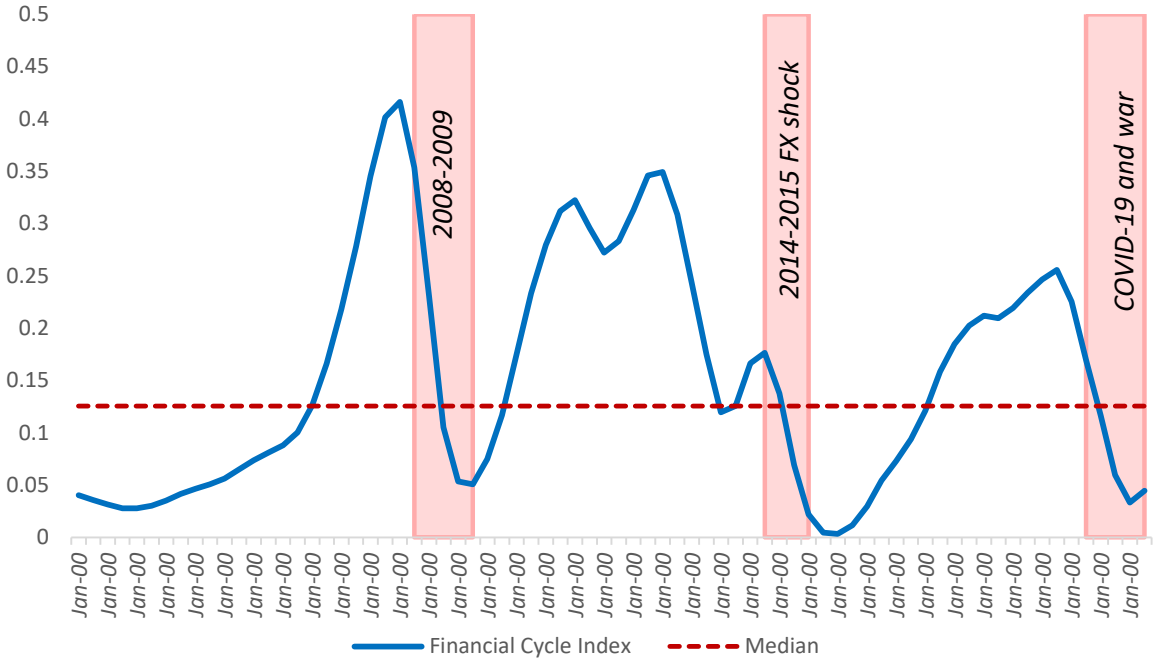
With an increase in credit risk losses, the return on assets declined significantly, which, despite the increase in the asset/equity ratio, led to drops in RoE.

Credit cycle

Credit to GDP ratio and its long-term trend



Financial Cycle Index



As of the second quarter of 2021, the estimated credit-to-GDP ratio has declined, where the deviation from its long-term trend (credit-to-GDP gap) is almost zero.

The Financial Cycle index continues to decline, which is associated with the preservation of conservative behavioral of financial market participants. Under these conditions, the countercyclical capital buffer rate should be at 0%.