

September 2023



THE GOVERNMENT OF THE REPUBLIC OF ARMENIA

INVESTOR PRESENTATION



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THE GOVERNMENT
OF THE REPUBLIC
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1 | ARMENIA AT A GLANCE





FORMAT OF GOVERNMENT

Parliamentary Republic



CAPITAL

Yerevan



ADMINISTRATIVE UNIT

10 Marzes with 502 communities,
Including 49 urban



TERRITORY

29,743 km²



DIASPORA

8 million worldwide



NOMINAL GDP

US\$ 19.5 billion (2022)
US\$ 10.1 billion (2023 First Half)



REAL GDP GROWTH

12.6% (2022)
10.5% (2023 First Half)



CPI INFLATION

8.6% (2022)
8.1% (Feb 2023)



UNEMPLOYMENT

13.0% (2022)
13.7% (2023 Q1)



HEAD OF STATE

President



INDEPENDENCE

September 21, 1991



POPULATION

2.98 million (as of July 1, 2023)



STATE BORDERS

In the North with Georgia,
In the East with Azerbaijan,
In the West and South-West with Turkey,
In the South with Iran



NOMINAL GDP PER CAPITA

US\$ 6,572 (2022)
US\$ 3,379 (2023 First Half)



GOVERNMENT DEBT / GDP

60.3% (2021)
46.7% (2022)



CURRENCY

Armenian Dram (AMD)



SOVEREIGN RATING

Moody's: Ba3 (Stable) ↑
S&P: BB- (Stable) ↑
Fitch: BB- (Stable) ↑

* According to calculations based on SC RA data



KEY INVESTMENT HIGHLIGHTS

DEMONSTRATED COMMITMENT TO REFORMS

The Government continues to pursue structural reforms with renewed emphasis on productivity, inclusiveness and governance as well as anticorruption and judicial systems

Anchoring fiscal policy to maintain debt sustainability, and creating space for social and capital infrastructure spending

Implementing the large-scale Programme for Legal and Judicial Reforms for 2019-2023, which includes addressing corruption, assuring the independence of the judiciary and improving the training of the judges

GROWTH SUPPORTED BY PRUDENT MACROECONOMIC POLICY FRAMEWORK

Successful macroeconomic policies and structural reforms have buoyed Armenia's growth potential

In 2022 economic performance was remarkably strong, mainly driven by significant increase of capital inflow as well as large increase in tourism and remittances as a result of external shocks. A good track record (confirmed by international organizations and rating agencies) of fiscal and monetary policies will ensure the effective reaction to possible negative risks stemming from Russian-Ukrainian conflict

Armenia has a robust medium-term growth outlook, underpinned primarily by services (e.g. finance, ICT, tourism) and industry (e.g. manufacturing, mining)

The short and medium-term fiscal policy is targeting boosted growth potential with significantly larger public investments in physical infrastructure and human capital

Monetary Policy is committed to its goal of price stability by anchoring long-term inflation expectations and supporting the long-term growth

PROACTIVE FISCAL POLICY AND DEBT MANAGEMENT

The high economic growth of 2022 and the efforts of the fiscal policy allowed to ensure the reduction of the state budget deficit to GDP ratio and the debt level of the government, bringing debt/GDP ratio below 50% (decreasing by 13.6 percentage points).

In the medium term fiscal policy is targeting significantly improved revenue collection and expenditure structure (emphasizing the significant increase in the share of public investments) along with intact fiscal sustainability by preserving the debt below 50% of GDP and creating additional fiscal buffers against possible future shock.

PROACTIVE GOVERNMENT MEASURES TO COUNTER CURRENT CHALLENGES AND UNCERTAINTIES

Government has already implemented measures to support the export-oriented sectors, given the appreciation of national currency. In particular support measures have been designed for IT sector, and economic transformation program has been adopted by the Government to stimulate private investments.

The risks associated with possible unfavorable international and regional economic developments are assessed and quantified by the government and appropriate "safety buffers" (in particular by planning a reserve fund in the current expenses, as well as providing the necessary funds in the treasury stabilization account to guarantee the necessary level of liquidity) have been created to ensure needed policy response in case of materialization of the risks

STRONG AND MULTI-FACETED SUPPORT FROM DEVELOPMENT PARTNERS

Since 2017, Armenia has progressively consolidated its relationship and cooperation with the European Union ("EU"), resulting in the alignment of several standards, technical assistance and preferential trade access for 90% of Armenia's exports to the EU

Armenia also benefits from an IMF Standby Agreement facility aimed at supporting Armenian authorities in strengthening economic fundamentals and policy frameworks

Armenia also benefits from strong international partnerships with the World Bank, Asian Development Bank, KfW and the United States Agency for International Development

UPDATE ON STRUCTURAL REFORMS

STRUCTURAL REFORMS TO FACILITATE TRADE AND DIVERSIFICATION, STRENGTHEN GOVERNANCE, IMPROVE THE BUSINESS ENVIRONMENT, FOSTER EMPLOYMENT, ADVANCE DIGITALIZATION, AND BUILD RESILIENCE AGAINST CLIMATE RISKS



Develop transport logistics and reduce non-tariff trade barriers



Reform the existing tertiary vocational education (TVET) system by implementing the action plan underpinning the education strategy



New Corporate Governance Code



Enhance the agricultural sector's resilience to climate change, by expanding the existing agricultural insurance scheme to cover more risks, regions, and crops



Develop a data-driven, result-oriented, and accountable strategic planning system



Design a comprehensive strategy to fight climate change



The review of the bankruptcy legislation



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RESILIENT AND DIVERSIFIED ECONOMY

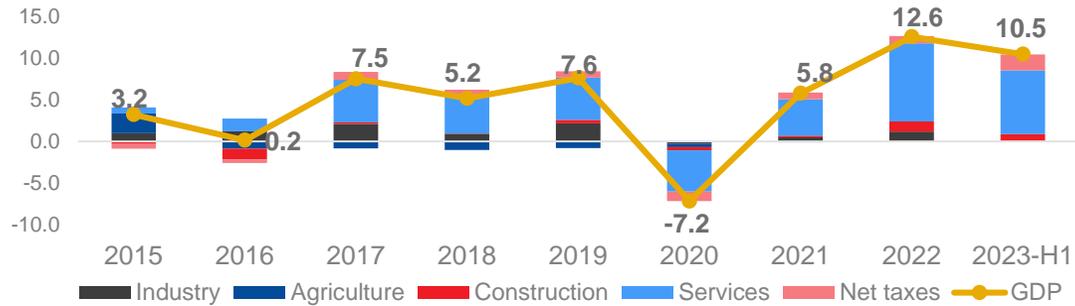


ECONOMIC INDICATORS

THE GROWTH ACCELERATED IN 2022 MAINLY DUE TO THE RELOCATION OF RUSSIAN IT ORGANIZATIONS TO ARMENIA BECAUSE OF THE RUSSIAN-UKRAINIAN WAR AND THE SANCTIONS APPLIED AGAINST RUSSIA, THE INFLUX OF PEOPLE FROM THE COUNTRIES INVOLVED IN THE CONFLICT, AS WELL AS A SIGNIFICANT INCREASE IN TOURISM AND REMITTANCES. THE ECONOMIC GROWTH CONTINUED IN 2023 AS WELL, BEARING THE INFLUENCE OF THE FAVORABLE FACTORS CREATED FOR THE RA ECONOMY FROM THE PREVIOUS YEAR. IN THE FIRST HALF OF 2023 THE ARMENIAN ECONOMY GREW BY 10.5% MAINLY PROMOTED BY SERVICE SECTOR (FROM SUPPLY SIDE) AND BY CONSUMPTION (FROM DEMAND SIDE).

REAL GDP: CONTRIBUTION OF SUPPLY COMPONENTS

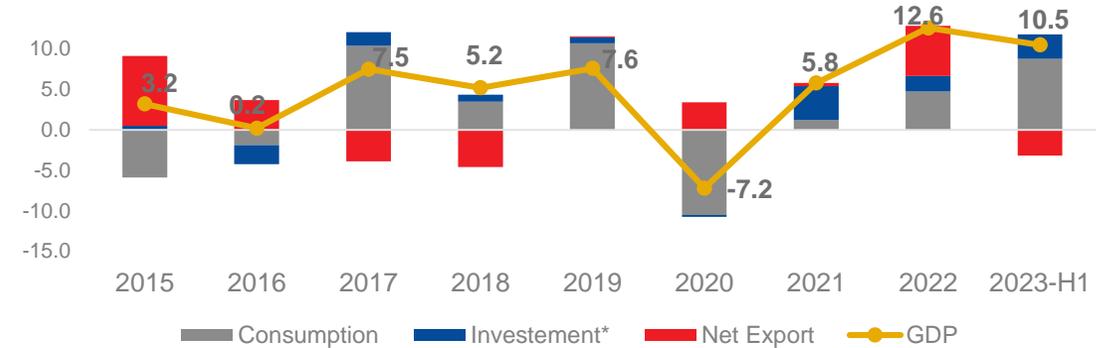
(Real growth (%) and contribution to growth (percentage point))



Source: Armstat, Calculations of the Ministry of Finance

REAL GDP: CONTRIBUTION OF EXPENDITURE COMPONENTS

(Real growth (%) and contribution to growth (percentage point))



*Gross fixed capital formation

Source: Armstat, Calculations of the Ministry of Finance

ECONOMIC ACTIVITY INDICATOR

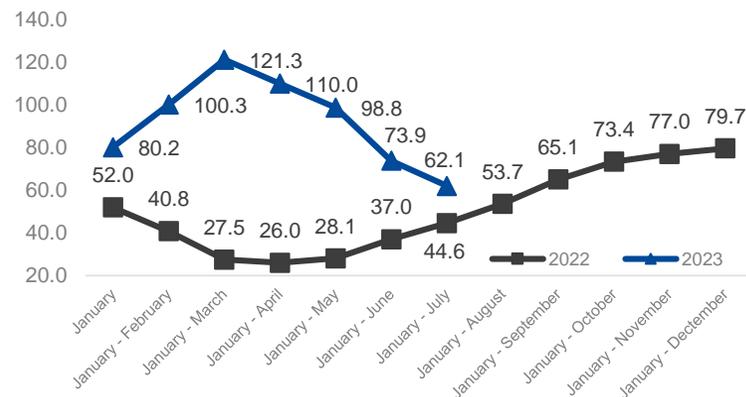
(Real growth (%))



Source: Armstat

GOODS EXPORT

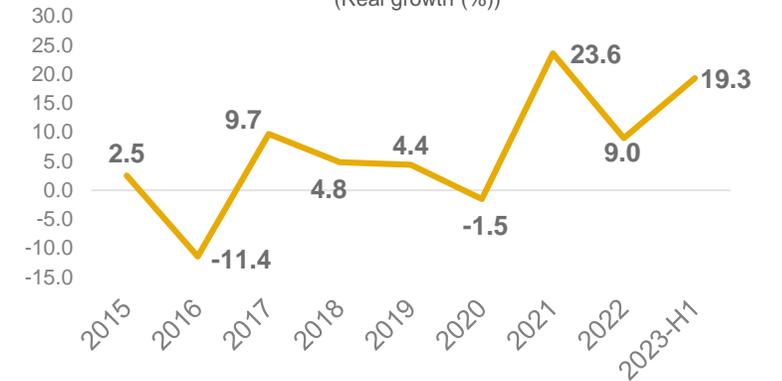
(Nominal growth (%))



Source: Armstat

GROSS FIXED CAPITAL FORMATION

(Real growth (%))



Source: Armstat

ECONOMIC INDICATORS

GDP AND GDP PER CAPITA RECOVERED AND EXCEEDED PRE-CRISIS LEVELS. ECONOMIC DIVERSIFICATION TOWARDS HIGHER VALUE ADDED ACTIVITIES CONTINUED. THE ARMENIAN ECONOMY GREW BY 10.5% IN THE FIRST HALF OF 2023 AND THE ANNUAL GROWTH IS EXPECTED TO BE AROUND 7% AS TARGETED BY THE GOVERNMENT PROGRAM.

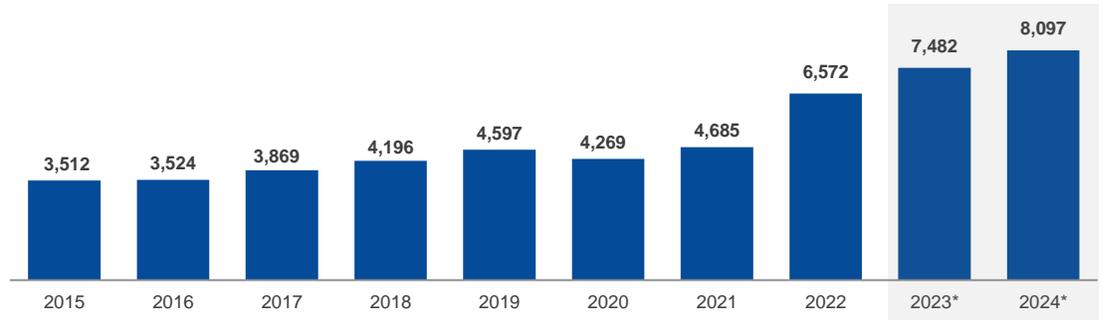
GDP TREND



Source: Armstat

* 2024-2026 MTEF Forecasts

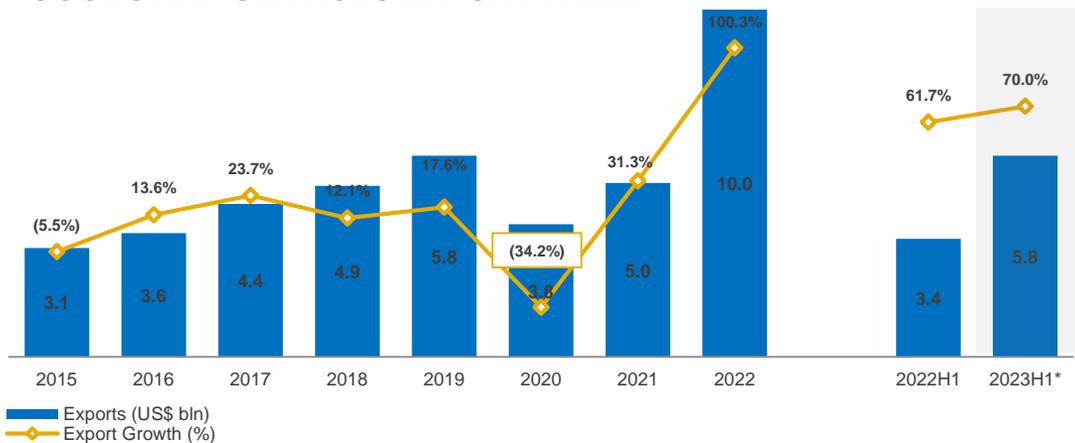
NOMINAL GDP PER CAPITA



Source: Armstat

* 2024-2026 MTEF Forecasts

GOODS AND SERVICES EXPORT TREND



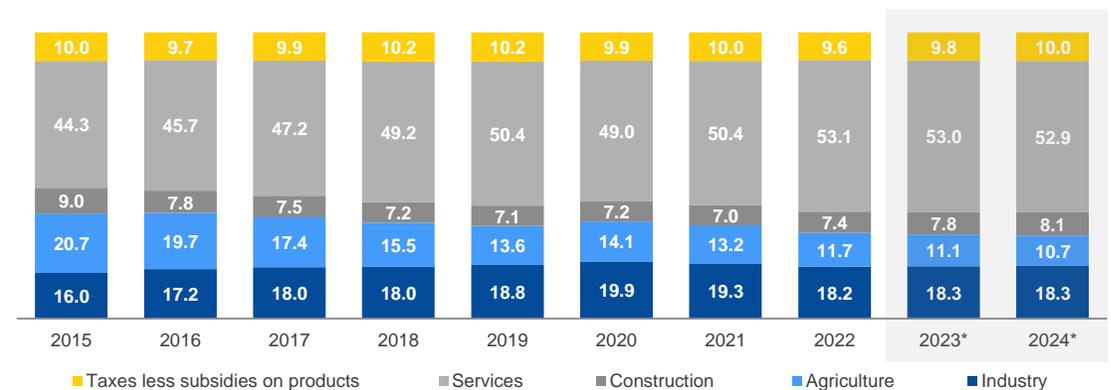
Source; Armstat

* 2022 Estimate

9

DIVERSIFICATION INTO HIGHER VALUE ADDED ACTIVITIES

(% Share in Real GDP)



Source: Armstat, Calculations of the Ministry of Finance

* 2024-2026 MTEF Forecasts

KEY SECTORS

WELL DIVERSIFIED ECONOMY, SHIFTING TOWARDS HIGHER VALUE ACTIVITIES

AGRICULTURE

- Over 69% of Armenia's land area is classified as agricultural land, half of which comprises of pasture
- In December 2019, the Government approved the 2020-2030 strategy to develop the agricultural sector, with the key objectives:
 - Ensure prosperity and inclusive growth in rural areas
 - Improve national food and nutrition security
 - Promote the export of high-value agricultural products
 - Enable best-in-class food safety systems
 - Lead on technology-driven agricultural innovation across the region

11.7%



7.4%

CONSTRUCTION

- Armenia's construction sector experienced strong growth as soviet-era housing and office buildings were replaced with more modern structures, growing 18.8% in 2022.
- The largest public construction projects include the new terminal at Zvartnots Airport, and the Northern Avenue, which runs through the center of Yerevan
- The ongoing North-South Highway, is a major infrastructure project which will span the country



Share in Real
GDP, as of 2022

INDUSTRY

- Armenia's mining industry accounted for 3.8% of Armenian GDP in 2022. Main activity is focused on metal ores, in particular molybdenum, copper and zinc
- In 2022, manufacturing accounted for 11.3% of nominal GDP. The main manufacturing areas in Armenia are food, beverage and tobacco products as well as basic metals and non-metallic mineral production, such as rubber and plastics and other non-metallic goods

18.2%



TAXES*
9.6%

53.1%

SERVICES

- ICT has been designated by the Government as a priority sector for investment and development. The number of companies operating in this sector has increased significantly over the past 10 years
- Over the past 10 years Armenia's financial services sector share has increased significantly on the back of an increase in loans (reaching to 8.0% in 2022, highest in the last 10 years). The rise in loans reflects, in turn, increased access to and demand for funding, greater competition among banks and higher volumes of foreign investment in the sector



Source: Armstat.

*Taxes less subsidies on products

THE ECONOMIC TARGETS OF THE GOVERNMENT PROGRAM 2021-2026

The Government of Armenia has set the following targets for 2021-2026

- ✓ **At least 7% annual average GDP growth (with favorable external conditions to be targeted at 9%)**
- ✓ 25% formal private sector labor income share in GDP
- ✓ Less than 10% unemployment rate
- ✓ At least 5% annual growth of total factor productivity
- ✓ At least 25% Investment share in GDP
- ✓ Reaching 6% of foreign direct investment share in GDP
- ✓ At least 15% share of manufacturing in GDP



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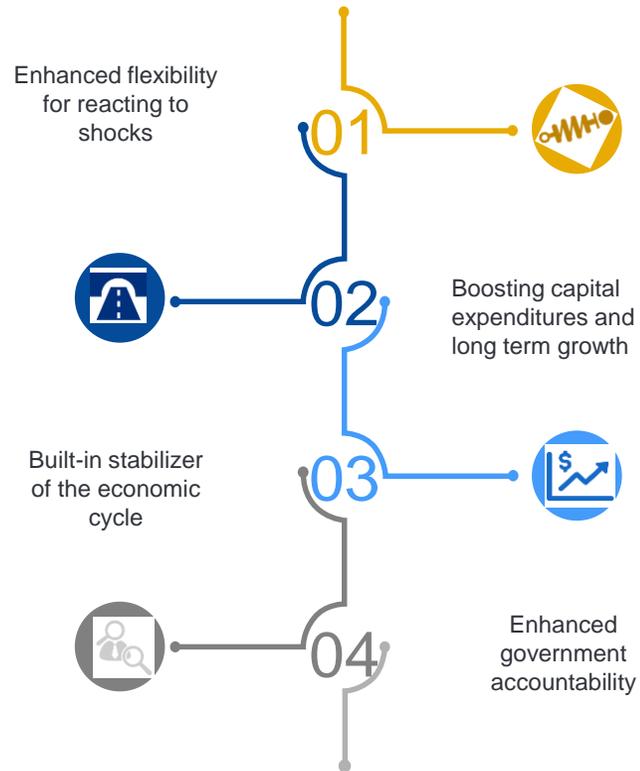
PRUDENT FISCAL MANAGEMENT



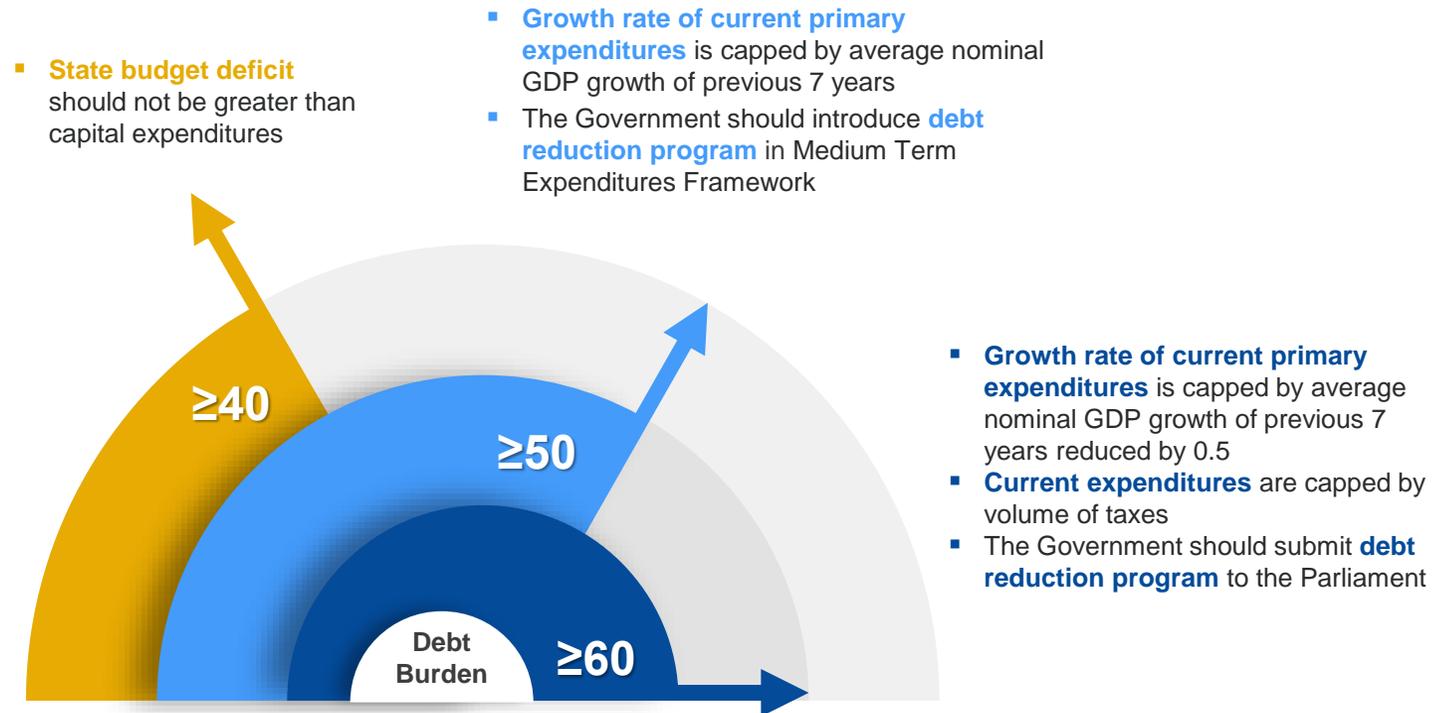
FISCAL RULE REFORM

UPGRADED FISCAL RULES SUPPORT DEBT SUSTAINABILITY AND FISCAL SPACE

ACTIVE FISCAL POLICY PRIORITIES



FISCAL RULE



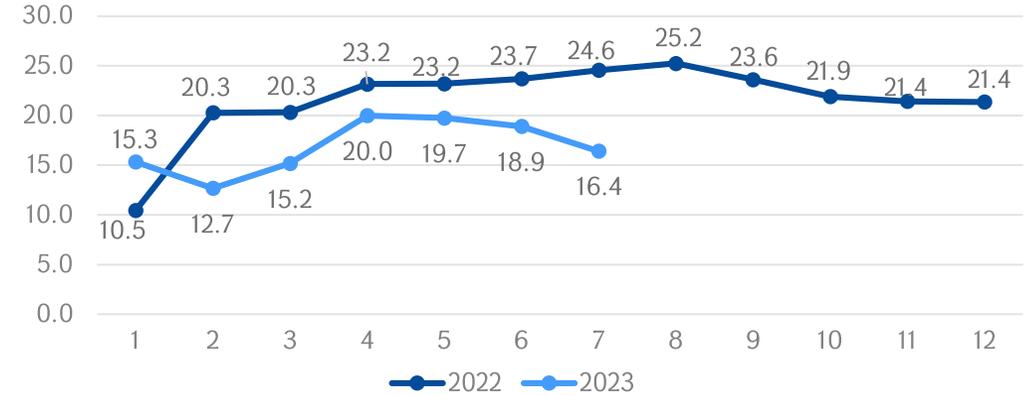
While in 2020 and 2021 the fiscal policy was deviating from fiscal rules under “escape clause” inactivated due to twin shocks of COVID-19 and Artsakh war, in 2022 fiscal policy was adequate to fiscal rules, which was committed to maintain and strengthen in the medium term.

TAX REVENUES

GROWTH RATE OF TAX REVENUES ACCELERATED DURING SINE 2022 WHICH ALLOWED AN UPWARDS REVISION OF MTEF PROJECTIONS

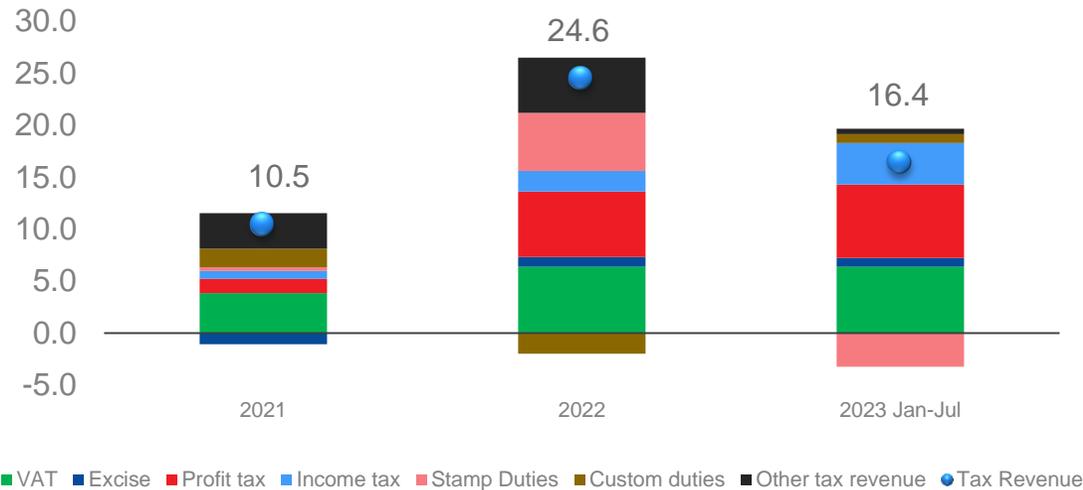
- In line with accelerating economic activity during 2022, growth of tax revenues accelerated significantly. This was slowed down in 2023 but is high in historical terms.
- The increase of tax revenues is mainly driven by Profit tax, VAT, Stamp Duties and Other tax revenues (mainly duties on export of mining products).
- Tax to GDP ratio was stable at 22.7% in 2022, which was due to tax administration and legislation efforts weighted by downwards factors like removal of a specific temporary tax on the exports of copper mine and declining customs duties due to shrinking EAEU imports.

TAX REVENUES, YOY CHANGE



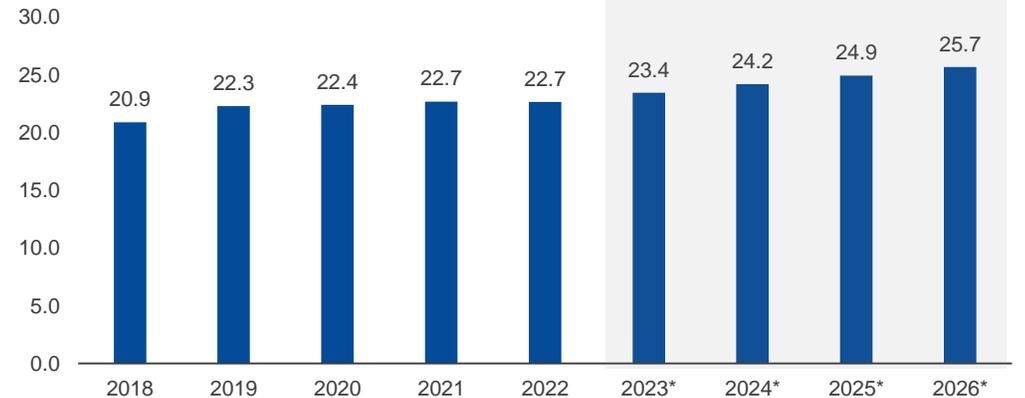
Source: Ministry of Finance

TAX REVENUES GROWTH RATE (%) AND CONTRIBUTIONS OF TAX TYPES (P.P.)



Source: Ministry of Finance

TAX REVENUES, % OF GDP



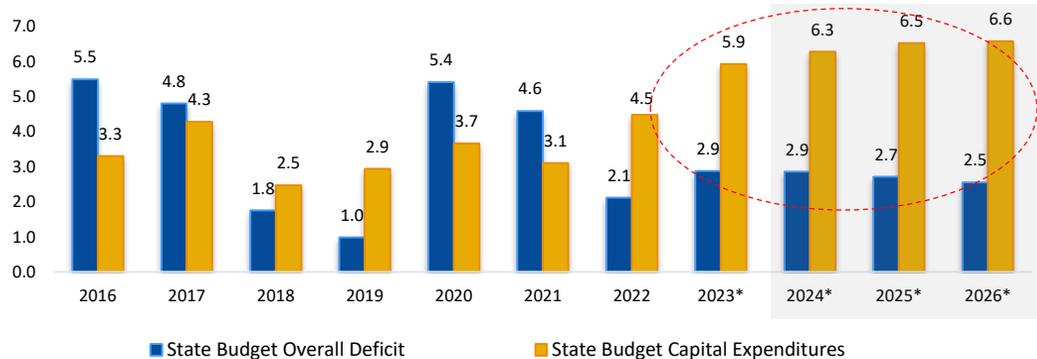
Source: Ministry of Finance, * MTEF 2024-2026

FISCAL POLICY: TARGETING GROWTH POTENTIAL AND SUSTAINABILITY

PRUDENT FISCAL FRAMEWORK SUPPORTIVE FOR ECONOMIC POTENTIAL ENSURING FISCAL SUSTAINABILITY.

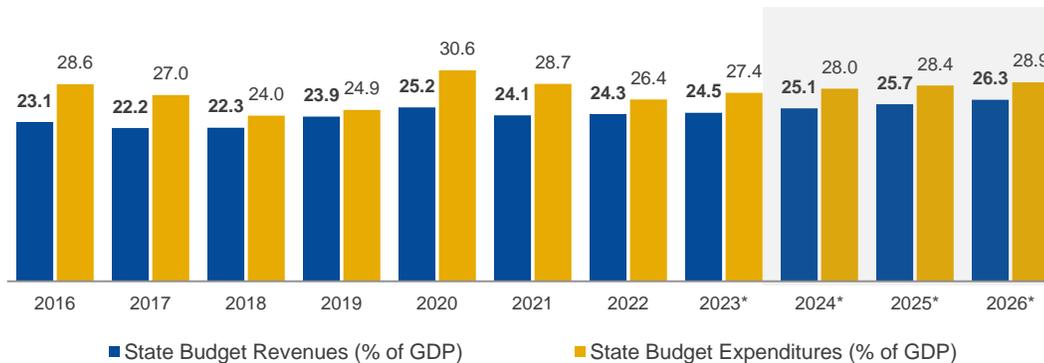
ECONOMIC AND FISCAL PERFORMANCE DURING 2022 ALLOWED TO FRONTLOAD DEBT CONSOLIDATION AND ENHANCE THE FISCAL SPACE.

THE GOVERNMENT IS COMMITTED TO IMPLEMENT FISCAL POLICY IN LINE WITH THE “GOLDEN RULE” OF PUBLIC FINANCES



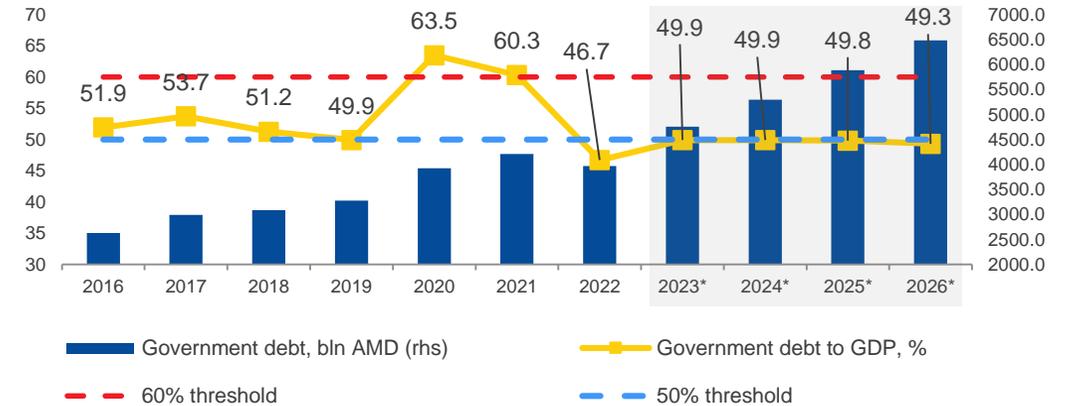
Source: Ministry of Finance, *MTEF 2024-2026

CONCERTED GOVERNMENT REVENUE MOBILIZATION



Source: Ministry of Finance, *MTEF 2024-2026

GOVERNMENT DEBT TO GDP RATIO PROJECTION



Source: Ministry of Finance, *MTEF 2024-2026

MORE EMPHASIS ON ENHANCING CAPEX TO ACHIEVE HIGHER GROWTH

With 2024-26 MTEF, Government plans to increase the role of capital spending

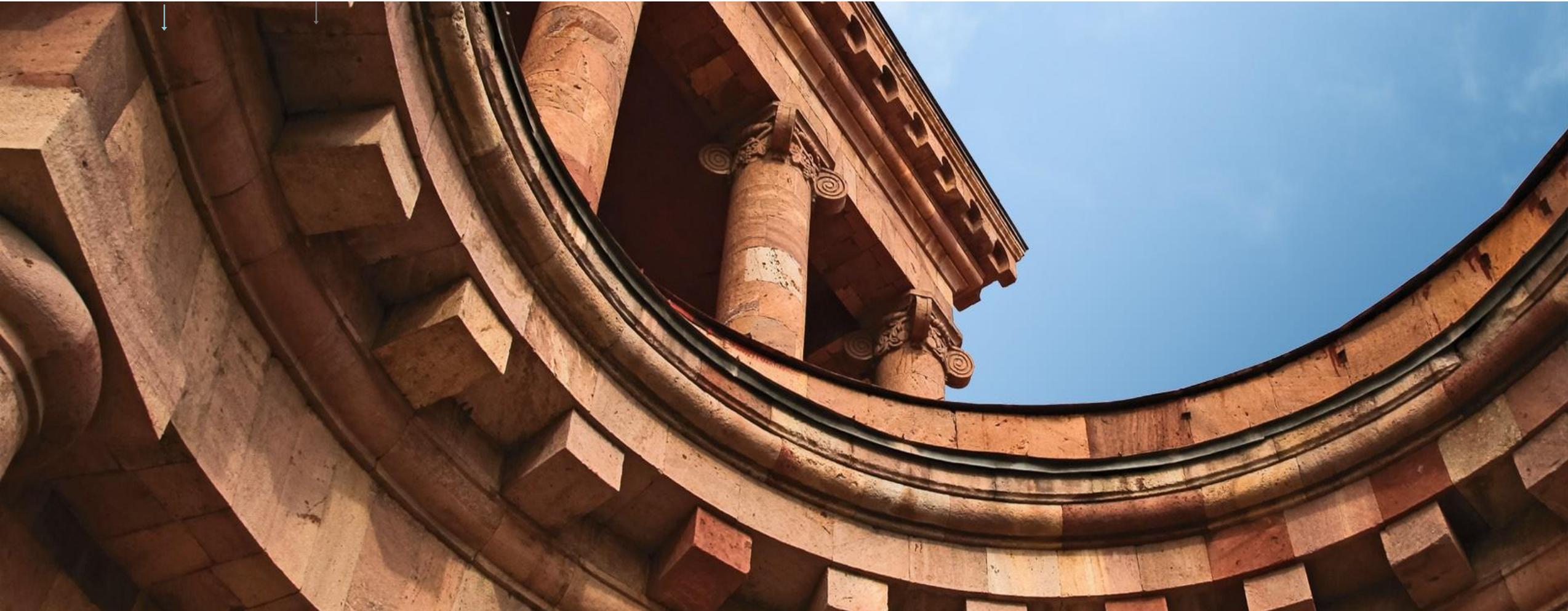
	2022 actual	2023*	2024*	2025*	2026*
Share in GDP, %					
State Budget Revenues	24.3	24.5	25.1	25.7	26.3
Tax Revenues	22.65	23.4	24.2	24.9	25.7
State Budget Expenditures	26.4	27.4	28.0	28.4	28.9
Current Expenditures	21.9	21.4	21.7	21.9	22.3
Transactions with non-financial assets					
State Budget Balance	-2.1	-2.9	-2.9	-2.7	-2.5
Government Debt	46.7	49.9	49.9	49.8	49.3

Source: Ministry of Finance, * MTEF 2024-2026



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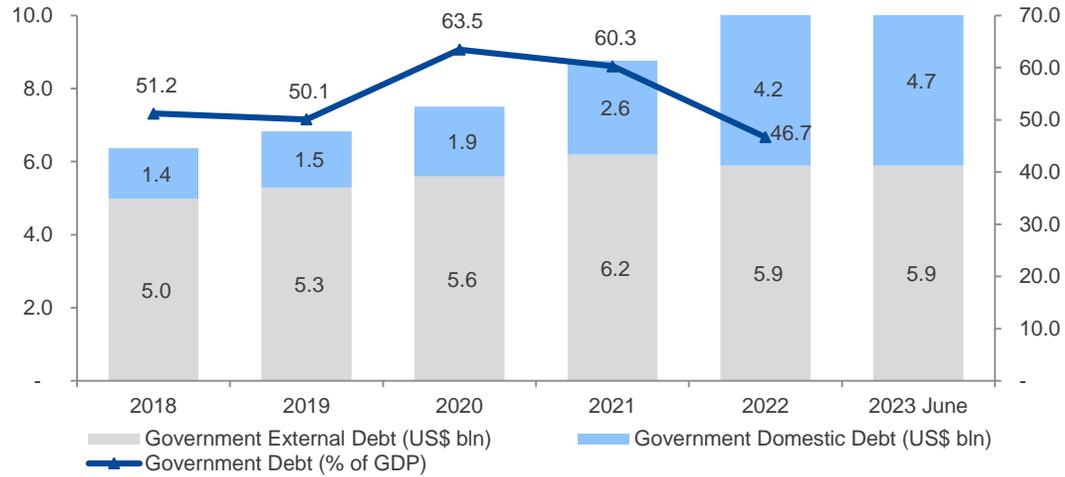
4 | GOVERNMENT DEBT MANAGEMENT



GOVERNMENT DEBT MANAGEMENT

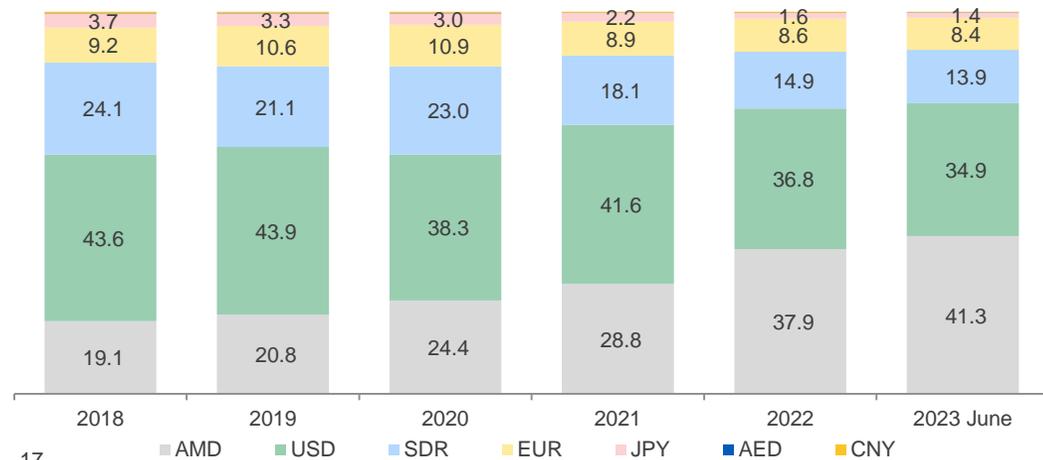
THE SHARE OF LOCAL CURRENCY DEBT, AS WELL AS THE SHARE OF DOMESTIC DEBT HAVE INCREASED WITHIN PAST YEARS.

GOVERNMENT DEBT TO GDP



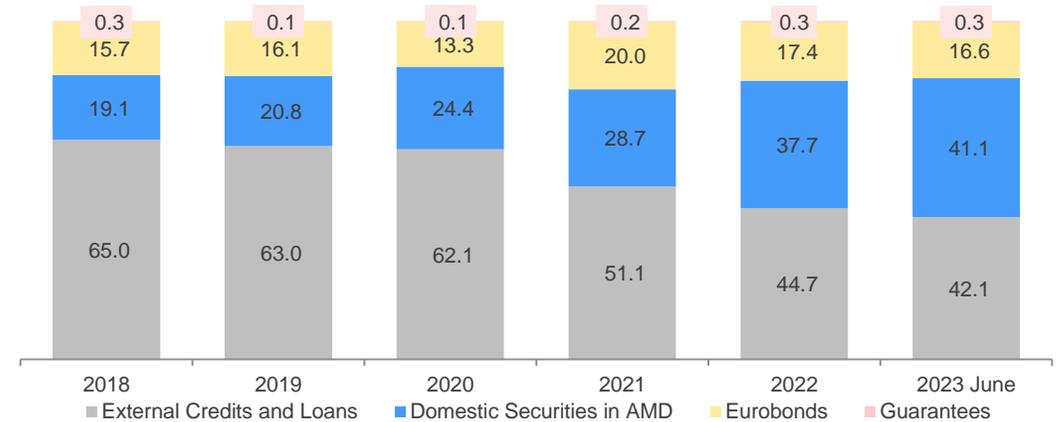
GOVERNMENT DEBT CURRENCY COMPOSITION

(of Total Government Debt)



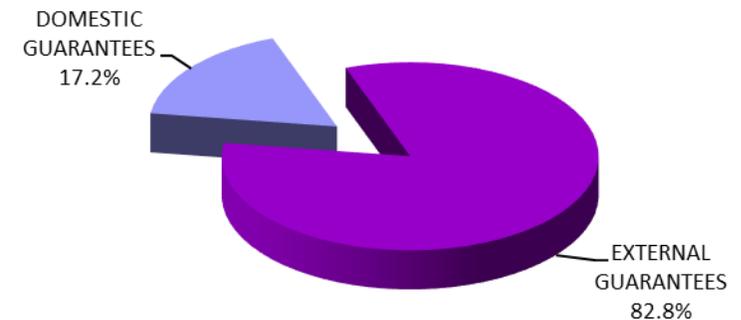
GOVERNMENT DEBT BY INSTRUMENTS

(of Total Government Debt)



GOVERNMENT GUARANTEES

- As of June 30, 2023 Guarantees issued by the Government totalled USD 108.6 mln, of which USD 18.7 mln were outstanding domestic guarantees and USD 90.0 mln were outstanding external guarantees out of which USD 82.3 mln were provided by the Government for external loans of the CBA.



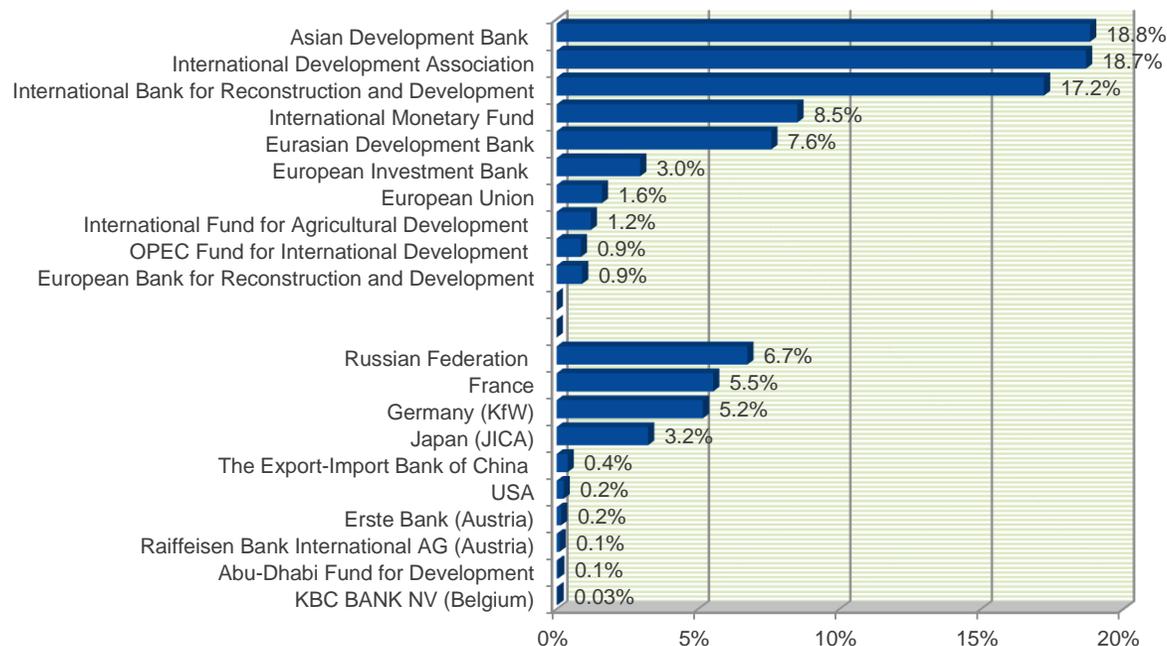
GOVERNMENT DEBT MANAGEMENT (CONT'D)

THE VOLUME AND STRUCTURE OF EXTERNAL LOANS HAS NOT CHANGED SIGNIFICANTLY DURING THE RECENT YEARS.

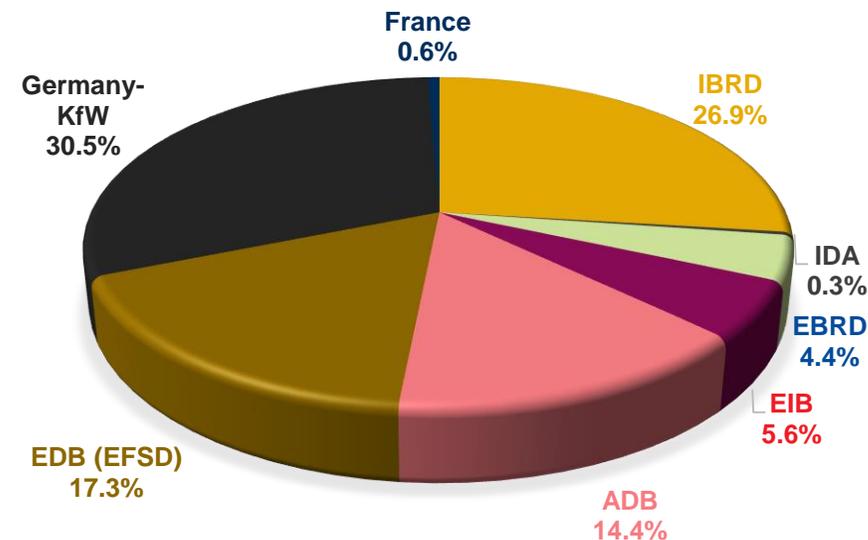
EXTERNAL CREDITS AND LOANS

	31.12.2022	30.06.2023
Stock Outstanding (USD mln)	4,503.9	4,442.7
<i>of which</i>		
Multilateral Creditors	3,495.9	3,480.9
Bilateral Creditors	994.2	948.8
Commercial Banks	13.7	13.0
Weighted Average Interest Rate,	3.2	3.5
Weighted Average Time to Maturity (ATM), years	7.5	7.2

EXTERNAL LOANS STRUCTURE BY CREDITORS



UNDISBURSED BALANCE UNDER EXISTING LOANS IS USD 878.5 MILLION (June 30, 2023)

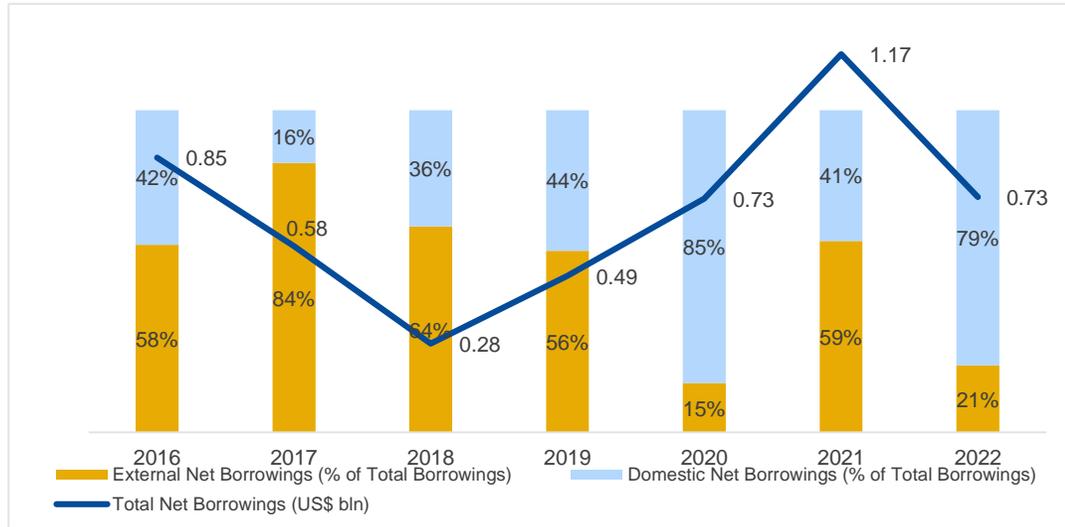


Source: Ministry of Finance

GOVERNMENT DEBT MANAGEMENT (CONT'D)

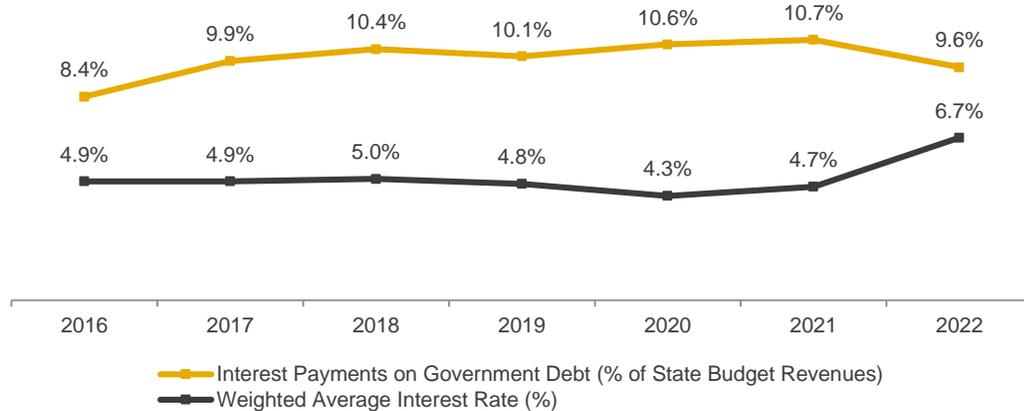
THE SHARE OF DOMESTIC BORROWINGS IN STATE BUDGET DEFICIT FINANCING IS CONTINUOUSLY INCREASING. REDEMPTION PROFILE OF GOVERNMENT DEBT IS SCATTERED UP TO 2054.

NET FINANCING OF THE STATE BUDGET DEFICIT BY BORROWINGS

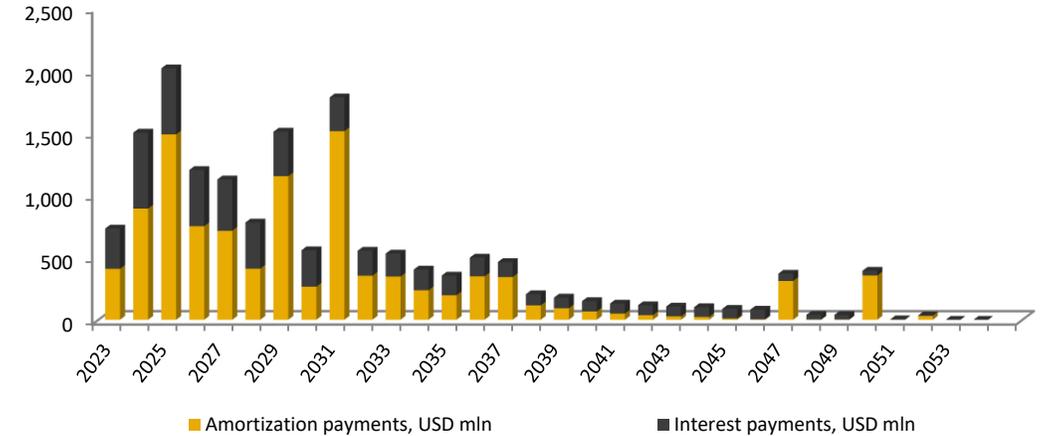


* the amounts of net borrowings have been converted into US\$ based on the USD/AMD average exchange rate for the period

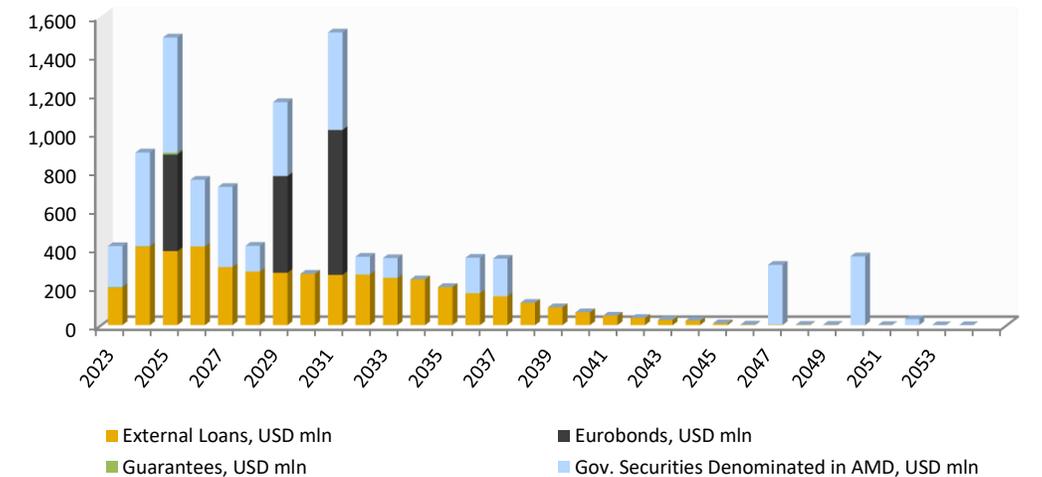
GOVERNMENT DEBT SERVICING COSTS



CONSOLIDATED REDEMPTION AND DEBT SERVICE PROFILE (June 30, 2023)



REDEMPTION PROFILE OF GOVERNMENT DEBT (June 30, 2023)



GOVERNMENT DEBT MANAGEMENT (CONT'D)

INTEREST RATES DECREASED AND ATM INCREASED IN DOMESTIC MARKET COMPARED TO PREVIOUS YEAR DETERIORATION.

OUTSTANDING GOVERNMENT DOMESTIC SECURITIES

	31.12.2022	30.06.2023
Stock outstanding, AMD bln	1,496.3	1,676.6
Weighted Average Yield,	10.55	10.89
Weighted Average Time to Maturity, days	3,204	3,073

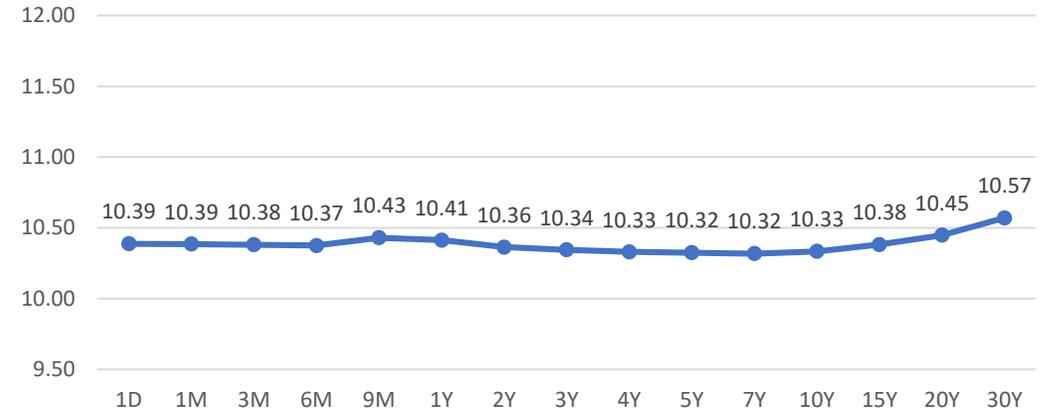
Type of Security	Average Time to Maturity, days	Weighted Average Yield
T-bills	167.0	11.52
Medium-Term Coupon Notes	880.7	10.27
Long-Term Coupon Bonds	4,864.5	11.20
Saving Coupon Bonds	425.8	9.24

Weighted average yield of Government Securities allocated on the Primary Market in January-June, 2023 is 11.65%, and weighted average time to maturity is 2,021 days.

ON-THE-RUN GOVERNMENT DOMESTIC SECURITIES: LATEST AUCTIONS

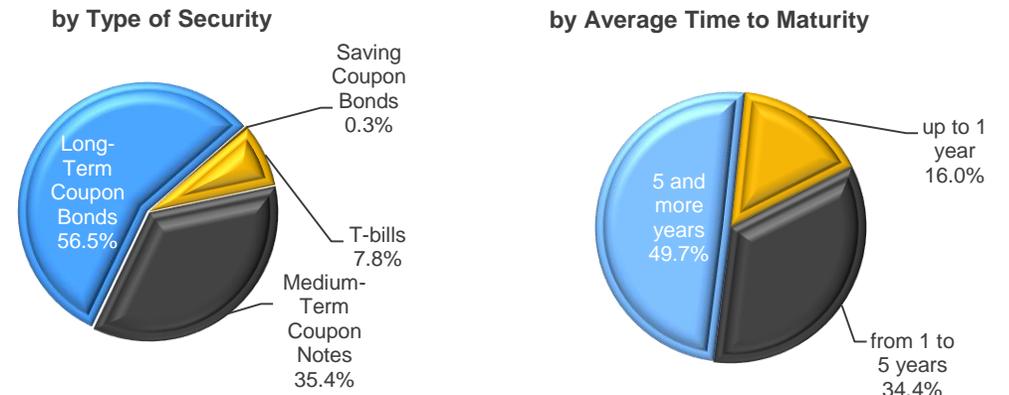
Auction Date	ISIN	Allocation	Weighted Average Yield	Coupon Yield	Outstanding, AMD	Maturity Date
04-Sep-23	AMGT52029247	5,038,943,000	10.43	-	5,038,943,000	02-Sep-24
08-Aug-23	AMGN60294284	37,143,887,000	10.75	9.25	71,811,320,000	29-Apr-28
11-Jul-23	AMGB1129A332	61,900,000,000	11.12	9.60	101,494,545,000	29-Oct-33
13-Jun-23	AMGN36294269	30,008,500,000	11.23	9.00	30,008,500,000	29-Apr-26
11-Apr-23	AMGB3029A522	12,038,124,000	11.87	9.75	12,038,124,000	29-Oct-52

YIELD CURVE OF GOVERNMENT DOMESTIC SECURITIES



Source: CBA, as of 01.09.2023

STRUCTURE OF GOVERNMENT DOMESTIC SECURITIES (June 30, 2023) (of total)



Source: Ministry of Finance

GOVERNMENT DEBT MANAGEMENT (CONT'D)

ARMENIA IN INTERNATIONAL CAPITAL MARKETS

Terms of Issuance	Armenia 7.15% 2025	Armenia 3.95% 2029	Armenia 3.60% 2031
Issuer	The Republic of Armenia	The Republic of Armenia	The Republic of Armenia
Issuance Format	RegS / 144A	RegS / 144A	RegS / 144A
Ratings	Ba3 (Moody's) / B+ (Fitch)	Ba3 (Moody's) / B+ (Fitch)	Ba3 (Moody's) / B+ (Fitch)
ISIN	US042207AB67 / XS1207654853	US042207AC41 / XS2010043904	US042207AD24 / XS2010028939
Index Eligibility	IMBIG	IMBIG	IMBIG
Issue Size	500,000,000 USD	500,000,000 USD	750,000,000 USD
Issue Date	26 March of 2015	26 September of 2019	2 February, 2021
Maturity Date	26 March of 2025	26 September of 2029	2 February, 2031
Tenor	10 years	10 years	10 years
Maturity Type	Bullet	Bullet	Bullet
Coupon	7.15	3.95	3.60
Coupon Frequency	Semi-annual 26 March and 26 September	Semi-annual 26 March and 26 September	Semi-annual 2 February and 2 August
First Coupon Payment Date	26 September of 2015	26 March of 2020	2 August, 2021
Yield	7.50	4.20	3.875
Benchmark	UST due to 2025 - 2.0	UST due to 2029 - 1.625	UST due to 2030 - 1.039
Spread to benchmark	+551.8 b.p.	+242.8 b.p.	+ 283.6 b.p.
Spread to mid-swap	+543.7 b.p.	+255 b.p.	+ 280.2 b.p.
Listing	Irish Exchange Stock	Irish Exchange Stock	Irish Exchange Stock
Issue Price	97.568	97.976	97.738

GOVERNMENT DEBT MANAGEMENT (CONT'D)

INDICATORS CHARACTERIZING GOVERNMENT DEBT AND BENCHMARKS FOR 2024-2026

	Benchmark	31.12.2022 actual	30.06.2023 actual
Weighted Average Interest Rate, %		6.3	6.8
Refinancing risk			
Weighted Average Time to Maturity (ATM), years	7 - 10	7.7	7.4
Debt Share Maturing in Upcoming 3 Years, %	maximum 35%	28.8	31.3
Debt Share Maturing in Upcoming 365 Days, %		8.0	10.3
The share of Government Treasury Securities maturing in the next year in total TS (at the end of the year), %	maximum 20%	12.9	16.0
Interest rate risk			
The share of fixed rate debt in the total debt, %	at least 80%	83.5	84.2
Weighted Average Time to Refixing (ATR), years		6.6	6.4
Debt Share Refixing in Upcoming 365 Days, %		23.3	24.2
Exchange rate risk			
Share of domestic debt in total debt, %	at least 40%	41.6	44.2
Share of AMD denominated debt in total debt, %	at least 40%	37.9	41.3

Abstract from Debt Strategy

In the medium and long run, along with the targeted changes in composition and structure of market participants and a significant increase in their number, the share of domestic net borrowings in the sources of State budget deficit financing will exceed the share of external net borrowings. It will be aimed at reducing the exchange rate risk, as well as it will form the basis for the application of new instruments in the financial market (floating, index linked, targeted, etc.), and for the further development of the market. Driven by the progress of the pension and insurance reforms, it will be possible to speed-up the process of increasing the weight of domestic sources in the State budget deficit financing.

The increase of the liquidity of the Government treasury securities through enhancing volumes of the outstanding Government treasury securities will continue to be considered as a domestic public debt management target.



THE GOVERNMENT
OF THE REPUBLIC
OF ARMENIA
INVESTOR PRESENTATION

5 | IMPROVING EXTERNAL POSITION



STRONG ACCESS TO MARKETS THROUGH TRADE AGREEMENTS

STRONG BILATERAL AND MULTILATERAL PARTNERSHIPS

EUROPEAN UNION (EU)

- In 2017, Armenia and the EU concluded the CEPA which sets a framework for the cooperation between the Union and the country
- For January-June 2023, the EU accounted for 11.5% of the country's total exports and 20.2% of imports

COMMONWEALTH OF INDEPENDENT STATES (CIS)

- In 1991, Armenia became a member of the CIS which aims to enhance political, economic, environmental, humanitarian and cultural cooperation and support the free interaction, contact and movement of citizens within the CIS
- Countries within the CIS region are the main trade partners of Armenia. For January-June 2023, import and exports from CIS countries and Georgia accounted for 10.1% and 3.0% respectively
- Armenia holds bilateral free trade agreements with 8 of the 11 country members

EURASIAN ECONOMIC UNION (EEU)

- The EEU, consisting of Russia, Belarus, Kazakhstan and the Kyrgyz Republic, includes a custom union in which no tariffs apply. Armenia joined the EEU in 2015 and is gradually transitioning into the tariff system of the union
- Armenia currently does not have any export restrictions in place, such as export quotas, export tariffs or voluntary export restraints
- Armenia has received two grants (USD42 million and RUB130 million) to support the country's integration into the EEU

RUSSIA

- Russia is Armenia's largest source of worker remittances and largest trading partner, accounting for 24.9% of the value of imports (by country of origin) and 51.3% of the value of exports for January-June 2023
- The two countries have signed a free trade agreement and are both part of the CIS, the Organisation of Black Sea Economic Cooperation and the EEU

CHINA

- Armenia and China have developed relations of friendly cooperation over the last decades
- The Armenian Government expressed its support to China's One Belt One Road initiative and joined its Economic Belt of Silk Road component

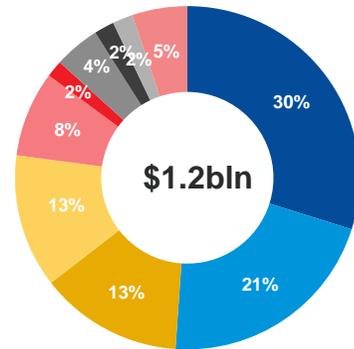
FOCUS ON EXPORT-ORIENTED AND COMPETITIVE INDUSTRIES

SHIFT IN IMPORTS AND EXPORTS TOWARDS CAPITAL GOODS AND HIGHER VALUE EXPORTS

DIVERSIFIED EXPORT BASE, SHIFTING TOWARDS HIGHER VALUE EXPORTS AND REDUCING DEPENDENCY ON COMMODITIES

(% Share of Goods Exports)

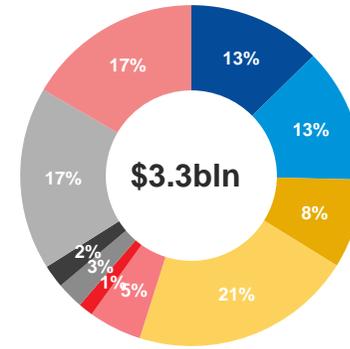
- Mineral products
- Prepared foodstuffs
- Base metals
- Precious stones and metals
- Textiles/clothing
- Animal and animal product
- Vegetables
- Instruments and devices
- Machinery and equipment
- Other



As of 2018



22.6%
CAGR



As of 2023 June



Share of machinery exports up by 15.5 pp



Share of textile and clothing exports down by 3.0 pp



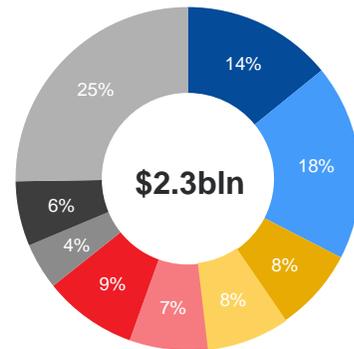
Share of mineral products exports down by 17.2 pp

Source: Armstat

ARMENIA'S IMPORT COMPOSITION SHIFTING FROM CONSUMPTION TOWARDS INVESTMENT

(% Share of Goods Imports)

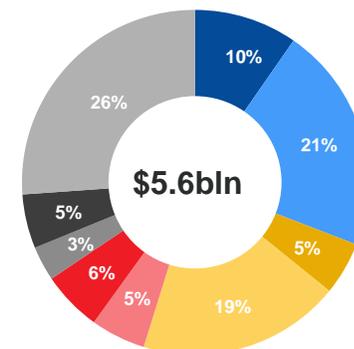
- Mineral products
- Machinery and equipment
- Prepared foodstuffs
- Transport
- Base metals
- Chemical products
- Vegetables
- Textiles/clothing
- Other



As of 2018



19.5%
CAGR



As of 2023 June



Share of machinery imports up by 2.8 pp



Share of transport imports up by 11.3 pp



Share of chemical products down by 3.2 pp

Source: Armstat

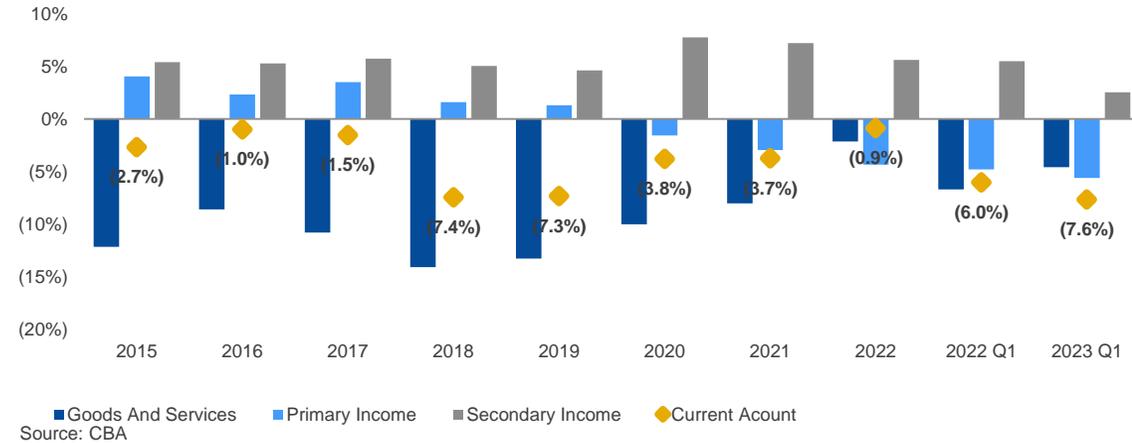
The comparison of exports and imports compositions are presented for January-June of 2018 and 2023.

EXTERNAL POSITION

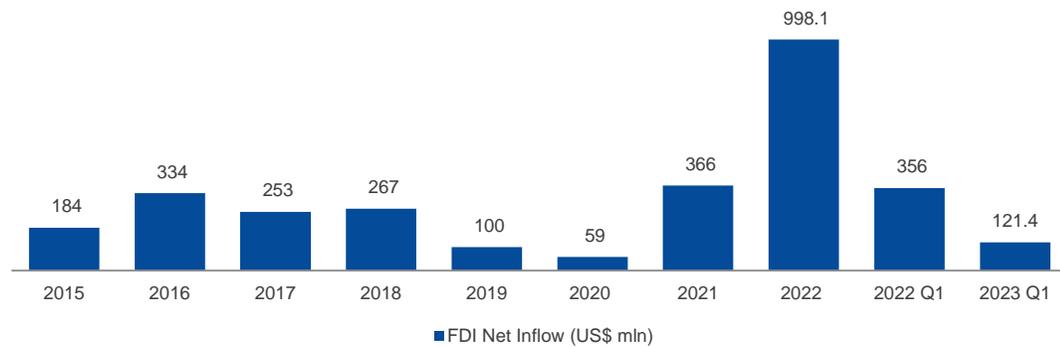
IN THE FACE OF SUBSTANTIAL IMPORVMENT OF THE EXTERNAL POSITION ARMENIA IS MAINTAINING SIGNIFICANT RESERVE ADEQUACY

TREND IN CURRENT ACCOUNT

(% of GDP)

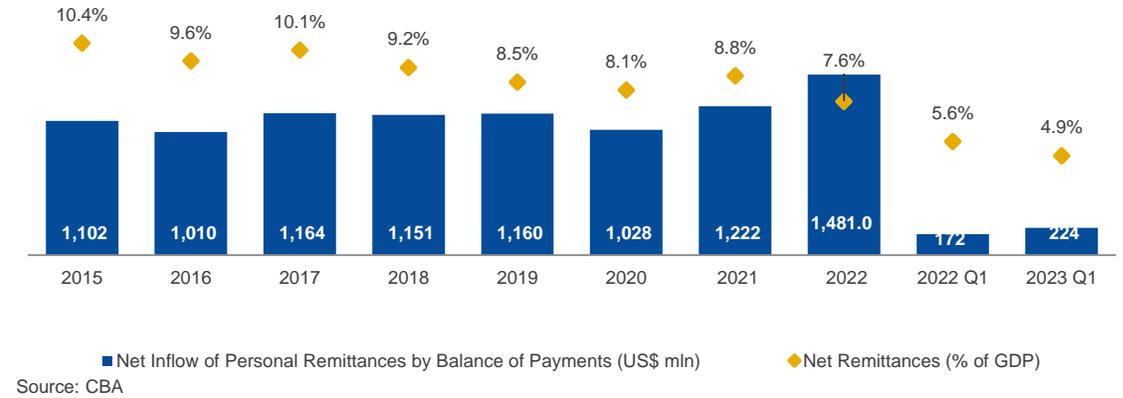


Net FDI*

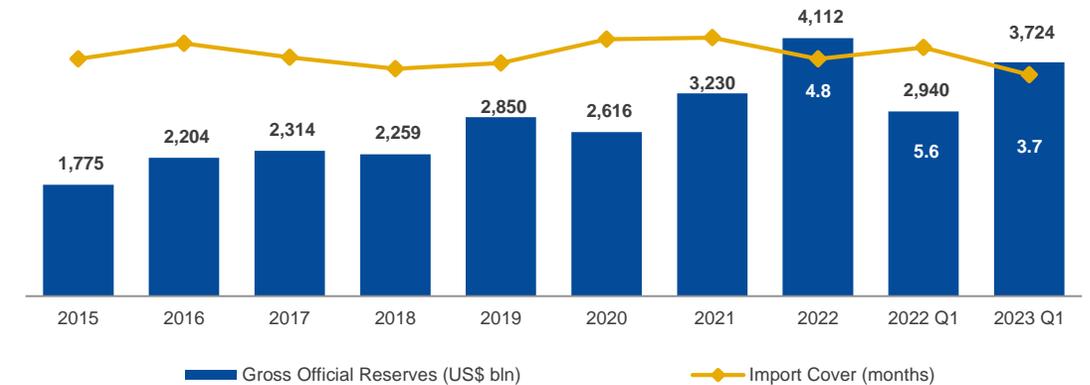


Source: CBA
* Net incurrence of liabilities

REMITTANCES



INTERNATIONAL RESERVES





THE GOVERNMENT
OF THE REPUBLIC
OF ARMENIA
INVESTOR PRESENTATION

6

CREDIBLE MONETARY POLICY & STABLE FINANCIAL SECTOR



INSTITUTIONAL FRAMEWORK

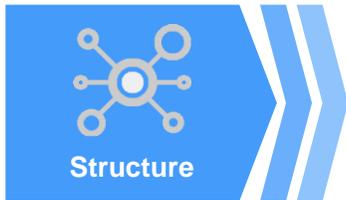
CREDIBLE INSTITUTIONAL FRAMEWORK FOR MANAGING MONETARY POLICY AND THE FINANCIAL SECTOR

INSTITUTIONAL FRAMEWORK – CENTRAL BANK STRUCTURE

(% of GDP)



- Maintains prices and financial stability
- Supervision of the banking sector and regulation of other financial services
- Holds foreign reserves and acts as the financial agent and banker for the Government



- The CBA is governed by a board composed of a chairman, two deputies and five members
- Constituted, inter alia, of a Monetary Policy Department, focused on monetary and FX policies, and a Financial Stability and Special Resolution Committee responsible for financial stability



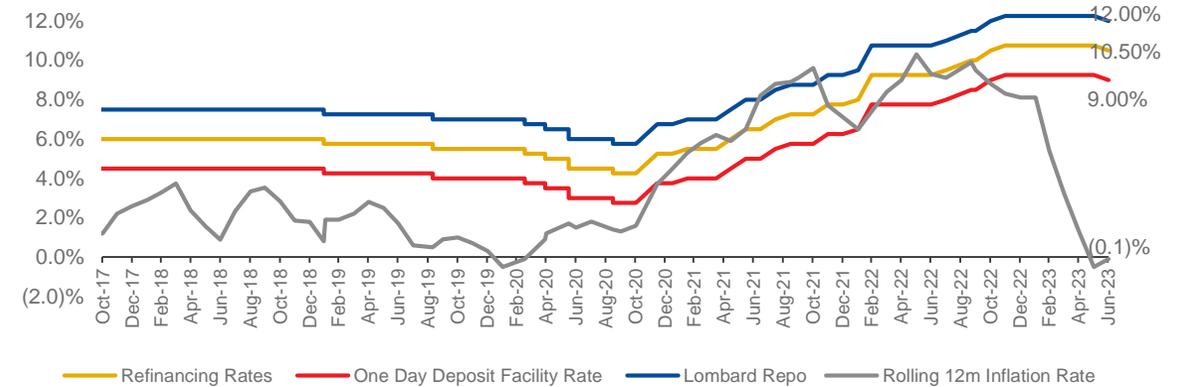
- Inflation targeting policy with an annual inflation target of 4% (tolerance band of plus/minus 1.5%)
- Key inflation targeting instrument is the interest rate on short-term loans from the CBA to the domestic banking system (the “Refinancing Rate”)



- Macro-prudential policy is conducted to ensure financial stability
- Macro-prudential tools are being activated to address the accumulation of systemic risks
- Resilience of the financial system is periodically assessed using various analytical tools, including stress tests

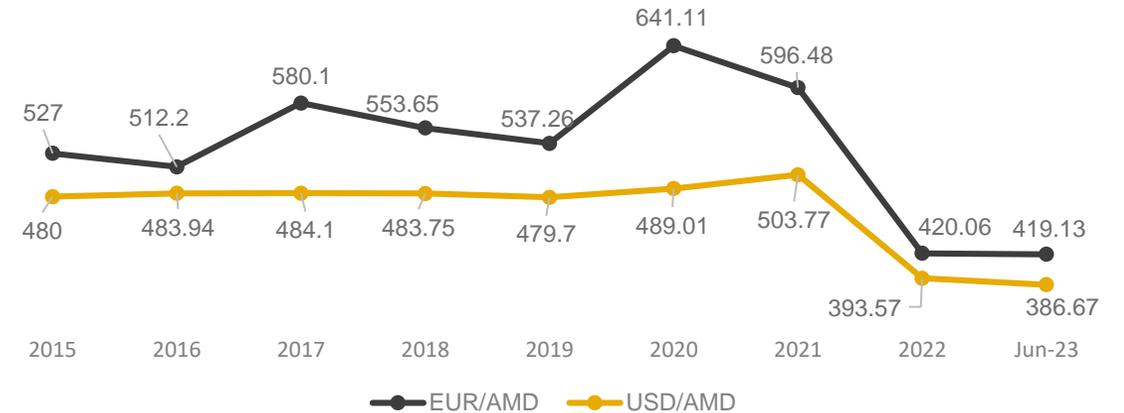
KEY CENTRAL BANK RATES AND INFLATION

(%)



EXCHANGE RATES

(AMD/EUR, AMD/USD, end of period)

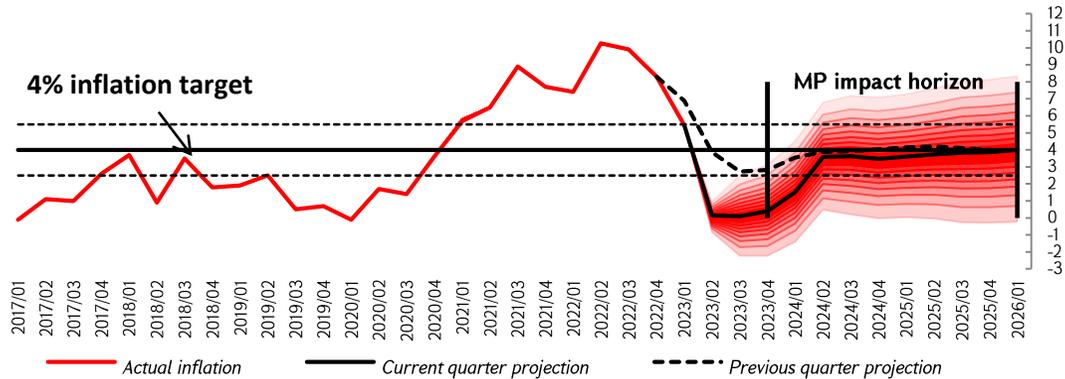


Source: CBA

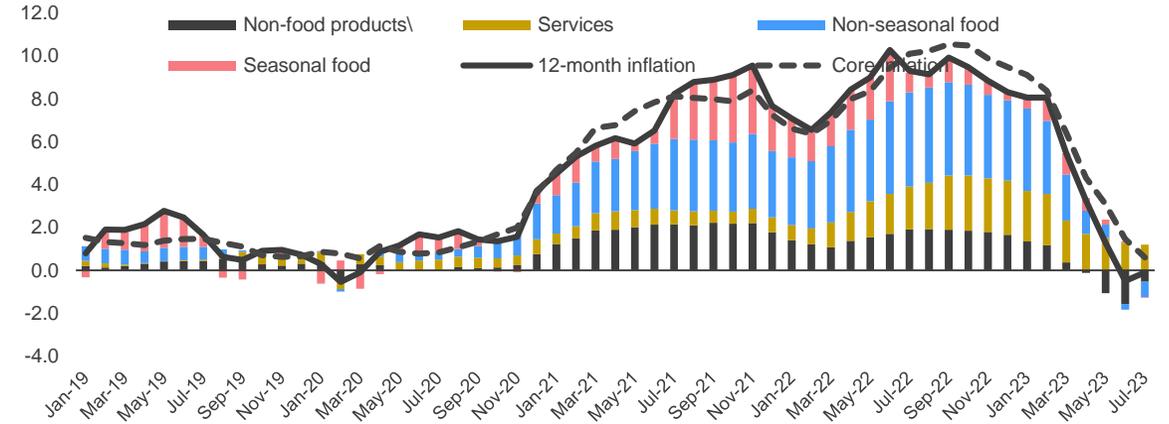
MONETARY POLICY IS COMMITTED TO PRICE STABILITY

CBA'S COMMITTED TIGHTENING OF MONETARY CONDITIONS SINCE DEC 2020 IS EFFECTIVE IN TERMS OF CONTROLLING THE INFLATION AND CONTAINING THE INFLATION EXPECTATIONS IN THE FACE OF CONTINUOUS EXTERNAL SUPPLY- AND DEMAND-SIDE INFLATIONARY SHOCKS

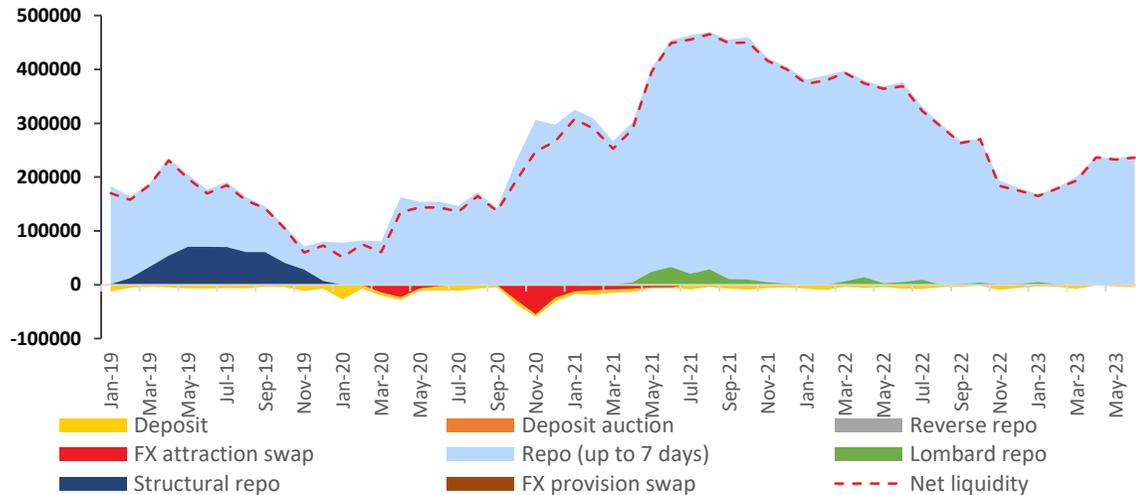
INFLATION PROJECTION (CBA, June 2023)



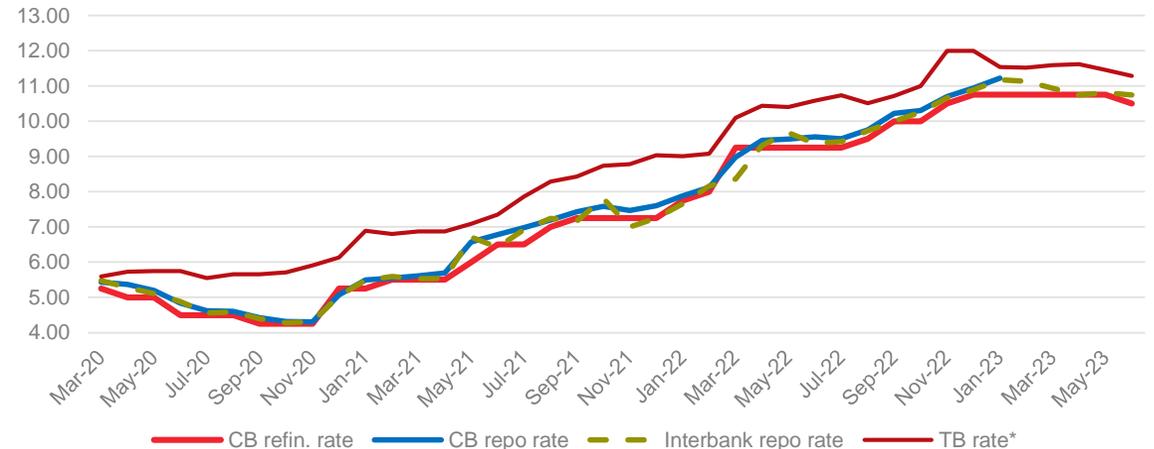
INFLATION COMPONENTS



CENTRAL BANK LIQUIDTY TRANSACTIONS (BLN DRAMS)



MARKET INTEREST RATES (%)

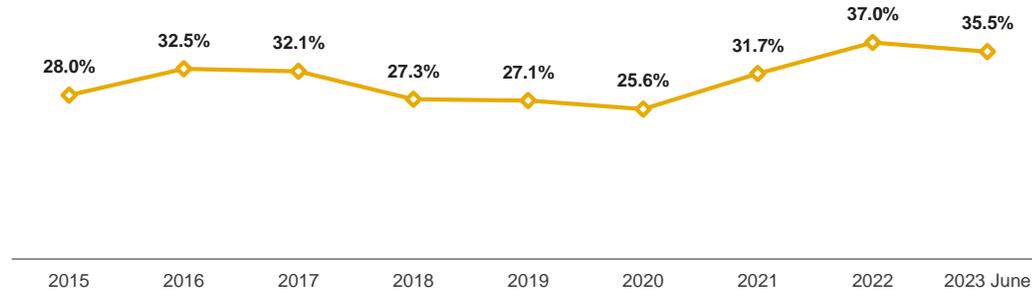


Source: CBA

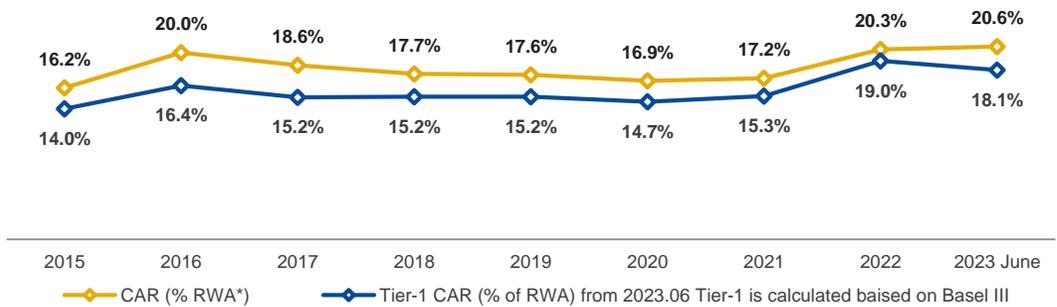
BANKING SECTOR OVERVIEW

ARMENIAN BANKING SYSTEM IS ADEQUATELY CAPITALIZED ABOVE THE REGULATORY REQUIREMENTS AND WELL-POSITIONED

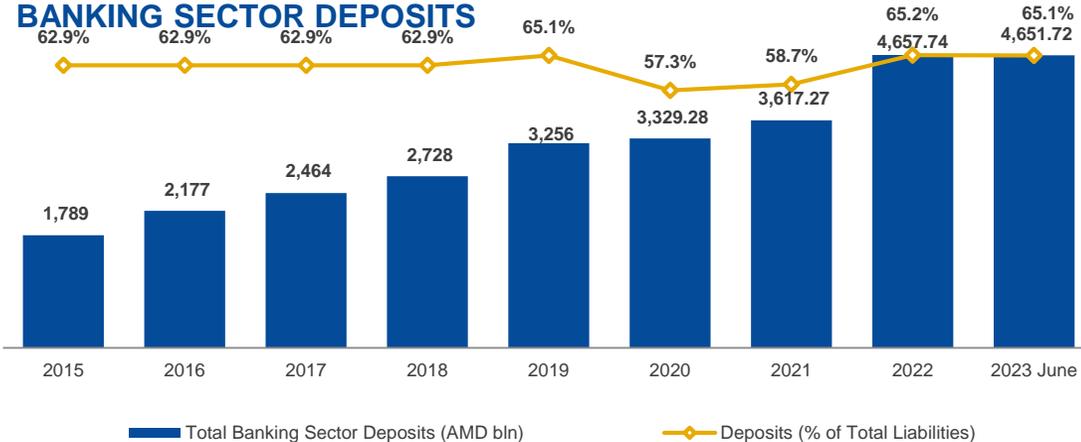
LIQUIDITY RATIO



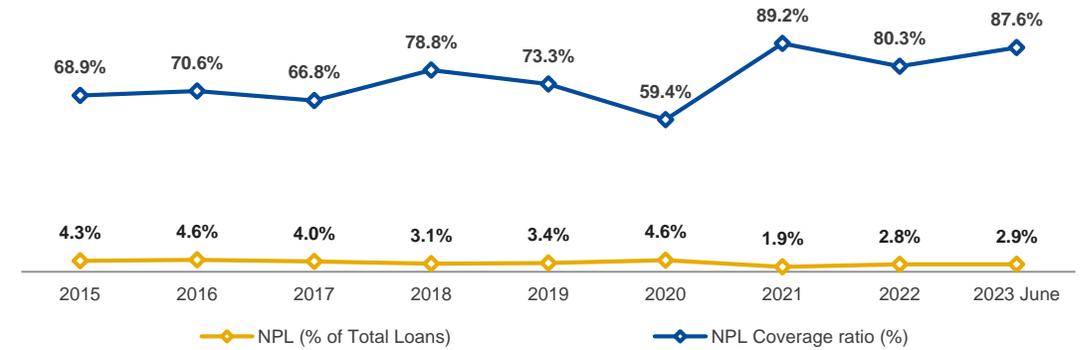
CAPITAL ADEQUACY RATIO



BANKING SECTOR DEPOSITS



NON-PERFORMING LOANS AND COVERAGE RATIO*



* Excluding watch category loans and reserves

Source: CBA

CONTACTS AND USEFUL LINKS

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E-mail: publicdebt@minfin.am samvel.khanvelyan@minfin.am

Other sources of information

➤ The Government of the Republic of Armenia	www.gov.am
➤ Ministry of Finance	www.minfin.am
➤ Statistics Committee	www.armstat.am
➤ Ministry of Economy	www.mineconomy.am
➤ Central Bank of Armenia	www.cba.am

The list of Primary Dealers

AMERIABANK CJSC

ARDSHINBANK CJSC

ARMBUSINESSBANK CJSC

ARMECONOMBANK OJSC

CONVERSE BANK CJSC