

SUMMARY ON OPERATING EXPENSES AND CAPITAL INVESTMENTS UNDERTAKEN BY THE CENTRAL BANK OF THE REPUBLIC OF ARMENIA IN 2026

Key Approaches Used in the Development of Operating Expense Budgets and Capital Investment Plan for 2026

The Central Bank of the Republic of Armenia (hereinafter referred to as the “CBA”) implements the planning of Operating Expenses Estimates and Capital Investments (hereinafter referred to as the “Budget”) in line with the CBA budgeting policy in force, that has been developed in line with the international standards and the best practices of central banks and approved by the CBA Board, as per the functions attached to the CBA under the Republic of Armenia Law “On the Central Bank of the Republic of Armenia,” as well as the CBA Strategy and Vision.

The Operating Expenses Budgets and Capital Investment Plan are developed in line with IFRS, on the accrual accounting basis, in line with the following approaches:

- Strategic Thinking. When shaping its strategic priorities, the CBA was guided by four key directions: the financial system, macroeconomic policy, CBA capacities, and communication.
- Project-Based Approach. By identifying key projects, short-term budgeting focus is reduced, allowing resources to be allocated more effectively.

In view of the abovementioned, the CBA Budget for the year 2026 includes several projects deriving from its strategy, the primary objective of which is the modernization and development of existing infrastructure, as well as the automation of a number of processes, deriving from the CBA core functions.

In particular, the 2026 Budget includes a new program called “Modernization of the Electronic Payment and Settlement System” (hereinafter referred to as the “EPSS”), which is planned to be implemented in phases through the execution of projects identified within the program. The purpose of the program is to enhance the Central Bank’s payment system, replacing the existing one with a modern, functional, high-performance, secure, and comprehensive system. By delivering high-quality services to the financial market, the new system will promote innovation in the sector. The key components of the program are the introduction of a new account management and settlement system (Real Time Gross Settlement system) for participants of the financial market, the implementation of a new financial messaging system, and the introduction in Armenia of financial messages compliant with the ISO 20022 international standard. It’s worth mentioning that, as part of the program's phased implementation, the technical foundation for the EPSS modernization project is planned to be established in 2026; in particular, a modern financial messaging system is planned to be designed, developed, and implemented.

In view of the accrual accounting principle used within the CBA reporting framework for the initial recognition of assets in line with IFRS, the existing risks related to the completion of certain projects envisaged under the 2025 capital investment plan have been included in the 2026 Budget as per the list of projects stated below:

- Renovation of the CBA server room in compliance with the TIER III standard.
- Conceptual architectural modifications of the CBA administrative building.
- Automation of the processes for assessing and monitoring compliance risks associated with AML/CFT and sanctions.

**OPERATING EXPENSE BUDGET OF THE CENTRAL BANK OF THE REPUBLIC OF
ARMENIA**

Thousand AMD	Ref.	2024 Actual	2025 Budget	2026 Budget	Difference between 2026 and 2025 Budgets
Institutional Expenses	1	8,507,250	11,162,451	11,908,029	7%
Payroll and Equivalent Payments	1.1	7,654,028	9,753,438	10,514,160	8%
Employee Social Security Contributions	1.2	368,279	572,144	639,631	12%
Business Travel, Training, and Professional Development	1.3	425,135	734,373	682,741	-7%
Representation	1.4	30,173	54,000	50,580	-6%
Vehicle Maintenance and Operating	1.5	29,635	48,496	20,917	-57%
Information Resources and Professional Literature	2	25,079	53,080	47,903	-10%
Consumables and Low-Value Fast-Wearing Items	3	59,236	89,161	65,491	-27%
Communication and Telecommunications	4	17,728	23,826	23,868	0.2%
Contingency Provision	-	-	20,000	15,311	-23%
Total Operating Expenses		8,609,293	11,348,518	12,060,602	6%

**CAPITAL INVESTMENT PLAN OF THE CENTRAL BANK OF THE REPUBLIC OF
ARMENIA**

Thousand AMD	Ref.	2024 Actual	2025 Budget	2026 Budget	Difference between 2026 and 2025 Budgets
Investments in Equity of Entities Directly Associated with the Functions of the Central Bank	5	754,908	5,500,000	5,000,000	-9%
Investments in Tangible and Intangible Assets	6	1,395,491	2,510,271	3,113,586	24%
Total Capital Investment Plan		2,150,399	8,010,271	8,113,586	1%

Notes on Operating Expense Budgets and Capital Investment Plan of the Year 2026

OPERATING EXPENSES

Under the Republic of Armenia Law “On the Central Bank of the Republic of Armenia,” the operating expenses of the CBA include institutional expenses, acquisition of media information and professional literature, consumables and low-value fast-wearing items, communication means used for official purposes, as well as contingency provision. The operating expense budget for the year 2026 amounts to AMD 12,060,602,000, demonstrating an increase of 6% compared to the previous year’s budget. It should be noted that the CBA, guided by the budgeting policy and the principles adopted by the Central Bank, aiming at cost optimization, has developed a new Operating Expense Budgeting Manual. As a result, the 2026 budget reflects reductions across the majority of operating expense categories.

1. Institutional Expenses

Institutional expenses include expenses associated with payroll and equivalent payments to the CBA staff, social security contributions, staff business trips, training and professional development, representation expenses, as well as maintenance and operation of service vehicles. The 2026 budget of institutional expenses amounts to AMD 11,908,029,000, demonstrating a 7% increase compared to the previous year.

1.1 Payroll and Equivalent Payments

Payroll and equivalent payments are calculated in accordance with the requirements stipulated in provision “f” of Part 2 of Article 14 of the Republic of Armenia Law “On the Central Bank of the Republic of Armenia.”

In planning the “Payroll and Equivalent Payments” category for 2026, the CBA budgeted for an 8% increase in the payroll fund compared to the previous year. It should be noted that commercial banks projected an average monthly salary of AMD 1,429,000 for 2026. In line with the CBA’s policy of mitigating the disparity between average compensation levels at the CBA and within the banking sector, the average monthly salary for 2026 has been budgeted at AMD 1,020,000, representing a 3% increase over the 2025 budgeted level of AMD 991,000. As a result, the gap between the estimated average salaries of the CBA and the banking sector is projected to be 29% in 2026.

At the same time, the projected headcount for 2026 has increased by 4.8% compared to the previous year, reaching 859 employees (2025: 820 employees). The increase in staffing levels is primarily attributable to the establishment of new functions that have become imperative for the CBA, particularly following the adoption of the Republic of Armenia Law “On Crypto-Assets”, as well as the expansion of critical operational functions.

1.2 Employee Social Security Contributions

Employee social security contributions primarily relate to the implementation of the staff social benefits package established under the CBA’s internal regulations, including health insurance coverage and other employee benefits provided for by the Labour Code of the Republic of Armenia.

The 2026 budget allocation under this category amounts to AMD 639,631,000, representing an increase of 12% compared to the previous year. The increase is primarily attributable to the planned growth in headcount and elevated employee turnover levels experienced by the CBA in recent years.

1.3 Staff Business Trips, Training, and Professional Development

In support of the objectives established by the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”, namely the maintenance of price stability and financial stability, and with a view to enhancing the effectiveness of employees in fulfilling the CBA’s mandate, the CBA continues to prioritize the development of a learning-oriented organizational culture, continuous professional development, and the strengthening of analytical, research, creative, and policy-making capabilities. These efforts are aimed at ensuring the availability of highly qualified professionals within the financial sector and enhancing institutional readiness to address emerging challenges.

The 2026 budget allocation under this category amounts to AMD 682,741,000, representing a 7% decrease compared to the 2025 budget.

Expenditures budgeted under this category are primarily intended to support:

- Training and professional development programmes in Armenia and abroad, delivered by leading institutions, aimed at enhancing the professional knowledge and competencies of CBA employees and strengthening their capacity to perform their duties effectively;
- The acquisition of internationally recognized professional qualifications;
- Study visits and professional exchange programmes;
- Participation of CBA employees in meetings, conferences, and other professional events necessary to ensure the effective representation of the CBA within international institutions, as well as domestic business travel undertaken in connection with official duties; and
- Project-related business travel supporting the implementation of strategic initiatives.

1.4 Representation Expenses

The 2026 budget allocation under the “Representation Expenses” category amounts to AMD 50,580,000, representing a 6% decrease compared to 2025. Expenditures budgeted under this category are intended to support the establishment and maintenance of cooperative relationships with international and domestic institutions, organizations, and individuals.

1.5 Maintenance and Operation of Service Vehicles

For the performance of the functions assigned to the CBA under the Law of the Republic of Armenia “On the Central Bank of the Republic of Armenia”, as well as to ensure the effective operation of its territorial units and uninterrupted communication among them, the CBA maintains a fleet of service vehicles, the majority of which consists of patrol vehicles, buses, and minibuses. In 2026, the CBA plans to operate 11 vehicles (2025: 29 vehicles), including 4 electric vehicles. The Budget for vehicle operating expenses was based on projected average market fuel prices, contracts concluded by the CBA for vehicle maintenance services, and historical expenditure levels. The 2026 budget allocation under the “Maintenance and Operation of Service Vehicles” category amounts to AMD 20,917,000, representing a 57% decrease compared to the 2025 budget, primarily due to a reduced number of service vehicles.

2. Expenses for the Acquisition of Media Information and Professional Literature

Under this category, expenditures are budgeted for subscriptions to journals and newspapers, the acquisition of professional literature, news agency materials, and other related resources. The acquisition of professional literature, as well as subscriptions to specialized and highly regarded financial journals and electronic libraries, is intended to support the continuous professional development of CBA employees.

For 2026, the budget under this category has primarily been determined based on corporate and institutional subscription packages, taking into account the access restrictions imposed by international publishers on publication content.

The 2026 budget allocation under this category amounts to AMD 47,903,000, representing a 10% decrease compared to the previous year. The planned expenditures comprise:

- acquisition of literature – AMD 6,711,000;
- subscriptions to journals, periodicals, and newspapers – AMD 32,552,000;
- acquisition of media information – AMD 8,640,000.

3. Consumables and Low-Value Fast-Wearing Item Categories

This category includes expenditures related to the consumption of supplies and low-value fast-wearing items, as defined by the CBA's internal regulations, which are necessary to ensure the proper functioning of the CBA's administrative building and other territorial units.

The 2026 budget allocation under this category amounts to AMD 65,491,000, representing a 27% decrease compared to the previous year's budget.

4. Expenses Related to Communication Services Used for Official Purposes

Expenses related to communication services used for official purposes comprise telephone-related costs. In preparing the budget, consideration is given to the required level of telecommunications services, historical utilization patterns, existing contractual commitments, and applicable tariffs.

The 2026 budget allocation under this category amounts to AMD 23,868,000, remaining broadly unchanged compared to the previous year's budget.

CAPITAL INVESTMENTS

5. Investments in Equity Instruments of Entities Directly Associated with the Functions of the Central Bank

Under the category of Investments in Equity Instruments of Entities Directly Associated with the Functions of CBA, the 2026 budget provides for an investment of AMD 5,000,000,000 in the statutory capital of a subsidiary. The investment is intended to facilitate the implementation of contractually agreed investment projects and the achievement of the planned results.

6. Capital Investments in Tangible and Intangible Assets

The 2026 capital investment program for the acquisition of tangible and intangible assets amounts to AMD 3,113,586,000.

The breakdown of planned investments in tangible and intangible assets for 2026 is presented below.

		2024	2025	2026	2026/2025
<i>Thousand AMD</i>		<i>Actual</i>	<i>Budget</i>	<i>Budget</i>	<i>Difference, %</i>
Tangible and Intangible Assets, of which:		1,395,491	2,510,271	3,113,586	24%
Construction, acquisition, and capital renovation of buildings and structures	6.1	120,389	788,262	775,462	-2%
Acquisition of computer equipment, software, and tangible and intangible assets associated with the operation of the bank	6.2	1,239,842	1,692,009	2,338,124	38%
Acquisition of vehicles	6.3	35,260	30,000	-	-100%

6.1 Construction, Acquisition, and Capital Renovation of Buildings and Structures

Under this category, several initiatives are planned to support the continuity of CBA operations.

The server facilities located in the CBA's head office, along with the cooling, power supply, and fire suppression systems supporting their operation, have been in service since 2010. Some of these systems are currently malfunctioning, while others have become obsolete and can no longer ensure the continuity of critical systems. Capital investments amounting to AMD 468,262,000, budgeted in 2025 for these capital renovation works, have been fully carried forward to 2026.

In addition, capital renovation works for buildings owned by the CBA are planned for 2026 in the amount of AMD 307,200,000. In particular, the following activities are envisaged:

- Capital investments under the architectural concept modernization program of the CBA administrative building: AMD 80,000,000.
- Investments in the installation of solar power generation systems aiming at improving energy efficiency and promoting energy savings: AMD 63,000,000.
- The remaining balance of the capital investments budgeted under this category will be allocated to the modernization and replacement of the CBA's air-conditioning and power supply systems, as well as other capital expenditure intended to support the operational continuity of the CBA.

6.2 Acquisition of Computer Equipment, Software, and Other Tangible and Intangible Assets Associated with the Operation of the Bank

The investment program for the acquisition of computer equipment, software, office furniture, communication equipment, and other tangible and intangible assets amounts to AMD 2,338,124,000. The planned capital investments are presented below:

- **EPSS Modernization Project**, budgeted at AMD 1,032,405,000 for 2026. Within the framework of the project, the technical foundation for the EPSS modernization initiative is planned to be established in 2026. In particular, the project envisages the design, development, and implementation of a modern financial messaging system.
- **Servers**, for which a budget of AMD 384,740,000 has been allocated, aiming at expanding the capacity of the CBA's server infrastructure.
- **Automation of AML/CFT and sanctions compliance risk assessment and monitoring processes**, for which AMD 282,455,000 has been budgeted. Implementation activities have already commenced, and the related capital expenditure is expected to be recognized in 2026.
- **Server virtualization infrastructure licenses**, for the acquisition of which AMD 167,216,000 has been budgeted.
- **Risk and incident identification, assessment, monitoring, and reporting system**, for which AMD 95,000,000 has been budgeted.
- **Business Process Management System Implementation** project, which was approved in 2022 as part of the CBA's strategic initiatives and was subsequently renamed to "Information Management System" project. The implementation activities have commenced, and the Information Management System is expected to be deployed into production by the end of 2025. For 2026, AMD 85,266,000 has been budgeted under this project for the acquisition of subscription-based licenses.
- **Office furniture**, for which capital investments amounting to AMD 27,548,000 have been budgeted.
- **Tangible assets intended to ensure security**, for which capital investments amounting to AMD 15,830,000 have been budgeted.
- **Other investments in tangible and intangible assets**, under which the remaining approximately 11% of planned capital investments will be directed toward the replacement, enhancement, and modernization of IT, information security, and other CBA infrastructure components.

With respect to software components included in the capital investment program, it should be noted that, depending on the nature and type of the license acquired, under IFRS and CBA internal regulations, certain acquisitions may be recognized as operating expenses rather than capital investments.

6.3 Acquisition of Vehicles

- No vehicle acquisitions are planned for 2026.