

*Financial
Stability
Report*

2025



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Key Risks to Financial Stability

 MACRO ENVIRONMENT	Risks related to global economic outlook and inflationary pressures, driven by: • Geopolitical uncertainties and the ongoing conflict in the Middle East • Persisting economic and trade tensions
 HOUSEHOLDS	Build-up of credit risks, driven by: • Rising household debt burden • Uncertainty surrounding households' capacity to service their debt obligations
 REAL ESTATE	Risks stemming from real estate market developments, including: • Risks associated with a possible saturation of real estate demand and the emergence of excess supply • Risks related to the rapid growth of lending to the construction sector



Current Macroprudential Instrument rates

Countercyclical Capital buffer	1.75%
Capital conservation buffer	2.5%
Loan-to-value ratio limit (for loans secured by real estate)	90% for AMD-denominated loans 70% for foreign currency loans
Systemic buffer	1.5%





The banking system is characterised by strong capital and liquidity positions.

Capital adequacy ratio

21.7%

Liquidity coverage ratio (all currencies)

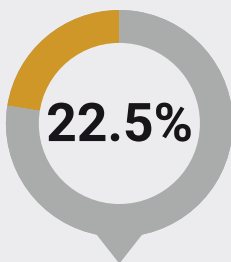
231.6%

Liquidity coverage ratio (Group 1 significant foreign currencies)

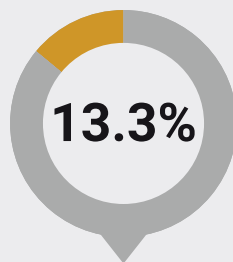
289.6%



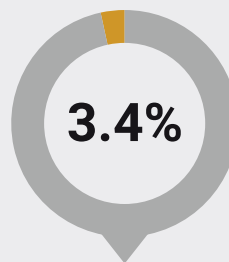
The banking system recorded sufficiently high profitability along with growth in loan and deposit portfolios



Annual loan growth



Annual deposit growth



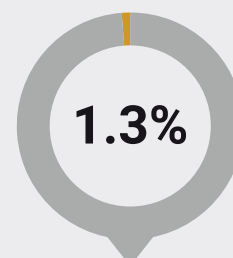
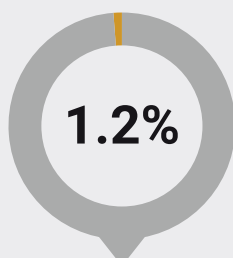
Return on Assets (RoA)



Return on Equity (RoE)



Amid economic growth and strong activity in the credit market, loan portfolio quality has not changed materially





More detailed information on the macroeconomic environment of the Republic of Armenia is published in the Monetary Policy Program Implementation Report.

Previous issues of the “Financial Stability Report” and the “Monetary policy program implementation report” are available on the official website of the CBA at www.cba.am.

**The data published in this report are as of
30 April 2026**

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l stability is one of the primary objectives of the Central Bank (alongside price stability), which is the most important component of overall macroeconomic stability and an essential precondition for sustained long-term economic growth.

Financial stability can be characterised as a combination of financial and macroeconomic conditions under which the financial system – financial institutions, markets and infrastructure – is capable of withstanding probable shocks and imbalances, thereby reducing the likelihood of disruption to the financial intermediation function.

Under the financial stability mandate, potential risks endangering the stability of the financial system, arising from both within the financial system and from domestic and external macroeconomic developments, as well as their possible sources, are continuously monitored and assessed. As a result of comprehensive analysis of these risks and assessment of their potential impact on financial stability, an appropriate policy is developed and implemented.





INTRODUCTION

The Financial Stability Report of the Central Bank of the Republic of Armenia is published annually and incorporates the overall assessment of risks that might potentially threaten the stability of the financial system, as well as the capacity of the financial system to withstand such risks. Through the publication of information on financial stability analyses, the Central Bank aims not only to bring potential risks to the attention of stakeholders, but also to present the policy aimed at managing and mitigating those risks.

Financial stability and price stability are components of overall macroeconomic stability and effectively complement each other. An unstable financial system may hamper the effective implementation of monetary policy and impede the achievement of long-term sustainable economic growth. Concurrently, macroeconomic stability (including price stability) helps reduce potential risks to financial stability. Given the vital importance of the financial system to economic processes, its continuity and stability contribute materially to ensuring the normal growth of the economy.

In order to identify risks to financial stability in a timely manner, the CBA conducts continuous monitoring and analysis of both the financial system and overall macroeconomic developments. The report presents the risks identified in the macro-environment and in the financial system, their impact on developments in various sectors of the economy and the financial system, as well as the macroprudential policy implemented.

Economic and non-economic risks affecting the financial stability of the Republic of Armenia may

arise in the domestic macro-environment, in the external economy, and in the financial system itself.

Based on the above, the potential risks threatening the financial stability of the Republic of Armenia are presented in the report under the following main directions¹:

- risks derived from developments in the global economy,
- risks derived from developments in the macroeconomic environment of Armenia,
- risks derived from the financial market of Armenia,
- risks derived from financial institutions of Armenia,
- risks derived from the financial infrastructure of Armenia.

The report presents the accumulation of risks in these areas and their possible impact on the development of all sectors of the economy and financial system, as well as the macroprudential policy, regulation and infrastructure oversight of the CBA aimed at addressing those risks. Furthermore, the Financial Stability Report places greater emphasis on the risks and development directions of the banking system, as commercial banks hold a dominant position in the financial system of Armenia and, consequently, it is the condition of the banking system that predominantly determines the overall level of financial stability and sets its course of development.

¹ Information regarding the supervision of the financial system of the Republic of Armenia is presented in the Annual Report of the Central Bank of the Republic of Armenia: <https://www.cba.am/en/reports>

Notice

The Financial Stability Report 2025 provides an assessment of the key developments and risks affecting Armenia's financial system during the year and outlines the macroprudential policy measures implemented by the Central Bank to safeguard financial stability.

In the context of recent developments in the Middle East, risks to the global economic outlook and inflation have increased significantly. Under these conditions, rising energy and other commodity prices could contribute to a buildup of a global inflationary environment. At the same time, growing uncertainties regarding the macrofinancial environment could adversely affect global economic growth. Given the unpredictability of the further development of the conflict, uncertainties surrounding the magnitude of the adverse impact on the global and regional macrofinancial environment remain elevated.

In this context, risks to Armenia's macroeconomic stability primarily stem from the global

macroeconomic outlook, particularly developments in international commodity markets, potential disruptions to trade and logistics chains, further developments in trade with Iran, as well as the changes in investor sentiment toward countries in the region. The potential developments outlined above principally pose risks of accelerating inflation, tighter financial conditions and a weakening of economic growth in Armenia. In such an adverse macroeconomic environment, risks to the stability of Armenia's financial system would increase. At the same time, Armenia's financial system currently maintains substantial capital and liquidity buffers and is well positioned to ensure the continuous provision of financial intermediation services.

In the current rapidly evolving and uncertain environment, the Central Bank of Armenia will remain focused on closely monitoring macro-financial developments, conducting the necessary analysis, and deploying appropriate policy instruments to safeguard the stability of Armenia's financial system.



EXECUTIVE SUMMARY

01

In 2025, the financial stability risk landscape continued to be dominated by risks stemming from elevated global political and economic uncertainty. Already in 2026, the conflict in the Middle East has caused a significant adverse supply shock to the global economy, leading to a sharp increase in energy prices, heightened volatility in financial markets and higher government bond yields. Against this backdrop, risks to the global economic growth outlook and inflation have increased and will largely depend on the duration of the conflict and the extent of its further escalation.

In 2025, Armenia's financial system continued to expand while maintaining a strong capacity to withstand shocks. Growth was recorded across all segments of the financial system. The banking sector continued to record robust growth in both lending and deposits. Notably, the high growth in lending was driven by sustained credit expansion to both households and businesses.

During the year, continued rapid growth in household (hereinafter HH) lending led to a further increase in household debt burden, as reflected in the rising ratio of household loans to GDP. The increase in indebtedness was driven by high growth in consumer loans relative to household income, as well as by the sustained expansion of mortgage lending in recent years. The average maturity of household loans also increased, while this has moderated the increase in the debt service burden. It has also increased uncertainties regarding borrowers' ability to servicing their debt over a longer horizon. Against this backdrop, and taking into account the elevated risks stemming from the heightened global uncertainties, the Central Bank continues to emphasize prudent credit risk management practices by commercial banks. In particular, it considers the proper assessment of borrowers' debt burden and their capacity to service it, encompassing not only risks arising from the current macro-environment, but also their resilience under adverse stress scenarios, including declines in income and increases in interest rates, as reflected in stressed DSTI and DTI indicators.

In 2025, trends of relative stabilisation of demand and a slowdown in price growth were recorded in the real estate market. At the same time, signals of potential excess supply formation and accumulation of credit risks driven by high growth in construction loans persist.

Armenia's banking system continues to maintain strong capital and liquidity positions and, accordingly, a high capacity to withstand shocks. Throughout the year, capital adequacy and liquidity indicators were well above the minimum regulatory requirements. At the same time, the banking system continued to record high profitability, supporting the organic accumulation of capital and strengthening the resilience of the financial system.

The high profitability of the banking system was driven primarily by growth in net interest income, largely reflecting the volume effect associated with the continued expansion of financial intermediation. In an environment of relatively stable interest rates, the contribution of the margin effect (i. e. the net price factor) to the growth in net interest income remained limited.

The results of macro stress tests conducted under a scenario reflecting risks derived from elevated global uncertainties indicate that Armenia's banking system has sufficient resilience to withstand the shocks envisaged under the severely adverse scenario, while maintaining its capacity to provide financing to the economy continuously.

During the year, the Board of the Central Bank of Armenia maintained the countercyclical capital buffer (CCyB) rate at 1.75%. In its decisions regarding the CCyB rate, the Board took into account cyclical developments in the credit market, as well as its assessments of risks already accumulated in banks' balance sheets. In particular, the Board assessed that a CCyB rate of 1.75% was sufficient to absorb unexpected losses arising from credit risks.



MACROECONOMIC DEVELOPMENTS

- 2.1. External environment developments
- 2.2. Domestic developments
- 2.3. Household debt and associated potential risks
- 2.4. Real estate market developments and associated risks



02

2.1. External Environment Developments

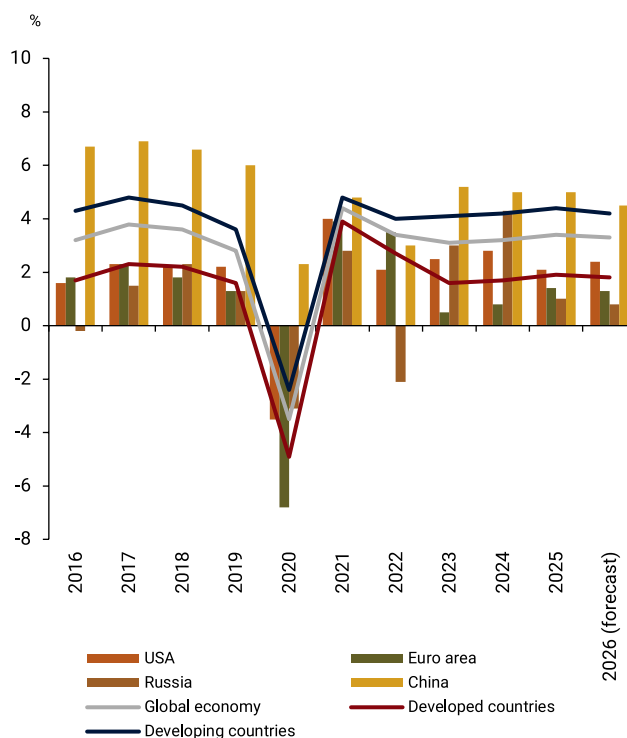
Against a backdrop of some stabilisation of trade tensions and accommodative financial conditions, the global economy demonstrated relatively stable growth and resilience. Nevertheless, the level of geopolitical, economic and trade uncertainties remain elevated, giving rise to risks of slower economic growth and increased financial market volatility. Moreover, recent developments in the Middle East have materially increased risks to the global economic outlook. Although the volatility observed in markets at the start of the year has since moderated, risks of asset overvaluation and subsequent potential correction persist. At the same time, expansionary fiscal policies have supported the resilience of economies, though rising public debt levels and associated structural challenges remain.

According to the International Monetary Fund's assessment, global economic growth in 2025 stood at 3.4%, effectively meeting forecasts made at the start of the year (See Chart 2.1²).

The resilient economic growth recorded alongside a deteriorating global outlook was underpinned by the implementation of fiscal and monetary stimulus, the flexible response of the private sector to prevailing uncertainties, eased financial conditions, as well as rising investment related to artificial intelligence (AI). According to the IMF, the impact of tariff policies on global economic growth in 2025 was close to the optimistic scenario. Although tariffs continue to be a drag on economic growth, it is projected that their impact will gradually diminish over the next two years. However, the recently escalating geopolitical tensions in the Middle East are creating additional risks to the global economic outlook, commodity price increases, and disruptions to global as well as Armenia's trade and logistics chains.

Chart 2.1.

Economic growth indicators by regions



Source: IMF

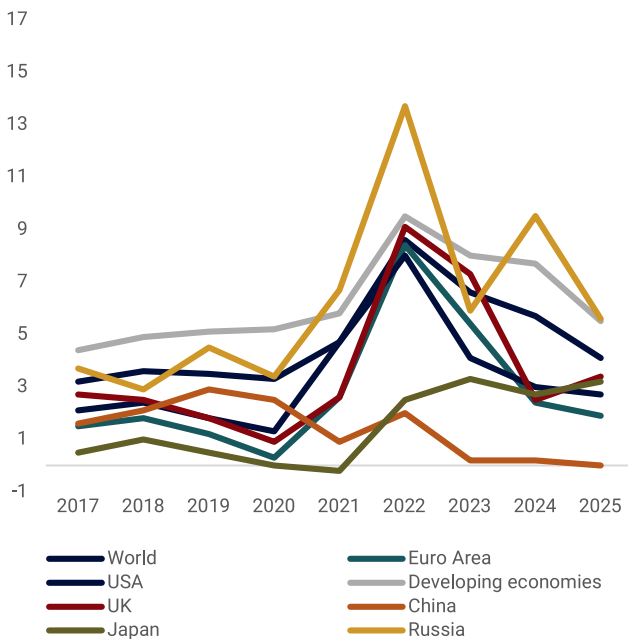
In the context of a slowdown in inflation, reductions in policy interest rates have contributed to the formation of accommodative financial conditions.

Global inflation moderated somewhat in 2025 (See Chart 2.2). Against the backdrop of weakening demand and comparatively low energy prices, expectations of further disinflation were sustained throughout the year. In parallel, central banks continued to cut policy rates, contributing to accommodative financial conditions (See Chart 2.3). At the same time, expectations of accelerating inflation in the United States remained, against a backdrop of heightened uncertainty surrounding trade policies.

2 <https://www.imf.org/external/datamapper>

Chart 2.2.

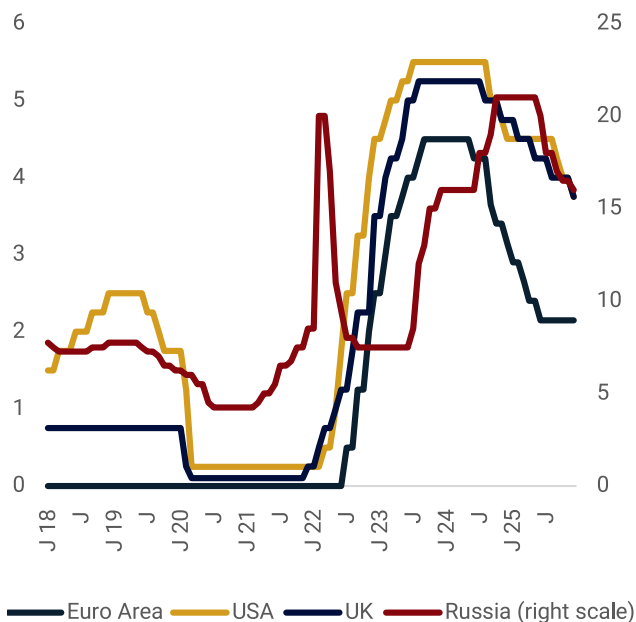
Annual inflation in various countries and regions



Source: IMF

Chart 2.3.

Policy rates in given countries



Source: IMF

In the macroeconomic environment shaped by global trade restrictions and geopolitical tensions, economic growth in Armenia's partner countries generally slowed.

In the United States, economic growth decelerated compared with the previous year; private consumption and growth in AI-related investment continued to be the main drivers of the economy. Notably, a slowdown in US wage growth and a modest rise in the unemployment rate may signal weakening demand conditions.

In the Euro area, economic growth accelerated somewhat, exceeding the IMF's forecasts made at the start of the year. However, structural challenges in the industrial sector, subdued domestic demand conditions and trade uncertainties persisted in 2025.

In China, manufacturing exports remain the main driver of the economy, while domestic demand has weakened. The severely adverse impact of tariffs on China's economy has not materialised to a significant extent, owing to front-loading of exports to European and Asian countries, expansionary fiscal policy and real effective exchange rate depreciation.

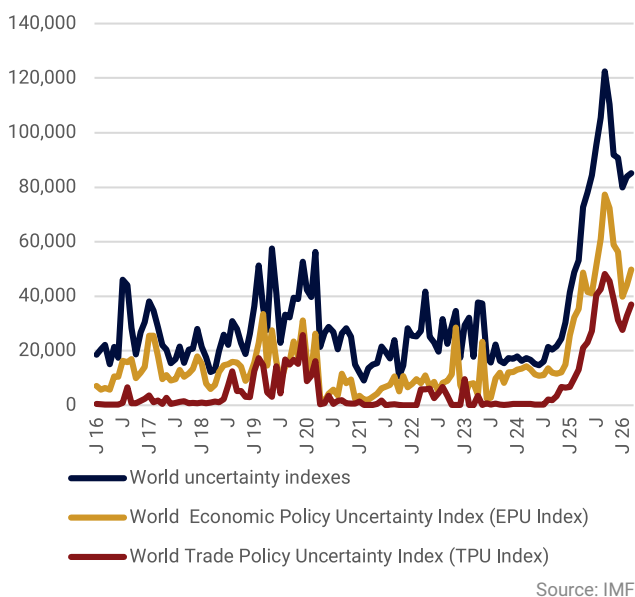
In Russia, the slowdown in economic growth, particularly in the industrial sector, was accompanied by a decline in real sector income growth and credit growth rates, while non-performing loans increased. Notwithstanding the adverse macroeconomic environment, tight labour market conditions, widening wage differentials between the Russian and Armenian construction sectors, as well as rouble appreciation, drove an increase in remittances from Russia to Armenia.

The elevated level of geopolitical, trade and macroeconomic uncertainty remains one of the primary risks to global economic stability, entailing risks of reduced investment, tightening financial conditions, reduced liquidity and increased exchange rate volatility. Notwithstanding the high resilience demonstrated by the global economy against tariff shocks in 2025, uncertainties driven by trade policies

remained elevated (See Chart 2.4). The adverse effects of the materialisation of the above risks could be more pronounced for economies characterised by vulnerable currency and fiscal positions.

Chart 2.4.

World uncertainty indices

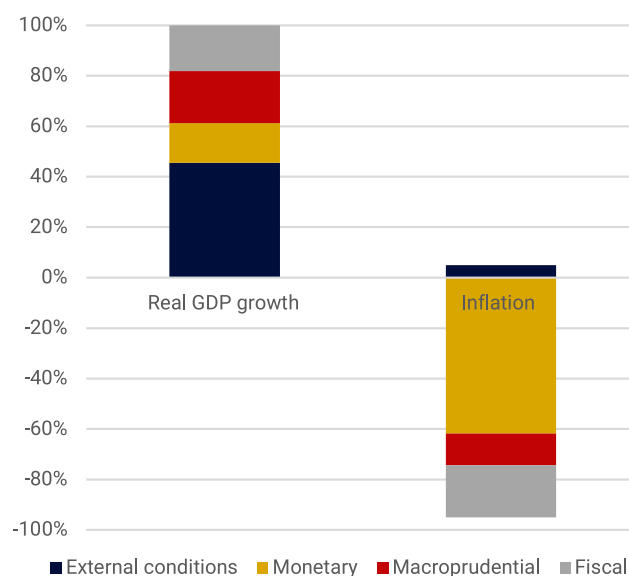


In an environment characterised by improvements in monetary, fiscal and macroprudential policy frameworks in recent years, emerging market economies have demonstrated high resilience to external economic shocks. In particular, capital outflows from emerging economies and adverse effects on economic growth and inflation during risk-off episodes, characterised by a sharp shift in global investor risk appetite and tightening financial conditions, have declined significantly. While the improvement in macroeconomic policy frameworks has contributed to this resilience, according to the IMF it was also partly attributable to favourable external conditions. A comparison of risk-off episodes before and after the global financial crisis shows that post-crisis economic growth was approximately 1 percentage point higher. According

to the IMF, more than 0.5 percentage points of this is explained by improved policy frameworks, and the remainder by more favourable external conditions, including robust growth in advanced economies, improved terms of trade and post-pandemic accommodative financial conditions (See Chart 2.5³).

Chart 2.5.

Contributions of External Conditions and Macroeconomic Policies to Improving the Resilience of Emerging Economies During Risk-Off Episodes.



Asset overvaluation in the United States and the potential consequences of future corrections have also posed a material risk to the global macrofinancial environment. The sharp rise in financial market volatility at the start of 2025 was followed by a certain downward trend (See Chart 2.6⁴). Nevertheless, the price-to-earnings ratio for AI sector companies has risen and reached concerningly elevated levels (See Chart 2.8). A further correction in asset prices could adversely affect not only the US macrofinancial environment, but also global macroeconomic and financial stability.

3 <https://www.imf.org/-/media/files/publications/weo/2025/october/english/text.pdf>

4 The VIX, VSTOXX, and MOVE indices measure expected volatility in their respective markets (the S&P 500, Euro Stoxx 50, and U.S. Treasury securities), based on option-implied volatility indicators.

Chart 2.6.

Financial market volatility indices

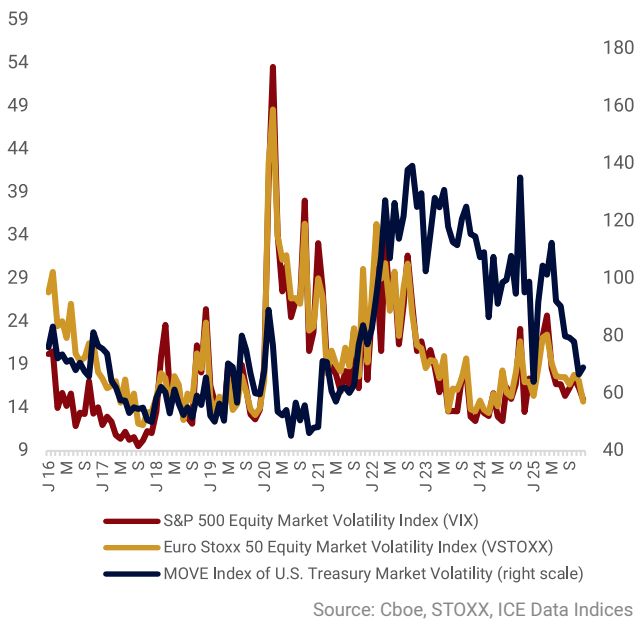


Chart 2.7.

Yields on 10-Year Government Bonds in Selected Countries, %

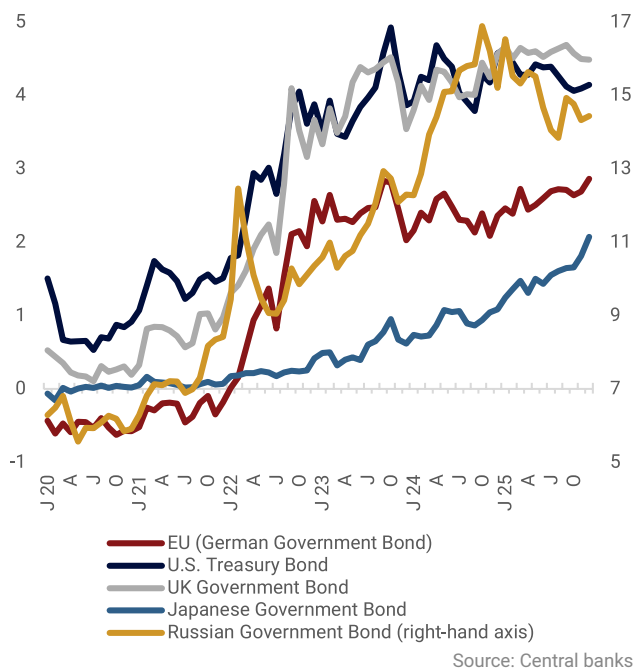
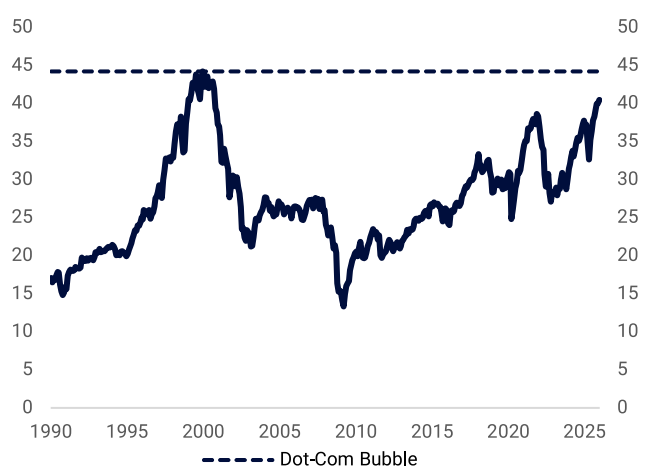


Chart 2.8.

Cyclically Adjusted Price-to-Earnings Ratio (CAPE Ratio)



Government bonds are gradually losing their role as the preferred safe-haven instrument in times of stress and as a hedge against risky assets. The

increase in government debt, as well as structural debt challenges in certain countries, have created negative signals for government bond market investors (See Chart 2.9). Given the recorded fiscal deficit levels and anticipated further expansion, the dependence of advanced economy government bond markets on price-sensitive investors is increasing. At the same time, as government debt rises, emerging economies are transitioning to domestic debt, which, alongside a reduction in currency vulnerability, leads to higher debt service costs and increased interconnectedness with the banking system (sovereign-bank nexus).

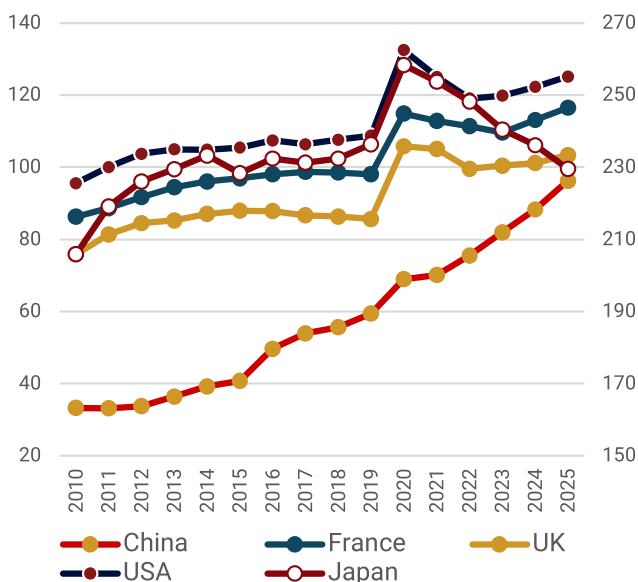
Against this backdrop, long-term government bond yields and risky asset (e.g. equity) yields have exhibited similar trends. Investors therefore increasingly view government bonds as a less secure investment in times of stress, as evidenced by the sustained rise in prices of alternative assets, such as gold, in recent years (See Chart 2.10⁵). Taking into account the important role of government bonds in financial markets as safe collateral and a widely accepted benchmark, the potential impact of price corrections on financial

5 Correlations between stock and bond returns were calculated for the United States, the Euro Area, the United Kingdom, and Japan. The composite indicator represents the market-capitalization-weighted average.

system and macroeconomic stability could become more significant.

Chart 2.9.

Government Debt/GDP, %



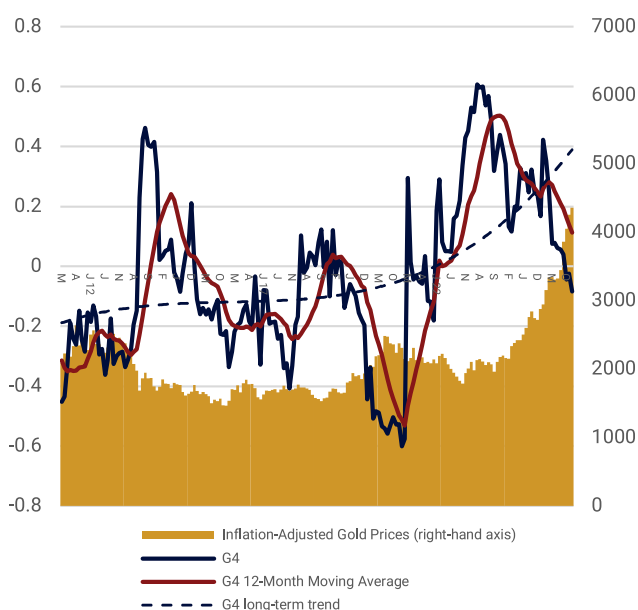
The increase in banks' capital adequacy levels has contributed to improvements in the financial system's loss-absorption capacity. At the same time, the growing intermediation share of non-bank financial institutions in recent years entails risks of additional risk-taking and increased interconnectedness within the financial system.

According to IMF observations, in 2025, debt-servicing difficulties were observed among relatively vulnerable segments of the corporate sector, accompanied by corporate credit rating downgrades. A potential reduction in corporate profit margins resulting from tariff effects could lead to additional debt-servicing challenges for corporates and a deterioration in the asset quality of financial intermediaries.

Thus, prevailing global geopolitical challenges, persistently elevated uncertainties, and the risks accumulating in an environment of uncertainty have continued to be the primary risks posed to Armenia's macrofinancial environment and financial system stemming from developments in the external sector.

Chart 2.10.

Stock-Bond Correlation in the G4 Economies and Inflation-Adjusted Gold Prices

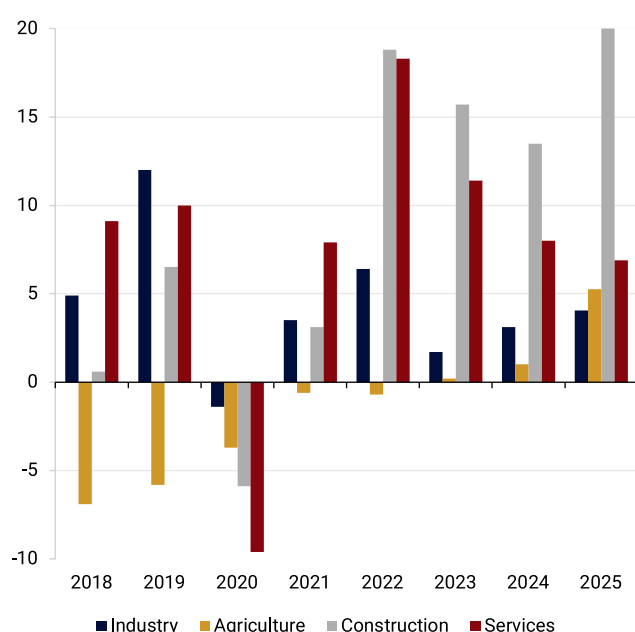


2.2. Domestic Developments

In 2025, high economic growth and strong domestic demand were recorded, while inflation gradually accelerated, forming at a level close to the target. At the same time, Armenia's economy continued to be exposed to the positive effects of short-term external factors, and under conditions of elevated global uncertainty, the uncertain outlook for the continuation of these factors represents a potential risk for Armenia's economy and macrofinancial environment. Moreover, the ongoing conflict in the Middle East has materially increased the dependence of Armenia's economic outlook on global geopolitical developments.

Chart 2.11.

Growth Dynamics of Economic Sectors, %



Source: Statistical Committee

In 2025, economic growth accelerated compared to the previous year, reaching 7.2%. The services and construction sectors contributed most to economic growth. Growth in the services sector was largely driven by financial and insurance activities and the information and communications sectors. Although the economy continues to benefit from the short-term positive effect of re-exports, economic growth also remained high in the absence thereof. It should be noted that despite more evenly distributed sectoral contributions to growth compared with 2024, concentration of economic growth persists.

The 21% growth in the construction sector was primarily driven by residential construction. Given signs of demand saturation in the real estate market, risks to financial system stability stemming from potential price corrections and a reduction in sectoral activity persist (See Chapter 2.4 for details). High activity in the services sector (including trade) was maintained at 6.9%, though the growth rate slowed compared with the previous year. Industrial sector growth accelerated, largely driven by 'traditional' manufacturing industries. Given export, lending and productivity growth in the manufacturing sector, its positive outlook is maintained.

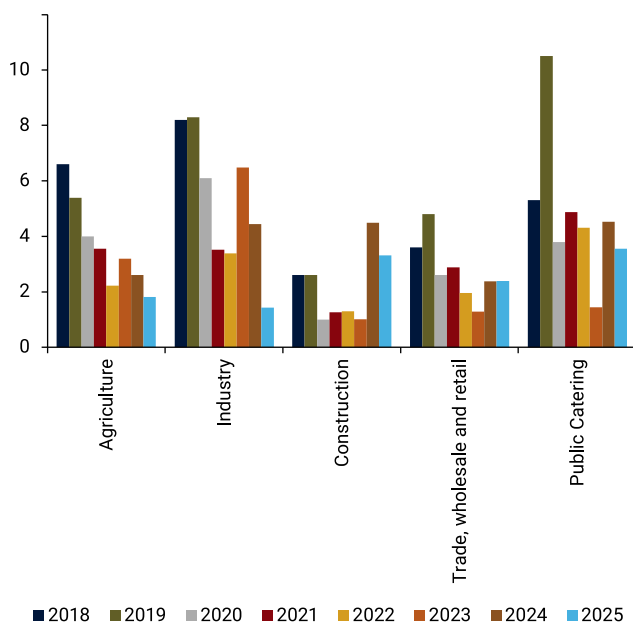
In the macroeconomic conditions formed, the real sector credit growth rate remained high at around 23%. This was observed in the main sectors contributing to economic growth, where the share of classified loans declined (See Chart 2.12⁶).

6 1. The ratio of the aggregate amount of "watch", "substandard", and "doubtful" loans to total loans is presented.

2. The industry sector includes the following activities: "Mining and Quarrying", "Manufacturing", "Electricity, Gas, Steam and Air Conditioning Supply", and "Water Supply; Sewerage, Waste Management and Remediation Activities".

Chart 2.12.

Share of Classified Loans (Non-Performing + Watch Loans) in the Loan Portfolios of Economic Sectors, %



Source: CBA

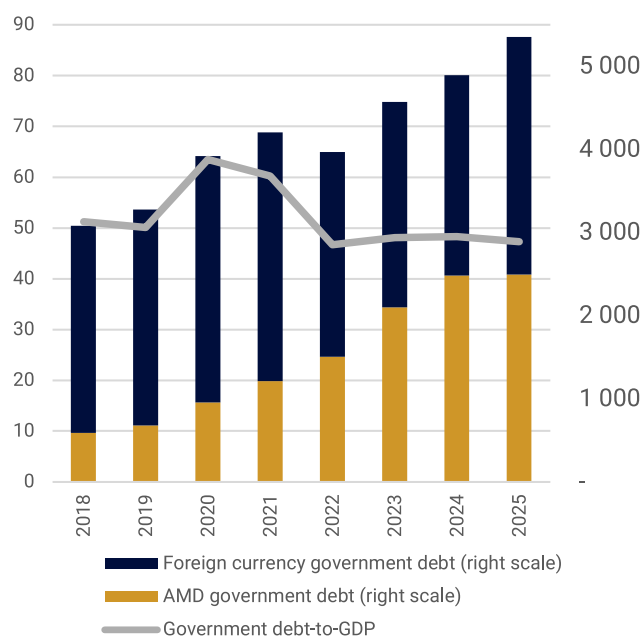
According to CBA lending conditions surveys⁷, the business lending standards index remained in the net easing zone, reflected in easier creditworthiness assessments, non-interest fees and maturity conditions. At the same time, although the actual loan demand index declined somewhat compared with the prior year, it remained in the growth zone, primarily driven by strong demand for capital investment and working capital loans.

The decline in foreign exchange risk and the improvement in the effectiveness of tax administration have contributed to the stabilisation of macrofinancial risks associated with government debt. Government debt grew by 9.4% during the year, exceeding the previous year's growth of 7%. However, against the backdrop of strong economic growth, the government debt-to-GDP ratio declined by 1

percentage point compared to the previous year, standing at 47.3% (See Chart 2.13). The share of domestic currency debt in the structure of government debt continued to grow in connection with the strategy of transitioning to domestic debt, accompanied by an increase in government debt service costs. Amid the transition to domestic debt, the share of the government securities portfolio in banking system assets has grown in recent years (sovereign-bank nexus) (See Chart 3.35). At the same time, the macrofinancial risks derived from government debt are moderating somewhat, owing to reduced foreign exchange risk, a broadening of the tax base and improved effectiveness of tax administration. Nonetheless, Armenia's government debt-to-GDP ratio remains comparatively elevated relative to the same indicator for certain countries in the region (See Chart 2.14⁸).

Chart 2.13.

Government Debt-to-GDP Ratio, %



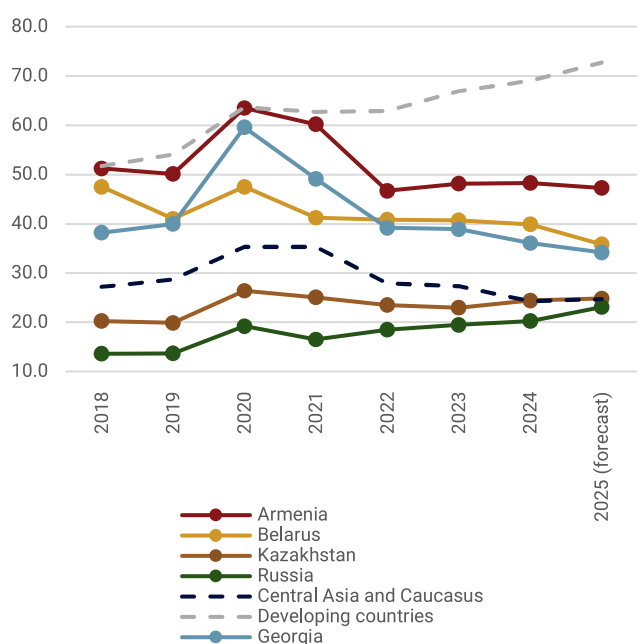
Source: Ministry of Finance

⁷ Bank Lending Survey, Fourth Quarter of 2025.

⁸ Data are sourced from the <https://www.imf.org/en/home> database, based on the latest available update.

Chart 2.14.

Government Debt-to-GDP ratio in selected countries, %

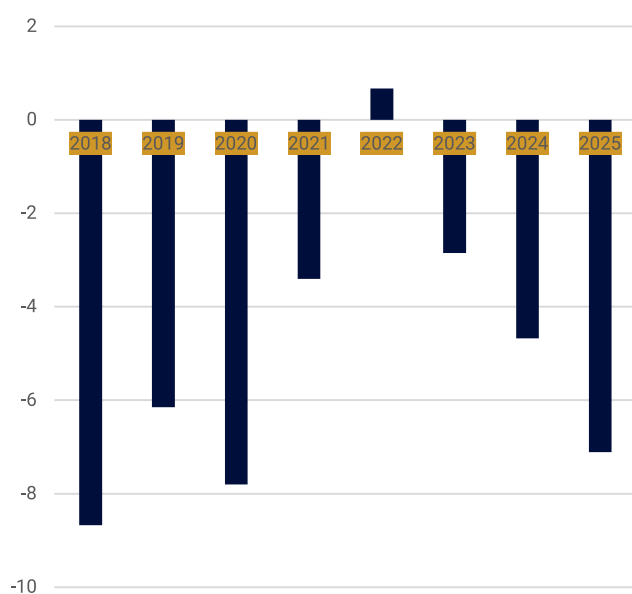


In 2025, external demand expanded somewhat, driven by growing tourism flows and robust demand for services, as well as for the output of 'traditional' manufacturing industries.

Notwithstanding these positive trends, in the context of elevated global uncertainties, the ongoing conflict in the Middle East and the associated uncertainties around the global economic outlook, risks exist regarding the continuity of Armenia's external trade and tourism flows. The widening of the current account deficit in 2025 was primarily attributable to the partial neutralisation of non-structural factors⁹ (See Chart 2.15).

Chart 2.15.

Current Account Deficit-to-GDP Ratio, %



Although uncertainties surrounding the causes of real effective exchange rate appreciation have persisted in recent years, a number of arguments point to growth in productivity and long-term export capacity. These include the rising share of tradeable goods and services in GDP, as well as per capita productivity growth in sectors that rely heavily on high-quality human capital and innovation (e.g. IT, financial services, etc.)¹⁰. Nonetheless, in the event of Real Effective Exchange Rate (REER) appreciation driven by non-fundamental factors, a potential future correction could be reflected in a corresponding correction of the current account deficit.

Overall, in an environment of uncertain global geopolitical developments, the potential adverse effects on Armenia's domestic economy and the uncertainties regarding the continuity of short-term positive factors remain the primary risks to financial system stability stemming from the real sector

⁹ Monetary Policy Report, First Quarter of 2026 https://www.cba.am/file_manager/Monetary%20policy%20en/Reports/MPR_2026_Q1_ENG.pdf

¹⁰ Monetary Policy Report, Fourth Quarter of 2025.

2.3. Household Debt and Associated Potential Risks

In 2025, against the backdrop of strong economic activity, household incomes increased, supported by both domestic and external sources. At the same time, sustained high growth in household lending contributed to a further increase in household debt, accompanied by continued growth in financial assets.

The financial position of households remains stable. However, medium-term vulnerabilities are gradually accumulating, reflecting the rapid increase in household indebtedness, the expansion of consumer lending, and the extension of loan maturities.

Growth in household income, particularly the broad-based increase in wages across economic sectors, contributed to reducing vulnerabilities associated with household debt servicing. Alongside robust economic activity, aggregate household financial assets also expanded significantly.

During the year, nominal wages increased by approximately 6%, primarily driven by wage growth in the private sector, while inflation moderated the growth of real household income to some extent (see Chart 2.16). As labour market growth became more broad-based, the concentration of household income across sectors declined.

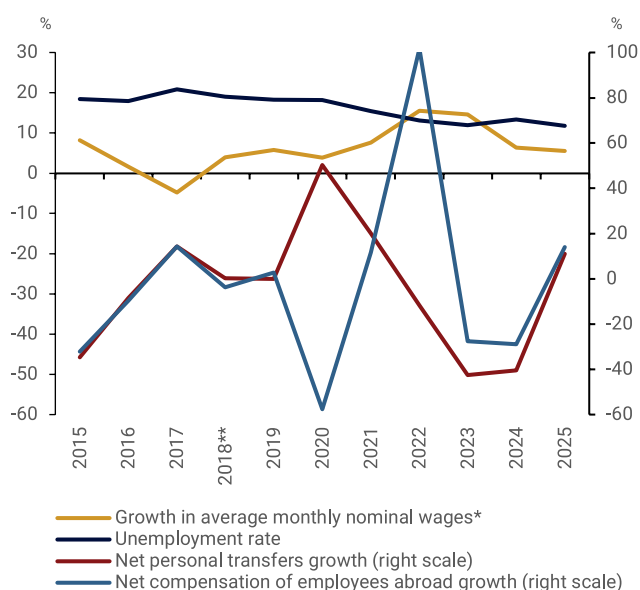
Aggregate household financial assets¹¹ continued to increase in 2025, with net financial asset accumulation amounting to approximately 7% of GDP. Deposits and pension savings remained the largest components of household financial assets and recorded faster growth than other asset categories. In particular, deposits held by natural persons have maintained a strong upward trend over the past five years, increasing at an average annual rate of 16%. As a result, the household deposits-to-GDP ratio continued to rise, reaching approximately 30% in 2025 (see Charts 2.17 and 2.18). The dramization of household deposits also continued, with the share of deposits denominated in Armenian

drams (AMD) increasing by approximately 5 percentage points to 60%.

Household income from external sources also increased despite the slowdown in economic activity in Russia. Following a substantial decline in net personal remittances to Armenia and net compensation of employees from abroad in previous years, remittance inflows resumed growth in 2025. This was supported by the approximately 30% appreciation of the Russian rouble and the widening wage differential in the construction sector between Russia and Armenia.

Chart 2.16.

Changes in Personal Transfers, Compensation of Employees Working Abroad, Wages, and Unemployment.



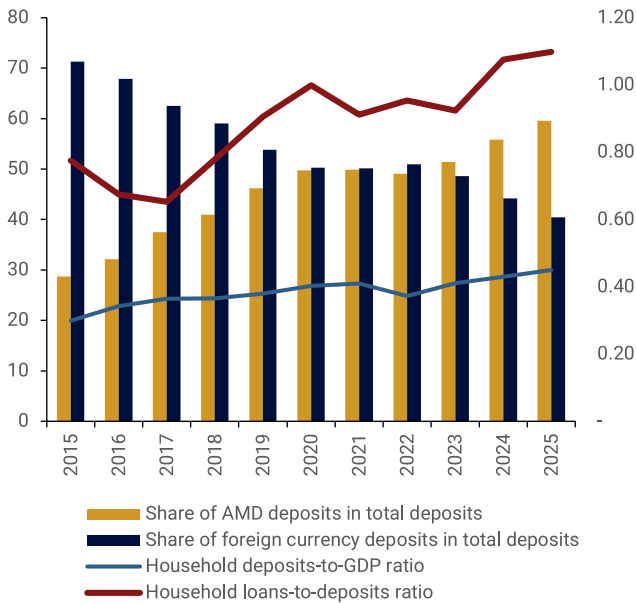
Source: CBA, Statistical Committee of RA

* Average monthly wage during the year.

** Since January 2018, the Statistical Committee of the Republic of Armenia revised the methodology for labor market statistics, resulting in changes to the values of certain indicators. Accordingly, the average nominal wage hereinafter refers to organisations with 1 or more employees.

Chart 2.17.

Household Deposits



* Loans to households include loans extended to households by banks and credit organisations.

Chart 2.19.

Structure of Household Liabilities

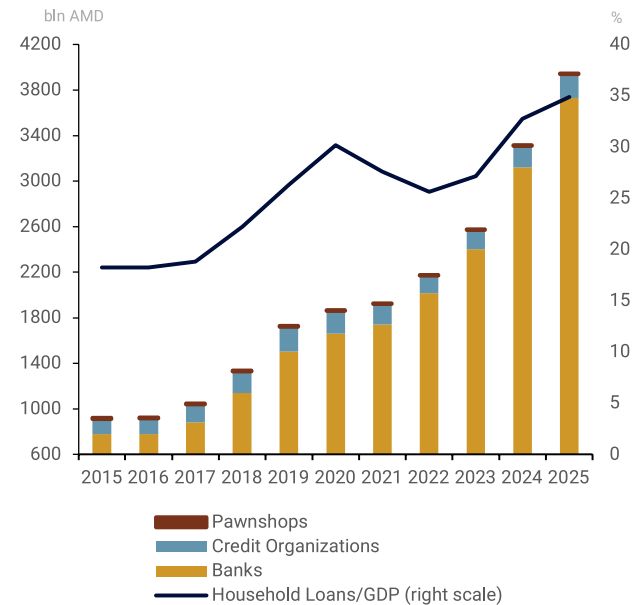


Chart 2.18.

Gross Domestic Savings-to-GDP Ratio

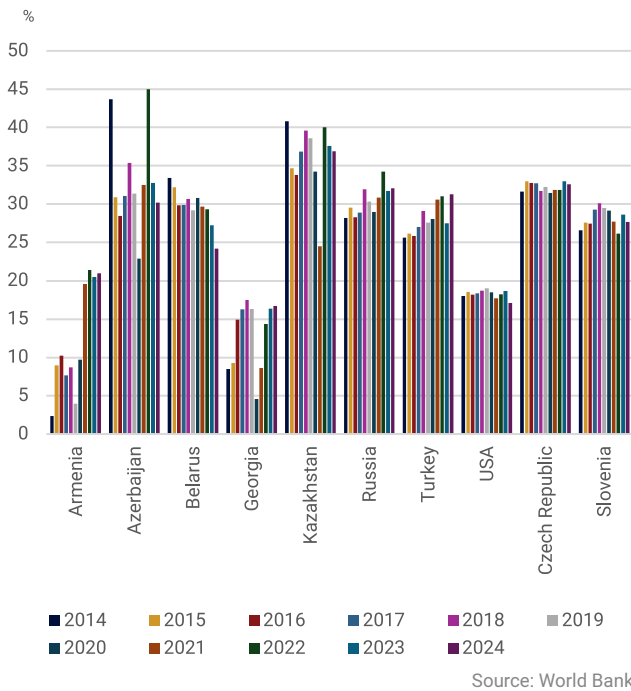
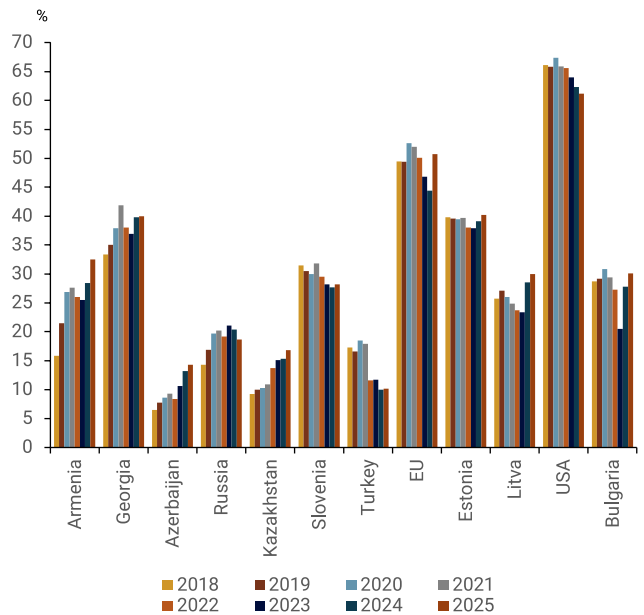


Chart 2.20.

Household Loans-to-GDP Ratio.



* Chart indicators may differ from similar indicators presented elsewhere in the report due to differences in data sources and time periods (data are not as of year-end); the most recent data available for the given period are presented.



With high growth in household lending, both the debt and debt service burden increased. The ratio of household loans¹² to GDP stood at 34.9%, rising by approximately 2 percentage points (See Chart 2.19). During 2025, this indicator continued to grow both in Armenia and in regional and EU countries (See Chart 2.20¹³). It remains under CBA monitoring with a view to assessing the necessity of applying appropriate macroprudential instruments. In 2025, the increase in the household debt burden was primarily attributable to high growth in consumer loans. The mortgage loan growth rate, as expected, slowed during the year but continues to remain at a relatively elevated level. Given the potential saturation of demand for real estate as a result of the large-scale growth in mortgage loans in prior years and the gradual phasing out of the income tax refund programme, a further slowdown in mortgage loan growth rates is expected.

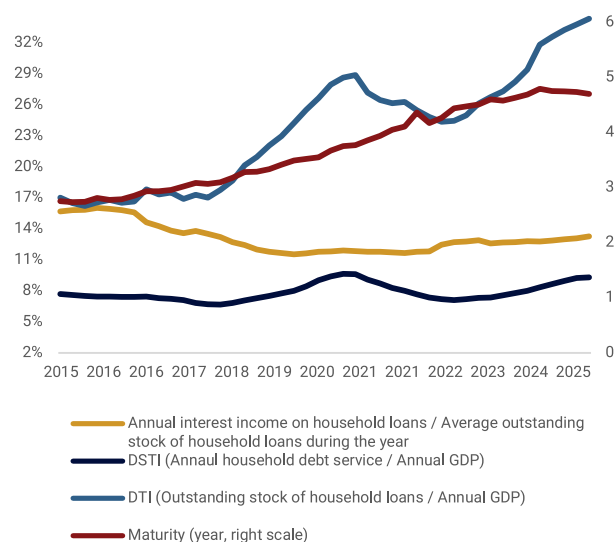
The sustained lengthening of household loan maturities has moderated somewhat the increase in the debt service burden, though this creates uncertainties regarding the sustainability of debt servicing in the medium term. In recent years, alongside the growth in household disposable income, the maturity of credit obligations has also extended, which has moderated somewhat the increase in the debt service burden. On the other hand, this trend heightens uncertainties about sustained debt servicing and increases the probability of default in the medium term (See Chart 2.21¹⁴).

Under the conditions of gradual policy rate reductions, household lending rates did not undergo significant changes. This may be explained by factors such as high credit demand, increasing loan maturities, and the potential pricing-in of credit and interest rate risks arising from geopolitical and regional uncertainties. At the same time, over the past 2–3 years the annual growth rate of loans has almost doubled the annual growth rate of deposits. This indicates that the role of bank capital as a more costly source of funding for

the economy has grown significantly, also increasing the weighted average cost of loan funding.

Chart 2.21.

Household Debt Service Indicators.



Source: CBA

Growth in household loans was driven by both consumer and mortgage loans. The growth rate of loans to natural persons during the year was 20.8%, with consumer and mortgage loans contributing 14.3 and 6.5 percentage points respectively (See Charts 2.22, 2.23).

The mortgage loan growth rate slowed significantly, to 12.9%, and the share of mortgage loans in GDP remained almost unchanged at 14.9% (See Chart 2.24). This year as well, mortgage loan growth was primarily attributable to the state income tax interest refund programme and strong demand for real estate, with the regions becoming more actively involved. At the same time, despite the relative decline in real estate returns, real estate maintained its attractiveness as an investment asset in 2025 (See Charts 2.30, 2.31, 2.32, 2.35 in the section 'Real Estate Market Developments and Associated Risks').

¹² Household loans include mortgage and consumer loans extended to resident households by commercial banks and credit organizations.

¹³ <https://www.ceicdata.com/en/indicator/belarus/household-debt-of-nominal-gdp> For comparability purposes, data as of September 2025 are presented.

¹⁴ The household debt service indicators include only mortgage and consumer loans extended to resident households by commercial banks.

Chart 2.22.

Structure of Loans Extended to Households by Commercial Banks and Credit Organizations

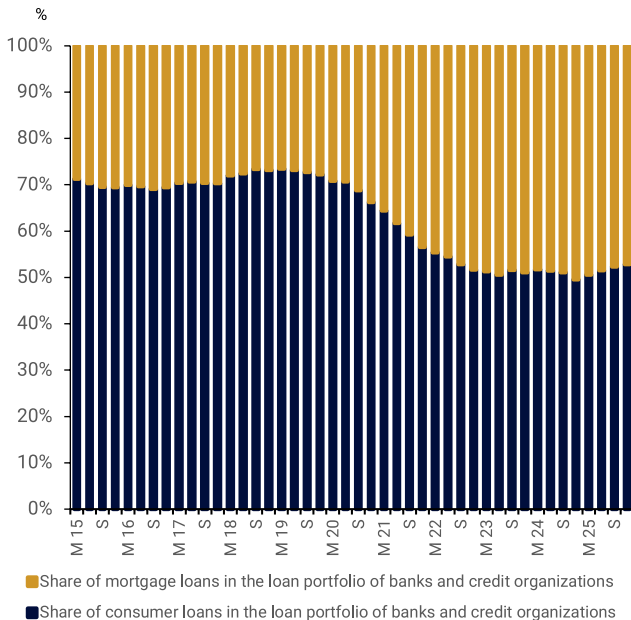


Chart 2.23.

Annual Growth of Loans Extended to Individuals by Commercial Banks and Credit Organizations and Their Contributions.

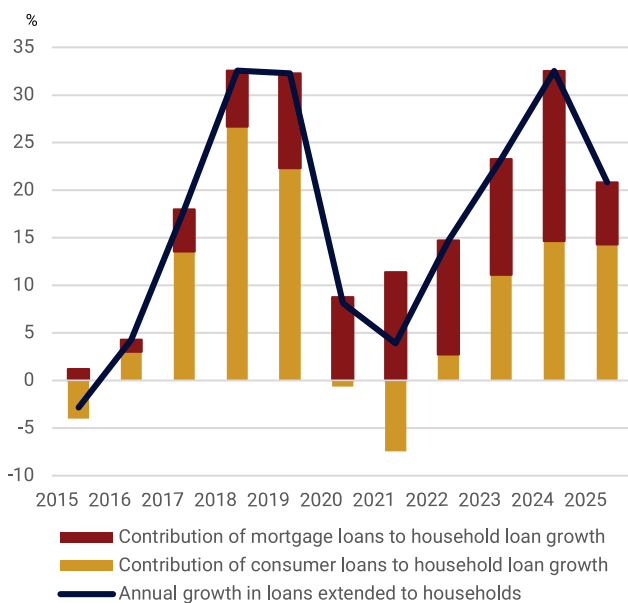
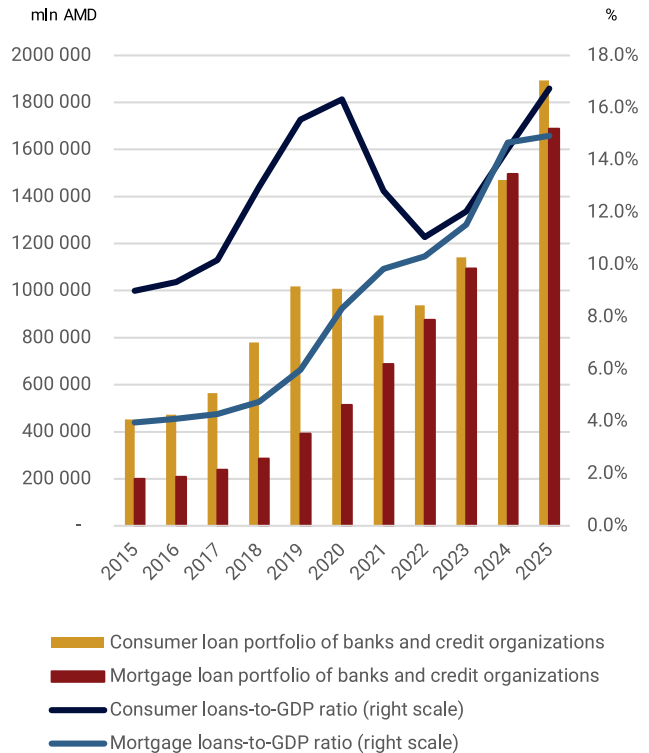


Chart 2.24.

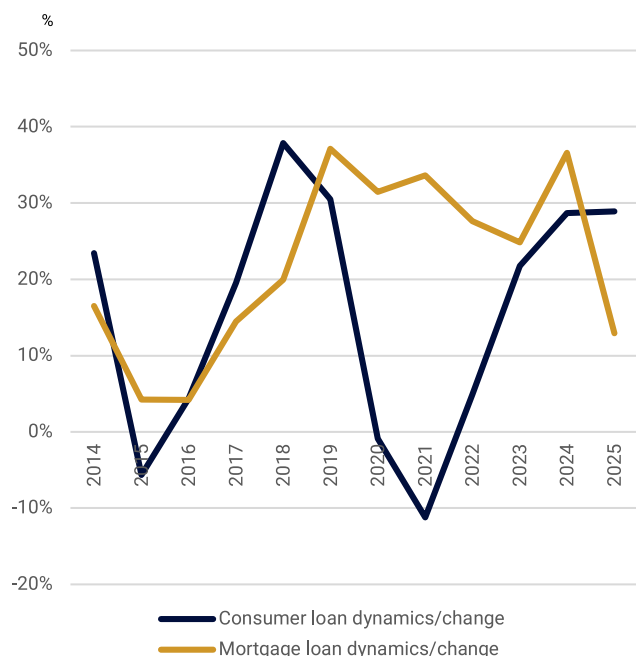
Mortgage and Consumer Loan Portfolios of Commercial Banks and Credit Organizations.



High demand for consumer loans has been observed in recent years; as a result, the consumer loan portfolio almost doubled during 2022–2025, accounting for approximately 53% of loans to households (See Charts 2.22, 2.25). The share of consumer loans in GDP also increased by 2.3 percentage points to 16.7% (See Chart 2.24). The material increase in consumer lending demand over the past two years is driven by high economic growth, the formation of additional demand amid growth in household financial assets and incomes, as well as the easing of lending conditions, in particular the lengthening of maturities, easing of collateral requirements and reduction of non-interest fees. Growth in consumer loans has also been supported by demand for credit financing of consumer durables, driven by real estate market activity.

Chart 2.25.

Growth Rate of Consumer and Mortgage Loans Extended by Commercial Banks and Credit Organizations.



Source: CBA

According to the results of CBA surveys¹⁵ certain easing of lending conditions was recorded.

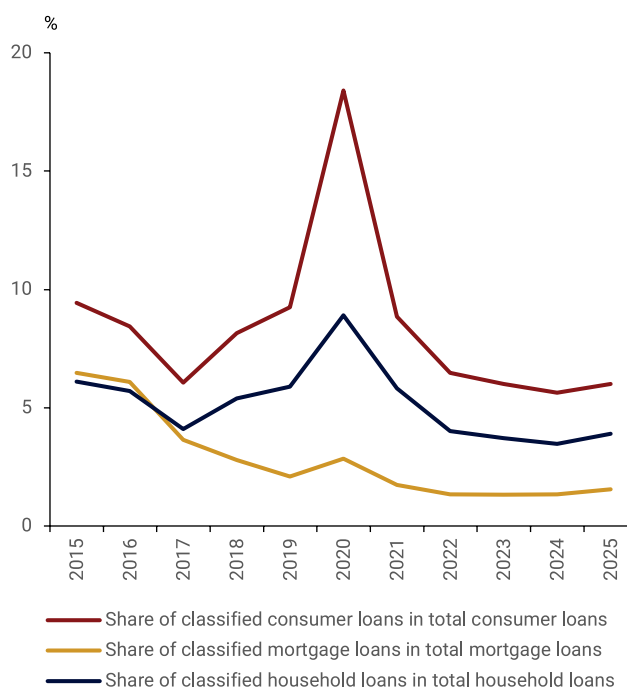
According to the surveys, the main directions of easing were the lengthening of loan maturities and the easing of collateral requirements. These factors, while facilitating the satisfaction of high loan demand on one hand, simultaneously increase the riskiness of the consumer loan portfolio. This may also serve as a factor explaining the absence of significant easing in terms of loan interest rates.

The quality of loans to households has continued to improve in recent years, driven by both growth in economic incomes and the continued high growth rates of lending. The share of classified loans in the aggregate household loan portfolio stood at 3.9%, which is materially below the ten-year average.

The share of classified consumer loans increased by 0.4 percentage points to 6.0%, while the share of classified mortgage loans remained at a materially lower level compared with other loan types, standing at 1.5% (See Chart 2.26).

Chart 2.26.

Trends in Classified Household Loans (Non-Performing + Watch Loans).



Source: CBA

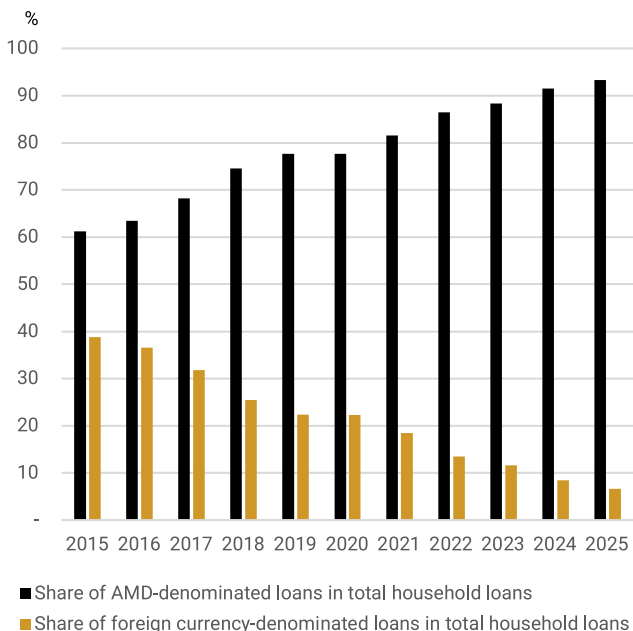
The dramization of household debt continues to contribute to a reduction in credit risk derived from exchange rate changes.

The high level of dramization in the loan structure (approximately 94%), combined with a growing share of dram (AMD) funds in the deposit structure (approximately 56%), overall indicates an improvement in the currency position of households (See Charts 2.27, 2.28, 2.17).

15 Survey on Credit Conditions, Fourth Quarter of 2025.

Chart 2.27.

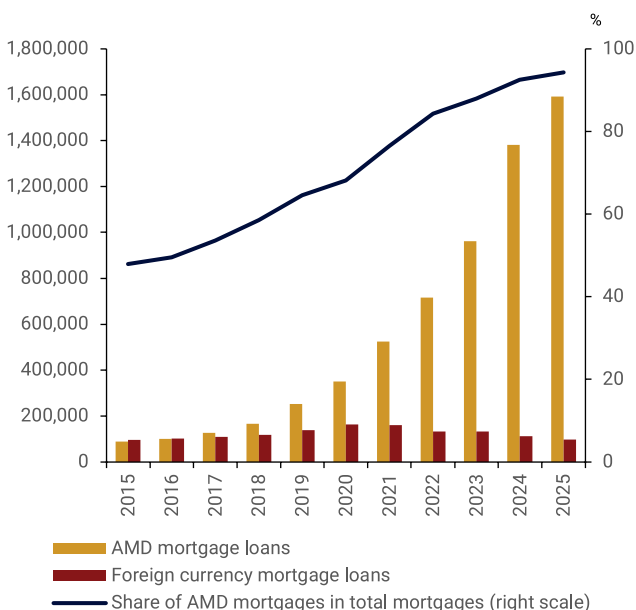
Currency Composition of Loans Extended to Households by Commercial Banks and Credit Organizations.



Although the share of classified loans in the household loan portfolio continues to remain at a relatively low level, an increase and materialisation of credit risks in the medium-term horizon is considered possible. High household lending growth rates, accompanied simultaneously by an increase in the debt burden as well as a lengthening of loan maturities, are a signal of potential credit risk accumulation. In this context, the CBA attaches importance to the application of prudent approaches to credit policy and credit risk management by commercial banks. In particular, the proper assessment of borrowers' debt burden and their capacity to service it encompassing not only the current macro-environment, but also assessments derived from an assumed adverse scenario (assumed risks of income decline and interest rate increases, stressed DSTI, DTI) is considered important in lending processes.

Chart 2.28.

Currency Composition of Mortgage Loans Extended by Commercial Banks and Credit Organizations.

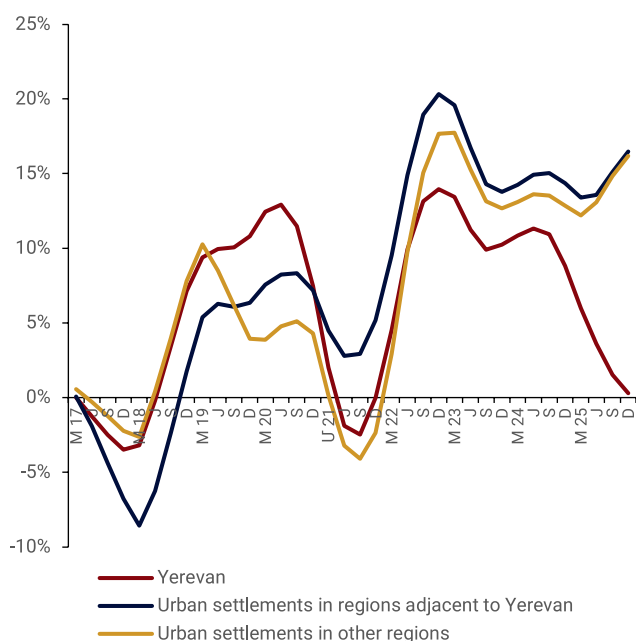


2.4. Real Estate Market Developments and Associated Risks

In 2025, trends of relative stabilisation of demand and a slowdown in price growth were recorded in the real estate market. At the same time, signals of potential excess supply formation and possible accumulation of credit risks driven by high growth in construction loans persist.

Chart 2.29.

Average Annual Change in Apartment Prices in Yerevan and Regional Cities



Source: CBA, Cadastre Committee

During the year, real estate price developments in Yerevan and the regions differed: growth rates accelerated in the regions, while they declined sharply in Yerevan.

In Yerevan, average annual apartment prices recorded a 0.3% increase compared to the previous year, which is the lowest annual growth rate in the capital city since 2021. At the same time, price growth in urban settlements in the regions continued to accelerate, reaching 16.3% (See Chart 2.29). The latter was driven by the continuing income tax refund programme in the regions.

On an annual basis, the real estate market, as expected, was characterised by a general weakening of activity. This can be viewed as a phase of normal market correction, attributable to market saturation following the high activity of previous years, reflected in the relative stabilisation of demand for both real estate and mortgage lending.

The total number of real estate transactions¹⁶ declined by 1.6% (See Chart 2.30). The decline was primarily attributable to a reduction in transactions involving non-agricultural land. Viewed as a leading indicator of future construction activity, this suggests a gradual reduction in new construction projects in the coming period.

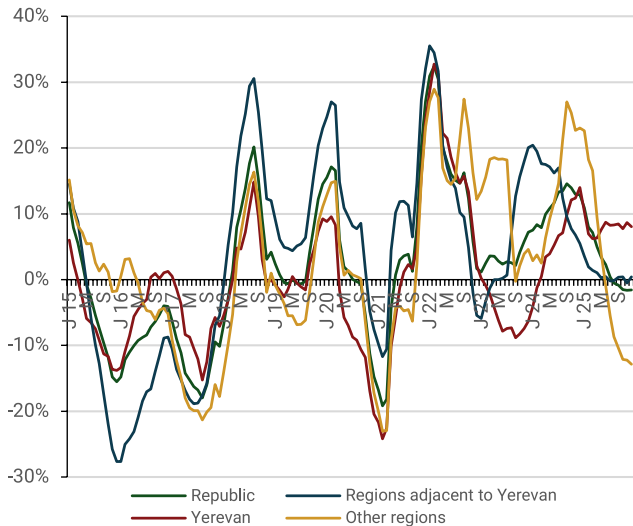
At the same time, the number of residential real estate transactions continued to grow: in Yerevan the growth rate was 10.6%, while in the regions growth was moderate at 1.7%.¹⁷

¹⁶ Total transactions include ownership transfer transactions, lease transactions, inheritance transactions, initial registrations, re-registrations, legalization transactions, and mortgage transactions.

¹⁷ <https://cadastre.am/storage/files/1-2025.pdf>

Chart 2.30.

Annual Change in Total Transactions in the Real Estate Market of the Republic of Armenia.

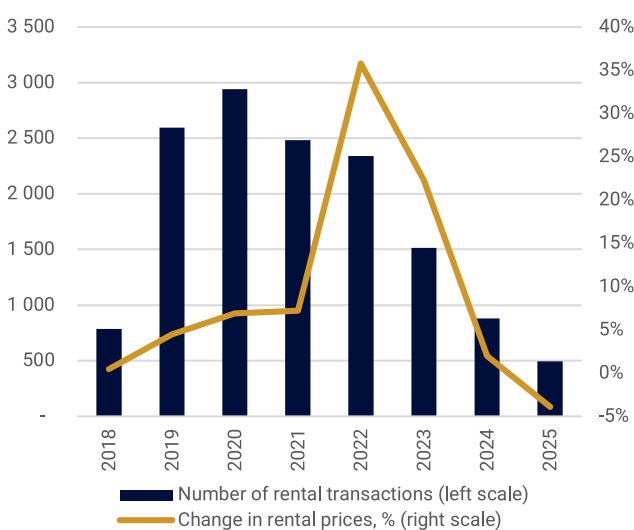


Source: Cadastre Committee

Alongside the decline in overall market activity, the number of residential real estate rental transactions nationwide also declined. Compared with the previous year, the number of transactions fell by 43.7%, while rental prices declined by 3.9% (See Chart 2.31).

Chart 2.31.

Number of Rental Transactions and Annual Change in Average Rental Rates

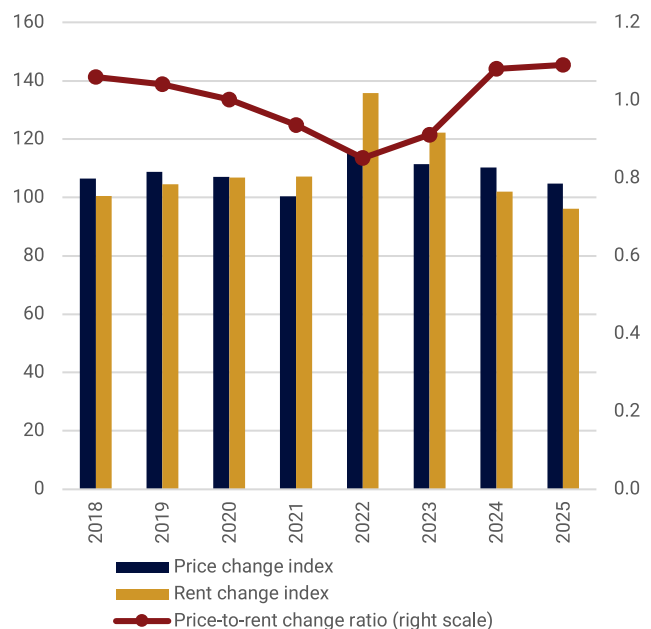


Source: Statistical Committee, Cadastre Committee

The residential property price-to-rent ratio has been rising nationwide over the past three years (See Chart 2.32), which could lead to a weakening of real estate investment attractiveness and demand, and to further price corrections. In addition, this could increase risks associated with the credit burden and debt servicing for households that have purchased real estate as an investment.

Chart 2.32.

Indices of Average Annual Changes in Prices and Rental Rates and Their Ratio.



Source: Statistical Committee, Cadastre Committee

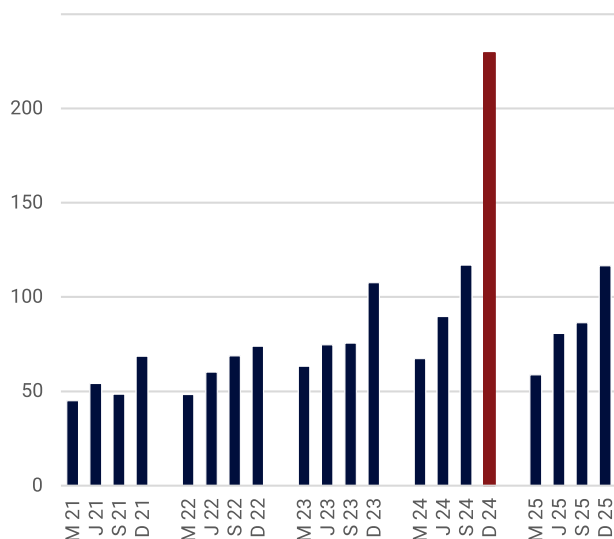
New mortgage loan disbursements during the year declined compared to the previous year, accompanied by a slowdown in stock indicator growth rates.

The temporary sharp surge of activity in the fourth quarter of 2024, driven by expectations of the termination of the income tax refund programme in Yerevan, was followed by a recovery of a stable level of mortgage lending in 2025. Overall, despite a certain slowdown, mortgage lending continues to be maintained at an elevated level, as in prior years (See Chart 2.33).

Chart 2.33.

Mortgage Lending Values

bln AMD



Source: CBA

The dynamics of the stock indicator of mortgage loans for real estate acquisition also recorded declining trends: both the value and number growth rates declined, to 9.9% and 9.6% respectively (See Chart 2.34) compared with the previous year.

Chart 2.34.

Trends in Mortgage Loans for Real Estate Acquisition.

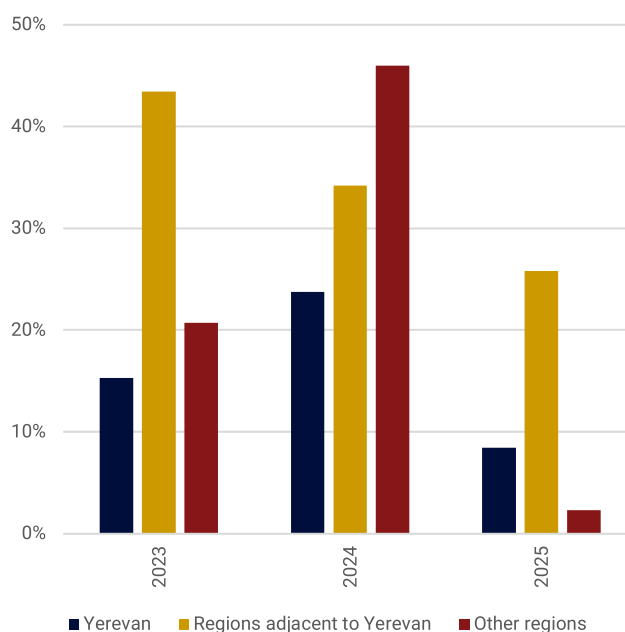


Source: CBA

Growth in the outstanding number of bank-issued mortgage loans for real estate acquisition slowed both in Yerevan and in the regions (See Chart 2.35). The slowdown in value and number growth rates of mortgage loans may signal demand saturation in the real estate market and the market's normal self-regulation.

Chart 2.35.

Growth in the Number of Mortgage Loans for Real Estate Acquisition, 2023–2025.



Source: CBA

Mortgage loan quality, despite some deterioration, continues to remain high. The increase in the share of classified mortgage loans from 1.3% to 1.5% is primarily attributable to the natural slowdown in mortgage loan growth rates and does not reflect systemic risk materialisation.

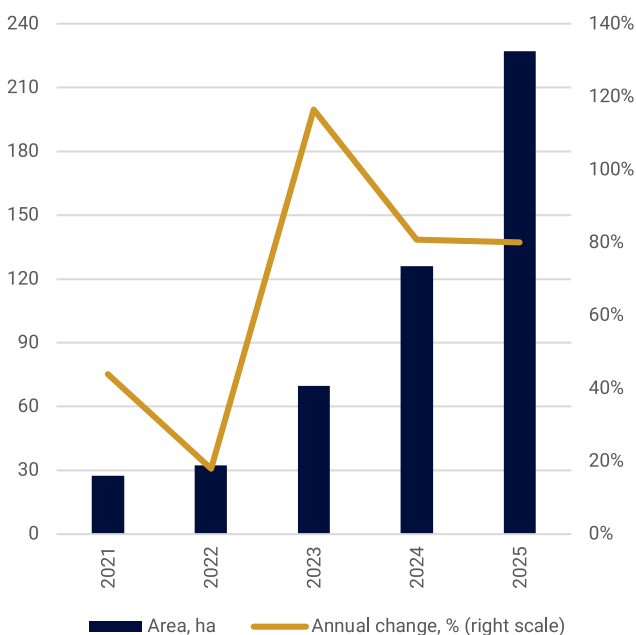
According to the results of the CBA's lending conditions survey, easing of mortgage lending conditions took place in the fourth quarter, driven primarily by the general economic situation and positive development expectations. At the same time, an increase in mortgage lending demand was observed, particularly for the acquisition of

apartments in the regions. Survey respondents indicated that state support programmes in the housing market contributed to the increase in demand. However, the expansion of developer instalment sales as an alternative financing mechanism somewhat limited mortgage loan demand. Notably, during the year demand for mortgage lending for secondary market apartment purchases increased, accounting for 63% of total demand in the fourth quarter.

The real estate market faces risks of excess supply formation. The area of residential buildings commissioned in 2025 continued to grow at a high rate of 80% (See Chart 2.36). This reflects the market entry of numerous projects commenced earlier, which could create risks of excess supply formation and increased credit losses on construction loans in a context of gradually saturating real estate demand.

Chart 2.36.

Floor Area of Residential Buildings Commissioned in the Republic of Armenia

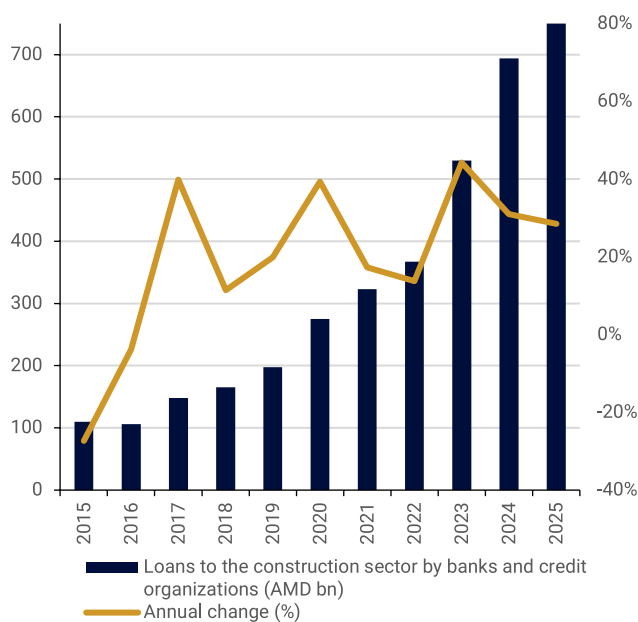


Source: Statistical Committee

High growth rates in loans to the construction sector were maintained, which, against a backdrop of relative stabilisation of real estate demand, increases the probability of credit risk accumulation in the sector. High construction sector loan growth during the year may be attributable to several factors. In particular, the high growth rate of the construction sector during the year, as well as existing restrictions on the use of funds in developers' special accounts, may have served as additional driver for construction loan demand. On the other hand, against the backdrop of comparatively stable real estate demand, high growth in loans to the construction sector may signal potential substitution of financing sources in the sector, an accumulation of the debt burden and derived credit risks (See Chart 2.37).

Chart 2.37.

Value of Loans Extended to the Construction Sector by Banks and Credit Organizations.



Source: CBA



RISKS IN FINANCIAL MARKET AND FINANCIAL INSTITUTIONS OF ARMENIA

- 3.1. Risks in the domestic financial market
- 3.2. Risks in financial institutions
 - 3.2.1. Commercial banks
 - 3.2.2. Non-bank financial institutions



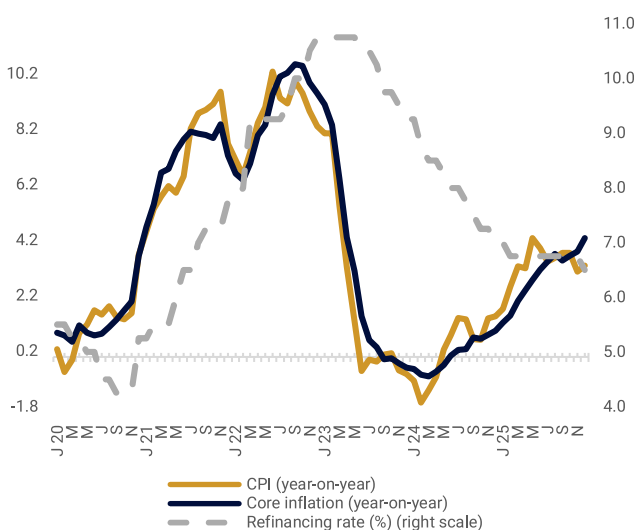
03

3.1. Risks in the Domestic Financial Market

Throughout the year, the CBA continued its monetary easing cycle, which was accompanied by a decline in government bond yields across the maturity spectrum. Nevertheless, this was not reflected in a corresponding decline in lending or deposit interest rates.

Chart 3.1.

12-Month Inflation and Monetary Conditions



In 2025, the CBA policy rate was reduced by a cumulative 0.5 percentage points, broadly maintaining accommodative monetary conditions and balancing inflationary and demand-side risks (See Chart 3.1).

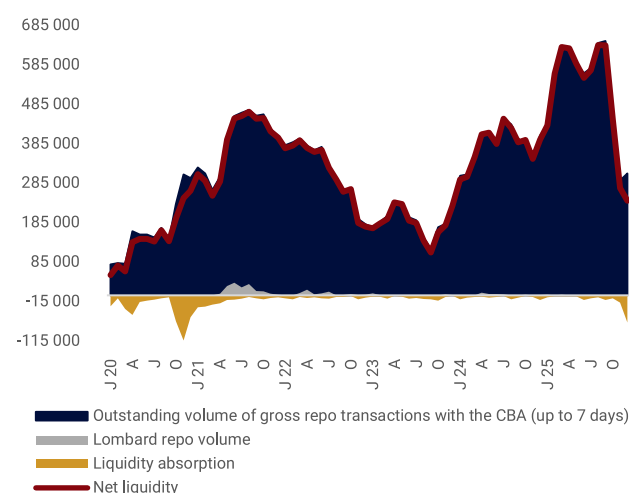
Specifically, following the 0.25 percentage point cut in the policy rate in February, the CBA Board kept the policy rate unchanged between March and November in light of the increase in Type A risks and the importance of containing their macroeconomic implications. Meanwhile, the CBA communicated the need to maintain an interest rate path higher than financial market expectations over the medium term. Subsequently, as the risks gradually receded, the CBA Board reduced the policy rate by a further 0.25

percentage points in December 2025, broadly in line with market expectations¹⁸.

Short-term money market rates continued to be closely aligned with the CBA policy rate during the year. Demand for dram liquidity was primarily met through the main repo and fine-tuning repo operations. At the same time the use of the standing facility, (i.e. lombard repo) declined (See Chart 3.2). The banking system's demand for liquidity provided through the CBA's main MP instrument continued to increase in 2025, driven primarily by autonomous factors. In the third quarter, a surplus of dram liquidity generated in banks resulting from the changes in the mandatory reserve requirement, together with autonomous factors, contributed to the decline in demand. Increased issuance of government securities supported higher demand for liquidity, as banks also sought to expand their holdings of this profitable investments. Throughout the year, interbank repo rates remained closely aligned with the policy rate (See Chart 3.3).

Chart 3.2.

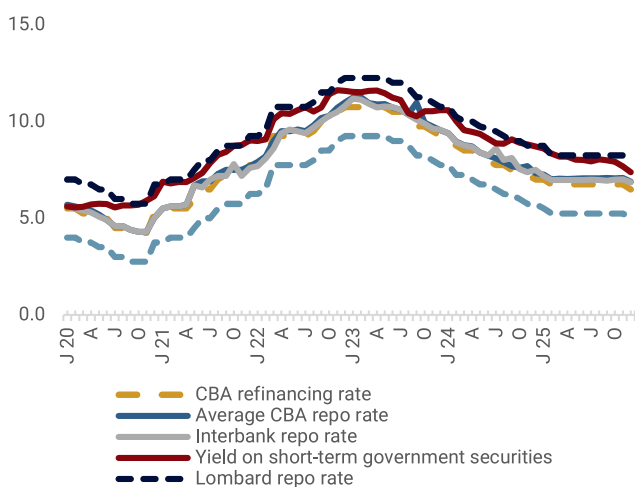
Volumes of Liquidity Provision and Absorption through Indirect Monetary Policy Instruments (Average Monthly Outstanding Amount, AMD million)



18 Source: Monetary Policy Program Implementation Report (Q1–Q4 2025).

Chart 3.3.

Short-Term Market Interest Rates



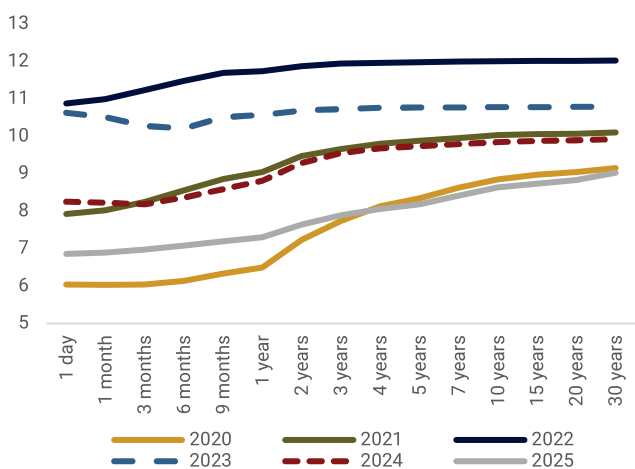
Source: CBA

Government bond yields declined across curve, in line with the CBA's monetary policy easing (See Chart 3.4). This was attributable on the one hand to the gradual easing of monetary policy and the changes in mandatory reserve requirements, and on the other to increased dram liquidity in the financial market.

Compared with the previous year, government bond yields declined on average by approximately 1.3 percentage points, resulting in a downward shift of the curve.

Chart 3.4.

Government Bond Yield Curve

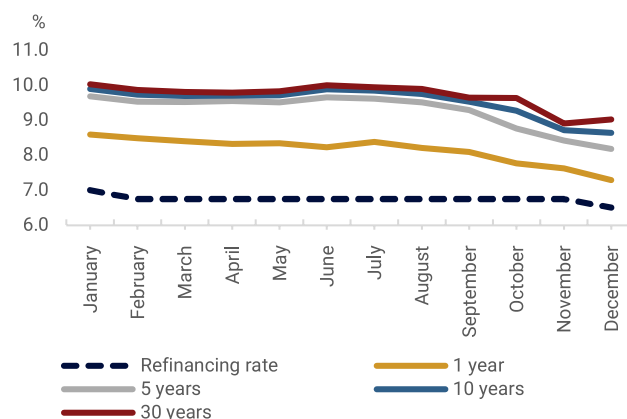


Source: CBA

Government bond yields recorded a gradual declining trend across the maturity spectrum during the year, reflecting both the easing of monetary conditions and domestic investor demand (banks, pension funds) (See Chart 3.5).

Chart 3.5.

Government Bond Yields in 2025.

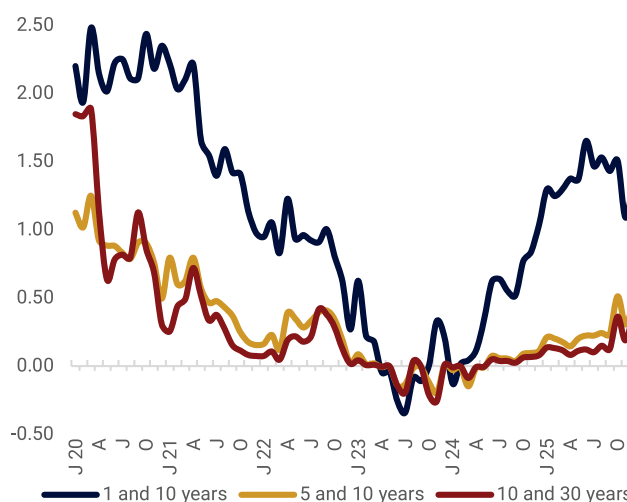


Source: CBA

A slight widening of government bond yield-to-maturity spreads was observed during the year, driven primarily by market interest rate expectations. As a result of a faster decline in short-term bond yields relative to long-term bonds, spreads widened (See Chart 3.6).

Chart 3.6.

Government Bond Yield-to-Maturity Spreads



Source: CBA

As in the previous year, this pattern was most evident in the spread between 1- and 10-year government bond yields, which narrowed in the final quarter of the year. By contrast, the spreads between 5- and 10-year, and 10- and 30-year government bond yields widened more gradually and with some delay. Against the backdrop of market expectations of future policy rate cuts and the ongoing monetary policy easing, short-term yields declined more rapidly, while long-term yields remained comparatively elevated. Overall, the decline in government bond yields and widening of spreads reflected market expectations of further monetary easing, as well as an assessment of the persistence of long-term risks.

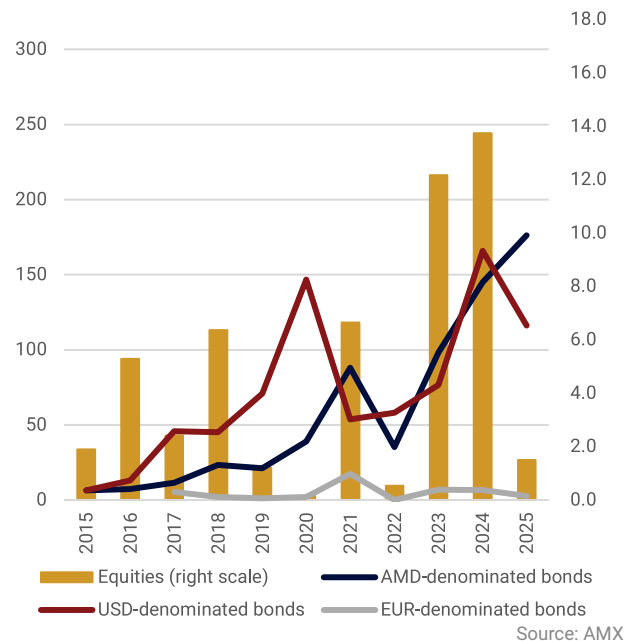
Significant expansion in corporate bond and equity issuances has been observed over the past two years. By the end of 2025, the outstanding volume of corporate bonds amounted to approximately 7.4% of GDP.

The outstanding volume of dram-denominated corporate bonds grew by 21.5%, while that of foreign currency-denominated corporate bonds declined by 32.6%. The volume of equity issuance declined by 89.1%, reflecting fewer and smaller-scale issuances compared with the previous year (See Chart 3.7).

At the end of 2025, the outstanding value of corporate bonds stood at AMD 673 billion, while the market value of listed equities was approximately AMD 168 billion. Corporate bond issuance continues to strengthen its role as an alternative to traditional sources of fundraising. For reference, the outstanding volume at end-2025 for non-financial corporations constitutes 4.8% of the business loan portfolio of financial institutions¹⁹, while for financial institutions it constitutes 4.6% of total liabilities²⁰.

Chart 3.7.

Corporate Bond and Equity Issuances (AMD million)



At the end of 2025, financial sector bonds accounted for 78.8% of the outstanding corporate securities²¹, and that share grew by 17.3 percentage points compared with the previous year (See Chart 3.8). The growing share of foreign currency-denominated instruments increases currency related risks, particularly for non-financial corporations without matching foreign currency cash flows. At the same time, the dominance of the financial sector in the issuance structure points to the limited diversification of the domestic capital market.

Financial sector companies also accounted for the overwhelming majority of listed equities, accounting for 89% of the outstanding equity market.

Compared with the previous year, the number of corporate securities issuances grew by 4% to 86 issuances, of which 66 were by financial institutions (See Chart 3.9).

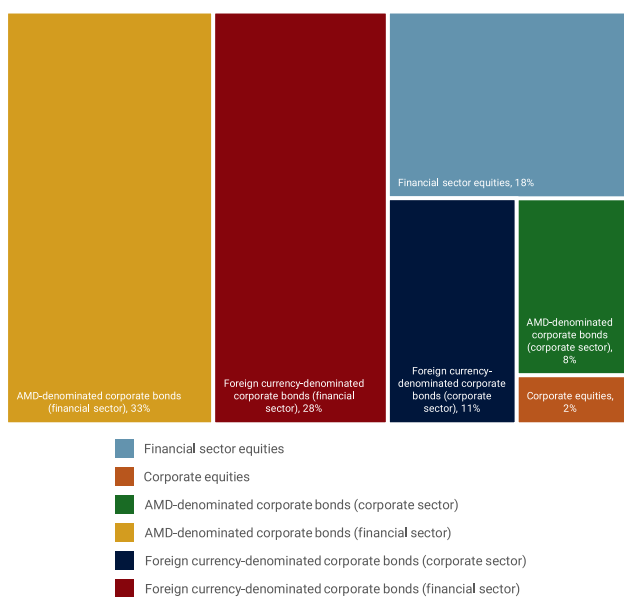
¹⁹ Business Loans of Banks and Credit Organizations.

²⁰ Ratio of Bonds Issued by Banks and Credit Organizations to the Total Liabilities of Banks and Credit Organizations.

²¹ Includes issued corporate equities and corporate bonds (https://amx.am/am/market_data/corporate_bonds):

Chart 3.8.

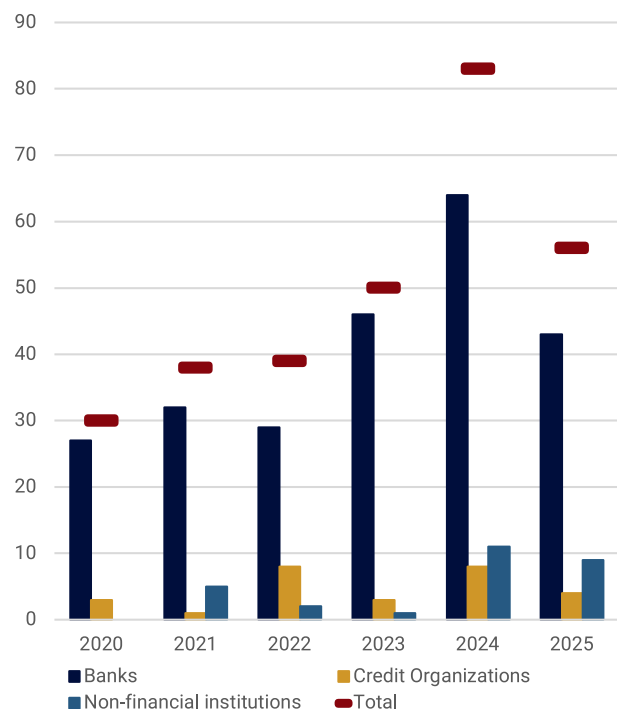
Outstanding corporate securities by type and currency



Source: AMX

Chart 3.9.

Number of corporate bond issuances



Source: AMX

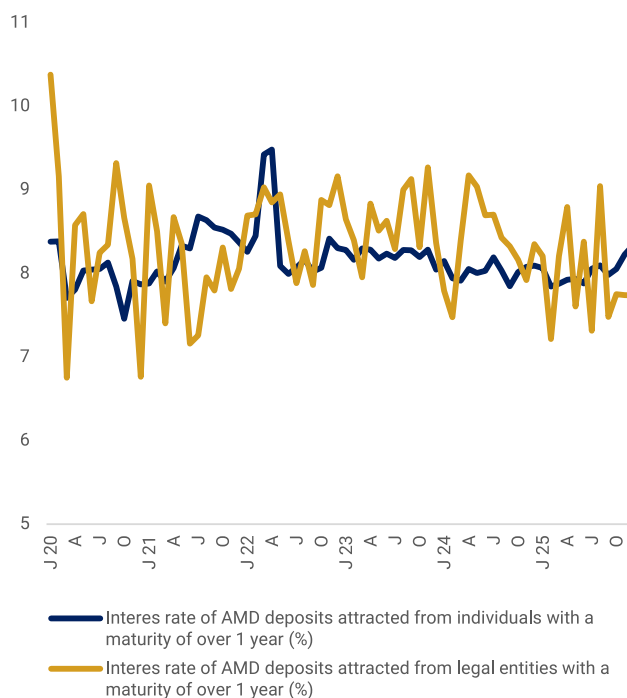
No significant changes were recorded in

commercial banks' dram-denominated deposit and lending interest rates.

Despite the gradual reduction in the CBA policy rate, lending interest rates remained broadly unchanged. This likely reflects a combination of factors, including strong credit demand, an extension of loan maturities, and the potential pricing-in of credit and interest rate risks arising from geopolitical and regional uncertainties. At the same time, over the past two to three years the annual loan growth rate has consistently exceeded annual deposit growth by a substantial margin. As a result banks have increasingly relied on capital to support balance sheet expansion. Given the relatively high cost of capital compared with deposit funding, this has likely contributed to a higher overall cost of funding and, consequently, to the limited decline in lending rates.

Chart 3.10.

Interest rates on short-term AMD-denominated deposits attracted by banks, %

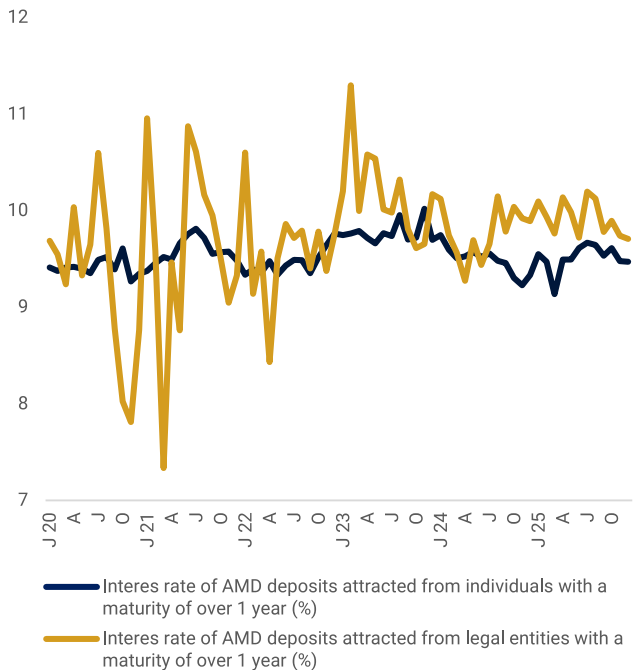


Source: CBA

Dram deposit rates with maturities up to one year and over one year showed no material or sustained declining trends during the year (See Charts 3.10 and 3.11).

Chart 3.11.

Interest rates on AMD-denominated deposits with maturities over one year attracted by banks, %

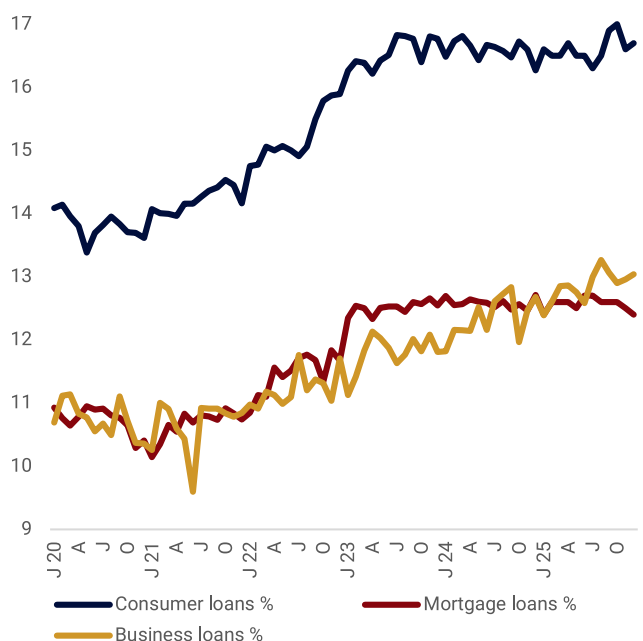


The relatively stable path of deposit rates may perhaps be explained by the continued strong growth in lending. In an environment of robust credit expansion, competition among banks for deposits, as their primary source of funding, was also more intense. As a result, downward pressure on deposit rates is limited, and banks have relatively little scope to reduce deposit rates despite the monetary policy easing cycle. Given these conditions and several other factors noted above, lending rates have likewise undergone no significant changes. Increases in lending rates observed in certain sectoral lending directions primarily reflected

changes in the composition of lending (e.g., rising share of construction loans in business lending) and cannot be interpreted as a broad-based trend of increasing lending rates (See Chart 3.12). As noted above, during the year, a material influence on the formation of long-term lending rates was also exerted by the factor of potential risk developments arising from global macroeconomic uncertainties, which continue to remain elevated.

Chart 3.12.

Interest rates on AMD-denominated loans, %

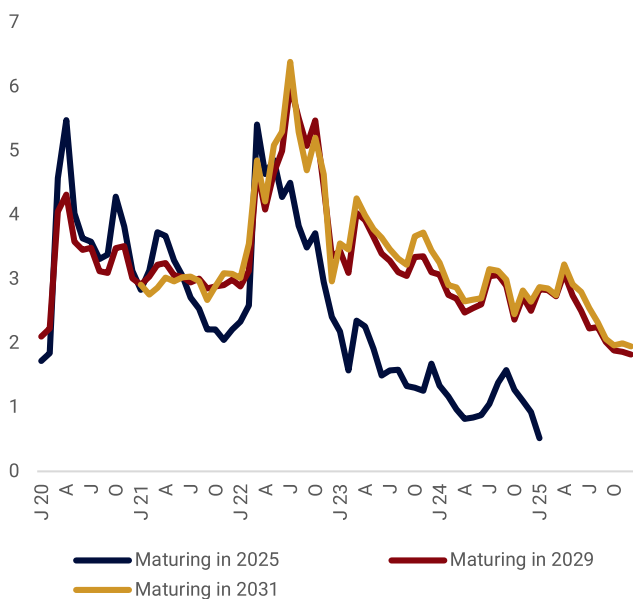


Armenia's country risk premium continued to improve and remained below its long-term average level. The country risk premium²² is presented as the spread between the yields of Eurobonds issued by Armenia maturing in 2025, 2029 and 2031 and the risk-free yields of benchmark bonds (US Treasury bonds) of equivalent maturity. At year-end of 2025, for the 2029 Eurobond, the spread declined by approximately 0.9 percentage points, and for the 2031 Eurobond by 0.7 percentage points (See Chart 3.13).

²² Armenia's risk premium is presented as the difference between the yields on Eurobonds issued by the Government of the Republic of Armenia and the yields on U.S. Treasury securities of corresponding maturities (the risk-free benchmark).

Chart 3.13.

Armenia's country risk premium



Source: CBA

The decline in Armenia's country risk premium may be attributable to both the improvement of domestic macroeconomic fundamentals and external factors. These include the relative increase in risks facing advanced economies, investors' portfolio diversification considerations in an environment of asset overvaluation, and shifts in investor sentiment towards emerging markets. At the same time, the current comparatively low level of the risk premium and its persistence should be viewed in the context of potential risk developments arising from the elevated geopolitical uncertainties.

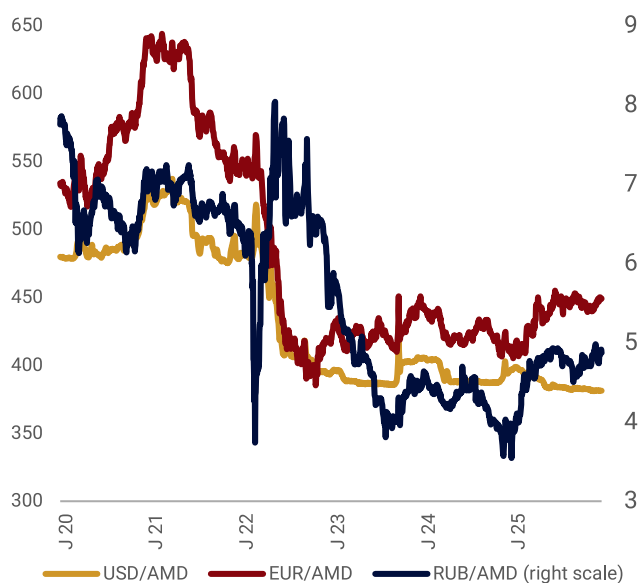
During 2025, the AMD recorded broadly stable behaviour against other currencies in the currency market, depreciating somewhat against the rouble and the euro.

The decline in currency market volatility was primarily driven by the continued increase in market liquidity and depth, as evidenced by growth in transaction numbers and values. The appreciation of the rouble and euro against the AMD was driven

primarily by economic developments in partner countries, changes in external trade flows and the influence of global financial markets.

Chart 3.14.

Average daily exchange rates of foreign currencies against the Armenian dram



Source: CBA

During the year, the Armenian dram²³ remained broadly stable, by appreciating 4.2% against the US dollar, while depreciating 8.5% against the euro and 19.7% against the Russian rouble (See Chart 3.14).

The decline in foreign exchange market volatility and the increase in market depth indicate relatively stable market conditions. Nonetheless, exchange rate dynamics may not fully reflect changes in external and domestic macroeconomic fundamentals, particularly in the environment of elevated external uncertainty.

Overall, developments in the domestic financial market reflect the continuation of the monetary easing and growing activity in financial markets. At the same time, they also suggest the persistence of upward pressures on interest rates and continued exposure to exchange rate risks.

23 Exchange rates set by the Central Bank of Armenia

3.2. Risks in Financial Institutions

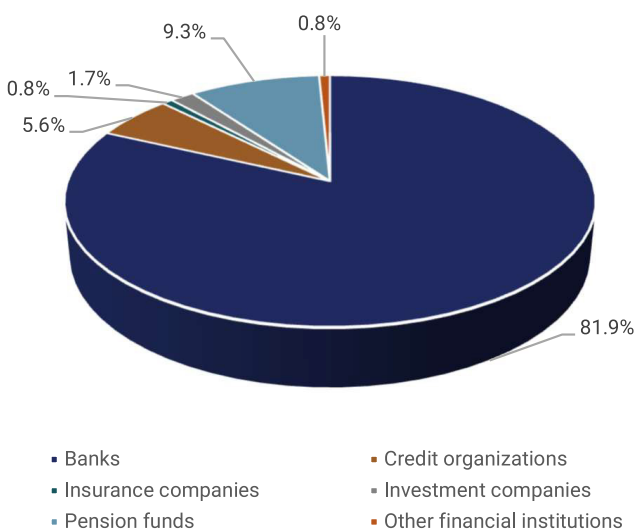
In 2025, Armenia's financial system grew at a normal pace, ensuring uninterrupted financial intermediation in Armenia's economy. During the year, the financial system was characterised by high levels of capital, liquidity and, accordingly, high resilience to risks, contributing positively to the overall macro-environment.

At the end of 2025, the financial system assets-to-GDP and loans²⁴-to-GDP ratios stood at 137.1% and 69.0%, rising by 5.3 and 5.9 percentage points respectively during the year.

Commercial banks continue to dominate the financial system. At year-end, they accounted for approximately 81.9% of financial system assets. Pension funds rank second by asset size, followed by credit organisations (See Chart 3.15).

Chart 3.15.

Shares of financial system assets by type of financial institution (%)



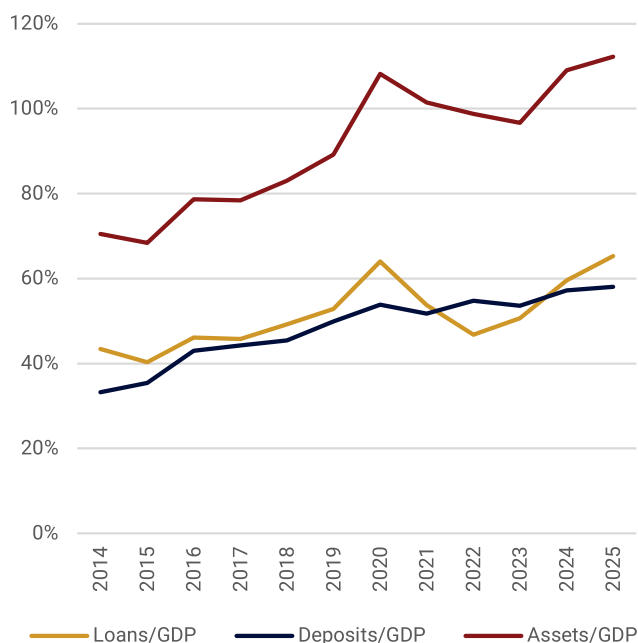
Source: CBA

At the end of 2025, the loan portfolio extended to the real economy by commercial banks amounted to approximately AMD 7.4 trillion, growing by 22.5% during the year. As a result, the banking system loans-to-GDP ratio at year-end stood at 65.3%, exceeding the previous year's indicator by approximately 5.7 percentage points.

The deposit portfolio attracted from the real economy by banks at year-end amounted to approximately AMD 6.6 trillion, growing by 13.3% during the year. A material portion of deposit growth was attributable to resident deposits; approximately 12.7 percentage points. The deposits-to-GDP ratio at year-end stood at 58.0%, growing by approximately 0.8 percentage points compared with the previous year (See Chart 3.16).

Chart 3.16.

Financial intermediation indicators of the banking system



Source: CBA

24 Includes loans provided by commercial banks and credit organizations, including leasing and factoring operations.

3.2.1. COMMERCIAL BANKS

In 2025, the banking system grew at a sustained pace, demonstrating high resilience to risks.

High annual growth rates were recorded in both loans and deposits of the banking system. As in the previous two years, loan growth continued to outpace deposit growth. Banks continued to be highly capitalised and liquid, maintaining resilience against potential shocks. High profitability was also recorded in the banking system, contributing to normal capital accumulation and growth in loss-absorption capacity.

Stress test results indicate that the banking system is capable of absorbing losses derived from assumed macroeconomic shocks, ensuring uninterrupted financial intermediation (See Chapters 4.1 and 4.2).

Capital Adequacy and Profitability

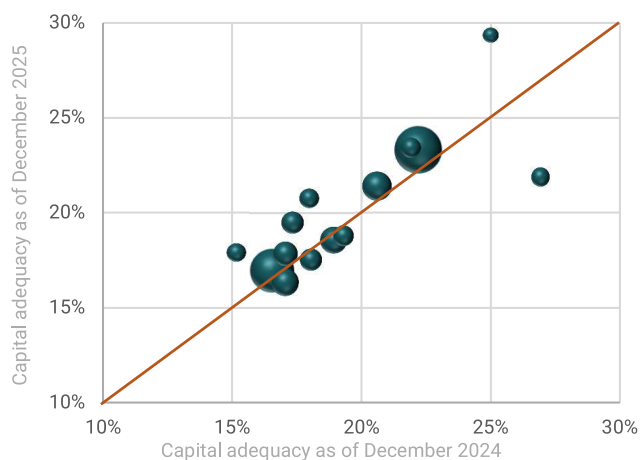
During 2025, the banking system's capital adequacy was maintained at a high level. From May 2025, the requirement to maintain the countercyclical capital buffer (CCyB) at the elevated rate of 1.75% by increasing it by 0.25 percentage points entered into force. This implies the accumulation of approximately AMD 174 billion of additional capital on a risk-weighted asset basis.

At year-end, the banking system's balance sheet capital amounted to approximately AMD 2.0 trillion, growing by 17.7% during the year. System-wide total capital adequacy in December 2025 stood at 20.7%, exceeding the previous year's indicator by approximately 0.5 percentage points.

Notably, most banks recorded an improvement in their capital position, driven by leading growth of regulatory capital relative to risk-weighted assets (See Chart 3.17²⁵).

Chart 3.17.

Change in capital adequacy by bank

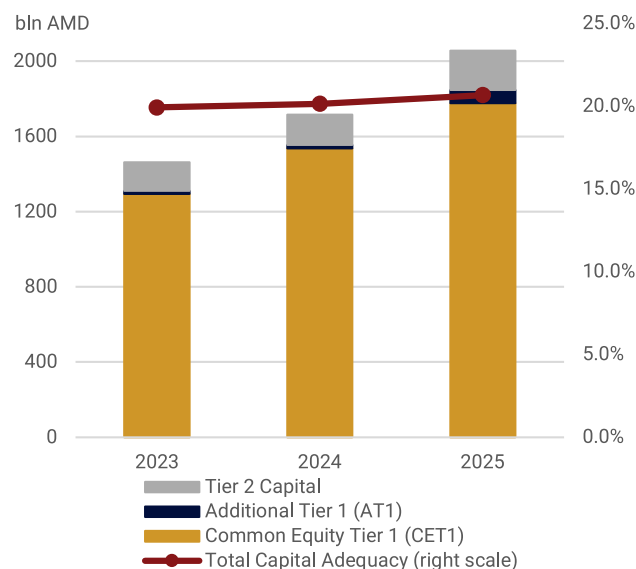


Source: CBA

During the year, the banking system regulatory capital grew by approximately 19.8%. Common Equity Tier 1 capital (CET1), which is distinguished as the highest-quality own resource, constitutes approximately 86% of regulatory capital (See Chart 3.18).

Chart 3.18.

Structure of total regulatory capital



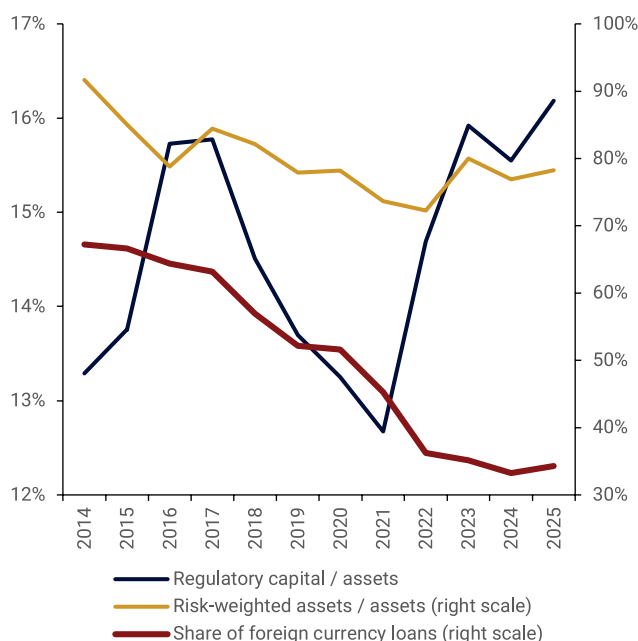
Source: CBA

25 Banks whose capital adequacy ratio exceeded twice the regulatory requirement (including buffers) are excluded from the chart (3 banks, accounting for 3.8% of banking system assets). The horizontal axis shows the capital adequacy ratio as of December 2024, while the vertical axis shows the ratio as of December 2025. The size of each data point reflects the bank's share in banking system assets as of December 2025.

In 2025, the ratio of risk-weighted assets to total assets increased somewhat, primarily driven by the growing share of the loan portfolio in assets. In addition, a slight increase in the share of foreign currency loans in the loan portfolio contributed to the growth in this ratio (See Chart 3.19).

Chart 3.19.

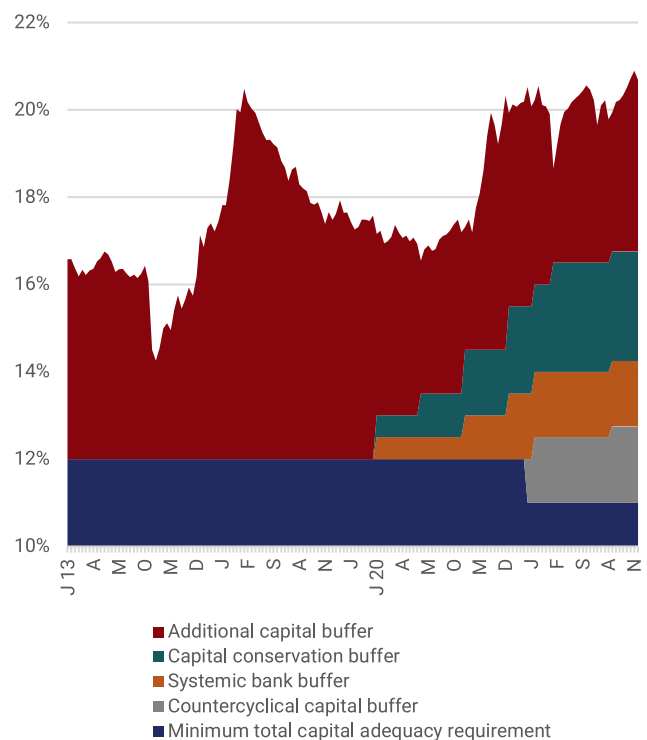
Banks' regulatory capital-to-assets ratio, capital adequacy ratio (CAR), and share of foreign currency loans in the loan portfolio



From 1 May 2025, the tightened CCyB rate of 1.75% of risk-weighted assets entered into force (See Chart 3.20). This is aimed at improving the banking system's resilience to potential shocks and ensuring continuity of lending to the economy.

Chart 3.20.

Change in the components of the capital adequacy



In 2025 the banking system's return on equity and return on assets stood at 21.3% and 3.4% respectively (See Chart 3.21).

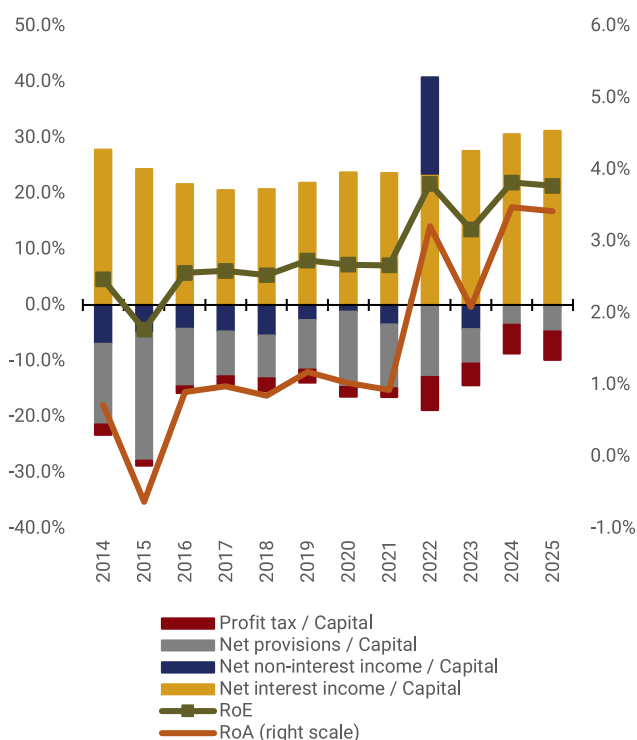
The banking system's high profitability was driven primarily by growth in net interest income, resulting in an increase in net interest margin²⁶ (See Charts 3.21, 3.22). It should be noted that in recent years the contribution of net non-interest income to the formation of banking system profitability has been insignificant.

The growth in net interest income was driven primarily by the volume effect, a result of expanding financial intermediation. The contribution of the margin effect (i.e., the net price factor) to the growth in net interest income was comparatively smaller (See Chart 3.22).

26 Ratio of net interest income to assets

Chart 3.21.

Banking system profitability by assets and capital

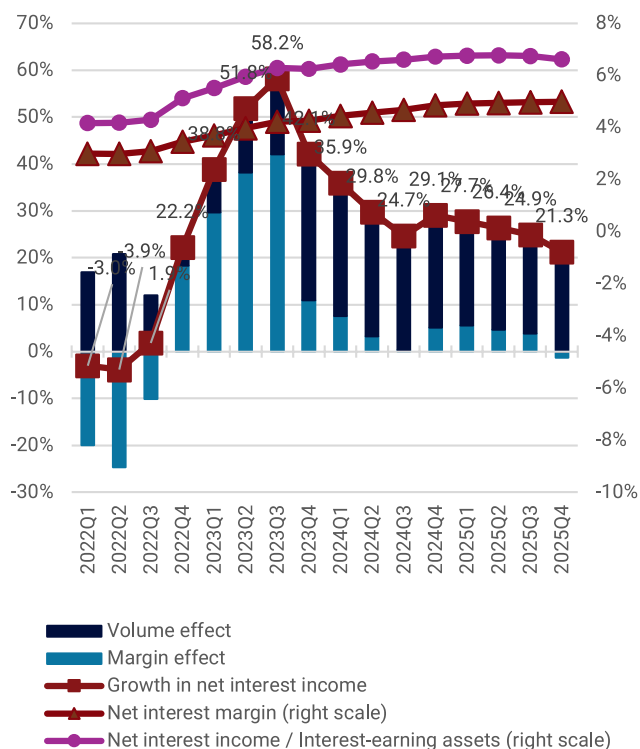


Source: CBA

At the same time, in a context of comparatively stable lending and deposit rates, the positive contributions of the margin effect are also explained by structural changes in the banking system's balance sheet. In particular, in recent years high growth rates were recorded in consumer loans. Moreover, this product type has a higher yield compared with other instruments. In addition, an increase in the average maturity of consumer loans was observed, which could have been priced in as a maturity risk premium component in interest rates (See Chart 3.23). The growth in net interest income was also contributed to by the leading growth of loans relative to deposits, reflected in a continued increase in the loan-to-deposit ratio.

Chart 3.22.

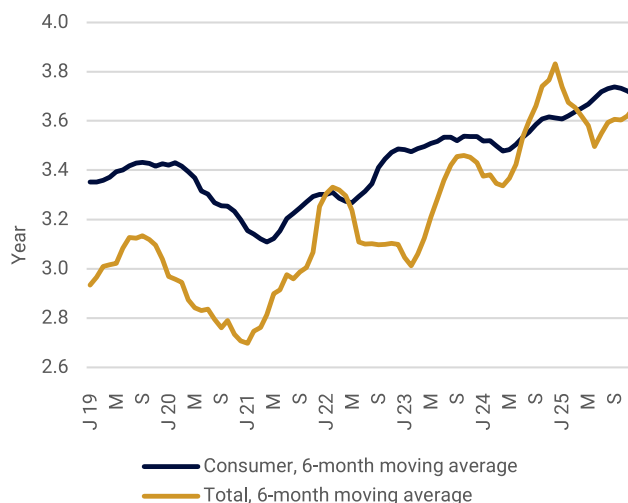
Breakdown of net interest income growth into margin and volume effects



Source: CBA

Chart 3.23.

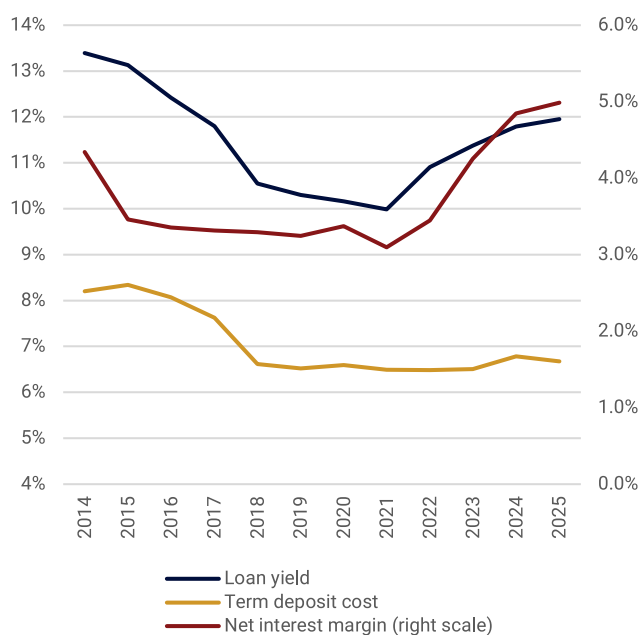
Maturity structure of consumer and total loans



Source: CBA

In 2025, the average yield of the banking system's loan portfolio grew by 0.2 percentage points. Net interest margin also grew by approximately 0.2 percentage points compared with the previous year, standing at 5.0% at year-end. With regard to term deposit costs, they underwent no significant changes (See Chart 3.24).

Chart 3.24.
Interest margin



Source: CBA

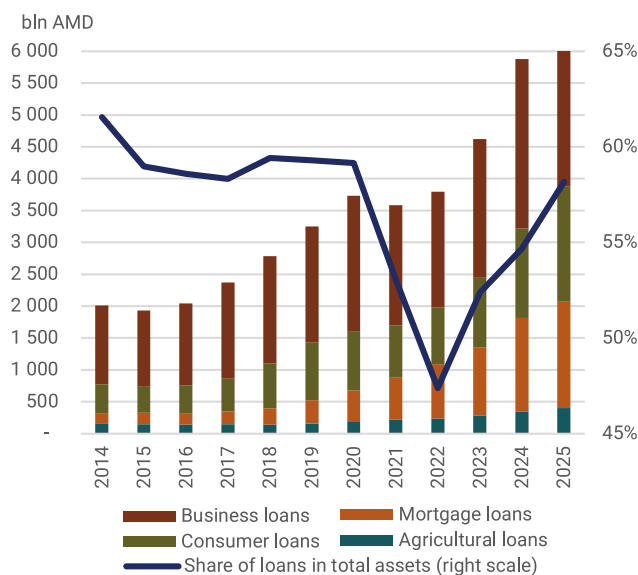
Credit Risk

During 2025, the banking system's loan portfolio grew by approximately 22.5%. Both household and business loans contributed comparably to this growth.

High growth rates were recorded across all major lending directions, while mortgage loan growth slowed (See Charts 3.25, 3.26).

Chart 3.25.

Breakdown of resident loans by major loan category



Source: CBA

The slowdown in mortgage loan growth was attributable on one hand to the factors of the phasing out of the income tax refund programme and the gradual saturation of real estate demand, and on the other to the base effect related to the large-scale growth of the mortgage portfolio in previous years (particularly in the fourth quarter of 2024²⁷). Nevertheless, from a flow perspective, mortgage loan disbursements in 2025 were only marginally below those of 2024.

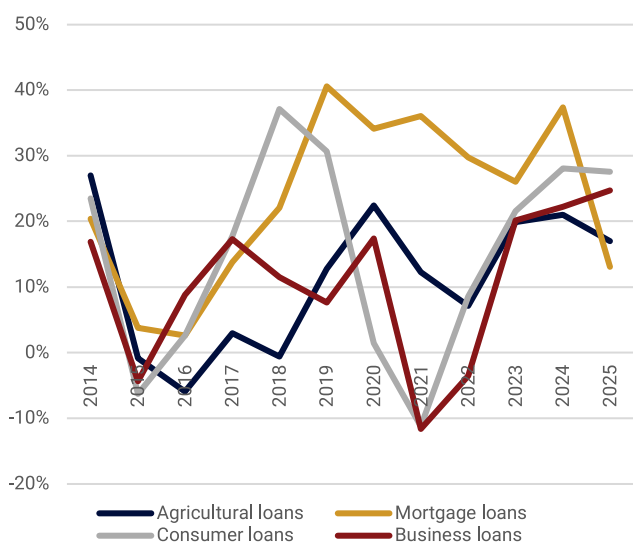
High growth rates were recorded in consumer lending throughout the year. Moreover, the value of consumer loans disbursed in 2025 exceeded the same indicator for the previous year. As a result, the consumer loans-to-GDP ratio also grew (See Chart 2.24).

Business loan growth was driven primarily by the construction (growth: 30.2%), trade (growth: 15.8%) and industry (growth: 17.6%) sectors. Of the 17.6% growth in industry loans, 8.3 percentage points were attributable to the mining sector and 9.4 percentage points to manufacturing.

²⁷ The significant increase in mortgage loan disbursements in the fourth quarter of 2024 was attributable to the discontinuation of the income tax refund program in the city of Yerevan.

Chart 3.26.

Growth rates by major loan category

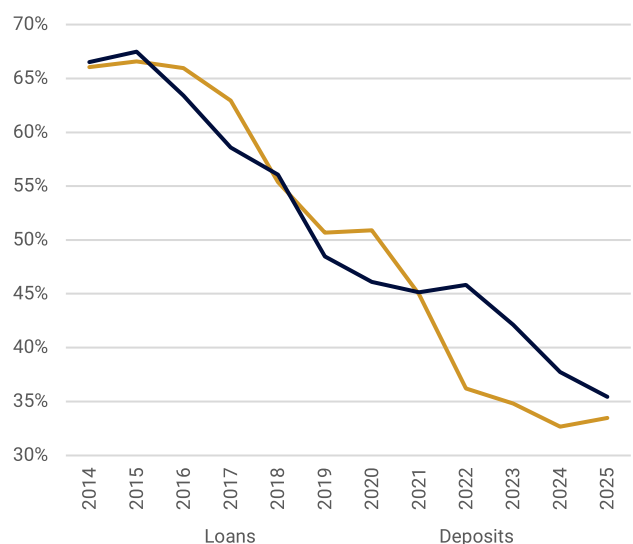


Source: CBA

The dollarisation of resident loans and deposits remained at low levels during the year, standing at 33.5% and 35.4% respectively at year-end (See Chart 3.27).

Chart 3.27.

Dollarisation of resident loans and deposits

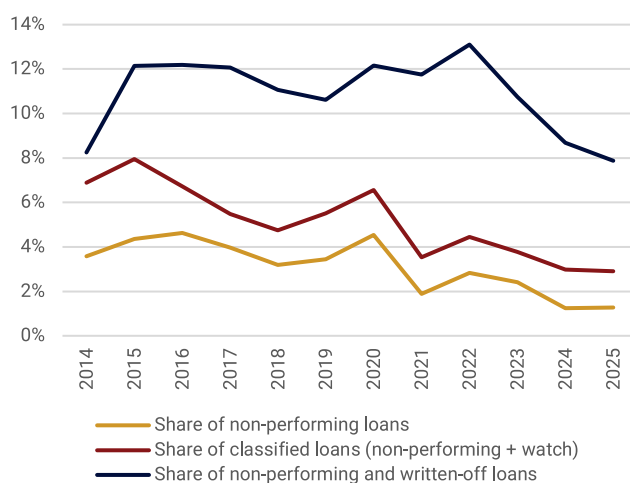


Source: CBA

The share of non-performing loans (NPLs) continued to remain below its long-term average during the year (See Chart 3.28).

Chart 3.28.

Dynamics of the non-performing loan (NPL) ratio

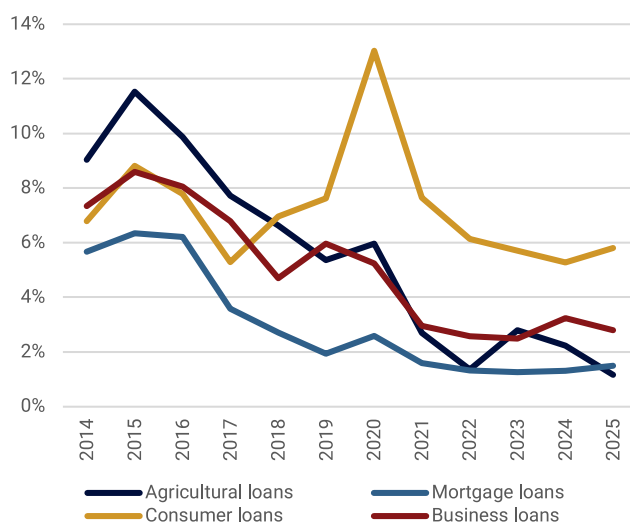


Source: CBA

The NPL ratio stood at 1.3% at year-end, compared with 1.2% in the previous year. No material changes were recorded in NPL ratios by individual loan types (See Chart 3.29).

Chart 3.29.

Classified loans extended to residents (non-performing + watch loans) by major loan category



Source: CBA

The high quality of the loan portfolio was also reflected in the loan loss provisions-to-loans ratio, which stood at 1.2% at year-end (See Chart 3.30).

Chart 3.30.

Loan losses

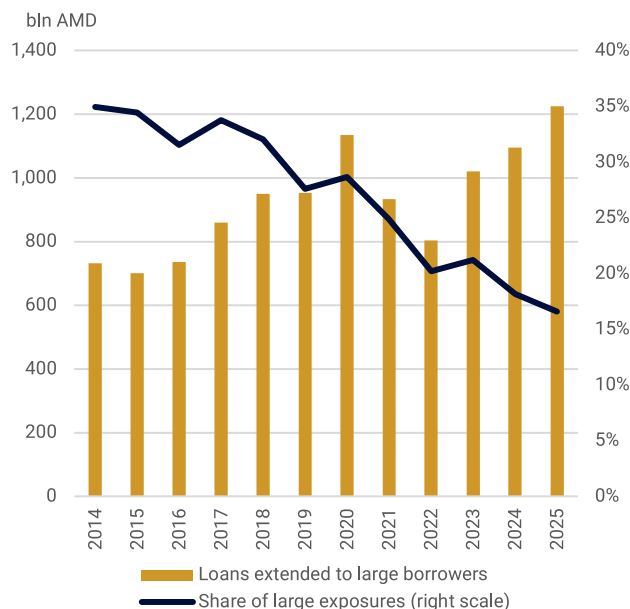


Source: CBA

Loan portfolio concentration declined; in particular, the share of loans to large borrowers²⁸ decreased by 1.6 percentage points (See Chart 3.31).

Chart 3.31.

Credit exposures to large borrowers in the banking system.



Source: CBA

Liquidity Risk

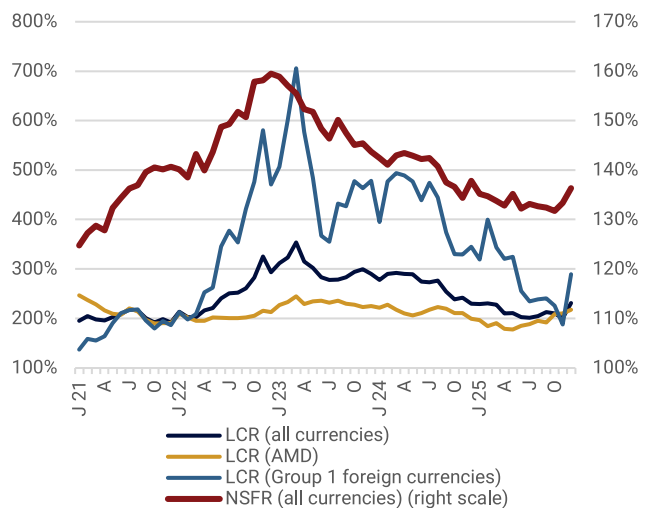
The banking system's liquidity was maintained at a high level during the year. The declining trend in the liquidity position observed over recent years is primarily attributable to the leading growth of loans relative to deposits.

In 2025, work was carried out at the Central Bank to improve the regulatory requirements for the liquidity coverage ratio (LCR) and the net stable funding ratio (NSFR). In particular, higher outflow weights were introduced for the effective addressing of liquidity risk derived from foreign currency deposits and their concentration. The amended liquidity regulations entered into force on 1 May 2026.

In December 2025, the average LCR across all currencies stood at 231.6%, while for Group 1 foreign currencies it stood at 289.6%. Banks also meet the NSFR requirement (See Chart 3.32).

Chart 3.32.

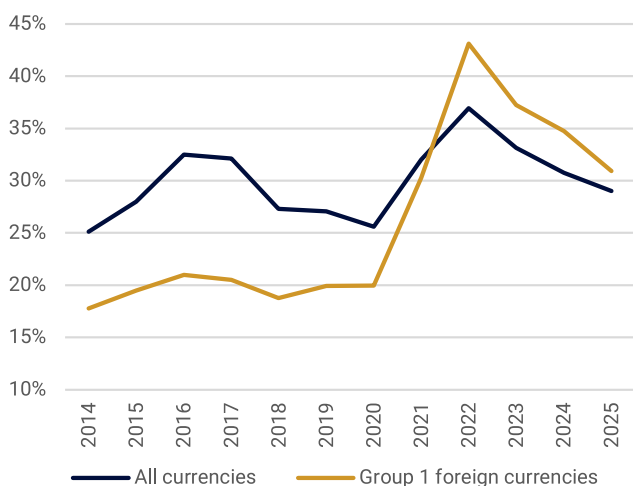
Dynamics of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR).



with 30.8% in the previous year. On the other hand, total liquidity in Group 1 foreign currencies stood at 30.9%, compared with 34.8% in the previous year (See Chart 3.33).

Chart 3.33.

Dynamics of total liquidity.

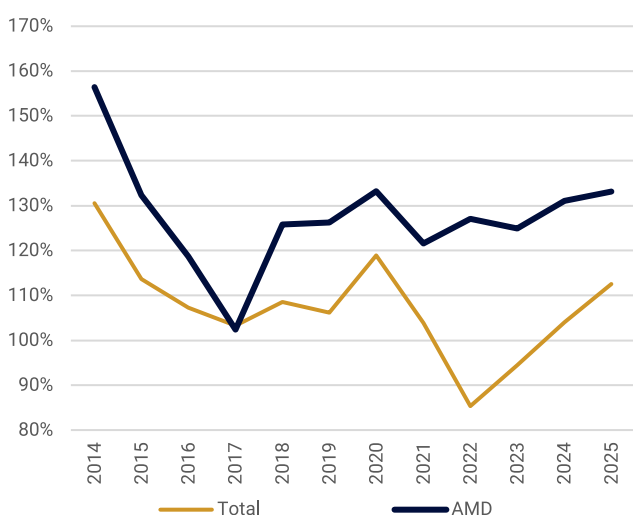


Source: CBA

During 2025, deposit portfolio growth fell below loan growth, resulting in an increase in the loan-to-deposit ratio (See Chart 3.34).

Chart 3.34.

Loan-to-deposit ratio



Source: CBA

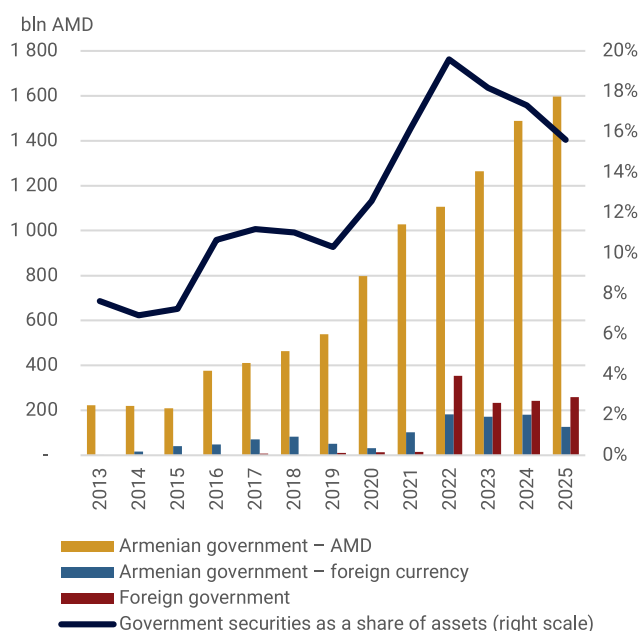
Market Risk

According to banks' sensitivity stress tests to interest rate changes, the adverse impact of market risk on capital is not significant. The potential loss derived from banks' foreign exchange positions was also maintained at a low level.

In recent years, the share of government bonds in banking system assets declined somewhat, also associated with the rapid loan growth (See Chart 3.35).

Chart 3.35.

Investments in government bonds



Source: CBA

The securities revaluation reserve recognized in capital grew by AMD 19.3 billion during the year and stood at AMD +17.7 billion at year-end, compared with AMD -1.6 billion in the previous year.

In order to assess the system's sensitivity to interest rate changes, the following were examined:

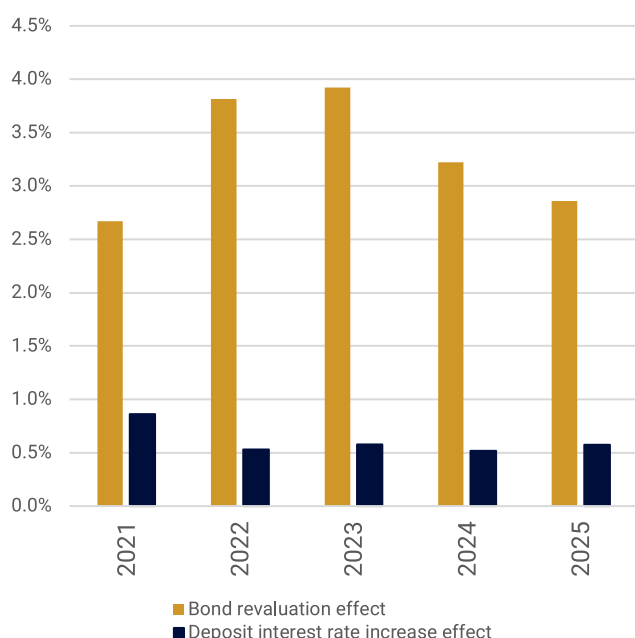
- the one-off impact of a parallel upward shift of the government bond yield curve by 1 percentage point on capital, and

- the impact over a 12-month period on capital of a 1 percentage point increase in term deposit interest rates, resulting in higher interest expense.

At year-end, the potential adverse impact of the interest rate shock on capital remained at a low level. The impact of the increase in interest expense showed no significant changes compared with the previous year (See Chart 3.36).

Chart 3.36.

Impact of Interest Rate Changes on Capital



Under conditions of effective management of foreign exchange positions by banks, currency risks derived from exchange rate changes are not significant.

3.2.2. NON-BANK FINANCIAL INSTITUTIONS

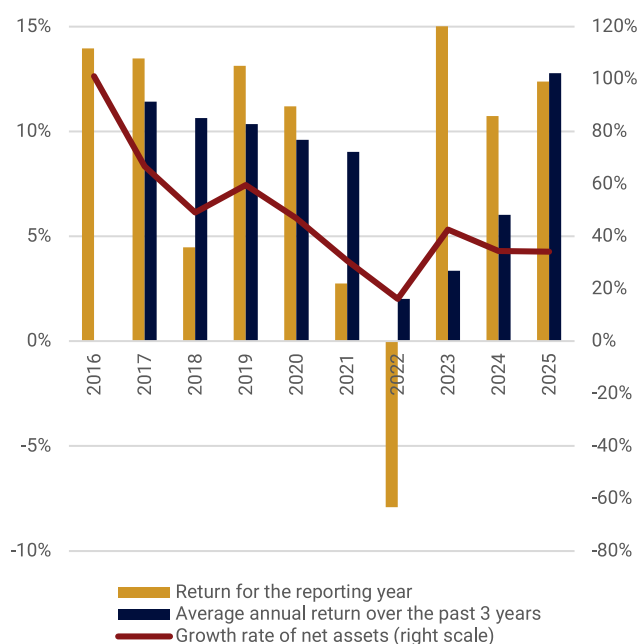
The share of non-bank financial institutions in the financial system remained at a comparatively low level. At the same time, the share of pension funds continues to grow. Overall, the impact of risks derived from the activities of non-bank financial institutions on financial stability is assessed as not significant.

Pension Fund Developments

In 2025, pension funds recorded a return of 12.4%, while the net asset value (NAV) of the funds grew by 34.2%, driven by both contributions made and the high returns of the funds (See Chart 3.37). Cumulative fund returns since inception stood at 138.1%, with an average annual return of 8.3%. The high returns of pension funds were primarily attributable to increases in Armenian government bond prices and in the prices of foreign investment fund securities. As in previous years, these instruments held a dominant share in fund investment portfolios, accounting for 37.0% and 33.3% of NAV respectively at year-end (See Chart 3.39).

Chart 3.37.

Fund returns and NAV growth rate

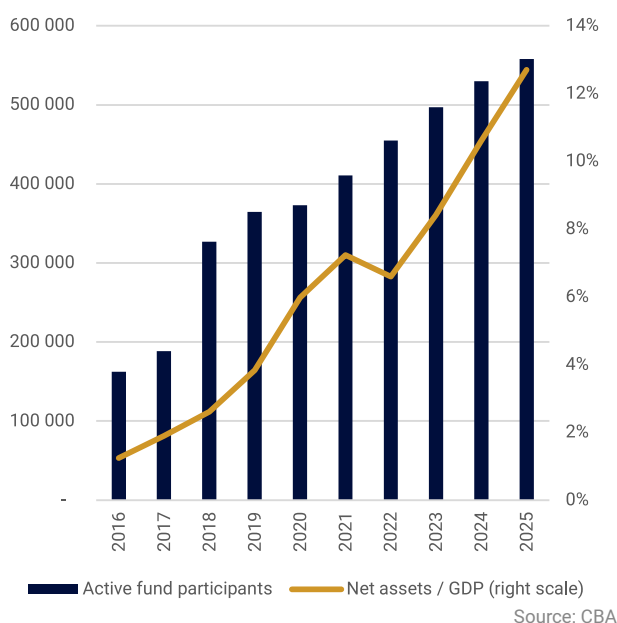


In 2025, the global economy continued to maintain comparatively stable growth rates. Against a backdrop of relative easing of the inflationary environment and broadly maintained accommodative financial conditions, risk appetite in global financial markets increased in 2025, contributing to price growth in both equity and debt securities.

In particular, in 2025 a number of major central banks transitioned to monetary policy easing, which contributed to lower yields and higher market values of debt instruments. As a result, the recovery in debt markets in 2025 was more pronounced.

Chart 3.38.

Dynamics of the number of active fund participants and the NAV-to-GDP ratio.



Driven by the above-mentioned market trends and the continued inflow of mandatory pension contributions, pension fund NAV continued to expand in 2025. As a result, the ratio of pension fund NAV to GDP increased by 2.1 percentage points, reaching 12.7% at the end of the year (see Chart 3.38²⁹).

The composition of pension fund investment portfolios changed modestly in 2025. The share of Armenian government bonds declined by 2.5 percentage points, while the share of foreign investment fund securities increased by 0.2 percentage points (see Chart 3.39). The currency structure remained broadly unchanged; the share of foreign currency assets grew by 0.3 percentage points, standing at 34.8% at year-end (See Chart 3.40).

Chart 3.39.

Fund investment allocations

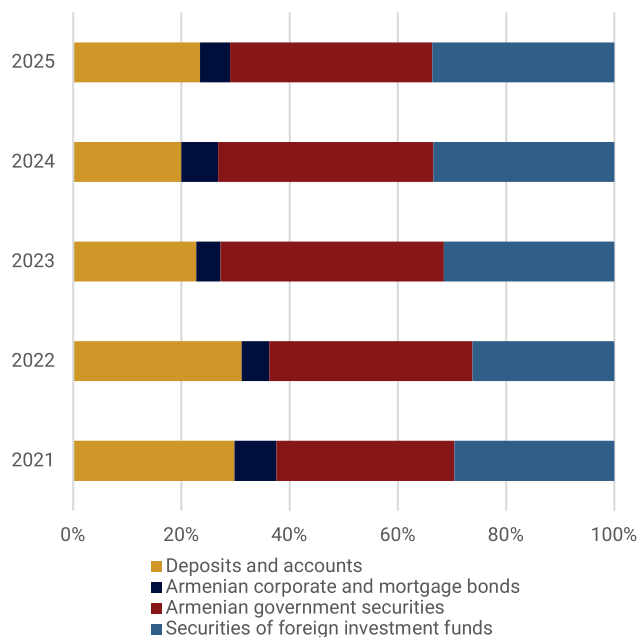
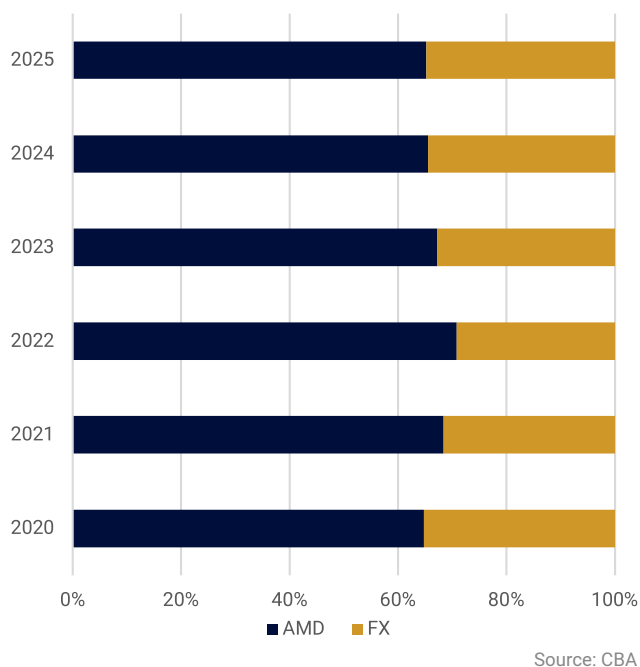


Chart 3.40.

Currency composition of funds



29 The number of active fund participants is reported as of November 2025.

Pension Fund Sensitivity Assessment and Stress Tests

The purpose of stress testing is to assess the impact of assumed shock scenarios on pension fund NAV.

Under the stress test, the aggregate loss of the funds was calculated as the sum of losses across individual investment directions:

The stress loss on Armenian bonds (government and corporate) was calculated on the basis of bonds' modified duration, applying a +2 percentage point interest rate increase scenario. Modified duration was calculated at the individual bond level, based on portfolio structure as of the end of 2025.

The risk on foreign investment fund securities was assessed using the VaR method. As the stress loss, the maximum 260-day (≈ 1 calendar year) VaR corresponding to the 1% quantile was calculated, based on portfolio structure as of the end of

2025 and individual security price changes during 2024–2025.

In the solvency macro stress testing model, exchange rate depreciation is considered as a risk development, which in the case of pension funds has a positive effect on returns. The exchange rate impact factor was not considered, in order to present the effects of the other two variables more clearly. Table 2 presents the sensitivity of pension funds to exchange rate movements. No stress loss (market risk) was assessed for deposits, which are considered to be another major investment direction of pension funds, as deposits are held-to-maturity investments.

Based on the methodology described in items 1 and 2, stress testing was conducted for a 2 percentage point interest rate increase scenario. The results showed NAV declines of 6.8%, 7.03% and 6.65% for the fixed income, conservative and balanced funds respectively (Table 1).

Table 1.
Pension Fund Stress Tests

Fund Type	Fund NAV and Composition			Change in NAV under Stress Scenarios		
	Fixed Income	Conservative	Balanced	Fixed Income	Conservative	Balanced
Fund NAV (AMD bn)	11.4	1,413.6	16.1			
Armenian securities	48.2%	42.4%	41.1%	-11.8%	-12.6%	-11.9%
Investments abroad	24.3%	33.6%	36.7%	-4.6%	-4.8%	-4.9%
Other assets	27.5%	24.0%	22.2%	-	-	-
Total	100.0%	100.0%	100.0%	-6.8%	-7.0%	-6.7%

Source: CBA

Table 2.

Pension Fund Sensitivity Stress Tests

Scenario	NAV Percentage Change		
	Fixed Income	Conservative	Balanced
1 percentage point increase in interest rates in Armenia	-2.84%	-2.71%	-2.44%
1% depreciation of the Armenian dram	0.26%	0.34%	0.37%
External shock (1st percentile)	-1.12%	-1.60%	-1.76%

Source: CBA

Credit Organisations

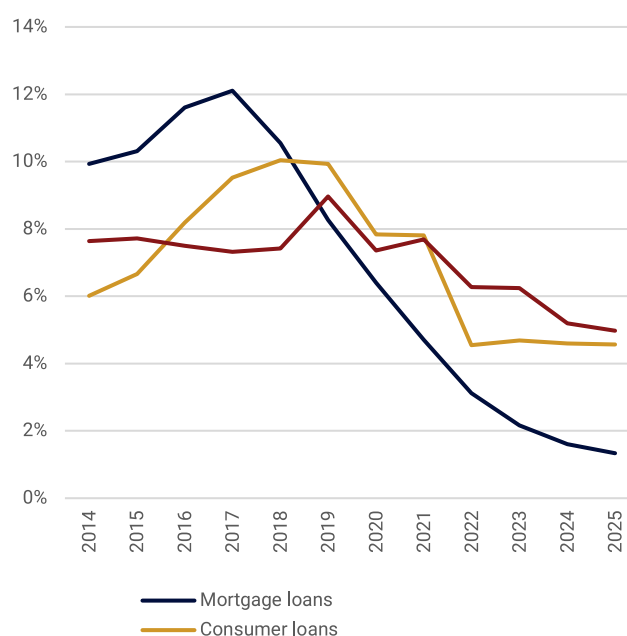
In recent years, the role of non-bank financial intermediaries in the global financial system has continued to grow, providing additional sources of credit, competition and innovation, while simultaneously increasing risks and interconnectedness from a financial stability perspective. In this context, the credit organisation sector in Armenia continues to perform an intermediary function complementary to the banking system.

In 2025, against the backdrop of high competition in the lending market and persistent uncertainties, the application of innovative risk-management-based approaches became increasingly important for credit organisations to maintain competitiveness and monitor the quality of their loan portfolios.

Credit organisation assets grew by 13.1% during the year. Of total assets, 39.4% was accounted for by refinancing credit organisations, whose assets grew by 5.86% compared with the previous year.

Chart 3.41.

Share of credit organisations in total lending

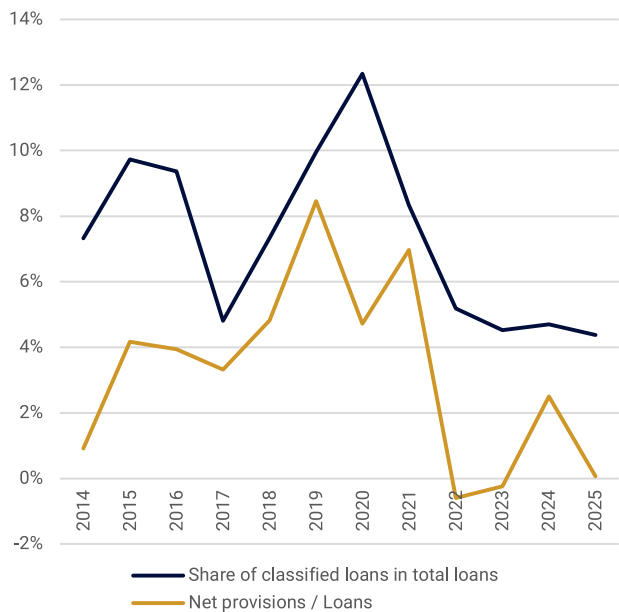


Source: CBA

In conditions of high competition, the share of loans extended by credit organisations in total loans declined slightly, remaining at the same relative level (See Chart 3.41). Profit grew and amounted to over AMD 50 billion, and loan quality was maintained at a comparatively high level (See Chart 3.42).

Chart 3.42.

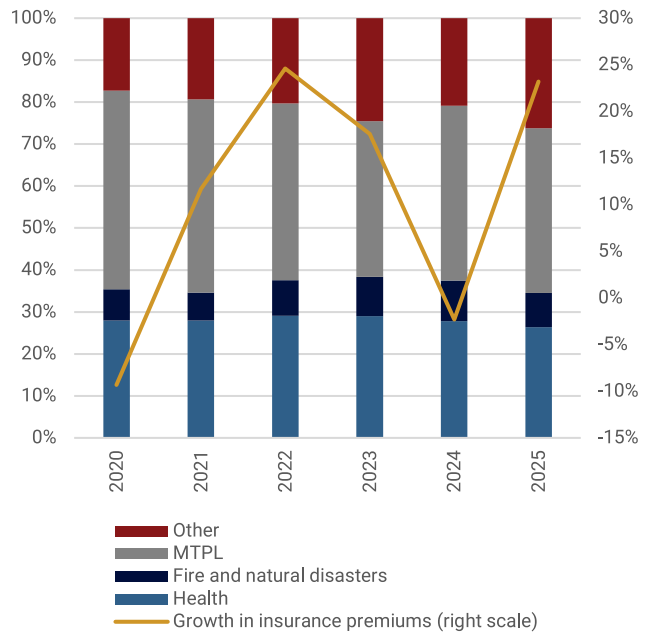
Classified loans and loan losses



Source: CBA

Chart 3.43.

Structure and growth rate of accrued insurance premiums



Source: CBA

Insurance Companies

The share of insurance companies in the financial system continues to remain comparatively low.

The insurance sector continued to account for a comparatively small share of the financial system in 2025. Nevertheless, its key performance indicators improved: the premium-to-GDP ratio increased to 0.79%, while premiums per capita reached AMD 28,942, up from 0.70% and AMD 23,572, respectively, in the previous year. Gross written premiums expanded by 23.2%, while premium income remained highly concentrated, with the three largest business lines: health insurance, MTPL, and fire property insurance, accounting for 73.8% of total written premiums (see Chart 3.43).

In 2025, insurance claims grew by 22%, though improvement was recorded in risk and expense indicators. The loss ratio of the insurance system³⁰ declined by 5.1 percentage points to 66.0%, and the expense ratio³¹ declined by 0.3 percentage points to 25.6% (See Chart 3.44). This indicates that the technical underwriting result of insurance operations improved overall in 2025, although the system remains sensitive to potential increases in claims and administrative/operational costs.

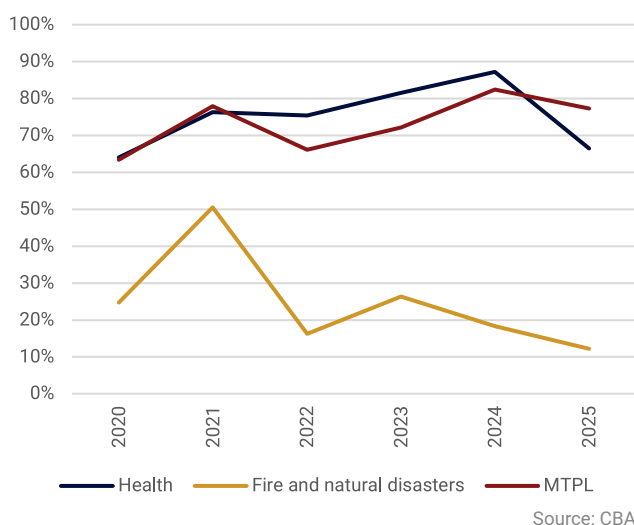
30 The loss ratio is calculated as follows: (net incurred claims + change in net claims reserves + claims handling expenses) / (net written premiums – net refunds related to terminated contracts – change in the net unearned premium reserve (UPR)).

31 The expense ratio is calculated as follows: (non-interest expenses / (net written premiums – net refunds related to terminated contracts – change in the net unearned premium reserve (UPR))).

Chart 3.44.

Source: CBA

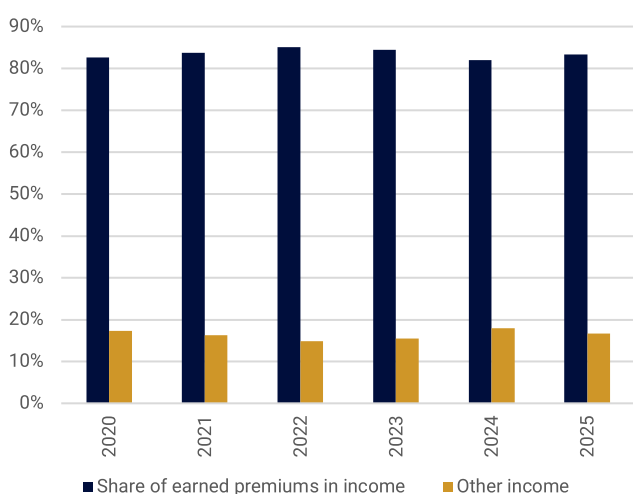
Loss ratio of the insurance sector by major classes



At the same time, insurance company profits increased more than four times compared with the previous year. This sharp increase in profitability is assessed as the combined result of several factors: (a) a material increase in written premiums; (b) an improvement in technical indicators (decline in loss and expense ratios); and (c) a contribution from the financial result through interest income generation and/or portfolio revaluation in a high interest rate environment.

Chart 3.45.

Share of earned premiums in income

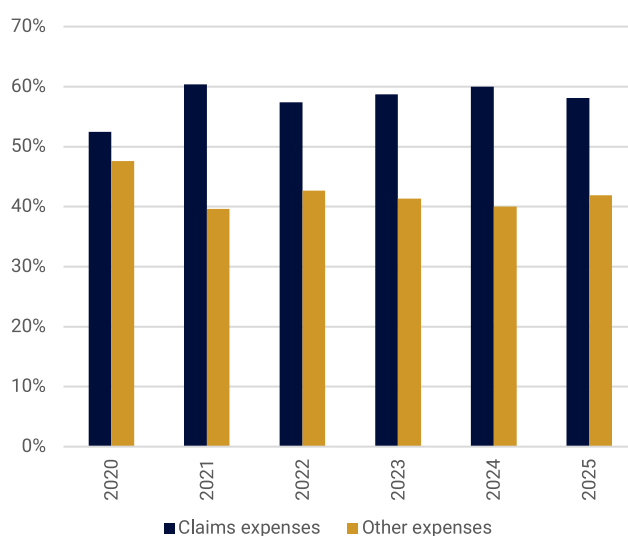


Among the factors contributing to profitability, pricing regulation in certain sub-markets is also considered. For instance, the material increase in MTPL tariffs from February 2025 contributed to improved operational effectiveness of insurance companies. At the same time, the high percentage increase in profits may be partially attributable to the base effect against the backdrop of comparatively low profitability in the previous year.

Based on averaged multi-year indicators, premiums remain the main income source for insurance companies (82.4% in 2024; 83.3% in 2025), while insurance claims remain the primary cost component (59.5% in 2024; 58.0% in 2025).

Chart 3.46.

Share of claims expenses in total expenses



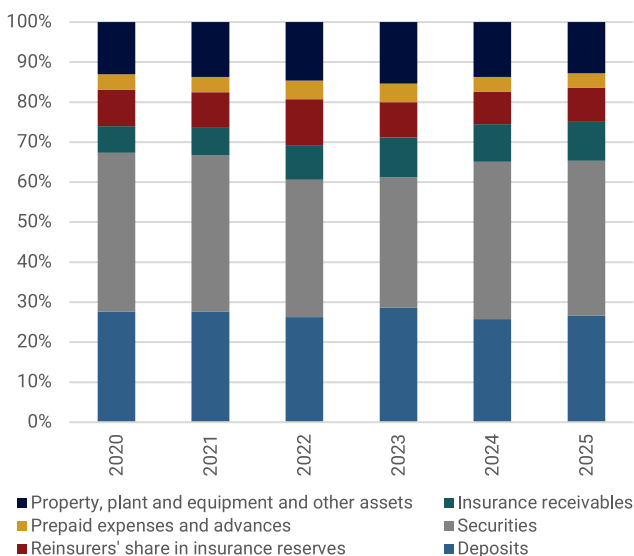
Source: CBA

Insurance system total assets grew by 19.8% to approximately AMD 116.4 billion. As in the previous year, bank deposits (approximately AMD 31 billion) and securities (approximately AMD 45 billion) constituted a significant share of assets in 2025 (See Chart 3.47). Insurance system total capital increased by 15% to AMD 32.7 billion,

driven by growth in statutory capital and profit, which contributed to improving the system's loss-absorption capacity.

Chart 3.47.

Asset structure



Source: CBA

It should be noted that institutional changes aimed at introducing universal health insurance could affect the medium-term outlook of the health insurance sector. The Law "On Universal Health Insurance" was adopted, and pursuant to Government decisions, the system is scheduled to become operational on 1 January 2026.

While this presents growth opportunities for the sector, it also entails transitional risks related to operational readiness, contractual arrangements, and claims management. From a financial stability perspective, these developments warrant ongoing monitoring.

The impact of shock scenarios on insurance company performance within the stress tests was assessed as not significant; no regulatory breaches were recorded (Table 3).

Table 3.

Insurance System Sensitivity Tests

	10% Increase in Claims Frequency			25% Shock Increase in the Outstanding Claims Reserve		
	31.12.2023	31.12.2024	31.12.2025	31.12.2023	31.12.2024	31.12.2025
Estimated loss or reduction in income under the scenario (AMD bn)	1.0	0.9	1.1	0.9	1.0	1.8
Loss or reduction in income as a percentage of capital (%)	3.3	2.9	3.5	3.1	3.4	5.5
Change in the liquidity ratio (percentage points)	-	-	-	-32.2	-22.1	-33.0
Change in total capital adequacy (percentage points)	-4.4	-3.8	-4.8	-4.1	-4.5	

Source: CBA



STRESS TESTING RESULTS OF BANKS

- 4.1. Solvency stress tests of the banking system
- 4.2. Liquidity stress tests of the banking system



04

4.1. Solvency Stress Tests of the Banking System

This section presents the results of the macro stress tests conducted to assess the stability of the Armenian banking system. Stress testing is a core component of financial stability assessments, aimed at evaluating the banking sector's capacity to withstand various hypothetical shock scenarios. This exercise enables a deeper understanding of potential vulnerabilities within the system and, where necessary, facilitates targeted measures to mitigate them. The results indicate that, despite the severity of the shocks modeled in the stress scenario, the banking system maintains sufficient capital and liquidity buffers to withstand the simulated events. By the end of the stress horizon, capital buffers remain adequate to ensure normal operations.

SOLVENCY MACRO STRESS TESTS

Solvency stress tests evaluate the banking sector's capacity to absorb risks that threaten financial stability under various shock scenarios. The framework incorporates a comprehensive assessment of losses arising from all risks inherent to banking operations and tracks their impact on overall solvency. The solvency stress tests were conducted over a three-year horizon.

Baseline Scenario

The baseline scenario is constructed on a macroeconomically consistent basis, drawing on quarterly surveys of financial market participants (including commercial banks, investment fund managers, and institutional investors, among others)³². Under this scenario, the relatively high economic growth recorded in 2025 will moderate somewhat during the 2026–2028 period, ranging between 4.9% and 5.2%.

Adverse Scenario

The adverse scenario presented below represents a hypothetical and severely pessimistic sequence of events and should not, under any circumstances, be interpreted as a forecast by the Central Bank.

The adverse scenario assumes the emergence and intensification of external shocks, which could lead to negative developments in the Armenian economy and a subsequent sharp decline in economic growth. Specifically, it models a sharp increase in the intensity and duration of geopolitical tensions in Armenia's neighboring region, which further amplifies instability. Alongside these events, the deepening of prevailing geopolitical polarization may manifest as severe trade disputes among partner countries, tariff hikes, and disruptions to established trade flows.

These developments could trigger higher import prices and lower Armenian export volumes, which would result in significant inflationary pressures and a depreciation of the AMD/USD exchange rate. The deterioration of economic conditions and heightened uncertainty would elevate the country risk premium and consequently drive up interest rates. In response to import-driven inflationary pressures, the CBA could raise the policy rate, which could potentially lead to an inversion of the yield curve. The combined effect of all these factors would result in a material contraction of the Armenian economy.

The shocks are assumed to exert their primary impact in 2026–2027, after which their effects will gradually dissipate and allow economic activity to recover.

The events described above result in a decline in economic growth to approximately -4.7% in the first year of the horizon. This figure steadily improves in subsequent years to reach approximately 11% by the end of the stress scenario horizon. A more detailed description of the scenario is provided in Table 4.1.1.

32 See https://www.cba.am/file_manager/Monetary%20policy%20en/Reports/MPR_2026_Q1_ENG.pdf

SOLVENCY STRESS TEST RESULTS

Under the baseline scenario, the banking system maintains its high capitalization level. Over the projection horizon, total losses across the sector are projected to exceed the base-year level. However, these losses are expected to remain broadly in line with historical averages due to relatively favorable developments in default probabilities and loss given default under the assumed macroeconomic conditions. The sector is also projected to record a modest increase in profits, which ensures that capital adequacy ratios for both the aggregate system and individual banks remain close to their actual base-year levels throughout the observation period.

Under the adverse scenario assumptions, credit losses within the banking system increase materially. Specifically, credit defaults will rise across the Armenian financial system, driven by the shocks modeled in the scenario, such as reduced economic income, relatively high inflation, and an exchange rate shock. This shift will elevate key credit risk components, namely the probability of default (PD) and loss given default (LGD), across various lending sectors, and consequently drive higher credit losses and lower profitability. The stress test results indicate that the materialization of credit losses will continue and reach its peak magnitude in the second year of the stress horizon. Market risk losses also account for a significant share of total losses, which stem primarily from asset revaluations triggered by interest rate shocks.

Table 4.1.1.

Key Variable Values Under Different Scenarios

	2025	Baseline Scenario			Stress Scenario		
		2026	2027	2028	2026	2027	2028
	y/y						
GDP	7.2%	5.2%	4.9%	4.9%	-4.7%	0.3%	11.2%
Inflation	3.8%	3.3%	3.1%	3.1%	6.4%	8.4%	3.5%
Loan Growth	22.5%	15.0%	12.0%	10.0%	0.0%	6.0%	10.0%
Probability of Default (PD)							
<i>Consumer Loans</i>	2.8%	2.3%	2.2%	2.1%	5.6%	8.1%	5.4%
<i>Mortgage Loans</i>	1.3%	1.1%	1.1%	1.1%	2.7%	4.0%	2.8%
<i>Business Loans</i>	2.2%	1.9%	1.9%	1.9%	4.6%	7.0%	3.5%
Loss Given Default (LGD)		45.0%	42.0%	40.0%	55.0%	50.0%	45.0%

Table 4.1.2.

Key Stress Test Results*

	2025	Baseline Scenario			Stress Scenario		
		2026	2027	2028	2026	2027	2028
Provisions from Loan Portfolio (AMD bn)	-80.0	-95.6	-101.7	-101.4	-191.9	-265.2	-173.0
<i>Share in Assets (%)</i>	0.71	0.74	0.71	0.65	1.74	2.34	1.41
Market Risk** (AMD bn)		6.1	0.0	1.2	-195.2	94.0	97.9
Total Losses (AMD bn)	-80.0	-89.5	-101.7	-100.2	-387.2	-171.2	-75.1
<i>Share in Assets (%)</i>		0.69	0.71	0.64	3.50	1.51	0.61
Net Interest Income (AMD bn)	569.4	552.6	582.6	603.9	324.5	294.4	285.6
Net Profit (AMD bn)	389.8	370.5	384.7	402.9	-62.7	98.5	168.4
<i>Share in Assets (%)</i>		2.87	2.68	2.57	-0.57	0.87	1.37
Capital Adequacy Ratio (% end of period)	20.68	21.70	22.45	23.52	19.39	19.36	19.70
Required Capital Injection (AMD bn)		0	0	0	0	0	0
<i>Share in GDP (%)</i>		0	0	0	0	0	0
Number of Banks with Capital Adequacy Ratio Below 11%		0	0	0	0	0	0
Number of Banks Not Meeting Combined Buffer Requirement		0	0	0	4	2	3

* Losses are presented with a (-) sign.

** Market risk losses include losses attributable to interest rate changes and the direct effect of exchange rate changes. In particular, under the adverse scenario an interest rate increase of approximately 2 percentage points was assumed. Under the baseline scenario, in line with market expectations, a 1–10 basis point decline in interest rates was assumed over the projection horizon.

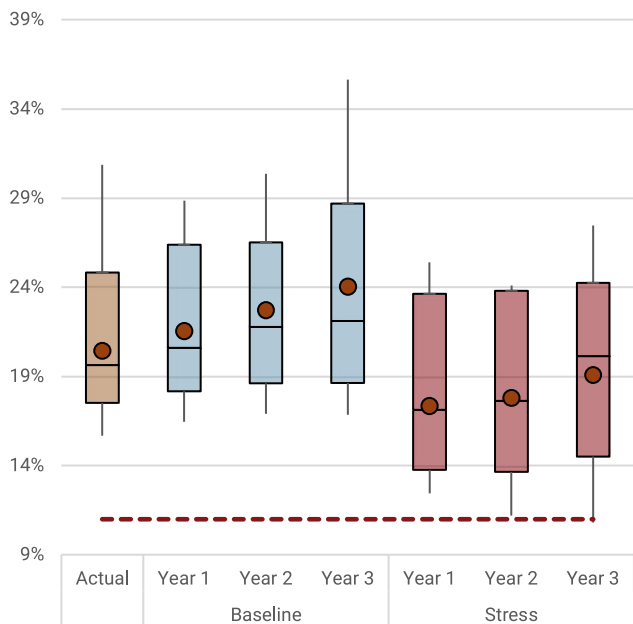
As credit losses materialize, the banking system exhibits comparatively conservative, risk-averse behavior, which halts loan portfolio growth in the first year of the observation period. Due to lower bank interest income and the materialization of credit and market risk losses, the banking sector records negative profitability in the first year of the stress testing horizon. In the second year, despite elevated credit losses, marginal but positive profitability will

be recorded. In the final year of the stress horizon, as credit losses partially recede and net gains from securities revaluation emerge, system profitability begins to recover, though it remains below the pre-stress level (Table 4.1.2). The contributions of individual factors to the capital adequacy ratio, alongside the distribution of banks' capital adequacy ratios (including interquartile ranges), are presented in the charts below.



Chart 4.1.

Distribution of the Capital Adequacy Ratio under the Considered Scenarios



Source: CBA

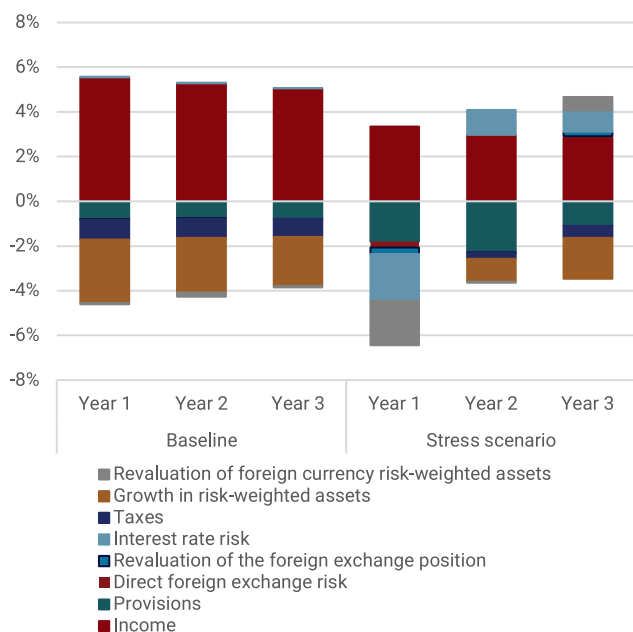
Under the adverse scenario, the banking system's capital adequacy declines but does not breach the required minimum level of 11%. The banking system maintains a high level of capital adequacy, which drops to a low of approximately 19.4% during the adverse stress period (Table 4.1.2). Throughout the stress horizon, no individual bank records a capital adequacy ratio below the minimum regulatory threshold. However, certain banks see their capital adequacy ratios fall below the threshold prescribed by the combined buffer requirement.

Over the stress horizon, as conditions gradually improve and banking system profitability recovers, capital adequacy ratios increase.

Overall, the macro stress testing results demonstrate that the Armenian banking system remains sufficiently capitalized to withstand even the developments modeled under such a severely adverse scenario. Moreover, at the end of the stress horizon, the banking system's capital buffers remain adequate to ensure normal operations and the uninterrupted financing of the economy.

Chart 4.2.

Breakdown of Changes in the Capital Adequacy Ratio under Different Scenarios



Source: CBA

4.2. Liquidity Stress Tests of the Banking System

Liquidity stress testing is aimed at assessing the resilience of the banking system to an assumed deposit outflow scenario. A historically grounded stress scenario of fund outflows was examined, and the adequacy of the liquidity buffer under that scenario was assessed. The key assumptions and results of the stress test, based on actual indicators as of 31 December 2025, are described below.

STRESS TEST SCENARIO AND METHODOLOGY

The stress test calculations are based on the following assumptions:

- The liquidity risk is systemic, i.e., deposit outflows occur simultaneously from all banks.
- The shock duration is 6 months, with comparatively intense outflows in the first 2 months and comparatively moderate outflows in the following 4 months.
- A static balance sheet assumption was made, i.e., the possibility of banks attracting new funds or converting between drams (AMD) and foreign currency (or vice versa) was disregarded.
- Expected inflows from loans were included at 50% (consistent with the LCR assumption), while potential inflows from classified loans were disregarded.
- Haircuts were applied to highly liquid securities³³.
- Rollover of contracts on both the claims and liabilities sides of financial institutions was assumed.

- Potential outflows from funds attracted from non-resident financial institutions and from issued bonds were also considered.
- Potential outflows on other items (e.g. unused balances on credit cards) were disregarded, given their insignificant balances and actual behaviour during the shock.

Regarding the quantitative assumptions for deposit outflows, these are linked to actual developments in 2020. This choice of period enables the generation of a severe yet plausible scenario, contributing to the validity of stress test input and output information. Differentiation of the shock by banks was also ensured, taking into account differences in customer sensitivity across banks, as well as the effects of concentrations.

Outflow weights were differentiated by the following deposit groups:

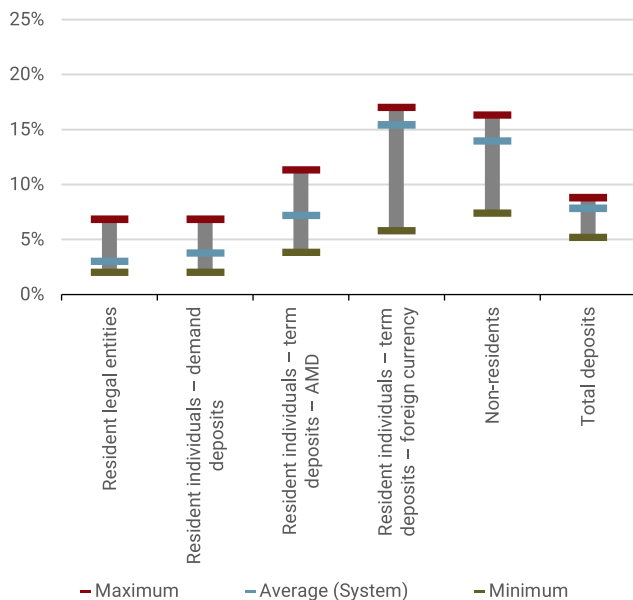
- funds of resident legal entities,
- demand funds of resident natural persons,
- dram-denominated term deposits of resident natural persons,
- foreign currency term deposits of resident natural persons,
- funds of non-residents.

Chart 4.3 presents the minimum, maximum and average (banking system) outflow rates applied by bank for each of the above deposit groups for the first 2 months of the stress period. The cumulative outflow scenario for the subsequent 4 months for total deposits averages 8.8%, with a maximum of 10.9% and a minimum of 8.0%.

33 A valuation haircut of 10% was applied to dram-denominated bonds, and a 5% haircut was applied to foreign currency-denominated bonds.

Chart 4.3.

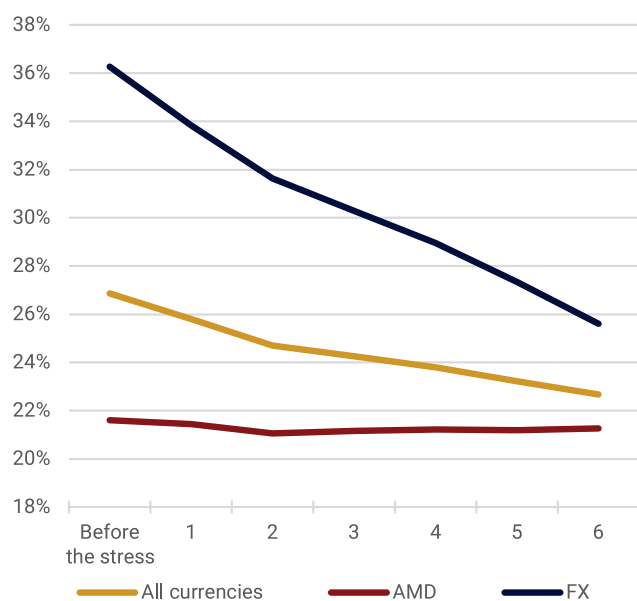
Cumulative Deposit Outflow during the First Two Months



Source: CBA

Chart 4.4.

Change in the Liquidity Position



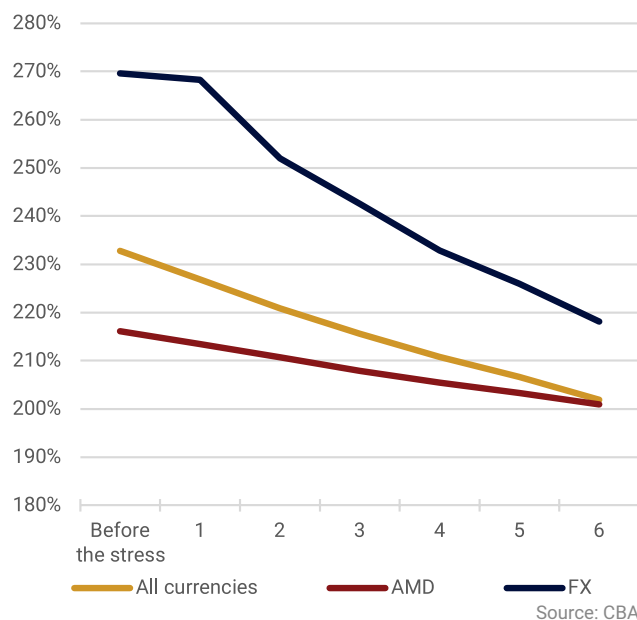
Source: CBA

STRESS TEST RESULTS

Under the assumptions described, the change in the liquidity position over the 6-month stress period was assessed. Specifically, for each month of the stress period, the ratio of the liquidity buffer to total assets (See Chart 4.4) as well as the liquidity coverage ratio (See Chart 4.5) were calculated. The assessments conducted show that under the developments anticipated by the stress scenario, the liquidity buffers of the banking system as well as of individual banks are adequate to service the assumed outflow of attracted funds. Thus, the stress test results confirm the high resilience of banks to liquidity risk.

Chart 4.5.

Change in the Liquidity Coverage Ratio (LCR)



Source: CBA



MACROPRUDENTIAL POLICY

5.1. Macprudential Policy



05

5.1. Macprudential Policy

resilience of the financial system amid geopolitical uncertainty. Despite the relatively high loan portfolio growth recorded during the year, the CBA assessed that the accumulation of cyclical systemic risks within the banking sector remained moderate and therefore did not warrant an active macroprudential policy response.

The financial cycle index continued to expand in 2025, during which the credit-to-GDP gap was positive. The expansion of the financial cycle was primarily driven by credit market developments, particularly the high volume of consumer loan disbursements and a positive credit-to-GDP gap (See Chart 5.3). Conversely, the contribution of mortgage lending and real estate prices to the financial cycle declined, which was attributable to the slowdown trends observed in the real estate market (See Chart 5.2).

Chart 5.1.

Financial Cycle Index

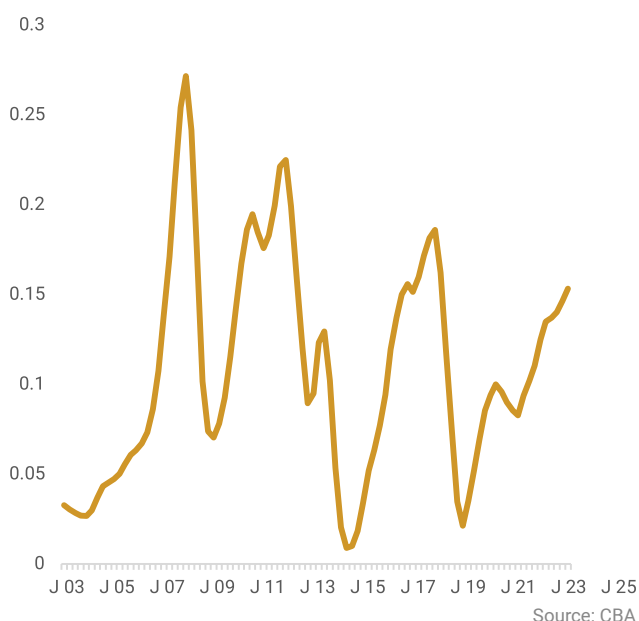
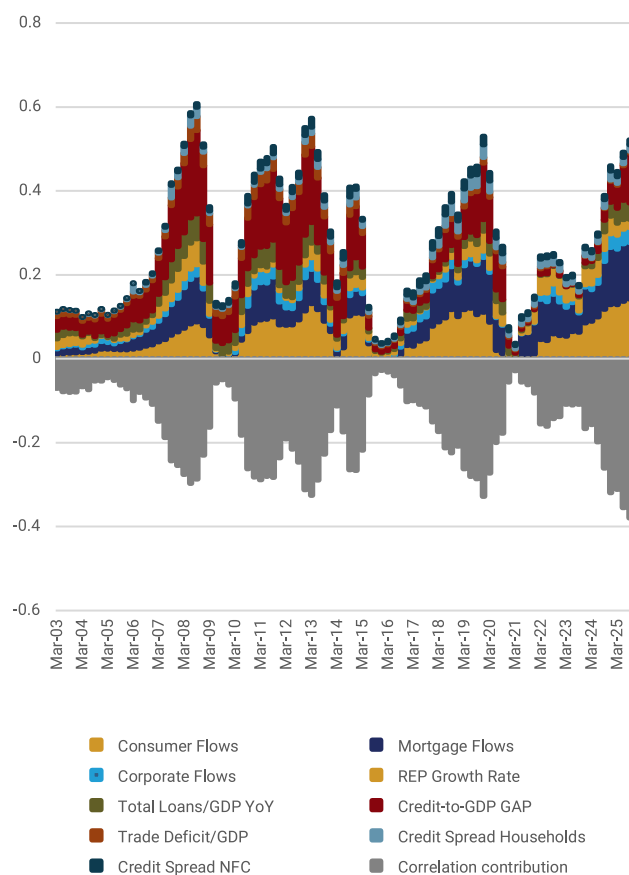


Chart 5.2.

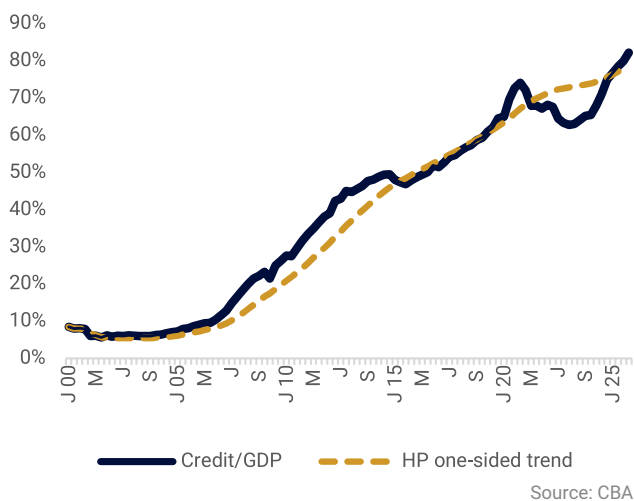
Financial Cycle Index by Component Contributions



Overall, the current level and trajectory of the financial cycle indicate a moderate accumulation of systemic risk within the banking sector. This assessment stems from the fact that rapid loan portfolio growth during the year was balanced by robust income growth in the economy on one hand, and the gradual slowdown observed in the real estate market on the other. Notably, although systemic risk accumulation was moderate during the year, its underlying dynamics remain on an upward trajectory.

Chart 5.3.

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



The annual growth rate of total lending remained elevated throughout the year. Annual loan portfolio growth significantly exceeded its 2024 level for nearly the entire year (See Chart 5.4). Although annual credit growth moderated slightly in the fourth quarter of 2025, it remains comparable to the high rates observed in previous years. Sectoral contributions to aggregate lending growth varied; consumer and business loans provided the largest shares, and construction loans accounted for a significant portion of the business segment.

Chart 5.4.

Annual loan growth rates by sector

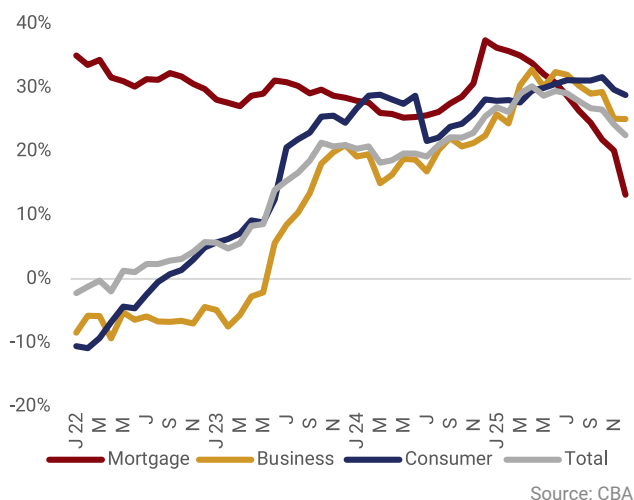
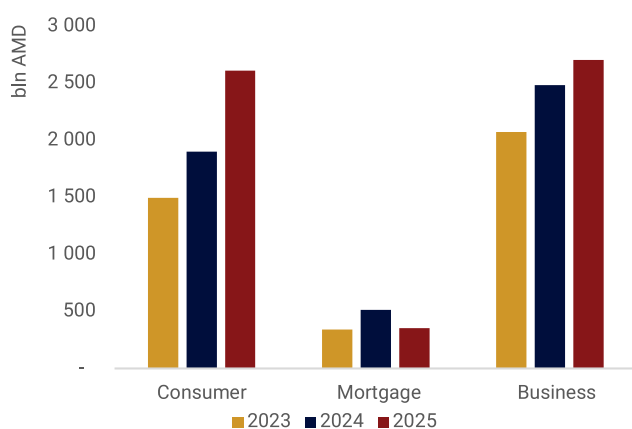


Chart 5.5.

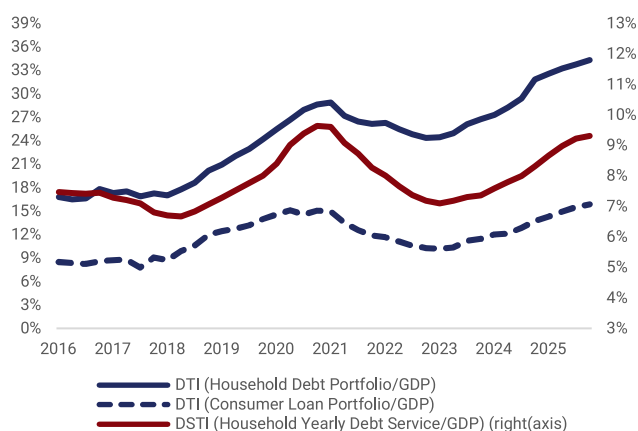
Lending flows by year and sector



In 2025, consumer loan disbursement volumes significantly exceeded the levels of previous years (See Chart 5.5). On one hand, the rise in debt burden indicators points to a potential ongoing accumulation of risk within the consumer lending sector. Moreover, recent years have seen an extension of consumer loan maturities, which, while dampening the rise in debt servicing burdens, may nevertheless contribute to a higher total debt burden for households and elevate maturity risk within the loan portfolio. On the other hand, the growth in consumer incomes observed in recent years has served as a mitigating factor that to some extent dampens risk accumulation in this segment.

Chart 5.6.

Household debt burden indicators

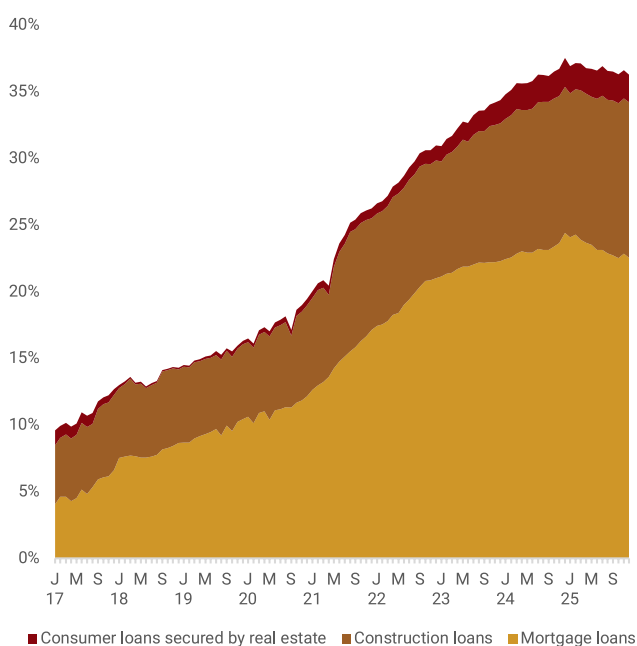


The share of loans sensitive to real estate market developments within the total loan portfolio remains elevated. The majority of these exposures consist of mortgages, which, despite a relatively lower growth rate in 2025, account for nearly 60% of this segment. The share of credit extended to the construction sector is also significant reflecting the robust lending growth observed in recent years.

These exposures, alongside consumer loans secured by real estate collateral, are directly exposed to potential adverse developments in the property sector (See Chart 5.7). Despite the declining activity trend observed in recent years in this market, taking into account the factors of the phasing out of the income tax refund programme in the city of Yerevan and the growing demand saturation in the real estate market, a further decline in activity in this market is considered possible.

Chart 5.7.

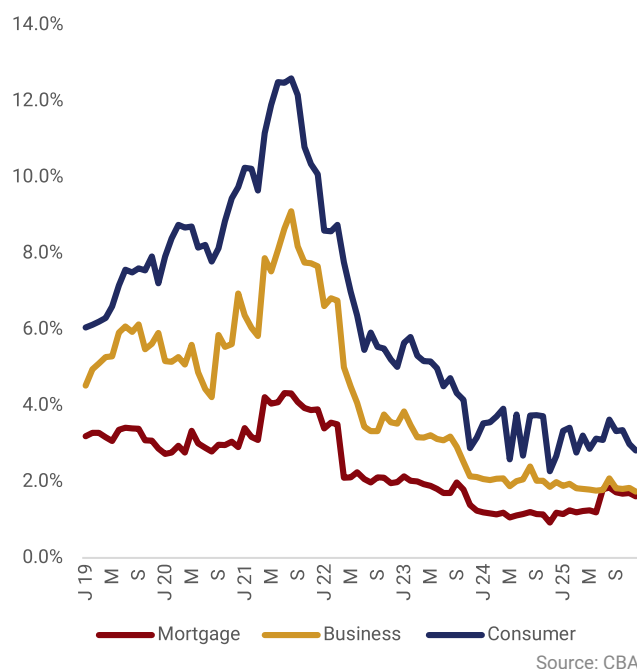
Share of real estate-sensitive loans in total loans



The materialization of risk within the banking system remains low. Current default probabilities across specific lending segments stand at historical lows (See Chart 5.8). A comparison of default probabilities with the prior year's indicators shows that the rapid credit expansion in 2025 has not yet been accompanied by risk materialization. Nevertheless, given the current exceptionally low level of default probabilities, a natural increase toward long-term historical averages remains possible in the near term.

Chart 5.8.

Default probabilities³⁴ by sector

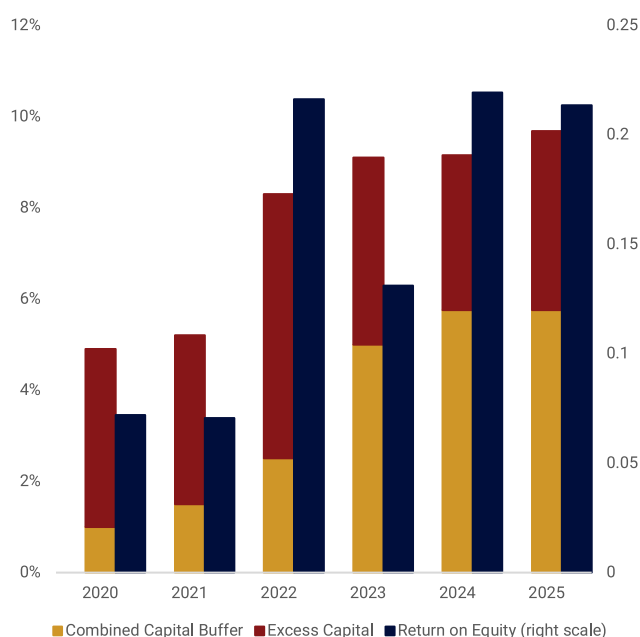


The banking system's risk absorption capacity remains high. In recent years, both the banking system's profitability and the capital buffers above the minimum requirement have expanded (See Chart 5.9). Growth in the latter was driven both by the macroprudential policy implemented by the Central Bank, which manifested in the gradual build-up of the combined buffer, and by commercial banks' prudent risk behavior.

34 The annual ratio of the number of classification events to the number of initially performing loans:
 $PD_{s,t} = \text{Classification events}_{s,t-1 \rightarrow t} / \text{Initially performing loans}_{s,t-1}$,
 where PD denotes the probability of default, s denotes the lending sector, and t denotes the time period.

Chart 5.9.

Banking system Return on Equity and excess capital



Source: CBA

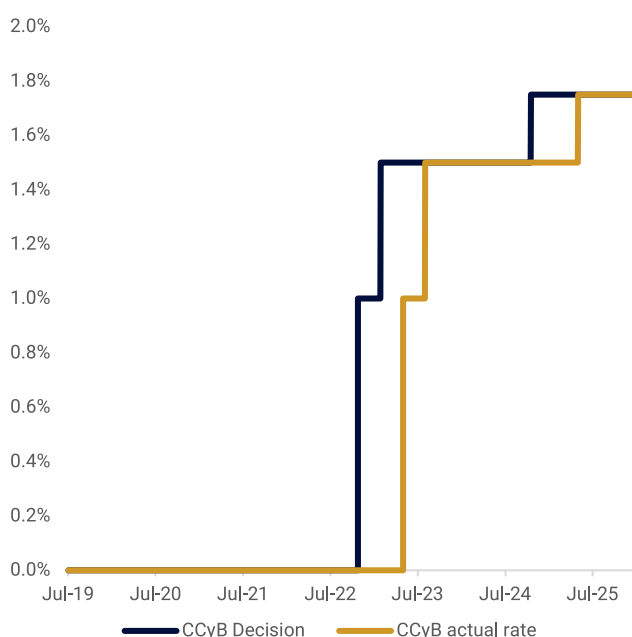
Among cyclical systemic risks, credit risks arising from external geopolitical uncertainty, as well as from potential corrections in the real estate market and related mortgage and construction portfolios, remain the primary concerns.

In 2025, the macroprudential policy implemented by the CBA focused on maintaining the resilience of the financial system against these identified risks.

In particular, the 1.75% CCyB rate entered into force on May 1, 2025 (See Chart 5.10). Given that the financial stability risk environment did not undergo significant changes during the year, the CBA Board decided to keep the CCyB rate unchanged throughout 2025. The combined buffer requirement, which encompasses all capital buffers, currently stands at 4.25%, and 5.75% for systemically important banks.

Chart 5.10.

Countercyclical buffer rate



Source: CBA

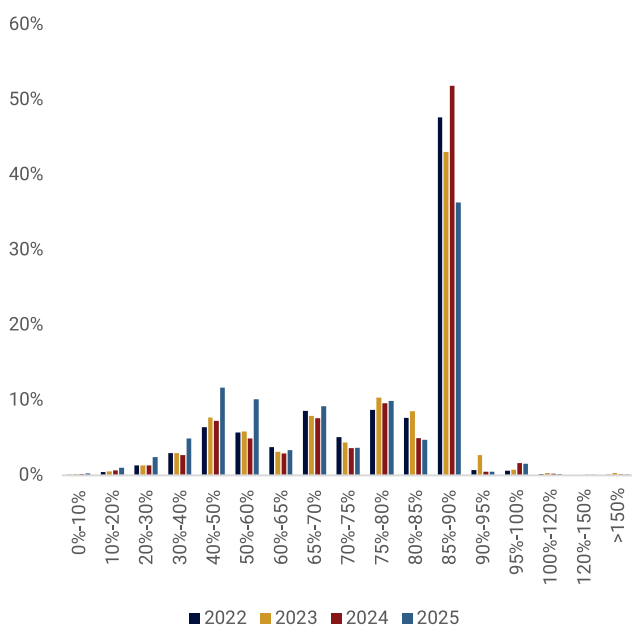
Furthermore, the Central Bank introduced higher outflow weights within the liquidity regulation requirements (LCR, NSFR) to effectively address the liquidity risk that stems from foreign currency deposits and their concentration. These regulatory tightening measures took effect on May 1, 2026, a step that may also moderately restrain further risky expansion in the credit cycle.

Amid stabilizing real estate demand and a natural slowdown in mortgage loan growth rates, the LTV macroprudential limits remained unchanged during the year. For the majority of newly originated mortgage loans in recent years, the LTV ratio has remained close to the 90% regulatory limit (See Chart 5.11). The current LTV ratio³⁵ for the outstanding mortgage stock, despite some upward trends in recent years, does not exceed 50% as of 2025; this figure indicates high resilience to potential real estate price corrections (See Chart 5.12)

³⁵ The indicator is calculated as the ratio of the outstanding loan balance to the estimated current market value of the underlying real estate collateral (point-in-time LTV).

Chart 5.11.

LTV distribution at origination by year



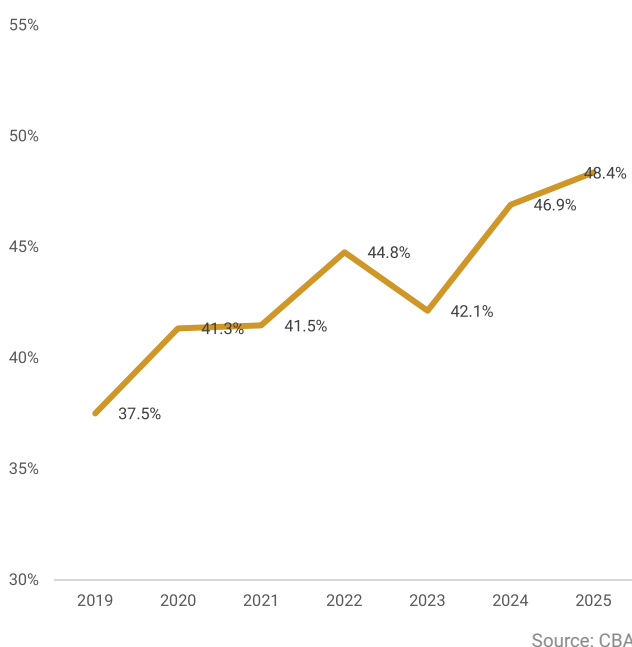
Source: CBA

Amid the overall improvement in the conditional distribution of GDP in 2025, signals that indicate an increase in systemic risks were identified. On one hand, the rapid credit growth recorded during the year may create the conditions for further systemic risk accumulation; on the other hand, income growth in the economy and the observed slowdown in real estate market activity serve as moderating factors.

The 'Growth-at-Risk' methodology³⁶ used by the CBA, which reflects the conditional distribution of real GDP growth under the influence of various factors, demonstrates that, compared to the prior year, the conditional distribution of GDP shifted slightly to the right (an improvement), while the distance-to-tail indicator from the median increased (See Chart 5.13). The latter indicates the magnitude of a potential GDP contraction relative to median growth under crisis conditions, and an increase in this indicator can signal the accumulation of systemic risk.

Chart 5.12.

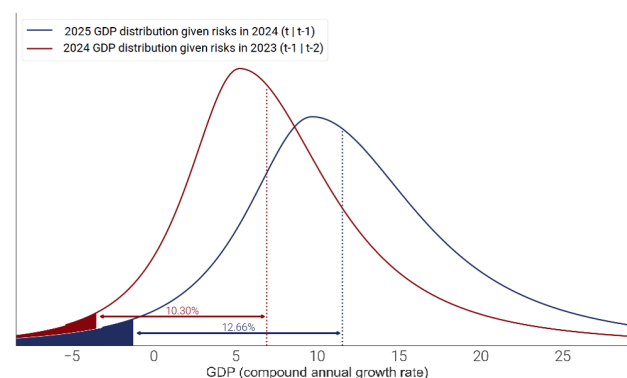
Average LTV of current mortgage portfolio by year



Source: CBA

Chart 5.13.

GDP growth distribution comparison



Source: CBA

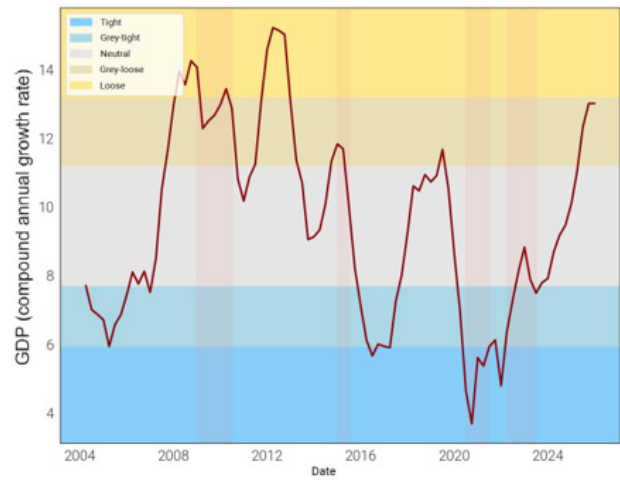
The time series of the distance-to-tail indicator can be interpreted as a measure of the macroprudential policy stance. An excessively high level may signal that macroprudential policy stringency is not commensurate with the risk environment, while an

36 Yeghiazaryan V., Grigoryan A., & Sargsyan A. (2025). *Measuring Systemic Risk and the Impact of Macroprudential Policy in the Armenian Financial System: A Growth-at-Risk Approach*. Central Bank of Armenia. https://www.cba.am/file_manager/WP-2025-01.pdf

excessively low level indicates the opposite. During 2025, the distance-to-tail indicator of the GDP distribution rose continuously and shifted from the 'neutral' range into the 'grey loose' range (See Chart 5.14). Although the current level of this indicator does not in itself directly signal policy tightening, a CBA response through the application of appropriate macroprudential policy instruments remains possible should the observed trends persist.

Chart 5.14.

Distance-to-tail indicator of GDP growth conditional distribution



Source: CBA

BOX 1

Financial System Sustainability³⁷

The Central Bank of Armenia, in cooperation with the European Bank for Reconstruction and Development (EBRD), developed and sent a sustainability reporting template to the commercial banks via supervisory note in 2025. The reporting template encompasses the completion and submission of information on the incorporation of climate risk into the bank's strategy, governance and risk management, indication of the volume of green and social loans and bonds or targets set for them, social indicators and targets, as well as data on the physical and transitional climate risks assessed by banks. The first phase of reporting completion and submission to the CBA was carried out by banks in September 2025. In October 2025, a workshop on sustainability reporting approaches and challenges was organised at the CBA's Dilijan Research and Training Centre with the representatives of the Bundesbank.

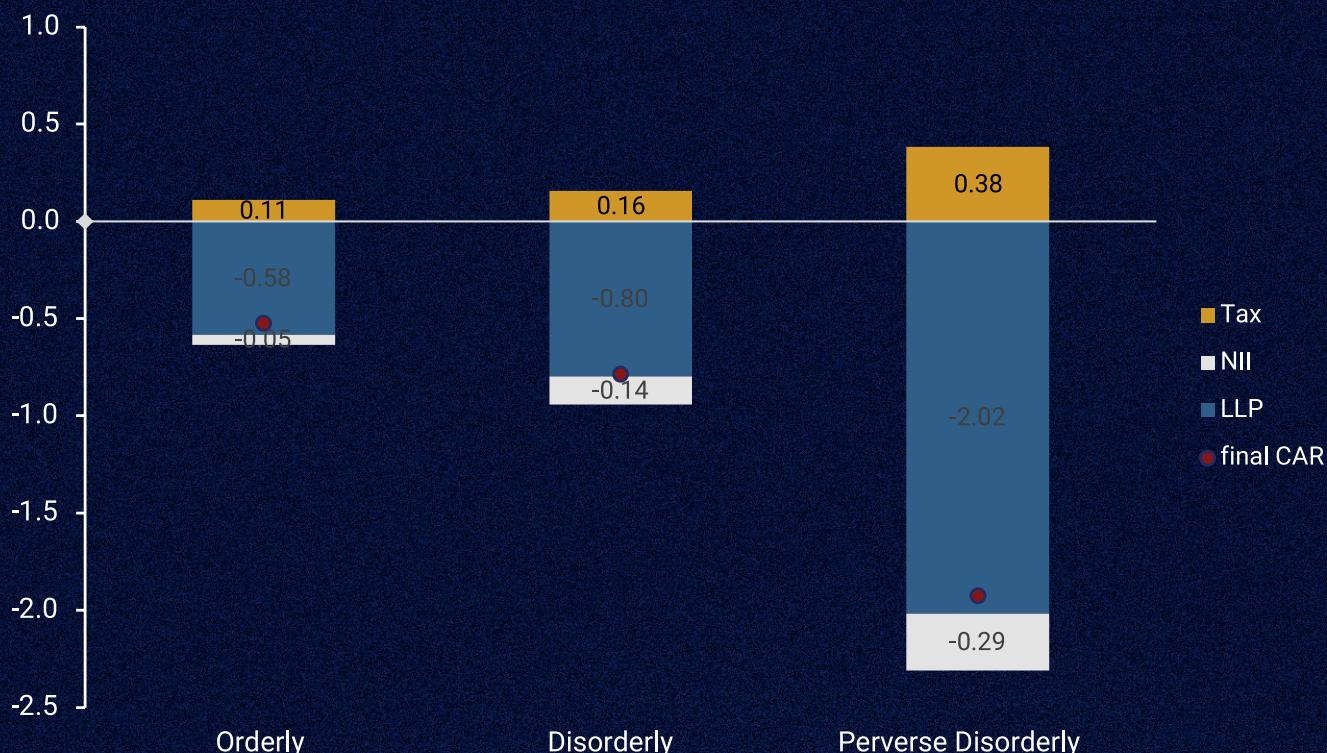
One of the key initiatives of 2025 was the summarisation of preliminary results of transition climate risk stress testing in cooperation with the

World Bank. The solvency-oriented climate transition risk stress testing of Armenia's banking system examines the impact of the introduction of a carbon tax on the probability of default of the system's loan portfolio at sub-portfolio level under three NGFS-aligned transition scenarios. The results indicate that expected cumulative losses will increase by 1.2, 1.3 and 1.7 times respectively under the 'orderly', 'disorderly' and 'perverse disorderly' scenarios relative to the baseline, leading to a decline in the banking system's CAR of 0.5, 0.8 and 1.9 percentage points respectively at the end of the projected fifth year, which is manageable by the banking system. The obtained results must be interpreted considering the existing limitations, in particular data scarcity and modelling assumptions, as well as the static balance sheet assumption. A recalculation for a dynamic balance sheet, for example, yields smaller CAR declines, implying that the impact of transition risk is proportionally smaller against the backdrop of faster-growing risk-weighted assets in the baseline scenario.

37 More detailed information on recent developments and initiatives related to financial system sustainability in Armenia is available on the CBA website: https://www.cba.am/file_manager/Financial%20stability/Sustainability_report/en/Sustainability_report_2025_en.pdf

Figure 1.

Impact of projected transition climate risks on capital adequacy (CAR), by financial indicator



Source: CBA

The next key initiative was the development of a sustainable bond framework guideline in cooperation with the European Investment Bank (EIB). It clarifies the use of proceeds from green and social bonds, specifically how funds from such bonds will be used to finance environmental and sustainable projects. The document is currently being finalised in cooperation with the EIB and the Armenia Stock Exchange. The guideline will be published by the end of the year. The sustainable bond market readiness assessment report, which forms the basis of the guideline, was developed jointly with the EIB and was published in November 2025³⁸. The report includes an assessment of readiness and demand through local market interviews, comparative analysis of international best practice, stakeholder engagement, assessment of barriers and market potential, as well as provision

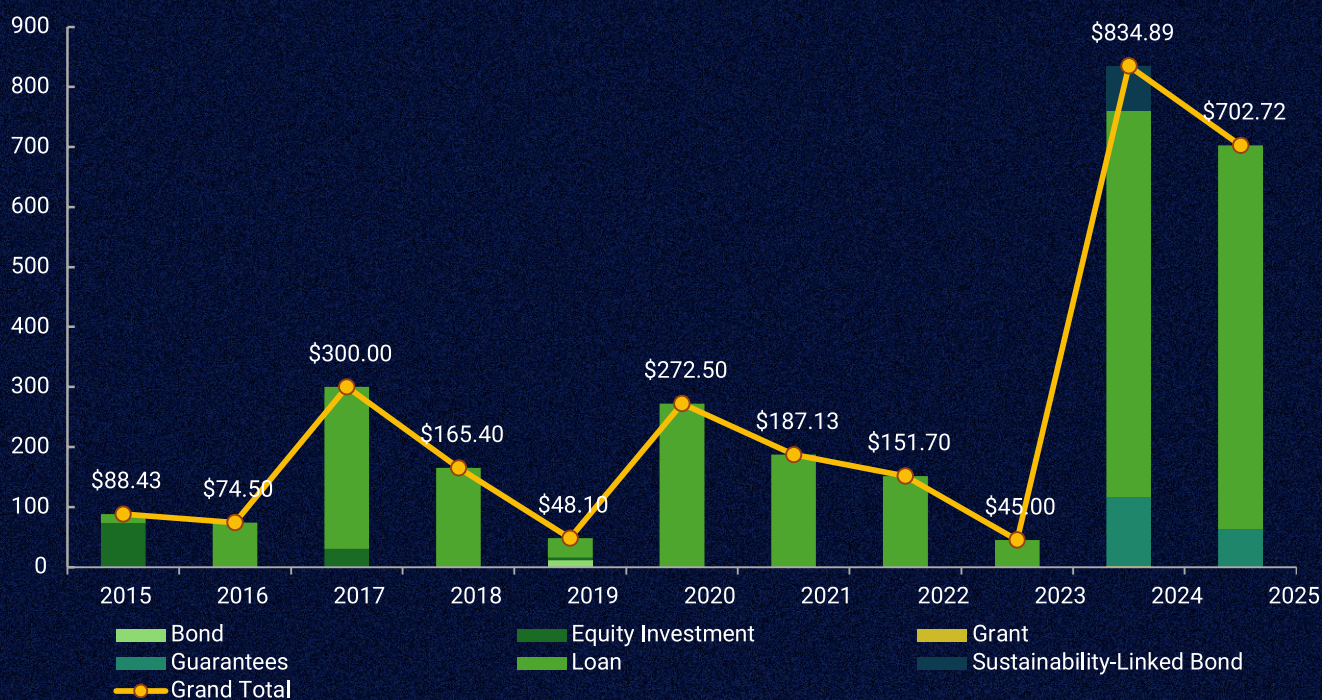
of recommendations aimed at developing the sustainable bond market.

In the final quarter of 2025, the Central Bank, within the framework of a joint programme with Columbia University master's students, conducted an analysis of Armenia's sustainable market, summarising financing provided by international institutions, including ADB, EBRD, EIB and the World Bank group to Armenian financial institutions over the past ten years. During 2015–2025, the aggregate amount stood at USD 2.87 billion, with the overwhelming majority received in 2024 and 2025 in the amounts of USD 0.8 billion and USD 0.7 billion respectively. Loans accounted for 87% of the total amount at USD 2.5 billion, with the remainder allocated to bonds, equity investments and investment guarantees. The largest financier is the EBRD. Financing was provided for green, SME and gender-related activities.

38 https://www.cba.am/file_manager/Analytical-materials/Sustainable_Bond_Market_Readiness_Assessment_Report.pdf

Figure 2.

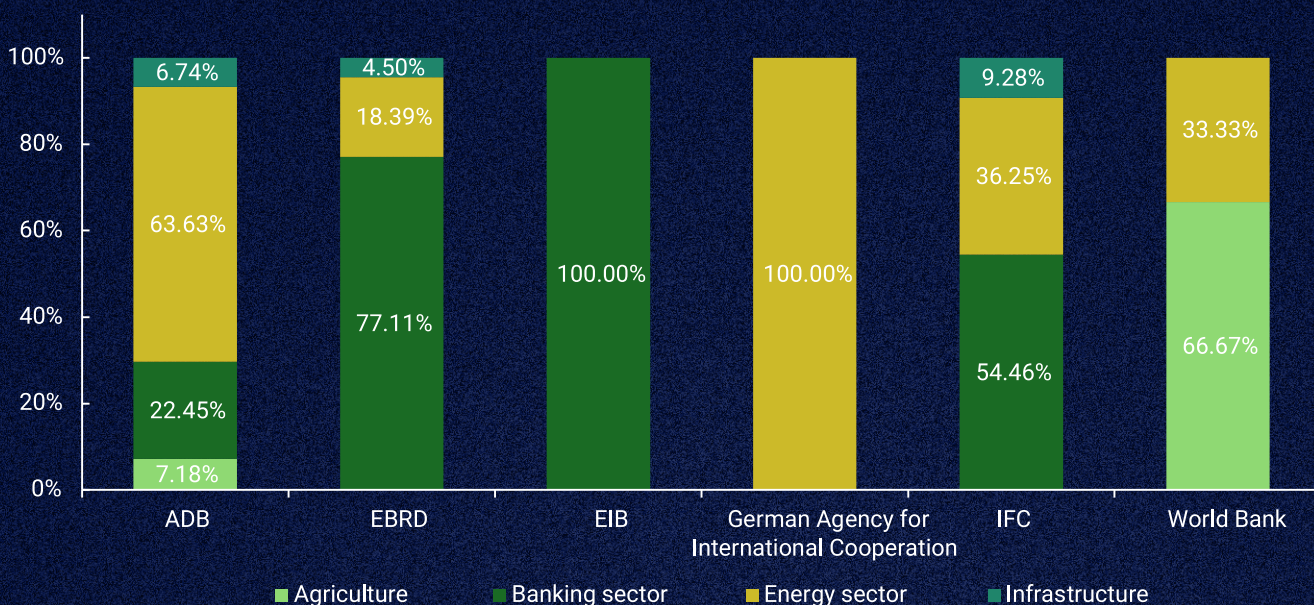
Non-sovereign financing by international financial institutions in Armenia (USD million, 2015–2025)



Source: CBA

Figure 3.

Distribution of financing by sector and institution (2015–2025)



Source: CBA

BOX 2

Introduction of Crypto-Asset Market Regulation in the Republic of Armenia

Regulations have been introduced into the legal framework of Armenia, creating an opportunity for persons engaged in the crypto-asset sector to operate in a predictable and transparent environment.

On 4 July 2025, the Law of the Republic of Armenia 'On Crypto-Assets' entered into force, establishing general rules for the offering, purchase and sale of crypto-assets, the provision of services and market supervision. The Law provides for regulatory mechanisms that permit access to the market only for credible and transparent companies. The latter is considered as a necessary precondition for protecting the rights of crypto-asset acquirers and building public confidence in this market. Furthermore, the regulation is based on the principle of 'same activity, same risk, same regulation'. According to this principle, if the conduct of activity with crypto-

assets is in essence similar to any traditional financial activity and gives rise to similar risks, it should be regulated with a commensurate approach.

From 31 January 2026, the key regulatory and legislative acts governing the registration and licensing of persons providing crypto-asset services and regulating the offering of crypto-assets entered into force. According to these acts, crypto-asset services on the territory of Armenia may only be provided upon registration and licensing by the CBA. Persons already providing services in this sector on the territory of Armenia as of the entry into force of the Law 'On Crypto-Assets' are required to register and be licensed by the CBA within one year (from the entry into force of the subordinate legislation regulating the licensing of crypto-asset service providers (by 31 January 2027).



FINANCIAL INFRASTRUCTURE STABILITY

- 6.1. Interbank payments via the CBA Electronic Payment System
- 6.2. Securities settlement systems



06

Recognising the significance and impact of financial infrastructure on the financial stability of the country, the CBA continues to pay particular attention to the key financial infrastructures operating in Armenia.

6.1. Interbank Payments via the CBA Electronic Payment System

During the reporting period, 9.8 million payments (payment messages) amounting to AMD 36.15 trillion³⁹ were processed through the CBA's Electronic Payment System (EPS). Growth was recorded in both interbank and budget payment values compared with the same period of the previous year; by 10.1% and 10.0% respectively. Total EPS payment values increased by 21.7%, and numbers by 19.6%.

Credit Risk

The credit risk of the settlement bank (the CBA) in the system is absent, as the CBA extends intraday loans to system participants via an intraday repo instrument secured by highly liquid assets, and the amount of funds attracted is calculated at the market value of the bond less an initial margin haircut. Likewise, the credit risk to the receiving bank (beneficiary) is also absent, as the latter is notified of a payment addressed to it only after the related final settlement has been processed in the CBA, and therefore cannot make a payment to the beneficiary before the funds are available to it.

Liquidity Risk

The average daily rate of own liquidity indicator⁴⁰ used to assess liquidity risk stood at 1.9 for the reporting period (2023 and 2024: 2.3), with a maximum of 2.7 (in March) and a minimum of 0.8 (in December).

From Q4 2025, the decline in daily opening balance was attributable to the change in the methodology for calculating the mandatory reserve requirement, which also led to a sharp decline in the average daily rate of own liquidity indicator. This was also influenced by the significant increase in average daily payments during 2025, which saw a sharp increase particularly in Q4.

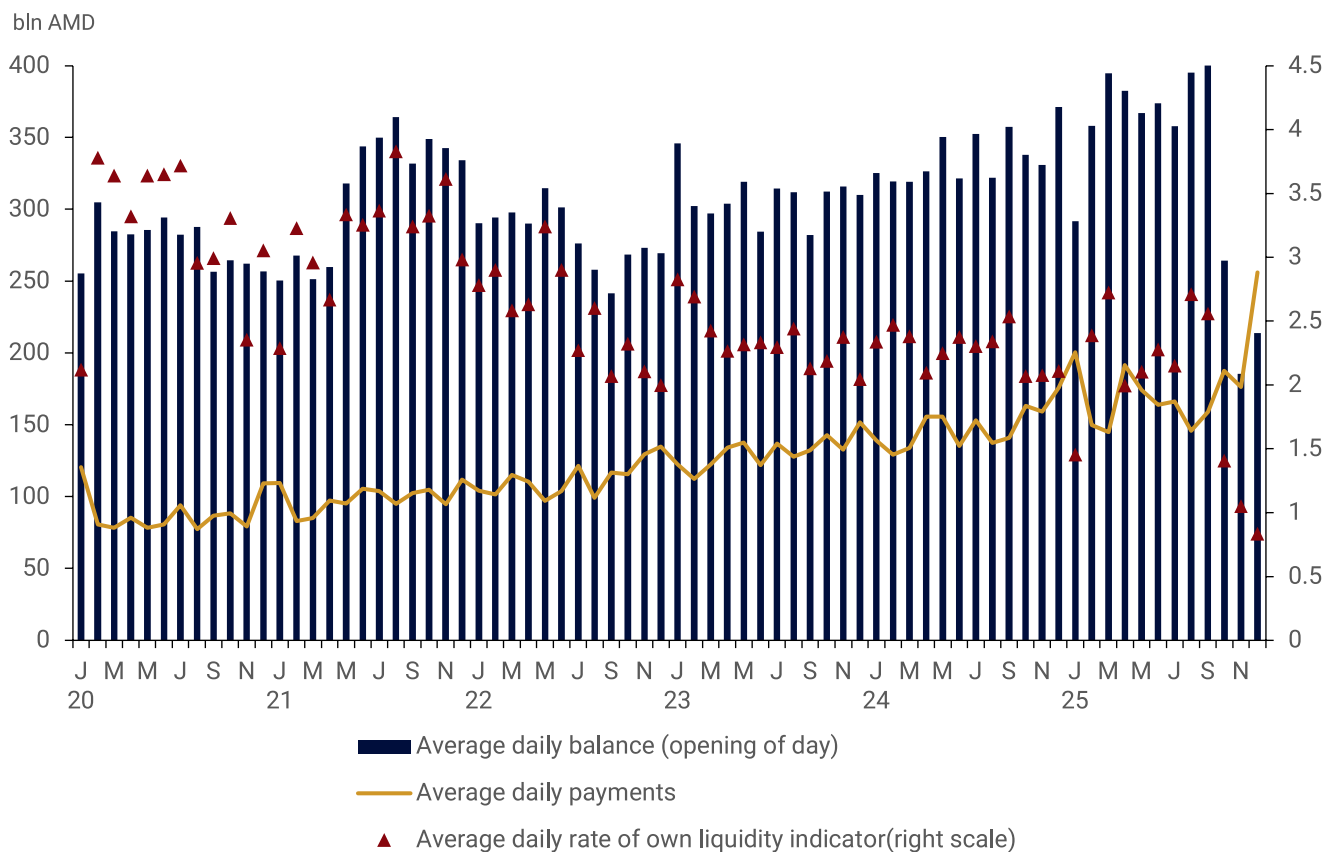
Notwithstanding the significant decline in monthly values of the indicator compared with recent years, average beginning-of-day liquidity exceeds average daily payments by approximately 2 times. This is a high indicator, given that the calculation does not include banks' incoming payments (credits to account) and/or funds directed to liquidity replenishment from other sources. The latter moderate the emergence of liquidity risk. In addition, the share of rejections due to insufficient liquidity in total EPS payments is also negligible: 0.007% by number and 0.1% by value.

³⁹ Excludes the settlements of ancillary systems (including the cash settlements of the Central Depository's Securities Settlement System (SSS), including exchange-related payments, as well as the settlements of ArCaCard, ArCaPay and other ancillary systems).

⁴⁰ The average daily rate of own liquidity indicator is calculated as the ratio of the liquidity available in banks' AMD correspondent accounts at the beginning of the day to the debit transactions (payments) executed through those accounts. The indicator excludes incoming funds received by banks and is intended for stress-testing purposes, assessing the likelihood of payment rejections in the absence of additional intraday liquidity. In other words, it measures the extent to which banks can meet their payment obligations solely from the liquidity available at the beginning of the day. Cash deposits made by banks into their accounts are excluded from the calculation. The indicator is calculated at the system level (aggregate across all banks).

Chart 6.1.

Comparative analysis of average daily payments, average daily opening balance, and the average daily rate of the own liquidity indicator (system-wide)



Source: CBA

Intraday Distribution of Payments

During the reporting period, the distribution of the number of payments throughout the day was uneven. The 10:00–13:00 time slot stands out as the peak period, during which an average of 68.4% of total payment transactions are processed. Congestion does not occur in the final hour of the day; 87.7% of payment flow by number (0.4 percentage points more than 2024) is processed before 15:00.

Two value peaks can be distinguished: 20.6% in the 10:00–11:00 slot (0.2 percentage points more than in the same slot in 2024), and 13.9% at the day's closing hour, 15:00–16:00 (the share declined by 1.5 percentage points compared with the same slot in 2024).

Although the shares of both the value and number of payments are not large at end of day, concentration of payments near the closing time of the operational day could theoretically create certain risks associated with liquidity replenishment or processing payments on the same day in the event of liquidity or operational issues.

Nevertheless, given the sufficient capacity of the system, the positive results of liquidity and availability indicators, and the negligible share of rejections in total payments, congestion at certain hours of the day has not created problems, and the probability of risk materialisation is overall assessed as low.

Chart 6.2.

Intraday distribution of the value of payments per hour on an average semi-annual basis

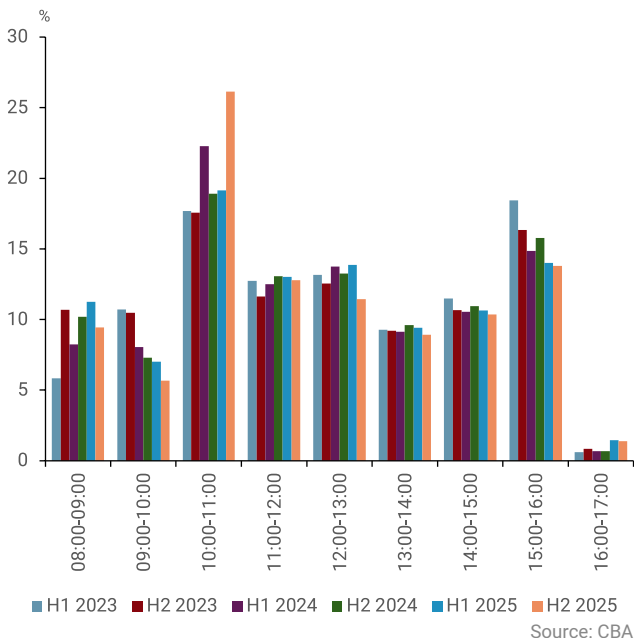
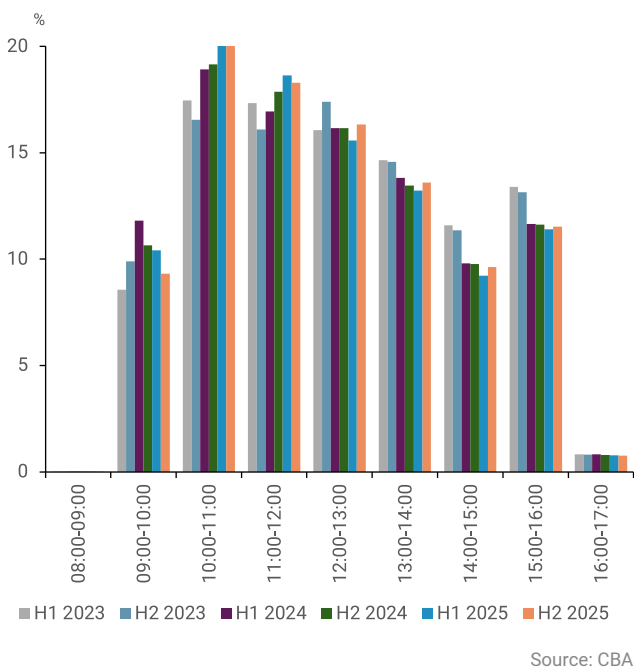


Chart 6.3.

Intraday distribution of the number of payments per hour on an average semi-annual basis

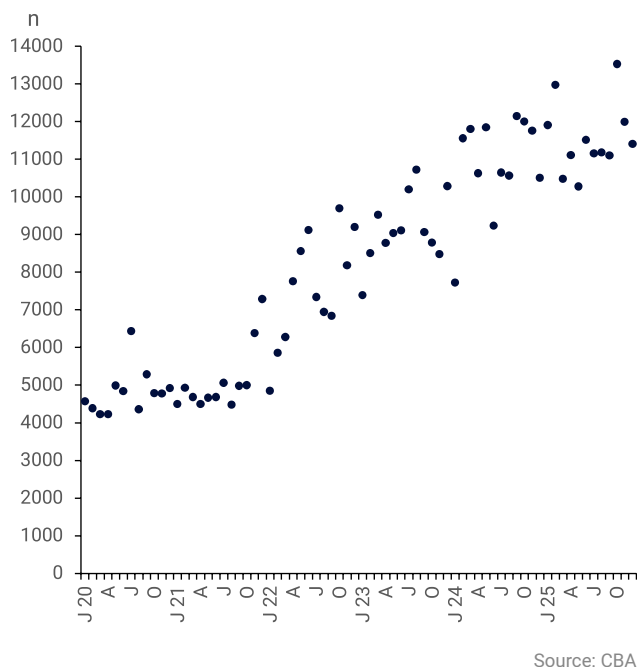


System Capacity

The maximum hourly number of payments processed in the system (per hour for each month) increased in 2025 compared with 2024. The maximum hourly indicator in 2025 increased by approximately 11.4% compared with 2024, reaching 13,524 payments/hour, accounting for 29.5% of daily number of payments. Monthly maximum hourly payments by number always exceeded 10,000 payments/hour.

Chart 6.4.

Maximum number of payments per hour by months



Thanks to enhancements made in the relevant software module of the system at the end of 2023, payments are absorbed very quickly by the system, not leading to a late closure of the operational day or creating problems for participants. The changes and overall growth in the number of payments have led to a significant increase in marginal hourly payment indicators: in 2025, the share of payments exceeding 4,300 per hour was 46.6% (2024: 36.6%). Among these, the share of payments exceeding 5,400 per hour was 29.5% (2024: 19.4%) during total

operational hours. The share of payments exceeding 9,000 per hour also increased noticeably to 8.5% (2024: 2.6%).

The maximum daily indicator (the number of payments per day) increased by 23.0% compared with 2024, reaching 74,144 payments in a day.

Thus, the number of overloaded hours and days, as well as the share of marginal indicators remain sufficient enough to avoid capacity-related issues. However, the active increase in payment flow necessitates more systematic monitoring

and increasing the capacity level to prevent corresponding issues for participants.

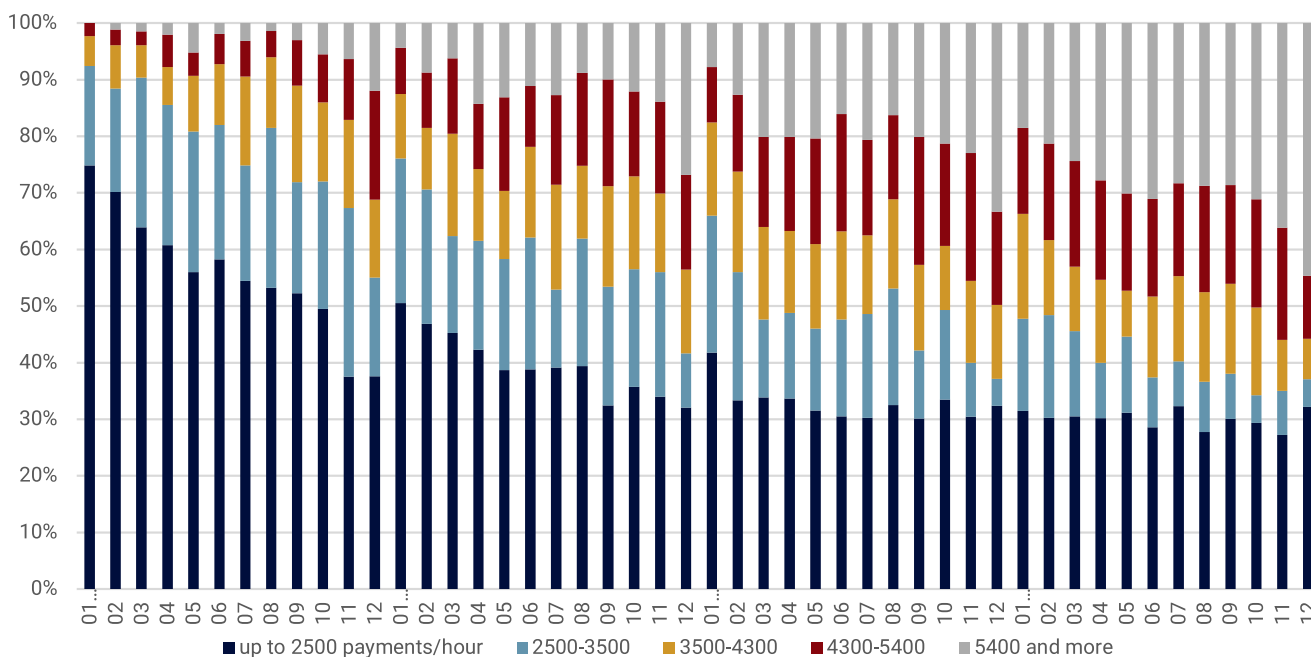
System Operational Availability

During the reporting period, no material incident (with duration of 1 hour or more) affecting the availability of the Electronic Payment System was recorded (only one unavailability of 19 minutes duration during the entire year).

As a result, EPS operational availability during the year stood at 99.98%.⁴¹

Chart 6.5.

Share of marginal indicators in total operating hours



Source: CBA

41 Under the RTGS participation agreement, the system's operational availability level is set at a minimum of 98.0% per year.

6.2. Securities Settlement Systems

In Armenia, the settlement of securities is carried out through two systems: the Unified System of Securities Accounting and Settlement of the Central Depository of Armenia (hereinafter, CDA SSS) and the Government Securities Accounting and Settlement System of the Central Bank of Armenia (hereinafter, GSASS).

In 2025, the GSASS processed secondary market transactions with a nominal value of approximately AMD 17,064.1 billion (2024: AMD 17,257.9 billion). Although OTC 'delivery versus payment' (DVP) securities transfers and transfers related to repo transactions with the Central Bank via the GSASS grew by 66.4% and 49.0% respectively in 2025, total transaction volumes via the GSASS declined by 1.2% compared with the previous year, attributable to an 84% decline in OTC 'free delivery' transactions.

The CDA SSS processed secondary market transactions with a nominal value of approximately AMD 5,491.8 billion in 2025 (2024: AMD 7,096.5 billion),

a decline of 22.6% compared with the previous year. Notwithstanding 214.5% growth in exchange-traded transactions⁴², the overall decline is attributable to a 25.8% decline in all types of OTC transactions via the CDA SSS (primarily driven by a 15.1% decline in OTC transfers of foreign bonds, which account for 51.9% of the total).

In 2025, transactions via the GSASS accounted for 75.7% of secondary market transactions via Armenia's securities settlement systems (compared with 70.9% in the previous year). The migration of exchange-traded government bond settlement from the GSASS to the CDA SSS in 2024 did not, however, have a material impact on total transactions via either the GSASS or the CDA SSS, given the small share of the latter in total transactions in each system.

From a financial stability perspective, both systems are of key importance and are classified as systemically important systems.

Table 6.2.1

Transfer of Securities through the Government Securities Accounting and Settlement System of the Central Bank of Armenia pertaining to transactions with securities in the secondary market⁴³

Transfers	2023	2024	2025
Value of OTC transactions (trades, repo, reverse repo) (AMD bln nominal value)	21,757.4	17,119.9	17,064.1
Number of OTC transactions (trades, repo, reverse repo)	25,382	13,803	6,638
Value of stock exchange transactions (trades) (AMD bln nominal value)	94.4 ⁴⁴	156.1 ⁴⁵	0

42 Includes over-the-counter (OTC) transfers of corporate equities, corporate bonds, government bonds, and Eurobonds issued on behalf of the Republic of Armenia.

43 The statistical information provided includes the settlements executed by GSASS and excludes transfers via CDA nominee account and internal transfers made by subcustodians for their clients.

44 The data on the nominal value and number of transactions related to exchange-traded operations for 2023 have been revised by the Armenia Securities Exchange.

45 Starting from 2024, the settlement of exchange-traded secondary market government bond transactions has been carried out by the Central Depository of Armenia. However, these transactions have been presented in full under the GSASS data due to the lack of disaggregated information, which has not had any significant impact on the calculation of the two systems' respective shares in the Armenian market.

Փոխանցումներ	2023	2024	2025
Number of stock exchange transactions (trades)	554	738	0
Total value of transfers of securities (AMD bln nominal value)	21,851.8	17,275.9	17,064.1
Total number of transfers of securities	25,936	14,541	6,638

Source: CBA

In both the GSASS and the CDA SSS, the DVP principle is applied in OTC settlement, while exchange transactions are carried out with pre-depositing of securities and funds, enabling counterparty risk to be eliminated. The gross settlement and irrevocability principles applied in

OTC transactions in both systems virtually eliminate credit risk materialisation.

In 2025, no material incident (with duration of 1 hour or more) was recorded in either the GSASS or CDA SSS systems.

Table 6.2.2

Transfer of Securities through the Unified System of Securities Accounting and Settlement of the Central Depository of Armenia pertaining to operations with securities in the secondary market⁴⁶

Transfers	2023	2024	2025
Value of OTC transactions (trades and repo) (AMD bln nominal value)	8,050.1	7,002.2	5,195.39
Number of OTC transactions (trades and repo)	18,676	12,980	9,734
Value of stock exchange transactions (trades and repo) (AMD bln nominal value)	79.3	94.3	296.4
Number of stock exchange transactions (trades and repo)	5,779	7,673	13,344
Total transfers of securities (AMD bln nominal value)	8,129.4	7,096.5	5,491.8
Total number of transfers of securities	24,455	20,653	23,078

Source: CBA

⁴⁶ The statistical information provided includes the settlements executed by CDA SSS, both with corporate securities (including foreign securities) and Eurobonds issued by the RA and government bonds held as sub-custodian.

BOX 3

Characteristics of Payment Card Transactions

Payment cards are the most widely used payment instrument in Armenia's retail sector. Accordingly, indicators on transactions carried out using payment cards can provide a clear reflection of changes in the value and number of non-cash transactions. Since 2020, the number of contactless payment cards in Armenia has been growing rapidly, and by the end of 2025, their number reached approximately 4.3 million (84.9% of payment cards issued by Armenian banks). Overall, the number of payment cards issued by Armenian banks grew by 15.8% to more than 5.0 million.

Driven by demand for cashless transactions, the number of physical POS terminals, which

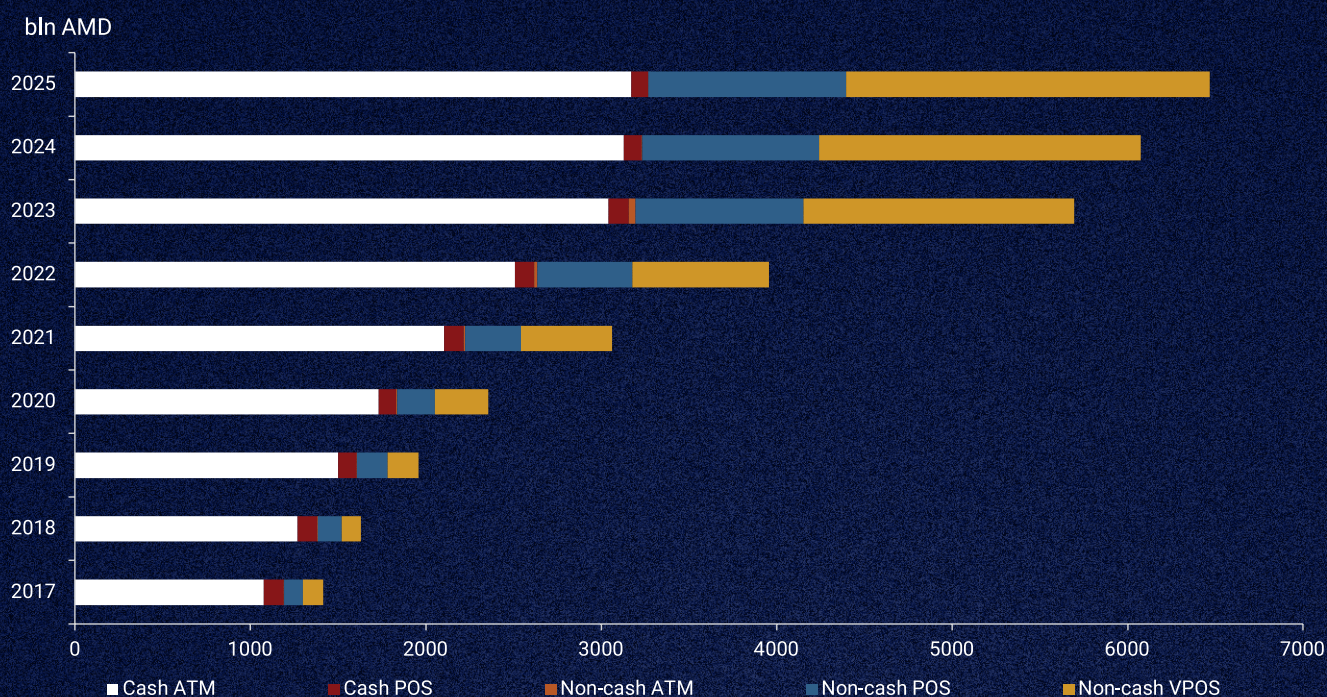
is the primary infrastructure for servicing such transactions, also grew by 14.5%.

Transactions in Armenia with domestic cards

The value indicator of transactions carried out with locally issued cards in Armenia grew by 6.5% in 2025 compared with the previous year, reaching AMD 6,477.2 billion. The value growth of cashless payments (12.5% compared with 2024) significantly exceeds the growth of cash transactions (1.2% compared with 2024), as a result of which the value share of cashless transactions grew by 2.6 percentage points to 49.5% compared with the previous year (See Figure 4).

Figure 4.

Value of transactions with domestic cards issued in Armenia



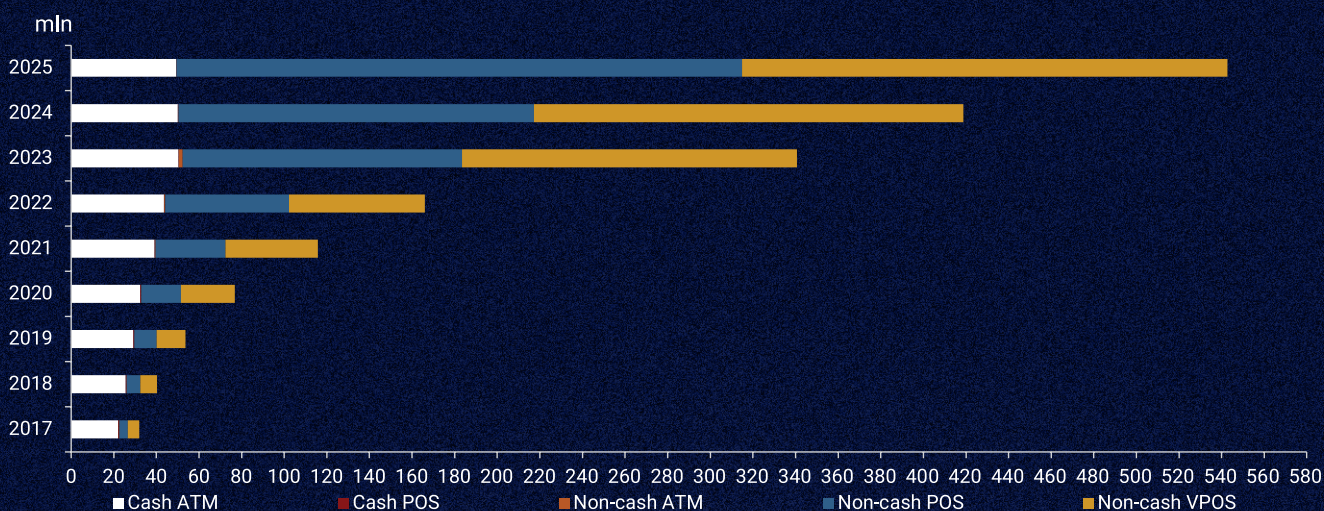
Source: CBA

The number of transactions conducted in Armenia using locally issued cards is 542.8 million, with 29.4% growth recorded compared with the previous year. This was due to 33.9% growth in cashless transactions. Since 2020, the number of cashless

transactions has exceeded that of cash transactions. In 2025, cashless transactions accounted for 90.9% (2.9 percentage points more than 2024) of the total number of card payments, totalling 493.3 million transactions (See Figure 5).

Figure 5.

Number of transactions with domestic cards issued in Armenia



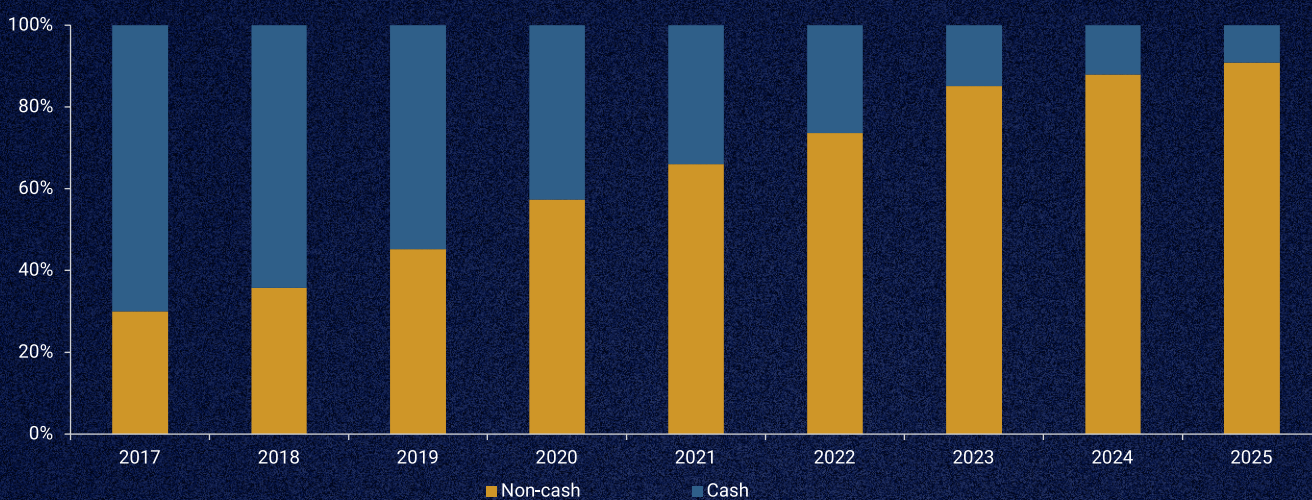
Source: CBA

Taking this alongside the value growth rate of cashless payments, the strengthening culture of

cashless transactions may be confirmed (See Figure 6).

Figure 6.

The share of cash and non-cash transactions with domestic cards in Armenia, by number



Source: CBA

Year-on-year growth is also observed in the value and number of transactions conducted in the online environment.

International Transactions

Compared with the previous year, both the value (by 30.3%) and number (by 53.0%) indicators of

transactions conducted abroad using Armenian cards (including in the online environment) grew, totalling to AMD 1,044.6 billion (48.6 million transactions).

A decline was recorded in foreign card transactions in Armenia (value declined by 2.6%, number by 14.7%, totalling to AMD 309.3 billion, (19.0 million transactions)).



GLOSSARY OF TERMS

ABBREVIATIONS

Glossary of Terms

Balance of payments	A system of recording of all economic transactions of residents and nonresidents over a reporting period (a quarter, a year).
Credit risk	Credit risk refers to the risk that the bank's borrower will violate the terms of the contract signed with the bank, which will negatively affect the bank's profit and (or) capital.
Consumer Price Index (CPI)	The Consumer Price Index is a measure of the change over time in the prices of a market basket of consumer goods and services.
Doubtful asset	Doubtful assets have all the characteristics of "substandard" assets, but are more problematic, making their collection extremely difficult or impossible at the given time. In the case of doubtful assets, the possibility of significant losses is high, but the extent of losses is not clear, which is mainly due to a number of key and specific factors that can improve the condition of this asset. Therefore, the classification of this asset as "bad" is deferred until the circumstances surrounding it are clarified.
Debt service to income (DSTI)	The amount of debt service payments relative to total disposable income of the borrower.
Economic growth	The growth of the volume of goods and services produced in the economy during a certain period.
Economic cost of capital	The difference between the present value of total assets and the present value of total liabilities.
Foreign exchange risk	Foreign exchange risk is the risk that a change in the exchange rate in the market will adversely affect profits and/or capital of the financial institution.
Foreign trade	Export: Export of goods from the economic territory of Armenia to other countries for free circulation; Import: import of goods from other countries into the economic territory of Armenia for free circulation.
Gross foreign currency position	This position measures the sum of absolute values of positions of various currencies.
Gross external debt	Obligations of residents to non-resident creditors.
Herfindahl-Hirschman index	This index characterizes the level of concentration and varies between 0 and 1. Values near to 0 denote lower concentration.
Inflation	A general rate of increase of prices of goods and services.

Interest rate risk	Interest rate risk is the risk that interest rate volatilities in the market will adversely affect profits and/or capital of the financial institution.
Large borrower	A borrower for which the bank's risk exceeds 5 percent of the total capital.
Leverage	A ratio of Tier 1 capital to total assets.
Liquidity coverage ratio (LCR)	The ratio of a bank's high quality liquid assets to total net liquidity outflows over the next 30-day stress period.
Liquidity risk	Liquidity risk is the risk that the bank will not have sufficient liquid assets to fulfill its obligations within the period specified by the contract.
Loan to Value (LTV)	A ratio of a loan to the value of an asset purchased.
Loss asset	An asset non-collectible and fully impaired uncollectible, so that its recording on the balance sheet is no longer reasonable.
Loss given default (LGD)	Loss given default is the estimated amount of money a bank or other financial institution loses when a borrower defaults on a loan.
Major borrower	An entity on which the risk exceeds 5% of the total capital of the bank.
Net foreign currency position	The difference between assets and liabilities in FX assets and local currency assets containing FX risk.
Net provision	The difference between provisions to loss reserve fund and recoveries from assets.
Net stable financial ratio (NSFR)	The marginal ratio of the bank's available stable funding to its required stable funding within 1 year.
Non-performing asset	An asset which has been classified by the bank as "substandard" or "doubtful" or "bad".
Off-balance sheet contingent liabilities	Off-balance sheet contingent liabilities include outstanding credit lines, credit cards, and overdrafts, as well as letters of credit, guarantees, and warranties provided.
Price risk	Price risk is the risk that a change in the price of securities in the market or price of similar financial instruments on balance sheets will adversely affect profits and/or capital of the financial institution.
Probability of default (PD)	Probability of loans to be classified as 'substandard' during the year.

Regulatory total capital	The total capital of a bank is the sum of the items specified in Regulation 2 after making appropriate deductions.
Return on assets (RoA)	A ratio of net annual profit to average annual total assets.
Return on equity (RoE)	A ratio of net annual profit to average annual total capital.
Spread	The difference between loan and deposit interest rates.
Standard asset	1) The borrower's financial condition is stable, and 2) The borrower has sufficient capacity to repay (service) the debt, 3) the asset is sufficiently secured (with collateral, guarantee, financial flows, etc.) to settle the principal amount and interest debt specified in the contract.
Substandard asset	1) Settlement of the asset within the period specified by the contract is not possible due to the deteriorated financial condition of the borrower or his inability to repay the debt, 2) the primary sources of the asset settlement are insufficient, and the bank needs to apply to secondary repayment sources, such as sale of collateral or other 3) there are such risks that reduce the probability of complete settlement of the asset, 4) there is a greater than usual risk in terms of assets due to the lack of information on the borrower's current financial condition or the lack of relevant collateral documents, the presence of inadequate collateral, or the non-target use of the asset (or part of it).
Total capital adequacy	A ratio of total regulatory capital to risk weighted assets.
Total liquidity	A ratio of highly liquid assets to total assets.
Watch asset	An asset that is serviced under an original contract, yet certain circumstances have emerged that may jeopardize the borrower's ability to serve that asset.

Abbreviations

AI	Artificial Intelligence
AMD	Armenian Dram
CBA	Central Bank of the Republic of Armenia
CDA SSS	Securities Accounting and Settlement System of the Central Depository of Armenia
CCoB	Capital Conservation Buffer
CCyB	Countercyclical Capital Buffer
CCR	Counterparty Credit Risk
CET1	Common Equity Tier 1
CMTPL	Compulsory Motor Third Party Liability Insurance
EBRD	European Bank for Reconstruction and Development
ESG	Environmental, Social and Governance
DSTI	Debt Service to Income
DTI	Debt-to-Income
DVP	Delivery versus Payment
EPS	Electronic Payments System
GDP	Gross Domestic Product
GNDI	Gross national disposable income
GSASS	Government Securities Accounting and Settlement System
IMF	International Monetary Fund
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
NAV	Net Asset Value
NPL	Non-performing Loans
NSFR	Net Stable Funding Ratio
OTC	Over the counter
PD	Probability of Default
RA	Republic of Armenia
REER	Real Effective Exchange Rate
ROA	Return on assets
ROE	Return on equity
SIB	Systemically Important Banks
USA	United States of America
USD	United States Dollar
YOY	Year on Year

