CENTRAL BANK OF ARMENIA

MAIN INDICATORS OF FINANCIAL STABILITY

2-nd quarter 2022

MAIN DEVELOPMENTS

Risk absorbion capacity of banking system remains high

As of May 2022

- ✓ Total capital adequacy ratio is 18.08% (minimum requirement is 12%)
- ✓ Highly liquid assets to total assets ratio is 31.58% (minimum requirement is 15%):

Growth tendencies have continued in lending market, particularly,

- ✓ Armenian economy remains at the recovery phase of financial cycle. Except for mortgage loans, growth in other sectoral loans have been modest.
- ✓ Comprehensive analysis of developments in mortgage and real estate market shows signs of possible risk accumulation.

Countercyclical capital buffer rate

Taking into account abovementioned facts, the CCyB rate have remainde unvchanged at 0%.

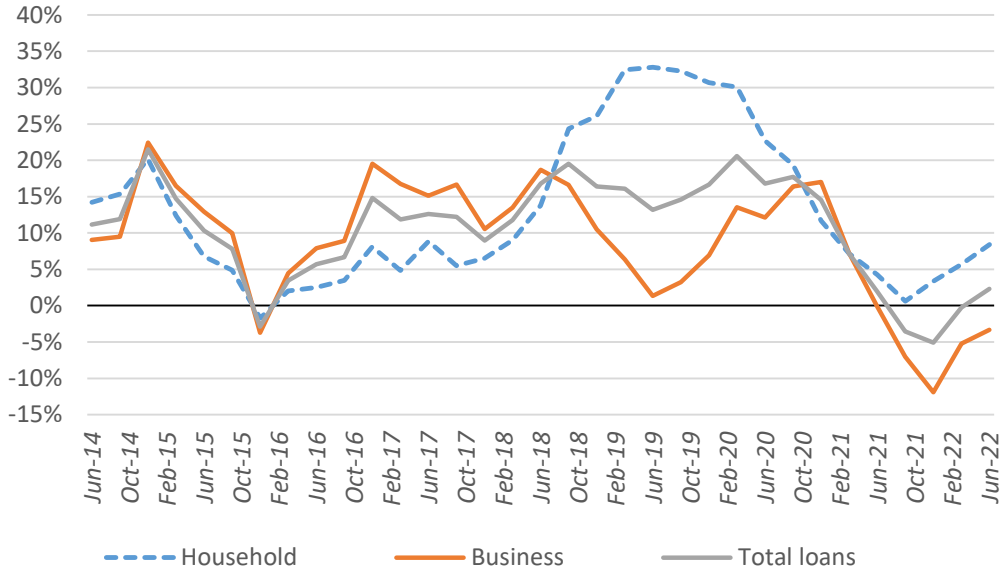
MAIN INDICATORS OF BANKING SYSTEM*

	Indicator value as of May 2022	12-month change
ASSETS	7.21 trillion AMD	6.70%
Loans	3.80 trillion AMD	2.29%
Non-performing loan ratio	4.90%	- 1.79 p.p
LIABILITIES	6.11 trillion AMD	3.33%
Attracted deposits	3.69 trillion AMD	9.32%
EQUITY	1.09 trillion AMD	24.34%
Total capital adequacy ratio	18.08%	+ 1.27 p.p
Total liquidity ratio	31.58%	+ 2.82 p.p
Return on equity	12.67%	+ 7.64 p.p
Return on assets	1.71%	+ 1.02 p.p

* The data is as of May 2022, except for loan flows and balance sheet data for banking system, which are as of 19 June 2022. 2-nd quarter data for Credit to GDP ratio and Financial Cycle index is an estimate, not actual data.

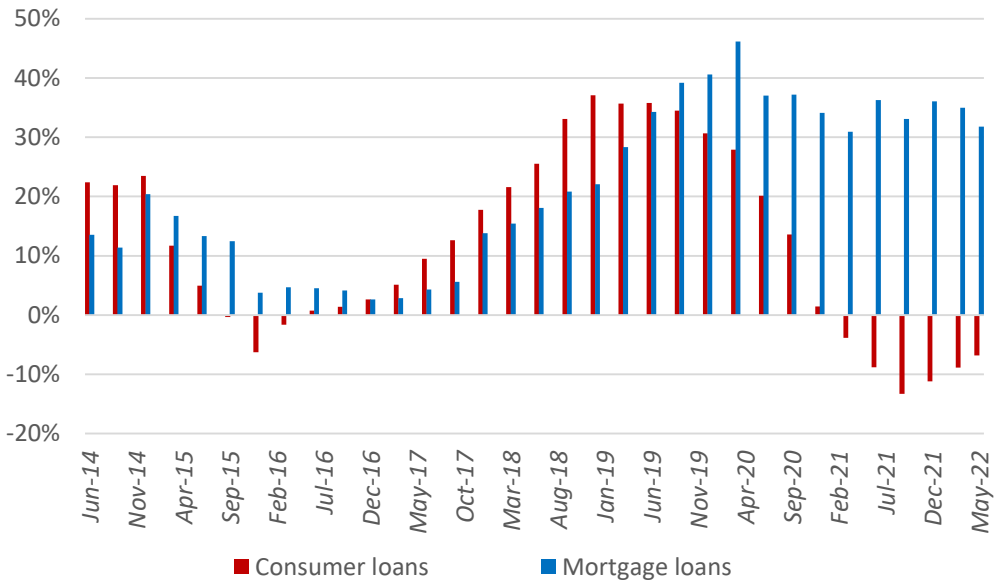
Developments in lending market

12-month growth of loan stock



Yearly growth rate of total loan portfolio has been improved since the beginning of the year and has been around 2.3% as of June 2022 (adjusted for exchange rate is around 15%). Growth rates of household and business loans have been 8.4% and -3.3% respectively (adjusted for exchange rate: 13.1% and 18.4% respectively)

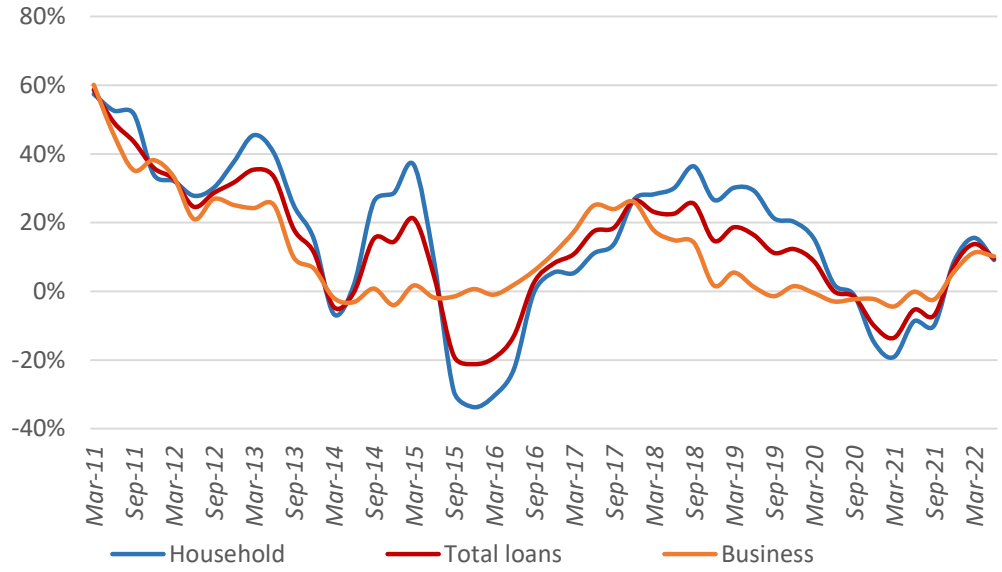
12-month growth of household loan stock



Positive growth rate of household loans is due to mortgage loans' growth.

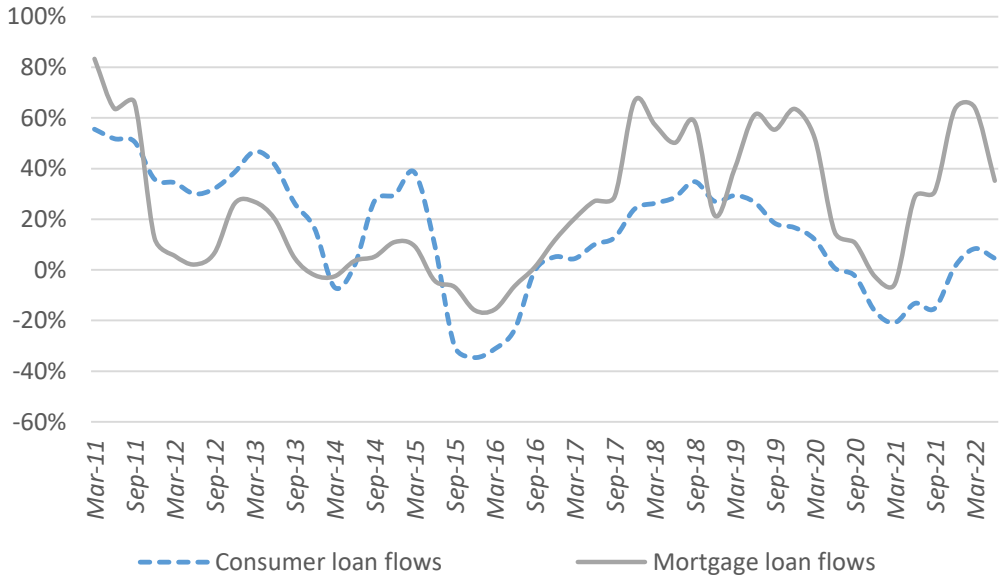
Developments in lending market

12-month growth rates of yearly flows of loans



Despite for some slowdown compared to previous quarter, as of June 2022 growth rate of both household and business loans flows continue to be above the level of beginning of the year.

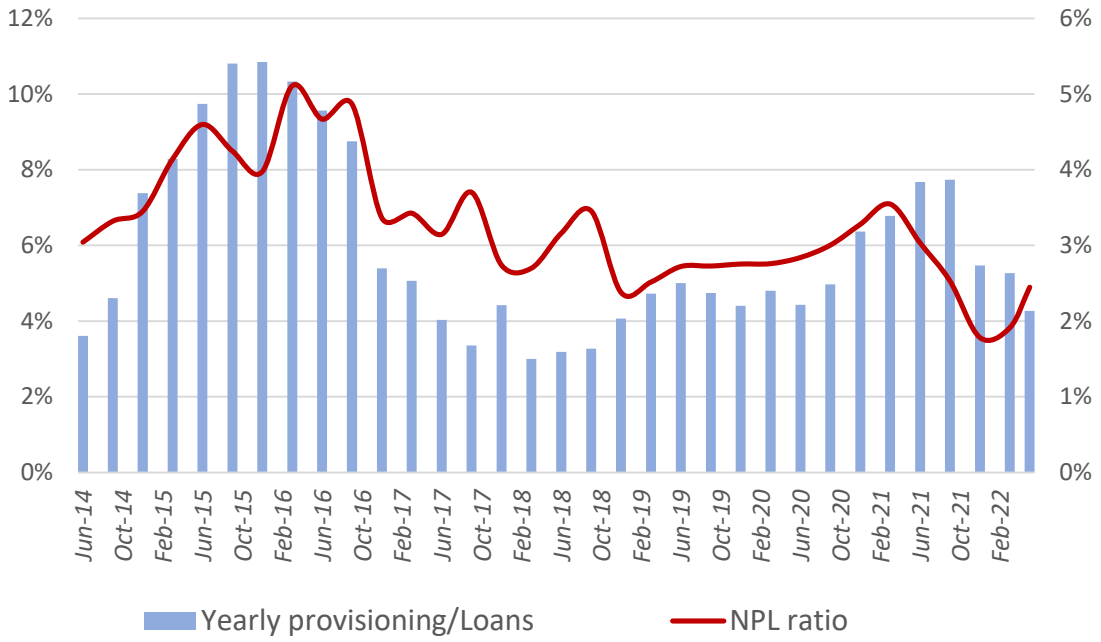
12-month growth rates of yearly flows of consumer and mortgage loans



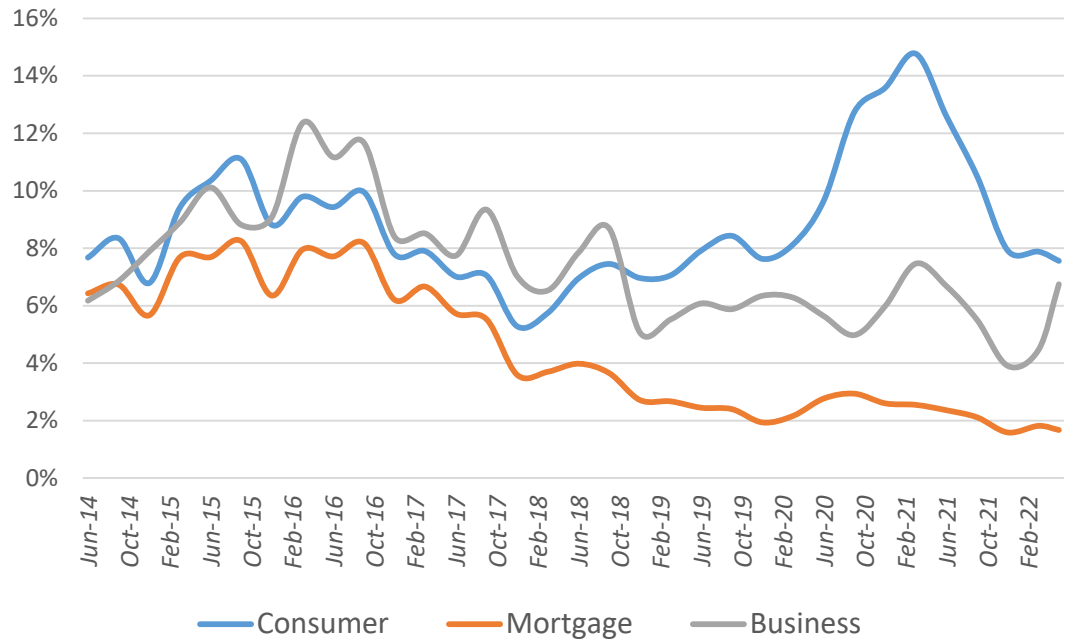
Some slowdown of growth of household loans has been due to both mortgage and consumer loans.

Quality of loan portfolio

NPL ratio and provisioning for loans



Sectoral NPL ratios

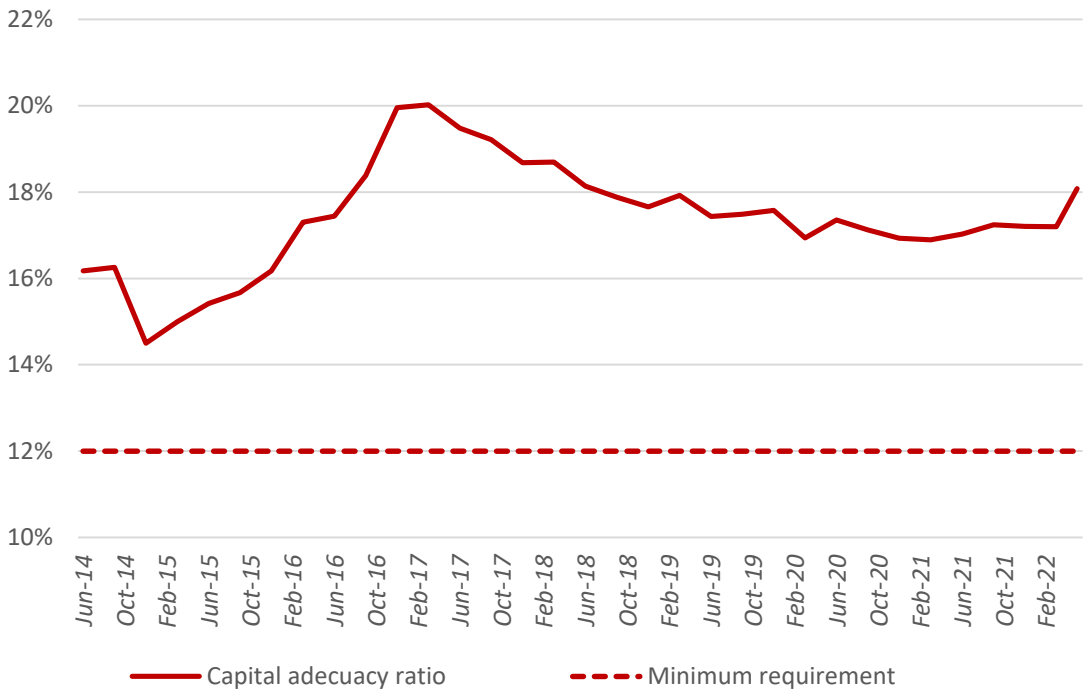


The NPL ratio rose a little in May 2022, which is mainly due to growth in non-performing business loans. Provisioning/Loans ratio continued to decrease, which is due to decline of net provisions and growth of loan portfolio.

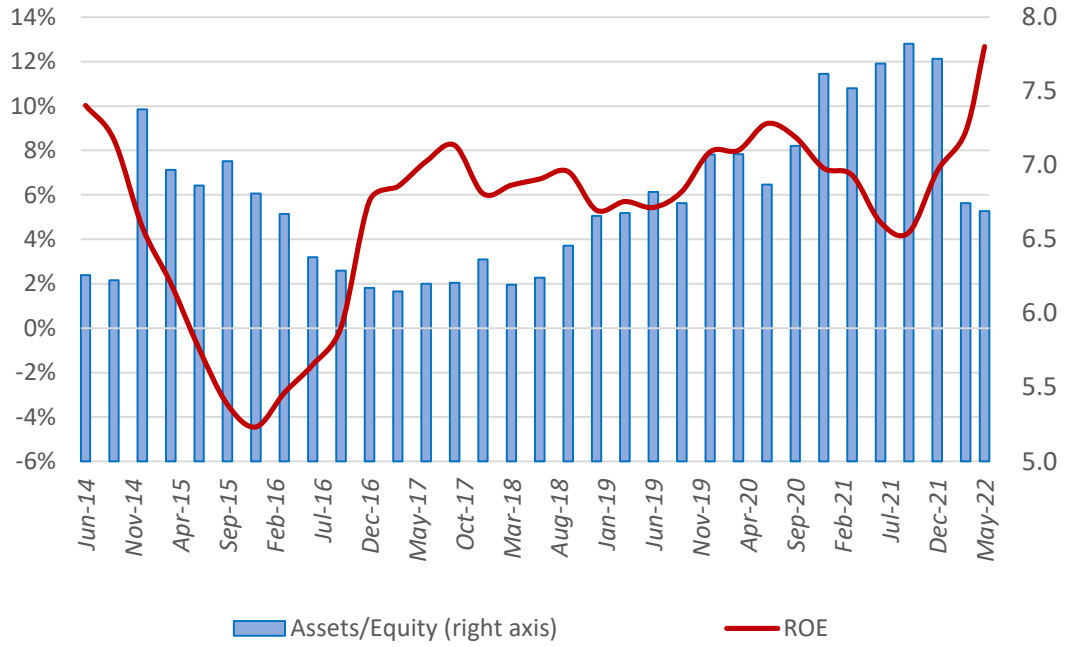
The NPL ratios of consumer and mortgage loans remained stable compared to previous quarter, and some growth have been observed for business loans.

Risk absorption capacity

Capital adequacy ratio



Return on equity and leverage

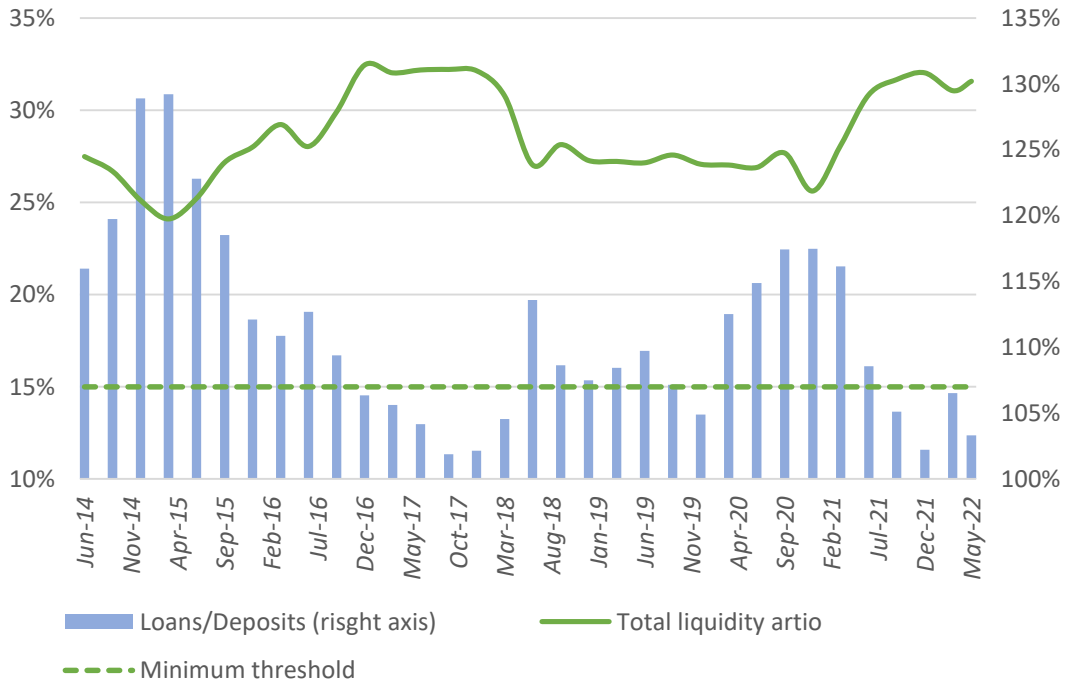


Capital adequacy ratio has improved.

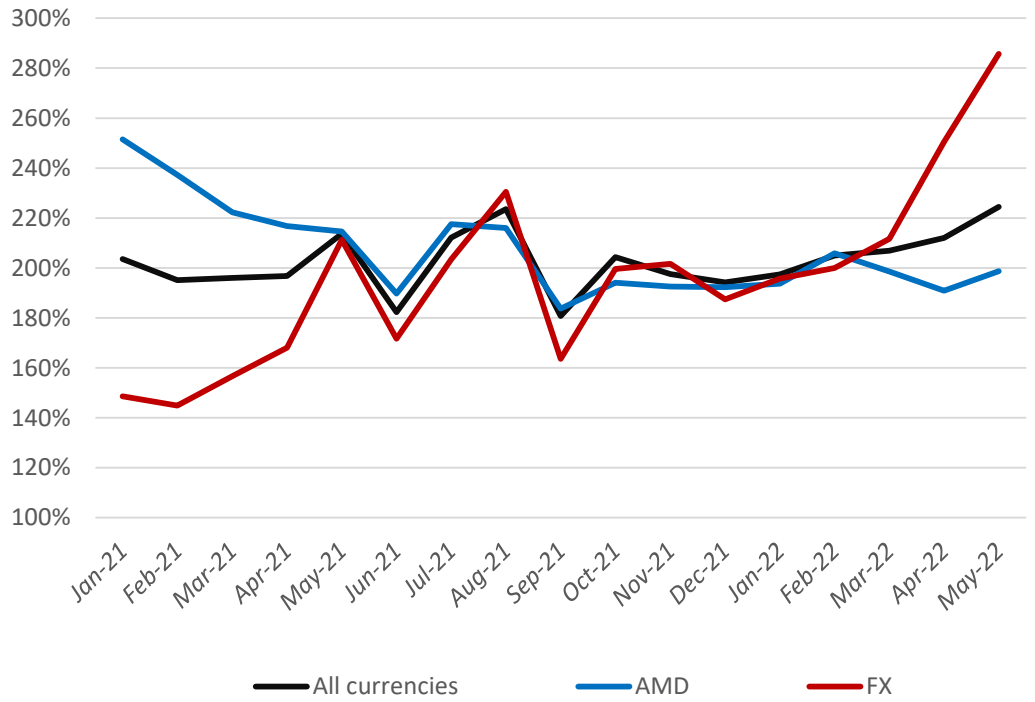
Compared to previous quarter the leverage ratio did not change. Return on capital has risen.

Risk absorption capacity

Bank liquidity ratios and loan to deposit ratio



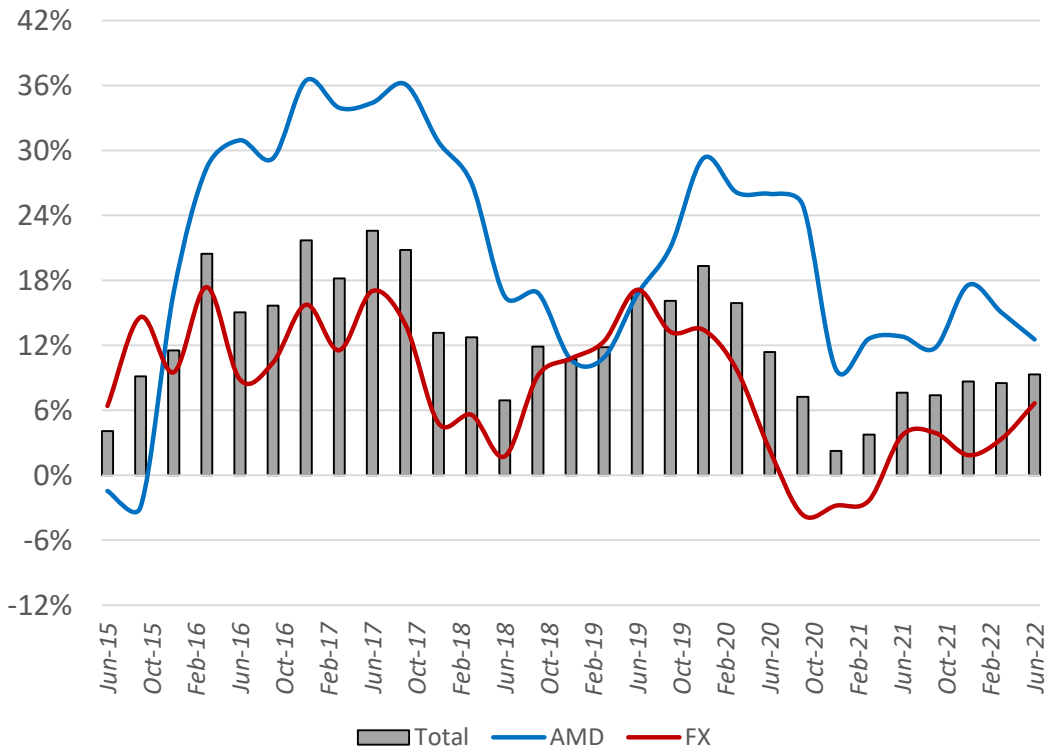
Liquidity coverage ratio



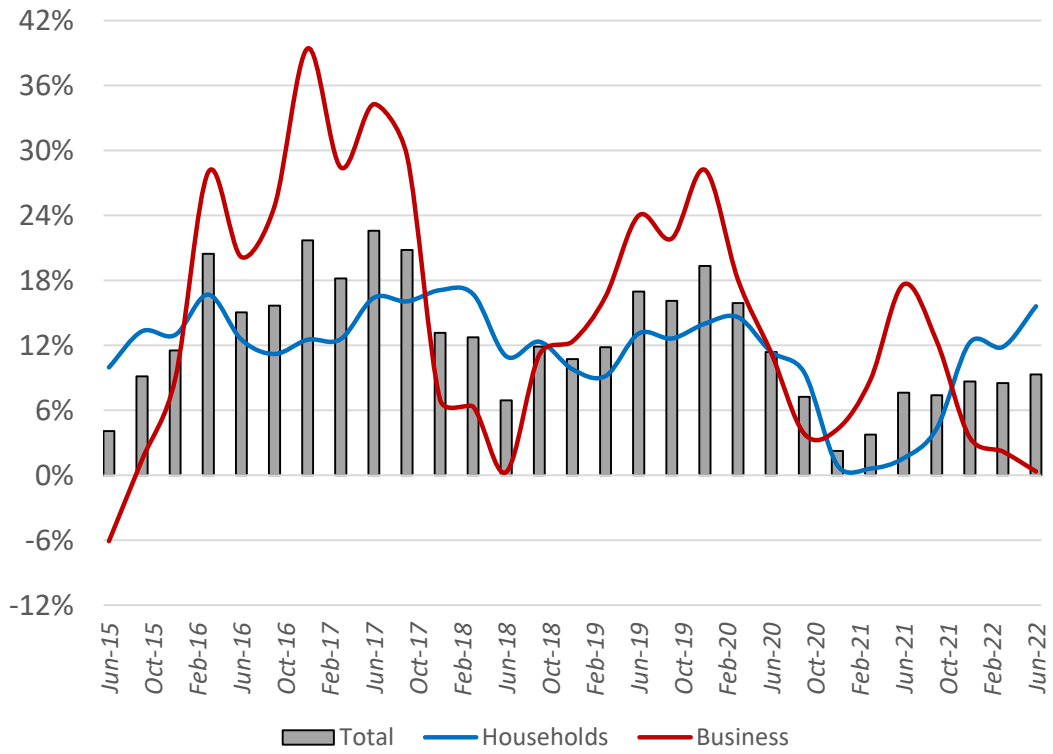
Total liquidity ratio and liquidity coverage ratio remain above minimum requirement. A sharp rise has been observed for FX LCR, which is due to outstripping growth of FX loans compared to FX deposits.

Deposits

12-month growth rates of deposits by currencies



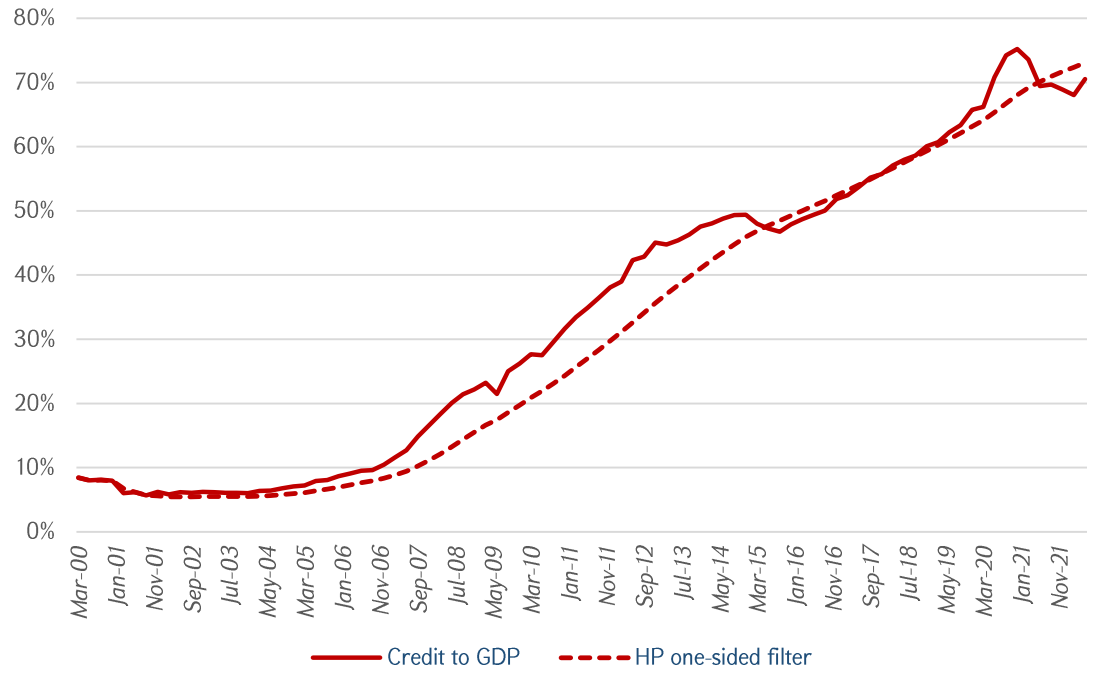
12-month growth rates of deposits from households and corporates



As of June 2022, 12-month growth rate of total deposits rose compared to previous quarter and was about 9.3% (adjusted for exchange rate it was around 20.3%).

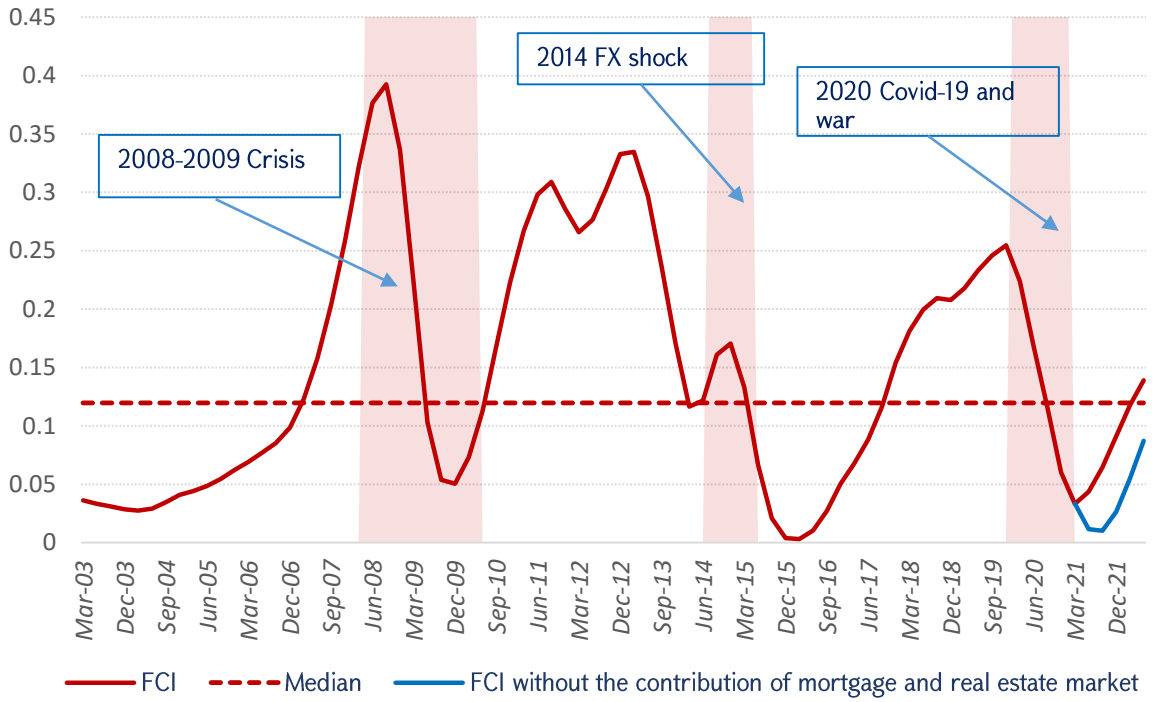
Credit cycle

*Credit to GDP ratio and it's long-term trend**



As of 2-nd quarter 2022 credit to GDP ratio remains below its long-term trend.

*Financial Cycle Index**



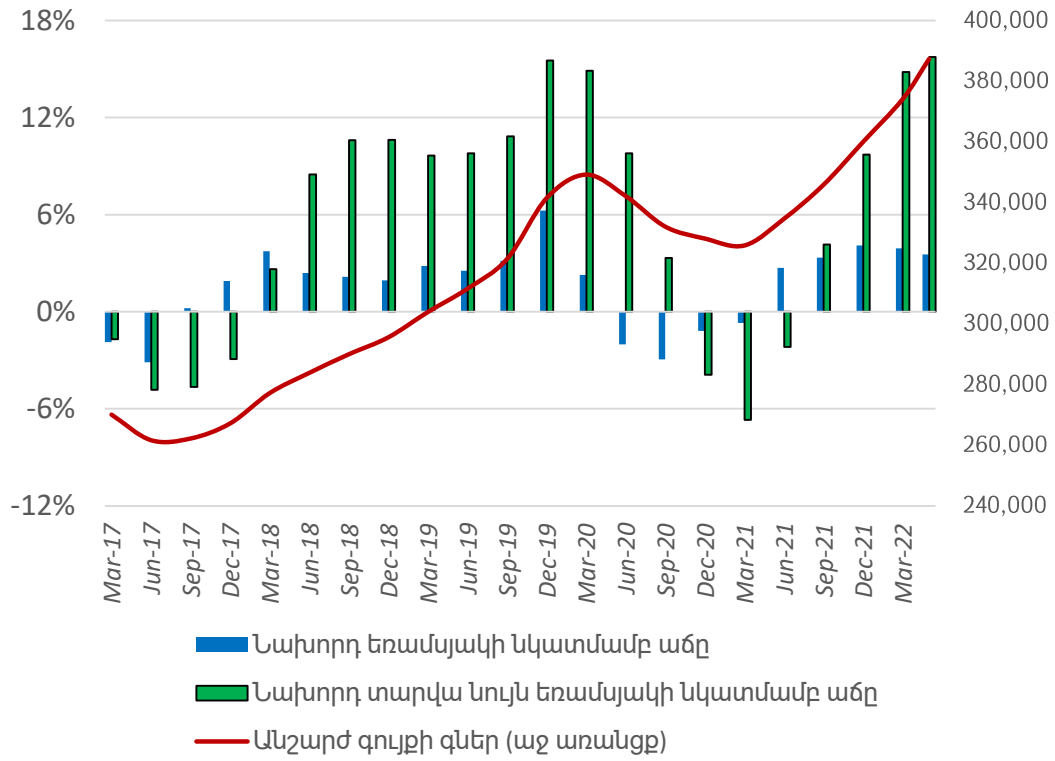
In 2-nd quarter of 2022 the Financial Cycle Index rose and exceeded its median value. Nevertheless, this growth was mainly attributable to mortgage and real estate market developments. Without that contribution, the growth of FCI was not that large, and is due to general lending market developments.

**2-nd quarter values of these indicators are based on the estimates of underlying series (GDP, loans, etc.), and may change when actual data is available.*

Real estate market developments

Real estate prices

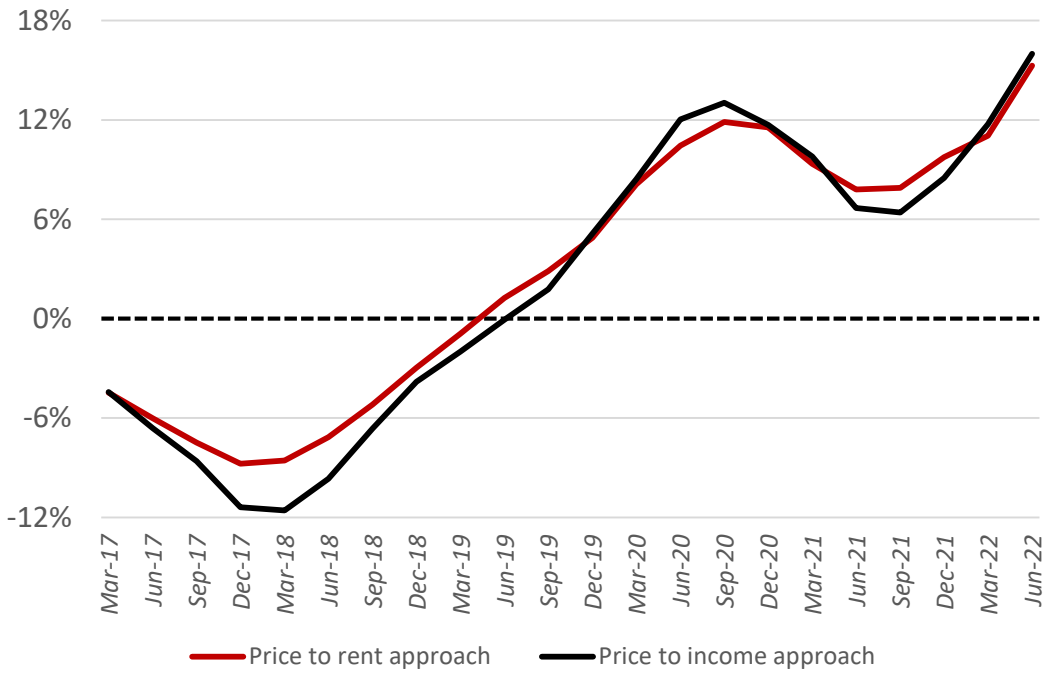
*1 sq. meter average price of apartments in Yerevan**



As of May 2022 yearly growth of real estate price was about 16%

Source - cadastre.am

*Deviation of real estate price from its long term fundamental values***

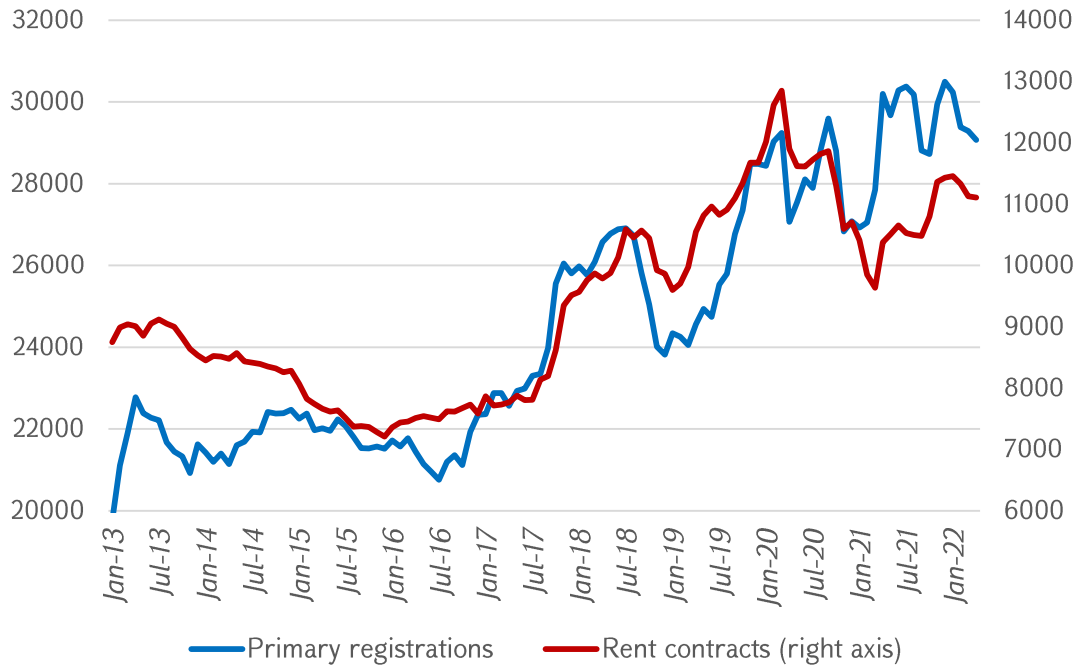


According to CB calculations, real estate prices have deviated from long-term fundamental values starting from 2-nd half of 2019.

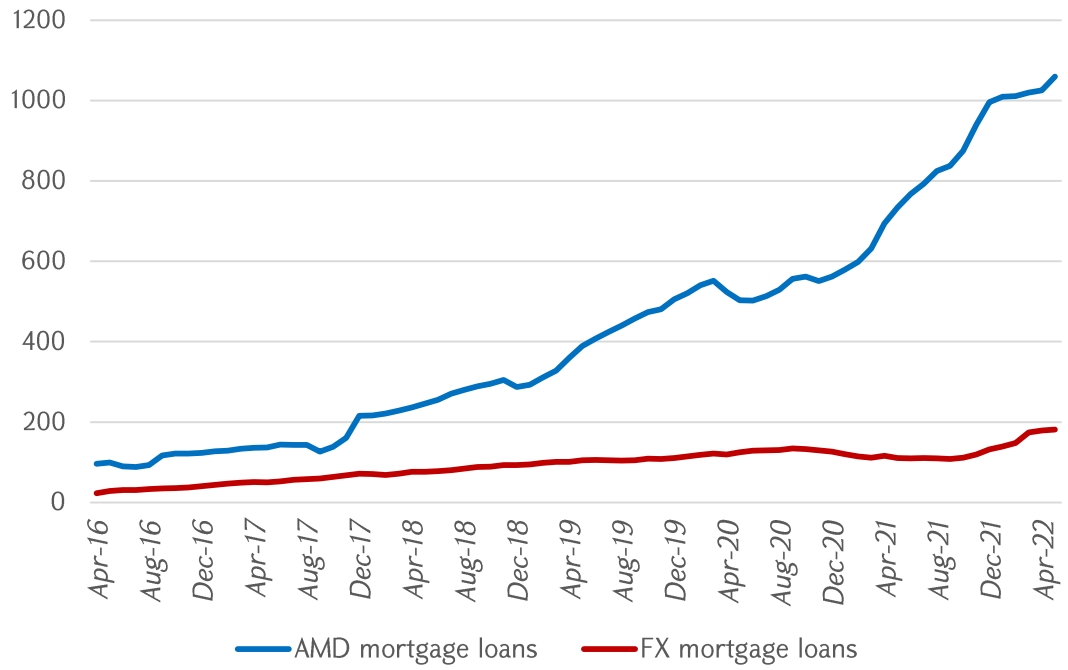
***The methodology of fundamental price calculation for real estate has been presented in Box 3 of 2021 Financial Stability Report.*

Real estate market and mortgages

Number of contracts in real estate market



Yearly average quantities of newly granted AMD and FX mortgage loans

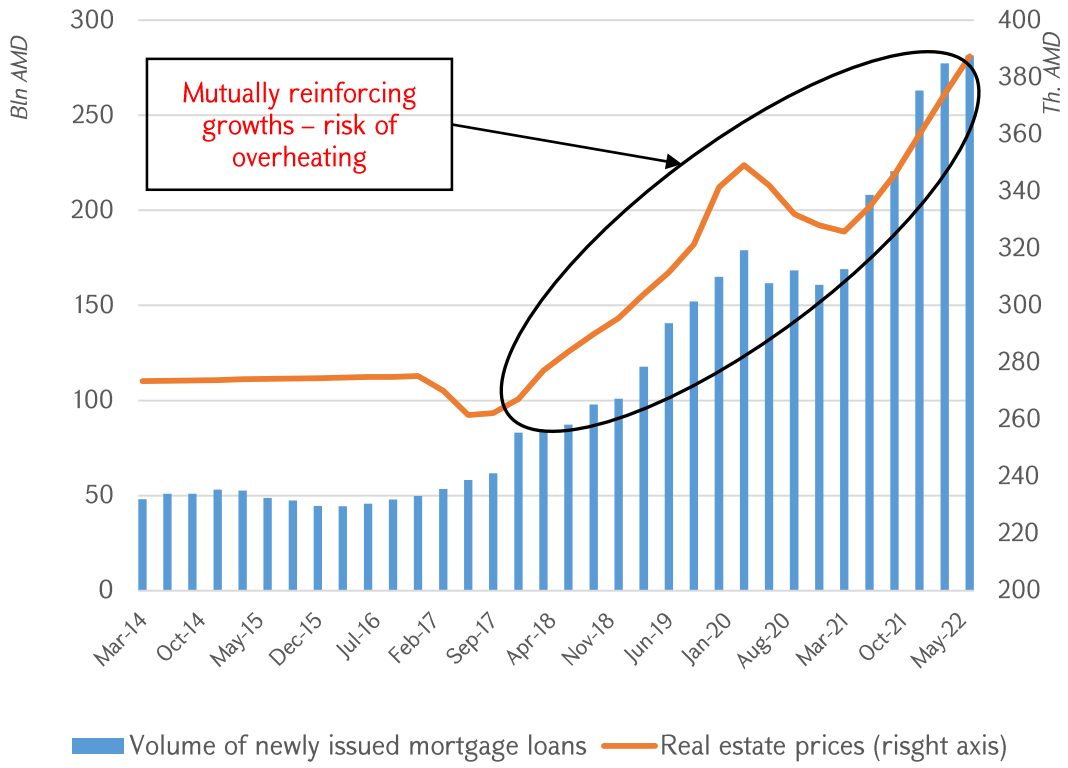


There has been sharp rise in primary registrations and rental contracts starting from 2018.

The number of newly granted loans have risen in both AMD and FX.

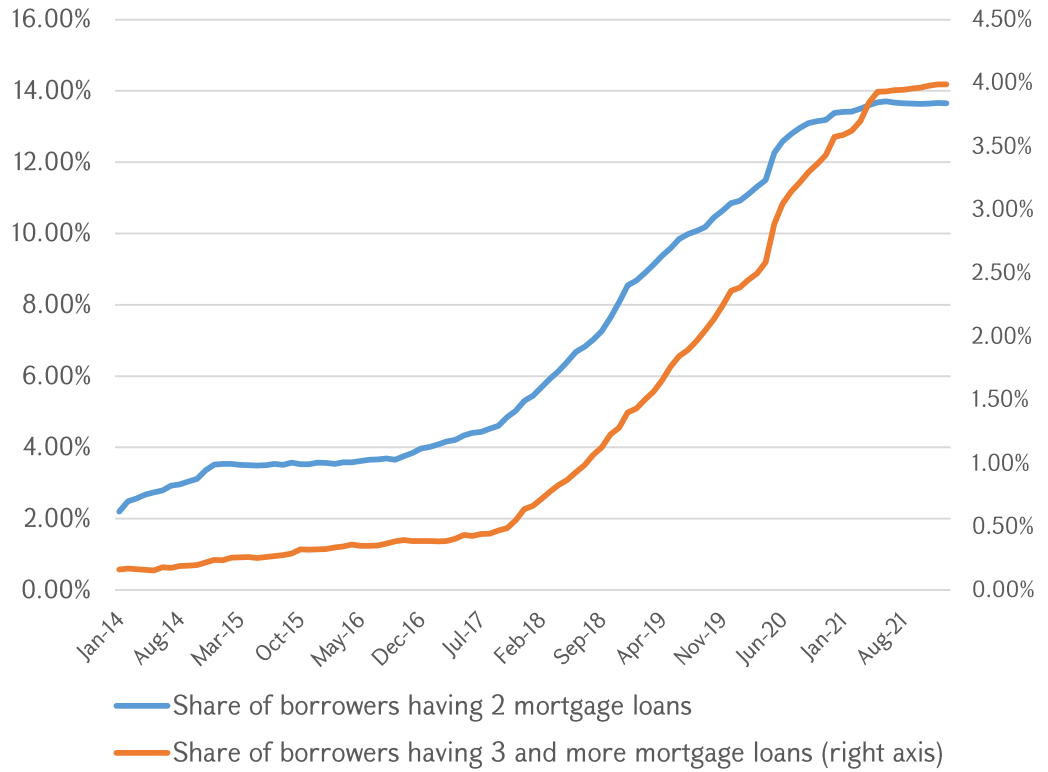
Real estate market and mortgages

Real estate prices and newly issued mortgage volumes



It can be seen from the chart, that real estate prices and mortgage loans have had similar growth patterns

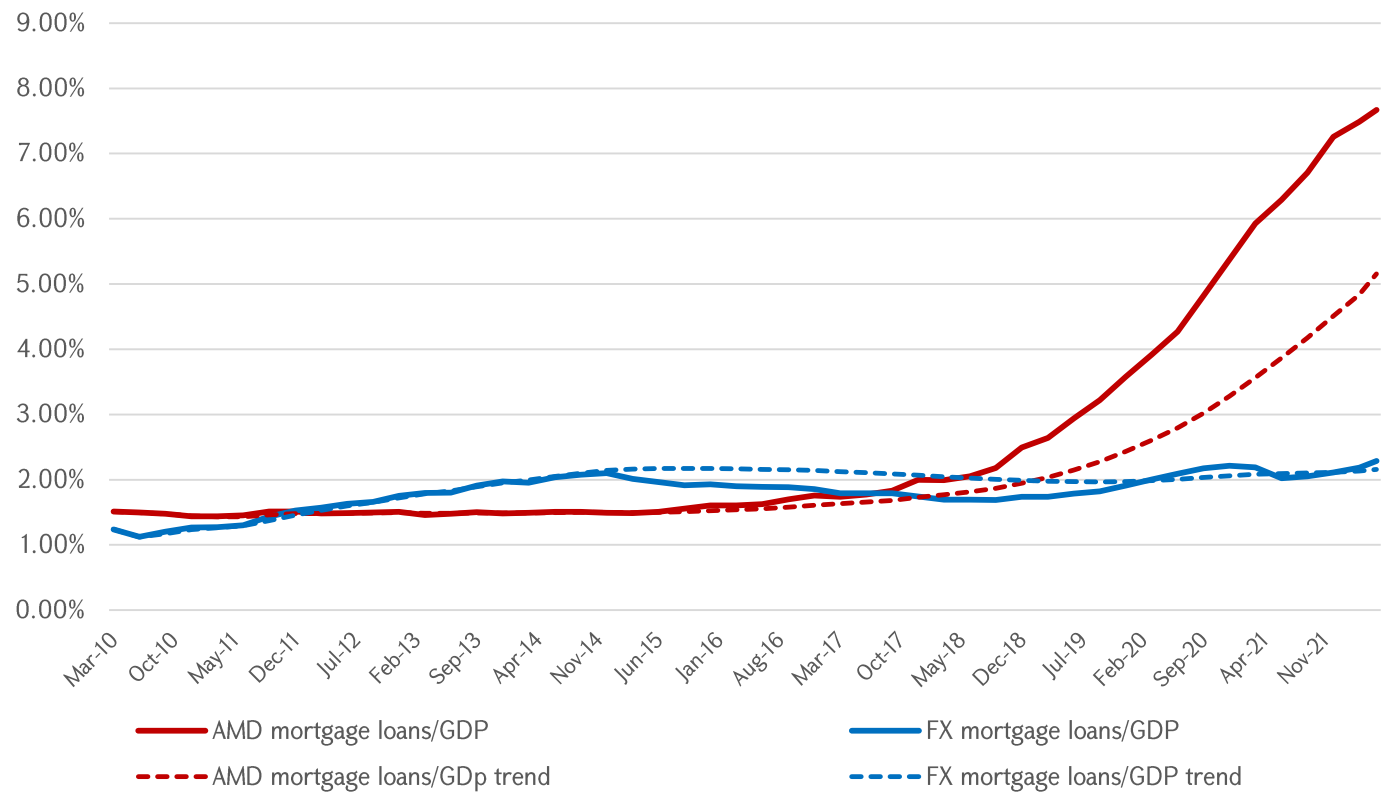
Weight of borrowers having more than 1 mortgage loan



The chart shows, that the weight of borrowers with more that 1 mortgage loan has been steadily rising from 2014, and as of mid-2022, around 18% of mortgage borrowers are burdened with 2 and more mortgage loans

Mortgage loans/GDP ratio

*The deviation of mortgage loans/GDP ratio from its long-term trend (by currency)**

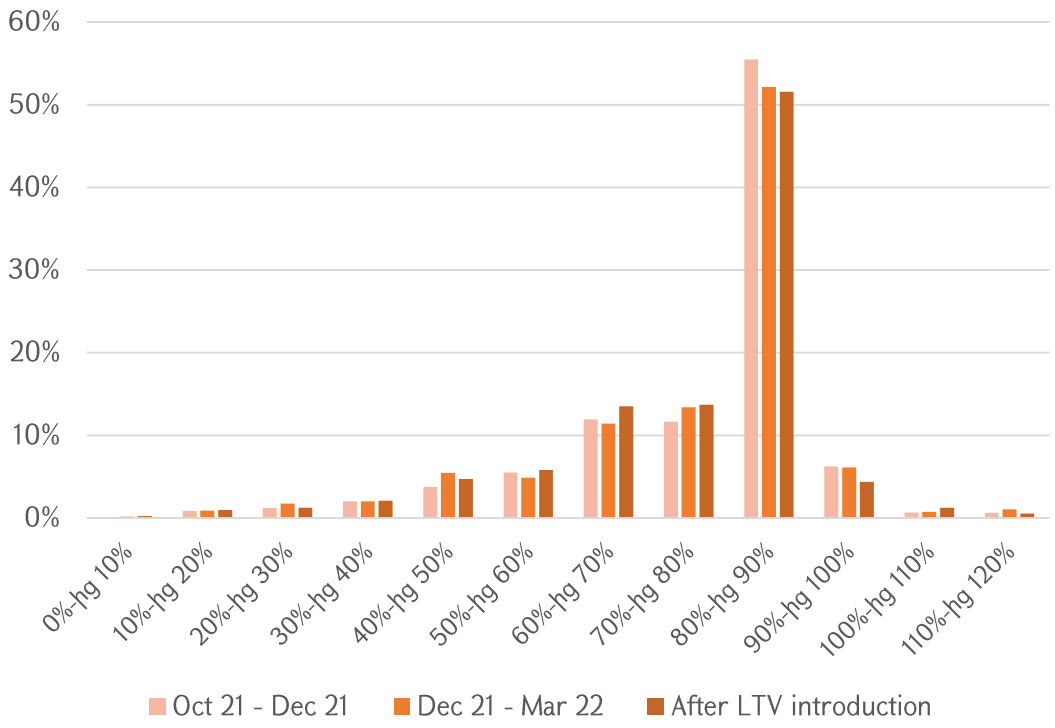


It can be seen, that starting from 2018 AMD mortgage loans to GDP ratio has deviated from its long-term trend.

**Long-term trends have been calculated using HP one-sided filter*

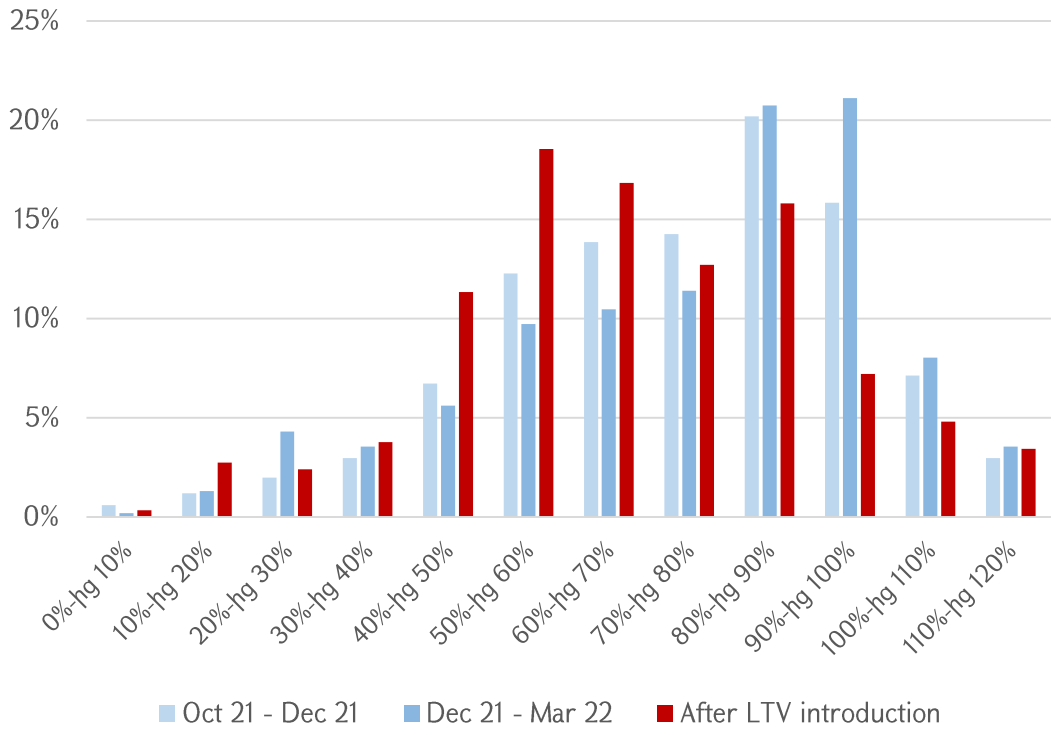
Loan to value ratio

The distribution of LTV ratios of AMD mortgage loans



The distribution of LTV ratios of AMD mortgage loans have remained stable.

The distribution of LTV ratios of FX mortgage loans



We can clearly see reduction of share of high LTV FX mortgages after introduction of LTV measures.