REPUBLIC OF ARMENIA
CENTRAL BANK

SELECTED INDICATORS OF FINANCIAL STABILITY

2022, QI

MAIN DEVELOPMENTS

The banking system's ability to absorb risks remains high

As of February 2022:

- ✓ Total capital adequacy was 17.5% (minimum set at 12%)
- ✓ Total liquidity level was 32.4% (the minimum set was 15%)

There are growth trends in the lending market, in particular,

- ✓ The volume of new loans in all areas of lending has increased, in parallel with lower loan losses.
- ✓ The Armenian economy has entered the stage of early recovery of the financial cycle, for which is characterized by a low level of risk accumulation
- ✓ Despite the slight decrease of dram deposits, the growth trends of total deposits have continued.

Still, further operation of the financial system of Armenia may be affected by high uncertainties resulting from the current escalation of geopolitical tensions.

Counter-cyclical regulation of capital requirements

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

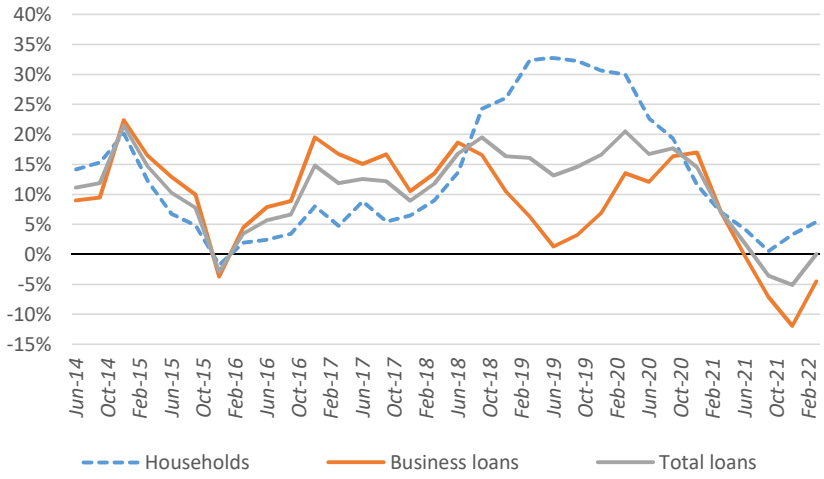
SELECTED INDICATORS OF BANKING SYSTEM*

	As of February	12-month change
ASSETS	AMD 7.05 trln	+ 7.6%
Loans provided	AMD 3.77 trln	- 1.5%
Weight of bad loans	4.0%	- 3.6 pp
LIABILITIES	AMD 6.11 trln	+ 7.8%
Deposits attracted	AMD 3.63 trln	+ 10.9%
EQUITY	AMD 0.94 trln	+ 6.3%
Total capital adequacy	17.5%	+ 0.6 pp
Total liquidity	32.4%	+ 4.9 pp
Return on Capital	8.7%	+ 1.7 pp
Return on Assets	1.2%	+ 0.2 pp

* Information is presented as of February 2022. Exceptions are lending flow indicators and balance sheet indicators of the banking system, which are as of March 2022. Loans / GDP ratio, indicators related to the Financial Cycle Index are presented in estimates as of March 2022.

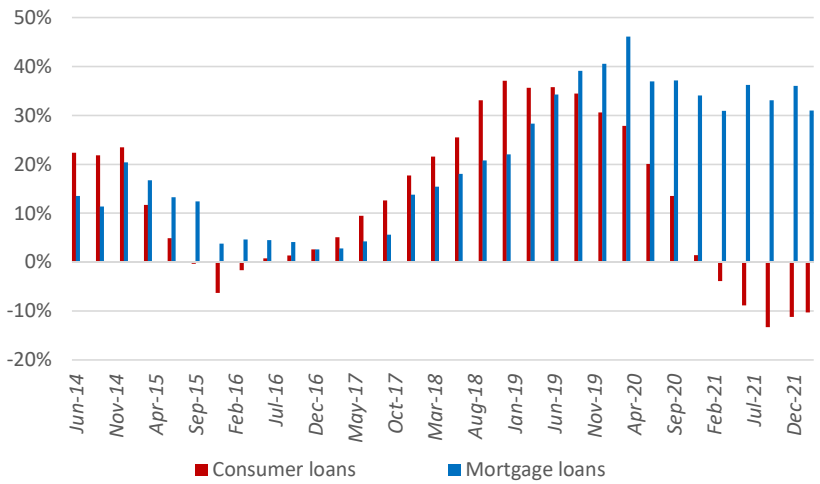
Developments in Loan Market

12m growth rate of credit stock



The annual growth rate of the total loan portfolio has started to improve since the beginning of 2022, as of March it was about 0.1%. The growth of households and business loans totaled 5.5% and -4.5%, respectively.

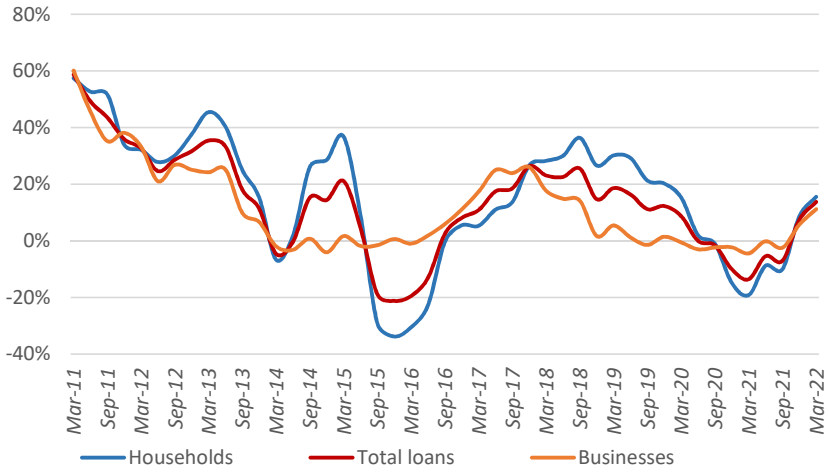
Annual growth of household credit stock



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

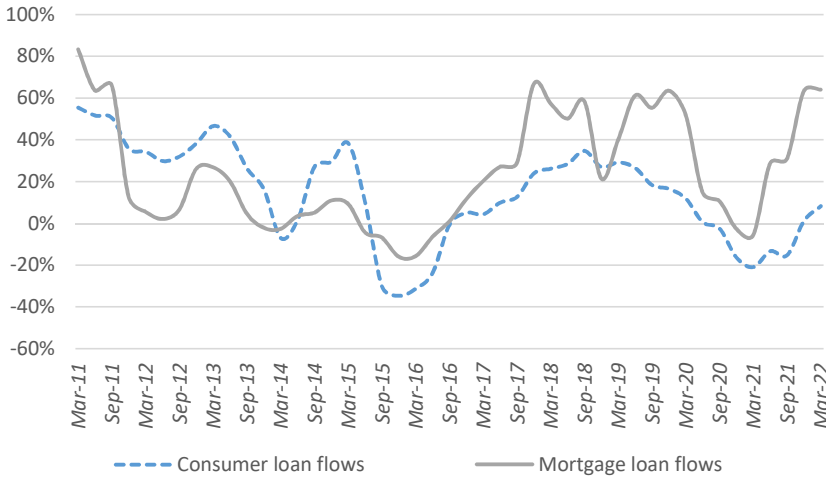
Developments in Loan Market

Annual growth rates of flows of credit



As of March 2022, the yearly growth rates for both households and business loan flows have been higher than end of year indicators.

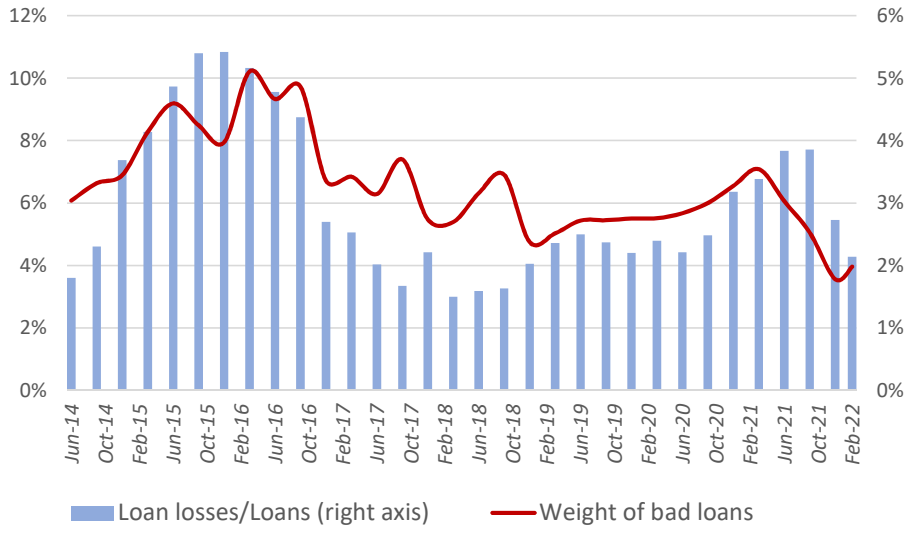
Annual growth rates of consumer and mortgage loan flows



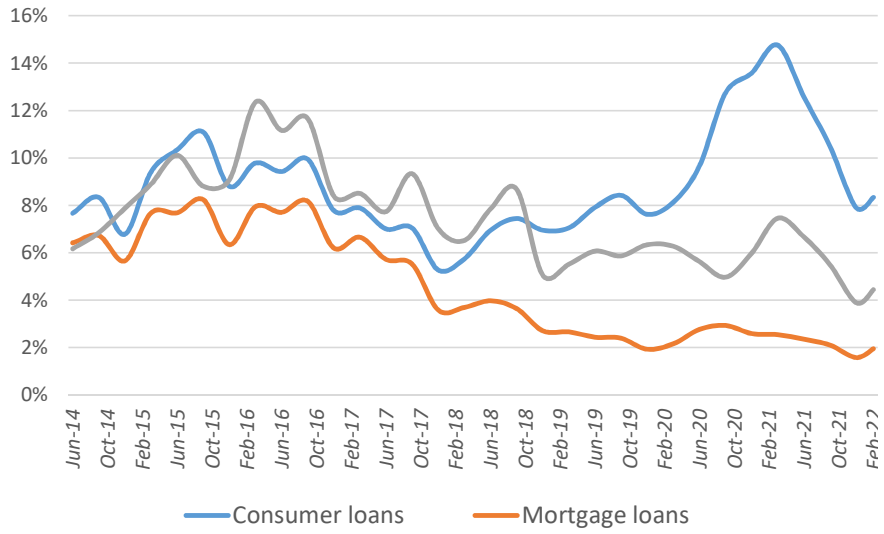
The growth rate of new consumer loans is positive, while high growth rates of mortgage loans were maintained.

Quality of Loans

Share of nonperforming loans and losses from loans



Sectoral NPLs

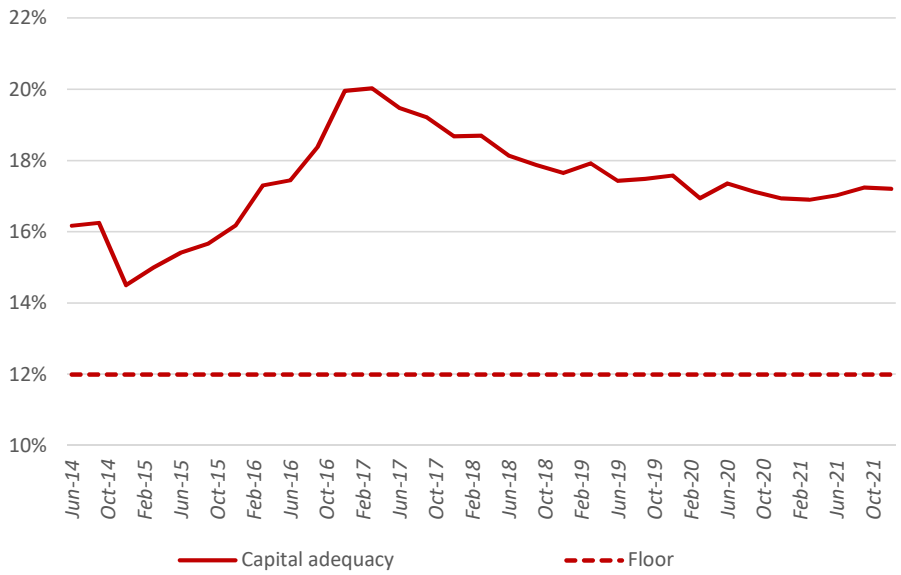


As of February 2022, the share of NPLs is below the average for the period under review. Loan loss to credit ratio continued to decline, which is a result of declining net loan losses and credit growth.

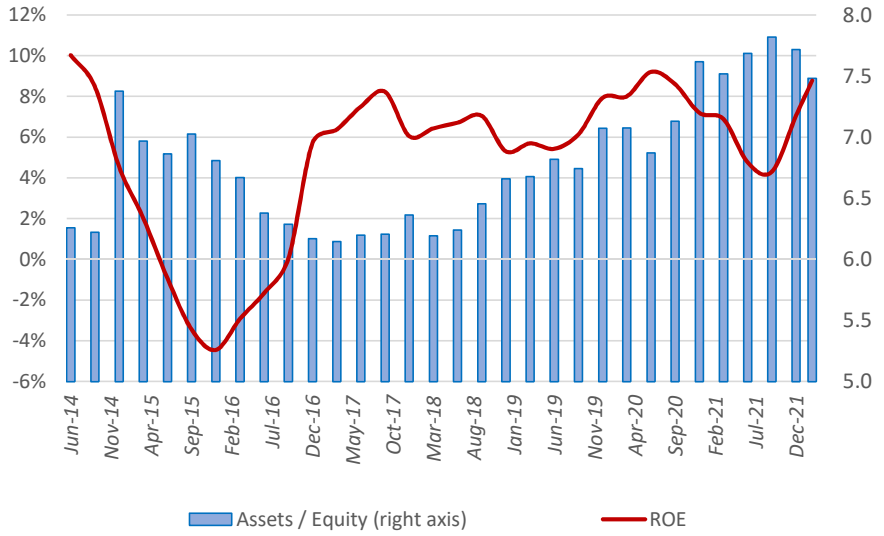
As of February 2022, sectoral NPLs are below or around the average level for the period under review.

Risk absorbing capacity

Capital Adequacy ratio



RoE and Leverage

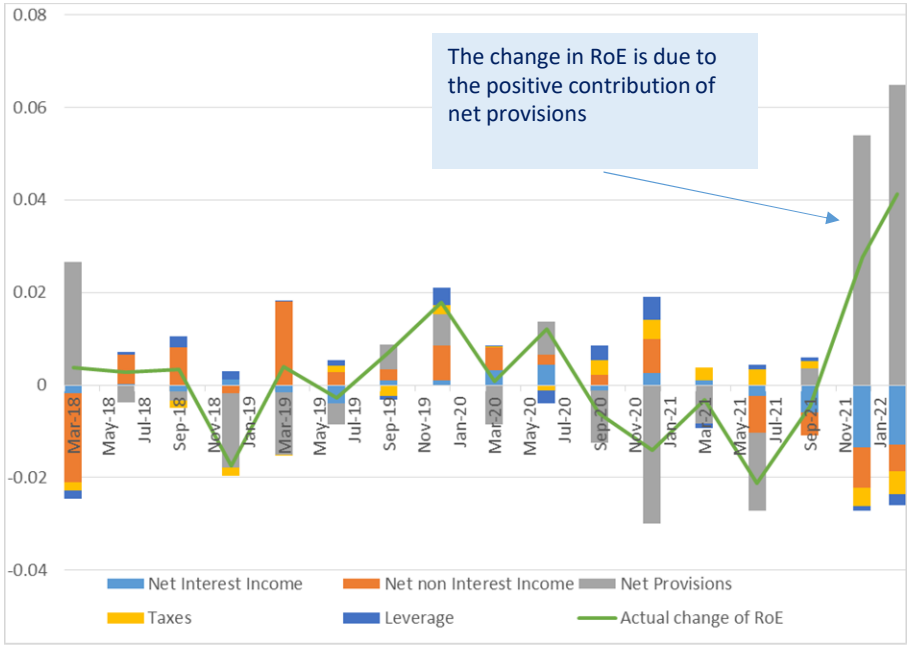


Capital adequacy ratio remains above the minimum required level

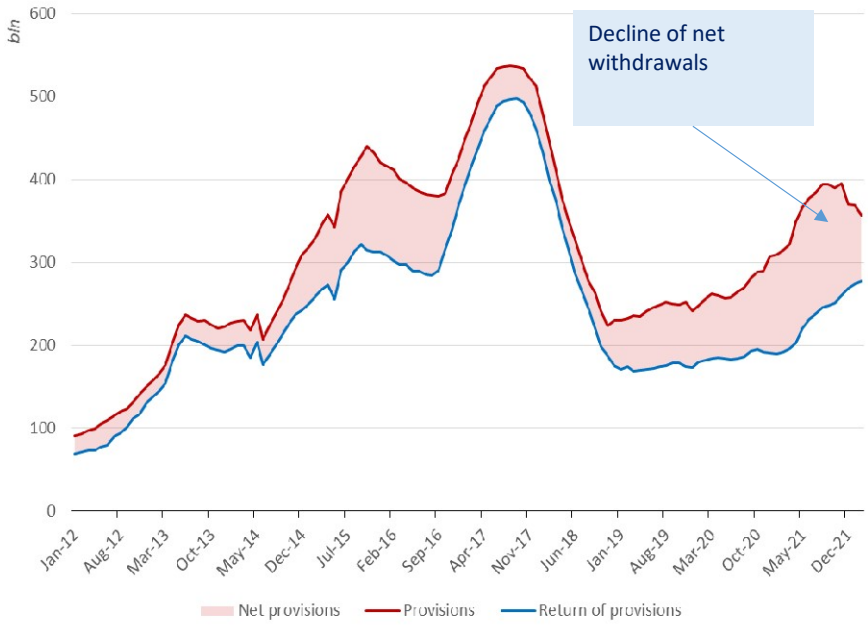
Compared to the end of 2021, the growth of RoE has continued, which, despite the decrease in the level of leverage, indicates the tendencies to restore the profitability of the banking system.

Risk absorbing capacity

Decomposition of RoE



Provisions

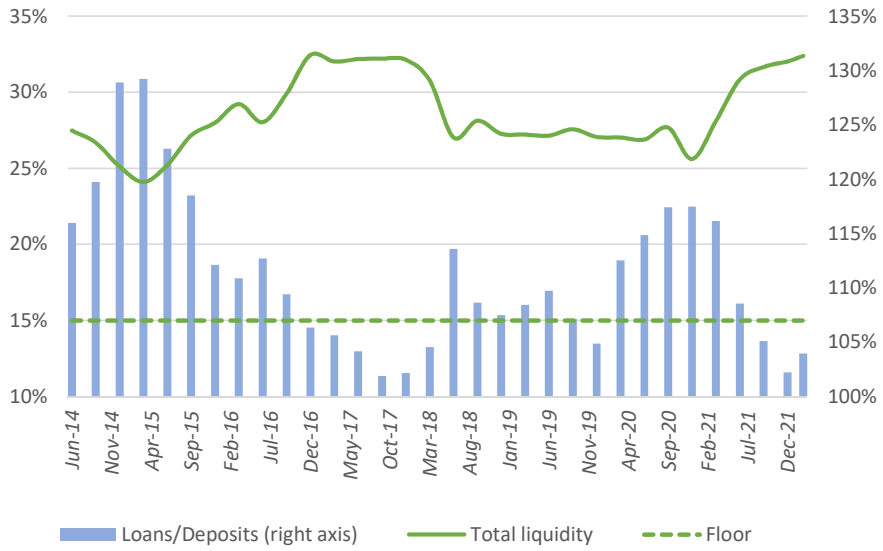


The change in the return on capital is mainly due to the reduction of net contributions.

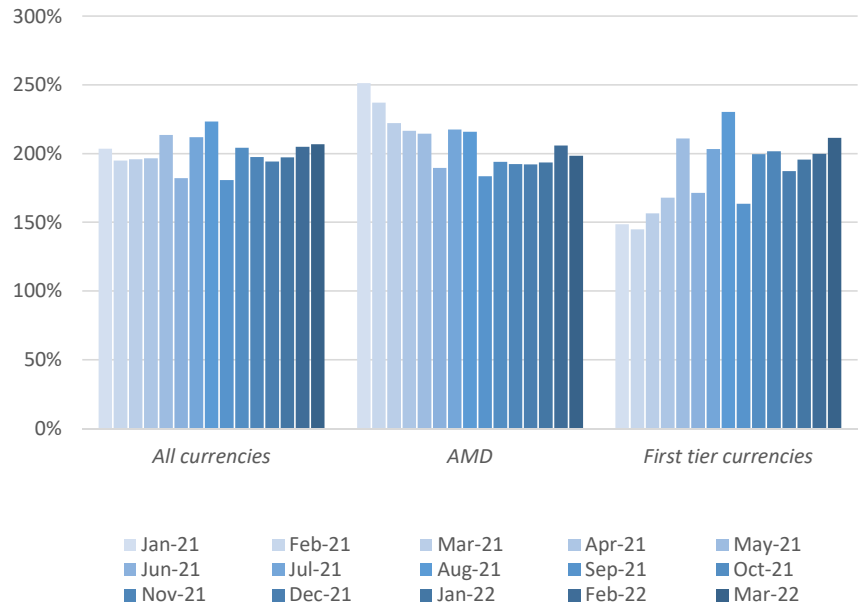
In turn, the decrease in net provisions is a consequence of the decrease in provisions and the increase in returns.

Risk absorbing capacity

Banks' liquidity indicators and loan to deposit ratio



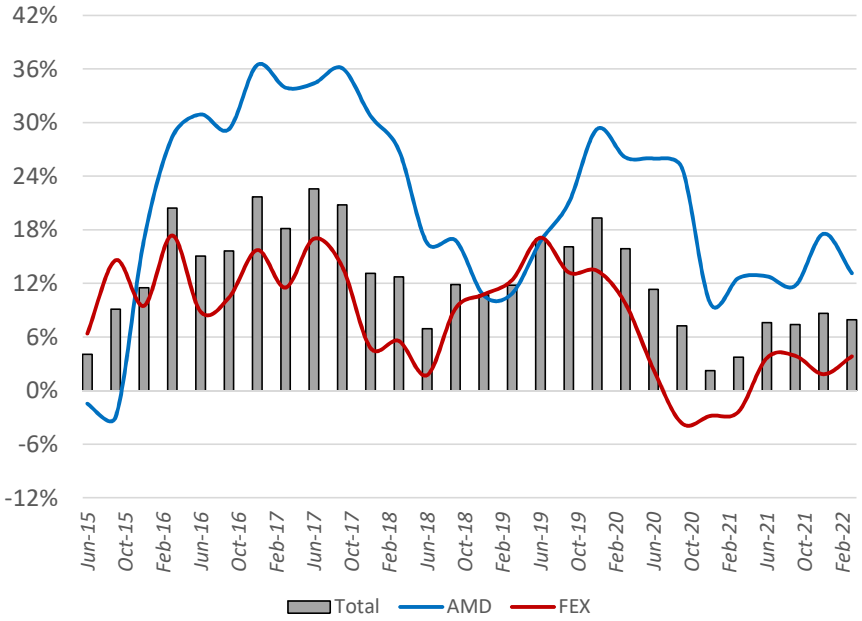
Liquidity coverage ratio



The overall liquidity ratio and liquidity coverage ratio remain above the required minimum limits.

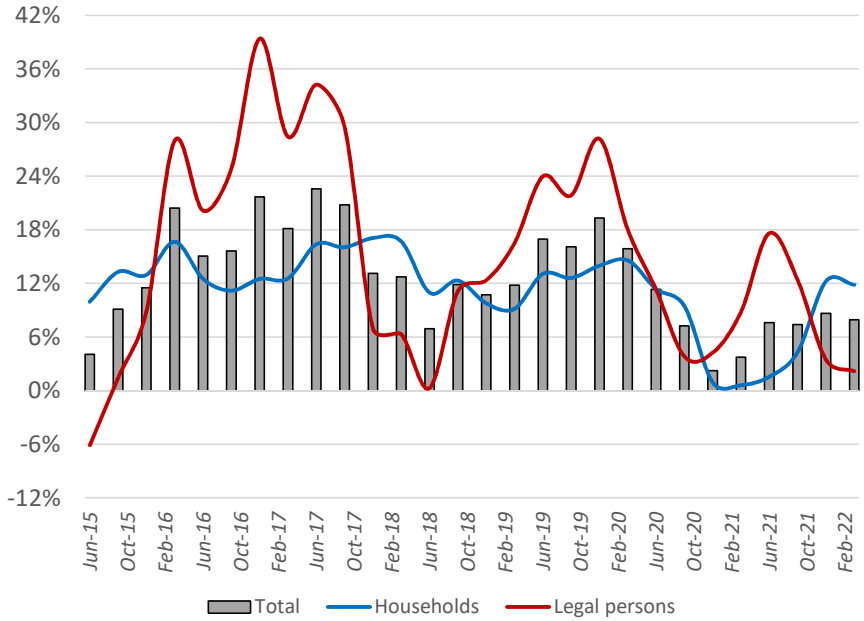
Deposits

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



As of March 2022, the 12-month growth rates of total deposits have not materially changed compared to the end of the year.

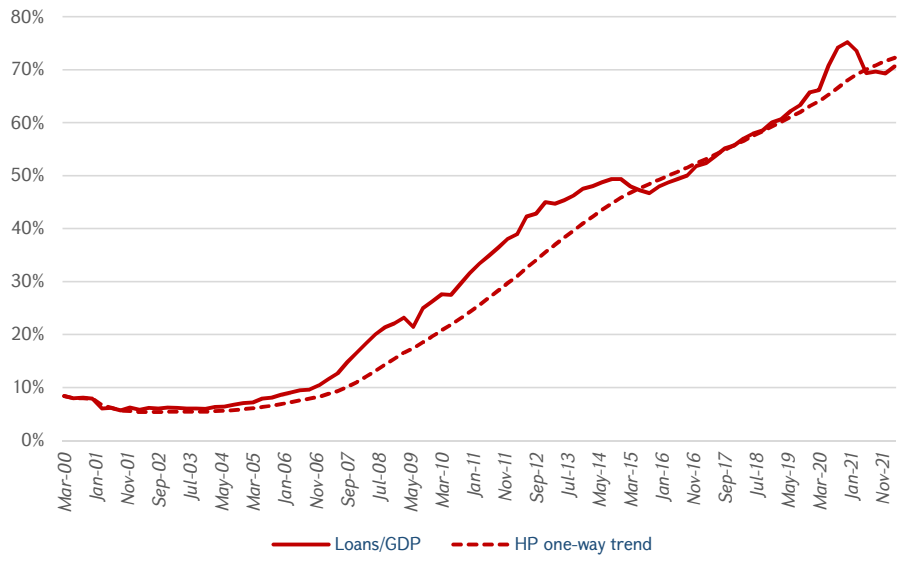
12-month growth rate of deposits of households and legal entities



The growth of total deposits is mainly conditioned by the growth of household deposits.

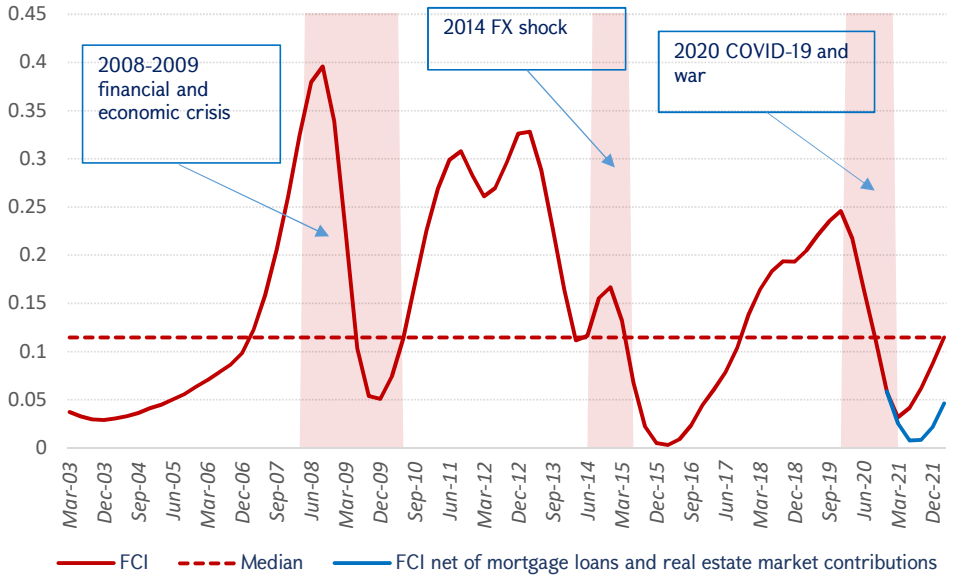
Credit cycle

*Credit to GDP ratio and its long-term trend**



As of the 1st quarter of 2022, the estimated credit to GDP ratio continues to be below its long-term trend.

*Financial cycle index**



While the Financial Cycle Index estimated for the first quarter of 2022 has grown and approached its median value, this growth is still largely due to the development of mortgage loans and the real estate market. Net of these factors, the growth of FCI is moderate and is mainly due to the recovery of the lending market.

**Quarterly values for this indicator in 2022 are based on estimates of their underlying indicators (GDP, loans, etc.) and may change somewhat in the future as a result of receiving actual data.*