



THE BOARD OF THE CENTRAL BANK OF ARMENIA

DECISION

CODE

050.0121 N. 17.07.24

17 July 2024 121-N

ON APPROVING THE SIZE OF THE COUNTERCYCLICAL CAPITAL BUFFER
(2nd quarter of 2024)

Aimed at ensuring the stability of the financial system;

guided by part 3 of Article 2 and point "e" of Article 20 of the Law of Republic of Armenia "On the Central Bank of the Republic of Armenia", part 1 of Article 54.1 of the Law of the Republic of Armenia "On banks and banking" and the "Procedure for setting and calculating thresholds above the capital adequacy ratio of banks" approved by Decision of the Board of the Central Bank of the Republic of Armenia No 16 of February 4 2019, the Board of the Central Bank of the Republic of Armenia hereby:

D e c i d e s :

1. To leave the rate of countercyclical capital buffer of banks unchanged, at 1.5% of risk-weighted assets.
2. This Decision shall enter into force on the day following its official promulgation on the unified website of normative legal acts.

Republic of Armenia
Deputy Governor
of the Central Bank of Armenia

Armen Nurbekyan

Yerevan

RATIONALE

For setting the Counter-Cyclical Capital Buffer (second quarter of 2024)

The Board of the Central Bank decided at the session of 16 April 2024 to leave the countercyclical capital buffer unchanged — at the level of 1.5%¹:

When rendering the decision on the countercyclical capital buffer (hereinafter also referred to as “CCyB”), the Board of the Central Bank of the Republic of Armenia (CBA) was guided by the comprehensive analysis of the macro-financial and credit market developments. In particular:

1. The financial cycle index was broadly unchanged compared to previous quarter. For the same period the credit to GDP ratio² was also unchanged and totalled at 65.4%. Its deviation from the long-term trend (credit to GDP gap) is still negative and is around - 9 percentage points.
2. In the current quarter the growth rates for total credit did not change much, and the contributions of household and business credit to the total credit growth have been approximately equal. The current developments in the credit market and the position of Armenian economy on the Financial cycle show that cyclical systemic risks in the financial system are broadly balanced (neither elevated, nor subdued).
3. The declining pattern of growth of mortgage stock have continued. At the same time there have been observed stable real estate prices and some decline in rental payments over the last two quarters, which can assert that there are some stabilizing patterns in real estate market and that the possibility of further accumulation of risks in this sphere may be low.
4. It is worth noting, that the developments in general credit market do not contain obvious signs of excessive growth or overheating. During the recent quarter the risks threatening to financial stability have not materially changed from previous quarter.

As a result of the comprehensive analysis of the above-described facts, the Central Bank finds it appropriate to leave the CCyB rate unchanged, by keeping it at the level

¹ Pursuant to point 12 of the ["Procedure for setting and calculating thresholds above the capital adequacy ratio of banks"](#), the Central Bank of the Republic of Armenia shall set, each quarter, the countercyclical threshold of capital (hereinafter also referred to as "countercyclical capital buffer (CCyB)"). When setting the CCyB, the Central Bank shall be guided by the provisions of the document ["CBA's approach to the application of the countercyclical capital buffer"](#).

² The share of the credit portfolio (including leasing and factoring) provided by the financial sector to the economy in the GDP (in %). The estimation for the fourth quarter of 2023 is preliminary and may be further changed depending on the results of the recalculation based on actual GDP data.

of 1.5%. Future changes of the CCyB rate (both for increasing and decreasing) will be derived from the further course of development of macro-financial conditions, uncertainties and systemic risks.