

# “Impact of the Russian-Ukrainian armed conflict on the financial performance of Armenia’s banking sector”

Armen Hakobyan 



Zaven Margaryan 



## AUTHORS

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Armen Hakobyan, Doctor of  
Economics, Professor, Chair of  
Financial Accounting, Armenian State  
University of Economics, Armenia;  
Chief Accountant of OJSC "ACBA  
BANK", Armenia.

Zaven Margaryan, Ph.D. Student,  
Lecturer, Faculty of Applied  
Finance, Chair of Financial Markets  
and Institutions, Armenian State  
University of Economics, Armenia;  
Compliance Division, Senior Specialist,  
"INECOBANK" CJSC, Armenia.  
(Corresponding author)



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Armen Hakobyan (Armenia), Zaven Margaryan (Armenia)

# IMPACT OF THE RUSSIAN- UKRAINIAN ARMED CONFLICT ON THE FINANCIAL PERFORMANCE OF ARMENIA'S BANKING SECTOR

## Abstract

The importance of this study is underscored by the increasing significance of economic resilience in the face of global instability. The Russian-Ukrainian armed conflict, initiated by Russia in 2022, has caused profound shifts in the geopolitical and economic environment, affecting capital flows, foreign exchange transactions, and the credit and financial policies of countries in the region. For the Republic of Armenia, whose economy is closely tied to external markets, such events present both substantial challenges and opportunities for adaptation and transformation within the banking sector. The objective of this article is to analyze the dynamics of financial results of commercial banks in Armenia and assess the impact of the Russian-Ukrainian armed conflict on the functioning of the banking system. By analyzing financial data from five leading banks from 2020 to 2023, the study evaluates key indicators such as total assets, net profit, capital, and loan portfolios. The findings indicate significant growth in financial indicators, particularly in 2022 and 2023, driven by increased remittances, migration, and tourism flows from Russia and Ukraine. The results suggest that, despite the challenges posed by the conflict, the Armenian banking sector demonstrated resilience and capitalized on external economic shifts. This study concludes that geopolitical crises can create opportunities for the financial sector when managed effectively. Further research is needed to explore the long-term effects of the conflict on Armenia's broader economy and the adaptation of banking policies to future geopolitical challenges.

## Keywords

banks, Russian-Ukrainian armed conflict, migrants, pandemic, crisis, sanctions, financial results, dynamics, diversification, Armenia

## JEL Classification

E44, F52, G21, J61

## INTRODUCTION

The dynamics of financial results of commercial banks and the factors influencing them have attracted the attention of financial analysts from different countries of the world. In this regard, the experience of the banking system of the Republic of Armenia in recent years stands out. Currently, banks are among the economic entities of public importance, since the widest circles are interested in the stability of their activities: bank clients, partners in business and social programs, and the state.

Before the economic restrictions caused by the pandemic were imposed, the banking sector of Armenia, as in the banking systems of many countries around the world, recorded predominantly positive dynamics of financial flows.

In 2020–2021, the economic restrictions caused by the pandemic and the 44-day conflict in Nagorno-Karabakh in September–November 2020 destabilized the work of the economy and especially the banking

sector of the Republic of Armenia. The situation was substantially settled in late 2021 and early 2022, before the start of the Russian-Ukrainian armed conflict. Although at the beginning of the conflict, the USA, the EU, and their partner states applied and continue to apply a number of sanctions against Russia, which indirectly negatively affected the Armenian-Russian trade and economic relations and the state of the economy of the Republic of Armenia, but even in such a situation, commercial banks of the Republic of Armenia were able to take advantage of the difficult geopolitical situation and diversify the financial losses recorded during the previous two years.

## 1. LITERATURE REVIEW

This literature review examines contemporary research on the effects of geopolitical crises on banking systems, particularly in the context of military conflicts, systemic risks, and economic policy shifts. The external shock induced by the Russian-Ukrainian armed conflict has significantly influenced Armenian commercial banks, primarily affecting net profit dynamics. A clear understanding of financial results is essential before assessing geopolitical factors. The financial outcome of commercial banks represents the net balance of income and expenses within a given operational period, encompassing both interest and non-interest components (Margaryan, 2023). Interest income is derived from loans, advances, and investments, while non-interest income stems from fees and commissions on financial services. Lepetit et al. (2008) further emphasize the role of income structure in bank performance, arguing that a higher reliance on non-interest income sources can increase financial instability due to its volatility. Their findings highlight the importance of evaluating both revenue streams when assessing the impact of external shocks on banking systems.

Interest expenses arise from interest paid on customer current accounts, deposits drawn, debt securities issued, other borrowings and subordinated loans, bank deposits and balances, lease obligations, repurchase agreements, letters of credit, and guarantees provided. Non-interest expenses are incurred as a result of personnel, depreciation, and other administrative expenses (Menicucci & Paolucci, 2016). A number of authors divide the expenses of the banking sector into three main groups: operating expenses: interest expenses, expenses in the form of commissions and other fees, expenses related to transactions in financial markets and other operating expenses, expenses incurred to ensure the smooth operation of the bank, such as branches

and related buildings service costs, personnel administrative costs, advertising costs, transportation costs, other costs (Staikouras & Wood, 2004; Bolivar et al., 2024; Mohanram et al., 2018; Amene & Alemu, 2019; Lev & Thiagarajan, 1993).

The purpose of the analysis of financial results is to form a complete and objective understanding of the efficiency of the bank's financial and economic activity. The most important sub-goal is to assess whether the bank is effectively using its resources to achieve its financial goals and identify the factors affecting the year's profit (Moussu & Petit-Romec, 2013; Wahlen & Wieland, 2011).

The research of not only Armenian but also foreign economists was of decisive importance in a deeper study of the dynamics of financial results of commercial banks of the Republic of Armenia. The banking system of the People's Republic of China, carefully studied by Lv Qin, was selected for study. He studied the efficiency of commercial banks in China (Qin et al., 2020).

The article by Srinivasan and Britto (2017), in which they examined and analyzed the financial performance of individual commercial banks in India, proved to be valuable and indicative for the study. In the article, the authors examined and assessed the financial performance of 16 Indian commercial banks for the period 2012–2017, of which 11 were public sector and 5 were private. The authors of the paper analyzed the financial performance of Indian commercial banks using financial ratios. From the study, the authors found that the financial performance of 5 private-sector commercial banks in India is relatively higher and better than 11 public-sector commercial banks (Srinivasan & Britto, 2017; Pinto et al., 2017).

In their paper, Raci et al. (2021) measured the impact of capital adequacy (CAR), cost/income

ratio (CIR), and non-performing loans (NPL) on the financial performance of commercial banks in Kosovo, measured by the average return on equity (ROE). The authors of the paper examined the financial performance of commercial banks in Kosovo for the period 2011 to 2020, using secondary data from the annual reports of commercial banks in Kosovo and primary data from the Central Bank (Raci et al., 2021).

Noor and Al-Dulaimi (2022) in their article, using the CAMELS criterion, observed and evaluated the financial performance of commercial banks in Iraq during the pandemic. The authors state that due to the environment and especially the pandemic, as well as capital and liquidity requirements, commercial banks in Iraq showed quite poor financial performance. In their article, studying the financial performance of commercial banks in Iraq, the authors considered the impact of the CAMELS model, in particular, on such criteria as: capital adequacy, asset quality, income, and liquidity. The authors studied the financial performance of 20 commercial banks in Iraq from 2011 to 2020 (Noor & Al-Dulaimi, 2022).

In their paper, Chaoqun et al. (2024) carefully studied the evaluation of the financial performance of commercial banks in China, especially the impact of uncertainty and risk. The authors examined the business lending performance of 26 Chinese commercial banks from 2016 to 2022, analyzing them from both a dynamic and statistical perspective. As a result of their study, the authors concluded that Chinese commercial banks and other reputable financial institutions are quite well prepared to mitigate risks and uncertainty (Chaoqun et al., 2024).

Karim et al. (2023) studied the financial performance of 24 commercial banks in Bangladesh for the period 2010–2022 (Karim et al., 2023). Korzeb et al. (2022) examined the environmental impact of the operating activities of some commercial banks in Poland. The article aimed to study the environmental impact of a group of Polish commercial banks (Korzeb et al., 2022).

Deloitte Insights notes that positive dynamics are expected for the banking sector and the market in 2024. Accordingly, it is argued that the global

economic downturn in 2024 may bring new challenges to the banking sector, whose revenue generation and cost management will be tested again (Deloitte Insights, 2024).

In their article, Fares et al. (2022) examined the trends in the implementation of artificial intelligence in the banking system (Fares et al., 2022).

In the context of global digitalization, many advanced banks are embracing the digitalization of financial transactions and customer services. The rise of artificial intelligence has created new opportunities for added value (Hakobyan et al., 2023). The pandemic and related economic restrictions had a detrimental impact on banking systems worldwide, including Armenia. Several studies have addressed these effects, including Sang's analysis of Vietnam's banking system (Sang, 2022), Riani and Ikhwan's comparison of the banking systems of Indonesia and Malaysia during the pandemic (Riani & Ikhwan, 2022), and Brzoza-Brzezina et al.'s (2022) examination of Central Bank monetary policy to mitigate the economic crisis (Brzoza-Brzezina et al., 2022).

Al-Habashneh et al. (2023) examined the impact of the contagion on the financial performance of Jordanian commercial banks (Al-Habashneh et al., 2023). Adrian et al. (2023) addressed macro-financial stability in the context of the pandemic crisis and the measures implemented to mitigate the damage and negative consequences of the epidemic (Adrian et al., 2023). These and other authors observed the activities of the entire banking system and individual commercial banks in different countries during the pandemic and the negative consequences of the pandemic for it (Qin et al., 2020; Pinto et al., 2017, Chaoqun et al., 2024; Karim et al., 2023).

The literature review highlights the importance of studying the impact of external geopolitical conflicts on national financial systems, in particular on the Armenian banking system in the context of the Russian-Ukrainian armed conflict. The analysis of previous studies identifies key factors affecting financial performance, including geopolitical shocks, economic policy changes, and technological advances, and compares global and regional banking systems. This comprehensive re-

view not only provides a detailed understanding of the research landscape but also identifies gaps in knowledge, highlighting the need for further study of the dynamics of the relationship between external crises and the stability of the Armenian banking system. The purpose of this article is to study the dynamics of financial results of commercial banks in Armenia and analyze the impact of the Russian-Ukrainian armed conflict on the activity banking system. This study hypothesizes that financial inflows resulting from migrants and tourists as a result of the Russian-Ukrainian armed conflict have compelled Armenian commercial banks to rapidly adapt their services, implement innovative solutions, and introduce strategic adjustments. These changes are expected to have a sustained positive impact on the financial performance of Armenian banks, as reflected by the continuous growth in their financial indicators, despite the ongoing conflict.

The goal is to analyze the dynamics of the financial results of commercial banks in Armenia and assess the impact of the Russian-Ukrainian armed conflict on the functioning of the banking system.

## 2. METHODS

The impact of the Russian-Ukrainian armed conflict on the financial results of commercial banks in the Republic of Armenia was analyzed by examining the financial indicators of five leading banks: “Ardshinbank” CJSC, “Ameriabank” CJSC, “ACBA Bank” OJSC, “Inecobank” CJSC, and “ID Bank” CJSC. The primary data for this study were obtained from the publicly available annual financial reports of these banks, covering the period from 2020 to 2023. Key financial indicators, including total assets, net profit, capital, and the loan portfolio, were specifically targeted for analysis. Data collection was performed by gathering the financial reports of each bank, which included the relevant financial figures for total assets, net profit, capital, and loan portfolio. The period from 2020 to 2023 was selected to allow for a comparison of before and after the full-scale conflict.

The data were analyzed using a dynamic growth assessment approach. The year-on-year growth rates of total assets, net profit, capital, and loan

portfolios were calculated for each bank, which allowed for the evaluation of financial performance across the four-year period. The concentration of total assets within the banking sector was also examined to determine the market share of each bank in 2023. Furthermore, the net profit to equity ratio (ROAE) was calculated to assess the efficiency of capital usage and profitability over the study period. A comparative analysis was conducted between the financial performance of the banks and macroeconomic indicators for Armenia, particularly focusing on GDP growth, remittance flows, and the performance of the banking sector, especially post-2022.

## 3. RESULTS AND DISCUSSION

The impact of the Russian-Ukrainian armed conflict, which started at the end of February 2022, on the change in the dynamics of the financial results of the commercial banks of the Republic of Armenia was analyzed by considering and studying the financial indicators recorded by the 5 leading banks of the Republic of Armenia banking system (“Ardshinbank” CJSC, “Ameriabank” CJSC, “ACBA Bank” OJSC, “Inecobank” CJSC, and “ID Bank” CJSC) during the years 2020–2023. It should be noted that in 2023, the total assets of the Republic of Armenia banking system were increased by AMD 801 billion (or 9.5%). As of December 31, 2023, the total assets of commercial banks of the Republic of Armenia amounted to AMD 9.194 billion (Rumels, 2023). Individual indicators of the 5 leading commercial banks of the Republic of Armenia, recorded during 2020–2023, are presented below.

**Table 1.** Total assets of 5 leading commercial banks of the Republic of Armenia in 2020–2023 (AMD mln)

Bank	2020	2021	2022	2023
“Ardshinbank” CJSC	917,050	1,011,208	1,557,786	1,634,175
“Ameriabank” CJSC	1,090,763	1,096,721	1,251,830	1,409,581
“ACBA Bank” OJSC	495,632	548,178	664,939	783,504
“Inecobank” CJSC	387,775	426,504	532,991	591,448
“ID Bank” CJSC	176,931	198,016	309,006	369,310

As can be seen from Table 1, the dynamics of asset growth were maintained by all banks throughout all the years under study. In the economic con-

text, such dynamics reflect the development of the banking system, and the ability to attract resources and use them effectively. The growth of assets as an indicator of the growth of loan portfolios of the 5 leading banks under study indicates an increase in demand for loans, which means that the economy of the Republic of Armenia is continuously developing, and lending plays an important role in this. Loans are provided at the expense of deposits from individuals and legal entities, which also indicates an increase in public confidence in the banking system. These indicators reflect the stable interaction of the real and financial sectors of the Republic of Armenia both in terms of active and passive operations.

It is evident from the indicators in Table 1 that during the period under review, the total assets of the 5 commercial banks of the Republic of Armenia generally demonstrated dynamic growth.

As can be seen from Table 1, Ardshinbank CJSC and Ameriabank CJSC were clear leaders in terms of total assets among the studied commercial banks of the Republic of Armenia in the period 2020–2023. As of December 31, 2023, the concentration of total assets of the top 5 commercial banks of the Republic of Armenia is presented in Figure 1.

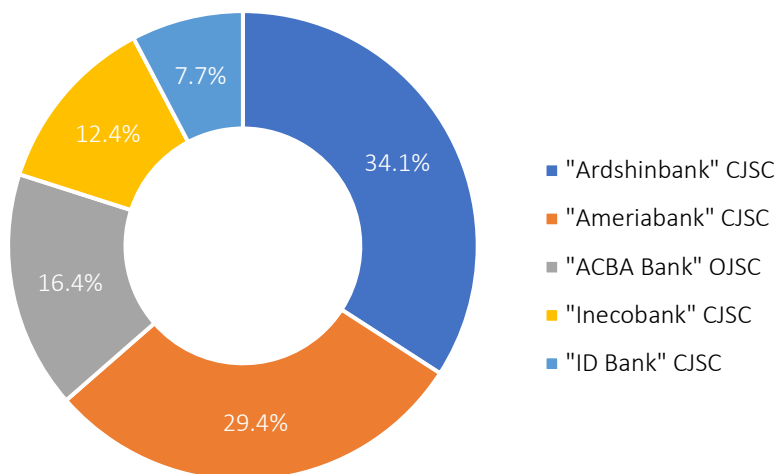
Figure 1 clearly shows that at the end of 2023, the 5 leading commercial banks of the Republic of Armenia had a fairly large share in total assets. The share of “Ardshinbank” CJSC in total assets

was 34.1%, and the share of “Ameriabank” CJSC was 29.4%. During the observed period, “ACBA Bank” OJSC managed about 16.4% of the total assets of 5 leading commercial banks of the Republic of Armenia, “Inecobank” CJSC – 12.4% and “ID Bank” CJSC – 7.7%. Among the indicators of commercial banks of the Republic of Armenia, the indicators of banks on net profit occupy a special place. In the period 2020–2023, the net profit indicators of the 5 leading commercial banks of the Republic of Armenia are presented in Table 2.

**Table 2.** Net profit of 5 leading commercial banks of the Republic of Armenia in 2020–2023 (AMD mln)

The bank	2020	2021	2022	2023
“Ardshinbank” CJSC	10,178	13,654	62,213	62,677
“Ameriabank” CJSC	9,000	19,416	44,269	46,052
“ACBA Bank” OJSC	2,725	10,162	22,570	28,579
“Inecobank” CJSC	5,074	9,007	23,646	26,454
“ID Bank” CJSC	1,171	2,248	13,516	15,638

Table 2 clearly shows that in 2020 and 2021, the net profit indicators of the 5 leading commercial banks of the Republic of Armenia were quite low compared to 2022–2023. This low level was caused, on the one hand, by pandemic economic restrictions, and on the other hand, by border tensions in Nagorno-Karabakh (2020) and the subsequent crisis, which negatively affected the banking sector, leading to a reduction in the number of financial transactions. As a result of studying the table, it can be stated that all 5 banks under study are financially stable, and this stability is maintained



**Figure 1.** Concentration of total assets of 5 leading commercial banks of the Republic of Armenia in 2023 (%)

in a dynamic sector. For all 5 banks, the constant growth of net profit indicates that the banks manage to effectively manage both assets and liabilities, as well as properly regulate operational activities. Growing profit refers to successful banking activities with low risk, which is the result of the strategies implemented in the banks under study. In the context of the level of the economy as a whole, this growth indicates the dynamics of economic development, since credit activity, investments carried out through it, and the growth of household income stimulate the growth of bank profits. Analyzing the net profit indicators recorded by the top 5 banks during 2020–2023, it can be noted that in the period under review, only in 2021, “Ameriabank” CJSC (19.4 billion drams) managed to surpass the leading “Ardshinbank” CJSC (13.6 billion drams) in terms of net profit. The dynamics of net profit of the top 5 commercial banks of the Republic of Armenia for the period 2020–2023 is presented in Figure 2.

Figure 2 confirms the data of the indicators presented in Table 2, according to which “Ameriabank” CJSC with the net profit recorded in 2021 (19.4 billion drams) manages to overtake the leader “Ardshinbank” CJSC (13.6 billion drams), but the picture will change dramatically in 2022, when the net profit of “Ardshinbank” CJSC will record a sharp increase, increasing by 48.6 billion drams or 21.8% compared to the previous year. According to this indicator, the net profit of “Ardshinbank” CJSC in 2022 will exceed the profit of “Ameriabank” CJSC by approximately 18 billion drams. During the period under review, commercial banks of the Republic of Armenia have

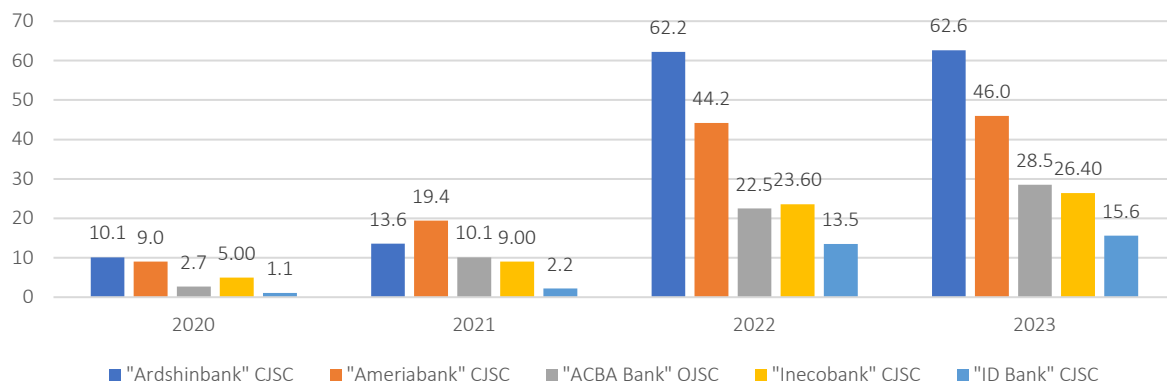
undergone very significant changes, especially in terms of capital. The aggregate capital indicators of the 5 leading commercial banks of the Republic of Armenia are presented in Table 3.

**Table 3.** Total capital of 5 leading commercial banks of the Republic of Armenia in 2020–2023 (AMD mln)

Bank	2020	2021	2022	2023
“Ardshinbank” CJSC	86,890	100,069	145,563	191,353
“Ameriabank” CJSC	109,706	128,931	172,052	195,787
“ACBA Bank” OJSC	70,509	89,040	109,402	133,296
“Inecobank” CJSC	57,986	59,126	76,393	92,691
“ID Bank” CJSC	44,269	46,387	58,672	66,862

Table 3 shows that the total capital of 5 commercial banks of the Republic of Armenia has grown dynamically in 2020–2023. The leading position here was taken by “Ameriabank” CJSC, which managed to overtake “Ardshinbank” CJSC in this indicator and maintain its leading position for four years. In 2023, the total capital of “Ameriabank” CJSC amounted to 195.7 billion drams, which exceeded the previous year’s figure of 23.7 billion drams. In second place is “Ardshinbank” CJSC, whose total capital in 2023 amounted to 191.3 billion drams, which exceeded the previous year’s figure by 45.7 billion drams. Moreover, in terms of total capital in 2023, “Ardshinbank” CJSC’s indicators approached those of “Ameriabank” CJSC.

As a result of studying Table 3, it becomes clear that the volume of capital in all 5 banks studied has been dynamically increasing, which indicates the stability, solvency, and ability of the banking system to overcome risks. The banks studied can



**Figure 2.** Dynamics of net profit of 5 leading commercial banks of the Republic of Armenia in 2020–2023 (AMD bln)

cover deposit obligations without problems. This is very important, since, as practice has shown in recent years, crises can have a direct impact on the confidence of the residents of the Republic of Armenia in the banking system, which can be expressed in the form of a massive withdrawal of deposits. Additionally, the ongoing growth of capital indicates the financial stability of banks and their ability to overcome such risks. The dynamics of capital growth indicate that the 5 banks under study are very attractive from an investment perspective. Thus, capital growth is important from several points of view. From the point of view of the banking system, this shows that banks can withstand internal and external threats. For investors, capital growth justifies investment prospects. For regulators (in the case of the Republic of Armenia – for the Central Bank), they indicate the effectiveness of regulation and provide an opportunity to assess the need for policy changes. From the point of view of the economy as a whole, dynamic capital growth shows that the banking system is reliable and capable of supporting economic development.

Figure 3 presents the total capital ratio of the 5 leading commercial banks of the Republic of Armenia as of 2023.

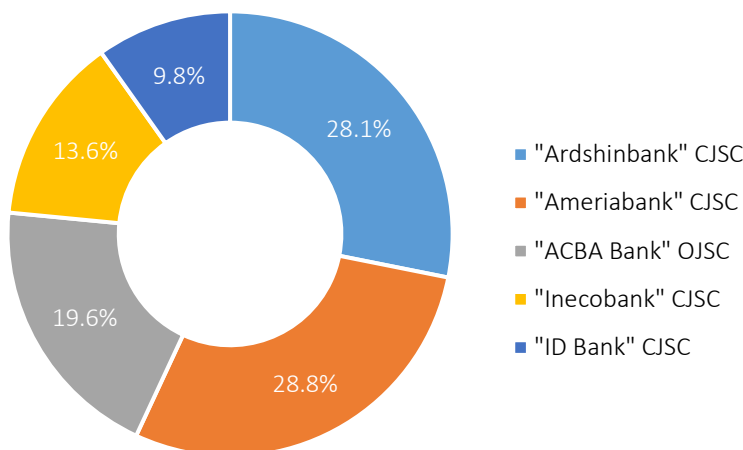
Figure 3 clearly shows that among the 5 leading commercial banks observed at the end of 2023, the largest share in the total capital was held by “Ameriabank” CJSC (28.8%) and “Ardshinbank” CJSC (28.1%). They were followed by “ACBA Bank” OJSC (19.6%), “Inecobank” CJSC (13.6%),

and “ID Bank” CJSC (9.8%). Next, let’s present the indicators of the average ratio of net profit and total capital of 5 leading commercial banks of the Republic of Armenia in the period between 2020–2023. The indicators are presented in Table 4.

**Table 4.** Comparison of the net profit/average equity ratio (ROAE) of 5 leading commercial banks of the Republic of Armenia for 2020–2023 (%)

Bank	2020	2021	2022	2023
“Ardshinbank” CJSC	12.4%	14.6%	50.7%	37.2%
“Ameriabank” CJSC	8.5%	16.3%	29.4%	25.0%
“ACBA Bank” OJSC	3.9%	12.7%	22.8%	23.6%
“Inecobank” CJSC	8.9%	15.4%	34.9%	31.3%
“ID Bank” CJSC	2.7%	5.0%	25.9%	24.9%

Table 4 shows that as of 2020, “Ardshinbank” CJSC was the leader in terms of the average ratio of net profit/total capital (12.4%), followed by “Inecobank” CJSC (8.9%), “Ameriabank” CJSC (8.5%), “ACBA Bank” OJSC (3.9%) and “ID Bank” CJSC (2.7%), But in 2023, the Republic of Armenia banking system ROAE was 16.5%, where the highest ROAE was recorded by “Ardshinbank” CJSC (37.2%). The indicators of the other four leading banks were very close to each other. ROAE of “Inecobank” CJSC was 31.3%, “Ameriabank” CJSC – 25.0%, “ID Bank” CJSC – 24.9%, “ACBA Bank” OJSC – 23.6%. In this context, it is also very important to observe the dynamics of the loan portfolio of 5 commercial banks of the Republic of Armenia, which was also significant from the point of view of financial indicators during the period under study.



**Figure 3.** Total capital ratio of 5 leading commercial banks of the Republic of Armenia in 2023 (%)

Return on equity shows how effectively banks use capital to generate profit, and the optimal indicator is considered to be 10-15%. In 2020 alone, the 5 leading banks in the Republic of Armenia's banking system had a level of the studied indicator below normal, except for "Ardshinbank" CJSC, which provides the latter with a competitive advantage. Since 2021, the results of all the banks studied (except for the result of "ID Bank" CJSC in 2021) were within the normal range, and in 2022 and 2023 they significantly exceeded the range. This is a very important indicator that the banks studied can carry out optimal capital management, and "Ardshinbank" CJSC is a leader in this management. The indicators of other banks are also favorable, but in terms of competition, they are inferior to the latter.

Table 5 presents the dynamics of the credit portfolio of 5 leading commercial banks of the Republic of Armenia in 2020–2023.

**Table 5.** Dynamics of the loan portfolio of 5 leading commercial banks of the Republic of Armenia in 2020–2023 (AMD mln)

Bank	2020	2021	2022	2023
"Ardshinbank" CJSC	589,146	571,729	531,424	671,580
"Ameriabank" CJSC	696,496	673,086	735,543	984,747
"ACBA Bank" OJSC	323,862	369,264	461,862	542,330
"Inecobank" CJSC	216,462	221,249	278,784	336,898
"ID Bank" CJSC	98,117	123,318	126,146	164,251

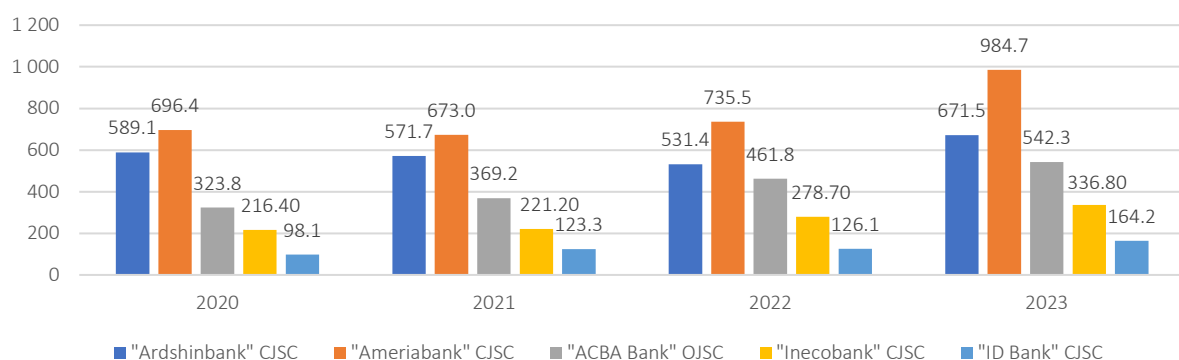
It should be added that in 2023, the total loan portfolio of the Republic of Armenia's banking system increased by approximately 21% (Rumels, 2023). As of December 31, 2023, the total loan portfolio

of the Republic of Armenia commercial banks amounted to AMD 5.036 billion, which is 55% of total assets.

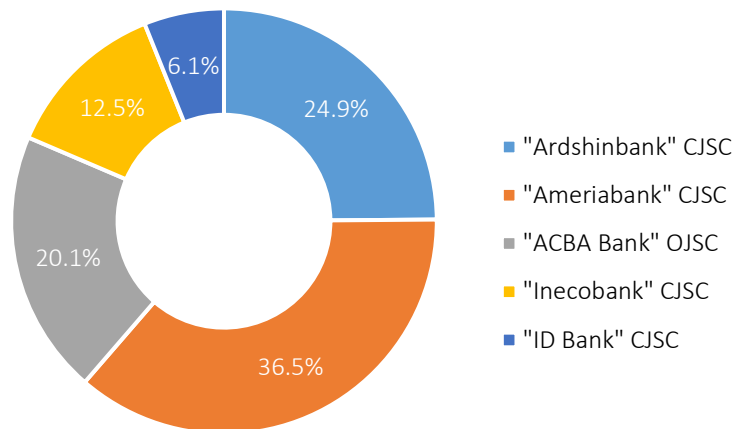
The significant growth of the loan portfolios of the banks studied indicates that these banks are actively involved in the development of the economy since a significant part of this loan portfolio was invested in the economy of the Republic of Armenia, the result of which can be seen in the improvement of macroeconomic indicators. In addition, monitoring the loan portfolio indicators shows the competitive advantages of some banks in terms of lending and service quality. "Ameriabank" CJSC is the leader in this regard. At the same time, if the growth dynamics of the numerical data presented in the previous tables indicate only positive, then in the case of the loan portfolio, positive dynamics are combined with the emergence of significant risks. A significant increase in the loan portfolio in the context of uncontrolled credit risk may expose banks to the risk of default, non-repayment of demand deposits or non-repayment on time. Therefore, the growth of the studied indicator is positive from an economic point of view only if the loan obligations are repaid on time. Moreover, this is considered positive not only for banks, but also for households, which avoid unnecessary legal and financial problems.

Figure 4 clearly reflects the dynamics of the loan portfolio of the 5 leading commercial banks of the Republic of Armenia for 2020–2023.

Figure 4 shows that during 2020–2023, all 4 banks recorded dynamic growth in their loan portfolio, with the exception of "Ardshinbank" CJSC,



**Figure 4.** Dynamics of the loan portfolio of 5 leading commercial banks of the Republic of Armenia in 2020–2023 (AMD bln)



**Figure 5.** Specific weight of the credit portfolio of 5 leading commercial banks of the Republic of Armenia in 2023 (%)

which, after the 2020 figure (589.1 billion drams), recorded a decrease of 17.4 billion drams in 2021, reaching 571.7 billion drams. "Ameriabank" CJSC recorded high dynamics, whose credit portfolio reached 984.7 billion AMD (+288.3 billion AMD) in 2023 from 696.4 billion AMD in 2020. During 2023, the share of the credit portfolio of 5 leading commercial banks of the Republic of Armenia is presented in Figure 5.

Figure 5 shows that in 2023, Ameriabank CJSC recorded the highest loan portfolio rate among 5 commercial banks of the Republic of Armenia (36.5%), followed by Ardshinbank CJSC with a share of 24.9%, then ACBA Bank OJSC (20.1%), Inecobank CJSC (12.5%), and ID Bank CJSC (6.1%). It should be added that the President of the Union of Banks of Armenia (UBA), Daniel Azatyan, summarized the indicators of the banking system for 2023, emphasizing that in 2022–2023, commercial banks of the Republic of Armenia showed international institutions that they can be reliable and stable partners (Rumels, 2023).

The pandemic restrictions caused by the pandemic have had a negative impact on the economy and banking sector of many countries, including Armenia. The country's Central Bank and other entities in the banking system responded differently to the quarantine regime announced during the pandemic. Some banks provided their clients with banking holidays, postponing loan repayment terms or changing the terms of loan repayment, while some banks did not take such steps even in such a difficult situation.

At the beginning of 2022, Armenia's economy and banking system, still recovering from the pandemic, faced new challenges due to sanctions imposed on Russia, its main trade partner, as a result of the Russian-Ukrainian armed conflict. Given Russia's dominance in remittances to Armenia, the depreciation of the ruble created complications, making ruble transfers less profitable. Despite these difficulties, Armenia's commercial banks reported record-high performance in 2022–2023, primarily due to the influx of Russian and Ukrainian immigrants and increased tourism from Russia. These groups actively used banking services and conducted money transfers and other financial transactions, positively influencing the banks' financial outcomes. An analysis of the financial performance of five leading Armenian commercial banks from 2020 to 2023 revealed that, although the pandemic and border tensions negatively impacted the banking system, the Russian-Ukrainian armed conflict and the subsequent influx of migrants allowed banks to recover from prior financial losses and improve their performance.

Although significant positive dynamics of financial indicators have taken place and continue to take place in the banks of the Republic of Armenia as a result of the Russian-Ukrainian armed conflict, the invasion of the armed forces of the Russian Federation into the territorial integrity of Ukraine is considered unacceptable, as it takes many human lives and causes significant damage to the economy of Ukraine, the consequences of which will leave their mark on the socio-economic life of Ukraine and the next generations living in the country for many years to come.

Examining the impact of the Russian-Ukrainian armed conflict that started at the end of February 2022 on the financial results of the banking sector of the Republic of Armenia (Margaryan, 2023), I continue to argue that it somehow created new opportunities for the banking system of the Republic of Armenia, considering that in the period between 2022 and 2023, a large number of migrants and tourists from both conflicting countries arrived in the Republic of Armenia, actively using the services provided by various commercial banks of the Republic of Armenia. Moreover, many of them, in addition to using services, received citizenship of the Republic of Armenia and made financial investments in the economy of the Republic of Armenia in the form of deposits.

Armenian commercial banks adjusted their service and commission policies, leading to a significant increase in profitability. The influx of Russian migrants in 2022 directly contributed to the strong performance of Armenian commercial banks. As a result, the banking sector's gross financial results nearly doubled, and return on equity rose by 28%. In 2022, Russian citizens accounted for 59% of all foreign arrivals in Armenia, totaling 1.1 million out of 1.9 million. Money transfers from Russia surged to USD 3.6 billion, compared to USD 865 million in 2021, marking a record increase for the Armenian banking sector. Transfers from Russia constituted approximately 70% of total remittances, increasing fourfold from the previous year, while total remittances grew 2.5 times. The United States

ranked second, with transfers reaching USD 670 million. The banking sector was also analyzed in an in-depth study, which examined the financial results of commercial banks in Armenia from 2015 to 2022, tracking the dynamics of changes (Grant Thornton Armenia, 2023). As a result of the analysis of the banking system indicators for 2021–2022, it was recorded that due to the Russian-Ukrainian conflict, there was a sharp inflow of funds and deposits. A significant increase was also observed in net profit. Commercial banks of Armenia improved their foreign financial institution assets, with liabilities to non-residents and deposits rising by USD 1.287 million. Investments in debt instruments increased by USD 134 million, loans by USD 108 million, and investments by USD 81 million. In 2022, net profit exceeded three times that of 2021. The study has shown that the large influx of migrants and tourists to Armenia in 2022–2023, as a result of the Russian-Ukrainian armed conflict, contributed to the improvement of financial results in the Armenian banking system. In particular, there was an increased usage of banking services, growth in loan issuance, and a rise in investments. As a result, the overall assets and financial indicators of Armenian banks significantly improved, demonstrating that these economic conditions provided new opportunities for the development of the banking sector. Therefore, these economic conditions provided new opportunities for the growth and development of the banking sector, leading to a significant improvement in the financial performance of Armenian commercial banks.

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## CONCLUSION

This study aimed to evaluate the effect of the Russian-Ukrainian armed conflict, which began in February 2022, on the financial performance of commercial banks in Armenia. The analysis of financial indicators from 2020 to 2023 demonstrated significant growth in key metrics such as total assets, net profit, capital, and loan portfolios, particularly in 2022 and 2023. This growth was attributed to external factors, including increased remittances, migration, and tourism, especially from Russia and Ukraine, which had a positive influence on the Armenian banking sector.

It was concluded that despite the disruptions caused by the conflict, the banking sector in Armenia exhibited resilience, capitalizing on the economic shifts and successfully adapting to the changing environment. The results highlight that external crises can create unforeseen opportunities for the financial sector, provided that they are properly managed.

Further research is recommended to explore the long-term effects of the Russian-Ukrainian conflict on Armenia's broader economic landscape and to examine how banking sector policies could evolve to

better navigate similar geopolitical challenges in the future. Additionally, future studies should focus on the social and economic consequences of increased migration on the financial system of Armenia, especially in terms of integration and policy development.

## AUTHOR CONTRIBUTIONS

Conceptualization: Armen Hakobyan, Zaven Margaryan.

Data curation: Armen Hakobyan, Zaven Margaryan.

Formal analysis: Armen Hakobyan, Zaven Margaryan.

Funding acquisition: Armen Hakobyan, Zaven Margaryan.

Investigation: Armen Hakobyan, Zaven Margaryan.

Methodology: Armen Hakobyan, Zaven Margaryan.

Project administration: Armen Hakobyan, Zaven Margaryan.

Resources: Armen Hakobyan, Zaven Margaryan.

Software: Armen Hakobyan, Zaven Margaryan.

Supervision: Armen Hakobyan, Zaven Margaryan.

Validation: Armen Hakobyan, Zaven Margaryan.

Visualization: Armen Hakobyan, Zaven Margaryan.

Writing – original draft: Armen Hakobyan, Zaven Margaryan.

Writing – reviewing & editing: Armen Hakobyan, Zaven Margaryan.

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