CENTRAL BANK OF ARMENIA

MAIN INDICATORS OF FINANCIAL STABILITY

4-th quarter 2022

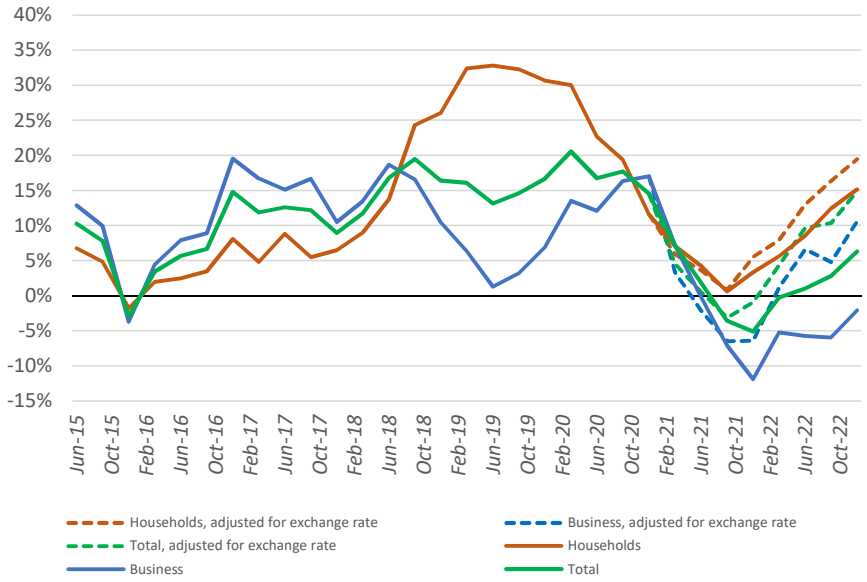
MAIN INDICATORS OF BANKING SYSTEM*

	Indicator value as of December/November	12-month change
ASSETS	8.23 trillion AMD	16.09%
Loans	4 trillion AMD	6.34%
Non-performing loan ratio	4.8%	0.07 p.p
LIABILITIES	6.97 trillion AMD	12.96%
Attracted deposits	4.58 trillion AMD	26.69%
EQUITY	1.26 trillion AMD	37.12%
Total capital adequacy ratio	19.68%	2.1 p.p
Total liquidity ratio	37.86%	6.1 p.p
Return on equity	22.35%	17.69 p.p
Return on assets	3.28%	2.66 p.p

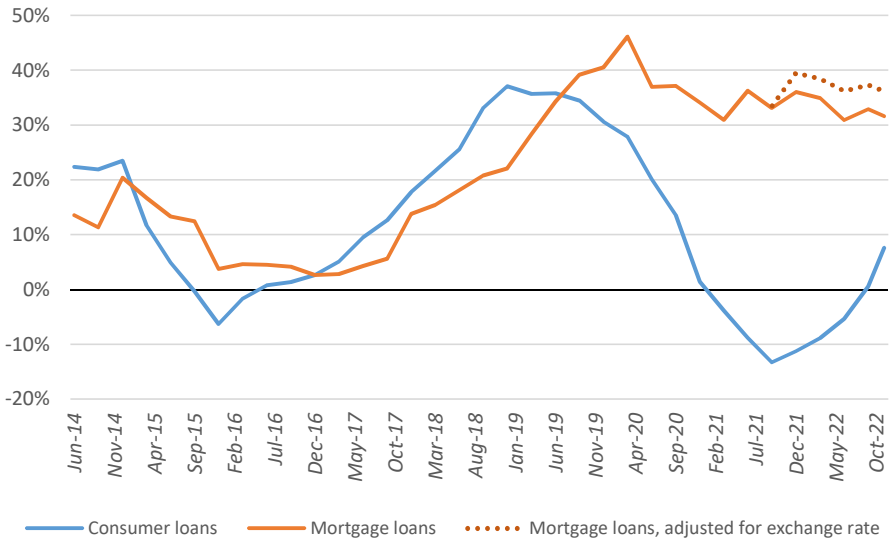
* The data is as of November 2022, except for loan flows and balance sheet data for banking system, which are as of 25th December 2022. Credit to GDP indicator related to the Financial Cycle Index are presented as of December 2022.

Lending keeps on growing

YoY growth of loan stocks, by sectors

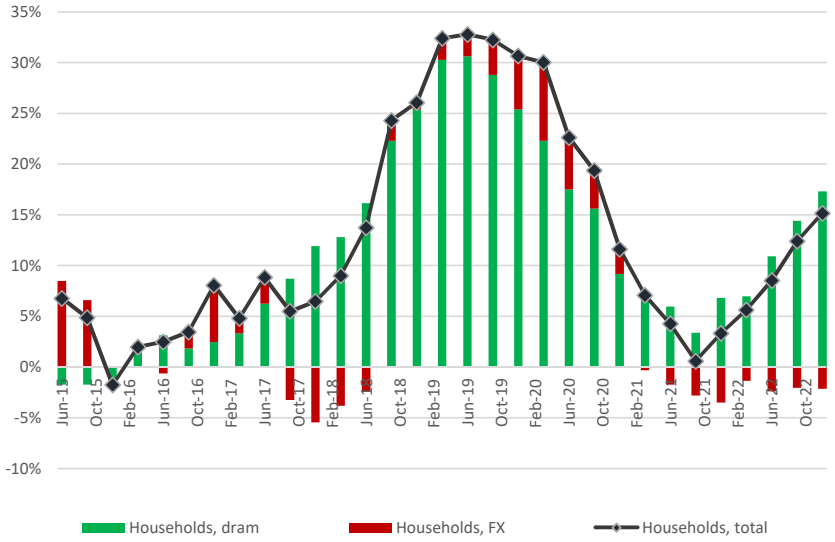


YoY growth of stocks of household loans

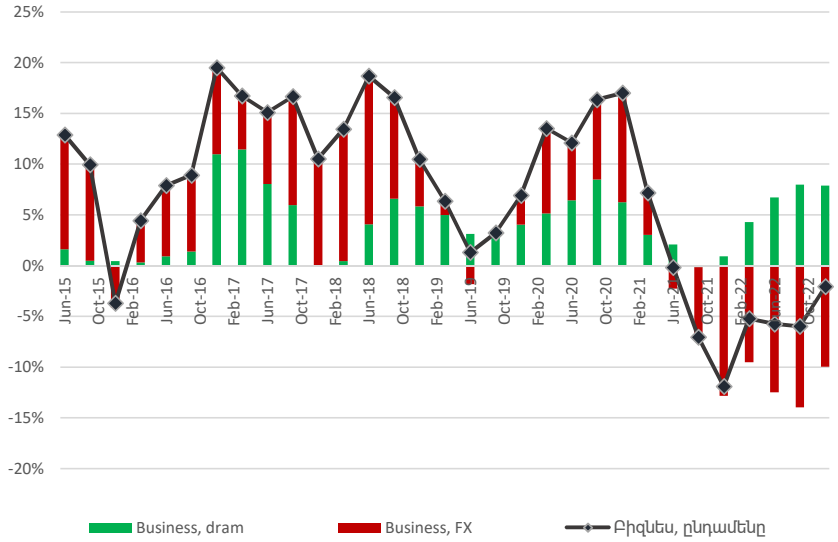


Primarily, it is the local currency loans that have increased

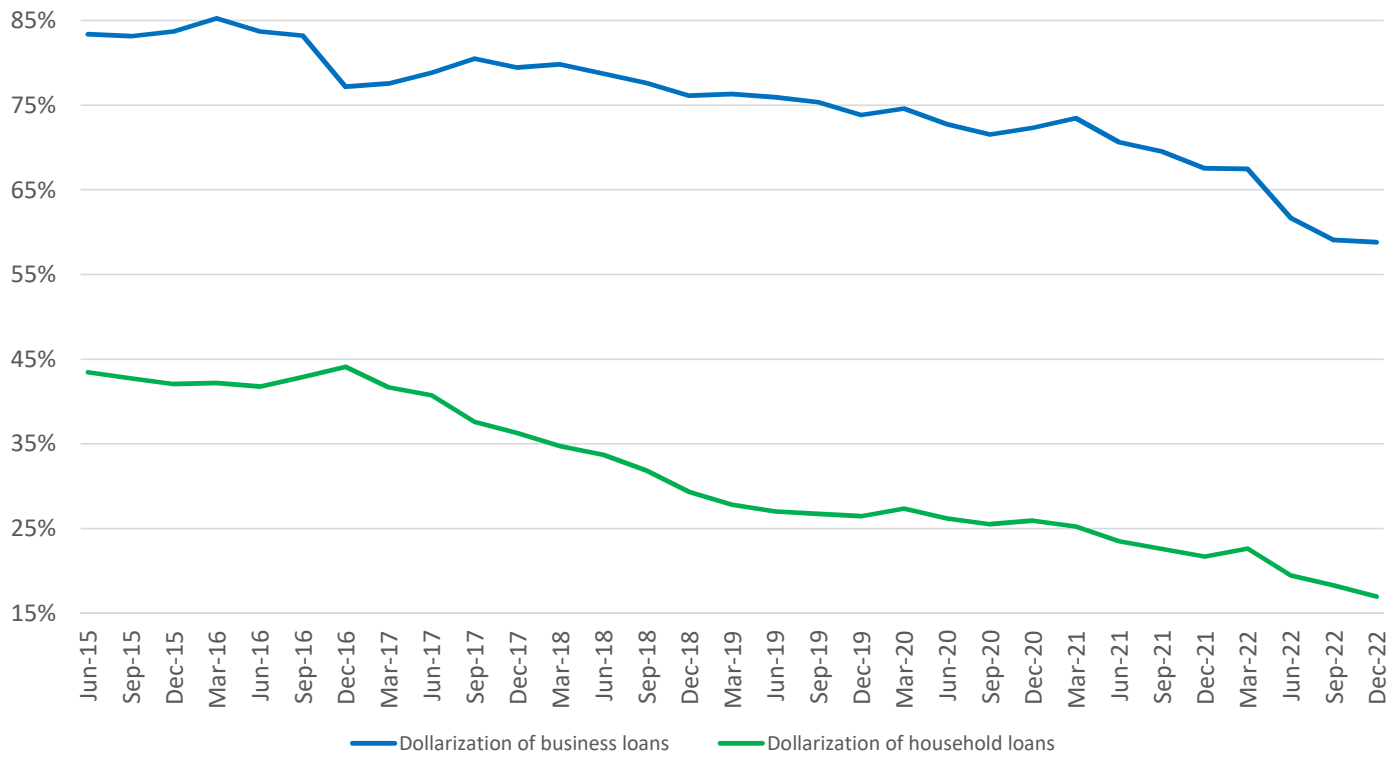
Decomposition of the growth rates of household loans by currency



Decomposition of the growth rates of business loans by currency

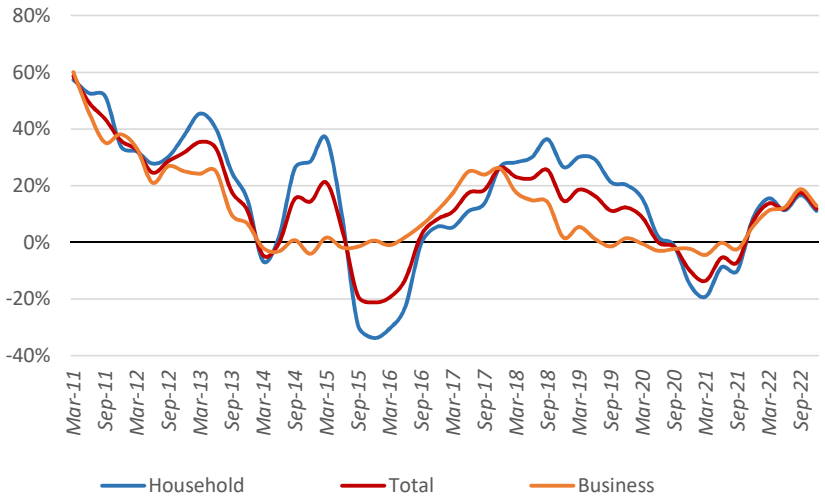


Dollarization of loans has further gone down

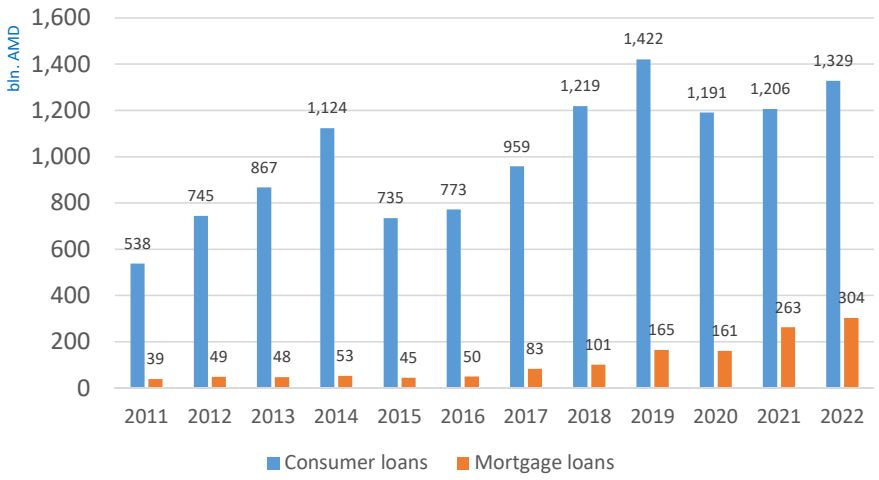


Flow indicators of loans have increased as well…

YoY growth of loan flows

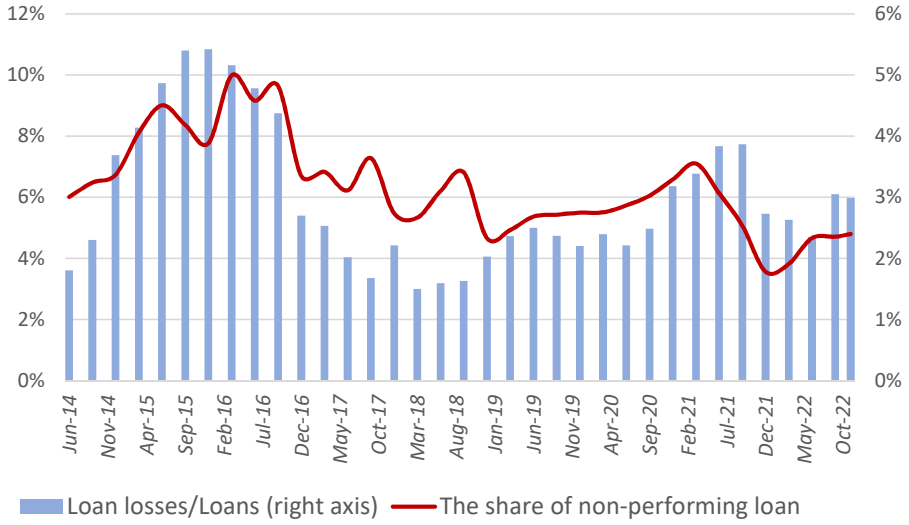


Yearly flows of consumer and mortgage loans

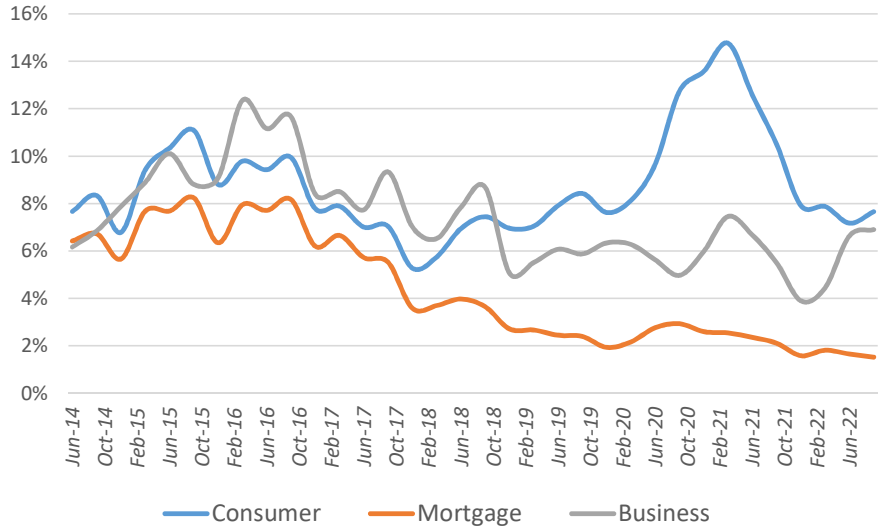


The weight of non-performing loans has not changed

The share of non-performing loans ve loan losses*



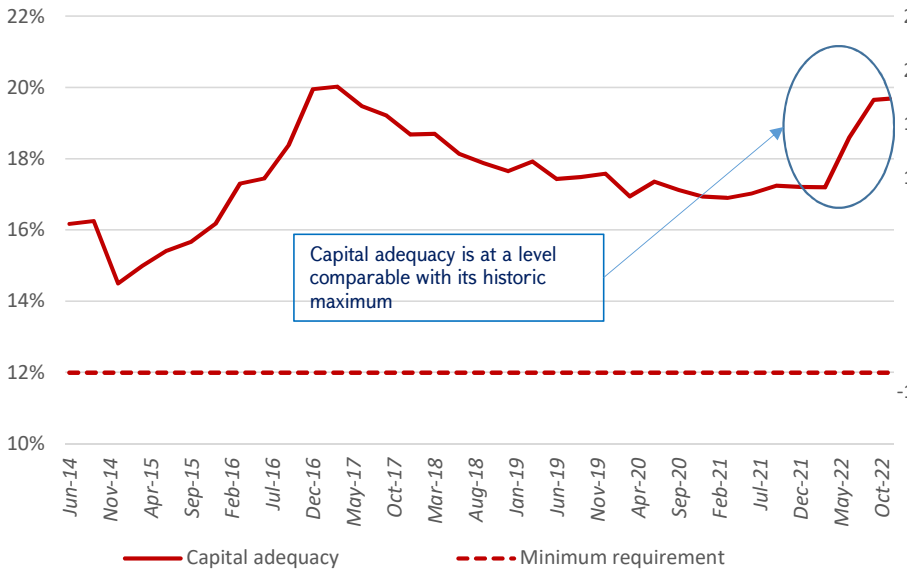
The share of non-performing loans by loan type



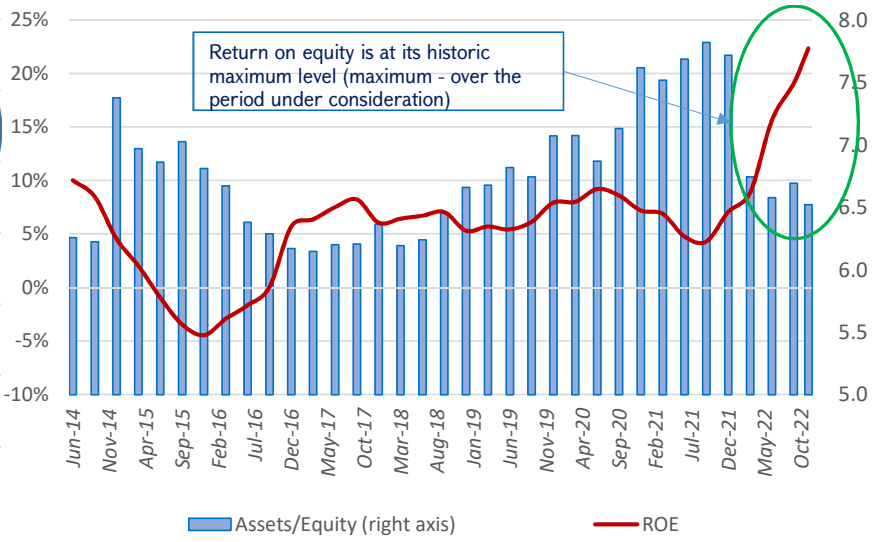
* *Including the loans classified as watched*

Loss absorbing capacity has improved considerably

Capital adequacy

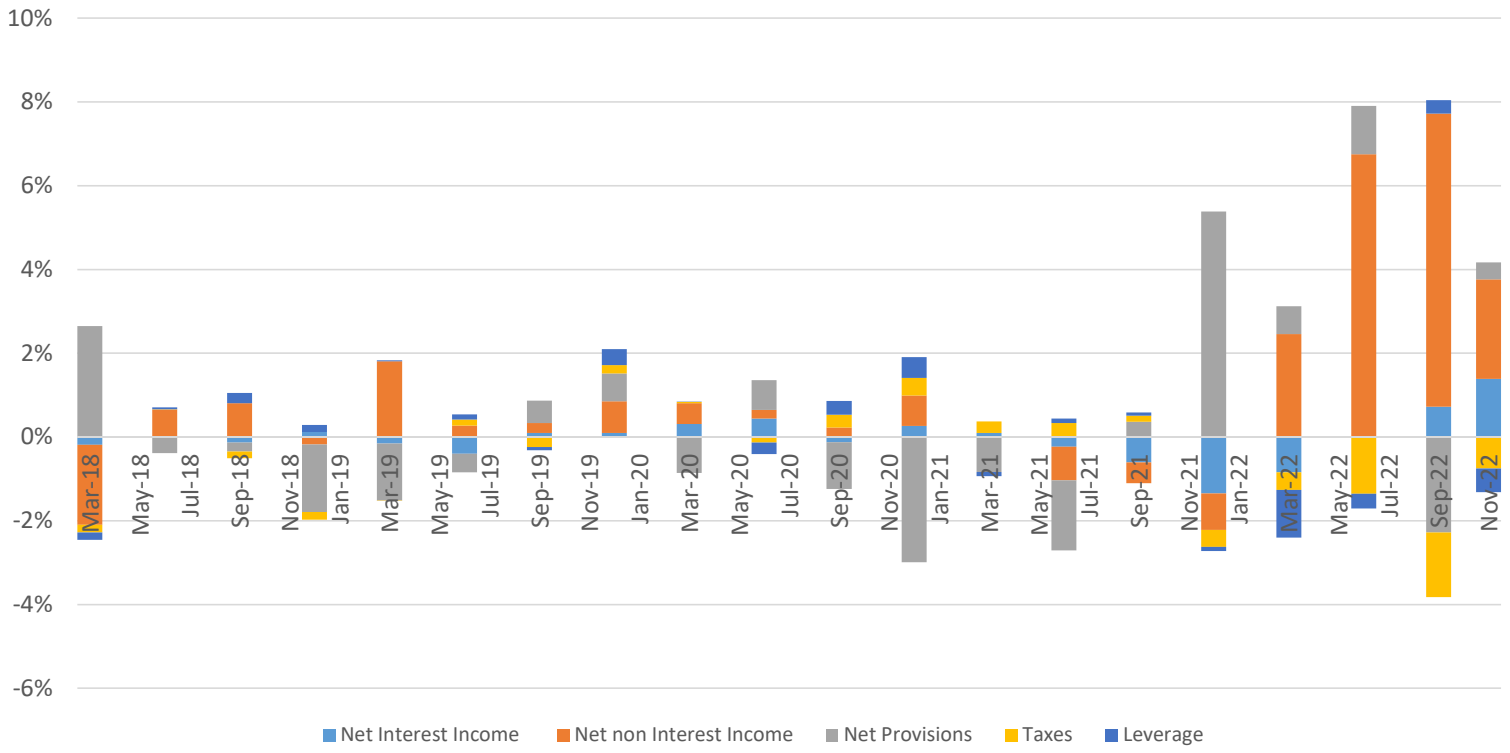


Return on equity and leverage



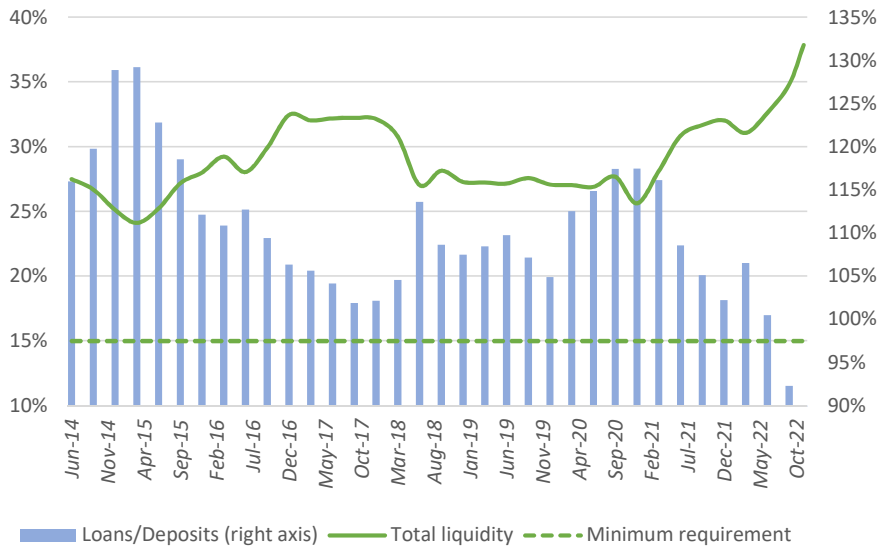
Higher returns are primarily driven by non-interest income

Decomposition of return on equity

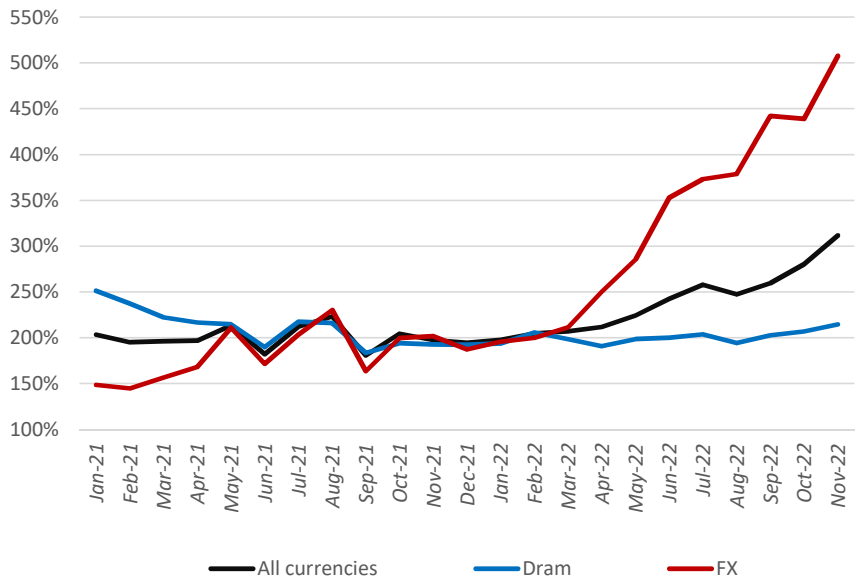


FX liquidity is at its historic maximum level

Liquidity requirements of banks and loans/deposits ratio

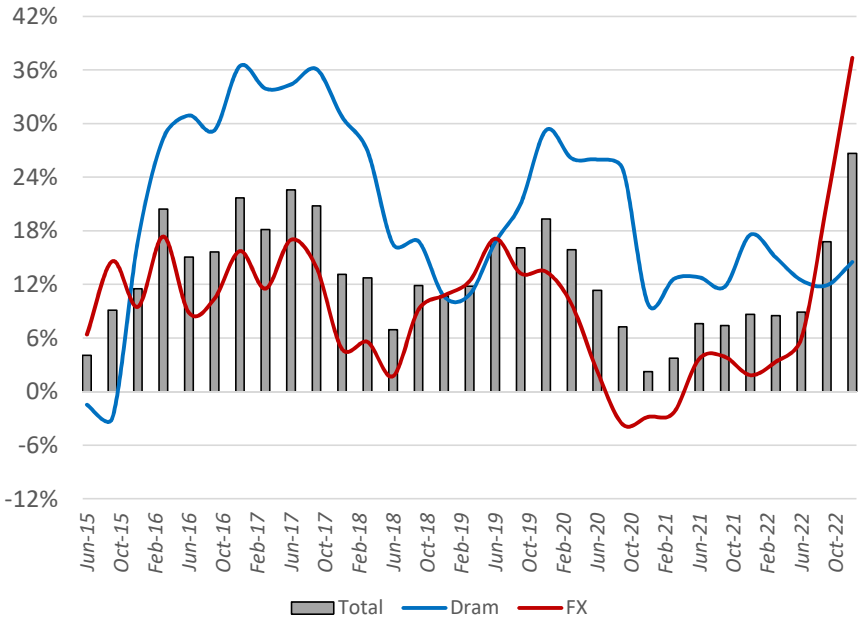


Liquidity coverage ratio

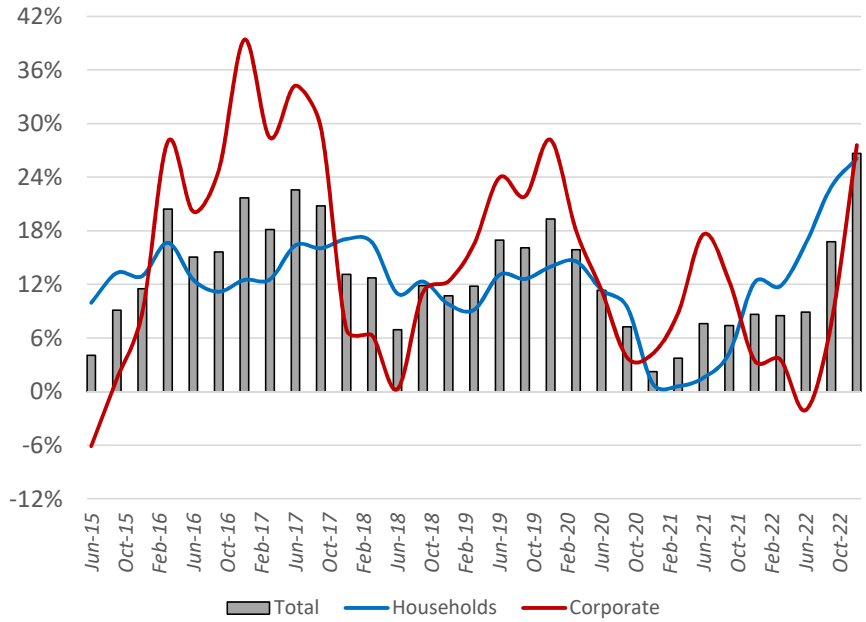


Deposits are growing as well

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

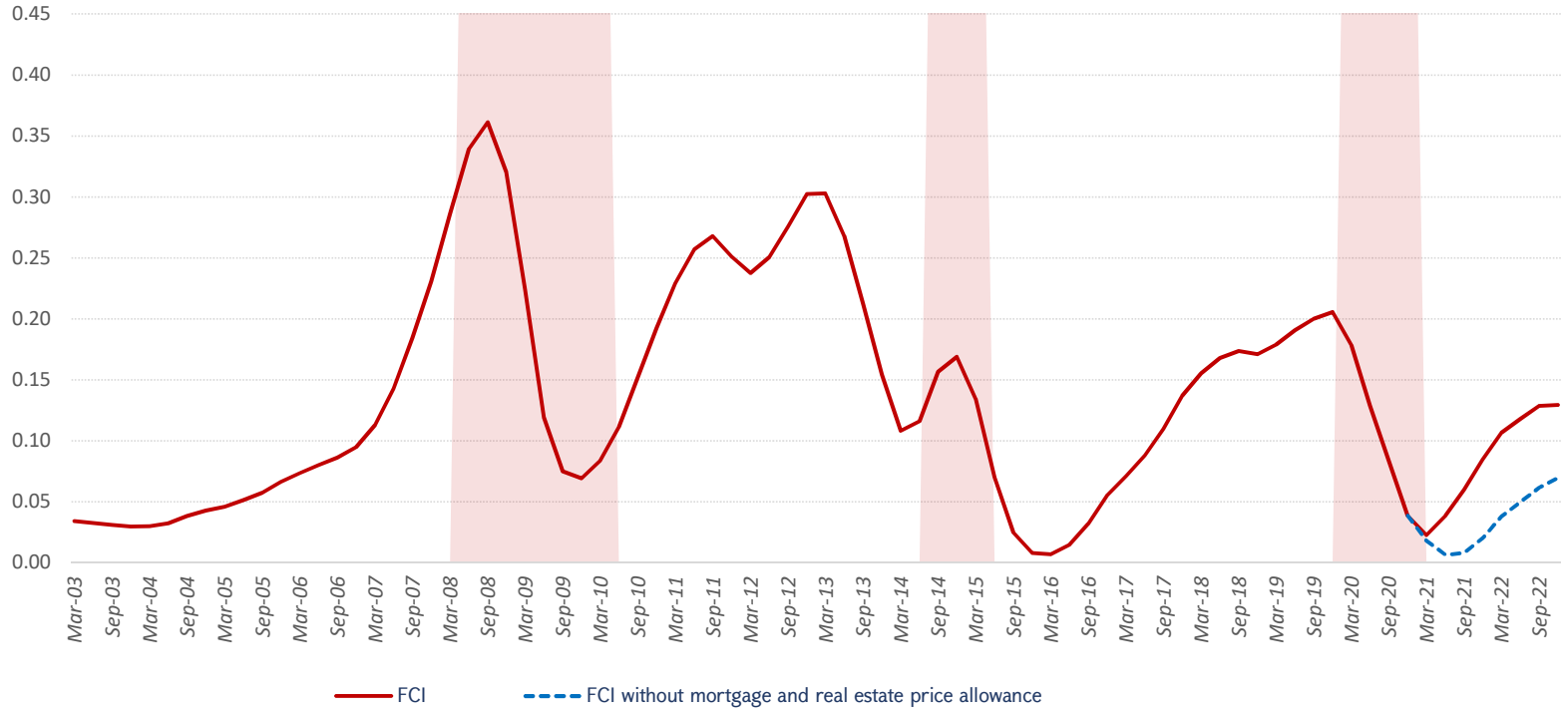


12-month growth rates of household and corporate deposits



Financial cycle index is growing

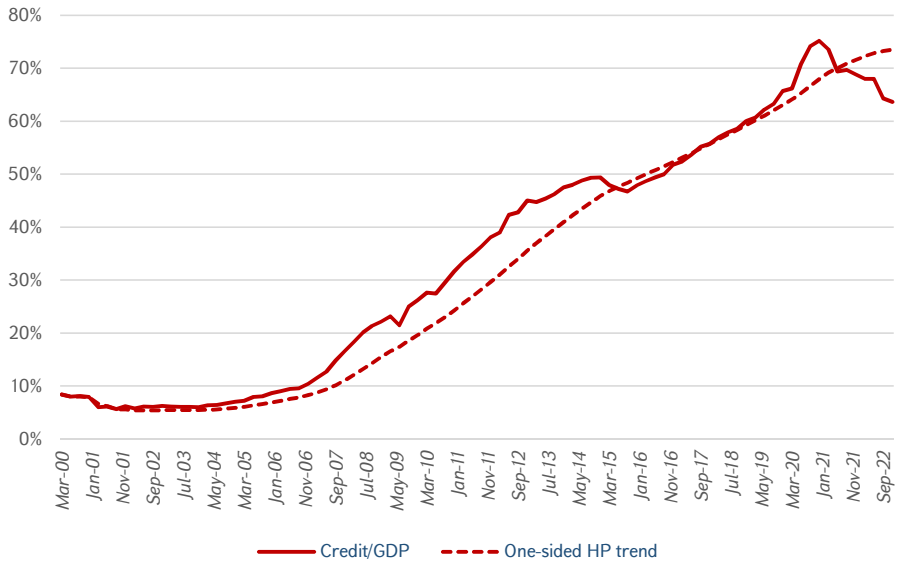
*Financial cycle index**



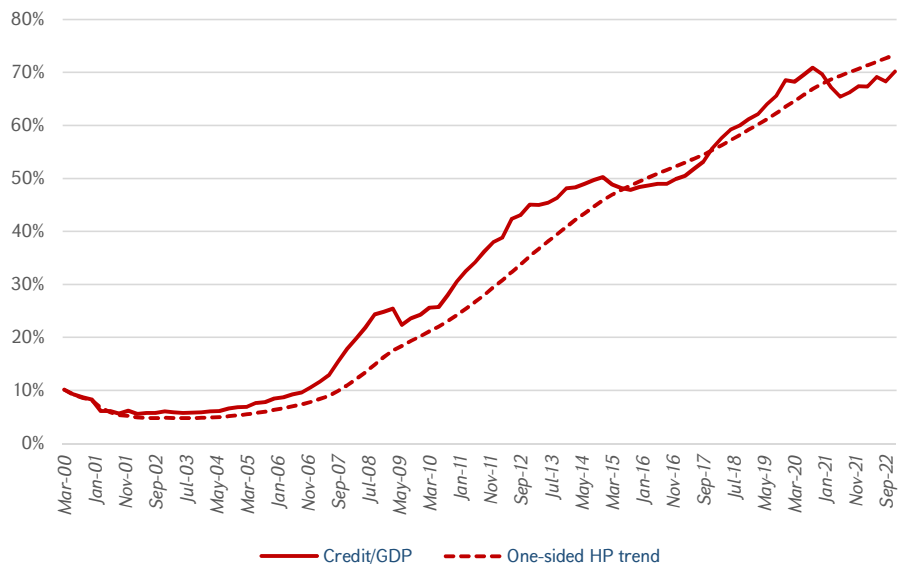
**2022 Q4 values of this indicator are based on estimates of the indicators making up the index (GDP, loans and so on) and in the future may be subject to changes upon the arrival of actual data.*

Credit to GDP gap is negative

Credit/GDP and its long-run trend

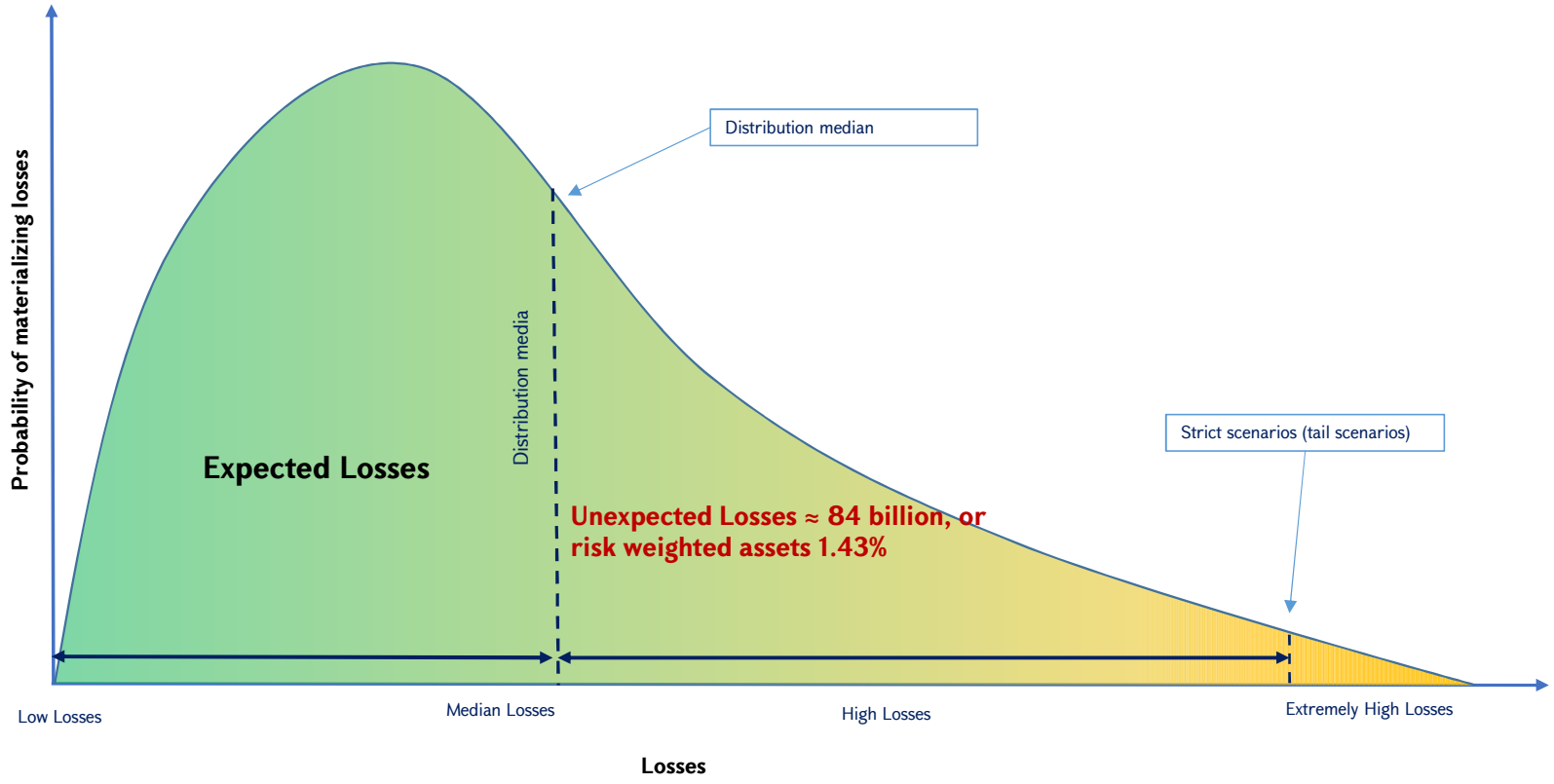


*Credit/smoothed GDP and its long-run trend***



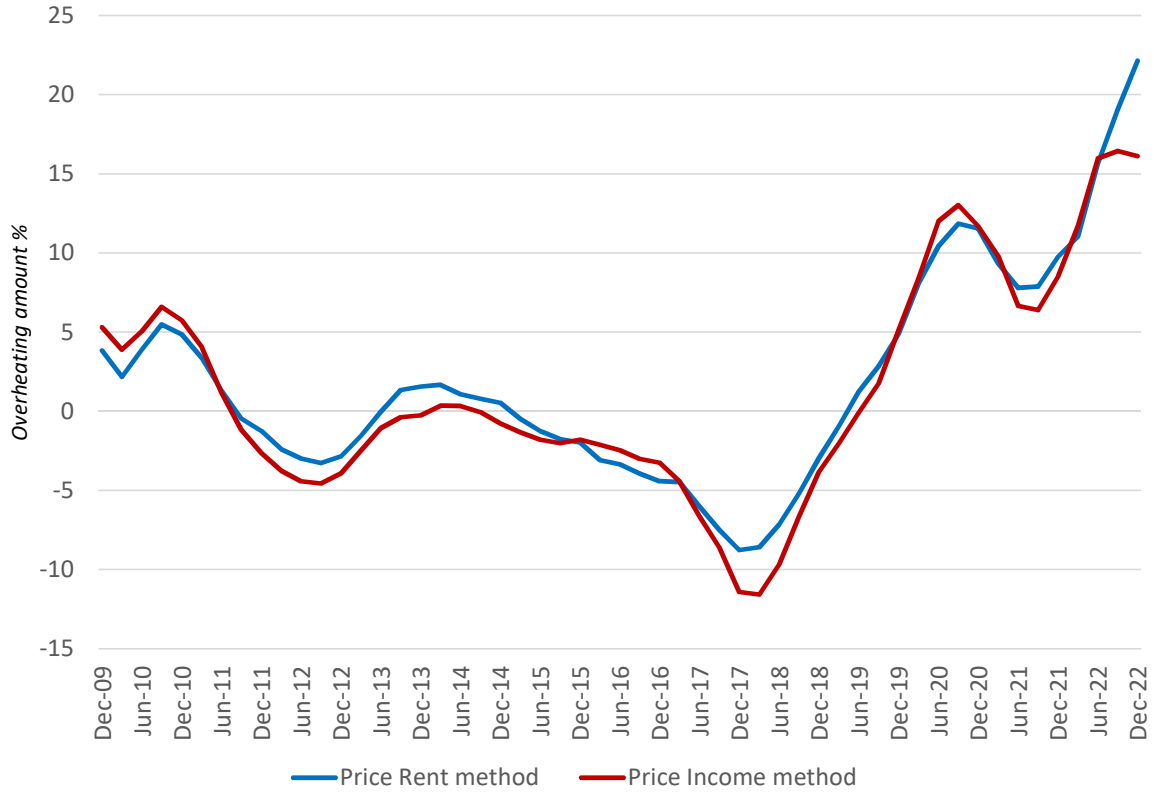
*** The indicator is calculated based on the smoothed series of GDP*

Losses as a result of shock scenarios amount to 1.43% of RWA*



* *Risk Weighted Assets*

Overheating trends persist in the real estate market



- ✓ According to the assessment of different methods, the amount of overvaluation is 16-22%

Conclusion

Justifications:

- ✓ the Financial Cycle Index continued to increase in comparison with previous quarter,
- ✓ in the 4th quarter of 2022, an increase in the activity of the credit market was recorded, which was noticeable in all lending directions,
- ✓ risks of overheating persist in the mortgage lending and the real estate market,
- ✓ according to the macro stress-testing results, the amount of additional capital needed to absorb the unexpected losses amounted 1.43% of risk-weighted assets
- ✓ in the context of the ongoing geopolitical uncertainties, the probability of materialization of systemic (cyclical) risks remains high

The CCyB rate was raised by 0.5 percentage points to 1.5% (effective from August 1).