



THE BOARD OF THE CENTRAL BANK OF ARMENIA

DECISION

CODE

050.0008 N. 29.01.25

29 January 2025 8-N

ON APPROVING THE SIZE OF THE COUNTERCYCLICAL CAPITAL BUFFER (4th 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", Article 53, 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 1.75% 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

Governor

of the Central Bank of Armenia

Martin Galstyan

Yerevan

RATIONALE

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

At the meeting of January 29, 2025, the Board of the Central Bank decided to leave the countercyclical capital buffer unchanged — at the level of 1.75% of risk-weighted assets¹.

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 continued to grow during the quarter, primarily driven by high lending growth. During this period, the credit-to-GDP² ratio increased by 3 percentage points, reaching approximately 72%. The deviation from the long-term trend (credit-to-GDP gap) narrowed by the same amount but remains negative, at around -3.5%.
2. In 2024, the growth rates of the total credit portfolio remained elevated. The contributions from both household and business credit to overall credit growth were roughly equal. In the current quarter, strong growth in consumer credit persisted. The growth rate for mortgages also increased, largely due to high loan disbursements in the previous quarter. These high disbursements were influenced by borrower behavior in response to the termination of the income tax return program in Yerevan, a factor expected to have no further impact going forward.
3. Although real estate price growth has shown some signs of slowing, prices remain elevated. With the gradual phase-out of the income tax return program and the saturation of the mortgage market, a further slowdown in the growth of this market is anticipated.
4. At the current stage of the Financial Cycle, the estimate of unexpected losses has remained largely unchanged, and the existing Countercyclical Capital Buffer (CCyB) is deemed adequate to absorb those losses. Currently, the primary risks to financial stability stem from the geopolitical environment and the real estate market. These

¹ According to paragraph 12 of [“Determination and calculation of thresholds above the regulatory capital adequacy limit for banks”](#) the Central Bank of the Republic of Armenia sets the countercyclical capital threshold (hereinafter referred to as (CCyB)) on a quarterly basis. The Central Bank is guided by the provisions of [“General methodology for determining the countercyclical capital threshold”](#) document while determining the CCyB rate.

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.

risks, along with other factors, were taken into account in previous decisions by the Central Bank of Armenia regarding the increase in the CCyB.

Based on the comprehensive analysis of the above-mentioned facts, the Central Bank considers it appropriate to leave the CCyB rate unchanged at 1.75%. Future changes in the CCyB rate (both upward and downward) will depend on the further development of macro-financial conditions, uncertainties, and systemic risks.