

October 2024



THE GOVERNMENT OF THE REPUBLIC OF ARMENIA

INVESTOR PRESENTATION



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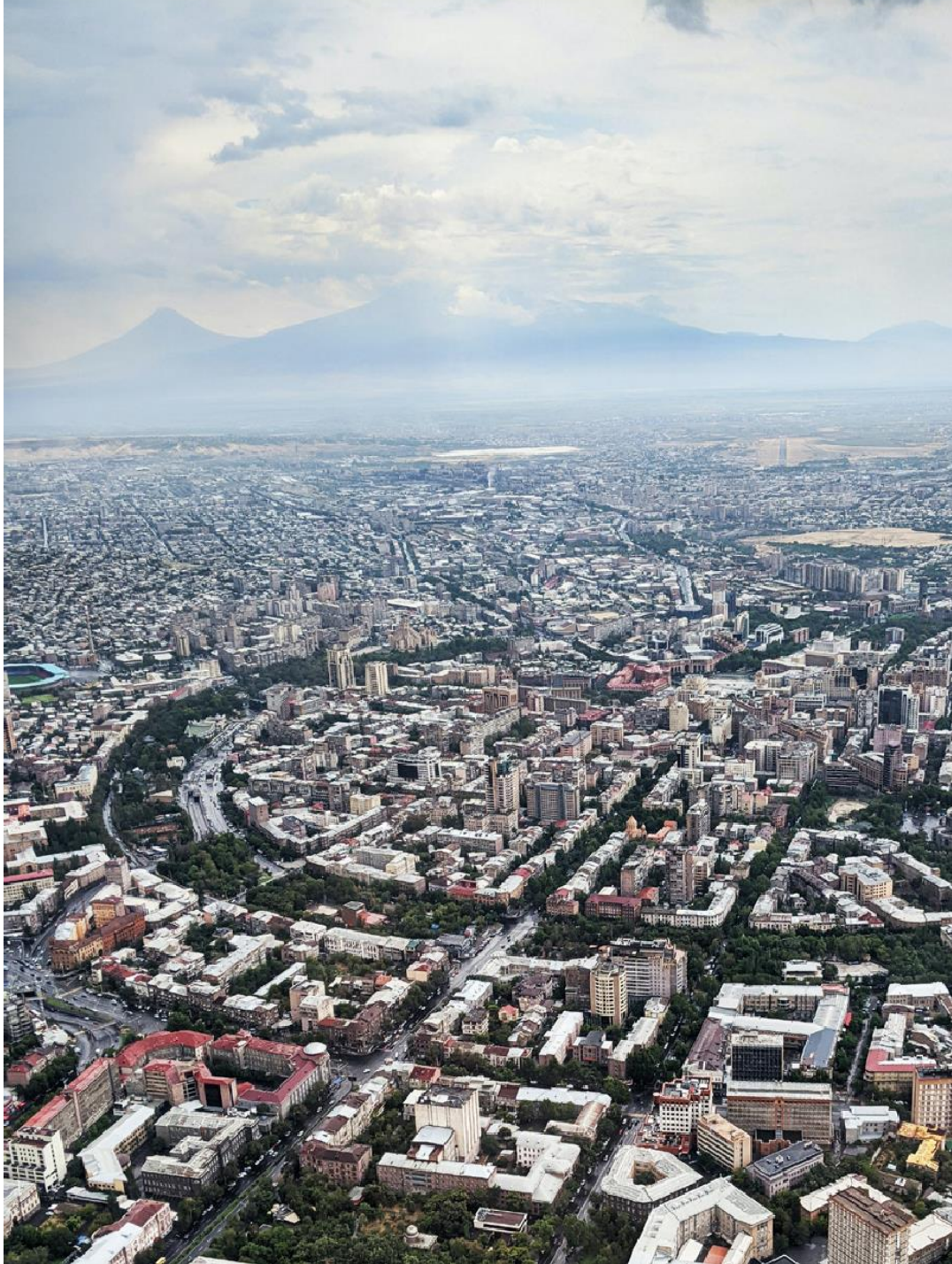
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THE GOVERNMENT
OF THE REPUBLIC
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1 | ARMENIA AT A GLANCE





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\$ 24.1 billion (2023)
US\$ 10.7 billion (First Half, 2024)



REAL GDP GROWTH

8.3% (2023)
6.5% (First Half, 2024)



CPI INFLATION

2.0% (2023)
1.3% (Aug 2024)



UNEMPLOYMENT

15.5% (Q1 2024)



HEAD OF STATE

President



INDEPENDENCE

September 21, 1991



POPULATION

3.06 million (as of July 1, 2024)



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\$ 8,126 (2023)
US\$ 3,516 (First Half, 2024)



GOVERNMENT DEBT / GDP

46.7% (2022)
48.4% (2023)



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 2023 economic performance was remarkably strong, supported by capital inflow and influx of people. A good track record (confirmed by international organizations and rating agencies) of fiscal and monetary policies ensured macroeconomic stability and boosted the economic resilience.

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

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 sustainable growth

PROACTIVE FISCAL POLICY AND DEBT MANAGEMENT

Amid the high economic growth of recent years, the Government conducted countercyclical fiscal policy with strong tax revenue collection and prudent spending management. The strong macroeconomic performance and the fiscal consolidation efforts of the Government first allowed to ensure debt to GDP ratio to reduce below 50% (decreasing by 13.6 percentage points), which is considered safe in the context of the fiscal rules of Armenia.

As the economic growth gradually converges to its potential in 2024, the Government is demonstrating its commitment to maintain a neutral stance of fiscal policy and debt at acceptable low levels.

In the medium term fiscal policy is targeting significantly improved revenue collection, and a strong emphasis on physical (public infrastructure) and human capital (education, health, social safety nets) spending. Meanwhile, the tax and spending policies are aligned with prudent medium-term fiscal frameworks, which preserve the debt around 50% of GDP and maintain the fiscal buffers against possible future shock (including permanent cash buffers at the treasury stabilization account (at least 1% of GDP) and expenditure buffers at each year's budgets.

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 modernization program has been adopted by the Government to stimulate private investments.

The program of economic modernization: Businesses receive subsidies for loans or leasing contracts for buying new equipment and machineries.

Government support to IT: IT companies receive support by 50% of income tax paid for new employees.

Support to the agriculture sector: Includes subsidies and grants for boosting and modernizing the sector.

Support to forcefully displaced Armenians from NK: To address the social, housing, and other needs, the cash assistance programs, integration to the labor market were implemented and long-term housing program was designed and launched.

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

In the meantime, Armenia benefits significantly from robust international partnerships, including those with the World Bank, Asian Development Bank, EBRD, EIB, AFD, KfW, OFID, EDB, EFSD, USAID. Collaboration with international partners also contributes to the RA Government efforts to promptly address humanitarian and long-term integration needs (including housing, employment, MSME support) of forcibly displaced Armenians from Nagorno-Karabakh.

In December 2023, Armenia became eligible for the Global Concessional Financing Facility (GCFF) financing.

UPDATE ON STRUCTURAL REFORMS

OUR OBJECTIVE IS TO BECOME A REGIONAL TRANSPORT AND HIGH-TECH HUB, FOR WHICH WE ARE ADVANCING STRUCTURAL REFORMS AND STRENGTHENING THE ECONOMY'S RESILIENCE TO FUTURE SHOCKS



Large-scale infrastructure investments- construction of new roads (North-South) and energy infrastructure, large-scale construction of schools, kindergartens, reservoirs, university and high-tech clusters



Trade diversification – new Export strategy to encourage diversification in the country's export basket and markets, by addressing bottlenecks to trade expansion and the capacity to export high value-added products in third countries

Labor market – new Employment strategy to achieve growth of highly productive non-agricultural employment by targeted program for youth, women and vulnerable groups, industrial zones, tax exemptions and modernization of labor market infrastructure

Access to finance - insolvency legislation improvements to increase the protection of creditor rights, improve the efficiency of insolvency processes, upgrade the restructuring toolbox, and increase the capacity and accountability of insolvency administrators

Public Financial Management - raise the implementation rate and quality of gov. capital expenditures, strengthen the PIM framework, develop SOE policy, assess fiscal risks arising from state-owned enterprises

Revenue mobilization – implementation of the universal PIT declaration, reforms to help decrease the revenue gap relative to Armenia's tax potential

Governance - reforms to ensure compliance with the Freedom of Information Law, strengthen the whistleblowing protection regime, advance the Corruption Prevention Commission's analytical capacity, and bolster the enforcement and prevention capacity of Armenia's anti-corruption bodies





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RESILIENT AND DIVERSIFIED ECONOMY

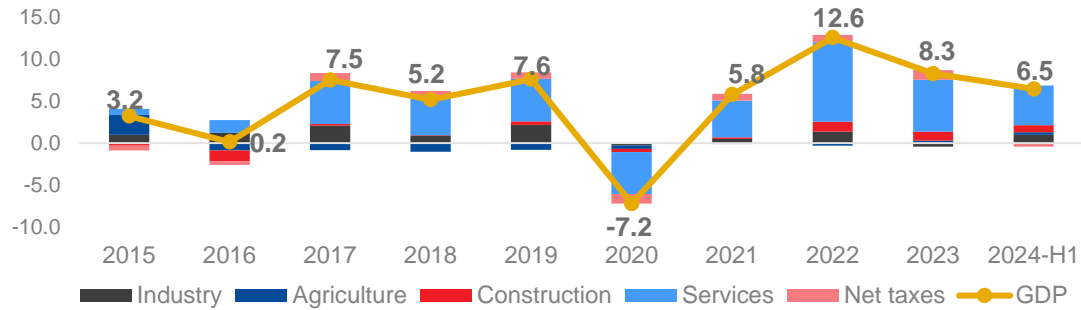


ECONOMIC INDICATORS

AS A RESULT OF THE DECLINE IN FAVORABLE EXTERNAL ECONOMIC CONDITIONS FOR THE ARMENIAN ECONOMY THAT EMERGED IN 2022, THE RATE OF ECONOMIC GROWTH SLOWED IN 2023 BUT REMAINED HIGH DUE TO NEW FACTORS (STATE CAPITAL EXPENDITURES, ONGOING HOUSING CONSTRUCTION, POPULATION FORCIBLY DISPLACED FROM NAGORNO KARABAKH TO ARMENIA AND A SHARP RISE IN JEWELRY PRODUCTION). THE ECONOMIC GROWTH CONTINUED ALSO IN 2024. IN THE FIRST HALF OF 2024 THE ECONOMY GREW BY 6.5% MAINLY DRIVEN BY THE SERVICE SECTOR (FROM THE SUPPLY SIDE) AND BY EXPORT, PRIVATE CONSUMPTION AND INVESTMENT (FROM THE DEMAND SIDE).

REAL GDP: CONTRIBUTION OF SUPPLY COMPONENTS

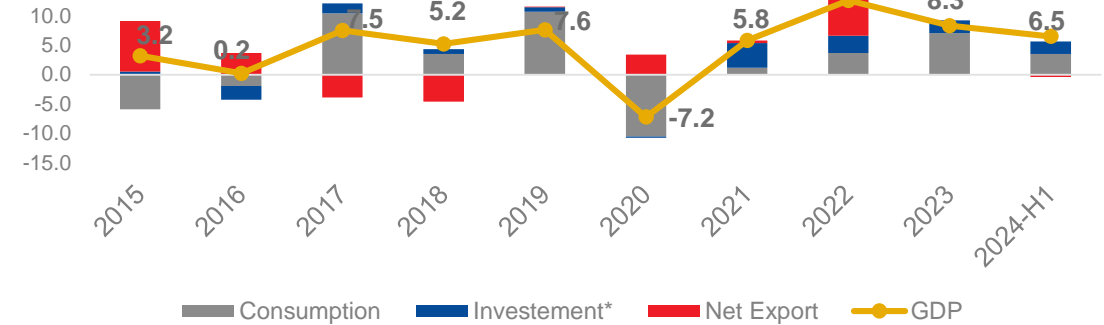
(Real growth (%) and contribution to growth (percentage point))



Source: Armstat, Calculations of the Ministry of Finance

REAL GDP: CONTRIBUTION OF EXPENDITURE COMPONENTS

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

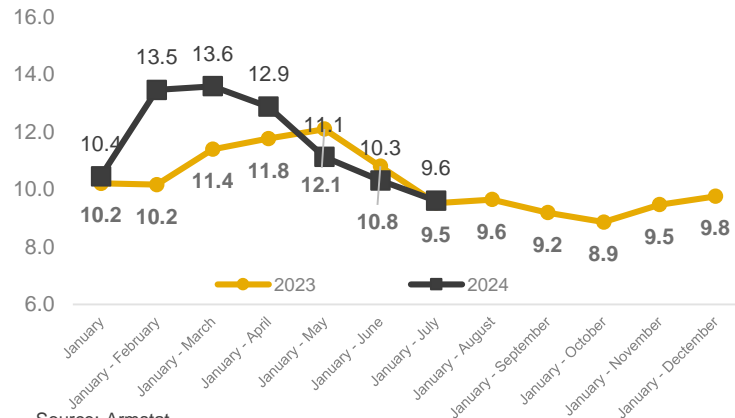


*Gross fixed capital formation

Source: Armstat, Calculations of the Ministry of Finance

ECONOMIC ACTIVITY INDICATOR

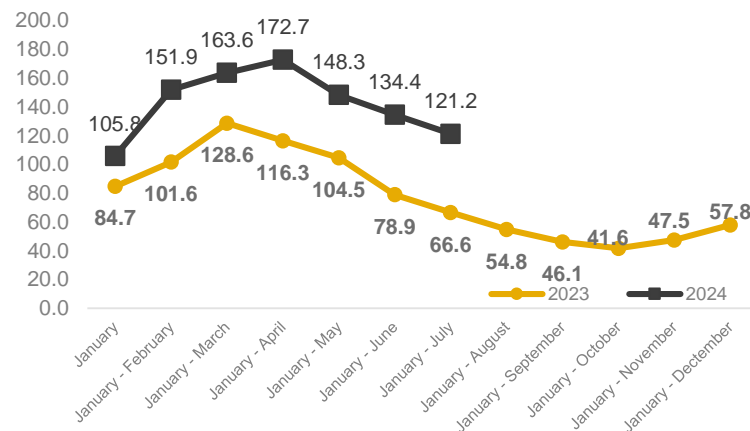
(Real growth (%))



Source: Armstat

GOODS EXPORT

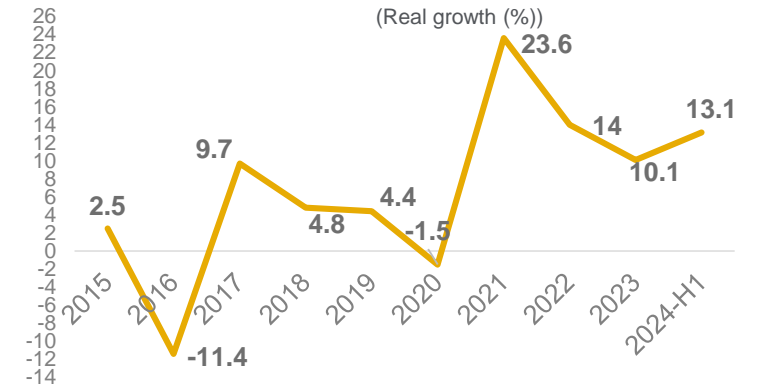
(Nominal growth (%))



Source: Armstat

GROSS FIXED CAPITAL FORMATION

(Real growth (%))

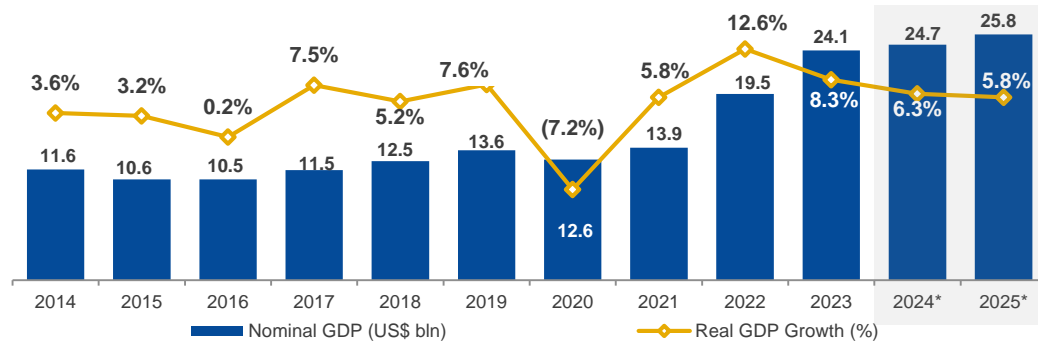


Source: Armstat

ECONOMIC INDICATORS - OUTLOOK

GDP AND GDP PER CAPITA RECOVERED AND EXCEEDED PRE-CRISIS LEVELS. ECONOMIC DIVERSIFICATION TOWARDS HIGHER VALUE ADDED ACTIVITIES CONTINUED. THE GOVERNMENT HAD FORECASTED 6.3% GROWTH FOR 2024 AND THE ARMENIAN ECONOMY GREW BY 6.5% IN THE FIRST HALF OF 2024.

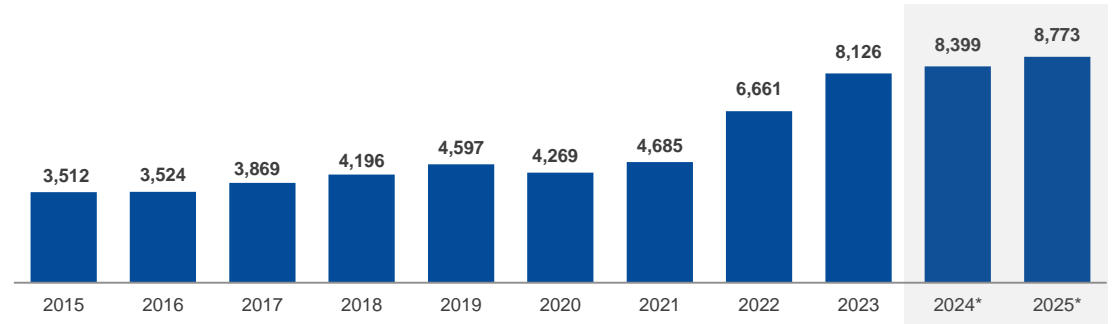
GDP TREND



Source: Armstat

* 2025-2027 MTEF Forecasts

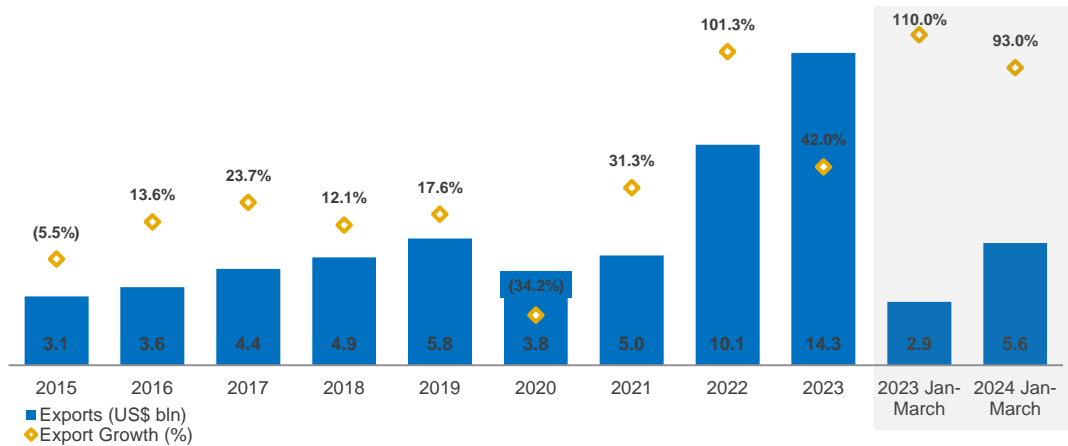
NOMINAL GDP PER CAPITA



Source: Armstat

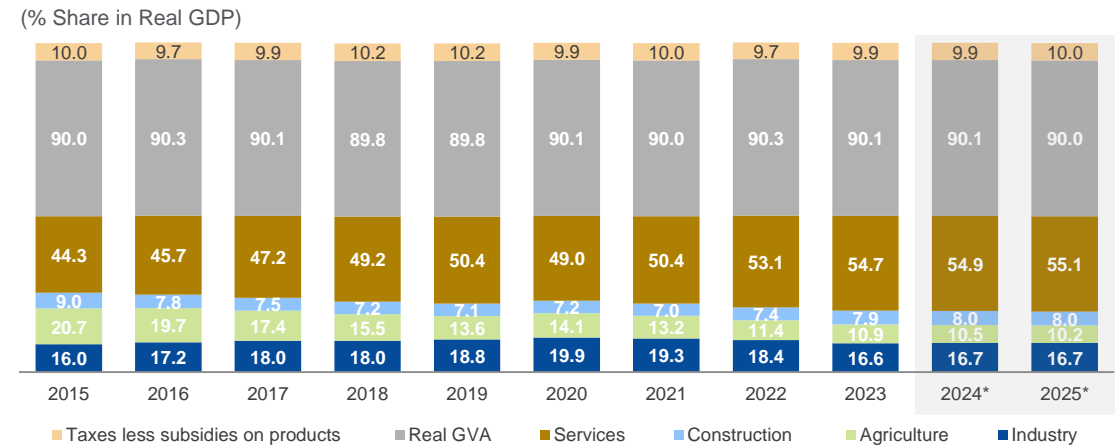
* 2025-2027 MTEF Forecasts

GOODS AND SERVICES EXPORT TREND



Source: Armstat

DIVERSIFICATION INTO HIGHER VALUE ADDED ACTIVITIES



Source: Armstat, Calculations of the Ministry of Finance

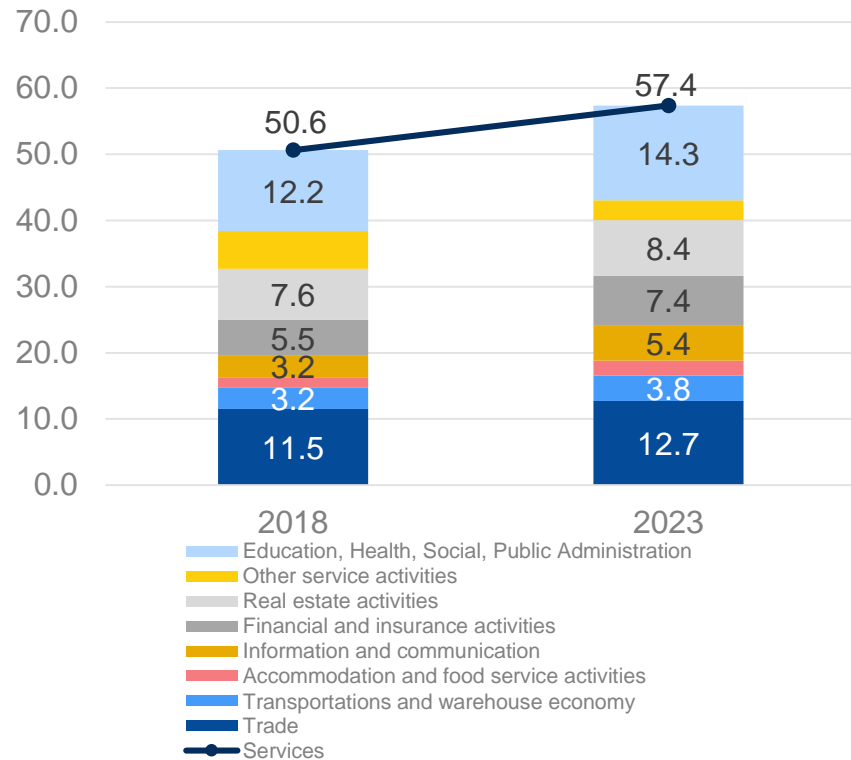
* 2025-2027 MTEF Forecasts

SERVICES SECTOR DIVERSIFICATION

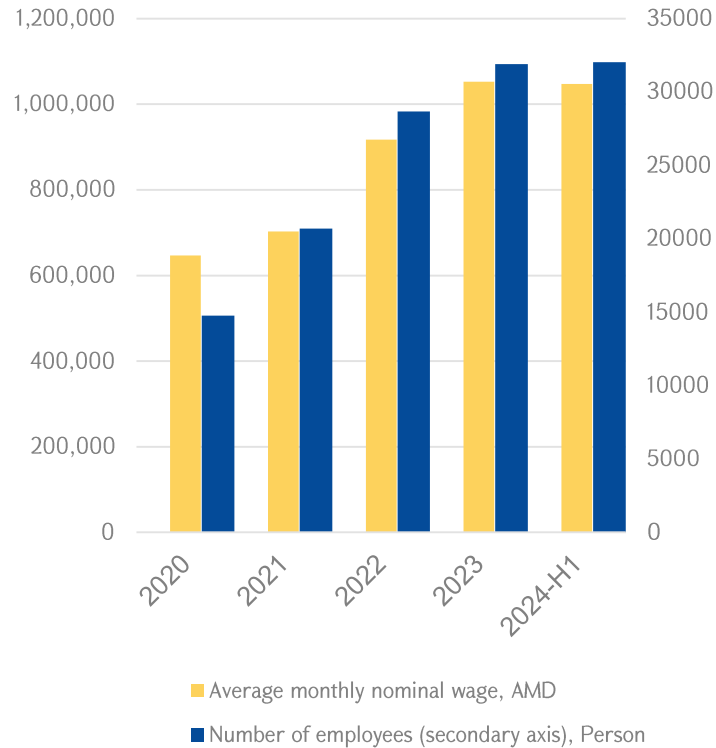
THE SHARE OF THE IT SECTOR IN THE ECONOMY HAS CONTINUOUSLY INCREASED, THE NUMBER OF EMPLOYEES IN THE SECTOR AND WAGES HAVE ALSO INCREASED. FOLLOWING THE DECLINE IN 2020, THE EXPORT OF SERVICES HAS EXPERIENCED SIGNIFICANT GROWTH SINCE 2021, PRIMARILY DRIVEN BY THE IT SECTOR AND TOURISM AND CONTINUES TO EXPAND ROBUSTLY

DIVERSIFICATION IN THE SERVICE SECTOR

(% Share in GDP)

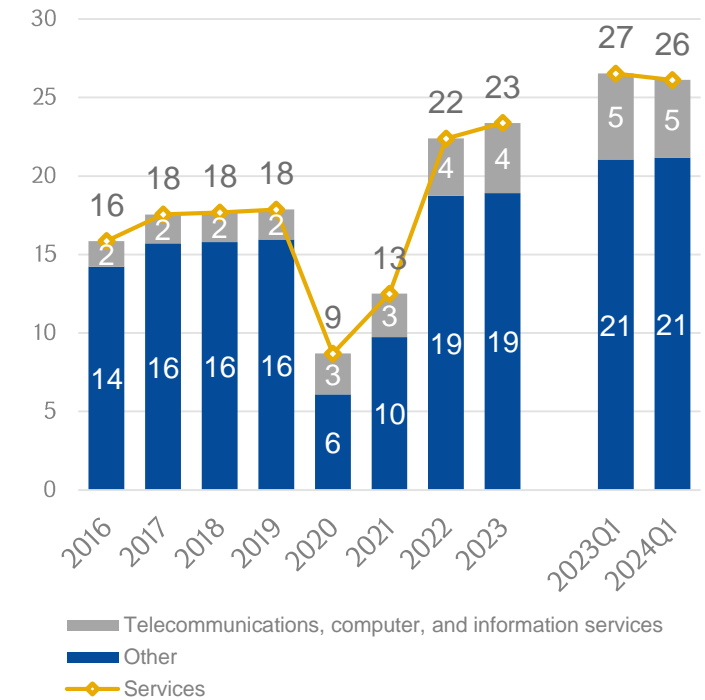


WAGES AND WORKERS IN THE IT SECTOR



EXPORT OF SERVICES

(% Share in GDP)



Source: Armstat, Calculations of the Ministry of Finance

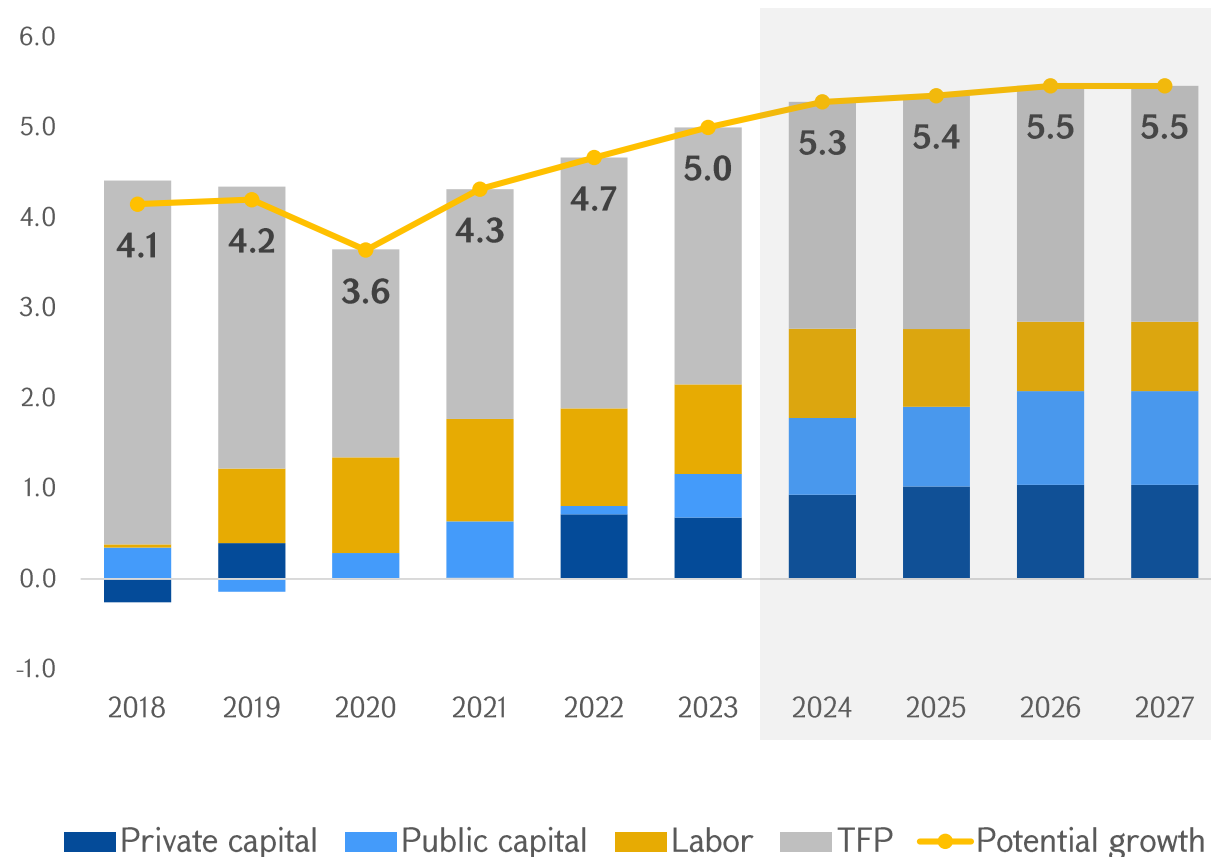
Source: Armstat, Calculations of the Ministry of Finance

Source: Armstat, Calculations of the Ministry of Finance

POTENTIAL GROWTH RATES

DURING RECENT YEARS POTENTIAL GROWTH INCREASED TO 5-5.5% AND WAS DRIVEN BY POSITIVE DEVELOPMENTS IN THE IT SECTOR, PUBLIC INVESTMENTS, JOB CREATION AND NEW LABOR FORCE (INCLUDING REFUGEES FROM NAGORNO KARABAKH).

Potential growth decomposition by factors of production, 2018–2027



- The historical growth potential is estimated at around 4-4.5% and the TFP has traditionally been the key determinant of potential growth
- During recent years the significance of the labor and capital factors have grown.
- In the medium term, both private and public sector capital, along with the labor, will positively contribute to the expansion of economic potential.



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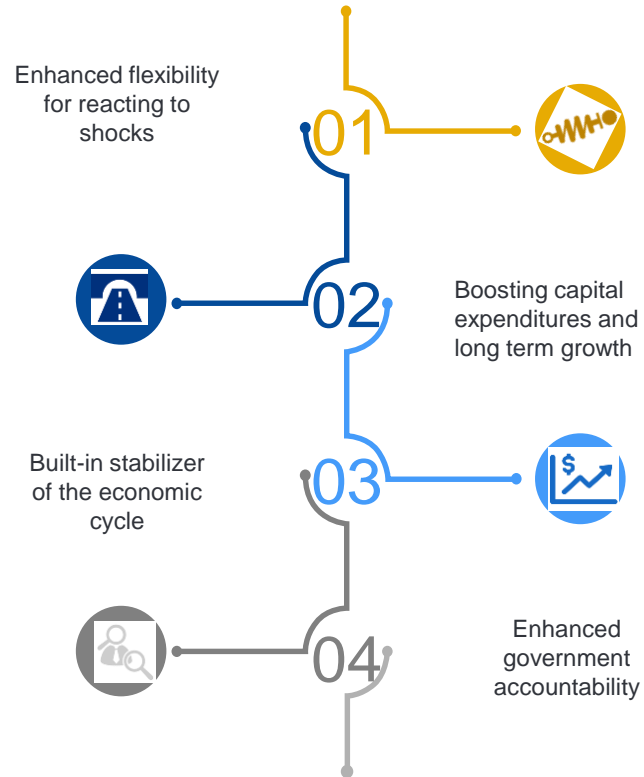
PRUDENT FISCAL MANAGEMENT



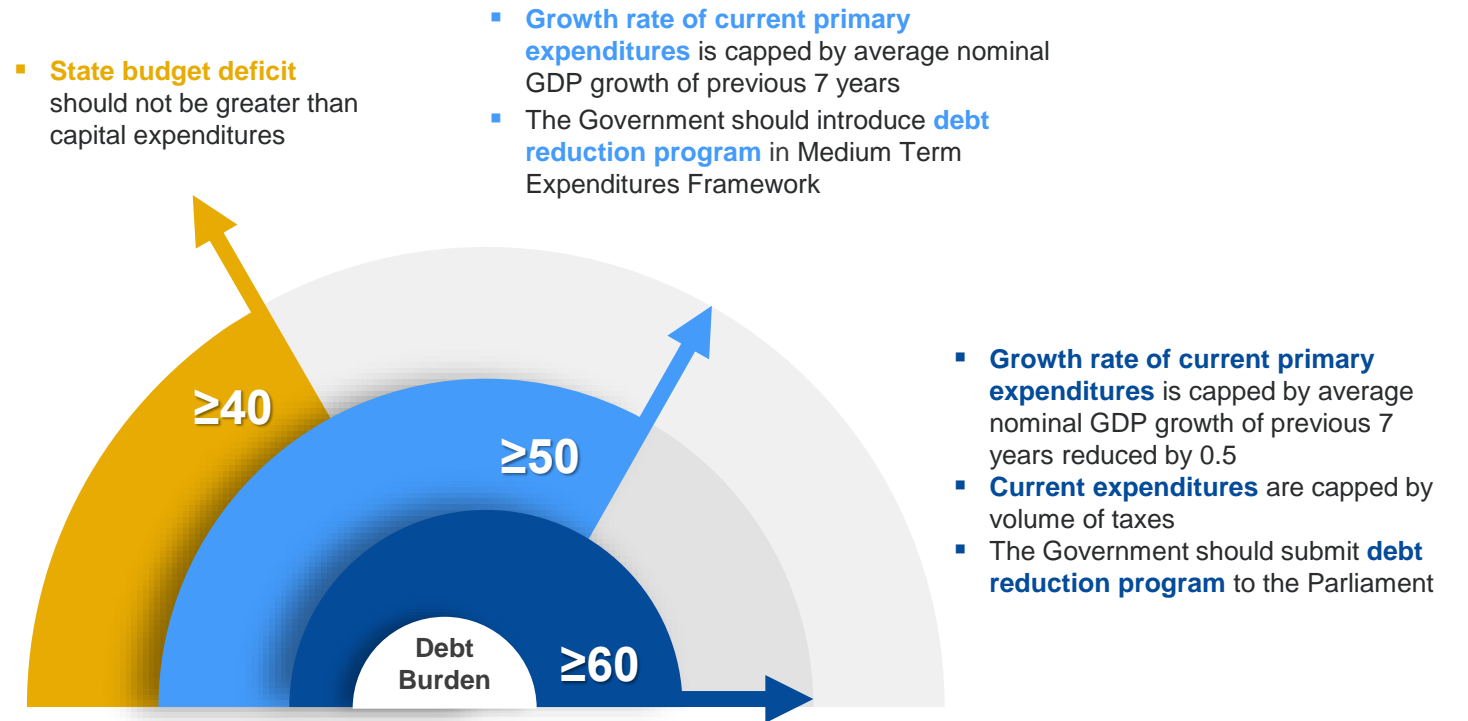
FISCAL RULE REFORM

UPGRADED FISCAL RULES SUPPORT DEBT SUSTAINABILITY AND FISCAL SPACE

ACTIVE FISCAL POLICY PRIORITIES



FISCAL RULE



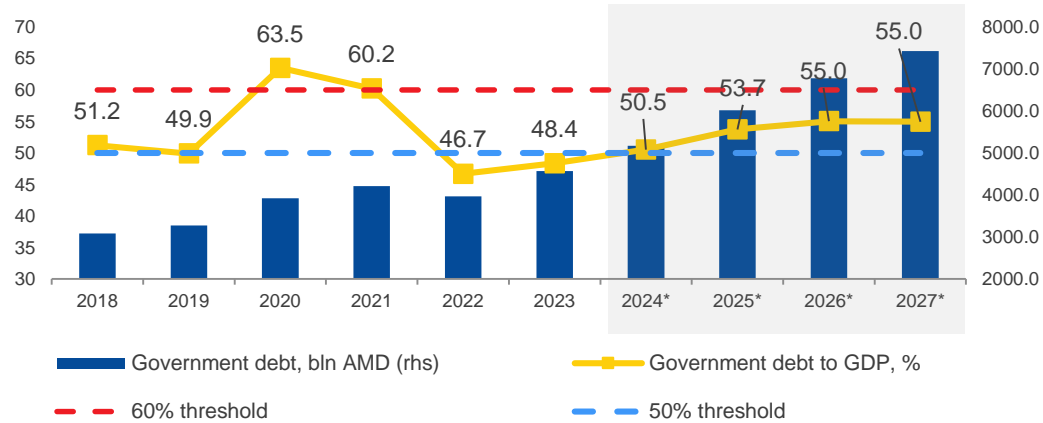
While in 2020 and 2021 the fiscal policy deviated from fiscal rules under “escape clause” inactivated due to twin shocks of COVID-19 and the war in Nagorno-Karabakh, in 2022-23 the adequacy to the “golden rule” was restored and the Government debt was reduced below 50% of GDP – shifting the regime of the fiscal rules to “softer restrictions”.

FISCAL POLICY: TARGETING GROWTH POTENTIAL AND SUSTAINABILITY

PRUDENT FISCAL FRAMEWORK REMAINS SUPPORTIVE FOR ECONOMIC POTENTIAL AND ENSURING FISCAL SUSTAINABILITY.

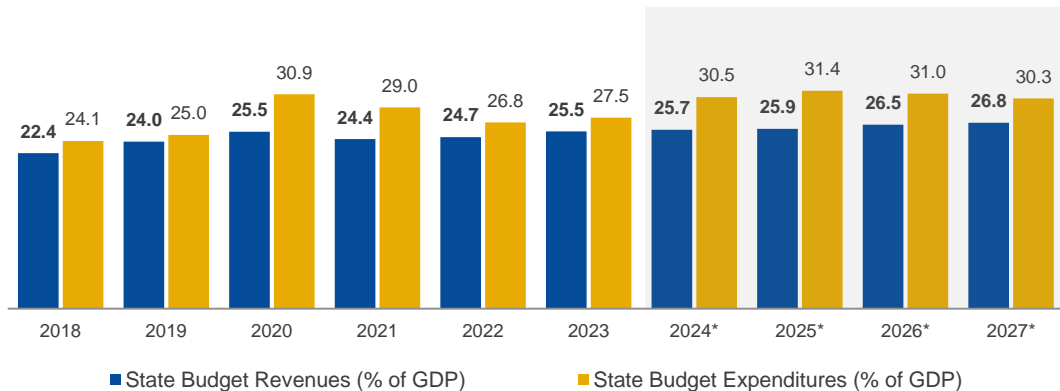
ECONOMIC AND FISCAL PERFORMANCE DURING 2023 ALLOWED TO MAINTAIN THE OUTCOMES OF FISCAL CONSOLIDATION OF 2021-22

DEBT-TO-GDP RATIO INCREASES AND STABILIZES WHILE THE GOVERNMENT IS ADDRESSING THE CRITICAL NEEDS (INCLUDING ASSISTING FORCEFULLY DISLOCATED PEOPLE FROM NK, SECURITY SPENDING AND RECENT NATURAL DISASTER IN LORI AND TAVUSH)



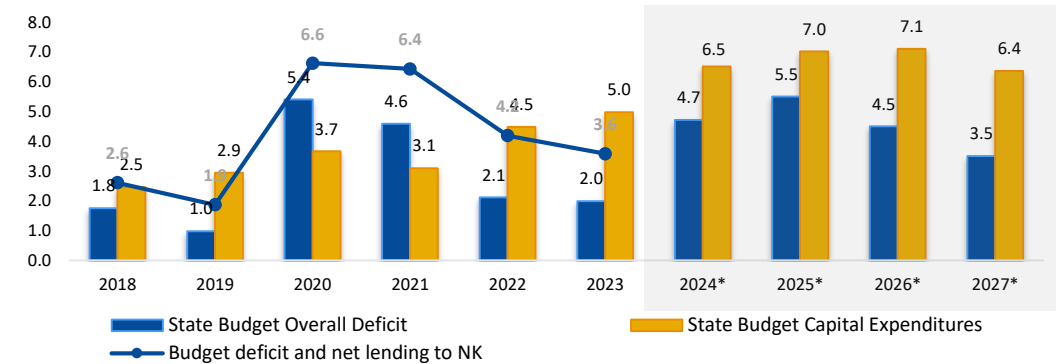
Source: Ministry of Finance,
*MTEF 2025-2027

CONCERTED GOVERNMENT REVENUE MOBILIZATION



Source: Ministry of Finance,
* The projections of MTEF 2025-2027, *including refunds of income tax on mortgage loan interests

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



Source: Ministry of Finance,

*The projections of MTEF 2025-2027. Note: Deficit for 2024-2027 includes funds equal previously planned for NK loan (presents also for all previous years) fully repurposed to budgeted expenditures for NK refugees and to reserve fund. This implies only slight increase in “deficit with net lending” figure compared to 2023 - allowing to maintain almost stable debt to GDP ratio.

MORE EMPHASIS ON ENHANCING CAPEX TO ACHIEVE HIGHER GROWTH

With 2025-2027 MTEF, Government plans to increase the role of capital spending

	2023 actual	2024*	2025*	2026*	2027*
Share in GDP, %					
State Budget Revenues	25.5	25.7	25.9	26.5	26.8
Tax Revenues	24.1	24.4	25.1	25.9	26.2
State Budget Expenditures	27.5	30.5	31.4	31.0	30.3
Current Expenditures	22.5	23.9	24.4	23.9	23.9
Transactions with non-financial assets	5.0	6.5	7.0	7.1	6.4
State Budget Balance	-2.0	-4.7	-5.5	-4.5	-3.5
Government Debt	48.4	50.5	53.7	55.0	55.0

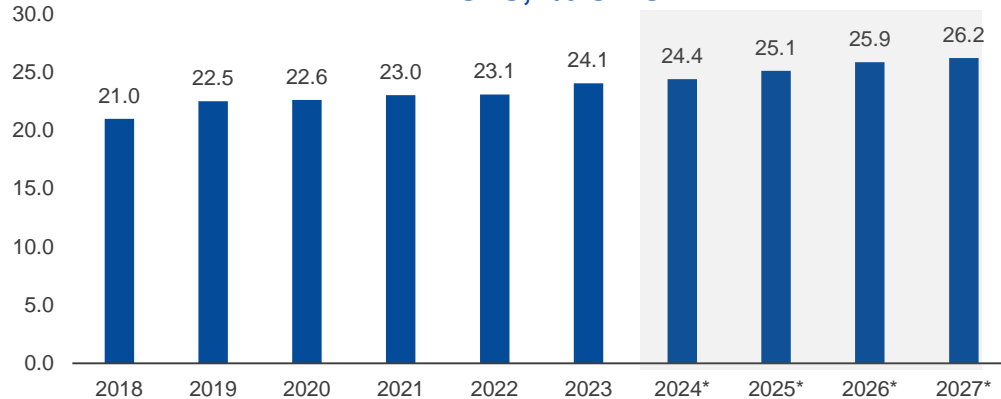
Source: Ministry of Finance,

* The projections of MTEF 2025-2027. Note: includes refunds of income tax on mortgage loan interests

TAX REVENUES

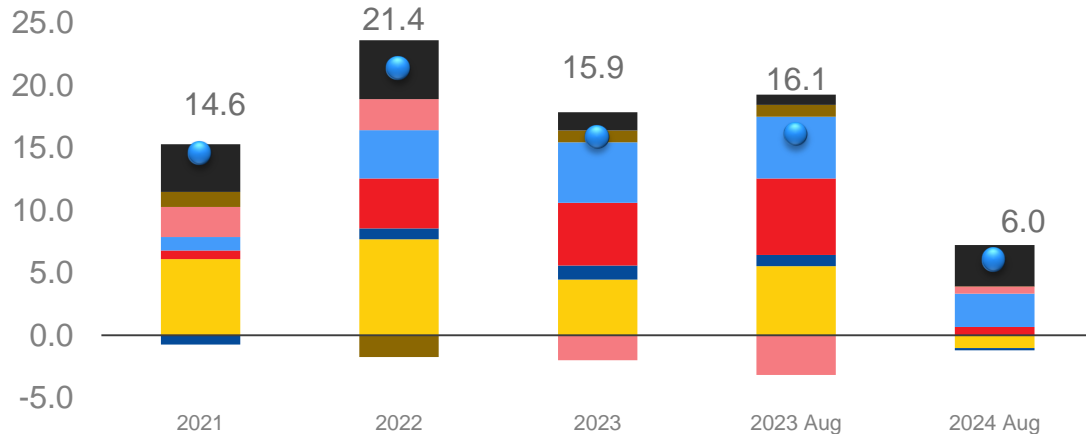
DURING RECENT YEARS STRONG TAX REVENUE PERFORMANCE HAS REGISTERED DRIVEN BY CONTINUED DECLINE IN THE SHADOW ECONOMY THROUGH PROACTIVE TAX ADMINISTRATION AND POLICIES

TAX REVENUES, % OF GDP



Source: Ministry of Finance, including refunds of income tax on mortgage loan interests

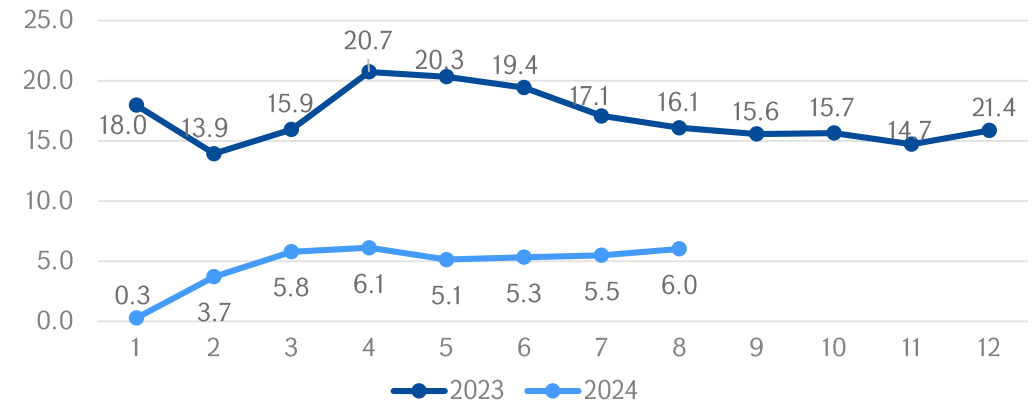
TAX REVENUES GROWTH RATE (%) AND CONTRIBUTIONS OF TAX TYPES (P.P.)



Legend: VAT (Yellow), Excise (Dark Blue), Profit tax (Red), Income tax (Light Blue), State duties (Pink), Custom duties (Brown), Other tax revenue (Black), Tax Revenue (Blue circle)

Source: Ministry of Finance
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TAX REVENUES, YOY CHANGE



Source: Ministry of Finance



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4 | GOVERNMENT DEBT MANAGEMENT

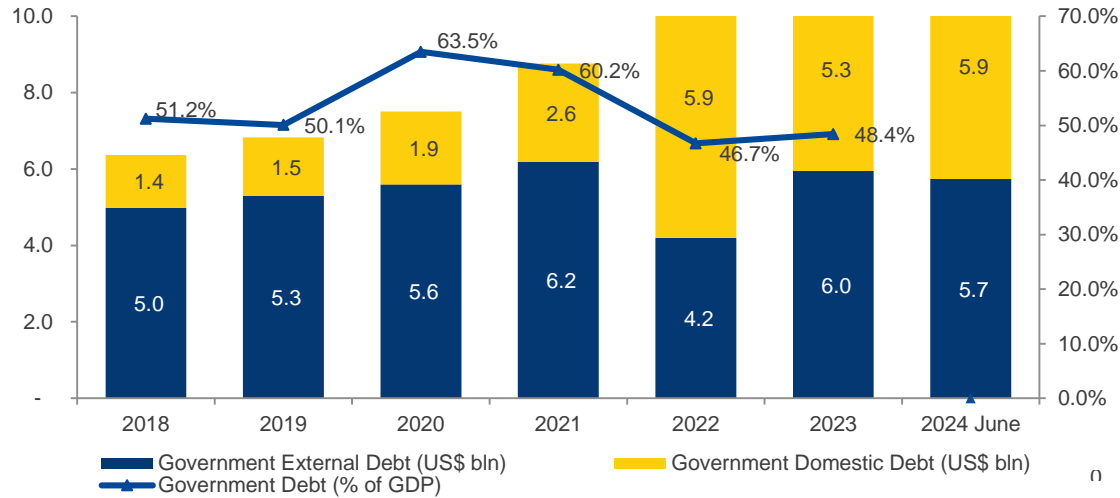


GOVERNMENT DEBT MANAGEMENT

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

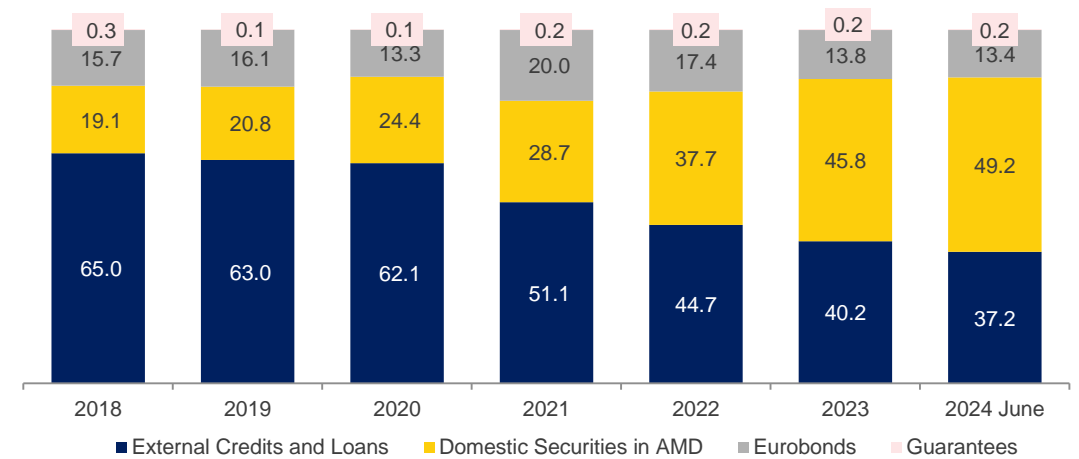
APPROXIMATELY 50% OF GOVERNMENT DEBT IS DENOMINATED IN LOCAL CURRENCY, MAKING ARMENIA'S DEBT SUSCEPTIBLE TO EXCHANGE RATE FLUCTUATIONS.

GOVERNMENT DEBT TO GDP



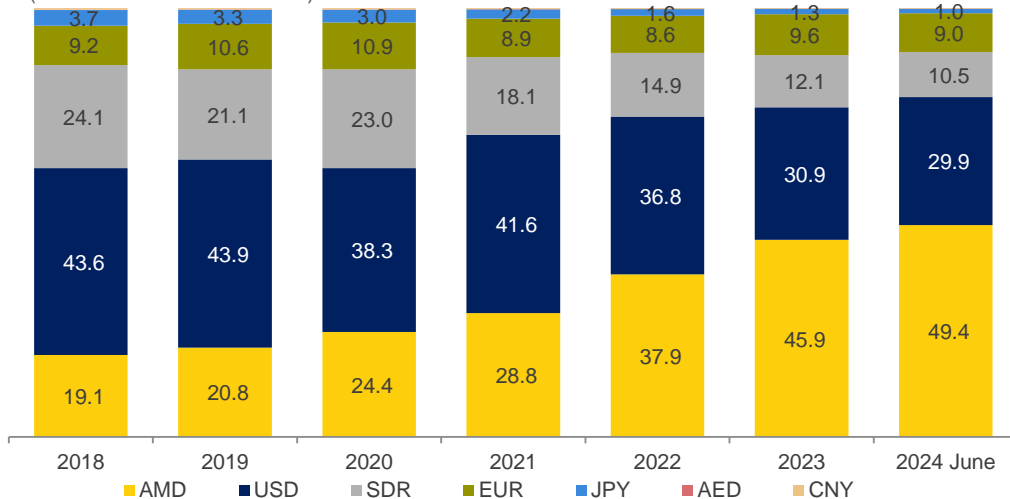
GOVERNMENT DEBT BY INSTRUMENTS

(% of Total Government Debt)

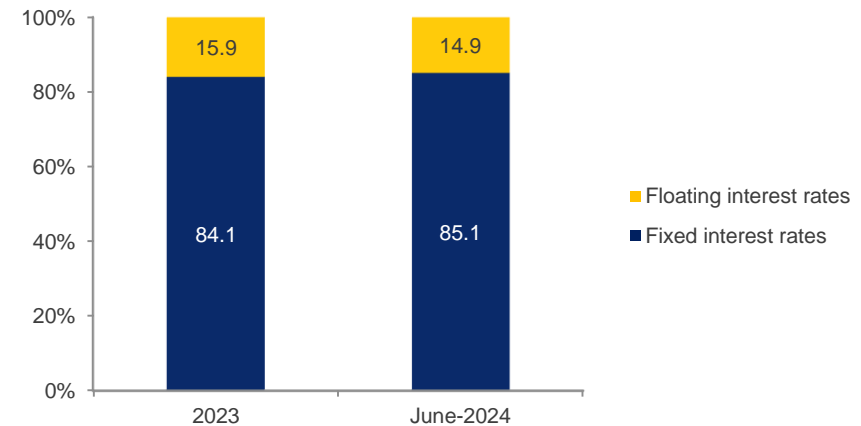


GOVERNMENT DEBT CURRENCY COMPOSITION

(% of Total Government Debt)



GOVERNMENT DEBT STRUCTURE BY TYPE OF INTEREST RATE



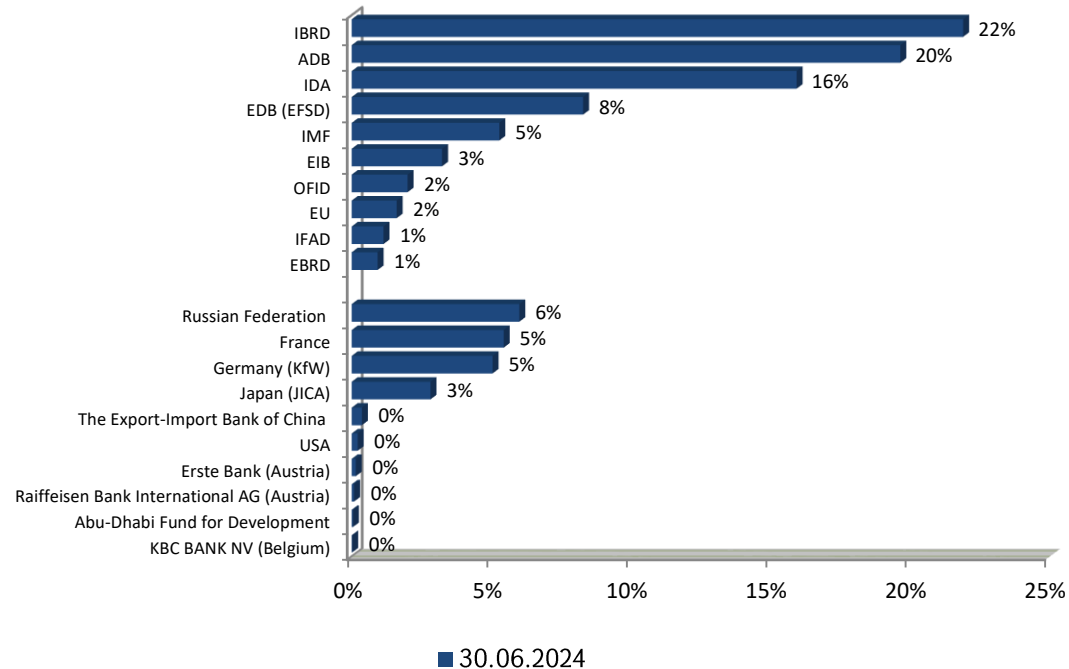
GOVERNMENT DEBT MANAGEMENT (CONT'D)

THE STRUCTURE OF EXTERNAL LOANS REMAINS DIVERSIFIED REFLECTING EFFECTIVE RELATIONS WITH ALL IFIs.

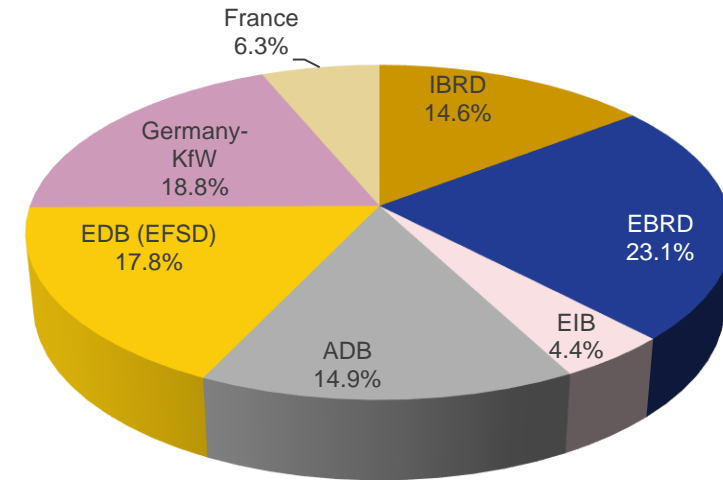
EXTERNAL CREDITS AND LOANS

	31.12.2021	31.12.2022	31.12.2023	30.06.2024
Stock Outstanding (USD mln)	4,481.1	4,503.9	4,536.0	4,328.2
<i>of which</i>				
Multilateral Creditors	3,467.6	3,495.9	3,590.1	3,456.4
Bilateral Creditors	996.8	994.2	933.9	861.1
Commercial Banks	16.7	13.7	12.1	10.7
Weighted Average Interest Rate,	1.5	3.2	3.6	3.7
Weighted Average Time to Maturity (ATM), years	7.9	7.5	7.3	7.2

EXTERNAL LOANS STRUCTURE BY CREDITORS



UNDISBURSED BALANCE UNDER EXISTING LOANS IS USD 1,291.8 MILLION (June 30, 2024)



Source: Ministry of Finance

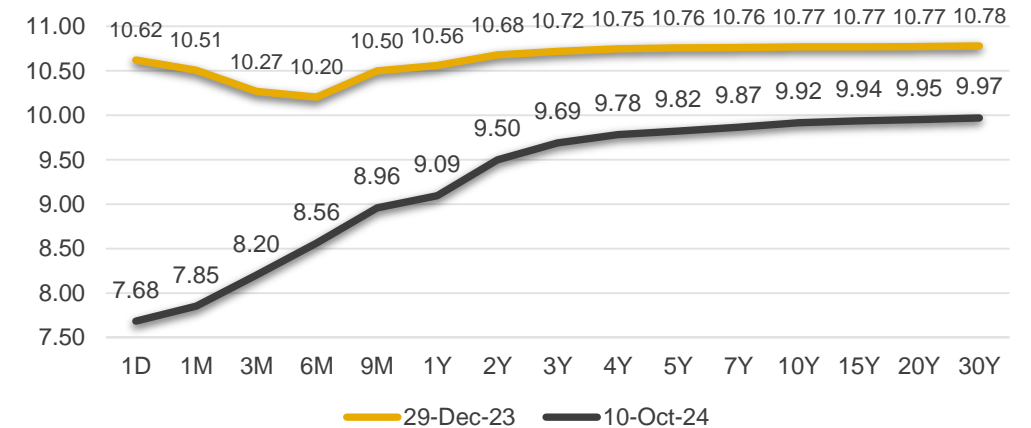
GOVERNMENT DEBT MANAGEMENT (CONT'D)

DOMESTIC MARKET BECAME MORE FAVORABLE FOR FOREIGN INSTITUTIONAL INVESTORS. THE SHARE OF FOREIGN INSTITUTIONAL INVESTORS IN OUTSTANDING GOVERNMENT TREASURY SECURITIES REACHED 7% IN 2024.

OUTSTANDING GOVERNMENT DOMESTIC SECURITIES

	31.12.2020	31.12.2021	31.12.2022	31.12.2023	30.06.2024
Stock outstanding, AMD bln	958.8	1,208.9	1,496.3	2,092.9	2,225.3
Weighted Average Yield, %	10.39	10.08	10.55	10.72	10.68
Weighted Average Time to Maturity, years	11.0	10.4	8.9	8.1	7.73
Weighted average yield of Government Securities allocated on the Primary Market, %	7.74	9.27	11.08	10.83	10.33

YIELD CURVE OF GOVERNMENT SECURITIES HAS SHIFTED DOWN, INDICATING A GENERAL DECREASE IN INTEREST RATES ACROSS ALL MATURITIES DRIVEN BY CENTRAL BANK POLICY AND POSITIVE MACROECONOMIC INDICATORS.

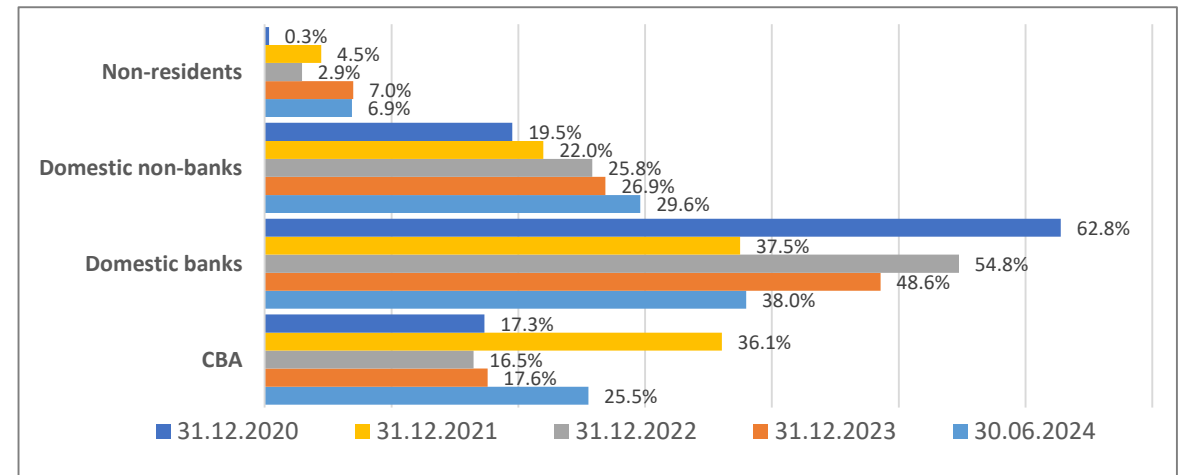


Source: CBA

ON-THE-RUN GOVERNMENT DOMESTIC SECURITIES: LATEST AUCTIONS

Auction Date	ISIN	Allocation	Weighted Average Yield	Coupon Yield	Outstanding, AMD	Maturity Date
02-Sep-24	AMGT52019255	5,006,739,000	9.10	-	5,033,231,000	01-Sep-25
10-Sep-24	AMGN36294277	22,800,000,000	9.93	8.40	52,807,790,000	29-Apr-27
13-Aug-24	AMGN60294292	32,527,000,000	9.89	8.60	62,632,580,000	29-Apr-29
09-Jul-24	AMGB1129A332	61,455,500,000	9.96	9.60	445,502,850,000	29-Oct-33
08-Oct-24	AMGB3029A522	904,200,000	9.98	9.75	14,366,264,000	29-Oct-52

INVESTORS STRUCTURE OF GOVERNMENT DOMESTIC SECURITIES

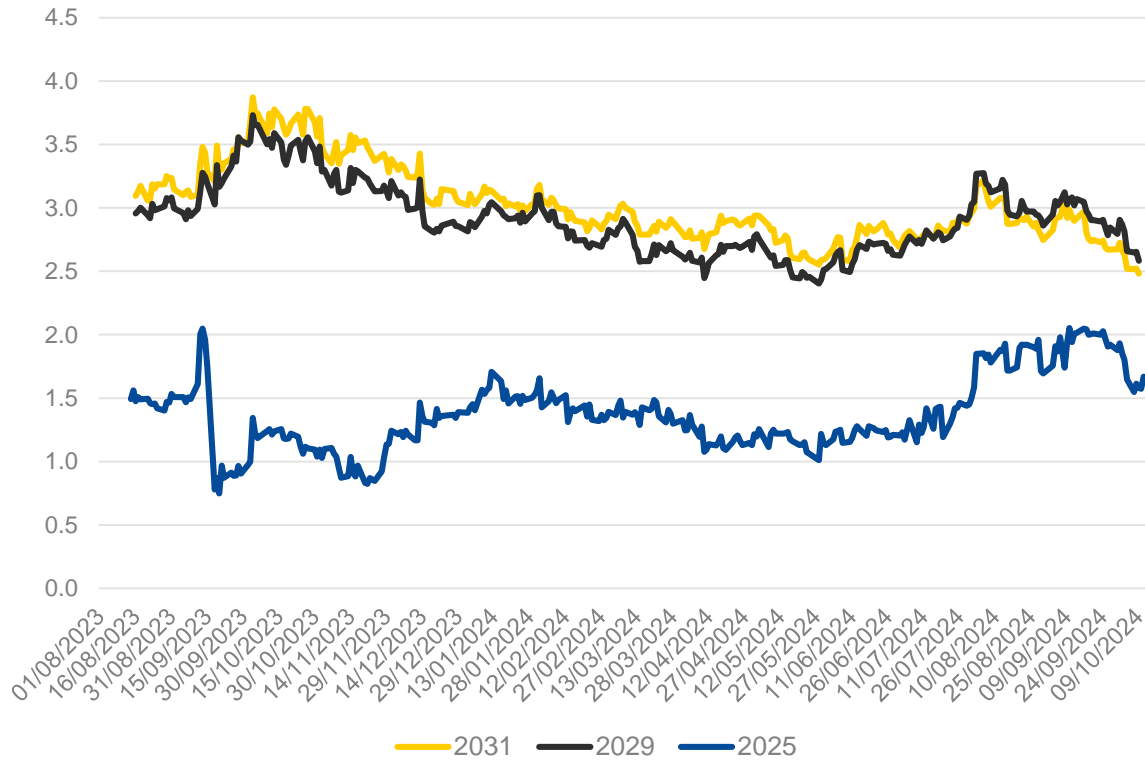


Source: Ministry of Finance

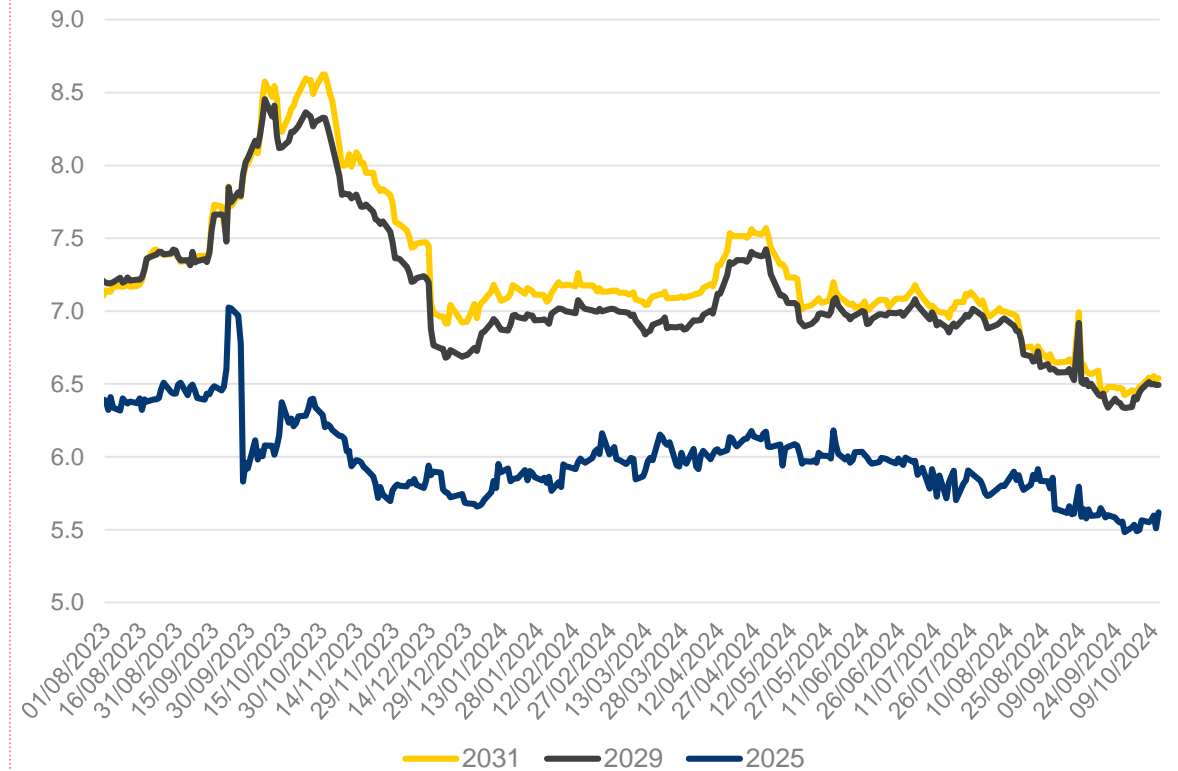
ARMENIA IN INTERNATIONAL CAPITAL MARKETS

THOUGH ECONOMY FACED SHOCKS, RISK PREMIUM HAS BEEN DECLINING, WHICH WITH IMPROVED RATINGS REFLECTS ECONOMIC RESILIENCE, ROBUST GROWTH AND PRUDENT MACROECONOMIC POLICIES WITH THE SUPPORT OF WHICH MACROECONOMIC STABILITY WAS PRESERVED

SPREAD VS BENCHMARK BONDS, %



EUROBONDS QUOTATION, %



In September 2023 the Ministry of Finance of Armenia announced a tender offer for its outstanding 7.15% notes maturing in 2025, whereby Armenia purchased USD 187.6 million of the outstanding notes. The deal aligned with country's debt strategy to reduce foreign currency denominated debt.

RISK INDICATORS AND STRATEGY

RISK INDICATORS ARE IN LINE WITH STRATEGY BENCHMARKS AND MEDIUM-STRATEGY TARGETS PROACTIVE DIVERSIFICATION OF DEBT PORTFOLIO AND INTRODUCTION OF NEW TOOLS

INDICATORS CHARACTERIZING GOVERNMENT DEBT AND BENCHMARKS FOR 2024-2026

	Benchmark	31.12.2023	30.06.2024
Weighted Average Interest Rate, %		7.0	7.3
Refinancing risk			
Weighted Average Time to Maturity (ATM), years	7 - 10	7.4	7.1
Debt Share Maturing in Upcoming 3 Years, %	maximum 35%	28.6	29.5
Debt Share Maturing in Upcoming 365 Days, %		9.1	13.4
The share of Government Treasury Securities maturing in the next year in total TS (at the end of the year), %	maximum 20%	11.8	14.2
Interest rate risk			
The share of fixed rate debt in the total debt, %	at least 80%	84.1	85.1
Weighted Average Time to Refixing (ATR), years		6.4	6.1
Debt Share Refixing in Upcoming 365 Days, %		21.6	25.3
Exchange rate risk			
Share of domestic debt in total debt, %	at least 40%	47.3	50.7
Share of AMD denominated debt in total debt, %	at least 40%	45.9	49.4

Debt Management Strategy Targets

➤ Domestic debt:

- Increasing share of medium-term and long-term bonds (especially 10-year benchmark bonds)
- Introducing new instruments:
 - Switch Auctions
 - Inflation linked Bonds
 - Project Bonds

➤ External debt:

- Boosting projects loans (big loan agreements on North-South)
- Issuing Eurobonds when market conditions are affordable
- Introducing new result-oriented loans

➤ Other targets:

- Improving Public Debt legislation in line with international best practice
- Improving retail market online platform with KYC



THE GOVERNMENT
OF THE REPUBLIC
OF ARMENIA
INVESTOR PRESENTATION

5 | IMPROVING EXTERNAL POSITION

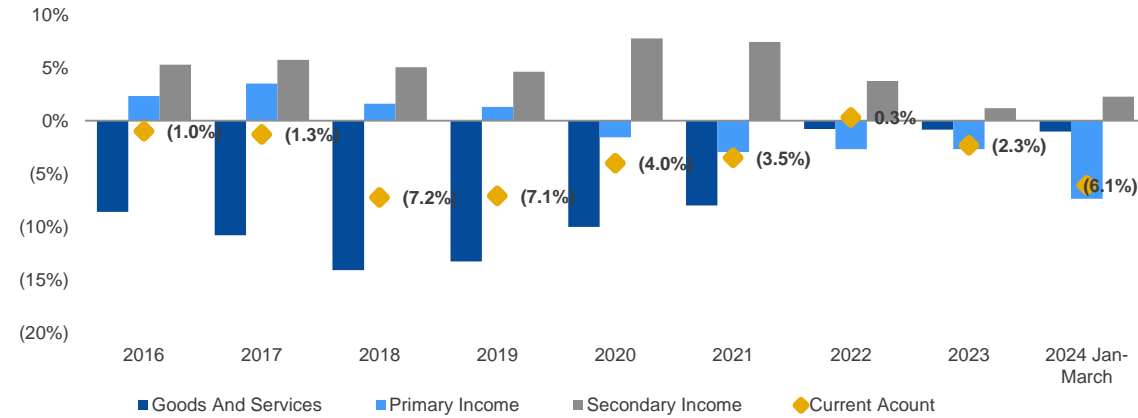


EXTERNAL POSITION

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

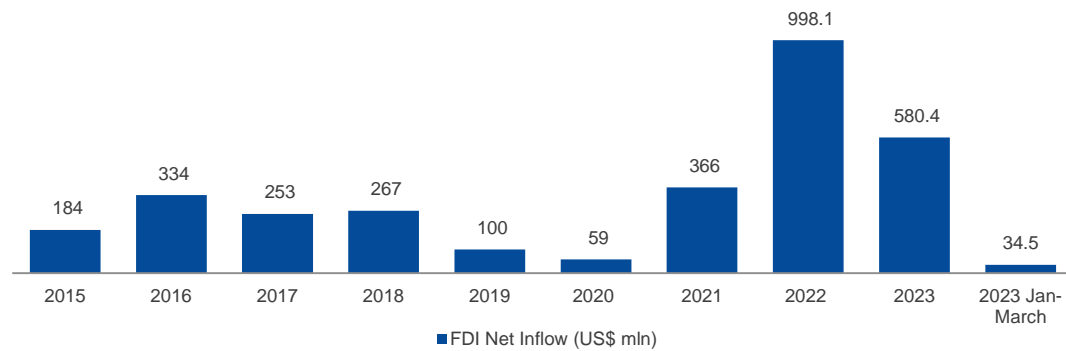
TREND IN CURRENT ACCOUNT

(% of GDP)



Source: CBA

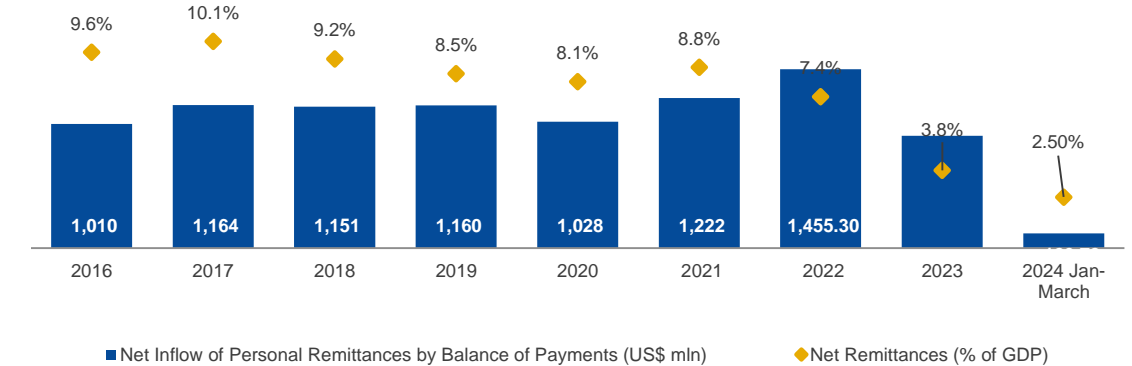
Net FDI*



Source: CBA

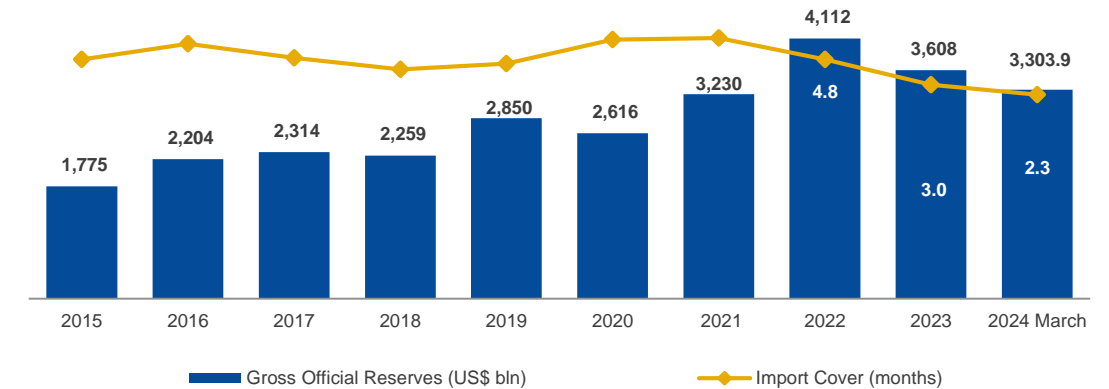
* Net incurrence of liabilities

REMITTANCES



Source: CBA

INTERNATIONAL RESERVES



Source: CBA

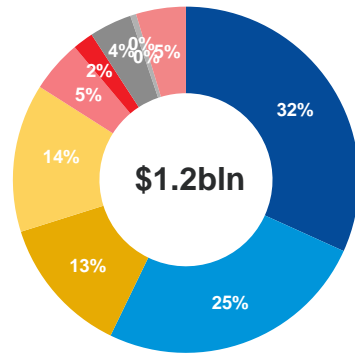
FOCUS ON EXPORT-ORIENTED AND COMPETITIVE INDUSTRIES

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)

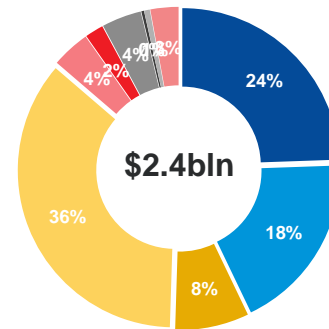
- Mineral products
- Prepared foodstuffs
- Base metals
- Precious stones and metals
- Textiles/clothing
- Animal and animal product
- Vegetables
- Transport
- Machinery and equipment
- Other



As of 2019



14.6%
CAGR



As of 2024



Share of precious stones and metals exports up by 21.9 pp



Share of transport exports up by 0.3 pp



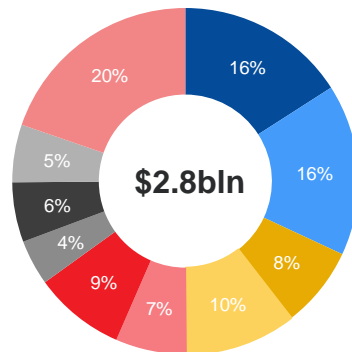
Share of mineral products exports down by 7.3 pp

Source: Customs data

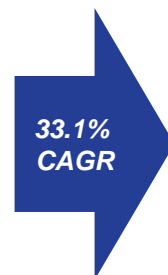
ARMENIA'S IMPORT COMPOSITION SHIFTING FROM CONSUMPTION TOWARDS INVESTMENT

(% Share of Goods Imports)

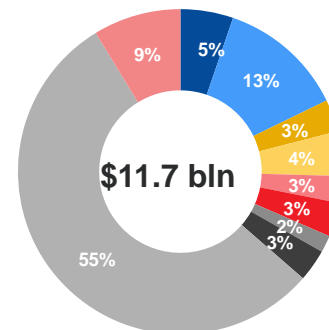
- Mineral products
- Machinery and equipment
- Prepared foodstuffs
- Transport
- Base metals
- Chemical products
- Vegetables
- Textiles/clothing
- Precious stones and metals
- Other



As of 2019



33.1%
CAGR



As of 2024



Share of precious stones and metals imports up by 49.5 pp



Share of transport imports up by 6 pp



Share of mineral products down by 10.7 pp

Source: Armstat

The comparison of exports and imports compositions are presented for January-July of 2019 and 2024.



THE GOVERNMENT
OF THE REPUBLIC
OF ARMENIA
INVESTOR PRESENTATION

6

CREDIBLE MONETARY POLICY & STABLE FINANCIAL SECTOR



INSTITUTIONAL FRAMEWORK

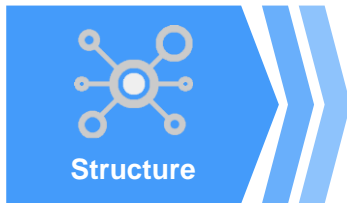
CREDIBLE INSTITUTIONAL FRAMEWORK FOR MANAGING MONETARY POLICY AND THE FINANCIAL SECTOR

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



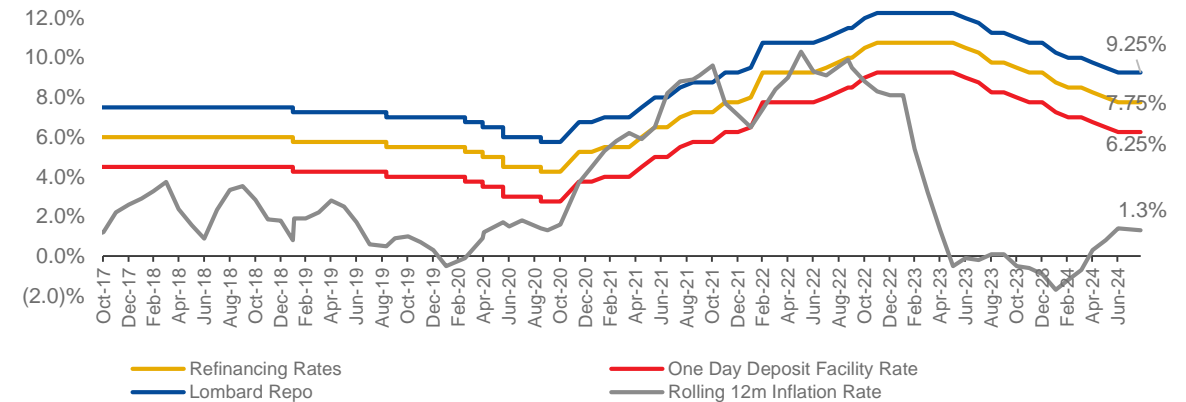
- Inflation targeting policy with an annual inflation target of 4% (tolerance band of plus/minus 1.5%)
- Key inflation targeting instrument is the interest rate on short-term loans from the CBA to the domestic banking system (the “Refinancing Rate”)



- 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

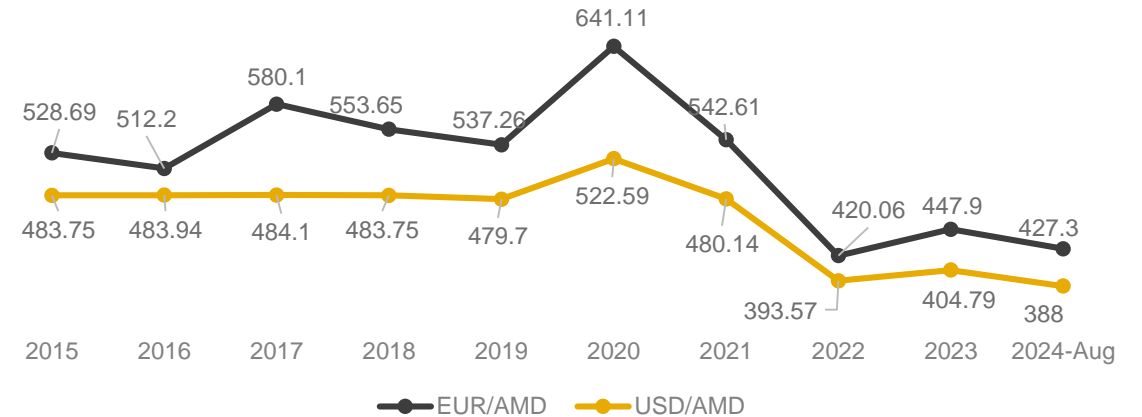
KEY CENTRAL BANK RATES AND INFLATION

(%)



EXCHANGE RATES

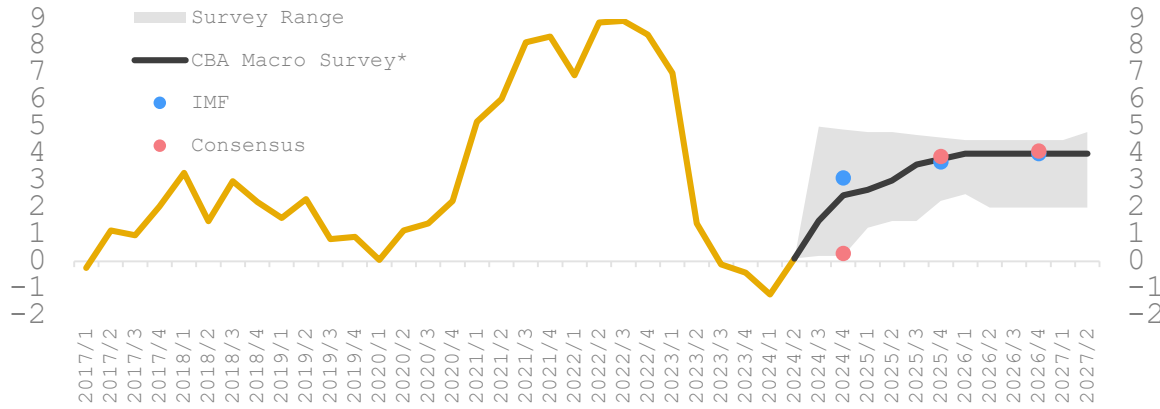
(AMD/EUR, AMD/USD, end of period)



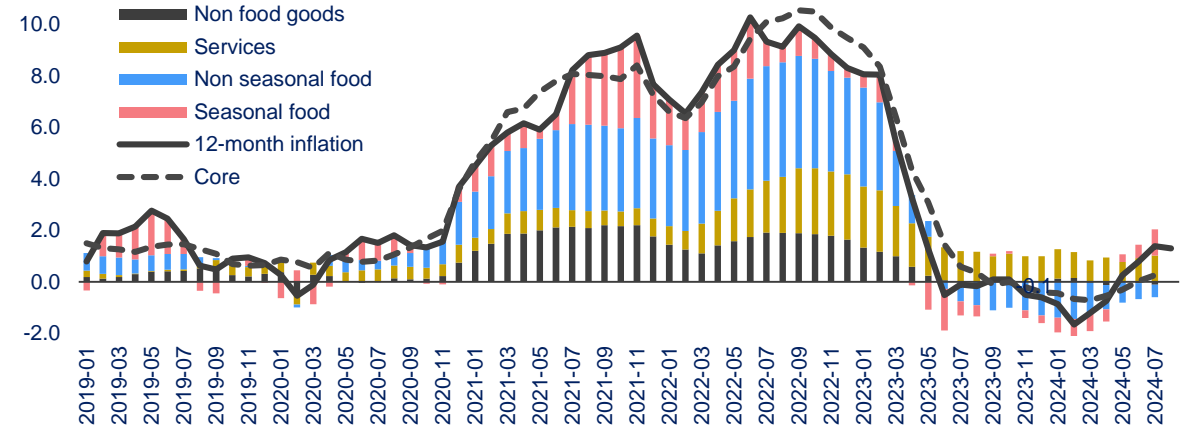
MONETARY POLICY IS COMMITTED TO PRICE STABILITY

CBA'S COMMITTED TIGHTENING OF MONETARY CONDITIONS SINCE DEC 2020 WAS EFFECTIVE IN TERMS OF CONTROLLING INFLATION AND CONTAINING INFLATION EXPECTATIONS. THIS ALLOWED THE CBA TO START GRADUAL EASING OF POLICY IN 2023.

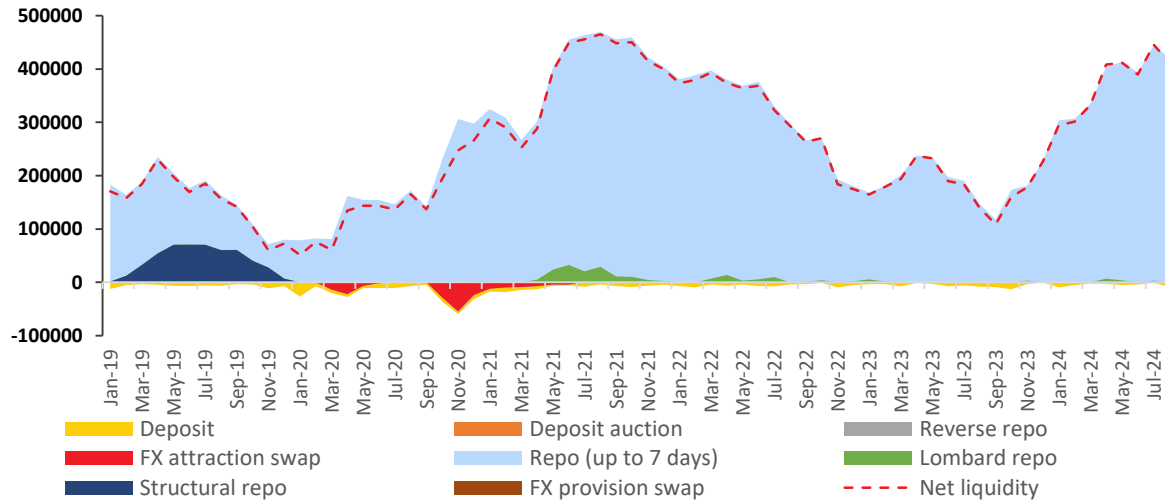
INFLATION PROJECTIONS BY MARKET PARTICIPANTS, AUG 2024



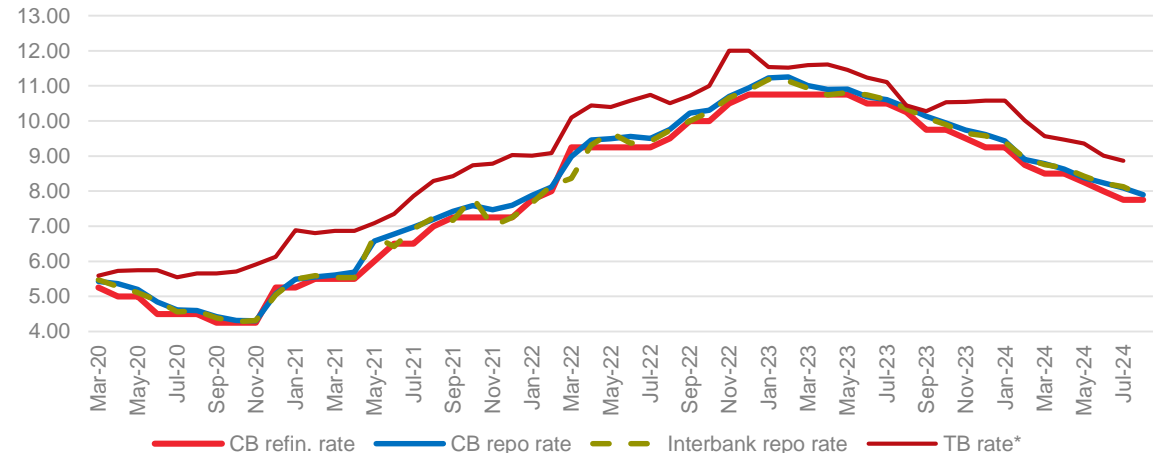
INFLATION COMPONENTS



CENTRAL BANK LIQUIDITY TRANSACTIONS (bIn AMD)



MARKET INTEREST RATES (%)

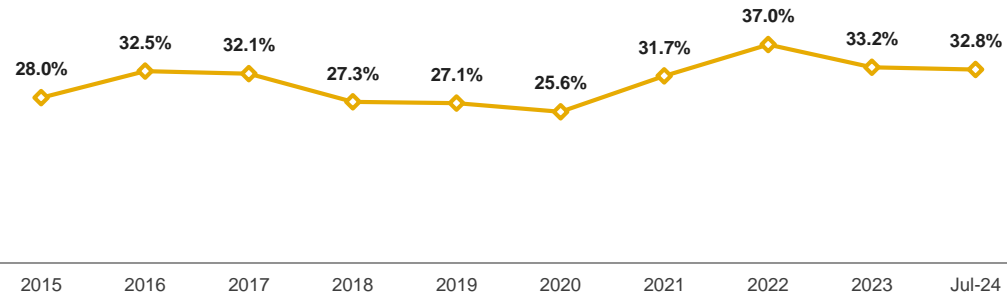


Source: CBA

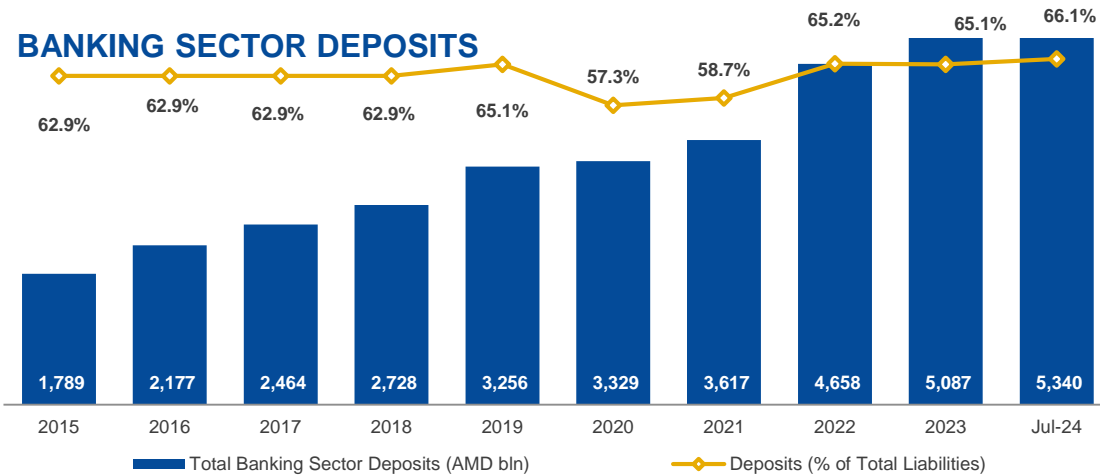
BANKING SECTOR OVERVIEW

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

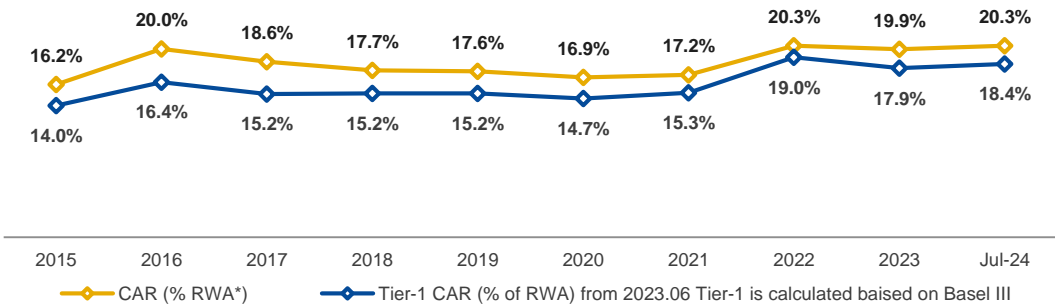
LIQUIDITY RATIO



BANKING SECTOR DEPOSITS

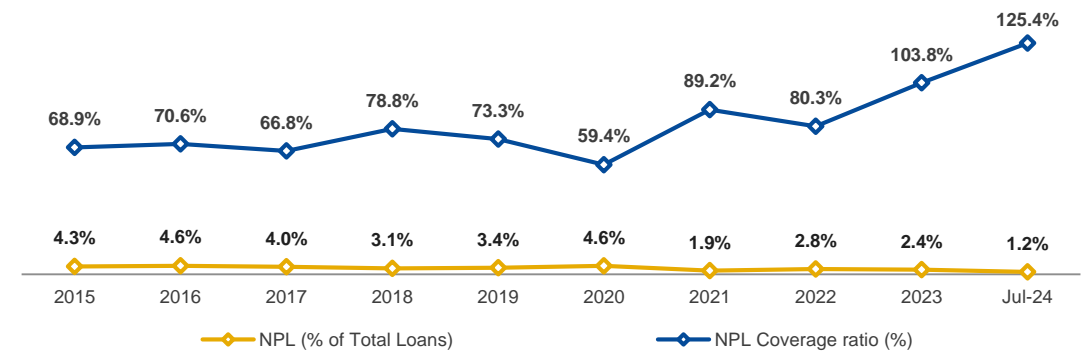


CAPITAL ADEQUACY RATIO



* Risk Weighted Assets

NON-PERFORMING LOANS AND COVERAGE RATIO*

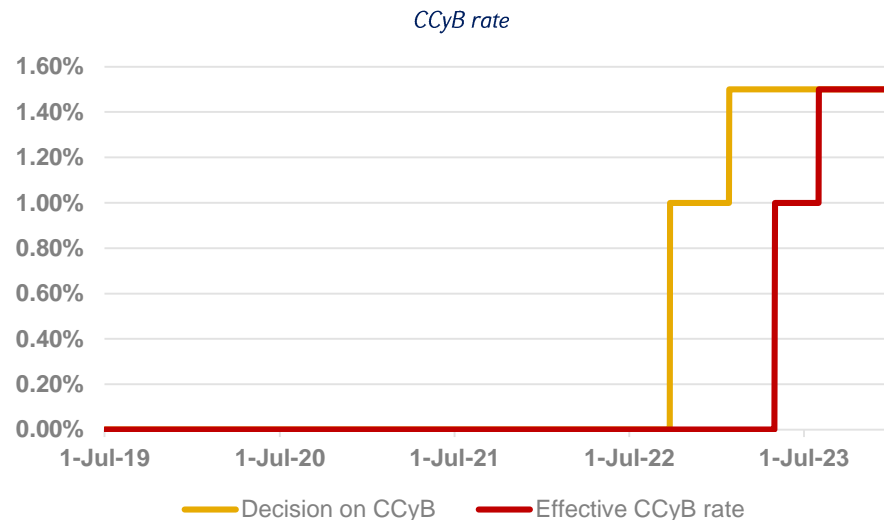


* Excluding watch category loans and reserves

Source: CBA

MACROPRUDENTIAL POLICY IS COMMITTED TO FINANCIAL STABILITY

- To enhance the loss-absorbing capacity of the banking system, the Counter-Cyclical Buffer rate was increased to 1.5 pp (effective from August 2023).



“ To increase the efficiency and forward-lookingness of Macroprudential policy 1.5 pp Cycle-Neutral rate of CCyB has been introduced. The CBA is inclined to accumulate Cycle-Neutral CCyB in an environment, where cyclical credit risks are neither elevated nor subdued ”.

- To address the risks stemming from the real estate and mortgage markets, Loan-to-Value ratio was set at the following rates.
 - LTV for AMD loans: 90%
 - LTV for FX loans: 70%

CONTACTS AND USEFUL LINKS

Public Debt Management Department

Ministry of Finance, Republic of Armenia

Tel.: +374 11 910 407, +374 11 910 416

Web: www.minfin.am

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

AMIO BANK CJSC

ARDSHINBANK CJSC

CONVERSE BANK CJSC