

Annual report 2021

2022-04-29

Governor's message

Dear citizens,

In 2021 Annual Report we present the Central Bank's course during the year alongside with the progress achieved and the pending problems. We have also tried to outline various forward-looking endeavors, for the implementation or their non-performance of which we will be held accountable. Despite all its difficulties 2021 was a year of recovery for Armenia. Snap parliamentary elections, painful waves of coronavirus and economic uncertainty have all had an impact on macroeconomic policy and economic development. During the year, there was an acceleration of inflation, which began to slow down at the end of the year owing to the actions of the Central Bank. The financial system regained lost capacity throughout the year, laying the foundations for future development. Nevertheless, economic growth had recovered during the year, and in this sense 2021 can be assessed as a positive year, which would have been impossible without maintaining macroeconomic stability. More detailed information on achieving objectives of price and financial stability is provided in our separate reports.

The adoption of a new Strategy can be definitely considered as the main achievement of the Central Bank in 2021. It reflects our vision and directions of development, to the implementation of which we will direct our efforts in the coming years. The most important direction of the Strategy of the Central Bank is the digitalization of the financial system, which requires significant human and financial resource investment. The digitalization is aimed at creating a conducive and reliable environment for the development of the capabilities of the public and private sectors. It is noteworthy that the partnership of Central Bank and the State, the State and the private sector, the Central Bank and the external sector acquire a significant role in the implementation of the digitalization agenda. As part of our mandate, under the adopted Strategy, we have committed ourselves to improving the well-being of society. More detailed information on strategic directions and goals is presented in the relevant section of this report and in the "Strategy of the Central Bank" approved in 2021.

The most comprehensive reforms were undertaken with respect to implementation of the

supervision policy.

According to the Central Bank's vision on supervision, there should be a gradual transition from administrative supervision to a better risk assessment by the financial institutions themselves. During this transformation, the emerging dialogue between the Central Bank and the financial system as well as the development of human potential at all levels are extremely important. To this end, a methodology for stress testing of commercial banks has already been developed. In addition, a special emphasis was put on the control of business ethics risks, which is essential for improving the protection of the interests of consumers of financial services.

The 2021 Annual Report refers to the activities of the supreme body of the Central Bank - the Board of the Central Bank as well. The decision making on policies by the Board of the Central Bank as well as the implementation of governance and supervisory functions are presented. At the end of last year, we have launched certain reforms within the governance structure of the Central Bank. The Procurement Coordination Service, the Project Management Center and other units were formed. These separate units will significantly increase the capabilities and efficiency of the Central Bank in their respective areas. We give great importance to increasing the level of corporate social responsibility of the Central Bank as an institution, and our employees as members of society. We will increase our involvement and will continue developing of this direction, contributing to increased awareness of corporate social responsibility.

All these changes that we have initiated will be continuous in nature. They will be aimed at implementing the monetary policy, improving our course of action in the payment sector, increasing effective communication. The cornerstone of all these achievements are our people. Thus, the most important reform will be related to the human potential of the Central Bank.

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Thank you for your support

*Governor
MARTIN GALSTYAN*