



THE BOARD OF THE CENTRAL BANK OF ARMENIA

DECISION

CODE

050.0059 N. 16.04.24

16 April 2024 59-N

ON APPROVING THE SIZE OF THE COUNTERCYCLICAL CAPITAL BUFFER
(1st 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

Hovhannes Khachatryan

Yerevan

RATIONALE

For setting the Counter-Cyclical Capital Buffer (first 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. Compared to the previous quarter, the Financial Cycle Index has grown moderately, which was mainly due to credit market developments. In the fourth quarter of 2023 the credit-to-GDP ratio² has also experienced small growth and totalled around 65.6%. It remains below its long-term trend by -9 percentage points. Compared to the previous quarter this gap has declined by 0.7 percentage points.
2. Total credit market growth has not changed much compared to the previous quarter. In the first quarter of 2024 the volume of newly granted mortgage loans remained comparable with the volumes of respective period in 2023, and in consumer credit market, the growth tendencies from previous years continued. Overall, the developments in total credit market are still balanced and there are no obvious signs of either risk accumulation or excessive crediting.
3. The growth rate of mortgage portfolio remains high, though it had declining pattern (due to base effect) during recent years. In parallel with persisting growth in real estate prices serves as a warning sign for possible accumulated risks in this sector. According to our estimates, the possible positive deviation of real estate price from its long-term trend is still present³.
4. In the context of high geopolitical and regional uncertainties the probability of materialization of cyclical systemic risks remain high both in terms of scale and speed. In these conditions it is important for commercial banks to maintain excess capital buffers above required regulatory minimum threshold, which will contribute to the

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.

³ As of 4-th quarter of 2023 the possible overvaluation of real estate prices is around 20%-35%. It is worth mentioning, that this estimate serves only as a warning sign for possible accumulated risks in this sector and should not be used as a forecast for future behavior of real estate prices.

ability of banks to absorb potential losses and maintain the flow of credit to the economy.

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 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.